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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, and thank you for standing by, and welcome to the Gentex Reports First Quarter 2025 financial results. (Operator Instructions)

Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Josh O'Berski, Director of Investor Relations. Please go ahead.

Josh O'Berski - *Gentex Corp - Director, Investor Relations*

Thank you. Good morning, and thank you for joining us today for our first quarter 2025 earnings conference call. I'm Josh O'Berski, Gentex Director 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 and transcripts will be available after the call Investors section of our website located at ir.gentex.com. As a reminder, many of our comments today contain forward-looking statements based on current expectations.

These forward looking statements are subject to known and unknown risks, including those set forth in our first quarter 2025 earnings press release in our annual report on Form 10-K for the year ended December 31, 2024, as well as other general economic factors.

Should one or more of these risks or uncertainties materialize or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those that we express today. Before we jump into our prepared remarks, I wanted to take a moment to address our upcoming annual shareholder meeting in the proxy vote.

As in prior years, Glass Lewis has recommended that shareholders vote against our Nominating and Corporate Governance Committee Chair, Ms. Leslie Brown, due to a lack of female representation on our Board. And so once again, we encourage shareholders to ignore Glass Lewis.

In their explanatory documents, Glass Lewis claims to provide a comply or explain approach in their recommendations. In prior years, we have attempted to explain our stance by reiterating our support from us from Ms. Brown who's an exemplary member of our community and our Board.

We have also appointed to continuing progress Gentex has made in increasing the diversity of our Board's demographic background since 2016, when Ms. Brown first joined our Board. This form of explanation does not seem to have hit home with Glass Lewis. So this year, I will attempt a more direct approach.

Recommending shareholders vote against the female Board member is an illogical approach, increasing female representation onboards. If Glass Lewis is in fact, seeking increasing diversity onboards, Glass Lewis needs to update their policy to take into consideration the nominating and corporate governance chairs, gender and demographic background before recommending a vote against.

Glass Lewis also noted difficulty in identifying our Board supported demographic breakout.

While NASDAQ no longer requires this breakout, we continue to follow NASDAQ prior guidelines for disclosure. As such, this information is easily found on our website and the Board of Directors section at ir dot gentex.com, Tom and also included each year at the back of our annual reports.

Our hope is that shareholders who use Glass Lewis, the services would reach out to them to expressed support for this logical approach and at the same time, continuing to support miss brands role on our Board, I would welcome any calls with investors who use Glass Lewis for their proxy voting recommendations, and I'm happy to clarify, Gentex is positioned on items contained within these reports. I will now hand the call over to Steve Downing for our prepared remarks. Steve?

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

Thanks, Josh. Deep breath. For the first quarter of 2025, the Company reported net sales of $576.8 million compared to net sales of $590.2 million in the first quarter of last year. In the first quarter, global light vehicle production increased by approximately 1% compared to the first quarter of last year but decreased 3% quarter over quarter and the Company's primary markets of North America, Europe, Japan and Korea.

Also during the first quarter, trim-mix within the light vehicle production build weakened versus forecast across all major regions, but especially in our primary markets. The trim-mix impacted take rates for several features, but especially our exterior mirror unit shipments, which were down 15% quarter over quarter in North America and 8% internationally.

Overall, the weakness resulted in a sales shortfall of approximately $25 million to $30 million for the quarter. For the first quarter, the gross margin was 33.2% compared to a gross margin of 34.3% for the first quarter of last year. Compared to the first quarter of 2020 for the gross margin declined as a result of lower revenue on favorable product mix, and new tariff costs that began in the first quarter of this year.

Sequentially, the gross margin improved by 70 basis points as a result of purchasing cost reductions and higher sales levels versus the fourth quarter of 2024. Overall, despite the lower than forecasted revenue and a weaker than anticipated mix, our sequential margin improvement in the first quarters resulted in a solid start to this calendar year.

In addition to the revenue headwinds, the gross margin was also impacted by new tariff expenses of approximately $650,000 in the quarter that were not reimbursed during the quarter. We remain committed to the cost improvement initiatives already underway, and we are actively expanding this program to help identify additional efficiencies to help offset the margin pressures that are likely to be created due to the pending tariff impacts.

Operating expenses during the first quarter increased by 8% to $78.7 million compared to operating expenses of $72.9 million in the first quarter of last year. Total operating expenses for the first quarter of 2025 were impacted by severance related expenses of $2.9 million versus zero severance charges in the first quarter of last year.

Operating expenses are moderating in 2025, which is in line with our expectations during the first quarter. The severance related expenses of $2.9 million was primarily related to early retirement incentives offered to long-tenured employees.

Additionally, the Company incurred one-time expenses during the first quarter related to the VOXX merger of approximately $0.9 million. In total, the severance and merger related expenses accounted for nearly two thirds of the quarter over quarter. Operating expense growth, which means the core expense growth was less than 3% for the quarter.

Income from operations for the first quarter was $113 million compared to income from operations of $129.3 million for the first quarter of last year. Other income was $0.6 million during the first quarter compared to other loss of $1.7 million in the first quarter of last year.

The quarter over quarter change was driven by increased investment income as well as reduced losses on other investments versus the first quarter of last year. During the first quarter, the Company had an effective tax rate of 16.5% compared to an effective tax rate of 15.2% during the first quarter of last year.

The quarter over quarter change in the effective tax rate was driven by lower tax benefits on stock-based compensation compared to the first quarter of 2024. Net income for the first quarter was $94.9 million compared to net income of $108.2 million for the first quarter of last year.

The change in net income for the first quarter was primarily driven by the changes in net sales and income from operations compared to the first quarter of last year. Earnings per diluted share for the first quarter were $0.42 per share to earnings per diluted share of $0.47 for the first quarter of last year.

Earnings per diluted share for the first quarter were impacted by the decrease in net sales and operating income, partially offset by an increase in other income on a quarter over quarter basis. Thank you, and I'll hand the call over to Kevin some further financial details.

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

Thank you, Steve. For automotive net sales in the first quarter were $563.9 million compared to $577.6 million in the first quarter of last year. Auto-dimming mirror unit shipments decreased by 7% during the first quarter compared to the first quarter of last year.

And other net sales in the first quarter, which includes dimmable aircraft windows, our protection products and medical devices were $12.9 million compared to other net sales of $12.6 million in the first quarter of last year.

Fire protection products sales were $6.7 million in the first quarter compared to $6.8 million for the first quarter of last year. Dimmable aircraft window sales were $4.9 million compared to $5.8 million for the first quarter of last year.

Other net sales for the first quarter also included biometric product sales of $0.9 million, as well as $0.4 million in sales of the eSight Go medical devices, which is in comparison to no sales for either of those products last year.

Share repurchases during the first quarter of 2025, the Company repurchased $3.1 million shares of its common stock at an average price of $24.52 per share. As of March 31, '25, the Company has approximately $6.3 million shares remaining available for repurchases pursuant to its previously announced share repurchase plan.

The Company intends to continue to repurchase additional shares of common stock and future in support of the previously disclosed capital allocation strategy. But the share repurchases will vary from time to time, and we'll take into account macroeconomic issues, market trends and other factors that the Company deems appropriate.

Shifting over the balance sheet comparisons mentioned today or as of March 31, '25 and compared to December 31, '24. Cash and Cash Equivalents were $286.6 million compared to $233.3 million. Short-term and long-term investments combined were $321.2 million down from $361.9 million which includes fixed income investments as well as the Company's equity and cost method investments.

Accounts Receivable was $330.6 million from $295.3 million due to the size and timing of sales during the quarter. Inventories are $408.9 million, down from $436.5 million and accounts payable decreased to $162.9million, a decreased from $168.3 million.

Looking at preliminary to cash flow items for the quarter, first quarter 2025 cash flow from operations was $148.5 million compared to $129.9 million for the first quarter of last year. Capital expenditures were $36.7 million compared with $31.9 million for the first quarter of last year.

And depreciation and amortization for the first quarter was $25.5 million compared with $24 million for the first quarter of 2024. I'll now hand the call over to Neil for a product update.

Neil Boehm - *Gentex Corp - Chief Operations Officer, Chief Technology Officer*

Thank you, Kevin. The first quarter of 2025, there were 21 net new nameplate launches of our interior and exterior auto-dimming mirrors and electronic features. It was again a busy launch quarter, with approximately 60% of these net launches being advanced feature launches.

For the advanced features in the quarter, Full Display Mirror, HomeLink and outside Auto-dimming mirrors led the way. We're pleased to announce that we are shipping a Full Display Mirror and cameras to execute a forward in real digital video recorders to forward on the transit and for new vehicles.

This is a great and challenging launch for the Gentex team, since it was the first launch from the Gentex review app. Review app allows you to connect them to the mirror and download the images or recordings from the DVR into the app on your phone. A great convenience to the consumer.

They remain great interest in Full Display Mirror family products for this vehicle production days in volumes are changing. We're now forecasting 2025 increases in FDM shipments over 2024 to be approximately 100,000 units. Looking at the remainder of 2025, we are still expecting to announce an additional new OEM customer for FDM.

We continue to remain focused on how to add greater value to full display mirror product through the addition of new features and content, new display technology and diving deeper into the user experience. This product has been a great growth driver for us these past few years, and we continue to invest in its evolution to stay ahead of the competition.

Additionally, we're excited to announce that our first driver monitoring system launch is now available and has been shipping under review in [R1-T and R1- SE] vehicles. For this program, Gentex packages, the camera, infrared illuminators and some local processing meter.

While the overall driver monitoring algorithms are indeed in a different module outside the mirror. This is the first four different launches of driver monitoring we've been discussing. The other launches are still on plan to go into production later in 2025 and into early 2026.

Gentex is an excellent innovation and technology company with a strong launch pipeline of automotive and non-automotive products. Even with the market conditions we're facing today, we are still seeing strong demand for Full Display Mirror, HomeLink and several other new and exciting products we displayed at CES earlier this year like larger units prices.

So even though there are challenges, all of the R&D we've been investing in over the past few years will help us recover and drive growth into the future. 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 current forecast for light vehicle production for the second quarter of 2025 and full years 2025 in 2026 are based on the mid April 2025 S&P Global mobility forecast for light vehicle production in North America, Europe, Japan, Korea and China. As a result of the current and expected tariff escalation in the China market, the company has proactively halted production of interior and exterior mirrors destined for customers in the China market.

And subsequently, many of our customers based in China have canceled or paused orders at this time. While we work with these customers to better understand their ability and one joining us to pay the elevated prices resulting from the new tariff rates.

Currently, global light vehicle production is expected to be down 2% for the second quarter of 2025 compared to the second quarter of last year. While light vehicle production in our primary markets of North America, Europe, Japan and Korea is expected to be down approximately 6% in the second quarter of 2025 compared to the second quarter of last year.

Light vehicle production estimates for 2025 in North America, Europe, Japan and Korea have we can significantly since the beginning of the year and is currently forecasted to decline approximately 5% compared to light vehicle production in calendar year 2024.

The latest forecast for light vehicle production and North America estimates at the last three quarters of 2025 will be down approximately 11% versus the same period last year. Lastly, light vehicle production for calendar year 2026 is now forecasted to be flat and our primary markets compared to calendar year 2025. Second quarter 2025 and calendar years 2025 and 2026 forecasted light vehicle production volumes from S&P Global mobility are shown in our press release from earlier this morning.

Based on the current light vehicle production forecast and actual results for the first three months of 2025, as well as the proactive decision of the company to hold production and sales of product intended for the China market until customer agreements can be reached. The Company is making certain changes to its previously provided guidance for calendar year 2025 as follows.

Revenue for the year and our primary markets is expected to be between $2.1 billion and $2.2 billion. Revenue for 2025 in China is expected to be between $50 million and $120 million, of which $43 million was shipped to the China market during the first quarter of this year.

Gross margins for the year are expected to be between 33%, 34%. Operating expenses are expected to be between $300 million and $310 million. Our estimated annual tax rate is forecasted to be between 15% and 17%.

Capital expenditures are expected to be between $100 million hundred and $125 million, and depreciation and amortization is forecasted to be between $85 million and $90 million.

The company's revenue guidance has been updated based on the current tariff environment and provides additional detail regarding revenue from the Company's primary markets while separately identifying revenue from the China market.

This additional detail regarding the company's revenue is included for the time being to allow investors to better understand the company's exposure in the China market due to the impact of tariffs are expected to have on this market. Additionally, the revenue estimates above do not include any revenue from the recently completed merger with VOXX.

At this time, the company has withdrawing revenue guidance for calendar year 2026 due to the significant uncertainties surrounding the China market as a result of the impact of incremental tariffs on company exports to China, the economic impact of import and export tariffs on the company's private markets and work being done to finalize a more complete financial picture of the recently completed merger with VOXX.

The Company anticipates providing updated revenue guidance for calendar year 2026 once there is further clarity in the overall tariff landscape. On April first, 2025, the Company closed on the strategic merger of VOXX, a global supplier of automotive and consumer electronics as well as premium audio equipment.

As of April on the Company expected to add between $325 million and $375 million in revenue from the merger on an annualized basis and an expected revenue contribution to calendar year 2025 of approximately $240 million to $280 million before any impact from tariffs.

As a result of recent tariff increases, the company has notified us new customers from the VOXX merger of future price increases that will take effect throughout the balance of calendar year 2025. This price increase may create uncertainty and consumer demand for this year which could affect the expected revenue contribution from the VOXX merger.

The Company has also undertaking strategic sourcing decisions that will take place throughout the next six to 12 months, which are designed to significantly reduce tariff expenses on incoming products from China market.

The Last few months have been undeniably chaotic as we work to understand the impact of tariffs will have on our supply chain and sales channels. The extent of the impact to revenue for the year depends on how much our sales into the China market will be limited by the counter tariffs that are in place for our exports, as well as how much additional cost are OEM customers and consumers will be willing to pay for the additional import tariffs.

While the tariffs will create some headwinds for the Company, we still believe that the product portfolio and the new technologies and development will provide a strong revenue trajectory over the next five years.

In terms of profitability, we have made good strides in our gross margin recovery efforts and will continue to execute the plan as well as additional opportunities that the team has identified to improve the long-term profitability of the business in the short term.

However, as we secure reimbursement for tariffs on imports, the gross margin percentage will be impacted as we add costs and reimbursements that don't include margin dollars. As we move through the year, we will be monitoring revenue closely and adjusting expenses to align to the market conditions.

Lastly, the strength the company's balance sheet puts us in a favorable position to capitalize on the pullback in our share price as we consider higher levels of share repurchases. That completes our prepared comments for today, and we can now proceed to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Luke Junk, Baird.

Luke Junk - *Baird - Analyst*

Thank you. Good morning, everyone. I wanted to start with a topic of the day, Steve, on tariffs and maybe if you could just walk us through what is contemplated in the current guidance in terms of top line impact specifically, I would assume those are mostly production in the nature and then from a margin in a cost standpoint point, what's in guidance right now? And clearly, there's some things out there way and in terms of tenure, some electronics and semiconductors, have you contemplated any of those things or maybe if you could just comment on what's going on with your exposure might look like there's I'm thinking.

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

Yes. So if you look at the, I will start with revenue. If you look at the China revenue that we provided in the press release of that $50 million to $120 million range for the China market, that's down about $100 million versus what our beginning of the year forecast was for the China market before the tariffs. So, now and kind of encapsulates, I mean, we're really, we are somewhere in the $220 million to $240 million range what we had estimated for China at beginning of the year.

And so pretty significant impact there, like we mentioned of that low wind up 50 million, 43 million of its what we already shipped in Q1. So now we're basically kind of taken almost a worst case scenario saying on the low end would be as if we'd really didn't ship anything else the rest of the year.

And by on the high end saying it's definitely not going to be what we expected the year to be. On the flip side of that, you look at our primary markets that overall revenue came down roughly about $100 million, $150 million versus our beginning of the year forecast is kind of that range that you're looking at on. And that's really driven by the deterioration in the North American market.

I mean really Europe and Japan and Korea are struggling to, but the North American market down 11% through the remainder of the year is where most of that impact is happening. A lot of it on the [OEC] side, definitely some on the OEM side versus our beginning of the UK or forecast.

On the margin side, really what we're looking at and the reason why we lowered the margin range for the year by 50 basis points. If you look if you run the numbers on what anticipated tariffs could look like for the year and you add that cost in and you add in that reimbursement for it, but then you back calculate your margin profile, it drops at 50 basis points to 100 basis points. If we're only getting if we're only getting reimbursement and no margin dollars, which is obviously what we expect after going through this a few the last few years, we kind of know how these are going to be handled with our OEM customers.

And that was kind of our expectation is that they all don't go away and that they do put about a 50 basis point at least headwind on our overall margin profile. Hopefully, that helped Luke.

Luke Junk - *Baird - Analyst*

Okay. And then in terms of the VOXX specific impacts on understand there is a lot of unknowns there right now. But maybe if you could just help us understand the footprint and what you're going to need to navigate and said mostly timing related?

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

Yes, correct. So most of it is on imports from China on the supply side and so on. What we're working through right now and in the VOXX team has done a really good job is proactively looking for alternative supplies you know, globally to help replace the supply chain that is in China market.

Obviously, when you look at VOXX, the interesting part is, you know, part of our businesses like ours in our automotive requirements. And so that takes a little longer on the consumer audio side. That's where they have some advantages. They can move quicker because of the ability to be self-sufficient and really your own quality and improvement performance standards are what drives your ability to change locations.

And so they have a little more flexibility to move faster on the audio side than what we have on the automotive side.

Luke Junk - *Baird - Analyst*

And then lastly, just the--from the update SDM outlook seaborne, Neil, if you could just walk us through the permutations there. How much is this is on trim-mix related on versus just the underlying volumes in North America? Thank you.

Neil Boehm - *Gentex Corp - Chief Operations Officer, Chief Technology Officer*

Yeah. I think at this point from the majority of that, Luke is attributed to the volume impact that we're seeing, especially in North America, as Steve mentioned, is that's significantly reducing, and that's less through three quarters on from what we saw the beginning of the year into where we are today looking forward, not that volume reduction has a correlating impact to what we're seeing on the actual FDM potential.

We're still seeing growth. I think that's a really important part, right, even with all the chaos and with the reductions were still seeing some decent growth of up to 100 units, 1000 units. But we do see some pull back a little bit just do that reduction.

Luke Junk - *Baird - Analyst*

(inaudible)

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

Thanks Luke.

Operator

Ryan Brinkman, JPMorgan.

Ryan Brinkman - *JP Morgan - Analyst*

Great. Thanks for the comments on China., that was my first question. How you think your export focused business model may be holding up or how you expect it to hold up in the current environment in on one hand, you import metal relatively little. But as we see, you're subject to these retaliatory tariffs. So is trying to the only region where you've experienced so far.

I think maybe there were some time tariffs from Canada and parts that were suspended in I recall, in 2017, you had maybe during destruction through I wonder if you'd repurposing existing warehouse in China for merely distribution to also include some final assembly. You have any flexibility to do anything similar or the tariff rates, maybe just good for him, particularly high in comparison to 2017 for that to help?

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

Yes. So you're exactly right. Back then on what we have done is worked on our localization and plan, meaning that what we are buying locally or plastics metals in a more of the commodity based on products, we are shipping [Borden] element or especially elements. So the auto-dimming element itself to China and team actually doing in the final assembly to help lower the tariff if rates stay competitive in that market.

Unfortunately, given the extreme level of these tariffs are at now on, that's not going to be enough to really to be competitive for at least temporarily, there may be OEMs who are willing to pay somewhat of a higher pay that high-price temporarily.

But if these same place longer term, it will have a very severe now native impact our ability to export out of the US into the China market.

Ryan Brinkman - *JP Morgan - Analyst*

One other question I had was the comment about ceasing all production to China market. Did I hear that right, because I think it is that because there's like inventory in the market that is interchangeable between OEMs and some are canceling, you can repurpose that because I would've thought that the like some of the high end German luxury brands there would be that elasticity have been there for it, hey, that for that product or some of the customers may be willing to pay or what you say?

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

Yes. I mean what we're seeing some of them are starting to, but at the beginning on or we're working through those agreements right now, while all we're saying at that point with our customers are saying, hey, given this and this new high level of tariffs, we're not going to put an output blood sweat and tears and turning raw material into finished products and then have you tell us an amount that you're not going to pay the higher tariff rate.

So before we continue to expand resources and producing those parts, we want to confirmation from OEMs before we'll spend that money.

And so we're ready. We have the inventory, we can make them as soon as a customer wants them, but we're not going to continue to build or if they're unwilling to pay. On the flip side of the day, we do have with once the tariff rate started to, we have parts already in transit and we have parts in our warehouse there and so we do we did have several weeks of goods already available to them and give us enough time to originate, hopefully reach an agreement. and then if we do get those agreements were ready to start back production right away.

Ryan Brinkman - *JP Morgan - Analyst*

Okay. And then just lastly, I'm curious what you might be hearing or things might happen on May 3. I think we're going to record some of the section 232 tariffs and there's been some discussion of being able to a net exports against imports. And I don't know how that works. If you're ITO importing different components other than auto components, I am not sure, but I do think that these tariffs might get better near term and are cautiously optimistic on that center.

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

Well, I think I think given the extreme levels, especially if you will, I mean, if you talk about the vast majority of this, I mean, the other tariffs can work your way through really what we're talking about on the severe impact side is the U.S. China trade war. And so if you look at those, I think we're cautiously optimistic that we'll be better than what the rates are right now that are being discussed.

But one of the challenges has been as like you mentioned, there's verbal communication, there's rumors and your windows. And so one of the things we're very focused on is we can't fight against an aberration. And so we're trying to make sure before we make any permanent decisions. What is actually gone into law, what decisions what is actually gone into law, what is happening, and will move based on the finality of the position I would say, seems unlikely to me, this continues to be [clinically] right now at the long period of time, but you know, months are possible and so that's where wire we're just trading carefully and trying to be in constant communication with our customers about what they want us to deal.

So it's not a very threatening position by any stretch. It's just saying, hey, we don't want to put you as a customer in a position where we're spending your money unwisely. And we're definitely not going to do that with our own resources.

Ryan Brinkman - *JP Morgan - Analyst*

Very helpful. Thank you.

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

Thanks, Ryan.

Operator

[Ron Epstein flow], [Guggenheim].

Unidentified Participant

Yes, good morning. Thanks for taking my questions. Yeah. Just to point of clarification on the section 232 tariffs on electronics, the 50 basis points to 100 basis points of margin pressure, is that in the guide or incremental to the guy? Just as a point of clarification.

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

that's in the guide.

Unidentified Participant

Okay. And would that impact on the full year or annualized 50 to 100?

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

That was that was the 20--that was the impact of 2025.

Unidentified Participant

Okay. That's helpful. just as we think about the lap over. And I guess just stepping back on kind of at the China electrochromic market more broadly, I know there is some local competition, but any sense of what your market share is and in China specifically? And I guess there are enough local supply in China to offset whatever your shipment volumes you may Louis? Or will those products just have to go with without fees there?

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

There's definitely there's a lot of us. There's a lot of knock off competition in the China market domestically. There's not enough supply right now inside of the China market to make up the volumes that we're producing, especially on the OEC side, and so more than likely, if this continues, you'll probably see a lot of decontenting in the China market for the domestic Chinese OEMs because the supply base there wouldn't be able to pick up.

I mean, where can I forget what it is, 3.5 million meters or so that's going into that outside mirrors that are going into the China market from Gentex today. So that's where you know. Unfortunately, I think you know if this if this continues the way it's going without any relief on certain components on is probably a decontenting that will have to happen in inside the China market on our technology.

Unidentified Participant

Yes, I imagine exports of I would prefer Jim Texas as the mirror supplier, to put words in your mouth, but given me.

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

Yes, we've always done. We've always done better with [Jay Wiese], our global OEMs that are doing business in the China market, definitely a higher take rates and better product mix, but we're also sell into domestic Chinese OEMs as well. And enough guys will absolutely be able to pick up some of that volume. But nowhere near these, I mean this is a tremendous amount of capacity you have to have in place to produce that volume of the mirrors. And so they won't be able to pick that up in the short run very easily.

Unidentified Participant

Okay. And then on just VOXX, any kind of guardrails for dilution for this year and for 2026? Or should we still just kind of refer back to the potential cost savings from the initial announcement?

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

I mean, if you look at their margin expectations, I think there post acquisition, high 20s, gross margin and probably close to break even from a net profitability, free tariffs before the conclusion of the consideration of what tariffs they have to consider. So now from a net profitability repeat perspective, not really a dilute dilutive impact on.

Neil Boehm - *Gentex Corp - Chief Operations Officer, Chief Technology Officer*

I think the plan is in the July call to have better guidance in terms of them side by side, what was Gentex on as a stand alone was VOXX as a stand alone and then you'll get to see a little more clarity on the impact of VOXX on overall and what that roll up. So the plan is to be pretty full disclosure in terms of the two different operating companies and what each of them mean.

Unidentified Participant

Okay. Now that I really appreciate the color, and thanks for taking my questions.

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

Thanks, Ron.

Operator

Joseph Spak from UBS.

Joseph Spak - *UBS - Analyst*

Thanks. Good morning, gentlemen. Sorry to do this, but can we just be a little bit clearer on what tariffs are actually assume for like? Are you assuming the 232 electronic and semis tariffs go in or not? Like what about I know there were some sort of counter tariffs from Europe. And maybe you could just help us understand on a [COGS], dollar or percentage basis, like what figure we're talking about here on the potential electronics, semi tyres. I know you are saying you're going to through but, I just want to sort of better get a better framework around what you really are thinking about here.

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

Yes. So to be clear, yes, we're assuming that, yes, the tariff expenses are in there and we're assuming right now is probably going to be and it's not going to be the worst case scenario. It's definitely not going to be a best case scenario, kind of what we're modeling it somewhere in that $50 million range and incremental cost of goods sold for the year.

But will get reimbursement on those. And so if you run an extra $50 million through the top line and through the cost section, that's why you see the margin pull back by 50 basis points on a full-year basis.

Joseph Spak - *UBS - Analyst*

Okay. And that's on the electronics. That includes a potential area of electronics are important.

(multiple speakers) But yes, that's a lot of direct and Okay.

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

Yes, that's on our direct imports. There's a little bit of there's some nuance there that's much more difficult saying, hey, if someone's a tier three or tier four supplier out of China market to one of our sub-suppliers, it's that's takes a little more time to calculate exactly what your exposure is to that as well.

But that's kind of what our that's kind of what are some in the wind is right now for our estimates that we built these financials off of the European tariff primarily, it impacts the customers as well, but that's been also delayed, right. (multiple speakers) And that wouldn't hit that won't hit COGS that's going to be.

I think that's going to be in sale and selling expense because it would be that a customer having to pay it or a little bit of our exports into the European market where responsible. But the vast majority of those or are the OEM would be on the hook to pay those.

Joseph Spak - *UBS - Analyst*

Okay. And then just on unvaccinated, sounds like, you know, in response to the prior question, I get a lot more details in the future. But like if you look at like it was it seems like VOXX is running about $35 million a quarter OpEx. Is that because that about right? And then how preliminarily are you thinking about elasticity for some of that VOXX product to potentially having? So there is price, as you know, I know you're probably starting through it, but I think on our side, we have very little familiar familiarity with that business. So any commentary would be helpful.

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

Yes. I mean, if you look at operating expenses, a lot of that has to do with being a public company, things like insurance. so you have a you have a bunch of synergies that happen right away in the operating side. And we're going through a lot of those things right now, not to mention DNA from previous acquisitions.

And so some of that stuff will get cleaned up, which is why we're not comfortable to give you a straight-up OpEx number.

And then on the revenue side, you're absolutely right. The elasticity of what is a price increase to a consumer product look like. The fortunate part that we have is that many of the competition of the VOXX entity, especially the Premium Audio Group there in the same boat with their supply chain is exactly the same.

So it's not like one price increase of every product is not going to be advice and a competitive price increase somebody also. Yes, I mean, that's the thing that is the million-dollar question of what is what are the price increase due to your ultimate forecasted demand now? So you may have increased revenue from price, but the reduced units. So the team, the VOXX team to their credit has been going through that already really pretty much in advance. So that's why we look forward to give you that in July.

Joseph Spak - *UBS - Analyst*

Okay. Maybe I could just sneak one more, and I know you always provide the S&P outlook, but I think you sort of do that as a guide. You historically, I think have sort of made some of your own internal assumptions, especially for sort of the quarter had. Is that still the case or given an unusually high level of uncertainty for you sort of more relying on what they're what they're saying. And I guess, you know, the follow-up to that would be as psyche. Is your assumption that like the assumptions they are making on what happens from a tariff perspective in line with your company's thinking?

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

Yes, I'd start. I'd start with you're exactly right. Historically, we've taken that as a kind of starting point. We would have told you that coming into Q1 that we are a little more pessimistic than the S&P and beginning of the year forecast was not because of tariffs at this time just than general economically.

Since that time one's really wild, right? I mean, it is incredibly difficult. We're kind of using it more as like a guide post right now than anything else on just because it's impossible to predict what it what are these economic moves due to overall consumer demand and pricing and so on, there's not a lot of choice. We are probably a higher negative. We've as it relates to the impact that this will have on trim packaging going forward. In other words, I missed this. If these tariffs stick, you know, a lot of vehicles, are you going to see 20%, 30% price increases? And what does that mean for our type of products? Right, where which in essence our consumer discretionary products inside of the automation market.

And so we're probably a little bit even a little more negative than what S&P is on their new forecast. Fortunately, though they did take a pretty strong position on their adjustment in the North American market which we would have absolutely agreed with. The question is it slightly worse than that even.

Joseph Spak - *UBS - Analyst*

Yes, fair enough. Obviously, a lot of a lot of uncertainty. So I just want to understand your point of view, but thank you.

Operator

Josh Nichols, B. Riley.

Josh Nichols - *B. Riley Securities - Analyst*

Yes, thanks for taking my question. Obviously, tumultuous times in the automotive space, but good to see the company is taking advantage of it on some very significant share buybacks. Just for a little bit of clarity like pieces and all together, if you kind of take what you have for the core markets plus a little bit of China than box like works out, it looks like to $2.4 billion, $2.6 billion of revenue for the year. And once you layer in the VOXX on the gross margin front, maybe a 50 basis point headwind relative to what you guided to excluding box. Is that fair?

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

I think the revenue I think you have it pretty much nailed it on the top line. I think the gross margins would probably be a little more of a headwind once we roll off there's on top of ours, probably more than the 50, probably more on the 100, 150. But I'm just I'm shooting from the hip right now as we're talking.

Josh Nichols - *B. Riley Securities - Analyst*

Yes, I appreciate that. And I guess we've talked about this before, but I guess you're taking a pretty conservative stance, right on China at the low end is effectively assumes that what you've already shipped, right and there's nothing else really being done in China. I guess like we have seen some roll backs of some of these tariffs or pauses.

At the very least there's it's hard to say because there's no definitive agreements, as you mentioned, but if there is a significant alleviation of Medicare rate between the U.S. and China, I would assume that that's not really built into the forecast today that you have that would be kind of an upside optionality.

How should we think about that? Seems like what you have out there right now is kind of more pretty bearish case scenario. Is that accurate?

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

Very accurate. I would say we've got we felt like we needed to rip the Band-Aid off because this is technically what the rates are as we stand. So we are trying to do our best to represent what we think the financials are under that scenario. And so if you like you said, if these push out and continue to push out or come down significantly, that should provide some upside to this forecast.

Josh Nichols - *B. Riley Securities - Analyst*

Perfect. And then just we have not touched on compare, (inaudible) you did mention. So you're still growing SDM despite all the headwinds there. But also for the driver monitoring solution that's initially being rolled out. Could you talk about the expectations? I know probably not much revenue this year given everything that's going on, but next year and longer term, you've talked about that cleaner multi hundred million dollar a year business over a multiyear time frame. Is it still the expectation? And what do you see in the market in terms of interest for that product?

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

Yes, that's still the expectation is driving that growth with the launch this year we've got a proven coming off late this year into the beginning of '26 from another one launching in early '26. So that won't be the four that we've been working on it and talking about. The launches will take a couple of years as they go away, across multiple platforms.

So when you get through '26 into '27, '28, and that's where you're starting to hit something that's significantly more material into the numbers that we've talked about before.

Josh Nichols - *B. Riley Securities - Analyst*

Appreciate the clarification there, and we are carbon that I'll hop back in the queue. Thanks.

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

Thanks, Josh.

Operator

Mark Delaney, Goldman Sachs.

Mark Delaney - *Goldman Sachs - Analyst*

Yes, good morning and thanks very much for taking my questions. You mentioned that you expect to offset the higher costs of tariffs for imports into the U.S. with pricing. Maybe you can help us better understand your confidence in being able to fully offset those higher tariff costs? And how far along are you in your negotiations toward that with your auto OEM customers?

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

Yes, we're making really good progress. In fact, several OEMs were very and we've been through this before, right. So over the last few years, right or wrong, we've developed a little bit of muscle memory as it relates to how to handle these. So now this isn't the first time a couple of years ago is more difficult because we had really dealt with this problem before.

So several of the OEMs are being very proactive, asking reaching out and talking about monthly updates on what we're seeing more challenging, but our position is that this is cost of doing business, and this is something that the supply base can afford to eat on its own.

This is pretty much a standard response from most of my almost every supplier to OEMs as well. So we feel like the models there that messaging loud and clear there won't be I'm not saying it's going to be easier perfect, obviously. But I don't think it's going to be as challenging as it was last time because our customers understand the fragile nature of the supply base and the fact that with these rates, no one can afford to absorb any of this type of level of costs.

Mark Delaney - *Goldman Sachs - Analyst*

You didn't want to follow up as well on what you're seeing with industry production. And thanks for all the detail you provided and how you're trying to forecast the core business. Could you talk about what you're seeing with customer schedules at this point? Or are you seeing OEMs just adjust their build plans? And as that part of your thought process, I know you referred to the S&P forecast as the guideposts there's a lot of uncertainty, but do want to understand what you've seen so far with customer schedules?

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

Yes, I would say it's interesting. If you look at most of Europe and North America, the schedules have actually been pretty stable. There has not been a ton of movement there really most of what we're seeing has been with the China market.

And so at some like we've mentioned, we kind of proactively stopped and then within a week or week or two of that is when we started to see order cancellations or at least pauses in order sliding out a few weeks as that as our Chinese customers tried to address what is happening and what their demand is to us.

So fortunately, that was good, I mean that we were able to proactively get in front of it. I mean, what I was most worried about as we build all these products and then we have sitting on the docket and there's never a delivery date for those, right, which would be a worst case scenario for us.

So right now, the customer communications have been really good and coming not only have not always the message. This is good, but at least the dialogue is happening. And so we feel like we're not wasting money right now building products that will never sell.

Mark Delaney - *Goldman Sachs - Analyst*

Just one last one for me if I could, please. You mentioned you saw some deterioration of trim-mix in the first quarter, and I know you imagine wasn't from tariffs because they generally had taken effect yet. Why do you think trim-mix was softening in the quarter? Is that something with broader macroeconomic trends, just the state of the consumer area before tariffs as soon as market share or what might be behind that in your opinion? Thank you.

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

Yes, that's a good question.

And I think for us, one of the things we always watch or things like incentives and what's happening with our OEM customers. And obviously, you know, if you look in the North American market right now, most OEMs are often some type of incentive package, right, rebates, you name it off refinancing.

And so for us, that's usually one of the early indicators that OEMs also going to move into it cost cutting mode. And so unfortunately, for a lot of our products, especially outside mirrors, a lot of OEMs will look for a way to cut the cost of a vehicle by removing some content and hopefully consumers not noticing it passenger side, auto-dimming mirrors are one of those classic parts of the OEMs will look to remove if they think they can get away with it without the customer is getting upset.

So we saw a lot of that in Q1, which was obviously disappointing because we put a lot of capital in place to support OEC production levels. And so it is not non-efficient operating environment to favorably to say the least.

Mark Delaney - *Goldman Sachs - Analyst*

Thank you.

Operator

Charlie Sloan from Oak Family Advisors.

Charlie Sloan - *Oak Family Advisors - Analyst*

Good morning, guys, and I need to not talk about tariffs, but I'm going to tried to avoid that conversation.

Josh, are you saying then that we get the chairperson nominee is a woman? Can you believe it?

Josh O'Berski - *Gentex Corp - Director, Investor Relations*

Yes, I am here to clarify in your. Okay.

Charlie Sloan - *Oak Family Advisors - Analyst*

Okay. I was just wasn't sure of the definition, but. Okay, that's helpful.

And then secondly, in the release, I noticed that there was a change in tone regarding I would have thought that you guys would have talked about in the past about maybe increasing your line of credit to make sure that you have availability.

And but this time it's more about you guys feel pretty secure in your financial position to actually use some of the capital that you've created because of your excellent operation manufacturing capability and buy things that are really cheap like building stock. And is that a change in tone that you since yourself or is that just changing Board direction or something?

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

No, I think it is really the change in tone is really we feel like I'm understanding the market we're in. We understand some of the pullback in the industry, but we think this is way over done in terms of our share price, and that's why you see us get a little more aggressive on the share repurchase side.

On the line of credit piece we haven't drawn on it yet because even with finalizing the VOXX acquisition and we're still in a great spot from our overall cash standpoint, we're opening a drawing on if that even if that were to mean share repurchases.

So we have an existing line of credit that's already available to us. That's more than enough we need. And we're definitely in a position where definitely in a position to be ready to give you some more aggressive if the stock continues to linger kind of in this range.

Charlie Sloan - *Oak Family Advisors - Analyst*

Excellent. And then secondly, then on the VOXX acquisition, it closes when? Is that closed now?

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

It closed on April first.

Charlie Sloan - *Oak Family Advisors - Analyst*

Okay. Preferred, okay. And then, you might be excited about VOXX as you look forward in terms of material contribution to the revenue was two years.

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

From the VOXX from in total?

Charlie Sloan - *Oak Family Advisors - Analyst*

Actually, each from Gentex I'll call the old fashioned Gentex to VOXX

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

Yes. So I'll start with the kind of the core Gentex. So our primary, our primary things that we look at and say are very exciting from a long-term growth standpoint or the driver monitoring systems that Neil was talking about.

And then we move into larger devices visors, sunroof side, Windows core electrochromic technology, basically replacing a lot of the glass surfaces and substrates that you see in a vehicle today. All very exciting, I would say, our new place products to our new line of fire protection devices that are designed to go direct to consumer.

It's kind of our first time going direct consumer with an all new feature set that no one's seen and fire protection or security space before were just launched that now and longer term, you look at some of the art work in the medical space.

So the eCitigo, the wearables for people with centralized vision loss. And then some of the other part of that we put in place are starting to expand our capability and like you mentioned, our manufacturing expertise and the medical and MedTech are very exciting, On the VOXX side, one of the things that we're excited about it and there's there biometric technology that they had that we've been working on for a while. And so getting a deeper and deeper tech base into the biometric space that we think will be very interesting for us.

Some of the automotive electronics are also very interesting. One of them in particular, is a box as a supplier for the USPS postal trucks for Vision Systems. We believe there's a lot of opportunity to come up with a Gentex version of that product, which is US genealogy on guaranteeing security and electronics made in the US for that vehicle arm.

And then also the premium audio space. As we talk about play and home automation with our place product, home audio, we think is a big part of that, that we can help expand kind of the HomeLink brand and what we call our HomeLink Smart Home Solutions brand into the into the home.

Charlie Sloan - *Oak Family Advisors - Analyst*

Well, that's great. I hate to not talk about close of business is long, and I appreciate that. (multiple speaker)

Yes, right. We have shown that we have about product.

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

Yes, there's no way to forecast anything that mean you guys have laid out pretty much a bear case in our mind in correct turns, you know that you guys can't forecast what the next week going to be you after the line the law, right?

Charlie Sloan - *Oak Family Advisors - Analyst*

That's correct. Yes. So anyway, great quarter. Keep up the good work. Thank you.

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

Thanks, Charlie.

Operator

James Picariello, BNP Paribas.

James Picariello - *BNP Paribas - Analyst*

Morning, everybody.

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

Morning.

James Picariello - *BNP Paribas - Analyst*

I've got a head back to the China question real quick.

I apologize. You're guiding to $85 million in sales for the full year. We recorded $43 million in the first quarter.

So I just I assume what's baked in is another $42 million in the second quarter before you pulp production of? My ultimate question is, has Gentex shipped any units to China since the April 11? Should the date of the 100% plus tariffs? Or do you have tariff costs that you're already to suffice for recoveries?

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

Yes, there might have been one shipment that was already kind of in process that happens technically after that date. But we haven't actively shipped anything since then. But remember, we have we have a warehouse in China.

And so it has usually anywhere from seven to 10, 12 days of inventory on site. And then usually there's another week or so of inventory in transit. It's on the surface or in the air. By the time, these things go into effect.

So that's where we look at and say, hey, we know we know there's some amount of that that stuff should be able to sell easily because it was already in before the day.

And then we know there will be some demand despite the tariffs, even if they stick around at this level where OEMs will need some parts just to get through a few week period until they can have a work around on. And so that's where we come out with that estimate is kind of like we mentioned before, kind of a I would say it's probably a week best case scenario.

James Picariello - *BNP Paribas - Analyst*

Okay. No, that makes sense is pretty consistent clinics. And based on last year's $208 million or so in revenue in China is there any way to size of just what constituted interior versus exterior mirrors mix? And if there were any FTM shipments to the region?

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

Yes, that should. And roughly 50-50. I think I'm definitely taken a stake in hipshot without and but if you look at it, it should have been somewhere in probably a million and [a-half ICs] and probably three or so are we seeing I think would be my estimate there, Kevin, I'm concerned in further detail to prove them wrong. But on that's just kind of a rough breakdown and we can follow up with you to if you would like that detail.

James Picariello - *BNP Paribas - Analyst*

The STM virtually none. (multiple speaker)

Yes. Yes, I thank you guys.

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

Thanks, Jim. We can close our question and answer session. I will now turn it back over to Josh for any closing remarks.

Josh O'Berski - *Gentex Corp - Director, Investor Relations*

Thank you, everyone, for your time and attention today and good questions.

I hope everyone has a good weekend.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.