

Mercury Systems FY20 Investor Day Presentation

December 3, 2019
Nasdaq MarketSite
New York, NY



Forward-looking safe harbor statement

This presentation contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those 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, 2019. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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

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

Agenda

- **Strategy & Business Update**

- Mark Aslett
President & CEO

- **Defense Industry Update**

- Dr. Bill Conley
Senior Vice President & CTO

- **Growth Strategy in Action**

- Didier Thibaud
Executive Vice President & COO

- **Financial Update**

- Mike Ruppert
Executive Vice President & CFO

- **Q&A**

Pioneering a next-generation defense electronics company...

- Unique business model at the intersection of high-tech and Defense
- Make commercial technology profoundly more accessible
- Provide all trusted and secure computers for A&D
- Deployed on 300+ programs - serving defense Prime contractor outsourcing needs
- FY14 - FY19 CAGR:
 - 26% Revenue; ~10% Organic
 - 34% GAAP Net Income*
 - 46% Adj. EBITDA
 - 29% Backlog
- Defense industry's highest Glassdoor employee ratings**



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



Investment highlights

Spent \$1.2B since fiscal 2014 creating a unique business and model for A&D industry

- Innovative growth company at the intersection of high-tech and defense
 - Focused on large, growing and well-funded addressable markets
- Proven transformational business model for A&D industry
 - R&D levels 4-5x industry average as percent of revenue
 - Reusable, trusted and secure mission-critical technologies for speed, reduced risk and affordability
 - Industry-leading secure computing subsystems developed by a highly cleared workforce
 - Developed and produced in trusted facilities with a trusted supply chain
 - Destination employer and acquirer of choice
- Low-risk content expansion strategies delivering above-average organic revenue CAGR
 - Upward vertical expansion for outsourced Tier 2 subsystems driving large dollar content increases
 - Horizontal adjacent market expansion into other platforms and programs with similar needs
 - Unique chip-scale innovation driving future highest-margin content expansion
- Successful M&A strategy targeting new capabilities and market expansion
 - In-house deal origination, M&A execution and acquisition integration
 - Full integration drives substantial cost and revenue synergies over time
 - Multiple M&A themes ongoing
 - Scalable business platform

Our financial performance in top 5% of similarly sized public companies



Mercury's financial profile demonstrates our unique strategy

of Companies

1,057

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

TIER 2 DEFENSE
INDEX MEDIAN



LTM Adj. EBITDA Margin
>20%

390

Revenue CAGR
>10% 5-Year

122

LTM
Revenue
Growth
>20%

34

17%

22%
Margin

4%

27%
Growth

8%

30%
Growth

Notes:

- LTM 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 October 25, 2019. 5-year CAGR for market participants calculated per FactSet for the trailing four fiscal quarters available as of October 25, 2019 and the comparable historical period. Mercury 5-year CAGR calculated as the trailing four fiscal quarters ending fiscal Q1 2020 compared to the trailing four fiscal quarters ending fiscal Q1 2015. 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, Kratos Defense, L3Harris Technologies, Maxar, Moog, Oshkosh, OSI Systems, Teledyne Technologies, Textron, TransDigm Group, Triumph Group, United Technologies, Viasat, Woodward Aerospace.

Six major trends shaping the defense industry



Political Dysfunction:

2019 Budget Control Act positive. Repeated Continuing Resolutions disrupting DoD budget process and spending. Possible Impeachment and 2020 Election



Increased Defense Spending Cycle:

Rising interest rates, healthcare and social spending remain long-term issues; Significant platform electronics modernization underway



Defense Procurement Reform:

DoD focused on speeding up rate of innovation and fielding
Other Transaction Authority (OTA) and Non-Traditional Defense Contractors (NTDCs)



Innovation Challenges:

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



DoD needs more domestically-produced technology

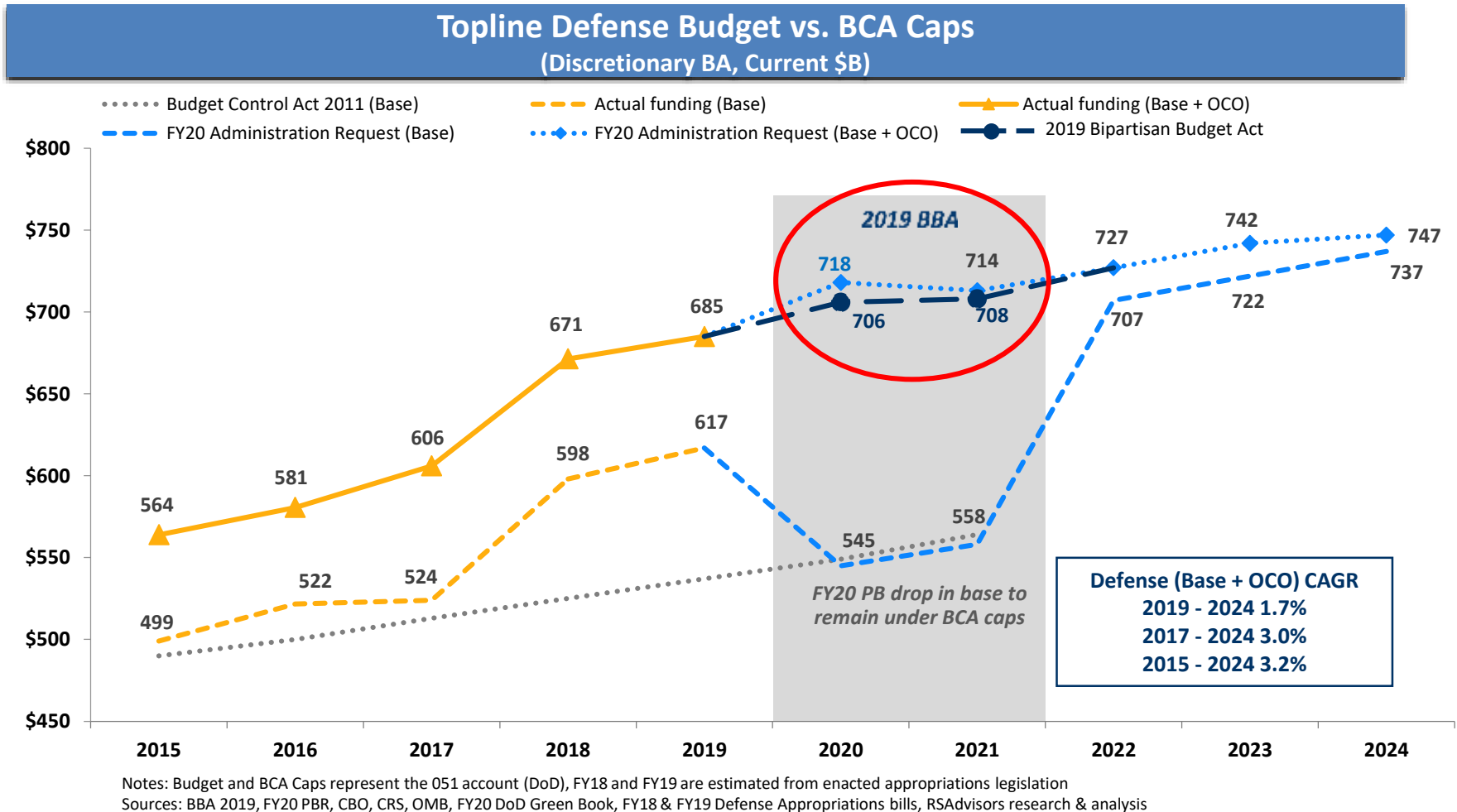
Leverage high-tech commercial investment and innovation; Address supply chain globalization and need for trust, security and assurance



Challenging Global Security Environment:

Chinese militarization and power projection, resurgent Russia and 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 has two major segments:

C4I; Sensor and Effector Mission Systems









Aerospace & Defense Platform and Systems Electronics Content

	C4I (\$22.6B)*			Sensor & Effector Mission Systems (\$17.4B)*				
	Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
								
	<i>Avionics / Vetronics</i>	<i>Command & 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>
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	Thermo-graphic camera with video output	Sound pulses to determine object location	Seekers, HEL, HPM Naval Launched Air Launched
2019 Market (\$B)	\$28.1B	\$37.0B	\$17.1B	\$9.7B	\$10.4B	\$11.6B	\$4.0B	\$5.8B
	4.0%	2.8%	3.7%	4.0%	3.4%	3.8%	5.2%	4.0%
	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR
2019 Tier 2* Market (\$B)	\$7.1B	\$7.6B	\$7.9B	\$5.9B	\$5.3B	\$2.3B	\$1.0B	\$2.9B
	4.8%	3.7%	3.8%	4.1%	3.7%	5.1%	6.0%	4.4%
	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR

Notes:

*Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets
Sources: RSAdivisors research & analysis, November 2019. Numbers are rounded.









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

Aerospace & Defense Platform and Systems Electronics Content								
C4I (\$22.6B)*			Sensor & Effector Mission Systems (\$17.4B)*					
Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons	
								
<i>Avionics / Vetronics</i>	<i>Command & 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	2019 Global A&D electronics market \$124B 2019 US defense electronics market \$61B				phic video Sound pulses to determine object location	Seekers, HEL, HPM Naval Launched Air Launched	
\$28.1B 4.0% '19-24 CAGR	\$37.0B 2.8% '19-24 CAGR	\$17.1B 3.7% '19-24 CAGR	\$9.7B 4.0% '19-24 CAGR	\$10.4B 3.4% '19-24 CAGR	\$11.6B 3.8% '19-24 CAGR	\$4.0B 5.2% '19-24 CAGR	\$5.8B 4.0% '19-24 CAGR	
\$7.1B 4.8% '19-24 CAGR	\$7.6B 3.7% '19-24 CAGR	\$7.9B 3.8% '19-24 CAGR	\$5.9B 4.1% '19-24 CAGR	\$5.3B 3.7% '19-24 CAGR	\$2.3B 5.1% '19-24 CAGR	\$1.0B 6.0% '19-24 CAGR	\$2.9B 4.4% '19-24 CAGR	

Notes:

*Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets
Sources: RSAdivisors research & analysis, November 2019. Numbers are rounded.









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

Aerospace & Defense Platform and Systems Electronics Content								
C4I (\$22.6B)*			Sensor & Effector Mission Systems (\$17.4B)*					
2019 Tier 2* Market (\$B)	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
	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
	\$28.1B 4.0% '19-24 CAGR							\$5.8B 4.0% '19-24 CAGR
2019 Global tier 2 RF and computing addressable market \$40B 2019 US defense tier 2 RF and computing addressable market \$21B								
	\$7.1B 4.8% '19-24 CAGR	\$7.6B 3.7% '19-24 CAGR	\$7.9B 3.8% '19-24 CAGR	\$5.9B 4.1% '19-24 CAGR	\$5.3B 3.7% '19-24 CAGR	\$2.3B 5.1% '19-24 CAGR	\$1.0B 6.0% '19-24 CAGR	\$2.9B 4.4% '19-24 CAGR

Notes:

*Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets
Sources: RSAdivisors research & analysis, November 2019. Numbers are rounded.









Translated market expansion into growth well above industry average

Aerospace & Defense Platform and Systems Electronics Content								
2019 Tier 2* Market (\$B)	C4I (\$22.6B)*			Sensor & Effector Mission Systems (\$17.4B)*				
	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
	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
	\$28.1B 4.0% '19-24 CAGR	\$37.0B 2.8% '19-24 CAGR	\$17.1B 3.7% '19-24 CAGR	Tier 2 sensor & effector mission systems addressable market \$17.4B – 4.6% CAGR				
	\$7.1B 4.8% '19-24 CAGR	\$7.6B 3.7% '19-24 CAGR	\$7.9B 3.8% '19-24 CAGR					
				\$5.9B 4.1% '19-24 CAGR	\$5.3B 3.7% '19-24 CAGR	\$2.3B 5.1% '19-24 CAGR	\$1.0B 6.0% '19-24 CAGR	\$2.9B 4.4% '19-24 CAGR

Notes:

*Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets
Sources: RSAdvisors research & analysis, November 2019. Numbers are rounded.

Penetrating new markets larger than our traditional ones

Aerospace & Defense Platform and Systems Electronics Content								
C4I (\$22.6B)*			Sensor & Effector Mission Systems (\$17.4B)*					
Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons	
								
<i>Avionics / Vetronics</i>	<i>Command & 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	
Tier 2 C4I addressable market \$22.6B – 4.1% CAGR 30% larger than traditional sensor market				\$0.4B 4.4% '19-24 CAGR	\$11.6B 3.8% '19-24 CAGR	\$4.0B 5.2% '19-24 CAGR	\$5.8B 4.0% '19-24 CAGR	
\$7.1B 4.8% '19-24 CAGR	\$7.6B 3.7% '19-24 CAGR	\$7.9B 3.8% '19-24 CAGR	\$5.9B 4.1% '19-24 CAGR	\$5.3B 3.7% '19-24 CAGR	\$2.3B 5.1% '19-24 CAGR	\$1.0B 6.0% '19-24 CAGR	\$2.9B 4.4% '19-24 CAGR	

Notes:

*Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets
Sources: RSAdvisors research & analysis, November 2019. Numbers are rounded.

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



LTAMDS



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



L3HARRIS



GENERAL ATOMICS
THALES

BAE SYSTEMS

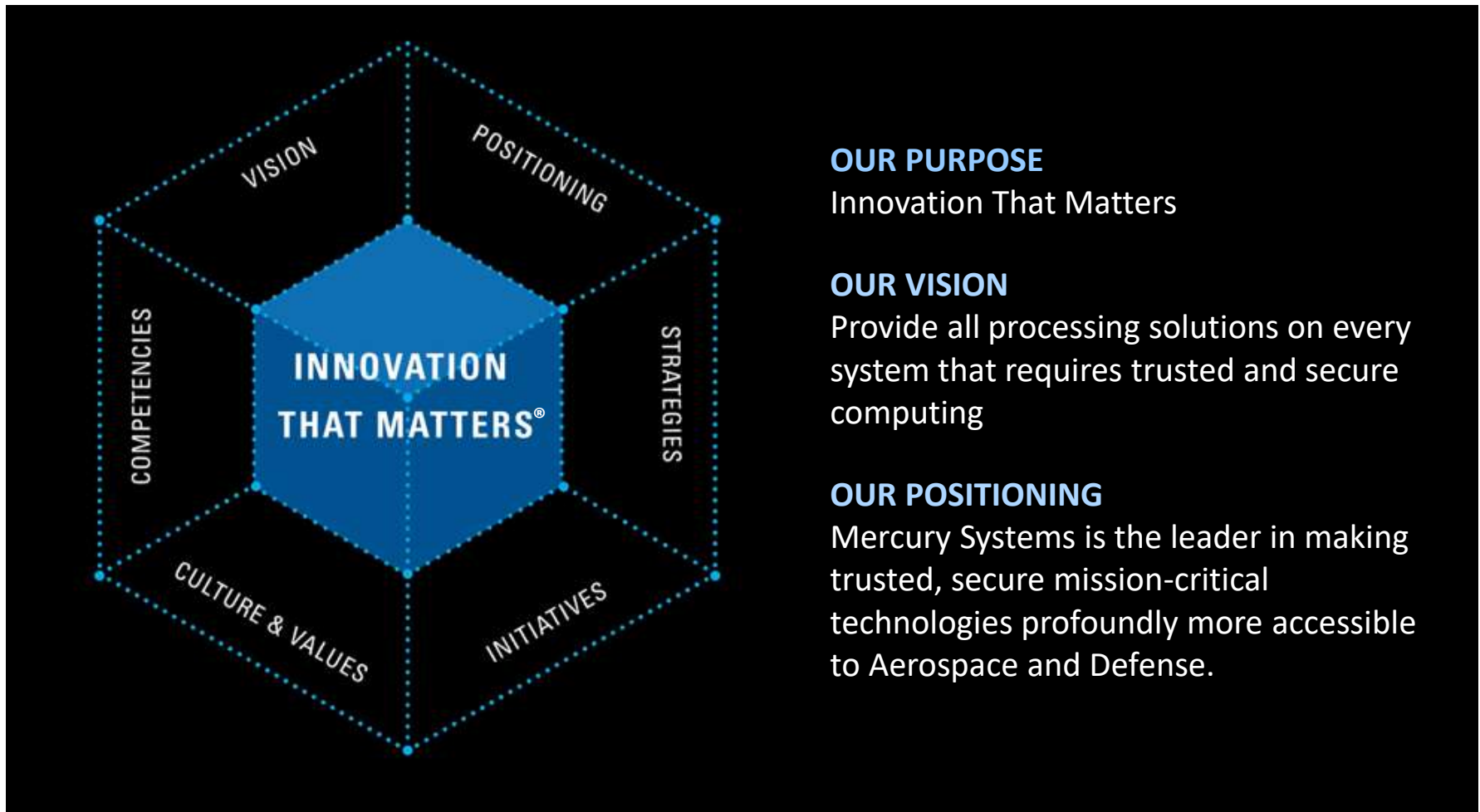


AIRBUS



BOEING

Our purpose connects our vision, positioning, culture & values...



...and strategies to how we create value for shareholders

Strategy delivering above-average growth and profitability



Innovating and making mission-critical technologies profoundly...

Trusted and Secure Mission-Critical Technologies and Subsystems



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

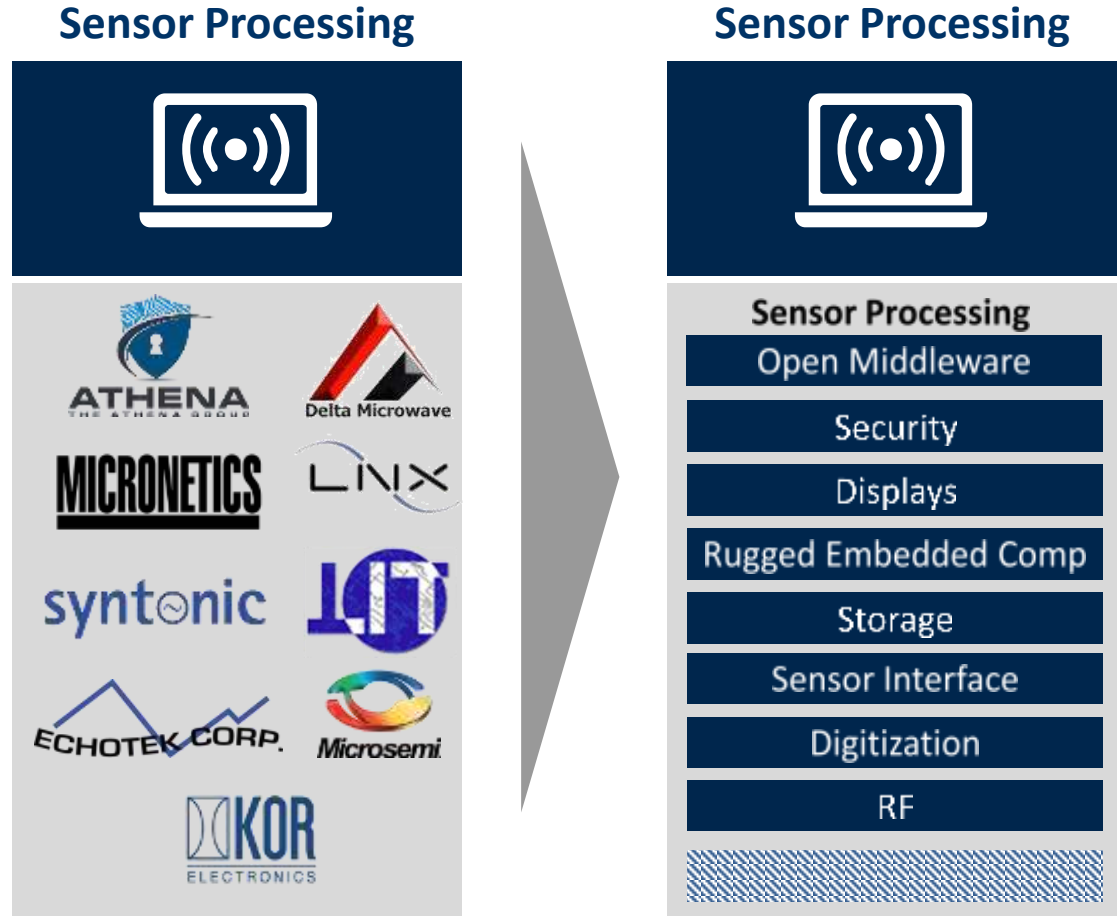
SECURITY

SAFETY

...more accessible for systems that require trusted, secure computing

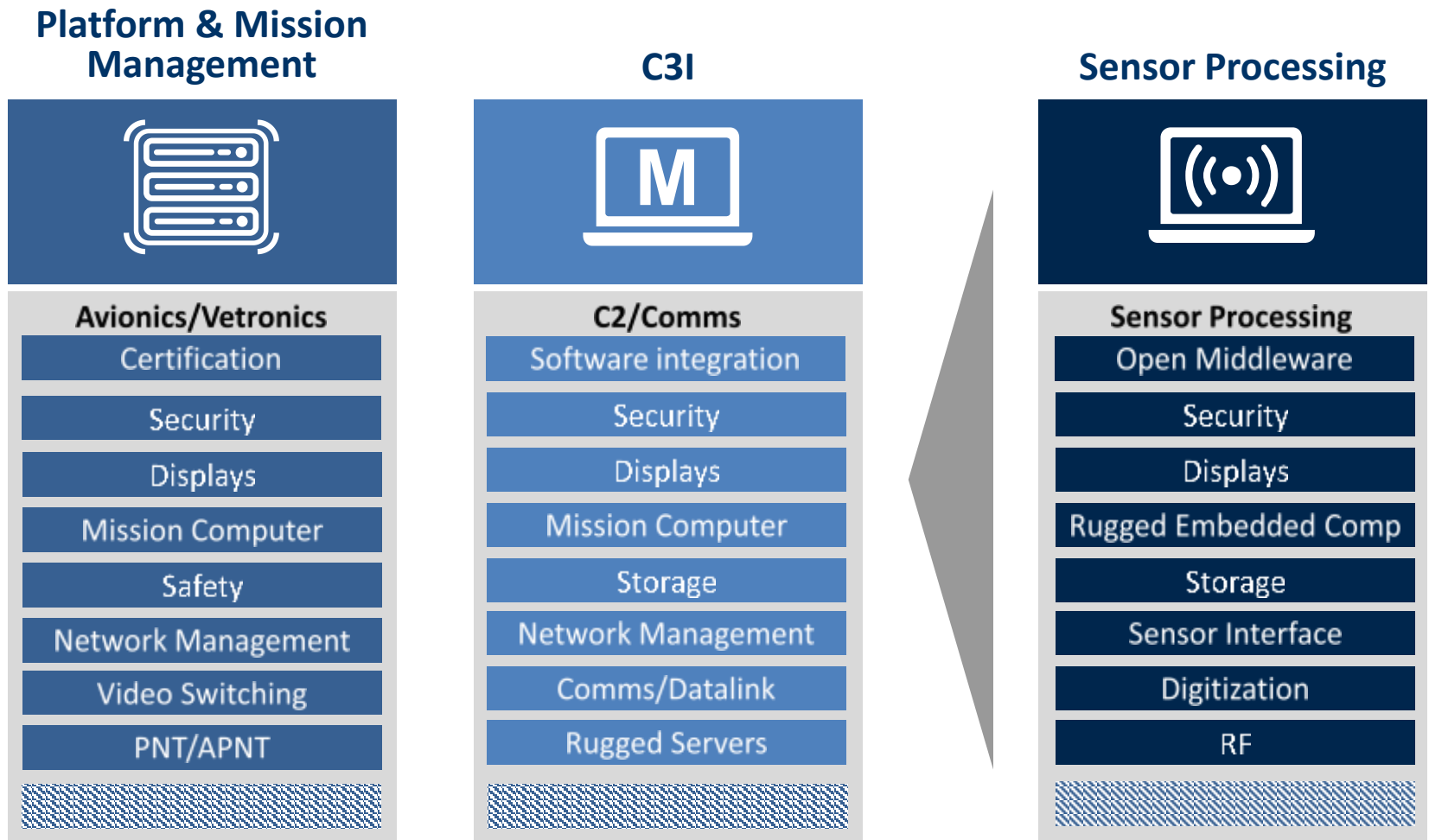
Acquisitions initially transformed Mercury into a...

- 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



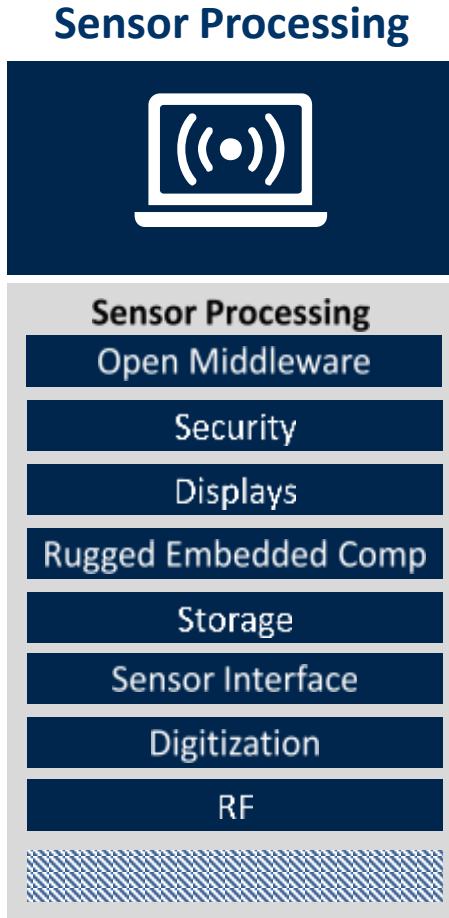
...Tier 2 provider of pre-integrated sensor processing subsystems

Our overarching strategy however is to provide all types...



...of processing subsystems requiring trusted, secure computing

Our goal is to also uniquely replicate our sensor...



Trusted and Secure Solutions Chip-Scale Application-Specific Customization

Communications



Radar



Electronic Warfare



Signal Intelligence

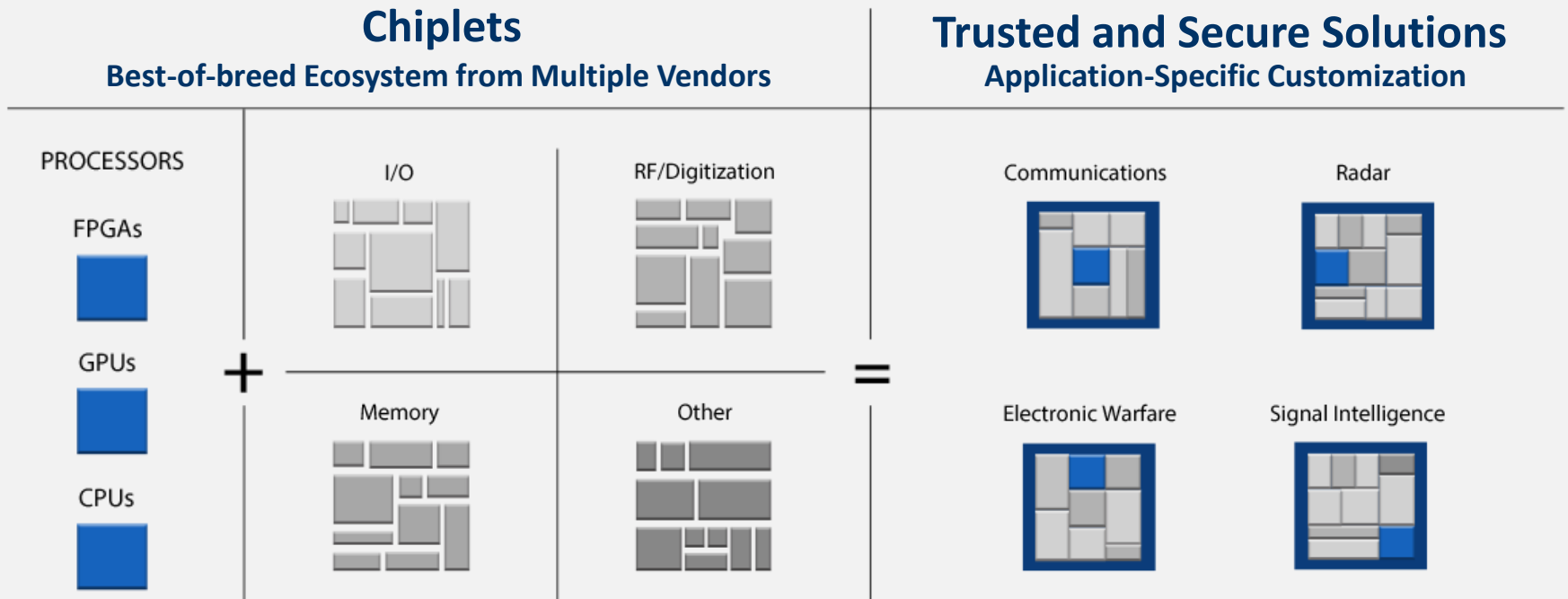


...processing subsystem integration strategy at chip scale

This game-changing capability will enable new applications...

New Modular IP Library Enables Rapid Affordable Customization

Open systems at chip scale allows unprecedented configurability and flexibility



...and an additional dimension of highest-margin future growth

The first driver of growth is content expansion driven...

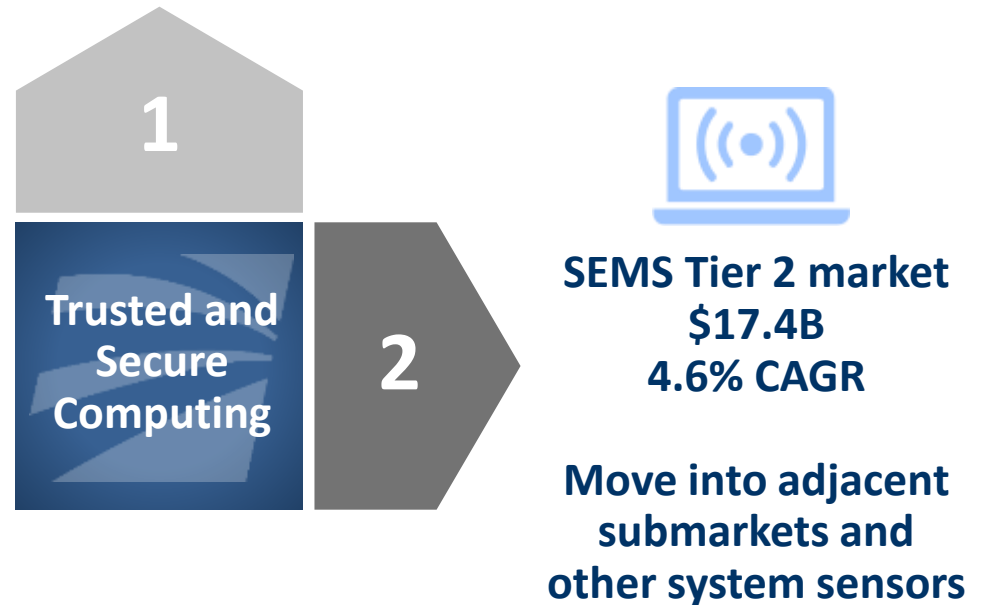
Up to a 12x increase in content per system as customers outsource more due to secure computing requirements and as system complexity grows



...by M&A, customer outsourcing, share gains and system complexity

Second is growing in submarket adjacencies...

Up to a 12x increase in content per system as customers outsource more due to secure computing requirements and as system complexity grows



...in and around our historic core market

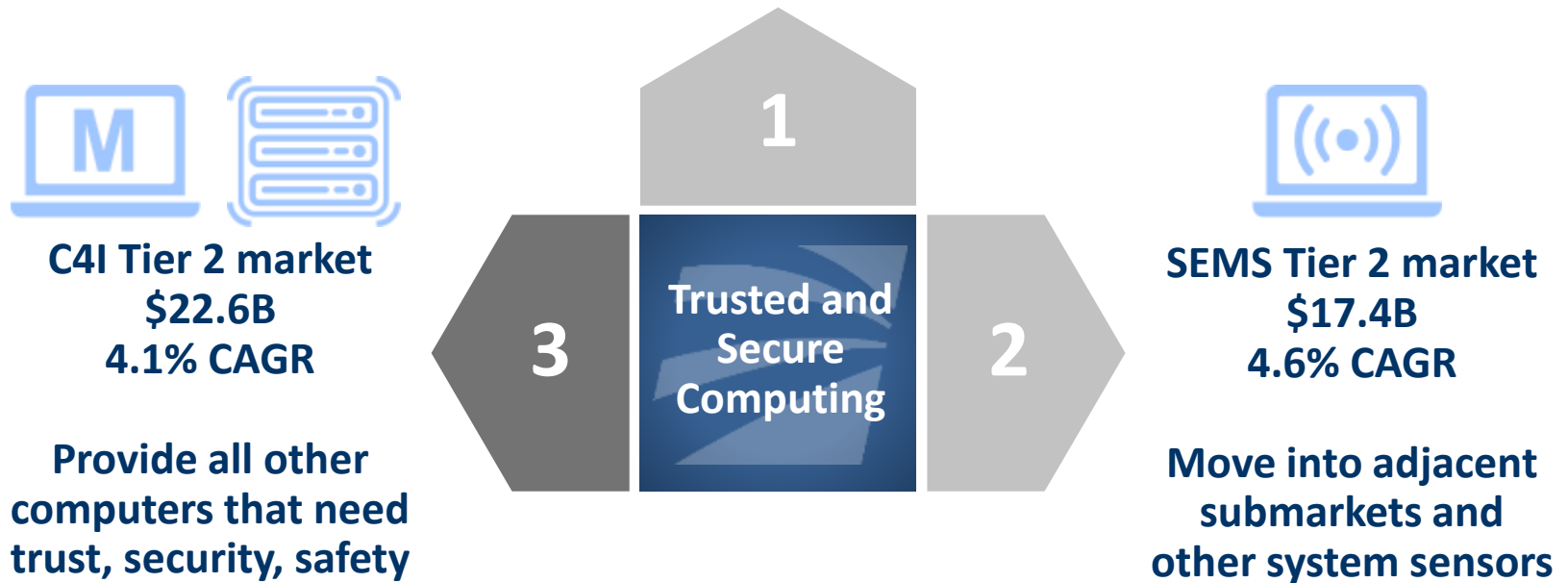
Notes:

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

© 2019 Mercury Systems, Inc. Sources: RSAdivisors research & analysis, November 2019. CAGRs referenced are for periods GFY19-GFY24. Numbers are rounded.

Third is expanding into all other systems...

Up to a 12x increase in content per system as customers outsource more due to secure computing requirements and as system complexity grows



...that require trusted, secure computing

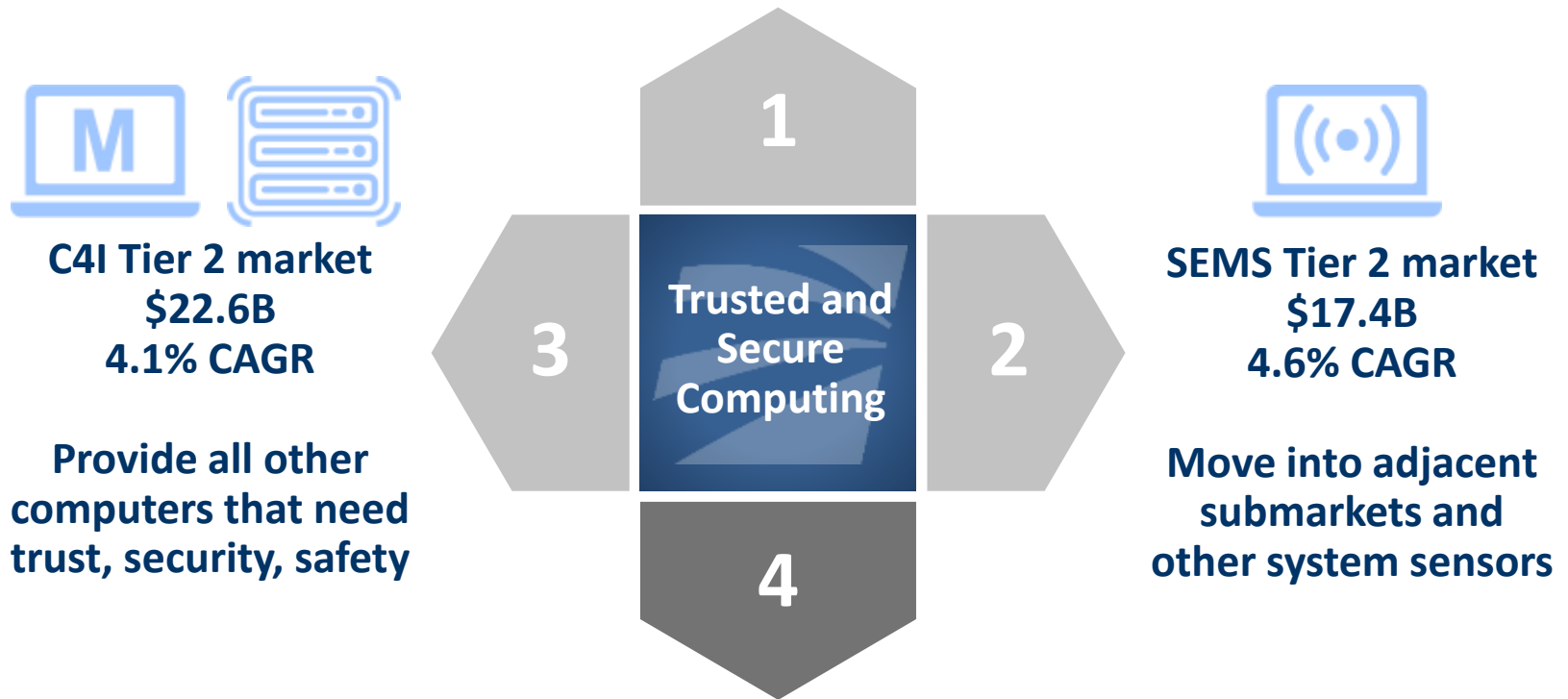
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© 2019 Mercury Systems, Inc. Sources: RSAAdvisors research & analysis, November 2019. CAGRs referenced are for periods GFY19-GFY24. Numbers are rounded.

Finally, unique chip-scale technology will enable new...

Up to a 12x increase in content per system as customers outsource more due to secure computing requirements and as system complexity grows



Up to another 2x higher-margin content increase per system as new trusted microelectronic capabilities enable new applications and performance

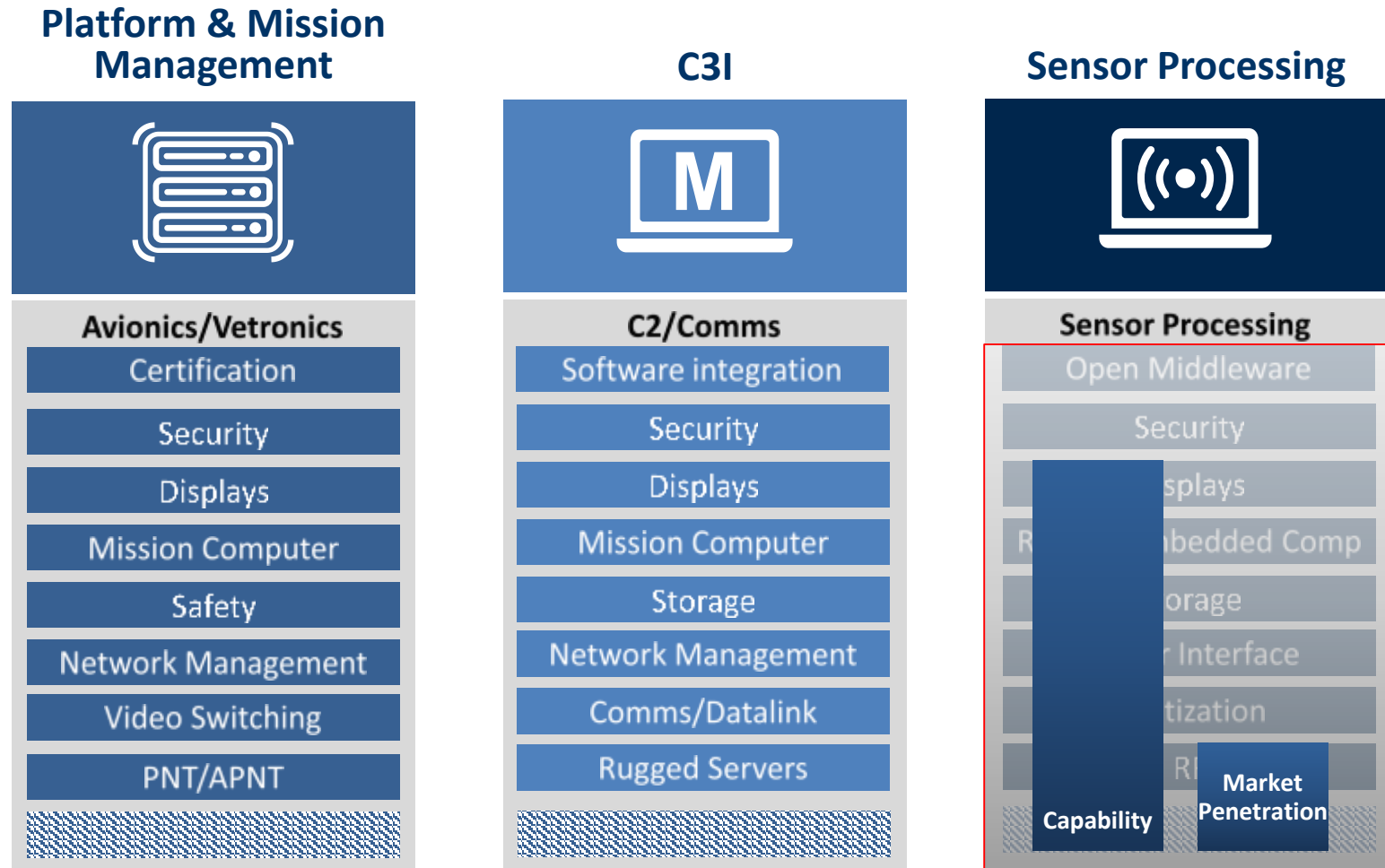
...applications and future highest margin organic content expansion

Notes:

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

© 2019 Mercury Systems, Inc. Sources: RSAdvisors research & analysis, November 2019. CAGRs referenced are for periods GFY19-GFY24. Numbers are rounded.

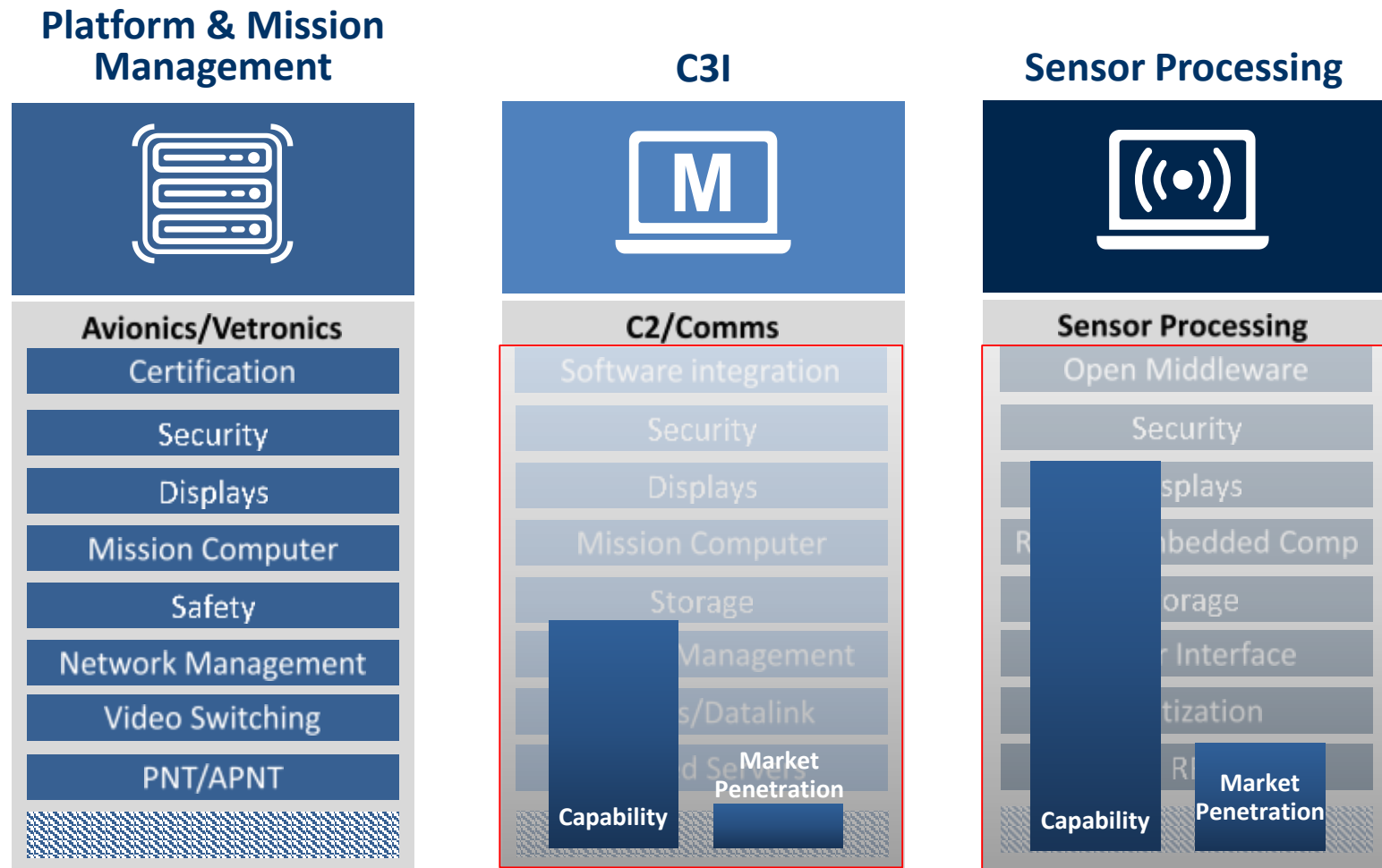
Our M&A sensor processing content expansion strategy...



...has worked well yet we're in the early phases of market penetration

Note: Capability and Market Penetration for illustration purposes only

Our C3I content and market expansion began in fiscal 2018...

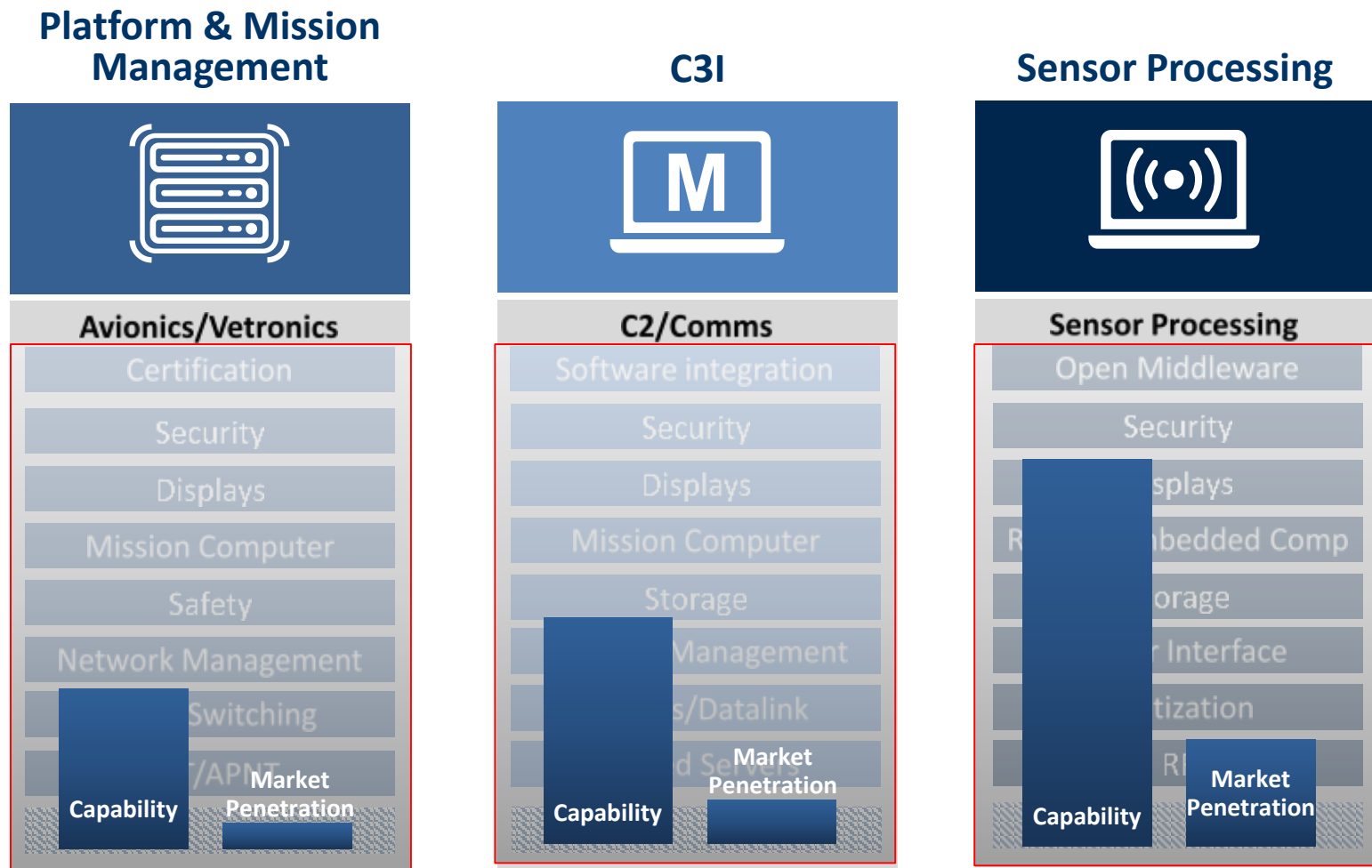


...still in early stages of M&A content and organic market penetration

Note: Capability and Market Penetration for illustration purposes only

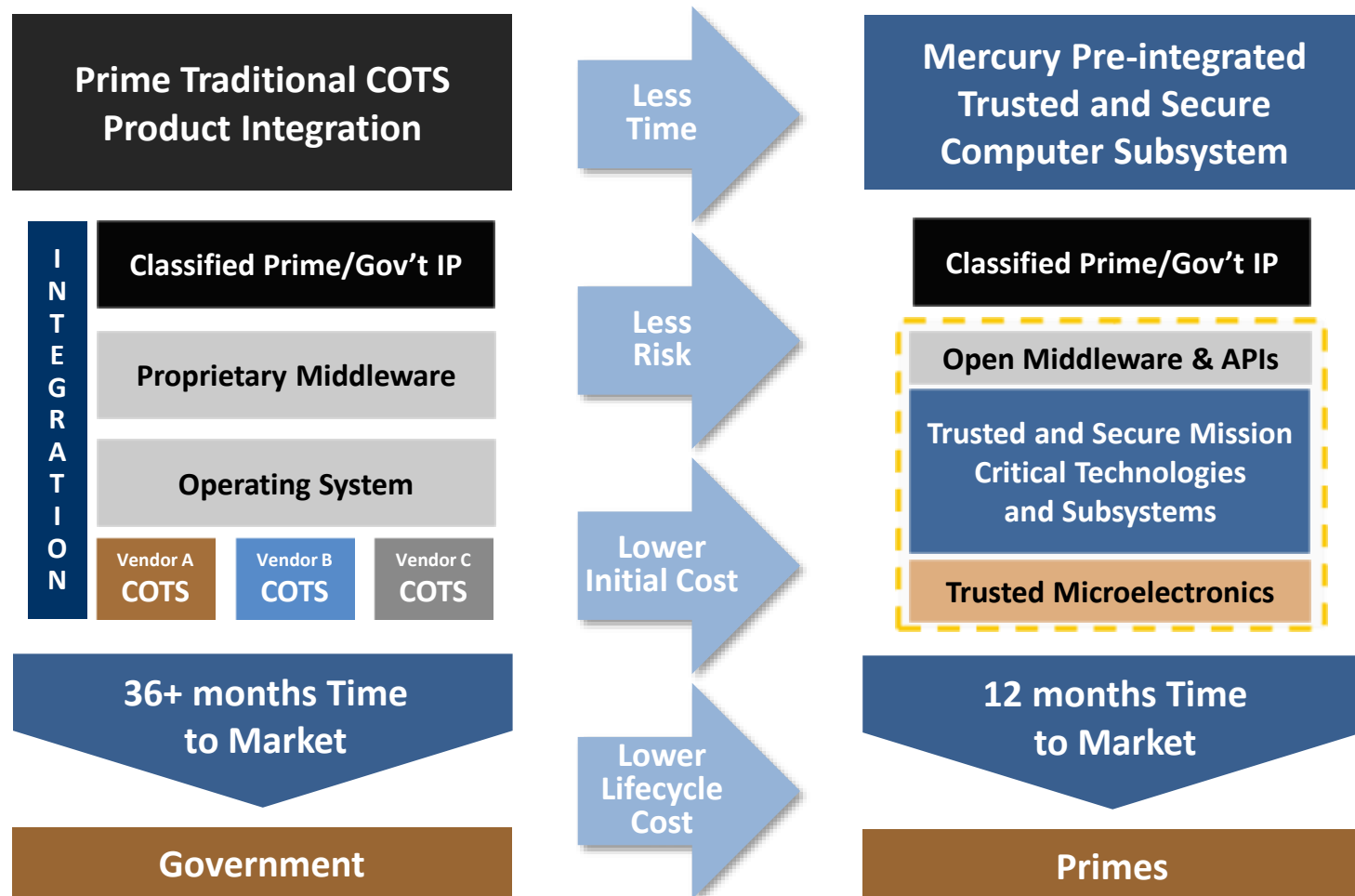


Similarly, our platform and mission management expansion began in fiscal 2017...



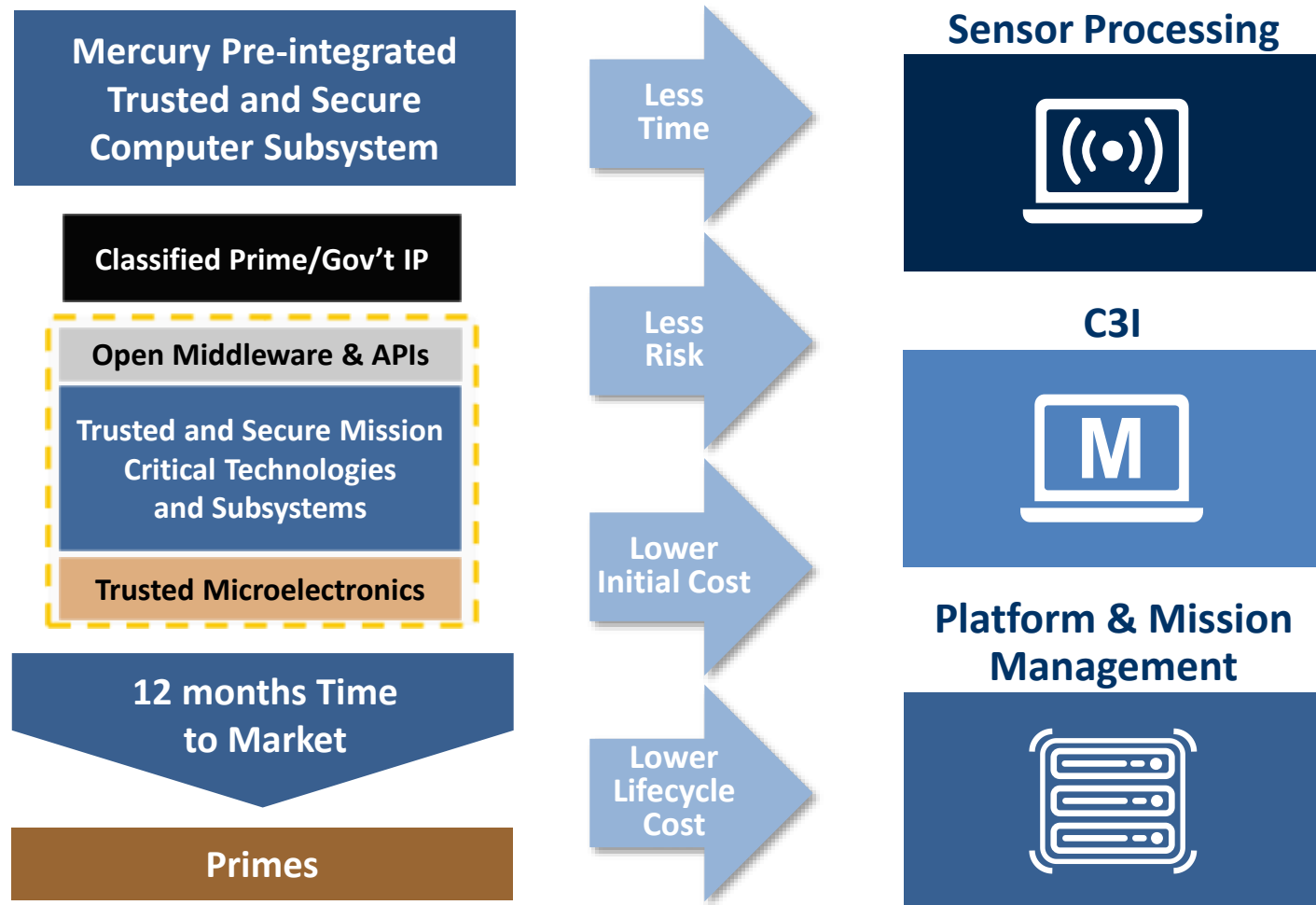
...still in early stages of M&A content and organic market penetration

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
























...as customers outsource pre-integrated mission subsystems

We can apply the same subsystem pre-integration model...



...to C3I and platform and mission management solutions

We've built trusted manufacturing and integration capabilities

Manufacturing Capabilities	W. Caldwell, NJ	Fremont, CA	Oxnard, CA	Cypress, CA	Phoenix, AZ	Mesa, AZ	Alpharetta, GA	Hudson, NH	Chantilly, VA	Andover, MA	Geneva, Switz.	Huntsville, AL
Rugged Servers												
Mission Computer (C2)												
Secure Processing												
Custom Microelectronics												
RFM												
Storage												
Avionics Computer												
Displays												

Mercury M&A philosophy and value creation blueprint

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

We're using M&A to expand our capability set...

Platform & Mission Management



RTL

ces



GECO

C3I



ces

THEMIS

GERMANE
SYSTEMS



GECO

Sensor Processing



MICRONETICS

LINX

syntonic



ECHOTEK CORP.

















KOR
ELECTRONICS

...for all systems that need trusted, secure computing

* Represents carve-out acquisition from Microsemi Corp.

As well as to access and penetrate adjacent markets

2019 Tier 2* Market (\$B) & CY'19-24 CAGR (%)

Aerospace & Defense Platform and Systems Electronics Content							
C4I (\$22.6B)*			Sensor & Effector Mission Systems (\$17.4B)*				
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
					<p>Organic</p>		
\$7.1B 4.8%	\$7.6B 3.7%	\$7.9B 3.8%	\$5.9B 4.1%	\$5.3B 3.7%	\$2.3B 5.1%	\$1.0B 6.0%	\$2.9B 4.4%

Notes:

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

Sources: RSAdvisors research & analysis, November 2019. Numbers are rounded.

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

Glassdoor current employee ratings

Validates Mercury's destination employer and acquirer of choice status

	Mercury Systems	Glassdoor Average	Proxy Peer Group ⁽¹⁾	Tier 2 Defense Company Index ⁽²⁾
Overall Rating	4.4	3.4	3.4	3.5
Culture & Values	4.5	3.4	3.2	3.4
Work-Life Balance	3.9	3.4	3.3	3.5
Senior Management	4.3	3.1	3.4	3.1
Compensation & Benefits	4.3	3.1	3.0	3.5
Career Opportunities	4.3	3.0	3.6	3.3
Recommend to Friend	87%	62%	61%	66%
CEO Approval	94%	70%	72%	75%
Positive Business Outlook	92%	49%	50%	56%

(1) **PROXY PEER GROUP:** ADTRAN, Inc., Astronics Corp., Brooks Automation, Inc., Cognex Corp., Comtech Telecommunications Corp., Cray, Inc., CTS Corp., Diodes Inc, Ducommun, Inc., II-VI Inc., Infinera, iRobot Corp., Kratos Defense & Security Solutions, Inc., MACOM Technology Solutions Holdings, Inc., Methode Electronics, Inc., MKS Instruments, Inc., NETGEAR, Inc., NetScout Systems, Inc., Novanta, Inc., OSI Systems, Inc., Ribbon Communications Inc., Rogers Corporation.

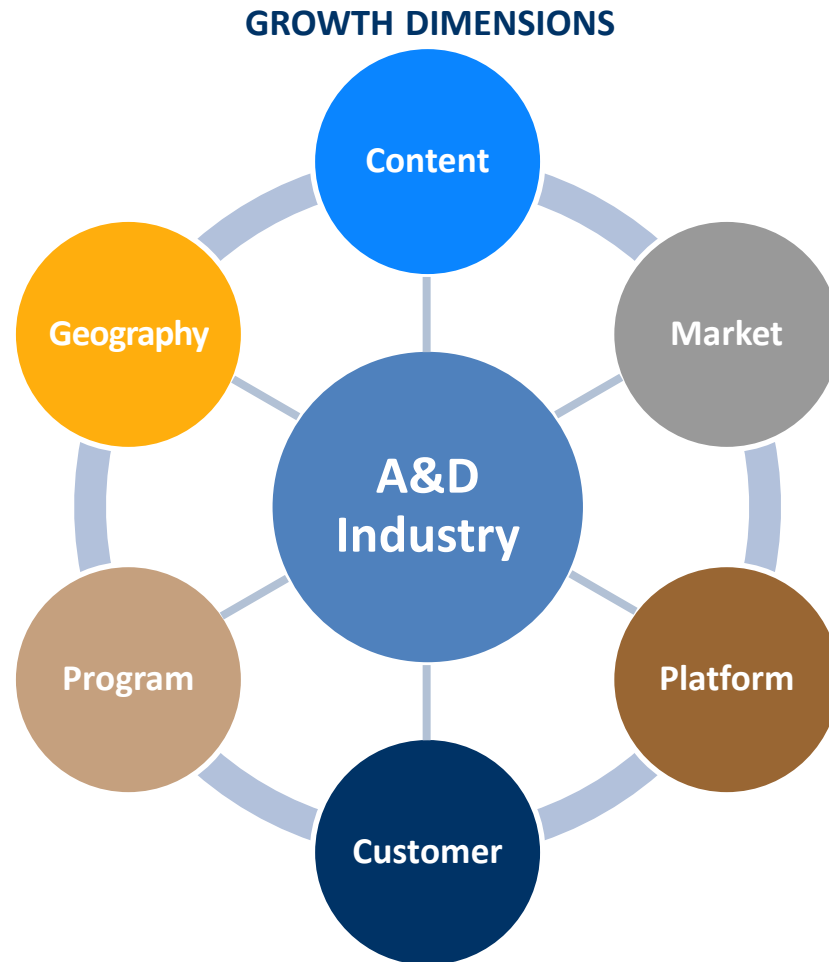
(2) **TIER 2 DEFENSE INDEX:** AAR Corporation, Aerojet Rocketdyne, AeroVironment, AXON Enterprises, Ball Aerospace, BXW Technologies, Comtech Telecom, Cubic Corp, Curtiss Wright Corp, Ducommun, Elbit Systems, FLIR Systems, Harris Corp, Heico, Hexcel, Honeywell Intl, Kaman, KBR, Kratos Defense, L-3 Technologies, Maxar, MOOG, Oshkosh Defense, OSI Systems, Teledyne Technologies, Textron, Transdigm Group, Triumph Group, United Technologies, Vectrus, Viasat, Woodward Aerospace.

Source: Glassdoor, Inc., November 20, 2019



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

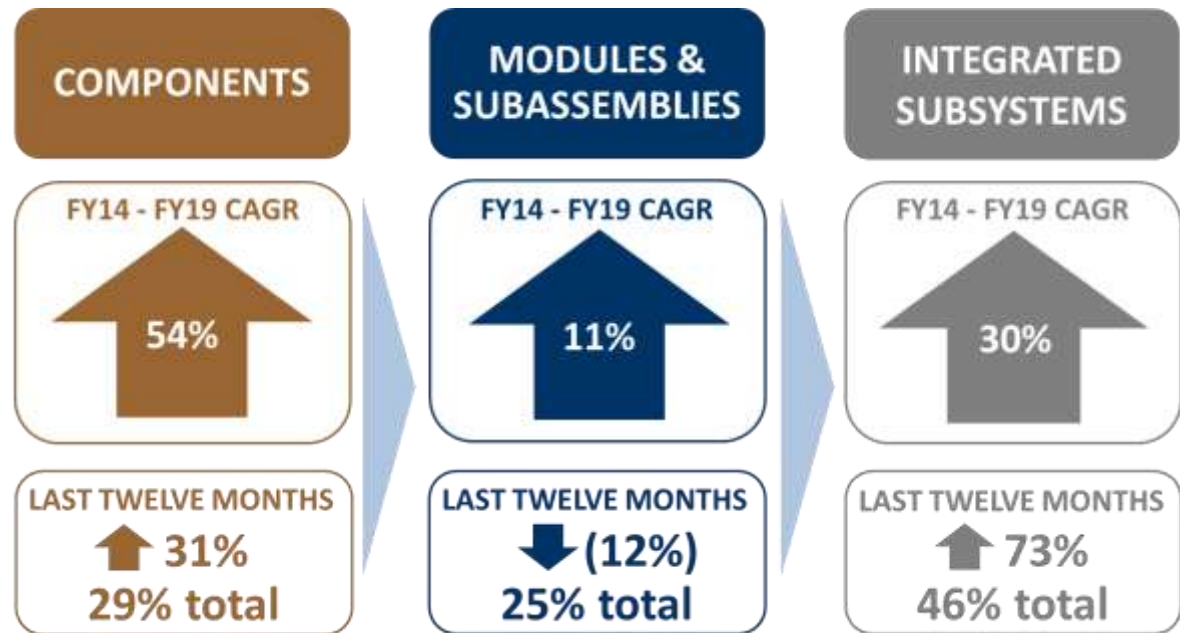
- Addressable market growing faster than DoD budget
- Content per system increasing due to greater outsourcing, share gains and threat driven system complexity
- Acquisitions adding new capabilities, market access and increased penetration
- Winning new platforms and programs as customers proliferate our solutions
- Adding new strategic accounts and strengthening product line sales to grow acquisitions
- Growing with customers internationally



...with DoD investment priorities and overall industry trends

Revenue growth rates by content and tier

- Integrated subsystem revenue up 73% in last twelve months – now 46% of total company revenue
- Majority of new designs wins at the subsystem level
- Modules provide ability to differentiate in open systems
- Security dominates P-win
- Doubled size of Microsemi microelectronic component business since acquisition
- New trusted microelectronic components technology leadership and future growth

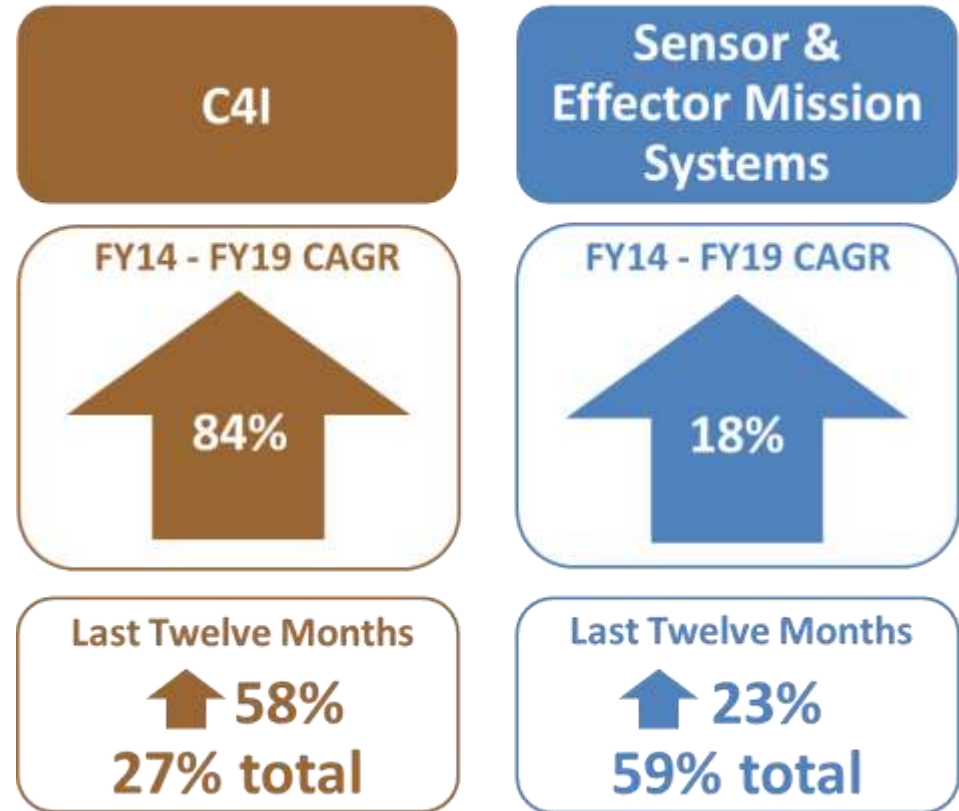


Transforming components and modules into integrated subsystems



Revenue growth rates by market

- Significant C4I and SEMS modernizations underway
 - Radar: 10% 5 year CAGR
 - EW: 23% 5 year CAGR
 - Weapons: 117% 5 year CAGR
 - Comm's: 32% 5 year CAGR
 - C2I: 192% 5 year CAGR
- Rapid and affordable means to add new warfighting capability
- Secure, trusted systems critical
- Software-defined open mission architectures disaggregates system allowing rapid upgrades
- Increased processing density needed for AI and autonomy
- Next-generation systems will require new edge processing capabilities and safety certs

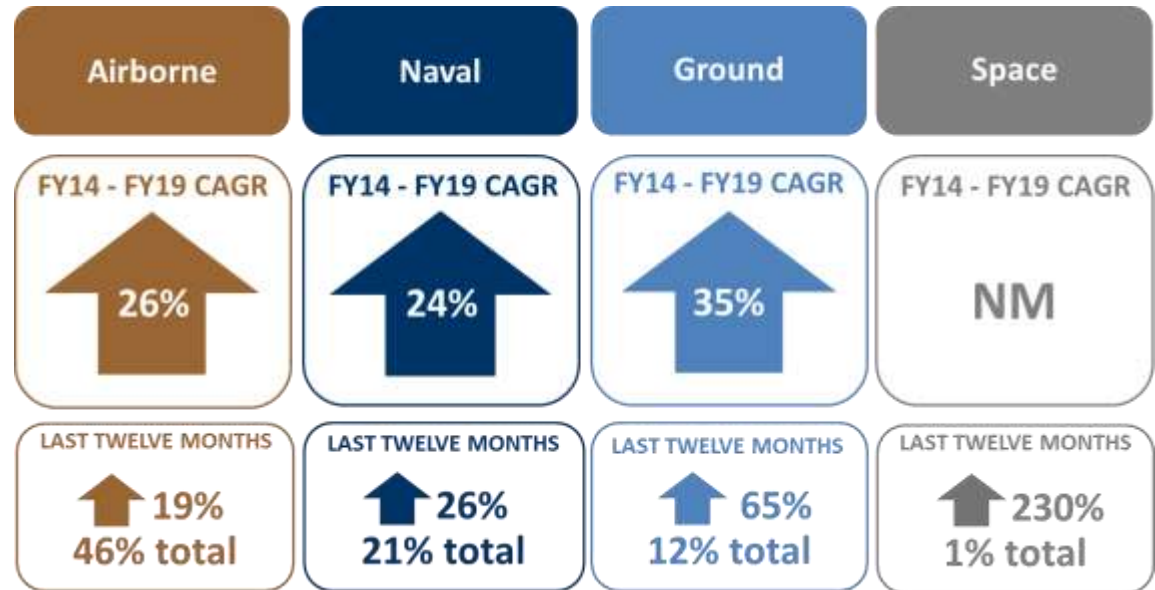


Notes: Fiscal years ended June 30; FY14-19 figures are as reported in the Company's Form 10-Ks and/or internal Company data. LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.



Revenue growth rates by platform

- Airborne:
 - Modernization and new designs to replace F-22 and Navy F/A-18, requiring new radars and EW systems
- Naval:
 - C4I upgrades to support distributed lethality (any sensor, any shooter, any weapon)
- Ground:
 - New radars to replace legacy Patriot air defense capability
- Space:
 - New satellite programs to detect hypersonic missiles



Acquisitions have increased access to new platforms



Revenue growth rates by top customer

- Increased Tier 2 outsourcing:
 - Upfront partner IRAD
 - Lower integration risk / cost
 - Faster time to field
 - Lower lifecycle costs
 - Lack of resources and skills
- Flight to quality suppliers:
 - Trusted, secure computing
 - Safety certifiable processing
 - RF design, develop and build
 - Trusted microelectronics
- Supply chain delayering:
 - Non-traditional suppliers
 - Access to rapid innovation
 - Reduce profit layers

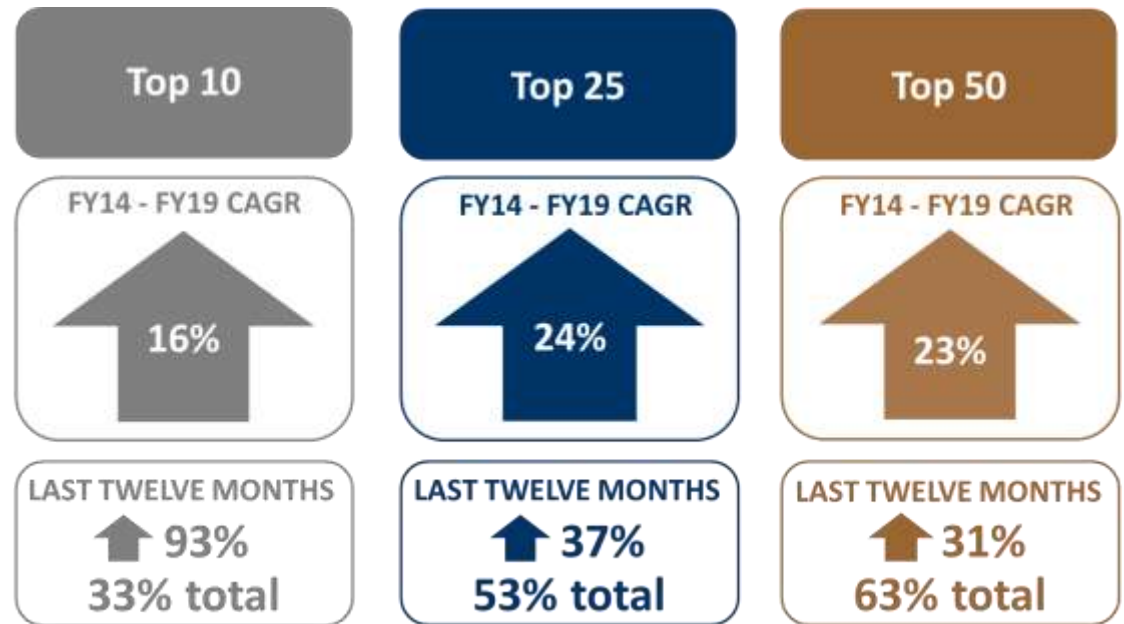


Valued partner to top defense prime contractors



Revenue growth rates by top programs

- Tracking well over 100 active programs
- Top 25 and top 50 programs growing faster than top 10
- Content expansion underway across top programs
- Top programs growing faster than total company revenue
- Top program LTM revenue growing faster as programs move from development to production

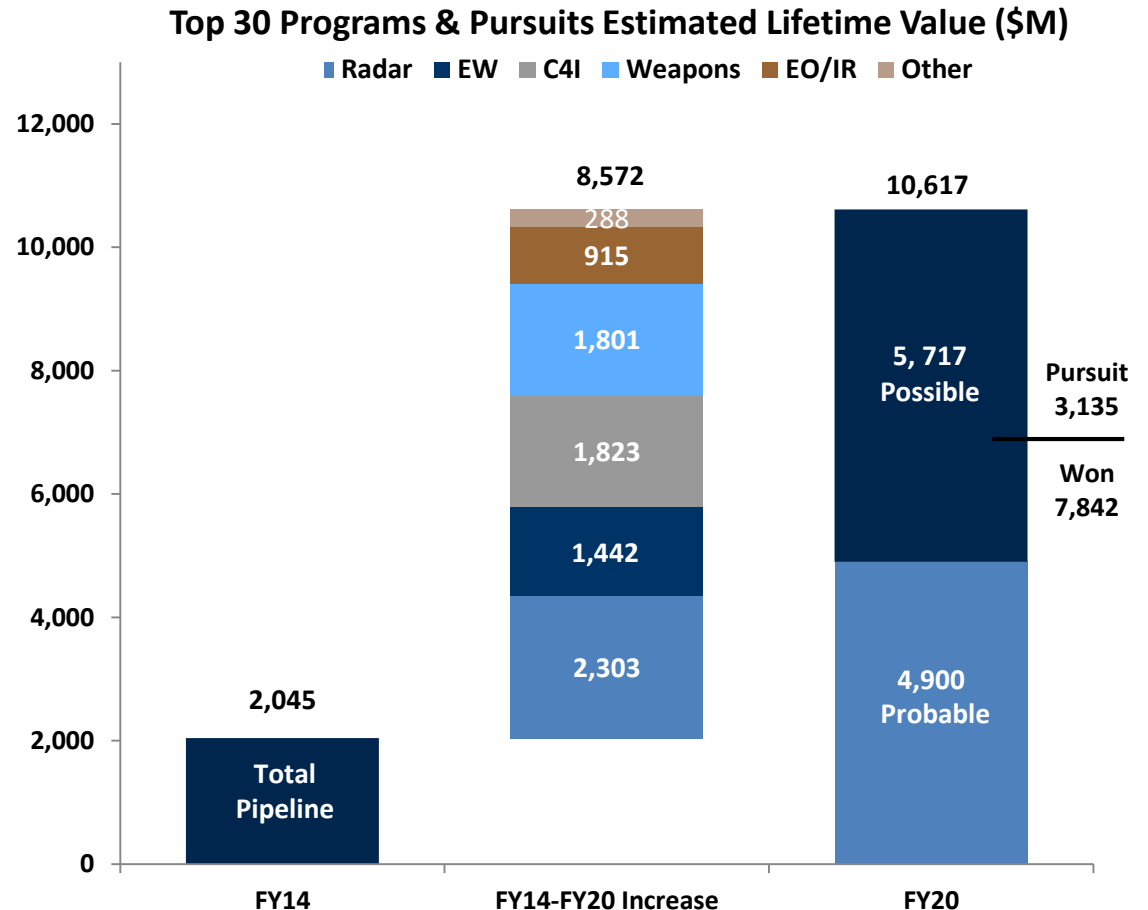


Increasingly diverse portfolio of franchise programs



Acquisitions and investments driving significant opportunity growth...

- Total potential value grew >5.2x to \$10.6B in 6 years
- Significant Radar, EW, C4I, EO/IR and Weapons opportunity pipeline
- Acquisitions bring new programs and capabilities
- Larger, more diversified, program base reduces risk
- Content expansion driving above-average growth
- Outsourced integrated subsystems 63% of top 30 program lifetime value



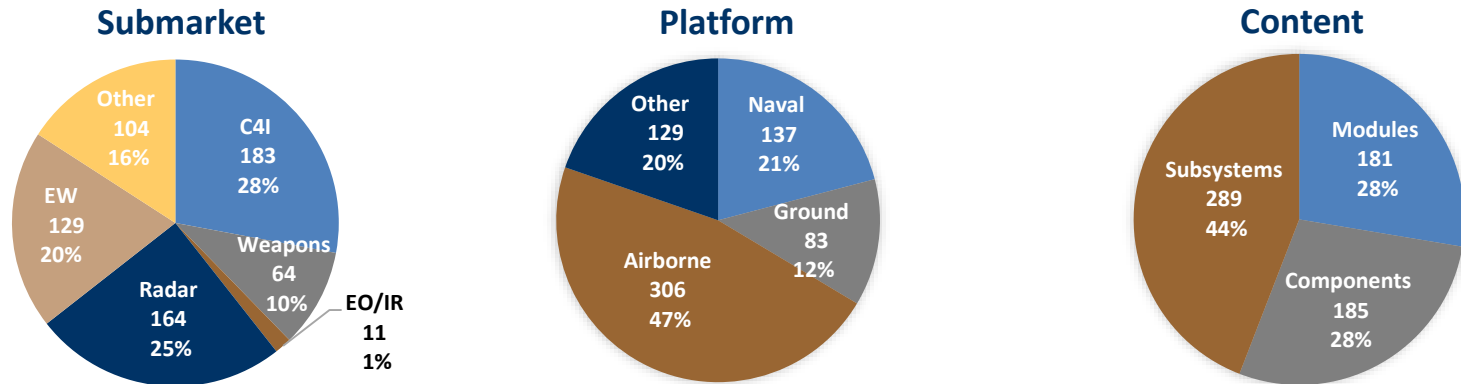
...which in turn is driving strong results

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.

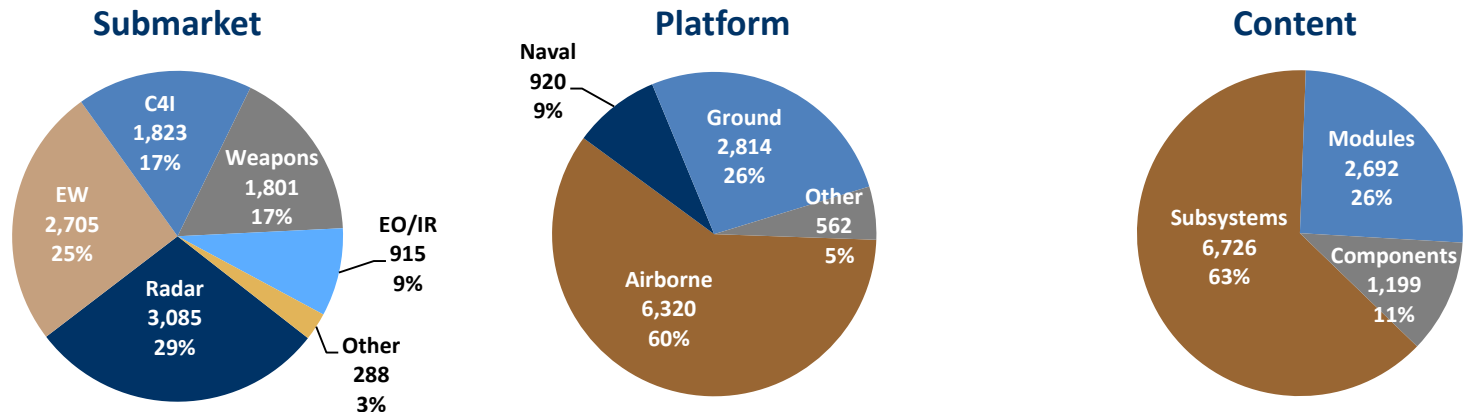


Acquisitions and investments driving significant potential...

FY19 Revenue (in \$ millions, % of total)



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



...for continued organic growth across multiple dimensions

Notes: Fiscal years ended June 30; FY19 figures are as reported in the Company's Form 10-Ks and/or internal Company data. Weapons and EO/IR revenue is classified within Other Sensor and Effector products which include all Sensor and Effector end markets other than Radar and Electronic Warfare. 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. 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.

We're a leader in trusted, secure technologies and subsystems



Innovative growth company at intersection of high tech and defense



Proven transformational business model for A&D industry



Low-risk content expansion strategies with substantial headroom



Successful M&A strategy targeting new capabilities and market expansion



Financial performance in top 5% of similarly sized public companies

Agenda

- Strategy & Business Update

- Mark Aslett
President & CEO

- Defense Industry Update

- Dr. Bill Conley
Senior Vice President & CTO

- Growth Strategy in Action

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- Financial Update

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- Q&A

The threat is changing...

Time to market challenges

3 generations of threat to single generation of aircraft

	US F-22	Russian Surface to Air Missiles
1981	Requirement	SA-10
1990	1 st flight of prototype	
2000	Production begins	SA-20
2011	Production ends	SA-21

Time to decision challenges

Hypersonic weapons – hard to track, maneuver throughout flight (hard to know what the target is)



Time to adapt

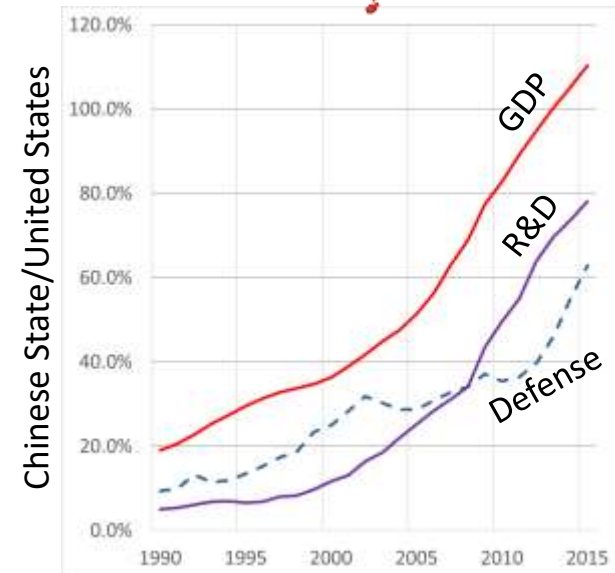
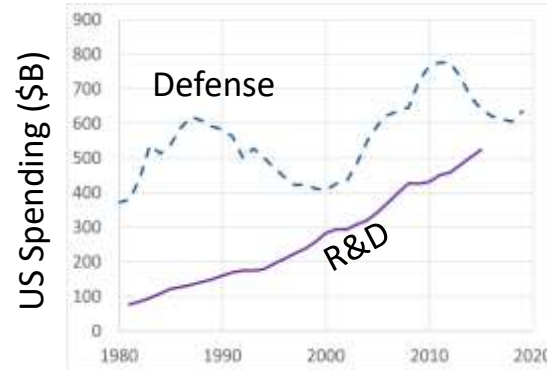
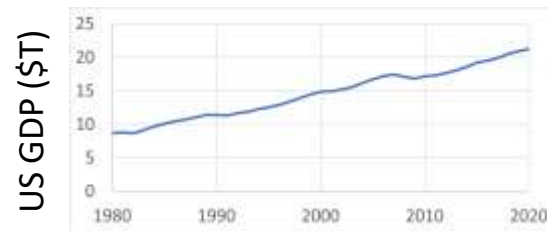
- US forces must be able to operate globally
- Each competitor has unique challenges
- Electronics supply chain must be secure
- Electronics must not be vulnerable to exploitation



...and requires the US to be agile, fast, and affordable

Global economic trends make...

- Economic parity
- R&D investment parity
- US defense investment exceeds Chinese State
- US investment supports global goals; China's supports regional goals
- Chinese State investment in defense adequate for modernization programs
- Chinese defense spending ~2% of GDP
 - US ~3%
 - Russia ~4%
 - USSR in Cold War >10%



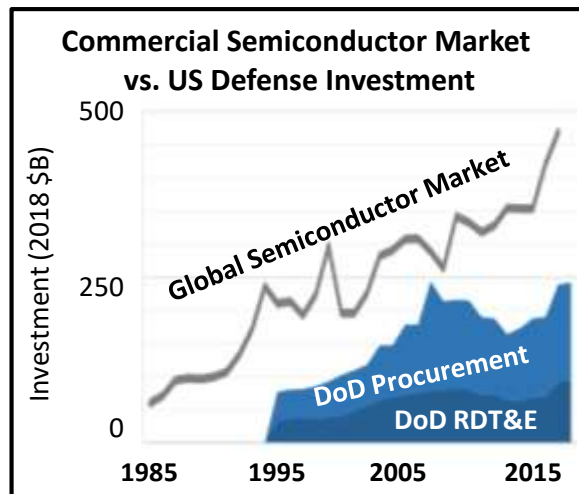
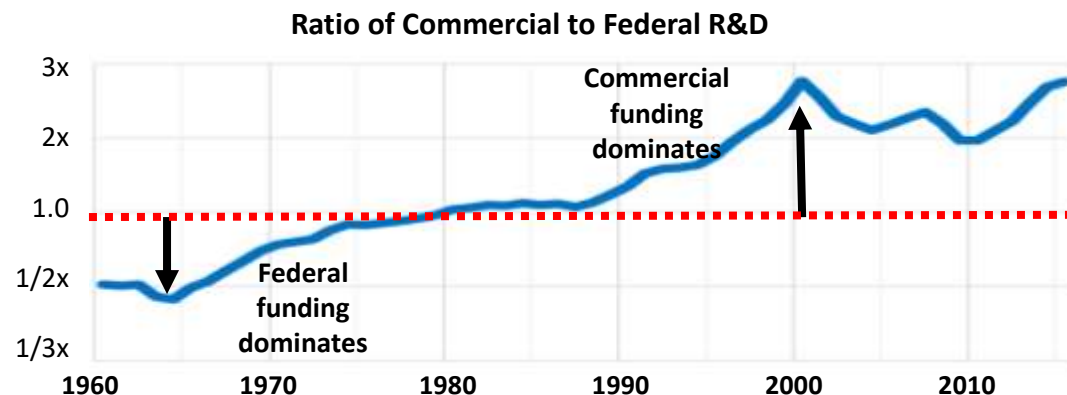
Analysis notes:

- All values are in 2018 Dollars
- All ratios use Purchase Power Parity (PPP) conversion values

...nation-state competitive environment different than during Cold War

Commercial R&D growth outpaces Defense...

- Commercial R&D investments dominate since Cold War ended
- Today, dual-use technologies transition from commercial to defense applications
- Electronics / semiconductors markets are dominated by commercial investment
- Defense dependencies on electronics increasing
- In 2015, military market share was <1%; Tier 2 & 3 merchant suppliers provided necessary scale







Source: WSTS End Use Report, 2015
Note: Military is <1% and is included in Industrial/Gov't

...supporting Mercury's organic growth strategy



Mercury is poised to address US Government's priorities...

	<p>It's difficult to line up, synchronize and deliver programmatically on things that make sense at the right time for the force.</p> <p>—RADM Steve Parode, 2019 Director, Warfare Integration</p>
	<p>The Air Force must be able to collect and decipher information and produce dilemmas for our adversaries at a rate they can never keep up with.</p> <p>—Gen Stephen Wilson, 2018 Vice Chief of Staff of the Air Force</p>
	<p>Integrated circuit-related products and services shall be procured from a trusted supplier using trusted processes accredited by the Defense Microelectronics Activity (DMEA) when they are custom-designed, custom-manufactured, or tailored for a specific DoD military end use.</p> <p>—DoD Instruction 5200.44, 2018</p>
	<p>We envision a much more specialized, secure, and heavily automated electronics community.</p> <p>—Dr. William Chappell, 2018 Director, Microsystem Technology Office (former)</p>

...by making trusted, secure mission-critical technologies more accessible

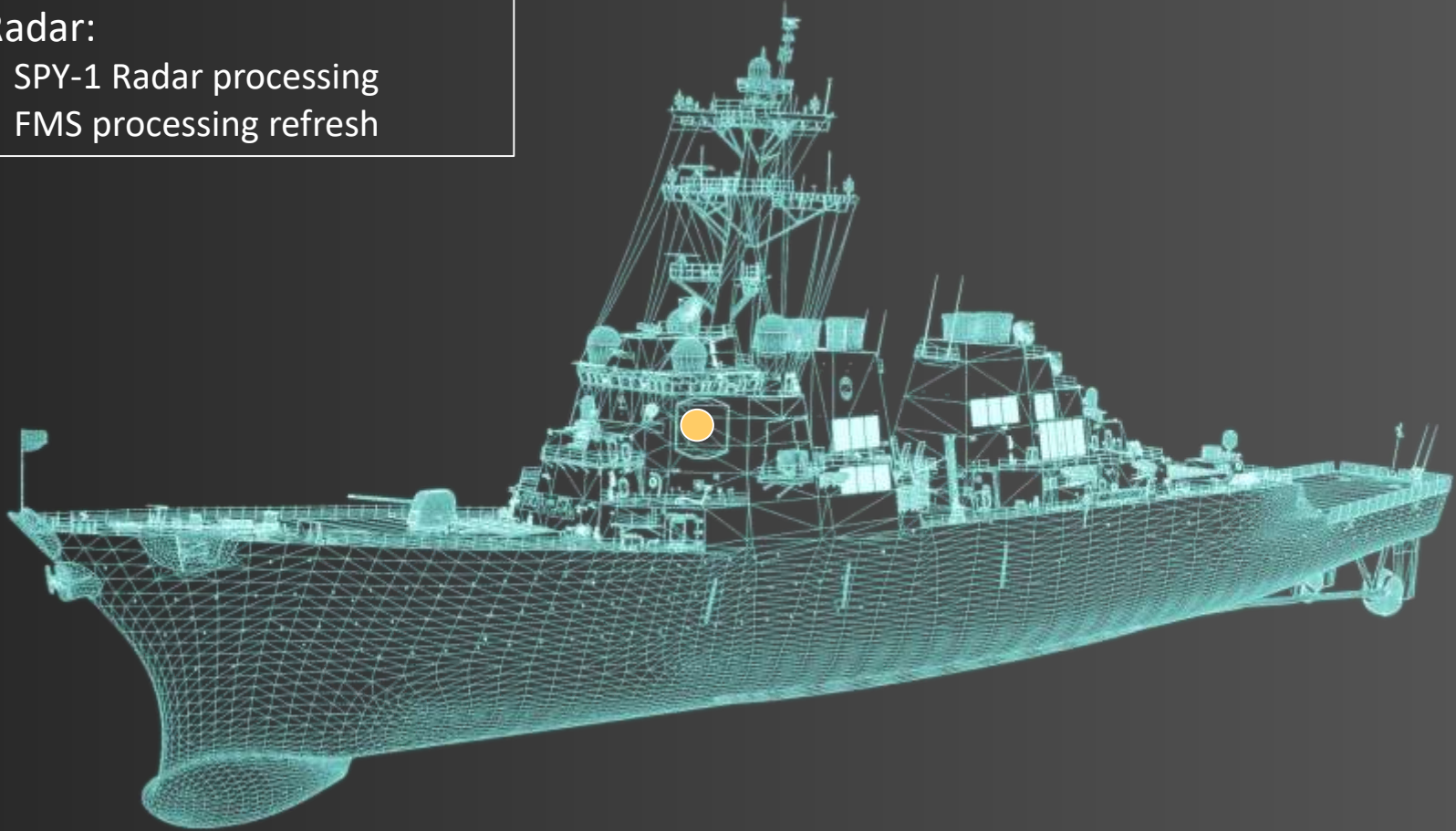
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Growth strategy in action with Aegis Naval Fleet

Radar:

- SPY-1 Radar processing
- FMS processing refresh



Our largest program (\$100M) 10 years ago

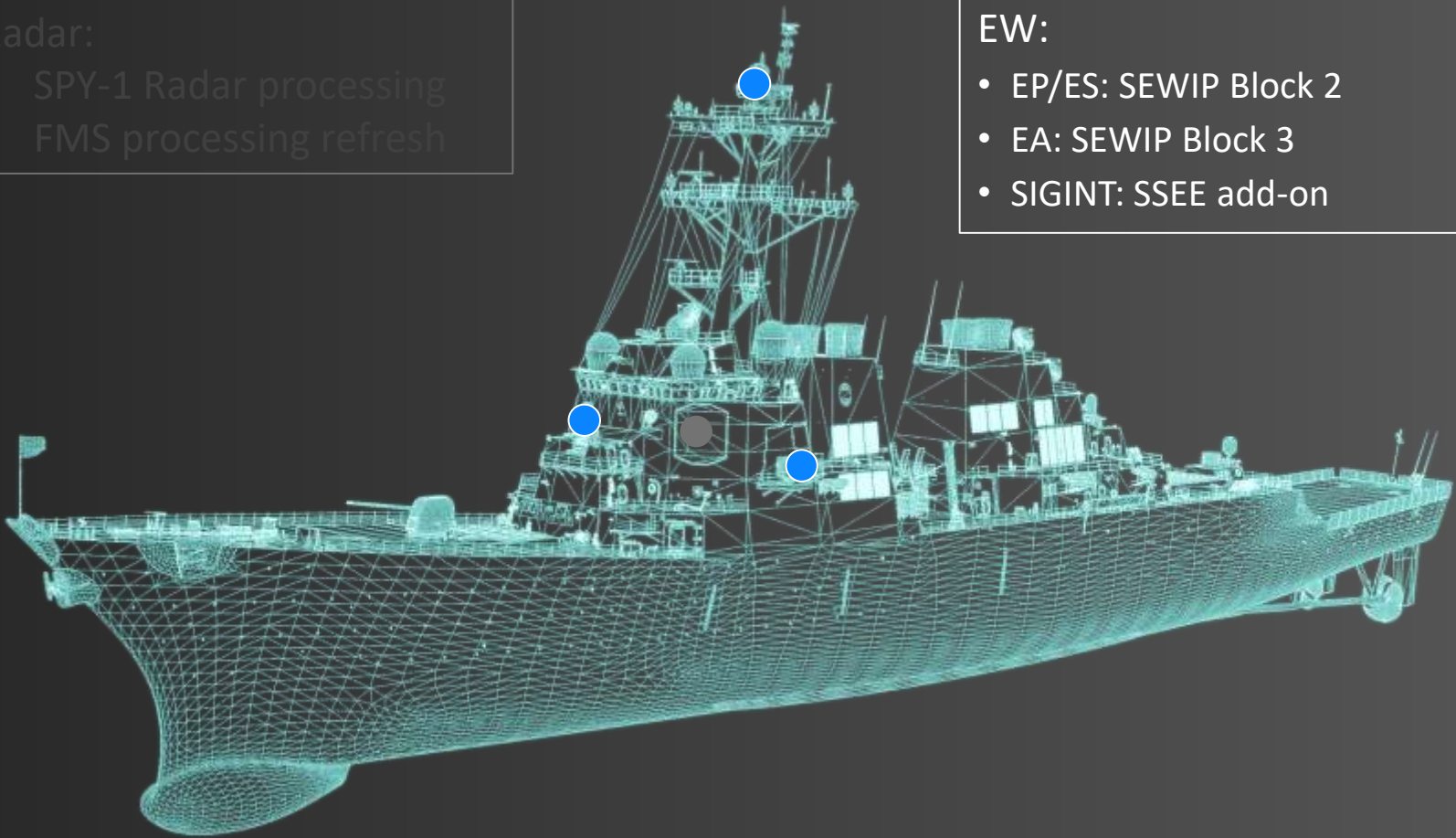
EW content expansion

Radar:

- SPY-1 Radar processing
- FMS processing refresh

EW:

- EP/ES: SEWIP Block 2
- EA: SEWIP Block 3
- SIGINT: SSEE add-on



M&A strategies in RFM drove 2.5x content expansion

Weapons content expansion

Radar:

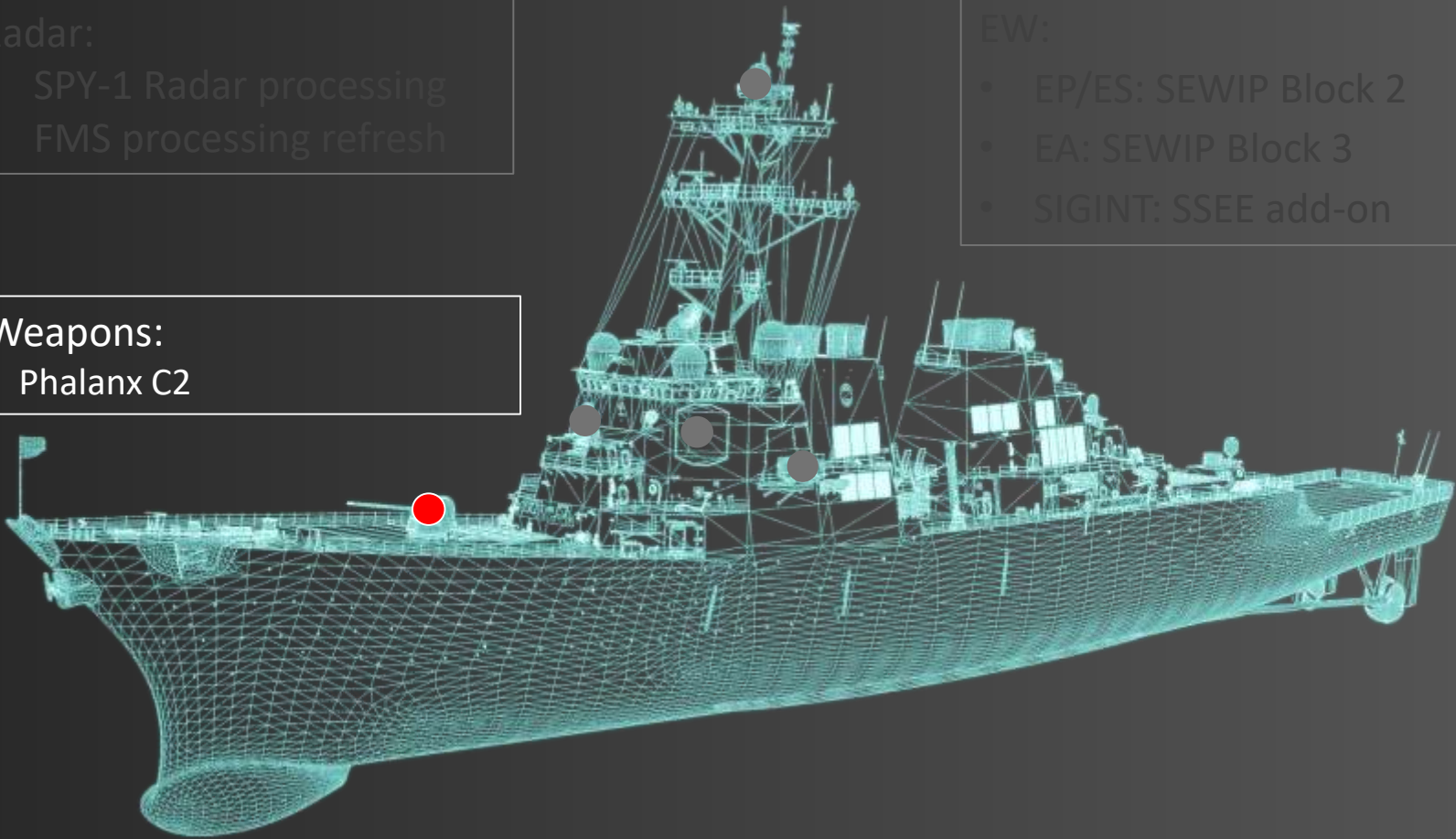
- SPY-1 Radar processing
- FMS processing refresh

EW:

- EP/ES: SEWIP Block 2
- EA: SEWIP Block 3
- SIGINT: SSEE add-on

Weapons:

- Phalanx C2



Expansion opportunities on every sensor & effector subsystem

C3I market expansion

Radar:

- SPY-1 Radar processing
- FMS processing refresh

EW:

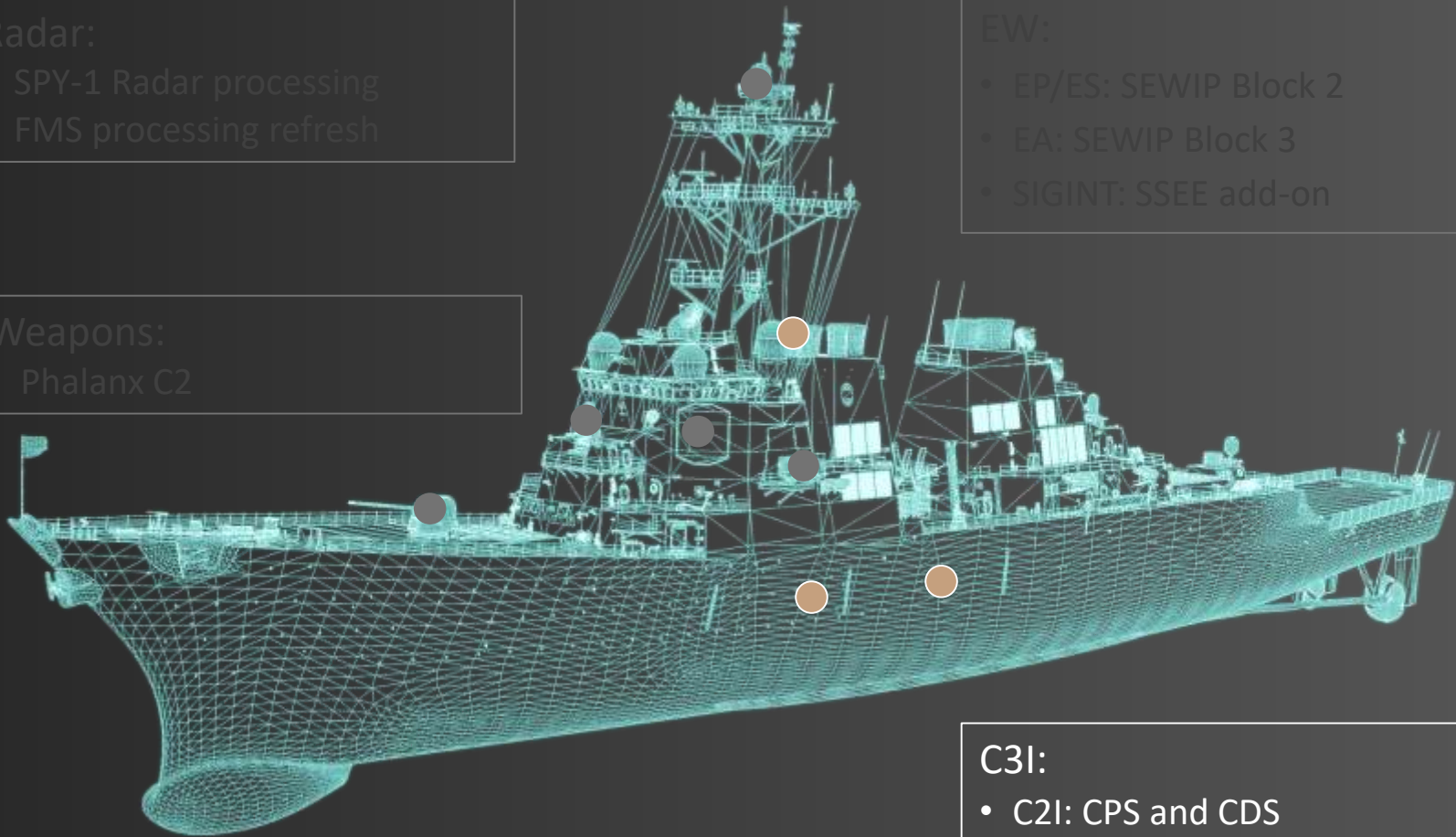
- EP/ES: SEWIP Block 2
- EA: SEWIP Block 3
- SIGINT: SSEE add-on

Weapons:

- Phalanx C2

C3I:

- C2I: CPS and CDS
- Comms:
 - Navy Multiband Terminal
 - IFF interrogators



M&A doubled content and expanded market into C3I from Radar

Total potential Naval surface fleet value increased 5x

Radar:

- SPY-1 Radar processing
- FMS processing refresh

EW:

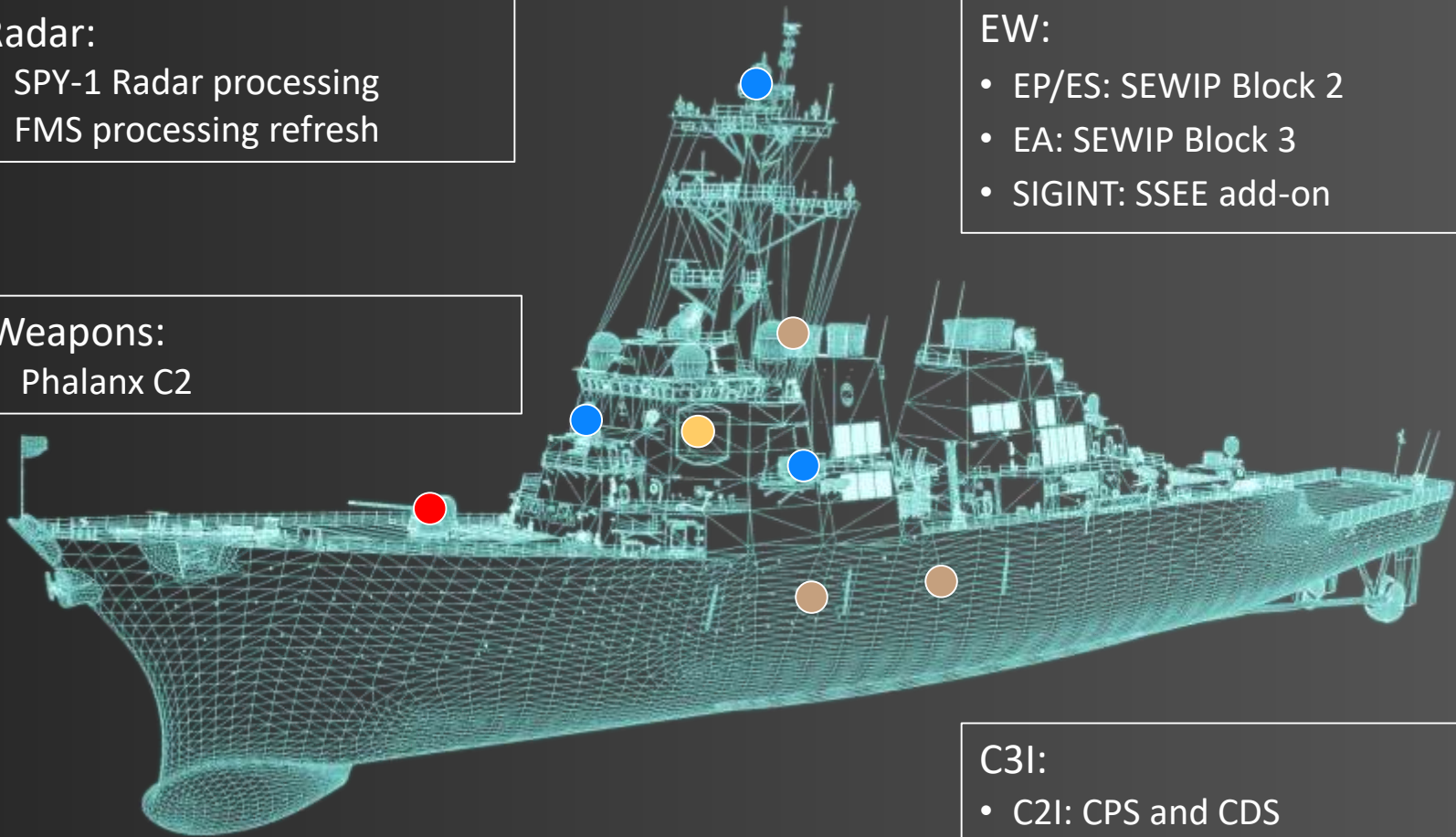
- EP/ES: SEWIP Block 2
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- SIGINT: SSEE add-on

Weapons:

- Phalanx C2

C3I:

- C2I: CPS and CDS
- Comms:
 - Navy Multiband Terminal
 - IFF interrogators



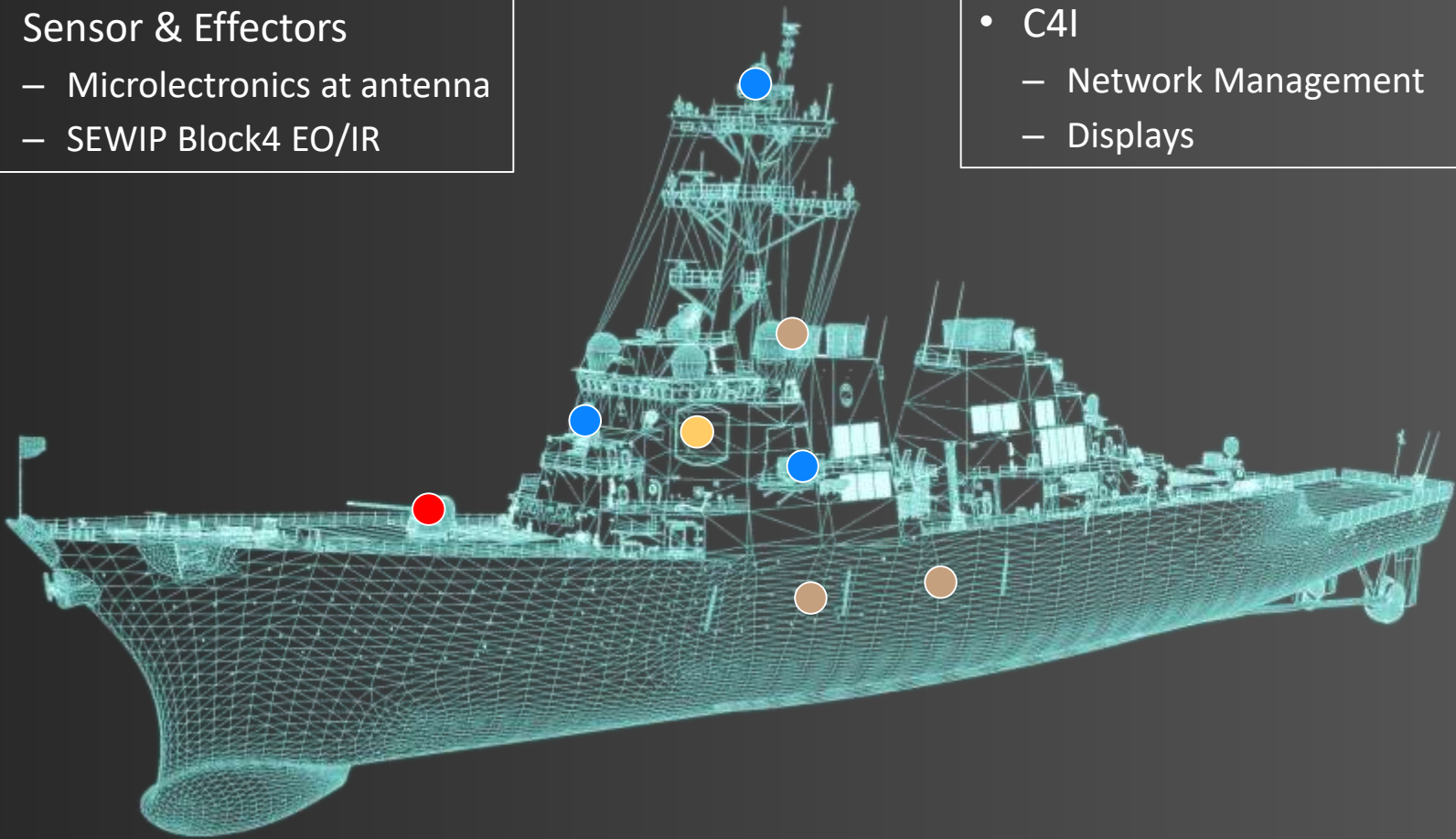
Future potential expansion

- Sensor & Effectors

- Microelectronics at antenna
- SEWIP Block4 EO/IR

- C4I

- Network Management
- Displays

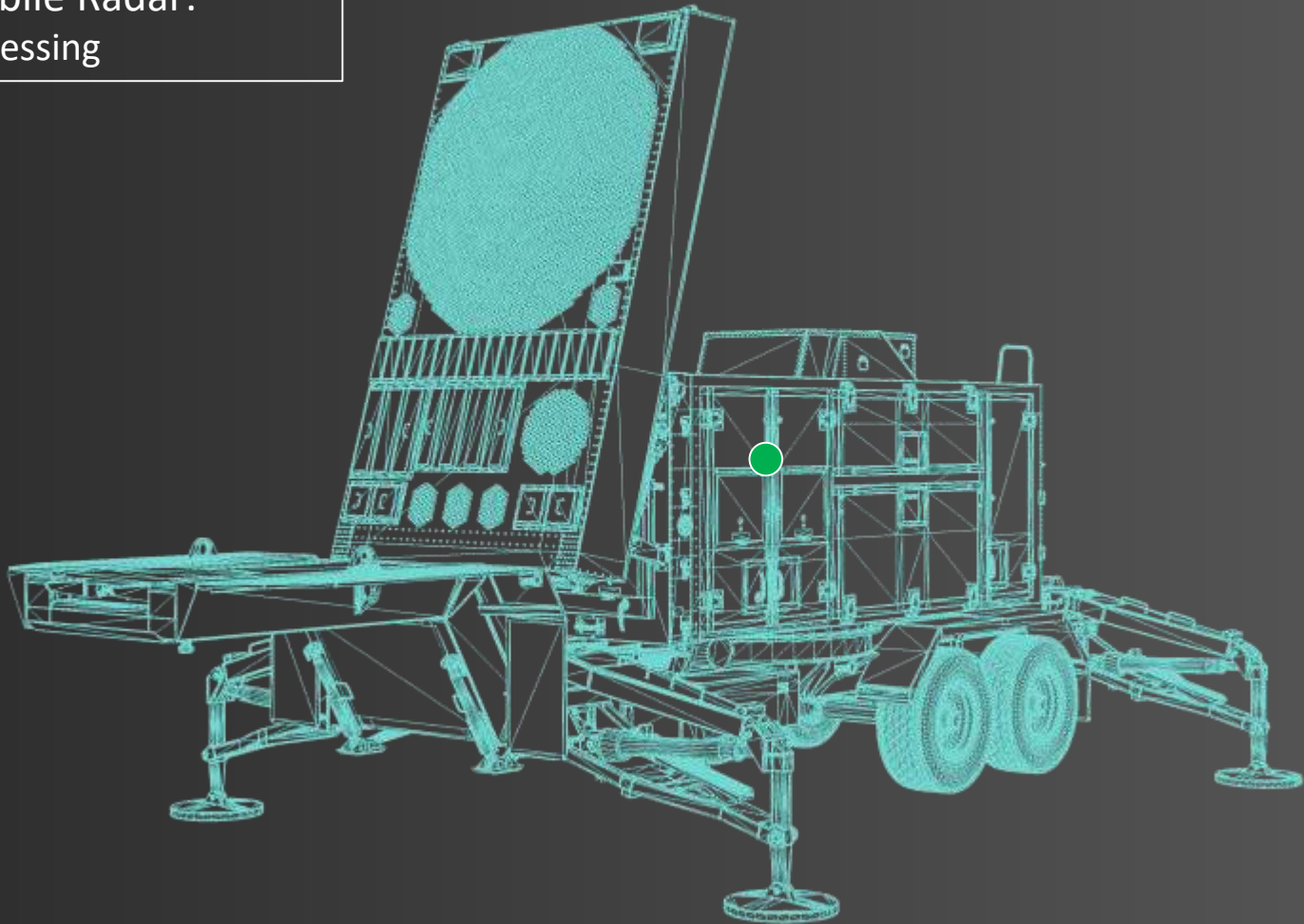


Many more processing subsystems to be targeted and upgraded

Another important example: Patriot Radar

Ground mobile Radar:

- Radar Processing



Initial outsourcing at subsystem level drove >\$100M to Mercury

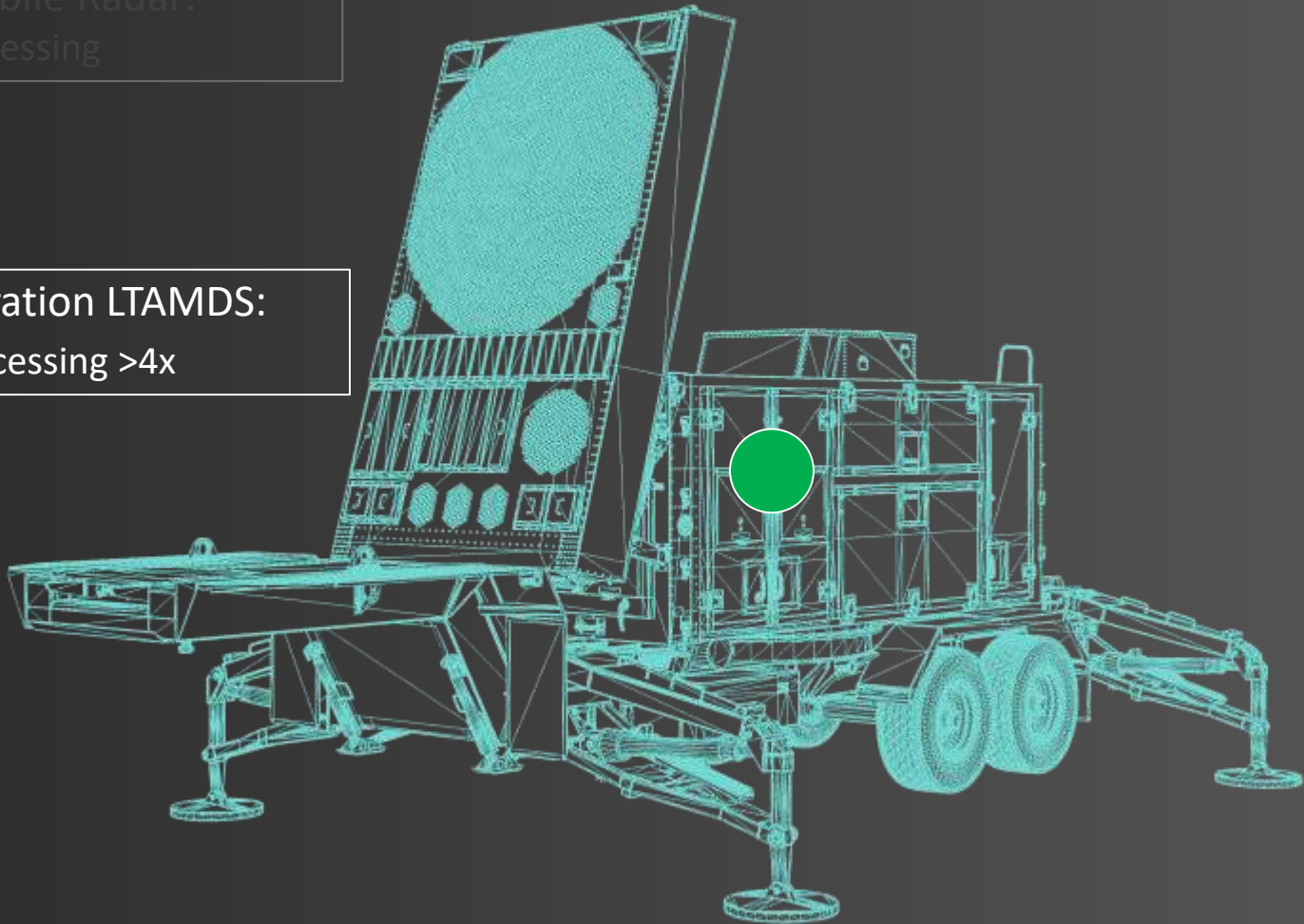
Major design win as key supplier to RTN on LTAMDS

Ground mobile Radar:

- Radar Processing

Next-generation LTAMDS:

- Radar processing >4x



Next-generation drives additional substantial processing needs

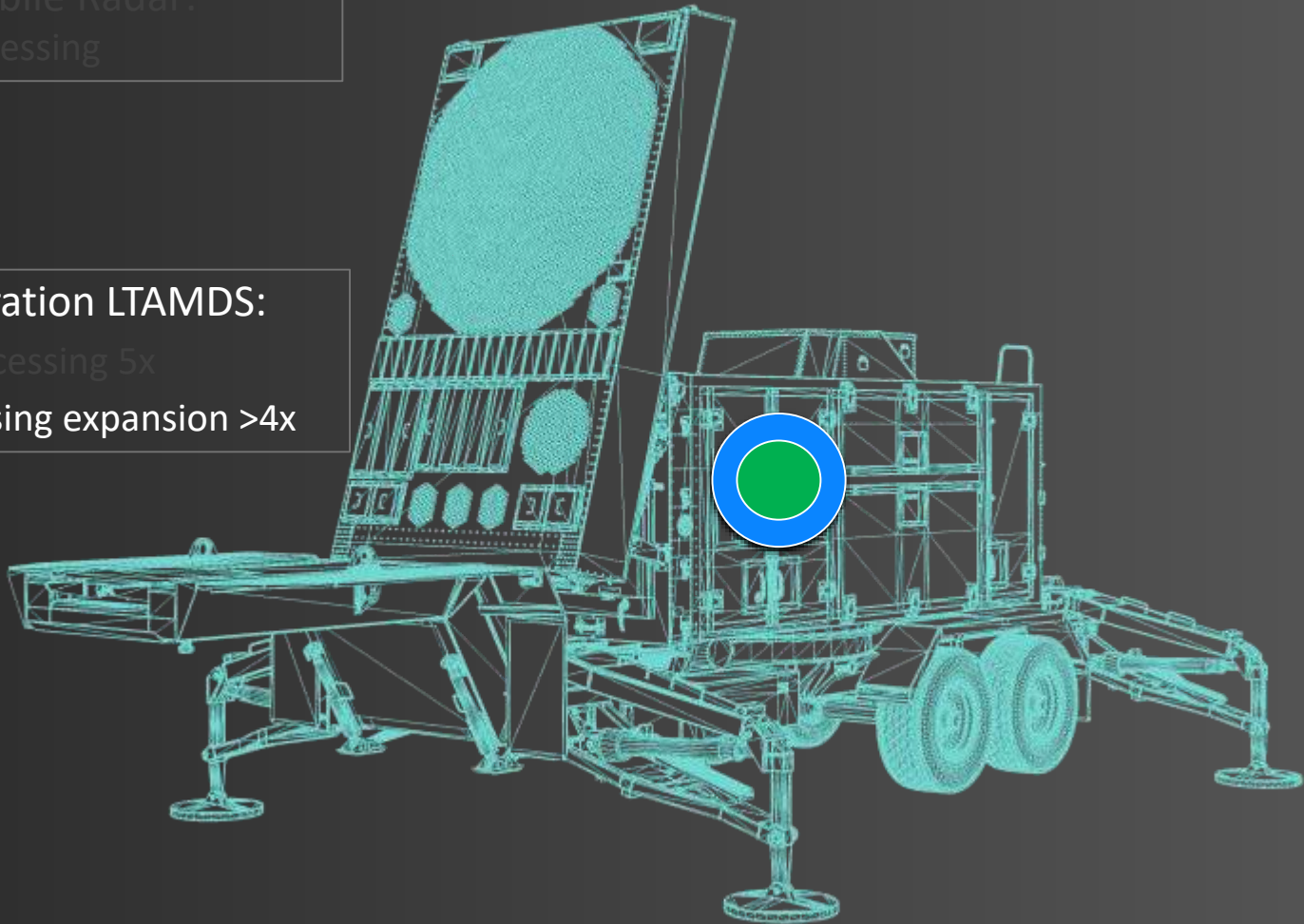
New threats driving new needs

Ground mobile Radar:

- Radar Processing

Next-generation LTAMDS:

- Radar processing 5x
- EP processing expansion >4x



EW/EP needs enabling substantial content expansion

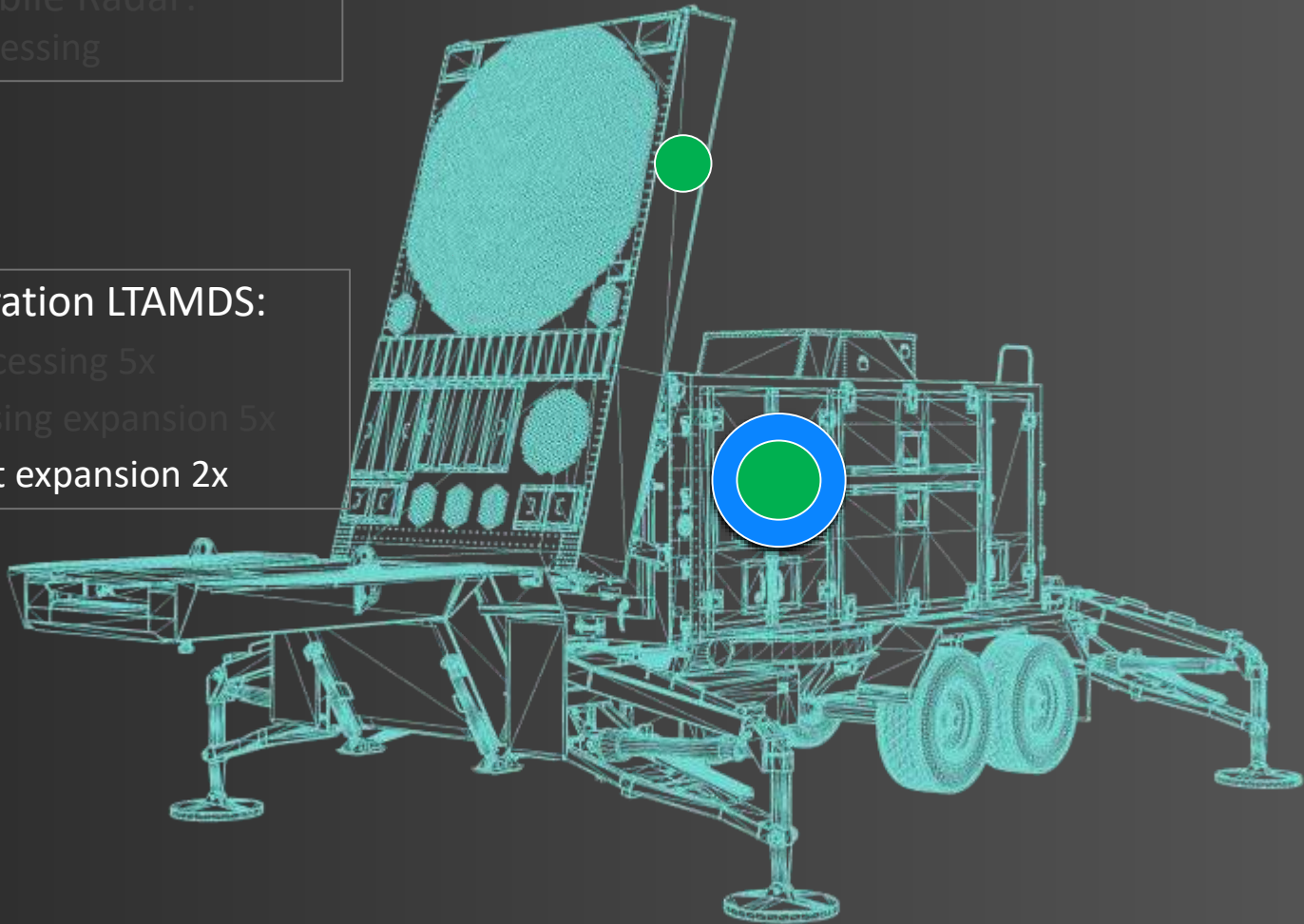
Additional content expansion based on broad range of capabilities

Ground mobile Radar:

- Radar Processing

Next-generation LTAMDS:

- Radar processing 5x
- EP processing expansion 5x
- RF content expansion 2x



Total content expansion increased >10x from Patriot to LTAMDS

New microelectronics capabilities enabling potential future content expansion

Ground mobile Radar:

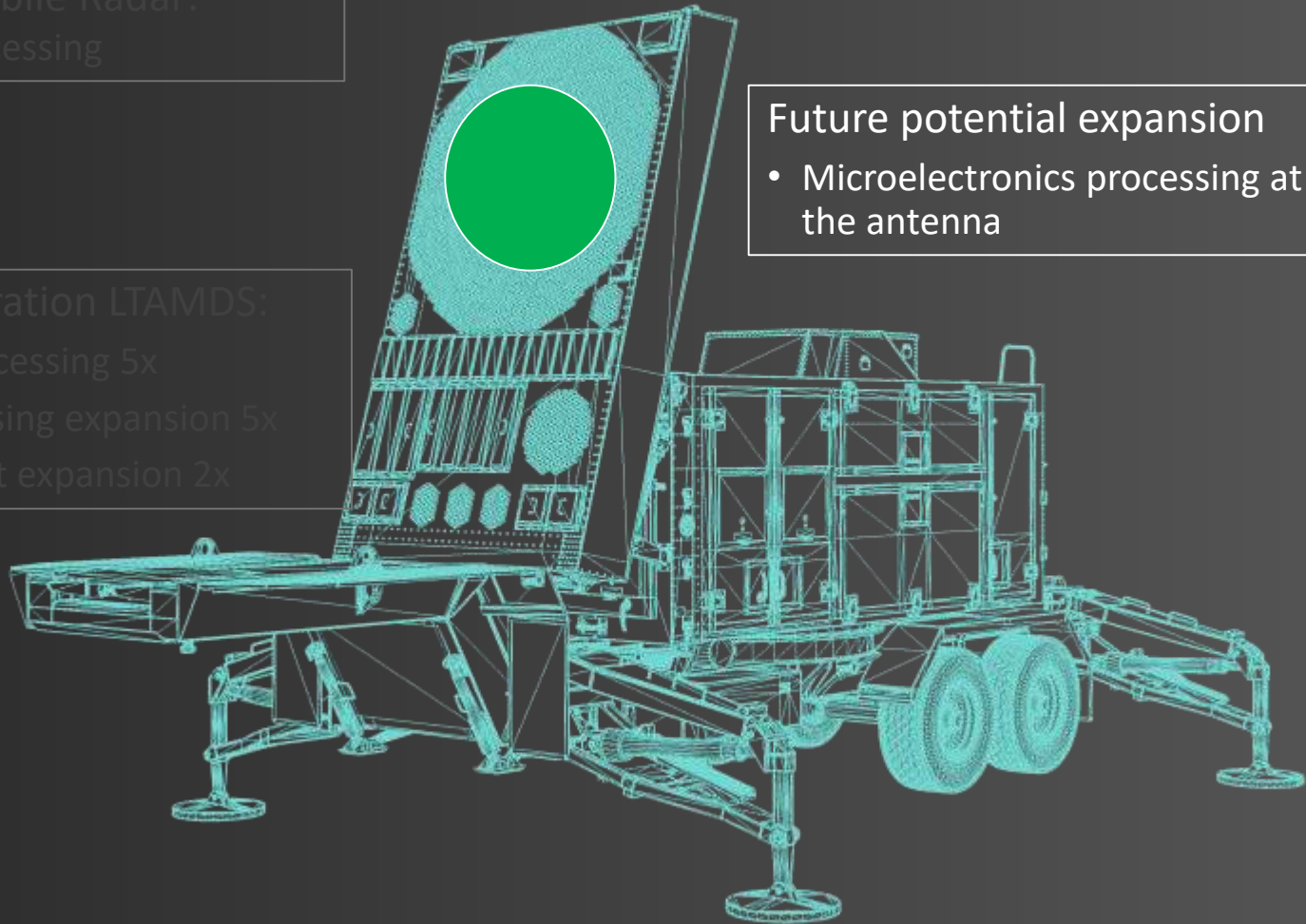
- Radar Processing

Future potential expansion

- Microelectronics processing at the antenna

Next-generation LTAMDS:

- Radar processing 5x
- EP processing expansion 5x
- RF content expansion 2x

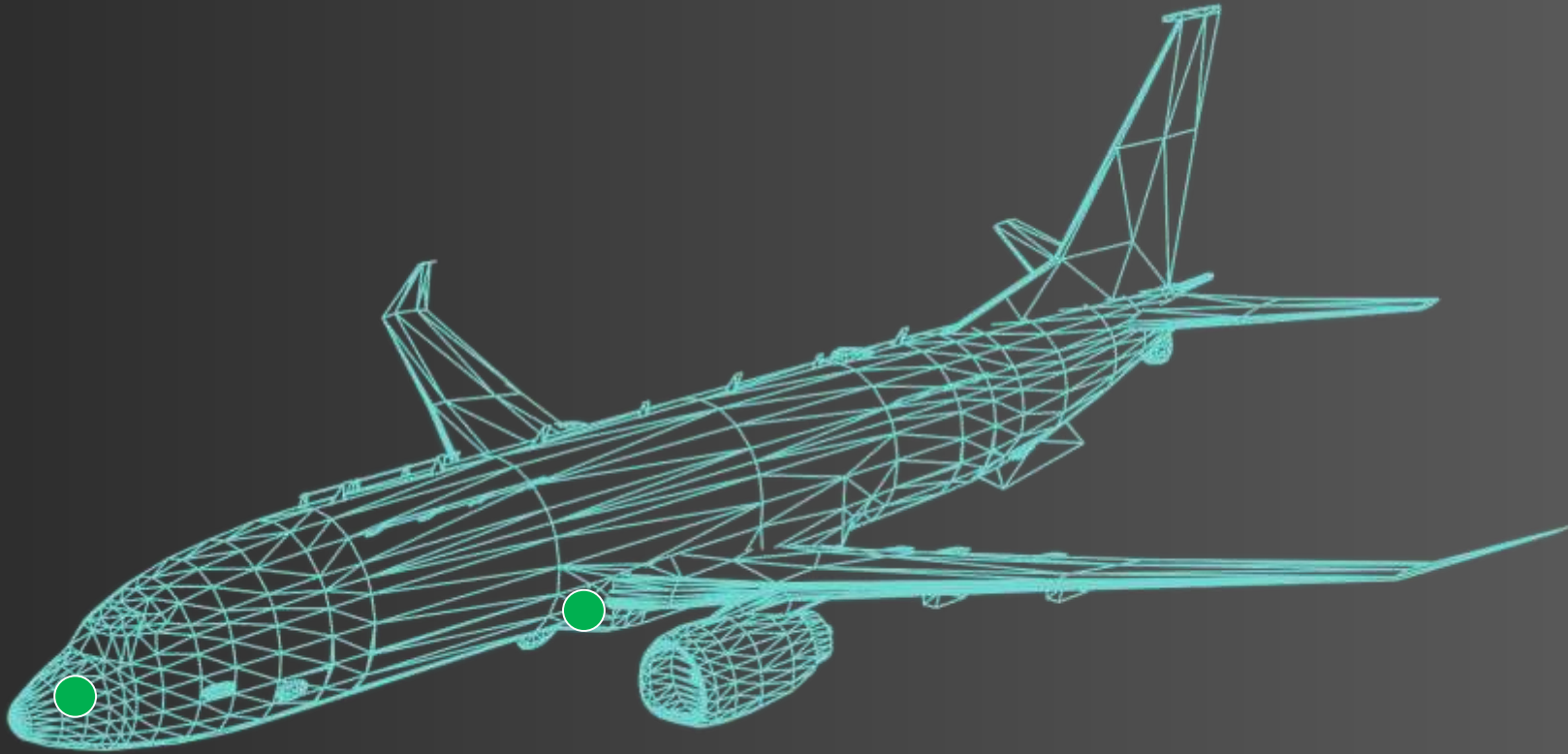


Could double our content in future

Airborne growth strategy in action

Radar Processing:

- F-16, F-22, F-15, F-18, P-8, B-52, Reaper, Global Hawk...



Long-term leadership in airborne Radar processing

Content and market expansion in EW, EO/IR, weapons

Radar Processing:

- F-16, F-22, F-15, F-18, P-8, B-52, Reaper, Global Hawk...

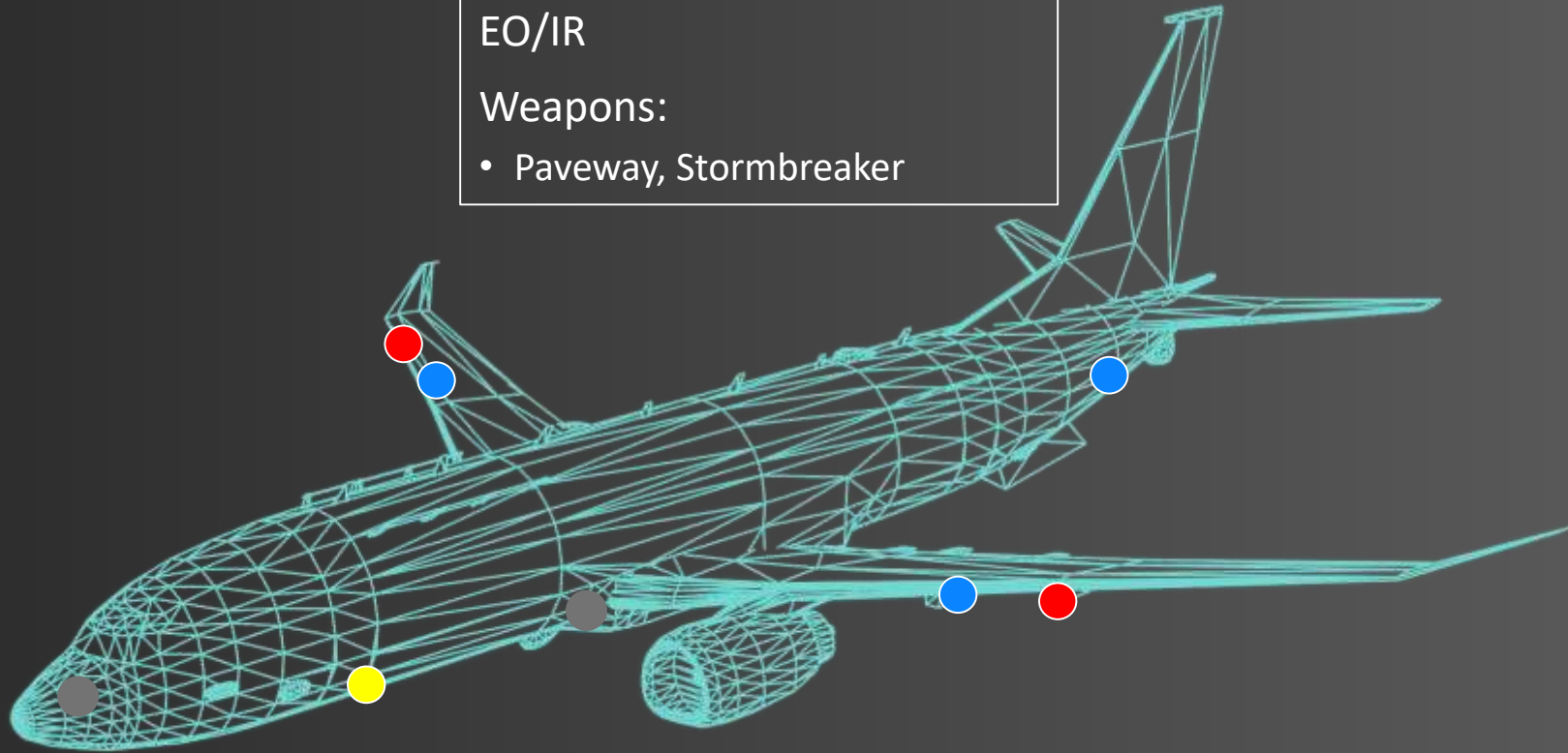
Electronic warfare:

- Fighter: F15, F16, F35, F18
- Rotary-wing
- ISR Platforms

EO/IR

Weapons:

- Paveway, Stormbreaker



Platform sensor electronics upgrades and leadership in sensor processing driving growth through content expansion with M&A

Additional market expansion in C4I

Radar Processing:

- F-16, F-22, F-15, F-18, P-8, B-52, Reaper, Global Hawk...

C4i including displays:

- Fighters: F-35, F-18, F-15, A-10
- Tankers: KC-46, MRTT
- Helicopters: Apache, H225
- ISR Platforms: P-8, Black
- Transports: C-130, C-17
- Weapons
- UAV, UAM

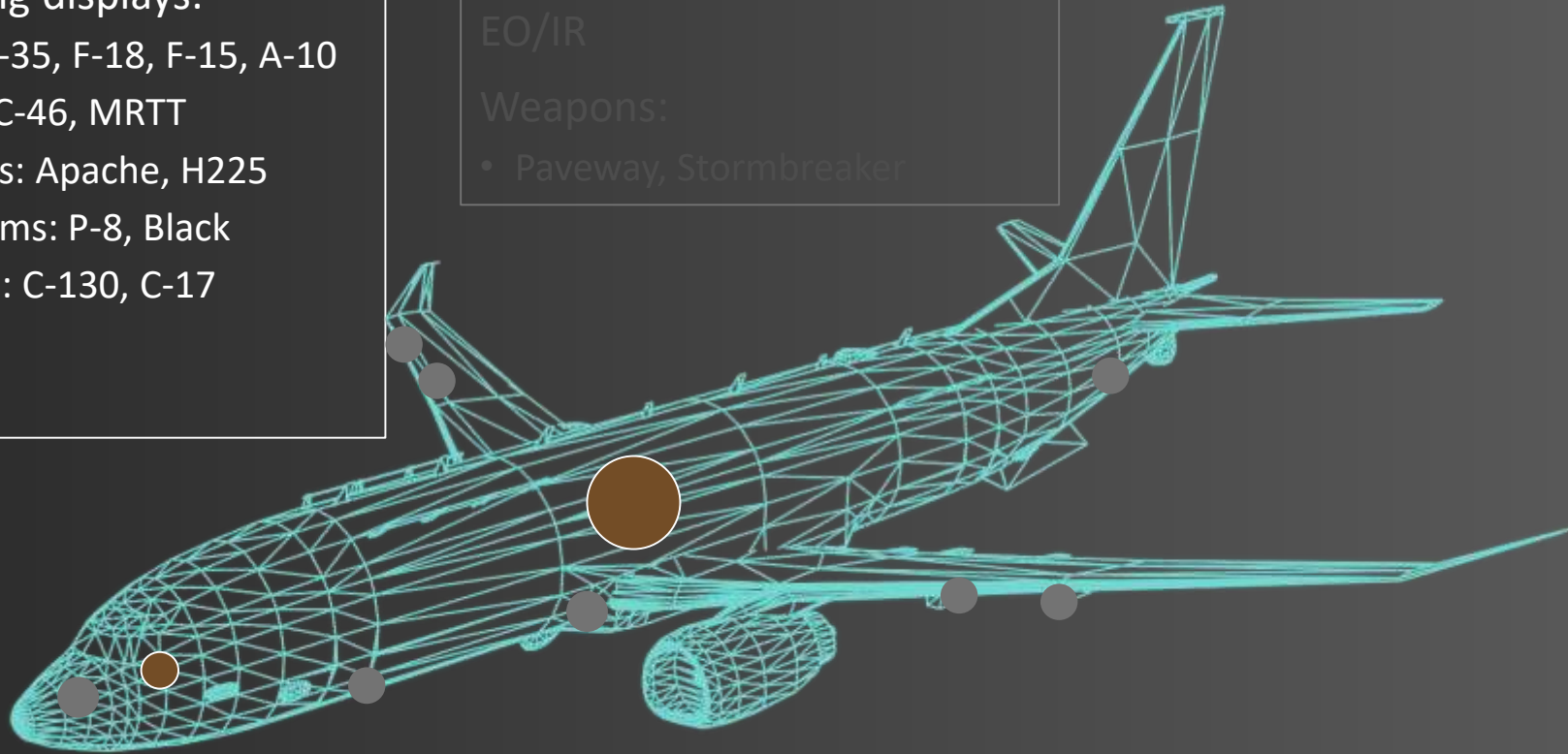
Electronic warfare:

- Fighter: F15, F16, F35, F18...
- Helicopter
- ISR Platforms

EO/IR

Weapons:

- Paveway, Stormbreaker



M&A in C4I driving additional market expansion

Summary

- Modernization of legacy systems to address new threats
- LTAMDS over 10x more content expansion than Patriot
- Digital convergence driving more processing demand in C4I market
- Broad product portfolio including servers to address processing demand
- State-of-the-art secure IP driving growth in all markets
- Microelectronics capabilities to expand to chip-scale processing needs
- DMEA-accredited trusted U.S. microelectronics manufacturing

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The evolution of Mercury Systems

In millions, except percentage and per share data.

		LTM Q1 2015	LTM Q1 2020	Change
Valuation	Market Capitalization ^(1,2)	\$373	\$3,996	11x
	Enterprise Value ^(1,2)	\$325	\$3,834	12x
Operational	Revenue ⁽²⁾	\$212	\$688	3x
	Adj. EBITDA ⁽²⁾ % Margin	\$27 13%	\$150 22%	5x +~900 bps
	Adj. EPS ⁽²⁾	\$0.47	\$1.88	4x
Strategy	Number of Acquisitions ⁽³⁾	N.A.	11	N.M.
	Capital Deployed ⁽³⁾	N.A.	\$804	N.M.

Notes

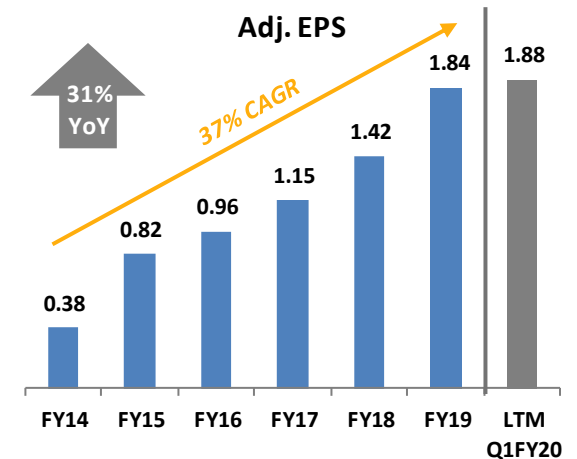
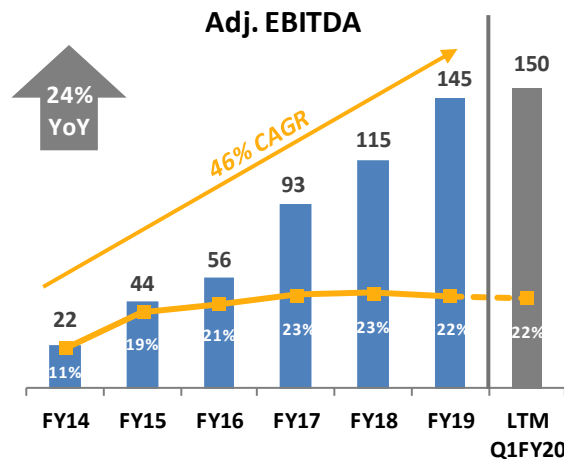
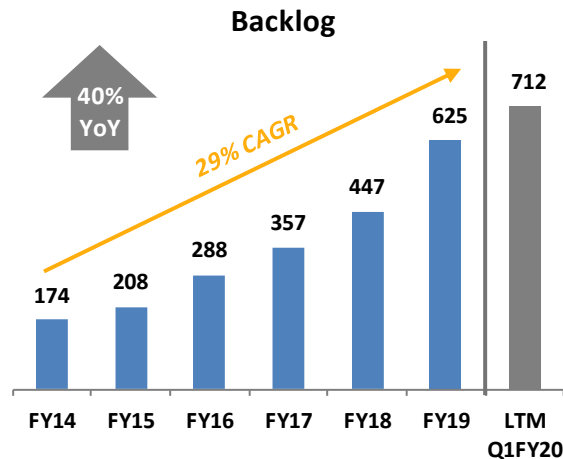
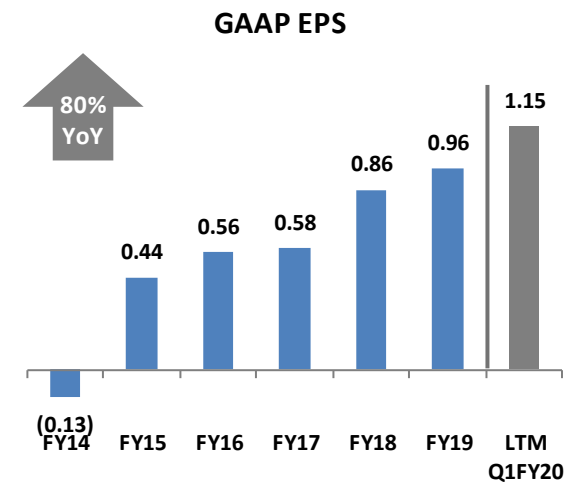
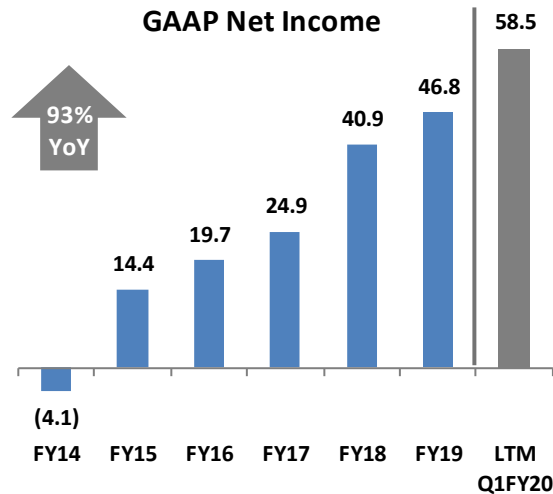
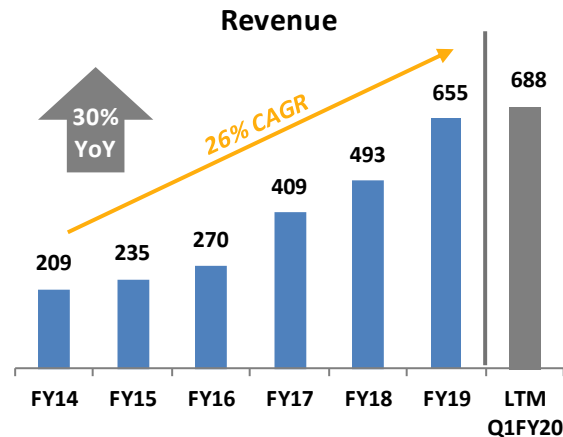
(1) Valuation for LTM Q1 2015 based on basic shares from the cover page of the Company's Q1 FY15 10-Q and stock price as of September 30, 2014

Valuation for LTM Q1 2020 based on basic shares from the cover page of the Company's FY19 10-K and stock price as of October 29, 2019.

(2) Last twelve months ended September 30, 2014 and September 27, 2019, respectively. Operational figures are based on fiscal year and fiscal quarter results as reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release. Historical results as reported, not pro forma for acquisitions. 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.

© 2019 Mercury Systems, Inc. (3) Acquisitions completed and capital deployed in acquisitions FY15-FY20 YTD.

Mercury has delivered strong financial results



Notes: For the fiscal years ended June 30, as reported in the Company's Form 10-Ks. CAGR figures for the period FY14-FY19. LTM and YoY figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release. 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.

LTM Q1 FY20 performance

<i>In \$ millions, except percentage and per share data</i>	LTM Q1 FY19⁽¹⁾	LTM Q1 FY20⁽¹⁾	Change
Bookings	\$635.0	\$820.0	29%
Book-to-Bill	1.20	1.19	
Backlog	\$507.9	\$711.8	40%
12-Month Backlog	\$377.8	\$499.2	
Revenue	\$531.2	\$688.0	30%
Organic Revenue Growth ⁽²⁾	22%	19%	
GAAP Net Income	\$30.4	\$58.5	93%
GAAP EPS	\$0.64	\$1.15	80%
Adjusted EPS⁽³⁾	\$1.44	\$1.88	31%
Adj. EBITDA⁽³⁾	\$120.9	\$150.4	24%
% of Revenue	22.8%	21.9%	
Operating Cash Flow	\$55.3	\$101.8	84%
Free Cash Flow⁽³⁾	\$40.1	\$69.2	73%

Notes:

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

(2) 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.

(3) Non-GAAP, see reconciliation table.

Q1 FY20 capitalization

In \$ millions ⁽¹⁾	Actual 9/30/18	Sources and Uses			Actual as of 9/27/19 ⁽³⁾
		Free Cash Flow	Acquisitions	Other Financing Activities	
Cash and cash equivalents	72.9	69.2	(177.3)	196.5	161.3
Long-term debt, including current portion	240.0	-	-	(240.0)	-
Net Debt / (Cash)	167.1	(69.2)	177.3	(436.5)	(161.3)
LTM EBITDA	120.9	-	-	-	150.4
Net Debt (Cash) / LTM EBITDA	1.4x	-	-	-	(1.1x)

Notes:

(1) Numbers are rounded.

(2) Reflects acquisitions of GECO Avionics, LLC, The Athena Group, Inc., Syntonic Microwave, LLC and American Panel Corporation. Also reflects cash acquired in those acquisitions.

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



Mercury recent acquisition history

Company	Expansion Primary Theme	Closing Date	Purchase Price (\$M)	Ending Debt Balance	Funding
	Security	Dec-2015	\$ 10	\$ 0	Cash on Hand
 ⁽¹⁾	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 ⁽²⁾	Equity Offering
	EW, Space	Apr-2017	\$ 41	\$ 0 ⁽²⁾	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 ⁽³⁾	Equity Offering
	Platform/Mission, Vectronics	Sep-2019	\$ 100	\$ 0 ⁽⁴⁾	Cash on Hand

Total Capital Deployed: \$ 804

Source: Company filings, Company investor presentations

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

⁽²⁾ 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.

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

⁽⁴⁾ Acquisition of American Panel Corporation completed on September 23, 2019. ~\$161M net cash position as of September 27, 2019.

FY20 annual guidance

<i>In \$ millions, except percentage and per share data</i>	FY19⁽¹⁾	FY20⁽²⁾⁽⁵⁾	Change
Revenue	\$654.7	\$775.0 - \$790.0	18% - 21%
GAAP Net Income Effective tax rate ⁽³⁾	\$46.8 21.4%	\$72.9 - \$77.8 26%	56% - 66%
GAAP EPS Weighted-average diluted shares outstanding	\$0.96 48.5	\$1.32 - \$1.41 55.2	38% - 47%
Adjusted EPS⁽⁴⁾	\$1.84	\$2.03 - \$2.11	10% - 15%
Adj. EBITDA⁽⁴⁾ % of revenue	\$145.3 22.2%	\$169.5 - \$175.5 21.9-22.2%	17% - 21%

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 October 29, 2019. For purposes of modeling and guidance, we have assumed no incremental restructuring, acquisition, other non-operating adjustments or non-recurring financing-related expenses.

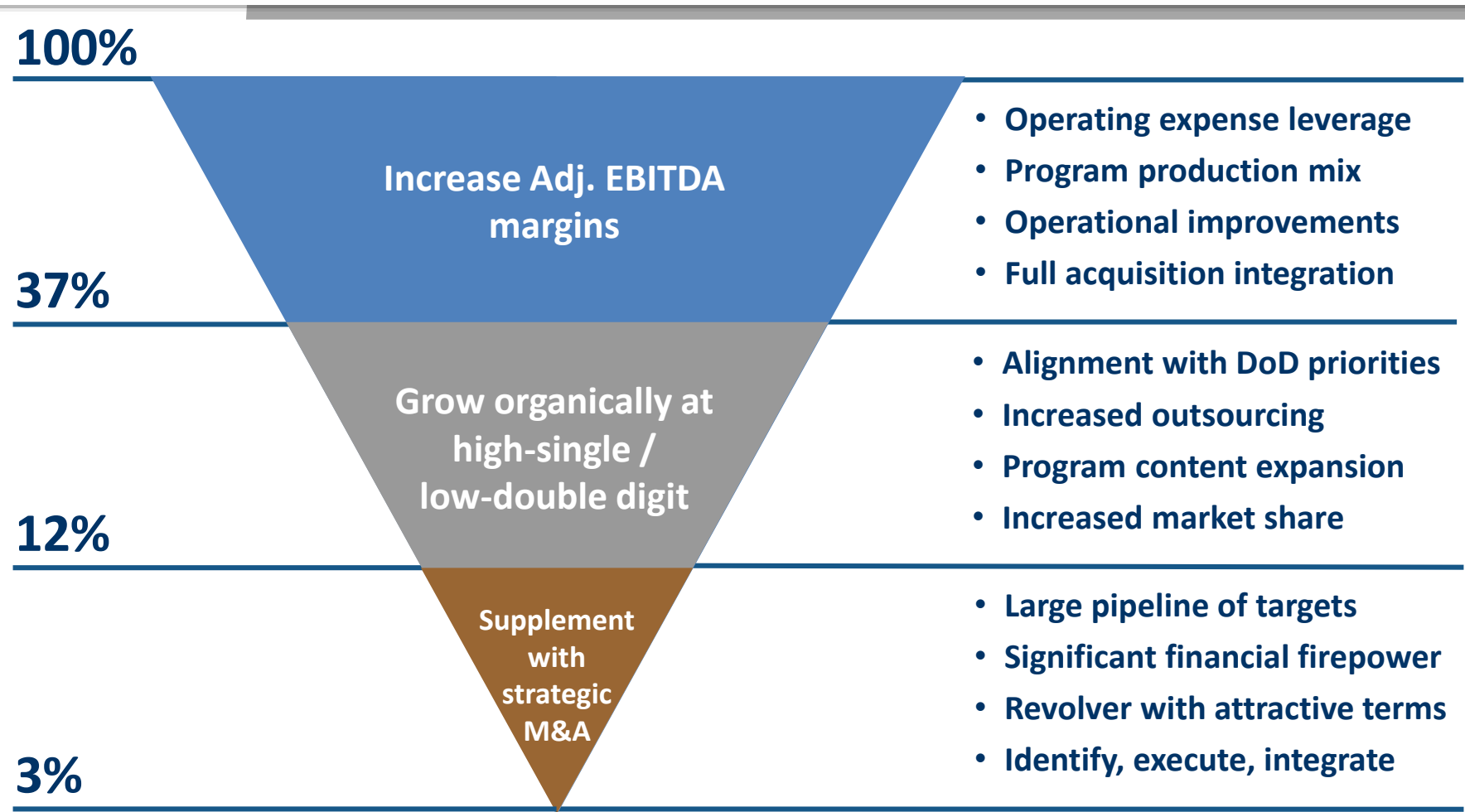
(3) The effective tax rate in the guidance included herein excludes discrete items.

(4) Non-GAAP, see reconciliation table.

(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 presentation to the second quarter of fiscal 2020 are to the quarter ending December 27, 2019 and to fiscal 2020 are to the fiscal year ending July 3, 2020.



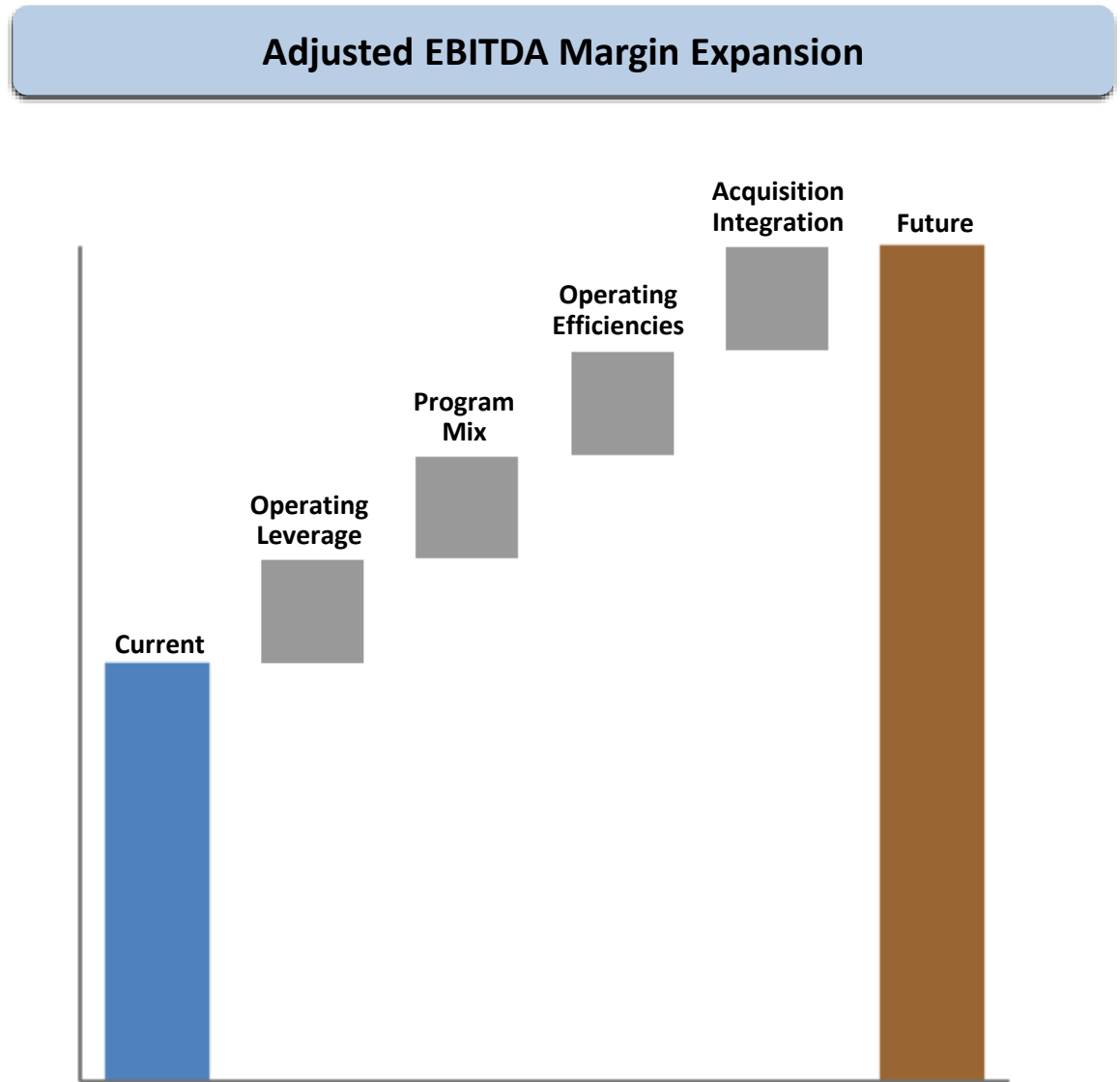
Committed to maintaining differentiated and attractive financial profile



Poised to remain in the top 5%

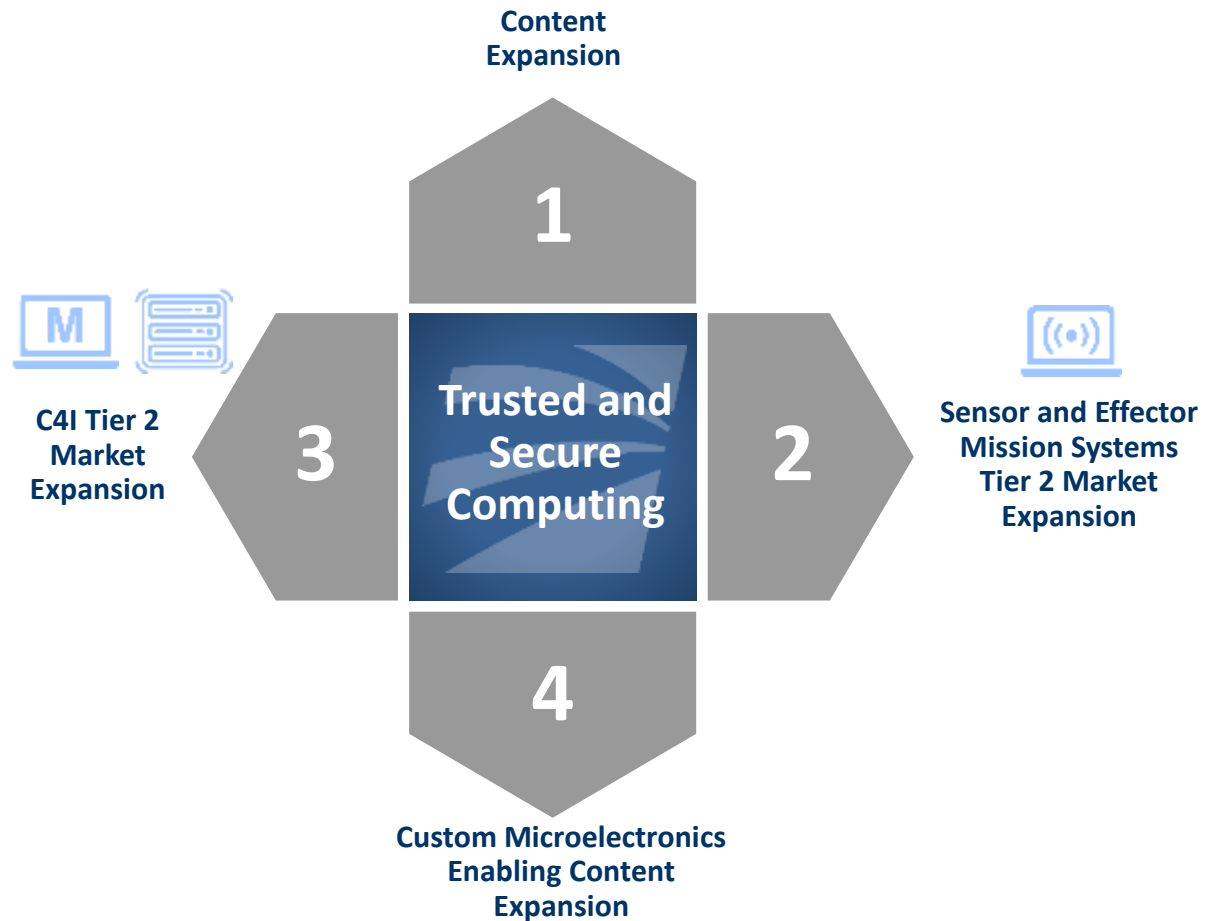
Clear path to increasing Adj. EBITDA margins

- Operating leverage:
 - Revenue growing faster than operating expenses
 - SG&A declined from 21% of sales in FY15 to 17% in FY19
- Program mix:
 - Programs transitioning from development to production
 - FY19 47% CRAD increase highlights new start volume
- Operating efficiencies:
 - Invested capex in new facilities
 - Invested in operations team
- Acquisition integration:
 - Track record of synergies
- Prioritizing new design wins



Strategy driving above market growth

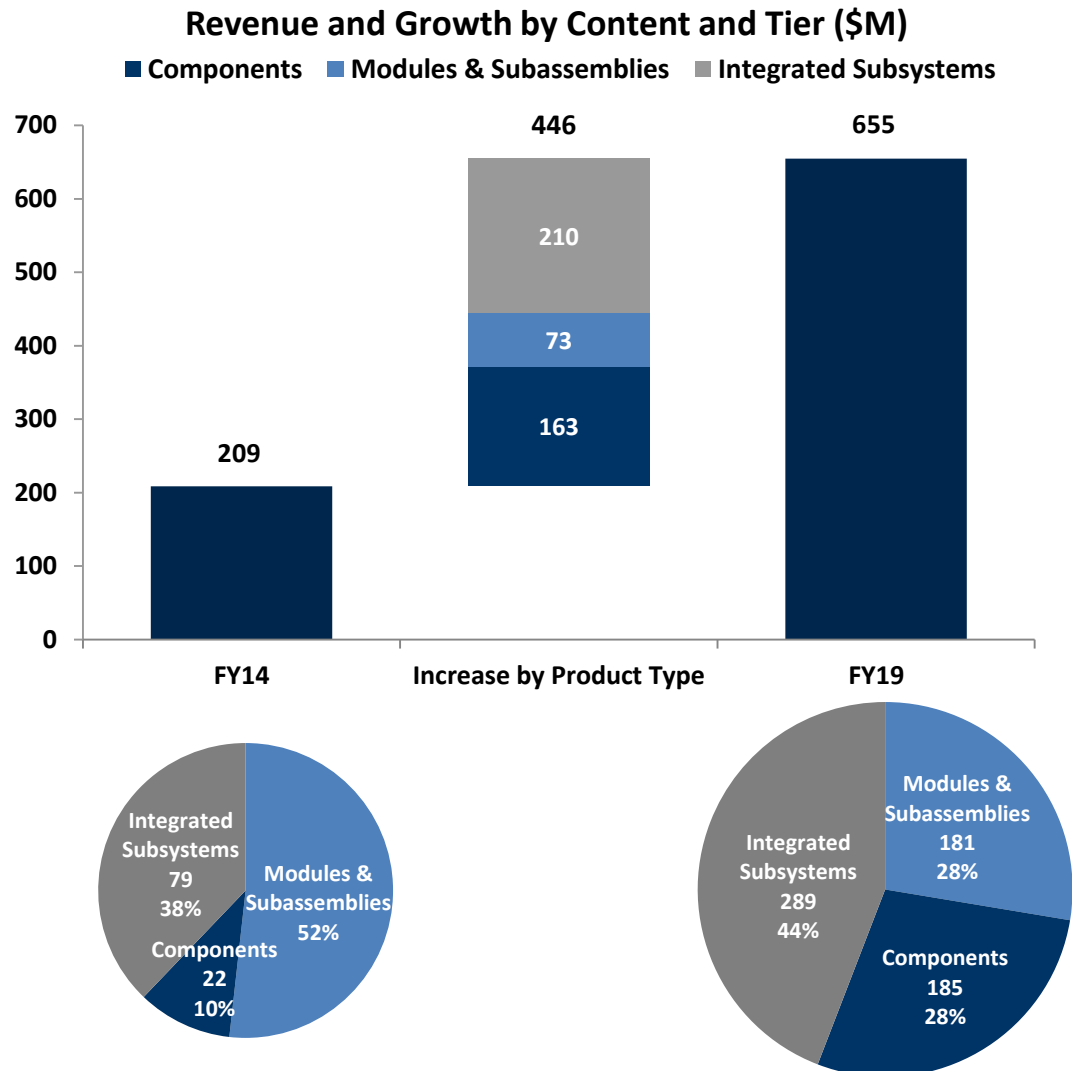
- Positioned in fast-growing segments of defense electronics market
- Business model facilitates outsourcing trend and content expansion
- Expanding into adjacent markets leveraging technology investments
 - C4I 28% of FY19 total revenue vs. 4% in FY14
- Significant investment in trusted microelectronics expected to lead to additional content expansion



Clear path to continuing above market-average growth rates

Content expansion from modules to subsystems

- **Components:**
 - Expansion via custom microelectronics acquisition from Microsemi
 - Investment in trusted microelectronics
- **Modules/Subassemblies:**
 - Down from 52% of revenue in FY14 to 28% in FY19 as shift towards subsystems
- **Subsystems:**
 - Expansion into \$40B Tier 2 RF & computing market
 - Subsystems represent 63% of top 30 program lifetime value



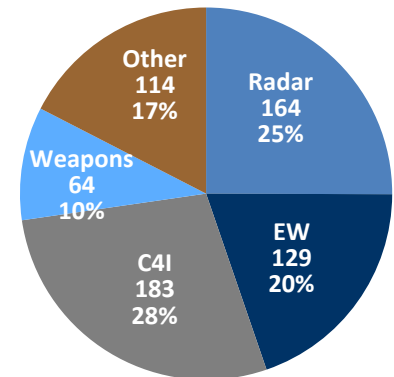
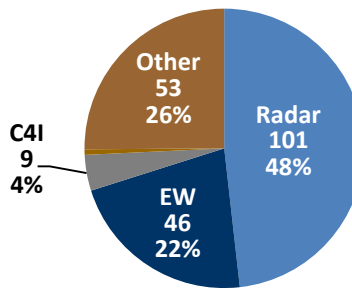
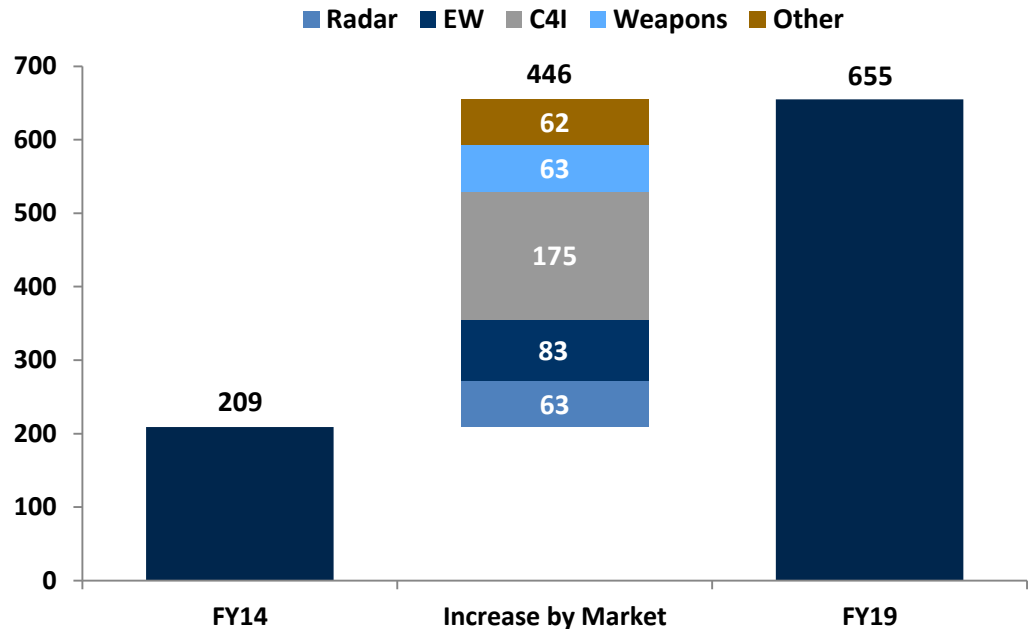
Notes: Fiscal years ended June 30, FY14-FY19 figures are as reported in the Company's Form 10-Ks and/or internal Company data. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application 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.



Expanding into new markets

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

Revenue and Growth by Market (\$M)

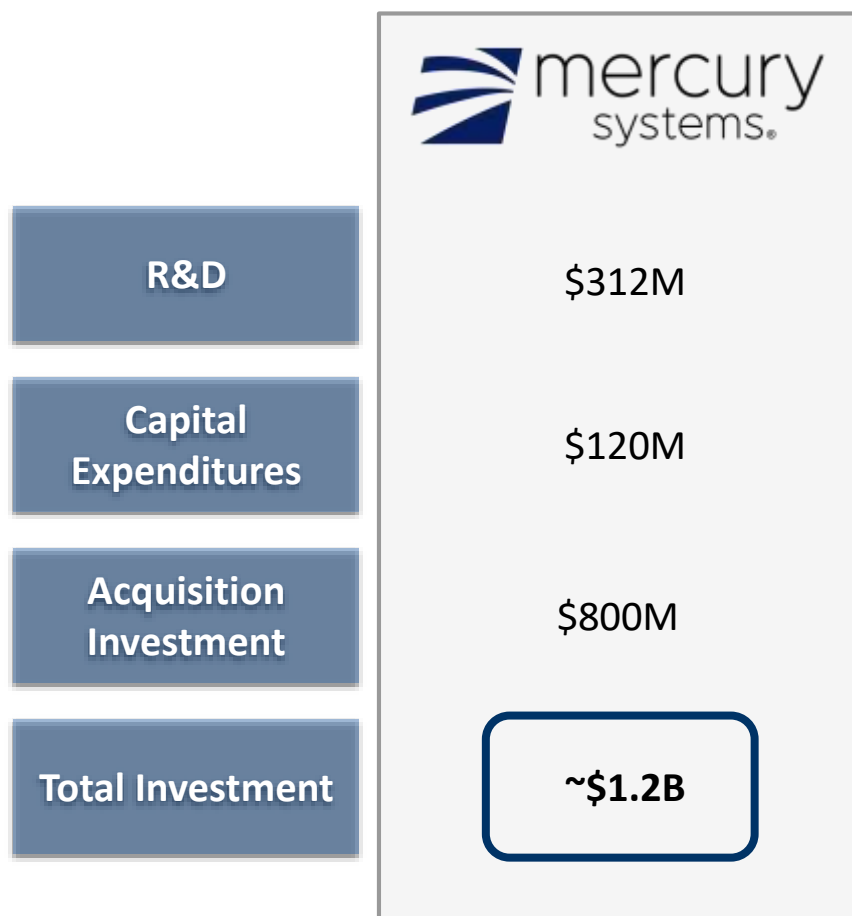


Notes: Fiscal years ended June 30, FY14-FY19 figures are as reported in the Company's Form 10-Ks. Weapons revenue is classified within Other Sensor and Effector products which include all Sensor and Effector end markets other than Radar and Electronic Warfare. Percent of total may not equal 100% due 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.



Taking market share due to significant investments

Focused on core markets, technologies and scale



Markets C4I and SEMS

Aerospace & Defense Platform and Systems Electronics Content							
C4I			Sensor & Effector Mission Systems				
Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
Avionics / Vetrionics	Command & Control / Battle Management	Dedicated Communications	Electronic Warfare	Radar	Electro-Optical/ Infrared	Acoustics	Missiles/ Munitions

Trusted and Secure Mission-Critical Technologies and Subsystems



Trusted Domestic Manufacturing and Integration from Chip-scale to Systems

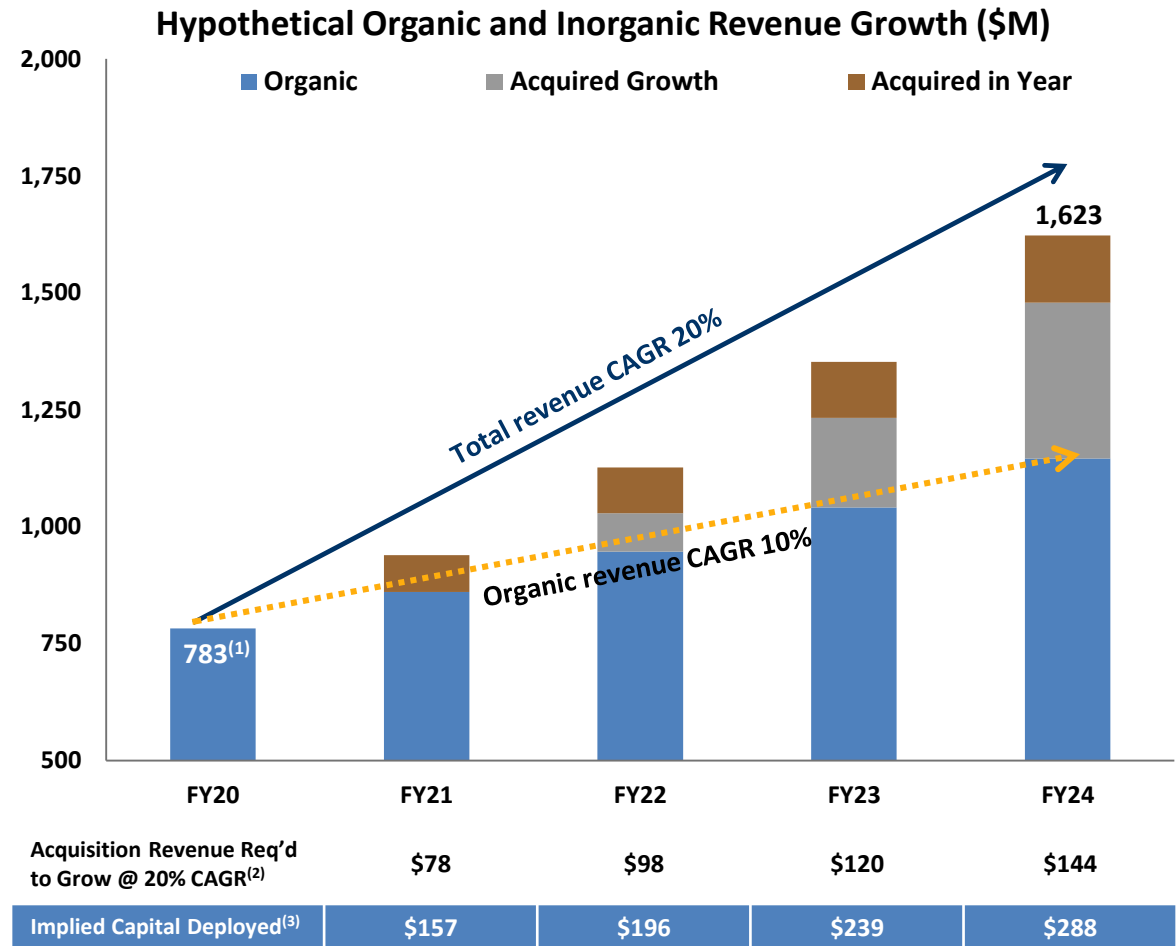


Invested \$1.2 billion since FY14 driving outsourcing

Note: All figures are approximate and reflect the period of fiscal 2014-Q1 fiscal 2020 using information reported in the Company's Form 10-Ks, Form 10-Qs and/or recent public announcements. Numbers are rounded.

Continue supplementing organic growth with M&A

- Continue 20+% annual growth
- Target 10% organic growth
- Supplement with strategic M&A
- Strong pipeline of opportunities
- Capital available to achieve goal



Clear path to continued 20%+ revenue growth



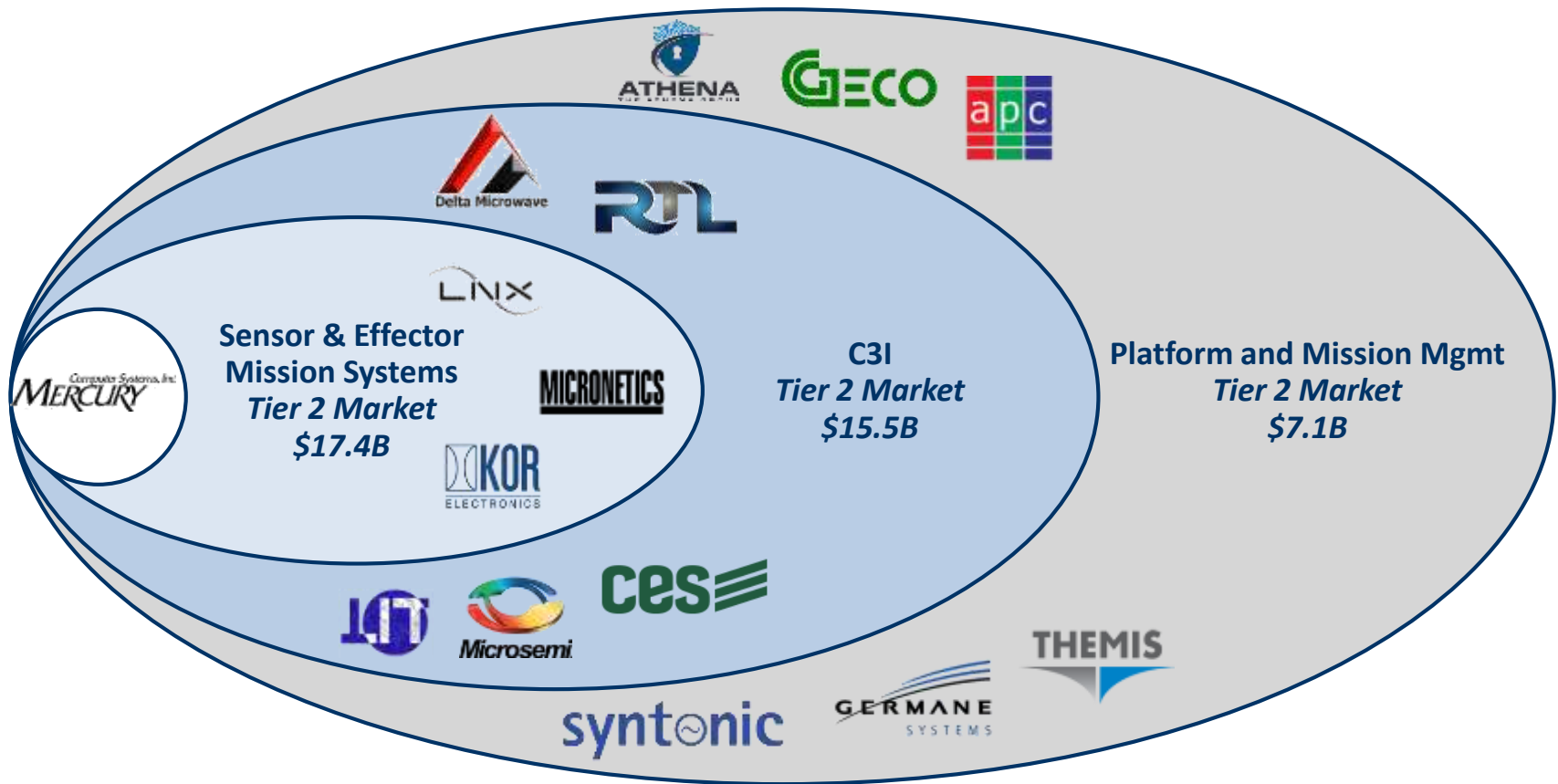
Notes:

1) Represents the midpoint of FY20 revenue guidance from the Company's earnings release dated October 29, 2019.

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

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

As we expand inorganically into new markets...






...our M&A pipeline continues to grow significantly



M&A is an integral part of our model

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

We have created significant value through M&A

		FY16 and FY17	FY18 and FY19	FY19 and FY20 YTD
Acquisitions				
Purchase Price		\$396M	\$225M	\$183M
EV / EBITDA	Avg. Mkt. ⁽¹⁾	11.6x	13.4x	11.6x
	@ Close ⁽²⁾	10.2x	12.4x	10.4x
	PF w/Synergies ⁽³⁾	7.3x	9.2x	10.4x
	FY19 ⁽⁴⁾	6.8x	8.4x	(strong FY20 performance YTD)
Commentary		<ul style="list-style-type: none"> Accelerated growth rate due to sales channel expansion and additional R&D investment Strong growth driven by security, trust and demand for safety-critical avionics Realizing cost synergies from West Coast AMC build-out & USMO 	<ul style="list-style-type: none"> Created rugged server platform to access C4I programs in air, on ground, on sea and underwater Integration complete – platform exceeding plan for growth and profitability 	<ul style="list-style-type: none"> Scaled safety-critical avionics platform Capability tuck-ins in embedded security and RF/EW poised to drive growth Opportunity for synergistic M&A

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

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

(3) Represents purchase price at close net of estimated present value of tax benefits and estimated future annual run-rate cost synergies at the time of deal announcement.

(4) Represents purchase price net of estimated present value of tax benefits at time of deal announcement divided by the estimated Adj. EBITDA for FY19 associated with the listed acquisitions.

Germane Systems presented pro forma for full year FY19 contribution. LIT and Microsemi Security Solutions excluded as these acquisitions are immaterial

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 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



Q&A

**Thank you for attending our
FY20 Investor Day!**



Appendix



Balance sheet

(In \$ millions) ⁽¹⁾	As of				
	9/30/18	12/31/18	3/31/19	6/30/19	9/27/19
<u>ASSETS</u>					
Cash & cash equivalents	\$72.9	\$93.9	\$112.5	\$257.9	\$161.3
Accounts receivable, net	153.9	168.3	170.7	176.2	177.5
Inventory, net	121.2	126.4	131.7	137.1	148.5
PP&E, net	50.8	53.1	55.9	60.0	65.9
Goodwill and intangibles, net	704.2	696.3	724.3	768.3	847.4
Other ⁽²⁾	24.0	18.6	17.3	17.4	73.3
TOTAL ASSETS	\$1,127.0	\$1,156.6	\$1,212.4	\$1,417.0	\$1,473.9
<u>LIABILITIES AND S/E</u>					
AP and accrued expenses ⁽²⁾	\$61.2	\$70.7	\$83.1	\$86.7	\$84.8
Other liabilities ⁽²⁾	49.2	49.9	40.4	45.5	93.7
Debt	240.0	240.0	276.5	-	-
Total liabilities	350.4	360.6	400.0	132.2	178.5
Stockholders' equity	776.6	796.1	812.4	1,284.7	1,295.3
TOTAL LIABILITIES AND S/E	\$1,127.0	\$1,156.6	\$1,212.4	\$1,417.0	\$1,473.9

Notes:

(1) Rounded amounts used

(2) Effective July 1, 2019, the Company has adopted ASC 842 - *Leases* using the optional transition method. Prior periods were not changed. As a result of this adoption, the Company has recorded Right-of-use assets of \$51.3 million, which is included in Other assets and total Lease liabilities of \$60.2 million, of which \$7.1 million is included in Accrued Expenses and \$53.1 million is included in Other liabilities, as of September 27, 2019.

Cash flow summary

(In \$ millions) ⁽¹⁾	For the Fiscal Quarters Ended				
	9/30/18	12/31/18	3/31/19	6/30/19	9/27/19
Net Income	\$7.5	\$12.4	\$14.1	\$12.8	\$19.2
Depreciation and amortization	11.5	11.7	11.6	11.6	11.4
Other non-cash items, net	5.5	4.6	6.3	5.1	6.4
Changes in Operating Assets and Liabilities					
Accounts receivable, unbilled receivables, and costs in excess of billings	(5.9)	(15.0)	(1.2)	(6.0)	2.2
Inventory	(4.6)	(4.9)	(4.0)	(3.3)	0.4
Accounts payable and accrued expenses	(2.0)	9.2	8.0	2.7	(6.3)
Other	8.0	7.3	(8.6)	(2.2)	(9.0)
	(4.5)	(3.4)	(5.8)	(9.0)	(12.8)
Operating Cash Flow	20.0	25.3	26.2	26.0	24.3
Capital expenditures	(3.7)	(7.1)	(7.1)	(8.8)	(9.6)
Free Cash Flow⁽²⁾	\$16.3	\$18.2	\$19.2	\$17.1	\$14.7
Free Cash Flow⁽²⁾ / Adjusted EBITDA⁽²⁾	52%	49%	49%	45%	40%
Free Cash Flow⁽²⁾ / GAAP Net Income	218%	147%	136%	134%	76%

Notes:

(1) Rounded amounts used.

(2) Non-GAAP, see reconciliation table.

Adjusted EPS reconciliation

(In thousands, except per share data)	Q1 FY19	Q1 FY20	LTM Q1 FY19	LTM Q1 FY20	Q2 FY20 ⁽²⁾⁽⁴⁾		FY20 ⁽²⁾⁽⁴⁾	
					Low	High	Low	High
Earnings per share⁽¹⁾	\$ 0.16	\$ 0.35	\$ 0.64	\$ 1.15	\$ 0.25	\$ 0.28	\$ 1.32	\$ 1.41
Net Income	\$ 7,479	\$ 19,247	\$ 30,409	\$ 58,543	\$ 13,900	\$ 15,400	\$ 72,900	\$ 77,800
Amortization of intangible assets	7,181	7,019	27,548	27,752	7,900	7,900	30,400	30,400
Restructuring and other charges	504	648	3,568	704	-	-	600	600
Impairment of long-lived assets	-	-	-	-	-	-	-	-
Acquisition and financing costs	1,043	2,236	5,117	10,821	800	800	4,500	4,500
Fair value adjustments from purchase accounting	620	-	2,103	93	-	-	-	-
Litigation and settlement expense, net	-	313	-	657	-	-	300	300
Stock-based and other non-cash compensation expense	4,743	5,776	17,662	20,654	6,400	6,400	25,400	25,400
Impact to income taxes ⁽³⁾	(3,073)	(10,849)	(18,391)	(24,328)	(3,900)	(3,900)	(22,300)	(22,800)
Adjusted income	\$ 18,497	\$ 24,390	\$ 68,016	\$ 94,896	\$ 25,100	\$ 26,600	\$ 111,800	\$ 116,200
Adjusted earnings per share⁽¹⁾	\$ 0.39	\$ 0.44	\$ 1.44	\$ 1.88	\$ 0.46	\$ 0.48	\$ 2.03	\$ 2.11
Weighted-average shares outstanding:								
Basic	47,048	54,388						
Diluted	47,697	55,078			55,000	55,000	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 presentation to the second quarter of fiscal 2020 are to the quarter ending December 27, 2019 and to fiscal 2020 are to the fiscal year ending July 3, 2020.



Adjusted EBITDA reconciliation

(In thousands)	Q1 FY19	Q1 FY20	LTM Q1 FY19	LTM Q1 FY20	Q2 FY20 ⁽²⁾⁽³⁾		FY20 ⁽²⁾⁽³⁾	
					Low	High	Low	High
Net Income	\$ 7,479	\$ 19,247	\$ 30,409	\$ 58,543	\$13,900	\$15,400	\$ 72,900	\$ 77,800
Other non-operating adjustments, net ⁽¹⁾	365	301	(652)	300	-	-	300	300
Interest (income) expense, net	2,193	(1,187)	5,027	4,797	(500)	(500)	(2,800)	(2,800)
Income tax (benefit) provision	3,129	(2,018)	13,200	7,605	4,900	5,400	17,100	18,200
Depreciation	4,365	4,362	16,938	18,475	5,100	5,100	20,800	20,800
Amortization of intangible assets	7,181	7,019	27,548	27,752	7,900	7,900	30,400	30,400
Restructuring and other charges	504	648	3,568	704	-	-	600	600
Impairment of long-lived assets	-	-	-	-	-	-	-	-
Acquisition and financing costs	1,043	2,236	5,117	10,821	800	800	4,500	4,500
Fair value adjustments from purchase accounting	620	-	2,103	93	-	-	-	-
Litigation and settlement expense, net	-	313	-	657	-	-	300	300
Stock-based and other non-cash compensation expense	4,743	5,776	17,662	20,654	6,400	6,400	25,400	25,400
Adjusted EBITDA	\$ 31,622	\$ 36,697	\$ 120,920	\$ 150,401	\$ 38,500	\$ 40,500	\$ 169,500	\$ 175,500

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.

(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 presentation to the second quarter of fiscal 2020 are to the quarter ending December 27, 2019 and to fiscal 2020 are to the fiscal year ending July 3, 2020.



Free cash flow reconciliation

(In thousands)	Q1 FY19	Q1 FY20	LTM Q1 FY19	LTM Q1 FY20
Cash provided by operating activities	\$ 20,029	\$ 24,310	\$ 55,322	\$ 101,798
Purchases of property and equipment	(3,727)	(9,595)	(15,205)	(32,559)
Free cash flow	\$ 16,302	\$ 14,715	\$ 40,117	\$ 69,239

Organic revenue reconciliation

(In thousands)	Q1 FY19	Q1 FY20	LTM Q1 FY19	LTM Q1 FY20
Organic revenue ⁽¹⁾	\$ 135,062	\$ 158,053	\$ 522,177	\$ 622,087
Acquired revenue	8,994	19,251	8,994	65,905
Net revenues	\$ 144,056	\$ 177,304	\$ 531,171	\$ 687,992

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

AEGIS	Aegis Ballistic Missile Defense System	EO/IR	Electro-optical / Infrared	NTCD	Non-traditional Defense Contractor
AESA	Active Electronically Scanned Array	EP	Electronic Protection	O&M	Operations & Maintenance
AMC	Advanced Microelectronics Center	ES	Electronic Support	OpenVPX	System-level specification for VPX, initiated by Mercury
BCA	Budget Control Act	EW	Electronic Warfare	OTA	Other Transaction Authority
C2I	Command, Control, Intelligence	FMS	Foreign Military Sales	PBR	President's Budget Request
C3I	Command, Control, Communications, Intelligence	FPGA	Field Programmable Gate Array	PGK	Precision Guidance Kit
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance	GAM	Global Account Manager	RF	Radio Frequency
CDS	Common Display System	GPU	Graphics Processing Unit	RoW	Rest of World
COTS	Commercial off-the Shelf	HEL	High Energy Laser	SEMS	Sensor and Effector Mission Systems
CPS	Common Processing System	HPM	High Power Microwave	SEWIP	Surface Electronic Warfare Improvement Program
CPU	Central Processing Unit	IMA	Integrated Microwave Assembly	SIGINT	Signals Intelligence
DAL	Design Assurance Level	IRAD	Internal Research And Development	SM	Standard Missile
DFARS	Defense Federal Acquisition Regulation Supplement	JLTV	Joint Light Tactical Vehicle	SSEE	Ship's Signal Exploitation Equipment
DMEA	Defense Microelectronics Activity	LRU	Line Replaceable Unit	SWaP	Size Weight and Power
DRFM	Digital Radio Frequency Memory	LTAMDS	Lower Tier Air and Missile Defense System	UAM	Urban Air Mobility
EA	Electronic Attack	MALD	Miniature Air Launched Decoy	UAV	Unmanned Aerial Vehicle
EDM	Engineering Data Management	MMA	Multimission Maritime Aircraft	USMO	US Manufacturing Operations
EM	Electromagnetic	MRTT	Multi Role Tanker Transport	WIN-T	Warfighter Information Network-Tactical