



Why Magna International (TSX:MG) Stock Has Fallen 28% So Far This Year

Description

Magna International ([TSX:MG](#))([NYSE:MGA](#)) is an Aurora-based company that designs, engineers, and manufactures components, assemblies, systems, subsystems, and modules for original equipment manufacturers of vehicles and light trucks around the world. Today, I want to discuss why one of the top auto parts manufacturers has seen its stock struggle mightily in the first half of 2022. Is there reason for optimism going forward? Let's jump in.

What is behind Magna's steep fall in 2022?

Shares of Magna have [plunged 28%](#) in 2022 as of close on June 10. The stock is down 33% in the year-over-year period. The North American and global automotive industry is still wrestling with the aftershocks of the COVID-19 pandemic. Moreover, lingering supply chain issues, soaring inflation, and general uncertainty in the broader economy has applied pressure to this space. In some cases, that has driven investors away from Magna and its peers.

Should investors be encouraged by its first batch of results?

The company released its first-quarter 2022 earnings on April 29. It reported that global light vehicle production fell 7% globally. Magna took a major hit due to a 16% production decline in Europe. Meanwhile, total sales fell 5% from the first quarter of 2021 to \$9.6 billion. This was driven by the stated decline in light vehicle production and assembly volumes as well as the net weakening of foreign currencies against the U.S. dollar.

Income from operations before income taxes was nearly halved to \$420 million in the first quarter of 2022. Meanwhile, net income was reported at \$364 million, or \$1.22 per share — down from \$615 million, or \$2.03 per diluted share, in the previous year. It posted adjusted EBIT of \$507 million, which was down from \$770 million in Q1 2021. That set beat out internal expectations.

These disheartening numbers had an impact on the stock price and on management's projections for the future. Magna was forced to reduce its 2022 outlook in response to this slow start. It now

anticipates a decline in year-over-year light vehicle production in North America and Europe, with China experiencing a slight uptick. Meanwhile, it revised down its total sales projections to between \$37.3 billion and \$38.9 billion.

Magna is heavily reliant on North American, European, and Chinese car and light truck production. Some experts and analysts have warned that a recession is on the horizon, although its severity has been a matter of debate. That would be unfortunate timing for Magna as it aims to rebound in the quarters ahead.

Magna stock: Is it worth buying on the dip?

Investors should rightly be cautious considering the worrying macro trends that exist right now. That said, there are reasons for optimism when it concerns Magna stock. For one, the company has thrust itself into the electric vehicle component market and looks poised to benefit from the coming transition to EVs.

Shares of Magna currently possess a favourable price-to-earnings ratio of 14. Meanwhile, it still offers a quarterly dividend of \$0.45 per share. That represents a 3% yield. I still love Magna as a long-term hold, which makes it an enticing add, even in this uncertain economic climate.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aocallaghan
2. kduncombe

Category

1. Investing

Date

2025/08/22

Date Created

2022/06/13

Author

aocallaghan

default watermark

default watermark