



Here's a Diversified, Strong Growth and Income Pick

Description

Manulife Financial ([TSX:MFC](#))([NYSE:MFC](#)) is an interesting investment choice that may not resonate as a [great opportunity](#) to some investors. Manulife is in the midst of a revamp that was announced several months ago, which called for the shedding of 5% of its Canadian workforce, the consolidating of one of its two corporate headquarters, and looking at adopting technology to drive efficiencies wherever possible.

But does that commitment to improvement make Manulife a good investment today? Let's take a look at how the company is progressing with its transformation.

The revamp is progressing

Financial companies like Manulife are notoriously slow to react to changes in technology. Part of that view is attributed to both the stability and complexity of the current systems in place, and this, in turn, makes any replacements that leverage newer technology even slower to implement and test. Manulife CEO Roy Gori made a point of calling out the lack of technology in the industry, noting that the company, if not the entire industry, was "still in the dark ages" with regards to technology adoption.

That was the impetus behind part of the company's transformation, which is ongoing but beginning to show results. As a result, Manulife's stated target of \$1 billion in cost savings over the next four years is now not only viable, but likely to succeed.

In the most recent quarter, Manulife noted that the company is now using artificial intelligence for underwriting in Canada, which is an industry first. Additionally, Manulife recently enhanced its electronic point-of-sale system in Japan and implemented an end-to-end paperless solution in Indonesia.

Asian markets continue to provide incredible growth and fuel dividend increases

As the largest insurer in Canada, Manulife's domestic operations are saturated. There's only so much cross-selling the company can do, and while Manulife has expanded into other markets over the years, none have been as successful or pose as much opportunity as Asia.

Asia is experiencing a massive explosion of wealth, and riding that wave is a generation of investors that have both the desire and means to invest in the products that Manulife offers. To fully capitalize on that potential, Manulife's strategy has been to forge agreements with financial institutions in the different markets of Asia, becoming the preferred company of banks to offer those products.

The effort has proven successful as the region continues to significantly outperform other segments during earnings season and has led to additional contracts being signed throughout Asia. By way of example, in the most recent quarter, Manulife signed a new 15-year deal with Sathapana bank in Cambodia.

In terms of results, Asia realized a 19% increase in core earnings for Manulife, which came in at \$406 million. Overall, the company reported core earnings of \$1,431 million in the quarter, representing an impressive 25% or \$257 million improvement over the same quarter last year.

Should you invest?

There's a unique opportunity for investors to capitalize on Manulife's strength and long-term potential, which comes down to three key points.

First, Manulife is trading down 5% over the course of the past year. This is oddly out of place when considering the incredible gains the financial market has made over the past year, not to mention the added gains that have been realized from the stream of interest rate hikes on both sides of the Canada-U.S. border. Manulife has a P/E of 23.24 and a current stock price of \$23.

Second, Manulife's growth prospects in Asia as well as the company's increased reliance on technology to drive innovation and savings will keep earnings strong. By way of example, despite what appears to be uncertainty around the company, Manulife still managed to get year-over-year core earnings up 25% in the most recent quarter.

Finally, there's the dividend. Nearly a decade on from the Great Recession, Manulife has progressed nicely from where the company slashed its dividend in half to the point where the current quarterly yield is now sitting at a respectable yield of 3.81%, thanks to a series of annual hikes that stem back several years. The most recent hike came earlier this year.

In my opinion, Manulife remains an excellent long-term investment option that should appeal to [both growth- and income-seeking](#) investors.

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