



## Apple Car or Alphabet's Waymo? This 1 Stock Is Future Foxconn of Automotive

### Description

What's the next big sensation? In the last decade, the world saw the emergence of trillion-dollar tech giants, which are now popularly categorized under the FAANG acronym. This acronym covers five stocks: **Facebook**, **Apple** ([NASDAQ:AAPL](#)), **Amazon**, **Netflix**, and Google. These companies were early adopters of the internet trend and changed the way the world shops, accesses information, and entertains.

Three of these trillion-dollar companies are now looking to shape the future of automotive through EVs (electric vehicles) and AVs (autonomous vehicles). It's not just the FAANG companies but also other tech giants like **Intel** and **Nvidia** that are tapping the AV space.

### The future of automotive

Technology has become an integral part of your daily needs. It has penetrated smart homes, smartwatches, smart cities, smart assistants, and is now eyeing AV. The AV will see the integration of technology and software into automotive engineering.

Alphabet's Waymo is leading the AV space, with Apple, **Tesla**, and Amazon trying to play catch up. The AV technology is still in the testing and development phase but holds immense growth potential, especially in the logistics market. The AV revolution will take more time to reach its inflection point. Until then, EVs will act as a bridge in the transition from fuel-based manual vehicles to AVs.

### When tech meets auto

Tech companies like Apple and Google don't have the expertise to build a car. They use a model where the design and production are two separate operations handled by different companies.

For instance, Apple designs the chip, iPhone, and software and gets it assembled from the third-party assembly contractor **Foxconn**, which has expertise in production. Apple also uses third-party chip manufacturer **TSMC** to manufacture its A-series chips.

Back in 2010, when the smartphone and internet were new, many companies entered this space, but only a few became big. As smartphone penetration increased, the winner took it all. Apple and **Samsung** beat **BlackBerry** and **Nokia** in the mobile phone market.

But one company that benefitted from the competition was TSMC, as it manufactured mobile chips for a majority of companies. And Foxconn benefitted from being the exclusive contractor of the leading market player Apple. Both Apple and Waymo plan to use this design and production model for their AV projects as well.

## One company that can be the future Foxconn or TSMC of automotive

One company working with Apple and Waymo on the automotive production front is **Magna International** ([TSX:MG](#))([NYSE:MGA](#)). Magna is not only a third-party vehicle assembly partner but also the third-largest auto component manufacturer. It manufactures components, such as body, chassis, exteriors, seating, powertrain, active driver assistance, and electronics.

There are [rumours](#) that Magna is working with Apple on the Apple Car. Magna also has a US\$100 million investment in Waymo and has warrants to purchase around a 6% stake in **Fisker**. Magna is in the [position](#) of both TSMC and Foxconn. It has operations in the world's top two automotive markets China and Europe.

The 2030 decade will see the growing penetration of EVs as governments worldwide aim to reduce carbon emissions by 2030. And probably towards the end of the decade, you might also see AVs hitting the road for commercial use. At present, Tesla is the leader in the EV market and Waymo in the AV market. Magna supplies components to Tesla and engineering manufacturing services to Waymo.

Whichever company becomes a market leader in the EV and AV space, Magna will benefit from the overall momentum.

## Investor corner

Magna stock reported subdued growth before 2020, as the automotive market was slowing. But the EV momentum drove the stock to its all-time high of \$98.98. The stock surged 180% from its March 2020 low. This was the fastest rally in its 25 years of trading in the stock exchange. The stock is trading at 65 times its earnings per share.

Magna will release its fourth-quarter earnings on February 19, which could drive the stock up. It has the potential to grow double digits in the coming year and even grow multiple folds in the 2030 decade.

## CATEGORY

1. Investing
2. Tech Stocks

## **TICKERS GLOBAL**

1. NASDAQ:AAPL (Apple Inc.)
2. NYSE:MGA (Magna International Inc.)
3. TSX:MG (Magna International Inc.)

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