



1 Top TSX Undervalued Stock to Buy Right Now

Description

The search for a top-notch [undervalued](#) stock to add to one's portfolio is always on. For those looking on the TSX, one company that's come across my radar of late is **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)).

Let's dive into why this insurance company could be an ideal pick for investors who are looking to add some value to their portfolio today.

Strong financials underpin this undervalued stock

Among the catalysts many investors look to when seeking out an undervalued stock to add to their portfolio is how stable a given company's balance sheet is. Looking at various insurers in the Canadian market, Sun Life's financial position is among the best of its peers.

This strong financial base has allowed Sun Life to continue to hike its dividend. In fact, this company did not waste any time after an announcement from the Office of the Superintendent of Financial Institutions came, lifting restrictions on dividend hikes and share buybacks.

In a release by Sun Life last week, the company announced it will increase its payout by an \$0.11-per-share supplementary dividend. Adding this supplemental dividend to the company's regular quarterly payout of \$0.55, its dividend will be 20% higher year over year. That's significant.

However, this dividend increase was made possible by net income growth of 36% year over year. Indeed, Sun Life president and CEO Kevin Strain stated that the company is happy to return capital back to shareholders. Should this performance continue, it's expected further hikes may be on the horizon. Mr. Strain has commented that this dividend hike will keep Sun Life's payout ratio in the targeted 40-50% range.

Bottom line

Sun Life's strong financial performance and recent dividend hikes all supplement the company's attractive valuation. Currently, Sun Life trades at approximately [11 times earnings](#). That's one heck of a valuation for a company with a 3.1% dividend yield and some rather strong top- and bottom-line growth.

I think Sun life could be an undervalued stock that many investors are overlooking right now. As macroeconomic factors continue to improve, this insurer should reap the benefits of this environment. I expect interest rates to rise in the coming quarters, as accommodative monetary policy winds down. For insurers like Sun Life, this is actually a tailwind, as higher interest rates boost the yield on the company's longer-term investments.

Indeed, finding a top undervalued stock to add as a core portfolio position isn't easy. However, Sun Life's strong financials and positive outlook make this a top pick in my books.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:SLF (Sun Life Financial Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. chrismacdonald
2. metienne

Category

1. Investing

Date

2025/08/17

Date Created

2021/11/24

Author

chrismacdonald

default watermark

default watermark