

Intact Financial (IFC-T)

Sector: Financials

Company Overview

Intact Financial (IFC) is the largest property and casualty insurer in Canada, a leading provider of global specialty insurance, and, with RSA, a leader in the U.K. and Ireland. It is focused primarily on personal lines and small- to medium-sized businesses, with the majority of products distributed through its broker channel and the rest through direct distribution.

Investment Thesis

With superior market positioning, strong defensive characteristics, competitive advantage in data analytics, and a management team that continues to deliver, BMO Capital Markets (BMO CM) expects IFC's multiple to increase, especially as it delivers on the RSA acquisition. BMO CM sees target multiple appreciation as IFC, a proven acquirer, delivers in these favourable P&C markets.

Recent Developments

Even outside of one-timers (\$0.22 IFRS17-related adjustment associated with industry pools, \$0.25 EPS U.K. tax recovery, for a total of \$0.47 EPS), Q4/23 was still a \$0.55 EPS beat relative to BMOe and a \$0.37 EPS beat relative to consensus. Beat was driven by, relative to us, \$0.10 in better investment income (largely sustainable) and \$0.50 EPS in better underwriting income (to some extent sustainable as hard market conditions continue).

Canada DPW revenues were up 8% versus BMOe 6% estimate (double-digit growth in personal lines, reflecting hard markets and continued unit growth momentum) and U.S. DPW up 9% (strong growth, robust rate increases) versus BMOe 8% estimate.

BMO CM notes that better investment income momentum could continue beyond Q4/23 as new money rates are nearly 100 bps higher than IFC's Q4/23 book yields. 2024 CAT loss guidance was \$900mm, versus BMOe/consensus \$800mm/\$870mm estimate. IFC notes, "The revised estimate does not reduce our profitability expectations as the increase in CAT losses is embedded within our pricing actions, increasing our earned premiums."

Price Target & Methodology

BMO CM's \$240 target price is based on 2.65 Q4/24E BVPS.

Key Risks

1) A decline in underwriting performance; 2) continued decline or permanent loss of driving activity; and 3) greater than anticipated weather-related catastrophes.

Intact Financial Corporation			
BMO CM Rating	Outperform	Target Price	240.00
Current Price	220.04	Dividend	4.40
52-Week High	237.25	Yield	2.05%
52-Week Low	188.22	BVPS	81.71
Market Cap (\$M)	38,564	P/ BV	2.7x
FYE (MM/ DD) 12/ 31	2023A	2024E	2025E
EPS	11.70	14.35	15.49
P/ E	18.8x	15.3x	14.2x
EPS Growth	-	22.6%	8.0%

