



3 Ways Investors Can Benefit From a Recovering Auto Sector

Description

Have you been burned one too many times by **General Motors** (TSX: GMM.U)([NYSE: GM](#)) and its roller-coaster-like recall scandal? Are you unsure of which auto company to place your bets on? How about something completely different? Instead of investing in the automakers, let's instead check out some of the secondary players that have kept the auto industry moving in Canada.

From factories to dealerships

Rather than being tied down to a single automotive brand, an investment in **AutoCanada** ([TSX: ACQ](#)) can give you access to almost any major brand sold in the country. With 34 locations, AutoCanada is the country's second-largest automotive group, selling Chrysler, GM, Audi, Nissan, Hyundai, and others. AutoCanada also announced it would be entering the luxury vehicle market with the purchase of a BMW dealership and a Mini dealership in Montreal. This, combined with the eight to 10 expected acquisitions this year, would make AutoCanada the largest automotive dealership group in the country.

The stock has skyrocketed over the past year, going from \$25.61 in June 2013 to \$86.55 on Thursday. What the company lacks in its \$0.92 annual dividend it has more than made up for with its soaring share price, which has a price target of \$95.00.

Invest in the automotive sector one part at a time

Another play automotive investors should consider is to think less about the finished product and more about the individual pieces that make up the car. Take Ontario-based **Magna International** ([TSX: MG](#))([NYSE: MGA](#)) — with operations in 29 countries, the company has its signature on a variety of vehicles.

While North American production of vehicles has slipped in recent years, it has been a completely different story in China, where Magna has been supplying parts to Chinese automotive company Qoros. The Qoros 3 model has grown into one of Magna's top 10 earners during 2012 and 2013. Much like AutoCanada, Magna has seen its stock soar in the past year, going from a 52-week low of \$67.62 in June 2013 to a 52-week high of \$116.99 on Wednesday.

The future of the automotive sector

When it comes to the future of the automotive sector, look no further than **Westport Innovations** (TSX: WPT)([NASDAQ: WPRT](#)). The natural gas engine system manufacturer shows great technological promise, and this is coupled with the reality of a natural-gas-rich North America.

While new investors have already missed their chance to see AutoCanada and Magna double their share price over a year, the opportunity to see Westport make a sizable gain still remains; the stock is trading at \$15.98, well below its 52-week high of \$36.57, and far behind its three-year high of \$47.69.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)
2. NYSE:GM (General Motors Company)
3. NYSE:MGA (Magna International Inc.)
4. TSX:ACQ (AutoCanada Inc.)
5. TSX:MG (Magna International Inc.)

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