

Sparton's EMS Unit Propels Q4 Gains

Written by Mike Buetow
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SCHAUMBURG, IL -- Sparton Corp. today announced fiscal fourth quarter net income swung to a profit as EMS and medical sales offset lower sonobouy demand. For the period ended June 30, sales rose \$400,000 year-over-year to \$61.3 million. Net profits were \$4.1 million, up from a net loss of \$700,000 last year.

"We are extremely pleased with our fourth quarter performance," president and chief executive Cary Wood said. "While showing a modest increase in sales over the prior year quarter, we increased profitability across all three segments, finishing the year with what was by most operational measures our best quarter since we began our turnaround in fiscal 2009."

For the fiscal year, sales rose 10% to \$223.6 million. Net income was up 41% to \$9.3 million.

For the quarter, the company's contract assembly division's sales rose \$1 million to \$15.7 million, with \$1.7 million in sales to new and existing customers offset in part by \$700,000 in lower intercompany sales. Gross margin increased 320 basis points to 15.5% on product mix and increased capacity utilization. Gross profit rose \$600,000 to \$2.44 million. For the year, EMS sales increased 7.6% to \$53.6 million. Operating income was \$3 million for the year ended June 30, 2012 compared to \$1.6 million in the prior year.

"While sales mix and volume fluctuations continue to cause our Complex Systems margins to fluctuate on a quarterly basis, I am encouraged with the year-over-year improvement in our gross margin percent," said Wood. "We have made significant progress in enhancing the contribution from our Vietnam facility. Recently, Vietnam became a US Food and Drug Administration registered facility for its manufacturing processes enabling us for the first time to offer a low-cost country solution for our current and future medical customers."

Medical sales increased \$400,000 on growth in existing customer programs and revenue from new business wins. For the year, Sparton won 12 new medical programs. Medical sales increased 13.1% to \$12.9 million for the year.

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Defense & Security Systems sales decreased approximately \$1.6 million for the quarter on lower **US Navy** sonobuoy production and legacy digital compass sales, partially offset by increased sonobuoy sales to foreign governments. DSS sales increased 6.3% for the year.

Sparton guided for the second half of fiscal 2013 to grow faster than the first half. "In order to achieve our vision of a \$500 million revenue business by 2015, the majority of our growth will have to come from acquisitions and we will continue to seek out appropriate transactions that result in advancing our strategic growth plan while positively influencing shareholder value," Wood said.

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