

LSEG STREETEVENTS

EDITED TRANSCRIPT

GNTX.OQ - Q4 2025 Gentex Corp Earnings Call

EVENT DATE/TIME: JANUARY 30, 2026 / 2:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Josh O'Berski *Gentex Corp - Vice President - Investor Relations*

Steven Downing *Gentex Corp - President, Chief Executive Officer, Director*

Kevin Nash *Gentex Corp - Chief Financial Officer, Vice President - Finance, Treasurer*

Neil Boehm *Gentex Corp - Chief Technology Officer, Vice President - Engineering*

CONFERENCE CALL PARTICIPANTS

Luke Junk *Robert W. Baird & Co Inc - Analyst*

Mark Delaney *Goldman Sachs Group Inc - Analyst*

Josh Nichols *B. Riley Securities Holdings Inc - Analyst*

Joseph Spak *UBS AG - Analyst*

James Picariello *Exane Bnp Paribas - Analyst*

Ryan Brinkman *JPMorgan Chase & Co - Analyst*

David Whiston *Morningstar Inc - Analyst*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to Gentex reports fourth quarter and year end 2025 financial results. At this time, all participants are in a listen-only mode. Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Josh O'Berski, Vice President of Investor Relations.

Josh O'Berski - *Gentex Corp - Vice President - Investor Relations*

Thank you. Good morning, and thank you for joining us today for our fourth quarter and year end 2025 earnings conference call. I'm Josh O'Berski, Gentex's Vice President of Investor Relations, and with me today are Steve Downing, President and CEO; Neil Boehm, COO and CTO; and Kevin Nash, Vice President of Finance and CFO.

Please note that a replay of this conference call webcast along with edited transcripts will be available following the call on the Investors section of our website at ir.gentex.com. As a reminder, many of the statements made during today's call are forward-looking statements that reflect our current expectations.

These statements are subject to a number of risks and uncertainties, both known and unknown, including those detailed in our press release from this morning, and our annual report on Form 10-K for the year ended December 31, 2024, as well as general economic conditions. If one or more of these risks or uncertainties materialize or if our underlying assumptions or estimates prove to be incorrect, actual results could differ materially from these expressed or implied in our forward-looking statements.

I will now hand the call over to Steve Downing for our prepared remarks.

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

Thank you, Josh. For the fourth quarter of 2025, the company reported consolidated net sales of \$644.4 million, an increase of 19% compared to net sales of \$541.6 million for the fourth quarter of last year. VOXX contributed \$103.4 million of revenue during the fourth quarter and the core Gentex revenue was \$541 million. While core Gentex revenue was essentially flat compared to the fourth quarter of last year, our performance within our primary markets was notably stronger. Revenue in these regions grew approximately 3% compared to a 2% decline in light vehicle production, representing a 5-point outperformance relative to the underlying market.

Sales into China totaled \$34.5 million for the quarter, down 33% from last year due to the impact of tariffs. The consolidated gross margin in the fourth quarter of 2025 was 34.8% and compared with a gross margin of 32.5% in the fourth quarter of last year, which did not include VOXX. The core Gentex gross margin was 35.5%, representing a 300 basis point increase compared to last year and is the highest gross margin since the first half of 2021. The increase in gross margin was the result of favorable product mix, operational efficiencies and purchasing cost reductions, partially offset by tariff-related costs. The steady improvement in gross margin reflects the company's disciplined focus on cost control, productivity and execution.

Over the last 2 years, we established and announced a target of getting back to the 35% to 36% gross margin range and the team has accomplished this goal through unbelievable grit and determination despite the external headwinds. It is also interesting to note that the gross margin improvement was partially offset by incremental tariff-related costs which reduced gross margin by approximately 150 basis points versus last year. Consolidated operating expenses during the fourth quarter were \$104.4 million compared to operating expenses of \$86.5 million in the fourth quarter of last year. The increase was primarily due to the VOXX acquisition, which accounted for \$24.6 million of the increase. The core Gentex operating expenses included \$800,000 in Gentex specific severance expenses.

Over the last 1.5 years, the company has been focused on expanding the gross margin as well as improving our operating cost structure. This effort included early retirement programs aimed at decreasing headcount and reduced third-party spend to lower ongoing operating expenses, while making sure our key technology and product initiatives continue to move forward.

Consolidated income from operations for the fourth quarter was \$120.1 million compared to income from operations of \$89.8 million last year, which did not include VOXX. Core Gentex income from operations was \$112.5 million, a 25.3% increase versus the fourth quarter of last year. Total other loss was \$8.7 million during the fourth quarter compared to other income of \$8 million last year.

Last year's gain was from a fair value adjustment of our original investment in VOXX. During the fourth quarter, the company had an effective tax rate of 16.3% compared to an effective tax rate of 10.3% last year. The increase was driven by lower tax benefits related to stock-based compensation as well as a reduced benefit from the foreign-derived intangible income deduction. Consolidated net income was \$93 million compared to \$87.7 million in the fourth quarter of last year. Earnings per diluted share in the fourth quarter were \$0.43 compared with earnings per diluted share of \$0.39 last year, which did not include VOXX.

For calendar year 2025, the company's consolidated net sales were \$2.53 billion, an increase of 10% compared to net sales of \$2.31 billion in calendar year 2024. The consolidated revenue includes 9 months of VOXX-related revenue. Core Gentex sales were \$2.27 billion for the year, a 2% decline versus last year, primarily driven by lower demand for the company's exports into the China market due to tariffs. In the company's primary regions, revenue increased by approximately 1% despite a 1% decline in light vehicle production. For calendar year 2025, the consolidated gross margin was 34.2% compared to a gross margin of 33.3% last year, which did not include VOXX.

The core Gentex gross margin was 34.7%, a 140 basis point increase compared to last year. Gross margin improvements were the result of purchasing cost reductions, operational efficiencies and favorable product mix, which were partially offset by tariff costs that were not reimbursed during the quarter -- sorry, during the year. The gross margin expansion was exceptional, especially when considering that the 140 basis point gain was achieved despite lower sales and new tariff-related headwinds that were not fully offset during the year. For the year, consolidated operating expenses were \$392.8 million. Core Gentex operating expenses were \$318.5 million in comparison to \$311.4 million last year.

Core Gentex operating expenses this year also included \$10.4 million in Gentex specific severance expenses. VOXX operating expenses were \$74.3 million from April through year-end. Total other loss was \$12.9 million for 2025 compared to other income of \$12.5 million last year. For calendar year 2025, the company's effective tax rate was 16.6% compared to an effective tax rate of 14.3% last year. The rate increase was driven by reduced tax benefits related to stock-based compensation as well as a lower benefit from the FDII deduction.

Consolidated net income for calendar year 2025 was \$384.8 million compared to income of \$404.5 million last year. Earnings per diluted share this year was \$1.74 compared to earnings per diluted share of \$1.76 last year. I will now hand the call over to Kevin for further financial details.

Kevin Nash - *Gentex Corp - Chief Financial Officer, Vice President - Finance, Treasurer*

Thanks, Steve. Gentex Automotive generated \$527.6 million in net sales during the fourth quarter of '25 compared to \$531.3 million in the fourth quarter of '24, despite a 3% quarter-over-quarter decline in auto-dimming mirror shipments. For the full year, 2025, Gentex Automotive delivered \$2.22 billion in net sales compared with \$2.26 billion in 2024 -- in '24, even as auto-dimming mirror shipments declined 6% year over year. This performance highlights the company's ability to sustain strong revenue levels driven by ongoing content expansion. In our other category, which includes dimmable aircraft windows, fire protection products, medical products and biometrics, fourth quarter net sales were \$13.3 million, up from \$10.3 million in the prior year period.

And for the full year, other net sales were \$51.1 million compared to \$48.6 million in 2024. VOXX contributed \$103.4 million in net sales during the fourth quarter of '25 and \$267.2 million for the 9-month period from April 1 through December 31. The fourth quarter reflected the expected seasonal and sequential increase tied to holiday period demand. And post-acquisition integration remains on track with product strategies aligning, customer engagement, strengthening and operational synergy efforts progressing across the combined businesses. Turning to capital allocation.

We repurchased 3.8 million shares in the fourth quarter at an average price of \$23.43. And for the full year, we repurchased 13.6 million shares at an average price of \$23.48, totaling \$319 million. We ended the year with 35.9 million shares remaining under our repurchase authorization. Turning to the balance sheet. Our comparisons today are based on December 31 of '25 versus December 31 of '24.

Starting with liquidity. Cash and cash equivalents were \$145.6 million, down from \$233.3 million at year-end 2024. This decline was primarily driven by the acquisition and share repurchases, partially offset by operating cash flow. Short-term and long-term investments totaled \$278.3 million compared to \$361.9 million at the end of '24. Accounts receivable stood at \$368.5 million compared to \$295.3 million at year-end 2024.

Of that, \$290.6 million was attributable to Gentex and \$77.9 million to VOXX. Inventories totaled \$516.3 million, of which \$392.2 million represented core Gentex inventory, down from \$436.5 million at year-end 2024, largely due to reductions in raw material inventory. The remaining \$124 million reflects VOXX inventory. Consolidated accounts payable was \$249 million compared to \$168.3 million at year-end 2024, including \$159.3 million for Gentex and \$89.6 million for VOXX. Preliminary cash flow from operations for the fourth quarter was \$125.7 million compared to \$154.4 million in the same period last year, primarily due to changes in working capital.

And operating cash flow for the calendar year '25 reached \$587.3 million, up from \$498.2 million in 2024, also driven by changes in working capital. In the fourth quarter, net capital expenditures were \$17.5 million compared to \$38.5 million in the fourth quarter of last year. And for the full year, net capital expenditures were \$120.6 million compared to \$141.4 million in the prior year. And lastly, depreciation and amortization expense for the fourth quarter was \$25.2 million compared to \$23.8 million in Q4 last year. And on a year-to-date basis, depreciation and amortization totaled \$104 million, up from \$94.7 million in the prior year.

I'll now hand the call over to Neil for a product update.

Neil Boehm - *Gentex Corp - Chief Technology Officer, Vice President - Engineering*

Thank you, Kevin. The fourth quarter of 2025 was another strong launch quarter. In the quarter, over 85% of the launches were advanced interior and exterior auto-dimming mirrors and electronic features. Driver monitoring, HomeLink, and Full Display Mirror were the products driving the greatest growth of the advanced feature launches for the quarter. We're excited to announce that in the fourth quarter of 2025, we began shipping driver monitoring systems to both Volvo and Polestar.

It's an exceptional accomplishment for the Gentex team in that these driver monitoring mirrors contain a full system of cameras, LED emitters, processing and Gentex developed software to perform the required features. This was a great achievement, and the team did an outstanding job getting the product to market.

At the start of 2026, we once again exhibited at the Consumer Electronics Show in Las Vegas. The show floor provides an excellent format for meeting with our customers, suppliers, investors and consumers, all while demonstrating our latest technologies and capabilities. This was our 11th year at the show and by far, our biggest.

With four distinct booths, we were able to showcase our eSight medical product, our connected smoke detection system, Place, the new technologies in audio from Klipsch and Onkyo and an evolution of our technologies and strategies of our core automotive business. At our combined VOXX and premium audio company booth, Clic celebrated its 80th anniversary by debuting the next generation of its iconic 5s, 7s, and 9s, powered speakers. It's new Atlas series of Hi-Fi headphones, the newest frontier in Hi-Fi speakers in its reference signature and Apollo series as well as a preview of the Flexus Element outdoor sound bar. Additionally, the team showcased its vision for premium Onkyo AV receivers with a wide assortment of new products on display. Launching this many new products was a heavy lift, but the team did a great job and these new products received 26 awards from the show.

In the main Gentex booth, the primary products were our next-generation Full Display Mirror, dimmable sun visors and Sunroofs, HomeLink 6, Our Place, smart home safety system, and our driver and in-cabin monitoring systems.

This year at CES, the product that drove the greatest interest from all groups visiting the main booth was the dimmable visor. Utilizing our core electrochromic technology our visors reduced sun glare while allowing drivers to still see what's ahead. We showcased the multiple integrations of the vanity mirror, including a mirror surface covering the entirety of the visor that could be turned on or off.

OEM interest in our demo visor technology has never been higher, and we're pleased to announce that we have our first customer in launch with a target to begin shipping in the second half of 2027. We believe this is the first of many customers who will incorporate this technology into their vehicles. Full Display Mirrors continue to develop with the market, and it's the auto industry's leading digital rearview mirror, having shipped on more than 140 different vehicles around the world.

At this year's CES, we demonstrated our next-generation Full Display Mirror, which incorporates the company's dynamic view assist, a series of dynamic viewing modes that can enhance driving safety and make, using the digital mirror, feel more natural. By utilizing a higher resolution imager, the Full Display Mirror can automatically expand the mirror's digital view when the vehicle is moving slowly.

It can digitally tilt downwards when the vehicles in reverse, and it can display picture in picture functions like showing what's in your blind spot or what's in the cargo bed of your truck. There was a lot of excitement and interest in the next phase of Full Display Mirror, and we're excited to get the launch is moving. In 2025, Full Display Mirror continued to expand as a share of our overall business as we shipped 3.19 million units, representing approximately an 8% increase compared to the 2.96 million units shipped in 2024.

Looking ahead to this year, we expect Full Display Mirror to grow by an additional 200,000 to 400,000 units. To help showcase our driver and in-cabin sensing technologies at CES this year, we developed an all-new demonstrator that was able to show the primary DMS features while also demonstrating our 2D and structured light-based 3D cabin monitoring for detecting passengers, objects and even presence of life.

Additionally, we demonstrated our latest software suite containing emerging features like cognitive state recognition, impairment detection, vital signs monitoring and post-crash communications. Our driver monitoring and in-cabin monitoring systems continue to gain traction as they provide a scalable, easy-to-deploy mirror integrated platform.

In Q1 of 2025, we announced we were shipping to Rivian, and we began shipping to Volvo and Polestar in Q4 of 2025. By the middle of 2026, we expect to be in production with two additional OEMs. As we look forward into 2026, it's clear that light vehicle production in our primary markets will remain mostly flat.

With this prospect, the Gentex teams will continue to focus on how we can drive greater efficiency in our processes, improve our pricing with suppliers and mitigate impact -- tariff impacts while we continue to ramp up for the launch and production of complex technologies like large area devices and visors. We have an outstanding team here at Gentex, and I'm confident in our ability to continue to drive improvements while we advance the technology as well.

I'll now hand the call back over to Steve for guidance and closing remarks.

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

Thanks, Neil. The company's 2026 and 2027 light vehicle production assumptions reflect the S&P Global Mobility mid-January 2026 forecast for North America, Europe, Japan, Korea and China and was included in our press release from earlier this morning. Based on the S&P Global Mobility forecast, market conditions in our primary markets, the continued impacts on the China market from tariffs and the expected incremental sales contribution from the VOXX acquisition, the company is providing detailed annual guidance for 2026 and revenue guidance for 2027.

Consolidated revenue for 2026, including VOXX, is expected to be between \$2.6 billion and \$2.7 billion. Consolidated gross margin is anticipated to be between 34% and 35%. Consolidated operating expenses, excluding severance, are forecasted at \$410 million to \$420 million. The effective tax rate is expected to be between 16% and 18%. Capital expenditures are projected at \$125 million to \$140 million, and depreciation and amortization is expected to total \$100 million to \$110 million.

Additionally, based on the current S&P Global Mobility light vehicle production outlook and the company's estimates for VOXX, premium audio, aerospace, medical, fire protection and consumer electronic products, the company currently expects calendar year 2027 revenue to be between \$2.75 billion and \$2.85 billion. We came into 2025 with a focus on growth and improving profitability and hoping for stable end market.

Instead, we were confronted with a dynamic marketplace, including headwinds created by the volatility of tariffs, counter tariffs, weakening production in our primary markets and cost inflation. Despite these challenges, our team delivered impressive results.

In April, we completed the VOXX acquisition and have addressed most of the integration challenges. We are also well on our way of accomplishing our planned cost improvement initiatives that we believe will ultimately yield approximately \$40 million per year in positive cash flow from the VOXX business. In our core business, our teams reduced costs, improved efficiency and expanded profitability, resulting in gross margins at the highest level in several years and accomplishing our stated goal of returning to 35% to 36% gross margin levels.

This year, our sales teams were able to offset a 29% year-over-year sales decline in China through increased sales in our primary markets that outperformed the market by 3% despite the turbulence in those markets. These results reinforce my confidence in our team's ability to persevere through unforeseen and volatile circumstances and to adjust rapidly to changing business conditions and environments.

The market conditions in 2025 remind us of one key takeaway growth must come from innovation. The team is answering that challenge with focus and determination. Despite the market conditions and the focus on cost alignment, the team has continued to launch and develop our next wave of products that include new driver monitoring systems, our next generation of Full Display Mirrors, large area devices, our

first production award for dimmable visors and a whole new product lineup within the Premium Audio group that won numerous awards at the Consumer Electronics Show.

Our strategy is to continue to leverage our core competencies to drive above-market growth through existing and new technologies. This growth, combined with our cost discipline, will allow us to create shareholder value for years to come. That completes our prepared comments for today. We can now proceed to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Luke Junk, Baird.

Luke Junk - Robert W. Baird & Co Inc - Analyst

Maybe just for starters, Steve, if we could just square the downside and an upside risk relative to the revenue guidance range, up growth as we went through last year, of course, a little on -- even on a quarter-by-quarter basis, just how you're thinking about some of those impacts that we saw last year, vehicle and Trumex and maybe anything customer specific that we should keep in mind as well?

Steven Downing - Gentex Corp - President, Chief Executive Officer, Director

Yeah. I think if you look at overall, the -- you're absolutely right. First of all, 2025 was definitely lumpy in terms of what was happening, not only regionally but with our customer base. I think if you look at the upside or kind of the tailwinds behind that forecast, you start to see some stability in the North American market. We -- there's definitely some upside for that market to improve or be a little better than production estimates.

I mean, if you look at where it's been in the last few years, it's definitely been towards the lower end of probably what we'd expect to be economically stable production environment in North America. If you look at the Western Europe side, that's probably the next biggest opportunity for us to see some improvements. There definitely seems to be some stability there. Definitely not as bad as what probably I thought it was coming into '25. It definitely performed a little better than I thought.

The risk factor is obviously what's going on in the China market. And does that deterioration continue to happen and then the last one for us is we do have some pretty good exposure to Tesla as a customer. What continues to be the role of Tesla as it relates to EV and the acceptance rate of those vehicles globally, we've been a long-term partner with them and definitely have some out risk on an OEM basis with Tesla.

Luke Junk - Robert W. Baird & Co Inc - Analyst

Got it. Maybe switching gears to margins, universe margin for '25 in total. I think if I have my numbers ended up being about 30 bps above the high end of your guidance with the 4Q upside. Can we just unpack what was better than expected over the last couple of months of the year in the fourth quarter versus where you guided? And then what is sustainable as we walk into '26? Or is there anything that we should be making sure that we adjust for coming out this quarter?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

Yeah, I'd say on the positive side, the product mix, operational efficiencies, labor, yield, all the things internally were really solid, especially in the fourth quarter. PPV and the pricing out of the supply base was solid. If you look on the negative side, obviously, tariff impact in the second half of the year was a lot larger than it was in the first half.

A lot of that was not reimbursed in the quarter. And so that 150 basis point headwind in Q4 was really pretty significant when you look at overall performance. For us to hit that mid-3s despite those headwinds was -- obviously tells you kind of what the upside could be longer term if we can get the tariff situation completely under control.

Luke Junk - *Robert W. Baird & Co Inc - Analyst*

DRAM, obviously, getting a lot of headlines in auto. Maybe if you could just comment on what you're seeing in the supply chain right now or relative to pricing trends and any internal efforts that you might be working on from an engineering standpoint? And would I be right in assuming that there's some direct exposure here in terms of the FDM build materials, especially?

Neil Boehm - *Gentex Corp - Chief Technology Officer, Vice President - Engineering*

Yeah, so in regards to the FDM, that uses the DDR3 technology. So it's a little older technology. So we -- from a supply side, there's not a lot of risk on that but there is just from a pricing side, the pricing on RAM with these issues that popped up have gone through the roof on pretty much every version of that component. On the DDR4, there is a little bit of exposure in that as well from a DMS product, driver monitoring product that we're doing from a supply side. We've got allocation where we've got parts to build and ship but we are working on ultimate supply sources as well to alleviate any risk associated with that.

Operator

Mark Delaney, Goldman Sachs.

Mark Delaney - *Goldman Sachs Group Inc - Analyst*

I was hoping to also ask a question around gross margin. But with respect to the 2026 guidance and hoping you could walk us from the '25 level to '26, which is pretty flattish year over year. You just reported very strong 4Q gross margins. You just spoke a bit about some of the drivers there. But can you talk a bit more on puts and takes for '26?

It sounds like there's more opportunity to go on tariff recoveries. You've also, I think, have some opportunities with VOXX as you work on the integration there, but then there's been obviously some of these challenges like I think you were just referring to. So any more on the puts and takes and bridging to the '26 outlook would be helpful.

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

Yes, absolutely. So if you look at the performance, exit rate for the last 6 months of '25, that's kind of our base case going into '26. And so we continue to see on the headwind side, obviously, you got customer pricing challenges like we always have. But on the tailwind side, you have supplier pricing that should improve. The two biggest challenges you have going into '26, however, are one of them are commodity pricing, especially as it relates to precious metals.

So our exposure typically runs silver, gold and ruthenium. Obviously, ruthenium most people don't follow, but silver and gold are pretty obvious issues, also expecting a little bit of challenge as it relates to copper and some of the things that are happening in that marketplace,

especially their impact on circuit boards and other electronics. The other big one is tariffs. So we'll have a full year of tariff rates and some of those have changed since the beginning of '25. And so if you look at the weighted average, we really only had about 6 months of the full weighted average of tariffs this year versus a full 12 months next year.

So those two in particular, represent probably \$45 million or \$50 million of headwinds when we start the beginning of the year.

Mark Delaney - *Goldman Sachs Group Inc - Analyst*

Okay. Understood. My other question was on China. And you've spoken a bit already on what you've seen in the China market directly. Maybe you speak a bit more on what you're expecting for China this year, but then higher level as we're seeing the Chinese OEMs continuing to expand beyond the China market. To what extent do you think Gentex can sell to those OEMs as they're selling into markets like Europe?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

Well, I think on the China market, what our primary focus right now and what we're expecting to happen is continued a little bit of headwinds for us exporting into the China market. And that's primarily driven by the fact that the content and the tariff rates just don't support that additional cost on given how high those tariffs are for us to be able to operate under that business model and sell into the China market, at least at the levels we have in the past.

As you look -- as you start talking about Chinese OEMs and their role in the rest of the world production, I think that's a big function of is that cars produced in China and exported to those markets or are the cars produced by Chinese OEMs domestically in the markets they're selling. And the reason why I separate the two is if we're shipping into the China market for manufacturing and then export that still will be a difficult business model to engage in. On the flip side of that is Chinese OEMs, if they grow capacity in the Western world or in other parts of Asia, and we can ship into those regions at a better duty rate then we absolutely have a better chance of being competitive and a way for us to sell into those customers.

Mark Delaney - *Goldman Sachs Group Inc - Analyst*

Yeah. And then Steve, just a quick follow-up there. I mean, as you're seeing some of the Chinese OEMs start to set a factory outside of China, are you already getting interest in using your products and making progress? Or is that something you'd still have to accomplish going forward?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

No. There's the -- most of those customers have worked with us in the past. And so as they look to expand footprint into other regions, we're absolutely on their list of suppliers.

Operator

Josh Nichols, B. Riley Securities.

Josh Nichols - *B. Riley Securities Holdings Inc - Analyst*

Great to see the robust margin expansion. That's already been touched on, but I guess you've been talking a little bit about some new commercialization wins that are going to be ramping up between like DMS also in dimmable glass longer term. When you look at like the

'27 guidance that you've kind of put out there now, I think that implies like 6% growth. What's your expectations that are being built into that return in terms of the ramp for DMS, the China recovery and dimmable glass in terms of like revenue contribution overall?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

Yes. So if you look at the '26 revenue has virtually nothing in it from -- has nothing in it from dimmable glass. I mean, other than existing aerospace products. But if you look at the rest of it, we're anticipating continued decline in exports into the China market. No help from dimmable glass.

Obviously, revenue in the second half of '26, we'll start to see some tailwinds from the DMS launches. Right now, they're fairly immaterial between the two OEMs that we're shipping on currently. Once we add those other two, it starts to become material, the real impact of that will be in '27 and beyond.

Josh Nichols - *B. Riley Securities Holdings Inc - Analyst*

Got it. And then in terms of the commercialization time lines, it's great to hear you already have your first customer like visor, but additional larger opportunities like sunroof, side windows, things like that, what's an update on that?

Neil Boehm - *Gentex Corp - Chief Technology Officer, Vice President - Engineering*

Yeah. So the interest in large -- so obviously, the visor stuff is great. The excitement in that is truly ramped up in the last 12 months and since CES, even higher than -- so we're super excited about that and being able to expand on that. From a large area device side, customer side, customer engagement still is really strong. Interest levels are really strong.

In this quarter, I think we announced that last quarter, we were in process of getting capital in place to be able to do our own coating processes on film substrates, which is required for this. That equipment is in-house and in the process of being assembled and installed. So we're hoping by the end of Q1 here that we'll be starting to build off material. And on this line, we'll be able to start building material that we can start using with customers to demonstrate production capability.

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

I think the key important difference there is visors that is basically our core chemistry. And so from a timing to market, it can be a quicker go-to-market because it basically leverages what we've done in mirrors and in aerospace.

Josh Nichols - *B. Riley Securities Holdings Inc - Analyst*

Yeah. Interesting to see how that progresses because obviously, it could be a very significant growth driver, similar to kind of what FDM was if you go back. Last question for me would just be on the VOXX integration path. I know you said you've been targeting this \$40 million plus. Like how much of that work is already done? Is it showing any material profitability?

Or do you expect a lot of those synergies to kind of be realized like the back half of '26?

Kevin Nash - *Gentex Corp - Chief Financial Officer, Vice President - Finance, Treasurer*

Yes. I think if you look at where we came from, it was the business that was breakeven to losing money. And then if you look at 2026, we're probably about halfway there. We feel like that it will continue to ramp. The teams have been hard at work at finding opportunities.

The PAC team and the clip team is just getting ready to launch some new products kind of midyear into the last part of the year, which will help boost sales growth, improve margins. And then everybody is hard to work on kind of trimming up the cost side. So we feel like we're pretty well halfway to 60% of the way there in '26 and then coming into '27 full run rate at that level.

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

Well, if you look at the profitability in Q4, if you look at the financials. You can -- if you annualize what Q4 was, we're in a pretty good shape already going into '26 to be basically halfway there, then it's about trying to get beyond that during calendar year and into '27.

Operator

Joseph Spak, UBS.

Joseph Spak - *UBS AG - Analyst*

A couple of questions. First, just on VOXX, besides the extra quarter or so, like, are you expecting any growth in that business like on an annualized basis?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

Yeah. It's about a 5% grower in calendar, if you were to look at a full run rate year for 2026.

Joseph Spak - *UBS AG - Analyst*

Okay. So then if we think about core Gentex, that's pretty flattish or maybe even down a little bit. Is that the right way to think about it?

Kevin Nash - *Gentex Corp - Chief Financial Officer, Vice President - Finance, Treasurer*

No. Gentex is up about 2 to 3.

Joseph Spak - *UBS AG - Analyst*

Core Gentex.

Kevin Nash - *Gentex Corp - Chief Financial Officer, Vice President - Finance, Treasurer*

Production that's down just as a competitor looking at production down 1 for the year, really 2 for the primary markets, yeah.

Joseph Spak - *UBS AG - Analyst*

Yeah. Okay. And then the OpEx up year-over-year, obviously, part of that is, again, another quarter of VOXX, anything else to consider in the OpEx outlook?

Kevin Nash - *Gentex Corp - Chief Financial Officer, Vice President - Finance, Treasurer*

No. Really, that's the one thing is one quarter of a combined entity. I mean, if you look at the core Gentex operating expenses, they're pretty much flat year over year.

Joseph Spak - *UBS AG - Analyst*

Okay. Last quarter, you had sort of talked about some of the -- I know this was sort of touched on a little bit with Mark's question with the Chinese into Europe. But you talked about some European content thing. Is there any sort of update on what you're seeing from some of your customers there?

Kevin Nash - *Gentex Corp - Chief Financial Officer, Vice President - Finance, Treasurer*

The revenue in the quarter was actually reversed. So I think some of that was anomaly given some of the shutdowns in Q3 with some of the larger -- some of the European customers. But that decontending is continuing as it relates to some of the ones that we discussed before, but the volume in the quarter was actually reversed.

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

And that -- and just to be clear, the decontending primarily focused on outside auto-dimming mirrors. A lot of it is passenger side of elimination. And so as OEMs struggle on their cost side, that's one of the things they do look at is feature elimination to try to save money.

Operator

James Picariello, BNP Paribas.

James Picariello - *Exane Bnp Paribas - Analyst*

Just have a question first on the walk to the 2027 revenue growth. So for this year in '26, you're pointing to maybe a 1% core growth against your core markets down 2%, right? And then for '27, this inflects a bit, right, in terms of your growth over market. So yes, just curious on that bridge and does VOXX potentially outpace that growth rate, like contributing more than its pro rata share or not necessarily?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

No, like Kevin mentioned a minute ago, I think we would view it as more like 2% to 3% core Gentex growth in '26. And part of the inflection that you see in terms of that performance in '27 isn't overweight VOXX at all. It's actually core Gentex and the Gentex portion of that growth is really going to be driven by some of the full years of the DMS launches that Neil talked about, some continued FDM growth. And then by the end, not that it's material, but at the end, you start looking at visor sales actually starting to hit the income statement as well.

James Picariello - *Exane Bnp Paribas - Analyst*

Got it. Okay. And then apologies if I missed this, but is there an expectation to recover the \$19 million or \$20 million of net tariff headwind that you incurred this past year in '25? And then just how are you thinking about free cash flow and buybacks for this year?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

So yes, no problem. Thanks, James. The -- on the first on the tariff side, yes, our intention is to recover as much of that as humanly possible. Now some of that may be like indirect in terms of how we get it. Some of the customer negotiations are direct, PO to PO price increases to cover the tariff impact.

Some of them are delaying APRs or not given price downs in exchange. It's just dollars to us, so we try to just negotiate the best deal for each of our customers that makes sense for them and for us. Sorry, and then you ask a second question there, too, James -- cash flow, yes. So obviously, if you look at cash flow this year, it was at the highest level we've had in a long time. And so our goal is to continue to focus on cash flow.

We've done a great job of that. And buybacks are obviously 1 of the primary uses of cash flow when we're successful in generating it.

Operator

Ryan Brinkman, JPMorgan.

Ryan Brinkman - *JPMorgan Chase & Co - Analyst*

I wanted to ask on China. When do you see that your sales are softer in that region due to the abnormally high tariff rates you're facing, are the customers mostly foregoing the use of electrochromic mirrors? Or are they maybe turning to domestically produced alternatives, which I think might be lower end, maybe less desirable but lower cost? I ask because I'm curious what your expectation is, should the tariff rates eventually normalize lower in terms of your ability to maybe see a rebound in revenue from that market?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

Yeah. I think if tariff rates drop significantly, then we would be right back in a good position to compete in that space. On the second part of your question about what are the alternatives. I would say it's probably two-thirds, a third type scenario, which is two-thirds of the time, domestic Chinese OEM is just dropping the technology. And about a third of the time, they're using a local supplier out of the domestic China market to try to replicate the products that we were selling.

Ryan Brinkman - *JPMorgan Chase & Co - Analyst*

Okay. That's helpful. And then on the DRAM issue discussed earlier, I mean, it sounds like it's not going to really impact vehicle production, certainly nothing like the chip shortage, but you did reference some higher costs, and I assume those were higher costs to Gentex as you acquire the components. But what is your expectation in terms of the completeness or timing differences in terms of maybe being compensated by customers for those higher memory costs?

Neil Boehm - *Gentex Corp - Chief Technology Officer, Vice President - Engineering*

Yeah. I think that's a great question. I think from a memory side, that's one of the items that we still got to go back from a customer perspective, just like the tariffs and go -- some of the DRAM cost points are multiples of where they used to be from a pricing. So they are something we're going to have to go back to the customer base and negotiate increases in compensation for those.

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

And a lot of times, like what we did during the other supply shortages, once they became available, we would work with OEMs ahead of time saying, what do you want us to do. So if a chip is \$4 and now it's trading for \$40. Obviously, the supply base can't eat that on their own.

So an OEM has to help us with the determination of are they willing to pay that extra premium to guarantee production. And so we've historically worked with them proactively when we find chips available. Luckily, we've had to do less of that than a lot of the supply base is unfortunately headed.

Ryan Brinkman - *JPMorgan Chase & Co - Analyst*

Okay. Very helpful again. And then just lastly, is there an update you can provide on the dimmable sun visors? Did I hear you say you're looking to launch that product, I think, before the sort of large area dimmable glass and what progress you would have made?

Neil Boehm - *Gentex Corp - Chief Technology Officer, Vice President - Engineering*

Yes. The dimmable visor, we've got our first customer on board in launch, and we'll go to production in late 2027. And on large area devices, the update was around the equipment we talked about last quarter, getting in the wet coat capability in-house. So we're not dependent on outside suppliers for making the films. So that equipment is in-house being installed, started last week, and the plan is for that to be up and operational late Q1, early Q2, so we can start producing some of our own films to give us better film quality to be able to keep that product moving forward.

Operator

(Operator Instructions) David Whiston, Morningstar.

David Whiston - *Morningstar Inc - Analyst*

Guys, on the headcount reductions, it sounds like they're this one we hear about more on the Gentex side. I'm just curious, is that where you want it now? Or do you see more buyout packages needed this year?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

If sales continue on the path that we believe they will, we're really close to the right headcount that we need to be. The fundamental change, obviously, would be driven by market conditions. So in other words, if the market continues to soften, then obviously, we'd have to react to that. But as of right now, we've executed 90% of everything we need to do to be ready to go for 2026.

David Whiston - *Morningstar Inc - Analyst*

Okay. And on the core gross margin going beyond 35% to 36%. Is that at all realistic to think about? Or is that really just a very best case scenario long term, assuming constant tariff environment?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

Yeah. It's a really kind of best case scenario, especially to your point, especially regarding what happens with the tariff environment. I mean, if that were to go away overnight, then obviously, I think there's a lot of opportunity on the upside. But given the -- what's happening with the precious metal side right now and with tariff environment, it seems that 35%, 36% seems like a really good spot.

David Whiston - *Morningstar Inc - Analyst*

And just last question, any major pickup in business with automakers onshoring some production back into the United States because of the tariffs?

Steven Downing - *Gentex Corp - President, Chief Executive Officer, Director*

No. There's a lot of conversation. We haven't seen anything drastic yet in terms of tailwinds from that. It does add some complexity because on the flip side of that conversation what about onshoring on Europe and other places where those customers are asking for any help they can get to eliminate duty and tariff implications on exports into those regions. So the business is definitely becoming more complex over the next several years.

I think most of those tailwinds that are going to help on the onshoring side are still out two to three years before you'll see any change in revenue because of that -- those decisions.

Operator

Thank you. I would now like to turn the call back over to Josh O'Berski for any closing remarks.

Josh O'Berski - *Gentex Corp - Vice President - Investor Relations*

Awesome. Thank you, everyone, for your time and questions today. This concludes our call.

Operator

Thank you. This concludes the conference. Thank you for your participation. You may now disconnect.

DISCLAIMER

LSEG reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES LSEG OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2026, LSEG. All Rights Reserved.