



3 Reasons Why Sun Life Financial Inc. Shares Will Bounce Back

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)), one of the largest financial services organizations and life insurers in the world, has watched its stock fall nearly 10% since hitting its 52-week high of \$45.44 on August 6 as a result of the downturn in the market, but it has the potential to fully rebound and set new highs in the months ahead. Let's take a look at three of the primary reasons why this could happen and why you should consider making it a core holding today.

1. Its strong financial performance could support a rebound

After the market closed on August 5, Sun Life released very strong earnings results for its three and six-month periods ending on June 30, and its stock initially reacted by rising over 5%, but it has since erased all of those gains, and then some. Here's a breakdown of 10 of the most notable statistics from the first half of fiscal 2015 compared with the first half of fiscal 2014:

1. Underlying net income increased 20.4% \$1.13 billion
2. Underlying earnings per share increased 20.9% to \$1.85
3. Total adjusted revenue increased 1.3% to \$11.73 billion
4. Net premium revenue increased 2.8% to \$4.73 billion
5. Fee income increased 17.4% to \$2.55 billion
6. Total adjusted premiums and deposits increased 6.7% to \$68.15 billion
7. Total assets under management increased 18.1% to \$808.08 billion
8. Total capital increased 11.6% to \$23.02 billion
9. Underlying return on equity improved 60 basis points to 12.9%
10. Book value per share increased 15.5% to \$29.05

2. Its stock trades at inexpensive forward valuations

At current levels, Sun Life's stock trades at just 12.3 times fiscal 2015's estimated earnings per share of \$3.34 and only 11.1 times fiscal 2016's estimated earnings per share of \$3.70, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15.2 and the industry average multiple of 25.5.

I think Sun Life's stock could consistently command a fair multiple of at least 15, which would place its shares upwards of \$50 by the conclusion of fiscal 2015 and upwards of \$55 by the conclusion of fiscal 2016, representing upside of more than 22% and 34%, respectively, from today's levels.

3. It has a 3.7% dividend yield

Sun Life pays a quarterly dividend of \$0.38 per share, or \$1.52 per share annually, which gives its stock a 3.7% yield at current levels, and this is more than double the industry average yield of 1.8%. This dividend will continue attracting income investors, as well as those who are looking to minimize risk in today's uncertain times, because it will provide protection to the downside.

Should you add Sun Life to your portfolio?

I think Sun Life's shares will bounce back from the recent decline and head significantly higher from current levels. Its strong financial results in the first half of fiscal 2015 could support a rebound, its stock trades at inexpensive forward valuations, and it has a 3.7% dividend yield, which will attract investors and provide protection to the downside. Foolish investors should strongly consider beginning to scale in to positions today.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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Date

2025/07/08

Date Created

2015/08/24

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