Magna International Inc. (TSX:MG): New Deal and More Opportunities

Description

One thing that continues to impress me about **Magna International Inc.** (TSX:MG)(NYSE:MGA) is the company's grit to get things done in an incredible way that leaves investors speechless.

Over the past few months, pressure has been mounting due to the NAFTA renegotiation discussions — specifically what, if anything, will change with respect to the integrated automotive supply system that was set up over the years since NAFTA was integrated.

To say the agreement was a success would be an understatement. NAFTA helped to create a seamless global supply system where automotive components, finished materials, and assembled vehicles themselves are hauled back and forth the border to the most efficient and productive facility possible, which is, in turn, responsible for thousands, if not millions of jobs across both sides of the Canada-U.S. border.

Whether or not that process will change remains to be seen, but it could have a long-standing impact on automotive suppliers such as Magna, which has led to some investors questioning whether the company is still a good fit for their portfolio.

Magna is huge yet still growing

I've previously mentioned the benefits and opportunity that Magna has for long-term investors and the impressive network of facilities that are conveniently located within a reasonable distance of every major automotive manufacturer on the planet. Specifically, the company has over 90 product, engineering, and sales locations, as well as 340 manufacturing centres that are situated in 28 countries on four different continents.

And yet the company continues to grow and announce lucrative, new deals. Earlier this week, Magna announced two new deals that pose a massive long-term opportunity for the company.

The joint ventures will link Magna up with Beijing Electric Vehicle Co. Ltd. with the aim of replacing an existing facility in Zhenjiang with a new one geared to make upwards of 180,000 electric vehicles annually starting in 2020.

This is a major announcement for Magna and investors, and it can be boiled down to the following key points.

First, China is a huge market, and in some areas, such as Beijing, smog levels are reaching new levels, which has led to targeted goals of reducing emissions through the use of electric and hybrid vehicles. The country has a set a target of 2025, whereby 20% of vehicle sales should be either electric or hybrid-based. Experts peg that within the next two years alone, there could be upwards of five million electric and hybrid vehicles on the road in China.

Second, Magna has a huge base of operations in Ontario, which is incredibly reliant on the U.S.

automotive sector. Specifically, Magna has over 50 factories in the province that employ over 20,000 people. As trade relations continue to sour with the protectionist regime in Washington, this move could be seen as an opportunity for Magna to diversify its portfolio and gain further entry into the lucrative Chinese market.

Should you invest in Magna?

Magna remains a very intriguing investment option with huge growth prospects, and that's without taking this latest deal into consideration. The company's diversified portfolio and strong ties to nearly every major automotive manufacturer in the world make Magna the smart choice for those investors looking to diversify their portfolios with a stock that is tied to the automotive sector.

Finally, if for no other reason, Magna's quarterly dividend pays a very respectable 1.99% yield; it could be the impetus for would-be investors to take a position in Magna and watch their investment grow.

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