

## 4 Reasons to Buy and Forget Magna International Inc.

### Description

**Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)) is a leading supplier for the automotive industry with operations all over the world, and big customers like **Ford Motor Company** and **Tesla Inc.** rely on the company's manufacturing. With over \$36 billion in sales last year and operations in 29 different countries, Magna has a bright future. As innovations take shape in the auto industry, the company is front and centre.

There are four reasons why you will want to consider adding Magna to your portfolio today.

### Excellent growth opportunities

The company's MAX4 system has the ability to enable self-driving automation that can be integrated into any vehicle. The platform can achieve level four automation, which only requires input for navigation, and the system performs all the safety-critical functions during a trip. By comparison, most vehicles with automation today have only level one or two technology, which requires active monitoring from the driver.

Magna's ClearView inside and outside mirrors are another advancement the company has been working on to improve safety for drivers. The technology would enable drivers to have access to a camera monitor inside a vehicle, which would make it easier to see traffic in other lanes, minimize blind spots, and make it safer and easier to change lanes.

### Good valuation for the earnings potential

The stock currently trades at a price-to-earnings multiple of less than 12 and just 1.8 times its book value, making it a potentially good value investment. Magna may not be showing strong year-over-year growth, but with the advancements the company has been working on, it could see sales take off in the coming years, which would make the current price a bargain.

### The company has provided strong returns for investors

Since 2012, Magna has generated returns on equity that have been no less than 16%, while the past three years have had returns of at least 20%. Year to date, the share price has increased 13%, and in five years, the stock has tripled.

### Strong free cash flow will enable the company to take on more projects

A company that is growing and innovating needs plenty of cash, and with over \$1.71 billion in free cash in the past 12 months, Magna is in a good position to fund its growth. Last year, free cash flows of \$1.58 billion more than doubled from the \$740 million that the company recorded in 2015. Free cash also enables the company to keep its debt levels down, and that is evident as Magna's debt is just a third of its equity, which gives the company a great amount of flexibility going forward.

## Should you buy Magna today?

The company's share price has risen 11% in the past month, and it is near its 52-week high, so it may be preferable to wait out a dip in the stock price before investing. However, over the long term, there is a lot to like about Magna and its growth prospects. The company may not be generating the highest margins, but innovating is expensive and doesn't always translate well to the bottom line. The potential for the stock may not be realized for years to come as the industry moves toward automation and self-driving technologies, and that makes Magna a great long-term buy.

### CATEGORY

1. Dividend Stocks
2. Investing

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