



## 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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