



## This Buy-and-Hold Forever Stock Is on Sale

### Description

Trading 11% lower than 2019 highs, **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)) stock is trading at as close to bargain prices as we may see without external forces, such as a big market correction, taking all stocks down. This is important, because Waste Connections is a stock that I think investors should seriously consider buying today and holding forever for the following reasons.

### Waste Connections benefits from its defensive business

Waste Connections is an integrated solid waste services company that provides waste collection, disposal, and recycling services in the U.S. and Canada. It is the kind of business that withstands economic pressures, as this business is an essential one. The collection, transfer, recycling, and disposal of solid waste is something that is needed regardless of the economic backdrop at any given time.

And not only is the business defensive, but it is also growing, which is a very nice combination. Waste Connections continues to benefit from pricing increases, and a healthy volume outlook, which is translating into healthy organic growth of approximately 5%. On top of this, Waste Connections is in the enviable position of having the type of financial strength that enables the company to continue to make select acquisitions, thereby increasing its market share, revenue, earnings, and cash flow.

Management has noted that it has \$600 million of offers outstanding to acquire various assets, which would add to 2020 revenue. Looking even further ahead, management has stated that there remains \$6 billion in potential acquired revenue that remains in private hands and that would fit nicely with Waste Connection's stated strategy.

### Dividend growth

Ultimately, this has all translated into strong returns for shareholders. Waste Connections has [a strong history of solid cash flow generation and dividend growth](#). Waste Connections shareholders enjoyed a 24% dividend-growth rate in 2016, a 17% dividend-growth rate in 2017, a 16% dividend-

growth rate in 2018, and a 15.6% dividend-growth rate in 2019. Free cash flow as a percentage of revenue is a phenomenal 19%, and this shows the strength of this company and the strong potential for more dividend increases.

At this time, there remains upside in pricing and in potential acquisitions over and above what expectations are calling for. The industry remains highly fragmented, which continues to be good news for Waste Connections, as the company continues to consolidate the industry and ultimately reap the rewards of its growing significance in the marketplace.

Importantly, in the absence of deals that make “good cents” (pun intended) for the company, management has stated that they are comfortable returning more cash to shareholders. The current dividend yield is below 1%, and the payout ratio is quite low, so we can easily see how dividend increases can very likely continue to be implemented.

## Foolish bottom line

[A buy-and-hold stock is one that demonstrates its value proposition](#) in everything that it does. It is one that demonstrates that it has the financial and operational know-how behind it that leads to value-creating decisions.

These are all characteristics that have defined Waste Connections over the years and that have resulted in strong shareholder returns. The future continues to look bright for the company, and I would look to add this forever stock today and on any general market weakness that may take it down further.

### CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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2. TSX:WCN (Waste Connections)

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