



3 Reasons to Buy Sun Life Financial Inc. Today

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) is one of the world's leading providers of financial products and services, and I think its stock is a strong buy today for three primary reasons. Let's take a closer look at each of these reasons to see if you agree and if you should buy the stock today.

1. Its very strong Q1 results could support a continued rally

On May 10, Sun Life reported very strong first-quarter earnings results, and its stock has responded by rising nearly 7% in the weeks since. Here's a quick breakdown of 12 of the most notable statistics from the report compared with the same period in fiscal 2015:

1. Underlying net income increased 12.8% to \$582 million
2. Underlying earnings per share increased 13.1% to \$0.95
3. Total revenue increased 19.8% to \$8.78 billion
4. Adjusted revenue increased 6.7% to \$6.4 billion
5. Net premiums increased 44% to \$3.18 billion
6. Net investment income increased 9.3% to \$4.32 billion
7. Fee income increased 9.5% to \$1.37 billion
8. Underlying return on equity improved 30 basis points to 12.4%
9. Total assets increased 3.5% to \$246.64 billion
10. Total assets under management increased 5.9% to \$860.5 billion
11. Total capital increased 7.4% to \$24.5 billion
12. Book value per common share increased 5.3% to \$30.17

2. It's wildly undervalued

Even after its solid 6% rally in 2016, Sun Life's stock trades at just 12.1 times fiscal 2016's estimated earnings per share of \$3.77 and only 11.2 times fiscal 2017's estimated earnings per share of \$4.08, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 17.1 and the industry average multiple of 19.3.

With the multiples above and its estimated 10% long-term earnings growth rate in mind, I think Sun

Life's stock could consistently command a fair multiple of at least 14, which would place its shares upwards of \$52 by the conclusion of fiscal 2016 and upwards of \$57 by the conclusion of fiscal 2017, representing upside of more than 13% and 24%, respectively, from today's levels.

3. It has a great dividend

Sun Life pays a quarterly dividend of \$0.405 per share, or \$1.62 per share annually, which gives its stock a high and safe yield of about 3.5% at today's levels.

It's also important to make two notes about its dividend.

First, Sun Life's three dividend hikes since the start of 2015, including its 5.6% hike in May 2015, its 2.6% hike in November 2015, and its 3.8% hike earlier this month, have it on pace for 2016 to mark the second consecutive year in which it has raised its annual dividend payment.

Second, the company has a target dividend-payout range of 40-50% of its underlying net earnings, so I think its very strong growth, including its 27% year-over-year increase to \$3.76 per share in fiscal 2015 and its aforementioned 13.1% year-over-year increase to \$0.95 per share in the first quarter of 2016, will allow its streak of annual dividend increases to continue for many years to come.

Is now the time for you to buy shares of Sun Life?

I think Sun Life Financial is a strong buy, and all Foolish investors that agree should take a closer look and consider initiating positions in it today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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Date

2025/08/26

Date Created

2016/05/30

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