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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 8-K**

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**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of report (Date of earliest event reported): November 16, 2011**

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**Mercury Computer Systems, Inc.**

(Exact Name of Registrant as Specified in Charter)

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**Massachusetts**  
(State or Other Jurisdiction  
of Incorporation)

**000-23599**  
(Commission  
File Number)

**04-2741391**  
(IRS Employer  
Identification No.)

**201 Riverneck Road, Chelmsford, Massachusetts 01824**  
(Address of Principal Executive Offices) (Zip Code)

**Registrant's telephone number, including area code: (978) 256-1300**

**Not Applicable**  
(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD Disclosure.**

The management of Mercury Computer Systems, Inc. ("Mercury") will present an overview of Mercury's business on November 16, 2011, at Mercury's Twelfth Annual Investor Conference. Attached as Exhibit 99.1 to this Current Report on Form 8-K (the "Report") is a copy of the slide presentation to be made by Mercury at the conference.

This information is being furnished pursuant to Item 7.01 of this Report and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section and will not be incorporated by reference into any registration statement filed by Mercury under the Securities Act of 1933, as amended, unless specifically identified as being incorporated therein by reference. This Report will not be deemed an admission as to the materiality of any information in this Report that is being disclosed pursuant to Regulation FD.

Please refer to page 2 of Exhibit 99.1 for a discussion of certain forward-looking statements included therein and the risks and uncertainties related thereto, as well as the use of non-GAAP financial measures included therein.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Presentation materials dated November 16, 2011.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 16, 2011

MERCURY COMPUTER SYSTEMS, INC.

By: /s/ Robert E. Hult

Robert E. Hult

Senior Vice President, Chief Financial Officer, and Treasurer

**Exhibit Index**

Exhibit  
No.

Description

99.1 Presentation materials dated November 16, 2011.



# Twelfth Annual Investor Conference

November 16, 2011  
New York, NY



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# 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 2012 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," "should," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," 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, general economic and business conditions, including unforeseen weakness in the Company's markets, 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, continued funding of defense programs, the timing of such funding, changes in the U.S. Government's interpretation of federal procurement rules and regulations, market acceptance of the Company's products, shortages in components, production delays due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and divestitures or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, changes to export regulations, increases in tax rates, 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, 2011. 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 and free cash flow, which are non-GAAP financial measures. Adjusted EBITDA excludes certain non-cash and other specified charges. Free cash flow is defined as cash flow from operating activities less capital expenditures. 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, the presentation of adjusted EBITDA and free cash flow is not meant to be considered in isolation or as a substitute for financial information provided in accordance with GAAP. Management believes the adjusted EBITDA and free cash flow financial measures assist in providing a more complete understanding of the Company's underlying operational results and trends, and management uses these measures along with the corresponding GAAP financial measures to manage the Company's business, to evaluate its performance compared to prior periods and the marketplace, and to establish operational goals. A reconciliation of GAAP to non-GAAP financial results discussed in this presentation is contained in the Company's most recent earnings release, which can be found on our website at [www.mc.com/investor](http://www.mc.com/investor).

# Agenda

- Corporate Overview
  - Mark Aslett, President & CEO
- Keynote: General James E. Cartwright, USMC (Ret)  
Former Vice Chairman, US Joint Chiefs of Staff
- *Coffee Break (15 min)*
- Advanced Computing Solutions (ACS)
- Mercury Federal Systems (MFS)
- Financial Review
- Closing Remarks / Q&A



# Introducing Mercury Computer Systems

- MRCY on NASDAQ
- Real-time digital image, signal and sensor processing
- Commercial-item company unique business model
- Focused on DoD priorities
- Deployed on ~300 programs with 25+ Primes
- \$229M FY11 revenues; 18% Adj. EBITDA margin; 600+ employees
- Defense revenue ~80% and 61% growth FY07 to FY11

Best-of-breed provider of open, commercially developed application ready and multi-INT subsystems for the ISR market



# The Mercury Board of Directors



**Mark Aslett**  
President & CEO



**Vincent Vitto**  
Chairman of the Board;  
Retired President & CEO, Draper Labs



**William K. O'Brien**  
Former Global Managing Partner,  
PricewaterhouseCoopers (PwC)



**James K. Bass**  
Retired President &  
CEO, Piper Aircraft



**George K. Muellner**  
Retired President, Advanced Systems for Integrated  
Defense Systems, Boeing;  
Former Principal Deputy, Office of the Assistant  
Secretary of the Air Force for Acquisition



**Michael A. Daniels**  
Retired Sector Vice  
President, SAIC;  
Former Chairman & CEO,  
Network Solutions



**George W. Chamillard**  
Retired Chairman & CEO, Teradyne Inc.



**Lee C. Steele**  
Partner, Tatum, LLC

## Mercury Federal Board of Directors



**Donald M. Kerr**  
Former Principal Deputy Director of  
National Intelligence;  
Former Deputy Director for Science and  
Technology, CIA



**Admiral Edmund P.  
Giambastiani, Jr.**  
US Navy (Ret.);  
Former Vice Chairman  
US Joint Chiefs of Staff;  
Former Commander, US Joint Forces Command;  
Former NATO First Supreme Allied Commander  
Transformation



## FY11 in review (June ending)

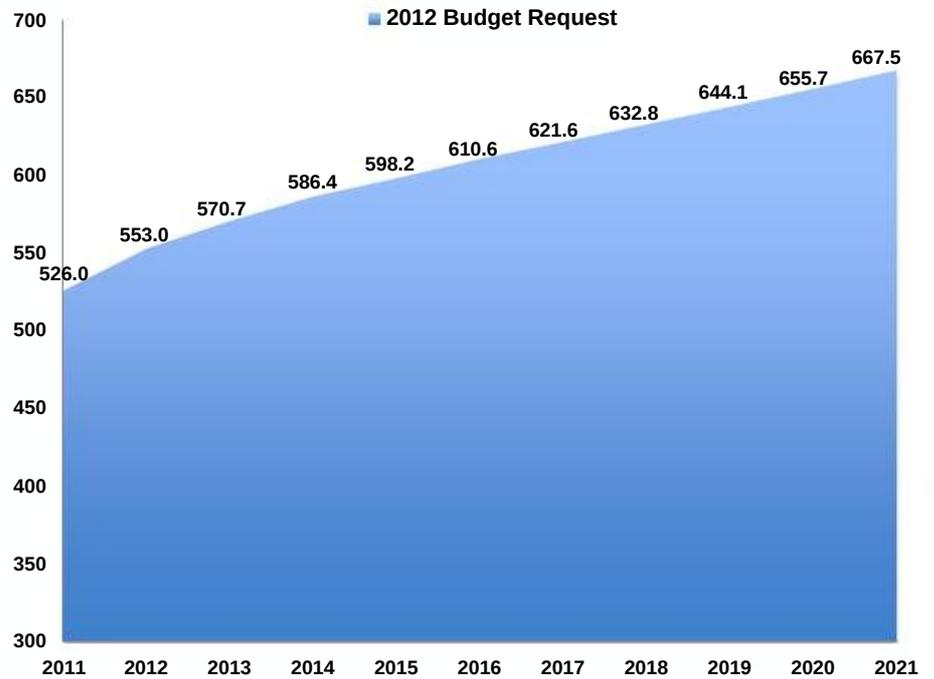
- Highest annual defense revenue in MRCY history
  - 14% growth in defense revenue
  - 22% growth in defense bookings
  - 144% growth in defense design win 5-year value
  - 50% of new design wins service led / outsourcing
- 44% growth in GAAP operating income
- 37% growth in Adj. EBITDA
- 100% growth in operating cash flow
- Successful \$99M follow-on stock offering



# Lower overall defense spending suggests a more challenging and competitive industry environment

- GFY11 defense spend \$526B plus \$159B OCO
- GFY12 President defense request \$553B plus \$118B OCO
- Bipartisan committee tasked with finding \$1.2T of savings by Nov 23
- Two chambers approve 'up or down' by Dec 23
- 2-stage approach to cuts

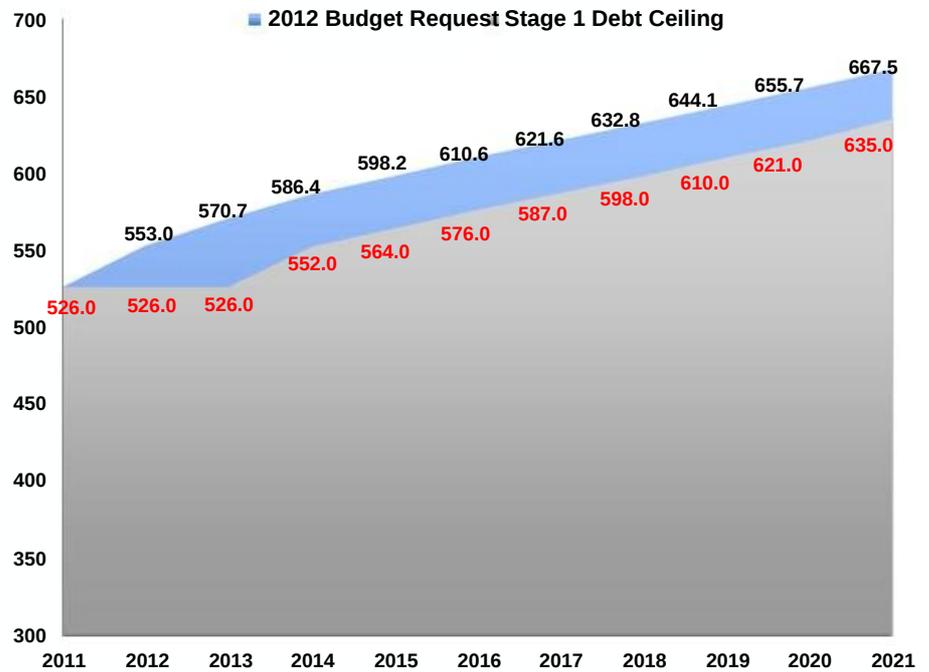
**DoD Base Budget (\$B)**  
2012 Presidential Budget Request



# Stage 1 of debt deal slides growth 2 years

- Stage 1 of debt deal reduces defense spending growth \$350B over 10 years
- Short-term growth slides right two years
- Defense spending flat in GFY12 and GFY13 at \$526B
- Request reduced by \$27B in GFY12 and \$44B in GFY13
- Defense spending expected to grow longer term

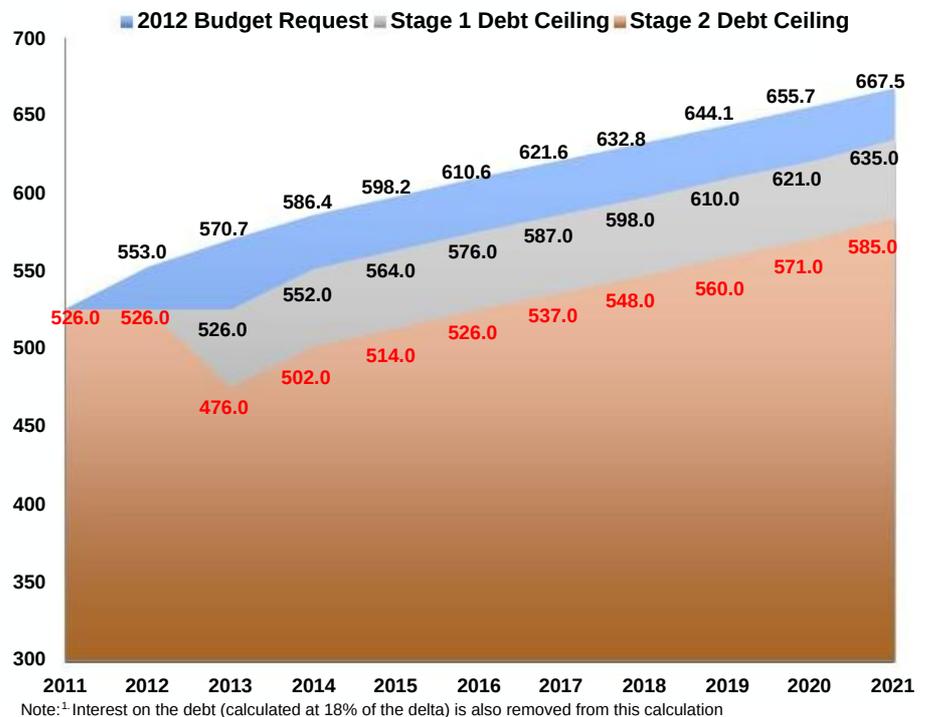
**DoD Base Budget (\$B)**  
Stage 1 Debt Deal



# Stage 2 of debt deal could result in deeper cuts in near term and overall slower growth

- Stage 2 focus on increased revenue, cuts to mandatory and discretionary spending
- Cuts equal delta between \$1.2T and what is approved
- If no deal, mandatory cuts. Defense 50% of cuts
- 'Worst' case<sup>1</sup>: Defense reduced by ~\$50B per year beginning GFY13
- New Congress and President can change previous law

**DoD Base Budget (\$B)**  
**Stage 2 Debt Deal Worst Case**



## Defense procurement reform is well underway and its effects are being felt across the industry

- Restore affordability to defense goods and services
- Provide capabilities we need with the dollars we can afford
- Shorten procurement and upgrade cycles
- Obtain greater efficiency, affordability and productivity
- Avoid program turbulence and maintain industry base

The changes could create more opportunity for Mercury



# Mercury investment highlights

Leading Market Position	Pure-play C4ISR and defense electronics company entrenched on a diverse mix of programs aligned with DoD priorities
Differentiated Capabilities	Best-of-breed provider of specialized sensor processing subsystems to large defense Primes targeting platform upgrades
Favorable Macro Industry Trends	Increased ISR usage, shift to onboard processing and exploitation and evolving threats driving greater demand for Mercury solutions
Unique Business Model	Well positioned to benefit from DoD procurement reform, which is driving increased outsourcing by the large defense Primes
Proven Management Team	Well-defined strategy with a demonstrated track record of double-digit defense revenue growth and improved profitability
Well Positioned for Growth	Successful transformation has positioned the business for strong organic growth augmented through strategic acquisitions



## Mercury's vision

Transform Mercury's profile and market position from a commercial item vendor to the Primes to a "National Asset" and critical component of the Prime, DoD and Intelligence Community industrial base for affordable Intelligence, Surveillance and Reconnaissance subsystems and capabilities

Best-of-breed provider of open, commercially developed application ready and multi-INT subsystems for the ISR market

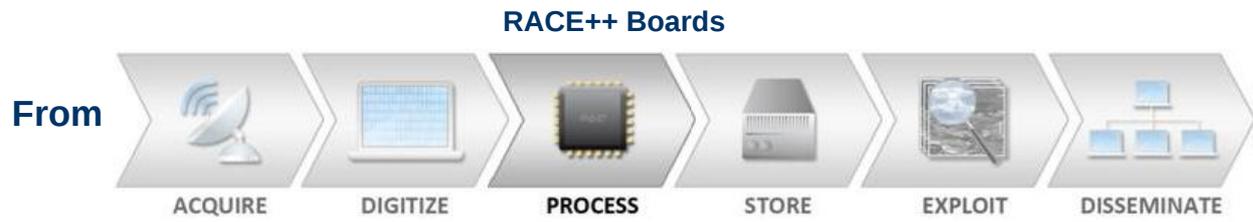


## Growth strategy summary

1. Expand our capabilities and offerings along sensor chain
2. Expand market presence within defense electronics
3. Continue to grow our customer and program base
4. Capitalize on Prime outsourcing / supply chain consolidation
5. Acquire complementary companies

Mercury has strategically positioned its business to grow

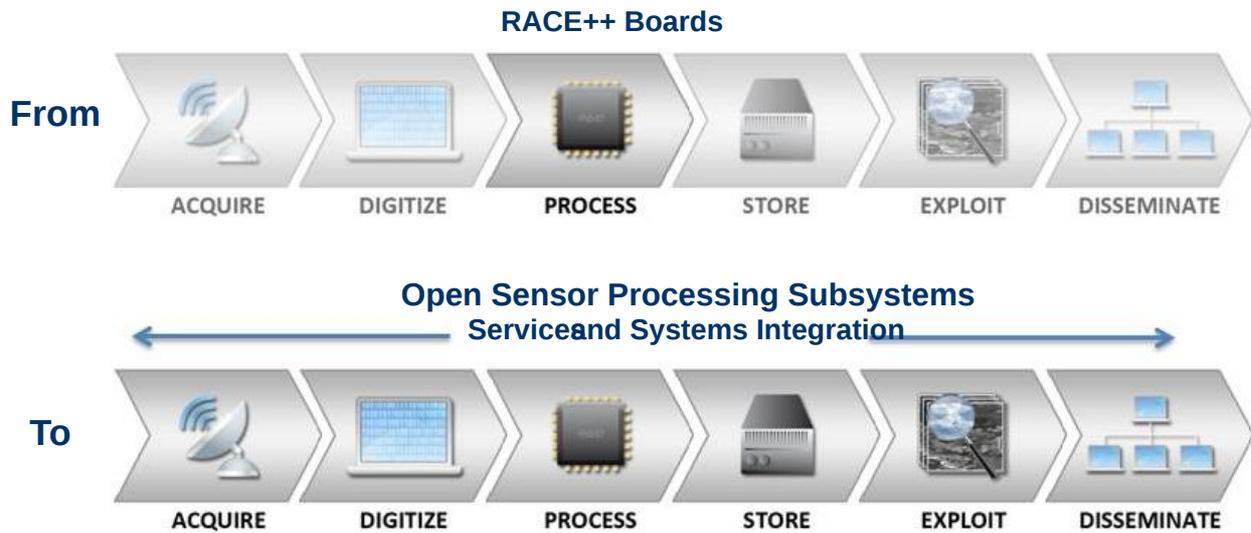
Historically, Mercury focused on one element of sensor chain



We are the leader in high-performance embedded computing



We now view our market opportunity as providing end-to-end open sensor processing subsystems as much larger opportunity



We are systematically growing our capabilities, services and offerings along the sensor chain organically and by acquisition



## Mercury has evolved its business model from 'COTS' boards to best-of-breed open sensor processing solutions

- Industry-leading technology
- Advanced size, weight and power design and packaging
- Ruggedized for deployment, production volume ready
- Industry-leading application middleware protects customer investment
- Best performance available using open standards
- High barriers to entry



We are an outsourcing partner to the Primes as they seek the rapid development of more affordable sensor processing solutions

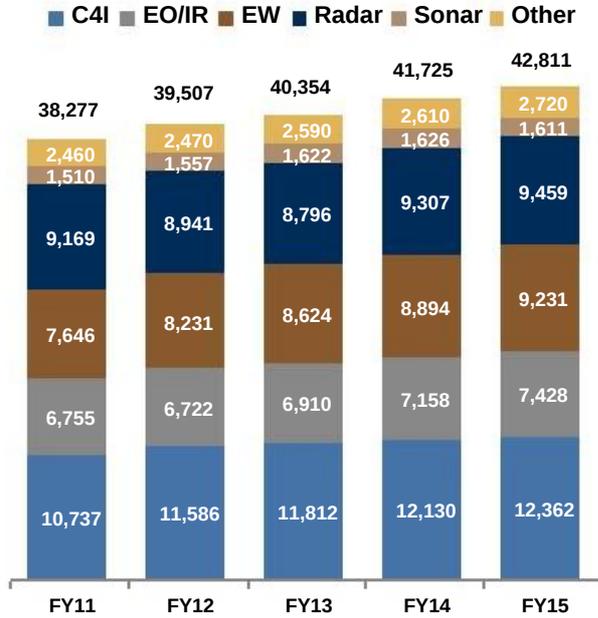
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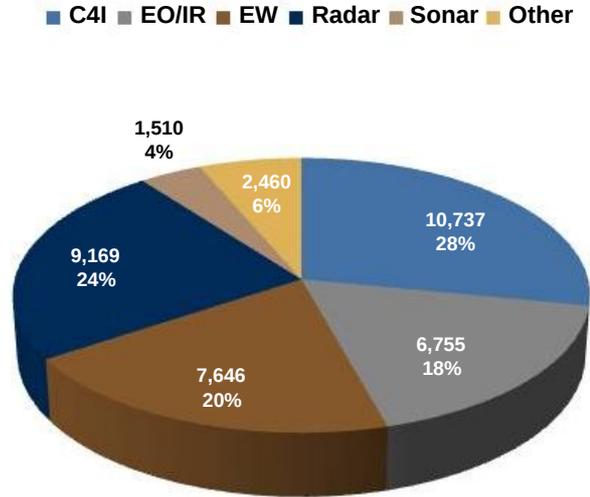
Mercury has strategically positioned its business to grow

# Total defense electronics FY11 forecast

**World Defense Electronics Funding Available to the US FY11-FY15 (\$M)**



**World Defense Electronics Funding Available to the US FY11 (\$M) Total \$39B**



Source: The Teal Group

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# Today's threats are more challenging than ever

- Radar: smaller, faster targets; new technologies
- EW: new and rapidly evolving threats
- EO/IR: leap in imaging detail, onboard exploitation and real-time tactical access
- C4: Net-centric command, control and collaboration
- Explosion in sensors and overwhelming data
- Time to relevant information is critical

Causing greater demand for Mercury's solutions and capabilities



Mercury's traditional market was narrowly defined as airborne radar processing ...

### C4ISR



... limiting our growth potential within the C4ISR market



Since then, we have systematically broadened our addressable market within C4ISR ...

### C4ISR



Sensor, Program and Platform Agnostic

...by investing in new products and capabilities



## Growth strategy summary

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Mercury has strategically positioned its business to grow

We are deployed on 300+ programs with 25+ Primes

**NORTHROP GRUMMAN**  
**LOCKHEED MARTIN**  
**BAE SYSTEMS**  
**Raytheon**  
**BOEING**  
**TELEPHONICS**  
**sinc** SIERRA NEVADA CORPORATION  
 ELECTRONIC SYSTEMS AND INTEGRATION  
**ITT EXELIS**  
**GOODRICH**  
**GENERAL ATOMICS**

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**RADAR**



**EW**



**EO/IR -C4I**



# FY13 program growth driver update



## **Aegis: Ballistic Missile Defense**

*Well-defined upgrade provides foundational revenue*



## **Patriot: Missile Defense**

*Potential U.S. Army upgrades beginning in GFY13*



## **SEWIP: Naval Electronic Warfare**

*LRIP begins GFY13*



## **JCREW: Counter-IED**

*LRIP up to 1,350 systems beginning GFY13*



## **Gorgon Stare: Wide-area airborne surveillance**

*Received \$18M for Increment 2 development*



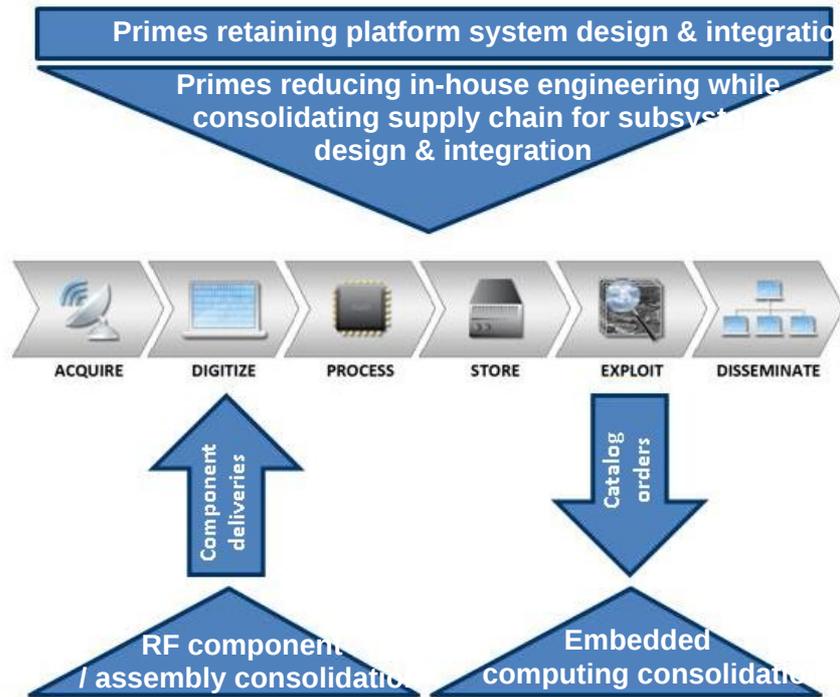
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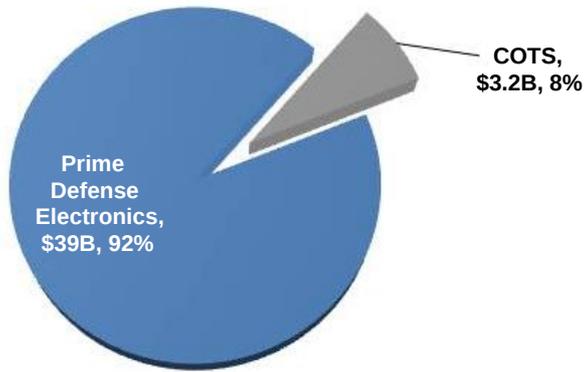
# As a subsystems company, we are ideally suited to help the Primes reduce costs and reengineer their supply chains

- Reduce risk given firm-fixed price contracts
- Address high-fixed cost operating model
- Increase success rate on new programs and production recompetes
- Develop differentiated, more affordable solutions with fewer internal R&D dollars
- Compress upgrade development and deployment cycles
- Consolidate supply base at subsystem level



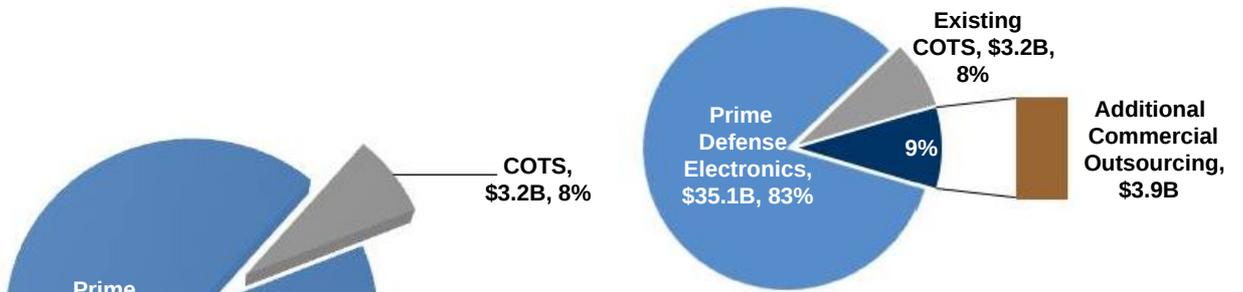
Mercury has strategically positioned its business to help

# COTS is approximately 8% of defense electronics market

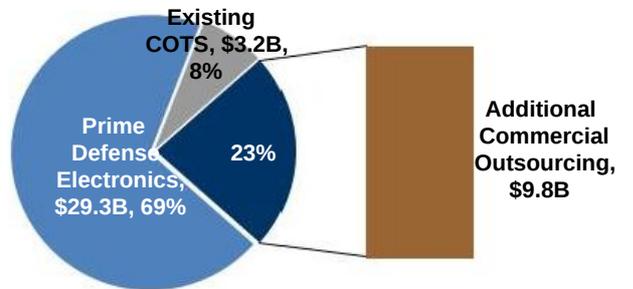


# Outsourcing could substantially increase our market opportunity even with defense spending cuts

10% additional outsourcing doubles our market opportunity



25% additional outsourcing quadruples our market opportunity



## Growth strategy summary

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Mercury has strategically positioned its business to grow

## Acquisition strategy looking to strengthen capabilities, as well as intersect and exploit key trends in defense

- RF marketplace remains fragmented despite recent acquisitions
  - Hundreds of suppliers focused on niche components, sub-assemblies
  - Rely on Primes for systems expertise
- EW likely to buck trend in defense cuts
  - US falling behind peer and near-peer threats
  - Need new subsystems to better manage electronic de-confliction in the battlefield
- Procurement reform and budget outlook forcing Primes to outsource and divest assets
  - Supplier consolidation: creating growth opportunities for best-of-breed companies
  - Downsizing: opening up opportunities to provide complete subsystems



We are developing capabilities organically and are looking to supplement that through acquisitions

### ACS and MFS Acquisition Target Areas



We view our market opportunity as providing end-to-end, open sensor processing subsystems to the Primes



# Supplement organic growth and capability via complementary acquisitions

## Acquisition Case Study: LNX

- World-class supplier of next-generation RF receivers for signals and communications intelligence and electronic warfare applications
- Increased content on JCREW 3.3 by over 40%
- Acquired on Jan. 12, 2011, for \$31 million, plus up to a \$5 million earn-out
- LNX FY10 revenue \$14M, EBITDA >15%, 65 employees

## • **Driving growth through acquisition**

- Grow ACS in ISR and EW markets by adding capabilities along sensor processing chain
- MFS acquire multi-INT exploitation capability and channel to intelligence community
- Add Mercury content and services to existing and future defense and intelligence programs

## • **Focus on the following characteristics:**

- Private; low tens of millions revenue to start
- Demonstrated profitability and growth
- Accretive on a cash basis within 12 months; GAAP EPS accretive within reasonable period

## • **Proprietary pipeline of targets**

- Attractive destination for target companies



## Positioned for growth in a changing industry

- Focused on the right defense market segments
- Well positioned on key programs and platforms
- Capabilities help address today's and tomorrow's threats
- Business model aligned with defense procurement reform
- Outsourcing partner to the Primes for sensor subsystems
- Strong defense revenue growth and improved profitability
- Pursuing complementary acquisitions to accelerate growth

# Agenda

- Corporate Overview
- Keynote: General James E. Cartwright, USMC (Ret)  
Former Vice Chairman, US Joint Chiefs of Staff
- *Coffee Break (15 min)*
- Advanced Computing Solutions (ACS)
- Mercury Federal Systems (MFS)
- Financial Review
- Closing Remarks / Q&A



# Agenda

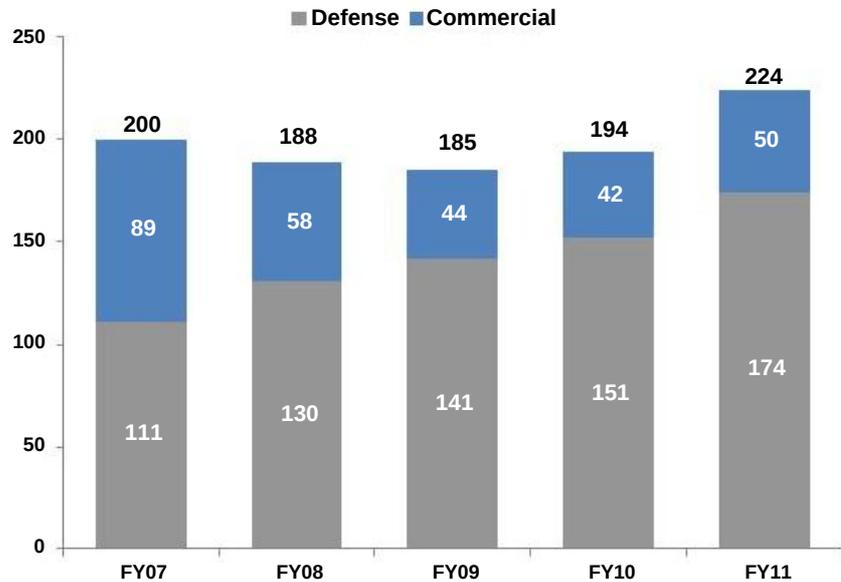
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  - Didier Thibaud, SVP and GM, ACS business unit
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# Advanced Computing Solutions (ACS)

- Providing Application Ready Subsystems to Primes for C4ISR applications
- Leverage technologies across market segments
- Optimized performance with SWaP innovation
- Quick Response Capabilities (QRC) service offerings
- Defense 12% CAGR, Radar 29% CAGR, EO/IR 28% CAGR
- Key programs driving growth

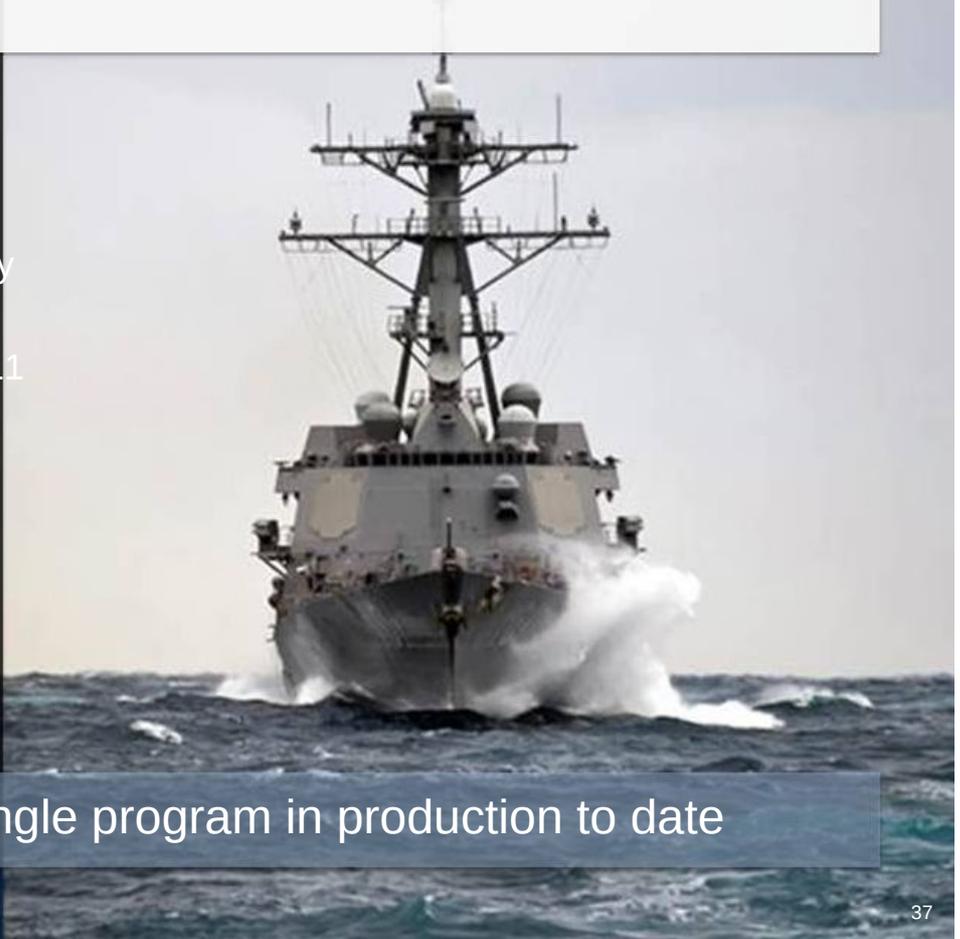
ACS Revenue (\$M)



Defense 57% growth (12% CAGR) since FY07

# Aegis ballistic missile defense: SPY-1 BMD Radar

- Countering rogue nations' ballistic missile threats
- Highest performance radar processor Application Ready Subsystem
- 19 ship sets booked FY08-11
- \$24M booked in FY11, \$60M+ booked to date
- Additional 35 ship sets scheduled through GFY16
- AMDR pushout likely
- Additional upside



Mercury's largest single program in production to date



# Patriot missile defense: Next generation ground radar

- Services-led design win – Prime outsourcing example
- Sophisticated radar processor Application Ready Subsystem
- Production awards received to date: \$36M
  - UAE, Taiwan, Saudi Arabia
- Potential future FMS awards
  - Up to 15 countries
- MEADS cancellation
- Major growth potential beginning in GFY13 with US Army Patriot upgrade



Program in production; FMS and US Army upgrade driving growth



# SEWIP Block 2: Countering new emerging peer threats

- Naval surface fleet EW upgrade: 149 ships
- Delivered best-of-breed EW Application Ready Subsystem
- Moving from EMD phase to LRIP in next 12 months
- Production begins GFY15
- Upside opportunities with Block 1 upgrade and Block 3



Strong partnership with Prime driving Mercury content expansion



## JCREW 3.3: Joint services CIED program of record

- Software defined jammer to defeat roadside bombs
  - Signal processing & RF tuners
- Previous generations high-volume ground mobile
  - JCREW 2.1: 25,000 systems
  - JCREW 3.2: 5,000 systems
- JCREW 3.3 pre-solicitation:
  - Currently EMD phase
  - ITT sole source
  - LRIP up to 1,350 systems beginning GFY13
- SAC cancelled IEWS in favor of JCREW 3.3



Potentially the largest program Mercury has won to date



# FY13 program growth driver update



## **Aegis: Ballistic Missile Defense**

*Well-defined upgrade provides foundational revenue*



## **Patriot: Missile Defense**

*Potential U.S. Army upgrades beginning in GFY13*



## **SEWIP: Naval Electronic Warfare**

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## **JCREW: Counter-IED**

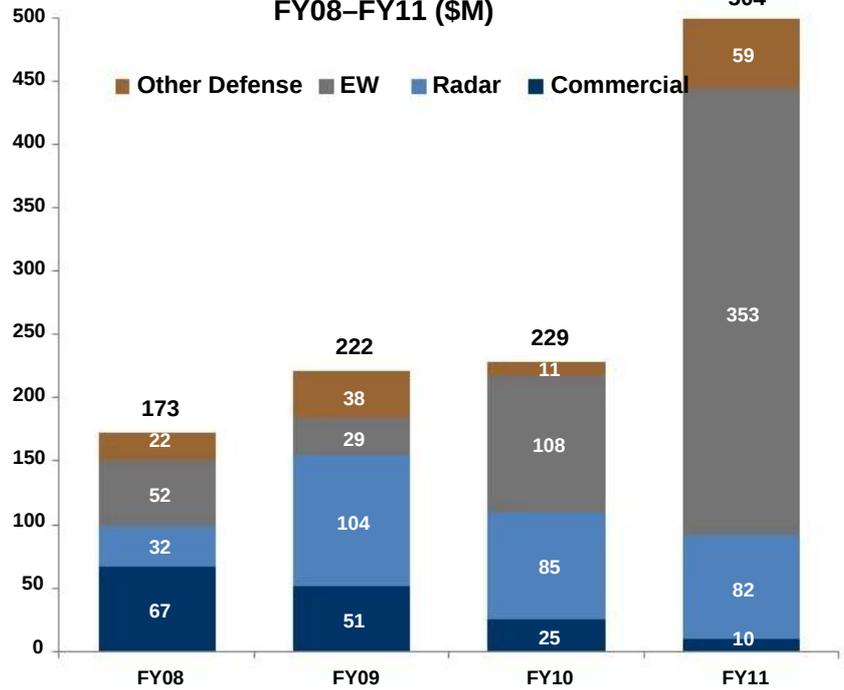
*LRIP up to 1,350 systems beginning GFY13*



# Winning programs in new markets

- Prime outsourcing
- Technology leadership:
  - Open subsystem architecture
  - Modular building blocks
  - Unique integrated RF:IF
  - Server-class Intel designs
  - GPGPU advanced onboard exploitation processing
  - High-density / high-speed sensor interfaces
  - Major packaging innovation
- Advanced middleware enabling concurrent engineering

**ACS Design Win Growth by Market  
FY08–FY11 (\$M)**



Note: Potential is 5-year probable value based on customer-supplied information at time design win awarded. Actual program value may be higher or lower.

# F-16 SABR AESA Radar upgrade

New Radar design win

- History of success with Northrop Grumman fighter radars F-16, F-22, B1B, F-35
- Potential 1,500-2,000 F-16 radar upgrades
- Design win with NGC SABR new AESA radar with OpenVPX product line
- NGC just received export license enabling FMS
- Target FMS first then USAF and National Guard



Well positioned in the highest volume fighter Radar upgrade



# Advanced Distributed Aperture System (ADAS)

New EO/IR design win

- Infrared multi-sensor, 360° situational awareness
- Improve effectiveness and safety at low altitude or poor visibility
- Raytheon awarded \$14M to productize ADAS technology
- Mercury selected for image processing subsystem
- Targeting upgrades for UH-60 helicopter fleet



New Intel-based product line driving new market opportunities



# ITT Exelis/FELCO: Onboard exploitation for Army UAVs

## New EO/IR design win

- Provides real-time access to multi-INT information
- Enables seamless operations across air, ground and maritime domains
- Platform / sensor-agnostic open, scalable architecture
- Supports multi-sensor requirements for UAS, mobile and fixed ground
- Enabler of Army PM-UAS FUSE roadmap



Expected to drive new opportunities in FMV and WAAS



# New market opportunities in CyberINT processing

- Cyber Intelligence processing technology demonstrator
- High-bandwidth network analysis
- Unique balance of high-performance, real-time processing and I/O
- Architecture fully leveraged from Radar and EO/IR
- Most Primes are targeting Cyber Intelligence



Leveraged technology driving new growth opportunities



## Summary – Well positioned for growth

- Positioned well on key programs and platforms
- Unique and differentiated products and capabilities
- Outsourcing partner to Primes for sensor subsystems
- Capabilities in RF will help drive expansion in EW market
- Design wins ramping up in FY13: JCREW 3.3, SEWIP, Patriot
- Pursuing complementary acquisitions to accelerate growth

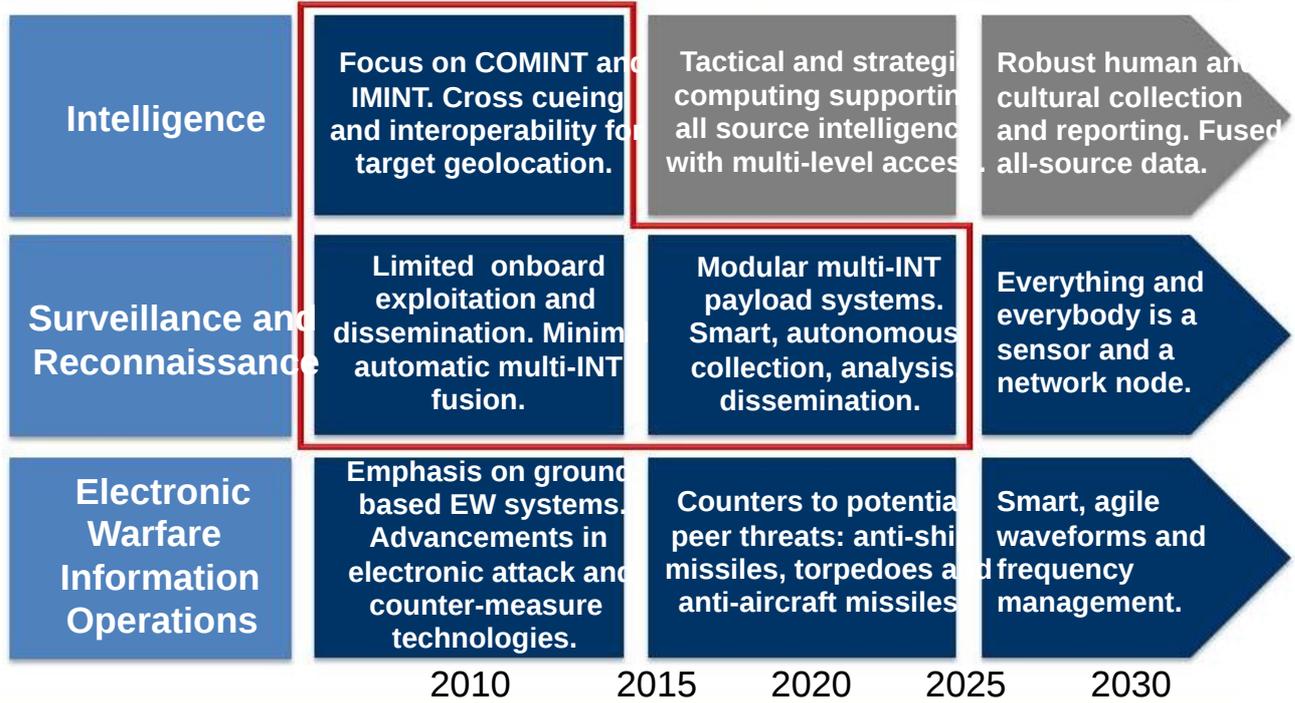
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# US DoD C4ISR: Technology roadmap and trends 2010-2030

■ = in market today ■ = possible new market

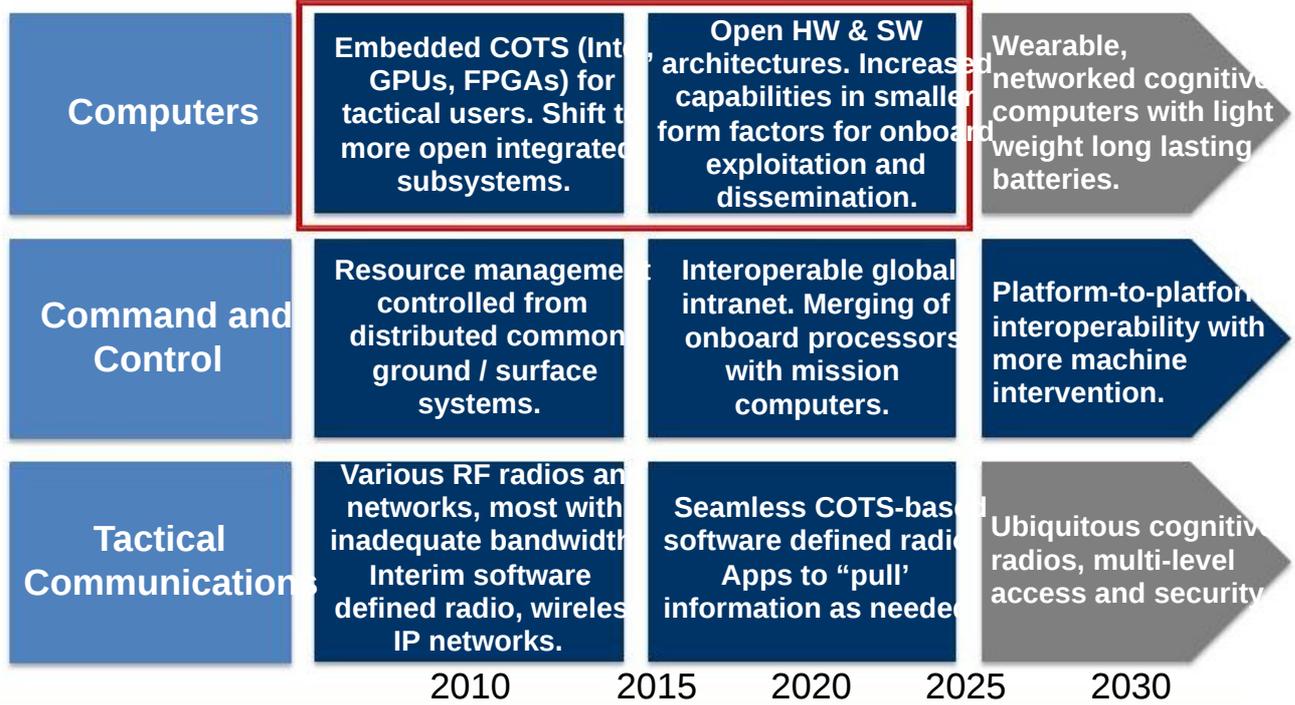


MFS ISR system & algorithm implementation expertise provides opportunities in the growing ISR marketplace



# US DoD C4ISR: Technology roadmap and trends 2010-2030

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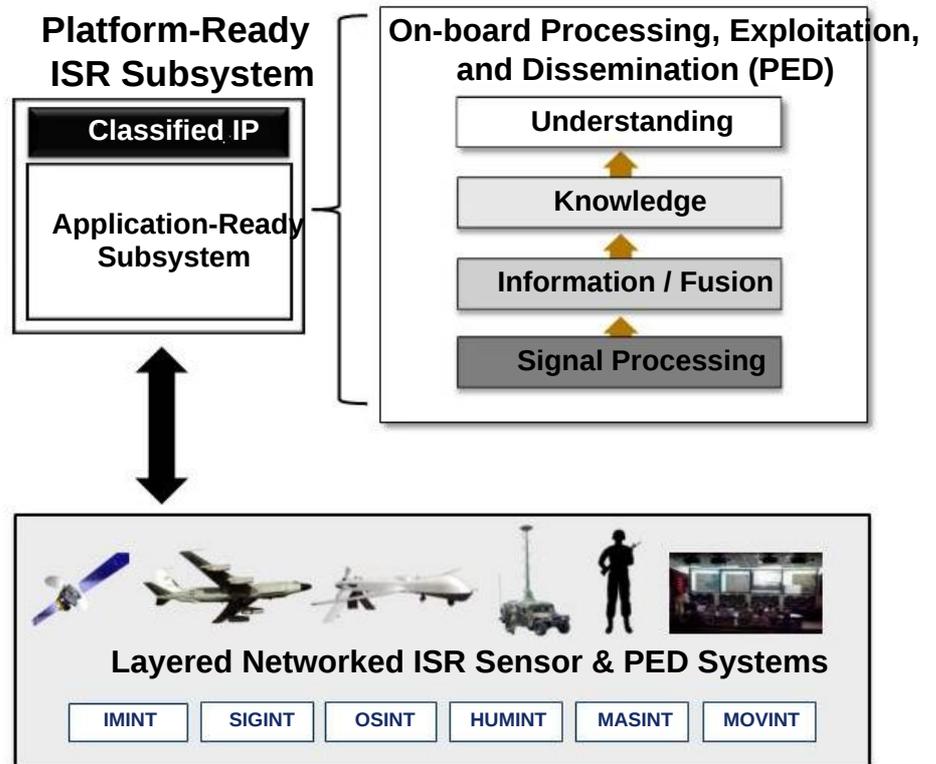


MCS & MFS well positioned given our capabilities and program



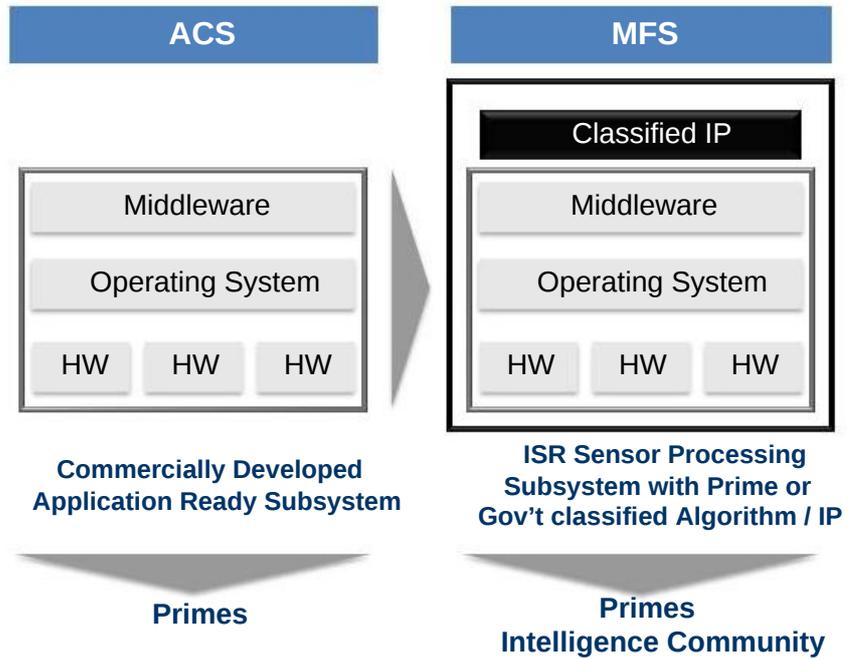
# Mercury Federal Systems: Vision and approach

- Expertise in CONOPS, architectures, and onboard PED processing
- Implementation of classified applications
- Emphasis on use of application-ready subsystems critical to ISR market
- Team to force-multiply Mercury's expertise
- Organic and acquisition-based growth



# MFS Focus: Porting Prime/Gov't sensing and exploitation IP...

- Implement novel ISR IP onboard to create actionable intelligence
  - Exploitation techniques
  - Multi-INT fusion
  - Autonomous control
  - Sensor signal processing
- Map gov't classified IP onto open standards-based ACS processor architecture to meet onboard SWAP constraints



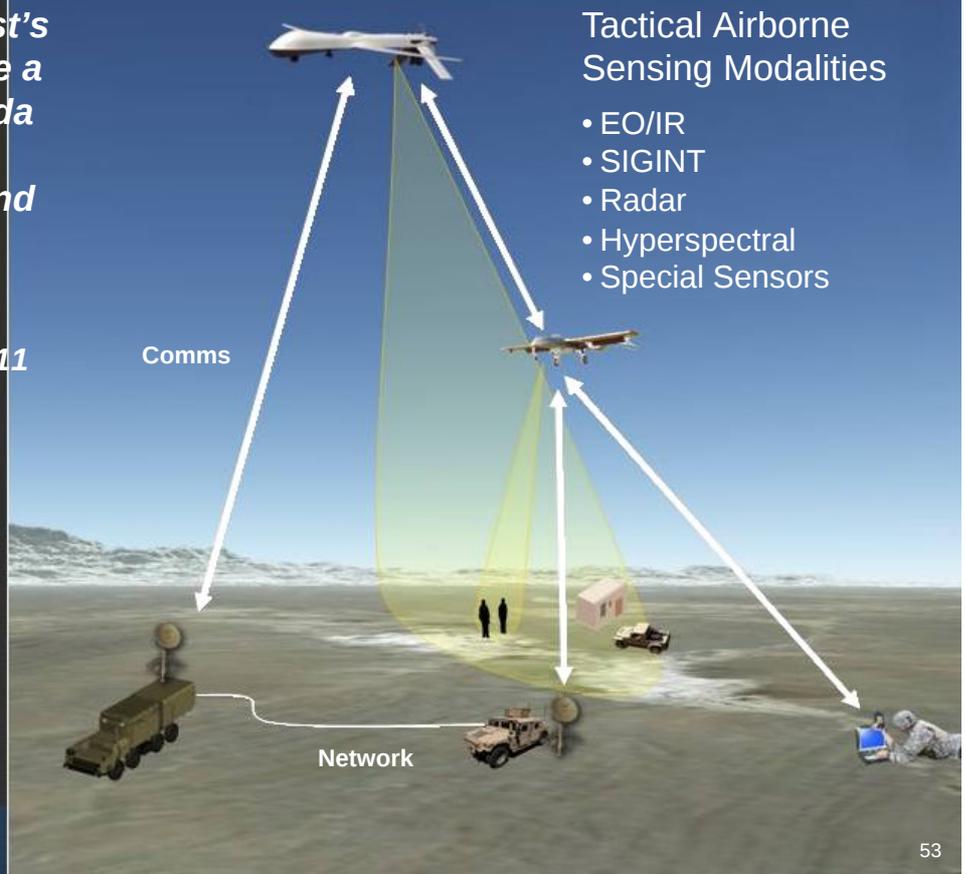
...onto our commercially developed sensor processing subsystem

# Migrating ground multi-INT processing on board platforms

***“The real trick in the analyst’s area is automation. We have a person watching every soda straw. It is a manpower intensive way to do this, and there is a better way.”***  
**Gen. Norton Schwartz,**  
**USAF Chief of Staff**  
***C4ISR Journal, September 2011***

Value of timely onboard processing-based results:

- Warfighters and analysts quickly turn information into actionable intelligence
- Reduces communication link bottlenecks



# Gorgon Stare Increment 1



- Successfully fielded quick reaction capability system
  - Image processor and onboard storage
  - Wide-area and narrow field-of-view imagery
  - Multiple operational flight systems
  - \$10.6M total program revenue through Q1 FY12
- Received prestigious Geospatial Intelligence Foundation and C4ISR Journal Big 25 Top Sensor awards
- Potential upside:
  - Additional flight systems
  - Full life-cycle support
  - DHS, FMS



Validation of MFS/ACS vision and approach



# Gorgon Stare Increment 2

New program win



- Increment 2

- Total contract potential \$22-26M
- \$18M booked H1 FY12
- Quick reaction capability; delivery in 18 months
- New onboard processor and storage for advanced wide area sensors
- Potential upside: flight systems and spares



- Future Increments to GFY18

- Processor upgrades
- Onboard multi-INT fusion
- PED improvements



Several opportunities for growth over the next 3-6 years



## MFS growth strategy summary

- Win future Gorgon Stare increments
- Leverage ACS application-ready subsystems
- Develop onboard exploitation capabilities
- Enable Prime multi-INT program wins
- Acquire exploitation and IC-focused companies

MFS positioned to grow ISR-based business and provide alternative DCAA channels for increased MCS revenues

# Agenda

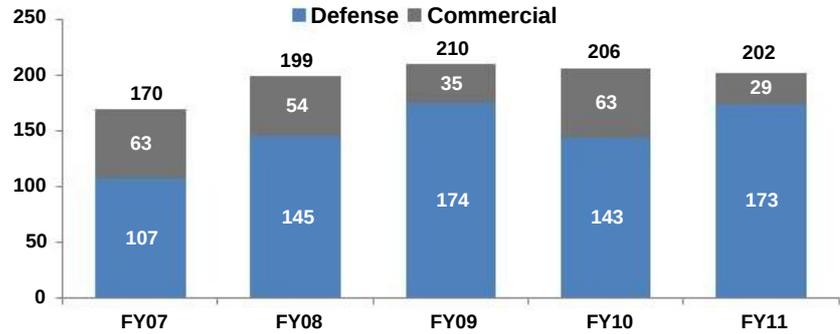
- Corporate Overview
- Keynote: General James E. Cartwright, USMC (Ret)  
Former Vice Chairman, US Joint Chiefs of Staff
- *Coffee Break (15 min)*
- Advanced Computing Solutions (ACS)
- Mercury Federal Systems (MFS)
- Financial Review
  - Bob Hult, CFO
- Closing Remarks / Q&A



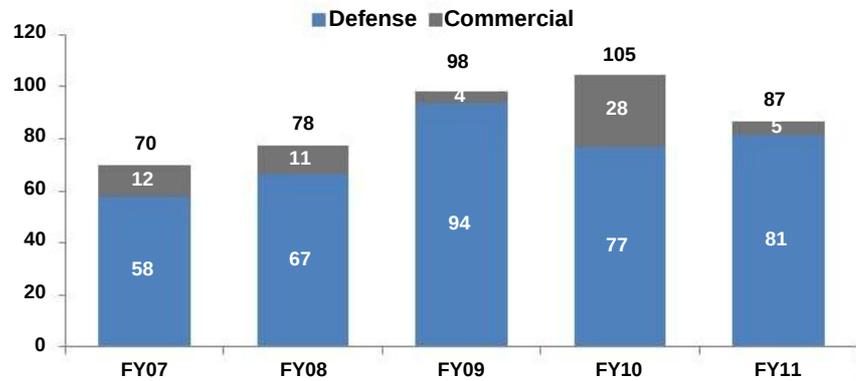
# Strong bookings growth and rebuilding backlog

- 13% CAGR defense bookings FY07-11
- 21% defense bookings growth FY11
- 9% defense CAGR ending backlog FY07-11
- \$98M Q1 FY12 defense ending backlog

### Mercury Bookings (\$M)

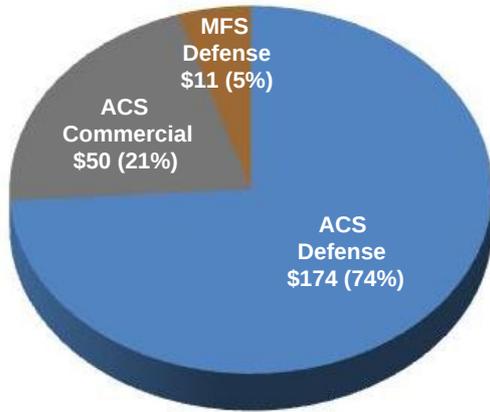


### Mercury Ending Backlog (\$M)



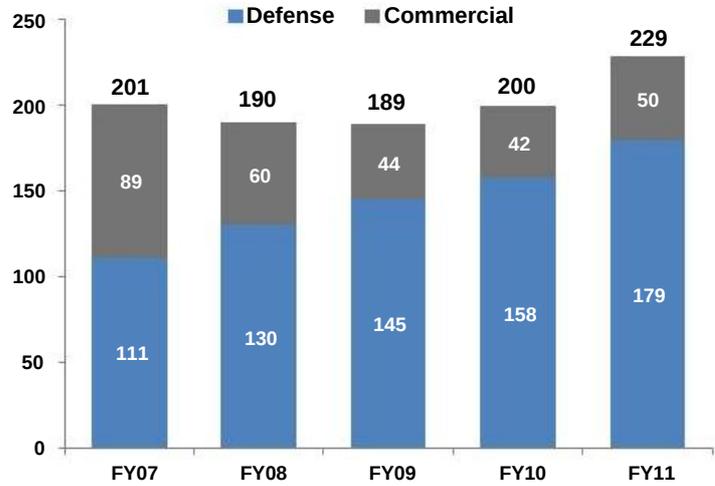
# Defense revenue growth accelerating

**FY11 Revenue (\$M, %)**



Note: Excludes \$6M interco eliminations

**Total Revenue (\$M)**



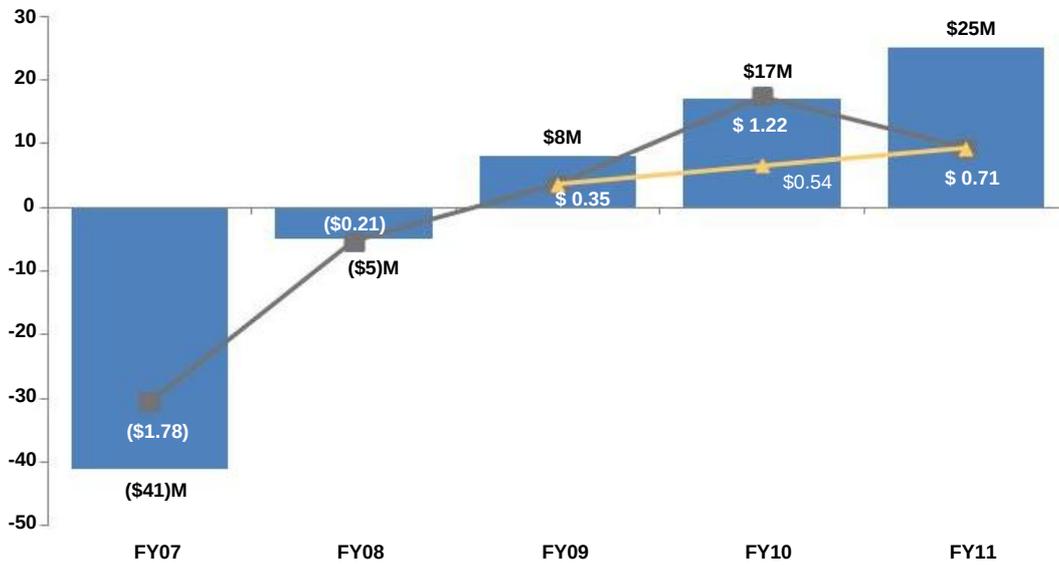
Note: FY07-10 figures adjusted for discontinued operations

Defense: 13% CAGR FY07-11; 14% revenue growth YoY



# Profitability restored and improving

Operating Income (\$M) — Earnings per Share, as reported — Earnings per Share, FY10 at normalized tax rate



**Notes:**

- FY07 figures are as reported in the Company's fiscal 2007 form 10K and have not been restated for discontinued operations.
- FY08 – FY11 figures are as reported in the Company's fiscal 2011 form 10K.
- FY10 Earnings per Share of \$1.22 were positively influenced by the partial reversal of the valuation allowance against deferred tax assets and an effective FY10 tax rate benefit of approximately 5%.
- FY11 EPS includes the impact of 5.6M additional shares from our follow-on public stock offering on February 16, 2011.

# Adjusted EBITDA at pro forma target for FY11



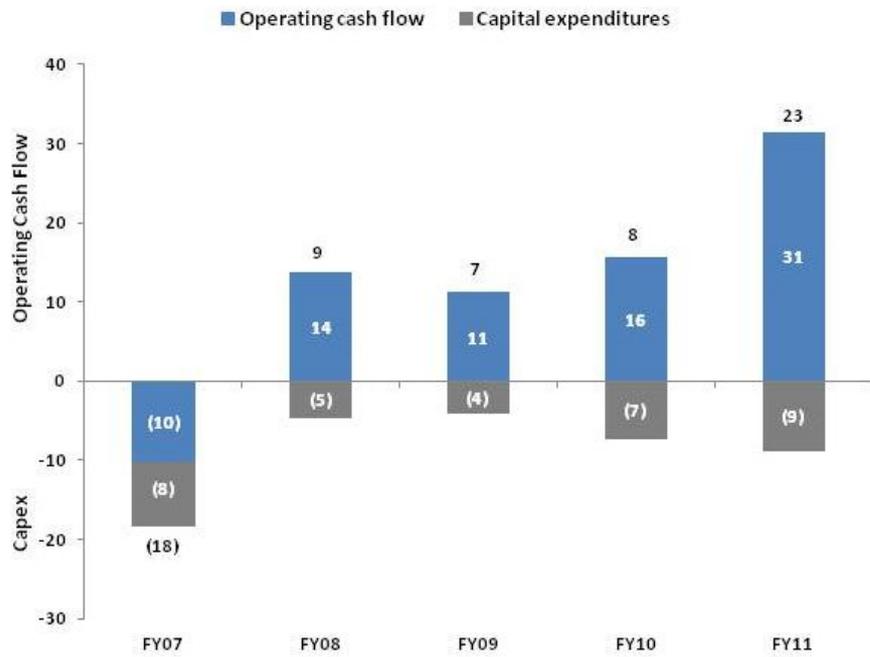
**Notes:**

- FY08–FY10 figures are as reported in the Company's fiscal 2010 Form 10K. FY11 figures are reported in the Company's earnings release on August 2, 2011.
- Adjusted EBITDA excludes interest income and expense, income taxes, depreciation, amortization of acquired intangible assets, restructuring expense, impairment of long-lived assets, acquisition and other related expenses, and stock-based compensation costs.

# Generating healthy free cash flow from operations

- Engineering and supply chain transformation
  - Engineering methods
  - Investments in DFM
  - Operational efficiencies
  - Reduced lead times
  - Improved cost of quality
  - Outsourced manufacturing
- Efficient working capital Platform supports growth

Free Cash Flow (\$M)



Note:

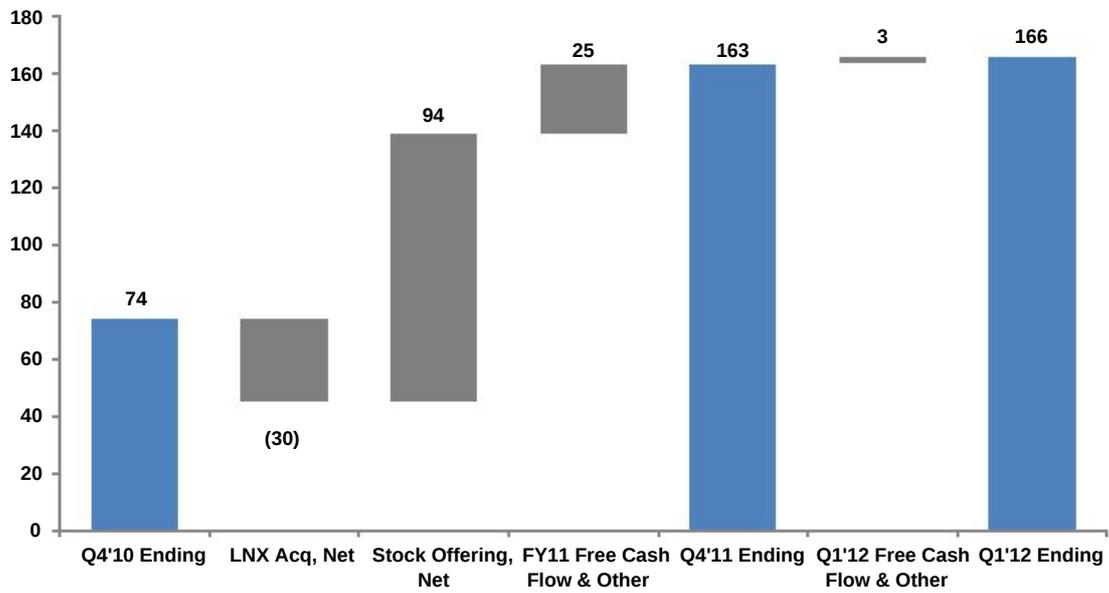
- Free cash flow is defined as cash provided by operating activities less capital expenditures for property and equipment, which includes capitalized software development costs.



# Balance sheet poised for investment

Zero short and long term debt

## Cash and Marketable Securities (\$M)



### Other financing sources available:

- \$500M Shelf Registration
- \$35M Operating line of credit (no drawdowns)



## Performing at target business model

- Organic growth only
- ACS : MFS revenue split 95% : 5% respectively
- High mix, low volume
- R&D delivering significant added value and returns
- Increased engineering services and systems integration
- Services-led design wins lead to long-term production subsystem annuity revenues

GAAP	FY08	FY09	FY10	FY11	Target Business Model
Revenue	100%	100%	100%	100%	100%
Gross Margin	58%	56%	56%	57%	54+%
SG&A and Other OPEX <sup>(1)</sup>	37%	29%	27%	26%	Low-mid 20's
R&D	24%	22%	21%	19%	High Teens
Operating Income	(3%)	4%	9%	11%	12-13%
Adj. EBITDA	12%	12%	15%	18%	17-18%

(1) Other OPEX includes Amortization of Acquired Intangible Assets, Impairment of Goodwill and Long Lived Assets, Restructuring, Gain on Sale of Long Lived Assets, and Acquisition Costs and Other Related Expenses.



## Q1 FY12 performance highlights

- Classified program order of \$12.7M received on 10/25/11
- Total defense bookings of \$60.9M up 47% vs Q1 FY11
- Total defense revenue of \$45M up 19%
- Defense book-to-bill ratio of 1.35 compared to 1.09 Q1 FY11
- Total defense backlog of \$97.8M up 21%



# Q2 FY12 guidance

	Q2 FY11 Actual	Quarter Ending December 31, 2011	
		Low	High
<b>Revenue</b>	<b>\$56</b>	<b>\$67</b>	<b>\$69</b>
<b>GAAP EPS (continuing)</b>	<b>\$0.22</b>	<b>\$0.24</b>	<b>\$0.27</b>
<b>Adj. EBITDA</b>	<b>\$10.7</b>	<b>\$15.7</b>	<b>\$17.0</b>
<b>Adj. EBITDA Adjustments</b>			
<b>Net income (continuing)</b>	<b>5.2</b>	<b>7.4</b>	<b>8.2</b>
Interest expense, net	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Income tax expense	<b>1.7</b>	<b>3.9</b>	<b>4.3</b>
Depreciation	<b>1.6</b>	<b>2.1</b>	<b>2.1</b>
Amortization of acquired intangible assets	<b>0.3</b>	<b>0.7</b>	<b>0.7</b>
Acquisition costs and other related expenses	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>
Fair value adjustments from purchase accounting	<b>0.0</b>	<b>(0.1)</b>	<b>(0.1)</b>
Stock-based compensation cost	<b>1.6</b>	<b>1.7</b>	<b>1.7</b>
<b>Adj. EBITDA</b>	<b>\$10.7</b>	<b>\$15.7</b>	<b>\$17.0</b>

**Notes:**

- Q2 FY11 income tax expense was impacted by research and development tax credits and the impact of a Section 199 Manufacturing deduction.
- For the whole of fiscal 2012 we currently expect a roughly high single-digit, low double-digit overall organic revenue growth rate, year-over-year. We currently expect our fiscal 2012 operating margin to be roughly in line with the low end of our current target business model range of 12% and our adjusted EBITDA as a percentage of revenue to come in roughly in line with the model's high end of 18%. Due to the impact of the new shares issued in fiscal 2011, we currently expect EPS for fiscal 2012 to be approximately flat, year-over-year.
- Adjusted EBITDA excludes reconciling items which have no impact.

# H1 FY12 year-over-year comparison

## Q1 actuals and midpoint of Q2 guidance

GAAP	H1 FY11	H1 FY12	Delta
Revenue (\$M)	108	117	8%
Gross Margin (% Revenue)	58%	60%	200 bps
Operating Expenses (\$M)	51	55	4
Adj EBITDA (\$M)	20	25	5
EPS	\$0.37	\$0.35	(\$0.02)
Average Shares (M)	23.7	30.2	6.5

Notes:

- H1 FY12 EPS includes the impact of 5.6M additional shares from our follow-on public stock offering on February 16, 2011.
- H1 FY11 tax rate provision of 30%, H1 FY12 tax rate 34%



## FY12 guidance

- Approximately 10% organic revenue growth
- Approximately 47% / 53% revenue split H1 / H2
- Gross margin approximately 57%
- Operating margin approximately 12%
- Adjusted EBITDA approximately 18%
- Flat EPS due to impact of new shares issued in FY11



## Guidance: Strong performance track record

Non-GAAP GAAP		Q1		Q2		Q3		Q4	
		Reported	Guidance	Reported	Guidance	Reported	Guidance	Reported	Guidance
2008	Revenue (\$M)	49.2	48	52.6	51	56.5	53.0-55.0	55.2	53.0-56.0
	EPS (\$)	0.09	(0.08)	0.04	(0.05)	0.04	(0.04)-0.00	0.01	(0.05)-0.01
2009	Revenue (\$M)	49.1	47.0-49.0	50.7	47.0-49.0	50.6	48.0-50.0	48.4	46.0-48.0
	EPS (\$)	0.07	(0.07)-(0.03)	0.03	(0.05)-0.00	0.20	0.05-0.09	0.13	0.05-0.08
2010	Revenue (\$M)	47.4	43.0-45.0	45.2	40.0-42.0	43.6	41.0-43.0	63.6	58.0-60.0
	EPS (\$)	0.19	0.03-0.08	0.08	(0.08)-(0.04)	0.16	(0.15)-(0.11)	0.77	0.25-0.28
2011	Revenue (\$M)	52.1	48.0-50.0	55.5	54.0-55.0	59.9	58.0-60.0	61.2	57.0-59.0
	EPS (\$)	0.16	0.03-0.06	0.22	0.10-0.12	0.20	0.16-0.18	0.14	0.11-0.13
2012	Revenue (\$M)	49.1	54.0-56.0		67.0-69.0				
	EPS (\$)	0.09	0.10-0.12		0.24-0.27				



## Financial summary

- Strong bookings growth and rebuilding backlog
- Defense revenue growth accelerating
- Profitability restored and improving
- Generating healthy free cash flows from operations
- Scalable working capital platform
- Strong balance sheet with no debt
- Performing at target business model

# Agenda

- Corporate Overview
- Keynote: General James E. Cartwright, USMC (Ret)  
Former Vice Chairman, US Joint Chiefs of Staff
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## Positioned for growth in a changing industry

- Focused on the right defense market segments
- Well positioned on key programs and platforms
- Capabilities help address today's and tomorrow's threats
- Business model aligned with defense procurement reform
- Outsourcing partner to the Primes for sensor subsystems
- Strong defense revenue growth and improved profitability
- Pursuing complementary acquisitions to accelerate growth



# Appendix



# Glossary

<b>ACS</b>	Advanced Computing Solutions Group	<b>FMV</b>	Full Motion Video	<b>PED</b>	Processing, Exploitation and Dissemination
<b>ADAS</b>	Advanced Distributed Aperture System	<b>FPGA</b>	Field Programmable Gate Array	<b>P-Win</b>	Probability of Win
<b>AEGIS</b>	Aegis Ballistic Missile Defense System	<b>GPU</b>	Graphics Processing Unit	<b>QRC</b>	Quick Reaction Capability
<b>AESA</b>	Active Electronically Scanned Array	<b>HUMINT</b>	Human Intelligence	<b>RF</b>	Radio Frequency
<b>API</b>	Application Programming Interface	<b>IEWS</b>	Intelligence, Electronic Warfare and Sensors	<b>SABR</b>	Scalable Agile Beam Radar
<b>ASIP</b>	Airborne Signals Intelligence Payload	<b>IMINT</b>	Imagery Intelligence	<b>SAR</b>	Synthetic Aperture Radar
<b>BAMS</b>	Broad Area Maritime Surveillance	<b>INT</b>	Intelligence	<b>SEWIP</b>	Surface Electronic Warfare Improvement Program
<b>BMD</b>	Ballistic Missile Defense	<b>IP</b>	Intellectual Property	<b>SIGINT</b>	Signals Intelligence
<b>C4</b>	Command, Control, Communications, Computers	<b>JCREW</b>	Joint Counter Radio Controlled Improvised Explosive Device Electronic Warfare	<b>SSEE</b>	Ships Signal Exploitation Equipment
<b>C4ISR</b>	Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance	<b>JSTARS</b>	Joint Surveillance and Target Attack Radar System	<b>SSI</b>	Services & Systems Integration Group
<b>COMINT</b>	Communications Intelligence	<b>LRIP</b>	Low-Rate Initial Production	<b>SWaP</b>	Size Weight and Power
<b>COTS</b>	Commercial off-the Shelf	<b>LSRS</b>	Littoral Surveillance Radar System	<b>TCPED</b>	Tasking, Collecting, Processing, Exploitation, and Dissemination
<b>DCAA</b>	Defense Contract Audit Agency	<b>MASINT</b>	Measurement and Signature Intelligence	<b>TRL</b>	Technology Readiness Level
<b>DFM</b>	Design for Manufacturing	<b>MEADS</b>	Medium Extended Air Defense System	<b>UAE</b>	United Arab Emirates
<b>DRFM</b>	Digital Radio Frequency Memory	<b>MFS</b>	Mercury Federal Systems	<b>UAS</b>	Unmanned Aircraft System
<b>DSP</b>	Digital Signal Processing	<b>MOVINT</b>	Moving Intelligence	<b>UAV</b>	Unmanned Aerial Vehicle
<b>EMD</b>	Engineering and Manufacturing Development	<b>MRL</b>	Manufacturing Readiness Level	<b>UAE</b>	United Arab Emirates
<b>EO/IR</b>	Electro-optical / Infrared	<b>MTI</b>	Moving Target Indicator	<b>USGIF</b>	US Geospatial Intelligence Foundation
<b>EW</b>	Electronic Warfare	<b>OpenVPX</b>	System-level specification for VPX, initiated by Mercury	<b>WAAS</b>	Wide area airborne surveillance
<b>FMS</b>	Foreign Military Sales	<b>OS</b>	Operating System	<b>WAMI</b>	Wide area motion imagery
<b>FELCO</b>	Federated Embedded Intel-Server for Collaborative Operations	<b>OSINT</b>	Open Source Intelligence		

# Adjusted EBITDA reconciliation

(000'S)	Years Ended June			
	2008	2009	2010	2011
Income (loss) from continuing operations	\$ (4,437)	\$ 7,909	\$ 28,069	\$ 18,507
Interest expense (income), net	(3,129)	492	(151)	45
Income tax expense (benefit)	3,710	109	(9,377)	8,060
Depreciation	7,372	5,640	5,147	6,364
Amortization of acquired intangible assets	5,146	2,414	1,710	1,984
Restructuring	4,454	1,712	231	—
Impairment of long-lived assets	561	—	211	150
Acquisition costs and other related expenses	—	—	—	412
Fair value adjustments from purchase accounting	—	—	—	(219)
Stock-based compensation costs	8,848	4,582	4,016	5,580
Adjusted EBITDA	\$ 22,525	\$ 22,858	\$ 29,856	\$ 40,883



# Free cash flow reconciliation

	Three Months Ended September 30	Years Ended June				
	2011	2007	2008	2009	2010	2011
Cash flows from operating activities	\$ 4,216	\$ (10,313)	\$ 13,726	\$ 11,199	\$ 15,708	\$ 31,474
Capital expenditures	(1,646)	(8,109)	(4,625)	(4,126)	(7,334)	(8,825)
Free cash flow	<u>\$ 2,570</u>	<u>\$ (18,422)</u>	<u>\$ 9,101</u>	<u>\$ 7,073</u>	<u>\$ 8,374</u>	<u>\$ 22,649</u>

