

First Quarter Financial Results Conference Call



sparton

November 6, 2013

Empowering your Vision

Safe Harbor Statement



Certain statements herein constitute forward-looking statements within the meaning of the Securities Act of 1933, as amended and the Securities Exchange Act of 1934, as amended. When used herein, words such as “believe,” “expect,” “anticipate,” “project,” “plan,” “estimate,” “will” or “intend” and similar words or expressions as they relate to the Company or its management constitute forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are based on currently available financial, economic and competitive data and our current business plans. The Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise. Actual results could vary materially depending on risks and uncertainties that may affect our operations, markets, prices and other factors. Important factors that could cause actual results to differ materially from those forward-looking statements include those contained under the heading of risk factors and in the management’s discussion and analysis contained from time-to-time in the Company’s filings with the Securities and Exchange Commission.

Adjusted EBITDA and related reconciliation presented here represents earnings before interest, taxes, depreciation and amortization as adjusted for restructuring/impairment charges, gross profit effects of capitalized profit in inventory from acquisition and acquisition contingency settlement, and gain on sale of investment. The Company believes Adjusted EBITDA is commonly used by financial analysts and others in the industries in which the Company operates and, thus, provides useful information to investors. The Company does not intend, nor should the reader consider, Adjusted EBITDA an alternative to net income, net cash provided by operating activities or any other items calculated in accordance with GAAP. The Company's definition of Adjusted EBITDA may not be comparable with Adjusted EBITDA as defined by other companies. Accordingly, the measurement has limitations depending on its use.

Today's Agenda

- 1st Quarter Highlights
- 1st Quarter Segmented Operating Results
- Liquidity & Capital Resources
- Revenue Recognition
- Fiscal 2014 Outlook
- Q & A

1st Quarter Highlights



- Sales in each of our business segments increased not only from acquisitions, but also on an organic basis
- Awarded 28 new business programs during the first quarter of fiscal 2014 with potential annualized sales of \$8.2 million as well as a foreign sonobuoy award of \$5.0 million
- Completed the acquisition of certain assets of Aydin Displays, LLC.
- Quarter end sales backlog of approximately \$205.7 million, up 32% from a year ago
 - Excluding the newly acquired businesses, backlog was approximately \$166.4 million representing a 7% increase over the prior year quarter.

Consolidated Financial Results

Fiscal 2014 1st Quarter



	(Reported) Quarter ended Sept 30,		(Adjusted) Quarter ended Sept 30,		(Adjusted) Total YoY Variance
	2013	2012	2013	2012	
Net Sales	\$ 74,198	\$ 50,801	\$ 74,198	\$ 50,801	\$ 23,397
Gross Profit	12,194 16.4%	8,000 15.7%	12,194 16.4%	8,000 15.7%	4,194
Selling and Administrative Expense	7,645 10.3%	5,472 10.8%	7,645 10.3%	5,472 10.8%	(2,173)
Internal R&D Expense	389	305	389	305	(84)
Amortization of intangible assets	598	102	598	102	(496)
Restructuring/impairment charges	188	-	-	-	-
Other operating expense, net	(3)	(10)	(3)	(10)	(7)
Operating Income	3,377 4.6%	2,131 4.2%	3,565 4.8%	2,131 4.2%	1,434
Income Before Provision For Income Tax	3,393	2,188	3,581	2,188	1,393
Provision For Income Taxes	1,107	731	1,169	731	(438)
Net Income	\$ 2,286 3.1%	\$ 1,457 2.9%	\$ 2,412 3.3%	\$ 1,457 2.9%	\$ 955
Income per Share (Basic)	\$ 0.23	\$ 0.14	\$ 0.24	\$ 0.14	\$ 0.10
Income per Share (Diluted)	\$ 0.23	\$ 0.14	\$ 0.24	\$ 0.14	\$ 0.10

(\$ in 000's, except per share)

(adjusted removes certain gains and charges)

Consolidated Financial Results

Adjusted EBITDA



	Quarter ended Sept 30,		YoY Variance
	2013	2012	
Net Income	\$ 2,286	\$ 1,457	\$ 829
Interest expense	158	81	77
Interest income	(2)	(28)	26
Provision for income taxes	1,107	731	376
Depreciation and amortization	1,721	479	1,242
Restructuring/impairment charges	188	-	188
Adjusted EBITDA	\$ 5,458	\$ 2,720	\$ 2,738
	7.4%	5.4%	

Operating Results

Revenue & Gross Profit



REVENUE

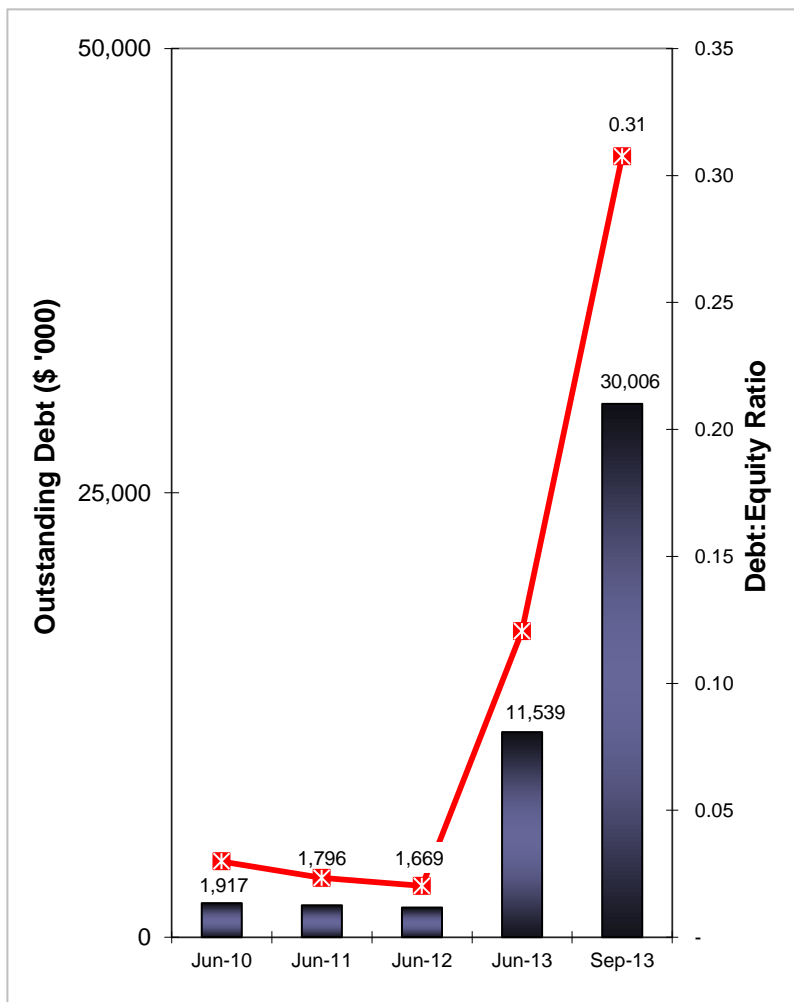
SEGMENT	3 months ended Sept 30,			
	2013	% of Total	2012	% Change
Medical	\$ 42,008	57%	\$ 28,059	50%
Complex Systems	18,265	25%	12,347	48%
DSS	17,893	24%	14,987	19%
Inter-company	(3,968)	-5%	(4,592)	-14%
Totals	<u>\$ 74,198</u>	100%	<u>\$ 50,801</u>	46%

GROSS PROFIT

SEGMENT	3 months ended Sept 30,			
	2013	GP %	2012	GP %
Medical	\$ 6,978	16.6%	\$ 4,194	14.9%
Complex Systems	1,868	10.2%	1,096	8.9%
DSS	3,348	18.7%	2,710	18.1%
Totals	<u>\$ 12,194</u>	16.4%	<u>\$ 8,000</u>	15.7%

(\$ in 000's)

Liquidity & Capital Resources



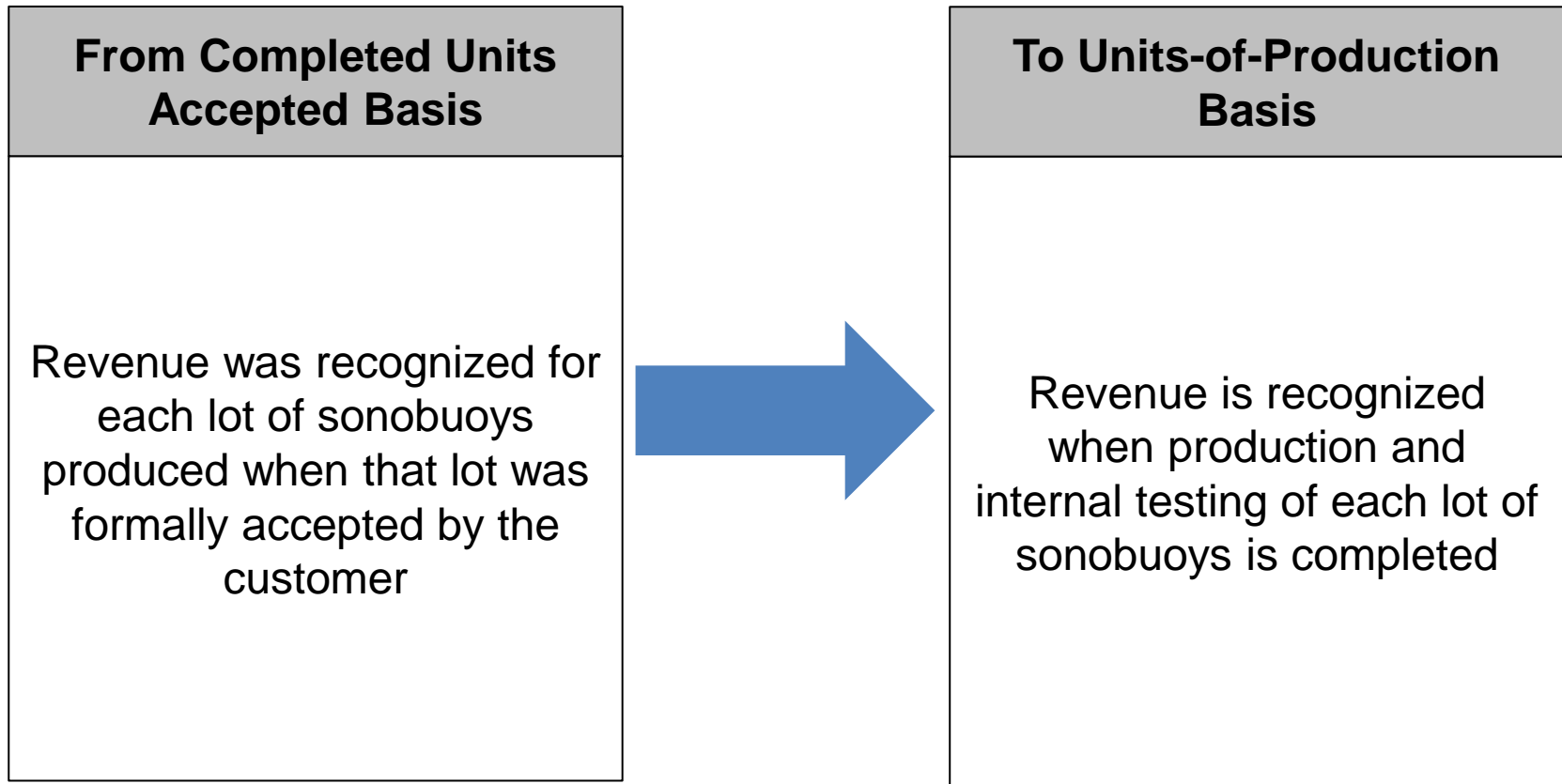
Cash Availability					
(\$ in '000)	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Cash and equivalents	43,096	6,066	4,358	6,085	2,719
LOC Availability	16,012	51,000	52,000	55,000	36,000
Total	59,108	57,066	56,358	61,085	38,719

Debt					
(\$ in '000)	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Credit Revolver	-	14,000	13,000	10,000	28,500
IRB (Ohio)	1,637	1,604	1,572	1,539	1,506
Total	1,637	15,604	14,572	11,539	30,006

Inventory					
(\$ in '000)	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Net Inventory	38,467	45,367	46,928	46,334	55,658

Revenue Recognition

- The new policy continues to recognize revenue under the percentage of completion method



Revenue Recognition

FY13 Q1 Reconciliation Table



Consolidated Statement of Income Data:

	For the Three Months Ended September 30, 2012		
	As Originally Reported	Adjustment	As Restated
Net Sales	\$ 49,020	\$ 1,781	\$ 50,801
Cost of goods sold	41,807	994	42,801
Gross profit	7,213	787	8,000
Income before provision for income taxes	1,401	787	2,188
Provision for income taxes	448	283	731
Net income	953	504	1,457
Income per share of common stock - Basic	0.09	0.05	0.14
Income per share of common stock - Diluted	0.09	0.05	0.14
Weighted average shares outstanding - Basic	10,141,612		10,141,612
Weighted average shares outstanding - Diluted	10,163,151		10,163,151

(Dollars in thousands, except share amounts)

- Implementation of the strategic growth plan
 - Continue to grow organically
 - Maintain our level of investment in internal research & development to commercially extend our product lines
 - Continue to enable our engineering workforce to develop new and innovative proprietary solutions for our end markets
 - Continue to seek out complementary and compatible acquisitions
 - Further leverage Viet Nam as a low cost country alternative and in-region provider
- Focus on sustained profitability
 - Continue margin improvements across the entire company
 - Increase capacity utilization
 - Continue additional improvements in operating performance through lean and quality efforts
- Complete the integration of Aydin Displays

Q & A