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

FORM 10-Q

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

For the quarterly period ended March 29, 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

MERCURY SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Massachusetts	**04-2741391**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
50 MINUTEMAN ROAD ANDOVER MA	**01810**
(Address of principal executive offices)	**(Zip Code)**

978-256-1300
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Trading Symbol(s)**	**Name of Each Exchange on Which Registered**
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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 April 30, 2024: 59,345,998 shares

MERCURY SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 29, 2024	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 142,645	$ 71,563
Accounts receivable, net of allowance for credit losses of $497 and $1,335 at March 29, 2024 and June 30, 2023, respectively	91,785	124,729
Unbilled receivables and costs in excess of billings, net of allowance for credit losses of $8,653 and $0 at March 29, 2024 and June 30, 2023, respectively	325,441	382,558
Inventory	343,015	337,216
Prepaid income taxes	27,967	—
Prepaid expenses and other current assets	20,656	20,952
Total current assets	951,509	937,018
Property and equipment, net	113,907	119,554
Goodwill	938,093	938,093
Intangible assets, net	261,805	298,051
Operating lease right-of-use assets, net	63,329	63,015
Deferred tax asset	44,366	27,099
Other non-current assets	5,169	8,537
Total assets	$ 2,378,178	$ 2,391,367
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 79,906	$ 103,986
Accrued expenses	40,091	28,423
Accrued compensation	16,871	30,419
Income taxes payable	—	13,874
Deferred revenues and customer advances	70,701	56,562
Total current liabilities	207,569	233,264
Income taxes payable	5,166	5,166
Long-term debt	616,500	511,500
Operating lease liabilities	65,473	66,797
Other non-current liabilities	10,677	7,955
Total liabilities	905,385	824,682
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; 57,868,725 and 56,961,665 shares issued and outstanding at March 29, 2024 and June 30, 2023, respectively	579	570
Additional paid-in capital	1,230,666	1,196,847
Retained earnings	230,576	357,439
Accumulated other comprehensive income	10,972	11,829
Total shareholders' equity	1,472,793	1,566,685
Total liabilities and shareholders' equity	$ 2,378,178	$ 2,391,367

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

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

	Third Quarters Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
Net revenues	$ 208,258	$ 263,479	$ 586,712	$ 720,646
Cost of revenues	167,616	173,190	464,023	471,302
Gross margin	40,642	90,289	122,689	249,344
Operating expenses:				
Selling, general and administrative	43,157	44,626	123,421	128,626
Research and development	21,563	26,516	81,911	81,188
Amortization of intangible assets	11,533	12,809	36,350	40,919
Restructuring and other charges	9,841	2,778	19,389	6,355
Acquisition costs and other related expenses	204	1,606	1,404	5,043
Total operating expenses	86,298	88,335	262,475	262,131
(Loss) income from operations	(45,656)	1,954	(139,786)	(12,787)
Interest income	542	80	674	329
Interest expense	(9,319)	(6,711)	(25,856)	(17,848)
Other expense, net	(2,784)	(613)	(5,706)	(3,412)
Loss before income tax benefit	(57,217)	(5,290)	(170,674)	(33,718)
Income tax benefit	(12,643)	(10,446)	(43,811)	(13,619)
Net (loss) income	$ (44,574)	$ 5,156	$ (126,863)	$ (20,099)
Basic net (loss) earnings per share	$ (0.77)	$ 0.09	$ (2.20)	$ (0.36)
Diluted net (loss) earnings per share	$ (0.77)	$ 0.09	$ (2.20)	$ (0.36)
Weighted-average shares outstanding:				
Basic	57,698	56,511	57,536	56,310
Diluted	57,698	56,896	57,536	56,310
Comprehensive (loss) earnings:				
Net (loss) income	$ (44,574)	$ 5,156	$ (126,863)	$ (20,099)
Change in fair value of derivative instruments, net of tax	3,064	(2,687)	(1,058)	1,275
Foreign currency translation adjustments	(459)	(20)	370	374
Pension benefit plan, net of tax	(56)	46	(169)	142
Total other comprehensive income (loss), net of tax	2,549	(2,661)	(857)	1,791
Total comprehensive (loss) income	$ (42,025)	$ 2,495	$ (127,720)	$ (18,308)

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 Third Quarter Ended March 29, 2024					
	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at December 29, 2023	57,564	$ 576	$ 1,220,343	$ 275,150	$ 8,423	$ 1,504,492
Issuance of common stock under employee stock incentive plans	166	1	(1)	—	—	—
Issuance of common stock under defined contribution plan	139	2	4,220	—	—	4,222
Stock-based compensation	—	—	6,104	—	—	6,104
Net loss	—	—	—	(44,574)	—	(44,574)
Other comprehensive income	—	—	—	—	2,549	2,549
Balance at March 29, 2024	57,869	$ 579	$ 1,230,666	$ 230,576	$ 10,972	$ 1,472,793

	For the Third Quarter Ended March 31, 2023					
	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at December 30, 2022	56,365	$ 564	$ 1,173,026	$ 360,519	$ 9,983	$ 1,544,092
Issuance of common stock under employee stock incentive plans	225	2	(2)	—	—	—
Issuance of common stock under defined contribution plan	84	1	4,189	—	—	4,190
Stock-based compensation	—	—	10,122	—	—	10,122
Net income	—	—	—	5,156	—	5,156
Other comprehensive loss	—	—	—	—	(2,661)	(2,661)
Balance at March 31, 2023	56,674	$ 567	$ 1,187,335	$ 365,675	$ 7,322	$ 1,560,899

	For the Nine Months Ended March 29, 2024					
	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
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	435	4	(4)	—	—	—
Issuance of common stock under employee stock purchase plan	107	1	3,162	—	—	3,163
Issuance of common stock under defined contribution plan	365	4	12,435	—	—	12,439
Retirement of common stock	—	—	(15)	—	—	(15)
Stock-based compensation	—	—	18,241	—	—	18,241
Net loss	—	—	—	(126,863)	—	(126,863)
Other comprehensive loss	—	—	—	—	(857)	(857)
Balance at March 29, 2024	57,869	$ 579	$ 1,230,666	$ 230,576	$ 10,972	$ 1,472,793

	For the Nine Months Ended March 31, 2023					
	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at July 1, 2022	55,680	$ 557	$ 1,145,323	$ 385,774	$ 5,531	$ 1,537,185
Issuance of common stock under employee stock incentive plans	702	7	(7)	—	—	—
Issuance of common stock under employee stock purchase plan	57	1	2,392	—	—	2,393
Issuance of common stock under defined contribution plan	236	2	11,580	—	—	11,582
Retirement of common stock	(1)	—	(63)	—	—	(63)
Stock-based compensation	—	—	28,110	—	—	28,110
Net loss	—	—	—	(20,099)	—	(20,099)
Other comprehensive income	—	—	—	—	1,791	1,791
Balance at March 31, 2023	56,674	$ 567	$ 1,187,335	$ 365,675	$ 7,322	$ 1,560,899

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

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

	Nine Months Ended	
	March 29, 2024	March 31, 2023
Cash flows from operating activities:		
Net loss	$ (126,863)	$ (20,099)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	66,639	74,827
Stock-based compensation expense	18,423	27,446
Stock-based matching contributions on defined contribution plan	12,180	9,715
Benefit for deferred income taxes	(17,260)	(34,644)
Bad debt expense	11,690	92
Other non-cash items	445	629
Cash settlement for termination of interest rate swap	7,403	5,995
Changes in operating assets and liabilities:		
Accounts receivable, unbilled receivables, and costs in excess of billings	78,326	(53,705)
Inventory	(7,010)	(70,029)
Prepaid income taxes	(27,964)	3,866
Prepaid expenses and other current assets	174	(1,154)
Other non-current assets	(234)	2,752
Accounts payable, accrued expenses, and accrued compensation	(25,885)	(11,765)
Deferred revenues and customer advances	14,211	39,051
Income taxes payable	(13,872)	(4,229)
Other non-current liabilities	(1,782)	(2,612)
Net cash used in operating activities	(11,379)	(33,864)
Cash flows from investing activities:		
Purchases of property and equipment	(23,943)	(29,950)
Other investing activities	—	150
Net cash used in investing activities	(23,943)	(29,800)
Cash flows from financing activities:		
Proceeds from employee stock plans	3,163	2,393
Borrowings under credit facilities	105,000	100,000
Payments under credit facilities	—	(40,000)
Purchase and retirement of common stock	(15)	(63)
Payments of deferred financing and offering costs	(1,931)	—
Net cash provided by financing activities	106,217	62,330
Effect of exchange rate changes on cash and cash equivalents	187	121
Net increase (decrease) in cash and cash equivalents	71,082	(1,213)
Cash and cash equivalents at beginning of period	71,563	65,654
Cash and cash equivalents at end of period	$ 142,645	$ 64,441
Cash paid during the period for:		
Interest	$ 26,660	$ 18,751
Income taxes, net of refunds	$ 14,451	$ 21,928
Supplemental disclosures—non-cash activities:		
Non-cash investing activity: Purchases of property and equipment incurred but not yet paid	$ 7,509	$ 5,105

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

A. Description of Business

Mercury Systems, Inc. is a technology company that delivers mission-critical processing power to the edge, making advanced technologies profoundly more accessible for today's most challenging aerospace and defense missions. The Mercury Processing Platform allows customers to tap into innovative capabilities from silicon to system scale, turning data into decisions on timelines that matter. Headquartered in Andover, Massachusetts, the Company's products and solutions are deployed in more than 300 programs and across 35 countries, enabling a broad range of applications in mission computing, sensor processing, command and control, and communications. Processing technologies that comprise the Company's platform include signal solutions, display, software applications, networking, storage and secure processing. The Company's innovative solutions are mission-ready, trusted and secure, software-defined and open and modular (the Company's differentiators), to meet customers' most-pressing high-tech needs, including those specific to the defense community.

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 30, 2023 which are contained in the Company's Annual Report on Form 10-K filed with the SEC on August 15, 2023. The results for the third quarter and nine months ended March 29, 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 third quarter of fiscal 2024 are to the quarter ended March 29, 2024. There were 13 weeks during the third quarters ended March 29, 2024 and March 31, 2023, respectively. There were 39 weeks during the nine months ended March 29, 2024 and March 31, 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) Income 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”) with Bank of the West, as purchaser, pursuant to which the Company may offer to sell certain customer receivables, subject to the terms and conditions of the RPA. The RPA is an uncommitted arrangement such that the Company is not obligated to sell any receivables and Bank of the West has no obligation to purchase any receivables from the Company. Pursuant to the RPA, Bank of the West 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 Bank of the West, less the amount of all collections received on such receivables, may not exceed $20,000. The RPA has an indefinite term and the agreement remains in effect until it is terminated by either party. Factoring under the RPA Agreement is treated as a true sale of accounts receivable by the Company. The Company has 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 with BMO Harris Bank (as successor in interest to Bank of the West) to increase the capacity from $30,600 to $60,000.

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 factoring 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) Income.

The Company had $44,229 factored accounts receivables as of March 29, 2024 and incurred factoring fees of approximately $375 and $1,636 for the third quarter and nine months ended March 29, 2024. The Company had $24,502 factored in accounts receivables as of March 31, 2023 and incurred factoring fees of approximately $179 and $317 for the third quarter and nine months ended March 31, 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) Income 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 March 29, 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 subsystems. 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 subsystems 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 42% and 44% of revenues for the third quarter and nine months ended March 29, 2024, respectively. Contracts with distinct performance obligations recognized at a point in time, with or without an allocation of the transaction price, totaled 48% and 43% of revenues for the third quarter and nine months ended and March 31, 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 subsystems 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.

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. 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:

	Third Quarters Ended		Nine Months Ended	
(In thousands, except per share data)	**March 29, 2024**	**March 31, 2023**	**March 29, 2024**	**March 31, 2023**
Loss from operations	$ (15,977)	$ (7,306)	$ (63,950)	$ (27,327)
Net loss (1)	$ (11,663)	$ (5,333)	$ (46,684)	$ (19,949)
Diluted net loss per share	$ (0.20)	$ (0.09)	$ (0.81)	$ (0.35)
Diluted Shares	57,698	56,896	57,536	56,310
(1) Federal and state statutory rate of 27%				

Total revenue recognized over time was 58% and 56% of total revenues for the third quarters and nine months ended March 29, 2024, respectively. Total revenue recognized over time was 52% and 57% of total revenues for the third quarters and nine months ended March 31, 2023, respectively.

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 $325,441 and $382,558 as of March 29, 2024 and June 30, 2023, respectively. The contract asset balance decreased due to $386,749 of billings and offset by revenue recognized under over time contracts of $329,632 during the nine months ended March 29, 2024. During the nine months ended March 29, 2024, the Company's contract assets were impacted by changes in estimates for contracts recognized over time and write-offs and reserves as a result of ongoing negotiations of settlement terms with its customers. The contract liability balances were $71,218 and $57,142 as of March 29, 2024 and June 30, 2023, respectively. The contract liability increased due to a higher volume of advanced milestone billing events as well as timing of revenue recognized across multiple programs.

Revenue recognized for the third quarter and nine months ended March 29, 2024 that was included in the contract liability balance at June 30, 2023 was $10,170 and $41,413, respectively. Revenue recognized for the third quarter and nine months ended March 31, 2023 that was included in the contract liability balance at July 1, 2022 was $2,681 and $10,418, 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 March 29, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was $793,458. The Company expects to recognize approximately 53% 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.

	Total
Balance at June 30, 2023	$ 1,282
Accruals for warranties issued during the period	6,153
Settlements made during the period	(1,424)
Balance at March 29, 2024	$ 6,011

WEIGHTED-AVERAGE SHARES

Weighted-average shares were calculated as follows:

	Third Quarters Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
Basic weighted-average shares outstanding	57,698	56,511	57,536	56,310
Effect of dilutive equity instruments	—	385	—	—
Diluted weighted-average shares outstanding	57,698	56,896	57,536	56,310

Equity instruments to purchase 2,711 and 2,551 shares of common stock were not included in the calculation of diluted net loss per share for the third quarters and nine months ended March 29, 2024, respectively, because the equity instruments were anti-dilutive. Equity instruments to purchase 792 and 1,873 shares of common stock were not included in the calculation of diluted net earnings per share for the third quarter and nine months ended March 31, 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 March 2024, the FASB issued ASU No. 2024-01, *Compensation - Stock Compensation (Topic 718)*, an amendment of the FASB Accounting Standards Codification. The amendments in this ASU address improvements to clarify the accounting treatment of profits interest awards. The amendments provide illustrative examples for entities to evaluate whether profits interest awards should be accounted for are share based compensation (Topic 718) or as cash bonus or profit-sharing arrangement (Topic 710). 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 does not believe this standard will have an impact on its consolidated financial statements and related disclosures.

In March 2024, the FASB issued ASU No. 2024-02, *Codification Improvements - Amendments to Remove References to the Concepts Statements*, an amendment of the FASB Accounting Standards Codification. The amendments in this ASU are related to the removal of various references to FASB Concept Statements from the codification to make clear distinctions between authoritative and non-authoritative literature in the codification. This ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company does not believe this standard will have an impact on its consolidated financial statements and related disclosures.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2023, the company adopted ASU No. 2021-08, *Business Combinations (ASC 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, an amendment of the FASB Accounting Standards Codification. The amendments in this ASU address diversity and inconsistency related to the recognition and measurement of contract assets and contract liabilities acquired in a business combination and require that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers*. This adoption did not have an impact to the Company's consolidated financial statements or related disclosures.

C. Fair Value of Financial Instruments

The following table summarizes the Companies' financial instruments measured at fair value on a recurring basis as of March 29, 2024:

	Fair Value Measurements			
	March 29, 2024	**Level 1**	**Level 2**	**Level 3**
Liabilities:				
Interest rate swap	$ 3,626	$ —	$ 3,626	$ —
Total	$ 3,626	$ —	$ 3,626	$ —

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 March 29, 2024, the fair value of the September 2023 Swap was a liability of $3,626 and is 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 30, 2023:

	Fair Value Measurements			
	June 30, 2023	**Level 1**	**Level 2**	**Level 3**
Assets:				
Interest rate swap	$ 3,523	$ —	$ 3,523	$ —
Total assets measured at fair value	$ 3,523	$ —	$ 3,523	$ —

The fair value of interest rate hedging agreement entered on September 29, 2022 ("the 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 June 30, 2023, the fair value of the Swap was an asset of $3,523 and was included within Other non-current assets in the Company's Consolidated Balance Sheets. The Company terminated the Swap during the first quarter ended September 29, 2023.

Refer to Note M for further information regarding the September 2023 Swap and the termination of the 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. Inventory was comprised of the following:

	As of	
	March 29, 2024	June 30, 2023
Raw materials	$ 206,222	$ 229,984
Work in process	119,962	81,930
Finished goods	16,831	25,302
Total	$ 343,015	$ 337,216

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 third quarter ended March 29, 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.

As a result of the sustained decline in the Company's stock and overall market capitalization during the third quarter ended March 29, 2024, along with other qualitative considerations the Company concluded that there was a triggering event for its Mission Systems reporting unit that would require an interim impairment test. As of March 29, 2024, the Company completed a quantitative goodwill impairment analysis related to its Mission Systems reporting unit by comparing the fair value of the reporting unit with its carrying amount. In making this assessment, management relies on a number of factors including expected future operating results, business plans, economic projections, anticipated future cash flows, business trends, and declines in the Company's market capitalization. The Company determined the fair value of the reporting unit by using a DCF approach. Under the DCF approach, the Company estimated the future cash flows, as well as selected a risk-adjusted WACC of 8.5% to measure the present value of the anticipated cash flows. When determining future cash flow estimates, the Company considered historical results adjusted to reflect current and anticipated future operating conditions. The Company estimated cash flows for the reporting unit over a discrete period and a terminal period (considering expected long-term growth rates and trends). The Company then used the market approach to corroborate the results of the DCF approach. Under the market approach, the Company used revenue and earnings multiples based on comparable industry multiples to estimate the fair value of the reporting unit. If the carrying amount of a reporting unit exceeds the reporting unit’s fair value, the amount by which the carrying value exceeds the fair value is recognized as an impairment loss.

Based on the interim quantitative evaluation, the Company determined that the Mission Systems reporting unit had an estimated fair value in excess of their carrying value of 2.5%. The Company concluded that the Mission Systems reporting unit's goodwill was not impaired. In order to evaluate the sensitivity of the estimated fair value for Mission Systems, the Company assessed an increase of 1.0% in the WACC under the DCF approach would have a material impact to the Mission Systems reporting unit's fair value determination. If there are adverse trends in the Mission Systems reporting unit's expected future operating results, business plans, economic projections, anticipated future cash flows, business trends, and Company's market capitalization, then it could result in the carrying value of the Mission Systems reporting unit exceeding its estimated fair value and impairment charges.

F. Restructuring

For the nine months ended March 29, 2024, the Company initiated several immediate cost savings measures that simplify the Company's organizational structure, facilitate clearer accountability, and align to the Company's priorities, including: (i) embedding the 1MPACT value creation initiatives and execution into the Company's operations; (ii) streamlining organizational structure and removing areas of redundancy between corporate and divisional organizations; and (iii) reducing selling, general, and administrative headcount and rebalancing discretionary and third party spending to better align with the Company's priority areas. On July 20, 2023, the Company executed the plan to embed the 1MPACT value creation initiatives into operations. On August 9, 2023 the Company approved and initiated a workforce reduction that, together with the 1MPACT related action, eliminated approximately 150 positions resulting in $9,548 of severance costs for the nine months ended March 29, 2023. On January 12, 2024, the Company approved and initiated workforce reductions that eliminated approximately 100 positions resulting in an additional $9,841 of severance costs for the nine months ended March 29, 2024.

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) Income 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 30, 2023	$ 1,529
Restructuring charges	19,389
Cash paid	(14,139)
Balance at March 29, 2024	$ 6,779

G. Income Taxes

The Company recorded an income tax benefit of $12,643 and $10,446 on a loss before income taxes of $57,217 and $5,290 for the third quarters ended March 29, 2024 and March 31, 2023, respectively. The Company recorded an income tax benefit of $43,811 and $13,619 on a loss before income taxes of $170,674 and $33,718 for the nine months ended March 29, 2024 and March 31, 2023, respectively.

During the third quarter and nine months ended March 29, 2024, the Company recognized a tax provision of $772 and $2,419 related to stock compensation shortfalls, respectively. During the third quarter and nine months ended March 31, 2023 the Company recognized a tax (benefit) provision of $(91) and $1,655 related to stock compensation shortfalls, respectively. During the third quarter ended March 31, 2023, the Company concluded its income tax audit with the Internal Revenue Service for fiscal years 2016 through 2018 and subsequently recognized a tax benefit of $1,335 related to a release of income tax reserves for unrecognized income tax benefits.

The effective tax rate for the third quarters and nine months ended March 29, 2024 and March 31, 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 effective tax rate for the third quarter and nine months ended March 31, 2023 also differed from the federal statutory rate due to the release of income tax reserves for previously unrecognized income tax benefits.

The Tax Cuts and Jobs Act of 2017 requires companies to capitalize and amortize domestic research and development expenditures over five years for tax purposes, and foreign research and development expenditures over fifteen years for tax purposes, effective for the Company beginning in the fiscal year ended June 30, 2023. Based on guidance issued during the year, the Company refined the amount of research and development expenditures capitalized and recorded certain current and deferred tax adjustments in the third quarter ended March 29, 2024. The Company will continue to monitor guidance and any proposed regulations and adjust the estimates as necessary.

H. Debt

REVOLVING CREDIT FACILITY

On February 28, 2022, the Company amended the revolving credit facility (the "Revolver") to increase and extend the borrowing capacity to a $1,100,000, 5-year revolving credit line, with the maturity extended to February 28, 2027. As of March

29, 2024, the Company's outstanding balance of unamortized deferred financing costs was $4,431, which is being amortized to Other expense, net in the Consolidated Statements of Operations and Comprehensive (Loss) Income on a straight line basis over the term of the Revolver and includes the costs incurred in conjunction with the November 2023 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.

During the third quarter ended March 29, 2024, the Company did not have any additional borrowings. During the nine months ended March 29, 2024, the Company borrowed $105,000. As of March 29, 2024, the Company was in compliance with all covenants and conditions under the Revolver and there were outstanding borrowings of $616,500 against the Revolver, resulting in interest expense of $9,319 and $25,856 for the third quarter and nine months ended March 29, 2024. The borrowing capacity as defined under the Revolver as of March 29, 2024 is approximately $750,000 less outstanding borrowings of $616,500. There were outstanding letters of credit of $963 as of March 29, 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 March 29, 2024 was a net liability of $4,156, which is recorded in Other non-current liabilities on the Consolidated Balance Sheet. The Company recorded a net loss of $56 and $169 in AOCI during the third quarter and nine months ended March 29, 2024. The Company recorded a net gain of $46 and $142 in AOCI during the third quarter and nine months ended March 31, 2023. The Company recognized net periodic benefit costs of $213 and $628 associated with the Plan for the third quarter and nine months ended March 29, 2024, respectively. The Company recognized net periodic benefit costs of $230 and $671 associated with the Plan for the third quarter and nine months ended March 31, 2023, respectively. The Company's total expected employer contributions to the Plan during fiscal 2024 are $1,155.

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 $2,963 and $2,705 of capitalized stock-based 401(k) matching compensation expense on the Consolidated Balance Sheets at March 29, 2024 and June 30, 2023, 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 third quarter and nine months ended March 29, 2024, the Company recognized share-based matching contributions related to the 401(k) plan of $4,528 and $12,180, as compared to $3,288 and $9,715 during the third quarter and nine months ended March 31, 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 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 March 29, 2024, the Company held assets under the rabbi trust of $52, 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 $52. 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 third quarter and nine months ended March 29, 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 third quarter and nine months ended March 31, 2023.

J. Stock-Based Compensation

STOCK INCENTIVE PLANS

At March 29, 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 shares authorized for issuance under the 2018 Plan will continue to be increased by any future cancellations, forfeitures or terminations (other than by exercise) of awards under the 2005 Plan. The foregoing does not affect any outstanding awards under the 2005 Plan, which remain in full force and effect in accordance with their terms. 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 4,623 available shares for future grant under the 2018 Plan at March 29, 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

At March 29, 2024, the aggregate number of shares authorized for issuance under the Company's 1997 Employee Stock Purchase Plan, as amended and restated ("ESPP"), is 2,300 shares, including 500 shares approved by the Company's shareholders on October 28, 2020. Under the 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 ESPP permits employees to purchase common stock through payroll deductions, which may not exceed 10% of an employee's compensation as defined in the ESPP. There were 107 and 57 shares issued under the ESPP during the nine months ended March 29, 2024 and March 31, 2023, respectively. Shares available for future purchase under the ESPP totaled 60 at March 29, 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 New Hire Option is granted in four (4) tranches as follows: (w) 233,500 shares of the Company's common stock with an exercise price equal to $42.00 ("Tranche 1"); (x) 233,500 shares of the Company's common stock with an exercise price equal to $43.00 ("Tranche 2"); (y) 233,500 shares of the Company's common stock with an exercise price equal to $46.00 ("Tranche 3"); and (z) 233,500 shares of the Company's common stock with an exercise price equal to $49.00 ("Tranche 4"). Tranche 1 and Tranche 2 shall become vested and exercisable on the third anniversary of August 17, 2023 ("the Initial Grant Date") (subject to the Executive's continued employment through such date) and shall expire on the fourth anniversary of the Initial Grant Date. Tranche 3 and Tranche 4 shall become vested and exercisable on the fourth anniversary of the Initial Grant Date (subject to the Executive's continued employment through such date) and shall expire on the fifth anniversary of the Initial Grant Date.

The following table summarizes activity of the Company's stock option plans since June 30, 2023:

	Options Outstanding				
	Number of Shares	**Weighted Average Grant Date Fair Value**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value as of 3/29/24**
Outstanding at June 30, 2023	—	$ —	$ —	—	—
Granted	934	12.71	45.00		
Exercised	—		—		
Canceled	—		—		
Outstanding at March 29, 2024	934	$ 12.71	$ 45.00	2.93 years	—
Exercisable at March 29, 2024	—	$ —	$ —	—	—

There were no options vested or exercised during the third quarter ended March 29, 2024. Non-vested stock options are subject to the risk of forfeiture until the fulfillment of specified conditions. As of March 29, 2024, there was $10,024 of total unrecognized compensation cost related to non-vested options granted that is expected to be recognized over a weighted-average period 2.93 years from March 29, 2024.

The Company uses the Black-Scholes valuation model for estimating the fair value on the date of grant of stock options. The Company calculated the fair values of the options grants using the following weighted-average assumptions:

		Third Quarter Ended
		March 29, 2024
Expected volatility		45 %
Expected term		4 years
Risk-free interest rate		4.44 %
Expected dividend yield		— %
Weighted-average grant date fair value per share	$	12.71

The expected volatility of options granted has been determined using a weighted average of the historical volatility of the Company's stock for a period equal to the expected life of the option. The expected life of options has been determined using the average of the contractual term and the weighted average vesting term of the options. The risk-free interest rate is based on a zero-coupon U.S. treasury instrument whose term is consistent with the expected life of the stock options. The Company has not paid and does not anticipate paying cash dividends on its shares of common stock; therefore, the expected dividend yield is assumed to be zero. The Company applied an estimated annual forfeiture rate based on historical averages in determining the expense recorded in each period. There were no stock options granted during fiscal year ended June 30, 2023.

The following table summarizes the status of the Company's non-vested restricted stock awards and deferred stock awards since June 30, 2023:

	Non-vested Restricted Stock Awards		
	Number of Shares		Weighted Average Grant Date Fair Value
Outstanding at June 30, 2023	1,339	$	54.45
Granted	1,334		36.38
Vested	(435)		56.80
Forfeited	(557)		47.90
Outstanding at March 29, 2024	1,681	$	41.66

STOCK-BASED COMPENSATION EXPENSE

The Company recognizes expense for its share-based payment plans in the Consolidated Statements of Operations and Comprehensive (Loss) Income in accordance with ASC 718, *Compensation - Stock Compensation* ("ASC 718"). The Company had $1,033 and $1,215 of capitalized stock-based compensation expense on the Consolidated Balance Sheets for the periods ended March 29, 2024 and June 30, 2023, 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) Income:

	Third Quarters Ended				Nine Months Ended			
	March 29, 2024		March 31, 2023		March 29, 2024		March 31, 2023	
Cost of revenues	$	1,299	$	630	$	2,119	$	1,666
Selling, general and administrative		4,123		7,577		11,626		20,732
Research and development		1,498		1,732		4,678		5,048
Stock-based compensation expense before tax		6,920		9,939		18,423		27,446
Income taxes		(1,868)		(2,684)		(4,974)		(7,410)
Stock-based compensation expense, net of income taxes	$	5,052	$	7,255	$	13,449	$	20,036

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
THIRD QUARTER ENDED MARCH 29, 2024					
Net revenues to unaffiliated customers	$ 199,834	$ 8,418	$ 6	$ —	$ 208,258
Inter-geographic revenues	1,248	211	—	(1,459)	—
Net revenues	$ 201,082	$ 8,629	$ 6	$ (1,459)	$ 208,258
THIRD QUARTER ENDED MARCH 31, 2023					
Net revenues to unaffiliated customers	$ 252,945	$ 10,525	$ 9	$ —	$ 263,479
Inter-geographic revenues	1,794	26	—	(1,820)	—
Net revenues	$ 254,739	$ 10,551	$ 9	$ (1,820)	$ 263,479
NINE MONTHS ENDED MARCH 29, 2024					
Net revenues to unaffiliated customers	$ 554,877	$ 31,817	$ 18	$ —	$ 586,712
Inter-geographic revenues	4,253	507	—	(4,760)	—
Net revenues	$ 559,130	$ 32,324	$ 18	$ (4,760)	$ 586,712
NINE MONTHS ENDED MARCH 31, 2023					
Net revenues to unaffiliated customers	$ 690,922	$ 29,708	$ 16	$ —	$ 720,646
Inter-geographic revenues	1,873	398	—	(2,271)	—
Net revenues	$ 692,795	$ 30,106	$ 16	$ (2,271)	$ 720,646

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 subsystems 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:

	Third Quarters Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
Domestic[1]	$ 177,973	$ 238,159	$ 506,262	$ 648,948
International/Foreign Military Sales[2]	30,285	25,320	80,450	71,698
Total Net Revenue	$ 208,258	$ 263,479	$ 586,712	$ 720,646

(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:

	Third Quarters Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
Radar[1]	$ 26,647	$ 83,853	$ 68,460	$ 180,968
Electronic Warfare[2]	25,999	35,939	82,517	104,746
Other Sensor & Effector[3]	47,681	20,143	91,482	70,679
Total Sensor & Effector	100,327	139,935	242,459	356,393
C4I[4]	84,605	104,188	291,279	311,963
Other[5]	23,326	19,356	52,974	52,290
Total Net Revenue	$ 208,258	$ 263,479	$ 586,712	$ 720,646

(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:

	Third Quarters Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
Components[1]	$ 57,308	$ 53,187	$ 136,257	$ 137,528
Modules and Sub-assemblies[2]	43,441	49,992	116,825	143,038
Integrated Subsystems[3]	107,509	160,300	333,630	440,080
Total Net Revenue	$ 208,258	$ 263,479	$ 586,712	$ 720,646

(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 subsystems 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:

	Third Quarters Ended		Nine Months Ended	
	March 29, 2024	**March 31, 2023**	**March 29, 2024**	**March 31, 2023**
Airborne(1)	$ 97,092	$ 126,674	$ 329,661	$ 373,878
Land(2)	21,011	58,816	70,629	119,483
Naval(3)	28,710	39,961	68,255	104,900
Other(4)	61,445	38,028	118,167	122,385
Total Net Revenues	$ 208,258	$ 263,479	$ 586,712	$ 720,646

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

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

	U.S.	**Europe**	**Total**
March 29, 2024	$ 111,055	$ 2,852	$ 113,907
June 30, 2023	$ 116,381	$ 3,173	$ 119,554

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:

	Third Quarters Ended		Nine Months Ended	
	March 29, 2024	**March 31, 2023**	**March 29, 2024**	**March 31, 2023**
Lockheed Martin Corporation	15 %	13 %	11 %	14 %
L3Harris	13 %	*	11 %	*
RTX Corporation	11 %	18 %	10 %	14 %
Northrop Grumman	10 %	11 %	*	11 %
U.S. Navy	*	*	*	10 %
	49 %	42 %	32 %	49 %

* 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 third quarters and nine months ended March 29, 2024 and March 31, 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. In April 2024, counsel for NTS sent additional communications on their demand that the Company participate in their environmental monitoring and remediation planning. In addition, in November 2021, the Company responded to a request for information from MassDEP regarding the detection of PFAS (per- and polyfluoroakyl 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 standard that MassDEP published for PFAS in October 2020. The Company has not been contacted by NTS or MassDEP since the dates discussed above. The Company believes the claims from NTS are without merit and intend to defend our self vigorously. It is too early to determine what responsibility, if any, Mercury will have for these 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 entitlement 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 the arbitration trial has been scheduled for mid-December 2024. 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 and compensation during the dispute. If instead the arbitrator rules for the former CEO, the Company could be liable for up to approximately $12,900, based on the closing price of the Company's common stock on June 26, 2023, plus legal fees and expenses and compensation during dispute, for accelerated equity vesting, severance, and other benefits under the CIC Agreement. 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 $12,900, plus costs and attorneys’ fees 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 Carpenter's 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. 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 complaint 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, CA 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 employees in California, alleging a range of violations of California wage and hour regulations. The Company believes the claims in the complaints are without merit and intend to defend itself self vigorously. It is too early to determine what responsibility, if any, the Company will have for this matter.

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 March 29, 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 $138,555.

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 March 29, 2024, the fair value of the September 2023 Swap was a liability of $3,626 and is included within Other non-current liabilities in the Company's Consolidated Balance Sheets.

During the third quarter and nine months ended March 29, 2024, the Company amortized a total of $881 and $2,101, 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 March 29, 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 and noted no items requiring adjustment of the financial statements or additional disclosures.

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 use of the words "may," "will," "could," "should," "would," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," "likely," "forecast," "probable," "potential," and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in 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, 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 such as semiconductors, production delays or unanticipated expenses including due to quality issues or manufacturing execution issues, 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 30, 2023 and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. 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, Inc. is a technology company that delivers processing power for the most demanding aerospace and defense missions. Headquartered in Andover, Massachusetts, our end-to-end processing platform enables a broad range of aerospace and defense programs, optimized for mission success in some of the most challenging and demanding environments. Processing technologies that comprise our platform include signal solutions, display, software applications, networking, storage and secure processing. Our innovative solutions are mission-ready, trusted and secure, software-defined and open and modular meeting our customers' cost and schedule needs today by allowing them to use or modify our products to suit their mission. Customers access our solutions via the Mercury Processing Platform, which encompasses the broad scope of our investments in technologies, companies, products, services and the expertise of our people. Ultimately, we connect our customers to what matters most to them. We connect commercial technology to defense, people to data and partners to opportunities. And, at the most human level, we connect what we do to our customers' missions; supporting the people for whom safety, security and protecting freedom are of paramount importance.

As a leading manufacturer of essential components, products, modules and subsystems, we sell to defense prime contractors, the U.S. government and original equipment manufacturers ("OEM") commercial aerospace companies. Mercury has built a trusted, robust portfolio of proven product solutions, 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 products and solutions are deployed in more than 300 programs with over 25 different defense prime contractors and commercial aviation customers.

Mercury's business model accelerates the process of making new technology profoundly more accessible to our customers by bridging the gap between commercial technology and aerospace and defense applications on time constraints that matter.

Our long-standing deep relationships with leading high-tech and other commercial companies, coupled with our high level of research and development ("R&D") investments on a percentage basis and industry-leading trusted and secure design and manufacturing capabilities, are the foundational tenets of this 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 radio frequency ("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").

Our mission critical solutions are deployed by our customers for a variety of applications including command, control, communications, computers, intelligence, surveillance and reconnaissance ("C4ISR"), electronic intelligence, mission computing avionics, electro-optical/infrared ("EO/IR"), electronic warfare, weapons and missile defense, hypersonics and radar.

Since we conduct much of our business with our defense customers via commercial items, requests by customers are a primary driver of revenue fluctuations from quarter to quarter. Customers specify delivery date requirements that coincide with their need for our products. Because these customers may use our products in connection with a variety of defense programs or other projects of different sizes and durations, a customer's orders for one quarter generally do not indicate a trend for future orders by that customer. Additionally, order patterns do not necessarily correlate amongst customers and, therefore, we generally cannot identify sequential quarterly trends.

As of March 29, 2024, we had 2,457 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 embrace diversity company-wide and realize the benefits of a diverse workforce that includes a greater variety of solutions to problems, a broader collection of skills and experiences and an array of viewpoints to consider. We are strongly focused on providing an inclusive environment that respects the diversity of the world. We believe that the workforce required to grow our business and deliver creative solutions must be rich in diversity of thought, experience and culture. Our diversity and inclusion initiatives focus on building and maintaining the talent that will create cohesive and collaborative teams that drive innovation. We believe that these values will help our employees realize their full potentials at work to provide Innovation That Matters®.

Our consolidated revenues, net loss, diluted net loss per share, adjusted loss per share ("adjusted EPS"), and adjusted EBITDA for the third quarter ended March 29, 2024 were $208.3 million, ($44.6) million, ($0.77), ($0.26), and ($2.4) million, respectively. Our consolidated revenues, net loss, diluted net loss per share, adjusted EPS, and adjusted EBITDA for the nine months ended March 29, 2024 were $586.7 million, ($126.9) million, ($2.20), ($0.92), and ($21.7) 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 third quarters ended March 29, 2024 and March 31, 2023, respectively. There were 39 weeks during the nine months ended March 29, 2024 and March 31, 2023, respectively. The results for the third quarter and nine months ended March 29, 2024 are not necessarily indicative of the results to be expected for the full fiscal year.

The third quarter ended March 29, 2024 compared to the third quarter ended March 31, 2023

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

(In thousands)	March 29, 2024	As a % of Total Net Revenue	March 31, 2023	As a % of Total Net Revenue
Net revenues	$ 208,258	100.0 %	$ 263,479	100.0 %
Cost of revenues	167,616	80.5	173,190	65.7
Gross margin	40,642	19.5	90,289	34.3
Operating expenses:				
Selling, general and administrative	43,157	20.7	44,626	16.9
Research and development	21,563	10.4	26,516	10.1
Amortization of intangible assets	11,533	5.5	12,809	4.9
Restructuring and other charges	9,841	4.7	2,778	1.1
Acquisition costs and other related expenses	204	0.1	1,606	0.6
Total operating expenses	86,298	41.4	88,335	33.6
(Loss) income from operations	(45,656)	(21.9)	1,954	0.7
Interest income	542	0.3	80	—
Interest expense	(9,319)	(4.5)	(6,711)	(2.5)
Other expense, net	(2,784)	(1.3)	(613)	(0.2)
Loss before income tax benefit	(57,217)	(27.5)	(5,290)	(2.0)
Income tax benefit	(12,643)	(6.1)	(10,446)	(4.0)
Net (loss) income	$ (44,574)	(21.4)%	$ 5,156	2.0 %

REVENUES

Total revenues decreased $55.2 million, or 20.9%, to $208.3 million during the third quarter ended March 29, 2024, as compared to $263.5 million during the third quarter ended March 31, 2023. Revenues decreased year over year as we continue to prioritize resources to execute on our challenged programs. As a result, we are experiencing a temporary volume shift in our total revenue, including our point in time revenue and over time revenue which decreased by approximately $39.5 million and $15.7 million, respectively. Over time revenue represented 58% of total revenues during the third quarter ended March 29, 2024, as compared to 52% of total revenues during the third quarter ended March 31, 2023.

During the third quarter ended March 29, 2024, we experienced incremental cost growth across various programs with revenue recognized over time, including our challenged programs. These adjustments in our estimates at completion represented technical and execution challenges we faced in the quarter, which resulted in a cumulative adjustment to reduce revenues. Despite the cost growth we experienced on our programs, the trend in the cost growth of these programs has reduced significantly as we proactively retire risk across the portfolio. Specifically, in regard to the challenged programs, we continue to complete and close out these programs, which will allow us to enhance our focus and drive revenue on other development and production programs. We expect this trend to continue through the remainder of fiscal 2024.

Revenue decreases were driven by the integrated subsystems and modules and sub-assemblies product groupings which decreased $52.8 million and $6.6 million, respectively, partially offset by an increase to the components grouping of $4.1 million during the third quarter ended March 29, 2024 when compared to the prior period. The decrease in total revenue was primarily driven by the radar, C4I and electronic warfare end applications with decreases of $57.2 million, $19.6 million and $9.9 million, respectively, partially offset by increases to other sensor and effector end applications of $27.5 million. The decrease in total revenue was also driven by lower Land, Airborne and Naval platforms of $37.8 million, $29.6 million and $11.3 million, respectively, partially offset by increases to Other platforms of $23.4 million. The largest program decreases were related to secure processing programs, LTAMDS and Aegis, partially offset by increases to the MK21A program and the

Tranche 2 Tracking Layer program when compared to the prior period. There were no programs comprising 10% or more of our revenues for the third quarters ended March 29, 2024 or March 31, 2023.

Gross Margin

Gross margin was 19.5% for the third quarter ended March 29, 2024, a decrease of 1480 basis points from the 34.3% gross margin realized during the third quarter ended March 31, 2023. The lower gross margin was driven by cost growth impacts to revenue programs recognized over time and higher manufacturing adjustments, including $11.1 million related to inventory reserves and scrap, as well as $4.9 million incremental warranty expense. The increase in inventory reserves was primarily related to programs with end of life components, where design changes have occurred, as well as configuration changes necessary to drive efficient production in the common processing architecture. The increase in scrap was primarily a result of higher levels of discrepant material especially as related to the common processing architecture across several of our remaining challenged programs. We have several initiatives underway to address more efficient and cost-effective producibility of these subsystems.

Additionally, the growth in estimated costs to complete on our over time revenue programs during fiscal 2024 has significantly reduced the overall margins. Net program cost growth of approximately $16.0 million was recorded in the quarter resulting in an incremental impact of approximately $8.7 million to gross margin, or 490 basis points, when compared to the prior period. Approximately $6.5 million of total cost growth impact in the quarter was attributable to the challenged programs, of which $3.7 million related to one program. The remaining $9.5 million was incurred across certain other development and production programs based on facts and circumstances in the quarter.

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:

(in thousands)	March 29, 2024	March 31, 2023
Gross favorable	$ 9,667	$ 5,057
Gross unfavorable	(25,644)	(12,363)
Net impact of changes in estimates	$ (15,977)	$ (7,306)

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 $1.4 million, or 3.2%, to $43.2 million during the third quarter ended March 29, 2024, as compared to $44.6 million in the third quarter ended March 31, 2023. The decrease was primarily driven by the reduction in force initiated on January 12, 2024, resulting in lower compensation costs including $3.5 million of stock compensation expense, and $3.9 million of bonus, salary, and benefit expense. These decreases were partially offset by contract asset reserves of $6.3 million as a result of ongoing negotiations of settlement terms with our customers to reduce scope, or otherwise exit contracts.

Research and Development

Research and development expenses decreased $4.9 million, or 18.5%, to $21.6 million during the third quarter ended March 29, 2024, as compared to $26.5 million during the third quarter ended March 31, 2023. The decrease during the third quarter ended March 29, 2024 was primarily driven by increased Customer Funded Research and Development ("CRAD") of $2.6 million as a result of a higher mix of development programs execution, as well as the reduction in force initiated on January 12, 2024, resulting in lower compensation costs including $2.7 million of salary, bonus, benefits and stock compensation expense. Decreases were partially offset by $0.7 million of incremental R&D spend on on equipment, supplies and outside services as compared to the third quarter ended March 31, 2023.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets decreased $1.3 million to $11.5 million during the third quarter ended March 29, 2024, as compared to $12.8 million during the third quarter ended March 31, 2023, primarily due to various developed technology intangibles being fully amortized in fiscal 2023.

RESTRUCTURING AND OTHER CHARGES

We incurred $9.8 million of restructuring and other charges during the third quarter ended March 29, 2024, as compared to $2.8 million during the third quarter ended March 31, 2023. Restructuring and other charges during the third quarter ended March 29, 2024 includes $9.8 million for separation costs related to the reduction in workforce initiated January 12, 2024 impacting approximately 100 positions. Restructuring and other charges during the third quarter ended March 31, 2023 includes $2.0 million related to severance costs and $0.8 million of costs related to facility optimization efforts associated with 1MPACT, including $0.5 million related to lease asset impairment.

ACQUISITION COSTS AND OTHER RELATED EXPENSES

There was an immaterial amount of acquisition costs and other related expenses during the third quarter ended March 29, 2024. The acquisition costs and other related expenses during the third quarter ended March 31, 2023 includes $1.3 million associated with the Board of Directors' review of strategic alternatives.

INTEREST EXPENSE

We incurred $9.3 million of interest expense during the third quarter ended March 29, 2024, as compared to $6.7 million during the third quarter ended March 31, 2023. The increase was driven by a higher interest rate and higher average outstanding borrowings during the period on our existing credit facility (the "Revolver").

OTHER EXPENSE, NET

Other expense, net was $2.8 million during the third quarter ended March 29, 2024, as compared to $0.6 million during the third quarter ended March 31, 2023. The third quarter ended March 29, 2024 includes litigation and settlement expenses of $2.1 million, $0.8 million of financing costs and $0.2 million net foreign currency translation losses, partially offset by other income of $0.3 million. The third quarter ended March 31, 2023 includes $0.6 million of financing costs, litigation and settlement expenses of $0.3 million, partially offset by net foreign currency translation gains of $0.3 million.

INCOME TAXES

We recorded an income tax benefit of $12.6 million and $10.4 million on a loss before income taxes of $57.2 million and $5.3 million for the third quarters ended March 29, 2024 and March 31, 2023, respectively.

During the third quarters ended March 29, 2024 and March 31, 2023, we recognized a tax provision (benefit) of $0.8 million and $(0.1) million related to stock compensation shortfalls (windfalls), respectively. During the third quarter ended March 31, 2023, we concluded our income tax audit with the Internal Revenue Service for fiscal years 2016 through 2018 and subsequently recognized a tax benefit of $1.3 million related to a release of income tax reserves for unrecognized income tax benefits.

The effective tax rate for the third quarters ended March 29, 2024 and March 31, 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 effective tax rate for the third quarter ended March 31, 2023 also differed from the federal statutory rate due to the release of unrecognized income tax benefits.

The Tax Cuts and Jobs Act of 2017 requires companies to capitalize and amortize domestic research and development expenditures over five years for tax purposes, and foreign research and development expenditures over fifteen years for tax purposes, effective for us beginning in the fiscal year ended June 30, 2023. Based on guidance issued during the year, we refined the amount of research and development expenditures capitalized and recorded certain current and deferred tax adjustments in the third quarter ended March 29, 2024. We will continue to monitor guidance and any proposed regulations and adjust the estimates as necessary.

Nine months ended March 29, 2024 compared to the nine months ended March 31, 2023

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

(In thousands)	March 29, 2024	As a % of Total Net Revenue	March 31, 2023	As a % of Total Net Revenue
Net revenues	$ 586,712	100.0 %	$ 720,646	100.0 %
Cost of revenues	464,023	79.1	471,302	65.4
Gross margin	122,689	20.9	249,344	34.6
Operating expenses:				
Selling, general and administrative	123,421	21.0	128,626	17.8
Research and development	81,911	14.0	81,188	11.3
Amortization of intangible assets	36,350	6.2	40,919	5.7
Restructuring and other charges	19,389	3.3	6,355	0.9
Acquisition costs and other related expenses	1,404	0.3	5,043	0.7
Total operating expenses	262,475	44.8	262,131	36.4
Loss from operations	(139,786)	(23.9)	(12,787)	(1.8)
Interest income	674	0.1	329	—
Interest expense	(25,856)	(4.4)	(17,848)	(2.5)
Other expense, net	(5,706)	(0.9)	(3,412)	(0.4)
Loss before income tax benefit	(170,674)	(29.1)	(33,718)	(4.7)
Income tax benefit	(43,811)	(7.5)	(13,619)	(1.9)
Net loss	$ (126,863)	(21.6)%	$ (20,099)	(2.8)%

REVENUES

Total revenues decreased $133.9 million, or 18.6%, to $586.7 million during the nine months ended March 29, 2024, as compared to $720.6 million during the nine months ended March 31, 2023. Revenues decreased year over year as we continue to prioritize resources to execute our challenged programs, transition from our higher mix of development programs and aim to better align our operating cadence with prudent working capital management. As a result, we are observing a temporary volume shift in our total revenue, including our point in time revenue and over time revenue which decreased by approximately $54.5 million and $79.4 million, respectively. We expect this trend to continue through the remainder of fiscal 2024. Over time revenue represented 56% of total revenues during the nine months ended March 29, 2024, as compared to 57% of total revenues during the nine months ended March 31, 2023.

During the nine months ended March 29, 2024, we experienced incremental cost growth across various programs with revenue recognized over time, including our challenged programs. For the challenged programs, which are recognized over time, we have recognized a majority of the revenue and related cost as we acquired material and applied labor over the period of performance to progress these programs in prior periods. As we continue to resolve technical challenges and complete these programs, which consumes a significant amount of operational capacity, the remaining revenues on these challenged programs are recognized, however these revenues represent a very small proportion of the total contract value. In addition, we adjusted our estimates at completion for incremental technical and execution costs in the quarter, especially as related to one of our challenged programs as well as certain other development and production programs resulting in a cumulative adjustment to reduce revenues in the nine months ended March 29, 2024. Despite the cost growth we experienced on our programs, the trend in the cost growth of these programs has reduced significantly as we proactively retire risk across the portfolio. In addition, as we transition our operating cadence with a goal of more properly balancing our material purchases with contract awards and resource availability to drive better working capital results, we are experiencing a near-term revenue timing dynamic.

We experienced revenue decreases across all product grouping, integrated subsystems, modules and sub-assemblies and components which decreased $106.5 million, $26.2 million and $1.3 million, respectively. The decrease in total revenue was primarily driven by the radar, electronic warfare and C4I end applications decreases of $112.5 million, $22.2 million, and $20.7 million, respectively, partially offset by increases to other sensor and effector end applications of $20.8 million. We experienced decreases across each platform during the nine months ended March 29, 2024 when compared to the prior period; Land, Airborne, Naval and Other platforms decreased $48.9 million, $44.2 million, $36.6 million, and $4.2 million, respectively. The largest program decreases were related to the LTAMDS, Aegis and THAAD programs, partially offset by increases to the SCAR and MK21A programs when compared to the prior period. There were no programs comprising 10% or more of our revenues for the nine months ended March 29, 2024 or March 31, 2023.

GROSS MARGIN

Gross margin was 20.9% for the nine months ended March 29, 2024, a decrease of 1370 basis points from the 34.6% gross margin realized during the nine months ended March 31, 2023. The lower gross margin was driven by cost growth impacts to revenue programs recognized over time and higher manufacturing adjustments, including $29.2 million related to inventory reserves and scrap, certain other non-recurring cost adjustments, as well as, $4.9 million warranty expense. The increase in inventory reserves was primarily related to programs with end of life components, where design changes have occurred, as well as configuration changes necessary to drive efficient production in the common processing architecture. The increase in scrap was primarily a result of higher levels of discrepant material especially as related to the common processing architecture across several of our remaining challenged programs. We have several initiatives underway to address more efficient and cost-effective producibility of these subsystems.

Additionally, the growth in estimated costs to complete on our over time revenue programs during fiscal 2024 has significantly reduced the overall margins. Net program cost growth of approximately $63.9 million was recorded in the nine months resulting in an incremental impact of approximately $36.6 million to gross margin, or 710 basis points, when compared to the prior period. Approximately, $25.8 million of total cost growth impact in the nine months was attributable to the challenged programs, of which a total of $18.9 million related to two programs. The remaining $38.2 million was incurred across certain other development and production programs based on facts and circumstances in the quarter.

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:

(in thousands)	**March 29, 2024**	**March 31, 2023**
Gross favorable	$ 14,441	$ 10,015
Gross unfavorable	(78,391)	(37,342)
Net impact of changes in estimates	$ (63,950)	$ (27,327)

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 $5.2 million, or 4.0%, to $123.4 million during the nine months ended March 29, 2024, as compared to $128.6 million during the nine months ended March 31, 2023. The decrease was primarily driven by the reduction in force initiated on August 9, 2023 and on January 12, 2024, resulting in lower compensation costs of $16.3 million including stock compensation, bonus, benefits and salary expense. These decreases were partially offset by contract asset write-offs and reserves of $11.1 million as a result of ongoing negotiations of settlement terms with our customers to reduce scope, or otherwise exit contracts, especially as related to certain challenged programs.

RESEARCH AND DEVELOPMENT

Research and development expenses increased $0.7 million, or 0.9%, to $81.9 million during the nine months ended March 29, 2024, as compared to $81.2 million during the nine months ended March 31, 2023. The increase was primarily due to incremental R&D spend on equipment, supplies and outside services totaling $4.7 million, partially offset by increased CRAD of $3.9 million as a result of a higher mix of development programs execution compared to the nine months ended March 31, 2023.

Restructuring And Other Charges

Restructuring and other charges were $19.4 million during the nine months ended March 29, 2024, as compared to $6.4 million during the nine months ended March 31, 2023. During the nine months ended March 29, 2024 we initiated several immediate cost savings measures that simplify our organizational structure, facilitate clearer accountability, and align our priorities, including: (i) embedding the 1MPACT value creation initiatives and execution into our operations; (ii) streamlining organizational structure and removing areas of redundancy between corporate and divisional organizations; and (iii) reducing selling, general, and administrative headcount and rebalancing discretionary and third party spending to better align with our priority areas. On July 20, 2023, we executed the plan to embed the 1MPACT value creation initiatives into operations, and on August 9, 2023, we approved and initiated a workforce reduction that, together with the 1MPACT related action, eliminated approximately 150 positions resulting in $9.5 million of severance costs. On January 12, 2024, we initiated and approved a workforce reduction that eliminated approximately 100 positions resulting in $9.8 million of severance costs. Restructuring and other charges during the nine months ended March 31, 2023 primarily related to 1MPACT including $2.8 million of severance costs, $1.8 million of third party consulting costs, $1.8 million of costs for facility optimization efforts, including $1.3 million related to lease asset impairment.

All of the restructuring and other charges will be classified as Operating expenses in the Consolidated Statements of Operations and Comprehensive (Loss) Income 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 $1.4 million during the nine months ended March 29, 2024, as compared to $5.0 million during the nine months ended March 31, 2023. The acquisition costs and other related expenses we incurred during the nine months ended March 29, 2024 includes $0.5 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. Acquisition costs during the nine months ended March 31, 2023 were primarily related to $2.5 million for third party advisory fees in connection with engagements by activist investors and $1.3 million associated with the Board of Directors' review of strategic alternatives.

Interest Expense

We incurred $25.9 million of interest expense during the nine months ended March 29, 2024, as compared to $17.8 million during the nine months ended March 31, 2023. The increase was driven by a higher interest rate and higher average borrowings outstanding on our Revolver as compared to the nine months ended March 31, 2023.

Other Expense, Net

Other expense, net increased $2.3 million to $5.7 million during the nine months ended March 29, 2024 as compared to $3.4 million during the nine months ended March 31, 2023. There was $4.0 million of litigation and settlement costs, $2.1 million of financing costs and $0.5 million of net foreign currency translation losses, partially offset by other income of $0.9 million during the nine months ended March 29, 2024. There was $1.7 million of both financing costs and litigation and settlement costs, respectively, during the nine months ended March 31, 2023.

Income Taxes

We recorded an income tax benefit of $43.8 million and $13.6 million on a loss before income taxes of $170.7 million and $33.7 million for the nine months ended March 29, 2024 and March 31, 2023, respectively.

During the nine months ended March 29, 2024 and March 31, 2023, we recognized a tax provision of $2.4 and $1.7 million related to stock compensation shortfalls, respectively. During the nine months ended March 31, 2023, we concluded our income tax audit with the Internal Revenue Service for fiscal years 2016 through 2018 and subsequently recognized a tax benefit of $1.3 million related to a release of income tax reserves for unrecognized income tax benefits.

The effective tax rate for the nine months ended March 29, 2024 and March 31, 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 effective tax rate for the nine months ended March 31, 2023 also differed from the federal statutory rate due to the release of unrecognized income tax benefits.

The Tax Cuts and Jobs Act of 2017 requires companies to capitalize and amortize domestic research and development expenditures over five years for tax purposes, and foreign research and development expenditures over fifteen years for tax purposes, effective for us beginning in the fiscal year ended June 30, 2023. As a result, we have recorded a deferred tax asset through the nine months ended March 29, 2024 of $58.3 million. Based on some guidance issued during the year, we refined the amount of research and development expenditures capitalized and recorded certain current and deferred tax adjustments in the third quarter ended March 29, 2024. We will continue to monitor guidance and any proposed regulations and adjust the estimates as necessary.

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 complete our challenged programs and then 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 February 28, 2022, we amended the Revolver to increase and extend the borrowing capacity to a $1.1 billion, 5-year revolving credit line, with the maturity extended to February 28, 2027. The borrowing capacity as defined under the Revolver as of March 29, 2024 is approximately $750.0 million, less outstanding borrowings of $616.5 million.

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.

Upon the earlier of May 15, 2024 or the filing of the compliance certificate for the period ended March 29, 2024 the borrowing capacity will increase to approximately $1,069.8 million, less outstanding borrowings of $616.5 million.

During the third quarter ended March 29, 2024, we did not have any additional borrowings. During the nine months ended March 29, 2024, we borrowed $105.0 million. As of March 29, 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.

Receivables Purchase Agreement

On September 27, 2022, we entered into an uncommitted receivables purchase agreement ("RPA") with Bank of the West, as purchaser, pursuant to which we may offer to sell certain customer receivables, subject to the terms and conditions of the RPA. The RPA is an uncommitted arrangement such that we are not obligated to sell any receivables and Bank of the West has no obligation to purchase any receivables from us. Pursuant to the RPA, Bank of the West 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 Bank of the West, less the amount of all collections received on such receivables, may not exceed $20.0 million. The RPA has an indefinite term and the agreement remains in effect until it is terminated 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 with BMO Harris Bank (as successor in interest to Bank of the West) to increase the capacity from $30.6 million to $60.0 million. We factored accounts receivable and incurred factoring fees of approximately $44.2 million and $1.6 million, respectively, for the nine months ended March 29, 2024. We factored accounts receivable and incurred factoring fees of approximately $24.5 million and $0.3 million respectively, for the nine months ended March 31, 2023.

CASH FLOWS

(In thousands)	As of and For the Nine Months Ended, March 29, 2024	March 31, 2023
Net cash used in operating activities	$ (11,379)	$ (33,864)
Net cash used in investing activities	$ (23,943)	$ (29,800)
Net cash provided by financing activities	$ 106,217	$ 62,330
Net increase (decrease) in cash and cash equivalents	$ 71,082	$ (1,213)
Cash and cash equivalents at end of period	$ 142,645	$ 64,441

Our cash and cash equivalents increased by $71.1 million from June 30, 2023 to March 29, 2024, primarily as the result of $105.0 million of borrowings on our Revolver, offset by $23.9 million invested in purchases of property and equipment and $11.4 million of cash used in operating activities.

Operating Activities

During the nine months ended March 29, 2024, we had an outflow of $11.4 million in cash from operating activities compared to a $33.9 million outflow during the nine months ended March 31, 2023. The reduced outflow during the nine months ended March 29, 2024 was primarily due to a higher net loss of $106.8 million and a $78.3 million inflow from accounts receivable, unbilled receivables and costs in excess of billings as compared to a $53.7 million outflow during the nine months ended March 31, 2023. The nine months ended March 29, 2024 also included lower outflows due to inventory and the benefit for deferred income taxes as compared to the nine months ended March 31, 2023. This activity was offset by outflows of $28.0 million, $25.9 million, and $13.9 million of prepaid income taxes, accounts payable, accrued expenses, and accrued compensation, and income taxes payable, respectively and lower inflows from deferred revenues and customer advances.

Investing Activities

During the nine months ended March 29, 2024, we invested $23.9 million, a decrease of $5.9 million, as compared to $29.8 million during the nine months ended March 31, 2023 primarily due to lower purchases of property and equipment.

Financing Activities

During the nine months ended March 29, 2024, we had $105.0 million of borrowings on our Revolver as compared to $100.0 million of borrowings during the nine months ended March 31, 2023. During the nine months ended March 31, 2023, the borrowings were partially offset by payments under credit facilities of $40.0 million while there were no such payments made during the nine months ended March 29, 2024.

COMMITMENTS, CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The following is a schedule of our commitments and contractual obligations outstanding at March 29, 2024:

(In thousands)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Purchase obligations	$ 138,555	$ 138,555	$ —	$ —	$ —
Operating leases	92,775	14,963	27,578	24,771	25,463
	$ 231,330	$ 153,518	$ 27,578	$ 24,771	$ 25,463

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 $138.6 million at March 29, 2024.

We have a liability at March 29, 2024 of $5.2 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, free cash flow, organic revenue and acquired revenue.

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:

	Third Quarters Ended		Nine Months Ended	
(In thousands)	**March 29, 2024**	**March 31, 2023**	**March 29, 2024**	**March 31, 2023**
Net (loss) income	$ (44,574)	$ 5,156	$ (126,863)	$ (20,099)
Other non-operating adjustments, net	(64)	(337)	(375)	(3)
Interest expense, net	8,777	6,631	25,182	17,519
Income tax benefit	(12,643)	(10,446)	(43,811)	(13,619)
Depreciation	10,221	11,084	30,289	33,908
Amortization of intangible assets	11,533	12,809	36,350	40,919
Restructuring and other charges	9,841	2,778	19,389	6,355
Impairment of long-lived assets	—	—	—	—
Acquisition, financing and other third party costs	778	2,012	2,970	6,185
Fair value adjustments from purchase accounting	177	178	532	179
Litigation and settlement expense, net	2,096	366	3,982	1,741
COVID related expenses	—	1	—	62
Stock-based and other non-cash compensation expense	11,461	13,229	30,607	37,172
Adjusted EBITDA	$ (2,397)	$ 43,461	$ (21,748)	$ 110,319

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, COVID related expenses, 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 (loss) income and adjusted EPS:

(In thousands, except per share data)	Third Quarters Ended							
	March 29, 2024				March 31, 2023			
Net (loss) income and (loss) earnings per share	$	(44,574)	$	(0.77)	$	5,156	$	0.09
Other non-operating adjustments, net		(64)				(337)		
Amortization of intangible assets		11,533				12,809		
Restructuring and other charges		9,841				2,778		
Impairment of long-lived assets		—				—		
Acquisition, financing and other third party costs		778				2,012		
Fair value adjustments from purchase accounting		177				178		
Litigation and settlement expense, net		2,096				366		
COVID related expenses		—				1		
Stock-based and other non-cash compensation expense		11,461				13,229		
Impact to income taxes(1)		(6,384)				(13,637)		
Adjusted (loss) income and adjusted (loss) earnings per share(2)	$	(15,136)	$	(0.26)	$	22,555	$	0.40
Diluted weighted-average shares outstanding				57,698				56,896

(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) Loss per share and adjusted loss per share is calculated using basic shares whereas earnings per share and adjusted earnings per share is calculated using diluted shares. There was no impact to the calculation of adjusted earnings per share as a result of this for the third quarter, presented above.

(In thousands, except per share data)	Nine Months Ended							
	March 29, 2024				March 31, 2023			
Net loss and loss per share	$	(126,863)	$	(2.20)	$	(20,099)	$	(0.36)
Other non-operating adjustments, net		(375)				(3)		
Amortization of intangible assets		36,350				40,919		
Restructuring and other charges		19,389				6,355		
Impairment of long-lived assets		—				—		
Acquisition and financing costs		2,970				6,185		
Fair value adjustments from purchase accounting		532				179		
Litigation and settlement expense, net		3,982				1,741		
COVID related expenses		—				62		
Stock-based and other non-cash compensation expense		30,607				37,172		
Impact to income taxes(1)		(19,588)				(21,867)		
Adjusted (loss) income and adjusted (loss) earnings per share(2)	$	(52,996)	$	(0.92)	$	50,644	$	0.89
Diluted weighted-average shares outstanding				57,536				56,653

(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 is calculated using basic shares. There was no impact to the calculation of adjusted earnings per share as a result of this for the nine months ended March 31, 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:

	Third Quarters Ended		Nine Months Ended	
(In thousands)	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
Net cash used in operating activities	$ (17,805)	$ (3,217)	$ (11,379)	$ (33,864)
Purchase of property and equipment	(7,938)	(9,446)	(23,943)	(29,950)
Free cash flow	$ (25,743)	$ (12,663)	$ (35,322)	$ (63,814)

Organic revenue and acquired revenue are non-GAAP measures for reporting the financial performance of our business. We believe this information provides investors with insight as to our ongoing business performance. Organic revenue represents total company revenue excluding net revenue from acquired companies for the first four full quarters since the entities' acquisition date (which excludes intercompany transactions). Acquired revenue represents revenue from acquired companies for the first four full quarters since the entities' acquisition date (which excludes intercompany transactions). After the completion of four full fiscal quarters, acquired revenue is treated as organic for current and comparable historical periods.

The following tables reconcile the most directly comparable GAAP financial measure to the non-GAAP financial measure for the third quarters and nine months ended March 29, 2024 and March 31, 2023, respectively:

(In thousands)	March 29, 2024	As a % of Total Net Revenue	March 31, 2023	As a % of Total Net Revenue	$ Change	% Change
Organic revenue	$ 208,258	100 %	$ 263,479	100 %	$ (55,221)	(21)%
Acquired revenue	—	— %	—	— %	—	— %
Total revenues	$ 208,258	100 %	$ 263,479	100 %	$ (55,221)	(21)%

(In thousands)	March 29, 2024	As a % of Total Net Revenue	March 31, 2023	As a % of Total Net Revenue	$ Change	% Change
Organic revenue	$ 586,712	100 %	$ 720,646	100 %	$ (133,934)	(19)%
Acquired revenue	—	— %	—	— %	—	— %
Total revenues	$ 586,712	100 %	$ 720,646	100 %	$ (133,934)	(19)%

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 30, 2023 to March 29, 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 March 29, 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 March 29, 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 ourself 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.

On December 7, 2021, counsel for National Technical Systems, Inc. (“NTS”) sent us 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 Mercury that was acquired in our 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 us of NTS’s costs for any required environmental remediation. In April 2022, we 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. In April 2024, counsel for NTS sent additional communications on their demand that we participate in their environmental monitoring and remediation planning. In addition, in November 2021, we responded to a request for information from MassDEP regarding the detection of PFAS (per- and polyfluoroakyl 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 standard that MassDEP published for PFAS in October 2020. We have not been contacted by NTS or MassDEP since the dates discussed above. We believe the claims from NTS are without merit and intend to defend our self vigorously. It is too early to determine what responsibility, if any, we will have for these matters.

On June 19, 2023, our Board of Directors received notice of our former CEO’s resignation from his positions of President and Chief Executive Officer. The Board accepted his resignation effective June 24, 2023. In his notice, the former CEO claimed he was entitled to certain benefits, including equity vesting, severance, and other benefits, under his change in control severance agreement (the “CIC Agreement”) because he had resigned with good reason during a potential change in control period. We dispute these claims and maintain that he resigned without good reason. On September 19, 2023, our 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 the arbitration trial has been scheduled for mid-December 2024. 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. We intend to contest vigorously the claims under the CIC Agreement and believe that we have strong arguments that our former CEO’s claims lack merit. If the arbitrator rules in our favor, we may still need to pay the former CEO’s reasonable legal fees and compensation during the dispute. If instead the arbitrator rules for the former CEO, we could be liable for up to approximately $12.9 million, based on the closing price of our common stock on June 26, 2023, plus legal fees and expenses and compensation during dispute, for accelerated equity vesting, severance, and other benefits under the CIC Agreement. We categorically deny any wrongdoing or liability under the CIC Agreement, but the outcome of potential arbitration is inherently uncertain. Accordingly, it is reasonably possible that we will incur a liability in this matter, and we estimate the potential range of exposure from $0 to $12.9 million, plus costs and attorneys’ fees and compensation to our former CEO during the dispute.

On December 13, 2023, a securities class action complaint was filed against us, 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 our stock from December 7, 2020, through June 23, 2023. The complaint alleges that our public disclosures in SEC filings and on earnings calls were false and/or misleading. The complaint alleged that our 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. Subject to the terms of our by-laws and applicable Massachusetts law, Mr. Aslett, our former Chief Executive Officer, Mr. Ruppert, our former Chief Financial Officer,Mr. Ballhaus, our current Chief Executive Officer, and Mr. Farnsworth, our current Chief Financial officer,are indemnified by us for this matter. We believe the claims in the complaint are without merit and intend to defend our self vigorously. It is too early to determine what responsibility, if any, we will have for this matter.

On January 31, 2024, a former employee at our Torrance, CA 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 employees in California, alleging a range of violations of California wage and hour regulations. We believe the claims in the complaints are without merit and intend to defend our self vigorously. It is too early to determine what responsibility, if any, Mercury will have for this matter.

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 30, 2023. There has been one change from the factors disclosed in our 2023 Annual Report on Form 10-K filed on August 15, 2023, although we may disclose additional changes to such factors from time to time in our future filings with the Securities and Exchange Commission.

We have a significant amount of goodwill and intangible assets on our consolidated financial statements that are subject to impairment based upon future adverse changes in our business or prospects.

At March 29, 2024, the carrying values of goodwill and identifiable intangible assets on our balance sheet were $938.1 million and $261.8 million, respectively. We evaluate indefinite lived intangible assets and goodwill for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Indefinite lived intangible assets are impaired and goodwill impairment is indicated when their book value exceeds fair value. We also review finite-lived intangible assets and long-lived assets when indications of potential impairment exist, such as a significant reduction in undiscounted cash flows associated with the assets. Should the fair value of our long-lived assets decline because of reduced operating performance, market declines, or other indicators of impairment, a charge to operations for impairment may be necessary. The value of goodwill and intangible assets from the allocation of purchase price from our acquisitions will be derived from our business operating plans and is susceptible to an adverse change in demand, input costs or general changes in our business or industry and could require an impairment charge in the future. During the quarter ended March 29, 2024, we assessed potential triggering events for goodwill impairment and concluded that there was a triggering event. Based on the quantitative evaluation during the quarter ended March 29, 2024, we determined that the Mission Systems reporting unit had an estimated fair value in excess of their carrying value of 2.5% and the Microelectronics reporting unit had an estimated fair value that substantially exceeded its carrying value.

ITEM 5. OTHER INFORMATION

During the third quarter ended March 29, 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:

10.1*	Separation Agreement, dated January 12, 2024, between the Company and Christine F. Harbison
10.2*	Letter Agreement, dated January 11, 2024, between the Company and Charles R. Wells, IV
10.3*	First Amendment to Restricted Stock Award Agreement Granted to Christine Harbison under the Mercury Systems, Inc. 2018 Stock Incentive Plan
10.4*	First Amendment to Performance Restricted Stock Award Agreement Granted to Christine Harbison under the Mercury Systems, Inc. 2018 Stock Incentive Plan
31.1	Certification of the Company’s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Company’s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1+	Certification of the Company’s Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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.

MERCURY SYSTEMS, INC.

Signatures

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

MERCURY SYSTEMS, INC.

By: /s/ DAVID E. FARNSWORTH

David E. Farnsworth
Executive Vice President,
Chief Financial Officer

Andover, Massachusetts, on May 7, 2024.

Separation Agreement and General Release

January 12, 2024

Mercury Systems, Inc. and its subsidiaries (the "Company") has notified the employee listed in the table below ("you" or the "Employee") that your employment will end on the Separation Date listed in the table below. This Separation Agreement and General Release (this "Agreement") outlines the special severance package and other consideration that the Company is offering to you in connection with your separation from the Company (the "Special Severance Package"). The table below has defined terms that are used throughout this Agreement:

Defined Term	Meaning
"You" or "Employee"	Christine Harbison Employee ID #: 17016
"Last Day of Full Work"	February 16, 2024
"Separation Date"	March 15, 2024
"Human Resources Business Partner"	Steve Ratner
"Number of Weeks of Total Severance"	52 weeks
"Number of Weeks of Garden Leave"	4 weeks
"Number of Weeks of Salary Continuation after Termination of Employment"	48 weeks
"Due Date for Signed Agreement"	February 26, 2024

You must take the following actions to obtain the Special Severance Package:

1. You must sign this Agreement and then email that signed Agreement to Steve Ratner by the later of (a) the Due Date for Signed Agreement listed above, and (b) the end of the forty-five (45) calendar day period after your receipt of this Agreement. If you cannot email the signed Agreement, please contact your Human Resources Business Partner for mailing instructions or other delivery options.

2. After the Separation Date, you must sign and deliver the Affirmation of Separation Agreement and General Release that is attached to this Agreement as Exhibit A (the "Affirmation") to the Company by email to Steve Ratner before the end of the forty-five (45) calendar day period after the Separation Date. If you cannot email the Agreement, please contact your Human Resources Business Partner for mailing instructions or other delivery options.

3. You must not revoke this Agreement during the revocation period specified in the "Consideration/Revocation" section of this Agreement.

<u>Special Severance Package</u>

The Company will provide you with the Special Severance Package described below in consideration of your acceptance of all of the terms and conditions of this Agreement and subject to your compliance with the terms and conditions hereunder.

1. <u>Continued Employment</u>. The Company will continue your employment through the Separation Date.

2. Salary Continuation. The Company will pay your regular salary to you for a period of week(s) equal to the Number of Weeks of Salary Continuation after Termination of Employment listed in the table on page 1 of this Agreement (the "Salary Continuation Period"), less legally-required and voluntarily-authorized deductions (such payments, the "Salary Continuation").

   The Company will make the Salary Continuation payments to you beginning with the first payroll cycle after the Effective Date of the Affirmation. The Salary Continuation will be paid in equal installments on the Company's regularly scheduled paydays.

   You acknowledge that the Company has agreed to employ you from your Last Day of Full Work through the Separation Date so that you may obtain additional compensation and benefits through the Separation Date, which provides you with compensation during the period of the Number of Weeks of Garden Leave. You acknowledge and agree that this Special Severance Package provides you with a greater severance package than you would otherwise be entitled to receive under either the Company's severance benefit plan or any severance agreement if the Company had instead terminated your employment on the Last Day of Full Work. You also acknowledge and agree that you are receiving severance payments at least equal to the Number of Weeks of Total Severance.

3. Bonus. You will receive a lump sum payment of your target annual bonus (excluding any potential over-achievement bonus) for Fiscal Year 2024.

   Any amount payable to you under this section will be paid to you as soon as administratively feasible following the effectiveness of this Agreement in the ordinary course of the Company's business.

4. Amendment to FY23 Outstanding Equity Awards. Your outstanding fiscal 2023 equity awards shall be amended to provide the same severance-based vesting as was included in your fiscal 2024 equity awards, such that by virtue of your execution of this Agreement, the vesting of your time-based awards granted in fiscal 2023 shall accelerate at the Separation Date for the number of shares that would vest thereunder during the 12-month period following your Separation Date, and the vesting of the performance awards shall be prorated at the Separation Date based on the portion of the vesting period satisfied through the Separation Date, with the actual payout dependent on the Company's performance for the entire performance period.

5. Benefits. If you currently participate in medical, vision and/or dental coverage under the Company's group health plan, and you properly and timely elect to continue such coverage in accordance with the continuation requirements of COBRA, then the Company shall pay the same portion of your premium as it pays with respect to active employees (at the same level of coverage for you and your covered dependents in effect immediately prior to the Separation Date) for a period of time equal to the Salary Continuation Period (unless your COBRA coverage period ends earlier) (the "COBRA Payment Period").

   Following the COBRA Payment Period, and provided that the COBRA coverage period has not expired, you shall be entitled to continue your elected COBRA coverage for the remainder of the COBRA coverage period at your own and sole expense. Company payments of your COBRA premiums are subject to all the terms and conditions set forth in the Company's group health plan and are intended to avoid any excise tax under Section 4980D of the Internal Revenue Code of 1986, as amended (the "Code").

If the Company, in its sole discretion, determines that the payments of any COBRA premiums would violate the nondiscrimination rules or cause the reimbursement of claims to be taxable under the Patient Protection and Affordable Care Act of 2010, together with the Health Care and Education Reconciliation Act of 2010 (collectively, the "Act") or Section 105(h) of the Code, the premium payments may be imputed as income and treated as taxable to you to the extent necessary to eliminate any discriminatory treatment or taxation under the Act or Section 105(h) of the Code.

If you become employed by another employer and are eligible for coverage under the group benefits plan of the new employer, then the Company will no longer pay premiums for COBRA continuation as of the date of eligibility. You agree to immediately notify the Company in writing of such new employment so that the Company receives such notification prior to the commencement of such new employment. You shall deliver such notice to Mercury Systems, Inc., Attention: Total Rewards, 50 Minuteman Road, Andover, MA 01810.

6. Outplacement Services. The Company will provide you with outplacement services through a provider designated by the Company in an amount up to $30,000 at the level of executive outplacement.

7. Waiver of Reimbursement Obligations. The Company will waive any obligation that you reimburse the Company for tuition payments previously reimbursed to you, any signing bonus, or any relocation or immigration assistance paid or provided to you by the Company that would otherwise be required to be repaid to the Company in connection with the termination of your employment.

You understand and agree that you would not receive the monies and/or benefits specified above, except for your timely signing and non-revocation of this Agreement and the fulfillment of the promises contained herein. If you breach any provision of this Agreement, then you shall not be entitled to any additional monies and/or benefits specified above; however, your release of claims shall remain in effect.

Performance of Job Duties

You must continue to satisfactorily perform your job duties through the Last Day of Full Work. Those actions include, but are not limited to, continuing to work your regularly scheduled hours, organizing your electronic and hard copy files for transition to appropriate persons designated by the Company, your professional and good faith participation in any meetings with appropriate Company employees regarding your responsibilities and past and current projects, maintaining a professional, discreet, and collaborative demeanor during any interactions with Company employees, customers, suppliers, and/or consultants, and your performance of any other duties or projects that may be directed by the Company to assist with the transition of your duties.

Between the Last Day of Full Work and your Separation Date, you must answer the Company's questions and furnish information to the Company regarding matters that you worked on for the Company. The Company will provide you with reasonable advance notice about its requests. During this period, you must continue to maintain a professional, discreet, and collaborative demeanor during any interactions with Company employees, customers, suppliers, and/or consultants.

Acknowledgements and Affirmations

You affirm that you have not filed, caused to be filed, or presently are a party to any claim against the Company. Nothing in this Agreement or these affirmations is intended to impair your rights under whistleblower laws or cause you to disclose your participation in any governmental whistleblower program or any whistleblowing statute(s) or regulation(s) allowing for anonymity. You also affirm that you have reported all hours worked as of the date you sign this Agreement and have been paid and/or has received all compensation, wages, bonuses, commissions, paid sick leave, predictability pay, and/or benefits which are due and payable as of the date you sign this Agreement, except for any payments due under the Special Severance Package. You also affirm you have been reimbursed for all necessary expenses or losses in following the Company's directions or incurred by you within the scope of your employment as of the date you sign this Agreement. You affirm that you have no known workplace injuries or occupational diseases. You further affirm that you have been granted any leave to which you were entitled under the Family and Medical Leave Act and state and local leave and disability accommodation laws. You also affirm that you have not reported internally to the Company any allegations of wrongdoing by the Company or its officers, including any allegations of corporate fraud, and you have not been retaliated against for reporting any such allegations internally to the Company. You and the Company acknowledge your rights to make truthful statements or disclosures required by law, regulation, or legal process and to request or receive confidential legal advice, and nothing in this Agreement shall be deemed to impair those rights.

General Release, Claims Not Released & Related Provisions

General Release. You, on your own behalf and on behalf of your heirs, executors, administrators, successors, and assigns, hereby voluntarily and knowingly release and forever discharge the Company and all of its predecessor, successor, parent, subsidiary, affiliated and related companies and all of their present, former and future directors, officers, trustees, members, attorneys, employees, shareholders, agents, successors, assigns and representatives, individually and in their official capacities, and their employee benefit plans and programs and their administrators and fiduciaries, individually and in their official capacities (collectively referred to as the "Releasees") of and from any and all claims, known or unknown, suspected or unsuspected, asserted or unasserted, arising or which may have existed at any time to the date of the signing of this Agreement, whether in law or equity, including, but not limited to, any claims arising from any alleged violation by Releasees of any federal, state or local statutes, ordinance or common laws, specifically including, but not limited to, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Worker Adjustment and Retraining Notification Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Immigration Reform and Control Act, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act of 1990, the Occupational Safety and Health Act, the Family and Medical Leave Act, the Fair Credit Reporting Act, the Equal Pay Act, the Genetic Information Nondiscrimination Act of 2008, the Massachusetts Law Against Discrimination, G.L. c. 151 B, Massachusetts Wage Payment Statute, G.L. c. 149, § §148, 148A, 148B, 149, 150, 150A-150C, 151, 152, 152A, et seq., Massachusetts Wage and hour laws, G.L. c. 151§1A et seq.; the New Jersey Law Against Discrimination, N.J. Rev. Stat. § 10:5-1 et seq., the New Jersey Conscientious Employee Protection Act, N.J. Stat. Ann. § 34:19-3 et seq., and any and all other federal, state, county or local ordinances, statutes or regulations or public policy, all as may be amended, which may lawfully be released, and any other claim relating to or arising out of your employment with or separation from the Company, including, without limitation, any claim for costs, fees or other expenses including attorneys' fees in connection with these matters. Further, you hereby agree to resign from all affiliated Company director or fiduciary positions, including any board of directors, board committee, and benefit plan fiduciary positions with the Company and any parent, subsidiary, and affiliates of the Company.

Claims Not Released. You are not waiving any rights you may have to: (i) your own vested or accrued employee benefits under any applicable Company qualified retirement benefit plan and non-qualified deferred compensation matching plan as of the Separation Date; (ii) benefits and/or the right to seek benefits under applicable workers' compensation and/or unemployment compensation statutes; (iii) pursue claims which by law cannot be waived by signing this Agreement; and (iv) enforce this Agreement.

Governmental Agencies. Nothing in this Agreement prohibits, prevents, or otherwise limits you from filing a charge or complaint with or participating, testifying, or assisting in any investigation, hearing, or other proceeding before any federal, state, or local government agency (e.g., the Equal Employment Opportunity Commission, the National Labor Relations Board, the U.S. Securities and Exchange Commission) or in any legislative or judicial proceeding nor does anything in this Agreement preclude, prohibit or otherwise limit, in any way, your rights and abilities to contact, communicate with or report unlawful conduct, or provide documents, to federal, state, or local officials for investigation or participate in any whistleblower program administered by any such agencies. In addition, nothing in this Agreement, including but not limited to the release of claims nor the confidentiality, non-disparagement, and return of property clauses, prohibits you from: (i) reporting possible violations of federal or other law or regulations, including any possible securities laws violations, to any governmental agency or entity, including but not limited to the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the Commodity Futures Trading Commission, the U.S. Congress, or any agency Inspector General; (ii) making any other disclosures that are protected under the whistleblower provisions of federal or other law or regulations; or (iii) filing a charge or complaint or otherwise fully participating in any governmental whistleblower programs, including but not limited to any such programs managed or administered by the U.S. Securities and Exchange Commission, the Commodity Futures Trading Commission and/or the Occupational Safety and Health Administration. You are not required to notify or obtain permission from the Company when filing a governmental whistleblower charge or complaint or engaging or participating in protected whistleblower activity. Moreover, nothing in this Agreement prohibits or prevents you from receiving individual monetary awards or other individual relief by virtue of participating in such governmental whistleblower programs. Additionally, nothing in this Agreement prohibits or prevents you from testifying in any administrative, legislative, or judicial proceeding concerning alleged criminal conduct or sexual harassment on the part of the Company or any agents or employees of the Company, when you have been required or requested to attend the proceeding pursuant to a court order, subpoena, or written request from an administrative agency or the Legislature.

Collective/Class Action Waiver. If any claim is not subject to release, to the extent permitted by law, you waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which the Company or any other Releasee identified in this Agreement is a party.

Waiver of Civil Code Section 1542

The following provision is applicable to you only if you have worked for the Company in California.

To effect a full and complete general release as described above, you expressly waive and relinquish all rights and benefits of section 1542 of the Civil Code of the State of California, and do so understanding and acknowledging the significance and consequence of specifically waiving section 1542. Section 1542 of the Civil Code of the State of California states as follows:

> A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Thus, notwithstanding the provisions of section 1542, and to implement a full and complete release and discharge of the Releasees, you expressly acknowledge this Agreement is intended to include in its effect, without limitation, all claims you do not know or suspect to exist in your favor at the time of signing this Agreement, and that this Agreement contemplates the extinguishment of any such claims. You warrant you have read this Agreement, including this waiver of California Civil Code section 1542, and that you have consulted with or had the opportunity to consult with counsel of your choosing about this Agreement and specifically about the waiver of section 1542, and that you understand this Agreement and the section 1542 waiver, and so you freely and knowingly enters into this Agreement. You further acknowledge that you later may discover facts different from or in addition to those you now know or believe to be true regarding the matters released or described in this Agreement, and even so you agree that the releases and agreements contained in this Agreement shall remain effective in all respects notwithstanding any later discovery of any different or additional facts. You expressly assume any and all risk of any mistake in connection with the true facts involved in the matters, disputes, or controversies released or described in this Agreement or with regard to any facts now unknown to you relating thereto.

Non-Disclosure

You agree that you will not disclose, directly or indirectly, the existence of this Agreement or any terms or provisions of this Agreement, except: (a) to members of your immediate family, on the condition that they be advised that they cannot further disclose the same to others; (b) as may be necessary to obtain professional legal and/or tax advice; (c) as required by applicable law; and/or (d) to any federal, state or local government agency. For purposes of this paragraph, "immediate family" includes spouse, parents and children. By signing this Agreement, your signature affirms that you have not previously breached this paragraph. You acknowledge this provision constitutes a material inducement to the Company to enter into this Agreement. Nothing in this Agreement has the purpose or effect of preventing you from making truthful disclosures about alleged unlawful conduct. Additionally, this provision shall not be construed to limit your rights under the National Labor Relations Act including, but not limited to, the right to engage in protected concerted activity, including discussing terms and conditions of employment with coworkers, and attempting to improve terms and conditions of employment through channels outside the immediate employee-employer relationship, such as through the National Labor Relations Board.

Non-Disparagement

You agree that you will refrain from making false statements that are maliciously disparaging or defamatory about Releasees, or Releasees' customers, suppliers, or vendors, including but not limited to communications on social media websites such as Facebook, Twitter, LinkedIn, or Glassdoor, on blogs, by text or email or other electronic means. This provision does not prohibit you from making truthful statements about the terms or conditions of your employment, or from exercising your rights under the National Labor Relations Act, government whistleblower programs, or whistleblowing statutes or regulations.

Protection of Confidential Information

You further agree that you have not and will never, directly or indirectly, use or disclose any Confidential Information of Releasees. For purposes of this Agreement, "Confidential Information" is defined as any and all information not generally known to others with whom Releasees do business, or plan to compete or do business (including, without limitation, information related to Releasees' services, customers, customer lists, markets, developments, inventions, processes, formulas, technology, marketing, finances and all other business information), and also includes comparable information that Releasees receive or have received belonging to others who do business with Releasees. This obligation specifically includes, but is not limited to, information protected from disclosure by the Health Insurance Portability and Accountability Act, the Americans with Disabilities Act and all other federal and state laws governing the confidentiality of employee information. Confidential Information includes all information that Releasees receive or have received from others with any understanding, express or implied, that it will not be disclosed. Confidential information does not include information regarding wages or other terms and conditions of employment. Under the federal Defend Trade Secrets Act of 2016, you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made to your attorney in relation to a lawsuit against the Company for retaliation against you for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. You acknowledge and recognize that any disclosure of Confidential Information by you may give rise to irreparable injury to Releasees, which may not be adequately compensated by monetary damages, and that Releasees shall be entitled, in addition to any other damages, to obtain without posting a bond, an injunction restraining you from disclosing, in whole or in part, the Confidential Information (or from rendering services to any person or entity to whom such Confidential Information, in whole or in part, may be or has been disclosed).

Return of Property

Except as provided otherwise in this Agreement or by law, you agree to return to the Company immediately upon your separation or as otherwise requested by the Company, without copying or otherwise reproducing, all the Company property, including without limitation, Confidential Information, computer and paper files, mailing lists, reports, memoranda, records, computer hardware, software, data, cellular telephones, credit cards, door and file keys, computer access codes or disks and instructional manuals, and other physical or personal property which you received or prepared or helped prepare in connection with your employment with the Company, and that you will not retain any copies, duplicates, reproductions or excerpts thereof.

Assignment of Intellectual Property

You hereby assign to the Company any right, title and interest to all Intellectual Property, to the maximum extent permitted by applicable law. You agree to sign any and all applications for domestic or foreign patents, copyrights, and other proprietary rights and to do such other acts (including, among others, the signing and delivery of instruments of further assurance or confirmation) requested by the Company to assign the Intellectual Property to the Company and to permit the Company to enforce any patents, copyrights and other proprietary rights in the Intellectual Property, to the maximum extent permitted by applicable law. You will not charge the Company for time spent in complying with these obligations. For purposes of this Agreement, "Intellectual Property" means inventions, copyrightable works, discoveries, developments, clinical and other research materials, methods, processes, compositions, works, concepts and ideas (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed or reduced to practice by you (whether alone or with others) during your employment that relate in any way to the business, products or services of the Company or to any prospective activity of the Company, or which were assisted in any way by Company resources or facilities. Intellectual Property includes, without limitation, all Confidential Information. Furthermore, you acknowledge and agree that, without obtaining prior written authorization from the Company's General Counsel, you are prohibited from (a) publishing any information or materials related to or arising out of your employment at the Company, and (b) mentioning the Company in any published work.

Enforcement of Covenants

You agree that if you violate any of the foregoing covenants, then in addition to all other remedies that may be available and damages that may be awarded to the Company, you shall continue to be bound by the restrictions set forth in such covenant until a period of twelve (12) months has expired without any violation of such provision, to the maximum extent permitted by applicable law. You further acknowledge that the scope of prohibited activities and time duration of these restrictions are reasonable in nature and are no broader than are necessary to maintain the goodwill of the Company and the confidentiality of its Confidential Information and to protect the other legitimate business interests of the Company. You further acknowledge that assertion of a breach of this Agreement by the Company shall not serve as a defense to claims arising from the Company's enforcement of this Agreement.

No Admission

You acknowledge and agree that the existence and signing of this Agreement shall not be considered as an admission by Releasees of wrongdoing or any liability, error, violation or omission. The purpose of this Agreement is to "buy peace" from future claims.

Cooperation

You agree that, following the separation of your employment with the Company, you will cooperate fully with the Company, upon the Company's written request, in relation to the defense, prosecution or other involvement by the Company, in any continuing or future claims, lawsuits, charges, audits and internal or external investigations that arise out of events or business matters that occurred during your employment with the Company to the extent you are not taking a position adverse to the Company in such matters. This continuing duty of cooperation shall include you being available to the Company, upon reasonable notice, for depositions, interviews and appearances as a witness, and furnishing information to the Company and its legal counsel upon request. The Company agrees to reimburse you for reasonably documented travel, food, and lodging expenses in connection with the aforementioned cooperation. If you are employed at a new employer, you shall not be required, in connection with the aforementioned cooperation, to be absent from your employment in a manner that causes you to lose wages or to use up paid vacation time granted to you by your new employer unless you are fairly compensated for such lost wages or lost paid vacation time.

Further, you agree to be available to the Company, upon reasonable notice, to answer questions regarding matters in addition to the legal matters discussed in the above paragraph on the same terms as set forth above.

Entire Agreement

This Agreement constitutes the entire agreement between you and Releasees and supersedes all prior and contemporaneous agreements, communications and understandings, written or oral, with respect to all matters including, but not limited to, your employment and its separation; provided, however, that this Agreement shall not terminate or supersede any ongoing obligations you may have pursuant to your Confidentiality Agreement with the Company, and any and all arbitration, intellectual property, non-compete, restrictive covenant, non-solicitation, non-disclosure, or confidentiality agreements between you and the Company that exist on the date of this Agreement which shall remain in full force and effect according to their terms.. You acknowledge that you have not relied on any representations, promises, or agreements of any kind made to you in connection with your decision to accept this Agreement, except for those set forth in this

Agreement. This Agreement may not be modified, altered or changed except in writing and signed by both parties wherein specific reference is made to this Agreement. This Agreement may be signed in counterparts, each of which shall be deemed an original, but all of which, taken together shall constitute the same instrument. A signature made on a faxed or electronically mailed copy of this Agreement or a signature transmitted by facsimile or electronic mail will have the same effect as the original signature.

Understanding and Governing Law

In signing this Agreement, you give the Company assurance that you have read and understand all provisions of this Agreement and that you have signed this Agreement freely and voluntarily. You acknowledge and understand that this Agreement will be governed by and interpreted in accordance with the laws of the state in which you worked for the Company as of the date you sign this Agreement, without giving effect to its conflicts of laws provisions. In the event of a breach of any provision of this Agreement, either party may institute an action specifically to enforce any term or terms of this Agreement and/or to seek any damages for breach. If any portion of this Agreement shall to any extent be declared unenforceable or illegal by a court of competent jurisdiction, the remainder of this Agreement shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

Remedies Upon Breach

You agree and understand that if you breach any term of this Agreement, in addition to all other remedies available to Releasees in law and in equity, the Company shall be entitled to: (a) discontinue its obligations under this Agreement; (b) recover any and all expenses (including costs and attorneys' fees) incurred in recovering any and all consideration paid to you pursuant to this Agreement; and (c) obtain a court order enforcing the breached provision(s) of this Agreement. You further understand that you could be held liable in monetary damages to Releasees for any action constituting a breach under this Agreement. This paragraph does not limit the right of Releasees to sue for breach of this Agreement and obtain injunctive relief in connection therewith, nor does it limit your right to sue for breach of this Agreement and obtain injunctive relief in connection therewith. You acknowledge and agree that the return of any consideration paid to you pursuant to this Agreement shall not affect the validity of this Agreement. You shall have no automatic repayment obligations if you were to challenge the Age Discrimination in Employment Act waiver only.

Consideration/Revocation

The Company wants to be certain that this Agreement, and the consideration (including the Special Severance Package) provided hereunder, will resolve any concerns you may have. The Company therefore encourages you to carefully consider the terms of this Agreement and to seek the advice of an attorney before signing it.

You acknowledge that you have had a period of at least forty-five (45) calendar days to consider the terms of this Agreement. You may sign this Agreement and return it to your Human Resources Business Partner at any time within this forty-five (45) calendar day period.

You may revoke this Agreement during the seven (7) calendar days immediately following your signing of this Agreement by submitting a revocation, in writing, to your Human Resources Business Partner. The revocation must be postmarked, or if personally delivered received by your Human Resources Business Partner, within seven (7) calendar days after you sign or enter into this Agreement.

If you do not revoke this Agreement prior to the expiration of this seven (7) day period, this Agreement shall take effect at that time as a legally binding agreement between you and the Company on the basis set forth herein (the "Effective Date").

If you accept the terms of this Agreement, please sign below and return this Agreement to your Human Resources Business Partner on or before the end of the forty-five (45) calendar day period after your receipt of this Agreement.

YOU ARE HEREBY ADVISED THAT YOU HAVE FORTY-FIVE (45) CALENDAR DAYS TO REVIEW THIS SEPARATION AGREEMENT AND GENERAL RELEASE AND ANY AND ALL INFORMATION PROVIDED, AND ARE HEREBY ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO SIGNING OF THIS SEPARATION AGREEMENT AND GENERAL RELEASE.

IN ACCORDANCE WITH THE OLDER WORKERS BENEFIT PROTECTION ACT, ATTACHMENT A TO THIS AGREEMENT CONTAINS A LIST OF: (A) THE JOB TITLES AND AGES OF ALL EMPLOYEES IN THE RELEVANT JOB CLASSIFICATIONS WHO WERE SELECTED FOR THE SEVERANCE PAY AND BENEFITS AS OUTLINED IN THIS AGREEMENT; AND (B) THE JOB TITLES AND AGES OF ALL EMPLOYEES IN THE RELEVANT JOB CLASSIFICATIONS WHO WERE NOT SELECTED FOR THE SEVERANCE PAY AND BENEFITS AS OUTLINED IN THIS AGREEMENT.

HAVING ELECTED TO SIGN THIS SEPARATION AGREEMENT AND GENERAL RELEASE, TO FULFILL THE PROMISES AND TO RECEIVE THE SUMS AND BENEFITS ABOVE, YOU FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTER INTO THIS SEPARATION AGREEMENT AND GENERAL RELEASE INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS YOU HAVE OR MIGHT HAVE AGAINST MERCURY SYSTEMS, INC. AND RELEASEES.

Sincerely,

Steve Ratner
Executive Vice President & CHRO

mercury

This is a legal document. You have been advised to consult with an attorney prior to signing this Agreement.

By signing this Agreement, you acknowledge and affirm that you are competent, that you were provided at least forty-five (45) calendar days to review and consider this Agreement with an attorney of your choice, that you have read and understand and accept this document as fully and finally waiving and releasing any and all claims and rights which you may have against Releasees (as defined above), including any and all claims and rights under the Age Discrimination in Employment Act, that you have received and understood all information required by the Age Discrimination in Employment Act, that no promises or inducements have been made to you except as set forth in this Agreement, and that you have signed this Agreement freely, knowingly and voluntarily, intending to be legally bound by its terms.

In accordance with the Older Workers Benefit Protection Act, the Company is enclosing as Attachment A to this Agreement, a list of: (a) the job titles and ages of all employees in the relevant job classifications who were selected for the severance pay and benefits as outlined in this Separation Agreement and General Release; and (b) the job titles and ages of all employees in the relevant job classifications who were not selected for the severance pay and benefits as outlined in this Separation Agreement and General Release.

Intending to be legally bound, I have signed this Agreement as of the date set forth below.

Signature: Christine F. Harbison

Name: Christine F. Harbison
(please print)

Date: Feb 9th, 2024

EXHIBIT A

AFFIRMATION OF SEPARATION AGREEMENT AND GENERAL RELEASE

On ________________________________, 2024, I voluntarily signed a Separation Agreement and General Release with Mercury Systems, Inc. and its subsidiaries (the "Company"). I was provided an opportunity to consider the Separation Agreement and General Release pursuant to the terms of the Separation Agreement and General Release. I was advised by the Company in the Separation Agreement and General Release to consult with an attorney of my choosing prior to signing the Separation Agreement and General Release.

I have not revoked my acceptance or signing of that Separation Agreement and General Release. Pursuant to my obligations as set forth in the Separation Agreement and General Release and in consideration of the promises and benefits provided to me pursuant to the Separation Agreement and General Release, I hereby reaffirm, restate effective as of today and incorporate by reference my acceptance of the terms of that Separation Agreement and General Release, including but not limited to my release of any and all claims against the Company and Releasees arising out of my employment with the Company, as set forth in the Separation Agreement and General Release.

I acknowledge and agree that I have not filed, caused to be filed, or presently are a party to any claim against the Company. I have reported all hours worked as of the date set forth below, and have been paid and/or have received all compensation, wages, bonuses, commissions, paid sick leave, predictability pay, and/or benefits which are due and payable as of the date set forth below, excluded any payments to be made pursuant to the Separation Agreement and General Release. I also affirm that I have been reimbursed for all necessary expenses or losses in following the Company's directions or incurred by me within the scope of my employment. I affirm that I have no known workplace injuries or occupational diseases. I further affirm that I have been granted any leave to which I was entitled under the Family and Medical Leave Act and state and local leave and disability accommodation laws. I also affirm that I have not reported internally to the Company any allegations of wrongdoing by the Company or its officers, including any allegations of corporate fraud, and I have not been retaliated against for reporting any such allegations internally to the Company. I acknowledge my rights to make truthful statements or disclosures required by law, regulation, or legal process and to request or receive confidential legal advice, and nothing in this Agreement shall be deemed to impair those rights.

I have returned all of the Company's property, including, but not limited to, any and all documents, records, identification cards, keys, computer or other electronic equipment, telephones, computer access codes, electronic storage devices, instructional or personnel manuals, and other physical property, which I received or prepared or helped to prepare in connection with my employment with the Company, as well as all Confidential Information as defined in the Separation Agreement and General Release. I agree that I have not kept copies of any Confidential Information in any form, whether print, electronic or otherwise. I agree that I have disclosed to the Company all passwords that I used to access the Company's computer and other systems.

I warrant and represent that I have not breached any of my obligations pursuant to the Separation Agreement and General Release. Moreover, I understand and acknowledge that the Company may void this

Affirmation and the Separation Agreement and General Release (and the benefits offered therein) if I have engaged in any conduct that the Company determines, in its sole discretion, is inappropriate or harmful to the Company prior to the effective date of the Affirmation (the "Effective Date of the Affirmation"). I understand that if the Company voids this Affirmation and the Separation Agreement and General Release based on my inappropriate conduct, the benefits of the Separation Agreement and General Release will not be available to me.

I acknowledge that I have been encouraged to carefully consider the terms of this Affirmation and to seek the advice of an attorney before signing it. I also acknowledge that I have had at least forty-five (45) calendar days to consider the terms of this Affirmation, and that I have been advised that I may revoke this Affirmation at any time during the seven (7) days immediately following my signing of this Affirmation by submitting a written revocation to Steve Ratner, Human Resource Business Partner.

Intending to be legally bound, I have signed this Affirmation as of the date set forth below.

Signature: ______________________________

Name: ______________________________
(please print)

Date: ______________________________

ATTACHMENT A

OLDER WORKERS BENEFIT PROTECTION ACT
NOTICE TO EMPLOYEES

I. Group Covered By Severance Program

As a result of Mercury Systems, Inc.'s (the "Company") decision to restructure its internal operations and reduce the cost of employees, the Company is downsizing its operations. Employees affected by this downsizing include employees of the Company's executive leadership team. In selecting employees in the affected departments for termination and eligibility for this severance program, the Company selected employees based on performance, seniority, skills, opportunities for employee's to improve, job functions or responsibilities, and business needs. In connection with the severance program, you are being provided with information as to: (i) any class, unit or group of individuals terminated and covered by such program, any eligibility factors for such termination and, therefore, eligibility for such program, and any time limits applicable to such program; and (ii) the job title and ages of all individuals terminated and, therefore eligible or selected for the program, and the ages of all individuals in the same job classification or organizational unit who are not terminated and, therefore are not eligible or selected for the program.

II. Eligibility Factors

The Company determined that all employees in the classes, units or departments in the chart in section III below would be eligible for the severance program. The job titles and ages of all persons selected as part of the Company's reduction in force, and, therefore, who will be offered a severance payment in exchange for a signed separation and release agreement, are indicated in the chart in section III below. The job titles and ages of individuals who were not selected for the program are also indicated in the chart.

III. Severance Program Selection Summary

See attached.

Employee who were selected for the severance program:

Job Title	Age
EVP, Execution Excellence	55
EVP & Chief Growth Officer	58

Employee who were not selected for the severance program:

Job Title	Age
EVP, General Counsel and Secretary	65
EVP & Chief Financial Officer	63
EVP & Chief Communication Officer	60
EVP & Chief Human Resources Officer	47
EVP	51

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INNOVATION THAT MATTERS™

Roger Wells

January 11, 2024

Dear Roger:

On behalf of Mercury Systems, Inc. (the "Company" or "Mercury"), we are pleased to offer you a promotion to serve as Mercury's Executive Vice President, Chief Operating Officer, reporting directly to me at our offices in Huntsville, AL, commencing on January 22, 2024. The annual compensation for your new role is valued at **$2,345,000**, composed of:

- base salary at an annual rate of $450,000;
- a target bonus opportunity of 110% of your annual base salary (or $495,000) under the Company's Annual Incentive Plan, effective for the current fiscal year; and
- annual grants of long-term incentive ("LTI") awards with a target grant date value of $1,400,000, beginning with the LTI awards to be granted in August 2024 for our 2025 fiscal year.

As further compensation in connection with your new role, you will receive an initial, one-time grant of LTI awards ("Promotional Awards") on or about February 15, 2024 with an aggregate grant date target value of **$500,000**.

In your new position, 45% of your annual and Promotional LTI awards will be granted in the form of restricted stock awards ("RSAs") that vest in equal annual increments over the three years following the grant date, and 55% of your LTI awards will be granted in the form of performance-based stock awards ("PSAs") that vest on the third anniversary following the grant date. The number of shares underlying your LTI Awards will be calculated based on the average closing price of Mercury's common stock during the 30 calendar days prior to the date of grant. The performance period that will apply to the PSAs granted as New Hire Awards will be the three-year fiscal period ended on (or about) July 3, 2026, and any shares earned under these awards will vest on the three-year anniversary following the grant date.

In order to receive annual bonus payments or vested shares under LTI awards, you must be actively employed and in good standing at Mercury at the time such payments or vestings occur, subject to any exceptions (such as death, disability or termination without cause) that may be provided for under the plans or related documents governing these awards. In addition, your annual bonus and LTI compensation will be subject to a clawback policy allowing Mercury to recoup and/or cancel your awards under certain terms and conditions set forth in the Company's policy, as may be amended from time to time.

As a direct report to the Chief Executive Officer, you will maintain your eligibility to receive:

- executive severance benefits in the event that your employment is terminated by Mercury without cause or by you for good reason, including enhanced benefits if such termination occurs in connection with a change in control of the Company; and
- a $12,000 annual allowance for personal tax and financial planning services.

You will also remain subject to a stock ownership guideline requiring you to hold Mercury stock worth at least 300% of your annual base salary, and you will not be permitted to buy or sell Mercury stock outside of quarterly trading windows.

This offer letter, and all compensation amounts and awards set forth herein, are subject to approval and/or ratification by the Human Capital and Compensation Committee (the "HC3") of the Company's Board of Directors. All components of your compensation are also subject to applicable tax withholding.

This offer will remain open until Friday, January 12. Please confirm your acceptance of your promotion by returning a signed copy of this letter on or prior to this date to our Chief Human Resources Officer, Steve Ratner.

Your acceptance of this offer does not guarantee employment for any fixed term. Should you accept this offer and commence employment with the Company in your new role, you will remain an "at will" employee, which means that either you or the Company may discontinue your employment at any time and for any reason, with or without advance notice. The Company reserves the right to amend, modify or terminate, in its sole discretion, any of the terms of your employment at any time, including any benefit and compensation plans. This letter supersedes any prior verbal representations that may have been made to you.

We look forward to your continued service with the Mercury team in your new role.

Very Truly Yours,

William L. Ballhaus
Chairman, President and Chief Executive Officer

ACCEPTED AND AGREED:

Name:

1/12/2024
Date:

FIRST AMENDMENT TO
RESTRICTED STOCK AWARD AGREEMENT
GRANTED TO CHRISTINE HARBISON
UNDER THE MERCURY SYSTEMS, INC.
2018 STOCK INCENTIVE PLAN

This First Amendment ("Amendment"), with respect to awards of time-based restricted stock ("Restricted Stock") previously granted by Mercury Systems, Inc. (the "Company") to Christine Harbison (the "Grantee") under the Mercury Systems, Inc. 2018 Stock Incentive Plan (the "Plan"), is dated as of January 11, 2024.

WHEREAS, on March 15, 2023, the Company granted awards of Restricted Stock under the Plan to the Grantee, the terms of which are governed by an award agreement (the "Award Agreement"); and

WHEREAS, the Company desires to amend the Award Agreement to provide for the accelerated vesting of a portion of the shares of Restricted Stock awarded thereunder in the event of the Grantee's qualified termination of employment; and

WHEREAS, capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them under the Award Agreement.

NOW, THEREFORE, Mercury does hereby amend the Award Agreement as follows:

1. Severance-Based Vesting. If the Grantee's employment is terminated in a manner that qualifies the Grantee for cash severance under any applicable agreement with the Company, and if the Grantee and the Company sign the Company's standard form separation agreement and any affirmations thereto, then the Vesting Date of all shares of Restricted Stock that would have vested during the 12-month period following the Grantee's termination shall be accelerated to the date of the Grantee's termination of employment.

2. Continuation of Award Agreement. Except as stated herein, the terms of the Award Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the Company has duly executed this Amendment as of the date first set forth above.

MERCURY SYSTEMS, INC.

By: Steve Ratner
Title: Chief Human Resources Officer

FIRST AMENDMENT TO
PERFORMANCE RESTRICTED STOCK AWARD AGREEMENT
GRANTED TO CHRISTINE HARBISON
UNDER THE MERCURY SYSTEMS, INC.
2018 STOCK INCENTIVE PLAN

This First Amendment ("Amendment"), with respect to awards of performance-based restricted stock ("Restricted Stock") previously granted by Mercury Systems, Inc. (the "Company") to Christine Harbison (the "Grantee") under the Mercury Systems, Inc. 2018 Stock Incentive Plan (the "Plan"), is dated as of January 11, 2024.

WHEREAS, on March 15, 2023, the Company granted awards of Restricted Stock under the Plan to the Grantee, the terms of which are governed by an award agreement (the "Award Agreement"); and

WHEREAS, the Company desires to amend the Award Agreement to provide for the prorated vesting, subject to actual performance, of the shares of Restricted Stock awarded thereunder in the event of the Grantee's qualified termination of employment; and

WHEREAS, capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them under the Award Agreement.

NOW, THEREFORE, Mercury does hereby amend the Award Agreement as follows:

1. Prorated Vesting. If the Grantee's employment is terminated in a manner that qualifies the Grantee for cash severance under any applicable agreement with the Company, and if the Grantee and the Company sign the Company's standard form separation agreement and any affirmations thereto, then:

(a) the number of shares of Restricted Stock underlying the Award Agreement shall be prorated (and rounded up or down to the nearest whole share) to reflect the portion of the three-year vesting period satisfied by the Grantee from the Grant Date through the date on which the Grantee's employment is terminated (as adjusted, the "Prorated Shares");

(b) any shares of Restricted Stock previously issued under the Award Agreement in excess of the Prorated Shares shall automatically be forfeited to the Company;

(c) Section 2(c) of the Award Agreement shall be not be given any force or effect; and

(d) For purposes of Section 3(b) of the Award Agreement, the "third anniversary of the Grant Date" shall be deemed to mean the final day of the Company's 2025 fiscal year.

2. Continuation of Award Agreement. Except as stated herein, the terms of the Award Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the Company has duly executed this Amendment as of the date first set forth above.

MERCURY SYSTEMS, INC.

By: Steve Ratner
Title: Chief Human Resources Officer

EXHIBIT 31.1

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: May 7, 2024

EXHIBIT 31.2

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: May 7, 2024

EXHIBIT 32.1

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 March 29, 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, and Treasurer 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: May 7, 2024

/s/ WILLIAM L. BALLHAUS

William L. Ballhaus
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

/s/ DAVID E. FARNSWORTH

David E. Farnsworth
EXECUTIVE VICE PRESIDENT,
CHIEF FINANCIAL OFFICER