

This Top Dividend Stock Has Strong Momentum

Description

Not many income investors are familiar with **Intact Financial Corporation** ([TSX:IFC](#)), a top dividend stock which has consistently grown its payout. The reason is that insurance companies are boring and don't get much financial press.

Let's find out what makes Intact Financial a top candidate for your dividend income portfolio.

Strong industry position

Intact Financial is the largest provider of property and casualty (P&C) insurance in Canada and a leading provider of specialty insurance in North America, with close to \$10 billion in total annual premiums. From coast to coast, one in five Canadians buy Intact Financial insurance for their homes, cars, and businesses.

Because of the company's dominant position in the market, it has more data and analytics on customers that it uses to underwrite smarter and price risk better than its competitors.

And that's the reason Intact Financial has been able to generate superior returns on equity when compared to its peers. Since 2009, the insurer's net operating income per share has grown at a compound growth rate of 11%.

Growth by acquisitions

Intact has created a strong momentum for its stock in the past six months, as it completed its acquisition of **OneBeacon Insurance Group, Ltd.**, which allows it to expand into the U.S. market.

This \$2.3-billion deal, concluded last month, positions Intact Financial to target the specialty insurance market in North America, focusing on small to midsize businesses.

The acquisition creates additional opportunities for growth in the Canadian marketplace as well, where the company plans to offer new insurance products for technology and entertainment segments and small to midsize market.

After the OneBeacon deal, specialty insurance will represent 23% of the company's direct premiums written, up from 8%, while the U.S. will represent 17% of Intact Financial's total business.

Dividend growth

Intact Financial pays a quarterly dividend of \$0.64 per share, which translates to an annual dividend of \$2.56 per share. Intact Financial's 2.49% annual dividend yield may not look too exciting when you compare it with other financials.

But Intact Financial has been very consistent in rewarding its investors. Those who bought Intact Financial shares for the long-term growth have seen their dividend payout double during the past seven years, collecting ~9% annual growth in dividends.

The bottom line

Trading at ~\$103-a-share, Intact Financial stock is very close the 52-week high. There is no doubt that this stock isn't cheap, but for a long term, buy-and-hold investment, this company provides both growth and stable dividend income.

Intact Financial stock has massively outperformed the S&P/TSX Composite Index, rising over 70% in the past five years. Since the company is now well positioned to expand into the U.S. market, I think the time is right to consider this stock for your income portfolio and benefit from future growth.

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Date

2025/08/25

Date Created

2017/10/15

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