GENTEX CORP. NDQ-GNTX

RECENT PRICE 16.19 PER CASH 14.9 TRAILING 15.1 RELATIVE PER CASH 0.85 DIVIDENDS 2.1

TIMELINESS 3 Low. 11.8 April, 10.5 July, 11.3 October
SAFETY 3 New: 7.5 Low: 7.7 July: 7.4
TECHNICAL 3 Raised 12/15
BETA 1.35 (1.0 = Market)

2018-20 PROJECTIONS
High: 11.8 Low: 7.5

Institutional Decisions

Insider Decisions

MARKET CAP: $4.7 billion (Mid Cap)

BUSINESS: Gentex Corporation manufactures automatic-dimming automotive rearview mirrors. Its Night Vision Safety mirrors use sensors and electronic circuitry to detect glare from trailing approaching vehicles at night, and darken accordingly to protect the driver’s vision. Sells to most of the major automakers (has the potential to boost revenues in the coming quarters. Gentex has also been considering new products such as automotive safety mirrors which may be introduced in the future. The company has the potential to boost revenues in the coming quarters.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales ($mill)</th>
<th>Earnings ($mill)</th>
<th>Net Profit ($mill)</th>
<th>Cap'ls Spending per sh</th>
<th>Retained to Com Eq</th>
<th>Long-Term Debt ($mill)</th>
<th>Working Cap'l ($mill)</th>
<th>Current Liab.</th>
<th>Leases, Uncapitalized</th>
<th>Cash Assets</th>
<th>Receivables</th>
<th>Inventory (FIFO)</th>
<th>Dividends</th>
<th>Debt Due</th>
<th>Officers and Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>291.52</td>
<td>828.49</td>
<td>753.56</td>
<td>6.80</td>
<td>9.55</td>
<td>94.01</td>
<td>367.13</td>
<td>10.26</td>
<td>1.80</td>
<td>391.0</td>
<td>259.35</td>
<td>67.50</td>
<td>16.00</td>
<td>3.95</td>
<td>11.1</td>
</tr>
<tr>
<td>2013</td>
<td>291.16</td>
<td>850.25</td>
<td>782.49</td>
<td>6.80</td>
<td>9.55</td>
<td>94.01</td>
<td>367.13</td>
<td>10.26</td>
<td>1.80</td>
<td>391.0</td>
<td>259.35</td>
<td>67.50</td>
<td>16.00</td>
<td>3.95</td>
<td>11.1</td>
</tr>
<tr>
<td>2014</td>
<td>295.25</td>
<td>829.02</td>
<td>753.56</td>
<td>6.80</td>
<td>9.55</td>
<td>94.01</td>
<td>367.13</td>
<td>10.26</td>
<td>1.80</td>
<td>391.0</td>
<td>259.35</td>
<td>67.50</td>
<td>16.00</td>
<td>3.95</td>
<td>11.1</td>
</tr>
<tr>
<td>2015</td>
<td>292.00</td>
<td>850.25</td>
<td>782.49</td>
<td>6.80</td>
<td>9.55</td>
<td>94.01</td>
<td>367.13</td>
<td>10.26</td>
<td>1.80</td>
<td>391.0</td>
<td>259.35</td>
<td>67.50</td>
<td>16.00</td>
<td>3.95</td>
<td>11.1</td>
</tr>
</tbody>
</table>

Gentex posted decent third-quarter results. Sales during the period increased 11% compared to a year ago, driven by a 15% rise in automotive mirror unit shipments. The top line was driven by strong demand from North America, where automotive mirror unit shipments rose 16%, to 3.1 million units. The company has been seeing increased penetration of its interior and exterior auto-dimming mirrors in most regions. International demand was also robust, with shipments jumping 14%. Gentex also sold solid sales of dimmable aircraft windows during the period. Gross margins narrowed slightly, owing largely to unfavorable foreign exchange rate. However, cost reductions were essentially offset by purchasing cost reductions. All told, share net for the quarter rose 8% compared to last year’s tally.

We think Gentex will finish 2015 with solid results. Management looks for total fourth-quarter light-vehicle production in North America, Europe, Japan, and South Korea to be 12.3 million units, basically flat from a year earlier. But we think the company will outperform the industry, as Gentex has been seeing strong order growth. Auto-dimming mirror shipments should continue to lead the way. However, competitive pricing pressure may well temper earnings growth. All told, we look for 2015 top- and bottom-line growth of 10% and 15%, respectively.

Gentex has been seeing strong order growth. Auto-dimming mirror shipments should continue to lead the way. However, competitive pricing pressure may well temper earnings growth. All told, we look for 2015 top- and bottom-line growth of 10% and 15%, respectively.

Business prospects for 2016 look favorable. The company recently began shipping its SmartBeam product in the Japanese market, and we think this launch has the potential to boost revenues in the coming quarters. Gentex is also planning to launch a new full-display mirror on the Cadillac CT6, which will be available to consumers in early 2016. Additional product launches in the coming months should also support the sales and earnings advance that we anticipate.

Shares of Gentex are ranked to track the broader market averages in the next 12 months. Solid demand trends ought to allow earnings to grow at a decent pace during this time frame. Over the 3- to 5-year period, these shares offer above-average total return potential at the current quotation.

Jason Dalavagas
December 18, 2015