



Which Is a Better Buy: Manulife Financial Corporation (TSX:MFC) or Sun Life Financial Inc. (TSX:SLF)?

Description

Both **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) and **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)) are undervalued. Which insurance company is a better buy right now?

Let's compare the two.

Which is cheaper?

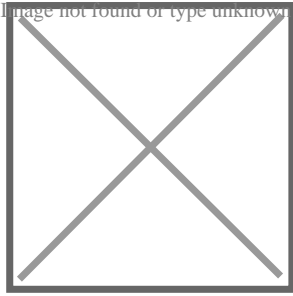
At \$20.50 per share as of writing, Manulife trades at a blended price-to-earnings ratio (P/E) of about 7.4, while it's estimated to grow its earnings per share (EPS) by 12-15% per year on average over the next three to five years. So, at worst, it's trading at a PEG ratio of 0.62.

Thomson Reuters has a mean 12-month target of \$29.40 per share on Manulife, which represents more than 43% near-term upside potential.

At \$46.38 per share as of writing, Sun Life trades at a blended P/E of roughly 9.6, while it's estimated to grow its EPS by about 11% per year on average over the next three to five years. So, it's trading at a PEG ratio of about 0.9.

Reuters has a mean 12-month target of \$56.60 per share on Sun Life, which represents 22% near-term upside potential.

So, Manulife is a cheaper stock with greater near-term upside potential.



Comparing their dividends and dividend growth

At \$20.50 per share, [Manulife](#) offers a yield of nearly 4.9%. It has increased its dividend per share for five consecutive years with a three-year dividend-growth rate of 11%. Its dividend is sustainable with a payout ratio of roughly 36%.

Its quarterly dividend per share paid out in the last four quarters was 11% higher than it was in the previous four quarters. Under normal market conditions, Manulife can increase its dividend per share by 9-11% per year over the next three to five years.

At \$46.38 per share, Sun Life offers a yield of about 4.3%. It has increased its dividend per share for four consecutive years with a three-year dividend-growth rate of 8.1%. Its dividend is sustainable with a payout ratio of roughly 41%.

Its quarterly dividend per share paid out in the last four quarters was almost 9.2% higher than it was in the previous four quarters. Under normal market conditions, Sun Life can increase its dividend per share by about 9% per year over the next three to five years.

Investor takeaway

Although Manulife is cheaper, Sun Life seems to be a better-managed company, as Sun Life's recent net margin was 8.2% compared to Manulife's margin of 5.6%. Manulife may be chasing after higher growth in the expense of lower margins.

Both [Manulife and Sun Life](#) are awarded a high S&P credit rating of "A." However, Sun Life has a debt-to-equity ratio of 0.21, which is better than Manulife's ratio of 0.33.

Both stocks are undervalued. However, if you're willing to take on greater risk for higher returns potential, consider Manulife. If you want a higher-quality company with good upside potential, consider Sun Life.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/08/26

Date Created

2019/01/09

Author

kayng

default watermark

default watermark