# What to Expect From Magna in 2014 and Beyond

## Description

When global automotive supplier **Magna** (TSX:MG)(NYSE: MGA) put out its earnings forecast in mid-January, it reported an expected profit of $33.8 -$35.5 billion, along with plans to improve operating results in Europe through re-structuring.



What else is ahead for Magna? At the Deutsche Bank 2014 Global Auto Industry Conference on January 15, executives presented the outlook for 2014 and beyond. Here are two things worth watching this coming year.

**Expanding horizons**

Geographically, North America and Europe bring in the largest sales for Magna. In fact, in 2013, only 13% of total sales were outside these two regions. North America brought in 51% of sales, while Western Europe brought in 36%.

Magna's 2016 forecast would have the total sales in North America increase slightly by 2% while total sales in Western Europe are projected to decrease to 30%. This move would increase the total sales in other regions to 17%. So which areas will Magna focus on to gain this growth?

China is currently the largest region in the 'rest of the world' category. Magna currently has manufacturing in China and possession of six greenfields that it is looking to develop into facilities before the end of 2016. This would allow for projected sales to nearly double, from $1.2 billion in sales in 2013 to $2.3 billion by 2016.

Between 2013 and 2018, Magna is projecting a vehicle production increase from 20.3 million units in 2013 to 28.8 million units in 2018.

Magna also has big plans for its growth in India. It projects turning the region's less than $50 million of sales in 2013 into an approximate $300 million in 2016. This would mean a vehicle production increase from 3.7 million units in 2013 to 5.7 million units in 2018.

Between 2010 and 2012, Magna experienced growth in South America. However, that has come now to a halt. After experiencing some losses due to inflation and a failure to achieve profitable margins, Magna is just looking to maintain its position in the region. Magna is expecting the $800 million of sales in that region in 2013 to remain around the same level in 2016.

In a recent press release, Magna further confirmed its decision to significantly increase production sales in other regions by 2016: “We expect the increase in total production sales to be split approximately as follows by segment: 45% in North America, 25% in Europe and 30% in the Rest of the World”. With these goals, where will the capital to develop its presence in these markets come from?

**Deep pockets fuel growth**

Magna has no shortage of cash on hand, and it plans to spend it. At the end of 2013, cash was approximately $1 billion  and available lines of credit accounted for an additional $2.2 billion.

According to CFO Vince Galifi, in the period from 2011 to 2016, 26% of capital spending will go toward market growth in regions other than Western Europe and North America.

As part of the plan, Magna will focus on growth of existing products/markets as well as pursuing acquisitions if favorable opportunities arise. Once those goals are met, funds will go toward share buybacks.



From November 2010 to December 2013, the company has already bought back $1.5 billion in stock. Between dividends and share buybacks, that’s over $2.3 billion going back into investors’ pockets over the last four years. There have also been dividend increases in the fourth quarter, and Galifi says that investors can expect this to continue.

**Foolish bottom line**

As wonderful as these plans may sound, we must keep in mind that they are the company’s forecasts. Only time will tell if Magna will achieve its desired expansion and whether market conditions will allow it to be as successful as anticipated. While we know there is capital to be spent, the details around the capital expenditures are also yet to be seen.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)

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