



Warren Buffett's Favourite Auto Stock

Description

Magna International ([TSX:MG](#)) produces automotive systems, assemblies, modules, and components in North America, Europe, Asia Pacific, and internationally.

The company serves original equipment manufacturers (OEM) and non-automotive customers, as well as tier 1 companies, and medium and heavy truck manufacturers. Magna International was founded in 1957 and is based in Aurora, Ontario.

The Body Exteriors & Structures segment provides body structures, chassis structures and suspension systems; Power & Vision segment offers manual, hybrid, and dual-clutch transmissions systems; and Seating Systems segment provides recliners, manual and power adjusters, and seat structures.

The company is fairly valued with a price-to-earnings ratio of 13.3, a [price to book](#) ratio of 2.14 and market capitalization of 22.61 billion. Debt levels are moderate at Magna, as is evidenced by a debt to equity ratio of just 0.48. The company has decent performance metrics with an operating margin of 6.24% and a return on equity of 14.78%.

Magna's operating results are primarily dependent on the levels of North American, European and Chinese car and light truck production.

Market trends weigh heavily on Magna's results and the company supplies systems and components to most major original equipment manufacturers. Overall vehicle sales levels are significantly affected by changes in consumer confidence levels, which may in turn be impacted by consumer perceptions and general trends related to the job, housing and stock markets.

The company closely monitors vehicle sales levels and [production volumes](#), which is impacted by interest rates, availability of credit, fuel and energy prices, relative currency values, general economic and political conditions, free trade arrangements, tariffs, relative currency values, commodities prices, supply chains and infrastructure, availability and relative cost of skilled labour.

Recent technological changes have resulted in a number of significant industry trends that are shaping the future of the industry and creating opportunities and risks for automotive suppliers like Magna.

The company implements a business strategy based on the expected rate and direction of change in the automotive industry, including trends related to vehicle electrification and autonomy.

Magna is looking to improve the fuel efficiency and reduce CO2 emissions of vehicles by focusing the company's efforts on delivering lightweight products and materials, efficient transmissions and active aerodynamics, as well as hybrid/electric drive systems.

Additionally, the company is the leader in camera-based advanced driver assistance systems to provide driving solutions by incorporating cameras, radar and domain controllers, which can be scaled to offer greater levels of automated driving functionality. The company is also working on potentially new mobility solutions.

The company plans to repurchase up to 30.3 million common shares, representing 10% of Magna's public float and returned \$2.3 billion to shareholders in 2018 through \$1.8 billion in share repurchases and \$448 million in dividends. Last year, the company posted record sales, net income and cash from operating activities.

Total sales increased 12% due to the launch of new programs and the company entered into a multi-year collaboration with **Lyft** to fund, develop and manufacture self-driving systems.

Magna appears to be an excellent way to gain exposure to the fast growing self-driving car market and could provide outsized returns relative to the **S&P 500 Composite Index**.

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

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