

Hendershot Investments

SHARE BUYBACK BONANZA!

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The S&P 500 index has hit more than 50 record highs so far in 2021 due to the strong economic recovery from the pandemic lows. Cash holdings among S&P 500 companies recently topped \$2 trillion. Corporate spending remains high as companies reinvest in their businesses to meet growing demand. At the same time, *HI*-quality companies with strong free cash flows reward investors through growing dividends and share repurchase programs.

Companies have authorized more than \$680 billion in stock repurchases through July, a veritable share buyback bonanza! There is no need for investors to ride out to the Ponderosa searching for gold when share buybacks abound.

If management teams repurchase shares below a conservative estimate of the company's intrinsic value, then shareholder value is maximized as remaining investors own a higher percentage of a wonderful and growing business.

No one estimates intrinsic value better than Warren Buffett and Charlie Munger. The fact that **Berkshire Hathaway's** biggest investment during the first half of 2021 was the repurchase of **\$12.6 billion** of Berkshire's own shares is a strong indication that Buffett believed Berkshire's stock was attractively valued for his remaining partners.

Apple is the big "Hoss" of the share buyback bonanza with its giant share repurchases totaling nearly \$212 billion in the last three fiscal years. During the first nine months of fiscal 2021, Apple generated nearly \$76.0 billion in free cash flow, up 39% from last year. Apple has returned \$77.0 billion year-to-date to shareholders through dividends of \$10.8 billion and share repurchases of **\$66.2 billion**.

Microsoft's free cash flow increased 24% during fiscal 2021 to \$56.1 billion with the company paying \$16.5 billion in dividends and repurchasing **\$27.4 billion** of its common stock.

If you google **Alphabet**, you will find the company's free cash flow more than doubled during the first half of 2021 to \$29.7 billion with the company repurchasing about \$24.2 billion of its common stock as part of its **\$50 billion** share buyback authorization.

Facebook announced a friendly new **\$25 billion** share buyback program. Free cash flow more than doubled during the first half of the year to \$16.6 billion with the company repurchasing \$11 billion of its common stock, including \$7.1 billion in the second quarter.

Earlier this year, **Oracle** announced a **\$20 billion** expansion of its share repurchase program and increased its divine dividend 33%. During the past 10 years, Oracle has reduced its shares outstanding by more than 44% thanks to the company's strong free cash flows and substantial share repurchases.

UPS management views company cash as "belonging to shareowners" and aims to return 50% of earnings to shareholders through dividend payments. UPS deploys a disciplined and balanced approach to capital allocation, including a new **\$5 billion** share buyback program.

Check Point Software announced a recent **\$2 billion** share buyback expansion. Since the beginning of the firm's share repurchase program, Check Point has repurchased approximately 188 million shares for a total purchase price of approximately \$11.1 billion.

Most of our *HI*-quality companies generate strong free cash flows including the "Little Joes" which also steadily reduce their share counts. While the dollar amounts may not make the Bonanza map, the buybacks still reward shareholders such as **NVR's** recent **\$500 million** share buyback authorization and **Gentex's** 25 million share expansion of its ongoing share repurchase program.

Investors should tip their cowboy hats to managers of *HI*-quality companies who buy back shares and maximize shareholder value!

STOCK PERFORMANCE

Stock-Symbol	Business	Purchase		Price 8-27-21	Total (c) Return	Advice*	Comment
		Date(a)	Price(b)				
Accenture-ACN	Consulting/Outsourcing	03-06-12	59.95	335.66	498%	HOLD	Repurchased \$2.8 billion of stock YTD
Alphabet, CI A-GOOG Alphabet, CI A-GOOG Alphabet, CI C-GOOG	Technology	06-10-11 06-08-15 06-10-11	256.38 546.47 254.89	2,880.08 2,891.01	540% 1,034%	HOLD	Free cash flow more than doubled in first half to \$29.7 billion; repurchased \$24.2 billion of common stock
Apple-AAPL	iPhones, computers, services	09-07-10	9.24	148.60	1,569%	HOLD	YTD paid \$10.8 billion in dividends and repurchased \$66.2 billion of stock
Automatic Data Processing-ADP	Human capital mgmt.	03-09-16 03-11-20	85.62 148.95	208.96	86%	HOLD	In 2021, paid \$1.6 billion in dividends and repurchased \$1.4 billion of stock
Bank of Hawaii-BOH	Financial services	09-09-20	53.68	85.41	73%	BUY	Increased dividend 4% and resumed share repurchase program
Berkshire Hathaway-BRKB	Insurance/diversified	12-28-94! 03-10-00 03-17-00	21.56 27.45 34.13	286.60	975%	HOLD	Repurchased \$12.6 billion of common stock in first half
Biogen-BIIB	Biotechnology	09-09-15	286.19	343.19	20%	SELL	Selling position (see p. 4)
Brown-Forman-BFB	Liquor	03-10-00	4.25	70.17	1,818%	HOLD	Generated bubbly 34% return on shareholders' equity in fiscal 2021
Canadian National Railway-CNI	Railroad	06-08-15 12-03-19	58.05 88.61	110.35	36%	HOLD	Waiting on regulatory approval for \$33.6 billion buyout of Kansas City Southern
Check Point Software-CHKP	Cybersecurity	12-2-20	117.27	126.68	8%	BUY	Expanded share buyback program by \$2 billion
Cisco Systems-CSCO	Internetworking	03-12-97 03-10-21	5.78 48.41	59.02	59%	HOLD	In 2021, paid \$6.2 billion in dividends and repurchased \$2.9 billion of stock
Cognizant Tech.-CTSH	IT consulting	09-07-12	33.43	77.24	141%	BUY	In 2Q, paid \$127 million in dividends and repurchased \$296 million of stock
F5 Networks-FFIV	Network technology	09-09-15	121.84	205.57	69%	HOLD	Completed \$500 million share buyback
Facebook-FB	Social media	06-04-18	193.35	372.63	93%	HOLD	Free cash flow more than doubled to \$16.6 billion in first half
FactSet Research-FDS	Financial information	03-14-14	104.42	376.58	277%	HOLD	Repurchased \$172 million of stock YTD
Fastenal-FAST	Industrial supplies	03-10-00 09-07-17	2.44 20.85	55.67	254%	HOLD	Generated \$140 million in free cash flow in 2Q and paid \$161 million in dividends
General Dynamics-GD	Aerospace and defense	12-03-19	176.29	199.72	18%	HOLD	In first half, paid \$.7 billion in dividends and repurchased \$1.35 billion of stock
Gentex-GNTX	Auto mirrors	12-08-15	16.29	31.36	107%	BUY	Expanded share buyback program by 25 million shares
Genuine Parts-GPC	Diversified distributor	03-10-00 09-09-15	20.81 84.09	123.66	107%	HOLD	Expects to generate operating cash flow in 2021 of \$1.2 billion-\$1.4 billion
Hormel Foods-HRL	Food	06-14-01	6.01	44.92	795%	HOLD	In first half, paid \$258 million of dividends
Intel-INTC	Semiconductors	09-09-20	49.84	53.89	10%	BUY	In first half, paid \$2.8 billion in dividends and repurchased \$2.4 billion of stock
Johnson & Johnson-JNJ	Healthcare products	03-10-00 09-10-18	35.48 137.52	172.93	91%	BUY	Generated \$8 billion in free cash flow in 2Q and paid \$2.8 billion in dividends

*All recommendations made in this newsletter may not be suitable for every account, depending on an individual's investment objective, risk-tolerance and financial situation. It should not be assumed that recommendations will be profitable or will equal the performance of securities listed here or recommended in the past. Clients should contact Hendershot Investments, Inc. if there are any changes in your financial situation or investment objectives, or if you wish to impose, add or modify any reasonable restrictions to the management of your account. (a) Date purchased for Hendershot IRA. See personal trading restrictions footnote on page 3. ! Received BRKB shares following acquisition of FlightSafety Int'l in Dec '96 and Int'l Dairy Queen in Jan '98 (b) Price includes commissions paid. (c) Total return includes dividends. NI-Net Income, Q-quarter, H-half, YTD-year-to-date, ROE-return on equity

(continued)

Stock-Symbol	Business	Purchase		Price 8-27-21	Total (c) Return	Advice*	Comment
		Date(a)	Price(b)				
3M-MMM	Diversified	03-07-07 09-10-18	73.70 213.64	195.05	28%	HOLD	In first half, paid \$1.7 billion in dividends and repurchased \$734 million of stock
Mastercard-MA	Global payments	09-05-14	76.45	355.73	375%	BUY	In first half, paid \$873 million in dividends and repurchased \$3.1 billion of stock
Maximus-MMS	Business services	06-02-16 12-03-19	57.54 73.70	86.56	31%	HOLD	Increased outlook for 2021 free cash flow in the \$375-\$405 million range
Microsoft-MSFT	Software	06-07-07 12-03-10	30.16 26.94	299.72	1,028%	HOLD	In 2021, paid \$16.5 billion in dividends and repurchased \$27.4 billion of stock
Nike-NKE	Shoes and apparel	03-07-17	56.55	167.58	203%	HOLD	Generated winning 45% ROE in fiscal 2021
NVR Inc. -NVR	Homebuilder	06-09-21	4,795.98	5,193.27	7%	BUY	Expanded share buyback by \$500 million
Oracle-ORCL	Software	09-05-13	32.31	89.35	195%	BUY	Repurchased \$21 billion of common stock in fiscal 2021
Paychex-PAYX	Payroll processing	12-03-10 08-31-11	29.49 27.28	114.37	376%	HOLD	Expanded share buyback by \$400 million
PepsiCo-PEP	Food and beverages	03-14-14 03-07-18 03-10-21	81.89 109.42 132.97	154.94	51%	BUY	Selling Tropicana and other juice brands for \$3.3 billion; paid \$2.8 billion in dividends in first half
Raytheon Technologies-RTX	Aerospace/Defense	09-10-01 03-06-19	18.45 78.40	85.40	20%	HOLD	In first half, paid \$1.5 billion in dividends and repurchased \$1.0 billion of stock
Regeneron-REGN	Biotechnology	12-02-20	508.21	663.29	31%	HOLD	In 1H, repurchased \$612 million of stock
Roche Holding ADR-RHHBY	Pharmaceuticals and diagnostics	06-09-21	47.39	50.03	6%	HOLD	Free cash flow increased 18% in first half and paid nearly CHF 8 billion in dividends
Ross Stores-ROST	Off-price retailer	06-08-17	61.70	118.89	98%	BUY	Plans \$650 million buyback in 2021
SEI Investments-SEIC	Investment mgmt.	06-10-20	59.85	63.15	7%	BUY	Expanded share buyback by \$250 million
Starbucks-SBUX	Coffee retailer	06-10-14 12-11-17	37.26 58.61	115.12	132%	HOLD	YTD generated \$3.5 billion of free cash flow and paid \$1.6 billion in dividends
Stryker-SYK	Medical technology	03-11-09	32.08	273.42	806%	HOLD	Generated \$1.1 billion in free cash flow in first half
T. Rowe Price-TROW	Investment mgmt.	08-31-11 09-05-14 03-11-20	53.98 80.59 106.54	222.65	193%	HOLD	Trimming position (see p. 4)
The TJX Companies-TJX	Off-price retailer	06-12-00 09-09-15	2.54 36.18	73.64	329%	BUY	Expanded 2021 share buyback to \$1.25 billion to \$1.5 billion
Tractor Supply-TSCO	Rural retailer	12-11-17	67.51	192.40	197%	HOLD	In first half, paid \$60 million in dividends and repurchased \$203 million of stock
Ulta Beauty-ULTA	Beauty retailer	09-10-18	285.84	387.23	35%	HOLD	In first half, repurchased \$636 million of stock
UnitedHealth Group-UNH	Health care management	08-29-19	231.64	418.76	85%	HOLD	In first half, paid \$2.5 billion in dividends and repurchased \$2.9 billion of stock
United Parcel Service-UPS	Package delivery	03-11-20	88.03	193.30	166%	HOLD	Announced new \$5 billion share repurchase program
Walgreens Boots Alliance-WBA	Drugstores	09-12-08 06-08-17 06-10-20	36.38 81.83 44.97	48.48	-1%	HOLD	Increased dividend 2%, marking 46th consecutive year of dividend increases

PERSONAL TRADING RESTRICTIONS FOR PRINCIPALS AND EMPLOYEES

I take a long-term position in each stock recommended in this newsletter. Having earned the Chartered Financial Analyst (CFA) designation, I fully subscribe to the Code of Ethics and Standards of Professional Conduct of the CFA Institute. Accordingly, transactions for client accounts have priority over personal and employee transactions. To avoid any conflict of interest and to be fair to both my individual clients and subscribers, personal and employee trading is restricted to just four weeks a year. Personal and employee trading will occur only during the week following distribution of the newsletter to subscribers unless otherwise approved by the Chief Compliance Officer. The week following distribution of the newsletter will be measured as five business days after the mailing date of the newsletter. Positions may be purchased or sold for individually managed client accounts at any time and without regard to recommendations made in this newsletter.

PORTFOLIO REVIEW

BYE, BYE BIOGEN

Biogen reported second quarter sales declined 25% to \$2.8 billion with net income dropping 71% to \$448.5 million and EPS declining 69% to \$2.99 which included impairment charges of \$542 million. Generic competition resulted in a 24% decline in multiple sclerosis (MS) revenue to \$1.8 billion. Free cash flow declined 42% to \$1.8 billion during the first half due primarily to the lower earnings.

During the quarter, Biogen received accelerated FDA approval for ADUHELM for initiation of treatment in patients with mild cognitive impairment or mild dementia due to Alzheimer's disease. The FDA approval has been swirled in controversy due to confusion on the science and data on the drug. The FDA is conducting an independent investigation into the approval.

Several large medical sites that specialize in Alzheimer's have announced they will not administer the drug. ADUHELM revenue during the quarter was minimal at \$2 million as it will take time, resources and planning to get medical sites to administer the drug and for Medicare to determine if they will approve the \$56,000 treatment. Biogen is working to provide additional clarity on ADUHELM and is continuing engagement with worldwide regulators on the drug.

With generic competition negatively impacting revenue and profitability for Biogen's MS drugs and the controversy over ADUHELM limiting initial sales of the treatment, Biogen's business fundamentals have deteriorated with sales, earnings and cash flows all declining.

Given the stock's weakening business fundamentals and 28% gain over the last three months, the stock appears overvalued. Accordingly, we plan to say bye-bye to Biogen by selling the position.

TRIMMING T. ROWE PRICE

T. Rowe Price reported strong second quarter results with revenues rising 36% to \$1.9 billion, net income gaining 35% to \$815.7 million and EPS up 36% to \$3.46.

The company ended the quarter with assets under management (AUM) of \$1.62 trillion, a 33% increase over the prior year period thanks to strong long-term investment performance. During the second quarter, AUM increased \$105.1 billion primarily due to market appreciation with \$600 million in net cash outflows as some large subadvised clients trimmed their holdings of U.S. equities.

During the quarter, T. Rowe Price announced a transformation of its retirement recordkeeping business with the expansion of its 30-year partnership with FIS, a global technology leader. This led T. Rowe Price to increase its operating expense growth expectations from a range of 10%-14% to a range of 12%-15% for 2021.

T. Rowe Price remains debt-free and cash-rich with total cash and investments of about \$7.5 billion as of quarter end. During the first half of the year, T. Rowe Price repurchased 1.9 million of its common stock for \$308.9 million at an average cost of \$166.57 per share. The company also paid a special dividend on July 7, 2021, of \$3.00 per share, or \$699.8 million, which was in addition to its regular quarterly dividend of \$1.08 per share, which was up 20% from the prior year.

In separate news, T. Rowe Price announced that CEO Bill Stromberg will retire at the end of 2021 and will be succeeded by Rob Sharps, TROW's current president, head of investments and group CIO. Additionally, on 7/31/2021, CFO and COO Céline Dufétel stepped down from her roles to assume a leadership position with a fintech company. Jen Dardis,

currently head of Finance, became CFO and treasurer effective August 1, 2021. COO responsibilities will transition on an interim basis to Robert Higginbotham.

T. Rowe Price's stock gained 16% during the past quarter contributing to a 312% gain over the last decade. With the stock appearing fully valued, we plan to **trim back our position in T. Rowe Price** and reinvest the profits into more reasonably valued investments.

With the profits from Biogen and T. Rowe Price, we plan to buy Baxter International and Booking Holdings (see pp. 10 and 11). Personal and employee purchases will be made during the week following distribution of this newsletter. (See Personal Trading restrictions in the box on p. 3.)

DIVIDENDS

Since the last issue, the following dividends per share were received: **Accenture** (\$.88), **Apple** (\$.22), **ADP** (\$.93), **Bank of Hawaii** (\$.67), **Brown-Forman** (\$.18), **Canadian National** (\$.50), **Cisco** (\$.37), **Cognizant** (\$.24), **FactSet Research** (\$.82), **Fastenal** (\$.28), **General Dynamics** (\$1.19), **Gentex** (\$.12), **Genuine Parts** (\$.82), **Hormel Foods** (\$.25), **Intel** (\$.35), **Johnson & Johnson** (\$1.06), **Mastercard** (\$.44), **Maximus** (\$.28), **Microsoft** (\$.56), **3M** (\$1.48), **Nike** (\$.28), **Oracle** (\$.32), **Paychex** (\$.66), **Pepsi** (\$1.08), **Raytheon** (\$.51), **Ross Stores** (\$.29), **SEI** (\$.37), **Starbucks** (\$.45), **Stryker** (\$.63), **TJX** (\$.26), **T. Rowe Price** (\$1.08), **Tractor Supply** (\$.52), **United Parcel Services** (\$1.02), **UnitedHealth** (\$1.45) and **Walgreens** (\$.47).

**SPECIAL DIVIDEND
T. Rowe Price (\$3.00)**

(continued)**REALIZED GAINS AND LOSSES OVER THE LAST 12 MONTHS**

COMPANY	DATE PURCHASED	DATE SOLD	GAIN/LOSS	COMMENT*
BANK OF HAWAII	12/03/18	03/10/21	+17%	Fully valued, trimmed position
CANADIAN NATIONAL	06/08/15	09/09/20	+79%	Fully valued, trimmed position
COGNIZANT	09/07/12	12/02/20	+134%	Fully valued, trimmed position
FACEBOOK	06/04/18	09/09/20	+43%	Fairly valued, trimmed position
GENUINE PARTS	03/11/20	06/09/21	+53%	Fairly valued, trimmed position
ORACLE	09/05/13	12/02/20	+83%	Fairly valued, trimmed position
ROSS STORES	06/08/17	03/10/21	+98%	Fairly valued, trimmed position
THE TJX COMPANIES	09/09/15	03/10/21	+81%	Fairly valued, trimmed position
TRACTOR SUPPLY	12/11/17	09/09/20	+108%	Fully valued, trimmed position
UPS	05/27/05 06/09/06 08/31/11 03/11/20	09/09/20 09/09/20 09/09/20 09/09/20	+114% +101% +136% +82%	Fully valued, trimmed position

*A stock meets our price target by reaching its near-term full value based on its expected price range over the next 12-18 months (see pages 6 and 7). When a stock reaches our price target, we generally sell half the position and reinvest the proceeds into other promising opportunities. The remaining shares are held for further potential long-term gains as intrinsic value grows over time. Stocks are also sold if business fundamentals deteriorate or better investment opportunities are available.

Hendershot Investments, Inc. Investment Advisory Services

Founded in 1994, Hendershot Investments' personalized portfolio management service exists to help you improve your long-term financial success and to conserve and grow your wealth. To that end, we invest in high-quality, well-managed companies at reasonable valuations and hold them for the long term. We extend a big "thank you" for the many client and subscriber referrals, as a referral is the biggest compliment you can pay us!

Our Investment Discipline**We find great businesses at reasonable prices through extensive research.**

As long-time students of the stock market, we have developed valuation models to assess the relative merits of **HI**-quality companies. We scour annual reports, SEC filings and news to independently determine company valuations, thereby avoiding the pitfalls of herd-mentality investing. Quarterly earnings conference calls with management keep us abreast of corporate developments and give us insight into the heartbeat of corporate leadership.

We adhere steadfastly to rigorous buy and sell disciplines.

Our number one rule on the buy side is "Don't overpay for a stock." We want to buy with a margin of safety. We would rather pay a "fair price for a great business than a great price for a fair business."

As Philip Fisher stated, "If the job has been done correctly when a stock is purchased, the time to sell is almost never."

We believe in patient investing for the long term.

Quintessential investor, Ben Graham, described the stock market in the short term as an imperfect voting machine where stock prices are based partly on emotion and partly on reason. In the long term, the stock market is a weighing machine where prices are driven by fundamentals.

For this reason, we are willing to wait patiently until Mr. Market recognizes the value of our **HI**-quality firms.

PORTFOLIO FUNDAMENTALS

COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 8-27-21	This year Actual EPS	Next year Est. EPS	Current P/E	PRICE/BOOK VALUE	PRICE/SALES	DIV. YIELD	SALES 4-YR CAGR*	EPS 4-YR CAGR*	Return on Equity	Cash/Equity	Debt/Equity	Current Ratio	SALES (000)
AAPL	80-142	148.60	\$3.28	\$5.58	29.0	38.3	9.0	.6%	6%	9%	88%	201%	165%	1.1x	\$274,515,000
ACN	194-292	335.66	7.89	8.81	37.5	11.0	4.8	1.1	7%	5%	30%	54	0	1.4	44,327,039
ADP	169-241	208.96	6.07	6.63	34.4	15.6	5.9	1.8	5%	11%	46%	45	53	1.6	15,005,400
BAX	77-99	73.97	2.13	2.85	33.9	4.4	3.2	1.5	4%	-30%	13%	37	67	2.4	11,673,000
BF.B	55-76	70.17	1.88	1.74	37.4	12.7	9.7	1.0	4%	8%	34%	45	95	3.7	3,461,000
BKNG	2081-3021	2,305.47	1.44	40.44	228.5	19.7	13.9	-	-11%	-57%	1%	324	208	2.9	6,796,000
BOH	70-103	85.41	3.86	5.82	16.5	2.5	5.0	3.3	3%	-2%	11%	n/a	n/a	n/a	680,731
BRK.B !	246-316	286.60	14,198	18,000	26.7	1.4	2.6	-	3%	7%	10%	n/a	n/a	n/a	245,510,000
CHKP	113-160	126.68	5.96	5.98	20.8	5.2	8.2	-	4%	9%	24%	122	0	1.5	2,064,900
CNI	90-121	110.35	5.00	5.86	19.6	3.8	5.7	1.8	4%	2%	18%	3	60	0.9	13,819,000
CSCO	39-60	59.02	2.50	2.78	23.6	5.9	5.0	2.5	1%	7%	26%	59	22	1.5	49,710,000
CTSH	69-101	77.24	2.57	4.04	24.5	3.6	2.4	1.2	6%	0%	13%	8	6	2.0	16,720,000
FAST	35-51	55.67	1.49	1.56	37.1	11.5	5.7	2.0	9%	15%	31%	11	13	4.2	5,647,300
FB	267-467	372.63	10.09	14.07	27.6	6.5	10.4	-	33%	30%	23%	46	0	5.4	85,965,000
FDS	274-388	376.58	9.65	10.33	37.6	13.9	9.6	.9	7%	4%	42%	66	56	3.3	1,494,111
FFIV	129-222	205.57	5.01	6.70	41.4	5.7	5.3	-	4%	-2%	14%	13	16	1.1	2,350,822
GD	139-215	199.72	11.00	11.51	17.4	3.7	1.5	2.4	6%	6%	20%	19	75	1.4	37,925,000
GNTX	27-39	31.36	1.41	1.83	16.7	4.0	4.5	1.6	0%	4%	18%	29	0	4.7	1,688,189
GOOGL!!	2004-2984	2,880.08	58.61	101.11	31.3	8.1	10.5	-	19%	20%	18%	68	6	3.2	182,527,000
GPC	92-133	123.66	1.13	6.01	21.9	5.5	1.1	2.7	2%	-30%	5%	31	77	1.2	16,537,433
HRL	43-57	44.92	1.66	1.72	27.7	3.4	2.5	2.2	0%	0%	14%	21	15	3.0	9,608,462
INTC	48-68	53.89	4.94	4.08	12.0	2.6	2.8	2.6	7%	24%	26%	10	37	2.0	77,867,000
JNJ	170-216	172.93	5.51	9.67	26.0	6.5	5.5	2.4	4%	-2%	23%	36	44	1.4	82,584,000

** Exp. price range—the expected price range for the stock in the next 12-18 months based on our valuation models and the historical trading range of the stock over the last five years. If the current price is below the low end of the expected range, the stock appears undervalued. If the current stock price is above the high end of the expected range, the stock appears overvalued. The expected price range will change based upon company developments. Highlighted stocks appear undervalued or are new additions. !Berkshire price is for the class B shares, the class A shares approximate 1500 times the B shares. !!GOOGL (the original class A share price is used for the table. GOOGL will typically trade slightly higher than the Class C non-voting shares (GOOG).

(continued)

COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 8-27-21	This Year Actual EPS	Next Year Est. EPS	Current P/E	PRICE/ BOOK VALUE	PRICE/ SALES	DIV. YIELD	SALES 4-YR CAGR*	EPS 4-YR CAGR*	Return on Equity	Cash/ Equity	Debt/ Equity	Current Ratio	SALES (000)
MA	345-533	355.73	\$6.37	\$8.13	49.4	54.2	22.8	0.5%	9%	15%	100%	105%	206%	1.3x	\$15,301,000
MMM	159-228	195.05	9.25	10.08	19.2	7.8	3.5	3.0	2%	3%	42%	38	112	1.7	32,184,000
MMS	66-101	86.56	3.39	4.71	17.8	3.7	1.5	1.3	10%	6%	17%	7	112	1.5	3,461,537
MSFT	225-319	299.72	8.05	8.76	37.2	15.9	13.4	.7	15%	25%	43%	92	35	2.1	168,008,000
NKE	130-193	167.58	3.56	4.33	26.6	3.5	5.9	.7	7%	9%	45%	106	74	2.7	44,358,000
NVR	4036-6952	5,139.27	230.11	355.10	17.9	6.1	2.4	-	7%	22%	29%	85	50	n/a	7,566,040
ORCL	78-109	89.35	4.55	4.61	14.8	43.1	6.1	1.4	2%	53%	100+	100+	100+	2.3	40,479,000
PAYX	79-112	114.37	3.03	3.38	37.7	14.0	10.1	2.3	7%	7%	37%	34	30	2.0	4,056,800
PEP	134-175	154.94	5.12	6.23	26.2	14.0	3.0	2.8	3%	4%	53%	38	149	0.9	70,372,000
REGN	498-804	663.29	30.52	54.69	11.9	4.6	8.2	-	15%	41%	32%	52	13	4.4	8,497,000
RHHBY	41-54	50.03	2.33	2.77	21.8	9.1	5.2	2.5	7%	14%	39%	16	30	1.2	65,879,000
ROST	110-164	118.89	.24	4.35	31.5	10.9	3.4	1.0	-1%	-46%	3%	143	63	1.8	12,531,565
RTX	65-95	85.40	-2.29	4.07	50.5	1.8	2.3	2.4	22%	n/a	Loss	11	42	1.2	56,587,000
SBUX	79-115	115.12	.79	3.02	48.0	n/a	5.8	1.6	2%	-20%	n/a	n/a	n/a	1.1	23,518,000
SEIC	52-83	63.15	3.00	3.73	18.4	4.9	5.3	1.2	5%	10%	26%	43	0	5.6	1,684,058
SYK	196-285	273.42	4.20	6.34	50.1	7.5	7.2	.9	6%	-1%	12%	16	92	2.1	14,351,000
TJX	65-87	73.64	.07	2.61	35.6	13.9	2.8	1.4	-1%	-55%	2%	111	52	1.3	32,136,962
TROW	136-214	222.65	9.98	12.90	17.6	6.4	8.1	2.0	10%	20%	30%	89	0	n/a	6,206,700
TSCO	119-197	192.40	6.38	7.88	25.7	11.3	2.1	1.1	12%	18%	39%	71	50	1.7	10,620,352
ULTA	271-482	387.23	3.11	14.60	29.7	11.3	3.4	-	6%	-17%	9%	41	0	1.8	6,151,953
UNH	301-454	418.76	16.03	17.78	12.3	2.0	1.5	1.4	9%	22%	23%	93	62	0.8	257,141,000
UPS	151-216	193.30	1.64	11.22	27.6	15.6	2.0	2.1	8%	-19%	100%	92	100+	1.4	84,628,000
WBA	37-64	48.48	.20	2.74	21.4	1.9	0.3	3.9	1%	-52%	2%	6	34	0.8	121,982,000

* CAGR-Compound Annual Growth Rate. n/a-not applicable due to financial stock or equity less than zero. Estimated EPS reflects consensus earnings estimate for current fiscal year. The valuation measures (P/E, price-to-book value, price-to-sales and dividend yield) are calculated using the closing price on the date listed in column 3. Balance sheet ratios (cash/equity, debt/equity and current ratio) reflect the latest quarterly financial statements. Return on equity and sales figures are as of the company's most recent fiscal year end.

PORTFOLIO HI-LITES

QUARTERLY MOVERS AND SHAKERS

During the past three months, the S&P 500 index increased 7.3% thanks to the strong economic recovery from the pandemic. All the following **HI-quality** stocks generated strong double-digit gains during the same period.

REGENERON HEALTHY GROWTH

Regeneron reported second quarter revenues rose 163% to \$5.1 billion with net income jumping 245% to \$3.1 billion. This excellent performance included \$2.76 billion in revenue attributable to REGN-COV, the firm's COVID-19 antibody cocktail which has proven potent against all known variants. Excluding REGN-COV sales, revenues still rose a healthy 22% as Regeneron generated record global sales from core products such as EYLEA and Dupixent. In the second quarter, Regeneron repurchased \$289 million of its common stock and will remain opportunistic on future share repurchases. **During the past three months, Regeneron's stock generated a healthy 33% gain. Hold.**

NIKE 45% RETURN ON EQUITY

Nike reported 2021 sales of \$44.5 billion, up 19% from last year, with earnings up 126% to \$5.7 billion and EPS up 123% to \$3.56. During fiscal 2021, Nike generated a winning 45% return on shareholders' equity. Nike has a strong track record of investing to fuel growth and running up shareholder returns through share repurchases and dividends, including 19 consecutive years of dividend increases. During 2021, Nike also repurchased \$608 million of its common shares. In fiscal 2022, Nike expects revenue to top \$50 billion. **Over the last four years, Nike's stock has raced higher holding up a 203% total return through. Hold.**

MICROSOFT \$27 BILLION BUYBACK

In fiscal 2021, Microsoft's revenue increased 18% to \$168.1 billion with net income jumping 38% to \$61.3 billion and EPS up 40% to \$8.05. Return on shareholders' equity for the year was an impressive 43%. Free cash flow increased 24% during the year to \$56.1 billion with Microsoft paying \$16.5 billion in dividends and repurchasing \$27.4 billion of its common stock. **Over the last 11 years, Microsoft's stock is up elevenfold with the gains rising into the clouds. Hold.**

APPLE \$66 BILLION BUYBACK

Apple rang up a juicy 36% jump in fiscal 2021 third quarter sales to a record \$81.4 billion with net income increasing 93% to \$21.7 billion and EPS doubling to \$1.30. During the first nine months of the fiscal year, Apple generated nearly \$76.0 billion in free cash flow. After paying dividends of \$10.8 billion and repurchasing \$66.2 billion of its stock, Apple ended the quarter with \$193.6 billion in cash and investments on its shiny balance sheet. **Over the last 11 years, Apple has provided a sweet 1,569% total return. Hold.**

ALPHABET \$24 BILLION BUYBACK

Alphabet reported strong second quarter results with revenues jumping 62% to \$61.9 billion and net income up more than 165% to \$18.5 billion. Free cash flow more than doubled during the first half of the year with the company repurchasing about \$24.2 billion of its stock as part of its \$50 billion share buyback authorization. **Alphabet's stock has googled up a robust 1,034% gain over the last decade. Hold.**

ACCENTURE \$2.8 BILLION BUYBACK

Accenture reported excellent third quarter results with revenues up 21% to \$13.2 billion and net income jumping 26% to \$1.6 billion. During the first nine months, Accenture paid \$1.7 billion in dividends and repurchased \$2.8 billion of its common stock. Free cash flow for the full year is expected in the range of \$8.0 billion to \$8.5 billion. **Over the last nine years, Accenture has provided a tidy 498% total return. Hold.**

ULTA BEAUTY 60% REBOUND IN SALES

Ulta Beauty rang up a 60% rebound in second quarter sales to \$2.0 billion with net income of \$250.9 million. Comparable store sales increased 56.3% driven by a 52.5% increase in transactions and a 2.5% increase in average ticket. Ulta Beauty ended the quarter with 58 Target "store within a store" locations and plans to have 100 open by the end of the third quarter. **In the past three years, Ulta's stock has gained a pretty 35%. Hold.**

PAYCHEX NEW \$400 MILLION BUYBACK

Paychex reported strong fourth quarter results with revenues up 12% to \$1.0 billion and net income up 19% to \$263 million. Double-digit growth during the fourth quarter was aided by a record 85% client retention level. Return on shareholders' equity was a superb 37% for the year. Paychex is well positioned for growth in fiscal 2022 with total revenue anticipated to grow approximately 7% generating adjusted EPS growth of 10%-12%. Thanks to strong free cash flows, the company announced a new \$400 million share buyback program. **Paychex pays a nice paycheck with the stock up more than fourfold over the last decade. Hold.**

(continued)

QUARTERLY RATING CHANGE FROM HOLD TO BUY

BANK OF HAWAII INCREASED DIVIDEND 4%

Bank of Hawaii reported net income jumped 74% to \$67.5 million in the second quarter. During the quarter, the return on average assets and average equity improved to 1.23% and 19.6%, respectively. Total assets increased to a new record of \$22.7 billion as total deposits increased 16% from a year ago to \$20.2 billion. The company's overall asset quality remained stable during the quarter. Thanks to its capital strength, the Board increased the quarterly dividend 4% to \$.70 per share. The dividend currently yields a coconut-sized 3.3%. The bank's long-term goal is to pay out 50% of net income in dividends. Bank of Hawaii also announced the resumption of its share buyback program beginning in July with \$113 million remaining authorized for future share repurchases. **Over the past year, Bank of Hawaii has provided a hula-dancing 73% total return. Buy.**

INTEL \$2.4 BILLION BUYBACK

Intel reported second quarter revenues increased 2% to \$19.6 billion with EPS up 4% to \$1.19. During the first half of the year, Intel generated \$6.7 billion in free cash flow with the company returning \$5.2 billion to shareholders through dividend payments of \$2.8 billion and share repurchases of \$2.4 billion. Intel has \$7.2 billion authorized for future share repurchases. Management raised guidance with 2021 revenue expected to be approximately \$77.6 billion with EPS of \$4.09. Capital expenditures are expected in the \$19 billion to \$20 billion range. Intel believes it is at the beginning of a decade of sustained growth as the digitization of everything continues to accelerate. **Intel has chipped in a 10% total return over the last year. Buy.**

MASTERCARD \$3.1 BILLION BUYBACK

Mastercard reported second quarter revenue rose 36% to \$4.5 billion with net income charging 46% higher to \$2.1 billion. This solid growth reflected the continued recovery in domestic and cross-border spending. Domestic spending is showing strength due to increased consumer mobility and stimulus payments. International travel is still in the early stages of recovery and represents additional upside potential. Cross-border spending is normalizing as border restrictions are easing. Mastercard expects more borders to open in the second half of the year depending on the impact of the Delta variant. Approximately 35 countries have populations more than 50% vaccinated so there is a long runway of people who want to travel. Gross dollar volume was up 33% during the quarter to \$1.9 trillion on a local currency basis. Mastercard reported cross-border volume growth of 58% and switched transaction growth of 41% as the company lapped last year's weak results due to the pandemic. As of June 30, 2021, the company's customers had issued 2.9 billion Mastercard and Maestro-branded cards.

During the first half of the year, Mastercard's free cash flow increased 15% to \$3.6 billion with the company paying \$873 million in dividends and repurchasing \$3.1 billion of its common stock with \$6.4 billion remaining authorized for future share repurchases. During the first half of the year, Mastercard also invested \$4.2 billion in acquisitions which are contributing to revenue growth. Revenue growth in the third quarter should be in the mid-20% range. **Over the last seven years, Mastercard's stock has charged higher providing a 375% total return. Buy.**

ORACLE \$21 BILLION BUYBACK

Oracle reported fourth quarter revenues increased 8% to \$11.2 billion with net income increasing 29% to \$4.0 billion and EPS up 38% to \$1.37. Adjusted net income and EPS increased 20% and 29%, respectively. Accelerating growth in cloud application revenue powered fourth quarter results with Fusion ERP up 46%, Fusion HCM up 35% and NetSuite up 26%. Revenue from Oracle's Gen2 Cloud Infrastructure business, including Autonomous Database, grew over 100% during the quarter. For the fiscal year ended May 31, revenues increased 4% to \$40.5 billion with net income up 36% to \$13.7 billion and EPS up 48% to \$4.55. Adjusted net income and EPS increased 11% and 21%, respectively, representing the fourth consecutive year of double-digit growth and the best results in seven years. Cloud service subscriptions now account for 71% of total revenues.

During fiscal 2021, Oracle generated a record \$13.8 billion in free cash flow with the company returning nearly \$24 billion to shareholders through dividend payments of \$3.0 billion and share repurchases of \$21 billion at an average cost per share of \$63.83. During the past 10 years, Oracle has reduced its shares outstanding by more than 44%. Management expects growth to accelerate during 2022 and beyond as the fast-growing cloud business becomes a larger portion of the business. Given the high returns on investment in the cloud, Oracle plans to nearly double its capital investments to \$4 billion in 2022. First quarter revenues for fiscal 2022 are expected to increase 3% to 5% generating non-GAAP operating margins of 47%.

Over the past eight years, Oracle has provided a divine 195% total return. Buy.

NEW STOCK

BAXTER INTERNATIONAL INC. (BAX - \$73.95) One Baxter Parkway, Deerfield, IL 60015 www.Baxter.com

Baxter International Inc., through its subsidiaries, provides a broad portfolio of essential healthcare products, including acute and chronic dialysis therapies; sterile intravenous (IV) solutions; infusion systems and devices; parenteral nutrition therapies; inhaled anesthetics; generic injectable pharmaceuticals; and surgical hemostat and sealant products.

MARKET LEADER

Baxter International was founded in 1931 by Dr. Don Baxter to make and distribute intravenous solutions. In 1935, Baxter added an R&D function that has been the source of innovative medical products and solutions for nearly 90 years. In addition to internal research and development, Baxter has grown through acquisitions and collaborations and now sells its products in more than 100 countries.

Fiscal Year Dec.	4-YR CAGR	2020	2019	2018	2017	2016
Revenues (000,000)	3.6%	\$11,673	\$11,362	\$11,099	\$10,584	\$10,133
Net Income (000,000)	-	\$1,102	\$1,001	\$1,552	\$609	\$4,936
EPS	-	\$2.13	\$1.93	\$2.84	\$1.10	\$8.96
Dividends	17.1%	\$.96	\$.85	\$.73	\$.61	\$.51
Profit Margin		9.4%	8.8%	14.0%	5.8%	48.7%

In 2015, Baxter spun off its biopharmaceutical business, Baxalta, while retaining a 19.5% ownership stake. In 2016, Baxter disposed of the remaining ownership, which resulted in a \$4.4 billion gain. Following the spin-off, Baxter's new management team has focused on increasing efficiencies and new medical innovations. The current goal is for 5% annual organic sales growth through new product launches and double-digit growth in adjusted EPS and free cash flow generation.

Acquisitions and collaborations will add to financial results. For example, in 2020, Baxter acquired Septrafilm Adhesion Barrier for \$342 million in cash. Septrafilm is used for patients undergoing abdominal or pelvic laparotomy. More recently, Baxter acquired rights to Caelyx and Doxil, chemotherapy medicines, for \$325 million.

Baxter announced an agreement with Moderna for Baxter's BioPharma Solutions business to provide fill/finish sterile manufacturing services and supply packaging for approximately 60 to 90 million doses of the Moderna COVID-19 vaccine in 2021. This partnership follows earlier agreements announced with BioNTech and Novavax to provide manufacturing services for their respective vaccines.

SOLID FINANCIAL RESULTS

Baxter International reported second quarter sales increased a healthy 14% to \$3.1 billion with net income increasing 22% to \$301 million and EPS jumping 23% to \$0.59. Sales within the U.S. exceeded \$1.6 billion with international sales approximating \$1.5 billion.

Among Baxter's product categories, growth was led by BioPharma solutions, Advanced Surgery and Medication Delivery, which each delivered double-digit growth on a reported and constant currency basis. BioPharma's 49% constant currency growth was driven by multiple COVID-19 manufacturing collaborations. Performance in Advanced Surgery and Medication Delivery reflected favorable year-over-year comparisons resulting from a recovery in the pace of elective surgeries and hospital admissions in many markets following the height of the pandemic.

For the full 2021 year, Baxter International expects sales growth of approximately 8% with earnings in the range of \$2.82 to \$2.88 per share, representing 32% to 35% growth over last year.

HEALTHY CASH FLOWS

Baxter generates healthy free cash flows which have topped \$6 billion over the last five years. Baxter's disciplined capital allocation strategies include reinvesting in the business for sustainable growth, improving margin performance, returning capital to stockholders through dividends, repurchasing shares and pursuing accretive merger and acquisition opportunities.

During the first half of the year, Baxter generated \$525 million in free cash flow, a 58% increase over the prior year period. The company returned \$814 million to shareholders through dividends of \$249 million and share repurchases of \$565 million. Baxter has \$1.3 billion remaining authorized for future share repurchases. Baxter has paid a strong and growing dividend, which has compounded at a 17.1% annual rate over the last five years. The dividend was increased 14% earlier this year to \$1.12 per share and currently yields a healthy 1.5%. Baxter targets a 35% dividend payout over time, which provides plenty of runway for future dividend increases.

Long-term investors may want to inject Baxter International into their portfolio, a **HI**-quality market leader with solid financial results and healthy cash flows. **Buy.**

NEW STOCK

BOOKING HOLDINGS (BKNG-\$2,305.47)

800 Connecticut Avenue, Norwalk, CT 06854 www.bookingholdings.com

Booking Holdings is the world leader in online travel and related services provided to customers and partners in over 220 countries through six primary brands - Booking.com, priceline.com, KAYAK, agoda.com, rentalcars.com, and OpenTable. Booking Holdings helps people experience the world by providing consumers, travel service providers and restaurants with leading travel and restaurant reservation and related services.

STRONG BRANDS

Booking Holdings was launched in 1998 in the U.S. under the priceline.com brand. Since then, the operations have expanded to include other strong travel-related brands, including Booking.com, agoda.com, rentalcars.com, KAYAK and OpenTable.

Booking.com is available in 40 languages and is the most profitable and largest online accommodation reservation service in the world with more than 2.3 million properties in more than 220 countries, including 432,000 hotels, motels and resorts and 1.9 million homes, apartments and other unique places to stay. Agoda.com is a leading online accommodation reservation service catering primarily to consumers in the Asia-Pacific region.

Rentalcars.com is a multinational car hire service, offering its reservation services in over 54,000 locations, including more than 1,100 airports throughout the world.

Priceline.com offers leisure travelers, primarily in the U.S., multiple ways to save on airline tickets, hotel rooms, car rentals, vacation packages and cruises.

KAYAK, acquired in 2013, is a leading travel research site allowing people to easily compare hundreds of travel sites when searching for flights, hotels and rental cars. OpenTable, acquired in 2014, is a leading brand for booking online restaurant reservations. OpenTable primarily does business in the United States with plans to expand internationally.

IMPACT OF THE PANDEMIC

The COVID-19 pandemic, as well as subsequent outbreaks driven by new variants of COVID-19, resulted in a significant decrease in consumer spending and an unprecedented

Fiscal Year Dec.	4-YR CAGR	2020	2019	2018	2017	2016
Sales (000,000)	-	\$6,796	\$15,066	\$14,527	\$12,681	\$10,743
Net Income (000,000)	-	\$59	\$4,865	\$3,998	\$2,341	\$2,135
EPS	-	\$1.44	\$111.82	\$83.26	\$46.86	\$42.65
Profit Margin		0.87%	32.3%	27.5%	18.5%	19.9%

decline in travel and restaurant activities due to government restrictions and economic conditions. This, obviously, had a material adverse impact on Booking's financial results last year as seen in the table above. Substantial restructuring and impairment charges also negatively impacted results. This prompted us to cancel our reservation and sell our position in Booking last year given all the uncertainty around the pandemic and its impact on the travel business.

We continued to monitor the company's efforts in navigating through the travel crisis. Booking Holdings reported better than expected booking growth in the 2021 second quarter as there were strong signs of recovery in the travel industry due to increased vaccination rates and the relaxation of many travel restrictions. Revenues in the second quarter increased 243% to \$2.2 billion. Second quarter gross bookings traveled 852% higher over the prior year to \$21.9 billion. Room nights booked increased 461% to 157 million although the company still posted a loss related to COVID.

Management is expecting third quarter revenues to be much more aligned with 2019 pre-pandemic levels with the company expected to report an operating profit once again in the third quarter. However, there is still uncertainty for the near-term,

due to the Delta variant and potential future travel restrictions. However, management is very confident about the return of long-term growth for global travel. We agree and have decided to book an early reservation by re-establishing a position in Booking Holdings with the expectation that the worst of the pandemic's impact on the company is behind them.

STRONG CASH FLOW

Booking Holdings' business is not capital intensive and thus generates very strong free cash flow. During the first half of the year, the company generated \$821 million in free cash flow, compared to negative \$408 million in the prior year period as a result of the pandemic. Thanks to the strong cash flow, the company ended the 6-30-2021 quarter with more than \$11.7 billion in cash and investments on its hospitable balance sheet, after spending \$150 million on share repurchases during the first half of the year.

During the past five years, Booking Holdings has generated over \$17 billion in free cash flow and has returned over \$18 billion to shareholders via share repurchases.

Long-term investors should consider booking a reservation with Booking Holdings, a **HI**-quality company with strong brands, strong cash flows and strong future growth. **Buy.**

UNDER THE SPOTLIGHT

GENTEX (GNTX-\$31.36)

600 North Centennial Street, Zeeland, Michigan 49464 www.gentex.com

Gentex designs, develops, manufactures and supplies digital vision, connected car, dimmable glass and fire protection products, including: automatic-dimming and non-automatic-dimming rearview mirrors and electronics for the automotive industry; dimmable aircraft windows for the aviation industry; and commercial smoke alarms and signaling devices for the fire protection industry. Automotive revenues represented about 98% of the company's total 2020 revenue.

INNOVATIVE MARKET LEADER

More than 45 years ago, Gentex opened its doors as a manufacturer of high-quality fire protection products. Company founder, Fred Bauer, revolutionized the industry with the first dual-sensor photoelectric smoke detector. While millions of Gentex smoke detectors and signaling devices are found in hospitals, hotels and office buildings, Gentex is best known as the pioneer of the electrochromic automatic-dimming mirror industry. Over the years, Gentex has made driving safer for millions of drivers around the world by providing mirrors that detect and eliminate dangerous rearview mirror glare. With an estimated 94% market share in 2020, Gentex is the dominant auto-dimming mirror supplier to the auto industry with over 30 auto manufacturers now offering Gentex mirrors as standard or optional equipment on 570 vehicle models.

Employing decades of experience in electrochromics, Gentex delivered the first electrochromic dimmable aircraft windows in 2010. At the touch of a button, window shades for aircraft cabins easily switch from a bright, clear state to an extreme dark state or to a comfortable intermediate level. In 2013, Gentex acquired HomeLink, the automotive industry's leading car-to-home automation system, now integrated into Gentex mirrors enabling remote connection with garage doors, entry door locks and gates, home lighting and security systems. In 2015, Gentex began shipping the Full Display Mirror, an on-demand, mirror-borne LCD display that streams live video of the vehicle's rearward view to improve

Fiscal Year September	4-YR CAGR	2020	2019	2018	2017	2016
Revenue (000)	0.1%	\$1,688,189	\$1,858,897	\$1,834,064	\$1,794,873	\$1,678,925
Net Income (000)	0.0%	\$347,564	\$424,684	\$437,883	\$406,792	\$347,591
EPS	4.3%	\$1.41	\$1.66	\$1.62	\$1.41	\$1.19
Dividend	7.8%	\$0.48	\$0.46	\$0.44	\$0.39	\$0.355
Profit Margin		20.6%	22.8%	23.9%	22.7%	20.7%

safety. Gentex boasts more than 1,700 patents on its technology and products, providing Gentex with competitive advantages in its markets. As vehicle electrification and autonomous driving trends progress, Gentex's core technologies stand to become integral components in connected cars.

STRONG BALANCE SHEET

Gentex has always maintained a strong balance sheet thanks to the company's excellent free cash flow generation that has compounded at double-digit rates over the last decade. Gentex operated debt-free until 2013 when it took on \$265 million of long-term debt to help finance the HomeLink acquisition. Gentex steadily paid down the debt and has operated debt-free since 2018. During the first half of 2021, Gentex generated \$220.9 million in free cash flow, a stellar 110% of net earnings, a sign of **HI**-quality reported earnings. After paying \$58 million in dividends and \$214 million in share repurchases during the first half of 2021, Gentex sported \$560 million of cash and investments on its sturdy, debt-free balance sheet as of 6/30/21.

SOUND CAPITAL ALLOCATION

Beyond funding capital expenditures and acquiring emerging technologies that fit well with its portfolio, Gentex's robust cash flow allows for a growing dividend that has compounded at an 8% annual clip since 2016 along with substantial share repurchases. In addition to paying \$720 million in dividends since 2015, Gentex has repurchased 86 million shares, reducing the share count by nearly 18%. Management remains "hyper-focused" on returning 100% of free cash flow to shareholders through dividends and share repurchases. The board recently approved an additional 25 million share repurchase program. Given expected continued semiconductor supply shortages and other macro headwinds, management lowered 2021 revenue guidance to between \$1.88 billion to \$1.98 billion with 2022 revenue expected to be 10% to 15% higher than 2021. Long-term investors should reflect on Gentex, a **HI**-quality, innovative market leader with a strong balance sheet and a sound capital allocation strategy. **Buy.**

SUBSCRIPTION INFORMATION

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