



Here's a Quality Dividend-Growth Stock for Your Portfolio

Description

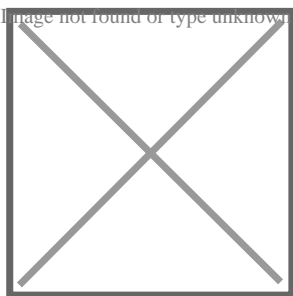
Intact Financial Corporation ([TSX:IFC](#)) stock has pulled back meaningfully by about 11% from its 52-week high. Intact is particularly suitable for conservative investors who are focused on quality. Here's why.

Intact is a leader with room to grow

Intact is Canada's biggest home, auto, and business insurer. It has the largest market share of about 17% in a fragmented industry, which means that there are growth opportunities from future acquisitions.

Since 2010, Intact has gotten returns on equity (ROE) between 9.7% and 14.2%, while its trailing 12-month ROE is 11.8%. This shows that management consistently puts its capital in the right places, such as making the right acquisitions at the right prices.

In fact, after Intact announced in May 2017 that it would acquire U.S. specialty insurer OneBeacon Insurance Group for US\$1.7 billion, Intact stock ran up 13%. Now that the stock has retreated back to levels close to the pre-announcement price, it's a good time to consider the stock.



Intact is an outperformer

Over a 10-year period, Intact has outperformed the industry by having a lower combined ratio and higher ROEs.

If you'd bought Intact stock before the financial crisis of 2008/2009, your investment would still have generated returns of about 10.6% per year, despite the recent decline in the stock. This has outperformed the U.S. market, using the **S&P 500** index as a proxy, which has delivered returns of about 6.7% in the same period.

Consistent dividend growth

Intact has a strong dividend. At about \$94.40, Intact offers a dividend yield of nearly 3%. It has increased its dividend per share for 13 consecutive years with a five-year dividend-growth rate of about 10%. Its most recent dividend hike was almost 9.4%. Its payout ratio is estimated to be about 48%. So, its dividend is well covered.

Some analysts believe the company will experience double-digit growth over the next three to five years. If so, that could lead to double-digit growth in the dividend as well.

Going forward

Intact management aims to grow the insurer's net operating income per share by 10% per year over time and to beat the industry ROE by five points every year. These are reasonable and achievable goals given the track record of the quality company.

Upside potential

Thomson Reuters Corp. analysts have a mean 12-month target price of \$110 on Intact stock, which represents 16.5% upside potential in the near term.

Investor takeaway

Investors looking for [a quality business](#) that is trading at a good valuation and offers [a safe, growing dividend](#) should consider Intact, which offers a dividend yield of nearly 3%.

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