



Sun Life Financial (TSX:SLF): Earnings Preview

Description

Financial services company **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)), is set to report its 2020 Q2 earnings this Thursday, August 6. The company will report its earnings after the market's close.

One of the largest financial service companies in the world, Sun Life is valued at a market cap of more than \$30 billion. The company is Canada's second-largest insurance provider, behind **Manulife Financial**.

The financial services company focuses primarily on insurance, asset, and wealth management. Insurance coverage includes a long of insurance products, including health, disability, stop-loss, and long-term care.

The majority of revenue today is driven by Canada and the US, but Sun Life has been [investing aggressively in expanding across Asia](#). Management cited that they are seeing a shift of millions of Asians entering the middle-class, which would be a massive market opportunity for the financial services company.

Why Sun Life is on my watch list

Sun Life has trailed the market this year, as the stock is down about 10% since the beginning of 2020. The company has gone on an impressive run since the end of March, but I believe the stock is still undervalued at today's price.

The company trades today at a forward P/E ratio under 10. The price/earnings to growth ratio (PEG), which incorporates the future earnings growth, is now trading below 1.

I'm not ready to pull the trigger, yet, but the low valuation on a company this size definitely has me interested. Here are two topics that I'll be watching closely when management reports earnings this Thursday.

Update on the growth in Asia

Between Canada, the U.S., and Asia, about 27% of the Company's 2020 Q1 net income was driven by Asian countries. In Q1 of 2019, Asia accounted for just 23% of total net income.

Not only is Asia becoming a more [prominent region for the company](#), but it's also the fastest-growing region. When comparing to Q1 growth year over year, Canada's net income grew 8%, the U.S. grew by 7%, and Asian net income grew an impressive 27% from \$122 million to \$155 million.

Management definitely called this out as a win in the last earnings report, so I'll be very curious as to how performance has been altered by the COVID-19 pandemic. The short-term performance will likely have taken hit due to the pandemic, but I'll be listening to hear if management addresses any change in long-term plans regarding the Asian expansion.

Accelerated digitization

Another area that I'll be looking for management to provide an update on is the digitization of certain tools and platforms.

In the most recent report, management highlighted that the COVID-19 pandemic lead to a shift in how business was being conducted. Sun Life digitized the purchase process within individual insurance sales, including the use of e-signatures.

In addition to significantly increasing the usage of e-signatures, the company introduced a healthcare product as well. Sun Life rolled out virtual healthcare services to individual clients across Canada.

Foolish bottom line

While Sun Life has not necessarily outperformed the market in recent years, I believe the next decade will be stronger than the last for the financial services company.

Expansion across Asia and an acceleration in the digitization of the company are two reasons why I'm bullish in the long-term for Sun Life Financial.

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