



VPG First Quarter Fiscal 2016 Earnings

May 10, 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 first quarter earnings press release and in the appendix to this presentation which will be available on our website at: www.vpgsensors.com.

HIGHLIGHTS

- First quarter net revenues of \$56.6 million.
 - FX impact to revenues - \$1.2 million for the first quarter versus the prior year period.
- First quarter adjusted diluted earnings per share of \$0.13.
- New products – advanced sensors’ revenue grew approximately 95% in the first quarter 2016 from the first quarter 2015, and approximately 42% from the fourth quarter 2015.
- Pacific Instruments acquisition announced and closed.
- Second quarter revenue guidance of \$57 million to \$62 million.
- Fiscal year 2016 adjusted diluted earnings per share reaffirmed - in the range of \$0.80 to \$1.00 - at constant exchange rates to the first quarter of 2016.

FINANCIAL RESULTS

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

	Fiscal quarter ended		
	April 2, 2016	March 28, 2015	December 31, 2015
Net revenues	\$ 56.6	\$ 56.6	\$ 58.9
Adjusted gross profit ^{(1)(*)}	\$ 20.1	\$ 21.0	\$ 20.9
Adjusted gross profit margin ^{(1)(*)}	35.4%	37.1%	35.5%
Selling, general and administrative expenses	\$ 18.1	\$ 18.7	\$ 16.4
Adjusted operating income ^{(2)(*)}	\$ 2.0	\$ 2.2	\$ 4.5
Adjusted operating margin ^{(2)(*)}	3.6%	3.9%	7.7%

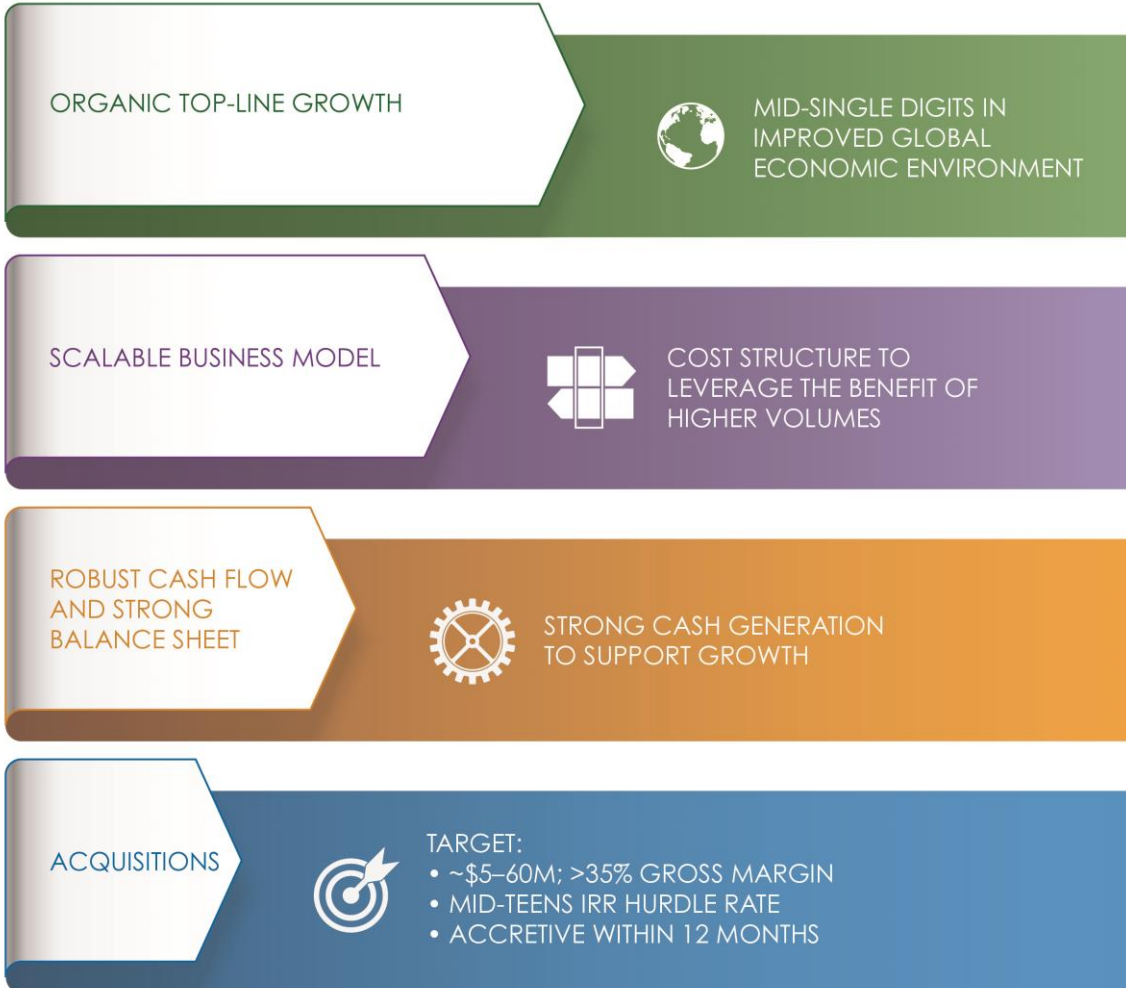
⁽¹⁾ Adjusted gross profit and adjusted gross profit margin exclude acquisition purchase accounting adjustments.

⁽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 mil \$)	Quarter 1 <u>2016</u>	Quarter 1 <u>2015</u>	Quarter 4 <u>2015</u>
Book-to-Bill	1.03	1.05	0.95
Total Orders	\$ 58.6	\$ 59.3	\$ 56.2
Backlog In Months	2.8	3.1	2.5
Inventory Turns	2.6	2.6	2.8



SEGMENT RESULTS/TRENDS

(in mil \$)	<u>Foil Technology Products</u>			<u>Force Sensors</u>			<u>Weighing and Control Systems</u>		
	Qtr 1 2016	Qtr 1 2015	Qtr 4 2015	Qtr 1 2016	Qtr 1 2015	Qtr 4 2015	Qtr 1 2016	Qtr 1 2015	Qtr 4 2015
Revenues	\$ 26.3	\$ 25.1	\$ 26.2	\$ 14.8	\$ 15.2	\$ 15.6	\$ 15.5	\$ 16.3	\$ 17.1
Gross Profit	\$ 11.1	\$ 10.4	\$ 9.6	\$ 2.7	\$ 3.3	\$ 3.2	\$ 6.2*	\$ 7.3	\$ 8.2*
Gross Margin	42.3%	41.4%	36.5%	18.4%	21.8%	20.2%	40.2%*	44.6%	47.8%*
Book-to-Bill	0.98	1.12	0.97	1.06	0.98	1.00	1.11	1.00	0.89
Total Orders	\$ 25.7	\$ 28.0	\$ 25.5	\$ 15.8	\$ 15.0	\$ 15.6	\$ 17.1	\$ 16.4	\$ 15.1
Backlog in Months	2.6	3.4	2.6	2.5	2.3	2.2	3.3	3.5	2.6
Inventory Turns	2.7	2.9	3.0	2.2	1.9	2.1	3.5	3.9	4.2

*Information for Weighing and Control Systems is adjusted gross profit and adjusted gross margin, which include \$0.3 million of Stress-Tek acquisition purchase accounting adjustments in the first quarter of 2016, and \$0.1 million of KELK acquisition purchase accounting adjustments for the fourth quarter of 2015.

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THANK YOU

APPENDIX

RECONCILIATION

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

	Fiscal quarter ended	
	April 2, 2016	March 28, 2015
	<u>2016</u>	<u>2015</u>
Net earnings attributable to VPG stockholders	\$ 480	\$ 860
Reconciling items affecting operating margin		
Acquisition purchase accounting adjustments	296	-
Acquisition costs	62	-
Restructuring costs	675	78
Less: reconciling items affecting income tax expense		
Tax effect of adjustments for purchase accounting, acquisition costs, and restructuring costs and discrete tax items	<u>(179)</u>	<u>(92)</u>
Adjusted net earnings attributable to VPG stockholders	<u>\$ 1,692</u>	<u>\$ 1,030</u>
Adjusted net earnings per diluted share	\$ 0.13	\$ 0.07
Weighted average shares outstanding - diluted	13,399	13,960

RECONCILIATION

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

	Fiscal quarter ended		
	April 2, 2016	March 28, 2015	December 31, 2015
	<u> </u>	<u> </u>	<u> </u>
Gross profit	\$ 19,775	\$ 20,979	\$ 20,765
Gross profit margin	34.9%	37.1%	35.2%
 <u>Reconciling items affecting gross profit margin</u>			
Acquisition purchase accounting adjustments	296	-	146
Adjusted gross profit	<u>\$ 20,071</u>	<u>\$ 20,979</u>	<u>\$ 20,911</u>
Adjusted gross profit margin	<u>35.4%</u>	<u>37.1%</u>	<u>35.5%</u>

RECONCILIATION

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

	Fiscal quarter ended		
	April 2, 2016	March 28, 2015	December 31, 2015
	<u> </u>	<u> </u>	<u> </u>
Operating income	\$ 990	\$ 2,153	\$ 582
Operating margin	1.7%	3.8%	1.0%
<u>Reconciling items affecting operating margin</u>			
Acquisition purchase accounting adjustments	296	-	146
Acquisition costs	62	-	185
Restructuring costs	675	78	3,620
Adjusted operating income	<u>\$ 2,023</u>	<u>\$ 2,231</u>	<u>\$ 4,533</u>
Adjusted operating margin	3.6%	3.9%	7.7%