



What to Expect When Manulife Financial Corp. Reports Earnings This Week

Description

Manulife Financial Corp. ([TSX: MFC](#))([NYSE: MFC](#)) is scheduled to publish its quarterly earnings on Thursday. Following massive losses from the financial crisis, investors have mostly abandoned the life insurance company. However, after repairing its balance sheet and expanding operations overseas, Manulife has staged an impressive comeback. Now investors are looking for the next factor that could drive earnings.

Let's take a look at what has been happening at Manulife over the past few months and what we're likely to see in the upcoming report.

Stats on Manulife

Analyst EPS Estimate	\$0.40
Year-Ago EPS	\$0.31
Revenue Estimate	\$10.84B
Change From Year-Ago Revenue	-8.80%
Earnings Beats in Past Four Quarters	0

Source: Yahoo! Finance

Can Manulife deliver for shareholders this quarter?

Analysts have been steadfast in their outlook for Manulife. Over the past few months the street has lowered its consensus earnings estimate for the upcoming quarter by a penny to \$0.40 per-share. However, in spite of the restrained outlook the stock has managed to continue its rally, up 4.5% over the past three months.

Canadian life insurance companies like Manulife are generally regarded by investors as a rather sleepy but profitable industry. Unlike the United States, there isn't too much competition. And despite its perception as a mature market, premium income continues to grow at a steady clip.

The storyline over the last few years is one in which insurance giants rode through the financial crisis and then cleaned up their balance sheets to minimize outsized exposure to falling equity prices and interest rates. The company's expansion into new markets like Asia was impressive, but was generally overshadowed by its North American operations.

However, Manulife's reputation as a boring, old Canadian lifeco is starting to change. The company has continued to build out its business in the fast growing emerging economies of Asia. Today, Manulife's operations in emerging market like Indonesia, Malaysia, and Vietnam account for a larger percentage of the company's earnings than Canada.

Manulife's Asian expansion is good news for shareholders. Given that the stock is trading at only 12 times trailing earnings, the company is still being valued as a stodgy Canadian lifeco. However, exposure to rampant growth in emerging markets could endear the stock with a higher multiple in the years to come.

In Manulife's upcoming report, watch the results from the company's international operations closely. Manulife's Asian business is not yet as efficient or profitable as of other top companies in the region.

However, the success of the company's international operations will be the key determinant as to whether it can boost dividends or share buybacks and build on the comeback it has mounted over the past two years. Continued expansion in this region could be a huge upside catalyst for the stock.

CATEGORY

1. Investing

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