

Gentex (GNTX) Tops Q4 Earnings Estimates, Issues 2020 View



Zacks Equity Research

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Gentex Corporation GNTX reported fourth-quarter 2019 earnings per share of 39 cents, surpassing the Zacks Consensus Estimate by a penny. Higher-than-expected automotive net sales lead to the outperformance. Precisely, fourth-quarter automotive net sales totaled \$433.8 million, topping the consensus mark of \$428 million.

The bottom line, however, declined from the year-ago earnings of 41 cents per share. Its net income was down to \$99.5 million from \$106.3 million reported in fourth-quarter 2018. This is mainly attributed to year-over-year decline in revenues amid 6-week long strike at General Motors GM.

During the quarter under review, total revenues came in at \$443.8 million, which missed the Zacks Consensus Estimate of \$448 million. Moreover, the top line also fell from the year-ago figure of \$453.4 million.

Gentex Corporation Price, Consensus and EPS Surprise



Gentex Corporation Price, Consensus and EPS Surprise

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Other Highlights

The company recorded gross margin of 36.5% in the quarter under review, down from the year-ago quarter's 37.9% amid tariff woes and the UAW-General Motors strike.

In the quarter, auto-dimming mirror shipments in the North America market fell 2% to 3.3 million units. In the International market, the same grew 5% from the prior-year quarter to 7.2 million units. Total shipments also rose 3% year over year to 10.5 million units.

Operating expenses increased 3% year over year to \$51 million in fourth-quarter 2019. Higher SG&A and R&D costs drove total costs. SG&A expenses rose to \$22.1 million from \$19.5 million in the year-ago quarter. Engineering and R&D expenses increased to \$28.8 million in fourth-quarter 2019 from 26.9 million recorded in the year-ago period.

Share Repurchase & Cash Position

During the quarter under review, the company repurchased approximately 2.4 million shares of its common stock at \$28.55 per share. As of Dec 31, 2019, Gentex had around 20.1 million shares remaining for repurchase. The company intends to continue to repurchase additional shares of its common stock to support the capital-allocation strategy.

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.

Guidance

Looking forward, the company expects fiscal 2020 revenues in the range of \$1.91-\$2 billion. Gross margin is forecasted within 36-37% for the current year. Operating expenses are projected in the band of \$205-\$215 million. Capex is anticipated in the range of \$85-\$95 million.

Zacks Rank & Other Stocks to Consider

Gentex currently carries a Zacks Rank #2 (Buy). Other top-ranked stocks in the Auto-Tires-Trucks sector include Gentherm Inc. THRM and SPX Corporation SPXC. While Gentherm flaunts a Zacks Rank #1 (Strong Buy), SPX Corp carries a Zacks Rank of 2, at present. You can see **the complete list of today's Zacks #1 Rank stocks here**.

Gentherm has a projected earnings growth rate of 20.6% for the current year. Its shares have gained 7.3% over the past year.

SPX has an expected earnings growth rate of 8.09% for the current year. The stock has rallied 60.7% in the past year.