First Quarter Fiscal 2024 Results

Quarter Ended September 30, 2023

Supplementary Information to the November 7, 2023, Earnings Conference Call & Webcast

Safe Harbor Statement

Certain statements contained within this supplementary information, including our fiscal year 2024 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 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

- Opening comments
- Financial results for the first quarter
- Guidance for fiscal year 2024
- Closing comments
- Q&A



Ric Phillips
CEO



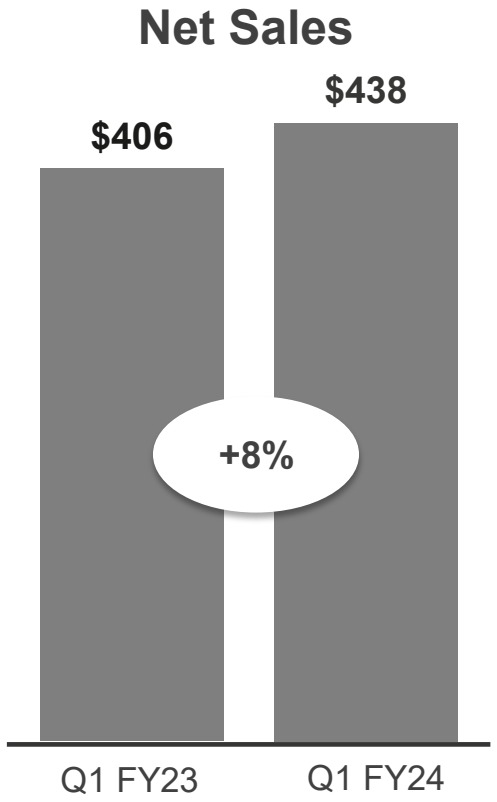
Jana Croom
CFO

Q1 was a strong start to the fiscal year…

- Record first quarter sales and operating income
- Year-over-year margin expansion
- 13% growth in net income
- These results were in line with our expectations
- Guidance for the full year of fiscal 2024 has been updated

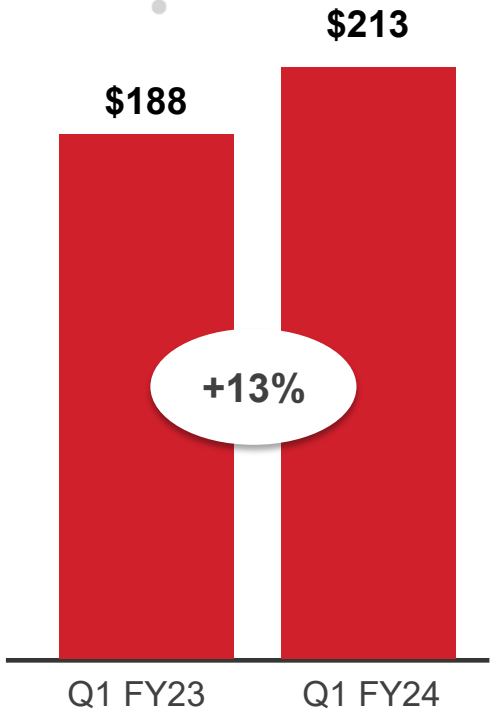
Net sales in Q1 totaled $438 million…

- +8% increase compared to the first quarter last year
- Foreign exchange had a 1% favorable impact on sales in Q1
- Two of three vertical markets posted double-digit growth



Automotive is our largest business…

Net Sales

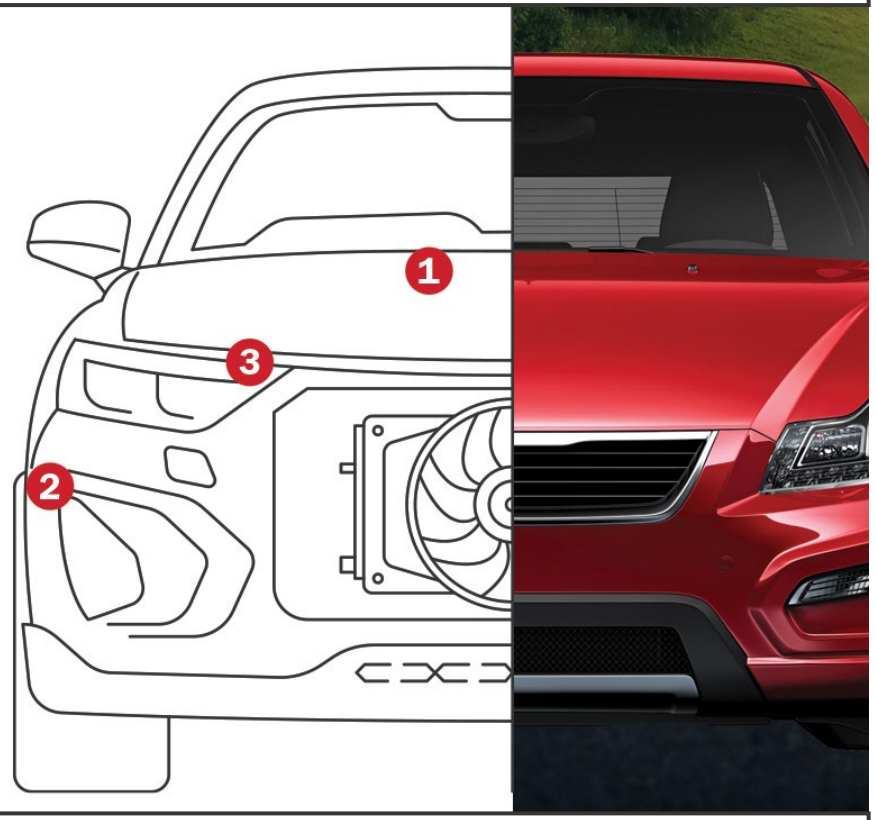




** Percent of total sales*

Q1 results not materially impacted by the UAW strike

Applications



1 Steering 2 Braking 3 Sensoring & Safety Control

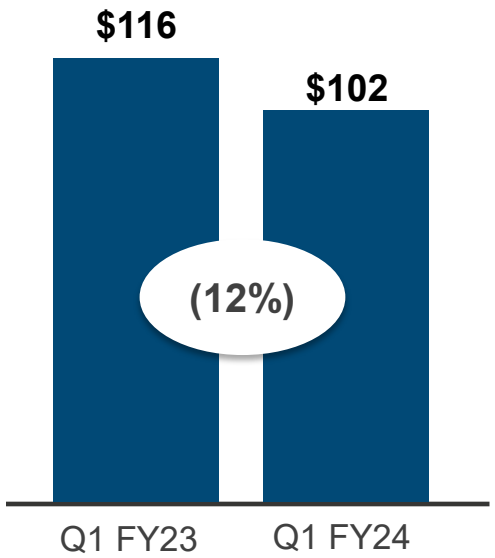
Growing as our customers grow…

- Kimball Electronics awarded a new multiyear program by the ZF Group
- Electronic power steering
- Work to commence in calendar 2025 at our facilities in Poland and China
- Strategic partnership between the companies dates back to our early beginnings in Automotive
- ZF is currently our second largest customer



As expected, net sales in Medical declined in Q1

Net Sales





** Percent of total sales*

Reflects impact of sales reduction with major Medical customer

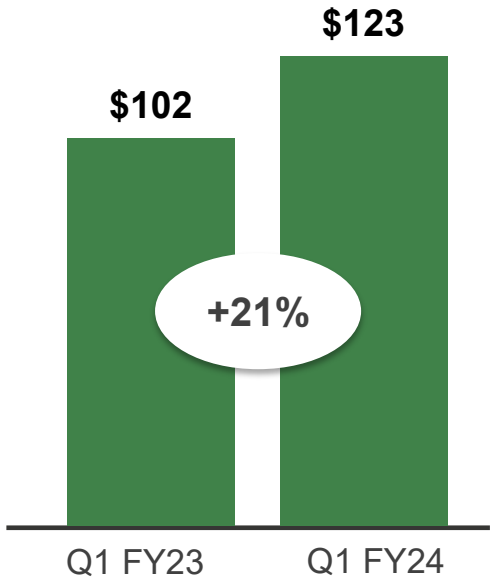
Applications

1. Sleep Therapy
2. Patient Monitoring
3. AEDs
4. Surgical Systems



Industrial reported the largest year-over-year increase in the quarter…

Net Sales

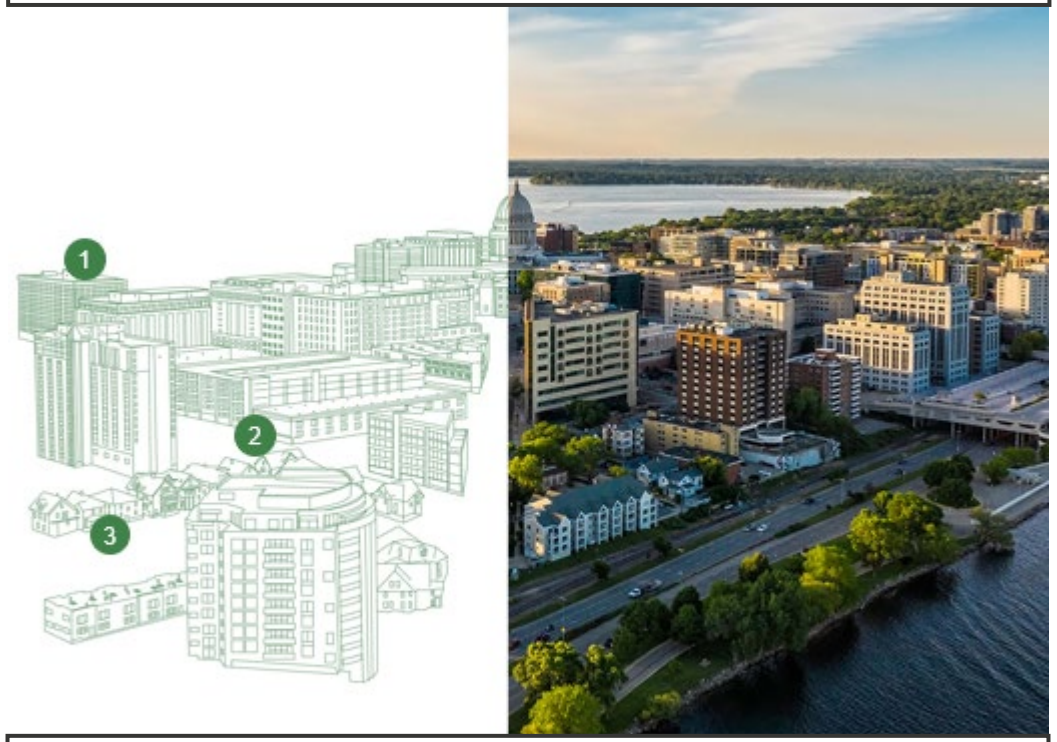




** Percent of total sales*

Support products that reduce environmental impacts, promote energy, efficiency, and safety

Applications



1 Climate Control & Smart Energy Mgt
2 Smart Meters & Industrial Control
3 Green Energy Chrg & Storage

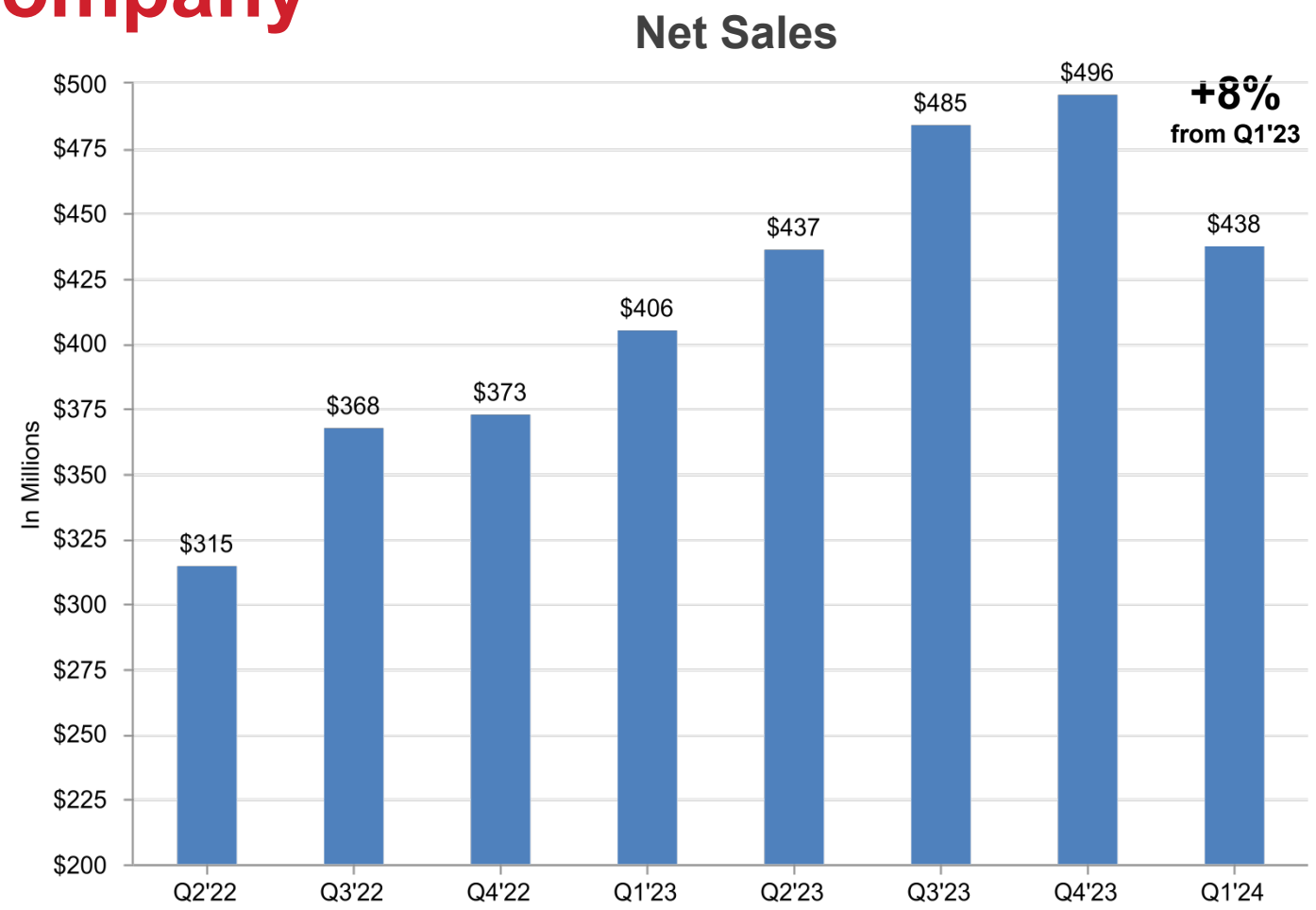
Summary

- Very good quarter
- Strong start to the fiscal year
- More detail on financial results for Q1 and guidance for fiscal year



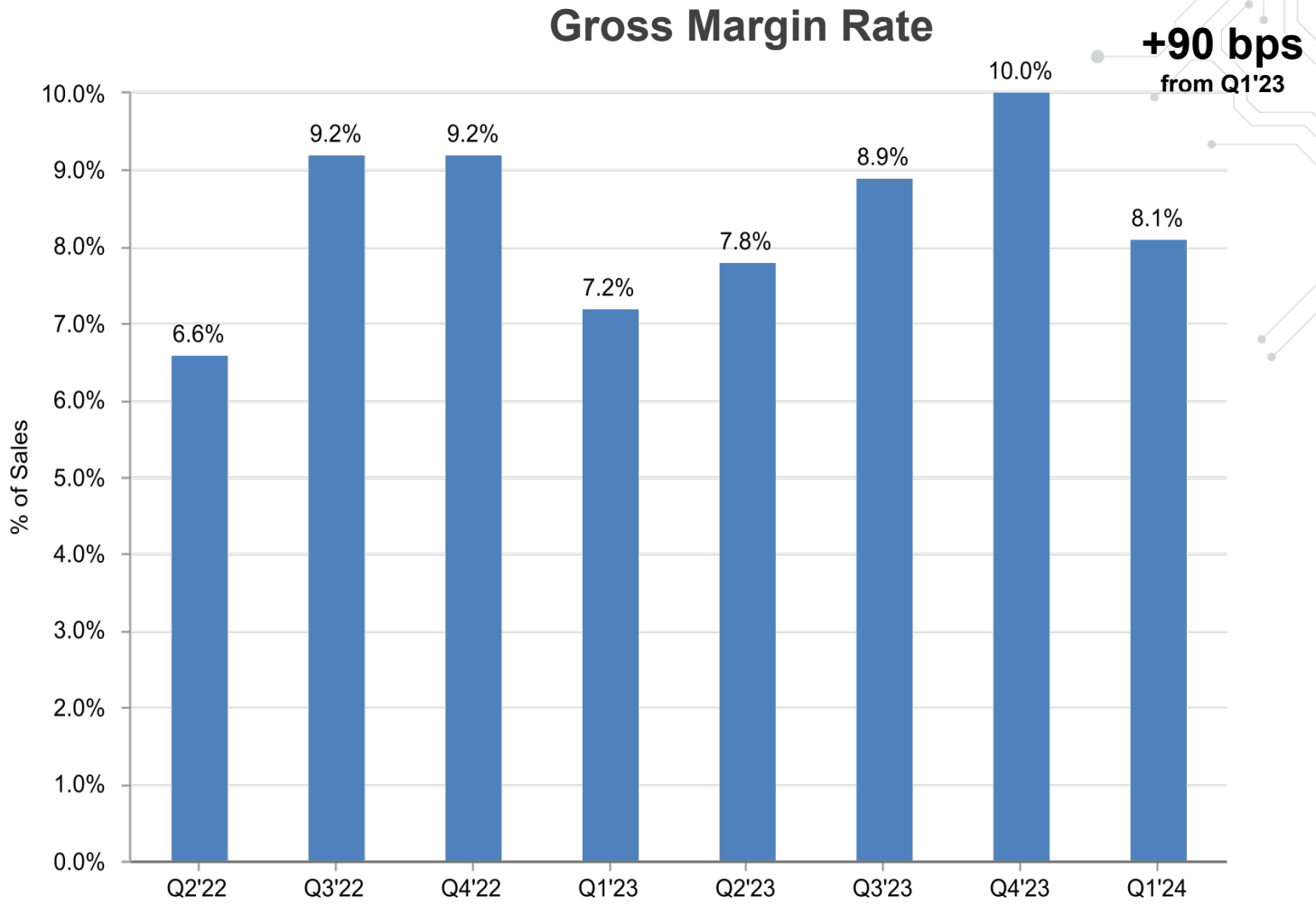
Net sales in Q1 were $438.1 million, a first quarter record high for the Company

- +8% above Q1 of fiscal 2023
- Foreign exchange favorably impacted consolidated sales by approximately 1% year-over-year



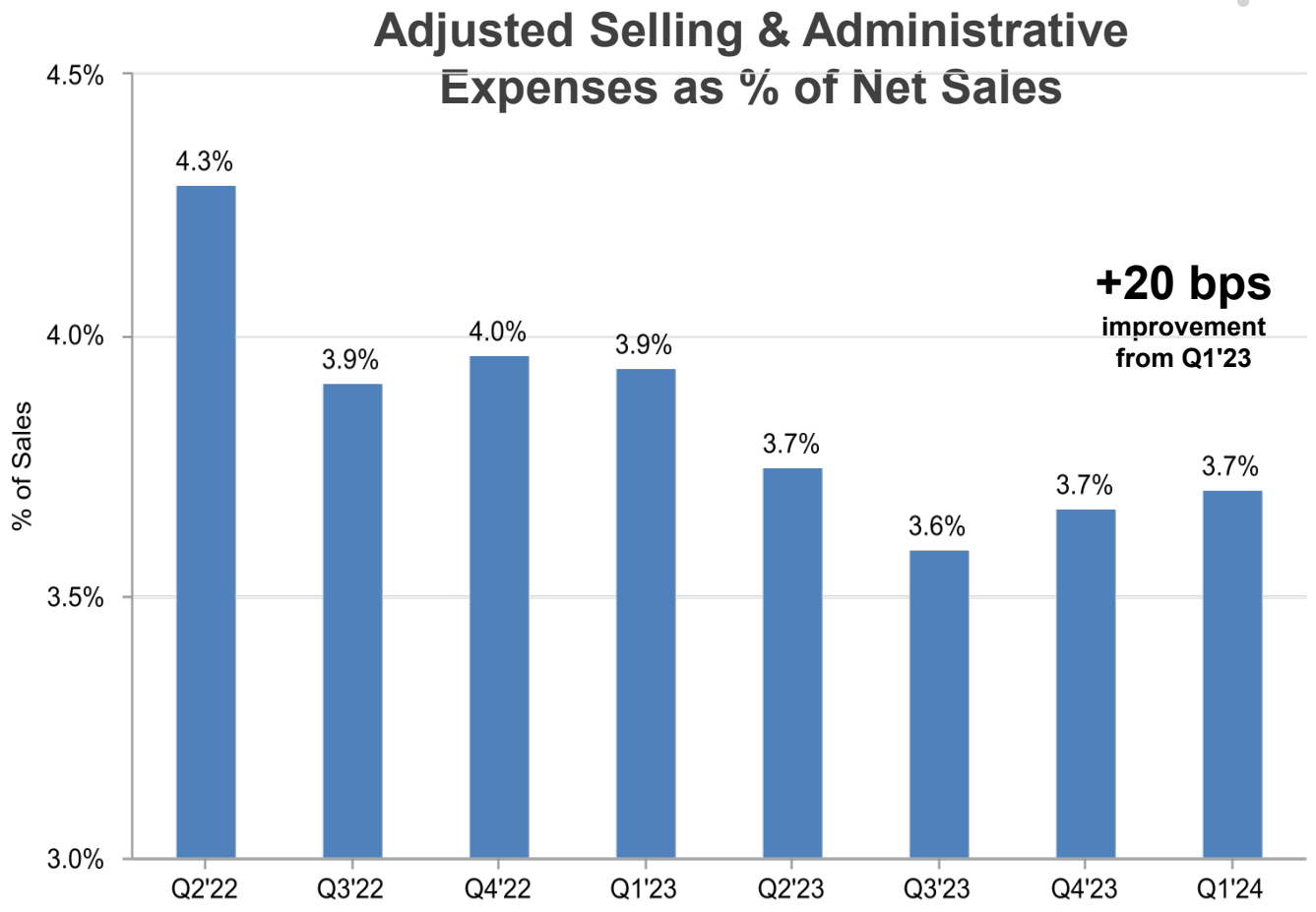
The gross margin rate in Q1 was 8.1%...

- 90 basis point improvement compared to the same period last year
- Increase predominately driven by higher levels of cost absorption in Mexico
- Continue to leverage expansion



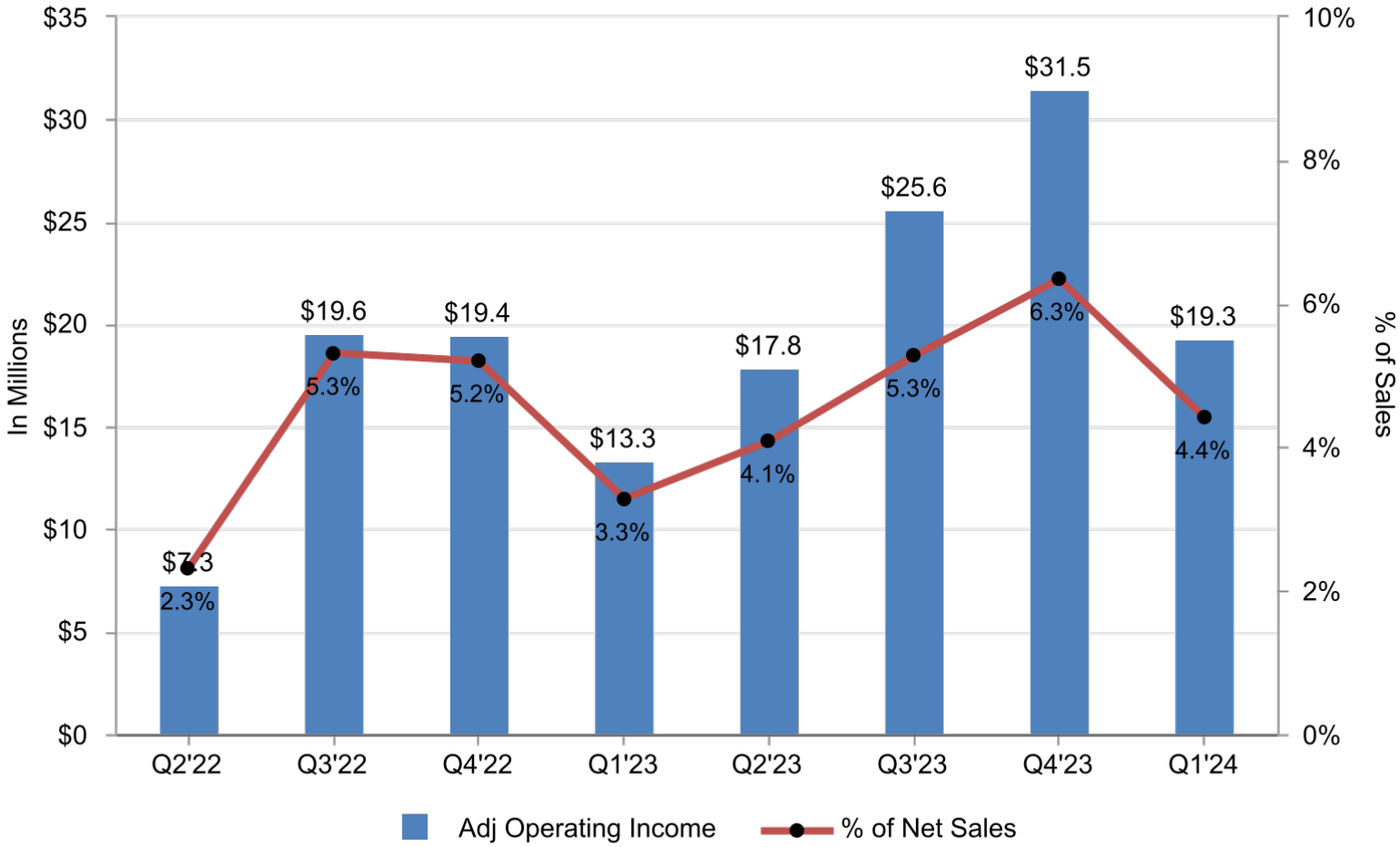
Adjusted selling and administrative expenses (1)

- Adjusted selling and administrative expenses were $16.2 million, compared to $16.0 million in Q1 last year
- When measured as a percent of sales, adjusted selling and administrative expenses were 3.7%
  - 20 basis point improvement compared to Q1 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)

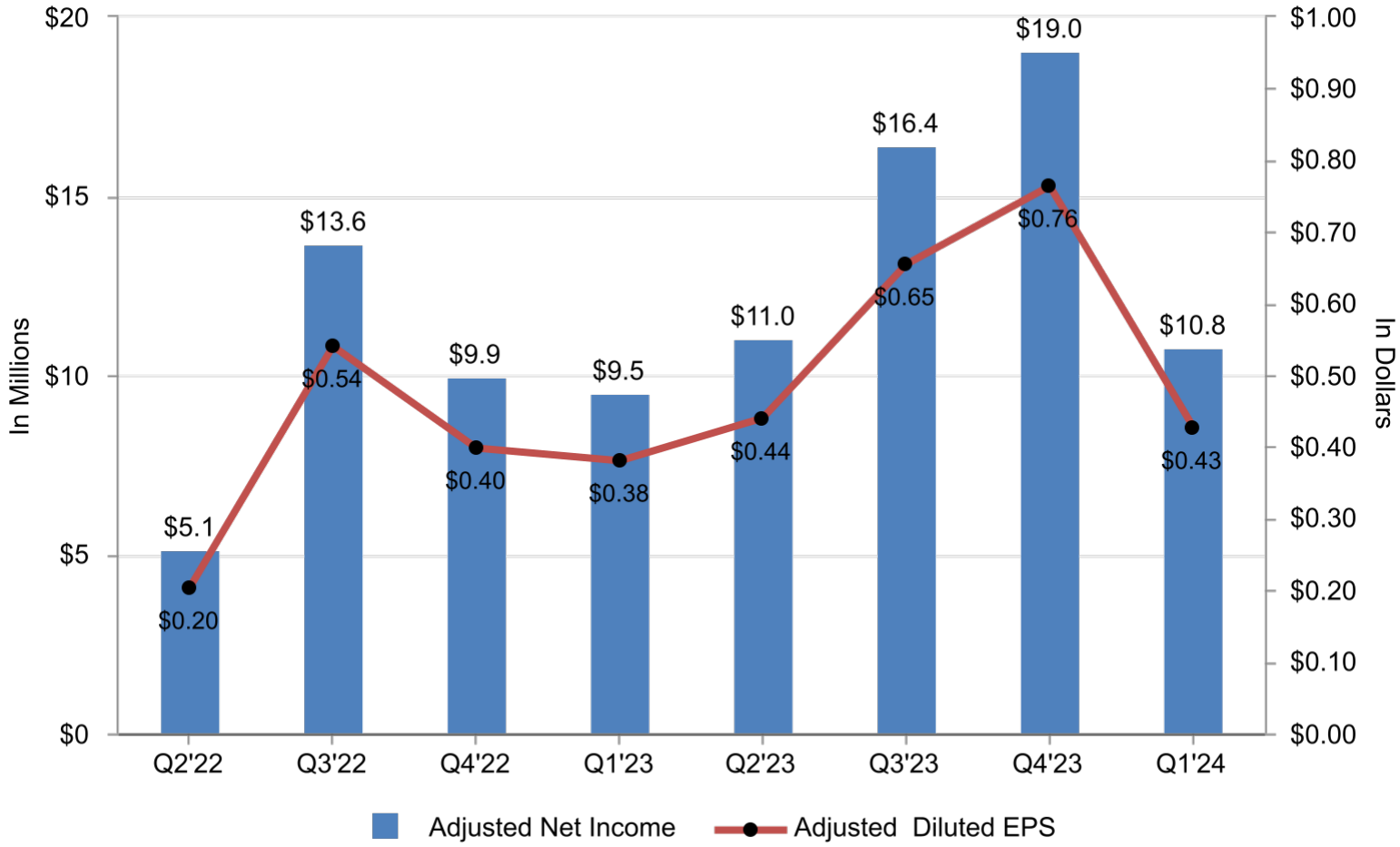


(1) Adjusted Operating Income is a Non-GAAP measure – refer to Reconciliation of Non-GAAP Results on the final slide of this supplementary information.

Other income & expense and the effective tax rate

- Other income & expense was expense of $6.3 million, compared to expense of $1.4 million last year
- The increase is a result of higher interest expense year-over-year
  - Product of our elevated debt levels and the current interest rate environment
- The effective tax rate in Q1 was 18.6%, compared to 21.9% in Q1 of fiscal 2023
  - Lower rate resulting from a mix of earnings more heavily weighted in lower tax jurisdictions

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.

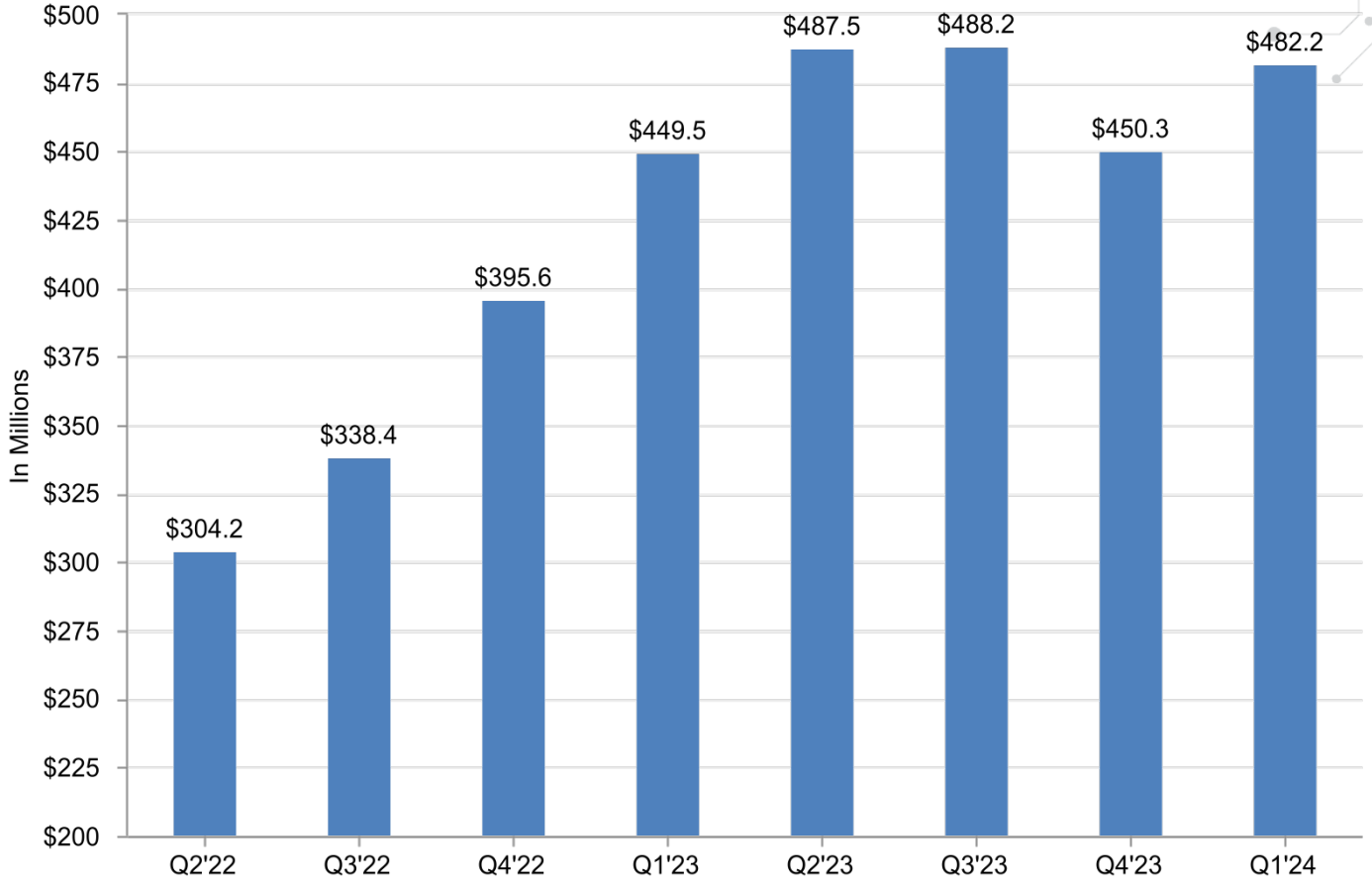
Balance sheet

- Cash and cash equivalents were $56.6 million at September 30, 2023
- Cash flow from operating activities was $12.8 million in the first quarter of fiscal 2024
  - Represents our third consecutive quarter of positive cash flow generation
- Cash conversion days were 103 days, compared to 94 days in the first quarter last year, and 94 days in Q4
  - Customer advances now included in CCD calculations*

** Note: prior periods have been recast to include customer advances*

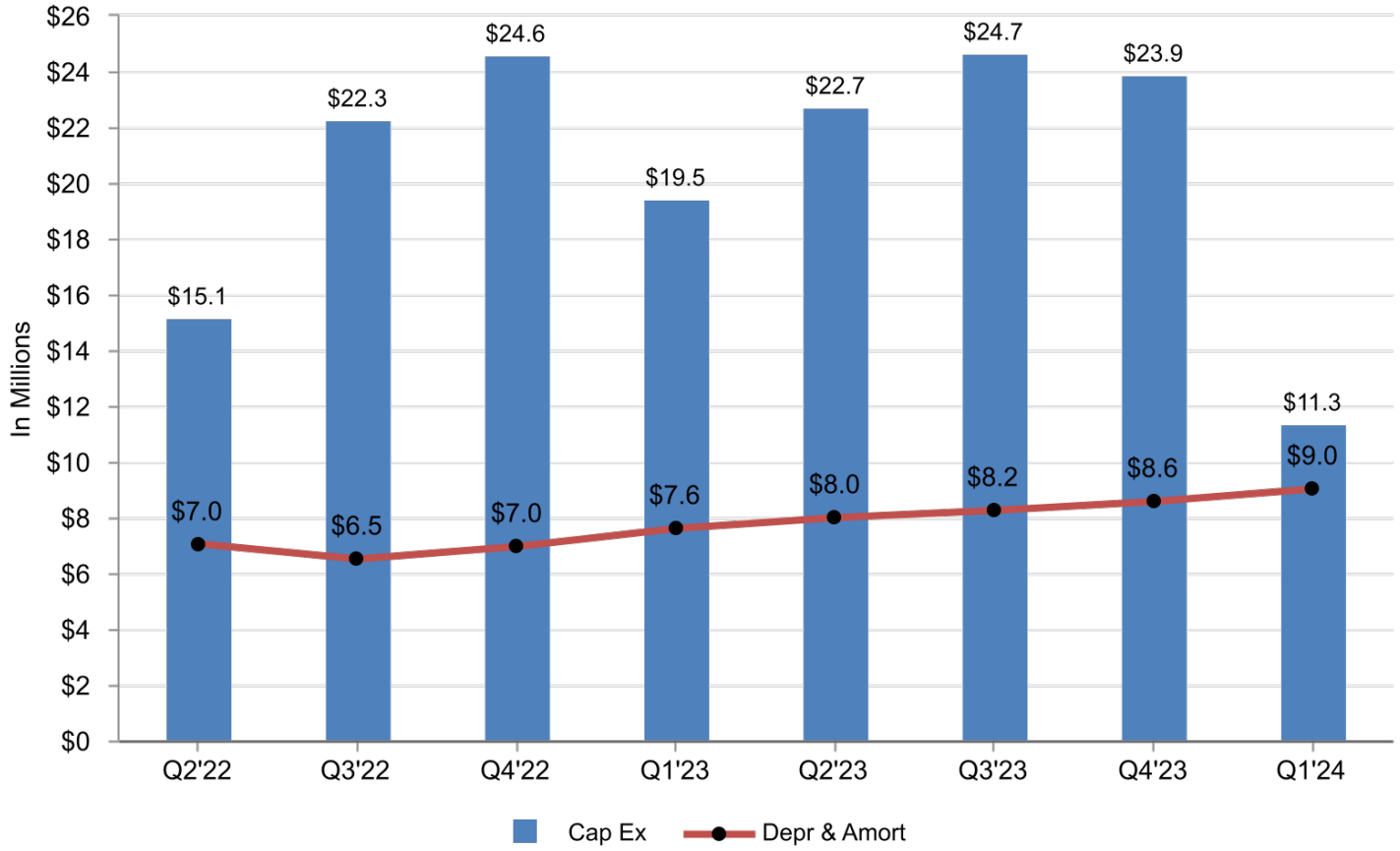
Inventory ended the quarter at $482.2 million

- Compares to $450 million at the end of Q1 last year
- Compares to $450 million at the end of fiscal 2023



Capital expenditures in the first quarter were $11.3 million

- Supporting organic growth
- Maintenance requirements
- Investments in automation and efficiency



(1) Capital Expenditures include purchases of capitalized software.

Borrowings

- Borrowings on credit facilities at September 30, 2023, were $296.7 million
  - Compared to $232.5 million dollars a year ago
  - Borrowings at the end of Q4 were $281.5 million
- Our short-term liquidity available totaled $147.1 million at the end of the first quarter

Share repurchases

- No shares were repurchased in the first quarter of fiscal 2024
- 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

Guidance for fiscal year 2024 has been updated

- Net sales expected to be flat with the prior year
  - Previous estimate of a 4% - 7% increase year-over-year
- Operating income also estimated to be in line with fiscal 2023
  - Previous guidance in the range of 4.7% - 5.2% of net sales
- The outlook for capital expenditures did not change with a range of $70 - $80 million

Very proud of our accomplishments in the first quarter, and strong start to the fiscal year…

- Includes the financial results
- Other noteworthy awards, distinctions, and achievements for the Company
- Facility in Jasper was recognized as one of the Best Places to Work in Manufacturing in Indiana
- Congratulations to Jason Davis, and the entire team, on a job well done

Outlook for fiscal 2024 carefully navigating the current macro environment

- Encouraged by the longer-term, growth opportunities in the three vertical markets we serve, each supported by favorable industry megatrends
- With a strong funnel of new business, our capital allocation strategy is focused on organic growth
  - Will likely include additional global expansions in the future
  - Combined with investments in automation and efficiency

Winning Together – The Kimball Way

Questions

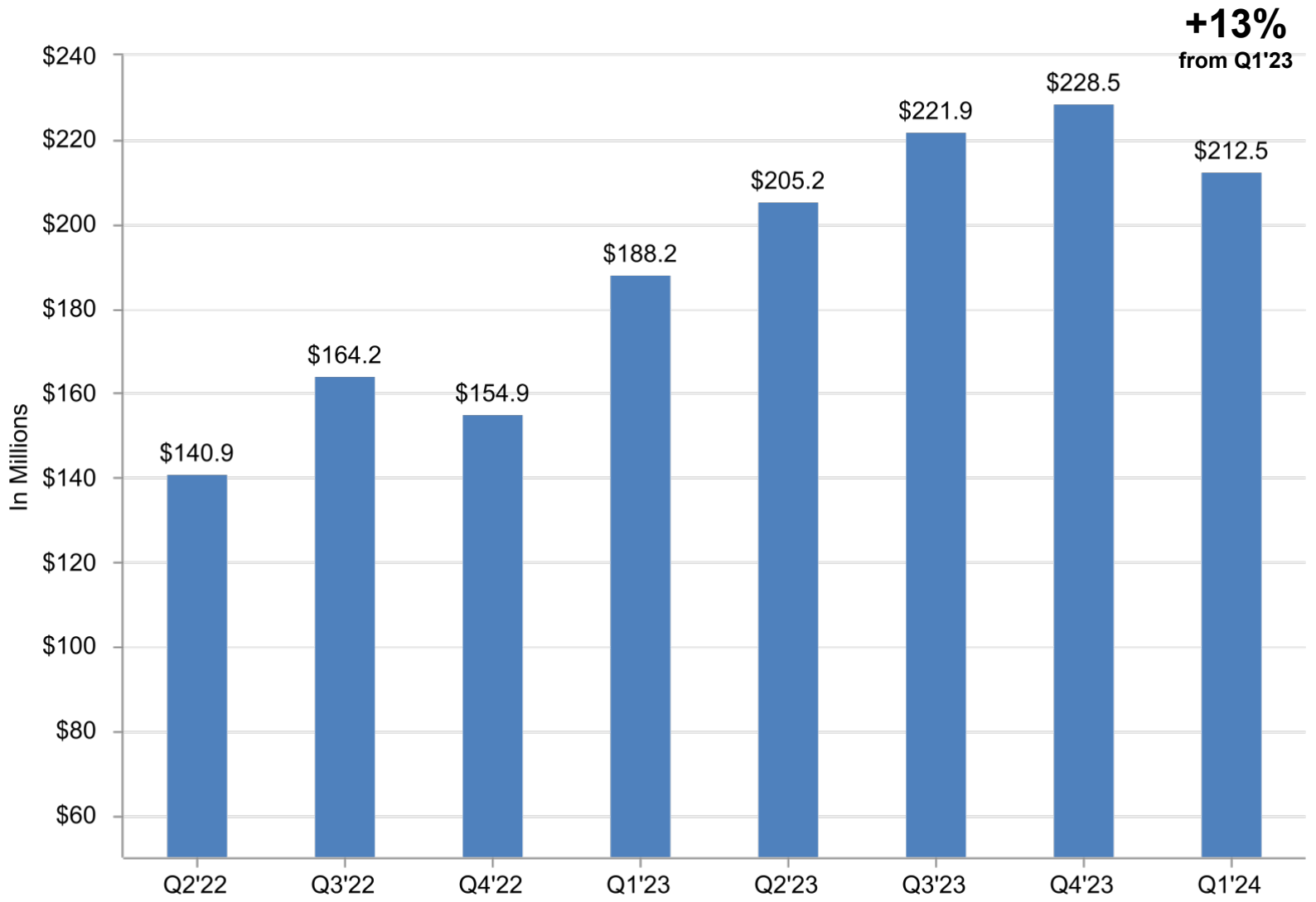
Appendix

Reconciliation of Non-GAAP Results

(Unaudited, Amounts in Thousands, Except Per Share Data)	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Net Sales Growth (vs. same quarter in prior year)	(2)%	19 %	13 %	39 %	39 %	32 %	33 %	8 %
Foreign Currency Exchange Impact	— %	(2)%	(3)%	(5)%	(5)%	(2)%	— %	1 %
Constant Currency Growth	(2)%	21 %	16 %	44 %	44 %	34 %	33 %	7 %
Selling & Administrative Expenses, as reported	$ 13,923	$ 13,667	$ 13,643	$ 15,750	$ 16,702	$ 17,752	$ 18,444	$ 16,052
Less: SERP	402	(719)	(1,159)	(235)	340	353	243	(177)
Adjusted S&A Expense	$ 13,521	$ 14,386	$ 14,802	$ 15,985	$ 16,362	$ 17,399	$ 18,201	$ 16,229
Operating Income, as reported	$ 6,914	$ 20,277	$ 20,578	$ 13,571	$ 17,489	$ 25,220	$ 31,449	$ 19,490
Add: SERP	402	(719)	(1,159)	(235)	340	353	243	(177)
Add: Lawsuit Settlements (Recovery)	—	—	—	—	—	—	(212)	—
Adjusted Operating Income	$ 7,316	$ 19,558	$ 19,419	$ 13,336	$ 17,829	$ 25,573	$ 31,480	$ 19,313
Net Income, as reported	$ 5,113	$ 13,638	$ 9,938	$ 9,509	$ 10,720	$ 16,400	$ 19,202	$ 10,754
Add: After-Tax Adjustments after Measurement Period of GES Acquisition	—	—	—	—	279	—	—	—
Add: Lawsuit Settlements (Recovery)	—	—	—	—	—	—	(161)	—
Adjusted Net Income	$ 5,113	$ 13,638	$ 9,938	$ 9,509	$ 10,999	$ 16,400	$ 19,041	$ 10,754
Diluted Earnings per Share, as reported	$ 0.20	$ 0.54	$ 0.40	$ 0.38	$ 0.43	$ 0.65	$ 0.76	$ 0.43
Add: After-Tax Adjustments after Measurement Period of GES Acquisition	$ —	$ —	$ —	$ —	$ 0.01	$ —	$ —	$ —
Add: Lawsuit Settlements (Recovery)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Adjusted Diluted Earnings per Share	$ 0.20	$ 0.54	$ 0.40	$ 0.38	$ 0.44	$ 0.65	$ 0.76	$ 0.43
Operating Income (GAAP) (TTM)	$ 43,411	$ 49,050	$ 52,549	$ 61,340	$ 71,915	$ 76,858	$ 87,729	$ 93,648
Add: Goodwill Impairment (TTM)	—	—	—	—	—	—	—	—
Add: SERP (TTM)	1,027	144	(1,563)	(1,711)	(1,773)	(701)	701	759
Add: Lawsuit Settlements (Recovery) (TTM)	(1,415)	(1,039)	(1,384)	—	—	—	(212)	(212)
Adj. Operating Income (non-GAAP) (TTM)	$ 43,023	$ 48,155	$ 49,602	$ 59,629	$ 70,142	$ 76,157	$ 88,218	$ 94,195
Tax Effect (TTM)	9,530	10,774	14,417	16,356	18,856	20,375	22,235	22,913
After-Tax Adj. Operating Income (TTM)	$ 33,493	$ 37,381	$ 35,185	$ 43,273	$ 51,286	$ 55,782	$ 65,983	$ 71,282
Average Invested Capital [1]	$ 424,854	$ 453,479	$ 491,252	$ 544,711	$ 605,772	$ 659,911	$ 701,364	$ 738,096
ROIC	7.9 %	8.2 %	7.2 %	7.9 %	8.5 %	8.5 %	9.4 %	9.7 %

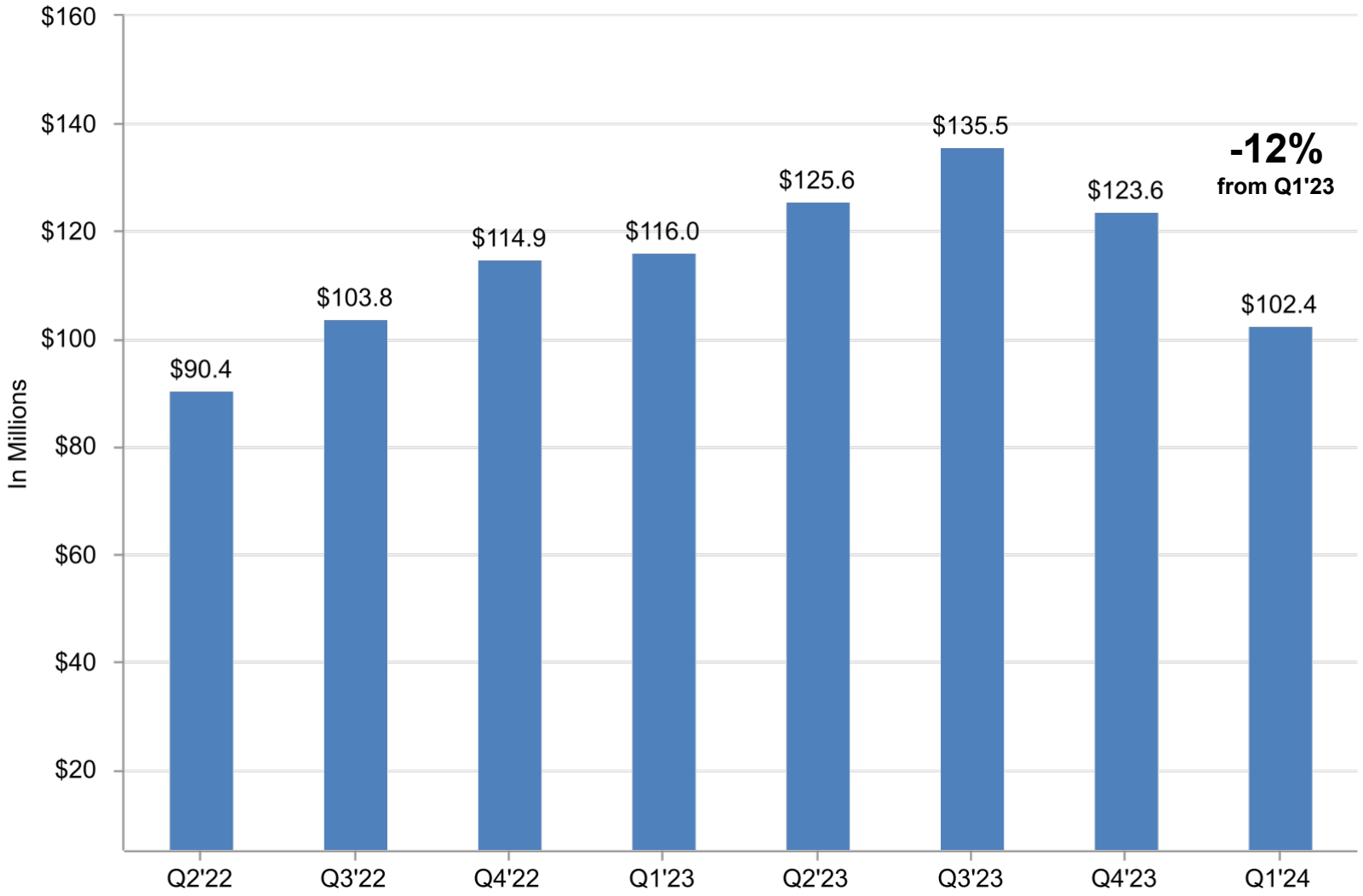
(1) Average Invested Capital is computed using the Share Owners equity plus current and non-current debt less cash and cash equivalents averaged for the last five quarters.

Net Sales in Automotive



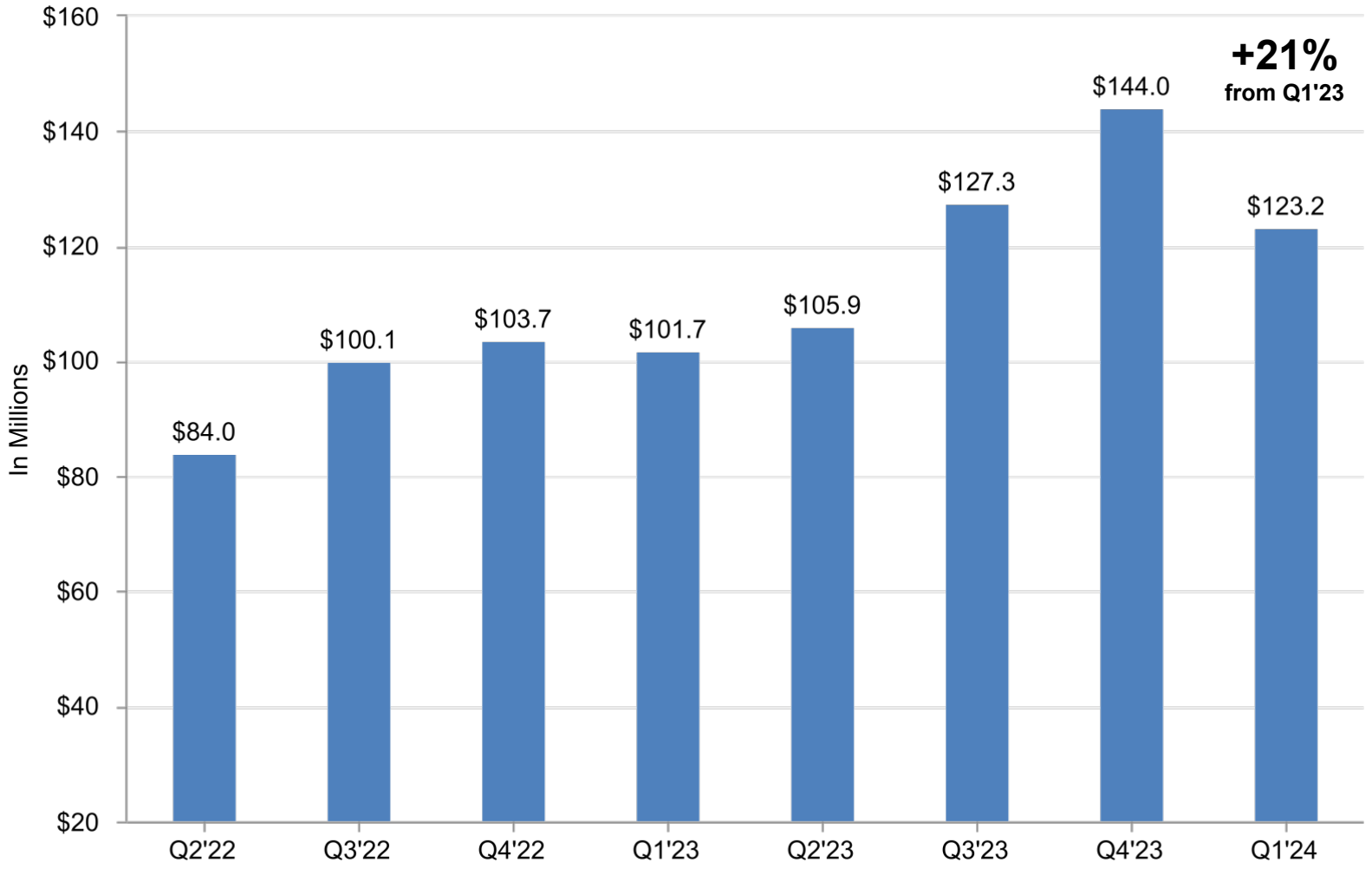
(1) Beginning in fiscal year 2024, miscellaneous sales previously reported in Other are now reported in the respective three end market verticals; all prior periods have been restated to conform to current period presentation

Net Sales in Medical



(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 restated to conform to current period presentation

Net Sales in Industrial (1) (2)



(1) Beginning in fiscal year 2023, Public Safety was combined with Industrial; all prior periods have been recast to conform to current period presentation

(2) 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.