



## Is Manulife Financial Corp. the Right Stock for You?

### Description

Many investors in the insurance business can remember the financial crisis when their shares plummeted in value. In many respects, these shares have never recovered to those all-time highs. While this is the case, these companies have been working to grow. One company in particular that I have had my eye on is **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)), an insurance and financial services provider headquartered in Toronto.

Manulife was hit hard in the financial crisis. It diluted investors to raise \$2.5 billion and cut the dividend in half, and investors watched their equity deteriorate by 75%. However, while this is the case, the company is working to improve the company's long-term viability.

### Acquisitions & partnerships

One of the ways Manulife is improving its long-term viability is through an aggressive, but intelligent acquisition and partnership strategy. Manulife recognized that Asia is going to have a lot of people entering the middle class, so the company has been beefing up its operations there.

Manulife recently signed a \$1.2 billion deal with **DBS Group Holdings Ltd.** based out of Singapore. This will give it the exclusive right to offer wealth management products and insurance to DBS clients all across Asia. The deal is for 15 years, which will help cement Manulife in those people's lives.

Back in September 2014 Manulife bought the Canadian operations of **Standard Life Plc** for \$4 billion. Manulife had been targeting the group pension sector, and this acquisition gave it significant market share. Pension management can be a big business for an asset management provider.

Finally, Manulife's U.S. division acquired the retirement plan services operations from **New York Life**, which bolstered its John Hancock brand with \$56 billion in assets under management.

### The results are in

In the third quarter Manulife did really well in all three of its geographic holdings. In Asia its core earnings increased by 30.4% to \$356 million. Its U.S. division saw core earnings increase by 14.9% to

\$393 million. And its Canadian division was up 39.1% to \$338 million. All told, the first three quarters are strong when compared with the previous year. Core earnings, year over year, are up by 18.1% to \$2.57 billion.

But while these results are good, there is concern that the drop in oil prices since the end of the third quarter could negatively impact Manulife from an earnings perspective. Fourth-quarter results will come in February.

### **Dividend growth**

Manulife pays a quarterly dividend of \$0.17 per share, which is a 3.38% yield at present day prices. The good news for investors is that the dividend appears to be growing, with management increasing it over the past two years. I expect that, if the fourth-quarter results are strong and its 2016 prospects remain up, Manulife will increase the dividend again in 2016.

All told, Manulife appears to be an absolute steal. However, commodities can hurt a business like Manulife, and there's no denying that oil and mines have been doing poorly. Therefore, this might be the type of stock that you buy slowly, while waiting to see how the market reacts to any news. But my belief is that Manulife will start to see growth in its share price throughout 2016.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

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