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Earnings Call

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Call Participants

EXECUTIVES

Andrew D. Regrut
Vice President of Investor Relations

Jana T. Croom
Chief Financial Officer

Richard D. Phillips
CEO & Director

ANALYSTS

Anja Marie Theresa Soderstrom
Sidoti & Company, LLC

Derek John Soderberg
Cantor Fitzgerald & Co., Research Division

Hendi Susanto
Gabelli Funds, LLC

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

Mac Furst
Singular Research

Michael Roy Crawford
B. Riley Securities, Inc., Research Division

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Presentation

Operator

Â Ladies and gentlemen, welcome to the Kimball Electronics First Quarter Fiscal 2024 Earnings Conference Call. My name is Ellen, and I will be the facilitator for today's call. [Operator Instructuons]today's call on November 7, 2023, 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'd like to turn the call over to Andrew Regrut, Vice President, Investor Relations. Mr.Regrut, you may begin.

Andrew D. Regrut
Vice President of Investor Relations

Thank you, Ellen, and good morning, everyone. Welcome to our first quarter conference call. With me here today is Ric Phillips, our Chief Executive Officer; and Jana Croom, Chief Financial Officer. We issued a press release yesterday afternoon with our results for the first quarter of fiscal 2024. To accompany today's call, 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. Reconciliations of GAAP to non-GAAP amounts are available in our press release. One other housekeeping item to mention, starting this quarter, miscellaneous sales, which previously have been reported in the other category in our vertical market breakdown are now included in the respective vertical they pertain to. All prior periods have been recast to reflect this change. This morning, Ric will start the call with a few opening comments. Jana will review the financial results for the quarter and guidance for fiscal 2024, and Ric will complete our prepared remarks before taking your questions. I'll now turn the call over to Ric.

Richard D. Phillips
CEO & Director

Thanks, Andy, and good morning, everyone. I am very pleased with our results for the first quarter, particularly in light of the current macro environment. Q1 was a strong start to the fiscal year with record first quarter sales and operating income, year-over-year margin expansion and 13% growth in net income. While these results were in line with our expectations, we have been evaluating the impact of recent short-term market disruptions, including the UAW strike, global economic conditions and geopolitical events and have updated our guidance for the full year of fiscal 2024 to reflect softening demand in the end market verticals we serve. We will provide more detail in just a moment. Net sales in Q1 totaled $438 million, an 8% increase compared to the first quarter last year with 2 of the 3 vertical markets posting double-digit growth. Automotive, our largest business, reported net sales of $213 million, a 13% increase compared to the first quarter of fiscal 2023 and 49% of total company sales. To be clear, these results were not materially impacted by the UAW strike. The targeted walkouts began on September 15, and our fiscal quarter ended 2 weeks later at the end of that month. Based on locations directly impacted by the strike and the vehicle models produced at those plants, we estimate a relatively small impact to our top line in October. However, this situation is fluid with possible downstream ripples to come as the OEMs and Tier 1 suppliers evaluate the current state. With over 35 years of experience producing safety-critical, high-quality electronic assemblies that meet the stringent regulatory requirements of this industry, we are ideally positioned to grow as our customers grow, particularly with the continued electrification of vehicles. As an example, I recently had the privilege of representing our company at a celebration with the ZF Group when Kimball Electronics was awarded a new multiyear program in electronic power steering. --with the work to commence in calendar year 2025 at our facilities in Poland and China. The strategic partnership between the companies dates back to our early beginnings in the automotive industry and has grown to where ZF is currently our second largest customer. Our unique manufacturing capabilities in electronic steering, electronic motor controls, braking systems, battery management and redundant safety systems align with advancements in the industry and our support of applications in internal combustion engines, electric vehicles or hybrid of the 2, position us for growth as consumer preferences and adoption rates evolve.

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Net sales in Medical were $102 million, a 12% decline compared to the same period last year and 23% of total company sales. This result was in line with our expectations. As a reminder, our annual guidance reflects a $100 million reduction in sales with a major customer in this vertical, partially offset by growth in other programs. While there are not any updates that we can speak to with regard to this customer, it's important to emphasize that our relationship with them has never been better, and we are positioned to provide support as needed. Longer term, we continue to be encouraged by megatrends in the medical industry and believe they will support future growth, particularly as medical devices get smaller in size and require higher levels of precision and accuracy and as connected drug delivery systems become more prevalent. Our business development efforts focus on medical applications, including sleep therapy, patient monitoring, AEDs and surgical systems, especially with OEMs looking to outsource higher-level assemblies or HLAs, which as a category represent an opportunity for more value-added content.

Finally, net sales in Industrial totaled $123 million, a 21% increase compared to Q1 last year and 28% of total company sales. The increase this quarter represented the largest for any of the 3 verticals we support, with climate control, public safety, smart metering, factory automation and green energy charging and storage driving the growth. We expect the movement toward responsible usage of natural resources and heightened conservation to provide a meaningful tailwind in the years to come, and we're aligned with products that reduce environmental impacts and promote energy efficiency, safety and carbon neutrality. This opportunity could become even more pronounced for us in EV charging as consumer adoption of electric and hybrid vehicles expands globally. So in summary, a very good quarter and strong start to fiscal 2024. I'll now turn the call over to Jana to provide more detail on the financial results for Q1 and our guidance for the full year. Jana?

Jana T. Croom
Chief Financial Officer

Good morning, everyone. Before I start, I just wanted to let you know we heard from some of you that our slide deck is not up. We are actively working to correct that now and it should show here shortly in a moment or 2. With that, just to keep us on time, I'm going to continue with our prepared remarks. So as Ric highlighted, we are very proud of our results in Q1. Net sales in Q1 totaled $438.1 million, a first quarter record high for the company and 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%, a 90 basis point improvement compared to the same period last year. And this result was predominantly driven by higher levels of cost absorption in Mexico as we continue to leverage our expansion there. Adjusted selling and administrative expenses in the first quarter were $16.2 million, relatively flat to the Q1 adjusted results reported last year of $16 million. When measured as a percentage of sales, however, adjusted selling and administrative expenses were 3.7%, a 20 basis point improvement over Q1 last year. Adjusted operating income for the first quarter was $19.3 million or 4.4% of net sales, which compares to last year's adjusted result of $13.3 million or 3.3% of net sales, a 110 basis point improvement. Other income and 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, a product of our elevated debt levels and the current interest rate environment. The effective tax rate was 18.6% in the first quarter compared to 21.9% in Q1 of fiscal 2023, with the lower rate resulting from a mix of earnings more heavily weighted in lower tax jurisdictions. Adjusted net income in the first quarter of fiscal 2024 was $10.8 million or $0.43 per diluted share, a 13% increase compared to adjusted net income in Q1 last year of $9.5 million or $0.38 per diluted share.

Now turning to the balance sheet. Cash and cash equivalents at September 30, 2023, were $56.6 million and cash flow generated by operating activities in the quarter was $12.8 million. This represents our third consecutive quarter of positive cash flow generation. Cash conversion days were 103 days compared to 94 days in the first quarter of fiscal 2023 and 94 days last quarter. As a reminder, we started including customer advances in our CCD calculations. The results from fiscal 2023 reflect this change. Inventory ended the quarter at $482.2 million compared to $450 million at the end of Q1 last year and $450 million at the end of fiscal 2023. Capital expenditures in the first quarter were $11.3 million, supporting organic growth, maintenance requirements and investments in automation and efficiency. Borrowings on our credit facility at September 30, 2023, were $296.7 million compared to $232.5 million a year ago and $281.5 million at the end of Q4. Our short-term liquidity available represented as cash and cash equivalents plus

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the unused amount of our credit facilities, totaled $147.1 million at the end of the first quarter. There were no shares repurchased in fiscal -- in the first quarter of fiscal 2024. Since October 2015 under our Board-authorized share repurchase program, a total of $88.8 million has been returned to our shareowners by purchasing 5.8 million shares of common stock. We have $11.2 million remaining on the repurchase program. As Ric highlighted, we have updated our guidance for fiscal year 2024 with net sales now expected to be flat with prior year compared to our previous estimate of 4% to 7% increase. Operating income margin is also estimated to be in line with fiscal 2023, which is within our previous guidance range of 4.7% to 5.2% of net sales. The outlook for capital expenditures did not change with a range of $70 million to $80 million.

From a top line perspective, our current outlook is approximately $100 million lower than the midpoint of our previous guidance range. The decline is spread fairly evenly between 2 of our verticals. First, for automotive, the EV market in North America is experiencing slower adoption as end customers wait for technology to advance, particularly in the SUV and pickup truck segments of that market. Industrial is experiencing customer pushouts occurring in climate control applications, especially in Europe as economic conditions there continue to be challenging. We expect sales in the second quarter to be roughly in line with Q2 last year and then for sequential top line growth to occur in the back half of the year. I'll now turn the call back over to Ric.

Richard D. Phillips
CEO & Director
Thanks, Jana. In closing, I am very proud of our accomplishments in the first quarter and the strong start to the fiscal year. This includes the financial results, but there were also other noteworthy awards, distinctions and achievements for the company. As an example, our facility here in Jasper was recently recognized as one of the best places to work in manufacturing in Indiana. I want to congratulate General Manager, Jason Davis, and the entire team on a job well done. With an outlook for fiscal 2024 that is carefully navigating the current macro environment, we continue to be encouraged by the longer-term growth opportunities in the 3 vertical end 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, which will likely include additional global expansions in the future, combined with investments in automation and efficiency. We are winning together the Kimball way and I'm excited about what lies ahead for our company. Ellen, I would now like to open the lines for questions. Do we have any analysts with questions in the queue?

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Question and Answer

Operator

[Operator Instructions] One moment, please, whilst we can follow up the question queue. Our first question today comes from Mike Crawford from B. Riley

Michael Roy Crawford
B. Riley Securities, Inc., Research Division

In Mexico, where are you on cost absorption. I know there is some margin expansion opportunity there. So if you could explain the answer in terms of capacity utilization, revenue march potential, that would be very helpful.

Jana T. Croom
Chief Financial Officer

Mike. So a lot of what you're seeing in Q1 in terms of the favorable impact that we've seen, 4.4% OI margin versus last year of 3.3% is really Mexico coming into its own from a cost absorption and leverage perspective, offset by the fact that we just brought Poland on. So the challenge of the timing of growing the facilities is that you've got one that's sort of hitting where you need it to be from a margin perspective offset by one that you just got off the ground. Mexico is tracking in line with where we expect it to track from both a revenue and an OI margin perspective. Although as we look at the outcome for FY '24, it is going to be slightly impacted by what we're seeing come through in terms of our expectation for the North American auto market. But you can -- what you can expect is that we're going to manage the costs, particularly direct labor and indirect labor appropriately as we navigate through it for the short run.

Michael Roy Crawford
B. Riley Securities, Inc., Research Division

And you kind of segue into the second part of my question was, how is Poland ramping up since the groundbreaking the summer? Well, the opening?

Jana T. Croom
Chief Financial Officer

Yes. I will -- candidly, the industrial market in Europe has been choppier than what we anticipated originally as it relates to the European market in Poland. But the funnel is still strong. And so short term, the absorption of Poland is not going to be as strong over the course of this fiscal year as we had hoped. But again, we're going to control costs, we're going to control the labor market, and we're not going to overindex on it, but we do have a strong funnel of continued growth there. And so what is becoming now is a balancing act between what our customers are telling us in the short run, right? So 90,120,300 days versus all of the NPIs that we know are coming in FY '25 that we've got to get ready for. And so it's conversations with customers to make sure we're not going to push out and that we can balance our labor and material needs against that.

Michael Roy Crawford
B. Riley Securities, Inc., Research Division

Â And just one last one for me. I know you mentioned technology advancement in SUVs and pickups in North America, but how would you frame the impact of the UAW strike in one region of your global automotive vertical end market as affecting your overall automotive business and supply chain and when that could potentially normalize?

Jana T. Croom
Chief Financial Officer

Yes. So the UAW strike itself had very, very minimal impact on our top line, right? In terms of this plant shutdown, there was a disruption. Therefore, it impacted our supply chain. -- minimal. What we are seeing

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in conversations with our customers is the strike caused the OEMs and thus the Tier 1s to reevaluate the supply chain, finished goods inventory levels, expectations for sales over the course of the year. And so it's the ripple effect of that, that we are still evaluating. It's sort of, hey, don't let a good tragedy go to waste is everyone's looking at what they've got and evaluating what the needs are for the next 3 to 6 months as they work through it and see where it shakes out, which is why it feels like it's a temporal issue, right? So short term, next couple of quarters as they work through it and then sort of back to the levels that we had previously anticipated when we gave guidance at Q4.

Richard D. Phillips
CEO & Director

Mike, it's Ric. Just maybe one thing to emphasize that Jana had mentioned a little bit earlier, we are really committed, not just in Mexico and Poland, but globally to making sure, as we see these demand signals, which we're sharing with you that we are adjusting our direct and indirect labor as quickly as possible in order to protect those margins. So that's a key priority for us right now in the short term softening.

Operator

Our next question today comes from Derek Soderberg from Cantor Fitzgerald.

Derek John Soderberg
Cantor Fitzgerald & Co., Research Division

On the revenue guidance, what was the biggest change this quarter? I know you guys mentioned macro weakening, some effects of the strike in automotive. But what was sort of the biggest driver of the lower guide was that automotive piece. Can you just help maybe quantify the change in guidance by segment, but particularly automotive? And then I've got a follow-up.

Jana T. Croom
Chief Financial Officer

Yes. So I will tell you, it's pretty evenly split between automotive and industrial. And Industrial, it's primarily Europe, although we did see softening in North America as well. So if I had to gauge it for you, I'd probably say 65-35 there. And the automotive market in North America is spread across all of our plants that service the auto market. And it really is just as we evaluate the SUV and pickup truck market for EVs, and this is something that we have talked about before, the technology related to the battery and the life that you need the towing capability that you need in that market. It feels like consumers are pressing pause or that's what we're hearing from our customers in terms of the adoption rate there. We're

monitoring it carefully with our customers.... I was just saying then it's the finished goods inventory from the UAW strike. What we don't want to do is have to come back to you with a lower guidance again. So we tried to be very thoughtful about the full year and what it might entail.

Derek John Soderberg
Cantor Fitzgerald & Co., Research Division

Got it. And then just quickly on that, on the automotive piece. I think Ric mentioned there's sort of a small impact on October and maybe in the next quarter or 2, you're going to see a little bit more pronounced impact. Is the expectation that things sort of normalize by Q4 of fiscal '24? Is that kind of the time line to expect? Can you just maybe, again, kind of lay out the impact of the strike and demand on the automotive business and how we should think about that as we move through fiscal '24.

Richard D. Phillips
CEO & Director

Sure. I think that's probably a pretty good estimate, Derek. Again, we're being cautious. The impact, as you mentioned thus far has been minimal for us. But we really want to watch this environment and see what the next steps are in terms of how the Tier 1s and the OEMs respond and sort of get back to normal. But we definitely view this as short term, for sure. And I think the estimate that you gave is probably consistent with what we would expect from a timing standpoint.

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Derek John Soderberg
Cantor Fitzgerald & Co., Research Division

Got it. And if I could just squeeze one more in. Jana, congrats on another quarter of positive cash flow with guidance and OI margin and then sort of unchanged CapEx, curious how you expect cash levels to move throughout the year is the expectation that you're going to have to tap the credit facility further. Can you just talk a bit about cash burn and sort of your expectations for fiscal '24.

Jana T. Croom
Chief Financial Officer

Yes. I was waiting for someone to ask me this question. And as all of you know, balance sheet and cash flow is sort of where I hone in and focus and that's what drives my dreams at night. If you look at the inventory increase that we saw this year, it was 7 -- in Q1, it was 7%, which actually matches our revenue volume. Where I am focused now is how does the supply chain, meaning inventory that's going to show up on our door match against the flux in demand cycle that we're going to have right? So oftentimes, inventory because we're still coming out of the supply chain challenge, we placed those orders 26, 39 weeks ago, and the demand cycle is moving more quickly than the inventory levels that we're going to receive. And so in the short run, we're going to have to work through that with our customers. My expectation, though, is that we are going to over the next 3 to 4 quarters, as I've been saying consistently, work the inventory levels down in partnership with our customers. What I can say is, as I look at our net debt to trailing 12-month EBITDA below 2x, I would like it to be sort of in that 1.5 to 2x range. It's actually not far off from that. PDSOH at 55 days is a thing in the past. And so what does the normal look like for Kimball. It's probably somewhere around 75 days, right? So not where it's sitting at right now, but not what we saw 2 years ago. And then what does that mean correspondingly from a financing standpoint. What I can tell you is we have a fair amount of dry powder. You all know that we're sitting on the sidecar that we exercised last February. So we've got plenty of room for additional organic growth, including the CapEx that we need for automation, facility expansions, et cetera. And then it's the partnership will work in the inventory level down over time. That at the end of the day, just becomes a show-me story, right? So you're going to listen to me say it. But then every quarter, you're going to look at it as a, did she have positive operating cash flow, how much was it? And is it trending in the right direction. So what I would say at the end of the day is just over the next 3 to 4 quarters, stay tuned.

Operator

Our next question today comes from Jason Schmidt from Lake Street.

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

Just curious, when you look at your backlog, have you seen any issues with decommits or cancellations?

Jana T. Croom
Chief Financial Officer

So not so much decommits or cancellation, much more pushouts, right? So as we look at even the $100 million that we've seen this year, it's really about, hey, we're going to push out. Where we may watch that, again, is the auto market in North America that rightsizes itself coming out of that finished goods inventory and really an evaluation of the growth in adoption rate. That always becomes a negotiation with our customers around the next generation...

Operator

Apologies everyone[Indiscernible] Please standby while we re-connect them.

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

Okay. And then just to circle back to the auto strike. Just want to confirm that I heard correctly you have baked in some potential headwinds from this into the new updated guidance?

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Jana T. Croom
Chief Financial Officer

We did Yes.

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

Okay. Perfect. That's it for me. I'll jump back in the queue.

Jana T. Croom
Chief Financial Officer

And apologies for the technological challenges today. Thank you for bearing with us.

Operator

Our next question comes from Anja Marie Soderstrom Sidoti.

Anja Marie Theresa Soderstrom
Sidoti & Company, LLC

Most of them have been addressed already. I'm just curious in the medical end market, do you see any -- how do -- what do you see in terms of overall demand? And you noticed some of your program wins there, but just in terms of the overall demand from the medical end markets, what do you see?

Richard D. Phillips
CEO & Director

Anja, it's Ric. Yes, great question. And as you saw, as Jana outlined, the change in guidance from a top line standpoint, it really was an automotive and industrial story. So Medical, of course, as you know and as we shared in our original full year guidance has baked in a $100 million reduction from one customer who is dealing with an FDA consent decree. And therefore, we guided down 10% for the year, that outlook for medical has not changed. So we're continuing to see wins, good momentum with other customers. We still have high hopes in the long term for the relationship with that one customer. But overall, we like what we see and our outlook for the year in medical has not changed from what we previously communicated.

Operator

Our next question today comes from Hendi Susanto from Gabelli Funds.

Hendi Susanto
Gabelli Funds, LLC

With regard to the $50 million reduction in guidance for the automotive, could you share some insight on that is internal combustion -- for us to understand like how much easy exposure of...

Jana T. Croom
Chief Financial Officer

Hendi, I'm going to restate your question just to make sure we heard it because we're working on some technology here. What you said was at the $50 million reduction that we saw in automotive kind of we give you a breakdown between EVs and combustion engine. Okay. So primarily, it was related to the EV market. As I said before, then the concern was we were still evaluating the UAW strike and what we might hear from the Tier 1 in terms of how they're evaluating the impact of that. So we sort of tapped on what we thought was a good placeholder for that impact, and that would be broad so related to both combustion engine in the EV market. And then as the year paces out, we'll give you more color to help you understand the actual and how they should go.

Hendi Susanto
Gabelli Funds, LLC

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Yes. And then second question, Jana. So I think with the slowdown in EV, does it affect your charging station business and whether you can share some color like how much the impact may be qualitatively?

Jana T. Croom
Chief Financial Officer

Yes, that's a great question. Here's the thing you already had the robust EV adoption across the globe and charging stations, particularly the Supercharger stations that you're going to see in place at gas stations that you're going to see in place at supermarket shopping centers, et cetera, needed to catch up to the demand. And so while you might see some softening, there was a lot of work to be done in terms of growth there to support the last 5 years, arguably of growth in the EV car market. And so we still feel really good about EV charging as a growth opportunity for Kimball going forward. And we'll continue to give you updates and see how it goes. But the funnel for that opportunity is very robust.

Richard D. Phillips
CEO & Director

And I think I think as we shared earlier, but today, it's a relatively small part of that segment for us. But as Jana said, we do -- we are optimistic about the long-term growth for sure.

Hendi Susanto
Gabelli Funds, LLC

Okay. Got it. Yes. And Jana and Ric, I think, let's say, despite of the slowdown in automotive market, can we reasonably assume that you are partially offsetting that increase in the dollar content

Jana T. Croom
Chief Financial Officer

So in some cases, some of our contracts are balanced volume and pricing. And in some cases, they are not. And so it really becomes incumbent upon us not to say, hey, we're going to get an increased fee price but just say, "Hey, how do we control the OpEx expense associated with the temporary interruption.' And so it's a partnership with your customers that you have, but a lot of it is uncommon upon you as the company got to control the cost.

Richard D. Phillips
CEO & Director

And Hendi, it's Ric. I just want to clarify your question because I think you mentioned electronic content is...Okay. So I think the -- in addition to that, we still see strongly electronic content increasing in auto. And so the question is, do we still think that the -- our participation in the electronic content will outpace unit growth of vehicles, yes. I think that trend is just as true as we've seen in the past.

Hendi Susanto
Gabelli Funds, LLC

Okay. Yes. And Jana, you mentioned about potential discussions with customers in terms of managing costs. Some companies discuss a win-win strategy for both parties' customers and then their companies as a supplier -- could you -- yes, could you give more color what are the options that when you negotiate for the long-term supply agreement and then dealing with push-out whether you can negotiate certain incentives.

Jana T. Croom
Chief Financial Officer

So negotiations with customers are always happening... Basically all of the times that we got here... negotiating with customers. And so I don't want you to think of negotiations at point in time. The other thing that I would offer is this environment is not unlike the EMS environment has always been, which is what is the partnership with your customers around price and volume, what's the partnership with your customers around capital deployment and required return on that? What is the partnership with the customers around the automation and innovation and efficiency that they expect from you. So in

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that respect, nothing has changed, right? This is EMS. What I will say has changed based upon -- and again, I'm sort of 3 years into the EMS business. But if you talk to our CCO and our COO, who have been doing this collectively combined over 50 years, they'll say the autos are better customers because they understand that you have to keep their suppliers healthy and you don't have sort of the waste to the bottom and commoditization of the business that you saw before. And so in that respect, absolute normal is win-win, right? It can't be to beat your suppliers up to try and ring out cost of the system because they need a has some very weak suppliers that can't deliver to you the quality products that you need. The other thing that I will say is we explicitly decided where we wanted to play in the auto market staying away from some areas that do commoditize quickly to add additional protection against that.

Operator

[OperatorÂ Instruction]Our next question today comes from Mac Furst from Singular.

Mac Furst

Yes. This is Mac Furst Singular Research. Good Morning Ric Jana Andy. Congratulations on the quarter. Congratulations on the quarter. I mean revenue is still up despite the loss of that $100 million contract in the medical vertical that we spoke about last motor. I have 2 questions about automotive. You spoke about the additional revenue opportunity with ZF. Can you give us some color? Can you attach a revenue estimate on an annual basis for that additional business that you're trying to do with ZF starting in 2025.

Richard D. Phillips
CEO & Director

Well, I would love to, but that's -- I was -- we had a great meeting, by the way, as I mentioned in the prepared remarks and a great customer and partnership with us, but we're not able to disclose that. It's meaningful... It's meaningful for us. long term.

Mac Furst

Can we -- for a second, talk about the ripple effects that you expect in the next couple of quarters about the UAW strike. If I read out a certain number, say, revenue impact of, say, $30 million, $40 million or $50 million over the next 3, 4 quarters, is that something that is too high? Or is that a number that's too low.

Jana T. Croom
Chief Financial Officer

The guide that we provided is based on the information that we have right now and tended to be holistic for the remainder of the year. right? So $100 million, down roughly versus the midpoint of our guidance range, split fairly evenly between automotive and industrial, automotive focused more heavily in the North American market. So that would indicate that over the 3 remaining quarters as $50 million in total for the full quarter.

Mac Furst

So maybe revenue down by $50 million over the next 3 quarters? Okay?

Jana T. Croom
Chief Financial Officer

Yes.

Operator
We currently have no further questions on the line. So I'd like to close the call here and thank you all for your participation. If you'd like to access the replay, you can do this by dialing star 1 (866 813-9403 and use access code 264 925. Replay instructions will also be available on the Kimball Electronics Investor Relations page. Thank you all again for joining today's call. You may now disconnect your lines, and have a great rest of your day.

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