



Is Magna International Inc. the Top Stock in the TSX 60 Index to Buy Today?

Description

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)), one of the largest manufacturers and distributors of automotive products in the world, has been one of the market's top performing stocks in 2015. It has risen more than 12% as the TSX Composite Index has risen less than 0.25%, and I think it could continue to outperform over the next several years. Let's take a look at three of the primary reasons why this could happen and why you should be a long-term buyer today.

1. Double-digit earnings growth to support a continued rally

Magna released strong first-quarter earnings results on the morning of May 7, and its stock has responded by rallying over 11% in the weeks since. Here's a summary of eight of the most notable statistics from the report compared with the year-ago period (all figures are in U.S. dollars):

1. Net income increased 18.3% to \$465 million
2. Earnings per share increased 27.3% to \$1.12
3. Excluding the impact of foreign currency translation, revenue increased 2.8% to \$9.21 billion
4. Vehicle production decreased 0.4% to 4.102 million units in North America
5. Vehicle production decreased 0.5% to 5.095 million units in Europe
6. Adjusted earnings before interest and taxes increased 6.1% to \$642 million
7. Income from operations before income taxes increased 8.6% to \$631 million
8. Weighted average number of diluted common shares outstanding decreased 7.2% to 415 million

2. The stock trades at inexpensive forward valuations

At today's levels, Magna's stock trades at just 15 times fiscal 2015's estimated earnings per share of \$4.71 and only 12.5 times fiscal 2016's estimated earnings per share of \$5.67, both of which are very inexpensive compared with the industry average price-to-earnings multiple of 17.9.

I think Magna's stock could consistently trade at a fair multiple of at least 16.5, which would place its shares upwards of \$77.50 by the conclusion of fiscal 2015 and upwards of \$93.50 by the conclusion of fiscal 2016, representing upside of more than 9% and 32%, respectively, from current levels.

3. Six consecutive years of dividend increases

Magna pays a quarterly dividend of \$0.22 per share, or \$0.88 per share annually, giving its stock a 1.2% yield at today's levels. A 1.2% yield may not seem impressive at first, but it is very important to note that the company has increased its annual dividend payment for six consecutive years, and its consistent free cash flow generation could allow this streak to continue for the next several years.

Should you buy Magna International today?

I think Magna International could continue to be one of the top performing stocks in the TSX 60 Index going forward. It has the support of double-digit first-quarter earnings growth, its stock trades at inexpensive forward valuations, and it has increased its annual dividend payment for six consecutive years, with a current yield of approximately 1.2%. Foolish investors should take a closer look and strongly consider beginning to scale in to positions today.

CATEGORY

1. Investing
2. Stocks for Beginners

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2. TSX:MG (Magna International Inc.)

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