



Manulife Financial Corp. or Sun Life Financial Inc.: Which Is the Better Buy Today?

Description

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) and **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) are two of the largest financial services companies in the world. Both stocks represent great long-term investment opportunities today, but the laws of diversification state that we cannot own both, so let's take a closer look at each company's most recent quarterly release, their valuations, and their dividends to determine which stock represents the better buy today.

Manulife Financial Corp.

Manulife released first-quarter earnings results on the morning of May 7, and its stock has responded by rising over 1% in the trading sessions since. Here's a summary of six of the most notable statistics from the report compared with the year-ago period:

1. Core net earnings increased 10.8% to \$797 million
2. Diluted core earnings per share increased 5.4% to \$0.39
3. Revenue increased 11.5% to \$15.81 billion
4. Net investment income increased 0.8% to \$7.99 billion
5. Assets under management increased 29.4% to a record \$821.35 million
6. Book value per common share increased 22.5% to \$18.33

At today's levels Manulife's stock trades at 12.8 times fiscal 2015's estimated earnings per share of \$1.78 and 11.1 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 15.5.

In addition, Manulife pays a quarterly dividend of \$0.17 per share, or \$0.68 per share annually, giving its stock a 3% yield at current levels. The company has also increased its dividend twice in the last 12 months, and its increased amount of free cash flow could allow for another increase.

Sun Life Financial Inc.

Sun Life released first-quarter earnings after the market closed on May 5, and its stock has responded

by rising just over 0.5% in the trading sessions since. Here's a summary of the same six statistics we pulled from Manulife's report compared with the year-ago period:

1. Underlying net income increased 17.3% to \$516 million
2. Underlying earnings per share increased 16.7% to \$0.84
3. Adjusted revenue increased 0.3% to \$5.72 billion
4. Net investment income increased 17.3% to \$3.87 billion
5. Assets under management increased 20.2% to \$812.56 billion
6. Book value per share increased 14.2% to \$28.64

At current levels Sun Life's stock trades at 11.9 times fiscal 2015's estimated earnings per share of \$3.34 and 10.9 times fiscal 2016's estimated earnings per share of \$3.64, both of which are very inexpensive compared with the industry average multiple of 15.5.

Additionally, Sun Life pays a quarterly dividend of \$0.38 per share, or \$1.52 per share annually, which gives its stock a 3.8% yield at today's levels. It is also worth noting that the company increased its dividend by 5.6% in May as a result of its financial stability, and I think it could announce another increase in the very near future.

Which of the two stocks should you invest in today?

After comparing the most recent quarterly reports, valuations, and dividend yields, I think Sun Life Financial represents the better long-term investment opportunity today. Both companies reported very strong first-quarter earnings results, but Sun Life trades at more attractive forward valuations and it has a higher dividend yield, so it is the clear winner in this match-up. All long-term investors should take a closer look and strongly consider establishing positions in Sun Life today.

CATEGORY

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

TICKERS GLOBAL

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

Category

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

Date

2025/08/26

Date Created

2015/06/01

Author

jsolitro

default watermark

default watermark