



Battle of the Heavyweights: Sun Life Financial Inc. vs Manulife Financial Corp.

Description

The insurance sector in Canada is highly competitive and two of its strongest players are **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) and **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)). Both companies released quarterly earnings reports this week, but which one is the better buy for dividend investors?

Sun Life reported first-quarter underlying net income of \$516 million, or \$0.84 per share, up from \$440 million, or \$0.72 per share, in the same quarter last year, which beat analyst estimates of \$0.77 per share. Perhaps more importantly, Sun Life announced a 6% dividend increase, bumping up its dividend by two cents per share to \$0.38. Although investors were spared a dividend cut during the financial crisis, this was Sun Life's first increase since 2008.

"Our first-quarter underlying earnings were strong, driven by solid contributions from all four pillars," said president and CEO Dean Connor. Analysts were generally pleased with Sun Life's earnings. Barclays' John Aiken noted the insurer's solid profits should help the company regain some of the valuation it lost in the last quarter. "We have very few complaints, and we would anticipate that the results will be rewarded by the market," Aiken said. Sun Life shares are down 5% year to date.

Manulife, on the other hand, reported slightly weaker profits largely due to investment losses. The insurer said its quarterly net profits fell to \$723 million, or \$0.36 per share, compared with \$818 million, or \$0.42 a share, a year earlier.

Aiken notes that Manulife reported core earnings of \$0.39 per share, below consensus (\$0.43) and Barclays' forecast (\$0.44). However, he notes that much of the investment drag was related to oil exposure, which could be a non-factor by the second quarter. "Although we believe that the initial reaction may be negative, we would expect support to return in reasonably short order," Aiken said.

Manulife increased its dividend by 10%, or 1.5 cents per share, to \$0.17 per share, bumping up its dividend yield 25 basis points to 3%.

With millions of baby boomers at, or nearing, retirement, the demand is increasing for financial protection products. Combined with the rising popularity of annuities as the responsibility for retirement

income shifts to the individual, both Sun Life and Manulife are well positioned for the future. Ultimately, the battle between the two companies may be won and lost in Asia, where both firms have invested heavily.

But that's in the future. For now, if there's only room for one insurance stock in your portfolio, go with Sun Life, which performed better than Manulife in the first quarter and has a superior dividend yield.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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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