4Q23 Earnings Call

February 14, 2024

VPG - focused on precision measurement and sensing technologies that make the world

SAFER, SMARTER, AND MORE PRODUCTIVE

Safe Harbor Statement

From time to time, information provided by us, including, but not limited to, statements in this presentation, or other statements made by or on our behalf, may contain or constitute "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; impact of inflation; potential issues respecting the United States federal government debt ceiling; 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, and health (including pandemics) instabilities; instability caused by military hostilities in the regions or countries in which we operate (including Israel); 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; compliance issues under applicable laws, such as export control laws, including the outcome of our voluntary self-disclosure of export control non-compliance; 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; our 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; our ability to execute our new corporate strategy and business continuity, operational and budget plans; 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, 2022. We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this report or as of the dates otherwise indicated in such forward-looking statements. 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 Quarterly Reports on Forms 10-Q.

Fiscal 2023 Highlights

Consolidated Financial Highlights (in $ millions)

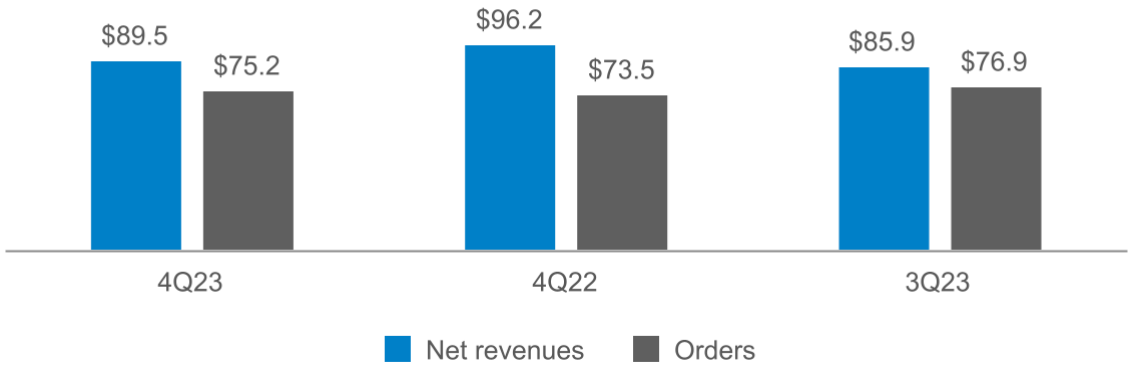


($ in millions, except per share data, margin data and book-to-bill ratio)	2022	2023
Net revenues	$ 362.6	$ 355.0
Gross Margin	41.3%	42.3%
Adj. Gross Margin	41.8%	42.4%
Net Earnings per Diluted Share	$ 2.63	$ 1.88
Adj. Net Earnings per Diluted Share	$ 2.62	$ 2.17
Adj. EBITDA	$ 62.0	$ 60.4
Adj. Free Cash Flow	$ 12.2	$ 30.8
Book-to-Bill	1.04	0.90
End-of-period backlog	$ 151.4	$ 117.3

- Revenue of $355 million was 2.1% lower than the prior year, reflecting slower second-half demand.
- Improved adjusted gross margin.
- Achieved adjusted net earnings per diluted share of $2.17.
- Generated adjusted EBITDA of $60.4 million, or 17.0% of revenue. Adjusted free cash flow of $30.8 million reached record level.
- Deployed capital to repurchase shares and pay down debt.
- Completed key strategic, growth-focused manufacturing capability projects; focus on business development projects.

Fiscal Fourth Quarter 2023 Highlights

Consolidated Financial Highlights (in $ millions)

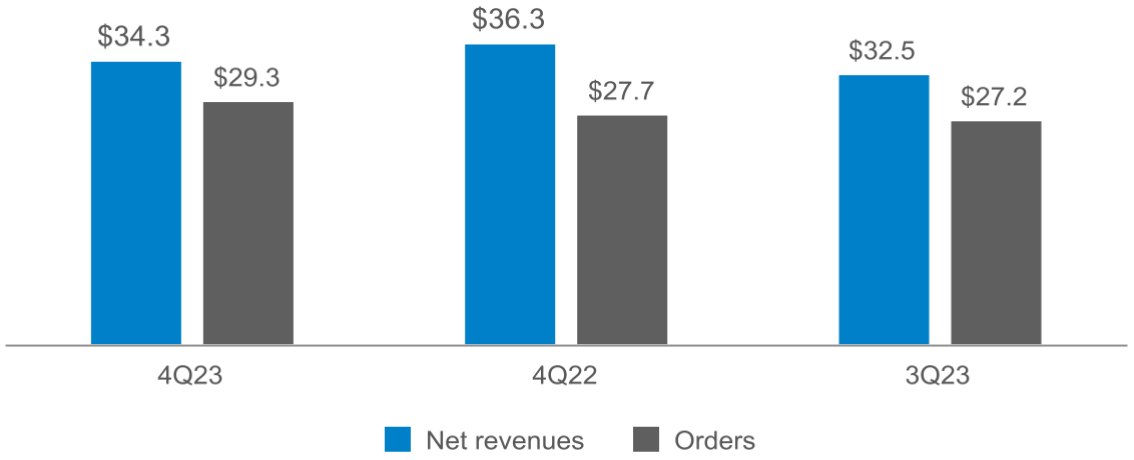


($ in millions, except margin data and book-to-bill ratio)	4Q23	4Q22	3Q23
Net revenues	$ 89.5	$ 96.2	$ 85.9
Gross margin	43.0%	41.2%	41.9%
Adjusted gross margin	43.0%	41.5%	42.1%
Net Earnings per Diluted Share	$0.31	$0.65	$0.46
Adj. Net Earnings per Diluted Share	$0.61	$0.76	$0.47
Adj. EBITDA	$ 16.5	$ 17.5	$ 13.7
Adj. Free Cash Flow	$ 13.5	$ 6.8	$ 6.0
Book-to-Bill	0.84	0.76	0.90
End-of-period backlog	$ 117.3	$ 151.4	$ 128.8

- 4Q23 revenue of $89.5 million was above the high-end of guidance and grew 4.3% sequentially.
- Adj. Net Earnings per Diluted Share of $0.61 grew 29.8% sequentially.
- Generated Adj. EBITDA of $16.5 million, or 18.5% of revenue. Achieved record quarterly adjusted free cash flow of $13.5 million.
- Book-to-bill of 0.84x reflected customer cautiousness and the timing of project-driven business.
- Repurchased $4.7 million of stock and repaid $22.0 million of revolving debt.

Sensors: Fourth Quarter 2023 Highlights

Consolidated Financial Highlights (in $ millions)

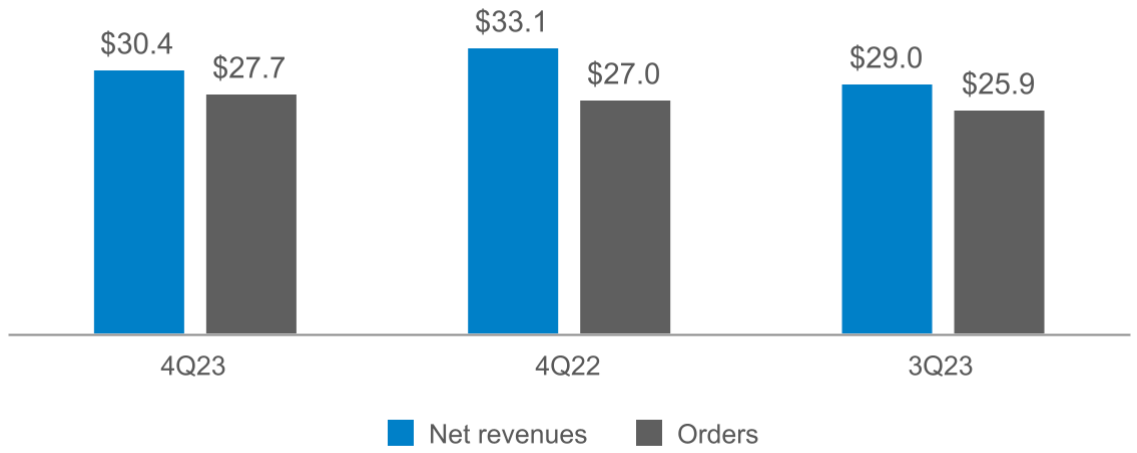


($ in millions, except margin data and book-to-bill ratio)	4Q23	4Q22	3Q23
Net revenues	$ 34.3	$ 36.3	$ 32.5
Book-to-Bill	0.85	0.76	0.83
Gross profit	$ 13.8	$ 13.6	$ 11.7
Gross profit margin	40.2%	37.6%	35.9%

- Sensors 4Q23 sales grew 5.3% sequentially but declined 5.7% from a year ago. The sequential increase primarily reflected higher sales in the Test and Measurement market.
- 4Q23 gross profit margin of 40.2% increased sequentially reflecting higher volume of precision resistors and improved manufacturing efficiencies.
- Sequentially, orders grew 7.8% reflecting stronger demand in Test & Measurement and higher customer project-related orders in AMS.
- Book-to-bill of 0.85 improved from 3Q23.

Weighing Solutions: Fourth Quarter 2023 Highlights

Consolidated Financial Highlights (in $ millions)

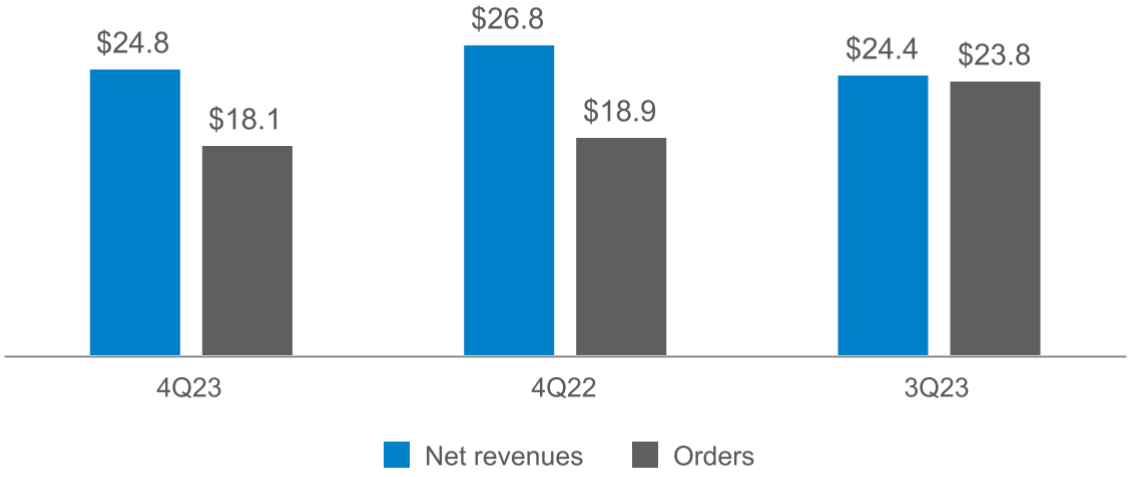


($ in millions, except margin data and book-to-bill ratio)	4Q23	4Q22	3Q23
Net revenues	$ 30.4	$ 33.1	$ 29.0
Book-to-Bill	0.91	0.82	0.89
Gross profit	$ 10.8	$ 11.0	$ 11.2
Gross profit margin	35.6%	33.4%	38.7%

- 4Q23 revenues grew 5.1% sequentially and declined 8.0% from the prior year.
- The sequential increase was driven by higher OEM sales for precision agriculture and construction applications and higher sales in General Industrial, which offset lower sales in the Transportation market.
- 4Q23 gross margin of 35.6% reflected reduced inventories and unfavorable product mix, partially offset by higher volume.
- Orders improved sequentially resulting in a Book-to-bill of 0.91.

Measurement Systems: Fourth Quarter 2023 Highlights

Consolidated Financial Highlights (in $ millions)



($ in millions, except margin data and book-to-bill ratio)	4Q23	4Q22	3Q23
Net revenues	$ 24.8	$ 26.8	$ 24.4
Book-to-Bill	0.73	0.70	0.98
Gross profit	$ 13.9	$ 15.0	$ 13.0
Gross profit margin	56.0%	55.9%	53.6%
Adjusted gross profit margin	56.1%	56.8%	54.5%

- 4Q23 revenues grew 2.0% sequentially and declined 7.5% from the prior year.
- The sequential increase reflected higher DTS sales to the AMS market, which offset lower steel-related sales of DSI and KELK.
- 4Q23 adj. gross profit margin of 56.1% reflected higher volume and favorable product mix.
- Book-to-bill was 0.73 primarily due to the timing of customer projects.
- Sequentially higher steel-related orders were offset by lower orders to the AMS and the Transportation markets.

Focused on Key Priorities

1

Growth Initiatives

- Execute on growth initiatives aimed at accelerating new customer business development and new product introductions

2

Cost Reduction and Profit Enhancement Initiatives

- Continue ongoing cost reduction and operational excellence programs
- Continue selective price increases

3

Execute Capital Allocation Strategy

- Continue to implement capital allocation strategy which balances:
  - Internal investments to support growth and operational excellence initiatives
- Value-creating M&A opportunities
- Stock repurchases
  - VPG repurchased $8.7 million of stock under a repurchase plan authorized by our Board in August 2022 and extended through August 2024
- Repaid $29 million of revolving debt in 2023 to reduce expected interest expense in 2024

Financial Results

($ in millions, except margin data and per share amounts)	Fiscal quarter ended December 31, 2023	December 31, 2022	September 30, 2023
Net revenues	$ 89.5	$ 96.2	$ 85.9
Gross profit	$ 38.5	$ 39.7	$ 35.9
Gross profit margin	43.0 %	41.2 %	41.9 %
Adjusted gross profit	$ 38.5	$ 39.9	$ 36.1
Adjusted gross proft margin	43.0 %	41.5 %	42.1 %
Selling, general, and administrative expenses	$ 26.4	$ 26.5	$ 26.6
Operating income	$ 12.0	$ 13.0	$ 8.2
Operating margin	13.4 %	13.6 %	9.6 %
Adjusted operating income	$ 12.2	$ 13.5	$ 9.6
Adjusted operating margin	13.6 %	14.0 %	11.2 %
Net earnings attributable to VPG stockholders	$ 4.2	$ 8.8	$ 6.3
Diluted earnings per share attributable to VPG stockholders	$ 0.31	$ 0.65	$ 0.46
Adjusted net earnings attributable to VPG stockholders	$ 8.2	$ 10.4	$ 6.4
Adjusted net earnings per diluted share	$ 0.61	$ 0.76	$ 0.47

Selected Balance Sheet Items

($ in Millions)

	December 31, 2023	December 31, 2022	September 30, 2023
Cash & cash equivalents	84.0	88.6	94.6
Total assets	471.6	476.7	484.3
Total long-term debt	31.9	60.8	53.8
Total liabilities	141.6	170.2	160.1

Thank You

Appendix

Fourth Quarter and Annual 2023 Market Trends

Consolidated Revenue by Market

$ in millions	4Q23	4Q22	3Q23	2023	2022
Test & Measurement	19.5	18.3	17.1	$ 74.0	$ 78.4
Avionics, Military, Space	10.0	9.8	8.3	38.3	31.4
Transportation	14.1	14.8	15.5	55.1	55.8
Industrial Weighing	10.3	13.5	10.5	43.9	52.1
General Industrial	5.1	5.0	4.6	19.9	21.2
Steel	12.3	14.3	13.4	51.5	43.8
Other Markets	18.2	20.5	16.4	72.4	79.8
Total	$ 89.5	$ 96.2	$ 85.9	$ 355.0	$ 362.6

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

In $ thousands, except margin and per share data	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
Fiscal Quarter Ended December 31,	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
As reported - GAAP	**$ 38,496**	$ 39,698	**$ 12,011**	$ 13,049	**$ 4,227**	$ 8,834	**$ 0.31**	$ 0.65
As reported - GAAP Margins	**43.0 %**	41.2 %	**13.4 %**	13.6 %				
Acquisition purchase accounting adjustments	**31**	240	**31**	240	**31**	240	—	0.02
Start-up costs	**—**	—	—	—	—	—	—	—
Restructuring costs			**129**	188	**129**	188	0.01	0.01
Foreign exchange (gain)/loss					**2,961**	1,616	0.21	0.11
Less: Tax effect of reconciling items and discrete tax items					**$ (887)**	$ 452	**$ (0.08)**	$ 0.03
As Adjusted - Non GAAP	**$ 38,527**	$ 39,938	**$ 12,171**	$ 13,477	**$ 8,235**	$ 10,426	**$ 0.61**	$ 0.76
As Adjusted - Non GAAP Margins	**43.0 %**	41.5 %	**13.6 %**	14.0 %				

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

In $ thousands, except margin data	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
Fiscal Year Ended December 31,	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
As reported - GAAP	**$ 150,342**	$ 149,602	**$ 41,954**	$ 43,799	**$ 25,707**	$ 36,063	**$ 1.88**	$ 2.63
As reported - GAAP Margins	**42.3 %**	41.3 %	**11.8 %**	12.1 %				
Acquisition purchase accounting adjustments	**335**	1,550	**335**	1,550	**335**	1,550	**0.02**	0.11
Acquisition costs			**—**	—	**—**	—	**—**	—
COVID-19 impact	**—**	138	**—**	138	**—**	138	**—**	0.01
Start-up costs	**—**	150	**150**	150	**—**	150	**—**	0.01
Impairment of goodwill and indefinite-lived intangibles			**—**	—	**—**	—	**—**	—
Restructuring costs			**1,560**	1,518	**1,560**	1,518	**0.11**	0.11
Foreign exchange (gain)/loss					**822**	(3,579)	**0.06**	(0.26)
Less: Tax effect of reconciling items and discrete tax items					**$ (1,245)**	$ (44)	**$ (0.10)**	$ (0.01)
As Adjusted - Non GAAP	**$ 150,677**	$ 151,440	**$ 43,849**	$ 47,155	**$ 29,669**	$ 35,884	**$ 2.17**	$ 2.62
As Adjusted - Non GAAP Margins	**42.4 %**	41.8 %	**12.4 %**	13.0 %				

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA - QTR

In $ thousands, except margin data	Fiscal quarter ended		
	December 31, 2023	**December 31, 2022**	**September 30, 2023**
Net earnings attributable to VPG stockholders	$ 4,227	$ 8,834	$ 6,280
Interest Expense	779	876	1,119
Income tax expense	4,403	1,884	2,419
Depreciation	2,992	2,882	2,954
Amortization	999	952	880
EBITDA	$ 13,400	$ 15,428	$ 13,652
EBITDA MARGIN	15.0 %	16.0 %	15.9 %
Acquisition purchase accounting adjustments	31	240	214
Restructuring costs	129	188	1,153
Start-up costs	—	—	—
Foreign exchange loss/(gain)	2,961	1,616	(1,283)
ADJUSTED EBITDA	$ 16,521	$ 17,472	$ 13,736
ADJUSTED EBITDA MARGIN	18.5 %	18.2 %	16.0 %

Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA – Fiscal Year

In $ thousands, except margin data	Year ended December 31, 2023	Year ended December 31, 2022
Net earnings attributable to VPG stockholders	$ 25,707	$ 36,063
Interest Expense	3,974	2,269
Income tax expense	12,426	8,535
Depreciation	11,798	11,504
Amortization	3,752	3,849
EBITDA	$ 57,657	$ 62,220
EBITDA MARGIN	16.2 %	17.2 %
Impairment of goodwill and indefinite-lived intangibles	—	—
Acquisition purchase accounting adjustments	335	1,550
Acquisition costs	—	—
Restructuring costs	1,560	1,518
COVID-19 impact	—	138
Start-up costs	—	150
Foreign exchange (gain) loss	822	(3,579)
ADJUSTED EBITDA	$ 60,374	$ 61,997
ADJUSTED EBITDA MARGIN	17.0 %	17.1 %

Reconciliation of Adjusted Gross Profit by Segment

	Fiscal quarter ended		
	December 31, 2023	December 31, 2022	September 30, 2023
Sensors			
As reported - GAAP	$ 13,761	$ 13,645	$ 11,681
As reported - GAAP Margins	40.2 %	37.6 %	35.9 %
Start-up costs	—	—	—
As Adjusted - Non GAAP	$ 13,761	$ 13,645	$ 11,681
As Adjusted - Non GAAP Margins	40.2 %	37.6 %	35.9 %
Weighing Solutions			
As reported - GAAP	$ 10,834	$ 11,043	$ 11,207
As reported - GAAP Margins	35.6 %	33.4 %	38.7 %
As Adjusted - Non GAAP	$ 10,834	$ 11,043	$ 11,207
As Adjusted - Non GAAP Margins	35.6 %	33.4 %	38.7 %
Measurement Systems			
As reported - GAAP	$ 13,906	$ 15,009	$ 13,047
As reported - GAAP Margins	56.0 %	55.9 %	53.6 %
Acquisition purchase accounting adjustments	31	240	214
As Adjusted - Non GAAP	$ 13,937	$ 15,249	$ 13,261
As Adjusted - Non GAAP Margins	56.1 %	56.8 %	54.5 %

VPG Sustainability

Milestones in 2023 include:

- Updated our sustainability performance highlights on the website.
- Updated key performance indicators (KPI) for Environment, Labor, Safety and Health and Quality
- Added further policies including Climate Risk and GHG, and Supplier Code of Conduct and updated Anti-Bribery and Anti-Corruption policies.
- Provided our first Information Security Report

