Manulife Stock: A Buy Following Earnings?

Description

Headquartered in Ontario, **Manulife** (TSX:MFC)(NYSE:MFC) is financial services and insurance provider. This company offers many services, including commercial mortgages, asset management, insurance and reinsurance, real estate, securities underwriting, wealth management, and mutual funds. Long-term investors continue to like Manulife stock for the consistent returns this company has provided over decades.

However, this company has also been making headlines for positive reasons of late. Let's dive into what's happening with this stock and whether it's a buy following its earnings.

New business and asset management growth: Core profit beats analysts' expectations

Manulife recently posted Q4 core earnings, which beat analysts' estimates. This comes as the organization's asset and wealth management and new businesses profit growth helped offset declines in the U.S. and Canada.

For the fiscal fourth quarter, Manulife posted $1.7 billion in core earnings, or $0.84 per share. This was up from $0.74 per share just a year prior, representing strong earnings growth. This also beat analyst estimates of $0.82 per share for the quarter, indicating the company's growth prospects remain very strong.

These strong results led to a dividend hike, which resulted in some strong capital appreciation for investors.

Dividend hike boosts Manulife stock to multi-year highs

One of the key reasons many long-term investors buy Manulife stock is for this company's yield. Currently, Manulife stock pays investors a yield of 4.8%. That's not shabby, but there are also higheryielding options on the market right now.

That said, Manulife’s business model and stable cash flow growth allow investors to benefit from continued dividend growth. As the company grows its core business, Manulife has shown an affinity for passing this cash flow onto investors. Those with an income focus in their portfolios may want to take a look at this stock.

Importantly, investors must note that Manulife’s dividend is well covered by earnings. Before announcing the dividend hike, Manulife’s earnings were still strong. However, this company’s improved outlook has many investors piling into this once-unattractive trade.

Manulife has managed to increase its earnings per share by an average of around 20% per year. This includes the pandemic, which caused much concern among investors with respect to how Manulife would weather this storm. However, with interest rates back on the rise, there’s a lot to like about this insurer’s prospects moving forward.

Bottom line

Manulife is far from the “sexiest” of investments. However, this company’s continued dividend distributions and modest capital-appreciation upside do provide for the potential for double-digit annual returns over the long term. For many conservative investors, that’s enough of a selling point to jump in.

In this overvalued market, Manulife stock certainly looks attractive. This is a top stock I think investors should look closely at right now — particularly those looking to put fresh capital to work.

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