



VPG Second Quarter Fiscal 2016 Earnings

August 9, 2016



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; changes in the current pace of economic recovery; difficulties or delays in completing acquisitions and integrating acquired companies (including the acquisitions of Stress-Tek and Pacific Instruments); 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; difficulties in implementing our ERP system, and the associated impact on manufacturing efficiencies and customer satisfaction; 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 lower-cost countries; 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, 2015. 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 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). We believe these non-GAAP measures provide insight into our financial performance. These non-GAAP measures are supplemental to the comparable GAAP measures. 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.

HIGHLIGHTS

- Second quarter net revenues of \$58.0 million.
- Second quarter earnings per diluted share of \$0.14.
- Adjusted-earnings per diluted share of \$0.15.
- Gross profit margin of 37.1% reflecting the impact of restructuring actions.
- Force Sensors segment achieved gross profit margins of 29% in the second quarter of 2016 as compared to 19% in the second quarter of 2015.
- Third quarter revenue guidance of \$55 million to \$60 million.
- Fiscal year 2016 adjusted diluted earnings per share guidance updated – in the range of \$0.70 to \$0.80 – at constant exchange rates as of the second quarter of 2016.

FINANCIAL RESULTS

Consolidated Condensed Summary of Operations
(Unaudited - in millions, except %)

	Fiscal quarter ended		
	July 2, 2016	June 27, 2015	April 2, 2016
Net revenues	\$ 58.0	\$ 59.5	\$ 56.6
Adjusted gross profit ^{(1)(*)}	\$ 21.7	\$ 21.1	\$ 20.1
Adjusted gross profit margin ^{(1)(*)}	37.4%	35.4%	35.4%
Selling, general and administrative expenses	\$ 18.4	\$ 18.4	\$ 18.0
Adjusted operating income ^{(2)(*)}	\$ 3.2	\$ 2.7	\$ 2.0
Adjusted operating margin ^{(2)(*)}	5.6%	4.5%	3.6%

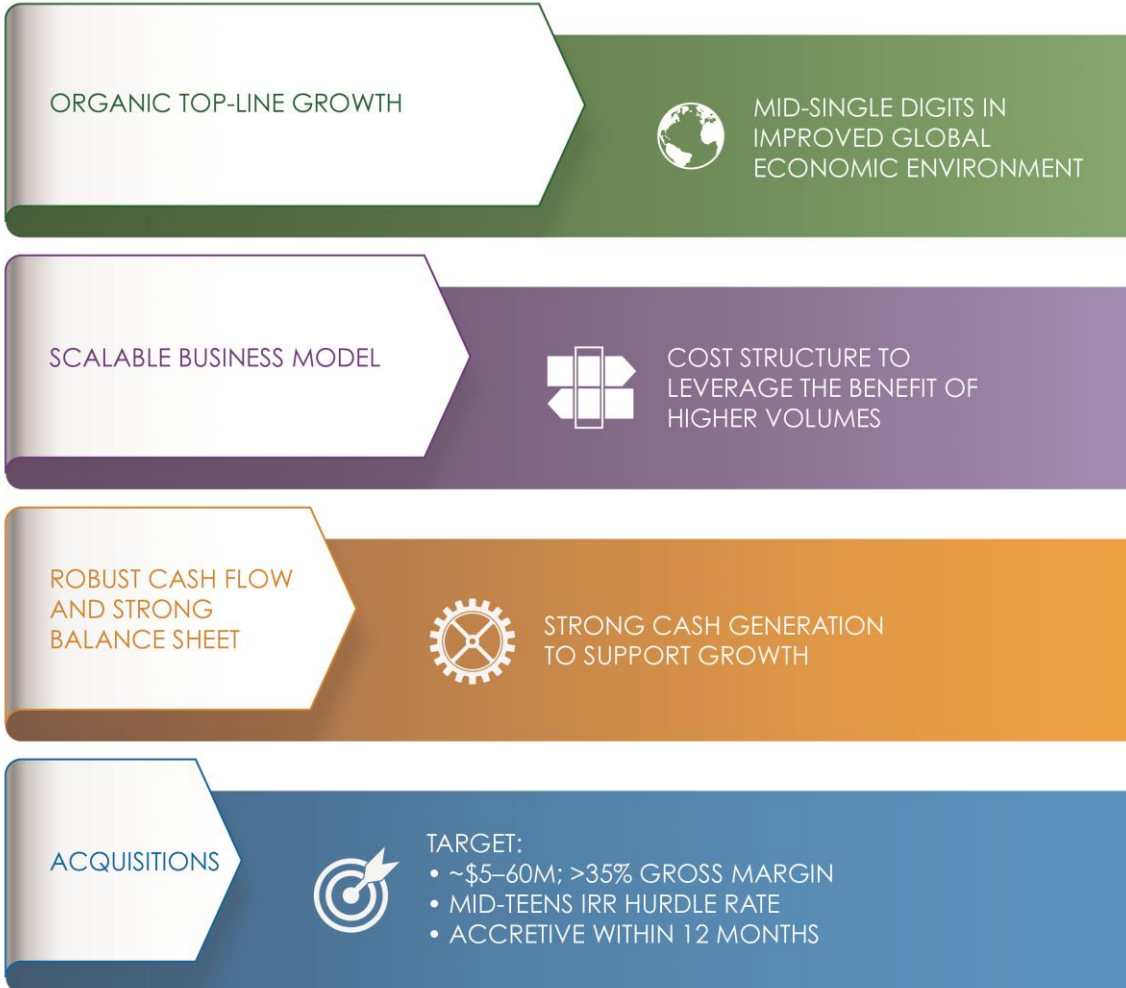
⁽¹⁾ Adjusted gross profit and adjusted gross profit margin exclude acquisition purchase accounting adjustments.

⁽²⁾ Adjusted operating income and adjusted operating margin exclude acquisition costs, restructuring costs and acquisition purchase accounting adjustments.

^(*) Refer to the reconciliation tables included in the appendix of this presentation.

STRATEGY

Value proposition (2016-18)



Mid- to high-single digit sales growth

Gross margin > 40%
Adjusted operating margin > 10 %

Strong cash generation continues

Accelerated M&A activity

CONSOLIDATED RESULTS/TRENDS

(\$ in millions)	<u>Q2 2016</u>	<u>Q2 2015</u>	<u>Q1 2016</u>
Net revenues	\$ 58.0	\$ 59.5	\$ 56.6
Adjusted Gross Profit(*)	\$ 21.7	\$ 21.1	\$ 20.1
Adjusted Gross Profit Margin(*)	37.4%	35.4%	35.4%
Book-to-Bill	0.98	0.91	1.03
Total Orders	\$ 56.5	\$ 54.3	\$ 58.6
Backlog in Months	2.7	2.8	2.8
Inventory Turnover	2.5	2.8	2.6

(*) Adjusted gross profit and adjusted gross profit margin exclude acquisition purchase accounting adjustments.



SEGMENT RESULTS/TRENDS

	<u>Foil Technology Products</u>			<u>Force Sensors</u>			<u>Weighing and Control Systems</u>		
(\$ in millions)	<u>Q2 2016</u>	<u>Q2 2015</u>	<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q2 2015</u>	<u>Q1 2016</u>	<u>Q2 2016</u>	<u>Q2 2015</u>	<u>Q1 2016</u>
Net revenues	\$ 25.4	\$ 26.2	\$ 26.3	\$ 15.4	\$ 15.6	\$ 14.8	\$ 17.2	\$ 17.7	\$ 15.5
Adjusted Gross Profit(*)	\$ 9.4	\$ 10.4	\$ 11.1	\$ 4.5	\$ 3.0	\$ 2.7	\$ 7.9	\$ 7.7	\$ 6.2
Adjusted Gross Profit Margin(*)	37.0%	39.6%	42.3%	29.0%	19.0%	18.4%	45.6%	43.7%	40.2%
Book-to-Bill	1.01	0.90	0.98	0.97	0.98	1.06	0.94	0.88	1.11
Total Orders	\$ 25.5	\$ 23.5	\$ 25.7	\$ 14.9	\$ 15.3	\$ 15.8	\$ 16.1	\$ 15.5	\$ 17.1
Backlog in Months	2.8	3.0	2.6	2.3	2.2	2.5	2.8	2.9	3.3
Inventory Turnover	2.7	3.0	2.7	2.0	2.0	2.2	3.3	4.4	3.5

(*) Adjusted gross profit and adjusted gross profit margin exclude acquisition purchase accounting adjustments.

HIGHLIGHTS

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- Second quarter earnings per diluted share of \$0.14.
- Adjusted-earnings per diluted share of \$0.15.
- Gross profit margin of 37.1% reflecting the impact of restructuring actions.
- Force Sensors segment achieved gross profit margins of 29% in the second quarter of 2016 as compared to 19% in the second quarter of 2015.
- Third quarter revenue guidance of \$55 million to \$60 million.
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THANK YOU

APPENDIX

RECONCILIATION

Reconciliation of Adjusted Earnings Per Share
(Unaudited - In thousands, except per share data)

	Fiscal quarter ended		Six fiscal months ended	
	July 2, 2016	June 27, 2015	July 2, 2016	June 27, 2015
Net earnings attributable to VPG stockholders	\$ 1,868	\$ 1,476	\$ 2,348	\$ 2,336
<u>Reconciling items affecting operating margin</u>				
Acquisition purchase accounting adjustments	195	26	491	26
Acquisition costs	352	-	414	-
Restructuring costs	1,011	304	1,686	382
<u>Reconciling items affecting income tax expense</u>				
Less tax effect of adjustments for purchase accounting, acquisition costs, restructuring costs and discrete tax items	1,469	41	1,290	57
Adjusted net earnings attributable to VPG stockholders	<u>\$ 1,957</u>	<u>\$ 1,765</u>	<u>\$ 3,649</u>	<u>\$ 2,687</u>
Adjusted net earnings per diluted share	\$ 0.15	\$ 0.13	\$ 0.27	\$ 0.19
Weighted average shares outstanding - diluted	13,405	13,790	13,402	13,875

RECONCILIATION

Reconciliation of Consolidated Adjusted Gross Profit Margin
(Unaudited - in thousands, except %)

	Fiscal quarter ended		
	<u>July 2, 2016</u>	<u>June 27, 2015</u>	<u>April 2, 2016</u>
Gross profit	\$ 21,495	\$ 21,035	\$ 19,775
Gross profit margin	37.1%	35.3%	34.9%
<u>Reconciling items affecting gross profit margin</u>			
Acquisition purchase accounting adjustments	195	26	296
Adjusted gross profit	<u>\$ 21,690</u>	<u>\$ 21,061</u>	<u>\$ 20,071</u>
Adjusted gross profit margin	37.4%	35.4%	35.4%

RECONCILIATION

Reconciliation of Consolidated Adjusted Operating Margin
(Unaudited - in thousands, except %)

	Fiscal quarter ended		
	July 2, 2016	June 27, 2015	April 2, 2016
Operating income	\$ 1,688	\$ 2,335	\$ 990
Operating margin	2.9%	3.9%	1.7%
<u>Reconciling items affecting operating income margin</u>			
Acquisition purchase accounting adjustments	195	26	296
Acquisition costs	352	-	62
Restructuring costs	1,011	304	675
Adjusted operating income	<u>\$ 3,246</u>	<u>\$ 2,665</u>	<u>\$ 2,023</u>
Adjusted operating margin	5.6%	4.5%	3.6%