



Earnings Review: How Did Sun Life Financial Perform in Q3 of 2021?

Description

Sun Life Financial ([TSX:SLF](#))([NYSE:SLF](#)) announced its Q3 results yesterday and reported a net income of \$1.01 billion, up from \$750 million in the year-ago period. In the first nine months of 2021, its net income rose to \$2.85 billion from \$1.66 billion in the prior-year period. The company's net income per share also rose to \$1.74 in Q3 from \$1.28, while in the last three quarters, it rose to \$4.85 from \$2.83.

Key metrics for Sun Life Financial in Q3

One of the world's largest insurance companies, Sun Life Financial is valued at [a market cap](#) of \$37.52 billion. It provides insurance, wealth, and asset management solutions to individuals and corporates. Sun Life also offers term, health, dental, critical illness, long-term care, and disability insurance products, in addition to reinsurance products, investment counseling, and portfolio management services.

Sun Life's underlying ROE stood at 15.6% in Q3 higher than the 15.1% in the year-ago period. Its also increasing the medium-term underlying ROE financial objective to 16% from its current objective of between 12% and 14%. Sun Life's update is supported by strong business performance as well as a shift in revenue mix, which is geared towards higher fee-based earnings.

The company's net income rose by 36% year over year due to favourable impacts from changes in fair value of investment properties and ACMA, or assumption changes and management actions.

The acquisition of DentaQuest

Earlier this year, Sun Life disclosed the acquisition of DentaQuest, which is the [second-largest provider](#) of dental benefits in the U.S. with 33 million members. The deal was valued at US\$2.475 billion in cash, and it allows Sun Life to increase the scale of its U.S. business while driving growth in the highly attractive dental insurance vertical.

This acquisition is expected to close in the first half of 2022 and is expected to be accretive to underlying earnings and ROE. It will be financed by a combination of cash (40%) and debt (60%).

According to Sun Life, dental insurance is the second most popular benefit after health insurance, providing the company an opportunity to enter a market valued at US\$140 billion. DentaQuest operates in 36 states in the U.S. and has a contracted network of 117,000 dentists. In the last three years, the company's sales have risen from US\$1.8 billion to US\$2.7 billion, which is an annual growth of 14%.

What's next for investors?

Sun Life's president and CEO Kevin Strain stated, "We continue to see positive momentum, enabled by digital tools and solutions, at a time when several of our markets are impacted by COVID-19. Our third quarter results highlight the value of our diversified business mix, supported by strong wealth and asset management results."

Strain emphasized, "With a track-record of delivering on our objectives, combined with the ongoing shift to fee-based capital-light businesses, we are pleased to announce an increase in our medium-term financial objective for underlying ROE to 16% plus."

If Sun Life can successfully integrate the DentaQuest acquisition and continue to expand the bottom line, it should deliver solid gains for investors in the future. After accounting for dividends, Sun Life stock has returned close to 350% to investors in the last 10 years and still offers a tasty dividend yield of 3% right now.

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