

INVESTORS EDGE

Waste Management turns trash to cash

"One man's trash is another man's treasure."
— English Proverb



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With over 330 million people, the United States holds about 5 percent of the world's total population. The United States also weighs in as the number one trash- and waste-producing country in the world, on average generating more than 1,600 pounds of waste per person every year.

To put that in perspective, the United States, 5 percent of the world's population, produces about 40 percent of the world's waste. That really stinks!

While you might feel concerned by the statistic I just gave you, there is a company that gives investors clean exposure not only to America's problematic garbage output, but also its growing environmental and recycling initiatives: Waste

Management Inc.

In fact, Waste Management (ticker symbol: WM) is North America's largest provider of waste management disposal, processing, and environmental services. Headquartered in Houston, Texas, Waste Management serves more than 21 million residential, industrial, and commercial customers throughout the United States and Canada.

While not in the most glamorous business, Waste Management has a long history of turning people's garbage into solid cash, building itself into the dominant player in an industry we all use every day, regardless of economic or financial conditions.

A result of both its industry-leading position and non-cyclical business, Waste Management has proven itself to be a solid,

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steady American business to buy and hold. The company has consistently compounded its earnings and dividend growth at a higher rate than the overall market, including delivering 10 straight years of more than 15 percent return on equity. The stock has historically outperformed the S&P 500 Index while maintaining a lower level of volatility.

Adding to its prestige as a durable Wall Street heavyweight is the company's dividend, which currently pays a healthy 2 percent. Waste Management has an extensive history of returning cash to shareholders, raising its dividend every year over the last 14 years at an average rate of 6.75 percent.

While the company operates hundreds

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of transfer stations and landfills, the core of Waste Management's business depends on its fleet of nearly 20,000 signature green garbage trucks, which you likely have seen in your neighborhood or office park.

These trucks are equipped with industry-leading technology, most notably a state of the art GPS tracking system, which is designed to optimize efficiency, cut costs, and reduce greenhouse gas emissions.

As North America's largest recycler, Waste Management manages 14 billion tons of reused or recycled material each year. The company has led the shift towards single-stream recycling, which allows all recyclable material to be placed in one bin and has been proven to encourage households and businesses to recycle at a higher rate.

Waste Management has pioneered the use of gas-to-energy landfills to create a new renewable energy resource: garbage. As it decomposes, garbage releases methane gas. Using advanced technology, Waste Management is able to capture that gas and convert it into energy, primarily electricity.

Each year, their gas-to-energy landfills produces enough energy to power half a million homes. Waste Management plans to significantly expand the use of this renewable energy resource by investing in new facili-

ties, and partnering with local municipalities to introduce this technology. By 2020, Waste Management hopes to create enough renewable energy to power 2 million homes.

Local investors should be aware that Waste Management is selling near its all-time high of about \$100 per share, so some may want to wait for a pullback to buy.

However, for long-term investors, Waste Management is a classic, all-American blue chip you can buy and hold for decades. The company commands a growing, non-cyclical industry, whose global market value is expected to grow to nearly \$500 billion over the next several years, as the world continues to increase its production of — yes, you guessed it — trash.

With an investment in Waste Management, you can support responsible, environmental methods of removing our waste, while also making some good money. Though it may operate in the garbage business, this company's investment thesis is as clean as they come.

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com.

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