Kimball® Electronics
Lasting relationships. Global success.

Strategically Focused

First Quarter Fiscal 2025 Results

Quarter Ended September 30, 2024

Supplementary Information to the November 5, 2024, Earnings Conference Call & Webcast

Safe Harbor Statement

Certain statements contained within this supplementary information, including our fiscal year 2025 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, 2024, 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 quarter
- Guidance for fiscal 2025
- Closing comments
- Q&A



Ric Phillips
CEO



Jana Croom
CFO

Strategically positioning the business for the future

- Restructured the Company by divesting Automation, Test, and Measurement
- Folded medical CMO business into our core EMS portfolio… allowing greater focus on key and growing areas of the Medical vertical
- Sharpened strategic focus in all verticals to target attractive current and new market spaces that fit our capabilities
- Shored up balance sheet, lowering inventory levels by over $150 million and generating positive cash flow
    - When combined with the proceeds from the sale of AT&M and closure of Tampa, provides necessary dry powder to meaningfully invest in growth

Announcement regarding Tampa

- Improve competitiveness by leveraging capacity in our global footprint while streamlining the operating structure
- Production activities on existing customer programs will be transferred out of Tampa
- Majority of the work going to our newly expanded facility in Mexico and Jasper
- Operations in Tampa will cease by the end of the fiscal year, and anticipate the facility will close in Q1 of fiscal 2026

Shutting down a location is a difficult decision

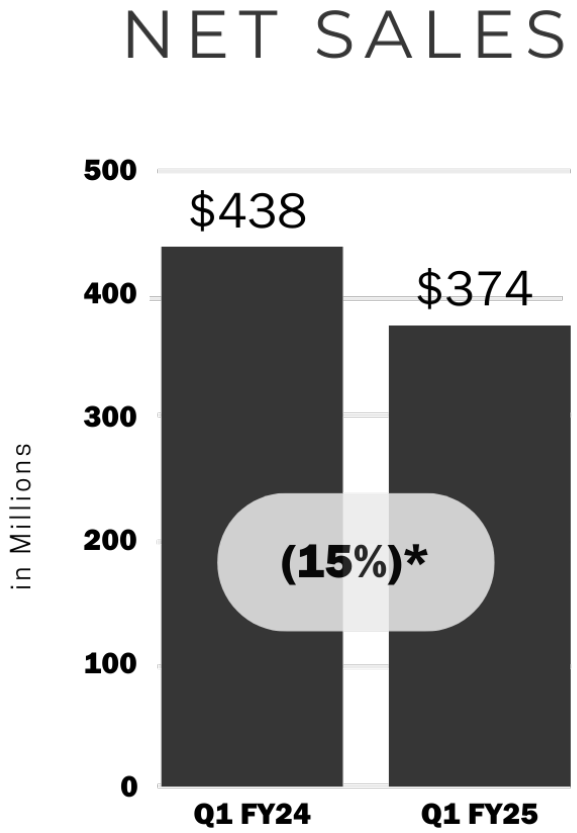
- Appropriate path forward considering the preferences of our customers, our outlook for U.S. manufacturing, and an objective of returning the Company to profitable growth and stronger performance
- Grateful to the employees in Tampa and their accomplishments since the Reptron acquisition in 2007
- Team played a vital role during the pandemic, supplying ventilators to those in need
- Appreciate the contributions as part of Kimball
- Committed to "doing the right thing" for our people, our customers, our suppliers, and the local community

Q1 another chapter of "controlling what we can control"

- Navigating the challenging operating environment stemming from sustained end market weakness
- Results in line with expectations, considering the difficult comparisons from a record-setting Q1 last year
- Continue to adjust costs, improve working capital management, and generate positive cash flow used to paydown debt
    - Nearly $50 million in Q1, reducing debt to a 2-year low

Net sales in the quarter totaled $374 million

- Represents a 15% decrease year-over-year
- When excluding AT&M from both periods, the decrease was 13%
- From an end market perspective, each of the three vertical markets we serve posted declines



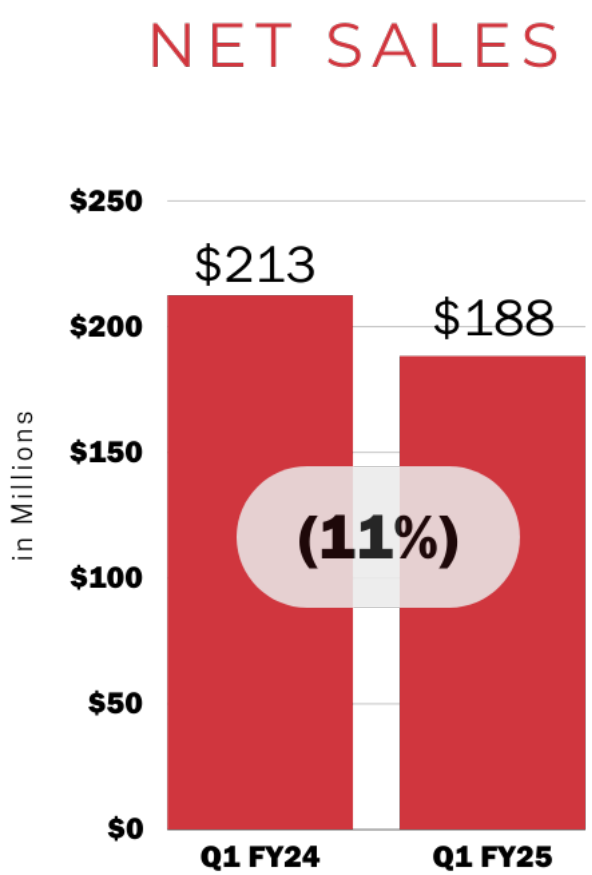
* Percentage decrease compared to Q1 of fiscal 2024

Automotive net sales were $188 million

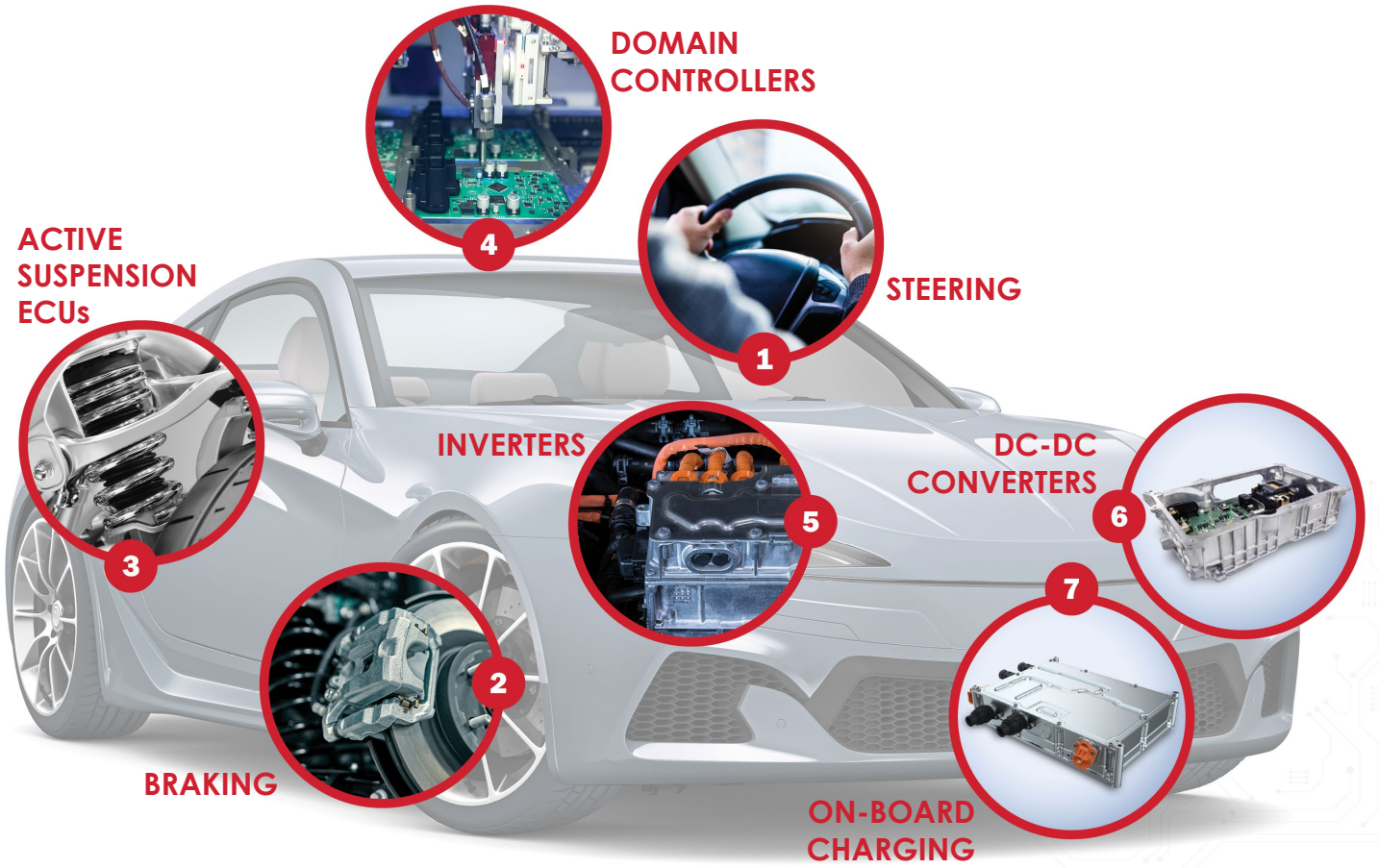
- Down 11% compared to the first quarter last year
- 50% of total company sales
- Decrease occurred in Europe and North America, partially offset by a modest increase in Asia
- Decline due to volume softening, a result of overstocking, lower demand, and dynamic timing of NPIs vs. end-of-life production



- Electronic Power Steering
- Body Controls
- Automated Driver Assist Systems
- Electronic Braking Systems



As announced in August…



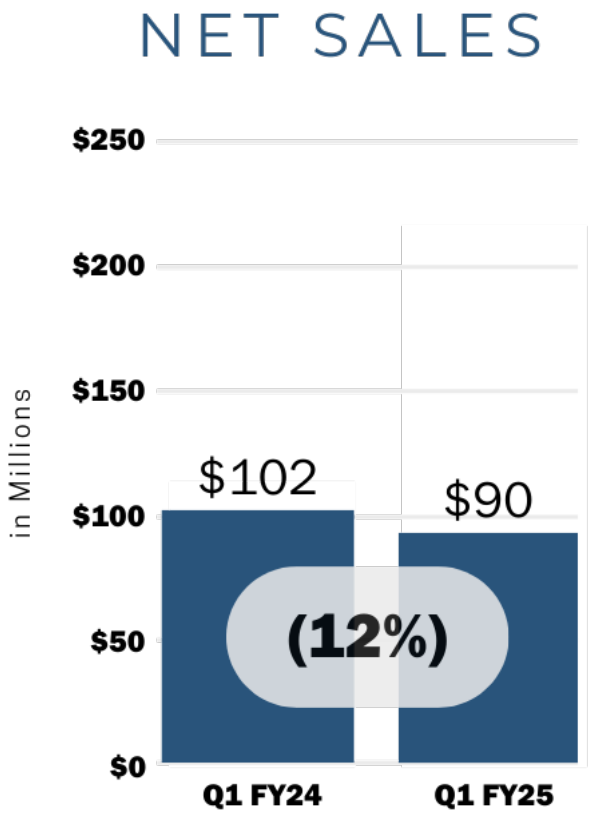
- Working through a setback in electronic braking
- Our customer – a tier one supplier – will no longer produce system for OEM
- Supporting wind down of production and transfer… conclude by end of Q3
- No impact to revenue in the quarter
- On schedule for launch and ramp-up of new braking program in Romania
- Growth returns when vehicle sales burn through elevated inventory levels

Medical net sales in first quarter of $90 million

- Down 12% compared to the first quarter last year
- 24% of total company sales
- Decline heavily concentrated in Asia with North America and Europe down slightly



- Sleep Therapy and Respiratory Care
- Image Guided Therapy
- In Vitro Diagnostics
- Drug Delivery
- AED
- Patient Monitoring



Looking forward…



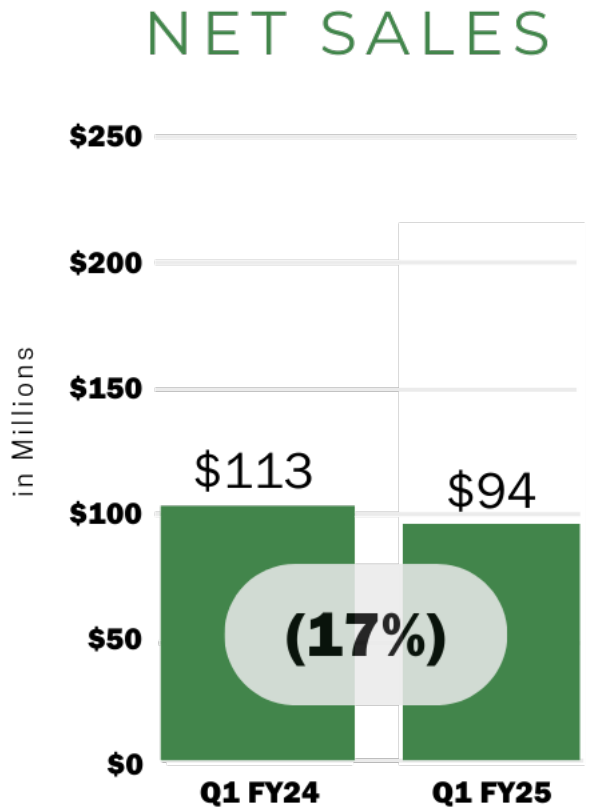
- Encouraged by growth prospects in this vertical market
- Focus on higher level assemblies and finished medical devices
- Announced in August, sole supplier of respiratory care final assembly and HLA business for largest medical customer
  - Launch in fiscal 2026
- Expertise in manufacturing selected drug devices, such as auto-injectors, is a differentiator

Industrial net sales of $94 million, excluding AT&M

- Down 17% vs. Q1 last year
- 25% of total company sales
- Decline predominately occurred in North America and Europe, sales in Asia down slightly
- Weak demand for internal climate control systems, battery storage, public safety products, and Smart Meters in Europe



- Climate Controls
- Automation Controls
- Public Safety



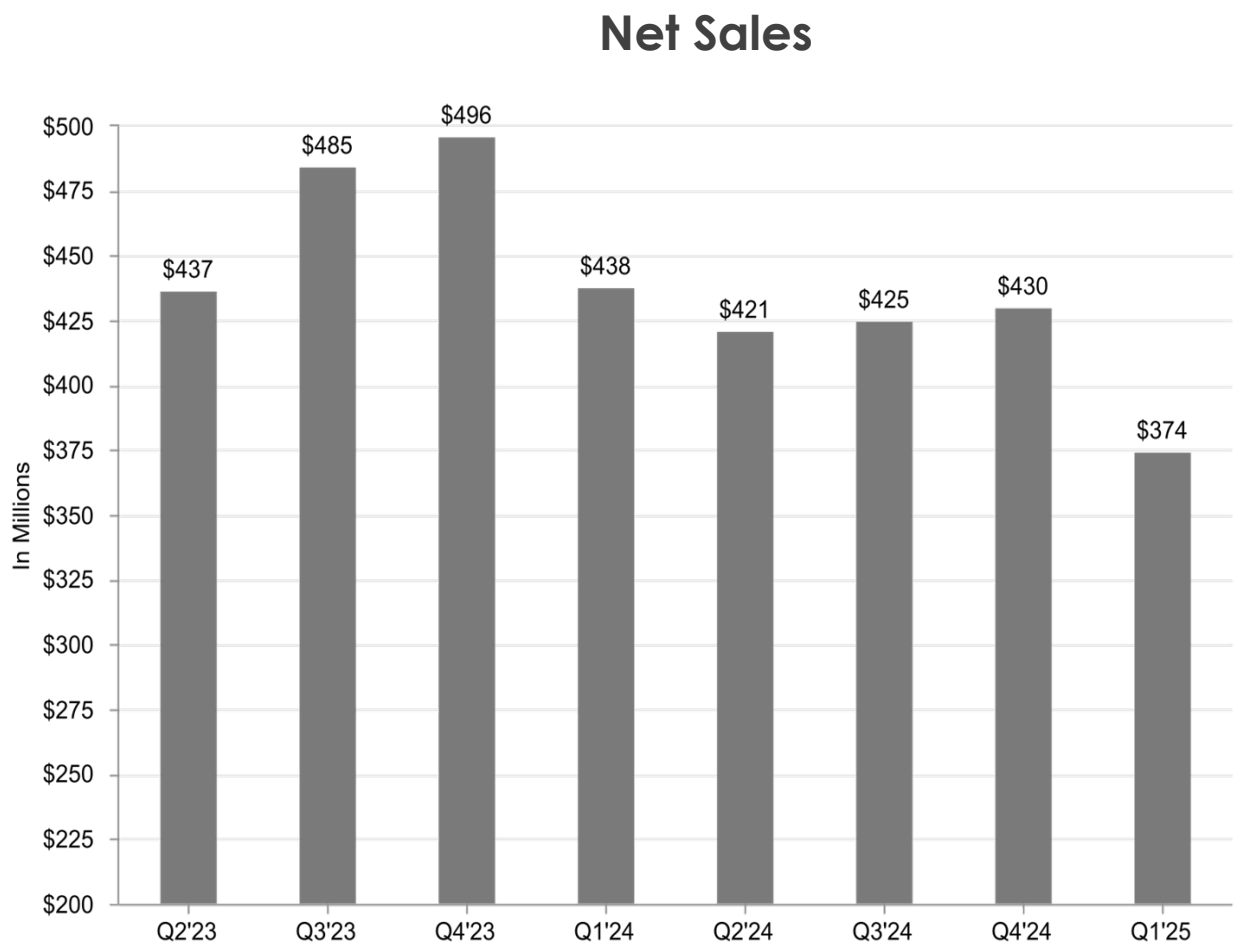
Continue to see a return to growth…



- Rebound for climate control products
- Opportunities in other sub-verticals within the industrial space

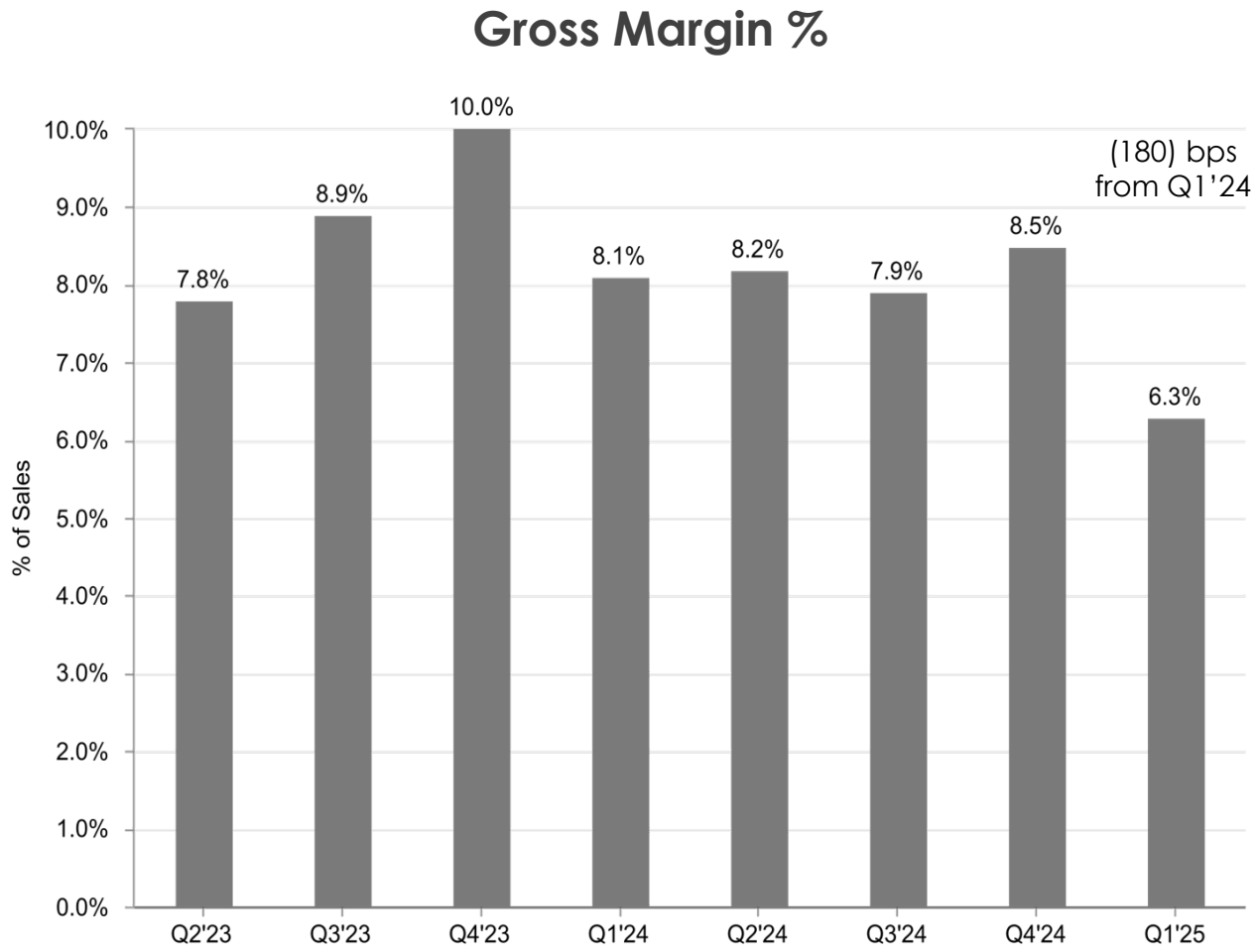
Net sales in the first quarter were $374.3 million

- Foreign exchange had less than a 1% impact on sales in the quarter



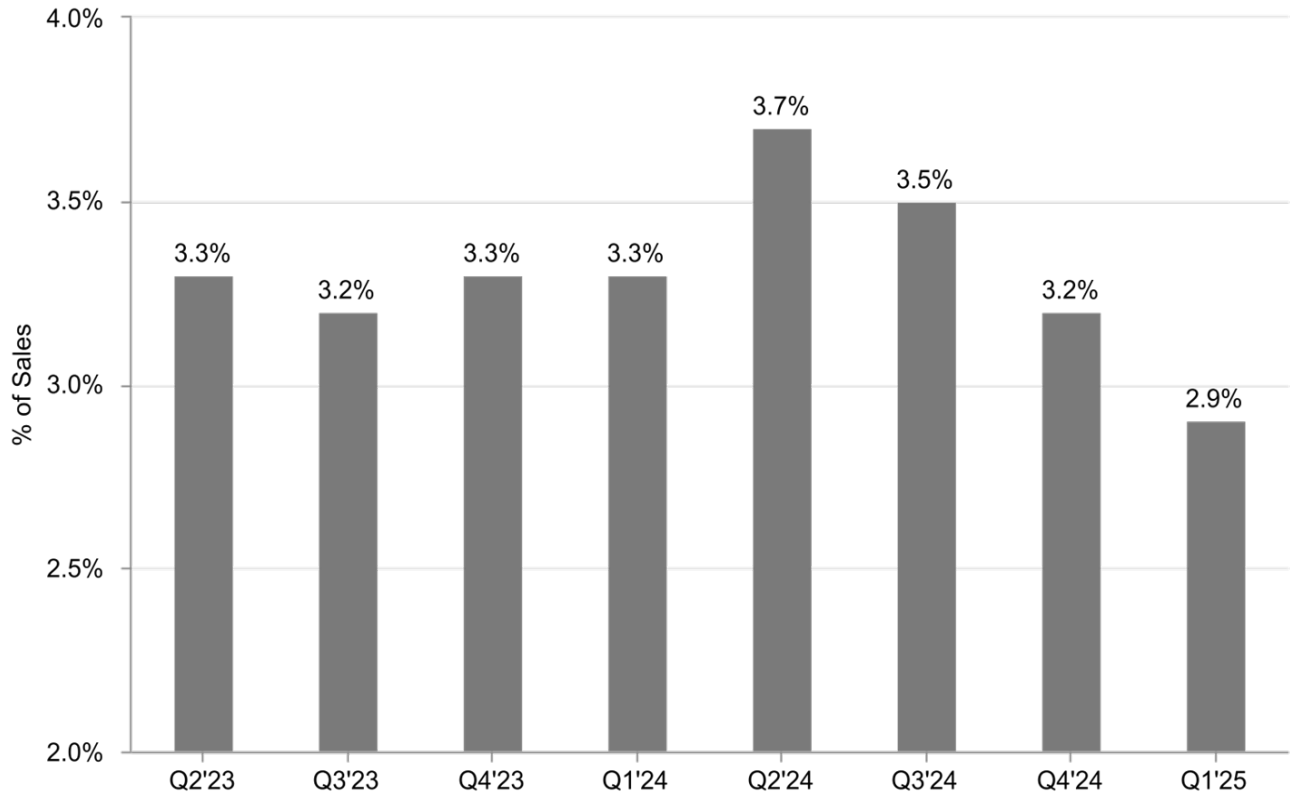
Gross margin rate in Q1 was 6.3%

- 180 bps decline compared to the first quarter of fiscal 2024
- Decrease coming from lower absorption, a result of declining sales



Adjusted selling & administrative expense (%)(1)(2)

- First quarter total of $11.0 million
- $3.5 million – or 24% - reduction compared to the $14.5 million reported in Q1 last year
- Decrease driven by aligning discretionary spending with current market demand and lower bonus
- Only one month of expense from AT&M in the quarter
- Adjusted S&A of 2.9% of net sales, a 40-bps improvement compared to 3.3% in Q1 last year

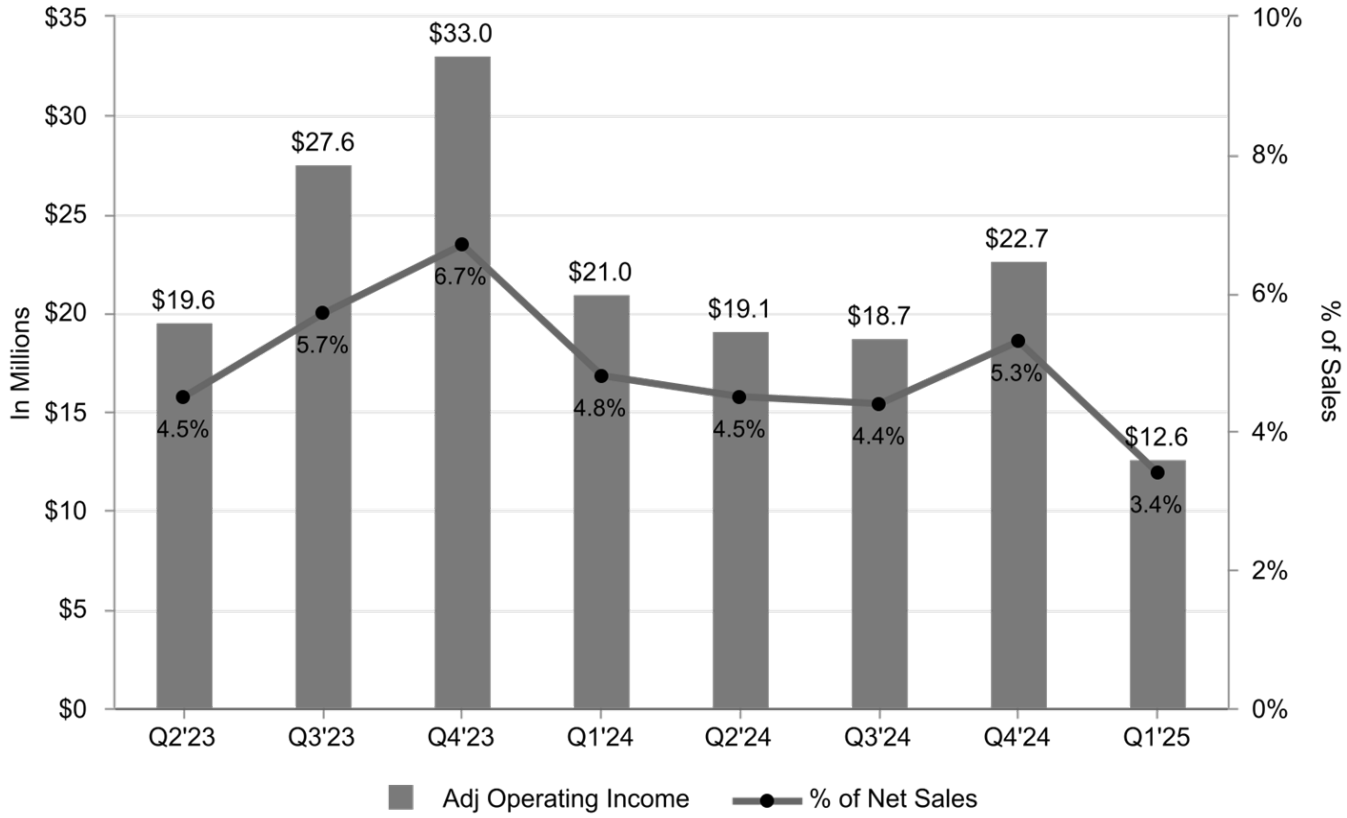


(1) Adjusted Selling & Administrative Expense is a Non-GAAP measure – refer to Reconciliation of Non-GAAP Results in the supplementary information.

(2) Beginning in Q1'25, Adjusted Selling & Administrative Expense excludes stock compensation expense. Prior periods have been revised accordingly.

Adjusted operating income (1)(2)

- First quarter was $12.6 million, or 3.4% of net sales
- Compared to last year's adjusted result of $21.0 million, or 4.8% of net sales
- Adopted the industry norm of excluding stock compensation expense from calculation



(1) Adjusted Operating Income is a Non-GAAP measure – refer to Reconciliation of Non-GAAP Results in the supplementary information.
(2) Beginning in Q1'25, Adjusted Operating Income excludes stock compensation expense. Prior periods have been revised accordingly.

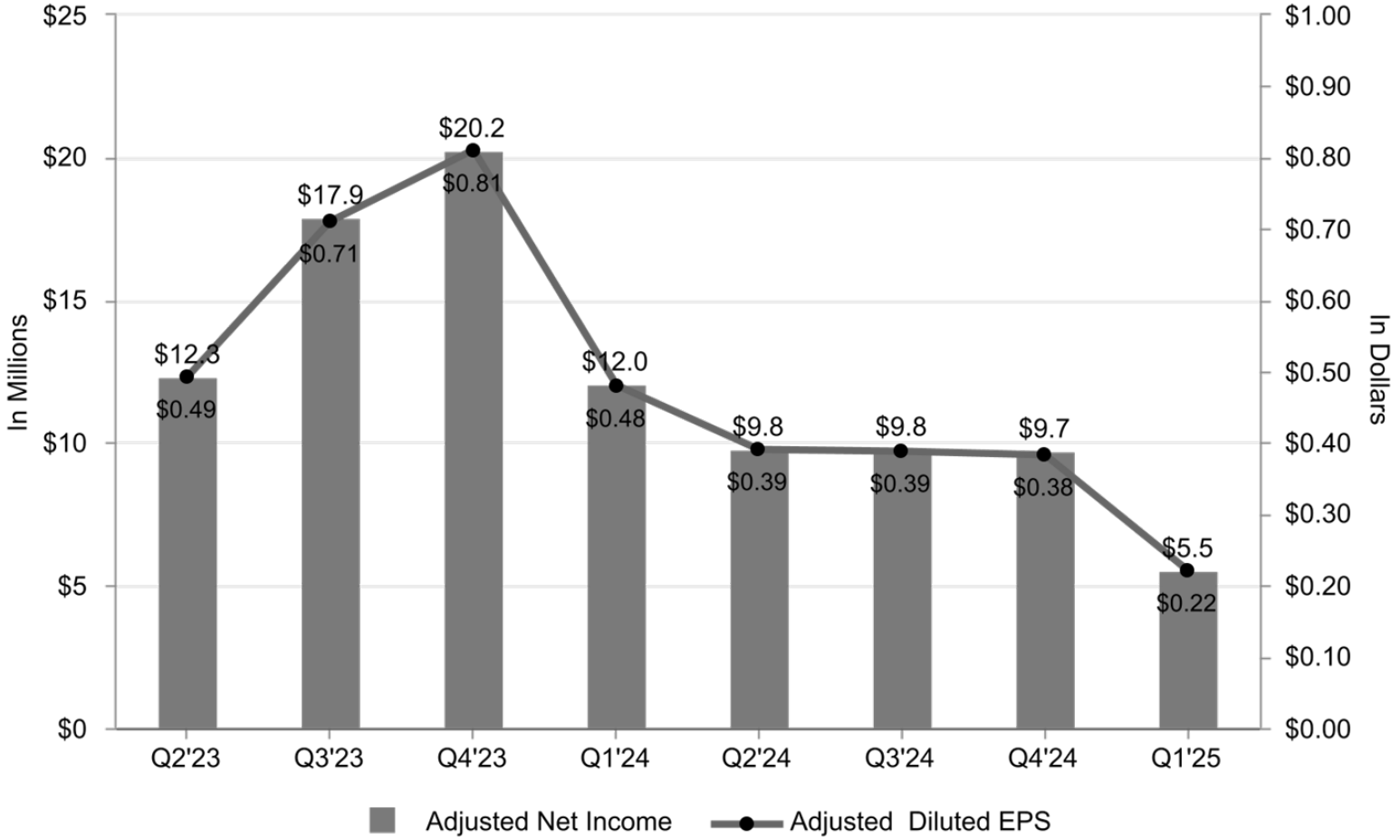
Other income and expense

- In the first quarter, other income and expense was expense of $6.2 million, virtually flat year-over-year
- Last year was expense of $6.3 million
- Lower interest expense in the period, offset by an increase in foreign currency translation

Effective tax rate

- In the first quarter, the effective tax rate was a negative 9.4%, compared to a positive 18.6% in Q1 of fiscal 2024
- The rate this quarter was driven by a favorable ruling on a prior period tax audit
- Expect to resume a normalized tax rate in the mid-20s going forward

Adjusted net income and adjusted diluted EPS (1)(2)



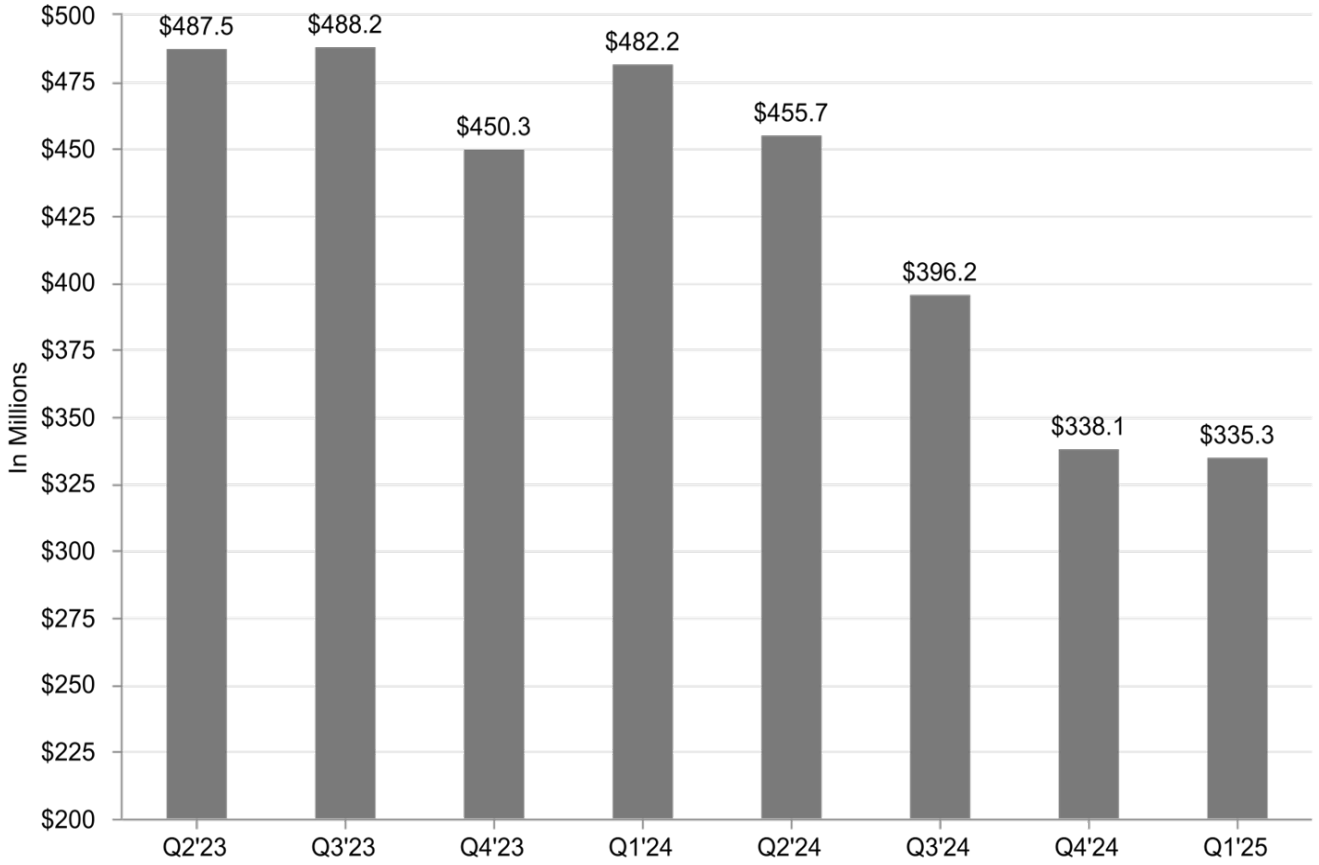
(1) Adjusted Net Income and Adjusted Diluted EPS are Non-GAAP measures – refer to Reconciliation of Non-GAAP Results in the supplementary information.
(2) Beginning in Q1'25, Adjusted Net Income and Adjusted Diluted EPS exclude stock compensation expense. Prior periods have been revised accordingly.

Balance sheet

- Cash and cash equivalents were $76.6 million at September 30, 2024
- Cash flow from operating activities in the quarter was $45.5 million, our third consecutive quarter of positive cash flow
- Cash conversion days were 108 days, compared to 103 days in the first quarter last year, and 100 days in the prior quarter
    - Continue to focus on improving cash conversion days by actively managing the components

Inventory ended the quarter at $335.3 million

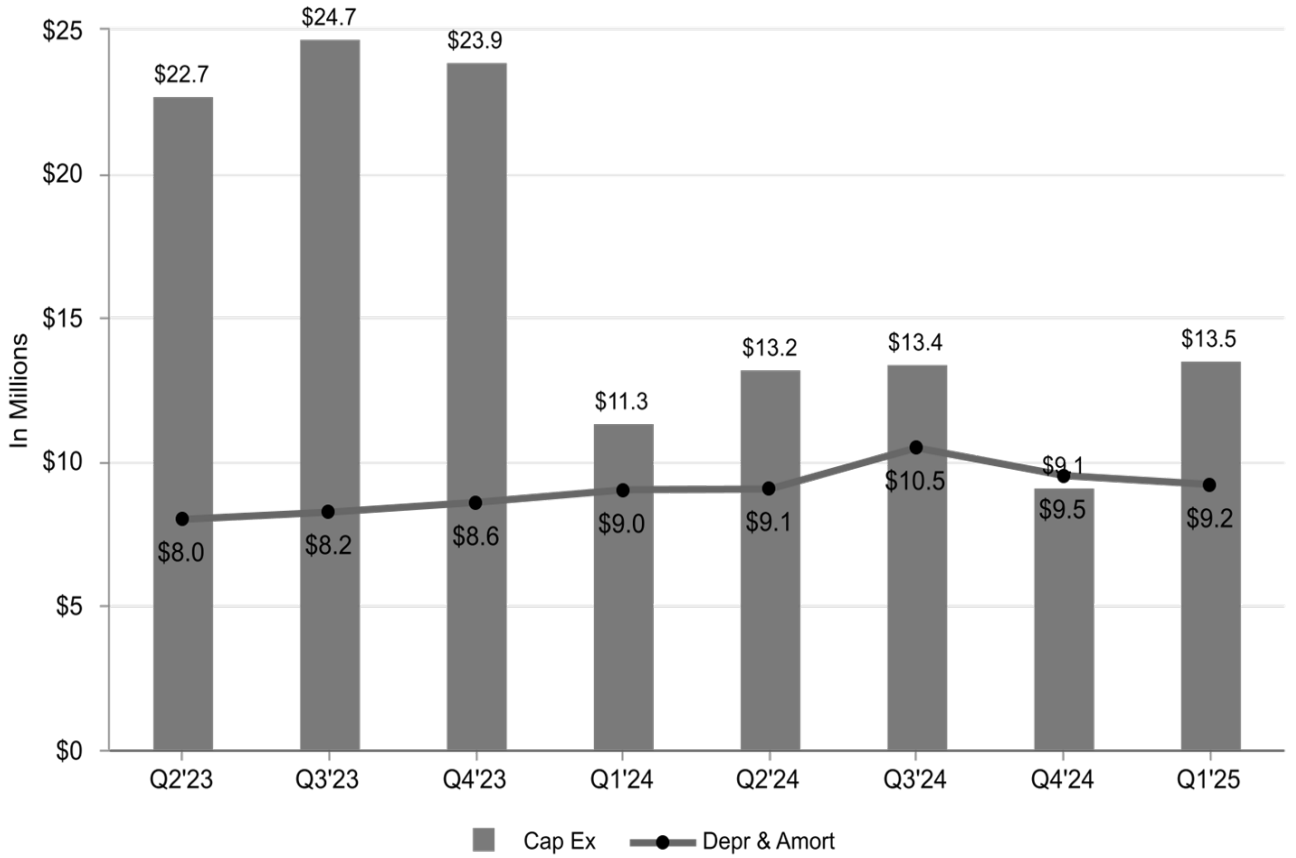
- Represents a $147 million, or 30%, reduction compared to Q1 last year
- Pleased with our progress in reducing inventory and will continue to work with our customers to right-size to the current demand outlook



Capital expenditures were $13.5 million (1)

- Maintenance requirements
- Investments in longer-term growth

Capital Expenditures and Depreciation & Amortization



(1) Capital Expenditures include purchases of capitalized software.

Borrowings

- Borrowings on credit facilities at September 30, 2024, were $245.9 million
  - $48.9 million reduction from last quarter
  - Our lowest level of debt in 2 years
- Short-term liquidity available totaled $263.4 million at the end of the first quarter

Share repurchases

- Invested $2.9 million to repurchase 160,000 shares
- Since October 2015, under our Board authorized share repurchase program:
  - A total of $94.7 million returned to Share Owners by repurchasing 6.1 million shares of common stock
  - $5.3 million remaining on the program for deployment

Confirming guidance for fiscal year 2025

- Net sales expected to be in the range of $1.440 to $1.540 billion
- Adjusted operating income of 4.0% to 4.5% of net sales
- Capital expenditures of $40 to $50 million
- Q2 revenue decline vs. prior year will be approximately in line with Q1, but with margin improvement as we continue our restructuring efforts
- As part of the facility closing in Tampa
  - $8 to $11 million in total exit costs
    - $6 to $7 million in employee termination benefits
    - $2 to $3 million in logistical costs to transfer and validate programs

Relative size of Tampa

- Annual revenue of ~$75 million
- Customers primarily in the Medical and Industrial verticals
- By comparison, net sales in fiscal 2024 in Mexico exceeded $500 million
- Program transfers to go to Reynosa and Jasper
  - Minimize disruption with set-up and qualification process at new facility run in parallel with normal production runs in Tampa
  - Support with safety stock
- Expect to sell building and land in Tampa with proceeds exceeding exit costs

Controlling what we can control

- Leverage capacity within global footprint and streamline operating structure will improve competitiveness and drive efficiency
- Closure of Tampa aligns electronics manufacturing footprint in U.S. with current and long-term market demand
- Positions the Company to better utilize facilities in low-cost regions
- Recognize we cannot "cut our way to greatness"
- Focus on top line growth by actively pursuing new opportunities where core manufacturing capabilities support emerging technologies
    - Medical high-level assemblies and drug-device combinations
- Intensified efforts on where – and how – to profitably grow

Questions

Appendix

Reconciliation of non-GAAP results

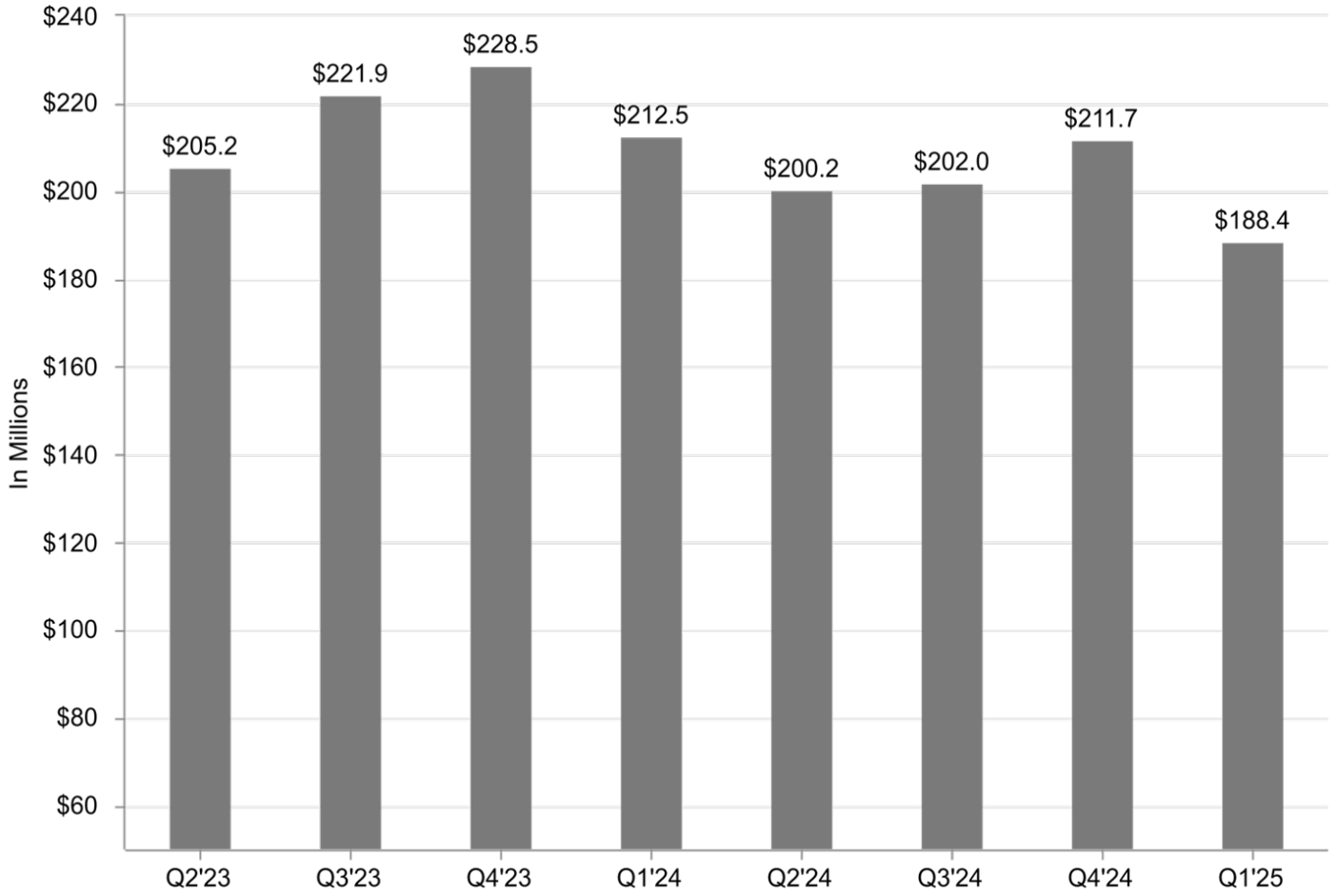
(Unaudited, Amounts in Thousands, Except Per Share Data)	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
Net Sales Growth (vs. same quarter in prior year)	39 %	32 %	33 %	8 %	(4)%	(12)%	(13)%	(15)%
Foreign Currency Exchange Impact	(5)%	(2)%	— %	1 %	1 %	— %	— %	— %
Constant Currency Growth	44 %	34 %	33 %	7 %	(5)%	(12)%	(13)%	(15)%
Selling & Administrative Expenses, as reported	$ 16,702	$ 17,752	$ 18,444	$ 16,052	$ 17,823	$ 16,861	$ 15,890	$ 13,427
Less: Stock Compensation Expense	1,725	2,000	1,557	1,693	1,969	1,773	1,750	2,072
Less: SERP	340	353	243	(177)	484	277	96	345
Adjusted S&A Expense	$ 14,637	$ 15,399	$ 16,644	$ 14,536	$ 15,370	$ 14,811	$ 14,044	$ 11,010
Operating Income, as reported	$ 17,489	$ 25,220	$ 31,449	$ 19,490	$ 16,610	$ (6,431)	$ 19,608	$ 9,115
Add: Stock Compensation Expense	1,725	2,000	1,557	1,693	1,969	1,773	1,750	2,072
Add: SERP	340	353	243	(177)	484	277	96	345
Add: Lawsuit Settlements (Recovery)	—	—	(212)	—	—	(892)	—	—
Add: Restructuring Expense	—	—	—	—	—	1,622	764	2,322
Add: Goodwill Impairment	—	—	—	—	—	5,820	—	—
Add: Asset Impairment (Gain on Disposal)	—	—	—	—	—	16,564	476	(1,264)
Adjusted Operating Income	$ 19,554	$ 27,573	$ 33,037	$ 21,006	$ 19,063	$ 18,733	$ 22,694	$ 12,590
Net Income, as reported	$ 10,720	$ 16,400	$ 19,202	$ 10,754	$ 8,290	$ (6,076)	$ 7,543	$ 3,154
Add: After-Tax Adjustments after Measurement Period of GES Acquisition	279	—	—	—	—	—	—	—
Add: Stock Compensation Expense, After-Tax	1,308	1,517	1,181	1,284	1,493	1,345	1,327	1,571
Add: Lawsuit Settlements (Recovery), After-Tax	—	—	(161)	—	—	(676)	—	—
Add: Restructuring Expense, After-Tax	—	—	—	—	—	1,230	580	1,761
Add: Goodwill Impairment, After-Tax	—	—	—	—	—	4,414	—	—
Add: Asset Impairment (Gain on Disposal), After-Tax	—	—	—	—	—	9,549	238	(959)
Adjusted Net Income	$ 12,307	$ 17,917	$ 20,222	$ 12,038	$ 9,783	$ 9,786	$ 9,688	$ 5,527
Diluted Earnings per Share, as reported	$ 0.43	$ 0.65	$ 0.76	$ 0.43	$ 0.33	$ (0.24)	$ 0.30	$ 0.12
Add: After-Tax Adjustments after Measurement Period of GES Acquisition	$ 0.01	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Add: Stock Compensation Expense	$ 0.05	$ 0.06	$ 0.05	$ 0.05	$ 0.06	$ 0.05	$ 0.05	$ 0.06
Add: Lawsuit Settlements (Recovery)	$ —	$ —	$ —	$ —	$ —	$ (0.03)	$ —	$ —
Add:Restructuring Expense	$ —	$ —	$ —	$ —	$ —	$ 0.05	$ 0.02	$ 0.07
Add Goodwill Impairment	$ —	$ —	$ —	$ —	$ —	$ 0.18	$ —	$ —
Add: Asset Impairment (Gain on Disposal)	$ —	$ —	$ —	$ —	$ —	$ 0.38	$ 0.01	$ (0.03)
Adjusted Diluted Earnings per Share	$ 0.49	$ 0.71	$ 0.81	$ 0.48	$ 0.39	$ 0.39	$ 0.38	$ 0.22

Reconciliation of non-GAAP results continued....

(Unaudited, Amounts in Thousands, Except Per Share Data)	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
Operating Income (GAAP) (TTM)	$ 71,915	$ 76,858	$ 87,729	$ 93,648	$ 92,769	$ 61,118	$ 49,277	$ 38,902
Add: Goodwill Impairment (TTM)	—	—	—	—	—	5,820	5,820	5,820
Add: Asset Impairment (Gain on Disposal) (TTM)	—	—	—	—	—	16,564	17,040	15,776
Add: Restructuring Expense (TTM)	—	—	—	—	—	1,622	2,386	4,708
Add: SERP (TTM)	(1,773)	(701)	701	759	903	827	680	1,202
Add: Stock Compensation Expense (TTM)	6,584	7,043	6,914	6,975	7,219	6,992	7,185	7,564
Add: Lawsuit Settlements (Recovery) (TTM)	—	—	(212)	(212)	(212)	(1,104)	(892)	(892)
Adj. Operating Income (non-GAAP) (TTM)	$ 76,726	$ 83,200	$ 95,132	$ 101,170	$ 100,679	$ 91,839	$ 81,496	$ 73,080
Tax Effect (TTM)	20,404	22,033	23,897	24,625	24,954	21,698	17,297	16,285
After-Tax Adj. Operating Income (TTM)	$ 56,322	$ 61,167	$ 71,235	$ 76,545	$ 75,725	$ 70,141	$ 64,199	$ 56,795
Average Invested Capital (1)	$ 605,772	$ 659,911	$ 701,364	$ 738,096	$ 770,051	$ 783,059	$ 782,093	$ 773,016
ROIC	9.3 %	9.3 %	10.2 %	10.4 %	9.8 %	9.0 %	8.2 %	7.3 %

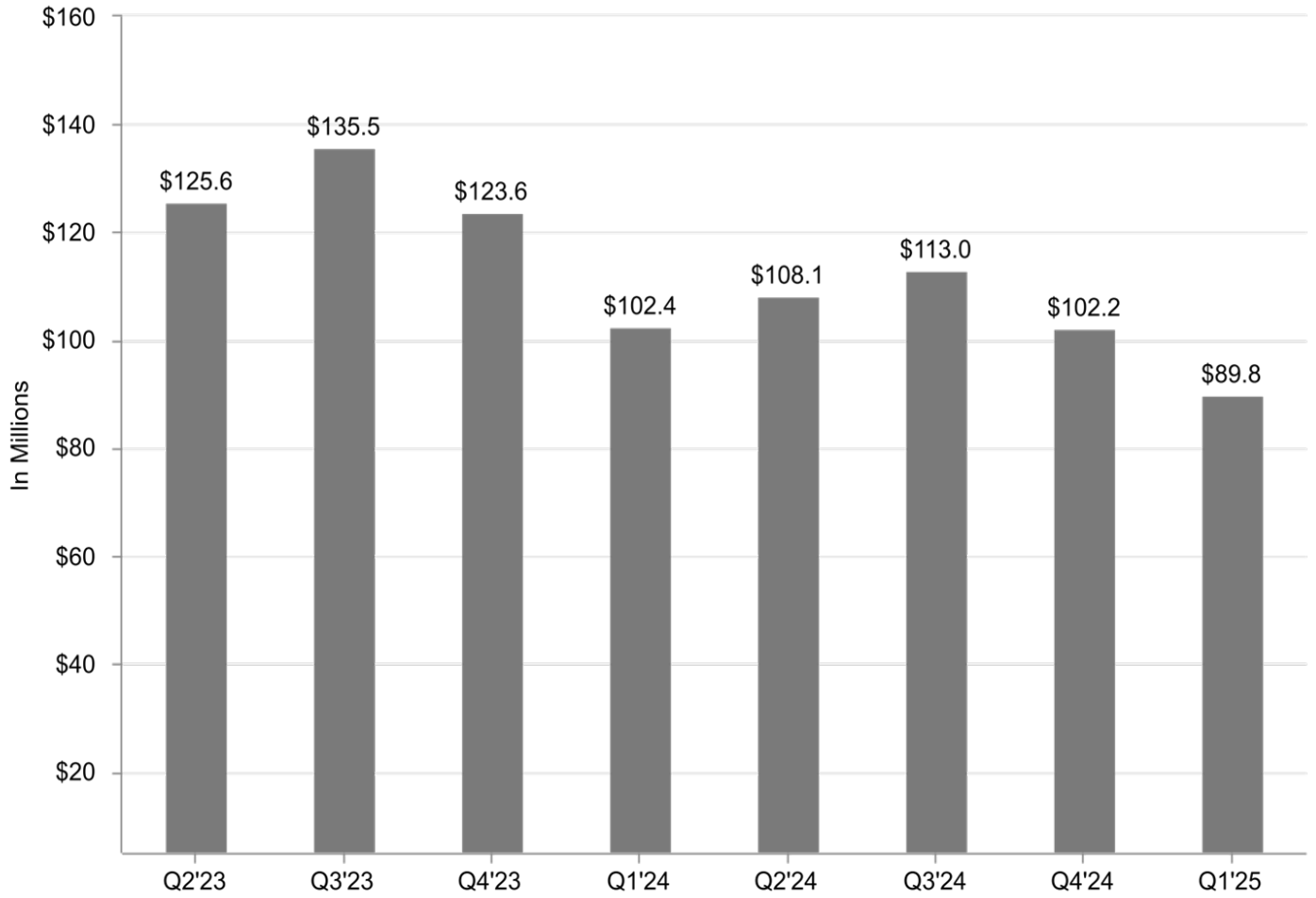
(1) Average Invested Capital is computed using the Share Owners equity plus current and non-current debt less cash and cash equivalents averaged for the last five quarters.

Net Sales in Automotive (1)



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

Net Sales in Medical (1)



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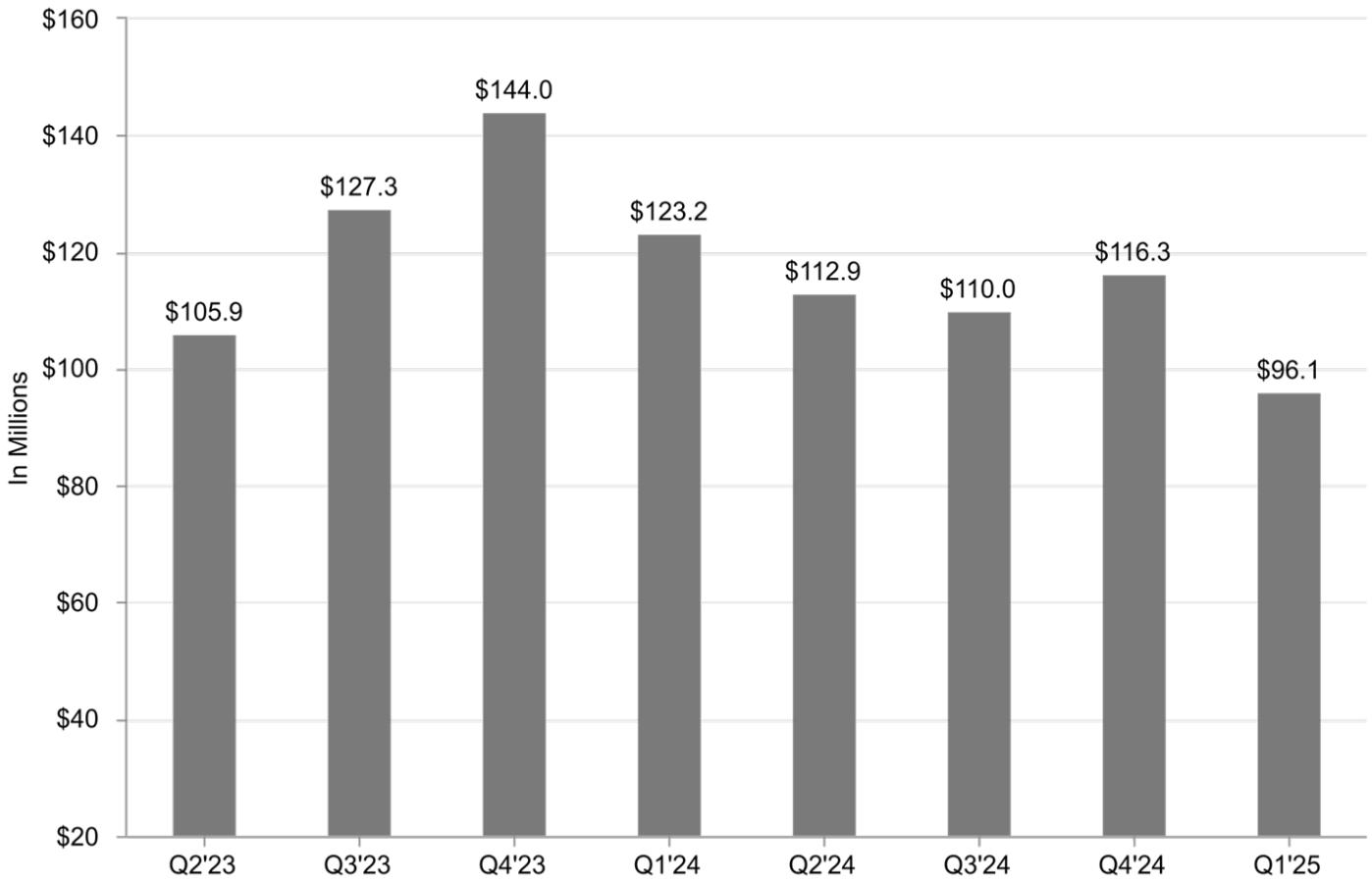
Net Sales in Industrial (1)



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