



Better Buy: Manulife Financial Corp. or Sun Life Financial Inc.?

Description

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) and **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) are two of the world's largest financial services companies, and both of their stocks represent attractive long-term investment opportunities today.

However, in order to keep our portfolios diversified, we can only buy one, so let's compare the companies' financial performances in the first half of 2017, their stocks' valuations, and their dividends to determine which is the better buy right now.

Manulife Financial Corp.

Manulife's stock has risen about 2.5% year to date and more than 44% over the last year at the time of this writing. Let's start by taking a look at seven of the most notable statistics from the first half of 2017 compared with the first half of 2016:

Metric	1H 2017	1H 2016	Change
Core earnings	\$2.28 billion	\$1.74 billion	30.9%
Diluted core earnings per common share (EPS)	\$1.11	\$0.84	32.1%
Revenue before specific items	\$26.25 billion	\$25.57 billion	2.7%
Core return on equity	11.3%	8.9%	240 basis points
Total assets under management and administration	\$1,011.86 billion	\$934.22 billion	8.4%
Total capital	\$52.0 billion	\$50.93 billion	2.2%
Book value per common share	\$20.01	\$19.49	2.7%

At today's levels, Manulife's stock trades at 10.9 times fiscal 2017's estimated core EPS of \$2.25 and 10 times fiscal 2018's estimated core EPS of \$2.44, both of which are inexpensive compared with its five-year average price-to-earnings (P/E) multiple of 16.8. These multiples are also inexpensive given its estimated 11.3% long-term earnings-growth rate.

Manulife currently pays a quarterly dividend of \$0.205 per share, equal to \$0.82 per share annually, which gives its stock yield of about 3.35%. The company has raised its annual dividend payment for three consecutive years, and its 10.8% hike in February has it on track for 2017 to mark the fourth consecutive year with an increase.

Sun Life Financial Inc.

Sun Life's stock has fallen about 6.1%% year to date, but it's up more than 16% over the last year at the time of this writing. Let's take a look at seven of the most notable statistics from the first half of 2017 compared with the first half of 2016:

Metric	1H 2017	1H 2016	Change
Underlying net income	\$1.26 billion	\$1.14 billion	11.1%
Underlying EPS	\$2.05	\$1.85	10.8%
Adjusted revenue	\$14.69 billion	\$13.73 billion	7%
Underlying return on equity	12.6%	12.1%	50 basis points
Total assets under management	\$943.82 billion	\$864.60 billion	8.1%
Total capital	\$26.68 billion	\$24.63 billion	8.3%
Book value per common share	\$32.69	\$30.42	7.5%

At today's levels, Sun Life's stock trades at 11.9 times fiscal 2017's estimated underlying EPS of \$4.07 and 11.2 times fiscal 2018's estimated underlying EPS of \$4.34, both of which are inexpensive compared with its five-year average P/E multiple of 16.3. These multiples are also inexpensive given its estimated 7.1% long-term earnings-growth rate.

Sun Life currently pays a quarterly dividend of \$0.435 per share, equal to \$1.74 per share annually, giving it a yield of about 3.6% today. The company has also raised its annual dividend payment for two consecutive years, and its three hikes in the last 16 months have it positioned for 2017 to mark the third consecutive year with an increase.

Which is the better buy today?

Here's how each company ranks when comparing the strength of their earnings results in the first half of 2017, their stocks' forward valuations, their earnings-growth rates, their dividends, and their dividend-growth history:

Metric	Manulife	Sun Life
1H 2017 earnings strength	1	1

Forward P/E valuations	1	2
Long-term earnings-growth rate estimate	1	2
Dividend yield	2	1
Dividend-growth history	1	2
Average Rank	1.2	1.6

As the chart above depicts, both companies reported strong earnings results in the first half of 2017, and Sun Life has a higher dividend yield, but Manulife trades at more attractive forward valuations, has a higher long-term earnings-growth rate, and has a better track record of dividend growth, giving it the win in this match-up.

With all of this being said, I think both stocks represent very attractive long-term investment opportunities, so all Foolish investors should strongly consider making one of them a core holding.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2017/08/22

Author

jsolitro

default watermark

default watermark