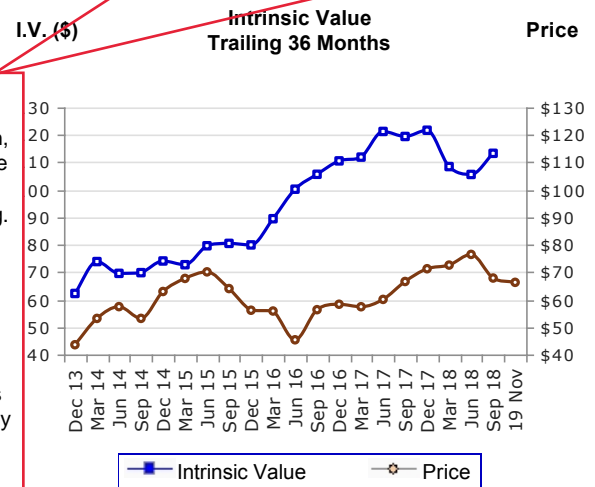
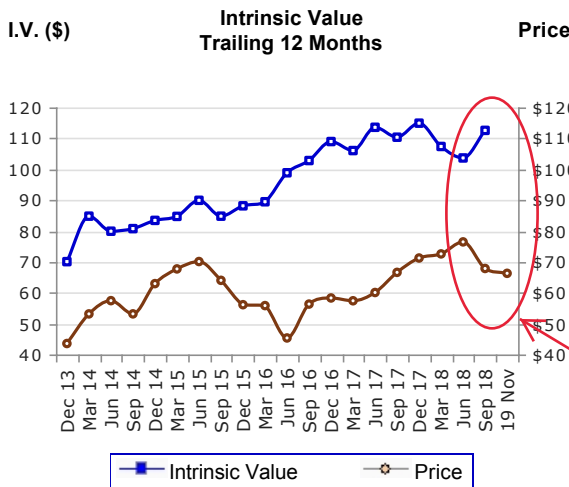


Report Date : **19Nov18** Price : **\$ 66.28**

Address **337 Magna Drive  
Aurora, Ontario CANADA L4G 7K1**  
Telephone **905-726-2462**  
Stock Exchange **TSE**  
Web Site **http://www.magna.com**  
Fiscal Year **December**  
Economic Sector **Consumer Discretionary**  
SIC **3714**  
Price / Earning Ratio **7.6**  
Price / Book Value Ratio **1.36**  
Currency **CND \$ in Millions**

<b>Intrinsic Value</b>	IV	Price / IV
<b>Trailing 12 Months :</b>	\$ 112.58	<b>0.59</b>
<b>Trailing 36 Months :</b>	\$ 113.29	0.59
<b>Market Value Added (MVA)</b>	\$	%
<b>Market Value of Total Capital :</b>	29,865.294	100.0%
<b>- Invested Capital :</b>	24,153.161	80.9%
<b>= Market Value Added :</b>	5,712.134	19.1%
<b>Future Growth Value (FGV)</b>	\$	%
<b>Market Value of Total Capital :</b>	29,865.294	100.0%
<b>- Current Operating Value :</b>	38,537.080	129.0%
<b>= Future Growth Value :</b>	(8,671.785)	<b>-29.0%</b>

**INTRINSIC VALUE**



MG is trading well below the Intrinsic Value. In the graph, we can see that the price and intrinsic value are diverging. This shows that performance is continuing to improve while the market isn't taking that into consideration. This is also confirmed by the 29% discount given by the future growth value.

**Trailing 12 Months**

**Trailing 36 Months**

SEP14	SEP15	SEP16	SEP17	SEP18		SEP14	SEP15	SEP16	SEP17	SEP18
2,478.374	2,710.627	3,099.375	3,389.036	3,716.701	NOPAT	1,986.821	2,365.583	2,762.792	3,066.346	3,401.704
13,751.463	15,215.904	21,829.375	23,079.245	24,153.161	+ Capital	13,751.463	15,215.904	21,829.375	23,079.245	24,153.161
<b>18.0%</b>	<b>17.8%</b>	<b>14.2%</b>	<b>14.7%</b>	<b>15.4%</b>	= Return / Capital	<b>16.3%</b>	<b>17.2%</b>	<b>16.3%</b>	<b>15.3%</b>	<b>14.8%</b>
8.9%	9.1%	9.8%	8.9%	9.6%	- Cost of Capital	8.9%	9.1%	9.8%	8.9%	9.6%
<b>9.2%</b>	<b>8.7%</b>	<b>4.4%</b>	<b>5.7%</b>	<b>5.7%</b>	= Performance Spread	<b>7.4%</b>	<b>8.1%</b>	<b>6.5%</b>	<b>6.4%</b>	<b>5.1%</b>

**VALUATION**

	SEP14	SEP15	SEP16	SEP17	SEP18		SEP14	SEP15	SEP16	SEP17	SEP18
21,537.096	21,846.777	21,390.127	21,722.832	18,260.938	18,260.938	Future EVA	16,914.956	20,085.295	22,488.969	25,059.949	18,504.004
14,347.790	15,895.032	22,871.008	24,089.546	25,291.079	25,291.079	+ Capital (Adj. Mid-Year)	14,347.790	15,895.032	22,871.008	24,089.546	25,291.079
<b>35,884.886</b>	<b>37,741.808</b>	<b>44,261.135</b>	<b>45,812.378</b>	<b>43,552.017</b>	<b>43,552.017</b>	= Total IV	<b>31,262.746</b>	<b>35,980.326</b>	<b>45,359.977</b>	<b>49,149.495</b>	<b>43,795.083</b>
918.626	1,933.289	3,219.913	3,970.814	4,022.571	4,022.571	- Long Term Debt	918.626	1,933.289	3,219.913	3,970.814	4,022.571
854.926	1,173.113	1,245.909	1,206.877	1,141.366	1,141.366	- Other Liabilities	854.926	1,173.113	1,245.909	1,206.877	1,141.366
<b>34,111.334</b>	<b>34,635.406</b>	<b>39,795.313</b>	<b>40,634.687</b>	<b>38,388.080</b>	<b>38,388.080</b>	= IV of Equity	<b>29,489.194</b>	<b>32,873.925</b>	<b>40,894.155</b>	<b>43,971.804</b>	<b>38,631.146</b>
422.400	408.500	387.100	368.200	341.000	341.000	+ Shares Outstanding	422.400	408.500	387.100	368.200	341.000
<b>\$ 80.76</b>	<b>\$ 84.79</b>	<b>\$ 102.80</b>	<b>\$ 110.36</b>	<b>\$ 112.58</b>	<b>\$ 112.58</b>	= IV of a Share	<b>\$ 69.81</b>	<b>\$ 80.47</b>	<b>\$ 105.64</b>	<b>\$ 119.42</b>	<b>\$ 113.29</b>
\$ 53.15	\$ 64.01	\$ 56.32	\$ 66.59	\$ 67.85	\$ 67.85	Share Price	\$ 53.15	\$ 64.01	\$ 56.32	\$ 66.59	\$ 67.85
<b>0.66</b>	<b>0.75</b>	<b>0.55</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	Price / Intrinsic Value	<b>0.76</b>	<b>0.80</b>	<b>0.53</b>	<b>0.56</b>	<b>0.60</b>

Magna has constantly increased its year over year net operating profits after tax (NOPAT) by an average of 10%. Since 2016, ROC has steadily increased. The rising ROC has not been fully represented in the performance spread as the cost of capital increased as well. Magna has had quite an aggressive share buyback decreasing the outstanding shares on an average of 5.2% per year which helps push up the intrinsic value per share.

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**MAGNA INTERNATIONAL INC. MG.**

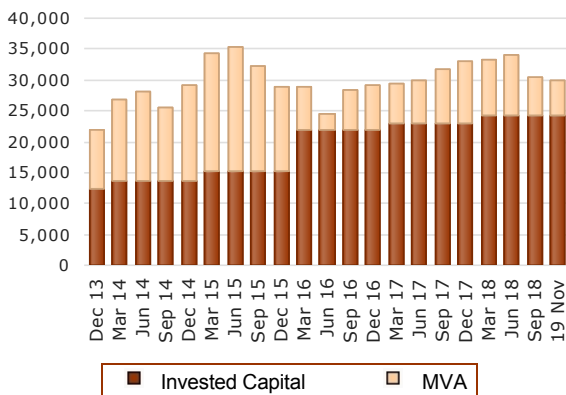
Report Date : **19Nov18** Price : **\$ 66.28**

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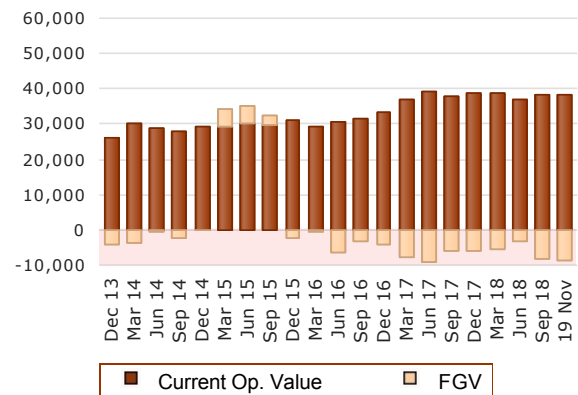
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**MARKET PERFORMANCE**

**(M\$) Market Value Added (MVA)**



**(M\$) Future Growth Value (FGV)**



Trailing 12 Months					Quarterly					
SEP14	SEP15	SEP16	SEP17	SEP18	Price	SEP17	DEC17	MAR18	JUN18	SEP18
\$ 53.15	\$ 64.01	\$ 56.32	\$ 66.59	\$ 67.85		\$ 66.59	\$ 71.24	\$ 72.57	\$ 76.46	\$ 67.85
Market Value Added (MVA)										
25,600.642	32,302.699	28,473.638	31,762.445	30,394.136	Total Market Value	31,762.445	33,047.845	33,401.589	33,988.701	30,394.136
13,751.463	15,215.904	21,829.375	23,079.245	24,153.161	- Invested Capital	23,079.245	23,079.245	24,153.161	24,153.161	24,153.161
<b>11,849.179</b>	<b>17,086.795</b>	<b>6,644.263</b>	<b>8,683.199</b>	<b>6,240.975</b>	<b>= MVA</b>	<b>8,683.199</b>	<b>9,968.600</b>	<b>9,248.428</b>	<b>9,835.541</b>	<b>6,240.975</b>
46%	53%	23%	27%	21%	% Market Value	27%	30%	28%	29%	21%
Current Operating Value (COV)										
2,478.374	2,710.627	3,099.375	3,389.036	3,716.701	NOPAT	3,389.036	3,524.930	3,497.139	3,575.045	3,716.701
8.9%	9.1%	9.8%	8.9%	9.6%	÷ Cost of Capital	8.9%	9.1%	9.0%	9.6%	9.6%
<b>27,969.536</b>	<b>29,703.047</b>	<b>31,719.819</b>	<b>37,880.349</b>	<b>38,537.080</b>	<b>= COV</b>	<b>37,880.349</b>	<b>38,790.342</b>	<b>38,871.290</b>	<b>37,157.527</b>	<b>38,537.080</b>
109%	92%	111%	119%	127%	% Market Value	119%	117%	116%	109%	127%
Future Growth Value (FGV)										
25,600.642	32,302.699	28,473.638	31,762.445	30,394.136	Total Market Value	31,762.445	33,047.845	33,401.589	33,988.701	30,394.136
27,969.536	29,703.047	31,719.819	37,880.349	38,537.080	- COV	37,880.349	38,790.342	38,871.290	37,157.527	38,537.080
<b>(2,368.894)</b>	<b>2,599.652</b>	<b>(3,246.181)</b>	<b>(6,117.904)</b>	<b>(8,142.944)</b>	<b>= FGV</b>	<b>(6,117.904)</b>	<b>(5,742.497)</b>	<b>(5,469.702)</b>	<b>(3,168.826)</b>	<b>(8,142.944)</b>
-9%	8%	-11%	-19%	-27%	% Market Value	-19%	-17%	-16%	-9%	-27%

NOPAT has been increasing by a larger momentum than cost of capital, which is a great sign. Thus, leading to a rising current operating value, the real profit of the company, year over year by approximately 8.5%.

The Future Growth Value of Magna indicates that the stock price is currently trading below the Current Operating Value by -27%. It is the largest discount we have seen in the last 5 years as the market value of Magna has not kept pace with the increasing Net Operating Profits After Taxes (NOPAT), indicating investors are not taking the full profits of the company into account.

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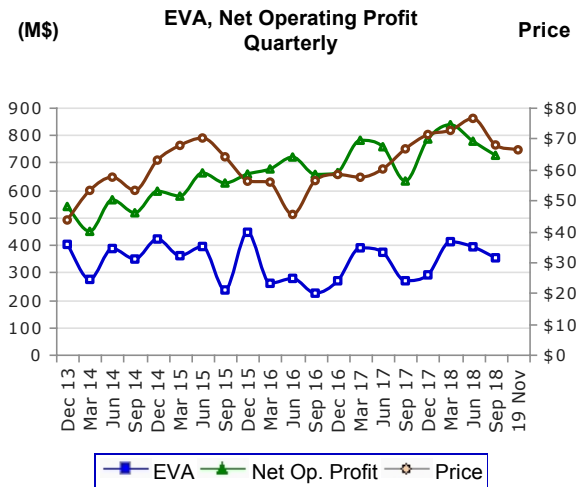
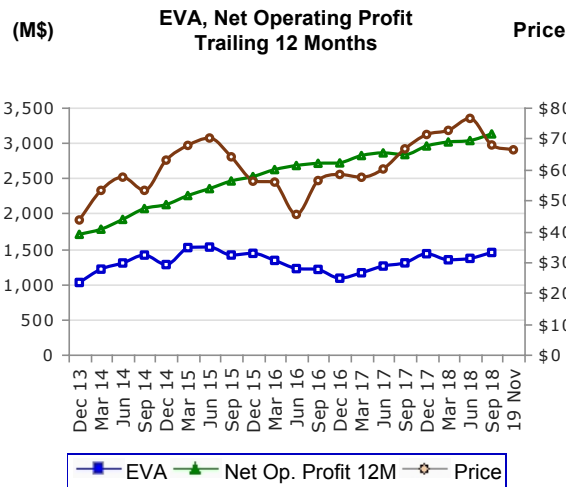
**MAGNA INTERNATIONAL INC. MG.**

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**ECONOMIC PERFORMANCE**



EVA and NOP react in high correlation with Magna's share price on a quarterly basis, while on a trailing 12 month basis, NOP and EVA are extremely stable in comparison to share price. On a long-term view the NOP and EVA are increasing. Looking at the trailing 12 months, as price dips and as EVA continues to rise, this can represent an interesting opportunity.

**Trailing 12 Months**

SEP14	SEP15	SEP16	SEP17	SEP18
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**Quarterly**

SEP17	DEC17	MAR18	JUN18	SEP18
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**Net Operating Profit After Tax (NOPAT)**

2,515.056	2,915.464	3,472.478	3,650.858	3,689.677	<b>Operating Profit</b>	810.936	916.597	996.667	943.839	832.574
717.784	832.952	701.848	992.001	1,181.432	<b>+ Adjustments</b>	269.930	276.028	287.567	306.600	311.238
754.466	1,037.789	1,074.952	1,253.823	1,154.409	<b>- Income Tax</b>	287.979	378.324	290.923	275.892	209.269
<b>2,478.374</b>	<b>2,710.627</b>	<b>3,099.375</b>	<b>3,389.036</b>	<b>3,716.701</b>	<b>= NOPAT</b>	<b>792.888</b>	<b>814.300</b>	<b>993.311</b>	<b>974.546</b>	<b>934.543</b>

**Economic Value Added (EVA)**

2,478.374	2,710.627	3,099.375	3,389.036	3,716.701	<b>NOPAT</b>	792.888	814.300	993.311	974.546	934.543
1,069.976	1,301.606	1,894.251	2,091.036	2,271.395	<b>- Capital Charge</b>	524.310	524.310	582.362	582.362	582.362
<b>1,408.398</b>	<b>1,409.021</b>	<b>1,205.124</b>	<b>1,298.000</b>	<b>1,445.305</b>	<b>= EVA</b>	<b>268.577</b>	<b>289.990</b>	<b>410.949</b>	<b>392.184</b>	<b>352.182</b>
391.398	0.622	(203.897)	92.876	147.306	<b>Change in EVA</b>	(103.752)	21.413	120.959	(18.765)	(40.003)

**Analysis**

13,751.463	15,215.904	21,829.375	23,079.245	24,153.161	<b>Capital</b>	23,079.245	23,079.245	24,153.161	24,153.161	24,153.161
18.0%	17.8%	14.2%	14.7%	15.4%	<b>Return / Capital</b>	3.4%	3.5%	4.1%	4.0%	3.9%
2.03	1.95	1.45	1.64	1.60	<b>Performance Index</b>	0.38	0.39	0.46	0.42	0.40
0.09	0.06	0.05	0.05	0.06	<b>EVA / Capital</b>	0.01	0.01	0.02	0.02	0.01
\$ 3.33	\$ 3.45	\$ 3.11	\$ 3.53	\$ 4.24	<b>EVA / Share</b>	\$ 0.73	\$ 0.81	\$ 1.15	\$ 1.12	\$ 1.03
\$ 1.09	\$ 0.11	\$ (0.34)	\$ 0.41	\$ 0.71	<b>Change in EVA / Share</b>	\$ (0.26)	\$ 0.08	\$ 0.34	\$ (0.03)	\$ (0.08)

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Economic Sector **3714**

SIC **7.6**

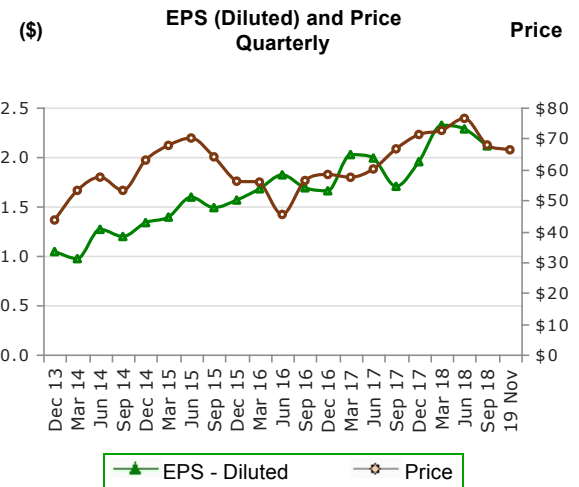
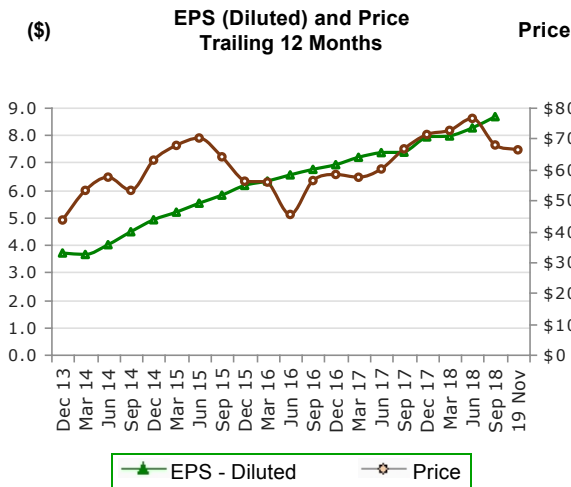
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**ACCOUNTING PERFORMANCE**



**Trailing 12 Months**

**Quarterly**

SEP14	SEP15	SEP16	SEP17	SEP18	SEP17	DEC17	MAR18	JUN18	SEP18
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**Selected Income Statement Items**

39,432.639	41,032.480	47,383.377	49,677.420	52,703.802	<b>Sales</b>	11,905.849	13,209.924	13,649.790	13,273.133	12,570.955
33,897.759	35,113.949	40,322.663	42,187.566	45,047.719	<b>Cost of Goods Sold</b>	10,152.372	11,290.283	11,708.312	11,306.695	10,742.429
@NA	@NA	@NA	@NA	@NA	<b>R + D</b>	0.000	@NA	@NA	0.000	@NA
2,515.056	2,915.464	3,472.478	3,650.858	3,689.677	<b>Operating Profit</b>	810.936	916.597	996.667	943.839	832.574
1,981.867	2,431.610	2,696.297	2,798.151	3,073.965	<b>Net Income</b>	630.450	706.835	834.772	808.267	724.091
\$ 0.79	\$ 1.06	\$ 1.28	\$ 1.42	\$ 1.63	<b>Dividends</b>	\$ 0.35	\$ 0.35	\$ 0.43	\$ 0.43	\$ 0.43
\$ 4.53	\$ 5.88	\$ 6.79	\$ 7.41	\$ 8.72	<b>EPS</b>	\$ 1.71	\$ 1.97	\$ 2.33	\$ 2.30	\$ 2.12
\$ 4.47	\$ 5.80	\$ 6.74	\$ 7.37	\$ 8.66	<b>EPS - Diluted</b>	\$ 1.70	\$ 1.95	\$ 2.32	\$ 2.28	\$ 2.11
422.400	408.500	387.100	368.200	341.000	<b>Common Shares</b>	368.200	359.600	357.700	351.400	341.000

**Selected Balance Sheet and CashFlow Items**

11,630.343	14,458.109	13,904.765	14,462.517	16,602.154	<b>Current Assets</b>	14,462.517	14,058.099	16,316.748	15,894.582	16,602.154
@NA	@NA	@NA	@NA	@NA	<b>Other Assets</b>	@NA	@NA	@NA	@NA	@NA
8,530.259	9,721.416	11,787.508	11,463.458	13,939.398	<b>Current Liabilities</b>	11,463.458	11,488.299	13,190.317	13,537.296	13,939.398
10,482.619	13,045.011	16,659.433	17,021.347	19,595.816	<b>Total Liabilities</b>	17,021.347	17,116.550	19,075.743	19,363.424	19,595.816
10,092.594	11,858.492	12,877.022	13,755.899	14,241.867	<b>Common Equity</b>	13,755.899	14,068.123	15,168.026	14,667.268	14,241.867
1,438.510	362.803	730.556	1,885.663	1,774.648	<b>Free CashFlow</b>	526.148	777.309	273.198	(31.620)	755.762

Dividends have increased by around 20% per year. During that same period of time, EPS increased by around 18% per year. With a current dividend yield of 2.5%.

The dividend growth is sustained by the rising free cash flows of 45% a year on average.

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