



Is Now the Right Time to Buy Sun Life Financial Inc.?

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)), one of the world's leading financial services organizations and the 13th largest life insurer by market capitalization, announced first-quarter earnings after the market closed on May 5 and its stock has responded by rising over 1%. Let's take a thorough look through the quarterly report to determine if we should consider buying in to this rally, or if we should wait for it to subside.

The strong first-quarter results

Here's a summary of Sun Life's first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Underlying Earnings Per Share	\$0.84	\$0.72
Adjusted Revenue	\$5.72 billion	\$5.70 billion

Source: *Sun Life Financial*

Sun Life's underlying earnings per share increased 16.7% and its adjusted revenue increased 0.3% compared with the first quarter of fiscal 2014. The company's double-digit percentage increase in earnings per share can be attributed to its underlying net income increasing 17.3% to \$516 million. Its slight revenue growth can be attributed to its net investment income increasing 22.2% to \$3.87 billion and its fee income increasing 17.7% to \$1.26 billion.

Here's a quick breakdown of eight other notable statistics from the report compared with the year-ago period

1. Net premiums decreased 0.9% to \$2.21 million
2. Adjusted premiums and deposits increased 1.6% to \$34.43 billion
3. Total assets under management increased 20.2% to \$812.56 billion
4. Total capital increased 10.8% to \$22.78 billion

5. Underlying return on equity improved 50 basis points to 12.1%
6. Average common shares outstanding increased 0.5% to 613 million
7. Book value per share increased 14.2% to \$28.64
8. Ended the quarter with \$4.08 billion in cash and cash equivalents, an increase of 21.3% from the beginning of the quarter

Sun Life also announced a 5.6% increase to its quarterly dividend to \$0.38 per share, and the next payment will be made on June 30 to shareholders of record at the close of business on May 27.

Should you buy in to the rally?

It was a strong first quarter for Sun Life, so I think its stock has responded correctly by rising over 1%. I also think the stock represents a great long-term investment opportunity today, because it still trades at inexpensive valuations and has a high dividend yield.

First, Sun Life's stock trades at just 12.2 times fiscal 2015's estimated earnings per share of \$3.28 and a mere 11 times fiscal 2016's estimated earnings per share of \$3.64, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15 and the industry average multiple of 19.9.

Second, Sun Life now pays an annual dividend of \$1.52 per share, giving its stock a bountiful 3.8% yield at current levels and making it one of the top dividend plays in the industry today.

With all of the information provided above in mind, I think Sun Life Financial represents one of the best long-term investment opportunities in the financial sector today. Foolish investors should take a closer look and strongly consider establishing positions.

CATEGORY

1. Dividend Stocks
2. Investing
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1. TSX:SLF (Sun Life Financial Inc.)

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