Why Beginners Must Buy This Insurance Stock Amid COVID-19 Fears

Description

The COVID-19 pandemic has devastated many economies across the world by forcing most businesses to shut down operations temporarily. As a result, these companies had no option but to cut their costs by laying off their employees and finding other ways to drive efficiencies.

The ongoing pandemic has also driven growth in a handful of sectors like e-commerce and tech. I expect the pandemic to boost the demand for insurance policies and related financial services products in the near term.

As the coronavirus outbreak has suddenly highlighted uncertainties in life, more people could be attracted to buy insurance in the near term — leading to a spike in the demand of life and health insurance policies. Let's take a closer look at a Canadian insurance company's stock that beginners can buy right now.

Manulife Financial's Q2 2020 earnings

Manulife Financial (TSX:MFC)(NYSE:MFC) is a Toronto-based multinational insurance and financial services company with a market capitalization of around $38 billion. Apart from its home market, the company's most of the revenue comes from Asia and the United States. Manulife recently released its second-quarter earnings on August 5. Since then, its stock has already risen by over 10%.

In the second quarter, Manulife's revenue rose by 23.7% year over year (YoY) to $27.5 billion. During the quarter, 32% of its total revenue came from the Asia division. The Canada division and the U.S. protection division accounted for 30% and 28% of its total revenue, respectively.

The company's Q2 adjusted earnings of $0.78 per share rose by 8.3% YoY. It was also significantly better as compared to the Bay Street analysts' consensus estimate of $0.62 per share.

While the COVID-19 lowered Manulife's new business volumes in Q2 with a decline in levels of activity, its annualized premium equivalent sales in Asia started showcasing a positive trend in demandtowards the end of the quarter.

Why it's an excellent stock for beginners

In the last few years, Manulife has heavily invested in digital transformation, and this move seems to be paying off well amid coronavirus-related closures. The company has now accelerated its digital transformation efforts, which should help it expand its reach, despite a prolonged pandemic.

Apart from these positive factors, Manulife's impressive dividend yield makes it a great stock to buy for beginners right now. Currently, the company has a solid 5.7% dividend yield, and it was even higher, at 6.2% at the end of July. The recent drop in its dividend yield is caused by an over 10% rally in its stock since its Q2 earnings event.

On Monday morning, Manulife stock is trading on a positive note at $19.92, with 1.7% gains for the day. However, it has lost around 24% in 2020 so far — underperforming the broader market by a wide margin. During the same period, the **S&P/TSX 60 Index** has seen only 2.1% value erosion.

In my opinion, investors seemed to have ignored Manulife Financial's solid future growth potential. I expect its stock to continue the recently started rally in the second half of 2020.

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jparashar