



Why Sun Life Financial Inc. Is Rallying Over 3%

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)), one of the world's [largest insurance companies](#), released its fiscal 2017 fourth-quarter and full-year earnings results after the market closed yesterday, and its stock has responded by rallying over 3% at the open of trading today. Let's break down the earnings results and the fundamentals of its stock to determine if we should be long-term buyers.

Breaking it all down

Here's a breakdown of eight of the most notable statistics from Sun Life's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Insurance sales	\$1,106 million	\$1,071 million	3.3%
Wealth sales	\$35,300 million	\$37,250 million	(5.2%)
Adjusted premiums and deposits	\$43,420 million	\$43,117 million	0.7%
Total revenue	\$8,648 million	\$2,366 million	265.5%
Underlying net income	\$641 million	\$560 million	14.5%
Underlying earnings per share (EPS)	\$1.05	\$0.91	15.4%
Underlying return on equity (ROE)	12.7%	11.4%	130-basis-point improvement
Book value per common share	\$32.86	\$32.10	2.4%

And here's a breakdown of 10 notable statistics from its 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
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Insurance sales	\$3,042 million	\$2,758 million	10.3%
Wealth sales	\$145,314 million	\$138,319 million	5.1%
Adjusted premiums and deposits	\$170,534 million	\$161,217 million	5.8%
Total revenue	\$29,334 billion	\$28,573 billion	2.7%
Underlying net income	\$2,546 million	\$2,335 million	9.0%
Underlying EPS	\$4.15	\$3.80	9.2%
Underlying ROE	12.7%	12.2%	50-basis-point improvement
Total assets under management	\$974,785 million	\$903,275 million	7.9%
Book value per common share	\$32.86	\$32.10	2.4%
Dividends per common share	\$1.745	\$1.62	7.7%

What should you do with Sun Life's stock today?

It was a great quarter overall for Sun Life, and it capped off a fantastic year for the company, so I think the +3% pop in its stock is warranted; furthermore, I think the stock represents a very attractive long-term investment opportunity today for two fundamental reasons in particular.

First, it's still undervalued. Sun Life's stock currently trades at just 12.9 times fiscal 2017's underlying EPS of \$4.15 and only 11.7 times the consensus estimate of \$4.57 for fiscal 2018, both of which are very inexpensive given its current earnings-growth rate and its estimated 8.2% long-term earnings-growth rate; these multiples are also inexpensive compared with its five-year average multiple of 15.4.

Second, it has a high dividend with a track record of growth. Sun Life currently pays a quarterly dividend of \$0.455 per share, equating to \$1.82 per share annually, which gives it a rich 3.4% yield. Investors must also note that the company's [4.6% dividend hike](#) in November has it on track for 2018 to mark the fourth straight year in which it has raised its annual dividend payment, and I think its strong growth of underlying net income will allow this streak to continue for many years to come.

With all of the information provided above in mind, I think all Foolish investors should strongly consider beginning to scale in to positions in Sun Life over the next couple of trading sessions.

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