



2 Takeaways From Sun Life Financial's (TSX:SLF) Earnings Report

Description

Financial services company **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)) presented its 2020 Q2 earnings last Thursday, August 6. The stock saw about a 2% jump on the following trading today.

The financial services company has trailed the broader Canadian market so far this year. The company is down about 8% on the year in comparison to the **S&P/TSX Composite Index**, which is down just 3%.

It's worth noting, though, that Sun Life has outperformed the Canadian market since the March lows earlier this year. The financial services company has seen its stock price surge an impressive 55% since the last week of March.

In my [earnings preview article last week](#), I covered two topics that I would be watching closely. Let's now take a deeper look at how each of those topics fared during the most recent quarter.

Expansion strategy in Asia

A key growth driver for the future of the company is the [expansion strategy throughout Asia](#). The company saw Asia account for about 27% of net income in 2020 Q1, but that decreased to 26% in the most recent quarter. In addition, Canada and the U.S. saw year-over-year quarterly growth in net income of 16% and 12%, respectively, while Asia dropped by 2%.

Management attributed the drop in net income in Asia to unfavourable market-related impacts. But even though sales declined, management is still very confident in the long-term growth opportunity in Asia.

The company mentioned once again that the growth opportunity in Asia is led by the millions of people moving to the middle class. The massive demographic shift will likely create a significant rise in demand for Sun Life's products and services.

Quarterly sales may have slowed in Asia, but there's a clear upward trend when looking at net income over the 12 previous months. Management attributed the continued growth to strong International Hubs sales, which increased 42% year over year. In addition to that, new virtual sales experiences

have been rolled out in four countries already.

Accelerated digitization

The new virtual sales experience is designed to allow clients and advisers to transact in a comfortable and secure setting. The experience is not only completely done without needing to meet face to face but is now all done without the use of any paper as well.

An additional digitization highlight from the previous quarter included a new app launched in Canada, Sun eApp. The app is designed to offer an online sustainable insurance application platform for third-party advisors and clients. Management highlighted that the platform will help customers seeking financial advice, while still maintaining physical distancing. The app will also largely speed up the application process time. Processes that typically took up to one week will now take approximately just 24 hours.

It's clear that Sun Life is taking an aggressive approach to embedding a digital transformation throughout the company. Certain technology features may be table-stakes at this point, but Sun Life is ensuring that they're are doing far more than the bare minimum to keep its customers satisfied.

Foolish bottom line

I'm still bullish over the long term on Sun Life Financial, but I'm not picking up shares just yet. The valuation is definitely attractive today, but I'm going to need to see more traction in the expansion strategy in Asia before I add this financial stock to my portfolio.

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