



Sun Life Financial Inc.'s Q2 Earnings Ignited a Rally: Should You Buy Now?

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 second-quarter earnings after the market closed on August 5, and its stock has responded by rising over 3%. Let's take a closer look at the results to determine if we should consider buying in to this rally, or if we should wait for the stock to come back down a bit.

A strong quarter of top and bottom-line growth

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

Metric	Q2 2015	Q2 2014
Underlying Earnings Per Share	\$1.00	\$0.81
Adjusted Revenue	\$6.02 billion	\$5.88 billion

Source: Sun Life Financial Inc.

Sun Life's underlying earnings per share increased 23.5% and its revenue increased 2.4% compared with the second quarter of fiscal 2014. Its very strong earnings-per-share growth can be attributed to its underlying net income increasing 23.2% to \$615 million, driven by 28.2% growth to \$250 million in its SLF Canada segment. Its slight increase in revenue can be attributed to its net premium revenue increasing 6.4% to \$2.52 billion and its fee income increasing 17% to \$1.29 billion.

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

- 1. Operating net income increased 49.8% to \$731 million
- 2. Operating earnings per share increased 48.8% to \$1.19
- 3. Total adjusted premiums and deposits increased 12.4% to \$33.72 billion
- 4. Total assets under management increased 18.1% to \$808.08 billion

5. Total capital increased 11.6% to \$23.02 billion
6. Underlying return on equity improved 100 basis points to 13.9%
7. Book value per common share increased 15.5% to \$29.05
8. Ended the quarter with \$7.45 billion in cash, cash equivalents, and short-term securities, an increase of 10.5% from the beginning of the quarter

Sun Life also announced that it will be maintaining its quarterly dividend of \$0.38 per share, and the next payment will come on September 30 to shareholders of record at the close of business on August 26.

Will the rally in Sun Life's shares continue?

It was a great quarter overall for Sun Life, so I think its stock has responded correctly by moving higher. I also think this could be the start of a sustained rally higher because the stock still trades at inexpensive valuations and because it has a high dividend yield, which will continue to attract investors.

First, Sun Life's stock trades at just 13.5 times fiscal 2015's estimated earnings per share of \$3.27 and only 12.1 times fiscal 2016's estimated earnings per share of \$3.67, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15.2 and the industry average multiple of 26.7.

Second, Sun Life pays an annual dividend of \$1.52 per share, giving its stock a 3.4% yield at today's levels, which is more than double the industry average yield of 1.6%. It is also worth noting that the company increased its dividend by 5.6% in May as a result of its strong financial performance, and I think this could become an ongoing theme over the next several years.

With all of the information provided above in mind, I think Sun Life Financial represents one of the best value and dividend plays in the market today. Foolish investors should strongly consider making it a long-term core holding.

CATEGORY

1. Dividend Stocks
2. Investing

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

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