



## Manulife Financial Corp.: Should You Buy After a Solid Q3 2017?

### Description

**Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) shares surged 4.13% in a single trading session following the release of its Q3 2017 results, which was solid despite the hurricane season's impact. Management also emphasized that it's exploring "all options" to exit the John Hancock business, something that investors have been pushing for quite some time. With continued growth from Asia and the tailwind of rising interest rates, is Manulife a must-buy today?

### Strong third-quarter earnings beat could be the start of a sustained rally

Manulife clocked in a core earnings per share (EPS) of \$0.53 for the quarter, up from \$0.49 during the same quarter last year and beating analyst expectations of \$0.52 (excluding one-off items). There's no question that hurricanes had an impact, but given adjusted Street expectations, the quarter was definitely solid thanks in part to higher investment gains and increased sales in Asia.

Net income (excluding one-off items) was clocked in at \$1.1 billion, up from \$996 million during the same quarter last year.

### Could Manulife be exiting John Hancock in the near future?

[Investors are quite fed up with John Hancock](#) and its sub-par ROE. It has been dragging down the Asian and Canadian businesses, which have been experiencing solid growth of late. John Hancock is a capital-intensive business, and it's dampening the incredible growth coming from its high-flying Asian business, so investors think a disposal of John Hancock would mean stronger returns going forward, as management shifts its focus on the [massive opportunity in Asia](#).

Although it's never a good idea to speculate on potential sales or spin-offs, I believe headlines from management regarding the potential sale of John Hancock will drive the stock higher. And if a John Hancock sale or spin-off is in fact announced, I think shares of Manulife could skyrocket.

“We will continue to look at all options but at the same time we wouldn’t do anything unless it created value for the shareholders,” said Roy Gori, CEO of Manulife. “We would never say never to anything but we wouldn’t be speculating.”

Gori knows what investors want, but at the same time, he’s not willing to take a hit to its book value for the sake of pleasing impatient investors.

### **Bottom line**

I wouldn’t own shares of Manulife just to wait for a John Hancock deal. Although Gori has been exploring options, a deal may not happen in the end.

Even with John Hancock, Manulife is a terrific business which will be riding major long-term tailwinds. And if a spin-off or sale of John Hancock ends up happening, then investors should treat it as a bonus.

Stay smart. Stay hungry. Stay Foolish.

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