



sparton

Fiscal 2015 3rd Quarter Financial Results

May 6, 2015

Conquering Complexity™

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.

- 3rd Quarter Business Review
- Consolidated Financial Results
- MDS Segment Results
- ECP Segment Results
- Liquidity & Capital Resources
- Fiscal 2015 Outlook
- Q & A

Financial Highlights

- Overall revenue growth was 11% in the quarter and organic growth in the base business, net of acquisitions, was 2%
- Adjusted income per share of \$0.33 beat the street consensus estimates of \$0.31
- Recognized an income tax benefit of approximately \$1.0 million in relation to Sparton of Canada's net operating loss carry forwards, which resulted in \$0.42 of reported income per share

Recent Challenges

- The fiscal 2014 Fenwal rebalancing decision and those effects on the more recent quarters
- Program delays in MDS are impeding our overall organic growth targets
- Increased SG&A as we prepare for our growth ambitions

Other Highlights

- 96 new program or product wins were awarded with potential first time order value of \$12.9 million
 - 28 in MDS with a first time order value of \$9.2 million
 - 68 in ECP with a first time order value of \$3.7 million
- Quarter end sales backlog of approximately \$257 million, representing a 47% increase over the prior year quarter
 - Includes approximately \$36 million from acquisitions
 - 42% increase over the prior year quarter to \$221 million, net of acquisitions
- Completed 4 acquisitions
 - During the quarter: Real Time Enterprises (stand-alone), KEP Marine (tuck-in into Aydin Displays), Stealth.com (stand-alone)
 - Subsequent to quarter-end: Hunter Technology (stand-alone)
- Subsequent to quarter-end, amended revolving credit facility, increasing committed facility size from \$200 million to \$275 million and resetting the facility's accordion feature to \$100 million

Consolidated Financial Results

Fiscal 2015 3rd Quarter



	(Reported)		(Adjusted)		(Adjusted)	
	Quarter ended Mar 31,		Quarter ended Mar 31,		Total YoY	Total YoY
	2015	2014	2015	2014	Variance (\$)	Variance (%)
Net Sales	\$ 93,065	\$ 83,983	\$ 93,065	\$ 83,983	\$ 9,082	11%
Base Business	85,355	83,723	85,355	83,723	1,632	2%
Acquisition	7,710	260	7,710	260	7,450	
Gross Profit	18,631	16,478	18,708	16,626	2,082	13%
% of sales	20.0%	19.6%	20.1%	19.8%		
Selling and Administrative Expense	11,883	8,807	11,883	8,807	(3,076)	-35%
	12.8%	10.5%	12.8%	10.5%		
Internal R&D Expense	418	213	418	213	(205)	
Amortization of intangible assets	1,458	1,089	1,458	1,089	(369)	
Other operating income, net	(10)	(6)	(10)	(6)	4	
Operating Income	4,882	6,375	4,959	6,523	(1,564)	-24%
% of sales	5.2%	7.6%	5.3%	7.8%		
Interest expense	(458)	(187)	(458)	(187)	(271)	
Interest (expense) income and other, net	27	72	27	72	(45)	
Income Before Provision For Income Taxes	4,451	6,260	4,528	6,408	(1,880)	
Provision For Income Taxes	318	2,014	1,289	2,061	772	
Net Income	\$ 4,133	\$ 4,246	\$ 3,239	\$ 4,347	\$ (1,108)	-25%
% of sales	4.4%	5.1%	3.5%	5.2%		
Income per Share (Basic)	\$ 0.42	\$ 0.42	\$ 0.33	\$ 0.43	\$ (0.10)	-23%
Income per Share (Diluted)	\$ 0.42	\$ 0.42	\$ 0.33	\$ 0.43	\$ (0.10)	-23%

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

(adjusted removes certain gains and charges)

Consolidated Financial Results

Adjusted EBITDA



	3 months ended Mar 31,	
	2015	2014
Net Income	\$ 4,133	\$ 4,246
Interest expense	458	187
Provision for income taxes	318	2,014
Depreciation and amortization	2,631	2,270
Capitalized profit in inventory from acquisition	77	148
Adjusted EBITDA	\$ 7,617	\$ 8,865
% of sales	8.2%	10.6%

(\$ in 000's)

Operating Results

MDS



	3 months ended Mar 31,					
	2015	% of Sales	2014	% of Sales	Chg (\$)	Chg (%)
Sales						
Base Business	\$ 49,868	80.3%	\$ 54,896	91.5%	\$ (5,028)	-9.2%
Acquisitions	7,296	11.7%	260	0.4%	7,036	
Intercompany	4,986	8.0%	4,841	8.1%	145	3.0%
Total Sales	62,150	100.0%	59,997	100.0%	2,153	3.6%
Gross Profit	8,073	13.0%	7,872	13.1%	201	2.6%
Selling and administrative expenses	4,623	7.4%	3,437	5.7%	1,186	34.5%
Amortization of intangible assets	1,357	2.2%	969	1.6%	388	40.0%
Operating income	<u>\$ 2,093</u>	3.4%	<u>\$ 3,466</u>	5.8%	<u>\$ (1,373)</u>	-39.6%

(\$ in 000's)

Operating Results

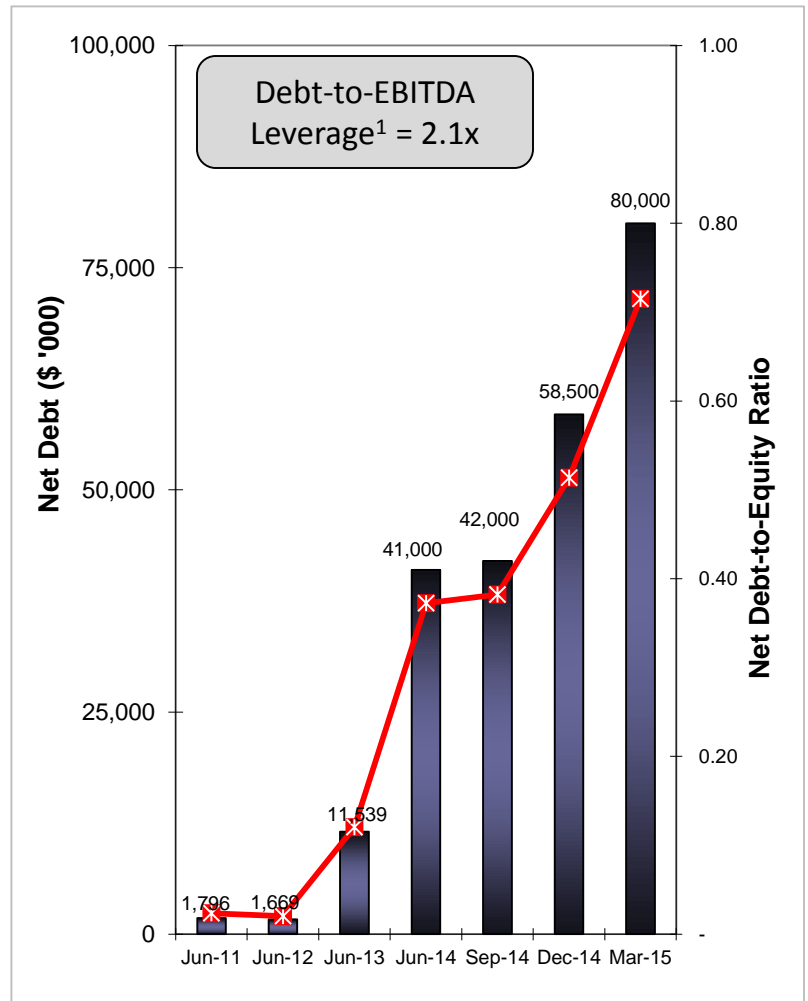
ECP



	3 months ended Mar 31,					
	2015	% of Sales	2014	% of Sales	Chg (\$)	Chg (%)
Sales						
Base Business	\$ 35,487	98.5%	\$ 28,827	99.9%	\$ 6,660	23.1%
Acquisitions	414	1.1%	-	0.0%	414	
Intercompany	121	0.3%	26	0.1%	95	
Total Sales	<u>36,022</u>	100.0%	<u>28,853</u>	100.0%	<u>7,169</u>	24.8%
Gross Profit	10,558	29.3%	8,606	29.8%	1,952	22.7%
Selling and administrative expenses	2,831	7.9%	2,161	7.5%	670	31.0%
Amortization of intangible assets	101	0.3%	120	0.4%	(19)	-15.8%
Internal research and development expense	418	1.2%	213	0.7%	205	96.2%
Operating income	<u>\$ 7,208</u>	20.0%	<u>\$ 6,112</u>	21.2%	<u>\$ 1,096</u>	17.9%

(\$ in 000's)

Liquidity & Capital Resources



(1) – As calculated under the Credit Revolver Agreement.

Cash Availability

(\$ in '000)	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Cash and equivalents	7,502	8,028	6,546	3,236	5,581
Credit Availability	30,000	59,000	158,000	141,500	120,000
Total	37,502	67,028	164,546	144,736	125,581

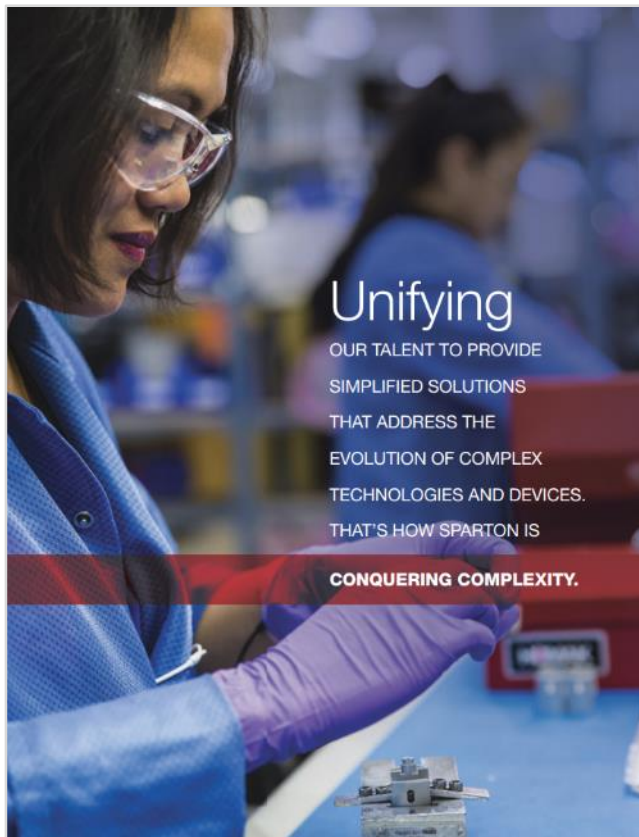
Debt

(\$ in '000)	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Credit Revolver	35,000	41,000	42,000	58,500	80,000
IRB (Ohio)	1,437	-	-	-	-
Total	36,437	41,000	42,000	58,500	80,000

Inventory

(\$ in '000)	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Net Inventory	51,466	53,372	57,201	56,333	64,340

- Fiscal 2015 growth target remains flat to slightly up, net of acquisitions
 - MDS headwinds have decreased going into the 2nd half
 - Expect a strong fourth quarter in ECP
 - Drive the closure of new business opportunities
- Continue to execute the 2020 Vision
- Upcoming investor relations events
 - B. Riley in Santa Monica from May 12-14
 - Barrington Research in Chicago from May 13-14
 - KeyBanc in Boston from May 26-28
 - 3 Parts Advisors Ideas Conference in Boston from June 3-4
 - Drexel Hamilton Conference in NYC on June 11
 - CJS Securities “New Ideas” Conference in NYC on July 14
 - Jeffries in NYC from August 10-13
 - 3 Parts Advisors Ideas Conference in Chicago from August 26-27



**“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”**