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KIMBALL ELECTRONICS REPORTS Q1 RESULTS WITH STRONG START TO THE FISCAL YEAR; COMPANY UPDATES GUIDANCE FOR FISCAL 2024

JASPER, Ind., November 6, 2023 -- (BUSINESS WIRE) -- Kimball Electronics, Inc. (Nasdaq: KE) today announced financial results for the first quarter of fiscal 2024.

"I am very pleased with our results for the first quarter, particularly in light of the current macro environment. Q1 was a strong start to the fiscal year with record first quarter sales and operating income, year-over-year margin expansion, and 13% growth in net income. While these results were in-line with our expectations, we have been evaluating the impact of recent short-term market disruptions, including the UAW strike, global economic conditions, and geopolitical events, and have updated our guidance for the full year of fiscal 2024 to reflect softening demand in the end market verticals we serve.

Longer-term, we continue to be encouraged by the growth opportunities in these markets, supported by favorable industry megatrends. With a strong funnel of new business, our capital allocation strategy is focused on organic growth, which will likely include additional global expansions in the future, combined with investments in automation and efficiency. We are winning together, the Kimball way, and I am excited about what lies ahead for our Company."

Richard D. Phillips
Chief Executive Officer

Q1 FISCAL 2024 HIGHLIGHTS

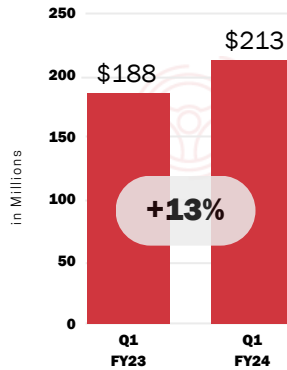
- Net sales totaled \$438.1 million, an 8% increase compared to the first quarter of fiscal 2023; foreign currency had a 1% favorable impact on net sales year-over-year.
- Operating income of \$19.5 million, or 4.4% of net sales, an improvement compared to \$13.6 million, or 3.3% of net sales, in the same period last year.
- Net income of \$10.8 million, or \$0.43 per diluted share, an improvement compared to \$9.5 million, or \$0.38 per diluted share, in the first quarter of fiscal 2023.
- The Company ended the first quarter of fiscal 2024 with cash and cash equivalents of \$56.6 million and borrowings outstanding on credit facilities of \$296.7 million, including \$235.0 million classified as long term, and \$90.5 million of borrowing capacity available.
- Cash flow generated from operating activities in the first quarter of fiscal 2024 was \$12.8 million, and capital expenditures were \$11.3 million.
- Net sales for fiscal year 2024 are now expected to be flat with the prior year, compared to the previous estimate of a 4% to 7% increase. Operating income is also estimated to be in line with fiscal 2023, compared to the previous guidance range of 4.7% to 5.2% of net sales. The outlook for capital expenditures did not change with a range of \$70 to \$80 million.

NET SALES BY VERTICAL MARKET FOR Q1 FISCAL 2024

Net sales increased by 8% compared to the first quarter of fiscal 2023. Sales in the automotive and industrial vertical markets increased by 13% and 21%, respectively, compared to the same period last year. As expected, sales in the medical vertical market declined 12%. Foreign currency had a 1% favorable impact on net sales year-over-year.



Automotive

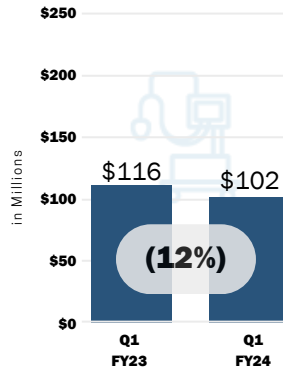


Automotive +13%**

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



Medical

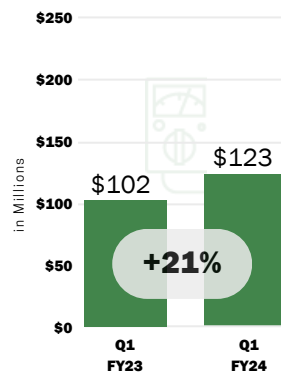


Medical (12%)**

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



Industrial



Industrial +21%**

- Climate Controls
- Automation Controls
- Optical Inspection
- Smart Metering
- Public Safety

*Percentage of net sales

**Percentage increases compared to Q1 of fiscal year 2023

Forward-Looking Statements

Certain statements contained within this release are considered forward-looking, including our fiscal year 2024 guidance, 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 rate 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 the company are contained in its Annual Report on Form 10-K for the year ended June 30, 2023.

Non-GAAP Financial Measures

This press release contains non-GAAP financial measures. The non-GAAP financial measures contained herein include constant currency growth, adjusted operating income, adjusted net income, adjusted diluted EPS, and ROIC. Reconciliations of the reported GAAP numbers to these non-GAAP financial measures are included in the Reconciliation of Non-GAAP Financial Measures section below. Management believes these measures are useful and allow investors to meaningfully trend, analyze, and benchmark the performance of the company’s core operations. The company’s non-GAAP financial measures are not necessarily comparable to non-GAAP information used by other companies.

About Kimball Electronics, Inc.

Kimball Electronics is a multifaceted manufacturing solutions provider of electronics and diversified contract manufacturing services to customers around the world. From our operations in the United States, China, India, Japan, Mexico, Poland, Romania, Thailand, and Vietnam, our teams are proud to provide manufacturing services for a variety of industries. Recognized for a reputation of excellence, we are committed to a high-performance culture that values personal and organizational commitment to quality, reliability, value, speed, and ethical behavior. Kimball Electronics, Inc. (Nasdaq: KE) is headquartered in Jasper, Indiana.

To learn more about Kimball Electronics, visit: www.kimballelectronics.com.

Conference Call / Webcast

Date: November 7, 2023

Time: 10:00 AM Eastern Time

Live Webcast: investors.kimballelectronics.com/events-and-presentations/events

Dial-In #: 404-975-4839 (other locations - 833-470-1428)

Conference ID: 408670

For those unable to participate in the live webcast, the call will be archived at investors.kimballelectronics.com.



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Contact:

Andrew D. Regrut
Vice President, Investor Relations
812.827.4151

Investor.Relations@kimballelectronics.com

Financial highlights for the first quarter ended September 30, 2023 are as follows:

| (Amounts in Thousands, except EPS) | Three Months Ended September 30, | |
|------------------------------------|-------------------------------------|------------|
| | 2023 | 2022 |
| Net Sales | \$ 438,081 | \$ 405,889 |
| Operating Income | \$ 19,490 | \$ 13,571 |
| Operating Income % | 4.4% | 3.3% |
| Net Income | \$ 10,754 | \$ 9,509 |
| Diluted EPS | \$ 0.43 | \$ 0.38 |

Net Sales by Vertical Market for Q1 Fiscal 2024:

| (Amounts in Millions) | Three Months Ended September 30, | | | | |
|---------------------------|-------------------------------------|-----|----------|-----|----------------|
| | 2023 | * | 2022 | * | Percent Change |
| Automotive ⁽¹⁾ | \$ 212.5 | 49% | \$ 188.2 | 46% | 13% |
| Medical ⁽¹⁾ | 102.4 | 23% | 116.0 | 29% | (12)% |
| Industrial ⁽¹⁾ | 123.2 | 28% | 101.7 | 25% | 21% |
| Total Net Sales | \$ 438.1 | | \$ 405.9 | | 8% |

* As a percent of Total Net Sales

(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

- Automotive includes electronic power steering, body controls, automated driver assist systems, and electronic braking systems
- Medical includes sleep therapy and respiratory care, image guided therapy, in vitro diagnostics, drug delivery, AED, and patient monitoring
- Industrial includes climate controls, automation controls, optical inspection, smart metering, and public safety

Condensed Consolidated Statements of Income

(Unaudited)

Three Months Ended

(Amounts in Thousands, except Per Share Data)

| | September 30, 2023 | | September 30, 2022 | |
|-------------------------------------|--------------------|--------|--------------------|--------|
| Net Sales | \$ 438,081 | 100.0% | \$ 405,889 | 100.0% |
| Cost of Sales | 402,539 | 91.9% | 376,568 | 92.8% |
| Gross Profit | 35,542 | 8.1% | 29,321 | 7.2% |
| Selling and Administrative Expenses | 16,052 | 3.7% | 15,750 | 3.9% |
| Operating Income | 19,490 | 4.4% | 13,571 | 3.3% |
| Interest Income | 299 | 0.1% | 17 | —% |
| Interest Expense | (5,447) | (1.2)% | (1,920) | (0.5)% |
| Non-Operating Income (Expense), net | (1,131) | (0.3)% | 500 | 0.2% |
| Other Income (Expense), net | (6,279) | (1.4)% | (1,403) | (0.3)% |
| Income Before Taxes on Income | 13,211 | 3.0% | 12,168 | 3.0% |
| Provision for Income Taxes | 2,457 | 0.5% | 2,659 | 0.7% |
| Net Income | \$ 10,754 | 2.5% | \$ 9,509 | 2.3% |

Earnings Per Share of Common Stock:

| | | |
|---------|---------|---------|
| Basic | \$ 0.43 | \$ 0.38 |
| Diluted | \$ 0.43 | \$ 0.38 |

Average Number of Shares Outstanding:

| | | |
|---------|--------|--------|
| Basic | 25,041 | 24,826 |
| Diluted | 25,238 | 24,955 |

Condensed Consolidated Statements of Cash Flows


(Unaudited)

Three Months Ended


(Amounts in Thousands)

September 30,

| | 2023 | 2022 |
|---|-----------|-------------|
| Net Cash Flow provided by (used for) Operating Activities | \$ 12,801 | \$ (60,194) |
| Net Cash Flow used for Investing Activities | (11,302) | (19,320) |
| Net Cash Flow provided by Financing Activities | 13,985 | 50,769 |
| Effect of Exchange Rate Change on Cash, Cash Equivalents, and Restricted Cash | (549) | (1,391) |
| Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash | 14,935 | (30,136) |
| Cash, Cash Equivalents, and Restricted Cash at Beginning of Period | 43,864 | 49,851 |
| Cash, Cash Equivalents, and Restricted Cash at End of Period | \$ 58,799 | \$ 19,715 |



| Condensed Consolidated Balance Sheets (Amounts in Thousands) | (Unaudited) | |
|--|-------------------------------|--------------------------|
| | September 30, 2023 | June 30, 2023 |
| ASSETS | | |
| Cash and cash equivalents | \$ 56,581 | \$ 42,955 |
| Receivables, net | 259,419 | 308,167 |
| Contract assets | 87,675 | 78,798 |
| Inventories | 482,229 | 450,319 |
| Prepaid expenses and other current assets | 45,141 | 49,188 |
| Property and Equipment, net | 268,645 | 267,684 |
| Goodwill | 12,011 | 12,011 |
| Other Intangible Assets, net | 11,603 | 12,335 |
| Other Assets | 39,862 | 38,262 |
| Total Assets | \$ 1,263,166 | \$ 1,259,719 |
| LIABILITIES AND SHARE OWNERS' EQUITY | | |
| Current portion of borrowings under credit facilities | \$ 61,680 | \$ 46,454 |
| Accounts payable | 308,912 | 322,274 |
| Advances from customers | 41,467 | 33,905 |
| Accrued expenses | 66,272 | 72,515 |
| Long-term debt under credit facilities, less current portion | 235,000 | 235,000 |
| Long-term income taxes payable | 3,255 | 5,859 |
| Other long-term liabilities | 18,318 | 19,718 |
| Share Owners' Equity | 528,262 | 523,994 |
| Total Liabilities and Share Owners' Equity | \$ 1,263,166 | \$ 1,259,719 |



Reconciliation of Non-GAAP Financial Measures

(Unaudited)

(Amounts in Thousands, except Per Share Data)

| | Three Months Ended September 30, | |
|--|-------------------------------------|-----------|
| | 2023 | 2022 |
| Net Sales Growth (vs. same period in prior year) | 8% | 39% |
| Foreign Currency Exchange Impact | 1% | (5)% |
| Constant Currency Growth | 7% | 44% |
| Operating Income, as reported | \$ 19,490 | \$ 13,571 |
| SERP | (177) | (235) |
| Adjusted Operating Income | \$ 19,313 | \$ 13,336 |

| | Twelve Months Ended September 30, | |
|---|--------------------------------------|------------|
| | 2023 | 2022 |
| Operating Income | \$ 93,648 | \$ 61,340 |
| SERP | 759 | (1,711) |
| Legal Recovery | (212) | — |
| Adjusted Operating Income (non-GAAP) | \$ 94,195 | \$ 59,629 |
| Tax Effect | 22,913 | 16,356 |
| After-tax Adjusted Operating Income | \$ 71,282 | \$ 43,273 |
| Average Invested Capital ⁽¹⁾ | \$ 738,096 | \$ 544,711 |
| ROIC | 9.7% | 7.9% |

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