



## Get Rich Safely With This High-Quality Dividend-Growth Stock

### Description

Over the long term, dividend-growth stocks are some of the best performers out there. In fact, according to a famous study done on U.S. stocks, companies that grew their dividends tended to outperform the broader market by a significant fashion. We're talking excess returns of 2-3% per year, which is a game changer in the world of finance.

I believe another way investors can goose their annual returns is to pay attention to the quality of stocks they put into their portfolio. It's almost as though valuation doesn't matter if you're buying a fantastic company with excellent management and financial discipline. These two qualities will be enough to generate a great return.

Let's take a closer look at one such stock today, a fantastic long-term winner that might even be a little undervalued today.

### An excellent long-term winner

You might take a quick look at **Intact Financial** ([TSX:IFC](#)) and its 25.6 times trailing P/E ratio and excellent long-term performance and argue the stock is anything but undervalued.

There are several reasons why I believe Canada's largest property and casualty insurer is very reasonably valued today.

Let's start with the company's [growth potential](#), which remains excellent. Intact is the largest player in its sector in Canada by far, but that still only translates into a 16% total share of the market. The fragmented Canadian insurance landscape is ripe for more consolidation, with Intact clearly the logical buyer.

Then there's the U.S. market, which Intact has only begun to enter with a recent acquisition. Its U.S. operations recently reported 10% premium growth, an excellent growth rate in a mature market. The expansion opportunities in the U.S. are also exciting over the long term. After all, the U.S. economy is much bigger than here in Canada.

Let's talk about Intact's excellent management next. The company is a disciplined acquirer, buying only top-quality assets it can easily integrate. Management keeps underwriting standards strong and a laser-like focus on expenses to keep its combined ratio among the lowest in the whole sector.

This discipline results in excellent financial results. Intact regularly bests its competition on key financial metrics like return on equity, premium growth, combined ratios, and loss ratios.

Investors should also keep in mind Intact is much more reasonably valued on a forward price-to-earnings perspective, with shares trading at just over 17 times 2020's projected bottom line. That's a good multiple to pay for such a high-quality company. In fact, some might argue it's even cheap.

## Taking care of shareholders

Intact has made [dividend growth](#) a priority during its time as a publicly traded company.

The company debuted on the Toronto Stock Exchange in 2005, when it paid a \$0.65-per-share annual dividend. The payout was hiked to \$1 per share in 2006, \$1.08 per share in 2007, and it has been increased each and every year since. That's a 14-year consecutive dividend-growth streak, with the payout increasing by an average of 9% annually since 2009.

The payout ratio is currently under 50% of 2019's projected earnings, meaning the payout is safe, too. Shares currently yield 2.3%.

## The bottom line

Intact is an excellent stock with almost limitless potential ahead of it. The company offers top-tier management, disciplined expansion efforts, a focus on solid financial results, and one of the best dividend-growth streaks in Canadian capital markets today.

Even at close to a 52-week high, it's easy to argue this stock is, at worst, fairly valued. It has posted excellent results over the last decade, and I see the next 10 years being just as lucrative.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. TSX:IFC (Intact Financial Corporation)

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## **Date**

2025/09/09

## **Date Created**

2019/11/06

## **Author**

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