



Sun Life Financial Inc.: Is the Rally Just Beginning?

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) has more than doubled off its lows of the Great Recession, and that might just be the start of a much larger, long-term rally.

Let's take a look at the current situation to see why investors could be in for more sunny days ahead.

1. North American growth

Sun Life delivered strong earnings growth for the first quarter of 2015. Reported net income rose 10% to \$441 million as total wealth sales jumped 10% and insurance sales rose 3% compared with the same period in 2014.

The road to recovery was a tough one after the financial crisis, but Sun Life is on very solid ground right now, and has turned its sights on strategic acquisitions to bolster growth in its North American operations.

In January the company announced a deal to buy New York-based asset manager Ryan Labs. The acquisition has added US\$5.1 billion to assets under management and increased the size of its third-party business in the U.S. The third-party asset-management arm was created in 2014 as Sun Life looked to add more fee-based revenue to its mix.

Last week Sun Life said it has agreed to purchase Bentall Kennedy Group, one of North America's largest real estate investment advisors, for US\$454 million. The deal is another indication that asset management is a core focus for the company moving forward.

2. International opportunities

North America is still the bread and butter of the company's operations, but Sun Life knows the biggest opportunities for long-term growth lie in emerging markets, and its strong presence in a number of Asian countries is starting to bear fruit.

Net income from Asia in Q1 2015 more than doubled from the same period in 2014. Total individual

insurance sales in Asia jumped 28%, led by strong gains in Hong Kong, Indonesia, and the Philippines.

Sun Life is also well established in India and recent changes to foreign ownership rules could lead to significant revenue growth.

In March a bill passed that will allow foreign insurance companies to increase their ownership in local partnerships from 26% to 49%. Sun Life has been building its Birla Sun Life operation for more than 15 years and is already among the top six private insurers in the country.

Over the next 10 years, analysts expect the size of the Indian insurance sector to grow from \$60 billion to as much as \$240 billion.

Interest rates

Falling interest rates have put pressure on insurance companies since the financial crisis, but that situation might finally begin to reverse. Most analysts expect the U.S. to begin increasing rates by the end of this year. The process will be slow, but the moment the first hike is announced, Sun Life and its peers should get a nice boost.

Dividends and share buybacks

Sun Life increased its dividend by 6% when it announced the Q1 2015 earnings. The \$1.52 per share payout yields about 3.6%. Investors should see steady growth in the coming years. The company also repurchased three million shares in the first three months of this year.

Should you buy?

The tide has turned for the insurance industry, and investors who have been sitting on the sidelines might want to start adding some exposure to their portfolios. Sun Life is a solid pick and looks poised for steady long-term growth.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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Date

2025/08/26

Date Created

2015/06/24

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