**Quarterly Report (Q3 2020) for: Report Date (McNoVA meeting): 11/17/20**

**Gentex Corporation (GNTX) Earnings Report Date: 10/23/20**

Percentage change in Sales from year ago quarter: **-0.7%** (up from -50.9%)

Percentage change in Earnings per Share from year ago quarter: **9.1%** (up from -102.4%)

Is company meeting our target sales & earnings estimates? **Missed Sales and Beat Earnings Estimates**

Pre-tax Profit on sales trend? **Down**

Return on equity trends? **Up**

Debt? (up, even, down) **Down**

Current P/E is **25.6** (up from 15.7) Where does it fall in my estimated High/Low range of P/E's? **Above Range**

Signature P/E = **14.5**

Club cost basis for this stock is **$14.81** (unchanged) Current price (11/11) is **$31.27** (up from 27.22)

 (from latest valuation)

Current fair value: Morningstar: **$31.00** (up from $25.00) CFRA: **$15.20** (down from 38.74)

My SSG Total Return is **8.2%** (up from 2.2%) Projected Average Return is **5.0%** (up from -0.8%)

**What will drive future growth**: On October 23, 2020 (BMO), for the quarter ended September 30 (Q3), **Gentex Corporation** (GNTX) reports results missing general consensus estimates (GNTX beat Zack’s EPS estimates ($0.412 vs. $0.48 reported (non-GAAP))). Gentex reports for the quarter:

* Net Sales of $474.6 million, which is the second highest sales quarter in Company history.
* Gross margin of 39.7%, which represents a 200 basis point improvement over the third quarter of 2019
* Earnings per Diluted Share of $0.48; a 9% increase when compared to the third quarter of 2019.
* Cash flow from Operations of $138.6 million in the quarter.
* 1.2 million shares repurchased during the quarter.
* Cash and Investments increased to $612 million after $50 million of debt paid down during the quarter.

 [*Gentex 3rd Quarter 2020 Earning Report*]

*Forecasts*. The third quarter of 2020 marked the second highest sales quarter in company history behind only the third quarter of 2019. Based on the mid-October 2020 IHS Markit forecast, light vehicle production in Gentex’s primary markets is expected to be down 2% year over year in the fourth quarter. For calendar-year 2020, light vehicle production in the company’s primary markets is expected to be down 16% when compared to calendar-year 2019.

Gentex has updated the previously-issued guidance for the second half of 2020. The company now envisions net sales in the band of $940-$960 million, higher than the prior forecast of $865-$915 million. Gross margin is now anticipated in the range of 39-40%, up from the previous guided range of 36-37%. Capital expenditure and operating expenses are estimated within $25-$30 million and $95-$100 million, respectively.

The company also issued revenue guidance for 2021. The metric is projected to be 15-20% higher than estimated revenues in calendar-year 2020. [*Zack’s Gentex 3rd Quarter 2020 Analyst Report*]

SSG analysis indicates Hold. Recommendation: **Hold**

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| --- | --- | --- | --- | --- | --- | --- |
| **SYMBOL** | **PERIOD** | **EVENT TITLE** | **EPS ESTIMATE** | **EPS ACTUAL** | **PREV. YEAR ACTUAL** | **DATE/TIME (ET)** |
| GNTX | Q3 2020 | Gentex Corporation Earnings Release | $0.412 vs. $0. 48 reported(non-GAAP) | $0.48(GAAP) | $0.44(GAAP) | 23-Oct-20 BMO |

**Bulls Say. Bears Say.**

**Bulls Say**

* Auto-dimming technology has applications to other parts of the car like headlights, as well as outside autos such as airplane windows. Although small now, markets outside the auto industry could prove to be very large businesses down the road.
* The company's financial health is so strong that Morningstar believes Gentex can survive any downturn in the U.S. easier than other auto suppliers can.
* Biometrics, surgical room ultraviolet lighting, and electronic toll payments could open up new revenue streams for the company.

**Bears Say**

* Cameras could replace Gentex's mirrors, if regulators throughout the world allowed it. Morningstar does not believe this is a likely threat, at least not anytime in the near future in very large volume.
* Gentex hoards cash but has made good effort to buy back stock while increasing its dividend. A higher dividend would give shareholders -- instead of management--more control in allocating excess capital.
* As auto-dimming mirrors become available on more vehicle models, OEMs may want to lower their own costs by pressuring Gentex to reduce prices, or by supporting emerging competitors.

Morningstar Fair Value Estimate: $31.00 [*Morningstar*]