



Manulife Financial Corp.: Does an Amazing Quarter Make it a Buy?

Description

Any time a company has amazing year-over-year growth, it's worth paying attention. **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)), the largest insurance provider in Canada, had just that sort of a quarter, making it worth paying attention to.

During the second quarter of 2017, Manulife earned \$1.255 billion in net income with earnings per share (EPS) of \$0.61 and a return on equity (ROE) of 12.4%. In Q2 2016, the company only earned \$704 million in net income with an EPS of \$0.34 and a ROE of 7.1%. There were a multitude of reasons the company did so well.

The CEO Donald Guloien pointed to the company's global business and its strong investment-related gains. This is key because insurance companies can derive significant profit from the float — the difference between the premium and the payout — when invested in smart assets. In Q2 2017, its investment-related gains were \$292 million compared to only \$60 million in 2016.

But, more importantly, Manulife's insurance sales were incredible. Its Asian business saw an 11% increase compared to Q2 2016 thanks to strong buying in Japan, Vietnam, and mainland China. The company's Canadian business experienced strong numbers thanks to a large-case group benefits sale. And in the United States, life insurance sales increased by 26%.

All in all, the business is operating incredibly efficiently. Yet this quarter alone is not why I am an advocate for buying Manulife, although it adds to the thesis.

What makes Manulife so intriguing to me is its increasing focus on the Pacific markets. Through a series of acquisitions, it has become the preferred insurance provider to clients of major banks across Asia. Manulife bought the pension business from Standard Chartered and is the preferred provider until 2030. It also signed two separate long-term deals with DBS Bank and FTB Bank.

But what I really like about its expansion into these Asian markets is it opens other opportunities. In 2016, Manulife raised US\$1.6 billion in debt capital. It was the first foreign insurance raise in Singapore, raising US\$470 million. I anticipate further debt increases to take place with favourable terms since Asia is a relatively untapped market.

I've argued for some time now that the key to Manulife's success is going to be Asia. With so many people moving into the middle class, they're going to want products that allow them to preserve wealth.

Manulife is exactly the type of business investors should want to own. Thanks to the smart insurance business model, the company is able to experience significant returns on investment, which we can see taking place with the strong return on equity. So long as it can continue experiencing strong sales, I have little doubt that the company will continue to experience strong investment returns.

I believe purchasing shares now is a great play. Manulife pays a quarterly distribution of \$0.20, which is good for a yield a bit under 3.5%. It may not be as strong as other dividend stocks, but for the Asian exposure, it's definitely worth it.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/17

Date Created

2017/08/23

Author

jaycodon

default watermark

default watermark