Vishay Precision Group, Inc.
Form 10-Q
November 06, 2018

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 September 29, 2018
¨ 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 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 every Interactive Data File required to be submitted 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 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 ¨	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 November 6, 2018, the registrant had 12,449,253 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
September 29, 2018
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PART I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
VISHAY PRECISION GROUP, INC.
Consolidated Condensed Balance Sheets
(In thousands)

	September 29, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 78,628	$ 74,292
Accounts receivable, net	54,003	46,789
Inventories:		
Raw materials	18,479	16,601
Work in process	24,490	23,160
Finished goods	21,694	20,174
Inventories, net	64,663	59,935
Prepaid expenses and other current assets	12,487	10,299
Total current assets	209,781	191,315
Property and equipment, at cost:		
Land	3,409	3,434
Buildings and improvements	50,536	50,276
Machinery and equipment	100,868	95,158
Software	8,308	7,955
Construction in progress	2,089	2,252
Accumulated depreciation	(109,342)	(103,401)
Property and equipment, net	55,868	55,674
Goodwill	18,923	19,181
Intangible assets, net	18,759	20,475
Other assets	18,407	19,906
Total assets	$ 321,738	$ 306,551

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

	September 29, 2018 (Unaudited)	December 31, 2017
Liabilities and equity		
Current liabilities:		
Trade accounts payable	$ 9,842	$ 13,678
Payroll and related expenses	16,176	15,892
Other accrued expenses	17,989	15,952
Income taxes	2,914	2,515
Current portion of long-term debt	4,367	3,878
Total current liabilities	51,288	51,915
Long-term debt, less current portion	23,550	28,477
Deferred income taxes	2,331	2,300
Other liabilities	13,981	14,131
Accrued pension and other postretirement costs	16,025	16,424
Total liabilities	107,175	113,247
Commitments and contingencies		
Equity:		
Common stock	1,307	1,288
Class B convertible common stock	103	103
Treasury stock	(8,765)	(8,765)
Capital in excess of par value	196,039	192,904
Retained earnings	63,151	43,076
Accumulated other comprehensive loss	(37,299)	(35,450)
Total Vishay Precision Group, Inc. stockholders' equity	214,536	193,156
Noncontrolling interests	27	148
Total equity	214,563	193,304
Total liabilities and equity	$ 321,738	$ 306,551

See accompanying notes.

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

	Fiscal quarter ended	
	September 29, 2018	September 30, 2017
Net revenues	$75,490	$62,805
Costs of products sold	44,910	38,538
Gross profit	30,580	24,267
Selling, general, and administrative expenses	19,721	18,314
Restructuring costs	228	423
Operating income	10,631	5,530
Other income (expense):		
Interest expense	(413)	(472)
Other	(172)	1,506
Other income (expense) - net	(585)	1,034
Income before taxes	10,046	6,564
Income tax expense	2,479	2,239
Net earnings	7,567	4,325
Less: net earnings attributable to noncontrolling interests	20	70
Net earnings attributable to VPG stockholders	$7,547	$4,255
Basic earnings per share attributable to VPG stockholders	$0.56	$0.32
Diluted earnings per share attributable to VPG stockholders	$0.56	$0.32
Weighted average shares outstanding - basic	13,474	13,291
Weighted average shares outstanding - diluted	13,534	13,470

See accompanying notes.

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

	Nine fiscal months ended	
	September 29, 2018	September 30, 2017
Net revenues	$222,812	$184,911
Costs of products sold	132,361	113,368
Gross profit	90,451	71,543
Selling, general, and administrative expenses	60,030	54,923
Restructuring costs	289	1,292
Operating income	30,132	15,328
Other income (expense):		
Interest expense	(1,333)	(1,392)
Other	(1,093)	406
Other income (expense) - net	(2,426)	(986)
Income before taxes	27,706	14,342
Income tax expense	7,498	4,398
Net earnings	20,208	9,944
Less: net earnings (loss) attributable to noncontrolling interests	(20)	75
Net earnings attributable to VPG stockholders	$20,228	$9,869
Basic earnings per share attributable to VPG stockholders	$1.51	$0.74
Diluted earnings per share attributable to VPG stockholders	$1.50	$0.73
Weighted average shares outstanding - basic	13,431	13,253
Weighted average shares outstanding - diluted	13,519	13,452

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

	Fiscal quarter ended	
	September 29, 2018	September 30, 2017
Net earnings	$7,567	$ 4,325
Other comprehensive income (loss):		
Foreign currency translation adjustment	124	2,285
Pension and other postretirement actuarial items, net of tax	175	(29)
Other comprehensive income	299	2,256
Total comprehensive income	7,866	6,581
Less: comprehensive income (loss) attributable to noncontrolling interests	20	70
Comprehensive income attributable to VPG stockholders	$7,846	$ 6,511

See accompanying notes.

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

	Nine fiscal months ended	
	September 29, 2018	September 30, 2017
Net earnings	$20,208	$9,944
Other comprehensive income (loss):		
Foreign currency translation adjustment	(2,393)	6,119
Pension and other postretirement actuarial items, net of tax	544	(60)
Other comprehensive (loss) income	(1,849)	6,059
Comprehensive income	18,359	16,003
Less: comprehensive income (loss) attributable to noncontrolling interests	(20)	75
Comprehensive income attributable to VPG stockholders	$18,379	$15,928

See accompanying notes.

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

	Nine fiscal months ended	
	September 29, 2018	September 30, 2017
Operating activities		
Net earnings	$20,208	$9,944
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	7,939	7,977
Gain on disposal of property and equipment	(146)	(193)
Share-based compensation expense	1,172	959
Inventory write-offs for obsolescence	1,633	1,662
Deferred income taxes	1,584	264
Other	536	(907)
Net changes in operating assets and liabilities:		
Accounts receivable, net	(8,128)	(7,030)
Inventories, net	(6,935)	(3,280)
Prepaid expenses and other current assets	(2,600)	(2,937)
Trade accounts payable	(1,342)	1,176
Other current liabilities	4,031	7,166
Net cash provided by operating activities	17,952	14,801
Investing activities		
Capital expenditures	(9,966)	(4,366)
Proceeds from sale of property and equipment	169	442
Net cash used in investing activities	(9,797)	(3,924)
Financing activities		
Principal payments on long-term debt and capital leases	(4,728)	(1,971)
Proceeds from revolving facility	22,000	27,000
Payments on revolving facility	(19,000)	(27,000)
Distributions to noncontrolling interests	(101)	(60)
Payments of employee taxes on certain share-based arrangements	(801)	(303)
Net cash (used in) financing activities	(2,630)	(2,334)
Effect of exchange rate changes on cash and cash equivalents	(1,189)	2,896
Increase in cash and cash equivalents	4,336	11,439
Cash and cash equivalents at beginning of period	74,292	58,452
Cash and cash equivalents at end of period	$78,628	$69,891
Supplemental disclosure of non-cash investing transactions:		
Capital expenditures purchased	$(7,559)	$(4,366)
Supplemental disclosure of non-cash financing transactions:		
Conversion of exchangeable notes to common stock	$(2,794)	$(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, 2017	$ 1,288	$ 103	$ (8,765)	$ 192,904	$ 43,076	$ (35,450)	$ 193,156	$ 148	$ 193,304
Net earnings	—	—	—	—	20,228	—	20,228	(20)	20,208
Other comprehensive income	—	—	—	—	—	(1,849)	(1,849)	—	(1,849)
Share-based compensation expense	—	—	—	1,172	—	—	1,172	—	1,172
Restricted stock issuances (59,038 shares)	7	—	—	(819)	—	—	(812)	—	(812)
Common stock issuance from conversion of exchangeable notes (123,808 shares)	12	—	—	2,782	—	—	2,794	—	2,794
Cumulative effect adjustment for adoption of ASU 2016-16	—	—	—	—	(153)	—	(153)	—	(153)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(101)	(101)
Balance at September 29, 2018	$ 1,307	$ 103	$ (8,765)	$ 196,039	$ 63,151	$ (37,299)	$ 214,536	$ 27	$ 214,563

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 Securities and Exchange Commission ("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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in VPG’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on March 15, 2018. The results of operations for the fiscal quarter ended September 29, 2018 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 2018 and 2017 end on the following dates:

	2018	2017
Quarter 1	March 31,	April 1,
Quarter 2	June 30,	July 1,
Quarter 3	September 29,	September 30,
Quarter 4	December 31,	December 31,

Recently Adopted Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 Company adopted this standard as of January 1, 2018 using the modified retrospective method. See Note 2 for additional details.

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 Company adopted this standard effective January 1, 2018 and it did not have a material impact on the consolidated condensed financial statements.

In October 2016, the FASB issued ASU No. 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory.” This ASU requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The income tax consequences from the sale of inventory from one member of the consolidated entity to another will continue to be deferred until the inventory is sold to a third party. The Company’s adoption of this standard on January 1, 2018 resulted in a $0.2 million cumulative effect adjustment to the 2018 beginning retained earnings.

In January 2017, the 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 Company adopted this standard effective January 1, 2018 and it did not have a material impact on the consolidated condensed financial statements.

Note 1 – Basis of Presentation (continued)

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 are presented outside of operating income. The Company adopted the new standard as of January 1, 2018 and recorded the non-service cost component of $0.2 million and $0.7 million to Other income (expense) - other for the fiscal quarter and nine fiscal months ended September 29, 2018, respectively. Additionally, the non-service cost component of $0.2 million and $0.6 million was reclassified from Operating income to Other income (expense) - other for the fiscal quarter and nine fiscal months ended September 30, 2017, respectively.

In May 2017, the FASB issued 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 Company adopted this standard effective January 1, 2018 and it did not have a material impact on the consolidated condensed financial statements.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-14, "Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans." This ASU amends Accounting Standards Codification ("ASC") 715 to add, remove and clarify disclosure requirements related to defined benefit and pension and other postretirement plans. The amendments in this ASU are effective for annual periods beginning after December 15, 2020 and early adoption is permitted. The Company is evaluating the standard to determine the impact on the consolidated condensed financial statements.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurements (Topic 820)."   This ASU modifies the disclosures on fair value measurements by removing the requirements to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The ASU expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains and losses included in other comprehensive income. 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 standard to determine the impact on the consolidated condensed financial statements.

In January 2018, the FASB issued ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This ASU gives entities the option to reclassify to retained earnings the tax effects resulting from the Tax Cuts and Jobs Act ("2017 Tax Act") related to items in accumulated other comprehensive income ("AOCI") that the FASB refers to as having been stranded in AOCI. The new guidance may be applied retrospectively to each period in which the effect of the 2017 Tax Act is recognized in the period of adoption. The Company must adopt this guidance for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted for periods for which financial statements have not yet been issued or made available for issuance, including the period during which the 2017 Tax Act was enacted. The guidance, when adopted, will require new disclosures regarding a company's accounting policy for releasing the tax effects in AOCI and permit the company the option to reclassify to retained earnings the tax effects resulting from the 2017 Tax Act that are stranded in AOCI. The Company is evaluating the standard to determine the impact on the 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 standard to determine the impact on the consolidated condensed financial statements.

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. In July 2018, the FASB issued ASU No. 2018-11 "Leases (Topic 842), Targeted Improvements," which provides additional implementation guidance on the previously issued ASU. The Company is evaluating the standard to determine the impact on the consolidated condensed financial statements, however believes that the most notable impact to the consolidated condensed financial statements upon the adoption of this ASU will be the recognition of a right-of-use asset and a lease liability.

Note 2 – Revenues
Adoption of ASC 606

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method. All of our contracts outstanding at December 31, 2017 were considered substantially complete as of January 1, 2018 and therefore resulted in no cumulative effect adjustments. The Company has determined that the impact of adoption of ASC 606 does not have a material impact on the timing or amount of revenue that we recognize based on our business activities existing at the date of adoption.

Revenue Recognition

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied, which generally occurs with the transfer of control of our products. For certain contracts with post-shipment obligations, revenue is recognized when the post-shipment obligation is satisfied. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing post-shipment obligations. Sales, value add and other taxes collected concurrent with revenue-producing activities are excluded from revenue. Given the specialized nature of the Company's products, the Company generally does not allow product returns. Shipping and handling costs are recorded to Costs of product sold when control of the product has transferred to the customer. The Company offers standard product warranties. Warranty related costs continue to be recognized as expense when the products are sold.

The following table disaggregates net revenue by geographic region from contracts with customers based on net revenues generated by subsidiaries within that geographic location (in thousands):

	Fiscal quarter ended September 29, 2018				Fiscal quarter ended September 30, 2017			
	Foil Technology Products	Force Sensors	Weighing and Control Systems	Total	Foil Technology Products	Force Sensors	Weighing and Control Systems	Total
United States	$16,011	$9,842	$ 6,289	$32,142	$13,157	$8,324	$ 4,766	$26,247
United Kingdom	905	2,995	3,738	7,638	813	3,016	3,026	6,855
Other Europe	8,224	2,248	4,261	14,733	7,057	2,533	3,820	13,410
Israel	2,951	116	—	3,067	1,888	173	—	2,061
Asia	7,821	2,401	1,053	11,275	6,400	2,550	1,776	10,726
Canada	—	—	6,635	6,635	—	—	3,506	3,506
Total	$35,912	$17,602	$ 21,976	$75,490	$29,315	$16,596	$ 16,894	$62,805

	Nine Fiscal Months Ended September 29, 2018				Nine Fiscal Months Ended September 30, 2017			
	Foil Technology Products	Force Sensors	Weighing and Control Systems	Total	Foil Technology Products	Force Sensors	Weighing and Control Systems	Total
United States	$44,863	$30,864	$ 17,690	$93,417	$38,996	$24,303	$ 14,282	$77,581
United Kingdom	2,818	9,047	11,008	22,873	2,325	9,084	8,454	19,863
Other Europe	23,699	8,248	14,161	46,108	19,636	6,699	11,678	38,013
Israel	7,792	402	—	8,194	4,598	489	—	5,087
Asia	25,096	7,627	4,885	37,608	20,830	7,145	4,763	32,738
Canada	—	—	14,612	14,612	—	—	11,629	11,629

$104,268	$56,188	$ 62,356	$222,812	$86,385	$47,720	$ 50,806	$184,911

The following table disaggregates net revenue from contracts with customers by market sector (in thousands):

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Note 2 – Revenues (continued)

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Test & Measurement	$18,969	$ 16,404	$57,346	$48,426
Avionics, Military & Space	7,354	5,519	18,920	16,927
Medical	2,719	2,078	7,693	6,344
Precision Weighing	23,151	21,037	70,799	59,574
Force Measurement	16,170	13,234	50,435	38,039
Steel	7,127	4,533	17,619	15,601
Total	$75,490	$ 62,805	$222,812	$184,911

Arrangements with Multiple Performance Obligations

Contracts with our customers can include multiple performance obligations. For such arrangements, we allocate revenues to each performance obligation based on its relative standalone selling price which is determined based on the prices charged to customers when sold on a standalone basis.

Contract Assets & Liabilities

Contract assets are established when revenues are recognized prior to a contractual payment due from the customer. When a payment becomes due based on the contract terms, the Company will reduce the contract asset and record a receivable. Contract liabilities are deferred revenues that are recorded when cash payments are received or due in advance of our performance obligations. Our payment terms vary by the type and location of the products offered. The term between invoicing and when payment is due is not significant.

The outstanding contract assets and liability accounts were as follows (in thousands):

	Contract Asset	Contract Liability
	Unbilled Revenue	Accrued Customer Advances
Balance at December 31, 2017	$ 824	$ 3,229
Balance at September 29, 2018	1,123	4,993
Increase	$ 299	$ 1,764

The amount of revenue recognized during the nine fiscal months ended September 29, 2018 that was included in the contract liability balance at December 31, 2017 was $2.6 million. Of the $4.9 million of contract liability balance at June 30, 2018, the Company recognized $2.2 million as revenue during the third quarter of 2018.

Practical Expedients

The Company does not disclose the value of unsatisfied performance obligations for contracts that have a duration of one year or less and for contracts that are substantially complete. The Company treats shipping and handling activities as fulfillment costs.

Note 3 – Goodwill

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

Note 3 – Goodwill and Other Intangible Assets (continued)

	Total	Weighing and Control Systems Segment		Foil Technology Products Segment
		KELK Acquisition	Stress-Tek Acquisition	Pacific Acquisition
Balance at December 31, 2017	$19,181	$6,828	$ 6,311	$ 6,042
Foreign currency translation adjustment	(258)	(258)	—	—
Balance at September 29, 2018	$18,923	$6,570	$ 6,311	$ 6,042

Note 4 – Restructuring Costs

Restructuring costs represent 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 restructuring costs during the fiscal quarter and nine fiscal months ended September 29, 2018 of $0.2 million and $0.3 million respectively, which consisted mainly of employee termination costs in connection with cost reduction programs in Asia.

During the fiscal quarter and nine fiscal months ended September 30, 2017, the Company recorded aggregate restructuring costs of $0.4 million and $1.3 million, respectively, which consisted mainly of employee termination costs and facility closure costs incurred in connection with various cost reduction programs in Europe, the United States and Canada.

The following table summarizes recent activity related to all restructuring programs. The accrued restructuring liability balance as of September 29, 2018 and December 31, 2017, respectively, is included in Other accrued expenses in the accompanying consolidated condensed balance sheets (in thousands):

Balance at December 31, 2017	$254
Restructuring costs in 2018	289
Cash payments	(218)
Foreign currency translation	—
Balance at September 29, 2018	$325

Note 5 – Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act ("2017 Tax Act") was enacted. The 2017 Tax Act significantly changed U.S. tax law by, among other things, lowering the corporate tax rate, implementing a partial territorial tax system, and imposing a one-time transition tax on post 1986 undistributed foreign earnings as of December 31, 2017. The 2017 Tax Act permanently reduced the U.S. corporate tax rate from a maximum of 35% to a flat 21%, effective January 1, 2018.

On December 22, 2017 the SEC staff issued Staff Accounting Bulletin ("SAB") 118 to address the application of U.S. GAAP in situations when a registrant does not have all the necessary information available to prepare and analyze the accounting treatment for the proper recognition of the tax impact of the 2017 Tax Act. In accordance with SAB 118 guidance, the Company has recorded the provisional tax impacts related to the deemed distribution of foreign earnings and the benefit for the revaluation of deferred tax assets and liabilities in its consolidated financial statements for the year ended December 31, 2017. The final impact may differ from the provisional amount recognized. In accordance with SAB 118, the financial reporting impact of the 2017 Tax Act will be completed in the fourth quarter of 2018.

As of September 29, 2018, the Company has not completed the analysis of all the tax effects of the 2017 Tax Act and has not recorded any additional adjustments to the provisional amounts recorded at December 31, 2017 year-end. The

Company will continue to make and refine its calculations as additional analysis is completed. These estimates may also be affected as the Company gains a more thorough understanding of the 2017 Tax Act. These changes could be material to income tax expense.

Note 5 – Income Taxes (continued)

The 2017 Tax Act subjects a U.S. shareholder to tax on Global Intangible Low-Taxed Income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. Given the complexity of the GILTI provisions, the Company is still evaluating the effects of the GILTI provisions and has not yet determined its accounting policy. As of September 29, 2018, because the Company is still evaluating the GILTI provisions and its analysis of future taxable income that is subject to GILTI, it has included GILTI related to current-year operations only in its Estimated Annual Effective Tax Rate and has not provided additional GILTI on deferred items.

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 September 29, 2018 was 24.7% compared to 34.1% for the fiscal quarter ended September 30, 2017. The effective tax rate for the nine fiscal months ended September 29, 2018 was 27.1% compared to 30.7% for the nine fiscal months ended September 30, 2017. The tax rate in the current fiscal quarter is lower than the prior year fiscal quarter primarily due to changes in the mix of worldwide income and fewer loss entities for which no benefit was recognized. The current nine fiscal month tax rate is lower than the prior year nine fiscal month tax rate primarily due to changes in the mix of worldwide income and certain discrete items such as fewer loss entities for which no benefit was recognized, partially offset by foreign exchange gains and losses on the Israeli shekel.

The Company and its subsidiaries are subject to income taxes in the United States 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.

Note 6 – Long-Term Debt

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

	September 29, 2018	December 31, 2017
2015 Credit Agreement - Revolving Facility	$ 12,000	$ 9,000
2015 Credit Agreement - U.S. Closing Date Term Facility	3,141	3,664
2015 Credit Agreement - U.S. Delayed Draw Term Facility	7,679	8,956
2015 Credit Agreement - Canadian Term Facility	5,047	7,880
Exchangeable Unsecured Notes, due 2102	—	2,794
Other debt	303	401
Deferred financing costs	(253)	(340)
Total long-term debt	27,917	32,355
Less: current portion	4,367	3,878
Long-term debt, less current portion	$ 23,550	$ 28,477

Exchangeable Unsecured Notes, due 2102

Effective February 26, 2018, the holder of the Company's exchangeable notes exercised its option to exchange the remaining $2.8 million principal amount of the notes for 123,808 shares of VPG common stock at the contractual put/call rate of $22.57 per share. Following this transaction, all exchangeable notes have been canceled and VPG has no further obligations pursuant to such notes.

Note 7 – 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, 2018	$ (27,390)	$ (8,060)	$ (35,450)
Other comprehensive income before reclassifications	(2,393)	—	(2,393)
Amounts reclassified from accumulated other comprehensive income (loss)	—	544	544
Balance at September 29, 2018	$ (29,783)	$ (7,516)	$ (37,299)

	Foreign Currency Translation Adjustment	Pension and Other Postretirement Actuarial Items	Total
Balance at January 1, 2017	$ (33,192)	$ (7,145)	$ (40,337)
Other comprehensive loss before reclassifications	6,119	—	6,119
Amounts reclassified from accumulated other comprehensive income (loss)	—	(60)	(60)
Balance at September 30, 2017	$ (27,073)	$ (7,205)	$ (34,278)

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 8).

Note 8 – 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 OPEB plans (in thousands):

Note 8 – Pension and Other Postretirement Benefits (continued)

	Fiscal quarter ended September 29, 2018		Fiscal quarter ended September 30, 2017	
	Pension Plans	OPEB Plans	Pension Plans	OPEB Plans
Net service cost	$135	$ 27	$119	$ 28
Interest cost	171	38	167	35
Expected return on plan assets	(138)	—	(133)	—
Amortization of actuarial losses	128	44	114	28
Net periodic benefit cost	$296	$ 109	$267	$ 91

	Nine fiscal months ended September 29, 2018		Nine fiscal months ended September 30, 2017	
	Pension Plans	OPEB Plans	Pension Plans	OPEB Plans
Net service cost	$410	$ 81	$355	$ 84
Interest cost	521	114	495	105
Expected return on plan assets	(421			