



## Is Waste Connections (TSX:WCN) Stock Recession Proof?

### Description

**Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)) is an unromantic stock that has delivered surprisingly solid results to investors over the years. Since 2009, it has risen 950%, easily trouncing the TSX index in the same period.

The company, as its name implies, is involved garbage and hazardous waste disposal. It's apparently a good business, as WCN has a solid profit margin for the trailing 12-month period, and strong growth for the prior five years.

These are all points in the company's favour. But the question is, how would a stock like WCN fare in a recession? Businesses vary in terms of their cyclicalities (sensitivity to the business cycle), and some can truly collapse in the midst of a recession. Waste disposal is a business that not all investors are familiar with, so it's worth exploring whether it — and WCN by extension — is recession proof.

So, let's dig in and take a look at what WCN and how sensitive it is to the business cycle.

### What the company does

As a waste disposal company, WCN is involved in activities like

- Leasing out dumpsters and trash compactors;
- Collecting garbage; and
- Disposing of hazardous materials.

Is it the most romantic business out there?

Hardly. But over the years, Waste Connections has carved out a lucrative niche for itself collecting garbage and disposing of hazardous waste. For investors, that may be a good thing. WCN is one of the few publicly traded assets giving exposure to this unglamorous but lucrative industry. And it may be one of the few industries that can do well in a recession.

## Industry research on the waste disposal business

According to economic research, waste disposal is a recession-resistant, non-cyclical industry. A recent Barron's article highlighted the fact that waste disposal stocks [tend to perform better than others in recessions](#). Even when people are out of work, they still generate waste. In recessions, people don't stop consuming; they just consume cheaper goods. So, the waste management business remains solid in such trying economic circumstances. This is borne out by WCN's results in 2020. In the [third quarter of that year](#), WCN's EPS was unchanged at \$0.60 per share. Revenue did decline very slightly, but not nearly as much as in other industries. Overall, it was a strong quarter, despite the COVID-19 pandemic, which was actively disrupting many industries at the time.

## Recent earnings

The strength of WCN's business is borne out by its recent earnings results. In its most recent quarter, the company posted the following:

- \$1.53 billion in revenue — up 17.5% year over year.
- \$177 million in net income.
- \$484 million in adjusted EBITDA and a 38.4% adjusted EBITDA margin.
- \$848 million in cash from operations.
- \$585 million in free cash flow.

Those are solid results — most of them significantly improved on a year-over-year basis. While the economy still hasn't fully recovered to pre-COVID GDP levels (the most recent GDP report showed a small 0.3% downturn), WCN's business is growing. So, this may be a recession-proof, long-term play worth considering.

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