

MGA INTERNATIONAL INC Ticker: MGA Sector: Consumer Discretionary Industry: Auto Parts & Equipment	Intrinsic Value: \$ 184.6 Current Price: \$103.92 (11/15) Stop Loss: \$ 82.76 Upside Review: \$ 170	TTM P/E: 11.85 Forward P/E: 10.13 Beta: 1.14	Market Cap: \$ 21.56B Dividend Yield: \$1.28 (1.4%) 52 Week Range: \$ 75.76– \$114.48
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Business Summary: Magna International Inc. is a diversified global auto supplier. It designs, develops, and manufactures technologically advanced automotive systems, assemblies, modules, and components, and engineers and assembles complete vehicles. The Company sells its products primarily to original equipment manufacturers.

Industry Trends: North American light vehicle production increased 8% in the third quarter of 2014 to 4.2 million units and European light vehicle production increased 4% in the third quarter of 2014 to 4.7 million units, in Asia, light vehicle production increased by 4% and by 10% in china, all compared to the third quarter of 2013. Over the five years to 2019, strengthening economic conditions and returning consumer confidence will fuel the Car and Automobile Manufacturing industry. The Consumer Confidence Index is expected to rise at an annualized rate of 4.9% over this period, as continuous improvements in credit availability and disposable income encourage consumers to sustain interest in purchasing new vehicles. This trend bodes well for automakers, as industry revenue is expected to rise at an annualized rate of 1.6% to \$110.6 billion over the same period. In addition, an all-time average age for vehicles on the road of 11.4 years will lead to heavy demand for replacement cars and car parts.

Investment Thesis: MGA is currently the best positioned automotive suppliers listed in US stock market. From a strategy perspective MGA has a clear advantage on in depth cooperation with OEMs by assembly complete vehicles for them. Based on the company's stronger Balance sheet, continuous investment and solid manufacturing capabilities, we believe MGA is a buy.

Competitive Analysis: As the fourth largest global automotive supplier, Magna is continuously delivering the best value built on innovative products and processes and World Class Manufacturing. Magna maintains good customer relationship and enjoys a high retention rate. It has develop a strong product portfolio and pipeline which will ensure the revenue rapid growth for the next ten years.

- Pros:**
- Magna's manufacturing divisions operate as independent profit centers aligned by geographic region in each of the product areas. This decentralized structure prevents bureaucracy and makes Magna more responsive to customer needs and changes within the global automotive industry, as well as within specific regions.
 - Products with innovative technology and superior quality have a strong competitive advantage.
 - Economic of scale which enable the company buy in bulk to reduce the cost

- Risk Factors:**
- Rising dollar could hurt profitability of international sales and make foreign competitor's products relatively cheap in the domestic market
 - A slower-than-expected increase in demand for vehicles in general and for vehicles with high MGA parts content in particular, especially in Europe could put some pressure on sales

5 Year Stock Performance:



(Yahoo!)

Total Return Estimates

- 3 Yr FV Reversion: 13%
- 5 Yr FV Reversion: 8%
- Key Valuation Assumptions**
- Est Revenue Growth: 11.9%
- WACC: 9.36%
- Expected Inflation: 1.7%
- Terminal Growth Rate: 4%
- 10 Yr Risk Free Rate: 2.82%
- Equity Risk Premium: 5.9%
- Tax Rate: 24.5%

Key Financial Data

- Est 2014 EPS: \$8.85
- Est 2015 EPS: \$9.95
- 3-5 Yr Est EPS Growth: 10%
- PEG (TTM): 0.86
- Credit Quality: Baa1 (MOODY'S)
- ROE: 19.7%
- ROA: 10.0%
- Price/Book: 1.88
- Price/Cash Flow: 7.28
- Debt/Equity: 3.87%
- Current Ratio: 1.36
- Quick Ratio: 0.93

CSR Characteristics (Magna/Industry)

- Human Rights: 1/1
- Business Ethics Policy: 1/1
- ESG Disclosure: 19.83/24.41
- Equal Opportunity: 1/1
- Emission Reduction: 0/1
- Environment Disclosure: 6.2/20.30

Competitor Comparison:

Comp Source	Bloomberg	% Rev. by Industry	FY2013	Region	North America	MGA	Low	Comp. Range	High
Magna International Inc	100%					11.76	6.46	28.31	
Auto Parts Manufacturing	91%					2.39	1.97	5.29	
Automobiles Manufacturing	9%					12.96	-18.13	35.16	
						8.81	-2.90	16.63	
						11.02	-61.12	607.89	

Name	Mkt Cap (USD)	Last Pk Chg Pct 1D	Chg Pct 1M	Rev -1 Yr Grv	EPS -1 Yr Grv	P/E	ROE	ESG/Equity Yr 1-5	Disc Score Yr		
Average	18,26B	66.88	-0.20%	14.04%	5.12%	66.93%	14.83	23.51%	24.41	72.12%	1.24
MAGNA INTERNATIONAL INC	21,61B	103.69	0.31%	17.24%	12.96%	11.02%	11.80	19.69%	19.83	3.87%	1.14
LENKAS CORP	3,83B	59.89	-1.58%	32.23%	11.59%	57.68%	13.82	22.39%	19.83	49.20%	1.44
LEAR CORP	7,35B	92.77	0.94%	10.79%	11.44%	-61.12%	13.34	16.40%	11.16	31.50%	1.19
VISTEON CORP	4,25B	95.91	-0.91%	8.17%	8.49%	607.69%	16.22	28.25%	26.45	25.41%	1.06
JOHNSON CONTROLS INC	32,68B	49.67	0.70%	16.90%	0.23%	23.26%	15.80	10.29%	55.79	56.82%	1.29
BORGWARNER INC	12,80B	56.29	-2.43%	8.64%	3.53%	22.70%	17.30	18.53%	20.25	31.66%	1.28
SKANSKA HOLDING CORP	3,52B	20.17	-0.88%	31.75%	26.30%	N/A	32.01	25.38%	11.16	114.95%	1.49
TENNECO INC	3,25B	53.18	-0.36%	7.11%	8.16%	-33.84%	11.27	52.17%	11.16	223.98%	1.44
TRW AUTOMOTIVE HOLDING...	11,31B	102.20	0.26%	10.58%	6.03%	0.12%	11.29	25.23%	11.16	48.09%	0.93
GOODYEAR TIRE & RUBBER CO	6,91B	25.15	0.12%	24.69%	-6.92%	225.33%	12.22	47.00%	32.23	255.58%	1.32
COOPER TIRE & RUBBER	1,89B	32.90	-0.44%	32.6%	-18.13%	-59.26%	13.00	12.14%	24.29	31.16%	0.26
HARMAN INTERNATIONAL	7,39B	107.80	0.62%	18.85%	24.45%	65.05%	23.17	15.38%	22.21	31.16%	1.60

Information from: Bloomberg, Value Line, S&P Net Advantage, Yahoo