



Manulife Financial Corp. (TSX:MFC) Stock Jumps 5%: Time to Buy?

Description

Manulife Financial ([TSX:MFC](#))([NYSE:MFC](#)) just popped on some positive news, and investors who have been waiting for an attractive entry point are wondering if the troubled stock has finally found a bottom.

Let's take a look at the current situation to see if Manulife deserves to be in your [portfolio](#) today.

Re-insurance move

Manulife just announced three major transactions that should give investors more confidence to own the stock. The company has entered agreements to essentially re-insure all of its U.S.-based legacy individual and group payout annuity businesses.

The deals will generate \$1 billion in capital, putting Manulife squarely on track to meet its goal of releasing \$5 billion in capital through 2022.

Share buybacks

Manulife also announced plans to buy back up to 40 million, or 2%, of its outstanding common shares. The move indicates management feels the stock price does not fairly reflect the company's full value and represents a good investment for surplus cash.

Dividend increase

Manulife is raising its dividend by 14%. The quarterly distribution will increase by \$0.03 per share to \$0.25. The company slashed the payout by 50% during the financial crisis, but has increased it in recent years. At the time of writing, the new distribution provides a yield of 4.5%.

Less uncertainty

Manulife has been under pressure in 2018 as a result of concerns the company might be forced to receive unlimited investments in high-yield side accounts connected to old policies.

A new regulation in Saskatchewan recently provided more clarity on the issue, effectively siding with the insurance companies.

Should you buy?

The company has more work to do on its turnaround program, but the latest developments suggest the company is making reasonable progress.

At some point, Manulife could decide to sell its John Hancock business in the United States as a way to unlock more value for investors. The long-term focus of Manulife and its peers is likely on Asia and other regions that offer better growth opportunities. Core earnings from the Asian operations rose 20% to US\$653 million in the first half of 2018 compared to the previous year.

Manulife's stock trades near \$22 per share, up from \$20 at the start of the week. A year ago, investors paid \$26.50 to own a piece of the company, and if you go back more than a decade, the stock once traded for more than \$40 per share.

If you have a contrarian investing style, it might be a good time to start a small position in the stock. Rising interest rates should bode well for the insurance industry as a whole, and you get paid a solid 4.5% yield to wait for additional progress in the restructuring efforts to bear fruit.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/07

Date Created

2018/11/02

Author

aswalker

default watermark