



Fiscal 2016 1st Quarter Financial Results

November 10, 2015

Conquering Complexity™

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 gross profit effects of capitalized profit in inventory from acquisitions, acquisition contingency settlements, certain restructuring expenses, and stock based compensation expense. 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 Business Review
- Consolidated Financial Results
- MDS Segment Operating Results
- ECP Segment Operating Results
- Liquidity & Capital Resources
- Fiscal 2016 Outlook
- Q & A

- Revenue growth was up 39%, with the legacy business organic growth being 7%.
- 240 new program or product wins were awarded with a first time revenue potential of \$23.5 million as compared to 78 new product or program wins with a first time revenue potential of \$16.0 million in the prior year quarter.
 - 100 in MDS with a first time revenue potential of \$10.7 million versus 10 with a first time revenue potential of \$7.9 million in the prior year quarter.
 - 140 in ECP (ASW, Aydin and NavEx) with first time revenue potential of \$12.8 million versus 68 with a first time revenue potential of \$8.1 million in the prior year quarter.
- Quarter end sales backlog of approximately \$277 million, representing a 14% increase over the prior year quarter.
- Total sales to the U.S. Navy increased to \$24.5 million from \$18.4 million in Q1 fiscal 2015; sonobuoy sales to foreign governments increased to \$4.4 million from \$1.0 million.
- Consolidated gross margin was 19.8%, compared to the 16.7% in the prior year quarter.
- The debt-to-EBITDA leverage as calculated under the Revolving Credit Facility as of September 27, 2015 was 3.00 compared to 3.47 as of June 30, 2015 as a result of the improvement in operating results on a trailing twelve month basis.

Consolidated Financial Results

Fiscal 2016 1st Quarter



	(Reported)		(Adjusted)		(Adjusted)	
	For the 1st Quarter of FY		For the 1st Quarter of FY		Total YoY	Total YoY
	2016	2015	2016	2015	Variance (\$)	Variance (%)
Net Sales	\$ 106,691	\$ 77,025	\$ 106,691	\$ 77,025	\$ 29,666	39%
Legacy Business	82,605	77,025	82,605	77,025	5,580	7%
Acquired Business	24,086	-	24,086	-	24,086	
Gross Profit	21,138	12,853	21,138	12,951	8,187	63%
% of sales	19.8%	16.7%	19.8%	16.8%		
Selling and Administrative Expense	13,624	10,584	13,624	10,002	(3,622)	-36%
	12.8%	13.7%	12.8%	13.0%		
Internal R&D Expense	513	100	513	100	(413)	
Amortization of intangible assets	2,503	1,340	-	-	-	
Operating Income	4,498	829	7,001	2,849	4,152	146%
% of sales	4.2%	1.1%	6.6%	3.7%		
Interest expense	(885)	(746)	(885)	(325)	(560)	
Interest (expense) income and other, net	2	2	2	2	-	
Income Before Provision For Income Taxes	3,683	231	6,186	2,672	3,514	
Provision For Income Taxes	1,289	35	2,165	875	(1,290)	
Net Income	\$ 2,394	\$ 196	\$ 4,021	\$ 1,797	\$ 2,224	124%
% of sales	2.2%	0.3%	3.8%	2.3%		
Income per Share (Basic)	\$ 0.24	\$ 0.02	\$ 0.41	\$ 0.18	\$ 0.23	128%
Income per Share (Diluted)	\$ 0.24	\$ 0.02	\$ 0.41	\$ 0.18	\$ 0.23	128%

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

Consolidated Financial Results

Adjusted EBITDA



	For the 1st Quarter of Fiscal Year		
	2016	2015	Variance
Net Income	\$ 2,394	\$ 196	\$ 2,198
Interest expense	885	746	139
Interest income	(2)	(2)	-
Provision for income taxes	1,289	35	1,254
Depreciation and amortization	3,695	2,458	1,237
Capitalized profit in inventory from acquisition	-	98	(98)
Success based acquisition finder's fee	-	430	(430)
Restructuring	-	152	(152)
Stock based compensation - Non-Directors	432	449	(17)
Adjusted EBITDA	\$ 8,693	\$ 4,562	\$ 4,131
% of sales	8.1%	5.9%	

(\$ in 000's)

Operating Results

MDS



	For the 1st Quarter of Fiscal Year			
	2016	2015	Chg (\$)	Chg (%)
Net Sales:				
Legacy Business	\$ 46,881	\$ 54,001	\$ (7,120)	-13.2%
Acquired Business	21,847	-	21,847	
Intercompany	5,229	2,250	2,979	132.4%
Total Sales	<u>73,957</u>	<u>56,251</u>	<u>17,706</u>	<u>31.5%</u>
Gross Profit	10,296	7,086	3,210	45.3%
Gross Margin	13.9%	12.6%		
Selling and Administrative Expenses	5,881	3,729	2,152	57.7%
% of Sales	8.0%	6.6%		
Amortization of Intangible Assets	2,074	1,251	823	65.8%
Operating Income	<u>\$ 2,341</u>	<u>\$ 2,106</u>	<u>\$ 235</u>	<u>11.2%</u>
Operating Margin	3.2%	3.7%		

(\$ in 000's)

Operating Results

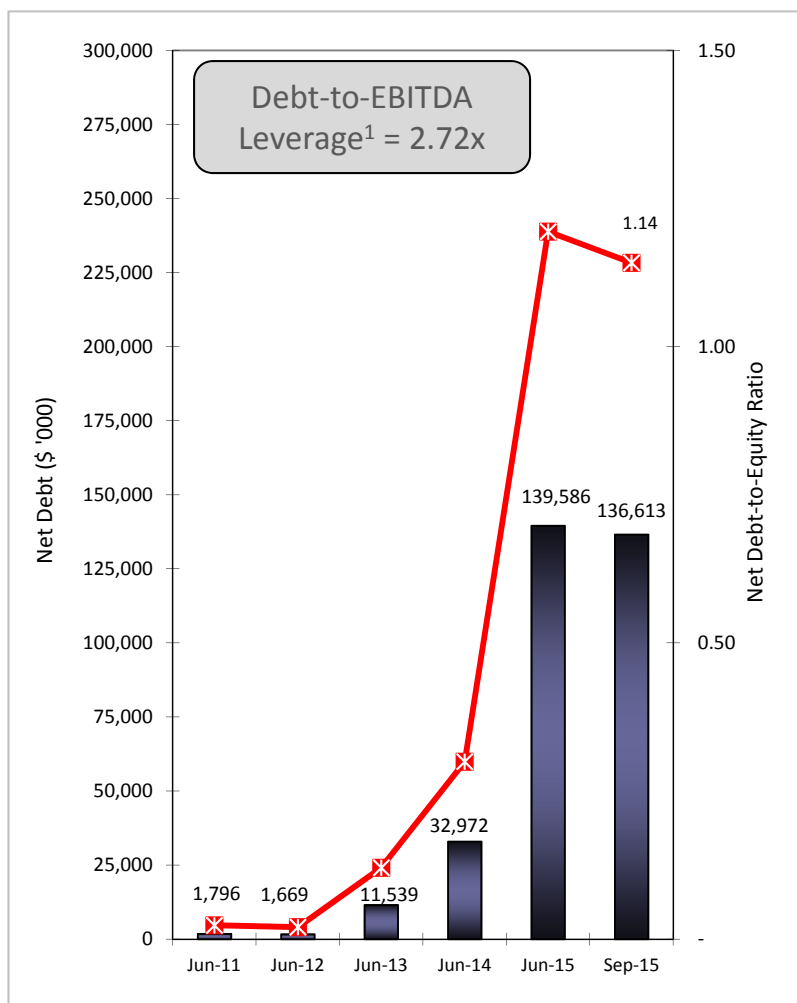
ECP



	For the 1st Quarter of Fiscal Year			
	2016	2015	Chg (\$)	Chg (%)
Net Sales:				
Legacy Business	\$ 35,724	\$ 23,024	\$ 12,700	55.2%
Acquired Business	2,239	-	2,239	
Intercompany	126	45	81	180.0%
Total Sales	<u>38,089</u>	<u>23,069</u>	<u>15,020</u>	<u>65.1%</u>
Gross Profit	10,842	5,767	5,075	88.0%
Gross Margin	28.5%	25.0%		
Selling and Administrative Expenses	3,597	2,312	1,285	55.6%
% of Sales	9.4%	10.0%		
Amortization of Intangible Assets	429	89	340	
Internal Research & Development	513	100	413	
Operating Income	<u>\$ 6,303</u>	<u>\$ 3,266</u>	<u>\$ 3,037</u>	<u>93.0%</u>
Operating Margin	16.5%	14.2%		

(\$ in 000's)

Liquidity & Capital Resources



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

Cash Availability

(\$ in '000)	Sep-14	Dec-14	Mar-15	Jun-15	9/27/15
Cash and equivalents	6,546	3,236	5,581	14,914	2,187
Credit Availability*	158,000	141,500	120,000	119,800	135,800
Total	164,546	144,736	125,581	134,714	137,987

Debt

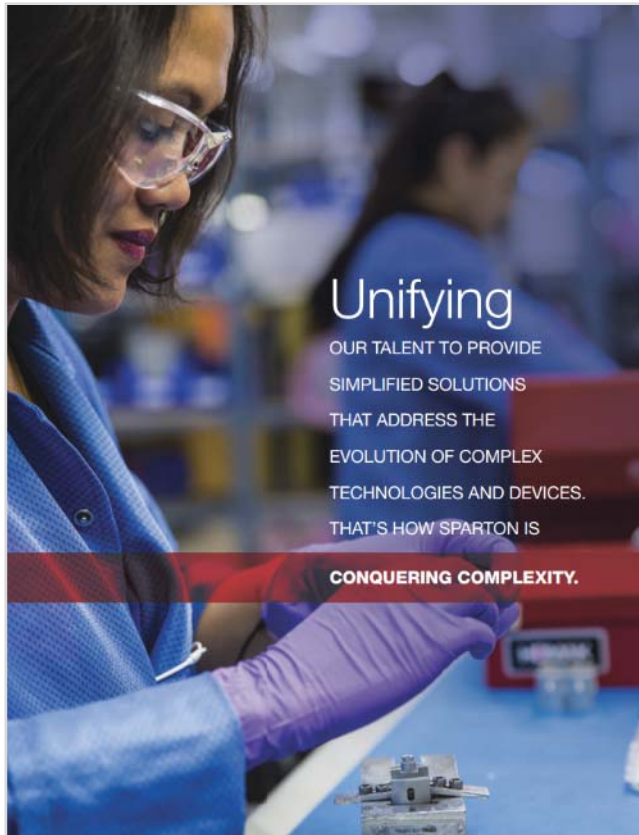
(\$ in '000)	Sep-14	Dec-14	Mar-15	Jun-15	9/27/15
Credit Revolver	42,000	58,500	80,000	154,500	138,800

Inventory

(\$ in '000)	Sep-14	Dec-14	Mar-15	Jun-15	9/27/15
Net Inventory	57,201	56,333	64,340	79,503	86,589
Net Inventory Turns	5.1	5.0	4.9	4.8	4.6

* As of June 2015, Credit Availability takes into account outstanding Letters of Credit.
 Note: Turns are calculated as sum of TTM COGS divided by the average of L4Q ending inventory.

- Complete the integration and cost synergies of the latest acquisitions
- Accelerate organic growth initiatives
- Improve margins through multiple cost savings initiatives
- Execute the 2020 Vision (Phase II of Sparton's Strategic Growth Plan)
- Upcoming investor relations events
 - Non-deal road show with Sidoti in St. Louis, Milwaukee, and Detroit on November 11th – 12th
 - IDEAS Southwest Investors Conference in Dallas on November 18th – 19th
 - ROTH Capital Partners Industrials Conference in Chicago on December 15th
 - CJS Securities in the NYC area on January 13th



**“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”**