



Should You Buy the Dip in Magna Stock?

Description

Magna International ([TSX:MG](#))([NYSE:MGA](#)) is an Aurora-based company that is engaged in the design, engineering, and manufacturing of components, assemblies, systems, subsystems, and modules for vehicles and light trucks. It is the largest auto parts manufacturer in North America. Today, I want to discuss whether it is worth it for investors to buy the dip in Magna stock. Let's dive in.

Why Magna has had a rough start to 2022

Shares of Magna stock have dropped 8% in 2022 as of late-morning trading on February 15. However, the stock was up 2.8% on the same day. North American stocks broadly bounced back after a rough start to the week. Over the last 24 hours, news broke that Russia was apparently pulling back troops from the Ukrainian border. That said, intelligence reports have predicted an imminent invasion for weeks now. It is apparent that the Western powers are flying blind when it comes to anticipating the actions of Russia so far.

In the summer of 2021, I'd [discussed](#) why Magna stock qualified as an electric vehicle (EV) focused investment. It has succumbed to broader volatility to start 2022, but the future still looks bright.

Should investors be confident in this company for the rest of the year?

Magna released its fourth-quarter and full-year 2021 earnings on February 11. Sales fell 14% year over year to \$9.1 billion in the fourth quarter. Meanwhile, adjusted earnings per share more than halved from Q4 2020 to \$1.30. These earnings still managed to beat expectations. Global light vehicle production has taken a major hit due to semiconductor chip shortages.

For the full year, sales climbed 11% year over year to \$36.2 billion. Meanwhile, global light vehicle production increased 4% from the previous year. Moreover, adjusted earnings per share was reported at \$5.13 — up from \$3.95 for the full year in 2020. The automobile industry was hit very hard by the

COVID-19 pandemic. Fortunately, it has managed to rebound nicely due to the lifting of restrictions and a return to some degree of normalcy. Even with the semiconductor shortage, Magna still put together a much stronger year in 2021.

The company unveiled its 2022 and 2024 outlook in its most recent quarterly report. It is projected light vehicle production of 15.2 million units in North America in 2022 and 17.5 million units in 2024. Meanwhile, it is also projecting comparable unit production growth in its European and Chinese markets. It anticipates total sales between \$38.8 and \$40.4 billion in 2022. Moreover, it projects a sales range between \$44.6 and \$47.1 billion in 2024.

This is promising for Magna stock going forward. Indeed, investors should be eager to get in on the EV space in any way they can in the first half of the 2020s.

Here's why I'm looking to buy Magna stock today

Back in late January, I'd discussed why Magna stock looked [undervalued](#). Shares of this stock possess a [favourable](#) price-to-earnings ratio of 13. In its fourth-quarter report, Magna announced a 5% increase to its quarterly dividend to \$0.45 per share. That represents a 2.2% yield. I'm still looking to snatch up Magna stock in the middle of February.

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