



Should You Buy This Financial Stock?

Description

Many people hold financial stocks in their portfolios, especially one of Canada's big banks, such as **Toronto Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)).

These tend to be older, stable stocks that provide solid dividends. Are there any financial companies outside of the big banks you should consider?

I, personally, think there's one worth some attention...

Intact Financial Corporation ([TSX:IFC](#)) is a leading provider of Canadian property and casualty insurance. The company first started as the Halifax Fire Insurance Association over 200 years ago, so this is a company with a solid history.

Intact Financial by the numbers

On August 1st, Intact Financial reported adjusted second quarter earnings of \$1.44 per share. This result beat the expected analyst results and it beat last year's Q2 results by 73.49%. The company has a nice net profit number of 7.80%, making it one of the most effective in its industry at turning revenue into profit. For a comparison, **Co-Operators General Insurance Co.** (TSX:CCS-D) has a net profit of 7.68%. Intact also has a return on equity of 12.28%, which is close to the top when compared against its peers.

Over the last three years, revenue growth has averaged 3.99% annually, which is below the industry average of 10.42%. However, over the same period earnings grew by an average of 8.63% annually, slightly higher than the industry average of 7.81%.

Intact's trailing P/E ratio for the last year is high at 19.82. Analysts expect that number to look a little better over the next year, calling for it to fall to 17.27, but that's still a high number.

Because this is an old, established stock in an old industry, there isn't a large potential for growth and this is not a cheap stock. It currently trades around the \$100 mark per share, close to its 52-week high of \$101.09. Analysts expect it to trade around \$105 per share over the next year, so they are expecting

slight growth. This isn't unusual for an older company.

Intact does offer a quarterly dividend of \$0.64 per share, for an annual dividend of \$2.56 per share. Its yield is only 2.54%. It's nicer to see higher dividends out of these established companies. Other financial firms, such as the banks, easily get into the 3-4% dividend yield range. For example, TD Banks' dividend yield is currently 3.74%.

Bottom line

Intact Financial is a solid company that should continue to do well in the future. It's had solid profit and return on equity numbers and provides a decent dividend, but it's not cheap. If your main goal is growth, this may not be the stock for you. But if you want something stable that also pays dividends, consider adding Intact Financial to your Foolish portfolio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:IFC (Intact Financial Corporation)
3. TSX:TD (The Toronto-Dominion Bank)

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