

Vishay Precision Group

Fourth Fiscal Quarter 2021 Earnings

February 16, 2022

Safe Harbor Statement

From time to time, information provided by us, including, but not limited to, statements in this press release, 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.

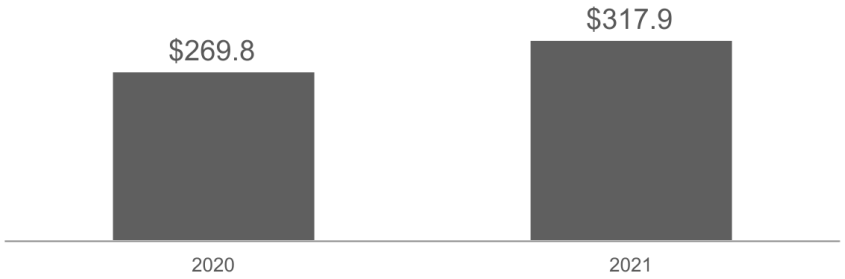
Such statements (including those regarding our new corporate strategy), are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results 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, 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; 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; the Company's 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; the Company's ability to execute its business continuity, operational and budget plans in light of the COVID-19 pandemic; 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, 2020 and in our Quarterly Report on Form 10-Q for the fiscal quarter ended October 2, 2021. 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 and adjusted 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 2021 Highlights

Consolidated Financial Highlights (in $ millions)



($ in millions, except per share data, margin data and book-to-bill ratio)	2020	2021
Net revenues	269.8	317.9
Gross Margin	38.6 %	39.4 %
Adj. Gross Margin	39.0 %	41.2 %
Net Earnings per Diluted Share	$ 0.79	$ 1.48
Adj. Net Earnings per Diluted Share	$ 1.32	$ 1.87
Adj. EBITDA	38.0	49.9
Book-to-Bill	0.98x	1.21x
End-of-period backlog	87.6	150.5

- Record sales of $318 million reflect growth of 17.8%, despite pandemic and labor availability challenges
- Adjusted net earnings per diluted share grew 41.7%
- Generated adjusted EBITDA of $49.9 million, or 15.7% of revenue
- Successful acquisition of DTS on June 1, 2021
- 3Q21 Completed the transition to the new advanced sensors facility

VPG Focus: Performance Through Precision

Who we are

VPG is a leader in precision measurement sensing technologies serving growing applications around the world

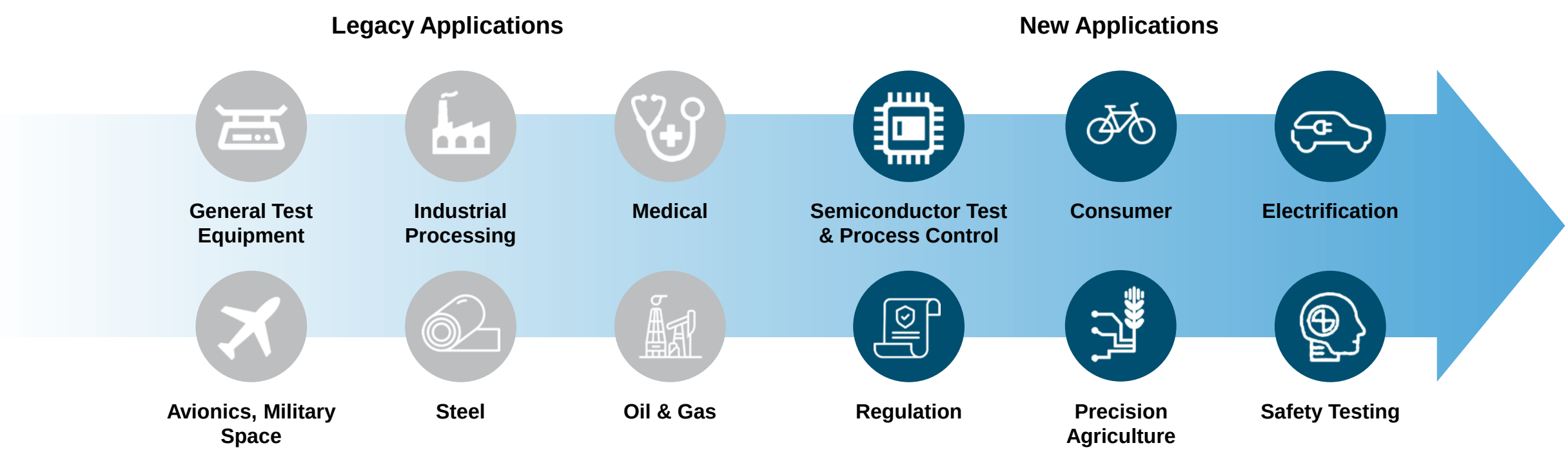
Why we matter

VPG delivers in-depth, deep engineering expertise to the design and manufacture of non-commodity sensors, weighing solutions and precision measurement systems that optimize and enhance our customers' solutions performance across a broad array of end markets



Applications Are Expanding and Diversifying Beyond Industrial

- Secular trends are creating new opportunities
- Investments in manufacturing process technology and product design have expanded addressable opportunities



Strategic Evolution: Propelling the Next Phase of VPG's Growth

	2010 – 2016	2017 – 2021	2022 →

Strategic Focus	**Focus on:**
	• Spin off
	• Organizational and consolidation activity
		Focus on:
		• Operational excellence
		• Business restructuring
		• Competitive edge creation
		• Business performance maximization
			Focus on
			• Accelerated organic growth
			• Value-added M&A:
			  • Complementary
			  • New businesses

Capital Allocation Focus	**Key Investments:** • Investments in infrastructure to streamline operation • M&A	**Key Investments:** • Investments in new technologies, markets, capabilities • M&A	**Key Investments:** • Growth-driven capital investments • Accelerated M&A
Operational Strategy	• Vertical integration	• Vertical integration	• Operationally Diversified

Now Better Aligned to Capture Broader Opportunities

Segment Structure BEFORE

Vertical Integration: Foil Technology components used in Force Sensors and Weighing Control Systems products

Foil Technology Products

- Precision resistors
- Strain gages-advanced sensors
- Data acquisition systems (DAS) for avionics testing

Force Sensors

- Force sensors

Weighing and Control Systems

- Process weighing
- Measurement systems for steel production
- On-board weighing systems
- Material testing and simulation systems
- DAS for auto safety testing

Segments have some product interdependencies

Segment Structure NOW



Sensors

- Precision resistors
- Strain gages-advanced sensors

Weighing Solutions

- Force sensors
- On-board weighing systems
- Process weighing

Measurement Systems

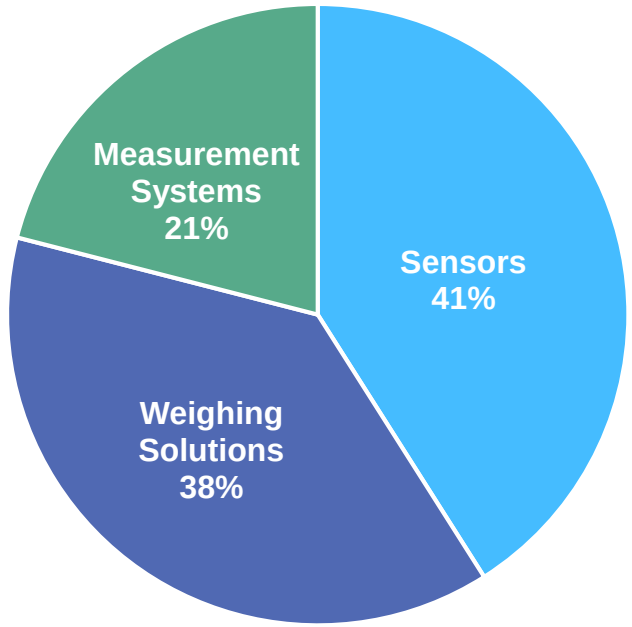
- Measurement systems for steel production
- Material testing and simulation systems
- DAS for auto safety testing
- DAS for avionics testing

Segments have unique business strategies and capital requirements

Resilience and Growth: A Portfolio of Businesses with High Growth/Margin and High Cash Flow Potential

	Sensors	Weighing Solutions	Measurement Systems
Overview	High precision sensor and components that measure stress, strain, and electrical current	Specialized modules and systems used to precisely measure weight, force, torque, and pressure	Highly specialized measurement systems for steel production, materials development, and safety testing
Growth Profile	High single-digit revenue growth	GDP-like growth	Mid single-digit revenue growth
Gross Margins	Low 40%	High 30%	Mid 50%
Capital Allocation Priorities	Strong organic growth opportunity with potential for M&A	Organic growth	Strong organic growth opportunity with potential for M&A

FY21 VPG Revenue by Segment



Growth and Profitability

FY21 Results[1]

17.8%
Sales Growth

7%
5-Year Sales Growth CAGR 2017-2021

41.2%
Adj. Gross Margin

11.1%
Adj. Operating Margin

15.7%
Adj. EBITDA Margin

41.7%
Adjusted EPS Growth

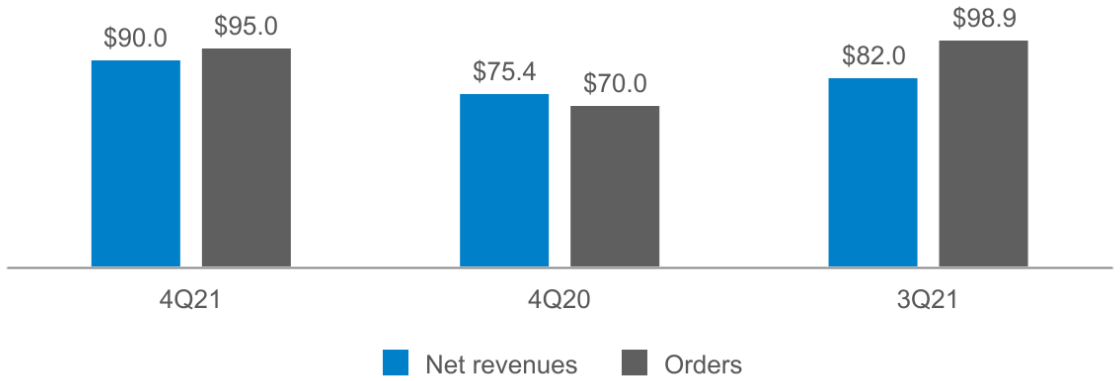
Three-to-five year targets[2]

- Revenue growth low-double digits
- Adjusted gross margin of 45%
- Adjusted operating margin of 18%
- Adjusted EBITDA margin of 22%

1. See GAAP to non-GAAP reconciliations in the appendix of this presentation
2. Reflects organic growth and M&A, based on 2021 foreign exchange rates

Fiscal Fourth Quarter 2021 Highlights

Consolidated Financial Highlights (in $ millions)

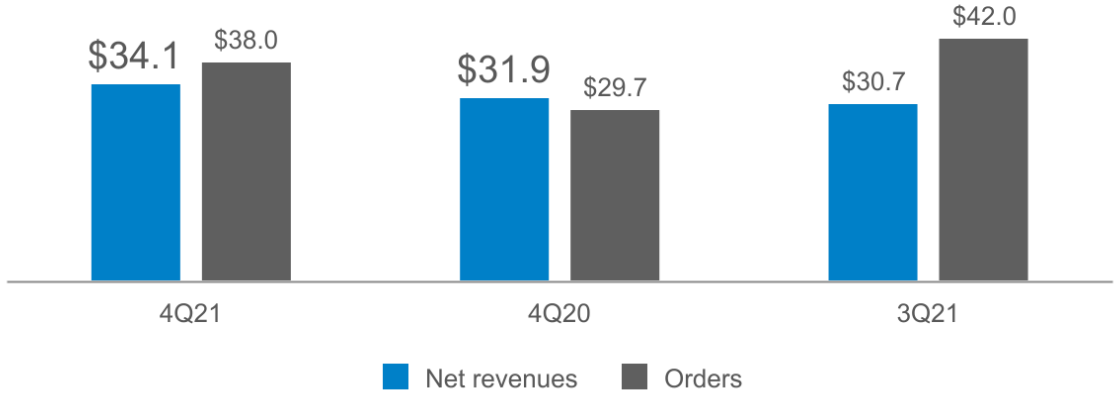


($ in millions, except margin data and book-to-bill ratio)	4Q21	4Q20	3Q21
Net revenues	90.0	75.4	82.0
Gross margin	38.7 %	38.1 %	38.8 %
Adjusted gross margin	40.3 %	38.0 %	41.8 %
Net Earnings per Diluted Share	$ 0.44	$ 0.01	$ 0.39
Adj. Net Earnings per Diluted Share	$ 0.56	$ 0.43	$ 0.52
Adj. EBITDA	14.2	11.1	13.7
Book-to-Bill	1.06	0.93	1.21
End-of-period backlog	150.5	87.6	146.7

- Record revenue of $90 million, grew 9.8% sequentially
- Adj. Net Earnings per Diluted Share grew 7.7% sequentially
- Generated Adj. EBITDA of $14.2 million, or 15.7% of revenue
- Book-to-bill of 1.06x
- Record backlog of $150.5 million

Sensors: Fourth Quarter 2021 Highlights

Consolidated Financial Highlights (in $ millions)

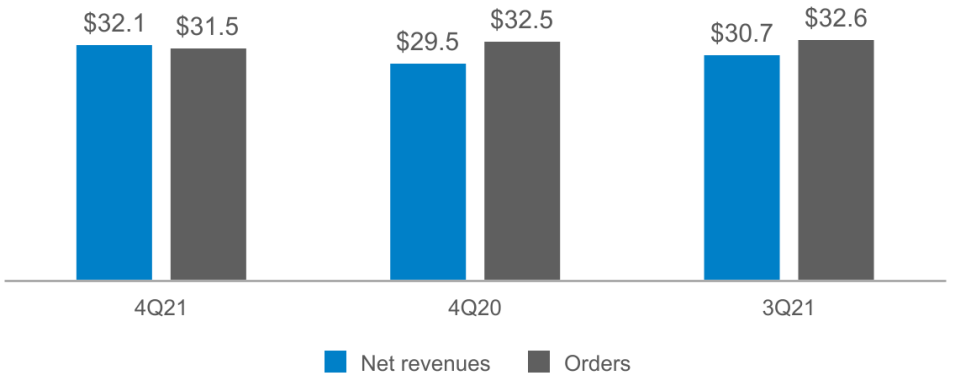


($ in millions, except margin data and book-to-bill ratio)	4Q21	4Q20	3Q21
Net revenues	34.1	31.9	30.7
Book-to-Bill	1.11	0.93	1.37
Gross profit	11.0	12.0	9.6
Gross profit margin	32.1 %	37.5 %	31.1 %
Adjusted gross profit margin	34.8 %	38.1 %	34.3 %

- 4Q21 sales grew 11.2% sequentially and were up 7.1% from a year ago
- Book-to-bill of 1.11x reflected higher orders in consumer and general industrial, offset mainly by lower orders in test & measurement
- Advanced sensors revenue and orders grew 10% and 30%, respectively, from 3Q21, resulting in a book-to-bill of 1.41x.

Weighing Solutions: Fourth Quarter 2021 Highlights

Consolidated Financial Highlights (in $ millions)

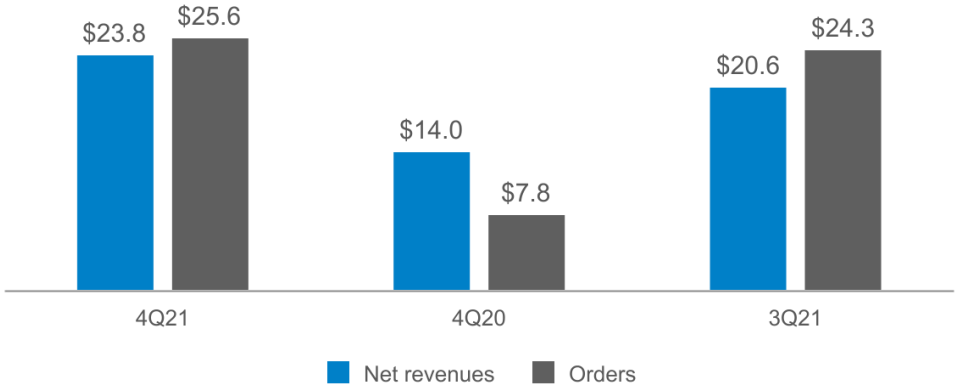


($ in millions, except margin data and book-to-bill ratio)	4Q21	4Q20	3Q21
Net revenues	32.1	29.5	30.7
Book-to-Bill	0.98	1.10	1.06
Gross profit	10.9	9.8	11.4
Gross profit margin	34.0 %	33.3 %	37.2 %
Adjusted gross profit margin	34.0 %	33.5 %	37.6 %

- 4Q21 revenues grew 4.5% sequentially and were up 8.5% from the prior year
- Book-to-bill of 0.98x
- Force sensors OEM revenue grew 35% from 3Q21 and 16% from 4Q20
- Lack of availability of new trucks and vans due to shortages of microchips continued to impact TruckWeigh/ VanWeigh orders

Measurement Systems: Fourth Quarter 2021 Highlights

Consolidated Financial Highlights (in $ millions)



($ in millions, except margin data and book-to-bill ratio)	4Q21	4Q20	3Q21
Net revenues	23.8	14.0	20.6
Book-to-Bill	1.08	0.56	1.18
Gross profit	13.0	6.9	10.9
Gross profit margin	54.7 %	49.5 %	52.8 %
Adjusted gross profit margin	56.8 %	47.2 %	59.2 %

- 4Q21 revenues grew 15.6% sequentially reflecting higher KELK and DTS sales
- The 69.7% increase in revenue compared to the prior year reflected in part the acquisition of DTS on June 1, 2021 and higher KELK and DSI steel related sales.
- Book-to-bill was 1.08x driven by higher orders to steel manufacturers, AMS, and consumer product customers

Financial Results

($ in millions, except margin data and per share amounts)	Fiscal quarter ended December 31, 2021	December 31, 2020	October 2, 2021
Net revenues	90.0	75.4	82.0
Gross profit	34.9	28.7	31.8
Gross profit margin	38.7 %	38.1 %	38.8 %
Selling, general, and administrative expenses	26.1	20.2	24.6
Adjusted operating income	10.3	8.1	9.7
Adjusted operating margin	11.4 %	10.7 %	11.8 %
Adjusted net earnings attributable to VPG stockholders	7.7	5.8	7.1
Adjusted net earnings per diluted share	$ 0.56	$ 0.43	$ 0.52

Selected Balance Sheet Items

($ in Millions)	December 31, 2021	December 31, 2020	October 2, 2021
Cash & cash equivalents	84.3	98.4	75.6
Total assets	461.9	401.9	449.9
Total long-term debt	60.7	40.6	60.7
Total liabilities	184.8	144.0	180.3

Thank You

Appendix

Fourth Quarter 2021 Market Trends

Consolidated Revenue by Market

$ in millions	4Q21	4Q20	3Q21
Test & Measurement	17.5	13.3	15.9
Avionics, Military, Space	7.9	10.5	7.5
Transportation	14.4	8.9	13.7
Industrial Weighing	14.3	11.7	12.3
General Industrial	4.4	3.9	4.1
Steel	12.3	9.5	11.1
Other Markets	19.1	17.6	17.5
Total	$ 90.0	$ 75.4	$ 82.0

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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
As reported - GAAP	**34,877**	28,747	**8,744**	5,921	**$ 5,961**	$ 118	**$ 0.44**	$ 0.01
As reported - GAAP Margins	**38.7 %**	38.1 %	**9.7 %**	7.8 %				
Acquisition purchase accounting adjustments	**516**	9	**516**	9	**516**	9	0.04	—
Acquisition costs			—	—	—	—	—	—
COVID-19 impact	**—**	(102)	**—**	(489)	**—**	(489)	—	
Start-up costs			916	—	916	—	0.07	—
Impairment of goodwill and indefinite-lived intangibles			**—**	2,440	**—**	2,440	—	0.18
Restructuring costs			**76**	205	**76**	205	0.01	0.02
Foreign exchange (gain)/loss					**632**	2,123	0.04	0.16
Less: Tax effect of reconciling items and discrete tax items					**$ 436**	$ (1,419)	**$ 0.04**	$ (0.10)
As Adjusted - Non GAAP	**$ 36,309**	$ 28,654	**$ 10,252**	$ 8,086	**$ 7,665**	$ 5,825	**$ 0.56**	$ 0.43
As Adjusted - Non GAAP Margins	**40.3 %**	38.0 %	**11.4 %**	10.7 %				

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	
	2021	2020	2021	2020	2021	2020	2021	2020
As reported - GAAP	**125,142**	104,271	**27,372**	22,657	**$ 20,221**	$ 10,787	**$ 1.48**	$ 0.79
As reported - GAAP Margins	**39.4 %**	38.6 %	**8.6 %**	8.4 %				
Acquisition purchase accounting adjustments	**2,775**	569	**2,775**	569	**2,775**	569	**0.20**	0.04
Acquisition costs			**1,198**	—	**1,198**	—	**0.09**	—
COVID-19 impact	**(66)**	434	**(574)**	(366)	**(574)**	(366)	**(0.04)**	
Start-up costs			**3,174**	—	**3,174**	—	**0.23**	—
Impairment of goodwill and indefinite-lived intangibles			**1,223**	2,440	**1,223**	2,440	**0.09**	0.18
Restructuring costs			**76**	918	**76**	918	**0.01**	0.07
Foreign exchange (gain)/loss					**109**	2,246	**0.01**	0.16
Less: Tax effect of reconciling items and discrete tax items					**$ 2,596**	$ (1,381)	**$ 0.20**	$ (0.11)
As Adjusted - Non GAAP	**$131,025**	$105,274	**$ 35,244**	$ 26,218	**$ 25,606**	$ 17,975	**$ 1.87**	$ 1.32
As Adjusted - Non GAAP Margins	**41.2 %**	39.0 %	**11.1 %**	9.7 %				

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

In $ thousands, except margin data	Fiscal quarter ended December 31, 2021	December 31, 2020	October 2, 2021
Net earnings attributable to VPG stockholders	$ 5,961	$ 118	$ 5,379
Interest Expense	324	329	328
Income tax expense	1,781	3,142	1,662
Depreciation	2,993	2,558	2,955
Amortization	970	615	970
EBITDA	12,029	$ 6,762	$ 11,294
EBITDA MARGIN	13.4 %	9.0 %	13.8 %
Impairment of goodwill and indefinite-lived intangibles	—	2,440	—
Acquisition purchase accounting adjustments	516	9	1,329
Restructuring costs	76	205	—
COVID-19 impact	—	(489)	111
Start-up costs	916	—	970
Foreign exchange (gain)/loss	632	2,123	38
ADJUSTED EBITDA	14,169	11,050	13,742
ADJUSTED EBITDA MARGIN	15.7 %	14.6 %	16.8 %

Historical Segment Highlights

In $ thousands except margin data	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 YTD	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 YTD
Sensors										
Net revenues	$ 31,815	$ 31,176	$ 30,721	$ 34,149	$ 127,861	$ 28,692	$ 30,299	$ 29,889	$ 31,875	$ 120,754
Gross profit margin	40.3 %	38.9 %	31.1 %	32.1 %	35.6 %	37.0 %	42.5 %	40.4 %	37.5 %	39.3 %
Adjusted gross profit margin	40.9 %	42.9 %	34.3 %	34.8 %	38.2 %	37.0 %	42.4 %	40.9 %	38.1 %	39.6 %
Weighing Solutions										
Net revenues	$ 30,968	$ 31,675	$ 30,676	$ 32,071	$ 125,390	$ 27,980	$ 18,640	$ 25,220	$ 29,546	$ 101,386
Gross profit margin	38.0 %	37.2 %	37.2 %	34.0 %	36.6 %	32.5 %	25.3 %	34.2 %	33.3 %	31.8 %
Adjusted gross profit margin	38.2 %	37.6 %	37.6 %	34.0 %	36.8 %	32.5 %	28.5 %	34.4 %	33.5 %	32.5 %
Measurement Systems										
Net revenues	$ 7,806	$ 12,488	$ 20,577	$ 23,797	$ 64,668	$ 11,024	$ 10,207	$ 12,416	$ 14,024	$ 47,672
Gross profit margin	51.4 %	47.1 %	52.8 %	54.7 %	52.2 %	48.7 %	54.0 %	53.7 %	49.5 %	51.4 %
Adjusted gross profit margin	48.1 %	52.5 %	59.2 %	56.8 %	55.7 %	53.3 %	54.4 %	51.7 %	47.2 %	51.3 %

Reconciliation of Adjusted Gross Profit by Segment — 2021

In $ thousands except margin data	2021 Q1	Q2	Q3	Q4	YTD
Sensors					
As reported - GAAP	$ 12,833	$ 12,120	$ 9,568	$ 10,954	$ 45,474
As reported - GAAP Margins	40.3 %	38.9 %	31.1 %	32.1 %	35.6 %
Start-up costs	129	1,159	970	916	3,174
COVID-19 impact	53	94	—	—	147
As Adjusted - Non GAAP	$ 13,015	$ 13,373	$ 10,538	$ 11,870	$ 48,795
As Adjusted - Non GAAP Margins	40.9 %	42.9 %	34.3 %	34.8 %	38.2 %
Weighing Solutions					
As reported - GAAP	$ 11,775	$ 11,791	$ 11,422	$ 10,913	$ 45,900
As reported - GAAP Margins	38.0 %	37.2 %	37.2 %	34.0 %	36.6 %
COVID-19 impact	64	127	111	—	302
As Adjusted - Non GAAP	$ 11,839	$ 11,918	$ 11,533	$ 10,913	$ 46,202
As Adjusted - Non GAAP Margins	38.2 %	37.6 %	37.6 %	34.0 %	36.8 %
Measurement Systems					
As reported - GAAP	$ 4,015	$ 5,886	$ 10,855	$ 13,012	$ 33,768
As reported - GAAP Margins	51.4 %	47.1 %	52.8 %	54.7 %	52.2 %
Acquisition purchase accounting adjustments	11	919	1,329	516	2,775
COVID-19 impact	(268)	(247)	—	—	(515)
As Adjusted - Non GAAP	$ 3,758	$ 6,558	$ 12,184	$ 13,528	$ 36,028
As Adjusted - Non GAAP Margins	48.1 %	52.5 %	59.2 %	56.8 %	55.7 %

Reconciliation of Adjusted Gross Profit by Segment — 2020

In $ thousands except margin data	2020 Q1	Q2	Q3	Q4	YTD
Sensors					
As reported - GAAP	$ 10,620	$ 12,878	$ 12,063	$ 11,968	$ 47,530
As reported - GAAP Margins	37.0 %	42.5 %	40.4 %	37.5 %	39.3 %
COVID-19 impact	—	(38)	159	163	284
As Adjusted - Non GAAP	$ 10,620	$ 12,840	$ 12,222	$ 12,131	$ 47,814
As Adjusted - Non GAAP Margins	37.0 %	42.4 %	40.9 %	38.1 %	39.6 %
Weighing Solutions					
As reported - GAAP	$ 9,081	$ 4,718	$ 8,619	$ 9,832	$ 32,250
As reported - GAAP Margins	32.5 %	25.3 %	34.2 %	33.3 %	31.8 %
COVID-19 impact	—	596	66	71	733
As Adjusted - Non GAAP	$ 9,081	$ 5,314	$ 8,685	$ 9,903	$ 32,983
As Adjusted - Non GAAP Margins	32.5 %	28.5 %	34.4 %	33.5 %	32.5 %
Measurement Systems					
As reported - GAAP	$ 5,363	$ 5,514	$ 6,666	$ 6,947	$ 24,491
As reported - GAAP Margins	48.7 %	54.0 %	53.7 %	49.5 %	51.4 %
Acquisition purchase accounting adjustments	515	41	4	9	569
COVID-19 impact	—	—	(246)	(337)	(583)
As Adjusted - Non GAAP	$ 5,878	$ 5,555	$ 6,424	$ 6,619	$ 24,477
As Adjusted - Non GAAP Margins	53.3 %	54.4 %	51.7 %	47.2 %	51.3 %