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): July 30, 2019

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

Massachusetts	000-23599	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 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §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 July 30, 2019, Mercury Systems, Inc. (the “Company”) issued a press release and an earnings presentation regarding its financial results for the fourth quarter and fiscal year ended June 30, 2019. 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 7.01. Regulation FD Disclosure

In the Company’s press release and earnings presentation issued on July 30, 2019 regarding its financial results, the Company announced that it has signed a stock purchase agreement to acquire American Panel Corporation (“APC”). Based in Alpharetta, GA, APC is a leading innovator in large area display technology. APC’s capabilities are deployed on a wide range of next-generation platforms, including the U.S. Army's Apache attack helicopter and M1A2 Abrams battle tank, as well as the F-35, F-15, F-16 and F-18 fighter jets. The press release and earnings presentation are furnished as exhibits 99.1 and 99.2 hereto. The information provided in Item 7.01 of this Current Report on Form 8-K and in the attached exhibits 99.1 and 99.2 shall not be deemed “filed” for purposes of Section 18 of 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, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release, dated July 30, 2019, of Mercury Systems, Inc.
99.2	Earnings Presentation, dated July 30, 2019, of Mercury Systems, Inc.

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: July 30, 2019

MERCURY SYSTEMS, INC.

By: /s/ Michael D. Ruppert
Michael D. Ruppert
Executive Vice President, Chief Financial Officer,
and Treasurer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release, dated July 30, 2019, of Mercury Systems, Inc.
99.2	Earnings Presentation, dated July 30, 2019, of Mercury Systems, Inc.

Exhibit 99.1

INNOVATION THAT MATTERS®

News Release

Mercury Systems Reports Fourth Quarter and Fiscal 2019 Results; Announces Agreement to Acquire American Panel Corporation

Fourth Quarter Highlights Include:
Record bookings increased 41% over prior year with a book-to-bill ratio of 1.36
Record revenue increases 16% over prior year
Strong operating cash flow of $26 million and free cash flow of $17 million
Net proceeds of $455 million received through equity offering

ANDOVER, Mass. July 30, 2019 Mercury Systems, Inc. (NASDAQ: MRCY, www.mrcy.com), reported operating results for the fourth quarter and fiscal year ended June 30, 2019.

Management Comments

"The business performed extremely well in the fourth quarter of 2019 marking the end of a strong fiscal year for Mercury," said Mark Aslett, Mercury's President and Chief Executive Officer. "We achieved another record for bookings exceeding $240 million and yielding a book to bill ratio of 1.36. Revenue and adjusted EBITDA exceeded guidance with strong operating and free cash flow generation in the quarter. In addition, we are pleased to announce the execution of a purchase agreement to acquire American Panel Corporation for $100 million, which upon closing will add a scalable display platform to our C4I business. As we enter fiscal year 2020 with a record backlog, strong balance sheet, and robust M&A pipeline, we are strategically well-positioned for continued growth and profitability," said Aslett.

Fourth Quarter Fiscal 2019 Results

Total Company fourth quarter fiscal 2019 revenues were $177.0 million, compared to $152.9 million in the fourth quarter of fiscal 2018. The fourth quarter fiscal 2019 results included an aggregate of approximately $18.4 million of revenue attributable to the Germane Systems, GECO Avionics, The Athena Group and Syntonic Microwave acquired businesses.

Total Company GAAP net income for the fourth quarter of fiscal 2019 was $12.8 million, or $0.25 per share, compared to $10.1 million, or $0.21 per share, for the fourth quarter of fiscal 2018. Adjusted earnings per share (“adjusted EPS”) was $0.47 per share for the fourth quarter of fiscal 2019, compared to $0.47 per share in the fourth quarter of fiscal 2018.

Fourth quarter fiscal 2019 adjusted EBITDA for the total Company was $37.9 million, compared to $37.7 million for the fourth quarter of fiscal 2018.

Cash flows from operating activities in the fourth quarter of fiscal 2019 were $26.0 million, compared to $25.6 million in the fourth quarter of fiscal 2018. Free cash flow, defined as cash flows from operating activities less capital expenditures, was $17.1 million in the fourth quarter of fiscal 2019, compared to $21.6 million in the fourth quarter of fiscal 2018.

All per share information is presented on a fully diluted basis.

Full Year Fiscal 2019 Results

Full year fiscal 2019 revenues were $654.7 million, compared to $493.2 million for full year fiscal 2018, an increase of 33% from fiscal 2018. The full year fiscal 2019 results includes organic revenue of $541.5 million, an increase of 12% from fiscal 2018. 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 full fiscal quarters, acquired businesses are treated as organic for current and comparable historical periods.

Total Company GAAP net income for fiscal 2019 was $46.8 million, or $0.96 per share, compared to $40.9 million, or $0.86 per share, for fiscal 2018. Adjusted earnings per share was $1.84 per share for fiscal 2019, compared to $1.42 per share for fiscal 2018.

Fiscal 2019 adjusted EBITDA for the total Company was $145.3 million, compared to $114.6 million for fiscal 2018.

Cash flows from operating activities for fiscal 2019 were $97.5 million, compared to $43.3 million for fiscal 2018. Free cash flow was $70.8 million in fiscal 2019, compared to $28.2 million in fiscal 2018.

Bookings and Backlog

Total bookings for the fourth quarter of fiscal 2019 were $241.3 million, yielding a book-to-bill ratio of 1.36 for the quarter. Total bookings for all of fiscal 2019 were $782.9 million, yielding a book-to-bill ratio of 1.20 for the full year.

Mercury's total backlog at June 30, 2019 was $625.4 million, a $178.3 million increase from a year ago. Of the June 30, 2019 total backlog, $451.2 million represents orders expected to be shipped within the next 12 months.

Purchase Agreement to Acquire American Panel Corporation

The Company also announced the execution of a purchase agreement to acquire American Panel Corporation ("APC"). Based in Alpharetta, GA, APC is a leading innovator in large area display technology. Their capabilities are deployed on a wide range of next-generation platforms, including the U.S. Army's Apache attack helicopter and M1A2 Abrams battle tank, as well as the F-35, F-15, F-16 and F-18 fighter jets.

The purchase price of $100 million, subject to net working capital and net debt adjustments, will be entirely funded with cash on hand. The acquisition is expected to close in the first quarter of fiscal 2020.

"Our previous acquisitions of CES, Richland Technologies and GECO Avionics focused on providing highly specialized, safety certifiable avionics processing capabilities. APC complements these capabilities by providing very advanced, ruggedized displays for the military aerospace, ground vehicle and commercial aerospace markets. Acquiring APC adds unique capabilities to our growing avionics platform and positions us to play a larger role in military digital convergence. We look forward to welcoming the APC team to the Mercury family," Aslett concluded.

Business Outlook

This section presents our current expectations and estimates, given current visibility, on our business outlook for the current fiscal quarter and fiscal year 2020. 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 Fourth Quarter and Fiscal 2019 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. Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day in June. All references in this press release to the first quarter of fiscal 2020 are to the quarter ending September 27, 2019 and to fiscal 2020 are to the fiscal year ending June 26, 2020.

For the first quarter of fiscal 2020, revenues are forecasted to be in the range of $160.0 million to $170.0 million. GAAP net income for the first quarter is expected to be approximately $11.5 million to $13.0 million, or $0.21 to $0.24 per share, assuming no incremental restructuring, acquisition, other non-operating adjustments or non-recurring financing related expenses in the period, an effective tax rate of approximately 26%, excluding discrete items, and approximately 55.1 million weighted average diluted shares outstanding. Adjusted EBITDA for the first quarter of fiscal 2020 is expected to be in the range of $32.0 million to $34.0 million. Adjusted EPS is expected to be in the range of $0.39 to $0.42 per share.

For the full fiscal year 2020, we currently expect revenue of $740.0 million to $760.0 million, and GAAP net income of $66.5 million to $72.4 million, or $1.20 to $1.31 per share, assuming no incremental restructuring, acquisition, other non-operating adjustments or non-recurring financing related expenses in the period, an effective tax rate of approximately 26%, excluding discrete items, and approximately 55.2 million weighted average diluted shares outstanding. Adjusted EBITDA for the full fiscal year is expected to be approximately $160.5 million to $168.5 million, and adjusted EPS for the full fiscal year is expected to be approximately $1.97 to $2.08 per share.

Recent Highlights

June - Mercury announced the availability of miniaturization packaging services that complement the U.S. Government’s global positioning system (GPS) modernization efforts, advancing the development of smaller, more agile missiles and guided munitions to support mission success. Mercury’s innovative three-dimensional (3D) packaging, manufacturing and test services optimize the size, weight and power (SWaP) of new secure military code (M-Code) GPS receivers.

June - Mercury announced it received an additional $16 million in follow-on orders against its previously announced $152 million 5 year sole-source basic ordering agreement (BOA) to deliver advanced Digital RF Memory (DRFM) jammers to the U.S. Navy. The orders were received in the fourth quarter of the Company's fiscal 2019 year and are expected to be delivered over the next several quarters.

June - Mercury announced that it received the Best-In-Class Supplier Award in Equipment & Systems from Airbus at its 5th Defence and Space Supplier Conference. The award recognized the top Defence and Space performers who support Airbus’ long-term business relationships. Mercury was selected from among the entire supply chain of more than 10,000 suppliers.

June - Mercury announced it received an $8.2 million follow-on order from a leading defense prime contractor for rugged, ultra-compact memory devices integrated into an advanced airborne command, control and intelligence application. The order was booked in the Company’s fiscal 2019 fourth quarter and is expected to be shipped over the next several quarters.

June - Mercury announced the SpectrumSeries™ DS-3000 synthesizer, the Company’s latest high-performance, direct digital synthesis (DDS)-based synthesizer. Designed to support customers’ advanced frequency conversion technology requirements and operate in the harshest environments, the DS-3000 synthesizer offers industry-leading phase noise of -121 dBc/Hz at 10 GHz with 10 kHz offset, and frequency coverage up to 20 GHz with 1 Hz resolution.

May - Mercury announced it received a $3.9 million development contract from a leading defense prime contractor to prepare next generation airborne radar processing subsystems for production at the Company’s secure and trusted Defense Microelectronics Activity (DMEA)-accredited manufacturing facility. The Company expects that the contract will be fulfilled by the end of the calendar year.

May - Mercury announced that it priced its previously announced underwritten public offering at $69.00 per share and increased the size of the offering from 5 million to 6 million shares of its common stock. The offering includes a 30-day option for the underwriters to purchase up to an additional 0.9 million shares of common stock at the same per share price, which was exercised. The Company intends to use the net proceeds of the offering for general corporate purposes, including future acquisitions, refinancing or repayment of debt, capital expenditures, working capital or share repurchases.

May - Mercury announced it received a $2.1 million order from a leading defense prime contractor for custom-engineered radio frequency (RF) amplifiers delivering industry-leading performance required for an advanced naval electronic support program. The order was booked in the Company's fiscal 2019 third quarter and is expected to be shipped over the next several quarters.

May - Mercury unveiled its rugged rackmount server product lineup featuring Intel® Second Generation Xeon® Scalable Processors (formerly code-named "Cascade Lake"). Mercury's new EnterpriseSeries™ RES-XR6 line of configurable servers, equipped with the latest Intel processors, enable users to customize a solution which provides the optimum balance of compute density, size, weight, and power, based on their specific application needs.

May - Mercury congratulated Boeing on its initial deliveries of KC-46A Pegasus tanker aircraft to the U.S. Air Force. Jennifer Graves, General Manager of the Mercury Mission Systems group, attended Boeing's delivery ceremonies in Everett, WA earlier this year, as a VIP guest in recognition of being a long-term trusted vendor that has supplied many mission-critical line replacement units (LRU) to Boeing on time and defect free.

April - Mercury celebrated the dedication of its expanded Advanced Microelectronics Center (AMC) in Huntsville, AL. Congressman Mo Brooks (R); Col. Robert Barrie, Military Deputy, PEO Aviation; Donna McCrary of the Huntsville/Madison County Chamber of Commerce; and Harrison Diamond from the Office of the Mayor joined senior Mercury executives for a ribbon cutting ceremony, reception and facility tour.

April - Mercury announced it received a $9.0 million follow-on order from a leading defense prime contractor for precision-engineered RF subsystems integrated into an advanced airborne electronic warfare program. The order was booked in the Company's fiscal 2019 third quarter and is expected to be shipped over the next several quarters.

April - Mercury announced the acquisitions of The Athena Group, Inc. (Athena) and Syntonic Microwave LLC (Syntonic). The all cash purchase price for both transactions was $46 million in total. Both transactions are subject to net working capital and net debt adjustments.

April - Mercury announced the RES-XR6 2U Quad server, its newest EnterpriseSeries™ rugged server that packs up to four Intel® Xeon® Scalable processors and 6TB of DDR4 memory in a 3.5 inch high, lightweight, rackmount form-factor.

April - Mercury announced that it will offer an Intel Select Solution for Hardened Security with Lockheed Martin (NYSE: LMT). Designed to help defense and aerospace customers secure mission-critical data, the solution will provide hardened, full stack security that delivers best-in-class performance which sets new standards of affordability for secure and rugged tactical edge computing. The U.S.-designed solution will be manufactured and tested in Mercury's DMEA-accredited facilities.

April - Mercury announced the start of customer engagements for its second generation of the TRRUST-Stor™ VPX RT family of radiation-tolerant solid state drives (SSD) featuring up to 940GB user capacity in a 6U SpaceVPX™ form factor.

April - Mercury announced the EnsembleSeries™ HDS6605 blade server, the embedded computing industry's most powerful, general-purpose processing 6U OpenVPX™ blade server with hardware-enabled support for artificial intelligence (AI) applications.

Conference Call Information

Mercury will host a conference call and simultaneous webcast on Tuesday, July 30, 2019, at 5:00 p.m. ET to discuss the fourth quarter fiscal 2019 results and review its financial and business outlook going forward.

To join the conference call, dial (877) 303-6977 in the USA and Canada, or (760) 298-5079 in all other countries. Please call five to ten minutes prior to the scheduled start time. The live audio webcast as well as the Company's earnings presentation that will be discussed on the call can be accessed from the 'Events and Presentations' page of Mercury's website at www.mrcy.com/investor.

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 (NASDAQ:MRCY) is a leading commercial provider of secure sensor and safety-critical mission processing subsystems. Optimized for customer and mission success, Mercury’s solutions power a wide variety of critical aerospace, defense and intelligence programs. Headquartered in Andover, Mass., Mercury is pioneering a next-generation defense electronics business model specifically designed to meet the industry’s current and emerging technology needs. To learn more, visit www.mrcy.com and follow us on Twitter.

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 acquisition described herein and to fiscal 2020 business performance and beyond and the Company’s plans for growth and improvement in profitability and cash flow. You can identify these statements by the use of the words “may,” “will,” “could,” “should,” “would,” “plans,” “expects,” “anticipates,” “continue,” “estimate,” “project,” “intend,” “likely,” “forecast,” “probable,” “potential,” and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in the Company’s markets, effects of any U.S. Federal government shutdown or extended continuing resolution, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in, or in the U.S. Government’s interpretation of, federal export control or procurement rules and regulations, market acceptance of the Company's products, shortages in components, production delays or unanticipated expenses due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and restructurings, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, increases in interest rates, changes to cyber-security regulations and requirements, changes in tax rates or tax regulations, changes to interest rate swaps or other cash flow hedging arrangements, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price service and system integration engagements, and various other factors beyond our control. These risks and uncertainties also include such additional risk factors as are discussed in the Company's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended June 30, 2018. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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Contact:
Michael D. Ruppert, CFO
Mercury Systems, Inc.
978-967-1990

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

	June 30, 2019	June 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 257,932	$ 66,521
Accounts receivable, net	118,832	104,040
Unbilled receivables and costs in excess of billings	57,387	39,774
Inventory	137,112	108,585
Prepaid income taxes	90	3,761
Prepaid expenses and other current assets	10,819	9,062
Total current assets	582,172	331,743
Property and equipment, net	60,001	50,980
Goodwill	562,146	497,442
Intangible assets, net	206,124	177,904
Other non-current assets	6,534	6,411
Total assets	$ 1,416,977	$ 1,064,480
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 39,030	$ 21,323
Accrued expenses	18,897	16,386
Accrued compensation	28,814	21,375
Deferred revenues and customer advances	11,291	12,596
Total current liabilities	98,032	71,680
Deferred income taxes	17,814	13,635
Income taxes payable	1,273	998
Long-term debt	—	195,000
Other non-current liabilities	15,119	11,276
Total liabilities	132,238	292,589
Shareholders' equity:		
Common stock	542	469
Additional paid-in capital	1,058,745	590,163
Retained earnings	226,743	179,968
Accumulated other comprehensive income	(1,291)	1,291
Total shareholders' equity	1,284,739	771,891
Total liabilities and shareholders' equity	$ 1,416,977	$ 1,064,480

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

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Twelve Months Ended June 30, 2019	Twelve Months Ended June 30, 2018
Net revenues	$ 176,963	$ 152,867	$ 654,744	$ 493,184
Cost of revenues(1)	97,124	84,609	368,588	267,326
Gross margin	79,839	68,258	286,156	225,858
Operating expenses:				
Selling, general and administrative(1)	30,746	25,437	110,717	88,365
Research and development(1)	20,346	14,857	68,925	58,807
Amortization of intangible assets	7,008	7,436	27,914	26,004
Restructuring and other charges	(13)	1,367	560	3,159
Acquisition costs and other related expenses	901	273	1,456	2,538
Total operating expenses	58,988	49,370	209,572	178,873
Income from operations	20,851	18,888	76,584	46,985
Interest income	590	18	932	32
Interest expense	(2,181)	(1,749)	(9,109)	(2,850)
Other expense, net	(6,673)	(529)	(8,880)	(1,594)
Income before income taxes	12,587	16,628	59,527	42,573
Tax (benefit) provision	(217)	6,527	12,752	1,690
Net income	$ 12,804	$ 10,101	$ 46,775	$ 40,883
Basic net earnings per share:	$ 0.26	$ 0.22	$ 0.98	$ 0.88
Diluted net earnings per share:	$ 0.25	$ 0.21	$ 0.96	$ 0.86
Weighted-average shares outstanding:				
Basic	49,835	46,873	47,831	46,719
Diluted	50,655	47,521	48,500	47,471
(1) Includes stock-based compensation expense, allocated as follows:				
Cost of revenues	$ 221	$ 138	$ 820	$ 502
Selling, general and administrative	$ 3,723	$ 3,653	$ 16,188	$ 14,828
Research and development	$ 642	$ 478	$ 2,414	$ 1,984

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

	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2019	2018	2019	2018
Cash flows from operating activities:				
Net income	$ 12,804	$ 10,101	$ 46,775	$ 40,883
Depreciation and amortization	11,562	11,957	46,392	42,277
Termination of interest rate swap	5,420	—	5,420	—
Other non-cash items, net	5,147	5,147	21,644	13,953
Changes in operating assets and liabilities	(8,964)	(1,564)	(22,714)	(53,792)
Net cash provided by operating activities	25,969	25,641	97,517	43,321
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired	(45,554)	—	(127,083)	(185,396)
Purchases of property and equipment	(8,829)	(4,039)	(26,691)	(15,106)
Other investing activities	—	—	—	(375)
Net cash used in investing activities	(54,383)	(4,039)	(153,774)	(200,877)
Cash flows from financing activities:				
Proceeds from employee stock plans	1,984	1,396	3,661	3,445
Payments under credit facilities	(324,500)	—	(324,500)	(15,000)
Borrowings under credit facilities	48,000	—	129,500	210,000
Payments of deferred financing and offering costs	—	—	(1,851)	—
Payments for retirement of common stock	(534)	(390)	(7,968)	(15,508)
Termination of interest rate swap	(5,420)	—	(5,420)	—
Proceeds from equity offering, net	454,343	—	454,343	—
Net cash provided by financing activities	173,873	1,006	247,765	182,937
Effect of exchange rate changes on cash and cash equivalents	(42)	(304)	(97)	(497)
Net increase in cash and cash equivalents	145,417	22,304	191,411	24,884
Cash and cash equivalents at beginning of period	112,515	44,217	66,521	41,637
Cash and cash equivalents at end of period	$ 257,932	$ 66,521	$ 257,932	$ 66,521

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 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, capital 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 Mercury’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 intangibles related to various acquisitions it has made and license agreements. These intangible assets are valued at the time of acquisition, are amortized over a period of several years after acquisition 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 and financing costs. The Company incurs transaction costs related to acquisition and potential acquisition opportunities, such as legal, accounting, and other third party advisory fees. Although we 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. The Company also incurs 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 we 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.

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. 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 the 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.

	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2019	2018	2019	2018
Net income	$ 12,804	$ 10,101	$ 46,775	$ 40,883
Other non-operating adjustments, net[1]	519	3	364	(795)
Interest expense (income), net	1,591	1,731	8,177	2,818
Income taxes	(217)	6,527	12,752	1,690
Depreciation	4,554	4,521	18,478	16,273
Amortization of intangible assets	7,008	7,436	27,914	26,004
Restructuring and other charges	(13)	1,367	560	3,159
Impairment of long-lived assets	—	—	—	—
Acquisition and financing costs	7,036	799	9,628	4,928
Fair value adjustments from purchase accounting	—	860	713	1,992
Litigation and settlement expense (income), net	19	—	344	—
Stock-based and other non-cash compensation expense	4,626	4,309	19,621	17,615
Adjusted EBITDA	$ 37,927	$ 37,654	$ 145,326	$ 114,567

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

Free cash flow, 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.

	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2019	2018	2019	2018
Cash provided by operating activities	$ 25,969	$ 25,641	$ 97,517	$ 43,321
Purchases of property and equipment	(8,829)	(4,039)	(26,691)	(15,106)
Free cash flow	$ 17,140	$ 21,602	$ 70,826	$ 28,215

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 our 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 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 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.

	Three Months Ended June 30,			
	2019		2018	
Net income and earnings per share	$ 12,804	$ 0.25	$ 10,101	$ 0.21
Amortization of intangible assets	7,008		7,436	
Restructuring and other charges	(13)		1,367	
Impairment of long-lived assets	—		—	
Acquisition and financing costs	7,036		799	
Fair value adjustments from purchase accounting	—		860	
Litigation and settlement expense (income), net	19		—	
Stock-based and other non-cash compensation expense	4,626		4,309	
Impact to income taxes[(1)]	(7,620)		(2,621)	
Adjusted income and adjusted earnings per share	$ 23,860	$ 0.47	$ 22,251	$ 0.47
Diluted weighted-average shares outstanding:		50,655		47,521

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

	Twelve Months Ended June 30,			
	2019		2018	
Net income and earnings per share	$ 46,775	$ 0.96	$ 40,883	$ 0.86
Amortization of intangible assets	27,914		26,004	
Restructuring and other charges	560		3,159	
Impairment of long-lived assets	—		—	
Acquisition and financing costs	9,628		4,928	
Fair value adjustments from purchase accounting	713		1,992	
Litigation and settlement expense (income), net	344		—	
Stock-based and other non-cash compensation expense	19,621		17,615	
Impact to income taxes(1)	(16,552)		(27,269)	
Adjusted income and adjusted earnings per share	$ 89,003	$ 1.84	$ 67,312	$ 1.42
Diluted weighted-average shares outstanding:		48,500		47,471

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

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 its 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.

	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2019	2018	2019	2018
Organic revenue	$ 158,548	$ 134,358	$ 541,487	$ 433,438
Acquired revenue[(1)]	18,415	18,509	113,257	59,746
Net revenues	$ 176,963	$ 152,867	$ 654,744	$ 493,184

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

MERCURY SYSTEMS, INC.
RECONCILIATION OF FORWARD-LOOKING GUIDANCE RANGE
Quarter Ending September 27, 2019
Year Ending June 26, 2020
(In thousands)

The Company defines adjusted EBITDA as income before other non-operating adjustments, 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 and other non-cash compensation expense.

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

	Three Months Ending September 27, 2019[1]		Twelve Months Ending June 26, 2020[1]	
	Range		Range	
	Low	High	Low	High
GAAP expectation -- Net income	$ 11,500	$ 13,000	$ 66,500	$ 72,400
Adjust for:				
Other non-operating adjustments, net	—	—	—	—
Interest expense (income), net	(1,400)	(1,400)	(5,600)	(5,600)
Income taxes	4,000	4,600	23,300	25,500
Depreciation	4,600	4,500	21,100	21,000
Amortization of intangible assets	7,000	7,000	27,600	27,600
Restructuring and other charges	—	—	—	—
Impairment of long-lived assets	—	—	—	—
Acquisition and financing costs	900	900	3,500	3,500
Fair value adjustments from purchase accounting	—	—	—	—
Litigation and settlement expense (income), net	—	—	—	—
Stock-based and other non-cash compensation expense	5,400	5,400	24,100	24,100
Adjusted EBITDA expectation	$ 32,000	$ 34,000	$ 160,500	$ 168,500

(1) Rounded amounts used.

MERCURY SYSTEMS, INC.
RECONCILIATION OF FORWARD-LOOKING GUIDANCE RANGE
Quarter Ending September 27, 2019
Year Ending June 26, 2020
(In thousands, except per share data)

The Company defines adjusted income as income before 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 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[2]. 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.

	Three Months Ending September 27, 2019[1]			
	Range			
	Low		High	
GAAP expectation -- Net income and earnings per share	$ 11,500	$ 0.21	$ 13,000	$ 0.24
Amortization of intangible assets	7,000		7,000	
Restructuring and other charges	—		—	
Impairment of long-lived assets	—		—	
Acquisition and financing costs	900		900	
Fair value adjustments from purchase accounting	—		—	
Litigation and settlement expense (income), net	—		—	
Stock-based and other non-cash compensation expense	5,400		5,400	
Impact to income taxes[2]	(3,300)		(3,300)	
Adjusted income and adjusted earnings per share expectation	$ 21,500	$ 0.39	$ 23,000	$ 0.42
Diluted weighted-average shares outstanding expectation:		55,100		55,100

(1) Rounded amounts used.

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

	Twelve Months Ending June 26, 2020(1)							
	Range							
	Low				High			
GAAP expectation -- Net income and earnings per share	$	66,500	$	1.20	$	72,400	$	1.31
Amortization of intangible assets		27,600				27,600		
Restructuring and other charges		—				—		
Impairment of long-lived assets		—				—		
Acquisition and financing costs		3,500				3,500		
Fair value adjustments from purchase accounting		—				—		
Litigation and settlement expense (income), net		—				—		
Stock-based and other non-cash compensation expense		24,100				24,100		
Impact to income taxes(2)		(13,000)				(13,000)		
Adjusted income and adjusted earnings per share expectation	$	108,700	$	1.97	$	114,600	$	2.08
Diluted weighted-average shares outstanding expectation:				55,200				55,200

(1) Rounded amounts used.

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

4th Quarter and Full Fiscal Year 2019 Financial Results & American Panel Corporation Acquisition Overview

Mark Aslett
President and CEO

Michael Ruppert
Executive Vice President and CFO

July 30, 2019, 5:00 pm ET

Conference call:
Dial (877) 303-6977 in the USA and Canada,
(760) 298-5079 in all other countries
Webcast login at www.mrcy.com/investor
Webcast replay available by 7:00 p.m. ET July 30, 2019

Forward-looking safe harbor statement

This presentation contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform 1995, including those relating to the acquisition described herein and to fiscal 2020 business performance and beyond and the Company's plans for growth and improvement in profitability and cash flow. You can identify these statements by the use of the "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 tha cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limi continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, incl unforeseen weakness in the Company's markets, effects of any U.S. Federal government shutdown or extended continuing resolu effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, de completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued su in technological advances and delivering technological innovations, changes in, or in the U.S. Government's interpretation of, fed 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 re the expected benefits from acquisitions and restructurings, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, increases in interest rates, changes to cyber-security regulations and requiremen changes in tax rates or tax regulations, changes to interest rate swaps or other cash flow hedging arrangements, changes to gene accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price servi 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 A Report on Form 10-K for the fiscal year ended June 30, 2018. The Company cautions readers not to place undue reliance upon ar forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forwar 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 pro adjusted EBITDA, adjusted income, adjusted EPS, free cash flow, organic revenue and acquired revenue which are non-GAAP fina measures. Adjusted EBITDA, adjusted income, and adjusted EPS exclude certain non-cash and other specified charges. The Comp 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 financia information provided in accordance with GAAP. Management believes these non-GAAP measures assist in providing a more com understanding of the Company's underlying operational results and trends, and management uses these measures along with th corresponding GAAP financial measures to manage the Company's business, to evaluate its performance compared to prior peri 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.

Introduction

- Favorable defense funding and industry growth environment
- Strategy and business model are working very well
- Growing revenues substantially faster than industry average
- Completed 4 acquisitions in FY19: Germane, GECO, Athena, Syntonic
- Completed $455M follow-on equity offering – reloaded balance sheet
- Announced agreement to acquire American Panel Corporation
- On track for another year of strong performance in fiscal 2020

Financial highlights

Q4 FY19 vs. Q4 FY18	FY19 vs. FY18
• Record bookings up 41%	• Record bookings up 39%
• Record backlog up 40%	• Record backlog up 40%
• Record revenue up 16%	• Record revenue up 33%
• Organic revenue[(1)] up 4%	• Organic revenue[(1)] up 12%
• GAAP net income up 27%	• Record GAAP net income up 14%
• Adjusted EBITDA up 1%	• Record adjusted EBITDA up 27%
• Op cash of $26M	• Record Op cash of $97.5M; up 12
• FCF 45% adj. EBITDA	• Record FCF 49% adj. EBITDA; up

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 intercom transactions). After the completion of four fiscal quarters, acquired businesses are treated as organic for current and comparable historical periods.

Successful M&A and integration strategy

- Including APC, completed 5 acquisitions in the last 12 months for $228M
- Deployed ~$800M for 11 acquisitions over last 5 years[1]
- 5-year 26% revenue and 46% adj. EBITDA CAGR FY14-FY19
- Strategy for continued long-term shareholder value creation:
  - Adj. EBITDA margins greater than 20%
  - High single-digit, low double-digit organic revenue growth
  - Targeting 20% total company annual revenue growth including acquisitions
- Multiple simultaneous M&A themes in C4I
  - Increase secure rugged server business for C2I
  - Expand mission computing and avionics processing business

Notes:
(1) Includes the acquisition of American Panel Corporation that is expected to close at the end of Q1 FY20.

Agreement to acquire American Panel Corporation (APC)

- Leader in rugged flat panel display solutions for aerospace and defense
- Complements existing safety-certifiable avionics processing capabilities
- Deployed on wide range of next-generation platforms, including Apache att helicopter, M1A2 Abrams battle tank, F-35, F-15, F-16 and F-18 fighter jets
- $100M purchase price[(1)]; funded with cash on hand
  - ~11x gross purchase multiple of estimated next twelve months adj. EBITDA[(2)]
  - ~10x purchase multiple net of expected tax benefits[(3)]
- Combined with CES, RTL, GECO, will create ~$100M avionics systems busine
- Will enable Mercury to compete for larger avionics opportunities, play large role in military digital convergence and supply chain delayering
- Acquisition expected to close in Q1 FY20

Notes:
(1) Subject to net working capital and net debt adjustments.
(2) Adjusted for estimated costs required to operate the business as a standalone entity.
(3) Pending acquisition of APC is expected to be treated as an asset purchase for tax purposes, resulting in ~$12M in net present value of tax benefits.
(4) Pro forma for a full year of ownership of APC and GECO.

Operational achievements

- Continuing to invest in trusted domestic manufacturing capabilities
- Focused on working capital and manufacturing operations efficiencies
- Expect to complete West Coast RF manufacturing consolidation H1 FY20
- Completed build-out of Phoenix trusted digital SMT manufacturing facility
- Investing to expand Phoenix trusted custom microelectronics capabilities
- Mercury becoming leading conduit for commercial silicon into defense
- Integration of prior acquisitions progressing well
  - Themis and Germane substantially integrated; business performing well
  - GECO integration well underway, Athena and Syntonic on track

Favorable growth environment driving improved resu

- Pleased with 2 year defense budget deal
- Defense appropriations, authorizations and outlays trending higher
- Estimated LTV of top 30 programs/pursuits grew significantly in last 5 years
- Favorable trends – delayering, flight to quality, outsourcing, taking share
  - FY19 subsystem revenue up 85% year-over-year
- Strongly positioned in well-funded DoD priorities and need for modernizatio
- Significant design win momentum in Radar, EW, EO/IR, C4I, weapons and sp
- Sensor and effector mission systems (SEMS) and C4I revenue growth:
  - Q4 up 17% and 32%, respectively; FY19 up 18% and 110%, respectively

Business outlook and summary

- Expect overall defense spending to increase at low single digit rates
- Continue delivering organic revenue growth higher than industry average ra
- Supplement high level of organic growth with smart, strategic M&A
- Focus on sensor and effector mission systems and C4I markets
- On track for another year of strong performance in fiscal 2020
- Expect to achieve high-end of our target model over time:
  - Drive high-single / low-double digit organic growth supplemented by accretive M&A
  - Invest to develop new technologies, expand and optimize facilities, attract/retain talent
  - Improve margins, on-time delivery and working capital via operational improvements
  - Grow operating expenses below revenue growth rate
  - Fully integrate acquired businesses to generate cost and revenue synergies

Expect double-digit revenue and adj. EBITDA growth, strong cash flov

Q4 FY19 vs. Q4 FY18

In $ millions, except percentage and per share data	Q4 FY18	Q4 FY19	Change
Bookings Book-to-Bill	$171.7 1.12	$241.3 1.36	41%
Backlog 12-Month Backlog	$447.1 328.5	$625.4 451.2	40%
Revenue Organic Revenue Growth(1)	$152.9 16%	$177.0 4%	16%
Gross Margin	44.7%	45.1%	0.4 pts
Operating Expenses Selling, General & Administrative Research & Development Amortization/Restructuring/Acquisition	$49.4 25.4 14.9 9.1	$59.0 30.7 20.3 7.9	19%
GAAP Net Income Effective Tax Rate	$10.1 39.2%	$12.8 (1.7%)	27%
GAAP EPS Weighted Average Diluted Shares	$0.21 47.5	$0.25 50.7	19%
Adjusted EPS(2)	$0.47	$0.47	-
Adj. EBITDA(2) % of revenue	$37.7 24.6%	$37.9 21.4%	1%
Operating Cash Flow	$25.6	$26.0	2%
Free Cash Flow(2)	$21.6	$17.1	(21%)

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

FY19 vs. FY18

In $ millions, except percentage and per share data	FY18	FY19	Change
Bookings	$563.5	$782.9	39%
Book-to-Bill	1.14	1.20	
Backlog	$447.1	$625.4	40%
12-Month Backlog	328.5	451.2	
Revenue	$493.2	$654.7	33%
Organic Revenue Growth(1)	7%	12%	
Gross Margin	45.8%	43.7%	(2.1 pts)
Operating Expenses	$178.9	$209.6	17%
Selling, General & Administrative	88.4	110.7	
Research & Development	58.8	68.9	
Amortization/Restructuring/Acquisition	31.7	29.9	
GAAP Net Income	$40.9	$46.8	14%
Effective Tax Rate	4.0%	21.4%	
GAAP EPS	$0.86	$0.96	12%
Weighted Average Diluted Shares	47.5	48.5	
Adjusted EPS(2)	$1.42	$1.84	30%
Adj. EBITDA(2)	$114.6	$145.3	27%
% of revenue	23.2%	22.2%	
Operating Cash Flow	$43.3	$97.5	125%
Free Cash Flow(2)	$28.2	$70.8	151%

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

Balance sheet

(In $ millions)[1]	As of				
	6/30/18	9/30/18	12/31/18	3/31/19	6/30/
ASSETS					
Cash & cash equivalents	$66.5	$72.9	$93.9	$112.5	$257
Accounts receivable, net	143.8	153.9	168.3	170.7	176.
Inventory, net	108.6	121.2	126.4	131.7	137.
PP&E, net	51.0	50.8	53.1	55.9	60.
Goodwill and intangibles, net	675.3	704.2	696.3	724.3	768.
Other	19.3	24.0	18.6	17.3	17.
TOTAL ASSETS	**$1,064.5**	**$1,127.0**	**$1,156.6**	**$1,212.4**	**$1,41**
LIABILITIES AND S/E					
AP and accrued expenses	$59.1	$61.2	$70.7	$83.1	$86.
Other liabilities	38.5	49.2	49.9	40.4	45.
Debt[1]	195.0	240.0	240.0	276.5	-
Total liabilities	**292.6**	**350.4**	**360.6**	**400.0**	**132.**
Stockholders' equity	**771.9**	**776.6**	**796.1**	**812.4**	**1,284**
TOTAL LIABILITIES AND S/E	**$1,064.5**	**$1,127.0**	**$1,156.6**	**$1,212.4**	**$1,41**

Notes:
(1) In Q4 FY19, Mercury paid all outstanding debt on its revolving credit facility.

Cash flow summary

(In $ millions)[1]	FY18	For the Fiscal Quarters Ended				FY1
		9/30/18	12/31/18	3/31/19	6/30/19	
Net Income	**$40.9**	**$7.5**	**$12.4**	**$14.1**	**$12.8**	**$46**
Depreciation and amortization	42.3	11.5	11.7	11.6	11.6	46.
Termination of interest rate swap	-	-	-	-	5.4	5.
Other non-cash items, net	14.0	5.5	4.6	6.3	5.1	21.
Change in Working Capital						
Accounts receivable, unbilled receivables, and costs in excess of billings	(22.8)	(5.9)	(15.0)	(1.2)	(6.0)	(28.
Inventory	(16.2)	(4.6)	(4.9)	(4.0)	(3.3)	(17.
Accounts payable and accrued expenses	(5.3)	(2.0)	9.2	8.0	2.7	17.
Other	(9.5)	8.0	7.3	(8.6)	(2.2)	4.
Changes in Operating Assets and Liabilities	**(53.8)**	**(4.5)**	**(3.4)**	**(5.8)**	**(9.0)**	**(22.**
Operating Cash Flow	**43.3**	**20.0**	**25.3**	**26.2**	**26.0**	**97.**
Capital expenditures	(15.1)	(3.7)	(7.1)	(7.1)	(8.8)	(26.
Free Cash Flow[2]	**$28.2**	**$16.3**	**$18.2**	**$19.2**	**$17.1**	**$70**
Free Cash Flow[2] / Adjusted EBITDA[2]	*24%*	*52%*	*49%*	*49%*	*45%*	*49*
Free Cash Flow[2] / GAAP Net Income	*69%*	*218%*	*147%*	*136%*	*134%*	*151*

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

FY20 annual guidance

In $ millions, except percentage and per share data	FY19[1]	FY20[2][5]	Change
Revenue	$654.7	$740.0 - $760.0	13% - 16%
Gross Margin	43.7%	43.6% - 44.2%	(0.1) - 0.5 pts
Operating Expenses	$209.6	$235.2 - $240.2	12% - 15%
GAAP Net Income Effective tax rate[3]	$46.8 21.4%	$66.5 - $72.4 26%	42% - 55%
GAAP EPS Weighted-average diluted shares outstanding	$0.96 48.5	$1.20 - $1.31 55.2	25% - 36%
Adjusted EPS[4]	$1.84	$1.97 - $2.08	7% - 13%
Adj. EBITDA[4] % of revenue	$145.3 22.2%	$160.5 - $168.5 21.7-22.2%	10% - 16%

Notes:
(1) FY19 figures are as reported in the Company's earnings release dated July 30, 2019.
(2) The guidance included herein is from the Company's earnings release dated July 30, 2019. For purposes of modeling and guidance, we have assumed no incremental restructuring, acquisition, other non-operating adjustments or non-recurring financing-related expenses. Excludes pending acquisition of American Panel Corp.
(3) The effective tax rate in the guidance included herein excludes discrete items.
(4) Non-GAAP, see reconciliation table.
(5) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day in June. All references in this press release to the first quarter of fiscal 2020 are to the quarter ending September 27, 2019 and to fiscal 2020 are to the fiscal year ending June 26, 2020.

Q1 FY20 guidance

In $ millions, except percentage and per share data	Q1 FY19[1]	Q1 FY20[2][5]	Change
Revenue	$144.1	$160.0 - $170.0	11% - 18%
Gross Margin	42.8%	43.5%	0.7 pts
Operating Expenses	$47.8	$54.5 - $56.8	14% - 19%
GAAP Net Income Effective tax rate[3]	$7.5 30%	$11.5 - $13.0 26%	54% - 74%
GAAP EPS Weighted-average diluted shares outstanding	$0.16 47.7	$0.21 - $0.24 55.1	31% - 50%
Adjusted EPS[4]	$0.39	$0.39 - $0.42	0% - 8%
Adj. EBITDA[4] % of revenue	$31.6 22.0%	$32.0 - $34.0 20.0%	1% - 8%

Notes:
(1) Q1 FY19 figures are as reported in the Company's earnings release dated October 30, 2018.
(2) The guidance included herein is from the Company's earnings release dated July 30, 2019. For purposes of modeling and guidance, we have assumed no incremental restructuring, acquisition, other non-operating adjustments or non-recurring financing-related expenses. Excludes pending acquisition of American Panel Corp.
(3) The effective tax rate in the guidance included herein excludes discrete items.
(4) Non-GAAP, see reconciliation table.
(5) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day in June. All references in this press release to the first quarter of fiscal 2020 are to the quarter ending September 27, 2019 and to fiscal 2020 are to the fiscal year ending June 26, 2020.

Summary

- Solid fourth quarter results capping a strong fiscal year performance
- Record annual bookings of $783 million with 1.20 book-to-bill
- Record fiscal year revenue increases 33% year over year; 12% organic
- Record annual operating and free cash flow generation
- Completed acquisitions of Germane, GECO, Athena, Syntonic; expect to clos APC acquisition within Q1 FY20
- Net proceeds of $455 million received through follow-on offering
- Investing in business while still expecting continued growth and profitability FY20

Appendix

Adjusted EPS reconciliation

																Q1 FY20[2][4]		FY2
(In thousands, except per share data)	**Q1 FY17**	**Q2 FY17**	**Q3 FY17**	**Q4 FY17**	**FY17**	**Q1 FY18**	**Q2 FY18**	**Q3 FY18**	**Q4 FY18**	**FY18**	**Q1 FY19**	**Q2 FY19**	**Q3 FY19**	**Q4 FY19**	**FY19**	**Low**	**High**	**Low**
Earnings per share[1]	**$ 0.10**	**$ 0.13**	**$ 0.16**	**$ 0.19**	**$ 0.58**	**$ 0.38**	**$ 0.19**	**$ 0.08**	**$ 0.21**	**$ 0.86**	**$ 0.16**	**$ 0.26**	**$ 0.29**	**$ 0.25**	**$ 0.96**	**$ 0.21**	**$ 0.24**	**$ 1.20**
Net Income	**$3,819**	**$ 5,204**	**$ 7,048**	**$ 8,804**	**$24,875**	**$17,953**	**$ 9,133**	**$ 3,696**	**$10,101**	**$40,883**	**$ 7,479**	**$12,383**	**$14,109**	**$12,804**	**$46,775**	**$11,500**	**$13,000**	**$ 66,500**
Amortization of intangible assets	4,602	4,888	4,732	5,458	19,680	5,637	5,827	7,104	7,436	26,004	7,181	6,939	6,786	7,008	27,914	7,000	7,000	27,600
Restructuring and other charges	297	69	459	1,127	1,952	95	313	1,384	1,367	3,159	504	23	46	(13)	560	-	-	-
Impairment of long-lived assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition and financing costs	553	1,114	569	153	2,389	854	1,366	1,909	799	4,928	1,043	762	787	7,036	9,628	900	900	3,500
Fair value adjustments from purchase accounting	2,077	870	270	462	3,679	509	84	539	860	1,992	620	-	93	-	713	-	-	-
Litigation and settlement expense (income), net	-	100	-	17	117	-	-	-	-	-	-	179	146	19	344	-	-	-
Stock-based and other non-cash compensation expense	3,632	4,093	3,715	3,901	15,341	4,696	4,941	3,669	4,309	17,615	4,743	5,338	4,914	4,626	19,621	5,400	5,400	24,100
Impact to income taxes[3]	(6,085)	(4,441)	(3,576)	(4,500)	(18,602)	(11,951)	(8,615)	(4,082)	(2,621)	(27,269)	(3,073)	(3,009)	(2,850)	(7,620)	(16,552)	(3,300)	(3,300)	(13,000)
Adjusted income	**$ 8,895**	**$ 11,897**	**$ 13,217**	**$ 15,422**	**$ 49,431**	**$ 17,793**	**$ 13,049**	**$ 14,219**	**$ 22,251**	**$ 67,312**	**$ 18,497**	**$ 22,615**	**$ 24,031**	**$ 23,860**	**$ 89,003**	**$ 21,500**	**$ 23,000**	**$ 108,700**
Adjusted earnings per share[1]	**$ 0.22**	**$ 0.30**	**$ 0.29**	**$ 0.32**	**$ 1.15**	**$ 0.37**	**$ 0.28**	**$ 0.30**	**$ 0.47**	**$ 1.42**	**$ 0.39**	**$ 0.47**	**$ 0.50**	**$ 0.47**	**$ 1.84**	**$ 0.39**	**$ 0.42**	**$ 1.97**
Weighted-average shares outstanding:																		
Basic	38,865	39,151	43,773	46,211	41,986	46,504	46,752	46,844	46,873	46,719	47,048	47,189	47,258	49,835	47,831			
Diluted	39,865	39,985	44,814	47,472	43,018	47,489	47,447	47,532	47,521	47,471	47,697	47,705	47,958	50,655	48,500	55,100	55,100	55,200

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 add-backs involved in determining adjusted income and recalculating the income tax provision using this adjusted income from operations before income taxes. The recalcula adjusts for any discrete tax expense or benefit related to the add-backs.

(4) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day in June. All references in this press release to the first quarter of fiscal 2020 are to the quarter ending September 27, 2019 2020 are to the fiscal year ending June 26, 2020.

Adjusted EBITDA reconciliation

																Q1 FY20[2][3]		FY2
(In thousands)	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	FY19	Low	High	Low
Net Income	**$ 3,819**	**$ 5,204**	**$ 7,048**	**$ 8,804**	**$24,875**	**$17,953**	**$ 9,133**	**$ 3,696**	**$10,101**	**$ 40,883**	**$ 7,479**	**$12,383**	**$14,109**	**$12,804**	**$ 46,775**	**$11,500**	**$13,000**	**$ 66,500**
Other non-operating adjustments, net[1]	(732)	(129)	(378)	(107)	(1,346)	222	(326)	(694)	3	(795)	365	(18)	(502)	519	364	-	-	-
Interest expense (income), net	1,782	1,888	1,756	1,680	7,106	(16)	104	999	1,731	2,818	2,193	2,125	2,268	1,591	8,177	(1,400)	(1,400)	(5,600)
Income Taxes	(1,259)	1,779	3,170	2,503	6,193	(8,381)	1,335	2,209	6,527	1,690	3,129	4,483	5,357	(217)	12,752	4,000	4,600	23,300
Depreciation	2,718	2,966	3,233	3,672	12,589	3,700	3,775	4,277	4,521	16,273	4,365	4,769	4,790	4,554	18,478	4,600	4,500	21,100
Amortization of intangible assets	4,602	4,888	4,732	5,458	19,680	5,637	5,827	7,104	7,436	26,004	7,181	6,939	6,786	7,008	27,914	7,000	7,000	27,600
Restructuring and other charges	297	69	459	1,127	1,952	95	313	1,384	1,367	3,159	504	23	46	(13)	560	-	-	-
Impairment of long-lived assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition and financing costs	553	1,114	569	153	2,389	854	1,366	1,909	799	4,928	1,043	762	787	7,036	9,628	900	900	3,500
Fair value adjustments from purchase accounting	2,077	870	270	462	3,679	509	84	539	860	1,992	620	-	93	-	713	-	-	-
Litigation and settlement expense (income), net	-	100	-	17	117	-	-	-	-	-	-	179	146	19	344	-	-	-
Stock-based and other non-cash compensation expense	3,632	4,093	3,715	3,901	15,341	4,696	4,941	3,669	4,309	17,615	4,743	5,338	4,914	4,626	19,621	5,400	5,400	24,100
Adjusted EBITDA	**$ 17,489**	**$ 22,842**	**$ 24,574**	**$ 27,670**	**$ 92,575**	**$ 25,269**	**$ 26,552**	**$ 25,092**	**$ 37,654**	**$ 114,567**	**$ 31,622**	**$ 36,983**	**$ 38,794**	**$ 37,927**	**$ 145,326**	**$ 32,000**	**$ 34,000**	**$ 160,500**

Notes:

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

(2) Rounded amounts used.

(3) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day in June. All references in this press release to the first quarter of fiscal 2020 are to the quarter ending September 27, 2019 a
2020 are to the fiscal year ending June 26, 2020.

Free cash flow reconciliation

(In thousands)	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	F
Cash provided by operating activities	$ 10,283	$ 14,238	$ 24,889	$ 9,736	$59,146	$ 8,028	$ 8,779	$ 873	$ 25,641	$43,321	$ 20,029	$ 25,301	$ 26,218	$ 25,969	$9
Purchases of property and equipment	(6,050)	(7,703)	(13,036)	(6,055)	(32,844)	(3,628)	(3,964)	(3,475)	(4,039)	(15,106)	(3,727)	(7,075)	(7,060)	(8,829)	(2
Free cash flow	$ 4,233	$ 6,535	$ 11,853	$ 3,681	$26,302	$ 4,400	$ 4,815	$ (2,602)	$ 21,602	$28,215	$ 16,302	$ 18,226	$ 19,158	$ 17,140	$7

Organic revenue reconciliation

(In thousands)	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	F
Organic revenue	**$ 63,339**	**$ 68,072**	**$ 75,080**	**$ 71,208**	**$277,699**	**$ 93,498**	**$ 104,957**	**$ 100,625**	**$ 134,358**	**$433,438**	**$ 112,801**	**$ 130,326**	**$ 139,812**	**$ 158,548**	**$5**
Acquired revenue[1]	24,310	29,942	32,237	44,400	130,889	12,571	12,955	15,711	18,509	59,746	31,255	28,763	34,824	18,415	1
Net revenues	**$ 87,649**	**$ 98,014**	**$ 107,317**	**$ 115,608**	**$408,588**	**$ 106,069**	**$ 117,912**	**$ 116,336**	**$ 152,867**	**$493,184**	**$ 144,056**	**$ 159,089**	**$ 174,636**	**$176,963**	**$6**

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