



The Case to Buy Sun Life Financial Inc. Today

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)), one of the world's largest financial services organizations and the 13th-largest life insurer by market capitalization, has widely underperformed the overall market in 2015, falling more than 4.5%, while the TSX Composite Index has returned over 3%, but I think it could be one of the top performing stocks from this point forward. Let's take a look at three of the primary reasons why this could happen and why you should be a long-term buyer today.

1. Double-digit earnings growth to support a near-term rally

Sun Life released very strong first-quarter earnings results after the market closed on May 5, and its stock has responded by rising over 1% in the weeks since. Here's a breakdown of 10 of the most notable statistics from the report compared with the year-ago period:

1. Underlying net income increased 17.3% to \$516 million
2. Underlying earnings per share increased 16.7% to \$0.84
3. Adjusted revenue increased 0.3% to \$5.72 billion
4. Adjusted premiums and deposits increased 1.6% to \$34.43 billion
5. Net investment income increased 17.3% to \$3.87 billion
6. Fee income increased 17.7% to \$1.26 billion
7. Total assets under management increased 20.2% to \$812.56 billion
8. Underlying return on equity improved 50 basis points to 12.1%
9. Book value per share increased 14.2% to \$28.64
10. Ended the quarter with \$4.08 billion in cash and cash equivalents, an increase of 21.3% from the beginning of the quarter

2. Its stock trades at inexpensive forward valuations

At today's levels Sun Life's stock trades at just 12 times fiscal 2015's estimated earnings per share of \$3.34 and only 11 times fiscal 2016's estimated earnings per share of \$3.64, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 15 and the industry average multiple of 18.3.

I think Sun Life's stock could consistently trade at a fair multiple of at least 15, which would place its shares upwards of \$50 by the conclusion of fiscal 2015 and upwards of \$54.50 by the conclusion of fiscal 2016, representing upside of more than 25% and 36%, respectively, from current levels.

3. A high dividend yield to provide additional returns going forward

Sun Life pays a quarterly dividend of \$0.38 per share, or \$1.52 per share annually, which gives its stock a 3.8% yield at today's levels. It is also worth noting that the company increased its dividend by 5.6% in May as a result of its strong operational performance, and I think this could become an ongoing theme over the next several years.

Is there a place for Sun Life in your portfolio?

I think Sun Life Financial could be one of the top performing stocks in both the short and long term. It has the support of double-digit first-quarter earnings growth, its stock trades at inexpensive forward valuations, and it has a 3.8% dividend yield that will provide additional returns to investors going forward, especially if they are reinvested. All Foolish investors should take a closer look and strongly consider making Sun Life a core holding today.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:SLF (Sun Life Financial Inc.)

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