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GNTX.OQ - Q3 2026 Gentex Corporation Earnings Call

EVENT DATE/TIME: OCTOBER 23, 2026 / 1:30PM GMT

## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Josh O'Berski** *Gentex Corporation - Vice President of Investor Relations*

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

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

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

## CONFERENCE CALL PARTICIPANTS

**Joseph Spak** *UBS AG - Analyst*

**Raj Gupta** *JPMorgan - Analyst*

**Davis Baker** *Robert W. Baird & Co Inc - Research Analyst*

**James Picariello** *Exane Bnp Paribas - Analyst*

**Mark Delaney** *The Goldman Sachs Group, Inc. - Analyst*

**Matthew Mays** *B. Riley Securities - Analyst*

**David Whiston** *Morningstar, Inc. - Analyst*

## PRESENTATION

### Operator

Good day, and thank you for standing by. Welcome to the Gentex reports third quarter 2026 financial results. (Operator Instructions) Please be advised that today's call is being recorded.

I would now like to hand it over to our first speaker, Josh O'Berski, Vice President of Investor Relations. Please go ahead.

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### Josh O'Berski - Gentex Corporation - Vice President of Investor Relations

Thank you. Good morning, and thank you for joining us today for our third quarter 2026 earnings conference call. I am Josh O'Berski, Gentex 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 in the investor section of our website at [ir.gentex.com](http://ir.gentex.com).

Many of the statements made during today's call are forward-looking and reflect our current expectations. These statements involve a number of risks and uncertainties, both known and unknown, including those described in our press release issued this morning and in our annual report on Form 10-K for the year ended December 31, 2025, as well as general economic conditions. Actual results may differ materially from these expressed or implied in these forward-looking statements if risks or uncertainties materialize or if our assumptions prove to be incorrect.

Ahead of our prepared remarks, I would like to remind the investment community that we will be participating in both the SEMA Show from November 3rd through 6th and the 2027 Consumer Electronics Show from January 6 through 9, both in Las Vegas before our next call. At both of these events, there will be booth tours, product demonstrations, and an opportunity to see the future of our technology on display. If you are interested in joining us at these events, please reach out to me after this call or talk to your favorite analyst to join their scheduled booth tour.

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

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

Thank you, Josh. For the third quarter, net sales were \$647.7 million, compared with \$655.2 million in the third quarter of last year. Automotive unit performance was generally in line with our expectations, but revenue came in approximately \$35 million below our beginning of quarter forecast due to certain customer issues and delayed launches.

In North America, automotive revenue increased approximately 3%, despite a 5% decline in regional light vehicle production. In Europe, revenue, excluding the Volkswagen program loss, increased approximately 13%. However, the Volkswagen headwind more than offset that underlying growth.

Globally, automotive revenue, excluding the previously discussed headwinds in China and at Volkswagen, increased approximately 2%, despite global light vehicle production declining by more than 2%. That performance reflects the continued content growth we have been seeing across our primary automotive markets.

Outside of automotive, premium audio revenue increased approximately 27% to \$54.7 million, while aerospace, biometrics, fire protection, and automotive aftermarket revenue collectively increased about 5%. Overall, our third-quarter results demonstrate the resilience of the business and the continued benefits of our strategy to grow through technology, product mix, and diversification.

So despite the challenges in China and Europe, sales were relatively flat year-over-year. Strong performance in North America, driven by continued adoption of advanced feature content and growth across our non-automotive product lines, helped offset those headwinds. In Europe, the continued rollout of DMS and ICMS products helped mitigate lower vehicle production and mirror unit shipments, reinforcing the value of increasing content per vehicle. China remained a headwind. With the industry conditions we have discussed continuing to pressure unit shipments and revenue.

On the positive side, our diversification strategy continued to gain momentum. Non-automotive revenue increased approximately 17% and represented 15% of total company revenue in the quarter, compared with 12% in the third quarter of last year.

Gross margin for the third quarter was 33.4%, compared with 34.4% in the third quarter of 2025. The year-over-year decline was primarily driven by higher precious metals costs, unfavorable product mix, and reduced operating leverage from lower than anticipated sales.

While gross margin was below our expectations, the underlying drivers were relatively concentrated to just a couple of areas. Precious metal inflation has increased our bill of material costs over the last several quarters, and the sales shortfall relative to our forecast reduced our expected operating leverage. Our operations teams continue to perform well, and we remain focused on engineering solutions and other cost reduction opportunities to help offset inflation across several commodity areas.

Consolidated operating expenses were \$101.3 million in the third quarter, compared with \$102.8 million last year. On an adjusted basis, operating expenses were \$97.5 million compared with \$101.8 million last year, excluding impairment, acquisition-related, and severance costs. The reduction in operating expenses on both a GAAP and adjusted basis reflects our continued focus on managing spending as sales growth has moderated during 2026.

While we continue to focus on operating expenses, we are also supporting a significant number of launches and core R&D initiatives that are important to our long-term growth. As we shared at our Analyst and Investor Day in August, we are making meaningful progress on the Dimmable Visor program, which is scheduled to launch late next year. And we continue to move our large-area device project closer to a qualified product with a scalable manufacturing footprint.

Income from operations was \$115.1 million for the third quarter, compared with \$122.3 million last year. Adjusted income from operations was \$118.8 million, compared with \$123.4 million in the third quarter of last year.

Our effective tax rate for the quarter was 15.5%, compared with 16.3% in the third quarter of last year. Net income attributable to Gentex was \$90.6 million, compared with \$101 million last year. Adjusted net income attributable to Gentex was \$97.8 million, compared with \$103.7 million in the third quarter of 2025.

Diluted earnings per share attributable to Gentex were \$0.43, compared with \$0.46 in the third quarter of last year. On an adjusted basis, diluted earnings per share were \$0.47 in both periods.

I will now hand the call over to Kevin for some further financial details.

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

Thanks, Steve. Automotive net sales were \$552.5 million in the third quarter of 2026, compared to \$573.7 million in the third quarter of 2025. Automotive revenue performance during the quarter reflected expected unit trends and strong content growth across the company's primary markets.

Reported results include discrete headwinds in China and from the VW program loss. Excluding these items, automotive revenue increased approximately 2% quarter-over-quarter, led by significant North American market outgrowth and a 13% growth in Europe, supported by favorable product mix and increased electronic content per vehicle.

Net sales from the premium audio category were \$54.7 million in the third quarter of 2026, compared with \$43 million in the third quarter of 2025, an increase of approximately 27%. The increase was driven primarily by higher sales of home separates and systems products.

Home separates growth reflected increased sales of Reference Premiere speakers, while systems growth was led by Flexus, the second generation of the Fives, Sevens, and Nines, and ProMedia products. Net sales from the other products category were \$40.5 million in the third quarter of 2026, which was a 5% increase compared to the third quarter of 2025. Growth was driven primarily by aerospace and fire protection revenues, which increased 135% and 36%, respectively, but were partially offset by lower aftermarket and accessory sales.

During the third quarter of 2026, the company repurchased 5.7 million shares of its common stock at an average price of \$23.44 per share, for a total of \$132.6 million. And year to date, the company has repurchased 11.6 million shares for a total of \$270.2 million at an average price of \$23.28 per share. And as of September 30, 2026, approximately 24.3 million shares remain available for repurchase under the previously announced share repurchase plan.

Turning to the balance sheet, our comparisons today are based on September 30th of 2026 versus December 31, 2025. Starting with liquidity, cash and cash equivalents were \$134.4 million at quarter end compared to \$145.6 million at year-end. Short-term and long-term investments totaled \$242.9 million compared to \$278.4 million at the end of 2025.

Accounts receivable was \$404.6 million at September 30, compared to \$368.5 million at year-end, reflecting the timing of sales and collections during the quarter. Inventories totaled \$550.1 million at September 30, compared to \$516.3 million at year-end, primarily reflecting higher raw material balances associated with electronic components and precious metal-related materials. Accounts payable was \$263.6 million at September 30, compared to \$249 million at year-end, primarily driven by timing of payments and inventory purchases.

Preliminary cash flow from operations was \$83.5 million for the quarter, compared with \$147 million in the third quarter of 2025. The decline was primarily driven by working capital changes, higher inventories along with higher accounts receivable due to sales and collection timing, partially offset by higher payables levels. And for the first nine months of 2026, preliminary cash flow from operations totaled \$405.2 million, compared to \$461.6 million in the same period of 2025, also due to changes in working capital.

Capital expenditures were \$17.7 million for the third quarter, compared with \$35.6 million in the third quarter of 2025. For the first nine months of 2026, capital expenditures totaled \$53.9 million, compared with \$103.4 million in the same period of 2025.

Depreciation and amortization expense was \$25.7 million in the third quarter of 2026, compared to \$25.9 million last year. And for the first nine months of 2026, depreciation and amortization expense totaled approximately \$77.1 million, compared with \$78.8 million in the same period of 2025.

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

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

Thank you, Kevin. I would like to begin by thanking all of the analysts and investors that traveled to our facilities in Zeeland, Michigan in August for our Analyst and Investor Day. It is not always easy to get here, but being at our facilities allows us to demonstrate the progress and latest direction for many of our products.

Investors were able to see the latest Full Display Mirror, driver monitoring, and large-area device products. It was also a great opportunity for us to take people on tours of the facilities and see the capital and automation that has been put in place to support all of these technologies. So again, thank you for taking the time to check out what we do.

Now for a quick review of launches and product updates. In the third quarter of 2026, we continued to have strong feature launches of our automotive products. Automotive features like Full Display Mirror, in-cabin monitoring, HomeLink, and advanced feature OEC mirrors accounted for over 80% of our launches in the quarter. It is clear that even with the headwinds facing our industry, the consumer demand for advanced features continues to grow.

Full Display Mirror continues to perform well for Gentex, and the market acceptance has only increased for the product. At Cadillac, Gentex's FDM helped the Cadillac Escalade earn the Comfort and Convenience award in JD Power's 2026 U.S. Tech Experience Index Study by enabling better visibility, eliminating blind spots, and requiring very little learning or adjustment from users.

At our Analyst Day, we announced that we had launched as an accessory platform for Ford on the Super Duty. We believe there is further opportunity to continue rolling this out across their lineup and to drive increased volume on their high-end trim packages.

In Europe, FDM continues its steady progress, launching this quarter on the DS 7 and gaining traction at other customers in the region. For 2026, we're still on target to achieve our 200,000 to 400,000 FDM unit increase over what we shipped in 2025.

Driver monitoring and in-cabin monitoring system launches continue to be strong. We're pleased to have launched on the Genesis GV90, along with a handful of additional platforms at Hyundai Kia and BMW. These programs continue to grow through this year and into 2027, and we expect continued launches at these OEMs to help drive our \$80 million to \$100 million revenue target from DMS and ICMS for 2027.

Customer interest in our Dimmable Visor and large-area device technology remains strong. Our first Dimmable Visor program remains on track with a start-of-production plan for the fourth quarter of 2027. We are actively working with other OEMs on the product design and testing to secure additional awards later this year and into early 2027.

The large-area device product continues to improve in performance and durability. As we've been able to work through many of our biggest challenges, we are progressing well to move this to a production-ready product.

In September, our teams at Premium Audio took place in New York Fashion Week in collaboration with LUAR. Our cinema speakers, normally behind theater screens, were front and center, blending cultural relevancy with premium audio performance.

The party continues at KlipschFest, our homegrown celebration taking place on November 6 and 7 at our global Klipsch headquarters in Indianapolis. We'll be wrapping up the 80th anniversary celebrations for Klipsch and Onkyo with a two-day listening experience, artifacts and memorabilia from the last 80 years, facility tours, live listening demos, and a chance to experience a fleet of well-equipped automotive and adventure vehicles.

The Premium Audio teams have also been busy gearing up for the launch of our flagship headphone system, the Stratus Series, which hits the market in November, along with the fan favorite Reference Premiere III passive home theater loudspeakers.

On the Bluetooth speaker front, our Music Series Gen 2 will be launching this holiday season alongside Onkyo's Japanese design-inspired Creator Series GX-AiO all-in-one powered tabletop speaker system. So go out and purchase these awesome products. The holidays will never sound so good.

These first nine months of 2026 have been busy and rapidly changing in many ways, but the teams at Gentex have continued to deliver on the things that help set us apart from our peers: quality, consistency, and innovation.

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

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

Thanks, Neil. I think that's the first time I've ever heard you say cultural relevance. The company's light vehicle production assumptions are based on the mid-October 2026 Mobility Global Outlook.

Global light vehicle production is forecast to decline approximately 4% in the fourth quarter of 2026 and approximately 2% for full year 2026, compared with last year. Global production is expected to increase approximately 1% in 2027. However, production in our primary automotive markets of North America, Europe, and Japan/Korea is forecast to decline approximately 1%, with the only growth in LVP coming from China and other markets.

Based on actual results for the first nine months of 2026, the light vehicle production forecast and our expectations for the automotive, premium audio, and other products categories, we are updating certain elements of our full year 2026 guidance. Consolidated revenue is now expected to be approximately \$2.65 billion for the year.

Gross margin is now expected to be between 34% and 34.5% for the year. This range includes an estimated \$10 million to \$15 million of incremental cost increases expected in the fourth quarter, with related recoveries not anticipated until the first half of 2027.

Operating expenses, excluding severance and impairments, are now expected to be between \$395 million and \$410 million. The tax rate is now expected to be between 16% and 16.5%. Capital expenditures are now expected to be between \$100 million and \$115 million, and depreciation and amortization is now expected to be between \$100 million and \$105 million.

Based on the mid-October 2026 Mobility Global light vehicle production forecast, our current expectations for automotive, premium audio, and other products revenue, and despite the lower revenue for 2026, we are maintaining our 2027 revenue outlook of \$2.8 billion to \$2.9 billion. This outlook represents a 6% to 9% revenue growth compared with our updated 2026 guidance, despite light vehicle production in our primary markets being forecast to decline approximately 1%. We believe this represents a significant acceleration in outgrowth versus the underlying market and reflects the increasing contribution from new technology, higher content per vehicle, and our diversifying customer base.

As we look ahead, we are increasingly confident in the growth opportunities in front of us. We are beginning to see the impact of our broader product and growth strategy reflected in our forward outlook. This acceleration in growth is being driven by new technology, higher content per vehicle, and a more diversified customer base. The progress we demonstrated at our Analyst and Investor Day in August also shows how far several of these programs have advanced towards commercialization.

Our interior visor program and large-area device portfolio continue to move forward. Launches of our fourth generation Full Display Mirror are now in full swing, and our engineering teams continue to improve product design and cost while delivering some of the most advanced technology and features we have ever offered.

We are also pleased to have secured our first PCBA business award during the quarter, with production expected to begin in 2029. This is another opportunity to leverage Gentex's advanced manufacturing capabilities in new products and markets, and we are actively pursuing additional PCBA opportunities with similar production timing.

While the new technology and launches are keeping us very busy, we are also actively managing the challenges developing across the supply chain. Strong demand for memory and other electronic components is creating supply constraints and cost pressure across the electronics industry. And precious metal pricing remains volatile after significant increases over the last year.

We expect these pressures to continue into the fourth quarter, and our teams are working with customers on appropriate reimbursement while our engineering teams pursue design changes and other cost reduction opportunities. Taken together, we believe that the higher content, new product launches, diversification, and expansion into new markets are changing the growth profile of Gentex.

If we execute on these growth opportunities while continuing to offset the cost pressures facing the industry, we believe we can create meaningful long-term value for our shareholders. That completes our prepared comments for today. We can now proceed to questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Joseph Spak, UBS.

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### Joseph Spak - UBS AG - Analyst

I guess just to start, obviously, a little bit more cost pressure here at the end of the year, and you talked about the \$10 million to \$15 million in the fourth quarter, and you're expected to get that back in the first half. But it seems like, as you allude to this, there is just sort of this more general pressure. So while you're going to get back in the first half of next year some of these costs you're incurring now, can you get to, for lack of a better term, par in 2027 and sort of be more real time? Or you're always sort of playing catch up and, to that extent, does that add some risk that the 2027 gross margin is below the midterm level you laid out at the Analyst and Investor Day?

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### Steven Downing - Gentex Corporation - President, Chief Executive Officer, Director

Yeah, I think if you look at the delay, it is pretty normal in this industry. And obviously, and we will get into some details probably about DRAM and the cost and what is happening with RAM pricing. But obviously that creates a bit of a headwind for us immediately because it takes a while for the customers to agree to what that new pricing is. And so hence the delay in terms of reimbursement. So anytime there is escalating prices like this in our industry in particular, you are always behind that curve a little bit, but you do catch up.

Now, I would say that if you look at the precious metals and what is going on in the rest of the commodities, some of those are more difficult to recover. The electronics piece is pretty cut and dry. It is just about timing of getting that back. So yeah, there definitely is some headwinds heading into next year.

The one thing we have in our favor, though, is despite the headwinds on the bill material side, if we hit the growth rates we are talking about, we have not had a tailwind of the operational efficiency side of a growth rate like that in a bit. And so those can help offset quite a bit of the margin headwinds created by bill material increases just through operational efficiency and the higher growth rate. And obviously the contribution margin on incremental sales always helps offset that as well.

**Joseph Spak** - UBS AG - Analyst

Okay. Thanks for that. And I noticed you did not give shipments in the release this quarter. If I was following your math, it sounded like the VW and China headwinds, which you have talked about for a while, was 6 percentage points, I think, to auto. But is there any sort of high-level commentary you could give us for the auto business in terms of between mirror volume, price, and mix that sort of gets you to that reported 4% decline?

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

You are talking about the 4% in terms of automotive light vehicle production declines?

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**Joseph Spak** - UBS AG - Analyst

Yeah.

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

If we talk units for a minute, units were down, I think, about 1 million units on a year-over-year basis, and it is almost all tied directly to those two causes that you mentioned, both the China reductions and the Volkswagen loss.

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**Joseph Spak** - UBS AG - Analyst

Okay. So then price...

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

Then the difference in that, right, is the growth in the other regions and in increased content.

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**Joseph Spak** - UBS AG - Analyst

Okay. I will pass it on. Thanks.

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**Operator**

Raj Gupta, JPM.

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**Raj Gupta** - JPMorgan - Analyst

Great. Thanks for taking the questions. It looks like you feel comfortable re-trading the 2027 outlook despite, I think, it is two quarters in a row where your revenue has come in weaker than expected. How should we get comfortable with that outlook? Have you figured out any offsets already to some of the challenges you are seeing right now, or is it just some delays from this year that are pushing it into next year? And then maybe, if you can give us any sense of how much of the 2027 revenue is contracted versus dependent on more wins. Thanks.

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

So that is a great question. If you look at it, you are absolutely right. The quarter came in this year lighter than anticipated. We kind of referenced it in the press release, but really, it was driven by a couple OEM launches. And one of them was also impacted by the Hyundai Kia strike, the union strike on the ground there. And so that, I think that took a good 60,000, 70,000 units out of production for us during the third quarter.

Unfortunately for us, it was also where we were launching DMS and ICMS and FDM. So you had a disproportionate impact due to those units because it is where we were launching some of our highest content. So not only did it delay those products, but then the ramp-up was slower because as the strike was ending and they were getting back online, the volumes didn't come in as high as we were expecting.

And then the other one was, Neil Boehm mentioned the F-250, 350 launch. It was a little later than we anticipated, and the launch volumes weren't quite what we expected. So the big misses were there. If you take those out of it, we view those as one-time in nature and should not impact go forward in 2027. Like we mentioned before, the growth for 2027 is really driven by additional FDM growth, additional ICMS and driver monitoring awards.

And then the other reason why we feel confident in keeping that guidance is VOXX team had announced that they've done a deal with Alpine to take over distribution for Alpine products. If you look at that's going to be another tailwind heading into next year that we weren't anticipating initially when we gave our very first 2027 guidance.

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**Raj Gupta** - *JPMorgan - Analyst*

Understood. That's helpful. And then just to tie a bow to the previous question around just margins and recovery into next year. Any early prelim color you can give us on the margins for next year? What are the puts and takes we should keep in mind? Do you expect to improve gross margins on an annualized basis? Just how you're going to manage OpEx, just given some of the choppiness here. Thanks.

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

No, if I was doing the way-too-early college football top 2025, I'd probably say next year is probably more in that 33% to 34% range. And obviously, we're shaking out a lot of deals right now with our supply base on what's going on with the electronic supply constraints. There's a lot of them right now.

We're not talking about just RAM anymore. You're starting to talk about issues with raw PCBs. There's a lot of pressure on the industry right now, so we're still trying to fight through that. If I were given that way-too-early prediction, I'd say that's probably the right range to think about it.

The headwinds are actually probably would tend to drive that below that. But we believe with the growth and some of the new launches, that will help offset some of those headwinds we're seeing on the bill of material side.

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**Raj Gupta** - *JPMorgan - Analyst*

Got it. And OpEx would be contained in that background. Understood. Great. Thanks for all the color, and good luck.

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**Operator**

Davis Baker, Robert W. Baird.

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**Davis Baker** - *Robert W. Baird & Co Inc - Research Analyst*

Good morning, guys. Thanks for taking the questions. Maybe to start, could you provide some additional color on what you're seeing in the electronic components market, just given the incremental tightening in supply? And along those same lines, just advantages of your internal PCB capacity in this environment?

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

Sure. Yeah, a little bit of color just on the electronic components, and Steve will add some more on top of it. We're seeing the impact. The DDR in the memory piece has been a significant challenge for several quarters and will continue into 2027 as well. So that, everybody knows about that one.

Circuit boards is another one that's really jumped up as a cost, and it's not actually the circuit board itself, it's actually subcomponents multiple tiers below that material is getting consumed and replaced for data center circuit boards. So we're starting to see multiple tiers below the supply is getting tighter to be able to build automotive boards, which means prices are going to continue to move upward.

Those are big ones. There's a lot of activity around passive devices as well, but at this stage, those are all manageable and contained. But as we look into 2027, there will be additional constraints put in some of those areas.

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

And to put this into just kind of rough ballparks, what we're seeing from our existing supply base, and this is wild, anywhere from 8x to 10x price increases on a per unit basis. So literally, a component that costs \$4 or \$5 earlier this year is now \$40. And so that's a lot of the headwinds that we're kind of working through right now, both how to manage that with our customer base, how to make sure we're getting appropriate reimbursement, and then also longer term, realizing that type of cost structure won't support the business model for these products. So we've got to engineer our way out of those.

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

Back to the component shortage days five years, four years ago, where we learned how to iterate designs and drive VAVE cost savings initiatives through. The teams have been doing a great job on that with precious metals this year, so we've been able to start driving some improvements in savings that we'll see some good savings through, or lack of increases in 2027.

But also, with products like our Full Display Mirror generation four, as that starts, we're launching that actively at multiple customers. That rollout begins in 2028. That product does not use the DDR. So we have designs that we're working on to get around these challenges. It's just going to take through 2027 to get them deployed.

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

Davis, you also asked about PCB capacity, correct?

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**Davis Baker** - *Robert W. Baird & Co Inc - Research Analyst*

Correct.

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

So yeah, we are sitting really good. Obviously, with some of the reductions in volumes we have seen, we do have capacity in our electronics manufacturing footprint.

As we prepare for the PCBA award that we talked about in the prepared comments, we are actively working on what does that floor space need to look like. We feel like to get started, we have plenty as it is, but we are not opposed to adding additional capacity, depending on the size and profitability of the awards.

And it is something that we will continue to monitor and we are excited about looking forward to, because it is a very unique footprint from a geography standpoint, where we manufacture. It definitely has a lot of appeal right now to many customers in terms of our location in the U.S. and our ability to do high-end electronics in a very efficient manner. So it is something that we keep looking at and pushing hard for, and quite frankly, we are really excited about this opportunity outside of automotive as well.

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**Davis Baker** - *Robert W. Baird & Co Inc - Research Analyst*

All right. Thanks, guys. I will take the rest offline. Good luck with the rest of the day.

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**Operator**

James Picariello, BNP Paribas.

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**James Picariello** - *Exane Bnp Paribas - Analyst*

Just on the implied Q4 revenue guide, if we assume continued strong growth in the other segment, it would still imply a mid-single digit type growth rate for auto sales. Maybe something around 4% on a year-over-year basis. Can you just share the visibility you have in terms of the bridge to see that inflection on a year-over-year basis for the fourth quarter? Because obviously the first three quarters, given the China challenges, the issues with the VW business, we haven't seen that type of growth rate thus far this year.

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

Yeah, all of our short-term forecasts are built based on customer orders, as they have been consistently, but they don't usually also predict strikes. So I mean, the nice part about getting back to production is some of those launches that we said were delayed, DMS, ICMS, and FDM, the volumes start to pick back up in the fourth quarter, where they were kind of lacking in Q3. So that's where you start to get visibility.

But our Q4 numbers are really based on primarily customer orders, and if you look from the VOXX or the PAC side, this ends up being the strongest part of their season as well, and we're seeing good demand, as you've seen the sales growth on a year-over-year basis all year. And that's really been driven by brand new products. The growth that we've seen earlier in the year, we wouldn't expect to not produce similar outgrowth versus last year, given the demand for the newer products.

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**James Picariello** - *Exane Bnp Paribas - Analyst*

Got it. Well, thank you. And then just back on the electronic sourcing for next year and the inflationary recoveries that will be a swing factor. Visteon yesterday almost doubled their expectation for DRAM and semis recoveries for next year relative to a high forecast that they already had in place. They tied it back to the 2022 timeframe when we saw all that significant inflationary pressure on semis. Just curious if you would relate it back to that time period as well in terms of how you're thinking about next year, and if you could remind us what the level of recoveries were back in 2022, if that's a good context for you guys. Thank you.

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

I would say, first of all, in our forecast right now for next year, we are really not modeling significant price increases due to the recovery. And the reason why we are saying that is there is going to be a combination of a recovery period, but we are hopeful that we can get through that recovery period in fairly short order and move on to what Neil was describing, which is redesigns, that keeps the price point more attainable for our customer base and the consumer. But there is definitely a tailwind from a pure revenue basis, from the potential for price increases.

The issue is obviously there is virtually no margin on those once you recover the actual cost change. So we are looking at this on a pure baseline basis. We are not building in any of that growth tied to recoveries helping drive that price.

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**James Picariello** - *Exane Bnp Paribas - Analyst*

Understood. Thanks.

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**Operator**

Mark Delaney, Goldman Sachs.

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**Mark Delaney** - *The Goldman Sachs Group, Inc. - Analyst*

Good morning, and thank you for taking the questions. Another one, if I could please, around the scope of the cost challenges. I think the electronics and semiconductor buy from Gentex has been running at least previously at about an \$800 million annualized level.

I know you spoke about some components seeing pretty substantial increases, but I imagine it is only certain pieces of the buy. So I do not know if you could help us with where that \$800 million would be running at with current spot rates and help us sensitize the scope of the cost issues that the company is currently seeing.

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

I'm going off of a mixture of '26 updates and '27 forecasts, so probably wouldn't quote me on this exact number, but I think the last thing I looked at was somewhere in the \$900 million range, and that might have included some of the price increases that we're talking about. But you're right, 800 kind of hits probably over the trailing 12 is probably about right. As we right now look forward, it's probably going to be closer to that \$900 million range, maybe even more, depending on if we hit our sales growth levels.

If you try to back it up to '22, it's really hard to make a direct comparison to what we saw there. I would say it was different in that you really had a handful of micros that really drove the vast majority of cost increases. But there were other deflationary areas, too. LCDs were still deflationary.

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**Mark Delaney** - *The Goldman Sachs Group, Inc. - Analyst*

Passives.

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

Yeah, and the passives were still pretty stable. I wouldn't say it's dissimilar from a strategic standpoint. It's just totally different areas of the electronics buy that are now inflationary.

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**Mark Delaney** - *The Goldman Sachs Group, Inc. - Analyst*

Understood. Another question around supply chain. As you look at the growth you're expecting to drive in 2027, I know that the cost of driving that growth will be higher with where you're seeing these components come in at. But just in terms of the availability, maybe just speak a bit more around actually getting enough volume of these parts for next year to support all of these different opportunities in front of Gentex.

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

Yeah, no, that's a great question. That's probably the most challenging part. Once you even agree on pricing, you still have the potential for constraints.

One of the things we always work hard on, and that's why Kevin talked a little bit about inventories being higher, we try to make sure we have plenty of inventory on-hand, and obviously the value of that inventory rises as the price goes up. But we're not shy about making sure we secure as much as we can and keep it on-hand. We are constantly working with the supply base. I would say the immediate risk right there is still DDR. That's probably the most constrained commodity right now.

As we move forward, though, as Neil mentioned, as a lot of the raw circuit board manufacturers have changed their manufacturing process over to what's needed for their process, what's needed over for data centers, obviously that's removed some capacity from the automotive support side. So it's something that we're looking at very carefully now. We obviously have multiple suppliers we can rely on, but trying to make sure we secure that capacity for next year becomes really important, especially given the growth rate that we're seeing.

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**Mark Delaney** - *The Goldman Sachs Group, Inc. - Analyst*

Yeah, just one last follow-up there, and then I'll pass it on. But just how far are you with that process? Are you kind of halfway there? I know maybe it's just kind of early in the planning phase, so maybe that's just typical not to be fully secured for next year's volumes. But if you could just give a little bit more color around how far along you are with some of those supply discussions and how much more work is left to be done. Thank you.

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

No, thanks, Mark. I'd say for most things, we're clear through the end of the year. Most things, we're probably good all the way through midpoint next year. There's just a handful of commodities there that we're worried about, between now and midpoint next year.

Beyond that, if you start looking at those levels, once we get through the first half of the year, those run rates should be pretty close to what the end-of-the-year run rates are. If we can get through the first half, we should be pretty good for the second half. But obviously, that's a lot of work that goes into the supply base, giving them longer-term leads, making sure we have out-year forecasts that give them the planning they need to be able to pull that off. So it is a lot of work. I'd say we're probably about halfway through next year where we feel pretty good.

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**Mark Delaney** - *The Goldman Sachs Group, Inc. - Analyst*

Thanks.

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**Operator**

Matthew Mays, B. Riley Securities.

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**Matthew Mays** - *B. Riley Securities - Analyst*

Congrats on the first PCBA award. I'm just wondering, can you share the type of customer and roughly the annual revenue, and whether it lines up with the \$150 million to \$200 million you framed in August?

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

First of all, thanks. It was a lot of work going into that, so I appreciate that. It is one of our existing automotive customers, and that first award is annualized at about \$180 million a year, roughly.

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**Matthew Mays** - *B. Riley Securities - Analyst*

Got it. All right, great. That's helpful. And in terms of visors, I'm wondering, is there any update on adding visor customers ahead of the late 2027 launch?

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

Yeah, I mentioned it briefly that there is still a lot of work going on there. We got three additional customers that are pretty active and doing evaluations, but nothing to announce yet as far as a sale or a closure of a deal yet.

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**Matthew Mays** - *B. Riley Securities - Analyst*

Got it. Last question from me, just a quick one. In terms of capital allocation, you roughly doubled the buyback this quarter. Just wondering how we should think about that pace going forward and the possible dividend increase, if any.

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

Yeah, I think right now from a total return standpoint, we are probably going to tend to focus more on the share repurchase side. Obviously, we've been -- the stock has not performed at all really well over the last year. And so when we look at these prices versus what our growth rate and our cash generation is over the next couple of years, we struggle to understand the stock price.

And so when we see downturns like this, we tend to get more aggressive, like what you saw in Q2. So I think what you will see out of us is probably very similar in what we did in Q2 as we move through the end of this year and into next.

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**Matthew Mays** - *B. Riley Securities - Analyst*

Got it. Great. That was all from me. Thanks for taking my questions.

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**Operator**

(Operator Instructions) David Whiston, Morningstar.

**David Whiston** - Morningstar, Inc. - Analyst

Thanks. Good morning. On precious metal inflation, is there any kind of major obvious fix that would be out there beyond your control, such as the Iran war ending or anything like that? Or does this go well beyond any kind of geopolitical conflicts?

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

It is well beyond that. I mean, if you look at the ones that are hurting the most, right? It is silver, gold, and ruthenium. Those are the three biggest commodity areas that have hurt from a pricing standpoint. The silver and gold are interesting because they are industrial products.

Obviously, there has been a big move towards investment grade as well, and so you see this surge in demand. Data centers, custom electronics, these type of products all use silver and gold. So the demand has gone up on the industrial side, it has also gone up on the investment grade side. And so it has just been a lot of pressure there.

Ruthenium is a much more thinly traded commodity. Very difficult. I think, Kevin, that is probably up 500% in the last year and a half. And so that one has been kind of a runaway train. Our real approach there is less about getting help from. Supply is not going to increase dramatically in either of these cases to lower cost.

So one of the things that Neil's team has been working on very hard is how do we create VAVE opportunities that reduce the amount of material that needs to be used in each of our products. The teams have already launched and executed a handful of those. We have a bunch more that we will be rolling out over the next 18 months. And so the goal is just to minimize the headwind associated with those commodity prices.

**David Whiston** - Morningstar, Inc. - Analyst

Okay, thanks. And then on China, I know maybe it is a little early to ask this, but do you see any chance of real improvement there in '27 versus '26?

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

No. Our plan right now is that we think we are basically at a kind of a stable level of what our China business will be. There will probably be likely a little bit of headwinds yet, but we are not expecting any tailwinds anytime soon.

**David Whiston** - Morningstar, Inc. - Analyst

Okay. And are there any other major supply chain constraints out there?

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

No, I want to say, I think we hit most of them. If you look at DDR and raw PCBs, those would probably be the biggest.

**David Whiston** - Morningstar, Inc. - Analyst

Okay, thank you.

**Operator**

Thank you. I am not showing any further questions in the queue at this moment. I will now turn it back over to Josh for closing remarks.

**Josh O'Berski** - *Gentex Corporation - Vice President of Investor Relations*

All right. Thank you, everyone, for your time and questions today. We look forward to seeing our customers and investors at SEMA and CES. Other than that, we hope everyone has a good weekend and good rest of your day.

**Operator**

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

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