

**Quarterly Report (Q4 2019) for:
Gentex Corporation (GNTX)**

Report Date (McNoVA meeting): **2/12/20**
Earnings Report Date: 1/31/20

Percentage change in Sales from year ago quarter: **-2.1%** (down from +3.8%)
Percentage change in Earnings per Share from year ago quarter: **-4.9%** (down from +4.8%)

Is company meeting our target sales & earnings estimates?
Missed Analysts' Sales and Slightly Beat Analysts' Earnings Estimates

Pre-tax Profit on sales trend? **Down**
Return on equity trends? **Up**
Debt? (up, even, down) **Down**

Current P/E is **17.9** (up from 17.3) Where does it fall in my estimated High/Low range of P/E's? **Above Range**
Signature P/E = **14.5**

Club cost basis for this stock is **\$14.81** (unchanged) Current price (2/7) is **\$29.61** (up from 28.93)
(from latest valuation)
Current fair value: Morningstar: **\$23.00** (unchanged) CFRA: **\$35.71** (down from 35.85)

My SSG Total Return is **10.4%** (down from 10.7%) Projected Average Return is **7.1%** (down from 7.5%)

What will drive future growth: On January 31, 2020 (BMO), for the quarter and year ended December 31 (Q4), **Gentex Corporation** (GNTX) reports results beating general consensus estimates (GNTX beat Zack's EPS estimates (\$0.38 vs. \$0.39 reported)). Gentex reports for the quarter and the year:

- Full Display Mirror® unit shipments increased 89% for calendar year 2019 to 739,000 units
- Revenue for the fourth quarter of 2019 declined 2% versus the fourth quarter of 2018, primarily impacted by the strike at General Motors which created a 5% revenue headwind in the quarter, and global light vehicle production that declined approximately 5% versus the same quarter last year
- Gross profit margin of 36.5% for the fourth quarter of 2019, which was significantly higher than the strike-impacted Company forecast of 35 - 36% for the quarter
- Gross profit margin of 37% for calendar year 2019, which includes 70 basis points of incremental tariff headwinds when compared to 2018, and total tariff costs of approximately 100 basis points for the full year
- Earnings per diluted share for 2019 increased 2% to \$1.66 in 2019 from \$1.62 in 2018
- 2.4 million shares repurchased during the fourth quarter at an average price of \$28.55 per share and 13.8 million shares repurchased during calendar year 2019 at an average price of \$24.06 per share
[Gentex 4th Quarter and Annual Report]

Gentex had cash and cash equivalents of \$296.3 million as of Dec 31, 2019 compared with \$217 million in the corresponding period of 2018. Looking forward, the company expects fiscal 2020 revenues in the range of \$1.91-\$2 billion. Gross margin is forecasted within the range of 36-37% for the current year. Operating expenses are projected in the range of \$205-\$215 million and capital expenditures (CapEx) is anticipated in the range of \$85-\$95 million. [Zack's Gentex 4th Quarter 2019 Analyst Report]

SSG analysis indicates Hold. Recommendation: **Hold**

SYMBOL	PERIOD	EVENT TITLE	EPS ESTIMATE	EPS ACTUAL	PREV. YEAR ACTUAL	DATE/TIME (ET)
GNTX	Q4 2019	Gentex Corporation Earnings Release	\$0.38 vs. \$0.39 reported (GAAP)	(\$0.39) (GAAP)	\$0.41 (GAAP)	31-January-20 BMO

Bulls Say

- Auto-dimming technology has applications to other parts of the car like headlights, as well as outside autos such as airplane windows. Although small now, markets outside the auto industry could prove to be very large businesses down the road.
- The company's financial health is so strong that Morningstar believes Gentex can survive any downturn in the U.S. easier than other auto suppliers can.
- Biometrics and electronic toll payments could open up new revenue streams for the company.

Bears Say

- Cameras could replace Gentex's mirrors, if regulators throughout the world allowed it. Morningstar does not believe this is a likely threat, at least not anytime in the near future in very large volume.
- Gentex hoards cash but has made good effort recently to buy back stock while increasing its dividend. A higher dividend would give shareholders -- instead of management--more control in allocating excess capital.
- As auto-dimming mirrors become available on more vehicle models, OEMs may want to lower their own costs by pressuring Gentex to reduce prices, or by supporting emerging competitors.

[Morningstar]