



## Should You Invest in Magna International (TSX:MG)?

### Description

**Magna International** ([TSX:MG](#))([NYSE:MGA](#)) has provided vastly differing views to investors over the past year, leaving many to question whether the automotive parts behemoth still warrants the [long-term position](#) it once had. Let's take a moment to address those concerns and determine whether Magna should be in your portfolio right now.

### Magna still has plenty of opportunities

The best way to describe Magna would be as two separate companies. On the one hand, there is the auto parts supplier that everyone is aware of, which works with not only the Big Three U.S. manufacturers, but also with a score of others with operations, sales and development centres that are located in 29 countries worldwide in close proximity to nearly every major automotive company on the planet.

In other words, we're talking about a global company with a reach that extends far beyond the much-hyped — and volatile — U.S. automotive sector. This is an important factor to consider, as Magna has often been cited as a particularly risky investment because of its exposure to the U.S. market at times, such as during the USMCA trade agreement negotiations.

The other Magna worth noting is one that is focused on the future of the automobile sector, autonomous driving. That Magna is already leveraging its extensive network and capabilities to provide components and systems necessary for autonomous vehicles.

The company has also forged an agreement with Lyft to develop a series of high-tech kits to convert non-autonomous into autonomous vehicles, with the ride-sharing company becoming the exclusive supplier of those kits.

Both of those views of Magna hold massive potential for now and the future, but we should also spend a moment to talk about Magna's recent quarterly update.

## Reviewing Magna's Q1 results

Magna reported results for the first quarter of 2019 last week, and the update left a sour taste with some investors, leading to a double-digit 15% drop in the week since those results came out.

Specifically, sales of US\$10.6 billion in the quarter came in 1.9% lower than the prior period, while diluted earnings per share, excluding the sale of the Fluid Pressure & Controls business during the quarter witnessed an 11.4% decline to US\$1.63 per share. Including that sale, earnings reflected an 85% improvement over the prior period, coming in at US\$3.39 per diluted share.

Magna also provided revised guidance for the year, and the company now expects net income to come in at US\$1.9 billion to US\$2.1 billion, a downward revision from the previously stated US\$2.1 billion to US\$2.3 billion range. That revision now forecasts that light vehicle production in North America and Europe will come in lower by 300,000 and 800,000 vehicles, respectively.

## Final thoughts

Magna's updated guidance, and by extension, weaker results may translate into warning bells for some investors, but over the long term, Magna remains a strong asset to any portfolio, which comes down to the following three key points.

First, Magna has a global operation that not only covers the globe, but is also innovating into new areas such as autonomous driving that will continue to drive revenue higher over the long term.

Second, Magna offers a quarterly dividend that currently provides a respectable 2.62% yield. While that may not be the most handsome dividend on the market, it is a decent return that's handily covered with a payout level that currently stands at just under 25% of earnings.

Finally, there's the current market opportunity. Over the course of the past month, Magna's stock has dropped 15%, with the current P/E hovering near 7.52. While some investors may view this as a value trap in disguise, in the case of Magna, there are both the long-term growth prospects as well as income-producing capabilities noted above, both of which make Magna an [ideal investment](#) for nearly any portfolio.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)

### PARTNER-FEEDS

1. Msn
2. Newscred

3. Sharewise
4. Yahoo CA

**Category**

1. Investing

**Date**

2025/07/22

**Date Created**

2019/05/14

**Author**

dafxentiou

default watermark

default watermark