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Gentex (GNTX) Q2 Earnings & Sales Miss Mark, 2H'21 View Dull

Zacks Equity Research | July 23, 2021

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Gentex Corporation (GNTX - Free Report) reported second-quarter 2021 earnings of 36 cents per share, missing the Zacks Consensus Estimate of 43 cents but turning around from loss of a penny per share incurred in the corresponding quarter of 2020. The earnings miss was due to lower-than-anticipated auto-dimming mirror shipments in North America, which in turn resulted in weaker-than-expected revenues.

This Zeeland-based automotive products supplier reported net sales of \$428 million, lagging the Zacks Consensus Estimate of \$463 million. Nonetheless, the top-line figure increased 86% year over year. The company recorded gross margin of 35.4% for the reported quarter, higher than the year-ago quarter's 19.1% on increased year-over-year sales.

Gentex Corporation Price, Consensus and EPS Surprise



Gentex Corporation price-consensus-eps-surprise-chart | Gentex Corporation Quote

Segmental Performance

The Automotive segment's net sales — which have the highest contribution to Gentex's revenues — totaled \$420.6 million for the second quarter, surging 89% year over year but missing the Zacks Consensus Estimate of \$472 million. For the quarter under review, auto-dimming mirror shipments in the North America market climbed 171% from the prior-year level to 3,370,000 units but fell short of the consensus mark of

3,478,000 units. Shipments rose 76% year over year in the international markets to 7,052,000 units. Total shipments also jumped 98% year over year to 10,422,000 units.

Other net sales, which include dimmable aircraft windows and fire protection

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787 aircraft production levels get a boost.

Financial Tidbits

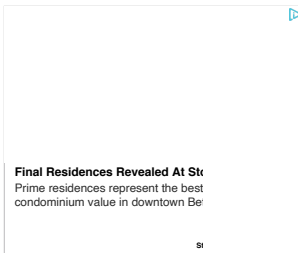
Total operating expenses increased around 2% year over year to \$51.7 million for second-quarter 2021. Engineering and R&D expenses rose to \$29.1 million from \$28.9 million recorded in the year-ago period. SG&A expenses edged up to \$22.6 million from \$21.7 million recorded in the corresponding quarter of 2020.

Gentex paid dividends of 12 cents per share for the quarter under review. During the June-end quarter, it repurchased 3.4 million shares of its common stock for \$115.9million.

Gentex — which shares space in the same industry with firms including **Adient** ([ADNT](#) - [Free Report](#)) , **Magna International** ([MGA](#) - [Free Report](#)) and **American Axle & Manufacturing** ([AXL](#) - [Free Report](#)) — had cash and cash equivalents of \$353 million as of Jun 30.

Projections

Based on the mid-July IHS Markit forecast, light vehicle production in Gentex's primary markets is expected to decrease 4% in second-half 2021 from the year-ago comparable period. The company has also taken into account the impact of high commodity, freight and labor expenses to provide its second-half 2021 guidance. It envisions net sales in the band of \$970-\$1.07 billion for second-half 2021. Gross margin is anticipated in the range of 37.5-38.5%.



Capital expenditure and operating expenses are estimated within \$50-\$60 million and \$105-\$110 million, respectively. For calendar year 2022, the Zacks Rank #3 (Hold) firm expects sales growth of 10-15% year over year. You can see [the complete list of today's Zacks #1 Rank \(Strong Buy\) stocks here](#).

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