



What if Magna (TSX:MG) Bags the Apple Car Order?

Description

There is a [rumour](#) that **Apple** ([NASDAQ:AAPL](#)) is in the market, hunting for potential suppliers for its dream project, the Apple Car. This reminds me of 2005-2007, when the tech company forayed into the smartphone market and changed the future. Warren Buffett also admitted to the iPhone's success, and today Apple is his most profitable investment. What if the Apple Car turns out to be a game changer in the electric vehicle (EV) space? It is too early to say. But by the time the project success is visible, it would be too late to be the early investor. So, what should you do?

Think futuristic

All billionaires, from Elon Musk to Jeff Bezos to Steve Jobs, put their faith in their products and chalked out infinite possibilities of what if? If you are an *Avengers* fan, you will understand how one decision can change the future. I cannot say whether Apple's car will lead the company to the next trillion-dollar valuation. But if it does, you should be there to reap the rewards of Apple Car success.

To get full exposure to Apple products, you can invest in Apple but also its suppliers. That multiplies your rewards. To benefit from the success of iPhones, many investors own the stocks of Apple, **Taiwan Semiconductor Manufacturing Company** (TSMC), and **Broadcom** (Apple's largest chip supplier).

So, who could be the TSMC and Broadcom of the Apple Car?

Could Magna be the TSMC of the Apple Car?

Apple only selects the best of the suppliers and is known for being a strong negotiator. But suppliers agree to its terms, because of the benefits the world's most valued brand brings with it.

Magna International ([TSX:MG](#))([NYSE:MGA](#)) is the third-largest automotive component supplier. It offers body exteriors, power and vision solutions, and seating systems. It has also ventured into making automotive for tech and auto companies. Some of its clients include **Fisker**, **BMW**, **Volkswagen**, and **Toyota**. Magna has partnered with several tech and auto suppliers to [stay ahead](#) in the race of EVs and autonomous vehicles (AVs).

Apple focuses on designs and intellectual property and outsources manufacturing and assembly to third parties. This is an efficient model, as manufacturing plants come at a cost. They are only profitable if run at optimum capacity. Magna is specializing in manufacturing technology to make it optimal and capable of producing future vehicles. This makes Magna a strong contender in the race of becoming the TSMC and Foxconn of the Apple Car.

What would the Apple Car mean to Magna shareholders?

I know it is a long way off. Apple is just building its supplier base, and, as rumours say, it is looking to start mass production by 2024, which is three years from now. But if you understand the automotive business, the supplier contracts are long term, and the design win process is also lengthy. If Magna secures Apple Car orders, it will bring a short-term boost in Magna stocks.

The real test will be the performance of Apple in the car industry. If you think of electronics, Apple is a leader. But it may not necessarily lead in the automotive space as well. This is a new industry for Apple too, and no one can tell whether it will repeat its smartphone success here.

If the product fails, Apple would bear the risk. Magna will get paid for the cars produced. But if the Apple Car succeeds, Magna will benefit from more orders from Apple and other automotive companies. Look at TSMC. Since it became the sole supplier of Apple's A-series chips, all high-performance chip makers, like **AMD** and **Nvidia**, have used TSMC fabs to make their chips.

Magna doesn't have much to lose if the Apple Car fails to grab customers, but it has a lot to gain if the car is a success. Moreover, Apple is just one of the clients. Magna is riding the EV wave.

Why am I bullish on Magna?

Magna stock has dipped almost 20% from its June high, because of a temporary chip supply shortage. But its long-term growth potential makes me [bullish](#) on the stock.

CATEGORY

1. Investing

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