

Gentex Corporation

Recommendation BUY ★★☆☆☆

Price
\$23.50 (as of Aug 30, 2018 4:00 PM ET)

12-Mo. Target Price
\$26.00

Report Currency
USD

Investment Style
Mid-Cap Blend

Equity Analyst Efraim Levy, CFA

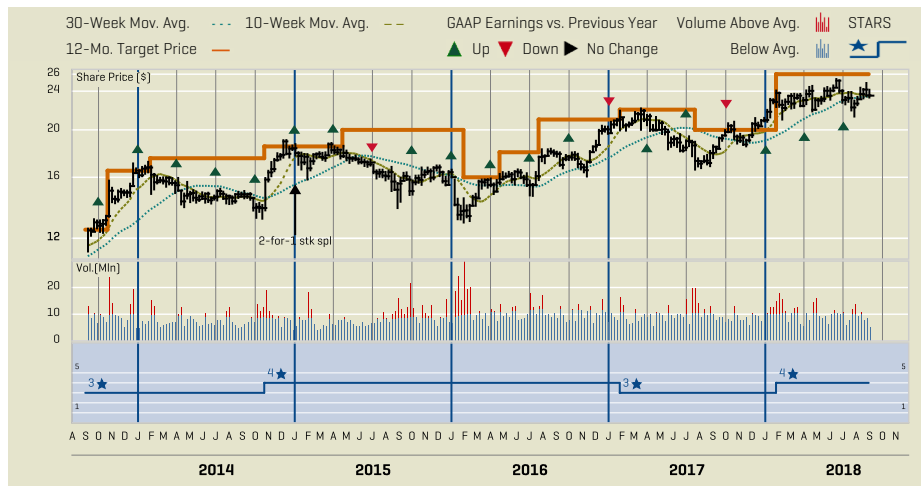
GICS Sector Consumer Discretionary
Sub-Industry Auto Parts & Equipment

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	\$25.41 - 17.52	Oper. EPS 2018E	1.67	Market Capitalization(B)	\$6.320	Beta	1.32
Trailing 12-Month EPS	1.57	Oper. EPS 2019E	1.81	Yield (%)	1.87	3-Yr Proj. EPS CAGR[%]	12
Trailing 12-Month P/E	15.05	P/E on Oper. EPS 2018E	14.15	Dividend Rate/Share	\$0.44	SPGMI's Quality Ranking	A+
\$10K Invested 5 Yrs Ago	\$22,275	Common Shares Outstg.(M)	268.92	Institutional Ownership [%]	88		

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 Aug 30, 2018 08:12 AM, when the stock traded at **\$23.93**.

Highlights

- ▶ We expect 2018 revenues to rise about 5.7% on aggregate higher U.S., European, Japanese, and Korean mirror sales. We expect revenues to advance on greater penetration, even as U.S. and European production should be flat, along with a Japan and Korea production decline. 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. Fire protection revenues likely will not change meaningfully. We expect growth in dimmable airplane windows, albeit from a tiny but expanding base, as production of the Boeing 787 Dreamliner increases. We expect 7% to 8% revenue growth in 2019.
- ▶ We project narrower operating margins for 2018, as price reductions, unfavorable currency, and the impact of initial tariffs outweigh cost cutting and operating leverage. Contributions to other income from realized equity gains should rise this year.
- ▶ We see GNTX benefiting from federal tax rate policy changes. We expect EPS of \$1.67 in 2018, up from \$1.41 in 2017, which included \$0.13 of benefit from the Tax Cuts and Jobs Act of 2017. GNTX's strategy for growth includes adding features to interior and exterior auto mirrors.

Investment Rationale/Risk

- ▶ GNTX recently traded at a premium to the peer average based on 2018 EPS estimates, but at a discount to the S&P MidCap 400 Index. We think a premium to peers is warranted by GNTX's historical ability to generate more consistent growth than peers, and also given the U.S. Department of Transportation's rules regarding expanding the required field of view to detect objects directly behind vehicles.
- ▶ 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 \$26 is derived by applying a multiple of 15.6X our 2018 EPS estimate and 14.4X our 2019 projection, below GNTX's five-year average forward P/E. We see slowing near-term growth, but we see trends supportive of increased Gentex content. We expect EPS accretion from the HomeLink acquisition, as well as from ongoing share repurchases.

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 U.S. \$)

	1Q	2Q	3Q	4Q	Year
2018	465	455	--	--	--
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
2013	269	287	289	327	1,172

Earnings Per Share (U.S. \$)

	1Q	2Q	3Q	4Q	Year
2019	E 0.42	E 0.44	E 0.47	E 0.49	E 1.81
2018	0.40	0.40	E 0.42	E 0.45	E 1.67
2017	0.33	0.31	0.31	0.45	1.41
2016	0.28	0.30	0.32	0.30	1.19
2015	0.26	0.25	0.27	0.30	1.08
2014	0.23	0.26	0.25	0.24	0.98

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

Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.11	Aug 29	Oct 04	Oct 05	Oct 17 '18
0.11	May 24	Jul 05	Jul 06	Jul 18 '18
0.11	Mar 09	Apr 05	Apr 06	Apr 18 '18
0.10	Nov 27	Jan 04	Jan 05	Jan 17 '18
0.10	Aug 23	Oct 05	Oct 06	Oct 18 '17

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 August 30, 2018

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 2017, automotive rearview mirrors and electronics accounted for 98% of the company's net sales in 2017. GNTX sold 39.3 million mirrors in 2017, up 9% from 2016. With an approximately 93% market share in auto-dimming rearview mirrors in 2017 [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 2017 was: Europe (46%), Asia-Pacific (23%), and North America (31%). Gentex's percentage of total shipments to the Asia-Pacific and Europe regions have been increasing over the last several years, while North America has been declining. Between 2007 and 2017, its Asia-Pacific market share has grown from 16% to 23%, while Europe has grown from 40% to 46%, and its North American shipments have dropped from 44% 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, Mitsubishi, Nissan, Opel, PSA Group, Renault, SAIC, Subaru, Suzuki, Tesla, Toyota, and Volkswagen.

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 and equipment sub-industry for the next 12 months is positive, reflecting our expectation for rising global demand, led by China. We think Europe production will improve again in 2018, and currency swings will likely help reported results in U.S. dollars. We think profits will benefit from higher global vehicle production.

We see U.S. new light vehicle sales falling to 16.8 million in 2018, versus 2017's 17.1 million [according to Ward's Automotive Reports]. In addition, we expect sales growth in most other regions. Rising prosperity in emerging markets, led by China, will likely drive global demand growth. We think rising volume abroad will help corporate profits and cash flows.

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 11.7 years in 2017, an industry record. Cost cutting should also help margins, and lower gasoline prices is a positive in our view. The strong dollar will likely hurt those with exposure to sales denominated in weaker currencies.

We forecast higher global vehicle production in 2018 with production trends varying by country. U.S. new light vehicle production will likely decrease, but Europe's should climb. We project higher production in Asia, led by China, and we expect improved U.S. automotive replacement parts market demand.

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 \$1.54 billion in 2015 to \$1.68 billion in 2016 and \$1.79 billion in 2017, while its EPS has risen from \$1.08 in 2015 to \$1.19 in 2016 and \$1.41 in 2017. The tax reform bill has produced a windfall of tax savings for Gentex, causing it to post an effective tax rate in the first six months of 2018 that was nearly half of the rate compared to the first half of 2017 (15.5% versus 29.2%). The reduction in income tax expense was the driver of 25% EPS growth in the first half of 2018 to \$0.80, up from \$0.64 in 2017, as revenues grew nearly 3% and gross profit was up 1%.

As of June 30, 2018, the company had \$297 million of cash and equivalents, down from \$570 million as of December 31, 2017. GNTX's total debt of \$23 million as of June 30, 2018 was down from \$78 million at year-end 2017. Management said it expected to pay the remaining balance on its credit facility in the third quarter of 2018, leaving it with essentially no debt. 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 \$0.44/share annualized dividend. In the first half of 2018, the company bought back 15.6 million shares of common stock at an average price of \$22.36/share which was partially offset by the issuance of 4.2 million shares, resulting in a net decrease of 11.4 million shares. This activity leaves GNTX with 19.67 million shares of buyback capacity under the existing authorization as of June 30, 2018.

Corporate Information

Investor Contact

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Officers

Chairman & Lead Independent Director

J. Wallace

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

F. A. Sotok

F. T. Bauer

G. F. Goode

J. A. Hollars

J. Mulder

J. Wallace

L. Brown

R. O. Schaum

Domicile

Michigan

Auditor

Ernst & Young LLP

Founded

1974

Employees

5,481

Stockholders

3,118

Gentex Corporation

Quantitative Evaluations					Expanded Ratio Analysis						
Fair Value Rank	5	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	\$28.97	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that GNTX is undervalued by \$5.47 or 23.3%.									
Volatility		LOW	AVERAGE	HIGH							
Technical Evaluation	BULLISH	Since August, 2018, the technical indicators for GNTX have been BULLISH.									
Insider Activity		UNFAVORABLE	NEUTRAL	FAVORABLE							
							2017	2016	2015	2014	
							Price/Sales	3.36	3.41	3.07	3.87
							Price/EBITDA	9.69	9.55	8.79	11.16
							Price/Pretax Income	11.30	11.08	10.43	12.87
							P/E Ratio	14.86	16.55	14.82	18.43
							Avg. Diluted Shares Outsg.(M)	288	291	296	294
							Figures based on fiscal year-end price				
Key Growth Rates and Averages											
							Past Growth Rate [%]				
								1 Year	3 Years	5 Years	
							Sales	6.91	9.28	10.30	
							Net Income	17.03	12.12	19.26	
							Ratio Analysis [Annual Avg.]				
							Net Margin [%]	NM	NM	NM	
							Return on Equity [%]	20.55	NA	NA	

Company Financials Fiscal year ending Dec. 31										
Per Share Data (U.S. \$)										
Tangible Book Value	5.11	4.42	3.66	3.03	2.16	3.82	3.52	3.09	2.62	2.50
Free Cash Flow	1.39	1.23	0.88	0.88	0.91	0.49	0.08	0.29	0.33	0.27
Earnings	1.41	1.19	1.08	0.98	0.77	0.59	0.57	0.49	0.23	0.22
Earnings (Normalized)	1.15	1.10	0.96	0.85	0.67	0.53	0.52	0.44	0.22	0.27
Dividends	0.39	0.35	0.34	0.31	0.28	0.26	0.24	0.22	0.22	0.21
Payout Ratio [%]	27	29	30	30	36	44	41	45	94	97
Prices: High	22.12	20.39	18.80	19.06	17.07	NA	17.68	15.18	9.18	9.73
Prices: Low	16.59	12.93	13.84	13.17	9.05	NA	10.92	8.27	3.50	3.25
P/E Ratio: High	18.5	16.6	38.3	50.9	44.1	NA	69.5	NM	NM	45.5
P/E Ratio: Low	13.4	12.3	14.9	28.5	28.0	NA	41.1	39.5	18.4	18.4
Income Statement Analysis (Million U.S. \$)										
Revenue	1,795	1,679	1,544	1,376	1,172	1,100	1,024	816	545	624
Operating Income	523	512	459	399	305	239	231	191	95	109
Depreciation + Amortization	99.6	88.6	80.6	77.4	62.9	50.2	42.6	38.6	38.4	35.9
Interest Expense	4.34	5.64	1.08	NA	NA	NA	NA	NA	NA	NA
Pretax Income	532	511	464	415	328	250	244	203	96	92
Effective Tax Rate	23.5	31.9	31.3	30.5	32.0	32.5	32.6	32.3	32.9	32.7
Net Income	407	348	318	289	223	169	165	138	65	62
Net Income (Normalized)	332	319	285	250	194	154	149	123	62	77
Balance Sheet and Other Financial Data (Million U.S. \$)										
Cash	722	723	556	497	310	450	419	435	353	323
Current Assets	1,185	1,155	984	857	601	745	752	655	505	457
Total Assets	2,352	2,310	2,149	2,023	1,764	1,266	1,176	1,003	823	763
Current Liabilities	244	150	131	133	120	88	101	72	59	49
Long Term Debt	NA	178	226	258	266	NA	NA	NA	NA	NA
Total Capital	2,128	2,098	1,959	1,839	1,601	1,121	1,027	894	736	699
Capital Expenditures	104	121	98	73	55	117	120	47	21	46
Cash from Operations	501	477	354	327	317	258	142	128	111	121
Current Ratio	4.86	7.71	7.51	6.42	5.01	8.47	7.47	9.09	8.62	9.24
% Long Term Debt of Capitalization	NA	8.5	11.5	14.0	16.6	NA	NA	NA	NA	NA
% Net Income of Revenue	22.7	20.7	20.6	21.0	19.0	15.3	16.1	16.9	11.9	10.0
% Return on Assets	14.0	14.3	13.7	13.2	12.6	12.3	13.3	13.1	7.5	8.2
% Return on Equity	20.5	19.1	19.3	19.9	18.2	15.7	17.1	16.9	9.0	8.2

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 positive, reflecting our expectations for plateauing demand, but a favorable mix in the U.S. and rising demand abroad, including China. We think European production will improve again in 2018. We also think profits should benefit from international vehicle production. The initiation of import and export tariffs and a possible trade war remain a risk, but we ultimately expect a negotiated resolution.

We estimate 2018 U.S. light vehicle sales will soften 1.9% to 16.8 million units, down for a second consecutive year from 2016's record volume. For 2018, we expect gains in most other regions. Rising prosperity in emerging markets, led by China, will likely drive global demand growth and European demand should rise, partly offset by declines in some emerging markets. We think higher global volume will help corporate profits and cash flows. Currency swings will impact companies' profitability. Positive factors we see in the U.S. include widely-available access to consumer credit, high consumer confidence and employment, a strong stock market and relatively low and stable gas prices. The average vehicle is now about 11.5 years old, an industry record. A rebound in commodity prices could be a headwind for margins.

We forecast higher global vehicle production in 2018, with production trends varying by country. U.S. new light vehicle production will likely decrease, but Europe's should rise. We project higher production in Asia, led by China, and we expect improved U.S. automotive replacement parts market demand. We also expect global volume to rise in 2018.

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. Over time, we expect some domestic parts suppliers to increase penetration of import brands, which are shifting more of their production to the U.S.

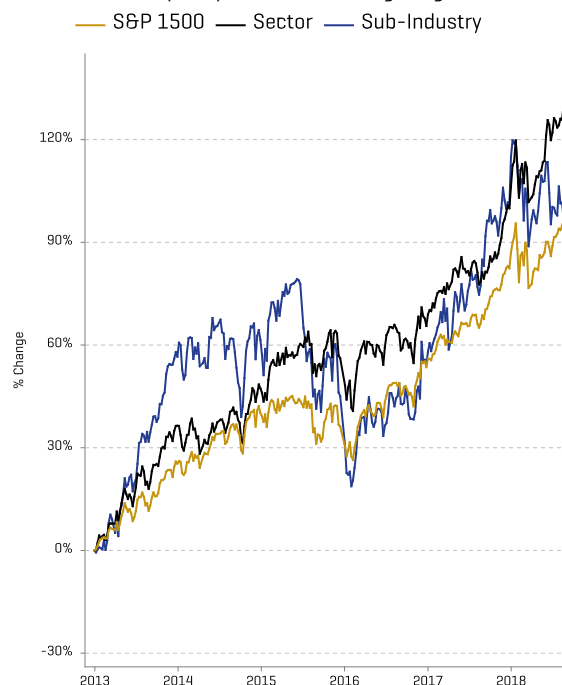
Year to date through July 13, 2018, the S&P Auto Parts & Equipment Index was down 0.4% compared to a 5.0% rise for the S&P 1500 Index. In 2017, the S&P Auto Parts Equipment Index rose 30.1% compared to an 18.8% increase in the S&P 1500 Index.

/Efraim Levy, CFA

Industry Performance

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

Based on S&P 1500 Indexes
Five-Year market price performance through Aug 30, 2018



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 & Equipment Peer Group*: Auto Parts & 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	23.50	6,320	1.3	31.1	15	28.97	1.9	20.5	NA
Adient plc	ADNT	NYSE	USD	42.71	3,988	-10.3	-38.7	NM	44.51	2.6	21.5	42.5
BorgWarner Inc.	BWA	NYSE	USD	44.51	9,297	-3.3	-0.6	18	51.77	1.5	13.6	35.0
Cooper-Standard Holdings Inc.	CPS	NYSE	USD	139.74	2,490	3.7	38.9	17	69.78	Nil	17.6	44.8
Dana Incorporated	DAN	NYSE	USD	19.79	2,861	-7.3	-16.7	15	22.34	2.0	9.7	61.7
Dorman Products, Inc.	DORM	NasdaqGS	USD	81.19	2,682	8.7	22.6	24	86.45	Nil	17.2	NA
Koito Manufacturing Co., Ltd.	KOTM.Y	OTCPK	USD	63.13	10,157	-1.4	2.8	13	NA	1.4	22.3	2.8
Linamar Corporation	LIMA.F	OTCPK	USD	45.28	2,961	-1.1	-17.3	6	87.39	0.8	19.3	29.0
Veoneer, Inc.	VNE	NYSE	USD	49.13	4,281	-6.1	NM	NM	NA	Nil	-33.7	5.0
Visteon Corporation	VC	NasdaqGS	USD	112.38	3,300	-4.0	-1.9	21	NA	Nil	23.6	30.1
Xinyi Glass Holdings Limited	XYIG.Y	OTCPK	USD	25.53	5,103	8.4	32.9	10	NA	5.3	25.4	23.9

*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

July 20, 2018

11:12 am ET... CFRA KEEPS BUY OPINION ON SHARES OF GENTEX CORPORATION (GNTX 23.41****): In the short-term, we think tariff and trade issues may modestly hurt sales and gross margins and weigh on valuation. In the longer term, we see positive vehicle content trends aiding GNTX's growth rate in international markets. We also see technology upgrades serving an evolving automotive market. Our 12-month target price of \$26 is 15.6X our '18 EPS estimate of \$1.67 and 14.4X our '19 forecast of \$1.81, on historical and peer P/E analysis. GNTX posts Q2 EPS of \$0.40 vs. \$0.31, in line with our projection, but \$0.01 below the S&P Capital IQ consensus estimate. Revenues were 3.0% lower than expected. The sales miss largely reflects weaker-than-expected North American production, including down time ripples from a supplier plant fire that hurt industry production by about one-percentage point. The company again outgrew industry production in its key markets. We expect revenues to improve on new products and increased industry vehicle production in the second half. /Efraim Levy, CFA

April 20, 2018

12:11 pm ET... CFRA KEEPS BUY OPINION ON SHARES OF GENTEX CORPORATION (GNTX 23.66****): Our 12-month target price of \$26 is 15.6X our '18 EPS estimate of \$1.67, on historical and peer P/E analysis. We raise our '18 EPS projection by \$0.09 to reflect a further reduction in expected tax rates and share count. We increase '19's EPS forecast by \$0.05 to \$1.81. We see positive vehicle content trends aiding GNTX's growth rate in international markets. We also see technology upgrades serving an evolving automotive market. GNTX posts Q4 EPS of \$0.40 vs. \$0.33, in line with the consensus estimate and \$0.01 above our view, despite 2.4% lower-than-expected revenues. The sales shortfall was largely attributable to a supplier production issue that hurt revenues by about 2%, but has since been remedied. Still, the company grew faster than the weaker-than-expected industry production in its key markets. We expect revenues to improve on new products and increased industry vehicle production as the year progresses. /Efraim Levy, CFA

January 26, 2018

12:08 pm ET... CFRA RAISES OPINION ON SHARES OF GENTEX CORPORATION TO BUY FROM HOLD (GNTX 23.29****): We raise our 12-month target by \$6 to \$26. This is 16.5X our '18 EPS estimate of \$1.58 (raised by \$0.24), on historical and peer P/E analysis. We set '19's EPS forecast at \$1.76. Tax reform should lower the company's tax rate and we see favorable vehicle content trends aiding GNTX's growth rate in international markets. We also see technology upgrades serving a changing automotive market. Including tax reform benefits of \$0.13, GNTX posts Q4 EPS of \$0.46 vs. \$0.31, above the \$0.32 consensus estimate. Operating margin comparisons were hurt by temporary elevated Q4 '16 margins. /Efraim Levy, CFA

October 20, 2017

11:47 am ET... CFRA KEEPS HOLD OPINION ON SHARES OF GENTEX CORPORATION (GNTX 19.68****): Our 12-month target of \$20 is 14.9X our '18 EPS estimate of \$1.34 (cut \$0.08), on historical and peer P/E analysis. We reduce our '17 EPS forecast to \$1.24 from \$1.26. We see favorable vehicle content trends aiding GNTX's growth rate in international markets, even as U.S. industry volume is restricted. GNTX posts Q3 EPS of \$0.31 vs. \$0.32, \$0.01 above the S&P Capital IQ consensus estimate, even as it reported weaker-than-expected revenue growth in in the U.S. and a weaker overall mix. Operating margins were hurt by price cuts, unfavorable mix and a lack of operating leverage. /Efraim Levy, CFA

July 21, 2017

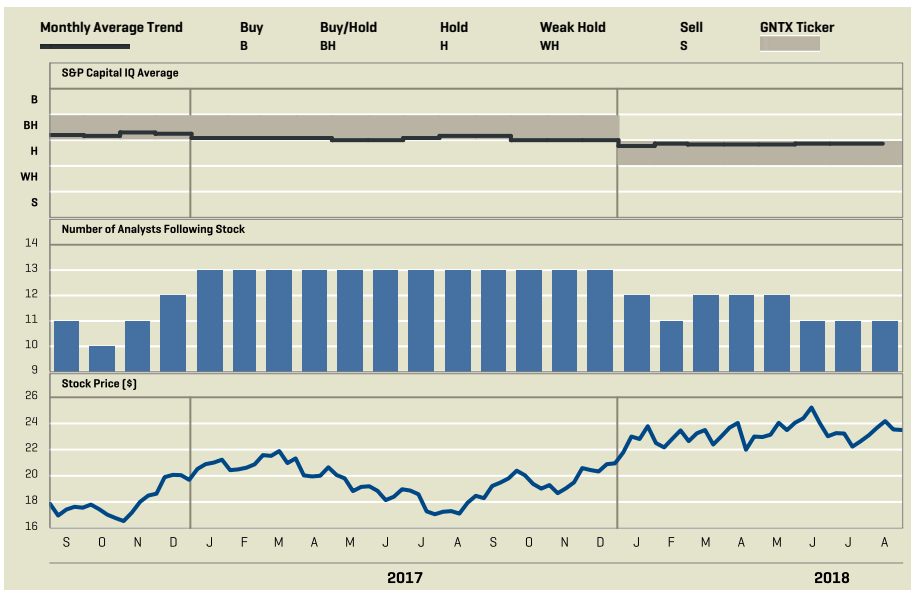
11:09 am ET... CFRA MAINTAINS HOLD OPINION ON SHARES OF GENTEX CORP. (GNTX 17.12****): We reduce our 12-month target by \$2 to \$20, or 14.6X our '18 EPS estimate of \$1.37 (down \$0.08), on historical and peer P/E analysis. We lower our '17 EPS forecast from \$1.31 to \$1.26. We see favorable vehicle content trends aiding GNTX's growth rate in international markets, even as U.S. industry volume declines. GNTX posts Q2 EPS of \$0.31 vs. \$0.30, \$0.01 less than our estimate, hurt by slightly softer-than-expected revenue growth and a weaker mix. Operating margins were hurt by price cuts and a lack of operating leverage. GNTX saw equity gains versus year-ago losses. /E. Levy-CFA

April 21, 2017

11:50 am ET... CFRA MAINTAINS HOLD OPINION ON SHARES OF GENTEX CORP. (GNTX 20.74****): Our 12-month target of \$22 is 16.8X our '17 EPS estimate of \$1.31 (down \$0.01), on historical and peer P/E analysis. We expect favorable vehicle content trends to aid GNTX's growth rate in international markets, even amid a slowing U.S. market. Q1 EPS of \$0.33 vs. \$0.28, is \$0.01 higher than our estimate, and \$0.02 above the consensus, helped by discrete tax items of \$0.02. Revenues were 1.7% better than consensus. Operating margins eased as price cuts outweighed a combination of favorable mix and operating leverage, and realized equity gains versus year-ago losses. /E. Levy-CFA

Gentex Corporation

Analysts' Recommendations



Wall Street Consensus Opinion

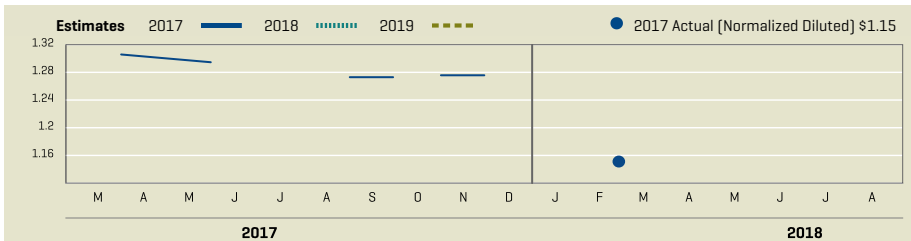
HOLD

Wall Street Consensus vs. Performance

For fiscal year 2018, analysts estimate that GNTX will earn USD \$1.67. For the 2nd quarter of fiscal year 2018, GNTX announced earnings per share of USD \$0.40, representing 24% of the total revenue estimate. For fiscal year 2019, analysts estimate that GNTX's earnings per share will grow by 8% to USD \$1.80.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	3	27	3	3
Buy/Hold	1	9	1	1
Hold	5	45	5	6
Weak Hold	1	9	1	1
Sell	1	9	1	1
No Opinion	0	0	0	0
Total	11	100	11	12

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2019	1.80	1.90	1.55	11	13.1
2018	1.67	1.72	1.62	11	14.1
2019 vs. 2018	▲8%	▲10%	▼-4%	0%	▼-7%
Q3'19	0.47	0.48	0.46	6	50.4
Q3'18	0.42	0.46	0.41	10	55.6
Q3'19 vs. Q3'18	▲12%	▲4%	▲12%	▼-40%	▼-9%

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 [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.

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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 June 30, 2018

Ranking	North America	Europe	Asia	Global
Buy	39.1%	31.9%	37.3%	36.1%
Hold	54.6%	53.6%	50.6%	52.9%
Sell	6.3%	14.5%	12.1%	11.0%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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