



3 Undervalued Auto Parts Stocks to Buy Now

Description

If you're interested in investing in the auto industry, but do not want to invest in a specific brand, then auto parts manufacturers are for you. With this in mind, I compiled a list of three of my favourites, so let's take a closer look at each to determine which would be the best fit for your portfolio.

1. Magna International Inc.

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) is one of the world's leading providers of automotive parts, accessories, and related services. Its capabilities include producing body, chassis, exterior, powertrain, electronic, vision, closure, and roof systems and modules, as well as complete vehicle engineering and contract manufacturing.

At today's levels, Magna's stock trades at just 7.2 times fiscal 2015's estimated earnings per share of US\$4.39 and only 6.1 times fiscal 2016's estimated earnings per share of US\$5.13, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.1 and its sub-industry average multiple of 21.3.

In addition, the company pays a quarterly dividend of US\$0.22 per share, or US\$0.88 per share annually, which gives its stock a yield of about 2.8%. It is also important to note that it has raised its annual dividend payment for six consecutive years.

2. Exco Technologies Limited

Exco Technologies Limited ([TSX:XTC](#)) is one of the world's leading providers of interior trim components and assemblies and innovative storage solutions for the automotive industry. It is also one of the leading providers of die-casting and extrusion tooling and equipment to other industries.

At today's levels, Exco's stock trades at just 10 times fiscal 2016's estimated earnings per share or \$1.24 and only 8.8 times fiscal 2017's estimated earnings per share of \$1.42, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13.1 and its sub-industry average multiple of 17.2.

Additionally, the company pays a quarterly dividend of \$0.07 per share, or \$0.28 per share annually, which gives its stock a yield of about 2.25%. Investors must also note that it has raised its annual dividend payment for six consecutive years.

3. Martinrea International Inc.

Martinrea International Inc. ([TSX:MRE](#)) is one of the world's leading producers of quality steel, aluminum metal parts, assemblies and modules, and fluid management systems for the automotive industry.

At today's levels, its stock trades at just 6.4 times fiscal 2015's estimated earnings per share of \$1.36 and only 5.5 times fiscal 2016's estimated earnings per share of \$1.58, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 28.6 and its sub-industry average multiple of 21.3.

In addition, the company pays a quarterly dividend of \$0.03 per share, or \$0.12 per share annually, which gives its stock a yield of about 1.4%. Investors should also note that it has maintained this quarterly rate since it initiated its dividend in the second quarter of 2013.

Which of these auto parts stocks belongs in your portfolio?

Magna International, Exco Technologies, and Martinrea International are three of the best investment options in the auto parts industry. Foolish investors should take a closer look at each and consider beginning to scale in to long-term positions in one of them today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)
3. TSX:MRE (Martinrea International Inc.)
4. TSX:XTC (Exco Technologies Limited)

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