**Quarterly Report (Q2 2021) for: Report Date (McNoVA meeting): 8/17/21**

**Gentex Corporation (GNTX) Earnings Report Date: 7/23/21**

Percentage change in Sales from year ago quarter: **86.1%** (up from 6.6%)

Percentage change in Earnings per Share from year ago quarter: **NMF%** (down from 27.8%)(compared to negative earnings)

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

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

Return on equity trends? **Down**

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

Current P/E is **23.1** (down from 25.3) Signature P/E = **14.5**

Where does the current P/E fall in my estimated High/Low range of P/E's? **High**

Club cost basis for this stock is **$14.81** (unchanged) Current price (8/13) is **$32.27** (down from 34.85)

 (from latest valuation)

Current fair value: Morningstar: **$34.00** (unchanged) CFRA: **$41.02** (down from 43.98)

My SSG Total Return is **8.4%** (up from 6.9%) Projected Average Return is **4.8%** (up from 3.2%)

**What will drive future growth**: On July 23, 2021 (BMO), for the quarter ended June 30 (Q2), **Gentex Corporation** (GNTX) reports results missing general consensus estimates (GNTX missed Zack’s EPS estimates ($0.43 vs. $0.36 reported (non-GAAP))). Gentex reports for the quarter:

2nd Quarter 2021 Summary

* Net sales of $428.0 million, an 86% increase compared to the second quarter of 2020
* Gross profit margin of 35.4%, a 1,631 basis point (16.3 percentage point) improvement over the second quarter of 2020
* Net income of $86.5 million, an $88.9 million increase compared to the second quarter of 2020
* Earnings per diluted share of $0.36, compared to a loss per diluted share of $.01 for the second quarter of 2020
* 3.4 million shares repurchased during the quarter [*Gentex 2nd Quarter 2021 Earning Report*]

*Parts Shortages Hurt Gentex's Second Quarter Despite Large Year-Over-Year Improvement*. Gentex’s second-quarter results saw significant headwinds from lost production due to parts shortages impacting the auto industry, but Morningstar sees no reason to change its fair value estimate. Revenue increased by 86% year over year thanks to a soft comparable with the pandemic in 2020, but sales fell by nearly 9% versus second-quarter 2019. Gentex shipped about 2 million less units than it expected at the start of the quarter, which caused diluted EPS of $0.36 to miss the Refinitiv consensus of $0.45.

The industry’s supply chains are in turmoil due to the semiconductor shortage impacting chip availability, but other disruptions unrelated to Gentex, such as foam shortages following Texas winter storms, caused automakers to change production at the last minute or refuse shipment of mirrors because other non-Gentex parts never arrived at the automakers' assembly plants. This supply problem in our view will improve throughout 2021, even if the chip shortage is not fully resolved until at least well into 2022. Gentex’s cash-loaded and debt free balance sheet make times like this easier and its long-term prospects are good, as products such as the full display mirror continue to do well with 14 automakers committing to the product. [*Morningstar’s Gentex 2nd Quarter 2021 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 | Q2 2021 | Gentex Corporation Earnings Release | $0.43 vs. $0.36 reported(non-GAAP) | $0.36(GAAP) | -$0.01(GAAP) | 23-Jul-21 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: $34.00 [*Morningstar*]