



Fiscal 2015 Year End Financial Results

September 9, 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.

- 4th Quarter Business Review
- Fiscal 2015 Business Review
- Consolidated Financial Results
- MDS Operating Segment Results
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- Liquidity & Capital Resources
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Highlights

- Quarterly revenue grew 35% to \$126 million as compared to the same quarter of the prior year.
- 170 new program or product wins were awarded with a first time order value of \$12.0 million.
 - 70 in MDS with a first time order value of \$9.1 million
 - 100 in ECP with a first time order value of \$2.9 million
- Quarter end sales backlog of approximately \$313 million, representing a 113% increase over the prior year quarter.
- Completed the acquisition of Hunter Technology Corporation in April 2015.
- Settled the L-3 dispute for \$2.5 million.

Highlights

- Annual revenue growth of 14% to \$382 million as compared to prior year.
- 421 new business programs awarded with potential sales of \$58.6 million (excludes domestic sonobuoy awards)
 - 122 wins in MDS with \$30.2 million in potential annualized sales
 - 299 wins in ECP with \$28.4 million in first time sales
- Completed seven acquisitions comprising of eMT, IED, KEP, Argotec, Real-Time, Stealth.com and Hunter Technology
- 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



	(Reported) Year ended June 30,		(Adjusted) Year ended June 30,		(Adjusted) Total YoY	
	2015	2014	2015	2014	Variance (\$)	Variance (%)
Net Sales	\$ 382,125	\$ 336,501	\$ 382,125	\$ 336,501	\$ 45,624	14%
Base Business	297,963	310,574	297,963	310,574	(12,611)	-4%
Acquisition	84,162	25,927	84,162	25,927	58,235	
Gross Profit	74,671	64,815	74,970	65,152	9,818	15%
% of sales	19.5%	19.3%	19.6%	19.4%		
Selling and Administrative Expense	46,876	35,698	45,167	35,698	(9,469)	-27%
	12.3%	10.6%	11.8%	10.6%		
Internal R&D Expense	1,502	1,169	1,502	1,169	(333)	
Amortization of intangible assets	6,591	3,287	6,591	3,287	(3,304)	
Environmental remediation	-	4,238	-	-	-	
Legal settlement	2,500	-	-	-	-	
Restructuring	-	188	-	-	-	
Other operating income, net	(50)	(16)	(50)	(16)	34	
Operating Income	17,252	20,251	21,760	25,014	(3,254)	-13%
% of sales	4.5%	6.0%	5.7%	7.4%		
Interest expense	(2,456)	(838)	(2,035)	(838)	(1,197)	
Interest (expense) income and other, net	159	189	159	189	(30)	
Income Before Provision For Income Taxes	14,955	19,602	19,884	24,365	(4,481)	
Provision For Income Taxes	3,966	6,615	6,818	8,352	1,534	
Net Income	\$ 10,989	\$ 12,987	\$ 13,066	\$ 16,013	\$ (2,947)	-18%
% of sales	2.9%	3.9%	3.4%	4.8%		
Income per Share (Basic)	\$ 1.10	\$ 1.28	\$ 1.30	\$ 1.58	\$ (0.28)	-18%
Income per Share (Diluted)	\$ 1.10	\$ 1.28	\$ 1.30	\$ 1.58	\$ (0.28)	-18%

(\$ in 000's, except per share)
(adjusted removes certain gains and charges)

Consolidated Financial Results

Adjusted EBITDA



	3 months ended June 30,		Year ended June 30,		
	2015	2014	2015	2014	Variance
Net Income	\$ 5,098	\$ 2,971	\$ 10,989	\$ 12,987	\$ (1,998)
Interest expense	895	291	2,456	838	1,618
Interest income	(1)	(7)	(3)	(9)	6
Provision for income taxes	2,846	1,758	3,966	6,615	(2,649)
Depreciation and amortization	3,559	2,213	11,236	8,123	3,113
Legal settlement	2,752	-	3,477	-	3,477
Environmental remediation	-	4,238	-	4,238	(4,238)
Restructuring	-	-	-	188	(188)
Capitalized profit in inventory from acquisition	44	81	299	337	(38)
Stock based compensation - Non-Directors	167	375	1,590	1,397	193
Stock based compensation - Directors	-	-	295	265	30
Adjusted EBITDA	\$ 15,360	\$ 11,920	\$ 34,305	\$ 34,979	\$ (674)
% of sales	12.2%	12.7%	9.0%	10.4%	

(\$ in 000's)

Operating Results

MDS



	3 months ended June 30,				Year ended June 30,			
	2015	2014	Chg (\$)	Chg (%)	2015	2014	Chg (\$)	Chg (%)
Sales								
Base Business	\$ 58,425	\$ 57,232	\$ 1,193	2.1%	\$ 184,159	\$ 215,787	\$ (31,628)	-14.7%
Acquisitions	19,732	-	19,732		62,025	11,673	50,352	431.4%
Intercompany	6,592	4,916	1,676	34.1%	17,756	18,669	(913)	-4.9%
Total Sales	84,749	62,148	22,601	36.4%	263,940	246,129	17,811	7.2%
Gross Profit	13,094	9,038	4,056	44.9%	36,461	34,782	1,679	4.8%
Gross Margin	15.5%	14.5%			13.8%	14.1%		
Selling and Administrative Expenses	6,130	4,259	1,871	43.9%	18,615	14,449	4,166	28.8%
% of Sales	7.2%	6.9%			7.1%	5.9%		
Amortization of Intangible Assets	1,801	982	819	83.4%	5,811	3,116	2,695	86.5%
Legal settlement	2,500	-	2,500		2,500	-	2,500	
Restructuring charges	-	-	-		-	188	(188)	-100.0%
Operating Income	\$ 2,663	\$ 3,797	\$ (1,134)	-29.9%	\$ 9,535	\$ 17,029	\$ (7,494)	-44.0%
Operating Margin	3.1%	6.1%			3.6%	6.9%		

(\$ in 000's)

Operating Results

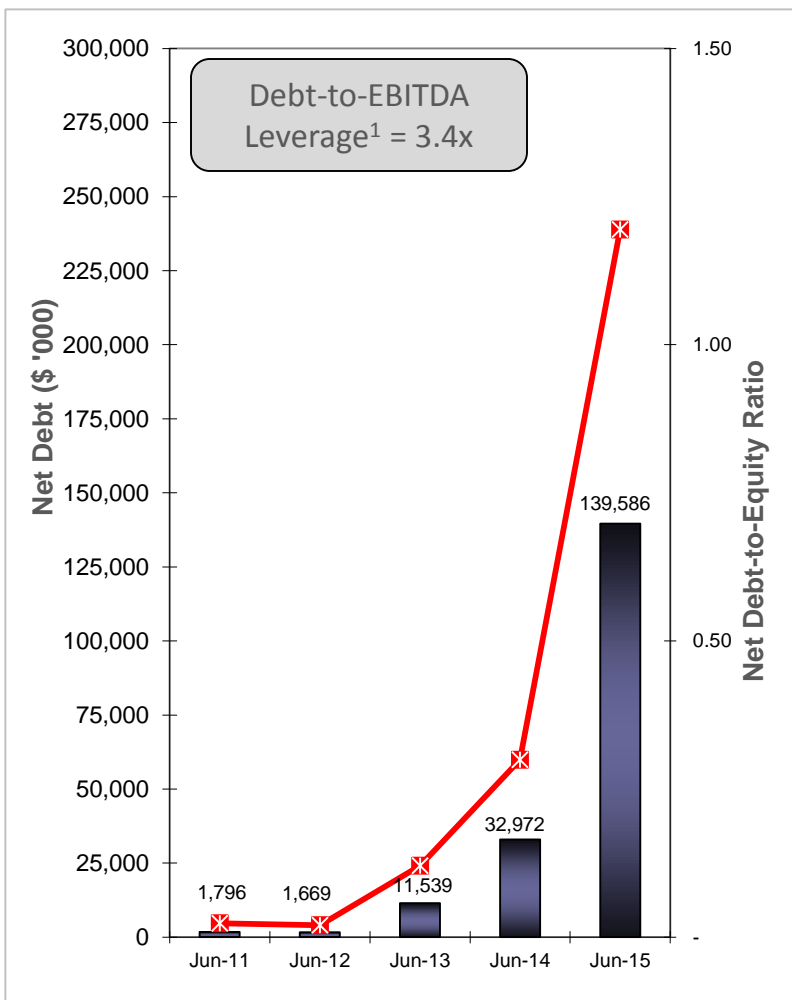
ECP



	3 months ended June 30,				Year ended June 30,			
	2015	2014	Chg (\$)	Chg (%)	2015	2014	Chg (\$)	Chg (%)
Sales								
Base Business	\$ 46,109	\$ 36,268	\$ 9,841	27.1%	\$ 113,804	\$ 94,787	\$ 19,017	20.1%
Acquisitions	2,127	-	2,127		22,137	14,254	7,883	55.3%
Intercompany	69	42	27	64.3%	374	93	281	302.2%
Total Sales	48,305	36,310	11,995	33.0%	136,315	109,134	27,181	24.9%
Gross Profit	14,961	11,870	3,091	26.0%	38,210	30,033	8,177	27.2%
Gross Margin	31.0%	32.7%			28.0%	27.5%		
Selling and Administrative Expenses	3,307	2,766	541	19.6%	10,895	8,750	2,145	24.5%
% of Sales	6.8%	7.6%			8.0%	8.0%		
Internal Research & Development	787	165	622		1,502	1,169	333	28.5%
Amortization of Intangible Assets	581	(18)	599		780	171	609	
Operating Income	\$ 10,286	\$ 8,957	\$ 1,329	14.8%	\$ 25,033	\$ 19,943	\$ 5,090	25.5%
Operating Margin	21.3%	24.7%			18.4%	18.3%		

(\$ in 000's)

Liquidity & Capital Resources



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

Cash Availability

(\$ in '000)	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Cash and equivalents	8,028	6,546	3,236	5,581	14,914
Credit Availability*	59,000	158,000	141,500	120,000	119,800
Total	67,028	164,546	144,736	125,581	134,714

Debt

(\$ in '000)	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Credit Revolver	41,000	42,000	58,500	80,000	154,500

Inventory

(\$ in '000)	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Net Inventory	53,372	57,201	56,333	64,340	79,503
Net Inventory Turns	5.1	5.1	5.0	4.9	4.8

* As of June 2015, includes Letters of Credit.

Fiscal 2016 Outlook

Full-Year Revenue with Impact of Acquisitions



	<u>FY15 Proforma</u>	<u>FY16 Outlook</u>
ECP Base Business	\$ 130,624	
ECP Acquisitions	<u>14,391</u>	
Total ECP	\$ 145,015	(6% - 9% growth)
MDS Base Business	\$ 207,219	
MDS Acquisitions	<u>109,500</u>	
Total MDS	\$ 316,719	(Up to 3% growth)
Consolidated Base Business	\$ 337,843	
Consolidated Acquisitions	<u>123,891</u>	
Total Consolidated	\$ 461,734	(3% - 5% growth)

ECP

Gross Margin	25% - 30%
SG&A (as a % of total consolidated sales)	Same as FY15
Amortization	\$ 1,600

MDS

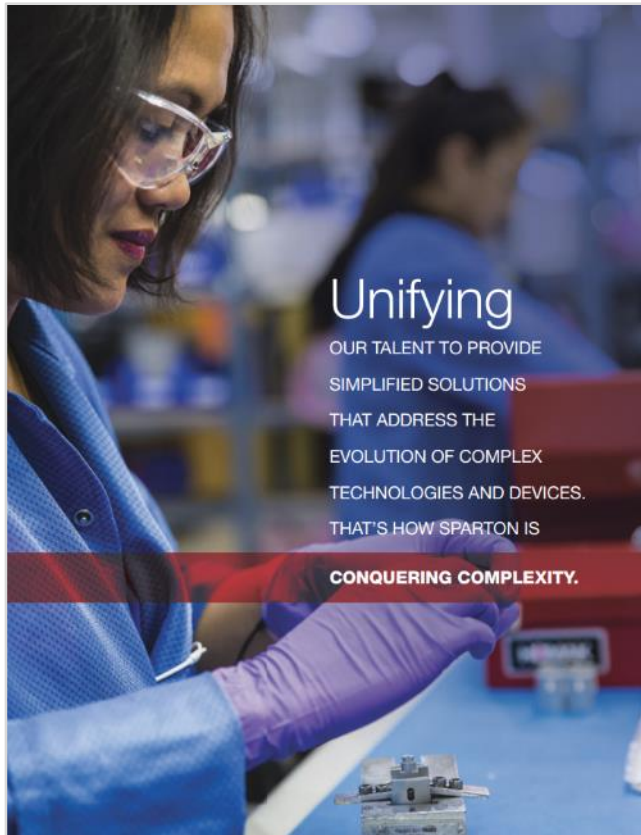
Gross Margin	13% - 16%
SG&A (as a % of total consolidated sales)	Up 50-75 basis points
Amortization	\$ 7,800

Company

Depreciation	\$ 5,500*
Corporate SG&A (as a % of total consolidated sales)	Down 20-40 basis points
Interest	\$ 4,300
IR&D (as a % of sales)	0.6%
Tax Rate	35%

** Subject to the finalization on fixed asset valuation in the Hunter acquisition
(\$ in thou)*

- 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
 - Singular 10th Annual Best of the Uncovered Conference in Los Angeles on September 17
 - CJS Non-Deal Road Show in Boston from Sept 21-22
 - Ideas Southwest Conference in Dallas from November 18-19



**“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”**