



## Is it Time to Add Manulife Financial (TSX:MFC) Stock to Your Portfolio?

### Description

**Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) had a tough run during the Great Recession, and many investors lost faith in the stock.

Let's take a look at the current situation to see if the insurance and wealth management firm deserves to be on your [buy list](#) today.

### Overhaul

Management is working through a strategy shift that will see the company “release” up to \$5 billion in legacy assets over the next five years. Agreements to release more than \$1 billion in capital have been announced or closed in 2018.

In addition, Manulife is streamlining its operations through investments in digital tools and the consolidation of back-office functions. CEO Roy Gori, who took the top job last October, is committed to using technology to modernize the businesses and improve customer service.

The digital transition to become more customer-centric should boost the company's efficiency ratio and result in \$1 billion in cost savings through 2022. During the second quarter of 2018, Manulife announced plans to achieve \$300 million in pre-tax run rate savings and reported a 51% efficiency ratio, representing a 3% improvement over the same period last year, so progress is already evident. Part of the restructuring involves reducing the head count by about 700, primarily through voluntary exit programs and natural attrition.

Of note, in Q2 Manulife became the first life insurer in Canada to underwrite using artificial intelligence. This improves efficiency and reduces customer response times.

### Results

Manulife reported Q2 2018 diluted core earnings per share of \$0.70 compared to \$0.57 in the same period last year. Core return on equity came in at 14% compared to 11.5% in Q2 2017. Overall, it was a steady performance.

## Operations

Starting in 2018, Manulife reorganized the way its businesses report, making Global Wealth and Asset Management in Canada, the U.S., and Asia a primary reporting segment in addition to the insurance operations. The idea is to separate the fee-based wealth and asset management services that do not provide any guarantees.

On the insurance side, under the new structure, the Canadian segment provides insurance, insurance-based wealth accumulation, and banking services. In Asia, it provides insurance products and insurance-based wealth-accumulation products. In the United States, the company operates as John Hancock (purchased in 2004 for about \$15 billion), providing life insurance products, and administering in-force long-term care and insurance-based wealth-accumulation products.

Analysts have speculated that Manulife might spin off or sell a good chunk of the U.S. insurance operations and prioritize growth in Asia. Gori was the head of the Asian operations before taking the CEO role. At this point, it looks like the plan is to monetize bits and pieces that do not fit with the long-term goals.

## Dividends

Manulife slashed its dividend in an effort to preserve cash flow during the financial crisis. The company has resumed dividend increases and currently pays a quarterly distribution of \$0.22 per share. That's good for a yield of 3.6%.

## Should you buy?

The company is heading in the right direction, and while it could take a couple of years to complete the overhaul, buy-and-hold investors might want to take a small position in Manulife, while the stock remains somewhat out of favour. At the time of writing, Manulife trades for \$24.30 per share compared to \$27.50 earlier this year.

## CATEGORY

1. Investing

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