
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): March 23, 2016

Mercury Systems, Inc.
(Exact Name of Registrant as Specified in Charter)

Massachusetts
(State or Other Jurisdiction
of Incorporation)

000-23599
(Commission File Number)

04-2741391
(IRS Employer
Identification No.)

201 Riverneck Road, Chelmsford, Massachusetts 01824
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (978) 256-1300

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

Stock Purchase Agreement

On March 23, 2016, Mercury Systems, Inc. (“Mercury” or the “Company”) and Microsemi Corporation (“Microsemi”) entered into a Stock Purchase Agreement (the “Purchase Agreement”), pursuant to which, subject to the satisfaction or waiver of certain conditions, Microsemi has agreed to sell all the membership interests in Microsemi LLC - RF Integrated Solutions (“RF LLC”) to Mercury (the “Acquisition”) for \$300 million in cash on a cash-free, debt-free basis, subject to a working capital adjustment. RF LLC, directly and through subsidiaries, operates embedded security, RF and microwave, and custom microelectronics businesses of Microsemi (the “Business”).

Mercury and Microsemi have each made customary representations, warranties and covenants in the Purchase Agreement, including, among others, covenants by Microsemi to, subject to certain exceptions, conduct the Business in the ordinary course during the interim period between the execution of the Purchase Agreement and the closing of the Acquisition.

The obligation of the parties to close the Acquisition is subject to customary closing conditions, including, among others, (i) the receipt of antitrust clearance in the United States; and (ii) the absence of legal restraints or prohibitions. The obligation of each party to close the Acquisition is also conditioned upon the other party’s representations and warranties being true and correct (subject to certain materiality exceptions) and the other party having performed in all material respects its obligations under the Purchase Agreement.

Pursuant to the Purchase Agreement, prior to or concurrently with the closing of the Acquisition, Microsemi and Mercury, and/or their respective affiliates, will enter into transition services agreements and certain other customary arrangements.

Mercury expects to fund the Acquisition with a combination of committed financing for a new \$265 million bank term loan A facility, described in more detail below, and approximately \$50 million of Mercury’s cash on hand.

The foregoing description of the Purchase Agreement is included to provide you with information regarding its terms. It does not purport to be a complete description and is qualified in its entirety by reference to the full text of the Purchase Agreement, a copy of which the Company expects to file with or prior to its Quarterly Report on Form 10-Q for the quarter ending March 31, 2016.

Debt Commitment Letter

Concurrently, and in connection with entering into the Purchase Agreement, the Company entered into a debt commitment letter (the “Debt Commitment Letter”) with Bank of America, N.A., Citibank, N.A., KeyBank National Association, and SunTrust Bank as joint lead arrangers and as joint bookrunners, pursuant to which, subject to the conditions set forth therein, the lenders have committed to provide to the Company \$340 million in senior secured credit facilities (collectively, the “Senior Credit Facilities”), comprised of (i) a term loan A facility of \$265 million and (ii) a revolving credit facility of \$75 million. Bank of America, N.A. will act as sole administrative agent of the Senior Credit Facilities. The proceeds of the loans under the term A loan facility together with proceeds of loans under the revolving credit facility made on the Acquisition closing date will be used to finance a portion of the purchase price of the Acquisition, the costs and expenses related to the Acquisition and the closing fees and expenses of the Senior Credit Facilities. After consummation of the Acquisition, extensions of credit under the revolving credit facility will be available for working capital and other general corporate purposes of the Company. The joint lead arrangers and certain of their affiliates may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company and its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

The foregoing description of the Debt Commitment Letter is included to provide you with information regarding its terms. It does not purport to be a complete description and is qualified in its entirety by reference to the

full text of the Debt Commitment Letter, a copy of which the Company expects to file with or prior to its Quarterly Report on Form 10-Q for the quarter ending March 31, 2016.

Item 7.01 Regulation FD Disclosure.

On March 23, 2016, Mercury issued a press release announcing that it has signed the Purchase Agreement for the proposed Acquisition. In addition, Mercury management will host a conference call and simultaneous webcast on March 23, 2016, at 5:00 p.m. ET to discuss the Acquisition. The press release is furnished as Exhibit 99.1 hereto and the presentation materials for the conference call are furnished as Exhibit 99.2 hereto. The information provided in Item 7.01 of this Current Report on Form 8-K and in the attached Exhibits 99.1 and 99.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release of Mercury Systems, Inc. dated March 23, 2016
99.2	Investor Presentation for Mercury Systems, Inc. dated March 23, 2016

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: March 23, 2016

MERCURY SYSTEMS, INC.

By: /s/ Gerald M. Haines II

Gerald M. Haines II

Executive Vice President, Chief Financial Officer and Treasurer

Exhibit Index

Exhibit No.	Description
99.1	Press Release of Mercury Systems, Inc. dated March 23, 2016
99.2	Investor Presentation for Mercury Systems, Inc. dated March 23, 2016

News Release

Mercury Systems to Acquire Embedded Security, RF and Microwave, and Custom Microelectronics Businesses from Microsemi Corporation

- Acquisition creates Defense industry's largest commercial embedded secure processing company
- Adds secure solid-state storage to Mercury's industry-leading processing capabilities
- Nearly doubles Mercury's RF and Microwave business, adding capabilities, scale and synergies
- Provides new capabilities in embedded security and custom microelectronics
- Transaction expected to be highly accretive to FY17 adjusted EPS and adjusted EBITDA margin
- Expects to raise target financial model to 22 - 26% adjusted EBITDA margin in FY17

CHELMSFORD, Mass. – March 23, 2016 – Mercury Systems, Inc. (NASDAQ: MRCY, www.mrcy.com), today announced that it has signed a definitive agreement with Microsemi Corporation (NASDAQ: MSCC) to acquire the embedded security, RF and Microwave, and custom microelectronics businesses of Microsemi. For the twelve months ended September 27, 2015, these businesses had combined revenues of approximately \$100 million and pro forma standalone adjusted EBITDA of approximately \$28 million. The businesses are primarily focused on the defense electronics market and employ a total of approximately 275 people based at facilities in Phoenix, Ariz., Camarillo, Calif., San Jose, Calif., and West Lafayette, Ind.

Pursuant to the terms of the agreement, Mercury will acquire these businesses for a total purchase price of \$300 million. The acquisition and associated transaction expenses are expected to be funded with a combination of committed financing for a new \$265 million bank term loan A and approximately \$50 million of Mercury's cash on hand. In addition to the term loan, the financing also includes a new \$75 million revolving credit facility which is not expected to be drawn at closing. The transaction is expected to be highly accretive to fiscal 2017 adjusted EPS and adjusted EBITDA margin.

“The single transaction we're announcing today covers all three major parts of our business and, in effect, positions Mercury as the defense industry's largest commercial embedded secure processing company,” said Mark Aslett, President & CEO of Mercury. “The transaction adds secure solid-state storage to our array of industry-leading, pre-integrated processing subsystems capabilities. It nearly doubles the size of our RF and Microwave business, adding new capabilities, scale and synergies. In addition, it provides us with new capabilities in embedded security and mixed signal system-on-chip processing. All these capabilities are highly aligned with our business from a strategic perspective, so there couldn't be a better fit with our existing strategy and solutions portfolio.”

“I’m excited about the abilities of these Microsemi businesses to bring new capabilities to Mercury’s impressive mix of pre-integrated subsystems in support of numerous defense programs and platforms,” said Charlie Leader, Microsemi’s executive vice president and general manager. “There is an excellent fit strategically, culturally and operationally between the businesses to be acquired and Mercury.” Mr. Leader and his team will be joining Mercury as part of the transaction.

The acquisition is subject to customary closing conditions, including approval pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The transaction is currently expected to close during Mercury’s fiscal 2016 fourth quarter ending June 30, 2016.

For more information on the acquisition, visit www.mrcy.com/acquisition.

In addition, Mercury management will host a conference call and simultaneous webcast on Wednesday, March 23, 2016, at 5:00 p.m. ET to discuss the acquisition.

To join the conference call, dial (877) 303-6977 in the USA and Canada, or (760) 298-5079 in all other countries. Please call five to ten minutes prior to the scheduled start time. The live audio webcast and accompanying management presentation can be accessed from the 'Events and Presentations' page of Mercury's website at www.mrcy.com/investor.

A replay of the webcast will be available two hours after the call and archived on the same web page for six months.

Mercury Systems – Innovation That Matters™

Mercury Systems (NASDAQ:MRCY) is a leading commercial provider of secure processing subsystems designed and made in the USA. Optimized for customer and mission success, Mercury’s solutions power a wide variety of critical defense and intelligence programs. Headquartered in Chelmsford, Mass., Mercury is pioneering a next-generation defense electronics business model specifically designed to meet the industry’s current and emerging technology needs. To learn more, visit www.mrcy.com.

Forward-Looking Safe Harbor Statement

This press release contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to the transactions described herein. 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

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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, 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, 2015. 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.

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Proposed Carve-out Acquisition from Microsemi Corporation

Mark Aslett
President & CEO

Gerry Haines
EVP & CFO

March 23rd 2016



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 the transactions described herein. 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, 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, 2015. 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.

Agenda

- Transaction overview
- Acquisition strategic rationale
- Review of acquired businesses
- Financial summary
- Closing comments
- Q&A



Transaction overview

Acquiring 3 defense oriented businesses from Microsemi Corporation
Embedded Security, RF and Microwave, Custom Microelectronics

Highly strategic transaction at attractive valuation consistent with Mercury's strategy
\$300 million purchase price; ~10.4x net of tax benefits and ~7.6x net of expected cost synergies

Delivers growth, increased profitability, and strong cash flow generation
Acquired businesses ~\$100 million in revenue and ~28% pro-forma adjusted EBITDA margin

Substantial cost synergies and achievable revenue synergies
~\$10 million expected annual cost synergies by fiscal 2020; Expect ~2/3 to be achieved within 2 years

Significantly accretive to adjusted EPS and adjusted EBITDA margin
Expect to raise Mercury's target financial model to 22 – 26% adjusted EBITDA margin

Attractive financing; Funding deal with existing cash and new Term Loan A
Expected close in Q4 fiscal 2016; Ample liquidity, new untapped revolver, rapid deleveraging

Acquisition strategic rationale

- Creates Defense industry's largest commercial embedded secure processing company
- Adds secure solid-state storage capabilities to Mercury's industry-leading pre-integrated sensor processing subsystems
- Nearly doubles Mercury's RF and Microwave business, adding new capabilities, scale and synergies
- Adds new capabilities in embedded security and custom microelectronics
- Provides access to new high growth markets, customers and programs, such as precision-guided munitions and missiles

Highly aligned with our existing strategy and business

Acquisition provides strong fit with Mercury's strategy

- Pioneering next generation defense electronics company: commercially funded R&D; designed and made in the USA
- Best-in-class portfolio of pre-integrated sensor processing capabilities
- Targeting largest defense secular growth opportunity – captive prime outsourcing
- Significant opportunity related to DoD program protection security requirements
- Secure Intel server-class expansion into other mission-critical compute applications

Complements and scales existing security, processing and RF portfolio

Carve-out Embedded Security business

Capabilities

- Complementary to recent LIT* acquisition
- Secure system-on-chip (SoC) rooted hardware protection
- Anti-tamper detection, prevention, reaction
- Cryptographic data security
- Firmware and software protection
- Application-level security

Select Customers

Raytheon

LOCKHEED MARTIN 




BOEING

 **Microsemi**

SIKORSKY
A LOCKHEED MARTIN COMPANY 

Extends leadership in secure embedded processing applications

Carve-out RF and Microwave business

Capabilities

- Millimeter-wave RF up to 100GHz
- GaN-based power amplifiers and subsystems for Radar and EW
- Analog and digital mixed signal SoC
- Custom modules for AESA antennas
- Creates strong West Coast RF engineering and manufacturing presence; customer access

Select Customers

LOCKHEED MARTIN 

Raytheon


BOEING



NORTHROP GRUMMAN

Nearly doubles existing RF and Microwave business

Carve-out Custom Microelectronic Solutions business

Capabilities

- Secure system-on-chip (SoC) capabilities
- Trusted manufacturing for advanced secure SoC design, assembly, packaging and test
- Rugged memory further strengthens Mercury's industry-leading secure processing
- Secure solid-state storage provides new sensor processing subsystem capability
- SoC microelectronics capability accelerates leadership in custom and small form factor

Select Customers






NORTHROP GRUMMAN

Raytheon



Improves security capabilities and trusted microelectronic manufacturing

Carve-out business markets, customers and programs

Existing Customer	Existing Markets	Existing Programs
	<ul style="list-style-type: none"> • Missiles • Airborne 	<ul style="list-style-type: none"> • Paveway, MALD, SDB II, Phalanx, Condor, F-35
	<ul style="list-style-type: none"> • Precision Guided Munitions 	<ul style="list-style-type: none"> • PGK - Precision Guidance Kit
	<ul style="list-style-type: none"> • Airborne 	<ul style="list-style-type: none"> • AWACS, P-8, KC-46A
	<ul style="list-style-type: none"> • EW, Ground Radar 	<ul style="list-style-type: none"> • F16, G/ATOR
	<ul style="list-style-type: none"> • Avionics 	<ul style="list-style-type: none"> • F35

Additional revenue synergy opportunities

- Acquired capabilities are complementary; little or no overlap with Mercury's
- Leverages MRCY's channel, strategic customer relationships and program installed base
- Adds scale in RFM modules and subsystems, and opportunity for manufacturing efficiencies
- Significant West coast RFM location complements East coast AMC facilities

Secure Processing

Strengthens and extends our leadership in embedded systems security through advanced hardware, software and security capabilities

Secure Solid-State Storage

Provides security, data integrity, reliability and ruggedness as primary attributes

Small Form Factor

SWaP drives miniaturization in memory, RF and digital packaging. SoC solutions for secure processing and mixed signal applications represent next step in miniaturization of the sensor processing chain

RF Capabilities

Broadband amplifiers and MMW capabilities complement our current RF business and provide access to missile / munition market

Well aligned with strategy to strengthen and grow our core

Financial summary

Attractive Purchase Price Pre and Post Synergies

- \$300 million purchase price
- ~10.4x Sept 27, 2015 carve-out pro-forma adjusted EBITDA net of tax benefit
- ~7.6x net of expected run-rate cost synergies

Significant Margin and Earnings Accretion

- Significantly accretive to Mercury's existing adjusted EBITDA margin
- Expect to be highly accretive to fiscal 2017 adjusted EPS
- Expect to raise target business model to 22 – 26% adjusted EBITDA margin

Substantial Cost Synergies

- Expect ~\$10 million of annualized cost synergies by fiscal 2020
- Expect ~2/3 of cost synergies to be achieved within 2 years
- Readily achievable revenue synergies

Additional Tax Benefits

- ~\$10 million net present value of transactional tax benefit over 15 years
- Additional R&D and manufacturing tax credits

Financial summary cont'd

Committed Financing at Attractive Rates and Ample Liquidity

- Use ~\$50 million cash from balance sheet plus
- Committed \$265 million Term Loan A at (LIBOR + 300 bps)
- Over \$30 million cash and \$75 million undrawn revolver provides ample liquidity

Conservative Debt With Rapid Deleveraging

- Closing Debt to pro-forma adjusted EBITDA ~3.1x and net Debt of ~2.7x
- Strong combined cash flow generation yields rapid deleveraging
- By 6/30/2017, Debt/Adj. EBITDA of ~2.5x and net Debt/Adj. EBITDA of ~2.0x
- By 6/30/2018, Debt/Adj. EBITDA of ~2.0x and net Debt/Adj. EBITDA of ~1.5x

Expect Rapid Close

- Unanimously approved by each company's Board of Directors
- Subject to customary regulatory approvals
- Expect to close during Mercury's fourth quarter fiscal 2016

Guidance

- Expected to be GAAP accretive within fiscal 2017 (subject to purchase accounting)
- Expect to provide fiscal 2017 guidance on fourth quarter fiscal 2016 earnings call

Summary

- Transforms top and bottom line financials
- Substantial cost synergies and revenue opportunities
- Significant adjusted EPS and EBITDA margin accretion
- Expect to raise target to 22 – 26% adjusted EBITDA margin
- Conservatively optimizes balance sheet at low cost of capital
- Strong cash flow generation allows rapid deleveraging

