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Gentex (GNTX) Q2 Earnings & Revenues Fall Short of Estimates

Zacks Equity Research

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Gentex Corporation ([GNTX](#) - [Free Report](#)) reported second-quarter 2020 earnings per share of 2 cents, missing the Zacks Consensus Estimate of 12 cents. The bottom line also declined from the year-ago earnings of 42 cents per share. Coronavirus-induced shutdowns in various parts of Asia, Europe and North America dented revenues and earnings of the automatic-dimming rearview-mirror specialist in second-quarter 2020.

During the quarter under review, total revenues came in at \$229.93 million, which missed the Zacks Consensus Estimate of \$262 million. Moreover, the top line fell from the year-ago figure of \$468.7 million.

Gentex Corporation Price, Consensus and EPS Surprise



[Gentex Corporation price-consensus-eps-surprise-chart | Gentex Corporation Quote](#)
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The company recorded adjusted gross margin of 20.8% in the quarter under review, down from the year-ago quarter's 37.7% due to lost revenues amid the coronavirus pandemic, manufacturing inefficiencies and annual customer price reductions.

In the quarter, auto-dimming mirror shipments in the North America market plunged 65% from the prior-year quarter to 1.24 million units. In the International market, the same fell 45% from the prior-year quarter to 4.02 million units. Total shipments declined 51% year over year to 5.26 million units, as global light vehicle production dwindled 45% in the second quarter of 2020.

Operating expenses increased 4.2% year over year to \$50.7 million in second-quarter 2020. SG&A expenses rose to \$21.7 million from \$20.2 million in the year-ago quarter. Engineering and R&D expenses increased to \$28.9 million in second-quarter 2020 from \$28.3 million recorded in the year-ago period.

During the quarter under review, the company tapped brakes on the share repurchase program in a bid to preserve cash. As of Jun 30, 2020, Gentex had around 13 million shares remaining under the buyback program. Nonetheless, it continues to pay dividends of 12 cents a share. Notably, the company had cash and cash equivalents of \$343.8 million as of Jun 30, 2020.

Things are not looking up for the auto sector amid the COVID-19 pandemic, as is evident from depressed demand for vehicles amid weak consumer confidence. IHS Markit expects total light vehicle production to decline 20% year over year in 2020 and 7% for the second half of the year.

Gentex has provided guidance for the second half of 2020. The company envisions net sales in the band of \$865-\$915 million. Gross margin is anticipated in the range of 36-37%. Capex and operating expenses are estimated within \$30-\$40 million and \$88-\$93 million, respectively. Amid coronavirus-led uncertainty, Gentex is withdrawing revenue forecast for 2021.

Gentex currently carries a Zacks Rank #3 (Hold). Some better-ranked players from the same space include BRP Inc. ([DOOO](#) - [Free Report](#)), Garrett Motion Inc. ([GTX](#) - [Free Report](#)) and Strattec Security Corporation ([STRT](#) - [Free Report](#)), each carrying a Zacks Rank #1 (Strong Buy). You can see [the complete list of today's Zacks #1 Rank stocks here](#).