

**GENTEX**  
CORPORATION

The Berkshire Babes and Hathaway Hunks

# History



1974: Fred Bauer creates Gentex

1982: Gentex introduces the motorized auto-dimming mirror

1987: Gentex introduces the electrochromic auto-dimming review mirror

2005: Gentex announced the development of dimmable aircraft windows

2013: Acquisition of HomeLink®

# Business Segments



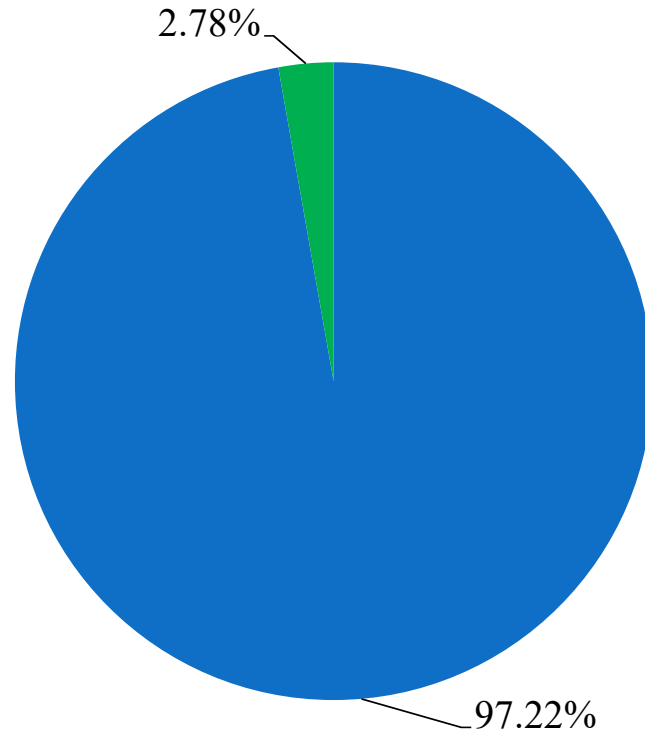
Automotive Products

Dimmable Aircraft Windows

Fire Protection Products



# Percent of Total Net Sales



■ Automotive ■ Other

# Automotive Products



Interior mirrors

Exterior mirrors

HomeLink®

Full Display Mirror™

# Interior Mirrors

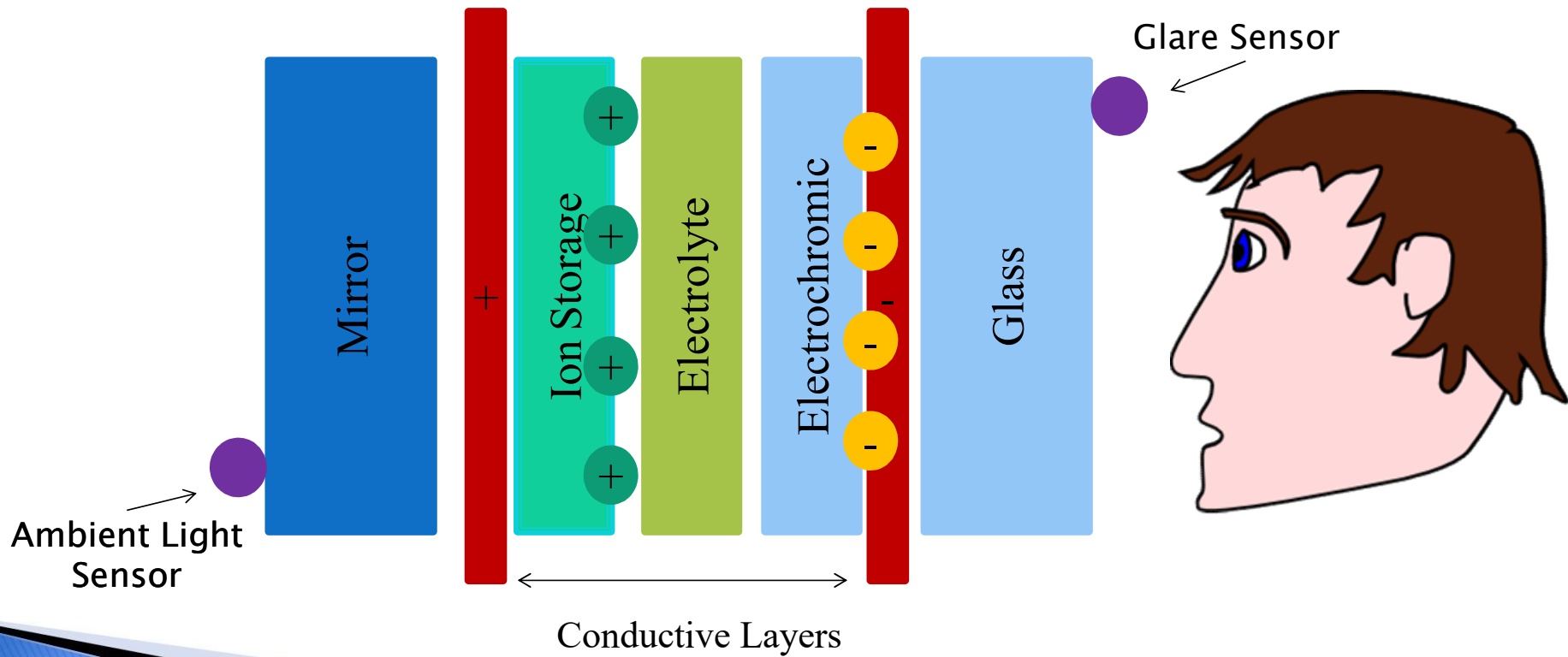


Electrochromic auto-dimming function

Integrated mirrors with advanced features

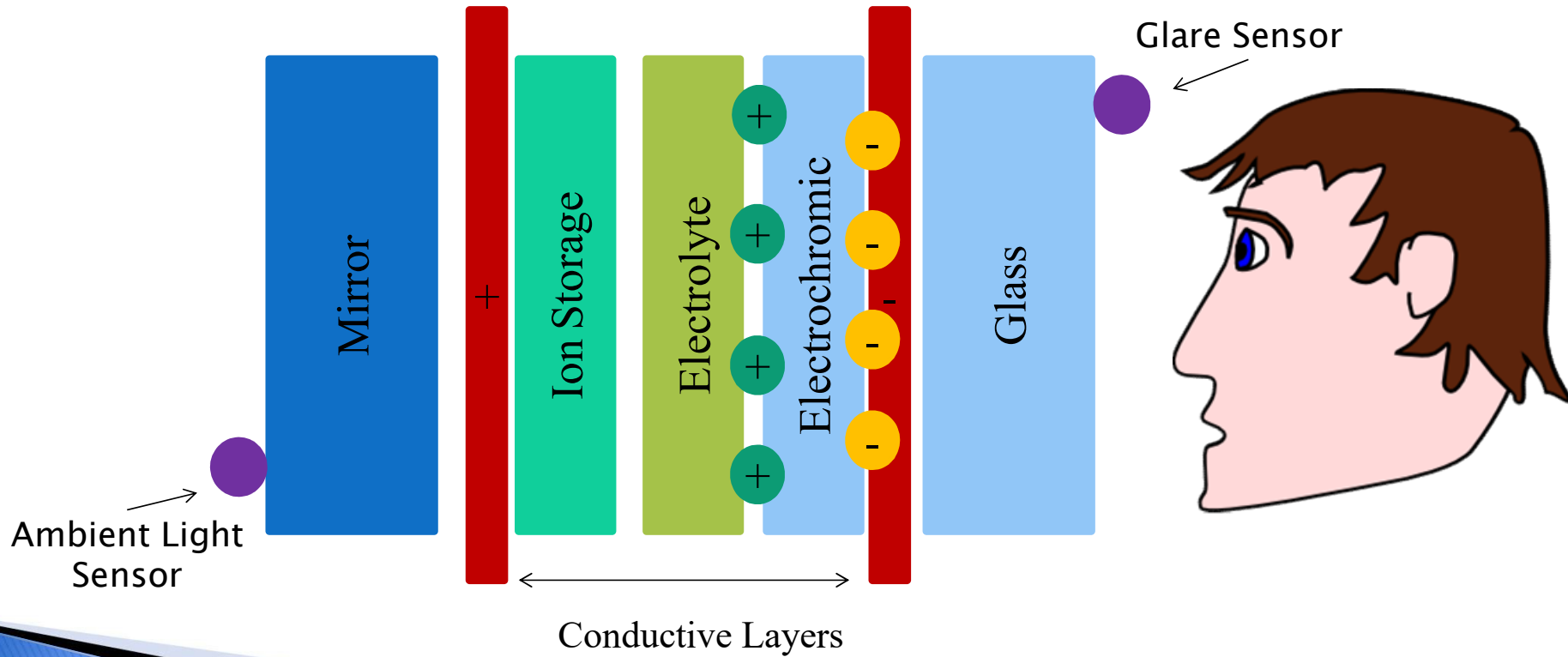
- Compass and Microphones
- Telematics systems
- Driver assistance cameras
- HomeLink®
- Universal Toll Modules

# The Electrochromic Mirror



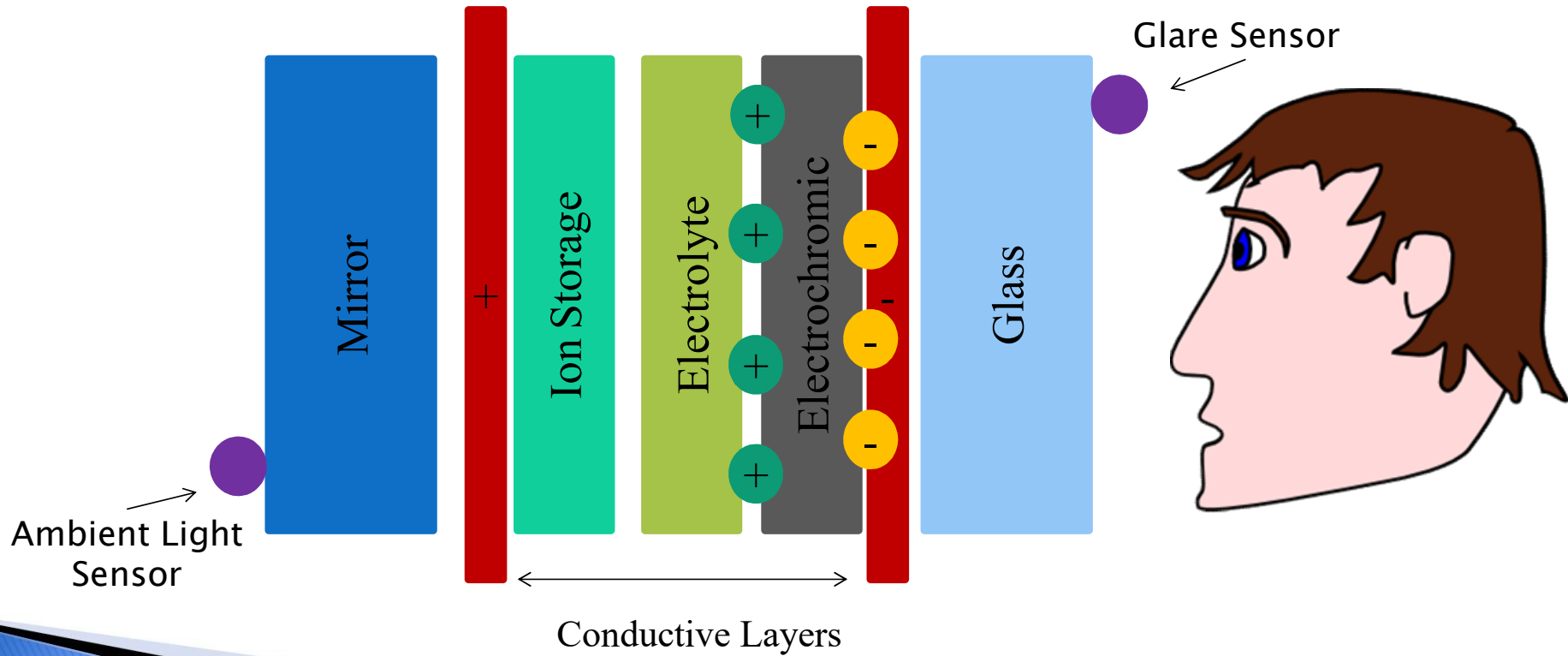
# The Electrochromic Mirror

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# The Electrochromic Mirror



# HomeLink®

Sole supplier of wireless in-vehicle communication devices

Growth opportunities in China



Garage door  
openers and gates



Security systems



Parking spot barriers



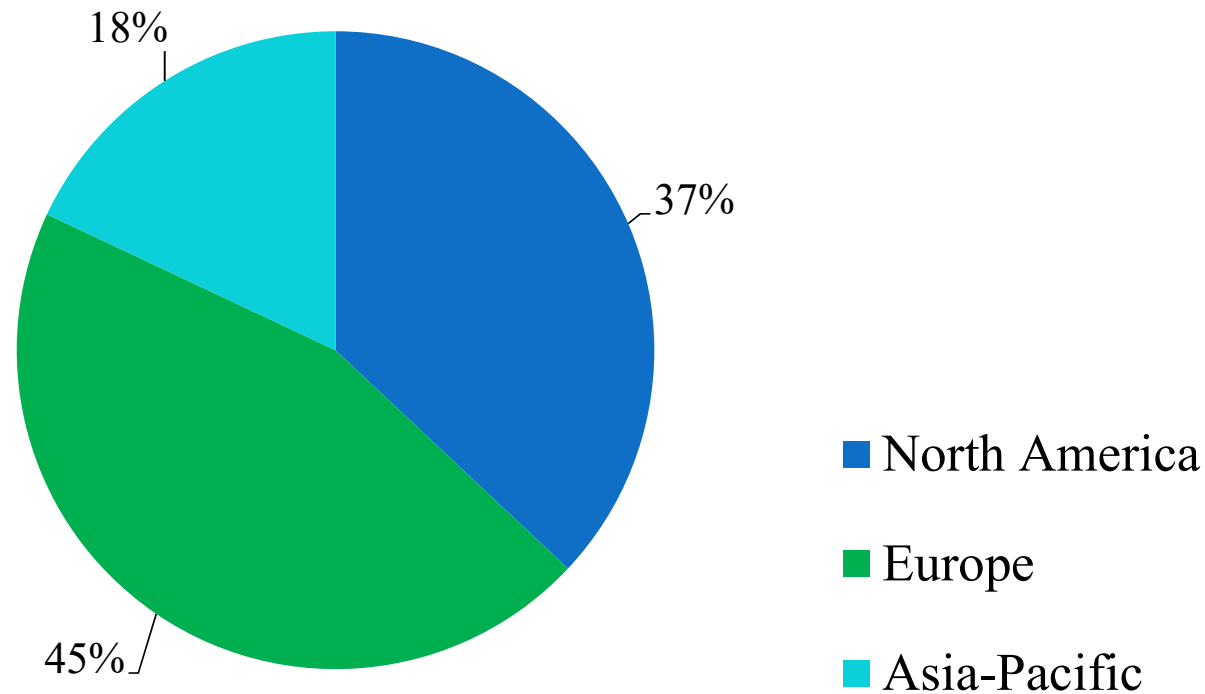
Home lighting  
and automation



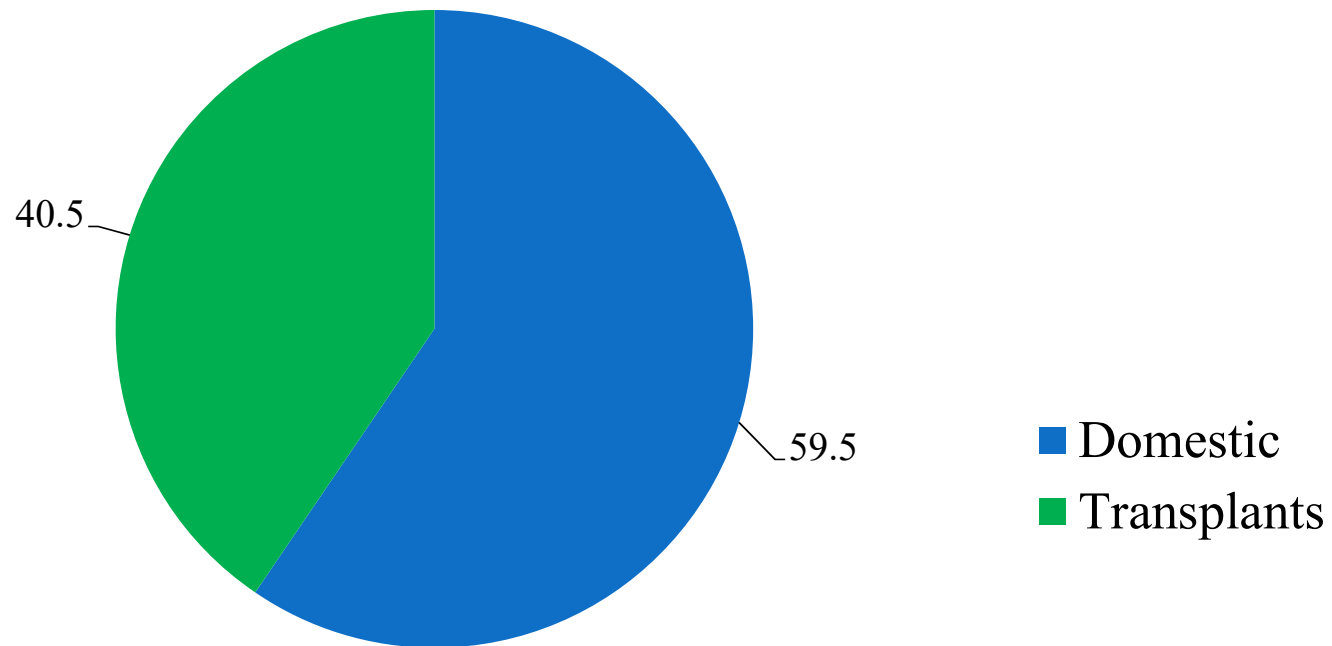
A wide variety of  
radio frequency (RF)  
controlled devices



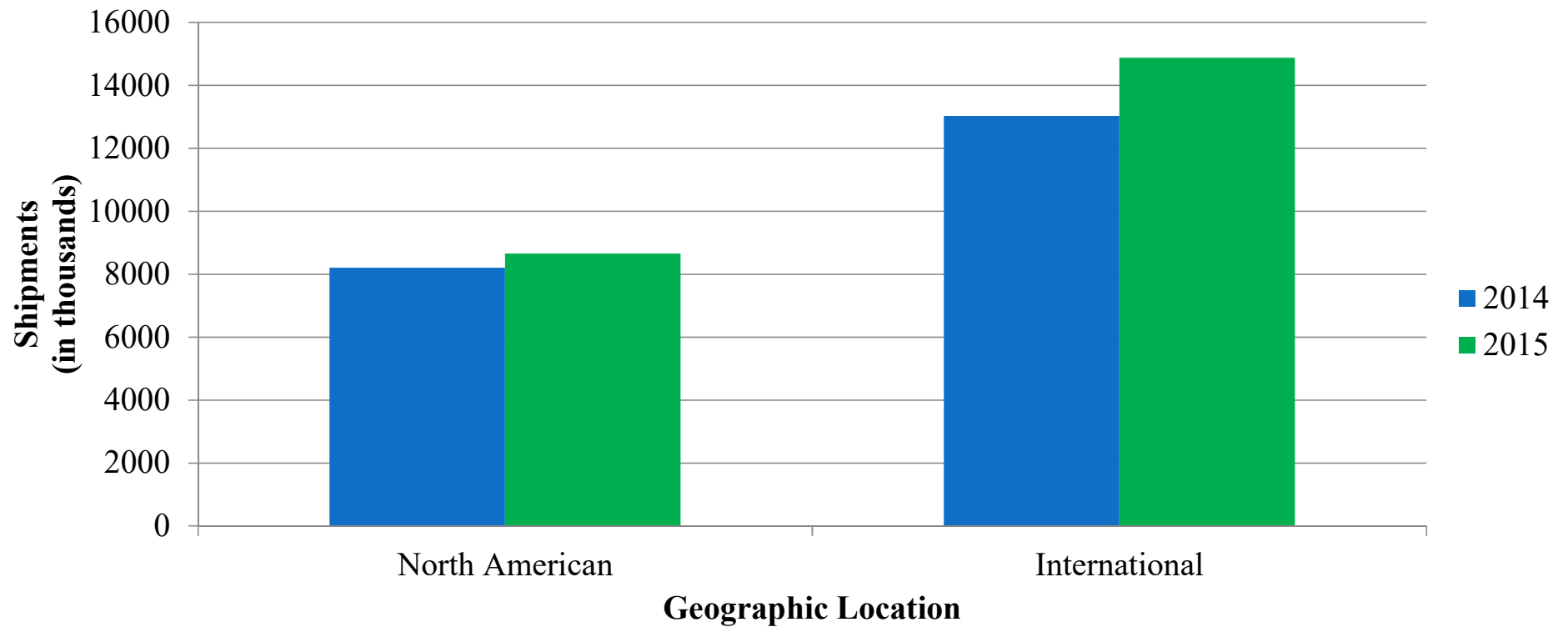
# Automatic-Dimming Interior Mirror Unit Shipments Break-Down



# Automatic-Dimming Interior Mirror North America Unit Shipments Break-Down



# Automatic-Dimming Interior Mirror Shipments

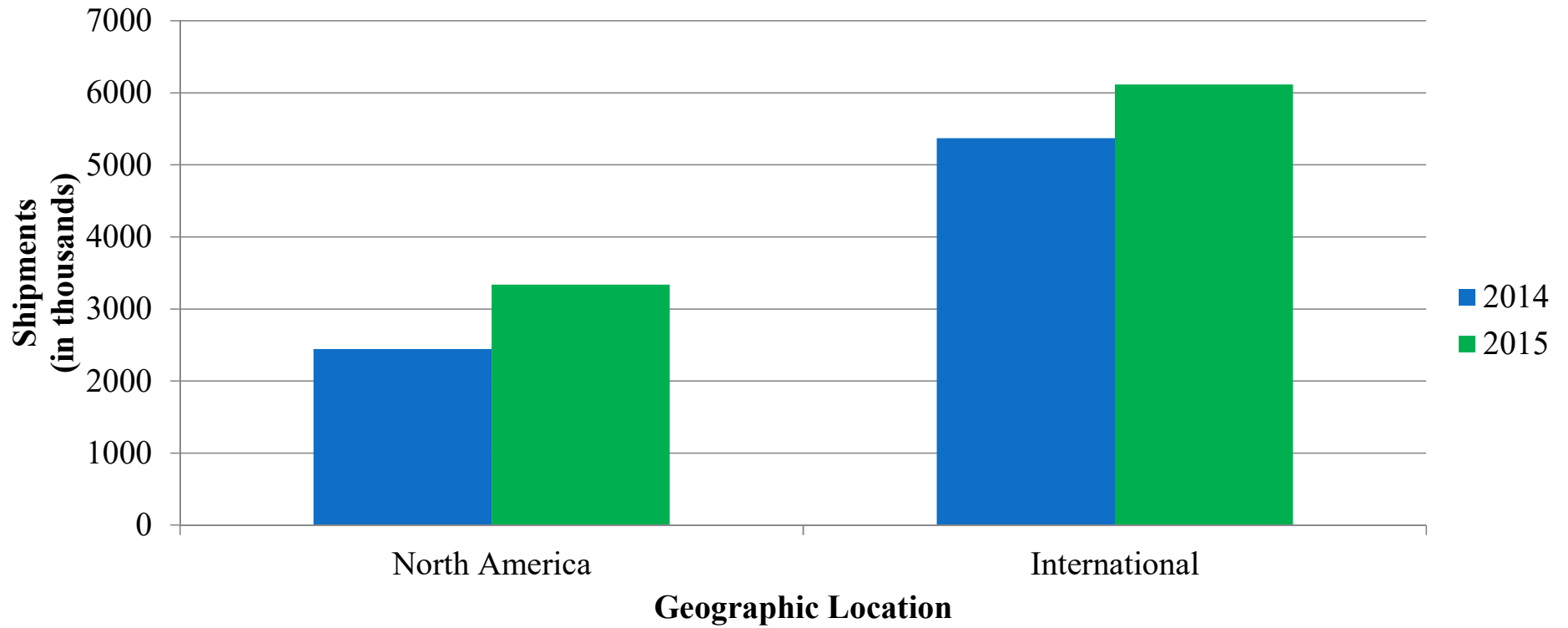


# Exterior Mirrors

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# Exterior Mirror Shipments





# Competitors

- ▶ Magna Mirrors
- ▶ Tokai Rika
- ▶ Chinese domestic mirror suppliers

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**MAGNA**  
**MAGNA MIRRORS**

The logo for Magna Mirrors features a stylized 'M' icon composed of three vertical bars of increasing height, topped with a red dot. To the right of this icon, the word 'MAGNA' is written in a bold, sans-serif font. Below 'MAGNA', a horizontal line separates it from the words 'MAGNA MIRRORS', which are also in a bold, sans-serif font.

**TR TOKAI RIKA**

The logo for Tokai Rika consists of a red square containing the white letters 'TR' in a stylized, blocky font. To the right of this square, the words 'TOKAI RIKA' are written in a large, bold, blue, sans-serif font.

# Full Display Mirror™

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Mirror and display mode

NHTSA recent approval



# Trademarks and Patents



Gentex  
Intellectual  
Property

1,220



**Patents**

533 U.S. | 687 foreign

204



**Registered Trademarks**

29 U.S. | 175 foreign

506



**Applications In Process**

244 U.S. patents  
217 foreign patents  
45 trademarks

# Aerospace and Fire Protection



## Aerospace:

- First commercialized product of its type and use
- Boeing 787 Dreamliner Series of Aircraft

## Fire Protection

	41	<b>variable dimmable windows patents</b>
		26 U.S.   15 foreign
	27	<b>fire protection patents</b>
		16 U.S.   11 foreign
	25	<b>fire protection registered trademarks</b>
		7 U.S.   18 foreign

# Gentex GmbH



40,000 square-foot facility in Erlenbach, Germany

- 50,000 square-foot expansion currently under construction

Satellite sales and engineering offices throughout Europe



# Gentex in Asia



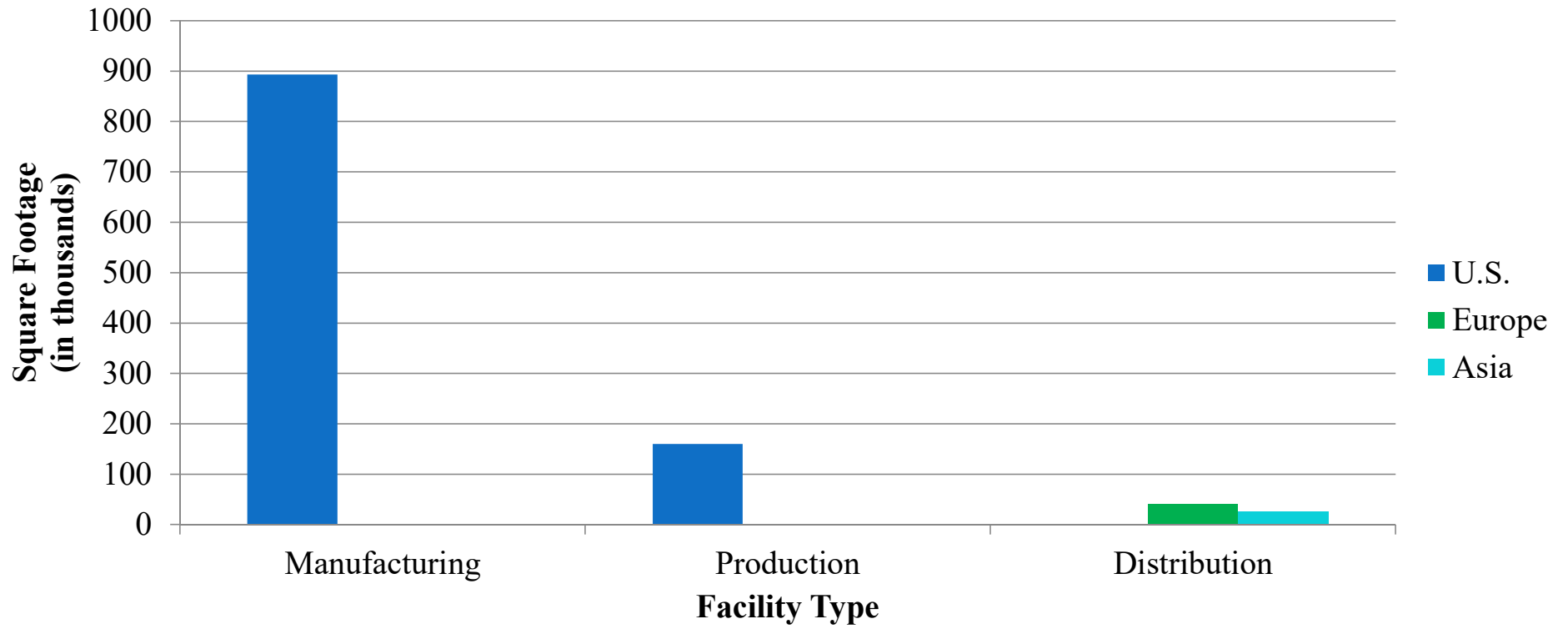
Gentex Japan, Inc.

Gentex Technologies Korea Co., Ltd

Sales and engineering office and distribution facility in China



# Facilities



# Growth Opportunities



HomeLink

TransCore

U.S. army contracts





# Risks



Magna Mirrors (MGA)

Upcoming patent expiration dates

Three major customers - Volkswagen AG, Toyota Motors and Ford Motors

# Competitive Advantages

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91% market share

Patent protection

Economies of Scale

Switching cost

Niche Business



# Qualitative Review



What type of business is this: commodity or sustained competitive advantage?	Sustained competitive advantage
Can you easily explain what the business does?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	Yes
Does it require lots of research and development?	Some
Can inventory become obsolete?	No
Are there chronic "one time" write offs?	No
Is the company able to raise its prices to offset inflation?	Yes
Will the company be able to sell more in the future?	Yes
If I gave you \$1 billion could you develop a competitor? If the answer is "no" your business has a sustained competitive advantage.	No

# News



Declining insider ownership

Share repurchases throughout 2015 and 2016

European and U.S. New Car Assessment Programs

U.S. army contract acquired



# Quantitative Analysis

# Interpretation of Financial Statements



<u>TTM</u>	Value	Low Threshold	Pass?
Gross Profit Margin	39.43%	$\geq 20\%$	Yes
% SGA	8.97%	$\leq 80\%$	Yes
% R&D	14.15%	$\leq 10\%$	No
% Depreciation	13.10%	$\leq 10\%$	No
Interest % of OP	0.89%	$\leq 15\%$	Yes
Net Profit Margin	20.53%	$\geq 10\%$	Yes
Current Ratio	6.24	$\geq 1$	Yes
Obligation Ratio	0.00	< 5 years	Yes
Adj. Debt to Shareholder Equity	0.24	< 0.8	Yes
Return on Equity	18.68%	$\geq 15\%$	Yes
Return on Capital	16.74%	$\geq 15\%$	Yes
Dividend Payout Ratio	29.72%	$\leq 60\%$	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	35.74%	$\leq 25\%$	No
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes

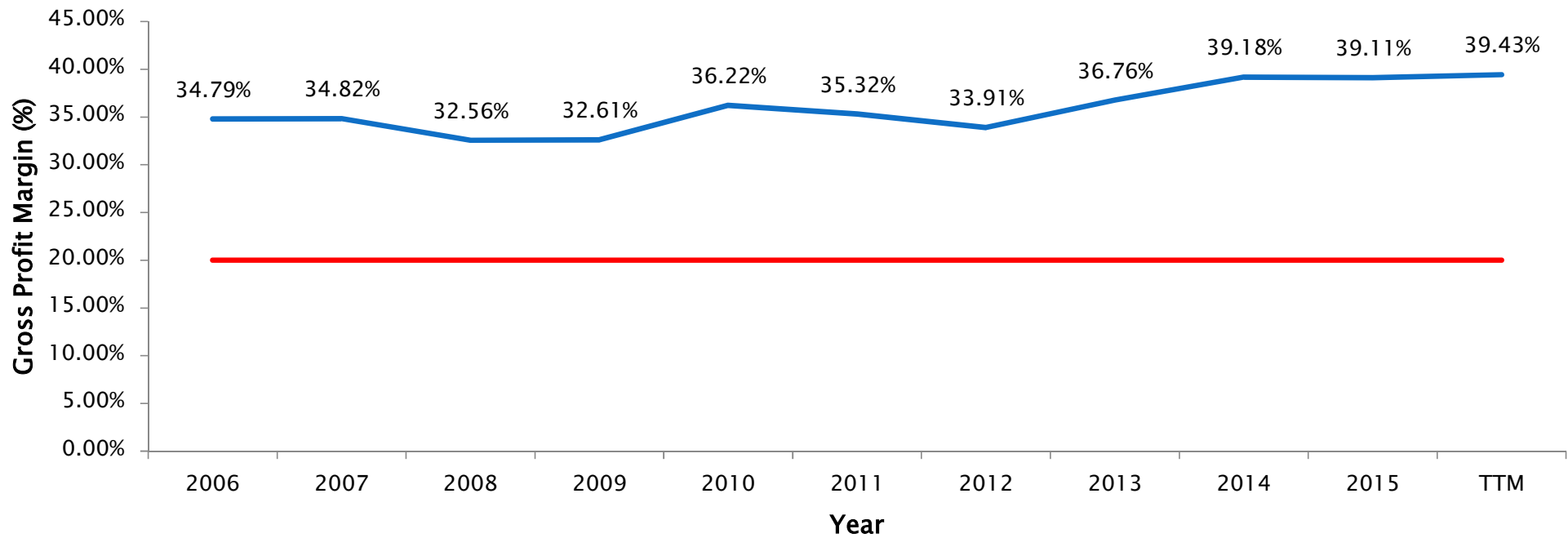
## Statistical Array Analysis

Increasing trends?	
Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Increasing
Capital Spending per Share	Increasing
Book Value per Share	Increasing
Revenues (Sales)	Increasing
Gross Profit Margin	Slight Increase
Operating Profit Margin	Slight Increase
Number of Stores	N/A
Net Profit	Increasing
Net Profit Margin	Slight Increase
Working Capital	Increasing
Shareholder's Equity	Increasing
Return on Total Capital	Stable
Return on Shareholder's Equity	Stable
Common Shares Outstanding	Fluctuates
Long-Term Debt	Decreasing
LT Debt Payable in 5 years	Yes
All Dividends to Net Profit under 60%	Yes, except 08-09

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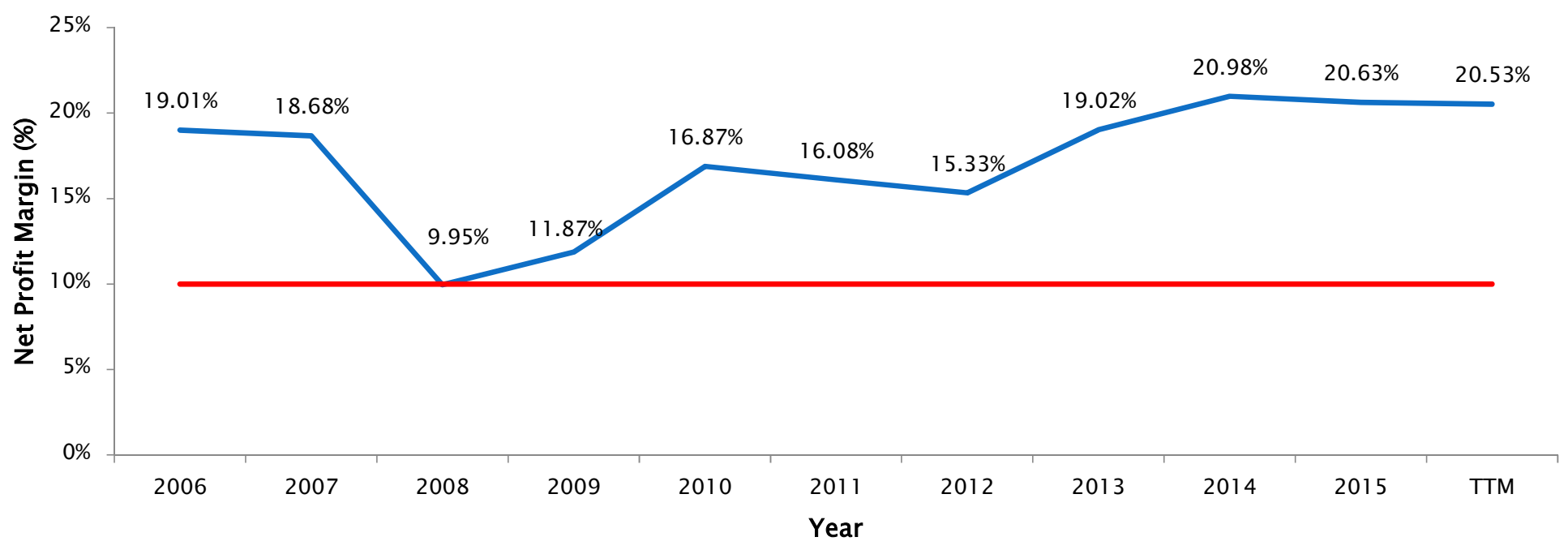
# Gross Profit Margin





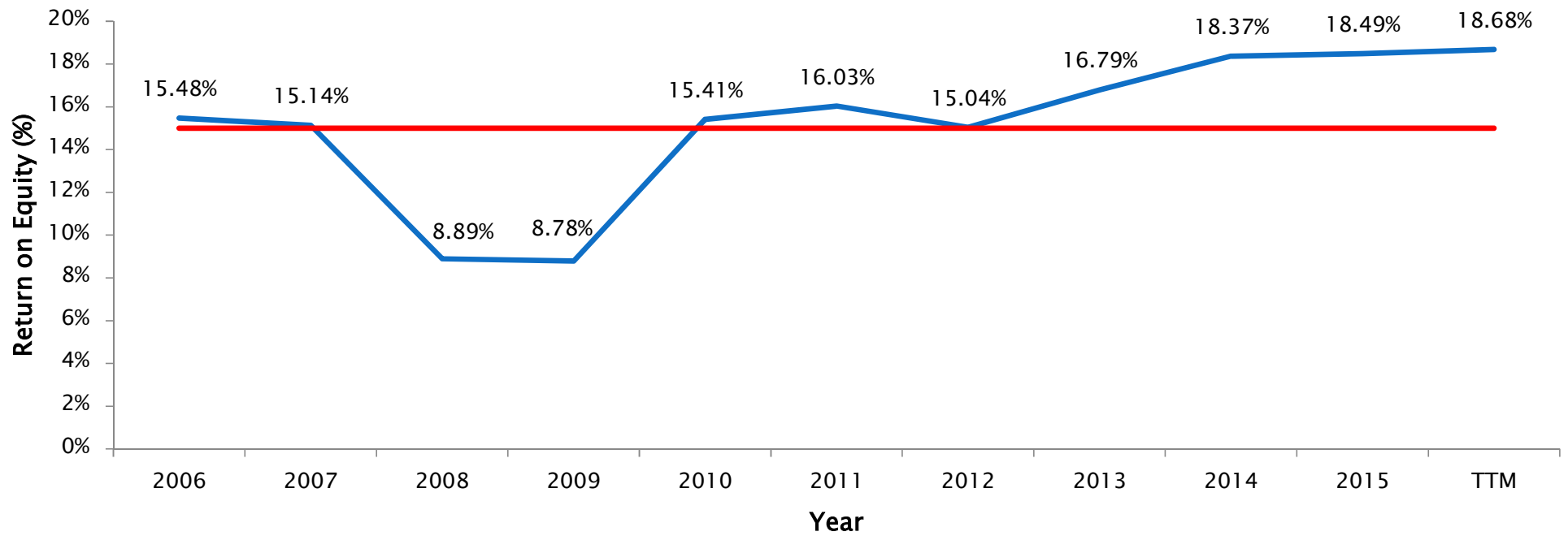


# Net Profit Margin



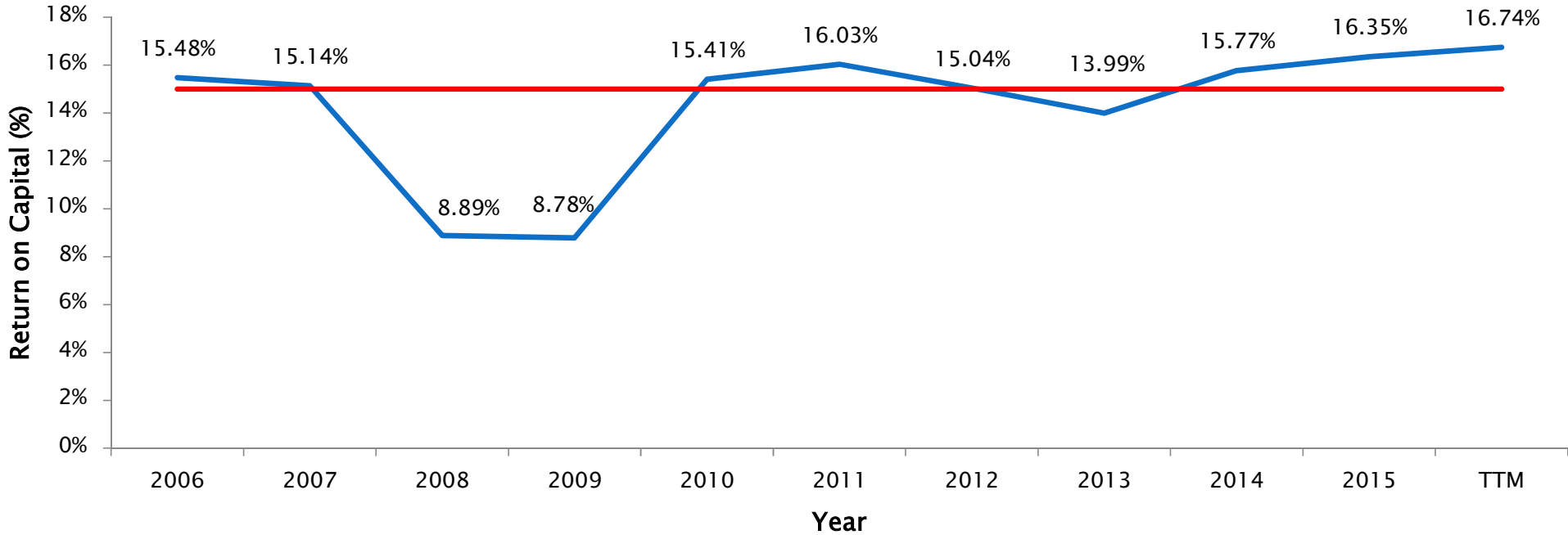


## Return on Equity



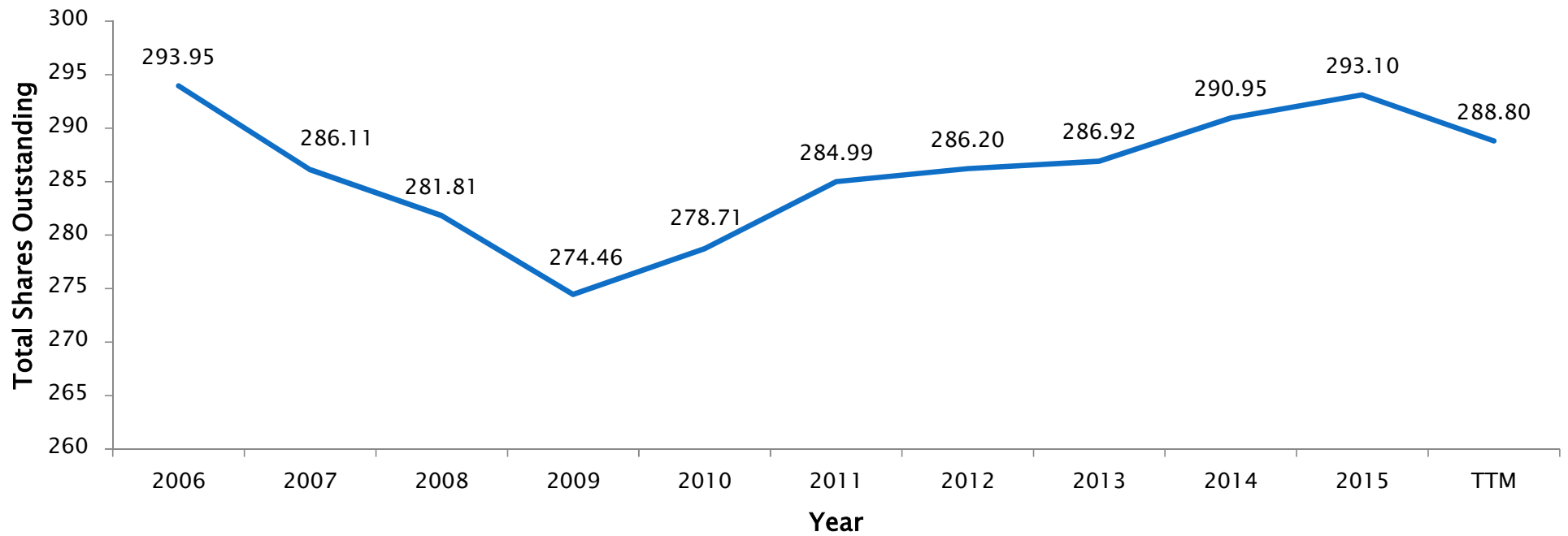


# Return on Capital

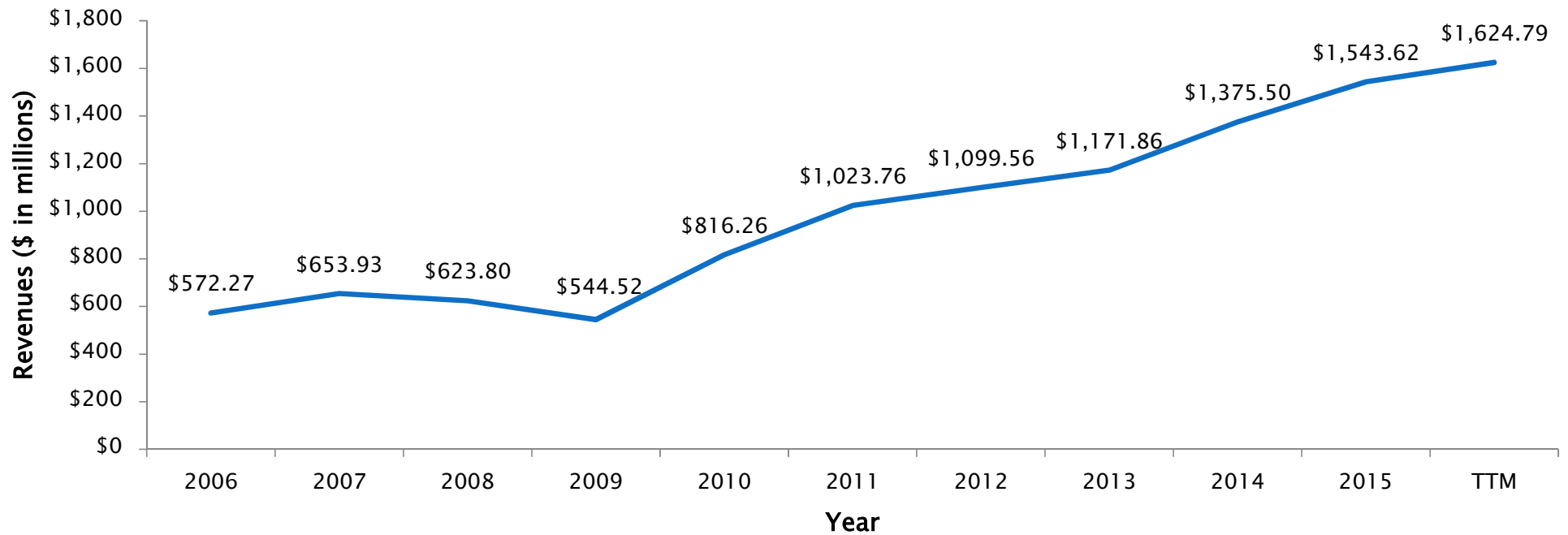




## Total Shares Outstanding



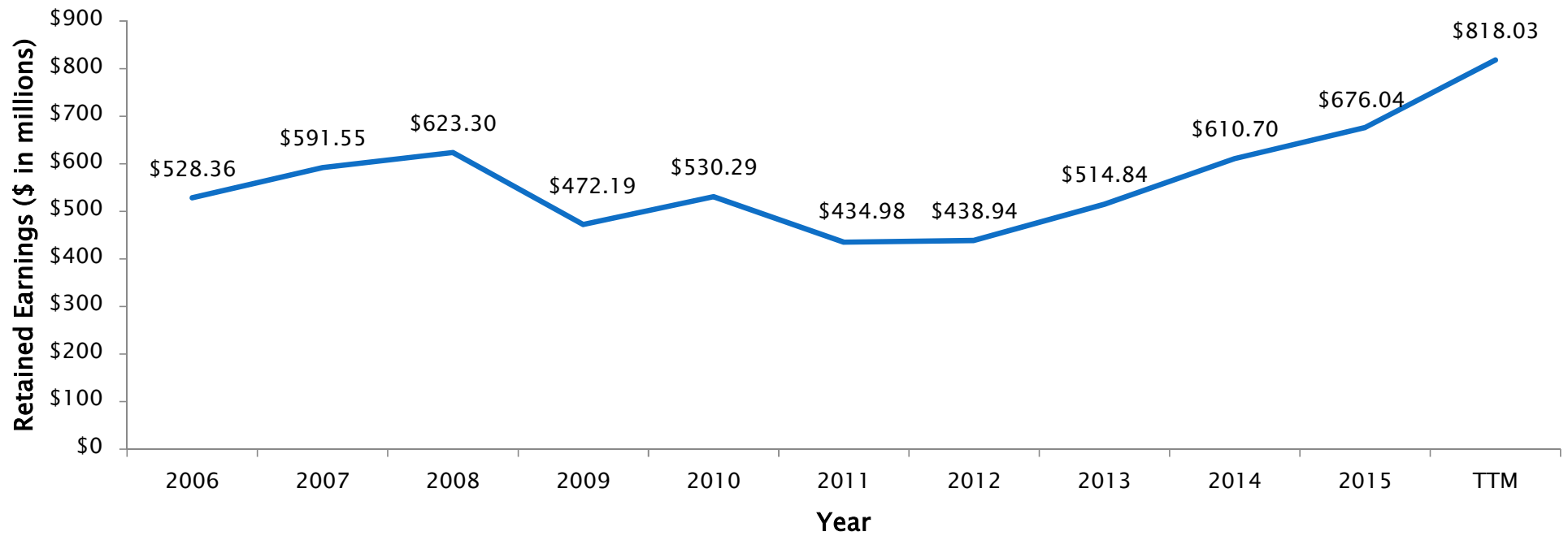
## Revenues (10 year)



Growth of 184%



## Retained Earnings



# Du Pont Analysis - Historical

	Total Asset Turnover (Total Revenue / Total Assets)	Net Profit Margin (Net Profit / Total Revenue)	Financial Leverage Multiplier (Total Assets / Total Equity)	Return on Equity
2013	0.66	19.02%	1.33	16.79%
2014	0.68	20.98%	1.29	18.37%
2015	0.72	20.63%	1.25	18.49%
TTM	0.74	20.53%	1.24	18.68%

# Debt Analysis



## Item 6: Selected Financial Data

(in thousands, except per share data)

	2015	2014	2013	2012	2011
Net Sales	\$ 1,543,618	\$ 1,375,501	\$ 1,171,864	\$ 1,099,560	\$ 1,023,762
Net Income	318,470	288,605	222,930	168,587	164,668
Earnings Per Share (Fully Diluted)	\$ 1.08	\$ 0.98	\$ 0.77	\$ 0.59	\$ 0.57
Gross Profit Margin	39.1%	39.2%	36.8%	33.9%	35.3%
Cash Dividends per Common Share	\$ 0.335	\$ 0.31	\$ 0.28	\$ 0.26	\$ 0.24
Total Assets	\$ 2,148,673	\$ 2,022,540	\$ 1,764,088	\$ 1,265,691	\$ 1,176,027
Long-Term Debt Outstanding at Year End	\$ 225,625	\$ 258,125	\$ 265,625	\$ —	\$ —



# Debt Analysis



## LIABILITIES AND SHAREHOLDERS' INVESTMENT

	2015	2014
<b>Current Liabilities</b>		
Accounts payable	\$ 66,353,774	\$ 71,456,983
Accrued liabilities:		
Salaries, wages and vacation	9,324,470	8,984,609
Income Taxes	148,251	768,142
Royalties	10,373,152	12,051,121
Dividends declared	24,759,481	23,619,837
Current portion of long term debt	7,500,000	7,500,000
Other	12,547,418	9,050,471
Total current liabilities	131,006,546	133,431,163
<b>Long Term Debt</b>	225,625,000	258,125,000
<b>Deferred Income Taxes</b>	69,524,621	59,571,421
<b>Total Liabilities</b>	426,156,167	451,127,584

# Industry Breakdown



	Gentex	Magna International	BYD Auto Company	Tokai Rika	Murakami Corporation
Market Cap	5.06B	16.49B	17.11B	1.88B	215.2M
Revenue (mil)	1,624.791	34,572	11,833	4,111	662.67
P/E	15.2	7.92	27.63	18.54	5.59
P/S	3.19	0.48	1.82	0.39	0.35
P/B	2.83	1.77	3.23	0.91	0.5
EV/EBIT	9.38	6.77	24.85	7.46	1.05
ROA	15.45%	10.38%	3.82%	2.79%	6.36%
ROE	18.68%	23.06%	12.03%	4.61%	9.01%
Operating Margin	30.31%	7.19%	10.18%	7.47%	9.29%
Net Margin	20.53%	6.12%	5.37%	2.16%	6.34%
Insider Ownership	2.43%	0	0	0	0

# Du Pont Analysis Competitors



Company Name	Total Asset Turnover (Total Revenue / Total Assets)	Net Profit Margin (Net Profit / Total Revenue)	Financial Leverage Multiplier (Total Assets / Total Equity)	Return on Equity (TTM)
Gentex	0.74	20.53%	1.24	18.68%
Magna International	1.53	6.12%	2.37	22.19%
BYD Auto Company	0.64	5.37%	3.50	12.03%
Tokai Rika	1.22	2.16%	1.75	4.61%
Murakami Corporation	1.01	6.33%	1.41	9.01%

# Private Competitors



**GENTEX**  
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YH America



Steelmate



**STEELMATE**  
AUTOMOTIVE

Ningbo Kingband



**Kingband**  
金榜电子

Beijing Sincode



**SINCODE**

# Discounted Cashflow Model

# Discounted Cashflow - Default

Earnings Per Share ⓘ : \$ 1.16

Growth Rate In the Next ⓘ : 10 Years: **13.8** %

Terminal Growth Rate ⓘ : 4 %

Years of Terminal Growth ⓘ : 10

Discount Rate ⓘ : 12 %

Business Predictability ⓘ : 



DCF Reverse DCF NEW

**Fair Value ⓘ : \$ 21.93**

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Tangible Book Value ⓘ : \$ 3.98  
 Add to Fair Value

Growth Value ⓘ : \$ 12.68

Terminal Value ⓘ : \$ 9.26

Stock Price: \$ 17.50

Margin Of Safety: **20%**

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	12.10	11.50	13.00
EBITDA Growth (%)	14.80	18.20	16.70
EBIT Growth (%)	15.30	18.60	18.90
EPS without NRI Growth (%)	<b>13.80</b>	18.20	16.00
Free Cash Flow Growth (%)	13.40	46.80	-1.20
Book Value Growth (%)	9.20	13.80	10.70

# Discounted Cashflow - Valueline

Earnings Per Share  :

Growth Rate In the Next  :  Years:  %

Terminal Growth Rate  :  %

Years of Terminal Growth  :

Discount Rate  :  %

Business Predictability  : 

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	12.10	11.50	13.00
EBITDA Growth (%)	14.80	18.20	16.70
EBIT Growth (%)	15.30	18.60	18.90
EPS without NRI Growth (%)	<input type="text" value="13.80"/>	18.20	16.00
Free Cash Flow Growth (%)	13.40	46.80	-1.20
Book Value Growth (%)	9.20	13.80	10.70



DCF Reverse DCF 

**Fair Value  :** **\$ 24.58**

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Tangible Book Value  : \$

Add to Fair Value

Growth Value  : \$ 14.21

Terminal Value  : \$ 10.37

Stock Price: \$

Margin Of Safety:

# Reverse Discounted Cashflow



Earnings Per Share ⓘ : \$ 1.16

Growth Rate In the Next ⓘ : 10 Years

Terminal Growth Rate ⓘ : 4 %

Years of Terminal Growth ⓘ : 10

Discount Rate ⓘ : 12 %

Business Predictability ⓘ : ★★★★★ ⓘ



DCF Reverse DCF <sup>NEW</sup>

**Growth Rate ⓘ : 10.33%**

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Revenue Growth Rate ⓘ : 12.10%(10y) 11.50%(5y) 13.00%(1y)

EBITDA Growth Rate ⓘ : 14.80%(10y) 18.20%(5y) 16.70%(1y)

Earnings Growth Rate ⓘ : 13.80%(10y) 18.20%(5y) 16.00%(1y)

Free Cash Flow Growth Rate ⓘ : 13.40%(10y) 46.80%(5y) -1.20%(1y)

Book Value Growth Rate ⓘ : 9.20%(10y) 13.80%(5y) 10.70%(1y)

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	12.10	11.50	13.00
EBITDA Growth (%)	14.80	18.20	16.70
EBIT Growth (%)	15.30	18.60	18.90
EPS without NRI Growth (%)	13.80	18.20	16.00
Free Cash Flow Growth (%)	13.40	46.80	-1.20
Book Value Growth (%)	9.20	13.80	10.70



# Discounted Cashflow - Kill It



Earnings Per Share : \$ 1.16

Growth Rate In the Next : 10 Years: **7** %

Terminal Growth Rate : 4 %

Years of Terminal Growth : 10

Discount Rate : 12 %

Business Predictability :



DCF Reverse DCF <sup>NEW</sup>

**Fair Value : \$ 14.1**

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Tangible Book Value : \$ 3.98  
 Add to Fair Value

Growth Value : \$ 9.1

Terminal Value : \$ 5

Stock Price: \$ 17.50

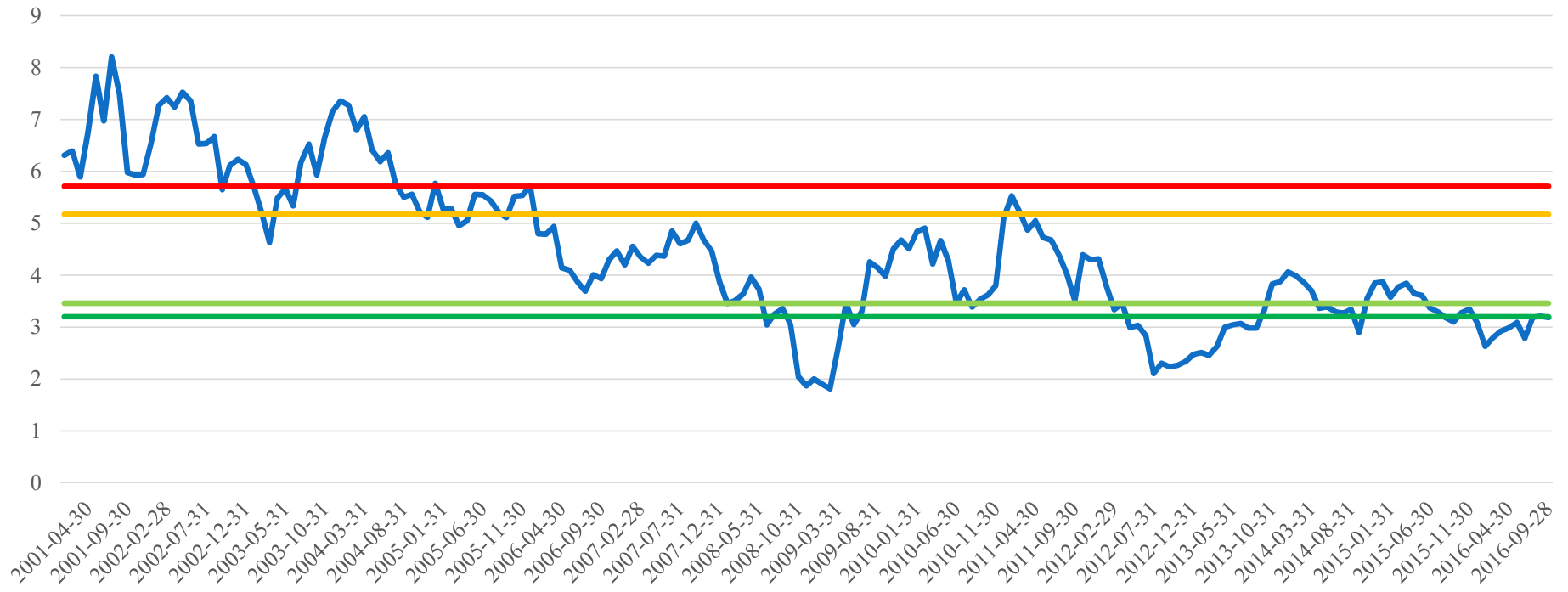
Margin Of Safety: **-24%**

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	12.10	11.50	13.00
EBITDA Growth (%)	14.80	18.20	16.70
EBIT Growth (%)	15.30	18.60	18.90
EPS without NRI Growth (%)	<b>13.80</b>	18.20	16.00
Free Cash Flow Growth (%)	13.40	46.80	-1.20
Book Value Growth (%)	9.20	13.80	10.70

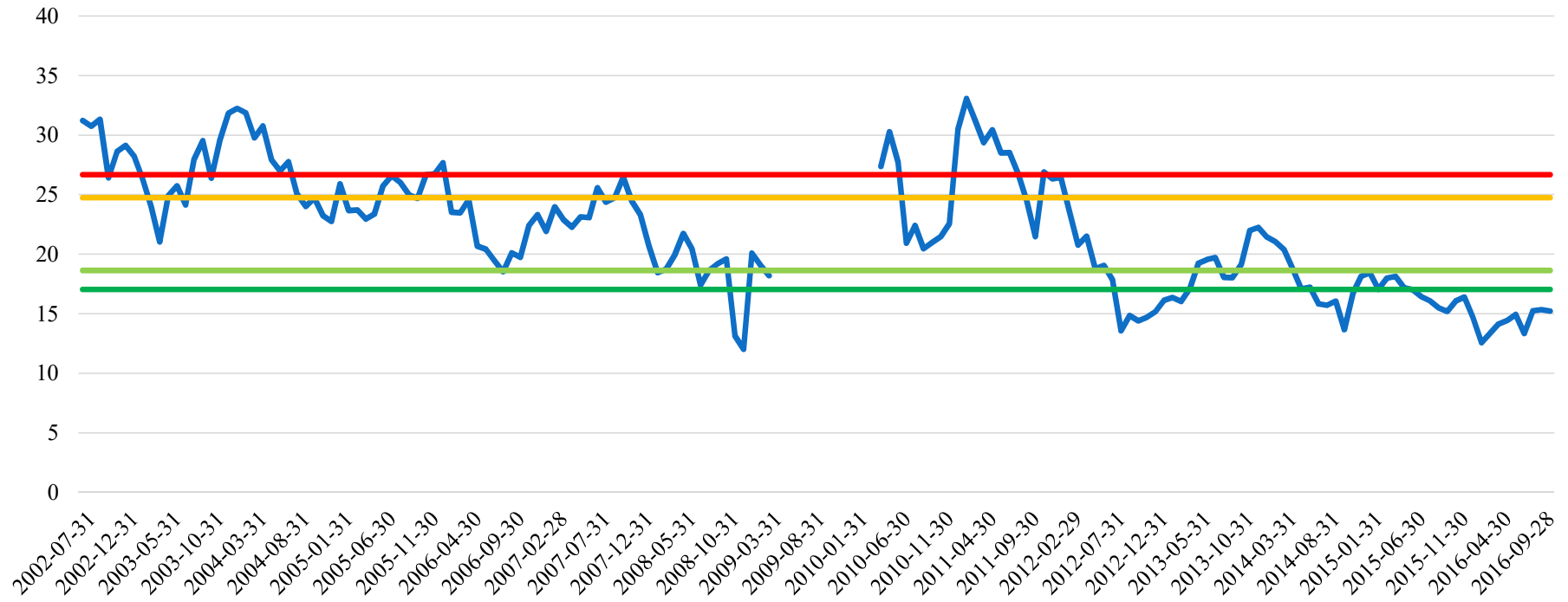
# Valuebands



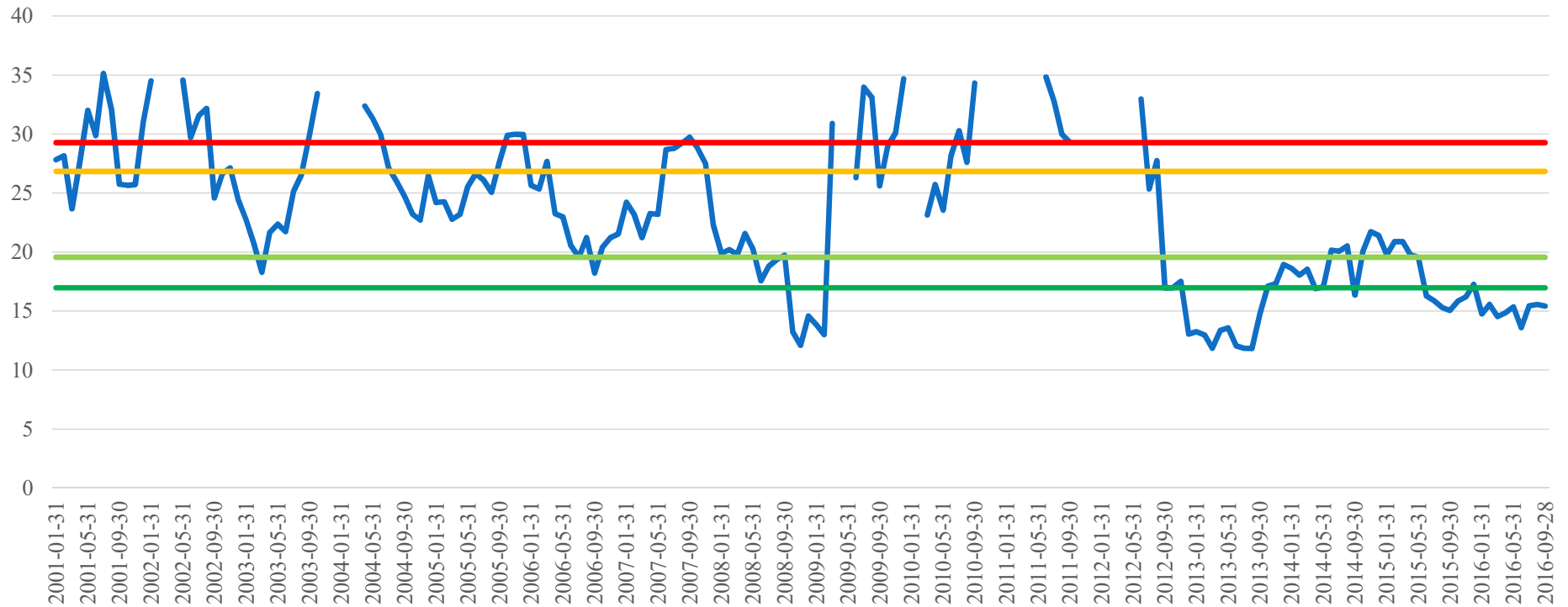
# Price to Sales



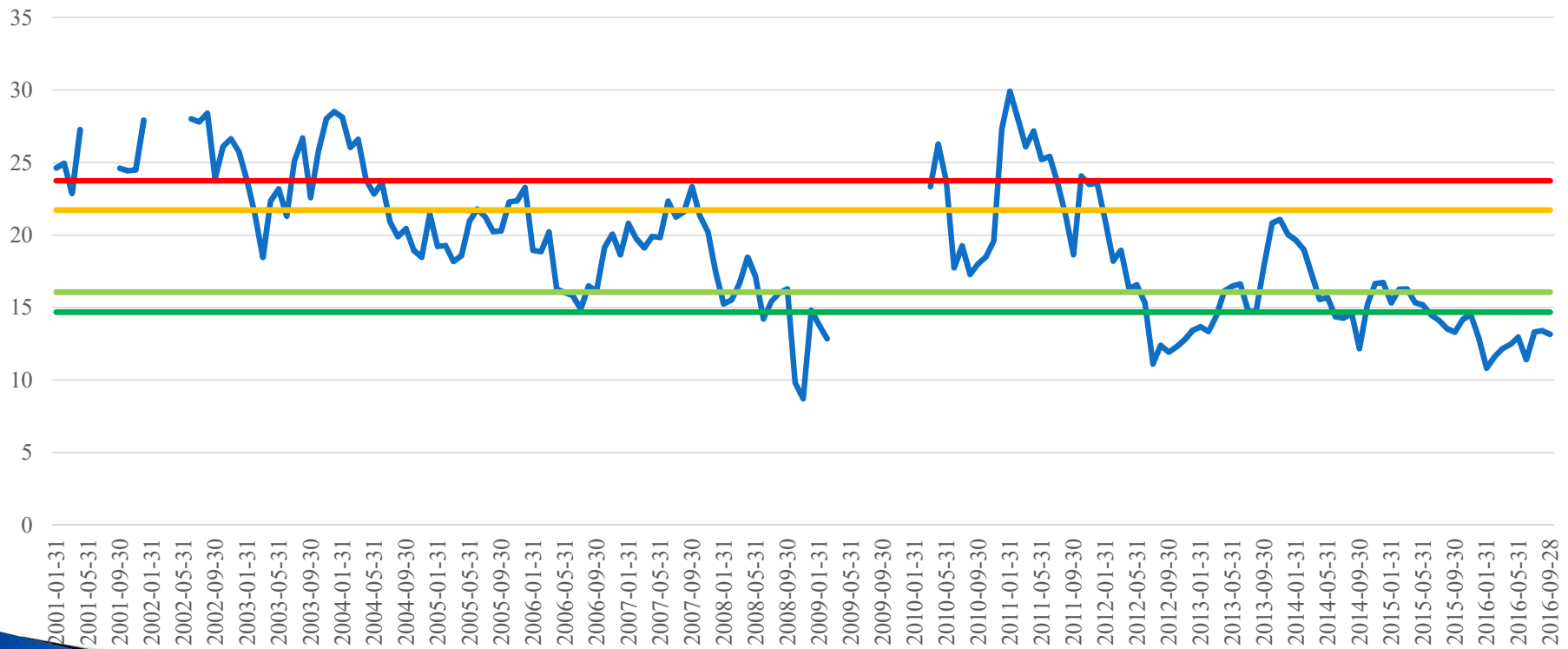
# Price to Earnings



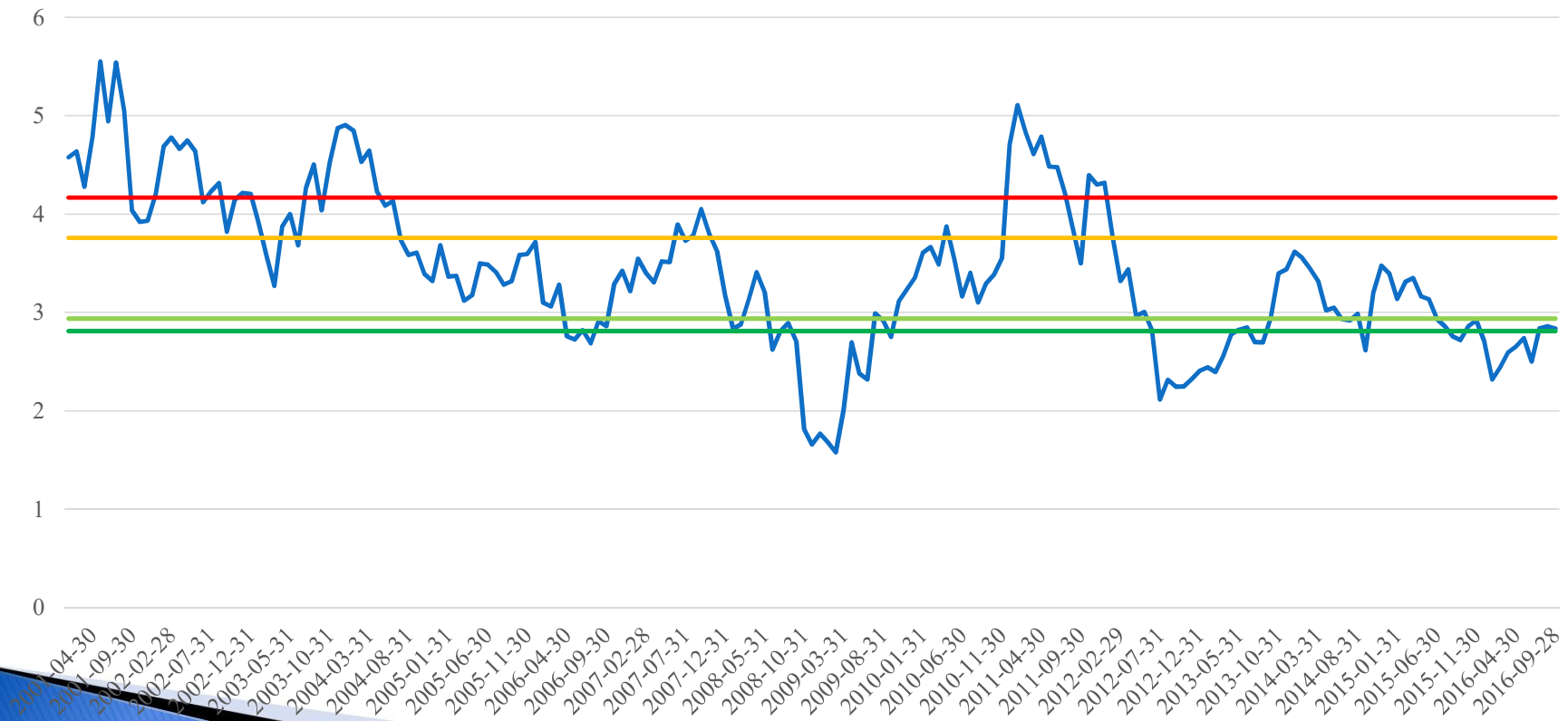
# Price to Owners Earnings



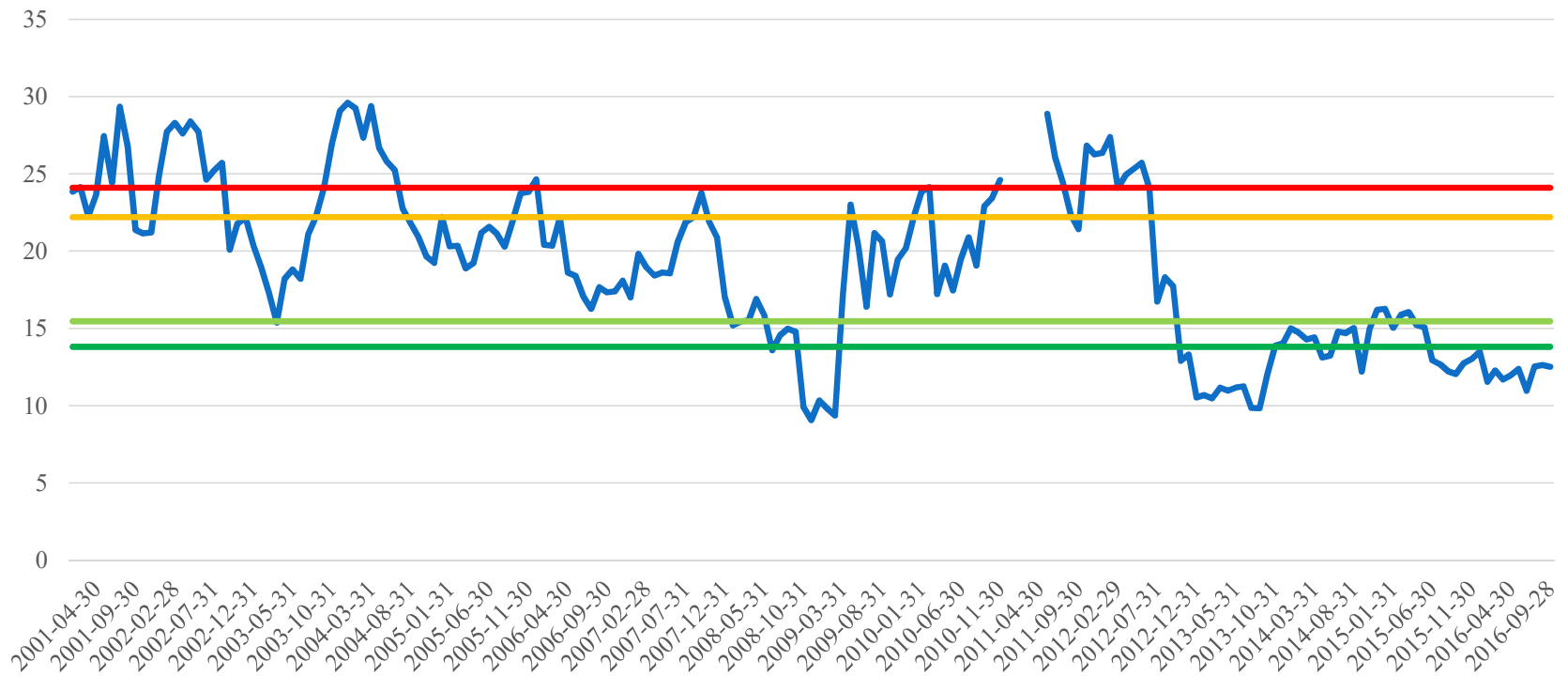
# Price to Earnings Less Cash



# Price to Book

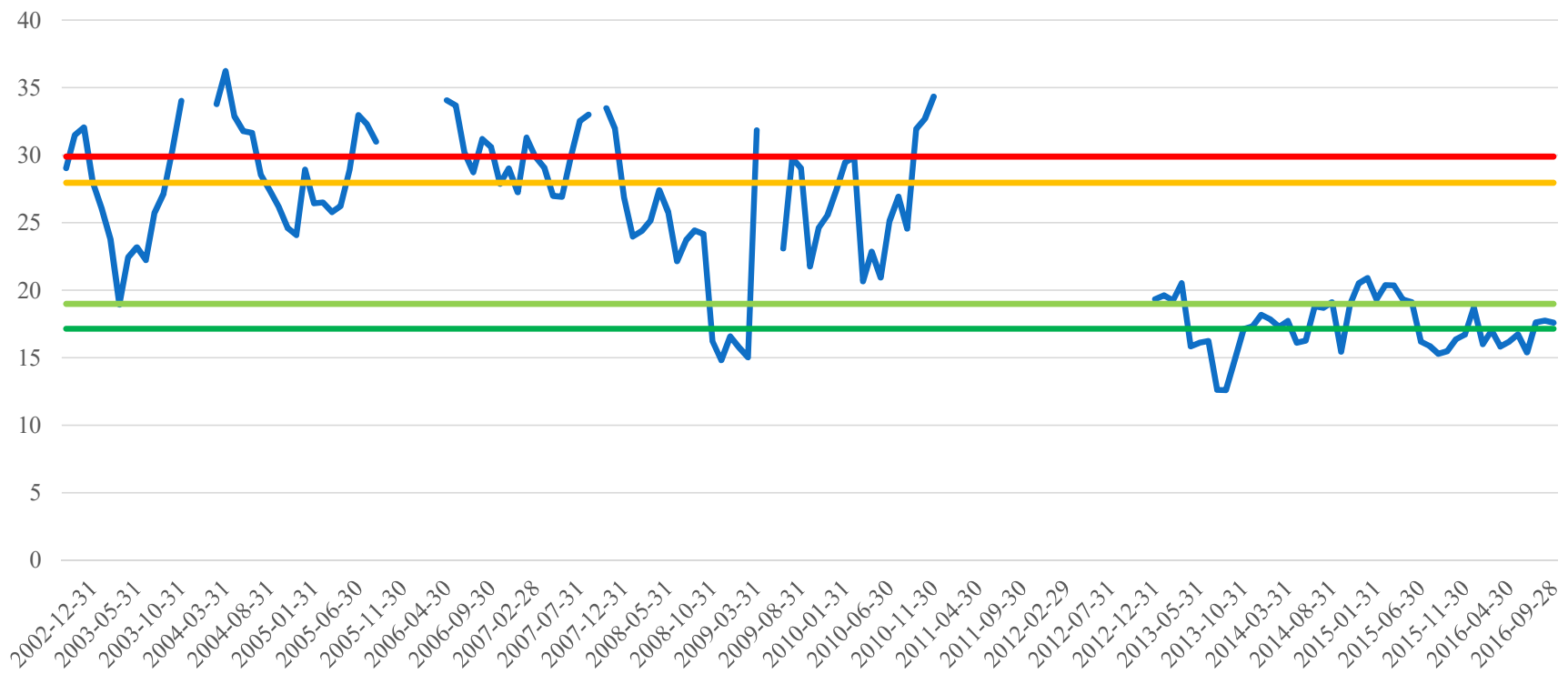


# Price to Cashflow

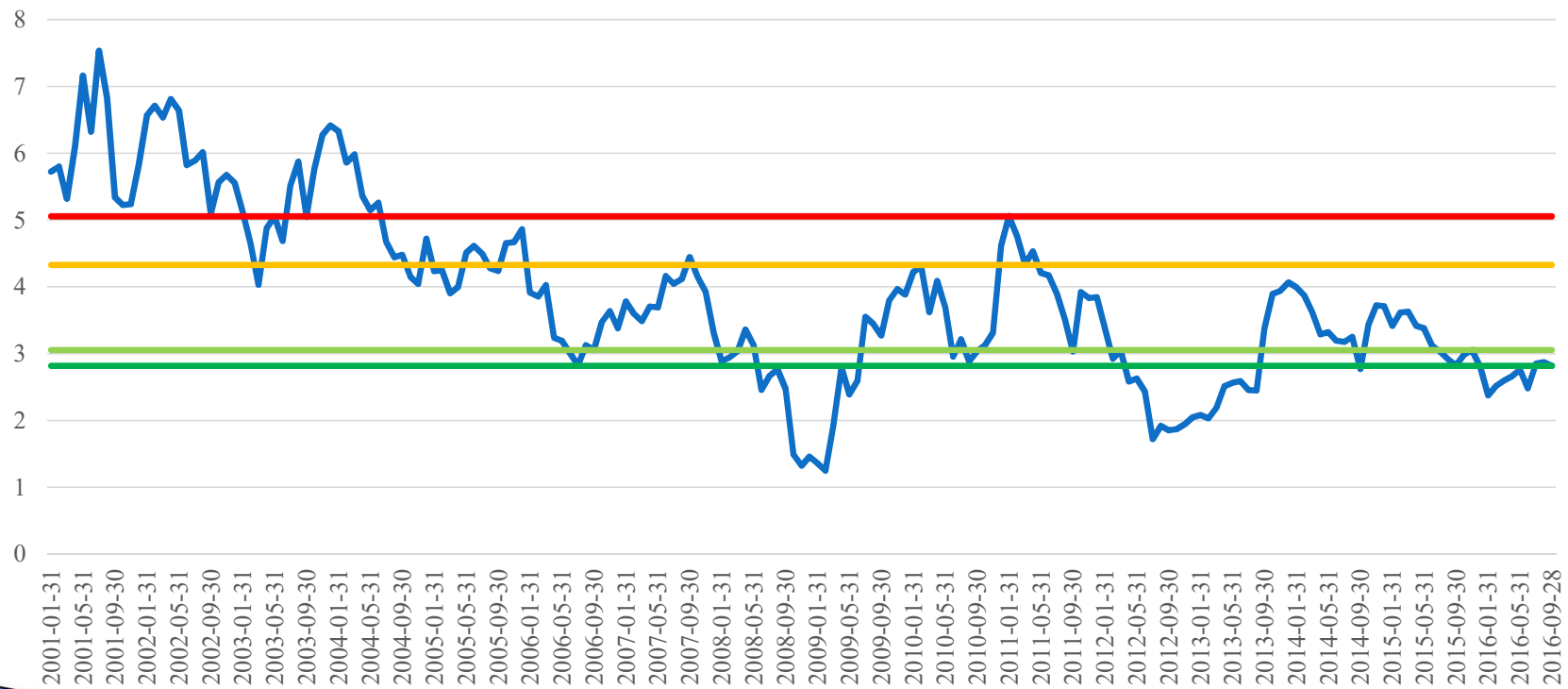




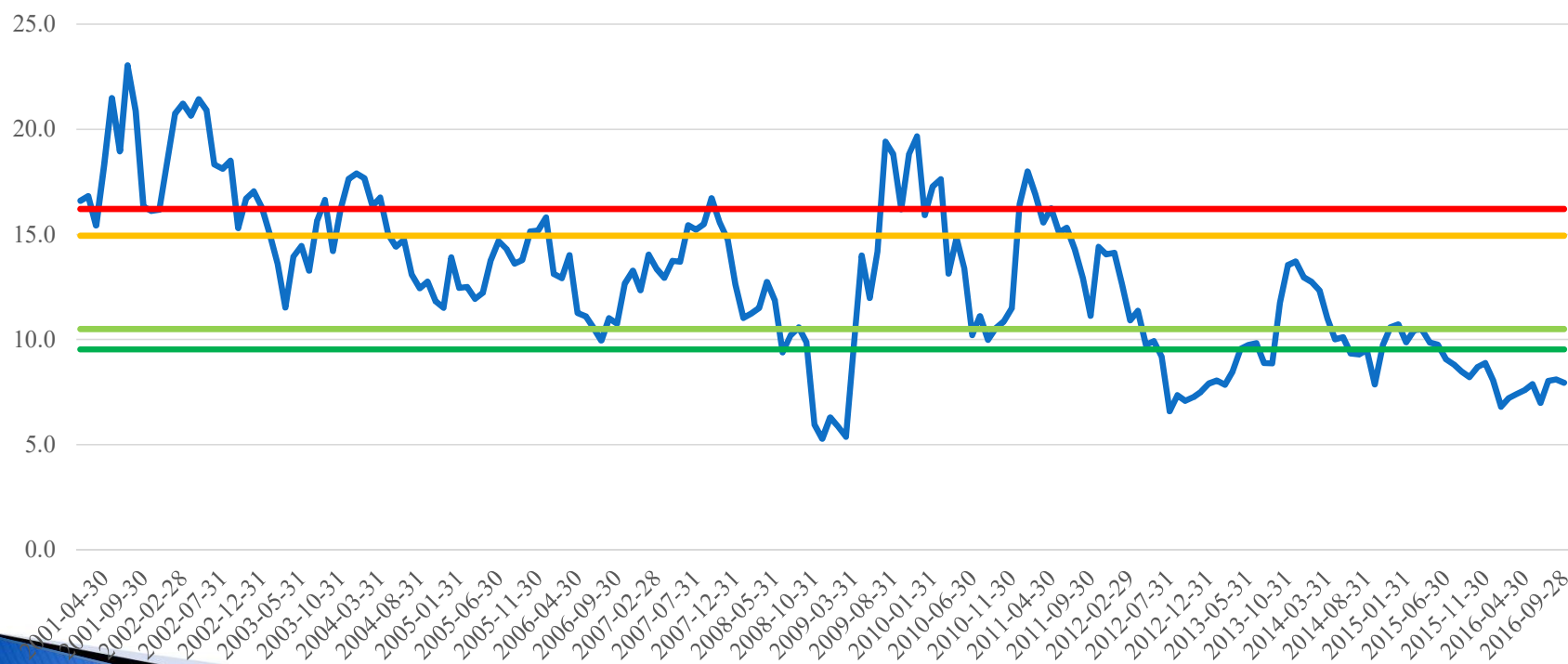
# Price to Free Cashflow



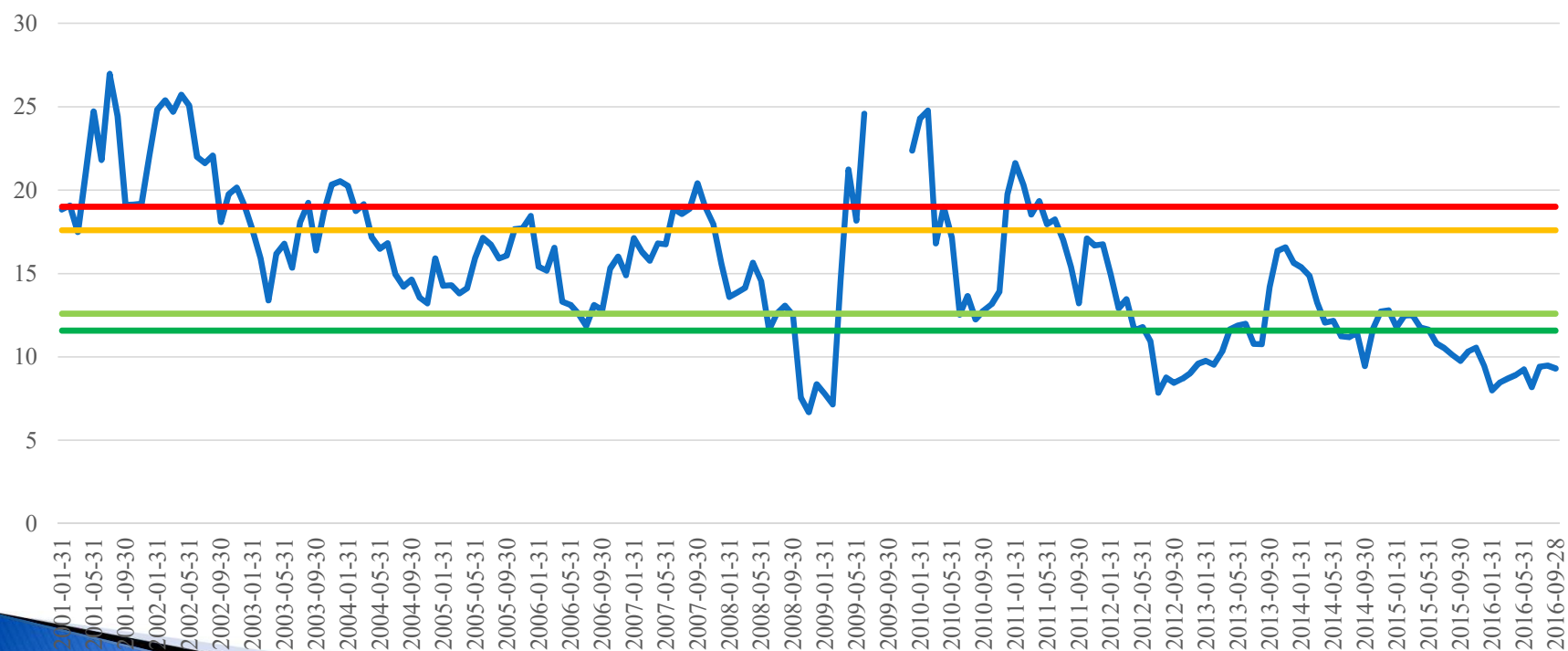
# Enterprise Value to Revenue



# Enterprise Value to Earnings Before Interest, Tax, Depreciation, and Ammonization



# Enterprise Value to Earnings Before Interest and Tax



# Valueband Summary



P/S	P/E	P/B	P/CFO	P/FCF	EV/Rev	EV/EBITDA	EV/EBIT
3.18	15.21	2.83	12.51	17.58	2.82	7.95	9.30
19%	10%	22%	13%	10%	15%	8%	6%



# Conscious Investor

# 3 Year



	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	EPSttm	Years	HGROWTH	STAEGR <sup>®</sup>
EPS (\$)	0.365	0.425	0.220	0.235	0.490	0.570	0.585	0.775	0.980	1.080	\$1.140	3	18.05%	97.61%
SPS (\$)	2.008	2.270	2.233	1.968	2.868	3.553	3.843	4.025	4.659	5.298		3	14.73%	99.79%

# 3 Year



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET <sup>®</sup>
Default	17.43	\$1.140	17.19	16.16%	34.8%	16.68%
Safety	17.43	\$1.140	13.17	9.49%	31.0%	8.12%

Cut P/E by 22.5%  
Cut Growth by 41.4%



# 6 Year



	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	0.365	0.425	0.220	0.235	0.490	0.570	0.585	0.775	0.980	1.080	\$1.140	6	18.02%	96.14%
SPS (\$)	2.008	2.270	2.233	1.968	2.868	3.553	3.843	4.025	4.659	5.298		6	11.97%	96.97%

# 6 Year



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	17.43	\$1.140	17.19	18.02%	34.8%	18.42%
Safety	17.43	\$1.140	13.17	11.10%	31.0%	9.50%

Cut P/E by 22.5%  
Cut Growth by 38.4%

# 10 Year



	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	EPSttm	Years	HGROWTH	STAAGR®
EPS (\$)	0.365	0.425	0.220	0.235	0.490	0.570	0.585	0.775	0.980	1.080	\$1.140	10	16.16%	67.48%
SPS (\$)	2.008	2.270	2.233	1.968	2.868	3.553	3.843	4.025	4.659	5.298		10	12.01%	91.72%

# 10 Year



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET <sup>®</sup>
Default	17.43	\$1.140	17.19	16.16%	34.8%	16.68%
Safety	17.43	\$1.140	13.17	9.49%	31.0%	8.12%

Cut P/E by 22.5%  
Cut Growth by 41.3%

# 6 Year Kill It



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	17.43	\$1.140	17.19	16.16%	34.8%	16.68%
Safety	17.43	\$1.140	13.17	9.49%	31.0%	8.12%
Saved 2016-09-30	17.43	\$1.140	10.00	7.00%	31.0%	3.92%

Cut P/E by 41.8%  
Cut Growth by 56.7%

# 6 Year Kill It Again



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET <sup>®</sup>
Default	17.43	\$1.140	17.19	16.16%	34.8%	16.68%
Safety	17.43	\$1.140	13.17	9.49%	31.0%	8.12%
🔄 Saved 2016-09-30	17.43	\$1.140	7.00	4.80%	31.0%	-0.03%

Cut P/E by 59.3%  
Cut Growth by 70.3%



# Intraportfolio

# Price to Earnings



Ticker	▲ Price / Earnings
BRK.B	-
AIG-WT	-
BBBY	8.5
IBM	12.8
<i>PII</i>	13.1
<b>GNTX</b>	15.3
WMT	15.6
<i>CMI</i>	16.4
NSRGY	17.5
<i>QCOM</i>	18.5
<i>UNP</i>	18.5
ORCL	19.0
CHRW	19.1
MSFT	27.6
PEP	30.3
AIG	-



# Price to Earnings Growth



Ticker	▲ PEG Forward
AIG-WT	-
BRK.B	-
AIG	0.8
<b>GNTX</b>	1.3
<i>PII</i>	1.3
<i>QCOM</i>	1.4
ORCL	1.9
CHRW	2.2
BBBY	2.2
MSFT	2.3
<i>UNP</i>	2.6
PEP	3.2
IBM	4.0
NSRGY	4.5
WMT	5.6
<i>CMI</i>	23.9

# 5 Year Historical Price Range



Ticker	Company	▲ 5-Year Price Range
BBBY	Bed Bath & Beyond	\$41.15  \$80.82
<i>PII</i>	Polaris Industries	\$46.83  \$159.33
IBM	IBM	\$116.90  \$215.90
<i>CMI</i>	Cummins	\$79.53  \$161.03
AIG-WT	AMERICAN INTERNAT	\$13.50  \$29.56
WMT	Wal-Mart Stores	\$51.29  \$90.97
<i>QCOM</i>	Qualcomm	\$42.24  \$81.97
<i>UNP</i>	Union Pacific	\$38.87  \$124.52
ORCL	Oracle	\$24.91  \$46.71
CHRW	C.H. Robinson Worldwide	\$50.21  \$77.49
AIG	American International Gr	\$19.18  \$64.93
<b>GNTX</b>	Gentex	\$7.19  \$19.06
NSRGY	Nestle	\$53.48  \$83.25
BRK.B	Berkshire Hathaway	\$69.07  \$152.94
PEP	PepsiCo	\$58.50  \$110.94
MSFT	Microsoft	\$24.26  \$58.70

# Conclusion

Switching Costs

Niche Business

Patent portfolio

Undervalued

Growth opportunities

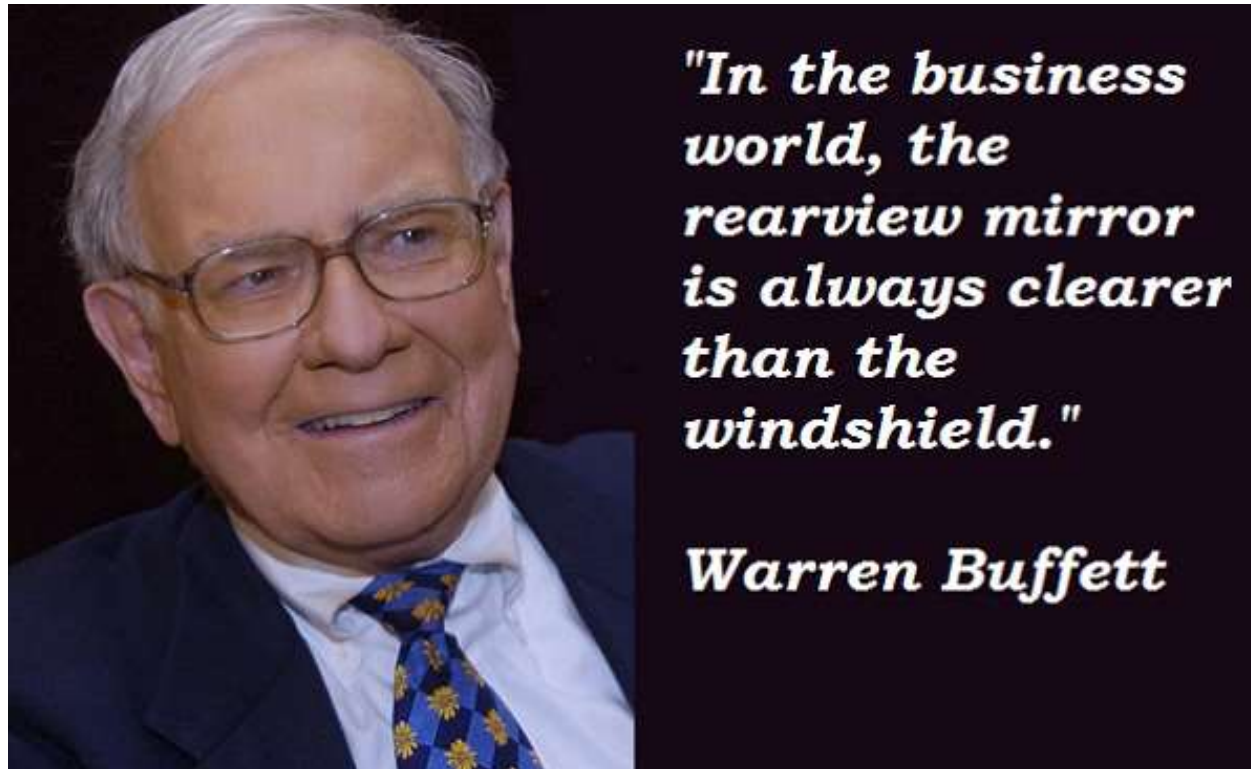


# Recommendation



- ▶ “Do you smell that? I smell MONEY”
- ▶ Market Order at \$17.63 a share

# Questions



# Appendicies

Business Combinations

Financing Arrangements



# Business Combinations



## (10) Business Combinations

On September 27, 2013, the Company completed the acquisition of certain assets and liabilities of Johnson Controls, Inc. related to HomeLink. Prior to the acquisition, the Company was a licensee of HomeLink which allowed for incorporation of HomeLink into the Company's rearview mirror products, that are installed in automobiles. The aggregate purchase price for the Business paid at the closing was approximately \$700 million subject to working capital adjustments. During the first quarter of 2014 the Company finalized purchase accounting.

The Company funded the transaction using a combination of cash on hand of approximately \$423 million and debt financing. The Company's debt financing included net proceeds from the Company's Credit Agreement as described in Note 2.

## (11) Goodwill and Intangible Assets

On September 27, 2013, the Company recorded Goodwill of \$337.6 million related to the HomeLink acquisition detailed further in Note 10. As of December 31, 2013, the Company adjusted recorded Goodwill to \$307.4 million resulting from finalization of purchase accounting estimates, during the first quarter of 2014. The carrying value of Goodwill as of December 31, 2015 and December 31, 2014 was \$307.4 million as set forth in the table below.

	Carrying Amount
Balance as of December 31, 2014	\$ 307,365,845
Acquisitions	—

# Financing Arrangements



## Credit Agreement:

- \$150 million Senior Revolving Credit Facility
- \$150 million Term Loan Facility
- Entitled to request additional \$75 million