



Better Buy in March: Linamar Corporation or Magna International Inc.?

Description

The United States unveiled the final draft of its tariffs on steel and aluminum imports on March 8. After a strong bipartisan push within the U.S. as well as lobbying from Canadian and Mexican officials, the Trump administration elected to [exempt Canada and Mexico](#). Shares of steel and metals companies like **Stelco Holdings Inc.** and **Russel Metals Inc.** shot up in afternoon trading in response.

However, there may be an even bigger silver lining to come out of the announcement. During the signing, Trump was unusually optimistic when it came to the fate of NAFTA. "I have a feeling we're going to make a deal on NAFTA," Trump said. "And if we're making the deal on NAFTA, this will figure into the deal and we won't have tariffs on Canada and Mexico." Negotiations between the three countries have [grown increasingly warm](#) in 2018.

Round seven of NAFTA negotiations took place in Mexico from late February into early March. Auto executives were present, which may indicate that automotive content requirements were a crucial element of the recent meetings. The two top Canadian automotive part manufacturers released fourth-quarter and full-year results in late February and early March.

Linamar Corporation ([TSX:LNR](#))

Linamar is a Guelph-based automobile-parts manufacturer, the second-largest in Canada. Linamar stock shot up 8.44% on March 8, which pushed shares into the black for 2018. The company released its 2017 fourth-quarter and full-year results on March 7 after trading ceased.

Sales jumped 14.5% from Q4 2016 to \$1.57 billion, and net earnings rose 11.8% to \$135.1 million. Overall sales hit a record \$6.5 billion in 2017, and the company reported double-digit content-per-vehicle growth in each of its worldwide regions. Linamar also secured a second major e-axle program win, which the company expects to propel it in building more content for electric vehicles. Linamar also announced a modest dividend of \$0.12 per share, representing a 0.6% dividend yield.

Linamar has a third of its operating footprint in the U.S., making it particularly vulnerable to the aggressive auto content demands that were unveiled in early negotiating. Linamar CEO Linda Hasenfratz has expressed confidence that the U.S. demand of 50% auto content will not be realized.

Jason Bernstein, the top U.S. negotiator for auto-related issues, was called back to Washington early in recent negotiations to partake in further industry consultations. Canadian officials saw this as a good sign going forward.

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#))

Magna is the largest automobile parts manufacturer in Canada. Shares of Magna are down 4.9% in 2018 as of close on March 8. The company released its 2017 fourth-quarter and full-year results on February 22.

Magna had an extremely positive 2017. The company saw sales rise 7% to \$38.9 billion for the year and posted record diluted earnings per share of 5.9%, representing a 14% jump from the prior year. It also reported record cash from operations of \$3.3 billion. Magna raised its quarterly dividend by 20% to \$0.42 per share, representing a 2.5% dividend yield.

Which should you buy right now?

Magna is in the most secure position with regards to ongoing NAFTA negotiations, as it runs 50% of its operations in the United States. If the U.S. is able to push through its auto content demands, Linamar would find itself in a more problematic position.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:LNR (Linamar Corporation)
3. TSX:MG (Magna International Inc.)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/26

Date Created

2018/03/10

Author

aocallaghan

default watermark