Vishay Precision Group

PERFORMANCE THROUGH PRECISION

VPG Second Fiscal Quarter 2021 Earnings — August 10, 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, 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 net 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.

Second Quarter 2021 Highlights

- Revenues of $75.3 million vs. $70.6 million in 1Q21
  - Sales grew sequentially across all three reporting segments
- Orders of $105.4 million grew 23.3% sequentially, including $7.1 million of DTS backlog
- Book-to-bill ratio of 1.40 and backlog of $130.9 million indicate positive revenue outlook for second half of 2021
  - Robust demand for precision foil resistors, Kelk steel product line, and advanced sensors
- Strong financial and operational performance:
  - Gross profit margin was 39.6% and adjusted gross profit margin* was 42.3%
  - Operating margin was 6.5% and adjusted operating margin* was 12.2%
  - Diluted earnings per share were $0.29 and adjusted diluted net earnings per share* were $0.49
  - Adjusted EBITDA margin of 16.6%
- Integration of DTS, acquired on June 1, 2021, going as planned

* We define “adjusted gross profit margin" as gross profit margin before purchase accounting adjustments related to the DTS and DSI acquisitions, start-up costs related to our new advanced sensors facility, and the impacts of COVID-19 costs. We define "adjusted operating margin" as operating margin before purchase accounting adjustments, start-up costs, COVID-19 costs, impairment of goodwill and indefinite-lived-intangible assets, acquisition costs and restructuring costs. We define "adjusted net earnings” and "adjusted diluted net earnings per share" as net earnings attributable to VPG stockholders before purchase accounting adjustments, start up costs, COVID-19 costs, impairment of goodwill and indefinite-lived-intangible assets, acquisition costs, restructuring costs, foreign exchange gains and losses, and associated tax effects. We define "Adjusted EBITDA" as earnings before interest, taxes, depreciation, and amortization before purchase accounting adjustments, start-up costs, COVID-19 costs, impairment of goodwill and indefinite-lived-intangible assets, acquisition costs, restructuring costs, and foreign exchange gains and losses. "Adjusted free cash flow" for the second fiscal quarter of 2021 is defined as the amount of cash generated from operating activities ($6.8 million), in excess of our capital expenditures ($2.6 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		
	July 3, 2021	June 27, 2020	April 3, 2021
Net revenues	$ 75.3	$ 59.1	$ 70.6
Book-to-bill ratio	1.40	0.95	1.21
Total orders	$ 105.4	$ 56.3	$ 85.5
End-of-period backlog	$ 130.9	$ 92.9	$ 100.7
Inventory turnover	2.64	2.20	2.67

Revenue by Market

($ in millions)	Fiscal quarter ended		
	July 3, 2021	June 27, 2020	April 3, 2021
Test & Measurement	$ 16.3	$ 14.0	$ 14.4
Avionics, Military, Space	5.9	6.7	6.0
Transportation	11.9	5.2	9.6
Industrial Weighing	12.0	8.6	12.0
General Industrial	4.2	3.6	4.1
Steel	7.6	8.8	7.0
Other Markets	17.5	12.2	17.5
Total	$ 75.3	$ 59.1	$ 70.6

Segment Results/Trends

($ in millions)	Foil Technology Products			Force Sensors			Weighing and Control Systems		
	Q2 2021	Q2 2020	Q1 2021	Q2 2021	Q2 2020	Q1 2021	Q2 2021	Q2 2020	Q1 2021
Net revenues	$33.3	$31.8	$32.7	$17.2	$ 8.9	$16.9	$24.8	$18.4	$20.9
Gross profit	$12.9	$13.3	$13.0	$ 6.0	$ 1.0	$ 6.0	$10.9	$ 8.8	$ 9.5
Gross profit margin	38.9 %	41.8 %	39.9 %	34.7 %	11.6 %	35.7 %	43.9 %	47.6 %	45.6 %
Adjusted gross profit margin	42.6 %	41.7 %	40.4 %	35.4 %	19.6 %	36.0 %	46.6 %	47.3 %	44.3 %
Book-to-bill ratio	1.37	0.85	1.19	1.23	1.58	1.14	1.56	0.82	1.30
Total orders	$45.6	$27.0	$38.8	$21.1	$14.1	$19.3	$38.6	$15.2	$27.3
Backlog in months	5.5	4.5	4.4	5.4	7.5	4.7	4.8	3.7	3.7
Inventory turnover	2.67	2.58	2.72	2.57	2.02	2.72	2.64	1.81	2.54

VPG Acquired Privately held DTS on June 1, 2021

- Adds niche, sensor and data acquisition company to VPG platform
- DTS is a profitable, established business with strong cash flow
- Expands market penetration in automotive test and measurement and AMS, with Blue Chip customers
- Complementary technology with potential technology synergies
- Founder-led business with deep engineering expertise
- Annualized sales of approximately $30+ million with an EBITDA margin in low 20% of sales
- Transaction: purchase price of $47 million, all cash deal funded with cash on-hand and debt with attractive price-to-EBITDA multiple



DTS specializes in miniature DAQ and portable data logger solutions, which are engineered for extreme test environments to enable product development, performance validation and safety testing.

Financial Results

($ in millions, except per share amounts)	Fiscal quarter ended July 3, 2021	June 27, 2020	April 3, 2021
Net revenues	$ 75.3	$ 59.1	$ 70.6
Gross profit	$ 29.8	$ 23.1	$ 28.6
Gross profit margin	39.6 %	39.1 %	40.5 %
Selling, general, and administrative expenses	$ 22.5	$ 18.6	$ 22.2
Adjusted operating income	$ 9.2	$ 5.0	$ 6.1
Adjusted operating margin	12.2 %	8.4 %	8.7 %
Adjusted net earnings attributable to VPG stockholders	$ 6.7	$ 3.6	$ 4.2
Adjusted net earnings per diluted share	$ 0.49	$ 0.27	$ 0.31
ADJUSTED EBITDA	$ 12.5	$ 8.0	$ 9.5
ADJUSTED EBITDA MARGIN	16.6 %	13.5 %	13.5 %

Selected Balance Sheet Items

($ in Millions)

	July 3, 2021	June 27, 2020	April 3, 2021
Cash & cash equivalents	$ 73.5	$ 87.2	$ 96.2
Total assets	$ 440.3	$ 384.7	$ 398.6
Total long-term debt	$ 60.7	$ 40.7	$ 40.6
Total liabilities	$ 174.4	$ 140.4	$ 138.0

Thank You

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	**July 3, 2021**	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
As reported - GAAP	**29,798**	23,110	**4,924**	3,971	**$ 3,920**	$ 1,759	**$ 0.29**	$ 0.13
As reported - GAAP Margins	**39.6 %**	**39.1 %**	**6.5 %**	**6.7 %**				
Acquisition purchase accounting adjustments	**919**	41	**919**	41	**919**	41	**0.07**	—
Acquisition costs		—	**1,198**	—	**1,198**	—	**0.09**	—
COVID-19 impact	**(26)**	558	**(242)**	443	**(242)**	443	**(0.02)**	0.03
Start-up costs	**1,159**	—	**1,159**	—	**1,159**	—	**0.08**	—
Impairment of goodwill and indefinite-lived intangibles		—	**1,223**	—	**1,223**	—	**0.09**	—
Restructuring costs			**—**	499	**—**	499	**—**	0.04
Foreign exchange (gain)/loss					**174**	1,185	**0.01**	0.09
Less: Tax effect of reconciling items and discrete tax items		—		—	**$ 1,639**	$ 340	**$ 0.12**	$ 0.02
As Adjusted - Non GAAP	**$ 31,850**	$ 23,709	**$ 9,181**	$ 4,954	**$ 6,712**	$ 3,587	**$ 0.49**	$ 0.27
As Adjusted - Non GAAP Margins	**42.3 %**	40.1 %	**12.2 %**	8.4 %				

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	**July 3, 2021**	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
As reported - GAAP	**58,420**	48,175	**11,363**	8,615	**$ 8,881**	$ 5,071	**$ 0.65**	$ 0.37
As reported - GAAP Margins	**40.0 %**	**38.0 %**	**7.8 %**	**6.8 %**				
Acquisition purchase accounting adjustments	**930**	556	**930**	556	**930**	556	0.07	0.04
Acquisition costs		—	**1,198**	—	**1,198**	—	0.09	—
COVID-19 impact	**(177)**	558	**(685)**	443	**(685)**	443	(0.05)	0.03
Start-up costs	**1,288**	—	**1,288**	—	**1,288**	—	0.09	—
Impairment of goodwill and indefinite-lived intangibles		—	**1,223**	—	**1,223**	—	0.09	—
Restructuring costs			**—**	629	**—**	629	**—**	0.05
Foreign exchange (gain)/loss [(d)]					**(561)**	285	(0.04)	0.02
Less: Tax effect of reconciling items and discrete tax items					**$ 1,406**	$ 147	**$ 0.10**	$ 0.01
As Adjusted - Non GAAP	**$ 60,461**	$ 49,289	**$ 15,317**	$ 10,243	**$ 10,868**	$ 6,837	**$ 0.80**	$ 0.50
As Adjusted - Non GAAP Margins	**41.4 %**	**38.9 %**	**10.5 %**	**8.1 %**				

Reconciliation of Adjusted Gross Profit by Segment

	2021 Q2	2020 Q2	2021 Q1
Foil Technology Products			
As reported - GAAP	$ 12,942	$ 13,286	$ 13,039
As reported - GAAP Margins	38.9 %	41.8 %	39.9 %
COVID-19 impact	94	(38)	53
Start-up costs	$ 1,159		$ 129
As Adjusted - Non GAAP	$ 14,195	$ 13,248	$ 13,221
As Adjusted - Non GAAP Margins	42.6 %	41.7 %	40.4 %
Force Sensors			
As reported - GAAP	$ 5,969	$ 1,038	$ 6,039
As reported - GAAP Margins	34.7 %	11.6 %	35.7 %
COVID-19 impact	127	705	64
As Adjusted - Non GAAP	$ 6,096	$ 1,743	$ 6,103
As Adjusted - Non GAAP Margins	35.4 %	19.6 %	36.0 %
Weighing and Control Systems			
As reported - GAAP	$ 10,887	$ 8,786	$ 9,544
As reported - GAAP Margins	43.9 %	47.6 %	45.6 %
Acquisition purchase accounting adjustments	919	41	11
COVID-19 impact	(247)	(109)	(268)
As Adjusted - Non GAAP	$ 11,559	$ 8,718	$ 9,287
As Adjusted - Non GAAP Margins	46.6 %	47.3 %	44.3 %

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

	Fiscal quarter ended		
	July 3, 2021	**June 27, 2020**	**April 3, 2021**
Net earnings attributable to VPG stockholders	$ 3,920	$ 1,759	$ 4,961
Interest Expense	273	267	305
Income tax expense	262	684	1,764
Depreciation	2,829	2,509	2,907
Amortization	757	604	615
EBITDA	8,041	$ 5,823	$ 10,552
EBITDA MARGIN	10.7 %	9.8 %	14.9 %
Impairment of goodwill and indefinite-lived intangibles	1,223	—	—
Acquisition purchase accounting adjustments	919	41	11
Acquisition costs	1,198	—	—
Restructuring costs	—	499	—
COVID-19 impact	(242)	443	(443)
Start-up costs	1,159	—	129
Foreign exchange (gain)/loss	174	1,185	(735)
ADJUSTED EBITDA	$ 12,472	$ 7,991	$ 9,514
ADJUSTED EBITDA MARGIN	16.6 %	13.5 %	13.5 %