

# 1<sup>st</sup> Quarter 2016 report for GNTX

Date: 5-23-16

Percentage change in Sales from year ago quarter 9.9%

Percentage change in Earnings per Share from year ago quarter 7.0%

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 14.5.

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

Signature PE = 18.6

Club cost basis for this stock is \$14.81. Current price is \$15.86 (05/20/16)  
(from latest valuation)

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

My SSG Total Return is 21.1% Projected Average Return (Average PE): 16.6

Gentex reported strong 4<sup>th</sup> q results. Gross margin increased by 180 basis points while operating margin was 31.2%, firm's best since 2004. Free cash flow remains abundant.

**What will drive future growth:** VL (3/18/16) The HomeLink acquisition will help drive top and bottom lines. 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** (4/22/16): Raised EPS estimate by \$0.01 to \$1.20 and raised Fair Value to \$18. Its financial health strong and GNTX can survive any downturn in the US easier than other auto suppliers. Strong cash flow and low-debt could make the firm an acquisition candidate.

**S&P** (2/1/16) has 12-month target of \$18 applying a 14X multiple to 2017 EPS estimate of \$1.29. 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 4.7% of our portfolio**

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