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): February 6, 2024

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

Massachusetts	**001-41194**	**04-2741391**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

50 Minuteman Road, Andover, Massachusetts	**01810**
(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	MRCY	Nasdaq Global Select Market

Item 2.02. Results of Operations and Financial Condition.

On February 6, 2024, Mercury Systems, Inc. (the "Company") issued a press release and an earnings presentation regarding its financial results for the second quarter ended December 29, 2023. The Company’s press release and earnings presentation are attached as exhibits 99.1 and 99.2 to this Current Report on Form 8-K and incorporated by reference herein.

Information in Item 2.02 of this Current Report on Form 8-K and the exhibits 99.1 and 99.2 attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

Use of Non-GAAP 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 more completely understand its past financial performance and prospects for the future. However, the presentation of these non-GAAP financial measures is not meant to be considered in isolation or as a substitute for financial information provided in accordance with GAAP. Management believes these non-GAAP 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.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release dated February 6, 2024
99.2	Earnings Presentation dated February 6, 2024
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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: February 6, 2024

MERCURY SYSTEMS, INC.

By: /s/ David E. Farnsworth
David E. Farnsworth
Executive Vice President, Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release, dated February 6, 2024 of Mercury Systems, Inc.
99.2	Earnings Presentation, dated February 6, 2024 of Mercury Systems, Inc.

Exhibit 99.1

mercury Innovation That Matters®

FOR IMMEDIATE RELEASE

Mercury Systems Reports Second Quarter Fiscal 2024 Results

- **Q2 FY24 Bookings of $325.4 million; book-to-bill ratio of 1.65**
- **Q2 FY24 Revenue of $197.5 million; GAAP net loss and adjusted EBITDA ($45.6) million and ($21.3) million, respectively**
- **Q2 FY24 Cash flow from operations of $45.5 million, free cash flow $37.5 million**

ANDOVER, Mass. February 6, 2024 Mercury Systems, Inc. (NASDAQ: MRCY, www.mrcy.com), reported operating results for the second quarter of fiscal year 2024, ended December 29, 2023.

“In the second quarter of this transitional year, we focused on the two dynamics in our business that we believe are transitory—shifting our high mix of development programs to production and converting our high level of working capital into significant cash flow,” said Bill Ballhaus, Mercury’s Chairman and CEO. “While our financial performance was diminished by a number of factors, including what we believe is outsized program cost growth as well as manufacturing adjustments and contract settlements, we made solid headway in each of our four priority focus areas – delivering predictable performance, building a thriving growth engine, expanding margins, and driving improved free cash flow.”

“In the quarter we received a near-record $325.4 million of bookings, reflecting a 1.65 book-to-bill ratio. We delivered $45.5 million of operating cash and $37.5 million in positive free cash flow. We made better-than-anticipated progress on our challenged programs, completing an additional four programs. And we consolidated our operations into a single, integrated operating unit that will eliminate redundancy and deliver an incremental $20 million in annual run-rate savings.”

Second Quarter Fiscal 2024 Results

Total Company second quarter fiscal 2024 revenues were $197.5 million, compared to $229.6 million in the second quarter of fiscal 2023.

Total bookings for the second quarter of fiscal 2024 were $325.4 million, yielding a book-to-bill ratio of 1.65 for the quarter.

Total Company GAAP net loss and loss per share for the second quarter of fiscal 2024 was ($45.6) million, and ($0.79), respectively, compared to GAAP net loss and loss per share of ($10.9) million, and ($0.19), respectively, for the second quarter of fiscal 2023. Adjusted (loss) earnings per share ("adjusted EPS") was ($0.42) per share for the second quarter of fiscal 2024, compared to $0.26 per share in the second quarter of fiscal 2023.

Second quarter fiscal 2024 adjusted EBITDA for the total Company was ($21.3) million, compared to $35.7 million for the second quarter of fiscal 2023.

Cash flows provided by operating activities in the second quarter of fiscal 2024 were $45.5 million, compared to $35.4 million in the second quarter of fiscal 2023. Free cash flow, defined as cash flows from operating activities less capital expenditures for property and equipment, was $37.5 million for the second quarter of fiscal 2024 and $22.2 million for the second quarter of fiscal 2023.

Backlog

Mercury's total backlog at December 29, 2023 was $1.28 billion, a $160.5 million increase from a year ago. Of the December 29, 2023 total backlog, $786.4 million represents orders expected to be recognized as revenue within the next 12 months.

Business Outlook

This section presents our current expectations and estimates for revenue, given current visibility, on our business outlook for fiscal year 2024. It is possible that actual performance will differ materially from the estimates given, either on the upside or on the downside. Investors should consider all of the risks with respect to these estimates, including those listed in the Safe Harbor Statement below and in the Second Quarter Fiscal 2024 Earnings Presentation and in our periodic filings with the U.S. Securities and Exchange Commission, and make themselves aware of how these risks may impact our actual performance. All references in this press release to the full fiscal 2024 are to the 52-week period ending June 28, 2024.

For the full fiscal year 2024, revenues are forecasted to be in the range of $800.0 million to $850.0 million based on our first half revenue performance coupled with reduced volumes expected in the second half. Our first half revenue performance, particularly in the second quarter, included significant revenue reductions due to program cost growth. In addition, we expect lower volumes in the second half as we continue to apply our operational capacity to advance challenged and late-stage development programs as well as reduce working capital especially related to unbilled receivables. Our demand remains strong and our outlook for bookings is unchanged. We continue to expect bookings to exceed $1 billion for the full fiscal year.

The reduction in full year revenue guidance naturally yields a reduction to expected GAAP and Non-GAAP results as well. GAAP net (loss) income and GAAP (loss) earnings per share as well as adjusted EBITDA and adjusted (loss) earnings per share guidance provided on November 7, 2023 is being withdrawn given uncertainty of timing and range of additional potential actions to settle contractual arrangements or continued adjustments to our cost structure, where appropriate. Operating cash flow as well as free cash flow are expected to be positive for the second half of the year and full fiscal year. Covenant net leverage is expected to stay well within the thresholds allowed in our credit agreement for the remainder of the fiscal year.

Conference Call Information

Management will host a conference call and simultaneous webcast at 5:00 p.m. ET on Tuesday, February 6, 2024, to discuss Mercury's quarterly financial results, business highlights and outlook. In addition, Company representatives may answer questions concerning business and financial developments and trends, the Company's view on earnings forecasts, and other business and financial matters affecting the Company, the responses to which may contain information that has not been previously disclosed.

To attend the conference call or webcast, participants should register online at ir.mrcy.com/events-presentations. Participants are requested to register a day in advance or at a minimum 15 minutes before the start of the call. A replay of the webcast will be available two hours after the call and archived on the same web page for six months.

Use of Non-GAAP 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 earnings per share (“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 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 press release is contained in the attached exhibits.

Mercury Systems – Innovation that Matters®

Mercury Systems is a technology company that delivers mission-critical processing power to the edge, making advanced technologies profoundly more accessible for today's most challenging aerospace and defense missions. The Mercury Processing Platform allows customers to tap into innovative capabilities from silicon to system scale, turning data into decisions on timelines that matter. Mercury's products and solutions are deployed in more than 300 programs and across 35 countries, enabling a broad range of applications in mission computing, sensor processing, command and control, and communications. Mercury is headquartered in Andover, Massachusetts, and has 24 locations worldwide. To learn more, visit mrcy.com. (Nasdaq: MRCY)

Investors and others should note that we announce material financial information using our website (www.mrcy.com), SEC filings, press releases, public conference calls, webcasts, and social media, including Twitter (twitter.com/mrcy) and LinkedIn (www.linkedin.com/company/mercury-systems). Therefore, we encourage investors and others interested in Mercury to review the information we post on the social media and other communication channels listed on our website.

Forward-Looking Safe Harbor Statement

This press release contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to the Company's focus on enhanced execution of the Company's strategic plan under a refreshed Board and leadership team. You can identify these statements by 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 geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in or cost increases related to completing development, 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, changes in, or in the interpretation or enforcement of, environmental rules and regulations, market acceptance of the Company's products, shortages in or delays in receiving components, supply chain delays or volatility for critical components such as semiconductors, production delays or unanticipated expenses including due to quality issues or manufacturing execution issues, capacity underutilization, increases in scrap or inventory write-offs, failure to achieve or maintain manufacturing quality certifications, such as AS9100, the impact of supply chain disruption, inflation and labor shortages, among other things, on program execution and the resulting effect on customer satisfaction, inability to fully realize the expected benefits from acquisitions, restructurings, and operational efficiency initiatives or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, effects of shareholder activism, increases in interest rates, changes to industrial security and cyber-security regulations and requirements and impacts from any cyber or insider threat events, changes in tax rates or tax regulations, such as the deductibility of internal research and development, changes to interest rate swaps or other cash flow hedging arrangements, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, litigation, including the dispute arising with the former CEO over his resignation, 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, 2023 and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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MERCURY SYSTEMS, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 29, 2023	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 168,646	$ 71,563
Accounts receivable, net	82,737	124,729
Unbilled receivables and costs in excess of billings, net	351,003	382,558
Inventory	354,212	337,216
Prepaid income taxes	5,753	—
Prepaid expenses and other current assets	21,470	20,952
Total current assets	983,821	937,018
Property and equipment, net	114,361	119,554
Goodwill	938,093	938,093
Intangible assets, net	273,309	298,051
Operating lease right-of-use assets, net	65,657	63,015
Deferred tax asset	55,426	27,099
Other non-current assets	5,585	8,537
Total assets	$ 2,436,252	$ 2,391,367
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 88,060	$ 103,986
Accrued expenses	31,484	28,423
Accrued compensation	25,133	30,419
Income taxes payable	—	13,874
Deferred revenues and customer advances	81,044	56,562
Total current liabilities	225,721	233,264
Income taxes payable	5,166	5,166
Long-term debt	616,500	511,500
Operating lease liabilities	68,252	66,797
Other non-current liabilities	16,121	7,955
Total liabilities	931,760	824,682
Shareholders' equity:		
Preferred stock	—	—
Common stock	576	570
Additional paid-in capital	1,220,343	1,196,847
Retained earnings	275,150	357,439
Accumulated other comprehensive income	8,423	11,829
Total shareholders' equity	1,504,492	1,566,685
Total liabilities and shareholders' equity	$ 2,436,252	$ 2,391,367

MERCURY SYSTEMS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Second Quarters Ended		Six Months Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
Net revenues	$ 197,463	$ 229,588	$ 378,454	$ 457,167
Cost of revenues(1)	165,943	148,628	296,407	298,112
Gross margin	31,520	80,960	82,047	159,055
Operating expenses:				
Selling, general and administrative(1)	44,470	45,057	80,264	84,000
Research and development(1)	28,476	26,906	60,348	54,672
Amortization of intangible assets	12,270	13,536	24,817	28,110
Restructuring and other charges	2	2,069	9,548	3,577
Acquisition costs and other related expenses	231	939	1,200	3,437
Total operating expenses	85,449	88,507	176,177	173,796
Loss from operations	(53,929)	(7,547)	(94,130)	(14,741)
Interest income	29	220	132	249
Interest expense	(8,674)	(6,590)	(16,537)	(11,137)
Other (expense) income, net	(1,148)	846	(2,922)	(2,799)
Loss before income taxes benefit	(63,722)	(13,071)	(113,457)	(28,428)
Income tax benefit(2)	(18,141)	(2,151)	(31,168)	(3,173)
Net loss	$ (45,581)	$ (10,920)	$ (82,289)	$ (25,255)
Basic net loss per share	$ (0.79)	$ (0.19)	$ (1.44)	$ (0.45)
Diluted net loss earnings per share	$ (0.79)	$ (0.19)	$ (1.44)	$ (0.45)
Weighted-average shares outstanding:				
Basic	57,424	56,252	57,314	56,126
Diluted	57,424	56,252	57,314	56,126
(1) Includes stock-based compensation expense, allocated as follows:				
Cost of revenues	$ 4	$ 237	$ 820	$ 1,036
Selling, general and administrative	$ 5,742	$ 8,277	$ 7,503	$ 13,155
Research and development	$ 1,640	$ 1,744	$ 3,180	$ 3,316

MERCURY SYSTEMS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Second Quarters Ended		Six Months Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
Cash flows from operating activities:				
Net loss	$ (45,581)	$ (10,920)	$ (82,289)	$ (25,255)
Depreciation and amortization	22,193	27,233	44,885	50,934
Other non-cash items, net	1,640	(8,205)	(2,011)	609
Cash settlement for termination of interest rate swap	—	—	7,403	5,995
Changes in operating assets and liabilities	67,242	27,284	38,438	(62,930)
Net cash provided by (used in) operating activities	45,494	35,392	6,426	(30,647)
Cash flows from investing activities:				
Purchases of property and equipment	(7,990)	(13,176)	(16,005)	(20,504)
Other investing activities	—	52	—	102
Net cash used in investing activities	(7,990)	(13,124)	(16,005)	(20,402)
Cash flows from financing activities:				
Proceeds from employee stock plans	3,163	2,393	3,163	2,393
Borrowings under credit facilities	40,000	40,000	105,000	100,000
Payments under credit facilities	—	(40,000)	—	(40,000)
Payments of deferred financing and offering costs	(1,931)	—	(1,931)	—
Payments for retirement of common stock	(15)	—	(15)	(63)
Net cash provided by financing activities	41,217	2,393	106,217	62,330
Effect of exchange rate changes on cash and cash equivalents	556	302	445	9
Net increase in cash and cash equivalents	79,277	24,963	97,083	11,290
Cash and cash equivalents at beginning of period	89,369	51,981	71,563	65,654
Cash and cash equivalents at end of period	$ 168,646	$ 76,944	$ 168,646	$ 76,944

UNAUDITED SUPPLEMENTAL INFORMATION RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(In thousands)

Adjusted EBITDA, a non-GAAP measure for reporting financial performance, excludes the impact of certain items and, therefore, has not been calculated in accordance with GAAP. Management believes that exclusion of these items assists in providing a more complete understanding of the Company's underlying 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. The adjustments to calculate this non-GAAP financial measure, and the basis for such adjustments, are outlined below:

Other non-operating adjustments. The Company records other non-operating adjustments such as gains or losses on foreign currency remeasurement, investments and fixed asset sales or disposals among other adjustments. These adjustments may vary from period to period without any direct correlation to underlying operating performance.

Interest income and expense. The Company receives interest income on investments and incurs interest expense on loans, financing leases and other financing arrangements. These amounts may vary from period to period due to changes in cash and debt balances and interest rates driven by general market conditions or other circumstances outside of the normal course of the Company's operations.

Income taxes. The Company's GAAP tax expense can fluctuate materially from period to period due to tax adjustments that are not directly related to underlying operating performance or to the current period of operations.

Depreciation. The Company incurs depreciation expense related to capital assets purchased to support the ongoing operations of the business. These assets are recorded at cost or fair value and are depreciated using the straight-line method over the useful life of the asset. Purchases of such assets may vary significantly from period to period and without any direct correlation to underlying operating performance.

Amortization of intangible assets. The Company incurs amortization of intangible assets primarily as a result of acquired intangible assets such as backlog, customer relationships and completed technologies but also due to licenses, patents and other arrangements. These intangible assets are valued at the time of acquisition or upon receipt of right to use the asset, amortized over the requisite life and generally cannot be changed or influenced by management after acquisition.

Restructuring and other charges. The Company incurs restructuring and other charges in connection with management's decisions to undertake certain actions to realign operating expenses through workforce reductions and the closure of certain Company facilities, businesses and product lines. The Company's adjustments reflected in restructuring and other charges are typically related to acquisitions and organizational redesign programs initiated as part of discrete post-acquisition integration activities. Management believes these items are non-routine and may not be indicative of ongoing operating results.

Impairment of long-lived assets. The Company incurs impairment charges of long-lived assets based on events that may or may not be within the control of management. Management believes these items are outside the normal operations of the Company's business and are not indicative of ongoing operating results.

Acquisition, financing and other third party costs. The Company incurs transaction costs related to acquisition and potential acquisition opportunities, such as legal, accounting, and other third party advisory fees. The Company may also incur third party costs, such as legal, banking, communications, proxy solicitation, and other third party advisory fees in connection with engagements by activist investors or unsolicited acquisition offers. Although the Company may incur such third party costs and other related charges and adjustments, it is not indicative that any transaction will be consummated. Additionally, the Company incurs unused revolver and bank fees associated with maintaining its credit facility as well as non-cash financing expenses associated with obtaining its credit facility. Management believes these items are outside the normal operations of the Company's business and are not indicative of ongoing operating results.

Fair value adjustments from purchase accounting. As a result of applying purchase accounting rules to acquired assets and liabilities, certain fair value adjustments are recorded in the opening balance sheet of acquired companies. These adjustments are then reflected in the Company's income statements in periods subsequent to the acquisition. In addition, the impact of any changes to originally recorded contingent consideration amounts are reflected in the income statements in the period of the change. Management believes these items are outside the normal operations of the Company and are not indicative of ongoing operating results.

Litigation and settlement income and expense. The Company periodically receives income and incurs expenses related to pending claims and litigation and associated legal fees and potential case settlements and/or judgments. Although the Company may incur such costs and other related charges and adjustments, it is not indicative of any particular outcome until the matter is fully resolved. Management believes these items are outside the normal operations of the Company's business and are not indicative of ongoing operating results. The Company periodically receives warranty claims from customers and makes warranty claims towards its vendors and supply chain. Management believes the expenses and gains associated with these recurring warranty items are within the normal operations and operating cycle of the Company's business. Therefore, management deems no adjustments are necessary unless under extraordinary circumstances.

COVID related expenses. The Company incurred costs associated with the COVID pandemic. These costs relate primarily to enhanced compensation and benefits for employees as well as incremental supplies and services to support social distancing and mitigate the spread of COVID. These costs include expanded sick pay related to COVID, overtime, the Mercury Employee COVID Relief Fund, meals and other compensation-related expenses as well as ongoing testing for onsite employees. Management believes these items are outside the normal operations of the Company and are not indicative of ongoing operating results.

Stock-based and other non-cash compensation expense. The Company incurs expense related to stock-based compensation included in its GAAP presentation of cost of revenues, selling, general and administrative expense and research and development expense. The Company also incurs non-cash based compensation in the form of pension related expenses and matching contributions to its defined contribution plan. Although stock-based and other non-cash compensation is an expense of the Company and viewed as a form of compensation, these expenses vary in amount from period to period, and are affected by market forces that are difficult to predict and are not within the control of management, such as the market price and volatility of the Company's shares, risk-free interest rates and the expected term and forfeiture rates of the awards, as well as pension actuarial assumptions. Management believes that exclusion of these expenses allows comparisons of operating results to those of other companies, both public, private or foreign, that disclose non-GAAP financial measures that exclude stock-based compensation and other non-cash compensation.

Mercury uses adjusted EBITDA as an important indicator of the operating performance of its business. Management excludes the above-described items from its internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to the Company's board of directors, determining a portion of bonus compensation for executive officers and other key employees based on operating performance, evaluating short-term and long-term operating trends in the Company's operations, and allocating resources to various initiatives and operational requirements. The Company believes that adjusted EBITDA permits a comparative assessment of its operating performance, relative to its performance based on its GAAP results, while isolating the effects of charges that may vary from period to period without any correlation to underlying operating performance. The Company believes that these non-GAAP financial adjustments are useful to investors because they allow investors to evaluate the effectiveness of the methodology and information used by management in its financial and operational decision-making. The Company believes that trends in its adjusted EBITDA are valuable indicators of its operating performance.

Adjusted EBITDA is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies. The Company expects to continue to incur expenses similar to the adjusted EBITDA financial adjustments described above, and investors should not infer from the Company's presentation of this non-GAAP financial measure that these costs are unusual, infrequent or non-recurring.

The following table reconciles the most directly comparable GAAP financial measure to the non-GAAP financial measure.

	Second Quarters Ended		Six Months Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
Net loss	$ (45,581)	$ (10,920)	$ (82,289)	$ (25,255)
Other non-operating adjustments, net	(1,042)	(1,463)	(311)	334
Interest expense, net	8,645	6,370	16,405	10,888
Income tax benefit	(18,141)	(2,151)	(31,168)	(3,173)
Depreciation	9,923	13,697	20,068	22,824
Amortization of intangible assets	12,270	13,536	24,817	28,110
Restructuring and other charges	2	2,069	9,548	3,577
Impairment of long-lived assets	—	—	—	—
Acquisition, financing and other third party costs	860	1,309	2,192	4,173
Fair value adjustments from purchase accounting	178	177	355	1
Litigation and settlement expense, net	1,383	70	1,886	1,375
COVID related expenses	—	—	—	61
Stock-based and other non-cash compensation expense	10,195	13,003	19,146	23,943
Adjusted EBITDA	$ (21,308)	$ 35,697	$ (19,351)	$ 66,858

Free cash flow, a non-GAAP measure for reporting cash flow, is defined as cash provided by operating activities less capital expenditures for property and equipment, which includes capitalized software development costs, and, therefore, has not been calculated in accordance with GAAP. Management believes free cash flow provides investors with an important perspective on cash available for investment and acquisitions after making capital investments required to support ongoing business operations and long-term value creation. The Company believes that trends in its free cash flow are valuable indicators of its operating performance and liquidity.

Free cash flow is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies. The Company expects to continue to incur expenditures similar to the free cash flow financial adjustment described above, and investors should not infer from the Company's presentation of this non-GAAP financial measure that these expenditures reflect all of the Company's obligations which require cash.

The following table reconciles the most directly comparable GAAP financial measure to the non-GAAP financial measure.

	Second Quarters Ended		Six Months Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
Net cash provided by (used in) operating activities	$ 45,494	$ 35,392	$ 6,426	$ (30,647)
Purchases of property and equipment	(7,990)	(13,176)	(16,005)	(20,504)
Free cash flow	$ 37,504	$ 22,216	$ (9,579)	$ (51,151)

UNAUDITED SUPPLEMENTAL INFORMATION RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(In thousands, except per share data)

Adjusted income and adjusted earnings per share (“adjusted EPS”) are non-GAAP measures for reporting financial performance, exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. Management believes that exclusion of these items assists in providing a more complete understanding of the Company’s underlying results and trends and allows for comparability with its peer company index and industry. These non-GAAP financial measures may not be computed in the same manner as similarly titled measures used by other companies. The Company uses these measures along with the corresponding GAAP financial measures to manage the Company’s business and to evaluate its performance compared to prior periods and the marketplace. The Company defines adjusted income as income before other non-operating adjustments, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition, financing and other third party costs, fair value adjustments from purchase accounting, litigation and settlement income and expense, COVID related expenses, and stock-based and other non-cash compensation expense. The impact to income taxes includes the impact to the effective tax rate, current tax provision and deferred tax provision(1). Adjusted EPS expresses adjusted income on a per share basis using weighted average diluted shares outstanding.

The following tables reconcile the most directly comparable GAAP financial measures to the non-GAAP financial measures.

	Second Quarters Ended			
	December 29, 2023		December 30, 2022	
Net loss and loss per share	$ (45,581)	$ (0.79)	$ (10,920)	$ (0.19)
Other non-operating adjustments, net	(1,042)		(1,463)	
Amortization of intangible assets	12,270		13,536	
Restructuring and other charges	2		2,069	
Impairment of long-lived assets	—		—	
Acquisition, financing and other third party costs	860		1,309	
Fair value adjustments from purchase accounting	178		177	
Litigation and settlement expense, net	1,383		70	
COVID related expenses	—		—	
Stock-based and other non-cash compensation expense	10,195		13,003	
Impact to income taxes(1)	(2,446)		(3,039)	
Adjusted (loss) income and adjusted (loss) earnings per share(2)	$ (24,181)	$ (0.42)	$ 14,742	$ 0.26
Diluted weighted-average shares outstanding		57,424		56,477

(1) Impact to income taxes is calculated by recasting income before income taxes to include the items involved in determining adjusted income and recalculating the income tax provision using this adjusted income from operations before income taxes. The recalculation also adjusts for any discrete tax expense or benefit related to the items.

(2) Loss per share and adjusted loss per share is calculated using basic shares whereas earnings per share and adjusted earnings per share is calculated using diluted shares. There was no impact to the calculation of adjusted earnings per share as a result of this for the second quarter ended December 30, 2022.

	Six Months Ended			
	December 29, 2023		December 30, 2022	
Net loss and loss per share	$ (82,289)	$ (1.44)	$ (25,255)	$ (0.45)
Other non-operating adjustments, net	(311)		334	
Amortization of intangible assets	24,817		28,110	
Restructuring and other charges	9,548		3,577	
Impairment of long-lived assets	—		—	
Acquisition, financing and other third party costs	2,192		4,173	
Fair value adjustments from purchase accounting	355		1	
Litigation and settlement expense, net	1,886		1,375	
COVID related expenses	—		61	
Stock-based and other non-cash compensation expense	19,146		23,943	
Impact to income taxes(1)	(13,204)		(8,230)	
Adjusted (loss) income and adjusted (loss) earnings per share(2)	$ (37,860)	$ (0.66)	$ 28,089	$ 0.50
Diluted weighted-average shares outstanding		57,314		56,445

(1) Impact to income taxes is calculated by recasting income before income taxes to include the items involved in determining adjusted income and recalculating the income tax provision using this adjusted income from operations before income taxes. The recalculation also adjusts for any discrete tax expense or benefit related to the items.

(2) Loss per share and adjusted loss per share is calculated using basic shares whereas earnings per share and adjusted earnings per share is calculated using diluted shares. There was no impact to the calculation of adjusted earnings per share as a result of this for the six months ended December 30, 2022.

UNAUDITED SUPPLEMENTAL INFORMATION RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(In thousands)

Organic revenue and acquired revenue are non-GAAP measures for reporting financial performance of the Company's business. Management believes this information provides investors with insight as to the Company's ongoing business performance. Organic revenue represents total company revenue excluding net revenue from acquired companies for the first four full quarters since the entities' acquisition date (which excludes intercompany transactions). Acquired revenue represents revenue from acquired companies for the first four full quarters since the entities' acquisition date (which excludes intercompany transactions). After the completion of four full fiscal quarters, acquired revenue is treated as organic for current and comparable historical periods.

The following table reconciles the most directly comparable GAAP financial measure to the non-GAAP financial measure.

	Second Quarters Ended		Six Months Ended	
	December 29, 2023	December 30, 2022	December 29, 2023	December 30, 2022
Organic revenue	$ 197,463	$ 229,588	$ 378,454	$ 457,167
Acquired revenue	—	—	—	—
Net revenues	$ 197,463	$ 229,588	$ 378,454	$ 457,167


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SECOND QUARTER FISCAL YEAR 2024 FINANCIAL RESULTS
Bill Ballhaus
Chairman and CEO
David Farnsworth
Executive Vice President and CFO
February 6, 2024, 5:00 pm ET
Webcast login at www.mrcy.com/investor
Webcast replay available by 7:00 p.m. ET February 6, 2024
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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 Company's focus on enhanced execution of the Company's strategic plan under a refreshed Board and leadership team. You can identify these statements by 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 geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in or cost increases related to completing development, 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, changes in, or in the interpretation or enforcement of, environmental rules and regulations, market acceptance of the Company's products, shortages in or delays in receiving components, supply chain delays or volatility for critical components such as semiconductors, production delays or unanticipated expenses including due to quality issues or manufacturing execution issues, capacity underutilization, increases in scrap or inventory write-offs, failure to achieve or maintain manufacturing quality certifications, such as AS9100, the impact of supply chain disruption, inflation and labor shortages, among other things, on program execution and the resulting effect on customer satisfaction, inability to fully realize the expected benefits from acquisitions, restructurings, and operational efficiency initiatives or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, effects of shareholder activism, increases in interest rates, changes to industrial security and cyber-security regulations and requirements and impacts from any cyber or insider threat events, changes in tax rates or tax regulations, such as the deductibility of internal research and development, changes to interest rate swaps or other cash flow hedging arrangements, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, litigation, including the dispute arising with the former CEO over his resignation, 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, 2023 and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. 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.

Today's call

- Opening remarks on business and results
- Update on our four focus areas
- Expectations for performance for FY24 and beyond
- Q&A

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Business and results

- Optimistic about our strategic positioning, business model, and outlook.
- Solid headway in four priority focus areas and to address transitory dynamics—high mix of development programs and high level of working capital.
- Near-record bookings of $325.4 million, with a 1.65 book-to-bill.
- Net working capital improvement of ~$70 million drove strong cash flow generation.
- Making progress to complete challenged programs.
- Reorganized business to eliminate redundant corporate functions and consolidate functional areas into a single operating unit.

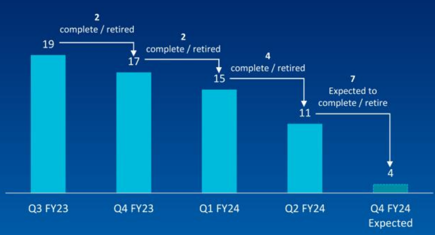
Enhancing execution to deliver predictable performance

- Incurred a number of costs we believe obscured the underlying performance of the business.
- Recognized approximately $48 million of transitory items associated with program cost growth, manufacturing adjustments, and contract settlements.
- Resolved an additional four of approximately 20 challenged programs.
- Expect to close out approximately half of remaining challenged programs over the second half.
- Made progress to isolate primary development risk common to the balance of open challenged programs.

Continued progress on risk drivers

Majority of business performed predictably in Q2 FY24

Making progress on challenged programs[1]



- Majority of business continues to perform predictably and is not impacted by the challenged programs
- Revenue and earnings volatility largely confined to one business within the portfolio representing approximately 20% of revenue

Note
(1) Represents the number of remaining challenged programs as of the end of each respective fiscal period.

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Building a thriving organic growth engine

- Received first LTAMDS production award earlier than originally anticipated.
- Expect LTAMDS to drive organic growth in FY25 and become largest revenue contributor.
- Won large development program on a strategic weapon system.
- Cost-plus contract has favorable billing terms, reducing volatility through development.
- Received large follow-on award for a defense space program.
- Anticipate strong bookings momentum to continue in the second half.

Addressing our cost structure to expand margins

- Focused execution on development programs and minimizing cost growth impacts.
- Returning to a historical 20/80 mix of development to production programs.
- Driving organic growth to generate positive operating leverage.
- And achieving cost efficiencies to generate $40 million in annual run rate savings.
- Structural reductions will be evident as we return to growth in FY25 and beyond.

Driving free cash flow release and improved conversion

- Delivered $46 million of operating cash and over $37 million in free cash flow.
- Made progress to convert unbilled receivables, down nearly $38 million.
- Continued strong collection trends across billed receivables.
- Net working capital decreased $70 million.
- Net debt of $448 million down $39 million in the quarter, reflective of cash generation.

Expectations for FY24 and beyond

- Continue to see a business capable of delivering above-average industry growth.
- Updating guidance for full year revenue from prior range of $950 million to $1 billion to $800 million to $850 million.
- Difficult to provide reliable guidance estimates beyond revenue given additional potential actions to settle contracts and adjust cost structure through remainder of the fiscal year.
- Outlook for bookings is unchanged, expect FY24 bookings to exceed $1 billion.
- Expect to be cash flow positive for the second half and full fiscal year.
- Covenant net leverage to stay well within thresholds given transitory add backs allowed per credit definitions.
- Entering FY25, goal is to retire program risk and eliminate non-cash adjustments that have obscured core earnings potential.

Q2 FY24 vs. Q2 FY23

In $ millions, except percentage and per share data	Q2 FY24[2]	Q2 FY23[2]	CHANGE
Bookings Book-to-Bill	$325.4 1.65	$270.3 1.18	20%
Backlog 12-Month Backlog	$1,278.4 786.4	$1,117.7 765.5	14%
Revenue	$197.5	$229.6	(14%)
Gross Margin	16.0%	35.3%	(19.3) bps
Operating Expenses Selling, General & Administrative Research & Development Amortization/Restructuring/Acquisition	$85.4 44.5 28.5 12.5	$88.5 45.1 26.9 16.5	(3%)
GAAP Net Loss	($45.6)	($10.9)	N.A.
GAAP Loss Per Share Weighted Average Diluted Shares	($0.79) 57.4	($0.19) 56.3	N.A.
Adjusted EPS[1]	($0.42)	$0.26	N.A.
Adj. EBITDA[1] % of revenue	($21.3) N.A.	$35.7 15.5%	N.A.
Operating Cash Flow	$45.5	$35.4	29%
Free Cash Flow[1] % of Adjusted EBITDA	$37.5 N.A.	$22.2 62.2%	69%

Notes
(1) Non-GAAP, see reconciliation table.
(2) All references in this presentation to the second quarter of fiscal 2024 and full fiscal 2024 are to the quarter ended December 29, 2023 and the 52-week period ending June 28, 2024. All references to the second quarter of fiscal 2023 and full fiscal 2023 are to the quarter ended December 30, 2022 and the 52-week period ended June 30, 2023.

Balance sheet

(In $ millions)[1]	As of 12/30/22	3/31/23	6/30/23	9/29/23	12/29/23
ASSETS					
Cash & cash equivalents	$76.9	$64.4	$71.6	$89.4	$168.6
Accounts receivable, net	479.3	502.3	507.3	480.0	433.7
Inventory, net	312.0	342.8	337.2	363.0	354.2
PP&E, net	122.0	119.5	119.6	117.2	114.4
Goodwill and intangibles, net	1,261.5	1,248.7	1,236.1	1,223.6	1,211.4
Other	96.2	106.2	119.6	127.6	154.0
TOTAL ASSETS	**$2,348.0**	**$2,383.9**	**$2,391.4**	**$2,400.8**	**$2,436.3**
LIABILITIES AND S/E					
AP and accrued expenses	$167.5	$170.4	$162.8	$147.2	$144.7
Other liabilities	124.8	141.1	150.4	136.3	170.6
Debt	511.5	511.5	511.5	576.5	616.5
Total liabilities	**803.9**	**823.0**	**824.7**	**860.0**	**931.8**
Stockholders' equity	**1,544.1**	**1,560.9**	**1,566.7**	**1,540.8**	**1,504.5**
TOTAL LIABILITIES AND S/E	**$2,348.0**	**$2,383.9**	**$2,391.4**	**$2,400.8**	**$2,436.3**

Notes
(1) Rounded amounts used.

Cash flow summary

	For the Fiscal Quarters Ended				
(In $ millions)[1]	**12/30/22**	**3/31/23**	**6/30/23**	**9/29/23**	**12/29/23**
Net (Loss) Income	**($10.9)**	**$5.2**	**($8.2)**	**($36.7)**	**($45.6)**
Depreciation and amortization	27.2	23.9	22.5	22.7	22.2
Other non-cash items, net	(8.2)	2.6	(20.2)	(3.7)	1.6
Cash settlement for termination of interest rate swap	-	-	-	7.4	-
Changes in Operating Assets and Liabilities					
Accounts receivable, unbilled receivables, and costs in excess of billings	16.4	(22.8)	(5.0)	27.0	42.7
Inventory	(21.8)	(29.8)	6.0	(27.6)	12.1
Accounts payable and accrued expenses	(11.0)	17.0	(5.0)	(13.0)	(5.2)
Other	43.7	0.7	22.6	(15.2)	17.6
	27.3	**(34.9)**	**18.6**	**(28.8)**	**67.2**
Operating Cash Flow	**35.4**	**(3.2)**	**12.6**	**(39.1)**	**45.5**
Capital expenditures	(13.2)	(9.4)	**(8.8)**	**(8.0)**	**(8.0)**
Free Cash Flow[2]	**$22.2**	**($12.7)**	**$3.8**	**($47.1)**	**$37.5**
Free Cash Flow[2] / Adjusted EBITDA[2]	***62%***	***N.A.***	***17%***	***N.A.***	***N.A.***
Free Cash Flow[2] / GAAP Net (Loss) Income	***N.A.***	***N.A.***	***N.A.***	***N.A.***	***N.A.***

Notes
(1) Rounded amounts used.
(2) Non-GAAP, see reconciliation table.


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APPENDIX
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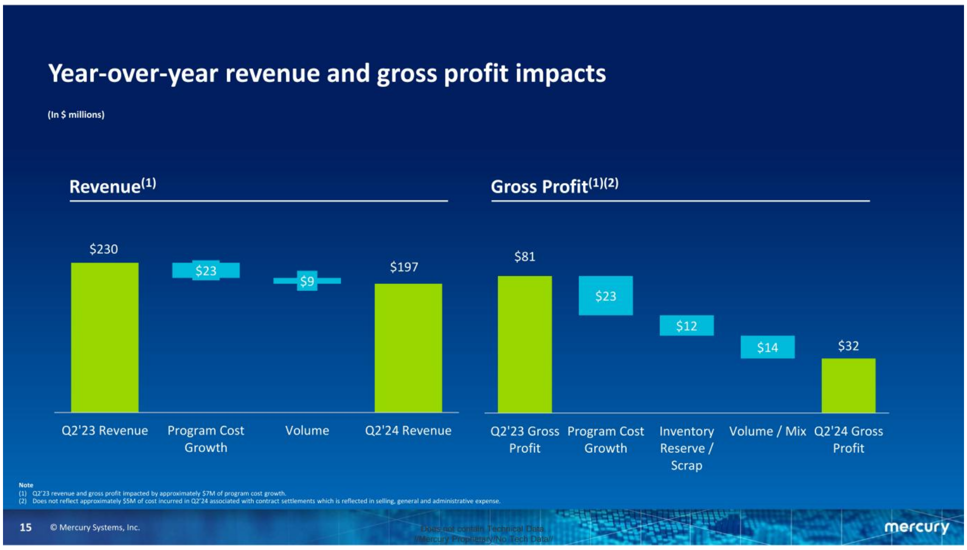
Year-over-year revenue and gross profit impacts
(In $ millions)
Revenue(1)
$230
$23
$9
$197
Q2'23 Revenue
Program Cost Growth
Volume
Q2'24 Revenue
Gross Profit(1)(2)
$81
$23
$12
$14
$32
Q2'23 Gross Profit
Program Cost Growth
Inventory Reserve / Scrap
Volume / Mix
Q2'24 Gross Profit
Note
(1) Q2'23 revenue and gross profit impacted by approximately $7M of program cost growth.
(2) Does not reflect approximately $5M of cost incurred in Q2'24 associated with contract settlements which is reflected in selling, general and administrative expense.
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Does not contain Technical Data
//Mercury Proprietary/No Tech Data//
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Adjusted EPS reconciliation

(In thousands, except per share data)[2]	Q2 FY23	Q2 FY24	LTM Q2 FY23	LTM Q2 FY24
Loss per share[1]	**$ (0.19)**	**$ (0.79)**	**$ (0.08)**	**$ (1.49)**
Net loss	**$(10,920)**	**$(45,581)**	**$ (4,201)**	**$ (85,369)**
Other non-operating adjustments, net	(1,463)	(1,042)	2,623	(2,234)
Amortization of intangible assets	13,536	12,270	58,641	50,259
Restructuring and other charges	2,069	2	14,946	12,952
Impairment of long-lived assets	-	-	-	-
Acquisition, financing and other third party costs	1,309	860	12,033	8,038
Fair value adjustments from purchase accounting	177	178	(277)	710
Litigation and settlement expense, net	70	1,383	2,401	1,006
COVID related expenses	-	-	293	6
Stock-based and other non-cash compensation expense	13,003	10,195	44,937	38,234
Impact to income taxes[3]	(3,039)	(2,446)	(25,566)	(32,750)
Adjusted income (loss)	**$ 14,742**	**$ (24,181)**	**$ 105,830**	**$ (9,148)**
Adjusted earnings (loss) per share[1][5]	**$ 0.26**	**$ (0.42)**	**$ 1.88**	**$ (0.15)**
Weighted-average shares outstanding:				
Basic	56,252	57,424		
Diluted	56,477	57,424		

Notes
(1) Per share information is presented on a fully diluted basis.
(2) Rounded amounts used.
(3) Impact to income taxes is calculated by recasting income before income taxes to include the items involved in determining adjusted income and recalculating the income tax provision using this adjusted income from operations before income taxes. The recalculation also adjusts for any discrete tax expense or benefit related to the items.
(4) All references in this presentation to the second quarter of fiscal 2024 and full fiscal 2024 are to the quarter ended December 29, 2023 and the 52-week period ending June 28, 2024. All references to the second quarter of fiscal 2023 and full fiscal 2023 are to the quarter ended December 30, 2022 and the 52-week period ended June 30, 2023.
(5) Earnings per share and Adjusted earnings per share is calculated using diluted shares whereas loss per share and adjusted loss per share is calculated using basic shares. There was no impact to the calculation of adjusted earnings per share as a result of this for the second quarter ended December 30, 2022.

Adjusted EBITDA reconciliation

(In thousands)[1][2]	Q2 FY23	Q2 FY24	LTM Q2 FY23	LTM Q2 FY24
Net loss	**$ (10,920)**	**$ (45,581)**	**$ (4,201)**	**$ (85,369)**
Other non-operating adjustments, net	(1,463)	(1,042)	2,623	(2,234)
Interest expense, net	6,370	8,645	14,876	29,623
Income tax (benefit) provision	(2,151)	(18,141)	4,543	(48,202)
Depreciation	13,697	9,923	40,154	41,021
Amortization of intangible assets	13,536	12,270	58,641	50,259
Restructuring and other charges	2,069	2	14,946	12,952
Impairment of long-lived assets	-	-	-	-
Acquisition, financing and other third party costs	1,309	860	12,033	8,038
Fair value adjustments from purchase accounting	177	178	(277)	710
Litigation and settlement expense, net	70	1,383	2,401	1,006
COVID related expenses	-	-	293	6
Stock-based and other non-cash compensation expense	13,003	10,195	44,937	38,234
Adjusted EBITDA	**$ 35,697**	**$ (21,308)**	**$ 190,969**	**$ 46,044**

Notes
1. Rounded amounts used.
2. All references in this presentation to the second quarter of fiscal 2024 and full fiscal 2024 are to the quarter ended December 29, 2023 and the 52-week period ending June 28, 2024. All references to the second quarter of fiscal 2023 and full fiscal 2023 are to the quarter ended December 30, 2022 and the 52-week period ended June 30, 2023.

Free cash flow reconciliation

(In thousands)	Q2 FY23	Q2 FY24	LTM Q2 FY23	LTM Q2 FY24
Cash provided by (used in) operating	**$ 35,392**	**$ 45,494**	**$ (54,334)**	**$ 15,819**
Purchases of property and equipment	(13,176)	(7,990)	(34,756)	(34,297)
Free cash flow	**$ 22,216**	**$ 37,504**	**$ (89,090)**	**$ (18,478)**

Organic revenue reconciliation

(In thousands)	Q2 FY23	Q2 FY24	LTM Q2 FY23	LTM Q2 FY24
Organic revenue (1)	**$ 229,588**	**$ 197,463**	**$ 999,971**	**$ 895,169**
Acquired revenue	-	-	-	-
Net revenues	**$ 229,588**	**$ 197,463**	**$ 999,971**	**$ 895,169**

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.

