



Manulife Financial Corp. or Sun Life Financial Inc.: Which Should You 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, and both of their stocks represent very attractive long-term investment opportunities today.

However, the laws of diversification clearly state that we cannot buy both, so let's take a closer look at each company's earnings results in the first half of fiscal 2015, their stocks' valuations, and their dividends to determine which is the better buy today.

Manulife Financial Corp.

Manulife's stock has fallen over 8% year-to-date, including a decline of over 12.5% since it released its earnings results for its three and six-month periods ending on June 30, 2015 on the morning of August 6. Here's a summary of six of the most notable statistics from the first half of fiscal 2015 compared with the first half of fiscal 2014:

1. Core earnings increased 19.6% to \$1.7 billion
2. Diluted core earnings per share increased 13.7% to \$0.83
3. Revenue before realized and unrealized gains and losses increased 20.5% to \$21.76 billion
4. Net premium income increased 31.5% to \$10.98 billion
5. Total assets under management and administration increased 38.6% to \$883 billion
6. Book value per common share increased 19.9% to \$17.89

At today's levels, Manulife's stock trades at 11.4 times fiscal 2015's estimated earnings per share of \$1.79 and 9.8 times fiscal 2016's estimated earnings per share of \$2.07, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 54.3 and the industry average multiple of 23.5.

In addition, Manulife pays a quarterly dividend of \$0.17 per share, or \$0.68 per share annually, which gives its stock a 3.3% yield at current levels. It is also worth noting that the company has increased its

dividend twice since 2014, and its increased amount of free cash flow could allow for another increase in the very near future.

Sun Life Financial Inc.

Sun Life's stock has risen about 1.5% year-to-date, including a decline of about 1% since it released its earnings results for its three and six-month periods ending on June 30, 2015 after the market closed on August 5. Here's a summary of six of the most notable statistics from the first half of fiscal 2015 compared with the first half of fiscal 2014:

1. Underlying net income increased 20.4% \$1.13 billion
2. Underlying earnings per share increased 20.9% to \$1.85
3. Total adjusted revenue increased 1.3% to \$11.73 billion
4. Net premium revenue increased 2.8% to \$4.73 billion
5. Total assets under management increased 18.1% to \$808.08 billion
6. Book value per share increased 15.5% to \$29.05

At current levels, Sun Life's stock trades at 12 times fiscal 2015's estimated earnings per share of \$3.55 and 11.1 times fiscal 2016's estimated earnings per share of \$3.83, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15.2 and the industry average multiple of 23.5.

Additionally, Sun Life pays a quarterly dividend of \$0.38 per share, or \$1.52 per share annually, giving its stock a 3.6% yield at today's levels. Investors should also note that the company increased its dividend by 5.6% in May, and its strong operational performance could allow for another increase in the second half.

Which stock is the better buy today?

After directly comparing Manulife Financial and Sun Life Financial, I think Manulife represents the better long-term investment opportunity today. Both companies reported strong earnings results in the first half and Sun Life has a slightly higher dividend yield, but Manulife's stock trades at much more attractive forward valuations, giving it a narrow win in this match-up. Foolish investors should take a closer look and consider scaling in to positions today.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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