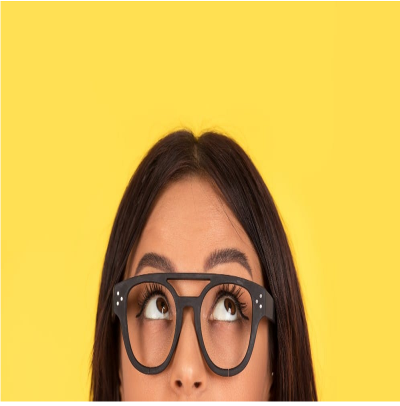

Magna Stock: Is a 3% Dividend Yield Enough to Make Investors Stay?

Description

Magna International (TSX:MG)(NYSE:MGA) shares took a hit this year, with the car parts manufacturer seeing stock fall 28% from the beginning of 2022. But in the last week, Magna stock has started to climb once more, up a whopping 8% this week alone!

Meanwhile, the company continues to offer a strong dividend yield of 3.06% as of writing. That comes out to $2.36 per share on an annual basis. With volatility still a part of today's market, it may make investors wonder whether this dividend alone is enough to offer protection against another drop.

Why the fall?

Magna stock was part of the growth stock trend surrounding the boom in electric vehicle production. The company has been making partnerships and deals with some of the biggest car manufacturers in the industry. Furthermore, it also has some joint ventures underway as the world turns electric.

And not just for electric vehicles themselves. Magna stock sees a future for electric components, even among internal-combustion engine vehicles. And that's created an opportunity for near-term growth for investors.

But the problem is with semi-conductors. There remains a shortage, and one that may not be easily overcome. This has created less room for growth than Magna and its investors would like. Therefore, shares fell from $120 a year ago to about $70 per share.

Was it overdone?

In short, analysts think so. Magna stock may have a more volatile future, but it should remain an outperformer at today's levels. The next year should remain relatively flat for the company, as it continues to wade through geopolitical pressures in China and Russia, and the semiconductor challenge. But long-term it remains a solid buy.

In fact, analysts predict the stock could jump to earnings per share of $8 by 2024 annually. Furthermore, there remains demand in the auto sector, especially with electronic vehicles. And with the market recovering, as it has been in the last week, shares recovery could come sooner as opposed to later.

Analysts currently have a consensus price target of $87. Shares of Magna stock trade at $80, giving a potential upside of 9% as of writing.

Is the dividend enough?

All this is to say that long-term investors shouldn't fear the recovery of Magna stock. There are short-term issues facing the company, but it will have no trouble rebounding to full potential by 2024 at least. Meanwhile, there is still growth expected in the future.

And that means right now, you can lock in the company's dividend at valuable prices. The company trades at 14.81 times earnings and 1.51 times book value. A $10,000 investment could bring in $295 each year. And should it reach $87 per share, that $10,000 could give you $1,170 in returns, including dividends in the next year!

In short, Magna stock is a strong purchase for those seeking a long-term investment in the electric vehicle market. But, short term, it has a solid dividend that investors can look forward to each and every quarter — all while purchasing the company at valuable prices, with shares up 8% in the last week alone.

CATEGORY

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2. Investing

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