

A young boy is seen from behind, pointing his right arm towards a window. Outside the window, several fighter jets are flying in a formation against a blue sky with light clouds. The entire scene is overlaid with a blue tint and a white geometric grid pattern.

mercury

**WILLIAM BLAIR & CO
42ND ANNUAL GROWTH
STOCK CONFERENCE**

Mike Ruppert
Executive Vice President & CFO

June 7, 2022

Forward-looking safe harbor statement

This presentation contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to the products and services described herein and to fiscal 2022 business performance and beyond and the Company's plans for growth, cost savings 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 epidemics and pandemics such as COVID, effects of any U.S. Federal government shutdown or extended continuing resolution, effects of continued geopolitical unrest and regional conflicts, competition, inflation, 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, changes in, or in the interpretation or enforcement of environmental rules and regulations, market acceptance of the Company's products, shortages in or delays in receiving components, production delays or unanticipated expenses due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions, restructurings and value creation initiatives such as 1MPACT, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, effects of shareholder activism, increases in interest rates, changes to industrial security and cyber-security regulations and requirements, 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 July 2, 2021. 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.

Mercury Systems at-a-glance

Innovation That Matters. By and For People Who Matter.




Founded in
1981
NASDAQ: MRCY



Transformational business
model at the intersection
of high tech and defense



Making commercial technology
profoundly more accessible



Our goal is to provide all
processing solutions on
every system requiring
uncompromised computing



Deployed on 300+ programs –
serving defense Primes and
critical infrastructure providers

Purpose driven –
Innovation That
Matters. By and For
People Who Matter

Mercury Systems by the numbers

~2,300

Number of team members globally,
many hold DoD security clearances

4-5x

Research & development relative
investment compared to our industry

24%

CAGR FY14-FY21
\$924M FY21 Revenue

26

Global state-of-the-art facilities

300+

Installed base: number of A&D
programs with Mercury embedded

37%

CAGR FY14-FY21
\$202M FY21 Adj. EBITDA
22% margin

40

Years of tech leadership
in the A&D industry

25+










Prime customers: including virtually
all leaders in the A&D industry

15

Number of M&A transactions
completed since FY14

Mercury solutions deployed on 300+ programs with 25+ primes

Aerospace & Defense Platform and Systems Electronics Content














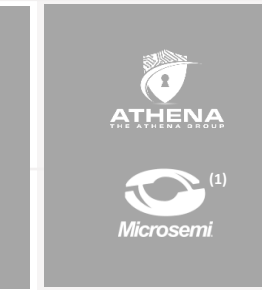
	JLTV	Subsurface Fleet	BLACKHAWK	A330 MRTT	Aegis	Primes
C4I						AIRBUS BAE SYSTEMS BOEING GENERAL ATOMICS L3HARRIS LEONARDO LOCKHEED MARTIN NORTHROP GRUMMAN RAYTHEON TECHNOLOGIES SAIC SIERRA NEVADA THALES
Sensor & Effector Mission Systems						
						
						

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

Aerospace & Defense Platform and Systems Electronics Content

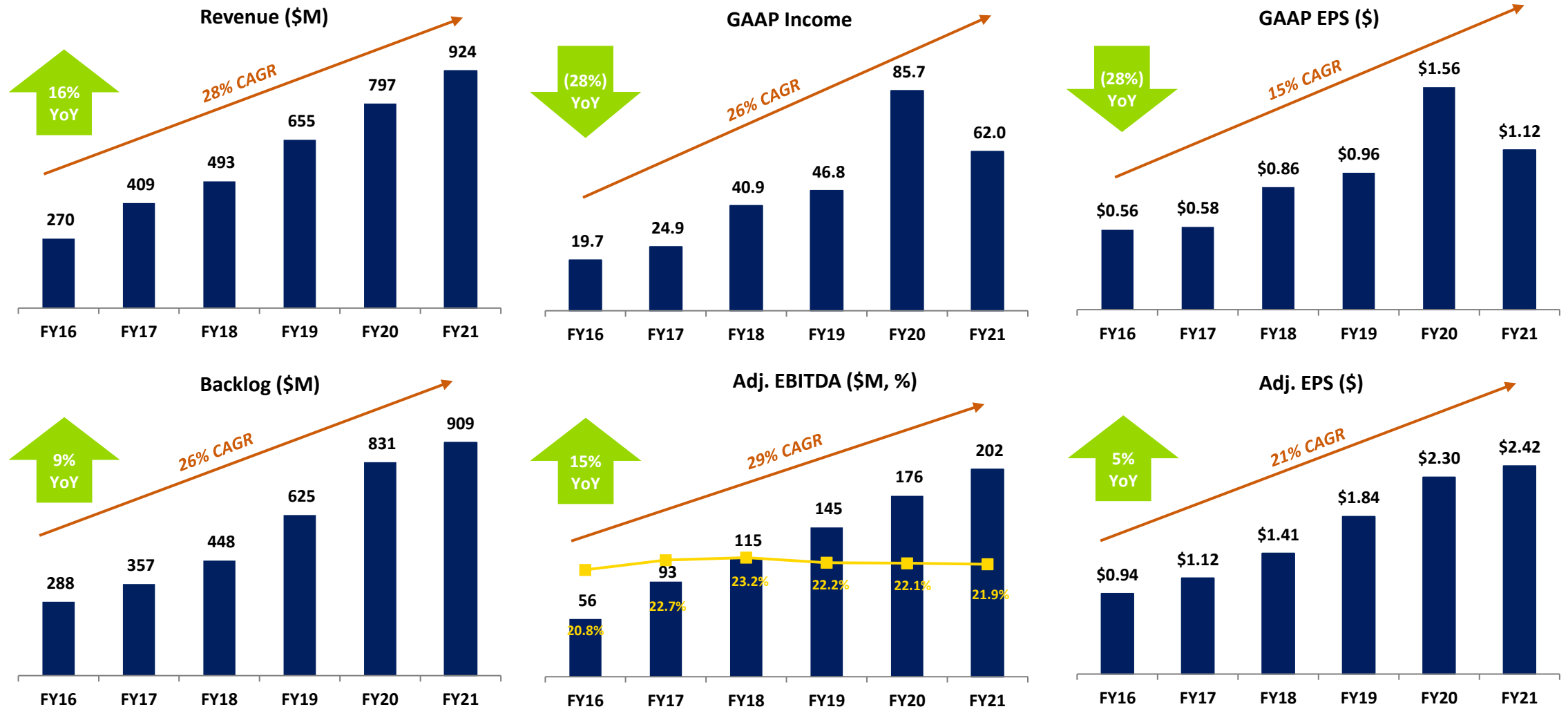
C4I (\$24.0B)*

Sensor & Effector Mission Systems (\$18.2B)*

MARKET SEGMENT	C4I (\$24.0B)*			Sensor & Effector Mission Systems (\$18.2B)*				
	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
ACQUISITIONS					<p>ORGANIC</p>			
GFY21 TIER 2* MARKET (\$B)	\$6.7B	\$8.3B	\$8.9B	\$5.8B	\$5.8B	\$2.1B	\$1.2B	\$3.4B
	6.3%	4.5%	3.7%	2.6%	2.6%	3.4%	3.7%	4.1%
	'21-26 CAGR	'21-26 CAGR	'21-26 CAGR	'21-26 CAGR	'21-26 CAGR	'21-26 CAGR	'21-26 CAGR	'21-26 CAGR

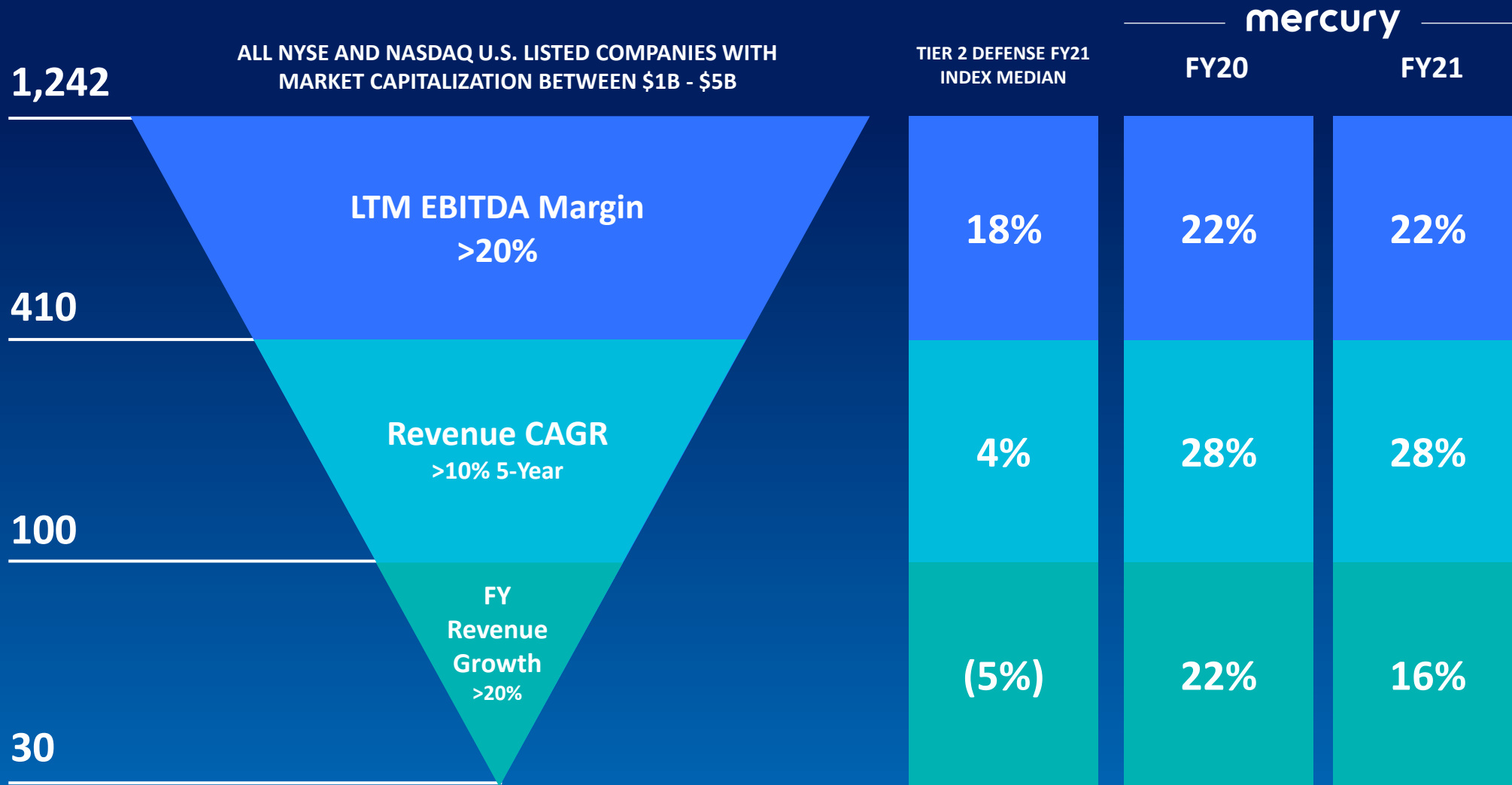
Notes: *Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets
Sources: RSAAdvisors research & analysis, September 2021. Numbers are rounded.

Mercury continues to deliver strong financial results



Notes: CAGR figures for the period FY16-FY21. YoY figures for the period FY20 vs. FY21. 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.

Mercury's financial profile demonstrates our unique strategy



Notes:

- Fiscal year figures for Mercury are based on the trailing four fiscal quarters using information reported in Mercury's Form 10-Ks, Form 10-Qs and/or most recent earnings release. All other data per FactSet as of July 15, 2021. 5-year CAGR for market participants calculated per FactSet for the trailing four fiscal quarters available as of July 15, 2021 and the comparable historical period. Mercury 5-year CAGR calculated as the trailing four fiscal quarters ending fiscal Q4 FY21 and fiscal Q4 FY20 for FY21 and FY20, respectively, compared to the trailing four fiscal quarters ending fiscal Q4 FY16 and Q4 FY15, respectively. Financials represent reported results and are not adjusted for acquisitions or divestitures.
- TIER 2 DEFENSE INDEX: AAR, Aerojet Rocketdyne, AeroVironment, AXON Enterprise, Ball Corporation, BWX Technologies, Comtech Telecommunications Corp, Curtiss-Wright, Ducommun, Elbit Systems, HEICO, Hexcel, Honeywell Intl, Kaman, Kratos Defense & Security Solutions, L3Harris Technologies, Maxar, Moog, Oshkosh, OSI Systems, Rada Electronic Industries Ltd., Teledyne Technologies, Textron, TransDigm Group, Triumph Group, ViaSat, Woodward, Inc.

Investment highlights

Innovative growth company at intersection of high tech and defense

Focused on large, growing, well-funded addressable markets

Proven transformational business model investing 4-5x defense industry average in R&D

Benefiting from outsourcing, supply chain delayering and “re-shoring”

Low-risk content expansion strategies delivering above-average organic revenue CAGR

Successful M&A and integration strategy targeting new capabilities and market expansion

Mercury strategy: A plan to meet market needs at speed

1/

Invest to grow organically

2/

Expand capabilities,
market access and penetration
through M&A

3/

Invest in trusted, secure
Innovation That Matters[®]

4/

Continuously improve
operational capability
and scalability

5/

Attract and retain
the right talent

Six major trends shaping the defense industry

1/ Defense spending tailwinds

Russia-Ukraine conflict has solidified political commitment to defense investment likely leading to increased domestic and international defense spending over the next 5+ years

2/ Challenging global security environment

National Defense Strategy is focused on near-peer threats; Chinese militarization and power projection, resurgent Russia; Drives technology requirements

3/ Electronics driving future platform value

Defense electronics are comprising a larger share of military platform cost and value on both new and legacy platforms. Significant system upgrades underway to maintain and extend competitive advantage: Sensor & C4I as well as weapon systems modernization and readiness

4/ Investment and innovation challenges

Primes increasing headcount but recruitment challenges and aging workforce; Relatively low IRAD requires focused investment and increased outsourcing

5/ Need access to commercial technology

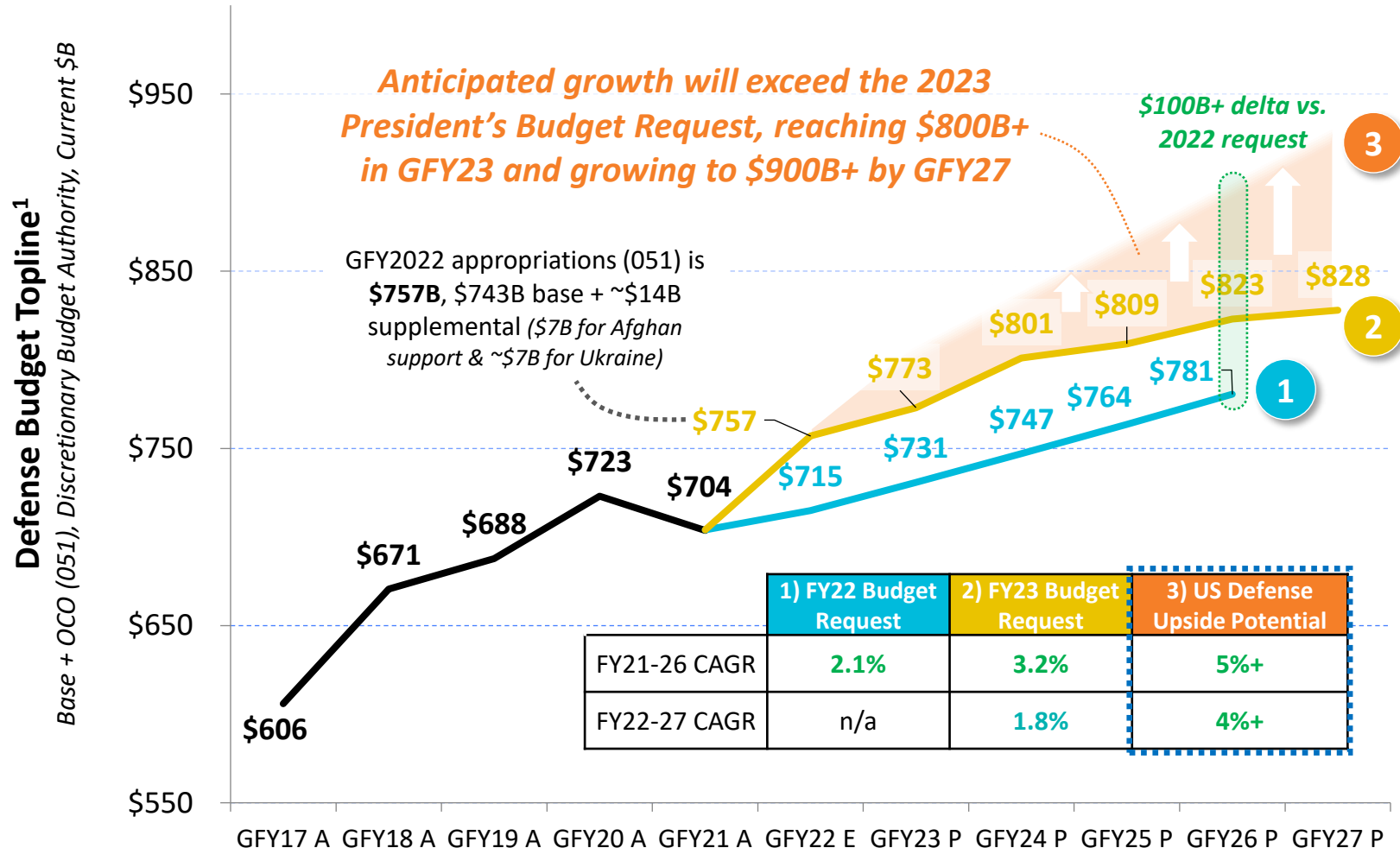
Leverage high-tech commercial investment and innovation; must be tailored for defense purposes. Microelectronics elevated to DoD's #1 technology priority

6/ Imperative for U.S.-produced technology

Supply chain globalization vs. need for trust, security and assurance. Need to onshore capacity and capability

Conversation on defense spending has changed dramatically

Budget outlook has shifted from modest to significant growth, potentially surpassing \$900B by FY27



Source: Renaissance Strategic Advisors

Slow FY22 expectations for defense...

- There was broad consensus that the US defense spending was likely to face a flat-to-down outlook by mid-2020s
- Limited support to expend political capital in an environment where the populace was tired of multi-decade counter-insurgency and anti-terror operations
- Despite this dynamic, there was continued investment in next-generation capabilities

...have shifted rapidly in recent months

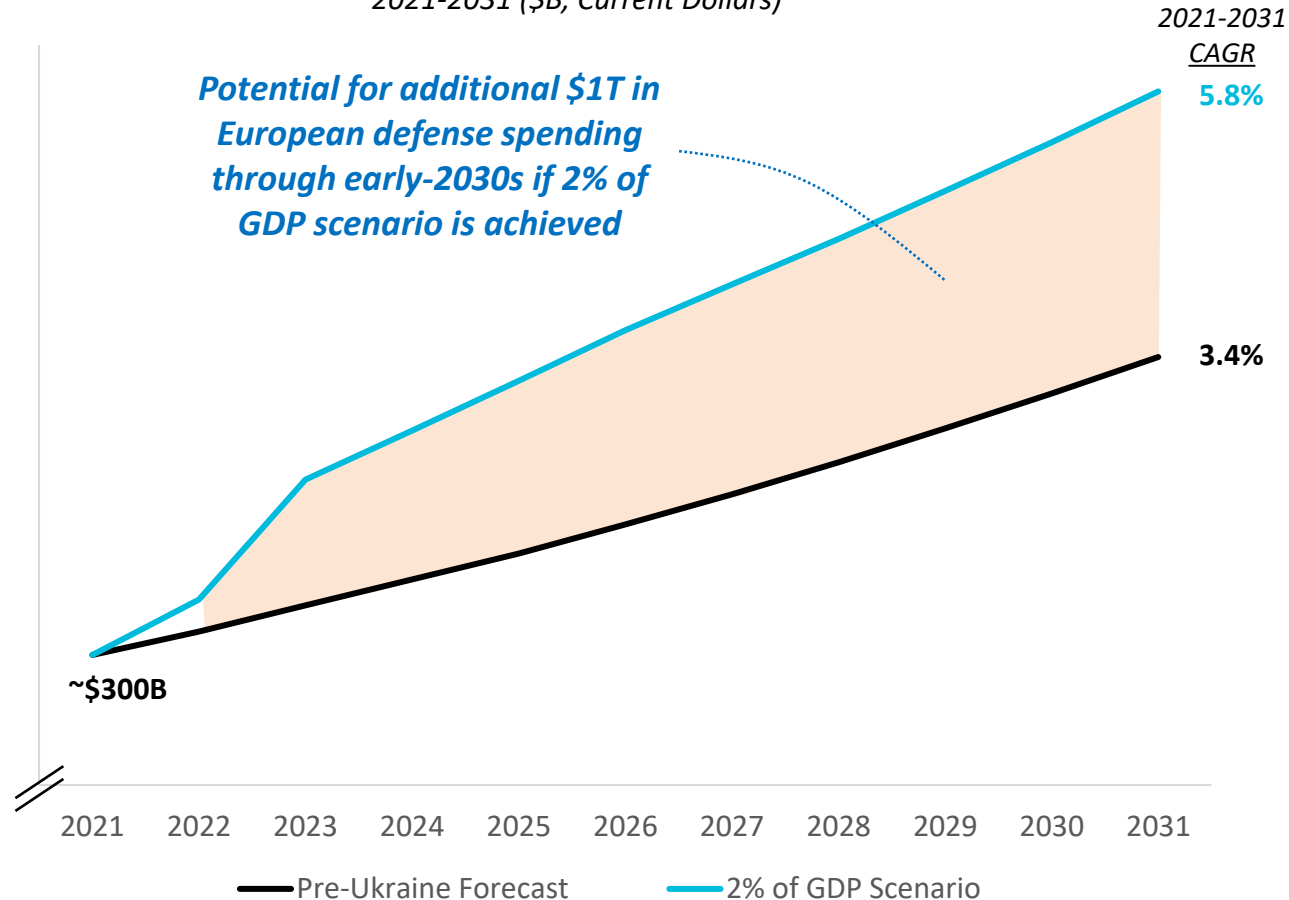
- Prior market views expected flat funding absent an exogenous event—Ukrainian conflict appears to be that event
- Threat of great power competition is no longer ideological, but is playing out (with some unclear implications) in Ukraine
- Longstanding rhetoric on the need to prepare for great power competition may have reached a tipping point

European defense spending could expand by nearly \$1T over next decade

Led by Germany, European defense spending could grow significantly over the coming decade

Preliminary European Defense Spending Scenario Forecasts

2021-2031 (\$B, Current Dollars)



Discussion

Pre-invasion:

- European nations were spending a combined total of ~\$300B
- Growth was expected to come from Eastern European nations keen to modernize due to Russian threats
- Select Western European nations such as the UK and France were seeking to recapitalize major platforms







Outcome likely to be between two scenarios

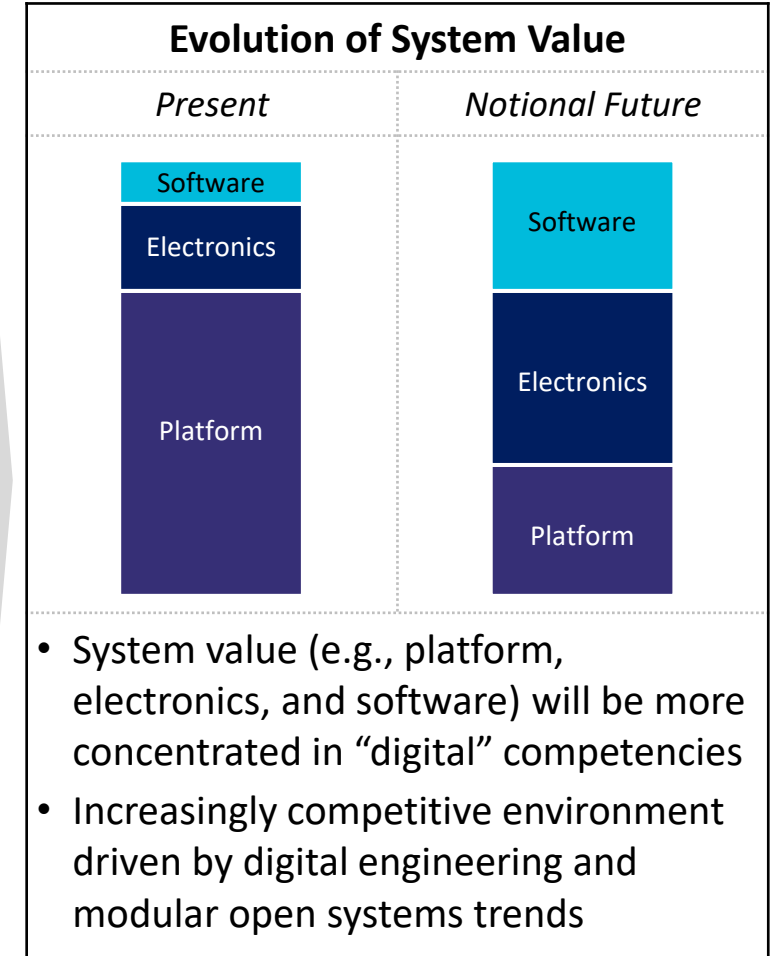
2% of GDP Scenario:

- More defense spending increases likely (e.g., Finland, Italy)
- If all European NATO nations increased defense spending to at least the meet the 2% target (of total GDP), this would likely add an additional \$80-100B of defense expenditure in Europe annually by the end of the decade

Source: Renaissance Strategic Advisors

Future system value is shifting to electronics systems

	Past		Present	
Air	F-4 		F-35 	
	% Electronics: 25%	# of Electronics: ~15	% Electronics: 45%	# of Electronics: 30+
Sea	Oliver Perry Class Frigate 		Zumwalt Class Destroyer 	
	% Electronics: 20%	# of Electronics: ~8	% Electronics: 40%	# of Electronics: 30+
Land	M-60 		M1A2 Abrams 	
	% Electronics: 25%	# of Electronics: 8+	% Electronics: 45%	# of Electronics: 20+



Source: Renaissance Strategic Advisors









The A&D electronics systems market is ~\$130B annually

Our total addressable market is now ~\$42B

Aerospace & Defense Platform and Systems Electronics Content

C4I (\$24.0B)*

Sensor & Effector Mission Systems (\$18.2B)*

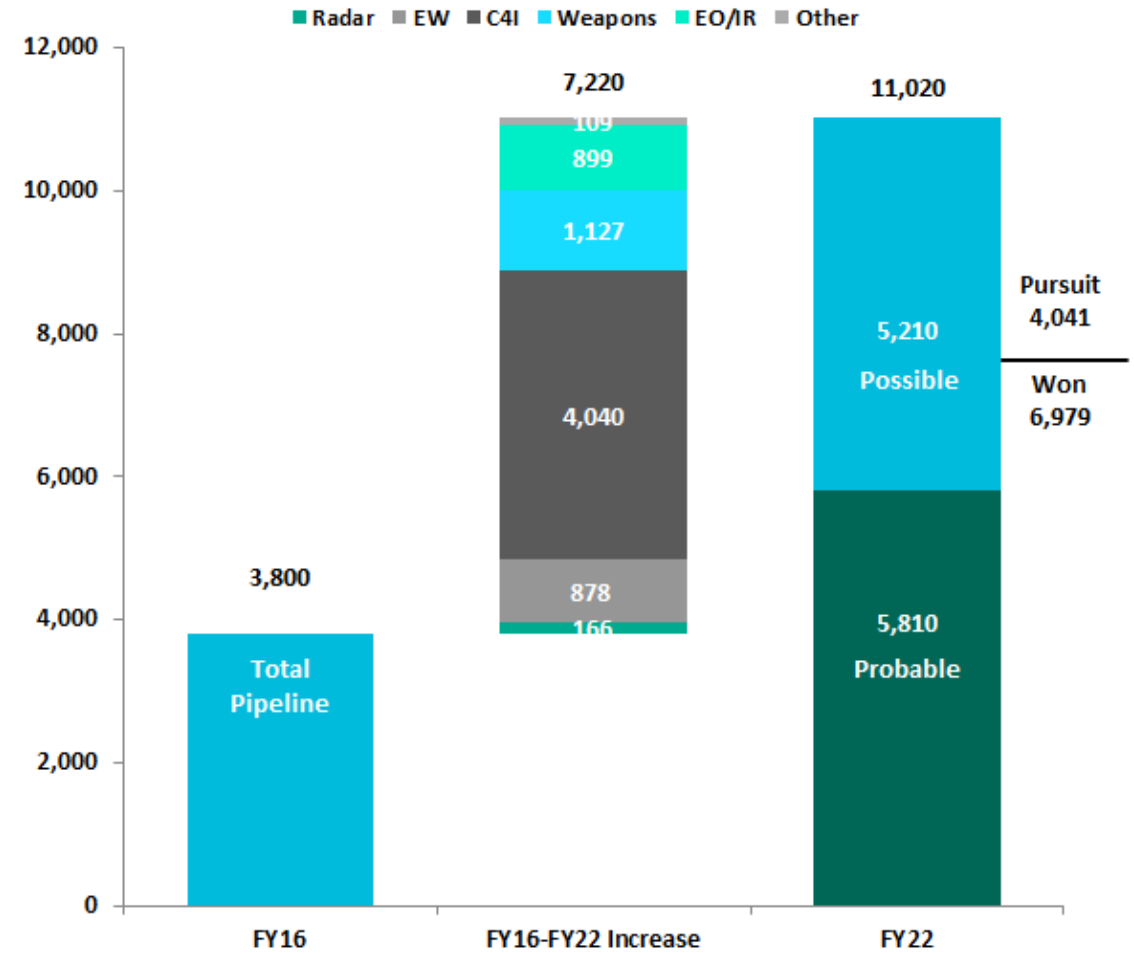
MARKET SEGMENT	Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
								
	Avionics/ Vetronics	Command & Control/Battle Management	Dedicated Communications	Electronic Warfare	Radar	Electro-Optical/ Infrared	Acoustics	Missiles/ Munitions
DEFINITION	Control & operation of platform & mission systems	Processing & exploitation of information	Dissemination of information	Offensive / defensive exploitation of EM spectrum	Use of RF signal to detect, track, ID	Thermographic camera with video output	Sound pulses to determine object location	Seekers, HEL, HPM Naval Launched Air Launched
GFY21 ELECTRONICS MARKET (\$B)	\$26.1B 5.5% '21-26 CAGR	\$40.1B 3.5% '21-26 CAGR	\$19.1B 3.4% '21-26 CAGR	\$9.3B 2.2% '21-26 CAGR	\$10.9B 2.1% '21-26 CAGR	\$13.1B 2.2% '21-26 CAGR	\$4.6B 3.0% '21-26 CAGR	\$6.8B 3.7% '21-26 CAGR
GFY21 TIER 2* MARKET (\$B)	\$6.7B 6.3% '21-26 CAGR	\$8.3B 4.5% '21-26 CAGR	\$8.9B 3.7% '21-26 CAGR	\$5.8B 2.6% '21-26 CAGR	\$5.8B 2.6% '21-26 CAGR	\$2.1B 3.4% '21-26 CAGR	\$1.2B 3.7% '21-26 CAGR	\$3.4B 4.1% '21-26 CAGR

Notes: *Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets
Sources: RSAadvisors research & analysis, September 2021. Numbers are rounded.

Acquisitions and investments driving significant opportunity for growth, which in turn is driving strong results

- Total potential value grew >2.9x to \$11B in 6 years
- Significant Radar, EW, C4I, weapons and EO/IR opportunity pipeline
- Acquisitions bring new programs and capabilities
- Larger, more diversified, program base reduces risk
- Content expansion driving above-average growth
- Outsourced integrated subsystems 54% of top 30 program lifetime value

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



Note: Probable and Possible values are as of the beginning of the referenced fiscal year. Numbers are rounded.

Since FY14, we have achieved significant growth and scale

FINANCIAL METRIC

4.4x

Total
Revenue

3.2x

IR&D
Spend

9.2x

Adjusted
EBITDA

6.9x

Operating
Cash Flow

OPERATIONAL METRIC

15

Total
Acquisitions

3.6x

Total
Headcount

3.1x

Facilities

7.5x

Subsystem
Revenue

Note: Metrics are FY21 as a multiple of FY14, except acquisitions, headcount, and facilities, which are as of April 1, 2022.

1IMPACT: a 4-year effort to achieve full growth and adj. EBITDA potential

- Proactively launched 1IMPACT to lay foundation for next phase of value creation at scale
- Anticipating \$27M net benefit related to actions taken and planned in FY22
- 1IMPACT helping to overcome financial impacts of industry headwinds
- On track to realize \$30M-\$50M adj. EBITDA by FY25 with upside potential
- Targeting working capital improvement, asset efficiency and margin expansion
- Focused on: Organizational efficiency and scalability, procurement and supply chain, facilities optimization, scalable processes and systems, R&D investment efficiency

Clear path to maintaining differentiated and attractive financial profile

100%

Increase Adj. EBITDA margins

33%

Grow organically at high-single / low-double digit

8%

Supplement w/strategic M&A

2%

- Operating expense leverage
- Program production mix
- 1IMPACT
- Full acquisition integration

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

- Large pipeline of targets
- Significant financial firepower
- Revolver with attractive terms
- Ability to identify, execute, integrate

Strategy and business model delivering financial performance well above industry average

- Track record of strong organic growth, profitability and strategic M&A
- Significant investment over last 5 years is competitive differentiator
- Poised for continued organic growth and margin expansion
- Well-positioned for future M&A with strong pipeline and financial flexibility
- Clear strategy to continue to maintain unique financial profile

THANK YOU.

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APPENDIX

Balance sheet

(In \$ millions) ⁽¹⁾	As of				
	4/2/21	7/2/21	10/1/21	12/31/21	4/1/22
ASSETS					
Cash & cash equivalents	\$121.9	\$113.8	\$95.8	\$105.2	\$91.7
Accounts receivable, net	264.0	291.7	301.2	320.1	367.1
Inventory, net	226.8	221.6	234.4	251.3	259.6
PP&E, net	128.3	128.5	128.7	127.4	125.7
Goodwill and intangibles, net	1,077.3	1,112.5	1,102.5	1,318.4	1,303.2
Other	85.0	87.0	102.5	108.4	112.5
TOTAL ASSETS	\$1,903.3	\$1,955.1	\$1,965.1	\$2,230.8	\$2,259.8
LIABILITIES AND S/E					
AP and accrued expenses	\$131.3	\$120.1	\$144.2	\$136.9	\$162.0
Other liabilities	158.0	150.9	141.4	155.3	145.9
Debt	160.0	200.0	200.0	451.5	451.5
Total liabilities	449.3	471.0	485.6	743.7	759.4
Stockholders' equity	1,454.0	1,484.1	1,479.5	1,487.1	1,500.4
TOTAL LIABILITIES AND S/E	\$1,903.3	\$1,955.1	\$1,965.1	\$2,230.8	\$2,259.8

Notes

(1) Rounded amounts used.

Cash flow summary

(In \$ millions) ⁽¹⁾	For the Fiscal Quarters Ended				
	4/2/21	7/2/21	10/1/21	12/31/21	4/1/22
Net Income (Loss)	\$15.6	\$17.9	(\$7.1)	(\$2.6)	\$4.1
Depreciation and amortization	20.0	20.8	21.5	24.1	24.5
Other non-cash items, net	5.7	12.3	5.8	5.8	8.4
Changes in Operating Assets and Liabilities					
Accounts receivable, unbilled receivables, and costs in excess of billings	(21.5)	(23.6)	(9.4)	(8.5)	(47.3)
Inventory	(8.4)	10.1	(12.8)	(7.6)	(8.0)
Accounts payable and accrued expenses	5.1	(9.5)	21.7	(8.4)	32.3
Other	6.7	(0.8)	(21.7)	4.1	(18.3)
	(18.1)	(23.8)	(22.2)	(20.4)	(41.2)
Operating Cash Flow	23.2	27.2	(2.0)	6.8	(4.3)
Capital expenditures	(10.0)	(10.9)	(5.4)	(8.0)	(6.1)
Free Cash Flow⁽²⁾	\$13.2	\$16.3	(\$7.4)	(\$1.2)	(\$10.3)
<i>Free Cash Flow⁽²⁾ / Adjusted EBITDA⁽²⁾</i>	<i>24%</i>	<i>28%</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>
<i>Free Cash Flow⁽²⁾ / GAAP Net Income</i>	<i>85%</i>	<i>91%</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>

Notes

(1) Rounded amounts used.

(2) Non-GAAP, see reconciliation table.

Adjusted EPS reconciliation

(In thousands, except per share data) ⁽²⁾	Q3 FY21	Q3 FY22	LTM Q3 FY21	LTM Q3 FY22
Earnings (loss) per share ⁽¹⁾	\$ 0.28	\$ 0.07	\$ 1.29	\$ 0.21
Net Income (loss)	\$ 15,635	\$ 4,139	\$ 71,343	\$ 12,285
Other non-operating adjustments, net	(775)	938	(3,210)	1,817
Amortization of intangible assets	12,717	16,077	35,792	58,893
Restructuring and other charges	(4)	6,348	2,234	29,402
Impairment of long-lived assets	-	-	-	-
Acquisition, financing and other third party costs	3,260	3,497	7,706	10,775
Fair value adjustments from purchase accounting	182	16	783	(2,187)
Litigation and settlement expense, net	312	320	1,065	1,074
COVID related expenses	2,745	182	10,569	2,209
Stock-based and other non-cash compensation expense	7,565	8,935	30,011	33,253
Impact to income taxes ⁽³⁾	(6,187)	(8,248)	(22,779)	(30,432)
Adjusted income	\$ 35,450	\$ 32,204	\$ 133,514	\$ 117,089
Adjusted earnings per share ⁽¹⁾	\$ 0.64	\$ 0.57	\$ 2.41	\$ 2.10
Weighted-average shares outstanding:				
Basic	55,146	55,590		
Diluted	55,526	56,027		

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.

Adjusted EBITDA reconciliation

(In thousands) ⁽¹⁾	Q3 FY21	Q3 FY22	LTM Q3 FY21	LTM Q3 FY22
Net Income (loss)	\$ 15,635	\$ 4,139	\$ 71,343	\$ 12,285
Other non-operating adjustments, net	(775)	938	(3,210)	1,817
Interest expense (income), net	515	1,554	1,210	3,816
Income tax (benefit) provision	5,362	2,102	11,759	4,642
Depreciation	7,243	8,388	23,200	31,970
Amortization of intangible assets	12,717	16,077	35,792	58,893
Restructuring and other charges	(4)	6,348	2,234	29,402
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COVID related expenses	2,745	182	10,569	2,209
Stock-based and other non-cash compensation expense	7,565	8,935	30,011	33,253
Adjusted EBITDA	\$ 54,757	\$ 52,496	\$ 192,462	\$ 187,949

Notes

(1) Rounded amounts used.

Free cash flow reconciliation

(In thousands)	Q3 FY21	Q3 FY22	LTM Q3 FY21	LTM Q3 FY22
Cash provided by (used in) operating activities	\$ 23,185	\$ (4,252)	\$ 98,779	\$ 27,760
Purchases of property and equipment	(9,955)	(6,072)	(46,214)	(30,367)
Free cash flow	\$ 13,230	\$ (10,324)	\$ 52,565	\$ (2,607)

Organic revenue reconciliation

(In thousands)	Q3 FY21	Q3 FY22	LTM Q3 FY21	LTM Q3 FY22
Organic revenue ⁽¹⁾	\$ 256,857	\$ 233,747	\$ 890,314	\$ 810,347
Acquired revenue	-	19,328	217	138,963
Net revenues	\$ 256,857	\$ 253,075	\$ 890,531	\$ 949,310

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.

Glossary

API	Application Programming Interface
BCA	Budget Control Act
C4I	Command, Control, Communications, Computers
COTS	Commercial off-the Shelf
CPU	Central Processing Unit
EO/IR	Electro-optical / Infrared
EW	Electronic Warfare
FPGA	Field Programmable Gate Array
GPU	Graphics Processing Unit
I/O	Input/Output
IP	Intellectual Property
IRAD	Internal Research And Development
NTCD	Non-traditional Defense Contractor
OTA	Other Transaction Authority
PBR	President's Budget Request
R&D	Research & Development
RF	Radio Frequency
SEMS	Sensor and Effector Mission Systems