



VPG First Quarter Fiscal 2018 Earnings

May 8, 2018



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; difficulties or delays in 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; 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; 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, 2017. 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 first quarter earnings press release and in the appendix to this presentation which will be available on our website at: www.vpgsensors.com.

HIGHLIGHTS

- Growth in revenues to \$73.1 million, up 22.3% year-over-year
- Earnings increased to \$0.37 per diluted share, compared to \$0.15 reported last year
- Adjusted diluted EPS increased to \$0.37, compared to prior year \$0.19
- Operating margin for the quarter is 11.2% as compared to 6.6% for the prior year period
- Book-to-bill of 1.05 continues to reflect stabilized end-markets

FINANCIAL RESULTS

Consolidated Condensed Summary of Operations

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

	Fiscal quarters ended	
	March 31, 2018	April 1, 2017
Net revenues	\$ 73.1	\$ 59.8
Gross profit	\$ 28.5	\$ 22.5
Gross profit margin	39.0%	37.7%
Selling, general and administrative expenses	\$ 20.3	\$ 18.0
Adjusted operating income ^{(1)(*)}	\$ 8.2	\$ 4.5
Adjusted operating margin ^{(1)(*)}	11.2%	7.5%
Adjusted net earnings attributable to VPG shareholders ^{(2)(*)}	\$ 5.0	\$ 2.5
Adjusted net earnings per dilutive share ^{(2)(*)}	\$ 0.37	\$ 0.19

⁽¹⁾ Adjusted operating income and adjusted operating margin exclude restructuring costs.

⁽²⁾ Adjusted net earnings attributable to VPG shareholders and adjusted net earnings per dilutive share exclude restructuring costs and associated tax effects.

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

STRATEGY

Value proposition



Mid- to high-single digit sales growth

Ongoing M&A activity

Gross margin > 40%
Adjusted operating margin > 10 %



CONSOLIDATED RESULTS/TRENDS

(\$ in millions)	Fiscal quarters ended		
	March 31, 2018	April 1, 2017	December 31, 2017
Net Revenues	\$ 73.1	\$ 59.8	\$ 69.4
Book-to-Bill	1.05	1.06	1.18
Total Orders	\$ 77.1	\$ 63.5	\$ 81.8
Backlog in Months	3.9	3.1	3.8
Inventory Turnover	2.9	2.6	2.9



SEGMENT RESULTS/TRENDS

(\$ in millions)	Foil Technology Products			Force Sensors			Weighing and Control Systems		
	Q1 2018	Q1 2017	Q4 2017	Q1 2018	Q1 2017	Q4 2017	Q1 2018	Q1 2017	Q4 2017
Net Revenues	\$ 34.2	\$ 27.8	\$ 29.9	\$ 19.2	\$ 15.5	\$ 17.7	\$ 19.7	\$ 16.6	\$ 21.8
Gross Profit	\$ 14.6	\$ 11.5	\$ 11.7	\$ 5.2	\$ 3.7	\$ 5.2	\$ 8.7	\$ 7.3	\$ 9.8
Gross Profit Margin	42.8%	41.4%	39.3%	27.3%	23.9%	29.5%	43.9%	44.3%	44.8%
Book-to-Bill	1.01	1.06	1.36	0.91	1.06	1.18	1.28	1.06	0.92
Total Orders	\$ 34.5	\$ 29.6	\$ 40.7	\$ 17.4	\$ 16.5	\$ 20.9	\$ 25.2	\$ 17.5	\$ 20.1
Backlog in Months	4.2	3.4	4.7	3.1	2.7	3.7	4.0	2.9	2.8
Inventory Turnover	3.2	2.8	3.0	2.3	2.1	2.1	3.8	3.4	4.2

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THANK YOU

APPENDIX

RECONCILIATION

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

	Fiscal quarters ended	
	March 31, 2018	April 1, 2017
Net earnings attributable to VPG stockholders	\$ 4,988	\$ 1,995
<u>Reconciling items affecting operating margin</u>		
Restructuring costs	-	554
<u>Reconciling items affecting income tax expense</u>		
Less tax effect of reconciling items and discrete tax items	-	42
Adjusted net earnings attributable to VPG stockholders	<u>\$ 4,988</u>	<u>\$ 2,507</u>
Adjusted net earnings per diluted share	\$ 0.37	\$ 0.19
Weighted average shares outstanding - diluted	13,497	13,438

RECONCILIATION

Reconciliation of Consolidated Adjusted Operating Margin
(Unaudited - \$ in thousands)

	Fiscal quarters ended	
	March 31, 2018	April 1, 2017
Operating income	\$ 8,186	\$ 3,945
Operating income margin	11.2%	6.6%
<u>Reconciling items affecting operating income margin</u>		
Restructuring costs	-	554
Adjusted operating income	<u>\$ 8,186</u>	<u>\$ 4,499</u>
Adjusted operating margin	11.2%	7.5%