



3 Highlights From Manulife's Most Recent Results

Description

On Thursday, **Manulife Financial** ([TSX: MFC](#))([NYSE: MFC](#)) released earnings results for the first quarter of 2014. Overall, the results were strong – net income increased 51% year over year to \$818 million, driven mainly by increases in Asia and in wealth management. Earnings per share came in at 37 cents, matching the consensus analyst estimate.

Below are the three biggest themes from Manulife's first quarter.

Asia

Manulife is aggressively pursuing the Asian market, hoping to capitalize on strong growth in the region. And the first quarter did not disappoint, with insurance sales in Asia increasing 23%. This was primarily due to new corporate products in Japan, but most of the other regions saw double digit sales increases too.

Longer term, Manulife is well-positioned to go after Asia – the company is well-capitalized, allowing it to be aggressive. But at the same time, Manulife will remain disciplined, especially with regard to acquisitions; as CEO Don Guloien has said, “we are very disciplined acquirers and we don't pay more than we think businesses are worth.”

Wealth management

Canadian insurers, like the banks, are placing an ever-increasing focus on money management. The low capital requirements and fee-based revenue make it a very attractive business to be in. Manulife is no exception.

In the first quarter, wealth sales totaled a record \$13.8 billion in North America, up 5% year over year. Funds under management (FUM) now stand at \$635 billion, a new record. In fact Manulife has set a new record for FUM every quarter for the past five and a half years.

Capital position

Manulife still has some serious scars from the financial crisis, a time when capital was desperately needed but hard to come by. But those days seem to be long gone. The Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio improved to 255%, up from 248% at the end of 2013 and from 217% at this time last year.

This may lead to more dividend increases down the road. Despite having a capital ratio higher than its peers, Manulife has only a 2.5% dividend yield. In fact the company's 13-cent dividend payout is only about a third of income. This is a significantly lower distribution than the banks, which typically pay out 45% of earnings.

Foolish bottom line

After such an awful experience during the financial crisis, many investors don't want to risk investing in a company like Manulife. But the insurer has done an excellent job turning itself around, and is also now one of the most conservatively minded financial institutions in Canada. Its most recent quarterly results only reinforce those points. If you're looking for a strong performer that has plenty of room to raise dividends, Manulife should be on your radar screen.

CATEGORY

1. Investing

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1. NYSE:MFC (Manulife Financial Corporation)
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