

2nd Quarter 2016 report for GNTX

Date: 9-29-16

Percentage change in Sales from year ago quarter 11.7%

Percentage change in Earnings per Share from year ago quarter 20.0%

Is company meeting our target sales & earnings estimates? yes

Pre-tax Profit on sales trend? (up, even, down) Up

Return on equity trends? (up, even, down) Up

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

Current PE is 15.2.

Where does it fall in my estimated High/low range of PE's? Lower-Range

Signature PE = 18.6

Club cost basis for this stock is \$14.81. Current price is \$17.64 (09/28/16)
(from latest valuation)

Current fair value: Morningstar: \$20.00 up from \$18.00 S&P: \$22.30 up from \$20.70 – 4 Stars, Buy

My SSG Total Return is 14.2% Projected Average Return (Average PE): 18.9

Gentex reported good 2nd quarter results. Free cash flow remains abundant.

What will drive future growth: VL (9/16/16) The HomeLink (55 models of smoke alarms and detectors and 100 models of signaling appliances) acquisition will help drive top and bottom lines with gross margins of nearly 60%. Gentex will continue to outpace the overall industry, driven by (1) increased penetration of interior and exterior auto-dimming mirrors, (2) increased foreign (especially Japan) demand, and (3) new product introductions should help drive results. Some of the largest areas of growth are in frameless interior auto-dimming mirrors, exterior auto-dimming mirrors, and advanced electronic features on these products. Shares of Gentex are ranked to track the broader market averages in the coming 6 to 12 months and offer above average return over 3- to 5-year period.

MStar (7/22/16): 91% of auto-dimming mirror market. Increased gross margin by 100 basis points to 39.4. Raised Fair Value to \$ 20. Its financial health strong and GNTX can survive any downturn in the US easier than other auto suppliers. Buy-back of 6.2m shares. Strong cash flow and low-debt could make the firm an acquisition candidate.

S&P (7/22/16) has 12-month target of \$21 applying a 16X multiple to 2017 EPS estimate of \$1.32. Anticipating accretion from HomeLink acquisition and increasing visibility of products, but slowing near term growth. **Forward Strategy: adding features to interior and exterior auto mirrors.** Pays over 2 % dividend.

Represents 6.8% of our portfolio

Recommend: Buy More , Hold **Hold**, Challenge with a better investment , Sell