



## Why Genworth MI Canada Inc. Soared 6.07% on Friday

### Description

**Genworth MI Canada Inc.** (TSX:MIC), the country's largest private residential mortgage insurer through its Genworth Financial Mortgage Insurance Company Canada subsidiary, announced its third-quarter earnings results and a dividend increase after the market closed on Thursday, and its stock responded by soaring 6.07% in Friday's trading session. Let's break down the quarterly results, the dividend increase, and the fundamentals of its stock to determine if this could be the start of a sustained rally higher.

### The results that ignited the rally

Here's a quick breakdown of 12 of the most notable financial statistics from Genworth's three-month period ended September 30, 2017, compared with the same period in 2016:

| Metric  | Q3 2017        | Q3 2016        | Change           |
|---|----------------|----------------|------------------|
| Transactional premiums written                | \$195 million  | \$200 million  | (2.5%)           |
| Premiums earned                               | \$170 million  | \$162 million  | 4.9%             |
| Investment income                             | \$82 million   | \$52 million   | 57.7%            |
| Net income                                    | \$140 million  | \$98 million   | 42.9%            |
| Fully diluted earnings per common share (EPS) | \$1.52         | \$1.07         | 42.1%            |
| Net operating income                          | \$112 million  | \$93 million   | 20.4%            |
| Fully diluted operating EPS                   | \$1.23         | \$1.02         | 20.6%            |
| Operating return on equity                    | 12%            | 11%            | 100 basis points |
| Total investments                             | \$6.34 billion | \$6.25 billion | 1.5%             |

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|  |                |                |       |
|--|----------------|----------------|-------|
| Total shareholders' equity   | \$3.86 billion | \$3.62 billion | 6.6%  |
| Total assets   | \$6.83 billion | \$6.59 billion | 3.6%  |
| Fully diluted book value<br>per common share,<br>excluding certain items | \$41.35        | \$37.21        | 11.1% |

### **Dividend hike? Yes, please!**

In the press release, Genworth announced a 6.8% increase to its quarterly dividend to \$0.47 per share, and the first payment at this increased rate will come on November 30 to shareholders of record at the close of business on November 15.

### **Was the rally warranted, and can it continue?**

It was a great quarter overall for Genworth given the headwinds facing the industry, including the new mortgage insurance rules and rising interest rates, and the dividend hike was icing on the cake, so I think the market responded correctly by sending its stock significantly higher in Friday's trading session.

Furthermore, I think Genworth's stock could continue higher from here, because it still trades at just 8.9 times fiscal 2017's estimated EPS of \$4.84 and a mere 1.04 times its book value per share of \$41.35, and because it's a [dividend-growth star](#) with a beautiful 4.4% yield, all of which will continue to attract fundamental investors.

Genworth's stock has risen more than 35% since I [first recommended it](#) in October 2015, which does not even include reinvested dividends, and I think it still represents a great long-term investment opportunity, so take a closer look and consider adding it to your portfolio today.

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