



## Manulife Financial Corp. Is a Dividend and Growth Play

### Description

**Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) is the largest insurance company in Canada with operations in the United States and throughout Asia. Despite many of its divisions operating efficiently, the company reported weaker-than-expected earnings in the fourth quarter.

An insurance company makes money by taking the premiums that are paid each month and investing them. This is how Warren Buffett built his empire, and it's how Manulife has been able to grow.

Unfortunately, due to the company having considerable investments in the energy sector, it saw a drop in total earnings. According to Manulife, energy investments cut into net income by \$876 million for 2015. The weak energy market forced the company to revise its expected 2016 earnings because it doesn't expect the market to gain strength.

But while these particular investments have hurt Manulife, the rest of the company is doing incredibly well. Its 2015 core earnings were \$3.428 billion, which is a significant increase to the \$2.888 billion in 2014.

One of the big drivers of this growth is its Asian operations. Manulife saw a 56% increase in wealth and asset management gross flows and a 28% increase in insurance sales. As I stated above, the more insurance Manulife sells, the more float (available reserve on hand) that it has to work with.

To encourage even more growth, Manulife acquired Standard Chartered Bank's pension business in Hong Kong. It also reached an agreement to be an exclusive partner with Standard Chartered Bank for 15 years, in which Manulife will sell its goods to the bank's customers. Manulife also signed an exclusive 15-year deal with DBS Bank Ltd, which has operations in Hong Kong, Indonesia, Singapore, and mainland China. I expect these deals to offer incredible returns in the coming years.

While its Canadian and U.S. operations didn't experience as much growth as Asia, growth was still respectable. It recently completed the acquisition of the Standard Life plc operations based in Canada. And it saw an 8% increase in retail insurance sales.

Finally, the United States continues to experience growth through the John Hancock Financial brand. It

delivered a 14% increase in mutual fund gross flows. It also launched six new ETFs, which is the company's introduction into that market. And finally, it entered into a life insurance partnership with Vitality.

Other than Manulife's poor investments in the energy sector, it has been able to generate significant income from its other investments. Asia, Canada, and the United States are all growing, and the company is doing well. Once the energy market starts to return to strength, I expect Manulife to grow with it.

And along the way, investors can rest easy knowing that they're getting a 4.03% yield, which comes out to \$0.185 per share. Despite its weaker results, Manulife announced that it would be increasing its dividend by 9%—the third year in a row that it has increased the dividend. I feel comfortable recommending Manulife to investors looking for stocks that are currently undervalued.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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