



# Jefferies 2019 Global Industrials Conference

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Executive Vice President and CFO

**August 7, 2019**



# Forward-looking safe harbor statement

This presentation contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to 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.

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

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

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

- Proven high-tech commercial business model for A&D
- Secure sensor and safety critical processing subsystems
- Serving defense Prime contractor outsourcing needs
- Deployed on 300+ programs with 25+ Prime contractors
- FY19 Growth YoY:
  - 33% Revenue
  - 14% GAAP Net Income
  - 27% Adj. EBITDA
  - 40% Backlog
- Ranked 27<sup>th</sup> on *Fortune's* 2018 100 Fastest-Growing Companies
- Defense industry's highest Glassdoor employee ratings\*



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



# Investor highlights

Proven management team with demonstrated track record

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

# Mercury's financial profile demonstrates our unique strategy

# of Companies

**1,067**

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

TIER 2 DEFENSE  
INDEX MEDIAN



**LTM EBITDA Margin  
>20%**

**355**

**Revenue CAGR  
>10% 5-Year**

**111**

**LTM  
Revenue  
Growth  
>20%**

**51**

**13%**

**22%  
Margin**

**4%**

**26%  
Growth**

**10%**

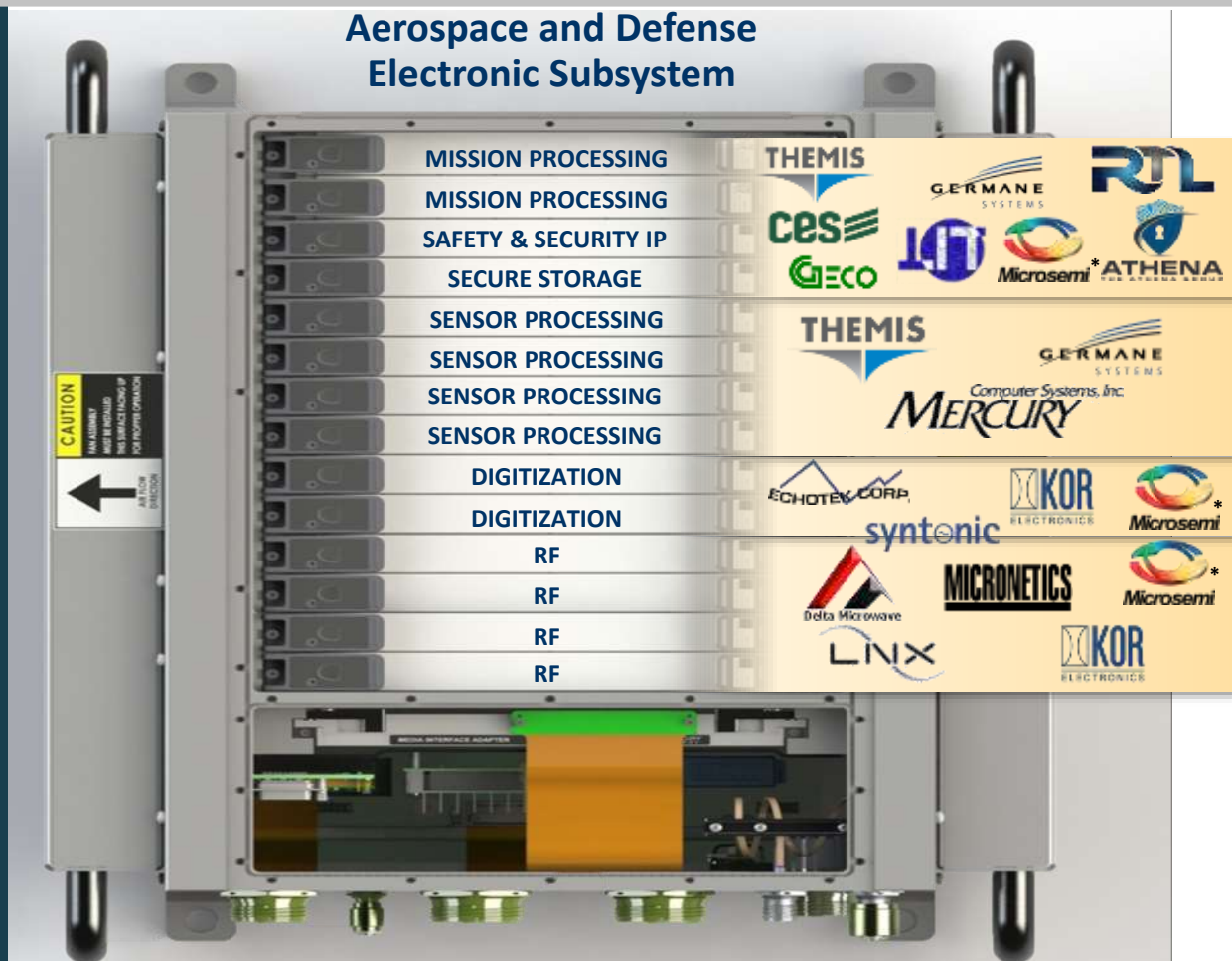
**33%  
Growth**

## Notes:

- Figures for Mercury are based on the Company's earnings release dated July 30, 2019.
- All other data per FactSet as of June 28, 2019. 5-year CAGR for market participants calculated per FactSet for the trailing four fiscal quarters available as of June 28, 2019 and the comparable historical period. Mercury 5-year CAGR calculated as fiscal year 2019 compared fiscal year 2014. Financials represent reported results and are not adjusted for acquisitions or divestitures.
- TIER 2 DEFENSE INDEX: AAR, Aerojet Rocketdyne, AeroVironment, AXON Enterprises, Ball Aerospace, BWX Technologies, Comtech Telecom, Cubic, Curtiss Wright, Ducommun, Elbit Systems, FLIR Systems, HEICO, Hexcel, Honeywell Intl, Kaman, KBR, Kratos Defense, L3Harris Technologies, Maxar, Moog, Oshkosh, OSI Systems, Teledyne Technologies, Textron, TransDigm Group, Triumph Group, United Technologies, Vectrus, Viasat, Woodward Aerospace.

# Acquisitions have transformed Mercury into a commercial...

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



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





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

## Aerospace & Defense Platform and Systems Electronics Content

C4I

JLTV



WIN-T



KC-46



A330 MRTT



Aegis



F-16



Reaper/Gorgon Stare



Triton



Patriot



Aegis



F-35



C-130



Global Hawk



Badger/Buzzard



SEWIP



Stormbreaker



PGK



MALD-J



Paveway



SM2/3/6



Sensor & Effector Mission Systems

**snc** SIERRA NEVADA CORPORATION

**SAIC**

LOCKHEED MARTIN

**Raytheon**

**NORTHROP GRUMMAN**

**DRS**



**L3HARRIS**



**GENERAL ATOMICS**  
**THALES**

**BAE SYSTEMS**



**AIRBUS**



**BOEING**

# Six major trends shaping the defense industry



## **Political Dysfunction:**

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



## **Increased Defense Spending Cycle:**

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



## **Defense Procurement Reform:**

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



## **Innovation Challenges:**

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



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

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

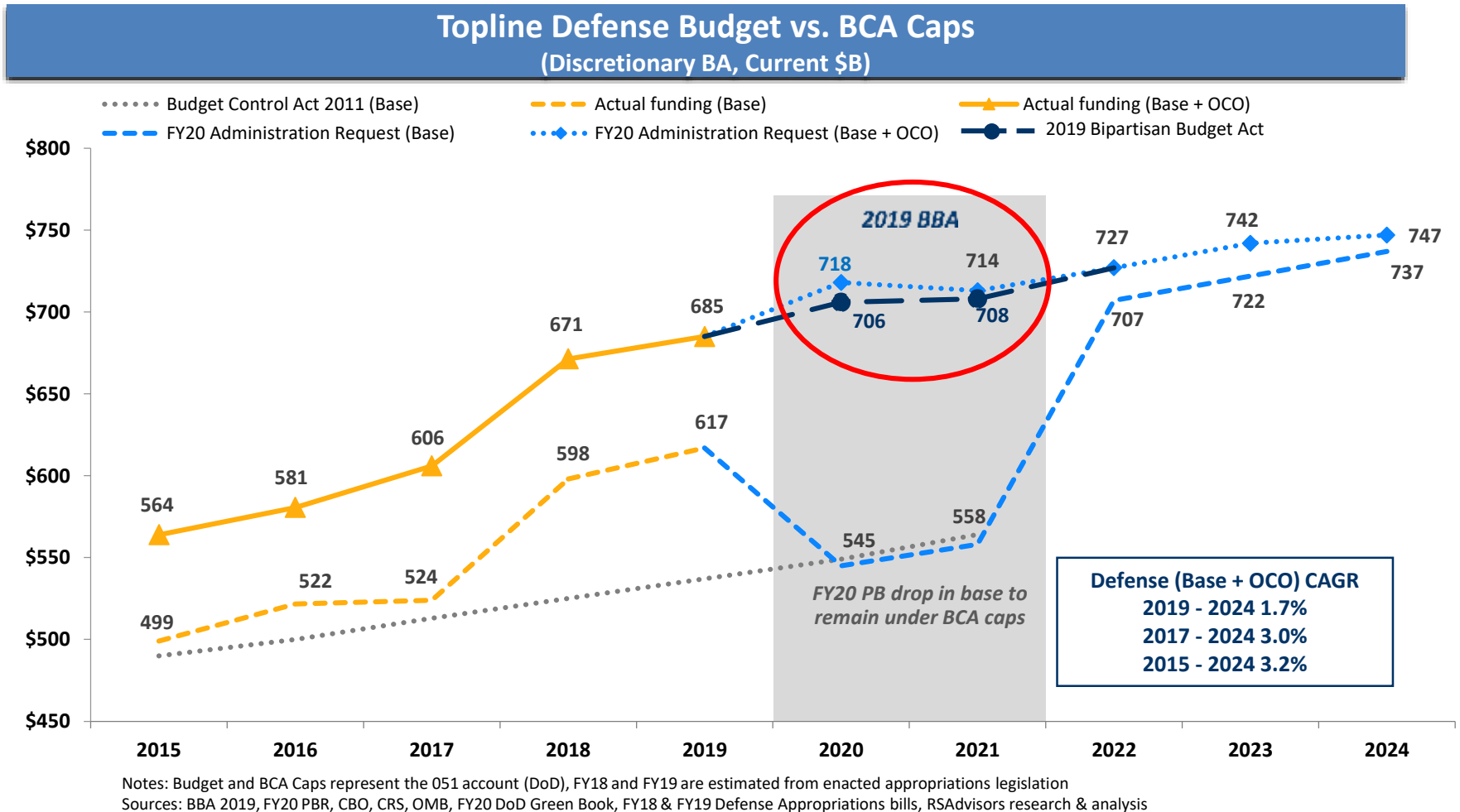


## **Challenging Global Security Environment:**

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



# 2019 Bipartisan Budget Act ends BCA caps...











...with 3% DoD budget increase in FY20 but flat outlook for FY21

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

Our total addressable market is now ~\$39B

## Aerospace & Defense Platform and Systems Electronics Content

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

### Notes:

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

Sources: RSAdvisors research & analysis, October 2018. Numbers are rounded.

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

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

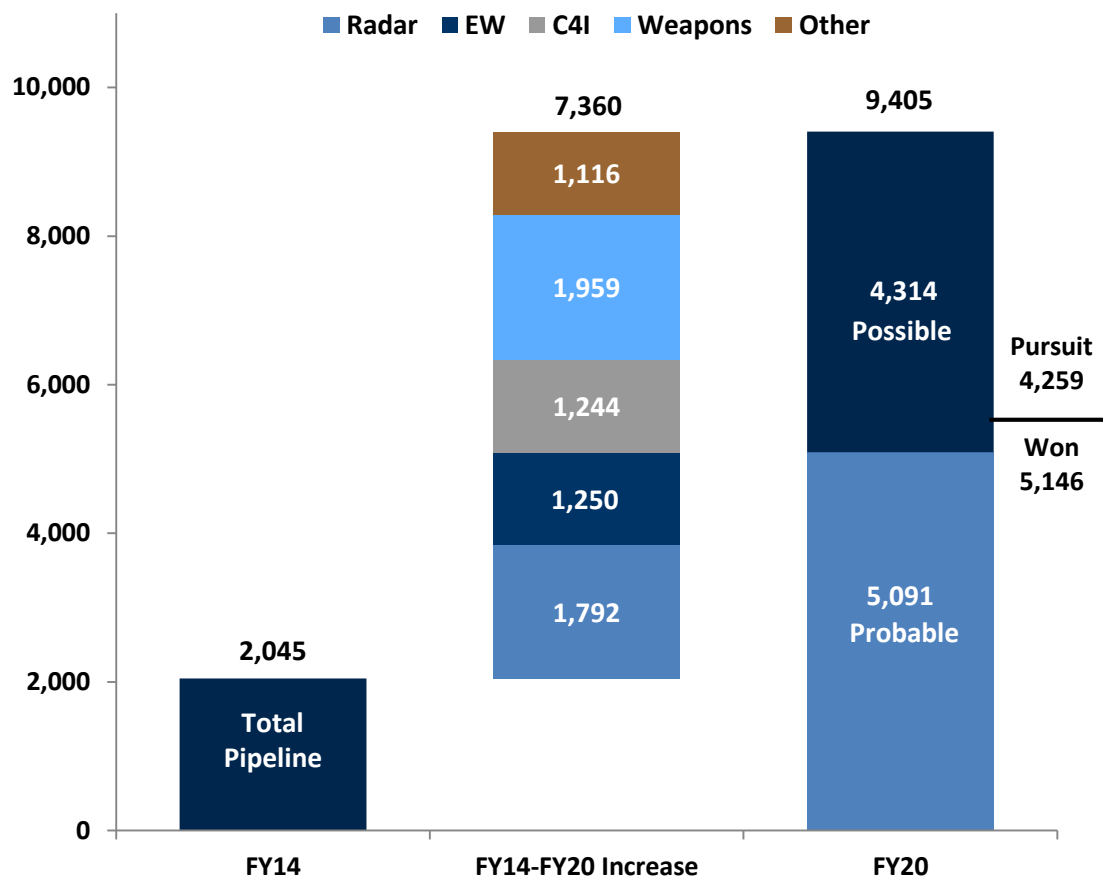


...with DoD investment priorities and overall industry trends

# Acquisitions and investments driving significant opportunity growth...

- Total potential value grew >4.6x to \$9.4B 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 56% of top 30 program forecast life value

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

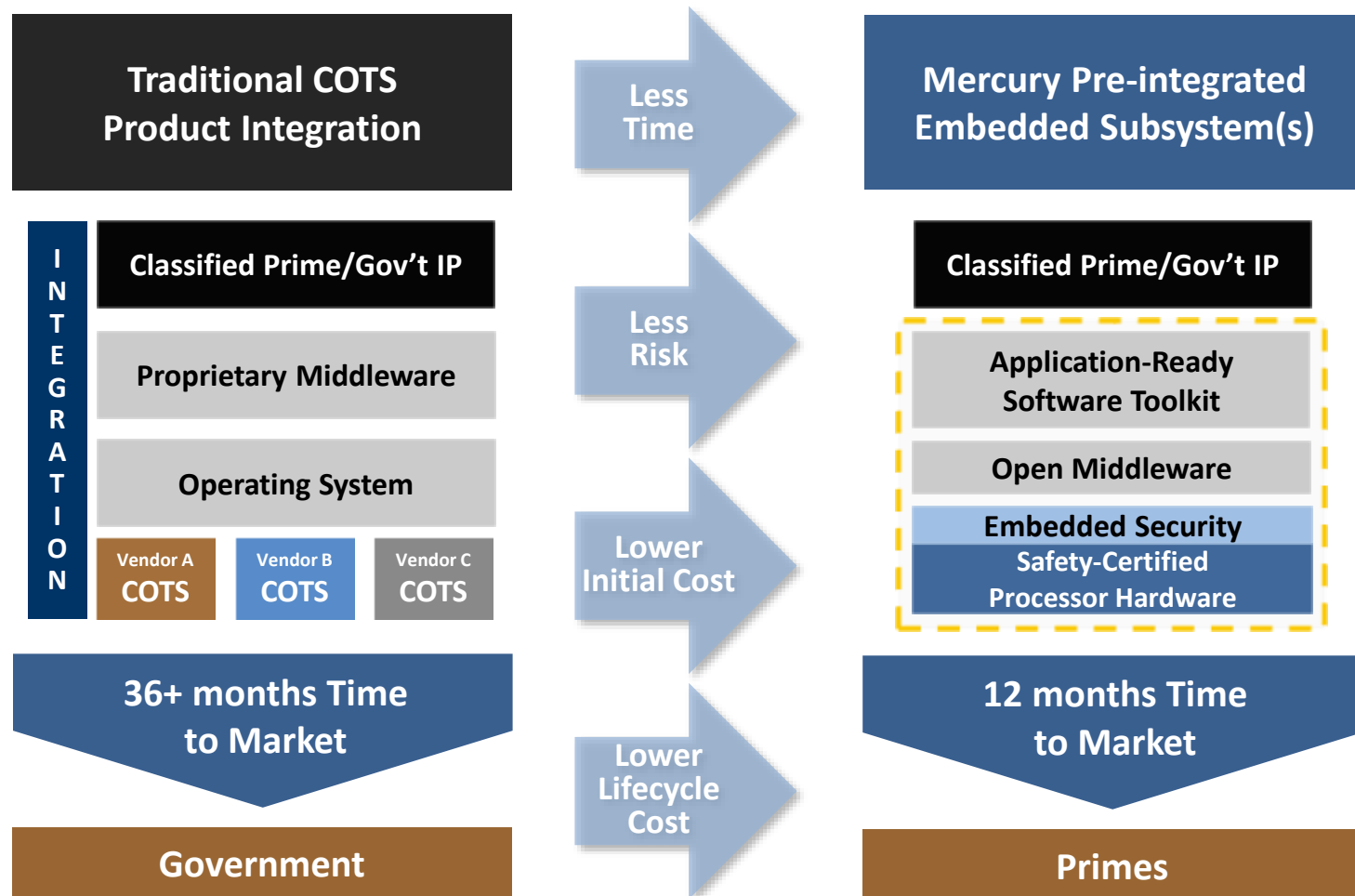


...which in turn is driving strong results

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



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



...as customers seek outsourced pre-integrated subsystems

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

## Secure Sensor and Safety-Critical Processing Solutions



Leading Conduit for  
Commercial Silicon Innovation  
Into A&D Market



Highest Safety Design  
Assurance Levels (DAL)



Highest Performance  
Processing & RFM



Industry-leading  
Embedded Security



Best Size, Weight &  
Power with  
State-of-the-Art  
Cooling Technology



Open Software for  
Low Risk Integration,  
Investment Protection



**PRE-INTEGRATED SUBSYSTEMS**

SILICON

SPEED

SWaP

SOFTWARE

SECURITY

SAFETY

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



# Glassdoor current employee ratings as of July 9, 2019

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	3.4	3.5	3.5
<b>Culture &amp; Values</b>	4.2	3.4	3.5	3.4
<b>Work-Life Balance</b>	3.7	3.4	3.5	3.5
<b>Senior Management</b>	4.1	3.1	3.1	3.1
<b>Compensation &amp; Benefits</b>	4.1	3.1	3.5	3.5
<b>Career Opportunities</b>	4.1	3.0	3.3	3.3
<b>Recommend to Friend</b>	84%	62%	64%	67%
<b>CEO Approval</b>	91%	70%	72%	74%
<b>Positive Business Outlook</b>	88%	49%	56%	56%






























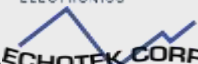

(1) **PROXY PEER GROUP:** ADTRAN, Inc., AeroVironment, Inc., Astronics Corp., Brooks Automation, Inc., CalAmp Corp., Cognex Corp., Comtech Telecommunications Corp., Cray, Inc., Digi International, Inc., Ducommun, Inc., Infinera Corp., iRobot Corp., Kratos Defense & Security Solutions, Inc., MACOM Technology Solutions Holdings, Inc., MKS Instruments, Inc., NETGEAR, Inc., NetScout Systems, Inc., Novanta, Inc., Progress Software Corp., Qualys, Inc., 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, Elbit Systems, FLIR Systems, Harris Corp, Heico, Hexcel, Honeywell Intl, Kaman, KBR, Kratos Defense, L-3 Technologies, Maxar, MOOG, Oshkosh Defense, OSI Systems, Teledyne Technologies, Textron, Transdigm Group, Triumph Group, United Technologies, Vectrus, Viasat, Woodward Aerospace.

Source: Glassdoor, Inc., July 9, 2019

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

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

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

### Notes:

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

Sources: RSAdvisors research & analysis. Numbers are rounded.

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

# Mercury M&A philosophy and value creation blueprint

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

# Strategy and investments have positioned Mercury well

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

# Financial Overview

**Michael Ruppert**

**Executive Vice President & CFO**



# The evolution of Mercury Systems

In millions, except percentage and per share data.

		FY2014	FY2019	Change
Valuation	Market Capitalization <sup>(1,2)</sup>	\$355	\$3,894	11x
	Enterprise Value <sup>(1,2,3)</sup>	\$307	\$3,636	12x
Operational	Revenue <sup>(2)</sup>	\$209	\$655	3x
	Adj. EBITDA <sup>(2)</sup> % Margin	\$22 11%	\$145 22%	7x +~1,100 bps
	Adj. EPS <sup>(2)</sup>	\$0.38	\$1.84	5x
Strategy	Number of Acquisitions <sup>(3,4)</sup>	N.A.	10	N.M.
	Capital Deployed <sup>(3,4)</sup>	N.A.	\$704	N.M.

## Notes

(1) Valuation for FY14 based on basic shares from Company's 2014 10-K and stock price as of June 30, 2014; outstanding basic share count as of June 30, 2014. Valuation for FY19 based on basic shares as of April 30, 2019 from Company's Form 424B5 dated May 23, 2019, adjusted for 6,900,000 shares issued in May 2019 equity offering including exercise by the underwriters of the over-allotment option, and stock price as of June 28, 2019.

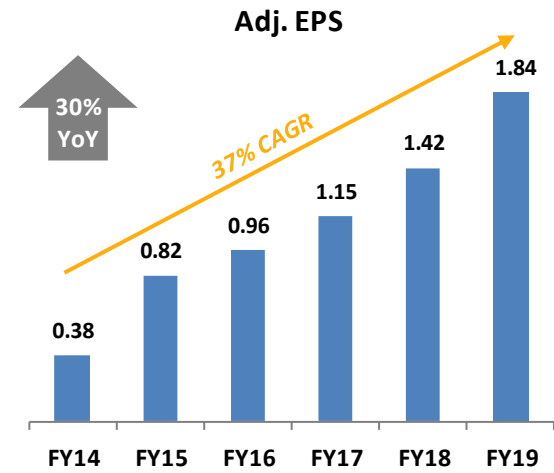
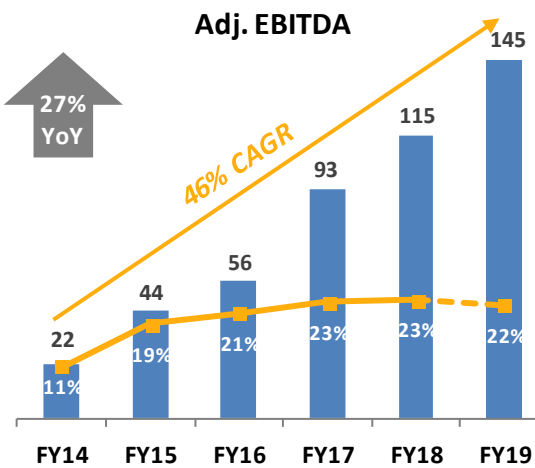
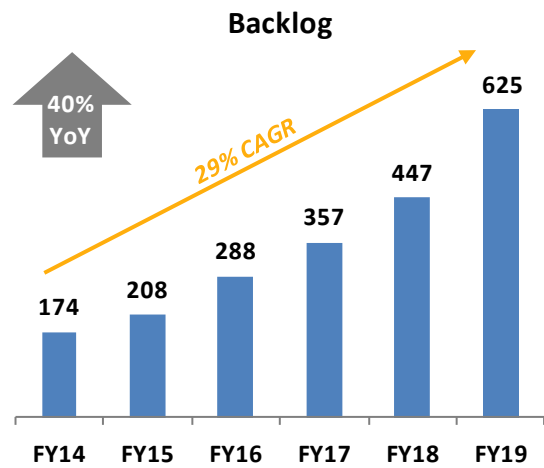
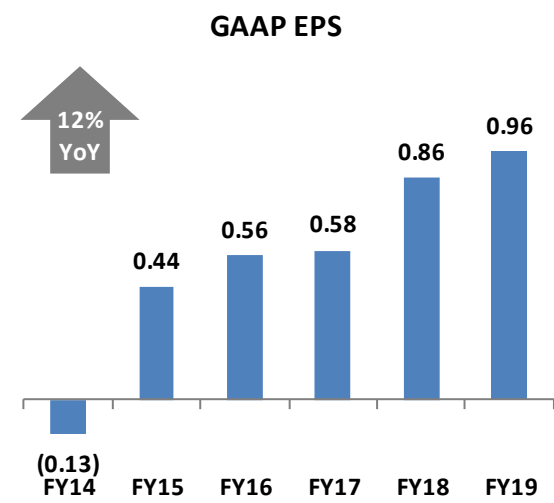
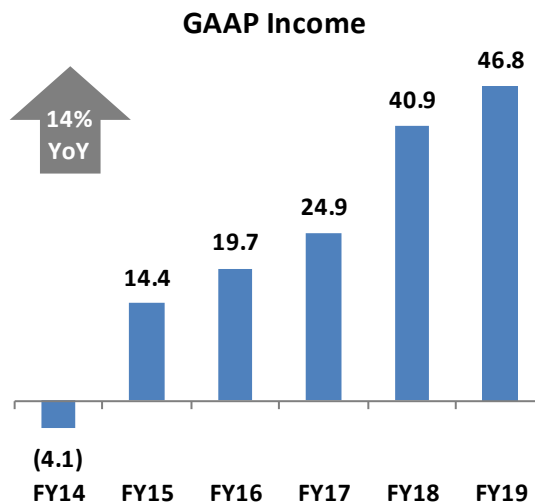
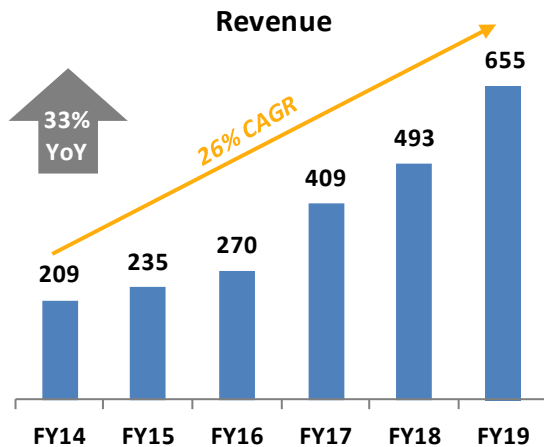
(2) Fiscal years ended June 30, 2014 and June 30, 2019, respectively. Operational figures are based on fiscal year results as reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release. As of Q1 FY19, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency measurement and fixed assets sales and disposals among other adjustments.

(3) Excludes acquisition of American Panel Corporation

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



# Mercury has delivered strong financial results

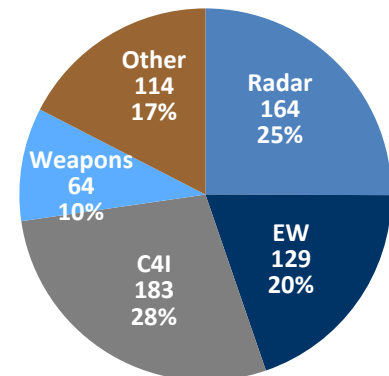
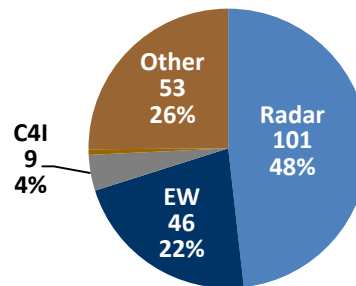
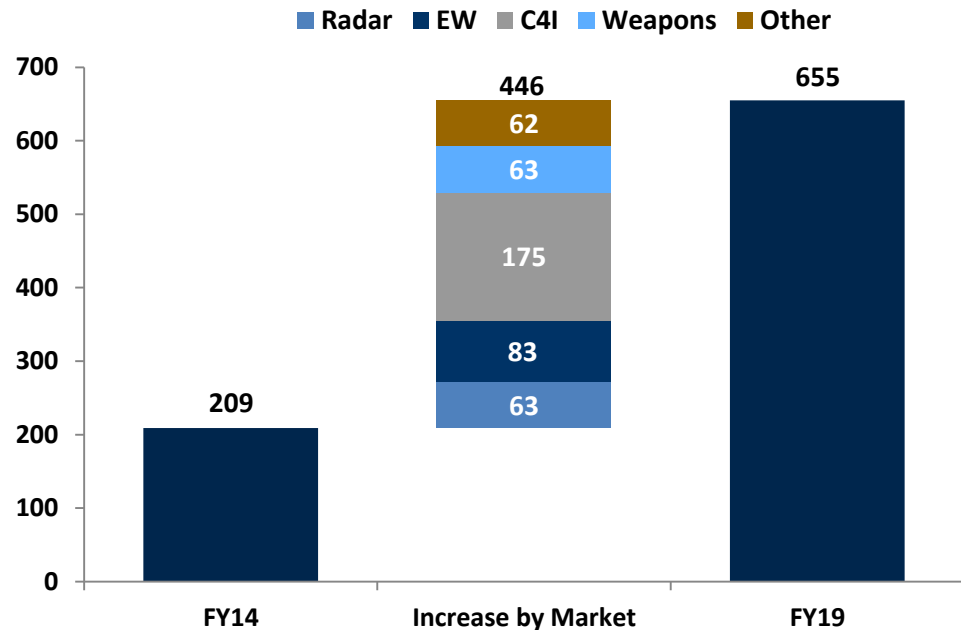


Notes: For the fiscal years ended June 30. CAGR figures for the period FY14-FY19. Numbers are rounded. Per share data is presented on a fully diluted basis. As of July 1, 2018, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes 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.

# 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: For the fiscal years ended June 30, 2014 and June 30, 2019. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.



# FY19 vs. FY18

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

# FY20 annual guidance

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

# Mercury recent acquisition history

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

Source: Company filings, Company investor presentations

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

<sup>(2)</sup> On June 27, 2017, Mercury amended its senior secured credit facility, increasing and extending the revolving credit facility and utilizing the January 2017 equity offering proceeds to repay the remaining principal on the existing term loan.

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

**Total Capital Deployed: \$ 704**

# Committed to maintaining differentiated and attractive financial profile

100%

**Increase EBITDA margins**

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

33%

**Grow organically at high-single / low-double digit**

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

10%

**Supplement with strategic M&A**

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

<5%

Poised to remain in the top 5%





# Summary

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



# Appendix



# Balance sheet

(In \$ millions) <sup>(1)</sup>	As of				
	6/30/18	9/30/18	12/31/18	3/31/19	6/30/19
<b><u>ASSETS</u></b>					
Cash & cash equivalents	\$66.5	\$72.9	\$93.9	\$112.5	\$257.9
Accounts receivable, net	143.8	153.9	168.3	170.7	176.2
Inventory, net	108.6	121.2	126.4	131.7	137.1
PP&E, net	51.0	50.8	53.1	55.9	60.0
Goodwill and intangibles, net	675.3	704.2	696.3	724.3	768.3
Other	19.3	24.0	18.6	17.3	17.4
<b>TOTAL ASSETS</b>	<b>\$1,064.5</b>	<b>\$1,127.0</b>	<b>\$1,156.6</b>	<b>\$1,212.4</b>	<b>\$1,417.0</b>
<b><u>LIABILITIES AND S/E</u></b>					
AP and accrued expenses	\$59.1	\$61.2	\$70.7	\$83.1	\$86.7
Other liabilities	38.5	49.2	49.9	40.4	45.5
Debt <sup>(1)</sup>	195.0	240.0	240.0	276.5	-
<b>Total liabilities</b>	<b>292.6</b>	<b>350.4</b>	<b>360.6</b>	<b>400.0</b>	<b>132.2</b>
<b>Stockholders' equity</b>	<b>771.9</b>	<b>776.6</b>	<b>796.1</b>	<b>812.4</b>	<b>1,284.7</b>
<b>TOTAL LIABILITIES AND S/E</b>	<b>\$1,064.5</b>	<b>\$1,127.0</b>	<b>\$1,156.6</b>	<b>\$1,212.4</b>	<b>\$1,417.0</b>

**Notes:**

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

# Cash flow summary

(In \$ millions) <sup>(1)</sup>	FY18	For the Fiscal Quarters Ended				FY19
		9/30/18	12/31/18	3/31/19	6/30/19	
<b>Net Income</b>	<b>\$40.9</b>	<b>\$7.5</b>	<b>\$12.4</b>	<b>\$14.1</b>	<b>\$12.8</b>	<b>\$46.8</b>
Depreciation and amortization	42.3	11.5	11.7	11.6	11.6	46.4
Termination of interest rate swap	-	-	-	-	5.4	5.4
Other non-cash items, net	14.0	5.5	4.6	6.3	5.1	21.6
<u>Change in Working Capital</u>						
Accounts receivable, unbilled receivables, and costs in excess of billings	(22.8)	(5.9)	(15.0)	(1.2)	(6.0)	(28.1)
Inventory	(16.2)	(4.6)	(4.9)	(4.0)	(3.3)	(17.1)
Accounts payable and accrued expenses	(5.3)	(2.0)	9.2	8.0	2.7	17.9
Other	(9.5)	8.0	7.3	(8.6)	(2.2)	4.5
<b>Changes in Operating Assets and Liabilities</b>	<b>(53.8)</b>	<b>(4.5)</b>	<b>(3.4)</b>	<b>(5.8)</b>	<b>(9.0)</b>	<b>(22.7)</b>
<b>Operating Cash Flow</b>	<b>43.3</b>	<b>20.0</b>	<b>25.3</b>	<b>26.2</b>	<b>26.0</b>	<b>97.5</b>
Capital expenditures	(15.1)	(3.7)	(7.1)	(7.1)	(8.8)	(26.7)
<b>Free Cash Flow<sup>(2)</sup></b>	<b>\$28.2</b>	<b>\$16.3</b>	<b>\$18.2</b>	<b>\$19.2</b>	<b>\$17.1</b>	<b>\$70.8</b>
<i>Free Cash Flow<sup>(2)</sup> / Adjusted EBITDA<sup>(2)</sup></i>	<i>24%</i>	<i>52%</i>	<i>49%</i>	<i>49%</i>	<i>45%</i>	<i>49%</i>
<i>Free Cash Flow<sup>(2)</sup> / GAAP Net Income</i>	<i>69%</i>	<i>218%</i>	<i>147%</i>	<i>136%</i>	<i>134%</i>	<i>151%</i>

**Notes:**

(1) Rounded amounts used.

(2) Non-GAAP, see reconciliation table.

# Q4 FY19 vs. Q4 FY18

<i>In \$ millions, except percentage and per share data</i>	<b>Q4 FY18</b>	<b>Q4 FY19</b>	<b>Change</b>
<b>Bookings</b> Book-to-Bill	\$171.7 1.12	\$241.3 1.36	41%
<b>Backlog</b> 12-Month Backlog	\$447.1 328.5	\$625.4 451.2	40%
<b>Revenue</b> Organic Revenue Growth <sup>(1)</sup>	\$152.9 16%	\$177.0 4%	16%
<b>Gross Margin</b>	44.7%	45.1%	0.4 pts
<b>Operating Expenses</b> 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%
<b>GAAP Net Income</b> Effective Tax Rate	\$10.1 39.2%	\$12.8 (1.7%)	27%
<b>GAAP EPS</b> Weighted Average Diluted Shares	\$0.21 47.5	\$0.25 50.7	19%
<b>Adjusted EPS<sup>(2)</sup></b>	\$0.47	\$0.47	-
<b>Adj. EBITDA<sup>(2)</sup></b> % of revenue	\$37.7 24.6%	\$37.9 21.4%	1%
<b>Operating Cash Flow</b>	\$25.6	\$26.0	2%
<b>Free Cash Flow<sup>(2)</sup></b>	\$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.

# Adjusted EPS reconciliation

(In thousands, except per share data)	FY14	FY15	FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	FY19	Q1 FY20 <sup>(2)(4)</sup>		FY20 <sup>(2)(4)</sup>	
																			Low	High	Low	High
Earnings per share <sup>(1)</sup>	\$ (0.13)	\$ 0.44	\$ 0.56	\$ 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	\$ 1.31
Net Income	\$ (4,072)	\$14,429	\$19,742	\$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	\$ 72,400
Amortization of intangible assets	7,328	7,008	8,842	4,602	4,888	4,732	5,458	19,680	5,637	5,827	7,104	7,436	26,004	7,181	6,939	6,786	7,008	27,914	7,000	7,000	27,600	27,600
Restructuring and other charges	5,443	3,175	1,240	297	69	459	1,127	1,952	95	313	1,384	1,367	3,159	504	23	46	(13)	560	-	-	-	-
Impairment of long-lived assets	-	-	231	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition and financing costs	-	451	4,701	553	1,114	569	153	2,389	854	1,366	1,909	799	4,928	1,043	762	787	7,036	9,628	900	900	3,500	3,500
Fair value adjustments from purchase accounting	-	-	1,384	2,077	870	270	462	3,679	509	84	539	860	1,992	620	-	93	-	713	-	-	-	-
Litigation and settlement expense (income), net	-	-	(1,925)	-	100	-	17	117	-	-	-	-	-	-	179	146	19	344	-	-	-	-
Stock-based and other non-cash compensation expense	8,999	8,640	9,574	3,632	4,093	3,715	3,901	15,341	4,696	4,941	3,669	4,309	17,615	4,743	5,338	4,914	4,626	19,621	5,400	5,400	24,100	24,100
Impact to income taxes <sup>(1)</sup>	(5,773)	(6,733)	(9,975)	(6,085)	(4,441)	(3,576)	(4,500)	(18,602)	(11,951)	(8,615)	(4,082)	(2,621)	(27,269)	(3,073)	(3,009)	(2,850)	(7,620)	(16,552)	(3,300)	(3,300)	(13,000)	(13,000)
Adjusted income	\$11,925	\$26,970	\$33,814	\$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	\$114,600
Adjusted earnings per share <sup>(1)</sup>	\$ 0.38	\$ 0.82	\$ 0.96	\$ 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	\$ 2.08
Weighted-average shares outstanding:																						
Basic	31,000	32,114	34,241	38,865	39,151	43,773	46,211	41,986	46,504	46,752	46,844	46,873	46,719	47,048	47,189	47,258	49,835	47,831				
Diluted	31,000	32,939	35,097	39,865	39,985	44,814	47,472	43,018	47,489	47,447	47,532	47,521	47,471	47,697	47,705	47,958	50,655	48,500	55,100	55,100	55,200	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 recalculation also 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 and to fiscal 2020 are to the fiscal year ending June 26, 2020.



# Adjusted EBITDA reconciliation

(In thousands)	FY14	FY15	FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	FY19	Q1 FY20 <sup>(2)(3)</sup>		FY20 <sup>(2)(3)</sup>	
																			Low	High	Low	High
<b>Net Income</b>	<b>\$ (4,072)</b>	<b>\$14,429</b>	<b>\$19,742</b>	<b>\$ 3,819</b>	<b>\$ 5,204</b>	<b>\$ 7,048</b>	<b>\$ 8,804</b>	<b>\$24,875</b>	<b>\$17,953</b>	<b>\$ 9,133</b>	<b>\$ 3,696</b>	<b>\$10,101</b>	<b>\$ 40,883</b>	<b>\$ 7,479</b>	<b>\$12,383</b>	<b>\$14,109</b>	<b>\$12,804</b>	<b>\$ 46,775</b>	<b>\$11,500</b>	<b>\$13,000</b>	<b>\$ 66,500</b>	<b>\$ 72,400</b>
Other non-operating adjustments, net <sup>(1)</sup>	(1,532)	(786)	(1,137)	(732)	(129)	(378)	(107)	(1,346)	222	(326)	(694)	3	(795)	365	(18)	(502)	519	364	-	-	-	-
Interest expense (income), net	40	13	1,041	1,782	1,888	1,756	1,680	7,106	(16)	104	999	1,731	2,818	2,193	2,125	2,268	1,591	8,177	(1,400)	(1,400)	(5,600)	(5,600)
Income Taxes	(1,841)	4,366	5,544	(1,259)	1,779	3,170	2,503	6,193	(8,381)	1,335	2,209	6,527	1,690	3,129	4,483	5,357	(217)	12,752	4,000	4,600	23,300	25,500
Depreciation	7,625	6,332	6,900	2,718	2,966	3,233	3,672	12,589	3,700	3,775	4,277	4,521	16,273	4,365	4,769	4,790	4,554	18,478	4,600	4,500	21,100	21,000
Amortization of intangible assets	7,328	7,008	8,842	4,602	4,888	4,732	5,458	19,680	5,637	5,827	7,104	7,436	26,004	7,181	6,939	6,786	7,008	27,914	7,000	7,000	27,600	27,600
Restructuring and other charges	5,443	3,175	1,240	297	69	459	1,127	1,952	95	313	1,384	1,367	3,159	504	23	46	(13)	560	-	-	-	-
Impairment of long-lived assets	-	-	231	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition and financing costs	-	451	4,701	553	1,114	569	153	2,389	854	1,366	1,909	799	4,928	1,043	762	787	7,036	9,628	900	900	3,500	3,500
Fair value adjustments from purchase accounting	-	-	1,384	2,077	870	270	462	3,679	509	84	539	860	1,992	620	-	93	-	713	-	-	-	-
Litigation and settlement expense (income), net	-	-	(1,925)	-	100	-	17	117	-	-	-	-	-	-	179	146	19	344	-	-	-	-
Stock-based and other non-cash compensation expense	8,999	8,640	9,574	3,632	4,093	3,715	3,901	15,341	4,696	4,941	3,669	4,309	17,615	4,743	5,338	4,914	4,626	19,621	5,400	5,400	24,100	24,100
<b>Adjusted EBITDA</b>	<b>\$21,990</b>	<b>\$43,628</b>	<b>\$56,137</b>	<b>\$17,489</b>	<b>\$22,842</b>	<b>\$24,574</b>	<b>\$27,670</b>	<b>\$92,575</b>	<b>\$25,269</b>	<b>\$26,552</b>	<b>\$25,092</b>	<b>\$37,654</b>	<b>\$114,567</b>	<b>\$31,622</b>	<b>\$36,983</b>	<b>\$38,794</b>	<b>\$37,927</b>	<b>\$145,326</b>	<b>\$32,000</b>	<b>\$34,000</b>	<b>\$160,500</b>	<b>\$168,500</b>

## Notes:

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

(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 and to fiscal 2020 are to the fiscal year ending June 26, 2020.

# Free cash flow reconciliation

(In thousands)	FY14	FY15	FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	FY19
Cash provided by operating activities	\$14,241	\$32,207	\$36,940	\$ 10,283	\$ 14,238	\$ 24,889	\$ 9,736	\$59,146	\$ 8,028	\$ 8,779	\$ 873	\$ 25,641	\$43,321	\$ 20,029	\$ 25,301	\$ 26,218	\$ 25,969	\$97,517
Purchases of property and equipment	(6,701)	(5,984)	(7,885)	(6,050)	(7,703)	(13,036)	(6,055)	(32,844)	(3,628)	(3,964)	(3,475)	(4,039)	(15,106)	(3,727)	(7,075)	(7,060)	(8,829)	(26,691)
Free cash flow	\$ 7,540	\$26,223	\$29,055	\$ 4,233	\$ 6,535	\$11,853	\$ 3,681	\$26,302	\$ 4,400	\$ 4,815	\$ (2,602)	\$21,602	\$28,215	\$16,302	\$18,226	\$19,158	\$17,140	\$70,826



# Organic revenue reconciliation

(In thousands)	FY14	FY15	FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	FY19
Organic revenue <sup>(1)</sup>	\$208,729	\$234,847	\$253,516	\$ 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	\$541,487
Acquired revenue <sup>(2)</sup>	-	-	16,638	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	113,257
Net revenues	\$208,729	\$234,847	\$270,154	\$ 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	\$654,744

Notes:

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

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

# Glossary

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