

Vishay Precision Group

Third Fiscal Quarter 2023 Earnings

November 7, 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; 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, 2022. 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.

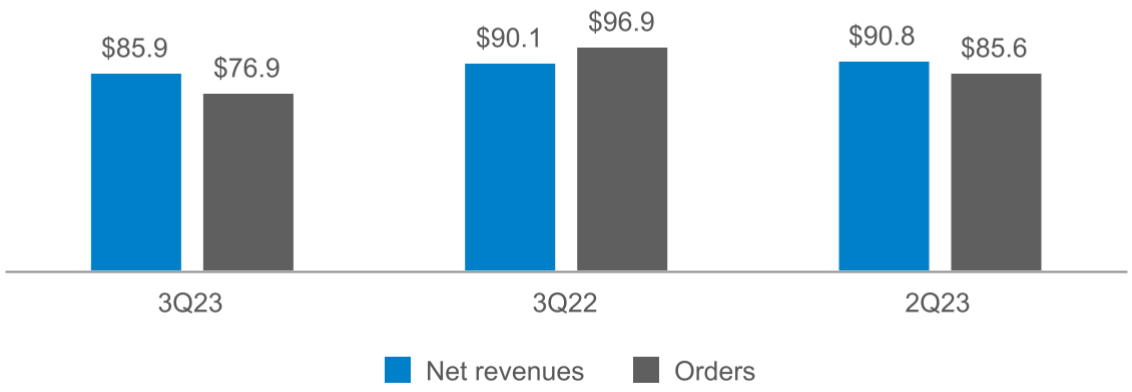
Third Quarter 2023 Overview

- Achieved revenue at the low end of our guidance, reflecting macro economic headwinds in some end-markets.
- Orders of $76.9 million declined 10% sequentially, primarily due to lower orders in our steel and industrial markets, as trends were mixed across our businesses. The majority of the sequential decline related to steel orders.
- Generated solid cash flow and deployed capital to pay down debt as well as to repurchase shares.
- Steadfast focus on long-term growth and cost reduction initiatives.



Fiscal Third Quarter 2023 Highlights

Consolidated Financial Highlights (in $ millions)

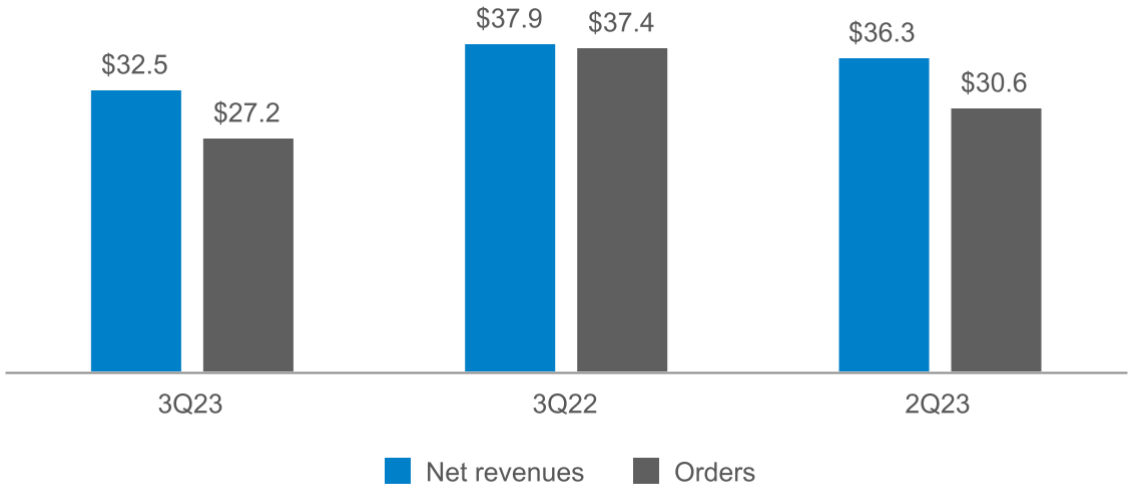


($ in millions, except margin data and book-to-bill ratio)	3Q23	3Q22	2Q23
Net revenues	$ 85.9	$ 90.1	$ 90.8
Gross margin	41.9 %	41.4 %	42.6 %
Adjusted gross margin	42.1 %	41.7 %	42.7 %
Net Earnings per Diluted Share	$ 0.46	$ 0.74	$ 0.60
Adj. Net Earnings per Diluted Share	$ 0.47	$ 0.69	$ 0.58
Adj. EBITDA	$ $13.7	$ 16.1	$ 16.0
Book-to-Bill	0.90	1.08	0.94
End-of-period backlog	$ 128.8	$ 168.1	$ 139.7

- Revenue of $85.9 million, declined 4.7% from the prior year and 5.4% sequentially.
- Adj. gross margin of 42.1% increase from 41.7% a year ago and declined from 42.7% in 2Q23.
- Adj. net earnings per diluted share of $0.47 decreased from $0.69 in the prior year and from $0.58 in the second quarter.
- Adj. EBITDA of $13.7 million and Free Cash Flow of $6.0 million declined 14.9% from the prior year and was flat respectively, from 2Q23.
- Third-quarter orders declined 10.2% sequentially to $76.9 million primarily reflecting $6.3 million lower Steel orders.
- 3Q23 book-to-bill ratio was 0.90.

Sensors: Third Quarter 2023 Highlights

(in $ millions)

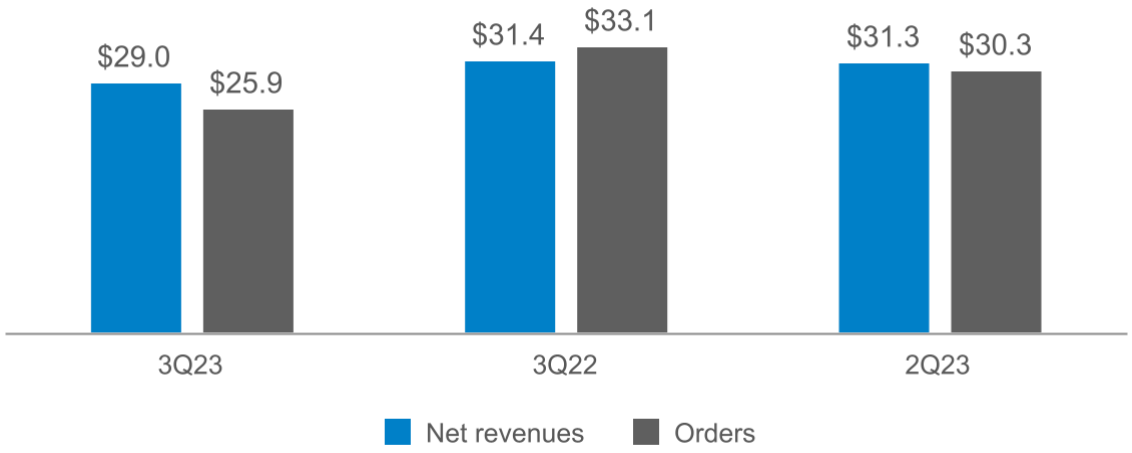


($ in millions, except margin data and book-to-bill ratio)	3Q23	3Q22	2Q23
Net revenues	$ 32.5	$ 37.9	$ 36.3
Book-to-Bill	0.83	0.99	0.84
Gross profit	$ 11.7	$ 15.3	$ 14.5
Gross profit margin	35.9 %	40.5 %	40.1 %
Adjusted gross profit margin	35.9 %	40.5 %	40.1 %

- Sensors 3Q23 revenues decreased 10.3% sequentially.
- The sequential decline reflected lower revenue of precision resistors in the AMS and Test and Measurement end markets and lower revenue of strain gages in the General Industrial end market.
- Sequentially, 3Q23 Sensors' adj. gross margin of 35.9% reflected lower volume, and temporary labor inefficiencies due to lower production levels.
- Orders of $27.2 million declined 11.3% sequentially, reflecting customers' cautious order patterns and the timing of large orders.

Weighing Solutions: Third Quarter 2023 Highlights

(in $ millions)

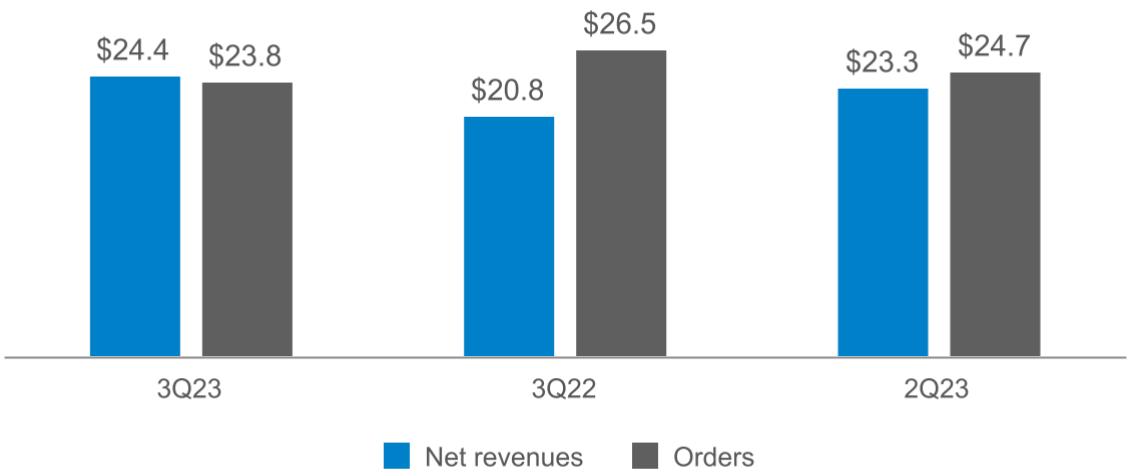


($ in millions, except margin data and book-to-bill ratio)	3Q23	3Q22	2Q23
Net revenues	$ 29.0	$ 31.4	$ 31.3
Book-to-Bill	0.89	1.05	0.97
Gross profit	$ 11.2	$ 10.5	$ 12.1
Gross profit margin	38.7 %	33.3 %	38.7 %
Adjusted gross profit margin	38.7 %	33.3 %	38.7 %

- 3Q23 revenues decreased 7.3% sequentially and 7.7% from the prior year.
- Sequentially, higher sales to the transportation market for on-board weighing products were offset by lower sales to the industrial markets and to OEM customers.
- Adj. gross margin of 38.7% was flat with 2Q23, as lower operating costs offset the impact of lower volume.
- Orders of $25.9 million declined 14.6% sequentially due to lower orders for precision ag. applications, and in our Transportation and Industrial Weighing markets.

Measurement Systems: Third Quarter 2023 Highlights

(in $ millions)



($ in millions, except margin data and book-to-bill ratio)	3Q23	3Q22	2Q23
Net revenues	$ 24.4	$ 20.8	$ 23.3
Book-to-Bill	0.98	1.27	1.06
Gross profit	$ 13.0	$ 11.5	$ 12.1
Gross profit margin	53.6 %	55.5 %	51.8 %
Adjusted gross profit margin	54.5 %	56.7 %	52.0 %

- 3Q23 revenues of $24.4 million increased sequentially 4.6% and were 17.2% higher year-over-year.
- Sequentially, higher sales of DTS products to the AMS and Transportation markets were partially offset by lower KELK sales to the steel market.
- The redesigned DTS product is complete and shipments have commenced.
- 3Q23 adjusted gross margin of 54.5% increased sequentially which reflected mainly higher volume.
- Orders of $23.8 million were 3.5% lower than 2Q23, as record DTS orders in AMS offset by $6.3 million lower orders to the Steel market.

Focused on Key Priorities

1

Growth Initiatives

- Execute on growth initiatives aimed at accelerating new customer business development and new product introductions.

2

Cost Reduction and Profit Enhancement Initiatives

- Continue ongoing cost reduction and operational excellence programs.
- Continue selective price increases.

3

Execute Capital Allocation Strategy

- Continue to implement capital allocation strategy which balances
  - Internal investments to support growth and operational excellence initiatives.
- Value-creating M&A opportunities.
- Stock repurchases
  - VPG repurchased $3.9 million of stock through 3Q23 under the stock repurchase plan authorized by our Board in August 2022 and extended through August 2024.
- Paying down revolving debt

Financial Results

($ in millions, except margin data and per share amounts)	Fiscal quarter ended September 30, 2023	October 1, 2022	July 1, 2023
Net revenues	$ 85.9	$ 90.1	$ 90.8
Gross profit	$ 35.9	$ 37.3	$ 38.7
Gross profit margin	41.9 %	41.4 %	42.6 %
Adjusted gross profit	$ 36.1	$ 37.6	$ 38.8
Adjusted gross proft margin	42.1 %	41.7 %	42.7 %
Selling, general, and administrative expenses	$ 26.6	$ 25.3	$ 26.8
Operating income	$ 8.2	$ 11.9	$ 11.8
Operating margin	9.6 %	13.2 %	13.0 %
Adjusted operating income	$ 9.6	$ 12.3	$ 12.0
Adjusted operating margin	11.2 %	13.7 %	13.2 %
Net earnings attributable to VPG stockholders	$ 6.3	$ 10.1	$ 8.2
Diluted earnings per share attributable to VPG stockholders	$ 0.46	$ 0.74	$ 0.60
Adjusted net earnings attributable to VPG stockholders	$ 6.4	$ 9.5	$ 8.0
Adjusted net earnings per diluted share	$ 0.47	$ 0.69	$ 0.58

Selected Balance Sheet Items

($ in Millions)

	September 30, 2023	October 1, 2022	July 1, 2023
Cash & cash equivalents	$ 94.6	$ 79.9	$ 98.5
Total assets	$ 484.3	$ 454.2	$ 487.0
Total long-term debt	$ 53.8	$ 60.8	$ 60.8
Total liabilities	$ 160.1	$ 167.7	$ 165.3

Q&A

Appendix

Third Quarter 2023 Market Trends

Consolidated Revenue by Market

$ in millions	3Q23	3Q22	2Q23
Test & Measurement	$ 17.1	$ 20.7	$ 18.7
Avionics, Military, Space	8.3	6.5	8.3
Transportation	15.5	13.9	13.0
Industrial Weighing	10.5	12.5	12.0
General Industrial	4.6	5.0	5.4
Steel	13.4	11.4	14.9
Other Markets	16.5	20.1	18.4
Total	$ 85.9	$ 90.1	$ 90.8

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

	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
Three months ended	**September 30, 2023**	**October 1, 2022**	**September 30, 2023**	**October 1, 2022**	**September 30, 2023**	**October 1, 2022**	**September 30, 2023**	**October 1, 2022**
As reported - GAAP	**$ 35,935**	$ 37,320	**$ 8,224**	$ 11,884	**$ 6,280**	$ 10,118	**$ 0.46**	$ 0.74
As reported - GAAP Margins	**41.9 %**	41.4 %	**9.6 %**	13.2 %				
Acquisition purchase accounting adjustments	**214**	260	**214**	260	**214**	260	0.02	0.02
Restructuring costs	—	—	**1,153**	165	**1,153**	165	0.08	0.01
Foreign currency exchange gain	—	—	—	—	**(1,283)**	(1,261)	(0.09)	(0.09)
Less: Tax effect of reconciling items and discrete tax items	—	—	—	—	**$ (77)**	$ (194)	**$ —**	$ (0.01)
As Adjusted - Non GAAP	**$ 36,149**	$ 37,580	**$ 9,591**	$ 12,309	**$ 6,441**	$ 9,476	**$ 0.47**	$ 0.69
As Adjusted - Non GAAP Margins	**42.1 %**	41.7 %	**11.2 %**	13.7 %				

Reconciliation of Adjusted Gross Profit, Operating Income, Net Earnings and Diluted Earnings Per Share – Year to date

	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
Nine fiscal months ended	**9/30/2023**	**10/1/2022**	**9/30/2023**	**10/1/2022**	**9/30/2023**	**10/1/2022**	**9/30/2023**	**10/1/2022**
As reported - GAAP	**$ 111,846**	$ 109,904	**$ 29,943**	$ 30,750	**$ 21,480**	$ 27,229	**$ 1.57**	$ 1.99
As reported - GAAP Margins	**42.1 %**	41.3 %	**11.3 %**	11.5 %				
Acquisition purchase accounting adjustments	**304**	1,310	**304**	1,310	**304**	1,310	**0.02**	0.10
COVID-19 impact	**—**	138	**—**	138	**—**	138	**—**	0.01
Start-up costs	**—**	150	**—**	150	**—**	150	**—**	0.01
Restructuring costs			**1,431**	1,330	**1,431**	1,330	**0.11**	0.10
Foreign currency exchange gain					**(2,139)**	(5,195)	**(0.16)**	(0.38)
Less: Tax effect of reconciling items and discrete tax items					**$ (357)**	$ (496)	**$ (0.03)**	$ (0.03)
As Adjusted - Non GAAP	**$ 112,150**	$ 111,502	**$ 31,678**	$ 33,678	**$ 21,433**	$ 25,458	**$ 1.57**	$ 1.86
As Adjusted - Non GAAP Margins	**42.2 %**	41.9 %	**11.9 %**	12.6 %				

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

In $ thousands, except margin data	Fiscal quarter ended		
	September 30, 2023	**October 1, 2022**	**July 1, 2023**
Net earnings attributable to VPG stockholders	$ 6,280	$ 10,118	$ 8,236
Interest Expense	1,119	636	1,079
Income tax expense	2,419	2,323	3,384
Depreciation	2,954	2,937	2,933
Amortization	880	960	934
EBITDA	$ 13,652	$ 16,974	$ 16,566
EBITDA MARGIN	15.9 %	18.8 %	18.2 %
Acquisition purchase accounting adjustments	214	260	41
Restructuring costs	1,153	165	162
Foreign currency exchange gain	(1,283)	(1,261)	(794)
ADJUSTED EBITDA	$ 13,736	$ 16,138	$ 15,975
ADJUSTED EBITDA MARGIN	16.0 %	17.9 %	17.6 %

Reconciliation of Adjusted Gross Profit by Segment

In $ thousands except margin data	Fiscal quarter ended September 30, 2023	Fiscal quarter ended October 1, 2022	Fiscal quarter ended July 1, 2023
Sensors			
As reported - GAAP	$ 11,681	$ 15,324	$ 14,549
As reported - GAAP Margins	35.9 %	40.5 %	40.1 %
As Adjusted - Non GAAP	$ 11,681	$ 15,324	$ 14,549
As Adjusted - Non GAAP Margins	35.9 %	40.5 %	40.1 %
Weighing Solutions			
As reported - GAAP	$ 11,207	$ 10,470	$ 12,107
As reported - GAAP Margins	38.7 %	33.3 %	38.7 %
As Adjusted - Non GAAP	$ 11,207	$ 10,470	$ 12,107
As Adjusted - Non GAAP Margins	38.7 %	33.3 %	38.7 %
Measurement Systems			
As reported - GAAP	$ 13,047	$ 11,526	$ 12,056
As reported - GAAP Margins	53.6 %	55.5 %	51.8 %
Acquisition purchase accounting adjustments	214	260	41
As Adjusted - Non GAAP	$ 13,261	$ 11,786	$ 12,097
As Adjusted - Non GAAP Margins	54.5 %	56.7 %	52.0 %

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 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

