

partners, Manulife's insurance sales increased by 23% to \$4.7 billion.

Last year, Manulife's Canadian and Asian businesses saw double-digit growth, while its U.S. sales were essentially flat. The overall growth helped its diluted earnings per share grow 13%.

Manulife should benefit from higher interest rates

Manulife's fixed-income assets include government bonds (21% of total portfolio), corporate bonds (31%), mortgages (13%), and cash and short-term securities (5%), for example. They make up about 82% of Manulife's portfolio. So, higher interest rates should benefit Manulife.

Moreover, the tax reform in the U.S. is expected to benefit Manulife, contributing about \$240 million per year to the company's core earnings starting this year. That's about 5% of Manulife's 2017 core earnings of \$4.6 billion.

Dividend

At right under \$24 per share, Manulife offers a safe yield of close to 3.7%. Its payout ratio is less than 40% of its 2017 earnings. Manulife has increased its dividend for four consecutive years. Its three-year dividend-growth rate is 12.9%. The company just hiked its dividend in the first quarter by 7.3%.

With Manulife's earnings expected to continue growing ~10% per year for the next three to five years, Manulife shareholders can expect Manulife to grow its dividend at a rate of 7-10%.

Valuation

At the current levels, Manulife trades at a multiple of ~10.6. If the stock even only expanded its multiple to 12.3, which is below its five-year multiple of 12.6, it'd imply nearly 17% upside potential.

The consensus from **Thomson Reuters** is that the stock is even more undervalued, as it has a mean 12-month target of \$30.90 per share on the stock, which represents almost 29% upside potential.

Investor takeaway

Manulife's Asian businesses will continue to be its growth driver. If the company improves its U.S. business or sells its underperforming assets, it may serve as a catalyst to propel the stock higher.

Manulife currently trades at a decent discount for conservative income investors, as it offers a yield of ~3.7% and has room for price appreciation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
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