



5 Years After the Crash, Magna International is Up 5-fold From Its Lows

Description

By: Christine Conway

The automotive industry suffered terribly in 2008 and 2009, with both sales and production down due to the financial crisis. That was bad news for **Magna International** ([TSX: MG](#)), ([NYSE: MGA](#)) as its business is built around the manufacturing and assembly of vehicles.

It's never a good sign when your customers start to fail

In 2008, business at **General Motors**, **Ford**, and **Chrysler** was not good. All 3 are Magna customers, therefore, the Canadian giant was feeling the impact of the significant drop in vehicle production that occurred.

It got worse in 2009 as North American sales in the first half of the year dropped another 50%. Not only that but European sales dropped 33% compared to the first half of 2008. The following chart shows the year end production numbers for 2008 and shows the change from then to 2012.

	N. Am Light Vehicle Production	European Light Vehicle Production
2008	12.6 million units	14.6 million units
2012	15.5 million units	12.7 million units

While the North American market has picked up, at the end of 2012 the continued uncertainty in Europe was still hurting production numbers there.

These vehicle production results had a big impact on Magna's net income. Magna went from earning more than \$600 million in 2007, to barely breaking even in 2008. As indicated in the table below, as North American production has rebounded, so too has Magna's bottom line.

	Net Income
2007	\$663 million
2008	\$71 million
2012	\$1,430 million

Source: company reports

Magna...International

Magna, is very much an international company. It has developed a wide reach with manufacturing and assembly lines as well as locations for product development in North America, South America, Africa, Europe & Asia. A lot of the expansion has come through strategic acquisition.

Thanks to this broad-based strategy, as the table below helps to illustrate, there're more to the Magna bounce than just improving vehicle sales. The company is evolving, and growing its global footprint.

	2008	2012
Manufacturing Operations	240	313
Product development, engineering, sales centres	86	88
Number of countries	25	29
Number of employees	74,350	119,000

Outlook for the remainder of 2013

In the company's second quarter report, Magna indicated a light vehicle production outlook for 2013 of 16.1 million units in North America and 18.6 million units in Europe. These would be the strongest number since the crash. Magna has proved that by continuing to invest in its footprint and with continual growth and expansion they can persevere through a financial recession that would have

caused many smaller firms to close their doors.

Magna is well run and financially sound – just the kind of business Canadian investors deserve to own. While these types of companies are relatively scarce in Canada, the U.S. market is home to some of the best in the world. We have created a special **FREE** report that identifies 3 U.S. businesses that are worthy of every Canadian's hard earned investment dollars. Simply [click here](#) to receive "**3 U.S. Stocks Every Canadian Should Own**" – FREE!

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Fool contributor Christine Conway doesn't own share of any companies mentioned. David Gardner owns shares of Ford. The Motley Fool owns shares of Ford.

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1. NYSE:MGA (Magna International Inc.)
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