



Did the Market Overlook Manulife Financial Corp.'s Strong Q2 Results?

Description

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)), one of the largest financial services companies in the world and one of the 10-largest life insurers by market capitalization, announced second-quarter earnings results before the market opened on August 6, but its stock responded by remaining relatively flat in the trading session that followed. Let's take a closer look at the results to determine if this lack of movement represents a long-term buying opportunity, or a sign of things to come.

A quarter of very strong top and bottom-line growth

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

Metric	Q2 2015	Q2 2014
Diluted Core Earnings Per Share	\$0.44	\$0.36
Revenue Before Realized & Unrealized Gains/Losses	\$11.28 billion	\$9.13 billion

Source: Manulife Financial Corp.

Manulife's fully diluted core earnings per common share increased 22.2% and its revenue before realized and unrealized gains and losses increased 23.6% compared with the second quarter of fiscal 2014. The company noted that these very strong results could be primarily attributed to higher fee income on higher asset levels in its wealth and asset management businesses, strong insurance sales in Asia, and the strengthening of the U.S. dollar.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Core earnings increased 28.7% to \$902 million

2. Net premium income increased 32.3% to \$5.58 billion

3. Insurance product sales increased 31.3% to \$771 million
4. Other wealth product sales increased 110.1% to \$1.77 billion
5. Investment income increased 14.5% to \$3.22 billion
6. Assets under management and administration increased 38.6% to \$883 billion
7. Wealth and asset management gross flows increased 92.4% to \$34.89 billion
8. Cash provided by operating activities increased 31.7% to \$3.42 billion
9. Book value per common share increased 19.9% to \$17.89
10. Core return on common shareholders' equity improved 20 basis points to 9.8%

Manulife also announced that it will be maintaining its quarterly dividend of \$0.17 per share, and the next payment will come on September 21 to shareholders of record at the close of business on August 18.

Did Manulife's stock react correctly?

It was a fantastic quarter for Manulife, so I think its stock should have reacted by making a significant move to the upside. With this being said, I think the lack of movement represents a great long-term buying opportunity, especially because the stock trades at very attractive valuations and has the added benefit of a 2.9% dividend yield.

First, Manulife's stock trades at just 13.2 times fiscal 2015's estimated earnings per share of \$1.77 and only 11.3 times fiscal 2016's estimated earnings per share of \$2.06, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 54.3 and the industry average multiple of 27. It also trades at a mere 1.30 times its book value per share of \$17.89, which is inexpensive compared with its market-to-book value of 1.42 at the end of the year-ago period.

Second, Manulife pays an annual dividend of \$0.68 per share, which gives its stock a 2.9% yield at today's 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 in the second half of 2015.

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

CATEGORY

1. Investing

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