



# William Blair 39th Annual Growth Stock Conference

**Michael Ruppert**  
Executive Vice President and CFO

**Nelson Erickson**  
Vice President, Strategy and Corporate Development

**June 5, 2019**



# 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 acquisition described herein and to fiscal 2019 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 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 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 June 30, 2018. 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.



# Pioneering a next-generation aerospace and defense electronics company...

- Proven high-tech commercial business model for A&D
- Secure sensor and safety critical processing subsystems
- Serving defense Prime contractor outsourcing needs
- Deployed on 300+ programs with 25+ Prime contractors
- FY18 Growth YoY:
  - 21% Revenue
  - 64% GAAP Net Income
  - 23% Adj. EBITDA
  - 25% Backlog
- Ranked 27<sup>th</sup> on *Fortune's* 2018 100 Fastest-Growing Companies
- Defense industry's highest Glassdoor employee ratings\*



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



# Investor highlights

Proven management team with demonstrated track record

- 1 Focus on Core Markets** Focus on fast-growing markets in aerospace and defense electronics
- 2 Acquire New Capabilities** Expanded addressable market and moved up value chain
- 3 Increase Internal R&D Spend** High-tech R&D investment level for aerospace and defense electronics
- 4 Trusted Domestic Manufacturing** Trusted RF, digital and custom microelectronics manufacturing
- 5 Unique Go To Market Model** Solution sales and strategic account management
- 6 Scalable M&A Platform** Significant in-house origination, execution and integration capabilities
- 7 Destination Employer** Defense electronics destination employer and acquirer of choice



# Mercury's financial profile demonstrates our unique strategy

# of Companies

**1,109**

ALL NYSE AND NASDAQ U.S. LISTED COMPANIES WITH  
MARKET CAPITALIZATION BETWEEN \$1B - \$5B

TIER 2 DEFENSE INDEX



**LTM EBITDA Margin  
>20%**

**359**

**Revenue CAGR  
>10% 4-Year**

**117**

**LTM  
Revenue  
Growth  
>20%**

**48**

**13%**

**23%  
Margin**

**4%**

**29%  
Growth**

**8%**

**38%  
Growth**

**Notes:**

- LTM figures for Mercury are based on the trailing four fiscal quarters using information reported in Mercury's Form 10-Ks, Form 10-Qs and/or most recent earnings release.
- All other data per FactSet as of May 2, 2019. 4-year CAGR for market participants calculated per FactSet for the trailing four fiscal quarters available as of May 2, 2019 and the comparable historical period. Mercury 4-year CAGR calculated as the trailing four fiscal quarters ending fiscal Q3 2019 compared to the trailing four fiscal quarters ending fiscal Q3 2015.
- TIER 2 DEFENSE INDEX: AAR, Aerojet Rocketdyne, AeroVironment, AXON Enterprises, Ball Aerospace, BWX Technologies, Comtech Telecom, Cubic, Curtiss Wright, Ducommun, Elbit Systems, FireEye, FLIR Systems, Harris, HEICO, Hexcel, Honeywell Intl, Kaman, KBR, Kratos Defense, L3 Technologies, Maxar, Moog, Oshkosh, OSI Systems, Teledyne Technologies, Textron, TransDigm Group, Triumph Group, United Technologies, Vectrus, Viasat, VSE, Woodward Aerospace.

# The evolution of Mercury Systems

In millions, except percentage and per share data.

		FY 2014	Today	Change
Valuation	Market Capitalization <sup>(1,2,3)</sup>	\$355	\$3,796	11x
	Enterprise Value <sup>(1,2,3)</sup>	\$307	\$3,610	12x
Operational	Revenue <sup>(2)</sup>	\$209	\$631	3x
	Adj. EBITDA <sup>(2)</sup> % Margin	\$22 11%	\$145 23%	7x +1,200 bps
	Adj. EPS <sup>(2)</sup>	\$0.38	\$1.83	5x
Strategy	Number of Acquisitions <sup>(4)</sup>	N.A.	10	N.M.
	Capital Deployed <sup>(4)</sup>	N.A.	\$704	N.M.

## Notes

(1) Valuation for FY14 based on Company's 2014 10-K and stock price as of June 30, 2014; outstanding share count as of June 30, 2014.

Valuation for FY19 based on FactSet as of May 30, 2019 including underwriting discount and prior to expenses and underwriters' option to purchase additional shares.

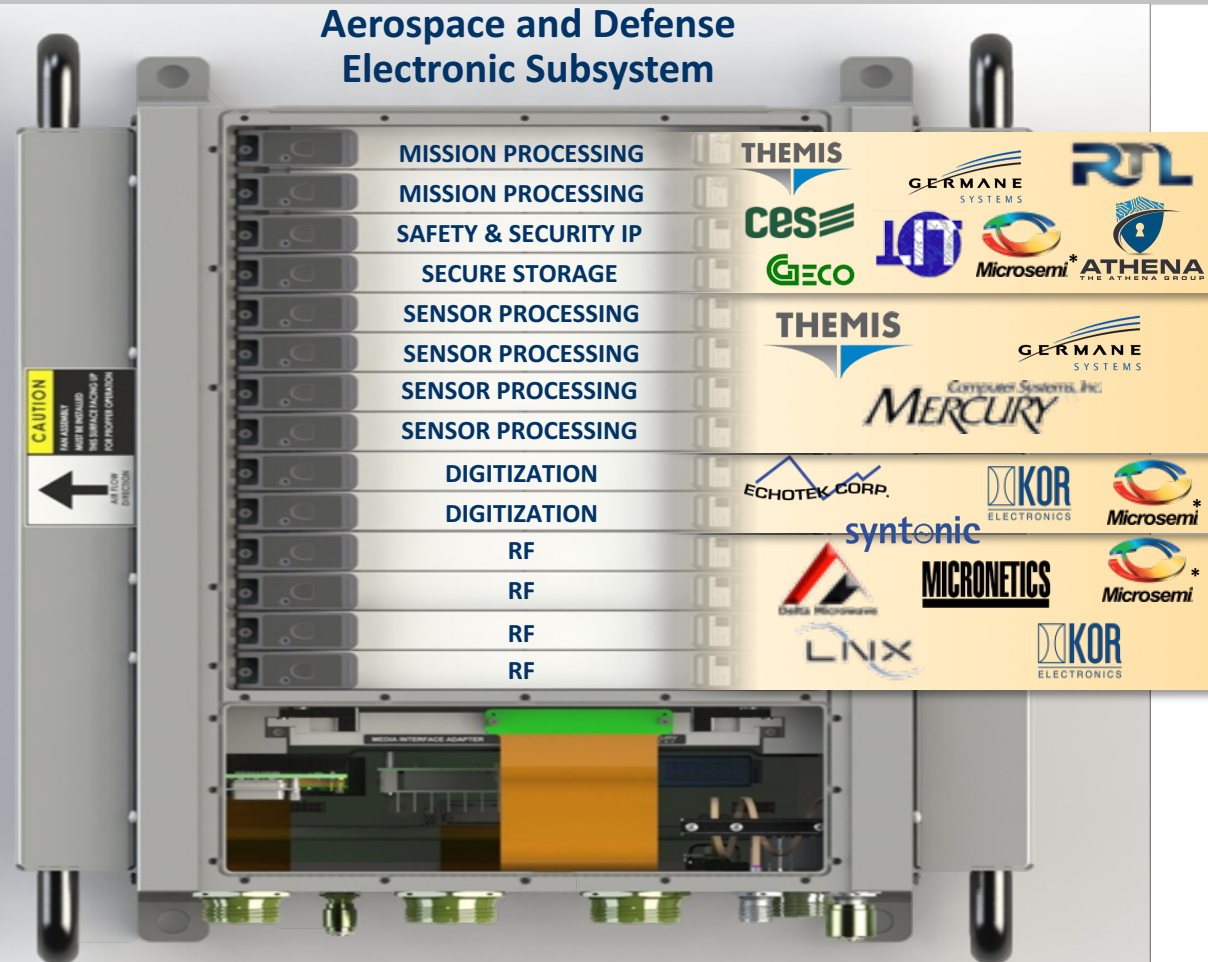
(2) Trailing four fiscal quarter periods ended June 30, 2014 and March 31, 2019, respectively. Operational figures are based on fiscal year results as reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release. As of Q1 FY19, the Company has revised its definition of adjusted 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.

(3) Pro forma for net borrowings to finance Athena and Syntonic acquisitions (\$46mm, April 2019).

(4) Acquisitions completed and capital deployed in acquisitions FY14-FY19.

# Acquisitions have transformed Mercury into a commercial...

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



...provider of secure sensor and safety-critical processing subsystems





# We are deployed on 300+ programs with 25+ Primes

## Aerospace & Defense Platform and Systems Electronics Content

C4I

JLTV



WIN-T



KC-46



A330 MRTT



Aegis



F-16



Reaper/Gorgon Stare



Triton



Patriot



Aegis



F-35



C-130



Global Hawk



Badger/Buzzard



SEWIP



Stormbreaker



PGK



MALD-J



Paveway



SM2/3/6



Sensor & Effector Mission Systems

**snc** SIERRA NEVADA CORPORATION

**SAIC**

LOCKHEED MARTIN

**Raytheon**

**NORTHROP GRUMMAN**



Technologies



**GENERAL ATOMICS**

**THALES**



**BAE SYSTEMS**



**AIRBUS**



**BOEING**

**HARRIS**



# Six 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 remain issues; MilPer expense growth, aging military platforms' O&M costs rising



## **Defense Procurement Reform:**

Firm-fixed-price contracts changing economics and industry competitive dynamics despite increased defense spending



## **Innovation Challenges:**

Increasing headcount but recruitment challenges and aging workforce; Relatively low IRAD requires focused investment and greater outsourcing



## **DoD needs more domestically-produced technology**

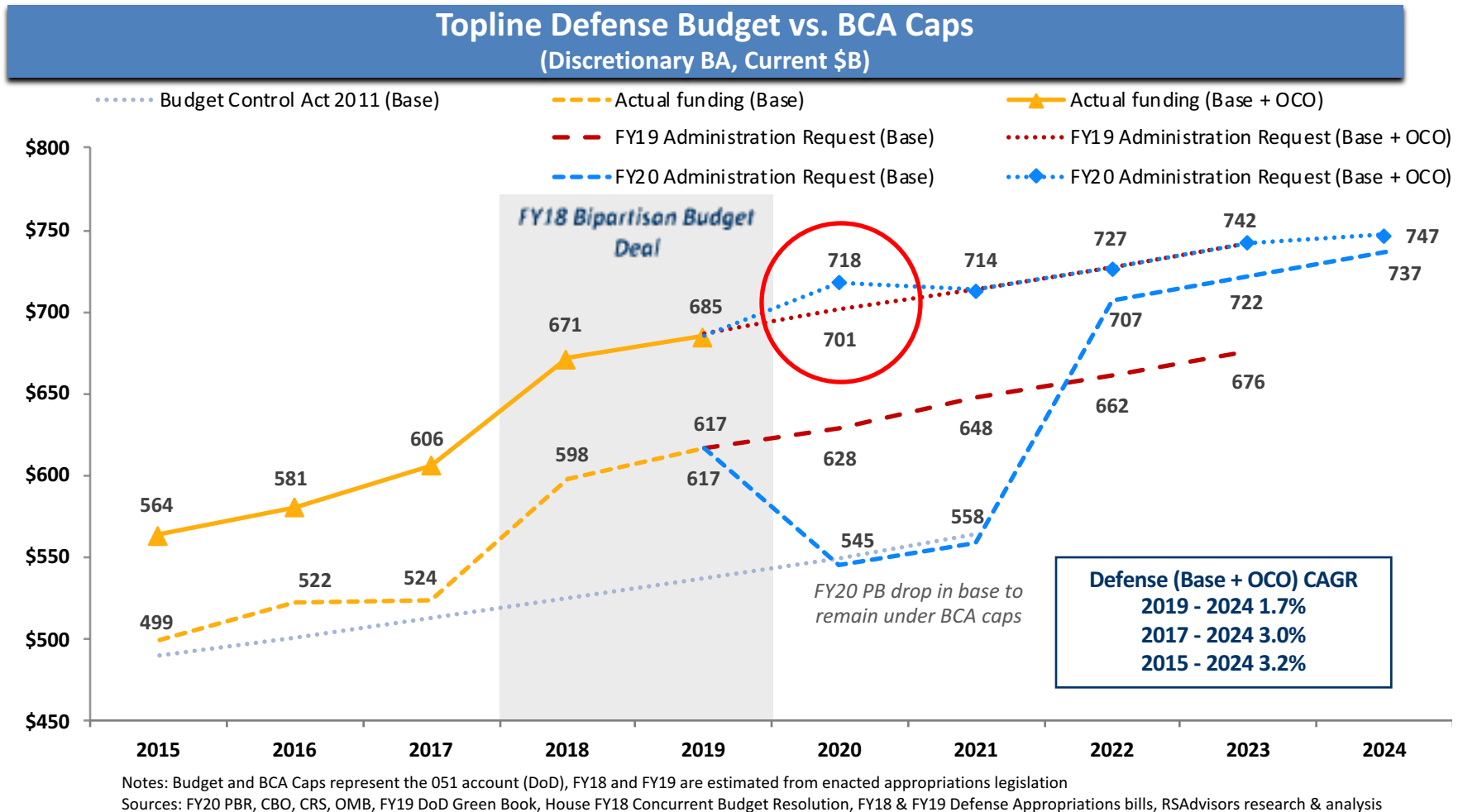
Leverage high-tech commercial investment and innovation  
Address supply chain globalization and need for trust and assurance



## **Challenging Global Security Environment:**

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

# Expect a ~5% increase in FY20 Defense budget...







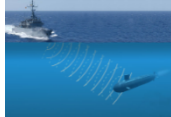



...and low single-digit CAGR over longer term

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

## Our total addressable market is now ~\$39B

### Aerospace & Defense Platform and Systems Electronics Content

	C4I (\$23.0B*)			Sensor & Effector Mission Systems (\$15.8B*)				
	Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
Definition 2019 Market (\$B) 2019 Tier 2* Market (\$B)								
	<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>
	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>\$26.3B</b> 5.7% '18-23 CAGR	<b>\$39.7B</b> 5.2% '18-23 CAGR	<b>\$17.6B</b> 5.7% '18-23 CAGR	<b>\$8.8B</b> 5.1% '18-23 CAGR	<b>\$9.8B</b> 5.8% '18-23 CAGR	<b>\$12.1B</b> 5.2% '18-23 CAGR	<b>\$4.5B</b> 5.7% '18-23 CAGR	<b>\$6.2B</b> 7.7% '18-23 CAGR
	<b>\$6.7B</b> 6.5% '18-23 CAGR	<b>\$8.1B</b> 6.2% '18-23 CAGR	<b>\$8.2B</b> 5.8% '18-23 CAGR	<b>\$4.5B</b> 5.2% '18-23 CAGR	<b>\$5.1B</b> 6.2% '18-23 CAGR	<b>\$1.9B</b> 6.5% '18-23 CAGR	<b>\$1.2B</b> 6.5% '18-23 CAGR	<b>\$3.1B</b> 8.1% '18-23 CAGR

#### Notes:

\*Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Commercial Aerospace Markets  
Sources: RSAdvisors research & analysis, October 2018. Numbers are rounded.

# Our capabilities and growth dimensions are well-aligned...

- Growth in Defense spending
- Defense Prime contractors outsourcing more
- Defense Primes' flight to quality suppliers
- Supply chain delayering
- Foreign military and international sales increasing
- Sensor & C4I modernization
- Weapon systems readiness and modernization

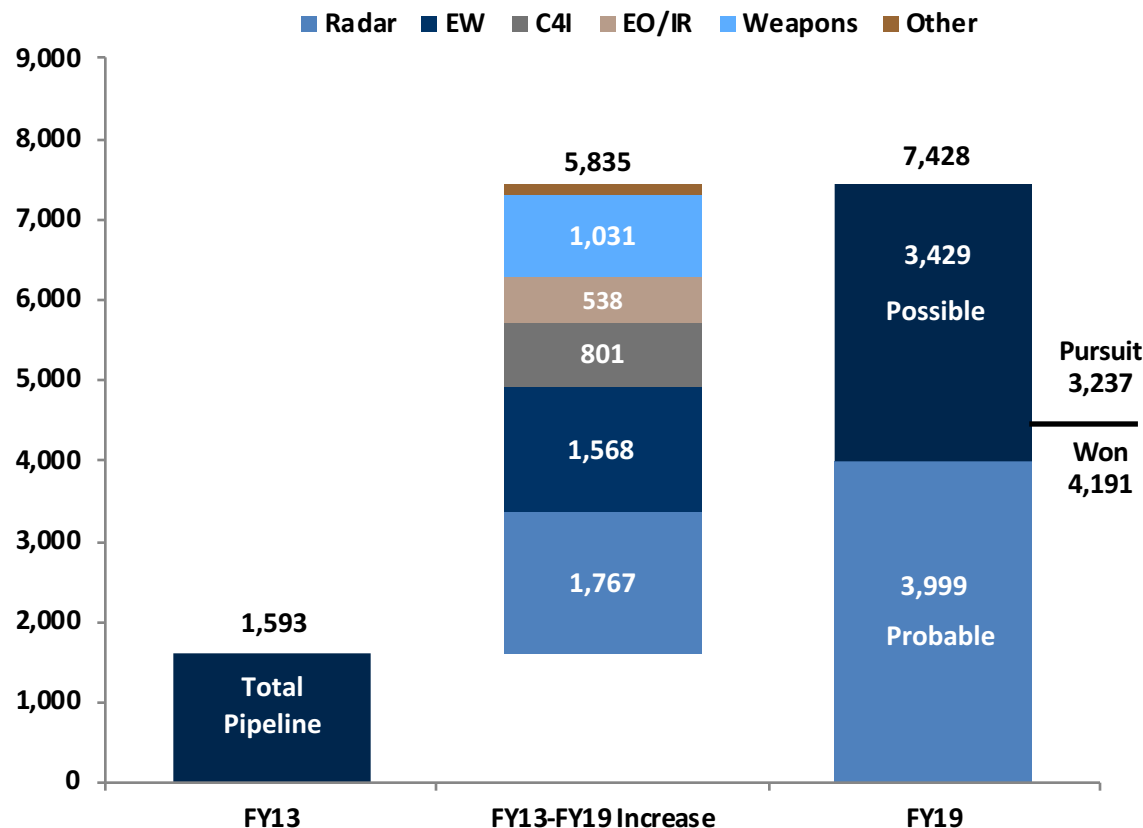


...with DoD investment priorities and overall industry trends

# Acquisitions and investments driving significant opportunity growth...

- Total potential value grew >4.7x to \$7.4B in 6 years
- Significant Radar, EW, C4I, EO/IR and weapons opportunity pipeline
- Acquisitions brought new programs and capabilities
- Larger, more diversified, program base reduces risk
- Content expansion driving above average growth
- Outsourced integrated subsystems 62% of top 30 program forecast life value

Top 30 Programs & Pursuits Estimated Lifetime Value (\$M)

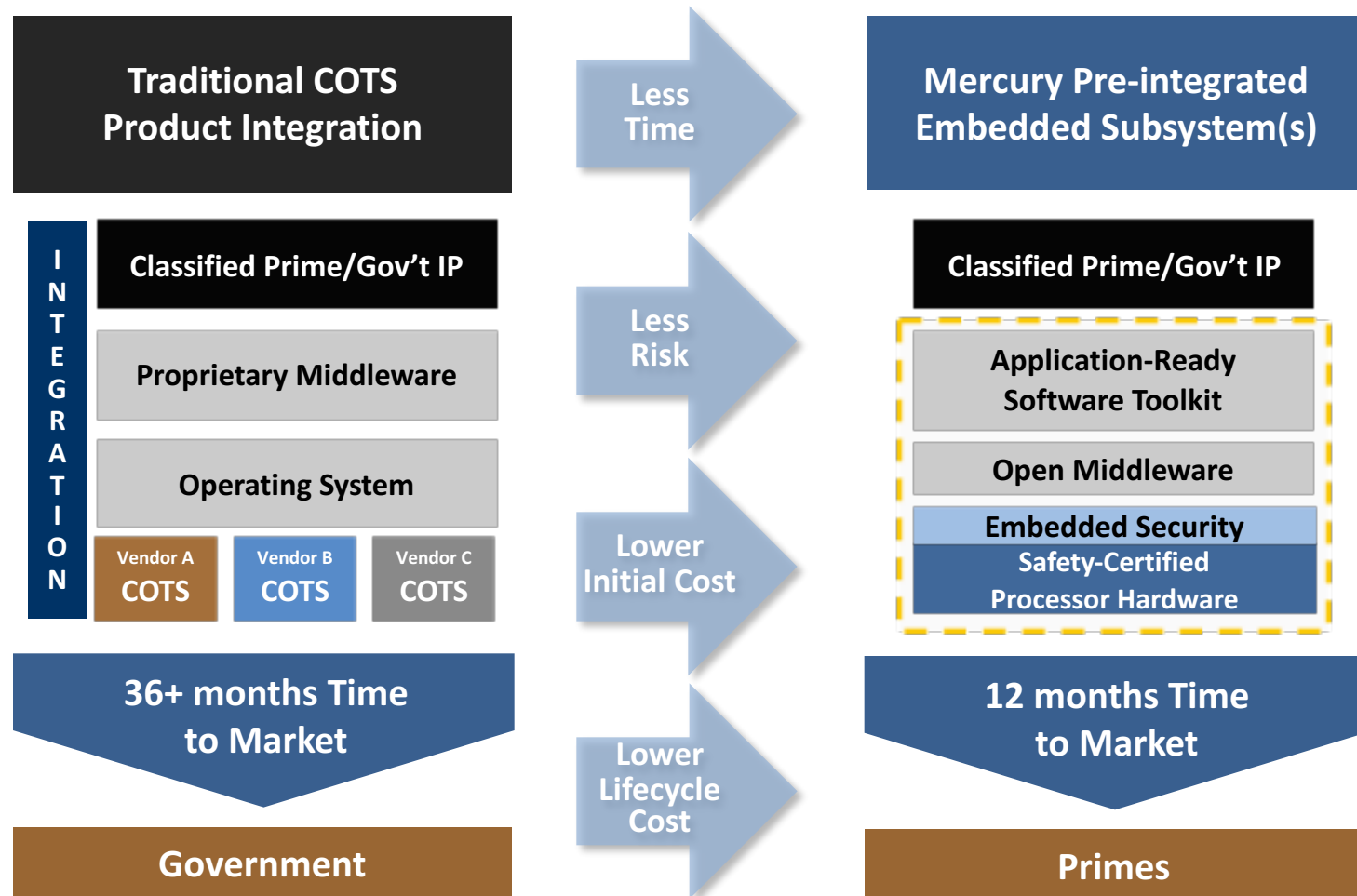


...which in turn is driving strong results

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



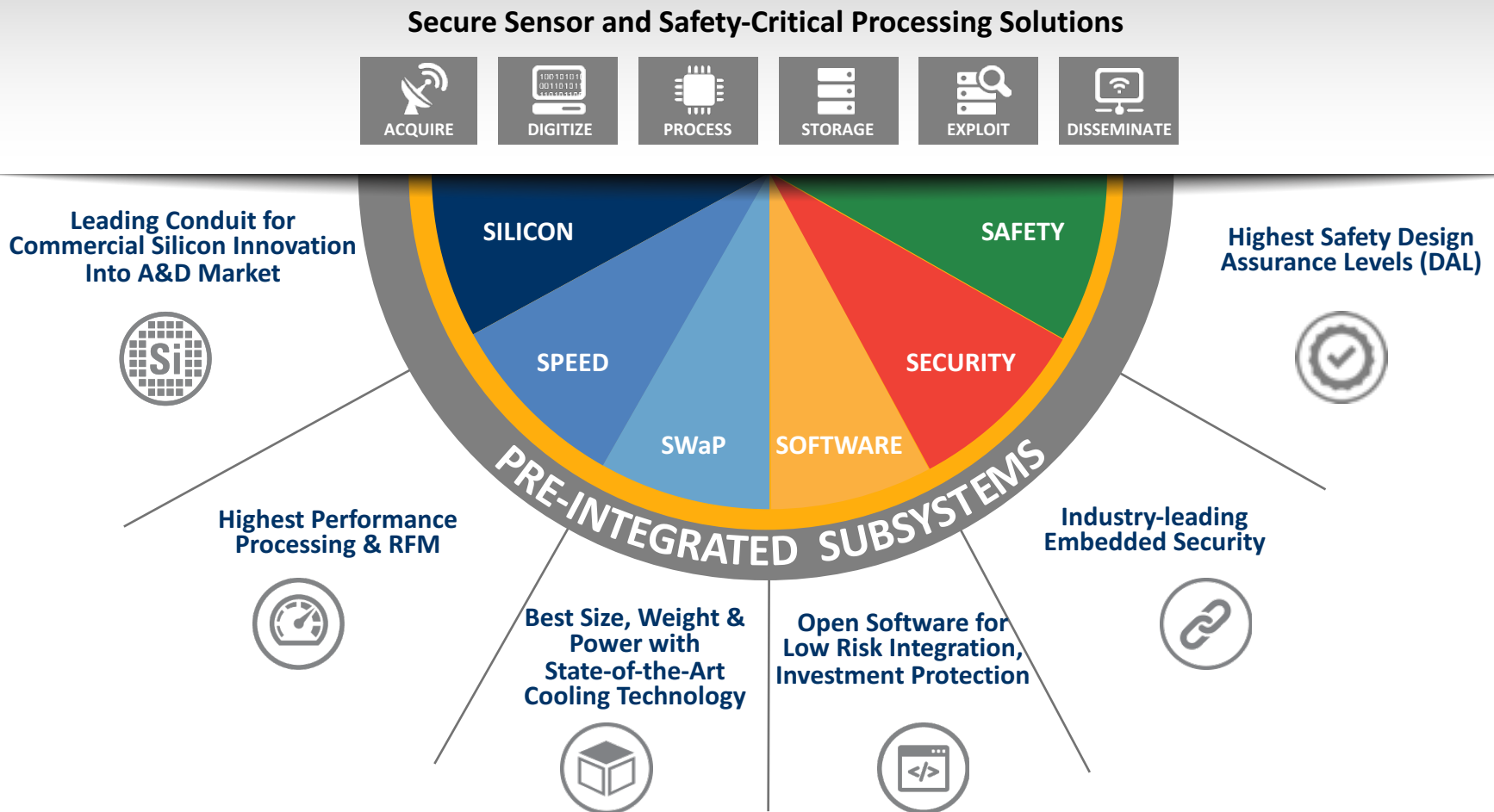
# Business model built for speed, innovation and affordability...



...as customers seek outsourced pre-integrated subsystems



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



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

# Glassdoor current employee ratings

Validates strong leadership, destination employer and acquirer of choice status

	Mercury Systems	Glass Door Average <sup>(1)</sup>	Proxy Peer Group <sup>(2)</sup>	Tier 2 Defense Index <sup>(3)</sup>
<b>Overall Rating</b>	4.3	3.4	3.5	3.6
<b>Culture &amp; Values</b>	4.3	3.4	3.5	3.5
<b>Work-Life Balance</b>	3.7	3.4	3.5	3.5
<b>Senior Management</b>	4.1	3.1	3.1	3.1
<b>Compensation &amp; Benefits</b>	4.0	3.1	3.4	3.5
<b>Career Opportunities</b>	4.1	3.0	3.3	3.3
<b>Recommend to Friend</b>	86%	62%	63%	68%
<b>CEO Approval</b>	95%	70%	71%	77%
<b>Positive Business Outlook</b>	87%	49%	56%	58%

Notes:

**Source:** Glassdoor, Inc. Ratings as of May 1, 2019.

**(1)** Glassdoor average as of January 2019.







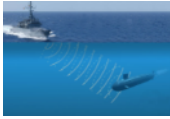
























**(2) PROXY PEER GROUP:** ADTRAN, Inc., AeroVironment, Inc., Analogic Corp, Astronics Corp., Brooks Automation, Inc., CalAmp Corp., Cognex Corp., Comtech Telecommunications Corp., Cray, Inc., Digi International, Inc., Ducommun, Inc., Infinera Corp., iRobot Corp., Kratos Defense & Security Solutions, Inc., MACOM Technology Solutions Holdings, Inc., MKS Instruments, Inc., NETGEAR, Inc., NetScout Systems, Inc., Novanta, Inc., Progress Software Corp., Qualys, Inc., Sparten Corp., Vicor Corp.

**(3) TIER 2 DEFENSE INDEX:** AAR, Aerojet Rocketdyne, AeroVironment, AXON Enterprises, Ball Aerospace, BWX Technologies, Comtech Telecom, Cubic, Curtiss Wright, Ducommun, Elbit Systems, FireEye, FLIR Systems, Harris, HEICO, Hexcel, Honeywell Intl, Kaman, KBR, Kratos Defense, L3 Technologies, Maxar, Moog, Oshkosh, OSI Systems, Teledyne Technologies, Textron, TransDigm Group, Triumph Group, United Technologies, Vectrus, Viasat, VSE, Woodward Aerospace.



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

## 2019 Tier 2\* Market (\$B) & CY'18-23 CAGR (%)

Aerospace & Defense Platform and Systems Electronics Content							
C4I (\$23.0B*)			Sensor & Effector Mission Systems (\$15.8B*)				
Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
							
Avionics / Vetronics	Command & Control / Battle Management	Dedicated Communications	Electronic Warfare	Radar	Electro-Optical/Infrared	Acoustics	Missiles/Munitions
  	     	    	        		Organic		
\$6.7B 6.5%	\$8.1B 6.2%	\$8.2B 5.8%	\$4.5B 5.2%	\$5.1B 6.2%	\$1.9B 6.5%	\$1.2B 6.5%	\$3.1B 8.1%

### Notes:

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

Sources: RSAdvisors research & analysis. Numbers are rounded.

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

# Mercury M&A philosophy and value creation blueprint

<b>Culture &amp; Values</b>	Assess cultural fit and rapidly enculturate the acquiree
<b>Full Integration</b>	We believe in full integration – We're not a holding company
<b>Unify Brand</b>	One Brand – Mercury Systems
<b>Combine Like Entities</b>	Combine like businesses or product lines to gain scale and efficiencies
<b>Consolidate Manufacturing</b>	Invest capital to consolidate and modernize manufacturing facilities
<b>Deploy Common Processes &amp; Systems</b>	Deploy scalable enterprise processes, systems, security, collaboration
<b>Invest R&amp;D Leverage G&amp;A</b>	Raise R&D to accelerate new design wins. Centralize G&A where possible
<b>Accelerate Organic Growth</b>	Strategic account and solution sales model to accelerate organic growth
<b>Continuously Improve</b>	Matrix structure drives clarity, consistency, continuous improvement
<b>Deliver Results</b>	Common business management process and operating cadence



# Strategy and investments have positioned Mercury well

- Proven high-tech commercial business model for Aerospace & Defense
- 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
- Captive Prime outsourcing large secular growth opportunity
- Destination employer and acquirer of choice
- Continued above industry-average growth and profitability
- Business platform built to grow and scale through future acquisitions



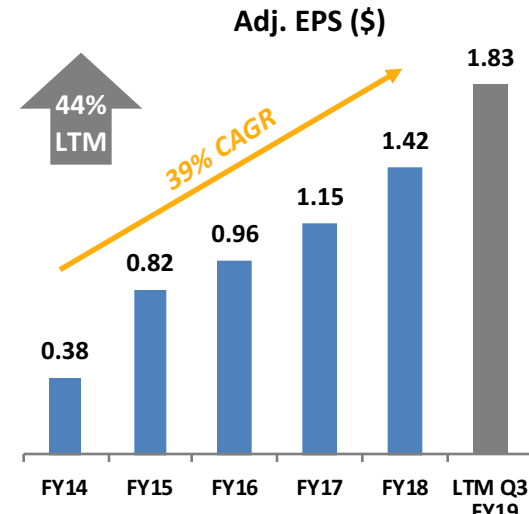
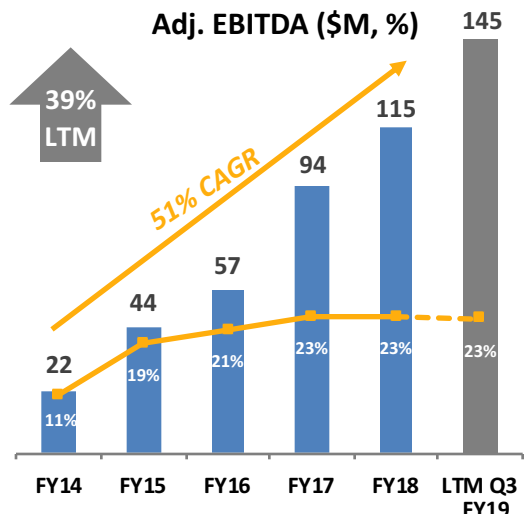
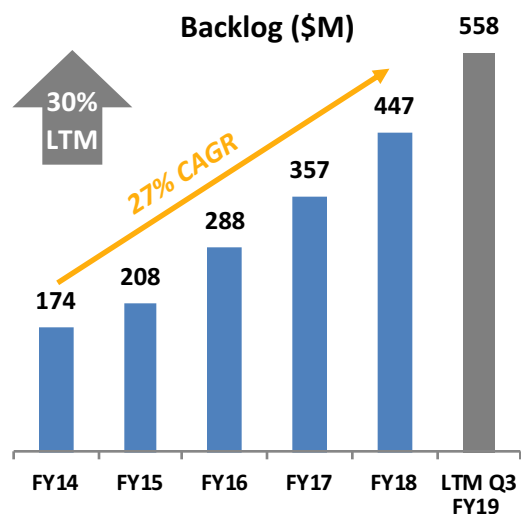
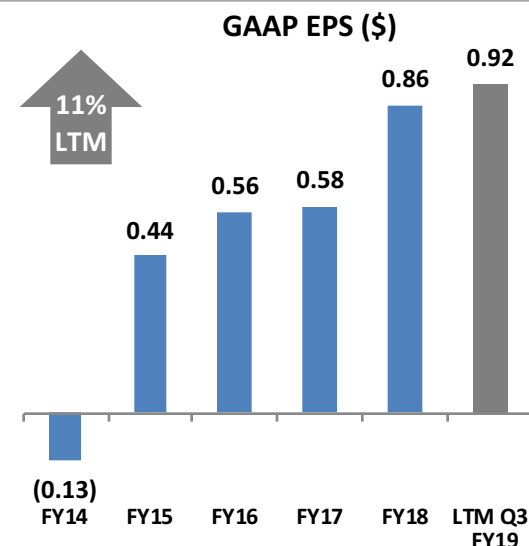
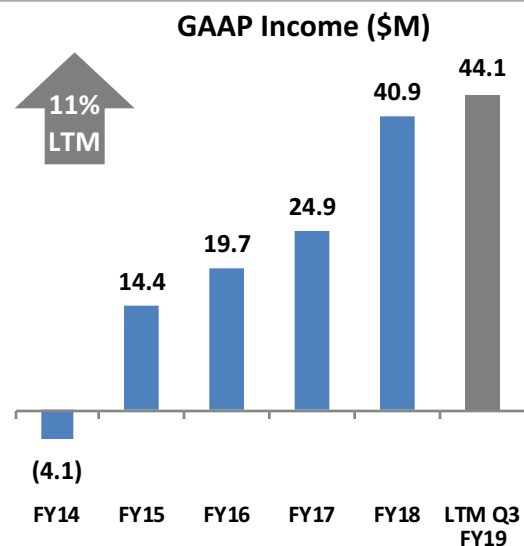
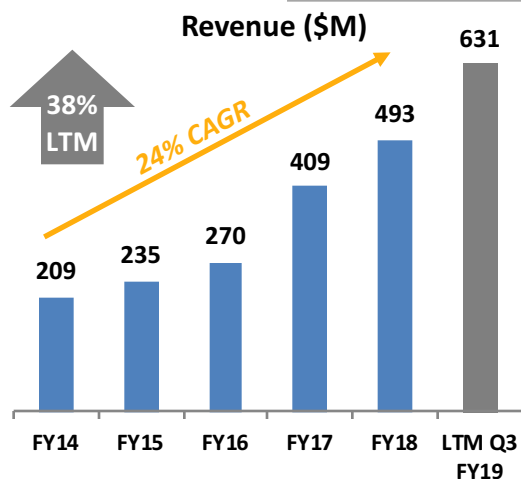
# Financial Overview

**Michael Ruppert**  
**Executive Vice President & CFO**





# Mercury has delivered strong financial results



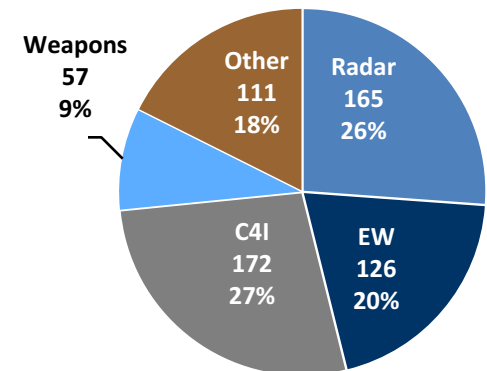
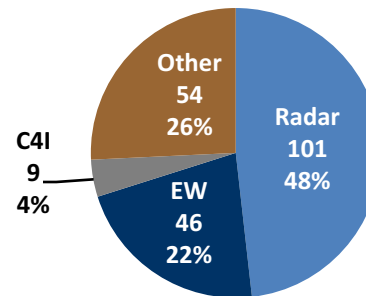
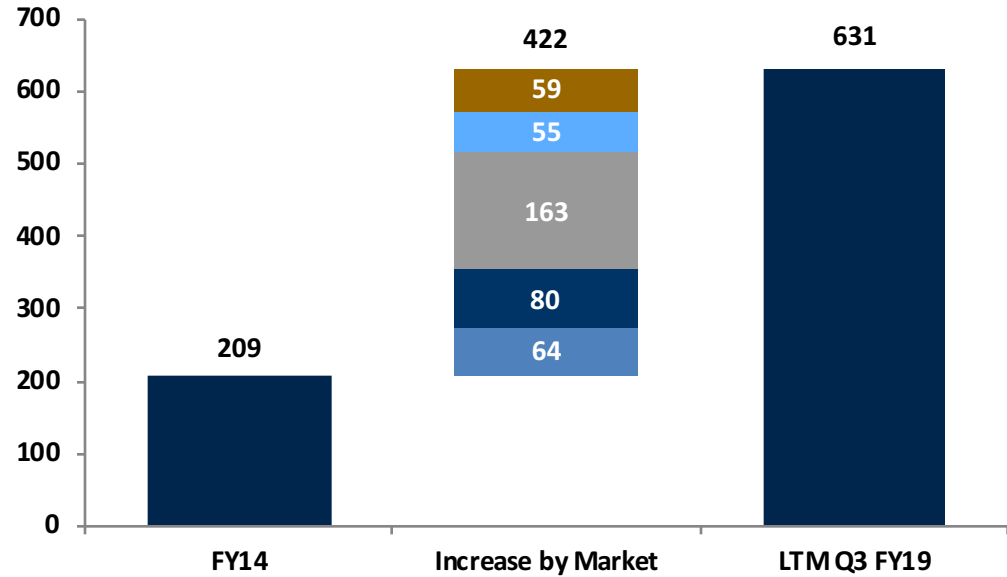
Notes: For the fiscal years ended June 30 and trailing four fiscal quarters ended March 31, 2019. Backlog as reported in the Company's earnings announcement on April 30, 2019. Other figures as reported in appendix hereto. CAGR figures for the period FY2014-FY2018. LTM figures for the period LTM Q3 FY18-LTM Q3 FY19. See reconciliation of GAAP to non-GAAP financial measures tables in appendix hereto. Numbers are rounded. Per share data is presented on a fully diluted basis. As of Q1 FY19, 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.

# Market expansion strategy is working well

- Continued growth in core markets
- Expansion into adjacent markets
- 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)

■ Radar ■ EW ■ C4I ■ Weapons ■ Other



Notes: For the fiscal year ended June 30, 2014 and trailing four fiscal quarters ended March 31, 2019. 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.



# Q3 FY19 vs. Q3 FY18 and LTM Q3 FY19 vs. LTM Q3 FY18

<i>In \$ millions, except percentage and per share data</i>	Q3 FY18	Q3 FY19	Change	LTM Q3 FY18 <sup>(1)</sup>	LTM Q3 FY19 <sup>(1)</sup>	Change
<b>Bookings</b>	\$150.4	\$189.7	26%	\$524.1	\$713.3	36%
Book-to-Bill	1.29	1.09		1.15	1.13	
<b>Backlog</b>	\$429.3	\$558.2	30%	\$429.3	\$558.2	30%
<b>Revenue</b>	\$116.3	\$174.6	50%	\$455.9	\$630.6	38%
Organic Revenue Growth <sup>(2)</sup>	(6%)	31%		12%	16%	
<b>GAAP Net Income</b>	\$3.7	\$14.1	282%	\$39.6	\$44.1	11%
Effective Tax Rate	37.4%	27.5%				
<b>GAAP EPS</b>	\$0.08	\$0.29	263%	\$0.84	\$0.92	11%
Weighted Average Diluted Shares	47.5	48.0				
<b>Adjusted EPS<sup>(3)</sup></b>	\$0.30	\$0.50	67%	\$1.27	\$1.83	44%
<b>Adj. EBITDA<sup>(3)</sup></b>	\$25.1	\$38.8	55%	\$104.6	\$145.1	39%
% of Revenue	21.6%	22.2%		22.9%	23.0%	
<b>Operating Cash Flow</b>	\$0.9	\$26.2	30x	\$27.4	\$97.2	3x
<b>Free Cash Flow<sup>(3)</sup></b>	(\$2.6)	\$19.2	N.A.	\$10.3	\$75.3	6x

**Notes:**

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

(2) 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.

(3) Non-GAAP, see reconciliation table.



# Capitalization (at March 31, 2019)

<i>In \$ millions<sup>(1)</sup></i>	<b>Actual 3/31/19</b>	<b>Acquisition Adjustments</b>	<b>As Adjusted for Athena &amp; Syntonic<sup>(2)</sup></b>	<b>Offering Adjustments</b>	<b>As Further Adjusted for the Offering<sup>(3)</sup></b>
Cash and cash equivalents	112.5	2.9	115.4	130.2	245.6
Long-term debt, including current portion	276.5	48.0	324.5	(324.5)	-
Total shareholders' equity	812.4	-	812.4	454.7	1,267.1
Net Debt / (Cash)	164.0	45.1	209.1	(454.7)	(245.6)

**Notes:**

(1) Numbers are rounded.

(2) Reflects the borrowings on the Company's revolving credit facility in April 2019 to fund the acquisitions of The Athena Group, Inc., and Syntonic Microwave, LLC, on April 18, 2019. Also reflects cash acquired in those acquisitions.

(3) The number of shares of common stock outstanding as adjusted is based on the number of shares of common stock outstanding as of April 30, 2019, and the issuance of shares of common stock in the May 2019 offering, including the exercise of the underwriters' option to purchase additional shares.



# FY19 annual guidance (as of 4/30/19)

<i>In \$ millions, except percentage and per share data</i>	<b>FY18<sup>(1)</sup></b>	<b>FY19<sup>(2)</sup></b>	<b>Change</b>
<b>Revenue</b>	\$493.2	\$642.0 - \$651.0	30% - 32%
<b>Gross Margin</b>	45.8%	43.3% - 43.5%	(2.5) - (2.3) pts
<b>Operating Expenses</b>	\$178.9	\$203.4 - \$205.9	14% - 15%
<b>GAAP Net Income</b> Effective tax rate <sup>(3)</sup>	\$40.9 4%	\$45.2 - \$47.4 28%	11% - 16%
<b>GAAP EPS</b> Weighted-average diluted shares outstanding	\$0.86 47.5	\$0.95 - \$0.99 47.9	11% - 15%
<b>Adjusted EPS<sup>(4)</sup></b>	\$1.42	\$1.79 - \$1.83	26% - 29%
<b>Adj. EBITDA<sup>(4)</sup></b> % of revenue	\$114.6 23.2%	\$141.5 - \$144.5 22.0% - 22.2%	24% - 26%

**Notes:**

(1) FY18 figures are as reported in the Company's earnings release dated July 31, 2018.


(2) The guidance included herein is from the Company's earnings release dated April 30, 2019. For purposes of modeling and guidance, we have assumed no incremental restructuring, acquisition, other non-operating adjustments or non-recurring financing-related expenses.

(3) The effective tax rate in the guidance included herein excludes discrete items.

(4) Non-GAAP, see reconciliation table.



# Mercury recent acquisition history

Company	Expansion Primary Theme	Closing Date	Purchase Price (\$mm)	Ending Debt Balance	Funding
	Security	Dec-2015	\$ 10	\$ 0	Cash on Hand
 <sup>(1)</sup>	Weapons, EW, Security	May-2016	\$ 300	-	Term Loan Cash on Hand
April 2016 Equity Offering			(\$ 93)	\$ 200	Equity Offering
	Platform/Mission, Comm's	Nov-2016	\$ 39	\$ 190	Cash on Hand
January 2017 Equity Offering			(\$ 216)	\$ 0 <sup>(2)</sup>	Equity Offering
	EW, Space	Apr-2017	\$ 41	\$ 0 <sup>(2)</sup>	Cash on Hand
	Platform/Mission	Jul-2017	\$ 6	\$ 0	Cash on Hand
	C2I, Comm's	Feb-2018	\$ 180	\$ 195	Revolver
	C2I, Acoustics	Jul-2018	\$ 45	\$ 240	Revolver
	Platform/Mission	Jan-2019	\$ 37	\$ 277	Revolver
	Security	Apr-2019	\$ 46	\$ 325	Revolver
	EW	Apr-2019			
May 2019 Equity Offering			(\$ 455)	\$ 0 <sup>(3)</sup>	Equity Offering

Source: Company filings, Company investor presentations

<sup>(1)</sup> Represents carve-out acquisition from Microsemi Corp.

<sup>(2)</sup> 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.

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

**Total Capital Deployed: \$ 704**



# Committed to maintaining differentiated and attractive financial profile

100%

Increase EBITDA  
margins to high end  
of target model

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

32%

Grow organically at  
high-single /  
low-double digit

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

11%

Supplement  
with  
strategic  
M&A

- Large pipeline of targets
- Reloading balance sheet
- Revolver with attractive terms
- Identify, execute, integrate

<5%

Poised to remain in the top 5%



# Summary

- Strategy driving sustained growth and profitability above industry average
- Raised and deployed capital creating significant shareholder value
- Invested in infrastructure and developed core competencies to scale
- Poised for continued organic and inorganic growth, margin expansion
- Well-positioned for future M&A with strong pipeline of opportunities



# Appendix



# Balance sheet

(In \$ millions) <sup>(1)</sup>	As of				
	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
<b><u>ASSETS</u></b>					
Cash & cash equivalents	\$44.2	\$66.5	\$72.9	\$93.9	\$112.5
Accounts receivable, net	141.6	143.8	153.9	168.3	170.7
Inventory, net	117.1	108.6	121.2	126.4	131.7
PP&E, net	51.3	51.0	50.8	53.1	55.9
Goodwill and intangibles, net	685.7	675.3	704.2	696.3	724.3
Other	17.0	19.3	24.0	18.6	17.3
<b>TOTAL ASSETS</b>	<b>\$1,056.9</b>	<b>\$1,064.5</b>	<b>\$1,127.0</b>	<b>\$1,156.6</b>	<b>\$1,212.4</b>
<b><u>LIABILITIES AND S/E</u></b>					
AP and accrued expenses	\$69.8	\$59.1	\$61.2	\$70.7	\$83.1
Other liabilities	36.3	38.5	49.2	49.9	40.4
Debt <sup>(2)(3)</sup>	195.0	195.0	240.0	240.0	276.5
<b>Total liabilities</b>	<b>301.1</b>	<b>292.6</b>	<b>350.4</b>	<b>360.6</b>	<b>400.0</b>
<b>Stockholders' equity</b>	<b>755.8</b>	<b>771.9</b>	<b>776.6</b>	<b>796.1</b>	<b>812.4</b>
<b>TOTAL LIABILITIES AND S/E</b>	<b>\$1,056.9</b>	<b>\$1,064.5</b>	<b>\$1,127.0</b>	<b>\$1,156.6</b>	<b>\$1,212.4</b>

**Notes:**

(1) Rounded amounts used.

(2) On January 29, 2019 (in Q3 FY19), Mercury acquired GECCO Avionics, LLC, and borrowed \$36.5 million on its revolving credit facility to fund the acquisition.

(3) On April 18, 2019 (in Q4 FY19), Mercury acquired The Athena Group, Inc., and Syntonic Microwave LLC, and borrowed \$46.0 million, net, on its existing revolving credit facility to fund the acquisitions.

# Cash flow summary

(In \$ millions) <sup>(1)</sup>	For the Fiscal Quarters Ended				
	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
<b>Net Income</b>	<b>\$3.7</b>	<b>\$10.1</b>	<b>\$7.5</b>	<b>\$12.4</b>	<b>\$14.1</b>
Depreciation and amortization	11.4	12.0	11.5	11.7	11.6
Other non-cash items, net	3.3	5.1	5.5	4.6	6.3
<u>Change in Working Capital</u>					
Accounts receivable, unbilled receivables, and costs in excess of billings	(10.6)	(2.9)	(5.9)	(15.0)	(1.2)
Inventory	(2.5)	8.7	(4.6)	(4.9)	(4.0)
Accounts payable and accrued expenses	(8.7)	(8.2)	(2.0)	9.2	8.0
Other	4.2	0.8	8.0	7.3	(8.6)
<b>Changes in Operating Assets and Liabilities</b>	<b>(17.5)</b>	<b>(1.6)</b>	<b>(4.5)</b>	<b>(3.4)</b>	<b>(5.8)</b>
<b>Operating Cash Flow</b>	<b>0.9</b>	<b>25.6</b>	<b>20.0</b>	<b>25.3</b>	<b>26.2</b>
Capital expenditures	(3.5)	(4.0)	(3.7)	(7.1)	(7.1)
<b>Free Cash Flow<sup>(2)</sup></b>	<b>\$(2.6)</b>	<b>\$21.6</b>	<b>\$16.3</b>	<b>\$18.2</b>	<b>\$19.2</b>
<i>Free Cash Flow<sup>(2)</sup> / Adjusted EBITDA<sup>(2)</sup></i>	<i>N.A.</i>	<i>57%</i>	<i>52%</i>	<i>49%</i>	<i>49%</i>
<i>Free Cash Flow<sup>(2)</sup> / GAAP Net Income</i>	<i>N.A.</i>	<i>214%</i>	<i>218%</i>	<i>147%</i>	<i>136%</i>

**Notes:**

(1) Rounded amounts used.

(2) Non-GAAP, see reconciliation table.



# Adjusted EPS reconciliation

(In thousands, except per share data)	FY14	FY15	FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19
<b>(Loss) Earnings per share<sup>(1)</sup></b>	<b>\$ (0.13)</b>	<b>\$ 0.44</b>	<b>\$ 0.56</b>	<b>\$ 0.10</b>	<b>\$ 0.13</b>	<b>\$ 0.16</b>	<b>\$ 0.19</b>	<b>\$ 0.58</b>	<b>\$ 0.38</b>	<b>\$ 0.19</b>	<b>\$ 0.08</b>	<b>\$ 0.21</b>	<b>\$ 0.86</b>	<b>\$ 0.16</b>	<b>\$ 0.26</b>	<b>\$ 0.29</b>
<b>Net (Loss) Income</b>	<b>\$ (4,072)</b>	<b>\$14,429</b>	<b>\$19,742</b>	<b>\$3,819</b>	<b>\$ 5,204</b>	<b>\$ 7,048</b>	<b>\$ 8,804</b>	<b>\$24,875</b>	<b>\$17,953</b>	<b>\$ 9,133</b>	<b>\$ 3,696</b>	<b>\$10,101</b>	<b>\$40,883</b>	<b>\$ 7,479</b>	<b>\$12,383</b>	<b>\$14,109</b>
Amortization of intangible assets	7,328	7,008	8,842	4,602	4,888	4,732	5,458	19,680	5,637	5,827	7,104	7,436	26,004	7,181	6,939	6,786
Restructuring and other charges	5,443	3,175	1,240	297	69	459	1,127	1,952	95	313	1,384	1,367	3,159	504	23	46
Impairment of long-lived assets	-	-	231	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition and financing costs	-	451	4,701	553	1,114	569	153	2,389	854	1,366	1,909	799	4,928	1,043	762	787
Fair value adjustments from purchase accounting	-	-	1,384	2,077	870	270	462	3,679	509	84	539	860	1,992	620	-	93
Litigation and settlement expense (income), net	-	-	(1,925)	-	100	-	17	117	-	-	-	-	-	-	179	146
Stock-based and other non-cash compensation expense	8,999	8,640	9,574	3,632	4,093	3,715	3,901	15,341	4,696	4,941	3,669	4,309	17,615	4,743	5,338	4,914
Impact to income taxes	(5,773)	(6,733)	(9,975)	(6,085)	(4,441)	(3,576)	(4,500)	(18,602)	(11,951)	(8,615)	(4,082)	(2,621)	(27,269)	(3,073)	(3,009)	(2,850)
<b>Adjusted income</b>	<b>\$ 11,925</b>	<b>\$26,970</b>	<b>\$33,814</b>	<b>\$ 8,895</b>	<b>\$ 11,897</b>	<b>\$ 13,217</b>	<b>\$ 15,422</b>	<b>\$49,431</b>	<b>\$ 17,793</b>	<b>\$ 13,049</b>	<b>\$ 14,219</b>	<b>\$ 22,251</b>	<b>\$ 67,312</b>	<b>\$ 18,497</b>	<b>\$ 22,615</b>	<b>\$ 24,031</b>
<b>Adjusted earnings per share<sup>(1)</sup></b>	<b>\$ 0.38</b>	<b>\$ 0.82</b>	<b>\$ 0.96</b>	<b>\$ 0.22</b>	<b>\$ 0.30</b>	<b>\$ 0.29</b>	<b>\$ 0.32</b>	<b>\$ 1.15</b>	<b>\$ 0.37</b>	<b>\$ 0.28</b>	<b>\$ 0.30</b>	<b>\$ 0.47</b>	<b>\$ 1.42</b>	<b>\$ 0.39</b>	<b>\$ 0.47</b>	<b>\$ 0.50</b>
Weighted-average shares outstanding:																
Basic	31,000	32,114	34,241	38,865	39,151	43,773	46,211	41,986	46,504	46,752	46,844	46,873	46,719	47,048	47,189	47,258
Diluted	31,000	32,939	35,097	39,865	39,985	44,814	47,472	43,018	47,489	47,447	47,532	47,521	47,471	47,697	47,705	47,958

## Notes:

(1) Per share information is presented on a fully diluted basis.





# Adjusted EBITDA reconciliation

(In thousands)	FY14	FY15	FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19
<b>Net (Loss) Income</b>	<b>\$ (4,072)</b>	<b>\$14,429</b>	<b>\$19,742</b>	<b>\$ 3,819</b>	<b>\$ 5,204</b>	<b>\$ 7,048</b>	<b>\$ 8,804</b>	<b>\$24,875</b>	<b>\$17,953</b>	<b>\$ 9,133</b>	<b>\$ 3,696</b>	<b>\$10,101</b>	<b>\$ 40,883</b>	<b>\$ 7,479</b>	<b>\$12,383</b>	<b>\$14,109</b>
Other non-operating adjustments, net <sup>(1)</sup>	(1,532)	(786)	(1,137)	(732)	(129)	(378)	(107)	(1,346)	222	(326)	(694)	3	(795)	365	(18)	(502)
Interest expense (income), net	40	13	1,041	1,782	1,888	1,756	1,680	7,106	(16)	104	999	1,731	2,818	2,193	2,125	2,268
Income Taxes	(1,841)	4,366	5,544	(1,259)	1,779	3,170	2,503	6,193	(8,381)	1,335	2,209	6,527	1,690	3,129	4,483	5,357
Depreciation	7,625	6,332	6,900	2,718	2,966	3,233	3,672	12,589	3,700	3,775	4,277	4,521	16,273	4,365	4,769	4,790
Amortization of intangible assets	7,328	7,008	8,842	4,602	4,888	4,732	5,458	19,680	5,637	5,827	7,104	7,436	26,004	7,181	6,939	6,786
Restructuring and other charges	5,443	3,175	1,240	297	69	459	1,127	1,952	95	313	1,384	1,367	3,159	504	23	46
Impairment of long-lived assets	-	-	231	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition and financing costs	-	451	4,701	553	1,114	569	153	2,389	854	1,366	1,909	799	4,928	1,043	762	787
Fair value adjustments from purchase accounting	-	-	1,384	2,077	870	270	462	3,679	509	84	539	860	1,992	620	-	93
Litigation and settlement expense (income), net	-	-	(1,925)	-	100	-	17	117	-	-	-	-	-	-	179	146
Stock-based and other non-cash compensation expense	8,999	8,640	9,574	3,632	4,093	3,715	3,901	15,341	4,696	4,941	3,669	4,309	17,615	4,743	5,338	4,914
<b>Adjusted EBITDA</b>	<b>\$21,990</b>	<b>\$43,628</b>	<b>\$56,137</b>	<b>\$17,489</b>	<b>\$22,842</b>	<b>\$24,574</b>	<b>\$27,670</b>	<b>\$92,575</b>	<b>\$25,269</b>	<b>\$26,552</b>	<b>\$25,092</b>	<b>\$37,654</b>	<b>\$114,567</b>	<b>\$31,622</b>	<b>\$36,983</b>	<b>\$38,794</b>

## Notes:

(1) As of July 1, 2018, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency remeasurement and fixed assets sales and disposals among other adjustments. Adjusted EBITDA for prior periods has been recast for comparative purposes.



# Free cash flow reconciliation

(In thousands)	FY14	FY15	FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19
Cash flows from operations	\$14,241	\$32,207	\$36,940	\$ 10,283	\$ 14,238	\$ 24,889	\$ 9,736	\$59,146	\$ 8,028	\$ 8,779	\$ 873	\$ 25,641	\$43,321	\$ 20,029	\$ 25,301	\$ 26,218
Capital expenditures	(6,701)	(5,984)	(7,885)	(6,050)	(7,703)	(13,036)	(6,055)	(32,844)	(3,628)	(3,964)	(3,475)	(4,039)	(15,106)	(3,727)	(7,075)	(7,060)
Free cash flow	\$ 7,540	\$26,223	\$29,055	\$ 4,233	\$ 6,535	\$11,853	\$ 3,681	\$26,302	\$ 4,400	\$ 4,815	\$ (2,602)	\$21,602	\$28,215	\$16,302	\$18,226	\$ 19,158



# Organic revenue reconciliation

(In millions)	FY14	FY15	FY16	FY17	FY18	LTM Q3 FY19
<b>Organic Revenue</b> <sup>(1)</sup>	\$ 208.7	\$ 234.8	\$ 253.5	\$ 277.7	\$ 433.4	\$ 517.3
Acquired Revenue <sup>(2)</sup>	-	-	16.6	130.9	59.8	113.4
<b>Net revenues</b>	<b>\$ 208.7</b>	<b>\$ 234.8</b>	<b>\$ 270.2</b>	<b>\$ 408.6</b>	<b>\$ 493.2</b>	<b>\$ 630.6</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.

(2) Acquired revenue for all preceding periods presented has not been recast for comparative purposes.

# Glossary

<b>AEGIS</b>	Aegis Ballistic Missile Defense System	<b>EDM</b>	Engineering Data Management	<b>MRTT</b>	Multi Role Tanker Transport
<b>AESA</b>	Active Electronically Scanned Array	<b>EM</b>	Electromagnetic	<b>O&amp;M</b>	Operations & Maintenance
<b>AMC</b>	Advanced Microelectronics Center	<b>EO/IR</b>	Electro-optical / Infrared	<b>OpenVPX</b>	System-level specification for VPX, initiated by Mercury
<b>BCA</b>	Budget Control Act	<b>EW</b>	Electronic Warfare	<b>PBR</b>	President's Budget Request
<b>C2I</b>	Command, Control & Intelligence	<b>FMS</b>	Foreign Military Sales	<b>PGK</b>	Precision Guidance Kit
<b>C4ISR</b>	Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance	<b>GAM</b>	Global Account Manager	<b>RF</b>	Radio Frequency
<b>CBO</b>	Congressional Budget Office	<b>HEL</b>	High Energy Laser	<b>RoW</b>	Rest of World
<b>COTS</b>	Commercial off-the Shelf	<b>HPM</b>	High Power Microwave	<b>SEWIP</b>	Surface Electronic Warfare Improvement Program
<b>CRS</b>	Congressional Research Service	<b>IMA</b>	Integrated Microwave Assembly	<b>SIGINT</b>	Signals Intelligence
<b>DAL</b>	Design Assurance Level	<b>IRAD</b>	Internal Research And Development	<b>SM</b>	Standard Missile
<b>DFARS</b>	Defense Federal Acquisition Regulation Supplement	<b>JLTV</b>	Joint Light Tactical Vehicle	<b>SWaP</b>	Size Weight and Power
<b>DMEA</b>	Defense Microelectronics Activity	<b>LRU</b>	Line Replaceable Unit	<b>TAM</b>	Total Addressable Market
<b>DRFM</b>	Digital Radio Frequency Memory	<b>MALD</b>	Miniature Air Launched Decoy	<b>USMO</b>	US Manufacturing Operations
<b>EA</b>	Electronic Attack	<b>MMA</b>	Multimission Maritime Aircraft	<b>WIN-T</b>	Warfighter Information Network-Tactical