Vishay Precision Group

PERFORMANCE THROUGH PRECISION

VPG Fourth Quarter Fiscal 2020 Earnings — February 17, 2021

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; 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 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.

Highlights

Fiscal Year 2020

- Responded quickly and decisively to the global pandemic to protect employees and customers
- Sales of $270 million declined 5%
- Maintained continuity of operations and ability to serve customers through the pandemic, with exception of Force Sensors operation
- Recovered production capability of Force Sensors operation in India following impact from government-mandated pandemic restrictions
  - Revenue impact of approx. $10 million due to restrictions
- Maintained investments in key growth and cost initiatives

Fourth Quarter 2020

- Revenues of $75.4 million grew 11.7% sequentially and 9.1% year-over-year
  - Sequential growth across all three reporting segments and across end markets
- Sales of Advanced Sensors grew 5% from third quarter and 71% year-over-year
  - Transition to the new Advanced Sensors facility is proceeding on track
- Sequentially, 4Q20 financial results were impacted by unfavorable product mix, higher logistics costs, and temporary inventory reductions and manufacturing inefficiencies
- Overall demand trends are improving across most end-markets, although demand in the Steel market remains soft

Consolidated Results/Market Trends

Financial Highlights

($ in millions)	Fiscal quarter ended		
	December 31, 2020	December 31, 2019	September 26, 2020
Net revenues	$ 75.4	$ 69.1	$ 67.5
Book-to-bill ratio	0.93	1.15	0.95
Total orders	$ 70.0	$ 79.8	$ 64.0
End-of-period backlog	$ 87.6	$ 90.9	$ 90.8
Inventory turnover	2.86	2.72	2.38

Revenue by Market

($ in Millions)	Fiscal quarter ended		
	December 31, 2020	December 31, 2019	September 26, 2020
Test & Measurement	$ 13.3	$ 13.2	$ 12.0
Avionics, Military, Space	10.5	6.3	9.2
Transportation	8.9	8.2	7.1
Industrial Weighing	11.7	12.8	10.7
General Industrial	3.9	4.9	3.8
Steel	9.5	11.5	9.4
Other Markets	17.6	12.2	15.4
Total	$ 75.4	$ 69.1	$ 67.6

Segment Results/Trends

($ in millions)	Foil Technology Products			Force Sensors			Weighing and Control Systems		
	Q4 2020	Q4 2019	Q3 2020	Q4 2020	Q4 2019	Q3 2020	Q4 2020	Q4 2019	Q3 2020
Net revenues	$ 36.5	$ 29.6	$ 32.9	$ 16.3	$ 15.1	$ 13.9	$ 22.7	$ 24.4	$ 20.8
Gross profit	$ 14.0	$ 10.3	$ 13.5	$ 4.7	$ 3.6	$ 4.2	$ 10.0	$ 10.2	$ 9.6
Gross profit margin	38.4 %	34.9 %	41.1 %	29.1 %	24.2 %	30.5 %	44.0 %	41.6 %	46.2 %
Adjusted gross profit margin	38.9 %	34.9 %	41.6 %	29.6 %	24.2 %	31.2 %	42.5 %	46.8 %	44.9 %
Book-to-bill ratio	0.84	1.18	1.01	1.18	1.11	0.9	0.88	1.15	0.88
Total orders	$ 30.8	$ 35.1	$ 33.2	$ 19.2	$ 16.7	$ 12.5	$ 20.1	$ 28.1	$ 18.3
Backlog in months	3.6	4.5	4.4	4.6	3.4	4.6	2.5	3.6	3.0
Inventory turnover	3.05	2.66	2.63	2.74	2.43	2.28	2.67	3.10	2.13

Financial Results

($ in millions, except per share amounts)		Fiscal quarter ended December 31, 2020	Fiscal quarter ended December 31, 2019	Fiscal quarter ended September 26, 2020
Net revenues		$ 75.4	$ 69.1	$ 67.5
Gross profit		$ 28.7	$ 24.2	$ 27.3
Gross profit margin		38.1 %	35.0 %	40.5 %
Selling, general, and administrative expenses		$ 20.2	$ 20.2	$ 19.1
Adjusted operating income		$ 8.1	$ 5.2	$ 7.9
Adjusted operating margin		10.7 %	7.5 %	11.7 %
Adjusted net earnings attributable to VPG stockholders	(1)	$ 5.8	$ 3.9	$ 5.3
Adjusted net earnings per diluted share	(1)	$ 0.43	$ 0.28	$ 0.39

(1) December 31, 2019 and September 26, 2020 have been adjusted to include the adjustment for foreign exchange gains and losses

Selected Balance Sheet Items

($ in Millions)

	December 31, 2020	December 31, 2019	September 26, 2020
Cash & cash equivalents	$ 98.4	$ 86.9	$ 89.8
Total assets	$ 401.9	$ 370.4	$ 392.7
Total long-term debt	$ 40.6	$ 44.5	$ 40.7
Total liabilities	$ 144.0	$ 128.7	$ 140.2

Thank You

Appendix

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

Fiscal Quarter Ended December 31,	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
	2020	2019	2020	2019	2020	2019	2020	2019
As reported - GAAP	**28,747**	24,167	**5,921**	1,757	**$ 118**	$ 3,871	**$ 0.01**	$ 0.28
As reported - GAAP Margins	**38.1 %**	35.0 %	**7.8 %**	2.5 %				
Acquisition purchase accounting adjustments	**9**	1,254	**9**	1,254	**9**	1,254	—	0.09
Acquisition costs			—	443	—	443	—	0.03
COVID-19 impact	**(102)**	—	**(489)**	—	**(489)**	—	(0.04)	
Executive Severance costs			—	—	—	—	—	—
Impairment of goodwill and indefinite-lived intangibles			**2,440**	—	**2,440**	—	0.18	—
Restructuring costs			**205**	1,746	**205**	1,746	0.02	0.13
Foreign exchange (gain)/loss [1]					**2,123**	278	0.16	0.02
Less: Tax effect of reconciling items and discrete tax items [1]					**$ (1,419)**	$ 3,727	**$ (0.10)**	$ 0.27
As Adjusted - Non GAAP	**$ 28,654**	$ 25,421	**$ 8,086**	$ 5,200	**$ 5,825**	$ 3,865	**$ 0.43**	$ 0.28
As Adjusted - Non GAAP Margins	**38.0 %**	36.8 %	**10.7 %**	7.5 %				

[1] The 2019 numbers presented have been updated to reflect the adjustment for foreign exchange (gain)/loss

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

Fiscal Year Ended December 31,	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
	2020	2019	2020	2019	2020	2019	2020	2019
As reported - GAAP	**104,271**	111,617	**22,657**	28,648	**$ 10,787**	$ 22,188	**$ 0.79**	$ 1.63
As reported - GAAP Margins	**38.6 %**	**39.3 %**	**8.4 %**	**10.1 %**				
Acquisition purchase accounting adjustments	**569**	1,254	**569**	1,254	**569**	1,254	0.04	0.09
Acquisition costs			**—**	443	**—**	443	—	0.03
COVID-19 impact	**434**	—	**(366)**	—	**(366)**	—	(0.03)	
Executive Severance costs			**—**	611	**—**	611	—	0.04
Impairment of goodwill and indefinite-lived intangibles			**2,440**	—	**2,440**	—	0.18	—
Restructuring costs			**918**	2,293	**918**	2,293	**0.07**	0.17
Foreign exchange (gain)/loss [1]					**2,246**	1,638	0.16	0.12
Less: Tax effect of reconciling items and discrete tax items [1]					**$ (1,381)**	$ 4,102	**$ (0.11)**	$ 0.29
As Adjusted - Non GAAP	**$ 105,274**	$ 112,871	**$ 26,218**	$ 33,249	**$ 17,975**	$ 24,325	**$ 1.32**	$ 1.79
As Adjusted - Non GAAP Margins	**39.0 %**	**39.7 %**	**9.7 %**	**11.7 %**				

[1] The 2019 numbers presented have been updated to reflect the adjustment for foreign exchange (gain)/loss

Reconciliation of Adjusted Gross Profit by Segment

	Fiscal quarter ended		
	December 31, 2020	December 31, 2019	September 26, 2020
Foil Technology Products			
As reported - GAAP	$ 14,023	$ 10,349	$ 13,515
As reported - GAAP Margins	38.4 %	34.9 %	41.1 %
COVID-19 impact	163		159
As Adjusted - Non GAAP	$ 14,186	$ 10,349	$ 13,674
As Adjusted - Non GAAP Margins	38.9 %	34.9 %	41.6 %
Force Sensors			
As reported - GAAP	$ 4,737	$ 3,637	$ 4,235
As reported - GAAP Margins	29.1 %	24.2 %	30.5 %
COVID-19 impact	81		94
As Adjusted - Non GAAP	$ 4,818	$ 3,637	$ 4,329
As Adjusted - Non GAAP Margins	29.6 %	24.2 %	31.2 %
Weighing and Control Systems			
As reported - GAAP	$ 9,987	$ 10,180	$ 9,599
As reported - GAAP Margins	44.0 %	41.6 %	46.2 %
Acquisition purchase accounting adjustments	9	1,254	4
COVID-19 impact	(346)		(275)
As Adjusted - Non GAAP	$ 9,650	$ 11,434	$ 9,328
As Adjusted - Non GAAP Margins	42.5 %	46.8 %	44.9 %