Why Magna Stock Is a Boom Waiting to Happen

Description

Magna International (TSX:MG) hasn't performed all that well in the last year. Granted, nothing has, really, but in the case of Magna stock, that poor performance has lasted a bit longer. The automobile parts manufacturer has been weighed down by pandemic problems and supply-chain issues, along with suffering under the semi-conductor shortage.

But that's all about to change.

Go big or go home

Magna stock is one of the largest automotive parts manufacturers in the entire world, with a diverse range of parts for its clients. Those clients include enormous names such as **Toyota** and **General Motors**, allowing these large clients to receive practically all their parts from one source: Magna.

The main issue that investors haven't liked in the past is that this diversification means the company is a bit riskier with its resources spread thin. Furthermore, the semiconductor shortage has weighed heavily on company performance. But it looks like that could be turning around.

Strong earnings come in

This month, Magna stock announced its third-quarter earnings results, which were far more positive than previous quarters. Sales increased 17% to $9.3 billion, with diluted earnings per share (EPS) rising from $0.04 last year to $1.00 this year.

Now, it wasn't all positive, as Magna stock does predict that there will be lower vehicle production in North America and Europe as well as higher operating inefficiencies. Still, it looks like the company continues to move forward towards the next big move.

That move is electric vehicles.

From ICE to EV

Magna stock already is a major supplier of electronic components for vehicles. That includes internal combustion engines (ICE) that need electronic components. However, it's now already starting the transition to electric vehicles (EV) with new products for its auto clients.

One such product is the 48-volt hybrid transmission system — an engine that will power hybrid vehicles. While this isn't groundbreaking, it does offer its current partners and clients a chance to purchase more products all from one place rather than sourcing them from elsewhere.

Then there's the move to EVs, which will see even more growth for the company. Not only will it have more product offerings, but more focus. No longer will it need to create that broad spectrum of products that analysts were worried about in the past, because EVs need less under the hood.

Bottom line

Magna stock continues to have a strong balance sheet to weather its current downturn. Shares are down 18.7% year to date and 28% since all-time highs reached in June 2021. It currently trades at 18.83 times earnings and offers a 2.96% dividend yield. These are all benefits you can receive right now before growth rebounds for this company.

With the EV market and auto manufacturing in general a difficult market to enter, Magna stock remains in a top position. It should create revenue above industry averages and create products for clients that are looking for fewer suppliers from large vendors like Magna.

Now, this could change in the future. However, the next few years look stellar for Magna stock. And should it continue to expand its research and development along with partnerships, there's no telling how far this stock could rise.

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