

# Vishay Precision Group

*Second Fiscal Quarter 2022 Earnings*

*August 9, 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 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; our compliance with applicable laws, such as export control laws, and related governmental investigations; 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, 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, 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. In addition, the Company has historically provided these or similar non-GAAP measures and understands that some investors and financial analysts find this information helpful in analyzing the Company’s performance and in comparing the Company’s financial performance to that of its peer companies and competitors. Management believes that the Company’s non-GAAP measures are regarded as supplemental to its GAAP financial results. 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 our Quarterly Reports on Forms 10-Q.

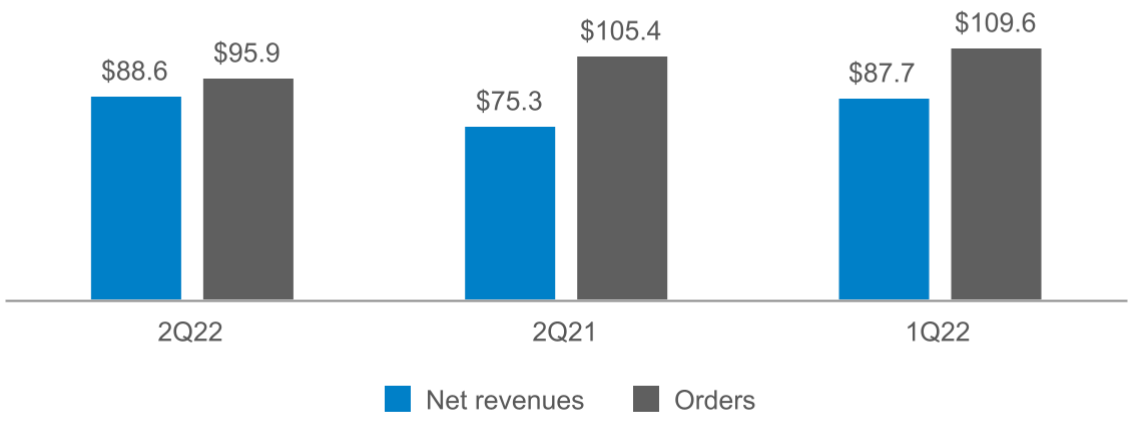
# Second Quarter 2022 Overview

- 2Q22 marked one of the best quarters in VPG's history.
- VPG achieved record adjusted diluted net earnings per share, adjusted EBITDA, and order backlog.
- 3Q outlook for sequential revenue growth supported by record backlog.
- Solid and consistent long-term opportunities in expanding precision measurement sensing applications.
- Stock repurchase authorization announced.



# Fiscal Second Quarter 2022 Highlights

**Consolidated Financial Highlights (in $ millions)**

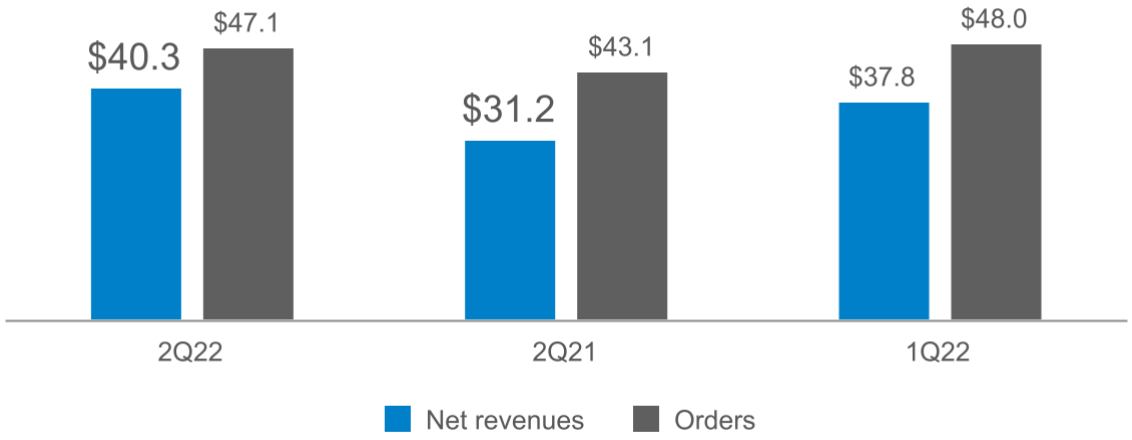



| ($ in millions, except margin data and book-to-bill ratio) | 2Q22 | 2Q21 | 1Q22 |
|---|---|---|---|
| Net revenues | $ 88.6 | $ 75.3 | $ 87.7 |
| Gross margin | 42.1 % | 39.6 % | 40.2 % |
| Adjusted gross margin | 42.9 % | 42.3 % | 41.0 % |
| Net Earnings per Diluted Share | $ 0.79 | $ 0.29 | $ 0.46 |
| Adj. Net Earnings per Diluted Share | $ 0.68 | $ 0.49 | $ 0.49 |
| Adj. EBITDA | 15.8 | 12.5 | 12.6 |
| Book-to-Bill | 1.08 | 1.4 | 1.25 |
| End-of-period backlog | 171.4 | 130.9 | 170.6 |

- Revenue of $88.6 million, grew 17.6% from the prior year and 1.1% sequentially.
- Excluding F/X impacts, revenue grew 24.2% from the prior year and 3.4% sequentially.
- Adj. net earnings per diluted share of $0.68 grew 38.8% from the prior year.
- Generated adj. EBITDA of $15.8 million, or 17.8% of revenue.
- Book-to-bill of 1.08x reflecting orders of $95.9 million.
- Record backlog of $171.4 million.

# Sensors: Second Quarter 2022 Highlights

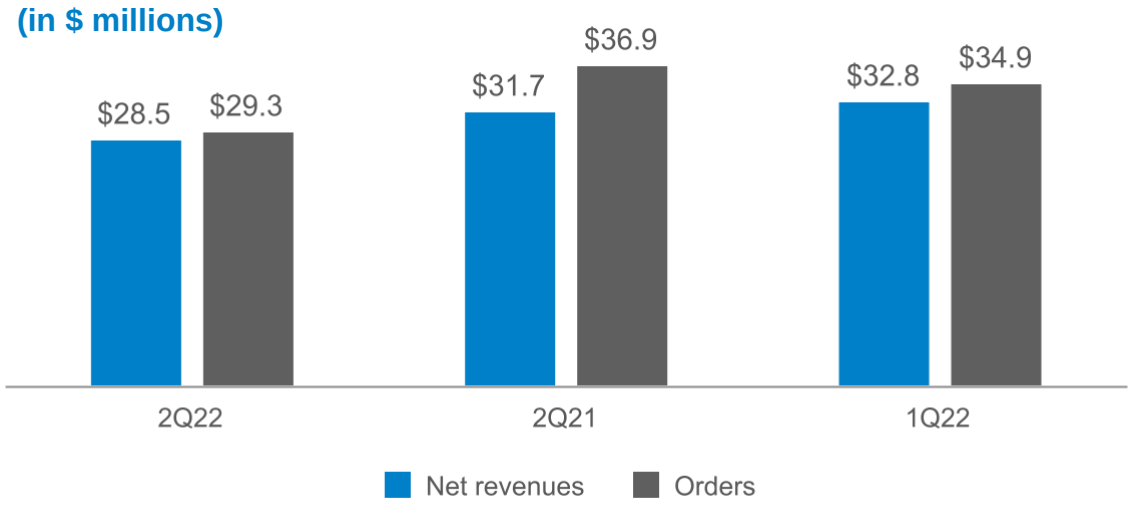
**(in $ millions)**




| ($ in millions, except margin data and book-to-bill ratio) | 2Q22 | 2Q21 | 1Q22 |
|---|---|---|---|
| Net revenues | 40.3 | 31.2 | 37.8 |
| Book-to-Bill | 1.17 | 1.38 | 1.27 |
| Gross profit | 17.8 | 12.1 | 14.3 |
| Gross profit margin | 44.3 % | 38.9 % | 37.8 % |
| Adjusted gross profit margin | 44.3 % | 42.9 % | 38.6 % |

- 2Q22 revenues grew 6.7% sequentially and were up 29.2% from a year ago.
- Excluding F/X impacts, 2Q22 revenues grew 9.9% sequentially and were up 38.3% from a year ago.
- Strong gross margin of 44.3% due to higher volume and labor efficiencies.
- Book-to-bill of 1.17x reflected orders of $47.1 million.
- Sequential order strength in Test & Measurement for precision resistors.
- Advanced Sensors facility transition completed with no further start-up costs.

# Weighing Solutions: Second Quarter 2022 Highlights

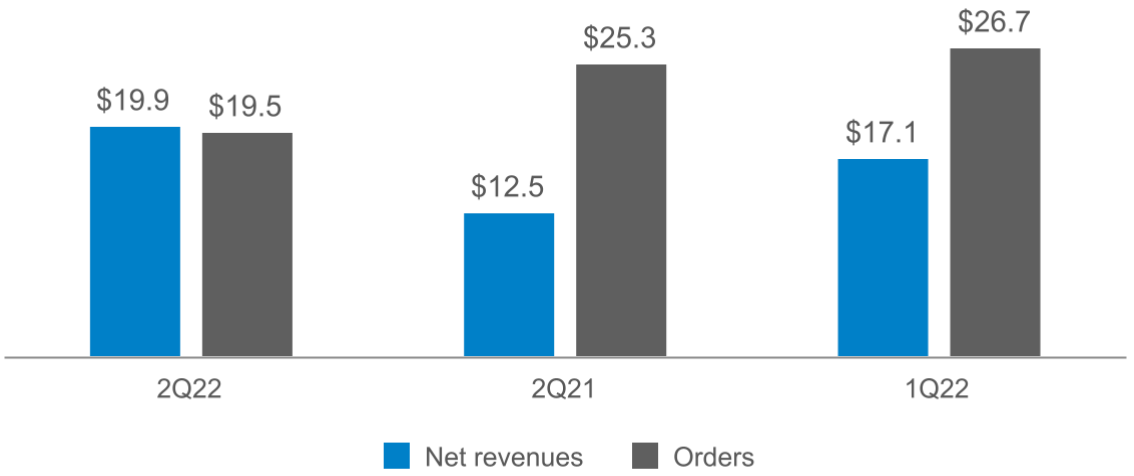



| ($ in millions, except margin data and book-to-bill ratio) | 2Q22 | 2Q21 | 1Q22 |
|---|---|---|---|
| Net revenues | 28.5 | 31.7 | 32.8 |
| Book-to-Bill | 1.03 | 1.16 | 1.06 |
| Gross profit | 9.6 | 11.8 | 12.1 |
| Gross profit margin | 33.7 % | 37.2 % | 36.9 % |
| Adjusted gross profit margin | 33.7 % | 37.6 % | 36.9 % |

- 2Q22 revenues declined 13.1% sequentially and 10.2% from the prior year.
- Excluding F/X impact, 2Q22 revenues declined 11.1% sequentially and 5.6% from the prior year.
- Lower sequential sales of OEM force sensors and Onboard weighing products primarily reflecting a redesign of electronic boards to improve supply chain availability as well as delay of industry-wide vehicle availability.
- Gross margin impacted by lower volume and unfavorable product mix.
- Book-to-bill of 1.03x on orders of $29.3 million.

# Measurement Systems: Second Quarter 2022 Highlights

**(in $ millions)**




| ($ in millions, except margin data and book-to-bill ratio) | 2Q22 | 2Q21 | 1Q22 |
|---|---|---|---|
| Net revenues | 19.9 | 12.5 | 17.1 |
| Book-to-Bill | 0.98 | 2.03 | 1.56 |
| Gross profit | 9.9 | 5.9 | 8.9 |
| Gross profit margin | 49.9 % | 47.1 % | 51.8 % |
| Adjusted gross profit margin | 53.3 % | 52.5 % | 54.1 % |

- 2Q22 revenues increased 15.9% sequentially due to project-driven delivery cycles.
- The 59.2% increase in revenue compared to the prior year was due to the acquisition of DTS on June 1, 2021 and higher steel-related revenue for KELK and DSI.
- Excluding F/X impact, 2Q22 revenues increased 16.7% sequentially and was 64.4% higher than the prior year.
- Book-to-bill was 0.98x.
- Orders of $19.5 million reflected timing of project-driven business in the steel market and for DTS.

# Financial Results

| ($ in millions, except margin data and per share amounts) | Fiscal quarter ended July 2, 2022 | July 3, 2021 | April 2, 2022 |
|---|---|---|---|
| Net revenues | $ 88.6 | $ 75.3 | $ 87.7 |
| Gross profit | $ 37.3 | $ 29.8 | $ 35.3 |
| *Gross profit margin* | *42.1%* | *39.6%* | *40.2%* |
| Adjusted gross profit | $ 38.0 | $ 31.9 | $ 35.9 |
| *Adjusted gross profit margin* | *42.9%* | *42.3%* | *41.0%* |
| Selling, general, and administrative expenses | $ 25.9 | $ 22.5 | $ 26.7 |
| Operating income | $ 10.6 | $ 4.9 | $ 8.3 |
| *Operating margin* | *11.9%* | *6.5%* | *9.5%* |
| Adjusted operating income | $ 12.1 | $ 9.2 | $ 9.2 |
| *Adjusted operating margin* | *13.7%* | *12.2%* | *10.5%* |
| Net earnings attributable to VPG stockholders | $ 10.8 | $ 3.9 | $ 6.4 |
| Diluted earnings per share attributable to VPG stockholders | $ 0.79 | $ 0.29 | $ 0.46 |
| Adjusted net earnings attributable to VPG stockholders | $ 9.3 | $ 6.7 | $ 6.6 |
| Adjusted net earnings per diluted share | $ 0.68 | $ 0.49 | $ 0.49 |

# Selected Balance Sheet Items

**($ in Millions)**

| | July 2, 2022 | July 3, 2021 | April 2, 2022 |
|---|---|---|---|
| Cash & cash equivalents | $79.4 | $73.5 | $78.2 |
| Total assets | $458.4 | $440.3 | $457.8 |
| Total long-term debt | $60.8 | $60.7 | $60.7 |
| Total liabilities | $173.0 | $174.4 | $176.0 |

# Q&A

# Appendix

# Second Quarter 2022 Market Trends

## Consolidated Revenue by Market

| $ in millions | 2Q22 | 2Q21 | 1Q22 |
|---|---|---|---|
| Test & Measurement | $ 21.5 | $ 16.3 | $ 18.0 |
| Avionics, Military, Space | 6.9 | 5.9 | 8.2 |
| Transportation | 13.2 | 11.9 | 14.0 |
| Industrial Weighing | 12.9 | 12.0 | 13.2 |
| General Industrial | 5.3 | 4.2 | 5.9 |
| Steel | 10.8 | 7.6 | 7.4 |
| Other Markets | 18.0 | 17.5 | 21.2 |
| Total | $ 88.6 | $ 75.3 | $ 87.7 |

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

| *In $ thousands, except margin and per share data* | Gross Profit | | Operating Income | | Net Earnings Attributable to VPG Stockholders | | Diluted Earnings Per share | |
|---|---|---|---|---|---|---|---|---|
| **Three months ended** | **July 2, 2022** | **July 3, 2021** | **July 2, 2022** | **July 3, 2021** | **July 2, 2022** | **July 3, 2021** | **July 2, 2022** | **July 3, 2021** |
| As reported - GAAP | **37,334** | 29,798 | **10,551** | 4,924 | **$ 10,755** | $ 3,920 | **$ 0.79** | $ 0.29 |
| As reported - GAAP Margins | **42.1 %** | 39.6 % | **11.9 %** | 6.5 % | | | | |
| Acquisition purchase accounting adjustments | **679** | 919 | **679** | 919 | **679** | 919 | 0.05 | 0.07 |
| Acquisition costs | | — | — | 1,198 | — | 1,198 | — | 0.09 |
| COVID-19 impact | **—** | (26) | **—** | (242) | **—** | (242) | — | (0.02) |
| Start-up costs | **—** | 1,159 | — | 1,159 | — | 1,159 | — | 0.08 |
| Impairment of goodwill and indefinite-lived intangibles | | — | **—** | 1,223 | **—** | 1,223 | — | 0.09 |
| Restructuring costs | | — | **904** | — | **904** | — | 0.07 | — |
| Foreign exchange (gain)/loss | | — | | — | **(3,380)** | 174 | (0.25) | 0.01 |
| Less: Tax effect of reconciling items and discrete tax items | | — | | — | **$ (377)** | $ 1,639 | **$ (0.02)** | $ 0.12 |
| As Adjusted - Non GAAP | **$ 38,013** | $ 31,850 | **$ 12,134** | $ 9,181 | **$ 9,335** | $ 6,712 | **$ 0.68** | $ 0.49 |
| As Adjusted - Non GAAP Margins | **42.9 %** | 42.3 % | **13.7 %** | 12.2 % | | | | |

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

| *In $ thousands, except margin and per share data* | Gross Profit | | Operating Income | | Net Earnings Attributable to VPG Stockholders | | Diluted Earnings Per share | |
|---|---|---|---|---|---|---|---|---|
| **Six fiscal months ended** | **7/2/2022** | **7/3/2021** | **7/2/2022** | **7/3/2021** | **7/2/2022** | **7/3/2021** | **7/2/2022** | **7/3/2021** |
| As reported - GAAP | **72,584** | 58,420 | **18,866** | 11,363 | **$ 17,111** | $ 8,881 | **$ 1.25** | $ 0.65 |
| As reported - GAAP Margins | **41.2 %** | 40.0 % | **10.7 %** | 7.8 % | | | | |
| Acquisition purchase accounting adjustments | **1,050** | 930 | **1,050** | 930 | **1,050** | 930 | **0.08** | 0.07 |
| Acquisition costs | | — | **—** | 1,198 | **—** | 1,198 | **—** | 0.09 |
| COVID-19 impact | **138** | (177) | **138** | (685) | **138** | (685) | **0.01** | (0.05) |
| Start-up costs | **150** | 1,288 | **150** | 1,288 | **150** | 1,288 | **0.01** | 0.09 |
| Impairment of goodwill and indefinite-lived intangibles | **—** | — | **—** | 1,223 | **—** | 1,223 | **—** | 0.09 |
| Restructuring costs | | | **1,165** | — | **1,165** | — | **0.09** | — |
| Foreign exchange (gain)/loss | | | | | **(3,934)** | (561) | **(0.29)** | (0.04) |
| Less: Tax effect of reconciling items and discrete tax items | | | | | **$ (302)** | $ 1,406 | **$ (0.02)** | $ 0.10 |
| As Adjusted - Non GAAP | **$ 73,922** | $ 60,461 | **$ 21,369** | $ 15,317 | **$ 15,982** | $ 10,868 | **$ 1.17** | $ 0.80 |
| As Adjusted - Non GAAP Margins | **41.9 %** | 41.4 % | **12.1 %** | 10.5 % | | | | |

# Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

| | Fiscal quarter ended | | |
|---|---|---|---|
| *In $ thousands, except margin data* | **July 2, 2022** | **July 3, 2021** | **April 2, 2022** |
| Net earnings attributable to VPG stockholders | $ 10,755 | $ 3,920 | $ 6,356 |
| Interest Expense | 428 | 273 | 329 |
| Income tax expense | 2,587 | 262 | 1,741 |
| Depreciation | 2,832 | 2,829 | 2,853 |
| Amortization | 967 | 757 | 970 |
| EBITDA | 17,569 | $ 8,041 | $ 12,249 |
| EBITDA MARGIN | 19.8 % | 10.7 % | 14.0 % |
| Impairment of goodwill and indefinite-lived intangibles | — | 1,223 | — |
| Acquisition purchase accounting adjustments | 679 | 919 | 371 |
| Acquisition costs | — | 1,198 | — |
| Restructuring costs | 904 | — | 261 |
| COVID-19 impact | — | (242) | 138 |
| Start-up costs | — | 1,159 | 150 |
| Foreign exchange (gain)/loss | (3,380) | 174 | (554) |
| ADJUSTED EBITDA | 15,772 | 12,472 | 12,615 |
| ADJUSTED EBITDA MARGIN | 17.8 % | 16.6 % | 14.4 % |

# Reconciliation of Adjusted Gross Profit by Segment

| *In $ thousands except margin data* | Fiscal quarter ended July 2, 2022 | Fiscal quarter ended July 3, 2021 | Fiscal quarter ended April 2, 2022 |
|---|---|---|---|
| **Sensors** | | | |
| As reported - GAAP | $ 17,831 | $ 12,120 | $ 14,286 |
| As reported - GAAP Margins | 44.3 % | 38.9 % | 37.8 % |
| COVID-19 impact | — | 94 | 121 |
| Start-up costs | $ — | $ 1,159 | $ 150 |
| As Adjusted - Non GAAP | $ 17,831 | $ 13,373 | $ 14,557 |
| As Adjusted - Non GAAP Margins | 44.3 % | 42.9 % | 38.6 % |
| **Weighing Solutions** | | | |
| As reported - GAAP | $ 9,585 | $ 11,791 | $ 12,079 |
| As reported - GAAP Margins | 33.7 % | 37.2 % | 36.9 % |
| COVID-19 impact | — | 127 | — |
| As Adjusted - Non GAAP | $ 9,585 | $ 11,918 | $ 12,079 |
| As Adjusted - Non GAAP Margins | 33.7 % | 37.6 % | 36.9 % |
| **Measurement Systems** | | | |
| As reported - GAAP | $ 9,918 | $ 5,887 | $ 8,885 |
| As reported - GAAP Margins | 49.9 % | 47.1 % | 51.8 % |
| Acquisition purchase accounting adjustments | 679 | 919 | 371 |
| COVID-19 impact | — | (247) | 17 |
| As Adjusted - Non GAAP | $ 10,597 | $ 6,559 | $ 9,273 |
| As Adjusted - Non GAAP Margins | 53.3 % | 52.5 % | 54.1 % |