

SUN LIFE FINANCIAL INC SLF.

Report Date : 11May16 Price : \$ 43.14

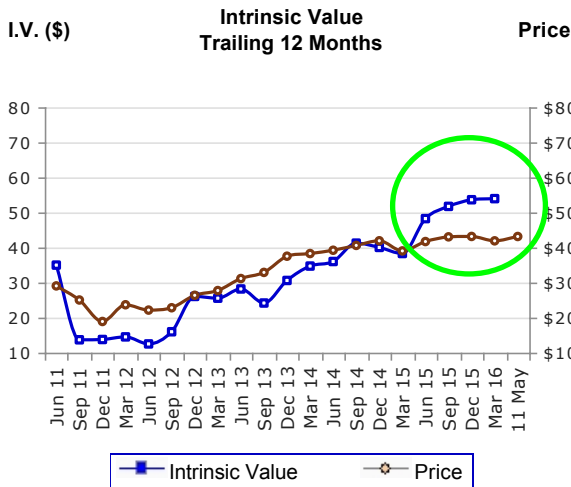
Address: 150 King Street West
 Toronto, Ontario CANADA M5H 1J9
 Telephone: 416-979-9966
 Stock Exchange: TSE
 Web Site: www.sunlife.com
 Fiscal Year: December
 Economic Sector: Financials
 SIC: 6311
 Price / Earning Ratio: 11.5
 Price / Book Value Ratio: 1.49
 Currency: CND \$ in Millions

For those interested to have a certain exposure to the insurance industry, Sun Life is one of the most interesting, almost on par with Intact Financial (IFC), from a fundamental analysis perspective.

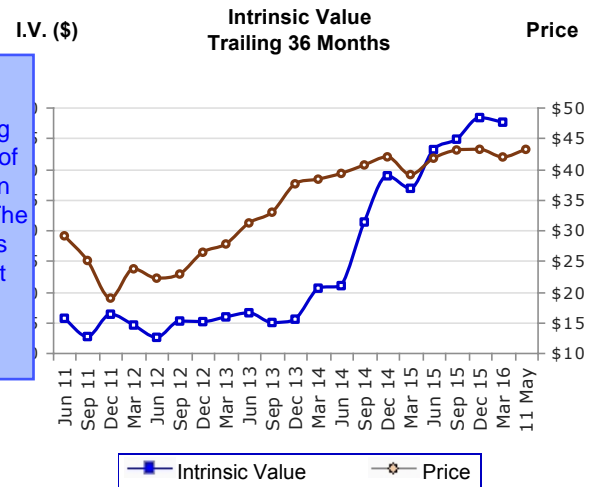
Intrinsic Value	IV	Price / IV
Trailing 12 Months :	\$ 53.94	0.80
Trailing 36 Months :	\$ 47.57	0.91
Market Value Added (MVA)	\$	%
Market Value of Total Capital :	26,427.564	100.0%
- Invested Capital :	17,718.150	67.0%
= Market Value Added :	8,709.414	33.0%
Future Growth Value (FGV)	\$	%
Market Value of Total Capital :	26,427.564	100.0%
- Current Operating Value :	28,786.284	108.9%
= Future Growth Value :	(2,358.720)	-8.9%

Peers US: AIZ AON CNA FNF FRFHF HIG L LNC MMC PFG RGA SCRY Y SLF UNM XL
 Peers CND: EFH. ELF. FFH. GWO. IAG. IFC. KFS. MFC. POW. PWF.

INTRINSIC VALUE



As of May 11th, the intrinsic value is at \$53.94, representing an upside potential of about 25% based on yesterday's close. The current P/IV of 0.8 is also one of the most attractive we have seen for SLF in the past 5 years.



Trailing 12 Months					Trailing 36 Months					
Mar12	Mar13	Mar14	Mar15	Mar16	Mar12	Mar13	Mar14	Mar15	Mar16	
PERFORMANCE										
8.260	1,496.000	1,809.000	1,912.830	2,417.760	NOPAT	1,006.177	1,084.843	1,104.420	1,739.277	2,046.530
13,788.560	14,830.560	15,648.560	16,785.390	17,718.150	+ Capital	13,788.560	14,830.560	15,648.560	16,785.390	17,718.150
0.1%	10.1%	11.6%	11.4%	13.6%	= Return / Capital	5.8%	6.8%	7.5%	11.0%	12.2%
9.9%	10.2%	9.4%	9.0%	8.4%	- Cost of Capital	9.9%	10.2%	9.4%	9.0%	8.4%
-9.8%	-0.1%	2.2%	2.4%	5.2%	= Performance Spread	-4.1%	-3.5%	-1.9%	2.0%	3.8%
VALUATION										
(5,923.186)	(242.144)	4,805.720	5,945.623	14,561.833	Future EVA	(5,923.186)	(6,068.325)	(3,850.533)	5,028.359	10,665.864
14,455.087	15,569.722	16,365.357	17,523.698	18,447.224	+ Capital (Adj. Mid-Year)	14,455.087	15,569.722	16,365.357	17,523.698	18,447.224
8,531.901	15,327.578	21,171.076	23,469.321	33,009.057	= Total IV	8,531.901	9,501.397	12,514.823	22,552.057	29,113.087
0.000	0.000	0.000	0.000	0.000	- Long Term Debt	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	- Other Liabilities	0.000	0.000	0.000	0.000	0.000
8,531.901	15,327.578	21,171.076	23,469.321	33,009.057	= IV of Equity	8,531.901	9,501.397	12,514.823	22,552.057	29,113.087
588.000	600.000	610.000	613.000	612.000	+ Shares Outstanding	588.000	600.000	610.000	613.000	612.000
\$ 14.51	\$ 25.55	\$ 34.71	\$ 38.29	\$ 53.94	= IV of a Share	\$ 14.51	\$ 15.84	\$ 20.52	\$ 36.79	\$ 47.57
\$ 23.67	\$ 27.72	\$ 38.28	\$ 39.03	\$ 41.90	Share Price	\$ 23.67	\$ 27.72	\$ 38.28	\$ 39.03	\$ 41.90
1.63	1.09	1.10	1.02	0.78	Price / Intrin. Value	1.63	1.75	1.87	1.06	0.88

Sun Life's economic performance has constantly been getting better over the past 5 years. The current return on capital of 13.6% is at a 5-year high, and it was almost at 0% in 2012. The cost of capital has also been decreasing, thus allowing the performance spread to increase even more every year. SLF's clear economic performance improvement has had a direct impact on the stock's intrinsic value, which is also constantly increasing since 2012.

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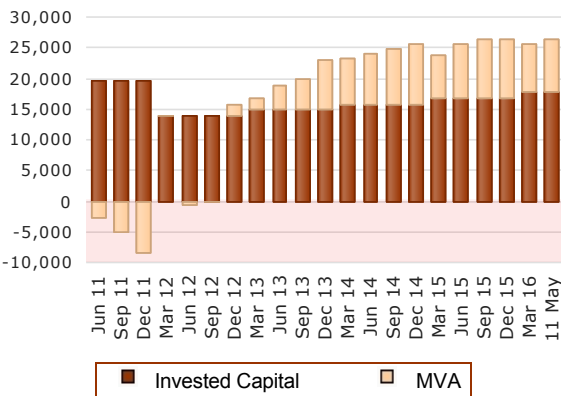
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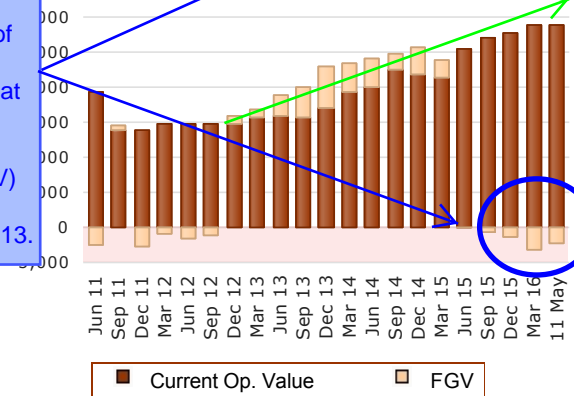
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MARKET PERFORMANCE

(M\$) Market Value Added (MVA)



(M\$) Future Growth Value (FGV)



The negative future growth value (FGV) of -8.9% also indicates that the stock trades at a discount, and this while the current operating value (COV) has been increasing steadily since late 2013.

Trailing 12 Months					Quarterly					
Mar12	Mar13	Mar14	Mar15	Mar16	Price	Mar15	Jun15	Sep15	Dec15	Mar16
\$ 23.67	\$ 27.72	\$ 38.28	\$ 39.03	\$ 41.90		\$ 39.03	\$ 41.70	\$ 43.04	\$ 43.15	\$ 41.90
Market Value Added (MVA)										
13,986.601	16,715.160	23,373.764	23,855.136	25,667.940	Total Market Value	23,855.136	25,462.016	26,306.048	26,420.736	25,667.940
13,788.560	14,830.560	15,648.560	16,785.390	17,718.150	- Invested Capital	16,785.390	16,785.390	16,785.390	16,785.390	17,718.150
198.041	1,884.600	7,725.204	7,069.746	7,949.790	= MVA	7,069.746	8,676.626	9,520.658	9,635.346	7,949.790
1%	11%	33%	30%	31%	% Market Value	30%	34%	36%	36%	31%
Current Operating Value (COV)										
8.260	1,496.000	1,809.000	1,912.830	2,417.760	NOPAT	1,912.830	2,207.830	2,282.150	2,309.760	2,417.760
9.9%	10.2%	9.4%	9.0%	8.4%	÷ Cost of Capital	9.0%	8.6%	8.5%	8.3%	8.4%
14,830.560	15,648.560	19,304.237	21,276.125	28,786.284	= COV	21,276.125	25,550.631	26,985.338	27,833.464	28,786.284
106%	94%	83%	89%	112%	% Market Value	89%	100%	103%	105%	112%
Future Growth Value (FGV)										
13,986.601	16,715.160	23,373.764	23,855.136	25,667.940	Total Market Value	23,855.136	25,462.016	26,306.048	26,420.736	25,667.940
14,830.560	15,648.560	19,304.237	21,276.125	28,786.284	- COV	21,276.125	25,550.631	26,985.338	27,833.464	28,786.284
(843.959)	1,066.600	4,069.528	2,579.011	(3,118.344)	= FGV	2,579.011	(88.615)	(679.290)	(1,412.728)	(3,118.344)
-6%	6%	17%	11%	-12%	% Market Value	11%	0%	-3%	-5%	-12%

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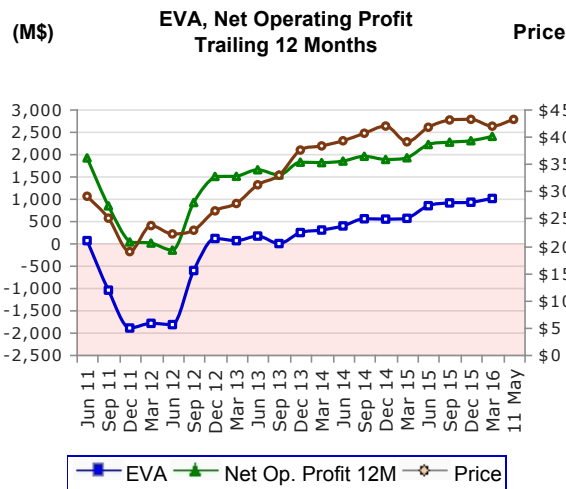
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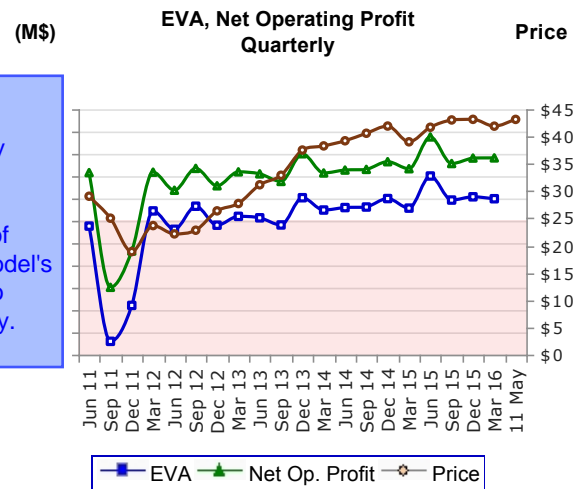
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ECONOMIC PERFORMANCE



The economic value added (EVA) is also progressing in a very linear and predictive fashion, and this increases our level of confidence in the model's stability and ability to analyze the company.



Trailing 12 Months

Quarterly

Mar12	Mar13	Mar14	Mar15	Mar16		Mar15	Jun15	Sep15	Dec15	Mar16
Net Operating Profit After Tax (NOPAT)										
(653.000)	1,724.000	2,124.000	2,380.000	3,004.000	Operating Profit	557.000	995.000	606.000	741.000	662.000
366.000	0.000	0.000	3.000	16.000	+ Adjustments	0.000	0.000	12.000	4.000	0.000
(295.260)	228.000	315.000	470.170	602.240	- Income Tax	95.000	245.000	83.680	181.560	92.000
8.260	1,496.000	1,809.000	1,912.830	2,417.760	= NOPAT	462.000	750.000	534.320	563.440	570.000
Economic Value Added (EVA)										
8.260	1,496.000	1,809.000	1,912.830	2,417.760	NOPAT	462.000	750.000	534.320	563.440	570.000
1,805.350	1,440.718	1,515.431	1,357.273	1,416.739	- Capital Charge	348.234	348.234	348.234	348.234	372.037
(1,797.090)	55.282	293.569	555.557	1,001.021	= EVA	113.766	401.766	186.086	215.206	197.963
(1,691.434)	1,852.372	238.286	261.989	445.464	Change in EVA	(85.718)	288.000	(215.680)	29.120	(17.243)
Analysis										
13,788.560	14,830.560	15,648.560	16,785.390	17,718.150	Capital	16,785.390	16,785.390	16,785.390	16,785.390	17,718.150
0.1%	10.1%	11.6%	11.4%	13.6%	Return / Capital	2.8%	4.5%	3.2%	3.4%	3.2%
0.01	0.99	1.23	1.27	1.62	Performance Index	0.31	0.52	0.38	0.40	0.38
(0.12)	0.00	0.02	0.03	0.06	EVA / Capital	0.01	0.02	0.01	0.01	0.01
\$ (3.06)	\$ 0.09	\$ 0.48	\$ 0.91	\$ 1.64	EVA / Share	\$ 0.19	\$ 0.66	\$ 0.30	\$ 0.35	\$ 0.32
\$ (2.87)	\$ 3.15	\$ 0.39	\$ 0.43	\$ 0.73	Change in EVA / Share	\$ (0.14)	\$ 0.47	\$ (0.35)	\$ 0.05	\$ (0.03)

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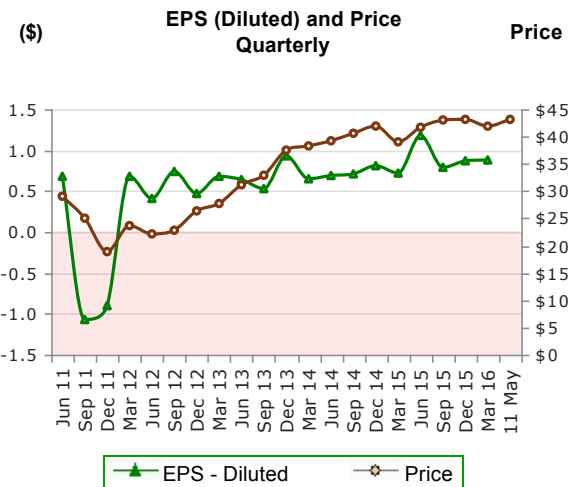
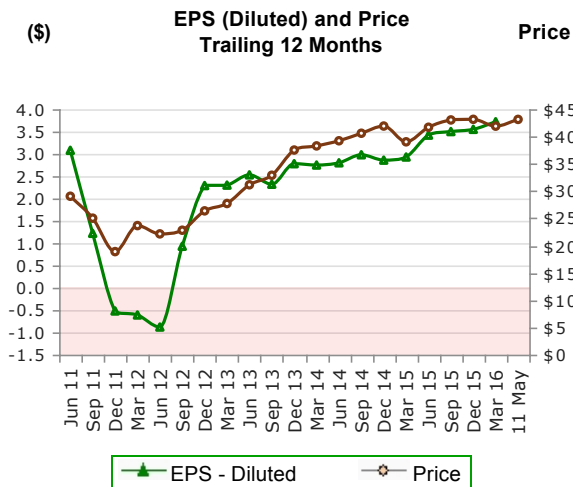
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ACCOUNTING PERFORMANCE



Trailing 12 Months					Quarterly					
Mar12	Mar13	Mar14	Mar15	Mar16	Mar15	Jun15	Sep15	Dec15	Mar16	
Selected Income Statement Items										
21,553.000	18,174.000	16,243.000	25,690.000	20,095.000	Sales	6,676.000	1,780.000	4,207.000	5,326.000	8,782.000
21,423.000	16,085.000	14,067.000	23,932.000	17,373.000	Cost of Goods Sold	6,703.000	603.000	3,989.000	4,742.000	8,039.000
@NA	@NA	@NA	@NA	@NA	R + D	@NA	@NA	@NA	@NA	@NA
130.000	2,089.000	2,176.000	1,758.000	2,722.000	Operating Profit	(27.000)	1,177.000	218.000	584.000	743.000
55.000	1,499.000	947.000	1,911.000	2,382.000	Net Income	467.000	752.000	506.000	560.000	564.000
\$ 1.44	\$ 1.44	\$ 1.44	\$ 1.44	\$ 1.54	Dividends	\$ 0.36	\$ 0.38	\$ 0.38	\$ 0.39	\$ 0.39
\$ (0.57)	\$ 2.31	\$ 2.78	\$ 2.95	\$ 3.74	EPS	\$ 0.72	\$ 1.19	\$ 0.79	\$ 0.88	\$ 0.88
\$ (0.61)	\$ 2.30	\$ 2.75	\$ 2.93	\$ 3.72	EPS - Diluted	\$ 0.72	\$ 1.18	\$ 0.79	\$ 0.87	\$ 0.88
588.000	600.000	610.000	613.000	612.000	Common Shares	613.000	612.000	611.000	612.000	612.000
Selected Balance Sheet and CashFlow Items										
@NA	@NA	@NA	@NA	@NA	Current Assets	@NA	@NA	@NA	@NA	@NA
180,826.000	192,560.000	167,480.000	192,344.000	@NA	Other Assets	192,344.000	188,419.000	189,886.000	188,347.000	@NA
@NA	@NA	@NA	@NA	@NA	Current Liabilities	@NA	@NA	@NA	@NA	@NA
204,618.000	213,357.000	190,274.000	218,489.000	225,721.000	Total Liabilities	218,489.000	215,836.000	219,129.000	225,435.000	225,721.000
13,648.000	14,572.000	15,315.000	17,504.000	20,737.000	Common Equity	17,504.000	17,740.000	18,352.000	18,993.000	20,737.000
603.000	1,593.000	(1,082.000)	@NA	@NA	Free CashFlow	650.000	314.000	1,011.000	1,459.000	@NA

Ending with the accounting performance, SLF unfortunately can't brag about being a leader in terms of dividend growth, as it only increased them twice, and very lightly, since the '08 crash. On the other hand, the dividend payout has always been healthy and is of only 41% today. The current dividend yield of 3.73% is thus not only quite attractive, but more importantly, it shouldn't be at risk in the short term.

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