



VPG Third Quarter Fiscal 2018 Earnings

November 6, 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; significant developments from the recent and potential changes in tariffs and trade regulation; 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 third 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 \$75.5 million, up 20.2% year-over-year
- Gross profit margin increased to 40.5%, compared to 38.6% in the prior year period
- Operating income increased to \$10.6 million, up 92% from the prior year period
- Operating margin for the quarter was 14.1%, compared to 8.8% for the prior year period
- Earnings increased 75% to \$0.56 per diluted share, compared to \$0.32 reported last year
- Adjusted diluted EPS increased 111% to \$0.57, compared to prior year \$0.27
- Cash from operations was \$10.6 million with free cash flow of \$6.8 million

FINANCIAL RESULTS

Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

	Fiscal quarter ended	
	<u>September 29, 2018</u>	<u>September 30, 2017</u>
Net revenues	\$ 75.5	\$ 62.8
Gross profit	\$ 30.6	\$ 24.3
Gross profit margin	40.5%	38.6%
Selling, general, and administrative expenses	\$ 19.7	\$ 18.3
Adjusted operating income	(1)(*) \$ 10.9	\$ 6.0
Adjusted operating margin	(1)(*) 14.4%	9.5%
Adjusted net earnings attributable to VPG stockholders	(2)(*) \$ 7.7	\$ 3.6
Adjusted net earnings per diluted share	\$ 0.57	\$ 0.27

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

(2) Adjusted net earnings attributable to VPG shareholders and adjusted net earnings per diluted share exclude acquisition purchase accounting adjustments, restructuring costs, proceeds from lease termination and associated tax effects.

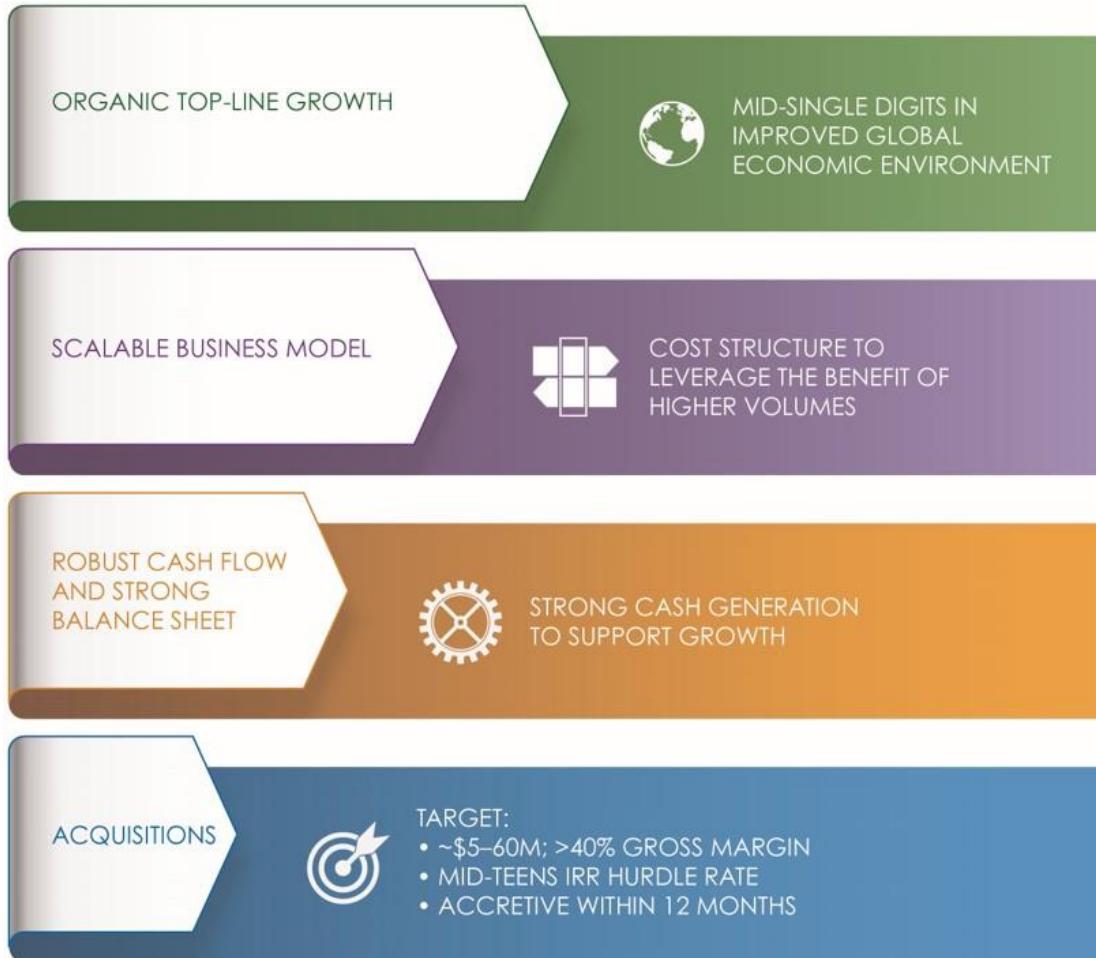
(*) Refer to the reconciliation tables included in the appendix of this presentation.



PERFORMANCE THROUGH PRECISION

STRATEGY

Value proposition (2019 - 2021)



Mid to high single digit sales growth

**Target gross profit margin > 45%
Adjusted operating margin > 15 %**

Strong cash generation continues

Focused M&A activity



CONSOLIDATED RESULTS/TRENDS

(\$ in millions)	Fiscal quarter ended		
	September 29, 2018	September 30, 2017	June 30, 2018
Net revenues	\$ 75.5	\$ 62.8	\$ 74.2
Book-to-bill ratio	0.98	1.12	1.13
Total orders	\$ 74.0	\$ 70.3	\$ 84.0
End-of-period backlog	\$ 99.4	\$ 76.2	\$ 101.0
Inventory turnover	2.74	2.64	2.71

SEGMENT RESULTS/TRENDS

(\$ in millions)	Foil Technology Products			Force Sensors			Weighing and Control Systems		
	Q3	Q3	Q2	Q3	Q3	Q2	Q3	Q3	Q2
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Net revenues	\$ 35.9	\$ 29.3	\$ 34.2	\$ 17.6	\$ 16.6	\$ 19.4	\$ 22.0	\$ 16.9	\$ 20.7
Gross profit	\$ 15.8	\$ 12.2	\$ 15.8	\$ 4.6	\$ 4.7	\$ 5.7	\$ 10.2	\$ 7.3	\$ 9.9
Gross profit margin	43.9%	41.7%	46.1%	25.9%	28.6%	29.4%	46.6%	43.1%	48.0%
Book-to-bill ratio	0.95	1.03	1.24	0.98	1.25	0.88	1.02	1.15	1.18
Total orders	\$ 34.2	\$ 30.2	\$ 42.5	\$ 17.3	\$ 20.7	\$ 17.0	\$ 22.4	\$ 19.5	\$ 24.4
Backlog in months	4.4	3.6	4.8	2.9	3.3	2.7	4.0	4.0	4.2
Inventory turnover	2.83	2.88	2.81	2.26	2.02	2.26	3.35	3.41	3.35

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- Operating margin for the quarter was 14.1%, compared to 8.8% for the prior year period
- Earnings increased 75% to \$0.56 per diluted share, compared to \$0.32 reported last year
- Adjusted diluted EPS increased 111% to \$0.57, compared to prior year \$0.27
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THANK YOU

APPENDIX



PERFORMANCE THROUGH PRECISION

RECONCILIATION

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

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net earnings attributable to VPG stockholders	\$ 7,547	\$ 4,255	\$ 20,228	\$ 9,869
<u>Reconciling items affecting operating margin</u>				
Acquisition purchase accounting adjustments	—	42	—	42
Restructuring costs	228	423	289	1,292
<u>Reconciling items affecting other income/expense</u>				
Net proceeds from lease termination	—	(1,544)	—	(1,544)
<u>Less reconciling items affecting income tax expense</u>				
Tax effect of reconciling items	35	(394)	44	(339)
Adjusted net earnings attributable to VPG stockholders	\$ 7,740	\$ 3,570	\$ 20,473	\$ 9,998
Adjusted net earnings per diluted share	\$ 0.57	\$ 0.27	\$ 1.51	\$ 0.74
Weighted average shares outstanding - diluted	13,534	13,470	13,519	13,452



RECONCILIATION

Reconciliation of Consolidated Adjusted Operating Margin (Unaudited - In thousands)

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Operating income	\$ 10,631	\$ 5,530	\$ 30,132	\$ 15,328
Operating margin	14.1%	8.8%	13.5%	8.3%
<u>Reconciling items affecting operating margin</u>				
Acquisition purchase accounting adjustments	—	42	—	42
Restructuring costs	228	423	289	1,292
Adjusted operating income	\$ 10,859	\$ 5,995	\$ 30,421	\$ 16,662
Adjusted operating margin	14.4%	9.5%	13.7%	9.0%