



Manulife, Sunlife or Great-West? By the numbers

Description

Canada's big three life insurance companies are slowly but surely climbing back into investor's good books.

With equity markets melting up, bond yields lifting and traction being gained on the international strategies of all three, times are relatively good.

Year-to-date, **Manulife's** (TSX:MFC,NYSE:MFC) stock has remained true to its high beta roots by leading the group with a 17.5% return. **Great-West's** ([TSX:GWO](#)) stock is slightly behind at 16.3% thus far in 2013, and **Sunlife** (TSX:SLF,NYSE:SLF) brings up the rear at 12.6%. Relative to the S&P/TSX Composite Index's flat return, these numbers look pretty good. Plus, all pay attractive dividends to boot.

The question is, assuming conditions remain favourable, which is the best horse to ride going forward? Past performance may not be indicative of future returns.

Let's take a look at some company specific fundamentals as well as the relative value of each to help us properly align our bets.

Profits and growth

Three of the most important metrics to examine when looking at a life insurance, or any financial company for that matter are return on equity (ROE), return on assets (ROA), and growth in book value per share. The table below provides a summary.

Company Name	ROE	10 Yr Avg ROE	ROA	10 Yr Avg ROA	5 Yr BVPS Gr
Great-West	13.7%	13.3%	0.7%	1.3%	0.4%

Sun Life	8.9%	8.8%	0.6%	0.8%	3.2%
Manulife	3.9%	8.9%	0.2%	1.2%	-5.1%

Source: Capital IQ

Relative to historical profitability metrics, Manulife clearly has the most room left to run. Although results have improved, the company has seemingly only scratched the surface of returning to past levels.

Same goes for growth. None of the three have been particularly exceptional at growing book value per share over the past 5 years, however, Manulife was particularly bad.

Valuation

The great equalizer in investing is of course valuation. If a company appears poised to rebound, as MFC does, but its shares have already moved to price in this recovery, investors could be left with a poor performing stock.

To help us with this angle, tabled below are the current price/book multiple for each, as well as their 10 year averages.

Company Name	P/B	10 Yr Avg P/B	Div Yield
Great-West	2.2	2.5	4.3%
Manulife	1.3	1.8	3.3%
Sun Life	0.9	1.4	4.9%

Source: Capital IQ

Great-West's dominance of the profitability metrics obviously has carried through to the valuation portion. It sports a multiple significantly higher than its peers and at just a 12% discount to its long-term average, is the least discounted of the three.

At the other end of the spectrum, even though Sun Life's profitability has more or less reverted to its long-term averages, its valuation clearly hasn't. Sun Life trades at the lowest multiple to book value and sits 36% below its long-term average. And, it has the highest dividend yield to boot.

If Sun Life's profitability remains in-line with current levels, it stands to reason that its multiple should move higher. This could result in a nice move for SLF shareholders over the short to medium-term.

The Foolish Bottom Line

Near sighted moves aside, all three of these companies have a very bright future as a world of opportunity and very favourable demographic trends await. Execution is always important, but as long as they are able to forego any significant mishaps, it's tough to see how you'll lose if you simply buy these companies today and leave them alone for 10 years.

Canadian index funds can be lethal for your portfolio. If you own or are thinking of purchasing a Canadian index fund, you need to [click here](#) to receive our special **FREE** report "**Buy These 5 Companies Instead of Following a Flawed Piece of Advice**". Your portfolio will thank you for reading [this report](#)!

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Fool contributor Iain Butler owns shares of Sun Life Financial. The Motley Fool doesn't own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:GWO (Great-West Lifeco Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:SLF (Sun Life Financial Inc.)

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Date

2025/08/25

Date Created

2013/05/15

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