



Vishay Precision Group

PERFORMANCE THROUGH PRECISION

VPG First Quarter Fiscal 2020 Earnings
May 5, 2020

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 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, health (including the COVID-19 "coronavirus") and military instability in the countries in which we operate; 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; our efforts and efforts by governmental authorities to mitigate the COVID-19 pandemic, such as travel bans, shelter in place orders and business closures and resource allocations, manufacturing and supply chains; the Company's status as a "critical", "essential" or "life-sustaining" business in light of COVID-19 business closure laws, orders and guidance being challenged by a governmental body or other applicable authority; the Company's ability to execute its business continuity, operational and budget plans in light of the COVID-19 outbreak; 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, 2019. 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 free cash flow, 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). Management believes that these non-GAAP measures are useful to investors because each presents what management views as our core operating performance for the relevant period. The adjustments to the applicable GAAP measures relate to occurrences or events that are outside of our core operations, and management believes that the use of these non-GAAP measures provides a consistent basis to evaluate our operating profitability and performance trends across comparable periods. Reconciliations of these non-GAAP measures to the corresponding GAAP measures are included in our fourth quarter earnings press release and in the appendix to this presentation which will be available on our website at: www.vpgsensors.com.

First Quarter 2020 Highlights

First Quarter Highlights:

- Revenues of \$67.7 million were in-line with our guidance
- Gross profit margin was 37.0% and adjusted gross profit margin* was 37.8%
- Diluted earnings per share was \$0.24 and adjusted diluted earnings per share * was \$0.29
- Cash from operating activities was \$6.3 million with adjusted free cash flow* of \$3.0 million
- Book-to-bill ratio in the first quarter was 1.08 and total orders were \$73.3 million
- New credit facility put in place with lower interest rates and more favorable covenants

*We define "adjusted gross profit margin" as gross profit margin before purchase accounting adjustments related to the Dynamic Systems, Inc. acquisition. We define "adjusted net earnings" and "adjusted net earnings per share" as net earnings attributable to VPG stockholders before purchase accounting adjustments, acquisition costs, restructuring costs, executive severance costs, impairment of goodwill and indefinite-lived intangibles, pension settlement, and associated tax effects. "Adjusted free cash flow" for the first fiscal quarter of 2020 is defined as the amount of cash generated from operating activities (\$6.3 million), in excess of our capital expenditures (\$3.3 million), net of proceeds, if any, from the sale of assets (\$0.0 million).

Consolidated Results/Trends

(\$ in millions)	Fiscal quarter ended		
	March 28, 2020	March 30, 2019	December 31, 2019
Net revenues	\$ 67.7	\$ 76.5	\$ 69.1
Book-to-bill ratio	1.08	0.92	1.15
Total orders	\$ 73.3	\$ 70.2	\$ 79.8
End-of-period backlog	\$ 94.3	87.1	90.9
Inventory turnover	2.58	2.77	2.72

COVID-19 Pandemic Impacts and Actions

- **Measures taken by VPG to protect employees and customers**
 - Enabled employees to work from home where possible
 - Suspended business travel
 - Implemented workplace distancing and adjusted work shifts to minimize contact
- **Financial actions taken**
 - Implemented salary freeze
 - Lowered planned capital spending for 2020 by 30%, while maintaining focus on key growth and cost initiatives
- **Continuity of operations during stay-at-home orders**
 - VPG's Force Sensors facilities in China and India were impacted by government restrictions:
 - Chinese operation returned to production in mid-February following a 3-week shutdown order
 - The India facility was essentially shut down for approximately six weeks since late March 2020 under a stay-at-home government order across India
 - VPG received approval from the Indian government to resume partial operations on May 4, 2020 and is expecting India to lift all operating restrictions on May 17, 2020
 - As of May 5, 2020, all facilities are operating fully, with the exception of VPG's India facility

Segment Results/Trends

(\$ in millions)	Foil Technology Products			Force Sensors			Weighing and Control Systems ⁽¹⁾		
	Q1	Q1	Q4	Q1	Q1	Q4	Q1	Q1	Q4
	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Net revenues	\$ 30.5	\$ 37.0	\$ 29.6	\$ 14.7	\$ 16.7	\$ 15.1	\$ 22.5	\$ 22.7	\$ 24.4
Gross profit	\$ 11.2	\$ 16.6	\$ 10.3	\$ 3.6	\$ 5.1	\$ 3.6	\$ 10.3	\$ 11.4	\$ 10.2
Gross profit margin	36.7%	44.7%	34.9%	24.3%	30.2%	24.2%	45.7%	50.2%	41.6%
Book-to-bill ratio	1.25	0.88	1.18	1.02	0.98	1.11	0.9	0.93	1.15
Total orders	\$ 38.1	\$ 32.6	\$ 35.1	\$ 15.0	\$ 16.4	\$ 16.7	\$ 20.2	\$ 21.1	\$ 28.1
Backlog in months	5.1	3.6	4.5	3.5	3.1	3.4	3.4	3.4	3.6
Inventory turnover	2.74	2.97	2.66	2.64	2.29	2.43	2.31	3.07	3.10

(1) Q1 2020 and Q4 2019 gross profit and gross profit margin includes \$0.5 million and \$1.3 million, respectively, of purchase accounting adjustments for the acquisition of DSI in November 2019. For Q1 2020, adjusted gross profit would be \$10.8 million and adjusted gross profit margin would be 48.0%. Q4 2019, adjusted gross profit would be \$11.5 million and adjusted gross profit margin would be 46.8%.

Financial Results

(\$ in millions, except per share amounts)

	Fiscal quarter ended		
	March 28, 2020	March 30, 2019	December 31, 2019
Net revenues	\$ 67.7	\$ 76.5	\$ 69.1
Gross profit	\$ 25.1	\$ 33.1	\$ 24.2
Gross profit margin	37.0%	43.2%	35.0%
Selling, general, and administrative expenses	\$ 20.3	\$ 20.4	\$ 20.2
Adjusted operating income	\$ 5.3	\$ 12.6	\$ 5.2
Adjusted operating margin	7.8%	16.5%	7.5%
Adjusted net earnings attributable to VPG stockholders	\$ 4.0	\$ 8.2	\$ 3.7
Adjusted net earnings per diluted share	\$ 0.29	\$ 0.61	\$ 0.27

Thank You

Appendix

Reconciliation of Adjusted Gross Margin, Operating Income, Net Earnings and Diluted Earnings Per Share - Quarter

Three fiscal months ended	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
	March 28, 2020	March 30, 2019	March 28, 2020	March 30, 2019	March 28, 2020	March 30, 2019	March 28, 2020	March 30, 2019
As reported - GAAP	25,065	33,051	4,644	12,603	\$ 3,312	\$ 8,243	\$ 0.24	\$ 0.61
As reported - GAAP Margins	37.0%	43.2%	6.9%	16.5%				
Acquisition purchase accounting adjustments (a)	515	—	515	—	515	—	0.04	—
Restructuring costs		—	130	—	130	—	0.01	—
Less: Tax effect of reconciling items and discrete tax items		—		—	\$ 7	\$ —	\$ —	\$ —
As Adjusted - Non GAAP	\$ 25,580	\$ 33,051	\$ 5,289	\$ 12,603	\$ 3,950	\$ 8,243	\$ 0.29	\$ 0.61
As Adjusted - Non GAAP Margins	37.8%	43.2%	7.8%	16.5%				

Sales by End-Market

(\$ in Millions)

Fiscal Quarter Ended

	March 28, 2020	March 30, 2019	December 31, 2019
Test & Measurement	\$14.3	\$17.6	\$13.2
Avionics, Military, Space	6.2	8.1	6.3
Transportation	8.2	9.6	8.2
Industrial Weighing	12.5	14.4	12.8
General Industrial	4.0	5.6	4.9
Steel	9.3	8.2	11.5
Other Markets	13.1	12.9	12.2
Total	\$67.7	\$76.5	\$69.1