



Looking Into Canada's Insurance Companies: Sun Life Financial Inc.

Description

For investors considering companies in Canada's insurance industry, there are a number of high-quality names to choose from. In the hopes of finding the stock that is the most attractive of the bunch, we are going through Canada's four biggest insurance companies throughout the week. The company that we will delve into today is **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)).

The company, which carries a market capitalization of almost \$30 billion, is Canada's third-largest insurance company. Given the mature nature of the company and the business, the beta is no more than 0.49, signaling that this is a lower-risk investment. Investors receive a dividend yield of slightly more than 3.5% as shares trade near the \$48 mark. Although the company is trading at a price which is closer to the 52-week high than the 52-week low, the very important catalyst that investors need to consider is how a rising tide will raise all boats.

As the Canadian government has finally increased interest rates, companies that hold a large amount of capital will finally be in a position to benefit from this act. Given that there is a lot of money held to pay out claims, insurance companies may finally be experiencing tailwinds after years of very low rates.

When considering the dividends paid over the past several years, fiscal 2013 saw investors receive \$1.44 per share, which increased at a rate of only 4% over the following four years. The dividends paid in fiscal 2016 were \$1.62. Earnings, however, increased by substantially more. Earnings per share (EPS) of \$2.82 in fiscal 2013 increased to \$4.07 for the 2016 fiscal year. The compounded annual growth rate of the company's EPS has been 13% over the past four years. This is fantastic!

With earnings increasing at a faster rate than dividends, investors are experiencing a lower dividend-payout ratio. In fiscal 2013, 51% of earnings were shared with investors, which declined to almost 40% in 2016. With the capital retained, the company has been using it very productively.

Beginning in 2013, the profits totaled \$1.055 billion, which increased to \$2.826 billion in 2016. Shareholders' equity over the same period increased from \$17.354 to \$21.956 billion. For investors wanting to consider the return on equity (ROE) metric, which is very important, the ROE increased from 6% to 12.8% in 2016. This is a huge accomplishment!

Going beyond the ROE, investors currently paying close to \$48 per share will receive tangible book value of \$27.58 per share. Given this premium, it is clear that not all insurance companies trade at close to tangible book value.

For investors wanting to find a fantastic investment in Canada's insurance industry, shares of Sun Life Financial may have a lot to offer. Given the substantial increase in the ROE, shareholders may have a lot of momentum on their side as rates will hopefully continue to increase.

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