Manulife (TSX:MFC) Stock Just Became Too Cheap to Ignore!

Description

Don't look now, but **Manulife Financial** (TSX:MFC)(NYSE:MFC) has fallen into a tailspin, with shares plunging 6.3% on Monday amid a violent broader market pullback that saw the **S&P 500** shed 3.4% of its value. Indeed, things have gone from bad to worse for the company, which depends on its Asian business for a vast majority of forward-looking growth.

With the sudden weakness in the Asian market expected to weigh on coming quarters for Asia-exposed Canadian insurer, it's not a surprise to see investors take a "sell now and ask questions later" approach with the stock. The headwinds that lie ahead of Manulife have the potential to be massive, and as fears of a recession begin to mount once again, Manulife stock is in a spot to take on a brunt of the damage, as global equity markets inch closer to bear market territory.

Various insurance products (life and extended health insurance) may be marketed as a must-have by the insurers, but in reality, they're seen as a "nice-to-have" when times get tough, and it comes time to tighten the belt with one's budget.

Just have a look at Manulife stock and how it fared during the 2007-08 financial disaster. Shares of Manulife have still yet to recover from its 2008 crash, and as the Asian markets drive the next global economic slowdown (or recession), many investors are likely worried that another massive unrecoverable drop could be in the cards.

It's possible that we could see more days like Monday. And while the stock may still be a long way from its long-term level of support at around $18 and change, I think value-conscious investors need to take a step back and consider the potential opportunity at hand from a longer-term viewpoint.

Yes, weakness in the Asian segment is going to be a significant drag on Manulife's coming quarters, and analysts are likely going to downgrade their price targets accordingly. From a longer-term perspective, though, Manulife's fundamentals are still very much intact, and its Asian business is still poised to be a significant driver of long-term growth, as the company capitalizes on a generational opportunity to serve to a booming middle class.

Although it's hard to believe, Manulife is still on the right side of a long-lived secular tailwind thanks to its growthy Asian business. That doesn't mean there aren't going to be significant bumps in the road, though. Nearly a third of profits are derived from the Asian market. While management still believes it's "too early" to tell how badly the Asian segment will be hit, I think investors are expecting the worst after Monday's pummeling.

I'm not an advocate of betting on the outcome of uncertain exogenous events and their impact on global or national economies. There are just too many variables to bother wasting your time with such an endeavour.

What I am an advocate of is buying shares of outstanding businesses at wonderful valuations, and although Manulife has its fair share of risks, I think that the risk/reward tradeoff is favourable with shares at just $23 and change.

I'm not calling a bottom, and I'm not discounting Manulife's risks given its heavy Asian exposure and the "discretionary" nature of its industry. What I am a fan of is the company's earnings potential over the next decade and beyond, recessions and global economic slowdowns included.

At the time of writing, Manulife stock trades at 8.2 times next year's expected earnings, 0.6 times sales, and 1.1 times book. With a bountiful 4.7% dividend yield, I'd say the stock offers a compelling value proposition to income-oriented investors who are willing to take on short-term pain for what could be tremendous long-term gain.

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Date
2025/06/30
Date Created
2020/02/25

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