



Is Manulife Financial Corp. the Top Insurance Stock to Buy Today?

Description

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)), one of the largest financial services companies in the world and the eighth-largest life insurer by market capitalization, announced first-quarter earnings results before the market opened on May 7, and its stock responded by rising over 1.5% in the trading session that followed. Let's take a closer look at the results to determine if we should consider buying in to the rally, or if we should wait for it to subside.

Record assets under management lead to top and bottom-line growth

Here's a summary of Manulife's first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Diluted Core Earnings Per Share	\$0.39	\$0.37
Revenue	\$15.81 billion	\$14.18 billion

Source: Manulife Financial Corp.

Manulife's diluted core earnings per share increased 5.4% and its revenue increased 11.5% compared with the first quarter of fiscal 2014. The company's strong earnings-per-share growth can be attributed to its core net earnings increasing 10.8% to \$797 million, but this growth was partially offset by its weighted average number of diluted common shares outstanding increasing 4.5% to 1.96 billion. Its double-digit percentage increase in revenue can be attributed to its net premiums increasing 30.6% to \$5.4 billion and its net investment income increasing 0.8% to \$7.99 billion.

Here's a breakdown of eight other notable statistics from the report compared with the year-ago period:

1. Assets under management increased 29.4% to a record \$821.35 billion
2. Premiums and deposits increased 25.1% to \$24.4 billion in its wealth management segment
3. Premiums and deposits increased 21.6% to \$7.18 billion in its insurance segment

4. Wealth sales increased 24.2% to \$19 billion
5. Insurance sales increased 45.1% to \$779 million
6. Total capital increased 28% to \$46.36 billion
7. Cash provided by operating activities increased 31.5% to \$2.06 billion
8. Book value per common share increased 22.5% to \$18.33

Manulife also announced a 9.7% increase to its quarterly dividend to \$0.17 per share, and the next payment will come on June 19 to shareholders of record at the close of business on May 20.

Will the rally in Manulife's stock continue?

The first quarter was very strong for Manulife, so I think its stock responded correctly by rising over 1.5%. However, I think this is only the beginning of a sustained rally higher.

First, Manulife's stock trades at just 12.7 times fiscal 2015's estimated earnings per share of \$1.81 and only 11.2 times fiscal 2016's estimated earnings per share of \$2.05, both of which are very inexpensive compared with the industry average price-to-earnings multiple of 20.8. In addition, the company's stock trades at just 1.25 times its book value per share of \$18.33, which is inexpensive compared with its market-to-book value of 1.51 at the conclusion of fiscal 2014.

Second, Manulife now pays an annual dividend of \$0.68 per share, which gives its stock a 3% yield at current levels. It is also worth noting that the company has increased its dividend twice in less than a year, and its increased free cash flow could allow for another increase in the very near future.

With all of the information provided above in mind, I think Manulife Financial Corp. represents one of the best long-term investment opportunities in the insurance industry today. Foolish investors should take a closer look and strongly consider beginning to scale in to positions.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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