

# Gentex Corporation

**Recommendation** BUY ★★☆☆☆

**Price**  
USD 29.72 (as of Feb 03, 2020 4:00 PM ET)

**12-Mo. Target Price**  
USD 35.00

**Report Currency**  
USD

**Investment Style**  
Mid-Cap Growth

**Equity Analyst** Garrett Nelson

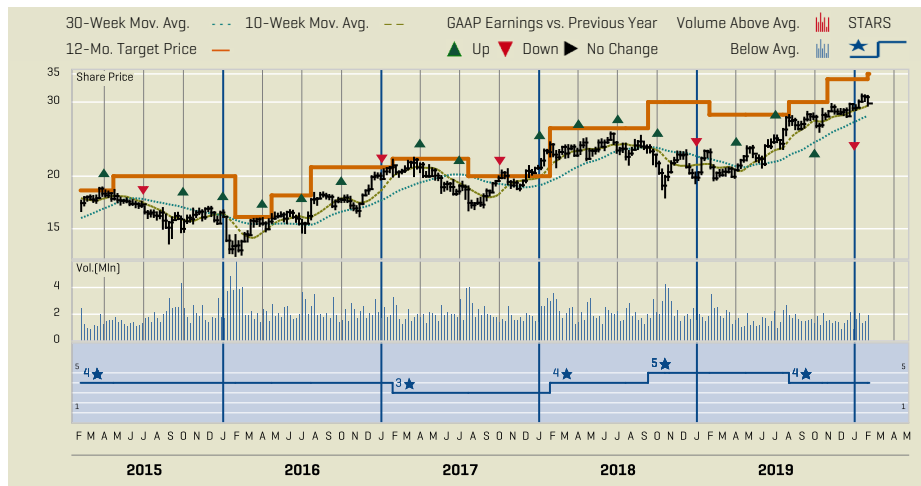
**GICS Sector** Consumer Discretionary  
**Sub-Industry** Auto Parts & Equipment

**Summary** This company manufactures automatic-dimming rearview mirrors for the automotive industry and fire protection products for commercial applications.

**Key Stock Statistics** (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	<b>USD 31.27 - 19.55</b>	Oper. EPS 2020E	<b>USD 1.85</b>	Market Capitalization(B)	<b>USD 7.531</b>	Beta	<b>1.11</b>
Trailing 12-Month EPS	<b>USD 1.66</b>	Oper. EPS 2021E	<b>USD 2.05</b>	Yield (%)	<b>1.55</b>	3-Yr Proj. EPS CAGR(%)	<b>8</b>
Trailing 12-Month P/E	<b>17.90</b>	P/E on Oper. EPS 2020E	<b>16.06</b>	Dividend Rate/Share	<b>USD 0.46</b>	SPGMI's Quality Ranking	<b>A+</b>
\$10K Invested 5 Yrs Ago	<b>\$19,699</b>	Common Shares Outstg.(M)	<b>252.97</b>	Institutional Ownership (%)	<b>82</b>		

**Price Performance**



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **Garrett Nelson** on Jan 31, 2020 03:42 PM, when the stock traded at **USD 30.00**.

**Highlights**

- ▶ We expect revenues to rise approximately 5% in 2020 after increasing by 1.4% in 2019 driven by higher North American exterior mirror sales. The company revenues are likely to outpace global industry production volume, helped by increased content per vehicle and greater market share in the Asian markets. In 2019, GNTX reported a 3% increase in total mirror shipments despite a decline in global light vehicle production driven by an 8% increase in North American mirror sales.
- ▶ We expect GNTX's gross margin to contract by about 50 bps to 36.5% in 2020, as price reductions, unfavorable currency, and the impact of tariffs outweigh cost cutting and operating leverage. In Q4 2019, GNTX reported gross margin contraction of 140 bps to 36.5%, as the GM strike and tariffs produced a drag of 125 bps and 30 bps, respectively.
- ▶ From an EPS perspective, GNTX has benefited from the tax reform bill, share repurchases, and lower interest expense from the recent retirement of its remaining debt. We forecast EPS of \$1.85 in 2020 and \$2.05 in 2021, up from \$1.66 in 2019. GNTX's strategy for growth includes adding features to interior and exterior auto mirrors.

**Investment Rationale/Risk**

- ▶ Our Buy recommendation reflects GNTX's attractive valuation, its strong balance sheet [no debt] and sub-industry leading gross margins. GNTX recently traded at a premium to peers, but we think a premium is warranted by GNTX's ability to generate more consistent growth.
- ▶ Risks to our recommendation and target price include lower production or demand for vehicles, especially those with relatively high GNTX product content, lower average selling prices, and a weaker-than-expected mix or penetration of new products. Another risk is a move by customers away from mirror-based displays to alternate in-vehicle display locations. Increased import and export tariffs could hurt sales and margins more than we currently project.
- ▶ Our 12-month target price of \$35 is based on a multiple of 17.1x our '21 EPS estimate, a discount to GNTX's ten-year average forward P/E of 17.4x, which we believe is warranted by the current late cycle environment and the negative impact of tariffs. However, we do see an increased likelihood of value-creating activity from a combination of dividend increases, share repurchases, and/or accretive acquisitions due to its net cash position.

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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Our risk assessment reflects the cyclical nature of GNTX's markets and its dependence on certain customers, offset by the absence of long-term debt on its balance sheet.

**Revenue/Earnings Data**

**Revenue (Million USD)**

	1Q	2Q	3Q	4Q	Year
2019	469	469	478	444	1,859
2018	465	455	460	453	1,834
2017	454	443	439	460	1,795
2016	406	424	430	420	1,679
2015	369	379	390	406	1,544
2014	336	338	351	350	1,376

**Earnings Per Share (USD)**

	1Q	2Q	3Q	4Q	Year
2021	<b>E 0.50</b>	<b>E 0.52</b>	<b>E 0.53</b>	<b>E 0.50</b>	<b>E 2.05</b>
2020	<b>E 0.44</b>	<b>E 0.46</b>	<b>E 0.48</b>	<b>E 0.47</b>	<b>E 1.85</b>
2019	0.40	0.42	0.44	0.39	1.66
2018	0.40	0.40	0.42	0.40	1.62
2017	0.33	0.31	0.31	0.45	1.41
2016	0.28	0.30	0.32	0.30	1.19

Fiscal year ended Dec 31. Next earnings report expected: Mid Apr. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.115	Dec 09	Jan 07	Jan 08	Jan 22 '20
0.115	Aug 27	Oct 08	Oct 09	Oct 23 '19
0.115	Jun 11	Jul 09	Jul 10	Jul 24 '19
0.115	Mar 08	Apr 09	Apr 10	Apr 24 '19

Dividends have been paid since 2003. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such. Forecasts are not reliable indicator of future performance.

**Gentex Corporation****Business Summary** January 31, 2020

**CORPORATE OVERVIEW.** Headquartered in Zeeland, Michigan, Gentex Corporation is a supplier of automatic-dimming rearview mirrors and electronics to the automotive industry, dimmable aircraft windows for aviation markets, and fire protection products to the fire protection market. The company ships interior mirrors as well as flat, convex and aspheric sub-assemblies for exterior use. In 2018, automotive rearview mirrors and electronics accounted for 98% of the company's net sales. GNTX sold approximately 42.9 million mirrors in 2019, up 3% from 41.6 million in 2018. With an approximately 92% market share in auto-dimming rearview mirrors in 2018 [up from 88% in 2013], GNTX is the dominant supplier of this part to the automotive industry.

The company's breakdown of shipments by region in 2018 was: Europe (45%), Asia-Pacific (24%) and North America (31%). Gentex's percentage of total shipments to the Asia-Pacific region has been increasing over the last several years, while North America has been declining. Between 2008 and 2018, its Asia-Pacific market share has grown from 17% to 24%, while North America dropped from 38% to 31% of total volumes. The company currently supplies mirrors and electronics modules for BMW, Daimler Group, Fiat Chrysler, Ford, Fuji Heavy, Geely/Volvo, General Motors, Honda, Hyundai/Kia, Jaguar/Land Rover, Mazda, PSA/Opel Group, Renault/Nissan/Mitsubishi, Subaru, Suzuki, Tesla, Volkswagen, Karma Automotive, Mahindra, McLaren and Aston Martin as well as various Chinese manufacturers, including SAIC, Great Wall, BYD, Chery, Dongfeng, Borgward, Jianghuai and NextEV. Three customers accounted for more than 10% of GNTX's net sales in 2018: Volkswagen, Toyota and Daimler Group.

GNTX's line of fire protection products consists of approximately 55 different models of smoke alarms and smoke detectors, and more than 100 different models of signaling appliances. The company and PPG Aerospace work together to provide variably dimmable windows for the passenger compartment of Boeing's 787 Dreamliner aircraft.

**CORPORATE STRATEGY.** The company seeks to expand revenues via new models, greater penetration of existing markets and adding exterior mirrors. It seeks to be first to market new technologies and improve its manufacturing capabilities. We expect the company to continue to expand in Europe and Asia and to add features for mirrors. We also see the company continuing to focus on research and development for new technologies.

**MARKET PROFILE.** Our fundamental outlook for the auto parts equipment sub-industry for the next 12 months is Negative, reflecting expectations for declining global demand in China, Europe, and the U.S. [which together account for more than 70% of global vehicle sales] after a multi-year growth cycle. Still, we expect global sales to remain relatively high by historic standards. While we acknowledge concerns regarding the effect of tariffs on raw material costs [particularly for metal], we think those costs will largely be passed through to consumers, and view the potential negative impact as largely priced into auto parts equipment equities at these levels.

We see U.S. new light vehicle sales falling 2.9% to 16.6 million in 2020, down from approximately 17.1 million in 2019, which marked an unprecedented fifth consecutive year above 17 million units. Looking at the global market, we expect vehicle demand to fall by roughly 3% in 2020, driven by declines in China and Europe. Despite the expected pullback in global auto sales, volumes should remain at elevated levels relative to historic trends driven by relatively healthy global economic conditions.

Positive factors we see in the U.S. include rising employment, pent-up consumer and business demand, and relatively easy access to credit for consumers. The average U.S. light vehicle age was 11.8 years in 2018, an industry record. Cost cutting will likely also help margins, and lower gasoline prices are a positive, in our view. The strong dollar will likely hurt those with exposure to sales denominated in weaker currencies.

Many auto parts suppliers are increasing their revenues generated outside the U.S. Emerging markets are becoming more attractive to parts manufacturers due to lower labor costs for manufacturing and engineering and/or growing demand in local and regional markets. Over time, we expect domestic parts suppliers to increase penetration of import brands, which are shifting more of their production to the U.S.

**FINANCIAL TRENDS.** Gentex's total revenues have increased from \$1.79 billion in 2017 to \$1.83 billion in 2018 and \$1.86 billion in 2019, while its EPS has risen from \$1.41 in 2017 to \$1.62 in 2018 and \$1.66 in 2019. The tax reform bill has produced a windfall of tax savings for Gentex. The reduction in tax rate and significant share repurchase activity were the primary drivers of 15% EPS growth in 2018 to \$1.62, as total revenues grew by 2.2% and gross profit declined by 0.6%. In 2019, GNTX reported EPS of \$1.66, up from \$1.62 the prior year, as revenues increased 1.4%, but its gross margin contracted 60 bps to 37.0%, which was entirely due to the impact of the tariffs [a 70 bps negative impact].

As of December 31, 2019, the company had \$437 million of cash, cash equivalents and short-term investments, up from \$339 million as of December 31, 2018. GNTX had zero debt at year-end 2019, unchanged from year-end 2018. Given its robust balance sheet and net cash position, we think Gentex is well-positioned to boost earnings through increased share repurchases and/or dividends, in addition to accretive acquisitions or organic growth projects.

Gentex currently returns cash to shareholders through dividends and share repurchases. The company currently pays a \$0.46/share annualized dividend. In 2019, GNTX repurchased approximately 13.8 million shares of common stock for \$332.0 million [an average price of \$24.06/share]. In 2018, the company bought back 26.4 million shares of common stock at an average price of \$22.37/share, representing a 120% increase versus the 12 million shares the company repurchased in 2017. This activity left GNTX with 20.1 million shares of buyback capacity under the existing authorization as of December 31, 2019.

**Corporate Information****Investor Contact**

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**Officers****Chairman & Lead Independent Director**

J. Wallace

**Vice President of Operations**

P. V. Flynn

**President & CEO**

S. R. Downing

**VP of Finance, CFO, Treasurer & Chief Accounting Officer**

K. C. Nash

**CTO & VP of Engineering**

N. Boehm

**VP, General Counsel & Corporate Secretary**

S. Ryan

**Board Members**

B. C. Walker

J. Mulder

F. A. Sotok

J. Wallace

F. T. Bauer

K. K. Starkoff

G. F. Goode

L. Brown

J. A. Hollars

R. O. Schaum

**Domicile**

Michigan

**Founded**

1974

**Stockholders**

3,086

## Gentex Corporation

Quantitative Evaluations											
<b>Fair Value Rank</b>	4										
	<table border="1"> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>LOWEST</td> <td></td> <td></td> <td></td> <td>HIGHEST</td> </tr> </table>	1	2	3	4	5	LOWEST				HIGHEST
1	2	3	4	5							
LOWEST				HIGHEST							
	Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].										
<b>Fair Value Calculation</b>	<b>USD 35.71</b> Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that GNTX is undervalued by USD 5.99 or 20.2%.										
<b>Volatility</b>	<table border="1"> <tr> <td>LOW</td> <td>AVERAGE</td> <td>HIGH</td> </tr> </table>	LOW	AVERAGE	HIGH							
LOW	AVERAGE	HIGH									
<b>Technical Evaluation</b>	<b>BULLISH</b> Since December, 2019, the technical indicators for GNTX have been BULLISH.										
<b>Insider Activity</b>	<table border="1"> <tr> <td>UNFAVORABLE</td> <td>NEUTRAL</td> <td>FAVORABLE</td> </tr> </table>	UNFAVORABLE	NEUTRAL	FAVORABLE							
UNFAVORABLE	NEUTRAL	FAVORABLE									

Expanded Ratio Analysis				
	2019	2018	2017	2016
Price/Sales	3.95	2.97	3.36	3.41
Price/EBITDA	12.35	8.94	9.69	9.55
Price/Pretax Income	14.67	10.45	11.35	11.23
P/E Ratio	17.46	12.48	14.86	16.55
Avg. Diluted Shares Outsg.(M)	253	270	288	291

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]		1 Year	3 Years	5 Years
Sales		1.35	3.45	6.21
Net Income		-3.01	6.91	8.03
Ratio Analysis [Annual Avg.]				
Net Margin [%]		NM	NM	NM
Return on Equity [%]		22.35	NA	NA

### Company Financials Fiscal year ending Dec. 31

Per Share Data (USD)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tangible Book Value	5.45	4.87	5.11	4.42	3.66	3.03	2.16	3.82	3.52	3.09
Free Cash Flow	NA	1.74	1.39	1.23	0.88	0.88	0.91	0.49	0.08	0.29
Earnings	1.66	1.62	1.41	1.19	1.08	0.98	0.77	0.59	0.57	0.49
Earnings (Normalized)	1.23	1.20	1.15	1.10	0.96	0.85	0.67	0.53	0.52	0.44
Dividends	0.46	0.44	0.39	0.35	0.34	0.31	0.28	0.26	0.24	0.22
Payout Ratio [%]	NA	27	27	29	30	30	36	44	41	45
Prices: High	29.74	25.41	22.12	20.39	18.80	19.06	17.07	15.70	17.68	15.18
Prices: Low	19.55	17.80	16.59	12.93	13.84	13.17	9.05	7.19	10.92	8.27
P/E Ratio: High	17.9	15.7	15.7	17.1	17.4	19.4	22.2	26.7	31.0	31.0
P/E Ratio: Low	11.8	11.0	11.8	10.9	12.8	13.4	11.8	12.2	19.2	16.9

Income Statement Analysis (Million USD)										
Revenue	1,859	1,834	1,795	1,679	1,544	1,376	1,172	1,100	1,024	816
Operating Income	489	508	523	512	459	399	305	239	231	191
Depreciation + Amortization	NA	102.2	99.6	88.6	80.6	77.4	62.9	50.2	42.6	38.6
Interest Expense	NA	0.68	4.34	2.14	1.08	NA	NA	NA	NA	NA
Pretax Income	500	522	532	511	464	415	328	250	244	203
Effective Tax Rate	15.1	16.1	23.5	31.9	31.3	30.5	32.0	32.5	32.6	32.3
Net Income	425	438	407	348	318	289	223	169	165	138
Net Income (Normalized)	313	325	332	319	285	250	194	154	149	123

Balance Sheet and Other Financial Data (Million USD)										
Cash	437	386	722	723	556	497	310	450	419	435
Current Assets	950	851	1,185	1,155	984	857	601	745	752	655
Total Assets	2,169	2,085	2,352	2,310	2,149	2,023	1,764	1,266	1,176	1,003
Current Liabilities	172	169	244	150	131	133	120	88	101	72
Long Term Debt	NA	NA	NA	178	226	258	266	NA	NA	NA
Total Capital	1,938	1,862	2,128	2,098	1,959	1,839	1,601	1,121	1,027	894
Capital Expenditures	NA	86.0	104.0	121.0	97.9	72.5	55.4	117.5	120.2	46.9
Cash from Operations	NA	552	501	477	354	327	317	258	142	128
Current Ratio	5.53	5.03	4.86	7.71	7.51	6.42	5.01	8.47	7.47	9.09
% Long Term Debt of Capitalization	NA	NA	NA	8.5	11.5	14.0	16.6	NA	NA	NA
% Net Income of Revenue	22.8	23.9	22.7	20.7	20.6	21.0	19.0	15.3	16.1	16.9
% Return on Assets	14.4	14.3	14.0	14.3	13.7	13.2	12.6	12.3	13.3	13.1
% Return on Equity	22.4	22.4	20.5	19.1	19.3	19.9	18.2	15.7	17.1	16.9

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

## Gentex Corporation

## Sub-Industry Outlook

Our fundamental outlook for the Auto Parts and Equipment sub-industry for the next 12 months is Negative, reflecting expectations for declining global demand driven in China, Europe and the U.S. [which together account for over 70% of global vehicle sales] after a multi-year growth cycle. Still, we expect global sales to remain relatively high by historic standards. While we acknowledge concerns regarding the impact of tariffs on raw material costs [particularly for metal], we think those costs will largely be passed through to consumers, and view the potential negative impact as largely priced into Auto Parts & Equipment equities at these levels.

We estimate U.S. light vehicle sales will decline by 2.9% to 16.6 million units in 2020. U.S. light vehicle sales fell by approximately 1% to 17.1 million units in 2019, marking an unprecedented fifth consecutive year above 17 million units. We expect relatively low gasoline prices, an ongoing shift in consumer preferences, and the introduction of new models to boost light duty truck sales [a category which includes SUVs/crossovers/pickups], but see a continued decline in sedan sales. We think weaker GDP growth and less favorable U.S. consumer discretionary trends relative to 2019 will have a negative impact on overall auto sales, yet expect sales to remain elevated relative to historic levels. Currency swings will also likely impact companies' profitability. Positive factors we see in the U.S. include an unemployment rate that remains near a multi-decade low, improving wage growth, widely available access to consumer credit, positive [but moderating] economic growth, and relatively low and stable gas prices. The average vehicle on the road in the U.S. at the end of 2018 was 11.8 years old according to IHS Markit, an industry record, which should help support

retail and parts demand. We expect corporate share repurchases to slow, as companies take a more conservative approach toward uses of cash and focus on maintaining dividend payments, reducing debt, and preserving liquidity.

Looking at the global market, global vehicle sales fell by an estimated 3.1 million units to approximately 92 million units in 2019, the largest year-over-year drop since the financial crisis a decade ago. The decline was driven by China, the world's largest consumer [28% of global auto sales] and to a lesser extent, Europe [22% of global auto sales]. We forecast that global auto sales will decline another 3% in 2020, driven by China and Europe. Lower interest rates should help support auto sales from falling further. We expect to see margin pressure from generally rising wages, raw material costs, investments in electric and autonomous vehicles, and from tariffs on imports and exports to and from certain countries. Many auto parts suppliers are increasing their revenues generated outside the U.S. Emerging markets are becoming more attractive to parts manufacturers due to lower labor costs for manufacturing and engineering in addition to, or because of, growing demand in local and regional markets.

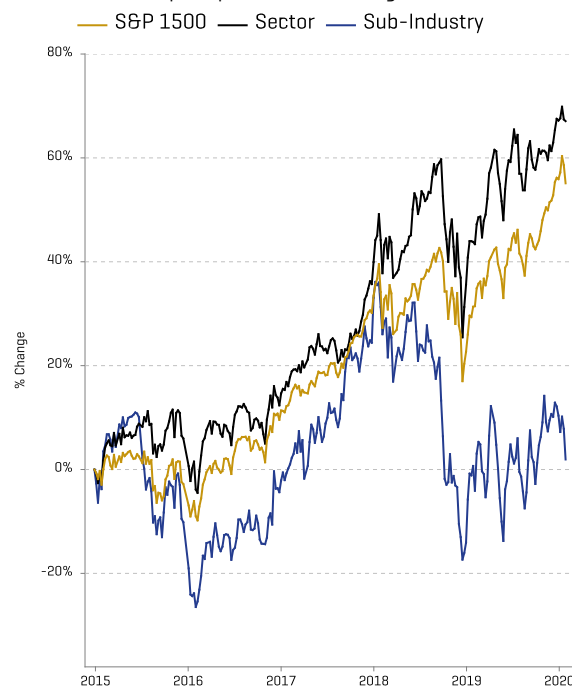
On a year-to-date basis through January 17, 2020, the S&P Auto Parts & Equipment Index is down 1.0% versus a 2.9% gain for the S&P 1500 Index. In 2019, the S&P Auto Parts & Equipment Index was up 31.3% versus a 28.3% gain for the S&P 1500 Index, and was down 32.2% compared to a 6.8% decline for the S&P 1500 Index in 2018. The sub-industry's five-year CAGR is 2.7%, short of the 10.6% growth rate for the S&P 1500 Index.

/Garrett Nelson

## Industry Performance

GICS Sector: Consumer Discretionary  
Sub-Industry: Auto Parts & Equipment

Based on S&P 1500 Indexes  
Five-Year market price performance through Feb 03, 2020



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

## Sub-Industry: Auto Parts &amp; Equipment Peer Group\*: Auto Parts &amp; Equipment

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield [%]	Return on Equity [%]	LTD to Cap [%]
<b>Gentex Corporation</b>	<b>GNTX</b>	<b>NasdaqGS</b>	<b>USD</b>	<b>29.72</b>	<b>7,531</b>	<b>2.2</b>	<b>41.5</b>	<b>18</b>	<b>35.71</b>	<b>1.5</b>	<b>22.4</b>	<b>NA</b>
Adient plc	ADNT	NYSE	USD	26.19	2,411	26.6	30.5	NM	NA	Nil	-16.3	62.0
Autoliv, Inc.	ALV	NYSE	USD	76.19	6,682	-8.6	-3.0	14	84.36	3.3	23.0	39.5
BorgWarner Inc.	BWA	NYSE	USD	34.38	7,081	-18.8	-16.6	9	17.53	2.0	24.1	30.1
Dorman Products, Inc.	DORM	NasdaqGS	USD	70.69	2,275	-7.0	-17.5	23	49.82	Nil	19.6	NA
Fox Factory Holding Corp.	FOXF	NasdaqGS	USD	69.98	2,536	0.3	17.5	30	59.77	Nil	29.3	13.3
LCI Industries	LCII	NYSE	USD	110.04	2,754	2.9	35.8	20	117.69	2.4	21.9	29.4
Lear Corporation	LEA	NYSE	USD	125.13	7,567	-8.6	-19.7	10	157.53	2.4	18.2	33.0
Sumitomo Electric Industries, Ltd.	SMT0.Y	OTCPK	USD	13.41	10,468	-12.3	-4.3	NM	NA	3.3	7.4	12.5
Valeo SA	VLEE.Y	OTCPK	USD	14.83	7,086	-15.5	-4.5	22	NA	4.7	12.2	33.7
Xinyi Glass Holdings Limited	XYIG.Y	OTCPK	USD	25.10	5,040	-6.3	4.2	71	NA	5.3	23.0	24.0

\*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

**Gentex Corporation****Analyst Research Notes and other Company News****January 31, 2020**

09:32 am ET... CFRA Reiterates Buy Opinion on Shares of Gentex Corporation [30.95\*\*\*\*]: We lift our 12-month target price by \$1 to \$35 based on '21 P/E of 17.1x, a discount to its average 10-year forward P/E of 17.4x. Our EPS estimates increase by \$0.05 to \$1.85 for '20 and by \$0.05 to \$2.05 for '21. GNTX posts Q4 EPS of \$0.39 vs. \$0.41 [-4.9%], \$0.02 ahead of consensus. GNTX's Q4 revenue fell 2.1% to \$443.8M [\$2.1M shy of consensus] and gross margin contracted 140 bps to 36.5%, as the GM strike and tariffs produced a drag of 125 bps and 30 bps, respectively. GNTX's mirror shipments increased 3.1% to 10.54M units in Q4. GNTX provided 2020 net sales and gross margin guidance of \$1.91B-\$2.00B and 36%-37%, respectively, versus the consensus of \$1.95B and 36.8%. GNTX continued its steady pace of buybacks, repurchasing 2.4M shares at an average price of \$28.55 in Q4. With its industry-leading gross margins, debt-free balance sheet, and history of cash returns to shareholders via dividends and buybacks, we continue to regard GNTX as a best-in-class auto supplier. /Garrett Nelson

**October 30, 2019**

09:50 am ET... CFRA Reiterates Buy Opinion on Shares of Gentex Corporation [28.4\*\*\*\*]: We raise our 12-month target price by \$4 to \$34 based on 17.0x our newly-introduced '21 EPS estimate, a discount to the stock's 10-year mean P/E of 17.9x. Our EPS estimates remain \$1.65 for '19 and \$1.80 for '20, while we introduce a '21 estimate of \$2.00. With GNTX shares currently hovering near an all-time high, we see additional room to run to the upside over the next 12 months, driven by steady earnings growth, ongoing share repurchases and value creation opportunities from its industry-leading balance sheet strength [no debt]. As a reminder, GNTX is coming off strong Q3 results in which it posted mid-single digit EPS and mirror shipment volume growth and gross margin expansion in the face of negative tariff impacts. We continue to view GNTX as a best-in-class auto supplier, and despite a negative near-term EPS impact from the GM strike, the recent work stoppage should have no impact on earnings in 2020 and beyond; we consider shares attractively valued even with the recent run-up. /Garrett Nelson

**October 18, 2019**

09:21 am ET... CFRA Maintains Buy Opinion on Shares of Gentex Corporation [27.59\*\*\*\*]: We maintain our 12-month target price of \$30 based on 16.7x our '20 EPS estimate, a discount to the stock's 10-year mean P/E of 18.1x. We lower our '19 EPS estimate by \$0.05 to \$1.65 while '20 remains \$1.80. GNTX posts Q3 EPS of \$0.44 vs. \$0.42 [+4.8%], \$0.02 ahead of consensus. GNTX's Q3 revenue rose 3.8% to \$478M [\$4M above consensus] and gross margin of 37.7% was up from 37.6% in the year-ago quarter despite a negative year-over-year tariff impact of 110 bps. GNTX's auto-dimming mirror shipments rose 6.0% to 10.84M units in Q3. GNTX said the GM strike negatively impacted its Q3 net sales by 2% and would impact Q4 results, providing Q4 net sales and gross margin guidance of \$430M-\$455M and 35%-36%, respectively, versus the current consensus of \$471M and 37.2%. GNTX repurchased 3.6M shares at an average price of \$27.07 in Q3. We regard GNTX as a best-in-class auto supplier and view the GM strike as a bump in the road which will likely have no impact on earnings in 2020 and beyond. /Garrett Nelson

**August 02, 2019**

09:26 am ET... CFRA Lowers Opinion on Shares of Gentex Corporation to Buy from Strong Buy [26.89\*\*\*\*]: We increase our 12-month price target by \$2 to \$30, based on 16.7x our '20 EPS estimate, representing a late-cycle discount to the stock's 10-year average forward P/E of 18.8x. Our EPS estimates remain \$1.70 for '19 and \$1.80 for '20. Following recent multiple expansion and with the shares nearing our former \$28 price target, we lower our opinion one notch to Buy. As a reminder, GNTX recently posted one of the strongest quarters of any auto supplier, growing EPS by 5.0% and raising full year gross margin guidance despite weak underlying global automotive demand and the negative impact of tariffs. We continue to regard GNTX as a best-of-breed auto parts and equipment company with its industry-leading gross margins, debt-free balance sheet, and long history of returning cash to shareholders via dividends and share repurchases, but now view the stock as more fairly valued and believe near-term upside is more limited. Consequently, we lower our opinion to Buy. /Garrett Nelson

**July 19, 2019**

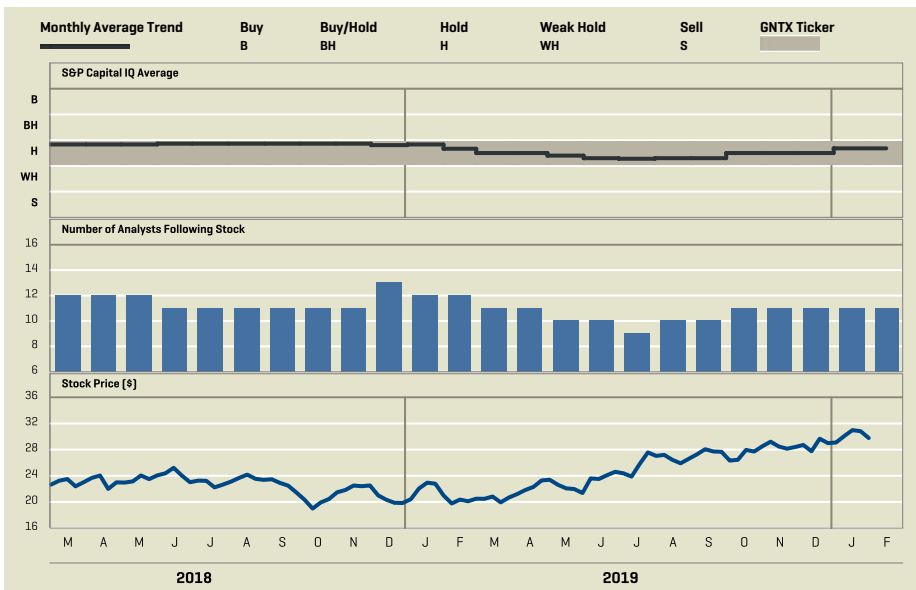
09:22 am ET... CFRA Maintains Strong Buy Opinion on Shares of Gentex Corporation [23.57\*\*\*\*]: We maintain our 12-month target price of \$28 based on 15.6x our '20 EPS estimate, representing a late-cycle discount to the stock's 10-year mean P/E of 18.8x. Our EPS estimates increase by \$0.05 to \$1.70 for '19, while '20 remains at \$1.80. GNTX posts Q2 EPS of \$0.42 vs. \$0.40 [+5.0%], two cents ahead of consensus. GNTX's net sales increased 3.0% to \$468.7M on 2.4% growth in auto-dimming mirror shipments, while gross margin fell 30 bps to 37.7%, as tariffs had a negative year-over-year impact of 60 bps. GNTX also raised the midpoint of its full year gross margin guidance to 37.0% from 36.5% and narrowed net sales guidance to \$1.87B-\$1.90B from \$1.83B-\$1.93B. GNTX also provided improved guidance for its tax rate and D&A expense. We continue to regard GNTX as a best-of-breed auto supplier, with its industry-leading gross margins, debt-free balance sheet [net cash of \$451M], and long history of dividends and buybacks [Q2 repurchases totaled 3.1M shares at an average price of \$22.72]. /Garrett Nelson

**April 24, 2019**

09:16 am ET... CFRA Reiterates Strong Buy Recommendation on Shares of Gentex Corporation [22.1\*\*\*\*]: We maintain our 12-month target price of \$28 based on 15.6x our '20 EPS estimate, a discount to the stock's 10-year mean P/E of 20.1x. Our estimates remain \$1.65 for '19 and \$1.80 for '20. GNTX posts Q1 EPS of \$0.40, flat with the year-ago quarter and a penny ahead of consensus. GNTX's Q1 gross margin of 36.2% was down from 37.1% in Q1 2018, which was entirely the result of a negative tariff impact of 90 bps. GNTX's mirror shipments increased 1%, impressive in our opinion, in light of the fact that global light vehicle production plummeted 7% in Q1. GNTX repurchased 4.7M shares during the quarter at an average price of \$20.37/sh and declared an intent to continue buying back stock with its 29.1M shares of remaining repurchase capacity at quarter-end [over 11% of its current share count]. We regard its balance sheet as the strongest of any U.S. auto supplier [net cash of \$402M] and reiterate our Strong Buy recommendation. A 2.1% dividend yield augments GNTX's total return potential. /Garrett Nelson

# Gentex Corporation

## Analysts' Recommendations



## Wall Street Consensus Opinion

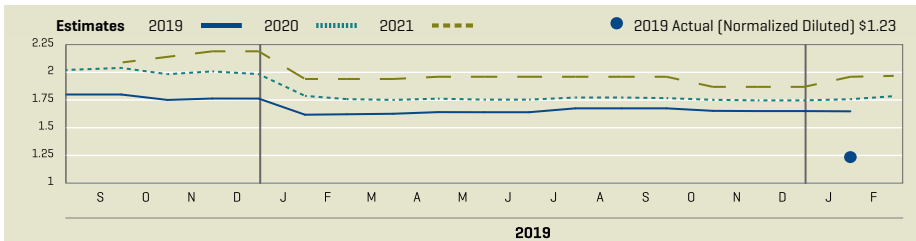
**HOLD**

### Wall Street Consensus vs. Performance

For fiscal year 2020, analysts estimate that GNTX will earn USD \$1.78. For fiscal year 2021, analysts estimate that GNTX's earnings per share will grow by 11% to USD \$1.97.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	3	27	3	2
Buy/Hold	0	0	0	0
Hold	5	45	5	6
Weak Hold	2	18	2	2
Sell	1	9	1	1
No Opinion	0	0	0	0
<b>Total</b>	<b>11</b>	<b>100</b>	<b>11</b>	<b>11</b>

## Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2021	1.97	2.01	1.95	6	15.1
2020	1.78	1.80	1.76	6	16.6
<b>2021 vs. 2020</b>	<b>▲11%</b>	<b>▲12%</b>	<b>▲11%</b>	<b>0%</b>	<b>▼-9%</b>
Q1'21	0.48	0.49	0.47	4	61.9
Q1'20	0.43	0.44	0.43	7	68.7
<b>Q1'21 vs. Q1'20</b>	<b>▲12%</b>	<b>▲11%</b>	<b>▲9%</b>	<b>▼-43%</b>	<b>▼-10%</b>

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

**Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.**

**Gentex Corporation****Glossary****STARS**

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

**S&P Global Market Intelligence's Quality Ranking**

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

**EPS Estimates**

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

**12-Month Target Price**

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

**CFRA Equity Research**

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**Abbreviations Used in Equity Research Reports**

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations

FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D	- Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**

**Qualitative Risk Assessment**

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

**STARS Ranking system and definition:****★★★★★ 5-STARs (Strong Buy):**

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

**★★★★★ 4-STARs (Buy):**

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

**★★★★★ 3-STARs (Hold):**

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

**★★★★★ 2-STARs (Sell):**

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

**★★★★★ 1-STAR (Strong Sell):**

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

**Relevant benchmarks:**

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

# Gentex Corporation

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### Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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### STARS Stock Reports:

Global STARS Distribution as of December 31, 2019

Ranking	North America	Europe	Asia	Global
Buy	33.4%	29.0%	41.1%	33.5%
Hold	56.1%	54.8%	46.4%	54.6%
Sell	10.5%	16.2%	12.5%	11.9%
Total	100.0%	100.0%	100.0%	100.0%

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