



Magna International Inc. or AutoCanada Inc.: Which Is the Better Auto Stock?

Description

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) is one of the world's largest suppliers of automotive products and services, and **AutoCanada Inc.** ([TSX:ACQ](#)) is one of the largest automobile dealership groups in Canada, and both of their stocks represent very attractive long-term investment opportunities today.

However, the laws of diversification clearly state that we cannot own two auto stocks, so let's take a closer look at each company's earnings results in the first nine months of fiscal 2015, their stocks' valuations, and their dividends to determine which is the better buy today.

Magna International Inc.

(All figures are in U.S. dollars)

Magna's stock has fallen a little over 17% year-to-date, including a decline of over 14% since it released its earnings results on the morning of November 5 for its three- and nine-month periods ended on September 30, 2015. Here's a summary of six notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Net income from continuing operations increased 3.9% to \$1.46 billion
2. Diluted earnings per share from continuing operations increased 10% to \$3.53
3. Sales decreased 8% to \$23.57 billion
4. Income from continuing operations before income taxes increased 10.8% to \$2.03 billion
5. Adjusted earnings before interest and taxes decreased 4.8% to \$1.87 billion
6. Cash provided by operating activities decreased 28.2% to \$1.32 billion

At today's levels, Magna's stock trades at 10.2 times fiscal 2015's estimated earnings per share of \$4.40 and 8.6 times fiscal 2016's estimated earnings per share of \$5.25, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4, its industry average multiple of 27.1, and the sector average multiple of 18.5.

In addition, Magna pays a quarterly dividend of \$0.22 per share, or \$0.88 per share annually, giving its

stock a 1.95% yield. It is also important for investors to note that it has increased its dividend for six consecutive years.

AutoCanada Inc.

AutoCanada's stock has fallen 36% year-to-date, including a decline of over 8% since it released its earnings results after the market closed on November 5 for its three- and nine-month periods ending on September 30, 2015. Here's a summary of six notable statistics from the first nine months of fiscal 2015 compared with the same period in fiscal 2014:

1. Adjusted net income decreased 18% to \$31.83 million
2. Adjusted earnings per diluted share decreased 24.4% to \$1.30
3. Revenue increased 43.1% to \$2.23 billion
4. Operating profit increased 11.1% to \$73.26 million
5. Adjusted earnings before interest, taxes, depreciation, and amortization increased 5% to \$68.09 million
6. Cash provided by operating activities increased 47.2% to \$40.33 million

At current levels, AutoCanada's stock trades at 15.6 times fiscal 2015's estimated earnings per share of \$1.82 and 11 times fiscal 2016's estimated earnings per share of \$2.58, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15.8, its industry average multiple of 28, and the sector average multiple of 18.5.

Additionally, AutoCanada pays a quarterly dividend of \$0.25 per share, or \$1.00 per share annually, giving its stock a 3.5% yield. It is also important to note that it has raised its annual dividend payment for five consecutive years.

Which auto stock is the better buy today?

Here's how each company ranks when comparing their earnings results, their stocks' valuations, and their dividends:

Metric	Magna International	AutoCanada
Earnings Strength	2	1
Forward Valuations – 2015	1	2
Forward Valuations – 2016	1	2
Dividend Yield	2	1
Dividend Growth	1	2
Average Ranking	1.4	1.6

As the chart above shows, AutoCanada reported stronger earnings results in the first nine months of fiscal 2015 and it has a higher dividend yield, but Magna's stock trades at more attractive forward valuations and it has a longer streak of annual dividend increases, giving it a slight edge in this match up. With all of this being said, both stocks represent great long-term investment opportunities today, so

Foolish investors should strongly consider initiating positions in one of them.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:ACQ (AutoCanada Inc.)
3. TSX:MG (Magna International Inc.)

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