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

# FORM 8-K

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

**Date of report (Date of earliest event reported): November 12, 2014**

# Mercury Systems, Inc.
**(Exact Name of Registrant as Specified in Charter)**

| **Massachusetts** | **000-23599** | **04-2741391** |
|---|---|---|
| **(State or Other Jurisdiction of Incorporation)** | **(Commission File Number)** | **(IRS Employer Identification No.)** |

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

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

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

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



1.1

**Item 7.01 Regulation FD Disclosure.**

The management of the Company will present an overview of the Company's business on November 12, 2014, at the Company's Annual Investor Conference. Attached as Exhibit 99.1 to this Report is a copy of the slide presentation to be made by the Company at the conference.

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

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

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

| Exhibit No. | Description |
|---|---|
| 99.1 | Presentation materials dated November 12, 2014 |



1.1

**SIGNATURES**

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

Dated: November 12, 2014 MERCURY SYSTEMS, INC.

By: /s/ Gerald M. Haines II
Gerald M. Haines II
Executive Vice President, Chief Financial Officer, and Treasurer



1.1

**Exhibit Index**

| Exhibit No. | Description |
|---|---|
| 99.1 | Presentation materials dated November 12, 2014 |



1.1

MERCURY SYSTEMS™

INNOVATION THAT MATTERS™

# Mercury Systems
# FY15 Investor Day Presentation

**November 12, 2014**

**Hudson, NH**

# Forward-looking safe harbor statement

This presentation contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to the products and services described herein. You can identify these statements by the use of the words "may," "will," "could," "should," "would," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," "likely," "forecast," "probable," "potential," and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in the Company's markets, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in, or in the U.S. Government's interpretation of, federal export control or procurement rules and regulations, market acceptance of the Company's products, shortages in components, production delays due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions, divestitures and restructurings, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, changes to export regulations, increases in tax rates, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price service and system integration engagements, and various other factors beyond our control. These risks and uncertainties also include such additional risk factors as are discussed in the Company's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended June 30, 2014. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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

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

# Agenda

- Strategy & Business Update
  - Mark Aslett
    President & CEO
- Program Update
- Financial Update
- AMC Overview & Tour
- Q&A

# Introducing Mercury Systems

- MRCY on NASDAQ 1998
- High tech company; commercial business model
- Focused on Defense and Intelligence priorities
- Deployed on ~300 programs with 25+ Prime contractors
- FY14 $209M revenue
  Growth YoY: 7% revenue, 18% bookings, 28% backlog
- FY15 guidance*:
  Revenue $228-236M,
  Adj. EBITDA $39-43M

## Commercial secure and sensor processing subsystems



* The guidance included herein is as of November 12, 2014.

# Proven management team

## *Demonstrated track record of double-digit defense revenue growth and improved profitability*

Since 2007, Mercury management has successfully grown the Company's defense business, returned the Company to profitability, acquired and integrated three companies, and positioned Mercury as a leading pure-play defense electronics company.

**Mark Aslett**

*President, Chief Executive Officer and Director*

- Mark joined Mercury in 2007 as President and CEO
- In-depth experience that spans the technology industry, across a variety of markets including telecommunications, data networking, security, defense and life sciences
- Prior to joining Mercury, Mark was President and Chief Executive Officer of Enterasys Networks and held various positions with Marconi plc and its affiliated companies

**Didier Thibaud**

*President, Mercury Commercial Electronics*

- Didier has served as President of MCE since 2012; prior positions include managing the Company's Advanced Computing Solutions group and heading international subsidiaries
- Before joining Mercury in 1995, Didier was Technical Director and Account Manager for Horizon Technologies, where he specialized in the development of Services and System Integrations for European Defense and Commercial businesses

**Gerry Haines**

*Executive Vice President, Chief Financial Officer and Treasurer*

- Gerry joined Mercury in 2010 and is responsible for Mercury's financial and treasury functions, as well as the Company's legal, security, and compliance and risk management functions
- Executive experience spanning defense, high-tech, biotech, alternative energy and manufacturing
- Prior to joining Mercury, Gerry was Executive Vice President at Verenium Corporation and held various positions with Enterasys Networks, Cabletron Systems, and Applied Extrusion Technologies

**Michael Ruppert**

*Senior Vice President, Strategy and Corporate Development**

- Michael will be responsible for Mercury's corporate development activities, including strategy, planning and mergers and acquisitions
- Fifteen years of investment banking experience spanning mergers and acquisitions, capital formation, strategy development and execution in aerospace and defense markets
- Prior to joining Mercury, Michael was Co-Founder and Managing Partner of RSPartners, LLC and has held various positions with UBS Securities, Lehman Brothers and Lazard



* Effective November 17, 2014.

# Pioneering a next generation defense electronics company

| | |
|---|---|
| **Proven Management Team** | Successful business transformation, double-digit defense revenue growth with improved profitability |
| **Leading Market Position** | Pure play defense electronics company embedded on key growth programs aligned to DoD priorities |
| **Aligned with Industry Growth Drivers** | Pacific pivot, aging platform modernization, foreign and international military sales, SOF quick reaction capabilities |
| **Next Generation Defense Electronics Business Model** | US commercially developed: prime, sensor and platform agnostic capabilities improves affordability, time to market and trust |
| **Innovative Technology Leader** | Secure and sensor processing subsystems, software and services for critical Defense and Intelligence applications |
| **Low Risk Organic Growth Strategy** | RFM and secure processing content expansion strategy targeting key DoD production programs |
| **Business Platform Built to Scale** | Scalable business, engineering and manufacturing platform that facilitates accretive future acquisitions |

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# Proven management team transformed Mercury…

**2008 - 2009**

**Refocused the Business on the Economic Core**

- Rebuilt executive team
- Divested 5 non-core businesses approximating 10% of revenue
- Refocused business on defense electronics 'economic core'
- Focused R&D investments on DoD priorities: C4ISR, EW, Missile Defense
- Developed vision and commercial operating model for more affordable processing subsystems

**2010 - 2011**

**Restored Profitability, Innovated and Improved Operations**

- Refreshed existing product portfolio supporting key existing programs
- Dramatically improved core profitability
- Improved operational and working capital efficiency
- Repaid $125M of convertible debt; strengthened balance sheet
- Developed organic growth drivers through new program design wins

…and positioned the business for profitable growth

# Proven management team transformed Mercury…

**2012 - 2014**

**Acquired and Integrated Unique Capabilities**

- Acquired and integrated three businesses in broadband RF and EW
- End-to-end provider of secure and sensor processing subsystems
- Expanded addressable market; grew content on production programs
- Acquired and built scalable RF and microwave manufacturing facility
- Streamlined operations
- Reduced and centralized G&A, common processes and systems

**Now**

**Grow and Scale the Platform**

- Organically grow the business to deliver increased operating leverage
- Continue to deliver open innovations that matter
- Build strategic customer alliances in secure processing and RFM
- Strengthen M&A team and defense electronics acquisition pipeline
- Accretive strategically aligned deals with revenue and cost synergies

…and positioned the business for profitable growth

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# Mercury's vision is to be the…

Leading high-tech commercial provider of more affordable secure and sensor processing subsystems designed and made in the USA

# Mercury Systems at a glance

- Unique end-to-end capabilities for secure and sensor processing subsystems
- Built on our leadership in embedded multi-computing
- Acquired key capabilities in RF, microwave and EW
- Extended our leadership in open processing architectures to now encompass MOSA RFM and EW
- Pre-integrating RFM and digital technologies to provide rapid and affordable solutions
- Primarily operates FAR Part 12
- Designed and made in the USA



## Mercury Commercial Electronics (MCE)

$184.8M revenue / 560 employees *

- RF and microwave solutions
- Digital solutions
- Secure processing subsystems
- Sensor processing subsystems

Select Customers

Raytheon, Lockheed Martin, Northrop Grumman, Boeing, BAE Systems, SNC Sierra Nevada Corporation, EXELIS, General Atomics

## Mercury Defense Systems (MDS)

$34.2M revenue / 72 employees *

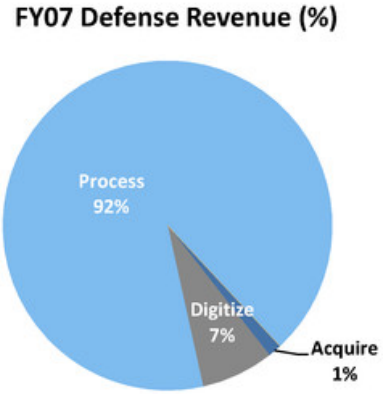
- Electronic Warfare (EW)
- Signals Intelligence (SIGINT)
- Electro-Optical/Infrared (EO/IR)
- Test and Simulation

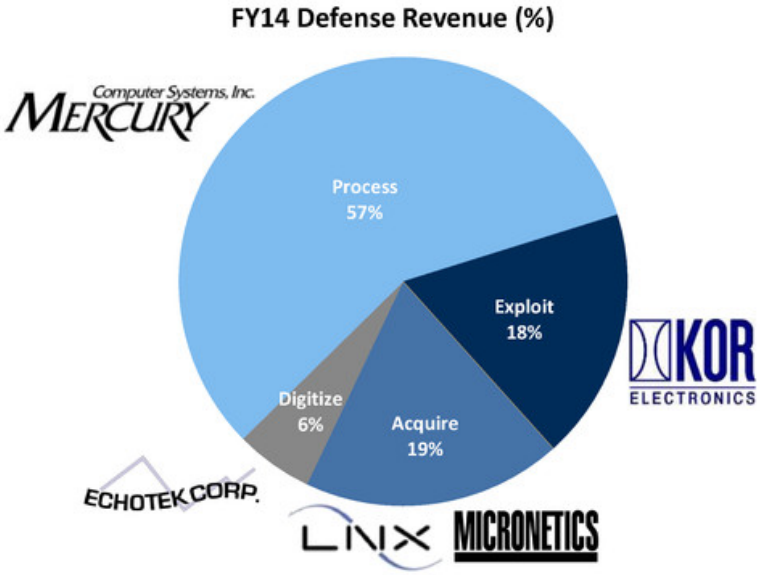
Select Customers

Raytheon, Boeing, Northrop Grumman, Lockheed Martin, EADS, SNC Sierra Nevada Corporation

* Segment revenues and employee counts are as reported in the Company's fiscal 2014 Form 10-K.

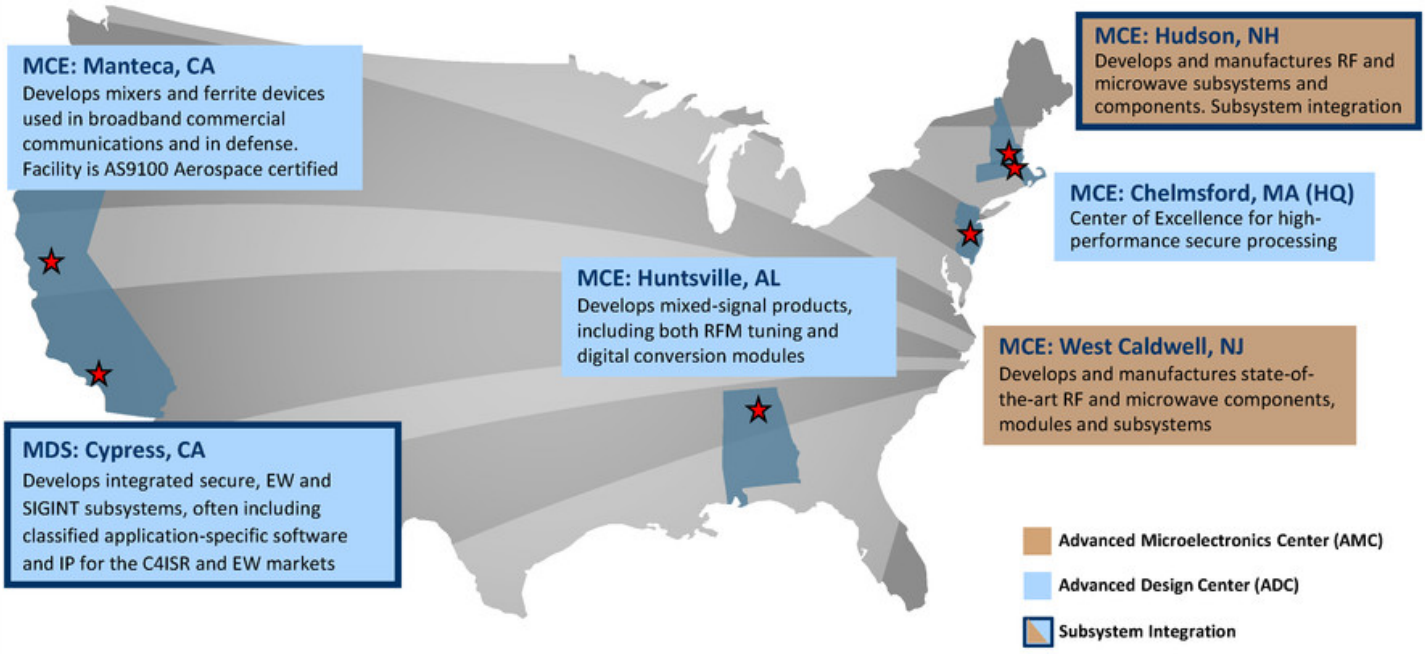
# Our acquisitions have transformed Mercury from a computer company…




## …to a provider of secure and sensor processing subsystems

# US based design, manufacturing and integration footprint…




…is vital to supply chain trust and integrity

# We are deployed on 300+ programs with 25+ Primes

| | | | | | |
|---|---|---|---|---|---|
| | F-16 | F-35 | Triton; NATO AGS Global Hawk | Patriot | AEGIS AEGIS Ashore |
| RADAR |  |  |  |  |  |
| | F-15 | AH-64 Apache | Global Hawk | Badger/Buzzard | SEWIP |
| EW |  |  |  |  |  |
| | F-16 | Reaper/Gorgon Stare | F-35 | P-8 | Fury |
| EO/IR – C4I |  |  |  |  |  |

LOCKHEED MARTIN · NORTHROP GRUMMAN · BAE SYSTEMS · NATIONAL SECURITY AGENCY · BOEING · Raytheon · TELEPHONICS A Griffon Company · argon ST · EXELIS · SNC SIERRA NEVADA CORPORATION · UTC Aerospace Systems · GENERAL ATOMICS

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# Despite the ongoing political and budget uncertainty…

**Political Dysfunction:**
Sequestration-driven cuts and repeated Continuing Resolutions disrupting DoD budget process and spending

**Crowding Out of Defense Spending and Investment:**
Rising interest rates, healthcare and social spending;
MilPer expense growth, aging military platforms' O&M costs rising


**Defense Procurement Reform 3.0:**
Firm-fixed-price contracts and less gov't-funded R&D changing economics and competitive dynamics of defense industry

…Defense will likely remain a $500B+ industry

# Better Buying Power 3.0 recommendations…


- Continue to focus on improving affordability
- Achieve dominant capabilities through innovation
- Remove barriers to commercial technology utilization
- Improve technology search and industry outreach
- Increase use of prototyping and experimentation
- Modular Open Systems Architecture to drive innovation

…encourage innovation, affordability and commercial re-use



Source: Better Buying Power 3.0 Whitepaper, September 2014

# ‘The Three Nots’

## Katrina G. McFarland, Assistant Secretary of Defense (Acquisition)

**Technological superiority is *not* assured**

**R&D is *not* a variable cost**

**Time is *not* recoverable**



* Source: TechAmerica Foundation 50th Annual Vision Conference, October 28, 2014

# High-tech commercial companies' rate of innovation…

Adversaries that pursue fast follower strategies could develop superior capabilities in less time and at a fraction of our cost


Commercial high tech companies are producing technologies 5x faster than Defense programs can adopt them

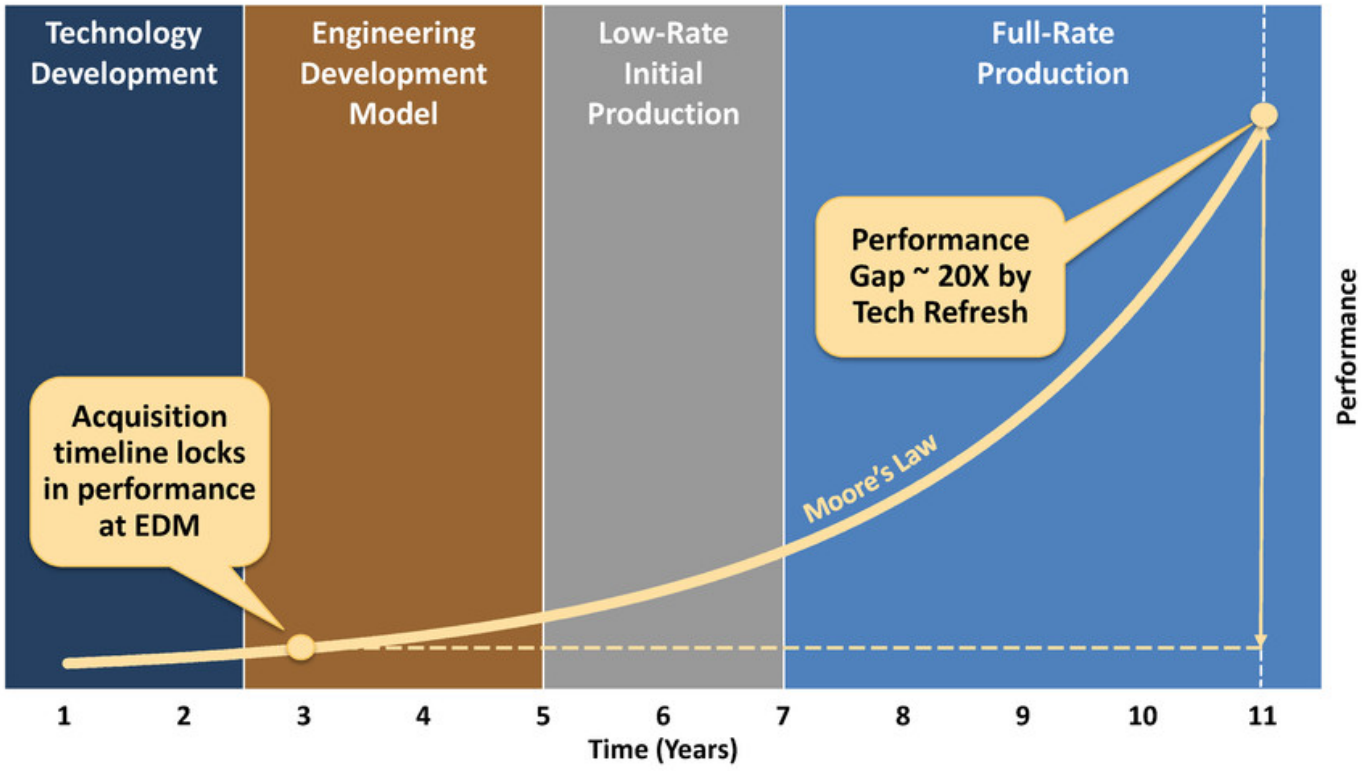
The DoD procurement process must match the speed at which the threats and our adversaries are evolving

…far outstrips the DoD's ability to procure and adopt



* Source: TechAmerica Foundation 50th Annual Vision Conference, October 28, 2014

# By first refresh, adversaries could have a 20x increase…




…in performance, posing a significant national security risk

# Defense Business Board recommendations…


- FAR Part 12 default for non-platform procurements
- Require platform open architectures
- Separate components procurement from platform
- Separate component 'buy' decisions from primes
- 'Plug and play' modularity of key components
- Rebalance policies on intellectual property

…could not be better aligned with our business model



Source: Defense Business Board Report, July 2014
http://dbb.defense.gov/Meetings/MeetingJuly2014.aspx

# Mercury has unique and differentiated capabilities today…

**Pacific Pivot:**
Sensors going long, wide and high. Platforms need improved sensors, autonomy, electronic protection and attack, on-board exploitation

**Aging Platform Modernization:**
Port customer software to available state-of-the-art open architectures to rapidly and affordably upgrade electronics on aging military platforms

**International and Foreign Military Sales:**
Upgrade subsystems for export to expand addressable market, grow foreign sales and international customer R&D funding


**Special Operations Forces Quick Reaction Capability:**
Provide rapid reaction and affordable new capabilities to support anti-terror and other special forces missions globally

…that are aligned to the key industry growth drivers

# Pioneering a next generation defense electronics company

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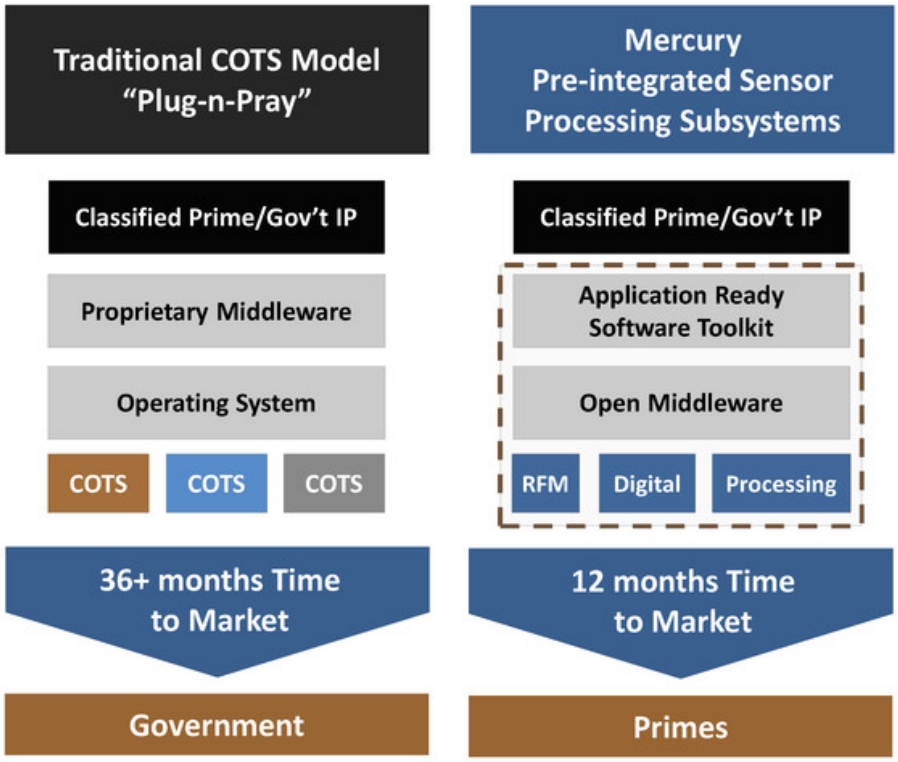
# How we operate as a high-tech commercial company…

- Internal R&D funds the development of modular, reusable open innovations
- Pre-integration improves affordability and time to market
- Rapid customization and adaptation to platform
- Technology and manufacturing maturation lowers cost and reduces risk
- Support rapidly changing commercial technology for a decade or more


## …serving the US defense electronics industry

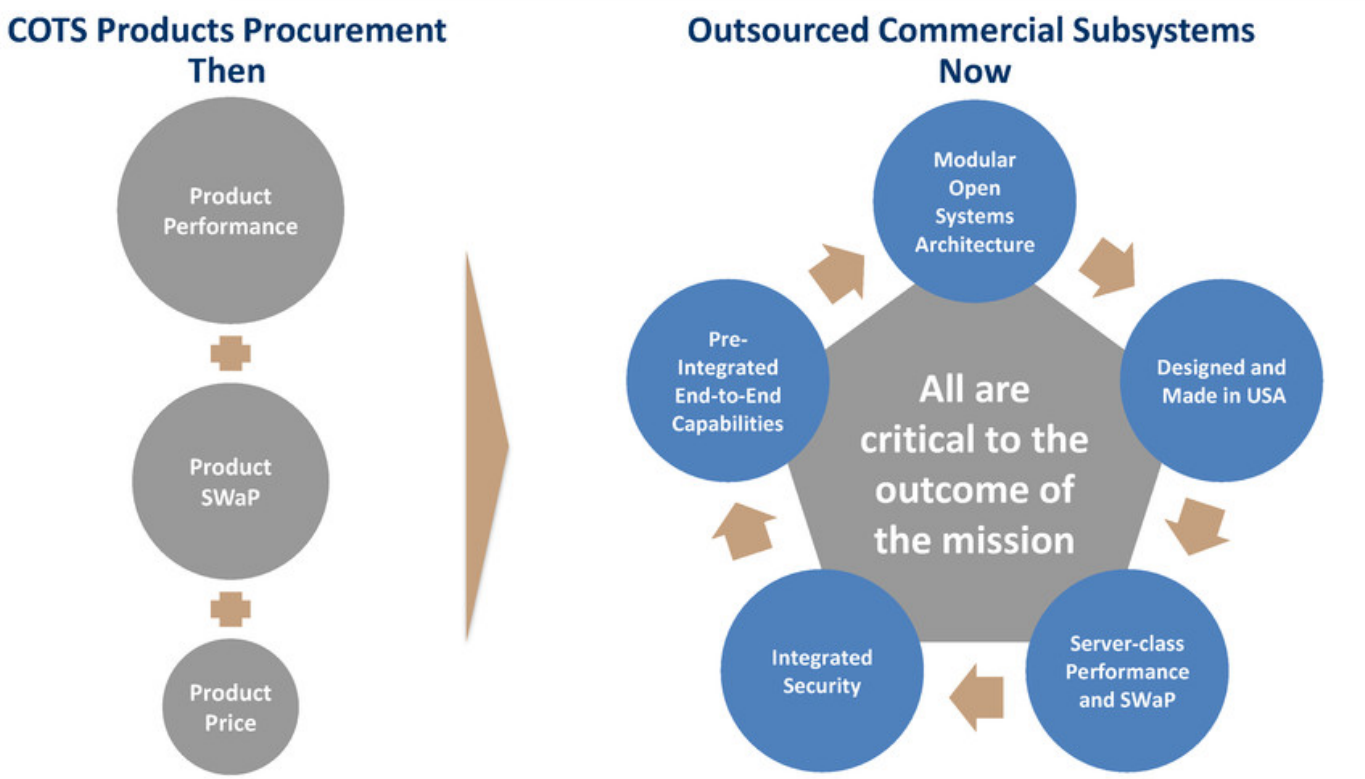
# Our business model is built for speed, innovation and affordability…

- Traditional COTS board model broken ("Plug-n-Pray")
  - Product procurement cost low
  - Large hidden integration costs
  - COTS lifecycle support difficult
- Defense procurement reform
  - Cost-plus Government-funded integration
  - Under firm fixed price, Prime bears the risk and expense
- Acquired and pre-integrating sensor chain technologies
  - More affordable, lower risk, simplifies supply chain
  - Open architecture and open middleware speeds adoption and improves affordability




…as customers seek more affordable outsourced subsystems

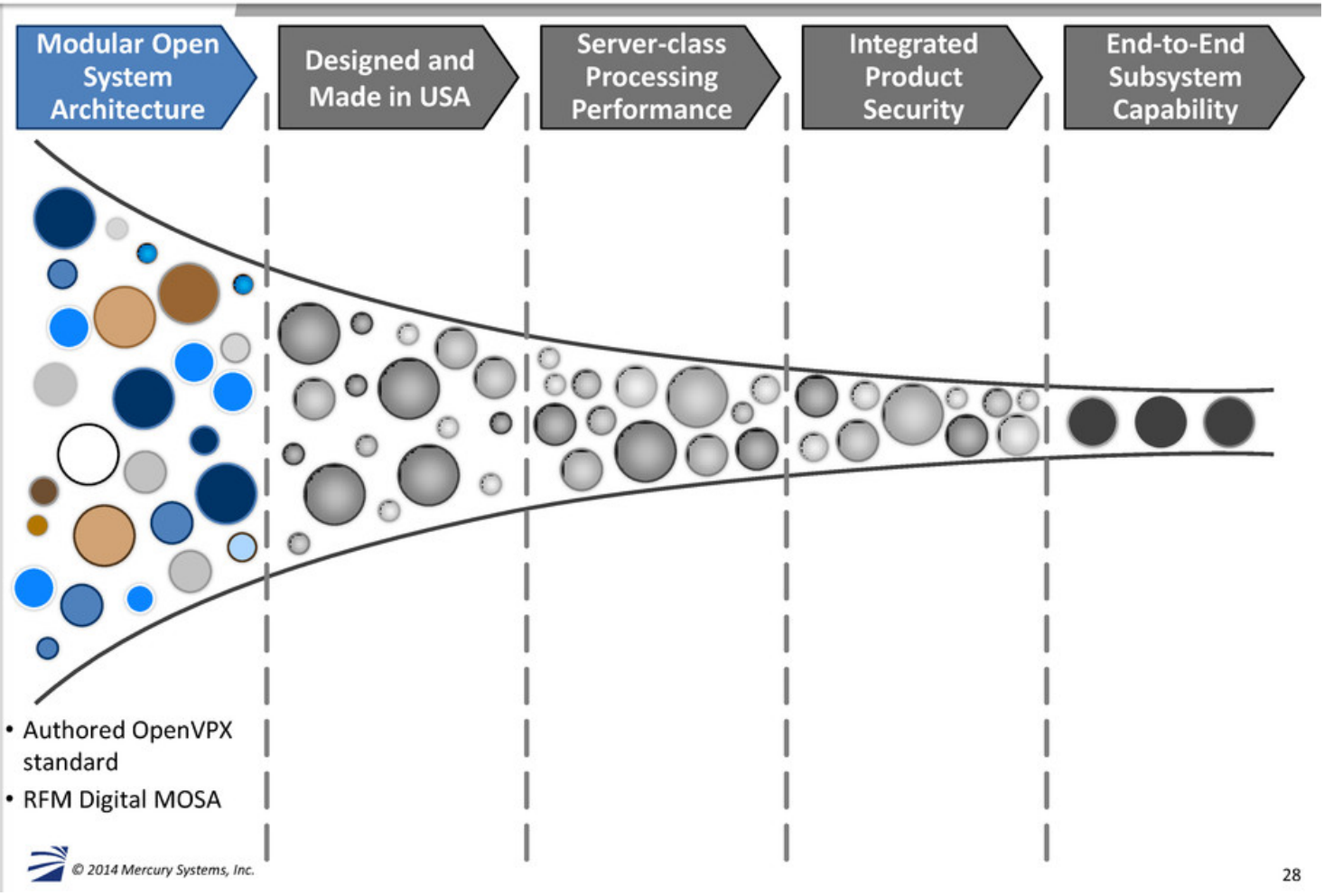
# Due to affordability, Defense electronics OEM buying criteria has evolved…




…from product procurement to pre-integrated outsourced subsystems

# We’re innovating in modular, open RFM and Digital System Architectures

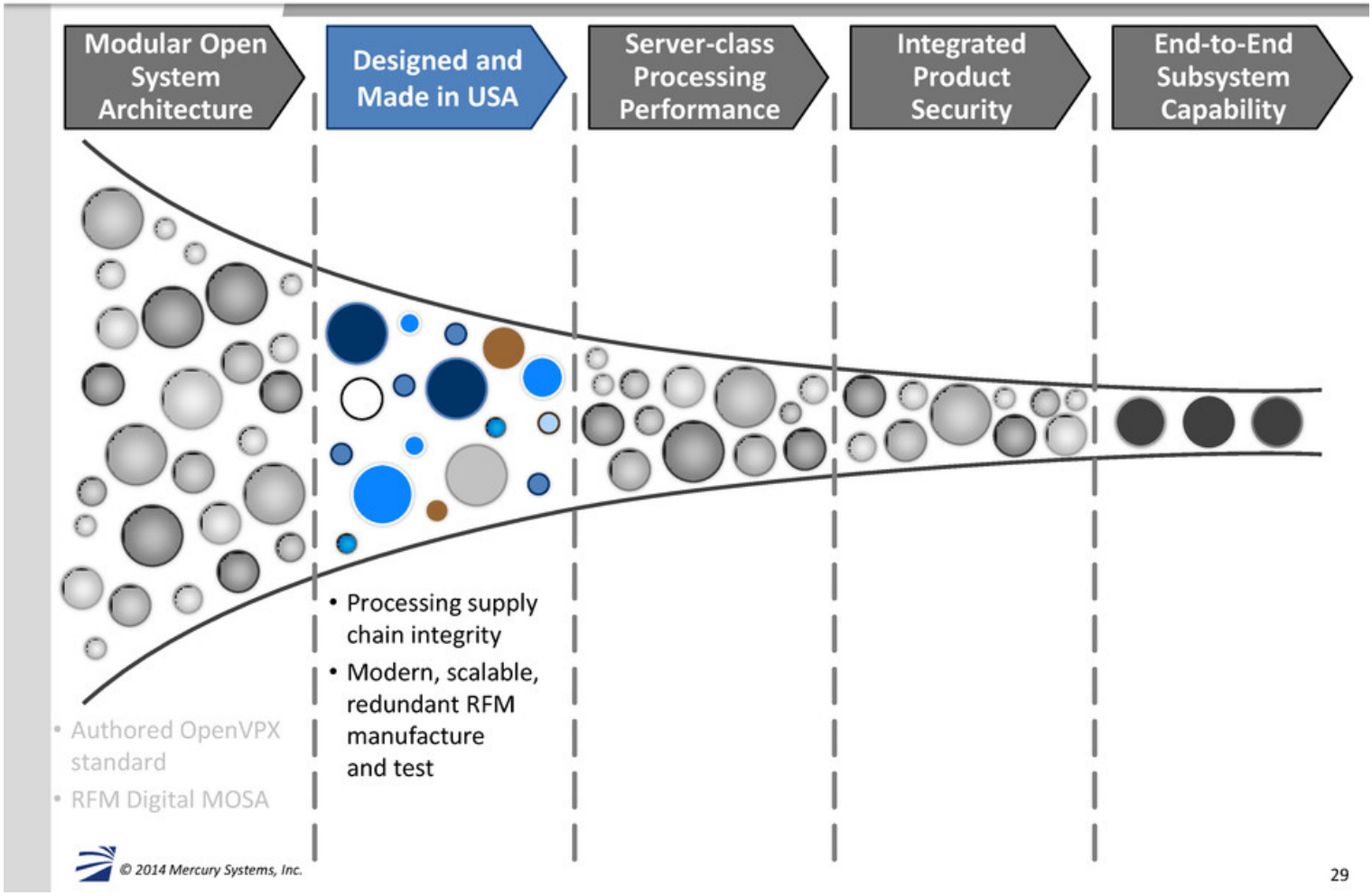
## Uniquely positioned since acquisitions have provided end-to-end technology in house




- Authored OpenVPX standard
- RFM Digital MOSA

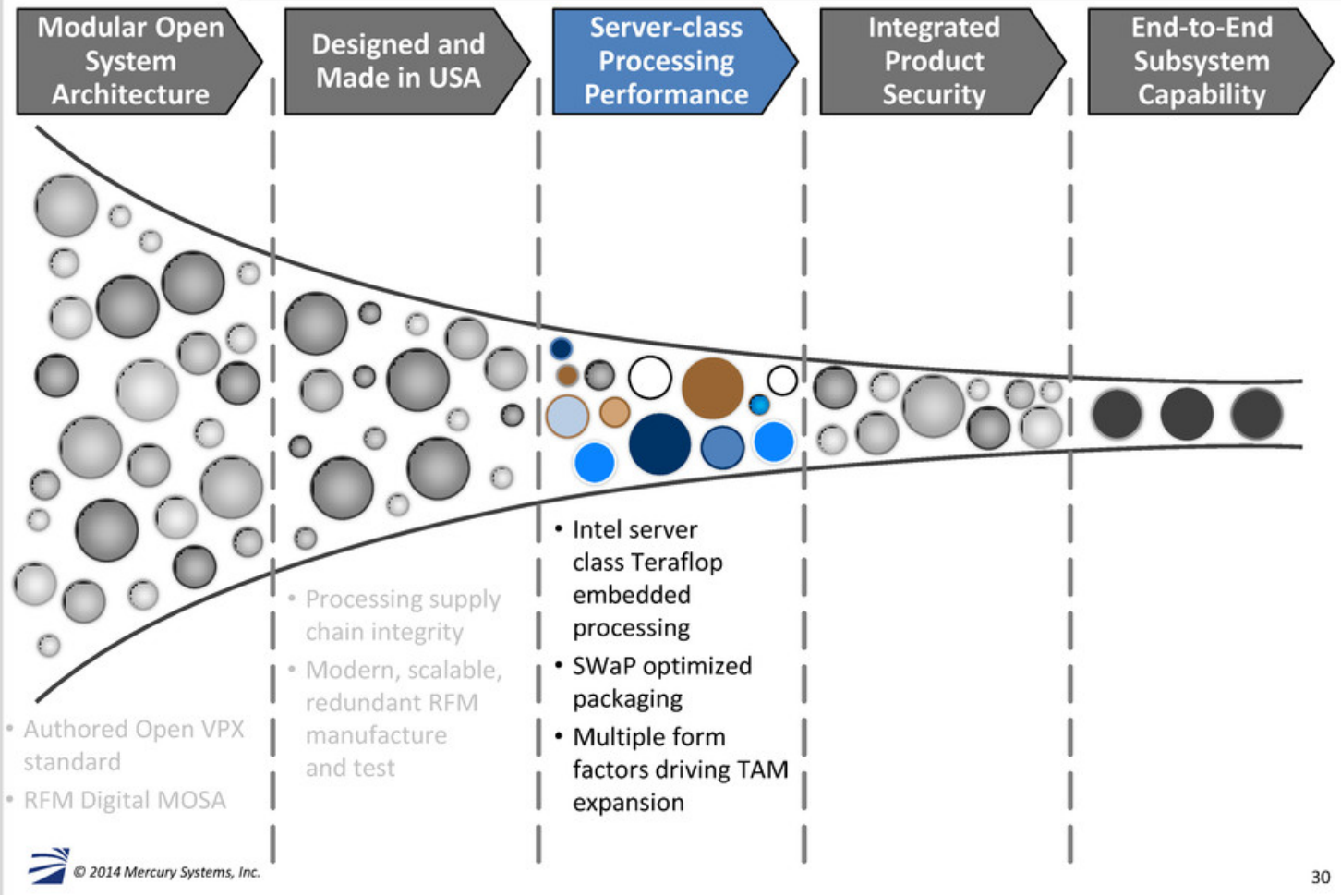
# In RF, scalable US manufacturing key to further outsourcing and share gains

## DoD US design and manufacturing requirements reduce processing competition



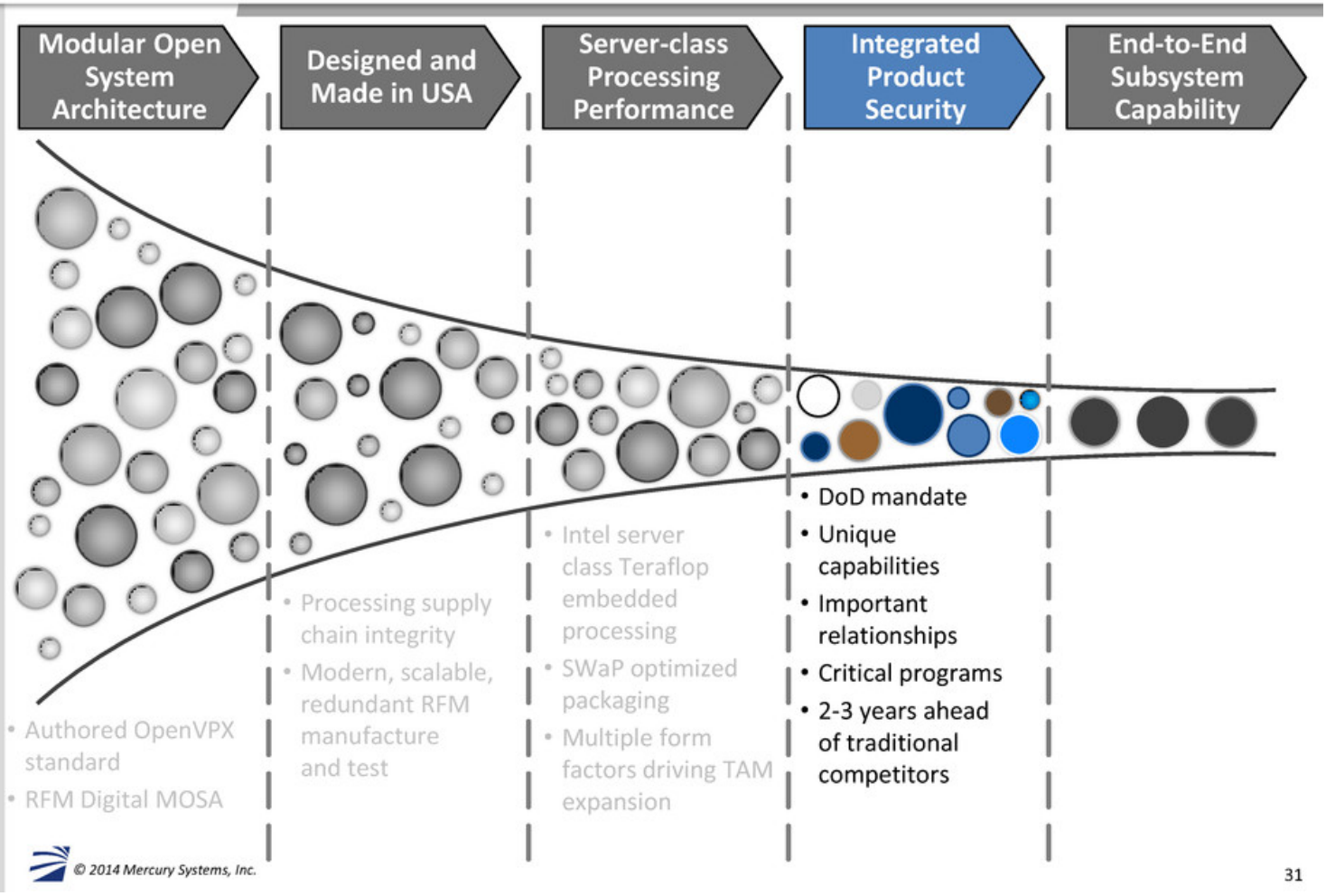
# We recently introduced a unique Teraflop server-class processing line

## The technology, engineering and manufacturing processes will be very hard to replicate



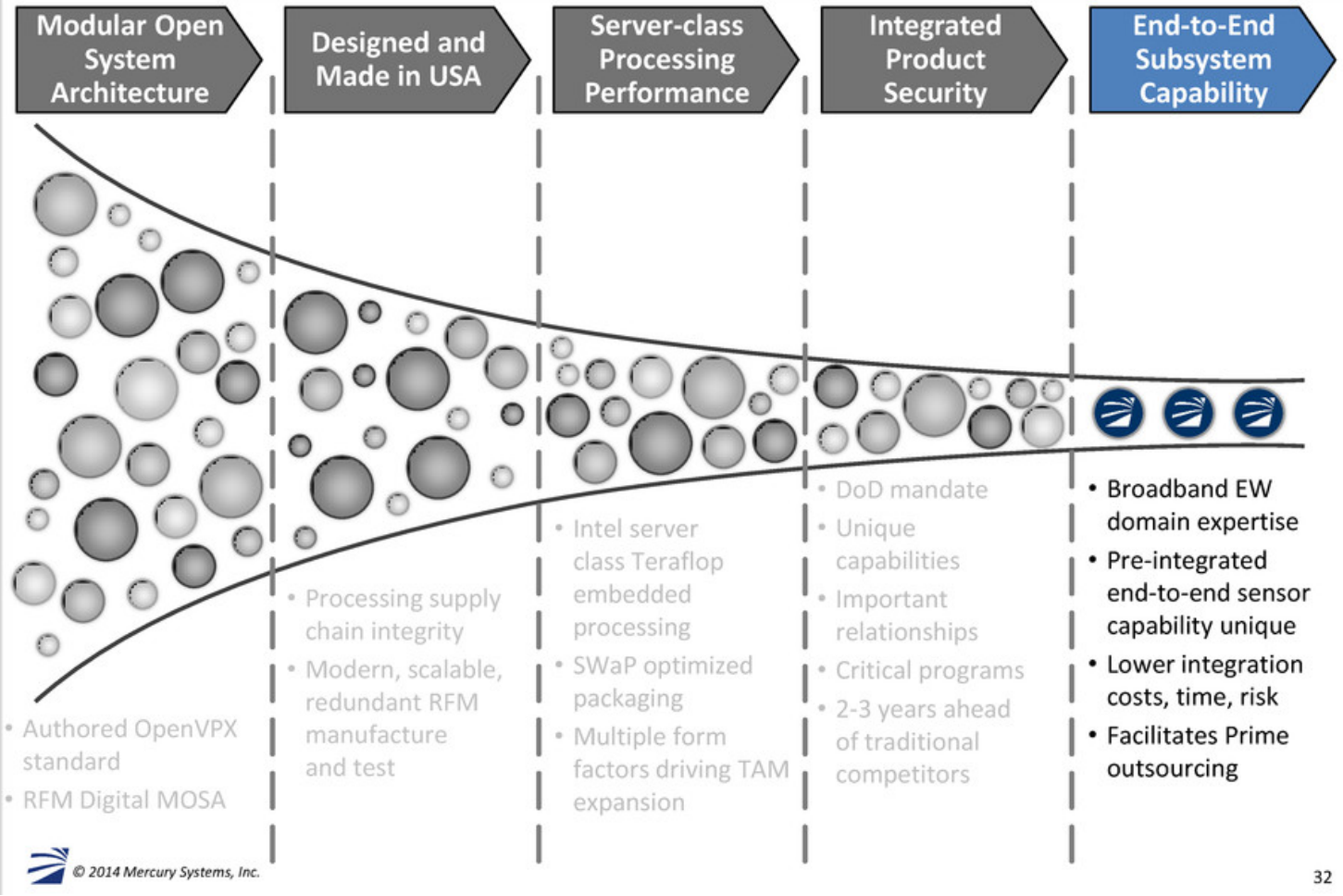
# We’re on our third generation of integrated product security

## It has taken us years to develop the relationships, know-how and technology

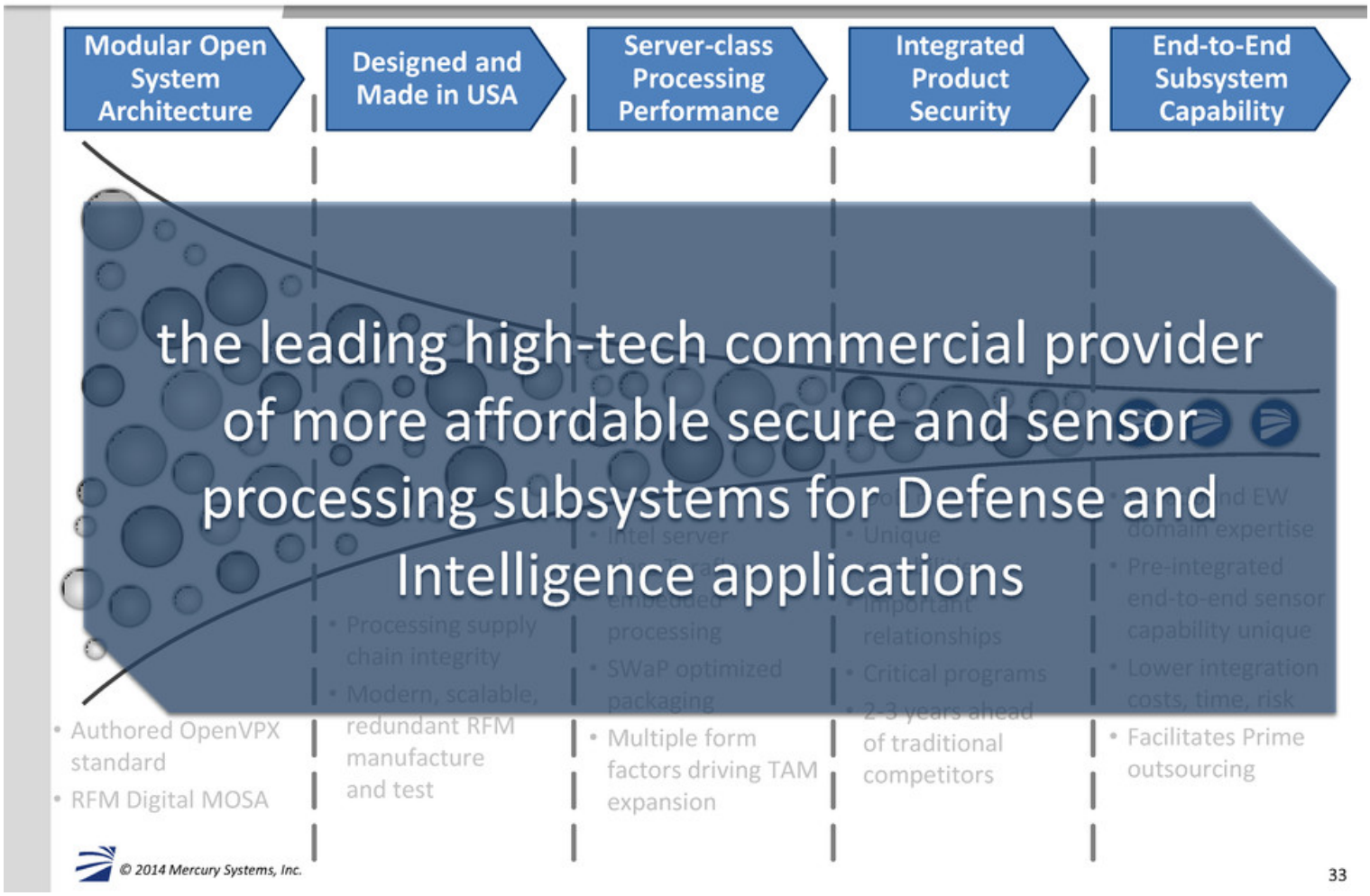


# Domain expertise and unique secure and sensor subsystem capabilities

## To commercially produce more affordable outsourced subsystems



# The combination of these factors leads to a unique market position



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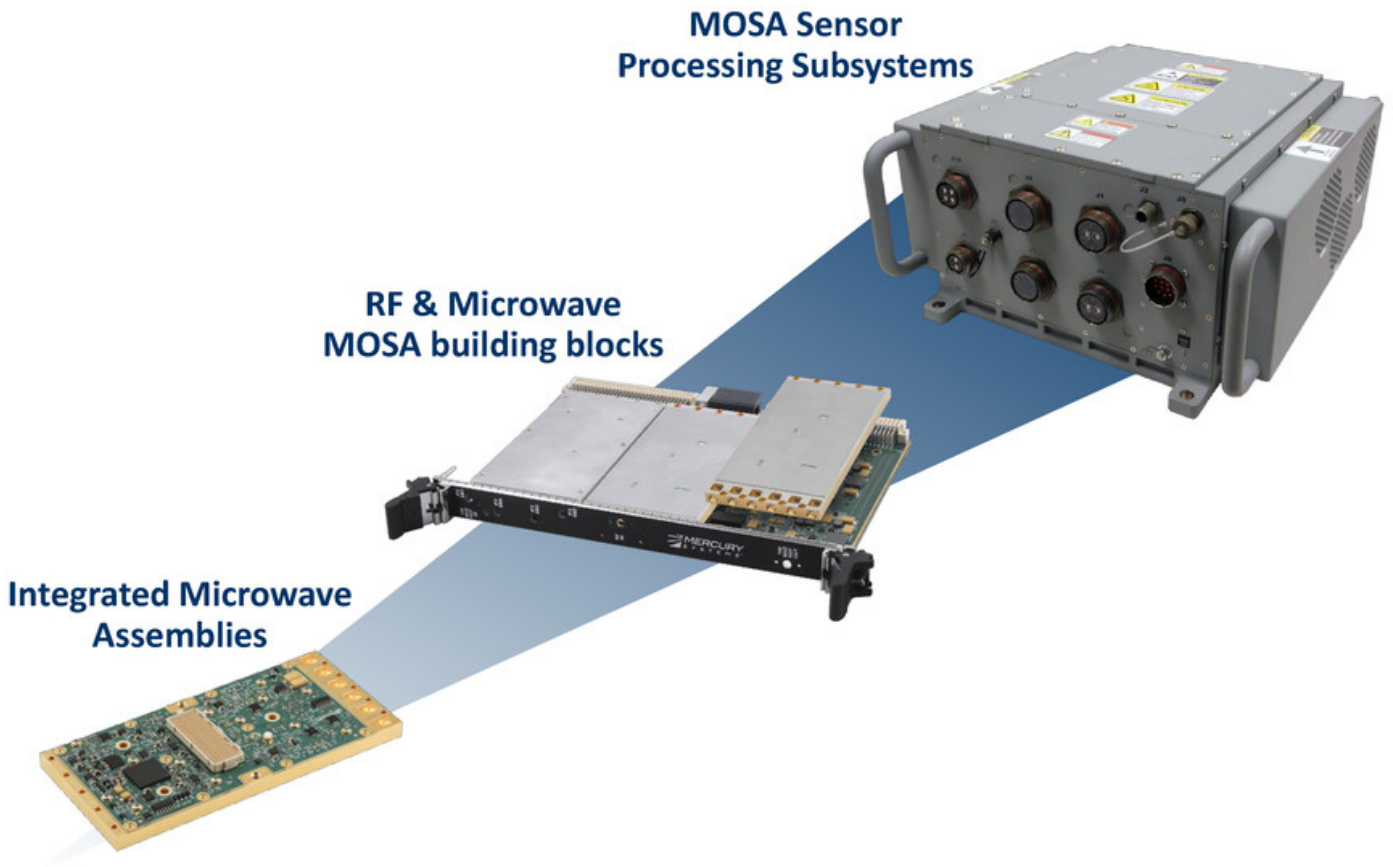
# Highly leveraged Teraflop modules to blade servers

# RFM subassemblies to pre-integrated sensor processing subsystems



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# Defense industry growth drivers translate into specific…

**Outsourced Secure Processing Subsystems:**
Expand beyond sensor processing to provide MOSA secure processing subsystems for other onboard mission-critical compute applications

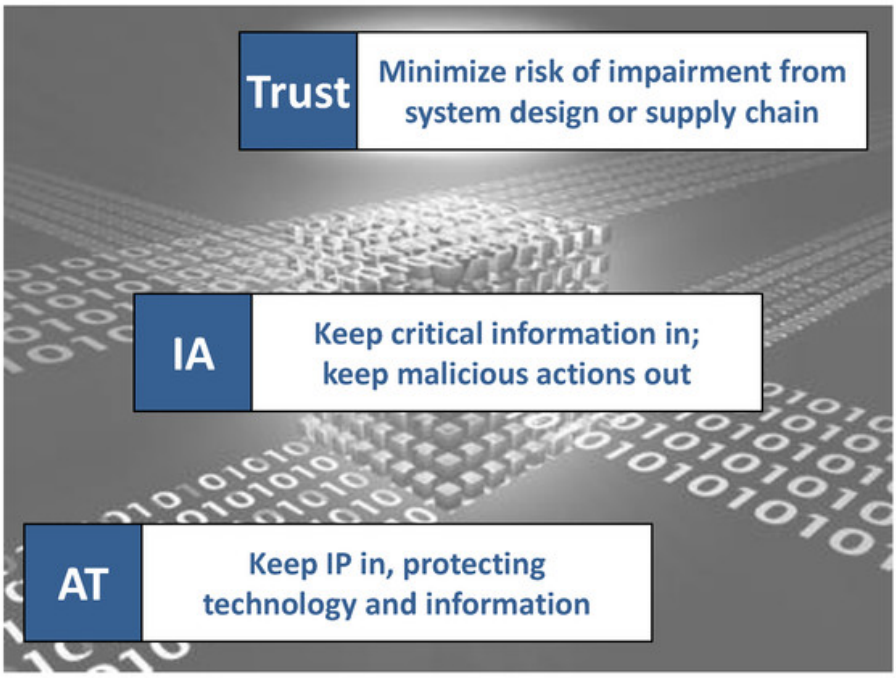
**RF and Microwave Outsourcing:**
Grow share in integrated RF and microwave assemblies and MOSA RF subsystems by providing customers a better alternative

**Outsourced Pre-Integrated Sensor Processing Subsystems:**
Provide more affordable pre-integrated MOSA sensor processing subsystems that preserves customer software value-add

…company growth drivers that we are pursuing

# Securing the mission is vital to…

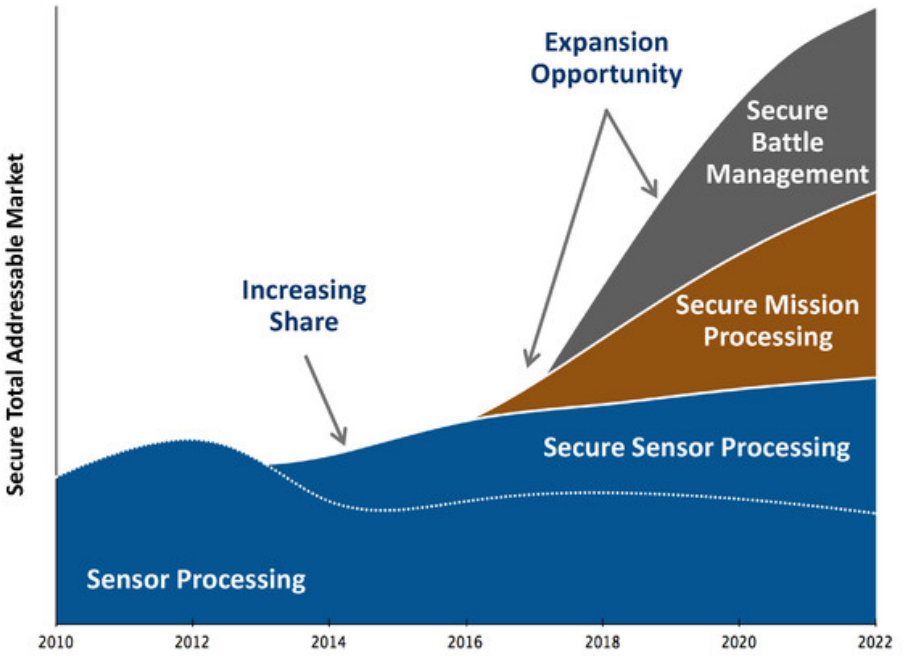
- Capability of adversaries to exploit asymmetric advantages against
  - Weapons and ISR systems
  - C2 infrastructure
- Rising interconnectedness and complexity of systems and systems of systems
  - Systems capable of cooperative engagement
- Need for joint warfighting and allied interoperability




…supporting FMS sales and protecting U.S. technology

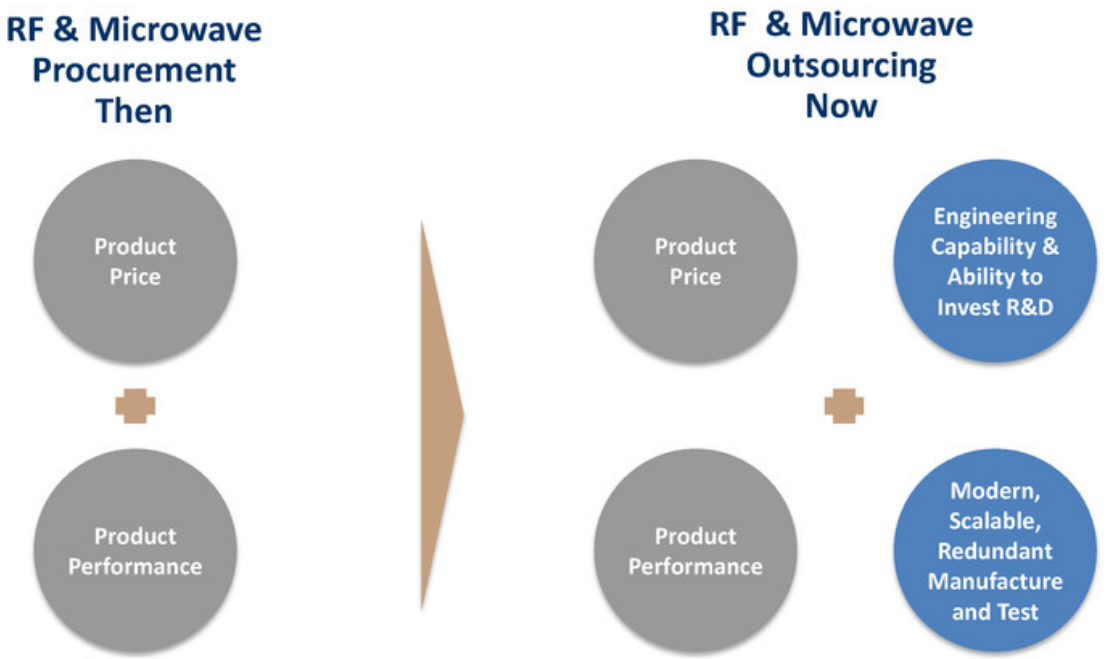
# Security mandates expand our addressable market…

- Security requirements impacting defense industry right now
- 2-3 year time-to-market advantage over traditional COTS competitors
- Security rapidly becoming non-negotiable in sensor and mission processing
- Opportunity to expand share in traditional market
- Expand and grow into other parts of the system



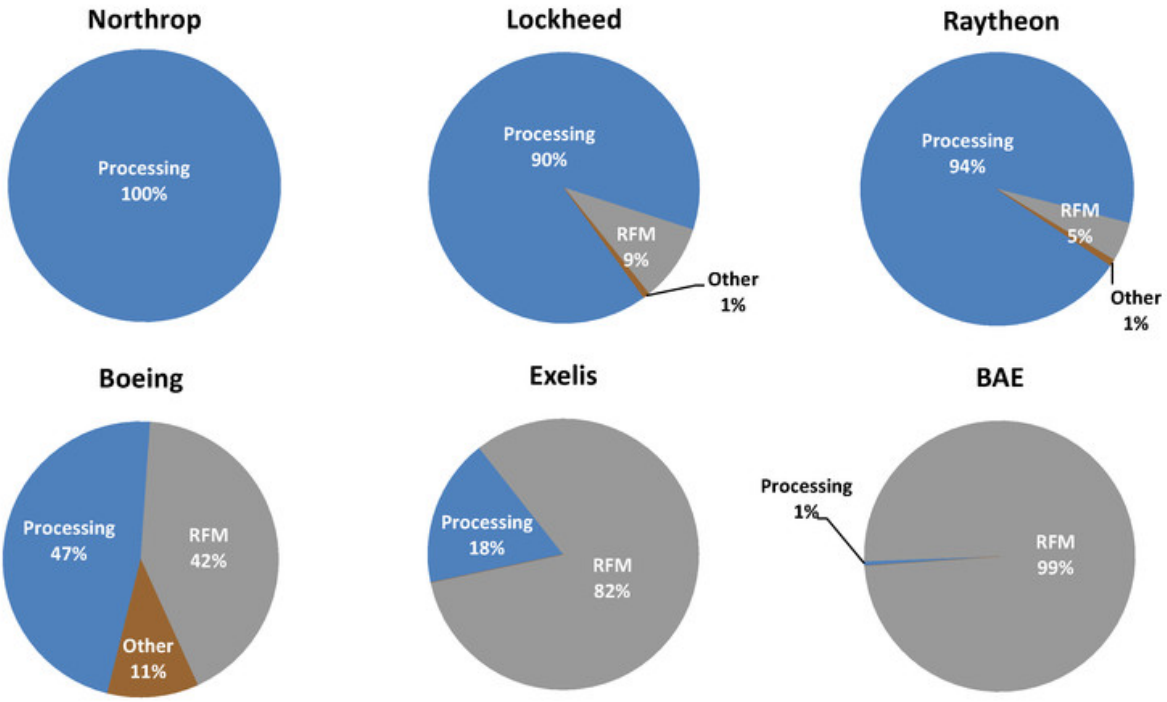

…to other onboard mission-critical compute applications

# In RF and microwave outsourcing, the industry structure…




…and funding environment have changed the buying criteria

# We have a significant opportunity to grow RFM revenues…

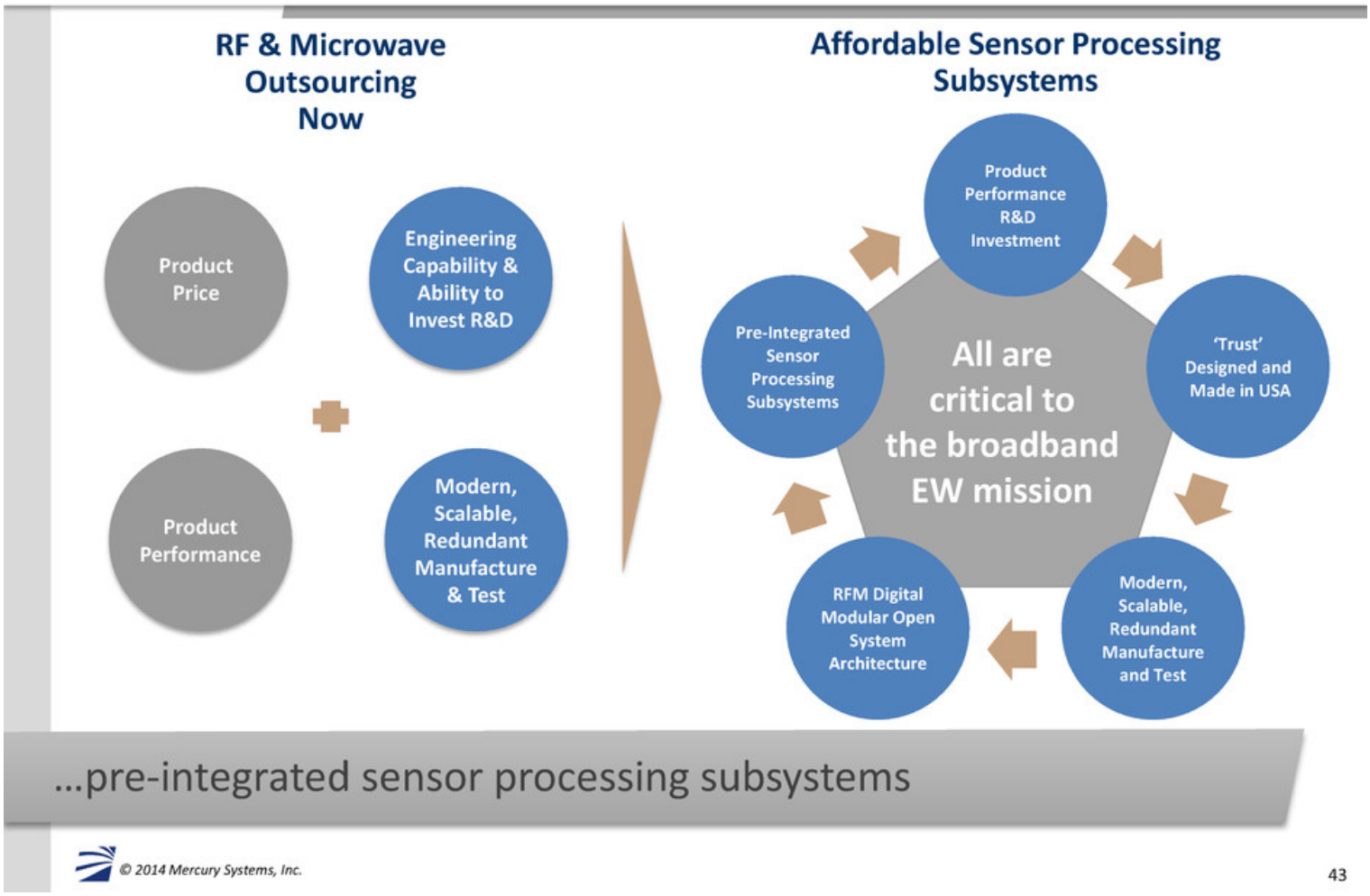



## …from existing customers on new and existing programs



Note: FY14 total defense revenue from select customers

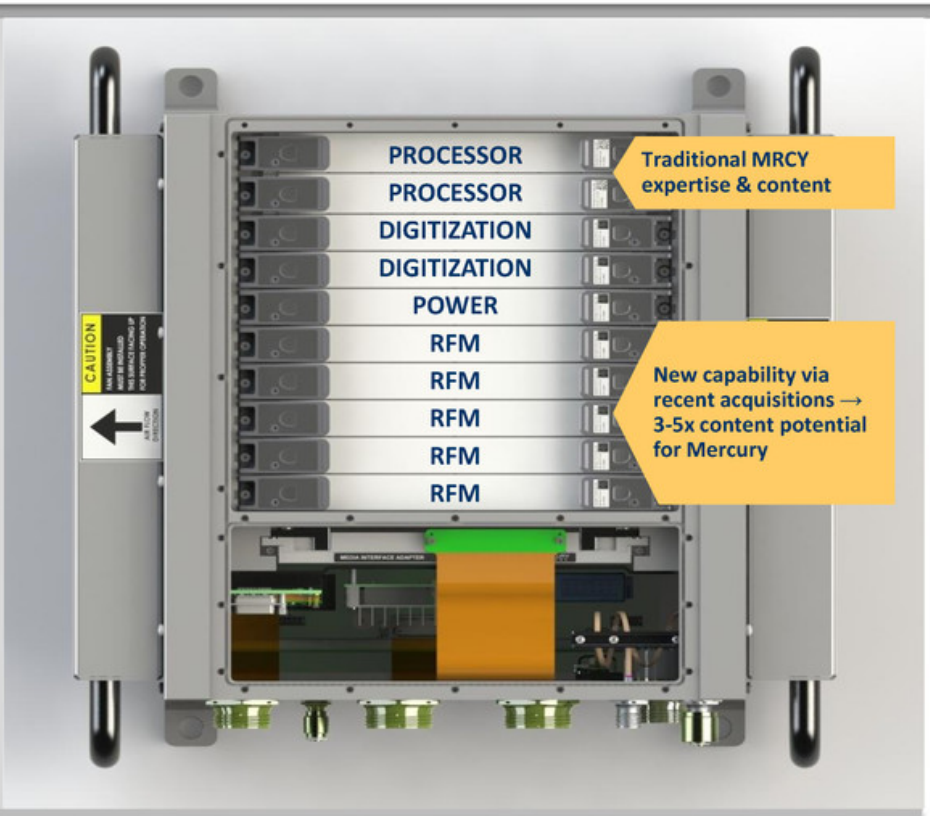
# Our goal is to provide outsourced, more affordable…




…pre-integrated sensor processing subsystems

# We have the capabilities and assets we need to expand…

- Significant expansion of addressable market
- 3-5x content in RFM vs. traditional processing
- R&D for new capabilities to onboard outsourced designs, competitively take share
- Acquisitions and AMC investment timely and key
- RFM expected to be fastest growth business
- Created scalable engineering and manufacturing platform

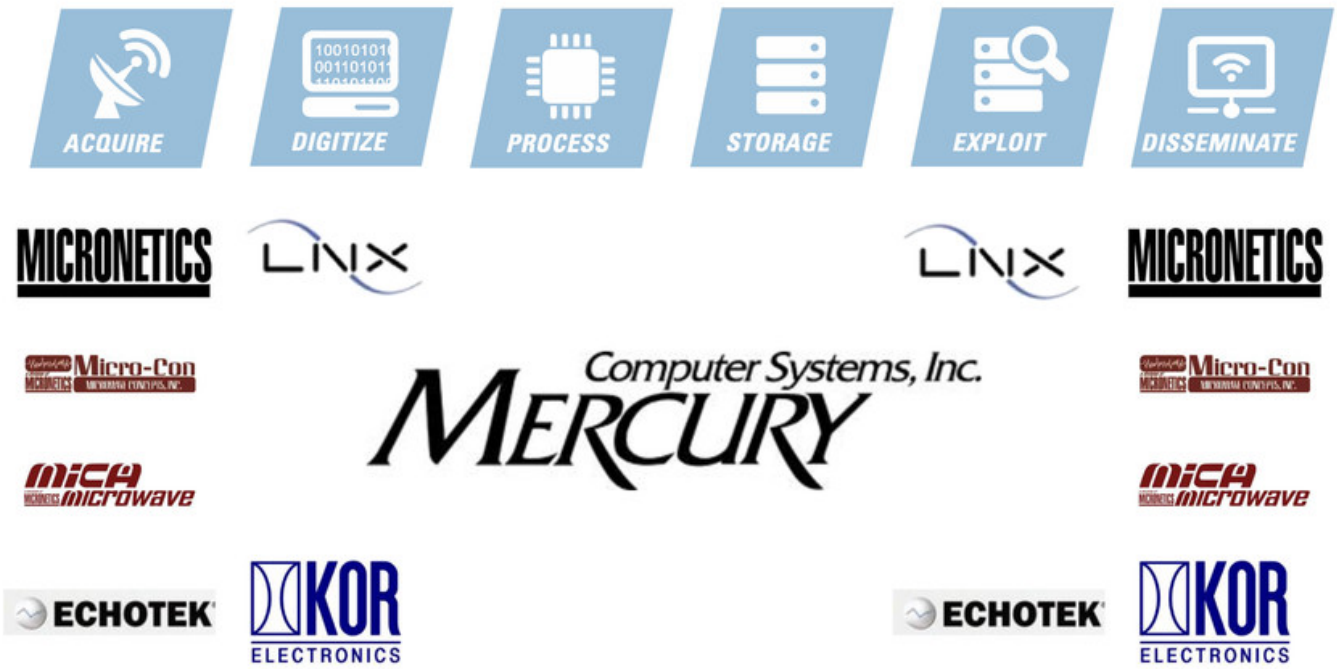



…and grow our business while moving up the value chain

# Pioneering a next generation defense electronics company

| | |
|---|---|
| **Proven Management Team** | Successful business transformation, double-digit defense revenue growth with improved profitability |
| **Leading Market Position** | Pure play defense electronics company embedded on key growth programs aligned to DoD priorities |
| **Aligned with Industry Growth Drivers** | Pacific pivot, aging platform modernization, foreign and international military sales, SOF quick reaction capabilities |
| **Next Generation Defense Electronics Business Model** | US commercially developed: prime, sensor and platform agnostic capabilities improves affordability, time to market and trust |
| **Innovative Technology Leader** | Secure and sensor processing subsystems, software and services for critical Defense and Intelligence applications |
| **Low Risk Organic Growth Strategy** | RFM and secure processing content expansion strategy targeting key DoD production programs |
| **Business Platform Built to Scale** | Scalable business, engineering and manufacturing platform that facilitates accretive future acquisitions |

# Phase 1 acquisitions broadened capabilities across sensor chain…

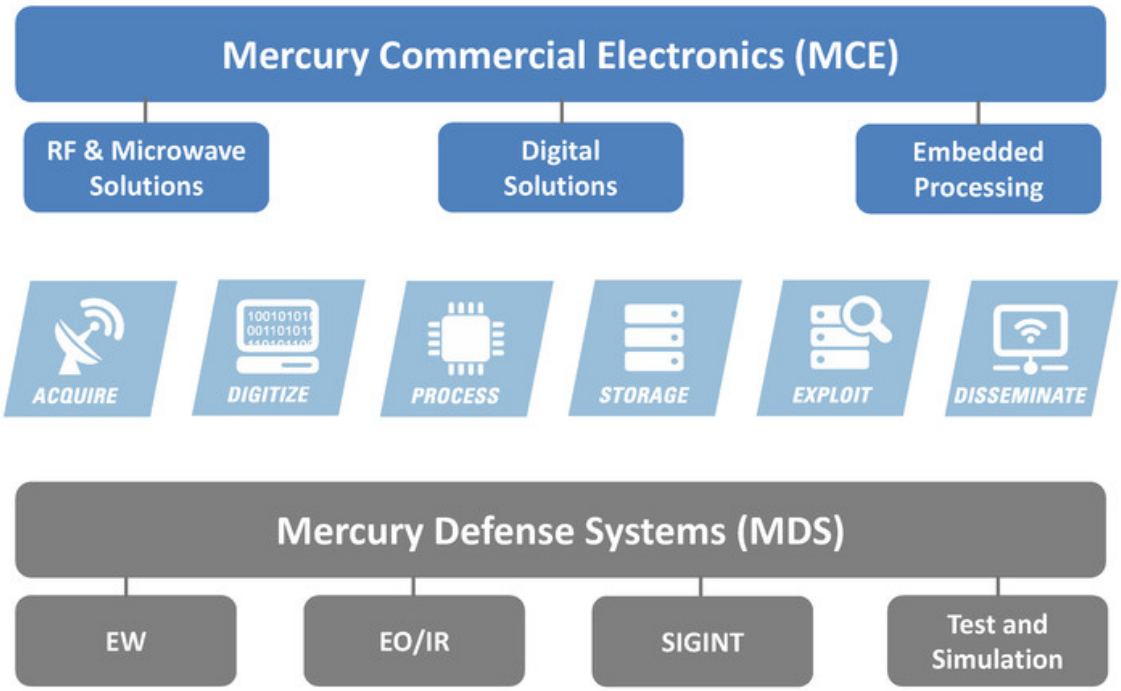



…yielding 3x-5x total addressable market expansion



Note: MICA Microwave and Micro-Con were previously acquired by Micronetics.

# Consolidation and integration yields operating leverage…




…creating a scalable platform for continued growth

# Pursuing M&A to scale secure and sensor processing business…

- Improved financials put Mercury back on M&A footing
- Strengthened M&A team; Rebuilding pipeline
- Focus on key business pillars: RF & Microwave; Processing
- Scale, revenue and cost synergies are primary objectives
- Continue moving up the value chain

…through accretive deals that increase shareholder value long term

# Strategy and investments have positioned Mercury well

- Pioneering a next-generation defense electronics business model
- Unique technology and capabilities on key production programs
- Low-risk content expansion growth strategy with demonstrable progress
- Above industry average growth and dramatic improvement in profitability
- Expect to achieve target business model for FY15
- Business platform built to grow and scale

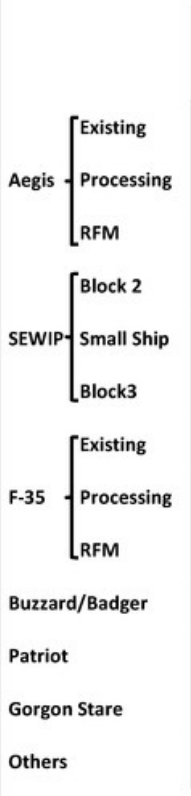
# Agenda

- Strategy & Business Update
- Program Update
  - Didier Thibaud
    President, Mercury Commercial Electronics (MCE)
- Financial Update
- AMC Overview & Tour
- Q&A

# Program focus driving substantial growth

EMD LRIP FRP FMS

## Mercury's perspective on phase, timing and potential value



| | | FY15 | FY16 | FY17 | Production Years | Bid vs. Won | Expansion | | Probable | Possible |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Process | RFM | Total ($M) | Total ($M) |
| Aegis | Existing | | | | FRP: FY16-25 | Won | ✓ | | 90 | 144 |
| | Processing | | | | FRP: FY19-25 | Bid | ✓ | | 116 | 420 |
| | RFM | | | | FRP: FY15-20 | Won | | ✓ | 46 | 48 |
| SEWIP | Block 2 | | | | FRP: FY15-23 | Won | | ✓ | 316 | 344 |
| | Small Ship | | | | FRP: FY16-25 | Won | | ✓ | 121 | 162 |
| | Block3 | | | | LRIP: FY16<br>FRP: FY18-26 | Bid | | ✓ | 399 | 475 |
| F-35 | Existing | | | | LRIP: Up to FY19 | Won | ✓ | | 61 | 74 |
| | Processing | | | | LRIP: FY19 | Bid | ✓ | | 661 | 1050 |
| | RFM | | | | LRIP: FY19 | Bid | | ✓ | 275 | 805 |
| Buzzard/Badger | | | | | FRP: FY14-19 | Won | | ✓ | 88 | 170 |
| Patriot | | | | | FRP: FY14-17 | Won | ✓ | | 71 | 99 |
| Gorgon Stare | | | | | FRP: FY14-15 | Won | ✓ | | 39 | 75 |
| Others | | (Predator/Reaper, F-15 EW, E-2D Hawkeye, F-16 SABR, P-8, SIRFC/AIDEWS, BAMS/Triton, AWACS, Classified) | | | | | | | 339 | 714 |

| | | |
|---|---|---|
| Total: | $2,620 | $4,580 |
| vs. Nov. 2013 | 1,355 | 2,045 |
| % Growth: | 93% | 124% |

**Note:** Refer to Appendix for definitions of "Bid", "Won", "Possible" and "Probable"

# Aegis SPY-1 Radar

## Integrated radar & missile system – sea-based element of Ballistic Missile Defense

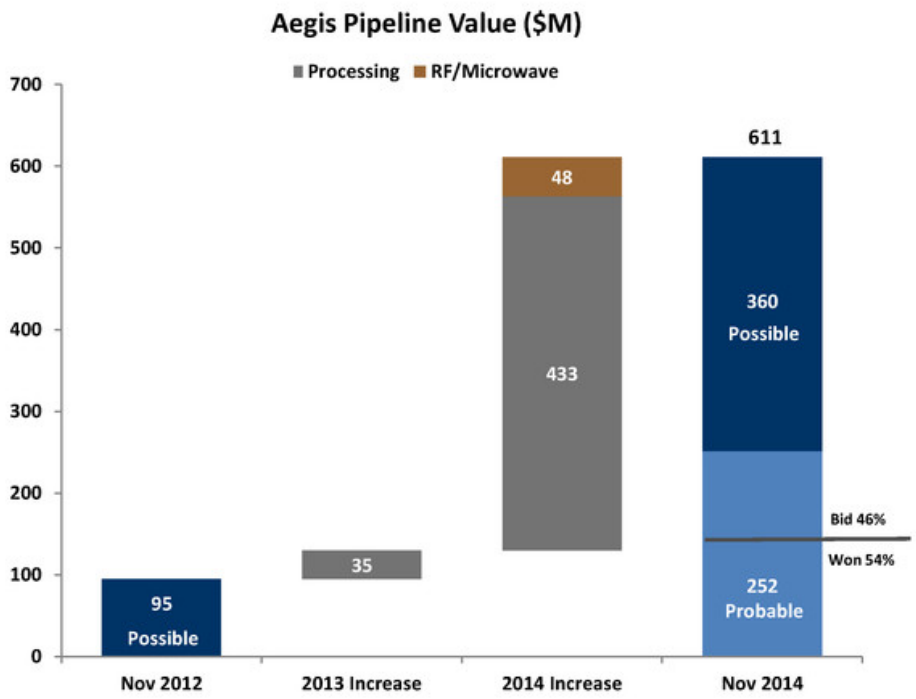
- 10+ year Lockheed Martin relationship
- Navy required powerful, high-bandwidth embedded processing system
- Domestic installed base Radar processing refresh
- Well-positioned for tech refresh with new server-class processing solution
- FMS development and production opportunities
- Processing expansion opportunities beyond Radar


New processing opportunities driving potential growth

# Aegis: Opportunity update

## Processing R&D investments driving content expansion

- Production program driving existing revenue
- Program growth: FMS & domestic tech refresh
- Grew opportunity 6x in 2 yrs
- Converted 2.7x of possible to probable value in 2 years
- Moving beyond Radar processing to other compute applications and RFM
- Decision on major pursuits expected end of CY15




**Investments driving $600M+ opportunity**

# SEWIP: Countering new emerging peer threats

## Upgrade legacy SLQ-32 EW system

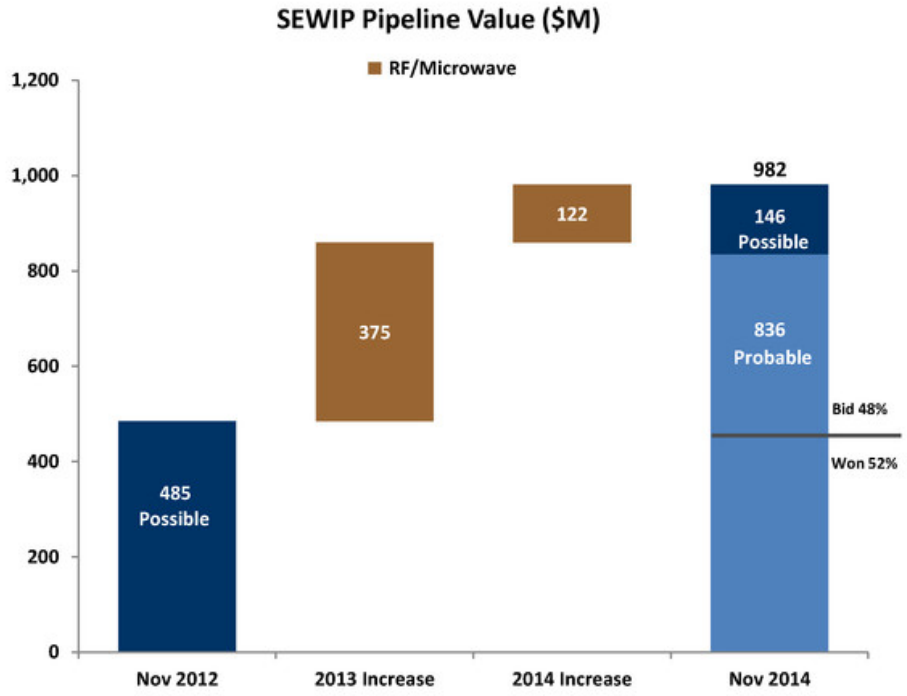
- 7+ year Lockheed Martin relationship
- Largest Naval EW upgrade program
- Block 2 enabled with innovative state-of-the-art digital receiver technology
- Largest Block 2 RFM supplier
- Derivative opportunity for FMS and smaller ships starting in H2FY15
- Block 3 adds electronic attack; award in Q1CY15

Franchise program in production driving future growth

# SEWIP: Opportunity update

## Acquisitions and AMC investment driving content expansion

- Next big growth driver
- Program growth: Block 2 FRP, Small Ship Derivative, FMS, Block 3
- Grew opportunity 2x in 2 yrs
- Converted 1.7x of possible to probable value in 2 years
- Expansion in RFM subsystems and content
- Block 3 represents largest bid upside potential




**Investments driving close to $1B opportunity**

# F-35 Joint Strike Fighter

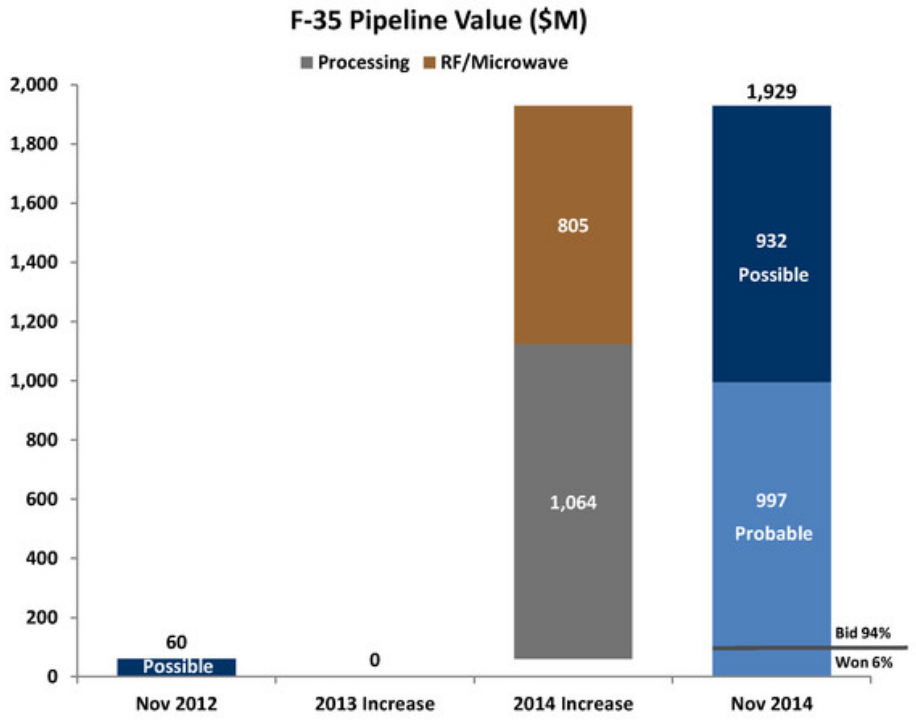
- Mercury's multiprocessor technology leadership key factor in program selection
- IP licensing of multiprocessor architecture and software
- Well-positioned for future tech refresh with next-generation server-class processing architecture
- New RFM capabilities create major expansion opportunity

Airborne processing leadership driving highest revenue opportunity

# F-35: Opportunity update

## Acquisitions, AMC and processing R&D investments driving content expansion

- Next major content expansion opportunity
- Incumbent processing technology provider
- Organic R&D investments driving multiple processing expansion opportunities
- LNX and Micronetics acquisitions, AMC investments driving RFM expansion opportunities
- Working with multiple Primes to convert possible to probable




**Investments driving $1.9B+ opportunity**

# Filthy Badger / Buzzard

## Electronic attack systems for Navy/AF vulnerability assessment and tactics training

- 20+ year US Navy relationship
- Leader in digital radio frequency memory (DRFM) technologies
- Expect new Badger IDIQ CY15
- Buzzard: Next-generation advanced DRFM
- Synergies with MCE driving innovative miniaturized microwave technology


**Critical EW needs for Pacific pivot driving long-term revenue**

# Patriot missile defense: Next-generation ground radar

## AN/MPQ-53 phased array radar long-range theater air defense

- 7+ year collaboration with Raytheon
- Radar Digital Processor upgrade provides new PAC-3 intercept capabilities
- Received $39M order in Q4FY14 for US Army upgrade and several FMS countries
- Potential future additional FMS awards plus remaining US Army upgrade
- AESA upgrade could drive processing content expansion

Program in production; FMS and US Army upgrade driving growth

# MQ-9 Gorgon Stare Increment 2

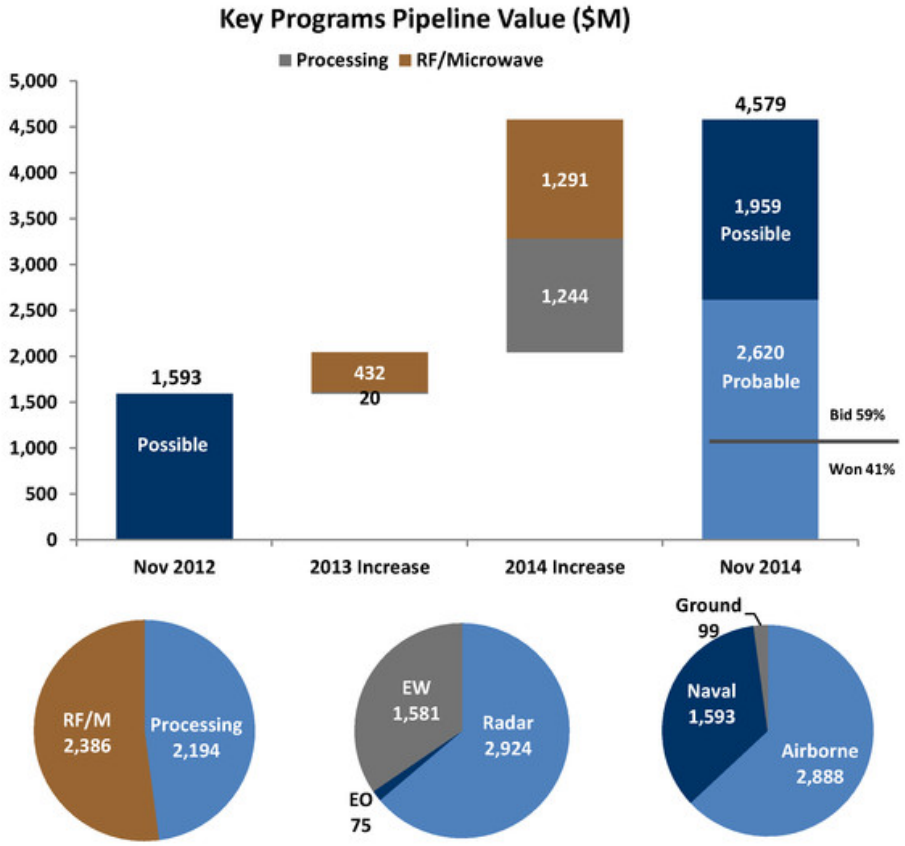
## Persistent wide-area multi-INT airborne surveillance

- Highest performance airborne EO/IR system
- Quick-reaction: delivered 7 systems in 24 months
- Architected and integrated state-of-the-art ruggedized sensor processing system
- Deployed and in production
- Expected to become PoR
- $39M-$75M potential remaining value


**Increased production units and improvements planned**

# Acquisitions and investments driving significant opportunity growth

- Low-risk content expansion growth strategy
- Key production programs
- Possible value increased 3x to $4.5B in 2 years
- Converted 1.6x of possible to probable value in 2 years
- RFM expansion doubled potential opportunities
- Opportunities driven by Radar (65%) and EW (35%)







Note: November 2012 possible pipeline value excludes three programs in the pipeline at that time which are no longer being pursued: JCREW, AMDR and ADAS

# Agenda

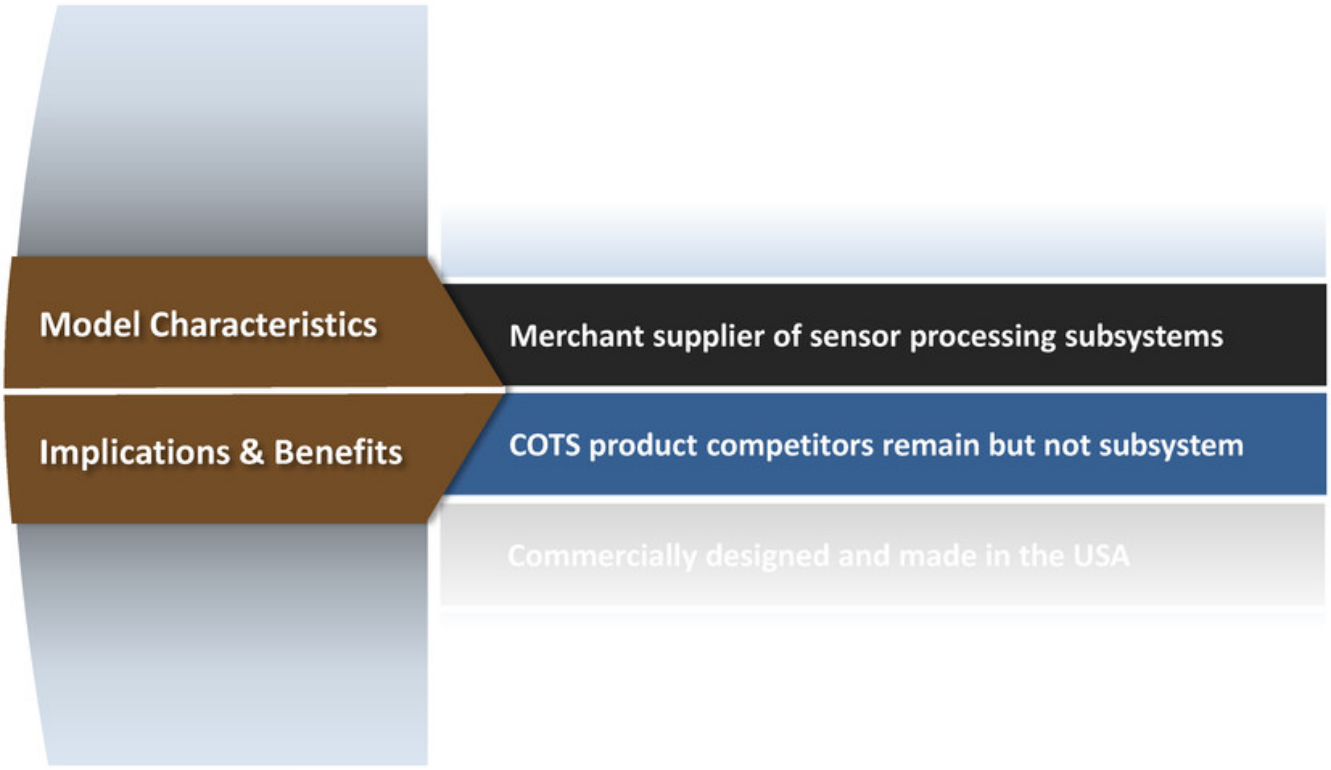
- Strategy & Business Update
- Program Update
- Financial Update
  - Gerry Haines
    CFO
- AMC Overview & Tour
- Q&A

# Mercury's business model and capabilities

| Model Characteristics | Implications and Benefits |
|---|---|
| Merchant supplier of sensor processing subsystems | COTS product competitors remain but not subsystem |
| Commercially designed and made in the USA | Few if any competitors meet all new buying criteria |
| Engineered into military platforms lasting decades | High barriers to entry with annuity revenue stream |
| Pre-integrated sensor processing subsystems | Primes outsourcing more to reduce total acquired cost |
| 15 – 20% of revenue on research and development | Value-based innovation. Modular design and reuse |
| Affordable and innovative platform modernization | DoD going direct to industry to eliminate profit layers |

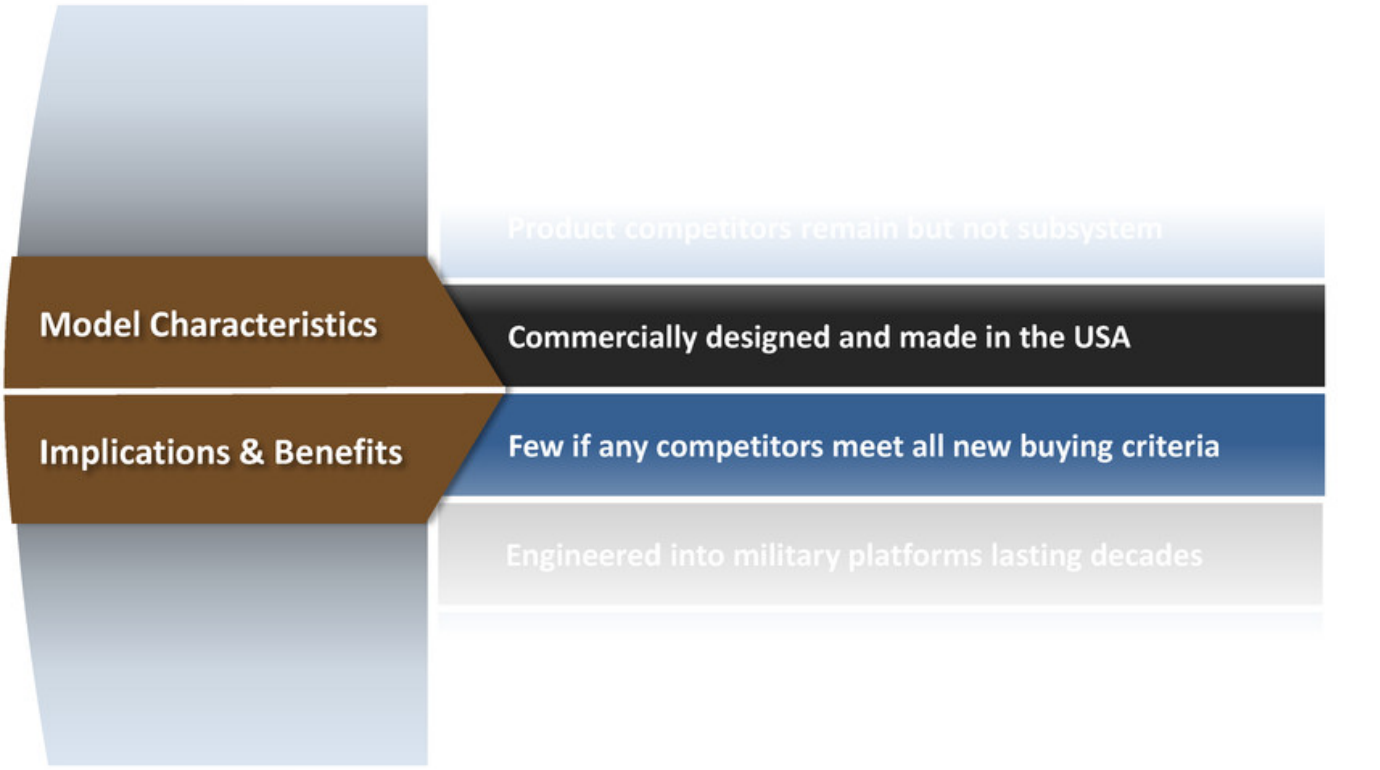
create a unique opportunity for growth and improved returns

# Mercury's business model and capabilities



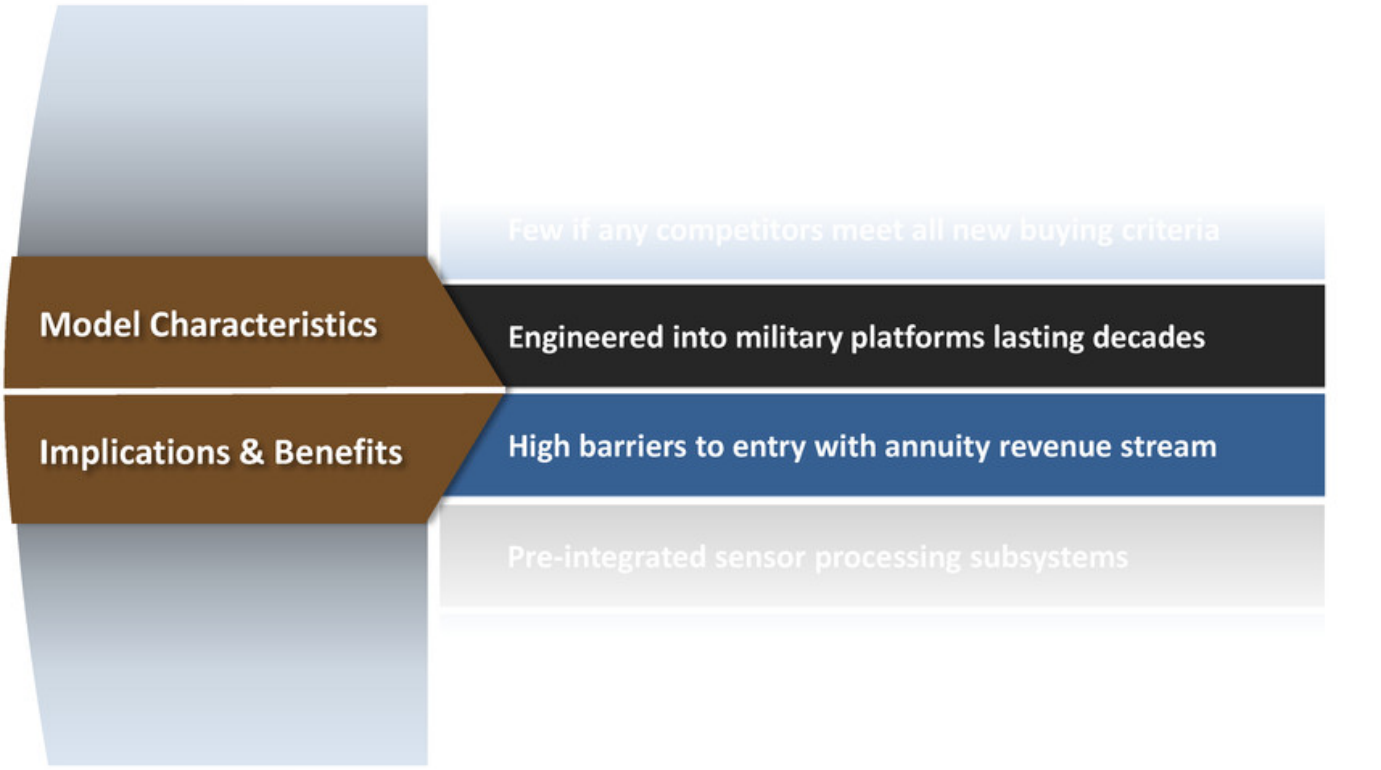

create a unique opportunity for growth and improved returns

# Mercury's business model and capabilities



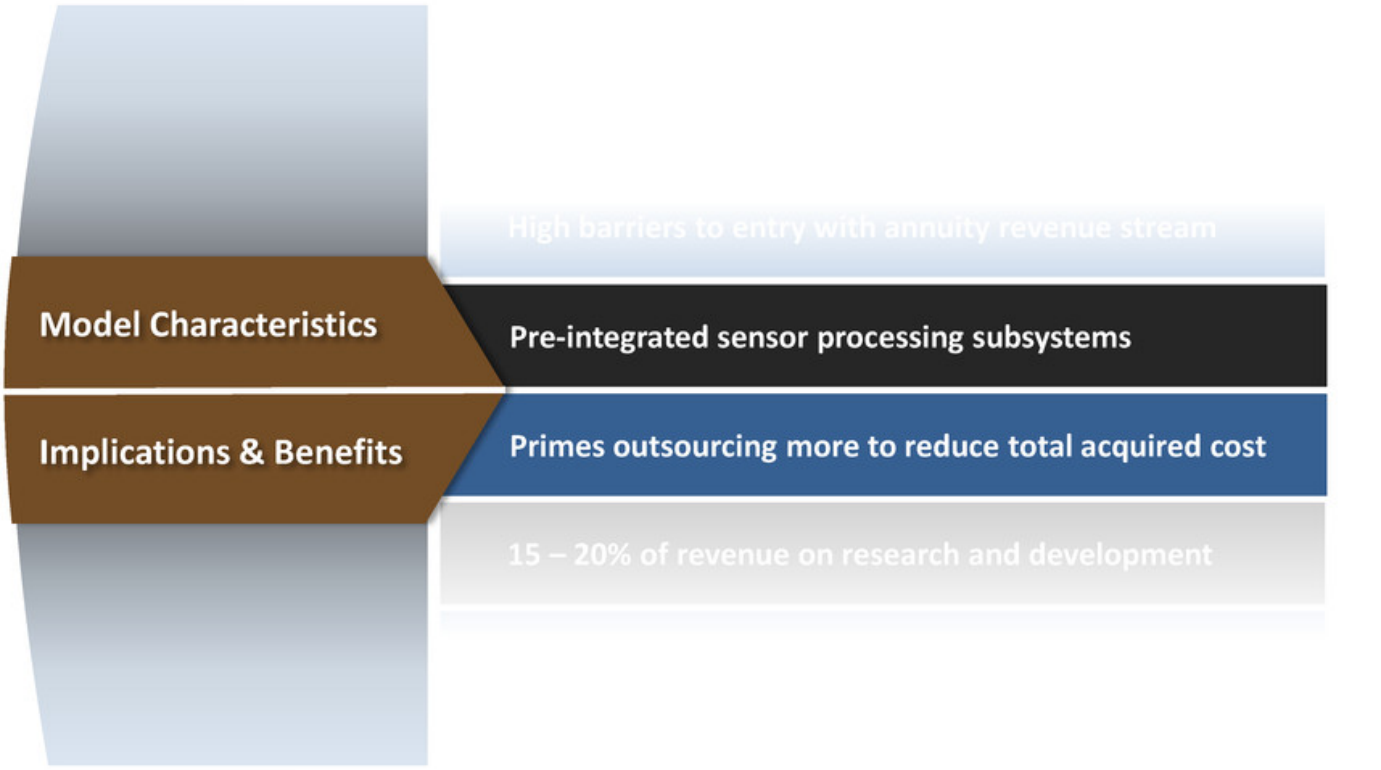

create a unique opportunity for growth and improved returns

# Mercury's business model and capabilities



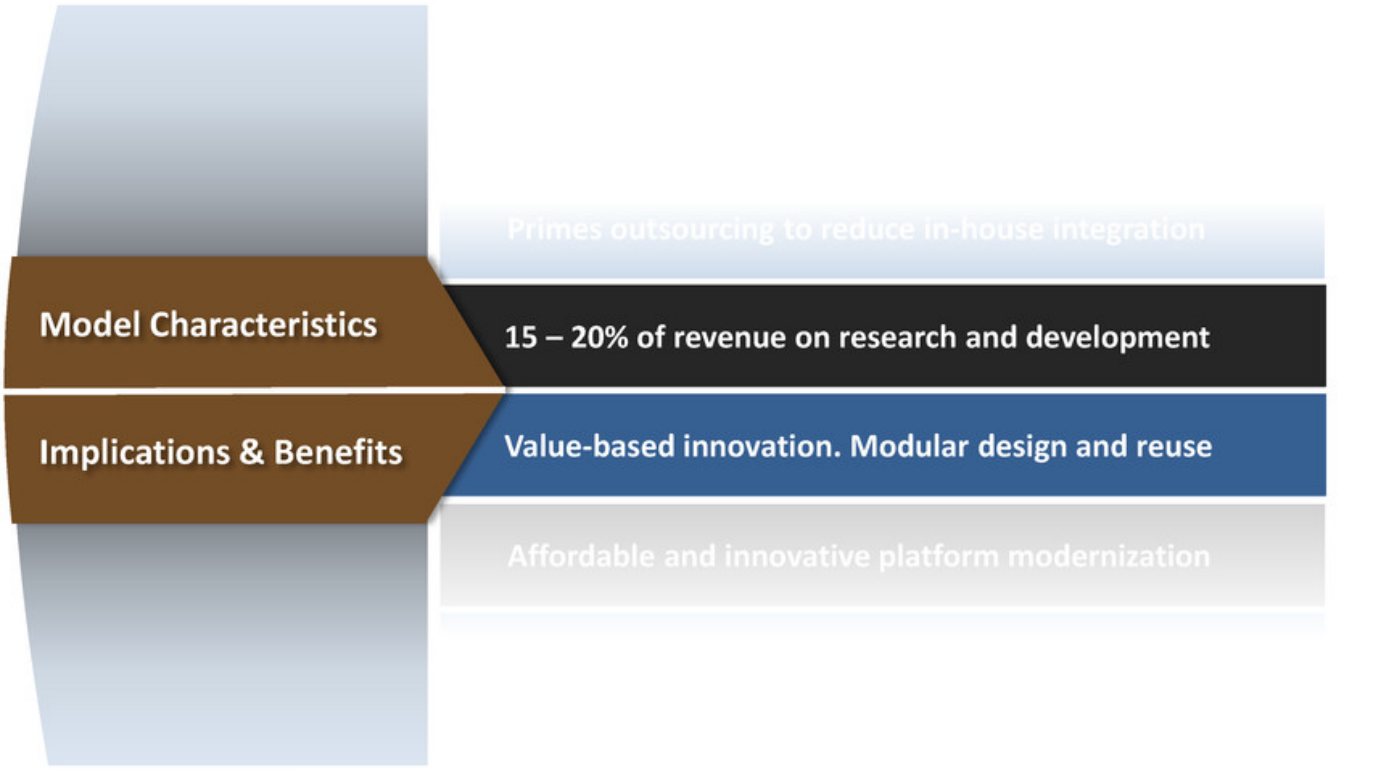

create a unique opportunity for growth and improved returns

# Mercury's business model and capabilities



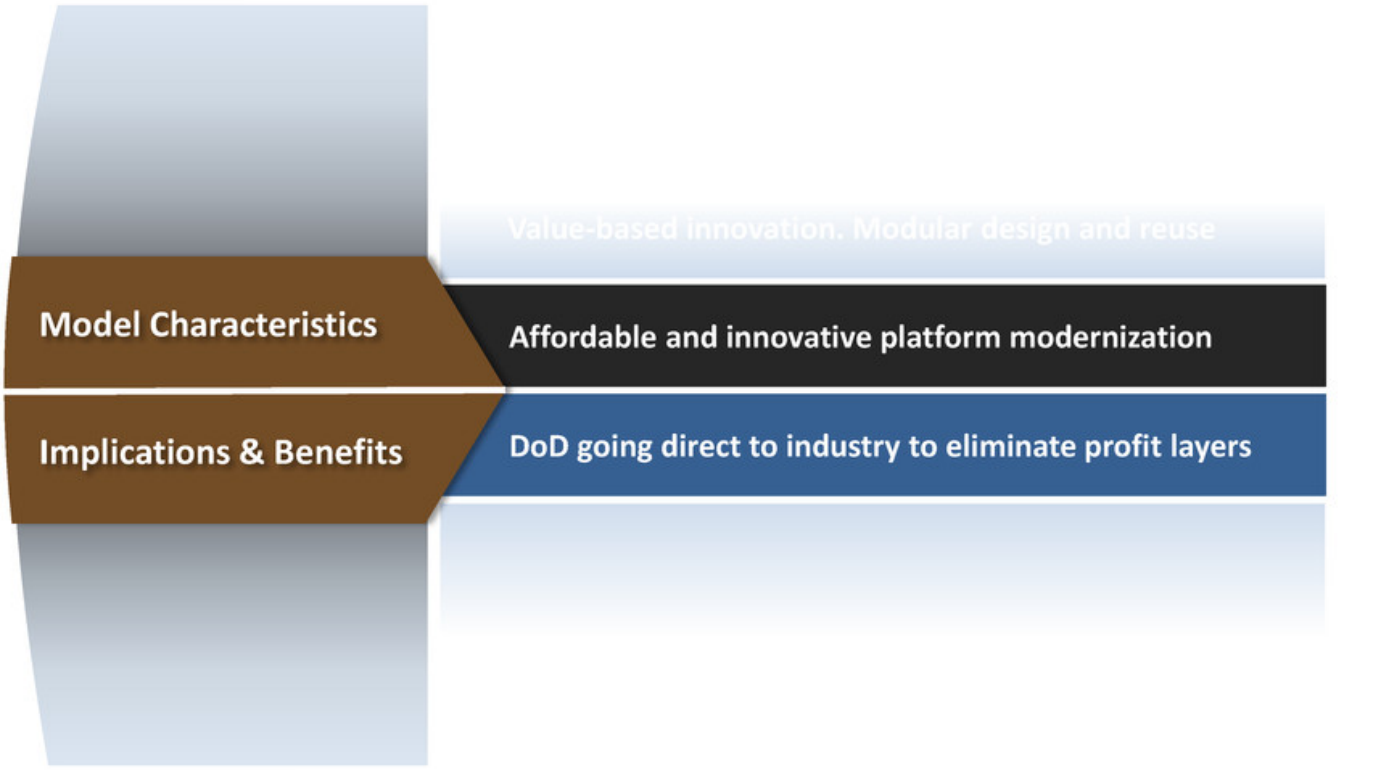

create a unique opportunity for growth and improved returns

# Mercury's business model and capabilities



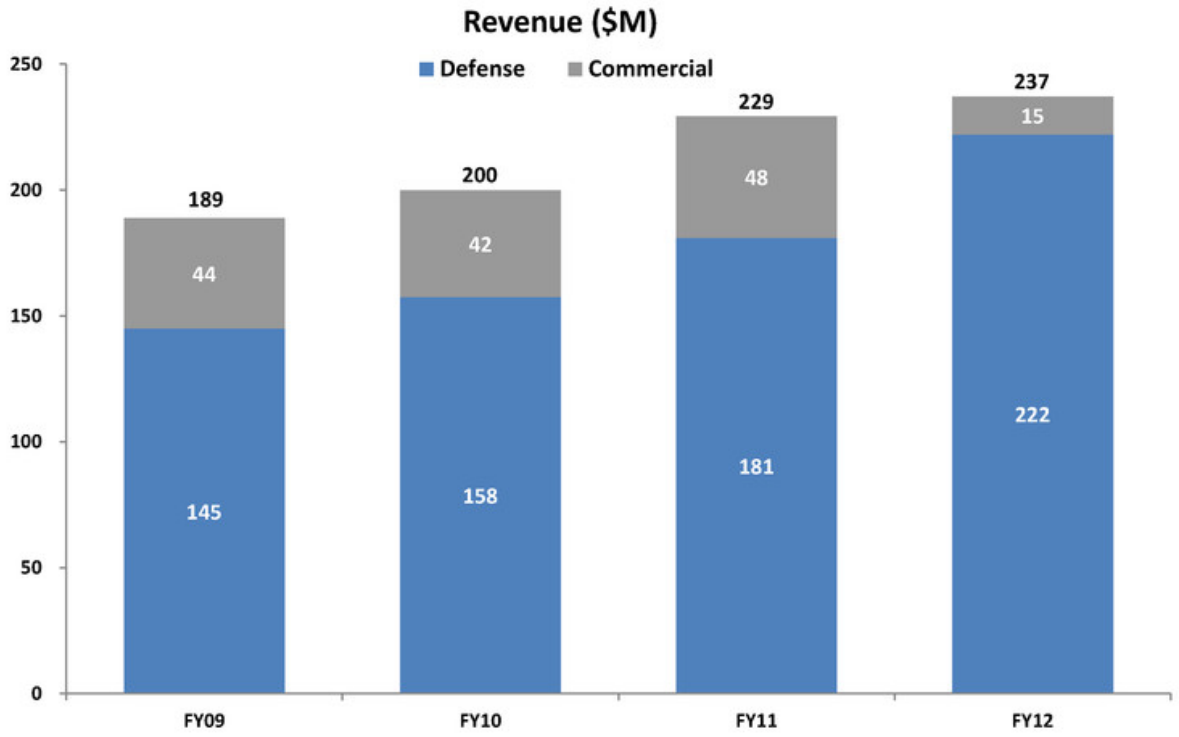

create a unique opportunity for growth and improved returns

# Mercury's business model and capabilities




create a unique opportunity for growth and improved returns

# FY09-FY12 revenue summary by market



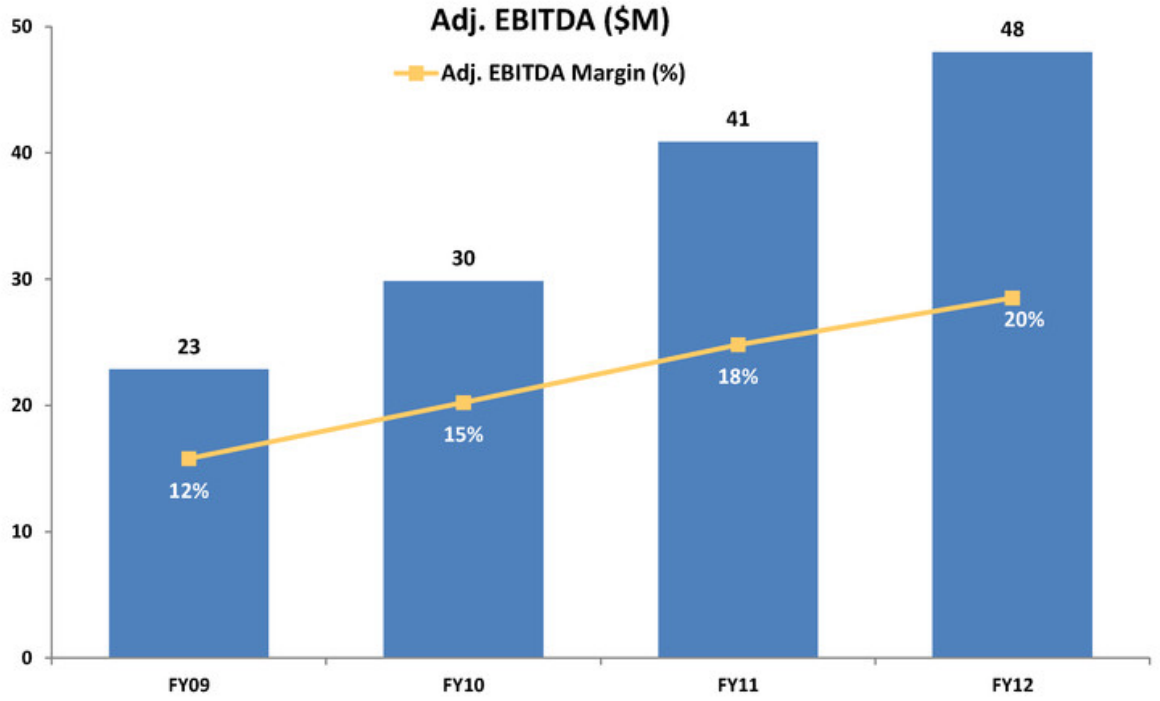

## Defense revenue CAGR of 15% FY09-FY12



Notes:
- All numbers based on continuing operations.

# Adjusted EBITDA CAGR of 28% FY09-FY12

## Achieved historic target business model in FY11




Notes:

- FY09 figures are as reported in the Company's fiscal 2010 Form 10K. FY10-12 figures are reported in the Company's fiscal 2014 Form 10K.
- Adjusted EBITDA is Income from continuing operations, less interest income and expense, income taxes, depreciation, amortization of acquired intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition and financing costs and other related expenses, fair value adjustments from purchase accounting, and stock-based compensation costs.

# FY13-14 restructuring and integration plans

## Accelerating achievement of target business model

**FISCAL 2013**

- Restructuring actions align cost base with new environment

**FISCAL 2014**

- 12-month Acquisition Integration Plan (through mid-FY2015)
  - Facilities consolidation into new AMC in Hudson, NH, creating a scalable manufacturing platform
  - Centralized administrative and manufacturing operations, operating on common systems
  - Rebalancing of R&D investments into highest growth areas
- Gross annualized savings of $16 million upon completion
  - 90%+ of annualized savings from actions completed through Q1FY15
  - Increased operating leverage already evident in financial performance

Created a scalable platform for future growth

# Financial improvement in FY14

## Returned to growth; adjusted EBITDA more than doubled

| GAAP ($M) | FY13 | FY14 | Change |
|---|---|---|---|
| Bookings | 209.7 | 246.8 | 18% |
| Revenue | 194.2 | 208.7 | 7% |
| Gross Margin % | 40% | 45% | 5 pts |
| Operating Expenses<br>OpEx less restructuring (% of revenue) [2] | 103.0<br>49% | 102.1<br>46% | (1%)<br>(3) pts |
| EPS (continuing) | (0.46) | (0.13) | 0.33 |
| Adj. EBITDA | 9.9 | 23.5 | 137% |

Notes:
(1) All numbers based on continuing operations.
(2) Excludes $7.1M of restructuring and other charges from GAAP operating expenses in FY13 and $5.4M in FY14.

# Second half FY14 financial momentum

| GAAP ($M) | FY14 H1 | FY14 H2 | Change |
|---|---|---|---|
| Bookings | 92.6 | 154.2 | 67% |
| Revenue | 101.7 | 107.1 | 5% |
| Gross Margin % | 45% | 46% | 1 pt |
| Operating Expenses<br>OpEx less restructuring (% of revenue) [2] | 51.6<br>51% | 50.5<br>42% | (2%)<br>(9) pts |
| EPS (continuing) | (0.10) | (0.03) | 0.07 |
| Adj. EBITDA | 8.6 | 15.0 | 75% |

Notes:
(1) All numbers based on continuing operations.
(2) Excludes $0.1M of restructuring and other charges from GAAP operating expenses in H1 FY14 and $5.4M in H2 FY14.

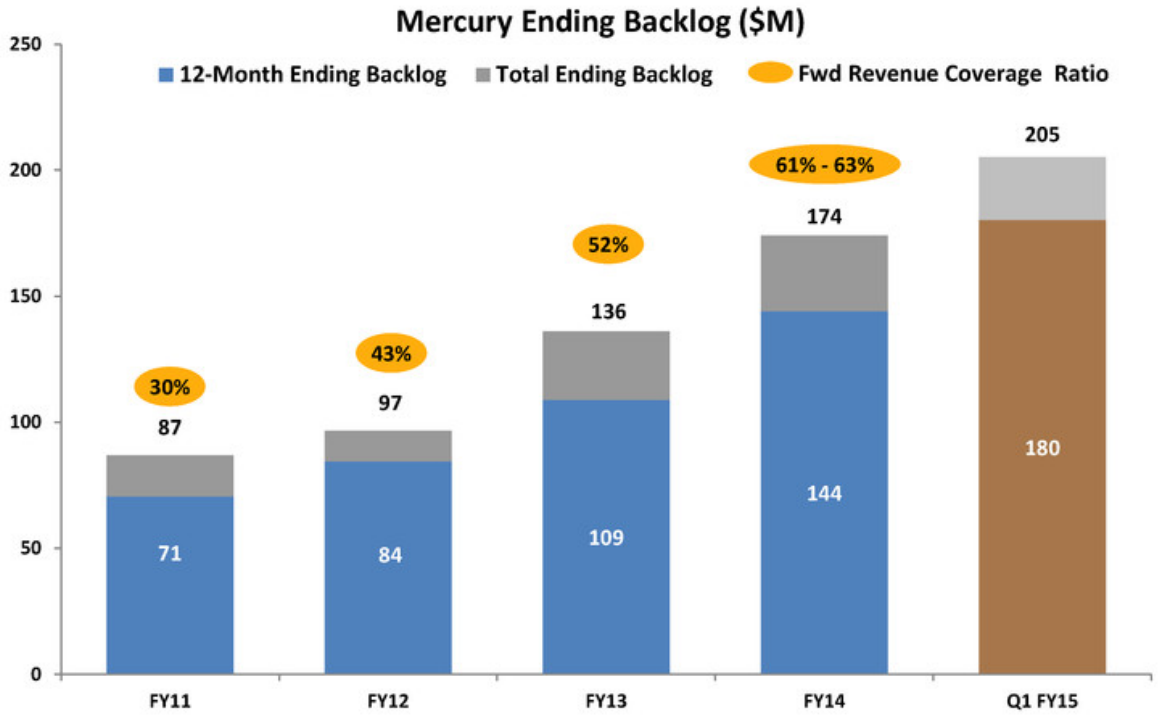
# Momentum continues in Q1 FY15

| GAAP ($M) | FY14 Q1 | FY15 Q1 | Change |
|---|---|---|---|
| Bookings | 45.2 | 85.1 | 88% |
| Revenue | 50.7 | 54.1 | 7% |
| Gross Margin % | 43% | 44% | 1 pt |
| Operating Expenses<br>OpEx less restructuring (% of revenue) [2] | 25.6<br>51% | 23.3<br>41% | (9%)<br>(10) pts |
| EPS (continuing) | (0.07) | 0.02 | 0.09 |
| Adj. EBITDA | 3.3 | 8.0 | 141% |

Notes:
(1) All numbers based on continuing operations.
(2) Excludes $1.3M of restructuring and other charges from GAAP operating expenses in Q1 FY15.

# Record backlog in Q1 FY15

## 136% growth since FY11; Revenue coverage doubles FY11-FY14




## Well positioned for balance of FY15



Notes:
(1) Revenue Coverage Ratio = 12-month ending backlog/Next 12 months Revenue

# Q2 FY15 guidance (as of November 12th)

| | Q2 FY14 | Quarter Ending December 31, 2014 | | YoY Change |
|---|---|---|---|---|
| | Actual | Low | High | |
| **Revenue** | **$51** | **$54** | **$58** | **6%-14%** |
| **GAAP EPS (Continuing)** | **($0.02)** | **$0.01** | **$0.05** | **+$0.03 to +$0.07** |
| **Adj EBITDA** | **$5.2** | **$7.4** | **$9.8** | **40%-88%** |
| **Adj EBITDA Adjustments:** | | | | |
| **Income (loss) from continuing operations** | **(0.8)** | **0.3** | **1.7** | |
| Interest expense, net | - | - | - | |
| Tax (benefit) expense | **(0.4)** | **0.2** | **1.2** | |
| Depreciation | **1.9** | **1.6** | **1.6** | |
| Amortization of acquired intangible assets | **1.8** | **1.8** | **1.8** | |
| Restructuring and other charges | **0.1** | **1.1** | **1.1** | |
| Acquisition and financing costs and other related expenses | - | - | - | |
| Impairment of long-lived assets | - | - | - | |
| Fair value adjustments from purchase accounting | - | - | - | |
| Stock-based compensation cost | **2.6** | **2.4** | **2.4** | |
| **Adj EBITDA** | **$5.2** | **$7.4** | **$9.8** | **40%-88%** |

Notes:
(1) The guidance included herein is as of November 12, 2014.

# FY15 guidance (as of November 12th)

| | FY14 | Year Ending June 30, 2015 | | YoY Change |
|---|---|---|---|---|
| | Actual | Low | High | |
| **Revenue** | **$209** | **$228** | **$236** | **9%-13%** |
| **GAAP EPS (Continuing)** | **($0.13)** | **$0.26** | **$0.32** | **+$0.39 to +$0.45** |
| **Adj EBITDA** | **$23.5** | **$39.0** | **$43.0** | **66%-83%** |
| **Adj EBITDA Adjustments:** | | | | |
| **Income (loss) from continuing operations** | **(4.1)** | **8.3** | **10.7** | |
| Interest expense, net | - | - | - | |
| Tax (benefit) expense | **(1.8)** | **3.6** | **5.2** | |
| Depreciation | **7.6** | **7.1** | **7.1** | |
| Amortization of acquired intangible assets | **7.3** | **7.0** | **7.0** | |
| Restructuring and other charges | **5.5** | **3.1** | **3.1** | |
| Acquisition and financing costs and other related expenses | - | - | - | |
| Impairment of long-lived assets | - | - | - | |
| Fair value adjustments from purchase accounting | - | - | - | |
| Stock-based compensation cost | **9.0** | **9.9** | **9.9** | |
| **Adj EBITDA** | **$23.5** | **$39.0** | **$43.0** | **66%-83%** |

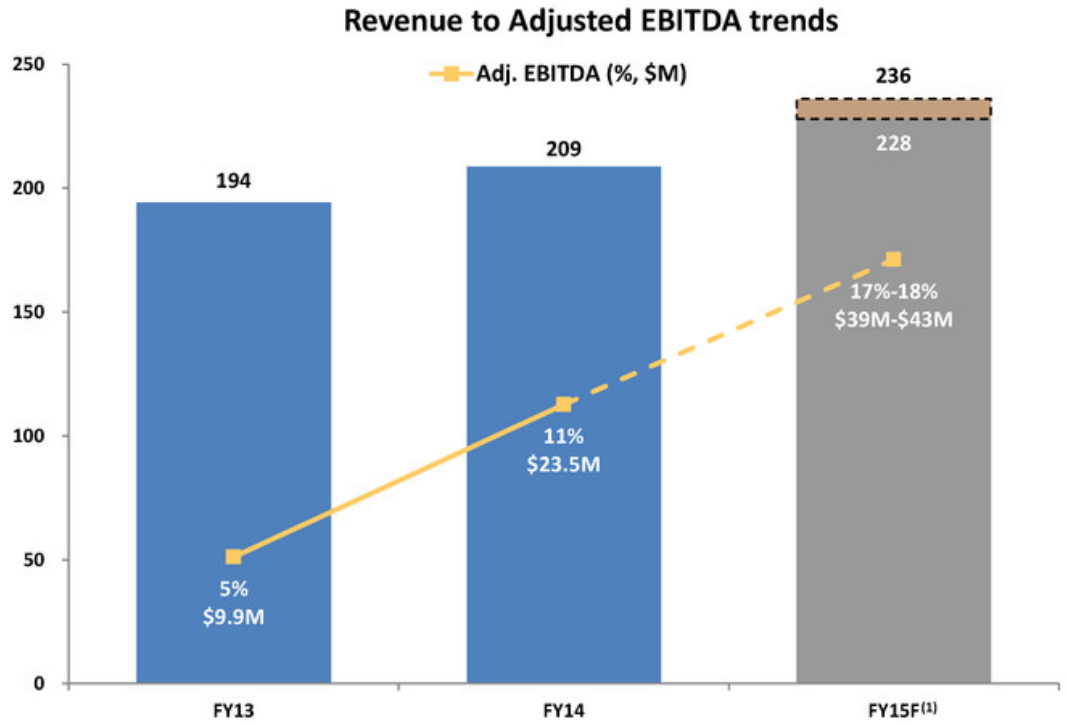
Notes:
(1) The guidance included herein is as of November 12, 2014.

# Achievement of target business model for FY15

| GAAP | FY14 | FY15[1] | Current Target Business Model |
|---|---|---|---|
| Revenue | 100% | 100% | 100% |
| Gross Margin | 45% | 46-47% | 45-50% |
| SG&A | 26% | 22-23% | Low 20's |
| R&D | 17% | 14-15% | 11-13% |
| Amortization | 3% | 3% | 2-3% |
| Adj EBITDA | 11% | 17-18% | 18-22% |

Notes:
(1) FY15 percentages are estimates only, as of November 12, 2014.

# Accelerating revenue growth and operating leverage




9-13% revenue growth yields 66-83% increase in FY15 Adj. EBITDA



Notes:
(1) The guidance included herein is as of November 12, 2014.

# Solid balance sheet with zero debt

## Ample liquidity, unused $200M credit facility, $500M Universal Shelf

| (In millions) | FY13 Actual | FY14 Actual | Q1 FY15 Actual |
|---|---|---|---|
| **ASSETS** | | | |
| Cash & cash equivalents | 39.1 | 47.3 | 48.9 |
| Accounts receivable, net | 46.5 | 59.7 | 64.4 |
| Inventory, net | 37.4 | 31.7 | 30.8 |
| PP&E, net | 14.5 | 14.1 | 13.3 |
| Goodwill and intangibles, net | 199.9 | 193.1 | 191.4 |
| Other | 22.9 | 21.6 | 22.6 |
| Assets of discontinued operations(1) | 14.1 | 6.2 | 5.6 |
| **TOTAL ASSETS** | **374.4** | **373.7** | **377.0** |
| **LIABILITIES AND S/E** | | | |
| AP and other liabilities | 43.2 | 44.2 | 44.4 |
| Debt | 0 | 0 | 0 |
| Liabilities of discontinued operations(1) | 2.7 | 2.4 | 2.2 |
| **TOTAL LIABILITIES** | **45.9** | **46.6** | **46.6** |
| **Stockholders' equity** | **328.5** | **327.1** | **330.4** |
| **TOTAL LIABILITIES AND S/E** | **374.4** | **373.7** | **377.0** |

Notes:
1) Discontinued operations numbers are MIS.

# Poised for profitable growth

- Growth and profitability accelerating in FY15
- Integration plan yields $16M in gross annualized savings
- Strategy, operational discipline, yield significant operating leverage
- Record backlog drives achievement of target business model for FY15
- Solid balance sheet with zero debt

# Agenda

- Strategy & Business Update
- Program Update
- Financial Update
- AMC Overview & Tour
  - Kevin Beals
    VP & GM, RF & Microwave Solutions
  - Anthony Sweeney
    VP, RF & Microwave Operations
- Q&A

# Creating a new model in RF and microelectronics

## Fragmented industry structure

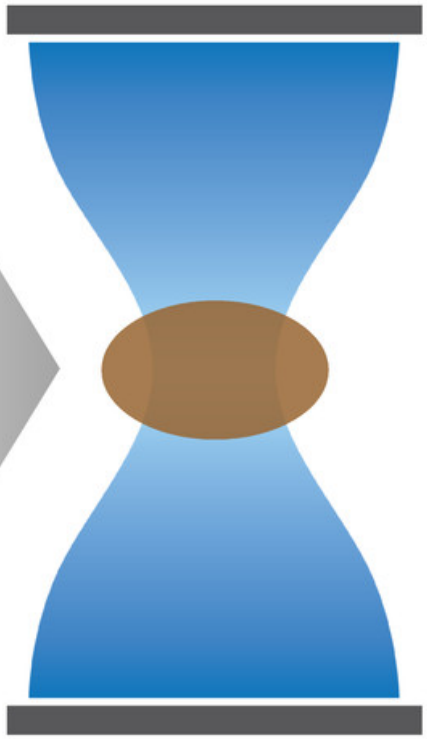
Primes need to consolidate supply chain to drive efficiencies and lower programmatic risk

## Lack of scope

Many suppliers lack advanced engineering design, automated manufacturing and test capabilities to effectively onboard outsourced development and production

## Lack of scale

Supply partners must be able to design and deliver prototypes *and* be able to scale to ensure volume readiness for LRIP and full production



Mercury is uniquely positioned to address these challenges

# Our AMC facilities are a manifestation of new model…

- Plant redundancy simplifies supply chain, enables greater outsourcing
- World-class microelectronics facilities leverage $20M investment by prior owner
- Complete design and full-rate production services
- State-of-the-art manufacturing capability reduces program risk
- Maintain key talent base and leverage capital to drive better competitive position
- ISO 9001 certified


…providing one-stop shopping from design services through FRP

# Facilities consolidation creates leverage and scalability…

- Five manufacturing operations consolidated into flagship facility
- Co-location of design and manufacturing enables more efficient information sharing
- Single-site location for the entire sensor processing chain (one-stop shopping)
- Leverage strong, unified engineering team as a result of consolidation
- Ability to scale from design to full production lowers risk and improves affordability

MICRONETICS

ENON

MICA MICROWAVE

Micro-Con MICROWAVE CONCEPTS, INC.

Stealth Microwave

MVS Microwave & Video Systems

VECTRONICS MICROWAVE CORPORATION

LNX

MERCURY SYSTEMS™

…resulting in high quality solutions well received by customers

# Unique commercial provider across the sensor chain


| Microwave, RF, and IF technology solutions | Multi-processor modules | Digital Storage solutions | SWAP-optimized servers and innovative IP | Mission-specific solutions |
|---|---|---|---|---|

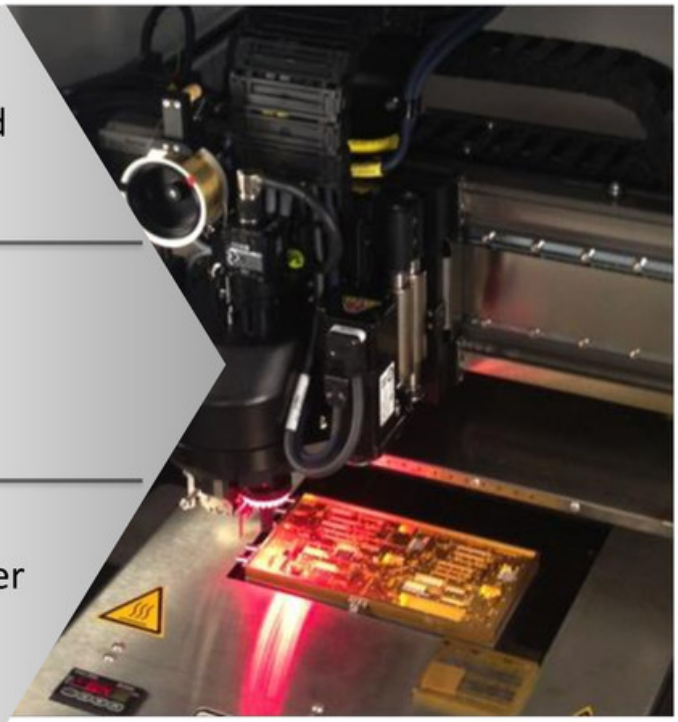
Hudson AMC is physical representation of sensor chain

# We're the only mid-sized RFM manufacturer combining world-class design-for-automation services…

Automated manufacturing and test provides high scalability, lower cost and repeatable results with low variability

World-class infrastructure and clean rooms improves quality and increases customer satisfaction

Full in-house ESS capability drives higher reliability to better protect warfighter



…with advanced packaging technologies for rugged deployment

# Summary

- Dual best-of-breed AMC facilities are right-sized and ready to meet outsourcing needs
- Low risk, redundant manufacturing capability supports critical programs
- Seamless facilities consolidation creates leverage, providing one-stop shopping from design services through FRP
- Differentiated capabilities and product portfolio well poised to drive growth across the sensor chain
- Assembly and test automation provide high reliability, scalable RF & microwave products at a competitive price while delivering improved margins

AMCs viewed by many customers as the better alternative

MERCURY SYSTEMS™

INNOVATION THAT MATTERS ™

# Appendix

# Adjusted EBITDA reconciliation

| (000'S) | Years Ended June 30, 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Full Year Guidance 2015 - Low | 2015 - High |
|---|---|---|---|---|---|---|---|---|
| Income (loss) from continuing operations | $ 7,909 | $ 28,069 | $ 18,507 | $ 22,323 | $ (13,782) | $ (4,072) | $ 8,300 | $ 10,700 |
| Interest expense (income), net | 492 | (151) | 45 | 27 | 31 | 40 | — | — |
| Income tax expense (benefit) | 109 | (9,377) | 8,060 | 8,991 | (10,501) | (1,841) | 3,600 | 5,200 |
| Depreciation | 5,640 | 5,147 | 6,364 | 7,837 | 8,445 | 7,625 | 7,100 | 7,100 |
| Amortization of acquired intangible assets | 2,414 | 1,710 | 1,984 | 3,551 | 8,222 | 7,328 | 7,000 | 7,000 |
| Restructuring and other charges | 1,712 | 231 | — | 2,712 | 7,060 | 5,443 | 3,100 | 3,100 |
| Impairment of long-lived assets | — | 211 | 150 | — | — | — | — | — |
| Acquisition and financing costs and other related expenses | — | — | 412 | 1,219 | 318 | — | — | — |
| Fair value adjustments from purchase accounting | — | — | (219) | (5,238) | 2,293 | — | — | — |
| Stock-based compensation costs | 4,582 | 4,016 | 5,580 | 6,572 | 7,854 | 8,999 | 9,900 | 9,900 |
| Adjusted EBITDA | $ 22,858 | $ 29,856 | $ 40,883 | $ 47,994 | $ 9,940 | $ 23,522 | $ 39,000 | $ 43,000 |

# Glossary

| | | | | | |
|---|---|---|---|---|---|
| **AEGIS** | Aegis Ballistic Missile Defense System | **EO/IR** | Electro-optical / Infrared | **O&M** | Operations & Maintenance |
| **AESA** | Active Electronically Scanned Array | **EW** | Electronic Warfare | **OpenVPX** | System-level specification for VPX, initiated by Mercury |
| **AGS** | Alliance Ground Surveillance | **FAR** | Federal Acquisition Regulation | **PoR** | Program of Record |
| **AIDEWS** | Advanced Integrated Defensive Electronic Warfare Suite | **FMS** | Foreign Military Sales | **RF** | Radio Frequency |
| **AMC** | Advanced Microelectronics Center | **FRP** | Full Rate Production | **SABR** | Scalable Agile Beam Radar |
| **AS9100** | Widely adopted and standardized quality management system for aerospace industry | **IDIQ** | Indefinite Quantity / Indefinite Delivery | **SEWIP** | Surface Electronic Warfare Improvement Program |
| **ATCA** | Advanced Telecommunications Architecture | **IMA** | Integrated Microwave Assembly | **SIGINT** | Signals Intelligence |
| **BAMS** | Broad Area Maritime Surveillance | **LRIP** | Low-Rate Initial Production | **SIRFC** | Suite of Integrated RF Countermeasures |
| **C4ISR** | Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance | **MCE** | Mercury Commercial Electronics | **SOF** | Special Operations Forces |
| **COTS** | Commercial off-the Shelf | **MDS** | Mercury Defense Systems | **SWaP** | Size Weight and Power |
| **DRFM** | Digital Radio Frequency Memory | **MILPER** | Military Personnel | **TAM** | Total Addressable Market |
| **EMD** | Engineering and Manufacturing Development | **MOSA** | Modular Open Systems Architecture | | |

# Sales-related definitions

| | |
|---|---|
| Design Win | A design win means that the customer has selected us to provide services, products, or intellectual property for a program of record or equivalent. In addition, the customer has won the program and we have an initial purchase order from the customer. |
| Bid | We have a Design Win with a prime contractor who is bidding to win a program of record, or we are bidding to win content on a program of record that has been awarded to a prime contractor. |
| Won | We have a Design Win with a prime contractor for a program of record, and the prime contractor has won the program and received its contractual award. |
| Possible | Possible value is a projection based upon our current information and assumptions regarding the system configuration, systems or units utilized per platform or installation, current and potential future Design Wins, our average sales price for current and/or future content, the number of platforms, spares, and potential retrofits, as well as the potential for foreign military sales - all of which could change materially as and when new information becomes available or assumptions are revised. Possible value is the highest outcome we believe to be reasonable given a range of potential outcomes based upon available information and our current set of assumptions. |
| Probable | Probable value is a projection based upon our current information and assumptions regarding the system configuration, systems or units utilized per platform or installation, current and potential future Design Wins, our average sales price for current and/or future content, the number of platforms, spares, and potential retrofits, as well as the potential for foreign military sales - all of which could change materially as and when new information becomes available or assumptions are revised. Probable value is the outcome we believe to be most likely given a range of potential outcomes based upon available information and our current set of assumptions. |