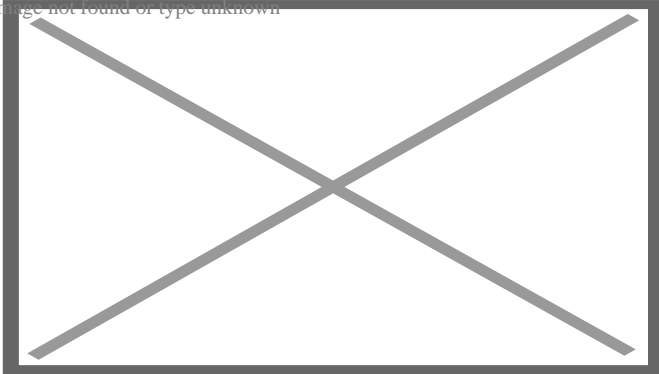


## 2 Cheap Financial Stocks for Income and Dividend Growth

### Description

**Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) can deliver long-term annualized total returns of more than 10% from current levels. If investors perform active trading, particularly in Manulife, they can achieve higher returns.

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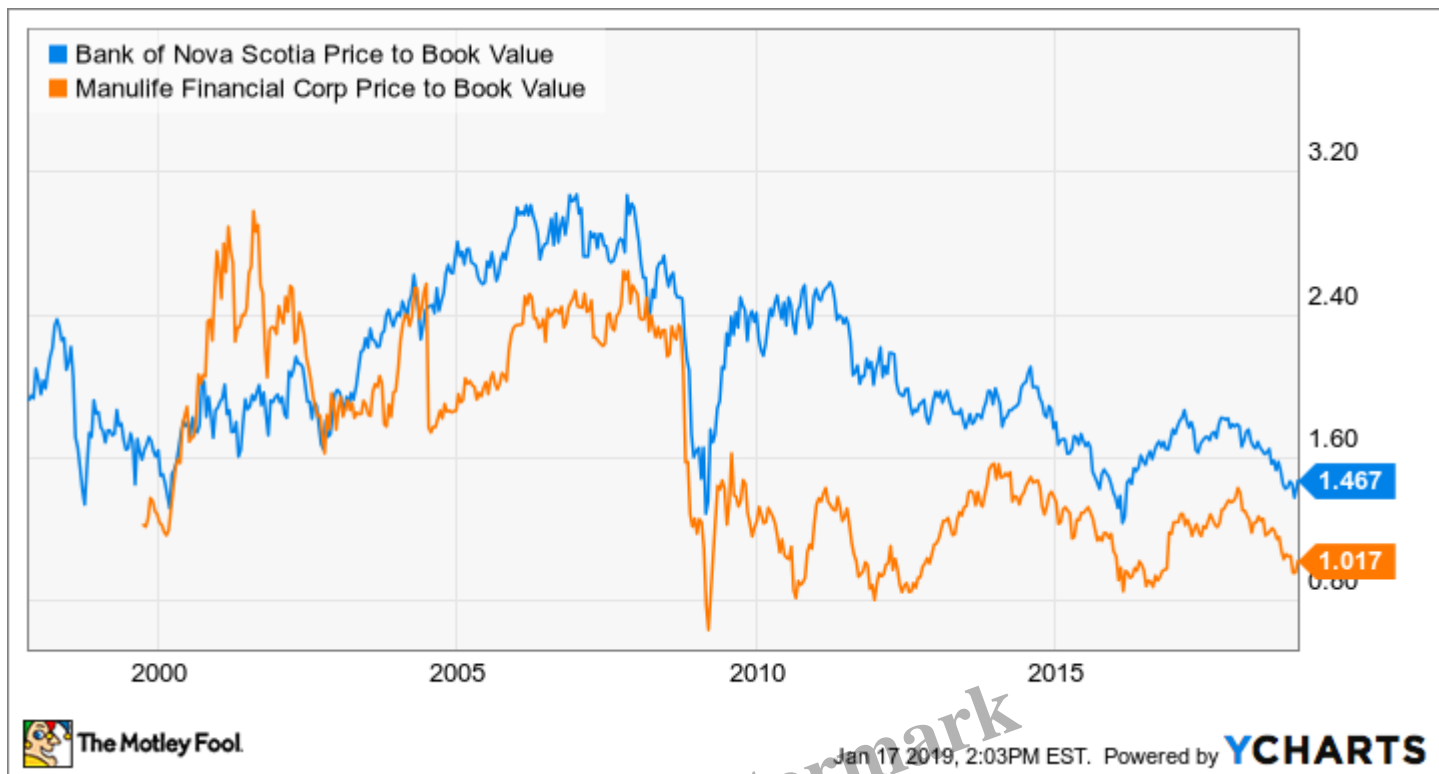
### Manulife is hugely discounted

Manulife is a bargain stock. At about \$21 per share, it trades at a price-to-earnings multiple (P/E) of about 7.6, while it normally trades at a P/E of about 12.7. This multiple indicates a fair-value estimate of almost \$35 per share. In other words, Manulife is undervalued by about 40%.

The analyst consensus is optimistic about Manulife, too. It estimates that the insurance company will increase its earnings per share (EPS) at a compound annual growth rate (CAGR) of 14-15.3% over the next three to five years. So, Manulife is, at worst, trading at a cheap PEG ratio of 0.55.

**Thomson Reuters** has a 12-month mean target of \$28.70 per share and a high target of \$35.20 per share on Manulife. In one year's time, there's a greater chance that the stock will reach the \$28 level. It's more reasonable to target the \$35 level for an investment of more than two years.

One reason Manulife is trading at a huge discount is because the company is in [a lawsuit](#). However, the business has been chugging along and increasing its dividend. Its three-year dividend-growth rate is 13.7%. In other words, it increased its quarterly dividend by 47% from three years ago.



BNS Price to Book Value data by YCharts. The price to book histories of Scotiabank and Manulife indicate the stocks are on the cheap side.

## Bank of Nova Scotia

Bank of Nova Scotia is discounted. At about \$73 per share, it trades at a P/E of about 10.2, while it normally trades at a P/E of about 11.9. This multiple indicates a fair-value estimate of about \$86 per share. In other words, the bank is undervalued by about 15%.

The analyst consensus thinks the international bank will continue to grow with stable EPS increases of about 5-8% per year on average over the next three to five years. Reuters has a 12-month mean target of \$84.10 per share, which represents about 15% near-term upside potential.

[Bank of Nova Scotia](#) makes tonnes of money. In fiscal 2018, it reported net income of \$8.7 billion. On a per-share basis, its earnings increased at a CAGR of about 7.5% over three years' time. Over the same period, it increased its dividend per share at a CAGR of 6.4%. Going forward, investors can expect the bank to increase its dividend by about 6% per year.

## Investor takeaway

Patient investors should be rewarded with capital gains from Manulife and Bank of Nova Scotia. In the meantime, collect safe dividends with yields of about 4.6% from both stocks.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks

3. Investing

## TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:MFC (Manulife Financial Corporation)

## PARTNER-FEEDS

1. Msn
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## Date

2025/08/24

## Date Created

2019/01/19

## Author

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