

Vishay Precision Group

PERFORMANCE THROUGH PRECISION

Sidoti Virtual Conference
September 23, 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 are based on current expectations only, and 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. 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; 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; significant developments from the 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 June 27, 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, adjusted diluted earnings per share, and adjusted EBITDA. 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.

Highlights

- Addresses the growing sensor market for industrial technology applications
- Leader in diversified niches across broad set of markets with organic growth drivers
- Effective business model and demonstrated resilience during global pandemic
- Steps already in place to realize operating margin and EPS leverage as markets and economies recover
- Clear capital allocation strategy to drive both organic and inorganic growth

Proven Financial Performance 2017-2019:

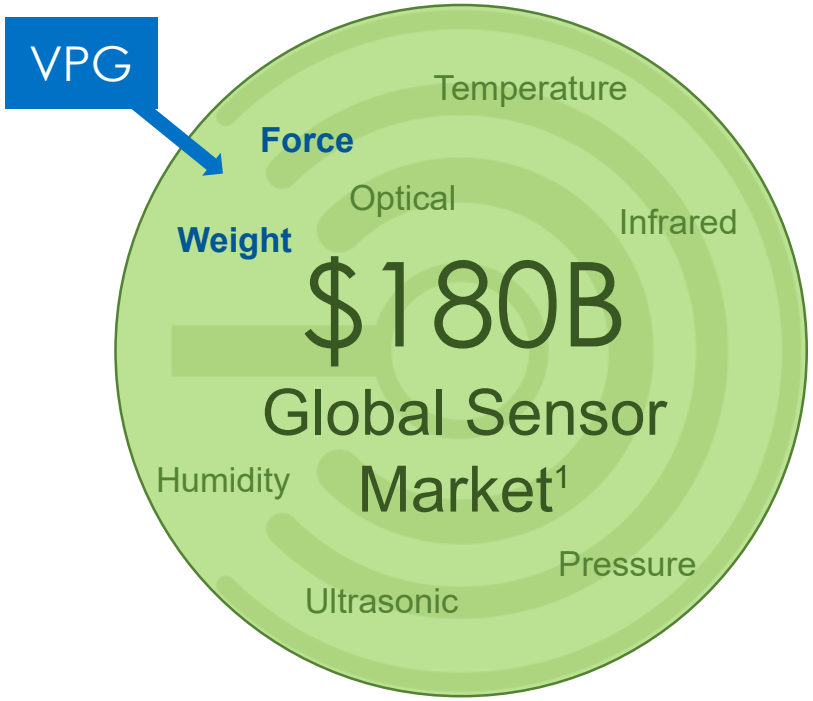
3-Year Sales Growth (CAGR) **8%**

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

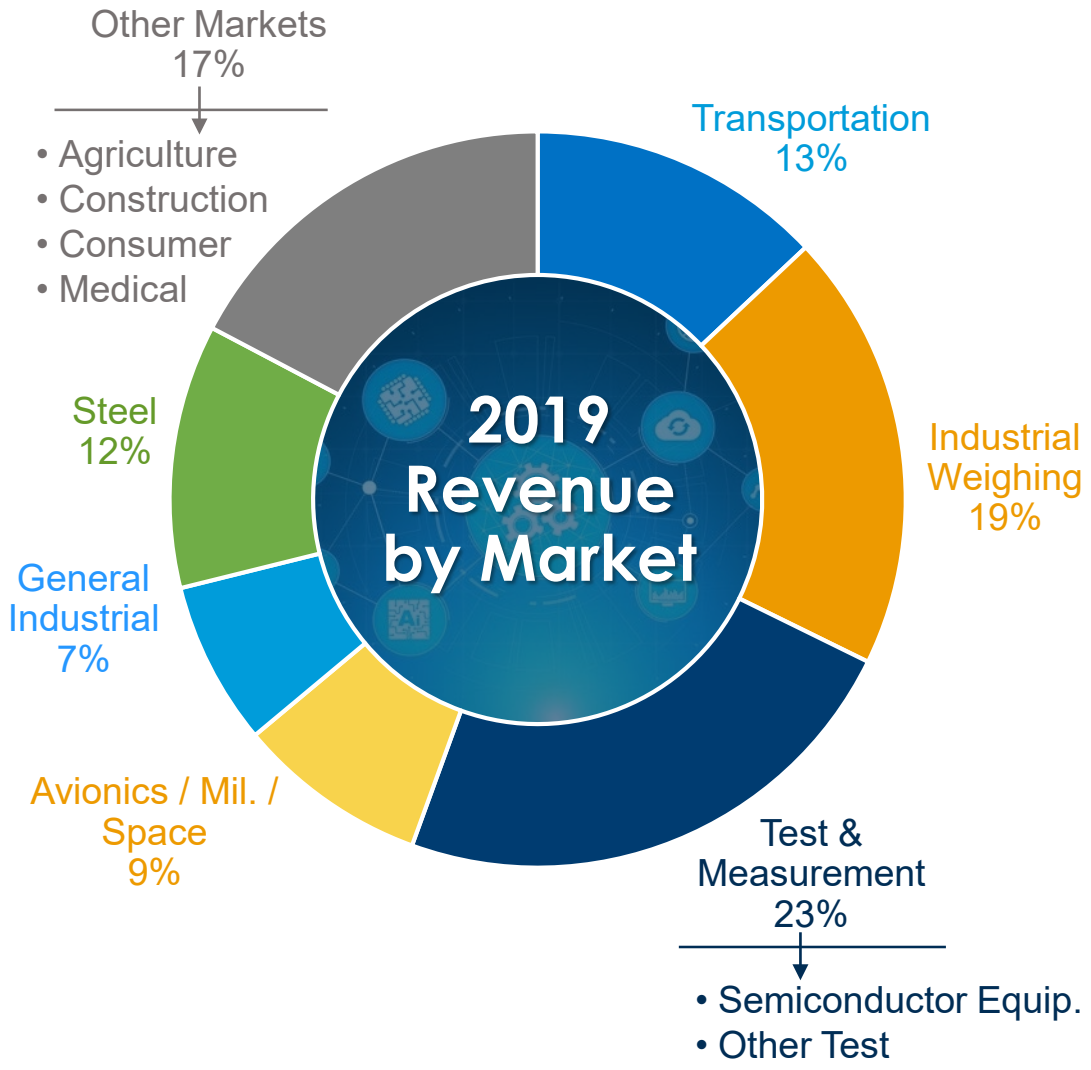
1. Source: BCC Research

Serving a Diversified and Broadening Set of Markets

VPG Value to Customers:

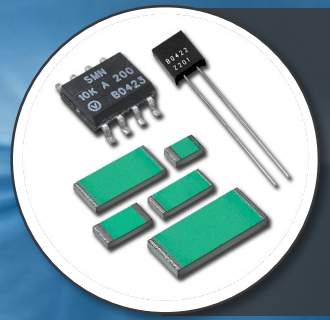
Productivity	Optimization of Systems	Safety / Regulation

Not reliant on a single market or end customer



Productivity

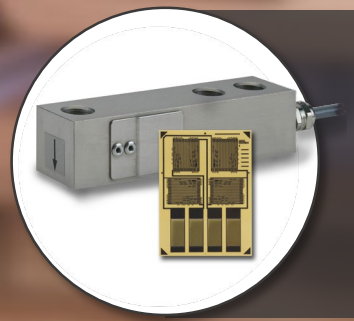
Semiconductor Test:
Helping to maximize the productivity of Automatic Test Equipment (ATE) for Semiconductor products



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

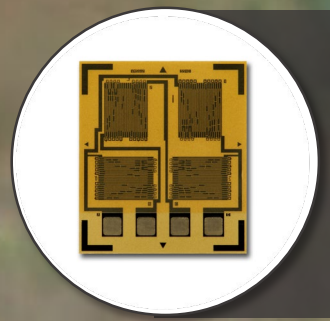
Medical:
Helping to improve patient monitoring



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

Optimization/Regulation

Transportation:
Sensors help monitor truck loads for overload protection



Sold on the aftermarket, VPG's TruckWeigh solution helping truck operators optimize their loads while avoiding fines.

Multi-Year Strategic Growth and Cost Initiatives Underway

Strategy/Milestones

Organic Growth

- Ongoing product and sales growth
- Investment in key growth initiatives

Operational Excellence

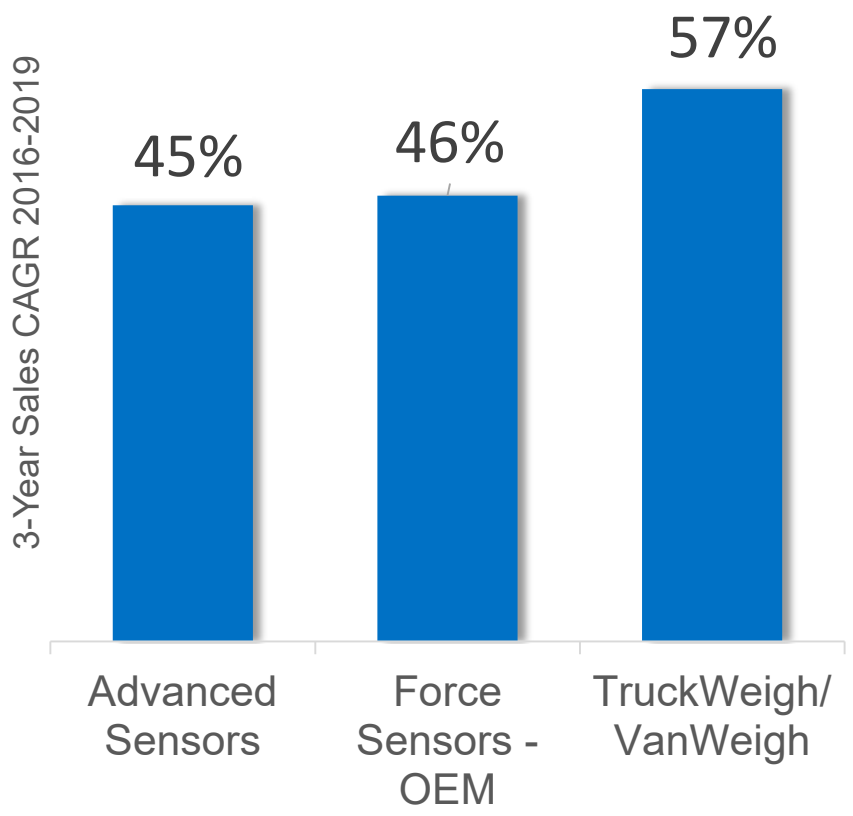
- Manufacturing consolidations and relocations
- Cost controls and increased efficiencies

Value-Added M&A

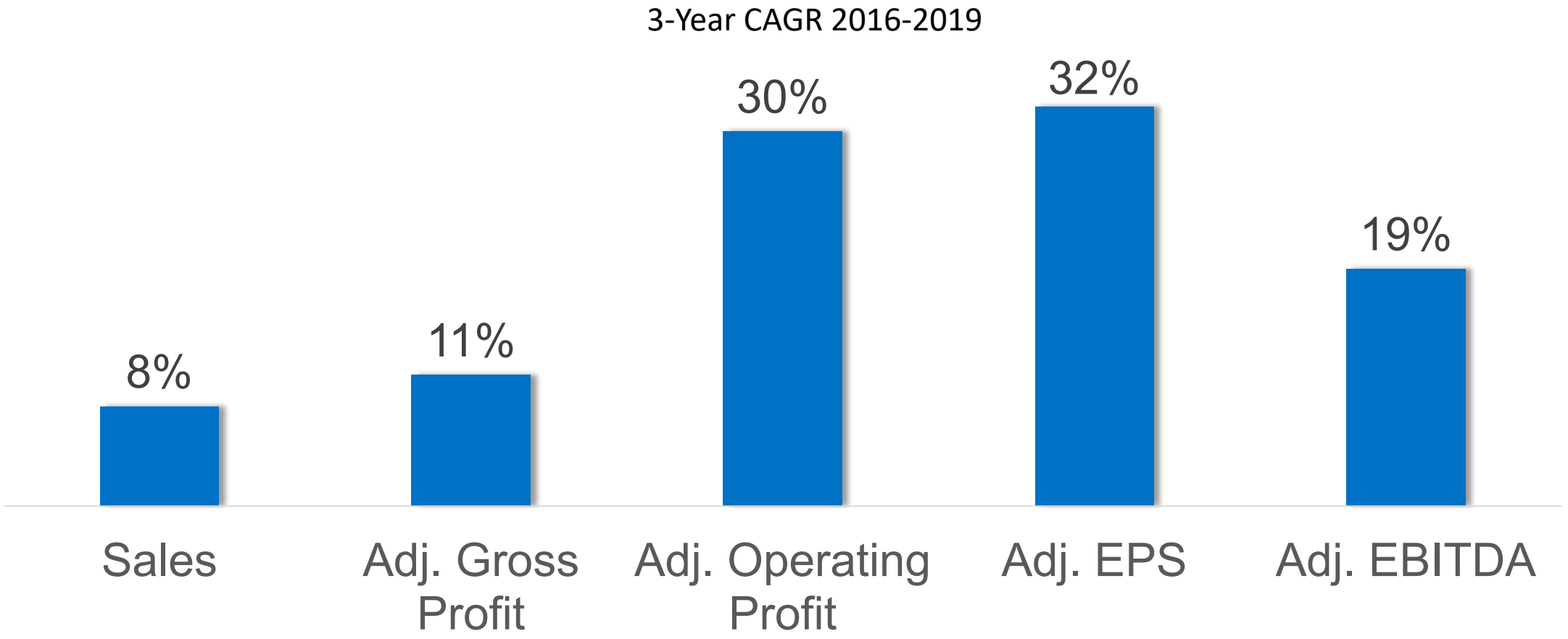
- Targeting high-value, accretive acquisitions
  - Acquired Dynamic Systems, Inc. (DSI) in Nov. 2019; DSI in 1H20 achieved Adj. GM of ~50%+ and EBITDA margin of ~25%+

Organic Sales Growth of Strategic Initiatives 2016-2019

(CAGR)

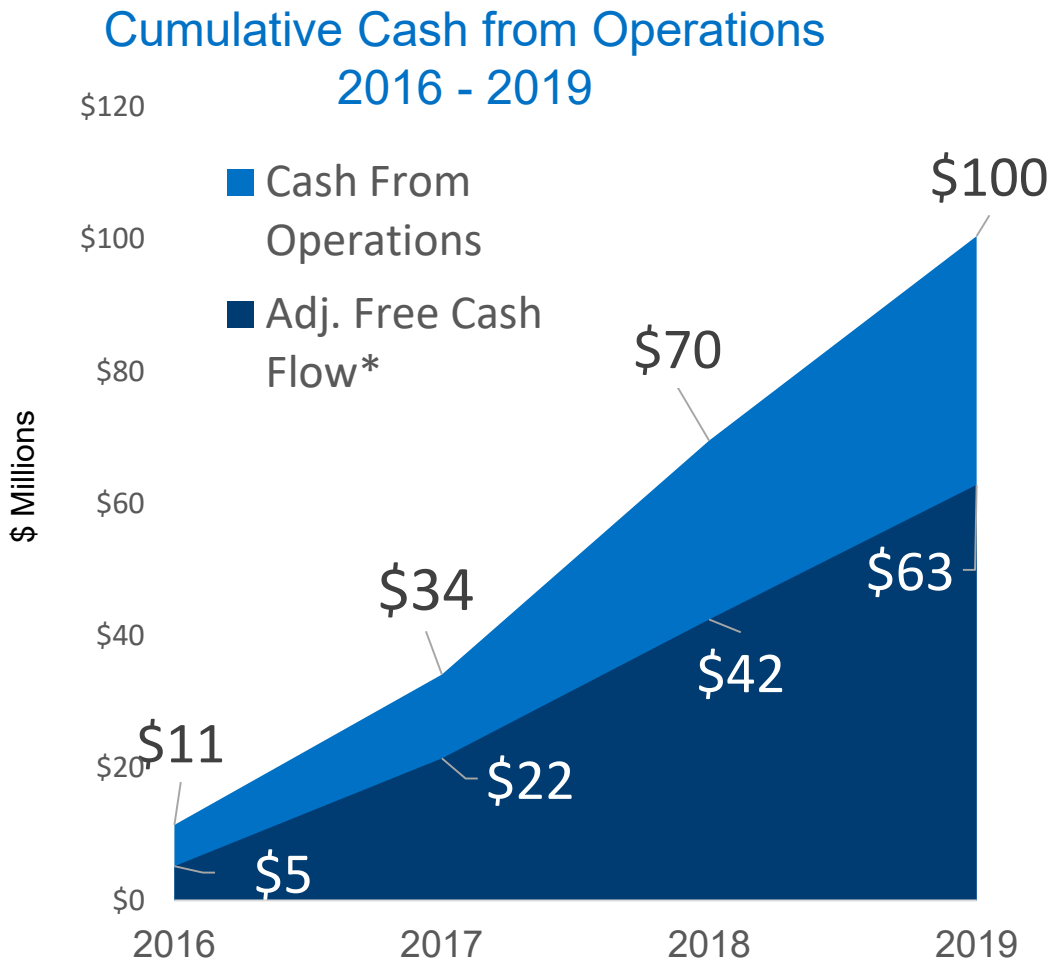


Strategic Growth and Cost Initiatives Driving VPG's Financial Performance



Amounts referenced for Adjusted Gross Profit, Adjusted Operating Profit, Adjusted EPS, and Adjusted EBITDA in this slide are non-GAAP and are adjusted to exclude purchase accounting adjustments, restructuring costs, executive severance costs, and associated tax effects. Reconciliations to GAAP figures can be found in the Company's press releases and filings with the SEC.

Strong Cash Flow Generation



- VPG generated $100 million in cash from operations from 2016
- Strong cash flow has funded key acquisitions of StressTek, Pacific Instruments and DSI
- On June 27, 2020, VPG had $87.2 million in cash and cash equivalents, with the majority held off-shore

*Adjusted free cash flow is defined as the amount of cash generated from operating activities, in excess of our capital expenditures, net of proceeds, if any, from the sale of assets.

Strong Cash Flow and Balance Sheet Support Clear Capital Allocation Strategy To Build Shareholder Value

Core Capital Allocation Priorities

1. Invest in organic growth and cost reduction initiatives: e.g., new FTP manufacturing facility to support Advanced Sensors growth, other manufacturing consolidations

2. Bolt-on and transformational M&A: e.g., add high-quality complementary businesses to our platform which address common markets: e.g., add sensing technologies, expand our current portfolio, and move upstream to sensor data systems

Bolt-on M&A financial target criteria includes mid-teen IRR and ROI hurdle rate (6 to 10 years) and EPS accretion within 1 year

The Company continues to consider other uses of capital on an opportunistic basis, such as share repurchases, debt repayment, and dividends

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; Sales grew from approximately $400 thousand in 2012 to $30M annual runrate in 1H20.

Quarterly Financial Model Reflects Operating Leverage in Normal Business Environment

	High Qtr (1Q19)	2Q20 Actual	Quarterly Financial Model			
Revenue	$76.5M	$59.1M	$65M - $70M	$70M - $75M	$75M - $80M	$80M - $85M
Adj. GM%	43.2%	40.1%	37% - 39%	39% - 40%	40% - 42%	42% - 45%
Adj. Op. Margin	16.5%	8.4%	4.4% - 8.1%	8.1% - 10.7%	10.7% - 14.5%	14.5% - 19.1%
Adj. EBITDA ($)	$14.6M	$6.8M	$5.8M - $8.7M	$8.7M- $11.0M	$11.0M - $14.6M	$14.6M - $19.2M
Adj. Diluted EPS	$0.61	$0.19	$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.
- 2Q20 results reflect the impact on our business from COVID-19.
- 2Q20 cash from operating activities was $10.7 million.
- 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.
- Adjusted Gross margin, Adjusted Operating margin, Adjusted EPS, and Adjusted EBITDA exclude purchase accounting adjustments, restructuring costs, executive severance costs, and associated tax effects. Reconciliations to GAAP figures can be found in the appendix of this presentation or in the Company's filings with the SEC.

Investment Highlights

- Addresses the growing sensor market for industrial technology applications
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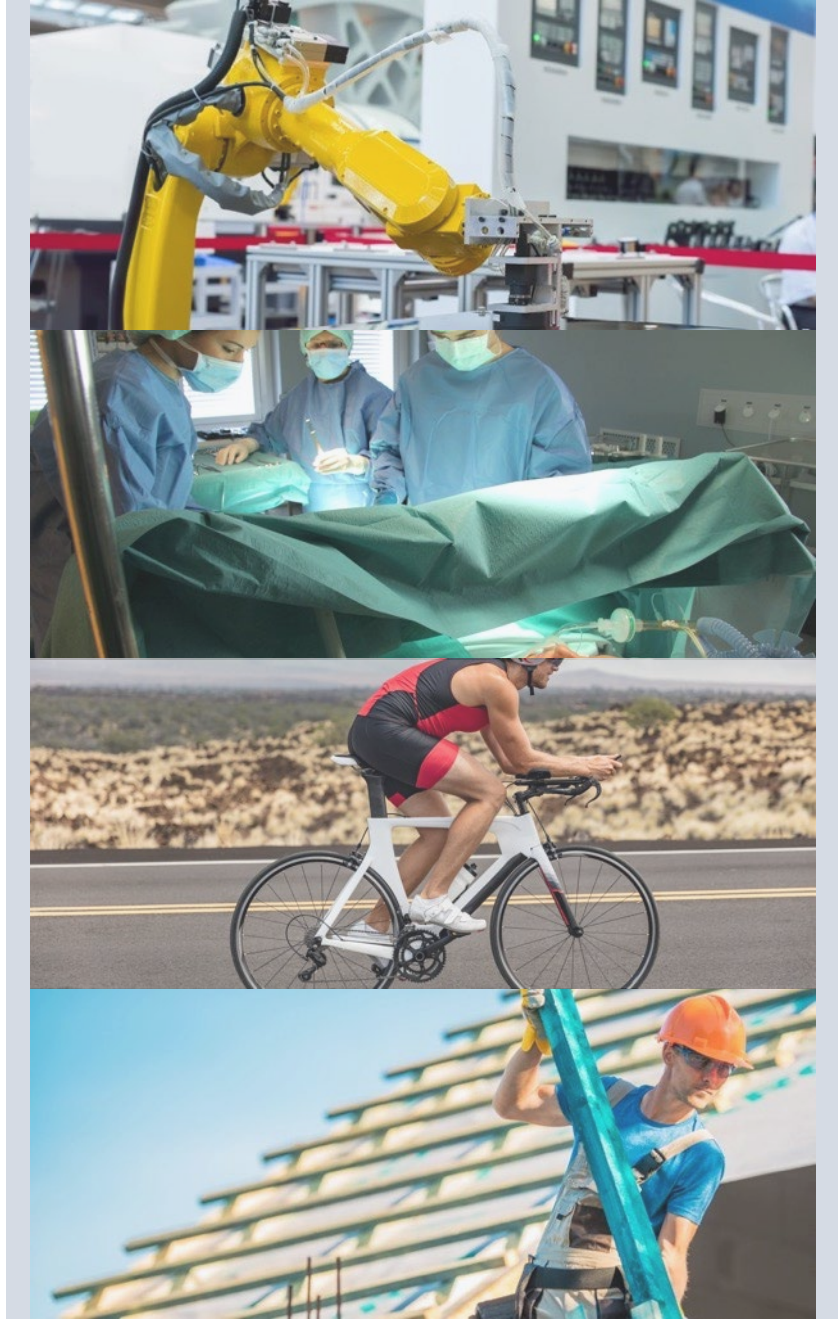

Appendix

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 %**				

Non-GAAP Reconciliation – EBITDA

Calculation of EBITDA				
In $ (000), except percentages	Years Ended			
	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Net Earnings	22,188	23,646	14,345	6,404
Interest Expense	1,507	1,738	1,843	1,486
Income Taxes	4,145	10,344	6,170	3,199
Depreciation	10,082	8,926	8,685	9,312
Amortization	1,712	1,705	1,941	1,838
Impairment of indefinite lived intangible assets		2,820		
Uk Pension settlement adjustment		673		
Purchase acctg adj	1,254		91	586
Acquisition costs	443			494
Restructuring	2,293	289	2,044	2,667
Other			(1,492)	624
Executive severence	611			
ADJUSTED EBITDA	44,235	50,141	33,627	26,610
ADJUSTED EBITDA as a % of sales	**15.6%**	**17.0%**	**13.5%**	**11.6%**

Non-GAAP Reconciliation – EBITDA

Calculation of EBITDA		
In $ (000), except percentages	Quarter Ended	
	March 28, 2019	June 27, 2020
Net Earnings	8,243	1,759
Interest Expense	388	267
Income Taxes	3,117	684
Depreciation	2,446	2,509
Amortization	408	604
Impairment of indefinite lived intangible assets		
Uk Pension settlement adjustment		
Purchase acctg adj		41
Acquisition costs		
Restructuring		499
COVID-19 Costs		443
Executive severence		
ADJUSTED EBITDA	14,602	6,806
ADJUSTED EBITDA as a % of sales	**19.1%**	**11.5%**

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