



Vishay Precision Group

PERFORMANCE THROUGH PRECISION

VPG Fourth Quarter Fiscal 2019 Earnings
February 19, 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; 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.

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.

Fourth Quarter and Full Year Highlights

Fourth Quarter Highlights:

- Revenues of \$69.1 million declined 10.2% from a year ago
- Earnings per diluted share of \$0.28 per diluted share, compared to \$0.25 reported a year ago
- Adjusted diluted EPS* was \$0.27 compared \$0.54 reported a year ago
- Operating margin was 2.5%, as compared to 9.2% reported a year ago
- Adjusted operating margin* was 7.5%, as compared to 12.9% reported a year ago
- Cash from operating activities was \$6.3 million with adjusted free cash flow* of \$4.1 million
- Book to bill ratio was 1.15 as compared to 0.93 from a year ago.

2019 Full Year Highlights:

- Revenues of \$284.0 million declined 5.3% year-over-year
- Earnings per diluted share of \$1.63 compared to \$1.75 reported last year
- Adjusted diluted EPS* was \$1.69 compared to prior year \$2.05
- Operating margin was 10.1%, as compared to 12.4% reported last year
- Adjusted operating margin* was 11.7% as compared to 13.5% reported last year
- Cash from operating activities was \$30.9 million with adjusted free cash flow* of \$20.4 million

Consolidated Results/Trends

(\$ in millions)

	Fiscal quarter ended		
	December 31, 2019	December 31, 2018	September 28, 2019
Net revenues	\$ 69.1	\$ 77.0	\$ 67.4
Book-to-bill ratio	1.15	0.93	0.96
Total orders	\$ 79.8	\$ 71.7	\$ 64.4
End-of-period backlog	\$ 90.9	\$ 93.4	\$ 79.3
Inventory turnover	2.72	2.89	2.6

Segment Results/Trends

(\$ in millions)	Foil Technology Products			Force Sensors			Weighing and Control Systems ⁽¹⁾		
	Q4	Q4	Q3	Q4	Q4	Q3	Q4	Q4	Q3
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Net revenues	\$ 29.6	\$ 36.7	\$ 32.1	\$ 15.1	\$ 17.0	\$ 16.2	\$ 24.4	\$ 23.2	\$ 19.1
Gross profit	\$ 10.3	\$ 15.4	\$ 12.0	\$ 3.6	\$ 4.5	\$ 4.9	\$ 10.2	\$ 10.9	\$ 8.9
Gross profit margin	34.9%	42.0%	37.3%	24.2%	26.6%	30.4%	41.6%	46.8%	46.6%
Book-to-bill ratio	1.18	0.88	0.91	1.11	1.05	0.94	1.15	0.92	1.04
Total orders	\$ 35.1	\$ 32.4	\$ 29.4	\$ 16.7	\$ 17.9	\$ 15.2	\$ 28.1	\$ 21.5	\$ 19.8
Backlog in months	4.5	4.0	3.6	3.4	3.1	2.8	3.6	3.5	4.0
Inventory turnover	2.66	3.07	2.79	2.43	2.34	2.30	3.10	3.36	2.61

(1) Q42019 gross profit and gross profit margin includes \$1.3 million of purchase accounting adjustments for the DSI acquisition. Adjusted gross profit would be \$11.5 million and adjusted gross profit margin would be 46.8%.

Key Strategic Initiatives - Update

- **Manufacturing consolidations and alignment**
 - Transition of force sensor manufacturing to India and China
 - Advanced sensor facility consolidation project is on track
- **Organic growth initiatives**
 - Good customer engagement with advanced sensor business
 - Additional opportunity for TruckWeigh[®] and VanWeigh[®] overload protection solutions to be driven by new EU regulations expected to be in effect in the 1H-2021.
- **Value-creating M&A**
 - DSI was accretive in Q4
 - Continue to look for additional M&A in 2020

Financial Results

(\$ in millions, except per share amounts)

	Fiscal quarter ended		
	December 31, 2019	December 31, 2018	September 28, 2019
Net revenues	\$ 69.1	\$ 77.0	\$ 67.4
Gross profit	\$ 24.2	\$ 30.8	\$ 25.8
Gross profit margin	35.0%	40.0%	38.3%
Selling, general, and administrative expenses	\$ 20.2	\$ 20.9	\$ 19.1
Adjusted operating income	\$ 5.2	\$ 9.9	\$ 6.7
Adjusted operating margin	7.5%	12.9%	10.0%
Adjusted net earnings attributable to VPG stockholders	\$ 3.7	\$ 7.3	\$ 5.0
Adjusted net earnings per diluted share	\$ 0.27	\$ 0.54	\$ 0.37

Thank You

Appendix

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

Fiscal Quarter Ended December 31,	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
	2019	2018	2019	2018	2019	2018	2019	2018
As reported - GAAP	24,167	30,816	1,757	7,091	\$ 3,871	\$ 3,418	\$ 0.28	\$ 0.25
Acquisition purchase accounting adjustments	1,254	—	1,254	—	1,254	—	0.09	—
Acquisition costs			443	—	443	—	0.03	—
Executive Severance costs			—	—	—	—	—	—
Impairment of goodwill and indefinite-lived intangibles			—	2,820	—	2,820	—	0.21
Restructuring costs			1,746	—	1,746	—	0.13	—
UK pension settlement						673	—	0.05
Less: Tax effect of reconciling items and discrete tax items					3,663	(377)	0.26	(0.03)
As Adjusted - Non GAAP	\$ 25,421	\$ 30,816	\$ 5,200	\$ 9,911	\$ 3,651	\$ 7,288	\$ 0.27	\$ 0.54
As Adjusted - Non GAAP Margins	36.8%	40.0%	7.5%	12.9%				

Reconciliation of Adjusted Gross Profit, Operating Income, Net Earnings and Diluted Earnings Per Share - Full Year

Fiscal Year Ended December 31,	Gross Profit		Operating Income		Net Earnings Attributable to VPG Stockholders		Diluted Earnings Per share	
	2019	2018	2019	2018	2019	2018	2019	2018
As reported - GAAP	111,617	121,267	28,648	37,223	\$ 22,188	\$ 23,646	\$ 1.63	\$ 1.75
Acquisition purchase accounting adjustments	1,254	—	1,254	—	1,254	—	0.09	—
Acquisition costs			443	—	443	—	0.03	—
Executive Severance costs			611	—	611	—	0.04	—
Impairment of goodwill and indefinite-lived intangibles			—	2,820	—	2,820	—	0.21
Restructuring costs			2,293	289	2,293	289	0.17	0.02
UK pension settlement					—	673	—	0.05
Less: Tax effect of reconciling items and discrete tax items					3,743	(333)	0.27	(0.02)
As Adjusted - Non GAAP	\$ 112,871	\$ 121,267	\$ 33,249	\$ 40,332	\$ 23,046	\$ 27,761	\$ 1.69	\$ 2.05
As Adjusted - Non GAAP Margins	39.7%	40.5%	11.7%	13.5%				