



Magna International Inc. Heating Up in January

Description

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) is a stock that's worth buying as we head into mid-January.

It has been a seesaw beginning to 2017 for the automotive supplier with the stock surging early before dropping, amounting to a 0.8% rise in the first week and a half of 2017. However, 11 analysts covering the stock have reached a consensus three-year target for Magna International to surge 45.2% in earnings over the coming 36 months.

This would mark an earnings-per-share rise to \$8.37. Revenue is expected to experience a growth of \$10.79 billion to \$46.55 billion in 2020, while profit will surge from \$2.03 billion to \$2.75 billion. The company is not soaring at the most impressive of rates, but expect steady growth and positive margins. Its return on equity has been a strong point recently at 21.5% — ahead of the industry average of 18.78%.

Over the next decade, Magna International revenue is slated to boom significantly as the company enters a time when automotive parts suppliers can increase the quality of their products to automakers. One example of this improvement is the company's decision to replace its mechanical latches with more advanced electronic ones, which will lead to higher revenue due to the higher retail cost of these products.

Advanced driver assistance systems (ADAS), such as adaptive cruise control and blind-spot detection, are among the technological phenomena that Magna International is hoping to cash in on over the coming decade. Radar and ADAS products are expected to be worth \$3-5 billion in the coming years, and the Ontario-based company could take a reasonable chunk of the industry.

Current vehicles' content per vehicle will only be at \$300 over the coming 10 years, while autonomous vehicles will see this figure at \$2,800 per vehicle, marking a 42% revenue rise across the board in the market of parts for automated features. One move that Magna International is making to ensure proficiency in the self-driving vehicle technology industry is a partnership with **Innoviz**.

The company is an expert in LiDAR, which is the most recent development in self-driving vehicle

technology as it uses lasers as well as mapping to create a more comprehensive image of a car's surroundings. This means that Magna International products will use ultrasonic and RADAR fusion sensing functionalities, helping to create the three-dimensional image that every company in the industry is looking to bring to reality.

Magna International's positive momentum is further highlighted by its commitment to excel in and out of Canada. The company's business in Europe is about to get a boost as it may build a new plant across the pond once its Austria factory is filled to capacity. The Austria plant has been quite busy, announcing that it will be building Jaguar Land Rover's full-electric SUV i-Pace.

The stock has a dividend yield of 2.22%, while sell-side analysts project the company's price target to reach \$50.53 in the coming year or year and a half. This figure marks a \$5.47 bump compared to its previous price target. Magna International has a market capitalization of \$22.36 billion.

While the stock has an average analyst rating of 2.40, right between a "Buy" and "Hold" rating," the company is making all the right moves to ensure it has the technology necessary to create the necessary content for fully autonomous vehicles. This commitment will ensure Magna International will produce and sell plenty of cutting-edge products in the industry.

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