

Sun Life Financial Inc. vs. Manulife Financial Corp.: Which Is a Better Buy?

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) and **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) have been in the news lately as both companies recently reported earnings for the quarter. Many investors are curious about the impact of the companies' performance and what it could mean for investment opportunities. Let's take a closer look at both companies to find out which one is a better bet.

Sun Life Financial Inc.

Sun Life is one of Canada's leading insurance companies and it also has huge operations south of the border and in Asia.

The company reported a weaker than expected profit for the fourth quarter given the tough low-interest rate environment. Despite this, Sun Life CEO Dean Connor says the company is still on track to "exceed" its 2015 earnings objective. But many analysts are not convinced.

Net profit from continuing operations (after adjustments) came in at \$502 million, about \$69 million lower compared to the same time last year. Some analysts are concerned about Sun Life's Long Term Disability Book, particularly in the U.S. The company expanded this business significantly through 2011-2013, and now faces higher than expected claims costs.

Sun Life's U.S.-based MFS Investment Management division also appears to have an increasing challenges as net sales were again weak and margins seem to be declining.

However, on a more positive note, despite the earnings miss, the company says it will maintain its quarterly dividend of \$0.36 per share for the quarter. This will be paid on March 31.

Additionally, the stock is inexpensive as it trades closer to its 52-week low at around \$38. Its current valuations are 13.8 times fiscal 2014's earnings per share, and about 12.3 times fiscal 2015's estimated earnings per share.

Manulife Financial Corp.

Manulife, too, missed earnings expectations as its profit tanked by a massive 51% as the company's oil and gas investments deteriorated and the company paid out more for policies in North America. According to Bank of Montreal, Manulife has about \$1.8 billion in oil and gas equity holdings through its NAL Resources Management Ltd.

Manulife's CEO also remarked that the current low interest rate policy and macro environment will produce headwinds for 2015.

However, if you take a closer look at the quarter, both insurance and wealth management sales were up strongly across all segments. The company's capital valuations also remain strong with a reported

regulatory ratio of 248%.

Manulife has a strong balance sheet and great management and thus, I don't believe the decline in the company's profit this quarter will disturb long-term sentiment too much.

Should you buy?

Despite the fact that interest rates may stay low in Canada for a while, the U.S. could increase rates later this year – that's a positive for Canadian lifecos given their exposure to U.S. markets. At current valuations, both Sun Life and Manulife are inexpensive and trade at reasonable prices. That said, I would recommend Manulife as a better buy since I feel Sun Life seems to have more headwinds that will impact its performance.

CATEGORY

1. Investing

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

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