Manulife Financial Corp. Is a Buy for Both Short- and Long-Term Investors

Description

Manulife Financial Corp. (TSX:MFC)(NYSE:MFC) is one of the largest and most storied insurance companies in Canada. The company has been doing business for over 120 years and has operations that are equally distributed across divisions in the U.S., Canada, and Asia.

As an aside, here's an interesting factoid for those that are still in a post-election hangover: Sir John A. Macdonald was Manulife's first president.

Today, the company serves one in five Canadians and has been aggressively expanding over the past few years. The company acquired Standard Life PLC over a year ago in a deal worth $4 billion, and in doing so added 1.4 million new customers.

Even with the Standard Life customers, which bolstered Manulife's weak presence in Quebec, the insurance market within Canada is, for the most part, becoming saturated—and Manulife knows this. The company has been aggressively forging ahead with an international expansion focused on the U.S. and Asia.

Manulife's international expansion

In the U.S., Manulife operates as John Hancock Financial, and earlier this year the company completed the purchase of New York Life's retirement-plan-services business. This single deal expanded the plan's assets by 60% to over $130 billion.

In Asia, Manulife signed a 15-year deal this past April with Singapore-based DBS Bank Ltd., granting Manulife the exclusive rights over wealth-management products and insurance to DBS clients across Asia.

The deal with Standard Life allowed both companies to cross-sell products to international customers, and Standard Life had a larger presence in some countries, such as India, which Manulife is currently targeting. With the Indian market expected to grow exponentially over the next decade, Manulife will surely be looking to expand operations there next.

Manulife continues to impress with results

Manulife currently trades at just over $22, which is off the 52-week high of $24.20. Over the course of a full year, the stock is up by 10%. Looking long term, the five-year price is up by an impressive 75%.

Analysts have indicated that Manulife remains a buy, with price targets in the $25 range being mentioned.

In the most recent quarter, Manulife reported earnings of $902 million, which was an increase over the $701 million reported for the same quarter in the prior year. With the near 30% increase in core earnings, the total assets under management and administration are now $883 billion.

While these earnings are impressive and did beat the company's own expectations, a $362 million charge due to interest rates changes was responsible for net income ultimately coming in lower for the quarter than what was expected.

Manulife has raised the dividend it offers a few times over the past years, increasing it 19% last year, which brought the figure to $0.155 per share, and then more recently this past April when the dividend was raised to $0.17 per share. Should the current trend continue, expect to see further increases in dividends to come.

In my opinion, Manulife is a great opportunity for investors. The company has domestic and international sources of revenue, a strong balance sheet, impressive earnings and a dividend that is expected to grow in the coming years. The best part—this is all considering the current landscape; should interest rates start to increase in the U.S., it could garner additional investors and push the price even higher.

CATEGORY

1. Investing

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Author
dafxentiou