

Vishay Precision Group

Third Fiscal Quarter 2022 Earnings

November 8, 2022

Safe Harbor Statement

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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, EBITDA, adjusted EBITDA, and adjusted net 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. In addition, the Company has historically provided these or similar non-GAAP measures and understands that some investors and financial analysts find this information helpful in analyzing the Company’s performance and in comparing the Company’s financial performance to that of its peer companies and competitors. Management believes that the Company’s non-GAAP measures are regarded as supplemental to its GAAP financial results. 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 our Quarterly Reports on Forms 10-Q.

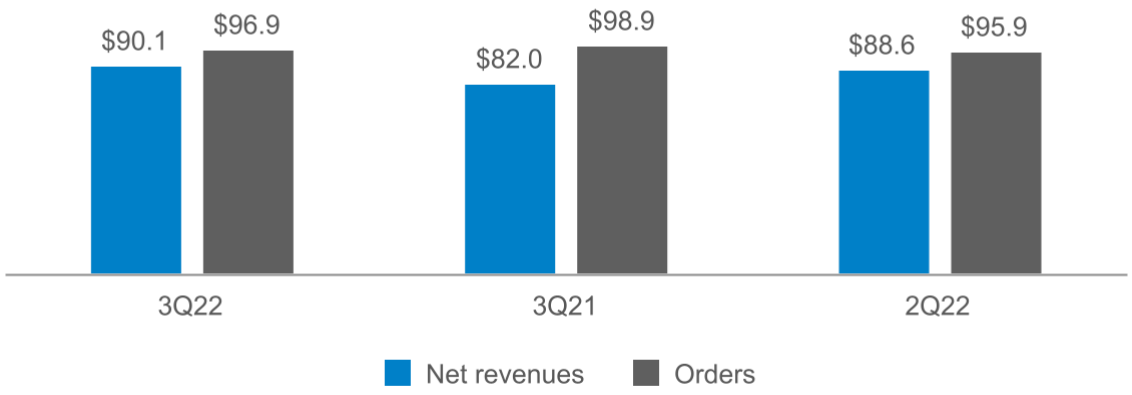
Third Quarter 2022 Overview

- VPG achieved another solid quarter of performance
- 3Q22 revenue grew both sequentially and year-over-year.
- Orders grew from 2Q22.
- Positive outlook for 4Q22 supported by healthy backlog of $171.7 million.
- Strong balance sheet and free cash flow support internal growth investment, potential M&A, and ongoing share repurchases.
- Repurchased $1.1 million of stock in 3Q.



Fiscal Third Quarter 2022 Highlights

Consolidated Financial Highlights (in $ millions)

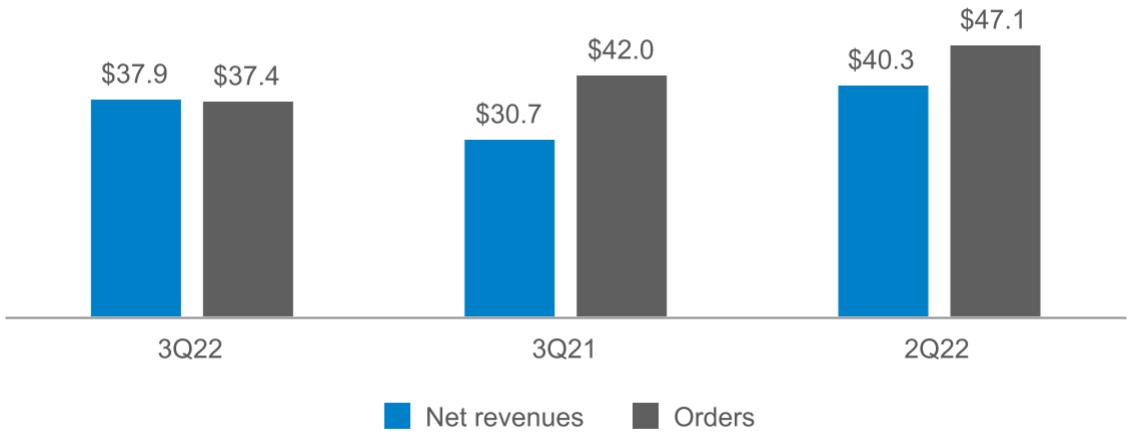


($ in millions, except margin data and book-to-bill ratio)	3Q22	3Q21	2Q22
Net revenues	$90.1	$82.0	$88.6
Gross margin	41.4 %	38.8 %	42.1 %
Adjusted gross margin	41.7 %	41.8 %	42.9 %
Net Earnings per Diluted Share	$0.74	$0.39	$0.79
Adj. Net Earnings per Diluted Share	$0.69	$0.52	$0.68
Adj. EBITDA	16.1	13.7	15.8
Book-to-Bill	1.08	1.21	1.08
End-of-period backlog	$171.7	$146.7	$171.4

- Revenue of $90.1 million, grew 9.9% from the prior year and 1.6% sequentially.
- Excluding F/X impacts, revenue grew 17.5% from the prior year and 3.7% sequentially.
- Adj. net earnings per diluted share of $0.69 grew 32.7% from the prior year.
- Generated adj. EBITDA of $16.1 million, or 17.9% of revenue.
- Book-to-bill of 1.08x reflecting orders of $96.9 million.
- Strong backlog of $171.7 million.

Sensors Segment: Third Quarter 2022 Highlights

(in $ millions)

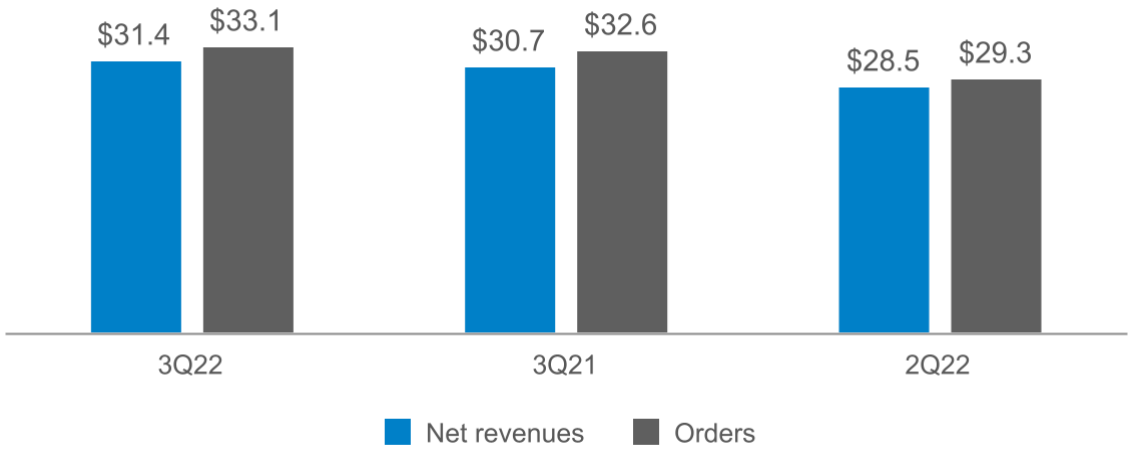


($ in millions, except margin data and book-to-bill ratio)	3Q22	3Q21	2Q22
Net revenues	$37.9	$30.7	$40.3
Book-to-Bill	0.99	1.37	1.17
Gross profit	$15.3	$9.6	$17.8
Gross profit margin	40.5 %	31.1 %	44.3 %
Adjusted gross profit margin	40.5 %	34.3 %	44.3 %

- 2Q22 revenues decreased 6.0% sequentially and were up 23.3% from a year ago.
- Excluding F/X impacts, 3Q22 revenues decreased 4.2% sequentially and were up 35.1% from a year ago.
- 3Q22 Sensors' gross margin of 40.5% impacted by lower volume, one-time inventory adjustment and unfavorable F/X.
- Orders of $37.4 million returned to normalized runrate after strong 2Q22.
- Book-to-bill of 0.99x

Weighing Solutions Segment: Third Quarter 2022 Highlights

(in $ millions)

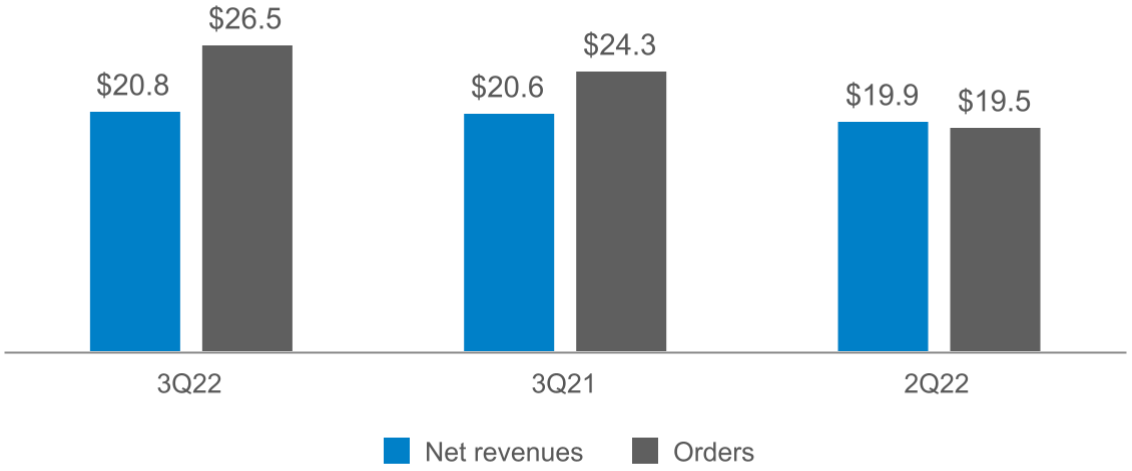


($ in millions, except margin data and book-to-bill ratio)	3Q22	3Q21	2Q22
Net revenues	$31.4	$30.7	$28.5
Book-to-Bill	1.05	1.06	1.03
Gross profit	$10.5	$11.4	$9.6
Gross profit margin	33.3 %	37.2 %	33.7 %
Adjusted gross profit margin	33.3 %	37.6 %	33.7 %

- 3Q22 revenues grew 10.3% sequentially and 2.4% from the prior year.
- Excluding F/X impact, 3Q22 revenues grew 13.6% sequentially and 10.3% from the prior year.
- Higher sequential sales of OEM force sensors driven in part by OEM demand in precision agriculture and construction. Sales of onboard weighing products continued to be impacted by industry-wide component shortages.
- Gross margin was impacted by higher material costs and reduction in inventories.
- Book-to-bill of 1.05x on orders of $33.1 million.

Measurement Systems Segment: Third Quarter 2022 Highlights

(in $ millions)

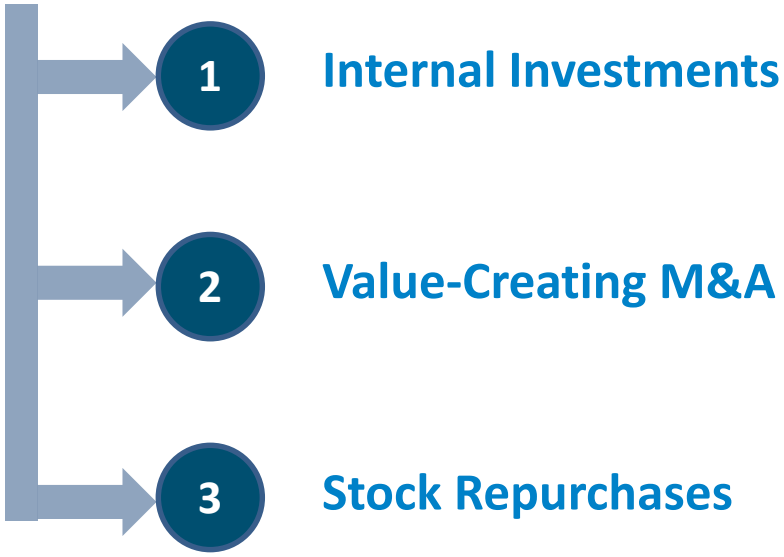


($ in millions, except margin data and book-to-bill ratio)	3Q22	3Q21	2Q22
Net revenues	$20.8	$20.6	$19.9
Book-to-Bill	1.27	1.18	0.98
Gross profit	$11.5	$10.9	$9.9
Gross profit margin	55.5 %	52.8 %	49.9 %
Adjusted gross profit margin	56.7 %	59.2 %	53.3 %

- 3Q22 revenues increased 4.5% sequentially due to higher revenue for new metal alloy development systems and vehicle safety crash test systems.
- The 1.0% increase in revenue compared to the prior year was due to the higher revenue in the steel market.
- Excluding F/X impact, 3Q22 revenues increased 5.8% sequentially and was 3.1% higher than the prior year.
- Book-to-bill was 1.27x.
- Orders of $26.5 million grew 35.7% from 2Q22 reflecting timing of project-driven business in the steel market and for vehicle safety crash test systems.

VPG's Business Model, Cash Generation, and Balance Sheet Support Growth Focused Capital Allocation Strategy

Capital Allocation Priorities:



- Manufacturing capacity expansion and optimization
- New product and market development

- Strategic, profitable niche businesses with strong brands, differentiated products, and seasoned management teams; example: DTS acquired in June 2021
- Bolt-on or transformational M&A

- Repurchased $1.1 million of stock as part of stock repurchase plan announced August 9, 2022

Financial Results

($ in millions, except margin data and per share amounts)	Fiscal quarter ended October 1, 2022	October 2, 2021	July 2, 2022
Net revenues	$ 90.1	$ 82.0	$ 88.6
Gross profit	$ 37.3	$ 31.8	$ 37.3
Gross profit margin	41.4 %	38.8 %	42.1 %
Adjusted gross profit	$ 37.6	$ 34.3	$ 38.0
Adjusted gross proft margin	41.7 %	41.8 %	42.9 %
Selling, general, and administrative expenses	$ 25.3	$ 24.6	$ 25.9
Operating income	$ 11.9	$ 7.3	$ 10.6
Operating margin	13.2 %	8.9 %	11.9 %
Adjusted operating income	$ 12.3	$ 9.7	$ 12.1
Adjusted operating margin	13.7 %	11.8 %	13.7 %
Net earnings attributable to VPG stockholders	$ 10.1	$ 5.4	$ 10.8
Diluted earnings per share attributable to VPG stockholders	$ 0.74	$ 0.39	$ 0.79
Adjusted net earnings attributable to VPG stockholders	$ 9.5	$ 7.1	$ 9.3
Adjusted net earnings per diluted share	$ 0.69	$ 0.52	$ 0.68

Selected Balance Sheet Items

($ in Millions)

	October 1, 2022	October 2, 2021	July 2, 2022
Cash & cash equivalents	$ 79.9	$ 75.5	$ 79.4
Total assets	454.2	449.9	458.4
Total long-term debt	60.8	60.7	60.8
Total liabilities	167.7	180.3	173.0

Q&A

Appendix

Third Quarter 2022 Market Trends

Consolidated Revenue by Market

$ in millions	3Q22	3Q21	2Q22
Test & Measurement	$ 20.7	$ 15.9	$ 21.5
Avionics, Military, Space	6.5	7.5	6.9
Transportation	13.9	13.7	13.2
Industrial Weighing	12.5	12.3	12.9
General Industrial	5.0	4.1	5.3
Steel	11.4	11.1	10.8
Other Markets	20.1	17.5	18.0
Total	$ 90.1	$ 82.0	$ 88.6

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	**October 1, 2022**	**October 2, 2021**	**October 1, 2022**	**October 2, 2021**	**October 1, 2022**	**October 2, 2021**	**October 1, 2022**	**October 2, 2021**
As reported - GAAP	**37,320**	31,845	**11,884**	7,265	**$ 10,118**	$ 5,379	**$ 0.74**	$ 0.39
As reported - GAAP Margins	**41.4 %**	38.8 %	**13.2 %**	8.9 %				
Acquisition purchase accounting adjustments	**260**	1,329	**260**	1,329	**260**	1,329	0.02	0.10
Acquisition costs		—	—	—	—	—	—	—
COVID-19 impact	**—**	111	**—**	111	**—**	111	—	0.01
Start-up costs	**—**	970	—	970	—	970	—	0.07
Impairment of goodwill and indefinite-lived intangibles		—	**—**	—	**—**	—	—	—
Restructuring costs		—	**165**	—	**165**	—	0.01	—
Foreign currency exchange (gain)/loss		—		—	**(1,261)**	38	(0.09)	0.01
Less: Tax effect of reconciling items and discrete tax items		—		—	**$ (194)**	$ 754	**$ (0.01)**	$ 0.06
As Adjusted - Non GAAP	**$ 37,580**	$ 34,255	**$ 12,309**	$ 9,675	**$ 9,476**	$ 7,073	**$ 0.69**	$ 0.52
As Adjusted - Non GAAP Margins	**41.7 %**	41.8 %	**13.7 %**	11.8 %				

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	
Nine fiscal months ended	**10/1/2022**	**10/2/2021**	**10/1/2022**	**10/2/2021**	**10/1/2022**	**10/2/2021**	**10/1/2022**	**10/2/2021**
As reported - GAAP	**109,904**	90,265	**30,750**	18,628	**$ 27,229**	$ 14,260	**$ 1.99**	$ 1.04
As reported - GAAP Margins	**41.3 %**	39.6 %	**11.5 %**	8.2 %				
Acquisition purchase accounting adjustments	**1,310**	2,259	**1,310**	2,259	**1,310**	2,259	**0.10**	0.17
Acquisition costs		—	**—**	1,198	**—**	1,198	**—**	0.09
COVID-19 impact	**138**	(66)	**138**	(574)	**138**	(574)	**0.01**	(0.04)
Start-up costs	**150**	2,258	**150**	2,258	**150**	2,258	**0.01**	0.17
Impairment of goodwill and indefinite-lived intangibles	**—**	—	**—**	1,223	**—**	1,223	**—**	0.09
Restructuring costs			**1,330**	—	**1,330**	—	**0.10**	—
Foreign currency exchange (gain)/loss					**(5,195)**	(523)	**(0.38)**	(0.04)
Less: Tax effect of reconciling items and discrete tax items					**$ (496)**	$ 2,160	**$ (0.03)**	$ 0.16
As Adjusted - Non GAAP	**$ 111,502**	$ 94,716	**$ 33,678**	$ 24,992	**$ 25,458**	$ 17,941	**$ 1.86**	$ 1.32
As Adjusted - Non GAAP Margins	**41.9 %**	41.6 %	**12.6 %**	11.0 %				

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

In $ thousands, except margin data	Fiscal quarter ended		
	October 1, 2022	October 2, 2021	July 2, 2022
Net earnings attributable to VPG stockholders	$ 10,118	$ 5,379	$ 10,755
Interest Expense	636	328	428
Income tax expense	2,323	1,662	2,587
Depreciation	2,937	2,955	2,832
Amortization	960	970	967
EBITDA	16,974	$ 11,294	$ 17,569
EBITDA MARGIN	18.8 %	13.8 %	19.8 %
Impairment of goodwill and indefinite-lived intangibles	—	—	—
Acquisition purchase accounting adjustments	260	1,329	679
Acquisition costs	—	—	—
Restructuring costs	165	—	904
COVID-19 impact	—	111	—
Start-up costs	—	970	—
Foreign currency exchange (gain)/loss	(1,261)	38	(3,380)
ADJUSTED EBITDA	16,138	13,742	15,772
ADJUSTED EBITDA MARGIN	17.9 %	16.8 %	17.8 %

Reconciliation of Adjusted Gross Profit by Segment

In $ thousands except margin data	Fiscal quarter ended October 1, 2022	October 2, 2021	July 2, 2022
Sensors			
As reported - GAAP	$ 15,324	$ 9,568	$ 17,831
As reported - GAAP Margins	40.5 %	31.1 %	44.3 %
COVID-19 impact	—	—	—
Start-up costs	$ —	$ 970	$ —
As Adjusted - Non GAAP	$ 15,324	$ 10,538	$ 17,831
As Adjusted - Non GAAP Margins	40.5 %	34.3 %	44.3 %
Weighing Solutions			
As reported - GAAP	$ 10,470	$ 11,422	$ 9,585
As reported - GAAP Margins	33.3 %	37.2 %	33.7 %
COVID-19 impact	—	111	—
As Adjusted - Non GAAP	$ 10,470	$ 11,533	$ 9,585
As Adjusted - Non GAAP Margins	33.3 %	37.6 %	33.7 %
Measurement Systems			
As reported - GAAP	$ 11,526	$ 10,855	$ 9,918
As reported - GAAP Margins	55.5 %	52.8 %	49.9 %
Acquisition purchase accounting adjustments	260	1,329	679
COVID-19 impact	—	—	—
As Adjusted - Non GAAP	$ 11,786	$ 12,184	$ 10,597
As Adjusted - Non GAAP Margins	56.7 %	59.2 %	53.3 %