



## Which of These 2 Insurance Companies Is a Better Buy After Q2 Earnings?

### Description

Two big insurance companies reported earnings on Wednesday, and I'll have a look at which did better and which is the better buy today.

**Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) released its second-quarter earnings on Wednesday, which showed the company's total revenue decline by about 20% from over \$20 billion a year ago to just \$16 billion for the current quarter.

The company's core earnings increased from \$833 million to \$1.174 billion for an increase of over 40%. A big increase in core earnings came as a result of the company's investment gains totaling \$154 million. Without investment gains, the core earnings would have increased by just 22%, or by a total of \$187 million from a year ago.

Manulife's U.S. division saw the largest year-over-year increase, going from \$361 million in Q2 of last year to \$452 million this quarter for an improvement of 25%. The company also saw earnings in Asia increase by \$63 million, up a total of 18%. Earnings in Canada saw the least amount of improvement with income only up 3% from the prior year.

**Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) also released earnings and saw revenues decline by 15% from \$9.5 billion in 2016 to \$8.1 billion for the current period. However, much of the decline in revenue was a result of net investment incomes dropping by \$1.87 billion. Net premiums for the quarter totaled \$3.9 billion and were up over 10% from a year ago.

Reported net income of \$574 million was up from \$480 million a year ago for a year-over-year increase of 20%. The company's Canadian segment saw net income unchanged from last year, while the U.S. segment saw income levels almost double, going from \$54 million a year ago to \$101 million for the current quarter. In Asia, the company saw earnings for the segment rise by over 13% from the prior year.

### Stock comparison

Sun Life currently trades around 12 times its earnings, while Manulife is around 16 times. By

comparison, **Great-West Lifeco Inc.'s** ([TSX:GWO](#)) stock is currently valued about 14 times its earnings per share. Sun Life trades at 1.5 times book value, while Manulife is closer to its book value, trading at about 1.3 times. Looking strictly at multiples, we could make the estimation that Sun Life is perhaps a bit undervalued in relation to its peers, trading at the lowest earnings multiple.

If we look at historical stock performance, Manulife has returned 138% over the past five years compared to 128% in returns for Sun Life. However, in the past year, Manulife's stock has seen share price increase by over 48% compared with just 13% for Sun Life.

### Bottom line

There is definitely a mixed bag of results when it comes to looking at these two stocks. On one hand, you have Manulife, which is the bigger company, has shown stronger year-over-year growth, and had more of an improvement in its bottom line. On the other hand, Sun Life has a lower earnings multiple, a stronger dividend, and might have more upside in its price since it is not near its 52-week high.

Ultimately, both stocks will likely move in the same direction, and it's really a question of which stock will see higher gains and fewer losses along the way. In the end, I like Sun Life simply because the stock has more room to grow, and investors might see Manulife as being a bit more tapped out given its rapid increase in price in the past year.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:GWO (Great-West Lifeco Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:SLF (Sun Life Financial Inc.)

### PARTNER-FEEDS

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

### Category

1. Dividend Stocks
2. Investing

### Date

2025/08/26

### Date Created

2017/08/10

### Author

djagielski

default watermark

default watermark