# Sidoti Small Cap Conference

December 7, 2022

# Safe Harbor Statement

Certain statements contained within this presentation 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.” These forward-looking statements are subject to risks and uncertainties including, without limitation, global economic conditions, geopolitical environment, global health emergencies including the COVID-19 pandemic, 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, 2022 and other filings with the Securities and Exchange Commission (the “SEC”).




## At a Glance

# Kimball Electronics

A global manufacturing solutions provider of contract electronics and diversified manufacturing services

WORLD HEADQUARTERS
**Jasper, IN**

FINANCIAL
**Nasdaq (KE)**

NUMBER OF EMPLOYEES
**~7,200**

FY22 NET SALES
**$1.35 BILLION**

VERTICAL MARKETS
- Automotive
- Medical
- Industrial

MANUFACTURING FACILITIES

- Poland
- Thailand
- USA
- China
- Mexico
- Romania
- Vietnam

Mission, Purpose, and Vision & Strategy

# Our guide to lasting relationships and global success

## MISSION

To attract, develop, and maintain long-term successful relationships with all the stakeholders of our business:

Our customers, employees, suppliers, communities, and Share Owners and to keep our promise to help achieve success with those relationships wherever we go in the world.

## PURPOSE

Creating Quality for Life

## VISION

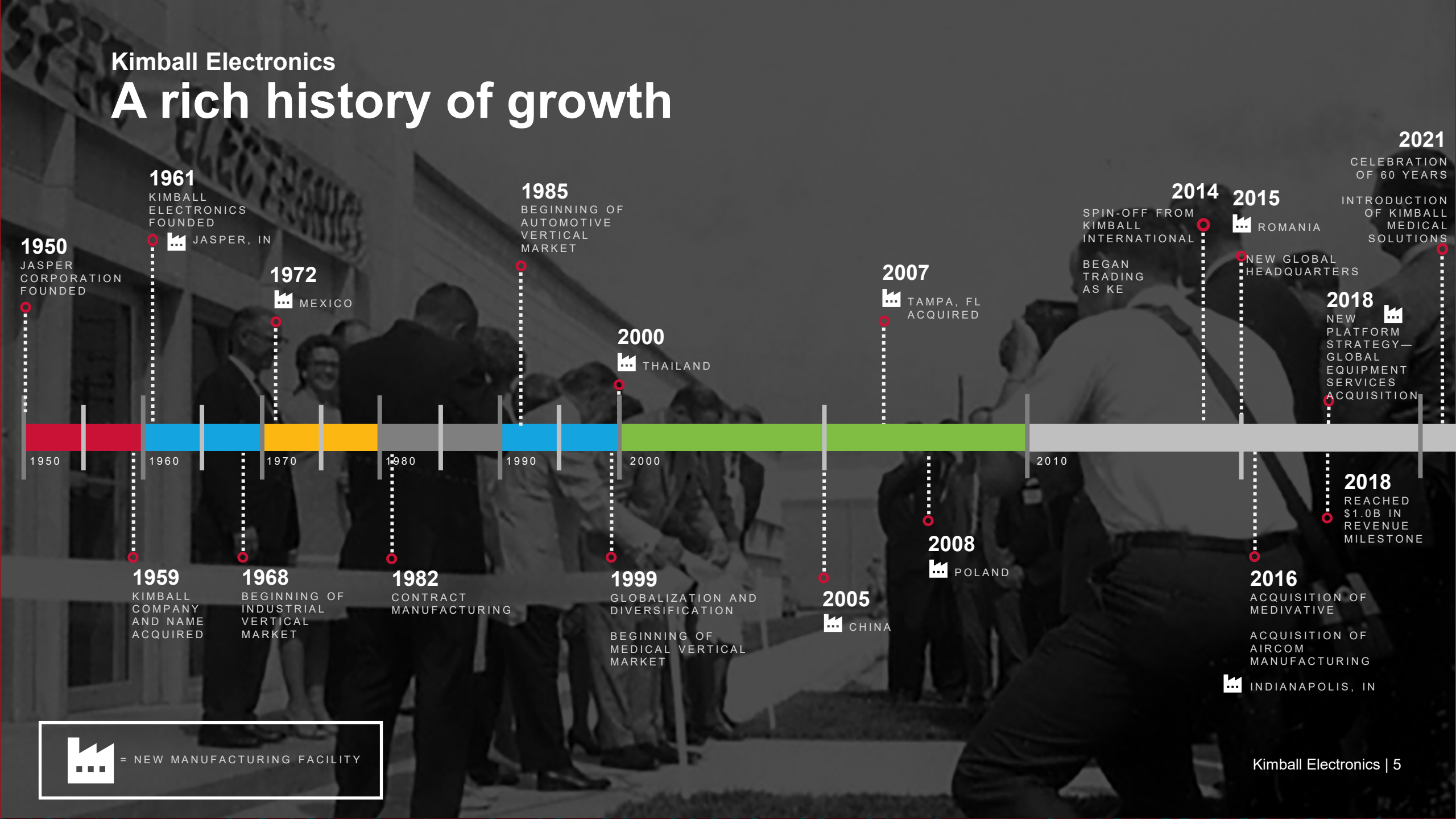
To be the world's most preferred multifaceted manufacturing solutions provider and to set the industry standard for quality, reliability, and service.

## STRATEGY

To develop ourselves beyond a pure play EMS company to a multifaceted manufacturing solutions company.

Kimball Electronics

# A rich history of growth



Competitive Advantage

# Global footprint




**Kimball Advantages**

**Tightly integrated systems around the world**, giving customers we service at multiple locations a single point of contact

**Strong communication and partnerships across all business units**, providing customer service excellence internally and externally

**Global bonus plan driving better decision making across the business focused on one plan, one team**

**Region-to-region supply relationship**, ability to supply our customers in same regions

End-to-End Partnership

# Single-source for the most exacting, stringent, mission-critical, high reliability, high quality products



### Design & Development

- Integrated design and manufacturing services
- Increases speed to market

### Prototyping

- Dedicated team & equipment
- Bring products to market faster

### NPI

- Robust process for New Product Introduction focused manufacturing
- Transfer existing products from current supplier

### Manufacturing

- Partnership - work as an extension of the team
- Precision & quality

### Testing

- Focus testing criteria on areas of concern
- Affirm reliability of specific functionality

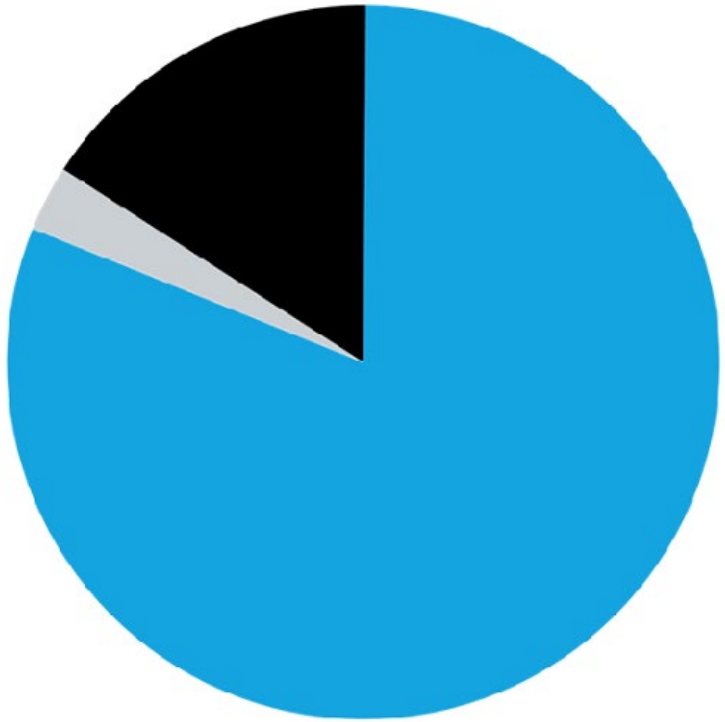
### Aftermarket Support

- Service and support as market conditions change
- Throughout product lifecycle from start to finish

How We Deliver

# Award-winning service and long-term relationships

FY2022 net sales by length of customer relationship




**Circuits Assembly Service Excellence Awards**

- Nine consecutive years winning awards for excellence in multiple categories
  - Quality
  - Dependability / timely delivery
  - Responsiveness
  - Technology
- Awards based solely on direct customer input and are an indication of outstanding achievement in service excellence

# Our team continues to navigate these unprecedented circumstances by focusing on what we can control

- Health & safety of our associates
  - Not just their physical well-being
  - Mental health is as important as ever
- The global supply chain
  - Signs of a gradual recovery from the pandemic
  - Modest improvements occurring at a measured pace
- Addressing parts shortages has become a constant priority for many in the value chain
  - Not all microchips created equal, high-grade chips still in short supply
- As costs rise, we are leveraging productivity improvements and partnering with customers to maintain competitiveness





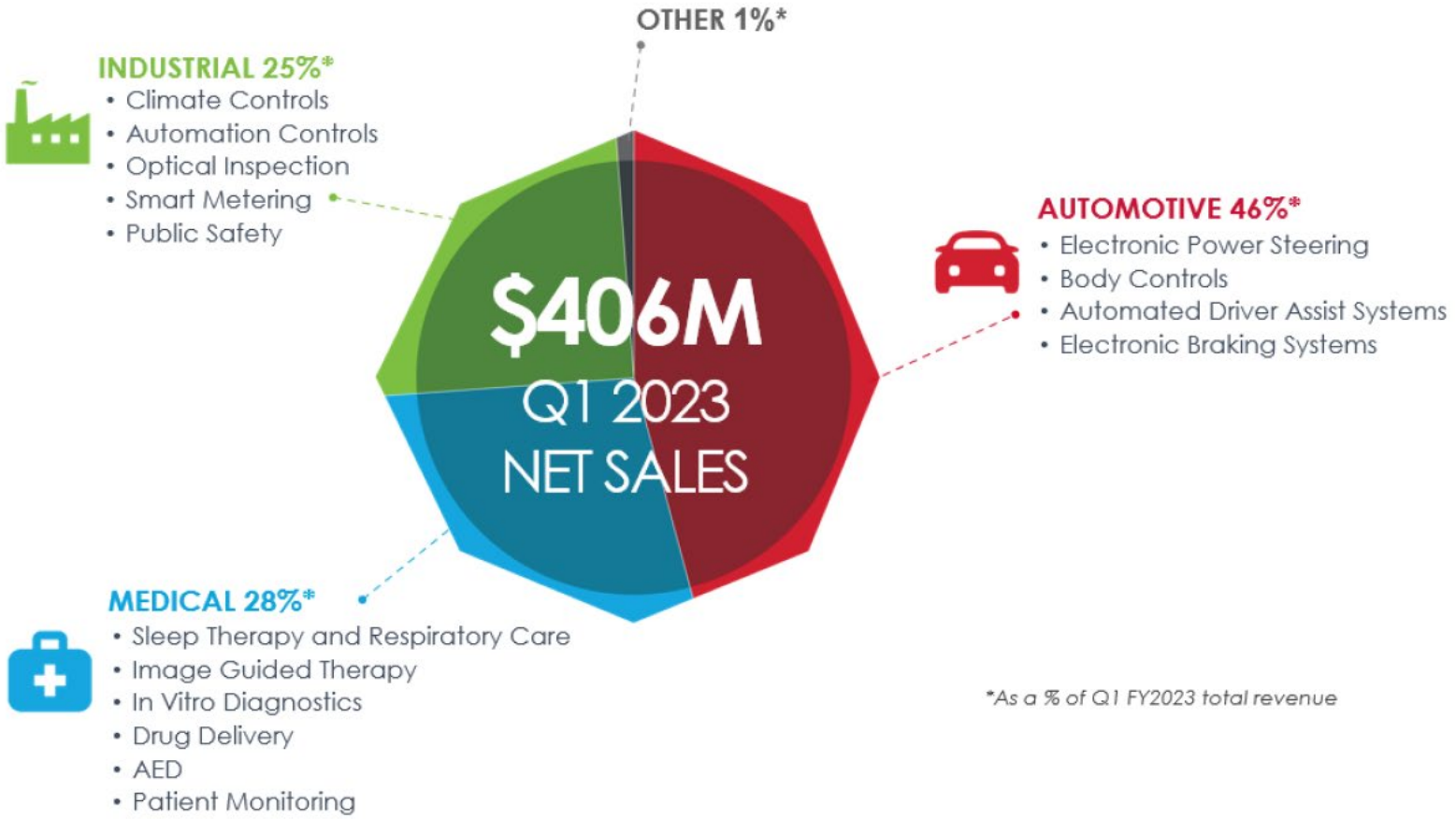
Fiscal 2023

# Record top-line results in Q1 with robust growth in all vertical markets

## Net Sales




*FX unfavorably impacted sales by 5% in Q1*



# Poised for Growth: Automotive Market

Automotive was our best performing business in the first quarter of fiscal 2023

- Record net sales of $185 million
- 43% increase compared to Q1 fiscal 2022



Industry Megatrends Will Fuel Growth

# Our manufacturing competencies align well with the emerging technologies

## Unparalleled Automotive Electronics Manufacturing Experience

- We have over 37 years of experience producing the highest quality electronic assemblies that meet the most stringent regulatory requirements of the automotive industry. The innovations and initiatives propelling the growth in global vehicle production is centered on the development of autonomous vehicles and the “electrification” of tomorrow’s cars.

## Vehicle Electrification

- Automakers are continuing to respond to customer demand by developing more Electric Vehicle (EV) models, including both plug-in hybrid electric vehicles and battery electric vehicles, that are increasingly cost-competitive with their internal combustion engine counterparts.

## Representative Customers Tier 1 Suppliers

TRW nexteer AUTOMOTIVE ZF brose Technik für Automobile Mando





**Advanced Driver Assistance Systems**

- Battery Management
- Electronic Steering
- Electronic Braking
- Redundant Safety

# Poised for Growth: Medical Market

Medical posted top-line growth in excess of 30% for two consecutive quarters

- Net sales in the first quarter of fiscal 2023 totaled $115 million
- 35% increase compared to Q1 fiscal 2022

## Representative Customers

ZOLL Medical

PHILIPS Healthcare

SIEMENS Healthcare

stryker

kaléo



Kimball Medical Solutions

# Full service of capabilities extends beyond electronics

## Understanding Customer Needs

- Medical customers have stringent standards for their products
- Our capabilities are uniquely tailored to meet the requirements and challenges of the medical market

## Kimball Medical Solutions

- In August of 2021, we introduced Kimball Medical Solutions, providing medical customers a full-service approach across all of our capabilities



- Electronics Manufacturing
- Precision Injection Molded Plastics
- Contract Manufacturing
- Assembly & Packaging Services
- Sterilization & Cold Chain Management
- Custom Automation Services & Test
- Machine Vision & Artificial Intelligence
- Design Engineering Services

# Poised for Growth: Industrial Market

Industrial, which we frequently call “green & clean”, now includes Public Safety

- Net sales in the first quarter of fiscal 2023 totaled $101 million
- 35% increase compared to the recasted Q1 fiscal 2022

## Representative Customers

Ingersoll Rand

Honeywell

REGAL

GRUNDFOS



Support for Evolving Markets

# Products for smart cities, energy efficiency, and energy management

## Helping Leading the Way in Smart Meter Manufacturing

- Smart meters are electronic measurement devices used by utility companies and municipalities to communicate billing information to customers for electricity, water, and/or gas operating systems

## Smart Electronic Access Control Products

- Our manufacturing for Public Safety applications includes products that support the safeguarding of people, property, and infrastructure. In addition to the trend of a growing remote workforce, the future of door and smart access control will increasingly rely on electronics and on mobile technology



The global smart meters market is expected to grow by registering a Compound Annual Growth Rate of 7.74% over 5 years (forecast period 2022-2027)



**+500,000** smart access control assemblies produced in fiscal 2022

Fiscal 2023

# Recently affirmed guidance for fiscal 2023 with results expected at high-end of range for sales and op margin

Net sales range

**$1.6 - $1.7 billion**

Increase compared to fiscal 2022

**▲19% - 26% in net sales**

**Operating income** expected to be **4.6**% - **5.2%** of net sales

CapEx

**$80 - $100 million**



Net sales estimated to be in the range of $1.6 - $1.7 billion, a 19% - 26% increase compared to fiscal 2022

Operating income margin of 4.6% - 5.2%

CapEx guidance of $80 - $100 million

CapEx includes equipment in the facility expansion in Mexico, and facility expansion in Poland

Capital deployment to support a healthy funnel of new product introductions

Addition of equipment with leading-edge technologies and capabilities

The Outlook

# We are very bullish on the long-term prospects for the company

## Fiscal 2023 includes record top-line growth

- Expect sequential quarterly increases throughout fiscal 2023
- Emphasis on aligning production forecasts with material availability and manufacturing capacity
- Increasing cash flow through inventory management and driving additional and sustainable operating leverage

## Manufacturing capacity is being carefully evaluated at each location

- Support higher levels of production to reach $2 billion milestone
- Partnership with all members of the value chain is critical

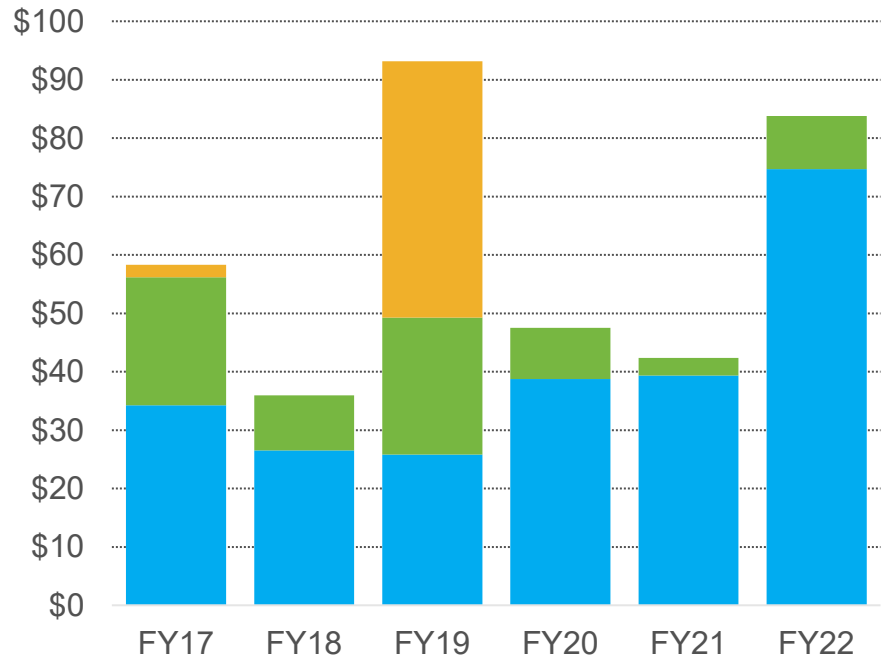


Capital Allocation

# Investing in growth and returning excess cash to Share Owners

- **Reinvest in the business** – Significant CapEx spending to fuel multi-year organic growth and expansion in ROIC
- **Acquisitions** – $50+ million of acquisitions over past seven years. Going forward M&A will play an important role in strategic direction of the Company
- **Share Repurchase** – $88.8 million of common stock repurchases representing 5.8 million shares since October of 2015

**Capital Allocation**
($ in millions)



Increasing Our Footprint

# Facility Expansions Align with Customer Growth

**Thailand**

Expansion has more than doubled the capacity of our manufacturing facility

**Mexico**

Expansion doubled our manufacturing capacity with the addition of a second building in Reynosa, Mexico

**Poland**

Expansion will add 40% to existing production square footage with completion expected in early fiscal 2024

↑38%

We're underway with 370,000 square feet of new facility expansions, representing an increase of 38% capacity worldwide.

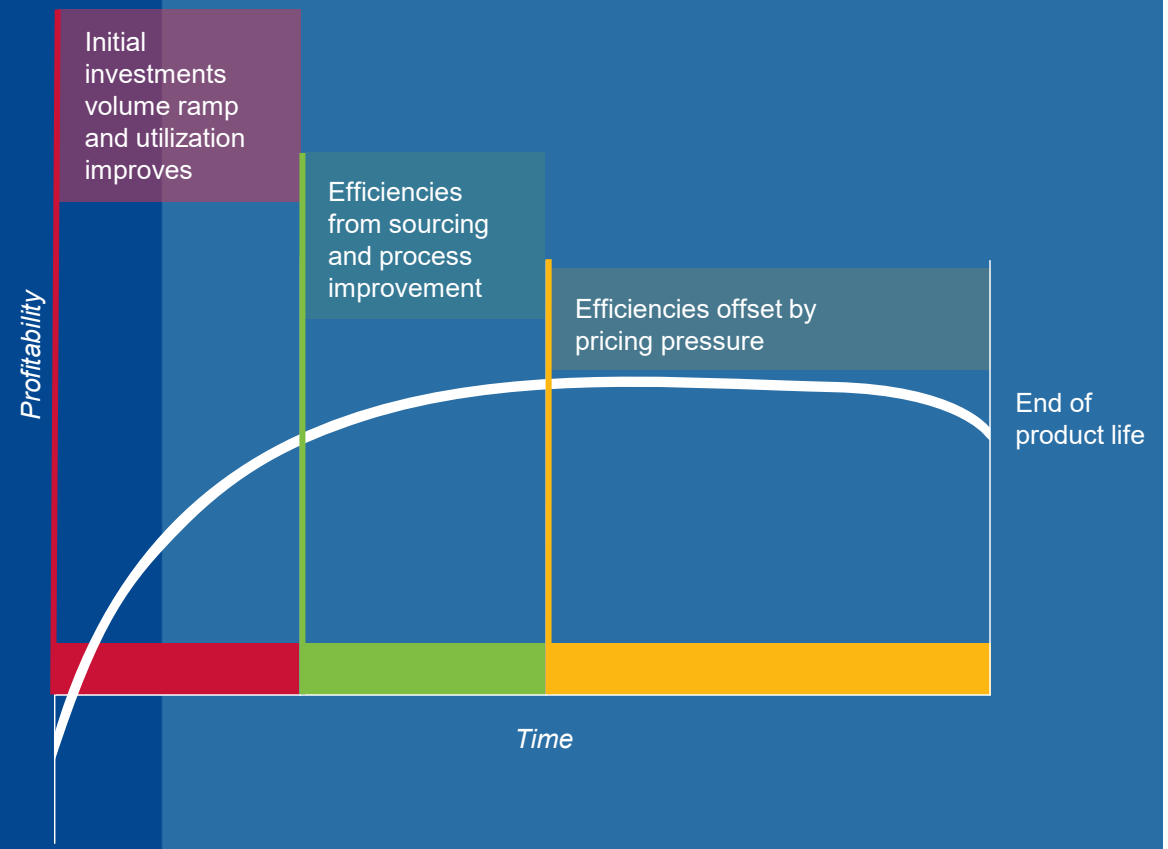


# Program life cycle

• ROIC MEASURED OVER MULTIPLE YEARS

THESE PROGRAMS PROGRESS
at a slow and steady pace, allowing for long-term sustainable growth gained through sourcing efficiencies and process improvements.

**Program Lifecycle:**




As new programs mature, volumes ramp, and cost efficiencies are gained

Increased launch activity in recent years has put near-term pressure on profitability/returns

ROIC measured over multiple years

Programs are mostly single-sourced

# Poised for Growth: Our Culture

We demonstrate our company purpose by Creating Quality for Life for our people through a respectful and rewarding company culture that encourages meaningful work, as well as for our communities through our positive societal impacts.



# People are the Company

## Diversity, Equity, Inclusion & Belonging

- As a human-centered company focused on Diversity, Equity, Inclusion & Belonging (DEI&B), we promote multiple “heritage” days and months by giving employees the option to participate in virtual events to encourage openness to others and learning new insights.



**44%** of our executive team is female

**11%** of our executive management team is ethnically diverse

## Guiding Principles

- Each year, employees around the world rate us on how well we are living up to the company culture we strive to provide as defined by the elements within our Guiding Principles.

**Our Guiding Principles include:**

- The People are the Company
- Our Customer is Our Business
- The Environment is our Home
- Profits are the Ultimate Measure



Summary

# Poised for Growth

**Unique manufacturing capabilities and award-winning customer service**

- Support vertical end-markets benefiting from industry megatrends that will drive long-term growth
- Emerging from the challenging operating environment with strength
- Strong customer partnerships have produced several business wins, along with expansions of existing programs

**Company culture serves as the cornerstone of our Strategic Plan and foundation of the organization**

- Focused on continuing to deliver on promises to our customers, employees, Share Owners, and communities



**Making investments in our future**



**Leveraging our strong balance sheet for growth**



**Creating opportunities to expand profitability and returns**

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