Alert: Important News Could Make This Stock Soar

Description

The company remains very tight-lipped, but it's an open secret in the tech world. **Apple Inc.** (NASDAQ:AAPL) is designing an electric car.

Details are sketchy, but here's what the tech world knows. The project — dubbed Project Titan — has been going since 2014, when CEO Tim Cook first gave it his seal of approval. Apple hired people to help out on the project throughout 2015 and began testing cars on California roads in 2017. There are currently more than 60 autonomous Apple cars permitted to drive around California, with human drivers acting as backups.

Apple has no plans to get into the actual car business, just like it doesn't build iPhones or iPads. Instead, Apple is focusing on building the software and the design of the vehicle itself. Its namesake car will likely be an electric vehicle with some sort of autonomous driving technology, with a big emphasis on software and design.

So who will build the Apple Car come 2020, which is the probable release date? Nobody knows for sure, but smart investors are speculating that Canadian auto parts giant **Magna International Inc.** (TSX:MG)(NYSE:MGA) will get the opportunity.

Here's why that could be a very big deal for the stock price.

A welcome boost

Like much of the stock market, Magna shares started 2019 on fire. But the company has given up many of those gains in the past few weeks. Shares are down a hair over 4% thus far in 2019.

Disappointing first-quarter numbers were the reason for much of the decline. Magna reported a 2% dip in revenue in its most recent quarter, with adjusted earnings plunging to US$1.63 per share, which compares to US$1.84 per share in adjusted earnings in the same quarter last year.

Magna also reduced its full-year outlook, cutting its net income projection from US$2.1 to US$2.3

billion down to US$1.9 to US$2.1 billion. The latter figure would give the company net earnings of approximately US$6.15 per share, a number that could go up depending on how many shares the company repurchases. Remember, shares currently trade hands at US$43.92 on the NYSE, putting the stock at less than seven times forward earnings expectations.

In short, Magna shares could use a little good news.

Buying a car isn't like buying an iPhone. Many people will rush out and buy the latest phone because a tech gadget is well within their budget. But most of these people can't afford to buy a car on a whim, meaning that Magna's potential Apple Car business will start off slow. But it doesn't need to contribute a huge amount to the bottom line for Magna's share price to get a nice boost. That should happen from association alone.

Giving back to shareholders

Magna is investing capital back into its business to expand, as well as capitalizing on attractive acquisition targets that come its way. But the company's focus has been its impressive share buyback program.

From 2011 to the end of 2018, Magna repurchased some 140 million of its own shares, decreasing the total share count from 486 million all the way down to 348 million. And remember, the latter figure was an average number of shares for the year. After repurchasing 5.6 million shares in its most recent quarter, Magna is down to 326.3 million shares outstanding.

Magna could buy back anywhere from 20 to 25 million of its shares in 2019, especially if the stock continues to languish.

To put it another way, Magna's dividend is currently 3.2%. If it can maintain its share repurchase pace of the first quarter all year long, it'll eliminate approximately 6% of its shares in 2019. That's a total shareholder return of more than 9%.

Even if the Apple Car doesn't really add to Magna's bottom line, investors can take comfort knowing they are putting capital to work in a strong company that takes total shareholder return seriously.

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