



1 Great Stock to Buy Today and Then Never, Ever Sell

Description

Increasingly, it seems like the best investors don't care about P/E ratios, book values, or any of the other traditional valuation metrics.

It comes down to quality. They want to see an [excellent company](#), headed by smart management, operating in a good business, and that consistently delivers solid results. If a firm does this enough times, a bit of an aura starts to form around the stock, and investors label it as a "compounder," the kind of investment that should be owned for a very long time.

At that point, nothing else matters. Once a stock becomes a must-own name, valuation goes out the window. As long as the story stays intact, and the market believes growth potential is still there, shares can march higher for a very long time.

Let's take a closer look at a Canadian stock that's very close to gaining such status, an excellent stock that would look great in any portfolio.

Canada's best insurer

Intact Financial ([TSX:IFC](#)) seemingly does nothing but post consistently good results.

Sure, the property and casualty insurer will stumble every now and again, but that's usually due to a big natural disaster nobody could have predicted. Besides, that's the nature of the business. Once we strip out any abnormal one-time issues, the trend is always the same. The company just keeps on chugging along.

Remember, insurance companies generate revenue from two different sources. The bulk of the top line comes from car and home insurance premiums. These premiums are then invested until they need to be paid out, and these investment gains are what really adds to the bottom line.

Intact does things a little better than most insurance companies. It consistently makes a profit on its underwriting alone, meaning any investment gains are just gravy. Its combined ratio, which is a

measure of how well an insurer underwrites risk, is consistently better than its peers.

Another area where Intact shines is its growth. The company has been a serial acquirer over the last decade or so, first gobbling up several competitors here in Canada to cement its status as the largest property and casualty insurer in the country. It then turned its attention to the United States, acquiring a company there in 2017 that now accounts for about 15% of its total revenue.

Intact has also done a nice job growing organically, using tactics like fostering close relationships to insurance brokers as a way of increasing total premiums written.

Put these two qualities together, and they translate into an impressive expansion. In 2014, the company wrote some \$7.5 billion in total premiums and its investment portfolio was worth \$13.4 billion. Premiums written should flirt with \$11 billion in 2019, with the investment portfolio worth more than \$18 billion.

Intact has also been one of the better investments you could have made. Over the last decade, including reinvested dividends, Intact shares have posted a compound annual growth rate of 17.41%. With the kind of results the company regularly posts, are you really that surprised?

Excellent dividend growth

Intact has quietly become one of Canada's best dividend-growth stocks. In fact, it has raised its annual payout each and every year since its 2005 IPO.

The payout has increased nearly four-fold since 2005, going from \$0.1625 to \$0.76 per share. That's good enough for a compound annual growth rate of just under 12%.

Investors should also look for the stock to increase its dividend for the 15th year in a row in the next few weeks. In the meantime, the payout works out to a 2.1% yield.

The bottom line

Despite excellent performance over the last decade, I still think investors who buy Intact shares today can still count on making loads of money over the long term. The company consistently delivers good results, has solid growth potential, and should also enjoy robust pricing power. Exemplary dividend growth is just the icing on top.

This is the kind of stock you'll want to hold on to for a very long time.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:IFC (Intact Financial Corporation)

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1. Business Insider
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