



The TSX's Largest IPO in 2021 Could Be the #1 Insurance Stock This Year

Description

Royal Bank of Canada Capital Markets, through Nitin Babbar, global co-head of equity capital markets, said the markets were perfectly placed for IPOs in 2021. Canada's largest bank was the top Canadian IPO manager last year with 17 issues. However, **BMO** Capital Markets won the mandate for **Definity Financial** ([TSX:DFY](#)).

The IPO of the \$3.42 billion property and casualty insurer was the largest in 2021. Also, it was the third-largest Canadian IPO in the past five years and one of the 10 largest in Canada's history.

Some market analysts recall the paths of **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) and **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)) before. However, with its successful IPO, Definity could be the top insurance stock in 2022.

Dividend bonanza

Two of the largest life insurance companies in Canada rewarded investors with dividend hikes in November 2021. Manulife increased its quarterly dividend by 12%, while Sun Life boosted its payouts by 20%.

Manulife boasts a strong track record of delivering progressive dividend increases. Besides the principal operation in Canada, the \$49.57 billion company is present in Asia and Europe. In the U.S., the brand is John Hancock.

In the nine months ended September 30, 2021, management reported 22.73% and 19.45% growth in net income and core earnings, respectively, versus the same period in 2020. Manulife president and CEO Roy Gori credited the diversity and resiliency of the franchise for the impressive results.

Sun Life delivered strong financial results too in the first three quarters of 2021. Its net income rose 72.05% to \$2.85 billion compared to the same period in 2020. Despite the pandemic's impact on several of its markets, Sun Life president and CEO Kevin Strain said the company continues to see positive momentum.

The \$41.56 billion company is the leader in insurance and asset management. According to management, Sun Life is the first Canadian organization to introduce digital tools across all wealth and insurance service platforms. Like Manulife, Sun Life is present in the U.S. and Asia (Philippines and Singapore).

Manulife (+12.49%) and Sun Life (+28.59%) were [winning investments](#) in 2021, although the latter was the better performer. Price-wise, Manulife (\$25.52) is cheaper than Sun Life (\$70.92). Dividend-wise, Manulife is more generous at 5.17% versus 3.72%.

Future insurance giant

Definity could morph or transition to an insurance and financial services provider like Manulife and Sun Life someday. On November 18, 2021, IPO day, the company raised around \$1.4 billion. As of January 7, 2021, the share price is \$29.58 — 8.87% higher than on the first trading day. However, market analysts see a return potential between 8.65% and 21.7% in 12 months.

The seventh-largest provider of property and casualty insurance in Canada has a market share of 4.6%. Economical Insurance, Sonnet Insurance, Family Insurance, and Petline Insurance are the brand names under Definity's umbrella. Because of significant investments to reshape the business, management says it can build premier market capabilities to become a digital leader in a large and growing marketplace.

Income and growth investors

Manulife and Sun Life are well-loved dividend stocks by [income investors](#). While Definity pays zero dividends, the TSX's largest IPO in 2021 could be one of the top [growth stocks](#) this year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:DFY (Definity Financial Corporation)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:SLF (Sun Life Financial Inc.)

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