2Q24 Earnings Call

August 6, 2024

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.

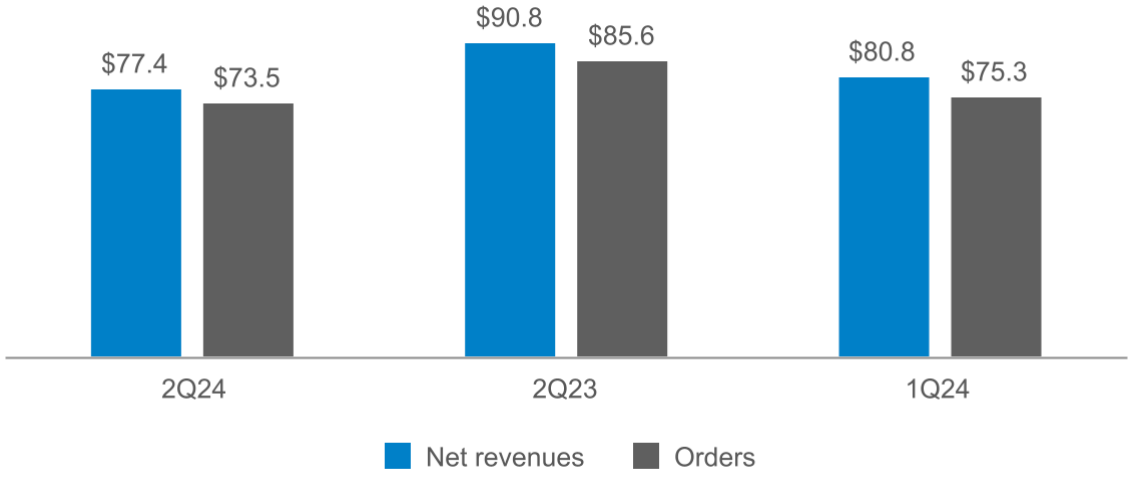
Second Quarter 2024 Overview

- Sales trends reflected a mixed market environment.
- Orders grew sequentially in Measurement Systems, but declined in Sensors and Weighing Solutions.
- We effectively adjusted operations to demand levels, which was reflected in our solid gross margin, and implemented expanded cost reduction programs.
- Customer engagement remains high as we maintain our focus on business development initiatives.
- Our strong balance sheet and solid free cash flow provides a good foundation for organic and inorganic growth.
- We expect a stable macro environment through the end of 2024, with mixed trends in our markets.



Fiscal Second Quarter 2024 Highlights

Consolidated Financial Highlights (in $ millions)

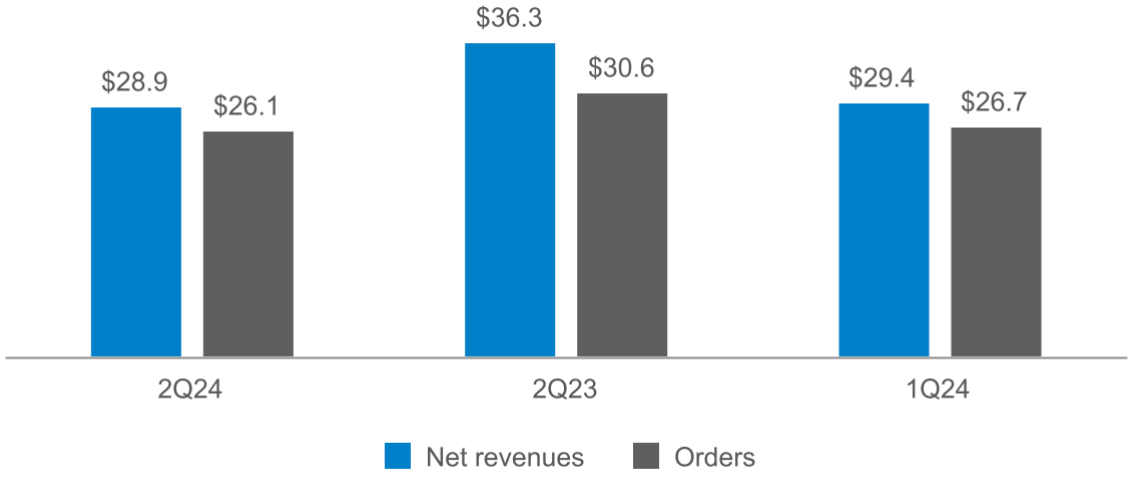


($ in millions, except margin data and book-to-bill ratio)	2Q24	2Q23	1Q24
Net revenues	$ 77.4	$ 90.8	$ 80.8
Gross margin	41.9 %	42.6 %	43.4 %
Adjusted gross margin	41.9 %	42.7 %	43.4 %
Net Earnings per Diluted Share	$ 0.34	$ 0.60	$ 0.44
Adj. Net Earnings per Diluted Share	$ 0.31	$ 0.58	$ 0.42
Adj. EBITDA	$ 10.2	$ 16.0	$ 12.3
Book-to-Bill	0.95	0.94	0.93
End-of-period backlog	$ 104.9	$ 139.7	$ 109.6

- Revenue of $77.4 million, declined 14.8% from the prior year and 4.2% sequentially.
- Adj. gross margin of 41.9% declined from 42.7% a year ago and 43.4% in 1Q24. The sequentially lower adj. gross margin primarily reflected lower revenue and unfavorable product mix.
- Adj. net earnings per diluted share of $0.31 compared to $0.42 in 1Q24.
- Second-quarter Adj. EBITDA was $10.2 million and Adj. Free Cash Flow was $4.9 million.
- Second-quarter orders declined 2% sequentially to $73.5 million as bookings growth for the Measurement Systems was offset by lower orders for Sensors and Weighing Solutions.
- Book-to-bill of 0.95 improved slightly from 1Q24.

Sensors: Second Quarter 2024 Highlights

(in $ millions)

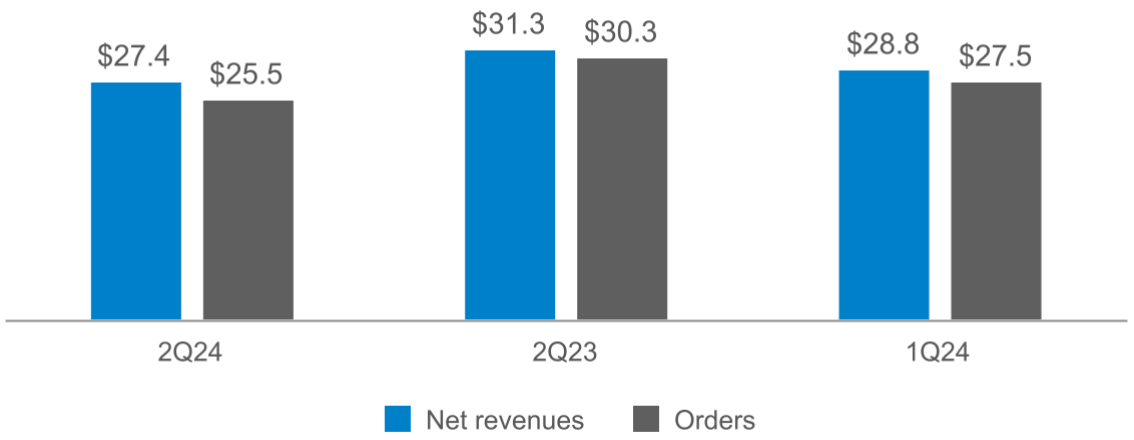


($ in millions, except margin data and book-to-bill ratio)	2Q24	2Q23	1Q24
Net revenues	$ 28.9	$ 36.3	$ 29.4
Book-to-Bill	0.90	0.84	0.91
Gross profit	$ 11.1	$ 14.5	$ 10.7
Gross profit margin	38.3 %	40.1 %	36.5 %

- Sensors 2Q24 revenues decreased 1.9% sequentially, as lower sales of precision resistors in the Test and Measurement market were partially offset by higher sales of advanced sensors in consumer markets.
- Sequentially, 2Q24 Sensors' gross margin of 38.3% grew from 36.5% reflecting improved efficiencies.
- Orders of $26.1 million slightly declined sequentially, as stronger advanced sensors orders in consumer markets was offset by slower orders for precision resistors in Test & Measurement.

Weighing Solutions: Second Quarter 2024 Highlights

(in $ millions)

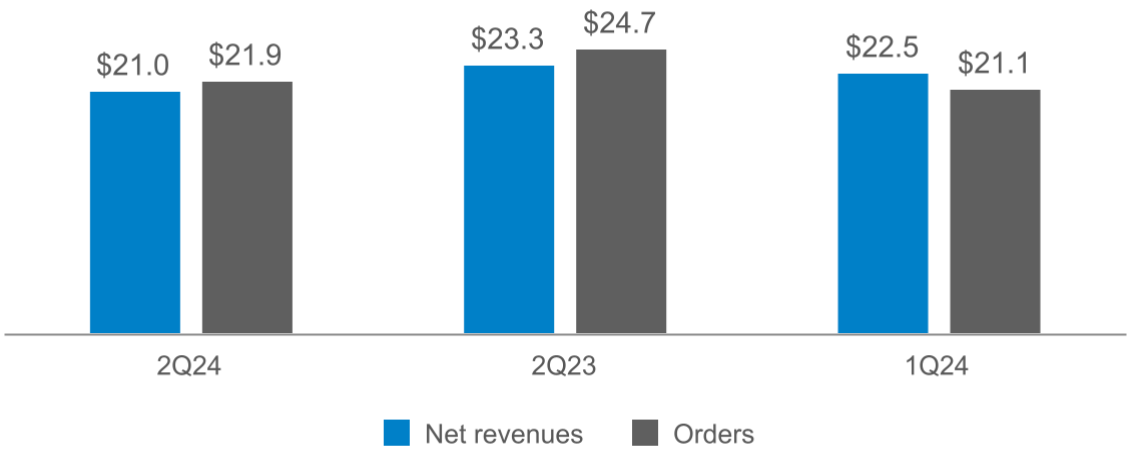


($ in millions, except margin data and book-to-bill ratio)	2Q24	2Q23	1Q24
Net revenues	$ 27.4	$ 31.3	$ 28.8
Book-to-Bill	0.93	0.97	0.95
Gross profit	$ 10.3	$ 12.1	$ 11.3
Gross profit margin	37.6 %	38.7 %	39.1 %

- 2Q24 revenues decreased 4.8% sequentially and 12.2% from the prior year.
- Sequentially, the decline in revenue reflected primarily lower sales of process weighing products.
- Gross margin of 37.6% declined from 39.1% due to lower volume.
- Orders of $25.5 million declined 7.3% sequentially mainly due to lower orders in the Transportation market.

Measurement Systems: Second Quarter 2024 Highlights

(in $ millions)



($ in millions, except margin data and book-to-bill ratio)	2Q24	2Q23	1Q24
Net revenues	$ 21.0	$ 23.3	$ 22.5
Book-to-Bill	1.04	1.06	0.94
Gross profit	$ 11.0	$ 12.1	$ 13.1
Gross profit margin	52.4 %	51.8 %	58.1 %
Adjusted gross profit margin	52.4 %	52.0 %	58.1 %

- 2Q24 revenues of $21.0 million declined 6.6% sequentially primarily due to lower sales in the AMS and Transportation markets. Sales to the Steel market were flat sequentially.
- 2Q24 gross margin of 52.4% declined sequentially from 58.1% reflecting lower volume and an unfavorable product mix.
- Orders of $21.9 million grew 3.8% from 1Q24, as stronger orders in Steel and Transportation offset lower orders primarily in AMS.

Growth-Oriented Capital Allocation Priorities



Internal Investments

- Business development.
- Operational excellence and manufacturing optimization.
- New product and market development.



Value-Creating M&A

- Strategic, profitable niche businesses with strong brands, differentiated products, and seasoned management teams.
- Bolt-on or transformational M&A.
- Completed 5 acquisitions.



Stock Repurchases

- Repurchased 3.1 million of stock in 2Q24. Since August 2022, VPG has repurchased $14.5 million of common stock under the repurchase plan authorized by our Board of Directors.

Financial Results

($ in millions, except margin data and per share amounts)	Fiscal quarter ended June 29, 2024	July 1, 2023	March 30, 2024
Net revenues	$ 77.4	$ 90.8	$ 80.8
Gross profit	$ 32.4	$ 38.7	$ 35.1
Gross profit margin	41.9 %	42.6 %	43.4 %
Adjusted gross profit	$ 32.4	$ 38.8	$ 35.1
Adjusted gross proft margin	41.9 %	42.7 %	43.4 %
Selling, general, and administrative expenses	$ 26.5	$ 26.8	$ 27.4
Operating income	$ 5.9	$ 11.8	$ 6.9
Operating margin	7.6 %	13.0 %	8.6 %
Adjusted operating income	$ 5.9	$ 12.0	$ 8.0
Adjusted operating margin	7.6 %	13.2 %	10.0 %
Net earnings attributable to VPG stockholders	$ 4.6	$ 8.2	$ 5.9
Diluted earnings per share attributable to VPG stockholders	$ 0.34	$ 0.60	$ 0.44
Adjusted net earnings attributable to VPG stockholders	$ 4.2	$ 8.0	$ 5.7
Adjusted net earnings per diluted share	$ 0.31	$ 0.58	$ 0.42

Selected Balance Sheet Items

($ in Millions)

	June 29, 2024	July 1, 2023	March 30, 2024
Cash & cash equivalents	$ 84.1	$ 98.5	$ 83.0
Total assets	462.8	487.0	466.2
Total long-term debt	31.9	60.8	31.9
Total liabilities	$ 135.8	$ 165.3	$ 138.3

Q&A

Appendix

Second Quarter 2024 Market Trends

Consolidated Revenue by Market

$ in millions	2Q24	2Q23	1Q24
Test & Measurement	$ 14.0	$ 18.7	$ 15.7
Avionics, Military, Space	6.2	8.3	7.0
Transportation	11.8	13.0	14.4
Industrial Weighing	9.6	12.0	9.8
General Industrial	4.8	5.4	5.3
Steel	13.0	14.9	12.7
Other Markets	18.1	18.4	16.0
Total	$ 77.4	$ 90.8	$ 80.8

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

	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
Three months ended	**June 29, 2024**	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**
As reported - GAAP	**$ 32,407**	$ 38,712	**$ 5,906**	$ 11,795	**$ 4,603**	$ 8,236	**$ 0.34**	$ 0.60
As reported - GAAP Margins	**41.9 %**	42.6 %	**7.6 %**	13.0 %				
Acquisition purchase accounting adjustments	**—**	41	**—**	41	**—**	41	—	—
Restructuring costs	—	—	**—**	162	**—**	162	—	0.01
Severance cost	—	—	**—**	—	**—**	—	—	—
Foreign currency exchange gain	—	—	—	—	**(1,289)**	(794)	(0.10)	(0.05)
Less: Tax effect of reconciling items and discrete tax items	—	—	—	—	**$ (836)**	$ (312)	**$ (0.06)**	$ (0.02)
As Adjusted - Non GAAP	**$ 32,407**	$ 38,753	**$ 5,906**	$ 11,998	**$ 4,150**	$ 7,957	**$ 0.31**	$ 0.58
As Adjusted - Non GAAP Margins	**41.9 %**	42.7 %	**7.6 %**	13.2 %				

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

Six fiscal months ended	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
As reported - GAAP	**67,501**	75,911	**12,824**	21,719	**$ 10,494**	$ 15,200	**$ 0.78**	$ 1.11
As reported - GAAP Margins	**42.7 %**	42.3 %	**8.1 %**	12.1 %				
Acquisition purchase accounting adjustments	**—**	90	**—**	90	**—**	90	**—**	0.01
Restructuring costs	—	—	**782**	278	**782**	278	**0.06**	0.02
Severance cost	—	—	**347**	—	**347**	—	**0.03**	—
Foreign currency exchange gain	—	—	—	—	**(2,878)**	(856)	**(0.21)**	(0.06)
Less: Tax effect of reconciling items and discrete tax items	—	—	—	—	**$ (1,074)**	$ (280)	**$ (0.08)**	$ (0.02)
As Adjusted - Non GAAP	**$ 67,501**	$ 76,001	**$ 13,953**	$ 22,087	**$ 9,819**	$ 14,992	**$ 0.73**	$ 1.10
As Adjusted - Non GAAP Margins	**42.7 %**	42.3 %	**8.8 %**	12.3 %				

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

In $ thousands, except margin data	Fiscal quarter ended		
	June 29, 2024	**July 1, 2023**	**March 30, 2024**
Net earnings attributable to VPG stockholders	$ 4,603	$ 8,236	$ 5,891
Interest Expense	649	1,079	628
Income tax expense	2,316	3,384	2,318
Depreciation	2,992	2,933	3,016
Amortization	924	934	927
EBITDA	$ 11,484	$ 16,566	$ 12,780
EBITDA MARGIN	14.8 %	18.2 %	15.8 %
Acquisition purchase accounting adjustments	—	41	—
Restructuring costs	—	162	782
Severance cost	—	—	—
Foreign currency exchange gain	(1,289)	(794)	(1,589)
ADJUSTED EBITDA	$ 10,196	$ 15,975	$ 12,320
ADJUSTED EBITDA MARGIN	13.2 %	17.6 %	15.3 %

Reconciliation of Adjusted Gross Profit by Segment

In $ thousands except margin data	Fiscal quarter ended June 29, 2024	July 1, 2023	March 30, 2024
Sensors			
As reported - GAAP	$ 11,066	$ 14,549	$ 10,732
As reported - GAAP Margins	38.3 %	40.1 %	36.5 %
As Adjusted - Non GAAP	$ 11,066	$ 14,549	$ 10,732
As Adjusted - Non GAAP Margins	38.3 %	40.1 %	36.5 %
Weighing Solutions			
As reported - GAAP	$ 10,310	$ 12,107	$ 11,266
As reported - GAAP Margins	37.6 %	38.7 %	39.1 %
As Adjusted - Non GAAP	$ 10,310	$ 12,107	$ 11,266
As Adjusted - Non GAAP Margins	37.6 %	38.7 %	39.1 %
Measurement Systems			
As reported - GAAP	$ 11,031	$ 12,056	$ 13,094
As reported - GAAP Margins	52.4 %	51.8 %	58.1 %
Acquisition purchase accounting adjustments	—	41	—
As Adjusted - Non GAAP	$ 11,031	$ 12,097	$ 13,094
As Adjusted - Non GAAP Margins	52.4 %	52.0 %	58.1 %

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

