

Vishay Precision Group

PERFORMANCE THROUGH PRECISION

VPG Third Quarter Fiscal 2020 Earnings — November 3, 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 DSI); 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 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 pandemic; 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 third quarter earnings press release and in the appendix to this presentation which will be available on our website at: www.vpgsensors.com.

Third Quarter 2020 Highlights

- Revenues of $67.5 million grew 14.2% sequentially and were 0.2% higher than the third quarter of 2019
  - Sequential growth across all three reporting segments
  - Continued strength in advanced sensors
  - Force Sensors facility in India returned to full production capacity after government limitations were lifted
- Gross profit margin was 40.5% and adjusted gross profit margin* was 40.5%
- Operating margin was 12.0% and adjusted operating margin* was 11.7%
- Diluted earnings per share were $0.41 and adjusted diluted earnings per share* were $0.40
- Cash from operating activities was $6.1 million with adjusted free cash flow* of $1.4 million

* We define “adjusted gross profit margin" as gross profit margin before purchase accounting adjustments related to the DSI acquisition and the impacts of COVID-19 costs. We define "adjusted operating margin" as operating margin before purchase accounting adjustments, COVID-19 costs, restructuring costs, and executive severance costs. We define "adjusted net earnings” and "adjusted net earnings per share" as net earnings attributable to VPG stockholders before purchase accounting adjustments, COVID-19 costs, restructuring costs, executive severance costs, and associated tax effects. "Adjusted free cash flow" for the third fiscal quarter of 2020 is defined as the amount of cash generated from operating activities ($6.1 million), in excess of our capital expenditures ($4.8 million), net of proceeds, if any, from the sale of assets ($0.0 million).

Consolidated Results/Market Trends

Financial Highlights

($ in millions)	Fiscal quarter ended		
	September 26, 2020	September 28, 2019	June 27, 2020
Net revenues	$ 67.5	$ 67.4	$ 59.1
Book-to-bill ratio	0.95	0.96	0.95
Total orders	$ 64.0	$ 64.4	$ 56.3
End-of-period backlog	$ 90.8	$ 79.3	$ 92.9
Inventory turnover	2.38	2.60	2.20

Revenue by Market

($ in millions)	Fiscal quarter ended		
	September 26, 2020	September 28, 2019	June 27, 2020
Test & Measurement	$ 12.0	$ 16.2	$ 14.0
Avionics, Military, Space	9.2	5.3	6.7
Transportation	7.1	8.7	5.2
Industrial Weighing	10.7	13.2	8.6
General Industrial	3.8	4.7	3.6
Steel	9.4	6.8	8.8
Other Markets	15.4	12.5	12.2
Total	$ 67.5	$ 67.4	$ 59.1

Segment Results/Trends

($ in millions)	Foil Technology Products			Force Sensors			Weighing and Control Systems		
	Q3 2020	Q3 2019	Q2 2020	Q3 2020	Q3 2019	Q2 2020	Q3 2020	Q3 2019	Q2 2020
Net revenues	$32.9	$32.1	$31.8	$13.9	$16.2	$ 8.9	$20.8	$19.1	$18.4
Gross profit	$13.5	$12.0	$13.3	$ 4.2	$ 4.9	$ 1.0	$ 9.6	$ 8.9	$ 8.8
Gross profit margin	41.1 %	37.3 %	41.8 %	30.5 %	30.4 %	11.6 %	46.2 %	46.6 %	47.6 %
Adjusted gross profit margin	41.6 %	37.3 %	41.7 %	31.2 %	30.4 %	19.6 %	44.9 %	46.6 %	47.3 %
Book-to-bill ratio	1.01	0.91	0.85	0.9	0.94	1.58	0.88	1.04	0.82
Total orders	$33.2	$29.4	$27.0	$12.5	$15.2	$14.1	$18.3	$19.8	$15.2
Backlog in months	4.4	3.6	4.5	4.6	2.8	7.5	3.0	4.0	3.7
Inventory turnover	2.63	2.79	2.58	2.28	2.30	2.02	2.13	2.61	1.81

COVID-19 Pandemic Impacts and Actions

- **Status**
  - As of November 3, 2020, all facilities are operating without limitation
- **Measures taken by VPG to protect employees and customers**
  - Enabled employees to work from home where possible
  - Suspended business travel
  - Implemented workplace distancing and transportation assistance, and adjusted work shifts to minimize contact
- **P&L Impact**
  - VPG's Force Sensors facility in India returned to full production capacity, after all government limitations were lifted in July 2020.
    - The COVID-19 pandemic negatively impacted Q3 Force Sensors revenue and operating income by approximately $2.5 million and approximately $1 million, respectively
  - VPG's consolidated as-reported results included a $320,000 net credit mainly relating to a COVID-19 subsidy from the Canadian Government
- **Additional mitigation measures taken**
  - Continued cost controls

Financial Results

($ in millions, except per share amounts)	Fiscal quarter ended September 26, 2020	September 28, 2019	June 27, 2020
Net revenues	$ 67.5	$ 67.4	$ 59.1
Gross profit	$ 27.3	$ 25.8	$ 23.1
Gross profit margin	40.5 %	38.3 %	39.1 %
Selling, general, and administrative expenses	$ 19.1	$ 19.1	$ 18.6
Adjusted operating income	$ 7.9	$ 6.7	$ 5.0
Adjusted operating margin	11.7 %	10.0 %	8.4 %
Adjusted net earnings attributable to VPG stockholders	$ 5.5	$ 5.0	$ 2.6
Adjusted net earnings per diluted share	$ 0.40	$ 0.37	$ 0.19

Selected Balance Sheet Items

($ in Millions)

	September 26, 2020	December 31, 2019	June 27, 2020
Cash & cash equivalents	$ 89.8	$ 86.9	$ 87.2
Total assets	$ 392.7	$ 370.4	$ 384.7
Total long-term debt	$ 40.7	$ 44.5	$ 40.7
Total liabilities	$ 140.2	$ 128.7	$ 140.4

Thank You

Appendix

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

Three months ended	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
	September 26, 2020	**September 28, 2019**	**September 26, 2020**	**September 28, 2019**	**September 26, 2020**	**September 28, 2019**	**September 26, 2020**	**September 28, 2019**
As reported - GAAP	**27,349**	25,790	**8,121**	6,186	**$ 5,598**	$ 4,509	**$ 0.41**	$ 0.33
As reported - GAAP Margins	**40.5 %**	**38.3 %**	**12.0 %**	**9.2 %**				
Acquisition purchase accounting adjustments	**4**	—	**4**	—	**4**	—	—	—
COVID-19 impact	**(22)**		**(320)**		**(320)**		(0.03)	
Executive Severance costs		—		—		—	—	—
Restructuring costs		—	**84**	547	**84**	547	0.01	0.04
Less: Tax effect of reconciling items and discrete tax items		—		—	**$ (84)**	$ 80	**$ (0.01)**	$ —
As Adjusted - Non GAAP	**$ 27,331**	$ 25,790	**$ 7,889**	$ 6,733	**$ 5,450**	$ 4,976	**$ 0.40**	$ 0.37
As Adjusted - Non GAAP Margins	**40.5 %**	**38.3 %**	**11.7 %**	**10.0 %**				

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

Nine fiscal months ended	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
As reported - GAAP	**75,524**	87,450	**16,736**	26,891	**$ 10,669**	$ 18,317	**$ 0.78**	$ 1.35
As reported - GAAP Margins	**38.9 %**	**40.7 %**	**8.6 %**	**12.5 %**				
Acquisition purchase accounting adjustments	**560**	—	**560**	—	**560**	—	0.04	—
COVID-19 impact	**536**		**123**		**123**		0.01	
Executive Severance costs		—		611		611	—	0.04
Restructuring costs		—	**713**	547	**713**	547	**0.05**	0.04
Less: Tax effect of reconciling items and discrete tax items		—		—	**$ 59**	$ 80	**$ —**	$ —
As Adjusted - Non GAAP	**$ 76,620**	$ 87,450	**$ 18,132**	$ 28,049	**$ 12,006**	$ 19,395	**$ 0.88**	$ 1.43
As Adjusted - Non GAAP Margins	**39.4 %**	**40.7 %**	**9.3 %**	**13.1 %**				

Reconciliation of Adjusted Gross Profit by Segment

	Fiscal quarter ended		
	September 26, 2020	September 28, 2019	June 27, 2020
Foil Technology Products			
As reported - GAAP	$ 13,515	$ 11,970	$ 13,286
As reported - GAAP Margins	41.1 %	37.3 %	41.8 %
COVID-19 impact	159	—	(39)
As Adjusted - Non GAAP	$ 13,674	$ 11,970	$ 13,247
As Adjusted - Non GAAP Margins	41.6 %	37.3 %	41.7 %
Force Sensors			
As reported - GAAP	$ 4,235	$ 4,932	$ 1,038
As reported - GAAP Margins	30.5 %	30.4 %	11.6 %
COVID-19 impact	94	—	706
As Adjusted - Non GAAP	$ 4,329	$ 4,932	$ 1,744
As Adjusted - Non GAAP Margins	31.2 %	30.4 %	19.6 %
Weighing and Control Systems			
As reported - GAAP	$ 9,599	$ 8,888	$ 8,786
As reported - GAAP Margins	46.2 %	46.6 %	47.6 %
Acquisition purchase accounting adjustments	4	—	41
COVID-19 impact	(275)	—	(109)
As Adjusted - Non GAAP	$ 9,328	$ 8,888	$ 8,718
As Adjusted - Non GAAP Margins	44.9 %	46.6 %	47.3 %