



## Is Manulife Financial Corp. a Safe Pick Right Now?

### Description

**Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) really took it on the chin during the Great Recession, but the company has battled back and investors are wondering if this is the right time to start a position in the stock.

#### From crisis management to growth

Manulife slashed its dividend in half and raised \$2.5 billion through an equity issue in order to shore up its balance sheet during the financial crisis.

The company was on the defensive as its stock dropped from \$40 per share to about \$10 during the worst of the fallout from the collapse in equity markets, and some pundits wondered if the company's days were numbered.

Management has proven the doubters wrong, and in 2014 the company made a major investment that signaled its return to a strategy of growth.

Manulife paid \$4 billion to buy the Canadian assets of **Standard Life Plc**. The acquisition gave Manulife an instant leadership position in Quebec where it had struggled to make any real headway and boosted the company from fourth place to number two in Canada in the group pension sector.

The Standard Life deal also included an agreement for the two companies to cross-sell products to global clients. Standard Life already had a working relationship with Manulife's U.S.-based John Hancock operations.

Asia is also a strong area of focus for the company, and Manulife secured a deal in April that will give the firm exclusive access to the clients of Singapore-based **DBS Bank Ltd**. The 15-year arrangement will help Manulife boost its presence in the strategically important Asian market.

In the U.S., Manulife just purchased the Retirement Plan Services operations of **New York Life**. That deal adds \$56 billion in assets under management to John Hancock.

## Earnings

Manulife reported Q3 2015 net income of \$622 million, or \$0.30 per share, compared to \$1.1 billion, or \$0.57 per share, in the same period in 2014.

The drop came as a result of fair value losses related to oil and gas investments. The energy sector continues to struggle with low prices, and investors should expect the difficulties to continue for the coming quarters.

Aside from the energy hit, Manulife had a decent quarter.

Asian insurance sales rose 19% in Q3 as compared with Q3 2014. The Canadian operations benefited from the integration of the Standard Life assets, and the U.S. division saw a strong performance from John Hancock, which entered the ETF market with six new products.

## Capitalization

Manulife remains well capitalized with a Minimum Continuing Capital and Surplus Requirements ratio of 226%.

## Dividend growth

Manulife raised the quarterly dividend by 19% in 2014 to \$0.155 per share and then hiked it again in April to \$0.17 per share.

The distribution should continue to climb as the new acquisitions become accretive.

## Should you buy?

The stock is attractively priced at 10.6 times forward earnings, and the impending increase in interest rates in the U.S. should provide a tailwind for the insurance sector.

However, Manulife has delivered two consecutive quarterly announcements with oversized hits to earnings. Investors might want to stay on the sidelines for another quarter or two to make sure there aren't any more big surprises.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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## Date

2025/09/12

**Date Created**

2015/11/30

**Author**

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