



## Magna (TSX:MG) Stock Is About to Boom

### Description

We're in the second week of January, and **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) has already added 8.8% of value. Magna stock has been on a fine run the past year; it's up 175% since March 2020.

This stellar performance isn't speculative like the tech sector but backed by solid fundamentals. The old guard in the auto-parts supply business has positioned itself to be one of the biggest beneficiaries of the electric cars spectacle.

### Magna's edge

Magna is a diversified automotive parts supplier. The company boasts a broad range of products and services that affirm its strengthening in its industry status and long-term prospects. The recent acquisition of Hongli is poised to strengthen its competitiveness further.

The recent spike in Magna stock price stems from the company positioning itself as a preferred third-party manufacturer of choice for companies looking to make electric cars. Likewise, Magna has enhanced its prospect on [self-driving efforts](#). It is currently working with **Fisker** to develop an advanced driver-assist system for the electric Ocean SUV.

Perhaps more exciting is the prospect of Magna working alongside **Apple** to create its first electric car. Industry experts believe the iPhone maker could break into this lucrative industry by working with the company's Magna Steyr division, a contract manufacturer of cars.

If this potential partnership materializes, Magna stock could surge much higher.

### Low risk

By virtue of its business model, Magna could be the least-risky investment opportunity in the transition to electric self-driving vehicles. Instead of deploying billions of capital in production and research, the company partners with established manufacturers and signs long-term supply contracts.

Effectively, Magna locks in cash flow and recurring revenue, while the manufacturers battle it out for dominance in an increasingly competitive sector. That could make it the ultimate winner over the next decade. Just like Foxconn ultimately won the smartphone battle over the previous decade.

## Magna stock valuation

This impressive run looks set to continue as the stock is relatively cheap compared to industry standards. Magna stock is currently trading with a P/E of 12.9. The stock is relatively cheap for a profitable, well-run company with tremendous prospects in electric and self-driving cars.

For income-focused investors, Magna would be an ideal pick given that the company offers a dividend yield of 2.1%. The company's cash hoard of \$1.5 billion and free cash flow of \$3.45 billion makes this a reliable dividend payout.

Overall, a company trading a price-to-sales ratio of 0.92 while it offers exposure to an exciting tech sector is rare. The 2.1% dividend payout and robust profitability is icing on the cake. Magna stock should certainly be on your radar.

## Bottom line

Electric cars and self-driving vehicles are clearly the future. However, investors have focused too much on the flashy manufacturers and tech giants in this space. That means suppliers and technology providers like Magna have been overlooked.

Now that the market is recognizing the company's true potential, Magna stock is surging. It's up a whopping 175% from March 2020. If the company manages to strike a deal with the ultimate tech titan Apple this year, the stock could unleash a further windfall for early investors.

For conservative growth investors, this one is impossible to miss.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

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vraisinghani

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