



This Trash Stock Could Make You Rich

Description

While the market continues to fire on all cylinders, the need to diversify your portfolio with one or more defensive holdings has never been greater. One such investment that should be on the radar of investors everywhere is **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)).

One man's trash will make you rich

Waste Connections is an integrated solid waste services company. In other words, the company provides waste collection, transferring, recycling and disposal services to the markets around the U.S. and Canada.

One interesting point to note here is that Waste Connections has targeted primarily secondary markets to serve. That's not to say the company hasn't branched out into larger markets, but more that those secondary markets offer less competition and more favourable conditions for the company to rapidly grow, which it has.

Over the course of the current fiscal quarter, Waste Connections has acquired 13 different companies, with a total value of over \$400 million. Company management hinted additional acquisitions valued at over \$500 million as well as a share-buyback program could occur within the next year.

A growing dividend

Waste Connections currently offers a modest 0.77% yield at the moment, which hardly makes the stock a [screaming buy](#) for income-seeking investors. Looking at the past few years, however, reveals a string of solid upticks to that dividend, which will, if the current trend continues, turn Waste Connections into a solid income producer.

By way of example, in 2016, the company rewarded shareholders with a handsome 24% bump to the dividend. In 2017, Waste Connections followed up with a 17% increase. In 2018 and 2019, the company provided a 16% and 15.6% increase, respectively.

Keep in mind that those bumps were in addition to the superb growth we've seen from the stock in recent years, leading to my next point.

Lucrative growth potential

We're still a few weeks off from Waste Connections releasing results for the fourth fiscal quarter, but going by the performance of the past few quarters, there's little reason to doubt Waste Connections not posting another great quarter.

In the most recent quarter, Waste Connections posted net income of \$159.1 million, or \$0.60 per diluted share, compared with \$150.8 million, or \$0.57 per diluted share, reported in the same quarter last year.

Overall revenue for the quarter came in at \$1.412 billion, up 10.3% over the same period last year. The company also continues to generate plenty of cash. For the first three quarters of fiscal 2019, Waste Connections generated \$762.9 million in free cash flow, which represents 18.9% of revenue, up an impressive 12.9% over the prior period.

Those results are reflected in the meteoric rise in the stock price in the past year, which has gained 20% in the trailing 12-month period and over 7% year to date.

Final thoughts

Waste Connections is an interesting investment. The company provides a necessary service to communities around the U.S. and Canada and is actively expanding both in size and scope of operations. Further to this, unlike other [traditionally defensive investments](#) such as power utilities or telecoms, Waste Connections isn't facing the same levels of competition and headwinds that we are seeing in other sectors.

In short, Waste Connections is an excellent long-term holding that should be a core holding in nearly every portfolio.

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