A Dividend-Growth King That You've Probably Never Considered

Description

Dividend-growth investing if one of my favourite investment strategies out there. If you're a long-term investor who isn't close to retirement age, then you may want to consider picking up some fundamentally strong businesses with promising histories of consistent dividend increases.

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For a younger investor, a high-yielding stock may seem tempting now, but you'll probably be sacrificing capital gains. Utilities and REITs are normally low-growth industries, and they pay out a huge chunk of their free cash flow. If you're 20 years or more away from retiring, then you should probably opt for a higher-growth play, so you can maximize your long-term returns.

With dividend-growth stocks, you get the best of both worlds — the potential for high capital gains and a future high yield — but there's a catch. You've got to be a true long-term investor; otherwise, you may not get either. While you may obtain capital gains over the short to medium term, you definitely won't get the high yield you were promised in such a short time span.

Dividend-growth investing is like buying a high-yield stock for yourself in the future while still being able to reap the rewards of stock price appreciation. For those who can afford to sacrifice dividend payments today for a lot more in the future, then you should consider dividend-growth investing today.

Intact Financial Corp. (TSX:IFC) is Canada's leader when it comes to property and casualty (P&C) insurance. The company has captured approximately 17% of the Canadian P&C market.

Looking back at the last decade, Intact has increased its dividend by a generous amount on a consistent basis, even during the Financial Crisis. If you'd bought Intact a decade ago and held to this date, then your dividend would have more than doubled. The payout ratio has been kept around the 50% level, so investors looking for stability and room for future growth will do very well by holding on to shares of IFC.

Earlier in the year, Intact announced its plans to acquire **OneBeacon Insurance Group, Ltd.** for $2.3 billion. The acquisition will beef up Intact's U.S. presence, which will support further dividend hikes in the coming years.

Bottom line

Intact currently pays a 2.65% dividend yield, which may not seem like much, but over the next few years, this dividend will grow by leaps and bounds. Shares of IFC trade at a 2.2 price-to-book multiple and a 1.5 price-to-sales multiple, both of which are relatively in line with the company's five-year historical average multiples of 2.1, and 1.3, respectively.

Shares look fairly priced, so investors keen on getting a non-bank financial dividend-growth stock should strongly consider adding IFC to their radars with the intention of buying on any dips.

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