



Why Manulife Financial Corporation May Not Trade for Less Than \$25 Much Longer

Description

Over the past three years, **Manulife Financial Corporation** ([TSX:MFC](#))([NYSE:MFC](#)) has made tremendous strides, and its shares have risen by 119% as a result. So, is it too late to jump in?

Well, there's a strong argument that the rally is just beginning, and this may be one of your last chances to buy Manulife for less than \$25 per share. We look at three reasons why below.

1. Growth in Asia

If you're an insurer, Asia is where you want to be—spending on life insurance products is growing at 11% per year in the continent. For this reason, many insurers have paid dearly to gain a foothold in the market, often through an expensive acquisition.

Manulife has no such worries. Its presence in the continent dates back over a century, giving it a valuable market position. Importantly, about a third of the company's business comes from the continent. And the company is extremely well capitalized, giving it all the ammunition it needs to grow its business there.

In the first quarter of this year Manulife's insurance sales in Asia increased by 42% year over year, growing by double digits in every major market. A recent deal signed with Singaporean bank DBS will help even more. Asia will be an exciting growth story for many years to come.

2. Another emerging opportunity

Whenever anyone buys life insurance from Manulife, the company hopes he lives longer. This should make perfect sense—a longer lifespan allows Manulife to pay death benefits later. In the meantime, premiums can be invested for a longer period of time.

Now, Manulife is rewarding its policyholders for leading a healthier lifestyle, aiming to increase their lifespans. Its U.S. subsidiary has partnered with Vitality Group, a company that offers health-based rewards programs to companies. And there's no limit to what this program can achieve. For example, a

policyholder could get a rate reduction for quitting smoking. Or he could receive gift cards for losing weight.

Manulife is working on launching such a program in Canada too, and it could represent a whole new way of doing business. Policyholders and shareholders could both benefit tremendously.

3. Still a low price

Manulife has some strong growth prospects, and recent results have generally been strong. The company is also better capitalized than its peers, yet it still trades fairly cheaply.

To put this in perspective, Manulife trades at about 1.3 times book value (the value of its assets after subtracting its liabilities). By comparison, the Canadian banks typically trade around double their book value.

There are a couple of reasons for Manulife's discount. One, the company has recorded some losses from energy-related investments. But those were only temporary setbacks. Two, some investors still haven't forgiven Manulife for its troubles during the financial crisis. But that should fade over time as well.

In the meantime, Manulife still trades below \$25 per share. It may not stay there for long.

CATEGORY

1. Investing

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