1 Top Canadian Value Stock to Load Up on Right Now

Description

Finding undervalued stocks in any market isn't an easy task — in this market, perhaps even more so. Valuations have skyrocketed, making finding a top value stock to add to one's portfolio far from an easy task.

However, I think **Intact Financial** (TSX:IFC) is a compelling long term value stock investors can add at a reasonable valuation right now.

Here's why.

Outlook is incredibly positive for Intact

Intact Financial is the largest Canadian property and casualty insurer. This company has a market share of nearly 21% domestically — an impressive figure. Intact underwrites auto, home, commercial and specialty insurance policies. Like its peers, this insurance company did take a hit last year. However, looking at the company's longer-term chart, Intact has proven to be a standout company on a relative basis.

There are many reasons for this outperformance. However, most point to the fact that Intact is known for efficiency in its operations and its consistency in generating underwriting profitability as key factors. I agree.

This is a company that provides investors with a return on equity around 19%. This is markedly higher than the sector, by about 500 basis points. Additionally, Intact has been able to grow earnings at a 20% compounded rate over the past five years. The company has done this, in part, by consolidating the market further.

For those bullish on the long-term outlook of the North American economy, Intact is certainly an intriguing pick. This is a company with a very strong outlook moving forward. Accordingly, investors have priced in a rather significant premium into this stock, which I think is warranted.

Strong financials for this value stock

Indeed, very few insurance stocks are worth buying for their capital growth. However, Intact provides exactly that. In the company's last fiscal quarter, Intact showed strong growth in its U.S. and Canadian business sectors.

The company's strong financials provide investors with stability and the potential for longer-term growth. This company's international presence has grown, mainly due to the company's recent M&A activity. I think these factors are likely to contribute to continued strong financials over the long term.

In the company's most recent earnings release, Intact reported a 106% increase year over year in earnings per share to $3.59. This was thanks to an optimized operational approach. Further, the company's net operating income was also up by 39% to $3.26 per share. Many analysts ascribed these results to strong operational performance along with distribution results.

These comprehensively beat the analyst expectation of EPS and net operating income of $1.86 and $2.37, respectively.

In my view, Intact's strong financials, its growth-oriented business model, and modest yield of 2% are all reasonable right now. Accordingly, this is a value stock I've got on my radar right now.

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