



Dividend Investors: Is Manulife Financial Corp. Good for Your Portfolio?

Description

The recent price action in **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) stock has raised one important question: Is this the time right for long-term investors to get excited about this boring business?

Canada's largest insurer has massively outperformed the market in the past year, surging 41% against the **S&P/TSX Composite Index's** gains of 4%. This remarkable performance reminds me of good, old days almost a decade ago, when the Manulife's share price peaked at \$44, just before the Financial Crisis of 2007.

In the decade that followed, Manulife largely disappointed investors as the company failed to produce noticeable growth or a strategy that generated superior returns for its shareholders.

There are some positive signs lately that suggest that Manulife is beginning to turn the corner.

According to media reports, Manulife is considering spinning off its American unit, either through an initial public offering or an outright sale. Manulife's acquisition of John Hancock for \$15 billion in 2004 proved to be one of the biggest drags on its profitability and share performance. If this strategic move materializes, it will unlock the true value for Manulife shares, setting the stage for an upside potential.

Future growth drivers

A potential move on the U.S. side is one speculative element which is boosting the Manulife's stock price, but there are some fundamental improvements in the company's business as well.

The most visible improvements one can see when analyzing Manulife's financial performance is its expanding the Asian business. In 2016, for example, Asia produced 36% of Manulife's revenue, almost matching its U.S. revenue and more than what the company produced from its Canadian business.

This strategic shift in the company's focus to Asia has all the potential to produce a long-term growth as insurance and wealth management markets remain underserved in that region. On its Asian strength, Manulife was able to record a 29% growth in its earning per share in the most recent quarter

compared to the same period a year ago.

Management change

An upcoming change in the top management is more exciting news for investors. Roy Gori, who heads the company's Asian operations, will take over as the chief executive officer after Donald Guloien retires this year. Gori spearheaded Manulife's expansion in Asia, and his move to the top underscores how crucial the continent has become for the company's future.

For dividend investors, this all bodes well and presents an opportunity to benefit from the company's future growth potential and earn regular dividend income. Manulife pays a quarterly dividend of \$0.205 per share. Trading at \$25.23 a share, the stock offers a dividend yield of 3.25%.

In February, Manulife rewarded its investors with an 11% increase in its quarterly dividend, making 2017 the fourth year in a row that the company raised its payout.

Despite these positive developments, the insurance business may still not be as exciting as one may feel while investing in technology companies, for example. But Manulife is one solid dividend-paying stock that is poised for growth after its dull performance over the past decade.

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