



Apple Car: The Prize Magna Could Win

Description

Everywhere investors look, **Apple Inc.** ([NASDAQ:AAPL](#)) appears to be in the news. Indeed, much ado has been made about the fabled Apple car.

Apple's track record at disrupting existing high-margin sectors with products that blow its customers away is impressive. Accordingly, speculation Apple would be moving into designing its own market-leading car has driven this company's stock price much higher in the near-term.

Here's more on why I think this could be a huge catalyst not only for Apple, but potentially for **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) as well.

Apple's business model one reliant on third-party manufacturers

As with Apple's core product, its iPhone, third-party manufacturers such as **Foxconn** really do all the back-end production. Apple makes its high margins on the "fun" part of the business (i.e., product design, marketing, and the remainder of the supply chain).

Apple tends not to invest in its own factories and infrastructure to produce the products it sells. These tend to be low-margin businesses, and the company has relied on third party manufacturers successfully for decades to maximize its margins. It's a business model that works, and it appears Apple is working toward doing the same in this new business line it's aggressively targeting.

So far, talks with existing auto manufacturers has not gone well, which is probably to be expected. After all, asking a company to move its existing production aside in favour of providing low-margin production of another company's branded products doesn't make a lot of sense. Here's where I think Magna could provide excellent value right now.

Why Magna looks like the way to play Apple right now

Many investors know Magna is a key player in the auto parts business. However, the company also produces luxury cars for automakers such as BMW, Jaguar, and Land Rover.

Magna's existing operations and previous discussions with Apple over building an Apple Car in recent years is bullish. I think Magna is a front-runner right now to announce a partnership with Apple on this project. This partnership would make sense for both parties, and would be a massive boost for the Canadian large cap name.

The [share price of Magna](#) has been on a tear of late. I think most of this has to do with a resurgence of optimism in the auto sector coming out of this pandemic. EV sales are on the rise, and Magna's working to capture a larger market share in this segment.

Indeed, I think Magna's stock could pop on an announcement. There's a healthy amount of speculation built into this recommendation. However, I think investors might want to consider a speculative bet on this company, given the strength of its core business and long-term growth prospects sans announcement.

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