Why Sun Life Financial Inc. Dropped 1.6% on Thursday

Description

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF), a leading international financial services organization, announced its second-quarter earnings results after the market closed on Wednesday, and its stock responded by falling 1.6% in Thursday's trading session. The stock now sits more than 11% below its 52-week high of $53.75 reached back in November, so let's break down the quarterly results and the fundamentals of its stock to determine if we should use this weakness as a long-term buying opportunity.

A strong quarterly performance

Here's a breakdown of six of the most notable financial statistics from Sun Life's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	**Q2 2017**	**Q2 2016**	**Change**
Underlying net income	$689 million	$554 million	24.4%
Underlying earnings per share (EPS)	$1.12	$0.90	24.4%
Underlying return on equity (ROE)	13.7%	11.9%	180 basis points
Total assets under management	$943.82 million	$864.6 million	9.2%
Total assets under administration	$990.68 million	$929.91 million	6.5%
Book value per common share	$32.69	$30.42	7.5%

What should you do now?

It was a very strong quarter for Sun Life, and it capped off a very successful first half of the year for the company, in which its underlying net income increased 11.1% to $1.26 billion, its underlying EPS increased 10.8% to $2.05, and its underlying ROE improved 50 basis points to 12.6%. It's also worth noting that its second-quarter underlying EPS crushed analysts' expectations, which called for $0.97.

With all of this being said, I think the decline in Sun Life's stock represents a great long-term buying opportunity for two fundamental reasons.

First, it's extremely inexpensive. Sun Life's stock now trades at just 12 times fiscal 2017's estimated EPS of $3.96 and only 11.1 times fiscal 2018's estimated EPS of $4.30, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 16.2. These multiples are also inexpensive given its current earnings-growth rate and its estimated 7.1% long-term growth rate.

Second, it has a great dividend. Sun Life pays a quarterly dividend of $0.435 per share, equal to $1.74 per share annually, which gives it a yield of about 3.65%. The company has raised its annual dividend payment for two consecutive years, and its recent hikes have it on track for 2017 to mark the third consecutive year with an increase, making it both a high-yield and dividend-growth play. It's also important to note that it has a target dividend-payout range of 40-50% of its underlying net income, so I think its strong growth, including its aforementioned 11.1% growth in the first half of 2017, will allow its streak of annual dividend increases to continue into the 2020s.

With all of the information provided above in mind, I think all Foolish investors should strongly consider making Sun Life a long-term core holding.

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