Vishay Precision Group, Inc.
Form 10-Q
August 08, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 1, 2017
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 1-34679
VISHAY PRECISION GROUP, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 27-0986328 |
| (State or Other Jurisdiction of Incorporation) | (I.R.S. Employer Identification Number) |
| 3 Great Valley Parkway, Suite 150<br>Malvern, PA 19355 | 484-321-5300 |
| (Address of Principal Executive Offices) (Zip Code) | (Registrant’s Telephone Number, including area code) |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. ý Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer ¨ | Accelerated filer ý |
| Non-accelerated filer ¨ (Do not check if smaller reporting company) | Smaller reporting company ¨ |
| | Emerging growth company ¨ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes ý No
As of August 8, 2017, the registrant had 12,266,407 shares of its common stock and 1,025,158 shares of its Class B convertible common stock outstanding.

VISHAY PRECISION GROUP, INC.
FORM 10-Q
July 1, 2017
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PART I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
VISHAY PRECISION GROUP, INC.
Consolidated Condensed Balance Sheets
(In thousands)

| | July 1, 2017 | December 31, 2016 |
|---|---|---|
| | (Unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 63,158 | $ 58,452 |
| Accounts receivable, net | 42,376 | 34,270 |
| Inventories: | | |
| Raw materials | 16,046 | 15,647 |
| Work in process | 20,640 | 21,115 |
| Finished goods | 20,223 | 19,559 |
| Inventories, net | 56,909 | 56,321 |
| | | |
| Prepaid expenses and other current assets | 8,261 | 6,831 |
| Total current assets | 170,704 | 155,874 |
| | | |
| Property and equipment, at cost: | | |
| Land | 3,399 | 3,344 |
| Buildings and improvements | 49,958 | 48,454 |
| Machinery and equipment | 91,487 | 89,080 |
| Software | 7,646 | 7,441 |
| Construction in progress | 2,353 | 4,340 |
| Accumulated depreciation | (100,421) | (97,374) |
| Property and equipment, net | 54,422 | 55,285 |
| | | |
| Goodwill | 18,934 | 18,717 |
| | | |
| Intangible assets, net | 21,046 | 21,585 |
| | | |
| Other assets | 19,949 | 19,049 |
| Total assets | $ 285,055 | $ 270,510 |

Continues on the following page.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Balance Sheets (continued)
(In thousands)

| | July 1, 2017 | December 31, 2016 |
|---|---|---|
| | (Unaudited) | |
| Liabilities and equity | | |
| Current liabilities: | | |
| Trade accounts payable | $ 9,447 | $ 8,264 |
| Payroll and related expenses | 13,296 | 11,978 |
| Other accrued expenses | 14,335 | 13,285 |
| Income taxes | 2,306 | 772 |
| Current portion of long-term debt | 2,853 | 2,623 |
| Total current liabilities | 42,237 | 36,922 |
| | | |
| Long-term debt, less current portion | 30,763 | 33,529 |
| Deferred income taxes | 813 | 735 |
| Other liabilities | 13,776 | 13,054 |
| Accrued pension and other postretirement costs | 14,999 | 14,713 |
| Total liabilities | 102,588 | 98,953 |
| | | |
| Commitments and contingencies | | |
| | | |
| Equity: | | |
| Common stock | 1,288 | 1,278 |
| Class B convertible common stock | 103 | 103 |
| Treasury stock | (8,765) | (8,765) |
| Capital in excess of par value | 191,897 | 190,373 |
| Retained earnings | 34,345 | 28,731 |
| Accumulated other comprehensive loss | (36,534) | (40,337) |
| Total Vishay Precision Group, Inc. stockholders' equity | 182,334 | 171,383 |
| Noncontrolling interests | 133 | 174 |
| Total equity | 182,467 | 171,557 |
| Total liabilities and equity | $ 285,055 | $ 270,510 |

See accompanying notes.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

| | Fiscal quarter ended | |
|---|---|---|
| | July 1, 2017 | July 2, 2016 |
| Net revenues | $62,319 | $57,996 |
| Costs of products sold | 37,560 | 36,501 |
| Gross profit | 24,759 | 21,495 |
| | | |
| Selling, general, and administrative expenses | 18,800 | 18,444 |
| Acquisition costs | — | 352 |
| Restructuring costs | 315 | 1,011 |
| Operating income | 5,644 | 1,688 |
| | | |
| Other income (expense): | | |
| Interest expense | (468) | (371) |
| Other | (362) | (30) |
| Other income (expense) - net | (830) | (401) |
| | | |
| Income before taxes | 4,814 | 1,287 |
| | | |
| Income tax expense (benefit) | 1,198 | (562) |
| | | |
| Net earnings | 3,616 | 1,849 |
| Less: net loss attributable to noncontrolling interests | (3) | (19) |
| Net earnings attributable to VPG stockholders | $3,619 | $1,868 |
| | | |
| Basic earnings per share attributable to VPG stockholders | $0.27 | $0.14 |
| Diluted earnings per share attributable to VPG stockholders | $0.27 | $0.14 |
| | | |
| Weighted average shares outstanding - basic | 13,257 | 13,184 |
| Weighted average shares outstanding - diluted | 13,446 | 13,405 |

See accompanying notes.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

| | Six fiscal months ended | |
|---|---|---|
| | July 1, 2017 | July 2, 2016 |
| Net revenues | $122,106 | $114,625 |
| Costs of products sold | 74,830 | 73,355 |
| Gross profit | 47,276 | 41,270 |
| | | |
| Selling, general, and administrative expenses | 37,026 | 36,492 |
| Acquisition costs | — | 414 |
| Restructuring costs | 869 | 1,686 |
| Operating income | 9,381 | 2,678 |
| Other income (expense): | | |
| Interest expense | (920 ) | (699 ) |
| Other | (683 ) | 395 |
| Other income (expense) - net | (1,603 ) | (304 ) |
| | | |
| Income before taxes | 7,778 | 2,374 |
| | | |
| Income tax expense | 2,159 | 29 |
| | | |
| Net earnings | 5,619 | 2,345 |
| Less: net earnings (loss) attributable to noncontrolling interests | 5 | (3 ) |
| Net earnings attributable to VPG stockholders | $5,614 | $2,348 |
| | | |
| Basic earnings per share attributable to VPG stockholders | $0.42 | $0.18 |
| | | |
| Diluted earnings per share attributable to VPG stockholders | $0.42 | $0.18 |
| | | |
| Weighted average shares outstanding - basic | 13,233 | 13,181 |
| | | |
| Weighted average shares outstanding - diluted | 13,442 | 13,402 |

See accompanying notes.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statements of Comprehensive Income (Loss)
(Unaudited - In thousands)

| | Fiscal quarter ended | |
| --- | --- | --- |
| | July 1, 2017 | July 2, 2016 |
| Net earnings | $3,616 | $1,849 |
| | | |
| Other comprehensive income (loss): | | |
| Foreign currency translation adjustment | 2,345 | (1,208 ) |
| Pension and other postretirement actuarial items, net of tax | (67 ) | 241 |
| Other comprehensive income (loss) | 2,278 | (967 ) |
| | | |
| Total comprehensive income | 5,894 | 882 |
| | | |
| Less: comprehensive loss attributable to noncontrolling interests | (3 ) | (19 ) |
| | | |
| Comprehensive income attributable to VPG stockholders | $5,897 | $901 |

See accompanying notes.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statements of Comprehensive Income (Loss)
(Unaudited - In thousands)

| | Six fiscal months ended | |
|---|---|---|
| | July 1, 2017 | July 2, 2016 |
| Net earnings | $5,619 | $2,345 |
| | | |
| Other comprehensive income (loss): | | |
| Foreign currency translation adjustment | 3,834 | 663 |
| Pension and other postretirement actuarial items, net of tax | (31 ) | 373 |
| Other comprehensive income | 3,803 | 1,036 |
| | | |
| Comprehensive income | 9,422 | 3,381 |
| | | |
| Less: comprehensive income (loss) attributable to noncontrolling interests | 5 | (3 ) |
| | | |
| Comprehensive income attributable to VPG stockholders | $9,417 | $3,384 |

See accompanying notes.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statements of Cash Flows
(Unaudited - In thousands)

| | Six fiscal months ended | |
|---|---|---|
| | July 1, 2017 | July 2, 2016 |
| Operating activities | | |
| Net earnings | $5,619 | $2,345 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,318 | 5,640 |
| Gain on disposal of property and equipment | (141 ) | (31 ) |
| Share-based compensation expense | 492 | 547 |
| Inventory write-offs for obsolescence | 982 | 865 |
| Deferred income taxes | (104 ) | (1,540 ) |
| Other | (445 ) | (804 ) |
| Net changes in operating assets and liabilities: | | |
| Accounts receivable, net | (6,928 ) | 991 |
| Inventories, net | (761 ) | (1,681 ) |
| Prepaid expenses and other current assets | (1,397 ) | (879 ) |
| Trade accounts payable | 1,020 | 91 |
| Other current liabilities | 3,676 | (5,271 ) |
| Net cash provided by operating activities | 7,331 | 273 |
| | | |
| Investing activities | | |
| Capital expenditures | (3,146 ) | (4,434 ) |
| Proceeds from sale of property and equipment | 326 | 250 |
| Purchase of business | — | (10,727 ) |
| Net cash used in investing activities | (2,820 ) | (14,911 ) |
| | | |
| Financing activities | | |
| Principal payments on long-term debt and capital leases | (1,314 ) | (1,064 ) |
| Proceeds from revolving facility | 16,000 | 11,000 |
| Payments on revolving facility | (16,000 ) | (6,000 ) |
| Distributions to noncontrolling interests | (46 ) | (8 ) |
| Payments of employee taxes on certain share-based arrangements | (303 ) | (85 ) |
| Net cash used in financing activities | (1,663 ) | 3,843 |
| Effect of exchange rate changes on cash and cash equivalents | 1,858 | 377 |
| Increase (decrease) in cash and cash equivalents | 4,706 | (10,418 ) |
| | | |
| Cash and cash equivalents at beginning of period | 58,452 | 62,641 |
| Cash and cash equivalents at end of period | $63,158 | $52,223 |
| | | |
| Supplemental disclosure of non-cash financing transactions: | | |
| Conversion of exchangeable notes to common stock | $(1,303 ) | $— |

See accompanying notes.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statement of Equity
(Unaudited - In thousands, except share amounts)

| | Common Stock | Class B Convertible Common Stock | Treasury Stock | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total VPG, Inc. Stockholders Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2016 | $ 1,278 | $ 103 | $ (8,765) | $ 190,373 | $ 28,731 | $ (40,337) | $ 171,383 | $ 174 | $ 171,557 |
| Net earnings | — | — | — | — | 5,614 | — | 5,614 | 5 | 5,619 |
| Other comprehensive income | — | — | — | — | — | 3,803 | 3,803 | — | 3,803 |
| Share-based compensation expense | — | — | — | 492 | — | — | 492 | — | 492 |
| Restricted stock issuances (41,322 shares) | 4 | — | — | (265) | — | — | (261) | — | (261) |
| Common stock issuance from conversion of exchangeable notes (57,729 shares) | 6 | — | — | 1,297 | — | — | 1,303 | — | 1,303 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | (46) | (46) |
| Balance at July 1, 2017 | $ 1,288 | $ 103 | $ (8,765) | $ 191,897 | $ 34,345 | $ (36,534) | $ 182,334 | $ 133 | $ 182,467 |

See accompanying notes.

Vishay Precision Group, Inc.
Notes to Unaudited Consolidated Condensed Financial Statements
Note 1 – Basis of Presentation
Background
Vishay Precision Group, Inc. ("VPG" or the "Company") is an internationally recognized designer, manufacturer and marketer of sensors, and sensor-based measurement systems, as well as specialty resistors and strain gages based upon the Company's proprietary technology. The Company provides precision products and solutions, many of which are "designed-in" by its customers, specializing in the growing markets of stress, force, weight, pressure, and current measurements.
Interim Financial Statements
These unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the SEC for interim financial statements and therefore do not include all information and footnotes necessary for the presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in VPG's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on March 16, 2017. The results of operations for the fiscal quarter ended July 1, 2017 are not necessarily indicative of the results to be expected for the full year. VPG reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first quarter, which always begins on January 1, and the fourth quarter, which always ends on December 31. The four fiscal quarters in 2017 and 2016 end on the following dates:

| | 2017 | 2016 |
|---|---|---|
| Quarter 1 | April 1, | April 2, |
| Quarter 2 | July 1, | July 2, |
| Quarter 3 | September 30, | October 1, |
| Quarter 4 | December 31, | December 31, |

Recent Accounting Pronouncements
In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-09, "Scope of Modification Accounting". This ASU clarifies which changes to the terms or conditions of a share-based payment award will require modification accounting. The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company's consolidated condensed financial statements.

In March 2017, the FASB issued ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". This ASU requires the service cost component of net periodic benefit cost to be presented in the same income statement line item as other employee compensation costs. All other components of the net periodic benefit cost will be presented outside of operating income. The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company's consolidated condensed financial statements.

In January 2017, the FASB issued ASU No. 2017 04, "Simplifying the Test for Goodwill Impairment." This ASU eliminates the requirement to calculate the implied fair value of goodwill (second step) to measure a goodwill impairment charge. Under the guidance, an impairment charge will be measured based on the excess of the reporting unit's carrying amount over its fair value (first step). The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2019 and early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company’s consolidated condensed financial statements.

Note 1 – Basis of Presentation (continued)

In January 2017, FASB issued ASU No. 2017 01, “Clarifying the Definition of a Business.” This ASU provides a more robust framework to determine when a set of assets and activities constitutes a business. The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2017 and will be applied prospectively to any transactions occurring within the period of adoption and early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company’s consolidated condensed financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “Classification of Certain Cash Receipts and Cash Payments.” This ASU is intended to clarify the presentation of certain cash receipts and payments within the statement of cash flows. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company’s consolidated condensed financial statements.

In March 2016, the FASB issued ASU No. 2016-09,"Improvements to Employee Share-Based Payment Accounting." This ASU simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company prospectively adopted this ASU effective January 1, 2017. For the fiscal quarter and six fiscal months ended July 1, 2017, the tax benefit within income tax expense for the tax effect of share-based payment transactions was not material. Prior to adoption, this amount would have been recorded as a component of Capital in excess of par value. The Company elected to change its accounting policy to recognize forfeitures as they occur. As a result of this change, there was no cumulative-effect adjustment to retained earnings. For the fiscal quarter and six fiscal months ended July 1, 2017, the Company excluded excess tax benefits from the assumed proceeds available to repurchase shares in the computation of its diluted earnings per share and the related increase in the Company’s diluted weighted average commons shares outstanding was not significant.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842),” a comprehensive new lease standard that amends various aspects of existing accounting guidance for leases. The core principle of this ASU will require lessees to present the assets and liabilities that arise from leases on their balance sheets. The ASU is effective for public companies for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company’s consolidated condensed financial statements.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory (Topic 330)," which simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company prospectively adopted this ASU effective January 1, 2017 and the adoption did not have a significant impact on the Company’s consolidated condensed financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," and modified the standard thereafter. The objective of the ASU is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that will supersede most current revenue recognition guidance. The basis of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The ASU is effective for public entities for annual and interim periods beginning after December 15, 2017 and early adoption is permitted for annual and interim periods beginning after December 15, 2016. The guidance permits adoption by retrospectively applying the guidance to disclosures comparing results to previous guidance, with the cumulative effect of initially applying the guidance recognized in beginning retained earnings at the date of initial application (modified retrospective method). The Company is in the process of determining the adoption method.

The Company is in the assessment phase, reviewing a representative sample of contracts, discussions with key stakeholders and cataloging potential impacts on the Company's operations, accounting policies, internal control over financial reporting and financial statements. We have not yet finalized our evaluation of how the new standard impacts our revenue recognition associated with contracts, which may result in changes to the allocation of contract revenues between various products and services, and the timing of when those revenues are recognized. The Company is continuing to determine the impact of the ASU on the consolidated results of operations, financial position, cash flows and financial statement disclosures.

Note 2 – Goodwill

The change in the carrying amount of goodwill by segment is as follows (in thousands):

| | Total | Weighing and Control Systems Segment | | Foil Technology Products Segment |
|---|---|---|---|---|
| | | KELK Acquisition | Stress-Tek Acquisition | Pacific Acquisition |
| Balance at December 31, 2016 | $18,717 | $6,364 | $ 6,311 | $ 6,042 |
| Foreign currency translation adjustment | 217 | 217 | — | — |
| Balance at July 1, 2017 | $18,934 | $6,581 | $ 6,311 | $ 6,042 |

Note 3 – Restructuring Costs

Restructuring costs represent the cost reduction programs initiated by the Company. Restructuring costs are expensed during the period in which the Company determines it will incur those costs and all requirements for accrual are met. Because these costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates are too low or too high, the Company could be required to either record additional expense in future periods or to reverse part of the previously recorded charges.

The Company recorded aggregate restructuring costs of $0.3 million and $1.0 million during the fiscal quarters ended July 1, 2017 and July 2, 2016, respectively, and $0.9 million and $1.7 million during the six fiscal months ended July 1, 2017 and July 2, 2016, respectively.

Restructuring costs consist mainly of employee termination costs and facility closure costs, which were incurred in connection with various cost reduction programs. The restructuring expenses recorded for the six fiscal months ended July 1, 2017, represent additional costs related to the previously announced cost reduction programs. During the six fiscal months ended July 2, 2016, the Company recorded $1.0 million related to cost reduction plans initiated at locations in Europe, the U.S., and Canada. $0.4 million related to the closure of our Costa Rica facility, and $0.3 million related to the November 2015 global cost reduction plan.

The following table summarizes recent activity related to all restructuring programs. The accrued restructuring liability balance as of July 1, 2017 and December 31, 2016, respectively, is included in other accrued expenses in the accompanying consolidated condensed balance sheets (in thousands):

| | |
|---|---|
| Balance at December 31, 2016 | $1,333 |
| Restructuring costs in 2017 | 869 |
| Cash payments | (1,704 ) |
| Foreign currency translation | 1 |
| Balance at July 1, 2017 | $499 |

Note 4 – Income Taxes

VPG calculates the tax provision for interim periods using an estimated annual effective tax rate methodology based on projected full-year pre-tax earnings among the taxing jurisdictions in which we operate with adjustments for discrete items. The effective tax rate for the fiscal quarter ended July 1, 2017 was 24.9% compared to -43.7% for the fiscal quarter ended July 2, 2016. The effective tax rate for the six fiscal months ended July 1, 2017 was 27.8% compared to 1.2% for the six fiscal months ended July 2, 2016. The tax rate in the current fiscal quarter is higher than the prior year fiscal quarter primarily because of a tax benefit recorded last year related to a valuation allowance release of $1.6 million in connection with the acquisition of Pacific. This prior year benefit was partially offset by withholding taxes on the distribution of earnings from certain foreign subsidiaries that did not occur in the current quarter. The current period tax rate is also higher than last year because of changes in the geographic mix of pre-tax earnings and changes in the mix of earnings taxed at different rates within a jurisdiction. This tax rate increase is partially offset in the current quarter by a foreign currency tax benefit at a foreign subsidiary that uses the U.S. dollar as its functional currency. The current year six fiscal month tax rate is higher than the prior year six fiscal month tax rate for the same reasons.

Note 4 – Income Taxes (continued)

The Company and its subsidiaries are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating the Company's tax positions and determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. VPG establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when VPG believes that certain positions might be challenged despite its belief that the tax return positions are supportable. VPG adjusts these reserves in light of changing facts and circumstances and the provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. Penalties and tax-related interest expense are reported as a component of income tax expense. The Company anticipates a reduction in the liability for unrecognized tax benefits between $0.1 million to $0.3 million within twelve months of the balance sheet date due to cash payments and the potential for the expiration of statutes of limitation in certain jurisdictions.

Note 5 – Long-Term Debt

Long-term debt consists of the following (in thousands):

| | July 1, 2017 | December 31, 2016 |
|---|---|---|
| 2015 Credit Agreement - Revolving Facility | $9,000 | $9,000 |
| 2015 Credit Agreement - U.S. Closing Date Term Facility | 3,896 | 4,128 |
| 2015 Credit Agreement - U.S. Delayed Draw Term Facility | 9,524 | 10,092 |
| 2015 Credit Agreement - Canadian Term Facility | 8,330 | 8,780 |
| Exchangeable Unsecured Notes, due 2102 | 2,794 | 4,097 |
| Other debt | 465 | 509 |
| Deferred financing costs | (393) | (454) |
| Total long-term debt | 33,616 | 36,152 |
| Less: current portion | 2,853 | 2,623 |
| Long-term debt, less current portion | $30,763 | $33,529 |

Exchangeable Unsecured Notes, due 2102

Effective May 12, 2017, a holder of the Company's exchangeable notes exercised its option to exchange approximately $1.3 million principal amount of the notes for 57,729 shares of VPG common stock at a contractual put/call rate of $22.57. Following this transaction, VPG has outstanding exchangeable unsecured notes with a principal amount of approximately $2.8 million, which are exchangeable for an aggregate of 123,808 shares of VPG common stock.

Note 6 – Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, consist of the following (in thousands):

| | Foreign Currency Translation Adjustment | Pension and Other Postretirement Actuarial Items | Total |
|---|---|---|---|
| Balance at January 1, 2017 | $(33,192) | $ (7,145) | $(40,337) |
| Other comprehensive income before reclassifications | 3,834 | — | 3,834 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | (31) | (31) |
| Balance at July 1, 2017 | $(29,358) | $ (7,176) | $(36,534) |

Note 6 – Accumulated Other Comprehensive Income (Loss) (continued)

| | Foreign Currency Translation Adjustment | Pension and Other Postretirement Actuarial Items | Total |
|---|---|---|---|
| Balance at January 1, 2016 | $ (28,704 ) | $ (4,417 ) | $ (33,121 ) |
| Other comprehensive loss before reclassifications | 663 | — | 663 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 373 | 373 |
| Balance at July 2, 2016 | $ (28,041 ) | $ (4,044 ) | $ (32,085 ) |

Reclassifications of pension and other postretirement actuarial items out of accumulated other comprehensive income (loss) are included in the computation of net periodic benefit cost (see Note 7).

Note 7 – Pension and Other Postretirement Benefits

Employees of VPG participate in various defined benefit pension and other postretirement benefit ("OPEB") plans. The following table sets forth the components of the net periodic benefit cost for the Company's defined benefit pension and other postretirement benefit plans (in thousands):

| | Fiscal quarter ended July 1, 2017 | | Fiscal quarter ended July 2, 2016 | |
|---|---|---|---|---|
| | Pension Plans | OPEB Plans | Pension Plans | OPEB Plans |
| Net service cost | $ 119 | $ 28 | $ 104 | $ 25 |
| Interest cost | 165 | 35 | 205 | 33 |
| Expected return on plan assets | (132 ) | — | (166 ) | — |
| Amortization of actuarial losses | 113 | 28 | 52 | 19 |
| Net periodic benefit cost | $ 265 | $ 91 | $ 195 | $ 77 |

| | Six fiscal months ended July 1, 2017 | | Six fiscal months ended July 2, 2016 | |
|---|---|---|---|---|
| | Pension Plans | OPEB Plans | Pension Plans | OPEB Plans |
| Net service cost | $ 236 | $ 56 | $ 206 | $ 50 |
| Interest cost | 328 | 70 | 410 | 65 |
| Expected return on plan assets | (262 ) | — | (333 ) | — |
| Amortization of actuarial losses | 224 | 56 | 103 | 38 |
| Net periodic benefit cost | $ 526 | $ 182 | $ 386 | $ 153 |

Note 8 – Share-Based Compensation

The Amended and Restated Vishay Precision Group, Inc. Stock Incentive Program (as amended and restated, the “Plan”) permits the issuance of up to 1,000,000 shares of common stock. At July 1, 2017, the Company had reserved 261,906 shares of common stock for future grants of equity awards (restricted stock, unrestricted stock, restricted stock units ("RSUs"), or stock options) pursuant to the Plan. If any outstanding awards are forfeited by the holder or canceled by the Company, the underlying shares would be available for re-grant to others.

On February 9, 2017, VPG’s three current executive officers were granted annual equity awards in the form of RSUs, of which 75% are performance-based. The awards were comprised of 53,913 RSUs, as determined using the average of the closing stock prices of the Company's common stock for the last five trading days immediately preceding January 1, 2017 and have an aggregate grant-date fair value of $0.9 million. Twenty-five percent of these awards will vest on January 1, 2020, subject to the executives’ continued employment. The performance-based portion of the RSUs will also vest on January 1, 2020, subject to the satisfaction

Note 8 – Share-Based Compensation (continued)

of certain performance objectives relating to three-year cumulative “free cash” and net earnings goals, each weighted equally, and the executives' continued employment.
On March 23, 2017, certain VPG employees were granted annual equity awards in the for