Should Sun Life Financial Inc. (TSX:SLF) Stock Be on Your Buy List?

Description

Sun Life Financial (TSX:SLF)(NYSE:SLF) often flies under the radar of investors who are searching for a financial stock to add to their portfolios.

Let's take a look at the current situation to see if the insurance and wealth management company deserves to be on your buy list today.

Earnings

Sun Life operates insurance and asset management businesses primarily located in Canada, the United States, and Asia. SLF Canada generated a 6% increase in underlying net income in Q4 2018 compared to 2017. SLF U.S. saw underlying net income increase 27%. SLF Asia reported a 26% gain, and the SLF Asset Management group delivered similar results to the previous year.

Overall, total underlying net income came in at $718 million in the quarter, representing a 12% year-over-year gain. For all of 2018, Sun Life reported underlying net income of $2.95 billion compared to $2.55 billion in 2017.

Growth

Sun Life made strategic changes to its operations in the wake of the Great Recession. The company sold off its U.S. annuities division and has focused new investment on more stable asset management opportunities, including property management. Investors should see that trend continue after the recent merger of the company's real estate and property management group with GreenOak Real Estate, which positions the company to expand in North America, Europe, and Asia.

Long-term growth in the insurance business should come from Asia. Sun Life has strong subsidiariesor partnerships in several key markets, including India, the Philippines, and Hong Kong. As the middle class expands throughout the region, Sun Life should see demand increase for its insurance and wealth management products.

Dividends

Sun Life raised the dividend twice in 2018 from $0.455 per share to $0.475 and then to $0.50 per share, representing an increase of nearly 10% for the year. The Q4 payout ratio was 42%, so there is ample room for ongoing increases in 2019 and beyond.

At the time of writing, the stock provides a yield of 4.3%.

Risks

The stock is down from $51 per share a year ago to the current price near $46.50. A pullback in stock markets is part of the reason for the dip. The company is better insulated against corrections after its strategic shift, but as a wealth manager, any drop in the broader equity indexes will put pressure on that side of the business.

Overseas, Asia provides strong growth potential; however, a financial crisis in the region would have an impact on Sun Life’s performance.

Overall, the risk of another global meltdown similar to the the one we saw 10 years ago should be quite low, and the pullback in Sun Life’s stock price might be overdone.

Should you buy?

Sun Life has made good progress on its turnaround efforts and the strong dividend growth suggests management is optimistic about the revenue and earnings outlook.

If you are searching for a way to get exposure to Asian growth through a solid Canadian company, Sun Life deserves to be on your radar today.

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