Vishay Precision Group, Inc.
Form 10-Q
August 07, 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 June 30, 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 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 7, 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
June 30, 2018
CONTENTS

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

	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 74,713	$ 74,292
Accounts receivable, net	52,103	46,789
Inventories:		
Raw materials	19,502	16,601
Work in process	23,936	23,160
Finished goods	21,984	20,174
Inventories, net	65,422	59,935
Prepaid expenses and other current assets	11,660	10,299
Total current assets	203,898	191,315
Property and equipment, at cost:		
Land	3,412	3,434
Buildings and improvements	50,376	50,276
Machinery and equipment	97,772	95,158
Software	8,160	7,955
Construction in progress	2,172	2,252
Accumulated depreciation	(107,399)	(103,401)
Property and equipment, net	54,493	55,674
Goodwill	18,799	19,181
Intangible assets, net	18,966	20,475
Other assets	18,743	19,906
Total assets	$ 314,899	$ 306,551

Continues on the following page.

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

	June 30, 2018 (Unaudited)	December 31, 2017
Liabilities and equity		
Current liabilities:		
Trade accounts payable	$ 11,049	$ 13,678
Payroll and related expenses	14,932	15,892
Other accrued expenses	16,758	15,952
Income taxes	2,888	2,515
Current portion of long-term debt	4,088	3,878
Total current liabilities	49,715	51,915
Long-term debt, less current portion	26,690	28,477
Deferred income taxes	2,300	2,300
Other liabilities	13,781	14,131
Accrued pension and other postretirement costs	16,115	16,424
Total liabilities	108,601	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	195,668	192,904
Retained earnings	55,604	43,076
Accumulated other comprehensive loss	(37,598)	(35,450)
Total Vishay Precision Group, Inc. stockholders' equity	206,319	193,156
Noncontrolling interests	(21)	148
Total equity	206,298	193,304
Total liabilities and equity	$ 314,899	$ 306,551

See accompanying notes.

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

	Fiscal quarter ended	
	June 30, 2018	July 1, 2017
Net revenues	$74,231	$62,319
Costs of products sold	42,865	37,560
Gross profit	31,366	24,759
Selling, general, and administrative expenses	19,990	18,591
Restructuring costs	61	315
Operating income	11,315	5,853
Other income (expense):		
Interest expense	(478)	(468)
Other	(272)	(571)
Other income (expense) - net	(750)	(1,039)
Income before taxes	10,565	4,814
Income tax expense	2,882	1,198
Net earnings	7,683	3,616
Less: net loss attributable to noncontrolling interests	(10)	(3)
Net earnings attributable to VPG stockholders	$7,693	$3,619
Basic earnings per share attributable to VPG stockholders	$0.57	$0.27
Diluted earnings per share attributable to VPG stockholders	$0.57	$0.27
Weighted average shares outstanding - basic	13,464	13,257
Weighted average shares outstanding - diluted	13,513	13,446

See accompanying notes.

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

	Six fiscal months ended	
	June 30, 2018	July 1, 2017
Net revenues	$147,322	$122,106
Costs of products sold	87,451	74,830
Gross profit	59,871	47,276
Selling, general, and administrative expenses	40,309	36,609
Restructuring costs	61	869
Operating income	19,501	9,798
Other income (expense):		
Interest expense	(920)	(920)
Other	(921)	(1,100)
Other income (expense) - net	(1,841)	(2,020)
Income before taxes	17,660	7,778
Income tax expense	5,019	2,159
Net earnings	12,641	5,619
Less: net (loss) earnings attributable to noncontrolling interests	(40)	5
Net earnings attributable to VPG stockholders	$12,681	$5,614
Basic earnings per share attributable to VPG stockholders	$0.95	$0.42
Diluted earnings per share attributable to VPG stockholders	$0.94	$0.42
Weighted average shares outstanding - basic	13,409	13,233
Weighted average shares outstanding - diluted	13,511	13,442

See accompanying notes.

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

	Fiscal quarter ended	
	June 30, 2018	July 1, 2017
Net earnings	$7,683	$3,616
Other comprehensive income (loss):		
Foreign currency translation adjustment	(3,934)	2,345
Pension and other postretirement actuarial items, net of tax	275	(67)
Other comprehensive income	(3,659)	2,278
Total comprehensive income	4,024	5,894
Less: comprehensive loss attributable to noncontrolling interests	(10)	(3)
Comprehensive income attributable to VPG stockholders	$4,034	$5,897

See accompanying notes.

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

	Six fiscal months ended	
	June 30, 2018	July 1, 2017
Net earnings	$12,641	$5,619
Other comprehensive income (loss):		
Foreign currency translation adjustment	(2,517)	3,834
Pension and other postretirement actuarial items, net of tax	369	(31)
Other comprehensive (loss) income	(2,148)	3,803
Comprehensive income	10,493	9,422
Less: comprehensive (loss) income attributable to noncontrolling interests	(40)	5
Comprehensive income attributable to VPG stockholders	$10,533	$9,417

See accompanying notes.

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

	Six fiscal months ended	
	June 30, 2018	July 1, 2017
Operating activities		
Net earnings	$12,641	$5,619
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	5,332	5,318
Gain on disposal of property and equipment	(83)	(141)
Share-based compensation expense	801	492
Inventory write-offs for obsolescence	1,158	982
Deferred income taxes	1,086	(104)
Other	455	(445)
Net changes in operating assets and liabilities:		
Accounts receivable, net	(6,141)	(6,928)
Inventories, net	(7,304)	(761)
Prepaid expenses and other current assets	(1,724)	(1,397)
Trade accounts payable	(390)	1,020
Other current liabilities	1,536	3,676
Net cash provided by operating activities	7,367	7,331
Investing activities		
Capital expenditures	(6,134)	(3,146)
Proceeds from sale of property and equipment	106	326
Net cash used in investing activities	(6,028)	(2,820)
Financing activities		
Principal payments on long-term debt and capital leases	(3,847)	(1,314)
Proceeds from revolving facility	11,000	16,000
Payments on revolving facility	(6,000)	(16,000)
Distributions to noncontrolling interests	(129)	(46)
Payments of employee taxes on certain share-based arrangements	(801)	(303)
Net cash provided by (used in) financing activities	223	(1,663)
Effect of exchange rate changes on cash and cash equivalents	(1,141)	1,858
Increase in cash and cash equivalents	421	4,706
Cash and cash equivalents at beginning of period	74,292	58,452
Cash and cash equivalents at end of period	$74,713	$63,158
Supplemental disclosure of non-cash investing transactions:		
Capital expenditures purchased	$(3,988)	$(3,146)
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	—	—	—	—	12,681	—	12,681	(40)	12,641
Other comprehensive income	—	—	—	—	—	(2,148)	(2,148)	—	(2,148)
Share-based compensation expense	—	—	—	801	—	—	801	—	801
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	—	—	—	—	—	—	—	(129)	(129)
Balance at June 30, 2018	$ 1,307	$ 103	$ (8,765)	$ 195,668	$ 55,604	$ (37,598)	$ 206,319	$ (21)	$ 206,298

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 June 30, 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 $0.5 million to Other income (expense) - other for the fiscal quarter and six fiscal months ended June 30, 2018, respectively. Additionally, the non-service cost component of $0.2 million and $0.4 million was reclassified from Operating income to Other income (expense) - other for the fiscal quarter and six fiscal months ended July 1, 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 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," which 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 new 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. The Company is evaluating the standard to determine the impact on the consolidated condensed financial statements.

Note 2 – Revenues

Adoption of ASC 606

On January 1, 2018 the Company adopted Accounting Standards Codification ("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 will 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, it generally does not allow product returns. Shipping and handling costs are recorded to Costs of product sold when control of the product has transferred

Note 2 – Revenues (continued)

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):

	Three Months Ended June 30, 2018				Three Months Ended July 1, 2017			
	Foil Technology Products	Force Sensors	Weighing and Control Systems	Total	Foil Technology Products	Force Sensors	Weighing and Control Systems	Total
United States	$14,933	$10,997	$5,868	$31,798	$13,856	$7,709	$4,829	$26,394
United Kingdom	965	2,689	3,677	7,331	706	3,144	2,736	6,586
Other Europe	7,703	2,960	4,527	15,190	6,041	2,094	3,823	11,958
Israel	2,471	144	—	2,615	1,497	172	—	1,669
Asia	8,130	2,568	2,716	13,414	7,206	2,537	1,530	11,273
Canada	—	—	3,883	3,883	—	—	4,439	4,439
Total	$34,202	$19,358	$20,671	$74,231	$29,306	$15,656	$17,357	$62,319

	Six Fiscal Months Ended June 30, 2018				Six Fiscal Months Ended July 1, 2017			
	Foil Technology Products	Force Sensors	Weighing and Control Systems	Total	Foil Technology Products	Force Sensors	Weighing and Control Systems	Total
United States	$28,852	$21,022	$11,401	$61,275	$25,839	$15,979	$9,516	$51,334
United Kingdom	1,913	6,052	7,270	15,235	1,512	6,068	5,428	13,008
Other Europe	15,475	6,000	9,900	31,375	12,579	4,166	7,858	24,603
Israel	4,841	286	—	5,127	2,710	316	—	3,026
Asia	17,275	5,226	3,832	26,333	14,430	4,595	2,987	22,012
Canada	—	—	7,977	7,977	—	—	8,123	8,123
	$68,356	$38,586	$40,380	$147,322	$57,070	$31,124	$33,912	$122,106

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

	Fiscal quarter ended		Six fiscal months ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Test & Measurement	$19,117	$16,039	$38,377	$32,022
Avionics, Military & Space	5,875	6,358	11,566	11,408
Medical	2,295	2,159	4,974	4,266
Precision Weighing	23,825	19,452	47,648	38,537
Force Measurement	16,973	12,430	34,265	24,805
Steel	6,146	5,881	10,492	11,068
Total	$74,231	$62,319	$147,322	$122,106

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.

Note 2 – Revenues (continued)

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 June 30, 2018	995	4,893
Increase	$ 171	$ 1,664

The amount of revenue recognized during the six fiscal months ended June 30, 2018 that was included in the contract liability balance at December 31, 2017 was $2.4 million. Of the $3.8 million of contract liability balance at March 31, 2018, the Company recognized $1.5 million as revenue during the second 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):

	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	(382)	(382)	—	—
Balance at June 30, 2018	$18,799	$6,446	$ 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 six fiscal months ended June 30, 2018 of $0.1 million, which consisted mainly of employee termination costs in connection with cost reduction programs in Asia.

During the fiscal quarter and six fiscal months ended July 1, 2017, the Company recorded aggregate restructuring costs of $0.3 million and $0.9 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 June 30, 2018 and December 31, 2017, respectively, is included in Other accrued expenses in the accompanying consolidated condensed balance sheets (in thousands):

Note 4 – Restructuring Costs (continued)

Balance at December 31, 2017	$254
Restructuring costs in 2018	61
Cash payments	(160)
Foreign currency translation	—
Balance at June 30, 2018	$155

Note 5 – Income Taxes

On December 22, 2017, the 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 June 30, 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.

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 June 30, 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 June 30, 2018 was 27.3% compared to 24.9% for the fiscal quarter ended July 1, 2017. The effective tax rate for the six fiscal months ended June 30, 2018 was 28.4% compared to 27.8% for the six fiscal months ended July 1, 2017. The tax rate in the current fiscal quarter is higher than the prior year fiscal quarter because of the impact in the current quarter of certain discrete tax items, primarily having to do with foreign exchange gains and losses on the Israeli shekel. The current six fiscal month tax rate is higher than the prior year six fiscal month tax rate as a result of tax rate change benefits and foreign exchange losses recognized in the prior year fiscal period, while foreign exchange gains were recognized in the current fiscal period.

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):

	June 30, 2018	December 31, 2017
2015 Credit Agreement - Revolving Facility	$14,000	$9,000
2015 Credit Agreement - U.S. Closing Date Term Facility	3,315	3,664
2015 Credit Agreement - U.S. Delayed Draw Term Facility	8,105	8,956
2015 Credit Agreement - Canadian Term Facility	5,294	7,880
Exchangeable Unsecured Notes, due 2102	—	2,794
Other debt	343	401
Deferred financing costs	(279)	(340)
Total long-term debt	30,778	32,355
Less: current portion	4,088	3,878
Long-term debt, less current portion	$26,690	$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	(2,517)	—	(2,517)
Amounts reclassified from accumulated other comprehensive income (loss)	—	369	369
Balance at June 30, 2018	$(29,907)	$ (7,691)	$(37,598)

	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	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)

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 9 – Pension and Other Postretirement Benefits (continued)

	Fiscal quarter ended June 30, 2018		Fiscal quarter ended July 1, 2017	
	Pension Plans	OPEB Plans	Pension Plans	OPEB Plans
Net service cost	$137	$27	$119	$ 28
Interest cost	174	38	165	35
Expected return on plan assets	(141)	—	(132)	—
Amortization of actuarial losses	130	44	113	28
Net periodic benefit cost	$300	$ 109	$265	$ 91

	Six fiscal months ended June 30, 2018		Six fiscal months ended July 1, 2017	
	Pension Plans	OPEB Plans	Pension Plans	OPEB Plans
Net service cost	$275	$ 54	$236	$ 56
Interest cost	350	76	328	70
Expected return on plan assets	(283)	—	(262)	—
Amortization of actuarial losses	261	88	224	