



Waste Connections Stock Falls as Earnings Drop Below Estimates

Description

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) shares fell slightly by 3% on Tuesday, as the company reported earnings that fell below analyst estimates.

- Waste Connections stock reported earnings per share of \$1.04, under the estimated \$1.05 EPS
- Revenue came in at US\$1.65 billion, representing 17.9% growth year over year
- Net income also increased 17.1% to US\$0.69 per share

What happened for Waste Connections stock in Q1?

Waste Connections stock fell by 3% this week, as the solid-waste removal company reported earnings per share that fell below analyst estimates. The company reported \$1.04 per share, falling below the expected \$1.05 per share.

Revenue increased 17.9% year over year to US\$1.65 billion, though it was only 1.2% higher quarter over quarter. The lagging was a surprise to investors, considering the company beat estimates last quarter and expected more growth in 2022. Net income came in at US\$180.3 million, or US\$0.69 per share, with adjusted EBITDA of US\$502.1 million. The company also completed US\$175 million in [acquisitions](#) during the quarter.

What Waste Connections management had to say

Management remained positive in regards to the 7.1% pricing growth that exceeded expectations of around 6.5%. However, they're still wary about the ongoing supply-chain and labour disruptions, which could hamper continued earnings. That being said, management expects more acquisitions in 2022 that could result in further growth.

“Looking ahead, further sequential improvement in solid waste pricing growth, increasing E&P waste activity and strong operational execution should continue to differentiate our

performance. Moreover, adjusted free cash flow generation of over \$320 million, or 19.5% of revenue in the period, positions us to meet or exceed our full year adjusted free cash flow outlook of \$1.150 billion.”

Worthing F. Jackman, president and chief executive officer.

What's next for Waste Connections stock?

Analysts were already concerned that Waste Connections stock may have been valued too high and that a drop may be coming. This comes from shareholders overvaluing the stock, despite the 7.1% pricing growth. Investors must also remember that while pricing is up, so is inflation at 6% for internal costs for Waste Connections.

Basically, Waste Connections seems to be focusing on growth through acquisitions this year. And, granted, that's already well under way. But with inflation continuing to rise, and solid-waste removal remaining stable but not necessarily growing, this should be a concern to investors looking for growth.

Still, Waste Connections stock provides investors with a 0.66% dividend yield as of writing — one that was recently confirmed by management. Yet it also trades at a pricey 56.32 times earnings and 5.09 times book value. So, with the market remaining [volatile](#), and the company lagging behind, Waste Connections stock simply doesn't look like the best investment on the market today.

Shares of Waste Connections stock are up 17% in the last year as of writing.

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