



Passive Income: This Canadian Dividend Stock Looks Extremely Undervalued

Description

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) provides waste collection and recycling services in the United States and Canada. Waste Connections's operations include market areas where it has [exclusive arrangements](#), including franchise agreements, municipal contracts, and governmental certificates. Under these agreements, Waste Connections is the exclusive service provider for several specified markets.

These exclusive rights and contractual arrangements create a barrier to entry that is usually obtained through the acquisition of a company with such exclusive rights or contractual arrangements or by [winning a competitive bid](#). The company devotes significant resources to securing additional franchise agreements and municipal contracts through competitive bidding and by acquiring other companies.

Knowledge of local service areas

In bidding for franchises and municipal contracts and evaluating acquisition candidates holding governmental certificates, Waste Connections's management team draws on the experience in the waste industry and knowledge of local service areas in existing and target markets. The company's district management and sales and marketing personnel maintain relationships with local governmental officials within specific service areas, maintain, renew, and renegotiate existing franchise agreements and municipal contracts, and secure additional agreements and contracts while targeting acceptable financial returns.

Further, the company's sales and marketing personnel also expand the company's presence into areas adjacent to the company's existing markets, and market additional services to existing customers. Waste Connections's ability to offer comprehensive rail haul disposal services in the certain areas, such as Pacific Northwest, improves the company's competitive position in bidding for such contracts in that region.

Generate internal growth

To generate internal revenue growth, the company's district management and sales and marketing personnel focus on increasing market penetration in its current and adjacent markets, soliciting new customers in markets where such customers have the option to choose a particular waste collection service and marketing upgraded or additional services to existing customers.

Also, Waste Connections seeks price increases necessary to offset increased costs to improve operating margins and to obtain adequate returns on the company's deployed capital. Where possible, the company intends to leverage its franchise-based platforms to expand the company's customer base beyond exclusive market territories. As customers are added in existing markets, the company's revenue per routed truck increases, which generally increases the company's collection efficiencies and profitability.

Growth by acquisition

In markets in which Waste Connections has exclusive contracts, franchises, and governmental certificates, the company expects internal volume growth generally to track population and business growth. Also, the company intends to expand the scope of its operations by continuing to acquire waste businesses in new markets and in existing or adjacent markets that are combined with the company's existing operations.

Waste Connections focuses its acquisition efforts on markets that it believes provide significant growth opportunities for a well-capitalized market entrant and where it can compete efficiently with potential new competitors. This focus typically highlights markets in which it can provide waste collection services under exclusive arrangements such as franchise agreements, municipal contracts, and governmental certificates. During fiscal 2020, the company completed 21 acquisitions having a net fair value of \$481.6 million.

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