



## 1 Lesser-Known TSX Stock With Strong Growth Potential

### Description

When it comes to investing in stock markets, investors tend to focus on stocks of well-known companies. There is nothing wrong with it, as the big, blue-chip companies continue to give steady returns over the long term. While blue chips should always be a part of your portfolio, investors should also consider stocks of the companies that are less known, have strong fundamentals, and can grow at a faster pace.

One such lesser-known TSX stock with strong growth potential is **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)). Waste Connections is North America's third-largest solid waste services company. The company provides non-hazardous waste collection, disposal, and recycling services in Canada and the United States. The company, through its subsidiary, also provides non-hazardous oilfield waste treatment and disposal services in the U.S.

### Why invest?

Waste Connections continues to post strong financials [irrespective of the economic situations](#). Strong underlying business and its focus on inorganic growth through acquisitions continue to support its revenues and margins.

Waste Connections's top line has grown at a CAGR of 26% since 2015. Meanwhile, its adjusted EBITDA has increased at a CAGR of 24% during the same period. In the [most recent quarter](#), Waste Connections reported revenue growth of 8.7%, while its adjusted EBITDA increased by about 6%.

Waste Connections also has a long history of boosting shareholders' returns through consistent dividend growth and share repurchases, thanks to its ability to generate strong free cash flows. The company's adjusted free cash flows increased by about 5% during the last reported quarter.

### Strong underlying business

Waste Connections targets secondary and rural markets with exclusive contracts and avoids highly competitive urban areas. The company's focus on markets with less competition supports growth,

drives its market share, reduces the risk of high customer churn rate, and provides an early-mover advantage. Also, Waste Connections focuses on niche markets, like the oilfield waste treatment, which provides a strategic advantage over its peers.

The company's disposal sites are within close proximity to the waste stream, which reduces transportation costs and provides a competitive advantage over peers. Moreover, the company's ability to acquire new customers in the existing markets helps in optimizing revenues per routed truck, boosts its collection efficiencies, and supports profitability.

## Growth through acquisitions

Besides internal growth measures, Waste Connections continues to expand through acquisitions in high-growth markets. In 2019, Waste Connections acquired 21 businesses. Meanwhile, in 2018, it completed 20 acquisitions. Moreover, in 2017, it completed 14 acquisitions. These acquisitions continue to bolster its market share and improve its route density.

## Solid dividend payout history

Waste Connections's low dividend yield of 0.9% wouldn't have caught your attention. However, investors should note that Waste Connections has a strong financial performance and ability to generate a significant amount of cash flows allow it to fund its growth strategy and increase shareholders' returns through higher dividends. Waste Connections has increased its dividends at a double-digit rate over the nine consecutive years. Meanwhile, its dividends have grown at a CAGR of 16.7% over the last five years.

## Bottom line

Waste Connections's strong operating performance, ability to expand through acquisitions, and consistent dividend growth make it a perfect long-term investment option.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:WCN (Waste Connections)
2. TSX:WCN (Waste Connections)

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