



Image: Bigstock

Gentex's (GNTX) Q3 Earnings Beats Estimates, 2H20 View Up

Zacks Equity Research

October 28, 2020

ALV

LEA

GNTX

LCII



Trades from **\$1**

Gentex Corporation ([GNTX](#) - [Free Report](#)) reported third-quarter diluted earnings of 48 cents per share, surpassing the Zacks Consensus Estimate of 41 cents.

Markedly, higher-than-expected revenues from the Automotive Products segment resulted in this outperformance. Revenues from the segment came in at \$464.7 million, beating the Zacks Consensus Estimate of \$438 million. Moreover, the bottom line comes in higher than the year-ago quarter's profit of 44 cents per share, marking a rise of 9% year on year.

This Zeeland-based automotive products supplier reported net sales of \$474.6 million, outpacing the Zacks Consensus Estimate of \$461 million. The top-line figure, however, comes in 1% lower than the year-ago quarter's \$477.8 million. Nonetheless, the third quarter of 2020 marked the second highest sales quarter in company history behind only the third quarter of 2019.

The company recorded gross margin of 39.7% in the reported quarter, higher than the year-ago quarter's 37.7%. Gross margin also improved significantly on a quarter-over-quarter basis, on solid orders during the September-end quarter and the previously-announced \$35 million in annualized structural cost reductions that occurred last quarter. Gross margin also improved on the efforts made in reducing purchasing costs and improvements in tariff-related costs. This partially offset the adverse impact caused by annual customer price reductions.

Gentex Corporation Price, Consensus and EPS Surprise

[Gentex Corporation price-consensus-eps-surprise-chart](#) | [Gentex Corporation Quote](#)

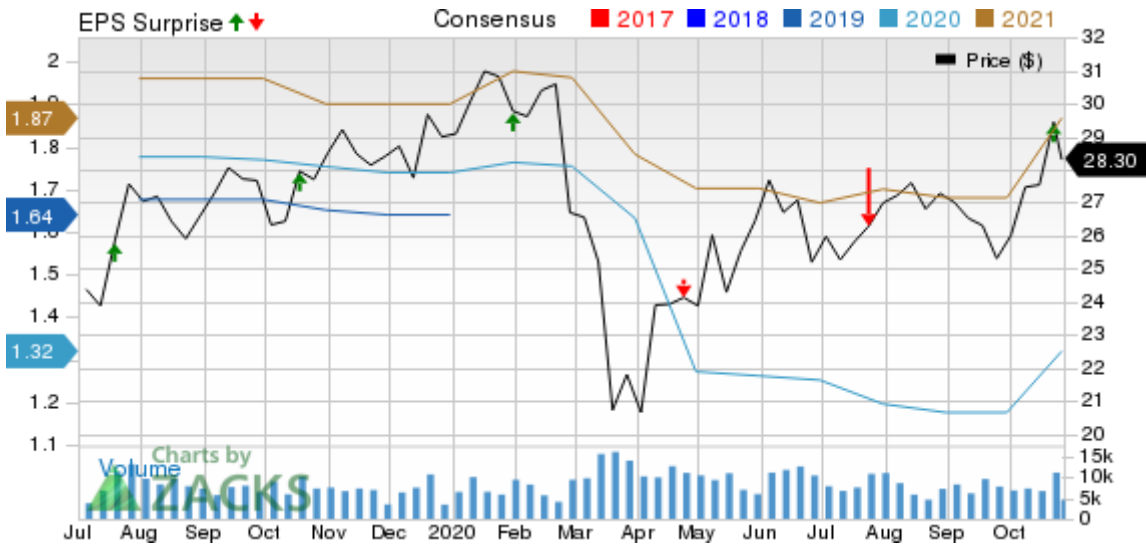
Segmental Performance

Costs, Financials, Dividend & Cash Position

Forecasts

Zacks Rank & Other Stocks to Consider

Zacks' 2020 Election Stock Report:



The Automotive segment's net sales, which have the highest contribution to Gentex's revenues, totaled \$464.7 million in the third quarter, marginally up from the prior-year quarter's \$464.3 million. Automotive net sales were robust during the reported quarter even though it witnessed a 3% quarter-over-quarter fall in auto-dimming mirror unit shipments. This was chiefly owing to the revenue growth of the company's Full-Display Mirror products.

Other net sales, which include dimmable aircraft windows and fire protection products, dropped 26% from the year-ago quarter to \$10 million. Dimmable aircraft window sales plummeted 52% year over year during the July-September period. Gentex expects that dimmable aircraft window sales will continue being impacted until the recovery of the aerospace industry begins and the Boeing 787 aircraft production levels buoy.

In the third quarter, auto-dimming mirror shipments in the North America market climbed 2% from the prior-year quarter to 3.6 million units. In the International market, the same fell 5% from the prior-year quarter to 6.9 million units. Total shipments declined 3% year over year to 10.5 million units, as global light vehicle production dwindled 4% in the third quarter on the coronavirus crisis that caused massive shutdowns in the automotive industry.

Total operating expenses decreased 5% year over year to \$49.4 million in third-quarter 2020. This decrease primarily resulted from the structural cost reductions made during the second quarter of 2020.

SG&A expenses dropped to \$21.6 million from the year-ago quarter's \$22.8 million. Engineering and R&D expenses slid to \$27.8 million in the third quarter from the \$29.4 million recorded in the year-ago period.

During the September-end quarter, Gentex repurchased 1.2 million shares of its common stock at an average price of \$26.93 per share. As of Sep 30, 2020, the company had 11.9 million shares remaining available for repurchase pursuant to its previously-announced share-repurchase plan.

During the July-September quarter, Gentex repaid \$50 million of debt on the company's revolving credit facility. The company currently anticipates repaying the remaining balance on its credit facility during the fourth quarter.

Also, Gentex continues to pay dividends of 12 cents per share. Notably, the company had cash and cash equivalents of \$400.5 million as of Sep 30, 2020.

Based on the mid-October 2020 IHS Markit forecast, light vehicle production in Gentex's primary markets is expected to be down 2% year over year in the fourth quarter. For calendar-year 2020, light vehicle production in the company's primary markets is expected to be down 16% when compared to calendar-year 2019.

Gentex has updated the previously-issued guidance for the second half of 2020. The company now envisions net sales in the band of \$940-\$960 million, higher than the prior forecast of \$865-\$915 million. Gross margin is now anticipated in the range of 39-40%, up from the previous guided range of 36-37%. Capital expenditure and operating expenses are estimated within \$25-\$30 million and \$95-\$100 million, respectively.

The company also issued revenue guidance for 2021. The metric is projected to be 15-20% higher than estimated revenues in calendar-year 2020.

Gentex currently flaunts a Zacks Rank #1 (Strong Buy). Shares of the company have declined 2.4%, year to date, while the [industry](#) has witnessed a fall of 1.1%.

Some other top-ranked stocks in the same industry are **Lear Corporation** ([LEA](#) - [Free Report](#)) , **Autoliv Inc** ([ALV](#) - [Free Report](#)) and **LCI Industries** ([LCII](#) - [Free Report](#)) . All three companies sport a Zacks Rank of 1, at present. You can see [the complete list of today's Zacks #1 Rank stocks here](#).

In addition to the companies you learned about above, we invite you to learn more about profiting from the upcoming presidential election. Trillions of dollars will shift into new market sectors after the votes are tallied, and investors could see significant gains. This report reveals specific stocks that could soar: 6 if Trump wins, 6 if Biden wins.

[Check out the 2020 Election Stock Report >>](#)

Hide Full Article

In-Depth Zacks Research for the Tickers Above

Normally \$25 each - click below to receive one report FREE:

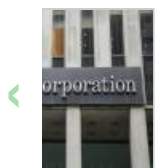
[Autoliv, Inc. \(ALV\) - free report >>](#)

[Lear Corporation \(LEA\) - free report >>](#)

[Gentex Corporation \(GNTX\) - free report >>](#)

[LCI Industries \(LCII\) - free report >>](#)

More From Zacks Analyst Blog



[News Corporation Q1 Earnings Top Estimates](#)



[NY Times \(NYT\) Q3 Earnings Top, Digital-Only Subscription Un](#)



[Ormat Technologies \(ORA\) Q3 Earnings Beat Revenues](#)



[Buy These 4 Cheap Stocks from Attractive Industries](#)



[News Corporation \(NWSA\) Q1 Earnings Top Estimates](#)