



Magna International Inc. Stock Poised to Move Big This Week

Description

Earnings reports can have a substantial impact on stock prices, so it helps if investors prepare themselves before critical earnings releases to avoid nasty surprises. If you're an investor in **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)), here's what you should expect when the auto parts maker reports its fourth quarter and full-year numbers this week.

Magna loves to beat the market

Magna loves to beat the market, and I wouldn't be surprised if it overshoots estimates this week. TheStreet.com is expecting the company to earn US\$2.25 per share in Q4 versus US\$2.33 a year ago. Why the decline? There are two reasons: First, the fourth quarter is traditionally a weak one for Magna, thanks to the holiday season and cold weather. Second, some supplier and capacity concerns in the company's interiors business (which manufactures products for auto interiors) have been pressurizing its margins.

Nevertheless, auto sales in the U.S. have been strong, and Magna's restructuring efforts in Europe appear to be paying off. To put things in perspective, the company reported its 11th consecutive higher year-over-year adjusted earnings before interest and tax from Europe in the third quarter. These factors, combined with Magna's ongoing share repurchase program (which means reduced outstanding share count) should help boost its Q4 earnings per share.

Investors can look forward to a record year considering that Magna pegged its 2014 sales to range between \$35.8 billion and \$37 billion. The company generated sales worth \$34.84 billion in 2013—its highest ever.

There's a lot to look forward to

Investors should pay greater attention to Magna's outlook and long-term plans. What I really like about the company is that it has a firm vision, and it doesn't shy away from sharing it with investors. Last month, Magna projected its production sales (excluding vehicle-assembly sales) for 2017 to be US\$5 billion higher than 2015. For 2015, the company pegs its production sales to range between US\$29.2 billion-\$30.5 billion.

In its upcoming earnings report, look for updates about how Magna plans to achieve those sales targets. Is it looking at acquisitions in the near term? The possibility cannot be ruled out, considering that Magna is flush with cash.

Also look for any updates about Magna's plans for China this year. Investors may not know that the company aims to double its sales from China between 2013 and 2016. And does Magna plan to return excess cash to shareholders? That could mean more dividends and buybacks for you.

An opportunity for you

While Magna is a well-managed company with solid fundamentals, its business depends on the auto sector, which tends to be cyclical. That could make the company's earnings volatile, which could put pressure on its stock price. But if Magna stock falls to weak numbers, I'd consider it an opportunity. Stay tuned for more updates and analysis on Magna International.

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1. Investing

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Author

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