Sun Life Financial Inc. Is Shopping for Acquisitions

Description

As one of the largest insurers in Canada, **Sun Life Financial Inc.'s** (TSX:SLF)(NYSE:SLF) growth within the domestic market is becoming more and more difficult because of how saturated the market has become.

Sun Life and other insurers have countered this slowdown in recent years with a push into international markets, particularly into Asia, where rapidly increasing incomes are creating once-in-a-lifetime opportunities for companies to sell financial services and insurance products to an emerging class of investors.

Sun Life's growing Asian presence

Over the past few years Sun Life has expanded rapidly into Asian markets. The company now operates in seven markets, including the lucrative markets of China, India, Honk Kong, and the Philippines. Collectively, the markets that Sun Life has expanded into in Asia account for approximately half of the world's population.

Earlier this month, Sun Life announced the acquisition of the pension business of FWD Life Insurance Company as well as a distribution agreement that will allow the company's Hong Kong operations to distribute pension products throughout FWD's Hong Kong–based agency.

The company also acquired the MPF business of Schroder Investment Management in a $769 million deal that will bolster Sun Life's assets under administration to $5.8 billion.

Even with the recent acquisitions, Sun Life noted the possibility of even more acquisitions from the Asian market, where business continues to grow. Investing in Asia is good news to investors of the company because the recently announced quarterly results revealed weaker-than-expected results.

Quarterly results

Sun Life reported quarterly results last week that failed to meet the expectations set by analysts.

Underlying net income, excluding interest rate impacts and movements from equity markets, showed a decline of nearly 10% for the quarter, coming in at $554 million, or $0.90 per share. Analysts had been calling for the company to post $0.92 per share for the period.

Net income for the quarter fell to $480 million, or $0.78 per share–a drop of 34% from the previous quarter. Much of this decline can be attributed to macroeconomic factors; the Brexit vote earlier this summer is one of the primary reasons.

Underlying net income in Canada saw a 20% drop in the quarter to $200 million, whereas underlying net income from Sun Life's U.S. operations rose by 8.6% in the same period to $114 million.

What do these results mean for investors?

Sun Life wasn't alone in the battering of the markets. Insurers and financial institutions alike all took a beating, predominately because of interest rates and the fallout from the Brexit vote.

Currently, Sun Life trades at $41.66, down over 3% year-to-date. Looking out over the course of a full 12 months, the stock is down nearly 6%. Again, Sun Life is not alone in this regard, but it does have something that should bring solace to most investors looking at the most recent results: a handsome dividend payout. Sun Life pays out a quarterly dividend of $0.41 per share, which results in a very favourable 3.89% yield given the current stock price.

In my opinion, Sun Life is a good investment option for those investors who are looking for investments for the long term. The company's pursuit of an acquisition target is both reassuring and impressive given the recent results, which were by no means limited to Sun Life.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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Date
2025/07/07

Date Created
2016/08/15
Author
dafxentiou