



## Why Magna Stock Price Fell 26.5% in March

### Description

The Magna stock price lost 26.5% of its value, and the **TSX Composite Index** lost 17.7%. [When looking at the performance of Canadian stocks in March, we have to look no further than the coronavirus battle](#). It is being waged in every corner of the globe. And it is taking down companies everywhere. It is that simple.

Today, it is a matter of survival for companies more than anything else. Those companies that have the government support and financial capability to come out of this disruption will emerge strong. As the virus fades into history, we will eventually also emerge out of this virtual shutdown strong.

But let's be clear: Not all companies will survive this. The macro environment has turned decidedly precarious even for the most quality companies out there.

## Magna stock price falls on coronavirus shutdown

Auto production is being slowed and even halted as the world shuts down. People around the world are staying home and focusing on the necessities of life. And people are worried about their paychecks and their financial health.

Naturally, buying a car falls down the list of priorities. Needless to say, Magna will take a big hit in the short to medium term. And the hit will linger after the virus is under control, as consumers' financial health may take longer to recover.

Given this, our next step is to look at the financial health of Magna. We want to see how long the company can withstand this pressure. The good news is that Magna's balance sheet is in excellent shape.

The company has a debt to total capitalization of 22%, a cash balance of more than \$1 billion, and \$2 billion in committed credit lines. These things will ensure that Magna can come out of this ordeal and one day, thrive again.

A number of auto companies in North America and Europe have suspended production. So clearly, Magna's 2020 results will be negatively affected. The magnitude of this hit is still uncertain.

But while we digest this and wait for better news, consider this: China has recently been slowly ramping up production again after its shutdown. This brings home the fact that this shutdown will end. There is light at the end of tunnel.

## Magna stock price falls on auto cycle peaking

Sentiment toward Magna stock price was suffering even before this. Tariff uncertainties were worrying investors and auto sales were already declining from their peak levels in 2017. Some analysts had already expected a soft year for auto sales again in 2020 because of these issues.

Today, consumers carry even heavier debt loads, as the economy faces one of its biggest challenges in a long time. So the general fear remains that the auto industry is still in for a rough ride.

## Foolish bottom line

Throughout all of this, one thing we can be sure about is Magna's staying power. Magna's financial strength and its leading global position in the auto parts industry will serve it well.

Magna's [valuation was attractive before this crisis, and is even more so today](#). While the auto industry will take a big hit, Magna will emerge a winner as this crisis resolves.

Magna stock price trades below book value, and at six times this year's estimated earnings. While earnings estimates for this year and next are highly uncertain, the long-term thesis remains intact for Magna.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Business Insider
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