



Manulife Financial Corp. Continues Asian Focus With John Hancock Spin-Off Rumours

Description

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) is a financial services company and the largest insurance provider in Canada, counting one in three Canadians as its customers. It also has strong exposure in the United States through the John Hancock brand. Over the past few years, the company has been aggressively expanding into Asian markets.

Back in April, I argued that 2017 would be the “Year of Asia” for the company as it continued to invest heavily in that region. There are billions of people in that part of the world who are only now just starting to reach the middle class. Insurance and financial products are exactly what middle-class people look for to ensure their families are taken care of.

Not to mention, there is going to be an insane amount of wealth transfer as China’s population continues to age, which will create an immense opportunity for Manulife.

Manulife has been preparing for this by making a series of smart partnerships. The company bought the pension business from Standard Chartered Bank, one of the oldest banks in Hong Kong, in September 2015. It also became the exclusive insurance provider until 2030. In January 2016, Manulife signed a similar deal with DBS Bank, which has branches in China, Hong Kong, Indonesia, and Singapore. And in August 2016, the company signed a deal with FTB Bank in Cambodia.

These sorts of deals will pay immense dividends over the coming years as customers from all of those banks begin looking for insurance products.

The numbers support this claim. According to Manulife’s earnings report, it saw a 31% increase in annualized premium equivalent sales compared to this quarter last year. Further, there was a 53% boost in new business value.

Manulife is doubling down on that bet in two ways.

First, its current CEO, Donald Guloien, is retiring in September and will be replaced by Roy Gori, the head of the Asia division.

Second is through the rumoured sale or IPO of its John Hancock brand. According to *The Wall Street Journal*, Manulife is considering an IPO or spin-off of the John Hancock group. Despite generating 40.4% of the company's core earnings, John Hancock has underperformed the Canadian and Asian division. Management is likely seeing a small window of opportunity to push John Hancock public and then use those resources to focus on Asia.

Personally, I am all right with that. Manulife bought John Hancock for US\$10.4 billion back in 2004. Unfortunately, compared to its competitors, John Hancock is small. While having exposure to the U.S. market is important, Manulife's history in Asia dates back a century, so it's simply a better and more lucrative opportunity.

I remain a bull on Manulife because of its focus on Asia. And in the event that the John Hancock brand goes public or is spun off, the returns for Manulife could be significant. And along the way, you can benefit from the 3.25% yield, which is good for a quarterly \$0.20 distribution. I said it in April and I'll say it again: Manulife's success rests on Asia, and I believe there will be success aplenty.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/07/02

Date Created

2017/07/25

Author

jaycodon

default watermark