Manulife’s Strategic Moves Make it a Top Buy Right Now

Description

Manulife (TSX:MFC)(NYSE:MFC) is a Canada-based life insurer that I’ve been pounding the table on for some time. This stock is one I’ve viewed as undervalued, a thesis which hasn’t changed much over the past year.

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Manulife’s insurance business remains strong. However, this company is much more than a simple insurer. Manulife has a range of businesses, including a burgeoning wealth management division, in a number of countries across the world. As Manulife grows its core businesses internationally, investors stand to benefit.

Let’s dive into some of the strategic moves Manulife is making, that make this stock worthwhile to consider right now.

Manulife: Poised to shed a portion of its U.S. annuity business

Manulife Financial looks forward to freeing around three-quarters of its U.S. variable-annuity business. This will, in turn, free up approximately $2 billion in capital and set the stage for increased stock buybacks and growth in its businesses based in Asia.

This organization has contracted with Venerable Holdings Inc. to reinsure its annuities, implying the latter will take the risk of paying off these annuities. The CEO termed this deal as a significant milestone for the organization.

Manulife stated that the annuities it is letting go of would have generated a loss of $1.5 billion, with the stock market declining by around 30%. This company will likely experience benefits valued at around $2 billion — approximately $750 million after-tax gain and $1.3 billion that the deal frees up in capital. Manulife is willing to utilize a considerable chunk of the released capital to repurchase shares and neutralize the transaction’s effect on its fully diluted earnings per share.

The organization also announced a new stock-buyback program for up to 2% of its shares, and after a few days, it asked regulators to expand it to 5% of the company's stock.

MFC stock: Some more positives to look into

Manulife posted solid numbers in its third-quarter results of 2021. A rise in investor cash positions and booming equity markets has offered a decent tailwind to this company's wealth management operations.

After the Great Recession battered the organization, Manulife's management has done an impressive job to remove business risks. Manulife's new deal of monetizing $2 billion in valuation through reinsuring 75% of its annuities takes the process to another level. It will help limit downside risks for the organization, and its investors in case of a stock market crash.

Bottom line

Manulife is known to pay lucrative dividends that are likely to keep growing over the forthcoming years. Self-directed RRSP investors would likely receive total solid returns from this TSX stock this new year and beyond.

My view is that Manulife's valuation at only seven times earnings is dirt cheap for this top Canadian insurer. Accordingly, investors looking for value in today's pricey market certainly have it in Manulife.

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