



Kimball Electronics, Inc.

Second Quarter Fiscal 2022 Conference Call

February 8, 2022

CORPORATE PARTICIPANTS

Donald Charron, *Chairman and Chief Executive Officer*

Jana Croom, *Vice President and Chief Financial Officer*

Andy Regrut, *Head of Investor Relations*

CONFERENCE CALL PARTICIPANTS

Anja Soderstrom, *Sidoti & Co.*

Mike Morales, *Walthausen & Co.*

PRESENTATION

Operator

Good morning ladies and gentlemen. Welcome to the Kimball Electronics Second Quarter Fiscal 2022 Earnings Conference Call. My name is Victoria and I will be your facilitator for today's call.

After the completion of the prepared remarks from the Kimball Electronics' Leadership Team, there will be a question-and-answer period.

Today's call, February 8, 2022 is being recorded. A replay of the call will be available on the Investor Relations page of the Kimball Electronics website.

At this time, I would like to turn the call over to Andy Regrut, Head of Investor Relations. Mr. Regrut, you may begin.

Andy Regrut

Thank you Victoria, and good morning everyone. Welcome to our second quarter conference call.

With me here today is Don Charron, our Chairman and CEO, and Jana Croom, Vice President and Chief Financial Officer.

We issued a press release yesterday afternoon with our results for the second quarter of Fiscal 2022. To accompany today's call, 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 forward-looking statements. All commentary today is focused on adjusted non-GAAP results. Reconciliations of GAAP to non-GAAP amounts are available in our press release.

This morning Don will start the call with a few opening comments, Jana will review the financial results for the quarter and guidance for Fiscal 2022, and Don will complete our prepared remarks before taking your questions.

I'll now turn the call over to Don.

Donald Charron

Thanks Andy, and good morning everyone.

Q2 was another hard-fought quarter for our Company as global supply chain issues stemming from the COVID-19 pandemic persisted and adversely impacted our results. Component shortages continued to make it extremely challenging to obtain the materials needed to support customer demand. While conditions improved modestly in December with sales accelerating, the loss absorption was significant once again this quarter as we remain committed to retaining our highly skilled workforce in anticipation of a strong second half to the fiscal year.

We continue to be well positioned with record levels of backlog and we are reiterating our sales guidance for Fiscal Year 2022, although we expect to finish the year at the lower end of the range. We are revising our operating income margin guidance to reflect the difficult first half and our outlook for the balance of the fiscal year.

Our manufacturing facilities worldwide have been ramping up production with the expectation of running several lines at maximum capacity in the months and quarters to come. In many instances we are the single source supplier for our customers, so they share our eagerness for conditions to normalize so that we can both deliver on our contractual agreements. We believe transparency builds trust, and I am proud to report our teams have faced these unprecedented times head-on with customer collaboration at levels even higher than our award-winning norm.

The partnerships we form through this collaboration often lead to new opportunities, and I'm excited to announce our plans to expand the facility in Poznan, Poland. This is our third facility expansion in the last 15 months and is representative of our high level of success in winning new business. Similar to Thailand and Mexico, the additional capacity is needed for programs with new and existing customers. We expect the expansion in Poznan to add approximately 40% to existing production square footage and we will leverage our team in Poland to support our customers based in Europe when the expansion is completed in early Fiscal Year 2024.

We are updating our guidance for capital expenditures in Fiscal Year 2022, which will include early investments in Poznan and additional capital related to a major win with a longstanding customer whose next generation electronic braking system will support one of the most popular vehicles in the world. This investment is incremental to the current facility expansion in Reynosa and, similar to Poland, reflects the success we're experiencing in new business development activities.

With the expansions in Thailand, Mexico, and Poland, we will expand our square footage and capabilities to support growth potential in excess of \$2 billion of annual revenue. This is critical as we look at the strength of our funnel and newly awarded programs.

While we are disappointed in the first half, an outcome driven by the material shortages and the resulting lower forecast for operating income in Fiscal Year 2022, we fully anticipate returning to an annual run rate for operating income levels in a range of 4.5% to 5% of net sales as the supply chain normalizes. In fact, we expect our second half to ramp up significantly throughout the period with a very strong finish to the fiscal year and operating income above that range as we work down the backlog of orders.

Turning back to the results for the second quarter, net sales were down 2% versus Q2 of last year, and while three of four vertical markets reported increases year over year, it was not enough to offset automotive, which was down 8% in the quarter when compared to the record sales level of Q2 last year. This represents the first quarterly decline in automotive in over a year, with the shortage of semiconductors largely responsible for the shortfall. The impact of the pandemic on this industry has been well publicized with an estimated seven million vehicles worldwide cut from production in Calendar Year 2021.

While consumer demand exceeded the resulting limited supply, OEMs are forecasting double-digit growth as the industry looks to recover and consumers are becoming increasingly more accustomed to longer lead times and higher sticker prices. These new industry dynamics combined with the megatrend to add electronic content to vehicles through advanced technologies and expanded operating systems represent a meaningful organic growth opportunity for the automotive vertical market in the years to come.

As a reminder, many of the new applications that we support are largely the same for both electric and internal combustion engines, and the stringent production standards in the automotive industry align very well with our core manufacturing competencies.

Sales in the medical vertical market increased 3% in Q2, a welcomed rebound to a business that has experienced ebbs and flows throughout the pandemic. The increase this quarter was driven by the launch and ramp-up of new products. Longer term, we remain very positive on the growth opportunities in our medical business with megatrends in the healthcare industry providing an excellent set-up. This includes an aging population, increasing access and affordability to care, decreasing device sizes, and connected drug delivery systems.

Additionally, our focus on medical markets, as demonstrated by the launch of Kimball Medical Solutions, should continue to drive growth in the medical vertical, supporting our goal of 30% of our revenue coming from this space.

The industrial vertical market also finished the second quarter with sales increasing, up 6%. Similar to medical, we're glad to see industrial show some early signs of bouncing back from today's challenging operating environment. This is an encouraging step toward returning to growth in this business, which we commonly refer to as green and clean.

Climate control, smart metering, and new customer additions drove the increase in Q2 and represent the longer-term growth opportunities as individual awareness of consumption and ultimately conservation of water, gas, and electricity increases in popularity in Europe and eventually the U.S.

Finally, sales in public safety were \$10.8 million, a 3% increase compared to the second quarter of last year.

In summary, a challenging quarter with very good work from our team in tough conditions. We are seeing signs of improvement as evidenced by the higher level of sales in Q2 compared to Q1, an 8% increase, with December being the best month.

I'll now turn the call over to Jana to discuss Q2 results in more detail. She will also review our updated guidance for Fiscal Year 2022. Jana?

Jana Croom

Thanks Don, and good morning everyone.

Net sales in the second quarter were \$315.3 million, a 2% decrease compared to \$320.6 million in Q2 last year. Foreign exchange rates had a negligible impact on sales in the quarter. Our gross margin rate in Q2 was 6.6%, a 270-basis point decrease from the second quarter of last year. Similar to Q1, the decline was driven by lower year-over-year volumes and the resulting loss absorption that Don mentioned in his opening comments: higher material costs, increased freight, and higher wage inflation and other labor costs.

This was partially offset by lower profit-sharing bonus expense and lower depreciation resulting from a change in the estimated useful lives on surface mount technology production equipment.

Adjusted selling and administrative expense were \$315.5 million or 4.3% of net sales in the second quarter. This compares to adjusted selling and administrative expense in the second quarter of last year of \$12.7 million or 4% of net sales. The increase was primarily due to non-recurring charges of roughly \$1 million related to executive succession planning.

Adjusted operating income for the second quarter was \$7.3 million or 2.3% of net sales. This compares to operating income of \$17 million or 5.3% of net sales in the second quarter of Fiscal 2021, with the decrease resulting from lower sales volume and the corresponding loss absorption.

Other income and expense was expense of \$0.2 million in the second quarter, which compares to income of \$2.4 million in Q2 of Fiscal 2021. This change was mainly due to the impact of FX gain/loss due to foreign currency remeasurements.

The effective tax rate in Q2 was 23.7% compared to an effective tax rate of 19% in the second quarter of Fiscal 2021, the increase resulting from a favorable mix of earnings last year in jurisdictions with tax rates lower than the U.S.

Adjusted net income in the second quarter of Fiscal 2022 was \$5.1 million or \$0.20 per diluted share, compared to adjusted net income in Q2 last year of \$15.2 million or \$0.60 per diluted share.

Now turning to the balance sheet, cash and cash equivalents at December 31, 2021 were \$56.7 million, and cash flow used for operating activities during Q2 was \$48.3 million. Cash conversion days for the quarter were 81 days, up from 75 days in the second quarter last year.

Inventory has increased over \$40 million in the quarter and over \$100 million year-to-date. This increase is a result of purchasing materials that are needed and available today so that we can quickly fill customer orders when parts impacted by the component shortage are received.

There is a notable correlation between this inventory build and the absorption rate, which adversely impacted our OI margin for the quarter. When the parts shortage abates and we work down the backlog of open orders, we will likely see inventory levels normalize.

Capital expenditures in the second quarter were \$15.1 million, largely in support of our facility expansions in Thailand and Mexico and to support new business awards.

Borrowings on our credit facility at December 31, 2021 were \$103 million, compared to \$86.1 million at December 31, 2020, and \$72.6 million at September 30, 2021. Our short-term liquidity available, represented as cash and cash equivalents plus the unused amount of our credit facility, totaled \$119.5 million at December 31, 2021.

There were no shares repurchased in the second quarter of Fiscal Year 2022; however, as we look at our balance sheet and current capital allocation opportunities, we believe share repurchase continues to be an effective use of our capital, especially given the recent share price. Since October 2015 under our Board-authorized share repurchase program, a total of \$79.7 million was returned to our shareowners by purchasing 5.3 million shares of our common stock. We have \$20.3 million remaining on the repurchase program available for deployment.

As Don highlighted, we are reiterating our sales guidance for Fiscal Year 2022, although we currently expect to finish the year at the lower end of our range of \$1.4 billion to \$1.5 billion. Operating income margin is expected to be 3.75% to 4.25% of net sales. This compares to our original guidance of 4.5% to 5% of net sales. As Don stated earlier, longer term we expect 4.5% to 5% OI margins.

We are also updating our guidance for capital expenditures for Fiscal Year 2022 to a range of \$70 million to \$80 million, compared to our original guidance of \$60 million to \$70 million. This update includes the facility expansions in Thailand and Mexico and early investment in Poland, as well as the additional investment to support the new product wins which we referenced earlier.

I'll now turn the call back over to Don.

Donald Charron

Thanks, Jana. Before we open the lines for questions, I'd like to share a few thoughts in closing.

The first half of Fiscal Year 2022 was not for the faint of heart, with the ongoing pandemic, global supply chain issues, parts shortages, and rising costs creating an operating environment unlike any other in my career, but as I highlighted in my opening comments, our team has confronted these tough conditions head-on and we are forecasting a strong second half to the fiscal year.

With our backlog of open orders at record levels, up approximately 78% year-over-year, we expect the strength to continue into Fiscal Year 2023 as the parts shortage continues to improve.

During these unprecedented times, we've also been very successful in winning new business, which contributed to today's announcement of the facility expansion in Poland. We expect these investments will strengthen and add new capabilities to our package of value as a multifaceted manufacturing solutions provider and as we look to grow our business and approach the \$2 billion revenue milestone in the coming years.

I'm also pleased to share that one of those expansions, the facility in Thailand, is complete and we recently celebrated the grand opening with a ribbon-cutting ceremony. The \$8 million project was completed on time and on budget and will add capacity and throughput to the second half of Fiscal Year 2022.

From a macro perspective, conditions are improving but very slowly. Sales volumes are building, with December representing the best month of Q2, and while we expect this trend to continue, we run our business for the long term and have made decisions to ensure stability in our workforce so that when the disruptions abate and conditions normalize, and eventually they will, we will be in a position of strength to support our customers and a solid funnel of new awards.

Throughout this period, we have never lost sight that the health and safety of our people is our number one priority. We continuously monitor our protocols to ensure they evolve as new complexities from COVID-19 emerge, and I'm so proud of our team and their passion for doing the right thing.

This is highlighted in our ESG report for 2021, which was recently published and is available on our corporate website. The report demonstrates how our Company has enhanced transparency regarding our policies, statements, and goals in human rights, supply chain transparency, occupational health and safety, diversity and inclusion, progress on environmental stewardship, and good governance. We are truly focused on creating quality for life.

With that, I'd like to open the lines for questions. Victoria, do we have any analysts with questions in the queue?

Operator

Thank you, Don.

Our first question comes from Anja Soderstrom from Sidoti. Please go ahead. Your line is open.

Anja Soderstrom

Hi, and thank you for taking my questions. My first question is going to be about the improvement you saw in December in the supply constraints. How has that been trending since then, and how confident are you in your second half outlook? It seems, like some other players, I think it's going to be a little more prolonged, the challenging environment throughout the calendar year.

Donald Charron

Well, Anja, it's definitely dynamic, that's for sure. I think when the Omicron variant started to spread through our supply chain and our supply base, I think we did see a loss of momentum in the recovery work and lost a little wind that was developing in our sales to get to more of a confident position in terms of determining our outlook. I would say that the Omicron variant, though, was disruptive in a much shorter period of time and didn't last as long as certainly the Delta variant did.

We're obviously cautiously optimistic about the outlook. We definitely see some signs of recovery, but this isn't something that's going to get better overnight. We think it's going to be a gradual improvement over a long period of time, certainly the rest of the calendar year, but some component categories already are showing some signs of improvement.

That's encouraging, but the outlook is still—it's still difficult to say with confidence what the outlook will be. Certainly it's looking better than it has in recent periods just because we feel like we're on the other side of the Omicron variant spread and things are getting better again.

I think our confidence in being able to talk about holding the lower end of our revenue guidance is really based on what we think is a pretty realistic view of the component recovery that we expect to happen during this quarter, this quarter being the third quarter of Fiscal Year 2022, and the fourth quarter of Fiscal Year 2022.

Anja Soderstrom

Okay, thank you. Then, Jana, you mentioned higher materials costs and increased wages, but aren't you able to pass those on or is there a lag in that, and how do you see that developing?

Jana Croom

We are able to recover higher material costs typically if the bill of materials is directed by our customers, but it's not an immediate recovery, and so typically there is some lag, although we're working diligently with our customers for that.

Wage inflation, I will say though is a partnership and it's really incumbent upon us as a Company to continue to pursue automation and efficiencies to make sure that we are controlling that cost as part of our gross margin.

Anja Soderstrom

Thank you, and then—sorry?

Donald Charron

No, go ahead, Anja.

Anja Soderstrom

Okay, and then it seems like you're winning a lot of new business too on top of the backlog you have. How would you bucket your pipeline or backlog in terms of what's backordered and what's new business wins?

Donald Charron

Yes, I would say that the growth in inventory from the start of this fiscal year, which is \$104 million, I think is a proxy to how much backlog that we couldn't ship because of the component shortages. I'd say it's a proxy - it's not an exact number because there is some ramp-up material in that inventory growth number, but it's a proxy to look at wow, okay, we grew inventory about \$104 million since the start of the fiscal year, that's a lot of inventory, let's call it a dollar waiting on a dime, so that we can build it, convert it, ship it to our customers. That would give you a little bit of a sense for what the size of the order backlog is that's really related to component shortages.

In terms of our outlook, talking about holding the \$1.4 billion number, that's obviously going to mean that we've got to ship somewhere around \$800 million in the second half, ramping up through Q3 and finishing strong, as we said earlier, in Q4, and in that ramp-up there's not only recovery of the backlog but we're starting to ramp up brand-new programs, as we mentioned the next generation braking program which is a new win for us.

There is definitely some new product introductions that are ramping between now and the end of this fiscal year, and the parts shortages also impact us there, so I think as we talk about moving the Company towards the next milestone of \$2 billion in annual sales, we'll be providing some updates later, maybe at the end of the fiscal year more appropriately, when we see some of that start to materialize for us.

It is a part of our story that is really exciting. I mean, we have been very successful winning new business, and so our order backlog really is a story of two things: backlog that we should have already shipped, but also order backlog that's new business that's been awarded.

Anja Soderstrom

Yes, and that was actually going to be my last question about the expansion. It's very encouraging to see that you are already planning your third expansion in such a short time, so you must have a very good momentum in your business wins. Do you see most of that coming from existing customers or do you have new ones coming on board? Can you talk a little bit about the sales momentum you have?

Donald Charron

Yes, it's definitely both, Anja. The new awards are coming from existing customers and new customers, so it's exciting to have both parts of our funnel hitting on all cylinders, so to speak, but we've been very successful growing our business with longstanding customers who I think even—we've become even a greater trusted partner to them during this pandemic, and so I think awarding business to us was the natural thing for them to do, thinking about our performance over a long period of time and just looking and watching, observing our team stepping it up during this pandemic, and so that's very encouraging to see.

We've also landed brand-new customers, brand new to the Kimball portfolio that are ramping. That is also very exciting for us. We're always looking to add new customers to the portfolio, and we're very focused, and the developments for these customers takes years, not months, so when we're landing new customers, that work started in most cases two to three years prior to that, and longer in some cases, so it's very encouraging to see us winning this new business during the pandemic at a rate that's very exciting for us.

Anja Soderstrom

Okay, and just one follow-up on that. Are you also winning business from other competitors, so that are moving over to you or is it brand-new programs?

Donald Charron

Yes, you know, that's hard for us to see in all cases. Obviously every time we win a new piece of business, there's at least a couple of other competitors working pretty hard to win that same piece of business, so I guess just by nature of the beast, we're winning business that our competitors are losing. I don't know that we could point to a big shift in market share during this period. I think it will take a few years to see how that unfolds.

Bear in mind, our focus on our foreign market verticals kind of makes us unique in that regard, because we're really not in the rest of the market, if you will, the EMS market that's tied to consumer communication or computer-based products, but I do think we're very solid, and as I said, every time we win a piece of business, we won that competition against at least two other competitors in the space, which is great news for us and our team.

Anja Soderstrom

Okay, thank you. That was all for me. I'm looking forward to seeing you at your conference in March.

Donald Charron

Yes, likewise, Anja. Likewise.

Operator

Thank you, Anja, for your question.

Our next question comes from Mike Morales from Walthausen & Co. Mr. Morales, please go ahead.

Mike Morales

Hey, good morning Don, Jana, and Andy. Thank you for taking my questions.

Jana Croom

Morning, Mike.

Mike Morales

Hey, so to maybe clarify at the outset, is that auto contract win that you mentioned, is that going to begin in 2024 with the expansion of the Poland facility, or will it begin sooner than that? Just trying to get a sense of when we might see the start-up margin effect on that.

Donald Charron

Yes, sorry we weren't as clear as we should have been there, Mike. That program actually is ramping in the second half of this fiscal year. It's not tied to the Poland expansion, it's tied to the Mexico expansion, so maybe that—I guess we've got three expansions going on and they all have new business driving into them, Mike, as you know, but I should have made it clearer, that next generation braking win is tied to the Mexico expansion.

We do pursue similar products and applications in Europe, but just to be clear on that point, it ramps in the second half of our fiscal year and it's tied to a different expansion than Poland.

Mike Morales

That's really helpful, Don, and I appreciate that clarity.

So maybe if you'll allow me to speculate a little bit, was this maybe a case where, like you said, Don, the conversations take years here, and with a facility as full as Mexico was, sometimes it can be hard to actually sign that contract before the customer can see where their program is going to go. Is that similar to maybe what you saw here with this contract and why it's being announced now, knowing that the expansion is already underway?

Donald Charron

Yes, yes. There's no doubt, Mike. I think in maybe a previous call or the call before even the last one, I mentioned that it's difficult to sell into a full facility when a customer really can't see any available floor space for their program. By the same token, for us it's hard to make these large capital expenditures when you're not sure you're going to get the business, so it is a test of the partnership and the collaboration with the customer.

I would say in this case, a longstanding customer who's known us well for several decades, that conversation gets to the point rather quickly, but they are tied together and it's the same for what we're doing in Thailand and what we're starting to do in Poland. Those factories, Thailand, and Poland, were

also just very highly utilized. The square footage utilization was, let's just say in the 90%-plus range, hard to see any white space on the floor, so we think we timed them very well.

It seems like it's risky to be doing three facility expansions during this pandemic, but frankly we've really studied the business case for each one and that business case obviously includes the growth coming from the customers, both existing and new, and we feel like we've really got well-constructed business cases for all three of those expansions.

Mike Morales

That's helpful, and it's good to see it materialize.

Maybe thinking about the—like you said, Don, the conversations taking years here, certainly a conversation that began about a project like this three years ago is going to be very different from the discussions that you're having six months ago with how the world has changed.

Have you seen your customers, maybe their propensity to utilize a certain facility or a certain geography, has that shifted to wanting to spread that around to other facilities? For example if somebody wanted to use Mexico a lot in the past, would they now be more willing to have some of that in Poland, some of that in Mexico, some of that in Thailand?

Donald Charron

No, that's probably less likely, Mike. I think what we are seeing is much of the same trends that existed even before the pandemic, that it's really our customers' preferences have evolved to an in-region solution, so they would be less likely to put business in a plant that's not in the region. It's Europe for Europe, North America for North America, and China for China - those are the big market centers, if you will, that we serve.

Then there are options to have—you know, in our case a plant like Thailand, which is primarily an export facility, and we have customers that are willing to have that lengthy supply chain geographically, so to speak, and time zones. They're willing to have that for the benefits that that facility provides, and certainly that's the case for us in Thailand.

Pretty much everything we produce in Thailand ships somewhere else in the world, primarily back to North America, whereas if you look at our Mexico facility, Poland or Romania, most of what they produce stays in the region, Mexico for North America and yes, I would say Europe, both Poland and Romania in a similar fashion are primarily servicing customers and plants upstream in Europe.

Mike Morales

Understood. Don, maybe switching gears a little bit to GES, and particularly on the semiconductor markets that they serve, I think we've seen over time the demand backdrop and visibility there seems to be very strong, and now we're hearing more about efforts like the EU has taken to increase their domestic manufacturing capacity. All of that said, can you talk to GES' performance recently and maybe how the sales pipeline has sort of evolved with this backdrop of strength that we have?

Donald Charron

Yes, well the semiconductor capital equipment space is an area that we've been working pretty hard from an overall business development standpoint, pretty much ever since we acquired the Company three years ago, so we've been at that pretty hard. The pandemic hasn't helped us at all as we look to

collaborate with various different customers in that space with new ideas and new technologies to solve their problems, provide solutions in the spaces where they operate, but we are gaining traction in our semiconductor business development and that's a long cycle as well.

As you know, there's a lot of capital flowing into the semiconductor space right now with capital expansions planned by almost all the majors, and, yes, we look to participate in that investment cycle, which looks like maybe it could last three to five years, so we know the experts and the analysts are thinking it's going to be quite a boom cycle just given the overall semiconductor shortage, so we want to participate there.

The business as we bought it was primarily focused on the manufacturing tools for smart mobile devices, and so that continues to be part of the growth story that we have with GES. We're working hard to grow that business, grow it out of its seasonality. That's been one of the challenges we've had ever since we acquired the Company, is it has a strong seasonality towards our fourth quarter of the fiscal year, and we've talked about that in the past, as you know, in these calls, but I think overall, we feel like we're well positioned with that business unit, especially as we get more traction in diversifying into the semiconductor Capex market.

Mike Morales

Great, and lastly from me, with all the growth expected in auto and the strong backlog that you mentioned, Kimball Medical Solutions, certainly the implication there is that it will have to generate some nice growth moving forward in order to remain around that target of 30% of sales.

I guess the first question is now that we're over the peak of Omicron, hopefully, have you seen elective procedures and programs tied to that sort of rebound as expected, and then can you speak to any additional growth opportunities or areas that you're excited about there?

Thanks for taking the questions.

Donald Charron

You bet. Yes, Mike, the short answer is yes. We're seeing these elective procedures, scheduled procedures coming back, and the customers we serve in that space are very bullish about the growth outlook there, just the backlog that was created by the pandemic, and of course all of them wanting to gain market share as they recover the backlog, as the industry let's say recovers the backlog.

Our medical DCMS, our diversified contract manufacturing services, really is where that excitement starts to show as we think about—and this would be the former Medivative acquisition we did five years ago. We are servicing some market leaders in that business unit in this space, and they're leaders that have innovative products that we were awarded in some cases several years ago, but the pandemic just paused the launches altogether.

So we're really excited about those instruments, producing those instruments that have been really slowed by the pandemic because of the care priorities changing. We're excited about that part of our business, and we continue to win traditional EMS business in the medical space that we're really excited about as well, not so much tied to elective procedures per se in the backlog recovery there, but just continuing to win new business with long-time customers that I know you know well.

Again, I said it earlier, I'd just try to say it and be a bit more clear, I really think during this time, which has been really a tough time for all of us the past couple years, I really think our customers have appreciated us even more through all of this, and we've been trusted partners for a long time and they've had

experiences maybe with other supply partners that during the pandemic maybe got a little bit rocky or rough.

I just think the way our teams have performed around the world and really sticking to it, being in the fight, and doing everything we can to solve these problems for our customers, it's much appreciated. I hear it over and over again from the executives of our customers telling me this, and so I know that's had an impact on their willingness to award us new business, just because they're so confident in us as a trusted partner.

We're winning across the board, our core EMS business leading the way, but there's some really exciting stuff coming for our medical DCMS services as well.

Mike Morales

I appreciate all the insight. Thank you folks.

Donald Charron

Thanks, Mike.

Operator

Thank you, Mike, for your question.

At this time, there are no further questions. I'd like to pass back over to Don Charron for any final remarks.

Donald Charron

Thank you, Victoria.

That brings us to the end of today's call. We appreciate your interest and look forward to speaking with you in the near future. If you have any questions in the interim, please feel free to reach out to Andy. Have a good day.

Operator

At this time, listeners may simply hang up to disconnect from the call. Thank you and have a nice day.