

# Fourth Quarter Fiscal 2024 Results

Quarter Ended June 30, 2024

Supplementary Information to the August 14, 2024, Earnings Conference Call & Webcast

# Safe Harbor Statement

Certain statements contained within this supplementary information, including our 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, 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, 2023, 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 Constant Currency Growth, 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 include 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 slides.

# Today's Speakers

- Opening comments
- Financial results for the fourth quarter
- Guidance for fiscal 2025
- Closing comments
- Q&A



**Ric Phillips**  
CEO



**Jana Croom**  
CFO

# Divestiture of Automation, Test, and Measurement



- Transaction finalized on July 31, 2024
- AT&M not a good fit for KE
- Focusing on core EMS operations aligns best with strategic priorities and longer-term growth opportunities
- Sale represented significant milestone for our Company, and another important step toward sharpening strategic focus and returning to profitable growth and stronger performance
- Proceeds from the sale of AT&M, combined with improvements in working capital management, have strengthened balance sheet and increased liquidity

# Sharpening our strategic focus

- Actively evaluating our mix of revenue and verticals, in light of the recent economic conditions
- Strategic growth of the Company
- Balanced portfolio, not overly weighted to any particular vertical
- Success with new medical wins... focusing on this space
- Open to acquisition targets, such as customer divestitures in the medical space
- Opportunities to expand into geographies or new capabilities

# Q4 another quarter of “controlling what we can control”

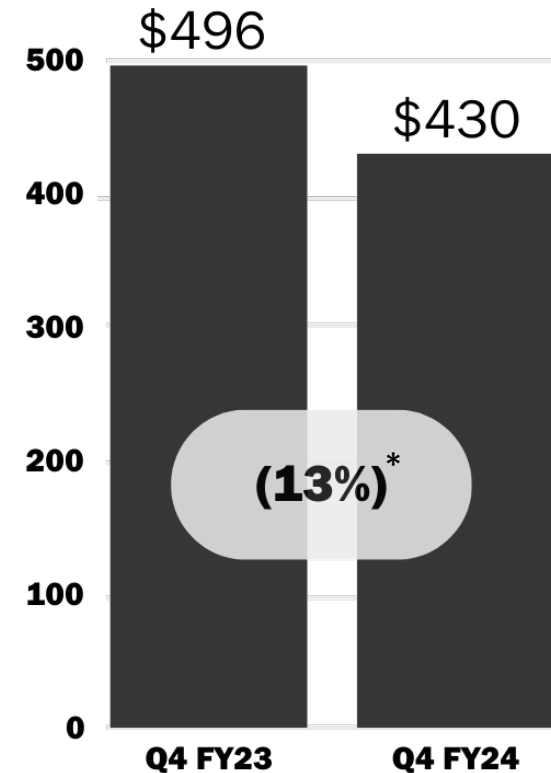


- EMS industry remains challenged for contract manufacturing organizations
  - Expectations adjusted for continued weakness in end market demand
- In the verticals we serve, the pullback has been more significant than originally anticipated... we continue to maintain competitiveness by:
  - Appropriately adjusting cost structure to stabilize operating margins
  - Purposefully drive inventory levels lower
  - Generate positive free cash flow
- Long-term customer funnel remains strong for the future

# Net sales in the fourth quarter totaled \$430 million

- \$5 million, or 1%, increase sequentially over Q3
- Decreased 13% year-over-year
  - Q4 last year was a record for the Company, we grew +33%
  - Year-over-year comparison steep
  - Decline this year occurred in all verticals and each region of global footprint

## NET SALES



\* Percentage decrease compared to Q4 of fiscal year 2023

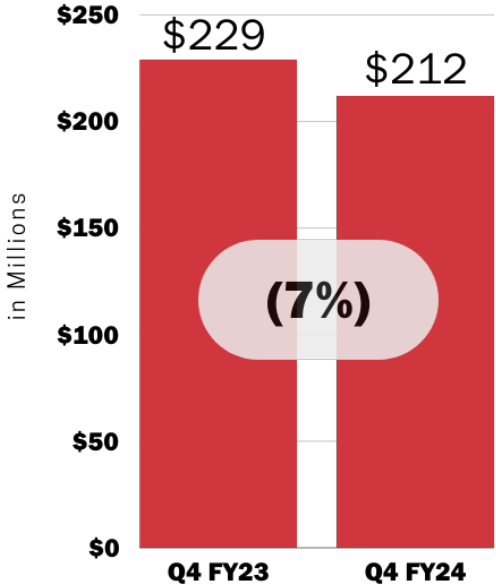
# Net sales in Automotive were \$212 million

- Decreased 7% compared to Q4 last year
- 49% of total company sales
- Decline this quarter was in line with the softness we outlined in May
- Full year revenue decreased 2% in this vertical

 Automotive (7%)\*\*



## NET SALES



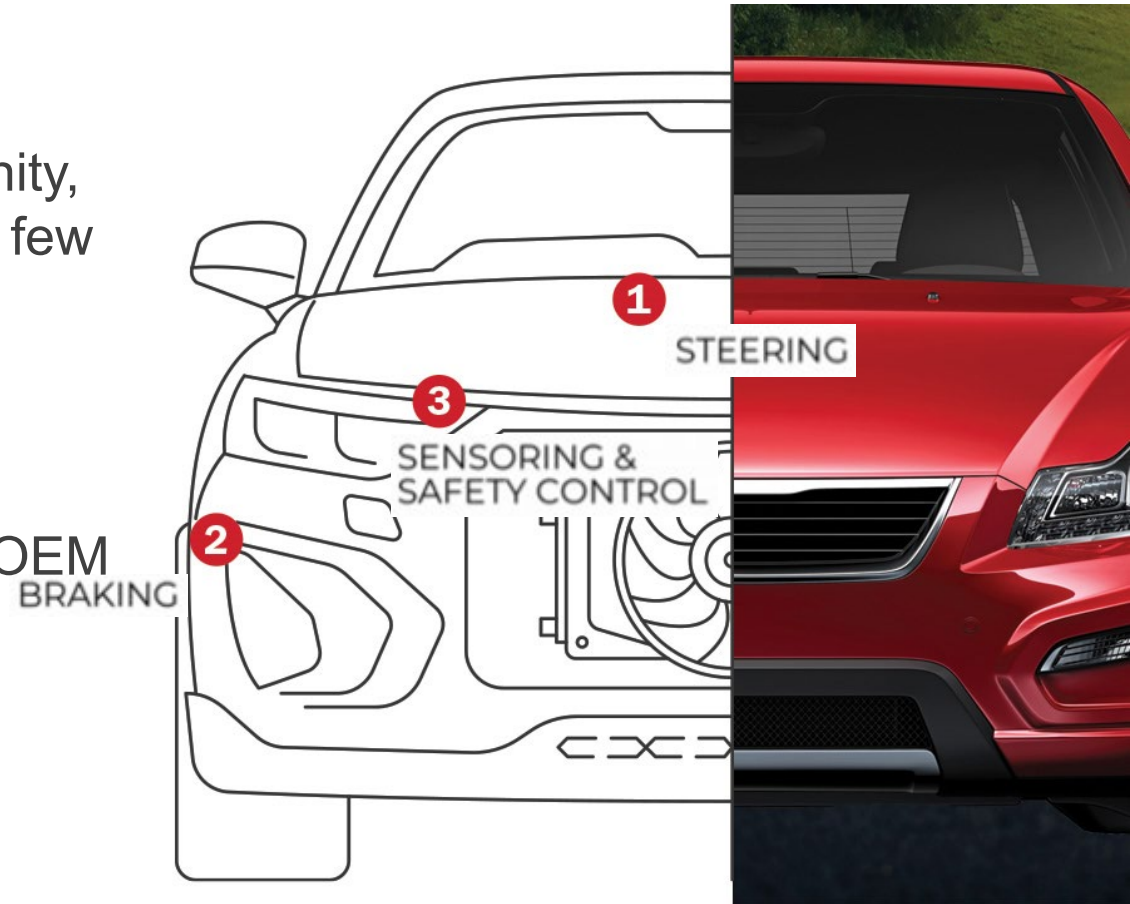
\*Percentage of net sales

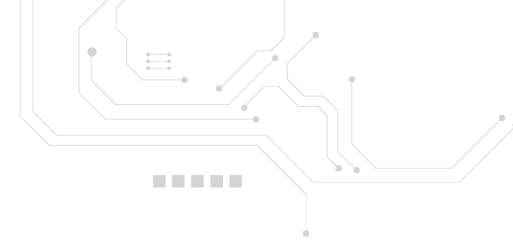
\*\*Percentage decrease compared to Q4 of fiscal year 2023



# Long-term growth in Automotive

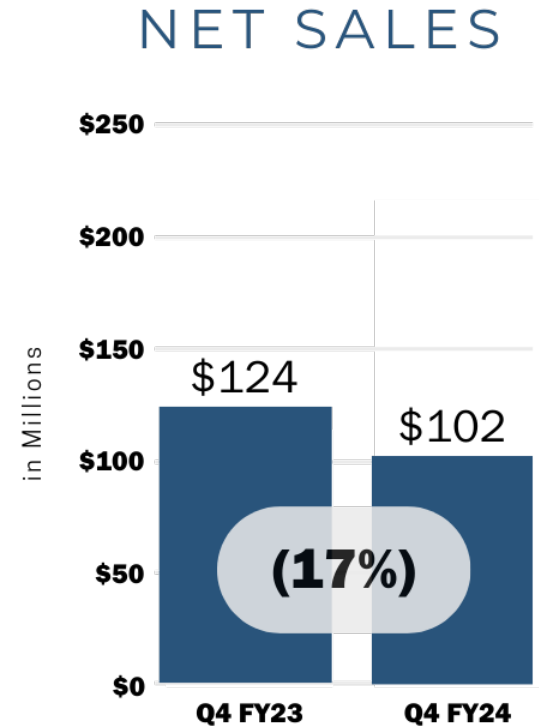
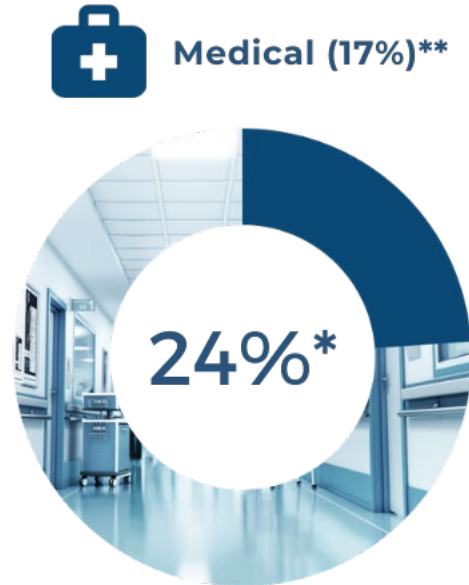
- Heavily concentrated on chassis control applications (steering, braking, suspension ECUs)
- Electronic braking is relatively new growth opportunity, started manufacturing these systems in Reynosa a few years ago
- In late Q4, the program experienced setback
- Tier one customer no longer producing system for OEM
  - Not a Kimball-related issue
  - Impacts fiscal 2025 outlook
- Relationship with customer never better
  - Launching new braking program for them in January 2025 in Romania





# Net sales in Medical were \$102 million

- 17% decrease compared to Q4 last year
- 24% of total company sales
- Decline driven by lost sales with major customer involved in FDA recall, partially offset by growth with other customers
- Annual guidance assumes a net \$50 million reduction, or down 10%
  - \$100 million decrease with customer involved in recall
  - Partially offset by \$50 million increase in new & existing programs
- Decline for the full year was 15%



\*Percentage of net sales

\*\*Percentage decrease compared to Q4 of fiscal year 2023

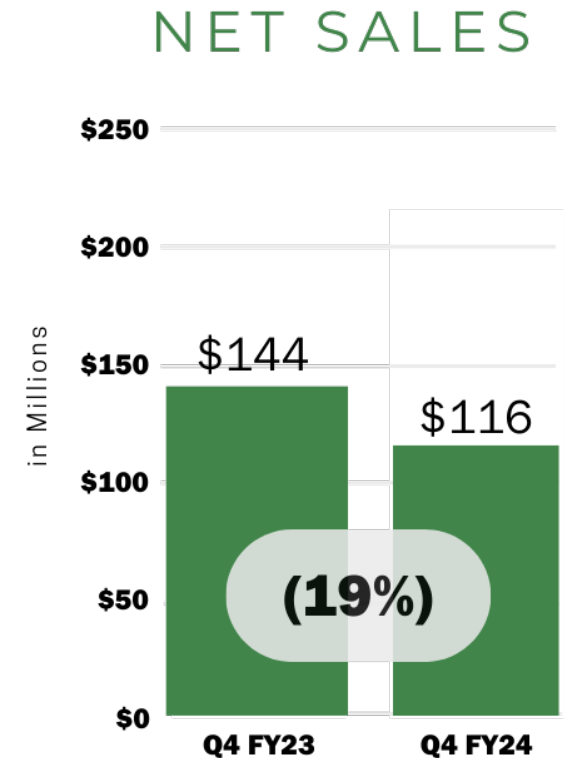
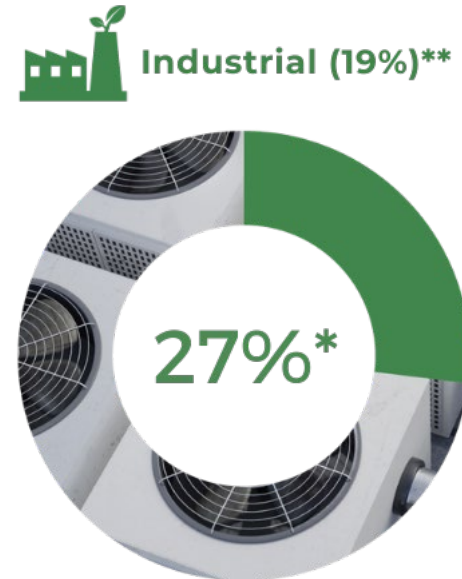
# Encouraged by growth prospects...



- Focus on Higher Level Assemblies (HLAs) and Finished Medical Devices
- Recently awarded transfer of work
  - Sole supplier on respiratory care final assembly and HLA business for largest medical customer
  - Expect transfer to commence in calendar 2025
  - Production impacting fiscal 2026 results
- Expertise in manufacturing selected drug devices, such as auto-injectors, as differentiator
- Focus significant business development resources in this space

# Net sales in Industrial were \$116 million

- Down 19% compared to Q4 last year
- 27% of total company sales
- AT&M results included in this vertical
  - Drove ~1/2 of the decline in Q4
- Lower demand for internal climate control systems
- Smart Meters in Europe have been commoditizing

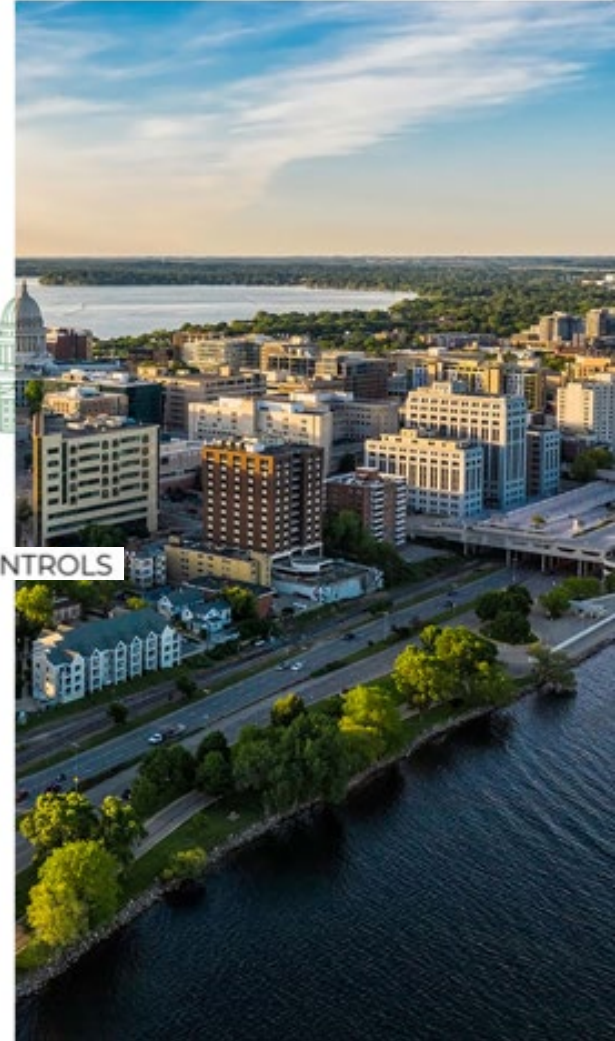
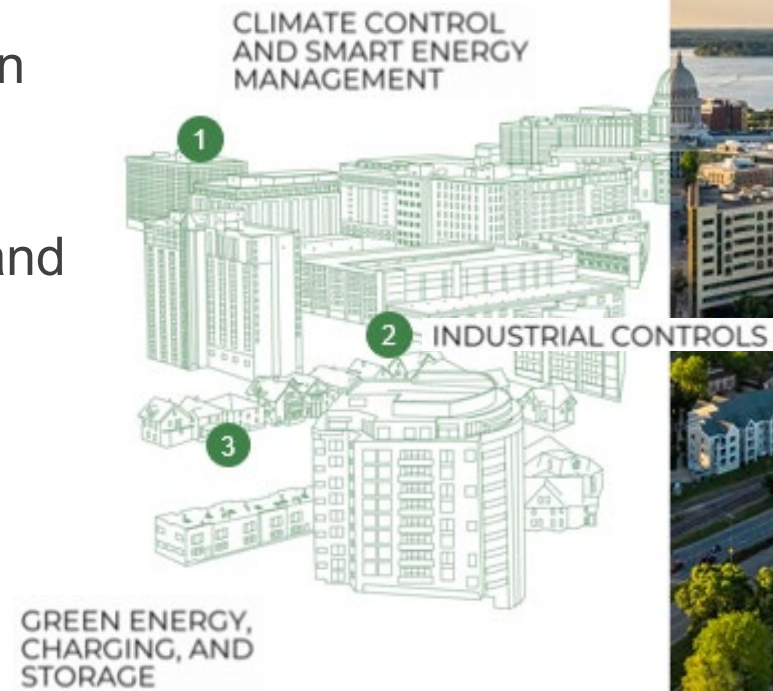


\*Percentage of net sales

\*\*Percentage decrease compared to Q4 of fiscal year 2023

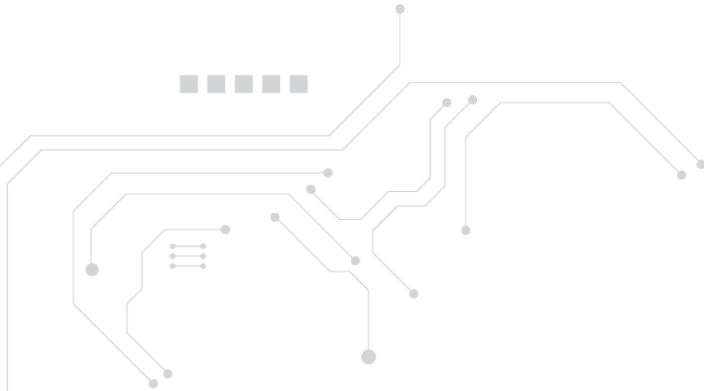
# For fiscal 2024, net sales in Industrial declined 3%

- Longer-term, return to growth from market rebound for climate control products
- Diversification into other sub-verticals within the industrial space
- Increased demand for factory automation and green energy
- Early stages of exploring off-highway equipment market



# Closing

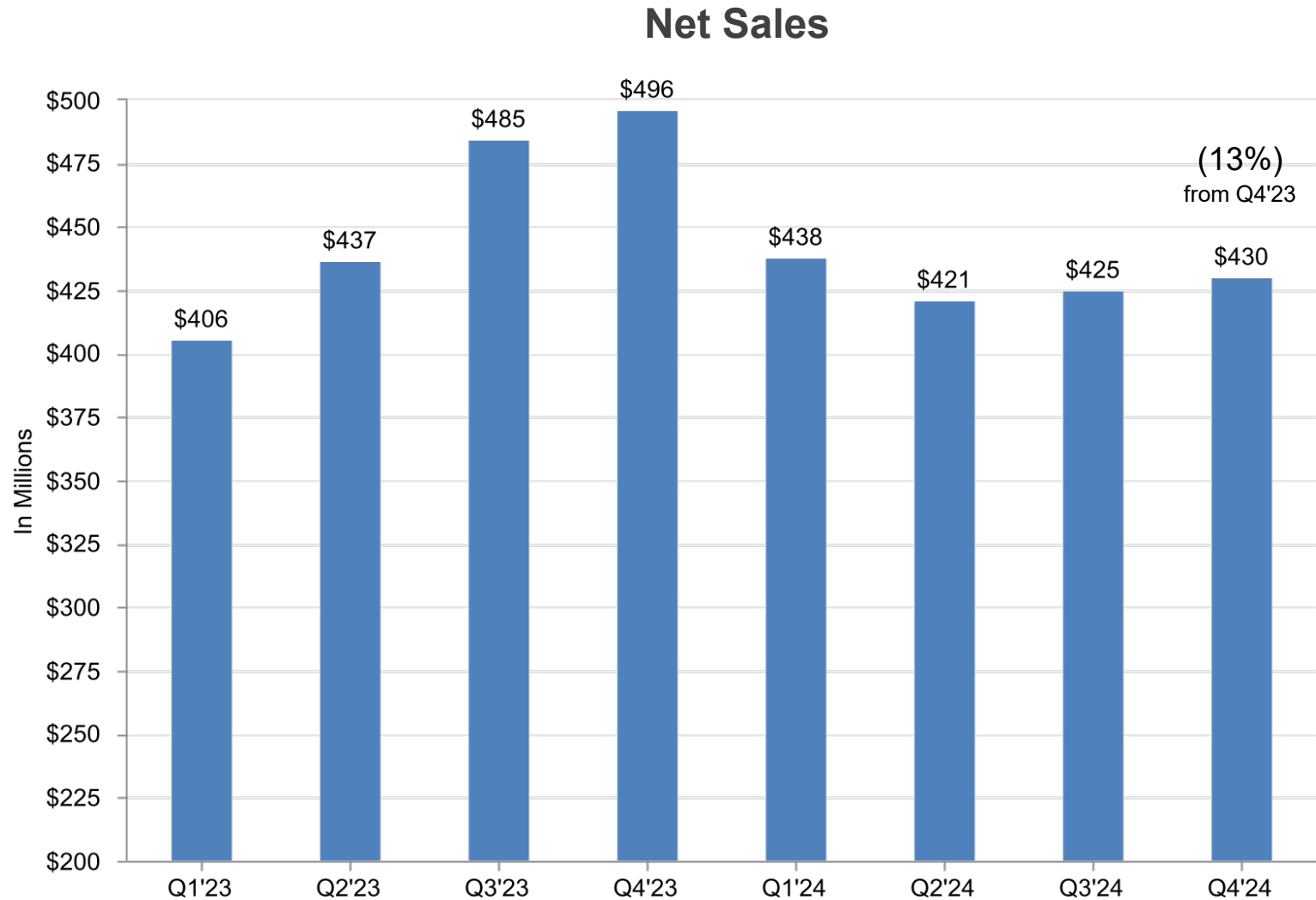
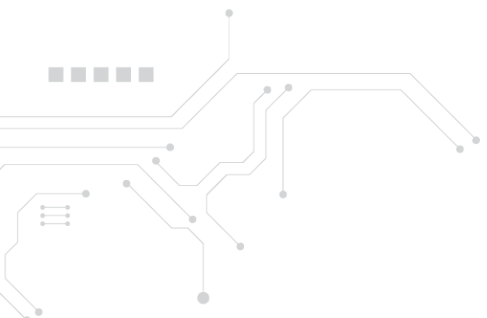
- Proud of resilience demonstrated by our team in Q4 and fiscal 2024
- Uniquely positioned to capitalize on various opportunities in EMS space
- Sharpened strategic focus setting up longer-term growth as operating environment normalizes



**Ric Phillips**  
**CEO**

# Net sales in the fourth quarter were \$430 million

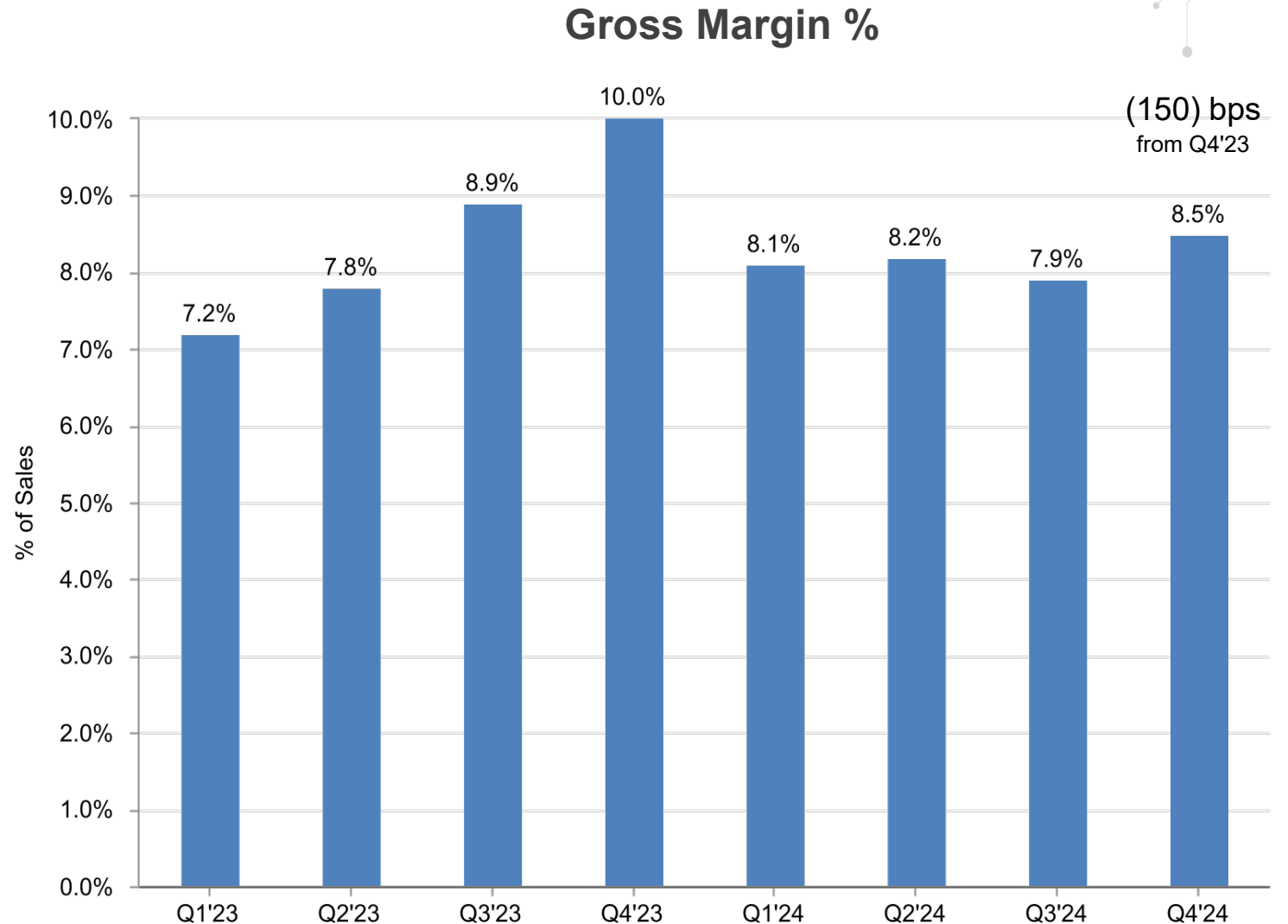
- 13% decrease compared to the fourth quarter of fiscal 2023
- Foreign exchange had less than a 1% impact on sales in the quarter



# The gross margin rate in Q4 was 8.5%



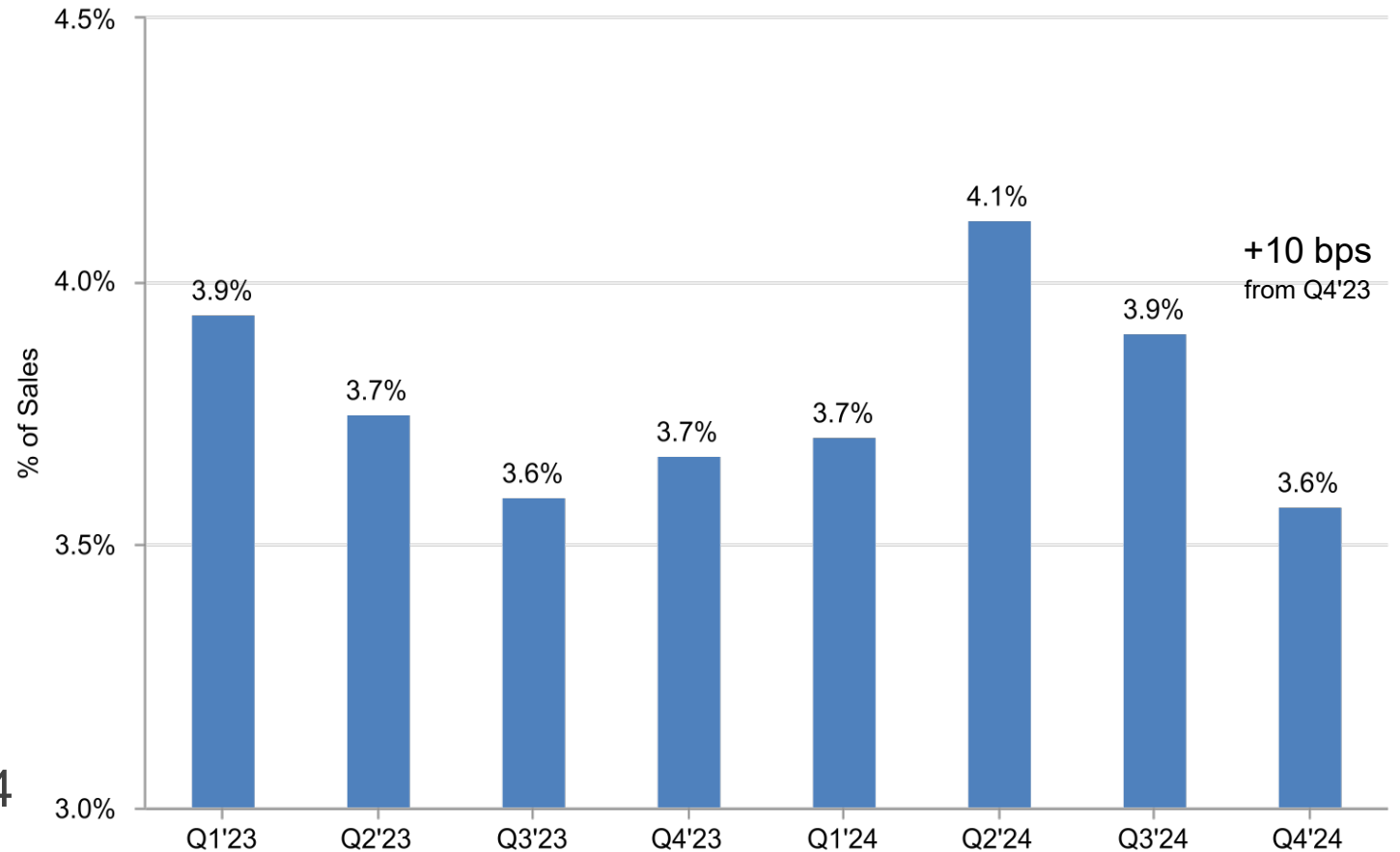
- 150 bps decline compared to the same period last year
- Decrease driven by:
  - Lower absorption in EMS manufacturing facilities
  - AT&M
- Both a result of declining sales





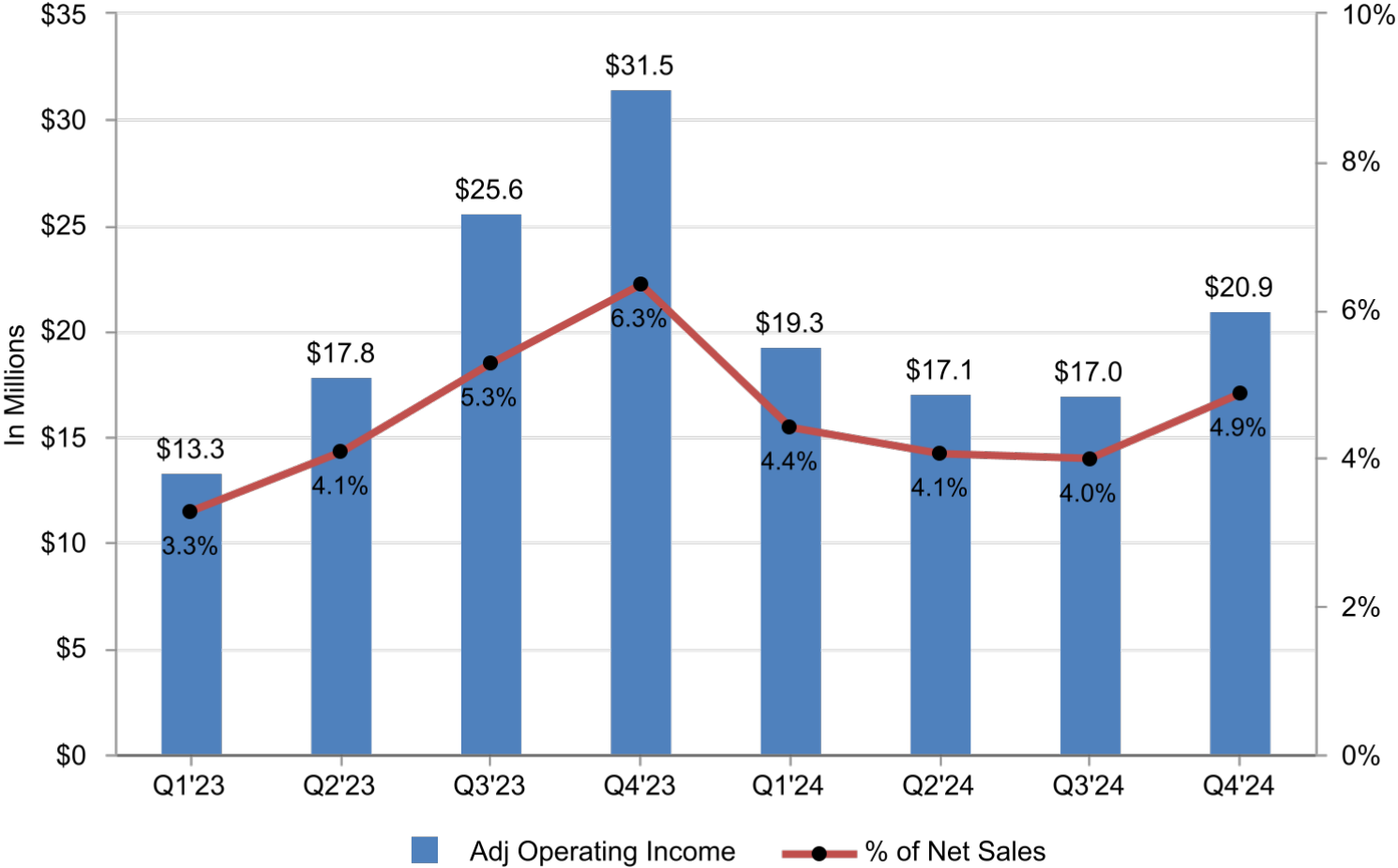
# Adjusted selling and administrative expenses <sup>(1)</sup>

- \$15.8 million in the fourth quarter
  - \$2.4 million decline compared to Q4 last year
  - Decrease resulting from efforts to manage costs in period of declining sales
- As percentage of sales:
  - Adjusted S&A expenses were 3.6%
  - 10 bps improvement versus Q4 of last year



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

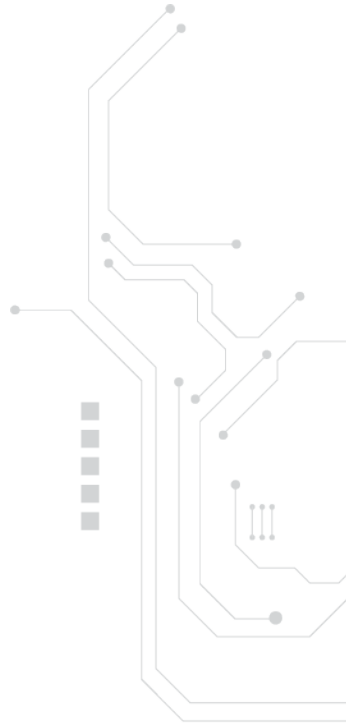
# Adjusted operating income <sup>(1)</sup>



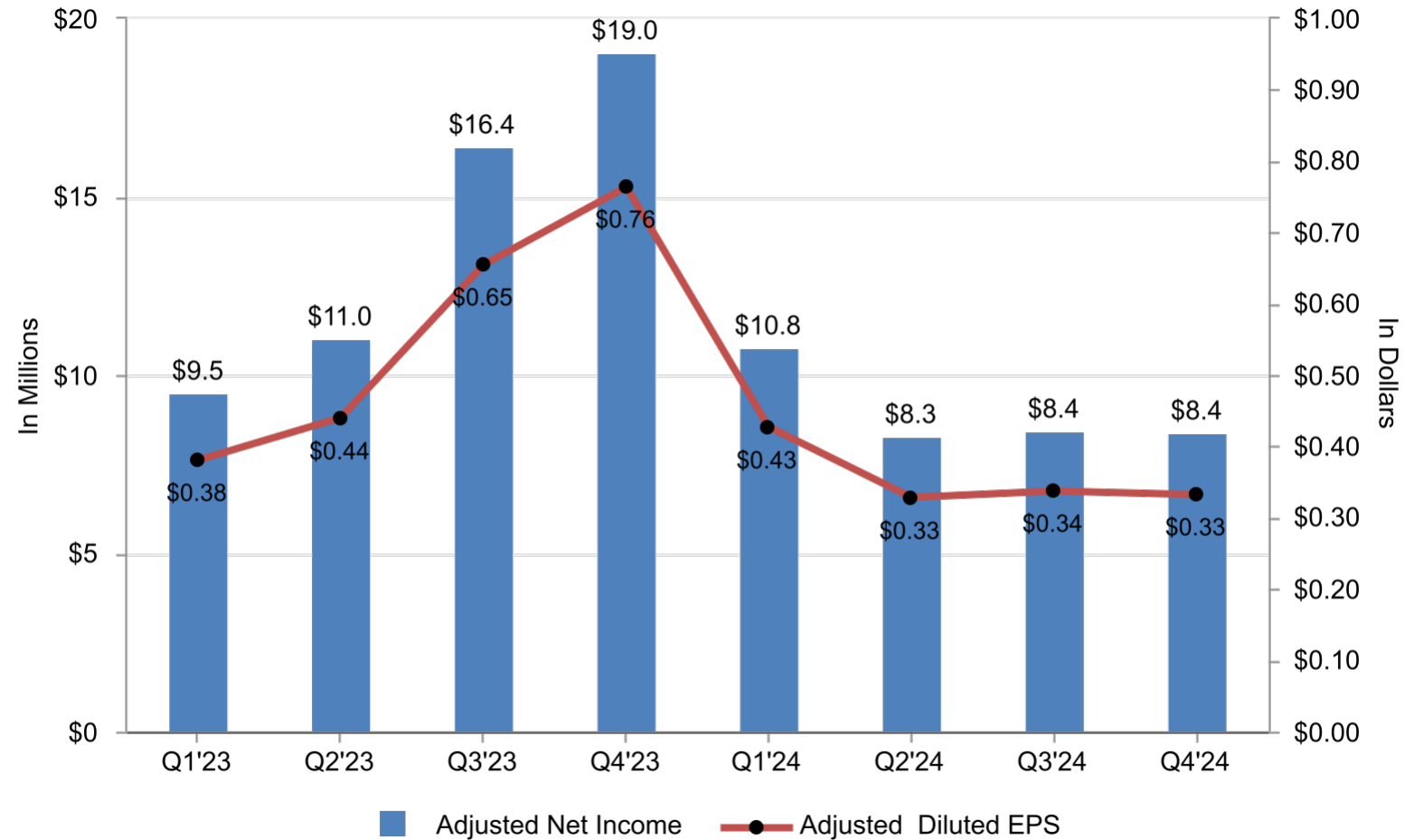
(1) Adjusted Operating Income is a Non-GAAP measure – refer to Reconciliation of Non-GAAP Results on the final slide of this supplementary information.

# Other income & expense and the effective tax rate

- Other income & expense was expense of \$6.1 million, compared to expense of \$4.9 million last year
  - The increase resulting from impacts from foreign currency translation
  - Interest expense was down slightly
- The effective tax rate was 44% in the fourth quarter compared to 27.6% in Q4 last year
  - The higher tax rate was a result of a domestic valuation allowance recorded in the quarter
- Full year effective tax rate of 18.6%, driven lower by the impairment taken due to the sale of GES, partially offset by the valuation allowance
  - Expect to resume normalized tax rate in the mid-20s



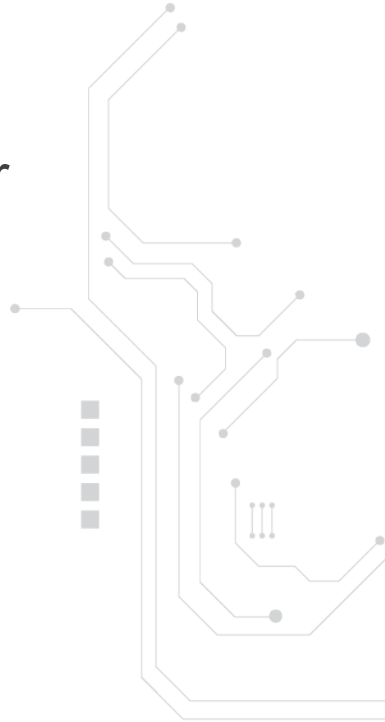
# Adjusted net income and adjusted diluted EPS <sup>(1)</sup>



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

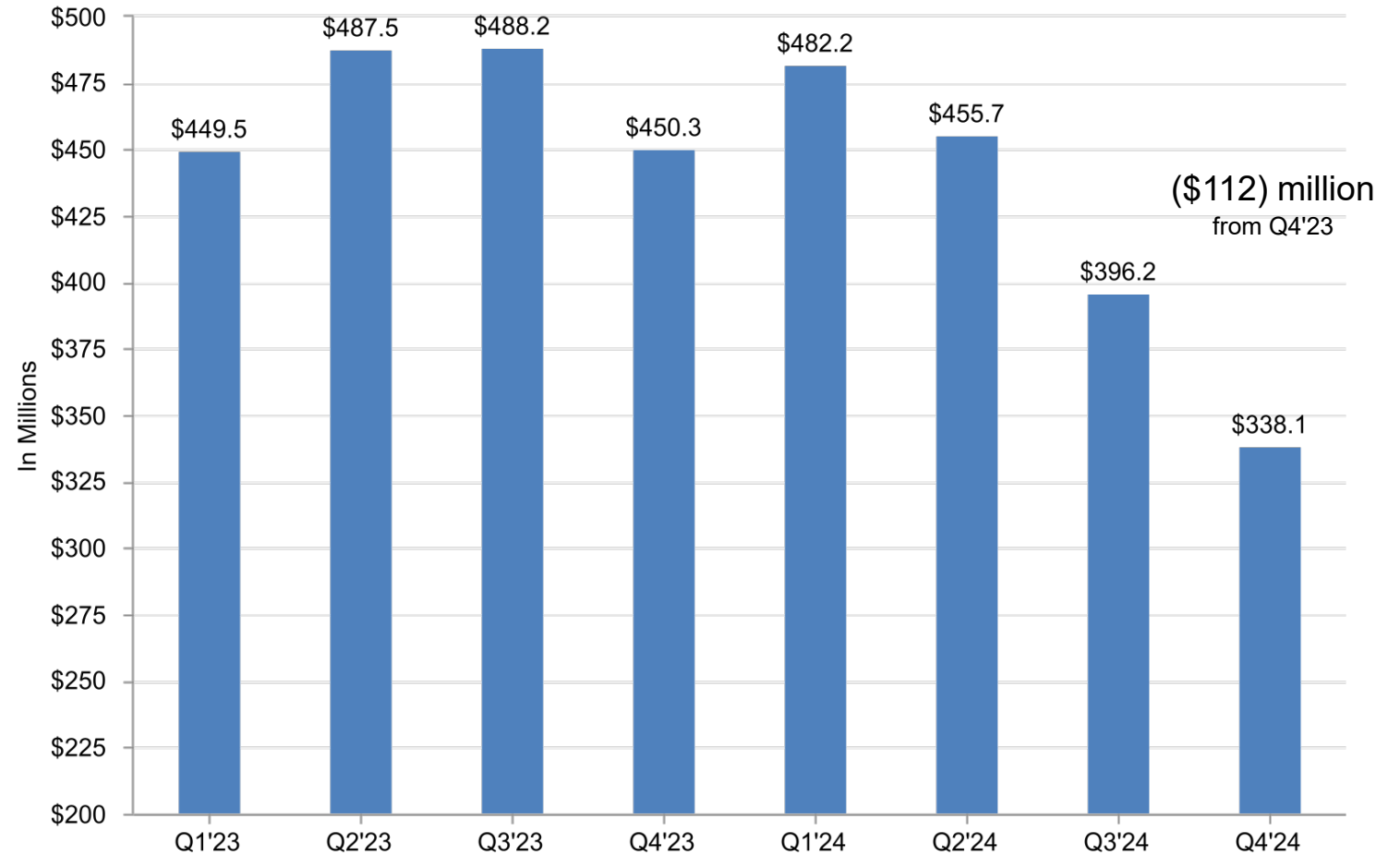
# Balance sheet

- Cash and cash equivalents were \$78.0 million at June 30, 2024
- Cash flow from operating activities in the quarter was \$48.5 million
- Cash conversion days were 100 days, compared to 94 days in the fourth quarter last year, and 110 days last quarter
  - Continue to focus on improving cash conversion days by aggressively managing the components



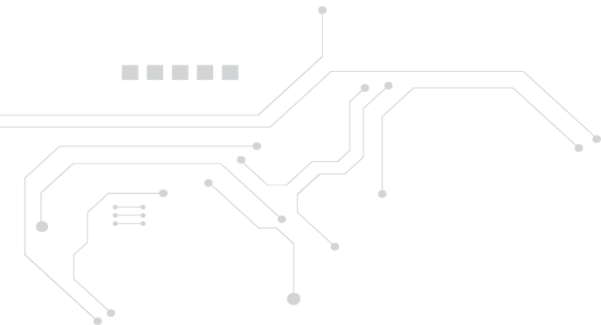
# Inventory ended the quarter at \$338 million

- \$112 million reduction (25%) compared to Q4 last year
  - \$58 million lower than Q3
- Expect additional declines with “right-sizing” inventory to match current demand

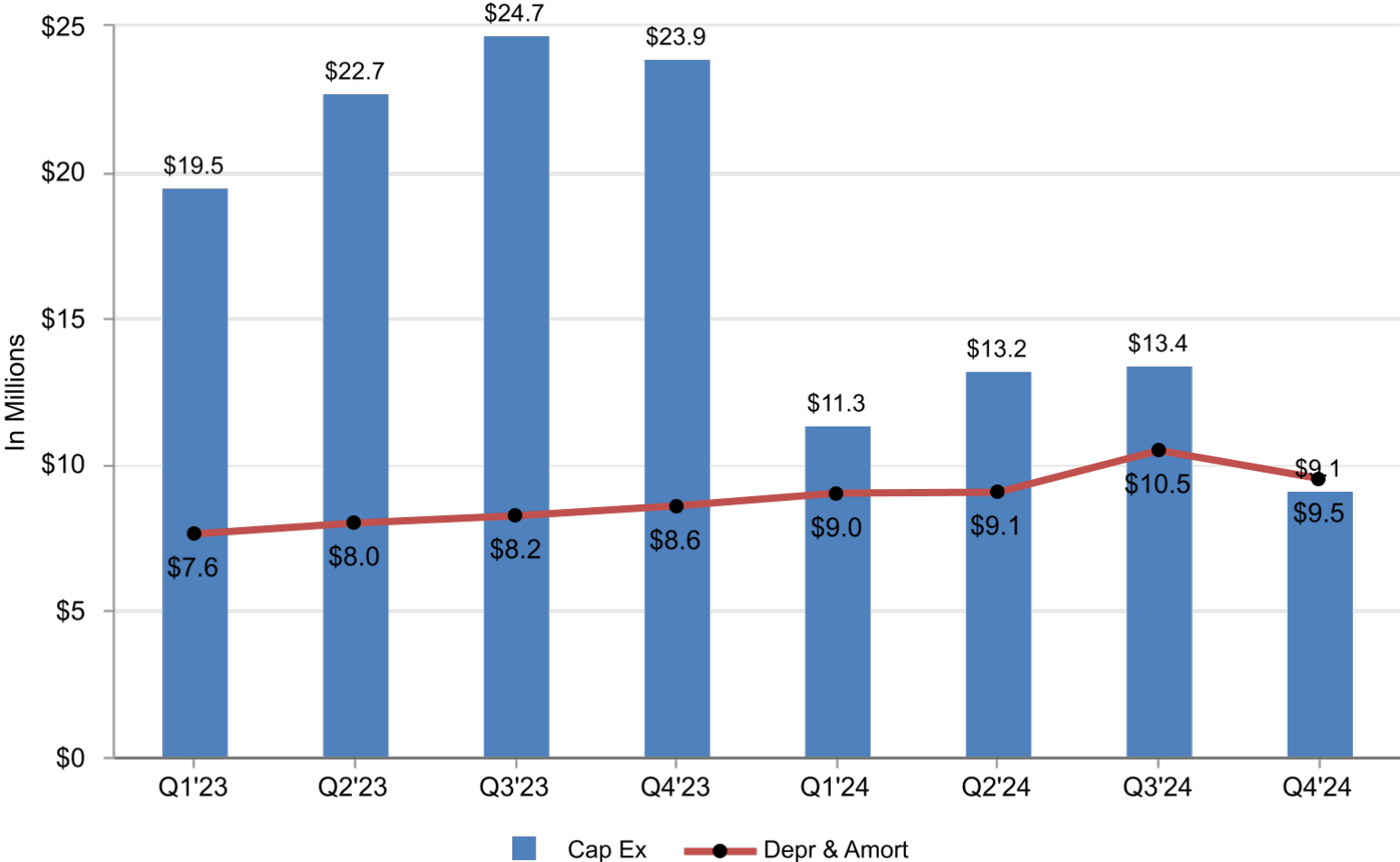


# Capital expenditures in Q4 were \$9.1 million

- Fiscal 2024 CapEx equaled \$47 million
  - Below guidance range
- Balanced approach to long-term needs and current economic environment



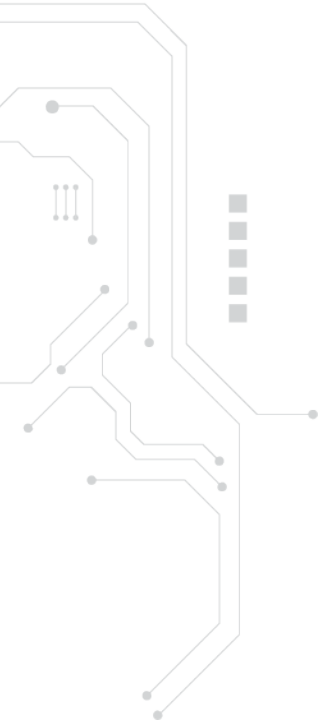
### Capital Expenditures and Depreciation & Amortization



(1) Capital Expenditures include purchases of capitalized software.

# Borrowings

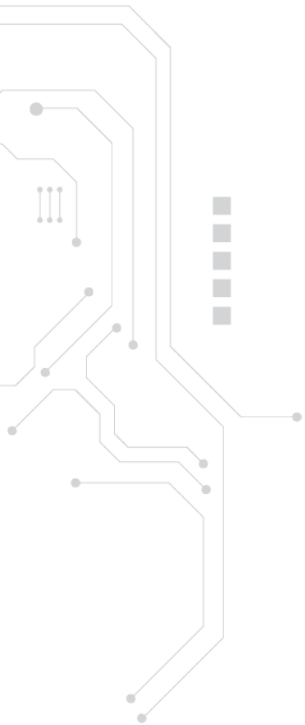
- Borrowings on credit facilities at June 30, 2024, were \$294.8 million
  - Compared to \$281.5 million a year ago
  - Borrowings at the end of Q3 were \$319.6 million
- Short-term liquidity available totaled \$220.1 million at the end of the fourth quarter





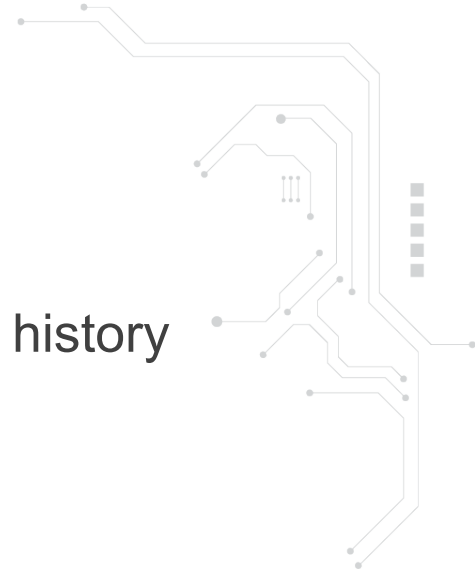
# Share repurchases

- Invested \$3 million to repurchase 136,000 shares
- Since October 2015, under our Board authorized share repurchase program:
  - A total of \$91.8 million returned to Share Owners by repurchasing 6 million shares of common stock
  - \$8.2 million remaining on the program for deployment

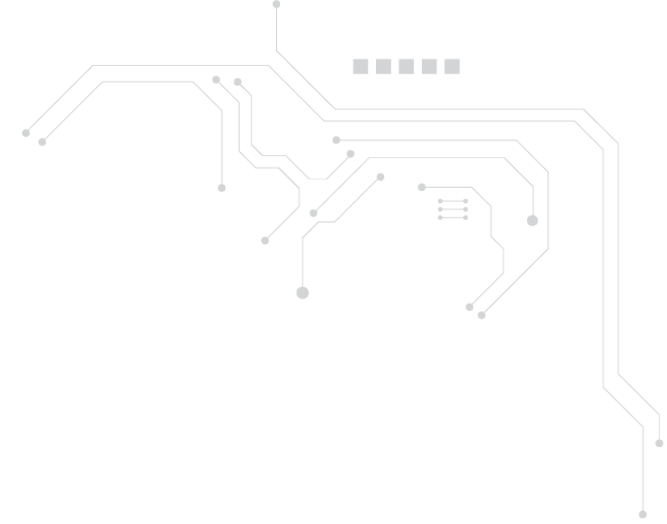


# Fiscal year 2024 in total

- Net sales totaling \$1.715 billion, the second highest year in Company history
- Adjusted operating income of 4.3% of net sales
- Inventory down 25% year-over-year
- Cash flow from operating activities of approximately \$73 million



# Guidance for fiscal year 2025



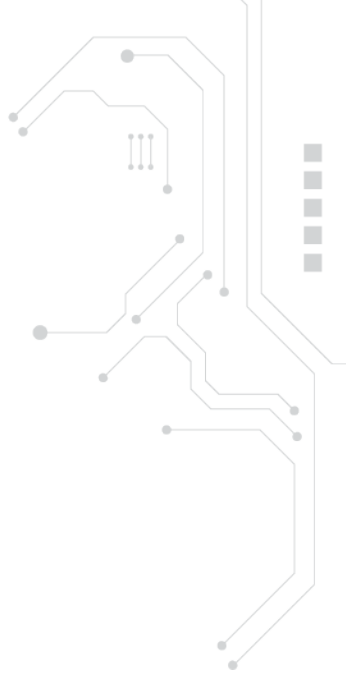
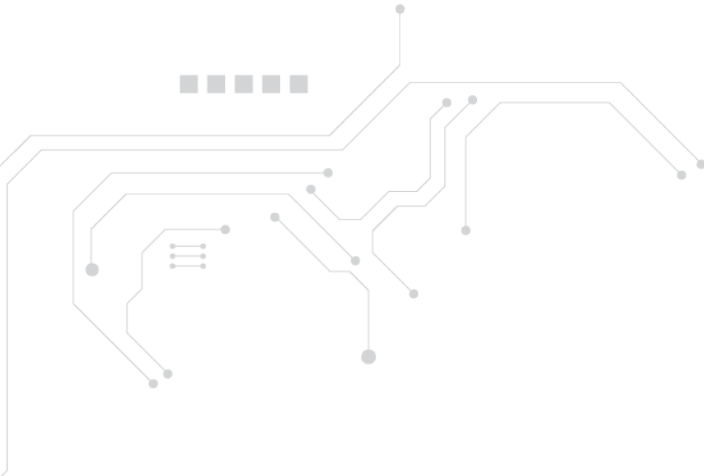
- Net sales in the range of \$1.440 - \$1.540 billion
  - 8% - 14% decrease compared to fiscal 2024, excluding AT&M
- Adjusted operating income of 4.0% - 4.5% of net sales
  - Beginning in fiscal 2025, we will conform with the industry practice of excluding stock compensation from the calculation on this metric
  - Under this method, fiscal 2024 would have been 4.8%
- Capital expenditures of \$40 - \$50 million split between growth and maintenance
- OI margin to build over course of fiscal year... Q1 below full year guidance range
- Mix of revenue
  - Automotive & Industrial trends from Q4 continue in Q1
  - Decline in Medical more modest, anniversary impact of FDA recall

# Fiscal 2025 – “controlling what we can control”

- Short-term – cost structure, margin levels, working capital management, and capital expenditures
- Over longer period of time – extending beyond these measures and focused on growing the top line
- Recent pressure on demand trends has been more significant than originally anticipated, with a deeper and longer impact
- We have been in operation over 60 years and have weathered many storms
- Recognized when to “cast the net a little wider” by moving more deeply into new markets where core manufacturing capabilities support emerging technology
- Examples in medical high-level assemblies and drug-device combinations

# Questions

# Appendix



# Reconciliation of Non-GAAP Results

(Unaudited, Amounts in Thousands, Except Per Share Data)	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24
Net Sales Growth (vs. same quarter in prior year)	39 %	39 %	32 %	33 %	8 %	(4)%	(12)%	(13)%
Foreign Currency Exchange Impact	(5)%	(5)%	(2)%	— %	1 %	1 %	— %	— %
Constant Currency Growth	44 %	44 %	34 %	33 %	7 %	(5)%	(12)%	(13)%
Selling & Administrative Expenses, as reported	\$ 15,750	\$ 16,702	\$ 17,752	\$ 18,444	\$ 16,052	\$ 17,823	\$ 16,861	\$ 15,890
Less: SERP	(235)	340	353	243	(177)	484	277	96
Adjusted S&A Expense	\$ 15,985	\$ 16,362	\$ 17,399	\$ 18,201	\$ 16,229	\$ 17,339	\$ 16,584	\$ 15,794
Operating Income, as reported	\$ 13,571	\$ 17,489	\$ 25,220	\$ 31,449	\$ 19,490	\$ 16,610	\$ (6,431)	\$ 19,608
Add: SERP	(235)	340	353	243	(177)	484	277	96
Add: Lawsuit Settlements (Recovery)	—	—	—	(212)	—	—	(892)	—
Add: Restructuring Expense	—	—	—	—	—	—	1,622	764
Add: Goodwill Impairment	—	—	—	—	—	—	5,820	—
Add: Asset Impairment	—	—	—	—	—	—	16,564	476
Adjusted Operating Income	\$ 13,336	\$ 17,829	\$ 25,573	\$ 31,480	\$ 19,313	\$ 17,094	\$ 16,960	\$ 20,944
Net Income, as reported	\$ 9,509	\$ 10,720	\$ 16,400	\$ 19,202	\$ 10,754	\$ 8,290	\$ (6,076)	\$ 7,543
Add: After-Tax Adjustments after Measurement Period of GES Acquisition	—	279	—	—	—	—	—	—
Add: Lawsuit Settlements (Recovery), After Tax	—	—	—	(161)	—	—	(676)	—
Add: After Tax Restructuring	—	—	—	—	—	—	1,230	580
Add: After-Tax Goodwill Impairment	—	—	—	—	—	—	4,414	—
Add: After Tax Asset Impairment	—	—	—	—	—	—	9,549	238
Adjusted Net Income	\$ 9,509	\$ 10,999	\$ 16,400	\$ 19,041	\$ 10,754	\$ 8,290	\$ 8,441	\$ 8,361
Diluted Earnings per Share, as reported	\$ 0.38	\$ 0.43	\$ 0.65	\$ 0.76	\$ 0.43	\$ 0.33	\$ (0.24)	\$ 0.30
Add: After-Tax Adjustments after Measurement Period of GES Acquisition	\$ —	\$ 0.01	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Add: Lawsuit Settlements (Recovery)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (0.03)	\$ —
Add:Restructuring Expense	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.05	\$ 0.02
Add: Goodwill Impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.18	\$ —
Add: Asset Impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.38	\$ 0.01
Adjusted Diluted Earnings per Share	\$ 0.38	\$ 0.44	\$ 0.65	\$ 0.76	\$ 0.43	\$ 0.33	\$ 0.34	\$ 0.33

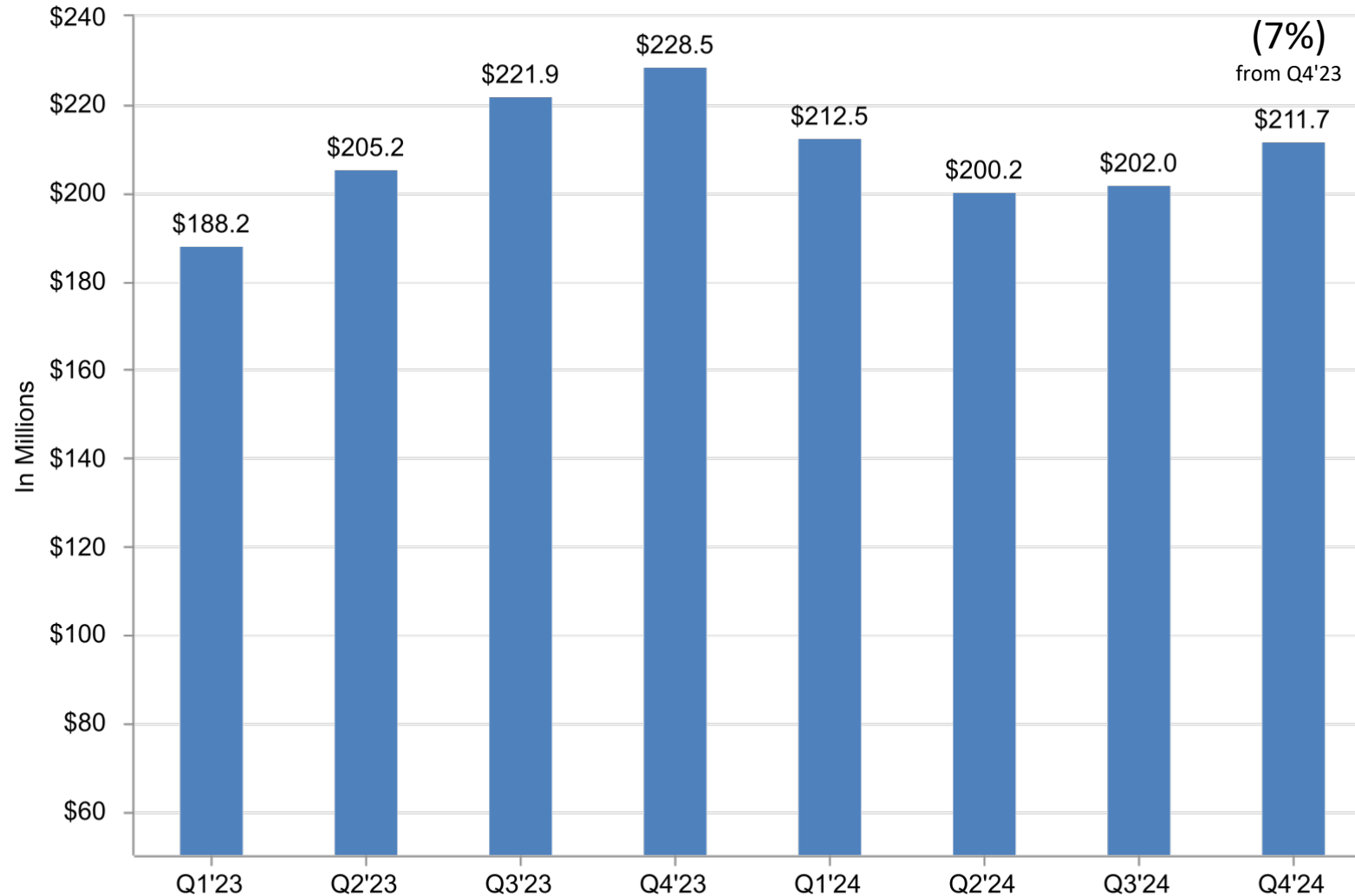
# Reconciliation of Non-GAAP Results continued...

(Unaudited, Amounts in Thousands, Except Per Share Data)	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24
Operating Income (GAAP) (TTM)	\$ 61,340	\$ 71,915	\$ 76,858	\$ 87,729	\$ 93,648	\$ 92,769	\$ 61,118	\$ 49,277
Add: Goodwill Impairment (TTM)	—	—	—	—	—	—	5,820	5,820
Add: Asset Impairment (TTM)	—	—	—	—	—	—	16,564	17,040
Add: Restructuring Expense (TTM)	—	—	—	—	—	—	1,622	2,386
Add: SERP (TTM)	(1,711)	(1,773)	(701)	701	759	903	827	680
Add: Lawsuit Settlements (Recovery) (TTM)	—	—	—	(212)	(212)	(212)	(1,104)	(892)
Adj. Operating Income (non-GAAP) (TTM)	\$ 59,629	\$ 70,142	\$ 76,157	\$ 88,218	\$ 94,195	\$ 93,460	\$ 84,847	\$ 74,311
Tax Effect (TTM)	16,356	18,856	20,375	22,235	22,913	23,204	19,947	16,332
After-Tax Adj. Operating Income (TTM)	\$ 43,273	\$ 51,286	\$ 55,782	\$ 65,983	\$ 71,282	\$ 70,256	\$ 64,900	\$ 57,979
Average Invested Capital <sup>(1)</sup>	\$ 544,711	\$ 605,772	\$ 659,911	\$ 701,364	\$ 738,096	\$ 770,051	\$ 783,059	\$ 782,093
ROIC	7.9 %	8.5 %	8.5 %	9.4 %	9.7 %	9.1 %	8.3 %	7.4 %

(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.

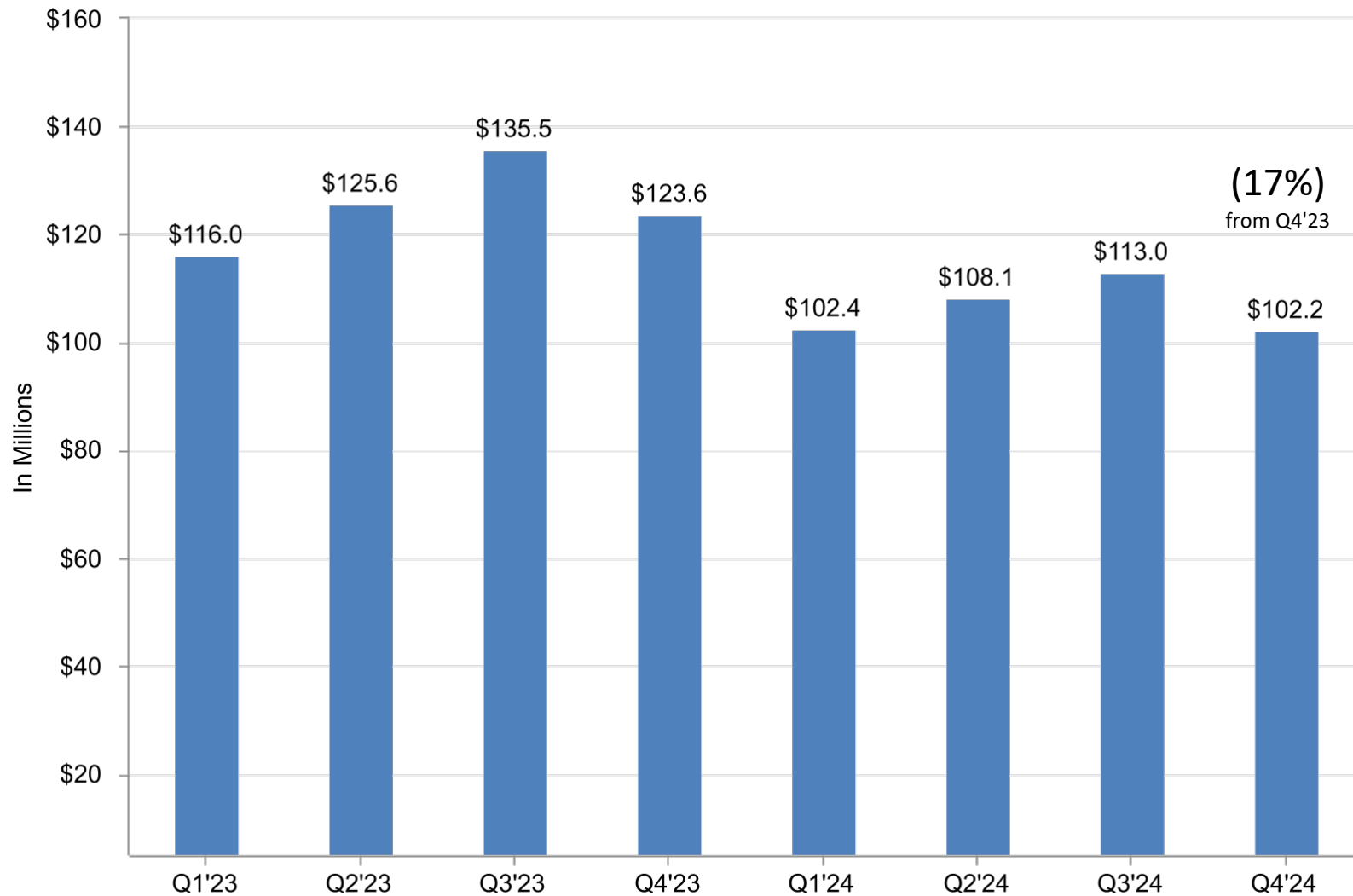


# Net Sales in Automotive <sup>(1)</sup>



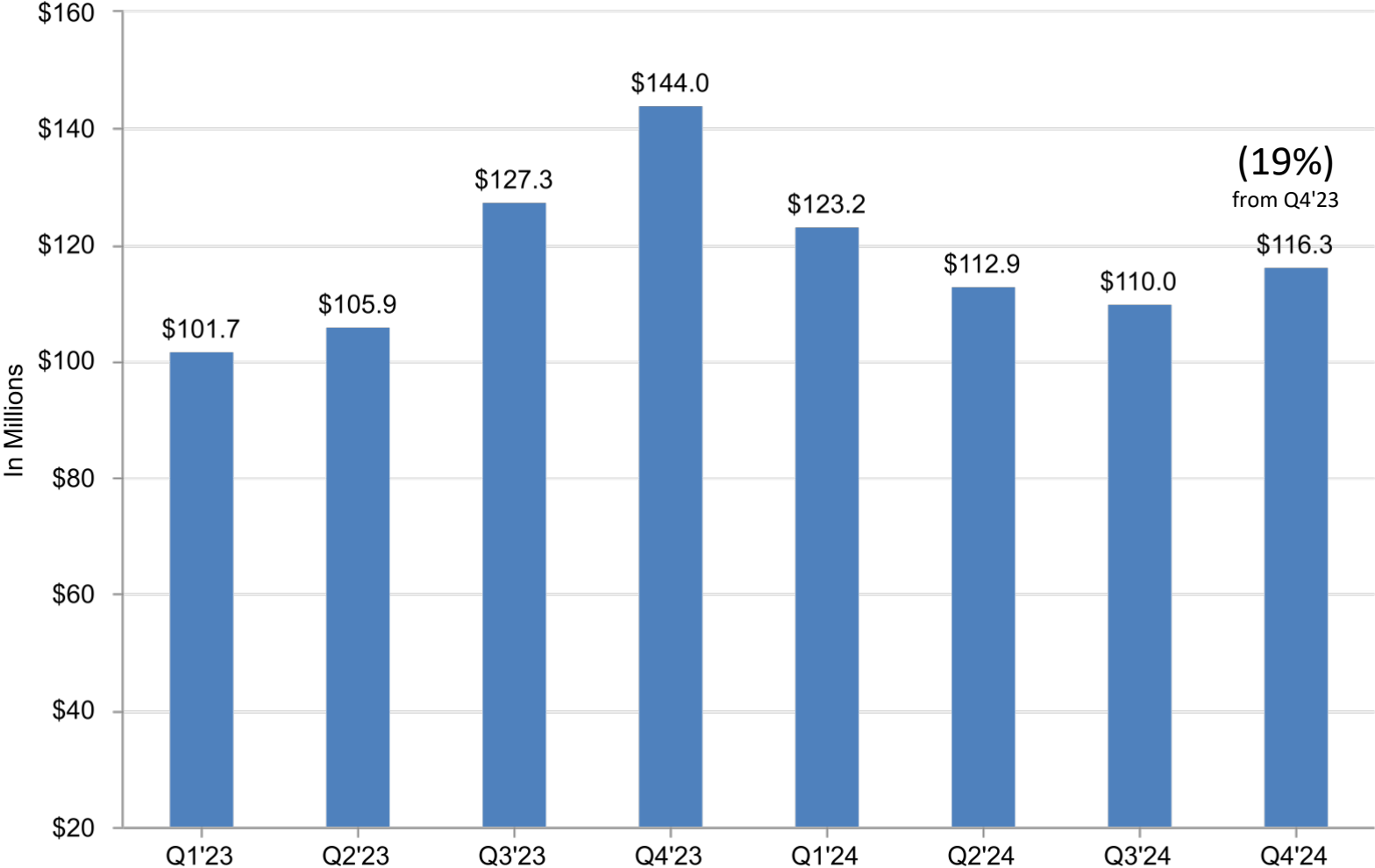
(1) Beginning in fiscal year 2024, miscellaneous sales previously reported in Other are now reported in the respective three end market verticals; all prior periods have been recast to conform to current period presentation

# Net Sales in Medical <sup>(1)</sup>



(1) Beginning in fiscal year 2024, miscellaneous sales previously reported in Other are now reported in the respective three end market verticals; all prior periods have been recast to conform to current period presentation

# Net Sales in Industrial <sup>(1)</sup>



(1) Beginning in fiscal year 2024, miscellaneous sales previously reported in Other are now reported in the respective three end market verticals; all prior periods have been recast to conform to current period presentation.