TFSA Investors: 1 Mortgage Stock to Consider for Your Retirement Portfolio

Description

Genworth MI Canada (TSX:MIC) is a Canada-based residential mortgage insurer. It provides default insurance mortgage to Canadian mortgage lenders in the residential sector. It offers transactional and portfolio mortgage insurance services.

The company went public just during the mortgage crisis of 2008. However, the company's stock price has more than tripled from $18.5 in July 2009 to $57 in December 2019. Since December 6, 2018, shares have gone up by almost 35%.

Over the last four quarters, Genworth has beaten earnings estimates for four straight quarters. **Brookfield Business Partners** also announced that it would acquire 57% of Genworth for $2.4 billion in August 2019, driving the stock higher.

Genworth has managed to increase sales from $638 million in 2016 to $680 million in 2018. Analysts expect this figure to reach $730 million in 2021.

Strong Q3 results

The company announced its third-quarter results for 2019 last month. Genworth reported third-quarter 2019 net income of $111 million. The company beat its 2018 numbers on all counts.

- New insurance written from transactional insurance was $6.1 billion, an increase of $0.6 billion,or 10%, compared to 2018.
- Premiums written from transactional insurance were $213 million, representing an increase of$20 million, or 10%, from the third quarter of 2018.
- New insurance written from portfolio insurance on low loan-to-value mortgages was $1.3 billion, an increase of $0.5 billion compared to the same quarter in 2018.
- Premiums written from portfolio insurance were $6 million, representing an increase of $2 million from 2018.
- Premiums earned of $171 million were $1 million , or 1%, higher than the same quarter in the prior year.

The gift that keeps giving

The company also announced a dividend payout of $0.54 per share. This represents an increase of $0.03, or 6%, from the prior quarter's dividend. On September 12, 2019, Genworth declared a special dividend of $1.45 that was paid on October 11.

The company has a dividend yield of 3.9% and has consistently increased its dividend for the last 10 years. Fool Contributor Adam Othman thinks so highly of this stock that he believes one can retire with a TFSA of $1 million by investing in Genworth.

Analysts believe that the stock is fairly valued, and it reflects in their target price that ranges between a low of $55 and a high of $60. You have to take into account that housing sales bounced back in the first half of 2019, and the industry has a trend of slowing down after September.

Genworth is optimistic about Canada's macroeconomic scenario that is supported by low unemployment rates and robust wage growth. The increasing immigrant population in Canada is also playing its part in the growth of the housing market. Canada's population growth is expected to rise to 1.4% this year, up from 1% and 1.2% for 2016 and 2017, respectively.

There has been a strong recovery in resale volumes. Further, the relatively low interest rates, supportive regulatory environment, and improved affordability in major markets are driving housing demand in the country. The country's GDP is expected to grow by 1.5% in 2019 and 1.7% in 2020, which is higher than the growth rates of 0.7% and 1.1% for 2015 and 2016, respectively. The demand might be driven by Quebec and British Columbia, as GDP is estimated to grow by over 2% in these provinces for 2019.

The fears of an upcoming recession might pose a threat to the stock. High household debt levels are also cause for concern. However, Genworth has performed well during one of the worst periods of the housing crisis and continues to be attractive due to strong fundamentals.

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