

# Mercury Systems FY19 Investor Day Presentation

November 6, 2018  
Nasdaq MarketSite  
New York, NY



# 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 to fiscal 2019 business performance and beyond and the Company's plans for growth and improvement in profitability and cash flow. You can identify these statements by the use of the words "may," "will," "could," "should," "would," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," "likely," "forecast," "probable," "potential," and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in the Company's markets, effects of any U.S. Federal government shutdown or extended continuing resolution, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in, or in the U.S. Government's interpretation of, federal export control or procurement rules and regulations, market acceptance of the Company's products, shortages in components, production delays or unanticipated expenses due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and restructurings, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, increases in interest rates, changes to cyber-security regulations and requirements, changes in tax rates or tax regulations, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price service and system integration engagements, and various other factors beyond our control. These risks and uncertainties also include such additional risk factors as are discussed in the Company's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended June 30, 2018. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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

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



# Agenda

- **Strategy & Business Update**

- Mark Aslett  
President & CEO

- **Value Creation Blueprint**

- **Financial Update**

- **Q&A**

# Pioneering a next generation defense electronics company...

- Proven high-tech commercial business model for A&D
- Secure sensor and safety critical processing subsystems
- Serving defense Prime contractor outsourcing needs
- Deployed on 300+ programs with 25+ Prime contractors
- 24% FY14-18 revenue CAGR
- 51% FY14-18 adj. EBITDA CAGR
- Ranked 27<sup>th</sup> on *Fortune's* 100 Fastest-Growing Companies list
- Defense industry's highest Glassdoor employee ratings



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

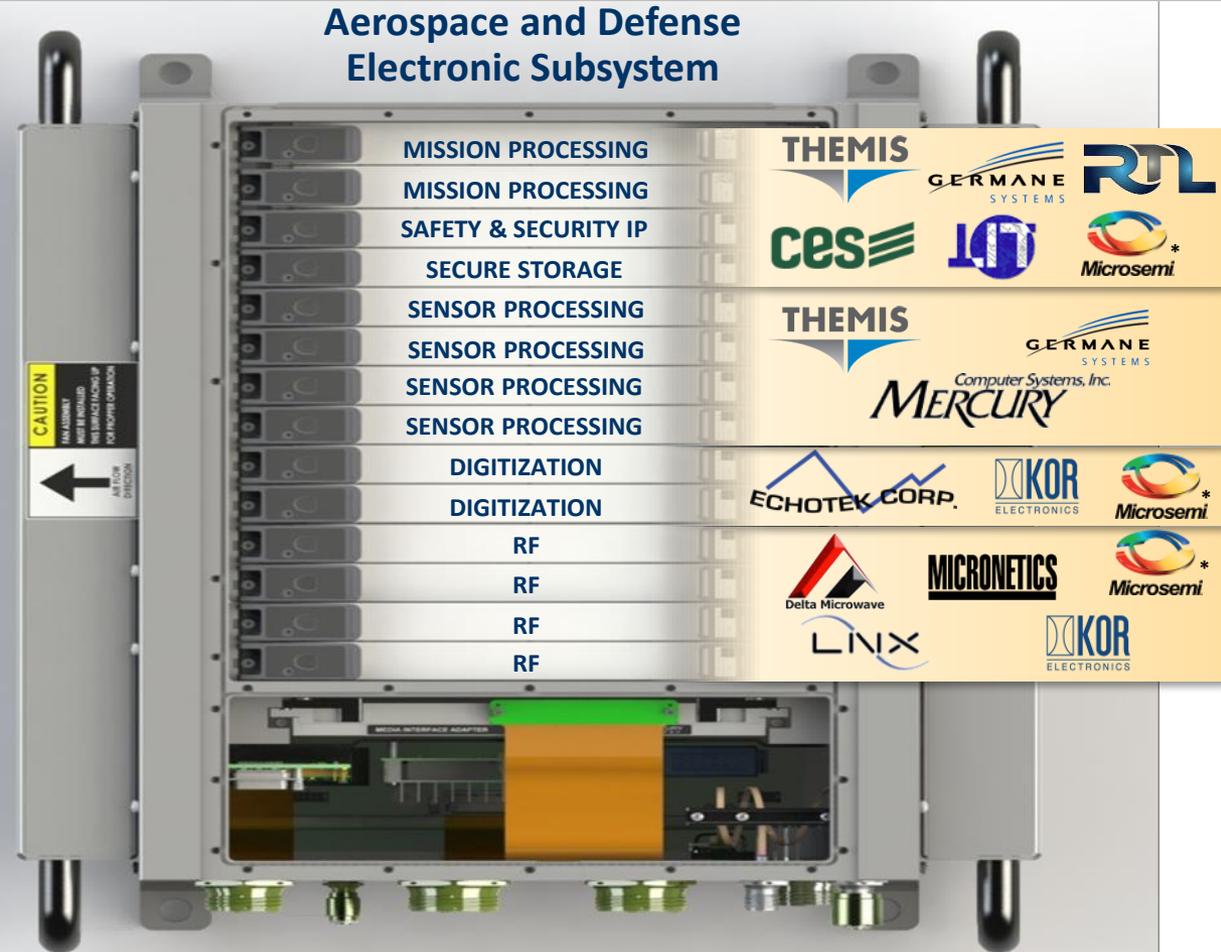


# Strategy delivering above average growth and profitability



# Acquisitions have transformed Mercury into a commercial...

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



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

\* Represents carve-out acquisition from Microsemi Corp.

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

## Aerospace & Defense Platform and Systems Electronics Content

C4I	JLTV	WIN-T	KC-46	A330 MRTT	Aegis
					
Sensor & Effector Mission Systems	F-16	Reaper/Gorgon Stare	Triton	Patriot	Aegis
					
	F-15	C-130	Global Hawk	Badger/Buzzard	SEWIP
					
Stormbreaker	PGK	MALD-J	Paveway	SM2/3/6	
					

**snc** SIERRA NEVADA CORPORATION

**Raytheon**

**NORTHROP GRUMMAN**

**DRS**

**BAE SYSTEMS**

**AIRBUS**

**SAIC**

**LOCKHEED MARTIN**



communications



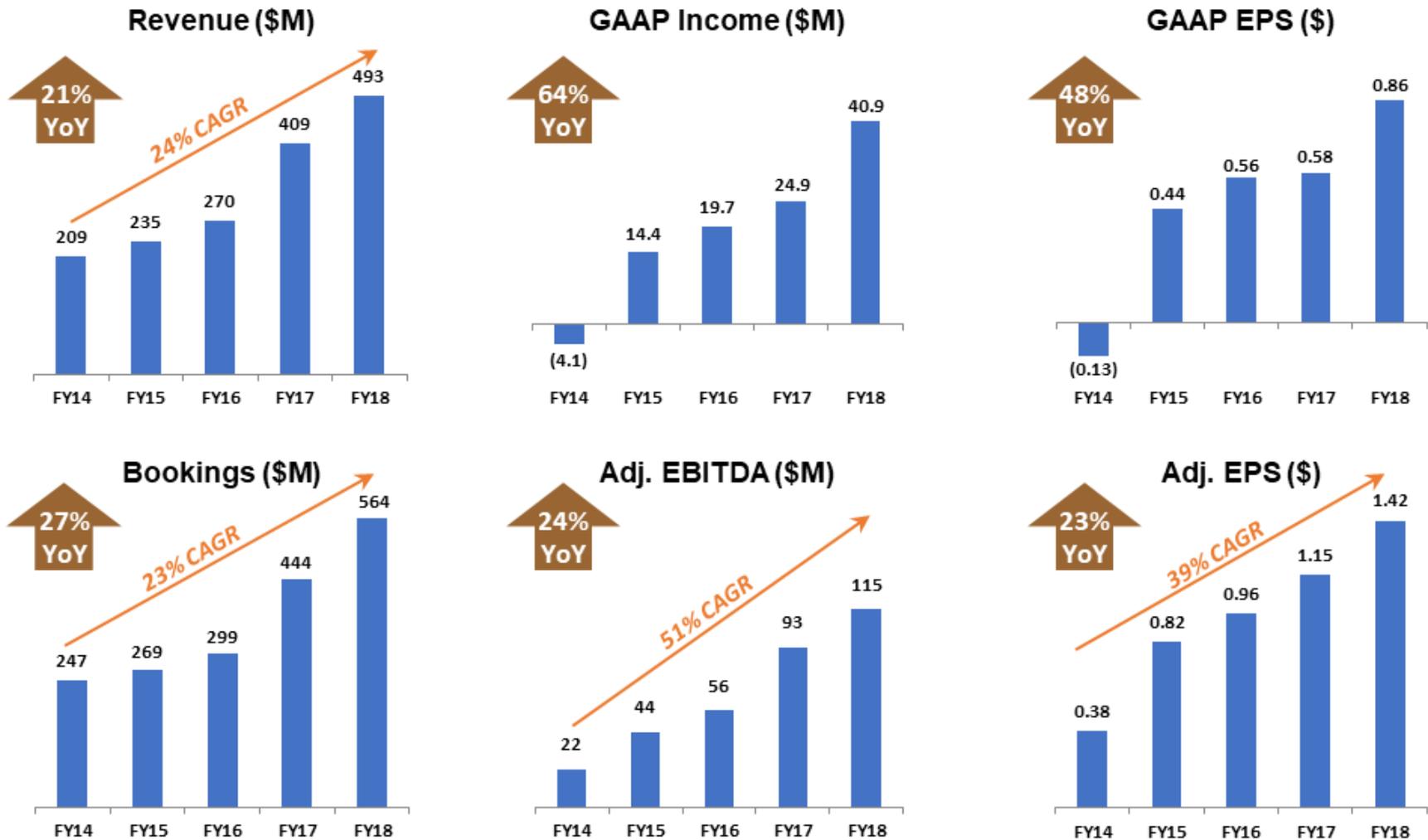
**GENERAL ATOMICS**  
**THALES**



**BOEING**

**HARRIS**

# Mercury continues to deliver strong financial results



Notes: For the fiscal year ended June 30, 2018. Bookings as reported in the Company's earnings announcement on July 31, 2018. Other figures as reported in the Company's Form 10-K for the fiscal year ended June 30, 2018. CAGR figures for the period FY2014-2018. See reconciliation of GAAP to non-GAAP financial measures tables in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K. Numbers are rounded. Per share data is presented on a fully diluted basis. As of Q1 FY19, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency measurement and fixed assets sales and disposals among other adjustments.

# Six major trends shaping the defense industry



## **Political Dysfunction:**

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



## **Increased Defense Spending Cycle:**

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



## **Defense Procurement Reform:**

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



## **Innovation Challenges:**

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



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

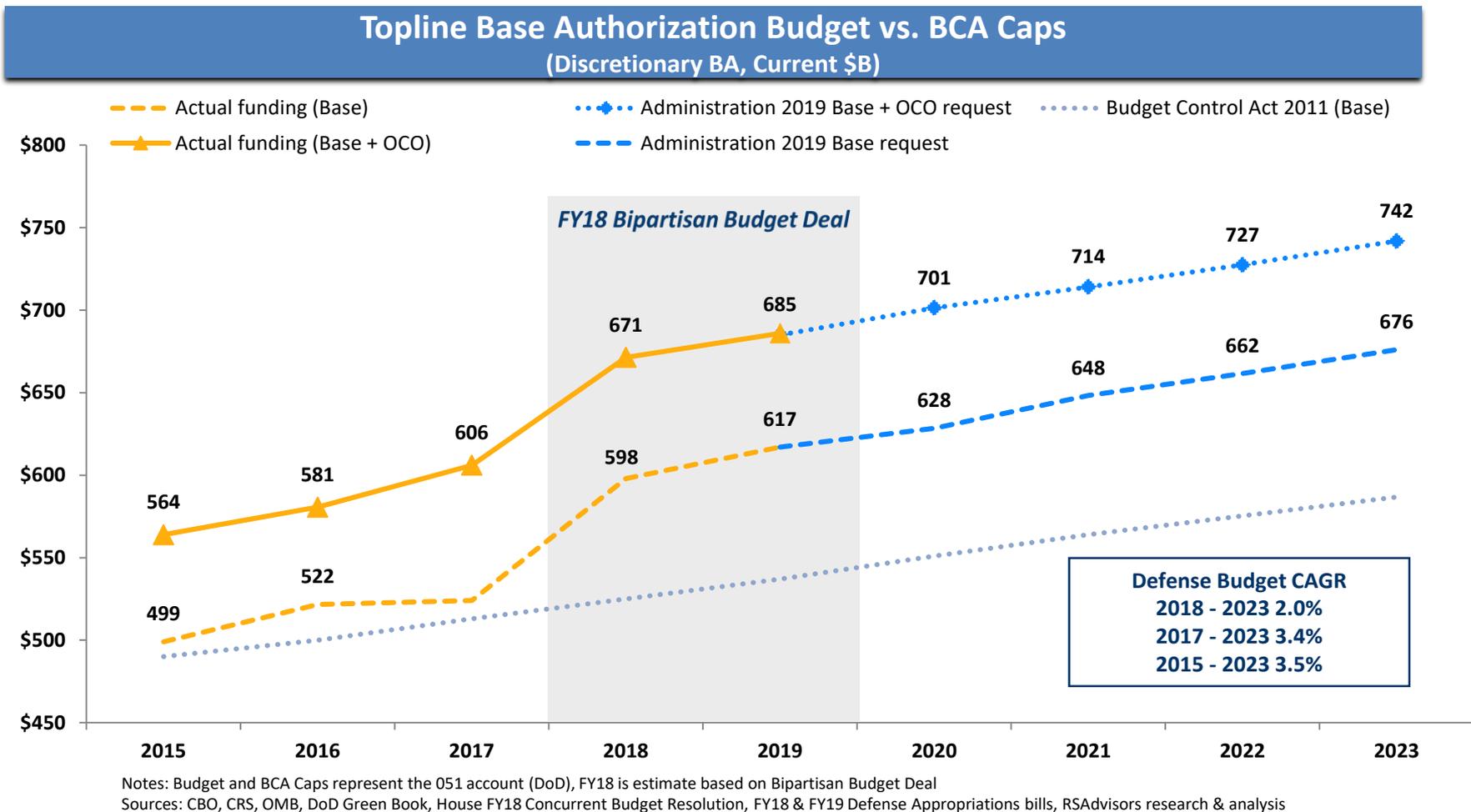
Leverage high-tech commercial investment and innovation; Address supply chain globalization and need for trust and assurance



## **Challenging Global Security Environment:**

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

# The Bipartisan Budget Deal of 2018 provides a significant near-term impulse to defense spending...



...and suggests the beginning of a new defense upcycle

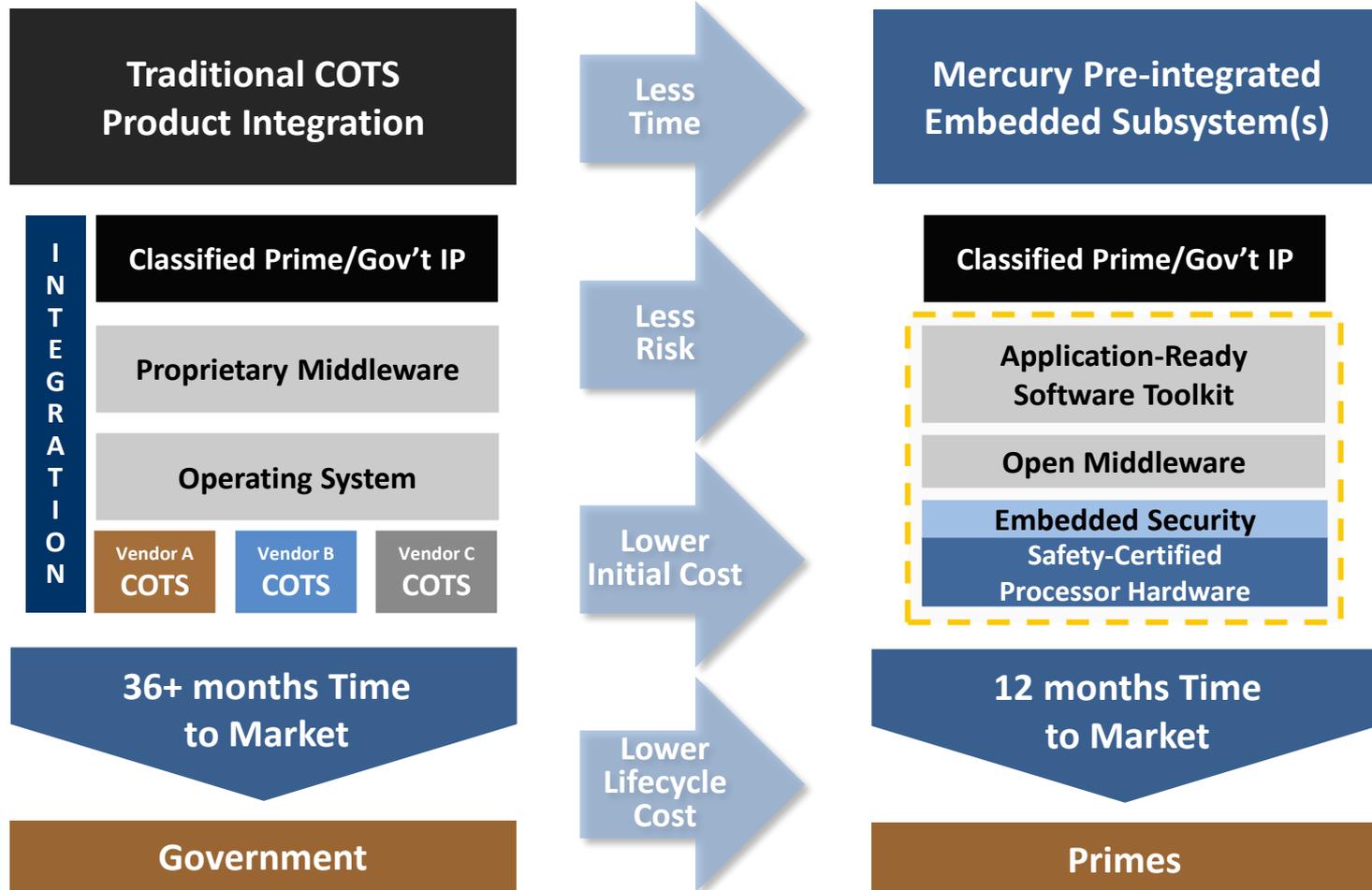


Mercury's vision is to be the...

Leading commercial provider of  
secure sensor and safety-critical  
processing subsystems



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

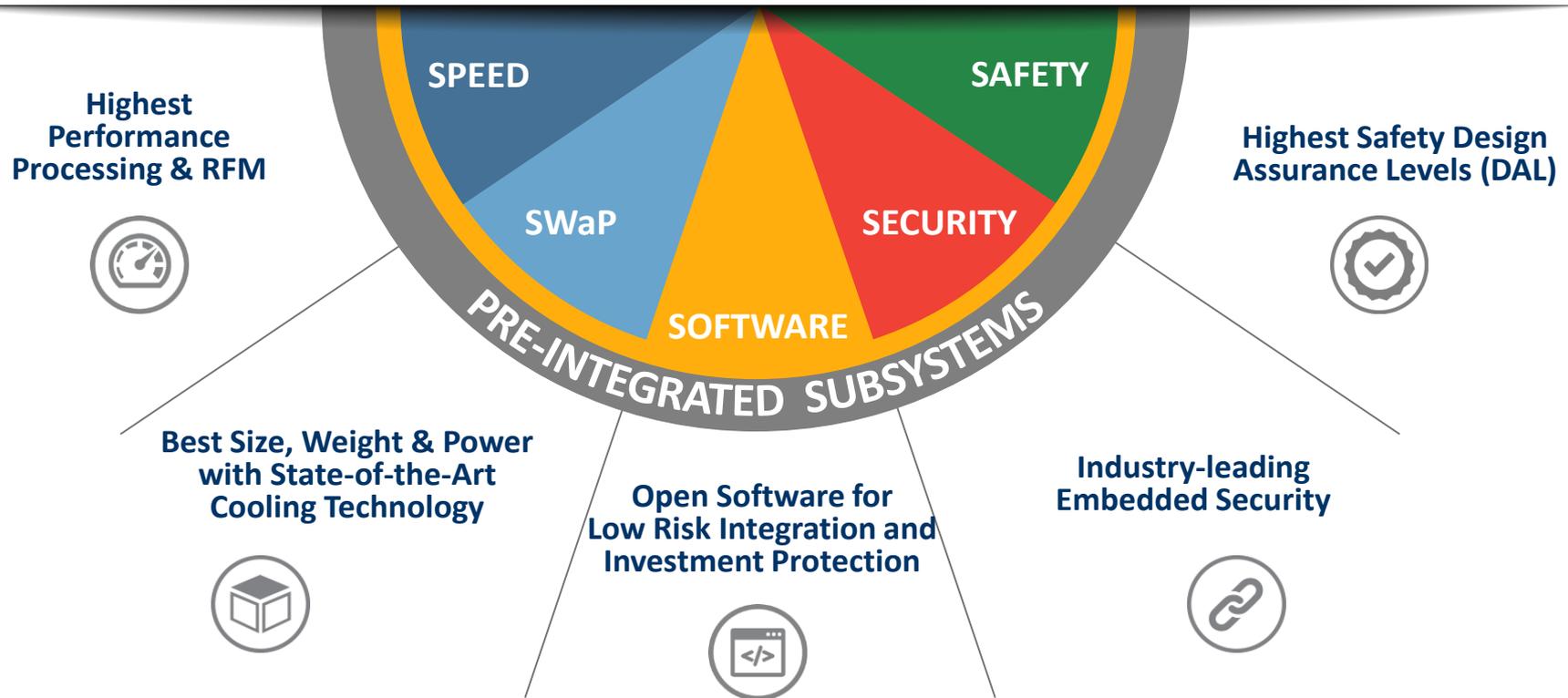


...as customers seek outsourced pre-integrated subsystems



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

## Secure Sensor and Safety-Critical Processing Solutions

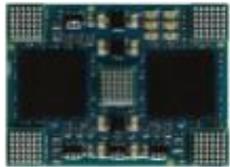


...and domain expertise for secure sensor and safety-critical processing



# Our trusted devices and systems can fulfill all platform...

**Trusted  
Multi-chip  
Devices**



**Safety-certified  
Mission and Platform  
Management  
Subsystems**



**Secure  
Sensor Processing  
Subsystems**



**Secure  
Blade Servers**



**Rugged Enterprise  
Servers**



**Secure Rugged  
Rackmount Servers**

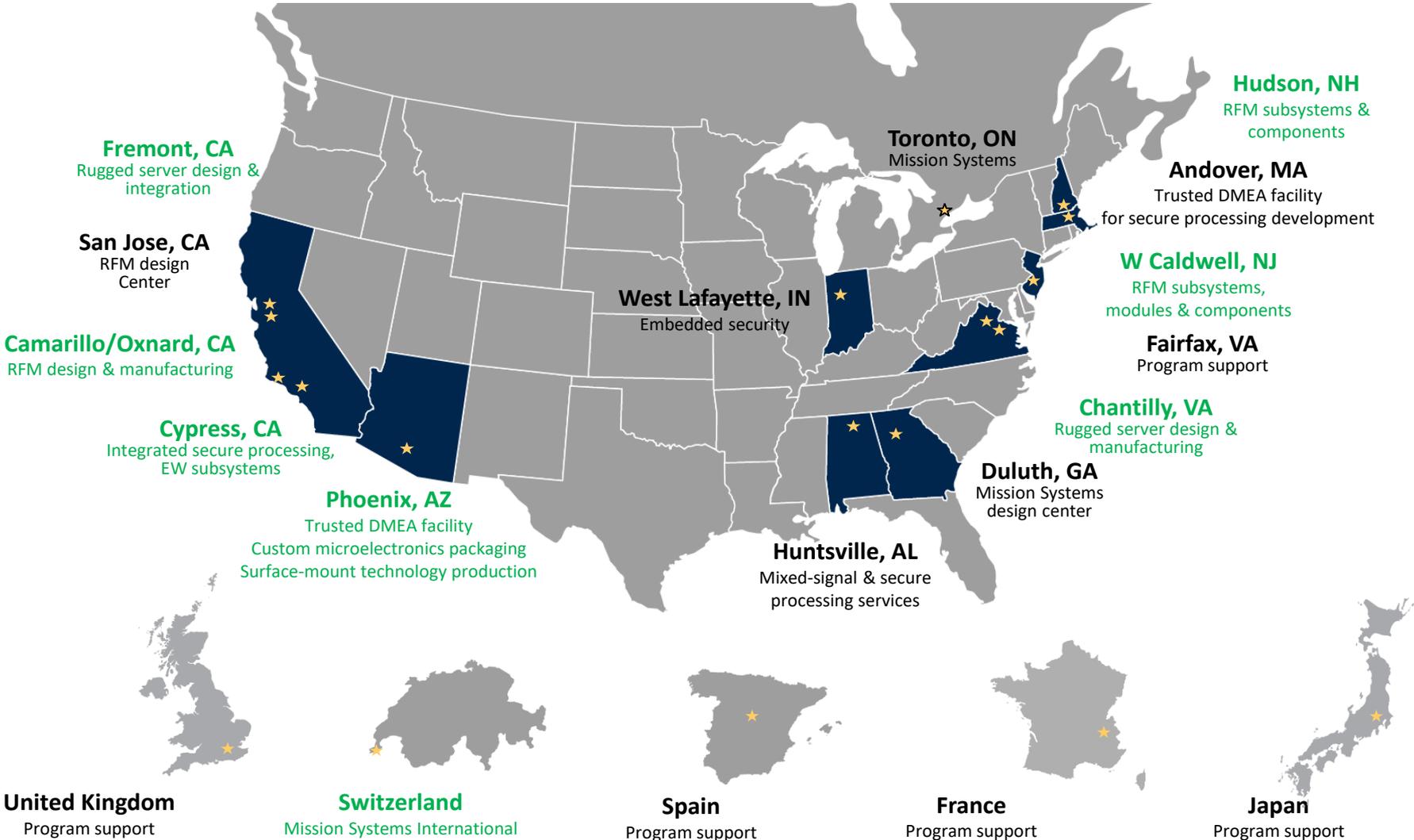


...processing needs for demanding aerospace and defense applications



# Trusted domestic design, manufacturing, integration

Manufacturing and integration locations shown in green



# Glassdoor current employee ratings

Validates Mercury's destination employer and acquirer of choice status

	Mercury Systems	Glass Door Average	Proxy Peer Group <sup>(1)</sup>	Tier 2 Defense Company Index <sup>(2)</sup>
<b>Overall Rating</b>	4.2	3.2	3.5	3.4
<b>Culture &amp; Values</b>	4.2	3.2	3.5	3.4
<b>Work-Life Balance</b>	3.6	3.3	3.6	3.4
<b>Senior Management</b>	4.1	2.9	3.2	3.0
<b>Compensation &amp; Benefits</b>	4.0	3.2	3.5	3.4
<b>Career Opportunities</b>	4.0	3.0	3.3	3.2
<b>Recommend to Friend</b>	84%	58%	64%	64%
<b>CEO Approval</b>	93%	69%	73%	70%
<b>Positive Business Outlook</b>	85%	39%	55%	56%

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

**(2) TIER 2 DEFENSE INDEX:** AAR Corporation, Aerojet Rocketdyne, AeroVironment, AXON Enterprises, Ball Aerospace, BXW Technologies, Comtech Telecom, Cubic Corp, Curtiss Wright Corp, Ducommun, Esterline Technologies, Elbit Systems, FireEye, FLIR Systems, Harris Corp, Heico, Hexcel, Honeywell Intl, Kaman, KBR, Kratos Defense, L-3 Communications, MDA, Mercury Systems, MOOG, Orbital ATK, Oshkosh Truck, OSI Systems, Rockwell Collins, Sparton, Teledyne Technologies, Textron, Transdigm Group, Triumph Group, United Technologies, Vectrus, Viasat Inc, VSE Corporation, Woodward Aerospace.

Source: Glass Door, Inc., October 25, 2018

# The A&D electronics systems market has two major segments: C4I; Sensor and Effector Mission Systems

## Aerospace & Defense Platform and Systems Electronics Content

		C4I			Sensor & Effector Mission Systems			
		C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
	<b>Platform &amp; Mission Mgmt</b>							
	<b>Avionics / Vetrionics</b>	<b>Command &amp; Control / Battle Management</b>	<b>Dedicated Communications</b>	<b>Electronic Warfare</b>	<b>Radar</b>	<b>Electro-Optical/ Infrared</b>	<b>Acoustics</b>	<b>Missiles/ Munitions</b>
	Control & operation of platform & mission systems	Processing & exploitation of information	Dissemination of information	Offensive / defensive exploitation of EM spectrum	Use of RF signal to detect, track, ID	Thermo-graphic camera with video output	Sound pulses to determine object location	Seekers, HEL, HPM Naval Launched Air Launched
	<b>\$24.1B</b> 5.7% '18-23 CAGR	<b>\$36.8B</b> 5.2% '18-23 CAGR	<b>\$16.2B</b> 5.7% '18-23 CAGR	<b>\$8.4B</b> 5.1% '18-23 CAGR	<b>\$9.3B</b> 5.8% '18-23 CAGR	<b>\$11.2B</b> 5.2% '18-23 CAGR	<b>\$4.3B</b> 5.7% '18-23 CAGR	<b>\$5.4B</b> 7.7% '18-23 CAGR
<b>2019 Tier 2* Market (\$B)</b>	<b>\$6.1B</b> 6.5% '18-23 CAGR	<b>\$7.4B</b> 6.2% '18-23 CAGR	<b>\$7.5B</b> 5.8% '18-23 CAGR	<b>\$4.3B</b> 5.2% '18-23 CAGR	<b>\$4.8B</b> 6.2% '18-23 CAGR	<b>\$1.7B</b> 6.5% '18-23 CAGR	<b>\$1.1B</b> 6.5% '18-23 CAGR	<b>\$2.7B</b> 8.1% '18-23 CAGR

**Notes:**

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

Sources: RSAAdvisors research & analysis, October 2018



# The A&D electronics systems market has two major segments: C4I; Sensor and Effector Mission Systems

## Aerospace & Defense Platform and Systems Electronics Content

### C4I

### Sensor & Effector Mission Systems

#### Platform & Mission Mgmt



#### Avionics / Vetronics

Control & operation of platform & mission systems

**\$24.1B**

5.7%

'18-23 CAGR

**\$6.1B**

6.5%

'18-23 CAGR

#### C2I



#### Command & Control / Battle Management

Processing exploitation information

**\$36.8B**

5.2%

'18-23 CAGR

**\$7.4B**

6.2%

'18-23 CAGR

#### Comms



#### Dedicated Communications

**\$16.2B**

5.7%

'18-23 CAGR

**\$7.5B**

5.8%

'18-23 CAGR

#### EW



#### Electronic Warfare

**\$8.4B**

5.1%

'18-23 CAGR

**\$4.3B**

5.2%

'18-23 CAGR

#### Radar



#### Radar

**\$9.3B**

5.8%

'18-23 CAGR

**\$4.8B**

6.2%

'18-23 CAGR

#### EO/IR



#### Electro-Optical/Infrared

**\$11.2B**

5.2%

'18-23 CAGR

**\$1.7B**

6.5%

'18-23 CAGR

#### Acoustics



#### Acoustics

Sound pulses to determine object location

**\$4.3B**

5.7%

'18-23 CAGR

**\$1.1B**

6.5%

'18-23 CAGR

#### Weapons



#### Missiles/Munitions

Seekers, HEL, HPM Naval Launched Air Launched

**\$5.4B**

7.7%

'18-23 CAGR

**\$2.7B**

8.1%

'18-23 CAGR

**2019 Global A&D electronics market \$116B**

**2019 US defense electronics market \$55B**

#### Notes:

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

Sources: RSAdvisors research & analysis, October 2018

Definition

2019 Market (\$B)

2019 Tier 2\* Market (\$B)

# Mercury participates at the Tier 2 and 3 levels for RF and Computing

## Aerospace & Defense Platform and Systems Electronics Content

		C4I		Sensor & Effector Mission Systems				
		C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
<b>Platform &amp; Mission Mgmt</b> 								
	<b>Avionics / Vetronics</b>  Control & operation of platform & mission systems	<b>Command &amp; Control / Battle Management</b>  Processing & exploitation of information	<b>Dedicated Communications</b>  Dissemination of information	<b>Electronic Warfare</b>  Offensive / defensive exploitation of EM spectrum	<b>Radar</b>  Use of RF signal to detect, track, ID	<b>Electro-Optical/ Infrared</b>  Thermo-graphic camera with video output	<b>Acoustics</b>  Sound pulses to determine object location	<b>Missiles/ Munitions</b>  Seekers, HEL, HPM Naval Launched Air Launched
<b>2019 Tier 2* Market (\$B)</b>	<b>2019 Market (\$B)</b> \$24.1B 5.7% '18-23 CAGR	\$3 5% '18-23 CAGR	<b>2019 Global tier 2 RF and computing addressable market \$36B</b> <b>2019 US defense tier 2 RF and computing addressable market \$17B</b>					\$3 5% '18-23 CAGR
	\$6.1B 6.5% '18-23 CAGR	\$7.4B 6.2% '18-23 CAGR	\$7.6B 5.9% '18-23 CAGR	\$4.3B 5.2% '18-23 CAGR	\$4.8B 6.2% '18-23 CAGR	\$1.7B 6.5% '18-23 CAGR	\$1.1B 6.5% '18-23 CAGR	\$2.7B 8.1% '18-23 CAGR

**Notes:**

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

Sources: RSAdivisors research & analysis, October 2018

# Translated market expansion into growth well above industry average

## Aerospace & Defense Platform and Systems Electronics Content

		C4I			Sensor & Effector Mission Systems				
		C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons	
2019 Tier 2* Market (\$B)	Definition	<b>Platform &amp; Mission Mgmt</b> 	<b>Command &amp; Control / Battle Management</b> 	<b>Dedicated Communications</b> 	<b>Electronic Warfare</b> 	<b>Radar</b> 	<b>Electro-Optical/Infrared</b> 	<b>Acoustics</b> 	<b>Missiles/Munitions</b> 
		Control & operation of platform & mission systems	Processing & exploitation of information	Dissemination of information	Offensive / defensive exploitation of EM s	Use of RF signal to detect, track, ID	Thermo-graphic camera with video	Sound pulses to determine object	Seekers, HEL, HPM Naval Launched
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**Tier 2 RF and compute for sensor & effector mission systems addressable market \$14.6B**

**Notes:**

\*Tier 2 includes Embedded computing and subsystems with RF content. Includes US Government and Global Commercial Aerospace Markets  
Sources: RSAAdvisors research & analysis, October 2018

# Penetrating new markets larger than our traditional ones

## Aerospace & Defense Platform and Systems Electronics Content

### C4I

### Sensor & Effector Mission Systems

#### Platform & Mission Mgmt



Avionics /  
Vetronics

#### C2I



Command &  
Control / Battle  
Management

#### Comms



Dedicated  
Communications

#### EW



Electronic  
Warfare

#### Radar



Radar

#### EO/IR



Electro-Optical/  
Infrared

#### Acoustics



Acoustics

#### Weapons



Missiles/  
Munitions

**Tier 2 RF and compute for C4I addressable market \$21.0B**

**44% larger than traditional sensor market**

**New opportunities for organic growth and continued M&A**

phic  
video

Sound pulses to  
determine object  
location

Seekers, HEL, HPM  
Naval Launched  
Air Launched

**\$4.3B**

5.7%

'18-23 CAGR

**\$5.4B**

7.7%

'18-23 CAGR

GR

**\$6.1B**

6.5%

'18-23 CAGR

**\$7.4B**

6.2%

'18-23 CAGR

**\$7.5B**

5.8%

'18-23 CAGR

**\$4.3B**

5.2%

'18-23 CAGR

**\$4.8B**

6.2%

'18-23 CAGR

**\$1.7B**

6.5%

'18-23 CAGR

**\$1.1B**

6.5%

'18-23 CAGR

**\$2.7B**

8.1%

'18-23 CAGR

2019 Tier 2\*  
Market (\$B)

2019 Market (\$B)

Definition

#### Notes:

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

Sources: RSAdivisors research & analysis, October 2018

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

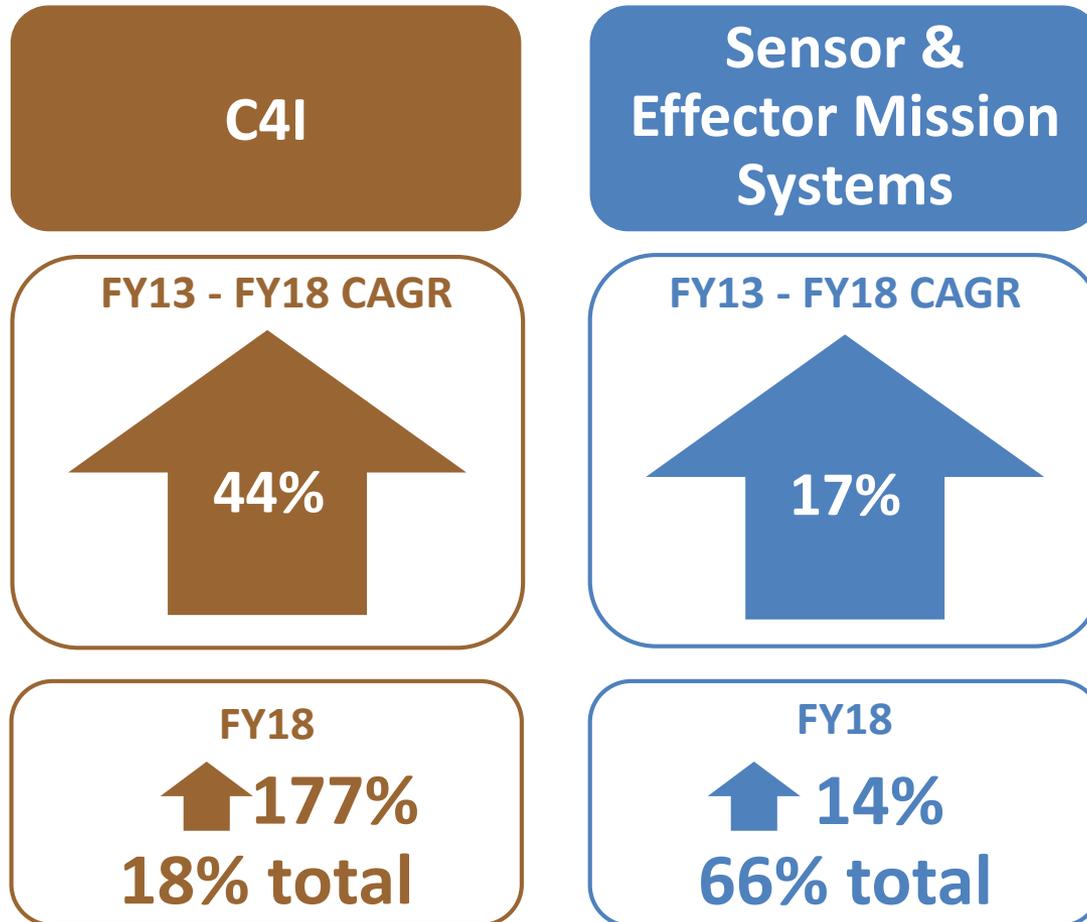
- Sensor and C4I modernization and new platforms
- Weapon systems readiness and modernization
- Defense Prime contractors outsourcing more
- Defense Primes' flight to quality suppliers
- Defense Primes and government delayering supply chains
- Foreign military and international sales increasing



...with DoD investment priorities and overall industry trends



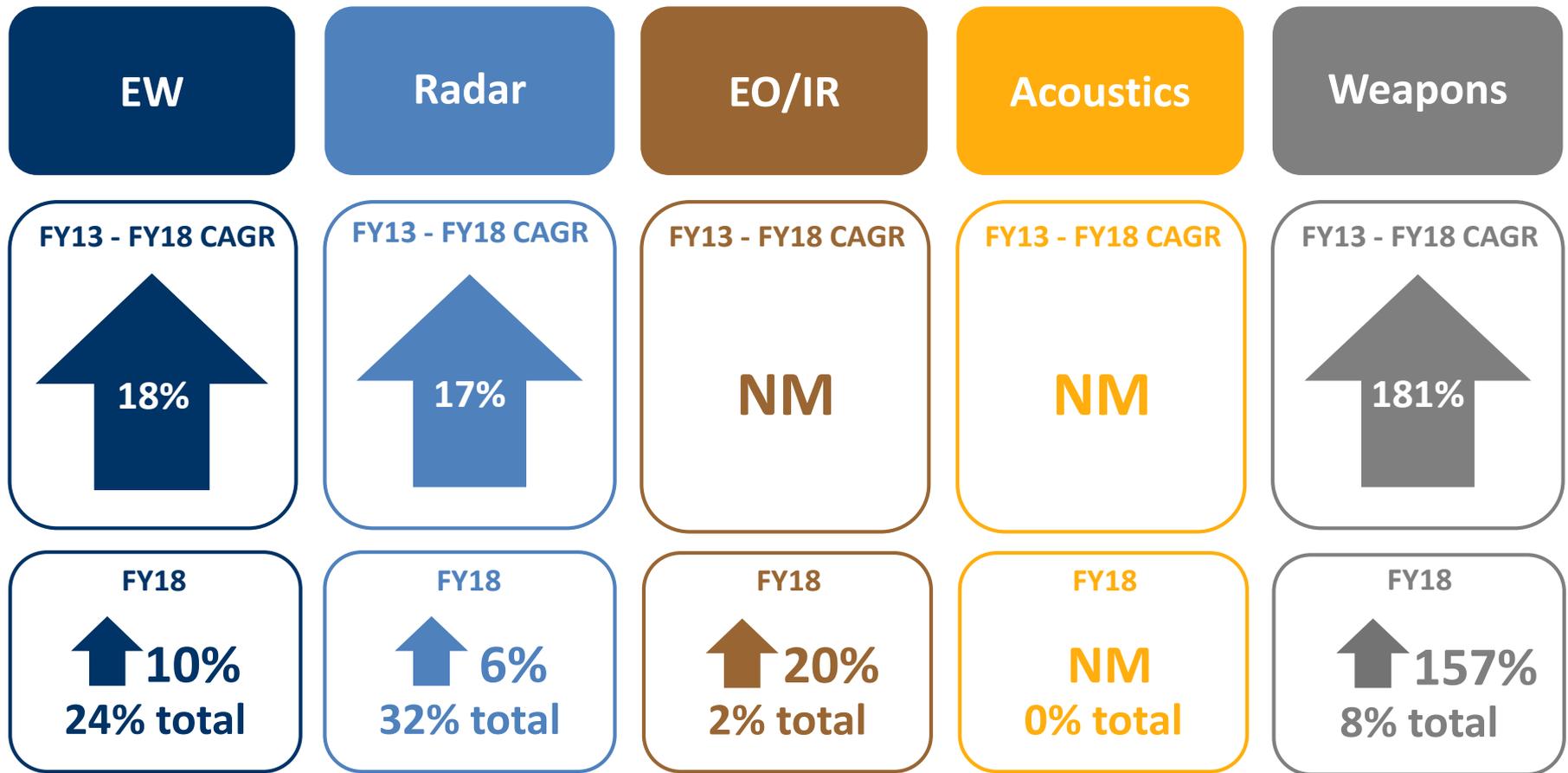
# Revenue growth rates by market



We are growing above market and taking share

Notes: Fiscal years ended June 30; FY13-18 figures are as reported in the Company's Form 10-Ks. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.

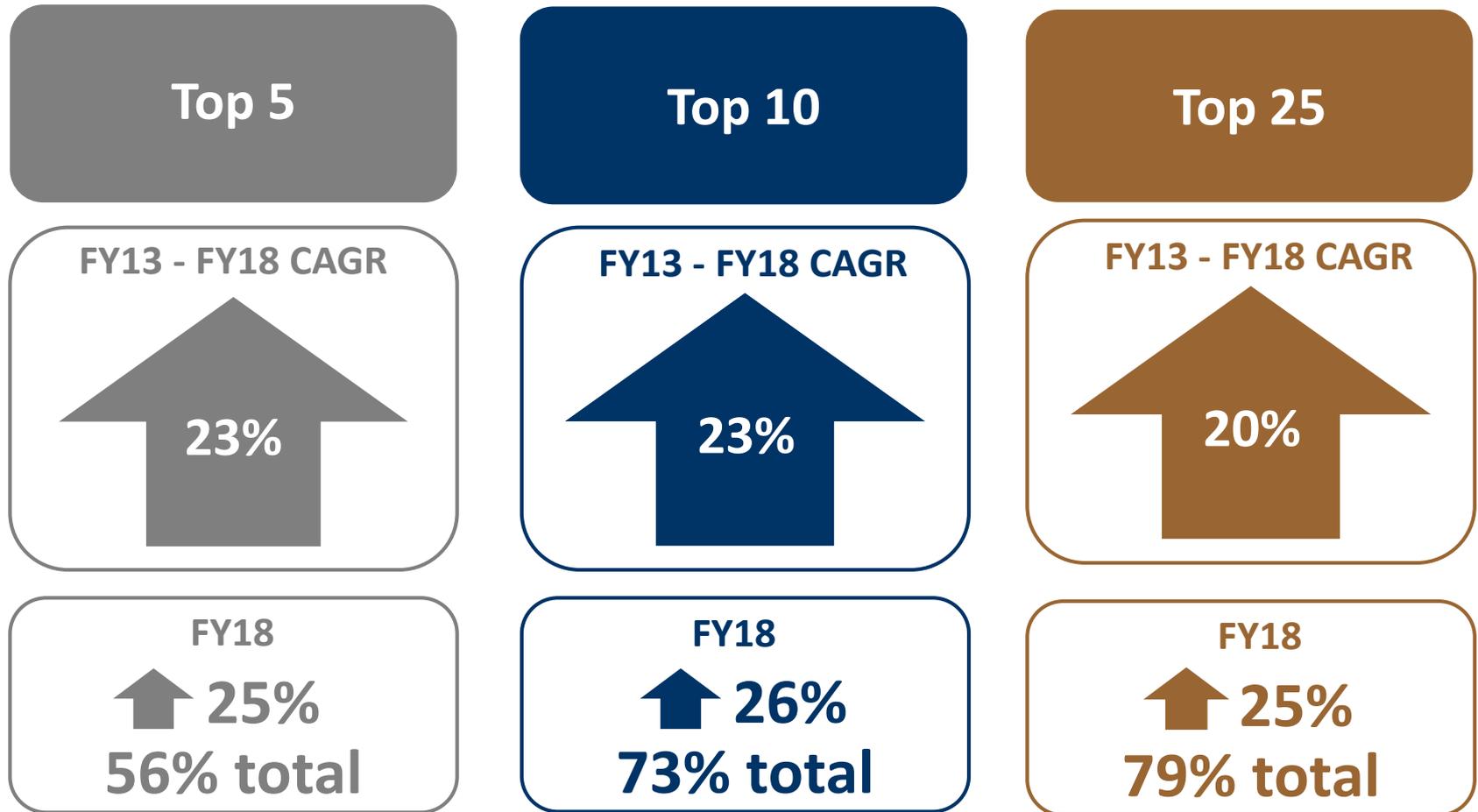
# Revenue growth rates by sensor and effector submarket



Continue to gain share while expanding into new submarkets

Notes: Fiscal years ended June 30; FY13-18 figures are as reported in the Company's Form 10-Ks. EO/IR, Acoustics and Weapons are included in the category "Other Sensor and Effector" in the Company's Form 10-K. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.

# Revenue growth rates by top customer

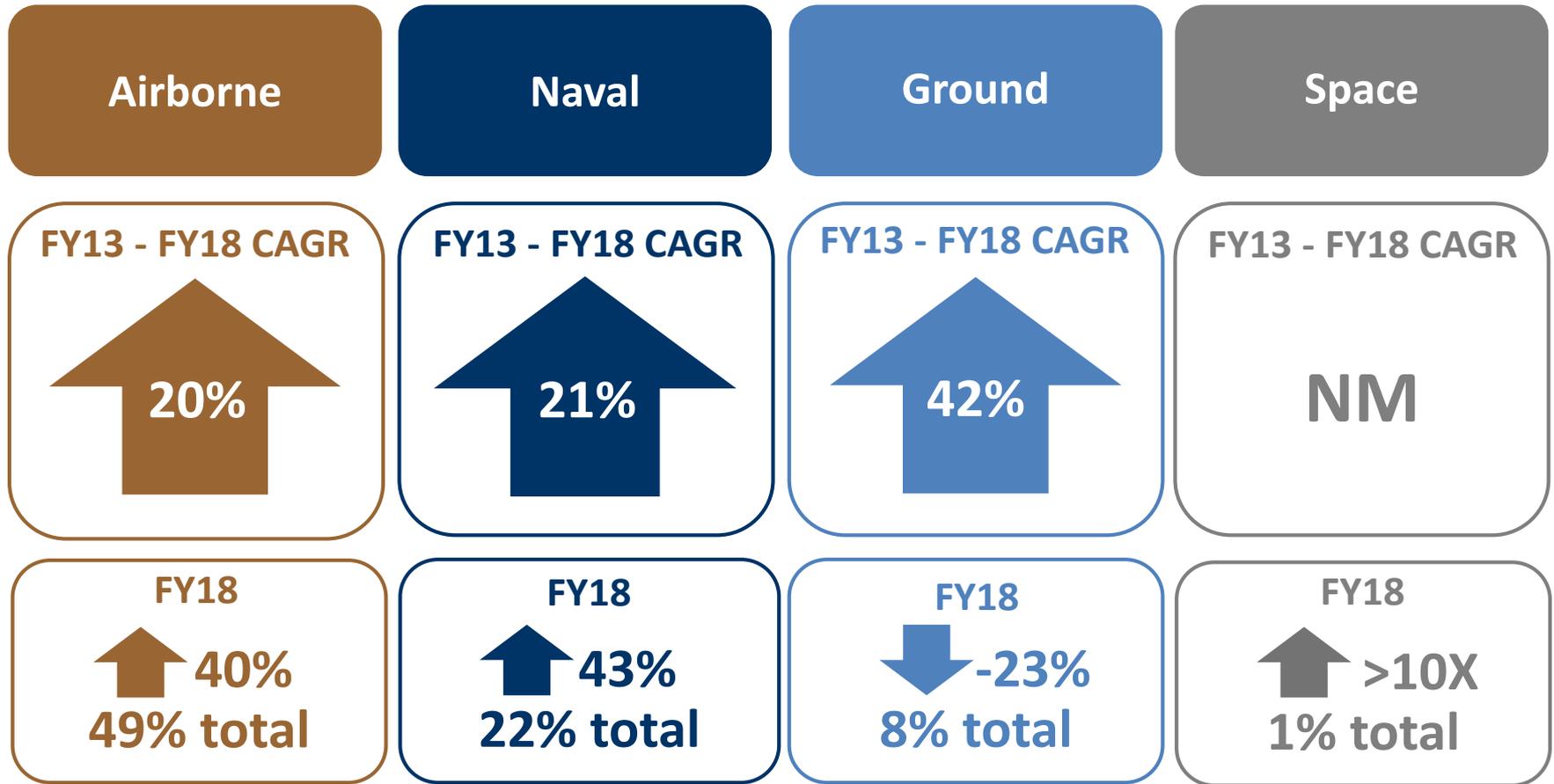


Valued partner to top defense prime contractors

Notes: Fiscal years ended June 30. Top customers ranked based on cumulative revenue for the period FY13-FY18. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded.



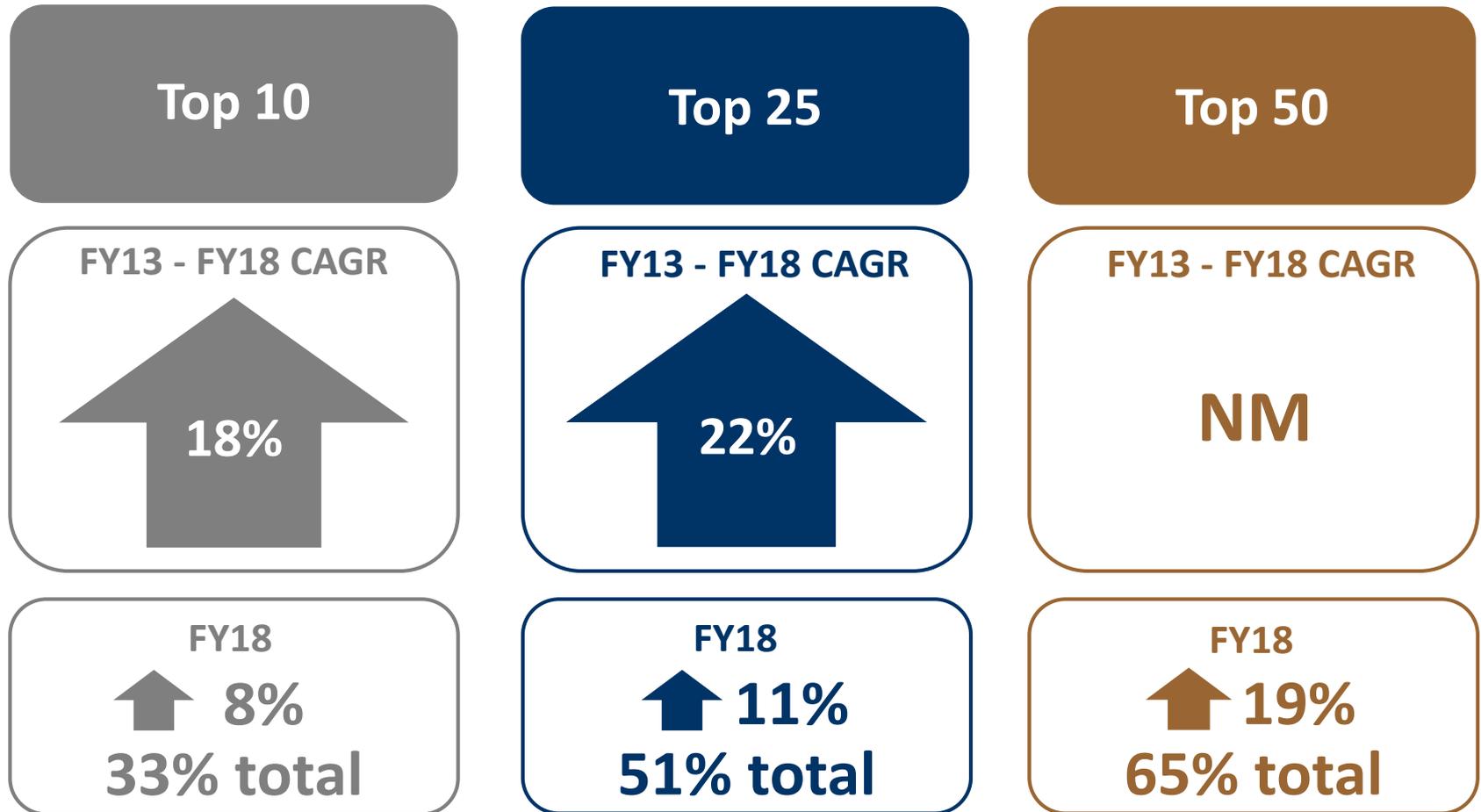
# Revenue growth rates by platform



Acquisitions have increased access to new platforms

Notes: Fiscal years ended June 30. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.

# Revenue growth rates by top programs

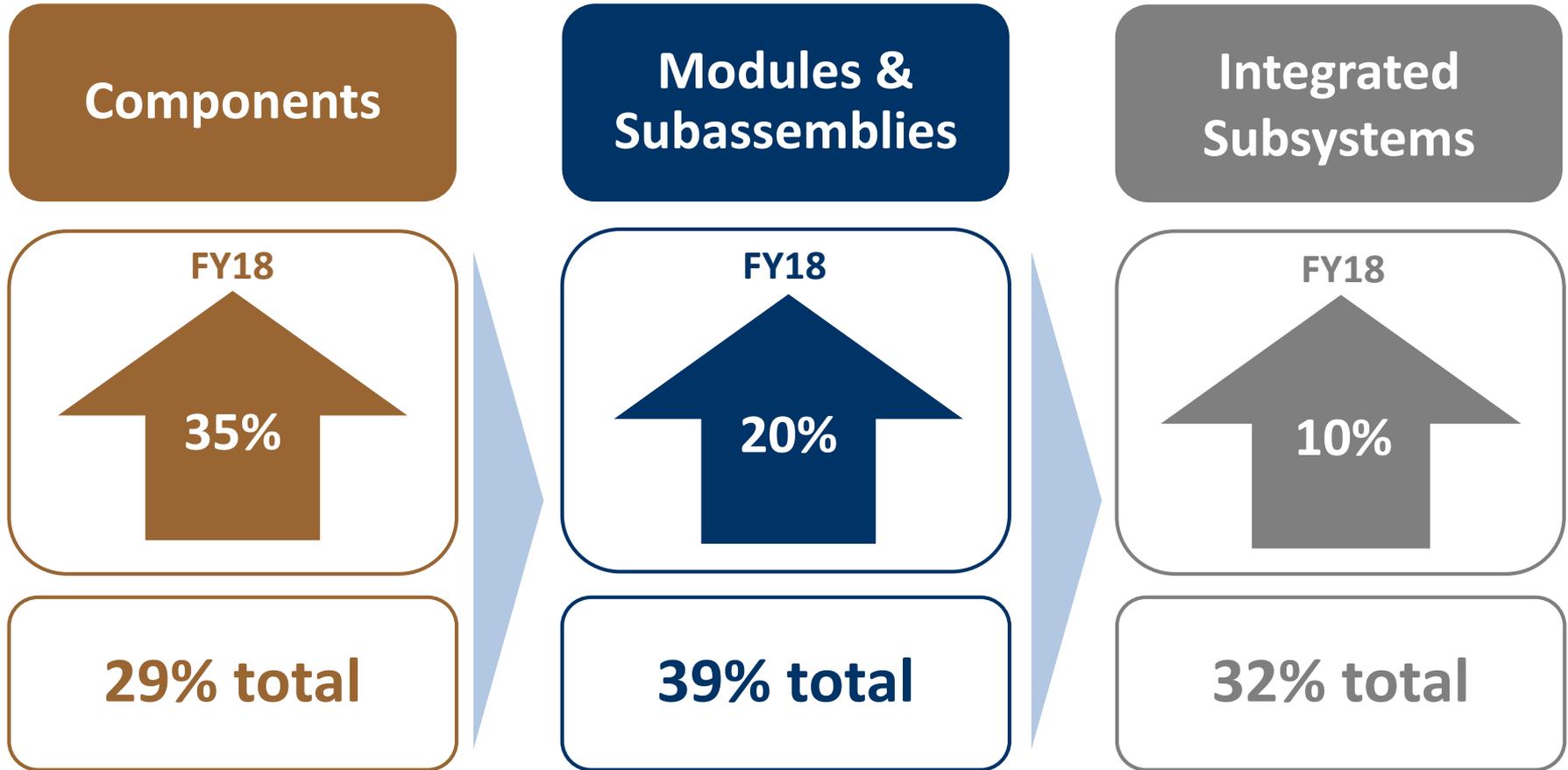


Increasingly diverse portfolio of franchise programs

Notes: Fiscal years ended June 30. Top programs ranked based on cumulative revenue for the period FY13-FY18. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded.



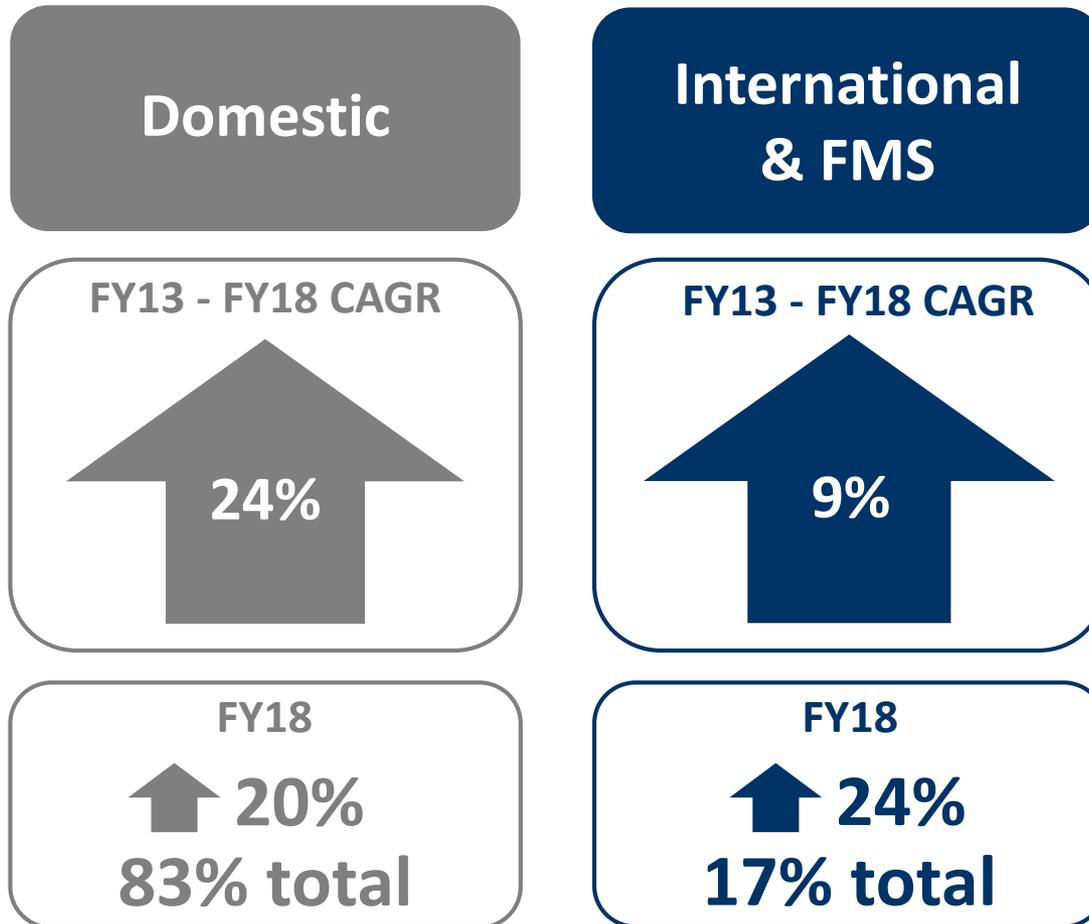
# Revenue growth rates by content and tier



Transforming components and modules into integrated subsystems

Notes: Fiscal years ended June 30, FY18 figures are as reported in the Company's Form 10-Ks. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.

# Revenue growth rates by geography



Int'l and FMS revenue growth accelerating given our program mix

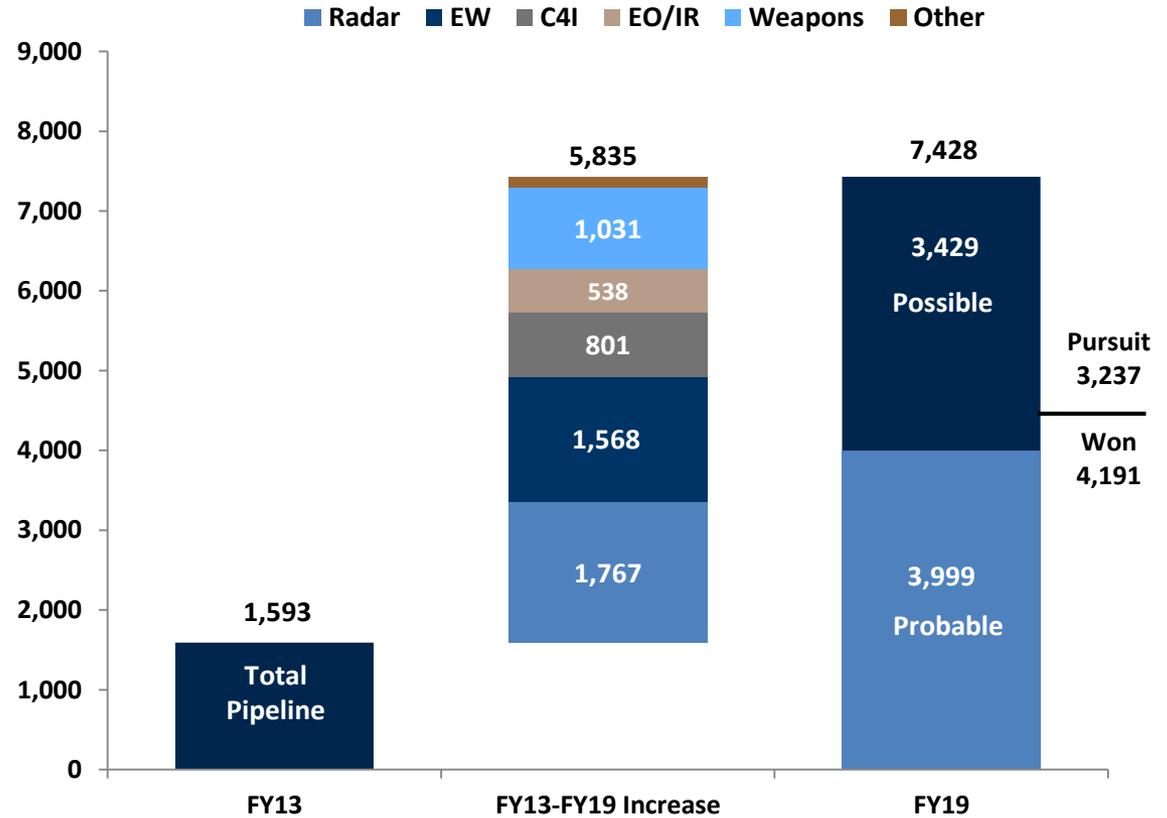
Notes: Fiscal years ended June 30; FY13-18 figures are as reported in the Company's Form 10-Ks. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded.



# Acquisitions and investments driving significant opportunity growth...

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

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

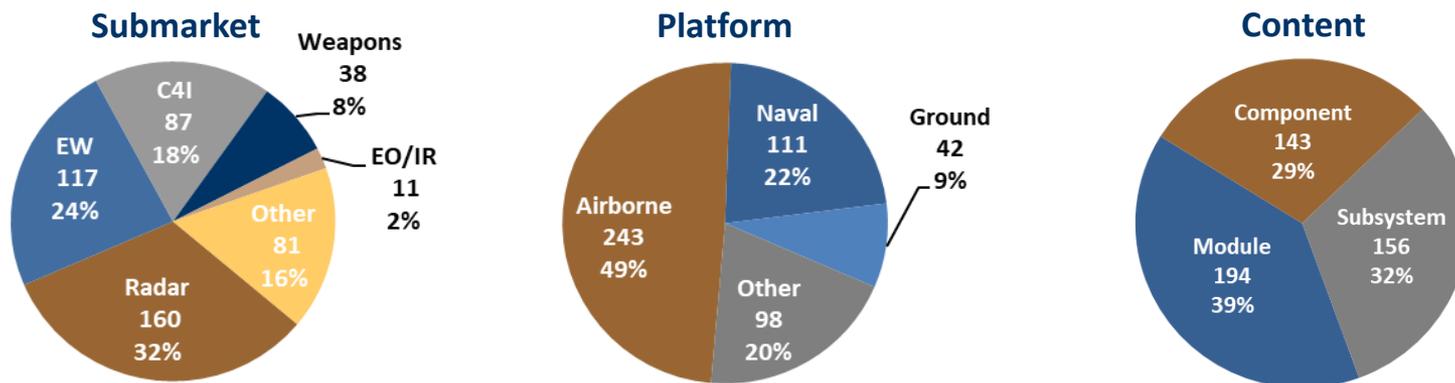


...which in turn is driving strong results

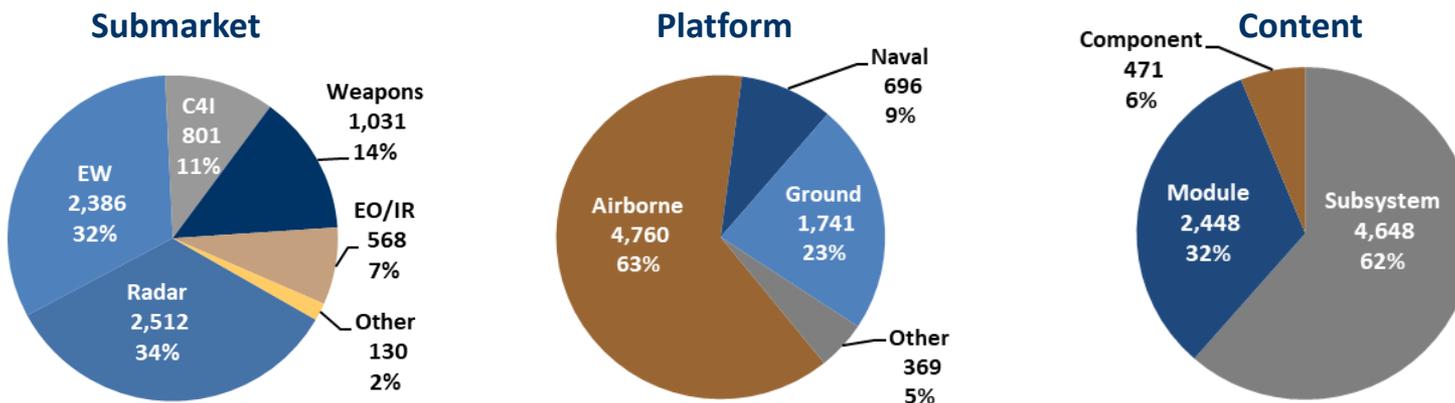


# Acquisitions and investments driving significant potential...

## FY18 Revenue (in \$ millions, % of total)



## Top 30 Programs & Pursuits, Estimated Lifetime Value (in \$ millions, % of total)



...for continued organic growth across multiple dimensions

Notes: Fiscal years ended June 30; FY18 figures are as reported in the Company's Form 10-Ks. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.

# M&A is an integral part of our model

<b>M&amp;A Vision</b>	Our strategy contemplated M&A at the outset for this 'environment'
<b>Origination</b>	Dedicated M&A team to identify and originate proprietary deals
<b>Diligence</b>	Superior in-house market, technical and business diligence capabilities supplemented with external objective advisors and analysis
<b>Execution</b>	Sophisticated internal M&A, finance and legal expertise capable of valuing and executing public, private and carve out M&A transactions
<b>Financing</b>	In-house M&A, finance and legal teams supplemented with top tier investment banking relationships for debt and equity transactions
<b>Integration</b>	Full in-house business process and systems integration team
<b>Management</b>	Mercury management system to achieve value creation blueprint (cost and revenue synergies) and ongoing performance improvements



# Mercury M&A philosophy

1. One culture and set of values
2. One brand – Mercury
3. We're not a holding company – We believe in full integration
4. Combine like product businesses to gain scale and efficiencies
5. Few, common, automated and scalable trusted manufacturing facilities
6. Scalable enterprise processes, systems, security and infrastructure
7. Centralized G&A wherever possible
8. Strategic account and solution sales model to accelerate organic growth
9. Functional matrix: G&A, sales, operations, engineering, program management
10. Common business management process and operating cadence



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

## Multiple M&A themes ongoing simultaneously

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

Aerospace & Defense Platform and Systems Electronics Content							
C4I			Sensor & Effector Mission Systems				
Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
							
<i>Avionics / Vetronics</i>	<i>Command &amp; Control / Battle Management</i>	<i>Dedicated Communications</i>	<i>Electronic Warfare</i>	<i>Radar</i>	<i>Electro-Optical/Infrared</i>	<i>Acoustics</i>	<i>Missiles/Munitions</i>
 	   	   	  	   	Organic		 <sup>(1)</sup>
\$6.1B 6.5%	\$7.4B 6.2%	\$7.5B 5.8%	\$4.3B 5.2%	\$4.8B 6.2%	\$1.7B 6.5%	\$1.1B 6.5%	\$2.7B 8.1%

**Notes:**

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

Sources: RSAdvisors research & analysis, October 2018

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

# Successful track record of acquisitions...

- Acquired 7 companies over past ~36 months
- Deployed ~\$620M of capital
- Synergized purchase multiples well below current and historic mean
- Diversified program base; increased potential value of top programs
- Strong balance sheet and opportunity pipeline



... and well-positioned for future M&A



# Strategy and investments have positioned Mercury well

- Proven high-tech commercial business model for A&D
- Unique technology and capabilities on key production programs
- Substantial total addressable market expansion enabling future growth
- Low-risk content expansion growth strategy with demonstrable progress
- Largest secular growth opportunity = captive Prime outsourcing
- Destination employer and acquirer of choice
- Continued above industry-average growth and profitability
- Business platform built to grow and scale through future acquisitions



# Agenda

- Strategy & Business Update

- Value Creation Blueprint

- Didier Thibaud  
Executive Vice President & COO

- Financial Update

- Q&A

# Our value creation blueprint

- 1 Culture and values
- 2 Cyber umbrella and secure development environment
- 3 Video-based collaboration infrastructure company-wide
- 4 Integrated business systems, centralized G&A, matrix management
- 5 Increased R&D and capital investment where necessary
- 6 Insourced manufacturing to our trusted domestic facilities
- 7 Common engineering tools and agile methodology
- 8 Program management capabilities mirroring our customers
- 9 Leverage Mercury channel to accelerate core revenue growth
- 10 Manage ongoing business performance monthly



# One Team, One Company, One Brand

- One Culture
- One set of values
- One team: One Mercury
- One company: Present one view to customers
- One brand: Mercury Systems
- Values integrated into performance management
- Values used as guidepost for hiring and promotion

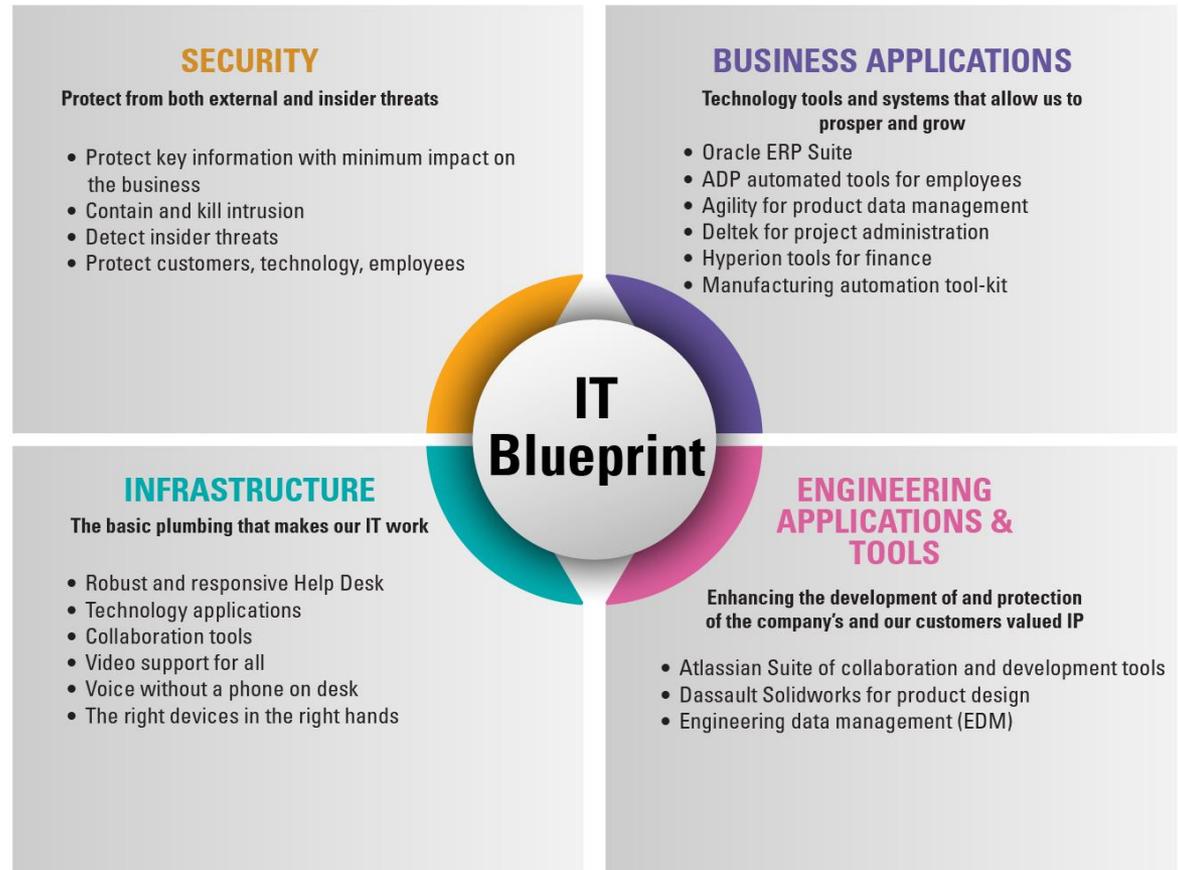


Highest Glassdoor ratings in Defense industry



# Cyber umbrella, secure development, video collaboration

- Scalable, secure, compliant
- Cyber-resilient enterprise security model
- Fully compliant with DFARS 800-171 and complete
- Unified video-based communication platform improves collaboration
- Internal secure cloud supports agile development
- Integrated business systems



Accelerate integration and collaboration to drive efficiency



# Integrated business systems, centralized G&A, matrix model

- One team: One Mercury
- Common enterprise processes and systems
- Global Sales
- Global Program Management
- Global Operations
- Global Engineering
- Centralized G&A

## Mercury Systems - Organizational Model

<b>Corporate Governance</b>	Mercury Board of Directors (Audit, Governance, Compensation, Cybersecurity)			
<b>Shared Functions</b>	Global Management, Finance, IT, HR, Legal, Sales, Marketing, Operations, Engineering			
<b>Strategic Priorities</b>	Market Expansion, Innovation, Process & Systems, Customer First, Our People			
<b>Product Businesses</b>	Product Line 1	Product Line 2	Product Line 3	Product Line 4
	<ul style="list-style-type: none"> <li>• Relies on and supported by shared functions</li> <li>• Adheres to company strategy and priorities</li> <li>• Shares facilities, innovation, best practices</li> <li>• Uses localized functional support as needed</li> </ul>			



Fully integrated organization to drive scalability and growth



# R&D and capital investment where necessary

- High-tech business model driving 11-13% R&D
- Increase IRAD for acquired businesses when needed
- Invest in innovation to drive differentiation, affordability
- Invest in technologies to speed subsystem integration
- Combine technology and product to drive unmatched solutions and capabilities
- Add complementary technology via M&A



~ \$1B invested in IRAD, acquisitions, facility modernization over 7 years



# Common engineering tools and agile methodology

- Scalability through common processes (playbook)
- Develop anywhere, Build everywhere
- Propel open architectures
- Product & technology rationalization
- Measure performance and quality for continuous improvement



**OpenVPX**

**OpenRFM™**

**VITA**

**ATLASSIAN**

✘ Confluence ✦ Jira Software 🔄 Bamboo 📁 Bitbucket



**Mentor Graphics**

VIVADO™



**Libero**  
System-on-Chip

**A** AUTODESK®  
AUTOCAD®

**3S** **SOLIDWORKS**

Industry's most advanced, differentiated embedded solutions portfolio



# Insourced manufacturing to our trusted domestic facilities

- Facility rationalization
- Manufacturing optimization
- State-of-the-art fully automated SMT
- Trusted DMEA-accredited manufacturing in Phoenix
- Unified purchasing group drives buying power

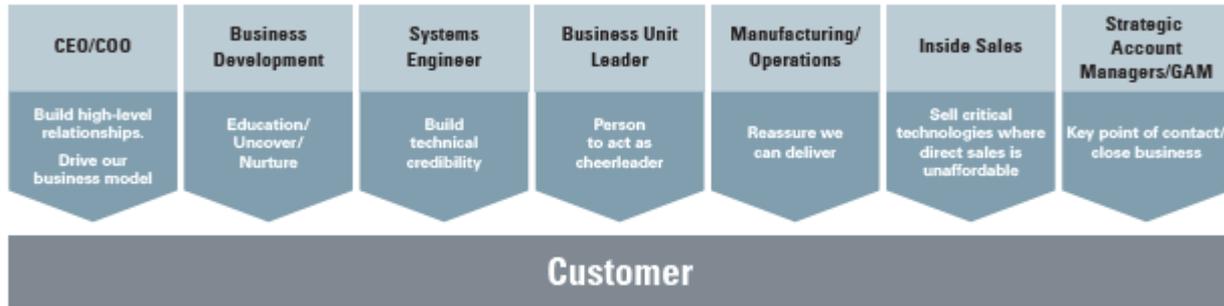


Drive differentiation through trusted manufacturing excellence

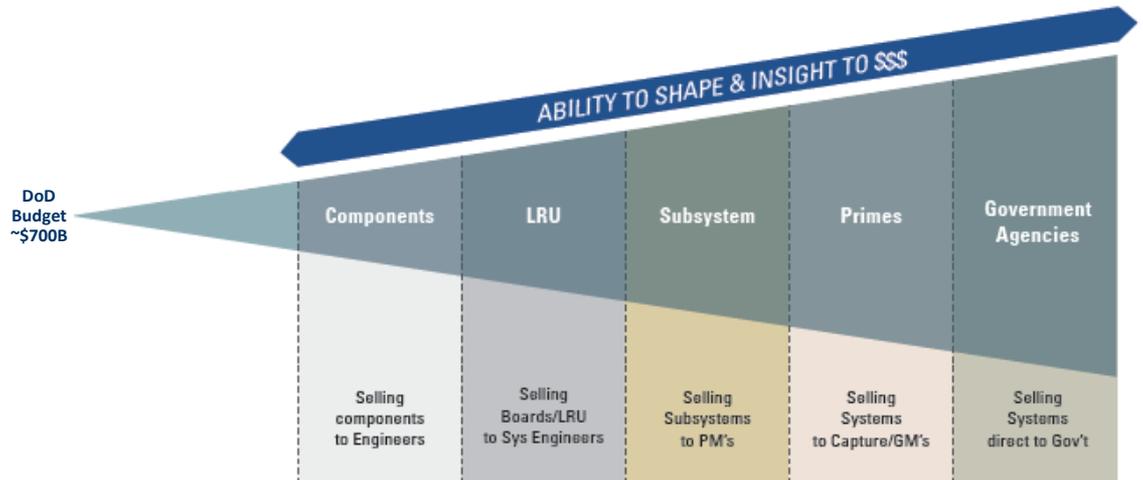


# Leverage channel to accelerate core revenue growth

- Common Go-to-Market strategy
- Expand franchise program content
- Penetrate strategic accounts with new capabilities
- Drive awareness with business development organization
- Provide subsystem solutions to move up value chain
- One-stop shopping to capture new business
- Maximize opportunities by enabling different sales model



*Leverage Customer Intimacy, One Mercury Capabilities to affect LIFT*



Common channel strategy enabling market and content expansion



# M&A driving growth

Leverage Point	 Microsemi	 ces	 LIT	 RTL	 Delta Microwave	 THEMIS	 GERMANSYSTEMS™
Market Expansion	✓	✓			✓	✓	✓
Customer Expansion	✓	✓				✓	
Program Expansion	✓	✓			✓	✓	✓
Product & Technology Expansion	✓	✓	✓	✓	✓	✓	✓



# Leverage points driving faster growth

Leverage Point	 Microsemi	 ces	 LIT	 RTL	 Delta Microwave	 THEMIS	 GERMANSYSTEMS™
Increase Channel	✓	✓	✓	✓	✓	✓	✓
Increase R&D	✓		✓		✓		
Leverage Mercury's Eng. Capabilities	✓		✓		✓	✓	✓
Manufacturing Consolidation	✓				✓		✓
Buying Power		✓			✓	✓	✓
Culture & values	✓	✓	✓	✓	✓	✓	✓
One Mercury	✓	✓	✓	✓	✓	✓	✓

# Summary

- One Mercury organization to maximize leverage and scale
- One Culture and Values
- Global processes to drive value creation
- Drive innovation at all levels to differentiate from competition
- Global Go-to-Market strategy to drive growth through content and market expansion
- Apply all of these to acquisitions to accelerate integration and value creation



# Agenda

- Strategy & Business Update
- Value Creation Blueprint
- Financial Update
  - Michael Ruppert  
Executive Vice President & CFO
- Q&A

# The evolution of Mercury Systems

In \$ millions, except percentage and per share data.

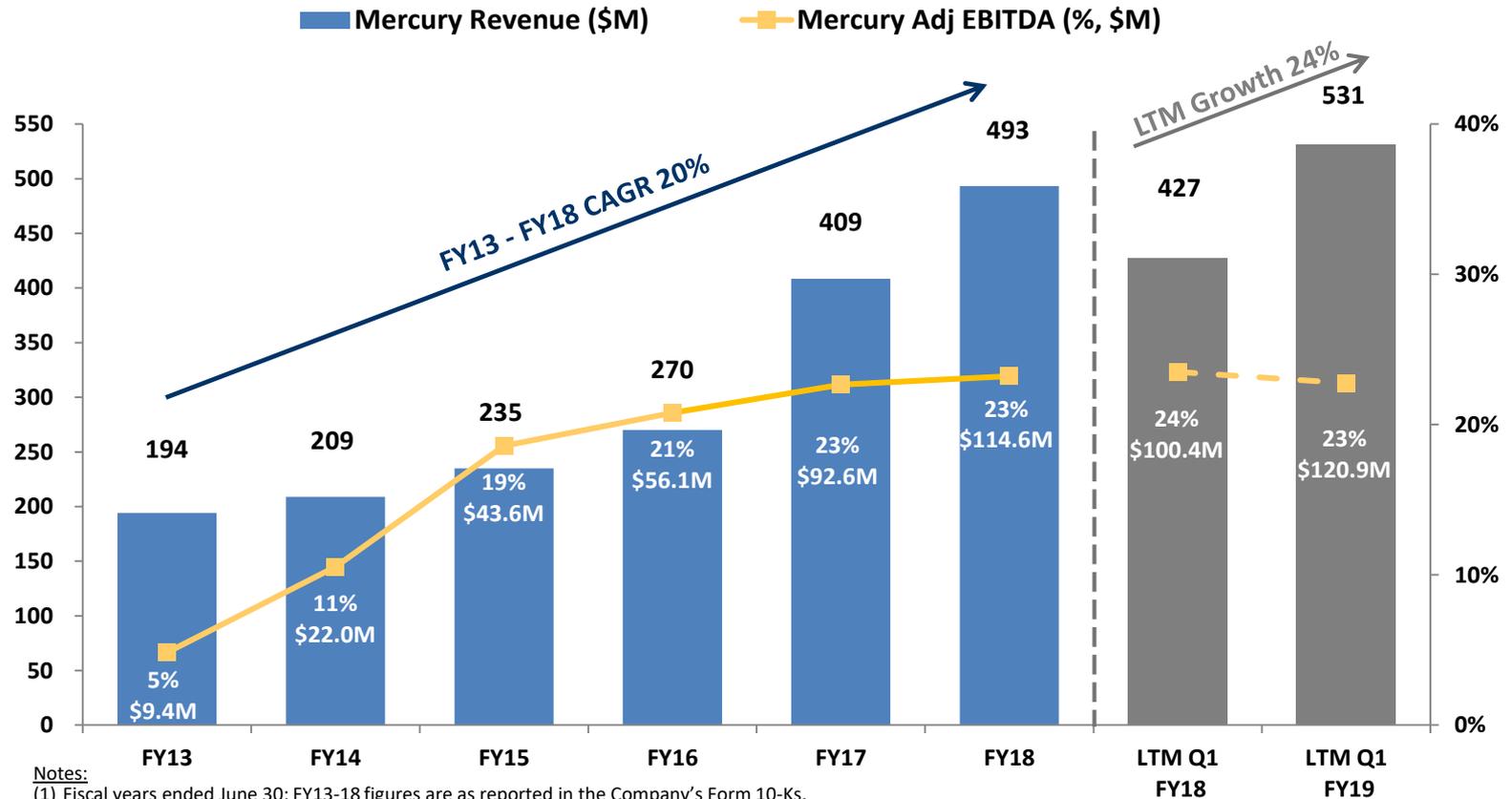
		Q1 FY16 <sup>(1)</sup>	Q1 FY19 <sup>(1)</sup>	% Increase / (Decrease)
Valuation	Market Capitalization	\$553	\$2,613	373%
	Enterprise Value	\$473	\$2,780	487%
		LTM Q1 FY16 <sup>(2)</sup>	LTM Q1 FY19 <sup>(2)</sup>	% Increase / (Decrease)
Operational	Revenue	\$239	\$531	122%
	Adj. EBITDA	\$47	\$121	156%
	Adj. EPS	\$0.87	\$1.43	64%

**Notes:**

- (1) Valuation for Q1 FY16 based on Company's 2016 10-Q and stock price as of September 30, 2015; cash, debt balance from Company's earnings announcement October 27, 2015; outstanding share count as of October 31, 2015. Valuation for Q1 FY19 based on stock price as of October 1, 2018; cash, debt balance from Company's earnings announcement October 30, 2018; outstanding share count as of October 31, 2018.
- (2) Operational figures are based on the fiscal year results as reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release. As of Q1 FY19, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency measurement and fixed assets sales and disposals among other adjustments.

# 20% compound revenue growth and operating leverage...

## Revenue to Adjusted EBITDA trends



**Notes:**

- (1) Fiscal years ended June 30; FY13-18 figures are as reported in the Company's Form 10-Ks.
- (2) LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release.
- (3) As of Q1 FY19, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency measurement and fixed assets sales and disposals among other adjustments.

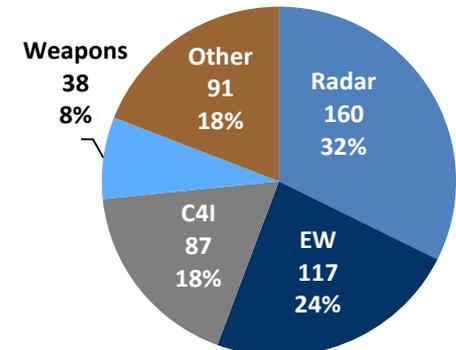
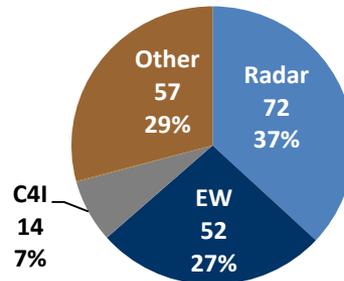
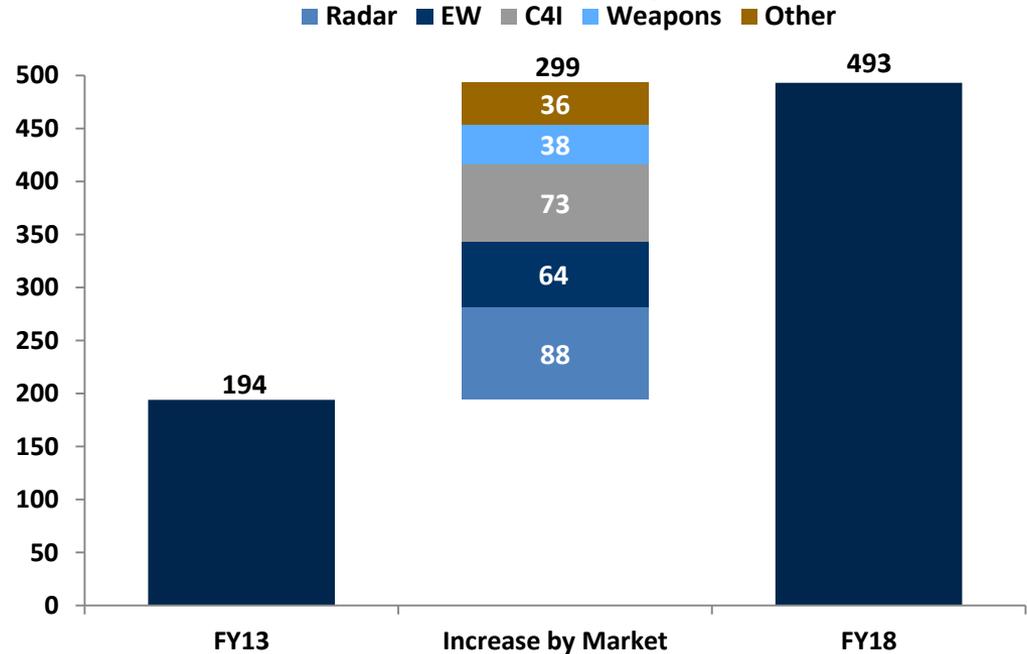
...yielded 65% compound adjusted EBITDA growth



# Market expansion strategy is working well

- Continued growth in core markets
- Expansion into adjacent markets
- Additional capabilities drive content expansion
- Broader program and customer base
- Vastly larger addressable market
- Consistently driving above market growth rates

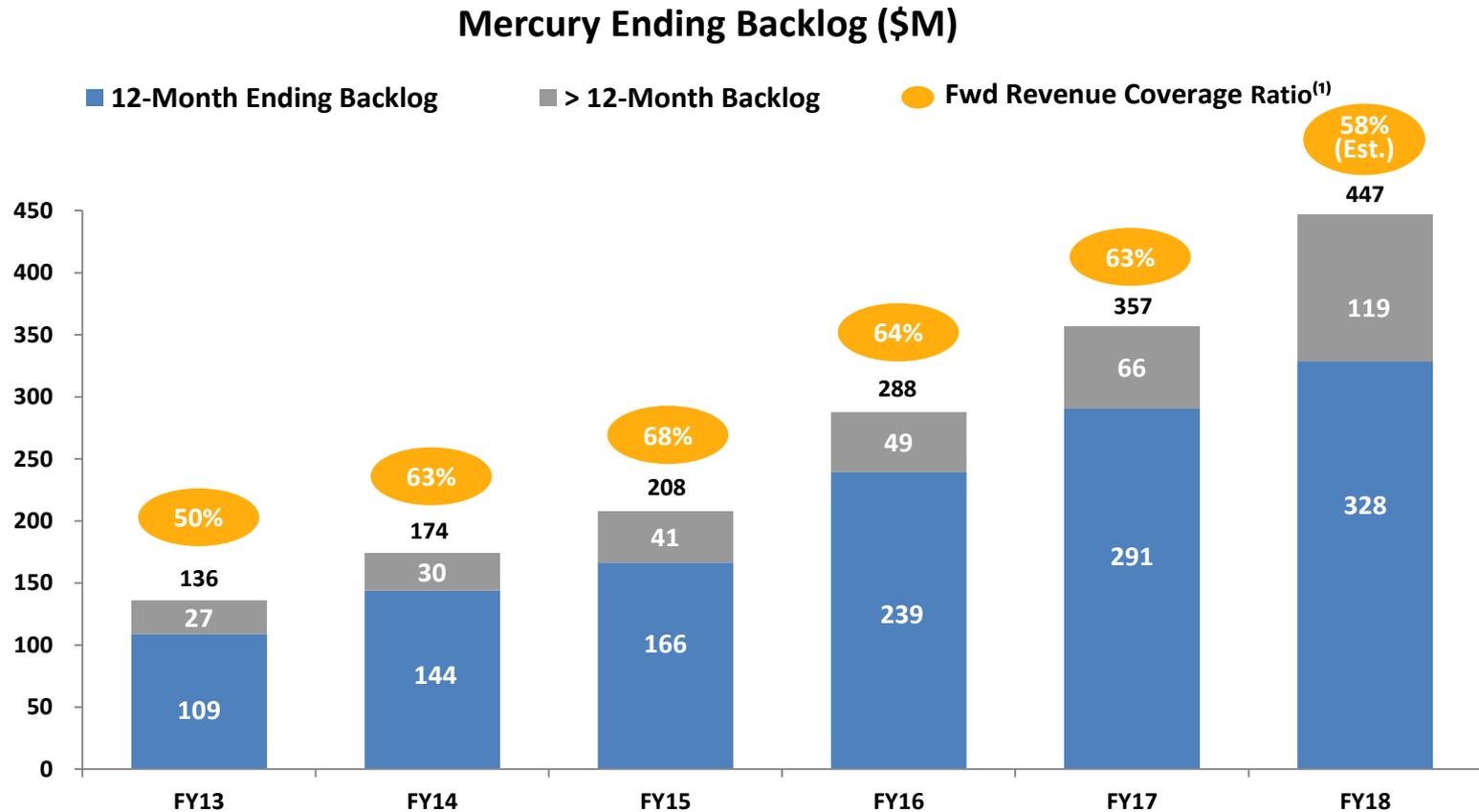
Revenue and Growth by Market (\$M)



Notes: Fiscal years ended June 30, FY13-FY18 figures are as reported in the Company's Form 10-Ks. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.



# FY13-FY18 ending backlog CAGR of 27%...



**Notes:**

(1) Revenue Coverage Ratio = 12-month ending backlog/Next 12 months Revenue (or initial revenue estimate for current/future year) excludes Germane.

...yields record backlog exiting FY18



# Strong LTM performance

24% revenue and 20% adjusted EBITDA growth YoY

<i>In \$ millions, except percentage and per share data</i>	LTM Q1 FY18 <sup>(1)</sup>	LTM Q1 FY19 <sup>(1)</sup>	Change
<b>Bookings</b> Book-to-Bill	\$454.6 1.06	\$635.0 1.20	40%
<b>Backlog</b> 12-Month Backlog	\$360.7 \$281.7	\$507.9 \$377.8	41%
<b>Revenue</b>	\$427.0	\$531.2	24%
<b>Gross Margin</b>	47.5%	44.6%	(3.0 pts)
<b>Operating Expenses</b> Selling, General & Administrative Research & Development Amortization/Restructuring/Acquisition	\$158.7 79.5 55.0 24.2	\$186.3 92.5 60.0 33.7	17%
<b>GAAP Income</b>	\$39.0	\$30.4	(22%)
<b>GAAP EPS</b> Weighted Average Diluted Shares	\$0.87 43.9	\$0.64 47.5	(26%)
<b>Adjusted EPS<sup>(2)</sup></b>	\$1.29	\$1.43	11%
<b>Adj. EBITDA<sup>(2)</sup></b> % of revenue	\$100.4 23.5%	\$120.9 22.8%	20%
<b>Free Cash Flow<sup>(2)</sup></b>	\$26.5	\$40.1	52%

**Notes:**

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

(2) Non-GAAP, see reconciliation table. As of Q1 FY19, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency measurement and fixed assets sales and disposals among other adjustments.



# FY19 annual guidance

<i>In \$ millions, except percentage and per share data</i>	<b>FY18<sup>(1)</sup></b>	<b>FY19<sup>(2)</sup></b>	<b>Change</b>
<b>Revenue</b>	\$493.2	\$607.0 - \$625.0	23% - 27%
<b>Gross Margin</b>	45.8%	43.7% - 44.4%	(2.1) - (1.4) pts
<b>Operating Expenses</b>	\$178.9	\$199.2 - \$202.6	11% - 13%
<b>GAAP Income</b> Effective tax rate <sup>(3)</sup>	\$40.9 4%	\$39.1 - \$45.6 28%	(4%) - 11%
<b>GAAP EPS</b> Weighted-average diluted shares outstanding	\$0.86 47.5	\$0.82 - \$0.96 47.7	(5%) - 12%
<b>Adjusted EPS<sup>(4)</sup></b>	\$1.42	\$1.65 - \$1.79	16% - 26%
<b>Adj. EBITDA<sup>(4)</sup></b> % of revenue	\$114.6 23.2%	\$133.5 - \$142.5 22.0% - 22.8%	16% - 24%

**Notes:**

- (1) FY18 figures are as reported in the Company's Form 10-K.
- (2) The guidance included herein is from the Company's earnings release dated October 30, 2018. For purposes of modeling and guidance, we have assumed no incremental restructuring, acquisition, other non-operating adjustments or non-recurring financing-related expenses.
- (3) The effective tax rate in the guidance included herein excludes discrete items.
- (4) Non-GAAP, see reconciliation table. As of Q1 FY19, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency measurement and fixed assets sales and disposals among other adjustments.



# Target business model

	FY16 <sup>(1)</sup>	FY17 <sup>(1)</sup>	FY18 <sup>(1)</sup>	Target Business Model
Revenue	100%	100%	100%	100%
Gross Margin	47%	47%	46%	45 - 50%
SG&A	20%	19%	18%	16 - 18%
R&D	13%	13%	12%	11 - 13%
Amortization	3%	5%	5%	4 - 5%
GAAP Income	7%	6%	8%	N/A
Adj. EBITDA <sup>(2)</sup>	21%	23%	23%	22 - 26%

**Notes:**

(1) Figures are as reported in the Company's Form 10-Ks.

(2) Non-GAAP, see reconciliation table. As of Q1 FY19, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency measurement and fixed assets sales and disposals among other adjustments.



# Balance Sheet

(In \$ millions) <sup>(1)</sup>	As of				
	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18
<b><u>ASSETS</u></b>					
Cash & cash equivalents	\$26.1	\$32.0	\$44.2	\$66.5	\$72.9
Accounts receivable, net	121.4	123.0	141.6	143.8	153.9
Inventory, net	93.3	105.9	117.1	108.6	121.2
PP&E, net	51.6	51.6	51.3	51.0	50.8
Goodwill and intangibles, net	510.7	505.5	685.7	675.3	704.2
Other	19.5	17.8	17.0	19.3	24.0
<b>TOTAL ASSETS</b>	<b>\$822.6</b>	<b>\$835.8</b>	<b>\$1,056.9</b>	<b>\$1,064.5</b>	<b>\$1,127.0</b>
<b><u>LIABILITIES AND S/E</u></b>					
AP and accrued expenses	\$69.5	\$65.8	\$69.8	\$59.1	\$61.2
Other liabilities	18.8	20.8	36.3	38.5	49.2
Debt	0.0	0.0	195.0	195.0	240.0
<b>Total liabilities</b>	<b>88.3</b>	<b>86.6</b>	<b>301.1</b>	<b>292.6</b>	<b>350.4</b>
<b>Stockholders' equity</b>	<b>734.3</b>	<b>749.2</b>	<b>755.8</b>	<b>771.9</b>	<b>776.6</b>
<b>TOTAL LIABILITIES AND S/E</b>	<b>\$822.6</b>	<b>\$835.8</b>	<b>\$1,056.9</b>	<b>\$1,064.5</b>	<b>\$1,127.0</b>

Notes:  
(1)Rounded amounts used.



# Mercury's financial profile demonstrates our unique strategy

# of Companies

1028

ALL NYSE AND NASDAQ COMPANIES WITH MARKET  
CAPITALIZATION BETWEEN \$750mm - \$3bn  
LTM based on most recently reported quarters

TIER 2 DEFENSE INDEX  
LTM based on most  
recently reported  
quarters



EBITDA Margin  
>20%

19%

EBITDA Margin  
LTM

23%

EBITDA Margin  
LTM

289

Revenue CAGR  
>10% 5-Year

2%

5-Year CAGR

22%

5-Year CAGR

95

LTM  
Revenue  
Growth  
>20%

7%

LTM

24%

LTM

8

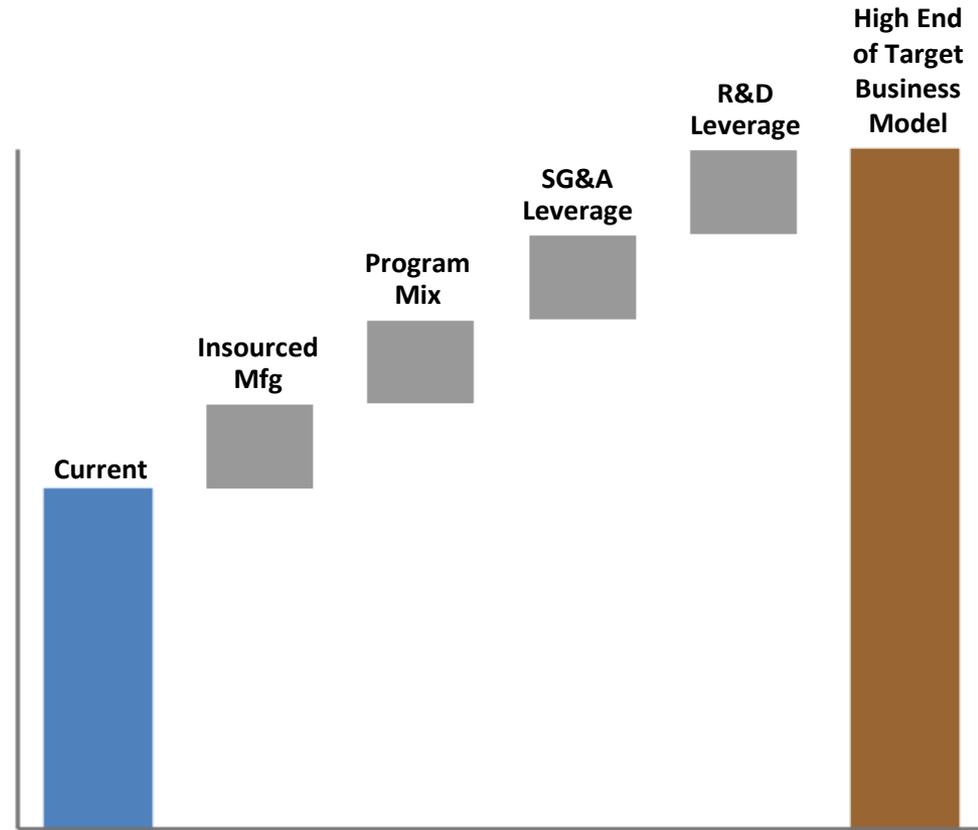
Notes:

- Mercury LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release.
- Source: FactSet; market data for most recently reported quarters as of October 29, 2018.
- Financials represent reported results and are not adjusted for acquisitions or divestitures.
- NASDAQ companies represent those that are U.S. listed.
- 5-Year CAGR calculated with 9/30/2013 LTM revenue and 9/30/2018 LTM revenue
- TIER 2 DEFENSE INDEX: AAR Corporation, Aerojet Rocketdyne, AeroVironment, AXON Enterprises, Ball Aerospace, BWX Technologies, Comtech Telecom, Cubic Corp, Curtiss Wright Corp, Ducommun, Esterline Technologies, Elbit Systems, FireEye, FLIR Systems, Harris Corp, Heico, Hexcel, Honeywell Intl, Kaman, KBR, Kratos Defense, L-3 Communications, MDA, Mercury Systems, MOOG, Oshkosh Truck, OSI Systems, Rockwell Collins, Sparton, Teledyne Technologies, Textron, Transdigm Group, Triumph Group, United Technologies, Vectrus, Viasat Inc, VSE Corporation, Woodward Aerospace.

# EBITDA margin expansion

- Target 22%-26% margin
- Insourced manufacturing and operating efficiencies
- Programs transition from development to production
- Revenue growing faster than operating expenses
- Fully integrating acquired businesses

## EBITDA Margin Expansion

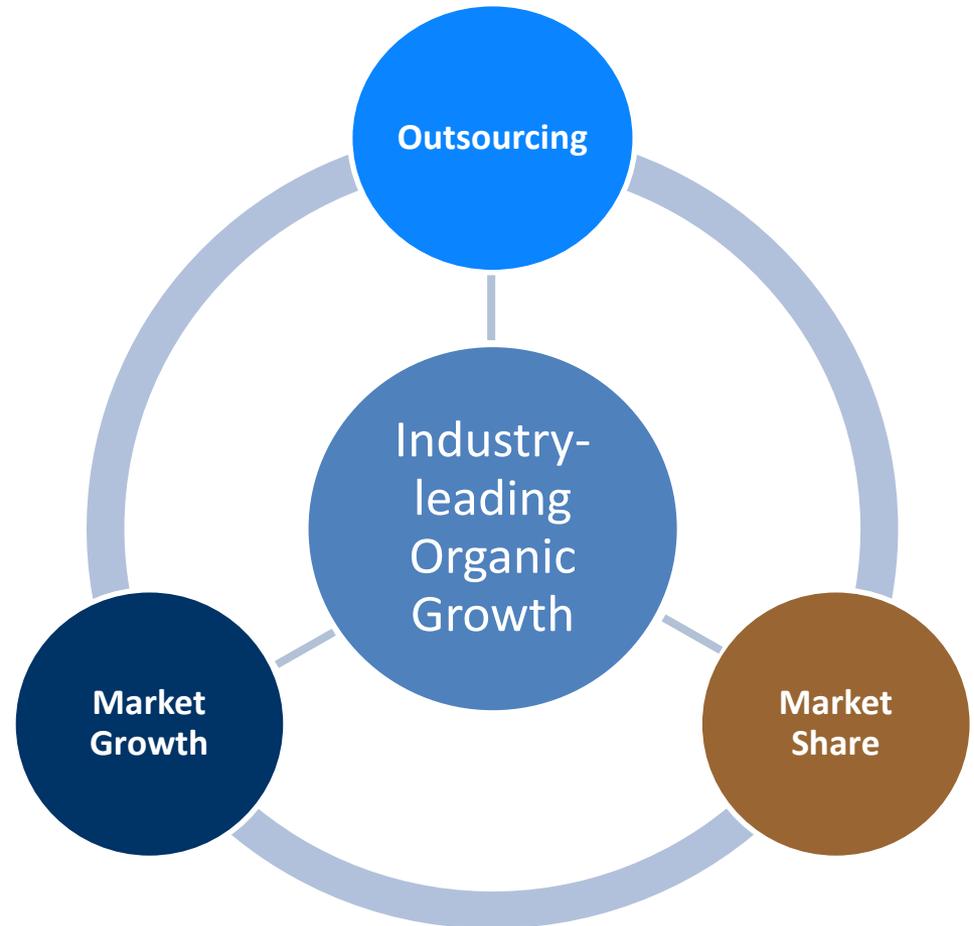


Clear path to high end of target business model



# Continued revenue growth

- Increased defense spending
- Positioned in fast-growing segments of defense electronics market
- Acquired capabilities to provide subsystems
- Unique business model facilitates outsourcing trend
- Investments leading to increased market share
- Driving high single-digit, low double-digit organic growth

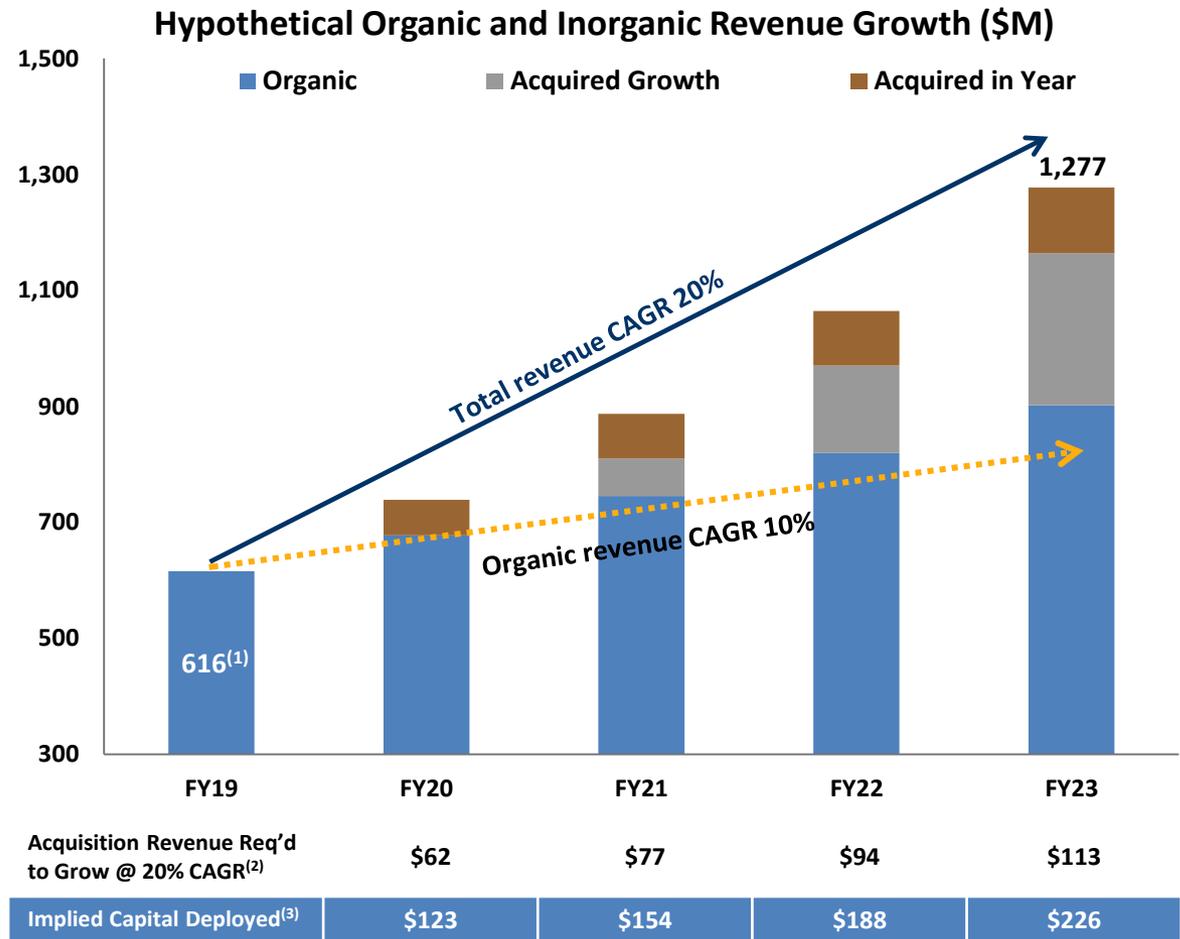


Clear path to continuing above market-average growth rates



# Continue supplementing organic growth with M&A

- Continue 20+% annual growth
- High single-digit / low double-digit organic growth
- Supplement with strategic M&A
- Strong pipeline of opportunities
- Capital available to achieve goal



Clear path to continued 20%+ revenue growth

**Notes:**

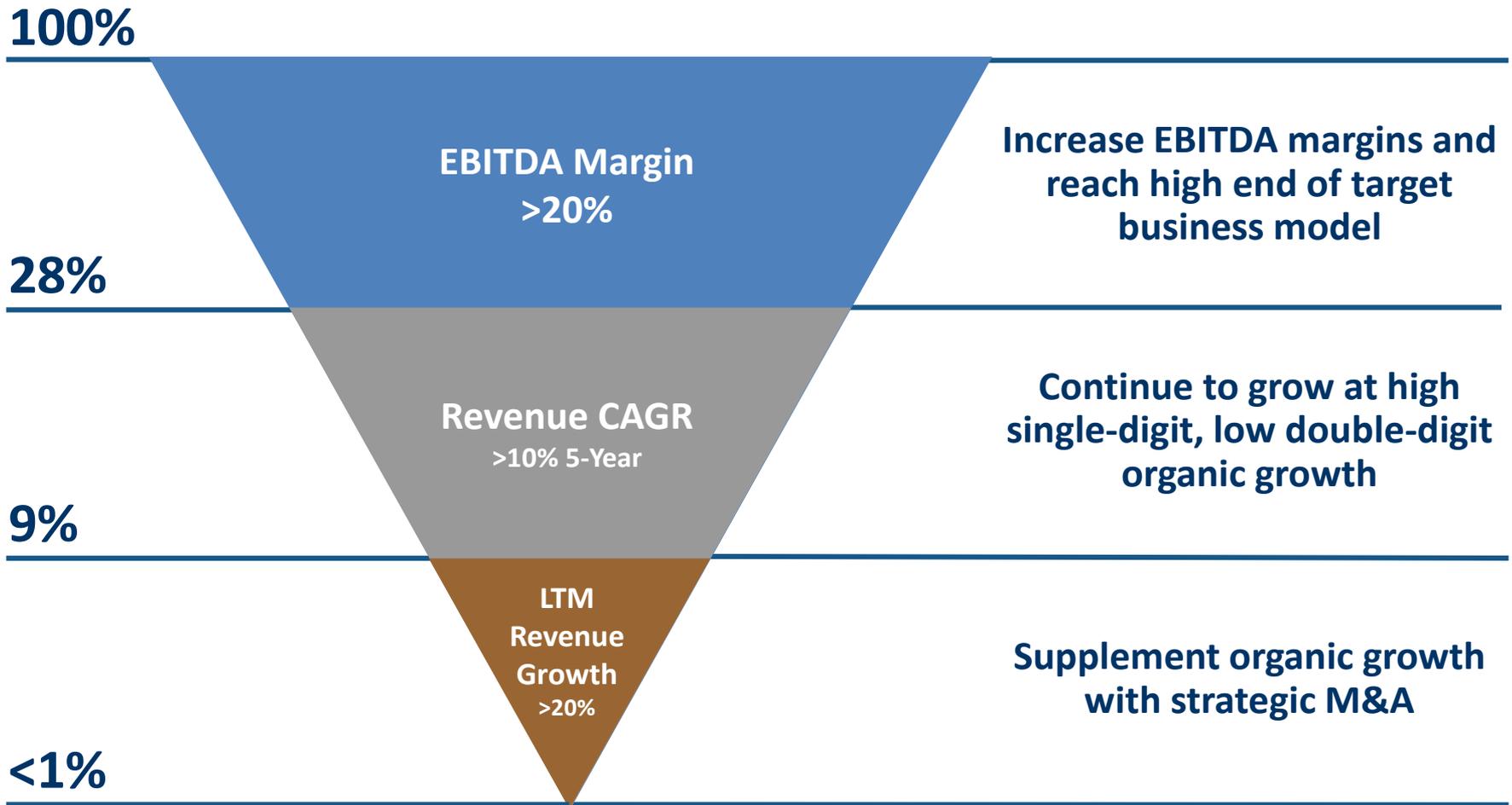
1) Represents the midpoint of FY19 revenue guidance from the Company's earnings release dated October 30, 2018.

2) Assumes acquired revenue growth of 5%, 7.5% and 10%, in years 1,2 and 3, respectively.

3) Analysis assumes 20% EBITDA margins on acquired revenue, 5% growth on acquired revenue and 10.0x EBITDA multiple



# Continuing to execute on our unique strategy



Poised to remain at the tip of pyramid



# We actively develop potential acquisition targets across all channels

~\$620M of capital deployed in last 36 months

										
Acquisition Close Date	Jan 2011	Dec 2011	Aug 2012	Dec 2015	May 2016	Nov 2016	Apr 2017	Jul 2017	Feb 2018	Jul 2018
Size	\$31M	\$70M	\$75M	\$10M	\$300M	\$39M	\$40.5M	\$6M	\$180M	\$45M
Strong Strategic Rationale	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Expand Addressable Market	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Revenue & Cost Synergies	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Accretive in Short Term	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Seller	Founder	Private Equity	Public	Founder	Corporate Carve-out	Private Equity	Founder	Founder	Private	Founder
Sourcing	Proprietary Negotiated	Proprietary Negotiated	Targeted Auction	Proprietary Negotiated	Proprietary Negotiated	Proprietary Negotiated	Targeted Auction	Proprietary Negotiated	Targeted Auction	Proprietary Negotiated

\* Represents carve-out acquisition from Microsemi Corp.



# We have created significant value through M&A

		FY16	FY17	Total	FY18 and FY19 YTD
<b>Acquisitions</b>				5 Acquisitions	
<b>Purchase Price</b>		\$310mm	\$85mm	\$395mm	\$225mm
<b>EV / EBITDA</b>	Avg. Mkt. <sup>(1)</sup>	10.8x	12.4x	11.6x	13.4x
	@ Close <sup>(2)</sup>	10.5x	9.1x	10.1x	12.0x
	PF w/Synergies <sup>(3)</sup>	7.8x	6.3x	7.4x	8.6x
	FY18 <sup>(4)</sup>	6.8x	6.1x	6.7x	<i>(strong FY19 performance YTD)</i>
<b>Commentary</b>		<ul style="list-style-type: none"> <li>Accelerated growth rate due to sales channel expansion and additional R&amp;D investment</li> <li>USMO driving cost synergies</li> <li>Security and trust driving growth</li> </ul>	<ul style="list-style-type: none"> <li>Strong growth in safety-critical avionics within CES/RTL</li> <li>Establishing West Coast AMC to access new customers and extract cost synergies</li> </ul>		<ul style="list-style-type: none"> <li>Created rugged server platform to access C4I programs in air, on ground, on sea, and underwater</li> <li>Platform exceeding plan for growth and profitability</li> <li>Opportunity for synergistic M&amp;A</li> </ul>

(1) Per Factset. Average next twelve months EV/EBITDA for the defense primes over the twelve month period from July 1 to June 30 in the year indicated. Primes index includes LMT, RTN, NOC, GD.

(2) Represents purchase price divided by the Adj. EBITDA used for the basis of valuation at the time of deal announcement net of estimated present value of tax benefits, as applicable.

(3) Represents multiple at close net of estimated future annual run-rate cost synergies at the time of deal announcement.

(4) Represents purchase price divided by the estimated Adj. EBITDA for FY'18 associated with the listed acquisitions. LIT and RTL Adj. EBITDA not reflected as these acquisitions are immaterial.

# Summary

- Built larger company with broader base of programs
- Sustained growth & profitability above industry averages
- Record backlog enhances visibility, facilitates operational execution
- Financial performance places us in unique category
- Poised for continued organic growth and margin expansion
- Successful track record of acquisitions; well-positioned for future M&A





# Appendix

# FY19 guidance (as of October 30)

<i>In millions, except percentage and per share data</i>	FY18	FY19 <sup>(1)</sup>	YoY Change
	Actual	Est. Range	
<b>Revenue</b>	\$493	\$607 - \$625	23% - 27%
<b>GAAP Income</b>	\$40.9	\$39.1 - \$45.6	(4%) - 11%
<b>Adj EBITDA<sup>(2)</sup></b>	\$114.6	\$133.5 - \$142.5	16% - 24%
<b>Adj EBITDA Adjustments:</b>			
<b>Income (loss) from continuing operations</b>	40.9	\$39.1 - \$45.6	
Other non-operating income (expense)	(0.8)	\$0.0 - \$0.0	
Interest (income) expense, net	2.8	8.8	
Tax provision (benefit)	1.7	\$14.9 - \$17.4	
Depreciation	16.3	19.2	
Amortization of intangible assets	26.0	26.8	
Restructuring and other charges	3.2	0.5	
Impairment of long-lived assets	0.0	0.0	
Acquisition and financing costs	4.9	2.7	
Fair value adjustments from purchase accounting	2.0	0.6	
Litigation and settlement expenses	0.0	0.0	
Stock-based compensation expense	17.6	20.5	
<b>Adj EBITDA<sup>(2)</sup></b>	<b>\$114.6</b>	<b>\$133.5 - \$142.5</b>	<b>16% - 24%</b>
<b>GAAP EPS</b>	<b>\$0.86</b>	<b>\$0.82 - \$0.96</b>	<b>\$0.04 to \$0.10</b>
<b>Adjusted EPS<sup>(2)</sup></b>	<b>\$1.42</b>	<b>\$1.65 - \$1.79</b>	<b>\$0.23 to \$0.37</b>

Notes:

(1) The guidance included herein is from the Company's earnings release dated October 30, 2018. For purposes of modeling and guidance, we have assumed no incremental restructuring, acquisition, other non-operating adjustments or non-recurring financing-related expenses.

(2) Non-GAAP. As of Q1 FY19, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency measurement and fixed assets sales and disposals among other adjustments.



# Adjusted EPS reconciliation

(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		FY19	
												Low	High	Low	High
<b>Earnings per share<sup>(1)</sup></b>	<b>\$ 0.10</b>	<b>\$ 0.13</b>	<b>\$ 0.16</b>	<b>\$ 0.19</b>	<b>\$ 0.58</b>	<b>\$ 0.38</b>	<b>\$ 0.19</b>	<b>\$ 0.08</b>	<b>\$ 0.21</b>	<b>\$ 0.86</b>	<b>\$ 0.16</b>	<b>\$ 0.17</b>	<b>\$ 0.22</b>	<b>\$ 0.82</b>	<b>\$ 0.96</b>
<b>Net Income</b>	<b>\$3,819</b>	<b>\$ 5,204</b>	<b>\$ 7,048</b>	<b>\$ 8,804</b>	<b>\$24,875</b>	<b>\$17,953</b>	<b>\$ 9,133</b>	<b>\$ 3,696</b>	<b>\$10,101</b>	<b>\$40,883</b>	<b>\$ 7,479</b>	<b>\$ 8,300</b>	<b>\$10,300</b>	<b>\$39,100</b>	<b>\$45,600</b>
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	7,000	7,000	26,800	26,800
Restructuring and other charges	297	69	459	1,127	1,952	95	313	1,384	1,367	3,159	504	-	-	500	500
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	700	700	2,700	2,700
Fair value adjustments from purchase accounting	2,077	870	270	462	3,679	509	84	539	860	1,992	620	-	-	600	600
Litigation and settlement expense (income), net	-	100	-	17	117	-	-	-	-	-	-	-	-	-	-
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	5,600	5,600	20,500	20,500
Impact to income taxes	(6,085)	(4,441)	(3,576)	(4,500)	(18,602)	(11,951)	(8,615)	(4,082)	(2,621)	(27,269)	(3,073)	(2,900)	(2,900)	(11,400)	(11,400)
<b>Adjusted income</b>	<b>\$8,895</b>	<b>\$11,897</b>	<b>\$13,217</b>	<b>\$15,422</b>	<b>\$49,431</b>	<b>\$17,793</b>	<b>\$13,049</b>	<b>\$14,219</b>	<b>\$22,251</b>	<b>\$67,312</b>	<b>\$18,497</b>	<b>\$18,700</b>	<b>\$ 20,700</b>	<b>\$ 78,800</b>	<b>\$ 85,300</b>
<b>Adjusted earnings per share<sup>(1)</sup></b>	<b>\$ 0.22</b>	<b>\$ 0.30</b>	<b>\$ 0.29</b>	<b>\$ 0.32</b>	<b>\$ 1.15</b>	<b>\$ 0.37</b>	<b>\$ 0.28</b>	<b>\$ 0.30</b>	<b>\$ 0.47</b>	<b>\$ 1.42</b>	<b>\$ 0.39</b>	<b>\$ 0.39</b>	<b>\$ 0.43</b>	<b>\$ 1.65</b>	<b>\$ 1.79</b>
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				
Diluted	39,865	39,985	44,814	47,472	43,018	47,489	47,447	47,532	47,521	47,471	47,697	47,800	47,800	47,700	47,700

## Notes:

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



# Adjusted EBITDA 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	
												Low	High
<b>Net income</b>	\$ 3,819	\$ 5,204	\$ 7,048	\$ 8,804	\$ 24,875	\$ 17,953	\$ 9,133	\$ 3,696	\$ 10,101	\$ 40,883	\$ 7,479	\$ 8,300	\$ 10,300
Other non-operating adjustments, net <sup>(1)</sup>	(732)	(129)	(378)	(107)	(1,346)	222	(326)	(694)	3	(795)	365	-	-
Interest expense, net	1,782	1,888	1,756	1,680	7,106	(16)	104	999	1,731	2,818	2,193	2,200	2,200
Income Taxes	(1,259)	1,779	3,170	2,503	6,193	(8,381)	1,335	2,209	6,527	1,690	3,129	3,100	3,900
Depreciation	2,718	2,966	3,233	3,672	12,589	3,700	3,775	4,277	4,521	16,273	4,365	4,800	4,800
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	7,000	7,000
Restructuring and other charges	297	69	459	1,127	1,952	95	313	1,384	1,367	3,159	504	-	-
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	700	700
Fair value adjustments from purchase accounting	2,077	870	270	462	3,679	509	84	539	860	1,992	620	-	-
Litigation and settlement expense (income), net	-	100	-	17	117	-	-	-	-	-	-	-	-
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	5,600	5,600
<b>Adjusted EBITDA</b>	<b>\$ 17,489</b>	<b>\$ 22,842</b>	<b>\$ 24,574</b>	<b>\$ 27,670</b>	<b>\$ 92,575</b>	<b>\$ 25,269</b>	<b>\$ 26,552</b>	<b>\$ 25,092</b>	<b>\$ 37,654</b>	<b>\$ 114,567</b>	<b>\$ 31,622</b>	<b>\$ 31,700</b>	<b>\$ 34,500</b>

Notes:

(1) As of Q1 FY19, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency remeasurement and fixed assets sales and disposals among other adjustments. Adjusted EBITDA for prior periods has been recast for comparative purposes.



# Free cash flow reconciliation

<b>(In thousands)</b>	<b>Q1 FY17</b>	<b>Q2 FY17</b>	<b>Q3 FY17</b>	<b>Q4 FY17</b>	<b>FY17</b>	<b>Q1 FY18</b>	<b>Q2 FY18</b>	<b>Q3 FY18</b>	<b>Q4 FY18</b>	<b>FY18</b>	<b>Q1 FY19</b>
<b>Cash flows from operations</b>	<b>\$10,283</b>	<b>\$14,238</b>	<b>\$ 24,889</b>	<b>\$ 9,736</b>	<b>\$59,146</b>	<b>\$ 8,028</b>	<b>\$ 8,779</b>	<b>\$ 873</b>	<b>\$ 25,641</b>	<b>\$43,321</b>	<b>\$ 20,029</b>
Capital expenditures	(6,050)	(7,703)	(13,036)	(6,055)	(32,844)	(3,628)	(3,964)	(3,475)	(4,039)	(15,106)	(3,727)
<b>Free cash flow</b>	<b>\$ 4,233</b>	<b>\$ 6,535</b>	<b>\$11,853</b>	<b>\$ 3,681</b>	<b>\$26,302</b>	<b>\$ 4,400</b>	<b>\$ 4,815</b>	<b>\$(2,602)</b>	<b>\$21,602</b>	<b>\$28,215</b>	<b>\$ 16,302</b>



# 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
<b>Organic Revenue</b>	<b>\$ 63,339</b>	<b>\$ 68,072</b>	<b>\$ 75,080</b>	<b>\$ 71,208</b>	<b>\$277,699</b>	<b>\$ 93,498</b>	<b>\$ 104,957</b>	<b>\$ 100,625</b>	<b>\$ 134,358</b>	<b>\$433,438</b>	<b>\$ 112,801</b>
Acquired Revenue <sup>(1)</sup>	24,310	29,942	32,237	44,400	130,889	12,571	12,955	15,711	18,509	59,746	31,255
<b>Net Revenue</b>	<b>\$ 87,649</b>	<b>\$ 98,014</b>	<b>\$ 107,317</b>	<b>\$ 115,608</b>	<b>\$408,588</b>	<b>\$ 106,069</b>	<b>\$ 117,912</b>	<b>\$ 116,336</b>	<b>\$ 152,867</b>	<b>\$493,184</b>	<b>\$ 144,056</b>

Notes:

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



# Sales-related definitions

Design Win	A design win means that the customer has selected us to provide services, products, or intellectual property for a program of record or equivalent. In addition, the customer has won the program and we have an initial purchase order from the customer.
Pursuit	We have a Design Win with a prime contractor who is bidding to win a program of record, or we are bidding to win content on a program of record that has either already been awarded to a prime contractor or that the prime contractor is also bidding on.
Won	We have a Design Win with a prime contractor for a program of record, and the prime contractor has won the program and received its contractual award.
Possible	Possible value is a projection based upon our current information and assumptions regarding the system configuration, systems or units utilized per platform or installation, current and potential future Design Wins, our average sales price for current and/or future content, the number of platforms, spares, and potential retrofits, as well as the potential for foreign military sales - all of which could change materially as and when new information becomes available or assumptions are revised. Possible value is the highest outcome we believe to be reasonable given a range of potential outcomes based upon available information and our current set of assumptions.
Probable	Probable value is a projection based upon our current information and assumptions regarding the system configuration, systems or units utilized per platform or installation, current and potential future Design Wins, our average sales price for current and/or future content, the number of platforms, spares, and potential retrofits, as well as the potential for foreign military sales - all of which could change materially as and when new information becomes available or assumptions are revised. Probable value is the outcome we believe to be most likely given a range of potential outcomes based upon available information and our current set of assumptions.



# Glossary

<b>AEGIS</b>	Aegis Ballistic Missile Defense System	<b>EM</b>	Electromagnetic	<b>MRTT</b>	Multi Role Tanker Transport
<b>AESA</b>	Active Electronically Scanned Array	<b>EO/IR</b>	Electro-optical / Infrared	<b>O&amp;M</b>	Operations & Maintenance
<b>AMC</b>	Advanced Microelectronics Center	<b>EW</b>	Electronic Warfare	<b>OpenVPX</b>	System-level specification for VPX, initiated by Mercury
<b>BCA</b>	Budget Control Act	<b>FMS</b>	Foreign Military Sales	<b>PBR</b>	President's Budget Request
<b>C2</b>	Command & Control	<b>GAM</b>	Global Account Manager	<b>PGK</b>	Precision Guidance Kit
<b>C4ISR</b>	Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance	<b>HEL</b>	High Energy Laser	<b>RF</b>	Radio Frequency
<b>COTS</b>	Commercial off-the Shelf	<b>HPM</b>	High Power Microwave	<b>RoW</b>	Rest of World
<b>DAL</b>	Design Assurance Level	<b>IMA</b>	Integrated Microwave Assembly	<b>SEWIP</b>	Surface Electronic Warfare Improvement Program
<b>DFARS</b>	Defense Federal Acquisition Regulation Supplement	<b>IRAD</b>	Internal Research And Development	<b>SIGINT</b>	Signals Intelligence
<b>DMEA</b>	Defense Microelectronics Activity	<b>JLTV</b>	Joint Light Tactical Vehicle	<b>SM</b>	Standard Missile
<b>DRFM</b>	Digital Radio Frequency Memory	<b>LRU</b>	Line Replaceable Unit	<b>SWaP</b>	Size Weight and Power
<b>EA</b>	Electronic Attack	<b>MALD</b>	Miniature Air Launched Decoy	<b>USMO</b>	US Manufacturing Operations
<b>EDM</b>	Engineering Data Management	<b>MMA</b>	Multimission Maritime Aircraft	<b>WIN-T</b>	Warfighter Information Network-Tactical