

A young boy is seen from behind, pointing his right arm towards a window. Outside the window, several fighter jets are flying in a formation against a blue sky with light clouds. The entire scene is overlaid with a blue tint and a white geometric grid pattern.

**mercury**

**GOLDMAN SACHS  
INDUSTRIALS &  
MATERIALS CONFERENCE**

Mark Aslett  
President & CEO

Mike Ruppert  
Executive Vice President & CFO

May 11, 2021

# 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 acquisitions described herein and to fiscal 2021 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 epidemics and pandemics such as COVID, effects of any U.S. federal government shutdown or extended continuing resolution, 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 industrial security and cyber-security regulations and requirements, changes in tax rates or tax regulations, changes to interest rate swaps or other cash flow hedging arrangements, 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 July 3, 2020. 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, adjusted EPS, free cash flow, organic revenue and acquired revenue, which are non-GAAP financial measures. Adjusted EBITDA, adjusted income, 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, these non-GAAP measures should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. Management believes these non-GAAP 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.



# Mercury Systems at-a-glance

Innovation That Matters. By and For People Who Matter.




Founded in  
**1981**  
NASDAQ: MRCY



Transformational business  
model at the intersection  
of high tech and defense



Making commercial technology  
profoundly more accessible



Our goal is to provide all  
processing solutions on  
every system requiring  
uncompromised computing



Deployed on 300+ programs –  
serving defense Primes and  
critical infrastructure providers



Defense industry's  
highest Glassdoor  
employee ratings

# Mercury Systems by the numbers

2,300+

Number of team members globally,  
~30% hold DoD security clearances

4-5x

Research & development relative  
investment compared to our industry

\$797M

FY20 Revenue, 28% CAGR FY15-FY20  
~11% avg. organic growth FY15-FY20

24

Global state-of-the-art facilities

300+

Installed base: number of A&D  
programs with Mercury embedded

\$176M

FY20 Adj. EBITDA \$176M (22% margin)  
32% CAGR FY15-FY20

35+

Years of tech leadership  
in the A&D industry

25+

Prime customers: including virtually  
all leaders in the A&D industry

12

Number of M&A transactions  
completed since FY14



# Mercury solutions deployed on 300+ programs with 25+ primes

## Aerospace & Defense Platform and Systems Electronics Content

	JLTV	WIN-T	BLACKHAWK	A330 MRTT	Aegis	Primes
C4I						<b>AIRBUS</b> <b>BAE SYSTEMS</b> <b>BOEING</b> <b>GENERAL ATOMICS</b> <b>L3HARRIS</b> <b>LEONARDO</b> <b>LOCKHEED MARTIN</b> <b>NORTHROP GRUMMAN</b> <b>RAYTHEON TECHNOLOGIES</b> <b>SAIC</b> <b>SIERRA NEVADA</b> <b>THALES</b>
Sensor & Effector Mission Systems						
						
						

# Investment highlights

**Innovative growth company at intersection of high tech and defense**

**Focused on large, growing, well-funded addressable markets**

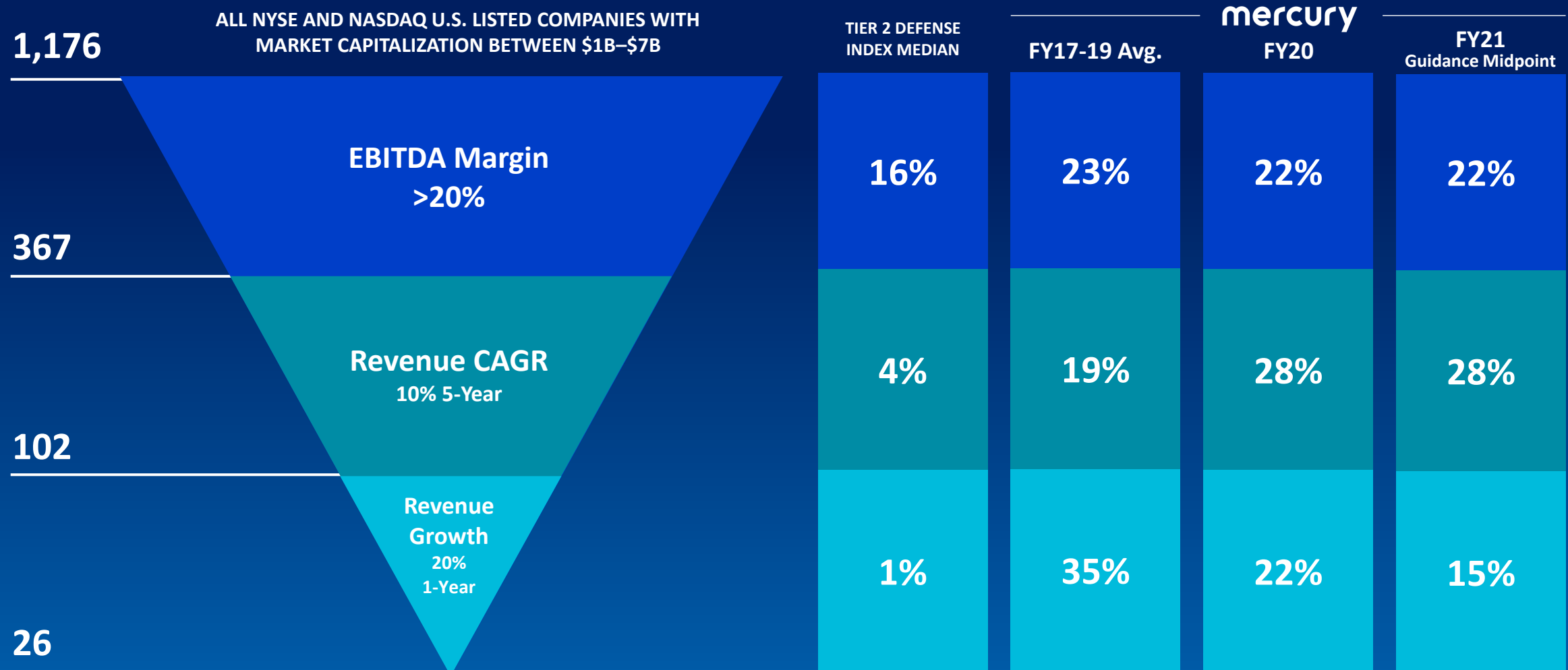
**Proven transformational business model** investing 4-5x defense industry average in R&D

**Benefiting from** outsourcing, supply chain delayering and “re-shoring”

**Low-risk content expansion strategies** delivering above-average organic revenue CAGR

**Successful M&A and integration strategy** targeting new capabilities and market expansion

# Mercury's financial profile demonstrates our unique strategy



Notes:

- Market data per FactSet as of July 14, 2020. Market participant data based on LTM from Mercury's fiscal 2020 year end and comparable historical period per FactSet. Mercury FY17-FY20 financial information based on historical data per Mercury's Form 10-Ks. Financial information represents reported results and are not adjusted for acquisitions or divestitures.
- Mercury FY21 financial information reflects the mid-point of guidance provided within Mercury's earnings release dated May 4, 2021.
- TIER 2 DEFENSE INDEX: AAR, Aerojet Rocketdyne, AeroVironment, AXON Enterprise, Ball Corporation, BWX Technologies, Comtech Telecommunications Corp, Cubic, Curtiss-Wright, Ducommun, Elbit Systems, FLIR Systems, HEICO, Hexcel, Honeywell Intl, Kaman, Kratos Defense & Security Solutions, L3Harris Technologies, Maxar, Moog, Oshkosh, OSI Systems, Teledyne Technologies, Textron, TransDigm Group, Triumph Group, ViaSat, Woodward, Inc..



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**APPENDIX**

# Mercury strategy: A plan to meet market needs at speed

**1/**

Invest to grow organically

**2/**

Expand capabilities,  
market access and penetration  
through M&A

**3/**

Invest in trusted, secure  
Innovation That Matters<sup>®</sup>

**4/**

Continuously improve  
operational capability  
and scalability

**5/**

Attract and retain  
the right talent



# 6 highly differentiated capabilities: To invest in any one of these would be significant. We invest in all six.

**Silicon:** We are a leader in adapting commercially developed silicon technology to be purpose-built specifically for aerospace and defense.

**Safety:** Design safety-certifiable processing systems up to the highest design assurance levels.

**Security:** Investment in industry-leading embedded security capabilities and secure manufacturing facilities.



**Speed:** Highest performance and densest processing solutions available onboard military platforms.

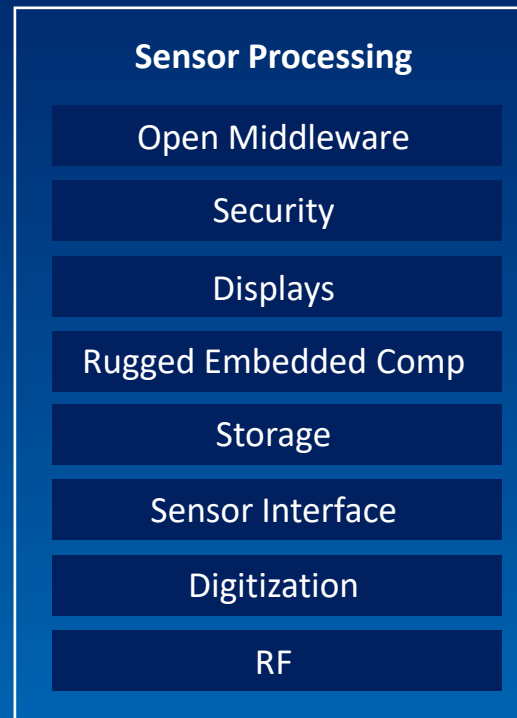
**SWaP:** Everything optimized for size, weight and power, along with most advanced packaging and cooling technology.

**Software:** Investment in the most advanced open middleware and software allowing customers to port their applications on top of open mission systems architecture.

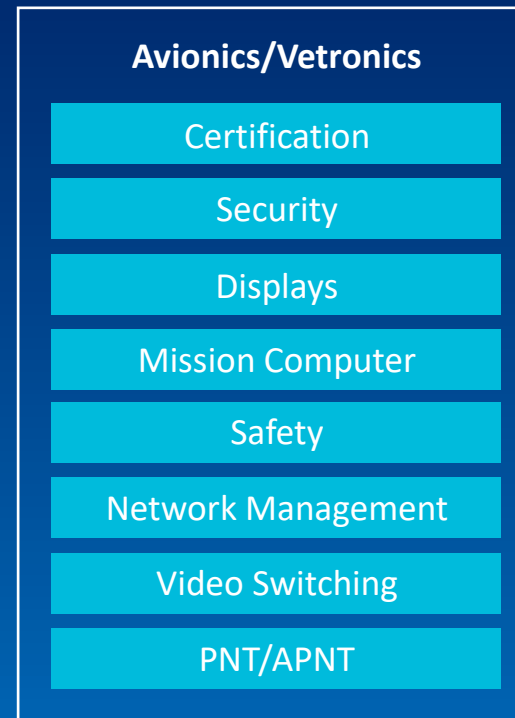
# Our overarching strategy is to provide all types of processing subsystems requiring trusted, secure computing

- Traditional COTS product integration model broken
- Procurement reform has shifted development risk to industry
- Customers burdened with integration risk and cost
- Our approach reduces program risk, meets outsourcing need, delivers at speed of relevance

## Sensor Processing



## Platform & Mission Management

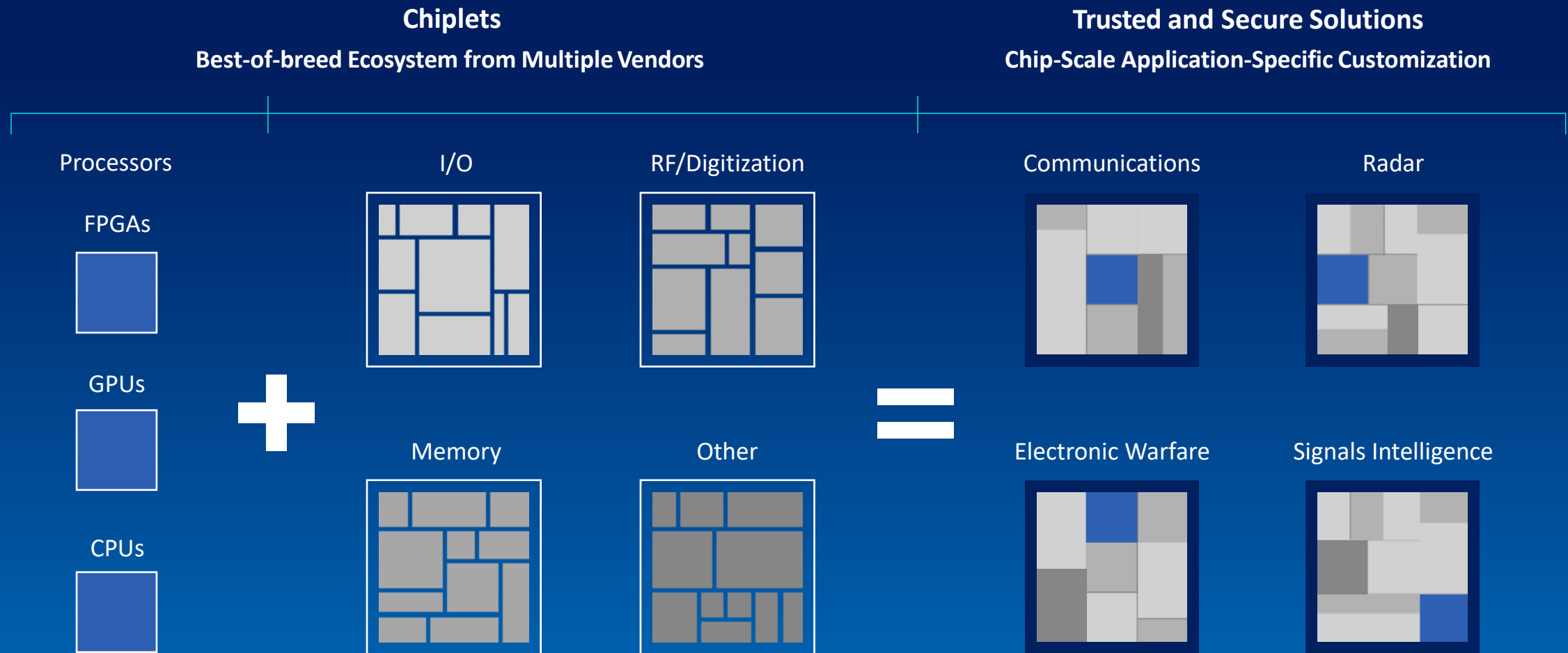


## C3I





# This game-changing capability will enable new applications at a rapid pace



# We are simultaneously expanding our content footprint vertically while horizontally expanding our market access

**Up to a 12x increase in content**  
per system as customers outsource more  
due to secure computing requirements  
and as system complexity grows



**C4I Tier 2 market**  
**\$22.4B**  
**4.1% CAGR**



Provide all other  
computers that need  
trust, security, safety

**Trusted and Secure  
Computing**

**SEMS Tier 2 market**  
**\$16.4B**  
**4.6% CAGR**



Move into adjacent  
submarkets and other  
system sensors

**Up to another 2x higher-margin**  
content increase per system as new  
trusted microelectronic capabilities  
enable new applications and performance

#### Notes

Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets

Sources: RSAdvisors research & analysis, November 2019. CAGRs referenced are for periods GFY19-GFY24. Numbers are rounded.



# Six major trends shaping the defense industry

## 1/ Defense spending pressures

Political uncertainty, COVID-19 stimulus, interest payments, healthcare and social spending remain long-term headwinds; Pressures require prioritization within DoD

## 2/ Challenging global security environment

National Defense Strategy is focused on near-peer threats; Chinese militarization and power projection, resurgent Russia; Drives technology requirements

## 3/ Defense electronics modernization underway

Significant system upgrades underway to maintain and extend competitive advantage: Sensor & C4I as well as weapon systems modernization and readiness

## 4/ Investment and innovation challenges

Primes increasing headcount but recruitment challenges and aging workforce; Relatively low IRAD requires focused investment and increased outsourcing

## 5/ Need access to commercial technology

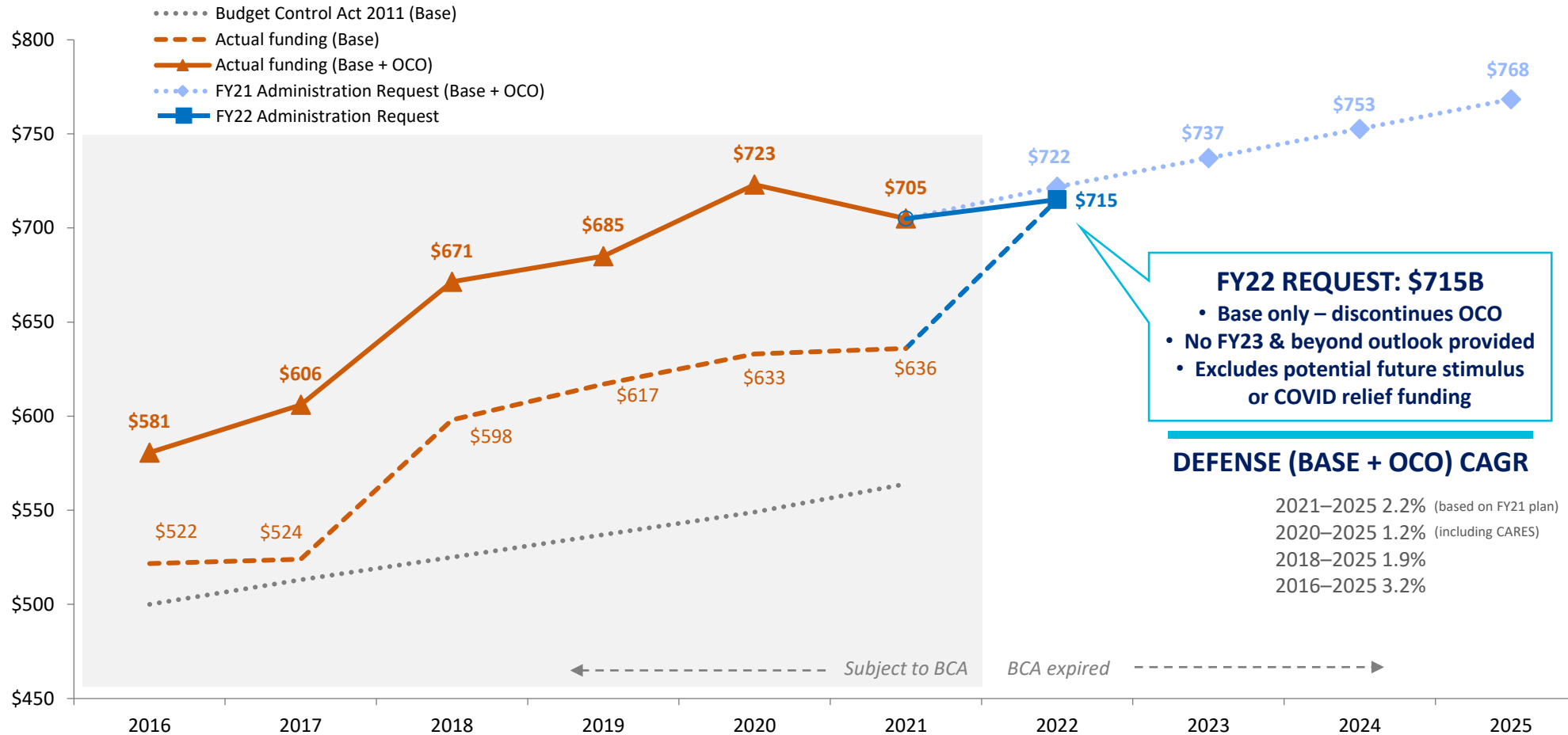
Leverage high-tech commercial investment and innovation; must be tailored for defense purposes. Microelectronics elevated to DoD's #1 technology priority

## 6/ Imperative for U.S.-produced technology

Supply chain globalization vs. need for trust, security and assurance. Need to onshore capacity and capability

# FY22 DoD initial request adds \$10B over FY21 appropriated amount, but no out year guidance has been provided

**Topline Defense Budget Outlook**  
(Discretionary BA, Current \$B)



**Notes**

- FY20 051 appropriations amount \$723B includes ~\$8B of MILCON emergency requirements and ~\$10B of CARES stimulus in OCO
- Budget and BCA Caps represent the 051 account (DoD)
- BBA 051 totals are estimated using 050 cap and typical 051 ratio
- BCA Caps expire after FY21

**Sources**

BBA 2019, FY21 PBR, CBO, CRS, OMB, FY20 DoD Green Book, FY18-21 Defense Appropriations bills, FY22 OMB "skinny budget" release, RSAdvisors research & analysis









# The A&D electronics systems market is ~ \$125B annually

Our total addressable market is now ~\$40B

## Aerospace & Defense Platform and Systems Electronics Content

C4I (\$22.4B)\*

Sensor & Effector Mission Systems (\$16.4B)\*

MARKET SEGMENT	Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
								
	<b>Avionics/ Vetronics</b>	<b>Command &amp; Control/Battle Management</b>	<b>Dedicated Communications</b>	<b>Electronic Warfare</b>	<b>Radar</b>	<b>Electro-Optical/ Infrared</b>	<b>Acoustics</b>	<b>Missiles/ Munitions</b>
<b>DEFINITION</b>	Control & operation of platform & mission systems	Processing & exploitation of information	Dissemination of information	Offensive / defensive exploitation of EM spectrum	Use of RF signal to detect, track, ID	Thermo-graphic camera with video output	Sound pulses to determine object location	Seekers, HEL, HPM Naval Launched Air Launched
<b>GFY19 ELECTRONICS MARKET (\$B)</b>	<b>\$28.1B</b> 4.0% '19-24 CAGR	<b>\$37.6B</b> 2.7% '19-24 CAGR	<b>\$16.4B</b> 3.9% '19-24 CAGR	<b>\$8.8B</b> 4.2% '19-24 CAGR	<b>\$10.2B</b> 3.2% '19-24 CAGR	<b>\$11.6B</b> 3.5% '19-24 CAGR	<b>\$4.0B</b> 5.2% '19-24 CAGR	<b>\$5.8B</b> 4.0% '19-24 CAGR
<b>GFY19 TIER 2* MARKET (\$B)</b>	<b>\$7.1B</b> 4.8% '19-24 CAGR	<b>\$7.7B</b> 3.7% '19-24 CAGR	<b>\$7.6B</b> 4.0% '19-24 CAGR	<b>\$5.4B</b> 4.3% '19-24 CAGR	<b>\$5.3B</b> 3.6% '19-24 CAGR	<b>\$1.8B</b> 4.8% '19-24 CAGR	<b>\$1.0B</b> 6.0% '19-24 CAGR	<b>\$2.9B</b> 4.4% '19-24 CAGR

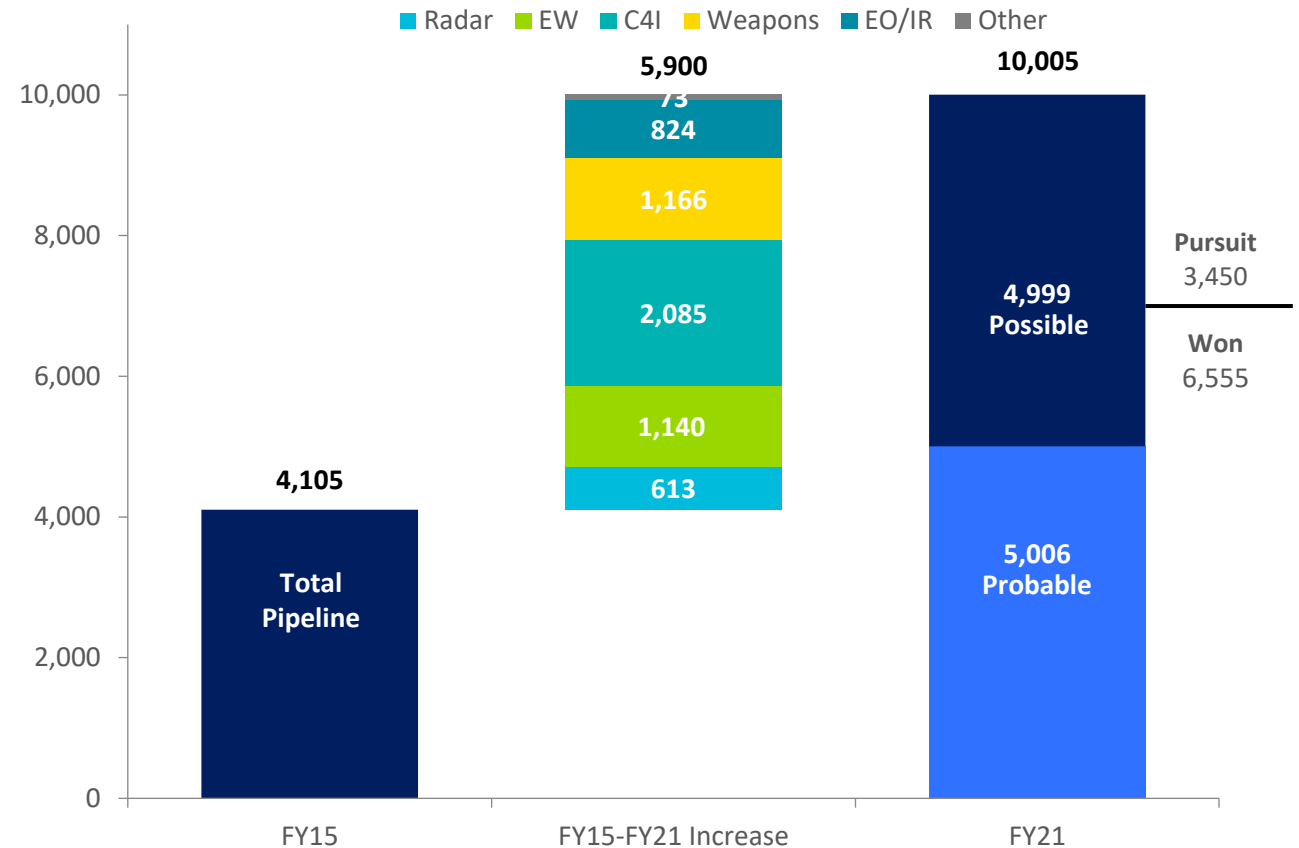
Notes: \*Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets  
Sources: RSAAdvisors research & analysis, November 2019. Numbers are rounded.



# Acquisitions and investments driving significant opportunity growth

- Defense prime contractors outsourcing more
- Outsourced integrated subsystems 74% of top 30 program lifetime value
- Content expansion driving above-average growth
- Defense primes' flight to quality suppliers
- Supply chain delayering and reshoring
- Foreign military and international sales increasing

TOP 30 PROGRAMS & PURSUITS ESTIMATED LIFETIME VALUE (\$M)



Note: Probable and Possible values are as of the beginning of the referenced fiscal year. Numbers are rounded.

# Glassdoor current employee ratings validate Mercury's status as a destination employer and acquirer of choice

	Mercury Systems	Glassdoor Average	Proxy Peer Group <sup>(1)</sup>	Tier 2 Defense Company Index <sup>(2)</sup>
Overall Rating	4.7	3.5	3.5	3.7
Culture & Values	4.7	3.4	3.3	3.5
Diversity & Inclusion	4.3	3.6	3.5	7.2
Work-Life Balance	4.3	3.4	3.5	6.7
Senior Management	4.6	3.2	3.2	3.2
Compensation & Benefits	4.5	3.2	3.3	3.5
Career Opportunities	4.5	3.1	3.2	3.4
Recommend to Friend	95%	65%	64%	67%
CEO Approval	99%	72%	78%	78%
Positive Business Outlook	94%	51%	55%	55%

(1) **PROXY PEER GROUP:** Astronics, Belden, Brooks Automation, Cognex, Comtech Telecom, Diodes Inc., Ducommun, FLIR Systems, HEICO, II-VI Inc., Infinera, iRobot, Kratos, Methode Electronics, MKS Instruments, Netgear, NetScout Systems, Novanta, OSI Systems, Ribbon Communications, Rogers

(2) **TIER 2 DEFENSE INDEX:** AAR, Aerojet Rocketdyne, AeroVironment, AXON Enterprises, Ball Aerospace, BWX Technologies, Comtech Telecom, Cubic, Curtiss-Wright, Ducommun, Elbit Systems, FLIR Systems, HEICO, Hexcel, Honeywell, Kaman, Kratos, L3Harris, Maxar, MOOG, Oshkosh Defense, OSI Systems, Teledyne Technologies, Textron, Transdigm Group, Triumph Group, Viasat, Woodward Aerospace













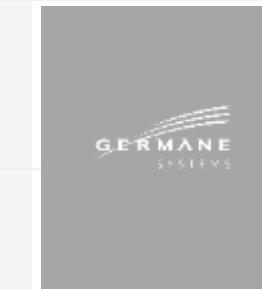
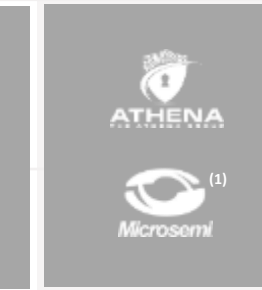
(3) Source: Glassdoor, Inc., April 21, 2021

# We have executed on a disciplined and focused M&A strategy

## Aerospace & Defense Platform and Systems Electronics Content

C4I (\$22.4B)\*

Sensor & Effector Mission Systems (\$16.4B)\*

MARKET SEGMENT	C4I (\$22.4B)*			Sensor & Effector Mission Systems (\$16.4B)*				
	Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
								
	<b>Avionics/ Vetronics</b>	<b>Command &amp; Control/Battle Management</b>	<b>Dedicated Communications</b>	<b>Electronic Warfare</b>	<b>Radar</b>	<b>Electro-Optical/ Infrared</b>	<b>Acoustics</b>	<b>Missiles/ Munitions</b>
<b>ACQUISITIONS</b>						<b>ORGANIC</b>		
<b>GFY19 TIER 2* MARKET (\$B)</b>	<b>\$7.1B</b> 4.8% '19-24 CAGR	<b>\$7.7B</b> 3.7% '19-24 CAGR	<b>\$7.6B</b> 4.0% '19-24 CAGR	<b>\$5.4B</b> 4.3% '19-24 CAGR	<b>\$5.3B</b> 3.6% '19-24 CAGR	<b>\$1.8B</b> 4.8% '19-24 CAGR	<b>\$1.0B</b> 6.0% '19-24 CAGR	<b>\$2.9B</b> 4.4% '19-24 CAGR

Notes: \*Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets  
Sources: RSAAdvisors research & analysis, November 2019. Numbers are rounded.



# Mercury M&A philosophy and value creation blueprint

## Culture & Values

Assess cultural fit and rapidly enculturate the acquiree

## Full Integration

We believe in full integration – We're not a holding company

## Unify Brand

One Brand – Mercury Systems

## Combine Like Entities

Combine like businesses or product lines to gain scale and efficiencies

## Consolidate Manufacturing

Invest capital to consolidate and modernize manufacturing facilities

## Deploy Common Processes & Systems

Deploy scalable enterprise processes, systems, security, collaboration

## Invest R&D Leverage G&A

Raise R&D to accelerate new design wins – Centralize G&A where possible

## Accelerate Organic Growth

Strategic account and solution sales model to accelerate organic growth

## Continuously Improve

Matrix structure drives clarity, consistency, continuous improvement

## Deliver Results

Common business management process and operating cadence



## We're a leader in trusted, secure technologies and subsystems

- Innovative growth company at intersection of high tech and defense
- Aligned with dominant industry trends
- Proven transformational business model for A&D industry
- Low-risk content expansion strategies with substantial headroom
- Successful M&A strategy targeting new capabilities and market expansion
- Clear purpose and positioning, unique business model, highly-engaged workforce

**mercury**

# **FINANCIAL OVERVIEW**

**MICHAEL RUPPERT**

**EXECUTIVE VICE PRESIDENT & CFO**



# The evolution of Mercury Systems

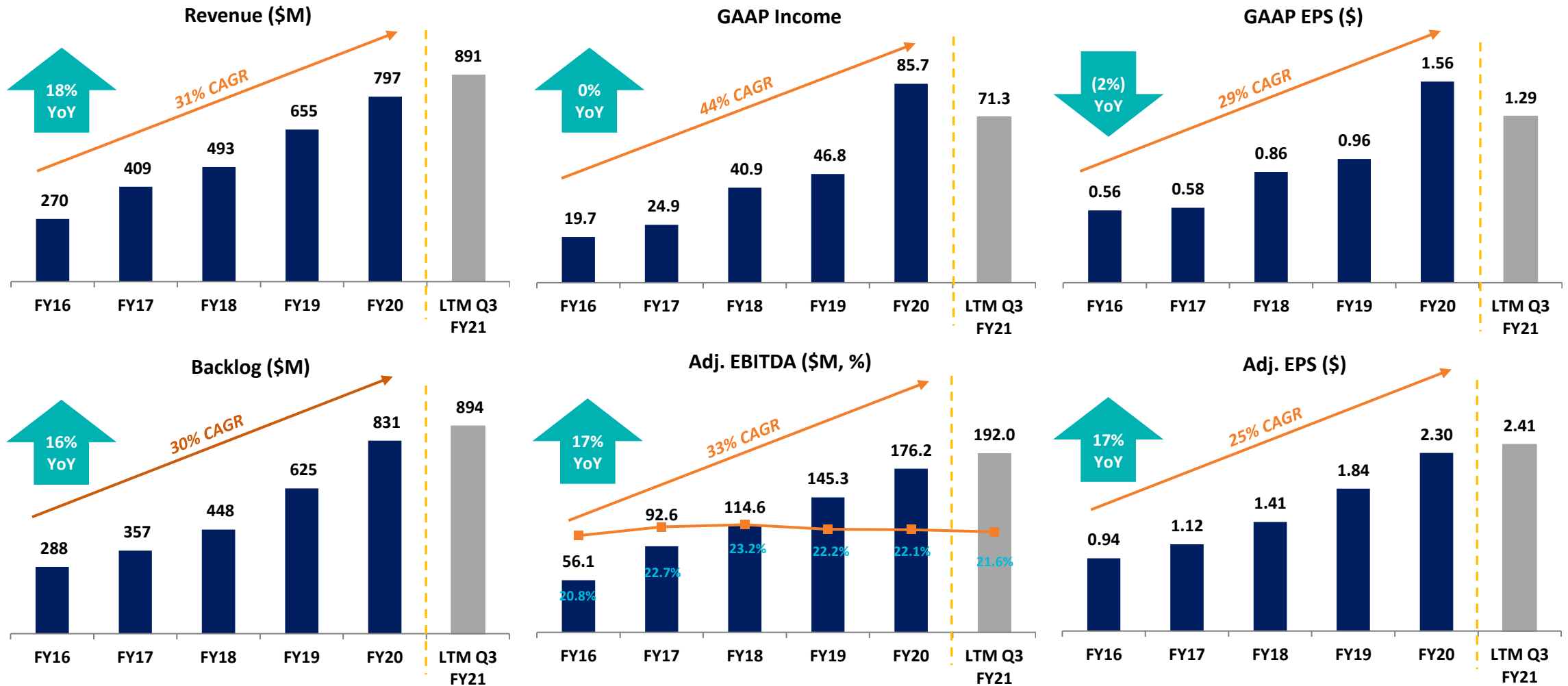
In millions, except percentage and per share data.

		FY15 <sup>(1)</sup>	FY20 <sup>(1)</sup>	Change
Valuation	Market Capitalization <sup>(2)</sup>	\$504	\$4,373	9x
	Enterprise Value <sup>(2)</sup>	\$426	\$4,165	10x
Operational	Revenue <sup>(2)</sup>	\$235	\$797	3x
	Adj. EBITDA <sup>(3)</sup> % Margin	\$44 19%	\$176 22%	4x +320 bps
	Adj. EPS <sup>(3)</sup>	\$0.80	\$2.30	3x
Strategy	Number of Acquisitions <sup>(4)</sup>	N.A.	11	N.M.
	Capital Deployed <sup>(4)</sup>	N.A.	\$804	N.M.

## Notes

- (1) Trailing four fiscal quarters ended FY15 and FY20, respectively. Operational figures are based on fiscal year and fiscal quarter results as reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release. Historical results are as reported, not pro forma for acquisitions.
- (2) Valuation for FY15 based on basic shares from the cover page of the Company's FY15 10-K and stock price as of June 30, 2015. Valuation for FY20 based on basic shares from the cover page of the Company's Q3 FY20 10-Q and stock price as of June 30, 2020.
- (3) Non-GAAP, see reconciliation table.
- (4) Acquisitions completed and capital deployed in acquisitions FY15-FY20.

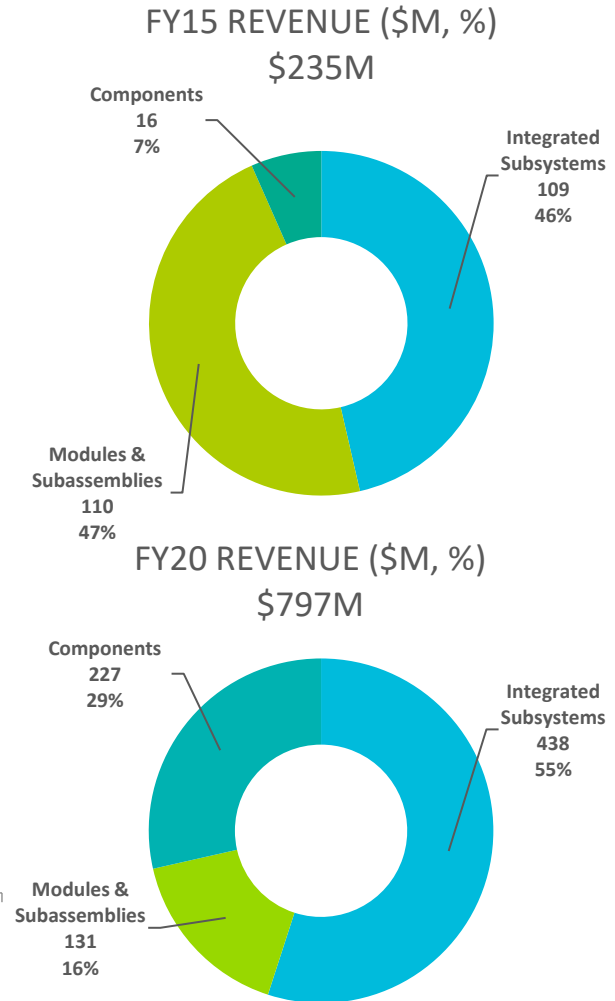
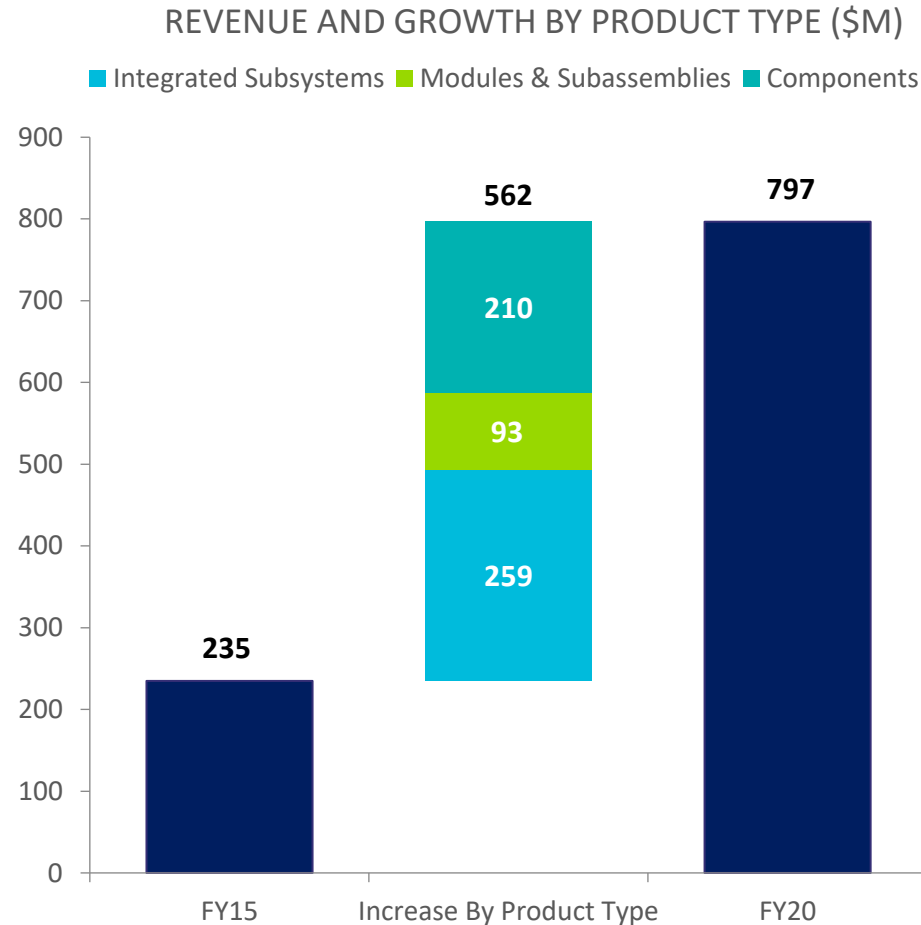
# Mercury continues to deliver strong financial results



Notes: CAGR figures for the period FY16-FY20. YoY figures for the period LTM Q3 FY20 vs. LTM Q3 FY21. Numbers are rounded. Per share data is presented on a fully diluted basis. As of Q3 FY20, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency measurement and fixed assets sales and disposals among other adjustments.

# Content expansion from modules to subsystems

- **Components:**
  - Expansion via custom microelectronics acquisition from Microsemi
  - Investment in trusted microelectronics
  
- **Modules/Subassemblies:**
  - Down from 47% of revenue in FY15 to 16% in FY20 as shift towards subsystems
  
- **Subsystems:**
  - Expansion into \$40B Tier 2 RF & computing market
  - Subsystems represent 63% of top 30 program lifetime value



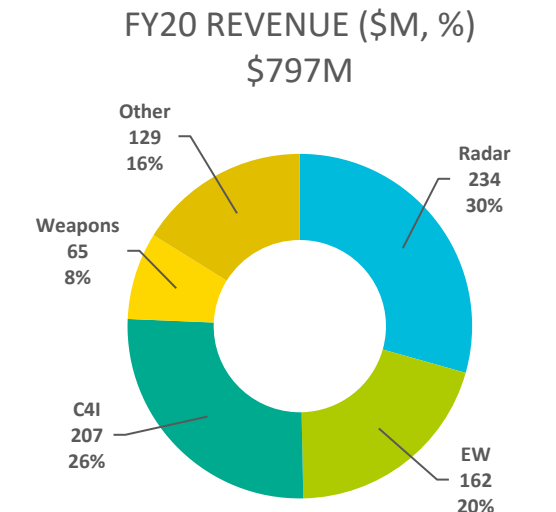
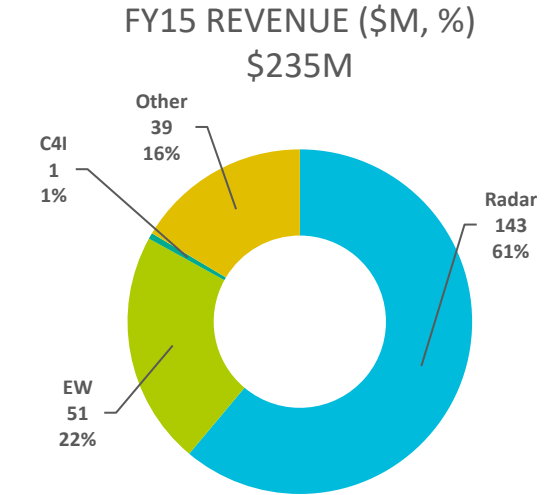
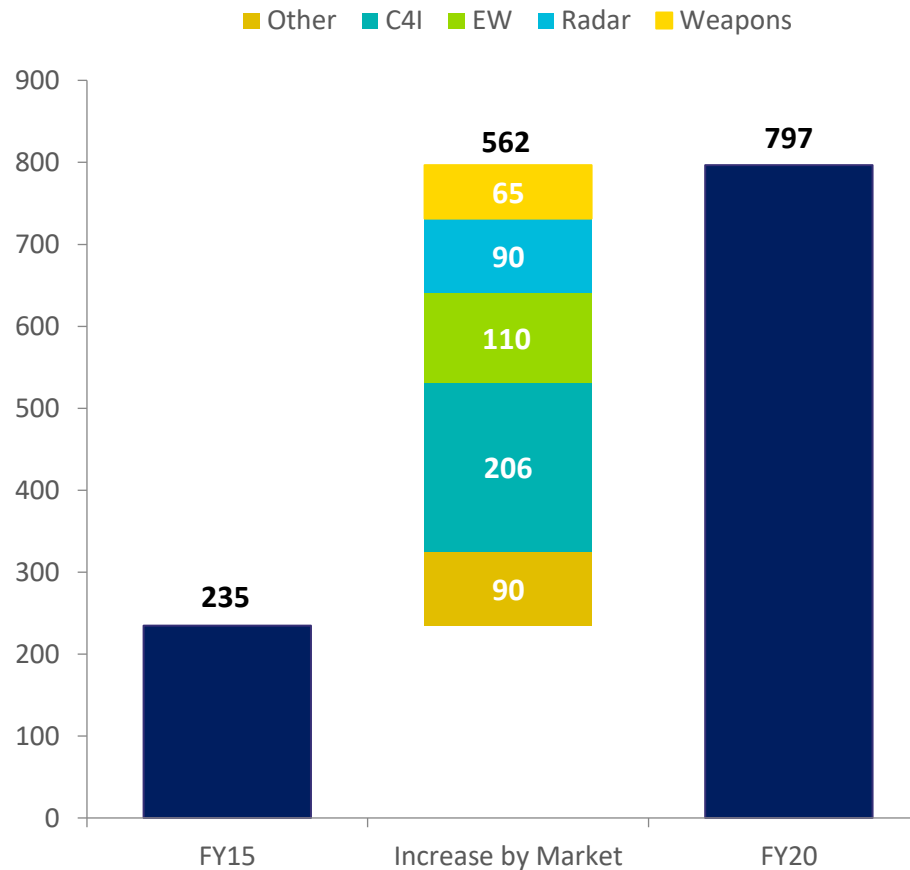
Notes: FY15-FY19 fiscal years ended June 30. FY20 fiscal year ended July 3, 2020. FY15-FY20 figures are as reported in the Company's Form 10-Ks and/or internal Company data. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.



# Expanding into new markets

- Continued growth in core markets
- Expansion into adjacent markets and leveraging current capabilities
- Additional capabilities drive content expansion
- Broader program and customer base
- Vastly larger addressable market
- Consistently driving above market growth rates

REVENUE AND GROWTH BY MARKET (\$M)



Notes: FY15-FY19 fiscal years ended June 30. FY20 fiscal year ended July 3, 2020. FY15-FY20 figures are as reported in the Company's Form 10-Ks and/or internal Company data. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.

Since FY14, we have outspent our industry in R&D, Capex and M&A to make trusted, secure commercial technology profoundly more accessible

~\$475M

R&D

4-5X peers

~\$163M

Capex

2-3X peers

~\$1.1B

M&A

12 acquisitions

---

~\$1.7B

Total Investment

Notes:

All figures are approximate and reflect the period of FY14-Q3 FY21 using information reported in the Company's Form 10-Ks, Form 10-Qs and/or recent public announcements. Numbers are rounded.

# LTM Q3 FY21 performance

In \$ millions, except percentage and per share data	LTM Q3 FY20 <sup>(3)(4)</sup>	LTM Q3 FY21 <sup>(3)(4)</sup>	CHANGE
Bookings	\$917.0	\$899.5	(2%)
Book-to-Bill	1.21	1.01	
Backlog	\$769.8	\$893.7	16%
12-Month Backlog	544.8	545.5	
Revenue	\$756.2	\$890.5	18%
Organic Revenue Growth <sup>(1)</sup>	11%	10%	
Gross Margin	45.0%	42.6%	(2.4 pts)
Operating Expenses	\$254.6	\$294.0	
Selling, General & Administrative	127.5	138.2	15%
Research & Development	91.8	112.8	
Amortization/Restructuring/Acquisition	35.3	43.0	
GAAP Net Income	\$71.3	\$71.3	N.M.
Effective Tax Rate	10.4%	14.2%	
GAAP EPS	\$1.32	\$1.29	(2%)
Adjusted EPS <sup>(2)</sup>	\$2.06	\$2.41	17%
Adj. EBITDA <sup>(2)</sup>	\$164.5	\$192.5	17%
% of revenue	21.8%	21.6%	
Operating Cash Flow	\$112.4	\$98.8	(12%)
Free Cash Flow <sup>(2)</sup>	\$71.8	\$52.6	(27%)
% of Adjusted EBITDA	44%	27%	

## Notes

- (1) Organic revenue represents total company revenue excluding net revenue from acquisitions for the first four full quarters since the entities' acquisition date (which excludes any intercompany transactions). After the completion of four fiscal quarters, acquired businesses are treated as organic for current and comparable historical periods.
- (2) Non-GAAP, see reconciliation table.
- (3) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day of June. All references in this presentation to the third quarter of fiscal 2020 and full fiscal 2020 are to the quarter ended March 27, 2020 and the 53-week period ended July 3, 2020, and to the third quarter of fiscal 2021 and full fiscal 2021 are to the quarter ended April 2, 2021 and 52-week period ending July 2, 2021.
- (4) LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release.



# Mercury recent acquisition history

Company	Expansion Primary Theme	Closing Date	Purchase Price (\$M)	Ending Debt Balance	Funding
LIT	Security	Dec-2015	\$ 10	\$ 0	Cash on Hand
Microsemi <sup>(1)</sup>	Weapons, EW, Security	May-2016	\$ 300	-	Term Loan Cash on Hand
April 2016 Equity Offering			(\$ 93)	\$ 200	Equity Offering
CES	Platform/Mission, Comm's	Nov-2016	\$ 39	\$ 190	Cash on Hand
January 2017 Equity Offering			(\$ 216)	\$ 0 <sup>(2)</sup>	Equity Offering
Delta Microwave	EW, Space	Apr-2017	\$ 41	\$ 0 <sup>(2)</sup>	Cash on Hand
RTL	Platform/Mission	Jul-2017	\$ 6	\$ 0	Cash on Hand
Themis	C2I, Comm's	Feb-2018	\$ 180	\$ 195	Revolver
Germane Systems	C2I, Acoustics	Jul-2018	\$ 45	\$ 240	Revolver
GECO	Platform/Mission	Jan-2019	\$ 37	\$ 277	Revolver
Athena	Security	Apr-2019	\$ 46	\$ 325	Revolver
Syntonic Microwave	EW	Apr-2019			
May 2019 Equity Offering			(\$ 455)	\$ 0 <sup>(3)</sup>	Equity Offering
APC	Platform/Mission, Vectronics	Sep-2019	\$ 100	\$ 0 <sup>(4)</sup>	Cash on Hand
POC	Platform/Mission, C2I	Dec-2020	\$310	\$160 <sup>(5)</sup>	Revolver Cash on Hand

**Total Capital Deployed: \$1,114M**

Source: Company filings, Company investor presentations

(1) Represents carve-out acquisition from Microsemi Corp.

(2) On June 27, 2017, Mercury amended its senior secured credit facility, increasing and extending the revolving credit facility and utilizing the January 2017 equity offering proceeds to repay the remaining principal on the existing term loan.

(3) Reflects repayment of debt with proceeds from the May 2019 common stock offering.

(4) Reflects acquisition of American Panel Corporation (APC) on September 23, 2019 with proceeds from the May 2019 common stock offering.

(5) Acquisition of POC on December 30, 2020 funded with \$150M of cash on hand and \$160M draw on revolver.

# Committed to maintaining differentiated and attractive financial profile

Increase adj. EBITDA margins

- Operating expense leverage
- Program production mix
- Operational improvements
- Full acquisition integration

Grow organically at high-single / low-double digit

- Alignment with DoD priorities
- Increased outsourcing and delayering
- Program content expansion
- Increased market share

Supplement w/strategic M&A

- Large pipeline of targets
- Significant financial firepower
- Revolver with attractive terms
- Identify, execute, integrate

## Strategy and business model delivering financial performance well above industry average

- Track record of strong organic growth, profitability and strategic M&A
- Significant investment over last 5 years is competitive differentiator
- Poised for continued organic growth and margin expansion
- Well positioned for future M&A with strong pipeline and financial flexibility
- Clear strategy to continue to maintain unique financial profile



# Balance sheet

(In \$ millions) <sup>(1)</sup>	As of				
	3/27/20	7/3/20	10/2/20	1/1/21	4/2/21
<b>ASSETS</b>					
Cash & cash equivalents	\$407.1	\$226.8	\$239.1	\$109.1	\$121.9
Restricted cash	-	-	-	61.6	-
Accounts receivable, net	214.0	210.7	207.8	240.2	264.0
Inventory, net	161.9	178.1	206.0	218.4	226.8
PP&E, net	78.7	87.7	94.7	125.4	128.3
Goodwill and intangibles, net	831.4	822.8	815.3	1,093.6	1,077.3
Other	78.5	84.6	90.2	100.8	85.0
<b>TOTAL ASSETS</b>	<b>\$1,771.6</b>	<b>\$1,610.7</b>	<b>\$1,653.2</b>	<b>\$1,949.2</b>	<b>1,903.3</b>
<b>LIABILITIES AND S/E</b>					
AP and accrued expenses	\$109.6	\$107.0	\$119.7	\$116.8	131.3
Deferred consideration	-	-	-	61.6	-
Other liabilities	112.6	118.9	125.6	180.1	158.0
Debt	200.0	-	-	160.0	160.0
<b>Total liabilities</b>	<b>422.2</b>	<b>225.9</b>	<b>245.3</b>	<b>518.5</b>	<b>449.3</b>
<b>Stockholders' equity</b>	<b>1,349.4</b>	<b>1,384.8</b>	<b>1,407.9</b>	<b>1,430.6</b>	<b>1,454.0</b>
<b>TOTAL LIABILITIES AND S/E</b>	<b>\$1,771.6</b>	<b>\$1,610.7</b>	<b>\$1,653.2</b>	<b>\$1,949.2</b>	<b>1,903.3</b>

Notes

(1) Rounded amounts used.

# Cash flow summary

(In \$ millions) <sup>(1)</sup>	For the Fiscal Quarters Ended				
	3/27/20	7/3/20	10/2/20	1/1/21	4/2/21
<b>Net Income</b>	<b>\$23.6</b>	<b>\$27.2</b>	<b>\$15.8</b>	<b>\$12.7</b>	<b>\$15.6</b>
Depreciation and amortization	12.7	12.8	13.0	13.3	20.0
(Gain)/Loss on investment	(3.8)	(2.0)	-	0.4	-
Other non-cash items, net	8.5	6.8	4.5	8.0	5.7
<b>Changes in Operating Assets and Liabilities</b>					
Accounts receivable, unbilled receivables, and costs in excess of billings	(20.7)	3.2	3.5	(10.3)	(21.5)
Inventory	(8.2)	(18.1)	(27.8)	(1.4)	(8.4)
Accounts payable and accrued expenses	18.4	(4.4)	10.8	(12.7)	5.1
Other	(0.4)	3.2	3.1	14.0	6.7
	<b>(10.9)</b>	<b>(16.1)</b>	<b>(10.4)</b>	<b>(10.4)</b>	<b>(18.1)</b>
<b>Operating Cash Flow</b>	<b>30.1</b>	<b>28.7</b>	<b>22.9</b>	<b>23.9</b>	<b>23.2</b>
Capital expenditures	(10.9)	(11.5)	(11.0)	(13.8)	(10.0)
<b>Free Cash Flow<sup>(2)</sup></b>	<b>\$19.2</b>	<b>\$17.2</b>	<b>\$12.0</b>	<b>\$10.2</b>	<b>\$13.2</b>
<i>Free Cash Flow<sup>(2)</sup> / Adjusted EBITDA<sup>(2)</sup></i>	<i>41%</i>	<i>35%</i>	<i>28%</i>	<i>22%</i>	<i>24%</i>
<i>Free Cash Flow<sup>(2)</sup> / GAAP Net Income</i>	<i>82%</i>	<i>63%</i>	<i>76%</i>	<i>80%</i>	<i>85%</i>

#### Notes

(1) Rounded amounts used.

(2) Non-GAAP, see reconciliation table.

# Q3 FY21 vs. Q3 FY20

In \$ millions, except percentage and per share data	Q3 FY20 <sup>(3)</sup>	Q3 FY21 <sup>(3)</sup>	CHANGE
Bookings	\$250.3	\$210.2	(16%)
Book-to-Bill	1.20	0.82	
Backlog	\$769.8	\$893.7	16%
12-Month Backlog	544.8	545.5	
Revenue	\$208.0	\$256.9	23%
Organic Revenue Growth <sup>(1)</sup>	11%	5%	
Gross Margin	44.9%	41.1%	(3.8 pts)
Operating Expenses	\$67.0	\$83.9	
Selling, General & Administrative	34.0	38.3	25%
Research & Development	25.0	30.2	
Amortization/Restructuring/Acquisition	8.0	15.4	
GAAP Net Income	\$23.6	\$15.6	(34%)
Effective Tax Rate	18.5%	25.5%	
GAAP EPS	\$0.43	\$0.28	(35%)
Weighted Average Diluted Shares	55.1	55.5	
Adjusted EPS <sup>(2)</sup>	\$0.60	\$0.64	7%
Adj. EBITDA <sup>(2)</sup>	\$47.1	\$54.8	16%
% of revenue	22.6%	21.3%	
Operating Cash Flow	\$30.1	\$23.2	(23%)
Free Cash Flow <sup>(2)</sup>	\$19.2	\$13.2	(31%)
% of Adjusted EBITDA	41%	24%	

## Notes

- (1) Organic revenue represents total company revenue excluding net revenue from acquisitions for the first four full quarters since the entities' acquisition date (which excludes any intercompany transactions). After the completion of four fiscal quarters, acquired businesses are treated as organic for current and comparable historical periods.
- (2) Non-GAAP, see reconciliation table.
- (3) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day of June. All references in this presentation to the third quarter of fiscal 2020 and full fiscal 2020 are to the quarter ended March 27, 2020 and the 53-week period ended July 3, 2020, and to the third quarter of fiscal 2021 and full fiscal 2021 are to the quarter ended April 2, 2021 and 52-week period ending July 2, 2021.



# Adjusted EBITDA reconciliation

(In thousands)	Q3 FY20	Q3 FY21	LTM Q3 FY20	LTM Q3 FY21
<b>Net Income</b>	<b>\$ 23,565</b>	<b>\$ 15,635</b>	<b>\$ 71,292</b>	<b>\$ 71,343</b>
Other non-operating adjustments, net	(3,138)	(775)	(2,867)	(3,210)
Interest (income) expense, net	(400)	515	(308)	1,210
Income tax (benefit) provision	5,363	5,362	8,238	11,759
Depreciation	4,803	7,243	18,274	23,200
Amortization of intangible assets	7,848	12,717	29,867	35,792
Restructuring and other charges	66	(4)	1,802	2,234
Impairment of long-lived assets	-	-	-	-
Acquisition and financing costs	891	3,260	12,045	7,706
Fair value adjustments from purchase accounting	600	182	1,200	783
Litigation and settlement expense, net	174	312	648	1,065
COVID related expenses <sup>(3)</sup>	397	2,745	397	10,569
Stock-based and other non-cash compensation expense	6,917	7,565	23,958	30,011
<b>Adjusted EBITDA</b>	<b>\$ 47,086</b>	<b>\$ 54,757</b>	<b>\$ 164,546</b>	<b>\$ 192,462</b>

## Notes

- (1) Rounded amounts used.
- (2) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day of June. All references in this presentation to the fourth quarter of fiscal 2020 and full fiscal 2020 are to the quarter and the 53-week period ended July 3, 2020, and to the fourth quarter of fiscal 2021 and full fiscal 2021 are to the quarter and 52-week period ending July 2, 2021.
- (3) Effective as of the third quarter of fiscal 2020, the Company has added back incremental COVID related expenses

# Adjusted EPS reconciliation

(In thousands, except per share data)	Q3 FY20	Q3 FY21	LTM Q3 FY20	LTM Q3 FY21
<b>Earnings per share<sup>(1)</sup></b>	<b>\$ 0.43</b>	<b>\$ 0.28</b>	<b>\$ 1.32</b>	<b>\$ 1.29</b>
<b>Net Income</b>	<b>\$ 23,565</b>	<b>\$ 15,635</b>	<b>\$ 71,292</b>	<b>\$ 71,343</b>
Other non-operating adjustments, net	(3,138)	(775)	(2,867)	(3,210)
Amortization of intangible assets	7,848	12,717	29,867	35,792
Restructuring and other charges	66	(4)	1,802	2,234
Impairment of long-lived assets	-	-	-	-
Acquisition and financing costs	891	3,260	12,045	7,706
Fair value adjustments from purchase accounting	600	182	1,200	783
Litigation and settlement expense, net	174	312	648	1,065
COVID related expenses <sup>(3)</sup>	397	2,745	397	10,569
Stock-based and other non-cash compensation expense	6,917	7,565	23,958	30,011
Impact to income taxes <sup>(4)</sup>	(4,048)	(6,187)	(27,079)	(22,779)
<b>Adjusted income</b>	<b>\$ 33,272</b>	<b>\$ 35,450</b>	<b>\$ 111,263</b>	<b>\$ 133,514</b>
<b>Adjusted earnings per share<sup>(1)</sup></b>	<b>\$ 0.60</b>	<b>\$ 0.64</b>	<b>\$ 2.06</b>	<b>\$ 2.41</b>
Weighted-average shares outstanding:				
Basic	54,604	55,146		
Diluted	55,127	55,526		

## Notes

- (1) Per share information is presented on a fully diluted basis.
- (2) Rounded amounts used.
- (3) Effective as of the third quarter of fiscal 2020, the Company has added back incremental COVID related expenses.
- (4) Impact to income taxes is calculated by recasting income before income taxes to include the add-backs involved in determining adjusted income and recalculating the income tax provision using this adjusted income from operations before income taxes. The recalculation also adjusts for any discrete tax expense or benefit related to the add-backs.
- (5) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day of June. All references in this presentation to the fourth quarter of fiscal 2020 and full fiscal 2020 are to the quarter and the 53-week period ended July 3, 2020, and to the fourth quarter of fiscal 2021 and full fiscal 2021 are to the quarter and 52-week period ending July 2, 2021.

## Free cash flow reconciliation

(In thousands)	Q3 FY20	Q3 FY21	LTM Q3 FY20	LTM Q3 FY21
<b>Cash provided by operating activities</b>	\$ 30,082	\$ 23,185	\$ 112,427	\$ 98,779
Purchases of property and equipment	(10,869)	(9,955)	\$ (40,617)	(46,214)
<b>Free cash flow</b>	<b>\$ 19,213</b>	<b>\$ 13,230</b>	<b>\$ 71,810</b>	<b>\$ 52,565</b>

## Organic revenue reconciliation

(In thousands)	Q3 FY20	Q3 FY21	LTM Q3 FY20	LTM Q3 FY21
<b>Organic revenue<sup>(1)</sup></b>	<b>\$ 208,016</b>	<b>\$ 218,365</b>	<b>\$ 753,189</b>	<b>\$ 830,714</b>
Acquired revenue	-	38,492	3,007	59,817
<b>Net revenues</b>	<b>\$ 208,016</b>	<b>\$ 256,857</b>	<b>\$ 756,196</b>	<b>\$ 890,531</b>

Notes

(1) Organic revenue represents total company revenue excluding net revenue from acquisitions for the first four full quarters since the entities' acquisition date (which excludes any intercompany transactions). After the completion of four fiscal quarters, acquired businesses are treated as organic for current and comparable historical periods.



# Glossary

<b>API</b>	Application Programming Interface
<b>BCA</b>	Budget Control Act
<b>C4I</b>	Command, Control, Communications, Computers
<b>COTS</b>	Commercial off-the Shelf
<b>CPU</b>	Central Processing Unit
<b>EO/IR</b>	Electro-optical / Infrared
<b>EW</b>	Electronic Warfare
<b>FPGA</b>	Field Programmable Gate Array
<b>GPU</b>	Graphics Processing Unit
<b>I/O</b>	Input/Output
<b>IP</b>	Intellectual Property
<b>IRAD</b>	Internal Research And Development
<b>NTCD</b>	Non-traditional Defense Contractor
<b>OTA</b>	Other Transaction Authority
<b>PBR</b>	President's Budget Request
<b>R&amp;D</b>	Research & Development
<b>RF</b>	Radio Frequency
<b>SEMS</b>	Sensor and Effector Mission Systems