



Does Great-West Lifeco Inc. Offer Investors the Best Value Today Among Canada's Life Insurers?

Description

Winnipeg-based **Great-West Lifeco Inc.** ([TSX:GWO](#)) is coming off an encouraging fourth-quarter performance that saw the company record sales growth of 13% and adjusted net earnings growth of 5% year over year.

Yet thanks to a recent pullback in its share price, Great-West may very well be offering investors the best value among the Canadian life insurance companies.

A closer look at fourth-quarter results

In reporting its fourth-quarter and year-end results, Paul Mahon, CEO of Great-West, pointed to strong top-line growth in combination with controlled spending, which helped to drive the company's strong performance.

But the real story came out of the company's Canadian operations.

Following the realignment of Canadian operations, Great-West continued to make progress on targeted expense reductions, achieving \$123 million of its \$200 million cost savings goal through the end of the 2017 fiscal year.

That helped to improve earnings growth by 10% after accounting for the U.S. tax reform, an impressive accomplishment.

Earnings drive a fourth consecutive annual dividend increase

That strong performance helped to drive the company's fourth annual dividend increase, this time raising its quarterly payout by just shy of 6% and giving Great-West stock a forward dividend yield of 4.72%.

Great-West's current [4.72% dividend yield](#) is considerably higher than peers **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) and **Manulife Financial Corporation** ([TSX:MFC](#))([NYSE:MFC](#)), which have

yields of 3.55% and 3.75, respectively.

Why now might be a good time to initiate a position in Great-West stock

Despite encouraging performance in 2017, Great-West shares have fallen 9% since late October and now finds itself less than a couple of bucks above its 52-week lows.

While stocks that are at or near their 52-week lows are generally a good idea to begin with, what's more in the case of Great-West stock is that the shares now find themselves resting just atop the company's 200-week and 50-month moving averages.

Moving averages are technical indicators that can help traders and investors identify if a particular stock is showing signs of strength or weakness.

Stocks that remain above their moving averages indicate a "bullish" sentiment — that investors are still firmly behind a stock.

Some say that cases like Great-West stock, where the shares are just above their moving average, present the best buying opportunities, as the company isn't overly expensive but still maintains a bullish sentiment in the market.

Bottom line

Peer Manulife is considerably larger than both Great-West and Sun Life with a market capitalization of \$46.5 billion compared to \$32 billion for the latter two.

And there is certainly safety in numbers, with that statement being particularly true of insurance companies.

But if you're will to gamble a little on a smaller player that might have more to gain, Great-West is probably the better option compared to Sun Life; Sun Life stock is currently sitting just off its 52-week and all-time highs, making the Great-West appear to be [more attractive trade](#) on a risk-return basis.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:GWO (Great-West Lifeco Inc.)
3. TSX:MFC (Manulife Financial Corporation)
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