



5 Stocks From the Auto Sector That TFSA Investors May Want to Consider

Description

The automotive sector has been unfairly discounted during the current bull market due in large part to the large bailouts received by several of Detroit's auto manufacturers back at the heights of the 2008-09 financial crisis.

But despite some overly pessimistic valuations that have persisted as a result, there are several companies in the sector that offer great value today — not to mention that the sector is entering a truly critical period that will determine its fate for years to come.

Without question, autonomous self-driving vehicles, electric cars, and mass-scale ride-sharing programs will be as commonplace in a few years' time as WiFi internet and smartphones are today.

Ask anyone and they'll tell you this is the most exciting time to be involved in the auto sector in more than 30 years.

These five companies, given their strong track records of performance, are positioned well to withstand any forthcoming disruptions in the auto industry and emerge as leaders of the new pack.

BorgWarner Inc. ([NYSE:BWA](#)) has been on an absolute tear of late, and the company is forecasting that run to continue.

In its 2017 annual report, the company states that it is expecting organic sales growth at a compound annual growth rate of 5-7% between 2018 and 2020 versus industry production, which it expects to be flat to 1% annually.

In terms of adapting the changing demands of the market, approximately half of the company's backlog is related to vehicles with either hybrid or electric propulsion systems.

This is a company with momentum firmly behind it and a bright future ahead of it.

While BorgWarner has needed to and is pivoting its business model to adapt to the oncoming demand for electric vehicle technology, thanks to its more defensible business strategy, **Magna International Inc.**

([TSX:MG](#))([NYSE:MGA](#)) doesn't need to take such drastic action to accommodate the changes that will transform the auto industry for decades to come.

That's because Magna gets a lot of its business from the manufacture of fundamental vehicle components, like chassis, frames, and passenger doors.

As long as the car isn't replaced as a mode of transportation by flying hoverboards, [Magna will still be in business](#).

Additionally, shares are trading at a 10.2 price-to-earnings ratio, making them a timely buy for your long-term portfolio.

It may come as a bit of a surprise to see **Alphabet Inc.** ([NASDAQ:GOOG](#))([NASDAQ:GOOGL](#)) make the list of promising auto sector investments.

But thanks to recent large-scale investments in artificial intelligence and [driverless technology](#), the company has stated clearly that it intends to be a player in the 21st century's automotive revolution.

That includes a \$1 billion investment in ride-sharing service Lyft by Alphabet's investment fund, CapitalG, which was announced late last year.

Founded over a 100 years ago in 1903, **Ford Motor Company** ([NYSE:F](#)) is the perennial play in the auto sector.

Unlike many of its peers, Ford didn't accept a bailout from the U.S. government 10 years ago — it didn't have to thanks to its superior financial strength and flexibility.

Ford stock pays investors a 5.25% yield today — the highest of any company to make this list, making it the optimum play for income investors and retirees.

Unlike Ford, **General Motors Company** ([NYSE:GM](#)) did take a bailout from the U.S. government, but while that may have garnered the company some very negative press 10 years ago, it also helped the company restructure itself into a more formidable entity than it had been.

Through its Cruise Automation subsidiary, GM now has autonomous driving test vehicles on the roads in three U.S. cities, including a ride-sharing service. The company also announced last October that it plans to have 20 new electric vehicles launched by 2023.

These are bold moves by a company that is intent on not being left behind by changing consumer preference in the auto industry.

Meanwhile, if the auto sector doesn't grab your attention right now, you may want to consider what's been happening in the energy markets, which also happens to be one of the very best performing segments of the market during the month of April.

CATEGORY

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2. NASDAQ:GOOGL (Alphabet Inc.)
3. NYSE:BWA (BorgWarner Inc.)
4. NYSE:F (Ford Motor Company)
5. NYSE:GM (General Motors Company)
6. NYSE:MGA (Magna International Inc.)
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