

Vishay Precision Group

PERFORMANCE THROUGH PRECISION

Jefferies Virtual Industrials Conference
August 5, 2020

Safe Harbor Statement

From time to time, information provided by us, including but not limited to statements in this report, or other statements made by or on our behalf, may contain "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; difficulties or delays in identifying, negotiating and completing acquisitions and integrating acquired companies (including Dynamic Systems, Inc.); 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 "coronavirus") 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 outbreak; 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, 2019 and Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2020. 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 performance 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. Reconciliations of these non-GAAP measures to the corresponding GAAP measures are included in our second quarter earnings press release and in the appendix to this presentation which will be available on our website at: www.vpgsensors.com.

Investment Highlights

- Addresses the growing sensor market for industrial technology applications
- Serving diversified niches of broad set of markets with organic growth vectors
- Deep competitive moats through differentiated technology and strong brands
- Business model provides operating margin and EPS leverage
- Solid balance sheet and net cash position with ample liquidity

Proven Financial Performance 2017-2019:

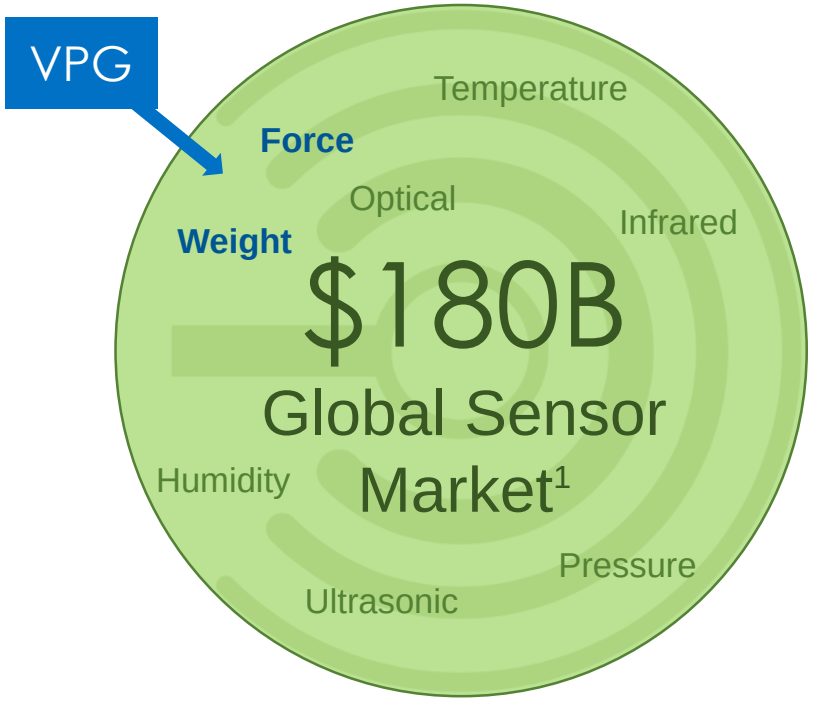
3-Year Sales Growth (CAGR) **8%**

3-Year Adj. EPS Growth (CAGR) **32%**

3-Year Cumulative Cash From Operations

$89 Million

VPG Focuses on Key Niches of the Global Sensor Market



VPG's proprietary resistive technology is a excellent platform for additional sensor and systems technologies

Applications for VPG products and systems are increasing due to:

- Increasing regulation – requiring more automated monitoring and data collection
- New functionality – enabled by advancements in sensor technology

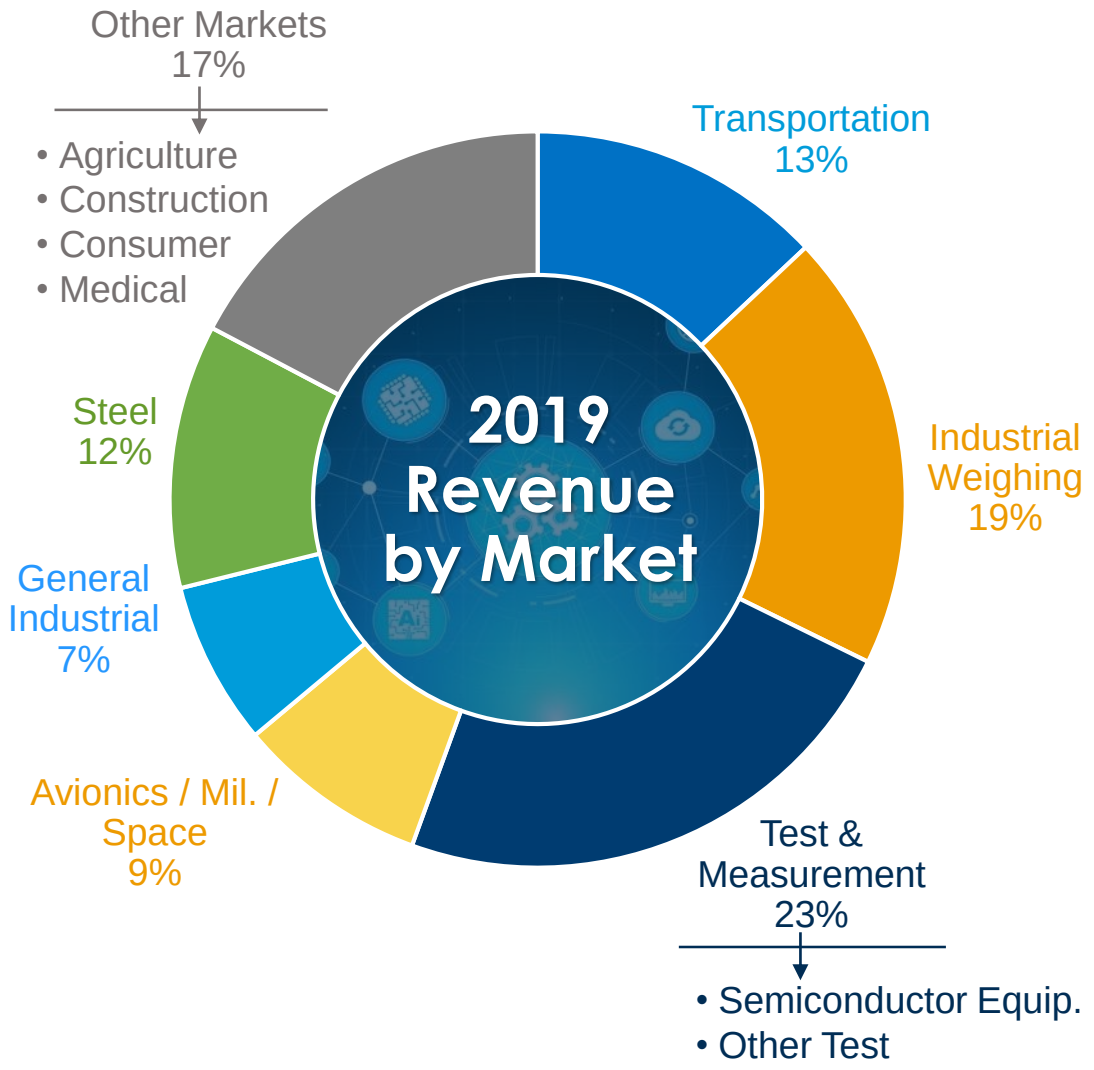
1. Source: BCC Research

Serving a Diversified and Broadening Set of Markets

VPG Value to Customers:

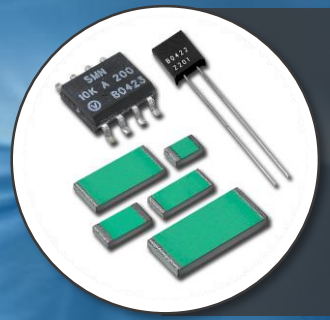
Productivity	Optimization of Systems	Safety / Regulation

Not reliant on a single market or end customer



Productivity

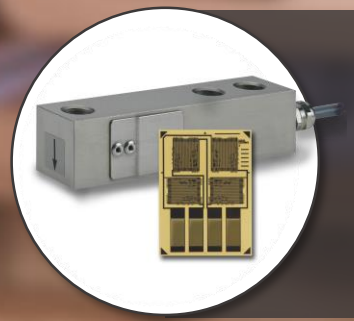
Semiconductor Test:
Helping to maximize the productivity of Automatic Test Equipment (ATE) for Semiconductor products



VPG's high-precision foil resistors help deliver the highest signal accuracy required for effective semiconductor chip testing, providing better precision and stability of test results

Safety and Monitoring

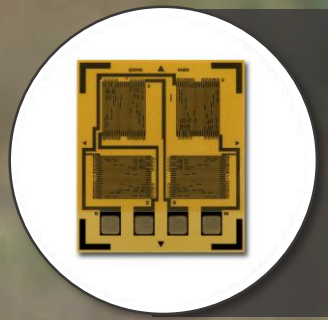
Medical:
Helping to improve patient monitoring



By precisely monitoring a patient's weight on hospital beds, VPG's load cell sensors help nursing staff regulate medication dosage as well as reduce potential falls which are among the highest patient risks during hospital stays

Optimization/Precision

Consumer:
VPG's solutions provide performance in consumer applications



VPG's advanced sensors are used to precisely measure torque in real-time to enable professional and recreational bike riders to track their training progress in all kinds of weather and road conditions

Why VPG Wins

Technology Innovation

- A pioneer in foil technology since 1962
- Numerous first-to-market innovations

Applications Knowledge

- Engineer-to-engineer solutions
- Design-in wins
- Many solutions are customized

Operational Excellence

- Focus on quality, delivery, and cost
- Key investments in manufacturing capability

Global Footprint

- 2,400 employees in 12 countries
- 2019 sales by region:
  - N. America -- 48%
  - Europe -- 31%
  - Asia -- 21%
- 8 main manufacturing sites around the globe

Multi-Year Strategic Initiatives Are Underway

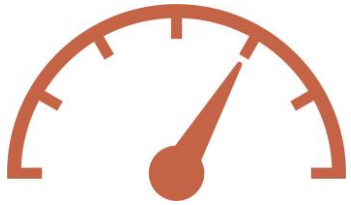


- Advanced sensors for high-volume opportunities
- TruckWeigh & VanWeigh overload protection for Aftermarket
- Force Sensors for OEMs

- Manufacturing transition of Force Sensors to Asia
- New FTP manufacturing facility and consolidation
- Expansion of cost reduction and efficiency culture
- Yield improvement and process automation initiatives

- Completed acquisition of Dynamic Systems, Inc.
- Looking for additional M&A opportunities

Advanced Sensor Technology; The World's Smallest, Most Reliable Strain Gage



VPG's Advanced Sensors feature smaller size, more complex design, higher resistance, lower energy consumption, and multi-axis measurement capability.





Potential new applications for advanced sensor technology include:

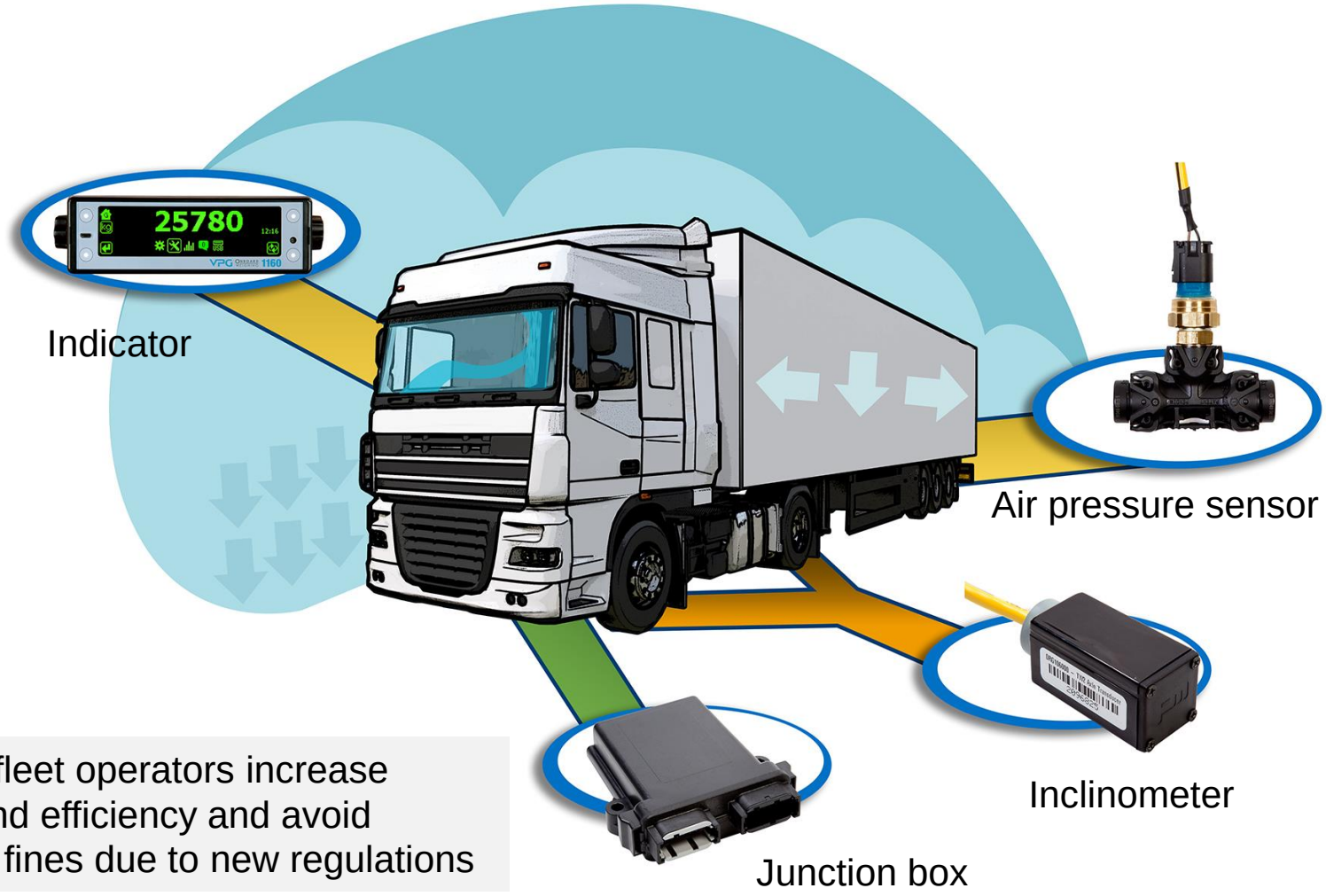
- Consumer
- Medical
- Industrial
- Cobots
- Pressure sensing



VPG's state-of-the-art, scalable manufacturing and R&D center is expected to be on-line in 2021

Aftermarket Opportunity for Truck Overload Protection

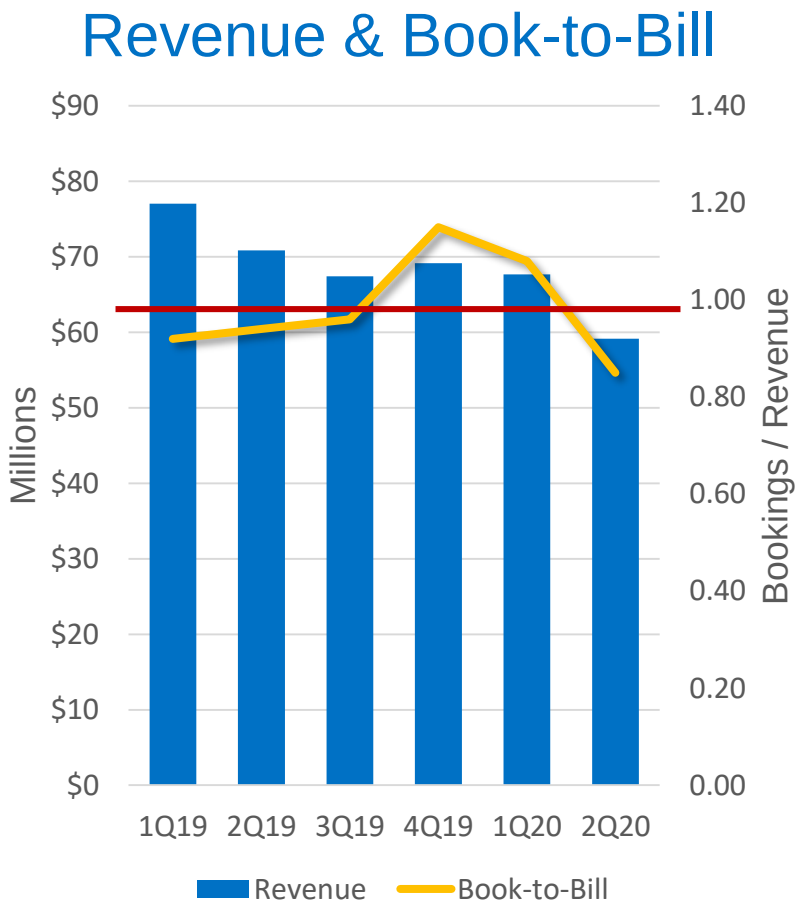
- Sold in the aftermarket, VPG's TruckWeigh and VanWeigh onboard weighing system uses real-time sensors and indicators to keep truck operators within regulated vehicle load limits.
- Aftermarket success in UK and France underscores opportunity in rest of EU as new overload regulations are implemented.



Helping fleet operators increase safety and efficiency and avoid possible fines due to new regulations

Recap of 2Q20 Highlights

- Revenues of $59.1 million were in-line with our guidance
  - Strong performance in FTP segment driven by advanced sensors and precision foil resistors
  - COVID-19 impact on Force Sensors segment revenue of approx. $6 million from pre-COVID runrate levels
- Improved margins on sequentially lower sales due to product mix, cost controls and mfg. efficiencies
- Cash from operating activities was $10.4 million with adjusted free cash flow* of $3.1 million



* See financial statements and GAAP-to-Adjusted reconciliation tables.

VPG Sales by Market Reflects Mixed Picture and Impact of COVID-19

	Fiscal quarter ended		
	June 27, 2020	**June 29, 2019**	**March 28, 2020**
Test & Measurement	$ 14.0	$ 18.0	$ 14.3
Avionics, Military, Space	6.7	3.9	6.2
Transportation	5.2	10.4	8.2
Industrial Weighing	8.6	14.2	12.5
General Industrial	3.6	5.2	4.0
Steel	8.8	6.5	9.3
Other Markets	12.2	12.5	13.1
Total	$ 59.1	$ 70.9	$ 67.7

Quarterly Financial Model Reflects Operating Leverage

	Quarterly Financial Model			
Revenue	$65M - $70M	$70M - $75M	$75M - $80M	$80M - $85M
Adj. GM%	37% - 39%	39% - 40%	40% - 42%	42% - 45%
Adj. Op. Margin	4.4% - 8.1%	8.1% - 10.7%	10.7% - 14.5%	14.5% - 19.1%
Adj. EBITDA ($)	$5.8M - $8.7M	$8.7M- $11.0M	$11.0M - $14.6M	$14.6M - $19.2M
Adj. Diluted EPS	$0.14 - $0.29	$0.29 - $0.42	$0.42 - $0.62	$0.62 - $0.87

Quarterly Financial Assumptions:

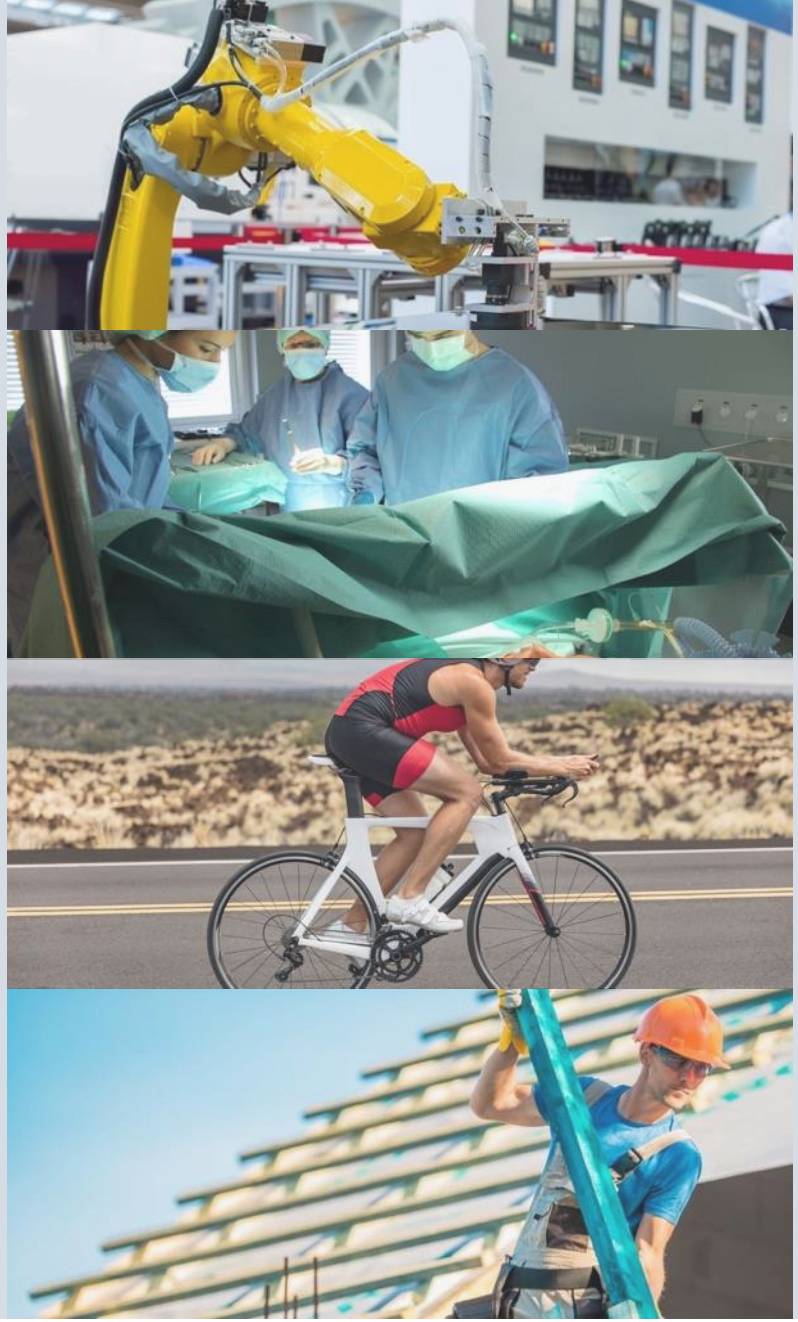
- Organic results
- Does not include potential impact of F/X
- Assumes tax rate of 25%
- Model reflects the acquisition of Dynamic Systems, Inc. in November 2019

Note:

- Our Quarterly Financial Model illustrates management's expectations of results at different hypothetical levels of quarterly revenues, assuming a normalized business and operating environment with no negative impact of the COVID-19 pandemic. There are no assurances that any of the results in the Model will be achieved.
- Our 3Q20 revenue guidance of $59 million to $65 million provided on August 4, 2020 included an anticipated negative impact on revenues of $3 million to $4 million and an anticipated negative impact of approximately $1.0 million to $1.5 million on operating profit due to COVID-19-related impacts at VPG's India facility.

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Appendix

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 27, 2020**	**June 29, 2019**	**June 27, 2020**	**June 29, 2019**	**June 27, 2020**	**June 29, 2019**	**June 27, 2020**	**June 29, 2019**
As reported - GAAP	**23,110**	28,609	**3,971**	8,102	**$ 1,759**	$ 5,565	**$ 0.13**	$ 0.41
As reported - GAAP Margins	**39.1 %**	**40.4 %**	**6.7 %**	**11.4 %**				
Acquisition purchase accounting adjustments	**41**	—	**41**	—	**41**	—	—	—
COVID-19 impact	**558**		**443**		**443**		0.03	
Executive Severance costs		—		611		611	—	0.04
Restructuring costs		—	**499**	—	**499**	—	0.04	—
Less: Tax effect of reconciling items and discrete tax items		—		—	**$ 134**	$ —	**$ 0.01**	$ —
As Adjusted - Non GAAP	**$ 23,709**	$ 28,609	**$ 4,954**	$ 8,713	**$ 2,608**	$ 6,176	**$ 0.19**	$ 0.45
As Adjusted - Non GAAP Margins	**40.1 %**	**40.4 %**	**8.4 %**	**12.3 %**				

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

	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
Six fiscal months ended	**June 27, 2020**	**June 29, 2019**	**June 27, 2020**	**June 29, 2019**	**June 27, 2020**	**June 29, 2019**	**June 27, 2020**	**June 29, 2019**
As reported - GAAP	**48,175**	61,660	**8,615**	20,705	**$ 5,071**	$ 13,808	**$ 0.37**	$ 1.02
As reported - GAAP Margins	**38.0 %**	**41.8 %**	**6.8 %**	**14.0 %**				
Acquisition purchase accounting adjustments	**556**	—	**556**	—	**556**	—	0.04	—
COVID-19 impact	**558**		**443**		**443**		0.03	
Executive Severance costs		—		611		611	—	0.04
Restructuring costs		—	**629**	—	**629**	—	**0.05**	—
Less: Tax effect of reconciling items and discrete tax items		—		—	**$ 142**	$ —	**$ 0.01**	$ —
As Adjusted - Non GAAP	**$ 49,289**	$ 61,660	**$ 10,243**	$ 21,316	**$ 6,557**	$ 14,419	**$ 0.48**	$ 1.06
As Adjusted - Non GAAP Margins	**38.9 %**	**41.8 %**	**8.1 %**	**14.5 %**				