**4th Quarter 2018 for GNTX**

**Date:** February 11, 2019

Percentage change in Sales from year ago quarter\_\_\_2.2%\_\_\_\_\_\_\_\_\_\_\_\_\_

Percentage change in Earnings per Share from year ago quarter\_\_\_\_\_16.4%\_\_\_\_\_\_\_\_\_

Is company meeting our target sales & earnings estimates? No.

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

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

Debt? (up, even, down) Down to zero

Current PE is \_\_\_12.1\_\_\_\_

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

Signature PE =\_\_\_14.55%\_\_\_\_\_\_\_

Club cost basis for this stock is \_\_$14.81\_\_\_\_\_\_. Current price is \_$19.77 (02/08/18)\_(Friday’s valuation)

Current fair value: Morningstar: \_$21.00 \_ CFRA/S&P: $27.04\_ (from 02/09/19) 5 star STRONG buy

My SSG Total Return is \_\_\_\_\_\_\_18.7%\_\_\_ Projected Average Return (Average PE):\_15%\_(Manifest PAR 11.7%)\_

**Manifest** gives GNTX a 99 Quality rating.

**Morningstar –** A STRONG Buy. **(published 01/30/2019)** GNTX customers/automaker reduced demand after the quarter began because they overestimated demand. These changes, tariffs, and inability of GNTX to control overhead costs cause GNTX to reduce their gross margin. They still expect revenue to grow in 2019 and 2020 (3-8%). MStar believes that GNTX can handle all this because they are cash rich, debt-free, and have potential growth in product lines.

**ValueLine – (published Dec 14, 2018)** Gentex reported decent third-quarter results. Sales were below our estimate; they were still 5% higher than the previous-year tally. The advance was driven by a 6% rise in automotive mirror unit shipments. However, actual light-vehicle production in the company’s primary markets during the quarter was roughly 5% below management’s forecast, which explains the top-line miss.

Gentex noted that vehicle production was hurt by the Worldwide Harmonized Light Vehicle Test Procedure (WLTP) regulations in Europe that took effect during the period.

Gross margins were pressured by annual customer price reductions and newly enacted **tariffs** imposed by the Trump Administration. However, a lower share count, along with a decline in the corporate tax rate, allowed share earnings to increase 35% compared to the previous-year figure.

**CFRA/S&P – (published 02/09/2019)** 12 month target price of $28 per share.S&P expects revenues to rise approx. 2.5% in 2019 (which was revised down from 5% when estimated in 3rd quarter). Growth expected in mirrors and in dimmable airplane windows. However, multiple challenges continue in 2018 – currency concerns, tariffs, narrowing operating margins. GNTX is benefitting from tax cuts, share repurchases, and because it paid off all of its previous debt. We view GNTX as "the best house on a bad block."

Positives -

Free cash flow, management, moat.

Share repurchases from GNTX benefitted from lowering of tax rate; Gentex’s electrochromic technology is embedded in a large number of its new products which helps GNTX to compete against lower-priced, less tech-advanced competitor’s products.

Threats –

Reduced demand, customer misses, Trump’s tariffs.

**Represents 5.0% of our portfolio**

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