2 Dirt-Cheap TSX Dividend Stocks to Buy Right Now

Description

The auto industry has been hit hard on two counts: a slowdown in auto numbers across the world and the coronavirus threat, which has all but crippled the Chinese automotive sector for the time being. Auto stocks have been getting pummelled, and that means there are great buying opportunities in the rubble.

Magna International (TSX:MG)(NYSE:MGA) is one of the world's largest automotive suppliers in the world with sales and operations in over 60 countries. The company recently reported financial results for the fourth quarter and year ended December 31, 2019.

Magna posted sales of US$39.4 billion for the year ended December 31, 2019, a decrease of 3% from the previous year. A 40-day labour strike at **General Motors**, which began late in September of 2019 and extended into late October, had a negative impact on North American light vehicle production and consequently negatively impacted Magna's sales and profitability for both the third and fourth quarters of 2019.

Adjusted EBIT decreased to US$2.55 billion in 2019 compared to US$3.11 billion for 2018. Despite the lower earnings, Magna had record cash from operations at US$3.96 billion.

The company declared a quarterly dividend of US$0.40, a 10% increase in the dividend, the 11th consecutive annual increase, and it shows the company is in good hands. This indicates a forward yield of 4.5%.

The company's outlook for 2020 remains unchanged with a sales guidance of US$38 billion to US$40 billion and a net income of US$1.8 billion to US$2 billion. The company has not included any adjustments to its outlook related to coronavirus.

The company is currently trading at US$35.62, and analysts have given it an average target price of US$62. It's a great stock to add to your portfolio once the situation around the coronavirus stabilizes.

Another automobile ancillary company

Linamar (TSX:LNR) is another auto parts specialist stock that has taken a pounding in recent times. Sales for Q4 2019 were $1.61 billion, down $115.9 million from $1.73 billion in Q4 2018. EBITDA came in at $222 million compared to $247 million in Q4 2018.

The company's cash flow management is excellent. The fourth quarter saw free cash flow of more than $380 million and over $670 million in 2019. Net debt decreased significantly to $1.56 billion, and its net debt-to-EBITDA ratio reduced to 1.5. Linamar repaid more than $600 million of debt since the first quarter of 2018, despite soft markets, and is great evidence of its excellent cash control.

For 2020, the market outlook is not as good as 2019. There are soft markets in many regions this year, but a few expectations of growth. Industry experts are predicting declining global light vehicle volumes this year with 16.5 million, 20.7 million, and 44.7 million vehicles expected to be produced in North America, Europe, and Asia, respectively. This does mean a small uptick in North America compared to declines in Europe and, of course, a big decline in Asia, largely due to plant shutdowns related to COVID-19.

However, Linamar is holding strong, and its cash flow management has encouraged analysts to give it an average price target of $44. That's an upside of just below 50% from its current levels. Linamar is another great stock to have on your radar, especially considering its forward price-to-earnings multiple of 4.8, a dividend yield of 1.6%, and an estimated five-year PEG ratio of 0.46.

CATEGORY

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2. TSX:LNR (Linamar Corporation)
3. TSX:MG (Magna International Inc.)

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Date
2025/07/07

Date Created
2020/03/14
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