



# Vishay Precision Group

PERFORMANCE THROUGH PRECISION

VPG Acquires Dynamic Systems Inc.

November 4, 2019

# 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 identifying, negotiating, and completing acquisitions and integrating acquired companies (including the acquisition of Dynamic Systems Inc.); 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; political, economic and military instability in the countries in which we operate; 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 achieve efficiencies; significant developments from the recent and potential changes in tariffs and trade regulations; 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, 2018. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

# VPG Acquires Dynamic Systems Inc. (DSI): Transaction Overview

- DSI is a well-established premier manufacturer of thermal-mechanical simulation equipment
- DSI's Gleeble® line of material testing and simulation systems are used to study materials and optimize manufacturing processes
- The acquisition adds an industry-leading, high margin niche-market manufacturer that addresses the growing demand for high performance materials for multiple industries
- DSI will leverage VPG's sales platform and expand offerings in the steel industry with "blue ocean" new product opportunities
- Purchase price of \$41 million plus a potential earn out of up to an additional \$3 million
- DSI will report into VPG's Weighing and Control Systems segment

# DSI “At A Glance”

- Three-year average annual sales of approximately \$16M with high EBITDA margins
- Based near Albany, NY, DSI has approximately 50 employees and sales presence in Europe and Asia
- System ASPs range from \$350K to \$1.5M supported with aftermarket parts and service revenue
- 330+ installed systems worldwide, well in excess of all direct competitors combined\*
- Industries served: Universities, research labs, metals producers and manufacturers all rely on Gleeble systems to characterize and improve materials and optimize production processes

\* Based on third-party and company estimates



**Gleeble systems have been trusted by leading industry, universities, and research institutions for over 60 years**

# DSI Systems Reduce Development Costs and Accelerate Time to Market

- Gleeble systems are used to develop new alloys and optimize production processes for a wide array of industrial end-markets including automotive, aerospace, energy, and heavy industry
- Gleeble systems characterize and test material samples in simulated end-use conditions
- Customers are able to accurately predict the performance of new alloys, accelerating time to market
- DSI's full range of systems offer a unique set of capabilities and performance that integrate:
  - Temperature Control
  - Mechanical Systems
  - Proprietary Software
  - Atmosphere Control
  - Measurement Systems
  - 3<sup>rd</sup> Party Instrumentation

# Favorable Long-Term Mega Trends: Why Materials Development Is Expected to Grow

## Lightweighting

Demand for high-performance steel and aluminum continues to grow, reducing weight and increasing fuel efficiency for cars and trucks

## Global Competition

Given the rise of commodity steel production to China, companies in other regions are investing in research to develop and produce higher-grade alloys.

## Metal 3D Printing

Additive Manufacturing (AM) is expected to grow 18% CAGR through 2027 and is driving metallurgical research of materials used in the 3D printing process

## Competition Between Materials

Competition between aluminum and steel as the “material of choice” in key markets is triggering aggressive R&D investments in material development for both aluminum and steel.

# Long-term Top-Line Opportunities and Synergies

- Leverages VPG's sales platform
- Expands offering to steel customers addressed by VPG's Kelk business
- Ability to broaden DSI's existing product offering
- Opportunity to offer services to new sets of customers