



Magna International Inc. or Martinrea International Inc.: Which Auto Stock Reigns Supreme?

Description

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) and **Martinrea International Inc.** ([TSX:MRE](#)) are two of the world's largest manufacturers and distributors of automotive products, and both of their stocks represent very attractive long-term investment opportunities today. However, the laws of diversification state that we cannot own both, so let's take a closer look at each companies' first-quarter earnings results, their stocks' valuations, and their dividend yields to determine which represents the better long-term buy today.

Magna International Inc.

Magna's stock has risen over 13% year-to-date, including an increase of nearly 12% since it announced its first-quarter earnings results on the morning of May 7. Here's a summary of six 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 27.3% to \$465 million
2. Diluted 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. Gross profit decreased 4.3% to \$1.15 billion
5. Adjusted earnings before interest and taxes increased 6.1% to \$642 million
6. Income from operations before income taxes increased 8.6% to \$631 million

At today's levels, Magna's stock trades at 15.1 times fiscal 2015's estimated earnings per share of \$4.71 and 12.6 times fiscal 2016's estimated earnings per share of \$5.67, both of which are inexpensive compared with the industry average price-to-earnings multiple of 18.1.

In addition, Magna pays a quarterly dividend of \$0.22 per share, or \$0.88 per share annually, giving it stock a 1.5% yield at current levels. The company has also increased its annual dividend payment for six consecutive years, and its consistent free cash flow generation could allow this streak to continue for another six years.

Martinrea International Inc.

Martinrea's stock has risen over 29% year-to-date, including an increase of over 11.5% since it announced its first-quarter earnings results after the market closed on May 5. Here's a summary of six of the most notable statistics from the report compared with the year-ago period:

1. Adjusted net income increased 73.3% to \$30.42 million
2. Adjusted earnings per share increased 71.4% to \$0.36
3. Revenue increased 6.1% to \$917.53 million
4. Gross profit increased 9.3% to \$95.64 million
5. Adjusted earnings before interest, taxes, depreciation, and amortization increased 12% to \$74.92 million
6. Adjusted operating profit increased 12.9% to \$43.71 million

At current levels, Martinrea's stock trades at 10 times fiscal 2015's estimated earnings per share of \$1.34 and 8.5 times fiscal 2016's estimated earnings per share of \$1.59, both of which are inexpensive compared with the industry average price-to-earnings multiple of 18.1.

Additionally, Martinrea pays a quarterly dividend of \$0.03 per share, or \$0.12 per share annually, which gives its stock a 0.9% yield at today's levels. It is also worth noting that the company has maintained this quarterly payment since it first began paying dividends in July 2013, but its strong operational performance could allow for an increase in the very near future.

Which stock is the better buy today?

After comparing the companies' first-quarter earnings results, their stocks' valuations, and their dividend yields, I think Martinrea represents the better long-term investment opportunity today. Magna has a higher dividend yield, but Martinrea posted stronger first-quarter earnings results and its stock trades at more attractive forward valuations, giving it the easy win in this match-up. Long-term investors should take a closer look and strongly consider initiating positions today.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

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

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