**Quarterly Report (Q4 2020) for: Report Date (McNoVA meeting): 2/16/21**

**Gentex Corporation (GNTX) Earnings Report Date: 1/29/21**

Percentage change in Sales from year ago quarter: **19.4%** (up from -0.7%)

Percentage change in Earnings per Share from year ago quarter: **48.7%** (up from 9.1%)

Is company meeting our target sales & earnings estimates? **Beat Sales and Earnings Estimates**

Pre-tax Profit on sales trend? **Down**

Return on equity trends? **Down**

Debt? (up, even, down) **Down**

Current P/E is **25.3** (down from 25.6) Where does it fall in my estimated High/Low range of P/E's? **Above Range**

Signature P/E = **14.5**

Club cost basis for this stock is **$14.81** (unchanged) Current price (2/12) is **$35.68** (up from 31.27)

 (from latest valuation)

Current fair value: Morningstar: **$31.00** (unchanged) CFRA: **$46.09** (up from 15.20)

My SSG Total Return is **6.3%** (down from 8.2%) Projected Average Return is **2.7%** (down from 5.0%)

**What will drive future growth**: On January 29, 2021 (BMO), for the quarter and calendar year ended December 31 (Q4), **Gentex Corporation** (GNTX) reports results beating general consensus estimates (GNTX beat Zack’s EPS estimates ($0.50 vs. $0.58 reported (non-GAAP))). Gentex reports for the quarter and the calendar year:

* Record quarterly net sales of $529.9 million, a 19% increase compared to the fourth quarter of 2019
* Full Display Mirror® unit shipments of 1.053 million in 2020, a 42% increase compared to 2019, despite a 16% decline in global light vehicle production for the same period
* Quarterly gross profit margin of 40.9%
	+ 440 basis point increase versus the fourth quarter of 2019
	+ 120 basis point increase versus the third quarter of 2020
* Quarterly net income of $143.3 million
	+ 44% increase compared to the fourth quarter of 2019
	+ Highest quarterly net income in Company history
* Earnings per diluted share of $0.58 for the fourth quarter
	+ 49% increase compared to the fourth quarter of 2019
	+ Highest quarterly diluted EPS in Company history
* Remaining balance of short-term debt ($25 million) repaid during the fourth quarter
	+ Net cash and investment balances of approximately $613 million as of December 31, 2020
	+ 2.5 million shares repurchased during the fourth quarter of 2020 at an average price of $31.82 per share
* Cash returned to shareholders during 2020: $405.7 million
	+ $288.5 million in share repurchases
	+ $117.2 million in dividends

[*Gentex 4th Quarter and Calendar Year 2020 Earning Report*]

*Projections*. Based on the mid-January 2020 IHS Markit forecast, light vehicle production in Gentex’s primary markets is expected to soar 12% year over year in the current year. Amid the encouraging backdrop, it expects higher year-over-year revenues in 2021. The company envisions net sales in the band of $1.94-2.02 billion, indicating an increase from 2020 revenues of $1.68 billion. Gross margin is anticipated in the range of 39-40%. Capital expenditure and operating expenses are estimated within $85-$95 million and $210-$220 million, respectively. For calendar year 2022, the Zacks Rank #3 (Hold) firm expects sales growth of 4-8% year over year. [*Zack’s Gentex 4th Quarter and Calendar-Year 2020 Analyst Report*]

SSG analysis indicates Hold. Recommendation: **Hold**

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| --- | --- | --- | --- | --- | --- | --- |
| **SYMBOL** | **PERIOD** | **EVENT TITLE** | **EPS ESTIMATE** | **EPS ACTUAL** | **PREV. YEAR ACTUAL** | **DATE/TIME (ET)** |
| GNTX | Q4 2020 | Gentex Corporation Earnings Release | $0.50 vs. $0. 58 reported(non-GAAP) | $0.58(GAAP) | $0.39(GAAP) | 29-Jan-21 BMO |

**Bulls Say. Bears Say.**

**Bulls Say**

* Auto-dimming technology has applications to other parts of the car like headlights, as well as outside autos such as airplane windows. Although small now, markets outside the auto industry could prove to be very large businesses down the road.
* The company's financial health is so strong that Morningstar believes Gentex can survive any downturn in the U.S. easier than other auto suppliers can.
* Biometrics, surgical room ultraviolet lighting, and electronic toll payments could open up new revenue streams for the company.

**Bears Say**

* Cameras could replace Gentex's mirrors, if regulators throughout the world allowed it. Morningstar does not believe this is a likely threat, at least not anytime in the near future in very large volume.
* Gentex hoards cash but has made good effort to buy back stock while increasing its dividend. A higher dividend would give shareholders -- instead of management--more control in allocating excess capital.
* As auto-dimming mirrors become available on more vehicle models, OEMs may want to lower their own costs by pressuring Gentex to reduce prices, or by supporting emerging competitors.

Morningstar Fair Value Estimate: $31.00 [*Morningstar*]