



Investor Presentation

June 2018

Safe Harbor Statement

Certain statements contained within this presentation 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, global economic conditions, geopolitical environment, significant reductions in volumes and order patterns 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, 2017 and other filings with the Securities and Exchange Commission (the “SEC”).

This presentation 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 Adjusted Operating Income/Margin, Adjusted Net Income/Margin, Adjusted EBITDA/Margin, Tangible Book Value, Tangible Book Value per Share, Adjusted Earnings Per Share, and Return on Invested Capital (ROIC), which have been adjusted for spin-off expenses, restructuring charges, proceeds from a lawsuit settlement, a bargain purchase gain, and discrete tax items related to the U.S. Tax Cuts and Jobs Act (“Tax Reform”) enacted in December 2017. 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, restructuring charges, the lawsuit proceeds, the bargain purchase gain, and discrete tax items related to Tax Reform. 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.

Who We Are

Global contract manufacturer

of electronic components used in...

Automotive, Industrial, Medical & Public Safety Industries

Focused on **non-commodity products and components**
that require ...

complexity, quality, reliability, and durability

5,400 employees, 9 manufacturing facilities in 6 countries

Headquarters:
Jasper, Indiana

Established in 1961

Nasdaq: KE

Market Cap*: \$511 MM

TTM** Revenue: \$1.0 B

Why Invest?



Above Average Revenue growth

Expect high single-digit revenue growth from focus on end markets with strong secular growth opportunities, outsourcing trends, and expected market share gains



Opportunities to Expand Profitability and Returns

Opportunities to expand profitability and returns as utilization rates increase and new customer programs mature, as well as from contribution from new strategic investments



Sustainable Competitive Advantage

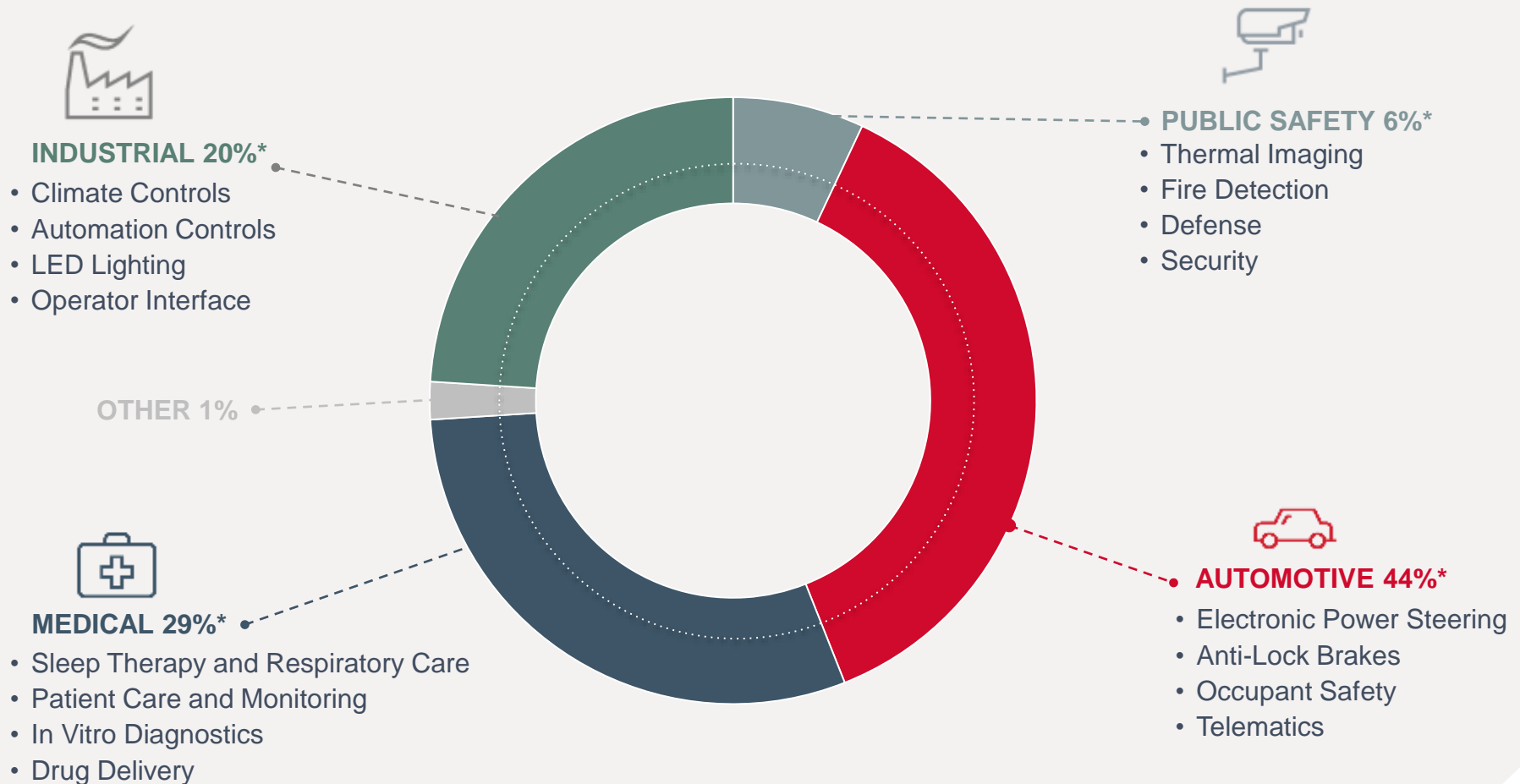
Focus in areas that require complexity, regulatory approval, and durable electronics provides barriers to entry for competitors, allowing for sustainable long-term customer relationships



Strong Balance Sheet

Strong balance sheet with track record of disciplined capital allocation decisions

What We Do



Contract Manufacturer of non-commodity products and components that require complexity, quality, reliability, and durability

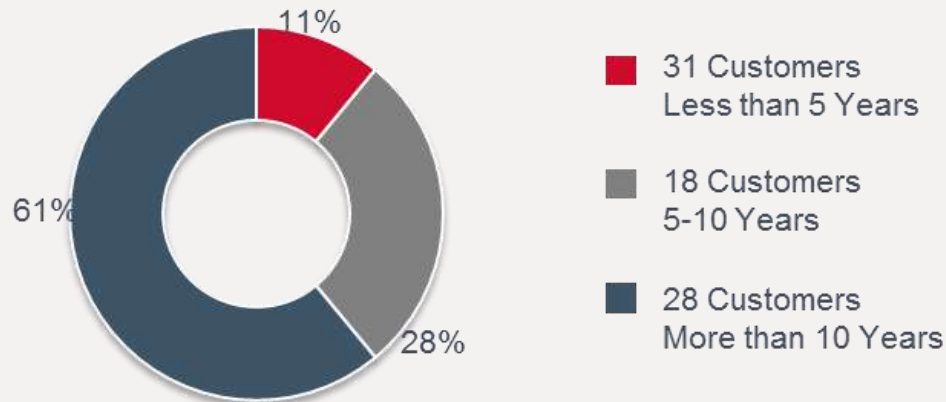
Our Value Proposition

Global consistency - Single instance of SAP supports manufacturing operations globally. Standard lean six sigma practices shared across all facilities.

Deep domain expertise - Experienced body of knowledge required for high quality, high reliability, highly complex, and durable electronics.

Global Footprint – Support global OEMs in all areas of the world

LONG STANDING CUSTOMER RELATIONSHIPS



% of Net Sales FYTD 3Q18

Typical Program Length

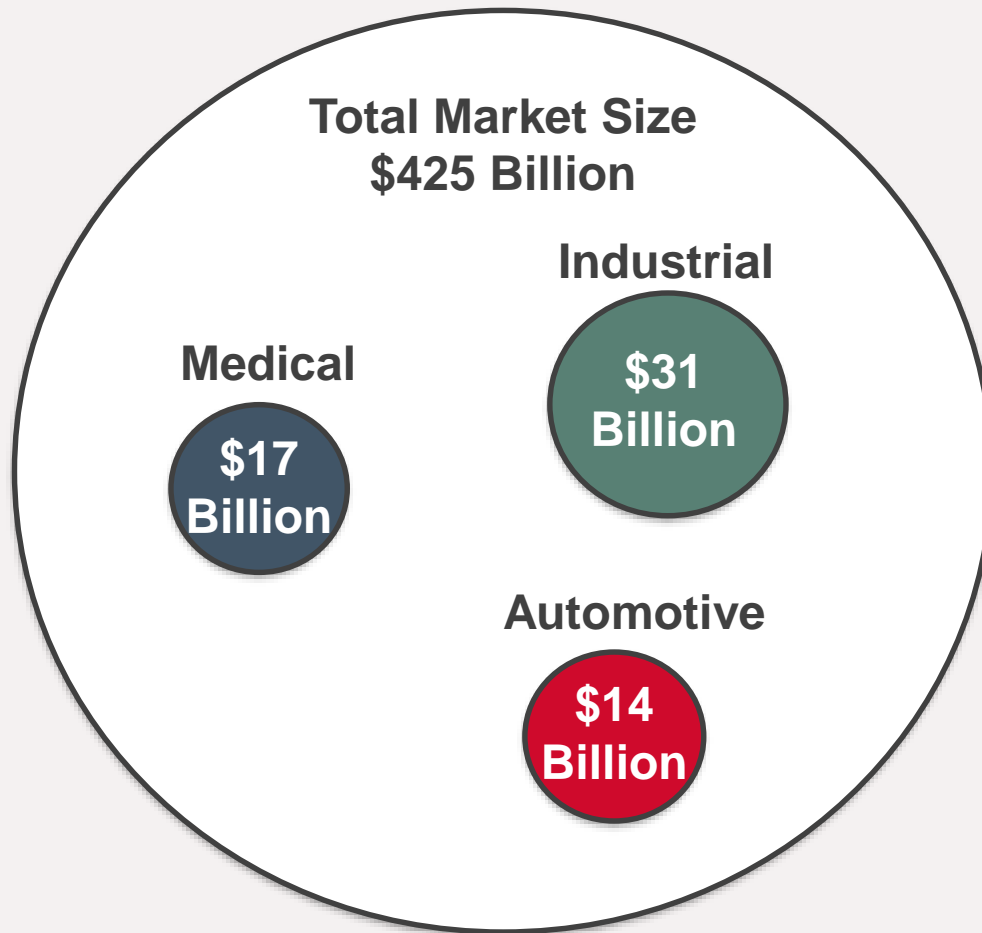
Automotive: 5-7 years

Medical: 10 years

Industrial: 3-5 years

**Sustainable Long-Term Customer Relationships
Provide More Recurring and Predictable Revenue**

Sizable Addressable Market



Market Verticals	CAGR* 2011-2016
Automotive	6.0%
Medical	2.3%
Industrial	6.7%
Total Market	0.6%

Focused on the Fast Growing Market Verticals

Rapid Change for Traditional Manufacturing

- **Outsourcing is accelerating...**

- Faster Time to Market
- Allocating resources to points of differentiation
- Eco-system is becoming exponentially more complicated
- Global Worker Shortage

- **Disruption is coming...**

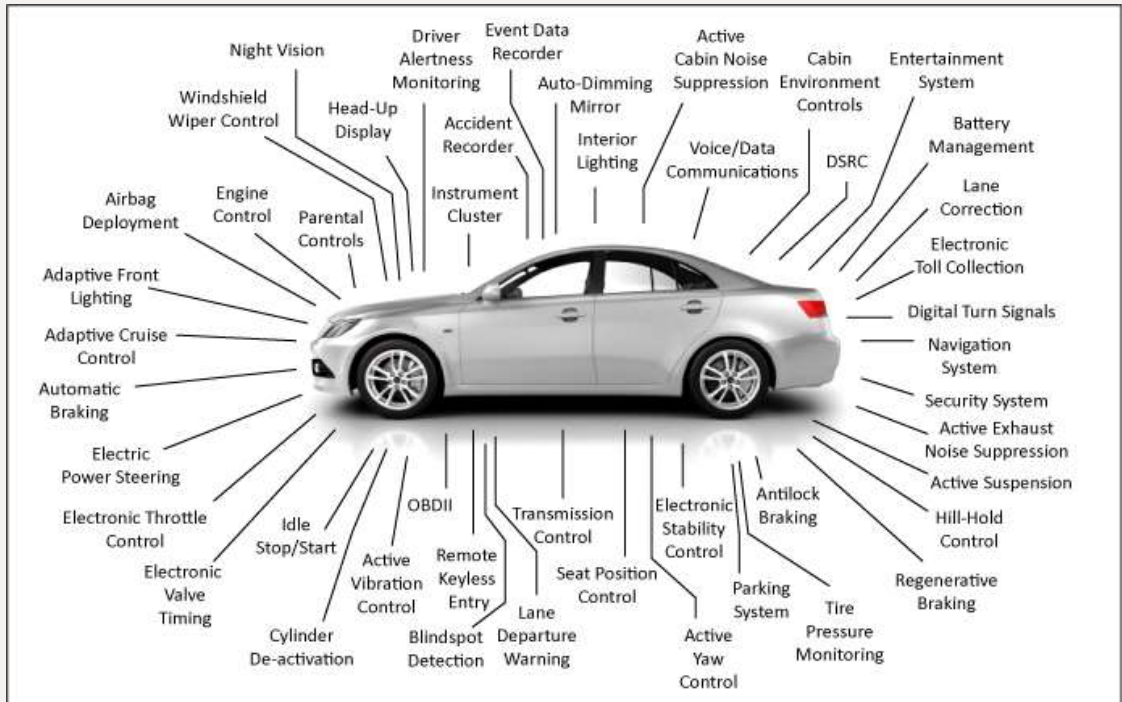
- Automation
- 3D Printing
- Artificial Intelligence

Creates Multiple Opportunities for Kimball Electronics

Megatrends Opportunities

Increasing electronic content per vehicle

- Advanced Driver Assistance Systems (“ADAS”)
- Infotainment Systems
- Passenger Safety Systems
- Mobility/Vehicle Management
- Electric Vehicles



Global Automotive electronics assembly value to grow 5.7% through 2021

Megatrends Opportunities

Healthcare Growth

- Aging Population
- Increasing Access to Care
- Remote Patient Monitoring

Internet Connected Devices

- Internet of Things
- Smart Metering
- Energy Efficient Lighting

**Global Medical electronics assembly value
to grow 4.3% through 2021**

**Global Industrial electronics assembly value
to grow 4.5% through 2021**

Creating Shareholder Value

Target end markets with **strong secular** growth

Make investments that enable **greater strategic customer engagement** and **enhance return profile**

Leveraging existing assets & **continuously improving efficiencies**

End markets with secular growth - Automotive

Kimball Automotive Growth

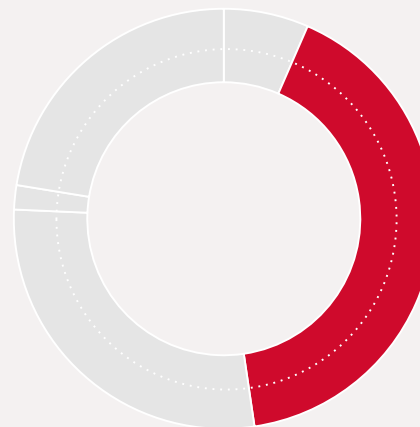
CAGR 2014-2017

11%



TTM** Growth

22%



44% of Revenue*

AUTOMOTIVE

- Electronic Power Steering
- Anti-Lock Brakes
- Occupant Safety
- Telematics

Market Growth

CAGR 2011-2016***

6.0%



CAGR 2016-2021***

5.7%



Representative Customers



*As a % of total revenue during the trailing twelve months ended March 2018

**TTM – Trailing Twelve months ended March 2018 as compared to same period ended March 2017

*** THE WORLDWIDE ELECTRONICS MANUFACTURING SERVICES MARKET – 2017 EDITION New Venture Research Corp .

End markets with secular growth - Medical

Kimball Medical Growth

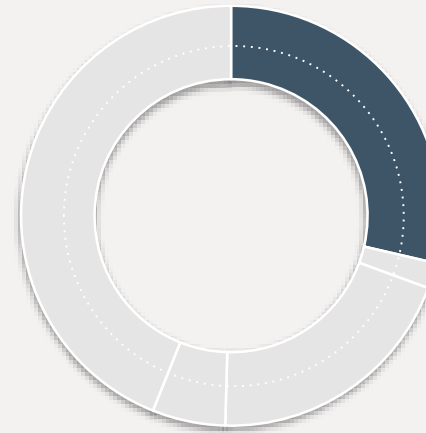
CAGR 2014-2017

7%



TTM** Growth

16%



29% of Revenue*

MEDICAL

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

Market Growth

CAGR 2011-2016***

2.3%



CAGR 2016-2021***

4.3%



Representative Customers

ZOLL.
Medical

PHILIPS
Healthcare

SIEMENS
Healthcare

stryker

*As a % of total revenue during the trailing twelve months ended March 2018

**TTM – Trailing Twelve months ended March 2018 as compared to same period ended March 2017

*** THE WORLDWIDE ELECTRONICS MANUFACTURING SERVICES MARKET – 2017 EDITION New Venture Research Corp.

End markets with secular growth – Industrial

Kimball Industrial Growth

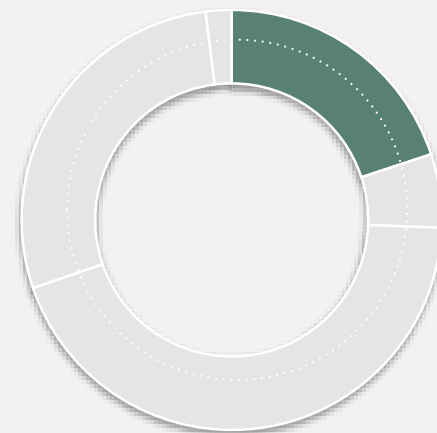
CAGR 2014-2017

3%



TTM** Growth

5%



20% of Revenue*

INDUSTRIAL

- Climate Controls
- Automation Controls
- LED Lighting
- Operator Interface

Market Growth

CAGR 2011-2016***

6.7%



CAGR 2016-2021***

4.5%



Representative Customers



*As a % of total revenue during the trailing twelve months ended March 2018

** TTM – Trailing Twelve months ended March 2018 as compared to same period ended March 2017

*** THE WORLDWIDE ELECTRONICS MANUFACTURING SERVICES MARKET – 2017 EDITION New Venture Research Corp.

Investments that increase customer engagement

Diversified Contract Manufacturing Services (DCMS)

Offer manufacturing services for non-electronic components, plastics, and metal fabrication in existing markets/customers

- **Increase customer engagement** - Offer turnkey and/or larger package of value to the customer
- **Enhance returns** - Attractive margin and return profile

Metal Fabrication



Plastics



Investments that increase customer engagement

Automation, Test & Measurement Systems (AT&M)

Expand capabilities to manufacture, install, and service manufacturing systems

- **Enable greater strategic customer engagement** – Engaged in the decision to build internally or contract, as well as the decision of **How** to build it
- **Enhance profitability/return** with a business that includes proprietary products, software, and services
- **Improve existing operations** - Leverage AT&M expertise to improve efficiencies of existing facilities

Acquisition Strategy

Primary Focus:

To establish a global market leadership position as a premier AT&M provider

Secondary Focus:

- Medical focused Diversified Contract Manufacturing Services
- Opportunistic deals in key market verticals

Key Criteria

- New capabilities
- Alignment with four end-market strategy
- New customer relationships and minimum customer overlap
- EPS accretive by the second year and ROIC accretive by the third year

Leveraging existing assets

Greenfield Romania Plant

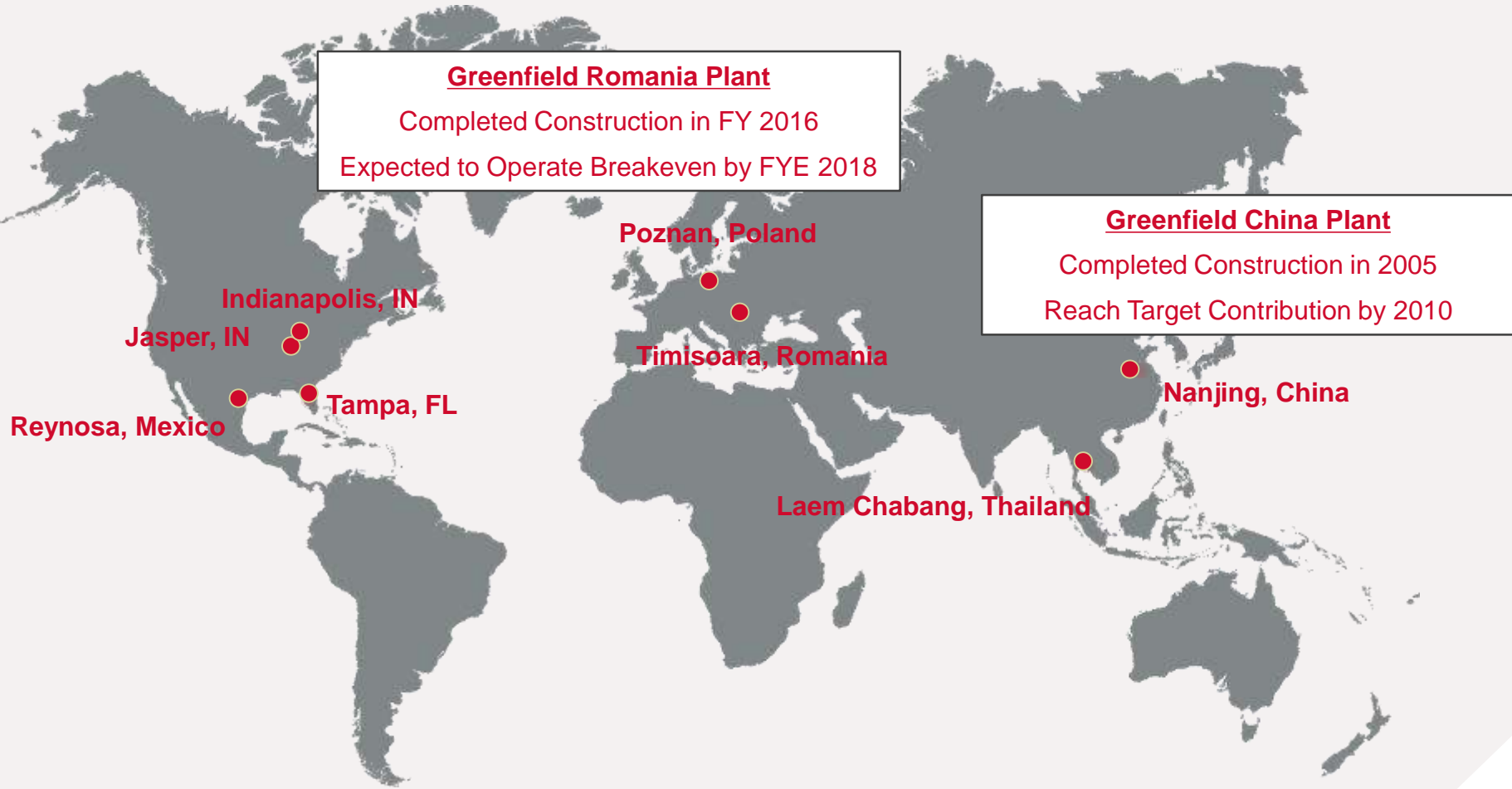
Completed Construction in FY 2016

Expected to Operate Breakeven by FYE 2018

Greenfield China Plant

Completed Construction in 2005

Reach Target Contribution by 2010

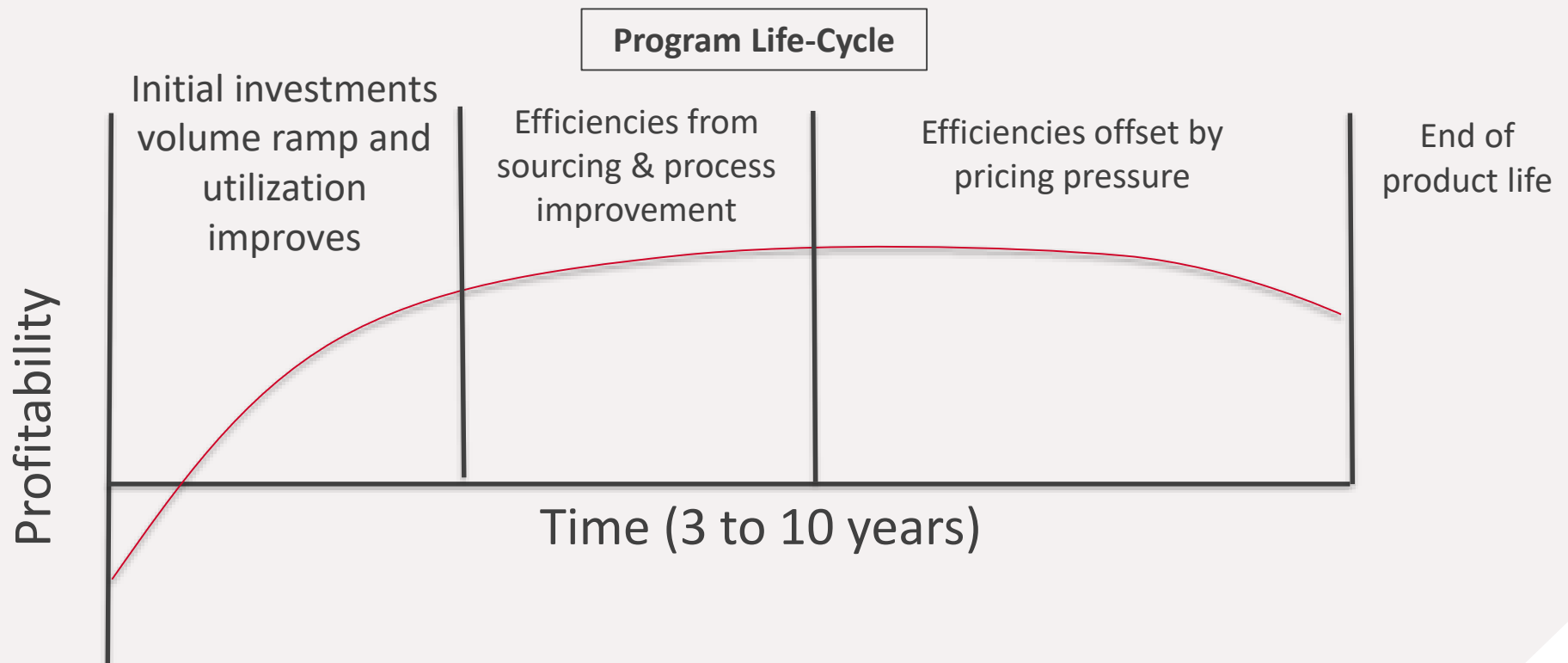


1.2 million square feet of owned manufacturing space

Continuously improving efficiencies

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

Mix of new programs has put near term pressure on profitability



KIMBALL ELECTRONICS (Nasdaq: KE) //

Financial Review

Revenue Growth, Margin Expansion, and Strong Financial Profile

Financial Targets

8%

Revenue Growth

4.5%

Operating Margin

12.5%

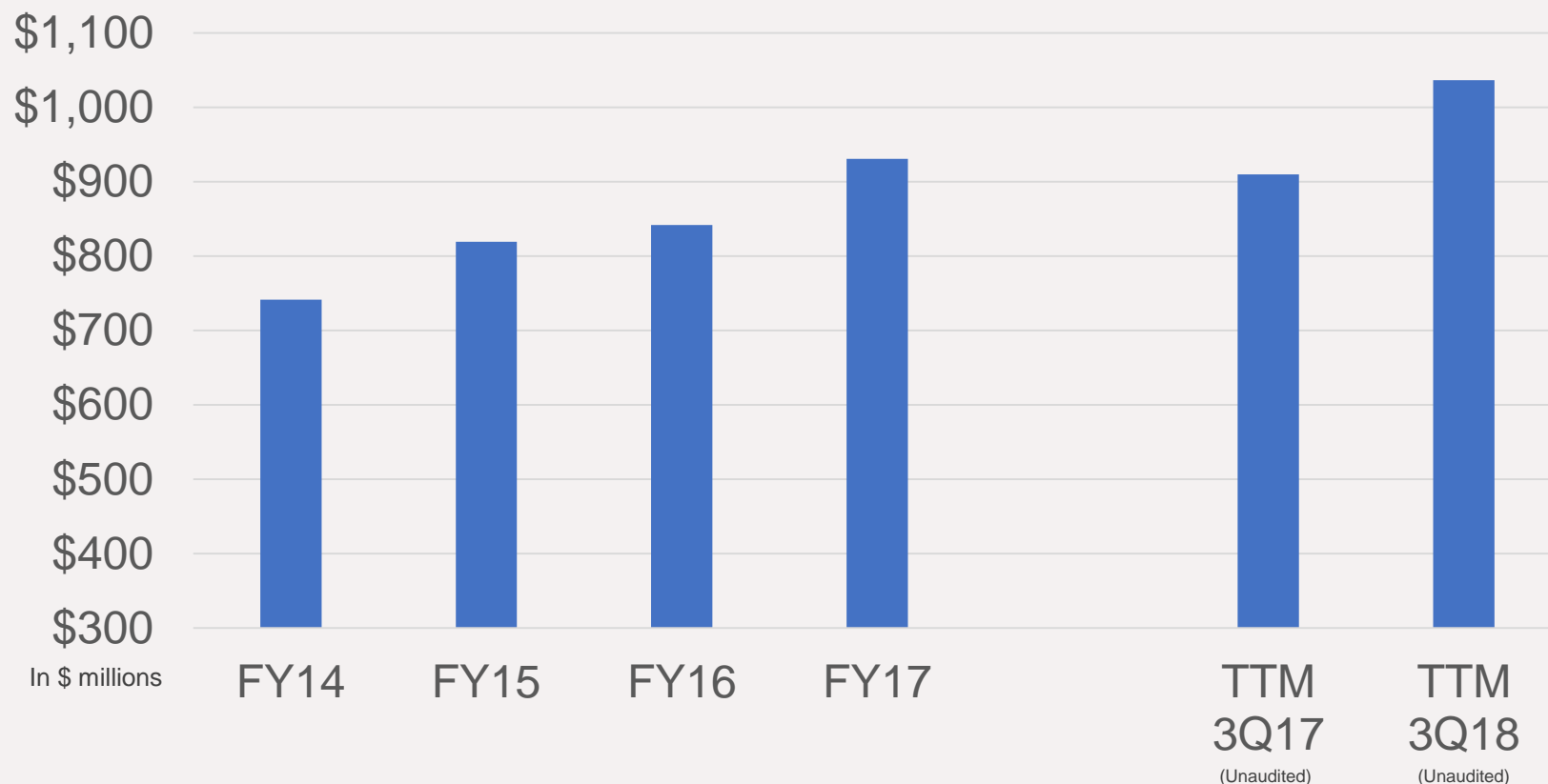
ROIC

Revenue Performance

Target 8% - Achieving above target growth rates

8% - CAGR Fiscal Year 2014 to Fiscal Year 2017

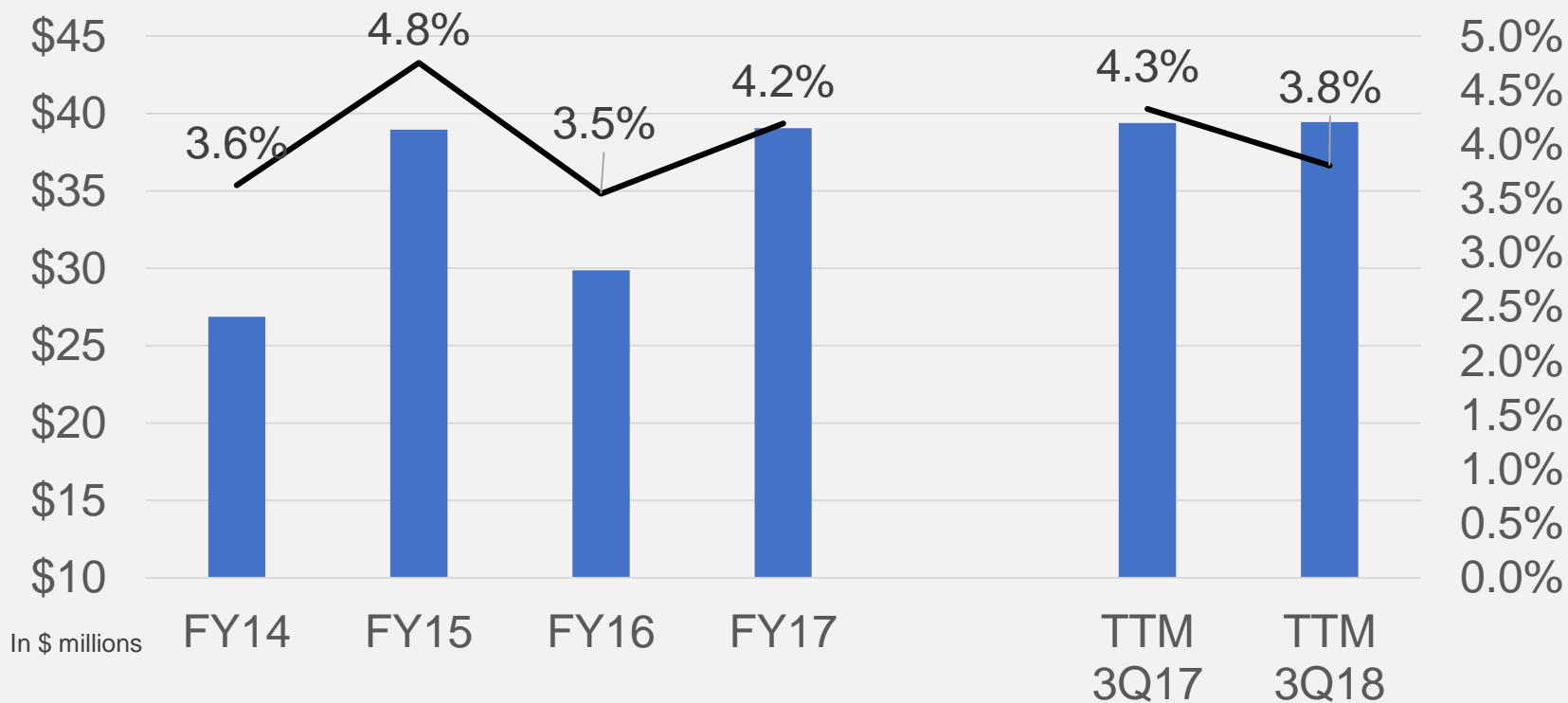
14% growth during trailing twelve month (TTM) period ended fiscal 3Q18 (March)



Adjusted Operating Income/Margin*

Target 4.5% Operating Margin

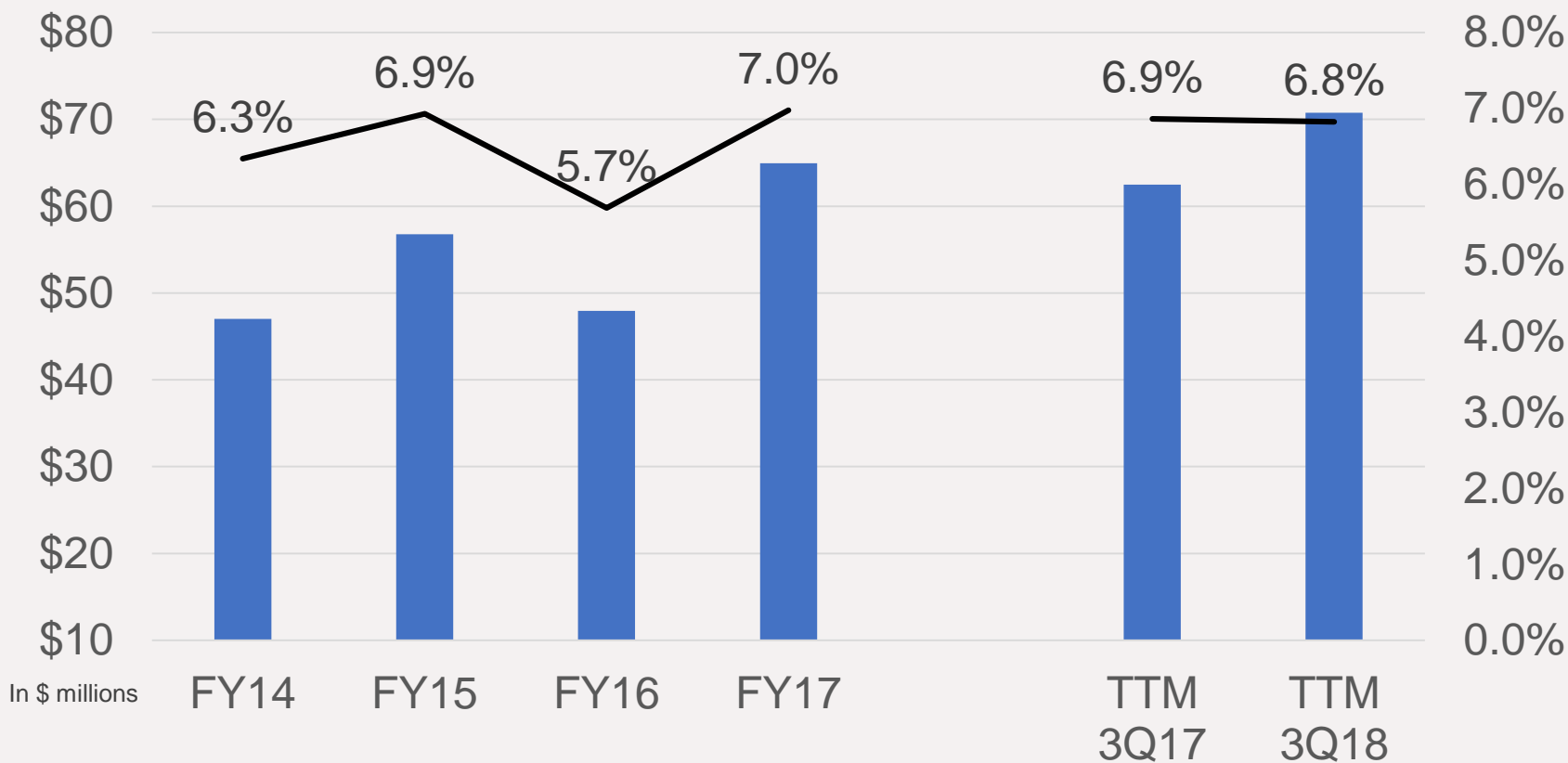
Expect improvement from ramping utilization of greenfield plant in Romania and maturity of new programs



• Adjusted Operating Income and Margin are Non-GAAP terms. A reconciliation is provided in the appendix of this presentation.

Adjusted EBITDA/Margin*

Expect improvement from ramping utilization of greenfield plant in Romania and maturity of new programs

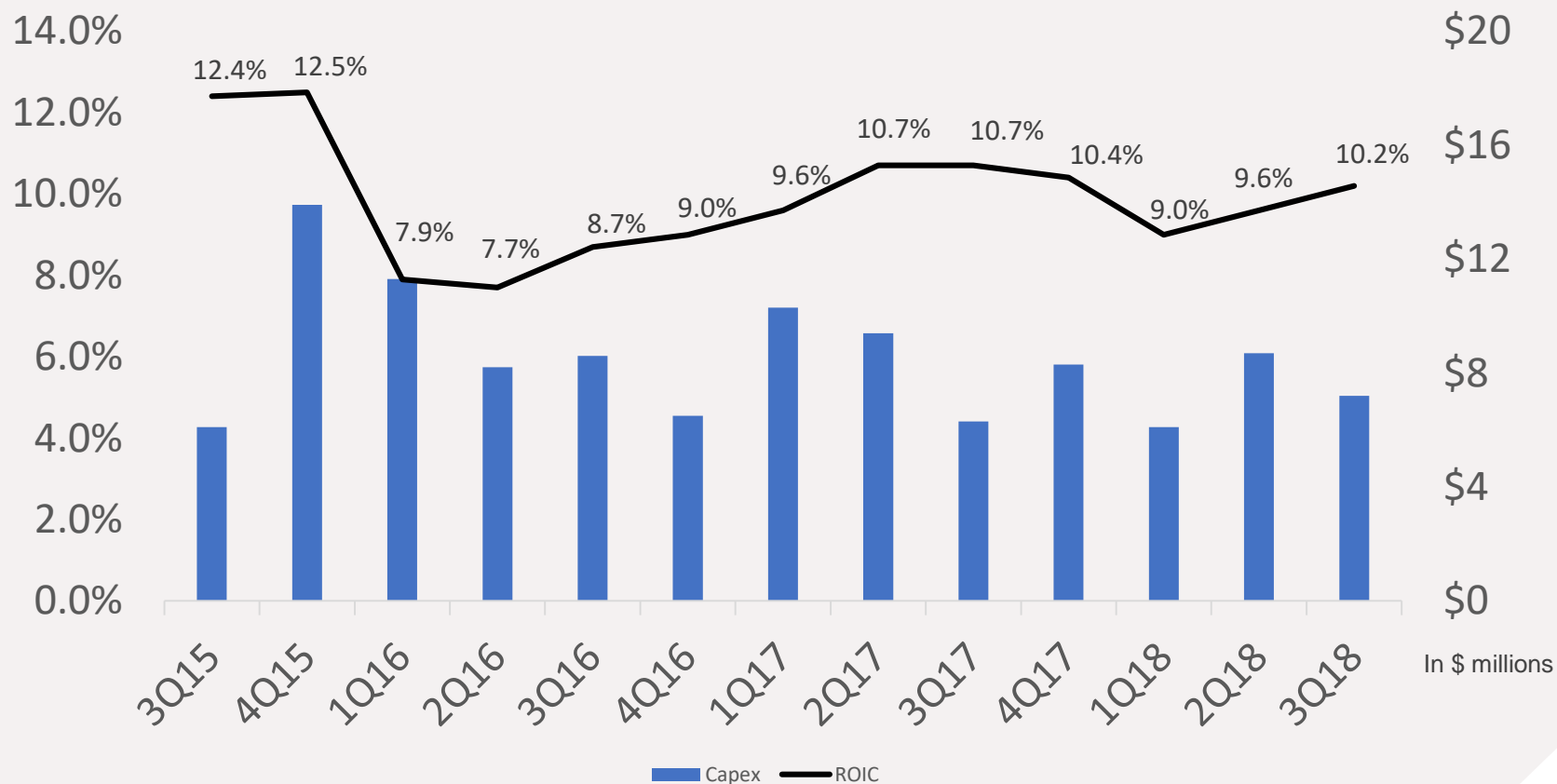


* Adjusted EBITDA and Margin are Non-GAAP terms. A reconciliation is provided in the appendix of this presentation.

ROIC Trends

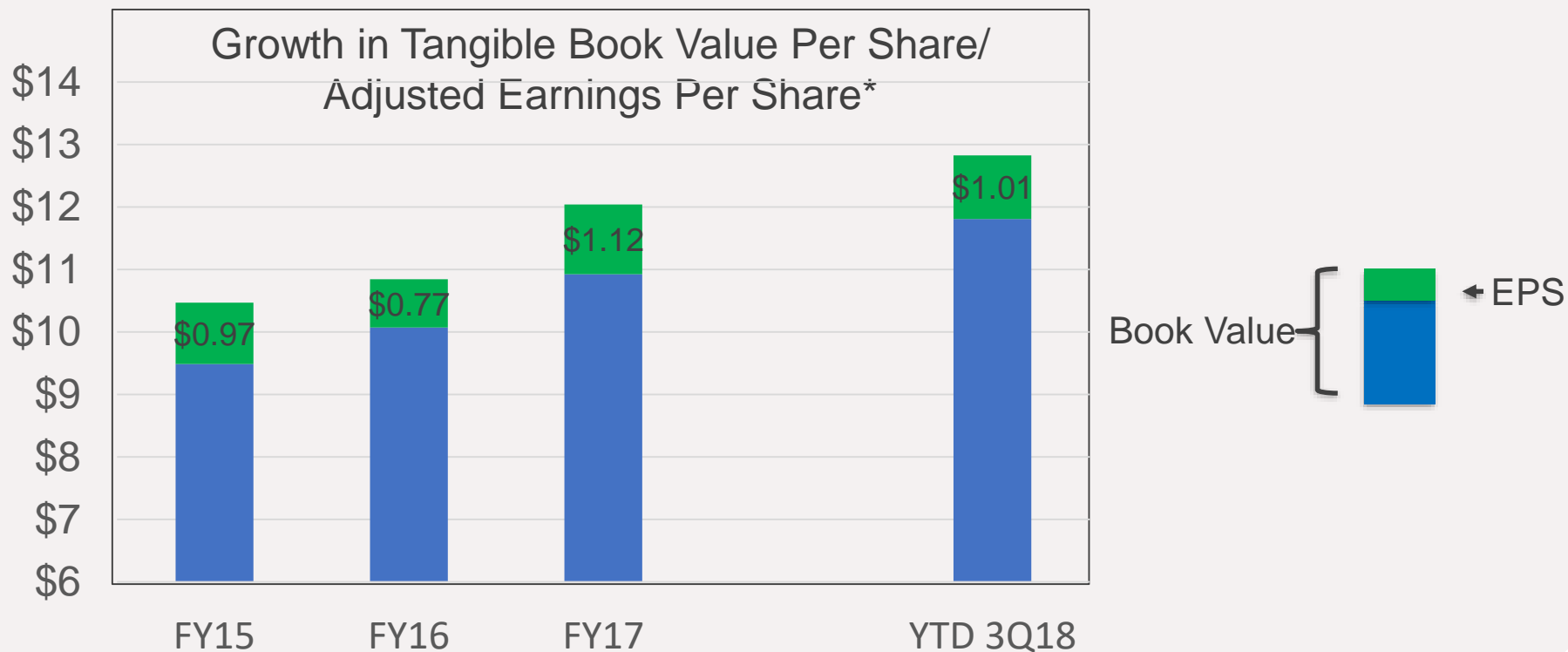
Target 12.5% ROIC

2016 Investment in greenfield plant in Romania – Expect improvement from ramping utilization in Romania and maturity of new programs



* ROIC is a Non-GAAP term. A reconciliation is provided in the appendix of this presentation.

Growing Book Value



* Adjusted Earnings Per share and Tangible Book Value are Non-GAAP terms.
A reconciliation is provided in the appendix of this presentation.

Strong Balance Sheet

As of 3/31/2018

\$44M in cash

No long-term debt

\$50M credit facility, with option to increase to \$75 million

1.2 million square feet of owned manufacturing space

Consistent Working Capital management

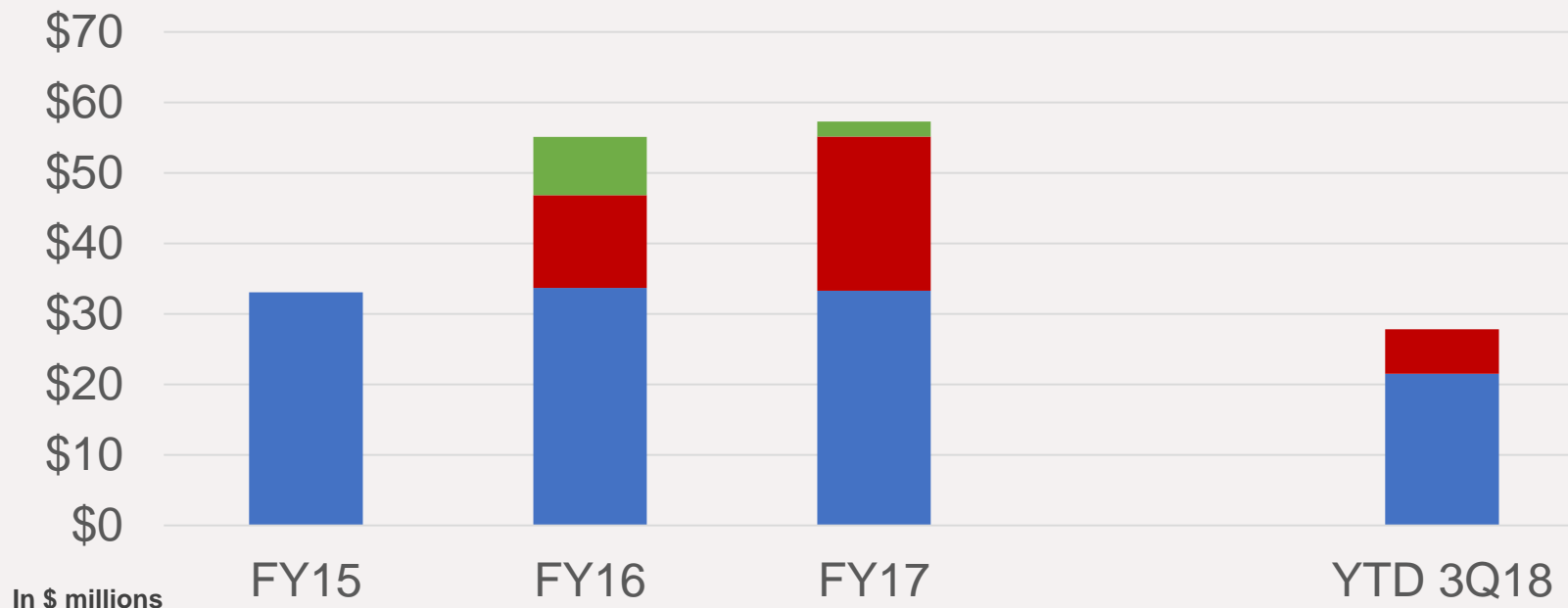
DSO – 60 to 65 days

Inventory Turns – 5.5x to 6x per year

Cash Conversion Cycle – 58 to 62 days

Capital Allocation

- **Reinvest in the business** - Capex spending of \$30+ million/year primary fuel for organic growth
- **Acquisitions** - \$10+ million of opportunistic acquisitions over past three years. Going forward M&A will play an important role in strategic direction of the firm
- **Share Repurchase** – \$41.4 million of common stock representing more than 10% of outstanding shares over past three years at an average price of \$13.65/share



Why Invest?



Above Average Revenue growth

Expect high single-digit revenue growth from focus on end markets with strong secular growth opportunities, outsourcing trends, and expected market share gains



Opportunities to Expand Profitability and Returns

Opportunities to expand profitability and returns as utilization rates increase and new customer programs mature, as well as from contribution from new strategic investments



Sustainable Competitive Advantage

Focus in areas that require complexity, regulatory approval and durable electronics provides barriers to entry for competitors, allowing for sustainable long-term customer relationships



Strong Balance Sheet

Strong balance sheet with track record of disciplined capital allocation decisions

QUESTIONS

Reconciliation of Non-GAAP Results

(In Millions)	FY14	FY15	FY16	FY17	TTM 3Q17	TTM 3Q18
Revenue, as reported	\$ 742	\$ 819	\$ 842	\$ 931	\$ 910	\$ 1,037
Operating Income, as reported	\$ 29.930	\$ 36.355	\$ 29.722	\$ 43.057	\$ 43.392	\$ 39.449
Add: Spin-off Expenses	2.233	2.594	0.137	-	-	-
Add: Restructuring Charges	0.402	-	-	-	-	-
Less: Lawsuit Proceeds	5.688	-	-	4.005	4.005	-
Adjusted Operating Income	\$ 26.877	\$ 38.949	\$ 29.859	\$ 39.052	\$ 39.387	\$ 39.449
Adjusted Operating Margin	3.6%	4.8%	3.5%	4.2%	4.3%	3.8%
Net Income, as reported	\$ 24.613	\$ 26.205	\$ 22.287	\$ 34.179	\$ 31.822	\$ 19.096
Add: Spin-off Costs	2.233	2.426	0.085	-	-	-
Add: Restructuring Charges	0.251	-	-	-	-	-
Add: Discrete Tax Items from Tax Reform	-	-	-	-	-	16.450
Less: Lawsuit Proceeds	3.549	-	-	2.499	2.499	-
Less: Bargain Purchase Gain	-	-	-	0.925	0.925	-
Adjusted Net Income	\$ 23.548	\$ 28.631	\$ 22.372	\$ 30.755	\$ 28.398	\$ 35.546
Adjusted Net Income Margin	3.2%	3.5%	2.7%	3.3%	3.1%	3.4%
Adjusted Net Income	\$ 23.548	\$ 28.631	\$ 22.372	\$ 30.755	\$ 28.398	\$ 35.546
Add Interest, net	(0.039)	(0.025)	0.001	0.207	0.122	0.423
Add Depreciation & Amortization	17.889	19.607	19.869	23.904	23.034	25.982
Add Taxes	5.629	8.566	5.689	10.076	10.926	8.576
Adjusted EBITDA	\$ 47.027	\$ 56.779	\$ 47.931	\$ 64.942	\$ 62.480	\$ 70.527
Adjusted EBITDA Margin	6.3%	6.9%	5.7%	7.0%	6.9%	6.8%

Reconciliation of Non-GAAP Results

(In Millions, except per share data)

	FY15	FY16	FY17	YTD 3Q18
Shareholders Equity, as reported	\$ 312.449	\$ 324.369	\$ 342.272	\$ 357.118
Goodwill & Intangibles	\$ 7.073	\$ 10.784	\$ 10.772	\$ 10.724
Tangible Book Value	\$ 305.376	\$ 313.585	\$ 331.500	\$ 346.394
Average Shares Outstanding (Dilluted)	29.388	29.176	27.530	27.006
Tangible BV/Share	\$ 10.39	\$ 10.75	\$ 12.04	\$ 12.83
Diluted Earnings per Share, as reported	\$ 0.89	\$ 0.76	\$ 1.24	\$ 0.41
Add: Impact of Discrete Tax Items from Tax Reform	-	-	-	0.60
Add: Impact of Spin-off Expenses	0.08	0.01	-	-
Less: Impact of Settlement Proceeds from Lawsuits	-	-	0.09	-
Less: Bargain Purchase Gain	-	-	0.03	-
Adjusted Diluted Earnings per Share	\$ 0.97	\$ 0.77	\$ 1.12	\$ 1.01

Reconciliation of Non-GAAP Results

(In Thousands)

	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Operating Income, As Reported (YTD)	\$ 27,305	\$ 36,355	\$ 6,921	\$ 13,854	\$ 20,932	\$ 29,722
Add: Spin-off Expenses (YTD)	2,571	2,594	137	137	137	137
Less: Lawsuit Proceeds (YTD)	-	-	-	-	-	-
Adjusted Operating Income (YTD)	\$ 29,876	\$ 38,949	\$ 7,058	\$ 13,991	\$ 21,069	\$ 29,859
Annualized Adjusted Operating Income	39,835		28,232	27,982	28,092	
Tax Rate	26.3%	23.4%	28.8%	29.2%	19.5%	20.4%
Tax Effect	\$10,477	\$9,114	\$8,131	\$8,171	\$5,478	\$6,091
After Tax Annualized Adj. Operating Income	\$29,358	\$29,835	\$20,101	\$19,811	\$22,614	\$23,768
Average Invested Capital *	\$237,512	\$239,463	\$255,406	\$256,785	\$259,557	\$263,371
ROIC	12.4%	12.5%	7.9%	7.7%	8.7%	9.0%

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

Reconciliation of Non-GAAP Results

(In Thousands)

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
Operating Income, As Reported (YTD)	\$ 12,822	\$ 25,063	\$ 34,602	\$ 43,057	\$ 9,590	\$ 19,783	\$ 30,994
Add: Spin-off Expenses (YTD)	-	-	-	-	-	-	-
Less: Lawsuit Proceeds (YTD)	4,005	4,005	4,005	4,005	-	-	-
Adjusted Operating Income (YTD)	\$ 8,817	\$ 21,058	\$ 30,597	\$ 39,052	\$ 9,590	\$ 19,783	\$ 30,994
Annualized Adjusted Operating Income	35,268	42,116	40,796		38,360	39,566	41,325
Tax Rate	22.7%	27.0%	24.3%	21.8%	25.7%	23.6%	21.2%
Tax Effect	\$8,006	\$11,371	\$9,913	\$8,513	\$9,859	\$9,338	\$8,761
After Tax Annualized Adj. Operating Income	\$27,262	\$30,745	\$30,883	\$30,539	\$28,501	\$30,228	\$32,564
Average Invested Capital *	\$283,490	\$286,347	\$289,966	\$293,516	\$316,187	\$316,270	\$319,484
ROIC	9.6%	10.7%	10.7%	10.4%	9.0%	9.6%	10.2%

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