



Invest in This Top Growth Stock in a Safe Industry

Description

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) provides [vertically integrated collection and disposal](#) services. The company has gained a leading market position in a niche market through the provision of treatment and disposal services. Waste Connections's experienced management, decentralized operating strategy, financial strength, size, and public company status make it an attractive buyer to certain waste collection and disposal acquisition candidates.

Robust acquisition discipline

The company has developed an acquisition discipline based on a set of financial, market, and management criteria to [evaluate opportunities](#). Once an acquisition is closed, Waste Connections seeks to integrate it while minimizing disruption to the company's ongoing operations and those of the acquired business.

Strengthening an acquired operation's presence

In new markets, Waste Connections often uses an initial acquisition as an operating base and seeks to strengthen the acquired operation's presence in that market by providing additional services, adding new customers, and making tuck-in acquisitions of other waste companies in that market or adjacent markets.

Opportunistic market share expansion

Further, Waste Connections believes that many suitable tuck-in acquisition opportunities exist within the company's current and targeted market areas that provide it with opportunities to increase the company's market share and route density. The North America solid waste services industry has experienced continued consolidation over the past several years, most notably with the acquisition of Advanced Disposal Services and Progressive Waste in June 2016.

Significant capital resources, management skills, and technical expertise

In spite of consolidation, the solid waste services industry remains regional in nature, with acquisition opportunities available in select markets. In some markets, independent landfill, collection, or service providers appear to lack the capital resources, management skills, and technical expertise necessary to comply with stringent environmental and other governmental regulations and to compete with larger, more efficient, integrated operators.

Rational capital allocation

In addition, many of the remaining independent operators may wish to sell the business to achieve liquidity as part of an individual's personal finances or as part of estate planning. During the year ended December 31, 2020, Waste Connections completed 21 acquisitions for consideration with a net fair value of \$838 million. During the year ended December 31, 2019, Waste Connections completed 20 acquisitions for consideration with a net fair value of \$1.03 billion.

Healthy operating margins

Operating income increased \$21.4 million, or 9.9%, to \$238.4 million for the first quarter of fiscal 2021 from \$217.0 million for the first quarter of fiscal 2020. The increase was due primarily to price increases for the company's solid waste services, operating income contributions from increased sales of recyclable commodities and renewable energy credits associated with the generation of landfill gas, operating income generated from acquisitions and an increase in the average Canadian dollar to United States dollar currency exchange rate. This was partially offset by declines in the company's existing solid waste volumes resulting from the impact of the COVID-19 pandemic.

Future outlook

Overall, the company is likely to be served well from tailoring the components of its growth strategy to the markets in which it operates and into which it should be able to expand. This could lead to a higher stock price.

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