



Cielo Waste Solutions: Should You Buy This Penny Stock on the Dip?

Description

Cielo Waste Solutions (TSXV:CMC) is a Calgary-based company that is engaged in refining landfill and municipal and commercial waste into renewable diesel in Canada. Investors should be familiar with the much larger-cap **Waste Connections**, which has been one of the most dependable dividend stocks on the TSX. This penny stock is far more volatile but also offers the chance at far bigger returns. Should investors look to join in on the waste-to-fuel party? Let's dive in.

How has Cielo Waste Solutions performed so far this year?

Shares of this penny stock have plunged 69% in 2022 as of early morning trading on July 25. The stock has dropped 40% month over month at the time of this writing. Cielo Waste Solutions was first listed on the TSX Venture exchange back in late June 2021. That means the stock has been listed for over a year now.

Here's why I'm excited about the waste solutions sector

This company's leadership hailed its promising business model after it debuted on the TSXV in 2021. Municipalities would enjoy a discount for sorting the suitable waste and selling it to Cielo. The company would then begin the process of converting the waste into fuel. It promotes itself as another organization committed to renewables.

Investors should be intrigued by this exciting technology and the low cost of the waste resources that it utilizes in the waste-to-fuel process. In July of 2020, market researcher Allied Market Research estimated that the global waste-to-energy market was valued at \$35.1 billion in 2019. It forecasts that this market will reach \$50.1 billion by 2027. That would represent a compound annual growth rate (CAGR) of 4.6% over the forecast period.

Should investors be discouraged by its recent earnings?

Cielo Waste Solutions released its third-quarter fiscal 2022 earnings on March 21. It achieved its stated production target of 20,000 litres of distillate back in the fourth quarter of 2021. For reference, distillate is light fuel oil that has been more refined than heavier oils. The company anticipates that it will also meet its production target set in the first quarter of this fiscal year.

The company's total assets rose by \$6.7 million, while it shrank total liabilities by \$2.6 million. On the operational side, Cielo Waste has completed phase one of its Aldersyde Facility, with phase two improvements currently in progress. This facility is proposed to take in 20,000 tons annually of compostable waste that will be converted to bioenergy. Cielo management stated that it is on track to meet the operational milestones it set out in its news release back in November 2021.

Is Cielo Waste Solutions worth buying today?

Investors should be encouraged by the company's solid revenue-growth trajectory. Moreover, it has achieved solid progress in reaching its lofty goals over the past year. Shares of Cielo Waste Solutions has fallen in and out of technically oversold territory since the beginning of May. It last had an [RSI \(relative strength index, which measures price momentum\) of 35](#), putting it just outside oversold levels. Investors should consider buying the dip in this promising penny stock in late July.

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