



sparton

Fiscal 2015 2nd Quarter Financial Results

February 4, 2015

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.

- 2nd Quarter Business Review
- Consolidated Financial Results
- New Segment Reporting
- MDS Segment Results
- ECP Segment Results
- Liquidity & Capital Resources
- Fiscal 2015 Outlook
- Q & A

- 77 new program or product wins were awarded with potential first time order value of \$17.7 million
 - 14 in MDS with a first time order value of \$4.0 million
 - 63 in ECP with a first time order value of \$13.7 million
- Quarter end sales backlog of approximately \$226.6 million, representing an 18% increase over the prior year quarter
 - Includes approximately \$13.1 million from acquisitions
 - 11% increase over the prior year quarter to \$213.5 million, net of acquisitions
- Repurchased \$4.6 million of the Company's stock under the Company's stock repurchase plan
- Completed 4 acquisitions
 - During the quarter: Argotec (tuck-in into DeLeon Springs) and Industrial Electronic Devices (tuck-in into Aydin Displays)
 - Subsequent to quarter-end: Real Time Enterprises (stand-alone) and KEP Marine (tuck-in into Aydin Displays)

Consolidated Financial Results

Fiscal 2015 2nd Quarter



	(Reported) Quarter ended Dec 31,		(Adjusted) Quarter ended Dec 31,		(Adjusted) Total YoY	
	2014	2013	2014	2013	Variance (\$)	Variance (%)
Net Sales	\$ 85,642	\$ 84,717	\$ 85,642	\$ 84,717	\$ 925	1%
Base Business	73,167	83,962	73,167	83,962	(10,795)	-13%
Acquisition	12,475	755	12,475	755	11,720	1552%
Gross Profit	15,171	15,132	15,251	15,240	11	0%
% of sales	17.7%	17.9%	17.8%	18.0%		
Selling and Administrative Expense	10,806	8,687	10,656	8,687	(1,969)	-23%
	12.6%	10.3%	12.4%	10.3%		
Internal R&D Expense	197	402	197	402	205	
Amortization of intangible assets	1,450	636	1,450	636	(814)	
Other operating income, net	(14)	(5)	(14)	(5)	9	
Operating Income	2,732	5,412	2,962	5,520	(2,558)	-46%
% of sales	3.2%	6.4%	3.5%	6.5%		
Interest expense	(357)	(202)	(357)	(202)	(155)	
Interest (expense) income and other, net	(46)	10	(46)	10	(56)	
Income Before Provision For Income Taxes	2,329	5,220	2,559	5,328	(2,769)	
Provision For Income Taxes	767	1,736	856	1,772	916	
Net Income	\$ 1,562	\$ 3,484	\$ 1,703	\$ 3,556	\$ (1,853)	-52%
% of sales	1.8%	4.1%	2.0%	4.2%		
Income per Share (Basic)	\$ 0.16	\$ 0.34	\$ 0.17	\$ 0.35	\$ (0.18)	-51%
Income per Share (Diluted)	\$ 0.16	\$ 0.34	\$ 0.17	\$ 0.35	\$ (0.18)	-51%

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

(adjusted removes certain gains and charges)

Consolidated Financial Results

Adjusted EBITDA



	3 months ended Dec 31,	
	2014	2013
Net Income	\$ 1,562	\$ 3,484
Interest expense	357	202
Provision for income taxes	767	1,736
Depreciation and amortization	2,588	1,919
Capitalized profit in inventory from acquisition	80	108
Success based acquisition finders fee	150	-
Adjusted EBITDA	\$ 5,504	\$ 7,449
% of sales	6.4%	8.8%

(\$ in 000's)

Operating Results

MDS



	3 months ended Dec 31,					
	2014	% of Sales	2013	% of Sales	Chg (\$)	Chg (%)
Sales						
Base Business	\$ 44,386	73.0%	\$ 57,907	93.2%	\$ (13,521)	-23.3%
Acquisitions	12,475	20.5%	755	1.2%	11,720	
Intercompany	3,929	6.5%	3,484	5.6%	445	12.8%
Total Sales	60,790	100.0%	62,146	100.0%	(1,356)	-2.2%
Gross Profit	8,208	13.5%	8,923	14.4%	(715)	-8.0%
Selling and administrative expenses	4,133	6.8%	3,519	5.7%	614	17.4%
Amortization of intangible assets	1,402	2.3%	567	0.9%	835	147.3%
Operating income	<u>\$ 2,673</u>	4.4%	<u>\$ 4,837</u>	7.8%	<u>\$ (2,164)</u>	-44.7%

(\$ in 000's)

Operating Results

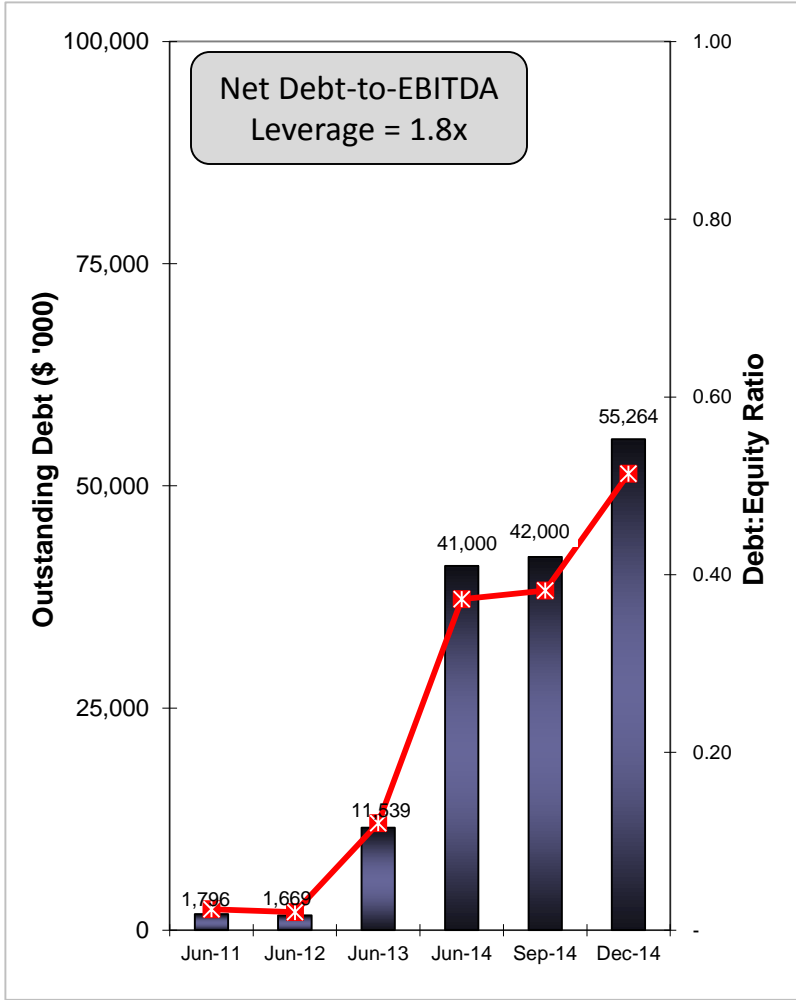
ECP



	3 months ended Dec 31,					
	2014	% of Sales	2013	% of Sales	Chg (\$)	Chg (%)
Sales						
Base Business	\$ 28,781	99.5%	\$ 26,055	99.9%	\$ 2,726	10.5%
Intercompany	138	0.5%	23	0.1%	115	nmf
Total Sales	28,919	100.0%	26,078	100.0%	2,841	10.9%
Gross Profit	6,963	24.1%	6,209	23.8%	754	12.1%
Selling and administrative expenses	2,445	8.5%	2,148	8.2%	297	13.8%
Amortization of intangible assets	48	0.2%	69	0.3%	(21)	-30.4%
Internal research and development expense	197	0.7%	402	1.5%	(205)	-51.0%
Operating income	<u>\$ 4,273</u>	14.8%	<u>\$ 3,590</u>	13.8%	<u>\$ 683</u>	19.0%

(\$ in 000's)

Liquidity & Capital Resources



Cash Availability

(\$ in '000)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Cash and equivalents	1,009	7,502	8,028	6,546	3,236
Credit Availability	40,000	30,000	59,000	158,000	141,500
Total	41,009	37,502	67,028	164,546	144,736

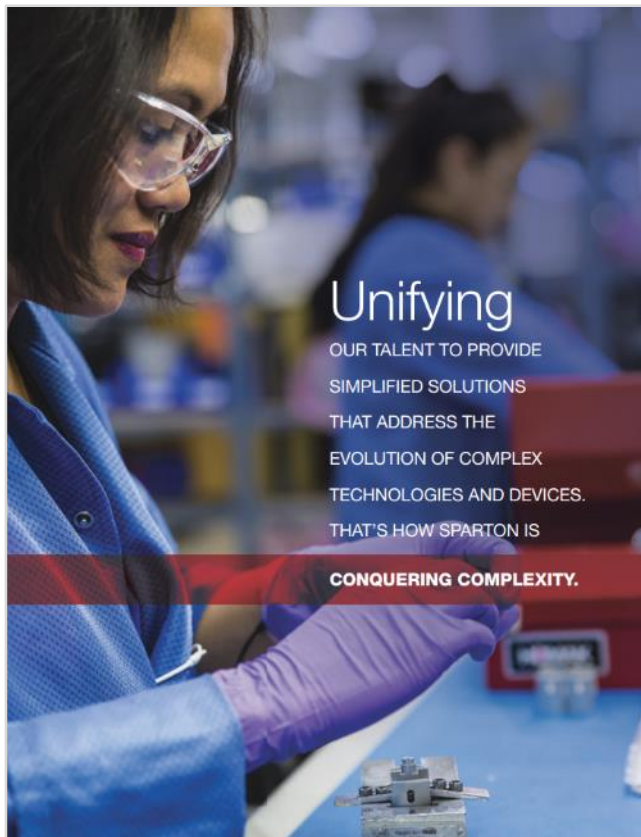
Debt

(\$ in '000)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Credit Revolver	25,000	35,000	41,000	42,000	58,500
IRB (Ohio)	1,472	1,437	-	-	-
Total	26,472	36,437	41,000	42,000	58,500

Inventory

(\$ in '000)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Net Inventory	52,393	51,466	53,372	57,201	56,333

- Fiscal 2015 growth target revised to flat to slightly up, net of acquisitions
 - Orders in 1st half pushed into future quarters
 - Expect a robust 2nd half of the year
 - Continue cost containment actions
 - Drive the closure of new business opportunities
- Execute the 2020 Vision
- Upcoming investor relations events
 - Non deal road show in New York from March 18-19
 - Non deal road show in Boston on March 25
 - Bank of America in New York on March 26
 - B Riley in Santa Monica from May 12-14
 - Barrington Research in Chicago from May 13-14
 - KeyBanc in Boston from May 26-28



Unifying

OUR TALENT TO PROVIDE
SIMPLIFIED SOLUTIONS
THAT ADDRESS THE
EVOLUTION OF COMPLEX
TECHNOLOGIES AND DEVICES.
THAT'S HOW SPARTON IS

CONQUERING COMPLEXITY.

**“Reach \$1 billion by 2020,
expanding our manufacturing and
design services while providing
more engineered components and
products to meet the needs of our
customers and markets”**