



Is Waste Connections (TSX:WCN) Stock Undervalued Now?

Description

[Warren Buffett](#) famously said that investors should [buy the stocks of great companies and hold them forever](#). At the Motley Fool, we take Buffett's advice to heart and believe in the power of a long-term perspective when it comes to investing.

Although everyone likes to [find a good, undervalued stock](#), sometimes it is better to buy the stock of a great company at an okay price, as opposed to the stock of a mediocre company at a good discount. The stocks of businesses with sustainable, excellent performance make ideal buy-and-hold stocks.

For this reason, new [Canadian investors](#) should focus on the stocks of [blue-chip](#) companies with excellent fundamentals, understandable business models, essential products and services, a wide economic moat, solid financial ratios, and good management.

Waste Connections

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) provides non-hazardous waste collection, transfer, disposal, and recycling services in the U.S. and Canada. The company is considered a wide-moat stock — a quality that could help it maintain a strong competitive advantage for decades on end.

WCN's wide-moat status comes from its intangible assets — things such as regulatory permits, government approvals, environmental assessments, etc. Disposing of garbage is a complex business — one with many barriers to entry and big competitors to dethrone.

It would be extremely difficult for a competitor to obtain all of those intangible assets within a reasonable time and cost to go head to head with WCN. That roadblock alone ensures that WCN faces little competition, giving it a wide moat status and helping to preserve its margins.

Valuation

WCN is solid enough of a company that I would not worry about trying to time a good entry price.

However, new investors should always be aware of some basic valuation metrics, so they can understand how companies are valued and what influences their current share price.

Currently, WCN is extending gains since Monday and is currently trading at \$162.26. In the current fiscal quarter, WCN's 52-week low is \$145.09, and the 52-week high is \$183.55, which puts the current share price in the middle of the range.

WCN currently has a market cap of \$42.28 billion with approximately 38.81 billion shares outstanding. This gives it an enterprise value of \$47.9 billion with a enterprise value-to-EBITDA ratio of 26.59, similar to peers in the industrial sector.

For the past 12 months, the price-to-earnings ratio of WCN was 66.26, with a price-to-free cash flow ratio of 45.03, price-to-book ratio of 6.26, price-to-sales ratio of 6.6, and book value per share of approximately \$26.08. By these metrics, WCN does not look undervalued.

WCN is currently covered by a total of 17 analysts. Of them, 17 have issued a "buy" rating, zero have issued a "sell" rating, and zero have issued a "hold" rating. This is generally considered a very bullish sign.

WCN has a Graham number of \$38.03 for the last 12 months — a measure of a stock's upper limit intrinsic value based on its earnings per share and book value per share. Generally, if the stock price is below the Graham number, it is considered to be undervalued and worth investing in. In this case, WCN does not look undervalued.

Is it a buy?

Despite its current share price being more or less fairly valued, long-term investors should consider establishing a position if they have the capital. Over the next 10-20 years, your entry price won't matter as much if WCN continues its strong track record of growth and profitability and maintains its wide-moat advantage. Consistently buying shares of WCN, especially if the market corrects, can be a great way to lock in a low cost basis.

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