



Why Magna International Inc. Could Take Off After a Strong Q4

Description

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) released its fourth-quarter results on Thursday, which continued to show impressive growth. Sales of \$10.4 billion were up more than 12% from last year, while net income of \$556 million also rose by 16% year over year.

It was an impressive quarter that capped off a strong year for Magna, as it continues to be a [big player](#) in the self-driving revolution. Let's take a closer look at the results to see if this makes Magna a buy today.

European sales help give the company a big boost

Magna's sales in North America were flat this quarter, and production was down 5% from the prior year. The company saw a slight decline in adjusted EBIT as customer settlements and higher costs associated with new facilities eroded the segment's profitability.

In Europe, however, the company's sales were 34%, as the segment added an extra \$1 billion to its top line. Although production volumes were only up 7%, much of the company's growth in the segment came from vehicle assembly revenues, which hit over \$1 billion. Adjusted EBIT of \$151 million was also more than double last year's tally.

Sales in Asia were up a modest 2% and adjusted EBIT was up nearly 40% from last year. In the rest of the world, sales were up 11%, but it was the only segment that didn't reach breakeven.

Strong outlook for 2018

Magna expects to build on its strong results with sales expected to fall between \$39.3 billion and \$41.5 billion for the year, while net income is projected to rise to \$2.3-2.5 billion, which could result in a 13% growth from the company's current profits.

Dividend increased by 20%

In its quarterly report, Magna also announced that it would be hiking its quarterly dividend from

US\$0.275 to US\$0.33. The company has a solid history of raising its payouts, and in five years its dividend has more than doubled. The payouts are in U.S. dollars and will result in some volatility, but investors could also take advantage of a stronger U.S. currency and economy.

Share price up on the strong results

Investors reacted positively to Magna's results on Thursday, as the share price saw a modest 2% increase in trading, as the stock continues to inch closer to its 52-week high. Despite almost being at a high, Magna is still a good value buy, as the stock does not trade at high multiples and it still has a lot of upside left.

Bottom line

There are [many reasons](#) Magna would be a great addition to your portfolio, and with self-driving automobiles still being a long ways away from being in the mainstream, the company still has a lot of potential for future growth.

In the past year, Magna's stock has increased only 20%, and that feels a bit light for a company that has done so well and that has only scratched the surface of what it can accomplish. Although Magna recently hiked its dividend, a 2% payout is not what makes this stock special; the stock's growth opportunities are what make it a great buy.

Magna offers good value and lots of growth for investors that are willing to be patient with the evolution of self-driving technologies and automobiles.

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