

3 Reasons Why Manulife Financial Corp. Is a Steal at Under \$23

Description

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)), one of the largest financial services companies in the world, has posted a decent performance in 2015. It has risen just over 1%, but I think it is wildly undervalued and is an absolute steal at under \$23 per share. Let's take a look at three of the primary reasons why I think the stock will head higher from here and why you should be a long-term buyer today.

1. Its very strong earnings results could support a rally

On the morning of November 12, Manulife reported very strong earnings results for its three- and nine-month periods ended on September 30, 2015. Here's a summary of eight of the most notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Core earnings increased 18.1% to \$2.57 billion
2. Diluted core earnings per share increased 13.5% to \$1.26
3. Revenue before realized and unrealized losses and premiums ceded under the Closed Book reinsurance transaction increased 20.7% to \$33.18 billion
4. Net premium income increased 32.8% to \$17.21 billion
5. Investment income increased 6% to \$8.57 billion
6. Other revenue increased 15% to \$7.4 billion
7. Assets under management and administration increased 34% to \$887.98 billion
8. Book value per common share increased 19.5% to \$18.98

2. It is a value play

At today's levels, Manulife's stock trades at just 12.9 times fiscal 2015's estimated earnings per share of \$1.74 and only 10.9 times fiscal 2016's estimated earnings per share of \$2.06, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 17.6, its five-year average multiple of 99.1, and the industry average multiple of 23.2.

With the multiples above and its estimated 13.5% long-term earnings growth rate in mind, I think Manulife's stock could consistently command a fair multiple of at least 15, which would place its shares upwards of \$30 by the conclusion of fiscal 2016, representing upside of more than 33% from current levels.

3. It has a high dividend and is a dividend-growth play

Manulife pays a quarterly dividend of \$0.17 per share, or \$0.68 per share annually, giving its stock a 3% yield. Investors should also note that it has raised its dividend for two consecutive years, and its very strong financial performance could allow this streak to continue in 2016.

Should you initiate a position in Manulife today?

Manulife Financial has the potential to widely outperform the overall market in both the short and long term, so all Foolish investors should strongly consider beginning to scale in to positions over the next couple of weeks.

CATEGORY

1. Investing

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