



## Forget Nikola Stock! This Stock Is the True Winner of Electric Cars

### Description

Recently listed electric vehicle company **Nikola** has instantly caught the attention of investors. Nikola stock is up 395% since it listed on the NASDAQ just a month ago. Investors who got in early are now sitting on astounding gains. Meanwhile, **Tesla** stock reached an all-time high as well this week.

The rapid acceleration in these stocks indicates how excited investors are about the electrification of transport. Tesla is a clear leader in the electric passenger car space while Nikola focuses on electric trucks. From China to Finland, emerging manufacturers are targeting different segments of the transport industry for electrification.

However, a Canadian firm could be the ultimate winner of this revolution. Auto Parts giant **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) doesn't focus on any particular segment of the transport industry. Instead, it's exposed to the entire sector and stands to benefit from this shift towards electric vehicles.

Here's a closer look.

### Wider margins

Magna operates 348 manufacturing facilities and 91 product development, engineering, and sales centres across 28 countries.

It is one of the largest auto part suppliers and contract manufacturers in the world. 58 manufacturers, [including Tesla](#), rely on Magna's network of factories and intricate distribution network to create their products. It's a company that has spent decades deeply integrated in the supply chain.

The company now believes that electric and hybrid cars require more of the parts it can produce. In fact, the parts that go into EVs and hybrids tend to have wider margins than the parts currently supplied for internal combustion vehicles. In other words, an electric future means higher sales and wider margins for Magna.

Magna isn't sitting on the sidelines either. It's partnered up with the world's largest chip maker, Germany's leading car manufacturer, and America's second-largest ride-sharing company to create a

self-driving platform for its clients. In recent years, the group has deployed hundreds of millions of dollars into self-driving and electrification research.

Ultimately, Magna could have proprietary technology and unique parts that industry leaders, such as Tesla or Nikola, could come to rely on. Unlike the manufacturers, Magna faces significantly lower risks and is already a profitable enterprise.

## Better value than Nikola stock

It should go without saying that Nikola stock is a risky bet. The company is valued at US\$21 billion. That's nearly as much as **Ford**. While Ford generated US\$156 billion in revenue last year, Nikola *hasn't generated any revenue yet*.

Standalone electric car companies are speculative at this stage. Tesla and Nikola are already priced as if they've taken over the world. While the threat of failure and bankruptcy looms large over both of them.

Magna, meanwhile, is at no risk of bankruptcy. The company is exposed to all of the upside of electrification and self-driving without being exposed to the downside risks. The amount of money it has invested in these technologies is a fraction of the losses of Tesla since its inception.

For investors looking for a way to bet on the future of the auto industry without losing their shirt, Magna clearly stands out as a better-valued prospect. The stock trades at 14.9 times earnings per share and offers a 3.77% dividend yield. The dividend-payout ratio is 48.8%, while the company has \$1.15 billion in cash on hand to survive this crisis.

## Bottom line

I'll take a higher chance of a modest return over a slim chance of an incredible return any day.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Business Insider
2. Msn
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