



Should Manulife Financial Corp. Be in Your Portfolio?

Description

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) survived the financial crisis, but not without enduring some pain.

The company slashed its dividend by 50% and raised a significant amount of capital to shore up the balance sheet. Many long-term investors bailed out, but the stock has recovered nicely and investors are once again moving back into the name.

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

Growth

Manulife has been on the acquisition trail lately, with several new deals that should drive strong growth in the coming years.

In 2014 the company spent \$4 billion to purchase the Canadian assets of **Standard Life Plc**. The acquisition added 1.4 million new customers and positions Manulife for strong growth in Quebec, where it has struggled to get a foothold.

Manulife and Standard Life also plan to cross-sell each other's products to their international customers. This might be the most interesting part of the whole deal.

Manulife is expanding its reach into Asia, and it has strong operations in most of the countries, but not all of them. India is a good example. The Indian insurance market is set to grow significantly in the next decade, and Manulife might be able to access it through Standard Life's existing operations there.

In April, Manulife inked a 15-year exclusive deal to sell its products to Asian customers of Singapore-based **DBS Bank Ltd**.

Back in North America, Manulife also closed a deal for the Retirement Plan Services division of **New York Life**. That agreement added \$56 billion in assets under management to Manulife's wealth management company, John Hancock.

Dividends

Manulife lost a lot of friends when it slashed the dividend, and investors had to wait several years before the payout started to increase again, but it looks like things are back on track.

Manulife hiked the quarterly payout by 19% last year to \$0.155 per share. The company increased it again in April, moving the distribution to \$0.17 per share. This is still below the pre-cut level, but it's moving in the right direction.

Earnings

Manulife sent a mixed message when it reported its Q2 2015 earnings. Core year-over-year earnings rose 29% based on positive developments in its Asian operations, but the company reported a 36% drop in net income compared with the same period last year due to a \$362 million charge caused by changes in interest rates.

After the crisis the company implemented measures to protect against significant moves in equity markets and interest rates. The charge is a bit concerning, and hopefully it's just a one-off event.

Should you buy?

Manulife trades at a reasonable 10.5 times forward earnings. The company has a solid balance sheet and revenue growth should continue as the new acquisitions and the Asian expansion start to be accretive.

The company might be a good alternative to the banks right now, but I would wait for the Q3 numbers to come out before buying the stock, just to make sure there aren't any more surprises.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)

Category

1. Investing

Date

2025/09/12

Date Created

2015/10/20

Author

aswalker

default watermark

default watermark