

## Manulife Financial Corp.: Is it Finally Time to Buy?

### Description

**Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) lost a lot of fans during the Great Recession but management has worked hard to right the ship and investors are returning to the stock.

Let's take a look at the current situation to see if Manulife deserves a spot in your portfolio.

### Growth through acquisitions

After the financial crisis, management focused its energy on rebuilding the balance sheet and reducing risk. That process is complete and Manulife is now targeting growth in a big way.

Last year the company spent \$4 billion to buy the Canadian assets of **Standard Life Plc.** The acquisition added 1.4 million customers and gave Manulife a strong franchise in Quebec where it had previously struggled to gain a large foothold.

Manulife and Standard Life also plan to cross-sell products to clients in international markets. This is important for investors because it gives Manulife a chance to enter growing markets like India where Standard Life already operates.

In April, Manulife and Singapore-based **DBS Bank Ltd.** signed an exclusive 15-year distribution deal focused on Singapore, Hong Kong, China, and Indonesia.

The \$1.2 billion agreement gives Manulife the right to sell its insurance and wealth management products to DBS's Asian banking clients.

In the U.S., Manulife just completed its purchase of **New York Life's** Retirement Plan Services business. The deal adds about \$56 billion in assets under management to Manulife's John Hancock unit.

### Revenue stream

The recent deals show management's commitment to ensuring revenue comes from a variety of segments and geographic locations.

Asia is important for the future growth of the company because the insurance and wealth management sectors are still in the early stages of development in the region. In Q1 2015, core earnings from Asia jumped 15% compared to the same period in 2014.

The Standard Life purchase is already bearing fruit in Canada where Q1 core earnings also increased 15%.

In the U.S., competition is fierce. Manulife increased insurance sales by 9% but overall core earnings slid 7% on the back of weaker wealth management results.

### **Dividend growth**

Manulife raised the dividend by 19% in 2014 and bumped it up another 10% earlier this year. The current distribution of \$0.68 per share yields about 3%.

Investors should see strong cash flow growth in the next few years as the recent deals begin to bear fruit. That should translate into continued dividend growth.

### **Should you buy Manulife?**

Interest rates are probably headed higher in the U.S., and that is very good news for Manulife. Insurance companies have to hold significant funds in fixed-income assets because the money is reserved for policyholders. As interest rates rise, Manulife gets a better returns on these holdings.

The company has a strong balance sheet and is much less exposed to a downturn in equity markets than it was before the financial crisis.

The stock trades at an attractive 11.2 times forward earnings and a reasonable 1.2 times book value.

Long-term investors should be comfortable buying the stock right now.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:MFC (Manulife Financial Corporation)
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