



VPG Fourth Quarter Fiscal 2016 Earnings

February 21, 2017



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

- Fourth quarter earnings per diluted share of \$0.22.
- Fourth quarter adjusted earnings per diluted share of \$0.26.
- Cash generated from operations for the fourth quarter of 2016 was \$4.9 million and free cash flow was \$4.7 million.
- Book-to-bill was 1.16 for the fourth quarter of 2016.

FINANCIAL RESULTS

Consolidated Condensed Summary of Operations

(Unaudited - \$ in millions, except per share data)

	Fiscal quarters ended		Fiscal years ended	
	December 31, 2016	December 31, 2015	2016	2015
Net revenues	\$ 55.8	\$ 58.9	\$ 224.9	\$ 232.2
Adjusted gross profit ^{(1)(*)}	\$ 21.3	\$ 20.9	\$ 83.4	\$ 84.4
Adjusted gross profit margin ^{(1)(*)}	38.2%	35.5%	37.1%	36.4%
Selling, general and administrative expenses	\$ 15.5	\$ 16.4	\$ 68.9	\$ 71.3
Adjusted operating income ^{(2)(*)}	\$ 5.2	\$ 4.5	\$ 15.0	\$ 13.1
Adjusted operating margin ^{(2)(*)}	9.4%	7.7%	6.7%	5.7%
Adjusted net earnings attributable to VPG shareholders ^{(2)(*)}	\$ 3.4	\$ 2.7	\$ 9.9	\$ 7.7
Adjusted net earnings per dilutive share ^{(2)(*)}	\$ 0.26	\$ 0.20	\$ 0.74	\$ 0.57

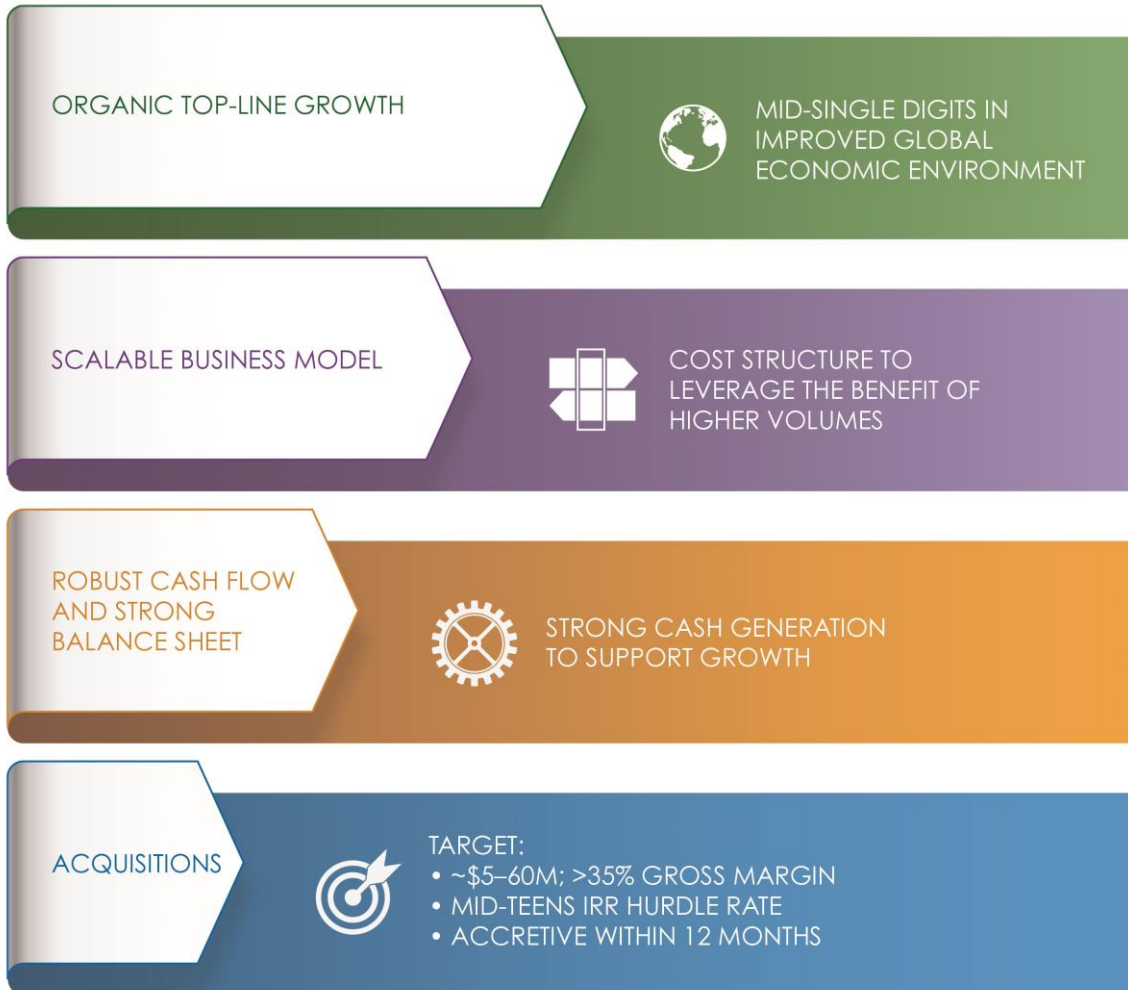
⁽¹⁾ Adjusted gross profit and adjusted gross profit margin exclude acquisition purchase accounting adjustments.

⁽²⁾ Adjusted operating income and adjusted operating margin exclude purchase accounting adjustments, acquisition costs, strategic alternative evaluation costs, gain on sale of building, impairment of goodwill and indefinite-lived intangibles and restructuring costs.

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

STRATEGY

Value proposition (2017-19)



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)	Fiscal quarters ended		
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>October 1, 2016</u>
Net revenues	55.8	58.9	54.5
Book-to-Bill	1.16	0.95	0.98
Total Orders	\$ 64.5	\$ 56.2	\$ 53.2
Backlog in Months	3.1	2.5	2.8
Inventory Turnover	2.4	2.7	2.4



SEGMENT RESULTS/TRENDS

(\$ in millions)	Foil Technology Products			Force Sensors			Weighing and Control Systems		
	Q4 2016	Q4 2015	Q3 2016	Q4 2016	Q4 2015	Q3 2016	Q4 2016	Q4 2015	Q3 2016
Net revenues	\$ 25.4	\$ 26.2	\$ 23.9	\$ 14.8	\$ 15.6	\$ 15.2	\$ 15.6	\$ 17.1	\$ 15.4
Adjusted Gross Profit(*)	\$ 10.4	\$ 9.6	\$ 8.7	\$ 3.7	\$ 3.2	\$ 4.7	\$ 7.3	\$ 8.2	\$ 6.9
Adjusted Gross Profit Margin(*)	40.8%	36.5%	36.4%	25.3%	20.2%	31.0%	46.5%	47.8%	44.9%
Book-to-Bill	1.26	0.97	0.99	1.08	1.00	1.02	1.05	0.89	0.92
Total Orders	\$ 32.1	\$ 25.5	\$ 23.5	\$ 16.0	\$ 15.6	\$ 15.5	\$ 16.5	\$ 15.1	\$ 14.1
Backlog in Months	3.4	2.6	3.0	2.6	2.2	2.4	2.9	2.6	2.9
Inventory Turnover	2.6	3.0	2.6	1.9	2.1	1.8	3.1	3.9	3.0

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

HIGHLIGHTS

- Fourth quarter earnings per diluted share of \$0.22.
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- Cash generated from operations for the fourth quarter of 2016 was \$4.9 million and free cash flow was \$4.7 million.
- Book-to-bill was 1.16 for the fourth quarter of 2016.



THANK YOU

APPENDIX



PERFORMANCE THROUGH PRECISION

RECONCILIATION

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

	Fiscal quarters ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
Net earnings (loss) attributable to VPG stockholders	\$ 3,005	\$ (13,401)	\$ 6,404	\$ (13,008)
<u>Reconciling items affecting operating margin</u>				
Acquisition purchase accounting adjustments	49	146	586	172
Acquisition costs	80	185	494	185
Strategic alternative evaluation costs	265	-	1,344	-
Gain on sale of building	(837)	-	(837)	-
Impairment of goodwill and indefinite-lived intangibles	-	-	-	4,942
Restructuring costs	271	3,620	2,666	4,461
<u>Reconciling items affecting income tax expense</u>				
Less tax effect of reconciling items and discrete tax items	(597)	(12,118)	719	(10,980)
Adjusted net earnings attributable to VPG stockholders	\$ 3,430	\$ 2,668	\$ 9,938	\$ 7,732
Weighted average shares outstanding - diluted	13,450	13,170	13,419	13,485
Adjusted net earnings per diluted share	\$ 0.26	\$ 0.20	\$ 0.74	\$ 0.57

RECONCILIATION

Reconciliation of Consolidated Adjusted Gross Profit Margin

(Unaudited - \$ in thousands)

	Fiscal quarters ended		Fiscal years ended	
	December 31, 2016	December 31, 2015	2016	2015
Gross profit	\$ 21,274	\$ 20,765	\$ 82,809	\$ 84,229
Gross profit margin	38.1%	35.2%	36.8%	36.3%
<u>Reconciling items affecting gross profit margin</u>				
Acquisition purchase accounting adjustments	49	146	586	172
Adjusted gross profit	<u>\$ 21,323</u>	<u>\$ 20,911</u>	<u>\$ 83,395</u>	<u>\$ 84,401</u>
Adjusted gross profit margin	38.2%	35.5%	37.1%	36.4%

RECONCILIATION

Reconciliation of Consolidated Adjusted Operating Margin

(Unaudited - \$ in thousands)

	Fiscal quarters ended		Fiscal years ended	
	December 31, 2016	December 31, 2015	2016	2015
Operating income	\$ 5,394	\$ 582	\$ 10,711	\$ 3,359
Operating income margin	9.7%	1.0%	4.8%	1.4%
<u>Reconciling items affecting operating income margin</u>				
Acquisition purchase accounting adjustments	49	146	586	172
Acquisition costs	80	185	494	185
Strategic alternative evaluation costs	265	-	1,344	-
Gain on sale of building	(837)	-	(837)	-
Impairment of goodwill and indefinite-lived intangibles			-	4,942
Restructuring costs	271	3,620	2,666	4,461
Adjusted operating income	<u>\$ 5,222</u>	<u>\$ 4,533</u>	<u>\$ 14,964</u>	<u>\$ 13,119</u>
Adjusted operating margin	9.4%	7.7%	6.7%	5.7%