



Drexel Hamilton 4th Annual Aerospace & Defense Institutional Investor Conference

Gerry Haines
Executive Vice President and CFO

June 15, 2017



Forward-looking safe harbor statement

This presentation contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to fiscal 2017 business performance and beyond and the Company's plans for growth and improvement in profitability and cash flow. You can identify these statements by the use of the words "may," "will," "could," "should," "would," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," "likely," "forecast," "probable," "potential," and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in the Company's markets, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in, or in the U.S. Government's interpretation of, federal export control or procurement rules and regulations, market acceptance of the Company's products, shortages in components, production delays or unanticipated expenses due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and restructurings, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, increases in interest rates, changes to export regulations, increases in tax rates, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price service and system integration engagements, and various other factors beyond our control. These risks and uncertainties also include such additional risk factors as are discussed in the Company's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended June 30, 2016. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

Use of Non-GAAP (Generally Accepted Accounting Principles) Financial Measures

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, the Company provides adjusted EBITDA, adjusted income from continuing operations, and adjusted EPS which are non-GAAP financial measures. Adjusted EBITDA, adjusted income from continuing operations, and adjusted EPS exclude certain non-cash and other specified charges. The Company believes these non-GAAP financial measures are useful to help investors better understand its past financial performance and prospects for the future. However, the presentation of adjusted EBITDA, adjusted income from continuing operations and adjusted EPS is not meant to be considered in isolation or as a substitute for financial information provided in accordance with GAAP. Management believes the adjusted EBITDA, adjusted income from continuing operations, and adjusted EPS financial measures assist in providing a more complete understanding of the Company's underlying operational results and trends, and management uses these measures along with the corresponding GAAP financial measures to manage the Company's business, to evaluate its performance compared to prior periods and the marketplace, and to establish operational goals. A reconciliation of GAAP to non-GAAP financial results discussed in this presentation is contained in the Appendix hereto.

Pioneering a next generation defense electronics company...

- High-tech commercial business model
- Secure processing subsystems
- Serving defense Prime contractor outsourcing needs
- Deployed on 300+ programs with 25+ Prime contractors
- LTM 3/31/17⁽¹⁾
\$378M revenue;
Growth YoY:
 - 52% revenue
 - 30% GAAP net income
 - 59% Adj. EBITDA
 - 45% backlog
- FY17 guidance⁽²⁾:
 - \$405M - \$409M revenue
 - \$22.6M - \$23.8M GAAP income
 - \$91.0M - \$92.9M Adj. EBITDA



...to address the industry's challenges and opportunities



(1) LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks, Form 10-Qs and the Company's earnings release on April 25, 2017.





















(2) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

Investor highlights

Proven Management Team	Successful business transformation. Double-digit revenue growth with strong profitability
Leading Positions on Well-funded Platforms	Pure play aerospace and defense electronics company. Embedded on key growth programs aligned to DoD priorities
Aligned with Industry Growth Drivers	Pacific pivot and third offset, aging platform modernization, foreign and international military sales
Next Generation Defense Electronics Business Model	Internally-funded R&D. IP retention. Commercial sales model. US development, manufacturing and support for secure systems
Innovative Technology Leader	Secure sensor processing, safety-critical mission processing and platform management subsystems, software and services
Low Risk Growth Strategy	Captive Prime outsourcing largest secular growth trend. RF and secure processing content expansion on key DoD programs
Business Platform Built to Scale	Scalable business, engineering and manufacturing platform to facilitate future acquisitions



We are deployed on 300+ programs with 25+ Primes

RADAR	F-16	F-35	Triton	Patriot	Aegis
					
EW	F-15	AH-64 Apache	Global Hawk	Badger/Buzzard	SEWIP
					
EO/IR – C4I	F-16	Reaper/Gorgon Stare	F-35	P-8 MMA	KC-46
					
MISSILES & MUNITIONS	SDB II	PGK	MALD-J	Paveway	SM2/3/6
					

snc SIERRA NEVADA CORPORATION

Raytheon

NORTHROP GRUMMAN

BAE SYSTEMS

AIRBUS

LOCKHEED MARTIN



communications



GENERAL ATOMICS



BOEING

HARRIS

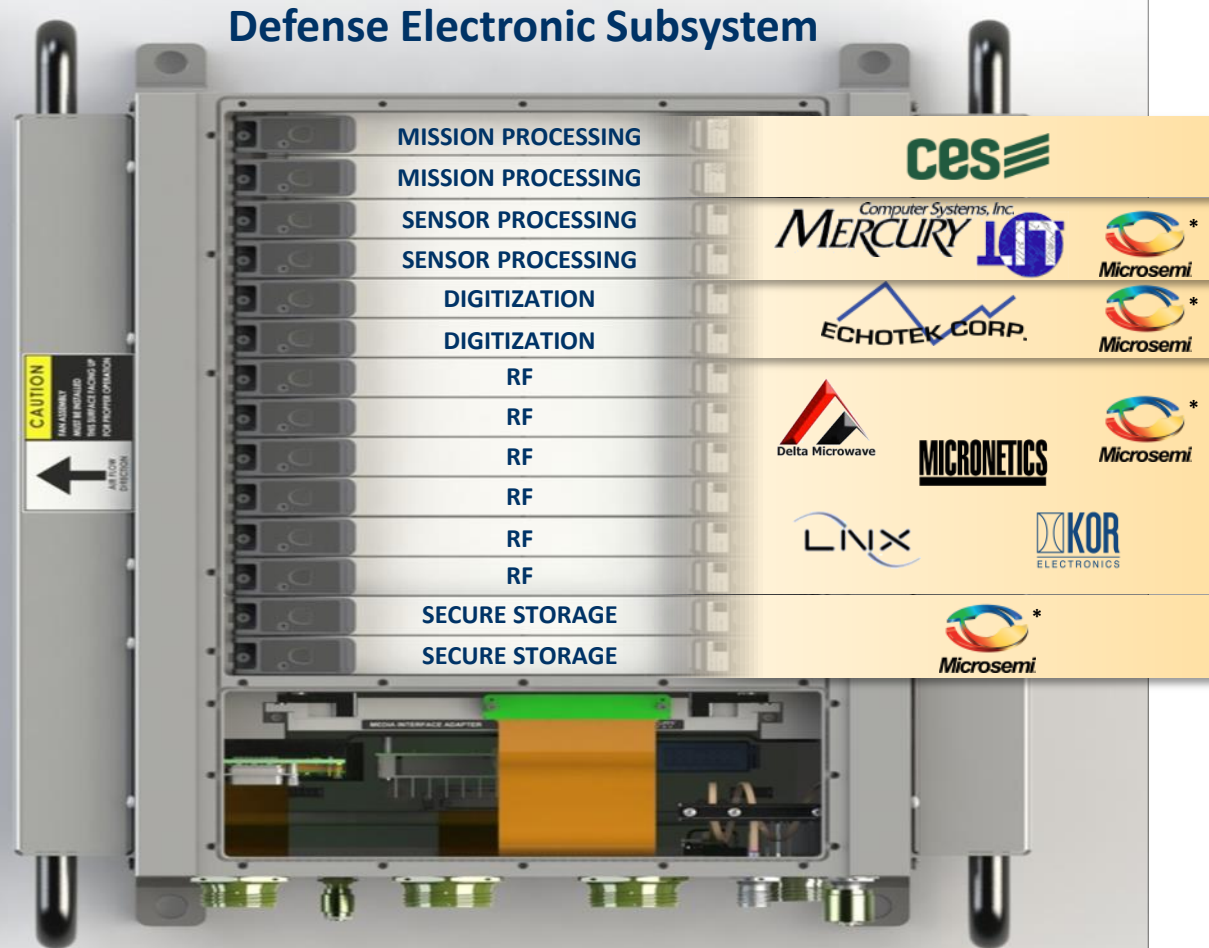
Mercury's vision is to be the...

Leading commercial provider
of secure sensor and mission
processing subsystems



Acquisitions have transformed Mercury into a commercial...

- Acquired capabilities significantly expand addressable market
- Moved up the value chain
- Model facilitates greater customer outsourcing
- Accelerates customer supply chain consolidation
- Disintermediate traditional product competitors
- Low-risk, high-growth content expansion organic growth
- Future M&A opportunities



...provider of secure sensor and mission processing subsystems



Five major trends shaping the defense industry



Political Dysfunction:

Sequestration-driven cuts and repeated Continuing Resolutions disrupting DoD budget process and spending



Crowding Out of Defense Spending and Investment:

Rising interest rates, healthcare and social spending; MilPer expense growth, aging military platforms' O&M costs rising



Defense Procurement Reform 3.0:

Firm-fixed-price contracts and less government-funded R&D changing economics and competitive dynamics of defense industry



Industry Has Cut Capacity to Innovate:

Reduced headcount, fewer engineers and aging workforce; Less IR&D and growth investments, increased dividends and buybacks

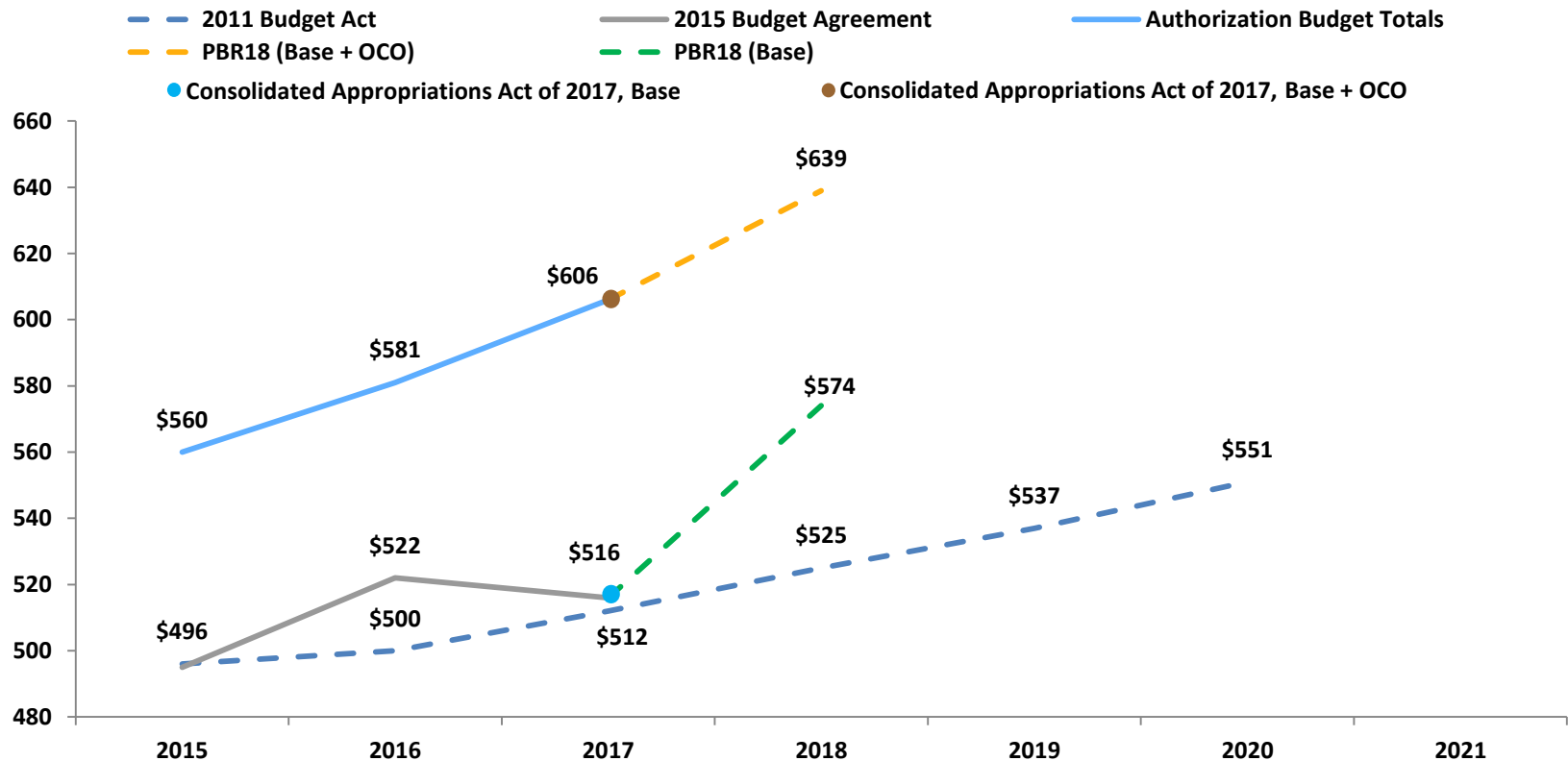


Challenging Global Security Environment:

Resurgent Russia, Chinese militarization and power projection, ISIS threat, North Korean agitation, Middle East instability

Defense budget outlook improved

Topline Base Authorization Budget vs. BCA Caps & Bipartisan Budget Act Agreement (\$B)

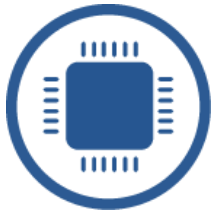


Sources: National Defense Authorization Act of 2016, GFY2017 President's Budget Request, Consolidated Appropriations Act of 2017, GFY2018 President's Budget Request, GFY2018 OSD Comptroller Do D Budget Request Overview Brief. Numbers may not add due to rounding.

New administration expected to better support Defense



Mercury's capabilities and opportunity for growth...



Pacific Pivot & Third Offset:

Platforms need improved sensors, autonomy, electronic protection and attack, on-board exploitation. Greater demand for onboard processing



Aging Platform Modernization:

Port customer software to available state-of-the-art open architectures to rapidly and affordably upgrade electronics on aging military platforms



International and Foreign Military Sales:

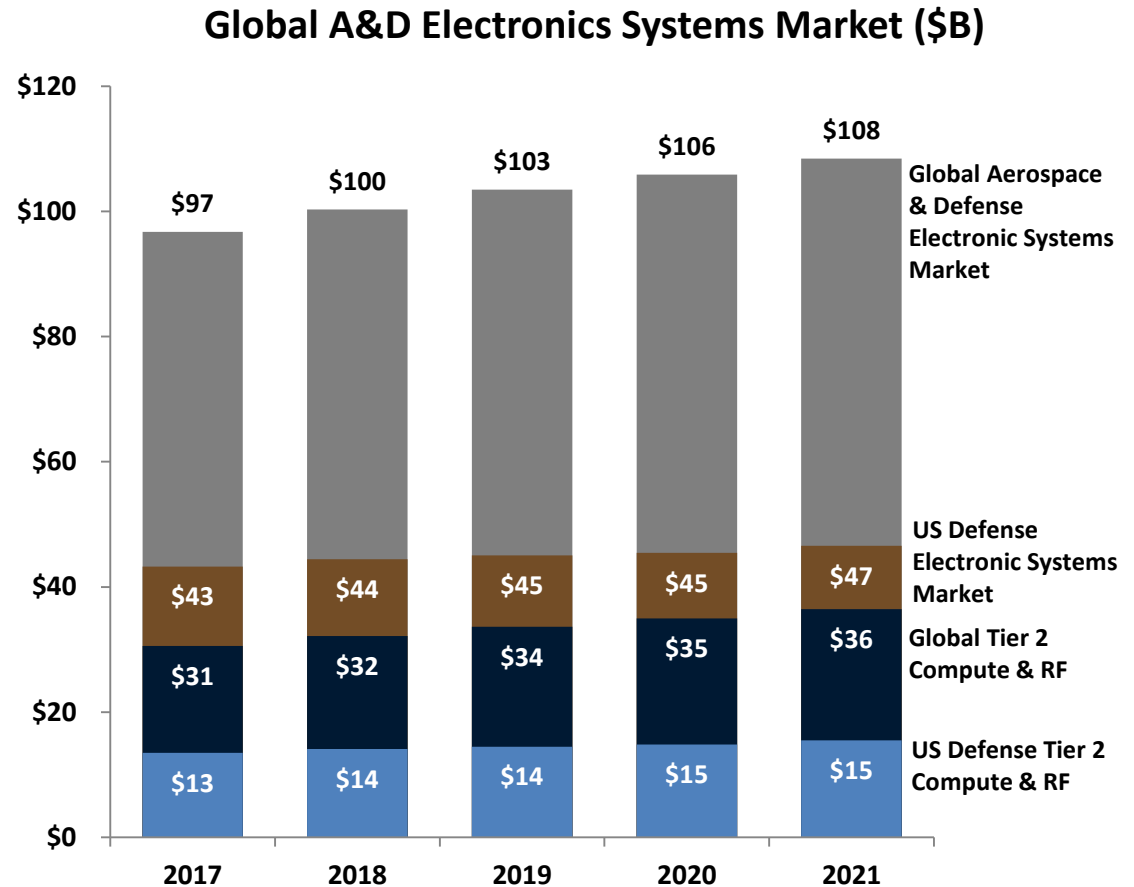
Upgrade subsystems with security for export to expand addressable market, grow revenues and access international customer R&D funding

...are aligned to DoD investment priorities



Captive outsourcing by Defense prime contractors...

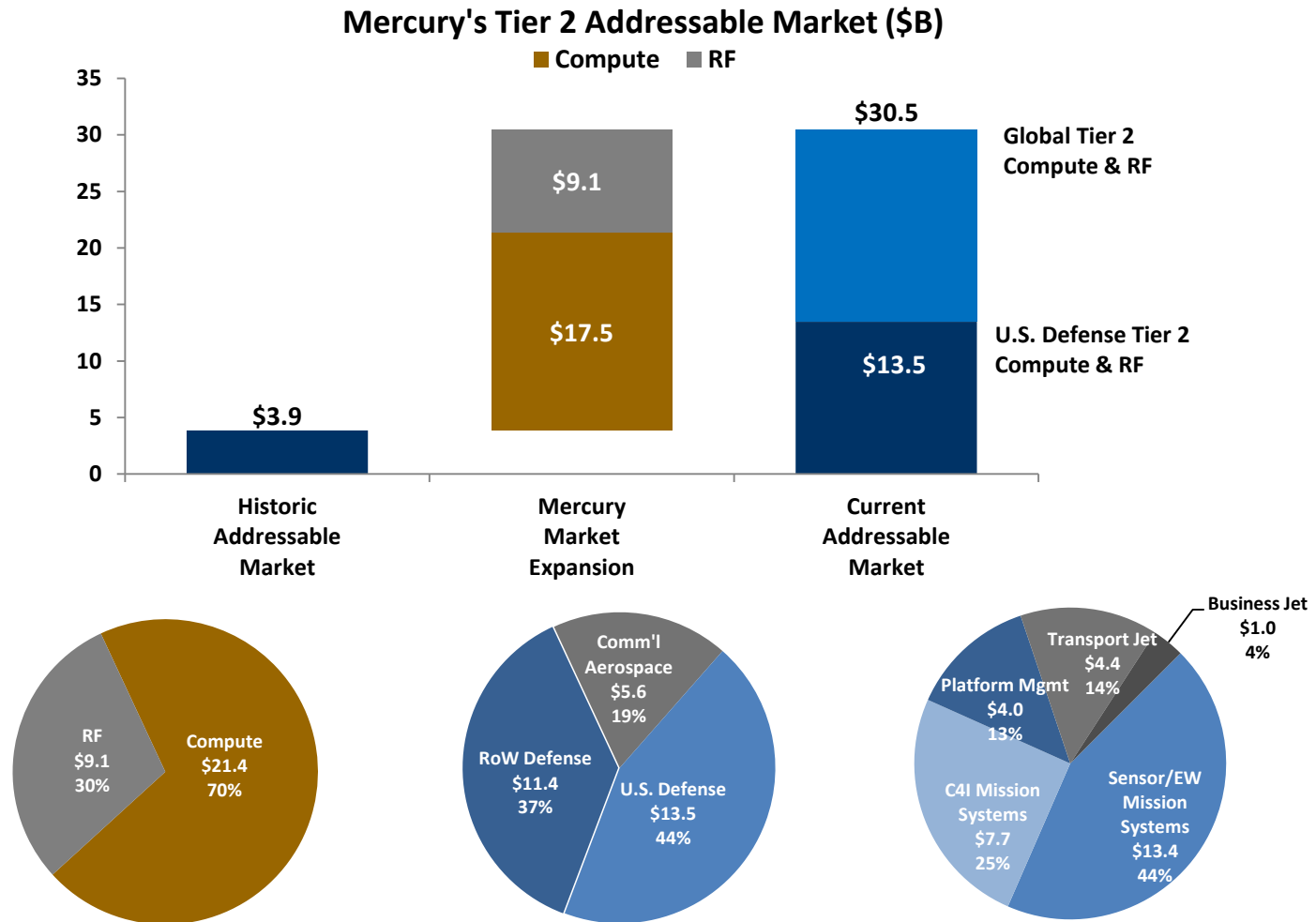
- 2017 A&D electronics is \$97 billion market
- US Defense is nearly half of total market at \$43B
- Global Tier 2 compute & RF \$31B; US \$13B
- Small percentage of Tier 2 compute & RF estimated to be currently outsourced
- Primes outsourcing to fewer but more capable suppliers willing to invest, share risk and rewards



...is the Defense industry's largest secular growth opportunity



Mercury's addressable market increased ~8x supporting continued...

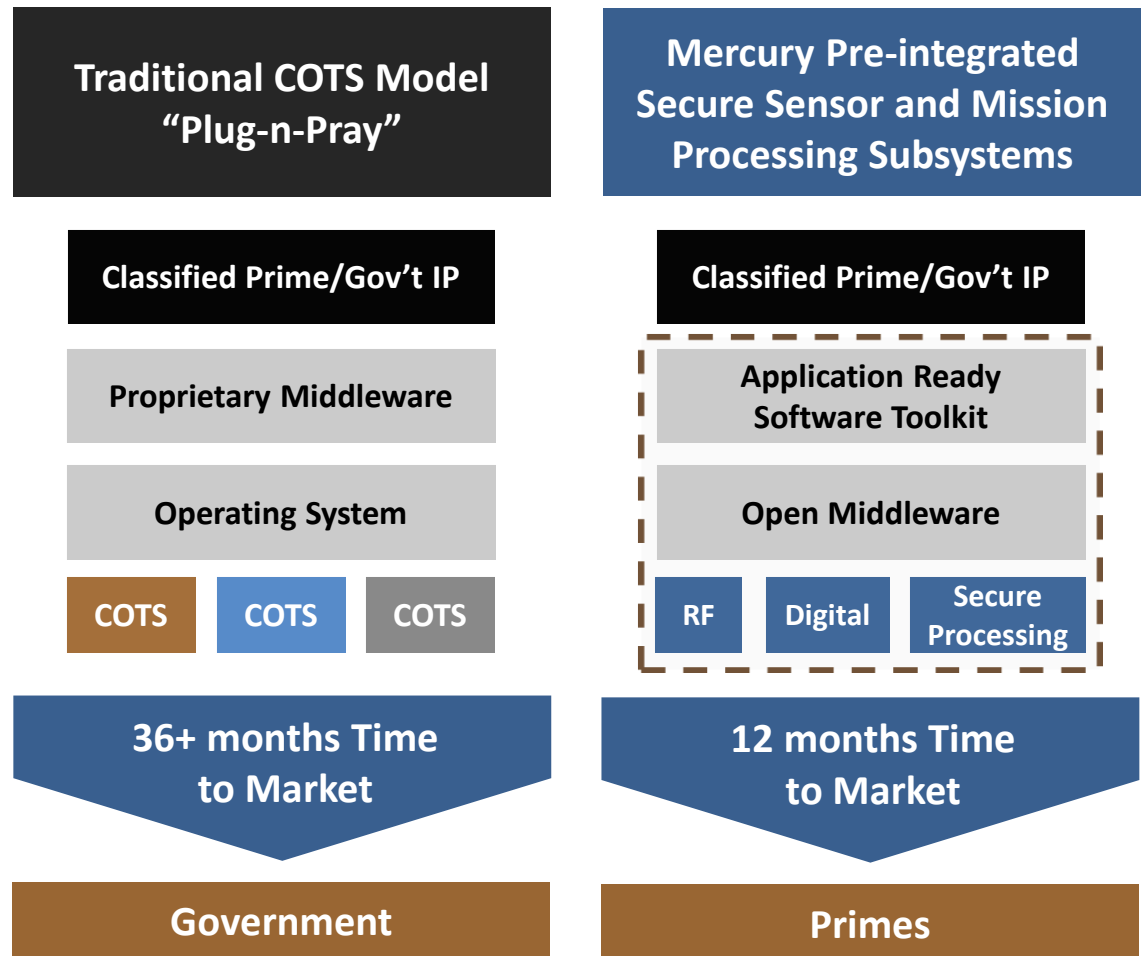


...above industry average growth, returns and future acquisitions

Sources: RSAdvisors research & analysis. Mercury market expansion reflects the Company's acquisitions and expanded offerings from R&D investments.

Business model built for speed, innovation and affordability...

- Traditional COTS board model broken (“Plug-n-Pray”)
 - Product procurement cost low
 - Large hidden integration costs
 - Lower Prime IR&D spending
 - COTS lifecycle support difficult
- Defense procurement reform
 - Less Government-funded cost-plus integration
 - Under firm fixed price, Prime bears risk and expense
- Acquired and pre-integrating sensor chain technologies
 - More affordable, lower risk, simplifies supply chain
 - Open architectures and open middleware speed adoption

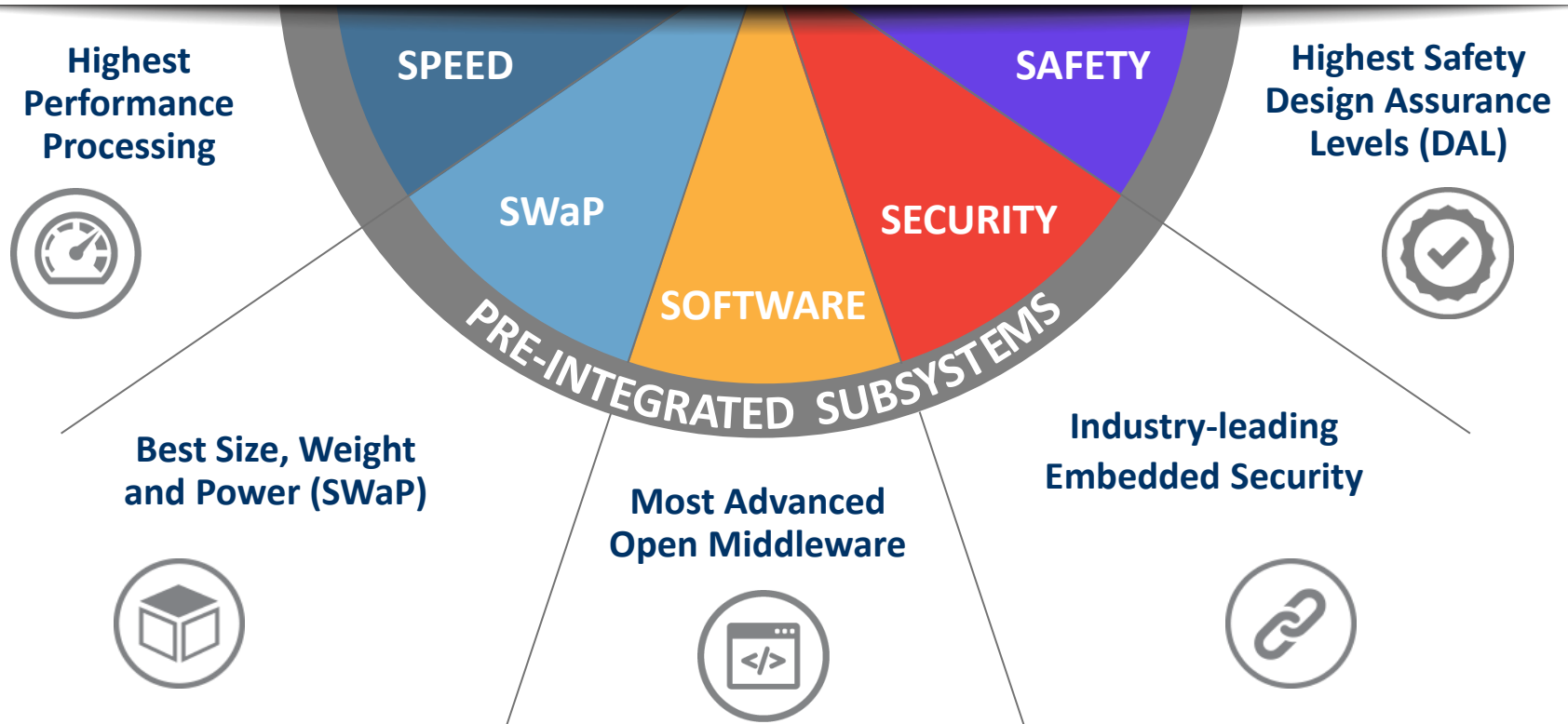


...as customers seek affordable outsourced pre-integrated subsystems



Only high-tech commercial company with the technology...

Safe and Secure Sensor and Mission Processing Solutions



...and domain expertise for secure sensor and mission processing

We will continue to execute on a disciplined and focused M&A strategy

Aerospace & Defense Platform Electronics Content

Mission Systems

Platform Systems

Platform Management



Avionics / Vetronics

Control & operation of platform



\$9.3B
4.8% CAGR
'17-21

C4I / Mission Systems

Mission Management



Command & Control / Battle Management

Processing & exploitation of information



\$3.3B
2.5% CAGR
'17-21

Comms



Dedicated Communications

Dissemination of information



\$4.5B
4.1% CAGR
'17-21

EW



Electronic Warfare

Offensive & defensive exploitation of EM spectrum



\$5.1B
5.8% CAGR
'17-21

Sensor / EW Mission Systems

Radar



Radar

Use of RF signal to detect, track, and ID



\$5.7B
4.1% CAGR
'17-21

EO/IR

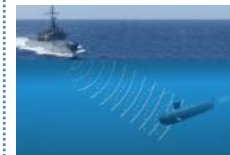


Electro Optical / Infrared

Thermographic camera which provides video output

\$1.9B
5.1% CAGR
'17-21

Acoustics



Acoustics

Sound pulses to determine object location

\$0.7B
4.5% CAGR
'17-21

Definition

2017
Tier 2*
Market \$B

Strategy and investments have positioned Mercury well

- Pioneering a next-generation defense electronics business model
- Unique technology and capabilities on key production programs
- Substantial total addressable market expansion enabling future growth
- Low-risk content expansion growth strategy with demonstrable progress
- Largest secular growth opportunity captive Prime outsourcing
- Above industry-average growth; dramatic improvement in profitability
- Business platform built to grow and scale through future acquisitions



Financial Overview

Gerry Haines

Executive Vice President & CFO



The evolution of Mercury Systems

In millions, except percentage and per share data.

		One Year Ago ⁽²⁾	Today ⁽³⁾	% Increase / (Decrease)
Valuation	Share price	\$20.30	\$39.05	92%
	Market Capitalization	\$813	\$1,872	130%
	Enterprise Value	\$728	\$1,788	146%
Operational	Revenue ⁽¹⁾	\$249	\$378	52%
	Adj. EBITDA ⁽¹⁾	\$53	\$84	59%
	Adj. EPS ⁽¹⁾	\$0.94	\$1.11	18%

Notes:

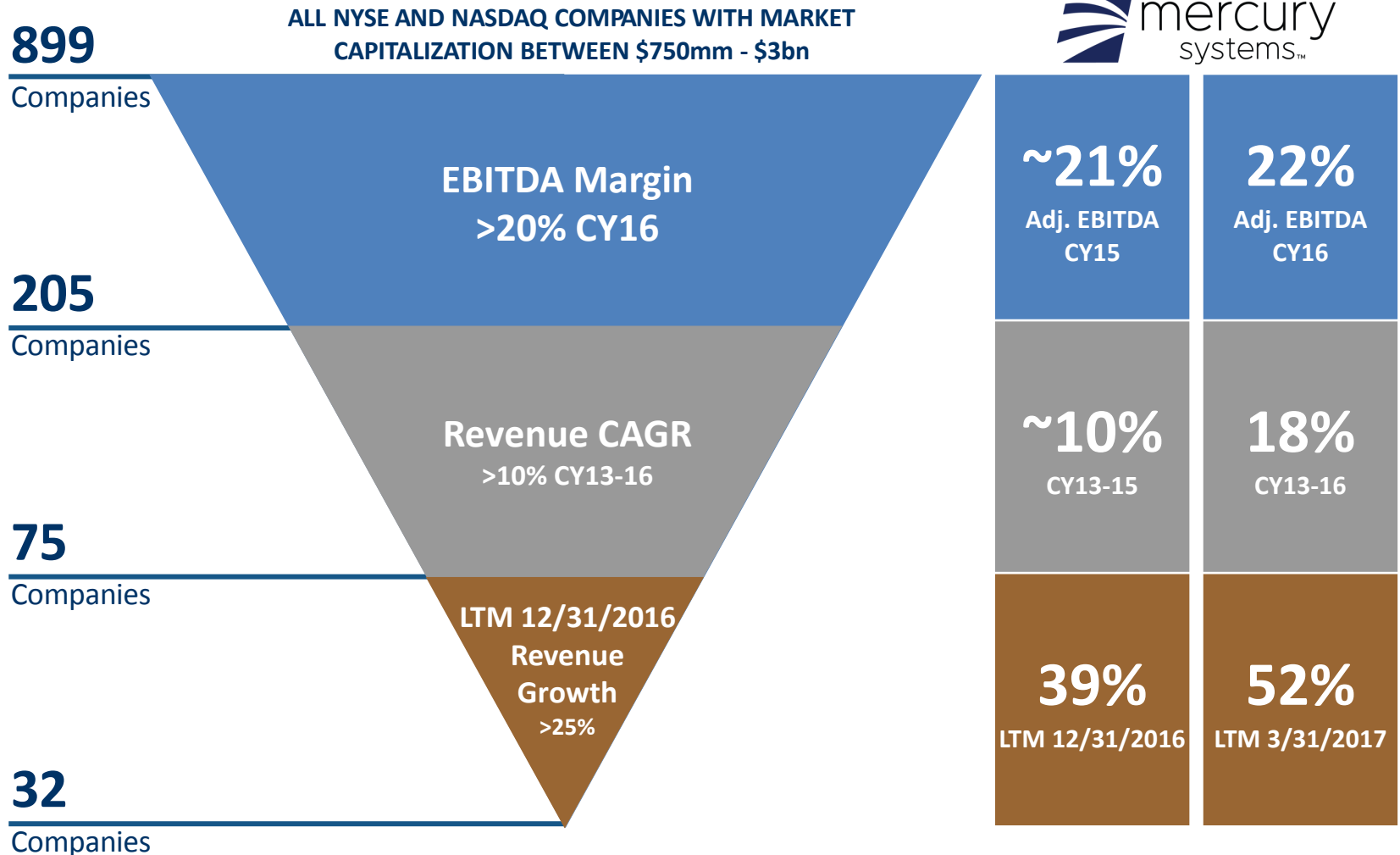
(1) LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks, Form 10-Qs and the Company's earnings release on April 25, 2017.

(2) As of March 31, 2016, share data from Q3 2016 10-Q.

(3) As of March 31, 2017, share data from Q2 2017 10-Q, plus 6.9 million shares issued on February 1, 2017 pursuant to a follow-on public equity offering.



Mercury's financial profile puts it in a unique category

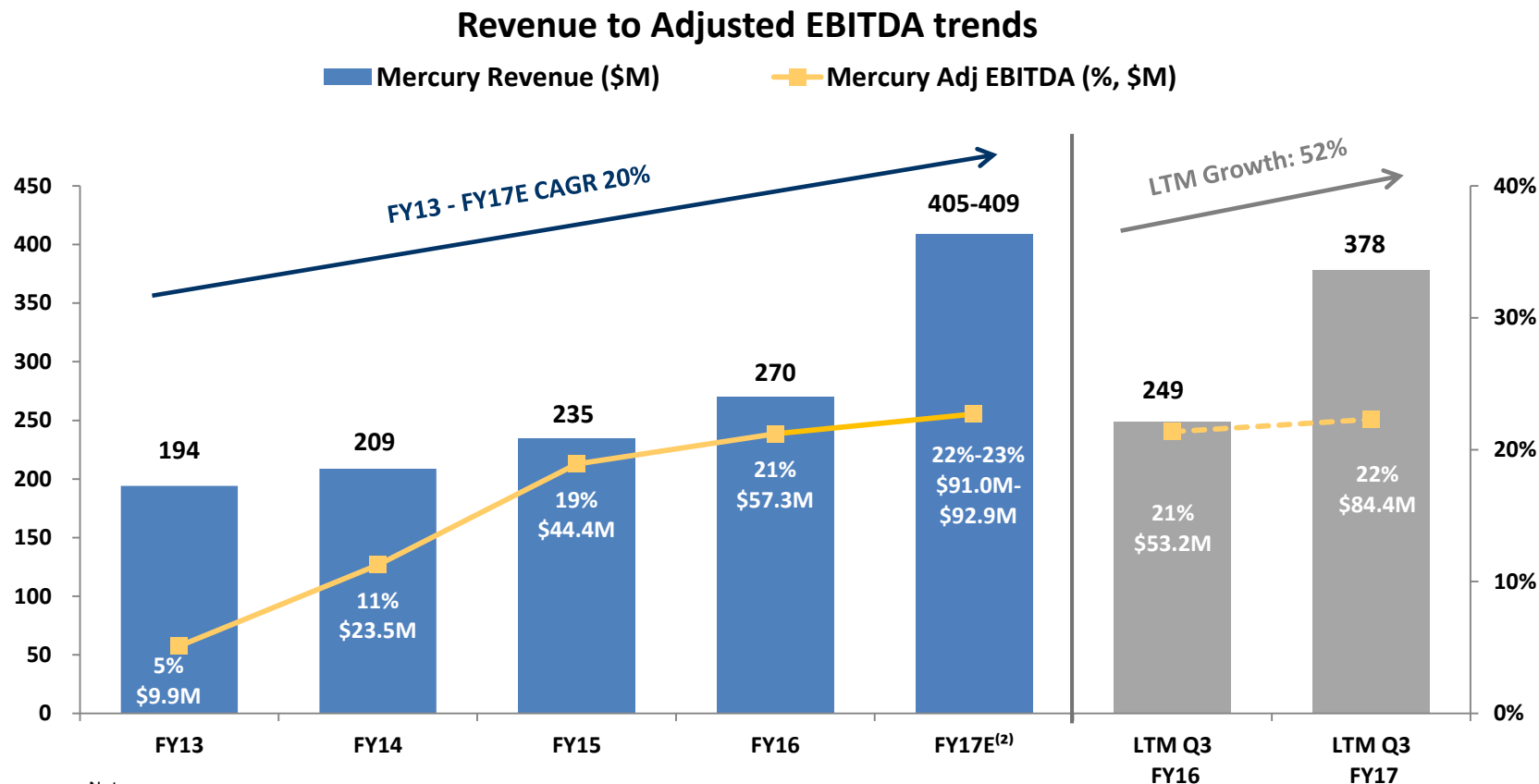


Notes:

- Source: FactSet; market data as of April 28, 2017.
- LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks and Form 10-Qs.
- Financials represent reported results and are not adjusted for acquisitions or divestitures.
- NASDAQ companies represent those that are U.S. listed.

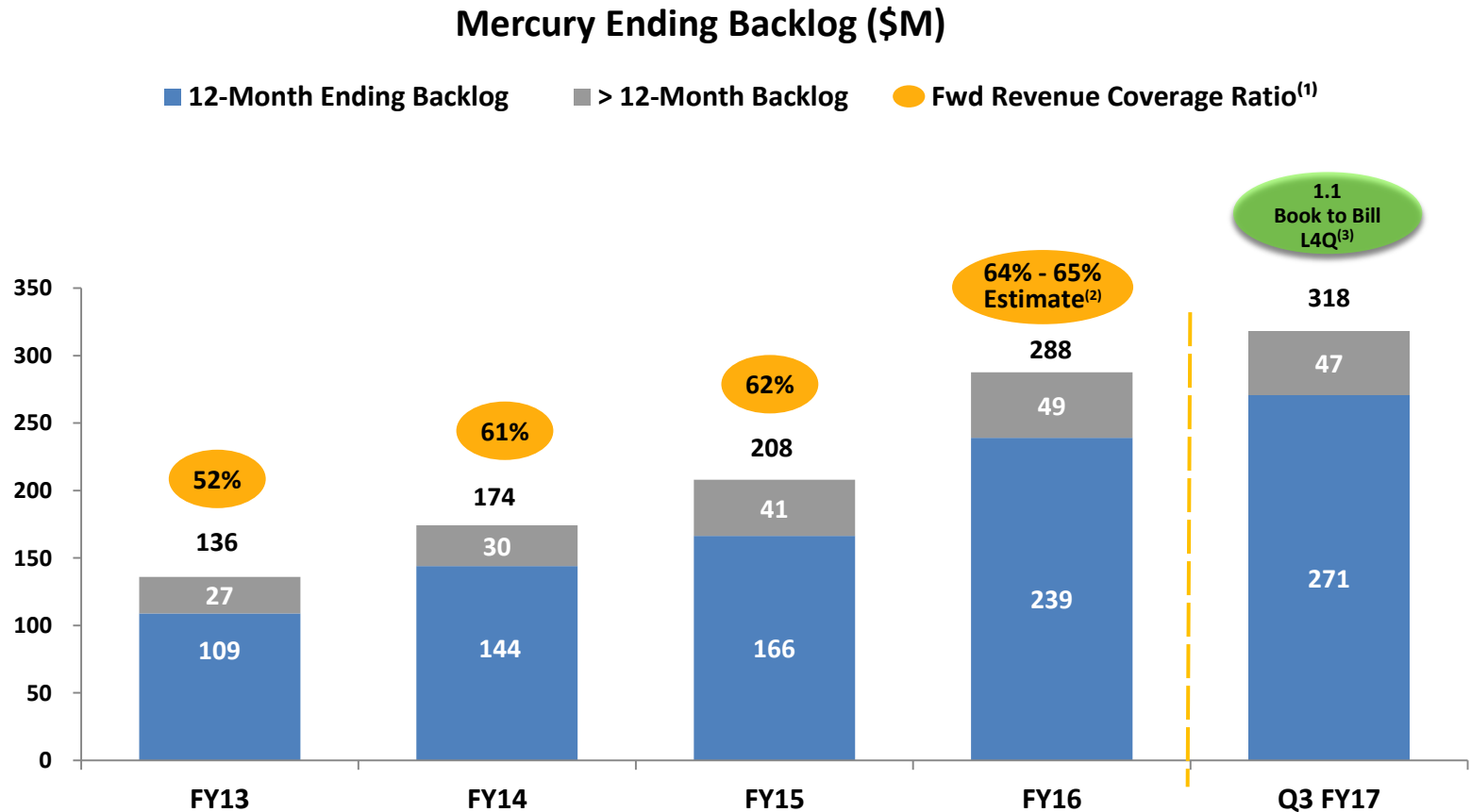
Strong revenue growth and operating leverage...

20% revenue and 74% Adj. EBITDA CAGR FY13-FY17E



...yielded dramatic growth in adjusted EBITDA

FY13-FY16 backlog CAGR of 28%...



Notes:

(1) Revenue Coverage Ratio = 12-month ending backlog/Next 12 months Revenue (or initial revenue estimate for current/future year).

(2) Estimate based upon FY17 original revenue guidance provided in the Company's August 2, 2017 earnings release.

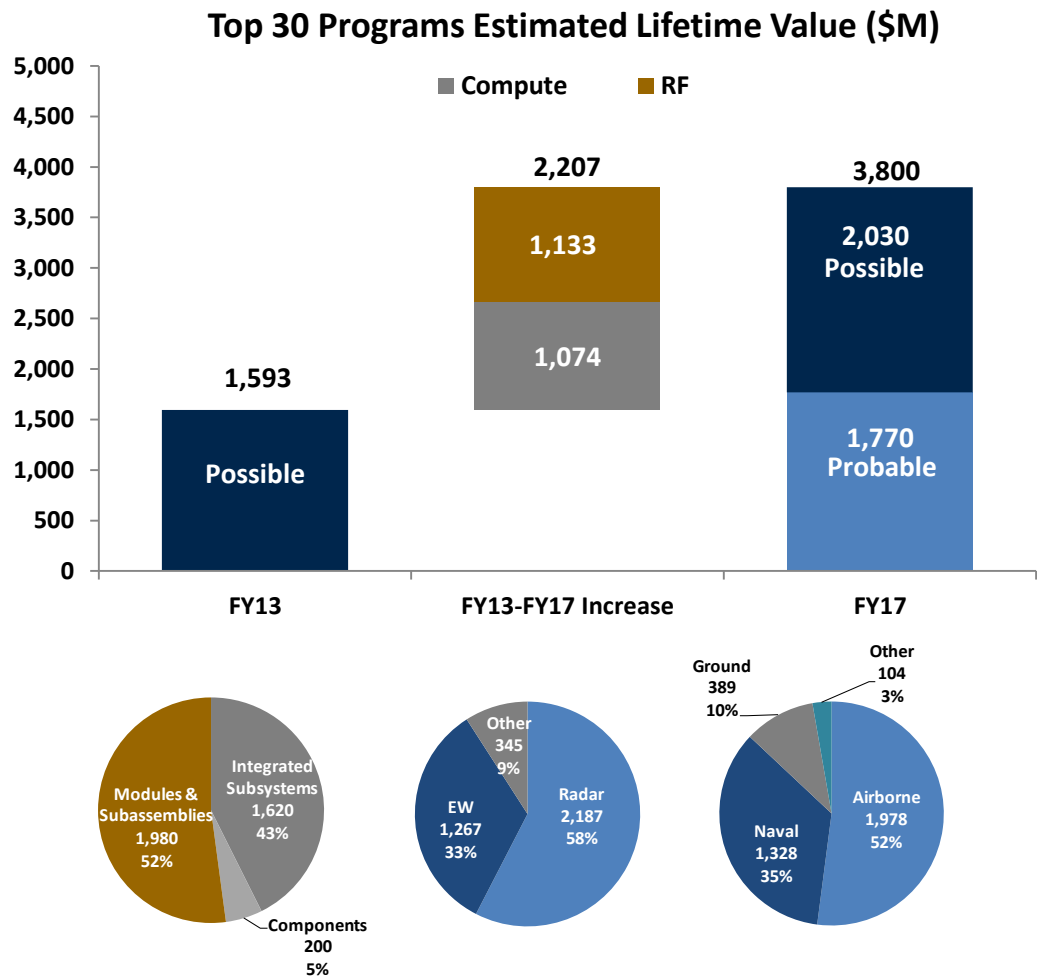
(3) L4Q figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks, Form 10-Qs and the Company's earnings release on April 25, 2017.

...yielded record backlog and revenue coverage exiting FY16



Acquisitions and investments driving significant opportunity growth...

- Acquired businesses brought wide array of programs and capabilities
- Content expansion drives outsized growth
- New design wins have expanded program portfolio
- Result is expanded, diversified, growing base of programs and content
- Total potential value grew 2.4x to \$3.8B in 4 years
- Broader portfolio yields lower program risk



...which in turn is driving strong actual results

Note: Refer to Appendix for definitions of “Probable” and “Possible”. Probable and Possible values are as of the beginning of the referenced fiscal year. Numbers are rounded.

Strong LTM performance

52% revenue and 59% adjusted EBITDA growth YoY

<i>In millions, except percentage and per share data</i>	LTM Q3FY16	LTM Q3FY17	Change
Backlog	\$219.7	\$318.0	45%
Revenue	\$248.8	\$378.4	52%
Gross Margin	48.5%	46.5%	(2) pts
Operating Expenses Adjusted OpEx (% of revenue) ⁽²⁾	\$96.5 34%	\$143.7 32%	49% (2) pt
GAAP Income	\$18.2	\$23.6	30%
GAAP EPS Weighted-average diluted shares outstanding	\$0.55 33.7	\$0.58 40.9	6% 21%
Adjusted EPS⁽³⁾	\$0.93	\$1.10	18%
Adj. EBITDA⁽³⁾	\$53.2	\$84.4	59%

Notes:

(1) LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks, Form 10-Qs and the Company's earnings release on April 25, 2017, except as noted below.

(2) Excludes \$5.5M of restructuring and acquisition costs and other related expenses from GAAP operating expenses in LTM Q3 FY16 and \$3.4M in LTM Q3 FY17.

(3) Non-GAAP, see reconciliation table.

Q3 FY17 vs. Q3 FY16

<i>In millions, except percentage and per share data</i>	Q3FY16⁽¹⁾	Q3FY17⁽¹⁾	Change
Revenue	\$66	\$107	63%
Gross Margin	48%	47% ⁽²⁾	(1)pt
Operating Expenses	\$24.6	\$39.1	59%
GAAP Income	\$4.4	\$7.0	62%
GAAP EPS Weighted-average diluted shares outstanding	\$0.13 34.0	\$0.16 44.8	23% 32%
Adjusted EPS⁽³⁾	\$0.25	\$0.29	16%
Adj. EBITDA⁽³⁾	\$14.6	\$25.0	71%

Notes:

(1) Q3FY16 figures are as reported in the Company's Form 10-Q and Q3FY17 figures are as reported in the Company's most recent earnings release.

(2) Includes \$0.3 million negative impact of inventory valuation step-up from purchase accounting.

(3) Non-GAAP, see reconciliation table.



Q4 FY17 guidance vs. Q4 FY16 actual

<i>In millions, except percentage and per share data</i>	Q4FY16	Q4FY17⁽¹⁾	Change
Revenue	\$85	\$112 - \$116	31% - 36%
Gross Margin (%)	45% ⁽²⁾	45% - 46% ⁽²⁾	Opt - 1pt
Operating Expenses	\$30.5	\$38.8 - \$39.8	27% - 30%
GAAP Income	\$7.5	\$6.5 - \$7.7	(13%) - 3%
GAAP EPS Weighted-average diluted shares outstanding	\$0.19 39.0	\$0.14 - \$0.16 47.3	(26%) - (16%) 21%
Adjusted EPS⁽⁴⁾	\$0.29	\$0.26 - \$0.29	(10%) - 0%
Adj. EBITDA⁽⁴⁾	\$18.3	\$24.8 - \$26.7	36% - 46%

Notes:

(1) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(2) Includes \$1.4 million in Q4FY16 and \$0.3 million Q4FY17 negative impact of inventory valuation step-up from purchase accounting.

(3) Q4FY16 figure is as reported in the Company's Form 10-K.

(4) Non-GAAP, see reconciliation table.



FY17 annual guidance

<i>In millions, except percentage and per share data</i>	FY16⁽¹⁾	FY17⁽²⁾	Change
Revenue	\$270	\$405 - \$409	50% - 51%
GAAP Income⁽³⁾	\$19.7	\$22.6 - \$23.8	14% - 21%
GAAP EPS Weighted-average diluted shares outstanding	\$0.56 35.1	\$0.52 - \$0.55 43.1	(7%) - (2%) 23%
Adjusted EPS⁽³⁾	\$0.96	\$1.08 - \$1.11	13% - 16%
Adj. EBITDA⁽³⁾	\$57.3	\$91.0 - \$92.9	59% - 62%

Notes:

(1) FY16 figures are as reported in the Company's Form 10-K.

(2) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(3) Non-GAAP, see reconciliation table.



New target business model beginning FY17

	FY15⁽¹⁾	FY16⁽¹⁾	FY17⁽²⁾	New Target Business Model
Revenue	100%	100%	100%	100%
Gross Margin⁽³⁾	47%	47%		45% - 50%
SG&A	21%	20%		16% - 18%
R&D⁽³⁾	14%	13%		11% - 13%
Amortization	3%	3%	~5%	4% - 5%
GAAP Income⁽⁴⁾	6%	7%	5% - 6%	NA
Adj. EBITDA⁽⁵⁾	19%	21%	22% - 23%	22% - 26%

Notes:

(1) FY15 and FY16 figures are as reported in the Company's Form 10-K, except as noted below in footnote 3.

(2) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(3) FY16 was adjusted for the subsequent reclassification of \$2.9M of sustaining engineering expenses from Cost of Revenues to Research and Development.

(4) GAAP income from continuing operations in FY2015.

(5) Non-GAAP, see reconciliation table.



Conservative balance sheet

Ample liquidity, unused \$100M credit facility, \$172M Universal Shelf capacity

(In millions)	FY15 Actual	FY16 Actual	Q3 FY17 Actual ⁽³⁾
<u>ASSETS</u>			
Cash & cash equivalents	78	82	270 ⁽¹⁾
Accounts receivable, net	54	96	97
Inventory, net	32	58	72
PP&E, net	13	28	47
Goodwill and intangibles, net	186	461	484
Other	24	12	11
TOTAL ASSETS	387	737	981
<u>LIABILITIES AND S/E</u>			
AP and other liabilities	37	64	77
Debt	0	200 ⁽²⁾	193 ⁽²⁾
Total liabilities	37	264	270
Stockholders' equity	350	473	711
TOTAL LIABILITIES AND S/E	387	737	981

Acquired Delta Microwave
for \$40.5 million in cash on
4/3/17

Notes:

(1) Reflects use of approximately \$39 million in connection with acquisition of CES completed in Q2 of fiscal 2017.

Includes \$216M of proceeds received from 2/1/17 equity offering.

(2) \$200 Term Loan A facility entered into on May 2, 2016 in connection with closing of Microsemi carve-out acquisition; including OID (original issue discount).

(3) Does not reflect the use of cash for the acquisition of Delta Microwave on April 3, 2017, for a purchase price of \$40.5 million, subject to net working capital and net debt adjustments.



We actively develop potential acquisition targets across all channels

				~\$390mm of capital deployed in 18 months			
							
Acquisition Close Date	Jan 2011	Dec 2011	Aug 2012	Dec 2015	May 2016	Nov 2016	Apr 2017
Size	\$31mm	\$70mm	\$75mm	\$10mm	\$300mm	\$39mm	\$40.5mm
Strong Strategic Rationale	✓	✓	✓	✓	✓	✓	✓
Expand Addressable Market	✓	✓	✓	✓	✓	✓	✓
Revenue & Cost Synergies	✓	✓	✓	✓	✓	✓	✓
Accretive in Short Term	✓	✓	✓	✓	✓	✓	✓
Seller	Founder	Private Equity	Public	Founder	Corporate Carve-out	Private Equity	Founder
Sourcing	Proprietary Negotiated	Proprietary Negotiated	Targeted Auction	Proprietary Negotiated	Proprietary Negotiated	Proprietary Negotiated	Targeted Auction

Disciplined Approach to M&A



* Represents carve-out acquisition from Microsemi Corp.

Poised for continued, profitable growth

- Improved defense environment, fast-moving streams enhance opportunities
- Acquisitions have transformed top and bottom lines
- Broader base of larger, more diversified programs
- Record backlog enhances forward visibility, facilitates operational execution
- Sustained growth & profitability, above industry-averages
- Strong financial position supports organic growth and future M&A





Appendix



Q4 FY17 guidance (as of April 25th)

<i>In millions, except percentage and per share data</i>	Q4 FY16	Q4 FY17 ⁽¹⁾	YoY Change
	Actual	Est. Range	
Revenue	\$85	\$112 - \$116	31% - 36%
GAAP Income	\$7.5	\$6.5 - \$7.7	(13%) - 3%
Adj EBITDA⁽³⁾	\$18.3	\$24.8 - \$26.7	36% - 46%
<u>Adj EBITDA Adjustments:</u>			
Income (loss)	\$7.5	\$6.5 - \$7.7	
Interest (income) expense, net	1.1	1.8	
Tax provision (benefit)	1.1	3.5 - 4.2	
Depreciation	2.1	3.9	
Amortization of intangible assets	3.7	4.8	
Restructuring and other charges	0.3	0.0	
Impairment of long-lived assets	0.0	0.0	
Acquisition and financing costs	0.7	0.1	
Fair value adjustments from purchase accounting	1.4	0.3	
Litigation and settlement expenses	(1.9)	0.0	
Stock-based compensation expense	2.3	3.9	
Adj EBITDA⁽³⁾	\$18.3	\$24.8 - \$26.7	36% - 46%
GAAP EPS	\$0.19	\$0.14 - \$0.16	(\$0.05) to (\$0.03)
Adjusted EPS⁽³⁾	\$0.29	\$0.26 - \$0.29	(\$0.03) to \$0.00

Notes:

(1) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(2) Q4FY16 figure is as reported in the Company's Form 10-K.

(3) Non-GAAP.



FY17 guidance (as of April 25th)

<i>In millions, except percentage and per share data</i>	FY16	FY17 ⁽¹⁾	YoY Change
	Actual	Est. Range	
Revenue	\$270	\$405 - \$409	50% - 51%
GAAP Income	\$19.7	\$22.6 - \$23.8	14% - 21%
Adj EBITDA⁽²⁾	\$57.3	\$91.0 - \$92.9	59% - 62%
<u>Adj EBITDA Adjustments:</u>			
Income (loss)	\$19.7	\$22.6 - \$23.8	
Interest (income) expense, net	1.0	7.2	
Tax provision (benefit)	5.5	7.2 - 7.9	
Depreciation	6.9	12.8	
Amortization of intangible assets	8.8	19.1	
Restructuring and other charges	1.2	0.9	
Impairment of long-lived assets	0.2	0.0	
Acquisition and financing costs	4.7	2.3	
Fair value adjustments from purchase accounting	1.4	3.5	
Litigation and settlement expenses	(1.9)	0.1	
Stock-based compensation expense	9.6	15.3	
Adj EBITDA⁽²⁾	\$57.3	\$91.0 - \$92.9	59% - 62%
GAAP EPS	\$0.56	\$0.52 - \$0.55	(\$0.04) to (\$0.01)
Adjusted EPS⁽²⁾	\$0.96	\$1.08 - \$1.11	\$0.12 to \$0.15

Notes:

(1) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(2) Non-GAAP.



Adjusted EPS reconciliation

(000's)	FY13	FY14	FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	FY16	Q1 FY17	Q2 FY17	Q3 FY17
Diluted net earnings (loss) per share ⁽¹⁾⁽²⁾	\$ (0.46)	\$ (0.13)	\$ 0.44	\$ 0.08	\$ 0.15	\$ 0.13	\$ 0.19	\$ 0.56	\$ 0.10	\$ 0.13	\$ 0.16
Income (loss) from continuing operations	\$ (13,782)	\$ (4,072)	\$ 14,429	\$ 2,856	\$ 5,040	\$ 4,357	\$ 7,489	\$ 19,742	\$ 3,819	\$ 5,204	\$ 7,048
Amortization of intangible assets	8,222	7,328	7,008	1,713	1,638	1,754	3,737	8,842	4,602	4,888	4,732
Restructuring and other charges	7,060	5,443	3,175	338	221	409	272	1,240	297	69	459
Impairment of long-lived assets	-	-	-	-	231	-	-	231	-	-	-
Acquisition and financing costs	318	-	451	2,298	25	1,725	653	4,701	553	1,114	569
Fair value adjustments from purchase accounting	2,293	-	-	-	-	-	1,384	1,384	2,077	870	270
Litigation and settlement expenses	-	-	-	-	-	-	(1,925)	(1,925)	-	100	-
Stock-based compensation expense	7,854	8,999	8,640	2,702	2,392	2,150	2,330	9,574	3,632	4,093	3,715
Impact to income taxes ⁽²⁾	(8,776)	(5,772)	(6,733)	(3,466)	(1,722)	(1,979)	(2,808)	(9,975)	(6,085)	(4,441)	(3,576)
Adjusted income from continuing operations	\$ 3,189	\$ 11,926	\$ 26,970	\$ 6,441	\$ 7,825	\$ 8,416	\$ 11,132	\$ 33,814	\$ 8,895	\$ 11,897	\$ 13,217
Diluted adjusted net earnings per share ⁽¹⁾	\$ 0.10	\$ 0.37	\$ 0.82	\$ 0.19	\$ 0.23	\$ 0.25	\$ 0.29	\$ 0.96	\$ 0.22	\$ 0.30	\$ 0.29
Weighted-average shares outstanding:											
Basic	30,128	31,000	32,114	32,778	33,120	33,251	37,811	34,241	38,865	39,151	43,773
Diluted	30,492	31,729	32,939	33,616	33,831	33,991	38,954	35,097	39,865	39,985	44,814

Notes:

(1) Numbers shown are in cents.

(2) Upon the adoption of FASB ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, the Company recognized \$1,100 of excess tax benefits in FY16. The tax benefit (provision) impacts were \$896, \$247, \$(169), and \$126 for 1st quarter, 2nd quarter, 3rd quarter and 4th quarter in FY16, respectively. The GAAP EPS impacts were \$0.02, \$0.01, \$0.00, and \$(0.03) for 1st quarter, 2nd quarter, 3rd quarter and 4th quarter in FY16, respectively.



Adjusted EBITDA reconciliation

(000'S)	FY13	FY14	FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	FY16	Q1 FY17	Q2 FY17	Q3 FY17
Income (loss) from continuing operations ⁽¹⁾	\$(13,782)	\$ (4,072)	\$ 14,429	\$ 2,856	\$ 5,040	\$ 4,357	\$ 7,489	\$ 19,742	\$ 3,819	\$ 5,204	\$ 7,048
Interest expense (income), net	31	40	13	(22)	(21)	(36)	1,120	1,041	1,782	1,888	1,756
Tax provision (benefit) ⁽¹⁾	(10,501)	(1,841)	4,366	368	1,433	2,642	1,101	5,544	(1,259)	1,779	3,170
Depreciation	8,445	7,625	6,332	1,588	1,620	1,565	2,127	6,900	2,718	2,966	3,233
Amortization of intangible assets	8,222	7,328	7,008	1,713	1,638	1,754	3,737	8,842	4,602	4,888	4,732
Restructuring and other charges	7,060	5,443	3,175	338	221	409	272	1,240	297	69	459
Impairment of long-lived assets	-	-	-	-	231	-	-	231	-	-	-
Acquisition and financing costs	318	-	451	2,298	25	1,725	653	4,701	553	1,114	569
Fair value adjustments from purchase accounting	2,293	-	-	-	-	-	1,384	1,384	2,077	870	270
Litigation and settlement expenses	-	-	-	-	-	-	(1,925)	(1,925)	-	100	-
Stock-based compensation expense	7,854	8,999	8,640	2,702	2,392	2,150	2,330	9,574	3,632	4,093	3,715
Adjusted EBITDA	\$ 9,940	\$ 23,522	\$ 44,414	\$ 11,841	\$ 12,579	\$ 14,566	\$ 18,288	\$ 57,274	\$ 18,221	\$ 22,971	\$ 24,952

Notes:

(1) Upon the adoption of FASB ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, the Company recognized \$1,100 of excess tax benefits in FY16. The tax benefit (provision) impacts were \$896, \$247, \$(169), and \$126 for 1st quarter, 2nd quarter, 3rd quarter and 4th quarter in FY16, respectively.



Sales-related definitions

Design Win	A design win means that the customer has selected us to provide services, products, or intellectual property for a program of record or equivalent. In addition, the customer has won the program and we have an initial purchase order from the customer.
Possible	Possible value is a projection based upon our current information and assumptions regarding the system configuration, systems or units utilized per platform or installation, current and potential future Design Wins, our average sales price for current and/or future content, the number of platforms, spares, and potential retrofits, as well as the potential for foreign military sales - all of which could change materially as and when new information becomes available or assumptions are revised. Possible value is the highest outcome we believe to be reasonable given a range of potential outcomes based upon available information and our current set of assumptions.
Probable	Probable value is a projection based upon our current information and assumptions regarding the system configuration, systems or units utilized per platform or installation, current and potential future Design Wins, our average sales price for current and/or future content, the number of platforms, spares, and potential retrofits, as well as the potential for foreign military sales - all of which could change materially as and when new information becomes available or assumptions are revised. Probable value is the outcome we believe to be most likely given a range of potential outcomes based upon available information and our current set of assumptions.

Glossary

AEGIS	Aegis Ballistic Missile Defense System	ECM	Electronic Countermeasures	OpenVPX	System-level specification for VPX, initiated by Mercury
AESA	Active Electronically Scanned Array	EO/IR	Electro-optical / Infrared	PBR	President's Budget Request
AIDEWS	Advanced Integrated Defensive Electronic Warfare Suite	EP	Electronic Protection	PGK	Precision Guidance Kit
AMC	Advanced Microelectronics Center	EW	Electronic Warfare	RDP	Radar Digital Processor
ATCA	Advanced Telecommunications Architecture	FAB-T	Family of Beyond Line-of-Sight Terminals	RF	Radio Frequency
AWACS	Airborne Warning and Control System	FC	Fire Control	RoW	Rest of World
BCA	Budget Control Act	FMS	Foreign Military Sales	SABR	Scalable Agile Beam Radar
C2	Command & Control	FMV	Full Motion Video	SBC	Single Board Computer
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance	IFF	Identification Friend or Foe	SDB	Small Diameter Bomb
COTS	Commercial off-the Shelf	IMA	Integrated Microwave Assembly	SEWIP	Surface Electronic Warfare Improvement Program
CR	Continuing Resolution	LRDR	Long Range Discrimination Radar	SIGINT	Signals Intelligence
DAL	Design Assurance Level	MALD	Miniature Air Launched Decoy	SIP	System-in-Package
DEWS	Digital Electronic Warfare System	MMA	Multimission Maritime Aircraft	SIRFC	Suite of Integrated RF Countermeasures
DRFM	Digital Radio Frequency Memory	MOSA	Modular Open Systems Architecture	SM	Standard Missile
DSP	Digital Signal Processing	NMT	Navy Multiband Terminal	SSEE	Ships Signal Exploitation Equipment
EA	Electronic Attack	O&M	Operations & Maintenance	SWaP	Size Weight and Power