



## Looking Into Canada's Insurance Companies: Manulife Financial Corp.

### Description

Over the past several days, we have looked into three of Canada's biggest insurance companies. Today, we conclude with **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)), which is Canada's largest insurance company by market capitalization. The company is worth more than \$50 billion, carries a beta of 0.93, and has a dividend yield of approximately 3.25%.

Manulife trades at a share price of slightly more than \$25. Shareholders have done relatively well over the past five years, but, unfortunately, they haven't done so well over the past decade. In the past five years, shares have increased by close to 135%, which is fantastic, yet in the past decade, shares have declined by almost 35% in total. The recession of 2008/2009 hit insurance companies particularly hard.

In fiscal 2013, the company paid dividends of \$0.52 per share, which increased to \$0.74 for fiscal 2016. In the first quarter of 2017, shareholders were treated to a small raise and now receive \$0.20 per share on a quarterly basis. The dividend's compounded annual growth rate (CAGR) was 12.5% from 2013 to 2016.

Earnings per share in 2013 were \$1.61, which declined to \$1.41 in 2016. Although the company's profits declined, the share price still increased over this period. In 2013, the dividend-payout ratio was no more than 32%, which jumped to 52.5% amid a decline in earnings for fiscal 2016. Although investors are still only receiving approximately half the profit in the form of dividends, it is important to understand that if the trend continues, the dividend will eventually need to be cut.

With the money that has been retained, the company has a return on equity (ROE) which is declining over time. In 2013, the company made a total profit of \$3.118 billion and ended the year with shareholders' equity of \$28.657 billion, translating to a ROE of 10.8%. Four years later in 2016, the company returned a total profit of \$2.99 billion and ended the year with shareholders' equity of \$42.08 billion. The ROE declined to 7.1%.

Although the ROE numbers and total profits have not trended in the right direction, there is still value to be had for investors of Canada's biggest insurance company. At the current price of ~\$25 per share, the company carries tangible book value of \$18.33 on a per-share basis. The company is currently

trading at a trailing price-to-earnings multiple near 16 times. Manulife can deliver excellent returns and is trading at a reasonable price.

The value that may be found in shares of Manulife comes from the potential of international expansion. The international expansion currently underway may be the catalyst that sets this security apart from the rest.

As a reminder, I have written three other articles about Canada's insurance companies that evaluate the same metrics for each company. As always, it is best to do more research before making any investment.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

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

## **PARTNER-FEEDS**

1. Msn
2. Newscred
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## **Date**

2025/08/19

## **Date Created**

2017/08/04

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