



Manulife (TSX:MFC): Absurdly Undervalued and Ready to Soar

Description

Manulife Financial ([TSX:MFC](#))([NYSE:MFC](#)) continues climbing out of the depths of 2020. The stock got completely obliterated during the 2020 February-March market meltdown, shedding over half of its value in a matter of weeks.

Today, MFC shares have mostly recovered, but they're still a correction (10%) away from their all-time highs. As a compelling and cheap economic reopening play, Manulife stock ought to be at (or at least near) the top of value investors' shopping lists.

What went wrong?

Like so many other financials, Manulife could not have pivoted out of the way to avoid the damage that was to come. The COVID-19 pandemic has hit some industries harder than others. The business of insurance, while marketed as a "must-have," hasn't been seen as such to those who've had to resort to aggressive budget cuts with their personal finances.

Personally, I view insurance products as "nice to have," and that's a major reason why investors opted to sell first with the intention of asking questions later, as the world fell into a pandemic.

Manulife felt the pandemic-induced pressures on its business. But as it turned out, the damage done to the stock in the moment of panic was overblown beyond proportion. The macro backdrop is not pretty, and the firm faces prominent sales headwinds the longer this pandemic drags on.

With interest rates likely staying lower for longer (some think they'll be near zero through 2024), Manulife faces an uphill battle on its road to recovery, as the insurer could stand to feel the pandemic's impact for years after the virus is finally eliminated.

Are Manulife shares really as cheap as they look?

Despite the COVID pressures and the ugly macro picture, there is still much to be excited about with

the name. Manulife has a solid Asian business that could drive major growth for years to come. Once this pandemic ends and we're gradually shifted into a rising-rate environment, Manulife stock could finally see the tides turn in its favour. Once that happens, though, the price of admission into the name will likely be much higher.

Today, MFC shares are dirt cheap. The stock trades at 0.6 times sales, 1.0 times book value, and 8.5 times trailing earnings. If that's not cheap, I don't know what is. The depressed valuation metrics, I believe, represent real value for investors, given the calibre of its long-term growth profile. That said, you're going to need a long-term investment horizon for the battered stock to really pay off.

In short, shares are as cheap as they look. But unless you're willing to hold for four years at minimum, you should probably look elsewhere for value.

How much higher can Manulife stock fly in 2021?

Manulife is still sitting in the penalty box over the [pandemic-plagued](#) macro environment. Core earnings have been weak, and lower rates do not bode well for investors. That said, Manulife's products will be in high demand again on the other side of this pandemic, especially if you think we'll be in for "the roaring 20s" or some sort of discretionary spending boom.

Analysts on the Street have a consensus price target of \$27, suggesting 9% upside from today's levels. I believe such estimates are too low and think Manulife stock could easily [surge](#) past \$30 by year's end if all goes well and COVID-19 is conquered in late 2021.

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