Kimball Electronics, Inc.
Strategic Update
July 1, 2026

Presenters
Ric Phillips - CEO
Jana Croom - CFO
Andy Regrut - VP, IR & Strategic Development, & Treasurer

Q&A Participants
Mike Crawford – B. Riley Securities
Jaeson Schmidt – Lake Street Capital Markets
Anja Soderstrom – Sidoti & Company

Operator
Good morning, ladies and gentlemen, and welcome to the Kimball Electronics Strategic Update Conference Call and Webcast. My name is Donna, and I will be the facilitator for today's event. All lines have been placed on a listen-only mode to prevent any background noise. After completion of the prepared remarks from the Kimball Electronics' leadership team, there will be a question and answer period. To ask a question, simply press star and one on your telephone keypad.

Today's call, July 1st, 2026, is being recorded. A replay will be available on the Investor Relations page of the Kimball Electronics website. At this time, I will turn the call over to Andy Regrut, Vice President, Investor Relations, Strategic Development and Treasurer. Mr. Regrut, please begin.

Andy Regrut
Thank you, and good morning, everyone. Welcome to our strategic update. We appreciate you joining us on short notice. With me here today is Ric Phillips, our Chief Executive Officer; and Jana Croom, Chief Financial Officer. We issued a press release earlier this morning announcing the acquisition of Helvoet Polymer Technologies, a wholly owned subsidiary of Hydratec Industries. To accompany today's discussion, a presentation has been posted to the Investor Relations page on our company website.

Before we get started, I'd like to remind you that we will be making forward-looking statements that involve risk and uncertainty and are subject to our Safe Harbor provisions as stated in our press release and SEC filings and that actual results can differ materially from the forward-looking statements. This morning, Ric will start the call with a few opening comments on the strategic fit of the acquisition. Jana will provide insights on the financial profile of Helvoet and discuss the terms of the transaction, and Ric will complete our prepared remarks before opening the lines for questions.

I'll now turn the call over to Ric.

Ric Phillips
Good morning, everyone, and thank you for joining us. As Andy noted, we are excited to announce that we have acquired Helvoet Polymer Technologies, a contract development and manufacturing organization, or CDMO, based in Europe and with operations in India, focused on microfluidics, diagnostics and drug delivery applications. The transaction was valued at a purchase price of 90 million euros, or approximately $103 million, which represents approximately 9x the expected adjusted EBITDA for Helvoet in calendar 2026.

This is another meaningful step in our journey to expand our CMO capabilities and strategically position the company with an increased presence and penetration in the medical industry. Over the past three years, we have made deliberate decisions that involve divesting noncore assets, streamlining our manufacturing network, strengthening our balance sheet and most notably, opening a new state-of-the-art facility in Indianapolis, exclusively focused on the medical CMO. These actions were not taken in isolation; they were part of an effort to focus on medical manufacturing opportunities and establish the foundation for a differentiated global medical CMO platform.

The acquisition of Helvoet is a direct extension of that strategy, a high-quality business with a strong leadership team at an attractive valuation. For some time, we have communicated our intention to expand our medical manufacturing capabilities with an acquisition strategy that would deepen relationships with leading health care customers and build a broader global footprint that is capable of supporting medical companies across the full product life cycle. Helvoet is a good start toward reaching those objectives while bringing additional capabilities that we believe will strengthen our competitive position for years to come.

Based in the Netherlands, Helvoet was founded in 1939 and has been operating most recently as a wholly owned subsidiary of Hydratec Industries, with manufacturing facilities in Tilburg, Netherlands and Pune, India. Approximately 70% of Helvoet revenue supports medical end markets, while the remainder is derived outside of medical, in areas such as food and beverage dosing and distribution and plastic injection molded parts for industrial and automotive applications. These products generate healthy margins and have supported ongoing investments to grow the medical business.

Under the leadership of CEO, Eveline Hogenkamp, Helvoet has established itself as a world-class provider of advanced medical manufacturing solutions that include highly automated micro molding and precision injected molding technologies that serve microfluidics, diagnostics and drug delivery, three areas that are among the most attractive and fastest-growing segments within health care, and where competitive differentiation can agree from engineering expertise, manufacturing precision and quality systems. What makes these markets particularly attractive

is that success is driven less by manufacturing scale and more by technical capability, aligning very well with the core competencies of Kimball.

For example, in microfluidics, product dimensions are measured in microns, where even minor variations can impact fluid flow, test accuracy and overall device performance. These products require specialized tooling, advanced process controls, highly automated manufacturing environments and deep materials expertise to consistently achieve the precision and repeatability that customers demand. The same is true across drug delivery applications, where reliability, consistency and regulatory compliance are critical given the direct impact these devices can have on patient outcomes.

As a result, customers prioritize proven engineering expertise, quality systems and long-term manufacturing partners over simply selecting the lowest cost supplier. These dynamics create higher barriers to entry, longer customer relationships and more durable revenue streams, which we find attractive. Helvoet has a blue-chip customer base that is highly complementary to our existing portfolio. We see meaningful opportunities to expand customer engagements, pursue larger and more complex programs and leverage the combined capabilities of the platform to support customers throughout the entire development and manufacturing life cycle.

Finally, the geographic footprint offers future growth potential with a strengthened presence in Europe, immediate access to the rapidly growing medical market in India and a clear pathway to accelerate growth to our facility in Indianapolis by providing Helvoet with a much needed manufacturing location in the United States. We believe this combination creates a real-time opportunity to leverage Helvoet's technologies, customer relationships and engineering expertise while utilizing Kimball's manufacturing capacity, operational infrastructure, commercial relationships and access to capital to support future growth.

I'll now turn the call over to Jana to provide additional insights on the financial profile of Helvoet and discuss terms of the transaction. Jana?

Jana Croom
Thank you, Ric. In calendar 2025, Helvoet revenue totaled approximately $56 million with an EBITDA margin rate in the mid-teens. Geographically, nearly 60% of revenue was shipped to customers in Europe and almost 40% to Asia, demonstrating the opportunity for future expansion, particularly in the United States. From a medical end market perspective, over 50% of revenue is derived from in vitro diagnostics, including diagnostics and microfluidic applications such as point-of-care testing cartridges, blood warming cartridges and blood filtration solutions. Approximately 10% of revenue comes from drug delivery, including disposable syringes, proprietary syringe technologies, inhalers, pen injectors and glucose monitoring solutions. These categories represent some of the most attractive segments within health care and align closely with our strategic priorities.

Customer concentration is manageable, with the top 10 customers representing approximately 70% of total revenue. Helvoet has maintained an average relationship tenure over 10 years, consistent with our focus on long-standing customer relationships. Based on our estimates for calendar 2026 and projections for future years, we believe this transaction will be accretive to our fiscal 2027 adjusted earnings with sales in the Kimball Medical vertical increasing in the low double-digit range. These dynamics create a unique opportunity to acquire a highly attractive medical manufacturing asset at a valuation below typical medical CDMO transaction multiples. At the same time, our existing customer relationships, manufacturing footprint and medical capabilities could further expand the medical portion of the combined businesses.

As Ric mentioned, the purchase price was 90 million euros, or approximately $103 million, excluding working capital adjustments, customary purchase price adjustments and transaction-related costs. We funded the acquisition through a combination of cash and available borrowing capacity on our existing line of credit. Our pro forma leverage profile remains consistent with the capital allocation priorities of the company. Overall, the transaction is strategically compelling, financially attractive and positions Kimball for long-term value creation.

I'll now turn the call back over to Ric for a few closing remarks. Ric?

Ric Phillips
Thanks, Jana. In closing, we are extremely excited about the opportunity ahead. We've been talking about our medical CMO strategy for quite some time, and we are pleased with the execution of our teams and partners to get this across the finish line. From a strategic standpoint, Helvoet possesses the characteristics we look for in an acquisition, a differentiated medical CDMO platform with expertise in material science, precision manufacturing, automation and customer development, an accretive expansion opportunity that deepens our presence in Europe, provides access to the emerging market in India and potentially accelerates growth in the U.S. by leveraging our facility in Indianapolis, meaningfully expands our exposure to highly attractive medical end markets such as microfluidics, diagnostics and drug delivery; a well-run operation with an excellent management team that brings approximately 85 years of combined industry experience; and finally, possible vertical integration sometime down the road as Helvoet currently outsources electronics manufacturing activities.

This transaction brings together two organizations that share a commitment to engineering excellence, operational quality, customer partnership and long-term value creation. We are extremely excited to welcome Helvoet to the Kimball family. Over time, we will rebrand the Tilburg and Pune facilities as Kimball Solutions, but this will occur at a measured and thoughtful pace. Our number one priority is to grow our medical CMO business by unlocking the synergies that exist between the organizations. And while today marks an important milestone, we view it as another step in the journey, not the destination.

Operator, we would now like to open the lines for questions.

Operator
Thank you. Ladies and gentlemen, analysts may ask a question at this time by simply pressing star, one, on the telephone keypad. You may remove yourself from the queue by pressing star, two, on your keypad. We ask that if you're using a speaker phone, you pick up the handset before pressing your questions.

Our first question today is coming from Mike Crawford of B. Riley Securities. Please go ahead.

Mike Crawford
Thank you. Was this a competitive transaction, or could you describe the process a little more in detail?

Jana Croom
Hey, Mike. Good morning. Yes, it was. They actually ran a process. They had sell-side representation and it was a competitive process, multiple bidders, both strategic and PE.

Mike Crawford
OK. And have you pursued similar processes in the recent future where you haven't won out, or are there any similar opportunities in your pipeline?

Jana Croom
So I'll answer both questions. First, we've been at this in terms of M&A opportunity, looking for the right strategic fit for some time now. I mean, we've been talking about this for probably the better part of two years. Was this the first acquisition we looked at, no. Have we been in other processes, yes. But we didn't lose out on anything at a price point that we felt badly about. So I'll just -- I'll say that.

Some of the best deals are the ones you don't do, because they, at some point, don't make sense. And in terms of future pipeline, it remains really strong. And so what we have said historically is what we intend to do, which is strategic tuck-in acquisitions over time that really create a thoughtful portfolio of assets for the medical CMO, CDMO business. So this is the first; it will likely not be the last.

Andy Regrut
Hey, Mike, this is Andy. We are very disciplined. I mean, disciplined in prior processes to know when to walk away, and disciplined in our screening. So we have a set out series of criteria, and we very much closely monitor how the target aligns with what we think we need in an acquisition.

Mike Crawford
OK. Thanks for that. And then just one final one from me is, how long do you expect it to take to port some of the IP and CDMO processes to your new facility in Indiana?

Jana Croom

We're going to start that process immediately. As a matter of fact, the Helvoet team has already been to our Indianapolis facility, and we'll have members from our Indy team over visiting Helvoet in short order immediately.

Andy Regrut
Yeah. They actually have a six-hour head start on us today. And after the local announcement started a customer outreach around the new ownership and around the opportunities for top line synergies. So that process has started.

Mike Crawford
All right. Thank you very much.

Operator
Again, ladies and gentlemen, that's star, one, for an analyst to ask a question. The next question is coming from Max Michaelis of Lake Street Capital Markets. Please go ahead.

Jaeson Schmidt
Hey, guys. Jaeson, on for Max. Congrats on the announcement this morning.

Jana Croom
Oh, thank God. We were like, we should send Max's wife a gift, OK.

Ric Phillips
Hey, Jaeson.

Jaeson Schmidt
Yeah, I appreciate you guys taking my questions. Just curious if you could provide some info on their growth rate and gross margin profile recently.

Jana Croom
Yeah, very attractive growth rate. They've been growing double digits, and we expect double-digit growth into the future on the top line. Gross margin is in keeping with what you would expect for a medical CDMO. So really robust gross margin rate, significantly higher than Kimball's, but in keeping with industry average for CDMO in my mind.

Andy Regrut
Yeah. And Jaeson, Eveline, the CEO, has very much executed a strategy that, in some ways, mirrors Kimball, in that when she joined the company three, four, or five years ago, she started to lean more and more into medical end markets and to reduce or divest nonmedical end market products. So she moved away from some food and beverage. She still has quite a bit, but she very much honed in on the best food and beverage opportunities to keep those in the portfolio, free up space and equipment for future medical opportunities, and that's reflected in the top line projections that Jana mentioned.

Jaeson Schmidt
Gotcha. That's really helpful. And I know you mentioned sort of the customer concentration, but curious if there are a couple kind of chunky programs that make up a large part of their revenue?

Jana Croom
Yeah, so their top customer represents less than 10% of their revenue, and the top 10 customers are about 70% of their revenue. We're really comfortable with the customer diversification, because, again, it's not just customers, it's also then programs within that customer. So very similar to Kimball, where you might have a customer like Nexteer that's our number one customer, representing 10% of our revenue, but it's made up of 18 different programs. Their profile is similar.

Jaeson Schmidt
OK. That makes sense. And last one for me, and I'll jump back into queue. Just curious if you could expand a bit more on your comments about pursuing larger and more complex programs now that they're under the Kimball umbrella. Can you just talk about sort of the confidence? And have you already sort of targeted some customers where this could be possible?

Ric Phillips
Yes, and good to have you on, Jaeson. We have. So one of the things that we know that Kimball will bring to the opportunity is funding capital in order to go after larger programs. Just given the size of Helvoet, we understand that there were some opportunities in the past that were more difficult to pursue, and we're very eager to invest in those kinds of programs.

So we did have the opportunities, as is customary to have sort of high-level discussions during the process, with some of Helvoet's largest customers. And we were really encouraged with not only the reputation of Helvoet and the long-term relationships and partnerships that they've had with those customers, but with their excitement about the combination of the two companies. So yeah, it's priority number one for us to go after these customer synergies and, as Jana said earlier, that work is starting now.

Jaeson Schmidt
Gotcha. that's good to hear. Thanks again, guys.

Jana Croom
Thanks, Jaeson.

Operator
Thank you. Once again, that is star, one, to register a question at this time. Our next question is coming from Anja Soderstrom of Sidoti & Company. Please go ahead.

Anja Soderstrom
Hi, and thank you for taking my questions and congratulations on what seems like a good acquisition. So I'm just curious, what do you think motivated Hydratec Industries to divest Helvoet?

Jana Croom
That's a good question. So Hydratec did a fair amount of strategic streamlining of their own. They actually sold off not just this business, but another similarly situated asset, so that they could focus on the core of their business. It is, again, very much akin to when we sold off our automated test and measurement business a year ago, really great business, but just wasn't center plate strategy for what we wanted to do. And so we're really happy to have Helvoet as part of our strategic portfolio.

Anja Soderstrom
And how did you come across it? How did they get in front of you?

Andy Regrut
We actually received an inquiry from the sell-side representation. And it's a company that we had known, so it wasn't a cold call, but they reached out with the opportunity when it was entering market, to test our level of interest. That was well over six months ago. So we've been talking about this for some time. And we just -- as we went through our due diligence, just found an awful lot of synergies, an awful lot of alignment with what was important from an acquisition perspective from our side.

Anja Soderstrom
Oh, OK. Thank you. And what kind of customer overlap do they have with you? And what sort of cross-selling opportunities do you have with what you already have in your portfolio with the customers that you're acquiring?

Ric Phillips
Yeah, great question. We were excited as we worked through and understood, as Andy said, in the diligence of their customer list. It's actually quite complementary. So we both have blue-chip customers. We have very little overlap of those customers. So we expect it to be additive and for there to be, again, more growth opportunities that we can help fund with those customers. And we're excited to leverage the additions now to our footprint with the additional capacity and capability in Europe as well as the fast-growing market in India.

Anja Soderstrom
And talking about India and the India facility that you're also are getting in this deal, how do you see yourself benefit from that?

Jana Croom

Well, India is a great low-cost region to operate in. So if you think about that for customers and the demand there. Also, if you look at the demand for medical devices and products in the country, the demand is significant and growing, and so we are really excited about that opportunity. They need, as Ric alluded to, some capital to unlock growth there. We're going to be investing in that and supporting the Helvoet leadership team there. It's a great opportunity for growth.

Anja Soderstrom
OK. Thank you. And then also you mentioned about 30% of their revenue is not related to medical customers. How does that fit into the rest of your portfolio?

Jana Croom
So I chuckle a little bit because, surprisingly, it fits into the other two verticals that we have quite well. So no issues there. I mean, really, when you look at this opportunity from a vertical integration standpoint in terms of outside of medical, great, great strategic fit.

Anja Soderstrom
OK. And you are planning on holding this into the verticals you're already reporting, or are you going to report this separately?

Jana Croom
Still working through that. But in terms of just revenue distribution, we'll fold them into the verticals. But we'll also be giving you color on how this acquisition is performing specifically as a whole because we know that you're going to want that for modeling purposes. So we'll give you both.

Anja Soderstrom
OK. And one last one. I don't know, maybe I missed this, but when is this expected to be closed or --

Jana Croom
Today

Ric Phillips
It's closed.

Anja Soderstrom
OK. So done and done, huh? Well, congratulations. Looking forward to following it. Thank you.

Ric Phillips
Thanks, Anja.

Operator

Thank you. Ladies and gentlemen, this concludes today's question and answer session. A replay of this event can be accessed via the live webcast link or via phone replay by dialing (877) 660-6853 or (201) 612-7415. When prompted, enter ID 13761318 followed by the pound sign. The phone replay will be available for two weeks, and the webcast archive will be available for six months. Both options will be available in approximately one hour.

This concludes today's event. You may disconnect your lines and log off the webcast at this time. Thank you for your interest in Kimball Electronics. Enjoy the rest of your day.