First Cut Stock Study Report

<table>
<thead>
<tr>
<th>Company Name:</th>
<th>Gentex Corporation</th>
<th>Ticker:</th>
<th>GNTX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Study:</td>
<td>January 7, 2016</td>
<td>Price:</td>
<td>$14.63</td>
</tr>
<tr>
<td>Your Name:</td>
<td>Shirley Truss</td>
<td>City:</td>
<td>Crete</td>
</tr>
<tr>
<td></td>
<td></td>
<td>State:</td>
<td>IL</td>
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<tr>
<td>Chapter Name (if applicable):</td>
<td>Chicagoland Chapter</td>
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Discuss why you consider this to be a high quality, growth company that should be investigated further. Please include comments on historical sales and EPS growth, pre-tax profit margin, return on equity, and debt.

Gentex Corporation historical sales and EPS were 11.5% and 12.7%, respectively. The last five year average for pretax profit on sales is 25.9%. The actual number for 2014 is 30.2%. Up by 4.3%. The last five year average for return on equity is 16.9%. The actual number for 2014 is 19.3%, thus, up by 2.4%. The company's debt is low.

Briefly describe how the company makes money:

Gentex Corporation manufactures automatic-dimming automotive and rearview mirrors and dimmable aircraft windows. GNTX sells to all the major automakers which represents about 68% of its 2014 sales. GNTX also makes commercial fire protection products.

Projected growth rate for sales: 9%
Why did you select this rate? Discuss from where future growth will come.
Morningstar's analyst is projecting 10.3%. The Value Line analyst is projecting 9%. In an effort to be conservative, I went with the lower number.

Projected growth rate for earnings per share: 7.1%
Why did you select this rate?
Since I had selected 9% as my projected sales growth number, it is obvious that the EPS percentage growth rate has to be at least the same or lower than the sales projection due to sustainability. Value Line's EPS dollar amount equates closely with my selection.

Projected High P/E: 24.6
Why did you select this value?
I am sensitive to rarely ever projecting the high price beyond Value Line's projection unless I have serious justification, in this case I don't. Plus, and equally important, you will notice that the high P/E ratio numbers are trending downward, and 2014 number is lower than the average for the last five years.
Projected Low P/E: 11.7
Why did you select this value?
   I basically used the same reasoning here as I used for the high P/E. Albeit, 2014 was slightly up, the previous two years were trending down.

Projected Low Price: $11.8
Why did you select this value?
   The average low price over the last five years is $9.70. The 52 week low is $13.84. Thus, I selected the midpoint between the two, due to the fact that the current price of the stock is pretty close to the 52 week low and the current overall stock market is continuing to downtrend.

At the current price, the stock is a (check one):
   ☑Buy  or □Hold  or □Sell

At the current price, the upside-downside ratio is: 7.2 to 1

Compound Annual Return – Using Forecast High P/E: 20.7%

Your final recommendation (check one):
   ☑Buy  or □Hold  or □Sell

Explain:
   At the current price, this appears to be a buying opportunity for the long term investor due to the company's and analysts' projections. Gentex has been seeing strong order growth and is expected to outperform the industry average. The company has very little debt and has all the major car manufactures as its clients. On page one of the SSG, one can see that with the exception of 2008 and 2009 GNTX's visual analysis for sales, EPS and pretax profit have been up, straight and parallel. It has a current dividend yield of 2.3%. Despite my recommendation, however, I would urge investors to complete their own research before taking a stake in this company.
## Visual Analysis of Sales, Earnings, and Price

### General Information
- **Company**: Gentex
- **Prepared by**: Truss
- **Date**: 01/06/16
- **Where traded**: NAS
- **Industry**: Auto Parts
- **Capitalization --- Outstanding Amounts**
  - Preferred: 0.0
  - Common: 295,448,881
  - Debt: 227,500,000
- **Reference**: Auto Parts
- **Symbol**: GNTX

### FY 2015 Q3

<table>
<thead>
<tr>
<th></th>
<th>Sales ($M)</th>
<th>Earnings Per Share</th>
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<tbody>
<tr>
<td>Latest Quarter</td>
<td>390</td>
<td>0.27</td>
</tr>
<tr>
<td>Year Ago Quarter</td>
<td>351</td>
<td>0.25</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>11.1%</td>
<td>7.3%</td>
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</table>

1. Historical Sales Growth: 11.5%
2. Estimated Future Sales Growth: 9.0%
3. Historical Earnings Per Share Growth: 12.7%
4. Estimated Future Earnings Per Share Growth: 7.1%
This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

### 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

#### A Indicated Annual Dividend

\[
\text{Indicated Annual Dividend} = \frac{0.31}{14.63} = 0.0232 = 2.3\% \quad \text{Current Yield}
\]

#### B AVERAGE YIELD - USING FORECAST HIGH P/E

\[
\text{Avg. Payout} = \frac{39.9\%}{24.60} = 1.6\%
\]

\[
\text{Average Yield} = \frac{0.31}{14.63} = 2.3\%
\]

\[
\text{Annualized Appreciation} = 19.1\%
\]

\[
\text{Average Yield} = 1.6\%
\]

\[
\text{Annualized Rate of Return} = 20.7\%
\]

#### C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

\[
\text{Annualized Appreciation} = 12.1\%
\]

\[
\text{Average Yield} = 2.2\%
\]

\[
\text{Annualized Rate of Return} = 14.3\%
\]