



Why Manulife Financial Corp. Is Down Over 2%

Description

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)), one of the world's largest financial services companies, announced its second-quarter earnings results after the market closed Wednesday, and its stock has responded by falling over 2% in early trading. Let's take a closer look at the results and the fundamentals of its stock to determine if we should use this weakness as a long-term buying opportunity.

Breaking down the Q2 performance

Here's a quick breakdown of the six of most notable financial statistics from Manulife's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Core earnings	\$1,174 million	\$883 million	33%
Diluted core earnings per share (EPS)	\$0.57	\$0.40	42.5%
Core return on equity (ROE)	11.5%	8.4%	310 basis points
Assets under management and administration	\$1,012 billion	\$934 million	8.4%
Capital	\$52.0 billion	\$50.9 billion	2.2%
Book value per share	\$20.01	\$19.49	2.7%

Should you use the weakness in its stock to buy?

It was a great quarter overall for Manulife, and it capped off a very strong first half of the year for the company, in which its core earnings increased 30.9% to \$2,275 million, its fully diluted core EPS

increased 32.1% to \$1.11, and its core ROE improved by 240 basis points to 11.3%. It's also worth noting that its core EPS in the second quarter surpassed the consensus estimate of analysts polled by **Thomson Reuters**, which called for \$0.55.

With all of this being said, I think the decline in Manulife's stock represents an attractive entry point for long-term investors for two fundamental reasons.

First, it's wildly undervalued. Manulife's stock now trades at just 11.3 times fiscal 2017's estimated core EPS of \$2.21 and only 10.3 times fiscal 2018's estimated core EPS of \$2.42, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 16.8. These multiples are also inexpensive given its current earnings-growth rate and its estimated 11.7% long-term growth rate.

Second, it has a fantastic dividend. Manulife currently pays a quarterly dividend of \$0.205 per share, equal to \$0.82 per share annually, which gives it a generous 3.3% yield. The company has also raised its annual dividend payment for three consecutive years, and its 10.8% hike in February has it positioned for 2017 to mark the fourth consecutive year with an increase, which makes it both a high-yield and dividend-growth play today.

With all of the information provided above in mind, I think all Foolish investors should strongly consider using the post-earnings weakness in Manulife's stock to begin scaling in to long-term positions.

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