



## Magna Stock: How High Could It Go in 2023?

### Description

**Magna International** ([TSX:MG](#)) stock plunged 17% in February after it announced weak [2022 earnings](#). Yet, here we are ready to discuss much stronger performance ahead. I am bullish on the stock's prospects for growth in 2023, 2024, and 2025. Notably, the headwinds that were stopping Magna from growing are unwinding.

While Magna still has a recession to tackle, it is well-placed to overcome the demand weakness and fire all cylinders when the demand revives. The best estimate is a revival in the second half. Why else would the company give a 2023 revenue outlook of US\$40.4 billion at the year's midpoint, representing 6.8% year-over-year growth? It is the level Magna last saw in 2018. Moreover, the company continued to grow its dividend per share, although at a slower rate.

Despite such a strong outlook, Magna stock fell 17%.

### Why did Magna's stock fall?

Magna stock fell as the company's net earnings per share (EPS) fell 20% in 2022 due to the decade's highest inflation. The company reported operating inefficiencies at one of its European facilities and higher net engineering costs in electrification and ADAS (Advanced Driver-Assistance System). The Russia-Ukraine war forced Magna to stop Russian operations, significantly boosted European energy prices, and kept original equipment manufacturing (OEM) production schedules volatile.

The semiconductor shortage eased towards the end of 2022, but rising interest rates started affecting consumer demand. Magna stock surged 37% between October 2022 and February 2023 as inflation started easing and the Fed slowed its interest rate hike. But weak earnings created an investor overreaction, and the stock fell 17%. Now is the right time to buy the stock before it recovers and resumes its 2023 growth story.

### What could boost Magna's stock price in 2023?

Year	Revenue in US\$ (billions)	Change in revenue
2018	40.83	12%
2019	39.43	-3.4%
2020	32.65	-17.2%
2021	36.24	11.0%
2022	37.84	4.4%
<b>2023*</b>	<b>40.4</b>	<b>6.8%</b>
2024*	43.17	6.9%
2025*	45.95	6.4%

Magna International's annual revenue from 2018 to 2025

Hoping that the worst is over for Magna, the reopening of China's economy, slowdown in inflation, and economic recovery could revive electric vehicle (EV) demand and get its long-pending growth rolling. The company expects its 2023 revenue to surge 6.8%, higher than in 2022 but lower than in 2018. Analysts are optimistic that this growth rate will continue in 2025, and its revenues could grow to \$46 billion at the midpoint.

This growth will be driven by the growing adoption of light vehicles, which drove Magna's 2021 revenue up 11%. There is pent-up demand, but the reduced purchasing power of individuals has probably pushed this demand into the future.

With hopes of easing inflation and improving operating efficiencies, Magna expects 2023 net income to double to \$1.25 billion from \$592 million in 2022. Improving [fundamentals](#) could boost the MG stock price in 2023.

## How high could the stock go in 2023 and beyond?

Magna is a [volatile stock](#) as it is sensitive to the macroeconomic environment. Most growth stocks are like this in the short term but tend to grow in the medium term. But growth stocks don't give dividends, and Magna has been paying out dividends. Volatility could help the stock grow 18% above \$90 in the second half of 2023 when EV demand revives. However, whether the stock can sustain that level depends on macro and industrial factors.

From its end, Magna is spending over \$470 million to expand its Canada operations. Moreover, its sales team has been busy closing new clients. Magna is ready to ride the EV wave. Now the only wait is for EVs to ride on Magna.

## Investors take

Magna is a good stock to buy and hold, but that growth is not enough. Diversify your portfolio across sectors, market caps, and asset classes to ensure all-season returns.

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## Date

2025/06/27

## Date Created

2023/02/21

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