GENTEX CORPORATION NDG-GNTX

Trendline

Target Price Range 2021 2022 2023
$55.00  $56.00  $57.00

As a result, we are maintaining our sales
management looks for flat light-vehicle produc-

Trendline

The stock, which has a
decent dividend yield of roughly 2.0%, of-

Gentex posted decent results to begin the year. While sales of $465 million during

Gentex has a solid business model that delivers consistent earnings growth, with

Market Cap: $66 billion (Large Cap)

BUSINESS: Gentex Corporation manufactures automatic-dimming automotive rearview mirrors and electronics for the automotive industry. These mirrors use sensors to detect glare from trailing approaching vehicles and darken to protect the driver's vision. It also manufactures dimming automotive rearview mirrors and electronics for the automotive interior and exterior rearview mirror shipments. While sales of $465 million during the first quarter were $15 million below our estimate, they were still 3% above the previous-year tally. The advance was driven by a 7% increase in auto-dimming interior and exterior rearview mirror shipments, to 10.6 million units. While North American demand for these products declined, this was more than offset by strong international volumes. However, a supplier production issue for certain electronic components affected Gentex's ability to fully meet demand for Full Display Mirrors during the period. Despite this setback, share earnings still rose 21% compared to the previous-year figure. This was driven by a lower tax rate and continued strong operating margins.

We still look for good top- and bottom-line growth this year. Despite the softer-than-expected sales to begin 2018, management maintained its previously announced guidance for revenues and margins. The aforementioned supplier production issue has been resolved, and this has allowed Gentex to resume normal operations of the impacted products. Management looks for flat light-vehicle production in North America, Europe, and Japan & South Korea, but expects to continue to outpace these industry figures thanks to the ongoing demand for its products. Gentex's electrochromic technology should drive the advance, as it is embedded in a large number of these new products. Management has reaffirmed its initial sales projections for next year. As a result, we are maintaining our sales and earnings estimates of $2.07 billion and $1.80 per share, respectively.

The Trendline Rank of Gentex shares has been raised by a notch, to 2

Current Dividends paid in 2017: $0.43 per share. Dividends are expected to increase in 2018.

Jan 15, 2018

JASON DALAVAGHAN

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