



## Magna International Inc. (TSX:MG) Is Set to Make Major Inroads in China

### Description

Just when you thought the wheels were coming off the auto industry, along comes a freebie. With the news that **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)) is set to make inroads into the Chinese electric car industry, let's take a look at how this affects the stock's outlook and see how it's looking under the bonnet.

### The car industry is at a crossroads

Right when the Canadian auto industry is eyeing the news for further shocks to the system, Magna has made a breakthrough deal to build electric cars for the Chinese market. In terms of solidifying your position in the market, it doesn't get any better than this. Magna will be taking the driver's seat alongside **Beijing Electric Vehicle Co.** in two interconnected manufacturing ventures driven by China's decision to make a U-turn on gas-powered vehicles.

The cars themselves will roll out the doors in 2020, but opportunities to get in on this potentially huge initiative start *now*.

This dual-venture plan is confirmation of a statement back in April from Magna and Beijing Electric Vehicle Co.'s parent company **BAIC** that they would work together to provide the Chinese market with an electric alternative to gas-fueled motor vehicles.

### Are there high-voltage earnings up ahead?

If you haven't heard of Magna before, it's in the business of developing and building auto parts for markets around the world, including Asia, Europe, North America, and South America.

Its multiples are fairly healthy, especially its P/E, which is a market-beating 10.4 times earnings. While it's not undervalued as a stock (its share price has been generally climbing since September), it is trading at a discount of around 19%, so it's not too badly valued even at \$86.40 a share.

While this might not be a stock to go to for a dividend — but rather as a stock to sell on once it hits its future cash flow value (expect it to reach \$106 at the very least) — Magna does in fact pay its investors

to the tune of 1.96%. So, if it's a little [passive income](#) you're looking for while you're waiting for overseas interests to accelerate, this might be your guy.

With a projected capacity of 180,000 cars per year and coming on the back of Chinese quotas for electric and hybrid vehicles, it would seem that Magna has the opportunity to plug into some seriously high-voltage earnings down the line. It's currently looking at a 6.4% annual growth in earnings, but you might expect to see that percentage go up in the near future.

While things may have been looking a little dicey not so long ago thanks to [tariff threats from the south](#), the news that Canadian manufacturing may benefit from a potential boom sector in Asia should be of interest to investors eyeing this stock.

### The bottom line

Would-be investors will have to consider whether good news from China outweighs the risk of auto tariffs from the U.S. facing market volatility from recently imposed steel and aluminum tariffs. And facing its very own potentially weighty tariffs, the auto industry might seem an odd place to put your money at the moment. But what you're really gambling on here is the future of the electric car industry in Asia, and that could be *big*. It might be worth taking Magna for a test drive.

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