



# **Gabelli and Company**

## **23<sup>rd</sup> Annual Aerospace & Defense Conference**

**Gerry Haines**  
**Executive Vice President and CFO**

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**September 7, 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 2018 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, 2017. 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 sensor and mission processing subsystems
- Serving defense Prime contractor outsourcing needs
- Deployed on 300+ programs with 25+ Prime contractors
- FY17 \$408.6M revenue; Growth YoY:
  - 51% revenue
  - 26% GAAP net income
  - 64% Adj. EBITDA
  - 24% backlog
- FY18 guidance<sup>(1)</sup>:
  - \$453M - \$468M revenue
  - \$26.4M - \$30.3M GAAP income
  - \$103.0M - \$109.0M Adj. EBITDA



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



# Investor highlights

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



# 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...

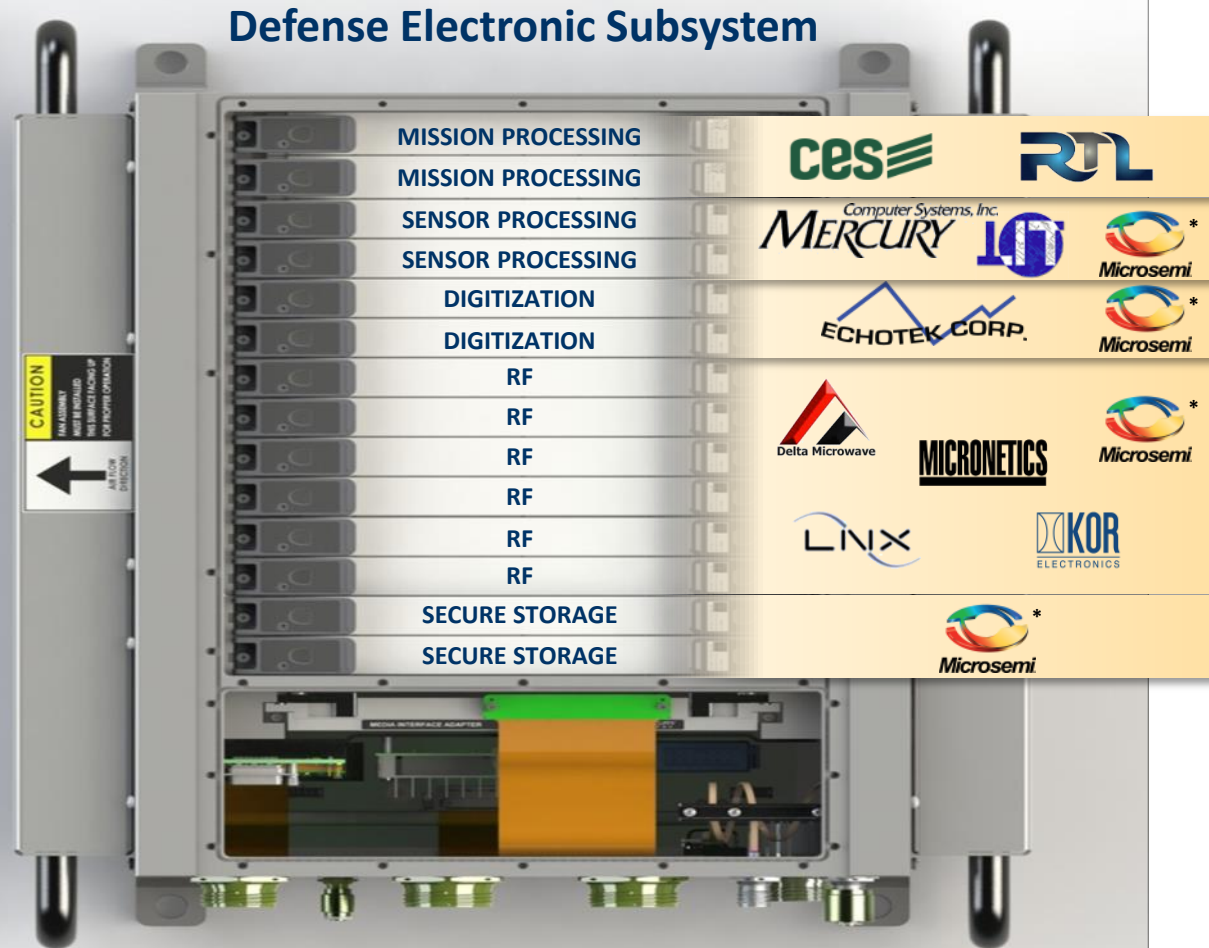
Leading commercial provider  
of secure sensor and mission  
processing subsystems





# 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-level 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:**

Budget Control Act and repeated Continuing Resolutions disrupting DoD budget process and spending



## **Increased Defense Spending Cycle:**

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 changing economics and industry competitive dynamics despite increased defense spending



## **Industry Has Cut Capacity to Innovate:**

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



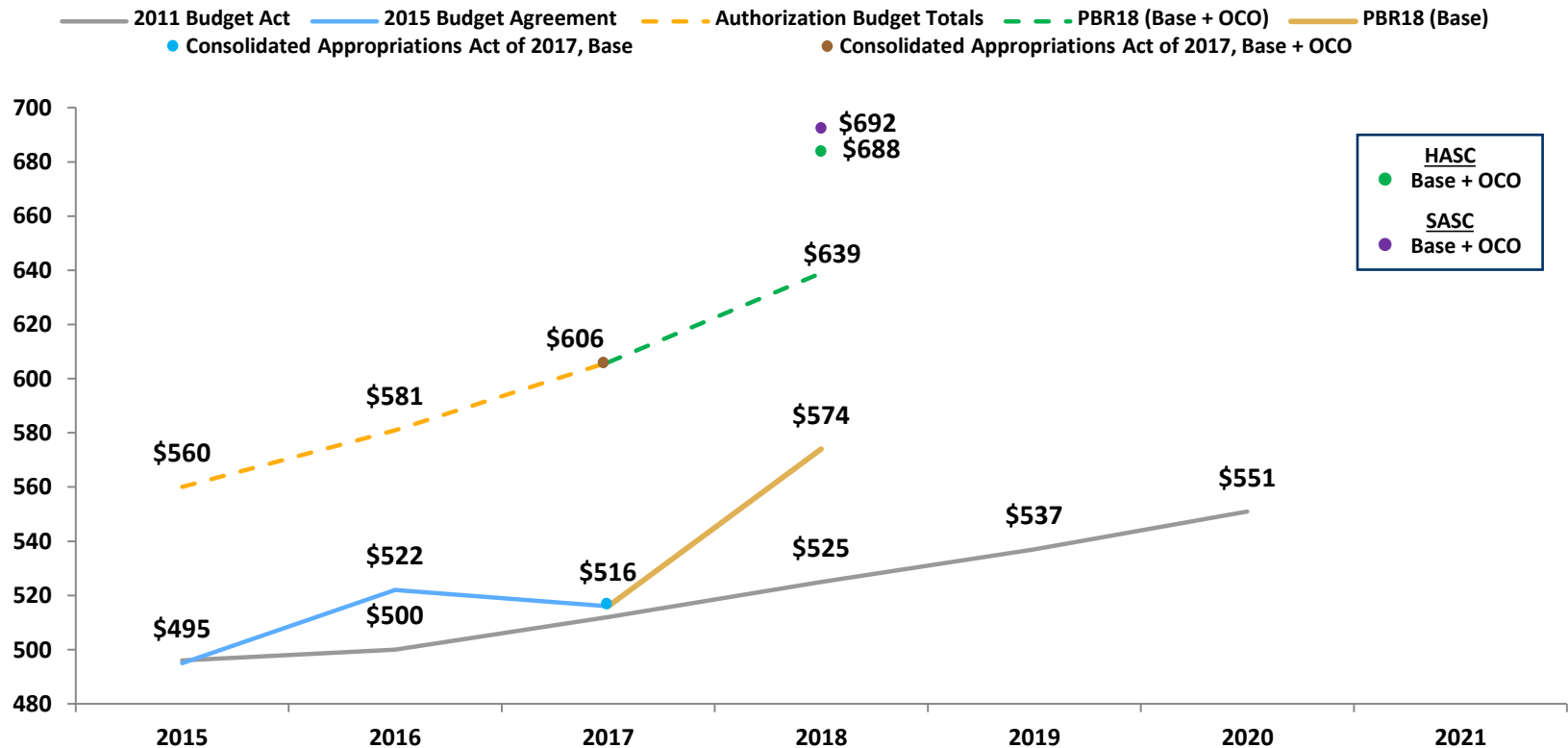
## **Challenging Global Security Environment:**

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 DoD Budget Request Overview Brief, HASC and SASC FY18 NDAA Markups, July 2017. Numbers may not add due to rounding.

## New administration expected to better support Defense



# Mercury's capabilities and opportunity for growth...



Radar, EW and C4I modernization; improved readiness



Defense Prime contractors outsourcing more



Defense Primes' flight to quality suppliers



Defense Primes and government delayering their supply chains

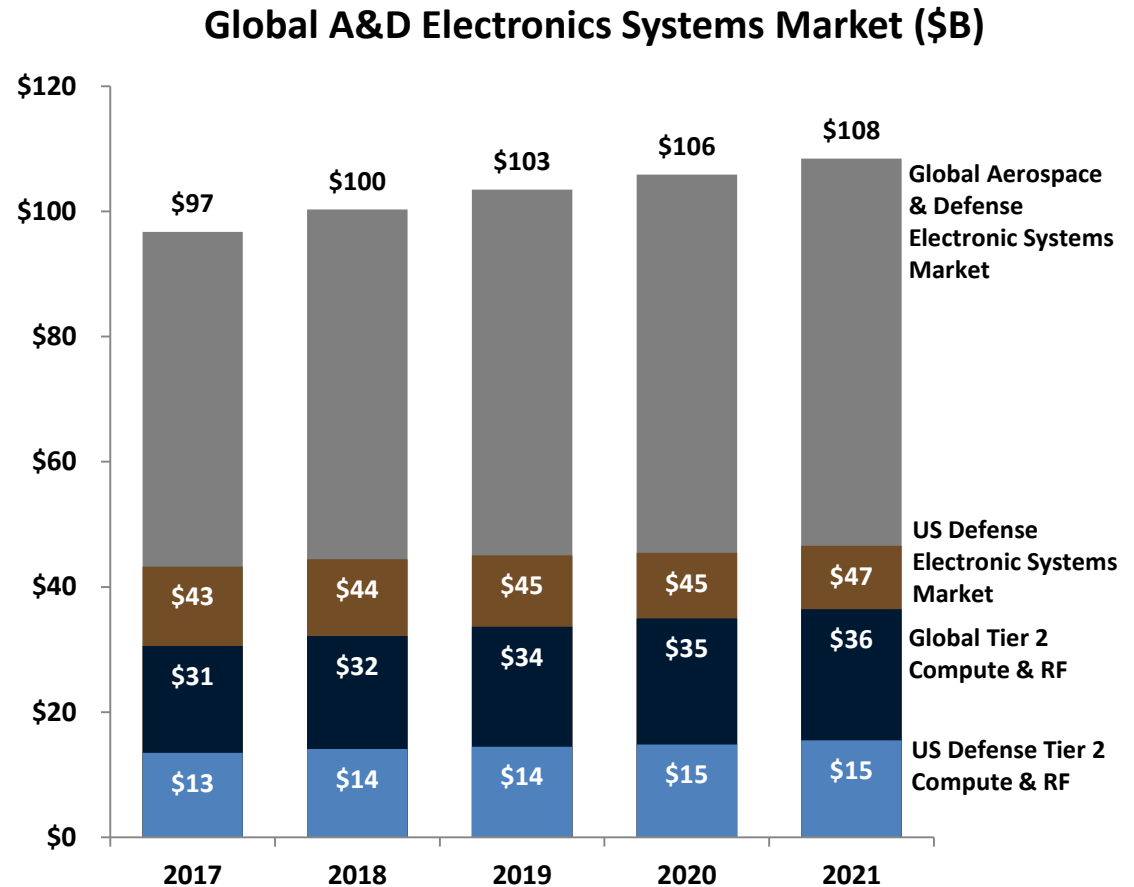


Foreign military and international sales increasing

...are aligned to DoD investment priorities and industry trends

# Captive outsourcing by Defense prime contractors...

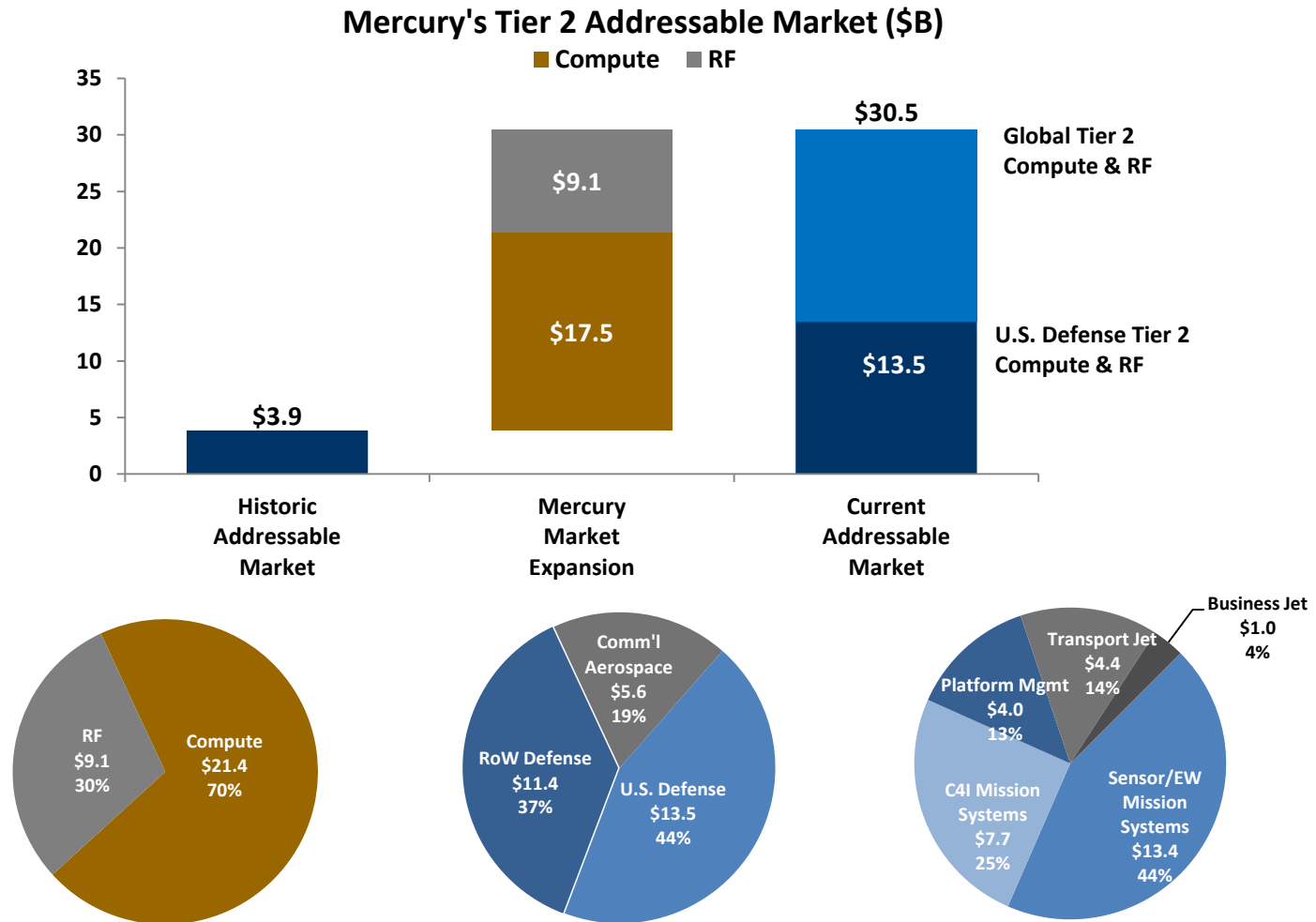
- 2017 A&D electronics is \$97 billion market
- US Defense is nearly half of total market at \$43B
- Global Tier 2 compute & RF \$31B; US \$13B
- Small percentage of Tier 2 compute & RF estimated to be currently outsourced
- Primes outsourcing to fewer but more capable suppliers willing to invest, share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



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



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

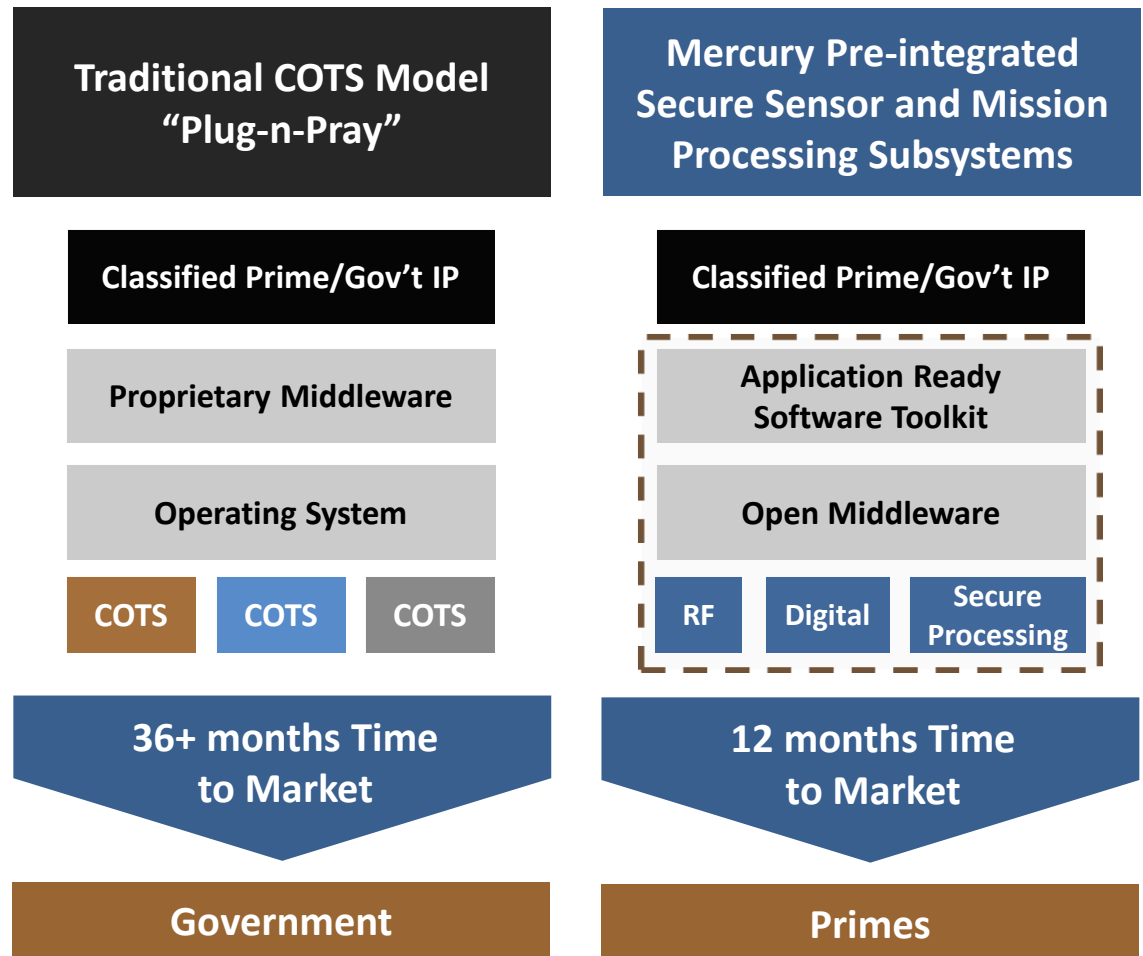


...above industry average growth, returns and future acquisitions

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

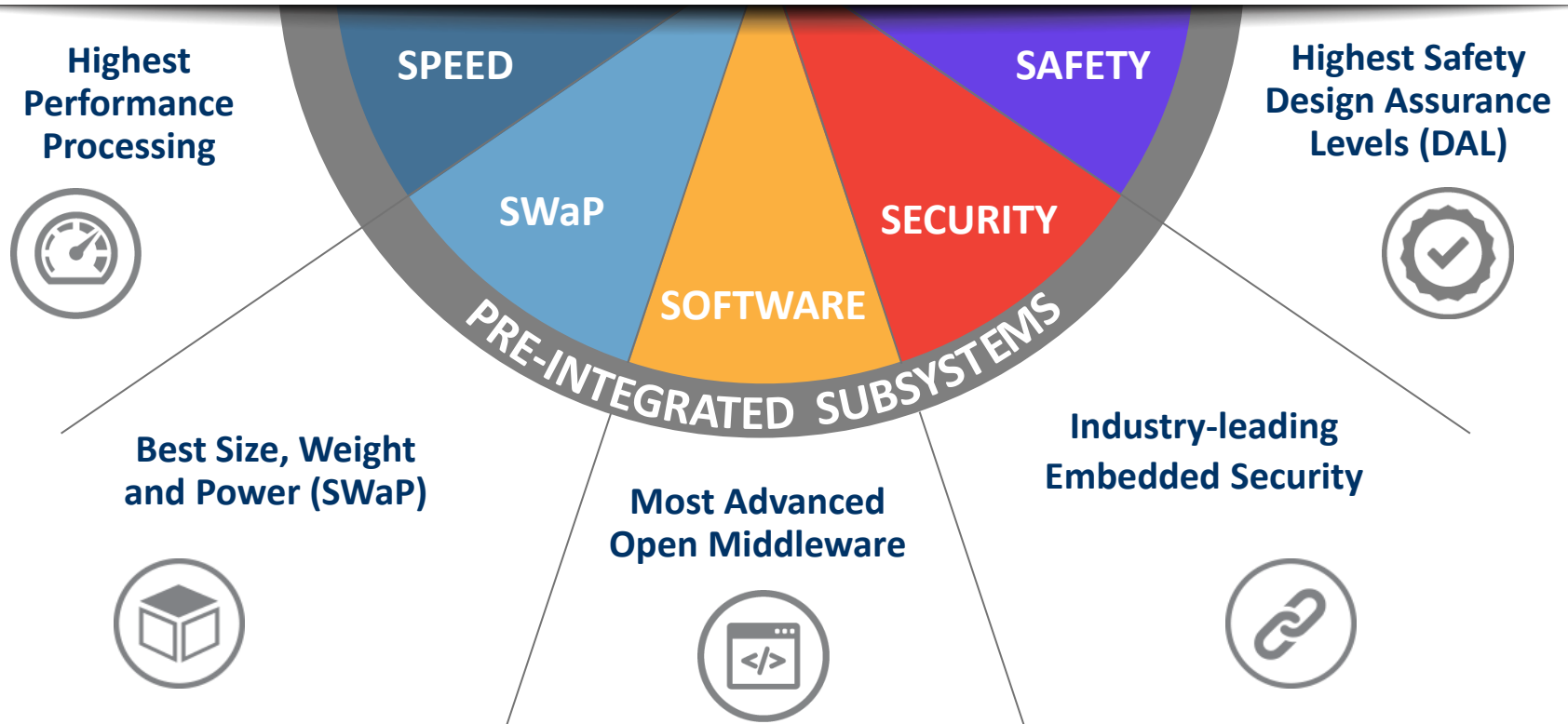


...as customers seek affordable outsourced pre-integrated subsystems



# 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

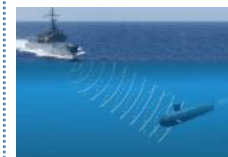


#### Electro Optical / Infrared

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; and 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.*

		June 30, 2016 <sup>(2)</sup>	June 30, 2017 <sup>(3)</sup>	% Increase / (Decrease)
Valuation	Share price	\$24.86	\$42.09	69%
	Market Capitalization	\$995	\$1,949	96%
	Enterprise Value	\$910	\$1,907	110%
Operational	Revenue <sup>(1)</sup>	\$270	\$409	51%
	Adj. EBITDA <sup>(1)</sup>	\$57	\$94	64%
	Adj. EPS <sup>(1)</sup>	\$0.96	\$1.15	20%

**Notes:**

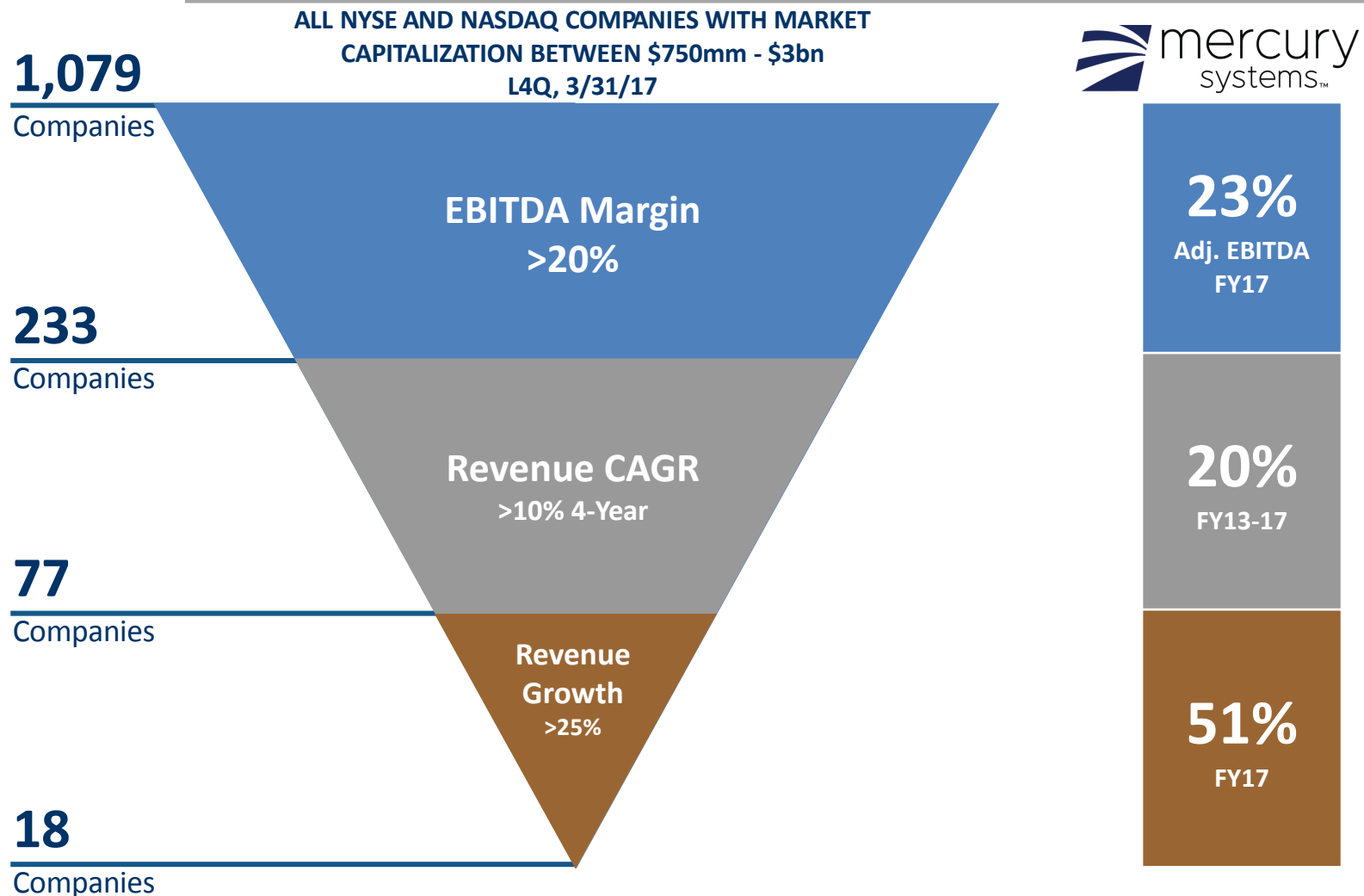
(1) Operational figures are based on the FY16 actual results reported for "One Year Ago" and FY17 results reported in the Company's earnings release on August 1, 2017.

(2) As of June 30, 2016, share data from 2016 10-K.

(3) As of June 30, 2017, share data from the Company's earnings release on August 1, 2017.



# Mercury's financial profile puts it in a unique category

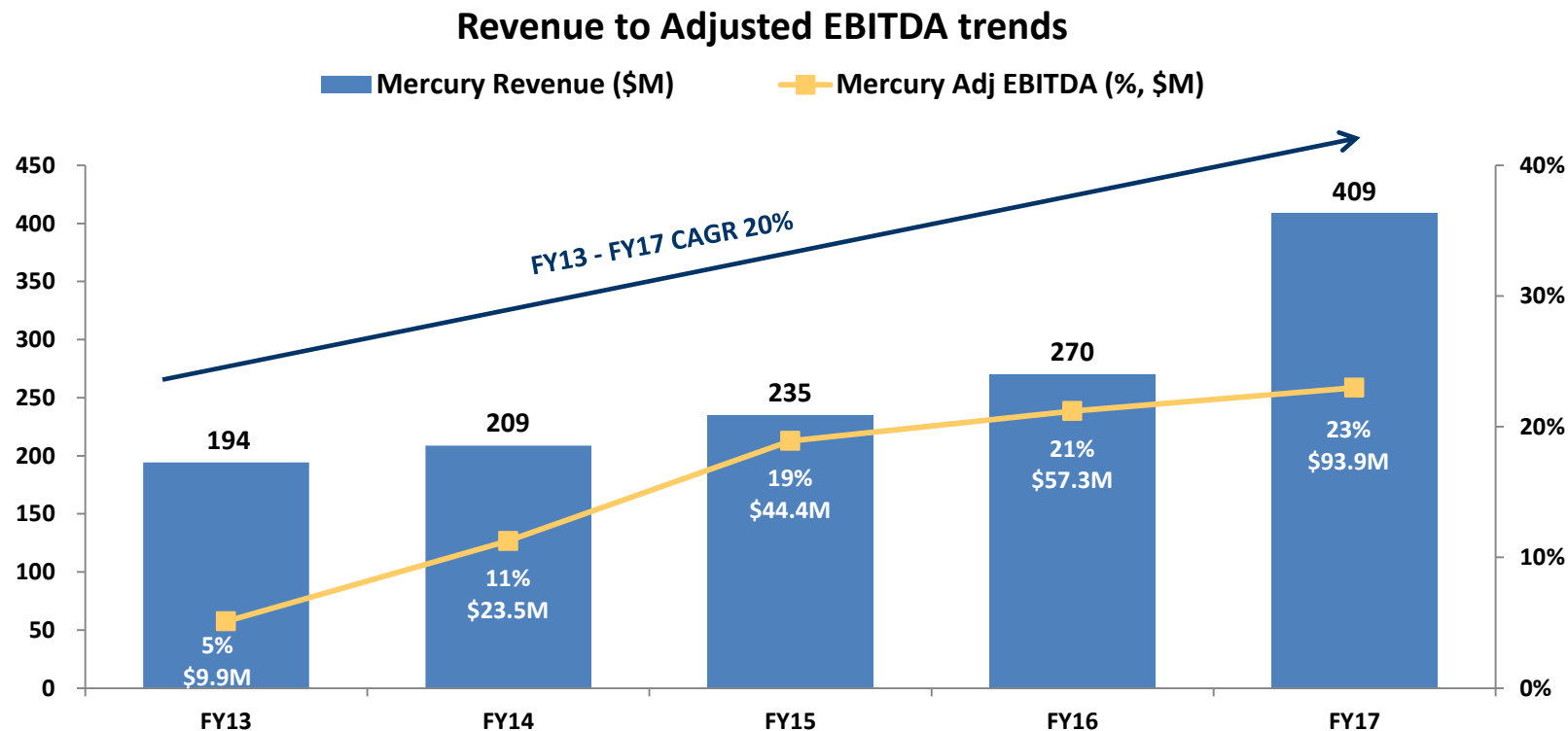


Notes:

- Mercury FY17 results as reported in the Company's earnings release on August 1, 2017.
- Source: FactSet; market data as of August 4, 2017.
- 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 75% Adj. EBITDA CAGR FY13-FY17



Notes:

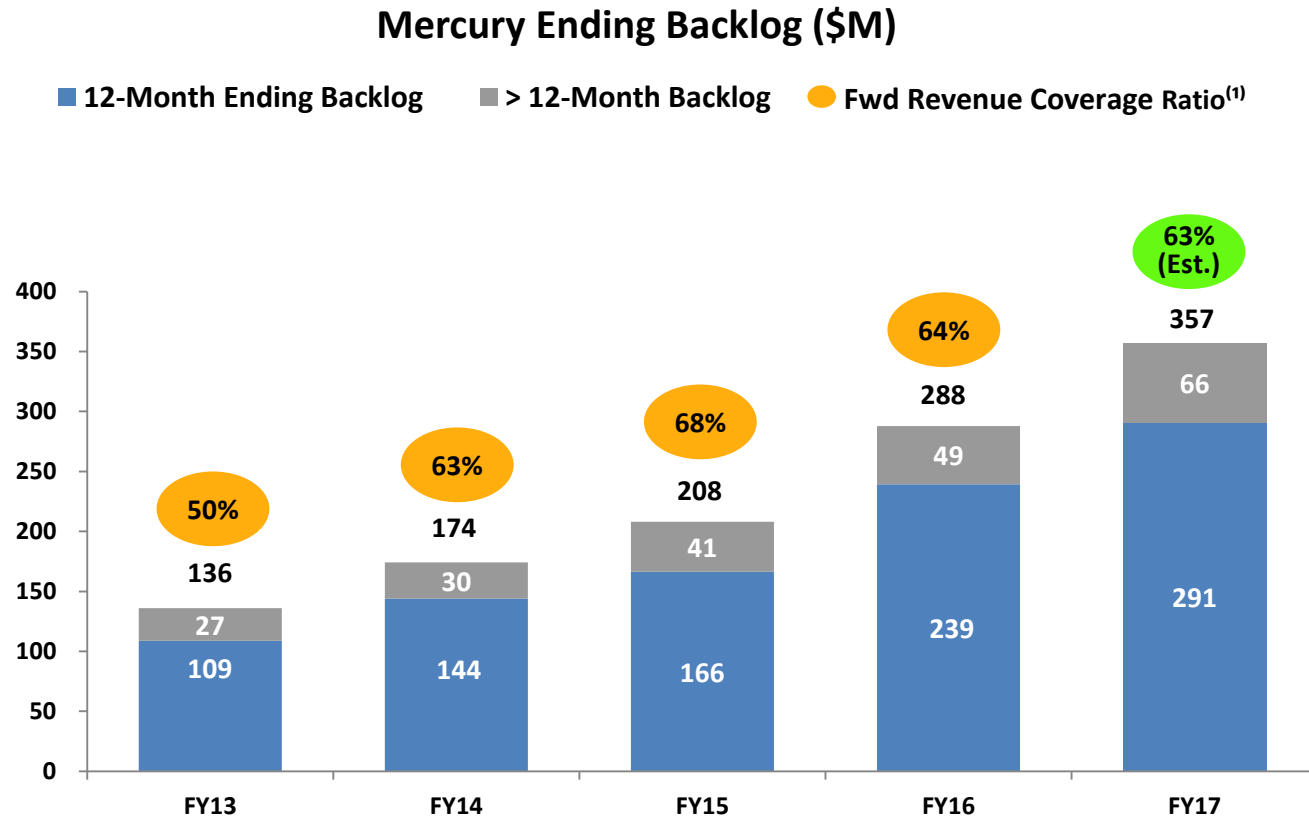
(1) Fiscal years ended June 30; FY13-16 figures are as reported in the Company's Form 10-Ks and FY17 from the Company's earnings release issued on August 1, 2017.

...yielded dramatic growth in adjusted EBITDA





# FY13-FY17 backlog CAGR of 27%...



Notes:

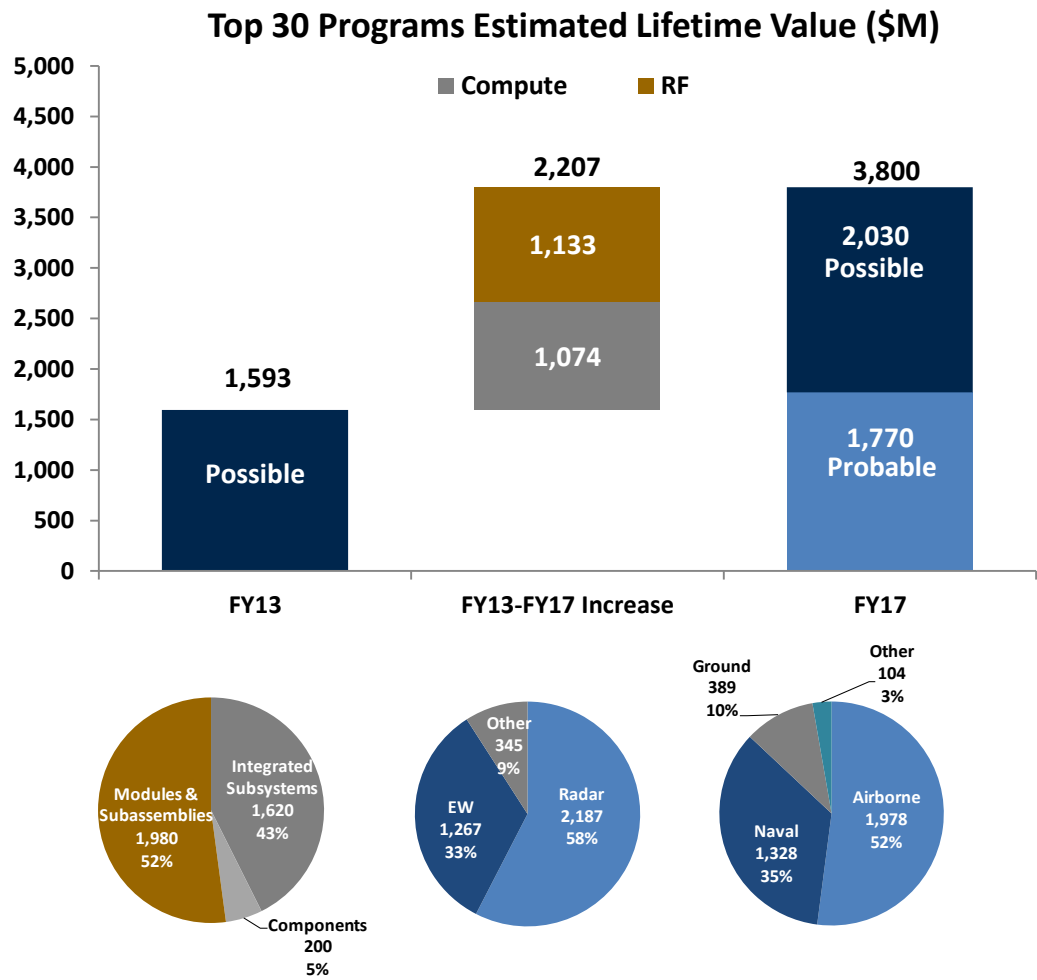
(1) Revenue Coverage Ratio = 12-month ending backlog/Next 12 months revenue initial guidance (or midpoint of range) for subsequent year.

...strong backlog and revenue coverage exiting FY17



# 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

# Strong LTM performance

51% revenue and 64% adjusted EBITDA growth YoY

<i>In millions, except percentage and per share data</i>	<b>FY16<sup>(1)</sup></b>	<b>FY17<sup>(1)</sup></b>	<b>Change</b>
<b>Backlog</b>	\$287.7	\$357.0	24%
<b>Revenue</b>	\$270.2	\$408.6	51%
<b>Gross Margin</b>	47%	47%	-
<b>Operating Expenses</b>	\$103.6	\$154.1	48.7%
<b>GAAP Income</b>	\$19.7	\$24.9	26%
<b>GAAP EPS</b> Weighted-average diluted shares outstanding	\$0.56 35.1	\$0.58 43.0	4% 23%
<b>Adjusted EPS<sup>(2)</sup></b>	\$0.96	\$1.15	20%
<b>Adj. EBITDA<sup>(2)</sup></b>	\$57.3	\$93.9	64%

**Notes:**

(1) Fiscal years ended June 30; FY13-16 figures are as reported in the Company's Form 10-Ks and FY17 from the Company's earnings release issued on August 1, 2017.

(2) Non-GAAP, see reconciliation table.



# Q4 FY17 vs. Q4 FY16

<i>In millions, except percentage and per share data</i>	<b>Q4 FY16<sup>(1)</sup></b>	<b>Q4 FY17<sup>(1)</sup></b>	<b>Change</b>
<b>Backlog</b>	\$287.7	\$357.0	24%
<b>Revenue</b>	\$85.4	\$115.6	35%
<b>Gross Margin</b>	44.7%	46.6%	1.9 pts
<b>Operating Expenses</b> OpEx (% of revenue)	\$30.5 35.7%	\$40.9 35.4%	34.1% (0.3)pts
<b>GAAP Income</b>	\$7.5	\$8.8	18%
<b>GAAP EPS</b> Weighted-average diluted shares outstanding	\$0.19 39.0	\$0.19 47.5	0% 22%
<b>Adjusted EPS<sup>(2)</sup></b>	\$0.29	\$0.32	10%
<b>Adj. EBITDA<sup>(2)</sup></b>	\$18.3	\$27.8	52%

**Notes:**

(1) Q4FY16 figures are as reported in the Company's Form 10-K and Q4FY17 from the Company's earnings release issued on August 1, 2017.

(2) Non-GAAP, see reconciliation table.



# Q1 FY18 guidance vs. Q1 FY17 actual

<i>In millions, except percentage and per share data</i>	<b>Q1 FY17<sup>(1)</sup></b>	<b>Q1 FY18<sup>(2)</sup></b>	<b>Change</b>
<b>Revenue</b>	\$88	\$102 - \$107	16% - 22%
<b>Gross Margin<sup>(3)</sup></b>	45%	46% - 47%	1pt - 2pts
<b>Operating Expenses</b>	\$35.7	\$41.1 - \$42.1	15% - 18%
<b>GAAP Income</b>	\$3.8	\$3.6 - \$4.9	(6%) - 28%
<b>GAAP EPS</b>	\$0.10	\$0.07 - \$0.10	(30%) - 0%
<b>Adjusted EPS<sup>(4)</sup></b>	\$0.22	\$0.24 - \$0.26	9% - 18%
<b>Adj. EBITDA<sup>(4)</sup></b>	\$18.2	\$21.4 - \$23.5	17% - 29%

**Notes:**

(1) Q1FY17 figure is as reported in the Company's Form 10-Q.

(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 non-recurring financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(3) Q1FY17 includes \$2.0M and Q1FY18 includes \$0.5M negative impact of inventory valuation step-up from purchase accounting.

(4) Non-GAAP, see reconciliation table.



# FY18 annual guidance

<i>In millions, except percentage and per share data</i>	<b>FY17<sup>(1)</sup></b>	<b>FY18<sup>(2)</sup></b>	<b>Change</b>
<b>Revenue</b>	\$409	\$453 - \$468	11% - 15%
<b>GAAP Income</b>	\$24.9	\$26.4 - \$30.3	6% - 22%
<b>GAAP EPS</b> Weighted-average diluted shares outstanding	\$0.58 43.0	\$0.55 - \$0.63 47.8	(5%) - 10% 11%
<b>Adjusted EPS<sup>(3)</sup></b>	\$1.15	\$1.15 - \$1.23	0% - 7%
<b>Adj. EBITDA<sup>(3)</sup></b>	\$93.9	\$103 - \$109	10% - 16%

**Notes:**

(1) FY17 figures are as reported in the Company's earnings release issued on August 1, 2017.

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(3) Non-GAAP, see reconciliation table.





# Achieving target business model

	<b>FY16<sup>(1)</sup></b>	<b>FY17<sup>(2)</sup></b>	<b>FY18<sup>(3)</sup></b>	<b>New Target Business Model</b>
<b>Revenue</b>	100%	100%	100%	100%
<b>Gross Margin<sup>(4)</sup></b>	47%	47%		45-50%
<b>SG&amp;A</b>	20%	19%		16-18%
<b>R&amp;D<sup>(4)</sup></b>	13%	13%		11-13%
<b>Amortization</b>	3%	5%	5%	4-5%
<b>GAAP Income</b>	7%	6%	6%	NA
<b>Adj. EBITDA<sup>(5)</sup></b>	21%	23%	23%	22-26%

**Notes:**

(1) FY16 figures are as reported in the Company's Form 10-K, except as noted below in footnote 4.

(2) FY17 figures are as reported in the Company's earnings release issued on August 1, 2017.

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

(5) Non-GAAP, see reconciliation table.



# Conservative balance sheet

Zero debt, \$400M revolving credit facility for future investments

(In millions)	FY15 Actual	FY16 Actual	FY17 Actual
<b><u>ASSETS</u></b>			
Cash & cash equivalents	78	82	42
Accounts receivable, net	54	96	114
Inventory, net	32	58	81
PP&E, net	13	28	52
Goodwill and intangibles, net	186	461	510
Other	24	12	18
<b>TOTAL ASSETS</b>	<b>387</b>	<b>737</b>	<b>816</b>
<b><u>LIABILITIES AND S/E</u></b>			
AP and other liabilities	37	71	90
Debt	0	192	0
<b>Total liabilities</b>	<b>37</b>	<b>264</b>	<b>90</b>
<b>Stockholders' equity</b>	<b>350</b>	<b>473</b>	<b>725</b>
<b>TOTAL LIABILITIES AND S/E</b>	<b>387</b>	<b>737</b>	<b>816</b>

# We actively develop potential acquisition targets across all channels

				~\$400mm of capital deployed in 20 months				
								
Acquisition Close Date	Jan 2011	Dec 2011	Aug 2012	Dec 2015	May 2016	Nov 2016	Apr 2017	Jul 2017
Size	\$31mm	\$70mm	\$75mm	\$10mm	\$300mm	\$39mm	\$40.5mm	Not reported
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	Founder
Sourcing	Proprietary Negotiated	Proprietary Negotiated	Targeted Auction	Proprietary Negotiated	Proprietary Negotiated	Proprietary Negotiated	Targeted Auction	Proprietary Negotiated

**Disciplined Approach to M&A**

Learn Market

Add Capabilities

Scale Business

Leverage Channel

Maintain Conservative Balance Sheet

\* Represents carve-out acquisition from Microsemi Corp.

# Poised for continued, profitable growth

- Improving 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

# Q1 FY18 guidance (as of August 1st)

<i>In millions, except percentage and per share data</i>	Q1 FY17 <sup>(1)</sup>	Q1 FY18 <sup>(2)</sup>	YoY Change
	Actual	Est. Range	
<b>Revenue</b>	<b>\$88</b>	<b>\$102 - \$107</b>	<b>16% - 22%</b>
<b>GAAP Income</b>	<b>\$3.8</b>	<b>\$3.6 - \$4.9</b>	<b>(6%) - 28%</b>
<b>Adj EBITDA<sup>(3)</sup></b>	<b>\$18.2</b>	<b>\$21.4 - \$23.5</b>	<b>17% - 29%</b>
<b><u>Adj EBITDA Adjustments:</u></b>			
<b>Income (loss) from continuing operations</b>	<b>3.8</b>	<b>\$3.6 - \$4.9</b>	
Interest (income) expense, net	\$1.8	0.3	
Tax provision (benefit)	(\$1.3)	\$1.9 - \$2.7	
Depreciation	\$2.7	4.1	
Amortization of intangible assets	\$4.6	5.6	
Restructuring and other charges	\$0.3	0.0	
Impairment of long-lived assets	\$0.0	0.0	
Acquisition and financing costs	\$0.6	0.4	
Fair value adjustments from purchase accounting	\$2.1	0.5	
Litigation and settlement expenses	\$0.0	0.0	
Stock-based compensation expense	\$3.6	5.0	
<b>Adj EBITDA<sup>(3)</sup></b>	<b>\$18.2</b>	<b>\$21.4 - \$23.5</b>	<b>17% - 29%</b>
<b>GAAP EPS</b>	<b>\$0.10</b>	<b>\$0.07 - \$0.10</b>	<b>(\$0.03) to \$0.00</b>
<b>Adjusted EPS<sup>(3)</sup></b>	<b>\$0.22</b>	<b>\$0.24 - \$0.26</b>	<b>\$0.02 to \$0.04</b>

**Notes:**

(1) Q1FY17 figure is as reported in the Company's Form 10-Q.

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(3) Non-GAAP.





# FY18 guidance (as of August 1st)

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<b>Revenue</b>	<b>\$409</b>	<b>\$453 - \$468</b>	<b>11% - 15%</b>
<b>GAAP Income</b>	<b>\$24.9</b>	<b>\$26.4 - \$30.3</b>	<b>6% - 22%</b>
<b>Adj EBITDA<sup>(2)</sup></b>	<b>\$93.9</b>	<b>\$103.0 - \$109.0</b>	<b>10% - 16%</b>
<b><u>Adj EBITDA Adjustments:</u></b>			
<b>Income (loss) from continuing operations</b>	<b>24.9</b>	<b>\$26.4 - \$30.3</b>	
Interest (income) expense, net	7.1	1.3	
Tax provision (benefit)	6.2	\$14.2 - \$16.3	
Depreciation	12.6	17.1	
Amortization of intangible assets	19.7	22.2	
Restructuring and other charges	2.0	0.0	
Impairment of long-lived assets	0.0	0.0	
Acquisition and financing costs	2.4	1.3	
Fair value adjustments from purchase accounting	3.7	0.6	
Litigation and settlement expenses	0.1	0.0	
Stock-based compensation expense	15.3	19.9	
<b>Adj EBITDA<sup>(2)</sup></b>	<b>\$93.9</b>	<b>\$103.0 - \$109.0</b>	<b>10% - 16%</b>
<b>GAAP EPS</b>	<b>\$0.58</b>	<b>\$0.55 - \$0.63</b>	<b>(\$0.03) to \$0.05</b>
<b>Adjusted EPS<sup>(2)</sup></b>	<b>\$1.15</b>	<b>\$1.15 - \$1.23</b>	<b>\$0.00 to \$0.08</b>

**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 non-recurring financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(2) Non-GAAP.



# Adjusted EPS reconciliation

(000's)	FY14	FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17
Diluted net earnings (loss) per share <sup>(1)(2)</sup>	\$ (0.13)	\$ 0.44	\$ 0.08	\$ 0.15	\$ 0.13	\$ 0.19	\$ 0.56	\$ 0.10	\$ 0.13	\$ 0.16	\$ 0.19	\$ 0.58
Income (loss) from continuing operations	\$ (4,072)	\$ 14,429	\$ 2,856	\$ 5,040	\$ 4,357	\$ 7,489	\$ 19,742	\$ 3,819	\$ 5,204	\$ 7,048	\$ 8,804	\$ 24,875
Amortization of intangible assets	7,328	7,008	1,713	1,638	1,754	3,737	8,842	4,602	4,888	4,732	5,458	19,680
Restructuring and other charges	5,443	3,175	338	221	409	272	1,240	297	69	459	1,127	1,952
Impairment of long-lived assets	-	-	-	231	-	-	231	-	-	-	-	-
Acquisition and financing costs	-	451	2,298	25	1,725	653	4,701	553	1,114	569	153	2,389
Fair value adjustments from purchase accounting	-	-	-	-	-	1,384	1,384	2,077	870	270	462	3,679
Litigation and settlement expenses	-	-	-	-	-	(1,925)	(1,925)	-	100	-	17	117
Stock-based compensation expense	8,999	8,640	2,702	2,392	2,150	2,330	9,574	3,632	4,093	3,715	3,901	15,341
Impact to income taxes <sup>(2)</sup>	(5,772)	(6,733)	(3,466)	(1,722)	(1,979)	(2,808)	(9,975)	(6,085)	(4,441)	(3,574)	(4,501)	(18,602)
Adjusted income from continuing operations	\$ 11,926	\$ 26,970	\$ 6,441	\$ 7,825	\$ 8,416	\$ 11,132	\$ 33,814	\$ 8,895	\$ 11,897	\$ 13,219	\$ 15,421	\$ 49,431
Diluted adjusted net earnings per share <sup>(1)</sup>	\$ 0.37	\$ 0.82	\$ 0.19	\$ 0.23	\$ 0.25	\$ 0.29	\$ 0.96	\$ 0.22	\$ 0.30	\$ 0.29	\$ 0.32	\$ 1.15
Weighted-average shares outstanding:												
Basic	31,000	32,114	32,778	33,120	33,251	37,811	34,241	38,865	39,151	43,773	46,211	41,986
Diluted	31,729	32,939	33,616	33,831	33,991	38,954	35,097	39,865	39,985	44,814	47,472	43,018

## 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 1<sup>st</sup> quarter, 2<sup>nd</sup> quarter, 3<sup>rd</sup> quarter and 4<sup>th</sup> quarter in FY16, respectively. The GAAP EPS impacts were \$0.02, \$0.01, \$0.00, and \$(0.03) for 1<sup>st</sup> quarter, 2<sup>nd</sup> quarter, 3<sup>rd</sup> quarter and 4<sup>th</sup> quarter in FY16, respectively.



# Adjusted EBITDA reconciliation

(000'S)	FY14	FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17
Income (loss) from continuing operations <sup>(1)</sup>	\$ (4,072)	\$ 14,429	\$ 2,856	\$ 5,040	\$ 4,357	\$ 7,489	\$ 19,742	\$ 3,819	\$ 5,204	\$ 7,048	\$ 8,804	\$ 24,875
Interest expense (income), net	40	13	(22)	(21)	(36)	1,120	1,041	1,782	1,888	1,756	1,680	7,106
Tax provision (benefit) <sup>(1)</sup>	(1,841)	4,366	368	1,433	2,642	1,101	5,544	(1,259)	1,779	3,170	2,503	6,193
Depreciation	7,625	6,332	1,588	1,620	1,565	2,127	6,900	2,718	2,966	3,233	3,672	12,589
Amortization of intangible assets	7,328	7,008	1,713	1,638	1,754	3,737	8,842	4,602	4,888	4,732	5,458	19,680
Restructuring and other charges	5,443	3,175	338	221	409	272	1,240	297	69	459	1,127	1,952
Impairment of long-lived assets	-	-	-	231	-	-	231	-	-	-	-	-
Acquisition and financing costs	-	451	2,298	25	1,725	653	4,701	553	1,114	569	153	2,389
Fair value adjustments from purchase accounting	-	-	-	-	-	1,384	1,384	2,077	870	270	462	3,679
Litigation and settlement expenses	-	-	-	-	-	(1,925)	(1,925)	-	100	-	17	117
Stock-based compensation expense	8,999	8,640	2,702	2,392	2,150	2,330	9,574	3,632	4,093	3,715	3,901	15,341
<b>Adjusted EBITDA</b>	<b>\$ 23,522</b>	<b>\$ 44,414</b>	<b>\$ 11,841</b>	<b>\$ 12,579</b>	<b>\$ 14,566</b>	<b>\$ 18,288</b>	<b>\$ 57,274</b>	<b>\$ 18,221</b>	<b>\$ 22,971</b>	<b>\$ 24,952</b>	<b>\$ 27,777</b>	<b>\$ 93,921</b>

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 1<sup>st</sup> quarter, 2<sup>nd</sup> quarter, 3<sup>rd</sup> quarter and 4<sup>th</sup> 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

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