

Gentex Corporation

Recommendation **HOLD** ★★☆☆☆

Price USD 30.40 (as of market close Nov 06, 2020) **12-Mo. Target Price** USD 32.00

Report Currency USD

Investment Style Mid-Cap Growth

Equity Analyst Garrett Nelson

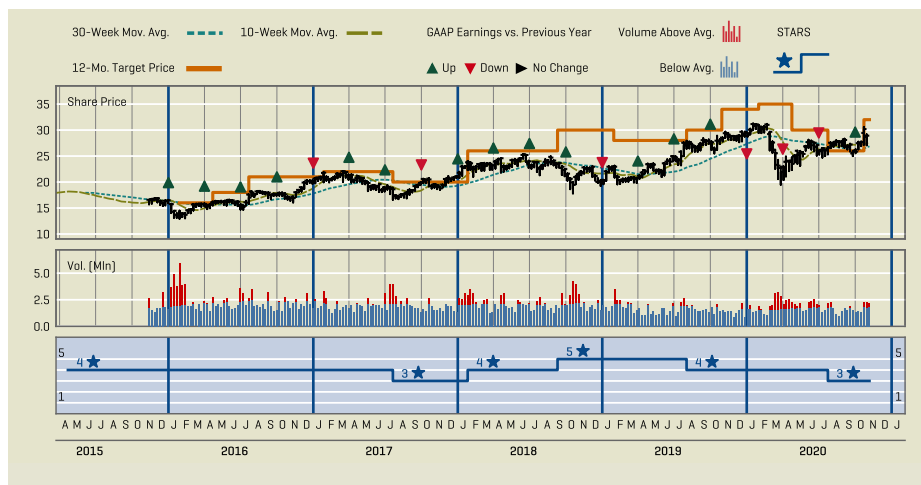
GICS Sector Consumer Discretionary
Sub-Industry Auto Parts and Equipment

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	USD 31.16 - 20.09	Oper.EPS2020E	USD 1.32	Market Capitalization[B]	USD 7.45	Beta	1.12
Trailing 12-Month EPS	USD 1.21	Oper.EPS2021E	USD 1.90	Yield [%]	1.58	3-yr Proj. EPS CAGR[%]	5
Trailing 12-Month P/E	25.09	P/E on Oper.EPS2020E	23.03	Dividend Rate/Share	USD 0.48	SPGMI's Quality Ranking	A+
USD 10K Invested 5 Yrs Ago	18632.0	Common Shares Outstg.[M]	244.00	Institutional Ownership [%]	84.0		

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 Oct 23, 2020 01:29 PM ET, when the stock traded at USD 29.70.

Highlights

- ▶ We expect revenue to decline by approximately 12% in 2020 after increasing by 1.4% in 2019 driven sharply lower mirror sales in every major market. Still, GNTX's revenues are not likely to decline by as much as global auto production volumes, helped by increased content per vehicle. In 2019, GNTX reported a 3% increase in total mirror shipments despite a decline in global light vehicle production, driven by an 8% increase in North American mirror sales.
- ▶ We expect GNTX's gross margin to contract by about 100 bps to 35.5% in 2020, mainly due to Covid-19 impacts that affected its Q2 results. In the first half of 2020, GNTX suffered from lost sales and manufacturing inefficiencies due to pandemic-related shutdowns, severance-related costs, and price reductions, but sales volumes and margins rebounded very strongly in Q3 2020.
- ▶ We forecast adjusted EPS of \$1.32 in 2020 and \$1.90 in 2021, versus \$1.66 in 2019. Share repurchases should help boost the company's EPS; we note that GNTX recently resumed share repurchases after a temporary halt, buying back 1.2 million shares for \$26.93/sh in Q3 2020. GNTX has a steady history of steadily increasing its dividend to the current level of \$0.48/share annualized.

Investment Rationale/Risk

- ▶ Our Hold opinion reflects a view that GNTX is fairly valued at current levels, but we consider it a high-quality name and like its strong balance sheet (net cash) and sub-industry leading gross margin. We also think lower-quality, higher-beta suppliers are more likely to outperform in the type of environment where global auto production rebounds strongly (CFRA estimate = 11.8% increase in 2021). GNTX trades at a premium to 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 price 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.
- ▶ Our 12-month target price of \$32 is based on a multiple of 16.8x our '21 adjusted EPS estimate, a slight discount to GNTX's 10-year mean forward P/E of 17.2x, which we think is warranted by early-cycle auto market conditions. 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
2020	454	230	475	--	--
2019	469	469	478	444	1,859
2018	465	455	460	453	1,834
2017	454	443	439	460	1,795
2016	406	424	430	420	1,679
2015	369	379	390	406	1,544

Earnings Per Share (USD)

Earnings Per Share (USD)	1Q	2Q	3Q	4Q	Year
2021	E 0.45	E 0.46	E 0.48	E 0.51	E 1.90
2020	0.36	0.02	0.48	E 0.46	E 1.32
2019	0.40	0.42	0.44	0.39	1.66
2018	0.40	0.40	0.42	0.41	1.62
2017	0.33	0.31	0.31	0.45	1.41
2016	0.28	0.30	0.32	0.30	1.19

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	Aug 31	Oct 08	Oct 09	Oct 21 '20
0.1200	Jun 09	Jul 09	Jul 10	Jul 22 '20
0.1200	Mar 09	Apr 08	Apr 10	Apr 22 '20
0.1150	Dec 09	Jan 07	Jan 08	Jan 22 '20

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 Oct 23, 2020

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 2019, automotive rearview mirrors and electronics accounted for 97% of the company's net sales. GNTX sold approximately 42.9 million mirrors in 2019, up 3% from 41.6 million in 2018. With an approximately 94% market share in auto-dimming rearview mirrors in 2019 (up from 92% in 2018 and 88% in 2013), GNTX is the dominant supplier of this part to the automotive industry. As of February 1, 2020, Gentex had 5,874 full-time employees, up from 5,707 one year earlier, and 100% of its workforce is non-union.

The company's breakdown of net sales by country in 2019 was: United States (33%), Germany (16%), Japan (12%), Mexico (9%), and Other (30%). 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. Between 2008 and 2018, its Asia-Pacific market share has grown from 17% to 24%, while North America dropped from 38% to 31% of total volumes. 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 2019: 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 for a sharp recovery in sales volume in China, Europe, and the U.S. (which together account for over 70% of global vehicle sales) in 2021 from the depressed, Covid-19 impacted levels of 2020, balanced by the impact of tariffs on raw material costs, as well as shifting consumer preferences in favor of more inexpensive used vehicles.

We see U.S. new light vehicle sales falling 18.6% to 14.2 million units in 2020 followed by a 12.2% rebound to 16.0 million in 2021, down from approximately 17.1 million in 2019, which marked an unprecedented fifth consecutive year above 17 million units. Looking at the global market, we expect vehicle demand to fall by 18% in 2020, with sharp declines across every major market, before rebounding by 12% in 2021. Worldwide vehicle sales fell by 4.0% to 91.3 million units in 2019, according to the International Organization of Motor Vehicle Manufacturers, the largest year-over-year drop since the financial crisis more than a decade ago.

On the positive side, low gasoline prices and interest rates, and lucrative sales incentives should prevent sales from falling further. We think significantly weaker GDP growth and less favorable U.S. consumer discretionary trends relative to 2019 will have a negative impact on overall auto sales. We also see significant credit risk for auto manufacturers with internal financing divisions, as unemployment spikes and auto loan defaults rise. Currency swings will also likely impact companies' profitability. According to IHS Markit, the average vehicle on the road in the U.S. was 11.9 years old in 2020, an industry record, which should help support retail and parts demand. Some companies have cut or suspended dividend payments altogether, corporate share repurchases have slowed, and draconian cost cuts (opex and capex) have been announced, as companies aggressively attempt to preserve cash and liquidity. We think investments in electric and autonomous vehicle programs could be cut as well, but we expect those investments to rebound in tandem with an improvement in global auto sales in 2021.

FINANCIAL TRENDS. Gentex's total revenues increased from \$1.79 billion in 2017 to \$1.83 billion in 2018 and \$1.86 billion in 2019, while its EPS rose from \$1.41 in 2017 to \$1.62 in 2018 and \$1.66 in 2019. The late 2017 U.S. tax reform bill produced a windfall of tax savings for Gentex. In the first nine months of 2020, GNTX reported a 34.9% drop in EPS (\$0.82 vs. \$1.26 in the year-ago period), as revenues declined 18.1% and its gross margin contracted 360 bps to 33.6%.

As of September 30, 2020, the company had \$453 million of cash, cash equivalents and short-term investments, up from \$437 million as of December 31, 2019. GNTX had \$25 million of total debt, up from zero at the end of 2019. Given its robust balance sheet and net cash position, we think Gentex is well positioned to navigate the global downturn in new vehicle demand.

Gentex currently returns cash to shareholders through dividends and share repurchases. The company currently pays a \$0.48/share annualized dividend. In the first nine months of 2020, GNTX repurchased approximately 8.2 million shares of stock for \$210.7 million (an average price of \$25.70/share), although it did not repurchase any stock in Q2 2020. GNTX repurchased approximately 13.8 million shares of common stock for \$332.0 million (an average price of \$24.06/share) in 2019 and 26.4 million shares for \$590.6 million at an average price of \$22.37/share in 2018. This activity left GNTX with 11.9 million shares of buyback capacity under the existing authorization as of September 30, 2020.

Corporate information

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Officers

CTO & VP of Engineering N. Boehm	President, CEO & Director S. R. Downing
VP of Finance, CFO, Treasurer & Chief Accounting Officer K. C. Nash	VP, General Counsel & Corporate Secretary S. Ryan
Independent Chairman & Lead Independent Director J. Wallace	Vice President of Operations P. V. Flynn

Board Members

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F. T. Bauer	K. K. Starkoff
G. F. Goode	L. Brown
J. A. Hollars	R. D. Schaum
J. Mulder	S. R. Downing

Domicile

Michigan

Auditor

Ernst & Young LLP

Founded

1974

Employees

5,874

Stockholders

2,238

Gentex Corporation

Quantitative Evaluations					
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 15.20	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that GNTX is overvalued by USD 15.20 or 50.00%			
Volatility	LOW	AVERAGE	HIGH		
Technical Evaluation	BULLISH	Since October, 2020, the technical indicators for GNTX have been BULLISH"			
Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2019	2018	2017	2016
Price/Sales	3.95	2.97	3.36	3.41
Price/EBITDA	12.37	8.94	9.69	9.55
Price/Pretax Income	14.67	10.45	11.35	11.23
P/E Ratio	17.49	12.46	14.84	16.55
Avg. Diluted Shares Outstg. [M]	253.27	269.88	288.23	291.07

Figures based on fiscal year-end price

Key Growth Rates and Averages			
Past Growth Rate [%]	1 Year	3 Years	5 Years
Net Income	NM	6.91	8.03
Sales	1.35	3.45	6.21
Ratio Analysis [Annual Avg.]			
Net Margin [%]	22.85	23.13	22.14
% LT Debt to Capitalization	0.02	0.01	4.01
Return on Equity [%]	22.35	21.76	20.75

Company Financials Fiscal year ending Dec 31										
Per Share Data [USD]	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tangible Book Value	5.40	4.87	5.11	4.42	3.66	3.03	2.16	3.82	3.52	3.09
Free Cash Flow	1.67	1.74	1.39	1.23	0.88	0.88	0.91	0.49	0.08	0.29
Earnings	1.66	1.62	1.41	1.19	1.08	0.98	0.77	0.59	0.57	0.49
Earnings [Normalized]	1.23	1.20	1.15	1.10	0.96	0.85	0.67	0.53	0.52	0.44
Dividends	0.46	0.44	0.39	0.36	0.34	0.31	0.28	0.26	0.24	0.22
Payout Ratio [%]	27.00	27.00	27.00	29.00	30.00	30.00	36.00	44.00	41.00	45.00
Prices: High	29.74	25.41	22.12	20.39	18.80	19.06	17.08	15.70	17.68	15.18
Prices: Low	19.55	17.80	16.59	12.93	13.84	13.17	9.06	7.19	10.92	8.27
P/E Ratio: High	17.90	15.70	15.70	17.10	17.40	19.40	22.20	26.70	31.00	31.00
P/E Ratio: Low	11.80	11.00	11.80	10.90	12.80	13.40	11.80	12.20	19.20	16.90
Income Statement Analysis [Million USD]										
Revenue	1,859	1,834	1,795	1,679	1,544	1,376	1,172	1,100	1,024	816.00
Operating Income	489.00	508.00	523.00	512.00	459.00	399.00	305.00	239.00	231.00	191.00
Depreciation + Amortization	105.00	102.00	100.00	89.00	81.00	77.00	63.00	50.00	43.00	39.00
Interest Expense	N/A	0.00	1.00	2.00	1.00	N/A	N/A	N/A	N/A	N/A
Pretax Income	500.00	522.00	532.00	511.00	464.00	415.00	328.00	250.00	244.00	203.00
Effective Tax Rate	15.10	16.10	23.50	31.90	31.30	30.50	32.00	32.50	32.60	32.30
Net Income	425.00	438.00	407.00	348.00	318.00	289.00	223.00	169.00	165.00	138.00
Net Income [Normalized]	312.50	325.00	331.80	318.90	285.40	249.80	193.70	153.90	148.60	122.50
Balance Sheet and Other Financial Data [Million USD]										
Cash	437.00	386.00	722.00	723.00	556.00	497.00	310.00	450.00	419.00	435.00
Current Assets	950.00	851.00	1,185	1,155	984.00	857.00	601.00	745.00	752.00	655.00
Total Assets	2,169	2,085	2,352	2,310	2,149	2,023	1,764	1,266	1,176	1,003
Current Liabilities	172.00	169.00	244.00	150.00	131.00	133.00	120.00	88.00	101.00	72.00
Long Term Debt	N/A	N/A	N/A	178.00	226.00	258.00	266.00	N/A	N/A	N/A
Total Capital	1,939	1,862	2,128	2,098	1,959	1,839	1,601	1,121	1,027	894.00
Capital Expenditures	85.00	86.00	104.00	121.00	98.00	73.00	55.00	117.00	120.00	47.00
Cash from Operations	506.00	552.00	501.00	477.00	354.00	327.00	317.00	258.00	142.00	128.00
Current Ratio	5.53	5.03	4.86	7.71	7.51	6.42	5.01	8.47	7.47	9.09
% Long Term Debt of Capitalization	0.00	N/A	N/A	8.50	11.50	14.00	16.60	N/A	N/A	N/A
% Net Income of Revenue	22.80	23.90	22.70	20.70	20.60	21.00	19.00	15.30	16.10	16.90
% Return on Assets	14.35	14.31	14.03	14.35	13.75	13.17	12.57	12.26	13.27	13.08
% Return on Equity	22.40	22.40	20.50	19.10	19.30	19.90	18.20	15.70	17.10	16.90

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 for a sharp recovery in sales volume in China, Europe, and the U.S. [which together account for over 70% of global vehicle sales] in 2021 from the depressed, Covid-19 impacted levels of 2020, balanced by the impact of tariffs on raw material costs, as well as shifting consumer preferences in favor of more inexpensive used vehicles.

We estimate U.S. light vehicle sales will decline by 18.6% to 14.2 million units in 2020 before rebounding by 12.2% to 16.0 million units in 2021. U.S. light vehicle sales fell by approximately 1% to 17.1 million units in 2019, marking an unprecedented fifth consecutive year above 17 million units. On the positive side, low gasoline prices and interest rates, and lucrative sales incentives should prevent sales from falling further. We think significantly weaker GDP growth and less favorable U.S. consumer discretionary trends relative to 2019 will have a negative impact on overall auto sales. We also see significant credit risk for auto manufacturers with internal financing divisions, as unemployment spikes and auto loan defaults rise. Currency swings will also likely impact companies' profitability. The average vehicle on the road in the U.S. was 11.9 years old in 2020 according to IHS Markit, an industry record, which should help support retail and parts demand. Some companies have cut or suspended dividend payments altogether, corporate share repurchases have slowed, and draconian cost cuts [opex and capex] have been announced, as companies aggressively attempt to preserve cash and liquidity. We think investments in electric and autonomous vehicle programs could be cut as well, but we expect those investments to rebound in tandem with an improvement in global auto sales in 2021.

Looking at the global market, we estimate that global vehicle sales will decline by 18.0% to 74.9 million units in 2020 before rebounding by 11.8% to 83.7 million units in 2021. Worldwide vehicle sales fell by 4.0% to 91.3 million units in 2019

according to the International Organization of Motor Vehicle Manufacturers, the largest year-over-year drop since the financial crisis a decade ago. Global auto sales peaked at 95.7 million units in 2017. The 2019 decline was driven by China [-8.2%], the world's largest consumer [28% of global auto sales] and to a lesser extent, Europe [23% of global auto sales]. We expect the precipitous drop in global sales in 2020 to be driven by the world's second and third largest markets of Europe [-24.3%] and the U.S. [-18.6%], with China faring significantly better [-7.8%] due to recent demand rebound and easier comps in the second half of the year. Low fuel prices and interest rates, and generous sales incentives should help prevent support auto sales from falling further.

On a YTD basis through September 18, 2020, the S&P Auto Parts & Equipment Index is down 9.6% versus a 1.5% gain for the S&P 1500 Index. In 2019, the S&P Auto Parts & Equipment Index was up 31.3% versus a 28.3% gain for the S&P 1500 Index, and was down 32.2% compared to a 6.8% decline for the S&P 1500 Index in 2018. The sub-industry's five-year CAGR is 2.3%, short of the 11.1% growth rate for the S&P 1500 Index.

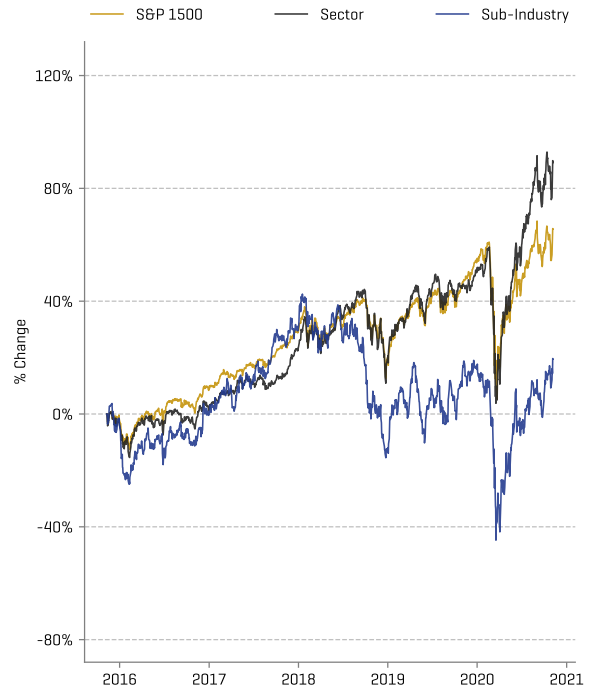
/ Garrett Nelson

Industry Performance

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

Based on S&P 1500 Indexes

Five-Year market price performance through Nov 07, 2020



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	30.10	7,398.0	13.2	3.3	18.0	15.20	1.6	22.4	0.0
Aisin Seiki Co., Ltd.	ASEKY	OTCPK	USD	29.94	8,123.0	-8.5	N/A	35.0	N/A	N/A	1.6	31.6
Autoliv, Inc.	ALV	NYSE	USD	80.43	7,025.0	0.1	-4.7	15.0	60.33	N/A	23.0	42.2
BorgWarner Inc.	BWA	NYSE	USD	37.02	9,052.0	-7.3	-17.4	10.0	48.10	1.8	17.3	25.3
Faurecia S.E.	FURC.F	OTCPK	USD	36.80	5,072.0	-19.3	-28.5	7.0	N/A	N/A	15.6	41.1
HELLA GmbH & Co. KGaA	HLLGY	OTCPK	USD	22.31	5,124.0	-11.5	N/A	NM	N/A	N/A	-17.0	33.0
Koito Manufacturing Co., Ltd.	KOTMY	OTCPK	USD	52.36	8,305.0	5.3	-4.4	15.0	N/A	N/A	12.2	0.1
Lear Corporation	LEA	NYSE	USD	130.32	7,824.0	5.6	5.2	10.0	107.17	N/A	18.2	36.3
Stanley Electric Co., Ltd.	STAE.F	OTCPK	USD	28.45	4,596.0	N/A	7.7	26.0	N/A	N/A	5.8	2.9
Sumitomo Electric Industries, Ltd.	SMTQY	OTCPK	USD	11.35	8,852.0	N/A	-20.3	13.0	N/A	N/A	5.0	11.8
Xinyi Glass Holdings Limited	XYIGY	OTCPK	USD	42.87	8,636.0	14.4	92.4	298.0	N/A	N/A	22.6	20.0

*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

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

July 24, 2020

09:59 AM ET... CFRA Lowers Opinion on Shares of Gentex Corporation to Hold from Buy [GNTX 26.28***]:

We lower our 12-month price target by \$4 to \$26 based on '21 P/E of 17.3x versus GNTX's 10-year mean forward P/E of 17.1x. We cut our adjusted EPS estimates to \$1.05 from \$1.20 for '20 and to \$1.50 from \$1.75 for '21. GNTX posts Q2 adjusted EPS of \$0.02 vs. \$0.42 [-95.2%], short of the \$0.12 consensus. The miss was both on the top line and cost side, as Q2 revenue fell 50.9% to \$229.9M [\$36.4M shy of consensus] on a 51.4% drop in mirror shipments, while gross margins contracted 1,860 bps to 19.1% [consensus = 31.8%]. The good news is that GNTX's earnings should rebound sharply in the second half of the year in tandem with the global production ramp-up, as it provided 2H'20 guidance for revenue and gross margin of \$865M-\$915M and 36%-37%, respectively, versus the consensus of \$898M and 35%. While we consider GNTX a high-quality name with a robust balance sheet, we lower our rating to Hold as we think the guidance sets a high bar and its sales/margins could be pressured by distressed automakers for some time. / Garrett Nelson

April 24, 2020

09:59 AM ET... CFRA Reiterates Buy Opinion on Shares of Gentex Corporation [GNTX 23.23***]:

We lower our 12-month target price by \$5 to \$30 based on '21 P/E of 17.1x, a discount to GNTX's 10-year mean forward P/E of 17.2x. Our EPS estimates are reduced by \$0.65 to \$1.20 for '20 and by \$0.30 to \$1.75 for '21. GNTX posts Q1 EPS of \$0.36 vs. \$0.40 [-10.0%], a penny ahead of consensus. GNTX's Q1 revenue fell 3.2% to \$453.8M [\$29.1M above consensus] and gross margin contracted 170 bps to 34.5% [consensus = 36.0%]. GNTX's auto-dimming mirror shipments fell 2.7% to 10.39M units. GNTX lowered 2020 guidance for revenue and gross margin to \$1.58B-\$1.67B and 34%-35%, respectively, from \$1.91B-\$2.00B and 36%-37%, one of the industry's few companies to not simply withdraw guidance due to Covid-19 uncertainty. GNTX also cut opex and capex guidance, but continued its steady pace of buybacks, repurchasing 7.0M shares at \$25.48/share in Q1. With its industry-leading gross margin, pristine balance sheet, and consistent history of cash returns to shareholders, GNTX remains our top auto supplier pick. / Garrett Nelson

January 31, 2020

09:32 AM ET... CFRA Reiterates Buy Opinion on Shares of Gentex Corporation [GNTX 30.95***]:

We lift our 12-month target price by \$1 to \$35 based on '21 P/E of 17.1x, a discount to its average 10-year forward P/E of 17.4x. Our EPS estimates increase by \$0.05 to \$1.85 for '20 and by \$0.05 to \$2.05 for '21. GNTX posts Q4 EPS of \$0.39 vs. \$0.41 [-4.9%], \$0.02 ahead of consensus. GNTX's Q4 revenue fell 2.1% to \$443.8M [\$2.1M shy of consensus] and gross margin contracted 140 bps to 36.5%, as the GM strike and tariffs produced a drag of 125 bps and 30 bps, respectively. GNTX's mirror shipments increased 3.1% to 10.54M units in Q4. GNTX provided 2020 net sales and gross margin guidance of \$1.91B-\$2.00B and 36%-37%, respectively, versus the consensus of \$1.95B and 36.8%. GNTX continued its steady pace of buybacks, repurchasing 2.4M shares at an average price of \$28.55 in Q4. With its industry-leading gross margins, debt-free balance sheet, and history of cash returns to shareholders via dividends and buybacks, we continue to regard GNTX as a best-in-class auto supplier. / Garrett Nelson

October 29, 2019

08:00 PM ET... CFRA Reiterates Buy Opinion on Shares of Gentex Corporation [GNTX 28.40***]:

We raise our 12-month target price by \$4 to \$34 based on 17.0x our newly-introduced '21 EPS estimate, a discount to the stock's 10-year mean P/E of 17.9x. Our EPS estimates remain \$1.65 for '19 and \$1.80 for '20, while we introduce a '21 estimate of \$2.00. With GNTX shares currently hovering near an all-time high, we see additional room to run to the upside over the next 12 months, driven by steady earnings growth, ongoing share repurchases and value creation opportunities from its industry-leading balance sheet strength [no debt]. As a reminder, GNTX is coming off strong Q3 results in which it posted mid-single digit EPS and mirror shipment volume growth and gross margin expansion in the face of negative tariff impacts. We continue to view GNTX as a best-in-class auto supplier, and despite a negative near-term EPS impact from the GM strike, the recent work stoppage should have no impact on earnings in 2020 and beyond; we consider shares attractively valued even with the recent run-up. / Garrett Nelson

October 17, 2019

08:00 PM ET... CFRA Maintains Buy Opinion on Shares of Gentex Corporation [GNTX 27.59***]:

We maintain our 12-month target price of \$30 based on 16.7x our '20 EPS estimate, a discount to the stock's 10-year mean P/E of 18.1x. We lower our '19 EPS estimate by \$0.05 to \$1.65 while '20 remains \$1.80. GNTX posts Q3 EPS of \$0.44 vs. \$0.42 [+4.8%], \$0.02 ahead of consensus. GNTX's Q3 revenue rose 3.8% to \$478M [\$4M above consensus] and gross margin of 37.7% was up from 37.6% in the year-ago quarter despite a negative year-over-year tariff impact of 110 bps. GNTX's auto-dimming mirror shipments rose 6.0% to 10.84M units in Q3. GNTX said the GM strike negatively impacted its Q3 net sales by 2% and would impact Q4 results, providing Q4 net sales and gross margin guidance of \$430M-\$455M and 35%-36%, respectively, versus the current consensus of \$471M and 37.2%. GNTX repurchased 3.6M shares at an average price of \$27.07 in Q3. We regard GNTX as a best-in-class auto supplier and view the GM strike as a bump in the road which will likely have no impact on earnings in 2020 and beyond. / Garrett Nelson

August 02, 2019

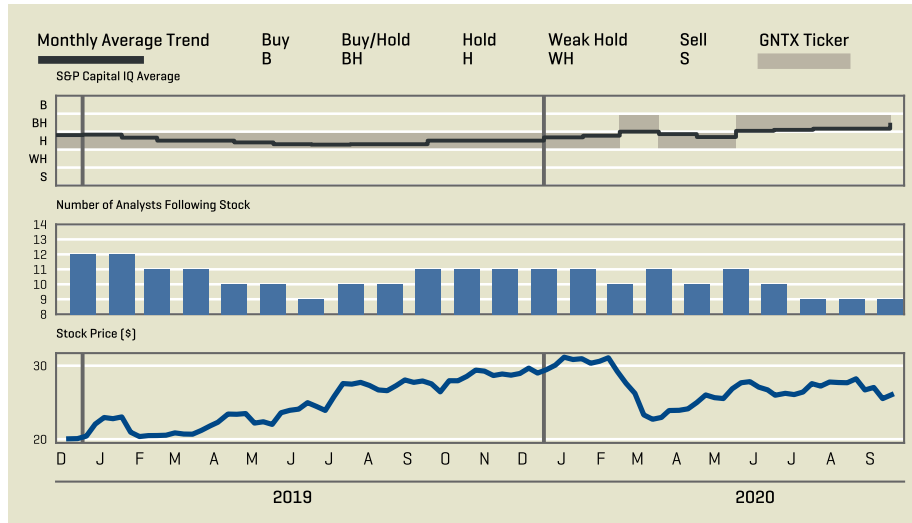
09:26 AM ET... CFRA Lowers Opinion on Shares of Gentex Corporation to Buy from Strong Buy [GNTX 26.89***]:

We increase our 12-month price target by \$2 to \$30, based on 16.7x our '20 EPS estimate, representing a late-cycle discount to the stock's 10-year average forward P/E of 18.8x. Our EPS estimates remain \$1.70 for '19 and \$1.80 for '20. Following recent multiple expansion and with the shares nearing our former \$28 price target, we lower our opinion one notch to Buy. As a reminder, GNTX recently posted one of the strongest quarters of any auto supplier, growing EPS by 5.0% and raising full year gross margin guidance despite weak underlying global automotive demand and the negative impact of tariffs. We continue to regard GNTX as a best-of-breed auto parts and equipment company with its industry-leading gross margins, debt-free balance sheet, and long history of returning cash to shareholders via dividends and share repurchases, but now view the stock as more fairly valued and believe near-term upside is more limited. Consequently, we lower our opinion to Buy. / 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

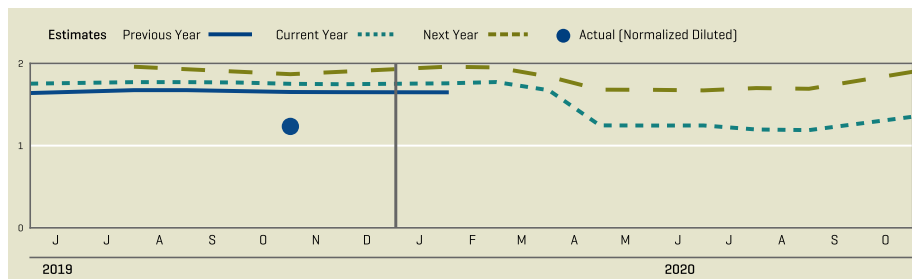
Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2020, analysts estimate that GNTX will earn USD 1.35. For fiscal year 2021, analysts estimate that GNTX's earnings per share will grow by 40.5% to USD 1.90.

	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	5	56	5	4
Buy/Hold	0	0	0	0
Hold	2	22	2	3
Weak hold	2	22	2	2
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	9	100	9	9

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2021	1.90	2.10	1.45	9	16.01
2020	1.35	1.37	1.29	8	22.50
2021 vs. 2020	▲ 41%	▲ 53%	▲ 12%	▲ 13%	▼ -29%
Q4'21	0.53	0.56	0.50	4	57.63
Q4'20	0.50	0.50	0.48	7	61.38
Q4'21 vs. Q4'20	▲ 7%	▲ 12%	▲ 4%	▼ -43%	▼ -6%

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.

Gentex Corporation

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 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 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.

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

Gentex Corporation

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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 28, 2019

Ranking	North America	Europe	Asia	Global
Buy	34.4%	29.0%	41.1%	33.5%
Hold	56.1%	54.8%	46.4%	54.6%
Sell	10.5%	16.2%	12.5%	11.9%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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