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DELTA REPORT

10-Q

KE - KIMBALL ELECTRONICS, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	592
CHANGES	230
DELETIONS	135
ADDITIONS	227

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2023 March 31, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______to ______

Commission File Number 001-36454

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KIMBALL ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

Indiana	**35-2047713**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1205 Kimball Boulevard, Jasper, Indiana	**47546**
(Address of principal executive offices)	(Zip Code)

(812) 634-4000

Registrant's telephone number, including area code

Not Applicable

Former name, former address and former fiscal year, if changed since last report

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, no par value	KE	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒	Emerging growth company	☐
Non-accelerated filer	☐	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

The number of shares outstanding of the Registrant's common stock as of January 24, 2024 April 23, 2024 was 24,869,206 shares.

KIMBALL ELECTRONICS, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KIMBALL ELECTRONICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except for Share Data)

	(Unaudited)	(Unaudited)		(Unaudited)
		December 31, 2023	June 30, 2023	
		March 31, 2024	June 30, 2023	
ASSETS	**ASSETS**		**ASSETS**	
Current Assets:	Current Assets:		Current Assets:	
Cash and cash equivalents				
Receivables, net of allowances of $222 and $257, respectively				
Receivables, net of allowances of $1,193 and $257, respectively				
Contract assets				

Inventories

Prepaid expenses and other current assets

Assets held for sale

Total current assets

Total current assets

Total current assets

Property and Equipment, net of accumulated depreciation of $307,886 and $293,197, respectively

Property and Equipment, net of accumulated depreciation of $309,171 and $293,197, respectively

Goodwill

Other Intangible Assets, net of accumulated amortization of $40,143 and $38,785, respectively

Other Assets

Other Intangible Assets, net of accumulated amortization of $27,303 and $38,785, respectively

Other Assets, net

Total Assets

LIABILITIES AND SHARE OWNERS' EQUITY

LIABILITIES AND SHARE OWNERS' EQUITY

LIABILITIES AND SHARE OWNERS' EQUITY

Current Liabilities:

Current Liabilities:

Current Liabilities:

Current portion of borrowings under credit facilities

Current portion of borrowings under credit facilities

Current portion of borrowings under credit facilities

Accounts payable

Advances from customers

Accrued expenses

Accrued expenses

Accrued expenses

Liabilities held for sale

Total current liabilities

Other Liabilities:

Long-term debt under credit facilities, less current portion

Long-term debt under credit facilities, less current portion

Long-term debt under credit facilities, less current portion

Long-term income taxes payable

Other long-term liabilities

Total other liabilities

Share Owners' Equity:

Share Owners' Equity:

Share Owners' Equity:

Preferred stock-no par value

Preferred stock-no par value

Preferred stock-no par value

Shares authorized: 15,000,000
Shares issued: None

Shares authorized: 15,000,000
Shares issued: None

Shares authorized: 15,000,000
Shares issued: None

Common stock-no par value

Shares authorized: 150,000,000
Shares issued: 29,430,000
Shares outstanding: 24,865,000 and 24,724,000, respectively

Shares authorized: 150,000,000 Shares issued: 29,430,000 Shares outstanding: 24,865,000 and 24,724,000, respectively
Shares authorized: 150,000,000 Shares issued: 29,430,000 Shares outstanding: 24,865,000 and 24,724,000, respectively
Shares authorized: 150,000,000 Shares issued: 29,430,000 Shares outstanding: 24,869,000 and 24,724,000, respectively
Shares authorized: 150,000,000 Shares issued: 29,430,000 Shares outstanding: 24,869,000 and 24,724,000, respectively
Shares authorized: 150,000,000 Shares issued: 29,430,000 Shares outstanding: 24,869,000 and 24,724,000, respectively
Additional paid-in capital
Retained earnings
Accumulated other comprehensive loss
Treasury stock, at cost:
Shares: 4,565,000 and 4,706,000, respectively
Shares: 4,565,000 and 4,706,000, respectively
Shares: 4,565,000 and 4,706,000, respectively
Shares: 4,561,000 and 4,706,000, respectively
Shares: 4,561,000 and 4,706,000, respectively
Shares: 4,561,000 and 4,706,000, respectively
Total Share Owners' Equity
Total Liabilities and Share Owners' Equity

See Notes to Condensed Consolidated Financial Statements.

KIMBALL ELECTRONICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Amounts in Thousands, Except for Per Share Data)

		Three Months Ended Three Months Ended Three Months Ended			Six Months Ended		Nine Months Ended			
			December 31					March 31		
(Unaudited)	(Unaudited)	2023	2022		2023	2022	(Unaudited)	2024	2023	2024	2023
Net Sales										
Cost of Sales										
Gross Profit										
Selling and Administrative Expenses										
Operating Income										
Operating Income										
Operating Income										
Other General Income										
Restructuring Expense										
Goodwill Impairment										
Asset Impairment										
Operating Income (Loss)										
Other Income (Expense):										
Interest income										
Interest income										
Interest income										
Interest expense										
Non-operating income (expense), net										
Other income (expense), net										

Income Before Taxes on Income
Provision for Income Taxes
Net Income
Income (Loss) Before Taxes on Income
Provision (Benefit) for Income Taxes
Net Income (Loss)
Earnings Per Share of Common Stock:
Earnings Per Share of Common Stock:
Earnings Per Share of Common Stock:
Earnings (Loss) Per Share of Common Stock:
Earnings (Loss) Per Share of Common Stock:
Earnings (Loss) Per Share of Common Stock:
Basic
Basic
Basic
Diluted
Average Number of Shares Outstanding:
Average Number of Shares Outstanding:
Average Number of Shares Outstanding:
Basic
Basic
Basic
Diluted

See Notes to Condensed Consolidated Financial Statements.

KIMBALL ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in Thousands)

		Three Months Ended														
		December 31, 2023			**December 31, 2022**											
		March 31, 2024			**March 31, 2023**											
(Unaudited)	**(Unaudited)**	**Pre-tax**	**Tax**	**Net of Tax**	**Pre-tax**	**Tax**	**Net of Tax**	**(Unaudited)**	**Pre-tax**	**Tax**	**Net of Tax**	**Pre-tax**	**Tax**	**Net of Tax**		
Net income																
Net income (loss)																
Other comprehensive income (loss):																
Foreign currency translation adjustments																
Foreign currency translation adjustments																
Foreign currency translation adjustments																
Postemployment actuarial change																
Postemployment actuarial change																
Postemployment actuarial change																
Derivative gain (loss)																
Reclassification to (earnings) loss:																
Derivatives																
Derivatives																
Derivatives																
Amortization of actuarial change																
Amortization of actuarial change																
Amortization of actuarial change																

Other comprehensive income (loss)	
Total comprehensive income	
Total comprehensive income (loss)	

		Six Months Ended			Six Months Ended				Nine Months Ended			Nine Months Ended		
		December 31, 2023			December 31, 2022									
		March 31, 2024			March 31, 2023									
(Unaudited)	(Unaudited)	Pre-tax	Tax	Net of Tax	Pre-tax	Tax	Net of Tax	(Unaudited)	Pre-tax	Tax	Net of Tax	Pre-tax	Tax	Net of Tax
Net income														
Other comprehensive income (loss):														
Foreign currency translation adjustments														
Foreign currency translation adjustments														
Foreign currency translation adjustments														
Postemployment actuarial change														
Postemployment actuarial change														
Postemployment actuarial change														
Derivative gain (loss)														
Reclassification to (earnings) loss:														
Derivatives														
Derivatives														
Derivatives														
Amortization of actuarial change														
Amortization of actuarial change														
Amortization of actuarial change														
Other comprehensive income (loss)														
Total comprehensive income														

See Notes to Condensed Consolidated Financial Statements.

KIMBALL ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Six Months Ended
	Six Months Ended
	Six Months Ended
	Six Months Ended
	Six Months Ended
	Six Months Ended

		Six Months Ended Six Months Ended Six Months Ended				
			December 31			
		Nine Months Ended Nine Months Ended Nine Months Ended Nine Months Ended Nine Months Ended Nine Months Ended Nine Months Ended Nine Months Ended Nine Months Ended				
			March 31			
(Unaudited)	(Unaudited)	2023	2022	(Unaudited)	2024	2023
Cash Flows From Operating Activities:						
Net income						
Net income						
Net income						
Adjustments to reconcile net income to net cash used for operating activities:						
Adjustments to reconcile net income to net cash provided by (used for) operating activities:						
Depreciation and amortization						
Depreciation and amortization						
Depreciation and amortization						
(Gain) loss on sales of assets						
Deferred income taxes						
Deferred income taxes						
Deferred income taxes						
Stock-based compensation						
Stock-based compensation						

Goodwill impairment
Goodwill impairment
Goodwill impairment
Asset impairment
Stock-based compensation
Other, net
Other, net
Other, net
Change in operating assets and liabilities:
Receivables
Receivables
Receivables
Contract assets
Inventories
Prepaid expenses and other assets
Accounts payable
Advances from customers
Accrued expenses and taxes payable
Net cash used for operating activities
Net cash provided by (used for) operating activities
Cash Flows From Investing Activities:
Capital expenditures
Capital expenditures
Capital expenditures
Proceeds from sales of assets
Purchases of capitalized software
Purchases of capitalized software
Purchases of capitalized software
Other, net
Net cash used for investing activities
Cash Flows From Financing Activities:
Proceeds from credit facilities
Proceeds from credit facilities
Proceeds from credit facilities
Net change in revolving credit facilities
Net change in revolving credit facilities
Net change in revolving credit facilities
Payments related to tax withholding for stock-based compensation
Payments related to tax withholding for stock-based compensation
Payments related to tax withholding for stock-based compensation
Net cash provided by financing activities
Net cash provided by financing activities
Debt issuance costs
Debt issuance costs
Debt issuance costs
Net cash provided by financing activities
Effect of Exchange Rate Change on Cash and Cash Equivalents
Net Decrease in Cash, Cash Equivalents, and Restricted Cash
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period (1)
Cash, Cash Equivalents, and Restricted Cash at End of Period (1)

Supplemental Disclosure of Cash Flow Information

Cash paid during the period for:	
Cash paid during the period for:	
Cash paid during the period for:	
Income taxes	
Income taxes	
Income taxes	
Interest expense	
Non-cash investing activity:	
Unpaid purchases of property and equipment at the end of the period	
Unpaid purchases of property and equipment at the end of the period	
Unpaid purchases of property and equipment at the end of the period	

(1) The following table reconciles cash and cash equivalents in the balance sheets to cash, cash equivalents, and restricted cash per the statements of cash flows. The restricted cash included in Prepaid expenses and other current assets on the balance sheet represents funds held by the Company for a foreign subsidiary's employee savings plan.

(Unaudited) (Unaudited) (Unaudited)	December 31, 2023	June 30, 2023	March 31, 2024	June 30, 2023
Cash and Cash Equivalents				
Restricted Cash included in Prepaid expenses and other current assets				
Total Cash, Cash Equivalents, and Restricted Cash at end of period				

See Notes to Condensed Consolidated Financial Statements.

KIMBALL ELECTRONICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHARE OWNERS' EQUITY

(Amounts in Thousands, Except for Share Data)

	Three Months Ended Three Months Ended Three Months Ended								
(Unaudited)	Retained Earnings	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Share Owners' Equity	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Share Owners' Equity
Amounts at September 30, 2023									
Amounts at September 30, 2023									
Amounts at September 30, 2023									
Net income									
Amounts at December 31, 2023									
Amounts at December 31, 2023									
Amounts at December 31, 2023									
Net income (loss)									
Other comprehensive income (loss)									
Issuance of non-restricted stock (18,000 shares)									
Issuance of non-restricted stock (18,000 shares)									
Issuance of non-restricted stock (18,000 shares)									
Compensation expense related to stock compensation plans									
Performance and restricted share issuance (1,000 and 1,000 shares, respectively)									
Compensation expense related to stock compensation plans									
Compensation expense related to stock compensation plans									
Performance and restricted share issuance (0 and 4,000 shares, respectively)									
Amounts at December 31, 2023									

Amounts at March 31, 2024

Amounts at December 31, 2023

Amounts at March 31, 2024

Amounts at December 31, 2023

Amounts at September 30, 2022

Amounts at September 30, 2022

Amounts at September 30, 2022

Net income

Other comprehensive income (loss)

Issuance of non-restricted stock (14,000 shares)

Issuance of non-restricted stock (14,000 shares)

Issuance of non-restricted stock (14,000 shares)

Compensation expense related to stock compensation plans

Amounts at March 31, 2024

Amounts at December 31, 2022

Amounts at December 31, 2022

Amounts at December 31, 2022

Net income

Other comprehensive income (loss)

Issuance of non-restricted stock (100 shares)

Issuance of non-restricted stock (100 shares)

Issuance of non-restricted stock (100 shares)

Compensation expense related to stock compensation plans

Amounts at March 31, 2023

Amounts at March 31, 2023

Amounts at March 31, 2023

Six Months Ended

Six Months Ended

Six Months Ended

Nine Months Ended

Nine Months Ended

Nine Months Ended

(Unaudited)	**Retained Earnings**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock**	**Total Share Owners' Equity**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock**	**Total Share Owners' Equity**
Amounts at June 30, 2023									
Amounts at June 30, 2023									
Amounts at June 30, 2023									
Net income									
Other comprehensive income (loss)									
Issuance of non-restricted stock (18,000 shares)									
Issuance of non-restricted stock (18,000 shares)									
Issuance of non-restricted stock (18,000 shares)									
Compensation expense related to stock compensation plans									
Performance and restricted share issuance (108,000 and 15,000 shares)									
Performance and restricted share issuance (108,000 and 19,000 shares)									
Amounts at December 31, 2023									
Amounts at March 31, 2024									
Amounts at December 31, 2023									
Amounts at March 31, 2024									

Amounts at December 31, 2023
Amounts at March 31, 2024
Amounts at June 30, 2022
Amounts at June 30, 2022
Amounts at June 30, 2022
Net income
Other comprehensive income (loss)
Issuance of non-restricted stock (14,000 shares)
Issuance of non-restricted stock (14,000 shares)
Issuance of non-restricted stock (14,000 shares)
Issuance of non-restricted stock (14,100 shares)
Issuance of non-restricted stock (14,100 shares)
Issuance of non-restricted stock (14,100 shares)
Compensation expense related to stock compensation plans
Performance share issuance (85,000 shares)
Amounts at December 31, 2022
Amounts at March 31, 2023
Amounts at December 31, 2022
Amounts at March 31, 2023
Amounts at December 31, 2022
Amounts at March 31, 2023

See Notes to Condensed Consolidated Financial Statements.

KIMBALL ELECTRONICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Business Description and Summary of Significant Accounting Policies

Business Description:

Kimball Electronics, Inc. (also referred to herein as "Kimball Electronics," the "Company," "we," "us," or "our") is a global, multifaceted manufacturing solutions provider. We provide electronics manufacturing services ("EMS"), including engineering and supply chain support, to customers in the automotive, medical, and industrial end markets. We deliver a package of value that begins with our core competency of producing durable electronics, and we further offer contract manufacturing services for non-electronic components, medical disposables, precision molded plastics, and production automation, test, and inspection equipment. Our design and manufacturing expertise coupled with robust processes and procedures help us ensure that we deliver the highest levels of quality, reliability, and service throughout the entire life cycle of our customers' products. We deliver award-winning service across our highly integrated global footprint, which is enabled by our largely common operating system, procedures, and standardization. We are well recognized by customers and industry trade publications for our excellent quality, reliability, and innovative service.

Basis of Presentation:

The Condensed Consolidated Financial Statements presented herein reflect the consolidated financial position as of December 31, 2023 March 31, 2024 and June 30, 2023, results of operations for the three and six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, cash flows for the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, and share owners' equity for the three and six nine months ended December 31, 2023 March 31, 2024 and 2022. 2023. The financial data presented herein is unaudited and should be read in conjunction with the annual Consolidated Financial Statements as of and for the year ended June 30, 2023 and related notes thereto included in our Annual Report on Form 10-K. As such, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted, although we believe that the disclosures are adequate to make the information presented not misleading. Intercompany transactions and balances have been eliminated. Management believes the financial statements include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly the financial statements for the interim periods. The results of operations for the interim periods shown in this report are not necessarily indicative of results for any future interim period or for the entire fiscal year.

Reclassifications:

Advances from customers are now reported separately on the Condensed Consolidated Statements of Cash Flows. Advances from customers were previously reported in accounts payable and accrued expenses. Prior period amounts have been reclassified to conform to current period presentation. See Note 2 - Revenue from Contracts with Customers of Notes to Condensed Consolidated Financial Statements for more information on advances from customers.

Revenue Recognition:

We recognize revenue in accordance with the standard issued by the Financial Accounting Standards Board ("FASB"), Revenue from Contracts with Customers and all the related amendments. Our revenue from contracts with customers is generated primarily from manufacturing services provided for the production of electronic assemblies, components, medical devices, medical disposables, precision molded plastics, and automation, test, and inspection equipment built to customer's specifications. Our customer agreements are generally not for a definitive term but continue for the relevant product's life cycle. Typically, our customer agreements do not commit the customer to purchase our services until a purchase order is provided, which is generally short term in nature. Customer purchase orders primarily have a single performance obligation. Generally, the prices stated in the customer purchase orders are agreed upon prices for the manufactured product and do not vary over the term of the order, and therefore, the majority of our contracts do not contain variable consideration. In limited circumstances, we may enter into a contract which contains minimum quantity thresholds to cover our capital costs, and we may offer our customer a rebate for specific volume thresholds or other incentives; in these cases, the rebates or incentives are accounted for as variable consideration.

The majority of our revenue is recognized over time as manufacturing services are performed as we manufacture a product to customer specifications with no alternative use and we have an enforceable right to payment for performance completed to date. The remaining revenue for manufacturing services is recognized when the customer obtains control of the product, typically either upon shipment or delivery of the product dependent on the terms of the contract, and the customer is able to direct the use of and obtain substantially all of the remaining benefits from the asset. We generally recognize revenue over time using costs based input methods, in which judgment is required to evaluate assumptions including anticipated margins to estimate the corresponding amount of revenue to recognize. Costs used as a basis for estimating anticipated margins include material, direct and indirect labor, and appropriate applied overheads. Anticipated margins are determined based on historical or quoted customer pricing. Costs based input methods are considered a faithful depiction of our efforts and progress toward satisfying our performance obligations for manufacturing services and for which we believe we are entitled to payment for performance completed to date. The cumulative effect of revisions to estimates related to net contract revenues or costs are recorded in the period in which the revisions to estimates are identified and the amounts can be reasonably estimated.

We have elected to account for shipping and handling activities related to contracts with customers as costs to fulfill our promise to transfer the associated services and products. Accordingly, we record customer payments of shipping and handling costs as a component of net sales and classify such costs as a component of cost of sales. We recognize sales net of applicable sales or value add taxes. Based on estimated product returns and price concessions, a reserve for returns and allowances is recorded at the time revenue is recognized, resulting in a reduction of net revenue.

Direct incremental costs to obtain and fulfill a contract are capitalized as a contract asset only if they are material, expected to be recovered, and are not accounted for in accordance with other guidance. Incidental items that are immaterial in the context of the contract are recognized as expense in the period incurred.

Trade Accounts Receivable:

The Company's trade accounts receivable are recorded per the terms of the agreement or sale, and accrued interest is recognized when earned. Our policy for estimating the allowance for credit losses on trade accounts receivable includes analysis of such items as aging, credit worthiness, payment history, and historical bad debt experience. Management uses these specific analyses in conjunction with an evaluation of the general economic and market conditions to estimate expected credit losses. Management believes that historical loss information generally provides a basis for its assessment of expected credit losses. Trade accounts receivable are written off after exhaustive collection efforts occur and the receivable is deemed uncollectible. Adjustments to the allowance for credit losses are recorded in Selling and Administrative Expenses on our Condensed Consolidated Statements of Income.

In the ordinary course of business, customers periodically negotiate extended payment terms on trade accounts receivable. Customary terms require payment within 30 to 45 days, with any terms beyond 45 days being considered extended payment terms. We utilize factoring arrangements for certain of our accounts receivables with third-party financial institutions in order to extend terms for the customer without negatively impacting our cash flow. These arrangements in all cases do not contain recourse provisions which would obligate us in the event of our customers' failure to pay. Receivables are considered sold when they are transferred beyond the reach of Kimball Electronics and its creditors, the purchaser has the right to pledge or exchange the receivables, and we have surrendered control over the transferred receivables. We also have the ability to and have periodically utilized additional accounts receivable factoring arrangements to provide flexible access to cash as needed. In the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, we sold, without recourse, $198.9 million $317.0 million and $225.1 million $357.1 million of accounts receivable, respectively. For the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, factoring fees were $0.8 million $0.9 million and $1.5 million $1.4 million, and $1.7 million $2.6 million and $2.4 million $3.8 million during the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. Factoring fees are recorded in Selling and Administrative Expenses on our Condensed Consolidated Statements of Income.

During the three months ended December 31, 2023, changes to the expected timing of payments from and risk of default for a customer resulted in the recording of an allowance for credit losses of $2.0 million in Selling and Administrative Expenses on our Condensed Consolidated Statements of Income. Although the customer is not in bankruptcy and we will continue to pursue full recovery, an allowance was deemed necessary in consideration of the expected timing of payments and risk of default. The amount expected to be collected after twelve months is included in Other Assets, net on the Condensed Consolidated Balance Sheet. At December 31, 2023 March 31, 2024, the noncurrent receivable associated with this customer in Other Assets, net totaled $2.9 million $2.5 million, which is net of the $2.0 million allowance for expected credit losses. The current portion of receivables from this customer is $2.3 million $2.8 million at December 31, 2023 March 31, 2024.

Goodwill and Other Intangible Assets:

Goodwill represents the difference between the purchase price and the related underlying tangible and intangible net asset fair values resulting from business acquisitions. Annually, or if conditions indicate an earlier review is necessary, goodwill is assessed or tested at the reporting unit level. If the estimated fair value of the reporting unit is less than the carrying value, goodwill is written down to its estimated fair value. Other Intangible Assets consist of capitalized software, customer relationships, technology, and trade name, and are reviewed for impairment, and their remaining useful lives evaluated for revision, when events or circumstances indicate that the carrying value may not be recoverable over the remaining lives of the assets. As of December 31, 2023 During the quarter ending March 31, 2024, the Company determined there have been no indicators made the decision to divest of impairment GES, our automation, test and measurement business unit and committed to a plan to sell the business. As a result, the business unit met the criteria to be classified as held for sale, and goodwill and other intangible assets. asset impairment were recorded during the quarter. See Note 11 3 - Assets and Liabilities Held for Sale for more information on goodwill and asset impairment and Note 12 - Goodwill and Other Intangible Assets of Notes to Condensed Consolidated Financial statements Statements for more information on Goodwill and Other Intangible Assets.

Leases:

The Company leases certain office manufacturing, and facilities, warehouse facilities, and equipment under operating leases, in addition to land on which certain office and manufacturing facilities resides. Operating lease costs and cash payments for operating leases are immaterial to the Condensed Consolidated Statements of Income and our Condensed Consolidated Statements of Cash Flows. Lease right-of-use assets and lease liabilities each totaled $2.9 million $1.9 million at December 31, 2023 March 31, 2024 and $2.6 million at June 30, 2023, respectively. Lease right-of-use assets are included in Other Assets, net and lease liabilities are included in Accrued expenses and Other long-term liabilities on the Condensed Consolidated Balance Sheets.

Other General Income:

Other General Income in the three and nine months ended March 31, 2024 included $0.9 million of pre-tax income resulting from payments received related to class action lawsuits in which Kimball Electronics was a class member. These lawsuits alleged that certain suppliers to the EMS industry conspired over a number of years to raise and fix the prices of electronic components, resulting in overcharges to purchasers of those components.

Restructuring:

We recorded restructuring expense of $1.6 million in the three and nine months ended March 31, 2024 for employee-related costs as we undertook restructuring efforts during the current quarter to align our cost structure with reduced end market demand levels, including resizing our workforce and taking specific cost actions. We expect to continue executing the restructuring efforts over the remainder of the calendar year and estimate between $1.0 million and $2.0 million of additional pre-tax restructuring charges.

Non-operating Income (Expense), net:

Non-operating income (expense), net includes the impact of such items as foreign currency rate movements and related derivative gain or loss, fair value adjustments on supplemental employee retirement plan ("SERP") investments, government subsidies, bank charges, and other miscellaneous non-operating income and expense items that are not directly related to operations. The gain (loss) on SERP investments is offset by a change in the SERP liability that is recognized in Selling and Administrative Expenses.

Components of Non-operating income (expense), net:

		Three Months Ended December 31		Six Months Ended December 31			Three Months Ended March 31	Nine Months Ended March 31		
(Amounts in Thousands)	(Amounts in Thousands)	2023	2022	2023	2022	(Amounts in Thousands)	2024	2023	2024	2023
Foreign currency/derivative gain (loss)										
Gain (loss) on SERP investments										
Other										
Other										
Other										
Non-operating income (expense), net										

Income Taxes:

In determining the quarterly provision for income taxes, we use an estimated annual effective tax rate which is based on expected annual income, statutory tax rates, and available tax planning opportunities in the various jurisdictions in which we operate. Unusual or infrequently occurring items are separately recognized in the quarter in which they occur.

Deferred income tax assets and liabilities, recorded in Other Assets, net and Other long-term liabilities, respectively, in the Condensed Consolidated Balance Sheets, are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. We evaluate the recoverability of deferred tax assets each quarter by assessing the likelihood of future taxable income and available tax planning strategies that could be implemented to realize our deferred tax assets. If recovery is not likely, we provide a valuation allowance based on our best estimate of future taxable income in the various taxing jurisdictions and the amount of deferred taxes ultimately realizable. Future events could change management's assessment.

We operate within multiple taxing jurisdictions and are subject to tax audits in these jurisdictions. These audits can involve complex uncertain tax positions, which may require an extended period of time to resolve. A tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. We maintain a liability for uncertain income tax and other tax positions, including accrued interest and penalties on those positions. As tax positions are effectively settled, the tax liability is adjusted accordingly. We recognize interest and penalties related to unrecognized tax benefits in Provision for Income Taxes on the Condensed Consolidated Statements of Income.

The U.S. Tax Cuts and Jobs Act ("Tax Reform") was enacted into law on December 22, 2017, making broad and complex changes to the U.S. tax code, for which complete guidance may have not yet been issued. Tax Reform, in addition to other changes, required a one-time transition tax on certain unremitted earnings of foreign subsidiaries that is payable over an eight-year period. As of December 31, 2023 March 31, 2024 and June 30, 2023, the remaining provision recorded for the one-time deemed repatriation tax was $5.9 million and $7.8 million, respectively, payable through fiscal year 2026, with the long-term portion recorded in Long-term income taxes payable on the Condensed Consolidated Balance Sheets. As of December 31, 2023 March 31, 2024, $2.6 million of the remaining deemed repatriation tax is short term and is recorded in Accrued expenses on the Condensed Consolidated Balance Sheet.

Sheets.

New Accounting Standards:

Not Yet Adopted:

In November 2023, the Financial Accounting Standards Board ("FASB") issued guidance on Improvements to Reportable Segment Disclosures, requiring additional, more detailed information about a reportable segment. The guidance is effective for fiscal years beginning after December 15, 2023 and for interim periods beginning after December 15, 2024.

Early adoption is permitted. We are currently evaluating the impact of the adoption of this guidance on our consolidated financial statements.

In December 2023, the FASB issued guidance on Improvements to Income Tax Disclosures, intended to enhance the transparency and decision usefulness of income tax disclosures. The guidance is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact of the adoption of this guidance on our consolidated financial statements.

Note 2. Revenue from Contracts with Customers

Our revenue from contracts with customers is generated primarily from manufacturing services provided for the production of electronic assemblies, electronic and non-electronic components, medical devices, medical disposables, precision molded plastics, and automation, test, and inspection equipment in automotive, medical, and industrial applications, to the specifications and designs of our customers. Beginning in fiscal year 2024, the Company changed its presentation of revenue for miscellaneous sales previously included in Other to include in the respective customers' end market verticals. Prior year periods have been recast to conform to the current year presentation.

The following table disaggregates our revenue by end market vertical for the three and six nine months ended December 31, 2023 March 31, 2024 and 2022. 2023.

		Three Months Ended		Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended
			December 31			March 31				
(Amounts in Millions)	(Amounts in Millions)	2023	2022	2023	2022	(Amounts in Millions)	2024	2023	2024	2023
Vertical Markets:										
Automotive (1)										
Automotive (1)										
Automotive (1)										
Medical (2)										
Industrial (3)										
Total net sales										
Total net sales										
Total net sales										

(1) For the three and nine months ended March 31, 2023, respectively, $5.9 million and $14.8 million of the Automotive net sales were previously categorized as Other.

(2) For the three and nine months ended March 31, 2023, respectively, $1.5 million and $3.6 million of the Medical net sales were previously categorized as Other.

(3) For the three and nine months ended March 31, 2023, respectively, $0.4 million and $2.1 million of the Industrial net sales were previously categorized as Other.

For the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, approximately 95% 97% and 97% 96% of our net sales, respectively, were recognized over time as manufacturing services were performed under a customer contract on a product with no alternative use and we have an enforceable right to payment for performance completed to date. For both the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, approximately 96% of our net sales, respectively, were recognized over time. The remaining sales revenues were recognized at a point in time when the customer obtained control of the products.

The timing differences of revenue recognition, billings to our customers, and cash collections from our customers result in billed accounts receivable and unbilled accounts receivable. Contract assets on the Condensed Consolidated Balance Sheets relate to unbilled accounts receivable and occur when revenue is recognized over time as manufacturing services are provided and the billing to the customer has not yet occurred as of the balance sheet date, which are generally transferred to receivables in the next fiscal quarter due to the short-term nature of the manufacturing cycle. Contract assets were $81.9 million $76.1 million and $78.8 million as of December 31, 2023 March 31, 2024 and June 30, 2023, respectively.

The Company may receive payments from customers in advance of the satisfaction of performance obligations primarily for material price variances, inventory purchases, tooling, or other miscellaneous services or costs. These payments are recognized as contract liabilities until the performance obligations are completed and are included in Advances from customers, if inventory related, and Accrued expenses, if not inventory related, on the Condensed Consolidated Balance Sheets, which amounted to $56.9 million $49.6 million and $45.6 million as of December 31, 2023 March 31, 2024 and June 30, 2023, respectively. Our performance obligations are short term in nature and therefore our contract liabilities are all expected to be settled within twelve months. We also have deposits associated with inventory purchases classified as long term. See Note 4 - Inventories of Notes to Condensed Consolidated Financial Statements for further discussion.

Note 3. Assets and Liabilities Held for Sale

In the third quarter of fiscal year 2024, the Company made the decision to divest of GES, our automation, test and measurement business unit ("disposal group"), and committed to a plan to sell the business, allowing for increased focus and support for the Company's EMS operations. As a result, the disposal group business has met the criteria to be classified as held for sale. Accordingly, the Company classified the assets and liabilities of the disposal group as held for sale during the third quarter of fiscal year 2024. The Company expects a sale of the disposal group to occur within the next 12 months. The disposal group did not qualify as discontinued operations as it did not represent a strategic shift that will have a major effect on our operations and financial results.

Once the disposal group was classified as held for sale, it was reported at the lower of its carrying value or fair value less costs to sell during the quarter ended March 31, 2024. The carrying value exceeded the fair value less costs to sell, and the Company recognized impairment charges of $5.8 million and $16.6 million on goodwill and assets held for sale, respectively. The Company ceased recording depreciation and amortization on the applicable assets of the disposal group.

We assess goodwill for impairment at the reporting unit level annually or when conditions indicate an earlier review is necessary. In connection with the preparation of our financial statements for the quarter ended March 31, 2024, we completed an impairment analysis for the goodwill recorded in the reporting unit due to the more-likely-than-not expectation of selling the reporting unit. We determined the reporting unit's carrying value was more than its fair value by an amount greater than the $5.8 million carrying amount of goodwill and thus was fully impaired. See Note 12 - Goodwill and Other Intangible Assets of Notes to Condensed Consolidated Financial Statements for more information on Goodwill.

The major classes of assets and liabilities held for sale consisted of the following:

(Amounts in Thousands)		March 31, 2024
Assets held for sale:		
Receivables, net	$	8,599
Inventories		7,217
Prepaid expenses and other current assets		4,766
Property and Equipment, net		5,822
Goodwill		—
Other Intangible Assets, net		8,010
Other Assets, net		11,469
Valuation Allowance		(16,264)
Total Assets held for sale	$	29,619
Liabilities held for sale:		
Accounts payable	$	4,239
Advances from customers		944
Accrued expenses		2,302
Other long-term liabilities		1,884
Total Liabilities held for sale	$	9,369

Other assets, net in the table above includes $10.2 million of deferred tax assets.

The following table summarizes net sales and income (loss) before taxes on income for the disposal group:

	Three Months Ended March 31				Nine Months Ended March 31			
(Amounts in Thousands)	2024		2023		2024		2023	
Net Sales	$	8,105	$	16,755	$	30,903	$	40,577
Income (Loss) Before Taxes on Income (1)	$	(25,691)	$	1,352	$	(25,141)	$	(976)

(1) Includes goodwill impairment of $5.8 million and asset impairment of $16.6 million for the three and nine months ended March 31, 2024. Also includes allocated corporate overhead expenses.

Note 3. 4. Inventories

Inventories were valued using the lower of first-in, first-out ("FIFO") cost and net realizable value. Inventory components were as follows:

(Amounts in Thousands)	(Amounts in Thousands)	December 31, 2023	June 30, 2023	(Amounts in Thousands)	March 31, 2024	June 30, 2023
Finished products						
Work-in-process						
Raw materials						
Total inventory						
Total inventory						
Total inventory						

Additionally, we have raw materials inventory totaling $44.1 million classified as long-term included in Other Assets, net in our Condensed Consolidated Balance Sheets. This inventory is associated with a customer who is remediating a recall and we do not expect the inventory to be consumed within the next twelve months. We have received deposits totaling $29.1 million from this customer related to this inventory, which is included in Other long-term liabilities in our Condensed Consolidated Balance Sheets. At June 30, 2023, we had no inventory or customer deposits classified as long-term.

Note 4. 5. Accumulated Other Comprehensive Income (Loss)

During the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, the changes in the balances of each component of Accumulated Other Comprehensive Income (Loss), net of tax, were as follows:

Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss)

(Amounts in Thousands)

(Amounts in Thousands)

(Amounts in Thousands)	Foreign Currency Translation Adjustments	Derivative Gain (Loss)	Post Employment Benefits Net Actuarial Gain (Loss)	Accumulated Other Comprehensive Income (Loss)	Foreign Currency Translation Adjustments	Derivative Gain (Loss)	Post Employment Benefits Net Actuarial Gain (Loss)	Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 2023								
Other comprehensive income (loss) before reclassifications								
Other comprehensive income (loss) before reclassifications								
Other comprehensive income (loss) before reclassifications								
Reclassification to (earnings) loss								
Net current-period other comprehensive income (loss)								
Balance at December 31, 2023								
Balance at March 31, 2024								
Balance at June 30, 2022								
Balance at June 30, 2022								
Balance at June 30, 2022								
Other comprehensive income (loss) before reclassifications								
Reclassification to (earnings) loss								
Net current-period other comprehensive income (loss)								
Balance at December 31, 2022								
Balance at March 31, 2023								

The following reclassifications were made from Accumulated Other Comprehensive Income (Loss) to the Condensed Consolidated Statements of Income:

Reclassifications from Accumulated Other Comprehensive Income (Loss)

Reclassifications from Accumulated Other Comprehensive Income (Loss)	Reclassifications from Accumulated Other Comprehensive Income (Loss)	Three Months Ended		Six Months Ended		Affected Line Item in the Condensed Consolidated Statements of Income	Reclassifications from Accumulated Other Comprehensive Income (Loss)	Three Months Ended	
(Amounts in Thousands)									
(Amounts in Thousands)									

(Amounts in Thousands)													
Derivative gain (loss) (1)													
Derivative gain (loss) (1)													
Derivative gain (loss) (1)	$ 1,625	$	$1,139	$	$4,492	$	$1,485	Cost of Sales	Cost of Sales	$ 1,600	$	$1,111	
	(341)												
	(341)												
	(341)		(262)		(995)		(200)		Benefit (Provision) for Income Taxes				
	(352)												
	(352)												
	(352)		(293)		(1,347)		(493)		Benefit (Provision) for Income Taxes				
	$	$1,284	$	$877	$	$3,497	$	$1,285	Net of Tax	Net of Tax		$1,24	
Postemployment Benefits:													
Amortization of actuarial gain (2)													
Amortization of actuarial gain (2)													
Amortization of actuarial gain (2)	10	37	37	16	16	138	138	Non-operating income (expense), net	Non-operating income (expense), net	(37)	19		
		(3)		(9)		(4)		(33)	Benefit (Provision) for Income Taxes				
		9		(5)		5		(38)	Benefit (Provision) for Income Taxes				
	$	$ 7	$	$ 28	$	$ 12	$	$ 105	Net of Tax	Net of Tax		$ (2	
Total reclassifications for the period													
Total reclassifications for the period													
Total reclassifications for the period	$ 1,291	$	$ 905	$	$3,509	$	$1,390	Net of Tax	Net of Tax	$ 1,220	$	$ 832	

Amounts in parentheses indicate reductions to income.

(1) See Note 8 9 - Derivative Instruments of Notes to Condensed Consolidated Financial Statements for further information on derivative instruments.

(2) See Note 9 10 - Employee Benefit Plans of Notes to Condensed Consolidated Financial Statements for further information on postemployment benefit plans.

Note 5. 6. Commitments and Contingent Liabilities

The Company typically provides only assurance-type warranties for a limited time period, which cover workmanship and assures the product complies with specifications provided by or agreed upon with the customer. We maintain a provision for limited warranty repair or replacement of products manufactured and sold, which has been established in specific manufacturing contract agreements. We estimate product warranty liability at the time of sale based on historical repair or replacement cost trends in conjunction with the length of the warranty offered. Management refines the warranty liability regularly based on changes in historical cost trends and in certain cases where specific warranty issues become known. This product warranty liability and expense were immaterial during the six nine months ended December 31, 2023 March 31, 2024 and 2022. 2023.

Note 6. 7. Credit Facilities

Credit facilities consisted of the following:

(Amounts in Millions, in U.S Dollar Equivalents)	(Amounts in Millions, in U.S Dollar Equivalents)	Available Borrowing Capacity at December 31, 2023	Available Borrowing Capacity at December 31, 2023	Borrowings Outstanding at June 30, 2023	(Amounts in Millions, in U.S Dollar Equivalents)	Borrowings Outstanding at March 31, 2024	Available Borrowing Capacity at March 31, 2024	Borrowings Outstanding at June 30, 2023
Primary credit facility (1)								
Secondary credit facility (2)								
Thailand overdraft credit facility (3)								
China revolving credit facility (3)								
Netherlands revolving credit facility (3)								
Poland revolving credit facility (3)								
Vietnam credit facility (3)								
Total credit facilities								
Less: current portion								
Long-term debt under credit facilities, less current portion (4)								

(1) The Company maintains a U.S. primary credit facility (the "primary credit facility") among the Company, the lenders party thereto, and JPMorgan Chase Bank, N. A., as Administrative Agent, and Bank of America, N.A., as Documentation Agent, scheduled to mature May 4, 2027. The primary credit facility provides for $300 million in borrowings, with an option to increase the amount available for borrowing to $450 million upon request, subject to the consent of each lender participating in such increase. This facility is maintained for working capital and general corporate purposes of the Company. A commitment fee is payable on the unused portion of the credit facility at a rate that ranges from 10.0 to 25.0 basis points per annum as determined by the Company's ratio of consolidated total indebtedness to adjusted consolidated EBITDA, as defined in the primary credit facility. Types of borrowings available on the primary credit facility include revolving loans, multi-currency term loans, and swingline loans.

The interest rate on borrowings is dependent on the type and currencies of borrowings and will be one of the following options:

- any Term Benchmark borrowing denominated in U.S. Dollars will utilize the Secured Overnight Financing Rate ("SOFR"), which is a rate per annum equal to the secured overnight financing rate for such business day published by the SOFR Administrator, the Federal Reserve Bank of New York, on the immediately succeeding business day, plus the Revolving Commitment Term Benchmark spread which can range from 100.0 to 175.0 basis points based on the Company's ratio of consolidated total indebtedness to adjusted consolidated EBITDA;
- any Term Benchmark borrowing denominated in Euros will utilize the Euro Interbank Offered Rate ("EURIBOR") in effect two target days prior to the advance (adjusted upwards to reflect bank reserve costs) for such interest period as defined in the agreement, plus the Revolving Commitment Term Benchmark spread which can range from 100.0 to 175.0 basis points based on the Company's ratio of consolidated total indebtedness to adjusted consolidated EBITDA; or
- the Alternate Base Rate ("ABR"), which is defined as the highest of the fluctuating rate per annum equal to the higher of:

  a. Prime Rate in the U.S. last quoted by the Wall Street Journal, and if this is ceased to be quoted, the highest bank prime loan rate or similar loan rate quoted by the Federal Reserve Board;

  b. 1/2 of 1% per annum above the Federal Funds Effective Rate (as defined under the primary credit facility); or

  c. 1% per annum above the Adjusted SOFR Rate (as defined under the primary credit facility);

  plus the Revolving Commitment ABR spread which can range from 0.0 to 75.0 basis points based on the Company's ratio of consolidated total indebtedness to adjusted consolidated EBITDA.

The Company's financial covenants under the primary credit facility require:

- a ratio of consolidated total indebtedness minus unencumbered U.S. cash on hand in the United States in excess of $15 million to adjusted consolidated EBITDA, determined as of the end of each of its fiscal quarters for the then most recently ended four fiscal quarters, to not be greater than 3.0 to 1.0, provided, however, that for each fiscal quarter end during the four quarter period following a material permitted acquisition, as defined in the Credit Agreement, the Company will not permit this financial covenant to be greater than 3.5 to 1.0 for each such fiscal quarter end, and,

- an interest coverage ratio, defined as that ratio of consolidated EBITDA for such period to cash interest expense for such period, for any period of four consecutive fiscal quarters, to not be less than 3.5 to 1.0.

The Company had $0.4 million in letters of credit contingently committed against the credit facility at both December 31, 2023 March 31, 2024 and June 30, 2023.

(2) The Company entered into a amended its 364-day multi-currency revolving credit facility agreement on February 3, 2023 January 5, 2024 (the "secondary credit facility"), which allows for borrowings up to $50 million $100.0 million, among the Company, as borrower, certain subsidiaries of the Company as guarantors, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Bank of America, N.A., as Documentation Agent. The secondary credit facility has a maturity date of February 2, 2024 January 3, 2025. The proceeds of the loans are to be used for working capital and general corporate purposes of the Company. A commitment fee on the unused portion of principal amount of this secondary credit facility is payable at 30.0 basis points per annum.

The interest rate on borrowings is dependent on the type of borrowings and will be one of the following options:

- any Term Benchmark borrowing denominated in U.S. Dollars will utilize the Secured Overnight Financing Rate ("SOFR"), which is a rate per annum equal to the secured overnight financing rate for such business day published by the SOFR Administrator, the Federal Reserve Bank of New York, on the immediately succeeding business day, plus a Revolving Commitment Term Benchmark spread of 175.0 basis points;
- any Term Benchmark borrowing denominated in Euros will utilize the Euro Interbank Offered Rate ("EURIBOR") in effect two target days prior to the advance (adjusted upwards to reflect bank reserve costs) for such interest period as defined in the agreement, plus a Revolving Commitment Term Benchmark spread of 175.0 basis points; or
- the Alternate Base Rate ("ABR"), which is defined as the highest of the fluctuating rate per annum equal to the higher of:

  a. Prime Rate in the U.S. last quoted by the Wall Street Journal, and if this is ceased to be quoted, the highest bank prime loan rate or similar loan rate quoted by the Federal Reserve Board;

  b. 1/2 of 1% per annum above the Federal Funds Effective Rate (as defined under the primary credit facility); or

  c. 1% per annum above the Adjusted SOFR Rate (as defined under the primary credit facility);

  plus a Revolving Commitment ABR spread of 75.0 basis points.

The Company's financial covenants under this secondary credit facility are the same as the financial covenants for its primary credit facility.

(3) The Company also maintains foreign credit facilities for working capital and general corporate purposes at specific foreign locations rather than utilizing funding from intercompany sources. These foreign credit facilities can be canceled at any time by either the bank or us and generally include renewal clauses. Interest on borrowing under these facilities is charged at a rate as defined under the respective foreign credit facility. During the second quarter of fiscal year 2024, the Company entered into a foreign credit facility for its EMS operation in China with a new lender, which allows for borrowings up to 50 million RMB, and canceled the prior credit facility which allowed for borrowings up to $7.5 million.

(4) The amount of Long-term debt under credit facilities, less current maturities, reflects the borrowings on the primary credit facility that the Company intends, and has the ability, to refinance for a period longer than twelve months. The primary credit facility matures on May 4, 2027.

The weighted-average interest rate on borrowings outstanding under the credit facilities at December 31, 2023 March 31, 2024 and June 30, 2023 were 7.1% 6.9% and 6.8%, respectively.

Subsequent to December 31, 2023, the Company amended its secondary credit facility on January 5, 2024 to increase the borrowing limit to $100 million from $50 million and change the maturity date to January 3, 2025. See Note 14 - Subsequent Event of Notes to Consolidated Financial Statements for further information.

Note 7. 8. Fair Value

The Company categorizes assets and liabilities measured at fair value into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

There were no changes in the inputs or valuation techniques used to measure fair values during the six nine months ended December 31, 2023 March 31, 2024. For more information on inputs and fair valuation techniques used, refer to our Annual Report on Form 10-K for the year ended June 30, 2023.

Recurring Fair Value Measurements:

As of December 31, 2023 March 31, 2024 and June 30, 2023, the fair values of financial assets and liabilities that are measured at fair value on a recurring basis using the market approach are categorized as follows:

		December 31, 2023			March 31, 2024			
(Amounts in Thousands)	**(Amounts in Thousands)**	**Level 1**	**Level 2**	**Total**	**(Amounts in Thousands)**	**Level 1**	**Level 2**	**Total**
Assets	**Assets**				**Assets**			
Derivatives: foreign exchange contracts								
Derivatives: foreign exchange contracts								

Derivatives: foreign exchange contracts								
Trading securities: mutual funds held in nonqualified SERP								
Trading securities: mutual funds held in nonqualified SERP								
Trading securities: mutual funds held in nonqualified SERP								
Total assets at fair value								
Liabilities	**Liabilities**				**Liabilities**			
Derivatives: foreign exchange contracts								
Total liabilities at fair value								

		June 30, 2023			**June 30, 2023**			
(Amounts in Thousands)	**(Amounts in Thousands)**	**Level 1**	**Level 2**	**Total**	**(Amounts in Thousands)**	**Level 1**	**Level 2**	**Total**
Assets	**Assets**				**Assets**			
Derivatives: foreign exchange contracts								
Derivatives: foreign exchange contracts								
Derivatives: foreign exchange contracts								
Trading securities: mutual funds held in nonqualified SERP								
Trading securities: mutual funds held in nonqualified SERP								
Trading securities: mutual funds held in nonqualified SERP								
Total assets at fair value								
Liabilities	**Liabilities**				**Liabilities**			
Derivatives: foreign exchange contracts								
Total liabilities at fair value								

We had no level 3 assets or liabilities at December 31, 2023 March 31, 2024 and June 30, 2023, or any activity in Level 3 assets or liabilities during the six nine months ended December 31, 2023 March 31, 2024.

The nonqualified supplemental employee retirement plan ("SERP") assets consist primarily of equity funds, balanced funds, bond funds, and a money market fund. The SERP investment assets are offset by a SERP liability which represents the Company's obligation to distribute SERP funds to participants. See Note 9 10 - Employee Benefit Plans of Notes to Condensed Consolidated Financial Statements for further information regarding the SERP.

Non-Recurring Fair Value Measurements:

As of March 31, 2024, the automation, test and measurement business unit met the criteria to be classified as held for sale, and as a result, a valuation allowance of $16.3 million was established to reflect the fair value less cost to sell of the disposal group, which was based on expected proceeds and the estimated carrying value of the net assets to be disposed. We utilized Level 3 inputs based on management's best estimates and assumptions to estimate the fair value. See Note 3 - Assets and Liabilities Held for Sale of Notes to Condensed Consolidated Financial Statements for additional information.

Financial Instruments Not Carried At Fair Value:

Financial instruments that are not reflected in the Condensed Consolidated Balance Sheets at fair value that have carrying amounts which approximate fair value include notes receivable and borrowings under credit facilities. There were no changes to the inputs and valuation techniques used to assess the fair value of these financial instruments during the six nine months ended December 31, 2023 March 31, 2024. For more information on inputs and fair valuation techniques used, refer to our Annual Report on Form 10-K for the year ended June 30, 2023.

The carrying values of our cash deposit accounts, trade accounts receivable, and trade accounts payable approximate fair value due to the relatively short maturity and immaterial non-performance risk.

Note 8. 9. Derivative Instruments

Foreign Exchange Contracts:

We operate internationally and are therefore exposed to foreign currency exchange rate fluctuations in the normal course of business. Our primary means of managing this exposure is to utilize natural hedges, such as aligning currencies used in the supply chain with the sale currency. To the extent natural hedging techniques do not fully offset currency risk, we use derivative instruments with the objective of reducing the residual exposure to certain foreign currency rate movements. Factors considered in the decision to hedge an underlying market exposure include the materiality of the risk, the volatility of the market, the duration of the hedge, the degree to which the underlying exposure is committed to, and the availability, effectiveness, and cost of derivative instruments. Derivative instruments are only utilized for risk management purposes and are not used for speculative or trading purposes.

We use forward contracts designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in forecasted transactions denominated in a foreign currency. Non-designated foreign exchange contracts are also used to hedge against foreign currency exchange rate risks related to intercompany balances and other balance sheet positions denominated in currencies other than the functional currencies. As of December 31, 2023 March 31, 2024, we had outstanding foreign exchange contracts to hedge currencies against the U.S. dollar in the aggregate notional amount of $29.8 million $25.6 million and to hedge currencies against the Euro in the aggregate notional amount of 62.5 million 67.2 million Euro. The notional amounts are indicators of the volume of derivative activities but may not be indicators of the potential gain or loss on the derivatives.

In limited cases due to unexpected changes in forecasted transactions, cash flow hedges may cease to meet the criteria to be designated as cash flow hedges. Depending on the type of exposure hedged, we may either purchase a derivative contract in the opposite position of the undesignated hedge or may retain the hedge until it matures if the hedge continues to provide an adequate offset in earnings against the currency revaluation impact of foreign currency denominated liabilities.

The fair value of outstanding derivative instruments is recognized on the Condensed Consolidated Balance Sheets as a derivative asset or liability and presented with Prepaid expenses and other current assets and Accrued expenses, respectively. When derivatives are settled with the counterparty, the derivative asset or liability is relieved and cash flow is impacted for the net settlement. For derivative instruments that meet the criteria of hedging instruments under FASB guidance, the gain or loss on the derivative instrument is initially recorded net of related tax effect in Accumulated Other Comprehensive Income (Loss), a component of Share Owners' Equity, and is subsequently reclassified into earnings in the period or periods during which the hedged transaction is recognized in earnings. The gain or loss associated with derivative instruments that are not designated as hedging instruments or that cease to meet the criteria for hedging under FASB guidance is reported immediately in Non-operating income (expense), net on the Condensed Consolidated Statements of Income.

Based on fair values as of December 31, 2023 March 31, 2024, we estimate that approximately $3.0 million $3.5 million of pre-tax derivative gain deferred in Accumulated Other Comprehensive Loss will be reclassified into earnings, along with the earnings effects of related forecasted transactions, within the next 12 months. Gains on foreign exchange contracts are generally offset by losses in operating income in the income statement when the underlying hedged transaction is recognized in earnings. Because gains or losses on foreign exchange contracts fluctuate partially based on currency spot rates, the future effect on earnings of the cash flow hedges alone is not determinable, but in conjunction with the underlying hedged transactions, the result is expected to be a decline in currency risk. The maximum length of time we had hedged our exposure to the variability in future cash flows was 12 months as of both December 31, 2023 March 31, 2024 and June 30, 2023.

See Note 7 8 - Fair Value of Notes to Condensed Consolidated Financial Statements for further information regarding the fair value of derivative assets and liabilities and Note 4 5 - Accumulated Other Comprehensive Income (Loss) of Notes to Condensed Consolidated Financial Statements for the changes in deferred derivative gains and losses.

Information on the location and amounts of derivative fair values in the Condensed Consolidated Balance Sheets and derivative gains and losses in the Condensed Consolidated Statements of Income are presented below.

Fair Value of Derivative Instruments on the Condensed Consolidated Balance Sheets

	Asset Derivatives				Asset Derivatives	Liability Derivatives				Asset Derivatives		Liability Derivatives		
			Fair Value As of		Fair Value As of					Fair Value As of		Fair Value As of		Fair Value As of
(Amounts in Thousands)	(Amounts in Thousands)	Balance Sheet Location	December 31, 2023	June 30, 2023	Balance Sheet Location	December 31, 2023	June 30, 2023	(Amounts in Thousands)	Balance Sheet Location	March 31, 2024	June 30, 2023	Balance Sheet Location	March 31, 2024	June 30, 2023
Derivatives Designated as Hedging Instruments:														
Foreign exchange contracts														
Foreign exchange contracts														
Foreign exchange contracts														
Derivatives Not Designated as Hedging Instruments:	Derivatives Not Designated as Hedging Instruments:					Derivatives Not Designated as Hedging Instruments:								
Foreign exchange contracts														
Total derivatives														
Total derivatives														
Total derivatives														

The Effect of Derivative Instruments on Other Comprehensive Income (Loss)

		Three Months Ended		Six Months Ended			Three Months Ended		Nine Months Ended	
			December 31		December 31					
			March 31		March 31					
(Amounts in Thousands)	(Amounts in Thousands)	2023	2022	2023	2022	(Amounts in Thousands)	2024	2023	2024	2023
Amount of Pre-Tax Gain or (Loss) Recognized in Other Comprehensive Income (Loss) (OCI) on Derivatives:										
Foreign exchange contracts										

Foreign exchange contracts
Foreign exchange contracts

The Effect of Derivative Instruments on Condensed Consolidated Statements of Income

(Amounts in Thousands)	(Amounts in Thousands)		Three Months Ended December 31		December 31	Six Months Ended (Amounts in Thousands)			Three Months Ended March 31		Nine Months Ended March 31	
Derivatives in Cash Flow Hedging Relationships	**Derivatives in Cash Flow Hedging Relationships**	**Location of Gain or (Loss)**	**2023**	**2022**	**2023**	**2022**	**Derivatives in Cash Flow Hedging Relationships**	**Location of Gain or (Loss)**	**2024**	**2023**	**2024**	**2023**
Amount of Pre-Tax Gain or (Loss) Reclassified from Accumulated OCI into Income:												
Foreign exchange contracts												
Foreign exchange contracts												
Foreign exchange contracts												
Derivatives Not Designated as Hedging Instruments												
Derivatives Not Designated as Hedging Instruments												
Derivatives Not Designated as Hedging Instruments												
Amount of Pre-Tax Gain or (Loss) Recognized in Income on Derivatives:												
Amount of Pre-Tax Gain or (Loss) Recognized in Income on Derivatives:												
Amount of Pre-Tax Gain or (Loss) Recognized in Income on Derivatives:												
Foreign exchange contracts												
Foreign exchange contracts												
Foreign exchange contracts												
Total Derivative Pre-Tax Gain (Loss) Recognized in Income												
Total Derivative Pre-Tax Gain (Loss) Recognized in Income												
Total Derivative Pre-Tax Gain (Loss) Recognized in Income												

Note 9. 10. Employee Benefit Plans

Defined Contribution Retirement Plan:

The Company maintains a trusteed defined contribution retirement plan which is in effect for substantially all domestic employees meeting the eligibility requirements. The Company matches 50% of eligible employee contributions up to 6%. The Company also provides a discretionary contribution determined annually by the Talent, Culture, and Compensation Committee of the Company's Board of Directors. Total expense related to employer contributions to the domestic retirement plans was, in millions, $3.1 million $3.7 million and $2.8 million $4.2 million for the six nine months ended December 31, 2023 March 31, 2024 and December 31, 2022 March 31, 2023, respectively.

The Company also maintains a supplemental employee retirement plan ("SERP") for executives and other key employees which enables them to defer cash compensation on a pre-tax basis and restore amounts that would otherwise be payable under our tax-qualified retirement plans if the IRS did not have limits on includable compensation and maximum benefits. The SERP is structured as a rabbi trust, and therefore, assets in the SERP portfolio are subject to creditor claims in the event of bankruptcy. We recognize SERP investment assets on the balance sheet at current fair value. A SERP liability of the same amount is recorded on the balance sheet representing an obligation to distribute SERP funds to participants. As of December 31, 2023 March 31, 2024, both total investments and obligations under SERP were $5.2 million $5.4 million, of which $0.2 million $0.3 million were short term and $5.0 million $5.1 million were long term. As of June 30, 2023, both total investments and obligations under SERP were $8.7 million, of which $2.7 million were short term and $6.0 million were long term. The SERP investment assets are classified as trading, and accordingly, realized and unrealized gains and losses are recognized in the Other Income (Expense) category on our Condensed Consolidated Statements of Income. Adjustments made to revalue the SERP liability are also recognized in income as selling and administrative expenses and offset valuation adjustments on SERP investment assets. The change in net unrealized holding gains for both the six nine months ended December 31, 2023 March 31, 2024 and 2022 2023 was approximately $0.1 million $0.4 million and $(0.2) million, $0.1 million, respectively.

Defined Benefit Postemployment Plan:

The Company established and maintains severance plans for all domestic employees and other postemployment plans for certain foreign subsidiaries. There are no statutory requirements for us to contribute to the plans, nor do employees contribute to the plans. The plans hold no assets. Benefits are paid using available cash on hand when eligible employees meet plan qualifications for payment. As of December 31, 2023 March 31, 2024, total obligations under these plans were $7.4 million of which $6.5 million $5.7 million were long term and $0.9 million $1.7 million were short term. As of June 30, 2023, total obligations under these plans were $6.6 million of which $5.6 million were long term and $1.0 million were short term. Net periodic benefit costs were not material for the six nine months ended December 31, 2023 March 31, 2024 and 2022. 2023.

Note 10. 11. Stock Compensation Plans

A stock compensation plan was created and adopted by the Company's Board of Directors (the "Board") on October 3, 2014. The Kimball Electronics, Inc. 2014 Stock Option and Incentive Plan (the "2014 Plan") allows for the issuance of up to 4.5 million shares and may be granted in the form of incentive stock options, stock appreciation rights, restricted shares, unrestricted shares, restricted share units, or performance shares and performance units. The Plan is a ten-year plan with no further awards allowed to be made under the Plan after October 1, 2024. On September 20, 2023, on the recommendation of our Talent, Culture, and Compensation (TCC) Committee, our Board adopted the Kimball Electronics, Inc. 2023 Equity Incentive Plan (the "2023 Plan"), subject to Share Owner approval at our 2023 Annual Meeting. The 2023 Plan was approved by our Share Owners on November 17, 2023. The 2023 Plan supersedes our 2014 Plan and allows for the issuance of up to 2.0 million shares. The shares under the 2023 Plan may be granted in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards, performance share awards, cash awards, and other equity awards.

On October 20, 2016, the Board approved a nonqualified deferred stock compensation plan, the Kimball Electronics, Inc. Non-Employee Directors Stock Compensation Deferral Plan (the "Deferral Plan"), which allows Non-Employee Directors to elect to defer all, or a portion of, their retainer fees in stock until retirement or termination from the Board or death. The Deferral Plan allows for issuance of up to 1.0 million shares of the Company's common stock. For more information on the 2014 Plan and the Deferral Plan, refer to our Annual Report on Form 10-K for the year ended June 30, 2023. For more information on the 2023 Plan, refer to our Notice of 2023 Annual Meeting and Proxy Statement.

During the first six nine months of fiscal year 2024, the following stock compensation was granted under the 2014 Plan, the 2023 Plan, and the Deferral Plan.

Stock Compensation Granted	Quarter Granted	Shares/Units	Grant Date Fair Value (2)
Long-Term Performance Shares (1)	1st Quarter	172,079	$29.19
Restricted Shares (3)	1st Quarter	71,422	$29.19
Long-Term Performance Shares (4)	2nd Quarter	35,650	$25.21
Restricted Shares (4)	2nd Quarter	23,768	$25.21
Unrestricted Shares (5)	2nd Quarter	18,128	$25.24
Deferred Share Units (6)	2nd Quarter	26,347	$25.24

(1) Long-term performance share awards were granted to officers and other key employees. These annual performance share awards were approved by the Talent, Culture, and Compensation Committee of the Board. The awards granted in fiscal year 2024 will cliff vest at the third anniversary of the award date in fiscal year 2027.

Under these awards, a number of shares will be issued to each participant based upon a combination of the Company's profitability based on its operating income over the performance period as defined in the Company's operating business plans for the applicable fiscal years and the Company's growth based on a comparison of its three-year compounded annual growth rate ("CAGR") with the Electronics Manufacturing Services Industry's three-year CAGR. The number of shares issued will be less than the targeted shares issuable if the Company does not reach 100% of one or both of the above-

mentioned above-mentioned performance metrics, and could be zero if the Company does not reach the required minimum thresholds of either metric. The number of shares issued will exceed the number of targeted shares issuable (up to a maximum of 125%) if the Company exceeds 100% of one or both of the above-mentioned incentive metrics.

(2) The grant date fair value is the weighted average stock price based on the dates of the grants.

(3) Restricted shares were granted to officers and other key employees. These restricted shares were approved by the Talent, Culture, and Compensation Committee of the Board. The contractual life of the restricted shares is three years, with one-third of the interest in the restricted shares vested after year one of the grant, another one-third after year two of the grant, and the final one-third after year three of the grant. Restricted shares are expensed over the contractual vesting period as earned. If the employment of a holder of restricted shares terminates before the RSU has vested for any reason other than death, retirement, or disability, the restricted shares not yet vested will be forfeited.

(4) Additional long-term performance share and restricted share awards were approved by the Talent, Culture, and Compensation Committee of the Board and were granted in the second quarter of fiscal year 2024. The awards will vest over a 5-year performance cycle, with one-third of the interest in the shares vesting after year three of the grant, another one-third after year four of the grant, and the final one-third after year five of the grant. The vesting of the performance share awards could range from 0% to 100% of the targeted issuable shares, dependent on the achievement of specific performance metrics.

(5) Unrestricted shares were awarded to non-employee members of the Board as compensation for the portion of their annual retainer fees resulting from their elections to be paid in unrestricted shares in lieu of cash payment or deferred share units. Director's fees are expensed over the period that directors earn the compensation. Unrestricted shares do not have vesting periods, holding periods, restrictions on sales, or other restrictions.

(6) Deferred share units were awarded to non-employee members of the Board as compensation for the portion of their annual retainer fees resulting from their elections to receive deferred share units in lieu of cash payment or unrestricted shares. Director's fees are expensed over the period that directors earn the compensation. Deferred share units are participating securities and are payable in common stock in a lump sum or installments in accordance with deferral elections upon a Director's retirement or termination from the Board or death.

Note 11. 12. Goodwill and Other Intangible Assets

A summary of goodwill is as follows: follows, amounts as of March 31, 2024 exclude the amounts classified as held for sale:

(Amounts in Thousands)	December 31, 2023	June 30, 2023
Goodwill	$ 32,762	$ 32,762
Accumulated impairment	(20,751)	(20,751)

Goodwill, net	$ 12,011	$ 12,011

(Amounts in Thousands)	
Balance as of June 30, 2023	
Goodwill	$ 32,762
Accumulated impairment	(20,751)
Goodwill, net	$ 12,011
Impairment recorded	(5,820)
Goodwill classified as held for sale	(13,745)
Accumulated impairment classified as held for sale	13,745
Balance as of March 31, 2024	
Goodwill	19,017
Accumulated impairment	(12,826)
Goodwill, net	$ 6,191

A summary of other intangible assets subject to amortization is as follows: follows, amounts as of March 31, 2024 exclude the amounts classified as held for sale:

		December 31, 2023			June 30, 2023				March 31, 2024			June 30, 2023			
(Amounts in Thousands)	(Amounts in Thousands)	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value	(Amounts in Thousands)	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value	
Capitalized Software															
Customer Relationships															
Technology															
Trade Name															
Other Intangible Assets															

For the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, amortization expense of other intangible assets was $0.6 million $0.5 million and $0.8 million $0.9 million, respectively. For the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, amortization expense of other intangible assets was $1.5 million $2.0 million and $1.7 million $2.6 million, respectively.

The estimated useful life of internal-use software ranges from 3 years to 10 years. The amortization period for the customer relationships, technology, and trade name intangible assets is was 15 years, 5 years, and 10 years, respectively. We ceased amortization on the intangible assets upon meeting the held for sale classification. See Note 3- Assets and Liabilities Held for Sale of Notes to Condensed Consolidated Financial Statements for additional information. We have no intangible assets with indefinite useful lives which are not subject to amortization.

Note 12. 13. Share Owners' Equity

The Company has a Board-authorized stock repurchase plan (the "Repurchase Plan") allowing the repurchase of up to $100 million of our common stock. Purchases may be made under various programs, including in open-market transactions, block transactions on or off an exchange, or in privately negotiated transactions, all in accordance with applicable securities laws and regulations. The Repurchase Plan has no expiration date but may be suspended or discontinued at any time.

During both the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, the Company had no share repurchases under the Repurchase Plan. Since the inception of the Repurchase Plan, the Company has repurchased $88.8 million of common stock at an average cost of $15.27 per share.

Note 13. 14. Earnings Per Share

Basic and diluted earnings per share were calculated as follows under the two-class method:

	Three Months Ended
	Three Months Ended
	Three Months Ended
	December 31
	December 31
	December 31
	March 31
	March 31
	March 31

(Amounts in thousands, except per share data)

(Amounts in thousands, except per share data)

(Amounts in thousands, except per share data)

Basic and Diluted Earnings Per Share:

Basic and Diluted Earnings Per Share:

Basic and Diluted Earnings Per Share:

Net Income

Net Income

Net Income

Less: Net Income allocated to participating securities

Less: Net Income allocated to participating securities

Less: Net Income allocated to participating securities

Net Income allocated to common Share Owners

Net Income allocated to common Share Owners

Net Income allocated to common Share Owners

Basic weighted average common shares outstanding

Basic weighted average common shares outstanding

Basic weighted average common shares outstanding

Dilutive effect of average outstanding stock compensation awards

Dilutive effect of average outstanding stock compensation awards

Dilutive effect of average outstanding stock compensation awards

Dilutive weighted average shares outstanding

Dilutive weighted average shares outstanding

Dilutive weighted average shares outstanding

Earnings Per Share of Common Stock:

Earnings Per Share of Common Stock:

Earnings Per Share of Common Stock:

Basic

Basic

Basic

Diluted

Diluted

Diluted

Note 14. Subsequent Event

On January 5, 2024 For the three months ended March 31, 2024, we amended our 364-day multi-currency revolving credit facility agreement (the “secondary credit facility”), dated all 434,000 outstanding stock compensation awards were antidilutive, as of February 3, 2023, among the Company, as borrower, certain subsidiaries a result of the Company as guarantors, net loss recognized for the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent period, and Bank of America, N.A., as Documentation Agent. were excluded from the dilutive calculation. The amendment to the secondary credit facility increases the borrowing limit to $100.0 million from $50.0 million and changes the maturity date from February 2, 2024 to January 3, 2025.

The following terms and conditions remain unchanged under the amended secondary credit facility dated as of January 5, 2024 when compared to the agreement dated as of February 3, 2023:

- The proceeds of the loans are to be used for working capital and general corporate purposes of the Company.
- A commitment fee on the unused portion of principal amount of this secondary credit facility is payable at 30.0 basis points per annum.
- The interest rate on borrowings is dependent on the type of borrowings and will be one of the following options:
  - any Term Benchmark borrowing denominated in U.S. Dollars will utilize the Secured Overnight Financing Rate (“SOFR”), which is a rate per annum equal to the secured overnight financing rate for such business day published by the SOFR Administrator, the Federal Reserve Bank of New York, on the immediately succeeding business day, plus a Revolving Commitment Term Benchmark spread of 175.0 basis points;
  - any Term Benchmark borrowing denominated in Euros will utilize the Euro Interbank Offered Rate (“EURIBOR”) in effect two target days prior to the advance (adjusted upwards to reflect bank reserve costs) for such interest period as defined net loss in the agreement, plus a Revolving Commitment Term Benchmark spread of 175.0 basis points; or
  - the Alternate Base Rate (“ABR”), which is defined three months ended March 31, 2024 was not allocated to participating securities as the highest of holders have no requirements to fund losses. For the fluctuating rate per annum equal to nine months ended March 31, 2024 and for the higher of

- ◦ Prime Rate three and nine months ended March 31, 2023, all outstanding stock compensation awards were dilutive and were included in the U.S. last quoted by the Wall Street Journal, and if this is ceased to be quoted, the highest bank prime loan rate or similar loan rate quoted by the Federal Reserve Board;
  - ◦ 1/2 of 1% per annum above the Federal Funds Effective Rate (as defined under the primary credit facility); or
  - ◦ 1% per annum above the Adjusted SOFR Rate (as defined under the primary credit facility);

  plus a Revolving Commitment ABR spread of 75.0 basis points.

- The Company's financial covenants under this secondary credit facility are the same as the financial covenants for its primary credit facility.

See Note 6 - Credit Facilities of Notes to Condensed Consolidated Financial Statements for further information on the financial covenants.dilutive calculation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements contained within this document are considered forward-looking under the Private Securities Litigation Reform Act of 1995. The statements may be identified by the use of words such as "believes," "anticipates," "expects," "intends," "plans," "projects," "estimates," "forecasts," "seeks," "likely," "future," "may," "should," "would," "could," "will," "can," "potentially," and similar expressions. These forward-looking statements are subject to risks and uncertainties including, but not limited to, 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 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 are contained in our Annual Report on Form 10-K for the year ended June 30, 2023.

Business Overview

We are a global, multifaceted manufacturing solutions provider. We provide electronics manufacturing services ("EMS"), including engineering and supply chain support, to customers in the automotive, medical, and industrial end markets. Our core competency is producing durable electronics, and we further offer contract manufacturing services for non-electronic components, medical devices, medical disposables, drug delivery devices and solutions, precision molded plastics, and production automation, test, and inspection equipment. Our manufacturing services, including engineering and supply chain support, utilize common production and support capabilities globally. We are well recognized by our customers and the industry for our excellent quality, reliability, and innovative service. CIRCUITS ASSEMBLY, a leading brand and technical publication for electronics manufacturers worldwide, has previously recognized us four times for achieving the Highest Overall Customer Rating in their Service Excellence Awards, and most recently, we received Highest Overall Customer Ratings in four of the seven categories in 2023.

The contract manufacturing services industry is very competitive. As a mid-sized player, we can expect to be challenged by the agility and flexibility of the smaller, regional players, and we can expect to be challenged by the scale and price competitiveness of the larger, global players. We enjoy a unique market position between these extremes which allows us to compete with the larger scale players for high-volume projects, but also maintain our competitive position in the generally lower volume durable electronics market space. We expect to continue to effectively operate in this market space; however, one significant challenge will be maintaining our profit margins while we continue our revenue growth. Pricing is competitive in the market as production efficiencies and material pricing advantages for most projects drive costs and prices down over the life of the projects. This characteristic of the contract electronics marketplace is expected to continue.

The Worldwide Manufacturing Services Market - 2023 Edition, a comprehensive study on the worldwide EMS market published by New Venture Research ("NVR"), provided worldwide forecast trends through 2027. NVR projects the worldwide assembly market for electronics products to grow at a compound annual growth rate ("CAGR") of 4.3% over the next five years, with the EMS industry projected to grow at a CAGR of 5.5%.

We continue to monitor the current economic and industry conditions for uncertainties that may pose a threat to our future growth or cause disruption in business strategy, execution, and timing in the markets in which we compete.

The EMS industry is experiencing the impacts of softening demand from global macroeconomic headwinds, especially in the current fiscal year. The financial impact on our future results cannot be reasonably estimated but could be material. Such headwinds include pressure from elevated levels of inflation, higher interest rates, and geopolitical uncertainty. Our inventory levels, already elevated from strategic inventory purchases to mitigate part shortages in the prior fiscal year, remain high as softening demand has challenged our ability to work them down. Additionally, as lead times dictate the ordering of components, demand softening results in deliveries of components that may exceed production needs in the short term. To mitigate our inventory levels and the impacts to our balance sheet, we are working with our customers to consign excess inventory, make inventory deposits, or pay carrying costs.

Net sales in the second third quarter of the current fiscal year decreased 4% 12% compared to the prior fiscal year second third quarter, with decreases in the automotive and medical markets partially offset by an increase in sales in the industrial market. Beginning in fiscal year 2024, we changed each of our presentation of revenue for miscellaneous sales previously included in Other to include in the respective customers' end market verticals. Prior year periods have been recast to conform to the current year presentation. The decrease in sales to customers in the automotive market were largely driven by decreased demand. In the medical market, sales decreased due to decreased sales with a large medical customer who is remediating a recall. The cause of the recall is unrelated to the products we provided. In the industrial market, sales increased decreased in large part due to a program at our automation, test, and measurement business in the continued ramp-up third quarter of certain programs. fiscal 2023 not recurring this quarter.

We have a strong focus on cost control balanced with managing the future growth prospects of our business. We expect to make investments that will strengthen or add new capabilities to our package of value as a multifaceted manufacturing solutions company, including through our recently completed capacity expansions. Managing working capital in conjunction with fluctuating demand levels is likewise key. In addition, a long-standing component of our profit-sharing incentive bonus plan is that it is linked to our financial performance which results in varying amounts of compensation expense as profits change.

To support our renewed strategic focus, in the third quarter of fiscal year 2024, we made the decision to divest of our automation, test and measurement business unit and committed to a plan to sell the business. This will allow us to increase focus and support our EMS operations. As a result, the disposal group has met the criteria to be classified as held for sale and is now reported at the lower of its carrying value or fair value less costs to sell. In addition, we undertook restructuring efforts to align our cost structure with reduced end-market demand levels.

We continue to maintain a strong balance sheet, which included a current ratio of 2.0, a debt-to-equity ratio of 0.6, and Share Owners’ equity of $547 million $539 million at December 31, 2023 March 31, 2024. Recently, we have invested to support our expansions and growth in Mexico, Thailand, and Poland. We expect our balance sheet to continue to normalize as we negotiate with customers on excess inventory and as certain component shortages subside. Refer to the Future Liquidity section of Liquidity and Capital Resources below for further discussion of our liquidity.

The continuing success of our business is dependent upon our ability to replace expiring customers/programs with new customers/programs. We monitor our success in this area by tracking the number of customers and the percentage of our net sales generated from them by years of service as depicted in the table below. While variation in the size of program awards makes it difficult to directly correlate this data to our sales trends, we believe it does provide useful information regarding our customer loyalty and new business growth.

	Six Months Ended Six Months Ended Six Months Ended				
		December 31			
	Nine Months Ended Nine Months Ended Nine Months Ended				
		March 31			
Customer Service Years	Customer Service Years	2023	2022	Customer Service Years	2024	2023
More than 10 Years						
% of Net Sales						
% of Net Sales						
% of Net Sales		75 %	79 %		75 %	78 %
# of Customers						
5 to 10 Years						
% of Net Sales						
% of Net Sales						
% of Net Sales		20 %	17 %		20 %	17 %
# of Customers						
Less than 5 Years						
% of Net Sales						
% of Net Sales						
% of Net Sales		5 %	4 %		5 %	5 %
# of Customers						
Total						
% of Net Sales						
% of Net Sales						
% of Net Sales		100 %	100 %		100 %	100 %
# of Customers						

A detailed discussion of risk factors and uncertainties that could have an effect on our performance are located within the “Risk Factors” section of our Annual Report on Form 10-K for the year ended June 30, 2023.

Results of Operations

	At or for the									
	Three Months Ended					Three Months Ended				
(Amounts in Millions, Except for Per Share Data)										
(Amounts in Millions, Except for Per Share Data)										
(Amounts in Millions, Except for Per Share Data)	2023	as a % of Net Sales	2022	as a % of Net Sales	% Change	2024	as a % of Net Sales	2023	as a % of Net Sales	% Chan

Net Sales	Net Sales	$421.2		$			$436.7		(4)					(4) %	Net Sales	$ 425.0		$	
Gross Profit	Gross Profit	$ 34.4	8.2	8.2 %	$ 34.2	7.8		7.8 %		1 %	Gross Profit	$33.5	7.9	7.9 %			$43.0	8.9	8.9 %
Selling and Administrative Expenses	Selling and Administrative Expenses	17.8	4.3	4.3 %	16.7	3.8		3.8 %		7 %	Selling and Administrative Expenses	16.8	3.9	3.9 %			17.8	3.7	3.7 %
Operating Income																			
Operating Income																			
Other General Income		(0.9)		(0.2) %	—			— %		— %									
Restructuring Expense		1.6		0.4 %	—			— %		— %									
Goodwill Impairment		5.8		1.4 %	—			— %		— %									
Asset Impairment		16.6		3.9 %	—			— %		— %									
Operating Income		16.6	3.9	3.9 %	17.5	4.0		4.0 %		(5) %	Operating Income	(6.4)	(1.5)	(1.5) %			25.2	5.2	5.2 %
Other Income (Expense)																			
Provision for Income Taxes																			
Provision for Income Taxes																			
Provision for Income Taxes		3.0		3.5			3.5		(14)					(14)	%	(6.7)		5.5	
Net Income	Net Income	$ 8.3		$			$ 10.7		(23)					(23) %	Net Income	$ (6.1)		$	
Diluted Earnings per Share	Diluted Earnings per Share	$ 0.33		$			$ 0.43		(23)					(23) %	Diluted Earnings per Share	$ (0.24)		$	
Open Orders	Open Orders	$ 836		$			$1,037		(19)					(19) %	Open Orders	$ 831		$	

	For the Six Months Ended December 31				
(Amounts in Millions, Except for Per Share Data)	**2023**	**as a % of Net Sales**	**2022**	**as a % of Net Sales**	**% Change**
Net Sales	$ 859.3		$ 842.6		2 %
Gross Profit	$ 70.0	8.1 %	$ 63.5	7.5 %	10 %
Selling and Administrative Expenses	33.9	3.9 %	32.4	3.8 %	4 %
Operating Income	36.1	4.2 %	31.1	3.7 %	16 %
Other Income (Expense)	(11.7)		(4.8)		
Provision for Income Taxes	5.4		6.1		(11)%
Net Income	$ 19.0		$ 20.2		(6)%
Diluted Earnings per Share	$ 0.75		$ 0.81		(7)%

Net Sales by Vertical Market	**Three Months Ended December 31**			**Six Months Ended December 31**		
(Amounts in Millions)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Automotive	$ 200.2	$ 205.2	(2)%	$ 412.7	$ 393.4	5 %
Medical	108.1	125.6	(14)%	210.5	241.6	(13)%
Industrial	112.9	105.9	7 %	236.1	207.6	14 %
Total Net Sales	$ 421.2	$ 436.7	(4)%	$ 859.3	$ 842.6	2 %

	For the Nine Months Ended March 31				
(Amounts in Millions, Except for Per Share Data)	**2024**	**as a % of Net Sales**	**2023**	**as a % of Net Sales**	**% Change**
Net Sales	$ 1,284.4		$ 1,327.3		(3)%

Gross Profit	$ 103.5	8.1 %	$ 106.5	8.0 %	(3)%
Selling and Administrative Expenses	50.7	4.0 %	50.2	3.8 %	1 %
Other General Income	(0.9)	(0.1)%	—	— %	— %
Restructuring Expense	1.6	0.1 %	—	— %	— %
Goodwill Impairment	5.8	0.5 %	—	— %	— %
Asset Impairment	16.6	1.3 %	—	— %	— %
Operating Income	29.7	2.3 %	56.3	4.2 %	(47)%
Other Income (Expense)	(17.9)		(8.1)		
Provision for Income Taxes	(1.2)		11.6		(111)%
Net Income	$ 13.0		$ 36.6		(65)%
Diluted Earnings per Share	$ 0.51		$ 1.46		(65)%

Second

Net Sales by Vertical Market	**Three Months Ended March 31**			**Nine Months Ended March 31**		
(Amounts in Millions)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Automotive	$ 202.0	$ 221.9	(9)%	$ 614.7	$ 615.3	— %
Medical	113.0	135.5	(17)%	323.5	377.1	(14)%
Industrial	110.0	127.3	(14)%	346.2	334.9	3 %
Total Net Sales	$ 425.0	$ 484.7	(12)%	$ 1,284.4	$ 1,327.3	(3)%

Third quarter fiscal year 2024 consolidated net sales decreased 4% 12% compared to the second third quarter of fiscal year 2023, while the year-to-date fiscal year 2024 consolidated net sales increased 2% decreased 3% compared to the year-to-date period of fiscal year 2023. The impact from foreign currency fluctuations on net sales was a favorable less than 1% in the current quarter and current year-to-date period compared to the second third quarter and the year-to-date period of fiscal year 2023. Beginning in fiscal year 2024, we changed our presentation of revenue for miscellaneous sales previously included in Other to include in the respective customers' end market verticals. Prior year periods have been recast to conform to the current year presentation. By end market vertical, our market verticals fluctuated as follows:

- Sales to customers in the automotive market decreased 2% 9% during the second third quarter of fiscal year 2024, compared to the second third quarter of fiscal year 2023 but increased 5% remained flat in the year-to-date period of fiscal year 2024 compared to the year-to-date period of fiscal year 2023. The quarter over quarter change is relatively flat, while the increase decrease in the year-to-date period third quarter is due to overall decrease in demand increase, the continued ramp up across most of certain programs, and improved component availability. our major customers.

- Sales to customers in the medical market declined in both the second third quarter of fiscal year 2024, compared to the second third quarter of fiscal year 2023 and the year-to-date period of the current fiscal year when compared to the year-to-date period of the prior fiscal year. This decrease is primarily due to decreased sales with a large medical customer who is remediating a recall. The cause of the recall is unrelated to the products we provided. Partially offsetting this decrease in sales was a ramp-up of certain programs and new product launches.
- Sales to customers in the industrial market increased 7% decreased 14% during the second third quarter of fiscal year 2024, when compared to the second third quarter of fiscal year 2023 and but increased 14% 3% in the year-to-date period of the current fiscal year when compared to the year-to-date period of the prior fiscal year. These increases are The decrease in the third quarter is largely due to lower demand with our climate control customers as well as a program at our automation, test, and measurement business from the third quarter of fiscal 2023 not recurring this quarter. In the year-to-date period, the moderate increase is driven by higher end market demand for charging systems and public safety products, and offset by declines with climate control products partially offset by lower demand for smart metering products. and our automation, test, and measurement business.

Sales to Nexteer Automotive, Philips, ZF, and HL Mando accounted for the following portions of our net sales:

	Three Months Ended			**Three Months Ended**				**Six Months Ended**			**Three Months Ended**				**Nine Months Ended**	
		December 31		**December 31**				**March 31**				**March 31**				
		2023	**2022**		**2023**			**2022**		**2024**		**2023**		**2024**		**2023**
Nexteer Automotive	Nexteer Automotive	15%		16%		15%	Nexteer Automotive		16%		15%		16%		15%	
Philips	Philips	*	16%		*			17%	Philips	*		14%		*		15%
ZF	ZF	11%				12%	ZF	12%					12%			

HL Mando	HL Mando	11%	*		11%		*	HL Mando	*	*	10%	*

* amount is less than 10% of total

* amount is less than 10% of total

* amount is less than 10% of total

Gross profit as a percent of net sales in the second third quarter of fiscal year 2024 improved declined when compared to the second third quarter of fiscal year 2023 driven by favorable product mix and as we experienced lost absorption on lower material costs. revenue. Gross profit as a percent of net sales in the first half nine months of fiscal year 2024 improved remained relatively flat when compared to the first half nine months of fiscal year 2023 driven by favorable product mix, lower material costs, and leverage from higher net sales. 2023.

Selling and administrative expenses increased as a percent of net sales and but decreased in absolute dollars in the second third quarter and first half of fiscal year 2024 when compared to the second third quarter of fiscal year 2023. The absolute dollar decrease was driven by decreased profit-sharing bonus expense and supplier financing charges due to decreased sales. Selling and administrative expenses increased as a percent of sales and in absolute dollars in first half nine months of fiscal year 2024 when compared to the first nine months of fiscal year 2023 primarily driven by the increased allowance for credit losses recorded offset by a decrease in supplier financing charges.

Other General Income in the second three and nine months ended March 31, 2024 included $0.9 million of pre-tax income resulting from payments received related to the settlement of a class action lawsuit in which Kimball Electronics was a class member. No Other General Income was recorded during the three and nine months ended March 31, 2023.

In the three and nine months ended March 31, 2024, we recorded pre-tax restructuring expense of $1.6 million, for employee-related costs as we undertook a restructuring efforts to align our cost structure with reduced end market demand levels.

In the third quarter of fiscal year 2024. 2024, we made the decision to divest of our automation, test and measurement business unit and committed to a plan to sell the business. As a result, the disposal group has met the criteria to be classified as held for sale and we have reported the business unit at the lower of its carrying value or fair value less costs to sell. The carrying value exceeded the fair value less costs to sell, and we recorded pre-tax impairment charges of $5.8 million and $16.6 million on goodwill and assets held for sale, respectively, for the three and nine months ended March 31, 2024. See Note 3 - Assets and Liabilities Held for Sale of Notes to Condensed Consolidated Financial Statements for more information.

Other Income (Expense) consisted of the following:

		Three Months Ended	December 31	Three Months Ended	Six Months Ended March 31			Three Months Ended		Nine Months Ended
(Amounts in Thousands)	(Amounts in Thousands)	2023	2022	2023	2022	(Amounts in Thousands)	2024	2023	2024	2023
Interest income										
Interest expense										
Foreign currency/derivative gain (loss)										
Gain (loss) on SERP investments										
Other										
Other										
Other										
Other income (expense), net										

Interest expense has increased in the three months and six nine months ended December 31, 2023 March 31, 2024 compared to the three months and six nine months ended December 31, 2022 March 31, 2023 due to higher interest rates and higher borrowings on credit facilities. Foreign currency/derivative gains (losses) result from net foreign currency exchange rate movements during the periods. The revaluation to fair value of the SERP investments recorded in Other Income (Expense) is offset by the revaluation of the SERP liability recorded in Selling and Administrative Expenses, and thus there is no effect on net income.

Our provision for income taxes for the first six nine months ended December 31, 2023 March 31, 2024 and December 31, 2022 March 31, 2023 was $5.4 million, $(1.2) million, or 22.2% (10.5)% of income before taxes on income, and $6.1 million $11.6 million, or 23.3% 24.1% of income before taxes on income, respectively. Income taxes and tax rate for the nine months ended March 31, 2024 reflect the tax impacts of the goodwill impairment and asset impairment charges.

We recorded a net loss of $6.1 million in the third quarter of fiscal year 2024, or $(0.24) per diluted share, a decrease of 137% from the third quarter fiscal year 2023 net income of $16.4 million, or $0.65 per diluted share. In the year-to-date period of fiscal year 2024, we recorded net income of $13.0 million, or $0.51 per diluted share, a decrease of 65% compared to the year-to-date period of fiscal 2023 net income of $36.6 million, or $1.46 per diluted share. Third quarter and fiscal year to date 2024 results include the following non-recurring charges previously discussed: a $4.4 million after-tax goodwill impairment charge, or $0.18 per diluted share, a $9.5 million after-tax asset impairment charge, or $0.38 per diluted share, and a $1.2 million after-tax restructuring charge, or $0.05 per diluted share.

Open orders were down 19% 6% as of December 31, 2023 March 31, 2024 compared to December 31, 2022 March 31, 2023. The decrease in open orders from December 31, 2022 March 31, 2023 is primarily driven by reduced orders from a large medical customer who is remediating a recall. Open orders are the aggregate sales price of production pursuant to unfulfilled customer orders, which may be delayed or canceled by the customer subject to contractual termination provisions. The majority of open orders as of

December 31, 2023 March 31, 2024 are expected to be filled within the next twelve months. Open orders at a point in time may not be indicative of future sales trends due to the contract nature of our business and the variability of order lead times among our customers.

Liquidity and Capital Resources

Working capital at December 31, 2023 March 31, 2024 was $457.7 million $450.1 million compared to working capital of $454.3 million at June 30, 2023. The current ratio was 2.0 at both December 31, 2023 March 31, 2024 and June 30, 2023. The debt-to-equity ratio was 0.6 at December 31, 2023 March 31, 2024 and 0.5 at June 30, 2023. Our short-term liquidity available, represented as cash and cash equivalents plus the unused amount of our credit facilities, some of which are uncommitted, totaled $105.7 million $182.6 million at December 31, 2023 March 31, 2024 and $149.1 million at June 30, 2023.

Cash Conversion Days ("CCD") are calculated as the sum of Days Sales Outstanding ("DSO") plus Contract Asset Days ("CAD") plus Production Days Supply on Hand ("PDSOH") less Accounts Payable Days ("APD") and less Advances from Customers Days. Days ("ACD"). CCD, or a similar metric, is used in our industry and by our management to measure the efficiency of managing working capital. The following table summarizes our CCD for the quarterly periods indicated. Beginning in the third quarter of fiscal year 2023, we included Advances from Customers Days in our CCD calculation as these are customer deposits related to inventory. Prior periods have been recast to conform to the current quarter presentation.

			Three Months Ended Three Months Ended Three Months Ended							
			December 31, 2023		September 30, 2023		December 31, 2022			
			March 31, 2024		December 31, 2023		March 31, 2023			
Days Sales Outstanding	Days Sales Outstanding	64		58		56	Days Sales Outstanding	59	64	54
Contract Asset Days	Contract Asset Days	18		17		14	Contract Asset Days	17	18	14
Production Days Supply on Hand	Production Days Supply on Hand	109		108		108	Production Days Supply on Hand	103	109	101
Accounts Payable Days	Accounts Payable Days	65		71		72	Accounts Payable Days	58	65	69
Advances from Customers Days	Advances from Customers Days		9		9	Advances from Customers Days		11	9	8
Cash Conversion Days	Cash Conversion Days	117		103		97	Cash Conversion Days	110	117	92

We define Days Sales Outstanding as the average of monthly trade accounts and notes receivable divided by an average day's net sales, Contract Asset Days as the average monthly contract assets divided by an average day's net sales, Production Days Supply on Hand as the average of monthly gross inventory divided by an average day's cost of sales, Accounts Payable Days as the average of monthly accounts payable divided by an average day's cost of sales, and Advances from Customers Days as the total customer deposits divided by an average day's cost of sales. Inventory and customer deposits classified as long-term are included in the calculation of PDSOH and ACD, respectively. Over the past several quarters, we have supported our customers through strategic inventory builds to mitigate parts shortages, which adversely impacted our PDSOH and CCD metrics. Additionally, through the first six nine months of fiscal year 2024, we have experienced customers push out deliveries due to softening consumer demand. As lead times dictate the ordering of components, these push outs negatively impact our cash conversion days and working capital. In these situations, we negotiate with our customers for inventory deposits or consignment arrangements to limit the impact to our balance sheet. We expect inventory levels and working capital to continue to normalize as we seek relief through customer negotiations.

Cash Flows

The following table reflects the major categories of cash flows for the first six nine months of fiscal years 2024 and 2023.

		Six Months Ended			December 31	Nine Months Ended March 31
(Amounts in Millions)	**(Amounts in Millions)**	**2023**	**2022**	**(Amounts in Millions)**	**2024**	**2023**
Net cash used for operating activities						
Net cash provided by (used for) operating activities						
Net cash used for investing activities						
Net cash provided by financing activities						

Cash Flows from Operating Activities

Net cash used provided by operating activities for the first six nine months of fiscal year 2024 was driven by net income adjusted for non-cash items, partially offset by changes in operating assets and liabilities, partially offset by net income adjusted for non-cash items. liabilities. Net cash used for operating activities for the first six nine months of the prior year was driven by changes in operating assets and liabilities. Changes in operating assets and liabilities used $59.0 million of cash in the first six months of fiscal year 2024, while net Net income and non-cash adjustments provided cash of $41.1 million. $60.0 million, while changes in operating assets and liabilities used $35.3 million of cash in the first nine months of fiscal year 2024. In the first six nine months of the prior year, cash used by changes in operating assets and liabilities was $107.5 million $122.3 million.

The Net income adjusted for non-cash items provided cash of $60.0 million in the first nine months of fiscal year 2024. Partially offsetting this was cash used of $59.0 million $35.3 million from changes in operating assets and liabilities in the first six nine months of fiscal year 2024, is largely due to a decrease in accounts payable, which used cash of $42.5 million primarily $71.2 million driven by decreased inventory purchases due to lower sales, and a decrease in accrued expenses and taxes payable, which used $9.3 million $11.5 million primarily driven by timing of income tax and profit-sharing incentive bonus payments. Partially offsetting cash used by accounts payable and accrued expenses and taxes payable was an increase in advances from customers, which provided cash of $8.8 million $32.2 million. Partially offsetting the

The cash used of $122.3 million from changes in operating assets and liabilities in the first six months of fiscal year 2024 was net income adjusted for non-cash items which provided cash of $41.1 million.

The cash used of $107.5 million from changes in operating assets and liabilities in the first six nine months of fiscal year 2023 is largely due to an increase in inventory, which used cash of $88.9 million $88.6 million, primarily due driven by investment to the component support our expansions and growth in Mexico and Thailand, as well as supporting our customers through strategic inventory purchases to mitigate parts shortages, as we continue to purchase material not impacted by the shortages so we can fulfill our customer orders once the impacted components are received in addition to increased demand, and an increase in accounts receivable, which used cash of $40.8 million $74.0 million primarily resulting from increased sales volumes. Partially offsetting cash used by inventory was an increase in accounts payable, which provided cash of $23.2 million $45.1 million largely resulting from increased inventory purchases.

Cash Flows from Investing Activities

For the first six nine months of fiscal years 2024 and 2023, net cash used for investing activities was $24.4 million $37.7 million and $41.9 million $66.5 million, respectively. During the first six nine months of fiscal year 2024, we invested $24.5 million $37.9 million into capital expenditures primarily to support new business awards, facility expansions, and replacement of older machinery and equipment. During the first six nine months of fiscal year 2023, we invested $42.2 million $66.8 million into capital expenditures primarily for expansions at our Mexico, Thailand, and Poland facilities and to support new business awards.

Cash Flows from Financing Activities

For the first six nine months of fiscal year 2024, net cash provided by financing activities of $38.9 million $36.6 million resulted largely from net borrowings on our credit facilities of $40.3 million $38.2 million primarily for working capital purposes and capital expenditures. For the first six nine months of fiscal year 2023, net cash provided by financing activities of $91.4 million $107.1 million resulted largely from net borrowings on our credit facilities of $92.9 million. $108.7 million primarily for working capital purposes and capital expenditures supporting our expansions.

Credit Facilities

The Company maintains a U.S. primary credit facility (the “primary credit facility”) scheduled to mature May 4, 2027. The primary credit facility provides for $300 million in borrowings, with an option to increase the amount available for borrowing to $450 million at the Company’s request, subject to the consent of each lender participating in such increase. The Company also maintains a 364-day multi-currency revolving credit facility (the “secondary credit facility”), which allows for borrowings up to $50 million $100 million and has a maturity date of February 2, 2024 January 3, 2025. The proceeds of the loans on the primary credit facility and the secondary credit facility are to be used for working capital and general corporate purposes of the Company. We were in compliance with the financial covenants of the primary and secondary credit facilities during the period ended December 31, 2023 March 31, 2024. As noted in the Future Liquidity section below, we amended our secondary credit facility on January 5, 2024 to increase the borrowings to $100 million.

We also maintain foreign credit facilities for working capital and general corporate purposes at specific foreign locations rather than utilizing funding from intercompany sources. These foreign credit facilities can be canceled at any time by either the bank or us and generally include renewal clauses. As of December 31, 2023 March 31, 2024, we maintained foreign credit facilities at our Thailand operation, our EMS operation in China, our Netherlands subsidiary, our Poland operation, and our Vietnam operation.

See Note 6 7 - Credit Facilities of Notes to Consolidated Financial Statements for more information on our credit facilities, including the terms of the credit facilities such as interest, commitment fees, and debt covenants.

Factoring Arrangements

The Company utilizes accounts receivable factoring arrangements with third-party financial institutions in order to extend terms for the customer without negatively impacting our cash flow. These arrangements in all cases do not contain recourse provisions which would obligate us in the event of our customers’ failure to pay. Receivables are considered sold when they are transferred beyond the reach of Kimball Electronics and its creditors, the purchaser has the right to pledge or exchange the receivables, and we have surrendered control over the transferred receivables. In the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, we sold, without recourse, $198.9 million $317.0 million and $225.1 million $357.1 million of accounts receivable, respectively. See Note 1 - Business Description and Summary of Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements for more information regarding the factoring arrangements.

Future Liquidity

We believe our principal sources of liquidity from available funds on hand, cash generated from operations, and the availability of borrowing under our credit facilities, will be sufficient to meet our working capital and other operating needs for at least the next 12 months. The unused borrowings in USD equivalent under all of our credit facilities totaled $65.8 million $117.4 million at December 31, 2023 March 31, 2024, including the $50 million $100 million secondary credit facility initially scheduled to expire in February 2024. Subsequent to December 31, 2023, we facility. We amended our secondary credit facility on January 5, 2024 to increase the borrowing limit to $100 million from $50 million and change the maturity date to January 3, 2025. The increased borrowing limit will provide us with more liquidity at the enterprise level to meet working capital and other operating needs. See Note 14 - Subsequent Event of Notes to Consolidated Financial Statements for further information. Additionally, accounts receivable factoring arrangements could provide flexible access to cash as needed. While our primary credit facility includes a covenant that limits the amount of sold receivables outstanding at any time, currently and historically, we have been considerably below this limit.

We expect to continue to prudently invest in capital expenditures, including for capacity expansions and potential acquisitions, that would help us continue our growth as a multifaceted manufacturing solutions company. We recently completed our Thailand facility expansion in the third quarter of fiscal year 2022, our Mexico facility expansion in the first quarter of fiscal year 2023, and our Poland expansion in the fourth quarter of fiscal year 2023.

At December 31, 2023 March 31, 2024, our capital expenditure commitments were approximately $14 million, consisting primarily of capital related to new program wins, equipment for facility expansions, and replacement of older machinery and equipment. We anticipate our available liquidity will be sufficient to fund these capital expenditures.

We have purchase obligations that arise in the normal course of business for items such as raw materials, services, and software acquisitions/license commitments. In certain instances, such as when lead times dictate, we enter into contractual agreements for material in excess of the levels required to fulfill customer orders to help mitigate the potential impact related to component shortages, which require longer lead times. In turn, our material authorization agreements with customers cover a portion of the exposure for material which is purchased prior to having a firm order.

At December 31, 2023 March 31, 2024, our foreign operations held cash totaling $39.9 million $64.7 million. Most of our accumulated unremitted foreign earnings have been invested in active non-U.S. business operations, and it is not anticipated such earnings will be remitted to the United States. Our intent is to permanently reinvest the remaining funds outside of the United States, and our current plans do not demonstrate a need to repatriate these funds to our U.S. operations. However, if such funds were repatriated, a portion of the funds remitted may be subject to applicable non-U.S. income and withholding taxes.

The Company's Repurchase Plan allows the repurchase of up to $100 million of our common stock. Purchases may be made under various programs, including in open-market transactions, block transactions on or off an exchange, or in privately negotiated transactions, all in accordance with applicable securities laws and regulations. The Repurchase Plan has no expiration date but may be suspended or discontinued at any time. The extent to which the Company repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements, and other corporate considerations, as determined by the Company's management team. The Company expects to finance the purchases with existing liquidity. The Company has repurchased $88.8 million of common stock under the Repurchase Plan through December 31, 2023 March 31, 2024.

Our ability to generate cash from operations to meet our liquidity obligations could be adversely affected in the future by factors such as general economic and market conditions, lack of availability of raw material components in the supply chain, a decline in demand for our services, loss of key contract customers, unsuccessful integration of acquisitions and new operations, global health emergencies, and the related uncertainties around the financial impact, and other unforeseen circumstances. In particular, should demand for our customers' products and, in turn, our services decrease significantly over the next 12 months, the available cash provided by operations could be adversely impacted. Additional cautionary statements regarding our risk factors are contained in our Annual Report on Form 10-K for the year ended June 30, 2023.

Fair Value

During the second third quarter of fiscal year 2024, no level 1 or level 2 financial instruments were affected by a lack of market liquidity. For level 1 financial assets, readily available market pricing was used to value the financial instruments. Our foreign currency derivative assets and liabilities, which were classified as level 2, were independently valued using observable market inputs such as forward interest rate yield curves, current spot rates, and time value calculations. To verify the reasonableness of the independently determined fair values, these derivative fair values were compared to fair values calculated by the counterparty banks. Our own credit risk and counterparty credit risk had an immaterial impact on the valuation of the foreign currency derivatives. See Note 7 8 - Fair Value of Notes to Condensed Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

As of December 31, 2023 March 31, 2024, we do not have any material off-balance sheet arrangements.

Critical Accounting Policies

Kimball Electronics' Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require the use of estimates and assumptions that affect amounts reported and disclosed in the Condensed Consolidated Financial Statements and related notes. Actual results could differ from these estimates and assumptions. Management uses its best judgment in the assumptions used to value these estimates, which are based on current facts and circumstances, prior experience, and other assumptions that are believed to be reasonable.

There have been no material changes to our critical accounting policies since our Annual Report on Form 10-K for the year ended June 30, 2023. For further information regarding our critical accounting policies, refer to "Note 1 - Business Description and Summary of Significant Accounting Policies" of Notes to Consolidated Financial Statements and "Critical Accounting Policies" in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended June 30, 2023.

New Accounting Standards

New accounting standards which have been issued but not yet adopted are typically disclosed in See Note 1 - Business Description and Summary of Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements for information regarding New Accounting Standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in our exposure to market risks for changes in foreign currency exchange rates and interest rates as compared to the fiscal year ended June 30, 2023.

Comprehensive disclosures of quantitative and qualitative market risk can be found in our Annual Report on Form 10-K for the year ended June 30, 2023.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Kimball Electronics maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon their evaluation of those controls and procedures performed, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the disclosure controls and procedures were effective as of December 31, 2023 March 31, 2024.

(b) Changes in internal control over financial reporting.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2023 March 31, 2024 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We and our subsidiaries are not parties to any pending legal proceedings, other than ordinary routine litigation incidental to the business. The outcome of current routine pending litigation and claims, individually and in the aggregate, is not expected to have a material adverse impact on our business or financial condition.

Item 1A. Risk Factors

We are subject to various risks and uncertainties in the course of our business. A comprehensive disclosure of risk factors related to Kimball Electronics can be found in our Annual Report on Form 10-K for the year ended June 30, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 21, 2015, our Board of Directors (the "Board") approved an 18-month stock repurchase plan (the "Repurchase Plan"), authorizing the repurchase of up to $20 million worth of our common stock. Then, separately on each of September 29, 2016, August 23, 2017, November 8, 2018, and November 10, 2020, the Board extended and increased the Repurchase Plan to allow the repurchase of up to an additional $20 million worth of common stock with no expiration date, which brought the total authorized stock repurchases under the Repurchase Plan to $100 million.

During the three months ended December 31, 2023 March 31, 2024, the Company did not purchase any common stock. The Company's maximum value of remaining shares that may be purchased under the Repurchase Plan was $11.2 million at December 31, 2023 March 31, 2024.

Item 5. Other Information

During the three months ended December 31, 2023 March 31, 2024, no officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company's securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Item 6. Exhibits

Exhibits (numbered in accordance with Item 601 of Regulation S-K)

			Incorporated by Reference									
Exhibit No.	**Exhibit No.**	**Description**	**Form**	**Period Ending**	**Exhibit**	**Filing Date**	**Exhibit No.**	**Description**	**Form**	**Period Ending**	**Exhibit**	**Filing Date**
3.1	3.1	Amended and Restated Articles of Incorporation of the Company	8-K		3.1	2/18/2021	3.1	Amended and Restated Articles of Incorporation of the Company	8-K		3.1	2/18/2021
3.2	3.2	Amended and Restated By-Laws of the Company	8-K		3.2	11/15/2022	3.2	Amended and Restated By-Laws of the Company	8-K		3.2	11/15/2022
10.1		Kimball Electronics, Inc. 2023 Equity Incentive Plan	8-K		10.1	11/21/2023						
10.2		Kimball Electronics, Inc. Leadership Team Severance and Change in Control Plan	8-K		10.2	11/21/2023						
10.3		First Amendment to Credit Agreement, dated as of January 5, 2024, among Kimball Electronics, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent and Bank of America, N.A., as Documentation Agent	8-K		10.1	1/5/2024						
31.1												

31.2

31.2

31.2

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(a) In accordance with Item 601(b)(32)(ii) of Regulation S-K, the certifications furnished in Exhibit 32.1 and 32.2 will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

(a) In accordance with Item 601(b)(32)(ii) of Regulation S-K, the certifications furnished in Exhibit 32.1 and 32.2 will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

(a) In accordance with Item 601(b)(32)(ii) of Regulation S-K, the certifications furnished in Exhibit 32.1 and 32.2 will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KIMBALL ELECTRONICS, INC.

By: /s/ RICHARD D. PHILLIPS

Richard D. Phillips
Chief Executive Officer
February 6, May 8, 2024

By: /s/ JANA T. CROOM

Jana T. Croom
Chief Financial Officer
February 6, May 8, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard D. Phillips, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kimball Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 6, May 8, 2024

/s/ RICHARD D. PHILLIPS

RICHARD D. PHILLIPS
Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jana T. Croom, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kimball Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, May 8, 2024

/s/ JANA T. CROOM

JANA T. CROOM
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Kimball Electronics, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard D. Phillips, Chief Executive Officer and Director of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 6, May 8, 2024

/s/ RICHARD D. PHILLIPS

RICHARD D. PHILLIPS
Chief Executive Officer and Director

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Kimball Electronics, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jana T. Croom, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 6, May 8, 2024

/s/ JANA T. CROOM

JANA T. CROOM
Chief Financial Officer

DISCLAIMER

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