



Should You Buy Manulife Financial Corp. After its Solid Q2 Earnings Beat?

Description

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) reported its second-quarter earnings results this Wednesday. They beat analyst expectations thanks to a rock-solid Asian business which continues to grow.

Solid second-quarter results driven by Asian business

The company clocked in core earnings of \$1.17 billion, or \$0.57 per share, for the quarter, up from the \$833 million, or \$0.40 per share, during the same period last year, and beating analyst expectations of a \$0.55 earnings per share.

The management team stated that the Asian business was a big reason for the outstanding results thanks to higher fee income from wealth management. The Asian market is a very promising growth area that many Canadian investors may be underestimating.

Going forward, expect Manulife to put its foot to the pedal on its Asian expansion plans as it continues to find more exclusive deals with banks across many Asian countries. I believe the Q2 results could be the start of a sustained rally to higher levels as investors start to really appreciate the real long-term growth potential behind Manulife's Asian growth plans.

Sure, Asia isn't a growth powerhouse like it was once expected to be, but it still has one of the largest emerging middle classes in the world, and the next generation is ready to invest with Manulife's products, which are being pushed by local Asian banks such as Singapore's DBS, Cambodia's FTB, and Hong Kong's Standard Chartered, for which Manulife is the exclusive provider of insurance and wealth management products.

Why buy now?

First, the huge momentum coming from Manulife's Asian business is expected to continue as the management team continues its ambitious expansion plans.

Second, the tailwind of rising interest rates is also a huge plus for life insurance companies like

Manulife. The Bank of Canada as well as the U.S. Federal Reserve are positioned to raise rates many times over the next few years. Higher rates mean higher profitability for the financials, and this tailwind is expected to be around for many years, as long as the economy continues to show signs of recovery.

Third, owning shares of MFC is a great way to obtain geographic diversification with the company's growing presence in across various countries in Asia.

Fourth, John Hancock, Manulife's U.S. business, is also rumoured to be spun off or sold. If such an event does happen, shares of MFC would likely surge since investors have been pushing for such an event because of John Hancock's sub-par performance, which has lagged behind the Asian and Canadian segments of late. It's never a good idea to buy shares of a company based solely on spin-off rumours, but if it did happen, a lot of investors would be applauding the move, and that's good for the stock.

Bottom line

Manulife's Asian expansion efforts are paying off, and the proof is in the pudding. The company is expected to ride many tailwinds over the next few years, so investors keen on obtaining solid capital gains and dividend growth should strongly consider initiating a position today.

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