



Bank of Nova Scotia vs. Sun Life Financial Inc.: Which Is a Better Way to Play International Growth?

Description

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) and **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) are both focused on international markets for long-term growth. Let's take a look at the two companies to see which one should be in your portfolio.

Bank of Nova Scotia

With operations in more than 50 countries, Canada's third-largest bank is betting big on foreign markets. In Latin America alone Bank of Nova Scotia has spent more than US\$7 billion in the past five years to bulk up its presence in Mexico, Peru, Colombia, and Chile.

These four countries have a combined population of more than 200 million people and form the core of the Pacific Alliance, a free-trade bloc that is enabling the free movement of goods and workers among its members. The four nations have also integrated their stock markets as a means of boosting liquidity.

As these economies continue to integrate and grow, businesses will expand and need a wider range of banking products and services. At the same time, young people in the bloc are becoming more affluent and that leads to greater demand for mortgages, car loans, credit cards, and investment products. Bank of Nova Scotia is well positioned to capitalize on these opportunities, and is constantly looking for tuck-in deals to complement the existing operations.

In Q1 2015 Bank of Nova Scotia's Latin American division posted year-over-year retail loan growth of 13% and commercial loan growth of 11%. High expenses have cut into margins, but investors should be upbeat about the long-term prospects as the bank continues to improve efficiency in the international operations.

Bank of Nova Scotia trades at 11 times forward earnings and pays a dividend of \$2.72 per share that yields about 4%.

Sun Life Financial

Sun Life also sees opportunity in the expanding wealth of middle-class citizens in emerging markets. The company has a strong focus on much of Asia, but its operations in India could be the on the verge of a big breakout.

For the past fifteen years Sun Life has been building a business in India through its **Birla Sun Life** joint venture. India can be a challenging environment for international operators, but Sun Life has stuck to its strategy and is now the sixth-largest player in the \$60 billion Indian insurance market.

Until recently, international companies could only own 26% of their local partnerships. Last month, the Indian government increased the limit to 49% and this means companies like Sun Life can expand significantly. As much as \$2 billion in new capital is expected to flow into the Indian insurance sector in the next 12 months as a result of the changes.

Sun Life also has strong operations in China, Hong Kong, Indonesia, Vietnam, Malaysia, and the Philippines.

The stock trades at 11 times forward earnings and pays a dividend of \$1.44 that yields about 3.7%.

Which stock should you buy?

Both companies are good long-term plays on emerging markets. Sun Life is less exposed to a potential plunge in the Canadian housing market and its Asian assets are doing well.

Bank of Nova Scotia trades at an attractive valuation right now and is making good progress on the large restructuring program it announced last November.

At this point, it's pretty much a coin toss between the two companies.

CATEGORY

1. Bank Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:SLF (Sun Life Financial Inc.)

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