



Third Quarter Fiscal Year 2019 Financial Results

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Conference call:

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Webcast login at www.mrcy.com/investor

Webcast replay available by 7:00 p.m. ET April 30, 2019



Forward-looking safe harbor statement

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



Introduction

- Record Q3 fiscal 2019 financial results
- Completed 3 acquisitions since January 2019: GECO, Athena, Syntonic
- Deployed ~\$700M for 10 acquisitions over last 3 ½ years
- 24% revenue and 51% adj. EBITDA CAGR FY14-FY18
- Strategy for continued long-term shareholder value creation:
 - Adj. EBITDA margins greater than 20%
 - High single-digit, low double-digit organic revenue growth
 - Targeting 20% total growth including acquisitions
- Now expect 10-11% fiscal 2019 organic revenue growth, up 3-4 pts YoY

Raising full fiscal year 2019 guidance



Financial highlights

Q3 FY19 vs. Q3 FY18

- Record bookings up 26%
- Record revenue up 50%
- Organic revenue⁽¹⁾ up 31%
- GAAP net income up 282%
- Record adjusted EBITDA up 55%
- Record backlog up 30%
- Operating cash flow up \$25 million
- Free cash flow up \$22 million

LTM Q3 FY19 vs. LTM Q3 FY18

- Record bookings up 36%
- Record revenue up 38%
- Organic revenue⁽¹⁾ up 16%
- GAAP net income up 11%
- Record adjusted EBITDA up 39%
- Record backlog up 30%
- Operating cash flow up \$70 million
- Free cash flow up \$65 million

(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.



Favorable growth environment driving improved results

- Estimated LTV of top 30 programs/pursuits grew more than 4.5x in last 6 years
- Favorable trends – delayering, flight to quality, outsourcing, taking share
- Strongly positioned in well-funded DoD priorities and need for modernization
- Significant design win momentum in Radar, EW, EO/IR, C4I, weapons
- Growth in defense budget and investment outlays
- Leading conduit for commercially-developed technologies applied to defense
- Sensor and effector mission systems (SEMS) revenue up 48% YoY, C4I up 74%



Q3 FY19 strategic achievements and business outlook

- Buildout of West Coast RF manufacturing facilities progressing
- Themis and Germane integration on track, strong financial performance
- Acquired GECO, integration under way, new growth opportunities identified
- R&D strategy based on need for U.S.-designed/produced technology paying off
- Continuing to invest in R&D for secure hardware and software technologies
- Business outlook remains strong – new design wins and organic growth
- Supplementing organic growth with M&A; very robust opportunity pipeline
- Recent acquisitions of Athena and Syntonic broaden capabilities



Acquisitions of Athena and Syntonic

Combined \$46M purchase price funded through existing revolver, expand security and RF capabilities

The Athena Group

- Based in Gainesville, FL
- Premier provider of security, cryptography, anti-tamper and signal processing technologies
- Continues M&A and organic investment theme of trust and embedded security
- Complementary to Microsemi carve-out acquisition and acquisition of LIT
- Embedded in millions of ASIC and FPGA devices

Syntonic Microwave

- Based in Campbell, CA
- Provider of advanced synthesizers, wideband phase coherent tuners and microwave converters
- Strengthens Mercury's RF product portfolio to address advanced EW, ELINT, and SIGINT applications
- Strong traction and growth in the Intelligence Community
- Attractive positions on airborne EW modernization programs



Summary

- On track for continued strong performance in fiscal 2019
- Business growing faster than industry overall; expect 10-11% organic growth
- Realizing manufacturing and M&A integration synergies
- Continued double-digit revenue and adj. EBITDA growth, strong cash flow
- Expect to achieve high-end of our target model over time by:
 - Driving high-single / low-double digit organic growth supplemented by accretive M&A
 - Investing to develop new technologies, expand and optimize facilities, attract/retain talent
 - Improving margins, on-time delivery and working capital via operational improvements
 - Keeping organic operating expense growth rate below revenue growth rate
 - Fully integrating acquired businesses to generate cost and revenue synergies
- Anticipating continued strong performance in Q4 fiscal 2019

Raising full fiscal year 2019 guidance



Q3 FY19 vs. Q3 FY18

<i>In \$ millions, except percentage and per share data</i>	Q3 FY18	Q3 FY19	Change
Bookings	\$150.4	\$189.7	26%
Book-to-Bill	1.29	1.09	
Backlog	\$429.3	\$558.2	30%
12-Month Backlog	321.0	367.3	
Revenue	\$116.3	\$174.6	50%
Organic Revenue Growth ⁽¹⁾	(6%)	31%	
Gross Margin	45.4%	42.3%	(3.1 pts)
Operating Expenses	\$45.9	\$51.8	13%
Selling, General & Administrative	21.1	27.4	
Research & Development	15.0	17.4	
Amortization/Restructuring/Acquisition	9.8	6.9	
GAAP Net Income	\$3.7	\$14.1	282%
Effective Tax Rate	37.4%	27.5%	
GAAP EPS	\$0.08	\$0.29	263%
Weighted Average Diluted Shares	47.5	48.0	
Adjusted EPS⁽²⁾	\$0.30	\$0.50	67%
Adj. EBITDA⁽²⁾	\$25.1	\$38.8	55%
% of revenue	21.6%	22.2%	
Operating Cash Flow	\$0.9	\$26.2	30x
Free Cash Flow⁽²⁾	(\$2.6)	\$19.2	n.a.

Notes:

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

(2) Non-GAAP, see reconciliation table.



Balance Sheet

(In \$ millions) ⁽¹⁾	As of				
	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
ASSETS					
Cash & cash equivalents	\$44.2	\$66.5	\$72.9	\$93.9	\$112.5
Accounts receivable, net	141.6	143.8	153.9	168.3	170.7
Inventory, net	117.1	108.6	121.2	126.4	131.7
PP&E, net	51.3	51.0	50.8	53.1	55.9
Goodwill and intangibles, net	685.7	675.3	704.2	696.3	724.3
Other	17.0	19.3	24.0	18.6	17.3
TOTAL ASSETS	\$1,056.9	\$1,064.5	\$1,127.0	\$1,156.6	\$1,212.4
LIABILITIES AND S/E					
AP and accrued expenses	\$69.8	\$59.1	\$61.2	\$70.7	\$83.1
Other liabilities	36.3	38.5	49.2	49.9	40.4
Debt ⁽²⁾⁽³⁾	195.0	195.0	240.0	240.0	276.5
Total liabilities	301.1	292.6	350.4	360.6	400.0
Stockholders' equity	755.8	771.9	776.6	796.1	812.4
TOTAL LIABILITIES AND S/E	\$1,056.9	\$1,064.5	\$1,127.0	\$1,156.6	\$1,212.4

Notes:

(1) Rounded amounts used.

(2) On January 29, 2019 (in Q3 FY19), Mercury acquired GEICO Avionics, LLC, and borrowed \$36.5 million on its revolving credit facility to fund the acquisition.

(3) On April 18, 2019 (in Q4 FY19), Mercury acquired The Athena Group and Syntonic Microwave LLC, and borrowed \$48.0 million on its existing revolving credit facility to fund the acquisitions.



Cash flow summary

(In \$ millions) ⁽¹⁾	For the Fiscal Quarters Ended				
	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
Net Income	\$3.7	\$10.1	\$7.5	\$12.4	\$14.1
Depreciation and amortization	11.4	12.0	11.5	11.7	11.6
Other non-cash items, net	3.3	5.1	5.5	4.6	6.3
Change in Working Capital					
Accounts receivable, unbilled receivables, and costs in excess of billings	(10.6)	(2.9)	(5.9)	(15.0)	(1.2)
Inventory	(2.5)	8.7	(4.6)	(4.9)	(4.0)
Accounts payable and accrued expenses	(8.7)	(8.2)	(2.0)	9.2	8.0
Other	4.2	0.8	8.0	7.3	(8.6)
Changes in Operating Assets and Liabilities	(17.5)	(1.6)	(4.5)	(3.4)	(5.8)
Operating Cash Flow	0.9	25.6	20.0	25.3	26.2
Capital expenditures	(3.5)	(4.0)	(3.7)	(7.1)	(7.1)
Free Cash Flow⁽²⁾	\$(2.6)	\$21.6	\$16.3	\$18.2	\$19.2
<i>Free Cash Flow⁽²⁾ / Adjusted EBITDA⁽²⁾</i>	<i>n.a.</i>	<i>57%</i>	<i>52%</i>	<i>49%</i>	<i>49%</i>
<i>Free Cash Flow⁽²⁾ / GAAP Net Income</i>	<i>n.a.</i>	<i>214%</i>	<i>218%</i>	<i>147%</i>	<i>136%</i>

Notes:

(1) Rounded amounts used.

(2) Non-GAAP, see reconciliation table.



FY19 annual guidance

<i>In \$ millions, except percentage and per share data</i>	FY18⁽¹⁾	FY19⁽²⁾	Change
Revenue	\$493.2	\$642.0 - \$651.0	30% - 32%
Gross Margin	45.8%	43.3% - 43.5%	(2.5) - (2.3) pts
Operating Expenses	\$178.9	\$203.4 - \$205.9	14% - 15%
GAAP Net Income Effective tax rate ⁽³⁾	\$40.9 4%	\$45.2 - \$47.4 28%	11% - 16%
GAAP EPS Weighted-average diluted shares outstanding	\$0.86 47.5	\$0.95 - \$0.99 47.9	11% - 15%
Adjusted EPS⁽⁴⁾	\$1.42	\$1.79 - \$1.83	26% - 29%
Adj. EBITDA⁽⁴⁾ % of revenue	\$114.6 23.2%	\$141.5 - \$144.5 22.0% - 22.2%	24% - 26%

Notes:

(1) FY18 figures are as reported in the Company's earnings release dated July 31, 2018.

(2) The guidance included herein is from the Company's earnings release dated April 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.

(3) The effective tax rate in the guidance included herein excludes discrete items.

(4) Non-GAAP, see reconciliation table.



Q4 FY19 guidance

<i>In \$ millions, except percentage and per share data</i>	Q4 FY18⁽¹⁾	Q4 FY19⁽²⁾	Change
Revenue	\$152.9	\$164.2 - \$173.2	7% - 13%
Gross Margin	44.7%	43.6% - 44.5%	(1.1) - (0.2) pts
Operating Expenses	\$49.4	\$52.9 - \$55.4	7% - 12%
GAAP Net Income Effective tax rate ⁽³⁾	\$10.1 39%	\$11.3 - \$13.4 27%	12% - 33%
GAAP EPS Weighted-average diluted shares outstanding	\$0.21 47.5	\$0.23 - \$0.28 48.1	10% - 33%
Adjusted EPS⁽⁴⁾	\$0.47	\$0.42 - \$0.47	(11%) - 0%
Adj. EBITDA⁽⁴⁾ % of revenue	\$37.7 24.6%	\$34.1 - \$37.1 20.8% - 21.4%	(10%) - (2%)

Notes:

(1) Q4 FY18 figures are as reported in the Company's earnings release dated July 31, 2018.

(2) The guidance included herein is from the Company's earnings release dated April 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.

(3) The effective tax rate in the guidance included herein excludes discrete items.

(4) Non-GAAP, see reconciliation table.



Summary

- Record bookings with 1.09 book-to-bill and record backlog
- Record revenue increases 50% YoY; 31% organic revenue growth
- GAAP net income and record adjusted EBITDA exceeded guidance
- Significant YoY growth in operating and free cash flow
- Completed acquisitions of GECO, Athena and Syntonic
- M&A opportunities are robust and well aligned with our strategy
- Expect strong Q4 & FY19 performance; raising full year guidance





Appendix

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	Q3 FY19	Q4 FY19 ⁽²⁾		FY19 ⁽²⁾	
														Low	High	Low	High
Earnings per share⁽¹⁾	\$ 0.10	\$ 0.13	\$ 0.16	\$ 0.19	\$ 0.58	\$ 0.38	\$ 0.19	\$ 0.08	\$ 0.21	\$ 0.86	\$ 0.16	\$ 0.26	\$ 0.29	\$ 0.23	\$ 0.28	\$ 0.95	\$ 0.99
Net Income	\$3,819	\$ 5,204	\$ 7,048	\$ 8,804	\$24,875	\$17,953	\$ 9,133	\$ 3,696	\$10,101	\$40,883	\$ 7,479	\$12,383	\$14,109	\$11,300	\$13,400	\$45,200	\$47,400
Amortization of intangible assets	4,602	4,888	4,732	5,458	19,680	5,637	5,827	7,104	7,436	26,004	7,181	6,939	6,786	6,300	6,300	27,200	27,200
Restructuring and other charges	297	69	459	1,127	1,952	95	313	1,384	1,367	3,159	504	23	46	-	-	600	600
Impairment of long-lived assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition and financing costs	553	1,114	569	153	2,389	854	1,366	1,909	799	4,928	1,043	762	787	700	700	3,300	3,300
Fair value adjustments from purchase accounting	2,077	870	270	462	3,679	509	84	539	860	1,992	620	-	93	-	-	700	700
Litigation and settlement expense (income), net	-	100	-	17	117	-	-	-	-	-	-	179	146	-	-	300	300
Stock-based and other non-cash compensation expense	3,632	4,093	3,715	3,901	15,341	4,696	4,941	3,669	4,309	17,615	4,743	5,338	4,914	4,700	4,700	19,700	19,700
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)	(3,009)	(2,850)	(2,600)	(2,600)	(11,400)	(11,400)
Adjusted income	\$ 8,895	\$11,897	\$13,217	\$15,422	\$49,431	\$17,793	\$13,049	\$14,219	\$22,251	\$ 67,312	\$18,497	\$22,615	\$24,031	\$20,400	\$22,500	\$85,600	\$87,800
Adjusted earnings per share⁽¹⁾	\$ 0.22	\$ 0.30	\$ 0.29	\$ 0.32	\$ 1.15	\$ 0.37	\$ 0.28	\$ 0.30	\$ 0.47	\$ 1.42	\$ 0.39	\$ 0.47	\$ 0.50	\$ 0.42	\$ 0.47	\$ 1.79	\$ 1.83
Weighted-average shares outstanding:																	
Basic	38,865	39,151	43,773	46,211	41,986	46,504	46,752	46,844	46,873	46,719	47,048	47,189	47,258				
Diluted	39,865	39,985	44,814	47,472	43,018	47,489	47,447	47,532	47,521	47,471	47,697	47,705	47,958	48,100	48,100	47,900	47,900

Notes:

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

(2) Rounded amounts used.



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	Q3 FY19	Q4 FY19 ⁽²⁾		FY19 ⁽²⁾	
														Low	High	Low	High
Net income	\$ 3,819	\$ 5,204	\$ 7,048	\$ 8,804	\$24,875	\$17,953	\$ 9,133	\$ 3,696	\$10,101	\$ 40,883	\$ 7,479	\$12,383	\$14,109	\$11,300	\$13,400	\$ 45,200	\$ 47,400
Other non-operating adjustments, net ⁽¹⁾	(732)	(129)	(378)	(107)	(1,346)	222	(326)	(694)	3	(795)	365	(18)	(502)	-	-	(200)	(200)
Interest expense (income), net	1,782	1,888	1,756	1,680	7,106	(16)	104	999	1,731	2,818	2,193	2,125	2,268	2,400	2,400	9,100	9,100
Income Taxes	(1,259)	1,779	3,170	2,503	6,193	(8,381)	1,335	2,209	6,527	1,690	3,129	4,483	5,357	4,200	5,000	17,100	17,900
Depreciation	2,718	2,966	3,233	3,672	12,589	3,700	3,775	4,277	4,521	16,273	4,365	4,769	4,790	4,500	4,600	18,400	18,500
Amortization of intangible assets	4,602	4,888	4,732	5,458	19,680	5,637	5,827	7,104	7,436	26,004	7,181	6,939	6,786	6,300	6,300	27,200	27,200
Restructuring and other charges	297	69	459	1,127	1,952	95	313	1,384	1,367	3,159	504	23	46	-	-	600	600
Impairment of long-lived assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition and financing costs	553	1,114	569	153	2,389	854	1,366	1,909	799	4,928	1,043	762	787	700	700	3,300	3,300
Fair value adjustments from purchase accounting	2,077	870	270	462	3,679	509	84	539	860	1,992	620	-	93	-	-	700	700
Litigation and settlement expense (income), net	-	100	-	17	117	-	-	-	-	-	-	179	146	-	-	300	300
Stock-based and other non-cash compensation expense	3,632	4,093	3,715	3,901	15,341	4,696	4,941	3,669	4,309	17,615	4,743	5,338	4,914	4,700	4,700	19,700	19,700
Adjusted EBITDA	\$ 17,489	\$ 22,842	\$ 24,574	\$ 27,670	\$ 92,575	\$ 25,269	\$ 26,552	\$ 25,092	\$ 37,654	\$ 114,567	\$ 31,622	\$ 36,983	\$ 38,794	\$ 34,100	\$ 37,100	\$ 141,500	\$ 144,500

Notes:

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

(2) Rounded amounts used.



Free cash flow reconciliation

(In thousands)	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18	Q1 FY19	Q2 FY19	Q3 FY19
Cash flows from operations	\$ 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
Capital expenditures	(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)
Free cash flow	\$ 4,233	\$ 6,535	\$ 11,853	\$ 3,681	\$26,302	\$ 4,400	\$ 4,815	\$(2,602)	\$ 21,602	\$28,215	\$ 16,302	\$ 18,226	\$ 19,158



Organic revenue reconciliation

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

Notes:

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

