



Magna International Inc. (MGA)

Updated February 16th, 2025 by Kay Ng

Key Metrics

Current Price:	\$38	5 Year CAGR Estimate:	13.9%	Market Cap:	\$10.7B
Fair Value Price:	\$44	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	02/28/25
% Fair Value:	87%	5 Year Valuation Multiple Estimate:	2.9%	Dividend Payment Date:	03/14/25
Dividend Yield:	5.1%	5 Year Price Target	\$61	Years Of Dividend Growth:	15
Dividend Risk Score:	C	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Magna International Inc. is dual-listed on the New York Stock Exchange and the Toronto Stock Exchange, where it trades under the tickers 'MGA' and 'MG', respectively. Magna reports financial results in U.S. dollars. All figures in this report are denominated in U.S. dollars. The company began working with General Motors (GM) back in 1957. Since then, it has become the largest automotive supplier in North America and the fourth-largest in the world. Magna has increased its dividend every year since 2010.

Magna reported its Q4 and full-year 2024 results on 02/14/2025. For the quarter, its sales were \$10.6 billion – 2.0% higher versus a year ago – in-line with the global light vehicle production. Magna's income from operations before income taxes rose 23% to \$381 million. Ultimately, adjusted earnings before interest and taxes ("EBIT") rose 23% to \$689 million and adjusted earnings per share ("EPS") of \$1.69 rose 27% year over year ("YOY").

The full-year results provide a bigger picture. Sales were essentially flat at \$42.8 billion. Adjusted EBIT rose 4.1% to \$2.3 billion. And the adjusted EPS declined 1.5% to \$5.41. Magna increased its quarterly dividend by 2.1%, equating an annualized payout of \$1.94.

Magna initiated its 2025 sales forecast at \$38.6-\$40.2 billion and adjusted EBIT margin at 5.3-5.8%. It expects interest expense of about \$210 million but anticipates a higher income tax rate of roughly 25%. We initiate our 2025 EPS estimate at \$4.85. Notably, the company Q4 earnings press release noted that its outlook "does not incorporate any potential impact of the imposition of tariffs or changes in tariff rates".

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$4.51	\$5.23	\$5.98	\$6.71	\$6.05	\$3.95	\$5.13	\$4.10	\$5.49	\$5.41	\$4.85	\$6.80
DPS	\$0.88	\$1.00	\$1.10	\$1.32	\$1.46	\$1.60	\$1.72	\$1.80	\$1.84	\$1.90	\$1.94	\$2.48
Shares¹	402	382	358	327	306	301	302	286	287	287	287	253

Magna reported a loss in 2009 due to the global financial crisis of 2007-2008. However, in the decade after that, it recovered remarkably. In 2020, the company's top and bottom lines were greatly dragged down by the COVID-19 pandemic impacts. Regardless of the pandemic, Magna's EPS is highly cyclical and sensitive to economic cycles. Magna has been investing in electrification and autonomy among other new automotive technologies, which could pressure near-term margins. Magna compounded its EPS by about 2.0% from 2015 to 2024, as the company earnings fell significantly in 2020 because of COVID. Additionally, its 2022 results were dragged down by supply disruptions related to the Russian invasion in Ukraine and semiconductor chip shortages as well as high inflation and higher labor costs. Management is working to offset inflationary pressures, reducing expenses, and optimizing its cost structure. The business rebounded in 2023 but is now faced with higher uncertainties from the trade war. MGA has the potential for above-average growth by 2030, as the company looks to continue to drive margin expansion. To account for the higher uncertainty and to be more conservative, we estimate an EPS growth rate of 7% and dividend per share (DPS) growth rate of 5% through 2030.

¹Shares in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	11.4	7.6	8.0	8.7	8.3	12.2	18.6	13.5	11.6	8.5	7.8	9.0
Avg. Yld.	1.7%	2.5%	2.3%	2.4%	2.9%	3.3%	2.1%	3.1%	3.2%	4.1%	5.1%	4.0%

From 2015-2024, Magna traded at an average price-to-earnings ratio of about 10.8. Using our 2024 EPS estimate, the company trades at a price-to-earnings ratio of 7.8. Because we expect earnings to grow over the next five years, the stock could be discounted. From 2020-2024, it averaged a P/E ratio of 12.9. We give the stock a fair P/E of 9 to account for the cyclical nature of the business. Consequently, the stock trades at a slight discount from its long-term fair valuation target.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	20%	19%	18%	20%	24%	41%	34%	44%	34%	35%	40%	36%

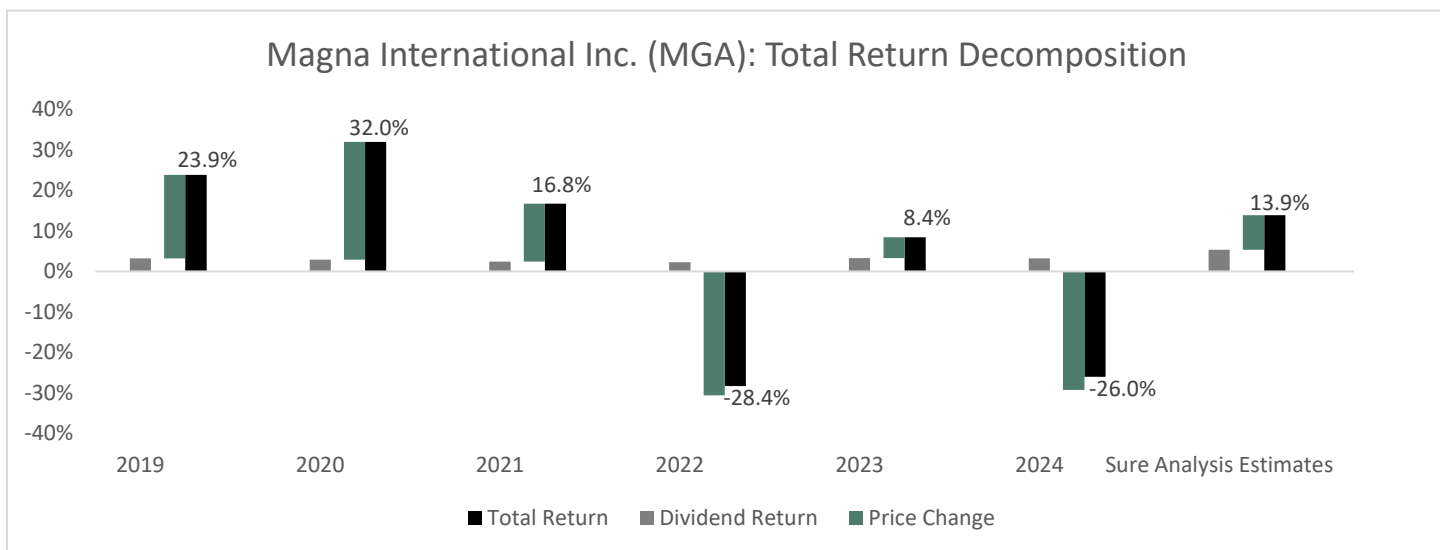
As one of the leading automotive suppliers in the world with about 341 manufacturing operations, Magna benefits from some economies of scale. It's also innovating by investing in electrification and autonomy, which should help keep the company's product offerings relevant. During the last recession, Magna ran into trouble and operated at a loss and cut its dividend in 2009. It survived through it, though. Despite bumpy profits through economic cycle, including substantial drops in earnings in 2020 and 2022, Magna continued increasing its dividend.

Its balance sheet remains in good standing. At the end of Q4 2024, its debt-to-asset ratio was 61.5% and debt-to-equity ratio was 1.6x. It also had \$1.2 billion of cash and cash equivalents. Further, it's awarded an S&P credit rating of A-. Notably, the company maintains a low payout ratio through economic cycles to provide a big buffer to protect its dividend during stressful times such as in 2020 and 2022. Magna has pleased its shareholders by keeping its dividend-growth streak. For now, we estimate a 5% DPS growth rate through 2030.

Final Thoughts & Recommendation

We rate Magna as a potential buy for high-risk, long-term accounts, as we see total returns potential of 13.9% per year from its 5.1% dividend, 7% EPS growth, and 2.9% valuation expansion.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	32,134	36,445	36588	40827	39,431	32,647	36,242	37,840	42,800	42,836
Gross Profit	4,575	5,322	5,693	5,772	5,409	4,440	5,145	4,652	5,612	5,799
Gross Margin	14.2%	14.6%	15.6%	14.1%	13.7%	13.6%	14.2%	12.3%	13.1%	13.5%
SG&A Exp.	1,448	1,601	1,668	1,664	1,697	1,587	1,717	1,660	2,050	2,061
D&A Exp.	912	1,191	1,311	1,602	1,602	1,581	1,512	1,419	1,524	1,612
Operating Profit	2,325	2,665	2,841	2,830	2,367	1,487	1,916	1,573	2,038	2,116
Operating Margin	7.2%	7.3%	7.8%	6.9%	6.0%	4.6%	5.3%	4.2%	4.8%	4.9%
Net Profit	2,013	2,031	2,196	2,296	1,765	757	1,514	592	1,213	1,009
Net Margin	6.3%	5.6%	6.0%	5.6%	4.5%	2.3%	4.2%	1.6%	2.8%	2.4%
Free Cash Flow	741	1,459	1,471	2,519	2,519	2,133	1,568	414	601	1,054
Income Tax	711	706	741	619	591	329	395	237	320	446

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	19,687	22,566	25,468	25,945	25,790	28,605	29,086	27,789	32,260	31,039
Cash & Equivalents	2,863	974	726	684	1,276	3,268	2,948	1,234	1,198	1,247
Accounts Receivable	5,439	6,165	6,695	6,548	5,927	6,394	6,307	6,791	7,881	7,376
Inventories	2,564	2,804	3,542	3,403	3,304	3,444	3,969	4,180	4,606	4,151
Goodwill & Int.	1,513	2,544	2,749	2,539	2,460	2,576	2,615	2,483	3,643	3,412
Total Liabilities	10,570	12,347	13,756	14,786	14,659	16,885	16,861	16,454	19,980	19,099
Accounts Payable	4,746	5,430	6,283	6,094	5,628	6,266	6,465	6,999	7,842	7,194
Long-Term Debt	2,563	3,156	3,562	4,383	3,168	4,102	3,993	3,509	5,505	4,134
Shareholder's Equity	8,966	9,768	11,210	10,701	10,831	11,370	11,836	10,935	11,880	11,522
LTD/E Ratio	0.29	0.32	0.32	0.41	0.29	0.36	0.34	0.32	0.46	0.36

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	10.7%	9.6%	9.1%	8.9%	6.8%	2.8%	5.2%	2.1%	4.0%	
Return on Equity	22.8%	21.7%	20.9%	21.0%	16.4%	6.8%	13.0%	5.2%	10.3%	
ROIC	18.8%	16.2%	15.3%	14.9%	11.8%	5.0%	9.5%	3.8%	7.4%	
Shares Out.	402	382	358	327	306	301	303	291	287	287
Revenue/Share	77.86	92.69	97.86	117.49	124.86	108.68	119.69	129.95	149.33	149.25
FCF/Share	1.80	3.71	3.93	7.25	7.98	7.10	5.18	1.42	2.10	5.08

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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