Why I'm Bullish on Manulife Financial Corp. Over the Long Term

Description

Manulife Financial Corp. (TSX:MFC)(NYSE:MFC) and other life insurance companies are great alternatives to the Canadian banks if you're looking to beef up your financial holdings. The stock seems really boring as not much appreciation has occurred over the last few years. But it's not all bad since those who've held the stock during this time collected a solid dividend, which now yields 3.48%. Manulife has some very promising growth prospects and tailwinds that may support consistent dividend increases in the coming years.

Manulife's U.S. business set to ride tailwinds

Trump's pro-business agenda is expected to give the U.S. economy a nice bump which will allow the U.S. Federal Reserve to hike interest rates at a quicker rate. Manulife and other life insurance companies with exposure to the U.S. stand to gain from this trend over the next few years, as many consumers have started to increase their insurance coverage for the first time since the Great Recession.

Manulife is a cheap stock at current levels, and it could be ripe for a breakout sometime in the years ahead.

Manulife's Asian growth prospects sound very promising

Another promising growth prospect that many investors may be overlooking is the fact that the management team is firing on all cylinders with its Asian segment. The company made a bunch of intriguing deals last year with exclusive partnerships with firms in Hong Kong and Singapore. These firms already have strong client bases, and if any existing customers are interested in insurance, Manulife's products are sure to be brought up.

Many investors have shied away from Asian exposure, but I believe this is a huge mistake. Some pundits believe that approximately US$30 trillion in wealth will be inherited by Asia's next generation. This is a huge opportunity for Manulife to grab a slice of the pie. I believe the company will be successful as the management team continues to find new exclusive deals with other Asian banks.

Bottom line

If you’re looking to benefit from growth in Asia, then Manulife is a fantastic buy, especially since shares are reasonably priced right now.

The stock currently trades at a 15.08 price-to-earnings multiple and a 1.2 price-to-book multiple, both of which are reasonable when you consider the long-term tailwinds and growth prospects.

The dividend yield of 3.48% is considerably higher than the company’s five-year historical average yield of 3%. The company has grown its dividend by a large amount over the last four years, and I believe the company is well positioned to increase its dividend even more in the next few years as the Asian segment continues to impress.

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Date
2025/07/05
Date Created
2017/06/27
Author
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