



Why I'd Still Buy Manulife Financial (TSX:MFC) Stock Despite its Q1 Earnings Miss

Description

The shares of **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) tanked by about 10% Thursday morning to \$22 per share — its lowest price level since December 2020. With this, MFC stock is now down by 9% on a year-to-date basis after losing nearly 12% of its value this week against a 4.4% week-to-date decline in the **TSX Composite Index**.

Manulife Financial's Q1 earnings

Manulife Financial is a Toronto-based financial services company with its main focus on insurance and financial advice. Based on its 2021 revenue numbers, the company generated nearly 50% of its total revenue from Asia. The United States and Canada made up nearly 26% and 22% of its revenue last year, respectively.

Today's massive drop in Manulife stock came after it [announced](#) its first-quarter results after the market closing bell on Wednesday. In Q1 2022, the Canadian insurance company reported quarterly earnings of \$0.77 per share — lower compared to \$0.82 per share in Q1 2021 and \$0.84 per share in the previous quarter. Manulife Financial cited lower new business gains in Asia, the unfavourable impact of markets on seed money investments in new segregated and mutual funds, and a drop in its in-force earnings in the U.S. market as key reasons for a YoY (year-over-year) decrease in its core earnings for the quarter. With this, its Q1 earnings also fell short of Street analysts' consensus estimate of about \$0.82 per share, hurting investors' sentiments.

Analysts cut ratings on MFC stock

Another key factor that could be blamed for a sharp selloff in MFC stock is analysts' reducing optimism. After the release of its latest quarterly financial results, several notable analysts from firms like the **National Bank of Canada**, TD Securities, and **BMO** have cut their target prices on the Manulife stock. In fact, BMO also cut its rating on the stock from "outperform" to "market perform."

What's next?

It's important to note that Manulife Financial's diversified business overall continued to showcase strong growth in the Canadian and U.S. markets in the last quarter. In addition, the company also benefited from higher fixed-income yields and lower cost of debt in corporate.

Clearly, an apparent slowdown in Manulife's Asia business could be worrisome, as the region accounts for most of its sales. This slowdown was mainly driven by the recent resurgence of COVID-19, which led to tighter containment measures in many Asian countries. Temporary workforce capacity constraints also affected its service levels in the March quarter. Nonetheless, I expect the company's business growth in the Asian market to be back on track in the coming quarters, as these temporary pandemic-driven challenges gradually subside.

Why Manulife stock is still attractive

Overall, Manulife Financial has been one of the most attractive Canadian [dividend stocks](#) for many years. It currently offers an attractive dividend yield of around 5.4%. While MFC stock hasn't seen much appreciation since 2020 due mainly to the negative impact of the global pandemic on its business, its fundamentals are gradually improving with a recovery in many of its key markets. Given that, it could be the right time for investors to buy this amazing dividend stock for the long term when it's cheap.

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