



VPG Second Quarter Fiscal 2017 Earnings

August 8, 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; 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 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, 2016. 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

- Growth in revenues to \$62.3 million, up 7.5% year-over-year and up 4.2% sequentially
- Gross margin for the quarter is 39.7%
- Operating margin for the quarter is 9.1%; adjusted operating margin for the quarter is 9.6%
- Earnings increased to \$0.27 per diluted share, compared to \$0.14 reported last year
- Adjusted diluted EPS increased to \$0.29, compared to prior year \$0.15
- Cash from operations was \$4.4 million with free cash flow of \$3.4 million
- Book-to-bill of 1.08 continues to reflect broadly improving end-markets

FINANCIAL RESULTS

Consolidated Condensed Summary of Operations

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

	Fiscal quarters ended	
	July 1, 2017	July 2, 2016
Net revenues	\$ 62.3	\$ 58.0
Adjusted gross profit ^{(1)(*)}	\$ 24.8	\$ 21.7
Adjusted gross profit margin ^{(1)(*)}	39.7%	37.4%
Selling, general and administrative expenses	\$ 18.8	\$ 18.4
Adjusted operating income ^{(2)(*)}	\$ 6.0	\$ 3.2
Adjusted operating margin ^{(2)(*)}	9.6%	5.6%
Adjusted net earnings attributable to VPG shareholders ^{(2)(*)}	\$ 3.9	\$ 2.0
Adjusted net earnings per dilutive share ^{(2)(*)}	\$ 0.29	\$ 0.15

⁽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 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

Accelerated M&A activity

Gross margin > 40%
Adjusted operating margin > 10 %

CONSOLIDATED RESULTS/TRENDS

(\$ in millions)	Fiscal quarters ended		
	<u>July 1, 2017</u>	<u>July 2, 2016</u>	<u>April 1, 2017</u>
Net revenues	\$ 62.3	\$ 58.0	\$ 59.8
Book-to-Bill	1.08	0.98	1.06
Total Orders	\$ 67.3	\$ 56.5	\$ 63.5
Backlog in Months	3.3	2.7	3.1
Inventory Turnover	2.7	2.5	2.6



SEGMENT RESULTS/TRENDS

(\$ in millions)	Foil Technology Products			Force Sensors			Weighing and Control Systems		
	Q2 2017	Q2 2016	Q1 2017	Q2 2017	Q2 2016	Q1 2017	Q2 2017	Q2 2016	Q1 2017
Net revenues	\$ 29.3	\$ 25.4	\$ 27.8	\$ 15.7	\$ 15.4	\$ 15.5	\$ 17.4	\$ 17.2	\$ 16.6
Adjusted Gross Profit(*)	\$ 12.3	\$ 9.4	\$ 11.5	\$ 4.5	\$ 4.5	\$ 3.7	\$ 8.0	\$ 7.9	\$ 7.3
Adjusted Gross Profit Margin(*)	41.9%	37.0%	41.4%	28.9%	29.0%	23.9%	45.8%	45.6%	44.3%
Book-to-Bill	1.09	1.01	1.06	0.99	0.97	1.06	1.14	0.94	1.06
Total Orders	\$ 32.1	\$ 25.5	\$ 29.6	\$ 15.5	\$ 14.9	\$ 16.5	\$ 19.7	\$ 16.1	\$ 17.5
Backlog in Months	3.5	2.8	3.4	2.7	2.3	2.7	3.3	2.8	2.9
Inventory Turnover	2.9	2.6	2.8	2.0	2.0	2.1	3.5	3.2	3.4

(*) Adjusted gross profit and adjusted gross profit margin exclude acquisition purchase accounting adjustments of \$0.1 in Q2 2016 for FTP and \$0.2 in Q2 2016 for WCS.

HIGHLIGHTS

- Growth in revenues to \$62.3 million, up 7.5% year-over-year and up 4.2% sequentially
- Gross margin for the quarter is 39.7%
- Operating margin for the quarter is 9.1%; adjusted operating margin for the quarter is 9.6%
- Earnings increased to \$0.27 per diluted share, compared to \$0.14 reported last year
- Adjusted diluted EPS increased to \$0.29, compared to prior year \$0.15
- Cash from operations was \$4.4 million with free cash flow of \$3.4 million
- Book-to-bill of 1.08 continues to reflect broadly improving end-markets



THANK YOU

APPENDIX

RECONCILIATION

Reconciliation of Adjusted Earnings Per Share

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

	Fiscal quarters ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net earnings attributable to VPG stockholders	\$ 3,619	\$ 1,868	\$ 5,614	\$ 2,348
<u>Reconciling items affecting operating margin</u>				
Acquisition purchase accounting adjustments	-	195	-	491
Acquisition costs	-	352	-	414
Restructuring costs	315	1,011	869	1,686
<u>Reconciling items affecting income tax expense</u>				
Less tax effect of reconciling items and discrete tax items	13	1,469	56	1,290
Adjusted net earnings attributable to VPG stockholders	<u>\$ 3,921</u>	<u>\$ 1,957</u>	<u>\$ 6,427</u>	<u>\$ 3,649</u>
Weighted average shares outstanding - diluted	13,446	13,405	13,442	13,402
Adjusted net earnings per diluted share	\$ 0.29	\$ 0.15	\$ 0.48	\$ 0.27

RECONCILIATION

Reconciliation of Consolidated Adjusted Gross Profit Margin

(Unaudited - \$ in thousands)

	<u>Fiscal quarters ended</u>		<u>Six fiscal months ended</u>	
	<u>July 1, 2017</u>	<u>July 2, 2016</u>	<u>July 1, 2017</u>	<u>July 2, 2016</u>
Gross profit	\$ 24,759	\$ 21,495	\$ 47,276	\$ 41,270
Gross profit margin	39.7%	37.1%	38.7%	36.0%
<u>Reconciling items affecting gross profit margin</u>				
Acquisition purchase accounting adjustments	-	195	-	491
Adjusted gross profit	<u>\$ 24,759</u>	<u>\$ 21,690</u>	<u>\$ 47,276</u>	<u>\$ 41,761</u>
Adjusted gross profit margin	39.7%	37.4%	38.7%	36.4%

RECONCILIATION

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

	Fiscal quarters ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Operating income	\$ 5,644	\$ 1,688	\$ 9,381	\$ 2,678
Operating income margin	9.1%	2.9%	7.7%	2.3%
<u>Reconciling items affecting operating income margin</u>				
Acquisition purchase accounting adjustments	-	195	-	491
Acquisition costs	-	352	-	414
Restructuring costs	315	1,011	869	1,686
Adjusted operating income	<u>\$ 5,959</u>	<u>\$ 3,246</u>	<u>\$ 10,250</u>	<u>\$ 5,269</u>
Adjusted operating margin	9.6%	5.6%	8.4%	4.6%