



Is Manulife Financial Corp. a Smart Investment After Poor Results?

Description

It's not easy being a financial company when the macroeconomic conditions are not positive. **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)), the largest insurance company in Canada, reported weaker-than-expected earnings in its fourth-quarter release. This resulted in the stock falling before bouncing back.

What drove the weaker-than-expected earnings was the energy sector. "This was a disappointing year in terms of net income, largely due to sharp mark-to-market declines in oil and gas prices, diminishing an otherwise great year," said Donald Guloien, CEO of Manulife, in a release. Specifically, these energy investments took \$250 million off the company's net income for the fourth quarter and \$876 million for the year.

Naturally, this is concerning. Further, the company doesn't expect that it will be able to reach its earnings goal of \$4 billion in 2016 unless energy investments start to recover. Because there is an oil glut (I see no reason why that will change for the foreseeable future), I expect Manulife to continue suffering from an energy perspective.

But once you move beyond its energy investments, it becomes clear that Manulife is actually doing an incredible job. In 2015 its core earnings were \$3.428 billion compared to \$2.888 billion in 2014. The reality is that other than energy, all of its operations are operating tremendously efficiently.

In Asia the company saw a 28% increase in insurance sales and a 56% increase in wealth and asset management gross flows. I expect that Asia will continue to deliver outsized results due to a few smart partnerships it made.

The first was a 15-year deal with DBS Bank Ltd., which will allow Manulife to sell its products to the bank's customers exclusively in Singapore, Hong Kong, Indonesia, and mainland China. It also agreed to acquire the pension business in Hong Kong from Standard Chartered Bank and to become its exclusive partner for 15 years. All told, Asia is doing well for the company.

In Canada it saw an 8% increase in retail insurance sales. Part of what will contribute to future goals is that it has now completed the acquisition of the Standard Life plc operations based in Canada. And in

the United States it has been launching many new products, including six ETFs and a life insurance partnership with Vitality, a wellness company.

All told, Manulife is doing just fine. And the company believes it is doing just fine because, despite its energy sector weakening, it announced that it would be increasing its dividend by 9%. Based on current prices, the yield is 4.16%, which comes out to \$0.185 per share, per quarter.

If you're looking to acquire stock in an undervalued financial company that has everything but its energy investments firing on all cylinders, I believe you should seriously consider buying Manulife Financial Corp. It is seeing growth in all the right areas, and when its energy portfolio finally begins to regain value, the stock price will most definitely rise.

CATEGORY

1. Investing

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1. NYSE:MFC (Manulife Financial Corporation)
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