

Vishay Precision Group

First Fiscal Quarter 2023 Earnings

May 9, 2023

Safe Harbor Statement

From time to time, information provided by us, including, but not limited to, statements in this presentation, or other statements made by or on our behalf, may contain or constitute "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks, uncertainties, and contingencies, many of which are beyond our control, which may cause actual results, performance, or achievements to differ materially from those anticipated.

Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, expected, estimated, or projected. Among the factors that could cause actual results to materially differ include: general business and economic conditions; impact of inflation; issues respecting the United States federal government debt ceiling; global labor and supply chain challenges; difficulties or delays in identifying, negotiating and completing acquisitions and integrating acquired companies; the inability to realize anticipated synergies and expansion possibilities; difficulties in new product development; changes in competition and technology in the markets that we serve and the mix of our products required to address these changes; changes in foreign currency exchange rates; political, economic, health (including the COVID-19 pandemic) and military instability in the countries in which we operate; difficulties in implementing our cost reduction strategies, such as underutilization of production facilities, labor unrest or legal challenges to our lay-off or termination plans, operation of redundant facilities due to difficulties in transferring production to achieve efficiencies; compliance issues under applicable laws, such as export control laws, including the outcome of our voluntary self-disclosure of export control non-compliance; significant developments from the recent and potential changes in tariffs and trade regulation; our efforts and efforts by governmental authorities to mitigate the COVID-19 pandemic, such as travel bans, shelter-in-place orders and business closures and the related impact on resource allocations, manufacturing and supply chains; our status as a “critical”, “essential” or “life-sustaining” business in light of COVID-19 business closure laws, orders and guidance being challenged by a governmental body or other applicable authority; our ability to execute our new corporate strategy and business continuity, operational and budget plans; and other factors affecting our operations, markets, products, services, and prices that are set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this report or as of the dates otherwise indicated in such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Non-GAAP Measures

This presentation includes discussion of adjusted free cash flow, adjusted gross profit and adjusted operating income and their corresponding margins, as well as adjusted net earnings, EBITDA, adjusted EBITDA, and adjusted net diluted earnings per share. These are financial measures that were not prepared in accordance with generally accepted accounting principles in the United States (non-GAAP measures). Management believes that these non-GAAP measures are useful to investors because each presents what management views as our core operating results for the relevant period. The adjustments to the applicable GAAP measures relate to occurrences or events that are outside of our core operations, and management believes that the use of these non-GAAP measures provides a consistent basis to evaluate our operating profitability and performance trends across comparable periods. These reconciling items are indicated on the accompanying reconciliation schedules and are more fully described in VPG’s financial statements presented in our Annual Report on Form 10-K and its Quarterly Reports on Forms 10-Q.

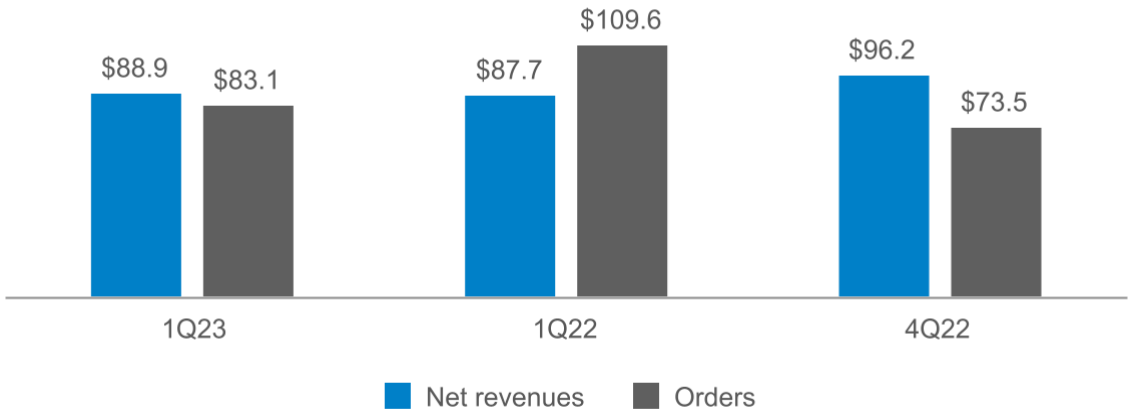
First Quarter 2023 Overview

- VPG achieved another solid quarter of performance.
- Revenue in line with our expectations.
- Increased our gross margin sequentially and year-over year.
- Order trends improved through the first quarter.
- Strong balance sheet and free cash flow support internal growth investments, potential M&A, and share repurchase authorization.



Fiscal First Quarter 2023 Highlights

Consolidated Financial Highlights (in $ millions)

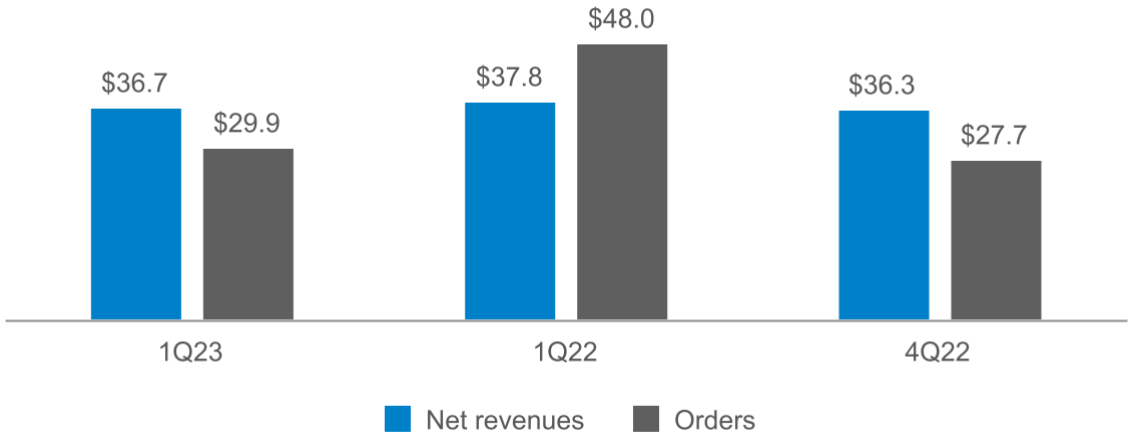


($ in millions, except margin data and book-to-bill ratio)	1Q23	1Q22	4Q22
Net revenues	$ 88.9	$ 87.7	$ 96.2
Gross margin	41.9 %	40.2 %	41.2 %
Adjusted gross margin	41.9 %	41.0 %	41.5 %
Net Earnings per Diluted Share	$ 0.51	$ 0.46	$ 0.65
Adj. Net Earnings per Diluted Share	$ 0.52	$ 0.49	$ 0.76
Adj. EBITDA	14.1	12.6	17.5
Book-to-Bill	0.94	1.25	0.76
End-of-period backlog	150.4	170.6	155.0

- Revenue of $88.9 million, grew 1.4% from the prior year and declined 7.7% sequentially.
- Adj. gross margin of 41.9% improved from 41.0% a year ago and 41.5% in 4Q22.
- Adj. net earnings per diluted share of $0.52 grew 6.1% from the prior year.
- Generated adj. EBITDA of $14.1 million, or 15.9% of revenue.
- Book-to-bill of 0.94x reflecting orders of $83.1 million.
- Strong backlog of $150.4 million.

Sensors: First Quarter 2023 Highlights

(in $ millions)

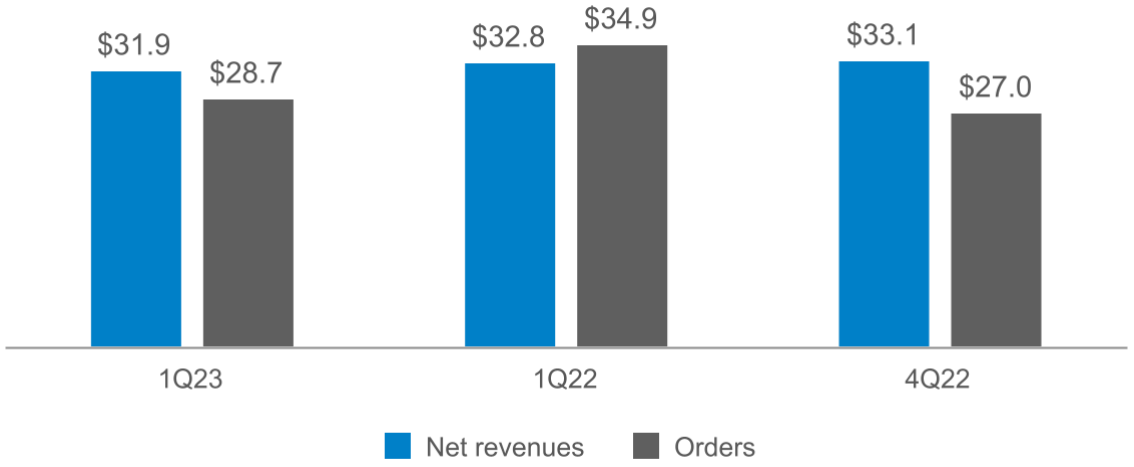


($ in millions, except margin data and book-to-bill ratio)	1Q23	1Q22	4Q22
Net revenues	$ 36.7	$ 37.8	$ 36.3
Book-to-Bill	0.82	1.27	0.76
Gross profit	$ 15.1	$ 14.3	$ 13.6
Gross profit margin	41.2 %	37.8 %	37.6 %
Adjusted gross profit margin	41.2 %	38.6 %	37.6 %

- Sensors 1Q23 revenues increased 1.1% sequentially, as higher sales of precision resistors in Avionics, Military and Space (AMS) offset lower sales of advanced sensors in consumer markets.
- Sequentially, 1Q23 Sensors' adj. gross margin of 41.2% reflected manufacturing efficiencies and favorable F/X.
- Orders of $29.9 million grew 8.2% compared to 4Q22 driven by Test & Measurement and AMS.
- Book-to-bill of 0.82x

Weighing Solutions: First Quarter 2023 Highlights

(in $ millions)

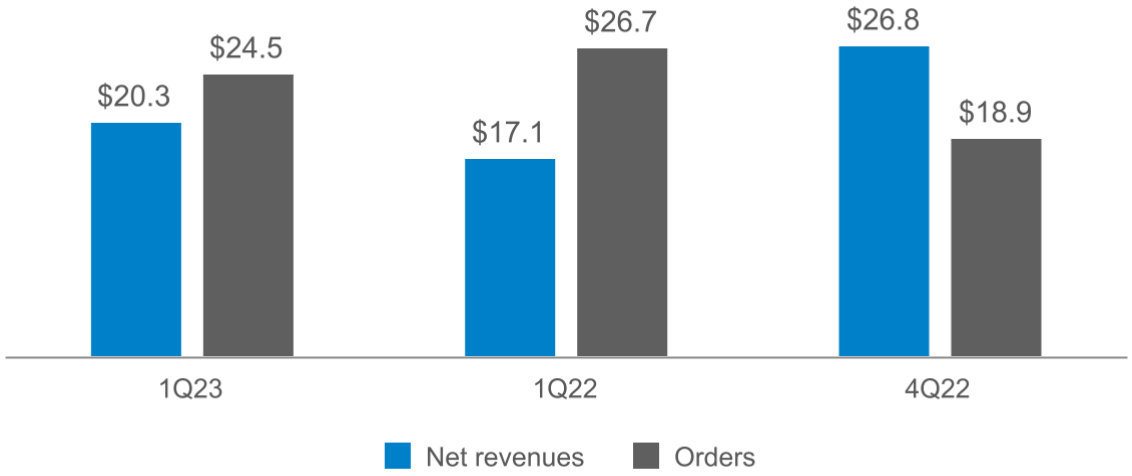


($ in millions, except margin data and book-to-bill ratio)	1Q23	1Q22	4Q22
Net revenues	$ 31.9	$ 32.8	$ 33.1
Book-to-Bill	0.90	1.06	0.82
Gross profit	$ 11.1	$ 12.1	$ 11.0
Gross profit margin	34.9 %	36.9 %	33.4 %
Adjusted gross profit margin	34.9 %	36.9 %	33.4 %

- 1Q23 revenues decreased 3.7% sequentially and decreased 2.8% from the prior year.
- Sequentially, the decline in revenue reflected lower sales in the Industrial Weighing market, partially offset by growth in sales of onboard weighing products for the Transportation market.
- Adj. gross margin of 34.9% improved from 33.4% in 4Q22.
- Orders of $28.7 million grew 6.2% sequentially, mainly in the Transportation market.
- Book-to-bill of 0.90, up from 0.82 in 4Q22.

Measurement Systems: First Quarter 2023 Highlights

(in $ millions)

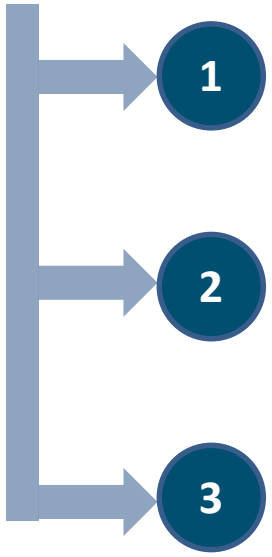


($ in millions, except margin data and book-to-bill ratio)	1Q23	1Q22	4Q22
Net revenues	$ 20.3	$ 17.1	$ 26.8
Book-to-Bill	1.21	1.56	0.70
Gross profit	$ 10.9	$ 8.9	$ 15.0
Gross profit margin	53.9 %	51.8 %	55.9 %
Adjusted gross profit margin	54.1 %	54.1 %	56.8 %

- 1Q23 revenues declined 24.4% sequentially due to timing of project-driven shipments.
- The 18.3% year-over-year increase in revenue was due to higher revenue in the steel market.
- Orders of $24.5 million grew 30.0% from 4Q22 as customer quote activity remains strong. Steel orders grew 49.4% as compared to 4Q22.
- Book-to-bill was 1.21x reflects project-driven orders.
- Redesign of DTS product due to shortage of key microchip component expected to delay approximately $1.5 million of shipments per quarter in 2Q23 and 3Q23. The majority of these delayed shipments is expected to ship in 4Q23.

VPG's Business Model, Cash Generation, and Balance Sheet Support Growth Focused Capital Allocation Strategy

Capital Allocation Priorities:



1 Internal Investments

- Manufacturing capacity expansion and optimization
- New product and market development.

2 Value-Creating M&A

- Strategic, profitable niche businesses with strong brands, differentiated products, and seasoned management teams; example: DTS acquired in June 2021.
- Bolt-on or transformational M&A.

3 Stock Repurchases

- Repurchased $2.7 million of stock through 1Q23 under the stock repurchase plan authorized by our Board of Directors in August 2022.

Financial Results

($ in millions, except margin data and per share amounts)	Fiscal quarter ended April 1, 2023	April 2, 2022	December 31, 2022
Net revenues	$ 88.9	$ 87.7	$ 96.2
Gross profit	$ 37.2	$ 35.3	$ 39.7
Gross profit margin	41.9 %	40.2 %	41.2 %
Adjusted gross profit	$ 37.2	$ 35.9	$ 39.9
Adjusted gross proft margin	41.9 %	41.0 %	41.5 %
Selling, general, and administrative expenses	$ 27.2	$ 26.7	$ 26.5
Operating income	$ 9.9	$ 8.3	$ 13.0
Operating margin	11.2 %	9.5 %	13.6 %
Adjusted operating income	$ 10.1	$ 9.2	$ 13.5
Adjusted operating margin	11.4 %	10.5 %	14.0 %
Net earnings attributable to VPG stockholders	$ 7.0	$ 6.4	$ 8.8
Diluted earnings per share attributable to VPG stockholders	$ 0.51	$ 0.46	$ 0.65
Adjusted net earnings attributable to VPG stockholders	$ 7.0	$ 6.6	$ 10.4
Adjusted net earnings per diluted share	$ 0.52	$ 0.49	$ 0.76

Selected Balance Sheet Items

($ in Millions)

	April 1, 2023	April 2, 2022	December 31, 2022
Cash & cash equivalents	$ 93.3	$ 78.2	$ 88.6
Total assets	480.8	457.8	476.7
Total long-term debt	60.8	60.7	60.8
Total liabilities	165.9	176.0	170.2

Q&A

Appendix

First Quarter 2023 Market Trends

Consolidated Revenue by Market

$ in millions	1Q23	1Q22	4Q22
Test & Measurement	$ 18.7	$ 18.0	$ 18.3
Avionics, Military, Space	11.7	8.2	9.8
Transportation	12.5	14.0	14.8
Industrial Weighing	11.0	13.2	13.5
General Industrial	4.8	5.9	5.0
Steel	10.9	7.4	14.3
Other Markets	19.3	21.2	20.5
Total	$ 88.9	$ 87.7	$ 96.2

Reconciliation of Adjusted Gross Profit, Operating Income, Net Earnings and Diluted Earnings Per Share - Quarter

	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
Three months ended	**April 1, 2023**	**April 2, 2022**	**April 1, 2023**	**April 2, 2022**	**April 1, 2023**	**April 2, 2022**	**April 1, 2023**	**April 2, 2022**
As reported - GAAP	**$ 37,199**	$ 35,250	**$ 9,924**	$ 8,315	**$ 6,964**	$ 6,356	**$ 0.51**	$ 0.46
As reported - GAAP Margins	**41.9 %**	40.2 %	**11.2 %**	9.5 %				
Acquisition purchase accounting adjustments	**49**	371	**49**	371	**49**	371	—	0.03
COVID-19 impact	**—**	138	**—**	138	**—**	138	—	0.01
Start-up costs	**—**	150	—	150	—	150	—	0.01
Restructuring costs	—	—	**116**	261	**116**	261	0.01	0.02
Foreign currency exchange (gain)/loss	—	—	—	—	**(62)**	(554)	—	(0.04)
Less: Tax effect of reconciling items and discrete tax items	—	—	—	—	**$ 32**	$ 76	**$ —**	$ —
As Adjusted - Non GAAP	**$ 37,248**	$ 35,909	**$ 10,089**	$ 9,235	**$ 7,035**	$ 6,646	**$ 0.52**	$ 0.49
As Adjusted - Non GAAP Margins	**41.9 %**	41.0 %	**11.4 %**	10.5 %				

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

In $ thousands, except margin data	Fiscal quarter ended		
	April 1, 2023	April 2, 2022	December 31, 2022
Net earnings attributable to VPG stockholders	$ 6,964	$ 6,356	$ 8,834
Interest Expense	997	329	876
Income tax expense	2,220	1,741	1,884
Depreciation	2,919	2,853	2,882
Amortization	939	970	952
EBITDA	$ 14,039	$ 12,249	$ 15,428
EBITDA MARGIN	15.8 %	14.0 %	16.0 %
Acquisition purchase accounting adjustments	49	371	240
Restructuring costs	116	261	188
COVID-19 impact	—	138	—
Start-up costs	—	150	—
Foreign currency exchange (gain)/loss	(62)	(554)	1,616
ADJUSTED EBITDA	$ 14,142	$ 12,615	$ 17,472
ADJUSTED EBITDA MARGIN	15.9 %	14.4 %	18.2 %

Reconciliation of Adjusted Gross Profit by Segment

In $ thousands except margin data	Fiscal quarter ended April 1, 2023	Fiscal quarter ended April 2, 2022	Fiscal quarter ended December 31, 2022
Sensors			
As reported - GAAP	$ 15,144	$ 14,286	$ 13,645
As reported - GAAP Margins	41.2 %	37.8 %	37.6 %
Start-up costs	—	150	—
COVID-19 impact	$ —	$ 121	$ —
As Adjusted - Non GAAP	$ 15,144	$ 14,557	$ 13,645
As Adjusted - Non GAAP Margins	41.2 %	38.6 %	37.6 %
Weighing Solutions			
As reported - GAAP	$ 11,129	$ 12,079	$ 11,043
As reported - GAAP Margins	34.9 %	36.9 %	33.4 %
As Adjusted - Non GAAP	$ 11,129	$ 12,079	$ 11,043
As Adjusted - Non GAAP Margins	34.9 %	36.9 %	33.4 %
Measurement Systems			
As reported - GAAP	$ 10,926	$ 8,885	$ 15,009
As reported - GAAP Margins	53.9 %	51.8 %	55.9 %
Acquisition purchase accounting adjustments	49	371	240
COVID-19 impact	$ —	$ 17	$ —
As Adjusted - Non GAAP	$ 10,975	$ 9,273	$ 15,249
As Adjusted - Non GAAP Margins	54.1 %	54.1 %	56.8 %

VPG Sustainability

- Launched formal corporate Environmental, Social and Governance ("ESG") program in 2022.
- Completed a materiality assessment and internal scorecard and developed short and long-term objectives.

Milestones to-date include:

- Revised Board Committee charters to include ESG topics and oversight
- Launched a sustainability website, sharing key ESG performance indicators and adding ESG policies.
- Increased diversity of our Board of Directors and key positions across the Company
- Implemented conflict minerals policies
- Updated business code of conduct and ethics, augmenting our EH&S policies and objectives
- Upgraded cyber security programs

