

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 8-K**

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

Date of report (Date of earliest event reported): August 10, 2016

**Mercury Systems, Inc.**

(Exact Name of Registrant as Specified in Charter)

Massachusetts

(State or Other Jurisdiction  
of Incorporation)

000-23599

(Commission File Number)

04-2741391

(IRS Employer  
Identification No.)

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

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

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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

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

**Item 7.01 Regulation FD Disclosure.**

The management of Mercury Systems, Inc. ("Mercury") will present an overview of Mercury's business on August 10, 2016 at the Jefferies 2016 Global Industrial and Aerospace & Defense Conference. Attached as Exhibit 99.1 to this Current Report on Form 8-K (the "Report") is a copy of the slide presentation to be made by Mercury at the conference.

This information is being furnished pursuant to Item 7.01 of this Report and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section and will not be incorporated by reference into any registration statement filed by Mercury under the Securities Act of 1933, as amended, unless specifically identified as being incorporated therein by reference. This Report will not be deemed an admission as to the materiality of any information in this Report that is being disclosed pursuant to Regulation FD.

Please refer to page 2 of Exhibit 99.1 for a discussion of certain forward-looking statements included therein and the risks and uncertainties related thereto, as well as the use of non-GAAP financial measures included therein.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Presentation materials dated August 10, 2016.



**SIGNATURES**

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

Dated: August 10, 2016

MERCURY SYSTEMS, INC.

By: /s/ Gerald M. Haines II

Gerald M. Haines II

Executive Vice President, Chief Financial Officer, and Treasurer

## Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Presentation materials dated August 10, 2016.

---

# Jefferies 12<sup>th</sup> Annual Industrials Conference

**Mark Aslett**  
President and CEO

**Gerry Haines**  
Executive Vice President and CFO

**August 10, 2016**



# Forward-looking safe harbor statement

This presentation contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to the products and services described herein. You can identify these statements by the use of the words “may,” “will,” “could,” “should,” “would,” “plans,” “expects,” “anticipates,” “continue,” “estimate,” “project,” “intend,” “likely,” “forecast,” “probable,” “potential,” and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in the Company’s markets, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in, or in the U.S. Government’s interpretation of, federal export control or procurement rules and regulations, market acceptance of the Company’s products, shortages in components, production delays or unanticipated expenses due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and restructurings, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, 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, 2015. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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

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

# Pioneering a next generation defense electronics company...

- High-tech commercial business model
- Secure processing subsystems
- Serving defense Prime contractor outsourcing needs
- Deployed on 300+ programs with 25+ Prime contractors
- FY16 \$270M revenue; Growth YoY:
  - 15% revenue,
  - 37% GAAP income<sup>(1)</sup>
  - 29% Adj. EBITDA
  - 38% backlog
- FY17 guidance<sup>(2)</sup>:
  - \$368M-\$376M revenue
  - \$15.5M-\$18.1M GAAP income<sup>(1)</sup>
  - \$82M-\$86M Adj. EBITDA



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

<sup>(1)</sup> GAAP income from continuing operations.

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

# Investor highlights

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



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

RADAR	F-16	F-35	Triton; NATO AGS Global Hawk	Patriot	Aegis Aegis Ashore
					
EW	F-15	AH-64 Apache	Global Hawk	Badger/Buzzard	SEWIP
					
EO/IR – C4I	F-16	Reaper/Gorgon Stare	F-35	P-8	Fury
					

LOCKHEED MARTIN

NORTHROP GRUMMAN

BAE SYSTEMS



BOEING

Raytheon

TELEPHONICS  
A Griffon Company

ArgonST  
A BOEING COMPANY

HARRIS

snc  
SIERRA NEVADA CORPORATION

UTC Aerospace Systems

GENERAL ATOMICS

 © 2016 Mercury Systems, Inc.

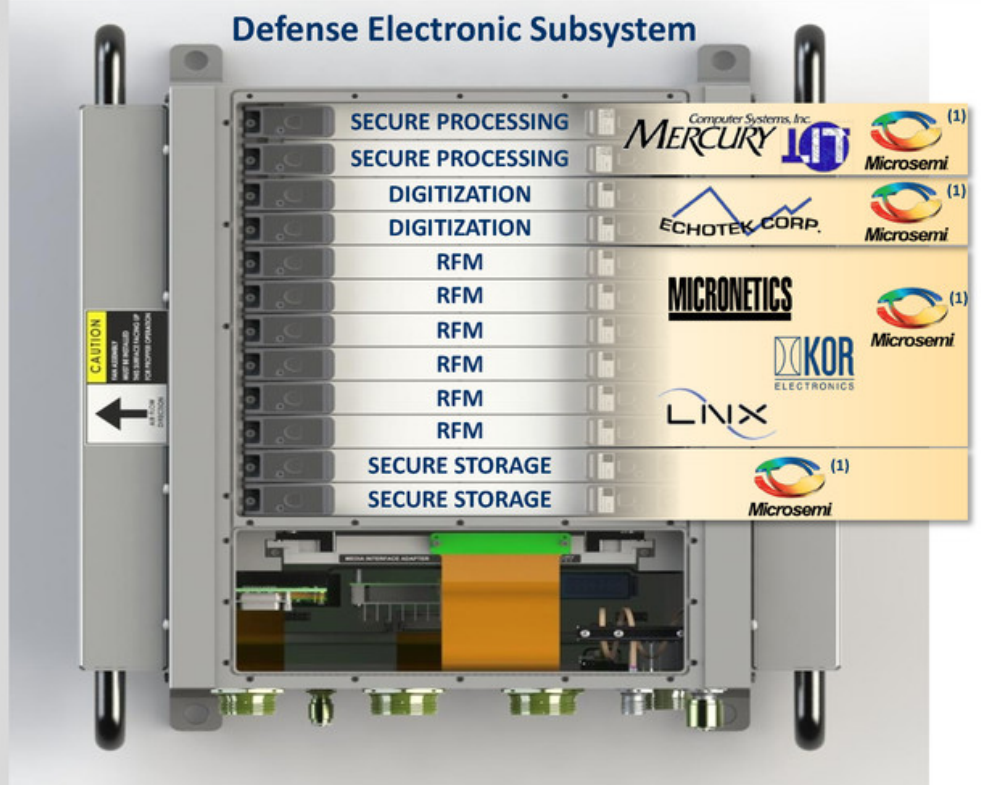
Mercury's vision is to be the...

Leading commercial provider  
of secure processing  
subsystems designed and  
made in the USA



# Acquisitions have transformed Mercury into a pure play...

- Acquired capability expands total addressable market
- Moved up the value chain
- Facilitates greater customer outsourcing
- Accelerates customer supply chain consolidation
- Disintermediate traditional competitors
- Low-risk content expansion organic growth strategy
- Integrating the carve-out businesses from Microsemi



...provider of outsourced defense electronics subsystems

# Defense will likely remain a \$500B+ industry...



## **Political Dysfunction:**

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



## **Crowding Out of Defense Spending and Investment:**

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



## **Defense Procurement Reform 3.0:**

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



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

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



## **Challenging Global Security Environment:**

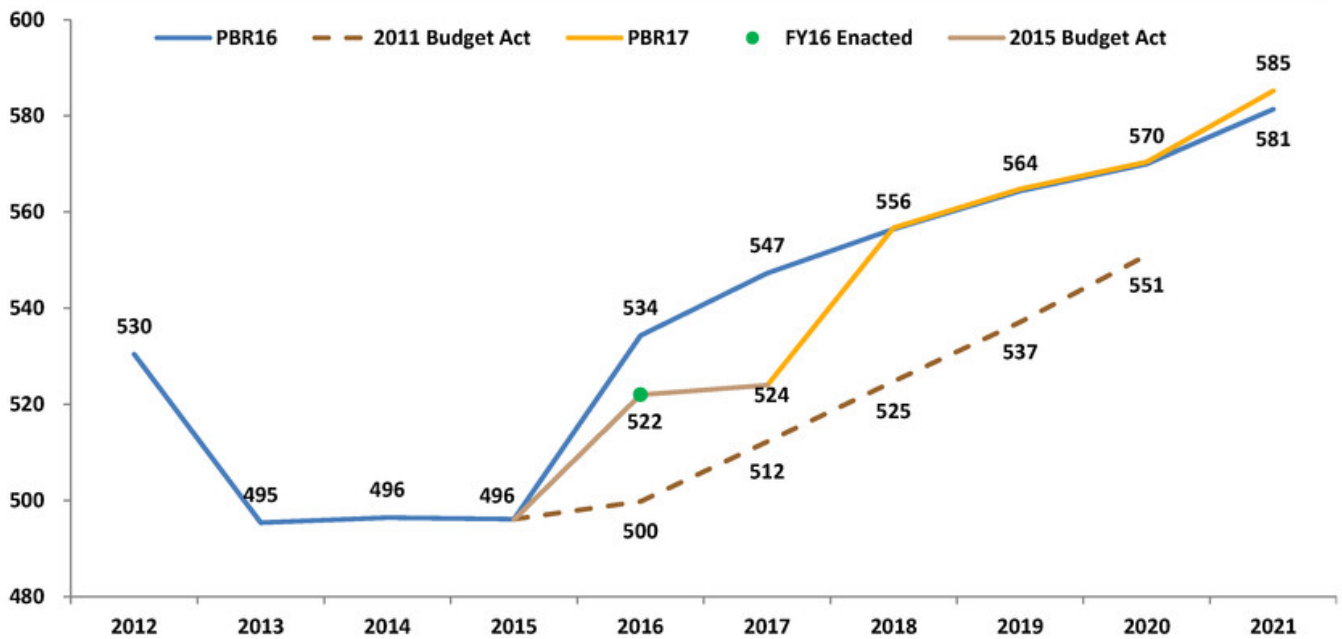
Resurgent Russia, Chinese militarization and power projection, ISIS threat, North Korean agitation, Middle East instability

...despite the ongoing political and budget uncertainty

# Defense budget outlook improved

Expect continuing resolution in GFY17

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

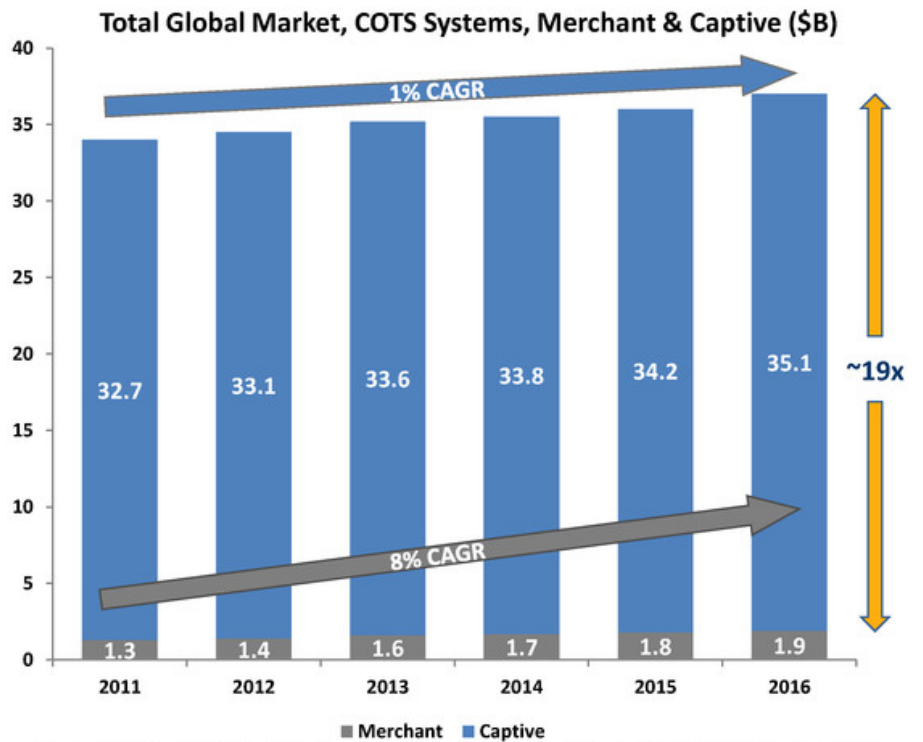


Sources: National Defense Authorization Act of 2016, FY2017 President's Budget Request. Numbers may not add due to rounding.

PBR17 adjusts FY17 to new budget caps but not FY18-21

# Mercury is benefitting from Primes' outsourcing...

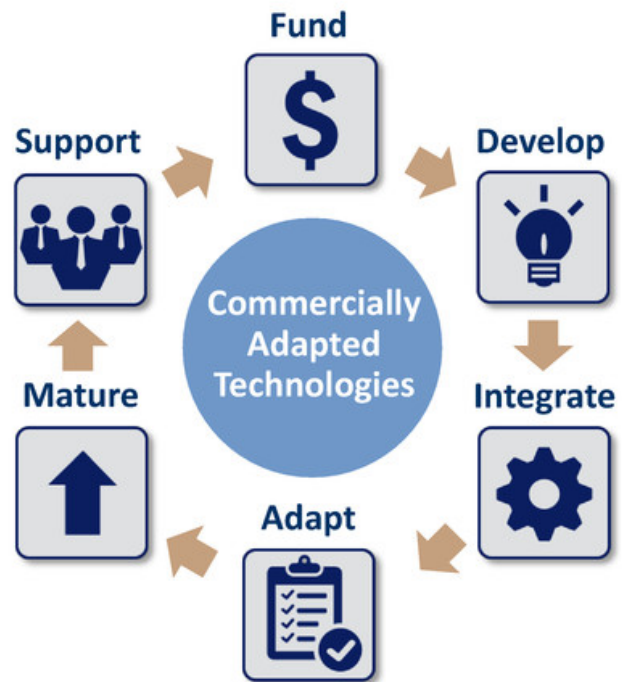
- Defense electronics is a \$37 billion dollar market
- Captive market is ~19x Commercial-Off-The-Shelf (COTS) merchant supply
- Outsourcing trend not tied to increased defense spending
- Primes outsourcing to more capable suppliers willing to invest, share risk



...representing ~19x addressable existing COTS merchant market

# How we operate as a high-tech commercial company...

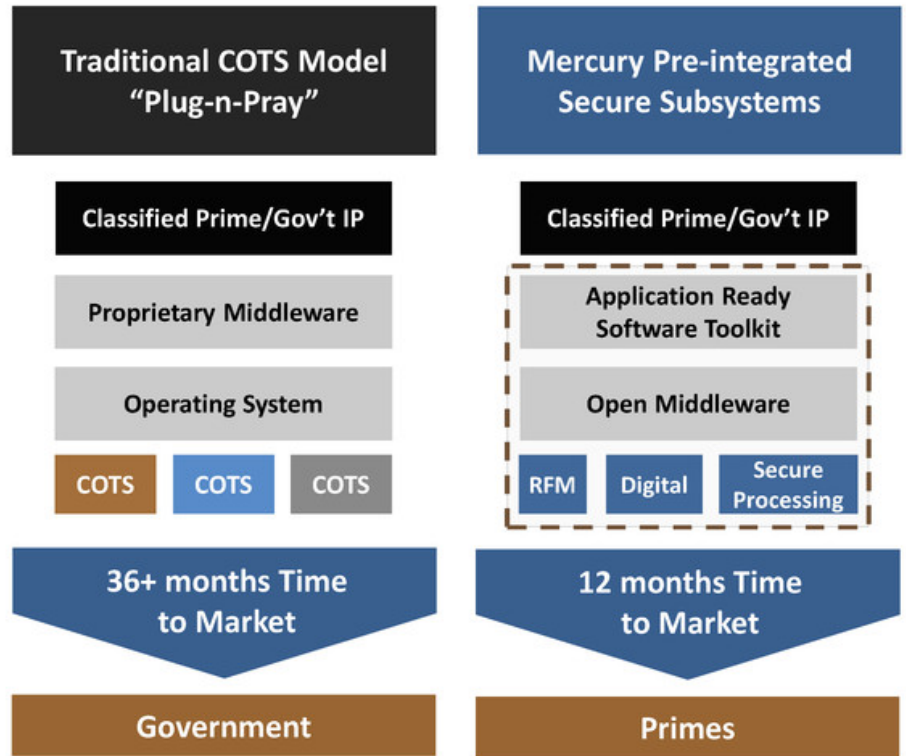
- Start with commercially available technology
- Internal R&D funds the development of modular, reusable open innovations
- Pre-integration improves affordability, time to market
- Rapid customization and adaptation to platform
- Mature technologies and manufacturing lower cost and reduce risk
- Support rapidly changing commercial technology for a decade or more



...serving the US defense electronics industry

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

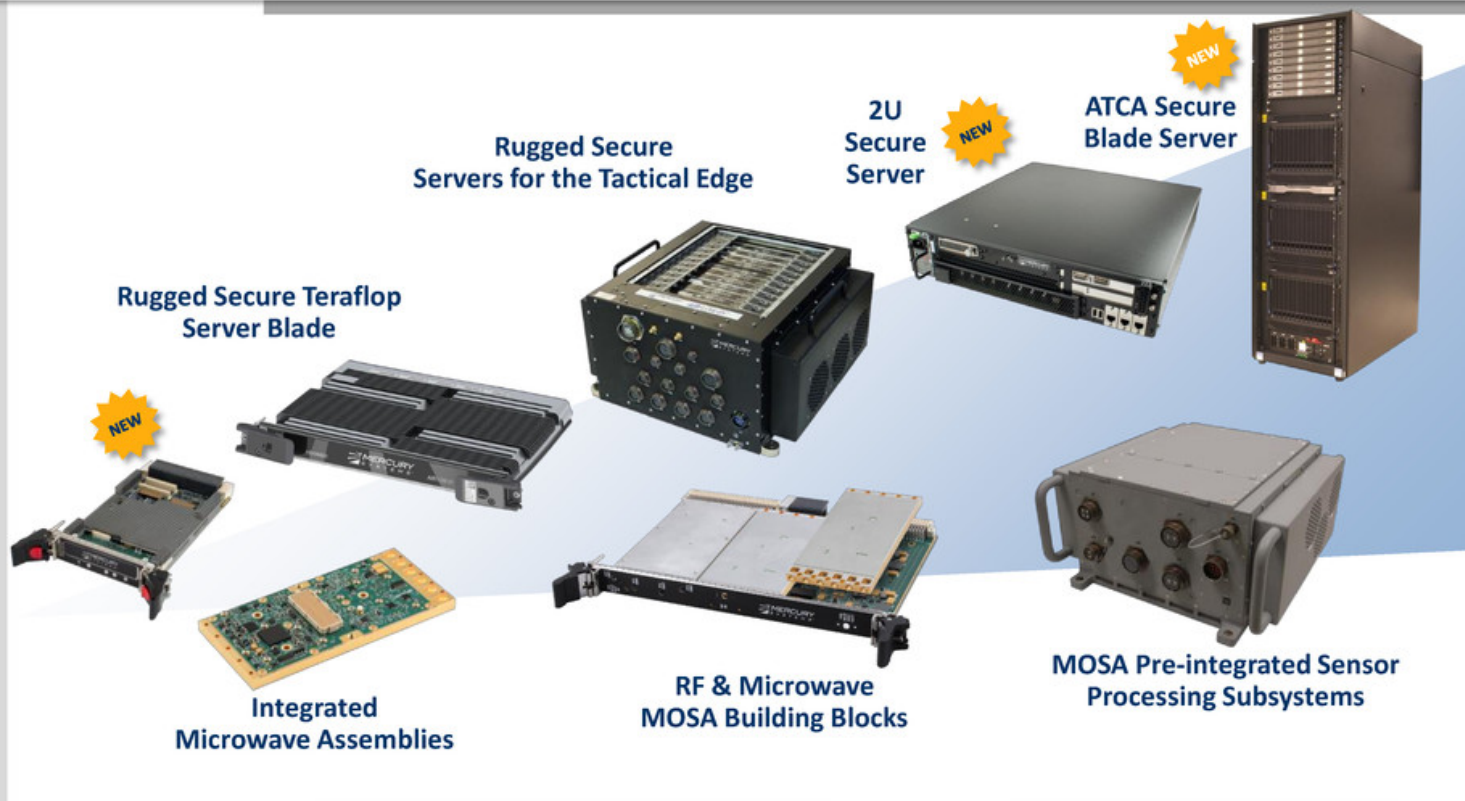
- Traditional COTS board model broken (“Plug-n-Pray”)
  - Product procurement cost low
  - Large hidden integration costs
  - Lower Prime IR&D spending
  - COTS lifecycle support difficult
- Defense procurement reform
  - Less Government-funded cost-plus integration
  - Under firm fixed price, Prime 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

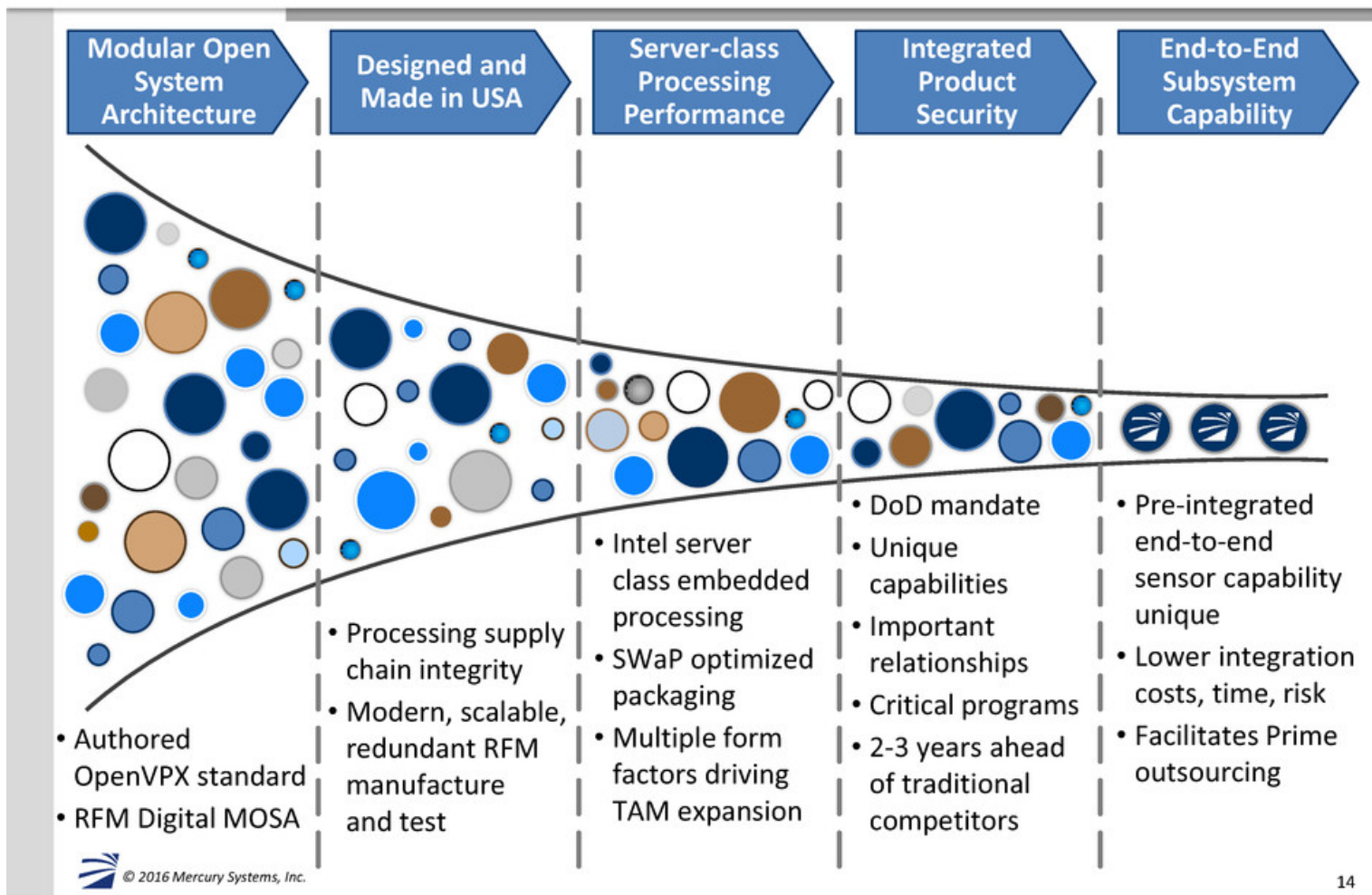


From highly leveraged Teraflop modules and RFM subassemblies...



...to secure servers and pre-integrated sensor processing subsystems

# Factors leading to a unique market position for Mercury



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



## **Pacific Pivot:**

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



## **Aging Platform Modernization:**

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



## **International and Foreign Military Sales:**

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



## **Special Operations Forces Quick Reaction Capability:**

Provide rapid reaction and affordable new capabilities to support anti-terror and other special forces missions globally

...are aligned to DoD investment priorities

# Defense industry growth drivers translate into specific...



## **Outsourced Secure Processing Subsystems:**

Grow blade-server processing applications. Expand into other mission-critical secure compute applications beyond the sensor



## **RF and Microwave Outsourcing:**

Grow share in integrated RF and microwave assemblies and MOSA RF subsystems by providing customers a better alternative



## **Outsourced Pre-Integrated Sensor Processing Subsystems:**

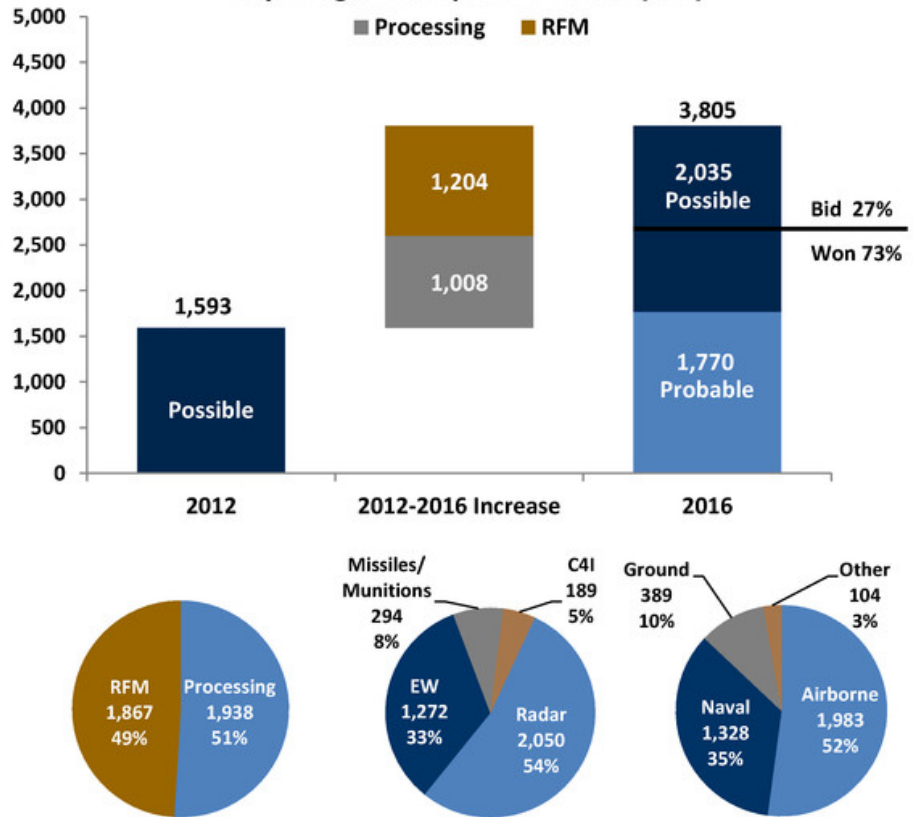
Provide more affordable pre-integrated MOSA sensor processing subsystems that preserves customer software value-add

...company growth drivers that we are pursuing

# Acquisitions and investments driving significant growth opportunity

- Low-risk content expansion growth strategy
- Key production programs
- Total potential value grew 2.4x to \$3.8B in 4 years
- Converted 1.1x of possible to probable value in 3 years
- After 4 years, RFM now represents ~50% of our opportunity pipeline
- Opportunities driven by Radar (54%) and EW (33%)

### Key Programs Pipeline Value (\$M)



**Note:** Refer to Appendix for definitions of "Bid", "Won", "Probable" and "Possible". Probable and Possible values exclude FY17 and are as of FYE 2016. Numbers are rounded.

## Strategy and investments have positioned Mercury well

- Pioneering a next-generation defense electronics business model
- Unique technology and capabilities on key production programs
- Low-risk content expansion growth strategy with demonstrable progress
- Largest secular growth trend is Prime outsourcing
- Above industry-average growth; dramatic improvement in profitability
- Transformative acquisition drives strongly accretive growth



## Financial Overview

**Gerry Haines**

**Executive Vice President & CFO**



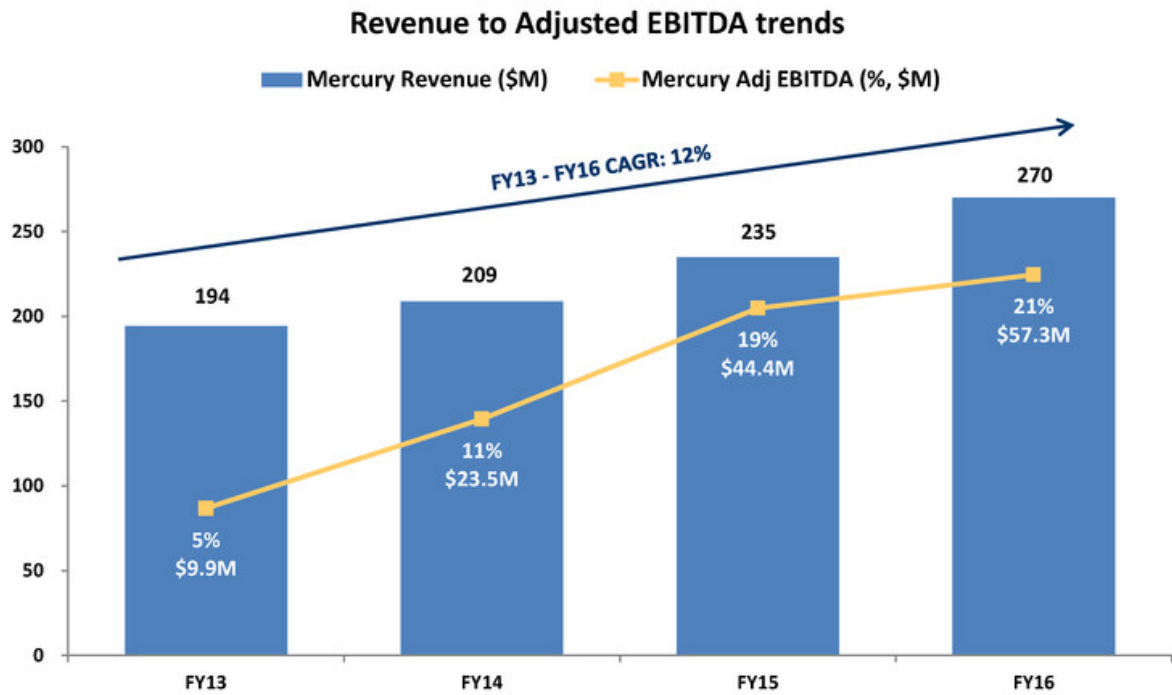
# We are pioneering a next-generation business model...

Mercury Model Characteristics	Implications and Benefits
Merchant supplier of secure processing subsystems	Little competition at the subsystem level
Commercially designed, made in USA, military ready	High barriers to entry; strong margins
Strategic sales model targets DoD production programs	Decades-long platforms yield strong revenue streams
11 – 13% of revenue on Research and Development	Innovative design for reuse. Retain IP rights
Anticipates goals of DoD procurement reforms	Largest secular growth trend: Prime outsourcing

...creating an opportunity for growth and strong returns



# Strong revenue growth and operating leverage...



...yielded dramatic growth in adjusted EBITDA

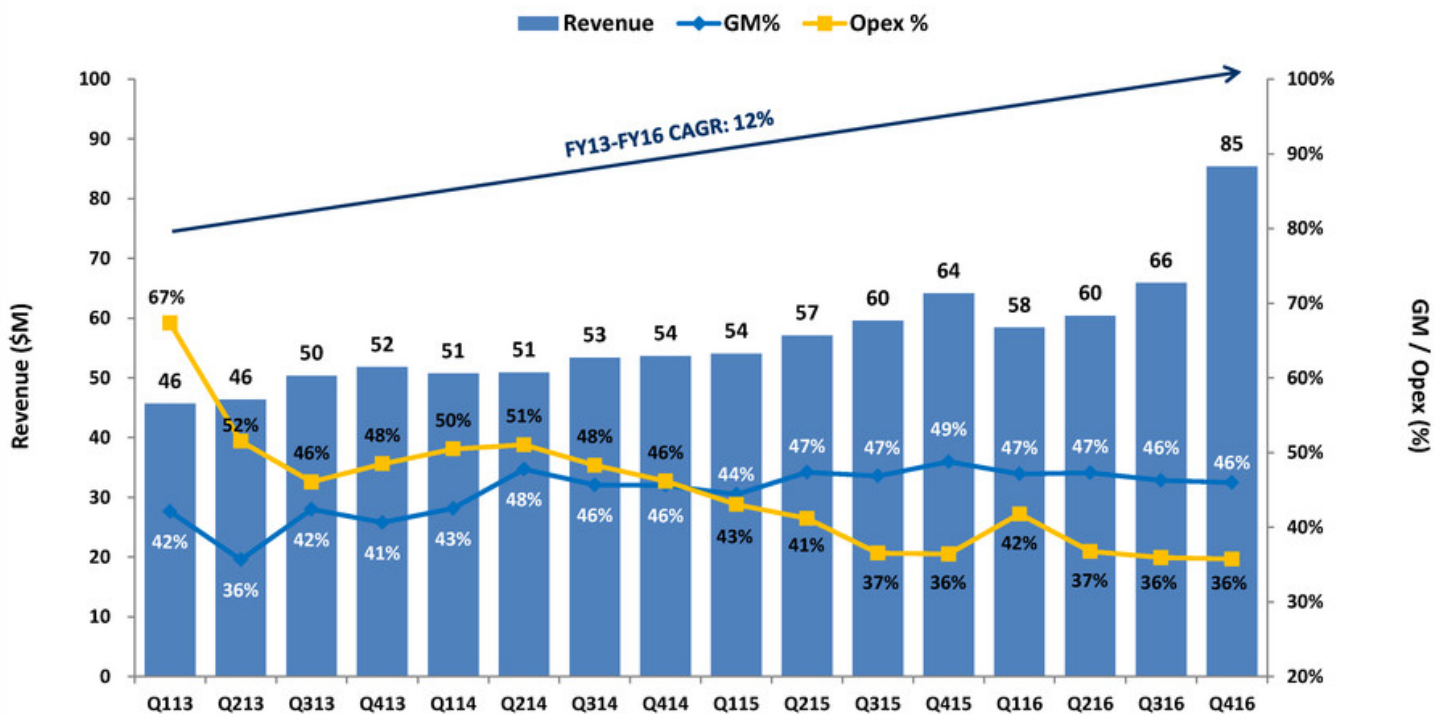


© 2016 Mercury Systems, Inc.

**Notes:**

- Fiscal years ended June 30; FY13-15 figures are reported in the Company's Form 10-Ks and FY16 from the Company's earnings release issued on August 2, 2016.

# FY13-FY16 revenue CAGR of 12%...



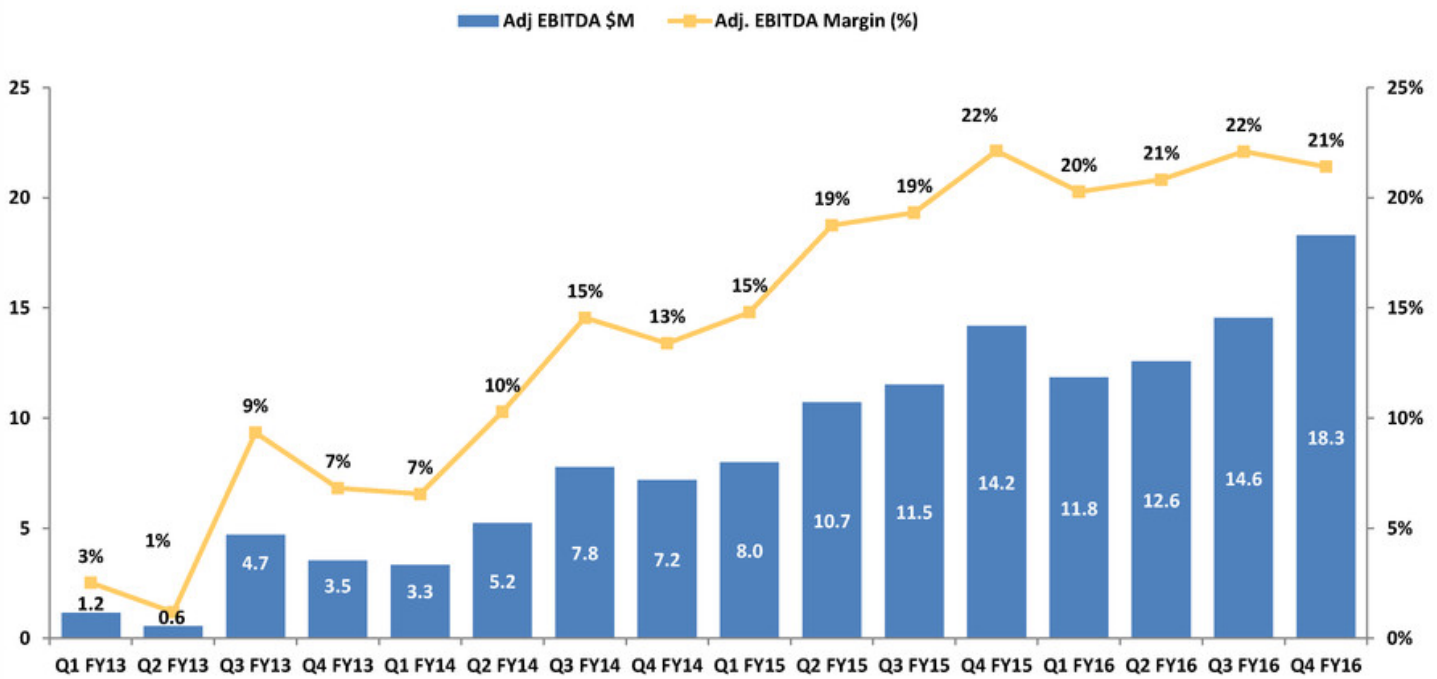
...with steady gross margin expansion, expense reduction



**Notes:**

- FY13-16 figures are reported in the Company's Form 10-Ks, Form 10-Qs and the Company's earnings release issued on August 2, 2016.

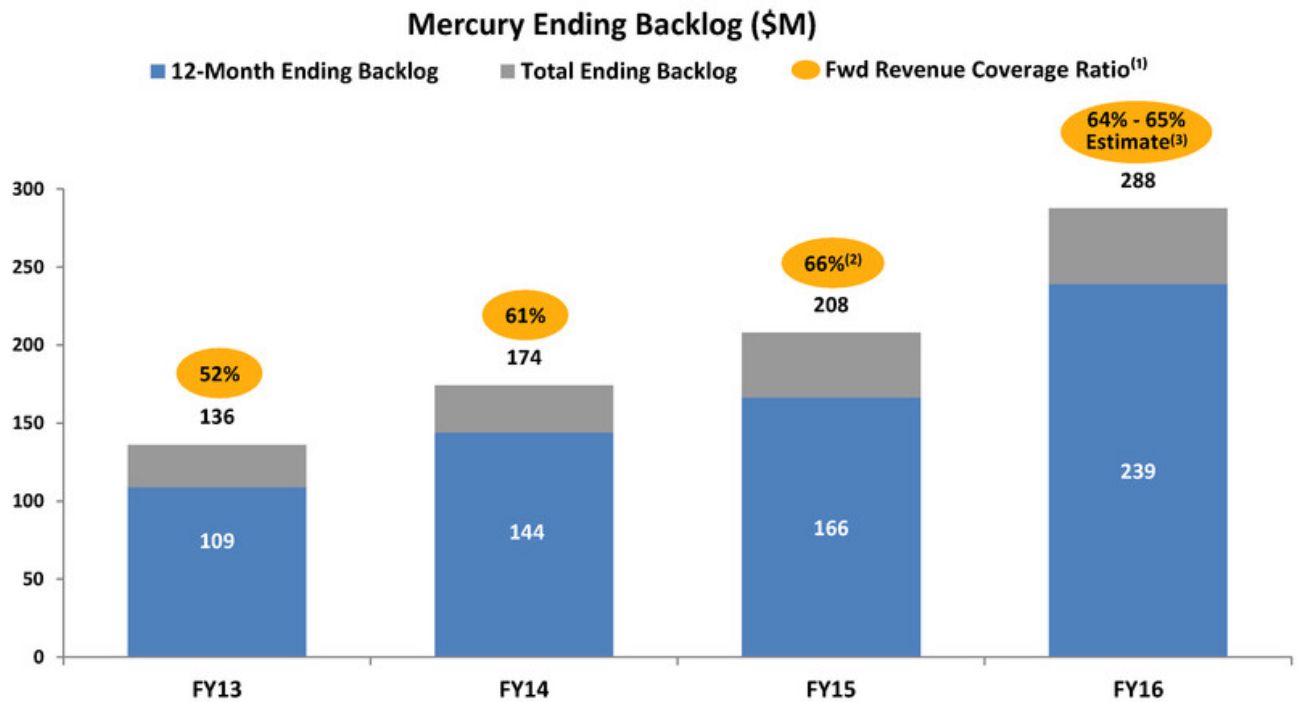
# FY13-FY16 Adjusted EBITDA CAGR of 79%



**Notes:**

- FY13-16 figures are reported in the Company's Form 10-Ks, Form 10-Qs and the Company's earnings release issued on August 2, 2016.
- Adjusted EBITDA as income from continuing operations before interest income and expense, income taxes, depreciation, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition and financing costs, fair value adjustments from purchase accounting, litigation and settlement income and expense, and stock-based compensation expense.

# FY13-FY16 backlog CAGR of 28%...



...yielded record backlog and revenue coverage exiting FY16

**Notes:**

- (1) Revenue Coverage Ratio = 12-month ending backlog/Next 12 months Revenue (or initial revenue estimate for current/future year).
- (2) Organic only; omits impact of Microsemi carve-out businesses acquired on May 2, 2016.
- (3) Estimate based upon guidance from the Company's most recent earnings release; includes impact of Microsemi carve-out businesses.

# Program focus driving substantial growth potential

Mercury's perspective on phase, timing and potential value

EMD LRIP FRP FMS

	FY15	FY16	FY17	Production Years	Probable Bid vs. Won	Expansion		Probable Total (\$M)	Possible Total (\$M)
						Process	RFM		
Aegis	[Sensor Processing]			FRP: FY14-25	Won	✓		209	504
	[Processing Expansion]			FRP: FY19-25	Won	✓		29	59
	[RFM]			FRP: FY16-25	Won/Bid		✓	46	168
SEWIP	[Block 2]			FRP: FY16-26	Won		✓	199	294
	[Small Ship]			FRP: FY18-26	Won		✓	67	94
	[Block 3]			LRIP: FY18-20	Won		✓	58	144
F-35	[Existing]			LRIP: Up to FY21	Won	✓		152	196
	[Processing]			LRIP: FY19-21	Bid	✓		104	210
	[RFM]			LRIP: FY19-21	Bid		✓	2	121
Radar Programs <sup>(1)</sup>				LRIP/FRP	Bid/Won	✓	✓	416	873
EW Programs <sup>(2)</sup>				LRIP/FRP	Bid/Won	✓	✓	253	575
Missiles/Guided Munitions <sup>(3)</sup>				LRIP/FRP	Bid/Won	✓	✓	212	378
C4I Programs <sup>(4)</sup>				LRIP/FRP	Bid/Won	✓	✓	23	189

(1) Radar includes Predator/Reaper, E-2D Hawkeye, F-16 SABR, BAMS/Triton, AWACS, LRDR, TFAL, Classified  
 (2) EW includes F-15 EW, SIRFC/AIDEWS, DEWS, EPAWWS, ADAP, ProVision  
 (3) Missiles/Guided Munitions includes PGK, MALD, SDBII  
 (4) C4I includes P-8, Gorgon Stare, Classified

**Note:** Refer to Appendix for definitions of "Bid", "Won", "Probable" and "Possible". Probable and Possible values exclude FY17 and are as of FYE 2016. Numbers are rounded.

<b>Total:</b>	<b>\$1,770</b>	<b>\$3,805</b>
<b>vs. Nov. 2012</b>	<b>1,138</b>	<b>1,593</b>
<b>% Growth:</b>	<b>56%</b>	<b>139%</b>

# Strong performance in FY16

15% revenue and 29% adjusted EBITDA growth YoY

<i>In millions, except percentage and per share data</i>	<b>FY15<sup>(1)</sup></b>	<b>FY16<sup>(1)</sup></b>	<b>Change</b>
<b>Backlog</b>	\$208	\$288	38%
<b>Revenue</b>	\$235	\$270	15%
<b>Gross Margin</b>	47%	46%	(1)Pt
<b>Operating Expenses</b> Adjusted OpEx (% of revenue) <sup>(2)</sup>	\$91.9 38%	\$100.8 35%	9.7% (3) pts
<b>GAAP Income<sup>(3)</sup></b>	\$14.4	\$19.7	37%
<b>GAAP EPS</b>	\$0.44	\$0.56	27%
<b>Adjusted EPS<sup>(4)</sup></b>	\$0.82	\$0.96	17%
<b>Adj. EBITDA<sup>(4)</sup></b>	\$44.4	\$57.3	29%

**Notes:**

(1) FY15-16 figures are reported in the Company's Form 10-Ks and the Company's earnings release issued on August 2, 2016.

(2) Excludes \$3.3M of restructuring and acquisition costs and other related expenses from GAAP operating expenses in FY15 and \$5.2M in FY16.

(3) GAAP income from continuing operations.

(4) Non-GAAP, see reconciliation table.



## Q1 FY17 guidance vs. Q1 FY16 actual

<i>In millions, except percentage and per share data</i>	Q1FY16	Q1FY17 <sup>(1)</sup>	Change
Revenue	\$58	\$82-\$87	41%-50%
Gross Margin	47%	44%-45% <sup>(2)</sup>	(2) – (3)pts
Operating Expenses	\$24.4	\$33-\$34	35%-39%
GAAP Income <sup>(3)</sup>	\$2.0	\$1.0-\$2.3	(50%)-15%
GAAP EPS	\$0.06	\$0.02-\$0.06	0%-(67%)
Adjusted EPS <sup>(4)</sup>	\$0.19	\$0.19-\$0.23	0%-21%
Adj. EBITDA <sup>(4)</sup>	\$11.8	\$17.0-\$19.0	44%-60%

**Notes:**

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

(2) Includes \$2.1 million negative impact of inventory valuation step-up from purchase accounting.

(3) GAAP income from continuing operations.

(4) Non-GAAP, see reconciliation table.



# FY17 annual guidance

<i>In millions, except percentage and per share data</i>	<b>FY16<sup>(1)</sup></b>	<b>FY17<sup>(2)</sup></b>	<b>Change</b>
<b>Revenue</b>	\$270	\$368-\$376	36%-39%
<b>GAAP Income<sup>(3)</sup></b>	\$19.7	\$15.5-\$18.1	(21%)-(8%)
<b>GAAP EPS</b>	\$0.56	\$0.39-\$0.45	(20%)-(30%)
<b>Adjusted EPS<sup>(4)</sup></b>	\$0.96	\$0.96-\$1.02	0%-6%
<b>Adj. EBITDA<sup>(4)</sup></b>	\$57.3	\$82.0-\$86.0	43%-50%

**Notes:**

(1) FY16 figures are reported in the Company's Form 10-Ks and the Company's earnings release issued on August 2, 2016.

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

(3) GAAP income from continuing operations.

(4) Non-GAAP, see reconciliation table.





## New target business model beginning FY17

	FY15 <sup>(1)</sup>	FY16 <sup>(1)</sup>	FY17 <sup>(2)</sup>	New Target Business Model
Revenue	100%	100%	100%	100%
Gross Margin	47%	46%		45%-50%
SG&A	21%	20%		16%-18%
R&D	14%	12%		11%-13%
Amortization	3%	3%	~5%	4%-5%
GAAP Income <sup>(3)</sup>	6%	7%	4%-5%	NA
Adj. EBITDA <sup>(4)</sup>	19%	21%	22%-23%	22%-26%

**Notes:**

(1) FY15-16 figures are reported in the Company's Form 10-Ks and the Company's earnings release issued on August 2, 2016.

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

(3) GAAP income from continuing operations.

(4) Non-GAAP, see reconciliation table.



# Conservative balance sheet and flexible capital structure

Ample liquidity, unused \$100M revolver, \$400M Universal Shelf capacity

(In millions)	FY14 Actual	FY15 Actual	FY16 Actual
<b>ASSETS</b>			
Cash & cash equivalents	47.3	77.6	81.7
Accounts receivable, net	59.7	53.8	95.9
Inventory, net	31.7	32.0	58.3
PP&E, net	14.1	13.2	28.3
Goodwill and intangibles, net	193.1	186.1	460.7
Other	21.6	24.2	11.6
Assets of discontinued operations <sup>(1)</sup>	6.2	0.0	0.0
<b>TOTAL ASSETS</b>	<b>373.7</b>	<b>386.9</b>	<b>736.5</b>
<b>LIABILITIES AND S/E</b>			
AP and other liabilities	44.2	36.8	71.5
Debt	0.0	0.0	192.0 <sup>(2)</sup>
Liabilities of discontinued operations <sup>(1)</sup>	2.4	0.0	0.0
<b>Total liabilities</b>	<b>46.6</b>	<b>36.8</b>	<b>263.5</b>
<b>Stockholders' equity</b>	<b>327.1</b>	<b>350.1</b>	<b>473.0</b>
<b>TOTAL LIABILITIES AND S/E</b>	<b>373.7</b>	<b>386.9</b>	<b>736.5</b>

Notes:

(1) Discontinued operations numbers are Mercury Intelligence Systems, which was divested in January 2015.

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



# Poised for continued, profitable growth

- Recent acquisition transforms top and bottom lines
- Substantial cost synergies and revenue opportunities
- Above average growth & profitability driven by strong, well-established programs
- Record backlog enhances forward visibility, facilitates operational execution
- Conservative balance sheet and strong cash flows support growth, future M&A
- Improving defense environment enhances opportunity set





# Appendix

# Q1 FY17 guidance (as of August 2nd)

<i>In millions, except percentage and per share data</i>	Q1 FY16	Q1FY17 <sup>(1)</sup>	YoY Change
	Actual	Est. Range	
Revenue	\$58	\$82-\$87	41%-50%
GAAP Income from continuing operations	\$2.0	\$1.0-\$2.3	(50%)-15%
Adj. EBITDA <sup>(2)</sup>	\$11.8	\$17.0-\$19.0	44%-60%
<b>Adj EBITDA Reconciliation:</b>			
Income (loss) from continuing operations	2.0	\$1.0-\$2.3	
Interest (income) expense, net	(0.0)	\$1.8	
Tax provision (benefit)	1.3	\$0.5-\$1.2	
Depreciation	1.6	\$3.3	
Amortization of intangible assets	1.7	\$4.5	
Restructuring and other charges	0.3	\$0.0	
Impairment of long-lived assets	0.0	\$0.0	
Acquisition and financing costs	2.3	\$0.0	
Fair value adjustments from purchase accounting	0.0	\$2.1	
Litigation and settlement (income) expense, net	0.0	\$0.0	
Stock-based compensation expense	2.7	\$3.8	
Adj. EBITDA <sup>(2)</sup>	\$11.8	\$17.0-\$19.0	44%-60%
GAAP EPS	\$0.06	\$0.02-\$0.06	(\$0.04) to \$0.00
Adjusted EPS <sup>(2)</sup>	\$0.19	\$0.19-\$0.23	\$0.00 to \$0.04

Notes:

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

(2) Non-GAAP.



# FY17 guidance (as of August 2nd)

<i>In millions, except percentage and per share data</i>	FY16	FY17 <sup>(1)</sup>	YoY Change
	Actual	Est. Range	
<b>Revenue</b>	\$270	\$368-\$376	36%-39%
<b>GAAP Income from continuing operations</b>	\$19.7	\$15.5-\$18.1	(21%)-(8%)
<b>Adj. EBITDA<sup>(2)</sup></b>	\$57.3	\$82.0-\$86.0	43%-50%
<b><u>Adj EBITDA Reconciliation:</u></b>			
<b>Income (loss) from continuing operations</b>	19.7	\$15.5-\$18.1	
Interest (income) expense, net	1.0	\$7.1	
Tax provision (benefit)	5.5	\$8.5-\$9.9	
Depreciation	6.9	\$15.2	
Amortization of intangible assets	8.8	\$17.4	
Restructuring and other charges	1.2	\$0.0	
Impairment of long-lived assets	0.2	\$0.0	
Acquisition and financing costs	4.7	\$0.0	
Fair value adjustments from purchase accounting	1.4	\$2.8	
Litigation and settlement (income) expense, net	(1.9)	\$0.0	
Stock-based compensation expense	9.6	\$15.5	
<b>Adj. EBITDA<sup>(2)</sup></b>	<b>\$57.3</b>	<b>\$82.0-\$86.0</b>	<b>43%-50%</b>
<b>GAAP EPS</b>	<b>\$0.56</b>	<b>\$0.39-\$0.45</b>	<b>(\$0.17) to (\$0.11)</b>
<b>Adjusted EPS<sup>(2)</sup></b>	<b>\$0.96</b>	<b>\$0.96-\$1.02</b>	<b>\$0.00 to \$0.06</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 financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(2) Non-GAAP.



# Adjusted EPS reconciliation

(000's)	FY13	FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	FY16
Diluted net earnings (loss) per share <sup>(1)</sup>	\$ (0.46)	\$ (0.13)	\$ 0.02	\$ 0.09	\$ 0.14	\$ 0.18	\$ 0.44	\$ 0.06	\$ 0.14	\$ 0.13	\$ 0.22	\$ 0.56
Income (loss) from continuing operations	\$ (13,782)	\$ (4,072)	\$ 717	\$ 2,886	\$ 4,694	\$ 6,132	\$ 14,429	\$ 1,960	\$ 4,793	\$ 4,526	\$ 8,463	\$ 19,742
Amortization of intangible assets	8,222	7,328	1,762	1,762	1,744	1,740	7,008	1,713	1,638	1,754	3,737	8,842
Restructuring and other charges	7,060	5,443	1,268	1,162	27	718	3,175	338	221	409	272	1,240
Impairment of long-lived assets	-	-	-	-	-	-	-	-	231	-	-	231
Acquisition and financing costs	318	-	-	-	200	251	451	2,298	25	1,725	653	4,701
Fair value adjustments from purchase accounting	2,293	-	-	-	-	-	-	-	-	-	1,384	1,384
Litigation and settlement expenses	-	-	-	-	-	-	-	-	-	-	(1,925)	(1,925)
Stock-based compensation expense	7,854	8,999	2,551	2,256	1,870	1,964	8,640	2,702	2,392	2,150	2,330	9,574
Impact to income taxes	(8,776)	(5,772)	(1,956)	(1,658)	(1,088)	(2,030)	(6,733)	(2,570)	(1,475)	(2,148)	(3,782)	(9,975)
Adjusted income from continuing operations	\$ 3,189	\$ 11,926	\$ 4,342	\$ 6,408	\$ 7,447	\$ 8,775	\$ 26,970	\$ 6,441	\$ 7,825	\$ 8,416	\$ 11,132	\$ 33,814
Diluted adjusted net earnings per share <sup>(1)</sup>	\$ 0.10	\$ 0.38	\$ 0.13	\$ 0.20	\$ 0.22	\$ 0.26	\$ 0.82	\$ 0.19	\$ 0.23	\$ 0.25	\$ 0.29	\$ 0.96
Weighted-average shares outstanding:												
Basic	30,128	31,000	31,635	32,052	32,298	32,436	32,114	32,778	33,120	33,251	37,811	34,241
Diluted	30,492	31,729	32,481	32,686	33,233	33,330	32,939	33,616	33,831	33,991	38,954	35,097

**Notes:**

(1) Numbers shown are in cents.

# Adjusted EBITDA reconciliation

(000's)	FY13	FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	FY16
Income (loss) from continuing operations	\$ (13,782)	\$ (4,072)	\$ 717	\$ 2,886	\$ 4,694	\$ 6,132	\$ 14,429	\$ 1,960	\$ 4,793	\$ 4,526	\$ 8,463	\$ 19,742
Interest expense (income), net	31	40	5	4	1	3	13	(22)	(21)	(36)	1,120	1,041
Tax provision (benefit)	(10,501)	(1,841)	-	1,047	1,469	1,850	4,366	1,264	1,680	2,473	127	5,544
Depreciation	8,445	7,625	1,700	1,590	1,510	1,532	6,332	1,588	1,620	1,565	2,127	6,900
Amortization of intangible assets	8,222	7,328	1,762	1,762	1,744	1,740	7,008	1,713	1,638	1,754	3,737	8,842
Restructuring and other charges	7,060	5,443	1,268	1,162	27	718	3,175	338	221	409	272	1,240
Impairment of long-lived assets	-	-	-	-	-	-	-	-	231	-	-	231
Acquisition and financing costs	318	-	-	-	200	251	451	2,298	25	1,725	653	4,701
Fair value adjustments from purchase accounting	2,293	-	-	-	-	-	-	-	-	-	1,384	1,384
Litigation and settlement expenses	-	-	-	-	-	-	-	-	-	-	(1,925)	(1,925)
Stock-based compensation expense	7,854	8,999	2,551	2,256	1,870	1,964	8,640	2,702	2,392	2,150	2,330	9,574
Adjusted EBITDA	\$ 9,940	\$ 23,522	\$ 8,003	\$ 10,707	\$ 11,515	\$ 14,190	\$ 44,414	\$ 11,841	\$ 12,579	\$ 14,566	\$ 18,288	\$ 57,274



# 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.
Bid	We have a Design Win with a prime contractor who is bidding to win a program of record, or we are bidding to win content on a program of record that has been awarded to a prime contractor.
Won	We have a Design Win with a prime contractor for a program of record, and the prime contractor has won the program and received its contractual award.
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>ADAP</b>	Advanced Decoy Architecture Payloads	<b>EMD</b>	Engineering and Manufacturing Development	<b>OpenVPX</b>	System-level specification for VPX, initiated by Mercury
<b>AEGIS</b>	Aegis Ballistic Missile Defense System	<b>EO/IR</b>	Electro-optical / Infrared	<b>PBR</b>	President's Budget Request
<b>AESA</b>	Active Electronically Scanned Array	<b>EPAWWS</b>	Eagle Passive Active Warning Survivability System	<b>PGK</b>	Precision Guided Kit
<b>AGS</b>	Alliance Ground Surveillance	<b>EW</b>	Electronic Warfare	<b>RFM</b>	Radio Frequency / Microwave
<b>AIDEWS</b>	Advanced Integrated Defensive Electronic Warfare Suite	<b>FMS</b>	Foreign Military Sales	<b>SABR</b>	Scalable Agile Beam Radar
<b>AMC</b>	Advanced Microelectronics Center	<b>FRP</b>	Full Rate Production	<b>SDB</b>	Small Diameter Bomb
<b>ATCA</b>	Advanced Telecommunications Architecture	<b>IMA</b>	Integrated Microwave Assembly	<b>SEWIP</b>	Surface Electronic Warfare Improvement Program
<b>AWACS</b>	Airborne Warning and Control System	<b>LRDR</b>	Long Range Discrimination Radar	<b>SIGINT</b>	Signals Intelligence
<b>BAMS</b>	Broad Area Maritime Surveillance	<b>LRIP</b>	Low-Rate Initial Production	<b>SIRFC</b>	Suite of Integrated RF Countermeasures
<b>BCA</b>	Budget Control Act	<b>MALD</b>	Miniature Air Launched Decoy	<b>SOF</b>	Special Operations Forces
<b>C4ISR</b>	Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance	<b>MILPER</b>	Military Personnel	<b>SWaP</b>	Size Weight and Power
<b>COTS</b>	Commercial off-the Shelf	<b>MOSA</b>	Modular Open Systems Architecture	<b>TAM</b>	Total Addressable Market
<b>DRFM</b>	Digital Radio Frequency Memory	<b>O&amp;M</b>	Operations & Maintenance	<b>TFAL</b>	Terrain Following Airborne Laser

