



Is Manulife Financial Corporation a Buy Following its Q4 Release and Dividend Hike?

Description

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)), one of the world's largest financial services companies, released its fourth-quarter earnings results after the market closed on Wednesday, and its stock responded by trading up and down in Thursday's trading session before ultimately ending a fraction of a percent up. Let's break down the quarterly report and the fundamentals of its stock to figure out what we should do with the stock right now.

Breaking down the fourth-quarter results

Here's a quick breakdown of the eight of most notable statistics from Manulife's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Net premium income	\$6,943 million	\$7,001 million	(0.8%)
Net investment income	\$3,579 million	\$3,309 million	8.2%
Core earnings	\$1,205 million	\$1,287 million	(6.4%)
Diluted core earnings per share (EPS)	\$0.59	\$0.63	(6.3%)
Core return on equity	12.1%	12.9%	(80 basis points)
Total assets under management	\$952.56 billion	\$894.62 million	6.5%
Total assets under management and administration	\$1,040.49 billion	\$977.06 billion	6.5%

Book value pershare \$18.93	\$19.37	(2.3%)
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Rewarding its shareholders once again

In the press release, Manulife also announced a 7.3% increase to its quarterly dividend to \$0.22 per share, and the first payment at this increased rate will come on March 19 to shareholders of record on February 21.

What should you do with Manulife now?

The fourth quarter wasn't all that great for Manulife, but it did cap off a quality year for the company, in which its core earnings increased 13.5% to \$4.57 billion and its diluted core EPS increased 13.3% to \$2.22 when compared with 2016. The company noted that its performance in 2017 was negatively impacted "by portfolio asset mix changes and U.S. Tax Reform," but it went on to state that "these items will benefit us going forward."

With its annual results and dividend increase in mind, I think the market should have responded by sending Manulife's stock higher, but I think it was held back by weakness in the overall market; that being said, I think the stock represents a great investment opportunity for the long term for two fundamental reasons.

First, [it's wildly undervalued](#). Manulife's stock currently trades at just 11.3 times fiscal 2017's core EPS of \$2.22 and only 9.8 times the consensus analyst EPS estimate of \$2.57 for fiscal 2018, both of which are inexpensive compared with its five-year average multiple of 15.1; these multiples are also inexpensive given its current growth rate and its [long-term growth potential](#).

Second, it has one of the best dividends in the industry. Manulife now pays an annual dividend of \$0.88 per share, which gives it a beautiful 3.5% yield. The financial giant has also raised its annual dividend payment for four straight years, and the hike it just announced puts it on pace for 2018 to mark the fifth straight year with an increase, making it both a high-yield and dividend-growth play today.

After reviewing Manulife's financial performance and the fundamentals of its stock, I think all Foolish investors should strongly consider making it a core holding.

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