Why You Should Buy Manulife Financial Corp. Before It's Too Late

Description

With the **S&P/TSX Composite** index having lost roughly 6% over the past three months, there are bargain stocks available, if you're willing to look in the right places.

One in particular is **Manulife Financial Corp.** (TSX: MFC)(NYSE: MFC), whose shares have fallen by 6.7% over this time, performing slightly worse than the TSX overall. Below, we take a look at why.

What makes Manulife such a great company?

There are two things worth mentioning here. One is the company's traumatic experience during the financial crisis. At the time, Manulife arguably suffered more than any other Canadian financial institution, struggling even to stay afloat. And that is an experience the company does not want to repeat. As a result, the company has been steadily building capital, and is now better capitalized than each of its large peers.

Secondly, Manulife has plenty of exposure in fast-growing markets. To be more specific, more than 25% of its business comes from Asia. By comparison, **Sun Life Financial Inc.** (TSX: SLF)(NYSE: SLF) derives less than 10% of its income from the region. As a result, Manulife has a very ambitious growth target, aiming to increase "core earnings" to $4.0 billion by 2016, up from $2.6 billion last year.

So why have the shares declined?

More recently, Manulife's exposure to Asia has also been a curse. This is a region that many investors are nervous about — for example, China recent posted a Q3 economic growth rate of 7.3%, the lowest in five years.

But during this time, Manulife's results have been very strong. In August, the company even raised its dividend for the first time in many years, after reporting better-than-expected profit. And to further signal that the bad days are over, in September Manulife made its biggest acquisition in 10 years, buying the Canadian division of Standard Life PLC. The move allows Manulife to grow earnings from lower-volatility businesses such as asset management.

An absolute bargain

Manulife was arguably trading at a discount even before its stock price declined. And as a result of the sell-off, Manulife trades at just 9.6 times earnings, an absolute bargain for a company with such strong growth prospects. By comparison, Sun Life trades at 14 times earnings, despite having less of a presence in Asia. Sun Life also isn't as well-capitalized as Manulife.

There is one caveat here. Manulife's dividend is not high, yielding only 3.0%, which may be a concern to income-oriented investors (Sun Life's dividend yields 3.7%). Clearly Manulife pays out very little of its income to shareholders, which is how it built up so much capital after the crisis. But if a low dividend doesn't bother you, then Manulife is certainly worthy of consideration.

If you're looking for stocks with bigger yields, you don't need to go with Sun Life. The free report below highlights three dividend stocks you should consider for your portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

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