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Mercury Systems Inc Investor Day

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CORPORATE PARTICIPANTS

Mark Aslett, Mercury Systems, Inc. - President, CEO & Director

William (Bill) Conley, Ph.D., Mercury Systems, Inc. - Senior VP & CTO

Didier M.C. Thibaud, Mercury Systems, Inc. - Executive VP & COO

Michael Ruppert, Mercury Systems, Inc. - Executive VP, CFO & Treasurer

Robert McGrail, Mercury Systems, Inc. - Director of Corporate & Investor Communications

PRESENTATION

Mark Aslett Mercury Systems, Inc. - President, CEO & Director

(technical difficulty)

some forward-looking statements, and due to risks and uncertainties, the actual results may differ materially either from what you see or hear today. So please take the opportunity of reviewing our safe harbor statement or, for additional disclosure on our risks, you can look at our recently filed Form 10-K.

So we've actually got quite a busy agenda here today. I'm going to kick things off. I'm going to give you an overview of Mercury, who we are, what we do and then focusing really on our strategy to grow the business through content expansion as well as market expansion. We've actually got a lot of new materials here today that, hopefully, you think -- you'll think at the end of the presentation really summarize and help synthesize our strategy for growth.

After my presentation, we'll take a short break, grab a coffee, use the restrooms. And then we're very pleased to be able to introduce Dr. Bill Conley. Bill joined Mercury as our Chief Technology Officer a couple of months ago. Prior to joining Mercury, Bill developed and led the Department of Defense electronic warfare strategy. So we're thrilled to have Bill with us. He's going to give us a much higher macro level perspective around what he sees happening between the U.S. and China as well as the relative levels of investments that has an impact on the industry as well as Mercury strategy.

Didier will then pick up the presentation, and he's going to take it down a level and really try and demonstrate Mercury's growth strategy and action and show specifically, on various platforms, how it is that we are continuing to expand our content on various programs.

Mike will then pick up the presentation, give us a brief financial review and translate our strategy into our future financial goals and objectives. That will then conclude the formal part of the presentation, after which we'll actually shut down the webcast. We'll ask the management team to come upfront, and we'll open it up for your questions.

So a little bit about the company. Many of you know Mercury. Actually, we were founded in 1981. The company went public in 1998. Today, we're pioneering a next-generation defense electronics company, utilizing a very unique business model that sits at the intersection of the high tech world as well as the defense industry. Our goal and objective is to make commercially available technology profoundly more accessible to the defense industry than what it is today, and we'll describe how it is that we're doing that.

From a vision and from a capabilities perspective, our goal is to provide all of the different types of processing solutions that go onboard a military platform, in particular, those that require the concepts of trust as well as security. We deployed on some of our nation's most important programs and platforms, working with some of the largest defense prime contractors in the world, and we're serving their increased outsourcing needs.

From a fiscal perspective, we got a very strong financial profile. Over the last 5 years, we've actually grown our revenues at a 26% compound annual growth rate with approximately 10% organic growth over that same time frame. And we've been very successful growing our adjusted EBITDA far faster than the growth of revenue as we've actually acquired and fully integrated the acquisitions themselves, generating substantial revenue and cost synergies, as Mike will describe in his presentation. Finally, one of the things that we're most proud of as a management team is that we've actually achieved the defense industry's highest current employee Glass ratings today.

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So from an investment highlights perspective, we spent \$1.2 billion since fiscal 2014 in a very focused and unique way, creating a business model and technology development model that we think is a bit of a game changer. We focused the business on large and fast-growing parts or faster-growing parts of the overall defense electronics market. We've created this proven and transformational and disruptive business model that includes internally funded R&D levels that are 4 to 5x the industry average. The way in which we're developing our technology is very different. We're creating pre-integrated solutions that allows us to introduce our solutions far more quickly with lower risk and far more affordably than ever before. We have industry-leading secure computing capability that is developed by a highly cleared workforce, that is developed and produced in trusted domestic manufacturing facilities. And finally, our ability to hire talent has never been better.

Now most of the presentation today is really going to focus in on this third bullet. The fact that we have created a low-risk content expansion strategies that is delivering well above industry average growth. The first dimension of that is that we've moved up from operating at the Tier 3 to operating at the Tier 2, which is driving very large dollar content increases on many of our programs and platforms. We've done an extremely good job expanding into different submarket adjacencies over time. And looking forward, we're very excited about the potential of creating chip-scale innovation that could drive future highest margin content expansion for Mercury going forward.

We've also been very successful from an M&A perspective. M&A is an integral part of our business. We've used M&A in 3 ways: one is to gain capability, second is to gain access to various markets and third is to penetrate existing markets over time. The way in which we've done that is by building out an in-house deal origination, execution as well as integration capability. We are full integrators that has driven high levels of revenue and cost synergies over time. We've got multiple M&A themes going on simultaneously. And finally, we believe that we have created a business platform that we can continue to scale.

So Mercury's financial profile really does demonstrate the uniqueness of our strategy. And what you see here in the left-hand part of the chart, the inverted pyramid, is our financial goals and objectives. What we're seeking to do is to deliver strong margins, shown here as greater than 20%. We're looking to grow our business organically at high single-digit, low double-digit rates or an average over time at approximately 10%. And then we're seeking to actually supplement that high level of organic growth with acquisitions to be able to grow total company revenues in excess of 20% on an annual basis.

So we compare these goals and objectives with all publicly traded companies of a similar size, and the way in which we define that is between \$1 billion and \$5 billion. And there are approximately 1,057 of those companies shown on the left-hand part of the chart. If you start to successfully -- successively apply the filters, what you'll find is that there's literally less than 5% of all publicly traded companies, irrespective of the market in which they're operating or irrespective of the exchange, that's able to meet this financial criteria over a longer period of time.

So if you compare our goals and objectives with our actual performance shown here on the right-hand part of the chart, we've actually delivered very strong results. Over the last 12 months, we've delivered 22 points of adjusted EBITDA margin. We've grown our business at a 27% compound annual growth rate over the last 5 years. And on average, we've delivered a 10% organic growth rate over that period. And then in the last 12 months, we delivered 30% growth year-over-year.

If you compare that strong set of results with just the column to the left, which is a Tier 2 defense index, our results far outstripped most companies in the defense industry. And in actuality, our results put Mercury in the top 3% of all publicly traded businesses. So we've delivered a very strong set of financial results, and our goals and objective is to continue to deliver this moving forward.

So really, there are 6 major trends that we see shaping the defense electronics industry today. The first is political dysfunction down in Washington that has led to repeated continuing budget resolutions, of which, yet again, where we are in another CR, that impacts both the defense budget process as well as spending levels. We also have the backdrop of a possible impeachment as well as a general election next year. Despite that, I think we are clearly in an increased defense spending cycle, and we're seeing significant levels of modernization activity for the electronic systems content on the platforms that we're participating.

Defense procurement reform continues. And probably the biggest shift that we're seeing here versus, say, where we were last year, is

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that, yes, there's still a focus on affordability, but probably the major shift that we've seen occur is that the DoD has got a major emphasis on trying to speed up the rate of innovation and the fielding of new technologies and capabilities to deal with emerging threats. The way in which they're doing that is by using different types of contracting methodologies. In particular, we're seeing a lot of use associated around OTAs, also known as 804 contracting, which includes much greater use of nontraditional contractors, nontraditional defense contractors of which Mercury is one.

From an innovation perspective, I think the industry remains very challenged [from an] innovation. And probably the biggest issue there is that if you look at the level of internal R&D funding in defense versus the high tech world, it's dramatically lower. That needs to change, and I think it's certainly something that the government is focused in on.

Now the Department of Defense has a way of offsetting that lower growth, it's trying to leverage some of the investments and the innovation that's occurring in the high tech world. Now part of the challenges associated with that is that the high tech supply chain is globalized, and the DoD needs to get access to that technology. But it also needs to get access to the technology for -- that are secure, that are trusted and manufactured here domestically. So Mercury is in a very unique position, sitting at the intersection of defense as well as the high tech world to try and help enable some of that technology transfer.

Finally, I think we remain in a very challenging global security environment with Chinese militarization and power projection, a resurgent Russia as well as general instability in the Middle East. And it's this challenging global security environment that really dictates both the altitude as well as the direction of the overall defense budget.

So this is quite a busy slide. I'm really going to just focus in on 3 major parts. If you look at -- on the left-hand part of the chart, the solid yellow line, that's 5 years of defense spending. And what you see is clearly an increase in the rate of spending over time. If you look at between government fiscal year '17 and '18, there was significant [impulse in] defense spending that today is driving higher outlays and is driving increased organic growth in most of our customers.

If you look inside of the red circle, this is the 2-year 2019 Bipartisan Budget Act or the deal that gave -- basically gave us visibility in defense spending levels for the next couple of years. So one, it obviously took away the threat of sequestration, which is clearly very positive. But you also see, with the blue dotted line in the chart inside of the red circle, a slowing down of defense spending. We have consistently said for several years now that we believe that the defense industry will grow, but it will only grow at low single digit rates, and you can kind of see that in the bottom right-hand box. The projected growth rate of base defense spending and OCO is 1.7% [in] 2019 through 2024.

Now Mercury has demonstrated its ability to grow far faster than the budget overall, and we continue to believe that we're going to be able to do that going forward for a number of reasons. First, we are clearly participating in higher growth parts of the market. The second reason is that our customers are outsourcing a lot more, which is driving a significant increase in the dollar volume content that we have on various platforms. The third reason is that we're continuing to take share from other companies in the space in 4 different areas. And the final reason is that you'll hear from both Bill and Didier is that, with these next-generation systems, the threat complexity is increased quite substantially, driving even greater electronic content for the sort of capabilities that we provide. So we continue to believe that we'll be able to grow at a rate that is far faster than the overall growth defense budget overall.

So taking things down a level and looking at the markets in which we're participating. So Mercury operates inside of the aerospace and defense electronics systems market, which in itself has got 2 major market subsegments: sensor and effector mission systems, which is Mercury's more traditional market; as well as C4I. In sensor, effector mission systems, we've done a really good job moving from historically being a provider of largely radar processing modules into other submarkets over time by acquiring new technologies and capabilities and spreading those capabilities into the different submarkets within sensor and effector mission systems. Strategically, however, the biggest shift that we've made over the past several years is to move into all of those other types of computers that go onboard military platforms that are collectively known as C4I.

So looking at this market data, and this market data has been refreshed for this year by Renaissance Advisors, which is one of the advisers that we use a lot, looking at markets and various acquisitions. They're estimating that in 2019, the global aerospace and defense

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electronics systems market is \$124 billion. So it's a very large market. The U.S. portion of which is roundabout \$61 billion. Now we don't do everything, obviously. What we do is we provide very advanced RF and computing capability at the Tier 2 level, so as we moved off from the Tier 3 to the Tier 2. On a global basis, Tier 2 RF and computing capability is estimated to be roundabout \$40 billion with the U.S. portion of which at \$21 billion.

If you look at Mercury's traditional market, sensor and effector mission systems, this market is currently estimated to be \$17.4 billion, growing at a compound annual rate from '19 through '24 at 4.6%. That's 3x the overall growth rate of the defense budget projected going forward. So we clearly have picked the faster growing parts of the market. If you look at the C4I market, which is this market that we have just begun to penetrate, it's 30% larger than Mercury's traditional market. And it is also growing at a rate that is greater than 2x our traditional market in the defense -- sorry, greater than 2x our traditional market.

So turning now to some of the programs and the platforms that we're involved with, and this is just obviously a representative of examples shown across various different domains. We've organized the programs here by the 2 major market subsegments that we're participating in, shown on the left-hand part of the chart, and we're working on these programs with some of the biggest and the best defense prime contractors in the industry. So we've clearly got a tremendous set of programs.

So turning now to the strategy. You'll see around the wall, the work that we've been doing in marketing -- in particular, Stephanie Georges, our Chief Marketing Officer, is at the back of the room. So we've been working on what is Mercury's vision, purpose as well as our positioning. And so what we've came up with in -- with these elements, combined with our cultures and values and the strategy, is how it is that we're actually creating value for shareholders. And to begin with, our purpose is innovation that matters. We truly believe that innovation is critical to the aerospace and defense electronics industry going forward.

Now Mercury is a very innovative company, not only in terms of its technology. We've innovated in terms of our business model. We've innovated in terms of how we develop technology. We've innovated in terms of our cultures and values, all of which tie together in a way in which it matters for our customers, the war fighter, our shareholders and employees. Our vision going forward is to be able to provide all of those different types of processing solutions wherever they are on a military platform, but specifically, those that require the concepts of trust and security. And our positioning, which is why it is that we're different and how it is that we're different is that we are the leader in making trusted and secure mission-critical technologies profoundly more accessible to the aerospace and defense industry. This ties directly back to that statement and those challenges that I mentioned earlier, which is the Department of Defense clearly needs to leverage better the investment and the innovation that's occurring in the high tech world. We're in a very, very unique position to be able to do that, given that we sit at the intersection of those 2 industries.

So turning now to the strategy that's delivered the above-average levels of growth and profitability. To grow a business, we strongly believe that you need to invest in it organically, and we've invested in our people, our processes, our business systems as well as having built out trusted domestic manufacturing to support the continued and ongoing organic growth in the business. We've used M&A very successfully in 3 different ways: to expand our capability set, to gain access to new markets and then to continuously penetrate those markets over time. As a full integrator, we've generated significant cost and revenue synergies over time that have resulted in our adjusted EBITDA growing at a far faster rate than overall revenues as a whole. We've invested in trusted and secure innovations that really matter for the aerospace and defense industries, and we've done that by investing at rates of internally funded R&D that is substantially higher than the industry overall. Having built out trusted domestic manufacturing capabilities, we're now on a multiyear journey to continuously improve those operational capabilities as well as the ongoing scalability of our business. Finally, we've never been in a better position to be able to attract, retain and engage the best possible talent that we need to continue to grow our business.

So turning now to our strategy of innovation and where it is that we're investing to create highly differentiated capabilities, from chip scale all the way up through subsystems. To begin with silicon, we are rapidly becoming the leading conduit for commercially developed silicon into the aerospace and defense electronics industry. Today, we've got some of the highest performance and densest processing solutions that are available onboard military platforms. Everything that we do is optimized for size, weight and power, and we have, today, some of the most advanced packaging cooling technology that's available. We've invested in some of the most advanced open middleware and software capabilities that allows our customers to port their applications on top of an open mission systems architecture, to be able to take advantage of the technology innovation and ride Moore's law whilst also preserving and protecting their

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investment at the application layer. We've also invested in industry-leading embedded security capabilities that is critically important at this point in time. And then as we continue to see convergence in military technologies, we believe that the concept of being able to design safety certifiable processing subsystems up to the highest design assurance levels will also become important. Any one of these areas would be a significant competitive differentiator. Mercury is actually investing in all 6, and we're actually embedding these technologies and capabilities into the pre-integrated subsystem solutions.

So if I step back a little bit in time and kind of just revisit what we've been doing strategically over the last 7 or so years. Acquisitions that you see here in the middle bar on the chart really transformed Mercury from a Tier 3 provider of products [or radar] applications into today, a Tier 2 provider of pre-integrated sensor processing subsystem solutions. And you'll see a notional example of a sensor processing subsystem on the right-hand part of this chart. Now the technology itself may be integrated into a complete stand-alone subsystem or those technologies may be distributed across multiple subsystems that go onboard a military platform.

So the acquisitions themselves have not only made us more capable in the minds of our customers, but they have significantly expanded our addressable market, they've allowed us to move up the value chain, moving from Tier 3 to Tier 2, which in turn has facilitated much greater outsourcing because of the economic value that we're creating for customers, which I'll describe. It's allowed our customers to simplify their supply chains to deal with a far fewer number of more capable suppliers. In turn, we have actually disintermediated our former product competitors. We've actually got less competition at the subsystem level than what we had at the product level.

Probably more importantly for Mercury, however, is the fact that we have generated a very low-risk content expansion growth strategy that has created a substantial increase in our dollar content on the programs and platforms that we either are involved with or are pursuing. As this strategy has evolved, it's also, as you'll hear from Mike, opened up the aperture from an M&A perspective as well.

So having done that so successfully in the sensor processing world, our overarching strategy is to basically do the same in these other types of computing subsystems that go onboard military platforms, in particular, in C3I as well as platform and mission management. And we've clearly begun that journey. So in C3I, we have begun by building up a very strong business in secure rugged rackmount servers through the acquisitions of Themis and Germane. But there's a lot more content that we can provide to customers in that specific arena.

Similarly, in platform, mission management, our goal is to build up a strong avionics processing business at the Tier 2 level, and we've begun that also. So we started by acquiring a company over in Geneva, Switzerland that's providing mission-computing capability. We supplemented that with the acquisition of GECO Avionics in Mesa, Arizona, so we've now got a strong mission-computing business. We believe that safety certifiable processing will be important for avionics as well as autonomous operations going forward. So we acquired RTL. And most recently, we acquired a military displays business called APC that will be very important in AI applications as well going forward. So we've got a tremendous set of capabilities, but we still got a lot further to go.

There's another thing that we're focused on, which we think is extremely unique. And that is we're seeking to replicate our sensor processing subsystems integration strategy, but to do it at chip scale. So there's a huge shift going on in the silicon world, in the high tech silicon world. So -- and the shift that's occurring is away from very large, very complex, high-power monolithic ASICs into much more composable silicon architectures, where you can combine together silicon-IP blocks to create heterogeneous specific and application-specific silicon for various applications. And so that's our goal is to basically be able to partner with a number of companies and create a best-of-breed ecosystem from different vendors to be able to create these types of solutions. That includes processes such as FPGAs, GPUs and CPUs, combine that together with IO, advanced mixed signal, which includes RF as well as advanced digitalization capability, memory and then the very unique security IP that Mercury has within its portfolio and to be able to do the design, the development and the packaging of these capabilities here domestically, which is critically important as you'll hear from Bill.

What that will result in is allowing us to create very specific silicon that is secure and trusted for the markets in which we're participating and specifically for next-generation types of solutions. We think this is a game-changing capability that will enable new applications and probably most importantly for Mercury, an additional dimension of highest margin future growth.

So with that said, what I'm going to do now is just basically boil down the strategy into 4 expansions that are occurring in the business simultaneously. And these are important slides because there's a lot going on, and we know that Mercury is a relatively complex

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business. So we're trying to just boil it down into something that kind of will make it easier to understand.

So the first content expansion is the fact that we've moved from the Tier 3 up to the Tier 2. And the way in which we've done that is obviously by -- is being driven by M&A. We acquired more capability, which in turn has driven greater customer outsourcing. We have disintermediated our former product level competitors, which means that we've taken share. And as you'll hear from Didier, in particular, we've seen a dramatic increase in content, driven by the threats and increased system complexity. This has resulted in up to a 10 to 12x increase in content per system between one generation and the next, which is an enormous driver of future growth for Mercury.

The second dimension is really expansion in different submarkets inside of Mercury's historic market. So we started out, as I mentioned, really participating, providing high-performance radar processing products inside of the sensor and effector mission systems market. We did a number of acquisitions in RF, which allowed us to move into electronic warfare, processing, and we've now got a very strong EW processing business. We also moved into the weapon systems arena, and we've created a strong and fast-growing business there. Most recently, we moved into acoustics processing through the acquisition of Germane, and we see additional opportunities in EO/IR, given the high-performance server class processing that we're producing domestically.

However there's another expansion that's occurring, which is those move into those -- all those other types of computers onboard the platform. So we're expanding vertically, increasing our content, and we're taking that content and we're actually expanding it horizontally for all of those other types of computers that require trust, security and safety.

The final dimension is the one that I just walked through, which is the ability to be able to provide next-generation trusted microelectronics capability, largely for edge processing applications, which could double our content again on next-generation systems.

So there's an enormous opportunity here for us to just continue to do what we've been doing so well, which is acquiring capability, integrating that capability together and then moving [that] technologies into other markets with new and existing customers on new and existing programs.

So with that said, how far along are we? So what I'm going to walk through now is just qualitatively where we think that we're at from a growth perspective. So if you begin with sensor processing, that's obviously the part of the strategy that we've been involved with the most. And so you'll see a pretty high bar from a capability perspective. That doesn't mean that there isn't opportunity for us to continue to acquire new capabilities because there are. But we also see that from a capability perspective, we can continue to gain share as well as to gain scale in that particular part of the market.

From a penetration or from an organic growth, however, we believe that we still got a ways to go for the reasons that I previously described. There's still a tremendous opportunity around outsourcing. We're seeing that threat-driven system complexity increase. We're seeing greater outsourcing at the Tier 2 level. We're taking share, and we're participating in the faster-growing parts of the overall defense market overall. So there's still a tremendous opportunity in sensor processing.

In C3I, we've only really been at that since 2018. And although we built out a very strong and capable secure rugged rackmount server business, there's a lot more capabilities that we could acquire and provide customers in a more integrated way than what they're purchasing today. And then from a market penetration perspective, we're still in the very early phases.

Probably the largest opportunity longer-term is actually in platform and mission management and, specifically, building out an avionics processing business at the Tier 2 level. We have already built out a highly set of capabilities. But again, we've got a lot further that we can go, and we're still in the very, very early phases from a market penetration perspective as well. So we think there's enormous opportunity for us to continue to execute against the strategy that's been so successful for us, growing the business organically.

Going to transition now to a very important slide, and it's a slide that really describes our business model as well as our technology development model and how it is that we are creating significant economic benefits for our customers as well as capturing more content that is driving the organic growth rate in our business. So what you see on the left-hand part of the chart is what is known as the traditional COTS product integration approach. And here, our customers historically would buy individual COTS products, shown here in

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the middle part of the chart on the left-hand side in brown, blue and gray, and they would -- our customers would buy those different products from different vendors and they will get paid by the government largely under COTS-plus type contracting to do that integration effort. Over time, the contracting model has shifted from COTS plus to more firm fixed price contract awards at this level for this type of capability, which has resulted in the cost and the risk associated with doing this integration being pushed toward the customer side of the table. And our customers really don't want to spend their very scarce internal development R&D dollars or their resources on doing this level of integration.

So we came up with a different approach. As I showed you earlier, the approach that we came up with is that we've acquired the technologies and capabilities that will allow us to provide a complete sensor processing solution. Now what's different about us is that we have got very high levels of internally funded R&D. And through the aggressive use of open systems architectures, we're pre-integrating our own technologies, meaning our customers no longer need to do that. Now why that's important from a customer perspective is that if you look at and compare the approach using the old model, the integration costs actually dwarf the cost of the individual product procurement. So in the fact that -- in the Mercury approach, we're actually dramatically reducing those or, in some cases, eliminating them means that we're creating a tremendous amount of economic benefit to customers. We're actually lowering the initial costs of producing the subsystem. We're actually buying down risk on the program. We're able to do things far more quickly, which is critically important, given the focus on fielding more rapid technology solutions. And in addition, because of the investments that we're making in technology, our -- we're able to actually help our customers keep programs sold as well as deal with the obsolescence issues that they deal with over time, meaning that we can insert technology more quickly to deal with the threats. So we've created a better business model, a better technology model, which in turn is driving greater levels of outsourcing, which in turn is driving the growth in our business.

Now what's really good about this approach is that it doesn't just work for sensor processing. It actually also works just as well, we believe, in these 2 other major market segments. So we can take this model that has been so successful for us in sensor processing and apply it into C3I as well as into avionics processing.

It's not just about the technology development, however. I think what we have spent the last 4 years doing is building out trusted domestic manufacturing capabilities in 3 different dimensions: we build it in RF Microelectronics capability, we've in-sourced our digital processing capability as we've added very advanced security capability that our customers require and now we continue to expand our trusted microelectronics business. Our customers and our customers' customers need to ensure the provenance and the integrity of the technology as well as the trust within the supply chain, and we think that we've created a significant differentiator here.

So M&A has been an integral part of our strategy, and what you see here is our M&A philosophy. And for us, it always begins with a value creation blueprint, how it is that we're going to create value with the business that we're acquiring as part of Mercury. So for us, it always begins with a cultural fit. And then we are a full integrator, so we're not a holding company. We're not a roll up. We're seeking to acquire companies that we think will -- we can take those technologies and integrate it into our solutions and make us more capable in the minds of our customers. We seek to unify acquired brands under the Mercury Systems umbrella. We'll combine like businesses or product lines together to gain scale and efficiencies over time. We'll invest the capital dollars necessary to actually consolidate our manufacturing footprint as well as to modernize our manufacturing facilities over time. We'll deploy scalable enterprise processes, systems, secured development cloud as well as our video-based collaboration infrastructure. We typically raise up the level of R&D in the acquired businesses to accelerate organic growth through new design wins while offsetting some of that expense by centralizing G&A, creating additional operating leverage as we continue to grow. We've done a really good job actually accelerating the growth of the acquired businesses through our strategic accounts as well as our solution sales model, and we rapidly deploy a matrix organizational structure that drives clarity, consistency as well as continuous business improvement.

As a management team, we're very focused on delivering consistent results. And the way in which we do that is through a common business management process as well as a common operating rhythm.

So as I mentioned previously, we've really excelled in our ability to acquire and integrate companies. We're using M&A in 3 different ways: the first is to acquire a full solution set or suite of capabilities. And you kind of see this as you move from the right-hand part of the chart to the left. The icons of the acquired companies get a little sparse from the right to the left which basically shows that we've got a

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tremendous opportunity for us to grow organically as well as to acquire to build out the solutions. We've also used M&A, however, to gain access and to penetrate over time, existing markets. And so we're going to continue to remain disciplined in our approach to M&A and to use this three-pronged approach to grow our business over time.

Finally, the most important piece -- the people. And so what you see here is Mercury's current employee Glassdoor ratings, as compared with the Glassdoor average of all companies, our proxy peer group, as well as that

index of Tier 2 companies that I showed earlier. We've got exceptionally strong results, in fact, we believe industry-leading results.

So I'm going to draw your attention to really a few items on here. The first is cultures and values. It's probably my biggest learning as a CEO, by far, and I've been a public company CEO for over 15 years. And we think that we've created a tremendous environment in Mercury, where people love coming to work, do their best work. They're really connected to the mission of the company. And like anything, we're actually treating our culture like an intangible asset. It's something that needs to be cared for and invested in over time, and we're actually doing that quite well. So it's part of the reason, I think a big part of the reason that we have created value for shareholders. And the reason that we're focused on it is that, in my mind, it also ties back to the sustainability of our ability to create value over the long term. And I think we've all read about different examples of companies that maybe didn't pay attention to the culture. And what actually happened there. So something that we're pretty proud of and something that we're focused on.

The other one I'd draw your attention to is recommendation to a friend, and that's really 2 things going on there. One, it's a proxy for how sticky your existing employees are. And so we've got a very, very high retention rate. The second is that we're actually operating in a very tight labor market, and actually, our ability to hire has never been better. Let me give you an example. Actually, our days to hire right now is less than 50 days, which is pretty damn good. In addition, last year, what we saw is that 35% of our new hires came from referrals from existing employees. That's a world-class number. It's a world-class number. So we've got a tremendous ability to be able to continue to attract the right talent that will allow us to continue the growth of the business.

The final one that I'd draw your attention to is not the CEO Approval rating, which has only got one way to go, but it's the positive business outlook. And I would say that there's a tremendous amount of optimism inside the company right now. Employees really connect with the mission. They're connecting with the purpose, the vision and the positioning that we've just rolled out. They're very optimistic about our ability to continue to grow the business organically as well as to acquire and to integrate new companies. They're also extremely optimistic about their ability to continue to evolve and to grow their careers inside of Mercury. So we believe that these results actually validate Mercury's position as a destination employer as well as an acquirer of choice.

So I'm going to take things down a level now. And if you look on the right-hand part of the chart, what you see here is our dimensions of growth: so gaining content, moving to different markets, expanding into different platforms, growing and penetrating customers, winning new programs and expanding geographically. So if you look at really what are the major drivers at a very high level, we clearly have accessed the faster-growing parts of the market. We've talked a lot about the increased content that we're seeing via outsourcing, via share gains and threats -- threat-driven system complexity. The acquisitions actually add more capability and help us grow faster. We're winning new programs as customers actually start to build enterprise architectures around some of our processing solutions, which are helping us actually win more programs faster than we have historically. We'll continue to add new strategic accounts and strengthen our product line sales to be able to grow the acquired businesses faster than what they were historically. And finally, we're continuing to grow with customers internationally.

So this is a very interesting chart. We began putting this in our 10-K probably a couple of years ago. It really shows where Mercury participates in the industry. So we're quite unique. We're operating at the component layer, modules and subassemblies, and then integrated subsystems. And our goal is to create highly differentiated, high-margin components that we transform into modules and subassemblies and then we integrate it together into subsystem solutions. We think our strategy is working very well. If you look at integrated subsystems, our integrated subsystems has grown at a 30% compound annual rate over the last 5 years and is up 73% in the last 12 months to 46% of total company revenue. The majority of the new design wins that we have in our top 30 programs and pursuits are at the subsystem level. And you may say, "Well, what's happening with modules and subassemblies, right? Their revenues are down 12% last 12 months." That's because we're actually selling less products today. We're actually selling them as part of an integrated

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subsystem solution. I can tell you that security is dominating our Pwin. We've seen a tenfold increase in the value of our secure subsystems business in fiscal '19.

The components business is also extremely interesting for us. So we really entered this through the acquisition of the Microsemi Carve-Out assets that we did back in 2016. We did acquire 3 different businesses, the largest of which was a custom microelectronics business. We've doubled the size of that business since 2016. And it's actually the highest margin product line that we have inside of the company. So now with this new trusted microelectronics capability and expansion that we see, we see even greater opportunity for us to create highly differentiated capabilities and continue that margin expansion and growth that we have been pursuing.

Looking at the revenue growth rates by the 2 major markets in which we're participating. So we've had an 18% 5-year growth in sensor and effector, a greater than 84% in C4I, given it's a smaller part of our business today but is growing very rapidly. What's happening there is we've seen a significant wave of modernization occurring in radar, EW, weapons fulfillment, more growth in secure rugged service as well as avionics. But if you step back, really what you see happening is this wave of modernization, and modernization of the electronics is the most rapid and the most affordable way of adding new war fighting capability. All these systems need to be secure and trusted. We're seeing a shift towards software-defined open-mission systems, which actually starts to disaggregate the system, the radar or the EW, to be able to allow more technology inserts in a more rapid manner to deal with the rates at which threats are evolving, but also the rate at which technology is moving as well. We're seeing an increased demand for greater processing onboard for new applications, such as AI as well as autonomy. And next-generation systems are going to require dramatically more edge processing capability at the antenna, which is where this trusted microelectronics strategy, we believe, will begin to play out.

Looking at revenue growth rates by platform. What you see here is in airborne is the wave of modernization around sensors. In naval, it's all around C4I upgrades to support distributed lethality, which is any sensor, any shooter, any weapon, anytime. In ground, we're seeing a wave of both fixed and ground mobile radars to do with air and missile defense as well as in space, new constellations of LEO satellites as well as hypersonic missile systems.

If you look at growth rates by customer, there are really 3 dominant themes here. The first for us is increased outsourcing at the Tier 2 level. With the use of more OTA authority, our customers are seeking to partner with customers that have the ability, the willingness and the scale to invest in IRAD. They're looking at Mercury that can basically deliver things more quickly and more cost effectively than has ever been able to be done before to deal with the demands associated with more rapid fielding. We're able to actually make the solutions more affordable over time, which is clearly in line with defense procurement reform.

The second thing is that our customers are seeking to deal, as I mentioned before, a -- with a far fewer number of more capable suppliers. And that's resulted in Mercury actually taking share in 4 different domains. The first is in secure computing. The second is in early stage, but we're taking share in safety certifiable processing. We have been taking share in RF and microelectronics, and we see the opportunity of continuing to take share and build a business in trusted microelectronics.

Finally, in platform and mission management, in particular in the avionics processing domain, we're seeing some of the large tier -- large platform providers as well as some of the government services seeking to delayer their supply chains and deal more directly with companies at the Tier 2 level, bypassing some of the Tier 1s, to try and reduce vendor lock, to try and reduce technology more quickly and to make their solutions more affordable.

From a program perspective, today, we're tracking well over 100 active programs. Our top 25 and top 50 programs are growing far faster than the top 10. We've got pretty significant content expansion underway across most of those programs. Our top programs are growing faster than the total company revenue. And our top program LTM revenue is growing faster as programs start to move from EMD phase into production.

So if you look at our acquisitions and investments, they've driven substantial growth in our opportunity pipeline. And this is a chart that shows the -- our top 30 programs and the estimated lifetime value of those programs and pursuits, and we began showing this approximately 6 years ago. What's been really fascinating to watch is the growth in our opportunity pipeline. We've seen a greater than fivefold increase in the top 30 programs and pursuits over the past 6 years. You can see where that growth is coming from in the middle,

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so substantial growth in radar, EW, C4I and weapon systems. The acquisitions have not only brought us new capabilities. They've helped diversify our program base, which has helped reduce risk as well as to grow our content over time. And then if you look at the potential value from subsystems of these top 30 programs, it's 63%.

And you can compare and contrast that in terms of what our fiscal '19 revenue looks like across these 3 different dimensions versus the estimated lifetime value of those top 30 programs and pursuits. So we're seeing pretty balanced growth across our major submarkets. We're seeing strong growth in airborne associated with modernization, similarly in ground with a -- many different ground mobile radars as well as ground fixed installations being modernized. And then if you look at our content by Tier, we had 46 -- 44% of our revenue in fiscal '19 coming from subsystems and the top 30 programs and pursuits is 63%. So we think that, that outsourcing strategy and that content expansion approach is working very well.

So in summary, Mercury is a very innovative growth company that is operating at the intersection of the high tech world in defense. We have proven a very transformational business model for the aerospace and defense industry. We've created a very low-risk content expansion growth strategy with substantial opportunity for future growth. Our M&A strategies are targeting new capabilities, market access and penetration and full integration that is driving faster growth in revenues and cost synergies, is driving Mercury's financial performance in the top 3% of all similarly sized public companies.

So with that, we'll take a quick break. Bob, what time should we reconvene?

Robert McGrail *Mercury Systems, Inc. - Director of Corporate & Investor Communications*

About 10:15.

Mark Aslett *Mercury Systems, Inc. - President, CEO & Director*

10:15. Okay. Thanks, everyone.

(Break)

Bill Conley *Mercury Systems, Inc. - Senior VP, CTO*

Good deal. So I am Bill Conley, the new Chief Technology Officer for Mercury as Mark mentioned during the introduction.

A little bit of my background. I spent about the last 4 years in the Pentagon, and I realized at that point that I kind of faced a career bifurcation point of either being a career bureaucrat or doing something more technical. And with some aspects of the Pentagon that had stabilized around me, I obviously chose the more technical path. It moved me back into my roots as an engineer in a way that I thought was the right time for me but also really the right cultural fit to get to go do. As Mark mentioned, I was formerly the Director for Electronic Warfare. That's a roughly \$7 billion portfolio for the Department of Defense in terms of what I was looking at on the acquisition side. Leading the strategy development, the cultural growth, a variety of mission analysis, policy, investment strategy associated with that was my former job. In this role, I get to be much more technical but also get to focus on the trends that I think are going to matter as I look into the future, which is kind of what I want to lay out through the presentation today for everyone.

And so with that in mind, the first chart says that my name is Bill. The chart here. There is an evolution in the threat for everyone following the defense side, the National Defense Strategy, the refocus on the great power competition for the U.S. is obviously right there. What does that really turn into, though, when you look at what are the types of capabilities and the types of problems that are going to matter?

The first one is, in my opinion, really a time to market challenge. The data there is for the F-22, it was roughly, basically 3 decades from when the requirement originally was written to when the end of production occurred. If you pair that up with the Soviet Union and Russia and the surface-to-air missiles that they developed, they actually did 3 generations of weapon systems in that exact same time frame. The range associated with those went up by a factor of 4 from the SA-10 at the top to the SA-21 at the bottom of that list. And so that's a dramatically different mission environment that someone has to operate in. On the U.S. side, how you go faster heavily leverages what Mark was hitting at, kind of in that how do you bring an integrated subsystem to the market as opposed to a collection of components

that you immediately have to start doing development on to integrate yourself. So we have a role in that.

Time to decision. We live in an information age. Earlier over coffee I joked, "My e-mail inbox, I sometimes feel like we live in a data age." But in a data information age, there is an expectation of the senior-most leaders that they will have the necessary information to make a good decision in terms of what they need to do. When you look at things like what China is doing in terms of hypersonic investments today, that's a photo of one of their weapons that they're working on, that dramatically reduces the amount of decision time that somebody has in a ballistic missile defense type of environment. But now with hypersonic weapons, the speed that those are moving at, the amount of available decision time that a decision -- senior-most decision-maker has to decide what to do is dramatically reduced. What that means for us is a lot more sensors, a lot more signal processing associated with those sensors and a lot more of the C2, the C2, C4I network to go ahead and share that data to ensure that people at the senior-most levels are able to make those decisions is largely predicated upon the work that we're doing.

And then lastly, globally, the United States is a global hegemon. We operate globally. You need to be able to adapt a capability designed originally to do one thing into whatever that operational environment is that you were facing on any given day as you look globally. What that really is predicated upon is that investment in silicon, that ability to have a software-defined capability that you can repurpose as required, again, play smack-dab into the middle of how we look at things at Mercury.

So it's easy for me to say something like that, but then there's kind of a, okay, what is the global context in which we are operating, I think, is valuable and bringing a little bit of data to go ahead and inform that discussion. And so what I want to do with this chart is lay out that is easy to talk about the defense side. But really, it's the intertwining of more broadly the entirety of the U.S. market, the U.S. economy in terms of what that allows us to be able to go ahead and do on the defense side, ultimately, how that turns into opportunities.

So what I did is I plotted the growth of the U.S. GDP. And then if you look at the growth of the U.S. defense budget and the growth of R&D, so this is the entirety of defense R&D and the entirety of commercial R&D, you will notice that the R&D curve is going up faster than the defense one. On the chart after this, we're going to spend more time talking about effectively just that line.

In terms of purchase power parity, PPP dollars, with everything being in constant year 2018, that's the growth of the Chinese GDP. The growth of their R&D spending, which is about 80% of ours, and the growth of their defense spending, which is about 2/3 the level of the United States. It's easy when we talk about a great power competition for someone to say, "Well, let's just dust off the cold war strategy that worked then and let's go ahead and apply it now." That doesn't work here because the assumptions that were based into that strategy are fundamentally different than what we face today if we look at effectively the size of the Chinese economy. What that means is expect that to play out differently than how the cold war played out over the last couple of decades.

So I mentioned that purple line, talking about the U.S. R&D side. There is an incredibly important change that has occurred there that I think really, in large part, is why I chose Mercury. Across the top hand side of this chart, if you go back to the 1960s, the Department of Defense, Department of Energy, National Science Foundation, their investment in R&D was double the entirety of commercial across the U.S. economy. Where we are today, it's a 3:1 ratio in the other direction. Through the '80s, basically hit a parity point, and the 1990s effectively took off. I think that, that trend will continue as we look at things. And I think that means, as Mark hit on, how do you take what's happening on the commercial side with silicon and make it accessible into the defense market is, in large part, the exact reason why I chose Mercury is this chart. There's areas like hypersonic weapons that are unique defense investment areas. Those are going to be controlled by nation states.

In comparison, what is happening with microelectronics is a global supply chain as everyone in this room likely realizes. The DoD entire budget for research, development, test and evaluation and procurement, that's not including the sustainment side of things that we already have built, is about \$250 billion today. The entirety of the global semiconductor market is roughly twice that size. If you look at that in terms of dollars, that's one way of looking at it. If you look at it in terms of part count, what you actually see is this chart over here from 2015 on the use of semiconductors by the market they go into. The note down there in the bottom, military is less than 1% and is included in industrial government, really argues for having necessary scale to be able to have those engagements with the commercial side to make that accessible into the defense ecosystem. And so in large part, as I look at why I chose Mercury, this chart really lays it out. Me as one person formerly in the Pentagon it's interesting for describing that. I think that, that demand signal, though, is robust and will

continue for the foreseeable future.

So Rear Admiral Parode effectively owns how everything in the Navy is going to be networked together to enable what many would call network multi-domain operations. Distributed lethality was a name that was used over the last couple of years to describe it. But having all of those different capabilities arrive on time is heavily predicated upon having everything coming through the Tier 2s into the primes, getting built, getting tested and getting deployed at the right time. There is a lot of orchestration that is required to do that, but really is a burden that's put on the supply chain side, effectively smack-dab on us.

General Wilson, the Vice Chief of Staff of the Air Force, is the one right now who is basically fighting all of the budget battles in terms of how the Air Force is bringing their budget for FY '21 together. That's one of his quotes , that ability to go ahead and decipher and understand the operational environment really drives those C4I investments that Mark was hitting on earlier but also those offensive electronic warfare investments as well for how do we degrade a competitor's ability to go ahead and have the necessary data for being able to do things.

Policy is critically important for Department of Defense. This is straight from a DoD instruction, talking about the need for trust in terms of the electronics that are going into the systems. That is a demand signal that I do not foresee any changes in when we look globally at that supply chain, ensuring that the systems that are going into our most advanced capabilities are coming from a trusted supply side, and we have confidence that they're going to do what is required as needed.

And then lastly, personal friend of mine but Dr. Chappell from -- former DARPA Microsystems Technology Office Director, talking about how do we automate progressively more of those decisions, how do we make that go faster is really based upon that ability to go ahead and expedite the signal processing associated with sensors and get that shared over a network to the necessary places. And so when I look at kind of that macro level demand signal. Just want to go ahead and highlight for everyone some of those substantial trends that I think are going to be impactful for us in the future.

What I next want to do is turn things over to Didier, who is going to walk through some specific examples inside of Mercury of how we've effectively followed these over the last couple of years. Didier?

Didier M.C. Thibaud *Mercury Systems, Inc. - Executive VP & COO*

Thank you, Bill. Good morning, everybody. I'm Didier Thibaud, COO. The purpose of my presentation today is to illustrate our strategy at work. To do so, I will be using examples in ship, boat, ground mobile radar and airborne. At the same time, you will see how we take advantage of key different trends to drive our growth.

Before I go into my presentation, I just want to explain what you will see. Here, you see a drawing of a platform, a ship, a boat. I hope you see a boat here, but I do, at least on my side. And you see a dot. The dot here represents, in this particular case, a radar system. And the fact there is a dot there means we provide content in this radar subsystem. Now I want to be clear. Don't hold me accountable for the location of that dot. Just an illustration. Clear?

Okay, let's start. The naval surface fleet showcases our strategy. First, we started with radar. Radar is our primary market. We have a clear leadership in radar processing. We have been a leader in this field for years. Here, for this Aegis Ballistic Missile Defense, we provided 10 years ago the most powerful radar subsystem. It was also the first time we were providing at the subsystem level. It was 10 years ago, by the way, our #1 program. It was our largest program. At that time, the lifetime value estimated was \$100 million. We did way more than that. This program is still ongoing through back fitting of the fleet as well as through FMS sales.

But obviously, there were major trends we wanted to take advantage, the #1 electronic warfare. We were behind at the DoD level, but the new threat of P2P countries really required upgrade to every platform with new capabilities. We did use our M&A capabilities to do that. We expanded through M&A in RF microwave as well as in mixed signal. We have been extremely successful in this platform through the SEWIP Block 2 program. SEWIP is the surface electronic improvement program for the Navy. Block 2 provides electronic protection, electronic support for the fleet. Based on our unique capabilities, we helped Lockheed Martin to win that program. We have substantial content on that platform for this program. This program, by the way, is in full rate production now.

2 to 3 years ago, the Navy added electronic attack or jamming to the fleet through the SEWIP Block 3 program. Now we used our go-to-market strategy, which is to focus on strategic account and franchise programs. Here, we have a very long-standing relationship with Northrop Grumman. We are providing some RF and microwave modules as well as processing at the subsystem level, a good example here of outsourcing. This program just entered LRIP.

We have also been part of the SIGINT part of the Aegis fleet through the SSEE program. And here, we have a very long-term relationship on that program with Argon and Boeing. What is interesting here, we are providing an RF and microwave subsystem. I will even say it's the largest RF and microwave subsystem we are providing to any program, substantial content. As you can see, through our M&A strategy, we drove a 2.5x content expansion.

We also focused, as Mark mentioned, to add in the sensor and effector in the weapons system. We are -- through our microelectronics, we are involved in several missile programs, but also there is, again, technology refresh. Here, on the Phalanx program, which is a close-in weapon system, which in effect is to protect the fleet against helicopter, UAV and missiles, we have been selected to provide the processing subsystem. Here, two points: one, it's again an outsourcing at the subsystem level, but we also take market share. We were not involved in this program before.

As you can see, the expansion of opportunities that we are getting through our sensor and effector subsystem capabilities. But we did not stop there. We also drove market expansion in C4I. Here for the surface naval fleet in C3I, command, control, communications, intelligence.

We started with communications through RF and microwave M&A. We are now a part of the NMT program, which is the Navy Multiband Terminal satellite communication as well as IFF, interrogator friend or foe.

But the last 2 years, we built rackmount servers through our M&A capabilities. And now, we are participating in the combat system, in the mission system of the naval fleet through 2 major programs, CPS and CDS, Common Processor System, Common Display System. Based on our M&A strategy and our focus in expanding into new markets, here, C3I, we doubled our content in the naval surface fleet.

Let's summarize because this is our strategy in action. We started with our primary market - radar, providing the most powerful radar for the fleet. We're expanding understanding the trend that there is a need for platform upgrade in electronic warfare, added substantial content there. Moving to weapons and added the C3I major content as well.

What does it translate for us? A 5x content expansion. This is our strategy at work. Now why stop there? We don't need to. There are many, many more processing subsystems in such platforms. They will go through technology refresh, and we will, obviously, focus on those. The Navy will also add more capabilities based on the new threats they will be facing. A very good example is Block 4 of the SEWIP program. They need to add more capabilities in EO/IR to provide 360 situation awareness.

Based on our rackmount server portfolio, we are involved in that program at the technology demonstration level. As you can see, we will take any new opportunity to drive additional content expansion based on our focus.

I know I talked to several of you, and you really want me to talk about that program. Do you really want me to talk about it? Patriot is, obviously, a very important program for us, very important program.

First, we have a leadership in radar processing. We -- when Raytheon, 10 years ago, wanted to upgrade to provide more capability to the Patriot radar, they asked us to provide the radar processing to the Patriot system. First, why? They never outsourced before. It was the first time they outsourced at the system level, very good reason. They needed to deploy this new capability in less than 1 year, in an affordable way.

And Mark talked about it. When you do your own integration, it costs much more money. It takes time. We have been able to provide a pre-integrated radar processing subsystem in 9 months. We have been extremely successful with this program. In fact, this program

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drove more than \$100 million to us so far, and it's still going on.

Now what is the most interesting here is, based on the new threat that Bill and Mark talked about, the Army needed to have the latest generation of radar. The Navy -- I will talk about the acquisition process here because I think it's very interesting. The Army started a very classic program of record acquisition process, selecting for companies to do a white paper, to talk about concepts, what technology is needed, then they pick 2 companies to do a technology demonstration, technology maturation, then they start -- was way, way, way too long, more than 5 years to get potentially because we all know that we are never on time. The next generation. Well, at the same time, there are new threats, as Bill said, coming at us. They moved to -- from a program of record classic acquisition process to OTA, Other Transaction Authority, to go much faster, but they didn't stop there, they also wanted to make sure that the -- whoever the award is -- the capabilities were there, the technology was there. That means they did a test where they bring all the contenders to test their radar based on the few requirements they wanted to see.

This is where Raytheon has been extremely [bold.] They decided, based on the investment they did, to provide the latest technology of their radar. And to do though, they bring the latest AESA technology you can find. And an AESA antenna with several thousand elements, which brings a lot of capabilities to that radar.

What does it mean for us? A lot of processing, we love that. But at the same time, Raytheon said, "Hey, we need this new technology in 4 months." Wow, think about the challenge, we did it. We did provide to Raytheon. We have a very long-standing relationship, a very strong partnership, obviously, but we did provide this amazing processing capability, which drove 4x content expansion from the previous generation. But we don't stop there as well. Those battlefields are way more complex when you are facing P2P countries. That means electronic -- the electromagnetic spectrum dominance is key. That means you need to protect the radar and with such antenna, with such numbers of elements, you can do electronic protection. It was good for us. It requires a lot of processing, again, a 4x content expansion to us.

But we have now RF and microwave capabilities. And in this case, we are taking market share because we didn't provide any RF and microwave content before. Now we are providing a 2x content expansion with our RF and microwave in this radar. That means, in total, and this is our strategy at work here, this is our strategy in action, we are increasing our content by 10x from the previous generation to now. And, it's an OTA, much faster, we'll get revenue way faster than a normal acquisition process.

Now let's talk about the future. A lot of you ask me, what is this custom microelectronics all about? Let me explain to this using this example. Think about the future, think about potential scenarios because this is very important. Most of those new radars will do what we call multifunction. They will not just do radar, they will also do jamming, they will also be able to communicate. But in order to do this, you need to bring intelligence processing at the antenna level, at the element level. Well, these antennas have several thousands of these elements, that means -- the good news, we can provide a system in package in one component, bringing intelligence, the complete subsystem, RF and microwave mixed signal processing there and potentially network communication.

What that means for us, at the end, as there is a lot of element, is we will double again our content from where we were, which was 10x. This is what will fuel our growth moving forward.

The last example I want to use is the airborne platform, again, showcases our strategy at work. First of all, our leadership in radar, where I will not say we are in every platform, but we are in most flying platforms today from the fighters, the ISR platform, those platforms usually have more than 1 radar by the way, bombers, UAV, you name it.

What is interesting is, for the same reason we discussed with the Navy or the Army, you need to upgrade the electronics on those platforms. Otherwise, they cannot face the peer-to-peer threat, notably in electronic warfare. But radar is the same, they need to have like LTAMDS. They need to bring new AESA antenna. AESA antenna with a lot of elements. The good news is more processing for us. That means what is interesting here is with our long-term leadership in airborne radar, we have several programs in production, but more importantly, we have a lot of them just entering production to provide new capabilities to the airborne fleet.

But the same, there is a bow wave of electronic warfare upgrade right now on the -- for any airborne platforms. Based on our capabilities

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in RF and microwave, through our M&A strategy, we are now in fighters, helicopters, ISR platforms, but we see the same in EO/IR. The need for more 360 situational awareness, much more complex, which drives more processing. And we are -- because we are very well positioned in radar, we can use the same architecture to process those complex information that you have. We have several programs that we won that are just entering full rate production now.

Weapons, again, through the acquisition of microelectronics capabilities of the Microsemi carve-out, we are now in several weapons, Paveway, Stormbreaker, and several others. What is interesting here, you need to be small. This is what you need to do -- system and package. That is something, obviously, we are now very strong with. We can even combine RF and microwave and processing, which positions us uniquely to provide solution in this market.

As you can see, there is a tremendous number of opportunities based on our M&A strategy, based on our leadership in sensor and effectors. Now we also are -- we are focused in expanding in the C4I market. As Mark mentioned, there is 2 sides of the C4I market. There is a C3I, which you can think about the combat system, the mission processing and the avionics side, the platform management mission management.

Let's talk about C3I because we see similar trends as we see in radar. The battlefield is way more complex. The sensors on those platform are way more -- they provide more data, more information that you need to process in real time, although every airborne platform is a node in a network-centric warfare. That means they are getting also information, they exchange information, meaning that the processing at the combat system is much, much more in demand of capabilities.

Well, based on the fact we have now rackmount servers, we have a very broad range of products and technology to address that demand. We see the same in the avionics side. Those platforms are more complex to pilot. They will be facing more, obviously, threats, that means -- you see the same thing. Do you see the computers, the avionics computers, is what is at the center of what we call digital convergence, they will get several information coming to be able to pilot the platform because the pilot cannot deal with everything going on at him. Okay. You need help.

This is why we invested in getting the capabilities to have avionics display in order to take advantage of this trend. Look at now where we are, we are on fighters, tankers, on both sides, Boeing, Airbus, Helicopters, ISR platform, transport, weapon, UAV and UAM.

The last one is very interesting. This is an early stage market, obviously, airborne mobility - to simplify, flying taxi. I hope I will see it one day. Here, why it's important for us to be involved in several of those. It's because they drive new levels of technology in autonomous vehicles in AI. In fact, we did demonstrate, at the latest Paris Air Show on our avionics processing subsystem AI capabilities. Why? Because those flying taxis, they need to know where they land, okay? That means, the AI will help, but also, they need to avoid obstacles like power lines.

Being at the forefront of this technology enable us to make sure we can provide the technology for them and participate in such markets. But on the UAV, and also those flying taxis, you need to fly in the commercial airspace. This is where our avionics capability to be able to certify and provide product at the highest level of design assurance level is critical.

As you can see, now -- sorry, I will not stop there. Now we can take advantage of everything we are with using our go-to-market strategy as we did in sensor and effectors. That means, a good example. We, through an acquisition, we had a new customer, becoming a strategic account. We were on a fixed-wing program. In 2 years now, we are in helicopters, and we are in UAV. This is, again, using our go-to-market strategy, expansion to new customers, new programs, new content in order to drive growth.

As you can see, our M&A in C4I is driving additional market expansion to us.

I want to leave you with these takeaways. Most platforms are going through modernization of their legacy systems to address the new threat, driving new opportunities for us.

A good example is LTAMDS. We got 10x content expansion versus the previous generation. Digital convergence is driving more

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processing demand in the C4I market. We have a broad product portfolio, including server-class rackmount servers to address this processing demand. We have state-of-the-art secure IP, driving growth in all markets. Why? Those platforms need to be protected. We have the largest and most powerful product portfolio in this area.

We have now our microelectronics capability to expand to chip scale processing to take advantage of edge processing. Last, the DoD need a trusted supply chain, and we have DMEA accredited trusted U.S. microelectronics manufacturing.

As you can see why we are very confident, but also very excited we can drive growth in the future. Thank you, everybody, and I would like now to introduce Mike Ruppert, our CFO.

Michael Ruppert *Mercury Systems, Inc. - Executive VP, CFO & Treasurer*

Well, thanks, Didier. So I'm going to spend some time now and go through the financial update section of the presentation. As I do, I want to talk not only about our financial performance, but talk a little bit about our financial strategy and how we think we can continue to create shareholder value.

So this slide looks at the evolution of Mercury Systems over the last 5 years. And what you can see is that this shows some of our key metrics as of the last 12 months ended Q1 2015, and where they stand today.

And what you'll see is that we've grown significantly in each of these metrics. And that's not only created shareholder value, but that growth has also accelerated the outsourcing trend that we're seeing because our customers now view us as a bigger, more diverse and a more capable partner.

So looking at some of the key metrics, you can see from a valuation perspective that our market cap and enterprise value have grown 11 and 12x, respectively. Our market cap is close to \$4 billion today compared to 5 years ago, it was just under \$400 million.

During this period of time, we've been very acquisitive. We've also completed 3 equity offerings that have provided us the capital to execute on the M&A portion of our strategy. Now operationally, you can see that we've more than tripled our revenue. And as you've heard, we're not just bigger, but we're more diverse. We have over 300 programs today, and we don't have any programs that account for more than 10% of our revenue.

Our adjusted EBITDA has grown from \$27 million 5 years ago to \$150 million today. We've increased our margins by 900 basis points, and we're about 22% EBITDA margins in the last 12 months. Our adjusted EPS has grown from \$0.47 to \$1.88. We've done that both organically as well as through accretive M&A.

And then strategically, we've supplemented our revenue growth and our margin expansion with M&A. And during this period of time, we've completed 11 acquisitions and deployed over \$800 million of capital. And while you don't see it on this page from a capital structure perspective, even though we've deployed over \$800 million of capital in the last 5 years, today, we have plenty of financial flexibility. We're actually in a net cash position. So we have a lot of flexibility to continue to grow.

This slide looks at our financial performance over the last 5 years by year in the blue bars, and then in the gray bars on each of the charts, you can see our performance for the last 12 months ended Q1 fiscal '20. And on the top left of each chart, you can see an arrow with our growth year-over-year on an LTM basis. So looking at the top left, you can see our revenue, we grew our revenue at a CAGR of 26% over this period of time. We've done that organically as well as through M&A.

If you were to look at this on an organic basis, you'd see that we've delivered high single digit, low double-digit organic growth in each of the periods, averaging 10% over this period of time. If you look at the bottom left, you can see our backlog grew to 29% CAGR. So we've actually grown our backlog faster than we grew our revenue over this period of time. We did that by having a book-to-bill of greater than 1 in each of the periods that you see. And if you look at the right-hand side of that chart, you'll see that we finished the quarter with \$712 million of backlog, that's record backlog for us and provides us good visibility going forward.

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Now in the bottom middle, you can see our adjusted EBITDA. Our adjusted EBITDA grew at a 46% CAGR. That compares to a 26% CAGR for revenue. The way we did that was by increasing our margins. You can see our EBITDA margins grew from 11% in fiscal '14 to 22% in fiscal '19 and the LTM period. And the way we did that was taking advantage of the operating leverage that we've built into the business as well as integrating our acquisitions, and I'll talk about this a little bit later. But we feel like we have a clear path to continue to grow those adjusted EBITDA margins over time.

And then in the bottom right, you can see our adjusted EPS, we grew that at a 37% CAGR over the last 5 years, and it's up 31% year-over-year on an LTM basis. So strong financial results across the board.

So this slide looks at our LTM performance as of the end of Q1 fiscal '20. And you can see that the momentum from the past 5 years that I showed on the previous page continued in the most recently ended quarter. Our bookings were up 29%. We had a book-to-bill of 1.19.

As I mentioned, we finished the quarter with record backlog. Our revenue was up 30%. Our organic revenue was up 19% during this period of time. Our adjusted EBITDA was up 24%. Our EBITDA margins right around 22%. And then at the bottom, you can see our free cash flow. Our free cash flow grew significantly over this period of time, even as we've been investing in the business. So our free cash flow was up 73% year-over-year.

So this looks at our Q1 fiscal '20 capitalization. You can see our capitalization as of 9/27/19, there on the right-hand side of the table. On the left-hand side of the table, you can see our capitalization as of 9/30/18. And in between, you can see how we generated and used cash over the last 12 months.

So first, we generated strong free cash flow. As I mentioned, even as we're investing in the business, we completed 4 acquisitions and deployed about \$177 million of capital on those acquisitions. And then from a financing perspective, in May of this year, we went out, we completed an equity offering, where we raised approximately \$450 million in net proceeds. We used those proceeds to pay down the debt that we had on the balance sheet to help finance some of the acquisitions and to put some cash on the balance sheet based on the pipeline of M&A opportunities we see in front of us.

So if you look at our capitalization today, on the right-hand side, we have \$160 million of cash, no debt, so a lot of financial flexibility to continue to invest in the business.

So this slide looks at our acquisition history over the last 4 years. As I've mentioned, we have completed 11 acquisitions over this period of time, we deployed over \$800 million of capital and you can see in the blue rows on this table. We've completed 3 equity offerings during this period of time.

Now if you look at our acquisitions, for us, acquisitions start with strategy. If you look at the second column, you can see that each of the acquisitions that we've done over the last 4 years has aligned with a strategic theme that we've identified and is consistent with what Mark and Didier talked about in terms of the areas of the market that we want to expand into.

From a purchase price perspective, you can see we've done a combination of small, medium and large deals. We'll continue to do that. And then on the right-hand side, you can see how we finance the acquisitions, and we've used a combination of debt and equity.

Now if you look at the second blue row, you'll see that in January of 2017, we completed an equity offering where we raised \$216 million of net proceeds. Now we use that to pay down the debt we had on the balance sheet at the time as well as prepare us for the M&A pipeline of opportunities that we saw in front of us. Now since that time, we've completed 8 acquisitions, we've deployed over \$450 million of capital, and we think we've created significant shareholder value doing that.

So in May of this year, the last blue row that you see on this table, we went out and we raised \$455 million of net proceeds to do the exact same thing that we did in January of 2017, that is to pay down the debt that we had on the balance sheet as well as to prepare us for the M&A pipeline that we see in front of us.



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Turning quickly to our fiscal '20 annual guidance. I do want to point out that we're not updating our guidance here, we're merely pointing to what we said on our last earnings call. But you can see that we're expecting another strong year for Mercury.

Revenue up 18% to 21% year-over-year, and adjusted EBITDA at the bottom, you can see up 17% to 21% year-over-year. Now fiscal '20 is going to be an important year for us as we're investing in the business for future growth, while still delivering the record results that you see here.

Now turning quickly to our financial strategy and how we plan on maintaining our differentiated and attractive financial profile. Now Mark had a page very similar to this in his section of the presentation, where he was looking at how our financial profile put us in a very unique category of companies. He was comparing us to about 1,100 similarly-sized publicly traded companies, applying 3 financial filters and showing that how our financial performance put us in the top 3% of all similarly-sized publicly traded companies. Now this page looks at how we're going to stay there.

And I'm going to go through over the next couple of slides, some detail on each of these, but this provides a nice summary. So first, not only do we want to maintain our EBITDA margins above 20%, which was the first filter that Mark talked about, we want to increase those adjusted EBITDA margins, and we feel like we have a clear path to do that.

Secondly, we want to grow organically at high single digit, low double-digit rates, averaging 10% over time. And based on our market positioning and the strategy that you just heard, we think we're well positioned to do that.

And then finally, we want to supplement that organic growth and margin expansion with strategic M&A. And what we think is if we can do these 3 things, which really are the heart of our financial strategy, then we'll continue to remain in a unique category of companies, and we'll continue to create shareholder value.

Now the first element of that financial strategy is maintaining and increasing our industry-leading EBITDA margins. And this page looks at how we're going to do that and it's really 4 main areas.

The first is we expect to continue to benefit from the operating leverage that we've built into the business. So if you look back at our financials from fiscal '15 to fiscal '19, you'll see that our SG&A as a percentage of sales declined from 21% in fiscal '15 to 17% in fiscal '19, as we grew our revenues faster than we grew our expenses.

Now as I mentioned, fiscal '20 is going to be an investment year for us as we position ourselves for the future. But for fiscal '21 and beyond, we expect to see the resumption of that operating leverage, and we expect that to drive our EBITDA margins.

The second area is program mix. So right now, we have a lot of new programs in our program mix. Well new programs tend to carry lower margins. Now we like those new programs because they're the precursor to the higher-margin hardware annuities that we'll see as those programs transition from development into production. But right now, we have a large volume of new programs.

And to put that in perspective, in fiscal '19, our CRAD, our customer-funded R&D, which is indicative of the volume of new program starts, was up 47% compared to fiscal '18. Now as those programs transition into production, we expect to see margin expansion.

The third area is operating efficiencies. We've invested significantly over the last couple of years in capital expenditures as well as our operations team. From a CapEx perspective, we've invested in new facilities and tooling in Phoenix at our U.S. manufacturing operation as well as our West Coast RF facilities that we're in the process of consolidating, just to name a few.

At the same time, we've invested in our operations team. In fiscal '19, we hired a new Head of Global Operations. He's got a track record of building out world-class manufacturing operations. In fiscal '19 and into this year and fiscal '20, we've been building out his team in areas like lean manufacturing, procurement, facilities, just to name a few. And we expect, over the next couple of years, to see margin expansion as a result of the investments that we've made over the last couple of years.



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And then the final area of margin expansion is acquisition integration. We have a track record of recognizing cost synergies for our acquisitions. We expect that to continue on the acquisitions that we've recently made, but we also expect it on future acquisitions. As I said, we're investing in the business this year to build the infrastructure to provide us the platform to continue to acquire and recognize synergies.

So we think we have a clear path to increasing our EBITDA margins over time. Now the one thing I want to point out is the bullet point on the -- the last bullet point on the left on this page, which is we are going to prioritize new design wins and organic growth.

So if the new program activity should stay as elevated as it was in fiscal '19, the margin expansion associated with program mix could be delayed. That having been said, that would be a very good outcome for us because that would mean we're driving higher organic growth. And at the same time, on a dollar basis, our EBITDA dollars would be higher.

So the second area, and element of our financial strategy, is to grow our revenues at high single digits, low double digits, averaging 10% over time. And this page shows a summary of how we're going to do that. Over the next couple of pages, I want to provide a little bit more detail around this.

Now Mark talked about the graphic that you see there on the right. He also talked about how we're positioned in the fast-growing segments of the defense electronics market. They're not just fast growing, they're also well supported within the DoD budget.

Now the growth on top of that, above and beyond the markets that we're in, is really shown in the graphic on the right. Now the first area is content expansion. We've got a business model that's facilitating outsourcing. You've heard about the investments that we've made, and that's leading to content expansion.

On the next slide, I'll show you how, over the last 5 years, we've changed the makeup of our business from a content perspective. The other areas, expanding into adjacent markets as both Didier and Mark talked about, we're expanding into the sensor and effector mission systems within that market, and we're also expanding into the C4I market. But we're not just expanding into those markets through M&A, we're also leveraging our current technology investments, and that's driving our organic growth. And I'll provide some numbers around that in the next couple of pages as well.

So it's really where we're positioned in the market. The content expansion and the market expansion that are driving our high single digit, low double-digit growth, averaging 10% over time. Now you'll see at the bottom of the graphic, which is #4, the custom microelectronics effort that Mark talked about. We think this is a significant opportunity for us. We've announced a significant investment in our trusted microelectronics business, and we think this could lead to significant content expansion in the medium to long term.

That having been said, #4 on this page, that investment is not critical to us achieving our high single digit, low double-digit organic growth rates.

So from a content expansion standpoint, this page looks at our revenue growth from fiscal '14 to fiscal '19, you could see that in the chart on the right, and looks at how we've grown it by content and by tier, and you can see that in the middle there.

We have 3 contents and tiers that we report, components, modules and subassemblies as well as integrated subsystems. Now from a components perspective, you can see that grew by \$163 million over this period of time. We entered that business through the acquisition of the custom microelectronics business out of Microsemi. It's been one of the fastest-growing parts of our business, and it's going to continue to be an important part of our business, and that's highlighted by the investment we've just announced in the trusted microelectronics effort.

The real story on this slide is the shift from modules and subassemblies into integrated subsystems. So you can see in the light blue, the module subassemblies grew by \$73 million over this period of time, but it was the slowest growing part of our business. And if you look at the pie charts on the bottom, you can see that modules and subassemblies was down from 52% of our revenue in fiscal '14 to 28% in fiscal '19, and that is truly driven by the shift towards integrated subsystems.

And you can see that in the chart that integrated subsystems was the fastest-growing piece of our business, growing \$210 million over the last 5 years and now makes up 44% of our revenue as of fiscal '19.

Now Mark mentioned that we play in the \$40 billion Tier 2 RF and computing market, where outsourcing is occurring, and we're seeing it. And we're seeing it in the lifetime value of our top 30 program. So today, subsystems represent 63% of the lifetime value of our top 30 program. And we think that trend is going to continue.

And to put it in perspective, if there is a 1% increase in the outsourcing of that \$40 billion market, it's a \$400 million additional opportunity for Mercury, which we think we're uniquely positioned to take advantage of.

So this slide looks a lot like the last slide that was looking at content tier, this is looking at how, over the last 5 years, we've transformed the business by market. And you can see in the chart on the right, that we've grown from fiscal '14 to fiscal '19 in a variety of different markets in our traditional market, like Radar, which grew \$63 million over this period of time, but also in new areas like C4I and Weapon Systems that we entered both organically as well as through acquisitions.

So the way we've expanded through our markets as we've continued to grow in our core markets while at the same time, we're expanding into adjacent markets, but we're not just expanding, we're leveraging our current capabilities across all the new markets that we're entering.

Along the way, as we've made acquisitions, we've added capabilities that can drive content expansion, as Didier talked about, across all of our margins. And today, we have a broader program and customer base, we have a vastly larger addressable market and it's really all of those things together that have been driving our above-market growth rates.

So the way we've been successful entering new markets and taking market share as well as capturing new content on integrated subsystems is through investment. And you can see on this slide that we've invested \$1.2 billion since fiscal '14 in R&D, capital expenditures and acquisitions. And we're not just investing, but we're focusing our investment on our core areas. And if you look at the right, you can see our investments been focused on our core markets, sensor and effector mission systems as well as C4I.

Our investment has been focused on key technologies like trust, safety and security, as Didier talked about, and also focused on our scale and our infrastructure, especially in our trusted domestic manufacturing that we built out.

And we've been making these investments at a time where our traditional product level competitors or even our customers aren't investing anywhere close to this level of investment in the areas where we're focused, and that's really driving outsourcing and allowing us to take market share.

All right. We just -- there we go. Okay. So this slide -- probably blacked it out on purpose. The third element of our strategy is to supplement our organic growth and our margin expansion with M&A. Now in Mark's slide, the inverted pyramid the final filter that he had put on it was revenue growth on an LTM basis of 20%. Now the way we're going to get there is through M&A. Now this is a hypothetical page just using very high level assumptions that looks at how much capital we would need to deploy each year to grow at 20% per year. Now I want to stress this is not a forecast. It's only to show that we feel like we have a clear path to continue to achieve a target of 20% annual growth. So if you look at the chart, you can see in the first blue bar on the left for fiscal '20, the midpoint of our annual guidance, and that's \$783 million. We then looked and saw where that revenue growth would be if we grew at a revenue of a CAGR of 10%. And if you look at the right on fiscal '24, you can see the blue bar there. We then looked at how much revenue we would need to acquire each year to grow at 20%. Now I want to stress we're very disciplined in our M&A approach. We're not going to just acquire to acquire revenue, but we do feel like we have a clear path to this growth.

So the brown portion of the bar shows the revenue we'd need to acquire. The gray portion of the bar shows the growth of that acquired revenue. Now if you look down at the bottom below that chart, in the blue table, you can see the implied capital that we would need to deploy every year in order to grow at 20%. You can see that over the 4-year period -- 5-year period, really, we need to deploy about \$150

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million to \$300 million of capital per year.

Now to put that in perspective, starting out as a much smaller company. Over the last 4 years, we've deployed about \$800 million of capital or, on average, \$200 million per year. So we think this is very achievable. The other thing I would point out is if you were to add up all the capital needed within those boxes, you'd see it's less than 900.

What we have today is about \$160 million of cash on our balance sheet, and we have a \$750 million unfunded revolver. So we'd actually be able to execute on this M&A plan with our current financial capacity, and that, obviously, doesn't include the cash flow we would expect to generate over this period of time. So we think we have a clear path, from a capital perspective, to continue to achieve our 20% growth target.

Now while we have the capital, we also need the pipeline. And today, our M&A pipeline is larger than it's ever been in our history. And this graphic shows why. And this graphic is meant to represent the size of our -- the relative size of our M&A pipeline. And if you look over to the left, you see the smaller circle was when we were Mercury Computer Systems, and that's when we were primarily providing high-speed processing modules for use onboard radar platforms.

When we were Mercury Computer Systems, the universe of strategic targets was much smaller. But as we executed on the strategy to move into the sensor and effector mission systems that provide more subsystems, we went out and we acquired some companies, primarily in the RF and microwave space, and that increased the size of our M&A pipeline, our relevant M&A pipeline.

And since then, as you've heard, we expanded into C3I, we've expanded into platform and mission management. So today, our M&A pipeline of relevant strategic acquisitions is orders of magnitude greater than it was just a couple of years ago.

So we've got the capital, and we think we have the pipeline of opportunities, and what we need to do now is execute on that pipeline. And M&A is a core part of our model, and we do have a track record over the last few years of being able to execute on an M&A pipeline in front of us.

Now the most important thing to understand about M&A, and Mark talked about this, M&A was a core part of our vision when we started out with the concept of moving from just providing modules into subsystems.

And so what we've done is we've set out, and what we think we have done is create a world-class M&A organization. And you can see on this page the components of that. And it starts with origination. We have a dedicated M&A team that identifies and originates deals. And you can see that in a lot of our deals that we've done over the last couple of years have been proprietary in nature.

From a diligence perspective, we've built out an in-house capability, and we supplement that with external advisers and analysis. We believe that superior due diligence is the most important part of an M&A transaction. And we think we've got a great track record of identifying and evaluating risks and taking those into account as we're looking at acquisitions. As a result, we've passed on quite a few deals where we couldn't get comfortable with the outlook of the target company.

From an execution and financing perspective, we're very sophisticated, having completed public, private and carve out M&A transactions. Integration is a core competency of ours and a competitive differentiator. We have a full in-house business process and systems integration team.

And then finally, we have a management system to make sure that we achieve the cost and revenue synergies that we've identified in the acquisition process, and we have a good track record of doing that.

And it's really the sum total of these items in this M&A model that has allowed us to achieve what we think are superior risk-adjusted returns. So the results of that M&A model and the value creation that we've seen through M&A is shown on this slide.

So over the last 4 years, I've mentioned, we completed 11 acquisitions, deployed \$800 million of capital. You can see those acquisitions

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across the top of this page, segmented by a period of time. You can also see the purchase prices by period of time.

We then looked at below the row on purchase prices is what was the average market trading multiple, enterprise value to EBITDA at the time of these acquisitions? And we use the defense primes as a proxy for the market at the time. We then looked at the multiples we paid at close, the multiples pro forma or run rate cost synergies and then the multiple is based on our fiscal '19 estimated performance for each of these acquisitions.

Now if you look at the at close row below the trading multiple, you can see that we've consistently been able to acquire companies below market trading multiples. And the way we've been able to do that is the active outreach program that I mentioned as well as discipline on price. And we've passed on a lot of deals that have sold for much higher multiples than we were willing to pay.

But that doesn't take into account the fact that we're acquiring and integrating companies that are close to our core, and we can recognize cost synergies and average down our multiples. And that's a big differentiator from a lot of our competitors who say they want to buy companies at below market multiples, but they don't integrate. So the universe of M&A opportunities for them is much smaller than it is for us because we can pay reasonable valuations to sellers, we can integrate them and average down those multiples. And you can see that the multiples we've paid in fiscal '16 and '17, fiscal '18 and fiscal '19 are significantly below the market trading multiples.

Now in fiscal '19 and '20, we've gone out, we've built a new platform with acquisitions as we've expanded into different markets. And we see an opportunity going forward for additional synergistic M&A in those areas.

But that doesn't take into account the benefit that we've seen with our acquisitions [of] being part of Mercury, where we can bring them in and inflect their growth. So if you look at the multiples for fiscal '19 estimated performance, you can see that the multiples we paid in fiscal '16 and '17 were 6.8x, in fiscal '18 and fiscal '19 were 8.4x. And those are significantly below the market trading multiples at the time.

So what we've been able to do is we've been able to go out and acquire companies at below market multiples, integrate them, recognize cost synergies and inflect their growth, and we think we're well positioned to continue to do that going forward.

So in summary, we've got a strategy and a business model that have been delivering financial performance well above the industry averages, and we've got a unique financial profile. We've got a track record of strong organic growth well above the market, strong profitability as well as creating value through strategic M&A.

Now we've made significant investments over the last 5 years, the \$1.2 billion that we talked about, that's a competitive differentiator. It also positions us extremely well to execute on our financial strategy, our 3-pronged financial strategy, which is to continue our organic growth on average of 10% per year to maintain and expand our EBITDA margins, and then also to supplement that with future M&A. And we think we've got a strong pipeline, and we do have good financial flexibility to execute on that.

So overall, we feel like we have a clear strategy to continue to maintain the unique financial profile that we've developed and to continue to create shareholder value.

So that ends the formal part of the presentation. I want to thank you all for coming. I think, at this point, we're going to shut down the webcast and we'll have the team come up for -- to answer questions.

I would ask that on the back of the agenda is an investor survey. So if you could fill that out, we'd really appreciate it. We'd really like your feedback. So thank you guys very much.

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