



3 Reasons Why Manulife Financial Corp. Belongs in Your Portfolio

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, has outperformed the overall market in 2015. It has risen over 6%, while the TSX Composite Index has returned just over 3.5%, and I think it could continue much higher from here. Let's take a look at three of the primary reasons why I think the stock will head higher and why I think you should be a long-term buyer today.

1. Double-digit first-quarter growth to support a continued rally

Manulife released very strong first-quarter earnings results on the morning of May 7, and its stock has responded by rallying over 4.5% in the weeks since. Here's a breakdown of 10 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. Net premiums increased 30.6% to \$5.4 billion
6. Wealth sales increased 24.2% to \$19 billion
7. Insurance sales increased 45.1% to \$779 million
8. Assets under management increased 29.4% to a record \$821.35 billion
9. Cash provided by operating activities increased 31.5% to \$2.06 billion
10. Book value per common share increased 22.5% to \$18.33

2. Its stock trades at inexpensive forward valuations

At today's levels Manulife's stock trades at just 13.2 times fiscal 2015's estimated earnings per share of \$1.78 and only 11.5 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 18.3.

I think Manulife's stock could consistently command a fair multiple of at least 16, which would place its shares around \$28.50 by the conclusion of fiscal 2015 and upwards of \$32.75 by the conclusion of

fiscal 2016, representing upside of over 21% and 39%, respectively, from current levels.

3. A 2.9% dividend yield to provide additional returns going forward

Manulife pays a quarterly dividend of \$0.17 per share, or \$0.68 per share annually, which gives its stock a 2.9% yield at current levels. Investors should also note that the company has increased its dividend two times in the last year, showing that it is dedicated to maximizing shareholder value, and its increased amount of free cash flow could allow for another increase in the near future.

Is Manulife the missing piece to your portfolio?

I think Manulife Financial could continue to be one of the market's best performing stocks. It has the support of double-digit first-quarter earnings growth, its stock trades at attractive forward valuations, and it has a 2.9% dividend yield. All Foolish investors should take a closer look and strongly consider making it a core holding today.

CATEGORY

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

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1. Editor's Choice

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