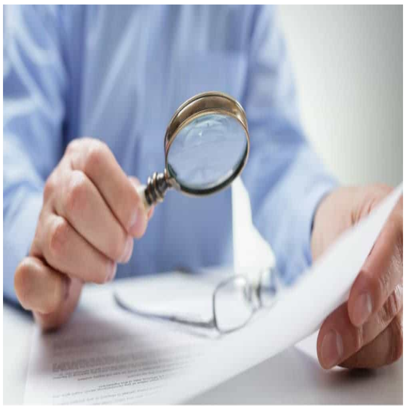

1 Popular and Inexpensive Stock to Keep on Your Radar

Description

Life insurance companies are excellent investment choices if you desire income stability. The industry did not escape the pandemic's wrath, but it managed to endure the impact. **Manulife Financial** (TSX:MFC)(NYSE:MFC), a household name not only in Canada but globally, displayed resiliency throughout the health crisis.

Income investors should keep this popular insurer on their radars or take a position while the stock is relatively cheap. Manulife is a great value buy at $25.14 per share. It could climb to nearly $30 (+19%) in the next 12 months based on analysts' forecasts. Your overall return would be higher with the 4.44% dividend.

New challenges and opportunities

A report by global consulting firm Deloitte said COVID-19 continues to have a significant impact on individuals, society, business, and the wider economy across the globe. Insurers in particular should brace for more challenges, as the broader economy recovers.

However, Deloitte believes that new opportunities will also emerge in the medium to long term. The advisory firm see insurance companies transitioning to the recovery phase to deal with the ongoing pandemic.

Record core earnings

Manulife did not disappoint in the first half of 2021. The $48.83 billion company saw net income attributed to shareholders and core earnings increase by 69.5% and 27.9% versus the same period in 2020. In Q2 2021 (quarter ended June 30, 2021), net income grew 264% to $2.6 billion compared to Q2 2020.

Management credits the impressive financial results in Q2 2021 to higher business gains across all insurance segments. Manulife also realized higher net fee income from higher average assets under management and administration in Global Wealth & Asset Management.

During the said quarter, New Business Value (NBV) came in higher too, with the 57% increase versus the same quarter in 2020. Manulife's NBV climbed 48% year over year to $399 million in Asia due to higher sales volume. The NBV increase in Canada was 65% because of higher sales volume.

Phil Witherington, Manulife's CFO, said the strong customer demand and favourable market sentiment resulted in the double-digit sales growth in annual premium equivalent (APE) across all segments.

Manulife's president and CEO Roy Gori said the company is moving to the next phase of its strategy. He said, "We have also continued to make strides in our ambition to become the most digital, customer-centric, global company, launching digital enhancements across a number of our businesses."

Market risks

Considering the recent strong report and positive metrics surrounding the business, some market analysts wonder why Manulife isn't trading above $30. Others think insurance companies are weak in a low-interest-rate environment, as their investments are in low-duration, fixed-income assets like bonds.

Nonetheless, the growing middle class in Asia and greater future demand should be Manulife's growth catalysts. Currently, the Asian market contributes 35% to total revenue.

Power your income

Manulife is a Dividend Aristocrat, no less, so investors can boost their disposable incomes through recurring dividend payments. As the company expands into Asia and technology initiatives prove successful, Manulife will generate more cash flows to sustain dividends and its growth.

The industry remains highly competitive, although Manulife should have a competitive edge over rivals like **Great-West LifeCo** and **Sun Life**. When you buy this asset, you can own it for good and never sell it.

CATEGORY

1. Dividend Stocks
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