



Why Magna International Inc. Is a Solid Addition to Any Portfolio

Description

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) is one of the largest, most diversified automotive suppliers in the world with 305 manufacturing operations and over 94 product, engineering, and sales centres in 29 countries.

The company manufactures systems, modules, assemblies, and assembles complete vehicles for sale to OEM manufacturers that serve the North American, European, Asian, and South American markets.

Here's a look at Magna and why the company should be a part of your portfolio.

Magna runs a diversified business

In North America alone, the company has over 60,000 employees in Canada, the United States, and Mexico. In Europe, Magna maintains manufacturing assembling facilities in nearly a dozen EU member states with 50,000 employees. In South America, the company has over 3,000 employees in the Brazilian and Argentinian markets. The Asian reach of Magna has operations in the growing markets of India and China as well as the established Korean and Japanese markets.

Magna's global reach places the company in a position to supply every major automotive manufacturer in the world.

This coverage not only allows Magna to have a huge number of clients, but also enables the country to weather economic downturns in one country by diversifying into multiple economies. Each region has sales offices, product development, and assembly plants, allowing the company to excel and advance to meet the needs of that specific market.

New operations are constantly coming online

Magna recently announced that it has agreed to purchase Telemotive AG, an engineering services provider for the automotive sector. Telemotive currently has five facilities in Germany with 550 employees, which will be integrated into Magna's vehicle engineering and contract manufacturing unit called Magna Steyr.

The acquisition will shore up the capabilities of the company with respect to vehicle connectivity, Human Machine Interface (HMI), and infotainment systems.

The deal is subject to regulatory approvals and is expected to close during the second quarter of the year.

Results that show promise and growth prospects

Magna recently announced the company's annual report for 2015. Magna posted consolidated sales for the year of US\$32.13 billion, which was 7%, or US\$2.27 billion, lower than the prior year.

Magna reports in U.S. dollars, but has a significant number of sales in different currencies. As both the loonie and the euro weakened during 2015, the decrease in sales can largely be attributed to that conversion. Once the impact of currency exchange is removed from the sales figure, the company shows an increase in sales over the prior year by 3%.

Net income attributable to Magna from operations was US\$1.96 billion, an increase of US\$22 million over the prior year. Diluted earnings per share from continuing operations came in at \$4.72 per share, an increase of \$0.28 over the prior year.

Magna currently trades just shy of \$55 and is down over 2% year-to-date but up by 12.7% over the past three months. The company pays out a quarterly dividend of \$0.33 per share for a yield of 2.42%.

In my opinion, Magna remains a strong option to diversify any portfolio. The company's global footprint, diversified operations, and results ensure that it will continue to provide the results to fuel growth.

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1. Editor's Choice

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