

Fourth Quarter and Full Year Fiscal 2022 Results

Quarter Ended June 30, 2022

Supplementary Information to the August 5, 2022, Earnings Conference Call & Webcast



Safe Harbor Statement

Certain statements contained within this supplementary information, including our fiscal year 2023 guidance, and any statements made during our earnings conference call today may be considered forward-looking under the Private Securities Litigation Reform Act of 1995. The statements may be identified by the use of words such as “expect,” “should,” “goal,” “predict,” “will,” “future,” “optimistic,” “confident,” and “believe.” Undue reliance should not be placed on these forward-looking statements. These statements are based on current expectations of future events and thus are inherently subject to uncertainty. If underlying assumptions prove inaccurate or known or unknown risks or uncertainties materialize, actual results could vary materially from our expectations and projections. These forward-looking statements are subject to risks and uncertainties including, without limitation, global economic conditions, geopolitical environment, and conflicts such as the war in Ukraine, global health emergencies including the COVID-19 pandemic, availability or cost of raw materials and components, foreign exchange fluctuations, and our ability to convert new business opportunities into customers and revenue. Additional cautionary statements regarding other risk factors that could have an effect on the future performance of Kimball Electronics, Inc. (the “Company”) are contained in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2021, our earnings release, and other filings with the Securities and Exchange Commission (the “SEC”).

This supplementary information contains non-GAAP financial measures. The non-GAAP financial measures contained herein include Adjusted Selling & Administrative Expenses, Adjusted Operating Income, Adjusted Net Income, Adjusted Diluted Earnings Per Share, and Return on Invested Capital (“ROIC”). Management believes these measures are useful and allow investors to meaningfully trend, analyze, and benchmark the performance of the Company’s core operations. Many of the Company’s internal performance measures that management uses to make certain operating decisions use these and other non-GAAP measures to enable meaningful trending of core operating metrics. Reconciliations of the reported GAAP numbers to these non-GAAP financial measures are included on the Reconciliation of Non-GAAP Results slide, which is the final slide of this supplementary information.

Today's speakers



**Don
Charron** ■

CHAIRMAN AND
CHIEF EXECUTIVE OFFICER



**Jana
Croom** ■

CHIEF FINANCIAL OFFICER



**Andy
Regrut** ■

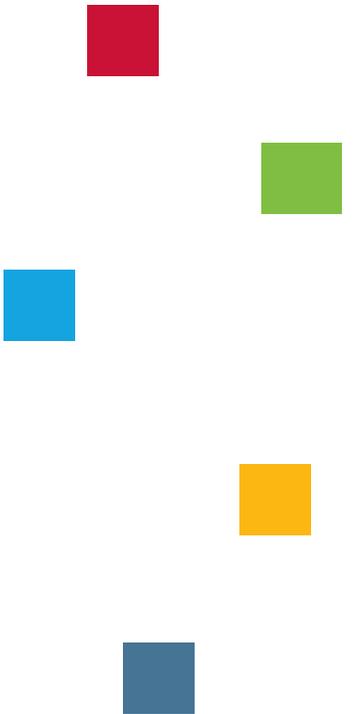
VICE PRESIDENT,
INVESTOR RELATIONS

Very pleased with Q4 and full year fiscal 2022 results...



- For the second consecutive quarter, net sales reached an all-time high for the company...
 - Operating income margin exceeded 5%
- These results were in-line with the guidance we provided in May
- Highest level of partnership across the value chain

In total, fiscal 2022 was very much the bifurcated year we expected

- 
- A decorative graphic on the left side of the slide consists of five colored squares arranged in a descending staircase pattern from top-left to bottom-right. The colors are red, green, blue, yellow, and dark blue.
- Strong second half driving annual revenue to record levels
 - The world continues to experience unprecedented events and circumstances
 - The lockdowns associated with China’s zero-tolerance policy on COVID-19 have been a reminder of how unpredictable the current environment can be
 - Seems we all are adjusting to a “new normal”

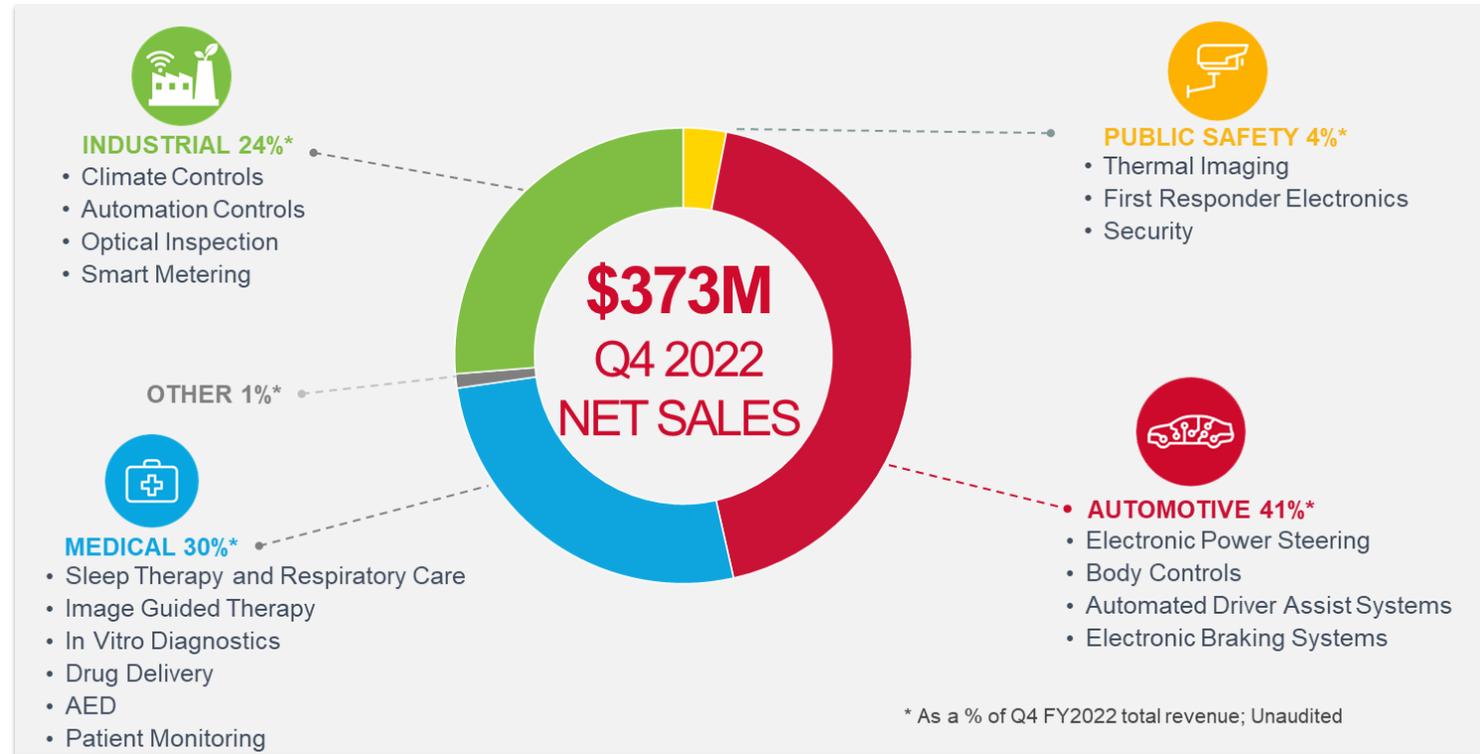
Our company is embracing the ever-changing landscape with commitment and resolve



- Engaging in customer collaboration at levels even higher than our award-winning norm
- Strong customer partnerships have produced several business wins, along with expansions of existing programs
- Poised for Growth into the future:
 - Guidance reflects strength continuing with double-digit sales increases and operating margin improvement in fiscal 2023
- Experiencing a quarterly step-up in performance for the year due to:
 - New and existing programs ramping-up volumes
 - Steadily improving leverage of our completed facility expansions
 - Continued ease of global supply chain constraints

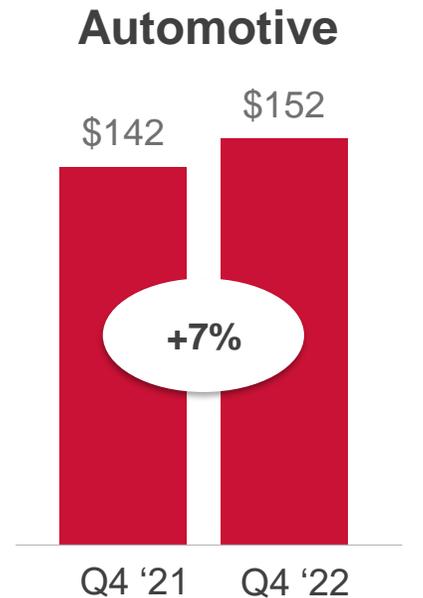
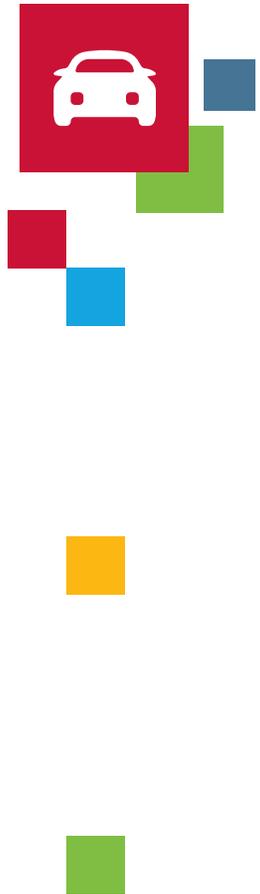


Net sales in the fourth quarter totaled \$373 million, a 13% increase compared to Q4 last year



All 4 vertical markets reported increases in the quarter

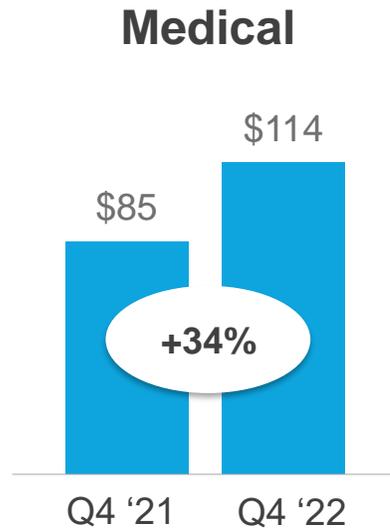
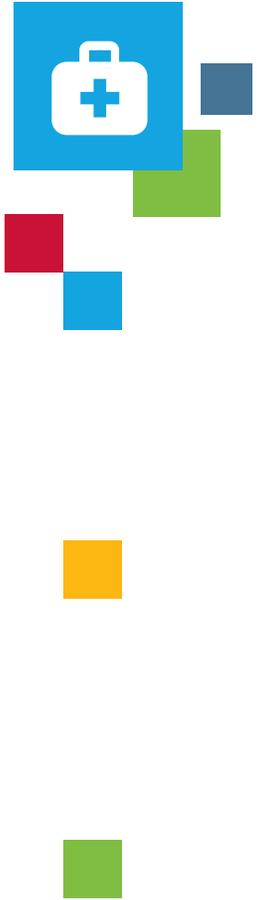
Net sales in the Automotive vertical market were \$152 million, a 7% increase compared to Q4 last year



Automotive is our largest business

- Fiscal 2022 was a record year for Automotive:
 - Net sales topping \$580 million
 - Representing a 6% increase compared to FY21
- Success is a result of supporting programs including the ramp-up of new product introductions:
 - Electronic power steering
 - Automated driver assistance
 - Electronic braking, including redundant systems
 - Passenger safety systems
 - Vehicle mobility management

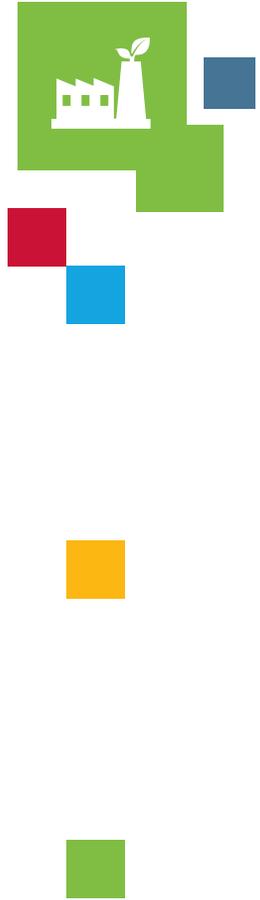
Sales in Medical were \$114 million, a 34% increase compared to Q4 last year



Best performing business in the quarter

- Fiscal 2022 was a year of recovery for Medical:
 - Net sales topping \$392 million
 - Representing a 2% increase compared to FY21
- Applications supporting:
 - Sleep therapy and respiratory care
 - Image guided therapy
 - In vitro diagnostics
 - Drug delivery systems
 - AED
 - Patient monitoring equipment

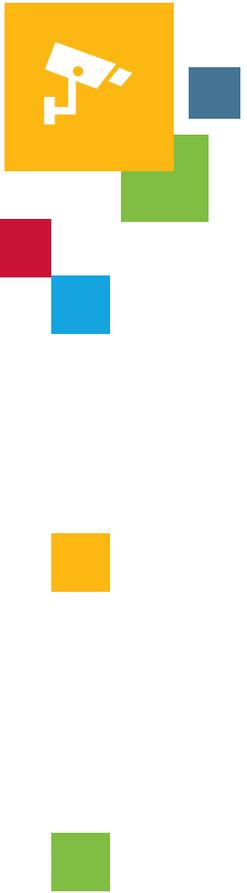
Sales in the Industrial vertical market totaled \$88 million, a 2% increase compared to Q4 last year



"Best Ever" quarter in Q4

- Fiscal 2022 for Industrial:
 - Net sales exceeded \$300 million
 - Representing a 5% increase compared to FY21
- Products for climate control driving growth

Sales in the Public Safety vertical market were \$14 million, a 33% increase compared to Q4 last year



- Fiscal 2022 for Public Safety:
 - Net sales totaled \$50 million
 - Representing a 4% increase compared to FY21
- Growth driven by thermal imaging, first responder electronics, security access products

Summary



- Another excellent quarter of record-setting top line growth
- Operating margin in excess of 5%
- Net sales adversely affected by strengthening US dollar
- Foreign exchange also unfavorably impacted earnings
 - Estimate \$0.12 per diluted share in non-operating expense and our provision of income taxes

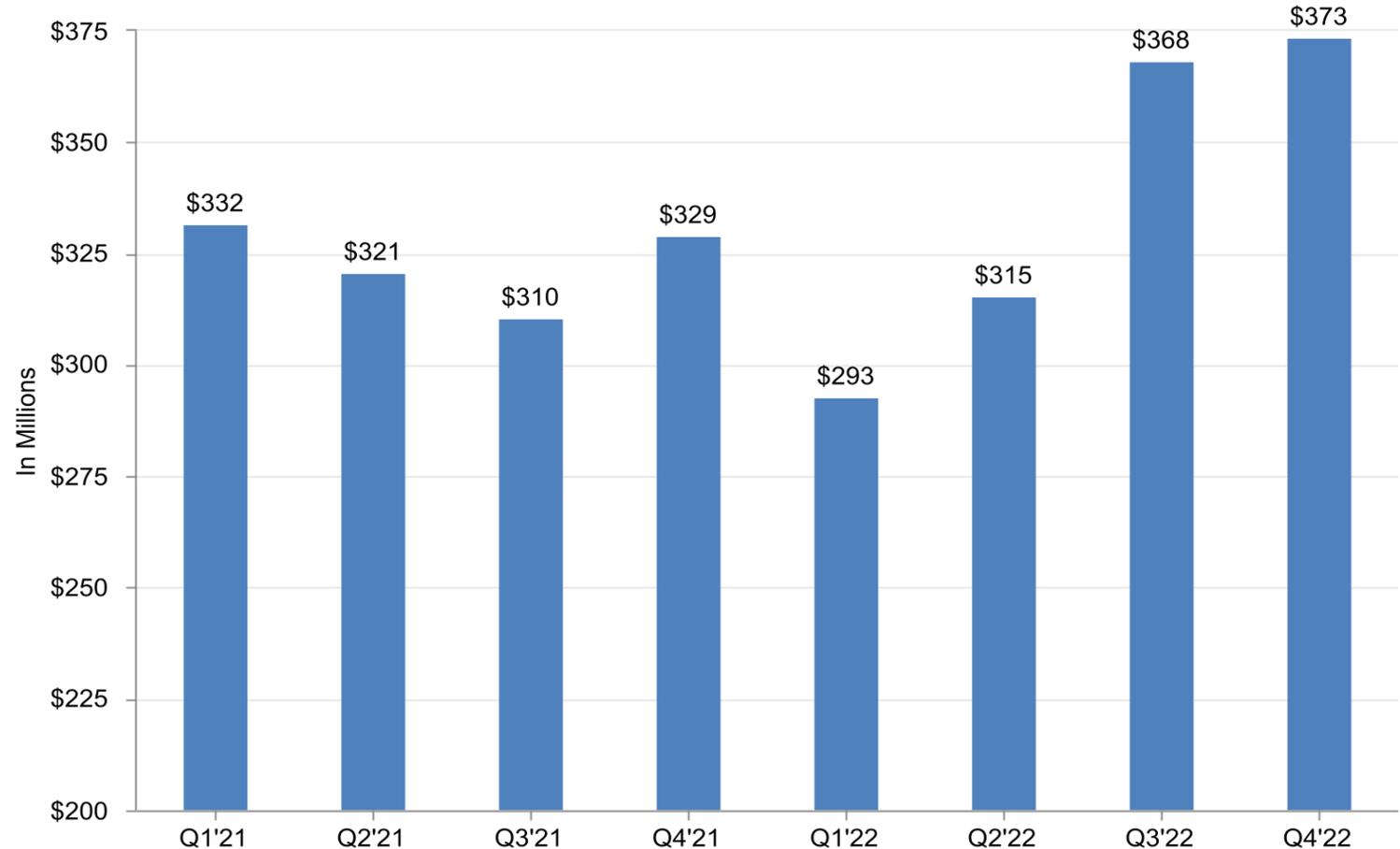
Net sales were \$373 million, an all-time quarterly high

+13%
from Q4'21

Overview

- Sales were 1.5% higher than the previous record
- Very encouraging trend

Net Sales Trend

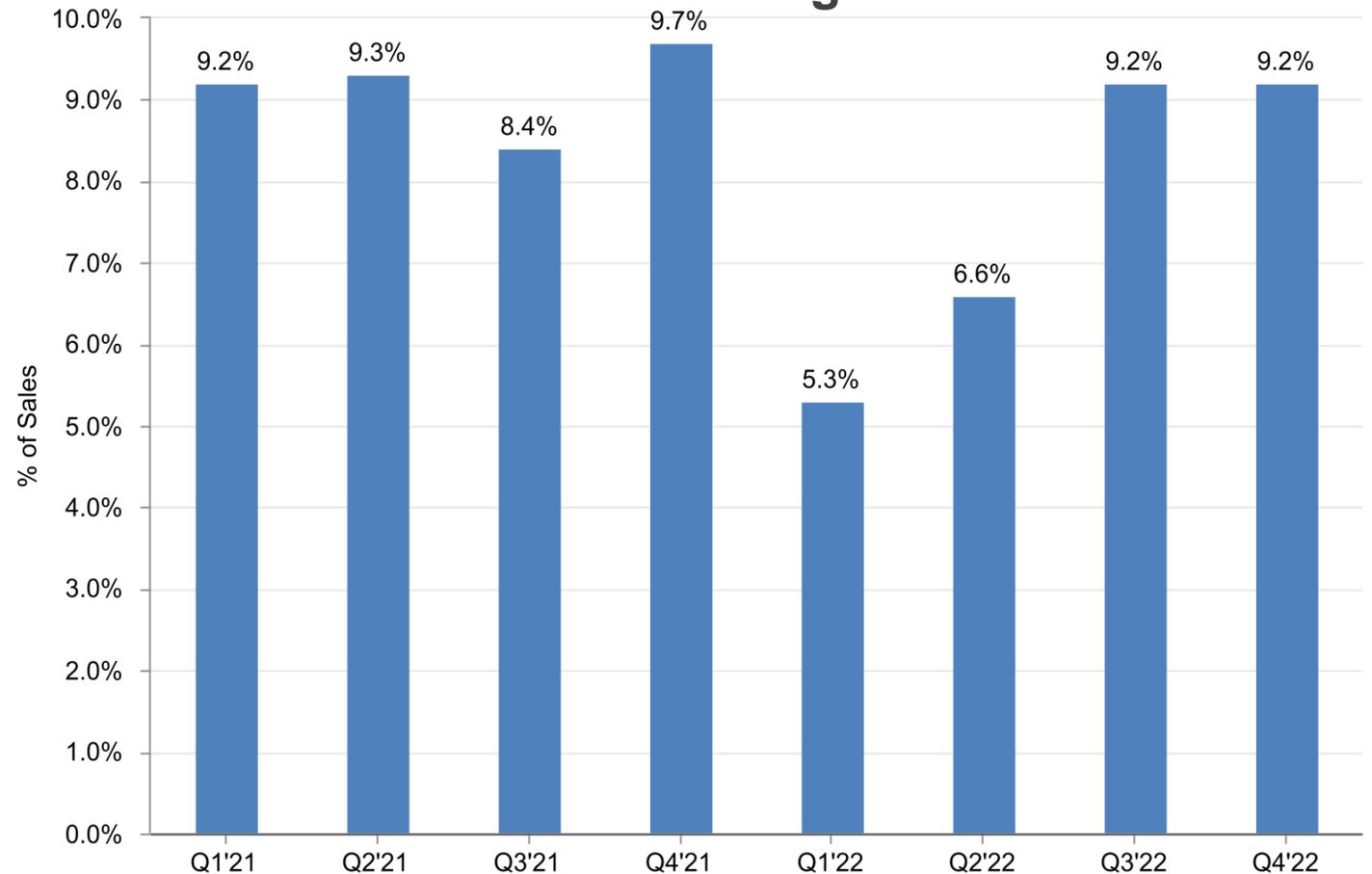


Gross margin rate of 9.2%, a 50 bps decrease compared to the same period last year

Drivers of GM%

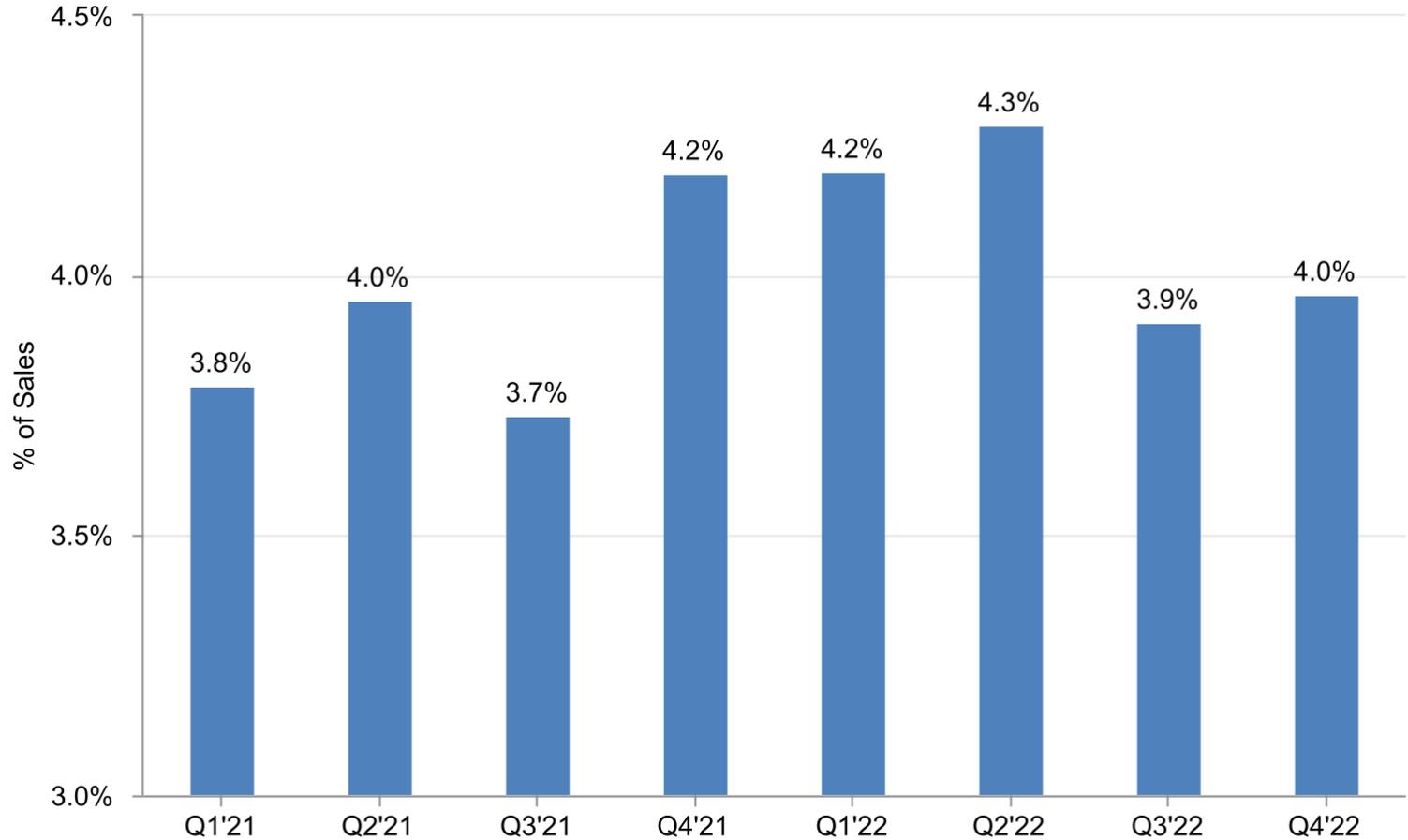
- Very strong result while facing several headwinds
- Low absorption in our facility in China, which was most directly impacted by the lockdowns for the zero-tolerance policy on COVID-19
- Ramp-up of our facility expansion in Mexico
- General inflationary pressures

Gross Margin Trend



Adjusted Selling & Administrative Expense ⁽¹⁾

- Adjusted selling and administrative expenses were \$14.8 million
- Increase from Q4 last year driven by:
 - Higher salary and related payroll costs
 - Stock-based compensation
- When measured as a percent of sales, adjusted selling and administrative expenses were 4.0%
 - 20 bps improvement compared to Q4 last year



(1) Adjusted Selling & Administrative Expense is a Non-GAAP measure – refer to Reconciliation of Non-GAAP Results on the final slide of this supplementary information.

Adjusted Operating Income ⁽¹⁾



(1) Adjusted Operating Income is a Non-GAAP measure – refer to Reconciliation of Non-GAAP Results on the final slide of this supplementary information.

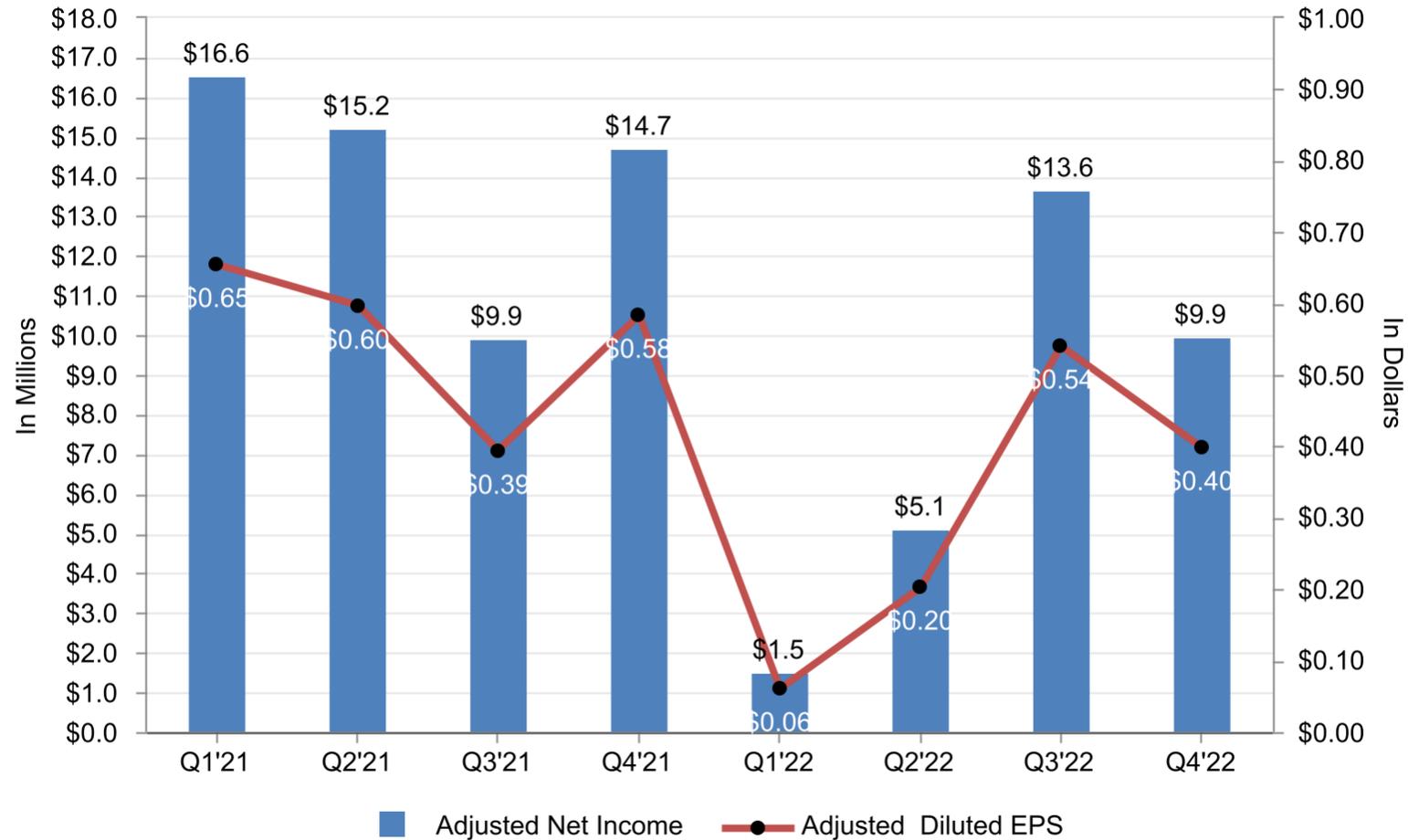
Other income & expense

- Expense of \$5.3 million in the fourth quarter
 - Compares to income of \$0.4 million in Q4 of fiscal 2021
- Change resulting from:
 - Higher interest expense this year due to record levels of inventory
 - Foreign exchange impact
 - Strengthening of the US dollar compared to the Euro and China's Yuan

The effective tax rate in Q4 was ~35.1% compared to 17.6% in Q4 last year

- Increase resulting from foreign exchange remeasurement
- Non-deductible executive compensation expense associated with Section 162(m)
- Q4 last year benefited from a reversal of a state tax valuation allowance
- Expected fiscal year 2023 trend to be in the mid-20 percent range, similar to historical trends

Adjusted Net Income and Adjusted Diluted EPS⁽¹⁾



(1) Adjusted Net Income and Adjusted Diluted EPS are Non-GAAP measures – refer to Reconciliation of Non-GAAP Results on the final slide of this supplementary information.

Balance Sheet

- Cash and cash equivalents were \$49.9 million at June 30, 2022
- Cash flow provided by operating activities was \$1.5 million in the fourth quarter of fiscal 2022
- For the full year, cash used from operating activities was \$83 million
- Cash conversion days were 91 days, up from 64 days in the fourth quarter last year
- All three results were driven by an increase in inventory:
 - Inventory increased \$195 million compared to Q4 last year, up \$57 million from last quarter
- Capital investments in the fourth quarter were \$25 million... for the fiscal year, CapEx totaled \$75 million – at the midpoint of our guidance
- Borrowings on our credit facilities at June 30, 2022, were \$180.6 million compared to \$66 million dollars a year ago, and \$137 million at the end of Q3
- Our short-term liquidity available totaled \$178.6 million at June 30, 2022

Share repurchases



- During the fourth quarter, we invested \$4.2 million to repurchase 225,000 shares, at an average share price of \$18.77
- Since October 2015, under our Board authorized share repurchase program:
 - A total of \$88.8 million returned to Share Owners by repurchasing 5.8 million shares of common stock
 - \$11.2 million remaining on program for deployment

In summary, fiscal 2022 was a good year...

- Record results on the top line
- Strong funnel of new business increasing our backlog of open orders
- Executed a capital deployment strategy:
 - Investing in future growth with expansions at multiple facilities
 - Returning cash to Share Owners in the form of stock repurchases
 - Supporting customers with strategic inventory builds to mitigate parts shortages, even though the increases adversely impacted cash flow, CCD, and ROIC
- We fully expect improvement in these areas as conditions normalize in the global supply chain

Guidance for fiscal year 2023

Net sales range

\$1.6 - \$1.7 billion

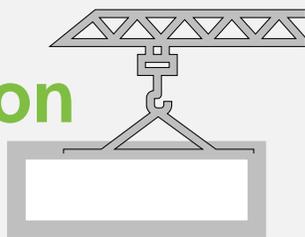
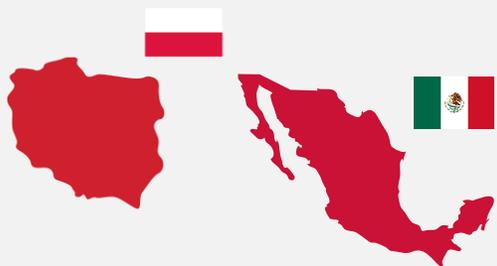
Increase compared to fiscal 2022

▲ 19% - 26% in net sales

Operating income expected to be
4.6% - 5.2% of net sales

CapEx

\$80 - \$100 million



Net sales estimated to be in the range of \$1.6 - \$1.7 billion, a 19% - 26% increase compared to fiscal 2022



Operating income margin of 4.6% - 5.2%



CapEx guidance of \$80 - \$100 million



CapEx includes equipment in the facility expansion in Mexico, and facility expansion in Poland

Capital deployment to support a healthy funnel of new product introductions



Addition of equipment with leading-edge technologies and capabilities

Closing comments

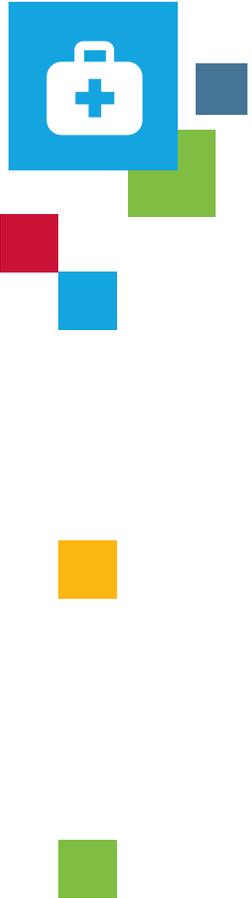


- Proud of our accomplishments in fiscal 2022
- The company is ideally positioned for growth in fiscal 2023
- Facility expansion in Mexico is complete
 - Construction completed on budget and on time
 - Doubles capacity
- Recently broke ground on facility expansion in Poland
 - Increase existing production square footage by 40%
- In fiscal 2022, ~80% of revenue from customers we have done business with for over 10 years
- Megatrends in vertical markets will fuel growth

Promising growth opportunities in Automotive...

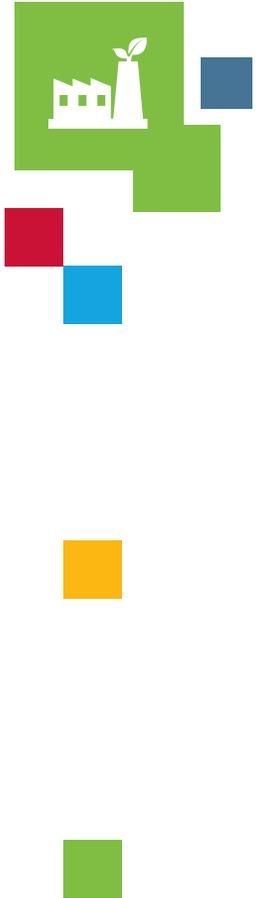
- “Electric-fication” of vehicles
 - Electronic content being added at an increasing rate
 - Advanced technologies and expanded operating systems that require stringent production standards, and compliance with industry-regulated certifications
 - Align well with our core competencies and manufacturing capabilities
- Consumer demand has outpaced supply
- Average age of cars and trucks now at an all-time high – 12.5 years
- Chassis control expertise may benefit from autonomous driving and overall vehicle “connectivity”

Industry megatrends in Medical suggest excellent opportunities for growth



- Aging population
- Accessibility & affordability to healthcare increases
- Trends toward smaller device sizes, with higher levels of precision and accuracy
- Connected drug delivery systems
- Business development efforts lean toward Medical
- MedAccred Injection Molding Accreditation at Indianapolis facility

Industrial also has an excellent set-up for growth



- Green & Clean:
 - Consumer trends are raising awareness on consumption of natural resources
 - Objective of increasing conservation of water, gas, and electricity
- Synergistic opportunity to combine Public Safety into Industrial for operating and reporting purposes

Each vertical market is critical toward achieving our goals



- Double-digit top line growth in our guidance for fiscal 2023
- Longer term target of \$2 billion in annual revenue
- At the center of our success is our team
- Special thanks to Kimball family – worldwide – for dedication and support throughout fiscal 2022

Q&A



Appendix

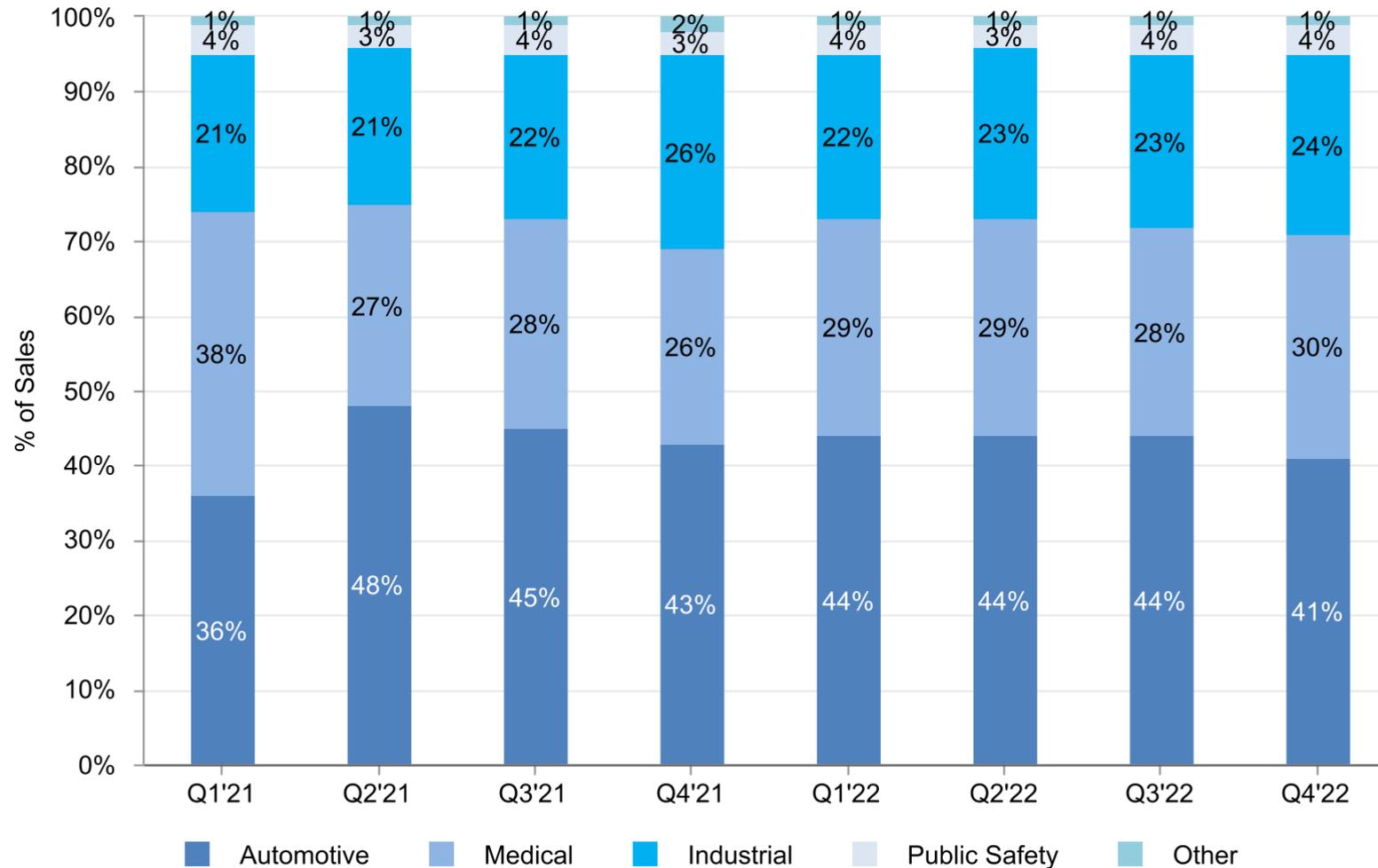


Reconciliation of Non-GAAP Results

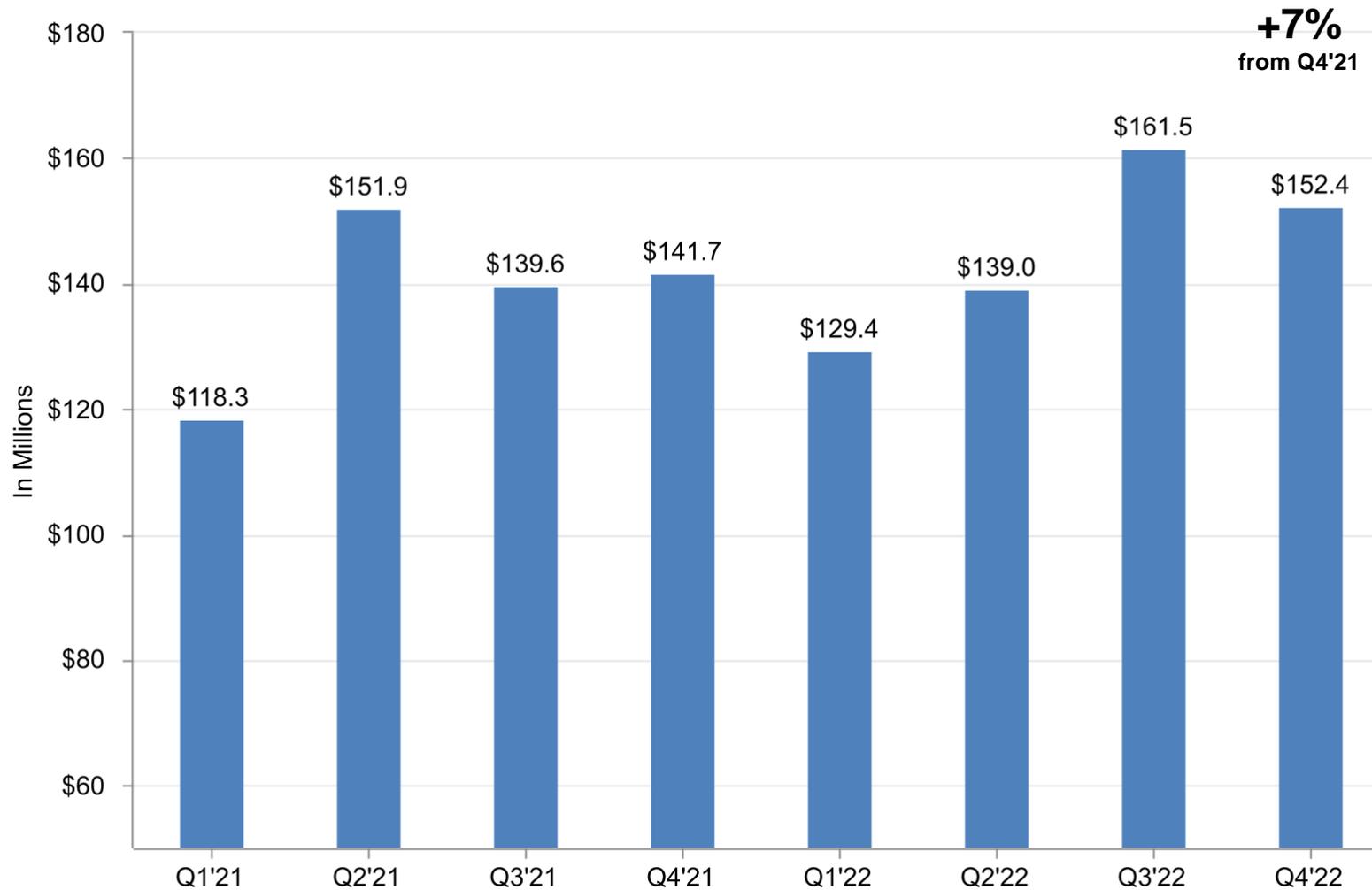
(Unaudited, Amounts in Thousands, Except Per Share Data)	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22
Selling & Administrative Expenses, as reported	\$ 13,117	\$ 13,486	\$ 11,744	\$ 14,357	\$ 12,204	\$ 13,923	\$ 13,667	\$ 13,643
Less: SERP	550	811	164	548	(87)	402	(719)	(1,159)
Adjusted S&A Expense	\$ 12,567	\$ 12,675	\$ 11,580	\$ 13,809	\$ 12,291	\$ 13,521	\$ 14,386	\$ 14,802
Operating Income, as reported	\$ 17,807	\$ 16,179	\$ 14,638	\$ 17,079	\$ 4,780	\$ 6,914	\$ 20,277	\$ 20,578
Add: SERP	550	811	164	548	(87)	402	(719)	(1,159)
Add: Lawsuit Settlements (Recovery)	(341)	—	(376)	345	(1,384)	—	—	—
Adjusted Operating Income	\$ 18,016	\$ 16,990	\$ 14,426	\$ 17,972	\$ 3,309	\$ 7,316	\$ 19,558	\$ 19,419
Net Income, as reported	\$ 16,811	\$ 15,062	\$ 10,472	\$ 14,446	\$ 2,564	\$ 5,113	\$ 13,638	\$ 9,938
Add: After-Tax Adjustments after Measurement Period of GES Acquisition	—	133	(254)	—	—	—	—	—
Add: Lawsuit Settlements (Recovery)	(259)	—	(285)	262	(1,050)	—	—	—
Adjusted Net Income	\$ 16,552	\$ 15,195	\$ 9,933	\$ 14,708	\$ 1,514	\$ 5,113	\$ 13,638	\$ 9,938
Diluted Earnings per Share, as reported	\$ 0.66	\$ 0.60	\$ 0.41	\$ 0.57	\$ 0.10	\$ 0.20	\$ 0.54	\$ 0.40
Add: After-Tax Adjustments after Measurement Period of GES Acquisition	\$ —	\$ —	\$ (0.01)	\$ —	\$ —	\$ —	\$ —	\$ —
Add: Lawsuit Settlements (Recovery)	\$ (0.01)	\$ —	\$ (0.01)	\$ 0.01	\$ (0.04)	\$ —	\$ —	\$ —
Adjusted Diluted Earnings per Share	\$ 0.65	\$ 0.60	\$ 0.39	\$ 0.58	\$ 0.06	\$ 0.20	\$ 0.54	\$ 0.40
Operating Income (GAAP) (TTM)	\$ 38,688	\$ 46,183	\$ 50,233	\$ 65,703	\$ 52,676	\$ 43,411	\$ 49,050	\$ 52,549
Add: Goodwill Impairment (TTM)	7,925	7,925	7,925	—	—	—	—	—
Add: SERP (TTM)	1,420	1,729	2,807	2,073	1,436	1,027	144	(1,563)
Add: Lawsuit Settlements (Recovery) (TTM)	(341)	(341)	(717)	(372)	(1,415)	(1,415)	(1,039)	(1,384)
Adj. Operating Income (non-GAAP) (TTM)	\$ 47,692	\$ 55,496	\$ 60,248	\$ 67,404	\$ 52,697	\$ 43,023	\$ 48,155	\$ 49,602
Tax Effect (TTM)	9,940	10,859	11,786	12,844	11,017	9,530	10,774	14,417
After-Tax Adj. Operating Income (TTM)	\$ 37,752	\$ 44,637	\$ 48,462	\$ 54,560	\$ 41,680	\$ 33,493	\$ 37,381	\$ 35,185
Average Invested Capital ⁽¹⁾	\$ 435,465	\$ 433,192	\$ 423,545	\$ 415,999	\$ 414,121	\$ 424,854	\$ 453,479	\$ 491,252
ROIC	8.7 %	10.3 %	11.4 %	13.1 %	10.1 %	7.9 %	8.2 %	7.2 %

(1) Average Invested Capital is computed using the Share Owners equity plus current and non-current debt less cash and cash equivalents averaged for the last five quarters.

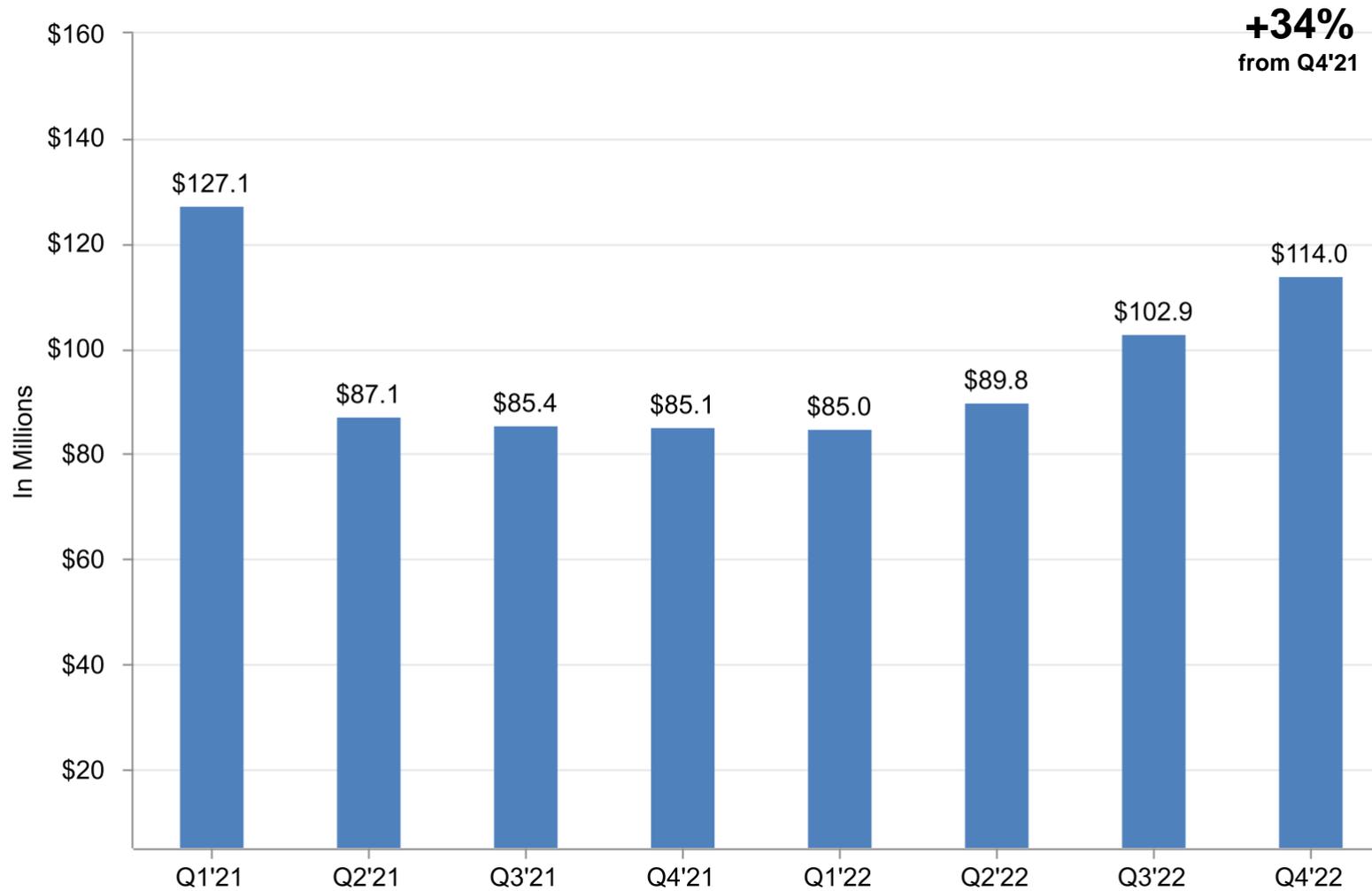
Net Sales by Vertical Market



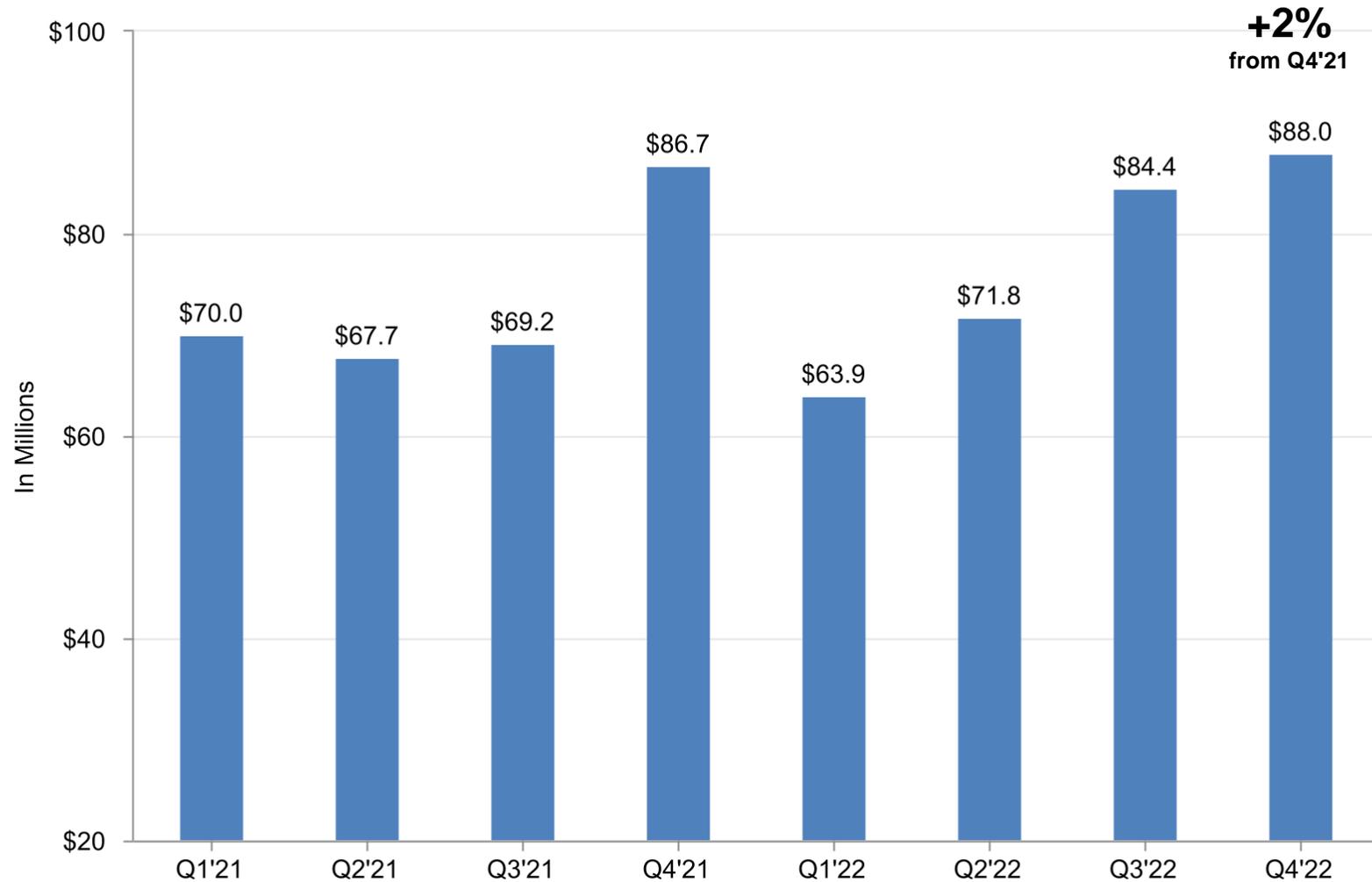
Net Sales Automotive Vertical Market



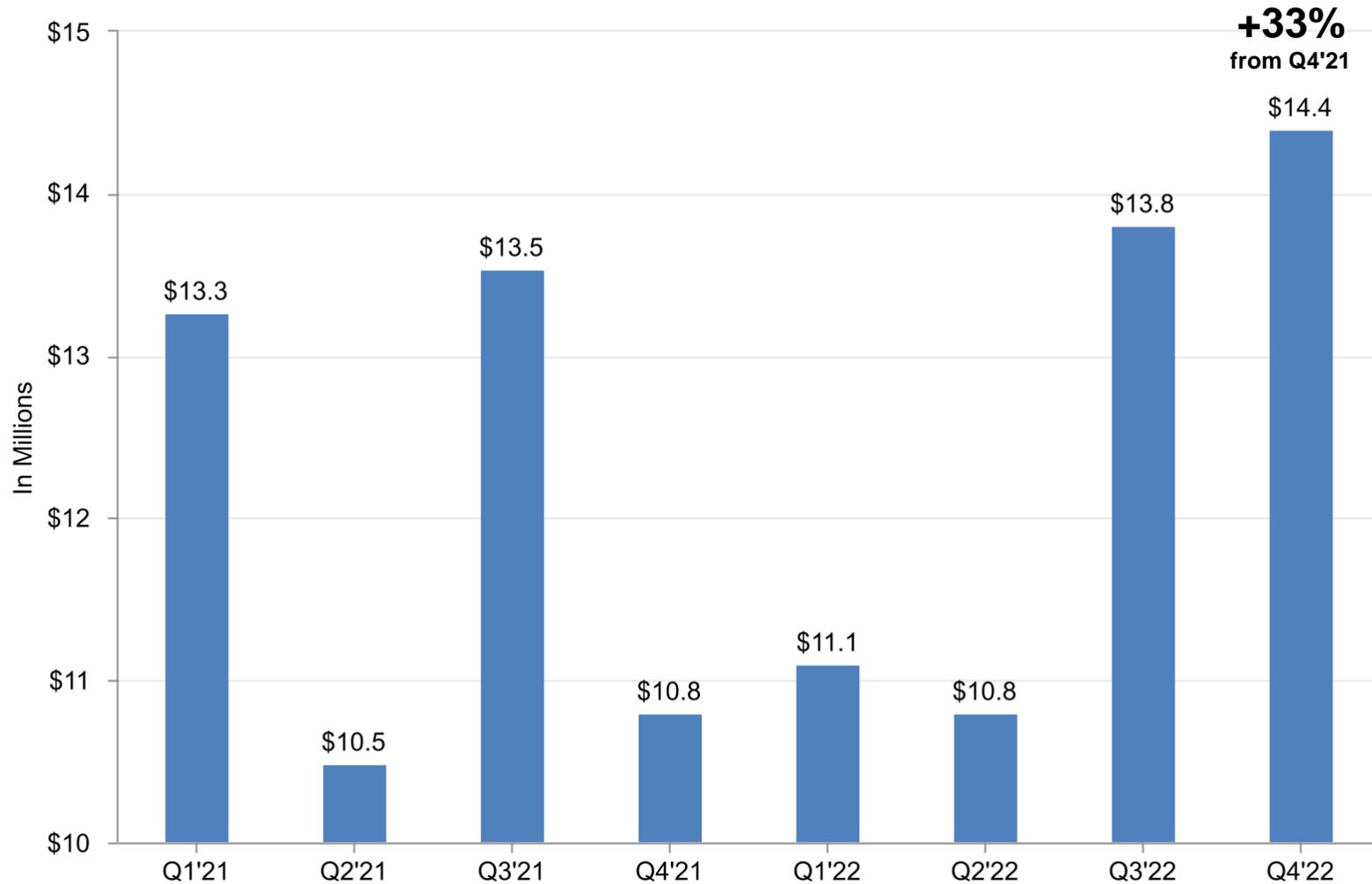
Net Sales Medical Vertical Market



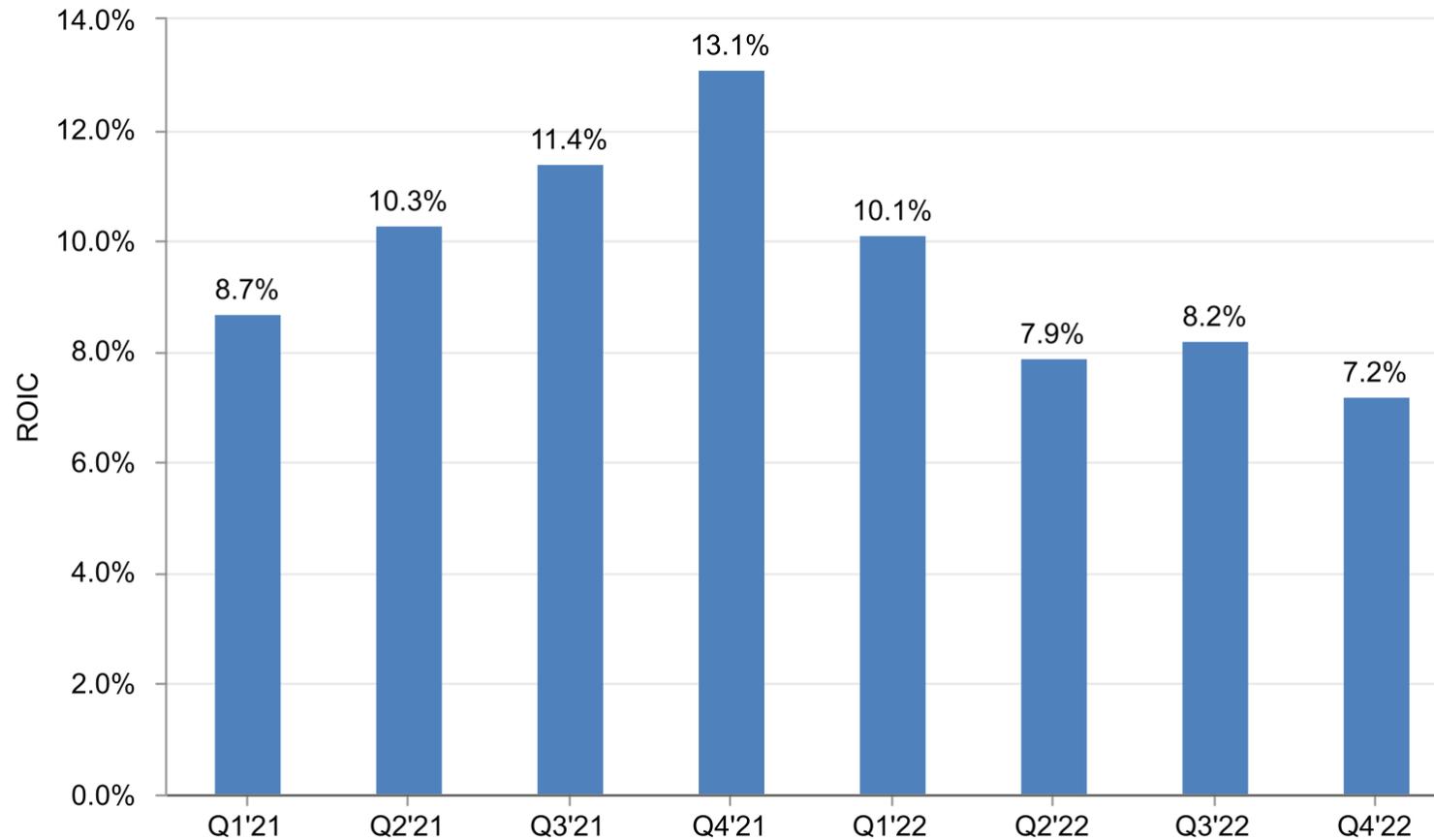
Net Sales Industrial Vertical Market



Net Sales Public Safety Vertical Market



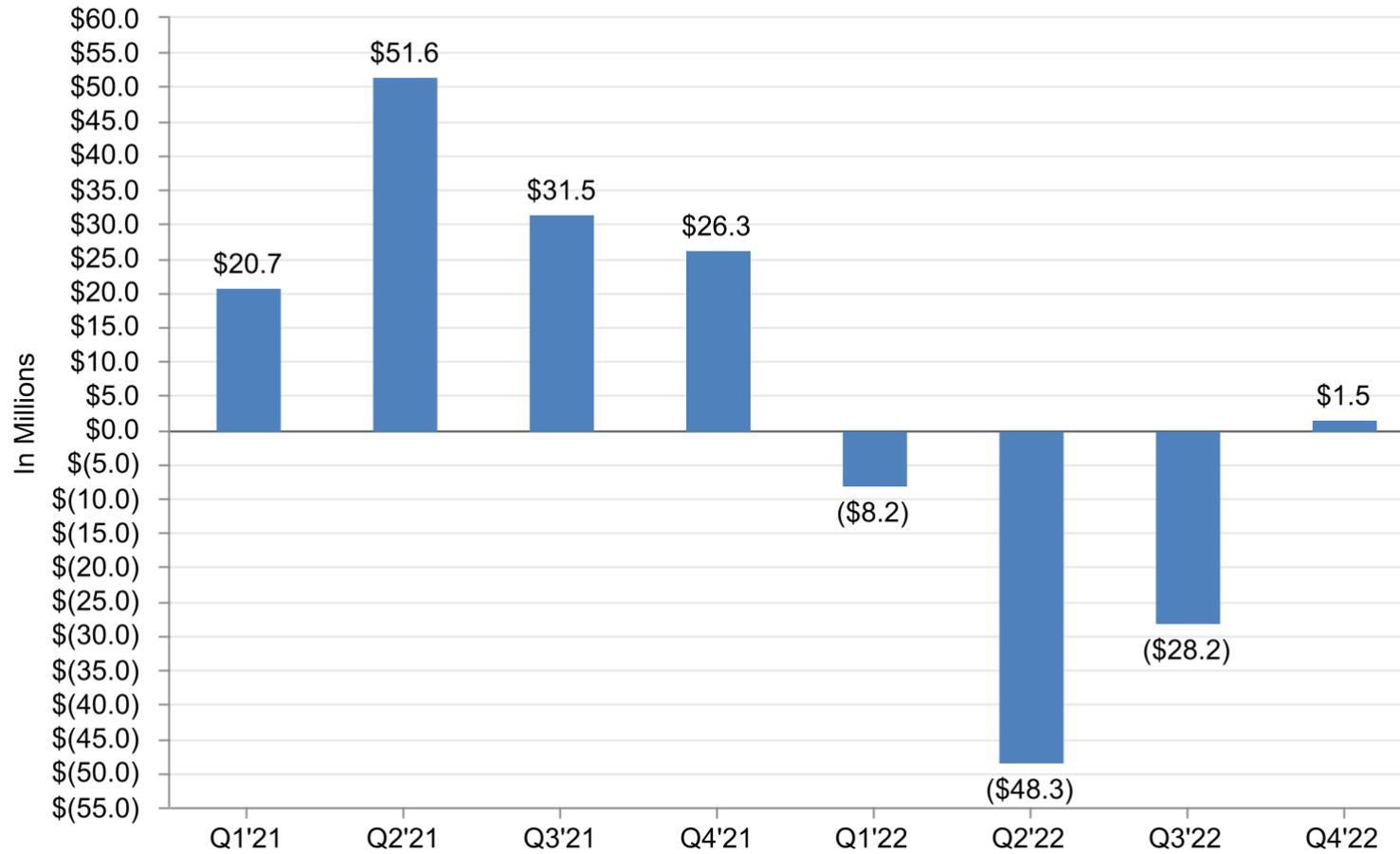
Return on Invested Capital^{(1) (2)}



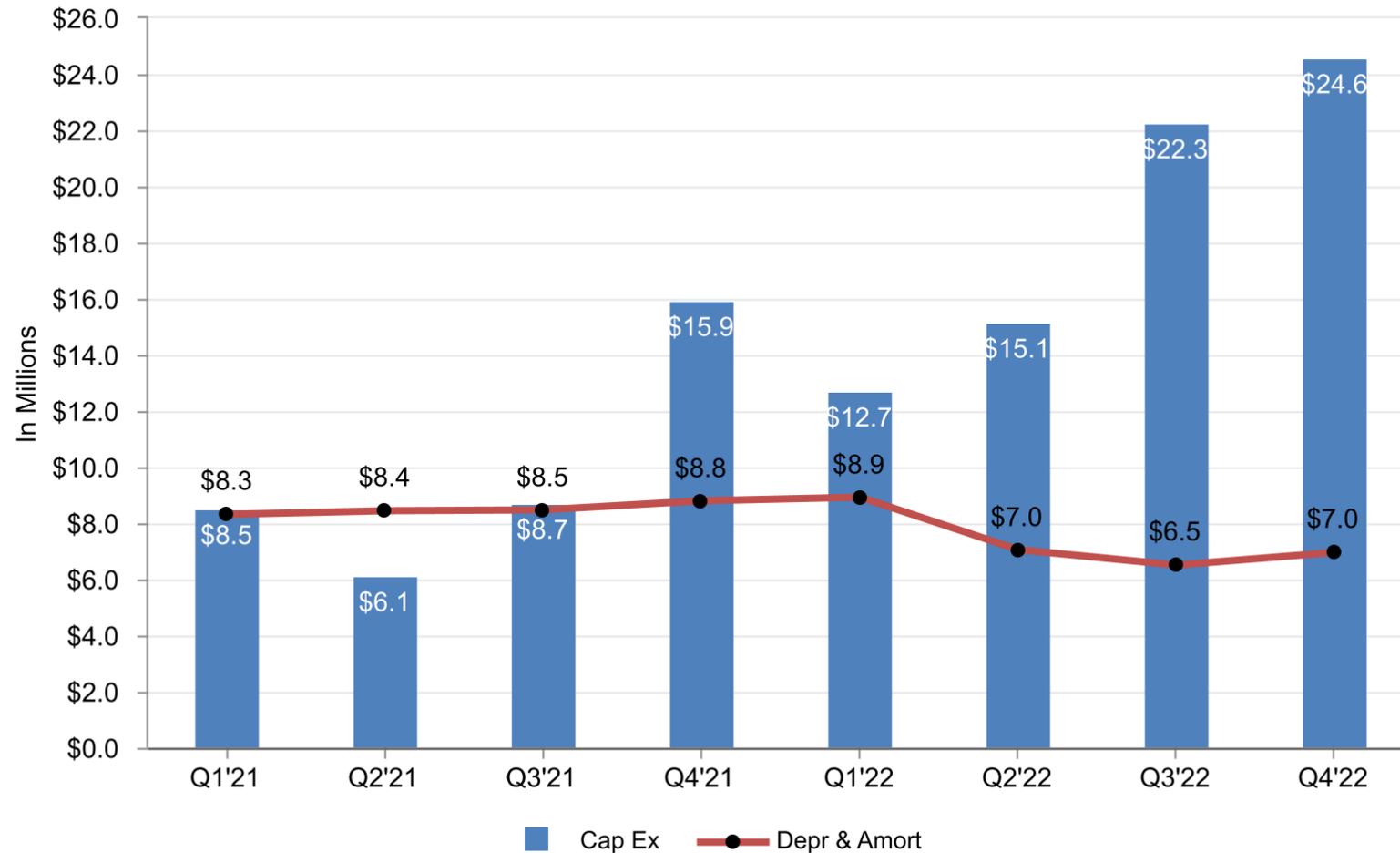
(1) We define ROIC as after-tax adjusted operating income for the trailing twelve months divided by average invested capital for the last five quarters.

(2) ROIC is a Non-GAAP measure - refer to Reconciliation of Non-GAAP Results on the final slide of this supplementary information.

Operating Cash Flow



Capital Expenditures and Depreciation & Amortization⁽¹⁾



(1) Capital Expenditures include purchases of capitalized software.