

Vishay Precision Group

Fourth Fiscal Quarter 2022 Earnings

February 15, 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.

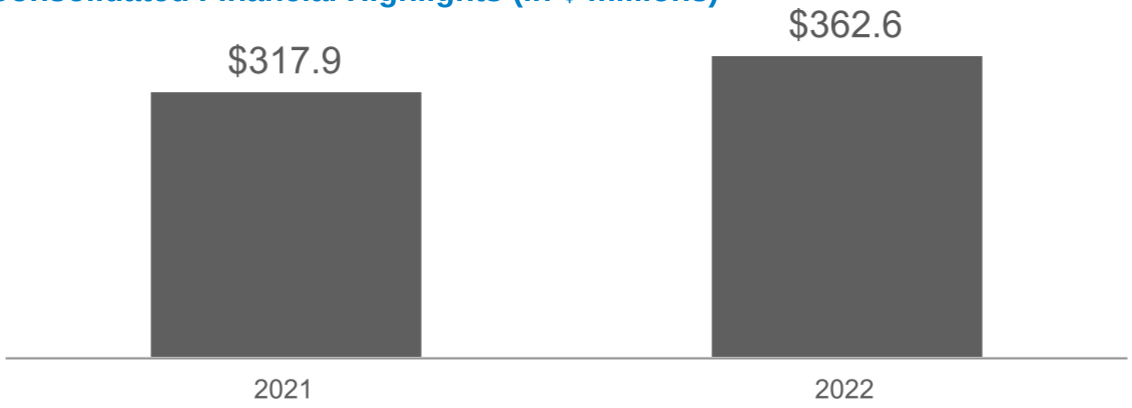
Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, expected, estimated, or projected. Among the factors that could cause actual results to materially differ include: general business and economic conditions; impact of inflation, 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, 2021. 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 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 2022 Highlights

Consolidated Financial Highlights (in $ millions)

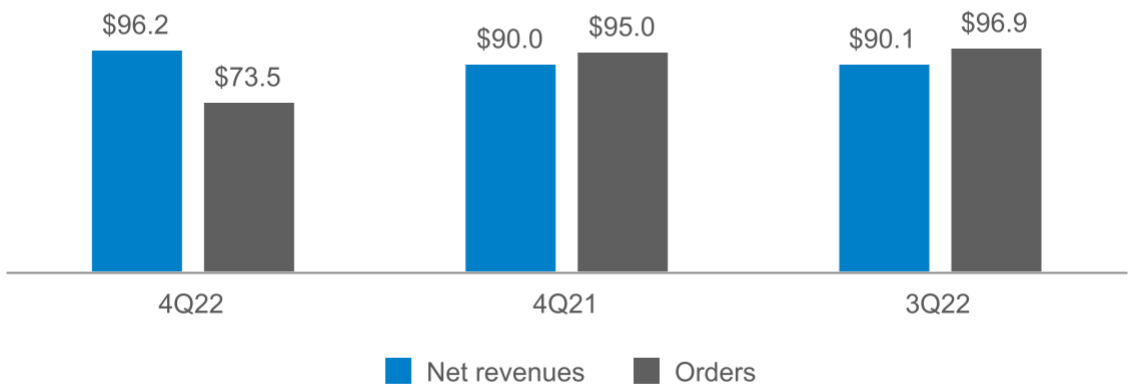


($ in millions, except per share data, margin data and book-to-bill ratio)	2021	2022
Net revenues	317.9	362.6
Gross Margin	39.4%	41.3%
Adj. Gross Margin	41.2%	41.8%
Net Earnings per Diluted Share	$ 1.48	$ 2.63
Adj. Net Earnings per Diluted Share	$ 1.87	$ 2.62
Adj. EBITDA	49.9	62.0
Book-to-Bill	1.21	1.04
End-of-period backlog	150.5	155.0

- Record sales of $363 million grew 14.0% despite unfavorable F/X impact; Excluding F/X impact, growth was 20.1%
- Strong growth across all end-markets and business segments
- Adjusted net earnings per diluted share grew 40.1%
- Generated adjusted EBITDA of $62.0 million, or 17.1% of revenue
- Launched new operational diversified strategy
- Completed key strategic growth-focused manufacturing capability projects

Fiscal Fourth Quarter 2022 Highlights

Consolidated Financial Highlights (in $ millions)

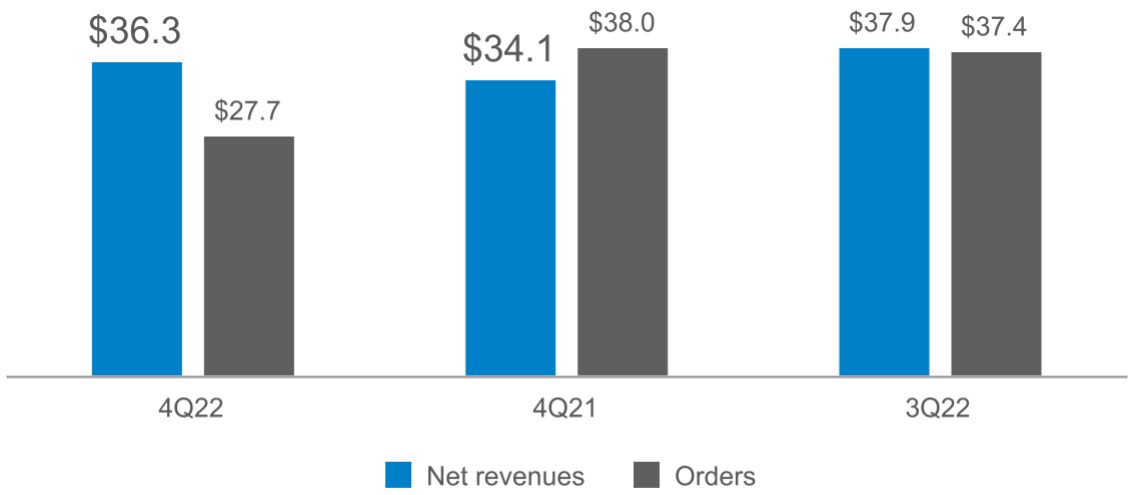


($ in millions, except margin data and book-to-bill ratio)	4Q22	4Q21	3Q22
Net revenues	96.2	90.0	90.1
Gross margin	41.2%	38.7%	41.4%
Adjusted gross margin	41.5%	40.3%	41.7%
Net Earnings per Diluted Share	$ 0.65	$ 0.44	$ 0.74
Adj. Net Earnings per Diluted Share	$ 0.76	$ 0.56	$ 0.69
Adj. EBITDA	17.5	14.2	16.1
Book-to-Bill	0.76	1.06	1.08
End-of-period backlog	155.0	150.5	171.7

- Record revenue of $96 million, grew 6.9% sequentially and from a year ago. Excluding the negative impact of F/X, 4Q22 revenue grew 7.9% sequentially and 13.6% year-over-year.
- Adj. Net Earnings per Diluted Share grew 10.1% sequentially.
- Generated Adj. EBITDA of $17.5 million, or 18.2% of revenue.
- Book-to-bill of 0.76x reflected cyclically slower semi test, consumer, and steel orders, and the timing of project-driven business.
- Backlog of $155.0 million.

Sensors: Fourth Quarter 2022 Highlights

Consolidated Financial Highlights (in $ millions)

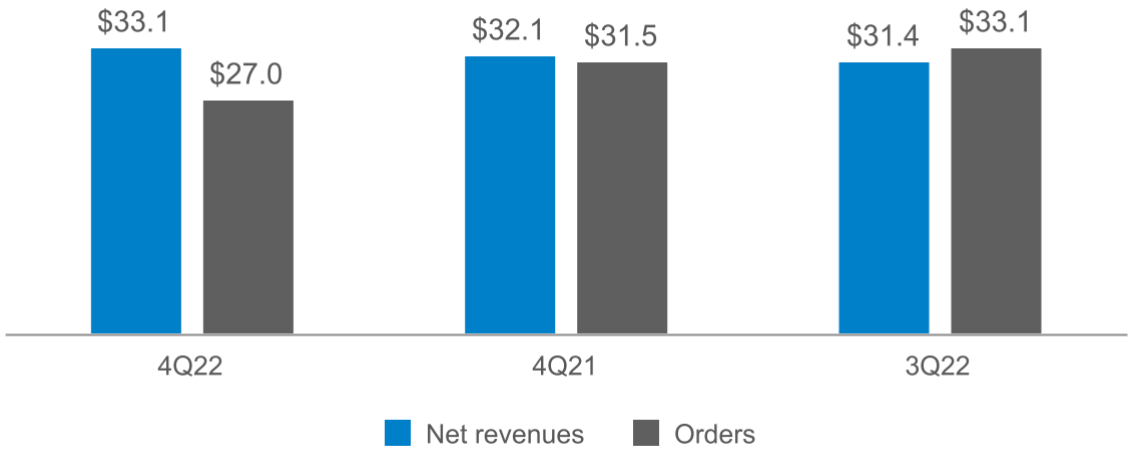


($ in millions, except margin data and book-to-bill ratio)	4Q22	4Q21	3Q22
Net revenues	36.3	34.1	37.9
Book-to-Bill	0.76	1.11	0.99
Gross profit	13.6	11.0	15.3
Gross profit margin	37.6%	32.1%	40.5%
Adjusted gross profit margin	37.6%	34.8%	40.5%

- 4Q22 sales declined 4.1% sequentially and were up 6.3% from a year ago.
- Excluding the negative impact from F/X, Sensors revenue declined 3.5% sequentially and grew 14.3% year-over-year.
- Advanced sensors revenue grew 28% from 4Q21. For 2022, Advanced Sensors revenue increased 40.5% from 2021 to approximately $50 million.
- Sequentially,adjusted gross profit margin reflected lower volume, wage increases, and labor inefficiencies.
- Book-to-bill of 0.76x reflected cyclically slower orders in test & measurement for precision sensors and in consumer for advanced sensors.

Weighing Solutions: Fourth Quarter 2022 Highlights

Consolidated Financial Highlights (in $ millions)

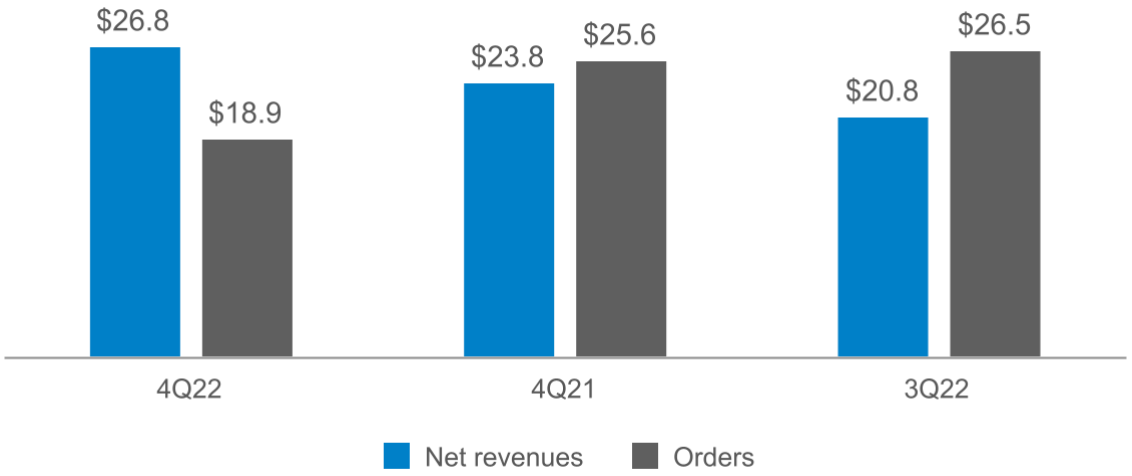


($ in millions, except margin data and book-to-bill ratio)	4Q22	4Q21	3Q22
Net revenues	33.1	32.1	31.4
Book-to-Bill	0.82	0.98	1.05
Gross profit	11.0	10.9	10.5
Gross profit margin	33.4%	34.0%	33.3%
Adjusted gross profit margin	33.4%	34.0%	33.3%

- 4Q22 revenues grew 5.4% sequentially and were up 3.2% from the prior year.
- Excluding the negative impact from F/X, Weighing solutions revenue grew 6.1% sequentially and 10.5% year-over-year.
- Force sensors OEM revenue grew 52% from 4Q21 and 34% from 3Q22.
- Sales strength in precision agriculture and construction applications as well as higher revenue in Industrial Weighing.
- Book-to-bill of 0.82x.

Measurement Systems: Fourth Quarter 2022 Highlights

Consolidated Financial Highlights (in $ millions)

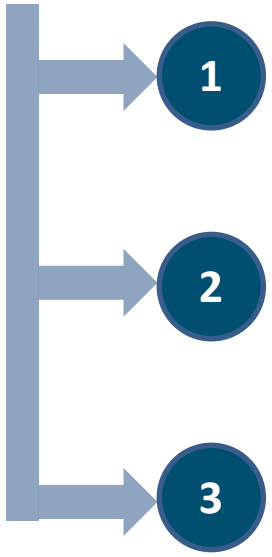


($ in millions, except margin data and book-to-bill ratio)	4Q22	4Q21	3Q22
Net revenues	26.8	23.8	20.8
Book-to-Bill	0.70	1.08	1.27
Gross profit	15.0	13.0	11.5
Gross profit margin	55.9%	54.7%	55.5%
Adjusted gross profit margin	56.8%	56.8%	56.7%

- 4Q22 revenues grew 29.2% sequentially and 12.8% from the prior year, reflecting higher sales for KELK, DSI and DTS.
- Excluding the negative impact from F/X, Measurement Systems revenue grew 31.3% sequentially and 16.9% year-over-year.
- While slightly higher sequentially, adj. gross profit margin included impacts from unfavorable product mix and foreign exchange rates
- Book-to-bill was 0.70x driven by cyclically softer steel-related orders and the timing of customer projects in AMS and vehicle safety testing in the Transportation market.

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

Capital Allocation Priorities:



1 Internal Investments

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

2 Value-Creating M&A

- 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

3 Stock Repurchases

- Repurchased $2.7 million of stock in 2022

Financial Results

($ in millions, except margin data and per share amounts)	Fiscal quarter ended		
	December 31, 2022	December 31, 2021	October 1, 2022
Net revenues	$ 96.2	$ 90.0	$ 90.1
Gross profit	$ 39.7	$ 34.9	$ 37.3
Gross profit margin	41.2 %	38.7 %	41.4 %
Adjusted gross profit	$ 39.9	$ 36.3	$ 37.6
Adjusted gross proft margin	41.5 %	40.3 %	41.7 %
Selling, general, and administrative expenses	$ 26.5	$ 26.1	$ 25.3
Operating income	$ 13.0	$ 8.7	$ 11.9
Operating margin	13.6 %	9.7 %	13.2 %
Adjusted operating income	$ 13.5	$ 10.3	$ 12.3
Adjusted operating margin	14.0 %	11.4 %	13.7 %
Net earnings attributable to VPG stockholders	$ 8.8	$ 6.0	$ 10.1
Diluted earnings per share attributable to VPG stockholders	$ 0.65	$ 0.44	$ 0.74
Adjusted net earnings attributable to VPG stockholders	$ 10.4	$ 7.7	$ 9.5
Adjusted net earnings per diluted share	$ 0.76	$ 0.56	$ 0.69

Selected Balance Sheet Items

($ in Millions)	December 31, 2022	December 31, 2021	October 1, 2022
Cash & cash equivalents	88.6	84.3	79.9
Total assets	476.7	461.9	454.2
Total long-term debt	60.8	60.7	60.8
Total liabilities	170.2	184.8	167.7

Thank You

Appendix

Fourth Quarter and Annual 2022 Market Trends

Consolidated Revenue by Market

$ in millions	4Q22	4Q21	3Q22	2022	2021
Test & Measurement	18.3	17.5	20.7	$ 78.4	$ 64.1
Avionics, Military, Space	9.8	7.9	6.5	31.4	27.3
Transportation	14.8	14.4	13.9	55.9	49.5
Industrial Weighing	13.5	14.3	12.5	52.1	50.6
General Industrial	5.0	4.4	5.0	21.2	16.8
Steel	14.3	12.3	11.4	43.8	38.0
Other Markets	20.5	19.1	20.1	79.8	71.6
Total	$ 96.2	$ 90.0	$ 90.1	$ 362.6	$ 317.9

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	
	2022	2021	2022	2021	2022	2021	2022	2021
As reported - GAAP	**39,698**	34,877	**13,049**	8,744	**$ 8,834**	$ 5,961	**$ 0.65**	$ 0.44
As reported - GAAP Margins	**41.2 %**	38.7 %	**13.6 %**	9.7 %				
Acquisition purchase accounting adjustments	**240**	516	**240**	516	**240**	516	0.02	0.04
Start-up costs	**—**	916	—	916	—	916	—	0.07
Restructuring costs			**188**	76	**188**	76	0.01	0.01
Foreign exchange (gain)/loss					**1,616**	632	0.11	0.04
Less: Tax effect of reconciling items and discrete tax items					**$ 452**	$ 436	**$ 0.03**	$ 0.04
As Adjusted - Non GAAP	**$ 39,938**	$ 36,309	**$ 13,477**	$ 10,252	**$ 10,426**	$ 7,665	**$ 0.76**	$ 0.56
As Adjusted - Non GAAP Margins	**41.5 %**	40.3 %	**14.0 %**	11.4 %				

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

Fiscal Year Ended December 31,	Gross Profit 2022	Gross Profit 2021	Operating Income 2022	Operating Income 2021	Net Earnings Attributable to VPG Stockholders 2022	Net Earnings Attributable to VPG Stockholders 2021	Diluted Earnings Per share 2022	Diluted Earnings Per share 2021
As reported - GAAP	**149,602**	125,142	**43,799**	27,372	**$ 36,063**	$ 20,221	**$ 2.63**	$ 1.48
As reported - GAAP Margins	**41.3 %**	39.4 %	**12.1 %**	8.6 %				
Acquisition purchase accounting adjustments	**1,550**	2,775	**1,550**	2,775	**1,550**	2,775	**0.11**	0.20
Acquisition costs			**—**	1,198	**—**	1,198	**—**	0.09
COVID-19 impact	**138**	(66)	**138**	(574)	**138**	(574)	**0.01**	(0.04)
Start-up costs	**150**	3,174	**150**	3,174	**150**	3,174	**0.01**	0.23
Impairment of goodwill and indefinite-lived intangibles			**—**	1,223	**—**	1,223	**—**	0.09
Restructuring costs			**1,518**	76	**1,518**	76	**0.11**	0.01
Foreign exchange (gain)/loss					**(3,579)**	109	**(0.26)**	0.01
Less: Tax effect of reconciling items and discrete tax items					**$ (44)**	$ 2,596	**$ (0.01)**	$ 0.20
As Adjusted - Non GAAP	**$ 151,440**	$ 131,025	**$ 47,155**	$ 35,244	**$ 35,884**	$ 25,606	**$ 2.62**	$ 1.87
As Adjusted - Non GAAP Margins	**41.8 %**	41.2 %	**13.0 %**	11.1 %				

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA - QTR

In $ thousands, except margin data	Fiscal quarter ended		
	December 31, 2022	December 31, 2021	October 1, 2022
Net earnings attributable to VPG stockholders	$ 8,834	$ 5,961	$ 10,118
Interest Expense	876	324	636
Income tax expense	1,884	1,781	2,323
Depreciation	2,882	2,993	2,937
Amortization	952	970	960
EBITDA	15,428	$ 12,029	$ 16,974
EBITDA MARGIN	16.0 %	13.4 %	18.8 %
Acquisition purchase accounting adjustments	240	516	260
Restructuring costs	188	76	165
Start-up costs	—	916	—
Foreign exchange loss/(gain)	1,616	632	(1,261)
ADJUSTED EBITDA	17,472	14,169	16,138
ADJUSTED EBITDA MARGIN	18.2 %	15.7 %	17.9 %

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA - YTD

	Year ended	
	December 31, 2022	December 31, 2021
Net earnings attributable to VPG stockholders	$ 36,063	$ 20,221
Interest Expense	2,269	1,230
Income tax expense	8,535	5,469
Depreciation	11,504	11,684
Amortization	3,849	3,312
EBITDA	62,220	$ 41,916
EBITDA MARGIN	17.2 %	13.2 %
Impairment of goodwill and indefinite-lived intangibles	—	1,223
Acquisition purchase accounting adjustments	1,550	2,775
Acquisition costs	—	1,198
Restructuring costs	1,518	76
COVID-19 impact	138	(574)
Start-up costs	150	3,174
Foreign exchange (gain) loss	(3,579)	109
ADJUSTED EBITDA	61,997	49,897
ADJUSTED EBITDA MARGIN	17.1 %	15.7 %

Reconciliation of Adjusted Gross Profit by Segment

	Fiscal quarter ended		
	December 31, 2022	December 31, 2021	October 1, 2022
Sensors			
As reported - GAAP	$ 13,645	$ 10,954	$ 15,324
As reported - GAAP Margins	37.6 %	32.1 %	40.5 %
Start-up costs	—	916	—
As Adjusted - Non GAAP	$ 13,645	$ 11,870	$ 15,324
As Adjusted - Non GAAP Margins	37.6 %	34.8 %	40.5 %
Weighing Solutions			
As reported - GAAP	$ 11,043	$ 10,913	$ 10,470
As reported - GAAP Margins	33.4 %	34.0 %	33.3 %
As Adjusted - Non GAAP	$ 11,043	$ 10,913	$ 10,470
As Adjusted - Non GAAP Margins	33.4 %	34.0 %	33.3 %
Measurement Systems			
As reported - GAAP	$ 15,009	$ 13,012	$ 11,526
As reported - GAAP Margins	55.9 %	54.7 %	55.5 %
Acquisition purchase accounting adjustments	240	516	260
As Adjusted - Non GAAP	$ 15,249	$ 13,528	$ 11,786
As Adjusted - Non GAAP Margins	56.8 %	56.8 %	56.7 %

VPG Sustainability 2022

- 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



"At Vishay Precision Group, we are committed to advancing the highest social, ethical and environmental standards."