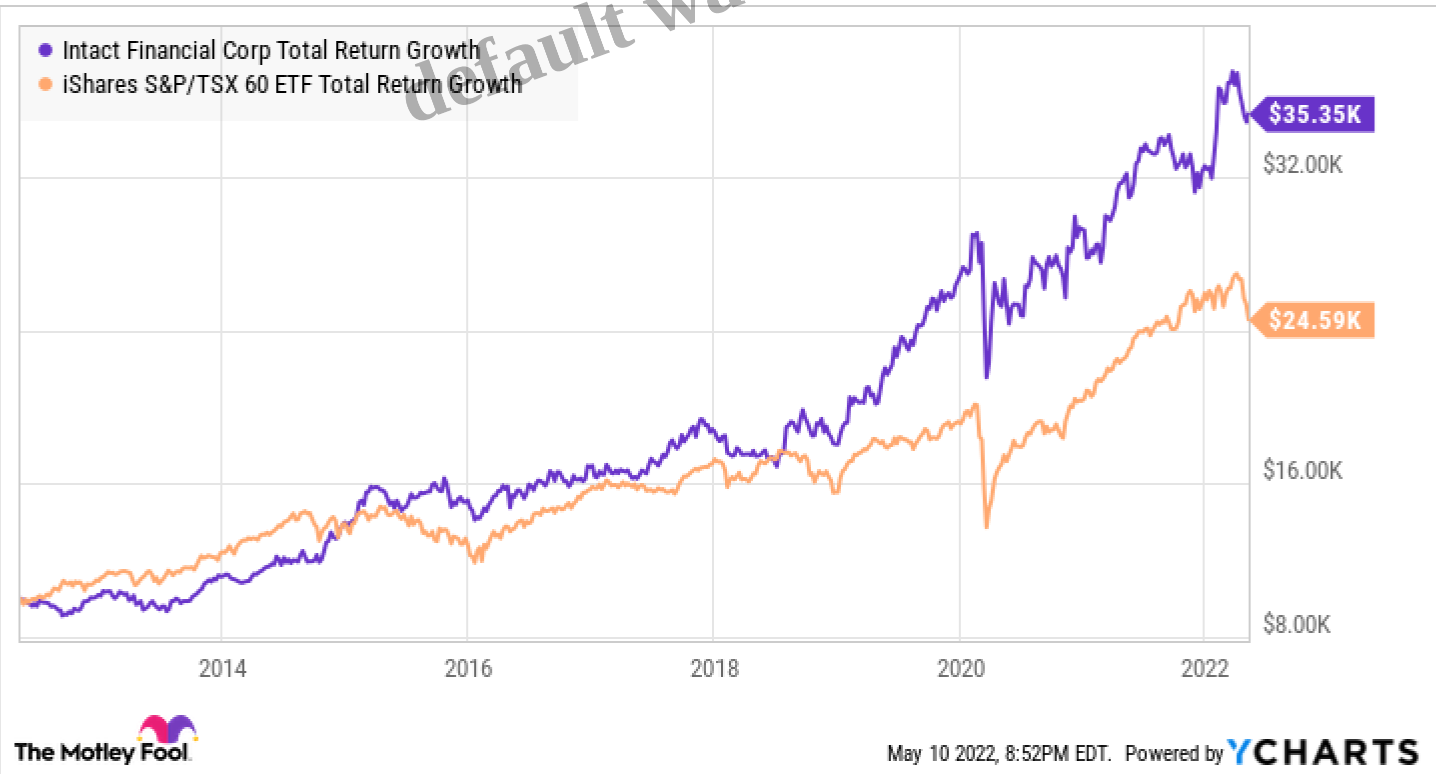
Intact Financial Stock Q1 2022 Earnings Results: Investor Takeaways

Description

Intact Financial (TSX:IFC) has been a well-managed business and solid stock performer for the long haul. For example, its 10-year total returns have beat the market. Shown below is the result of investing $10,000 10 years ago in the dividend stock and the TSX:XIU (used as a Canadian stock market proxy) as a comparison.



IFC and XIU Total Return Level data by YCharts

From 2011 to 2021, Intact Financial increased its earnings per share at a compound annual growthrate (CAGR) of about 12%, while its price-to-earnings multiple hasn't changed much. Therefore, thestock delivered total returns at a CAGR of about 13% healthily in this period.

Intact Financial is a leader in the property and casualty (P&C) insurance space. It is the largest P&C insurer in Canada and is among the top four P&C insurer in Ireland. Additionally, it is a consolidator in the fragmented space and therefore also has operations in the U.K. and the United States. Canada still makes up the core of its business though, with 65% of its premium business.

The **TSX** stock stands out as an outperformer with industry-beating returns on equity and has a track record of growing its net operating income (NOI) and dividend per share.

Intact Financial stock Q1 2022 results

Intact Financial reported its first-quarter (Q1) earnings results yesterday. The results are not bad in today's environment.

Here are some key highlights from the Q1 2022 earnings report versus Q1 2021:

- Operating direct premiums written increased 86% (in constant currency terms) to $4,678 million, which mainly reflected the impact from the RSA acquisition. It also experienced organic growth of 8% and 15% growth in commercial lines.
- NOI-per-share growth of 13% to $2.70, helped by the RSA acquisition.
- Operating combined ratio of 91.7% — 2.4% higher than last year due to elevated catastrophe losses, but as it's under 100%, it still indicates profitable underwriting operations.
- Book value per share growth of 32% to $82.20.
- Return on equity (ROE) of 14.9%, down 2.7%, but it's still a high ROE versus its five-year ROE of roughly 12.3%.

Valuation and dividend

Yesterday, at market close, Intact Financial stock traded at $173.40 per share and offered a decent yield of 2.3%. Although I'm not sure how the market will react to the stock today, it's safe to say that the stock trades at a discount of about 16% from the analyst consensus 12-month price target.

Intact Financial stock is a Canadian Dividend Aristocrat. It is a long-time dividend grower that has started a common stock dividend in 2005 and have since increased it every year. For reference, its 10-year dividend-growth rate is 8.7%. Its payout ratio is estimated to be 35% this year. So, it maintains a sustainable payout ratio that aligns with that of the insurance industry.

Foolish investor takeaway

Intact Financial stock is a solid stock to buy and hold for conservative investors. However, given the market environment today, investors may be able to buy at an even lower price on a market selloff. That said, given its reasonable valuation today, it's a good buy-the-dip opportunity to start building a position for long-term investors.

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1. Dividend Stocks
2. Investing

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