Vishay Precision Group

PERFORMANCE THROUGH PRECISION

VPG Third Fiscal Quarter 2021 Earnings — November 11, 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; global labor and supply chain challenges; 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 and in our Quarterly Report on Form 10-Q for the fiscal quarter ended October 2, 2021. 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 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 2021 Highlights

- Revenues of $82.0 million vs. $75.3 million in 2Q21 vs. $67.5 million in 3Q20
- Book-to-bill ratio of 1.21 and backlog of $146.7 million support positive 4Q outlook
- Solid financial and operational performance, in spite of challenges with labor availability:
  - Gross profit margin was 38.8% and adjusted gross profit margin* was 41.8%
  - Operating margin was 8.9% and adjusted operating margin* was 11.8%
  - Diluted earnings per share were $0.39 and adjusted diluted net earnings per share* were $0.52
  - Adjusted EBITDA margin of 16.8%
- Completed transition to new Advanced Sensors facility
- 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 third fiscal quarter of 2021 is defined as the amount of cash generated from operating activities ($5.7 million), in excess of our capital expenditures ($2.9 million), net of proceeds, if any, from the sale of assets ($0.2 million).

Consolidated Results/Market Trends

Financial Highlights

($ in millions)	Fiscal quarter ended		
	October 2, 2021	Sept. 26, 2020	July 3, 2021
Net revenues	$ 82.0	$ 67.5	$ 75.3
Book-to-bill ratio	1.21	0.95	1.40
Total orders	$ 98.9	$ 64.0	$ 105.4
End-of-period backlog	$ 146.7	$ 90.8	$ 130.9
Inventory turnover	2.55	2.38	2.64

Revenue by Market

($ in millions)	Fiscal quarter ended		
	October 2, 2021	Sept. 26, 2020	July 3, 2021
Test & Measurement	$ 15.9	$ 12.0	$ 16.3
Avionics, Military, Space	7.5	9.2	5.9
Transportation	13.7	7.1	11.9
Industrial Weighing	12.3	10.7	12.0
General Industrial	4.1	3.8	4.2
Steel	11.1	9.4	7.6
Other Markets	17.5	15.4	17.5
Total	$ 82.0	$ 67.5	$ 75.3

Segment Results/Trends

($ in millions)	Foil Technology Products			Force Sensors			Weighing and Control Systems		
	Q3 2021	Q3 2020	Q2 2021	Q3 2021	Q3 2020	Q2 2021	Q3 2021	Q3 2020	Q2 2021
Net revenues	$32.8	$32.9	$33.3	$17.7	$13.9	$17.2	$31.5	$20.8	$24.8
Gross profit	$10.5	$13.5	$12.9	$ 6.1	$ 4.2	$ 6.0	$15.2	$ 9.6	$10.9
Gross profit margin	32.1 %	41.1 %	38.9 %	34.5 %	30.5 %	34.7 %	48.3 %	46.2 %	43.9 %
Adjusted gross profit margin	35.1 %	41.6 %	42.6 %	35.1 %	31.2 %	35.4 %	52.5 %	44.9 %	46.6 %
Book-to-bill ratio	1.38	1.01	1.37	1.01	0.9	1.23	1.14	0.88	1.56
Total orders	$45.1	$33.2	$45.6	$17.9	$12.5	$21.1	$35.8	$18.3	$38.6
Backlog in months	6.6	4.4	5.5	5.2	4.6	5.4	4.1	3.0	4.8
Inventory turnover	2.88	2.63	2.67	2.38	2.28	2.57	2.32	2.13	2.64

Financial Results

($ in millions, except per share amounts)	Fiscal quarter ended October 2, 2021	Fiscal quarter ended September 26, 2020	Fiscal quarter ended July 3, 2021
Net revenues	$ 82.0	$ 67.5	$ 75.3
Gross profit	$ 31.8	$ 27.3	$ 29.8
Gross profit margin	38.8 %	40.5 %	39.6 %
Selling, general, and administrative expenses	$ 24.6	$ 19.1	$ 22.5
Adjusted operating income	$ 9.7	$ 7.9	$ 9.2
Adjusted operating margin	11.8 %	11.7 %	12.2 %
Adjusted net earnings attributable to VPG stockholders	$ 7.1	$ 5.3	$ 6.7
Adjusted net earnings per diluted share	$ 0.52	$ 0.40	$ 0.49
ADJUSTED EBITDA	$ 13.7	$ 10.6	$ 12.5
ADJUSTED EBITDA MARGIN	16.8 %	15.8 %	16.6 %

Selected Balance Sheet Items

($ in Millions)

	October 2, 2021	September 26, 2020	July 3, 2021
Cash & cash equivalents	$ 75.5	$ 89.8	$ 73.5
Total assets	$ 449.9	$ 392.7	$ 440.3
Total long-term debt	$ 60.7	$ 40.7	$ 60.7
Total liabilities	$ 180.3	$ 140.2	$ 174.4

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	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
As reported - GAAP	**31,845**	27,349	**7,265**	8,121	**$ 5,379**	$ 5,598	**$ 0.39**	$ 0.41
As reported - GAAP Margins	**38.8 %**	40.5 %	**8.9 %**	12.0 %				
Acquisition purchase accounting adjustments	**1,329**	4	**1,329**	4	**1,329**	4	**0.10**	—
Acquisition costs		—	**—**	—	**—**	—	**—**	—
COVID-19 impact	**111**	(22)	**111**	(320)	**111**	(320)	**0.01**	(0.02)
Start-up costs	**970**	—	**970**	—	**970**	—	**0.07**	—
Impairment of goodwill and indefinite-lived intangibles		—	**—**	—	**—**	—	**—**	—
Restructuring costs			**—**	84	**—**	84	**—**	0.01
Foreign exchange (gain)/loss					**38**	(162)	**0.01**	(0.01)
Less: Tax effect of reconciling items and discrete tax items		—		—	**$ 754**	$ (109)	**$ 0.06**	$ (0.01)
As Adjusted - Non GAAP	**$ 34,255**	$ 27,331	**$ 9,675**	$ 7,889	**$ 7,073**	$ 5,313	**$ 0.52**	$ 0.40
As Adjusted - Non GAAP Margins	**41.8 %**	40.5 %	**11.8 %**	11.7 %				

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	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
As reported - GAAP	**90,265**	75,524	**18,628**	16,736	**$ 14,260**	$ 10,669	**$ 1.04**	$ 0.78
As reported - GAAP Margins	**39.6 %**	38.9 %	**8.2 %**	8.6 %				
Acquisition purchase accounting adjustments	**2,259**	560	**2,259**	560	**2,259**	560	**0.17**	0.04
Acquisition costs		—	**1,198**	—	**1,198**	—	**0.09**	—
COVID-19 impact	**(66)**	536	**(574)**	123	**(574)**	123	**(0.04)**	0.01
Start-up costs	**2,258**	—	**2,258**	—	**2,258**	—	**0.17**	—
Impairment of goodwill and indefinite-lived intangibles		—	**1,223**	—	**1,223**	—	**0.09**	—
Restructuring costs			**—**	713	**—**	713	**—**	0.05
Foreign exchange (gain)/loss [(d)]					**(523)**	123	**(0.04)**	0.01
Less: Tax effect of reconciling items and discrete tax items					**$ 2,160**	$ 37	**$ 0.16**	$ —
As Adjusted - Non GAAP	**$ 94,716**	$ 76,620	**$ 24,992**	$ 18,132	**$ 17,941**	$ 12,151	**$ 1.32**	$ 0.89
As Adjusted - Non GAAP Margins	**41.6 %**	**39.4 %**	**11.0 %**	**9.3 %**				

Reconciliation of Adjusted Gross Profit by Segment

	2021 Q3	2020 Q3	2021 Q2
Foil Technology Products			
As reported - GAAP	$ 10,530	$ 13,515	$ 12,942
As reported - GAAP Margins	32.1 %	41.1 %	38.9 %
COVID-19 impact	—	159	94
Start-up costs	$ 970	$ —	$ 1,159
As Adjusted - Non GAAP	$ 11,500	$ 13,674	$ 14,195
As Adjusted - Non GAAP Margins	35.1 %	41.6 %	42.6 %
Force Sensors			
As reported - GAAP	$ 6,108	$ 4,235	$ 5,969
As reported - GAAP Margins	34.5 %	30.5 %	34.7 %
COVID-19 impact	111	94	127
As Adjusted - Non GAAP	$ 6,219	$ 4,329	$ 6,096
As Adjusted - Non GAAP Margins	35.1 %	31.2 %	35.4 %
Weighing and Control Systems			
As reported - GAAP	$ 15,207	$ 9,599	$ 10,887
As reported - GAAP Margins	48.3 %	46.2 %	43.9 %
Acquisition purchase accounting adjustments	1,329	4	919
COVID-19 impact	—	(275)	(247)
As Adjusted - Non GAAP	$ 16,536	$ 9,328	$ 11,559
As Adjusted - Non GAAP Margins	52.5 %	44.9 %	46.6 %

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

	Fiscal quarter ended		
	October 2, 2021	September 26, 2020	July 3, 2021
Net earnings attributable to VPG stockholders	$ 5,379	$ 5,598	$ 3,920
Interest Expense	328	309	273
Income tax expense	1,662	2,109	262
Depreciation	2,955	2,426	2,829
Amortization	970	596	757
EBITDA	11,294	$ 11,038	$ 8,041
EBITDA MARGIN	13.8 %	16.3 %	10.7 %
Impairment of goodwill and indefinite-lived intangibles	—	—	1,223
Acquisition purchase accounting adjustments	1,329	4	919
Acquisition costs	—	—	1,198
Restructuring costs	—	84	—
COVID-19 impact	111	(320)	(242)
Start-up costs	970	—	1,159
Foreign exchange (gain)/loss	38	(162)	174
ADJUSTED EBITDA	$ 13,742	$ 10,644	$ 12,472
ADJUSTED EBITDA MARGIN	16.8 %	15.8 %	16.6 %