



## **Financial Results**

### **Second Quarter Fiscal Year 2017**

**Quarter Ended December 31, 2016**

Supplementary Information to February 2,  
2017 Earnings Conference Call

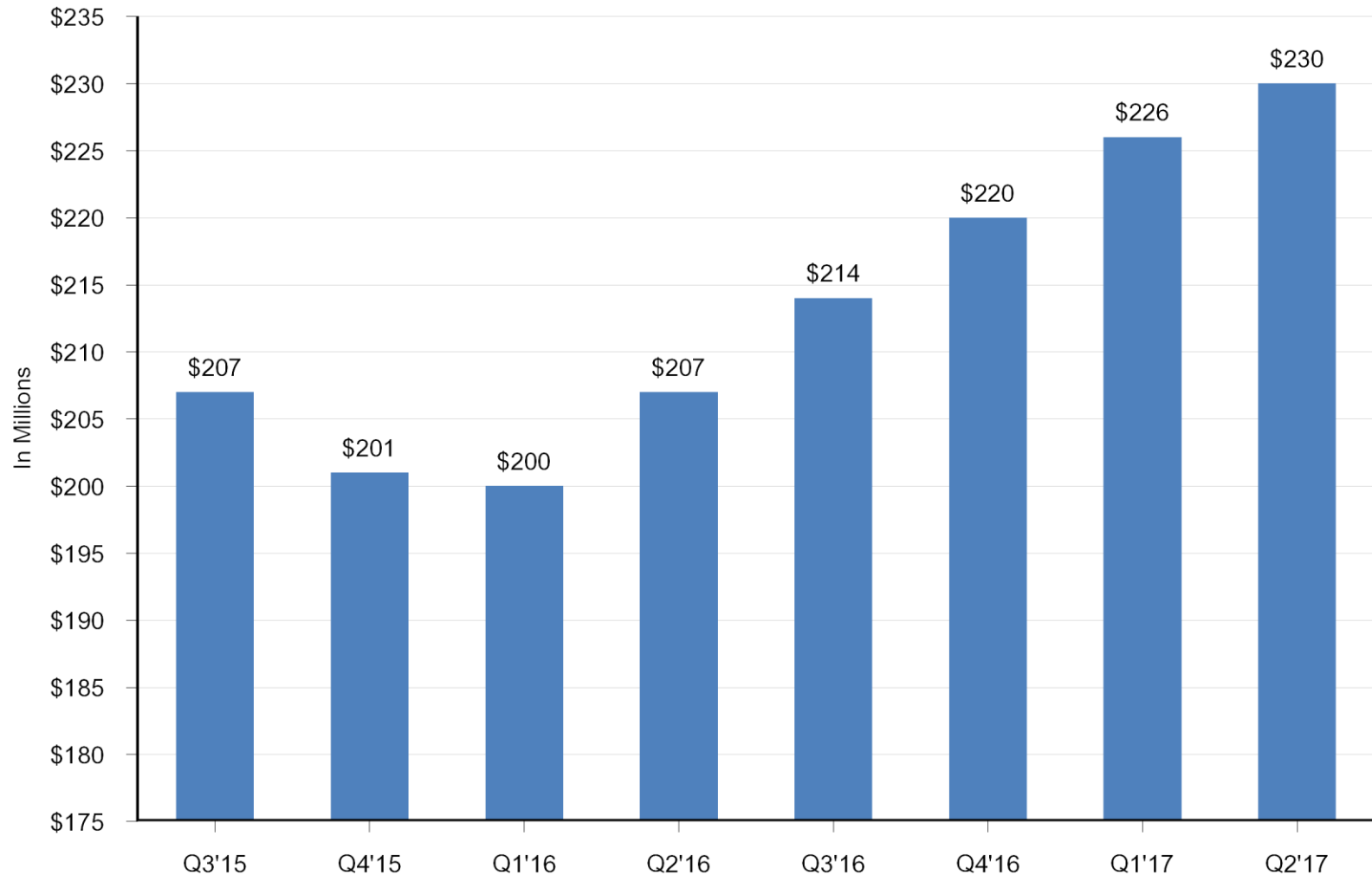
# Safe Harbor Statement

*Certain statements contained within this supplementary information and any statements made during our earnings conference call today may be considered forward-looking under the Private Securities Litigation Reform Act of 1995 and are subject to risks and uncertainties including, but not limited to, successful integration of acquisitions and new operations, the global economic conditions, significant volume reductions from key contract customers, loss of key customers or suppliers, financial stability of key customers and suppliers, availability or cost of raw materials, and increased competitive pricing pressures reflecting excess industry capacities. 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, 2016, our earnings release, and other filings with the Securities and Exchange Commission (the “SEC”).*

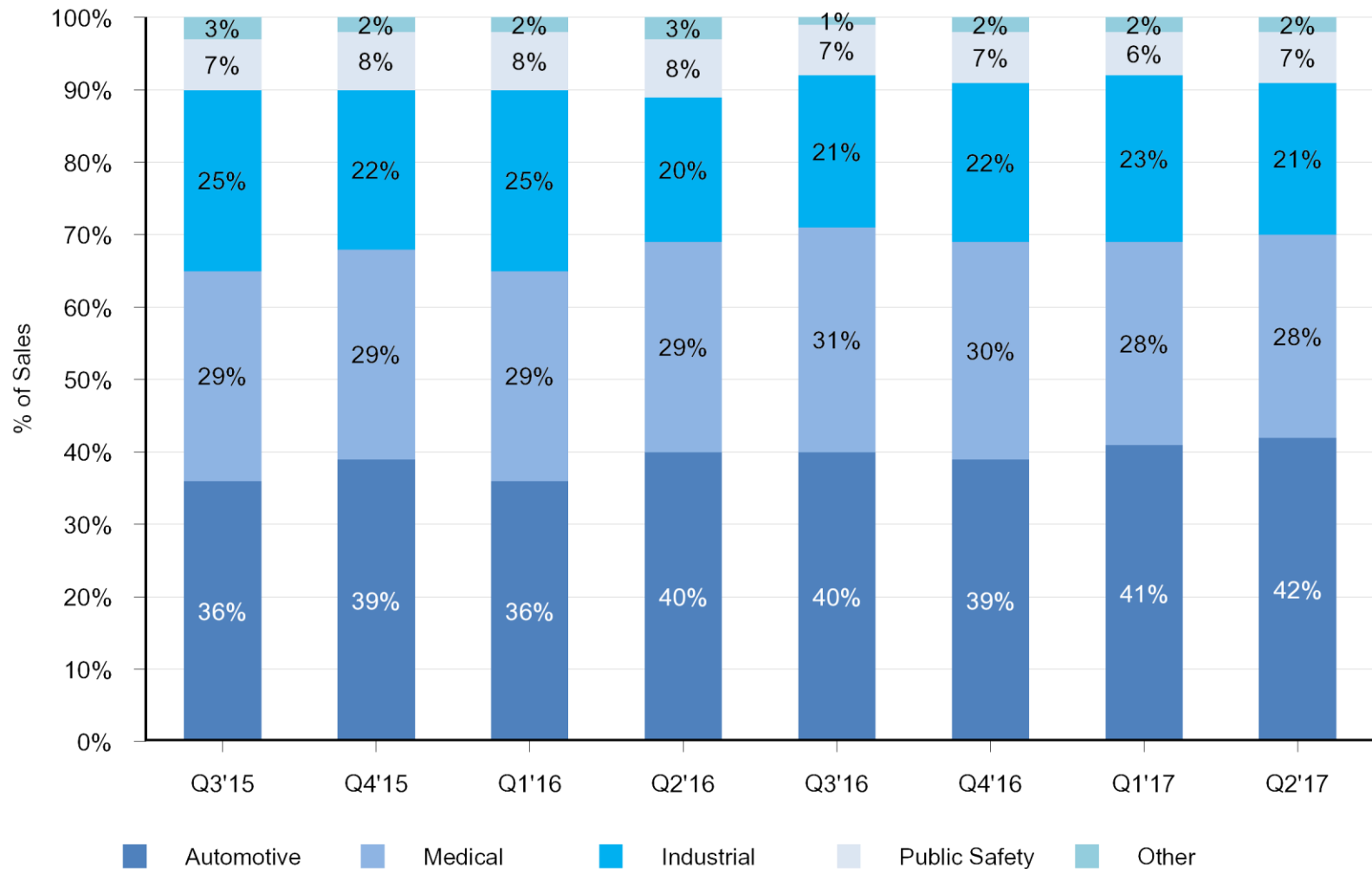
*This supplementary information contains non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company’s financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with Generally Accepted Accounting Principles (GAAP) in the United States in the statement of income, statement of comprehensive income, balance sheet, statement of cash flows, or statement of equity of the company. The non-GAAP financial measures contained herein include Selling & Administrative Expense (%), Adjusted Operating Income, Adjusted Net Income, Adjusted EBITDA, and Return on Invested Capital (ROIC), which have been adjusted for spin-off expenses, proceeds from a lawsuit settlement, and a bargain purchase gain. Management believes it is useful for investors to understand how its core operations performed without the effects of incremental costs related to the spin-off, the lawsuit proceeds, and the bargain purchase gain. Excluding these amounts allows 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.*

# Net Sales

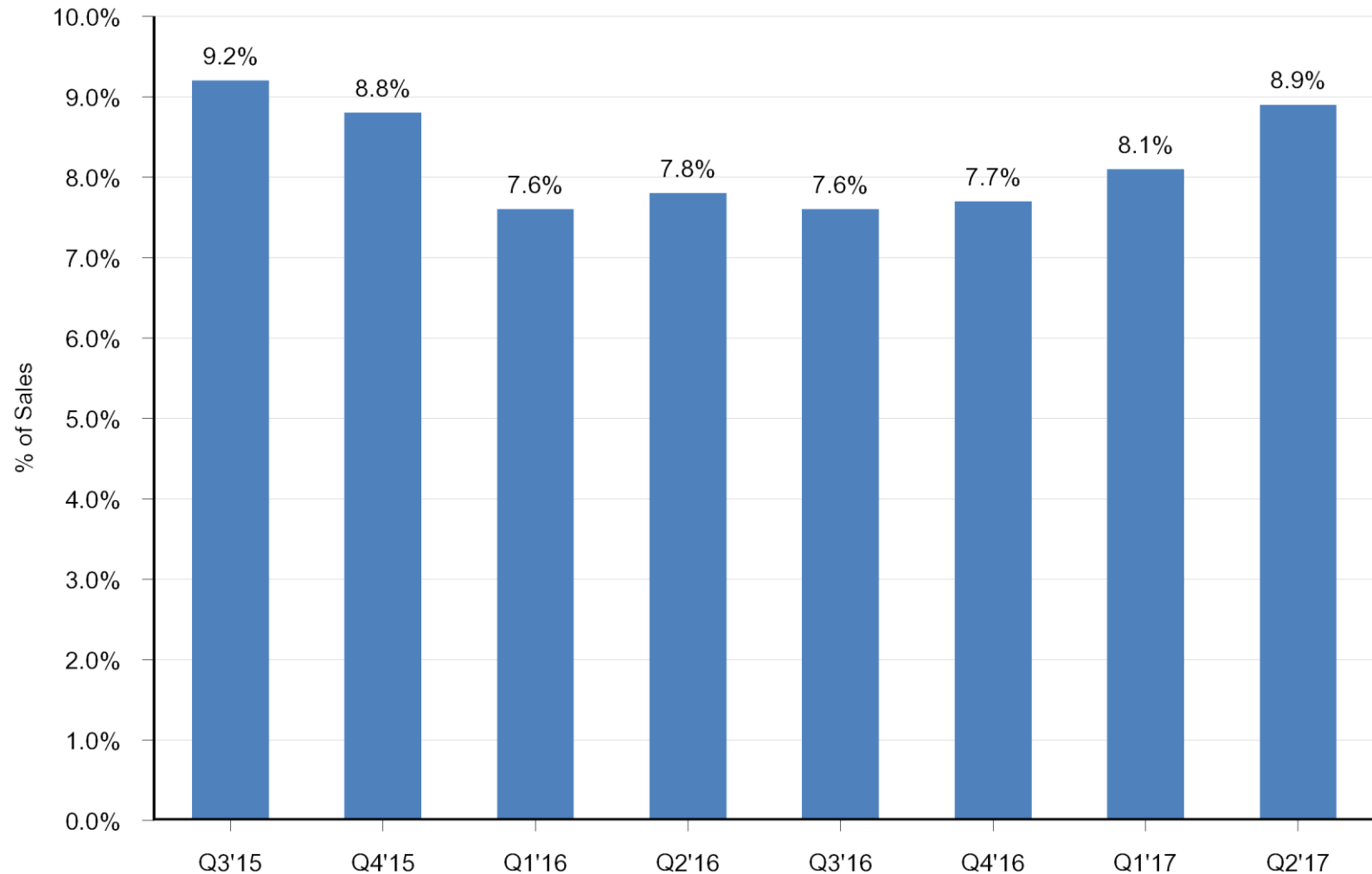
**+11%**  
from Q2'16



# Net Sales Mix by Vertical Market

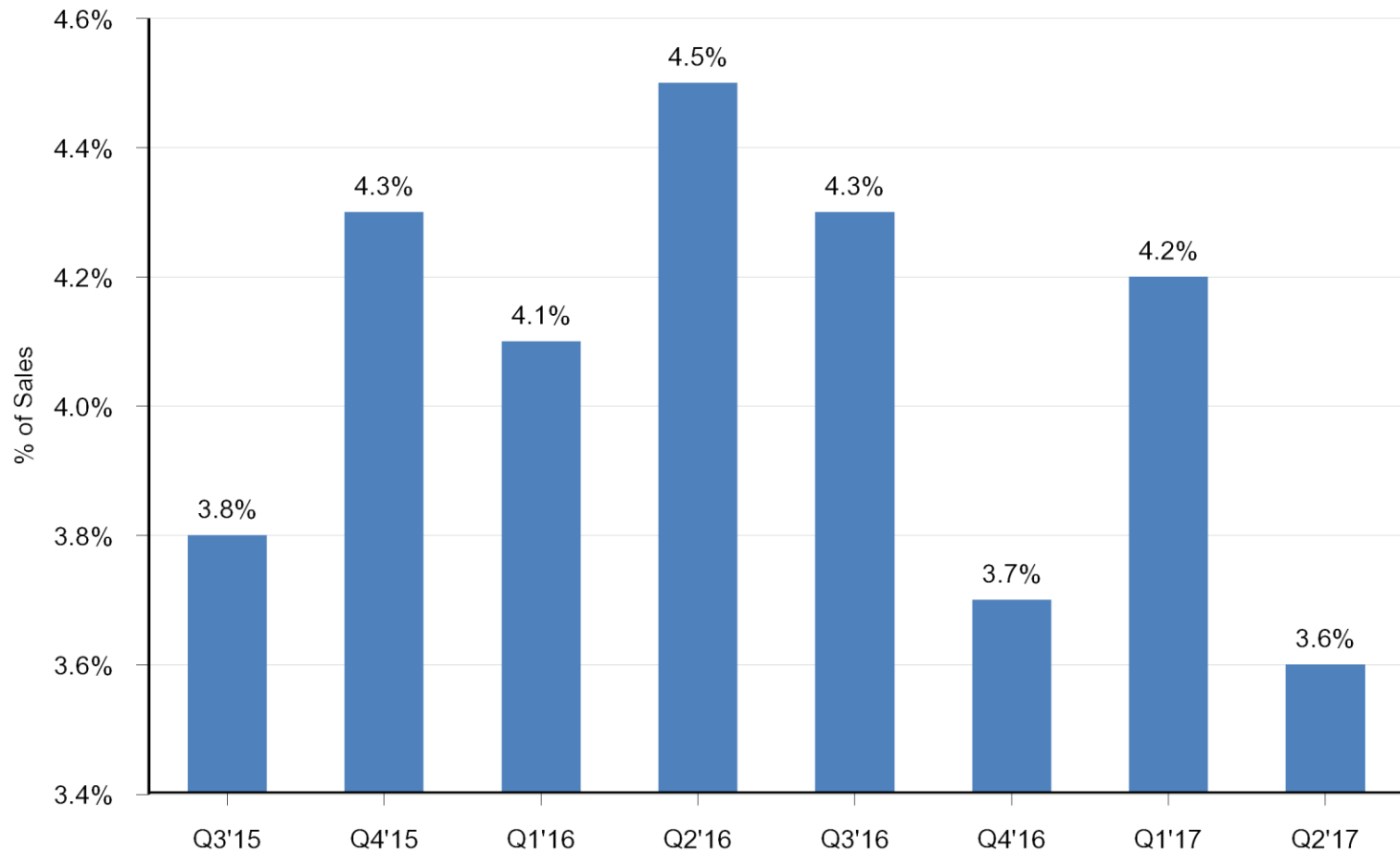


# Gross Margin %



# Selling & Administrative Expense (%)

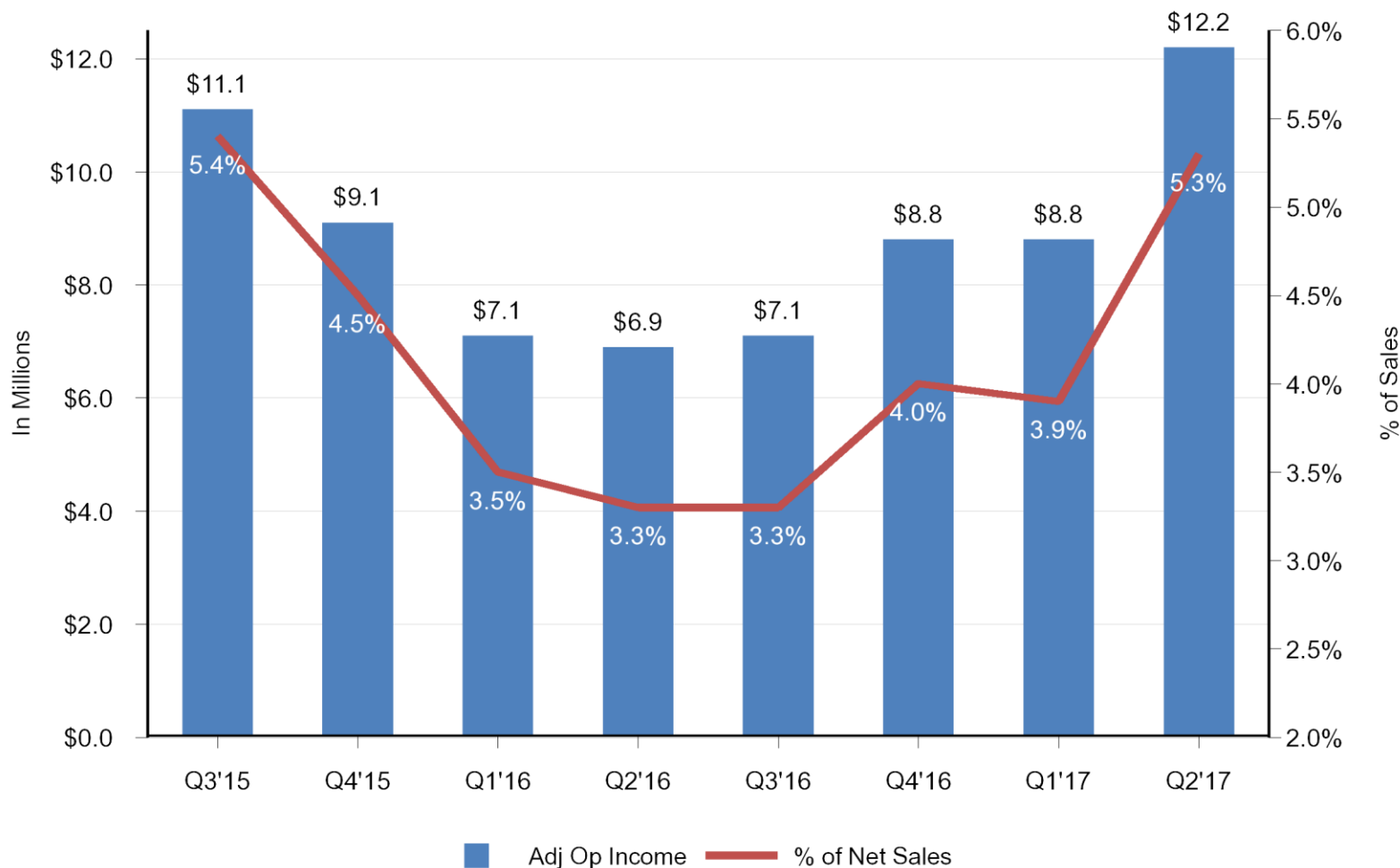
(Excludes spin-off costs\*)



\*Spin-off costs excluded by quarter were Q3'15 - \$0.3M (0.2%) and Q1'16 - \$0.1M (0.0%)

# Adjusted Operating Income

(Excludes spin-off costs and lawsuit settlement proceeds)

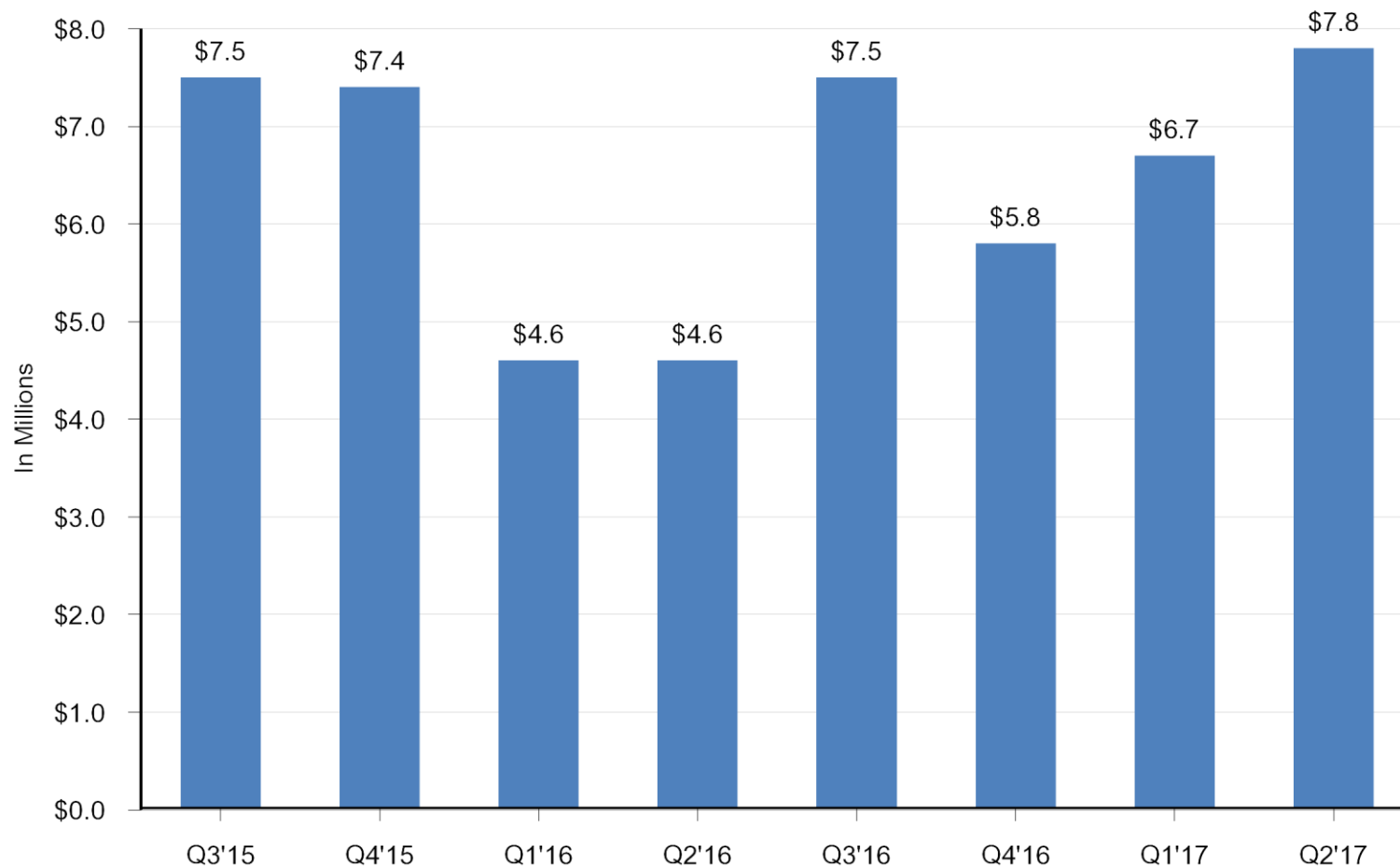


Note: Adjusted Operating Income is a Non-GAAP measure – refer to Reconciliation of Non-GAAP Results on the final slide of this supplementary information

# Adjusted Net Income

(Unaudited)

(Excludes spin-off costs, lawsuit settlement proceeds, and bargain purchase gain)



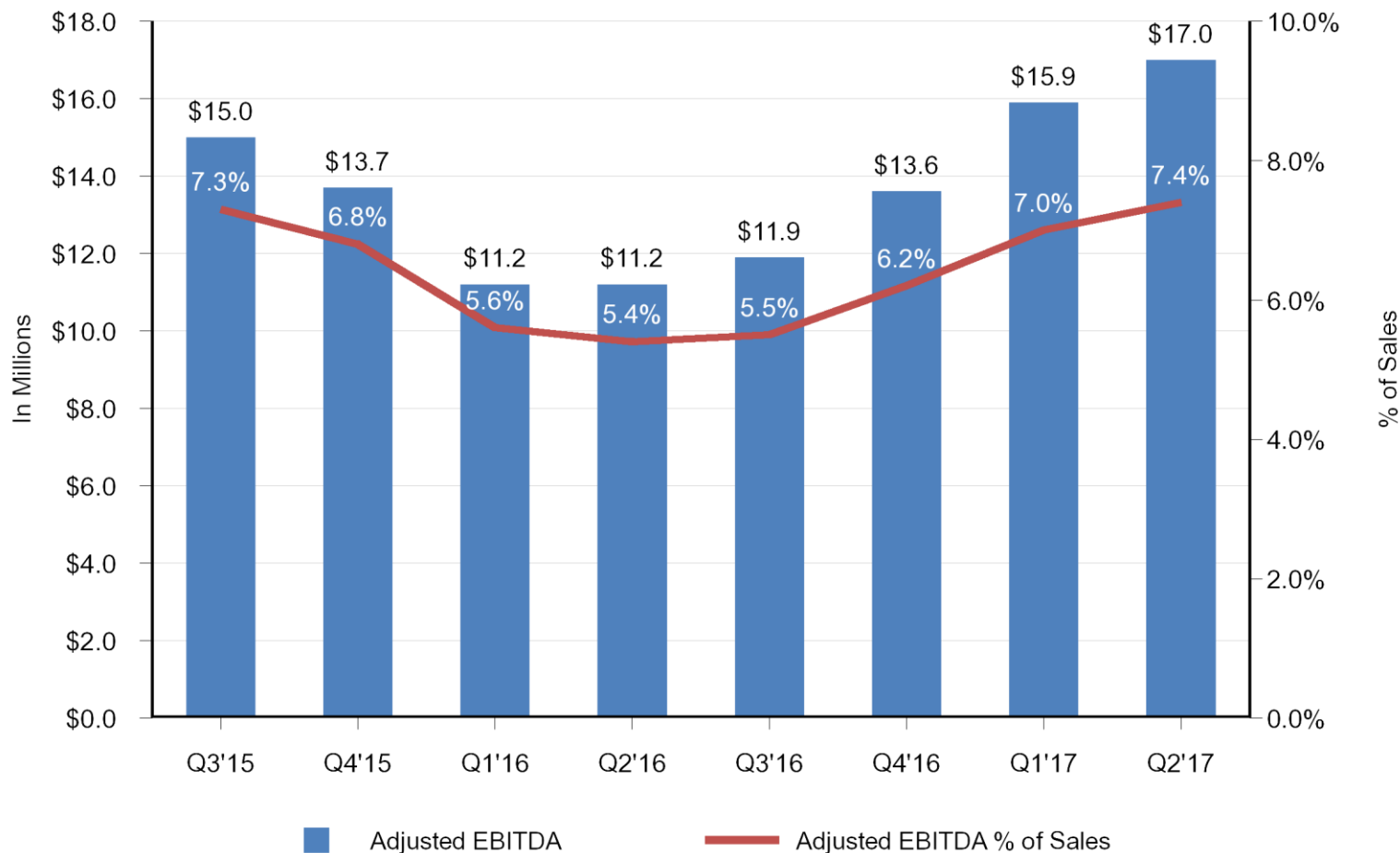
Notes: Q3'16 includes a \$1.8 million discrete foreign tax benefit related to the capitalization of our Romania subsidiary; Adjusted Net Income is a Non-GAAP measure - refer to Reconciliation of Non-GAAP Results on the final slide of this supplementary information



# Adjusted EBITDA

(Unaudited)

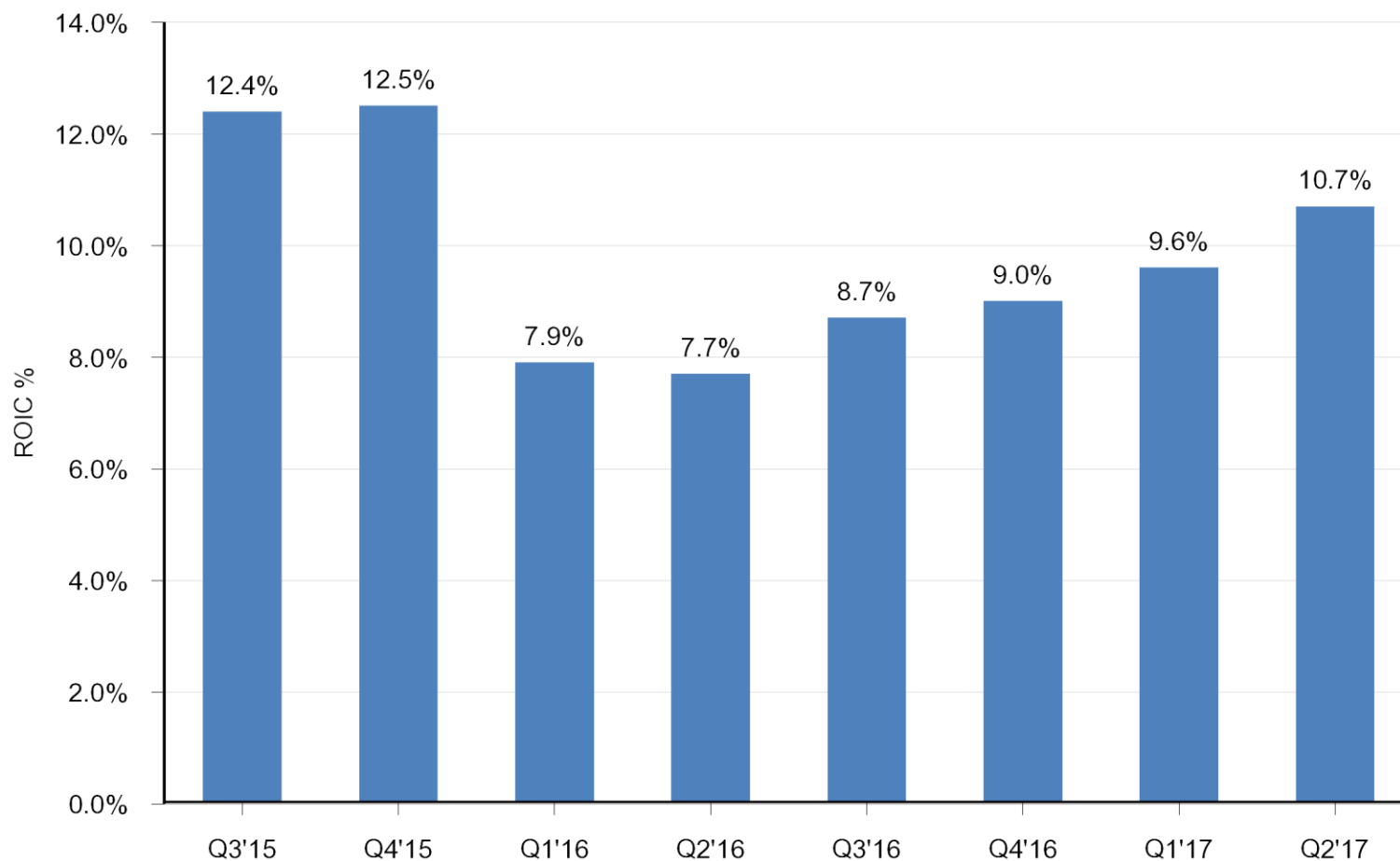
(Excludes spin-off costs, lawsuit settlement proceeds, and bargain purchase gain)



Note: Adjusted EBITDA is a Non-GAAP measure - refer to Reconciliation of Non-GAAP Results on the final slide of this supplementary information

# Return on Invested Capital

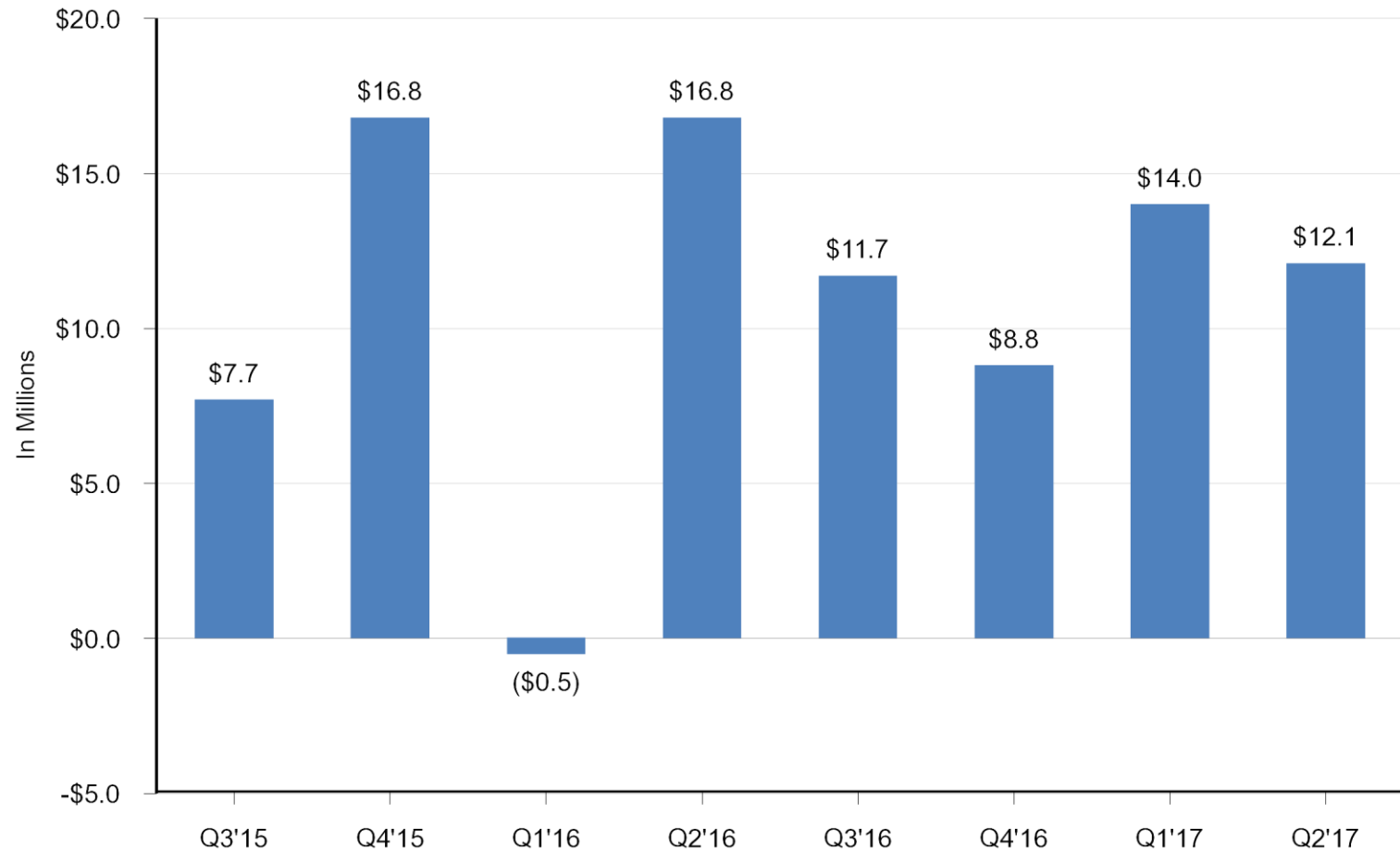
(Excludes spin-off costs and lawsuit settlement proceeds)



Notes: We define ROIC as after tax annualized adjusted operating income divided by average invested capital; ROIC is a Non-GAAP measure - refer to Reconciliation of Non-GAAP Results on the final slide of this supplementary information

# Operating Cash Flow

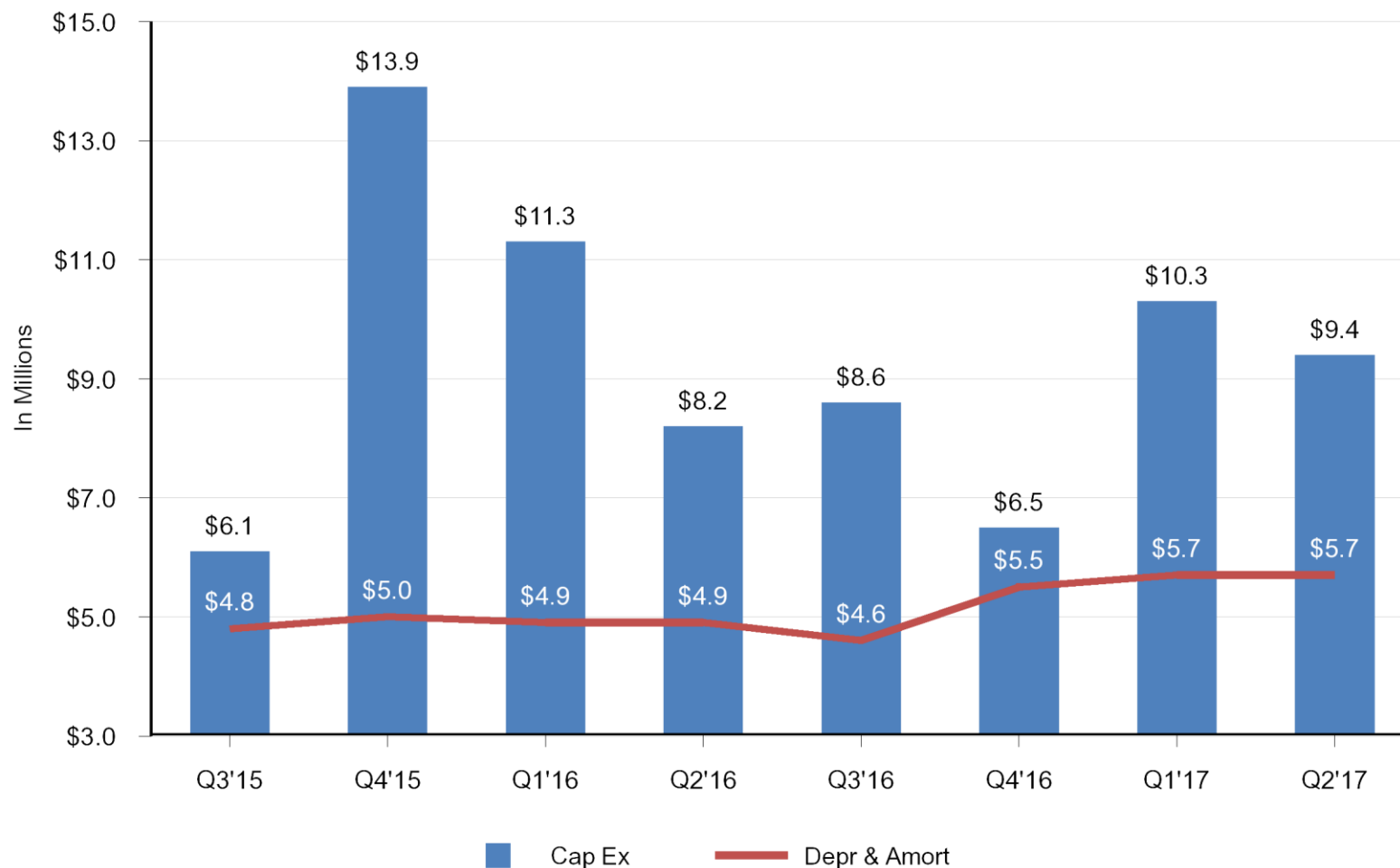
(Unaudited)





# Capital Expenditures and Depreciation & Amortization

(Unaudited)



Note: Capital Expenditures include purchases of capitalized software.

# Reconciliation of Non-GAAP Results

(Unaudited)	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Operating Income, as Reported	\$ 10,821	\$ 9,050	\$ 6,921	\$ 6,933	\$ 7,078	\$ 8,790	\$ 12,822	\$ 12,241
Add: Spin-off Expenses	321	24	137	0	0	0	0	0
Less: Lawsuit Proceeds	0	0	0	0	0	0	4,005	0
<b>Adjusted Operating Income</b>	<b>\$ 11,142</b>	<b>\$ 9,074</b>	<b>\$ 7,058</b>	<b>\$ 6,933</b>	<b>\$ 7,078</b>	<b>\$ 8,790</b>	<b>\$ 8,817</b>	<b>\$ 12,241</b>
Net Income, as reported	\$ 7,191	\$ 7,394	\$ 4,475	\$ 4,564	\$ 7,477	\$ 5,771	\$ 10,122	\$ 7,812
Add: Spin-off Expenses	278	16	85	0	0	0	0	0
Less: Lawsuit Proceeds	0	0	0	0	0	0	2,499	0
Less: Bargain Purchase Gain	0	0	0	0	0	0	925	0
<b>Adjusted Net Income</b>	<b>\$ 7,469</b>	<b>\$ 7,410</b>	<b>\$ 4,560</b>	<b>\$ 4,564</b>	<b>\$ 7,477</b>	<b>\$ 5,771</b>	<b>\$ 6,698</b>	<b>\$ 7,812</b>
Adjusted Net Income	\$ 7,469	\$ 7,410	\$ 4,560	\$ 4,564	\$ 7,477	\$ 5,771	\$ 6,698	\$ 7,812
Add(Less) Interest, net	(10)	(8)	(11)	(8)	1	19	16	46
Add Depreciation & Amortization	4,832	4,958	4,885	4,894	4,557	5,533	5,713	5,716
Add(Less) Taxes	2,744	1,301	1,780	1,781	(166)	2,294	3,463	3,415
<b>Adjusted EBITDA</b>	<b>\$ 15,035</b>	<b>\$ 13,661</b>	<b>\$ 11,214</b>	<b>\$ 11,231</b>	<b>\$ 11,869</b>	<b>\$ 13,617</b>	<b>\$ 15,890</b>	<b>\$ 16,989</b>
Operating Income, As Reported (YTD)	\$ 27,305	\$ 36,355	\$ 6,921	\$ 13,854	\$ 20,932	\$ 29,722	\$ 12,822	\$ 25,063
Add: Spin-off Expenses (YTD)	\$ 2,571	\$ 2,594	\$ 137	\$ 137	\$ 137	\$ 137	\$ —	\$ —
Less: Lawsuit Proceeds (YTD)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,005	\$ 4,005
Adjusted Operating Income (YTD)	\$ 29,876	\$ 38,949	\$ 7,058	\$ 13,991	\$ 21,069	\$ 29,859	\$ 8,817	\$ 21,058
Annualized Adjusted Operating Income	\$ 39,835		\$ 28,232	\$ 27,982	\$ 28,092		\$ 35,268	\$ 42,116
Tax Rate	26.3%	23.4%	28.8%	29.2%	19.5%	20.4%	22.7%	27.0%
Tax Effect	\$ 10,477	\$ 9,114	\$ 8,131	\$ 8,171	\$ 5,478	\$ 6,091	\$ 8,006	\$ 11,371
After Tax Adjusted Operating Income (YTD)	\$ 29,358	\$ 29,835	\$ 20,101	\$ 19,811	\$ 22,614	\$ 23,768	\$ 27,262	\$ 30,745
Average Invested Capital *	\$ 237,512	\$ 239,463	\$ 255,406	\$ 256,785	\$ 259,557	\$ 263,371	\$ 283,490	\$ 286,347
<b>ROIC</b>	<b>12.4%</b>	<b>12.5%</b>	<b>7.9%</b>	<b>7.7%</b>	<b>8.7%</b>	<b>9.0%</b>	<b>9.6%</b>	<b>10.7%</b>

\* Average Invested Capital is computed using the average quarterly Share Owners equity plus current and non-current debt less cash and cash equivalents.