



## Why Magna International Inc. Is up About 1%

### Description

**Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)), one of the world's leading suppliers of automotive products and services, announced its fiscal 2017 fourth-quarter and full-year earnings results and a dividend increase this morning, and its stock has responded by rising about 1% at the open of trading. Let's break down the earnings results, the dividend increase, and the fundamentals of its stock to determine if we should be long-term buyers today.

### The results that are sending the stock higher

Here's a quick breakdown of five of the most notable statistics from Magna's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Sales	US\$10,391 million	US\$9,253 million	12.3%
Adjusted earnings before interest and taxes (EBIT)	US\$809 million	US\$696 million	16.2%
Adjusted net income attributable to Magna International	US\$568 million	US\$504 million	12.7%
Adjusted diluted earnings per share (EPS)	US\$1.57	US\$1.31	19.8%
Cash from operations	US\$1,448 million	US\$1,718 million	(15.7%)

And here's a quick breakdown of five notable statistics from Magna's 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
Sales	US\$38,946 million	US\$36,445 million	6.9%

Adjusted EBIT	US\$3,108 million	US\$2,898 million	7.2%
Adjusted net income attributable to Magna International	US\$2,229 million	US\$2,057 million	8.4%
Adjusted diluted EPS	US\$5.96	US\$5.23	14.0%
Cash from operations	US\$3,329 million	US\$3,266 million	1.9%

### Dividend hike? Yes, please!

In the press release, Magna announced a 20% increase to its quarterly dividend to \$0.33 per share, and the first payment at the increased rate is payable on March 23 to shareholders of record on March 9.

### Outlook on 2018

Magna also reiterated its outlook on 2018 in the press release, calling for the following performance:

- Total sales in the range of US\$39.3-41.5 billion
- EBIT margin in the range of 7.9-8.2%
- Equity income (included in EBIT) US\$335-375 million
- Interest expense of approximately US\$90 million
- Tax rate in the range of 22-23%
- Net income attributable to Magna International in the range of US\$2.3-2.5 billion
- Capital spending of approximately US\$1.8 billion

### Is it time to buy Magna?

Magna's strong fourth-quarter performance capped off an outstanding year for the company, highlighted by record sales, diluted EPS, and cash from operations, and the dividend hike added to the positivity, so I think the market has responded correctly by sending its stock higher; furthermore, I think the stock is a strong buy today for two fundamental reasons.

First, [it's still undervalued](#). Magna's stock currently trades at just 9.4 times fiscal 2017's adjusted diluted EPS of US\$5.96 and a mere 8.3 times the consensus estimate of US\$6.74 for fiscal 2018, both of which are inexpensive compared with its five-year average multiple of 10.6; these multiples are also very inexpensive given its current earnings-growth rate and its [long-term growth](#) potential.

Second, it's a dividend-growth star. Magna now pays an annual dividend of US\$1.32 per share, which brings its yield up to about 2.35%. Investors must also note that the dividend hike it just announced has it on track for 2018 to mark the ninth consecutive year in which it has raised its annual dividend payment, making it one of the best dividend-growth stocks in the auto industry today.

With all of the information provided above in mind, I think all Foolish investors seeking exposure to the auto industry should strongly consider initiating long-term positions in Magna International today.

### CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Dividend Stocks
2. Investing

## Date

2025/08/25

## Date Created

2018/02/22

## Author

jsolitro

default watermark

default watermark