



When Trash Makes Money: Invest in This Waste Stock and Forget About it!

Description

According to World Bank data, North America generated 289 million tonnes of municipal solid waste in 2016. The continent is expected to generate 342 million tonnes in 2030 and 396 million tonnes by 2050. That's a lot of garbage that needs to be dealt with. Coronavirus or no virus, high trade tensions or otherwise, revenues are more or less guaranteed. It is definitely not a glamorous business, but it is predictable and non-cyclical, which is exactly what you want in an unpredictable year.

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) is the third-largest waste collector in North America. This company is a premier provider of solid waste collection, transfer, recycling, and disposal services in mostly exclusive and secondary markets across the U.S. and Canada. WC also provides intermodal services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest.

Solid Q4 results

The company recently reported its numbers for the last quarter and full year of 2019 and beat consensus estimates, making it the fourth consecutive quarter of good performance. Revenue for the fourth quarter of 2019 came in at \$1.362 billion, up 7.9%, and revenues for the whole year of 2019 were \$5.389 billion, up 9.5% from 2018.

Adjusted EBITDA for 2019 was \$1.674 billion, or 31.1% of revenue, up 6.8%, and adjusted free cash flow was \$916.8 million, or 17% of revenue.

Waste Connections expects revenue for 2020 to be in the range of \$5.725-\$5.775 billion. Revenue for Q1 2020 is estimated to be approximately \$1.36 billion. The guidance is flat, and the company is as non-pretentious as its business.

The company's revenues have grown from \$2.12 billion in 2015 to almost \$5.4 billion in 2019. That's an increase of over 150%.

A major reason for this is the acquisition-spree Waste Connections has been on. Worthing F. Jackman, president, CEO, and director of Waste Connections said in the earnings call, "Three years ago, we had

suggested that there may be a four-year window of outsized acquisition activity. Our experience over the past three years has been consistent within that expectation, as we have essentially completed six years' worth of transactions over that three-year period."

In 2019, Waste Connections deployed approximately \$835 million in acquisitions, with leverage decreasing to about 2.4 times debt to EBITDA. WC finished the year with over \$325 million in cash on the balance sheet, remaining well positioned for potential, continued outsized capital deployment.

Jackman said he expected 2020 to be another outsized acquisition year. With \$18 billion of private company revenue out there, investors can expect another \$300 million to \$400 million to be deployed on acquisitions in 2020.

The company is a Dividend Aristocrat, having increased its payout for nine straight years. While the dividend yield is just 0.75% or thereabouts, you have to take into account that the share price has almost tripled in the last five years (from \$51.48 in March 2015).

The company is trading \$136.40 right now and [can be a solid pick](#) for long-term investors.

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