4Q24 Earnings Call

February 12, 2025

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.

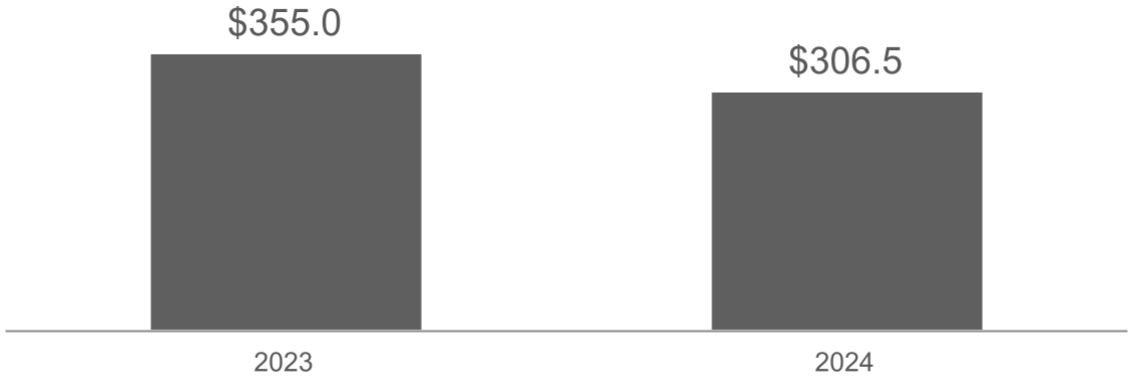
Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, expected, 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.

Fiscal 2024 Highlights

Consolidated Financial Highlights (in $ millions)

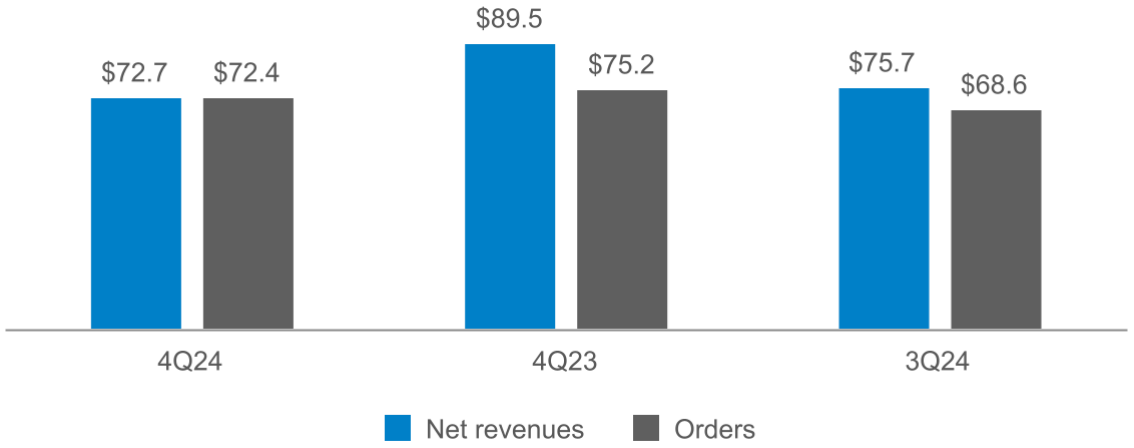


($ in millions, except per share data, margin data and book-to-bill ratio)	2023	2024
Net revenues	$ 355.0	$ 306.5
Gross Margin	42.3%	41.0%
Adj. Gross Margin	42.4%	41.0%
Net Earnings per Diluted Share	$ 1.88	$ 0.74
Adj. Net Earnings per Diluted Share	$ 2.17	$ 0.95
Adj. EBITDA	$ 60.4	$ 35.7
Adj. Free Cash Flow	$ 30.8	$ 11.3
Book-to-Bill	0.90	0.94
End-of-period backlog	$ 117.3	$ 96.2

- Revenue of $307 million was 13.7% lower than the prior year, reflecting macro and cyclical headwinds.
- Adjusted gross margin of 41.0%, adjusted operating margin of 6.0% and adjusted net earnings per diluted share of $0.95 reflected lower volume.
- Bookings ended the year on a positive trend.
- Key 2024 highlights include:
  - Sustained focus on business development programs;
  - Achieved additional manufacturing efficiencies through ongoing cost reductions;
  - Expanded product offering with Nokra acquisition;
  - Launched VPG's inaugural Sustainability Report.

Fiscal Fourth Quarter 2024 Highlights

Consolidated Financial Highlights (in $ millions)

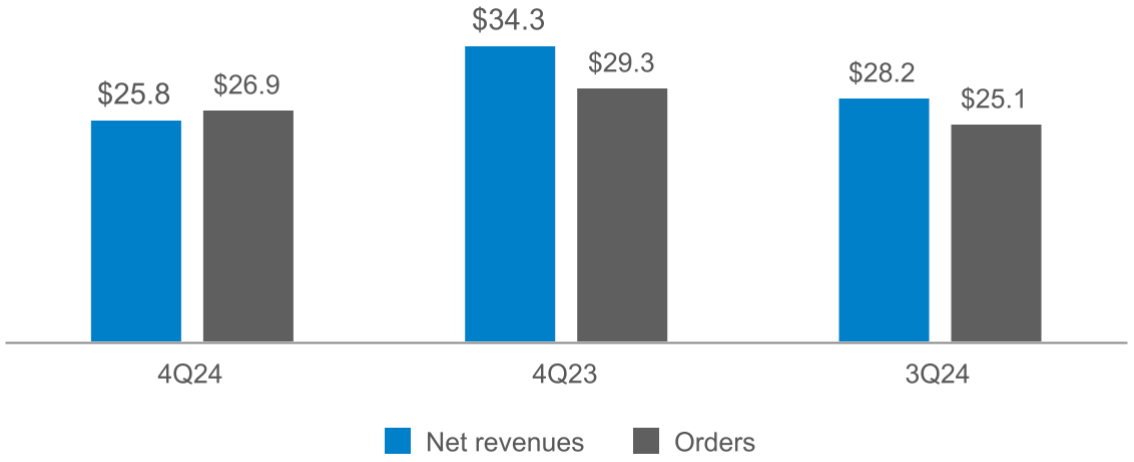


($ in millions, except margin data and book-to-bill ratio)	4Q24	4Q23	3Q24
Net revenues	$ 72.7	$ 89.5	$ 75.7
Gross margin	38.2%	43.0%	40.0%
Adjusted gross margin	38.3%	43.0%	40.0%
Net Earnings per Diluted Share	$ 0.06	$ 0.31	$ (0.10)
Adj. Net Earnings per Diluted Share	$ 0.03	$ 0.61	$ 0.19
Adj. EBITDA	$ 5.1	$ 16.5	$ 8.1
Adj. Free Cash Flow	$ 4.6	$ 13.5	$ (2.3)
Book-to-Bill	1.00	0.84	0.91
End-of-period backlog	$ 96.2	$ 117.3	$ 100.2

- 4Q24 revenue of $72.7 million declined 4.1% sequentially.
- Adj. Net Earnings per Diluted Share of $0.03 compared to $0.19 in 3Q24.
- 4Q24 impacted by $700 thousand of one-time costs.
- Orders of $72.4 million grew 5.5% from 3Q24, marking a return to sequential bookings growth after six quarters. Book-to-bill of 1.00x improved sequentially.
- Order growth was driven by our Sensors and Weighing Solutions segments which achieved book-to-bill ratios above 1.00 and their highest quarterly bookings level in 2024.
- Measurement Systems customers pushed $5 million of orders to 2025, of which $2 million is expected to be booked in 1Q25.

Sensors: Fourth Quarter 2024 Highlights

Consolidated Financial Highlights (in $ millions)

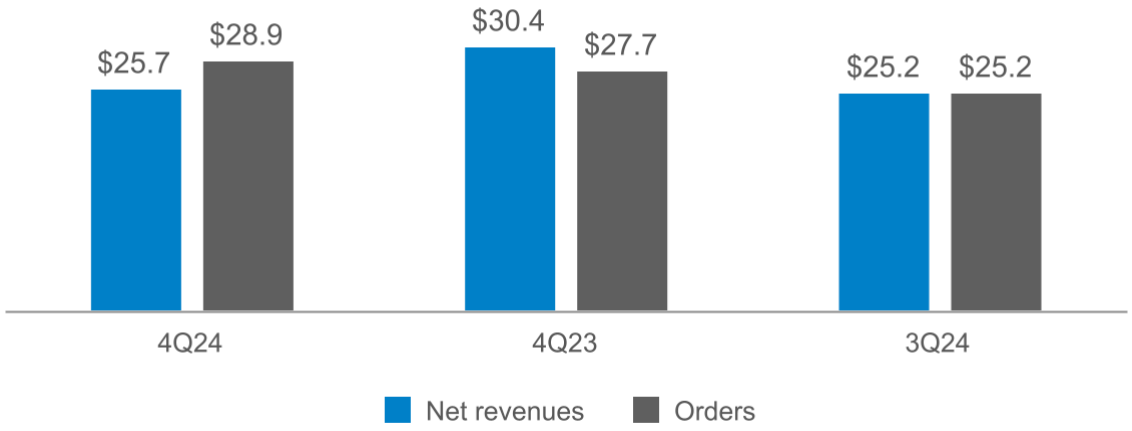


($ in millions, except margin data and book-to-bill ratio)	4Q24	4Q23	3Q24
Net revenues	$ 25.8	$ 34.3	$ 28.2
Book-to-Bill	1.04	0.85	0.89
Gross profit	$ 8.2	$ 13.8	$ 8.7
Gross profit margin	32.0%	40.2%	31.0%

- Sensors 4Q24 sales declined 8.7% sequentially and 24.8% from a year ago. The sequential decline primarily reflected lower sales in the Test and Measurement market and in Other markets.
- 4Q24 gross profit margin of 32.0% increased sequentially as improved manufacturing efficiencies offset the impact of lower volume.
- Sequentially, orders of $26.9 million grew 7.0% to the highest level in 2024, primarily reflecting higher bookings for precision resistors, mainly in semiconductor backend equipment.
- After 10 consecutive quarters of book-to-bill below 1.00, book-to-bill of 1.04 improved from 0.89 in 3Q24.
- Humanoid robot project continues to progress, as customer moves to pre-production phase.

Weighing Solutions: Fourth Quarter 2024 Highlights

Consolidated Financial Highlights (in $ millions)

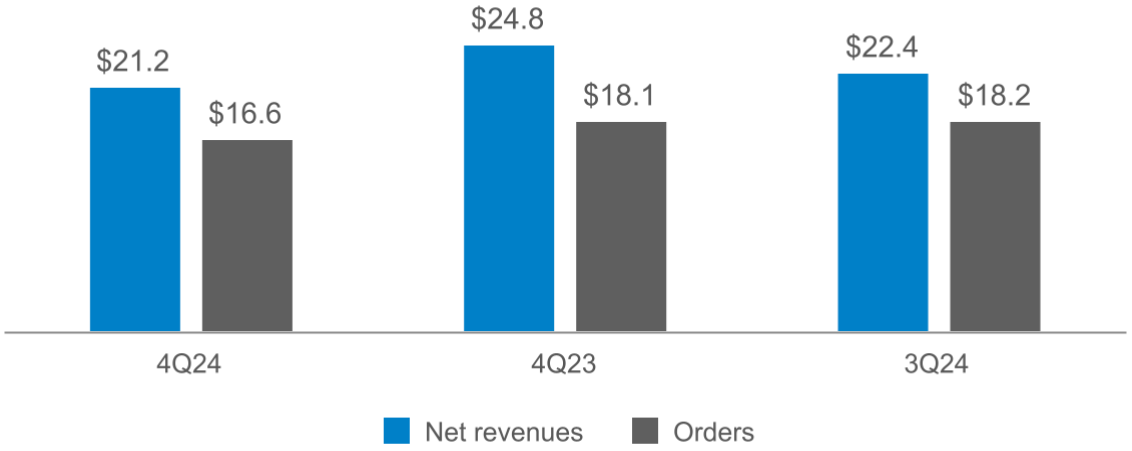


($ in millions, except margin data and book-to-bill ratio)	4Q24	4Q23	3Q24
Net revenues	$ 25.7	$ 30.4	$ 25.2
Book-to-Bill	1.12	0.91	1.00
Gross profit	$ 8.8	$ 10.8	$ 8.8
Gross profit margin	34.1%	35.6%	35.1%

- 4Q24 revenues grew 2.2% sequentially and declined 15.4% from the prior year.
- The sequential increase was driven by higher sales in Industrial Weighing as well as for precision agriculture and construction applications, which offset lower sales in the Transportation market.
- 4Q24 gross margin of 34.1% was lower sequentially primarily due to higher materials costs and a reduction in inventory which offset the impact of higher volume.
- Orders improved 14.5% sequentially to the highest level in 2024, and resulted in a book-to-bill of 1.12.
- The increase in orders from 3Q24 was in Transportation and in our Other markets, mainly in medical and construction.

Measurement Systems: Fourth Quarter 2024 Highlights

Consolidated Financial Highlights (in $ millions)



($ in millions, except margin data and book-to-bill ratio)	4Q24	4Q23	3Q24
Net revenues	$ 21.2	$ 24.8	$ 22.4
Book-to-Bill	0.78	0.73	0.82
Gross profit	$ 10.8	$ 13.9	$ 12.7
Gross profit margin	50.9%	56.0%	56.8%
Adjusted gross profit margin	51.2%	56.1%	56.8%

- 4Q24 revenues declined 5.3% from 3Q24 and 14.8% from the prior year.
- The sequentially lower revenue was primarily due to lower DSI sales, which was partially offset by the added revenue related to the acquisition of Nokra.
- 4Q24 adj. gross profit margin of 51.2% was lower sequentially due to lower volume and unfavorable product mix.
- Book-to-bill was 0.78 as orders of $16.6 million declined 8.9%. This reflected lower bookings of DSI to the Steel market and lower DTS orders to the AMS and the Transportation markets. The 4Q24 bookings reflected the push out of $5 million of orders to 2025, of which $2 million is expected to be booked in 1Q25.
- Beta of new ceramics test tool announced with University of Alabama.

Priorities for 2025

Business Development	• Continue focusing on initiatives to capture new customers and new market applications, including industrial and medical robots, consumer, data center, and aerospace and defense, among others.
Cost Controls and Operational Excellence	• Ongoing cost reduction and efficiency programs including manufacturing consolidations. • Implementing a minimum of $5 million of additional annual cost reductions in 2025.
M&A	• Continue to look for attractive, high-quality businesses to add to VPG platform.

Financial Results

($ in millions, except margin data and per share amounts)	Fiscal quarter ended December 31, 2024	December 31, 2023	September 28, 2024
Net revenues	$ 72.7	$ 89.5	$ 75.7
Gross profit	$ 27.8	$ 38.5	$ 30.3
Gross profit margin	38.2%	43.0%	40.0%
Adjusted gross profit	$ 27.9	$ 38.5	$ 30.3
Adjusted gross profit margin	38.3%	43.0%	40.0%
Selling, general, and administrative expenses	$ 27.3	$ 26.4	$ 26.3
Operating income	$ 0.2	$ 12.0	$ 3.8
Operating margin	0.3%	13.4%	5.1%
Adjusted operating income	$ 0.6	$ 12.2	$ 3.9
Adjusted operating margin	0.8%	13.6%	5.2%
Net earnings attributable to VPG stockholders	$ 0.8	$ 4.2	$ (1.4)
Diluted earnings per share attributable to VPG stockholders	$ 0.06	$ 0.31	$ (0.10)
Adjusted net earnings attributable to VPG stockholders	$ 0.4	$ 8.2	$ 2.5
Adjusted net earnings per diluted share	$ 0.03	$ 0.61	$ 0.19

Selected Balance Sheet Items

($ in Millions)

	December 31, 2024	December 31, 2023	September 28, 2024
Cash & cash equivalents	$ 79.3	$ 84.0	$ 81.1
Total assets	$ 450.9	$ 471.6	$ 462.5
Total long-term debt	$ 31.4	$ 31.9	$ 31.4
Total liabilities	$ 129.1	$ 141.6	$ 131.9

Q&A

Appendix

Fourth Quarter and Annual 2024 Market Trends

Consolidated Revenue by Market

$ in millions	4Q24	4Q23	3Q24	2024	2023
Test & Measurement	$ 13.4	$ 19.5	$ 14.3	$ 57.3	$ 74.0
Avionics, Military, Space	6.3	10.0	8.6	28.1	38.3
Transportation	13.3	14.1	12.8	52.3	55.1
Industrial Weighing	9.6	10.3	8.6	37.6	43.9
General Industrial	4.6	5.1	4.5	19.3	19.9
Steel	11.4	12.3	12.1	49.1	51.5
Other Markets	14.0	18.2	14.8	62.8	72.4
Total	$ 72.7	$ 89.5	$ 75.7	$ 306.5	$ 355.0

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

Fiscal Quarter Ended December 31,	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
	2024	2023	2024	2023	2024	2023	2024	2023
As reported - GAAP	**$ 27,771**	$ 38,496	**$ 199**	$ 12,011	**$ 768**	$ 4,227	**$ 0.06**	$ 0.31
As reported - GAAP Margins	**38.2%**	43.0%	**0.3%**	13.4%				
Acquisition purchase accounting adjustments	**—**	31	**79**	31	**79**	31	0.01	—
Restructuring costs			**198**	129	**198**	129	0.01	0.01
Foreign exchange (gain)/loss					**(1,913)**	2,961	(0.15)	0.21
Less: Tax effect of reconciling items and discrete tax items					**$ (1,167)**	$ (887)	**$ (0.10)**	$ (0.08)
As Adjusted - Non GAAP	**$ 27,850**	$ 38,527	**$ 577**	$ 12,171	**$ 400**	$ 8,235	**$ 0.03**	$ 0.61
As Adjusted - Non GAAP Margins	**38.3%**	43.0%	**0.8%**	13.6%				

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

Fiscal Year Ended December 31,	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
	2024	2023	2024	2023	2024	2023	2024	2023
As reported - GAAP	**$ 125,532**	$ 150,342	**$ 16,864**	41,954	**$ 9,911**	$ 25,707	**$ 0.74**	$ 1.88
As reported - GAAP Margins	**41.0%**	42.3%	**5.5%**	11.8%				
Acquisition purchase accounting adjustments	**79**	335	**79**	335	**79**	335	**0.01**	0.02
Acquisition costs			**101**	—	**101**	—	**0.01**	—
Start-up costs	**—**	—	**150**	—	**—**	—	**—**	—
Impairment of goodwill and indefinite-lived intangibles			**—**	—	**—**	—	**—**	—
Restructuring costs			**1,062**	1,560	**1,062**	1,560	**0.08**	0.11
Severance cost			**347**		**347**			
Foreign exchange (gain)/loss					**(1,879)**	822	**(0.14)**	0.06
Less: Tax effect of reconciling items and discrete tax items					**$ (3,079)**	$ (1,245)	**$ (0.24)**	$ (0.10)
As Adjusted - Non GAAP	**$ 125,611**	$ 150,677	**$ 18,453**	$ 43,849	**$ 12,700**	$ 29,669	**$ 0.95**	$ 2.17
As Adjusted - Non GAAP Margins	**41.0%**	42.4%	**6.0%**	12.4%				

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA - QTR

In $ thousands, except margin data	Fiscal quarter ended		
	December 31, 2024	December 31, 2023	September 28, 2024
Net earnings attributable to VPG stockholders	$ 768	$ 4,227	$ (1,351)
Interest Expense	587	779	648
Income tax expense	1,222	4,403	1,874
Depreciation	3,026	2,992	2,988
Amortization	1,007	999	925
EBITDA	$ 6,610	$ 13,400	$ 5,084
EBITDA MARGIN	9.1%	15.0%	6.7%
Acquisition purchase accounting adjustments	79	31	—
Acquisition costs	101	—	—
Restructuring costs	198	129	82
Foreign exchange loss/(gain)	$ (1,913)	$ 2,961	$ 2,912
ADJUSTED EBITDA	5,075	16,521	8,078
ADJUSTED EBITDA MARGIN	7.0%	18.5%	10.7%

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA - YTD

	Year ended	
	December 31, 2024	December 31, 2023
Net earnings attributable to VPG stockholders	$ 9,911	$ 25,707
Interest Expense	2,512	3,974
Income tax expense	7,730	12,426
Depreciation	12,022	11,798
Amortization	3,783	3,752
EBITDA	$ 35,958	$ 57,657
EBITDA MARGIN	11.7 %	16.2 %
Acquisition purchase accounting adjustments	79	335
Acquisition costs	101	—
Restructuring costs	1,062	1,560
Severance cost	347	—
Foreign exchange (gain) loss	(1,879)	822
ADJUSTED EBITDA	$ 35,668	$ 60,374
ADJUSTED EBITDA MARGIN	11.6 %	17.0 %

Reconciliation of Adjusted Gross Profit by Segment

	Fiscal quarter ended		
	December 31, 2024	December 31, 2023	September 28, 2024
Sensors			
As reported - GAAP	$ 8,229	$ 13,761	$ 8,730
As reported - GAAP Margins	32.0%	40.2%	31.0%
Start-up costs	—	—	—
As Adjusted - Non GAAP	$ 8,229	$ 13,761	$ 8,730
As Adjusted - Non GAAP Margins	32.0%	40.2%	31.0%
Weighing Solutions			
As reported - GAAP	$ 8,778	$ 10,834	$ 8,840
As reported - GAAP Margins	34.1%	35.6%	35.1%
As Adjusted - Non GAAP	$ 8,778	$ 10,834	$ 8,840
As Adjusted - Non GAAP Margins	34.1%	35.6%	35.1%
Measurement Systems			
As reported - GAAP	$ 10,764	$ 13,906	$ 12,690
As reported - GAAP Margins	50.9%	56.0%	56.8%
Acquisition purchase accounting adjustments	79	31	—
As Adjusted - Non GAAP	$ 10,843	$ 13,937	$ 12,690
As Adjusted - Non GAAP Margins	51.2%	56.1%	56.8%

VPG Sustainability

2024 Milestones:

- Updated sustainability website, sharing ESG performance indicators and adding ESG policies
- Increased diversity of our Board of Directors
- Updated VPG Global Code of Conduct; augmented our EH&S policies and objectives
- Published energy management and water use reduction targets
- Published Scope 1 and Scope 2 emissions
- Launched initial Sustainability Report



"We are proud to introduce our first Sustainability Report. This report marks a significant milestone in VPG's sustainability journey." – Ziv Shoshani, CEO