

Gentex Corporation

Recommendation **BUY** ★ ★ ★ ★ ★

Price
USD 29.28 [as of market close May 06, 2022]

12-Mo. Target Price
USD 34.00

Report Currency
USD

Investment Style
Mid-Cap Blend

Equity Analyst Garrett Nelson

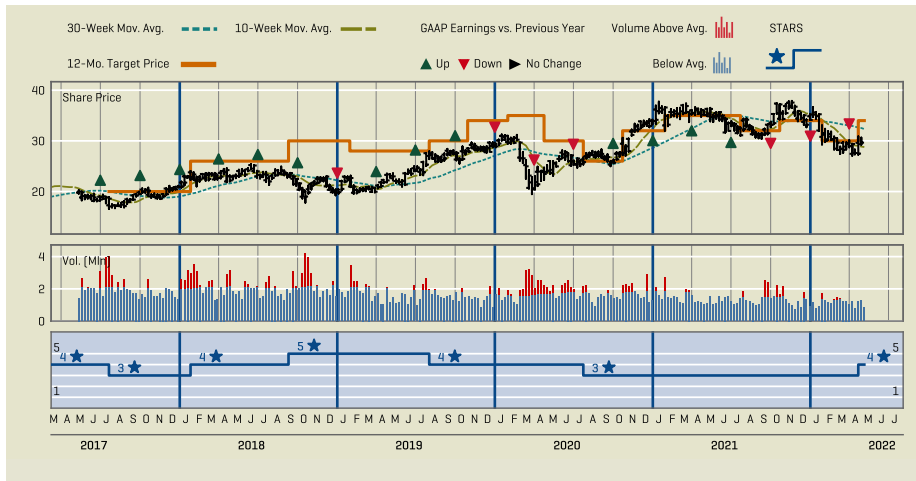
GICS Sector Consumer Discretionary
Sub-Industry Auto Parts and Equipment

Summary Gentex Corporation 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	USD 37.9 - 27.06	Oper.EPS2022E	USD 1.75	Market Capitalization[B]	USD 6.86	Beta	0.96
Trailing 12-Month EPS	USD 1.41	Oper.EPS2023E	USD 2.10	Yield [%]	1.64	3-yr Proj. EPS CAGR[%]	13
Trailing 12-Month P/E	20.84	P/E on Oper.EPS2022E	16.73	Dividend Rate/Share	USD 0.48	SPGMI's Quality Ranking	A+
USD 10K Invested 5 Yrs Ago	15,960.0	Common Shares Outstg.[M]	237.00	Trailing 12-Month Dividend	USD 0.48	Institutional Ownership [%]	89.0

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 Garrett Nelson on Apr 22, 2022 05:39 PM ET, when the stock traded at USD 29.61.

Highlights

- ▶ We expect revenue to rise by 15% in 2022 and 9% in 2023 after increasing 3% in 2021 driven higher price realizations and increased mirror sales in most markets. In 2021, GNTX's mirror shipments were up 9%, rebounding from an 11% decline 2020. GNTX's 2021 mirror sales growth of 9% significantly outperformed the 3% decline in global light vehicle production.
- ▶ We expect GNTX's gross margin to contract by 40 bps to 35.5% in 2022 from 35.8% in 2021, driven by higher raw materials and labor costs, partially offset by higher volumes. In early 2020, GNTX suffered from lost sales due to pandemic-related shutdowns, but results rebounded after that.
- ▶ We forecast adjusted EPS of \$1.75 in 2022 and \$2.10 in 2023, up from \$1.55 in 2021 and \$1.44 in 2020. Share repurchases should help boost the company's EPS. GNTX resumed share repurchases after a temporary halt in early 2020, buying back 9.6 million shares for \$33.83/sh in 2021 and 10.6 million shares for \$27.10/sh in 2020. GNTX also has a steady history of steadily increasing dividends to the current level of \$0.48/share annualized.

Investment Rationale/Risk

- ▶ Our Buy opinion reflects a view that GNTX is likely to outperform auto supplier peers due to its industry-leading margins, share repurchases, and strong balance sheet [\$287M of net cash at the end of Q1] against the difficult backdrop of softening demand and rising interest rates. We consider GNTX a higher-quality, lower-beta name within its sub-industry. In the near-term, mirror sales should be negatively impacted by ongoing chip shortages and supply chain issues. GNTX trades at a premium to auto supplier peers, but we think the premium is warranted for those reasons and also its long history of returning cash to shareholders via both dividends and buybacks.
- ▶ Risks to our opinion and target include lower or higher production or demand for vehicles, especially those with relatively high GNTX product content, average selling prices, mix, and penetration of new products.
- ▶ The basis of our 12-month target price of \$34 is a 2023 P/E of 16.2x, a justified discount to GNTX's 10-year average forward P/E of 16.9x. However, we do see the potential for 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

LOW	MEDIUM	HIGH
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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
2023	E 484	E 544	E 572	E 580	E 2,180
2022	468	E 468	E 530	E 526	E 1,992
2021	484	428	400	420	1,731
2020	454	230	475	530	1,688
2019	469	469	478	444	1,859
2018	465	455	460	453	1,834

Earnings Per Share (USD)

Earnings Per Share (USD)	1Q	2Q	3Q	4Q	Year
2023	E 0.44	E 0.48	E 0.55	E 0.63	E 2.10
2022	0.37	E 0.40	E 0.48	E 0.50	E 1.75
2021	0.46	0.36	0.32	0.34	1.48
2020	0.36	0.02	0.48	0.58	1.44
2019	0.40	0.42	0.44	0.39	1.66
2018	0.40	0.40	0.42	0.41	1.62

Fiscal Year ended Dec 31. 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
0.1200	Mar 07	Apr 07	Apr 08	Apr 20 '22
0.1200	Dec 03	Jan 06	Jan 07	Jan 19 '22
0.1200	Aug 04	Oct 07	Oct 08	Oct 21 '21
0.1200	Jun 07	Jul 08	Jul 09	Jul 21 '21

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 a reliable indicator of future performance. Dividends paid in currencies other than the Trading currency have been accordingly converted for display purposes.

Gentex Corporation

Business Summary Apr 22, 2022

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 2021, automotive rearview mirrors and electronics accounted for 97% of the company's net sales. GNTX sold approximately 41.8 million mirrors in 2021, versus 38.2 million mirrors in 2020 [+9.4%] and 42.9 million in 2019. With an approximately 94% market share in auto-dimming rearview mirrors in 2020 [flat with 2019 and up from 88% in 2013], GNTX is the dominant supplier of this part to the automotive industry. As of February 1, 2022, Gentex had 4,998 full-time employees, down from 5,303 one year earlier, and 100% of its workforce is non-union.

The company's breakdown of net sales by country in 2021 was: United States [31%], Germany [14%], Japan [12%], Mexico [6%], and Other [37%]. 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. GNTX 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, Toyota, 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 2020: Volkswagen [14%], Toyota [13%], and General Motors [11%]. The company also makes products for the aerospace, fire protection, and intelligent medical lighting markets such as dimmable aircraft windows and photoelectric smoke detectors and alarms.

CORPORATE STRATEGY. The company seeks to expand revenues via new products and greater penetration of existing markets. 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 new mirror features.

MARKET PROFILE. Our fundamental outlook for the Auto Parts and Equipment sub-industry for the next 12 months is Neutral, reflecting expectations that auto prices will continue to set new record highs and demand will continue to recover in most major markets, but growth will be tempered by a combination of semiconductor shortages, supply chain disruptions, cost inflation, and rising interest rates.

We estimate U.S. light vehicle sales will rebound by 2.0% to 15.3 million units in 2022 and another 5.9% to 16.2 million units in 2023, up from an estimated 15.0 million in 2021 [+3.8% Y/Y] and 14.45 million in 2020. Still, we expect U.S. light vehicle sales to come in below the pre-pandemic level of 16.95 million units in 2019. Sales would be stronger if not for the record-low inventory levels and parts shortages [particularly semiconductors] which have plagued the market in recent months and we expect to persist well into 2022 and possibly beyond. In 2020, U.S. light vehicle sales posted their weakest total since coming in at 14.44 million units in 2012.

On the positive side, economic growth, low unemployment rates, and relatively low [but rising] interest rates should help support sales volumes. We think margins will benefit from a combination of record-high new vehicle price realizations [over \$46,000 in the U.S. as of February 2022] and cost cuts implemented during the course of the Covid-19 pandemic. However, chip shortages, supply chain disruptions, rising labor and raw materials costs, higher gasoline prices, and expected interest rate increases are major concerns. The average vehicle on the road in the U.S. was 12.1 years old in 2021 according to IHS Markit, an industry record, which should help support retail and parts demand.

FINANCIAL TRENDS. Gentex's total revenues have gone from \$1.86 billion in 2019 to \$1.69 billion in 2020 and \$1.73 billion in 2021, and EPS from \$1.66 in 2019 to \$1.44 in 2020 and \$1.48 in 2021. The late 2017 U.S. tax reform bill produced a windfall of tax savings for Gentex. In 2021, GNTX reported a 2.8% increase in EPS [\$1.48 vs. \$1.44], as revenues rose 2.5% and its gross margin contracted 10 bps to 35.8%. In Q1 2022, GNTX reported a 19.6% decline in EPS [\$0.37 vs. \$0.46], as revenues fell 3.2% and its gross margin contracted 360 bps to 34.3%.

As of March 31, 2022, the company had \$287 million of cash, cash equivalents and short-term investments, up from \$268 million at year-end 2021. GNTX had no debt, unchanged from year-end 2021 levels.

Gentex currently returns cash to shareholders through dividends and share repurchases. The company currently pays a \$0.48/share annualized dividend. GNTX repurchased approximately 2.44 million shares of stock for \$71.3 million in Q1 2022 [an average price of \$29/share], 9.60 million shares for \$324.6 million in 2021 [an average price of \$33.83/share], 10.6 million shares of stock for \$287.3 million [an average price of \$27.10/share] in 2020, and 13.8 million shares of common stock for \$332.0 million [an average price of \$24.06/share] in 2019.

Corporate information

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Website

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Officers

Independent Chairman

J. Wallace

VP, General Counsel & Corporate Secretary

S. Ryan

President, CEO & Director

S. R. Downing

CTO & VP of Engineering

N. Boehm

Vice President of Operations

P. V. Flynn

President, CEO & Director

S. R. Downing

VP of Finance, CFO, Treasurer & Chief Accounting Officer

K. C. Nash

VP of Finance, CFO, Treasurer & Chief Accounting Officer

K. C. Nash

Board Members

B. C. Walker

K. K. Starkoff

F. T. Bauer

L. Brown

G. F. Goode

L. Zang

J. A. Hollars

R. O. Schaum

J. Wallace

S. R. Downing

Domicile

Michigan

Auditor

Ernst & Young LLP

Founded

1974

Employees

4,998

Stockholders

4,604

Gentex Corporation

Quantitative Evaluations					Expanded Ratio Analysis						
Fair Value Rank	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].										
Fair Value Calculation	USD 29.07	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that GNTX is overvalued by USD 0.21 or 0.72%									
Volatility	LOW	AVERAGE	HIGH								
Technical Evaluation	BULLISH	Since October, 2020, the technical indicators for GNTX have been BULLISH"									
Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE								
	Price/Sales					2021	2020	2019	2018		
	Price/EBITDA					4.76	4.90	3.95	2.97		
	Price/Pretax Income					16.20	16.40	12.37	8.94		
	P/E Ratio					19.80	20.08	14.67	10.45		
	Avg. Diluted Shares Outstg. [M]					23.21	24.13	17.49	12.46		
	Figures based on fiscal year-end price					236.60	243.68	253.27	269.88		
	Key Growth Rates and Averages										
	Past Growth Rate [%]					1 Year	3 Years	5 Years			
	Net Income					3.81	NM	0.75			
	Sales					2.55	-1.91	0.61			
	Ratio Analysis [Annual Avg.]										
	Net Margin [%]					20.84	21.43	22.16			
	% LT Debt to Capitalization					N/A	N/A	N/A			
	Return on Equity [%]					18.49	19.55	20.32			

Company Financials Fiscal year ending Dec 31										
Per Share Data [USD]	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Tangible Book Value	5.72	5.64	5.40	4.87	5.11	4.42	3.66	3.03	2.16	3.82
Free Cash Flow	1.25	1.70	1.67	1.74	1.39	1.23	0.88	0.88	0.91	0.49
Earnings	1.50	1.41	1.66	1.62	1.41	1.19	1.08	0.98	0.77	0.59
Earnings [Normalized]	1.10	1.05	1.23	1.20	1.15	1.10	0.96	0.85	0.67	0.53
Dividends	0.48	0.48	0.46	0.44	0.39	0.36	0.34	0.31	0.28	0.26
Payout Ratio [%]	31.95	33.72	27.39	26.62	26.75	29.09	30.46	30.36	35.51	43.53
Prices: High	37.90	34.30	29.74	25.41	22.12	20.39	18.80	19.06	17.08	15.70
Prices: Low	30.40	19.48	19.55	17.80	16.59	12.93	13.84	13.17	9.06	7.19
P/E Ratio: High	25.20	24.40	17.90	15.70	15.70	17.10	17.40	19.40	22.20	26.70
P/E Ratio: Low	20.20	13.90	11.80	11.00	11.80	10.90	12.80	13.40	11.80	12.20
Income Statement Analysis [Million USD]										
Revenue	1,731	1,688	1,859	1,834	1,795	1,679	1,544	1,376	1,172	1,100
Operating Income	410.00	400.00	489.00	508.00	523.00	512.00	459.00	399.00	305.00	239.00
Depreciation + Amortization	99.00	105.00	105.00	102.00	100.00	89.00	81.00	77.00	63.00	50.00
Interest Expense	N/A	N/A	N/A	0.00	1.00	2.00	1.00	N/A	N/A	N/A
Pretax Income	416.00	412.00	500.00	522.00	532.00	511.00	464.00	415.00	328.00	250.00
Effective Tax Rate	13.30	15.60	15.10	16.10	23.50	31.90	31.30	30.50	32.00	32.50
Net Income	361.00	348.00	425.00	438.00	407.00	348.00	318.00	289.00	223.00	169.00
Net Income [Normalized]	259.50	256.10	312.50	325.00	331.80	318.90	285.40	249.80	193.70	153.90
Balance Sheet and Other Financial Data [Million USD]										
Cash	268.00	451.00	437.00	386.00	722.00	723.00	556.00	497.00	310.00	450.00
Current Assets	873.00	979.00	950.00	851.00	1,185	1,155	984.00	857.00	601.00	745.00
Total Assets	2,131	2,198	2,169	2,085	2,352	2,310	2,149	2,023	1,764	1,266
Current Liabilities	182.00	178.00	172.00	169.00	244.00	150.00	131.00	133.00	120.00	88.00
Long Term Debt	N/A	N/A	N/A	N/A	N/A	178.00	226.00	258.00	266.00	N/A
Total Capital	1,940	1,964	1,938	1,862	2,128	2,098	1,959	1,839	1,601	1,121
Capital Expenditures	69.00	52.00	85.00	86.00	104.00	121.00	98.00	73.00	55.00	117.00
Cash from Operations	362.00	464.00	506.00	552.00	501.00	477.00	354.00	327.00	317.00	258.00
Current Ratio	4.81	5.51	5.53	5.03	4.86	7.71	7.51	6.42	5.01	8.47
% Long Term Debt of Capitalization	N/A	N/A	N/A	N/A	N/A	8.50	11.50	14.00	16.60	N/A
% Net Income of Revenue	20.80	20.60	22.80	23.90	22.70	20.70	20.60	21.00	19.00	15.30
% Return on Assets	11.83	11.44	14.35	14.31	14.03	14.35	13.75	13.17	12.57	12.26
% Return on Equity	18.50	17.80	22.40	22.40	20.50	19.10	19.30	19.90	18.20	15.70

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 neutral, reflecting expectations that auto prices will continue to set new record highs and demand will continue to recover in most major markets, but growth will be tempered by a combination of semiconductor shortages, supply chain disruptions, cost inflation, and rising interest rates.

We estimate global light vehicle sales will increase by 3.8% to 82.4 million units in 2022 and 6.2% to 87.5 million in 2023, up from an estimated 79.4 million in 2021 (+5.2% Y/Y). Still, we expect global light vehicle sales to come in well below the pre-pandemic level of 90.4 million units in 2019. In 2021, sales grew 3.6% in China, the world's largest auto market (33% of global volumes), and by 0.8% and 3.8%, respectively, in the second and third largest markets of Europe (21% global market share) and the United States (19%). Importantly, global light vehicle sales started 2022 on a sluggish note, declining by 1.4% Y/Y in the first two months of the year, driven by declines in North America [-11.0%] and Europe [-6.0%], partially offset by a surge in China [+7.5%].

We estimate U.S. light vehicle sales will rebound by 2.0% to 15.3 million units in 2022 and another 5.9% to 16.2 million units in 2023, up from an estimated 15.0 million in 2021 [+3.8% Y/Y] and 14.45 million in 2020. Sales would be stronger if not for the record-low inventory levels and parts shortages (particularly semiconductors), which have plagued the market in recent months and we expect to persist well into 2022 and possibly beyond. In 2020, U.S. light vehicle sales posted their weakest total since coming in at 14.44 million units in 2012.

On the positive side, economic growth, low unemployment rates, and relatively low (but rising) interest rates should help support sales volumes. We think margins will benefit from a combination of record-high new vehicle price realizations (over \$46,000 in the U.S. as of February 2022) and cost cuts implemented during the course of the Covid-19 pandemic. However, chip shortages, supply

chain disruptions, rising labor and raw materials costs, higher gasoline prices, and expected interest rate increases are major concerns.

We expect investments in electric and autonomous vehicles to remain a drag on bottom line results for most companies despite growing sales. In 2021, EVs accounted for 8.3% of all new vehicle sales worldwide and 3.1% in the U.S. One other major secular trend has been the growing popularity of light duty vehicles -- a category which includes pickup trucks, SUVs, and crossovers -- and the waning popularity of passenger cars such as sedans and compact vehicles. Light duty vehicles accounted for 76.4% of new vehicles sold in the U.S. in 2020, a percentage that was up from only 51.2% in 2010, according to National Automobile Dealers Association data. The average vehicle on the road in the U.S. was 12.1 years old in 2021 according to IHS Markit, an industry record, which should help support retail and parts demand.

Year-to-date as of April 1, 2022, the S&P Auto Parts & Equipment Index was down 23.7% versus a 4.6% decline for the S&P 1500 Index. In 2021, the S&P Auto Parts & Equipment Index was up 21.7% versus a 26.7% gain for the S&P 1500 Index, and was up 22.2% versus a 15.8% gain for the S&P 1500 Index in 2020. The sub-industry's five-year CAGR is 3.7%, short of the 13.4% growth rate for the S&P 1500 Index.

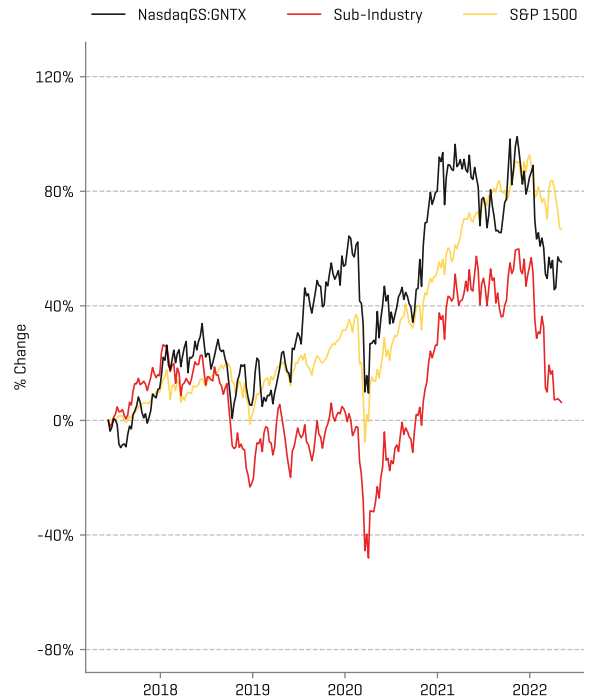
/ Garrett Nelson

Industry Performance

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

Based on S&P 1500 Indexes

Five-Year market price performance through May 07, 2022



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

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: CFRA, S&P Global Market Intelligence

Sub-Industry: Auto Parts and Equipment Peer Group*: Auto Parts and 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 [%]
Gentex Corporation	GNTX	NasdaqGS	USD	29.28	6,865.0	4.6	-17.8	21.0	29.07	1.6	17.2	N/A
Adient plc	ADNT	NYSE	USD	33.63	3,187.0	-1.5	-30.4	4.0	56.86	N/A	36.5	N/A
Autoliv, Inc.	ALV	NYSE	USD	72.35	6,319.0	-0.4	-29.6	18.0	106.01	3.5	14.0	N/A
BorgWarner Inc.	BWA	NYSE	USD	37.97	9,097.0	2.0	-27.3	14.0	43.99	1.8	11.0	N/A
Dorman Products, Inc.	DORM	NasdaqGS	USD	96.13	3,023.0	1.1	-6.1	23.0	N/A	N/A	14.5	N/A
Fox Factory Holding Corp.	FOXF	NasdaqGS	USD	81.29	3,426.0	-12.8	-46.1	20.0	N/A	N/A	20.3	N/A
Lear Corporation	LEA	NYSE	USD	130.98	7,830.0	0.1	-31.9	36.0	149.94	2.4	6.3	N/A
Luminar Technologies, Inc.	LAZR	NasdaqGS	USD	11.12	3,885.0	-23.3	-43.3	NM	N/A	N/A	-67.4	N/A
QuantumScape Corporation	QS	NYSE	USD	14.60	6,285.0	-24.3	-52.9	NM	N/A	N/A	-4.3	N/A
Veoneer, Inc.	VNE	NYSE	USD	36.95	4,139.0	N/A	59.9	NM	N/A	N/A	-36.8	N/A
Visteon Corporation	VC	NasdaqGS	USD	104.84	2,947.0	6.0	-17.1	64.0	N/A	N/A	9.4	N/A

*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****April 22, 2022**

09:56 AM ET... CFRA Raises Opinion on Shares of Gentex Corporation to Buy from Hold [GNTX 29.85****]:

We lift our 12-month target by \$4 to \$34, based on a '23 P/E of 16.2x, a discount to GNTX's 5-year mean forward P/E of 16.9x. We maintain our adjusted EPS estimates of \$1.75 for '22 and \$2.10 for '23. GNTX posts Q1 adjusted EPS of \$0.37 vs. \$0.46 (-19.6%), five cents above consensus. Revenue fell 3.2% to \$468.3M [\$36.3M ahead of consensus] on a 6.6% drop in mirror shipments and gross margin contraction of 360 bps to 34.3% [10 bps ahead of consensus]. GNTX maintained 2022 guidance for net sales and gross margins of \$1.87B-\$2.02B and 35%-36%, respectively. With expectations that various other auto suppliers are poised to post weak results and possibly lower full year guidance [see ALV's release this morning], GNTX stands out in the current environment. We think its industry-leading margins, share repurchases, and strong balance sheet [\$287M of net cash at the end of Q1] are likely to drive outperformance relative to auto supplier peers against the difficult backdrop of softening demand and rising interest rates. / Garrett Nelson

January 28, 2022

09:19 AM ET... CFRA Maintains Hold Opinion on Shares of Gentex Corporation [GNTX 31.28****]:

We lower our 12-month price target by \$4 to \$30, based on a '23 P/E of 14.3x, a justified discount to GNTX's 10-year average forward P/E of 16.6x. We lower our '22 adjusted EPS estimate by \$0.25 to \$1.75 and introduce '23 at \$2.10. GNTX posts Q4 adjusted EPS of \$0.35 vs. \$0.58 (-39.7%), in-line with consensus. However, it was a low-quality quarter, as earnings were boosted by a much lower than expected tax rate. Revenue fell 20.8% to \$419.8M [\$1.2M below consensus] on an 18.1% decline in mirror shipments, and gross margin contracted 660 bps to 34.3% [100 bps short of consensus]. GNTX introduced 2022 guidance for net sales and gross margins of \$1.87B-\$2.02B and 35%-36%, respectively, short of the \$2.04B and 37.6% consensus. With GNTX's guidance implying a significantly weaker 2022 than The Street was expecting, we expect the stock to trade lower, and we maintain a Hold opinion. However, we like GNTX's industry-leading gross margins, debt-free balance sheet, and history of returning cash to shareholders. / Garrett Nelson

October 22, 2021

09:47 AM ET... CFRA Maintains Hold Opinion on Shares of Gentex Corporation [GNTX 36.10****]:

We raise our 12-month target by \$2 to \$34, based on a '22 P/E of 17x, a slight premium to GNTX's five-year mean forward P/E of 16.4x. We lower our adjusted EPS estimates by \$0.25 to \$1.55 for '21 and by \$0.20 to \$2.00 for '22. GNTX posts Q3 adjusted EPS of \$0.32 vs. \$0.48 (-33.3%), four cents short of consensus. The miss was due to weaker than expected top-line and gross margins, as revenue fell 15.8% to \$399.6M [\$22.5M below consensus] on lower pricing and a 7.1% drop in mirror shipments, and gross margin contracted 440 bps to 35.3% [60 bps below consensus]. GNTX lowered guidance for the second half of 2021 on lower global auto production, with its net sales and gross margin forecasts being cut from \$970M-\$1.07B and 37.5%-38.5% to \$770M-\$840M and 35%-36%, respectively. The good news is that GNTX said it expects revenue to rebound 15%-20% in 2022. We like GNTX's industry-high gross margins, debt-free balance sheet, and dividend/buyback history, but see better opportunities in the auto supplier space. / Garrett Nelson

July 23, 2021

08:46 AM ET... CFRA Maintains Hold Opinion on Shares of Gentex Corporation [GNTX 31.86****]:

We lower our 12-month price target by \$3 to \$32, based on a '22 P/E of 14.5x, a discount to GNTX's 5-year mean forward P/E of 16.2x. We lower our adjusted EPS estimates by \$0.20 to \$1.80 for '21 and by \$0.10 to \$2.20 for '22. GNTX posts Q2 adjusted EPS of \$0.36 vs. \$0.02, seven cents short of consensus. The miss was due to a weaker-than-expected top line and gross margins, as Q2 revenue rose 86.1% to \$428M [\$30M below consensus] on a 98.1% increase in mirror shipments, while gross margin expanded 1,630 bps to 35.4% [220 bps short of consensus]. GNTX said its results were adversely impacted by the auto industry's production interruptions from the shortage of semiconductors and other parts, particularly in North America. GNTX's guidance for the second half of 2021 implied lower revenue and gross margin expectations. While we like GNTX's industry-high gross margins, debt-free balance sheet, and history of returning cash to shareholders [including Q2 buybacks of 3.4M shares], we prefer other auto suppliers. / Garrett Nelson

April 23, 2021

09:38 AM ET... CFRA Maintains Hold Opinion on Shares of Gentex Corporation [GNTX 35.61****]:

We maintain our 12-month price target of \$35, based on a '22 P/E of 15.2x, a modest discount to GNTX's 5-year mean forward P/E of 16.1x. We maintain our adjusted EPS estimates of \$2.00 for '21 and \$2.30 for '22. GNTX posts Q1 EPS of \$0.46 vs. \$0.36 (+27.8%), three cents below consensus. The miss was due to a weaker-than-expected top line and gross margins, as Q1 revenue rose 6.5% to \$483.7M [\$9.1M below consensus] on a 13.3% increase in mirror shipments, while gross margin expanded 340 bps to 37.9% [120 bps short of consensus]. GNTX said margins were hurt by part shortages that resulted in raw material price increases and increased freight costs. Despite the miss, GNTX reiterated prior 2021 guidance for revenue and gross margin of \$1.94B-\$2.02B and 39%-40%, respectively. While we like GNTX's industry-high gross margins, debt-free balance sheet, and history of returning cash to shareholders [including Q1 buybacks of 2.8M shares at an average price of \$35.46/share], we see auto suppliers with greater upside. / Garrett Nelson

January 29, 2021

09:16 AM ET... CFRA Maintains Hold Opinion on Shares of Gentex Corporation [GNTX 33.55****]:

We raise our 12-month price target by \$3 to \$35, based on '22 P/E of 15.2x, a modest discount to GNTX's 5-year average forward P/E of 15.9x. We increase our '21 adjusted EPS estimate by \$0.10 to \$2.00 and introduce '22 at \$2.30. GNTX posts Q4 adjusted EPS of \$0.58 vs. \$0.39 (+48.7%), \$0.08 ahead of consensus. The beat was due to both stronger-than-expected sales and cost performance, as GNTX's Q4 revenue rose 19.4% to \$529.9M [\$47.2M above consensus] on a 13.6% increase in mirror shipments, while gross margin expanded 440 bps to 40.9% [160 bps ahead of consensus]. GNTX introduced 2021 guidance for revenue and gross margin of \$1.94B-\$2.02B and 39%-40%, respectively, versus the consensus estimates of \$1.95B and 39.1%, respectively. While we consider GNTX a best-of-breed auto supplier due to its industry-leading gross margins, debt-free balance sheet, and history of returning cash to shareholders, we remain at a Hold, seeing names with greater near-term upside in the space. / Garrett Nelson

October 23, 2020

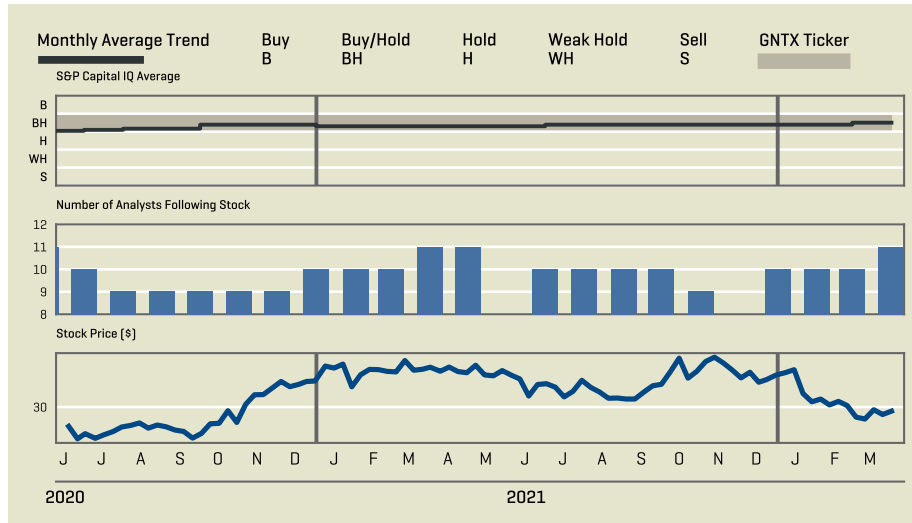
11:08 AM ET... CFRA Maintains Hold Opinion on Shares of Gentex Corporation [GNTX 28.54****]:

We raise our 12-month target by \$6 to \$32, based on '21 P/E of 16.8x versus GNTX's 10-year mean forward P/E of 17.2x. We increase our adjusted EPS estimates by \$0.27 to \$1.32 for '20 and by \$0.40 to \$1.90 for '21. GNTX posts Q3 adjusted EPS of \$0.48 vs. \$0.44 (+9.1%), \$0.07 above consensus. The beat was due to both better-than-expected sales and cost performance, as GNTX's Q3 revenue fell 0.7% to \$474.6M [\$14.9M above consensus] on a 2.6% drop in mirror shipments, but gross margin expanded 200 bps to 39.7% [consensus = 36.2%]. On the heels of its strong Q3, GNTX raised second half 2020 guidance for revenue and gross margin to \$940M-\$960M and 39%-40%, respectively, versus \$865M-\$915M and 36%-37% previously. GNTX also said that it currently expects 15%-20% revenue growth in 2021 based on IHS' forecast of global light vehicle production growth of 12% next year [CFRA estimate = 11.8%]. We remain at a Hold, as we think lower-quality, higher-beta suppliers are more likely to outperform in that type of environment. / Garrett Nelson

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

Gentex Corporation

Analysts Recommendations



Wall Street Consensus Opinion

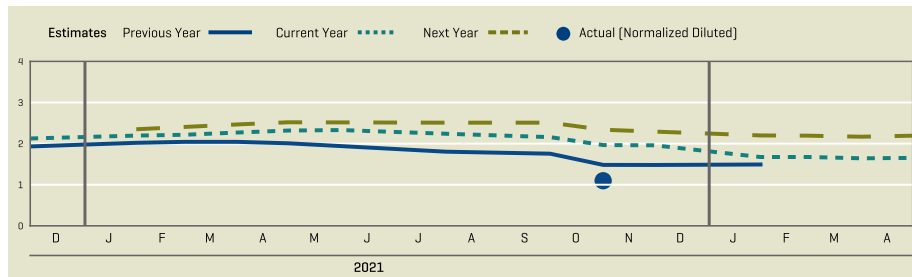
Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2022, analysts estimate that GNTX will earn USD 1.65. For fiscal year 2023, analysts estimate that GNTX's earnings per share will grow by 32.73% to USD 2.19.

	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	5	45	5	5
Buy/Hold	2	18	2	0
Hold	1	9	1	2
Weak hold	2	18	2	2
Sell	0	0	0	0
No Opinion	1	9	1	1
Total	11	100	11	10

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2023	2.19	2.35	2.01	10	13.35
2022	1.65	1.76	1.56	10	17.72
2023 vs. 2022	▲ 33%	▲ 34%	▲ 29%	N/A%	▼ -25%
Q2'23	0.54	0.55	0.54	2	53.72
Q2'22	0.38	0.40	0.36	7	76.83
Q2'23 vs. Q2'22	▲ 43%	▲ 38%	▲ 50%	▼ -71%	▼ -30%

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.

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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 (MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index)], based on a 12-month time horizon. STARS was designed to help 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 S&P Capital IQ Earnings & Dividend Rankings 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 capsize 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	C	Lowest
B+	Average	D	In Reorganization
NC	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.

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.

★★★ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★★ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★★★ 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 MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

Gentex Corporation

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

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Quantitative Stock Reports:

Quantitative rankings 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 rankings 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 February 08, 2022

Ranking	North America	Europe	Asia	Global
Buy	43.8%	46.2%	40.0%	43.4%
Hold	50.0%	47.4%	55.7%	50.7%
Sell	6.2%	6.4%	4.3%	5.9%
Total	100.0%	100.0%	100.0%	100.0%

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