Kimball Electronics, Inc.
Third Quarter Fiscal 2025 Earnings Conference Call
May 7, 2025

Presenters
Andy Regrut, Treasurer, IR Officer
Ric Phillips, Chief Executive Officer
Jana Croom, Chief Financial Officer
Steve Korn, Chief Operating Officer

Q&A Participants
Mike Crawford - B. Riley Securities
Jaeson Schmidt - Lake Street Capital
Derek Soderberg - Cantor Fitzgerald
Anja Soderstrom - Sidoti & Company
Hendi Susanto - Gabelli Funds

Operator
Good morning, ladies and gentlemen, and welcome to the Kimball Electronics Third Quarter Fiscal 2025 Earnings Conference Call.

My name is Kevin, and I will be the facilitator for today's call. All lines have been placed in a listen-only mode to prevent any background noise.

After the completion of the prepared remarks from the Kimball Electronics leadership team, there will be a question-and-answer session. To ask a question, simply press "*" and then the number "1" on your telephone keypad.

Today's call, May 07, 2025, 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 Andy Regrut, Treasurer and Investor Relations Officer. Mr. Regrut, you may begin.

Andy Regrut
Thank you, and good morning, everyone. Welcome to our third quarter conference call. With me here today is Ric Phillips, our Chief Executive Officer; Jana Croom, Chief Financial Officer; and Steve Korn, Chief Operating Officer.

We issued a press release yesterday afternoon with our results for the third quarter of fiscal 2025, ended March 31, 2025. To accompany today's call, a presentation has been posted to the Investor Relations page on our company website.

Before we get started, I'd like to remind you that we will be making forward-looking statements that involve risks 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.

Our commentary, today, will be focused on adjusted non-GAAP results. Reconciliations of GAAP to non-GAAP amounts are available in our press release.

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 '25, and Ric will complete our prepared remarks, before taking your questions.

I'll now turn the call over to Ric.

Ric Phillips
Thanks, Andy, and good morning, everyone. I am proud of the results for the third quarter and our team's ability to navigate an environment of uncertainty, while focusing on what is controllable.

Sales in Q3 were in line with expectations and increased, sequentially. Margins improved. We continue to generate cash from operating activities, and the pay down of debt continued with borrowings now 45% lower than peak levels. We have ample liquidity to weather the short-term unpredictable environment and significant dry powder to, opportunistically, invest in the business, longer term.

As part of today's release, we are reiterating our guidance for fiscal 2025 with the expectation that we'll be at the top end of the range for sales and operating income. We also announced the addition of a new manufacturing facility in Indianapolis focused on the medical industry. This is another step of repositioning the company for a return to growth and expanding our presence as a medical CMO, which will occur over time.

To accelerate this strategy, we're looking to better strategically utilize the cash generated from our EMS operations and redeploy capital to the CMO. We remind everyone that the revenue cycle of CMO is similar to EMS and as a result, organic revenue growth will take time.

In our company's history, EMS generates high levels of cash when operating conditions are at historic norms, and this cash will be used to grow the medical CMO through organic and, potentially, inorganic channels. The margin profile on higher level assemblies and finished medical devices could be accretive to the returns that are customary with contract manufacturing and EMS.

To keep pace with industry growth, we are looking to continue to elevate our prominence in medical with an expanded manufacturing footprint through adjacencies and additional vertical integration of our production capabilities.

Turning back to the third quarter, net sales totaled $375 million, a 10% decline year-over-year, when excluding the AT&M business, which was divested earlier this fiscal year. From an end market perspective, sales in Medical increased, while the other two verticals we serve were down in the quarter.

Starting with Medical, net sales in Q3 were $115 million, up 2% compared to the same period last year and 31% of total company sales. It is important to highlight that the increase in the quarter was driven by non-recurring consignment inventory sales to our largest medical customer.

This transaction was related to obsolete inventory associated with the FDA recall. We estimate the Q3 revenue impact on the Medical vertical from the inventory sale was approximately 2% and the revenue impact, in total, was about 6%.

As previously announced, we are working with this same customer out of our facility in Thailand to launch their Respiratory Care Final Assembly and HLA business this summer, and will continue to see volume growth as the customer restores its place in the market.

The step of adding a new, larger medically focused manufacturing facility in Indianapolis reflects our commitment to the CMO. The leased facility represents 300,000 square feet, a complement to our capabilities that extend beyond electronics and printed circuit board assemblies and include operations such as precision injected molded plastics, complete device assembly and cold chain management, all of which support the production of medical disposables, surgical instruments and selected drug delivery devices, such as auto injectors.

The plan is to transfer existing programs in Indianapolis to the new building over time and sell the buildings we currently operate out of.

We will have more than enough floor space in the new facility for future growth with new and existing customers, including the transfer work.

Next is Automotive, our largest business with net sales of $173 million, a 14% decrease compared to the third quarter of last year and 46% of the total company. Our Automotive business is heavily concentrated in North America and China, but growing in Europe with the launch of the braking platform in Romania.

For the third consecutive quarter, results in China were strong. Sales in Europe increased modestly as the new electronic braking program in Romania started to ramp production.

North America, on the other hand, reported a decline in sales primarily driven by the electronic braking program in Reynosa, as previously discussed. We continue to monitor the demand for electronic steering systems for EVs, globally, which were sequentially lower in the quarter.

Finally, Industrial, with net sales of $86 million, down 15% year-over-year when excluding AT&M and representing 23% of total company sales. The decrease occurred in all regions with the largest decline in Europe, followed by Asia and a modest decrease in North America.

Our customers continue to experience market share loss from the commoditization of smart meters and reductions in climate control and public safety products. We are seeing stability in climate control on the horizon. However, we do not anticipate smart meters to be a significant portion of our industrial vertical, going forward.

I'll now turn the call over to Jana to provide more details on the financial results for Q3 and our guidance for the full year. Jana.

Jana Croom
Thank you and good morning, everyone. As Ric highlighted a moment ago, net sales in the third quarter were $374.6 million, a 12% decrease year-over-year, 10% when excluding AT&M.

Foreign exchange had a 1% unfavorable impact on consolidated sales in Q3.

On a sequential basis, the top line increased 5%, compared to Q2, driven by the $24 million non-recurring consigned inventory sale in the Medical vertical.

The gross margin rate in Q3 was 7.2%, a 70 basis point decline compared to 7.9% in the same period of fiscal 2024, with nearly half the decrease driven by the consigned inventory sales, which incorporated only a modest markup and the balance of the decline coming from lower absorption, a result of reduced year-over-year sales in our EMS manufacturing facilities.

On a sequential basis, however, our gross margin rate increased when compared to last quarter, the impact of restructuring.

Adjusted selling and administrative expense in the third quarter were $11.2 million, a $3.6 million or 24% reduction, compared to the $14.8 million we reported in Q3 last year, with the decrease primarily resulting from the absence of AT&M this year versus the full quarter of expense in fiscal 2024 and cost reduction efforts. When measured as a percentage of sales, adjusted selling and administrative expenses were 3%, a 50 basis point improvement, compared to 3.5% in Q3 of fiscal 2024.

Adjusted operating income for the third quarter was $15.7 million, or 4.2% of net sales, which compares to last year's adjusted results of $18.7 million, or 4.4% of net sales.

Other income and expense was expense of $4.6 million, compared to $6.3 million of expense last year, with the rejection being driven by lower interest expense, down 50% year-over-year.

The effective tax rate in the third quarter was 46.6%, compared to 52.4% in Q3 of fiscal 2024. Our higher rate was primarily driven by the limitation of tax deductibility of our interest expense, which cannot exceed a certain percentage of domestic EBIT. Withholding taxes on global cash repatriation also drove the rate higher, but those funds were used to pay down debt, thus, increased taxes are offset by lower interest expense.

As a reminder, the effective tax rate last year was skewed higher by the impact of the impairment and restructuring charges associated with the AT&M business. We expect the tax rate around 30% for the full fiscal year.

Adjusted net income in the third quarter of fiscal 2025 was $6.8 million, or $0.27 per diluted share, compared to adjusted net income in Q3 last year of $9.8 million, or $0.39 per diluted share.

Turning now to the balance sheet. Cash and cash equivalents at March 31, 2025, were $51.4 million. Cash flow generated by operating activities in the quarter was $30.9 million, our fifth consecutive quarter of positive cash flow.

Cash conversion days were 99 days, compared to 110 days in Q3 of fiscal 2024, and 107 days, last quarter. The decrease in CCD this quarter, compared to Q2, was driven by improvements in DSOs and PDSOH. For clarity, our CCD calculation in Q3 excludes the consigned inventory sales.

We are pleased with the progress we have made related to cash conversion and look to continue to significantly improve our cash conversion days as we actively and aggressively manage its components.

Inventory ended the quarter at $296.6 million, which represents a $9.6 million reduction compared to Q2 and $100 million, or 25% lower than a year ago. Please note that the consigned inventory sales did not contribute to the reduction. The inventory that was sold was consigned to Kimball and required movement into our possession with an immediate sale to our customer in the same month.

Capital expenditures in the third quarter were $4 million. CapEx will likely be at the low end of the guidance range, as we work through the timing of spend related to the transfer of work for the closure of the Tampa facility, the CMO strategy and other investment needs.

Borrowings at March 31, 2025, were $178.8 million, a $26 million reduction from the second quarter and down $116 million, or 40--14% from the beginning of the fiscal year.

Short term liquidity available, represented as cash and cash equivalents plus the unused portion of our credit facility, totaled $304.6 million at the end of the third quarter. This continues to be a great example of controlling what we can control and setting up our balance sheet for future growth.

In the third quarter, we invested $3 million to repurchase 175,000 shares of common stock. Since October, 2015, under our Board authorized share repurchase program, a total of $100.7 million has been returned to our shareowners by purchasing 6.5 million shares of common stock. We have $19.3 million remaining on the repurchase program.

As Ric mentioned, we are reiterating our guidance for fiscal year 2025 with net sales in the range of $1.4 billion to $1.44 billion, adjusted operating income is estimated at 3.4% to 3.6% of net sales, and capital expenditures of $40 million to $50 million.

Based on what we know today, we expect to be at the high end of ranges for sales and adjusted operating income margin.

Our estimates for the closing of the facility of Tampa have not changed with total exit costs in the range of $6.5 million to $8.5 million, and we fully expect the proceeds from the sale of the property to exceed the exit costs.

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

Ric Phillips
Thanks, Jana. Before we open the lines for questions, I'd like to share a few thoughts in closing. It probably goes without saying that the current tariff environment is filled with uncertainty and unpredictability for many, including our business, our customers and the end consumer. We continue to carefully monitor the situation to understand potential impacts and possible solutions for both the short and longer term.

Options could include changing final delivery locations, shifting production to different Kimball facilities or simply paying the tariffs. There may also be impacts on our supply chain, and we are considering alternatives for U S. manufacturing. But the rules of engagement need to be finalized before solutions can be agreed upon and implemented. This uncertainty makes the timing of recovery in our core EMS business increasingly more difficult to predict.

As we look to the future, it's important to recall the recent steps we've taken to reposition the company. We divested the non-core AT&M business. We are in the process of closing our Tampa facility to streamline our network, thus, improving our global capacity utilization. We made major workforce and other cost reductions to respond to demand softness. We drove significant inventory and cash flow improvements and we announced the lease signing for a new facility fully dedicated to the CMO.

With a strong balance sheet, we're focused on returning to growth through emerging medical technologies, high level assemblies and a variety of drug device combinations. We look to elevate our prominence as a medical CMO with expanded manufacturing capabilities in the United States, new adjacencies and additional vertical integration in medical device production.

I'm optimistic we're getting closer to that return to growth and that we've taken the right steps to reposition the company for the future.

Operator, we'd now like to open the lines for questions.

Operator
Certainly. We'll now be conducting a question-and-answer session. If you'd like to be placed in the question queue, please press "*", "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "*", if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing "*", "1". One moment please while we poll for questions.

Our first question today is coming from Mike Crawford from B. Riley Securities. Your line is now live.

Mike Crawford
Thank you. Could you give us some more details about this strategy with this new larger facility in Indianapolis? What does this do to fixed costs given the lease, any additional equipment you might buy or labor. And I guess the second part to that is, what might the owned facility that you would transfer, over time, be worth if you were to be able to sell that?

Ric Phillips
Sure. I can start that, Mike, and thanks for joining us, today. Yeah, we're really excited about the facility. It gives us, first of all, a lot more space, frankly, to expand and grow in the medical CMO, compared to what we have currently in Indianapolis. It also is a brand-new facility. It has different characteristics in terms of ceiling heights and layout and Clean Room capability that we're going to build that just is a game changer for us in terms of playing there.

We did, as mentioned and as you asked, do this as a lease, which is not our typical approach. We typically own our facilities and we did this intentionally and frankly, creatively, in terms of the lease terms to give us time and space to fill it, over time.

So, the ability to grow is there, the ability to expand over time is there, but we're also not overburdened with large costs upfront, particularly given that it's a lease and given the terms of the lease.

Jana Croom
Yeah, and Mike, I'll just add to that a little bit. So the terms of the lease, just to give you a little insight, while we're doing the build out and lease hold improvement, we actually don't start paying rent on the facility until all of that is done, which was important so that we weren't, to your point, having an expense drag on our income statement while we were getting the facility up and running.

In terms of additional labor costs, etc., right now, we're not anticipating that we're going to have additional labor costs until we start to have the additional revenue and all those corresponding things coming along with that. And so right now, it's really just probably six or seven months from that and once we have the leasehold improvements in place, that we'll start experiencing the rent and then some depreciation costs associated with the equipment that we've got to put in place.

But this structure, in terms of creating the least amount of burden on both the balance sheet and the income statement while committing to the growth opportunity, I feel really good about the way that we did this.

Mike Crawford
Great. And potential value in the sale of the existing facility?

Steve Korn
I think it's too early to tell, Mike. Mike, I believe it's too early to tell. We're probably the transition from the facility to new facility will probably take two to three years, due to the FDA qualifications and validations of some of the products in the current facility. But we will provide more details as we go forward.

Jana Croom
But we're not anticipating significant proceeds from the sale of the current assets.

Mike Crawford
Okay. Thank you. Just one more for me. It's nice to see that the uptick after five quarters of decline in open orders or backlog. Roughly, by vertical, how does that break out?

Steve Korn
Yeah, if I look at the vertical, the greatest increase was in Medical, from a dollar standpoint, followed by Industrial and Automotive were very similar in that increase.

Mike Crawford
Thank you. I'll jump back into the queue.

Operator
Next question is coming from Jaeson Schmidt from Lake Street Capital. Your line is now live.

Jaeson Schmidt
Hey, guys. Thanks for taking my questions. Congrats on the strong March quarter. Just looking at the results here, do you think any orders were pulled into March, just given the backdrop?

Ric Phillips
It's a great question, Jason, and frankly, we talk to our customers about that all the time. I would say, we haven't gotten strong indications that that is--that there's a lot of pull forward ahead of the tariffs, necessarily, but we certainly are well aware that that could be a possibility. So we don't have a great read on it and we continue to talk to customers, daily, to get their take.

Jaeson Schmidt
Got you. And then just looking at sort of the first month of Q4, curious what you're seeing from kind of a quoting activity and booking standpoint?

Ric Phillips
In general, Jason, we're seeing a good trend. Again, we're cautious about it. We recognize the uncertainty of the environment, but we're seeing pockets of strength relative to where we've been. And we take a good look at our funnel on a very regular basis, and I will say that our funnel is very healthy.

Jaeson Schmidt
Perfect. And then last one from me and I'll jump back into queue. Apologize if I missed this, but how should we think about OpEx trending the rest of this calendar year?

Jana Croom
When you say OpEx trending, do you mean the expense piece, the gross margin, the operating income margin?

Jaeson Schmidt
Really, just for the selling and administrative expenses?

Jana Croom
Yeah, and so, this is something that we did want to touch on and we were going to touch on in Q4. SG&A, this year, is low as a percentage of sales. And so, we did that because we knew that this was going to be a challenging year in an environment. And so there was a lot of belts tightening. There was a fair amount of costs that we pushed out. But in FY ’26, as you're thinking about it for modeling purposes, we are not going to be able to hold SG&A to 3% of net sales.

There are some investments we're going to have to make to prepare the business for this return to growth. And so, I would encourage you as you're thinking about that, that 3% level is not a norm that we can hold and grow the business and prepare for the future.

Jaeson Schmidt
Okay. That's really helpful. Thanks a lot, guys.

Ric Phillips
Thanks, Jaeson.

Operator
Thank you. As a reminder, that's "*", "1" to be placed in the question queue. Our next question is coming from Derek Soderberg from Cantor Fitzgerald. Your line is now live.

Jana Croom
Hey, Derek.

Derek Soderberg
Yeah, hey, thanks for taking the questions. Hey, Jana. Sorry, I think you kind of broke up there. But, so Jana, just kind of continuing the conversation on us taking a modeling approach here, looking forward. I think just in the short term, it looks like we're going to have a step down in gross margin, operating income percentage. I'm guessing that's tariffs. I think the math works out to maybe 2% operating income margin for the last quarter here. Is that right?

And can you just kind of talk about the short-term moves in gross margin operating income, things like that and then how we should think about those pieces for next fiscal year? Thanks.

Jana Croom
Yeah, so I know that we guided to the high end of an OI range 3.4% to 3.6%. Next quarter is not going to be a 2% OI margin quarter. We actually think next quarter is shaping up to be fairly similar to Q3, but we did not increase our estimates for OI margin because you're only one tweet away from who knows what.

And so, it just made sense to stay conservative and reserved and we'll see how the quarter shakes out. But I would model an expectation similar to what we did this quarter.

The restructuring impacts are taking hold and we're pleased with the progress very hard fought that the organization has made.

Derek Soderberg
Got it. That's super helpful. Appreciate the clarity on that. And then as my follow-up, just on the Indianapolis facility, Ric, just curious why you feel like this was the right time to make this move? Can you just touch on the demand environment in Medical?

And then beyond sort of this more inorganic move, does this at all change the approach to inorganic growth from here? Can you just kind of talk about you've got this facility now, does that at all change how you approach inorganic growth in the Medical space?

Ric Phillips
Derek, great question. And as you know from prior quarters, the Medical CMO has been a space that we're excited about, we of course play in, today. We think we can play in a much larger way. Quite honestly, while our Indianapolis facility currently that we have is performing very well, operationally, we can't get new big business in the Medical CMO without a different facility.

And so, we made that investment. We're very encouraged by the conversations that we've been having, over time, with major players there. And yes, we continue to look hard at potential inorganic opportunities, as well.

So, all of this is based on our belief that this is, first of all, a very attractive space. Secondly, a space that we have some really differentiated capabilities in with our ability to handle drug, with what we already do with injectors, etc. So this is an area of growth for us for sure in the future and we wanted to invest behind it.

Derek Soderberg
Got it. That's helpful. And then just one last one for me. Jana, continue to manage the balance sheet well here. Any more room to work with inventory management?

And then just can you kind of touch on the cash conversion here? Where do you think that's going to be trending here?

And then finally, just on buybacks, it sounds like you've got about $20 million left. Do you feel like you guys are in a position to continue to repurchase shares here? Thanks.

Jana Croom
So I'll start with the share repurchase and then I'll work my way backwards in your question. So, yes, we expect to continue our share repurchase program. And so, expect for that to continue on and we'll report on that in the quarters. That's the easy one.

In terms of CCD, so I look at where we were and this is a huge partnership between operations and finance, right? So moving down from an excess of 110 days to where we're at currently, incredibly proud of the progress that we've made, but definitely still more to go. We feel like there's work that we can do in PDSOH, there's work that we can do in DSO and AP days parity and, potentially, a little beyond that to get the cash conversion days down. And so, we still think that there's a fair amount of room to go there in terms of our cash conversion.

Derek Soderberg
Sounds great. Really appreciate it. Thanks.

Operator
Thank you. Next question today is coming from Anja Soderstrom from Sidoti & Company. Your line is now live.

Anja Soderstrom
Hi. Thank you for taking my questions. Most of them have been addressed already. But when are you going to lapse that steering program fall off in the auto vertical?

Jana Croom
That's probably a Steve question.

Steve Korn
Anja, the program is the braking program in Mexico and that will fall off completely, with the exception of some small service work at the end of this quarter.

Anja Soderstrom
Okay. And then you're ramping some other programs, right, so we should start seeing an increase.

Steve Korn
Right. As Ric mentioned, there's a new braking program that launched this quarter in Romania and looks to be very solid going forward, and we have other programs that we are launching. But that major braking program that Ric referred to was, significantly, less than it was a year ago and will continue to trend down and be complete, by the end of this quarter.

Anja Soderstrom
Okay. Thank you. And then with you closing the Tampa facility and moving some of that production to other facilities and now you're opening another facility and going to move, how is that going to affect your gross margin going forward, and when do you expect that to sort of normalize?

Steve Korn
Yea, with the Tampa closure--go ahead, Jana.

Jana Croom
Go ahead, Steve. I'll chime in after.

Steve Korn
Yeah, with the Tampa closure, we're still on target to have that wrapped up by the end of June. Our team has done a great job supporting our customers and our employees. Really applaud

that team and our Jasper team and our other teams around the globe that have taken on that. It's gone very well and we continue to be right on target to close that with how we expected it to be closed.

We do expect some gross margin improvement there with that. And then the Indy facility is all contained with Indianapolis and just that facility. So, there will be a small impact to gross margin but we don't see a major impact there with what we're doing in that move from one facility to the next.

Jana Croom
And the other thing I'll remind everybody is as our customers and our supply chain and we are dealing with the impact of tariffs, both known and unknown, consumer sensitivity on price is paramount and on everybody's mind, and we're doing our best to hold our margin as best we can. But there's sensitivities out there and we're not immune and nobody else is either. And so, we're doing everything that we can to hold it.

I mean, Steve is in tough negotiations on a regular basis. And so, we do expect some impact benefit from the Tampa closure, but we are also experiencing pressure that we're navigating.

Anja Soderstrom
Okay. Thank you. And then just one last one in terms of CapEx spend and investments in automation and efficiencies. Do you still have a lot of room there to make improvements there and that could sort of help your utilization and margins?

Steve Korn
Yeah, we've continued to make investments in automation with both in our warehouses and on our production floors and we continue to see opportunities there. And we've been on that journey now for four plus years, and we are continuing on that journey.

Anja Soderstrom
Okay. Thank you. That was all for me.

Operator
Thank you. Next question today is coming from Hendi Susanto from Gabelli Funds. Your line is now live.

Hendi Susanto
Good morning, Ric, Jana and Steve. I would like to ask about automotive, first. So, your manufacturing footprint in China, like can you compare and contrast how different it is in terms of, let's say, like 70% of your auto business is steering wheel; is that the case in China also?
And then, so, like if you look at the high level, what the revenue of--what the revenue composition of China looks like, how different or how similar it is?

Steve Korn
I would say China is a little higher percentage on steering, Hendi, comparatively speaking. It is probably closer to 80% in steering in China across a number of Tier 1 customers and OEMs, both the domestic Chinese OEMs, as well as the foreign OEMs.

Hendi Susanto
Yes, and may I also ask about the braking program. Like, would you be able to disclose how many customers you are working with or and then like how many platforms in terms of design awards?

Steve Korn
Yeah, we're working with two or three different customers in braking. Can't share much more than that on platforms, but we continue to have very good opportunities in braking. And that's typically the number of customers and some of our key customers across the globe, today. And the same customer that we had the business with in Mexico was the customer in Romania.

Hendi Susanto
And then may I know what type of vehicles?

Steve Korn
They're both ICE vehicles and EVs. So we have both, braking on both.

Hendi Susanto
Yes. And then my next question is about the sales trend in industrial, the declines in smart metering, climate controls and public safety products. Have we reached the bottom yet?

Steve Korn
I believe we've reached the bottom--or we believe we've reached the bottom in climate controls from what we're seeing. Smart metering, as we had in our release, we don't see that as a significant part of our industrial, moving forward. And also in the public safety, we believe we've reached the bottom of that, also.

Hendi Susanto
And then in order to see, let's say, like gross returning in industrials, what are the top low hanging fruits?

Steve Korn
The top low hanging fruits is our current customers. We're seeing opportunities there with both new programs and current programs, as industrial continues to come back. We have some new awards and some new verticals that we are also seeing some opportunities that are maybe 12 to 15 months out. So we're seeing those opportunities, as well as some charging opportunities with a couple of customers that we're seeing, as well. Cannot announce any awards yet, but we are in a very good position with those customers.

Hendi Susanto
And Jana, I would like to understand this better, the consign inventory sale impact. You mentioned the impact was 22% and 6%. I would like to verify my understanding about those two different numbers, 22% on like medical and 6%--

Jana Croom
--It was 22% of the medical vertical, specifically, and 6% of total net sales.

Hendi Susanto
Okay. Yes. Okay. Thank you. That's very helpful.

And then with regard to the Tampa closing, so the estimated exit cost is $6.5 million to $8.5 million. How much has incurred, let's say, like year-to-date? And when will the remainder--will the remainder be entirely in the fourth quarter of the current fiscal year?

Jana Croom
So year-to-date, I actually have the restructuring in front of me, right now. We've done about $3.5 million to $4 million. The bulk of the closing again with our goal of being closed by 6/30. FY 2025 will incur next quarter.

Hendi Susanto
Okay. So there's like maybe like between $3 million and $4 million left for Q4?

Jana Croom
Yeah, I'd say there's about $3.5 million of expense left, perhaps more than that and will incur, I would say probably 90% of that, next quarter. There may be a tail into Q1 of 2026, just depending on the process and the transfer of work.

I will say, and I echo Steve's comments, our Tampa team has been absolutely amazing. They have just done an incredible job with this. We're going to take care of our customers and make sure that we do it right. And so if that bleeds over a little bit into Q1, it will.

Hendi Susanto
Okay, yeah. And then one last question. I think with regard to, let's say, ongoing trend of inventory digestion in certain spots whether it is in Industrial or Automotive and now we have uncertainty, can you highlight where inventory corrections is better today, compared to three months ago?

And when do you see areas where customers may do inventory rebuild sometime in--like sometime soon? Some companies are expecting incremental or gradual improvement in the second half. Wondering whether you can share some puts and takes on the inventory digestion that has been ongoing for a while versus when customers may rebuild their inventories?

Steve Korn
Hendi, as we've shared, our inventory has come down $100 million over the last twelve months. We continue to see a positive trend, moving forward, as we burn down our excess inventory. And it's really across all of our verticals, maybe a little stronger in Industrial and Medical, but we had a significant amount of LTSA, or long-term supply agreement inventory that we took from suppliers that is now burning down at a very good rate. We continue to see that, going forward. We're not seeing a significant buildup of inventory at our customers, today. So we'll monitor that very closely.

As Jana mentioned, the environment, obviously, is very difficult to read with the tariffs and things that are happening. But from what we see, we will continue to see that inventory come down over the next 12 months.

Hendi Susanto
Thank you, Ric. Yah, I think I would like to clarify what I meant was on the customer side, what you are seeing on the customer side. I guess what you said like is mimicking like the refraction.

Jana Croom
I think inventory destocking done in terms of what we have seen in some of the verticals. Do you feel like we're past that? Is that what you're asking, Hendi?

Hendi Susanto
Yes, yes. On the customer side, yeah.

Steve Korn
Yeah, I believe we're past that. What we're seeing today from our customers is they're sharing is there's not a significant amount of inventory in their channels, but it's hard to see. We don't have complete visibility to that.

Hendi Susanto
Thank you so much.

Ric Phillips
Thanks, Hendi.

Operator
Thank you. Next question today is a follow-up from Mike Crawford from B. Riley. Your line is now live.

Mike Crawford
Thank you. I just wanted to go back to your guidance. You talked about being at the high end of your guidance. I mean, that implies like just, I don't know, dollars $335 million of revenue in

June quarter, versus what I think, Jana, you said it was a $23 million consigned inventory sale because that 22% and 6% come to slightly different numbers. One is $25 million, one is $22 million but--

Jana Croom
--It's $24 million.

Mike Crawford
I'm sorry?

Jana Croom
It's $24 million of consigned inventory sales.

Mike Crawford
Okay. And so, what would it take for you to exceed that $335-ish million that it would take to get over the high end of your guidance?

Jana Croom
Demand continues to be strong. It'll be higher and we'll beat it.

Mike Crawford
Okay. Thank you.

Ric Phillips
Thanks, Mike.

Operator
Thank you. We've reached the end of our question-and-answer session. And ladies and gentlemen, that does conclude today's teleconference and webcast. You may access replay approximately three hours after the conference end by dialing (877) 660-6853 and access ID 13753154. Once again, to access the replay approximately three hours after the conference ends, (877) 660-6853 and use access ID 13753154 or you could call (+1 201) 612-7415 using the same access ID.

We do thank you for your participation, today. You may now disconnect and enjoy the rest of your day. We thank you for your participation.