1Q24 Earnings Call

May 7, 2024

Focused on precision measurement and sensing technologies that make the world

SAFER, SMARTER, AND MORE PRODUCTIVE

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, and health (including pandemics) instabilities; instability caused by military hostilities in the countries in which we operate (including Israel); 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, 2023. 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 2024 Overview

- Achieved revenue at the low end of our guidance, reflecting mixed trends across our businesses and end-markets.
- Orders of $75.3 million were flat sequentially and were impacted by continuing soft demand in some markets, mainly in industrial and semiconductor test equipment.
- Achieved record gross margin of 43.4%, despite sequentially lower revenue, reflecting cost reduction and efficiency programs.
- Generated solid cash flow and deployed capital to repurchase common stock.
- Continued focus on long-term strategic growth and efficiency initiatives



Moving to Larger Markets

VPG is an established leader in legacy niche markets including Industrial Weighing, General Industrial, and Steel.



VPG's focus has shifted to larger, faster growing markets including consumer, medical, and robotics that are being driven by a number of trends such as electrification, industrial automation and defense/space.

EXTERNAL DRIVERS

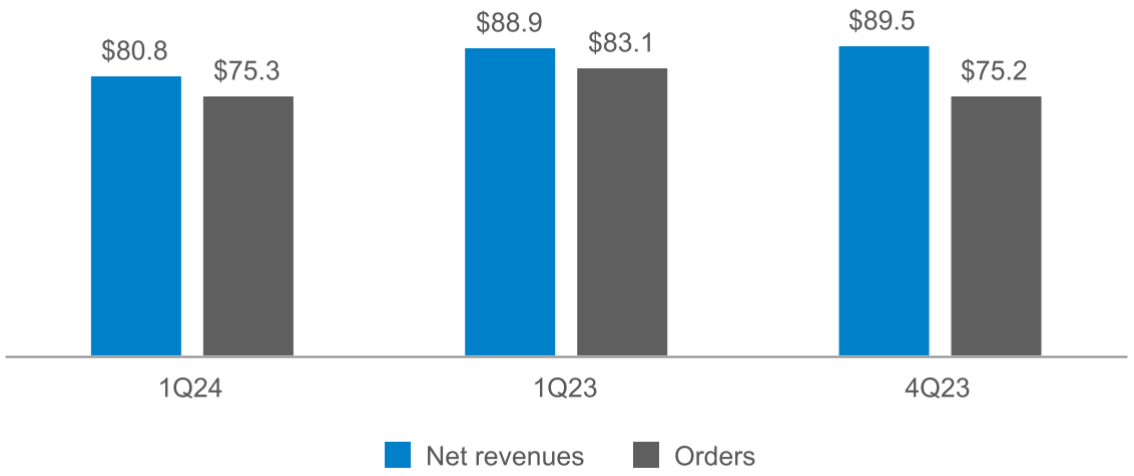
- Proliferation of Sensors and precision measurement systems
- Secular market trends requiring greater levels of precision and performance

INTERNAL INVESTMENT

- Expanded Business Development
- Enhanced R&D investment
- Operational Excellence

Fiscal First Quarter 2024 Highlights

Consolidated Financial Highlights (in $ millions)

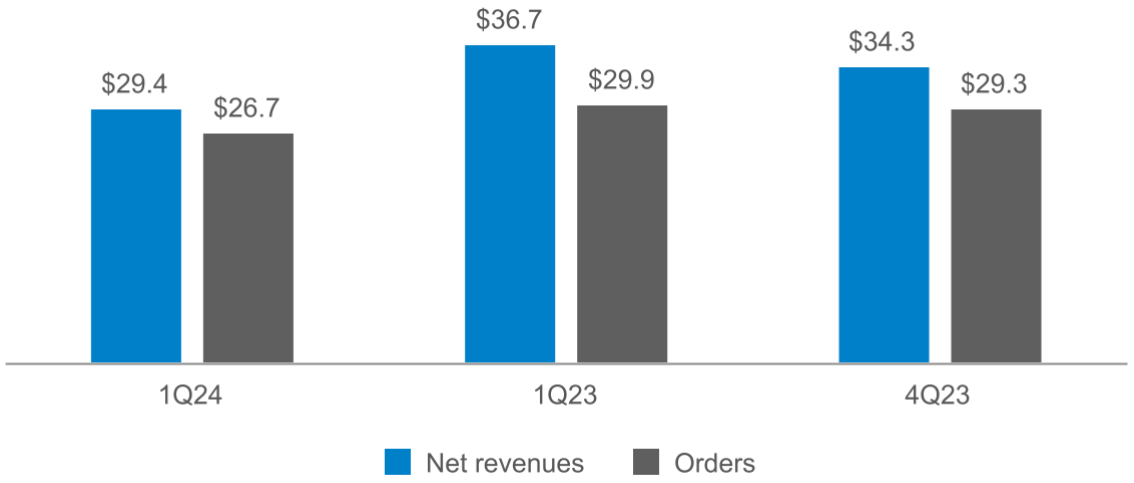


($ in millions, except margin data and book-to-bill ratio)	1Q24	1Q23	4Q23
Net revenues	$ 80.8	$ 88.9	$ 89.5
Gross profit margin	43.4 %	41.9 %	43.0 %
Adjusted gross profit margin	43.4 %	41.9 %	43.0 %
Net Earnings per Diluted Share	$ 0.44	$ 0.51	$ 0.31
Adj. Net Earnings per Diluted Share	$ 0.42	$ 0.52	$ 0.61
Adj. EBITDA	12.3	14.1	16.5
Book-to-Bill	0.93	0.94	0.84
End-of-period backlog	109.6	146.8	117.3

- Revenue of $80.8 million, declined 9.1% from the prior year and 9.8% sequentially.
- Adj. gross profit margin of 43.4% reached a record level and increased from 41.9% a year ago and from 43.0% in 4Q23.
- Adj. net earnings per diluted share of $0.42 decreased from $0.52 in the prior year and from $0.61 in the fourth quarter.
- Adj. EBITDA was $12.3 million or 15.3% of revenue.
- First-quarter orders were sequentially flat, as higher demand in avionics, military and space ("AMS"), Transportation, Steel, and in consumer applications offset softness in Industrial markets as well as lower bookings in Test & Measurement mainly due to the timing of customer orders. 1Q24 book-to-bill ratio was 0.93.
- Given customer order patterns, our expected recovery in demand has been pushed out to the latter part of this year.

Sensors: First Quarter 2024 Highlights

(in $ millions)

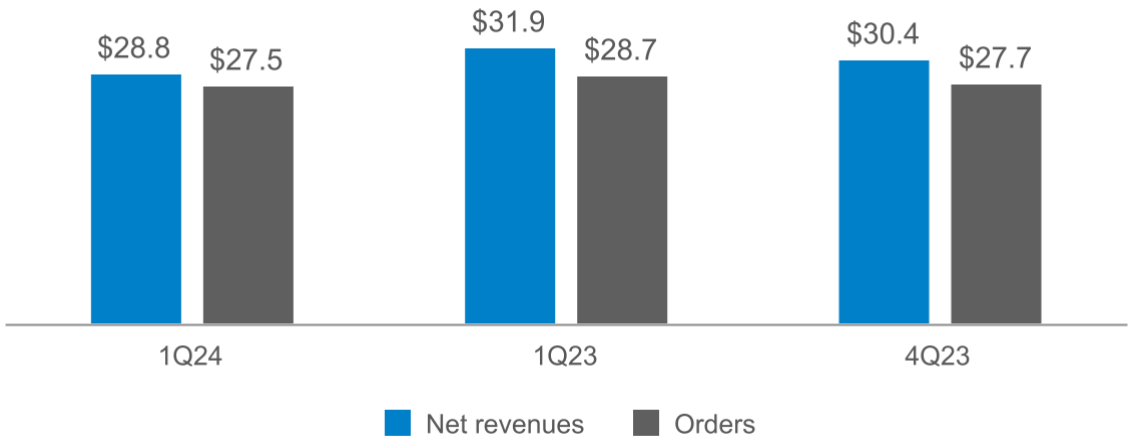


($ in millions, except margin data and book-to-bill ratio)	1Q24	1Q23	4Q23
Net revenues	$ 29.4	$ 36.7	$ 34.3
Book-to-Bill	0.91	0.82	0.85
Gross profit	$ 10.7	$ 15.1	$ 13.8
Gross profit margin	36.5 %	41.2 %	40.2 %

- Sensors 1Q24 revenues decreased 14.1% sequentially due to lower revenue in the Test & Measurement and AMS markets.
- 1Q24 Sensors' gross profit margin of 36.5% which declined from 40.2% in 4Q23 primarily reflected lower volume, partially offset by improved efficiencies.
- Orders of $26.7 million declined 8.9% sequentially, as stronger bookings in consumer were offset by lower orders in Test & Measurement and AMS which reflected in part the timing of customers' orders and projects.

Weighing Solutions: First Quarter 2024 Highlights

(in $ millions)

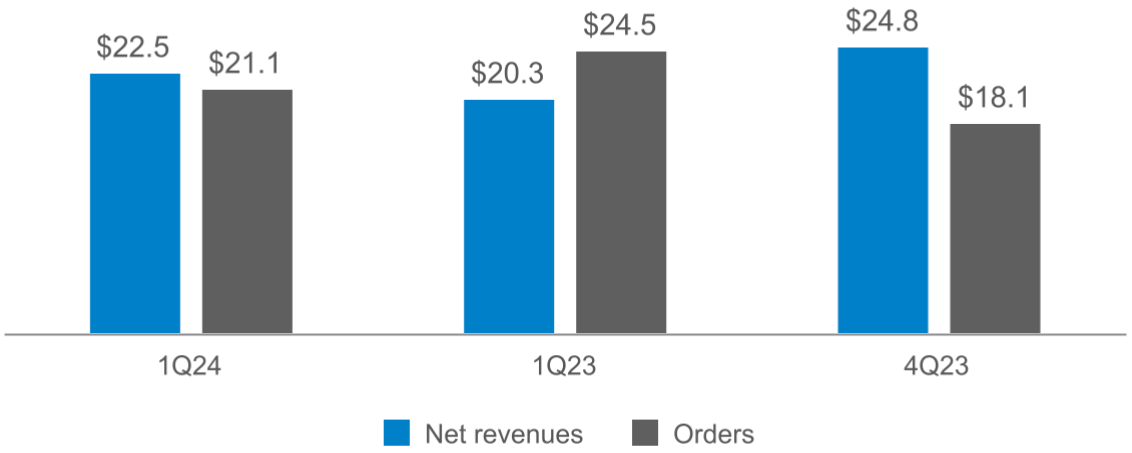


($ in millions, except margin data and book-to-bill ratio)	1Q24	1Q23	4Q23
Net revenues	$ 28.8	$ 31.9	$ 30.4
Book-to-Bill	0.95	0.90	0.91
Gross profit	$ 11.3	$ 11.1	$ 10.8
Gross profit margin	39.1 %	34.9 %	35.6 %

- 1Q24 revenues decreased 5.2% sequentially and 9.5% from the prior year.
- The sequential revenue decline was mainly attributable to lower OEM sales in our Other markets for precision agriculture and construction applications and lower sales in our Industrial Weighing market, partially offset by higher sales in the Transportation market.
- Gross profit margin of 39.1% reached a record high and increased from 35.6% in 4Q23. The sequential increase reflected a reduction of inventory in the fourth quarter which did not repeat in the first quarter, as well as cost reduction programs which were partially offset by lower sales volume.
- Orders of $27.5 million declined modestly from 4Q23 as weaker demand in Industrial Weighing and in precision agriculture offset higher bookings in Transportation and General Industrial.

Measurement Systems: First Quarter 2024 Highlights

(in $ millions)



($ in millions, except margin data and book-to-bill ratio)	1Q24	1Q23	4Q23
Net revenues	$ 22.5	$ 20.3	$ 24.8
Book-to-Bill	0.94	1.21	0.73
Gross profit	$ 13.1	$ 10.9	$ 13.9
Gross profit margin	58.1 %	53.9 %	56.0 %
Adjusted gross profit margin	58.1 %	54.1 %	56.1 %

- 1Q24 revenues of $22.5 million declined sequentially 9.3% and were 11.1% higher year-over-year.
- Sequentially, the decrease in revenue was primarily due to the lower sales of DTS in the AMS and Transportation markets, partially offset by higher sales in the Steel market.
- 1Q24 gross profit margin of 58.1% increased sequentially due to favorable product mix and inventory adjustments, partially offset by the impact of lower revenue.
- Orders of $21.1 million grew 16.4% sequentially, reflecting stronger bookings in AMS and Steel.

Growth-Oriented Capital Allocation Priorities

01

Internal Investments

- Business development
- Operational excellence and manufacturing optimization
- New product and market development.

02

Value-Creating M&A

- Strategic, profitable niche businesses with strong brands, differentiated products, and seasoned management teams.
- Bolt-on or transformational M&A.
- Completed 5 acquisitions.

03

Stock Repurchases

- Repurchased $2.8 million of common stock in 1Q24. Since August 2022, the company has repurchased $11.4 million of common stock under the stock repurchase plan authorized by our Board of Directors.

Financial Results

($ in millions, except margin data and per share amounts)	Fiscal quarter ended March 30, 2024	April 1, 2023	December 31, 2023
Net revenues	$ 80.8	$ 88.9	$ 89.5
Gross profit	$ 35.1	$ 37.2	$ 38.5
Gross profit margin	43.4 %	41.9 %	43.0 %
Adjusted gross profit	$ 35.1	$ 37.2	$ 38.5
Adjusted gross proft margin	43.4 %	41.9 %	43.0 %
Selling, general, and administrative expenses	$ 27.4	$ 27.2	$ 26.4
Operating income	$ 6.9	$ 9.9	$ 12.0
Operating margin	8.6 %	11.2 %	13.4 %
Adjusted operating income	$ 8.0	$ 10.1	$ 12.2
Adjusted operating margin	10.0 %	11.4 %	13.6 %
Net earnings attributable to VPG stockholders	$ 5.9	$ 7.0	$ 4.2
Diluted earnings per share attributable to VPG stockholders	$ 0.44	$ 0.51	$ 0.31
Adjusted net earnings attributable to VPG stockholders	$ 5.7	$ 7.0	$ 8.2
Adjusted net earnings per diluted share	$ 0.42	$ 0.52	$ 0.61

Gross Margin by Segment

	1Q24	1Q23	4Q23
Sensors	36.5%	41.2%	40.2%
Weighing Solutions	39.1%	34.9%	35.6%
Measurement Systems	58.1%	53.9%	56.0%
Measurement Systems - adjusted	58.1%	54.1%	56.0%

Selected Balance Sheet Items

($ in Millions)

	March 30, 2024	April 1, 2023	December 31, 2023
Cash & cash equivalents	$ 83.0	$ 93.3	$ 84.0
Total assets	$ 466.2	$ 480.8	$ 471.6
Current portion of long-term debt	$ 31.9	—	—
Long-term debt	—	$ 60.8	$ 31.9
Total liabilities	$ 138.3	$ 165.9	$ 141.6

Q&A

Appendix

First Quarter 2024 Market Trends

Consolidated Revenue by Market

$ in millions	1Q24	1Q23	4Q23
Test & Measurement	$ 15.7	$ 18.7	$ 19.5
Avionics, Military, Space	7.0	11.7	10.0
Transportation	14.4	12.5	14.1
Industrial Weighing	9.8	11.0	10.3
General Industrial	5.3	4.8	5.1
Steel	12.7	10.9	12.3
Other Markets	16.0	19.3	18.2
Total	$ 80.8	$ 88.9	$ 89.5

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	**March 30, 2024**	**April 1, 2023**	**March 30, 2024**	**April 1, 2023**	**March 30, 2024**	**April 1, 2023**	**March 30, 2024**	**April 1, 2023**
As reported - GAAP	**$ 35,094**	$ 37,199	**$ 6,918**	$ 9,924	**$ 5,891**	$ 6,964	**$ 0.44**	$ 0.51
As reported - GAAP Margins	**43.4 %**	41.9 %	**8.6 %**	11.2 %				
Acquisition purchase accounting adjustments	**—**	49	**—**	49	**—**	49	—	—
Restructuring costs	—	—	**782**	116	**782**	116	0.06	0.01
Severance cost	—	—	**347**	—	**347**	—	0.03	—
Foreign currency exchange (gain) loss	—	—	—	—	**(1,589)**	(62)	(0.12)	—
Less: Tax effect of reconciling items and discrete tax items	—	—	—	—	**$ (238)**	$ 32	**$ (0.01)**	$ —
As Adjusted - Non GAAP	**$ 35,094**	$ 37,248	**$ 8,047**	$ 10,089	**$ 5,669**	$ 7,035	**$ 0.42**	$ 0.52
As Adjusted - Non GAAP Margins	**43.4 %**	41.9 %	**10.0 %**	11.4 %				

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

In $ thousands, except margin data	Fiscal quarter ended		
	March 30, 2024	**April 1, 2023**	**December 31, 2023**
Net earnings attributable to VPG stockholders	$ 5,891	$ 6,964	$ 4,227
Interest Expense	628	997	779
Income tax expense	2,318	2,220	4,403
Depreciation	3,016	2,919	2,992
Amortization	927	939	999
EBITDA	$ 12,780	$ 14,039	$ 13,400
EBITDA MARGIN	15.8 %	15.8 %	15.0 %
Acquisition purchase accounting adjustments	—	49	31
Restructuring costs	782	116	129
Severance cost	347	—	—
Foreign currency exchange (gain) loss	(1,589)	(62)	2,961
ADJUSTED EBITDA	$ 12,320	$ 14,142	$ 16,521
ADJUSTED EBITDA MARGIN	15.3 %	15.9 %	18.5 %

Reconciliation of Adjusted Gross Profit by Segment

In $ thousands except margin data	Fiscal quarter ended March 30, 2024	April 1, 2023	December 31, 2023
Sensors			
As reported - GAAP	$ 10,732	$ 15,144	$ 13,761
As reported - GAAP Margins	36.5 %	41.2 %	40.2 %
As Adjusted - Non GAAP	$ 10,732	$ 15,144	$ 13,761
As Adjusted - Non GAAP Margins	36.5 %	41.2 %	40.2 %
Weighing Solutions			
As reported - GAAP	$ 11,266	$ 11,129	$ 10,834
As reported - GAAP Margins	39.1 %	34.9 %	35.6 %
As Adjusted - Non GAAP	$ 11,266	$ 11,129	$ 10,834
As Adjusted - Non GAAP Margins	39.1 %	34.9 %	35.6 %
Measurement Systems			
As reported - GAAP	$ 13,094	$ 10,926	$ 13,906
As reported - GAAP Margins	58.1 %	53.9 %	56.0 %
As Adjusted - Non GAAP	$ 13,094	$ 10,975	$ 13,937
As Adjusted - Non GAAP Margins	58.1 %	54.1 %	56.1 %

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 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

