Forget Tesla (NASDAQ:TSLA): Buy This Self-Driving Stock Instead!

Description

Tesla, Inc. (NASDAQ:TSLA) has seen a lot of hype since the company released its quarterly results in October that showed it recording a surprise profit.

It was just the third time in the past eight quarters that the company finished in the black. And although the company beat expectations, revenue was down 7.6% from the prior-year period.

Nonetheless, Tesla's shares have tripled in just three months as the stock is trading at all-time highs. With a forward price-to-earnings multiple of 85 and the stock trading at more than 15 times its book value, there may not be a whole lot more upside left for the stock given how sharply it's been rising in recent months.

As exciting as the stock is today — and there's definitely a lot of bullishness surrounding it — Tesla may not be the safest buy, as there's likely a correction around the corner. The stock has been very volatile, and if it underperforms in its next earnings report, it could quickly fall in value.

A better, safer option for investors over the long term

Rather than investing in Tesla, investors may want to consider buying shares of **Magna International Inc** (TSX:MG)(NYSE:MGA) instead. The company is in the business of developing autonomous cars and unlike Tesla, it isn't trading at inflated values. At less than two times book value and 10 times earnings, Magna's stock is trading at much more reasonable valuations than Tesla is today.

With U$40 billion generated in revenue over the past 12 months, Magna's sales are far in excess of the US$24 billion that Tesla has brought in over the same duration. More importantly, Magna has a stronger track record when it comes to turning a profit.

Aside from its most recent quarter that saw the company incur a loss, Magna has been able to stay in the black in each of the previous eight quarters.

Over the past 12 months, Magna's stock has risen a very modest 7%, coming nowhere near the 70%

returns that Tesla's stock has generated for its investors over that time.

A big reason that investors have been captivated by Tesla has been the growth that the company has been generating, with its top line often coming in at more than 30% higher than the prior-year quarter.

Magna, meanwhile, has had challenges generating any growth at all. However, as it continues to develop self-driving technologies, there could be a lot more growth in the future for the company.

Bottom line

Tesla is the better growth stock today, but it's unclear how long the company will be able to deliver these strong results. Its track record for meeting expectations hasn't been the greatest, often leaving investors frustrated that it's fallen short of projections.

The stock is fragile and a poor earnings performance could wreak havoc on its share price.

For investors who want a solid, all-around stock that offers good value, growth, and even pays a dividend of 2.7%, Magna is the better buy today.

While it may require some patience holding onto the stock, Magna's stock is less likely to suffer a big drop in price and it's a safer investment to make.

CATEGORY

1. Investing

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2. NYSE:MGA (Magna International Inc.)
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