



## Could This Canadian Stock Be the Next Tesla (NASDAQ:TSLA)?

### Description

**Tesla Motors** ([NASDAQ:TSLA](#)) has been the talk of the town lately. Ever since joining the S&P 500, it's been impossible to not notice the gains it's been making. The world's largest auto maker by market cap, it has made its founder into the world's wealthiest person.

That fact has many investors wondering what the next hot electric vehicle (EV) stock is going to be. Tesla is beginning to mature as a company, but up-and-coming EV stocks may still have a ways to go. If they succeed, then they could multiply investors' money several fold — like Tesla did in its early days. In this article, I'll be exploring one Canadian stock that could become the "next big thing" in electric vehicles.

### Magna International

**Magna International** ([TSX:MG](#))([NYSE:MGA](#)) is a Canadian [car parts and manufacturing](#) company. It both supplies car parts to other car companies, and manufactures cars on a contract basis. As a whole, it is definitely not some new upstart EV company. It has been around for decades and is an established player in the auto industry. However, it is beginning to invest in EV through a joint venture with **LG**. *That* part of its business is interesting.

Recently, MG and LG announced a joint venture in which the two companies will collaborate to make electric car parts. These parts will include new, updated components that will be substantially different in electric cars compared to gas powered cars — for example, motors. These kinds of parts will take technical expertise to build. And if the MG/LG joint venture succeeds, it could carve out a lucrative niche in supplying them to large automakers.

### How it's similar to Tesla

What makes Magna similar to Tesla is not its business as a whole. It's a car parts manufacturer that until now hasn't been big on electric vehicles. The similarity specifically resides in this partnership with LG. Like Tesla, Magna's new joint venture is developing innovative technologies in the electric car

space — in this case, not complete cars, but components. That could be a valuable niche in itself. Not all car companies have the expertise to build every single component for electric vehicles. Yet almost all of them at least have *plans* to enter the EV space. If Magna and LG can corner the market on the most technically sophisticated components, then they could generate profit in this [new and growing industry sector](#).

## Magna's recent results

Even without new revenue from its LG partnership, Magna's most recent quarter was pretty good. In it, revenue declined 2%, but profitability showed considerable growth year over year. In the quarter, net income was \$405 million, up from a \$233 million loss in the same quarter a year before. Adjusted EPS grew by 38%, and cash flows from operations doubled. These were all encouraging signs. Apart from EV, cars aren't a massive growth industry. And, in fact, Magna International's long-term growth rates aren't pretty. But with this LG partnership in the equation, who knows what could happen?

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

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