

GENTEX CORP

Form 10-Q

November 02, 2018

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark one)

**QUARTERLY  
REPORT  
PURSUANT  
TO SECTION  
13 OR 15(d)  
OF THE  
SECURITIES  
EXCHANGE  
ACT OF 1934**

For the quarterly period ended September 30, 2018 or

**TRANSITION  
REPORT  
PURSUANT  
TO SECTION  
13 OR 15(d)  
OF THE  
SECURITIES  
EXCHANGE  
ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **0-10235**

**GENTEX CORPORATION**

(Exact name of registrant as specified in its charter)

**Michigan 38-2030505**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**600 N.  
Centennial,  
Zeeland,  
Michigan 49464**

(Address of principal executive offices) (Zip Code)

**(616) 772-1800**

(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes:  No:

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes:  No:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial or accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes:  No:

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes:  No:

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding, October 19, 2018
Common Stock, \$.06 Par Value	262,116,951

**GENTEX CORPORATION AND SUBSIDIARIES**  
**For the Three and Nine Months Ended September 30, 2018**  
**FORM 10-Q**  
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**PART I —FINANCIAL INFORMATION****Item 1. Unaudited Consolidated Financial Statements.****GENTEX CORPORATION AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS****As of September 30, 2018 and December 31, 2017**

	September 30, 2018		December 31, 2017 (Note)
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 194,017,041	\$	569,734,496
Short-term investments	143,623,541		152,538,054
Accounts receivable, net	247,322,101		231,121,788
Inventories	213,394,037		216,765,583
Prepaid expenses and other	29,201,873		14,403,902
Total current assets	827,558,593		1,184,563,823
PLANT AND EQUIPMENT—NET	497,305,597		492,479,330
<b>OTHER ASSETS</b>			
Goodwill	307,365,845		307,365,845
Long-term investments	141,631,510		57,782,418
Intangible assets, net	274,500,000		288,975,000
Patents and other assets, net	21,027,381		20,887,496
Total other assets	744,524,736		675,010,759
Total assets	\$ 2,069,388,926	\$	2,352,053,912
<b><u>LIABILITIES AND SHAREHOLDERS' INVESTMENT</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 90,041,982	\$	89,898,467
Current portion of long-term debt	—		78,000,000
Accrued liabilities	82,844,508		75,748,540
Total current liabilities	172,886,490		243,647,007

DEFERRED INCOME TAXES	53,398,181		58,888,644
TOTAL LIABILITIES	226,284,671		302,535,651
SHAREHOLDERS' INVESTMENT			
Common stock	15,727,030		16,816,879
Additional paid-in capital	743,495,999		723,510,672
Retained earnings	1,086,003,216		1,301,997,327
Accumulated other comprehensive (loss) income	(2,121,990)		7,193,383
Total shareholders' investment	1,843,104,255		2,049,518,261
Total liabilities and shareholders' investment	\$	2,069,388,926	\$ 2,352,053,912

Note: The condensed consolidated balance sheet at December 31, 2017 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

**GENTEX CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**For the Three and Nine Months Ended September 30, 2018 and 2017**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
NET SALES	\$ 460,253,433	\$ 438,627,786	\$ 1,380,654,978	\$ 1,335,302,109
COST OF GOODS SOLD	287,263,147	267,398,126	862,231,819	821,063,869
Gross profit	172,990,286	171,229,660	518,423,159	514,238,240
OPERATING EXPENSES:				
Engineering, research and development	26,888,999	24,770,279	80,138,722	75,165,946
Selling, general & administrative	18,673,376	17,386,729	55,658,189	49,708,008
Total operating expenses	45,562,375	42,157,008	135,796,911	124,873,954
Income from operations	127,427,911	129,072,652	382,626,248	389,364,286
OTHER INCOME (LOSS)				
Investment income	3,180,683	2,139,387	8,062,421	5,348,052
Other income (loss), net	(73,979)	(379,996)	578,655	(1,071,628)
Total Other Income	3,106,704	1,759,391	8,641,076	4,276,424
Income before provision for income taxes	130,534,615	130,832,043	391,267,324	393,640,710
PROVISION	19,198,798	40,601,708	59,658,782	117,317,687

FOR  
INCOME  
TAXES

NET INCOME	\$	111,335,817	\$	90,230,335	\$	331,608,542	\$	276,323,023
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EARNINGS  
PER  
SHARE:

Basic	\$	0.42	\$	0.32	\$	1.23	\$	0.97
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Diluted	\$	0.42	\$	0.31	\$	1.22	\$	0.96
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Cash  
Dividends  
Declared  
per Share

	\$	0.11	\$	0.10	\$	0.33	\$	0.29
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**GENTEX CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Three and Nine Months Ended September 30, 2018 and 2017**

	Three Months Ended September 30,			Nine Months Ended September 30,	
	2018	2017		2018	2017
Net Income	\$ 111,335,817	\$ 90,230,335		\$331,608,542	\$276,323,023
Other comprehensive income (loss) before tax:					
Foreign currency translation adjustments	(1,174,213)	1,182,152		(2,013,638)	2,865,952
Unrealized gains on derivatives	16,165	239,215		98,769	1,376,077
Unrealized (losses) gains on debt securities, net	(609,422)	2,287,103		(932,953)	5,409,722
Other comprehensive (loss) income, before tax	(1,767,470)	3,708,470		(2,847,822)	9,651,751
(Benefit) Expense for income taxes related to components of other comprehensive income (loss)	(124,584)	884,211		(175,177)	2,375,031
Other comprehensive (loss) income, net of tax	(1,642,886)	2,824,259		(2,672,645)	7,276,720