



Magna International Inc. Posts Better-Than-Expected Results

Description

The August earnings period is off to a favourable start as a number of large companies have posted better-than-expected results, leading to a surge on some stocks.

One of those companies is **Magna international Inc.** ([TSX:MG](#))([NYSE:MGA](#)). The auto parts maker's second-quarter results came in strong. Here's a look at those results and what investors can expect next.

Quarterly results

Magna posted US\$558 million in earnings for the quarter, an increase of 3.7% over the same quarter last year. Earnings per share came in at US\$1.41 per share, an increase over the US\$1.29 per share posted for the same quarter last year.

These results came as a pleasant surprise to many, as most analysts were expecting the company to post lower earnings of US\$1.34 per share. The surprise has sent the stock soaring over 5%.

In terms of total revenue, Magna posted an incredible US\$9.44 billion in revenue for the quarter, a whopping 16.1% increase over the US\$8.13 billion posted for the same quarter last year. Much of the growth for the quarter can be attributed to lower gasoline prices and, by extension, stronger sales of automobiles in both Europe and North America. Light-vehicle production in both regions increased between 2% and 6% over last year.

As a result of this strong growth, Magna noted an increase in the margin on earnings before interest and taxes for the year, which is now forecast to come in at nearly 8% over the previous figure of approximately 7%.

Magna is looking into the future of driving

Magna chief executive Don Walker noted on the earnings call that the company was now spending more time on parts of vehicles that are intended to passively assist drivers, such as cameras, sensors, collision warnings systems, and even autonomous driving.

The company bought German automotive supplier Telemotive AG this past spring specifically to expand into the myriad of connectivity options that vehicles have. Magna wasn't coy about the possibility of other acquisitions to further strengthen the company in this new sector. Walker said, "Basically any type of sensor that would help the automakers in autonomous driving is where we are focused on."

The company is not expanding into all of the emerging technology appearing in vehicles, however. Walker also noted that the company would not be looking into the infotainment industry, which is another emerging trend in new vehicles.

Magna now trades just shy of \$53 and is still down over 6% year-to-date despite the jump in price based on the quarterly results. Given the results and forecasts for the company, potential investors should see this as an opportunity to invest in Magna at a discount compared to what the company was trading at a few months ago.

Even better, Magna also pays a quarterly dividend to investors in the amount of \$0.33 per share, or \$1.32 per year, giving the stock a respectable yield of 2.48% at current prices.

In my opinion, Magna remains a great option for those investors looking at long-term growth. The company continues to post positive results and is actively expanding into the new technologies that automakers are adding to vehicles.

CATEGORY

1. Investing

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1. NYSE:MGA (Magna International Inc.)
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