Shares of Manulife Financial Corp. Are on Sale!

Description

Manulife Financial Corp. (TSX:MFC)(NYSE:MFC) has pulled back 5% along with the rest of the financial sector this past week. The stock now offers investors a bountiful 3.53% dividend yield, which is expected to grow by a substantial amount over the next few years as interest rates continue to rise. The company is also growing fast through acquisitions, and its Asian asset management business is expected to be a huge driver of free cash flow going forward.

Get some Asian exposure in your portfolio

As a Canadian investor, it can be tough to get exposure to Asia, especially if you're not a fan of playing the foreign exchange game. The Asian business has been showing some impressive results lately, and there's reason to believe that the momentum will continue into 2017 and beyond. If you're looking to add diversity your portfolio with some Asian exposure, then Manulife is a great way to do this since almost one-third of the company's earnings come from its Asian segment.

Manulife was recently granted a license that will allow it to sell wealth management products in China. The asset management industry is growing ridiculously fast in China, and Manulife is at the forefront of this growth opportunity. Manulife has a 51% stake in the joint-venture Manulife-Sinochem Life Insurance Co. Ltd, a company based out of Shanghai. The management team stated that the company will serve a broader investor base, including small- to medium-sized institutions, private banks, and independent wealth management platforms.

Sure, China isn't the high-growth market that we once thought it was, but you shouldn't ignore it completely because of this. Investors have been increasingly fearful of anything to do with China, but I believe these fears are unwarranted. The opportunity for growth in China and Asia is huge, and if you're fearful, you'll miss out on the action.

Well positioned to be a dividend-growth king

Manulife is very well positioned to be a dividend-growth king over the next few years as both the Asian and U.S. segments will be huge tailwinds in the medium to long term. The company recently upped its dividend by 11% after its Q4 2016 earnings report, and it's expected that more annual dividend raises over 10% will be on the way.

Valuation

The stock currently trades at a 16.1 price-to-earnings multiple with a 0.8 price-to-sales multiple and a 2.6 price-to-cash flow multiple, all of which are lower than the company's five-year historical average multiples of 53.6, one, and 3.8, respectively. There's no question that the stock is cheap based on traditional valuation metrics, but it's even cheaper when you consider the tailwinds that will drive the stock higher over the next couple years.

The dividend yield is ~0.5% more than it usually is, so value investors should scoop up shares while they're on sale because they won't be this cheap forever.

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