Kimball® Electronics
Lasting relationships. Global success.

Strategically Focused

Second Quarter Fiscal 2025 Results

Quarter Ended December 31, 2024

Supplementary Information to the February 5, 2025, 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 in the Appendix 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

Results for the second quarter in line with expectations

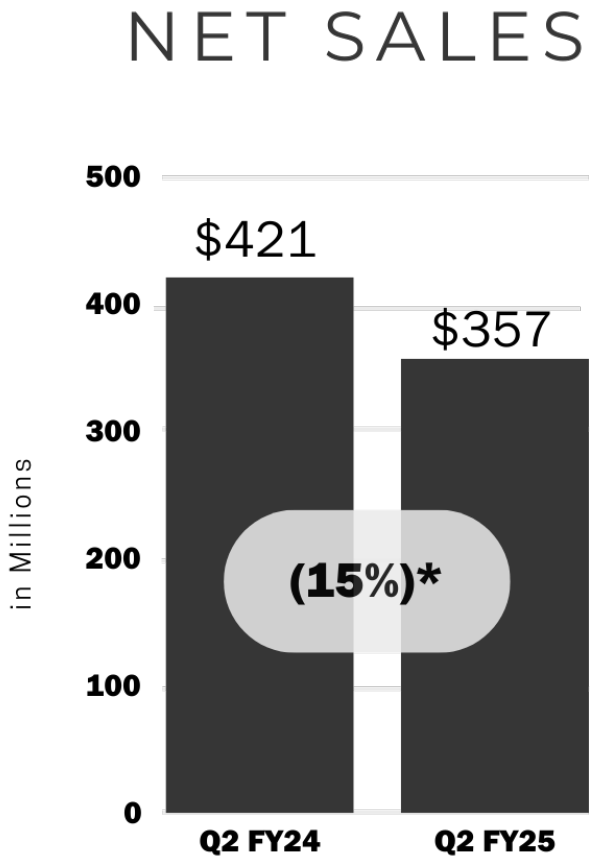
- Continue to navigate a sustained period of declining customer demand
- Focusing on what is controllable
- Fourth consecutive quarter with positive cash flow from operating activities
  - Inventory levels were reduced
  - Debt was paid down
  - Borrowings nearly 40% lower than a year ago
- Our improved balance sheet provides ample liquidity
  - Weather our current challenges
  - Necessary dry powder to opportunistically and meaningfully invest in growing the business

Repositioning the Company for a return to growth…

- Divestiture of the non-core assets from AT&M
- Improved facility utilization with the planned closing of our plant in Tampa
- Increased focus on the medical CMO
- Sharpened strategic focus in all three verticals to target attractive new market spaces that align with our capabilities
- Remain optimistic for the future, acknowledge the necessary changes won't happen overnight
    - Revised our expectations for the full fiscal year as we anticipate more time will be needed to stabilize the business and return to our historical growth pattern

Net sales in the second quarter totaled $357 million

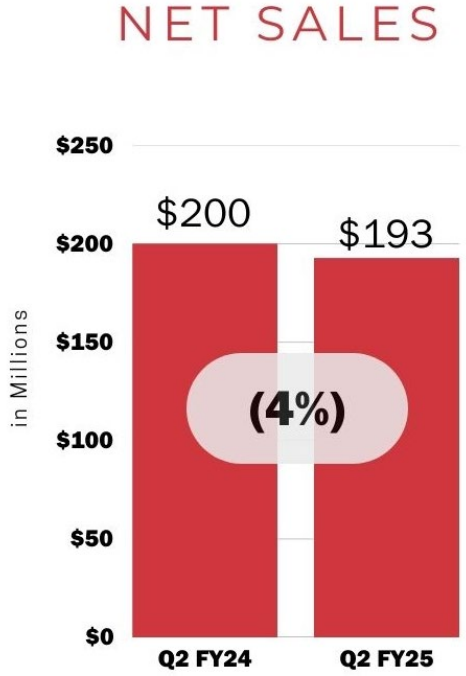
- Represents a 15% decrease year-over-year
- When excluding AT&M, the decrease was 13%
- Increase in Asia
  - Offset by double-digit declines in North America and Europe
- From an end-market perspective, each of the three verticals were down in the quarter



* Percentage decrease compared to Q2 of fiscal 2024

Automotive net sales were $193 million

- 4% decrease compared to the second quarter last year
- 54% of total company sales
- For the second consecutive quarter, results in China were strong with monthly production rates reaching "record high" levels
- Offset in North America
  - Volumes softening from overstocking, lower demand, and end-of-life production
- Continue to support wind down in Reynosa with program scheduled to conclude in short order
- Sales in Europe down year-over-year… ramping up new braking program in Romania with 1st shipment in January

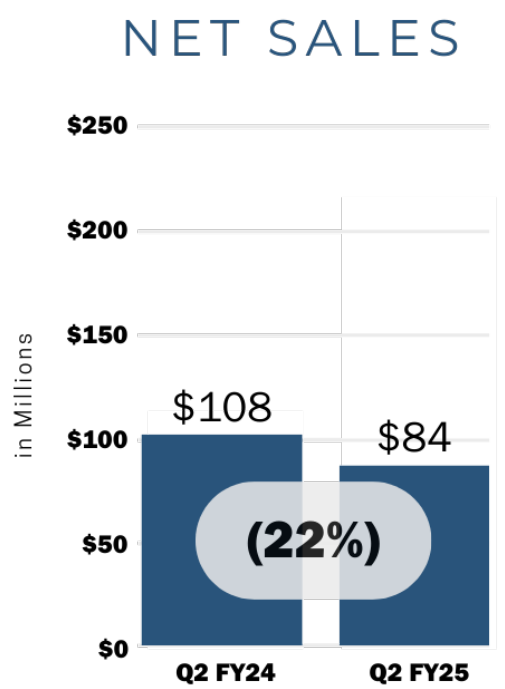




- Electronic Power Steering
- Body Controls
- Automated Driver Assist Systems
- Electronic Braking Systems

Medical with net sales in Q2 of $84 million

- Down 22% compared to the same period last year
- 23% of total company sales
- Decline predominately occurred in North America & Asia
  - Program going end-of-life in Thailand
  - Adjacent impacts from the FDA recall
- Encouraged by longer-term prospects with Higher Level Assemblies and Finished Medical Devices
  - Working toward late fiscal 2026 launch of Respiratory Care Final Assembly and HLAs
- Our manufacturing capabilities as a CMO extend beyond electronics and printed circuit board assemblies
  - Support the production of selected drug delivery devices





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

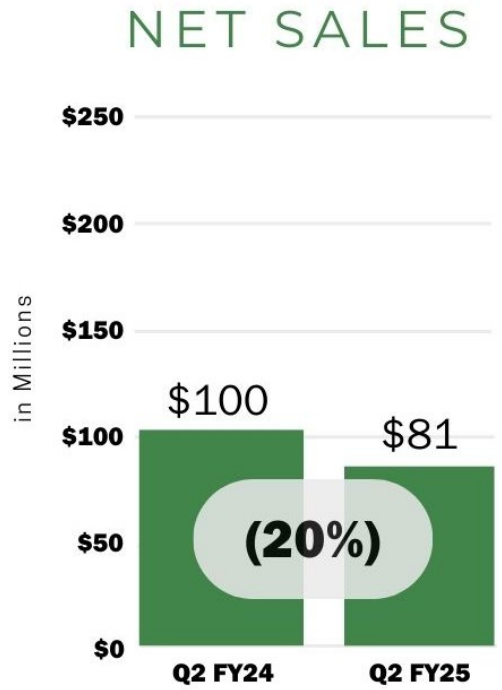
Capabilities are a differentiator in an attractive market



- Expect similar growth opportunities to continue to emerge as:
  - Population ages
  - Access & affordability to healthcare increases
  - Medical devices get smaller in size and require higher levels of precision and accuracy
  - Connected drug delivery systems become more common
- Elevate prominence as CMO with expanded manufacturing footprint
  - Adjacencies & vertical integration

Industrial net sales of $81 million

- Down 20% year-over-year, when excluding AT&M
- 23% of total company sales
- Decrease occurred in North America and Europe, sales in Asia were slightly lower
  - Declines in Smart Metering programs
  - Moderate reductions in climate controls and public safety

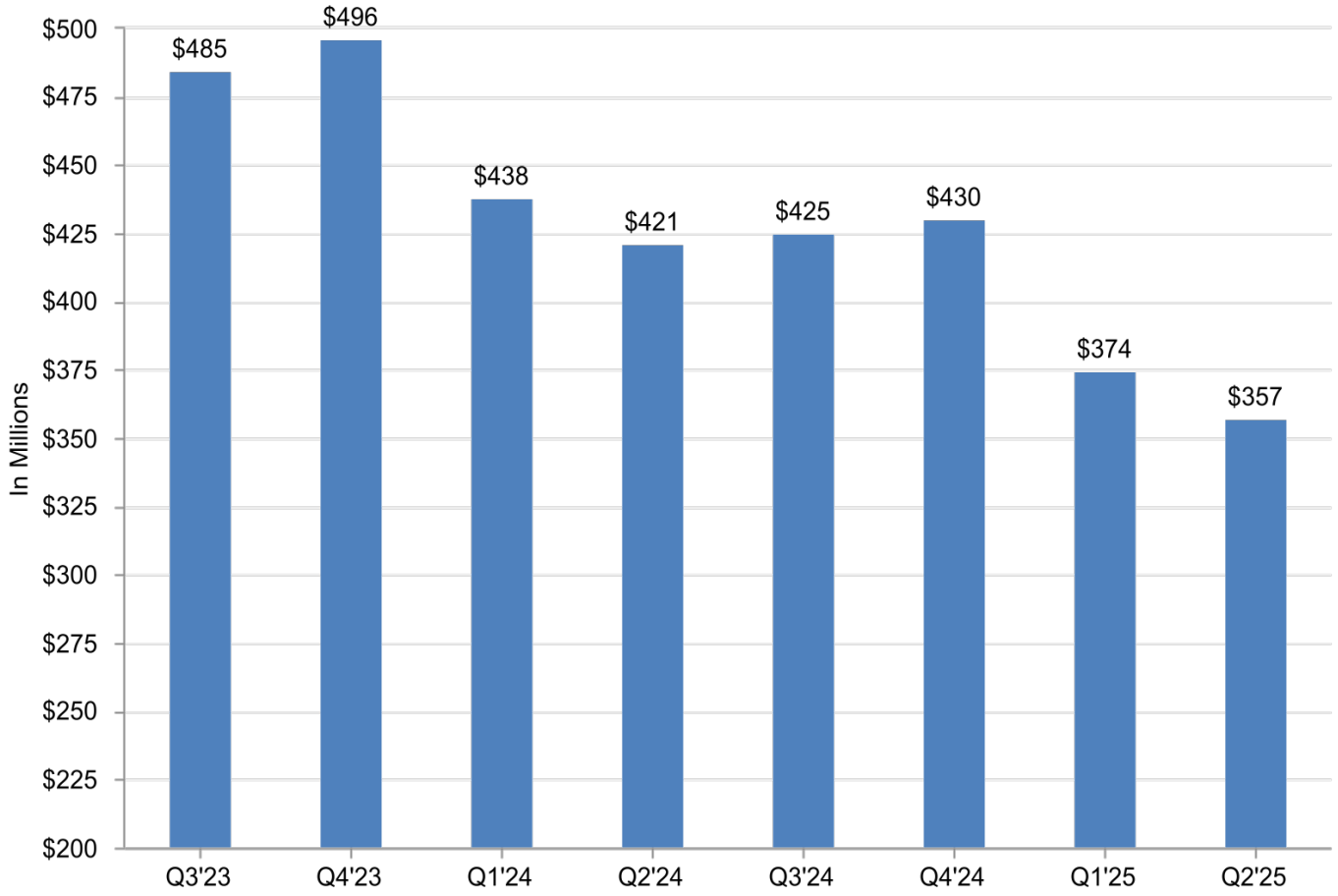




- Climate Controls
- Automation Controls
- Public Safety

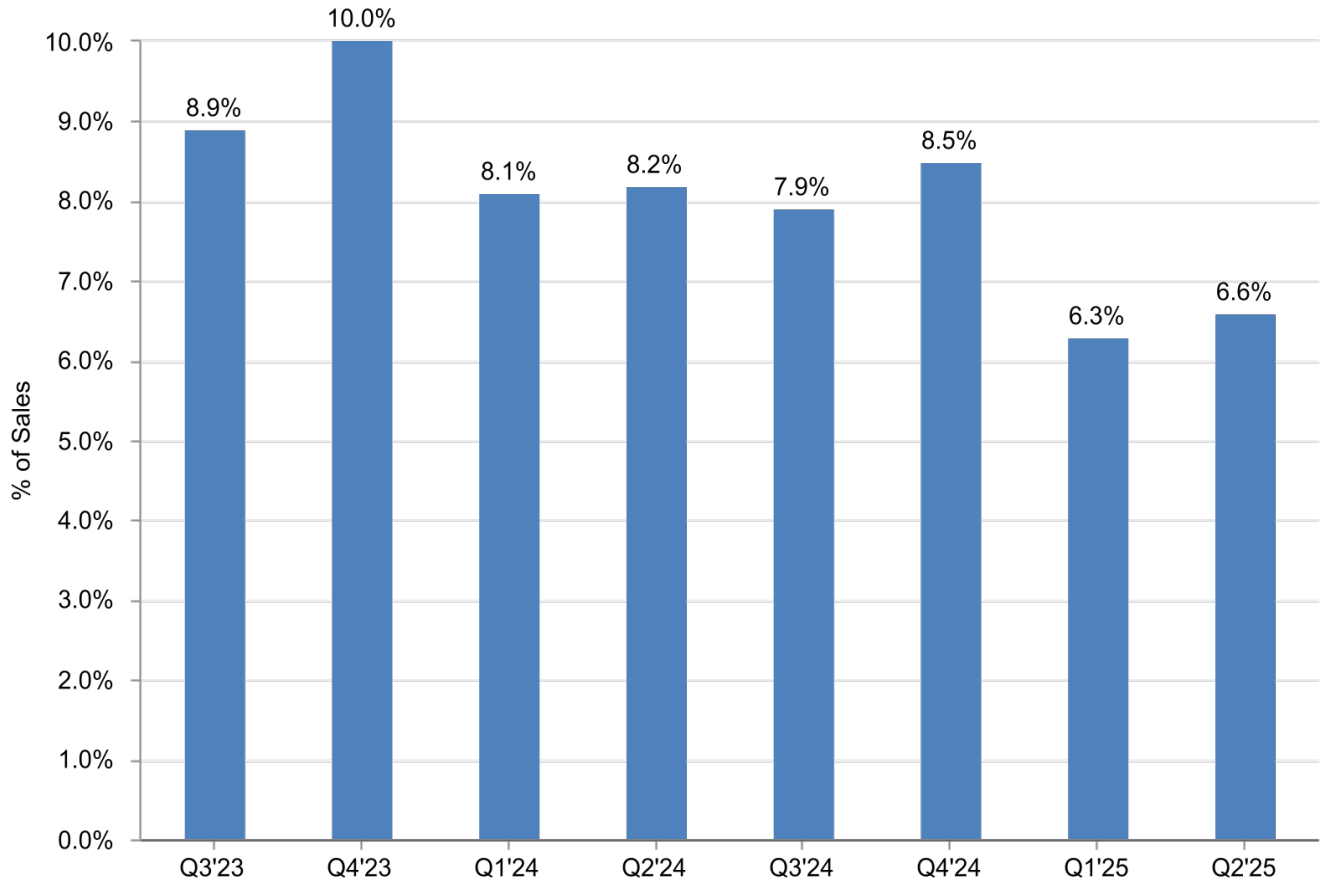
Net sales in the second quarter were $357.4 million

- Represents a 15% decrease year-over-year
  - When excluding AT&M, the decrease was 13%
- Foreign exchange had a near 0% impact on sales in the quarter
- On a sequential basis, sales were down 5% compared to Q1
  - Declines in both the Medical and Industrial verticals
  - Partially offset by a low single-digit increase in Automotive



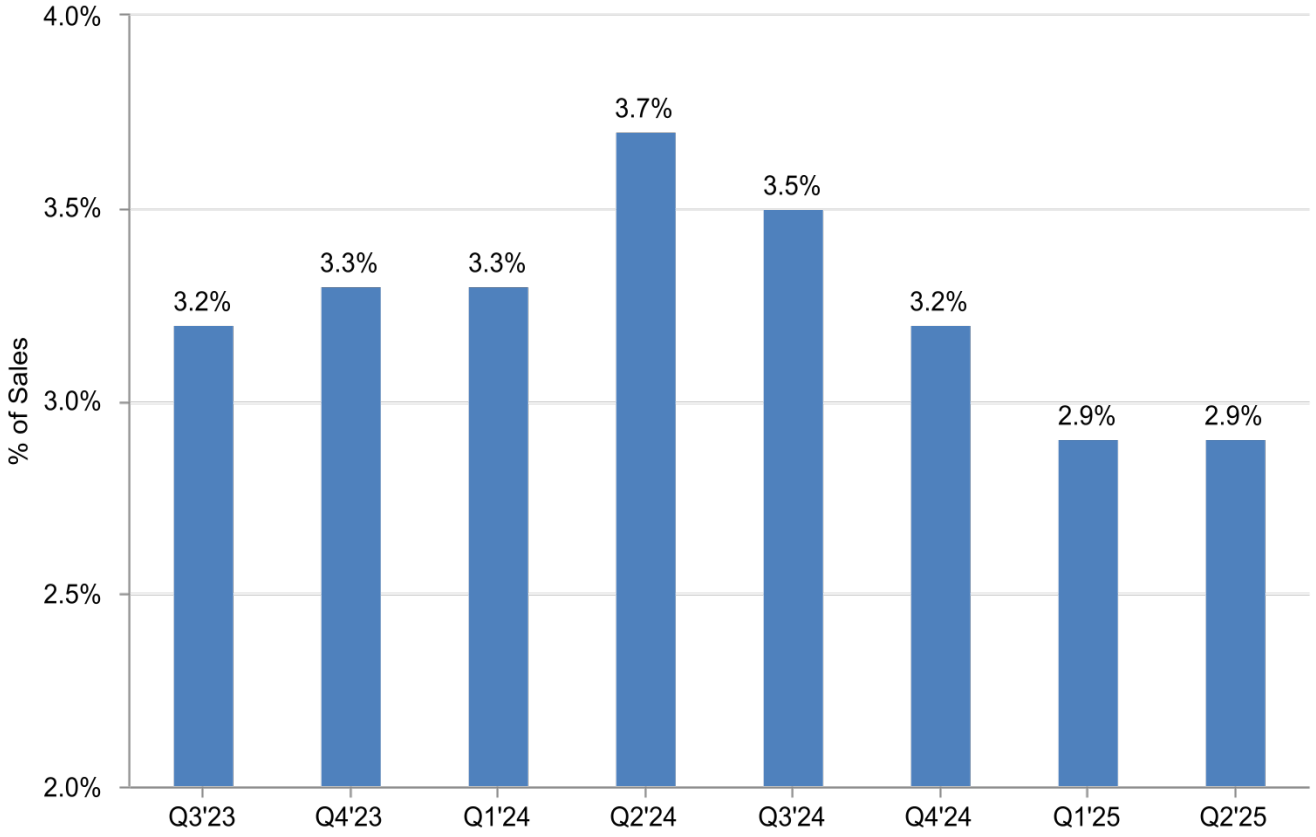
Gross margin rate in Q2 was 6.6%

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



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

- Second quarter totaled $10.1 million
- $5.3 million – or 34% - reduction compared to the $15.4 million reported in Q2 last year
- Decrease driven by aligning discretionary spending with current demand, lower bonus, and no AT&M in Q2 this year
  - $2 million allowance for credit losses in Q2 of prior year
- 2.9% when measured as % of sales
  - 80-bps improvement compared to 3.7% in Q2 last year

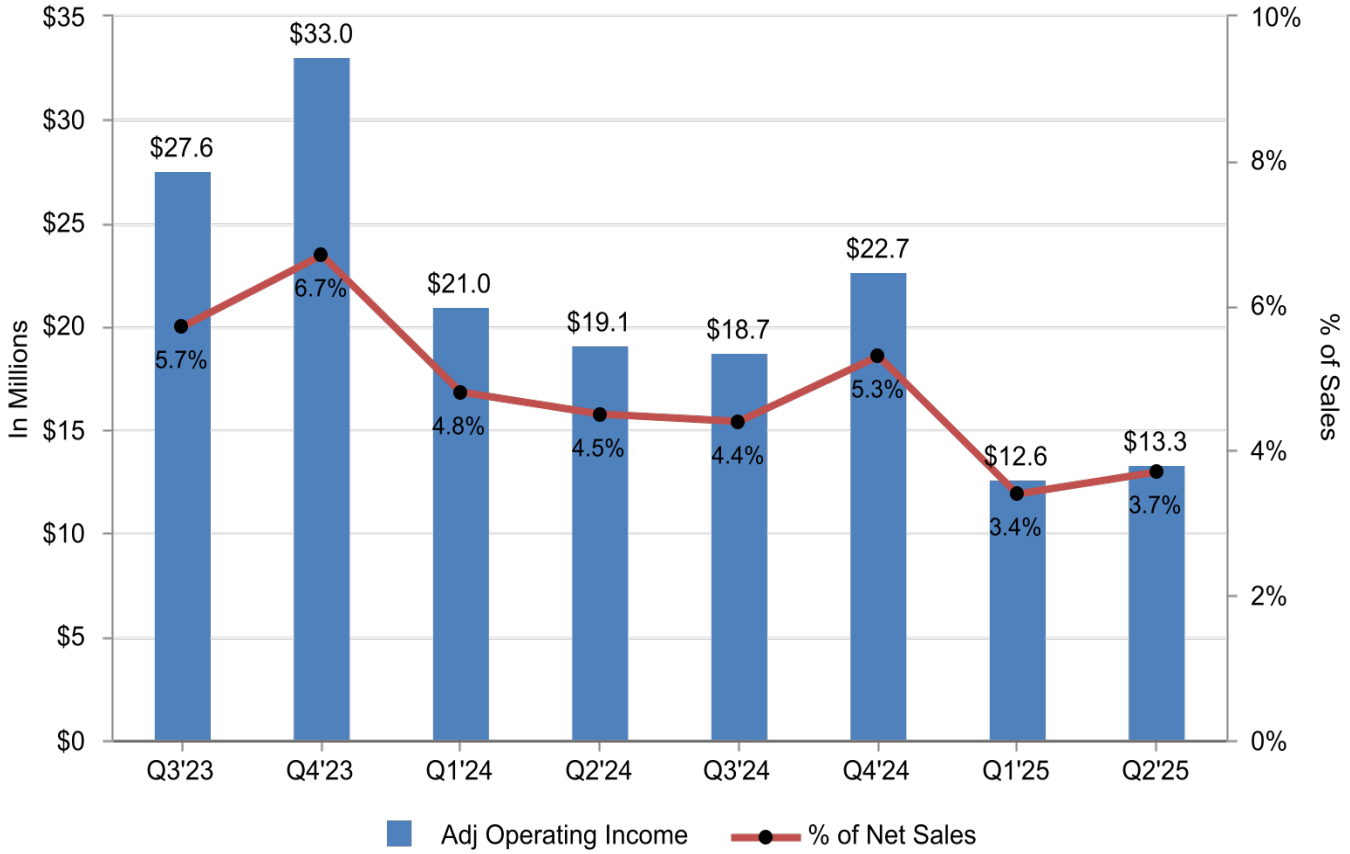


(1) Adjusted Selling & Administrative Expense is a Non-GAAP measure – refer to Reconciliation of Non-GAAP Results in the supplementary information.

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

Adjusted operating income (1)(2)

- $13.3 million, or 3.7% of net sales
- Last year's adjusted result of $19.1 million, or 4.5% of net sales
- Adopted the industry norm of excluding stock compensation expense from calculation



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(2) Beginning in Q1'25, Adjusted Operating Income excludes stock compensation expense. Prior periods have been revised accordingly.

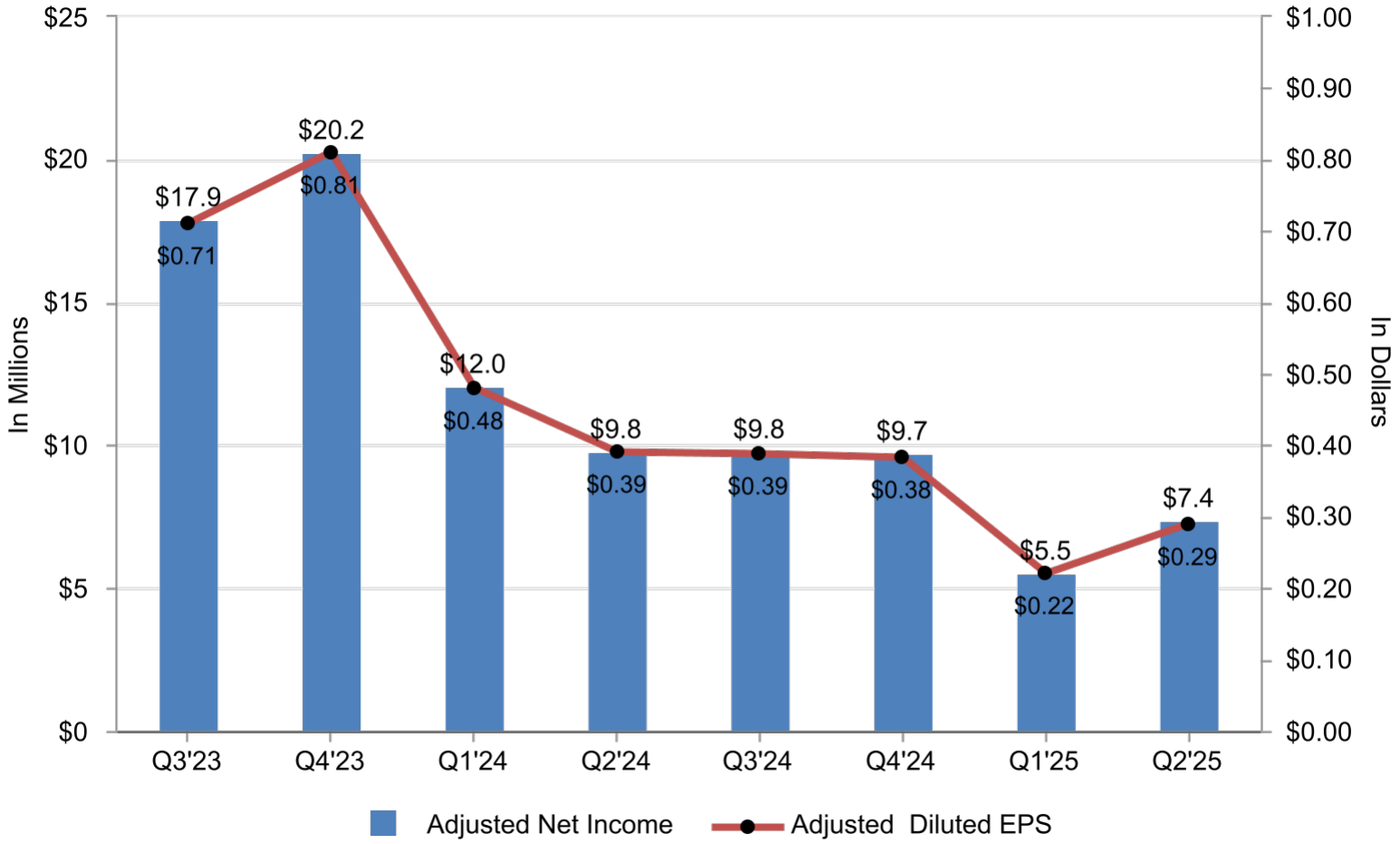
Other income and expense

- In the second quarter, other income and expense was expense of $4.8 million
- Last year was expense of $5.3 million
- Reduction driven by lower interest expense – down 31% year-over-year

Effective tax rate

- In the second quarter, the effective tax rate was 1.2%, compare to 26.5% in Q2 of fiscal 2024
- Due to the reversal of a valuation allowance as we reconcile the anticipated closure of Tampa with the sale of AT&M
- Expect a tax rate in the mid-20s for the full fiscal year

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



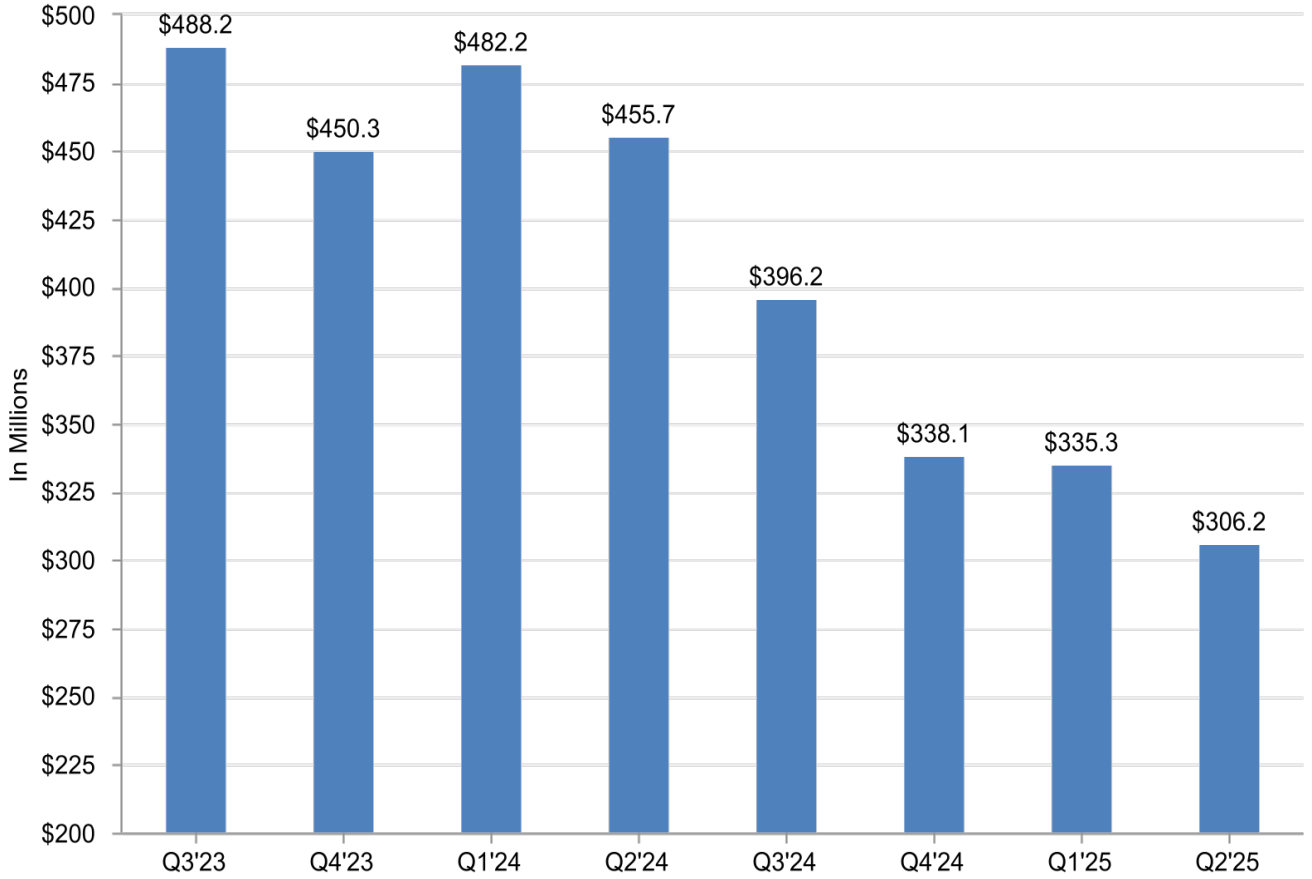
(1) Adjusted Net Income and Adjusted Diluted EPS are Non-GAAP measures – refer to Reconciliation of Non-GAAP Results in the supplementary information.
(2) Beginning in Q1'25, Adjusted Net Income and Adjusted Diluted EPS exclude stock compensation expense. Prior periods have been revised accordingly.

Balance sheet

- Cash and cash equivalents at December 31, 2024, were $53.9 million
- Cash flow from operating activities in the quarter was $29.5 million, our fourth consecutive quarter of positive cash flow
- Cash conversion days were 107 days, compared to 117 days in Q2 of FY2024, and 108 days last quarter
    - Continue to focus on improving cash conversion days by actively managing the components

Inventory ended the quarter at $306.2 million

- Represents a $29 million reduction compared to Q1
- $149 million, or 33%, lower than a year ago
- Pleased with our progress in reducing inventory
- Working with our customers to right-size to the current demand outlook



Capital expenditures were $6.5 million (1)

- Maintenance requirements
- Investments in longer-term growth



(1) Capital Expenditures include purchases of capitalized software.

Debt

- Borrowings at December 31, 2024, were $205 million
  - $41 million reduction from the first quarter
  - Down $90 million, or 30%, from the beginning of the fiscal year
- Short-term liquidity available totaled $280.3 million at the end of the second quarter

Term Loan A

- Significantly enhanced our capital structure with the amendment of the credit facility
  - Replaced the $100 million side car that was up for renewal in January
- TLA provides additional domestic liquidity for investments to meet working capital and other operating needs
  - Supports our efforts to grow the business through organic and inorganic channels
- Term Loan has a tenor that is off cycle with the revolver
- Added a new lender to the syndicate
- Special thanks to our banking partners and team in Jasper

Share repurchases

- Invested $3 million to repurchase 160,000 shares
- Since October 2015, under our Board authorized share repurchase program:
  - A total of $97.7 million returned to Share Owners by repurchasing 6.3 million shares of common stock
  - $22.3 million remaining on the program for deployment
  - In November, our Board of Directors unanimously increased the share repurchase program by $20 million

Updating guidance for fiscal year 2025

- Net sales now expected to be in the range of $1.4 to $1.44 billion
  - Previous guidance of $1.44 to $1.54 billion
- Adjusted operating income of 3.4% to 3.6% of net sales
  - Previous guidance of 4% to 4.5% of net sales
- Outlook for capital expenditures remains unchanged
  - $40 to $50 million
- Now estimate total exit costs associated with the closing of Tampa in the range of $6.5 to $8.5 million
  - Fully expect the proceeds from the sale of the property to exceed the exit costs

Estimating the impact of tariffs

- Executive Orders implementing tariffs on February 1st on virtually all goods from China, Mexico, and Canada
  - Paused for 30 days
- Partnering with customers to understand impacts and determine best solutions in the short-term and long-term
- Our Mexico facility exports ~25% - 30% of its production into the U.S.
- U.S. facilities import certain components from China, Mexico, and Canada on our customers' behalf
- Customers may be able to change the final delivery location, shift production to another KE facility, or pay the tariffs

CIRCUITS ASSEMBLY Service Excellence Awards

- Highest Overall Customer Ratings in seven categories
  - Dependability & timely delivery
  - Manufacturing quality
  - Responsiveness
  - Technology
  - Value for the price
  - Flexibility
  - Overall satisfaction
- Consistent focus on building long-term relationships with customers
- KE is well known for our culture, driven by our Guiding Principles, and a common set of priorities to allow us to continuously improve and keep our promises

With customer demand continuing to soften…

- Timing of a recovery in our core EMS business becoming increasingly more difficult to predict
- Intensified efforts to broaden our capabilities and role as a CMO
- With a strong balance sheet, pursuing different paths of growth focused on emerging medical technologies, high-level assemblies, and a variety of drug-device combinations
- Changes will not come overnight…
- Excited for the future of the Company

Questions

Appendix

Reconciliation of non-GAAP results

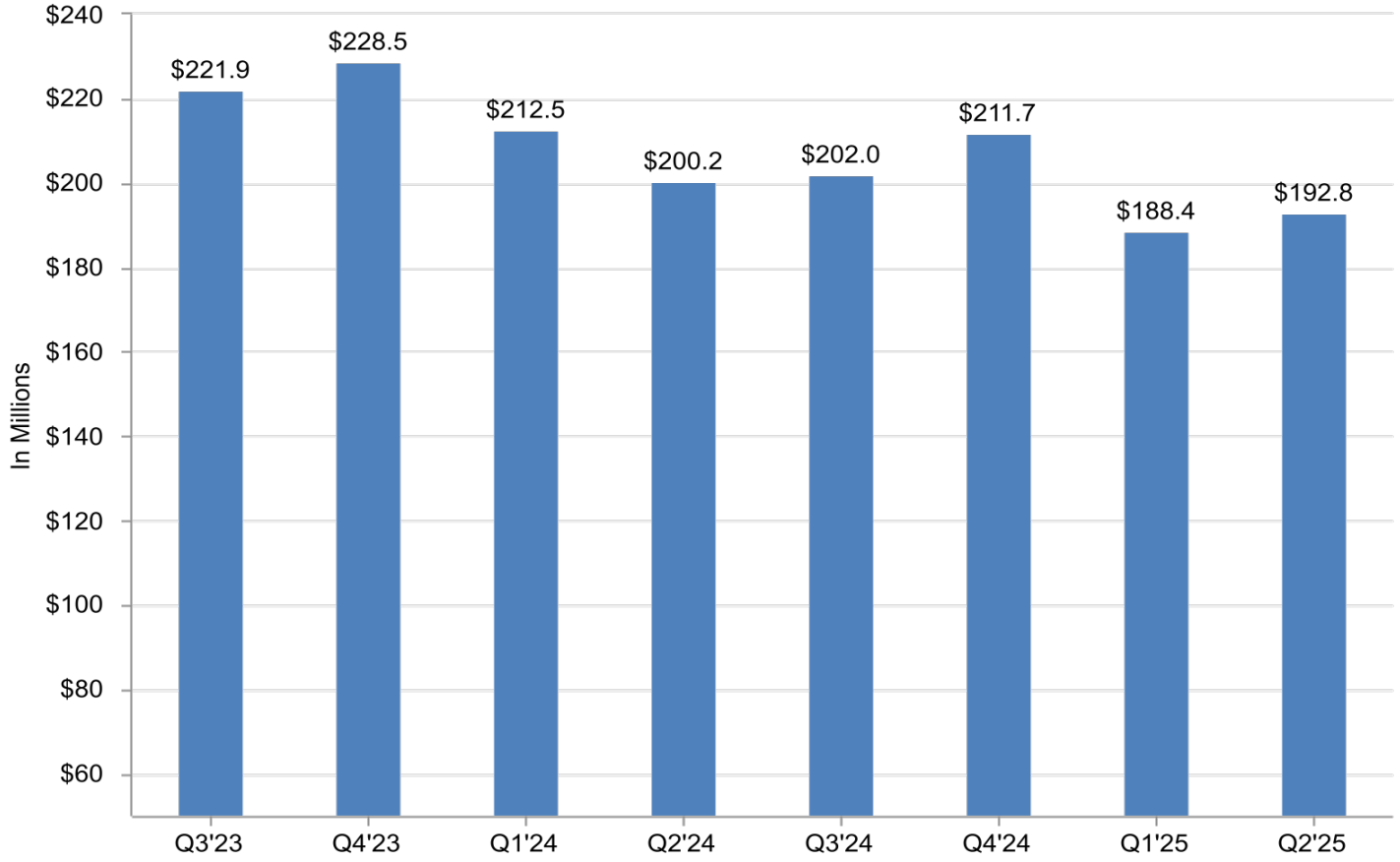
(Unaudited, Amounts in Thousands, Except Per Share Data)	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25
Net Sales Growth (vs. same quarter in prior year)	32 %	33 %	8 %	(4)%	(12)%	(13)%	(15)%	(15)%
Foreign Currency Exchange Impact	(2)%	— %	1 %	1 %	— %	— %	— %	— %
Constant Currency Growth	34 %	33 %	7 %	(5)%	(12)%	(13)%	(15)%	(15)%
Selling & Administrative Expenses, as reported	$ 17,752	$ 18,444	$ 16,052	$ 17,823	$ 16,861	$ 15,890	$ 13,427	$ 10,526
Less: Stock Compensation Expense	2,000	1,557	1,693	1,969	1,773	1,750	2,072	501
Less: SERP	353	243	(177)	484	277	96	345	(69)
Adjusted S&A Expense	$ 15,399	$ 16,644	$ 14,536	$ 15,370	$ 14,811	$ 14,044	$ 11,010	$ 10,094
Operating Income, as reported	$ 25,220	$ 31,449	$ 19,490	$ 16,610	$ (6,431)	$ 19,608	$ 9,115	$ 8,230
Add: Stock Compensation Expense	2,000	1,557	1,693	1,969	1,773	1,750	2,072	501
Add: SERP	353	243	(177)	484	277	96	345	(69)
Add: Lawsuit Settlements (Recovery)	—	(212)	—	—	(892)	—	—	—
Add: Restructuring Expense	—	—	—	—	1,622	764	2,322	4,671
Add: Goodwill Impairment	—	—	—	—	5,820	—	—	—
Add: Asset Impairment (Gain on Disposal)	—	—	—	—	16,564	476	(1,264)	—
Adjusted Operating Income	$ 27,573	$ 33,037	$ 21,006	$ 19,063	$ 18,733	$ 22,694	$ 12,590	$ 13,333
Net Income, as reported	$ 16,400	$ 19,202	$ 10,754	$ 8,290	$ (6,076)	$ 7,543	$ 3,154	$ 3,432
Add: Stock Compensation Expense, After-Tax	1,517	1,181	1,284	1,493	1,345	1,327	1,571	380
Add: Lawsuit Settlements (Recovery), After-Tax	—	(161)	—	—	(676)	—	—	—
Add: Restructuring Expense, After-Tax	—	—	—	—	1,230	580	1,761	3,542
Add: Goodwill Impairment, After-Tax	—	—	—	—	4,414	—	—	—
Add: Asset Impairment (Gain on Disposal), After-Tax	—	—	—	—	9,549	238	(959)	—
Adjusted Net Income	$ 17,917	$ 20,222	$ 12,038	$ 9,783	$ 9,786	$ 9,688	$ 5,527	$ 7,354
Diluted Earnings per Share, as reported	$ 0.65	$ 0.76	$ 0.43	$ 0.33	$ (0.24)	$ 0.30	$ 0.12	$ 0.14
Add: Stock Compensation Expense	$ 0.06	$ 0.05	$ 0.05	$ 0.06	$ 0.05	$ 0.05	$ 0.06	$ 0.01
Add: Lawsuit Settlements (Recovery)	$ —	$ —	$ —	$ —	$ (0.03)	$ —	$ —	$ —
Add:Restructuring Expense	$ —	$ —	$ —	$ —	$ 0.05	$ 0.02	$ 0.07	$ 0.14
Add Goodwill Impairment	$ —	$ —	$ —	$ —	$ 0.18	$ —	$ —	$ —
Add: Asset Impairment (Gain on Disposal)	$ —	$ —	$ —	$ —	$ 0.38	$ 0.01	$ (0.03)	$ —
Adjusted Diluted Earnings per Share	$ 0.71	$ 0.81	$ 0.48	$ 0.39	$ 0.39	$ 0.38	$ 0.22	$ 0.29

Reconciliation of non-GAAP results continued....

(Unaudited, Amounts in Thousands, Except Per Share Data)	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25
Operating Income (GAAP) (TTM)	$ 76,858	$ 87,729	$ 93,648	$ 92,769	$ 61,118	$ 49,277	$ 38,902	$ 30,522
Add: Goodwill Impairment (TTM)	—	—	—	—	5,820	5,820	5,820	5,820
Add: Asset Impairment (Gain on Disposal) (TTM)	—	—	—	—	16,564	17,040	15,776	15,776
Add: Restructuring Expense (TTM)	—	—	—	—	1,622	2,386	4,708	9,379
Add: SERP (TTM)	(701)	701	759	903	827	680	1,202	649
Add: Stock Compensation Expense (TTM)	7,043	6,914	6,975	7,219	6,992	7,185	7,564	6,096
Add: Lawsuit Settlements (Recovery) (TTM)	—	(212)	(212)	(212)	(1,104)	(892)	(892)	(892)
Adj. Operating Income (non-GAAP) (TTM)	$ 83,200	$ 95,132	$ 101,170	$ 100,679	$ 91,839	$ 81,496	$ 73,080	$ 67,350
Tax Effect (TTM)	22,033	23,897	24,625	24,954	21,698	17,297	16,285	17,019
After-Tax Adj. Operating Income (TTM)	$ 61,167	$ 71,235	$ 76,545	$ 75,725	$ 70,141	$ 64,199	$ 56,795	$ 50,331
Average Invested Capital (1)	$ 659,911	$ 701,364	$ 738,096	$ 770,051	$ 783,059	$ 782,093	$ 773,016	$ 756,966
ROIC	9.3 %	10.2 %	10.4 %	9.8 %	9.0 %	8.2 %	7.3 %	6.6 %

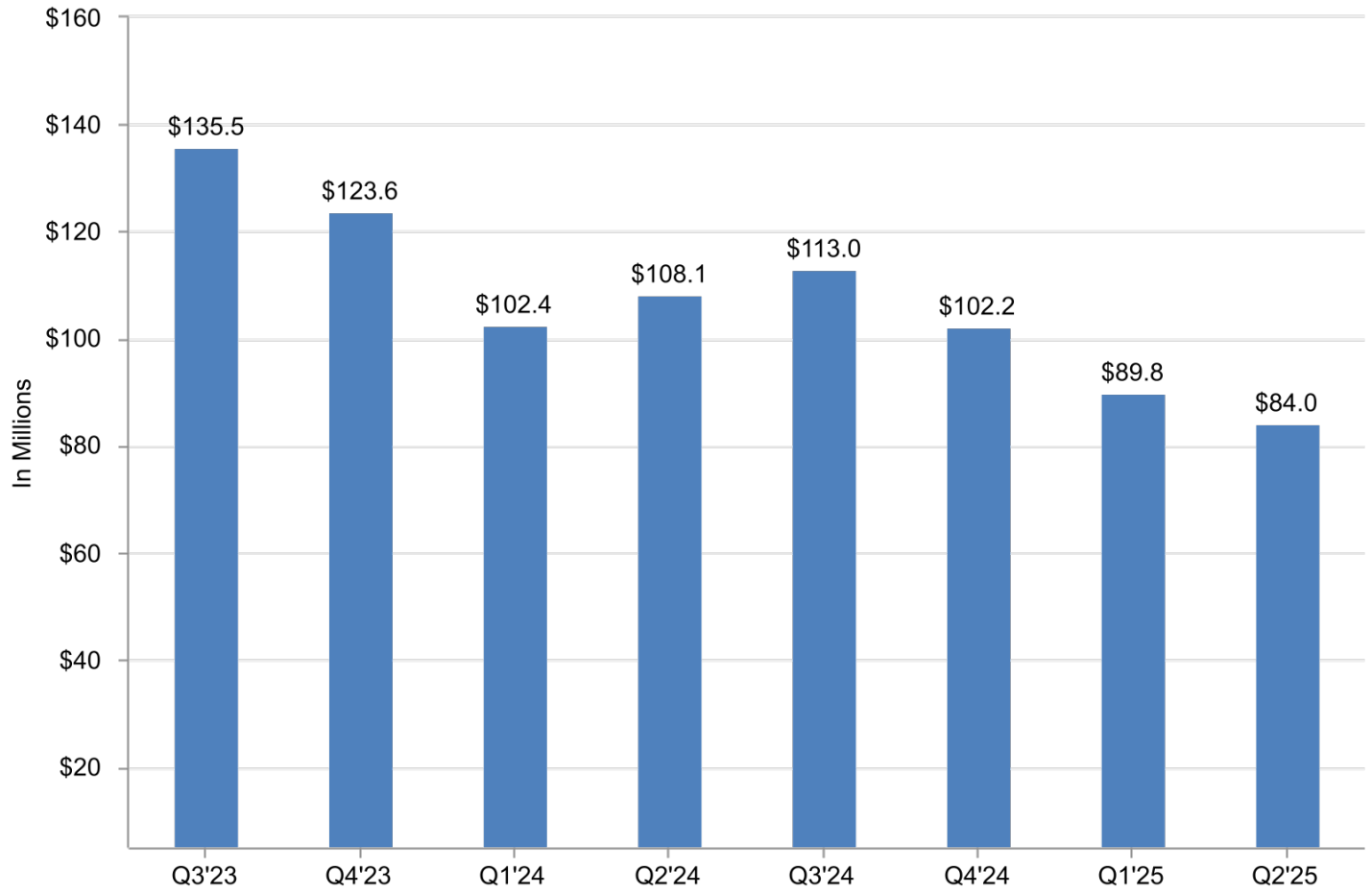
(1) Average Invested Capital is computed using the Share Owners equity plus current and non-current debt less cash and cash equivalents averaged for the last five quarters.

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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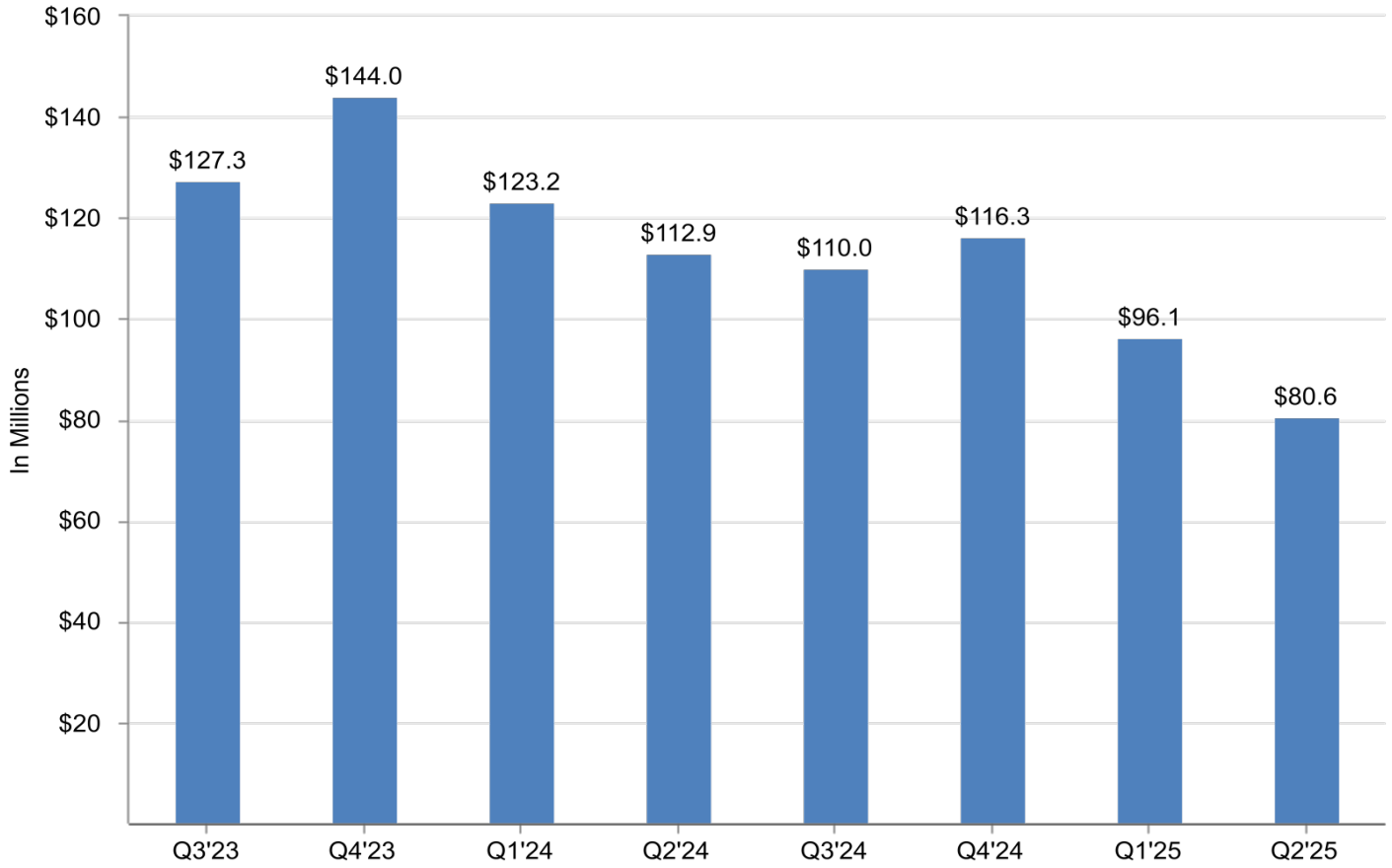
Net Sales in Industrial (1)



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