



## A Cheap Dividend Stock to Play the EV Boom!

### Description

The price of admission into many of the electric vehicle (EV) plays have gone up drastically this year. Now that the **Tesla** bubble has inflated to unfathomable levels, those looking to get in on the EV boom would be best-served looking elsewhere. It's not just the automakers themselves that you can profit profoundly from. Indirect plays on the future of sustainable transport, such as the fuel cell designers (think **Ballard Power Systems**), have been white-hot as well, with shares now up an [unprecedented](#) 225% over the past year.

There's no denying the profound secular [tailwinds](#) to the back of the green energy plays, most notably the firms involved with the production of EVs. While the "sexiest" play may be to place a bet on an EV maker itself, speculating on a company that could be in the business in the future (think **Apple**) or a developer of cutting-edge technologies used to build the EVs of tomorrow, one will have to pay up a potentially hefty premium to do so. While you could wait around for a pullback in a cheaper EV play like Apple, which, unlike most other plays, is gushing with cash, it may be a wise idea to look to the auto-part makers like **Magna International** ([TSX:MG](#))([NYSE:MGA](#)), which are still relatively cheap.

## Who says you need to pay a nosebleed-level price to bet on the EV boom?

Such auto-part makers tend to trade at a discount due to their cyclical nature and propensity to crumble like a paper bag when the going gets tough in economic downturns. Moreover, they're not really direct plays on the future of EVs, as they don't possess the incredibly innovative technologies like those under the hood of a Ballard Power Systems or even a Tesla. That said, when essential auto parts are needed to construct the next generation of autos, Magna is one of few part-makers that'll step up to the plate. And if you believe that we're in the early innings of the market cycle, extremely cyclical discretionary stocks like Magna could have far more room to run than the broader market indices.

At this juncture, I think Magna benefits from a potential 2021 post-pandemic discretionary spending boom that could be a boon for the auto sector, in addition to a potential rise in contracts with prospective firms looking to get a piece of the EV pie. Now, that doesn't mean every firm is going to

wander out of their circles of competence to get into the ridiculously capital-intensive, low-margin auto business. Rather, some tech firms may wish to get more involved with components that go into constructing an EV.

## LG and Magna join forces: A sign of the times?

More recently, LG Electronics recently entered a joint venture with Magna to make components for EVs. The collaboration will reportedly see Magna's electric powertrain systems and manufacturing capabilities be married with LG's "tech-spertise," most notably with e-motors.

The bombshell announcement sent shares of Magna surging 8.5% in a single trading session. And I think the deal could be the start of many over the next 18 months, as other tech firms look to get in on the EV boom or run the risk of being left behind. **BlackBerry**, Apple, and **Alphabet** could all possess options-like upside, as tomorrow's EVs are seen more like innovative tech that just happens to transport people from point A to point B, electronically and potentially without a driver.

With a well-covered 2.25%-yielding dividend that could grow at an above-average rate moving forward, Magna is well worth a premium. While I'm not typically a fan of betting on extreme cyclicals like the auto-parts makers, I'm willing to make an exception for the incredibly well-run Magna, given it's likely to be a massive beneficiary of the EV (and self-driving) boom that could be the major theme going into the mid- to late 2020s.

## The Foolish takeaway

Magna stock trades at a reasonable 0.64 times revenues and two times book value, making the name dirt cheap, with huge multi-year upside. Should shares pullback to even cheaper levels, I may look to re-initiate a position that I previously sold out of.

Stay Foolish, my friends.

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2. TSX:MG (Magna International Inc.)

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