

Vishay Precision Group

Second Fiscal Quarter 2023 Earnings

August 8, 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; potential 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.

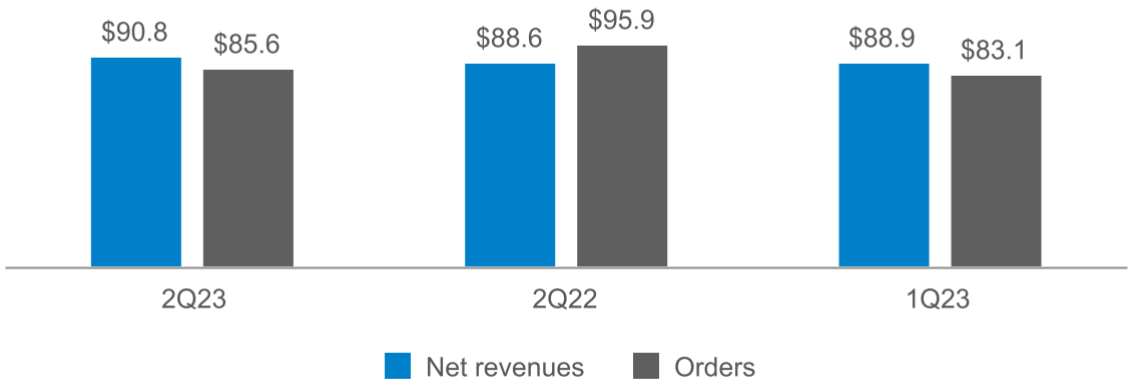
Second Quarter 2023 Overview

- VPG achieved another solid quarter of performance.
- Grew revenue year-over-year and sequentially.
- Increased adj. gross margin, adj. operating margin, and adj. diluted EPS sequentially.
- Grew adj. EBITDA and free cash flow from 1Q23
- Solid 3Q23 outlook supported by backlog and customer engagement.



Fiscal Second Quarter 2023 Highlights

Consolidated Financial Highlights (in $ millions)

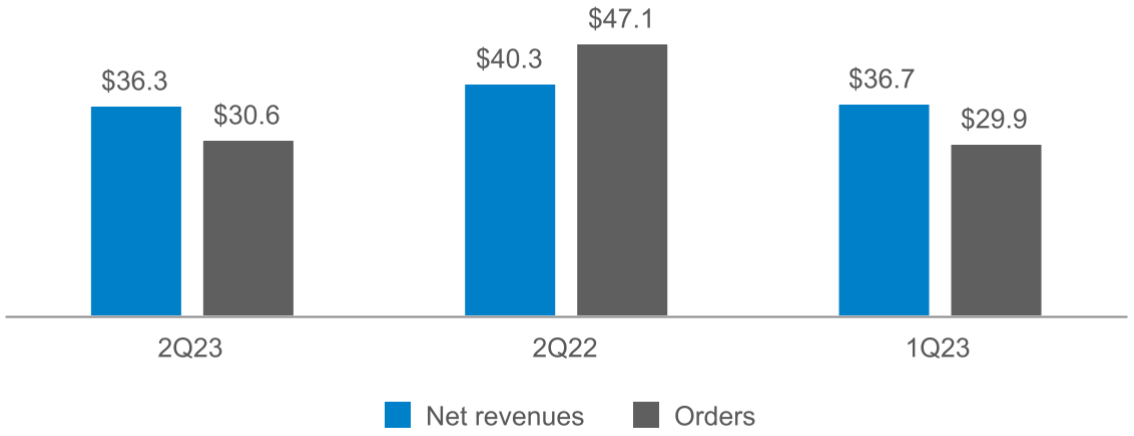


($ in millions, except margin data and book-to-bill ratio)	2Q23	2Q22	1Q23
Net revenues	$ 90.8	$ 88.6	$ 88.9
Gross margin	42.6 %	42.1 %	41.9 %
Adjusted gross margin	42.7 %	42.9 %	41.9 %
Net Earnings per Diluted Share	$ 0.60	$ 0.79	$ 0.51
Adj. Net Earnings per Diluted Share	$ 0.58	$ 0.68	$ 0.52
Adj. EBITDA	$ 16.0	$ 15.8	$ 14.1
Book-to-Bill	0.94	1.08	0.94
End-of-period backlog	$ 139.7	$ 167.8	$ 146.8

- Revenue of $90.8 million, grew 2.5% from the prior year and grew 2.2% sequentially.
- Adj. gross margin of 42.7% declined from 42.9% a year ago and increased from 41.9% in 1Q23.
- Adj. net earnings per diluted share of $0.58 decreased 14.7% from the prior year and grew 11.5% sequentially.
- Adj. EBITDA of $16.0 million and Free Cash Flow of $6.4 million grew 13.0% and 29.7% respectively, from 1Q23.
- Second-quarter orders increased 3% sequentially to $85.6 million and resulted in a book-to-bill of 0.94, reflecting higher orders for each of our business segments.

Sensors: Second Quarter 2023 Highlights

(in $ millions)

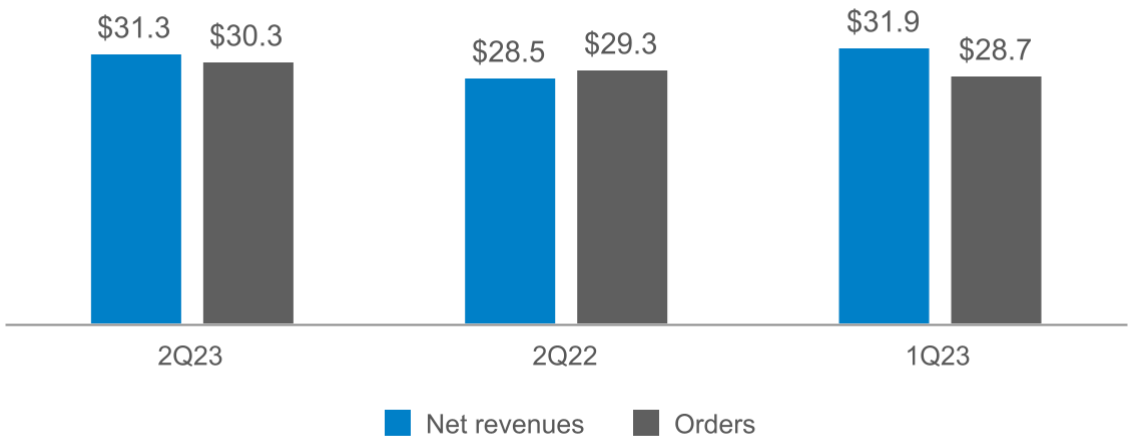


($ in millions, except margin data and book-to-bill ratio)	2Q23	2Q22	1Q23
Net revenues	$ 36.3	$ 40.3	$ 36.7
Book-to-Bill	0.84	1.17	0.82
Gross profit	$ 14.5	$ 17.8	$ 15.1
Gross profit margin	40.1 %	44.3 %	41.2 %
Adjusted gross profit margin	40.1 %	44.3 %	41.2 %

- Sensors 2Q23 revenues decreased 1.3% sequentially, as lower sales in Avionics, Military and Space (AMS) were partially offset by higher sales of advanced sensors in consumer markets.
- Sequentially, 2Q23 Sensors' adj. gross margin of 40.1% reflected lower volume, partially offset by favorable F/X.
- Orders of $30.6 million increased 2.3% sequentially.

Weighing Solutions: Second Quarter 2023 Highlights

(in $ millions)

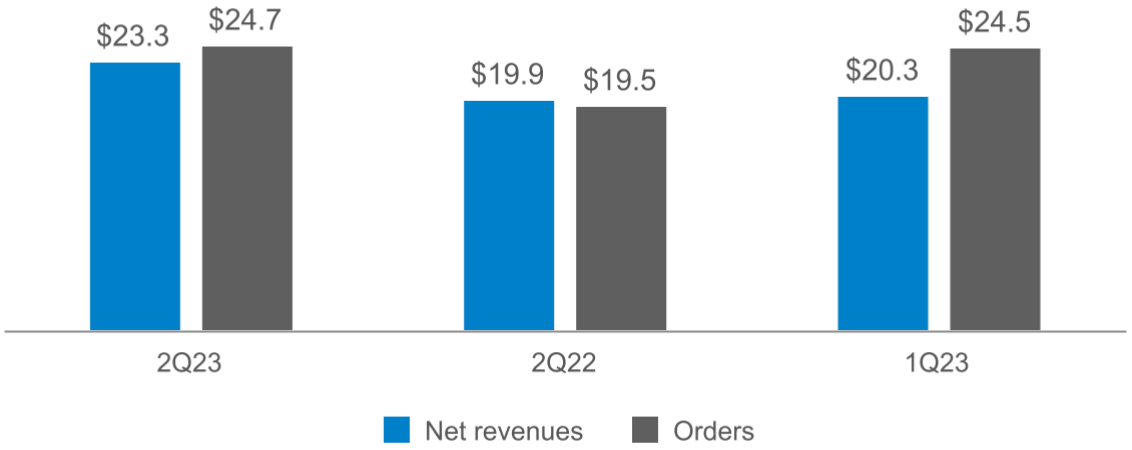


($ in millions, except margin data and book-to-bill ratio)	2Q23	2Q22	1Q23
Net revenues	$ 31.3	$ 28.5	$ 31.9
Book-to-Bill	0.97	1.03	0.90
Gross profit	$ 12.1	$ 9.6	$ 11.1
Gross profit margin	38.7 %	33.7 %	34.9 %
Adjusted gross profit margin	38.7 %	33.7 %	34.9 %

- 2Q23 revenues decreased 1.9% sequentially and increased 9.8% from the prior year.
- Sequentially, the decline in revenue reflected modestly lower sales for precision ag and construction applications partially offset by growth in sales in the Industrial Weighing market.
- Adj. gross margin of 38.7% improved from 34.9% in 1Q23 reflecting favorable product mix, higher ASPs, and the impact of cost reduction programs.
- Orders of $30.3 million increased 5.7% sequentially mainly due to higher orders in the Transportation and General Industrial markets.

Measurement Systems: Second Quarter 2023 Highlights

(in $ millions)

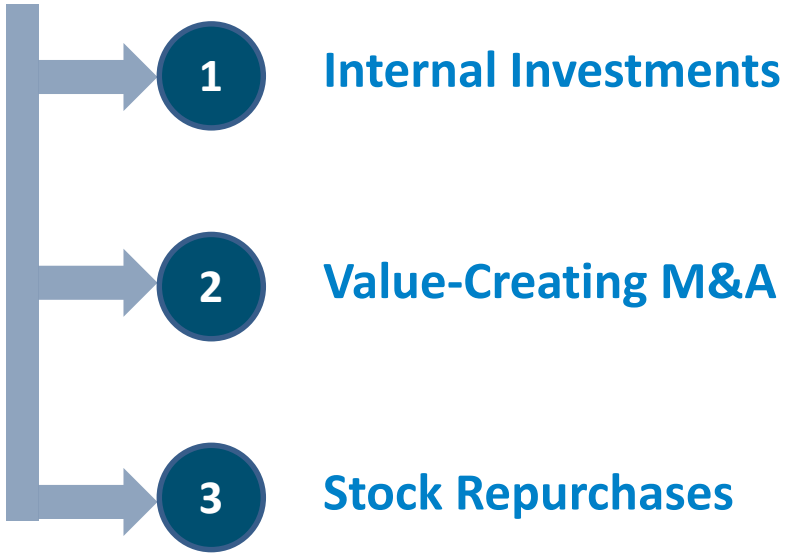


($ in millions, except margin data and book-to-bill ratio)	2Q23	2Q22	1Q23
Net revenues	$ 23.3	$ 19.9	$ 20.3
Book-to-Bill	1.06	0.98	1.21
Gross profit	$ 12.1	$ 9.9	$ 10.9
Gross profit margin	51.8 %	49.9 %	53.9 %
Adjusted gross profit margin	52.0 %	53.3 %	54.1 %

- 2Q23 revenues of $23.3 million increased 17.1% year-over-year and 14.8% sequentially due to higher sales to the Steel market.
- The redesign of a DTS product to improve the supply of a key component is on track and we expect the new design to begin shipping in the fourth quarter.
- 2Q23 gross margin declined sequentially reflecting the impact of unfavorable product mix amounting to approximately $1.0 million.
- Orders of $24.7 million were 26.5% higher than a year ago, and were up 0.7% from 1Q23.

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

Capital Allocation Priorities:



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

- 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.

- Repurchased $3.1 million of stock through 2Q23 under the stock repurchase plan authorized by our Board of Directors in August 2022 and extended through August 2024.

Financial Results

($ in millions, except margin data and per share amounts)	Fiscal quarter ended July 1, 2023	July 2, 2022	April 1, 2023
Net revenues	$ 90.8	$ 88.6	$ 88.9
Gross profit	$ 38.7	$ 37.3	$ 37.2
Gross profit margin	42.6 %	42.1 %	41.9 %
Adjusted gross profit	$ 38.8	$ 38.0	$ 37.2
Adjusted gross proft margin	42.7 %	42.9 %	41.9 %
Selling, general, and administrative expenses	$ 26.8	$ 25.9	$ 27.2
Operating income	$ 11.8	$ 10.6	$ 9.9
Operating margin	13.0 %	11.9 %	11.2 %
Adjusted operating income	$ 12.0	$ 12.1	$ 10.1
Adjusted operating margin	13.2 %	13.7 %	11.4 %
Net earnings attributable to VPG stockholders	$ 8.2	$ 10.8	$ 7.0
Diluted earnings per share attributable to VPG stockholders	$ 0.60	$ 0.79	$ 0.51
Adjusted net earnings attributable to VPG stockholders	$ 8.0	$ 9.3	$ 7.0
Adjusted net earnings per diluted share	$ 0.58	$ 0.68	$ 0.52

Selected Balance Sheet Items

($ in Millions)

	July 1, 2023	July 2, 2022	April 1, 2023
Cash & cash equivalents	$ 98.5	$ 79.4	$ 93.3
Total assets	$ 487.0	$ 458.4	$ 480.8
Total long-term debt	$ 60.8	$ 60.8	$ 60.8
Total liabilities	$ 165.3	$ 173.0	$ 165.9

Q&A

Appendix

Second Quarter 2023 Market Trends

Consolidated Revenue by Market

$ in millions	2Q23	2Q22	1Q23
Test & Measurement	$ 18.7	$ 21.5	$ 18.7
Avionics, Military, Space	8.3	6.9	11.7
Transportation	13.0	13.2	12.5
Industrial Weighing	12.0	12.9	11.0
General Industrial	5.4	5.3	4.8
Steel	14.9	10.8	10.9
Other Markets	18.5	18.0	19.3
Total	$ 90.8	$ 88.6	$ 88.9

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	**July 1, 2023**	**July 2, 2022**	**July 1, 2023**	**July 2, 2022**	**July 1, 2023**	**July 2, 2022**	**July 1, 2023**	**July 2, 2022**
As reported - GAAP	**$ 38,712**	$ 37,334	**$ 11,795**	$ 10,551	**$ 8,236**	$ 10,755	**$ 0.60**	$ 0.79
As reported - GAAP Margins	**42.6 %**	42.1 %	**13.0 %**	11.9 %				
Acquisition purchase accounting adjustments	**41**	679	**41**	679	**41**	679	—	0.05
Restructuring costs	—	—	**162**	904	**162**	904	0.01	0.07
Foreign currency exchange (gain)/loss	—	—	—	—	**(794)**	(3,380)	(0.05)	(0.25)
Less: Tax effect of reconciling items and discrete tax items	—	—	—	—	**$ (312)**	$ (377)	**$ (0.02)**	$ (0.02)
As Adjusted - Non GAAP	**$ 38,753**	$ 38,013	**$ 11,998**	$ 12,134	**$ 7,957**	$ 9,335	**$ 0.58**	$ 0.68
As Adjusted - Non GAAP Margins	**42.7 %**	42.9 %	**13.2 %**	13.7 %				

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

	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
Six fiscal months ended	**7/1/2023**	**7/2/2022**	**7/1/2023**	**7/2/2022**	**7/1/2023**	**7/2/2022**	**7/1/2023**	**7/2/2022**
As reported - GAAP	**$ 75,911**	$ 72,584	**$ 21,719**	$ 18,866	**$ 15,200**	$ 17,111	**$ 1.11**	$ 1.25
As reported - GAAP Margins	**42.3 %**	41.2 %	**12.1 %**	10.7 %				
Acquisition purchase accounting adjustments	**90**	1,050	**90**	1,050	**90**	1,050	**0.01**	0.08
COVID-19 impact	**—**	138	**—**	138	**—**	138	**—**	0.01
Start-up costs	**—**	150	**—**	150	**—**	150	**—**	0.01
Restructuring costs			**278**	1,165	**278**	1,165	**0.02**	0.09
Foreign currency exchange (gain)/loss					**(856)**	(3,934)	**(0.06)**	(0.29)
Less: Tax effect of reconciling items and discrete tax items					**$ (280)**	$ (302)	**$ (0.02)**	$ (0.02)
As Adjusted - Non GAAP	**$ 76,001**	$ 73,922	**$ 22,087**	$ 21,369	**$ 14,992**	$ 15,982	**$ 1.10**	$ 1.17
As Adjusted - Non GAAP Margins	**42.3 %**	41.9 %	**12.3 %**	12.1 %				

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

In $ thousands, except margin data	Fiscal quarter ended		
	July 1, 2023	**July 2, 2022**	**April 1, 2023**
Net earnings attributable to VPG stockholders	$ 8,236	$ 10,755	$ 6,964
Interest Expense	1,079	428	997
Income tax expense	3,384	2,587	2,220
Depreciation	2,933	2,832	2,919
Amortization	934	967	939
EBITDA	$ 16,566	$ 17,569	$ 14,039
EBITDA MARGIN	18.2 %	19.8 %	15.8 %
Acquisition purchase accounting adjustments	41	679	49
Restructuring costs	162	904	116
Foreign currency exchange (gain)/loss	(794)	(3,380)	(62)
ADJUSTED EBITDA	$ 15,975	$ 15,772	$ 14,142
ADJUSTED EBITDA MARGIN	17.6 %	17.8 %	15.9 %

Reconciliation of Adjusted Gross Profit by Segment

In $ thousands except margin data	Fiscal quarter ended		
	July 1, 2023	**July 2, 2022**	**April 1, 2023**
Sensors			
As reported - GAAP	**$ 14,549**	**$ 17,831**	**$ 15,144**
As reported - GAAP Margins	**40.1 %**	**44.3 %**	**41.2 %**
As Adjusted - Non GAAP	**$ 14,549**	**$ 17,831**	**$ 15,144**
As Adjusted - Non GAAP Margins	**40.1 %**	**44.3 %**	**41.2 %**
Weighing Solutions			
As reported - GAAP	**$ 12,107**	**$ 9,585**	**$ 11,129**
As reported - GAAP Margins	**38.7 %**	**33.7 %**	**34.9 %**
As Adjusted - Non GAAP	**$ 12,107**	**$ 9,585**	**$ 11,129**
As Adjusted - Non GAAP Margins	**38.7 %**	**33.7 %**	**34.9 %**
Measurement Systems			
As reported - GAAP	**$ 12,056**	**$ 9,918**	**$ 10,926**
As reported - GAAP Margins	**51.8 %**	**49.9 %**	**53.9 %**
Acquisition purchase accounting adjustments	**41**	**679**	**49**
As Adjusted - Non GAAP	**$ 12,097**	**$ 10,597**	**$ 10,975**
As Adjusted - Non GAAP Margins	**52.0 %**	**53.3 %**	**54.1 %**

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

