



Why Are Magna's Shares Surging?

Description

On Monday, **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) announced results for the final quarter of 2013, once again surpassing expectations.

The auto parts manufacturer reported sales of \$9.2 billion, 14% above the fourth quarter of 2012, and earnings per share of \$2.03 (36% growth year-over-year). Magna also announced a 19% increase in its dividend, which now stands at 38 cents per quarter. The shares jumped 2% on the good news, and now trade at about \$100.

This is just the latest in a very good run for Magna and its shareholders. In late 2011, the company was losing money in Europe, and many investors were still upset with a deal that gave Frank Stronach U.S \$863 million for giving up control of the company. The stock was trading below \$35 per share.

Over the past two and a half years, everything has gone right for Magna. The American big three car manufacturers – **General Motors**, **Ford** and **Chrysler** – have all rebounded exceptionally since the economic crisis, giving Magna a nice lift in North America. The company also has done well resolving its issues in Europe. And Magna's multiple has improved dramatically as well – in late 2011, the company traded at under eight times earnings. Today that ratio has improved to nearly 15x.

Canada's second largest auto parts manufacturer, **Linamar Corporation** ([TSX:LNR](#)), has also benefited from a resurgence in autos, with its stock price tripling since late 2011. Anyone brave enough to buy the shares five years ago, at the depths of the economic crisis, would have seen their shares increase by a factor of 18.

Foolish bottom ine

[As mentioned previously](#), in late 2011 Magna was trading unreasonably low for all the wrong reasons – fund managers were afraid of looking bad just by owning the shares. Clearly the sweetheart deal for Mr. Stronach was still fresh in everyone's mind, and the problems in Europe weren't helping either. As those issues have been forgotten and resolved, the shares have responded accordingly.

So the best opportunity to buy the shares has likely passed. But the company remains a great case study for all investors. If one is willing to overlook some short-term issues, isn't afraid of looking foolish,

and is willing to be patient, there are some tremendous opportunities in the market. Magna was just one of many examples.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:LNR (Linamar Corporation)
3. TSX:MG (Magna International Inc.)

Category

1. Investing

Date

2025/07/26

Date Created

2014/03/03

Author

bensinclair

default watermark

default watermark