A TFSA Dividend Stock for Steady Growth and Income

Description

With another solid quarterly result behind it, **Intact Financial Corp**. (TSX:IFC) continues to prove to TFSA investors why it is a leading financial stock to own. As the largest provider of property and casualty insurance in Canada, Intact has grown and perfected its leadership position over the years, benefiting its shareholders along the way.

The company's latest quarterly results are an illustration of what its leadership position can bring to its bottom line and to its shareholders. The stock rallied on the morning after its release, understandably so, and is up 4% at the time of writing on this morning of realization. Let's take a look.

Growing earnings and returns

The property and casualty insurance business is not an easy one, but it is one with a relatively simple goal: minimize the combined ratio to maximize profits. The combined ratio measures an insurance company's profitability and is defined as the sum of claim-related losses and business costs, divided by earned premiums.

Intact has been a leader in maximizing profitability and with a combined ratio this quarter of 92.3% this quarter amidst rising premiums (+11%) and lower catastrophe losses, Intact is holding onto to its position and even building it.

There is opportunity in a fragmented industry

For Intact, the holder of the largest market share in its fragmented industry (16%), there is opportunity and value to be had. Intact continues to pursue additional market share to drive scale and efficiencies even higher.

As per CEO Charles Brindamour, Intact's priority is to "create a fortress position in Canada" and a leading position in the U.S. Intact is continuing to capitalize on acquisition opportunities and has a strong balance sheet to support this. Management believes they are entering an 18- to 24-month period of favourable conditions to grow and consolidate the industry.

Dividends: safe and steady

One of the greatest advantages that Intact stock provides its shareholders is its history of safe and increasing dividends. Since 2009, Intact has increased its dividend at a compound annual growth rate (CAGR) of 9.1%, as the company has continued to outperform the industry on a variety of different fronts. Its return on equity (ROE) has exceeded the industry ROE by 650 basis points over this period, and net operating income per share has increased 10.4%.

Growing market share translates into increasing scale and returns

Intact's balance sheet remains in top notch shape, with an approximately 20% debt to total capital ratio. This enables the company to continue to consolidate the industry, in which the top five have an only 47% market share.

The company's latest acquisition, On Side Restoration, is a move toward vertical integration, and has the potential to better contain claims. On Side Restoration specializes in restoring homes and businesses that have been affected by water damage, weather damage, and catastrophes. The acquisition is expected to be accretive to earnings and is an interesting move for this insurance giant.

Foolish bottom line

Intact Financial is a financial stock that can be expected to continue providing shareholders with steady and growing dividend income. The company has a strong headway for growth as it continues to consolidate its industry as well as with its vertical integration goals.

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