

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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

For the quarterly period ended December 27, 2024  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
COMMISSION FILE NUMBER: 001-41194

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**MERCURY SYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

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**Massachusetts**  
(State or other jurisdiction of  
incorporation or organization)

**04-2741391**  
(I.R.S. Employer  
Identification No.)

**50 MINUTEMAN ROAD**  
**ANDOVER MA**  
(Address of principal executive offices)

**01810**  
(Zip Code)

**978-256-1300**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Trading Symbol(s)</b>	<b>Name of Each Exchange on Which Registered</b>
Common Stock, par value \$0.01 per share	MRCY	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

Shares of Common Stock outstanding as of January 31, 2025: 59,681,157 shares.

MERCURY SYSTEMS, INC.

INDEX

	<u>PAGE NUMBER</u>
PART I. FINANCIAL INFORMATION	
Item 1.	3
	3
	4
	5
	6
	7
Item 2.	24
Item 3.	38
Item 4.	38
PART II. OTHER INFORMATION	
Item 1.	39
Item 1A.	39
Item 5.	39
Item 6.	39
	41

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**MERCURY SYSTEMS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share data)  
(Unaudited)

	December 27, 2024	June 28, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 242,565	\$ 180,521
Accounts receivable, net of allowance for credit losses of \$1,951 and \$2,020 at December 27, 2024 and June 28, 2024, respectively	104,491	111,441
Unbilled receivables and costs in excess of billings, net of allowance for credit losses of \$5,311 and \$6,340 at December 27, 2024 and June 28, 2024, respectively	278,657	304,029
Inventory	344,415	335,300
Prepaid expenses and other current assets	20,556	22,493
Total current assets	990,684	953,784
Property and equipment, net	111,459	110,353
Goodwill	938,093	938,093
Intangible assets, net	226,142	250,512
Operating lease right-of-use assets, net	56,525	60,860
Deferred tax assets	71,712	58,612
Other non-current assets	6,840	6,691
Total assets	\$ 2,401,455	\$ 2,378,905
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 64,778	\$ 81,068
Accrued expenses	40,471	42,926
Accrued compensation	32,015	36,398
Income taxes payable	306	109
Deferred revenues and customer advances	135,963	73,915
Total current liabilities	273,533	234,416
Income taxes payable	7,713	7,713
Long-term debt	591,500	591,500
Operating lease liabilities	57,805	62,584
Other non-current liabilities	10,628	9,917
Total liabilities	941,179	906,130
Commitments and contingencies (Note L)		
Shareholders' equity:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.01 par value; 85,000,000 shares authorized; 58,660,201 and 58,093,528 shares issued and outstanding at December 27, 2024 and June 28, 2024, respectively	587	581
Additional paid-in capital	1,266,926	1,242,402
Retained earnings	184,695	219,799
Accumulated other comprehensive income	8,068	9,993
Total shareholders' equity	1,460,276	1,472,775
Total liabilities and shareholders' equity	\$ 2,401,455	\$ 2,378,905

The accompanying notes are an integral part of the consolidated financial statements.

**MERCURY SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(In thousands, except per share data)  
(Unaudited)

	Second Quarters Ended		Six Months Ended	
	December 27, 2024	December 29, 2023	December 27, 2024	December 29, 2023
Net revenues	\$ 223,125	\$ 197,463	\$ 427,556	\$ 378,454
Cost of revenues	162,299	165,943	314,940	296,407
Gross margin	60,826	31,520	112,616	82,047
Operating expenses:				
Selling, general and administrative	40,501	44,470	73,654	80,264
Research and development	21,368	28,476	39,751	60,348
Amortization of intangible assets	11,154	12,270	22,389	24,817
Restructuring and other charges	40	2	2,300	9,548
Acquisition costs and other related expenses	178	231	355	1,200
Total operating expenses	73,241	85,449	138,449	176,177
Loss from operations	(12,415)	(53,929)	(25,833)	(94,130)
Interest income	406	29	950	132
Interest expense	(8,430)	(8,674)	(17,336)	(16,537)
Other expense, net	(3,865)	(1,148)	(5,204)	(2,922)
Loss before income tax benefit	(24,304)	(63,722)	(47,423)	(113,457)
Income tax benefit	(6,725)	(18,141)	(12,319)	(31,168)
Net loss	\$ (17,579)	\$ (45,581)	\$ (35,104)	\$ (82,289)
Basic net loss per share	\$ (0.30)	\$ (0.79)	\$ (0.60)	\$ (1.44)
Diluted net loss per share	\$ (0.30)	\$ (0.79)	\$ (0.60)	\$ (1.44)
Weighted-average shares outstanding:				
Basic	58,561	57,424	58,454	57,314
Diluted	58,561	57,424	58,454	57,314
Comprehensive loss:				
Net loss	\$ (17,579)	\$ (45,581)	\$ (35,104)	\$ (82,289)
Change in fair value of derivative instruments, net of tax	3,777	(5,864)	(2,115)	(4,122)
Foreign currency translation adjustments	603	409	283	829
Deferred compensation and pension benefit plan, net of tax	(46)	(57)	(93)	(113)
Total other comprehensive income (loss), net of tax	4,334	(5,512)	(1,925)	(3,406)
Total comprehensive loss	\$ (13,245)	\$ (51,093)	\$ (37,029)	\$ (85,695)

The accompanying notes are an integral part of the consolidated financial statements.

**MERCURY SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands)  
(Unaudited)

For the Second Quarter Ended December 27, 2024

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance at September 27, 2024	58,455	\$ 584	\$ 1,253,249	\$ 202,274	\$ 3,734	\$ 1,459,841
Issuance of common stock under employee stock incentive plans	57	1	(1)	—	—	—
Issuance of common stock under employee stock purchase plan	60	1	1,491	—	—	1,492
Issuance of common stock under defined contribution plan	88	1	3,368	—	—	3,369
Stock-based compensation	—	—	8,819	—	—	8,819
Net loss	—	—	—	(17,579)	—	(17,579)
Other comprehensive income	—	—	—	—	4,334	4,334
Balance at December 27, 2024	58,660	\$ 587	\$ 1,266,926	\$ 184,695	\$ 8,068	\$ 1,460,276

For the Second Quarter Ended December 29, 2023

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance at September 29, 2023	57,274	\$ 573	\$ 1,205,573	\$ 320,731	\$ 13,935	\$ 1,540,812
Issuance of common stock under employee stock incentive plans	82	1	(1)	—	—	—
Issuance of common stock under employee stock purchase plan	107	1	3,162	—	—	3,163
Issuance of common stock under defined contribution plan	101	1	3,578	—	—	3,579
Retirement of common stock	—	—	(15)	—	—	(15)
Stock-based compensation	—	—	8,046	—	—	8,046
Net loss	—	—	—	(45,581)	—	(45,581)
Other comprehensive loss	—	—	—	—	(5,512)	(5,512)
Balance at December 29, 2023	57,564	\$ 576	\$ 1,220,343	\$ 275,150	\$ 8,423	\$ 1,504,492

For the Six Months Ended December 27, 2024

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance at June 28, 2024	58,094	\$ 581	\$ 1,242,402	\$ 219,799	\$ 9,993	\$ 1,472,775
Issuance of common stock under employee stock incentive plans	292	3	(3)	—	—	—
Issuance of common stock under employee stock purchase plan	60	1	1,491	—	—	1,492
Issuance of common stock under defined contribution plan	214	2	7,879	—	—	7,881
Stock-based compensation	—	—	15,157	—	—	15,157
Net loss	—	—	—	(35,104)	—	(35,104)
Other comprehensive loss	—	—	—	—	(1,925)	(1,925)
Balance at December 27, 2024	58,660	\$ 587	\$ 1,266,926	\$ 184,695	\$ 8,068	\$ 1,460,276

For the Six Months Ended December 29, 2023

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance at June 30, 2023	56,962	\$ 570	\$ 1,196,847	\$ 357,439	\$ 11,829	\$ 1,566,685
Issuance of common stock under employee stock incentive plans	269	3	(3)	—	—	—
Issuance of common stock under employee stock purchase plan	107	1	3,162	—	—	3,163
Issuance of common stock under defined contribution plan	226	2	8,215	—	—	8,217
Retirement of common stock	—	—	(15)	—	—	(15)
Stock-based compensation	—	—	12,137	—	—	12,137
Net loss	—	—	—	(82,289)	—	(82,289)
Other comprehensive loss	—	—	—	—	(3,406)	(3,406)
Balance at December 29, 2023	57,564	\$ 576	\$ 1,220,343	\$ 275,150	\$ 8,423	\$ 1,504,492

The accompanying notes are an integral part of the consolidated financial statements.

**MERCURY SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Six Months Ended	
	December 27, 2024	December 29, 2023
<b>Cash flows from operating activities:</b>		
Net loss	\$ (35,104)	\$ (82,289)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Depreciation and amortization expense	42,142	44,885
Stock-based compensation expense	14,054	11,503
Stock-based matching contributions on defined contribution plan	7,860	7,652
Benefit for deferred income taxes	(13,089)	(28,432)
Provision for bad debt	342	5,144
Other non-cash items	1,518	2,122
Cash settlement for termination of interest rate swap	—	7,403
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, unbilled receivables, and costs in excess of billings	31,498	69,715
Inventory	(21,783)	(15,503)
Prepaid income taxes	5	(5,818)
Prepaid expenses and other current assets	2,188	(366)
Other non-current assets	3,583	(2,697)
Accounts payable, accrued expenses, and accrued compensation	(19,816)	(18,173)
Deferred revenues and customer advances	62,163	24,098
Income taxes payable	202	(13,896)
Other non-current liabilities	(4,961)	1,078
<b>Net cash provided by operating activities</b>	<b>70,802</b>	<b>6,426</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(9,791)	(16,005)
Other investing activities	1,900	—
<b>Net cash used in investing activities</b>	<b>(7,891)</b>	<b>(16,005)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from employee stock plans	1,492	3,163
Borrowings under credit facilities	—	105,000
Purchase and retirement of common stock	—	(15)
Payments of deferred financing and offering costs	(2,249)	(1,931)
<b>Net cash (used in) provided by financing activities</b>	<b>(757)</b>	<b>106,217</b>
Effect of exchange rate changes on cash and cash equivalents	(110)	445
<b>Net increase in cash and cash equivalents</b>	<b>62,044</b>	<b>97,083</b>
Cash and cash equivalents at beginning of period	180,521	71,563
<b>Cash and cash equivalents at end of period</b>	<b>\$ 242,565</b>	<b>\$ 168,646</b>
<b>Cash paid (refunded) during the period for:</b>		
Interest	\$ 19,237	\$ 16,113
Income taxes (refunded) paid, net	\$ (398)	\$ 14,881
<b>Supplemental disclosures—non-cash activities:</b>		
Non-cash investing activity: Purchases of property and equipment incurred but not yet paid	\$ 2,644	\$ 6,220
Non-cash investing activity: Inventory transfer to property and equipment, net	\$ 12,675	\$ —

The accompanying notes are an integral part of the consolidated financial statements.

**MERCURY SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands except per share data)  
(Unaudited)

**A. Description of Business**

Mercury Systems, Inc. (the Company) is a technology company that delivers mission-critical processing power to the edge - where signals and data are collected - to solve the most pressing aerospace and defense challenges. Mercury's products and solutions are deployed in more than 300 programs and across 35 countries. The Company is headquartered in Andover, Massachusetts, and has over 20 locations worldwide.

The Mercury Processing Platform is the unique advantage the Company provides to its customers. It comprises the innovative technologies the Company has developed and acquired for more than 40 years that brings integrated, mission-critical processing capabilities to the edge. The Company's processing platform spans the full breadth of signal processing—from RF front end to the human-machine interface—to rapidly convert meaningful data, gathered in the most remote and hostile environments, into critical decisions. It allows the Company to offer standard products and custom solutions from silicon to system scale, including components, modules, subsystems, and systems, and it embodies the customer-centric approach the Company takes to delivering capabilities that are mission-ready, trusted and secure, software-defined, and open and modular.

**B. Summary of Significant Accounting Policies**

**BASIS OF PRESENTATION**

The accompanying consolidated financial statements have been prepared by the Company in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States of America for interim financial information and with the instructions to the Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in annual consolidated financial statements have been condensed or omitted pursuant to those rules and regulations; however, in the opinion of management the financial information reflects all adjustments, consisting of adjustments of a normal recurring nature, necessary for fair presentation. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended June 28, 2024, which are contained in the Company's Annual Report on Form 10-K filed with the SEC on August 13, 2024. The results for the second quarter and six months ended December 27, 2024 are not necessarily indicative of the results to be expected for the full fiscal year.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

All references to the second quarter of fiscal 2025 are to the quarter ended December 27, 2024. There were 13 weeks during the second quarters ended December 27, 2024 and December 29, 2023, respectively. There were 26 weeks during the six months ended December 27, 2024 and December 29, 2023, respectively.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**FOREIGN CURRENCY**

Local currencies are the functional currency for the Company's subsidiaries in Switzerland, the United Kingdom, Spain and Canada. The accounts of foreign subsidiaries are translated using exchange rates in effect at period-end for assets and liabilities and at average exchange rates during the period for results of operations. The related translation adjustments are reported in Accumulated other comprehensive income ("AOCI") in shareholders' equity. Gains (losses) resulting from non-U.S. currency transactions are included in Other expense, net in the Consolidated Statements of Operations and Comprehensive Loss and were immaterial for all periods presented.

**ACCOUNTS RECEIVABLE**

Accounts receivable, net, represents amounts that have been billed and are currently due from customers. The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. The Company provides credit to customers in the normal course of business. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended as necessary. The allowance is based upon an

assessment of the customer's credit worthiness, reasonable forecasts about the future, history with the customer, and the age of the receivable balance. The Company typically invoices a customer upon shipment of the product (or completion of a service) for contracts where revenue is recognized at a point in time. For contracts where revenue is recognized over time, the invoicing events are typically based on specified performance obligation deliverables or milestone events, or quantifiable measures of performance.

#### ACCOUNTS RECEIVABLES FACTORING

On September 27, 2022, the Company executed an uncommitted receivables purchase agreement (“RPA”), pursuant to which the Company may offer to sell certain customer receivables, subject to the terms and conditions of the RPA. The RPA was an uncommitted arrangement such that the Company was not obligated to sell any receivables and the party had no obligation to purchase any receivables from the Company. Pursuant to the RPA, the party may purchase certain of the Company's customer receivables at a discounted rate, subject to a limit that as of any date, the total amount of purchased receivables held by the party, less the amount of all collections received on such receivables, may not exceed \$20,000. The RPA had an indefinite term, with the agreement remaining in effect until termination by either party. Factoring under the RPA was treated as a true sale of accounts receivable by the Company. The Company had continued involvement in servicing accounts receivable under the RPA, but no retained interests related to the factored accounts receivable. On March 14, 2023, the Company amended the RPA to increase the capacity from \$20,000 to \$30,600. On June 21, 2023, the Company further amended the RPA to increase the capacity from \$30,600 to \$60,000. On August 13, 2024, the Company terminated the RPA in conjunction with entering into a new receivables purchase and service agreement.

On August 13, 2024, the Company entered into a \$60,000 committed receivables purchase and servicing agreement (“RPSA”) with a new party. The RPSA has an initial term of two years. Pursuant to the RPSA, the new party has committed to purchase receivables from a certain number of agreed upon customers, maintaining a balance of purchased receivables at or below \$60,000. Under the RPSA, a portion of the factored receivables is paid by the counterparty in cash and classified as a deferred purchase price receivable, which is paid as receivables are collected by the Company.

Proceeds for amounts factored by the Company are recorded as an increase to cash and a reduction to accounts receivable outstanding in the Consolidated Balance Sheets. Cash Flows attributable to factored receivables are reflected as cash flows from operating activities in the Company's Consolidated Statements of Cash Flows. Factoring fees are included as selling, general and administrative expenses in the Company's Consolidated Statements of Operations and Comprehensive Loss.

The Company had \$58,120 factored accounts receivables as of December 27, 2024 and incurred factoring fees of approximately \$459 and \$821 for the second quarter and six months ended December 27, 2024. The Company had \$48,205 factored accounts receivables as of December 29, 2023 and incurred factoring fees of approximately \$953 and \$1,261 for the second quarter and six months ended December 29, 2023.

#### DERIVATIVES

The Company records the fair value of its derivative financial instruments in its consolidated financial statements in Other non-current assets, or Other non-current liabilities depending on their net position, regardless of the purpose or intent for holding the derivative contract. Changes in the fair value of the derivative financial instruments are either recognized periodically in earnings or in shareholders' equity as a component of Other comprehensive income (loss) (“OCI”). Changes in the fair value of cash flow hedges that qualify for hedge accounting treatment are recorded in OCI and reclassified into earnings in the same line item on the Consolidated Statements of Operations and Comprehensive Loss as the impact of the hedged transaction when the underlying contract matures and, for interest rate exposure derivatives, over the term of the corresponding debt instrument. Changes in the fair values of derivatives not qualifying for hedge accounting are reported in earnings as they occur. All derivatives for the Company qualified for hedge accounting as of December 27, 2024.

#### REVENUE RECOGNITION

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, (“ASC 606”). Revenues are derived from the sales of products that are grouped into one of the following three categories: (i) components; (ii) modules and sub-assemblies; and (iii) integrated solutions. The Company also generates revenues from the performance of services, including systems engineering support, consulting, maintenance and other support, testing and installation. Each promised good or service within a contract is accounted for separately under the guidance of ASC 606 if they are distinct. Promised goods or services not meeting the criteria for being a distinct performance obligation are bundled into a single performance obligation with other goods or services that together meet the criteria for being distinct. The appropriate allocation of the transaction price and recognition of revenue is then determined for the bundled performance obligation.

Revenue recognized at a point in time generally relates to contracts that include a combination of components, modules and sub-assemblies, integrated solutions and related system integration or other services. Contracts with distinct performance obligations recognized at a point in time, with or without an allocation of the transaction price, totaled 55% and 50% of

revenues for the second quarter and six months ended December 27, 2024, respectively. Contracts with distinct performance obligations recognized at a point in time, with or without an allocation of the transaction price, totaled 47% and 45% of revenues for the second quarters and six months ended December 29, 2023, respectively.

The Company also engages in contracts for development, production and service activities and recognizes revenue for performance obligations over time. These over time contracts involve the design, development, manufacture, or modification of complex modules and sub-assemblies or integrated solutions and related services. Over time contracts include both fixed-price and cost reimbursable contracts. The Company's cost reimbursable contracts typically include cost-plus fixed fee and time and material contracts.

Total revenue recognized over time was 45% and 50% of total revenues for the second quarter and six months ended December 27, 2024, respectively. Total revenue recognized over time was 53% and 55% of total revenues for the second quarter and six months ended December 29, 2023, respectively.

Accounting for contracts recognized over time requires significant judgment relative to estimating total contract revenues and costs. In particular, this includes assumptions relative to the amount of time to complete the contract and the assessment of the nature and complexity of the work to be performed and the impact of contract amendments which may result in cumulative adjustments. The Company's estimates are based upon the professional knowledge and experience of its engineers, operations, program managers and other personnel, who review each over time contract monthly to assess the contract's schedule, performance, technical matters and estimated cost at completion. Changes in estimates are applied retrospectively and when adjustments in estimated contract costs are identified, such revisions may result in current period adjustments to earnings applicable to performance in prior periods. The aggregate effects of these favorable and unfavorable changes across the Company's portfolio of programs can have a significant effect upon its reported Loss from operations, Net loss and Diluted net loss per share in each of the reporting periods. The net impact of changes in estimates had the following impact on the Company's operating results:

<i>(In thousands, except per share data)</i>	Second Quarters Ended		Six Months Ended	
	December 27, 2024	December 29, 2023	December 27, 2024	December 29, 2023
Loss from operations	\$ (4,408)	\$ (30,651)	\$ (12,701)	\$ (47,914)
Net loss <sup>(1)</sup>	\$ (3,218)	\$ (22,375)	\$ (9,272)	\$ (34,977)
Diluted net loss per share	\$ (0.05)	\$ (0.39)	\$ (0.16)	\$ (0.61)
Diluted Shares	58,561	57,424	58,454	57,314

(1) Federal and state statutory rate of 27%

The Company generally does not provide its customers with rights of product return other than those related to assurance warranty provisions that permit repair or replacement of defective goods generally over a period of 12 to 36 months. The Company accrues for anticipated warranty costs upon product shipment. The Company does not consider activities related to such assurance warranties, if any, to be a separate performance obligation. The Company does offer separately priced extended warranties which generally range from 12 to 36 months that are treated as separate performance obligations. The transaction price allocated to extended warranties is recognized over time in proportion to the costs expected to be incurred in satisfying the obligations under the contract.

The Company's contracts generally do not include significant financing components. The Company's over time contracts may include milestone payments, which align the payment schedule with the progress towards completion on the performance obligation. Otherwise, the Company's contracts are predicated on payment upon completion of the performance obligation. On certain contracts, the Company may be entitled to receive an advance payment, which is not considered a significant financing component because most contracts have a duration of approximately two years on average and it is used to facilitate inventory demands at the onset of a contract and to safeguard the Company from the failure of the other party to abide by some or all of their obligations under the contract.

All revenues are reported net of government assessed taxes (e.g., sales taxes or value-added taxes). Refer to Note K for disaggregation of revenue for the period.

## CONTRACT BALANCES

Contract balances result from the timing of revenue recognized, billings and cash collections resulting in the generation of contract assets and liabilities. Contract assets represent revenue recognized in excess of amounts invoiced to the customer and the right to payment is not subject to the passage of time. Instead, while the Company has an enforceable right to payment as progress is made over performance obligations, billings to customers are generally predicated on (i) completion of defined milestones, (ii) monthly costs incurred or (iii) final delivery of goods or services. Contract assets are presented as Unbilled receivables and costs in excess of billings, net of allowance for credit losses on the Company's Consolidated Balance Sheets. Contract liabilities consist of deferred product revenue, billings in excess of revenues, deferred service revenue and customer advances. Deferred product revenue represents amounts that have been invoiced to customers, but are not yet recognizable as revenue because the Company has not satisfied its performance obligations under the contract. Billings in excess of revenues represents milestone billing contracts where the billings of the contract exceed recognized revenues. Deferred service revenue primarily represents amounts invoiced to customers for annual maintenance contracts or extended warranty contracts, which are recognized over time in proportion to the costs expected to be incurred in satisfying the obligations under the contract. Customer advances represent deposits received from customers on an order. Contract liabilities are included in deferred revenue as well as Other non-current liabilities on the Company's Consolidated Balance Sheets. Contract balances are reported in a net position on a contract-by-contract basis.

The contract asset balances were \$278,657 and \$304,029 as of December 27, 2024 and June 28, 2024, respectively. The contract asset balance decreased due to \$238,263 of billings, offset by revenue recognized under over time contracts of \$212,891 during the six months ended December 27, 2024. The contract liability balances were \$136,308 and \$74,367 as of December 27, 2024 and June 28, 2024, respectively. The contract liability increased due to a higher volume of milestone billing events as well as timing of revenue recognized across multiple programs.

Revenue recognized for the second quarter and six months ended December 27, 2024 that was included in the contract liability balance at June 28, 2024 was \$15,336 and \$41,747, respectively. Revenue recognized for the second quarter and six months ended December 29, 2023 that was included in the contract liability balance at June 30, 2023 was \$10,228 and \$31,243, respectively.

## REMAINING PERFORMANCE OBLIGATIONS

The Company includes in its computation of remaining performance obligations customer orders for which it has accepted executed sales orders. The definition of remaining performance obligations excludes contracts with original expected durations of less than one year, as well as those contracts that provide the customer with the right to cancel or terminate the order with no substantial penalty, even if the Company's historical experience indicates the likelihood of cancellation or termination is remote. As of December 27, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was \$770,011. The Company expects to recognize approximately 52% of its remaining performance obligations as revenue in the next 12 months and the balance thereafter.

## LONG-LIVED ASSETS

Long-lived assets primarily include property and equipment, intangible assets and right-of-use ("ROU") assets. The Company regularly evaluates its long-lived assets for events and circumstances that indicate a potential impairment in accordance with ASC 360, *Property, Plant and Equipment* ("ASC 360"). The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the estimated undiscounted cash flows of the asset as compared to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value.

## GOODWILL AND INTANGIBLE ASSETS

Goodwill is the amount by which the purchase price of a business acquisition exceeded the fair values of the net identifiable assets on the date of purchase (see Note E). In accordance with the requirements of Intangibles-Goodwill and Other ("ASC 350"), goodwill is not amortized. Goodwill is assessed for impairment at least annually, on a reporting unit basis, or when events and circumstances ("triggering event") occur indicating that the recorded goodwill may be impaired. Potential triggering events include macroeconomic conditions, industry and market considerations, financial performance and expectations of projected financial performance and cash flows, and changes in the Company's stock price in relation to the carrying value of its reporting units, among other relevant factors. Adverse changes to these events and circumstances could require the Company to perform an interim impairment test.

Intangible assets result from the Company's various business acquisitions and certain licensed technologies, and consist of identifiable intangible assets, including completed technology, licensing agreements, patents, customer relationships, trademarks, backlog and non-compete agreements. Intangible assets are reported at cost, net of accumulated amortization and are either amortized on a straight-line basis over their estimated useful lives of up to 12.5 years or over the period the economic benefits of the intangible asset are consumed.

#### PRODUCT WARRANTY ACCRUAL

The Company's product sales generally include a 12 to 36 month standard hardware warranty. At time of product shipment, the Company accrues for the estimated cost to repair or replace potentially defective products. Estimated warranty costs are based upon prior actual warranty costs for substantially similar transactions and any specifically identified warranty requirements. Product warranty accrual is included as part of accrued expenses in the accompanying Consolidated Balance Sheets. The following table presents the changes in the Company's product warranty accrual.

	<b>Total</b>
Balance at June 28, 2024	\$ 5,721
Accruals for warranties issued during the period	512
Settlements made during the period	(2,115)
Balance at December 27, 2024	<u>\$ 4,118</u>

#### WEIGHTED-AVERAGE SHARES

Weighted-average shares were calculated as follows:

	<b>Second Quarters Ended</b>		<b>Six Months Ended</b>	
	<b>December 27, 2024</b>	<b>December 29, 2023</b>	<b>December 27, 2024</b>	<b>December 29, 2023</b>
Basic weighted-average shares outstanding	58,561	57,424	58,454	57,314
Effect of dilutive equity instruments	—	—	—	—
Diluted weighted-average shares outstanding	<u>58,561</u>	<u>57,424</u>	<u>58,454</u>	<u>57,314</u>

Equity instruments to purchase 2,993 and 2,840 shares of common stock were not included in the calculation of diluted net loss per share for the second quarter and six months ended December 27, 2024, respectively, because the equity instruments were anti-dilutive. Equity instruments to purchase 2,865 and 2,460 shares of common stock were not included in the calculation of diluted net loss per share for the second quarter and six months ended December 29, 2023, respectively, because the equity instruments were anti-dilutive.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (ASC 280): Improvements to Reportable Segment Disclosures*, an amendment of the FASB Accounting Standards Codification. The amendments in this ASU address improvements to reportable segment disclosure requirements, specifically requiring disclosure of significant segment expenses. The amendment also extends certain annual disclosures to interim periods, and clarifies that single reportable segment entities must apply ASC 280 in its entirety, inclusive of this update. This ASU is effective for fiscal years beginning after December 15, 2023, as well as all interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, including adoption in an interim period. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Improvement to Income Tax Disclosures*, an amendment of the FASB Accounting Standards Codification. The amendments in this ASU enact new income tax disclosure requirements in addition to modifying existing requirements. The amendment requires entities to categorize and provide greater disaggregation of information in the rate reconciliation and income taxes paid disclosures. This ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures*, an amendment of the FASB Accounting Standard Codification. The amendments in this ASU address improvements to disclosures surrounding operating expenses, including purchases of inventory, employee compensation, depreciation, amortization, and depletion, which are all normally included in common expense captions on the face of the income statement. Any expenses remaining in relevant expense captions that are not disaggregated should be accompanied with a qualitative disclosure as to the nature. This ASU is effective for fiscal years beginning after December 15,

2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

#### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The Company has evaluated all issued accounting pronouncements and determined there were no recently adopted accounting pronouncements.

#### C. Fair Value of Financial Instruments

The following table summarizes the Companies' financial instruments measured at fair value on a recurring basis as of December 27, 2024:

	Fair Value Measurements			
	December 27, 2024	Level 1	Level 2	Level 3
<b>Liabilities:</b>				
Interest rate swap	\$ 3,559	\$ —	\$ 3,559	\$ —
<b>Total</b>	<b>\$ 3,559</b>	<b>\$ —</b>	<b>\$ 3,559</b>	<b>\$ —</b>

The carrying values of cash and cash equivalents, including money market funds, restricted cash, accounts receivable and payable, contract assets and liabilities and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities. The Company determined the carrying value of long-term debt approximated fair value due to variable interest rates charged on the borrowings, which reprice frequently.

During the first quarter ended September 29, 2023, the Company entered into an interest rate hedging agreement (the "September 2023 Swap"). The fair value of the September 2023 Swap is estimated using a discounted cash flow analysis based on the contractual terms of the derivative, leveraging observable inputs other than quoted prices, such as interest rates. As of December 27, 2024, the fair value of the September 2023 Swap was a liability of \$3,559 and is included within Other non-current liabilities in the Company's Consolidated Balance Sheets. As of June 28, 2024, the fair value of the September 2023 Swap was a liability of \$2,436 and was included within Other non-current liabilities in the Company's Consolidated Balance Sheets.

The following table summarizes the Companies' financial instruments measured at fair value on a recurring basis as of June 28, 2024:

	Fair Value Measurements			
	June 28, 2024	Level 1	Level 2	Level 3
<b>Liabilities:</b>				
Interest rate swap	\$ 2,436	\$ —	\$ 2,436	\$ —
<b>Total assets measured at fair value</b>	<b>\$ 2,436</b>	<b>\$ —</b>	<b>\$ 2,436</b>	<b>\$ —</b>

The fair value of the September 2023 Swap is estimated using a discounted cash flow analysis based on the contractual terms of the derivative, leveraging observable inputs other than quoted prices, such as interest rates.

Refer to Note M for further information regarding the September 2023 Swap.

#### D. Inventory

Inventory is stated at the lower of cost (first-in, first-out) or net realizable value, and consists of materials, labor and overhead. On a quarterly basis, the Company uses consistent methodologies to evaluate inventory for net realizable value. Once an item is written down, the value becomes the new inventory cost basis. The Company reduces the value of inventory for excess and obsolete inventory, consisting of on-hand inventory in excess of estimated usage. The excess and obsolete inventory evaluation is based upon assumptions about future demand, historical usage, product mix and possible alternative uses. During the six months ended December 27, 2024, the Company reclassified \$12,675 of work in process inventory to Property and equipment, net to support broader customer outreach for its technologies and to meet anticipated production demands for its solutions through additional testing capabilities. Inventory was comprised of the following:

	As of	
	December 27, 2024	June 28, 2024
Raw materials	\$ 214,529	\$ 200,501
Work in process	113,034	118,060
Finished goods	16,852	16,739
Total	<u>\$ 344,415</u>	<u>\$ 335,300</u>

#### E. Goodwill

In accordance with FASB ASC 350, *Intangibles-Goodwill and Other* ("ASC 350"), the Company determines its reporting units based upon whether discrete financial information is available, if management regularly reviews the operating results of the component, the nature of the products offered to customers and the market characteristics of each reporting unit. A reporting unit is considered to be an operating segment or one level below an operating segment also known as a component. Component level financial information is reviewed by management across two divisions: Mission Systems and Microelectronics. Accordingly, these were determined to be the Company's reporting units.

The Company performs its annual goodwill impairment test in the fourth quarter of each fiscal year. The Company estimates its fair value and compares the fair value with the carrying value of its reporting units, including goodwill using an income approach based upon a discounted cash flow ("DCF") model to calculate the present value of cash flows to estimate its implied fair value. The future cash flows for the Company's reporting units are projected based on the Company's estimates, at that time, of future revenues, expenses, capital expenditures, and working capital. The discount rates used in the Company's DCF model were based on a weighted-average cost of capital ("WACC") determined from relevant market comparisons, adjusted upward for specific reporting unit risks (primarily the uncertainty of achieving projected operating cash flows). A terminal value growth rate is applied to the final year of the projected period, which reflects the Company's estimate of stable, perpetual growth. The Company then calculated a present value of the respective cash flows for each reporting unit to arrive at an estimate of fair value under the income approach. In addition, the Company uses the market approach, which compares the reporting unit to publicly traded companies and transactions involving similar businesses, to support the conclusions of the income approach. Finally, the Company compared its estimates of fair values to its total market capitalization to assess the reasonableness of the reporting units combined determined fair value.

The Company also assesses potential triggering events during interim reporting periods. During the second quarter ended December 27, 2024, the Company assessed events and circumstances to consider its reporting units for a potential triggering event, including: macroeconomic conditions, industry and market considerations, financial performance and expectations of projected financial performance and cash flows, changes in the Company's stock price in relation to the carrying value of its reporting units, among other relevant factors. The Company concluded that there were no triggering events during the period that would require an interim impairment test.

## F. Restructuring

During the six months ended December 27, 2024, the Company incurred \$2,300 of severance costs. The Company incurs restructuring and other charges in connection with management's decision to undertake certain actions to realign operating expenses through workforce reductions and the closure of certain Company facilities, businesses and product lines. All of the restructuring and other charges are classified as Operating expenses in the Consolidated Statements of Operations and Comprehensive Loss and any remaining restructuring obligations are expected to be paid within the next twelve months. The restructuring liability is classified as Accrued expenses in the Consolidated Balance Sheets.

The following table presents the detail of charges included in the Company's liability for restructuring and other charges:

	Severance & Related
Balance at June 28, 2024	\$ 8,758
Restructuring charges	2,300
Cash paid	(9,185)
Balance at December 27, 2024	\$ 1,873

## G. Income Taxes

The Company recorded an income tax benefit of \$6,725 and \$18,141 on a loss before income taxes of \$24,304 and \$63,722 for the second quarters ended December 27, 2024 and December 29, 2023, respectively. The Company recorded an income tax benefit of \$12,319 and \$31,168 on a loss before income taxes of \$47,423 and \$113,457 for the six months ended December 27, 2024, and December 29, 2023, respectively.

During the second quarter and six months ended December 27, 2024, the Company recognized a tax provision of \$138 and \$357 related to stock compensation shortfalls, respectively, and during the second quarter and six months ended December 29, 2023, the Company recognized a tax provision of \$431 and \$1,646 related to stock compensation shortfalls respectively.

The effective tax rate for the second quarter and six months ended December 27, 2024 differed from the federal statutory rate primarily due to federal and state research and development credits, non-deductible compensation, and state taxes. The effective tax rate for the second quarter and six months ended December 29, 2023 differed from the federal statutory rate primarily due to federal and state research and development credits, non-deductible compensation, stock compensation shortfalls, and state taxes.

The Company continues to maintain a valuation allowance on the majority of its foreign net operating loss carryforwards and state research and developmental tax credit carryforwards. Based on forecasted taxable income and the scheduled reversal of the remaining deferred tax assets, the Company believes it is more likely than not that all other deferred tax assets will be recognized.

## H. Debt

### REVOLVING CREDIT FACILITY

The Company maintains a 5-year revolving credit facility (the "Revolver") with a maturity extended to February 28, 2027. As of December 27, 2024, the Company's outstanding balance of unamortized deferred financing costs was \$4,580, which is being amortized to Other expense, net in the Consolidated Statements of Operations and Comprehensive Loss on a straight line basis over the term of the Revolver and includes the costs incurred in conjunction with the August 2024 amendment to the Revolver.

On November 7, 2023, due to the uncertainty surrounding a government shutdown or prolonged continuing resolution and the potential impact on the second quarter and fiscal 2024 results, the Company proactively executed Amendment No. 5 to the Revolver, as amended to date, with a syndicate of commercial banks and Bank of America, N.A acting as the administrative agent allowing for a temporary increase in the Consolidated Total Net Leverage Ratio covenant requirement from 4.50 to 5.25 for the second quarter ended December 29, 2023. In conjunction with Amendment No. 5 to the Revolver, the Company incurred \$1,931 of new deferred financing costs that will be amortized over the remaining term of the Revolver. Refer to exhibit 10.1 on Form 8-K filed by the Company with the SEC on November 7, 2023.

On August 13, 2024, the Company executed Amendment No. 6 to the Revolver, decreasing the permanent borrowing capacity to \$900,000, with a temporary reduction in credit availability to \$750,000 until the Company meets a minimum consolidated EBITDA level, as defined in the Amendment No. 6 to the Revolver. In conjunction with Amendment No. 6 to the Revolver, the Company incurred \$2,249 of new deferred financing costs that will be amortized over the remaining term of the Revolver. As part of the amendment, the Company wrote off \$714 of previously deferred financing costs associated with the

line of credit facility prior to the amendment. This write-off is included in Other expense, net in the Consolidated Statements of Operations and Comprehensive Loss. Refer to exhibit 10.7.6 on Form 10-K filed by the Company with the SEC on August 13, 2024.

During the second quarter and six months ended December 27, 2024, the Company made no borrowings or repayments. As of December 27, 2024, the Company was in compliance with all covenants and conditions under the Revolver and there were outstanding borrowings of \$591,500 against the Revolver, resulting in interest expense of \$8,430 and \$17,336 for the second quarter and six months ended December 27, 2024. The borrowing capacity as defined under the Revolver as of December 27, 2024 is approximately \$750,000 less outstanding borrowings of \$591,500. There were outstanding letters of credit of \$987 as of December 27, 2024.

## **I. Employee Benefit Plan**

### **PENSION PLAN**

The Company maintains a defined benefit pension plan (the “Plan”) for its Swiss employees, which is administered by an independent pension fund. The Plan is mandated by Swiss law and meets the criteria for a defined benefit plan under ASC 715, *Compensation—Retirement Benefits* (“ASC 715”), because participants of the Plan are entitled to a defined rate of return on contributions made. The independent pension fund is a multi-employer plan with unrestricted joint liability for all participating companies for which the Plan’s overfunding or underfunding is allocated to each participating company based on an allocation key determined by the Plan.

The Company recognizes a net asset or liability for the Plan equal to the difference between the projected benefit obligation of the Plan and the fair value of the Plan’s assets as required by ASC 715. The funded status may vary from year to year due to changes in the fair value of the Plan’s assets and variations on the underlying assumptions of the projected benefit obligation of the Plan. The Plan’s funded status at December 27, 2024 was a net liability of \$5,057, which is recorded in Other non-current liabilities on the Consolidated Balance Sheet. The Company recognized net periodic benefit costs of \$231 and \$208 associated with the Plan and a net loss of \$51 and \$57 in AOCI during the second quarters ended December 27, 2024 and December 29, 2023, respectively. The Company recognized net periodic benefit costs of \$463 and \$415 associated with the Plan and a net loss of \$105 and \$113 in AOCI during the six months ended December 27, 2024 and December 29, 2023, respectively. The Company’s total expected employer contributions to the Plan during fiscal 2025 are \$953.

#### *401(k) Plan*

The Company maintains a qualified 401(k) plan (the “401(k) Plan”) for its U.S. employees and matches participants’ contributions to the plan of up to 6% of their eligible annual compensation in Company stock. The Company may also make optional contributions to the plan for any plan year at its discretion. The Company had \$2,922 and \$2,901 of capitalized stock-based 401(k) matching compensation expense on the Consolidated Balance Sheets at December 27, 2024 and June 28, 2024, respectively. Stock-based 401(k) matching compensation cost is measured based on the value of the matching amount and is recognized as expense as incurred. During the second quarter and six months ended December 27, 2024, the Company recognized share-based matching contributions related to the 401(k) plan of \$3,428 and \$7,860, as compared to \$2,811 and \$7,652 during the second quarter and six months ended December 29, 2023.

#### *Deferred Compensation Plan*

The Company implemented a nonqualified deferred compensation plan as of January 1, 2024, under which eligible employees may defer up to 50% of their base salaries and up to 100% of their annual incentive bonuses. The Company may also make employer contributions to participant accounts in its sole discretion, and for calendar year 2024, will match participants’ deferrals under the plan of up to 6% of their eligible annual compensation in the form of deferred stock units (or at the Company’s election, a cash deferral credited to participants’ account balances). The Company’s matching obligation for 2024 is subject to the satisfaction of a financial performance condition for the Company’s four fiscal quarters corresponding to the 2024 calendar year. Participant deferrals under the plan are held in a Rabbi trust and are subject to the claims of the Company’s creditors. Assets held by the Rabbi trust are classified as trading securities and are recorded at fair value, with changes in value recorded as adjustments to other income. All deferrals or employer contributions under the plan, and all earnings thereon, are fully vested as and when made or credited to plan participants.

As of December 27, 2024, the Company held assets under the rabbi trust of \$210, and was subject to liabilities for amounts payable under the plan to participants (including accrued employer matching contributions not yet credited to plan participants) of \$210. Assets related to this plan are included in Other assets, and liabilities related to this plan are included in Other long-term liabilities in the Consolidated Balance Sheets. During the second quarter ended December 27, 2024, the Company recognized an immaterial value of compensation expense as a result of changes in the value of notional investments selected by plan participants for the investment of their plan account balances, with the same amount being recorded as other income attributable to changes in the market value of the assets held by the Rabbi trust. The nonqualified deferred compensation plan was not in place as of the second quarter ended December 29, 2023.

## **J. Stock-Based Compensation**

### STOCK INCENTIVE PLANS

At December 27, 2024, the aggregate number of shares authorized for issuance under the Company's Amended and Restated 2018 Stock Incentive Plan (the "2018 Plan") is 7,862 shares, including 3,000 shares approved by the Company's shareholders on October 28, 2020 and 2,000 shares approved for future grant under the 2018 Plan by the Company's shareholders on October 26, 2022. On October 25, 2023, the Company's shareholders approved an additional 3,450 shares to be added to the 2018 plan. The 2018 Plan shares available for issuance also include 948 shares rolled into the 2018 Plan that were available for future grant under the Company's 2005 Stock Incentive Plan, as amended and restated (the "2005 Plan"). The 2018 Plan replaced the 2005 Plan. The 2018 Plan provides for the grant of non-qualified and incentive stock options, restricted stock, stock appreciation rights and deferred stock awards to employees and non-employees. Stock options must be granted with an exercise price of not less than 100% of the fair value of the Company's common stock on the date of grant and the options generally have a term of seven years. There were 3,076 available shares for future grant under the 2018 Plan at December 27, 2024.

As part of the Company's ongoing annual equity grant program for employees, the Company grants performance-based restricted stock awards to certain executives and employees pursuant to the 2018 Plan. Performance awards vest based on the requisite service period subject to the achievement of specific financial performance targets. Based on the performance targets, some of these awards require graded vesting which results in more rapid expense recognition compared to traditional time-based vesting over the same vesting period. The Company monitors the probability of achieving the performance targets on a quarterly basis and may adjust periodic stock compensation expense accordingly based on its determination of the likelihood for reaching targets. The performance targets generally include the achievement of financial performance goals, either on an absolute basis or relative to a peer group of companies. Payouts under performance-based restricted stock awards may also be subject to modification based on Mercury's total shareholder return relative to the component companies within the Spade Defense Index.

### EMPLOYEE STOCK PURCHASE PLAN

The Company's 1997 Employee Stock Purchase Plan, as amended and restated (the "1997 ESPP") was terminated in accordance with its terms effective May 14, 2024. Under the 1997 ESPP, rights were granted to purchase shares of common stock at 85% of the lesser of the market value of such shares at either the beginning or the end of each six-month offering period. The 1997 ESPP permitted employees to purchase common stock through payroll deductions, which may not have exceeded 10% of an employee's compensation as defined in the 1997 ESPP. There were no shares and 107 shares issued under the 1997 ESPP during the six months ended December 27, 2024 and December 29, 2023, respectively. There were an immaterial amount of shares related to the 1997 Plan issued and returned to the reserve during the six months ended December 27, 2024.

The Company adopted a new employee stock purchase plan (the "2024 ESPP") in April 2024. The Company's shareholders approved the plan at the Company's 2024 annual meeting of shareholders, held on October 23, 2024. The number of shares authorized for issuance under the 2024 ESPP is 1,000 shares. Under the 2024 ESPP, rights are granted to purchase shares of common stock at 85% of the lesser of the market value of such shares at either the beginning or the end of each six-month offering period. The 2024 ESPP permits employees to purchase common stock through payroll deductions, which may not exceed 10% of an employee's compensation as defined in the 2024 ESPP. There were 65 shares and no shares issued under the 2024 ESPP during the six months ended December 27, 2024 and December 29, 2023, respectively. Shares available for future purchase under the 2024 ESPP totaled 935 at December 27, 2024.

## STOCK OPTION AND AWARD ACTIVITY

On August 15, 2023, the Company announced that William L. Ballhaus was appointed as the Company's President and Chief Executive Officer. Mr. Ballhaus received an onboarding grant of premium-priced stock options ("New Hire Option") under the 2018 Plan. The Company and Mr. Ballhaus are parties to an employment agreement, which is included in exhibit 10.1 on Form 8-K filed by the Company with the SEC on August 15, 2023.

The following table summarizes activity of the Company's stock option plans since June 28, 2024:

	Options Outstanding			Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value as of December 27, 2024
	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price		
Outstanding at June 28, 2024	934	\$ 12.71	\$ 45.00		—
Granted	—		—		
Exercised	—		—		
Canceled	—		—		
Outstanding at December 27, 2024	934	12.71	45.00	3.21 years	—
Exercisable at December 27, 2024	—	\$ —	\$ —	—	—

There were no options vested or exercised during the second quarter ended December 27, 2024. Non-vested stock options are subject to the risk of forfeiture until the fulfillment of specified conditions. As of December 27, 2024, there was \$7,531 of total unrecognized compensation cost related to non-vested options granted that is expected to be recognized over a weighted-average period of 2.21 years from December 27, 2024.

The following table summarizes the status of the Company's non-vested restricted stock awards and deferred stock awards since June 28, 2024:

	Non-vested Restricted Stock Awards	
	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at June 28, 2024	1,526	\$ 41.35
Granted	873	39.82
Vested	(292)	43.47
Forfeited	(97)	43.65
Outstanding at December 27, 2024	2,010	\$ 39.68

## STOCK-BASED COMPENSATION EXPENSE

The Company recognizes expense for its share-based payment plans in the Consolidated Statements of Operations and Comprehensive Loss in accordance with ASC 718, *Compensation - Stock Compensation* ("ASC 718"). The Company had \$1,559 and \$456 of capitalized stock-based compensation expense on the Consolidated Balance Sheets for the periods ended December 27, 2024 and June 28, 2024, respectively. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the service period, net of estimated forfeitures.

The following table presents share-based compensation expenses included in the Company's Consolidated Statements of Operations and Comprehensive Loss:

	Second Quarters Ended		Six Months Ended	
	December 27, 2024	December 29, 2023	December 27, 2024	December 29, 2023
Cost of revenues	\$ (167)	\$ 4	\$ (54)	\$ 820
Selling, general and administrative	6,317	5,742	10,928	7,503
Research and development	1,812	1,640	3,180	3,180
Stock-based compensation expense before tax	7,962	7,386	14,054	11,503
Income taxes <sup>(1)</sup>	(2,150)	(1,994)	(3,795)	(3,106)
Stock-based compensation expense, net of income taxes	\$ 5,812	\$ 5,392	\$ 10,259	\$ 8,397
(1) Federal and state statutory rate of 27%				

#### K. Operating Segment, Geographic Information and Significant Customers

Operating segments are defined as components of an enterprise evaluated regularly by the Company's chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance. The Company evaluated its internal organization under FASB ASC 280, *Segment Reporting* ("ASC 280") to determine whether there has been a change to its conclusion of a single operating and reportable segment. The Company concluded there has been no changes given the CODM continues to evaluate and manage the Company on the basis of one operating and reportable segment. The Company utilized the management approach for determining its operating segment in accordance with ASC 280.

The geographic distribution of the Company's revenues as determined by country in which the Company's legal subsidiary is domiciled is summarized as follows:

	U.S.	Europe	Asia Pacific	Eliminations	Total
<b>SECOND QUARTER ENDED DECEMBER 27, 2024</b>					
Net revenues to unaffiliated customers	\$ 205,054	\$ 18,071	\$ —	\$ —	\$ 223,125
Inter-geographic revenues	2,718	2,529	—	(5,247)	—
Net revenues	\$ 207,772	\$ 20,600	\$ —	\$ (5,247)	\$ 223,125
<b>SECOND QUARTER ENDED DECEMBER 29, 2023</b>					
Net revenues to unaffiliated customers	\$ 183,162	\$ 14,295	\$ 6	\$ —	\$ 197,463
Inter-geographic revenues	1,286	204	—	(1,490)	—
Net revenues	\$ 184,448	\$ 14,499	\$ 6	\$ (1,490)	\$ 197,463
<b>SIX MONTHS ENDED DECEMBER 27, 2024</b>					
Net revenues to unaffiliated customers	\$ 397,714	\$ 29,842	\$ —	\$ —	\$ 427,556
Inter-geographic revenues	4,773	5,348	—	(10,121)	—
Net revenues	\$ 402,487	\$ 35,190	\$ —	\$ (10,121)	\$ 427,556
<b>SIX MONTHS ENDED DECEMBER 29, 2023</b>					
Net revenues to unaffiliated customers	\$ 355,043	\$ 23,399	\$ 12	\$ —	\$ 378,454
Inter-geographic revenues	3,005	296	—	(3,301)	—
Net revenues	\$ 358,048	\$ 23,695	\$ 12	\$ (3,301)	\$ 378,454

The Company offers a broad family of products and processing solutions designed to meet the full range of requirements in compute-intensive, signal processing, image processing and command and control applications. To maintain a competitive advantage, the Company seeks to leverage technology investments across multiple product lines and product solutions.

The Company's products are typically compute-intensive and require extremely high bandwidth and high throughput. These processing solutions often must also meet significant size, weight and power ("SWaP") constraints for use in aircraft, unmanned aerial vehicles, ships and other platforms and be ruggedized for use in harsh environments. The Company's products transform the massive streams of digital data created in these applications into usable information in real time. The systems can scale from a few processors to thousands of processors.

In recent years, the Company completed a series of acquisitions that changed its technological capabilities, applications and end markets. As these acquisitions and changes occurred, the Company's proportion of revenue derived from the sale of components in different technological areas, and modules, sub-assemblies and integrated solutions which combine technologies into more complex diverse products has shifted. The following tables present revenue consistent with the Company's strategy of expanding its technological capabilities and program content. As additional information related to the Company's products by end user, application, product grouping and/or platform is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application, product grouping and/or platform for prior periods. Such reclassifications typically do not materially change the underlying trends of results within each revenue category.

The following table presents the Company's net revenue by end user for the periods presented:

	Second Quarters Ended		Six Months Ended	
	December 27, 2024	December 29, 2023	December 27, 2024	December 29, 2023
Domestic <sup>(1)</sup>	\$ 176,291	\$ 181,822	\$ 337,485	\$ 328,289
International/Foreign Military Sales <sup>(2)</sup>	46,834	15,641	90,071	50,165
<b>Total Net Revenue</b>	<b>\$ 223,125</b>	<b>\$ 197,463</b>	<b>\$ 427,556</b>	<b>\$ 378,454</b>

(1) Domestic revenues consist of sales where the end user is within the U.S., as well as sales to prime defense contractor customers where the ultimate end user location is not defined.

(2) International/Foreign Military Sales consist of sales to U.S. prime defense contractor customers where the end user is outside the U.S., foreign military sales through the U.S. government, and direct sales to non-U.S. based customers intended for end use outside of the U.S.

The following table presents the Company's net revenue by end application for the periods presented:

	Second Quarters Ended		Six Months Ended	
	December 27, 2024	December 29, 2023	December 27, 2024	December 29, 2023
Radar <sup>(1)</sup>	\$ 47,110	\$ 11,063	\$ 80,859	\$ 37,766
Electronic Warfare <sup>(2)</sup>	23,930	26,144	50,276	50,610
Other Sensor & Effector <sup>(3)</sup>	22,131	22,637	48,497	43,803
<b>Total Sensor &amp; Effector</b>	<b>93,171</b>	<b>59,844</b>	<b>179,632</b>	<b>132,179</b>
C4I <sup>(4)</sup>	88,456	110,915	173,736	201,153
Other <sup>(5)</sup>	41,498	26,704	74,188	45,122
<b>Total Net Revenue</b>	<b>\$ 223,125</b>	<b>\$ 197,463</b>	<b>\$ 427,556</b>	<b>\$ 378,454</b>

(1) Radar includes end-use applications where radio frequency signals are utilized to detect, track and identify objects.

(2) Electronic Warfare includes end-use applications comprising the offensive and defensive use of the electromagnetic spectrum.

(3) Other Sensor and Effector products include all Sensor and Effector end markets other than Radar and Electronic Warfare.

(4) C4I includes rugged secure rackmount servers that are designed to drive the most powerful military processing applications.

(5) Other products include all component and other sales where the end use is not specified.

The following table presents the Company's net revenue by product grouping for the periods presented:

	Second Quarters Ended		Six Months Ended	
	December 27, 2024	December 29, 2023	December 27, 2024	December 29, 2023
Components <sup>(1)</sup>	\$ 45,085	\$ 41,180	\$ 89,949	\$ 78,689
Modules and Sub-assemblies <sup>(2)</sup>	46,106	42,680	91,928	80,213
Integrated Solutions <sup>(3)</sup>	131,934	113,603	245,679	219,552
<b>Total Net Revenue</b>	<b>\$ 223,125</b>	<b>\$ 197,463</b>	<b>\$ 427,556</b>	<b>\$ 378,454</b>

(1) Components represent the basic building blocks of an electronic system. They generally perform a single function such as switching, storing or converting electronic signals. Some examples include power amplifiers and limiters, switches, oscillators, filters, equalizers, digital and analog converters, chips, MMICs (monolithic microwave integrated circuits) and memory and storage devices.

(2) Modules and sub-assemblies combine multiple components to serve a range of complex functions, including processing, networking and graphics display. Typically delivered as computer boards or other packaging, modules and sub-assemblies are usually designed using open standards to provide interoperability when integrated in a subsystem. Examples of modules and sub-assemblies include embedded processing boards, switched fabrics and boards for high-speed input/output, digital receivers, graphics and video, along with multi-chip modules, integrated radio frequency and microwave multi-function assemblies and radio frequency tuners and transceivers.

(3) Integrated solutions bring components, modules and/or sub-assemblies into one system, enabled with software. Subsystems are typically, but not always, integrated within an open standards-based chassis and often feature interconnect technologies to enable communication between disparate systems. Spares and replacement modules and sub-assemblies are provided for use with subsystems sold by the Company. The Company's subsystems are deployed in sensor processing, aviation and mission computing and C4I applications.

The following table presents the Company's net revenue by platform for the periods presented:

	Second Quarters Ended		Six Months Ended	
	December 27, 2024	December 29, 2023	December 27, 2024	December 29, 2023
Airborne <sup>(1)</sup>	\$ 96,214	\$ 118,078	\$ 186,704	\$ 222,794
Land <sup>(2)</sup>	44,831	28,171	79,145	53,874
Naval <sup>(3)</sup>	22,193	8,667	42,846	29,810
Space <sup>(4)</sup>	11,827	4,540	27,186	10,603
Other <sup>(5)</sup>	48,060	38,007	91,675	61,373
Total Net Revenues	\$ 223,125	\$ 197,463	\$ 427,556	\$ 378,454

(1) Airborne platform includes products that relate to personnel, equipment or pieces of equipment designed for airborne applications.

(2) Land platform includes products that relate to fixed or mobile equipment, or pieces of equipment for personnel, weapon systems, vehicles and support elements operating on land.

(3) Naval platform includes products that relate to personnel, equipment or pieces of equipment designed for naval operations.

(4) Space platform includes products that relate to personnel, equipment or pieces of equipment designed for space operations.

(5) All platforms other than Airborne, Land, Naval, or Space.

The geographic distribution of the Company's identifiable long-lived assets is summarized as follows:

	U.S.	Europe	Total
December 27, 2024	\$ 109,025	\$ 2,434	\$ 111,459
June 28, 2024	\$ 107,655	\$ 2,698	\$ 110,353

Identifiable long-lived assets exclude right-of-use assets, goodwill, and intangible assets.

Customers comprising 10% or more of the Company's revenues for the periods shown are as follows:

	Second Quarters Ended		Six Months Ended	
	December 27, 2024	December 29, 2023	December 27, 2024	December 29, 2023
RTX Corporation	15 %	*	12 %	10 %
U.S. Navy	11 %	10 %	10 %	*
L3Harris	*	*	10 %	10 %
Lockheed Martin Corporation	*	*	10 %	*
	26 %	10 %	42 %	20 %

\* Indicates that the amount is less than 10% of the Company's revenue for the respective period.

While the Company typically has customers from which it derives 10% or more of its revenue, the sales to each of these customers are spread across multiple programs and platforms. There were no programs comprising 10% or more of the Company's revenues for the second quarters and six months ended December 27, 2024 and December 29, 2023.

## L. Commitments and Contingencies

### LEGAL CLAIMS

The Company is subject to litigation, claims, investigations and audits arising from time to time in the ordinary course of business. Although legal proceedings are inherently unpredictable, the Company believes that it has valid defenses with respect to those matters currently pending against the Company and intends to defend itself vigorously. The outcome of these matters, individually and in the aggregate, is not expected to have a material impact on the Company's cash flows, results of operations, or financial position.

On December 7, 2021, counsel for National Technical Systems, Inc. (“NTS”) sent the Company an environmental demand letter pursuant to Massachusetts General Laws Chapter 21E, Section 4A, and CERCLA 42 U.S.C. Section 9601, related to a site that NTS formerly owned at 533 Main Street, Acton, Massachusetts. NTS received a Notice of Responsibility from the Massachusetts Department of Environmental Protection (“MassDEP”) alleging trichloroethene, freon and 1,4-dioxane contamination in the groundwater emanating from NTS’s former site. NTS alleges in its demand letter that the operations of a predecessor company to the Company that was acquired in the Company’s acquisition of the Microsemi Carve-Out Business that once owned and operated a facility at 531 Main Street, Acton, Massachusetts contributed to the groundwater contamination. NTS is seeking payment from the Company of NTS’s costs for any required environmental remediation. In April 2022, the Company engaged in a meet and confer session with NTS pursuant to Massachusetts General Laws Chapter 21E, Section 4A to discuss the status of the environmental review performed by NTS and its licensed site professional. The Company subsequently delivered a letter to NTS outlining the deficiencies in their claim and reiterated that the Company is not obligated to tender a substantive response to their demand without first having received the responsive information requested in connection with the meet and confer session. In April 2024, counsel for NTS sent additional communications on their demand that the Company participate in their environmental monitoring and remediation planning, and in May 2024, the Company responded with a rebuttal of the allegations. The Company believes the NTS claims are without merit and intends to defend itself vigorously. In addition, in November 2021, the Company responded to a request for information from MassDEP regarding the detection of PFAS (per- and polyfluoroalkyl substances) in the Acton, Massachusetts Water District’s Conant public water supply wells near the former facility at 531 Main Street, Acton, Massachusetts at a level above the standard that MassDEP published for PFAS in October 2020. The Company has not been contacted by MassDEP since the Company’s response was provided in November 2021. It is too early to determine what responsibility, if any, the Company may have for these environmental matters.

On June 19, 2023, the Board of Directors received notice of the Company’s former CEO’s resignation from the positions of President and Chief Executive Officer. The Board accepted his resignation effective June 24, 2023. In the notice, the former CEO claimed he was entitled to certain benefits, including equity vesting, severance, and other benefits, under the change in control severance agreement (the “CIC Agreement”) because the former CEO had resigned with good reason during a potential change in control period. The Company disputes these claims and maintains that the former CEO resigned without good reason. On September 19, 2023, the former CEO filed for binding arbitration under the employment rules of the American Arbitration Association (“AAA”). An arbitrator was appointed on November 29, 2023, and an arbitration trial that was initially scheduled for mid-December 2024 has been rescheduled to late March 2025. On March 25, 2024, the arbitrator denied Mr. Aslett’s motion for compensation during the dispute and payment of his legal fees, preserving those matters for the arbitration trial. The Company intends to contest vigorously the claims under the CIC Agreement and believes that the Company has strong arguments that the former CEO’s claims lack merit. If the arbitrator rules in the Company’s favor, the Company may still need to pay the former CEO’s reasonable legal fees, interest, and compensation during the dispute. If instead the arbitrator rules for the former CEO, the Company could be liable for up to approximately \$14,100, based on the closing price of the Company’s common stock on June 26, 2023, for accelerated equity vesting, severance, and other benefits under the CIC Agreement, plus interest, legal fees and expenses and compensation during dispute, which could include Mr. Aslett’s base salary and other amounts based on the compensation, benefit and insurance plans in which he participated. The Company categorically denies any wrongdoing or liability under the CIC Agreement, but the outcome of potential arbitration is inherently uncertain. Accordingly, it is reasonably possible that the Company will incur a liability in this matter, and the Company estimates the potential range of exposure from \$0 to \$14,100, plus costs and attorneys’ fees, interest and compensation to the former CEO during the dispute.

On December 13, 2023, a securities class action complaint was filed against the Company, Mark Aslett, and Michael Ruppert in the U.S. District Court for the District of Massachusetts. The complaint asserted Section 10(b) and 20(a) securities fraud claims on behalf of a purported class of purchasers and sellers of the Company’s stock from December 7, 2020, through June 23, 2023. The complaint alleged that the Company’s public disclosures in SEC filings and on earnings calls were false and/or misleading. On February 27, 2024, the Court entered an order appointing Carpenters Pension Trust Fund for Northern California as lead plaintiff. On April 18, 2024, the lead plaintiff filed an amended complaint including William Ballhaus and David Farnsworth as additional defendants and amended the class period to February 3, 2021 through February 6, 2024. The Company filed a motion to dismiss on May 24, 2024, and after the plaintiffs’ filed their opposition motion and the Company filed its reply to their opposition, a hearing on the motion was conducted by the Court on July 24, 2024. On July 24, 2024, the Court dismissed the case without prejudice and permitted the plaintiffs 30 days to file an amended complaint. The plaintiffs filed for leave to amend their complaint on August 23, 2024, the Company filed its opposition motion on September 6th, the plaintiffs filed their response brief on September 17, 2024, and the Company filed its reply on September 30, 2024. On October 17, 2024, the Company received a shareholder derivative demand alleging the same claims as those covered in the federal securities class action. On November 14, 2024, the Company and the shareholder entered into a tolling agreement on the derivative demand. Subject to the terms of the Company’s by-laws and applicable Massachusetts law, Mr. Aslett, the Company’s former Chief Executive Officer, and Mr. Ruppert, the Company’s former Chief Financial Officer, Mr. Ballhaus, the Company’s current Chief Executive Officer, and Mr. Farnsworth, the Company’s current Chief Financial officer, are

indemnified by the Company for this matter. The Company believes the claims in the complaints are without merit and intends to defend itself vigorously. It is too early to determine what responsibility, if any, the Company will have for this matter.

On January 31, 2024, a former employee at the Company's Torrance, California location, filed a wage and hour class action lawsuit in California state court in Los Angeles County, along with a companion Private Attorneys General Act ("PAGA") lawsuit, to act in a representative capacity for other Mercury Mission Systems, LLC employees in California, alleging a range of violations of California wage and hour regulations. On October 1, 2024, a second former employee at our Torrance location filed a PAGA notice to act in a representative capacity on allegations of a range of violations of California wage and hour regulations. On December 21, 2024, the Company, reached an agreement in principle to settle these wage and hour class action claims for \$450, which settlement is subject to review and approval by the court.

#### INDEMNIFICATION OBLIGATIONS

The Company's standard product sales and license agreements entered into in the ordinary course of business typically contain an indemnification provision pursuant to which the Company indemnifies, holds harmless, and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with any patent, copyright or other intellectual property infringement claim by any third party with respect to the Company's products. Such provisions generally survive termination or expiration of the agreements. The potential amount of future payments the Company could be required to make under these indemnification provisions is, in some instances, unlimited.

#### PURCHASE COMMITMENTS

As of December 27, 2024, the Company has entered into non-cancelable purchase commitments for certain inventory components and services used in its normal operations. The purchase commitments covered by these agreements are for less than one year and aggregate to \$124,422.

#### OTHER

As part of the Company's strategy for growth, the Company continues to explore acquisitions or strategic alliances. The associated acquisition costs incurred in the form of professional fees and services may be material to the future periods in which they occur, regardless of whether the acquisition is ultimately completed.

The Company may elect from time to time to purchase and subsequently retire shares of common stock in order to settle employees' tax liabilities associated with vesting of a restricted stock award or exercise of stock options. These transactions would be treated as a use of cash in financing activities in the Company's Consolidated Statements of Cash Flows.

#### M. Derivatives

The Company utilizes interest rate derivatives to mitigate interest rate exposure with respect to its financing arrangements. On September 29, 2022, the Company entered into the Swap with JP Morgan Chase Bank, N.A. ("JPMorgan") for a notional amount of \$300,000 in order to fix the interest rate associated with a portion of the total \$511,500 existing borrowings on the Revolver at the time of the Swap. The Swap agreement was designated and qualified for hedge accounting treatment as a cash flow hedge. The Swap was scheduled to mature on February 28, 2027, coterminous with the maturity of the Revolver. The Swap established a fixed interest rate on the first \$300,000 of the Company's outstanding borrowings against the Revolver obligation at 3.79%.

On September 28, 2023, the Company terminated the Swap. At the time of termination, the fair value of the Swap was an asset of \$7,403. The Company received the cash settlement of \$7,403 and these proceeds are classified within Operating Activities of the Consolidated Statements of Cash Flows.

Following the termination of the Swap, the Company entered into the September 2023 Swap agreement on September 28, 2023 with JPMorgan for a notional amount of \$300,000 in order to fix the interest rate associated with a portion of the total \$576,500 existing borrowings on Company's Revolver at the time of the Swap at 4.66%. The September 2023 Swap agreement was designated and qualified for hedge accounting treatment as a cash flow hedge. The September 2023 Swap matures on February 28, 2027, coterminous with the maturity of the Revolver.

As of December 27, 2024, the fair value of the September 2023 Swap was a liability of \$3,559 and is included within Other non-current liabilities in the Company's Consolidated Balance Sheets.

During the second quarter and six months ended December 27, 2024, the Company amortized a total of \$881 and \$1,762, respectively, of the gain associated with the interest swaps terminated on September 29, 2022 and September 28, 2023, which is included within Other comprehensive loss.

The market risk associated with the Company's derivative instrument is the result of interest rate movements that are expected to offset the market risk of the underlying arrangement. The counterparty to the September 2023 Swap is JPMorgan. Based on the credit ratings of the Company's counterparty as of December 27, 2024, nonperformance is not perceived to be a material risk. Furthermore, none of the Company's derivatives are subject to collateral or other security arrangements and none contain provisions that are dependent on the Company's credit ratings from any credit rating agency. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of the Company's exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of the counterparty to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparty obligations under the contracts exceed the obligations of the Company to the counterparty. As a result of the above considerations, the Company does not consider the risk of counterparty default to be significant.

**N. Subsequent Events**

The Company has evaluated subsequent events from the date of the Consolidated Balance Sheet through the date the consolidated financial statements were issued.

On January 29, 2025, the Company executed a workforce reduction that will eliminate approximately 145 positions, resulting in expected restructuring charges of approximately \$5,000. All of the restructuring and other charges will be classified as Operating expenses in the Consolidated Statements of Operations and Comprehensive Loss and any remaining restructuring obligations are expected to be paid within the next twelve months.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FORWARD-LOOKING STATEMENTS

From time to time, information provided, statements made by our employees or information included in our filings with the Securities and Exchange Commission ("SEC") may contain statements that are not historical facts but that are "forward-looking statements," which involve risks and uncertainties. You can identify these statements by the words "may," "will," "could," "should," "would," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," "likely," "forecast," "probable," "potential," and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in our markets, effects of any U.S. federal government shutdown or extended continuing resolution, effects of geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in or cost increases related to completing development, engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in, or in the U.S. government's interpretation of, federal export control or procurement rules and regulations, including tariffs, changes in, or in the interpretation or enforcement of, environmental rules and regulations, market acceptance of our products, shortages in or delays in receiving components, supply chain delays or volatility for critical components, production delays or unanticipated expenses including due to quality issues or manufacturing execution issues, adherence to required manufacturing standards, capacity underutilization, increases in scrap or inventory write-offs, failure to achieve or maintain manufacturing quality certifications, such as AS9100, the impact of supply chain disruption, inflation and labor shortages, among other things, on program execution and the resulting effect on customer satisfaction, inability to fully realize the expected benefits from acquisitions, restructurings, and operational efficiency initiatives or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, effects of shareholder activism, increases in interest rates, changes to industrial security and cyber-security regulations and requirements and impacts from any cyber or insider threat events, changes in tax rates or tax regulations, such as the deductibility of internal research and development, changes to interest rate swaps or other cash flow hedging arrangements, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, litigation, including the dispute arising with the former CEO over his resignation, unanticipated costs under fixed-price service and system integration engagements, and various other factors beyond our control. These risks and uncertainties also include such additional risk factors as are discussed in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended June 28, 2024. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward looking statement to reflect events or circumstances after the date on which such statement is made.

### OVERVIEW

Mercury Systems is a technology company that delivers mission-critical processing power to the edge - where signals and data are collected - to solve the most pressing aerospace and defense challenges. Mercury's products and solutions are deployed in more than 300 programs and across 35 countries. The Company is headquartered in Andover, Massachusetts, and has over 20 locations worldwide.

The Mercury Processing Platform is the unique advantage we provide to our customers. It comprises the innovative technologies we've developed and acquired for more than 40 years that bring integrated, mission-critical processing capabilities to the edge. Our processing platform spans the full breadth of signal processing—from radio frequency ("RF") front end to the human-machine interface—to rapidly convert meaningful data, gathered in the most remote and hostile environments, into critical decisions. It allows us to offer standard products and custom solutions from silicon to system scale, including components, modules, subsystems, and systems and it embodies the customer-centric approach we take to delivering capabilities that are mission-ready, trusted and secure, software-defined, and open and modular.

As a leading manufacturer of essential components, products, modules and subsystems, we sell to all of the top defense prime contractors, the U.S. government and original equipment manufacturers ("OEM") commercial aerospace companies. Our mission-critical products and solutions are deployed by our customers for a variety of applications including sensor and radar processing, electronic warfare, avionics, weapons, and command, control, communications, and intelligence ("C4I"). Mercury has built a trusted, robust portfolio of proven capabilities, leveraging the most advanced commercial silicon technologies and purpose-built to exceed the performance needs of our defense and commercial customers. Customers add their own applications and algorithms to our specialized, secure and innovative products and pre-integrated solutions. This allows them to complete their full system by integrating with their platform, the sensor technology and, increasingly, the processing from Mercury.

Our deep, long-standing relationships with leading high-tech and other commercial companies, coupled with our targeted research and development (“R&D”) investments and industry-leading trusted and secure design and manufacturing capabilities, are the foundational tenets of this highly successful model. We are leading the development and adaptation of commercial technology for aerospace and defense solutions. From chip-scale to system scale and from data, including RF to digital to decision, we make mission-critical technologies safe, secure, affordable and relevant for our customers.

Our capabilities, technology, people and R&D investment strategy combine to differentiate Mercury in our industry. We maintain our technological edge by investing in critical capabilities and intellectual property (“IP” or “building blocks”) in processing, leveraging open standards and open architectures to adapt quickly those building blocks into solutions for highly data-intensive applications, including emerging needs in areas such as artificial intelligence (“AI”).

As of December 27, 2024, we had 2,374 employees. We employ hardware and software architects and design engineers, primarily engaged in engineering and research and product development activities to achieve our objectives to fully capitalize upon and maintain our technological leads in the high-performance, real-time sensor processing industry and in mission computing, platform management and other safety-critical applications. Our talent attraction, engagement and retention is critical to execute on our long-term strategy. We invest in our culture and values to drive employee engagement that turns ideas into action, delivering trusted and secure solutions at the speed of innovation. We believe that our success depends on our ability to foster a company-wide culture that values a broad range of solutions to problems, a wide array of skills and experiences, and multiple perspectives. We are committed to providing an inclusive environment that respects the varied backgrounds and viewpoints of our employees. We believe that the workforce required to grow our business and deliver creative solutions must be rich in diverse thought; and experience. Our initiatives focus on building and maintaining the talent that will create cohesive and collaborative teams that drive innovation. By adhering to these values, it will help our employees to realize their full potential at work to provide Innovation That Matters®.

Our consolidated revenues, net loss, diluted net loss per share, adjusted earnings per share (“adjusted EPS”), and adjusted EBITDA for the second quarter ended December 27, 2024 were \$223.1 million, (\$17.6) million, (\$0.30), \$0.07, and \$22.0 million, respectively. Our consolidated revenues, net loss, diluted net loss per share, adjusted earnings per share (“adjusted EPS”), and adjusted EBITDA for the six months ended December 27, 2024 were \$427.6 million, (\$35.1) million, (\$0.60), \$0.11, and \$43.5 million, respectively. See the Non-GAAP Financial Measures section for a reconciliation to our most directly comparable GAAP financial measures.

## RESULTS OF OPERATIONS:

There were 13 weeks included in the results of operations for the second quarters ended December 27, 2024 and December 29, 2023, respectively. The results for the second quarter ended December 27, 2024 are not necessarily indicative of the results to be expected for the full fiscal year.

### The second quarter ended December 27, 2024 compared to the second quarter ended December 29, 2023

The following table sets forth, for the second quarter ended indicated, financial data from the Consolidated Statements of Operations and Comprehensive Loss:

<u>(In thousands)</u>	<u>December 27, 2024</u>	<u>As a % of Total Net Revenue</u>	<u>December 29, 2023</u>	<u>As a % of Total Net Revenue</u>
Net revenues	\$ 223,125	100.0 %	\$ 197,463	100.0 %
Cost of revenues	162,299	72.7	165,943	84.0
Gross margin	60,826	27.3	31,520	16.0
Operating expenses:				
Selling, general and administrative	40,501	18.2	44,470	22.5
Research and development	21,368	9.6	28,476	14.4
Amortization of intangible assets	11,154	5.0	12,270	6.3
Restructuring and other charges	40	—	2	—
Acquisition costs and other related expenses	178	0.1	231	0.1
Total operating expenses	73,241	32.9	85,449	43.3
Loss from operations	(12,415)	(5.6)	(53,929)	(27.3)
Interest income	406	0.2	29	—
Interest expense	(8,430)	(3.8)	(8,674)	(4.4)
Other expense, net	(3,865)	(1.7)	(1,148)	(0.5)
Loss before income tax benefit	(24,304)	(10.9)	(63,722)	(32.3)
Income tax benefit	(6,725)	(3.0)	(18,141)	(9.2)
Net Loss	\$ (17,579)	(7.9)%	\$ (45,581)	(23.1)%

## REVENUES

Total revenues increased \$25.7 million, or 13.0%, to \$223.1 million during the second quarter ended December 27, 2024, as compared to \$197.5 million during the second quarter ended December 29, 2023. Revenues increased year over year as we pivoted our resources in fiscal 2024 to executing on our program base, including progress toward full rate production of our common processing architecture. Point in time revenue and over time revenue represented 55% and 45% of total revenues during the second quarter ended December 27, 2024, an increase of \$29.1 million and decrease of \$3.4 million, respectively. Point in time revenue and over time revenue represented 47% and 53% respectively, of total revenues during the second quarter ended December 29, 2023.

Revenue increases by product grouping were driven by the integrated solutions, components, and modules and sub-assemblies which increased \$18.3 million, \$3.9 million, and \$3.4 million, respectively during the second quarter ended December 27, 2024 when compared to the prior period. The increase in total revenue by end application was primarily driven by the radar and other end applications with increases of \$36.0 million and \$14.8 million respectively, partially offset by decreases to C4I and electronic warfare of \$22.5 million and \$2.2 million, respectively. The increase in total revenue by platform was also driven by higher Land, Naval, Other, and Space of \$16.7 million, \$13.5 million, \$10.1 million, and \$7.3 million, respectively, partially offset by a decrease to Airborne of \$21.9 million. The largest program increases were related to LTAMDS, Aegis, and MH-60R/S, partially offset by decreases in the SCAR and F/A-18 programs when compared to the prior period. There were no programs comprising 10% or more of our revenues for the second quarters ended December 27, 2024 or December 29, 2023.

## GROSS MARGIN

Gross margin was 27.3% for the second quarter ended December 27, 2024, an increase of 1,130 basis points from the 16.0% gross margin realized during the second quarter ended December 29, 2023. The higher gross margin was driven primarily by net EAC change impact on our programs recognized over time of approximately \$4.4 million recorded in the quarter, an incremental improvement of approximately \$26.2 million, or 1,355 basis points, when compared to the prior period as well as lower inventory reserves of \$12.4 million. The increase in inventory reserves in fiscal 2024 related to specifically identified excess and obsolete inventory primarily resulting from a shift in customer demand for our next generation product offering. These improvements in gross margin were partially offset by higher manufacturing adjustments of \$4.1 million.

We had the following aggregate effects of favorable and unfavorable margin impacts as a result of changes in estimates across our portfolio for the period presented:

<i>(in thousands)</i>	Second Quarters Ended	
	December 27, 2024	December 29, 2023
Gross favorable	\$ 7,040	\$ 5,455
Gross unfavorable	(11,448)	(36,106)
Net impact of changes in estimates	<u>\$ (4,408)</u>	<u>\$ (30,651)</u>

The changes in estimates are assessed based on historical results and cumulative adjustments are recorded to recognize revenue to date based on changes in estimated margin on programs, including impact of contract amendments factored for potential risks and opportunities. We utilize the latest and best information available when revising our estimates and apply consistent judgement across the full portfolio of programs.

## SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses decreased \$4.0 million, or 8.9%, to \$40.5 million during the second quarter ended December 27, 2024, as compared to \$44.5 million in the second quarter ended December 29, 2023. The decrease was primarily driven by lower bad debt expense of \$5.0 million as well as the savings from reductions in force initiated in fiscal 2024, resulting in lower compensation costs of \$4.0 million. These decreases were partially offset by higher bonus expense of \$2.4 million as well as legal and consulting costs of \$3.0 million.

## RESEARCH AND DEVELOPMENT

Research and development expenses decreased \$7.1 million, or 25.0%, to \$21.4 million during the second quarter ended December 27, 2024, as compared to \$28.5 million during the second quarter ended December 29, 2023. The decrease during the second quarter ended December 27, 2024 was primarily driven by the savings from headcount reductions of 111 employees, initiated in fiscal 2024, resulting in lower expense of \$7.7 million as well as decreased spend on outside services of \$2.1 million. These decreases were partially offset by higher bonus expense of \$3.1 million.

## AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets decreased \$1.1 million to \$11.2 million during the second quarter ended December 27, 2024, as compared to \$12.3 million during the second quarter ended December 29, 2023, primarily due to various developed technology and customer relationship intangibles being fully amortized in fiscal 2024.

## RESTRUCTURING AND OTHER CHARGES

There was an immaterial amount of restructuring and other charges during the second quarters ended December 27, 2024 and December 29, 2023.

On January 29, 2025, we executed a workforce reduction that will eliminate approximately 145 positions, resulting in expected restructuring charges of approximately \$5.0 million. All of the restructuring and other charges will be classified as Operating expenses in the Consolidated Statements of Operations and Comprehensive Loss and any remaining restructuring obligations are expected to be paid within the next twelve months.

## ACQUISITION COSTS AND OTHER RELATED EXPENSES

There was an immaterial amount of acquisition costs and other related expenses during the second quarters ended December 27, 2024 and December 29, 2023.

## INTEREST INCOME

We recognized \$0.4 million of interest income during the second quarter ended December 27, 2024, as compared to an immaterial amount during the second quarter ended December 29, 2023. The increase was driven by higher average cash and cash equivalents during the period.

#### INTEREST EXPENSE

We incurred \$8.4 million of interest expense during the second quarter ended December 27, 2024, as compared to \$8.7 million during the second quarter ended December 29, 2023. The decrease was driven by lower average outstanding borrowings during the period on our existing credit facility (the "Revolver").

#### OTHER EXPENSE, NET

Other expense, net was \$3.9 million during the second quarter ended December 27, 2024, as compared to \$1.1 million during the second quarter ended December 29, 2023. The second quarter ended December 27, 2024 includes \$2.4 million net foreign currency translation losses, \$1.1 million of financing costs, \$0.1 million of consulting costs, and \$0.1 million of securities class action expense. The second quarter ended December 29, 2023 includes litigation and settlement expenses of \$1.4 million and \$0.8 million of financing costs, partially offset by net foreign currency translation gains of \$0.7 million and \$0.4 million of other income.

#### INCOME TAXES

We recorded an income tax benefit of \$6.7 million and \$18.1 million on a loss before income taxes of \$24.3 million and \$63.7 million for the second quarters ended December 27, 2024 and December 29, 2023, respectively.

During the second quarters ended December 27, 2024 and December 29, 2023, we recognized a tax provision of \$0.1 million and \$0.4 million related to stock compensation shortfalls, respectively.

The effective tax rate for the second quarter ended December 27, 2024 differed from the federal statutory rate primarily due to federal and state research and development credits, non-deductible compensation, and state taxes. The effective tax rate for the second quarter ended December 29, 2023 differed from the federal statutory rate primarily due to federal and state research and development credits, non-deductible compensation, stock compensation shortfalls, and state taxes.

We continue to maintain a valuation allowance on the majority of our foreign net operating loss carryforwards and state research and developmental tax credit carryforwards. Based on forecasted taxable income and the scheduled reversal of the remaining deferred tax assets, we believe it is more likely than not that all other deferred tax assets will be recognized.

## Six months ended December 27, 2024 compared to the six months ended December 29, 2023

The following table sets forth, for the six month periods indicated, financial data from the Consolidated Statements of Operations and Comprehensive Loss:

(In thousands)	December 27, 2024	As a % of Total Net Revenue	December 29, 2023	As a % of Total Net Revenue
Net revenues	\$ 427,556	100.0 %	\$ 378,454	100.0 %
Cost of revenues	314,940	73.7	296,407	78.3
Gross margin	112,616	26.3	82,047	21.7
Operating expenses:				
Selling, general and administrative	73,654	17.2	80,264	21.2
Research and development	39,751	9.3	60,348	15.9
Amortization of intangible assets	22,389	5.2	24,817	6.6
Restructuring and other charges	2,300	0.5	9,548	2.5
Acquisition costs and other related expenses	355	0.1	1,200	0.4
Total operating expenses	138,449	32.3	176,177	46.6
Loss from operations	(25,833)	(6.0)	(94,130)	(24.9)
Interest income	950	0.2	132	—
Interest expense	(17,336)	(4.1)	(16,537)	(4.4)
Other expense, net	(5,204)	(1.2)	(2,922)	(0.7)
Loss before income tax benefit	(47,423)	(11.1)	(113,457)	(30.0)
Income tax benefit	(12,319)	(2.9)	(31,168)	(8.2)
Net Loss	\$ (35,104)	(8.2)%	\$ (82,289)	(21.8)%

### REVENUES

Total revenues increased \$49.1 million, or 13.0%, to \$427.6 million during the six months ended December 27, 2024, as compared to \$378.5 million during the six months ended December 29, 2023. Revenues increased year over year as we pivoted our resources in fiscal 2024 to executing on our program base, including progress toward full rate production of our common processing architecture. Point in time revenue and over time revenue each represented 50% of total revenues during the six months ended December 27, 2024, an increase of \$45.0 million and \$4.1 million, respectively. Point and time revenue and over time revenue represented 45% and 55% respectively, of total revenue during the six months ended December 29, 2023.

Revenue increases by product groupings were driven by the integrated solutions, modules and sub-assemblies and components which increased \$26.1 million, \$11.7 million and \$11.3 million, respectively. The increase in total revenue by end application was primarily driven by the radar, other, and other sensor and effector increases of \$43.1 million, \$29.1 million, and \$4.7 million respectively, partially offset by decreases to C4I and electronic warfare of \$27.4 million and \$0.3 million, respectively. The increase in total revenue by platform was also driven by higher Other, Land, Space and Naval of \$30.3 million, \$25.3 million, \$16.6 million, and \$13.0 million, respectively, partially offset by a decrease to Airborne of \$36.1 million. The largest program increases were related to the LTAMDS, Aegis and MH-60R/S programs, partially offset by decreases to the SCAR and AARGM programs when compared to the prior period. There were no programs comprising 10% or more of our revenues for the six months ended December 27, 2024 or December 29, 2023.

### GROSS MARGIN

Gross margin was 26.3% for the six months ended December 27, 2024, an increase of 460 basis points from the 21.7% gross margin realized during the six months ended December 29, 2023. The higher gross margin was driven primarily by net EAC change impact on our programs recognized over time of approximately \$12.7 million recorded in the period, an incremental improvement of approximately \$35.2 million, or 969 basis points, when compared to the prior period as well as lower inventory reserves of \$9.4 million, partially offset by higher manufacturing adjustments of \$12.3 million.

We had the following aggregate effects of favorable and unfavorable margin impacts as a result of changes in estimates across our portfolio for the period presented:

<i>(in thousands)</i>	Six Months Ended	
	December 27, 2024	December 29, 2023
Gross favorable	\$ 14,814	\$ 11,790
Gross unfavorable	(27,515)	(59,704)
Net impact of changes in estimates	\$ (12,701)	\$ (47,914)

The changes in estimates are assessed based on historical results and cumulative adjustments are recorded to recognize revenue to date based on changes in estimated margin on programs, factored for potential risks and opportunities. We utilize the latest and best information available when revising our estimates and apply consistent judgement across the full portfolio of programs.

#### SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses decreased \$6.6 million, or 8.2%, to \$73.7 million during the six months ended December 27, 2024, as compared to \$80.3 million during the six months ended December 29, 2023. The decrease was primarily driven by the reduction in force initiated in fiscal 2024, resulting in lower costs of \$8.6 million, lower bad debt expense of \$4.8 million, lower software licensing fees of \$2.2 million, lower directors fees of \$0.6 million, and lower facilities expense of \$0.5 million. These decreases were partially offset by higher stock-based compensation of \$3.5 million, higher bonus expense of \$3.1 million, as well as higher legal and consulting costs of \$3.7 million.

#### RESEARCH AND DEVELOPMENT

Research and development expenses decreased \$20.6 million, or 34.1%, to \$39.8 million during the six months ended December 27, 2024, as compared to \$60.3 million during the six months ended December 29, 2023. The decrease was primarily driven by the savings from headcount reductions of 111 employees, initiated in fiscal 2024, resulting in lower expense of \$18.1 million, as well as decreased spend on outside services, supplies, and consulting services of \$6.5 million. These decreases were partially offset by higher bonus expense of \$3.7 million.

#### RESTRUCTURING AND OTHER CHARGES

Restructuring and other charges were \$2.3 million during the six months ended December 27, 2024, as compared to \$9.5 million during the six months ended December 29, 2023. Restructuring and other charges during the six months ended December 27, 2024 are primarily related to severance related charges. Restructuring and other charges during the six months ended December 29, 2023 include \$9.5 million of severance costs related to a workforce reduction that eliminated approximately 150 positions.

On January 29, 2025, we executed a workforce reduction that will eliminate approximately 145 positions, resulting in expected restructuring charges of approximately \$5.0 million. All of the restructuring and other charges will be classified as Operating expenses in the Consolidated Statements of Operations and Comprehensive Loss and any remaining restructuring obligations are expected to be paid within the next twelve months.

#### ACQUISITION COSTS AND OTHER RELATED EXPENSES

Acquisition costs and other related expenses were \$0.4 million during the six months ended December 27, 2024, as compared to \$1.2 million during the six months ended December 29, 2023. The acquisition costs and other related expenses we incurred during the six months ended December 27, 2024 includes \$0.4 million related to run-rate amortization of fair value adjustments from purchase accounting. Acquisition costs and other related expenses during the six months ended December 29, 2023 includes \$0.4 million related to run-rate amortization of fair value adjustments from purchase accounting, \$0.3 million related to the conclusion of the Board of Directors' review of strategic alternatives, as well as \$0.3 million for third-party advisory fees in connection with engagements by activist investors.

#### INTEREST INCOME

We recognized \$1.0 million of interest income during the six months ended December 27, 2024, as compared to \$0.1 million during the six months ended December 29, 2023. The increase was driven by higher average cash and cash equivalents during the period.

## INTEREST EXPENSE

We incurred \$17.3 million of interest expense during the six months ended December 27, 2024, as compared to \$16.5 million during the six months ended December 29, 2023. The increase was higher average outstanding borrowings during the period on our existing credit facility (the "Revolver").

## OTHER EXPENSE, NET

Other expense, net increased \$2.3 million to \$5.2 million during the six months ended December 27, 2024 as compared to \$2.9 million during the six months ended December 29, 2023. There were \$3.4 million of financing costs, \$0.9 million of net foreign currency translation losses, \$0.7 million of consulting costs, and \$0.3 million of securities class action expense, partially offset by other income of \$0.2 million during the six months ended December 27, 2024. There was \$1.9 million of litigation and settlement costs, \$1.4 million of financing costs and \$0.3 million of net foreign currency translation losses, partially offset by other income of \$0.7 million during the six months ended December 29, 2023.

## INCOME TAXES

We recorded an income tax benefit of \$12.3 million and \$31.2 million on a loss before income taxes of \$47.4 million and \$113.5 million for the six months ended December 27, 2024 and December 29, 2023, respectively.

During the six months ended December 27, 2024 and December 29, 2023, we recognized a tax provision of \$0.4 and \$1.6 million related to stock compensation shortfalls, respectively.

The effective tax rate for the six months ended December 27, 2024 differed from the federal statutory rate primarily due to federal and state research and development credits, non-deductible compensation, and state taxes. The effective tax rate for the six months ended December 29, 2023 differed from the federal statutory rate primarily due to federal and state research and development credits, non-deductible compensation, stock compensation shortfalls, and state taxes.

We continue to maintain a valuation allowance on the majority of our foreign net operating loss carryforwards and state research and developmental tax credit carryforwards. Based on forecasted taxable income and the scheduled reversal of the remaining deferred tax assets, we believe it is more likely than not that all other deferred tax assets will be recognized.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity come from existing cash and cash generated from operations, our Revolver, our ability to raise capital under our universal shelf registration statement and our ability to factor our receivables. Our near-term fixed commitments for cash expenditures consist primarily of payments under operating leases and inventory purchase commitments. We have experienced growth in our working capital balances and, in particular, related to unbilled receivables and inventory over the last several years. As we receive follow-on production awards, we believe that both unbilled receivables and inventory is expected to convert to cash reducing our working capital balances.

Based on our current plans and business conditions, we believe that existing cash and cash equivalents, our available Revolver, cash generated from operations and our financing capabilities will be sufficient to satisfy our anticipated cash requirements for at least the next twelve months.

### *Shelf Registration Statement*

On October 4, 2023, we filed a shelf registration statement on Form S-3ASR with the SEC. The shelf registration statement, which was effective upon filing with the SEC, registered each of the following securities: debt securities, preferred stock, common stock, warrants and units. We intend to use the proceeds from financings using the shelf registration statement for general corporate purposes, which may include the following:

- the acquisition of other companies or businesses;
- the repayment and refinancing of debt;
- capital expenditures;
- working capital; and
- other purposes as described in the prospectus supplement.

We have an unlimited amount available under the shelf registration statement.

### **Revolving Credit Facilities**

On November 7, 2023, due to the uncertainty surrounding a government shutdown or prolonged continuing resolution and the potential impact on the second quarter and fiscal 2024 results, we proactively executed Amendment No. 5 to the Revolver, as amended to date, with a syndicate of commercial banks and Bank of America, N.A acting as the administrative agent allowing for a temporary increase in the Consolidated Total Net Leverage Ratio covenant requirement from 4.50 to 5.25 for the second quarter ended December 29, 2023. As part of Amendment No. 5, the Company agreed to a temporary reduction of Revolver capacity to \$750.0 million through the earlier of May 15, 2024 or the filing of the compliance certificate for the period ended March 29, 2024.

On August 13, 2024, we executed Amendment No. 6 to the Revolver, decreasing the permanent borrowing capacity to \$900.0 million, with a temporary reduction in credit availability to \$750.0 million until we meet a minimum consolidated EBITDA level of \$75.0 million.

During the second quarter and six months ended December 27, 2024, we did not have any additional borrowings or repayments. As of December 27, 2024, the Company was in compliance with all covenants and conditions under the Revolver and expects to be within our covenant and conditions for the remainder of the year. The borrowing capacity as defined under the Revolver as of December 27, 2024 is approximately \$750.0 million, less outstanding borrowings of \$591.5 million.

### **Receivables Purchase Agreement**

On September 27, 2022, we entered into an uncommitted receivables purchase agreement (“RPA”), pursuant to which we may offer to sell certain customer receivables, subject to the terms and conditions of the RPA. The RPA was an uncommitted arrangement such that we were not obligated to sell any receivables and the party had no obligation to purchase any receivables from us. Pursuant to the RPA, the party may purchase certain of our customer receivables at a discounted rate, subject to a limit that as of any date, the total amount of purchased receivables held by the party, less the amount of all collections received on such receivables, may not exceed \$20.0 million. The RPA had an indefinite term, with the agreement remaining in effect until termination by either party. On March 14, 2023, we amended the RPA to increase the capacity from \$20.0 million to \$30.6 million. On June 21, 2023, we further amended the RPA to increase the capacity from \$30.6 million to \$60.0 million. On August 13, 2024, we terminated the RPA in conjunction with entering into a new receivables purchase and service agreement.

On August 13, 2024, we entered into a \$60.0 million committed receivables purchase and servicing agreement (“RPSA”) with a new party. The RPSA has an initial term of two years. Pursuant to the RPSA, the new party has committed to purchase receivables from a certain number of agreed upon customers, maintaining a balance of purchased receivables at or below \$60.0 million. We factored accounts receivable and incurred factoring fees of approximately \$58.1 million and \$0.8 million, respectively, for the six months ended December 27, 2024. We factored accounts receivable and incurred factoring fees of approximately \$48.2 million and \$1.3 million respectively, for the six months ended December 29, 2023.

### **CASH FLOWS**

<b>(In thousands)</b>	<b>As of and For the Six Months Ended,</b>	
	<b>December 27, 2024</b>	<b>December 29, 2023</b>
Net cash provided by operating activities	\$ 70,802	\$ 6,426
Net cash used in investing activities	\$ (7,891)	\$ (16,005)
Net cash (used in) provided by financing activities	\$ (757)	\$ 106,217
Net increase in cash and cash equivalents	\$ 62,044	\$ 97,083
Cash and cash equivalents at end of period	\$ 242,565	\$ 168,646

Our cash and cash equivalents increased by \$62.0 million from June 28, 2024 to December 27, 2024, as the result of \$70.8 million of cash provided by operating activities, \$1.9 million other investing activities, and \$1.5 million proceeds from employee stock plans, partially offset by \$9.8 million invested in purchases of property and equipment, and \$2.2 million of cash paid in deferred financing and offering costs.

### Operating Activities

During the six months ended December 27, 2024, we had an inflow of \$70.8 million in cash from operating activities compared to a \$6.4 million inflow during the six months ended December 29, 2023. The higher inflow during the six months ended December 27, 2024 was primarily due to a lower net loss of \$47.2 million, higher inflow from deferred revenues and customer advances of \$38.1 million, lower benefit for deferred income taxes of \$15.3 million, and an income tax refund received of \$0.2 million as compared to income tax payments of \$13.9 million during the six months ended December 29, 2023. This activity was partially offset by a lower inflow from accounts receivable, unbilled receivables and costs in excess of billings of \$38.2 million and a \$4.8 million lower provision for bad debt. The six months ended December 29, 2023 also included a \$7.4 million inflow from the cash settlement for the termination of the interest rate swap.

### Investing Activities

During the six months ended December 27, 2024, we invested \$7.9 million, a decrease of \$8.1 million, as compared to \$16.0 million during the six months ended December 29, 2023 primarily due to \$6.2 million lower purchases of property and equipment and an inflow of \$1.9 million due to other investing activities.

### Financing Activities

During the six months ended December 27, 2024, we had no additional borrowings on our Revolver as compared to \$105.0 million of borrowings during the six months ended December 29, 2023. The six months ended December 27, 2024, included \$2.2 million of cash paid in deferred financing in conjunction with the amendment to our Revolver during the first quarter of fiscal 2025, partially offset by \$1.5 million proceeds from employee stock plans.

## COMMITMENTS, CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The following is a schedule of our commitments and contractual obligations outstanding at December 27, 2024:

<b>(In thousands)</b>	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More Than 5 Years</b>
Purchase obligations	\$ 124,422	\$ 124,422	\$ —	\$ —	\$ —
Operating leases	82,783	14,386	27,705	21,826	18,866
	<u>\$ 207,205</u>	<u>\$ 138,808</u>	<u>\$ 27,705</u>	<u>\$ 21,826</u>	<u>\$ 18,866</u>

Purchase obligations represent open non-cancelable purchase commitments for certain inventory components and services used in normal operations. The purchase commitments covered by these agreements are for less than one year and aggregated approximately \$124.4 million at December 27, 2024.

We have a liability at December 27, 2024 of \$7.7 million for uncertain tax positions that have been taken or are expected to be taken in various income tax returns. We do not know the ultimate resolution on these uncertain tax positions and as such, do not know the ultimate timing of payments or amount, if any, related to this liability. Accordingly, these amounts are not included in the above table.

Our standard product sales and license agreements entered into in the ordinary course of business typically contain an indemnification provision pursuant to which we indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred in connection with certain intellectual property infringement claims by any third party with respect to our products. Such provisions generally survive termination or expiration of the agreements. The potential amount of future payments we could be required to make under these indemnification provisions is, in some instances, unlimited.

As part of our strategy for growth, we continue to explore acquisitions or strategic alliances. The associated acquisition costs incurred in the form of professional fees and services may be material to the future periods in which they occur, regardless of whether the acquisition is ultimately completed.

We may elect from time to time to purchase and subsequently retire shares of common stock in order to settle employees' tax liabilities associated with vesting of a restricted stock award. These transactions would be treated as a use of cash in financing activities in our Consolidated Statements of Cash Flows.

## OFF-BALANCE SHEET ARRANGEMENTS

Other than certain indemnification provisions in the normal course of business, we do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets, or any obligation arising out of a material variable interest in an unconsolidated entity. We do not have any majority-owned subsidiaries that are not consolidated in the financial statements. Additionally, we do not have an interest in, or relationships with, any special purpose entities.

## NON-GAAP FINANCIAL MEASURES

In our periodic communications, we discuss certain important measures that are not calculated according to U.S. generally accepted accounting principles (“GAAP”), including adjusted EBITDA, adjusted income, adjusted EPS, and free cash flow.

Adjusted EBITDA is defined as net income before other non-operating adjustments, interest income and expense, income taxes, depreciation, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition, financing and other third party costs, fair value adjustments from purchase accounting, litigation and settlement income and expense, COVID related expenses, and stock-based and other non-cash compensation expense. We use adjusted EBITDA as an important indicator of the operating performance of our business. We use adjusted EBITDA in internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to our board of directors, determining the portion of bonus compensation for executive officers and other key employees based on operating performance, evaluating short-term and long-term operating trends in our operations and allocating resources to various initiatives and operational requirements. We believe that adjusted EBITDA permits a comparative assessment of our operating performance, relative to our performance based on our GAAP results, while isolating the effects of charges that may vary from period to period without any correlation to underlying operating performance. We believe that these non-GAAP financial adjustments are useful to investors because they allow investors to evaluate the effectiveness of the methodology and information used by management in our financial and operational decision-making. We believe that trends in our adjusted EBITDA are valuable indicators of our operating performance.

Adjusted EBITDA is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies. We expect to continue to incur expenses similar to the adjusted EBITDA financial adjustments described above, and investors should not infer from our presentation of this non-GAAP financial measure that these costs are unusual, infrequent or non-recurring.

The following table reconciles our net loss, the most directly comparable GAAP financial measure, to our adjusted EBITDA:

(In thousands)	Second Quarters Ended		Six Months Ended	
	December 27, 2024	December 29, 2023	December 27, 2024	December 29, 2023
Net loss	\$ (17,579)	\$ (45,581)	\$ (35,104)	\$ (82,289)
Other non-operating adjustments, net	2,549	(1,042)	814	(311)
Interest expense, net	8,024	8,645	16,386	16,405
Income tax benefit	(6,725)	(18,141)	(12,319)	(31,168)
Depreciation	9,768	9,923	19,753	20,068
Amortization of intangible assets	11,154	12,270	22,389	24,817
Restructuring and other charges	40	2	2,300	9,548
Impairment of long-lived assets	—	—	—	—
Acquisition, financing and other third party costs	1,109	860	3,440	2,192
Fair value adjustments from purchase accounting	178	178	355	355
Litigation and settlement expense, net	2,087	1,383	3,481	1,886
Stock-based and other non-cash compensation expense	11,424	10,195	21,984	19,146
Adjusted EBITDA	\$ 22,029	\$ (21,308)	\$ 43,479	\$ (19,351)

Adjusted income and adjusted EPS exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. We believe that exclusion of these items assists in providing a more complete understanding of our underlying results and trends and allows for comparability with our peer company index and industry. These non-GAAP financial measures may not be computed in the same manner as similarly titled measures used by other companies. We use these measures along with the corresponding GAAP financial measures to manage our business and to evaluate our performance compared to prior periods and the marketplace. We define adjusted income as net income before other non-operating adjustments, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition, financing and other third party costs, fair value adjustments from purchase accounting, litigation and settlement income and expense, and stock-based and other non-cash compensation expense. The impact to income taxes includes the impact to the effective tax rate, current tax provision and deferred tax provision. Adjusted EPS expresses adjusted income on a per share basis using weighted average diluted shares outstanding.

Adjusted income and adjusted EPS are non-GAAP financial measures and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. We expect to continue to incur expenses similar to the adjusted income and adjusted EPS financial adjustments described above, and investors should not infer from our presentation of these non-GAAP financial measures that these costs are unusual, infrequent or non-recurring.

The following tables reconcile net loss and diluted loss per share, the most directly comparable GAAP measures, to adjusted income (loss) and adjusted EPS:

(In thousands, except per share data)	Second Quarters Ended			
	December 27, 2024		December 29, 2023	
Net loss and loss per share	\$ (17,579)	\$ (0.30)	\$ (45,581)	\$ (0.79)
Other non-operating adjustments, net	2,549		(1,042)	
Amortization of intangible assets	11,154		12,270	
Restructuring and other charges	40		2	
Impairment of long-lived assets	—		—	
Acquisition, financing and other third party costs	1,109		860	
Fair value adjustments from purchase accounting	178		178	
Litigation and settlement expense, net	2,087		1,383	
Stock-based and other non-cash compensation expense	11,424		10,195	
Impact to income taxes <sup>(1)</sup>	(7,022)		(2,446)	
Adjusted income (loss) and adjusted earnings (loss) per share <sup>(2)</sup>	<u>\$ 3,940</u>	<u>\$ 0.07</u>	<u>\$ (24,181)</u>	<u>\$ (0.42)</u>
Diluted weighted-average shares outstanding		<u>58,843</u>		<u>57,424</u>

(1) Impact to income taxes is calculated by recasting income before income taxes to include the items involved in determining adjusted income and recalculating the income tax provision using this adjusted income from operations before income taxes. The recalculation also adjusts for any discrete tax expense or benefit related to the items.

(2) Adjusted earnings per share is calculated using diluted shares whereas Net loss per share or Adjusted loss per share is calculated using basic shares. There were no impact to the calculation of adjusted earnings per share as a result of this for the second quarters ended December 27, 2024 and December 29, 2023.

(In thousands, except per share data)	Six Months Ended			
	December 27, 2024		December 29, 2023	
Net loss and loss per share	\$ (35,104)	\$ (0.60)	\$ (82,289)	\$ (1.44)
Other non-operating adjustments, net	814		(311)	
Amortization of intangible assets	22,389		24,817	
Restructuring and other charges	2,300		9,548	
Impairment of long-lived assets	—		—	
Acquisition and financing costs	3,440		2,192	
Fair value adjustments from purchase accounting	355		355	
Litigation and settlement expense, net	3,481		1,886	
Stock-based and other non-cash compensation expense	21,984		19,146	
Impact to income taxes <sup>(1)</sup>	(13,275)		(13,204)	
Adjusted income (loss) and adjusted earnings (loss) per share <sup>(2)</sup>	<u>\$ 6,384</u>	<u>\$ 0.11</u>	<u>\$ (37,860)</u>	<u>\$ (0.66)</u>
Diluted weighted-average shares outstanding		<u>58,752</u>		<u>57,314</u>

(1) Impact to income taxes is calculated by recasting income before income taxes to include the items involved in determining adjusted income and recalculating the income tax provision using this adjusted income from operations before income taxes. The recalculation also adjusts for any discrete tax expense or benefit related to the items.

(2) Adjusted earnings per share is calculated using diluted shares whereas Net loss per share is calculated using basic shares. There were no impact to the calculation of adjusted earnings per share as a result of this for the six months ended December 27, 2024 and December 29, 2023.

Free cash flow, a non-GAAP measure for reporting cash flow, is defined as cash provided by operating activities less capital expenditures for property and equipment, which includes capitalized software development costs. We believe free cash flow provides investors with an important perspective on cash available for investments and acquisitions after making capital investments required to support ongoing business operations and long-term value creation. We believe that trends in our free cash flow can be valuable indicators of our operating performance and liquidity.

Free cash flow is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies. We expect to continue to incur expenditures similar to the free cash flow adjustment described above, and investors should not infer from our presentation of this non-GAAP financial measure that these expenditures reflect all of our obligations which require cash.

The following table reconciles cash used in operating activities, the most directly comparable GAAP financial measure, to free cash flow:

<b>(In thousands)</b>	<b>Second Quarters Ended</b>		<b>Six Months Ended</b>	
	<b>December 27, 2024</b>	<b>December 29, 2023</b>	<b>December 27, 2024</b>	<b>December 29, 2023</b>
Net cash provided by operating activities	\$ 85,462	\$ 45,494	\$ 70,802	\$ 6,426
Purchase of property and equipment	(3,555)	(7,990)	(9,791)	(16,005)
Free cash flow	\$ 81,907	\$ 37,504	\$ 61,011	\$ (9,579)

#### **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

See Note B to our consolidated financial statements (under the caption "Recently Issued Accounting Pronouncements").

#### **RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

See Note B to our consolidated financial statements (under the caption "Recently Adopted Accounting Pronouncements").

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There were no material changes in our exposure to market risk from June 28, 2024 to December 27, 2024.

**ITEM 4. CONTROLS AND PROCEDURES*****(a) Evaluation of Disclosure Controls and Procedures***

We conducted an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), regarding the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 27, 2024. We continue to review our disclosure controls and procedures and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our Company’s business. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

***(b) Changes in Internal Control Over Financial Reporting***

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 27, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are subject to litigation, claims, investigations and audits arising from time to time in the ordinary course of our business. Although legal proceedings are inherently unpredictable, we believe that we have valid defenses with respect to those matters currently pending against us and intend to defend ourselves vigorously. The outcome of these matters, individually and in the aggregate, is not expected to have a material impact on our cash flows, results of operations, or financial position. Please see Note L to our consolidated financial statements (under the caption "Legal Claims") for a discussion of our legal proceedings.

### ITEM 1A. RISK FACTORS

You should carefully review and consider the information regarding certain factors that could materially affect our business, financial condition or future results set forth under Item 1A (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended June 28, 2024. There have been no changes from the factors disclosed in our 2024 Annual Report on Form 10-K filed on August 13, 2024, although we may disclose additional changes to such factors from time to time in our future filings with the Securities and Exchange Commission.

### ITEM 5. OTHER INFORMATION

During the second quarter ended December 27, 2024, none of the Company's directors or executive officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement as each term is defined in Section 408(a) of Regulation S-K.

### ITEM 6. EXHIBITS

The following Exhibits are filed or furnished, as applicable, herewith:

<a href="#">31.1</a>	<a href="#">Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">31.2</a>	<a href="#">Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.1+</a>	<a href="#">Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	eXtensible Business Reporting Language (XBRL) Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

\* Identifies a management contract or compensatory plan in which an executive officer or director of the Company participates.

- + Furnished herewith. This certificate shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.



## CERTIFICATION

I, William L. Ballhaus, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mercury Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ WILLIAM L. BALLHAUS

William L. Ballhaus

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER  
[PRINCIPAL EXECUTIVE OFFICER]

Date: February 4, 2025

## CERTIFICATION

I, David E. Farnsworth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mercury Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID E. FARNSWORTH

David E. Farnsworth

EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER  
[PRINCIPAL FINANCIAL OFFICER]

Date: February 4, 2025

Mercury Systems, Inc.

Certification Pursuant To  
18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Mercury Systems, Inc. (the "Company") on Form 10-Q for the period ended December 27, 2024 as filed with the Securities and Exchange Commission (the "Report"), we, William L. Ballhaus, President and Chief Executive Officer of the Company, and David E. Farnsworth, Executive Vice President, Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that to our knowledge the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 4, 2025

/s/ WILLIAM L. BALLHAUS

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William L. Ballhaus

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

/s/ DAVID E. FARNSWORTH

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David E. Farnsworth

EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER