New Stock on the Block: Why This IPO Is a Strong Buy

Description

There are some strong plays on the TSX for infrastructure investors. **Badger Daylighting**, **Waste Connections**, and **Finning International** are just a few of them. A new IPO just brought another name to the table: **GFL Environmental** (TSX:GFL)(NYSE:GFL). This new stock offers access to a broad swathe of services from solid and liquid waste management to infrastructure and soil remediation.

There's also the possibility for momentum. While the Foolish way focuses on long-term buys, the early whipsawing of GFL's share price could attract momentum investors. The stock fell 17% on its first day of trading. Throw in the extreme frothiness of the market, and you have a fascinating stock to watch. Investors with a lower appetite for risk may want to wait for the dust to settle before betting on its dustcarts, though.

This much-awaited IPO is a strong buy

GFL finally went public with a roughly $1.4 billion initial public offering (IPO). That was considerably lower than last year's estimated IPO, as investors watching the waste management space will know. However, the timing of the IPO was also significant, coming at a time of high volatility in the markets. Shares were priced at $19 straight out of the gate — about $1.50 below the original target range.

Last year's abortive IPO would have seen the waste management giant raise around $1.8 billion. However, institutional investors pushed back, and the IPO was put on ice. The company is now open to the public, though, giving investors access to one of the largest waste management businesses on the continent. GFL serves more than four million homes, making it a strong wide-moat play.

The company is already well known for its distinctive lime green vehicles. Its "Green for Life" slogan also taps into the interest in the green economy with a focus on recycling. GFL has over 135,000 commercial solid waste clients and in excess of 13,000 liquid waste clients. Its IPO was underwritten by some of the biggest banks in North America, including **JP Morgan**, **Goldman Sachs** and **Scotiabank**.

Late last summer, I wrote, “While the current sentiment is a neutral one, the amount of possibly catastrophic market stressors on the horizon are a concern for long-range stock portfolio holders. That’s why the appearance of a new waste management ticker on the TSX could offer an exciting additional option for recession-proofing this fall.”

Those stressors have since come home to roost in a big way. This stock still looks like a buy, though. Infrastructure services and waste management have proven essential to the economy. While Waste Connections offers a 0.8% dividend yield, it’s the pricier option, selling at $120 a share. Its multiples are also unappealing, from a P/E of 40 to a P/B of 3.3.

The bottom line

Capturing market share is the name of the game. GFL is likely to expand its operations in North America, broadening its economic moat. The company will also be strengthening its balance sheet. Combine this two-pronged strategy with the inherently recession-proof nature of its business and you have a strong long-term buy.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/06/29
Date Created
2020/04/24
Author
vhetherington