



## Is Manulife (TSX:MFC) Stock Still a Buy in August?

### Description

**Manulife** ([TSX:MFC](#))([NYSE:MFC](#)) just reported its second-quarter earnings yesterday after the market closed. On the day, Manulife stock appreciated 4.55%, as the market anticipated good results. The company ended up beating analysts' estimates for the quarter, just like it does most of the time.



MFC data by YCharts. Manulife stock year-to-date price action.

Despite the pop, the dividend stock is still down by about 28% year to date. As we shall see, it still offers great value. Let's check out its recent results.

## Manulife's Q2 results

For Q2, Manulife reported net income of \$727 million, down 52% year over year. The return on equity was 5.5%.

However, it generated core earnings of \$1.6 billion, up 5% (up 8.3% on a per-share basis), while the core return on equity was 12.2%. This indicates its core business remains resilient.

Moreover, the company's LICAT ratio improved by 11% to 155%, which shows the life insurer maintains more than enough capital to support risks specific to the life insurance business.

Manulife stock's book value per share also increased by 10% to \$25.14. Additionally, management meaningfully reduced the company's expenses, improving its expense ratio by 3.6% to 48.9% against Q2 2019.

Manulife's "Global Wealth and Asset Management segment generated net inflows of \$5.1 billion, driven by positive contributions from [its] institutional business" compared to neutral net inflows in the prior year's quarter. It's important to point out that this was primarily due to a new institutional client in Canada. Net inflows in Asia were neutral for the quarter, while the net inflows in the United States were \$3.3 billion versus \$1.8 billion in Q2 2019.

## The dividend stock has good value

As the 10-year chart shows below, the stock can trade at its book value in a normal market. Consequently, the stock has at least 33% of upside on a reversion to the mean.



MFC Price to Book Value data by YCharts. Chart showing Manulife stock's 10-year price to book history.

Manulife stock normally trades at about 11 times earnings. This would imply a price target of more than \$32 per share based on this year's estimated earnings. This can be viewed as the longer-term price target that represents more than 70% upside potential.

Analysts' average 12-month price target of \$22.90 suggests near-term upside potential of 21%.

Other than price appreciation, Manulife stock also provides a juicy yield of close to 6%. With an estimated 2020 payout ratio of about 46%, the company can keep paying its quarterly dividend of \$0.28 per share.

The next dividend is coming up fast with an ex-div date of August 14 and a payment date of September 21. To receive this dividend, investors must own the stock before August 14.

So, over the next 12 months or so, it's possible to get total returns of about 27% from the blue-chip dividend stock.

## The Foolish takeaway

Manulife is awarded an S&P credit rating of A. It is a low-risk stock. The discounted valuation of the stock further reduces the risk of an investment in the stock. Simultaneously, the [discounted shares](#) improve investors' long-term returns potential from the dividend stock.

Investors will likely need to be patient to wait for meaningful price appreciation. Thankfully, the stock pays a generous yield of close to 6% for shareholders.

This year marks [Manulife](#) stock's seventh consecutive year of dividend growth. Its five-year dividend-growth rate is 10.8%, while it last increased its dividend by 12% in Q1.

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kayng

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