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 5, 2024

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

Massachusetts	**001-41194**	**04-2741391**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

50 Minuteman Road, Andover, Massachusetts	**01810**
(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

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	MRCY	Nasdaq Global Select Market

Item 2.02. Results of Operations and Financial Condition.

On November 5, 2024, Mercury Systems, Inc. (the "Company") issued a press release and an earnings presentation regarding its financial results for the first quarter ended September 27, 2024. The Company's press release and earnings presentation are attached as exhibits 99.1 and 99.2 to this Current Report on Form 8-K and incorporated by reference herein.

Information in Item 2.02 of this Current Report on Form 8-K and the exhibits 99.1 and 99.2 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

Use of Non-GAAP Financial Measures

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release dated November 5, 2024
99.2	Earnings Presentation dated November 5, 2024
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 5, 2024	MERCURY SYSTEMS, INC.
	By: /s/ David E. Farnsworth David E. Farnsworth Executive Vice President, Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release, dated November 5, 2024 of Mercury Systems, Inc.
99.2	Earnings Presentation, dated November 5, 2024 of Mercury Systems, Inc.

Exhibit 99.1

Innovation That Matters®

FOR IMMEDIATE RELEASE

Mercury Systems Reports First Quarter Fiscal 2025 Results

- **Q1 FY25 Bookings of $247.7 million; book-to-bill ratio of 1.21**
- **Q1 FY25 Revenue of $204.4 million; GAAP net loss of $17.5 million; and adjusted EBITDA of $21.5 million**
- **Record backlog of $1.3 billion; up 16% year-over-year**

ANDOVER, Mass. November 5, 2024 Mercury Systems, Inc. (NASDAQ: MRCY, www.mrcy.com), reported operating results for the first quarter of fiscal year 2025, ended September 27, 2024.

"Our first quarter 2025 results were generally as expected, and I am optimistic about our strategic positioning and expectations to deliver predictable organic growth with expanding margins and robust free cash flow," said Bill Ballhaus, Mercury's Chairman and CEO. "In the quarter we generated bookings of $247.7M, which is up 29% year-over-year and represents a book-to-bill of 1.21; revenue of $204.4M, up 13% year-over-year; adjusted EBITDA of $21.5M and adjusted EBITDA margin of 10.5%, both up substantially year-over-year."

First Quarter Fiscal 2025 Results

Total Company first quarter fiscal 2025 revenues were $204.4 million, compared to $181.0 million in the first quarter of fiscal 2024.

Total bookings for the first quarter of fiscal 2025 were $247.7 million, yielding a book-to-bill ratio of 1.21 for the quarter.

Total Company GAAP net loss and loss per share for the first quarter of fiscal 2025 were $17.5 million, and $0.30, respectively, compared to GAAP net loss and loss per share of $36.7 million, and $0.64, respectively, for the first quarter of fiscal 2024. Adjusted earnings per share ("adjusted EPS") was $0.04 per share for the first quarter of fiscal 2025, compared to $(0.24) per share in the first quarter of fiscal 2024.

First quarter fiscal 2025 adjusted EBITDA for the total Company was $21.5 million, compared to $2.0 million for the first quarter of fiscal 2024.

Cash flows used in operating activities in the first quarter of fiscal 2025 were $14.7 million, compared to $39.1 million in the first quarter of fiscal 2024. Free cash flow, defined as cash flows from operating activities less capital expenditures for property and equipment, was $(20.9) million for the first quarter of fiscal 2025 and $(47.1) million for the first quarter of fiscal 2024.

Backlog

Mercury's total backlog at September 27, 2024 was $1.34 billion, a $187.8 million increase from a year ago. Of the September 27, 2024 total backlog, $777.0 million represents orders expected to be recognized as revenue within the next 12 months.

Conference Call Information

Management will host a conference call and simultaneous webcast at 5:00 p.m. ET on Tuesday, November 5, 2024, to discuss Mercury's quarterly financial results, business highlights and outlook. In addition, Company representatives may answer questions concerning business and financial developments and trends, the Company's view on earnings forecasts, and other business and financial matters affecting the Company, the responses to which may contain information that has not been previously disclosed.

To attend the conference call or webcast, participants should register online at ir.mrcy.com/events-presentations. Participants are requested to register a day in advance or at a minimum 15 minutes before the start of the call. A replay of the webcast will be available two hours after the call and archived on the same web page for six months.

Use of Non-GAAP Financial Measures

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

Mercury Systems – Innovation that Matters®

Mercury Systems 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. Mercury'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. Mercury is headquartered in Andover, Massachusetts, and has 23 locations worldwide. To learn more, visit mrcy.com. (Nasdaq: MRCY)

Investors and others should note that we announce material financial information using our website (www.mrcy.com), SEC filings, press releases, public conference calls, webcasts, and social media, including X (X.com/mrcy) and LinkedIn (www.linkedin.com/company/mercury-systems). Therefore, we encourage investors and others interested in Mercury to review the information we post on the social media and other communication channels listed on our website.

Forward-Looking Safe Harbor Statement

This press release contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to the Company's focus on enhanced execution of the Company's strategic plan under a refreshed Board and leadership team. You can identify these statements by the words “may,” “will,” “could,” “should,” “would,” “plans,” “expects,” “anticipates,” “continue,” “estimate,” “project,” “intend,” “likely,” “forecast,” “probable,” “potential,” and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in the Company’s 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 the Company's products, shortages in or delays in receiving components, supply chain delays or volatility for critical components, production delays or unanticipated expenses including due to quality issues or manufacturing execution issues, adherence to required manufacturing standards, capacity underutilization, increases in scrap or inventory write-offs, failure to achieve or maintain manufacturing quality certifications, such as AS9100, the impact of supply chain disruption, inflation and labor shortages, among other things, on program execution and the resulting effect on customer satisfaction, inability to fully realize the expected benefits from acquisitions, restructurings, and operational efficiency initiatives or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, effects of shareholder activism, increases in interest rates, changes to industrial security and cyber-security regulations and requirements and impacts from any cyber or insider threat events, changes in tax rates or tax regulations, such as the deductibility of internal research and development, changes to interest rate swaps or other cash flow hedging arrangements, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, litigation, including the dispute arising with the former CEO over his resignation, unanticipated costs under fixed-price service and system integration engagements, and various other factors beyond our control. These risks and uncertainties also include such additional risk factors as are discussed in 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 28, 2024 and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. 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.

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Contact:
David E. Farnsworth, CFO
Mercury Systems, Inc.
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MERCURY SYSTEMS, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 27, 2024	June 28, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 158,123	$ 180,521
Accounts receivable, net	124,546	111,441
Unbilled receivables and costs in excess of billings, net	298,270	304,029
Inventory	351,088	335,300
Prepaid expenses and other current assets	22,289	22,493
Total current assets	954,316	953,784
Property and equipment, net	105,059	110,353
Goodwill	938,093	938,093
Intangible assets, net	239,306	250,512
Operating lease right-of-use assets, net	58,359	60,860
Deferred tax asset	66,362	58,612
Other non-current assets	7,486	6,691
Total assets	$ 2,368,981	$ 2,378,905
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 74,741	$ 81,068
Accrued expenses	42,548	42,926
Accrued compensation	18,098	36,398
Income taxes payable	1,115	109
Deferred revenues and customer advances	96,292	73,915
Total current liabilities	232,794	234,416
Income taxes payable	7,713	7,713
Long-term debt	591,500	591,500
Operating lease liabilities	59,798	62,584
Other non-current liabilities	17,335	9,917
Total liabilities	909,140	906,130
Shareholders' equity:		
Preferred stock	—	—
Common stock	584	581
Additional paid-in capital	1,253,249	1,242,402
Retained earnings	202,274	219,799
Accumulated other comprehensive income	3,734	9,993
Total shareholders' equity	1,459,841	1,472,775
Total liabilities and shareholders' equity	$ 2,368,981	$ 2,378,905

MERCURY SYSTEMS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	First Quarters Ended	
	September 27, 2024	September 29, 2023
Net revenues	$ 204,431	$ 180,991
Cost of revenues[1]	152,641	130,464
Gross margin	51,790	50,527
Operating expenses:		
Selling, general and administrative[1]	33,153	35,794
Research and development[1]	18,383	31,872
Amortization of intangible assets	11,235	12,547
Restructuring and other charges	2,260	9,546
Acquisition costs and other related expenses	177	969
Total operating expenses	65,208	90,728
Loss from operations	(13,418)	(40,201)
Interest income	544	103
Interest expense	(8,906)	(7,863)
Other expense, net	(1,339)	(1,774)
Loss before income tax benefit	(23,119)	(49,735)
Income tax benefit	(5,594)	(13,027)
Net loss	$ (17,525)	$ (36,708)
Basic net loss per share	$ (0.30)	$ (0.64)
Diluted net loss per share	$ (0.30)	$ (0.64)
Weighted-average shares outstanding:		
Basic	58,260	57,105
Diluted	58,260	57,105
(1) Includes stock-based compensation expense, allocated as follows:		
Cost of revenues	$ 113	$ 816
Selling, general and administrative	$ 4,611	$ 1,761
Research and development	$ 1,368	$ 1,540

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

	First Quarters Ended	
	September 27, 2024	September 29, 2023
Cash flows from operating activities:		
Net loss	$ (17,525)	$ (36,708)
Depreciation and amortization	21,220	22,692
Other non-cash items, net	5,602	(3,651)
Cash settlement for termination of interest rate swap	—	7,403
Changes in operating assets and liabilities	(23,957)	(28,804)
Net cash used in operating activities	(14,660)	(39,068)
Cash flows from investing activities:		
Purchases of property and equipment	(6,236)	(8,015)
Net cash used in investing activities	(6,236)	(8,015)
Cash flows from financing activities:		
Borrowings under credit facilities	—	65,000
Payments of deferred financing and offering costs	(2,249)	—
Net cash (used in) provided by financing activities	(2,249)	65,000
Effect of exchange rate changes on cash and cash equivalents	747	(111)
Net (decrease) increase in cash and cash equivalents	(22,398)	17,806
Cash and cash equivalents at beginning of period	180,521	71,563
Cash and cash equivalents at end of period	$ 158,123	$ 89,369

UNAUDITED SUPPLEMENTAL INFORMATION RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(In thousands)

Adjusted EBITDA, a non-GAAP measure for reporting financial performance, excludes the impact of certain items and, therefore, has not been calculated in accordance with GAAP. Management believes that exclusion of these items assists in providing a more complete understanding of the Company's underlying results and trends, and management uses these measures along with the corresponding GAAP financial measures to manage the Company's business, to evaluate its performance compared to prior periods and the marketplace, and to establish operational goals. The adjustments to calculate this non-GAAP financial measure, and the basis for such adjustments, are outlined below:

Other non-operating adjustments. The Company records other non-operating adjustments such as gains or losses on foreign currency remeasurement, investments and fixed asset sales or disposals among other adjustments. These adjustments may vary from period to period without any direct correlation to underlying operating performance.

Interest income and expense. The Company receives interest income on investments and incurs interest expense on loans, financing leases and other financing arrangements. These amounts may vary from period to period due to changes in cash and debt balances and interest rates driven by general market conditions or other circumstances which may be outside of the normal course of the Company's operations.

Income taxes. The Company's GAAP tax expense can fluctuate materially from period to period due to tax adjustments that are not directly related to underlying operating performance or to the current period of operations.

Depreciation. The Company incurs depreciation expense related to capital assets purchased to support the ongoing operations of the business. These assets are recorded at cost or fair value and are depreciated using the straight-line method over the useful life of the asset. Purchases of such assets may vary significantly from period to period and without any direct correlation to underlying operating performance.

Amortization of intangible assets. The Company incurs amortization of intangible assets primarily as a result of acquired intangible assets such as backlog, customer relationships and completed technologies but also due to licenses, patents and other arrangements. These intangible assets are valued at the time of acquisition or upon receipt of right to use the asset, amortized over the requisite life and generally cannot be changed or influenced by management after acquisition.

Restructuring and other charges. The Company incurs restructuring and other charges in connection with management's decisions to undertake certain actions to realign operating expenses through workforce reductions and the closure of certain Company facilities, businesses and product lines. The Company's adjustments reflected in restructuring and other charges are typically related to acquisitions and organizational redesign programs initiated as part of discrete post-acquisition integration activities. Management believes these items are non-routine and may not be indicative of ongoing operating results.

Impairment of long-lived assets. The Company incurs impairment charges of long-lived assets based on events that may or may not be within the control of management. Management believes these items are outside the normal operations of the Company's business and are not indicative of ongoing operating results.

Acquisition, financing and other third party costs. The Company incurs transaction costs related to acquisition and potential acquisition opportunities, such as legal, accounting, and other third party advisory fees. The Company may also incur third party costs, such as legal, banking, communications, proxy solicitation, and other third party advisory fees in connection with engagements by activist investors or unsolicited acquisition offers. Although the Company may incur such third party costs and other related charges and adjustments, it is not indicative that any transaction will be consummated. Additionally, the Company incurs unused revolver and bank fees associated with maintaining its credit facility as well as non-cash financing expenses associated with obtaining its credit facility. Management believes these items are outside the normal operations of the Company's business and are not indicative of ongoing operating results.

Fair value adjustments from purchase accounting. As a result of applying purchase accounting rules to acquired assets and liabilities, certain fair value adjustments are recorded in the opening balance sheet of acquired companies. These adjustments are then reflected in the Company's income statements in periods subsequent to the acquisition. In addition, the impact of any changes to originally recorded contingent consideration amounts are reflected in the income statements in the period of the change. Management believes these items are outside the normal operations of the Company and are not indicative of ongoing operating results.

Litigation and settlement income and expense. The Company periodically receives income and incurs expenses related to pending claims and litigation and associated legal fees and potential case settlements and/or judgments. Although the Company may incur such costs and other related charges and adjustments, it is not indicative of any particular outcome until the matter is fully resolved. Management believes these items are outside the normal operations of the Company's business, often occur in periods other than the period of activity, and are not indicative of ongoing operating results. The Company periodically receives warranty claims from customers and makes warranty claims towards its vendors and supply chain. Management believes the expenses and gains associated with these recurring warranty items are within the normal operations and operating cycle of the Company's business. Therefore, management deems no adjustments are necessary unless under extraordinary circumstances.

Stock-based and other non-cash compensation expense. The Company incurs expense related to stock-based compensation included in its GAAP presentation of cost of revenues, selling, general and administrative expense and research and development expense. The Company also incurs non-cash based compensation in the form of pension related expenses and matching contributions to its defined contribution plan. Although stock-based and other non-cash compensation is an expense of the Company and viewed as a form of compensation, these expenses vary in amount from period to period, and are affected by market forces that are difficult to predict and are not within the control of management, such as the market price and volatility of the Company's shares, risk-free interest rates and the expected term and forfeiture rates of the awards, as well as pension actuarial assumptions. Management believes that exclusion of these expenses allows comparisons of operating results to those of other companies, both public, private or foreign, that disclose non-GAAP financial measures that exclude stock-based compensation and other non-cash compensation.

Mercury uses adjusted EBITDA as an important indicator of the operating performance of its business. Management excludes the above-described items from its internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to the Company's board of directors, determining a portion of bonus compensation for executive officers and other key employees based on operating performance, evaluating short-term and long-term operating trends in the Company's operations, and allocating resources to various initiatives and operational requirements. The Company believes that adjusted EBITDA permits a comparative assessment of its operating performance, relative to its performance based on its GAAP results, while isolating the effects of charges that may vary from period to period without direct correlation to underlying operating performance. The Company believes 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 its financial and operational decision-making. The Company believes that trends in its adjusted EBITDA are valuable indicators of its 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. The Company expects to continue to incur expenses similar to the adjusted EBITDA financial adjustments described above, and investors should not infer from the Company's presentation of this non-GAAP financial measure that these costs are unusual, infrequent or non-recurring.

The following table reconciles the most directly comparable GAAP financial measure to the non-GAAP financial measure.

	First Quarters Ended	
	September 27, 2024	September 29, 2023
Net loss	$ (17,525)	$ (36,708)
Other non-operating adjustments, net	(1,735)	731
Interest expense, net	8,362	7,760
Income tax benefit	(5,594)	(13,027)
Depreciation	9,985	10,145
Amortization of intangible assets	11,235	12,547
Restructuring and other charges	2,260	9,546
Impairment of long-lived assets	—	—
Acquisition, financing and other third party costs	2,331	1,332
Fair value adjustments from purchase accounting	177	177
Litigation and settlement expense, net	1,394	503
Stock-based and other non-cash compensation expense	10,560	8,951
Adjusted EBITDA	$ 21,450	$ 1,957

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, and, therefore, has not been calculated in accordance with GAAP. Management believes free cash flow provides investors with an important perspective on cash available for investment and acquisitions after making capital investments required to support ongoing business operations and long-term value creation. The Company believes that trends in its free cash flow are valuable indicators of its 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. The Company expects to continue to incur expenditures similar to the free cash flow financial adjustment described above, and investors should not infer from the Company's presentation of this non-GAAP financial measure that these expenditures reflect all of the Company's obligations which require cash.

The following table reconciles the most directly comparable GAAP financial measure to the non-GAAP financial measure.

	First Quarters Ended	
	September 27, 2024	September 29, 2023
Net cash used in operating activities	$ (14,660)	$ (39,068)
Purchases of property and equipment	(6,236)	(8,015)
Free cash flow	$ (20,896)	$ (47,083)

UNAUDITED SUPPLEMENTAL INFORMATION RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(In thousands, except per share data)

Adjusted income and adjusted earnings per share ("adjusted EPS") are non-GAAP measures for reporting financial performance, exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. Management believes that exclusion of these items assists in providing a more complete understanding of the Company's underlying results and trends and allows for comparability with its 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. The Company uses these measures along with the corresponding GAAP financial measures to manage the Company's business and to evaluate its performance compared to prior periods and the marketplace. The Company defines adjusted income as income before other non-operating adjustments, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition, financing and other third party costs, fair value adjustments from purchase accounting, litigation and settlement income and expense, and stock-based and other non-cash compensation expense. The impact to income taxes includes the impact to the effective tax rate, current tax provision and deferred tax provision[1]. Adjusted EPS expresses adjusted income on a per share basis using weighted average diluted shares outstanding.

The following table reconcile the most directly comparable GAAP financial measures to the non-GAAP financial measures.

	First Quarters Ended			
	September 27, 2024		September 29, 2023	
Net loss and loss per share	$ (17,525)	$ (0.30)	$ (36,708)	$ (0.64)
Other non-operating adjustments, net	(1,735)		731	
Amortization of intangible assets	11,235		12,547	
Restructuring and other charges	2,260		9,546	
Impairment of long-lived assets	—		—	
Acquisition, financing and other third party costs	2,331		1,332	
Fair value adjustments from purchase accounting	177		177	
Litigation and settlement expense, net	1,394		503	
Stock-based and other non-cash compensation expense	10,560		8,951	
Impact to income taxes[1]	(6,253)		(10,758)	
Adjusted income (loss) and adjusted earnings (loss) per share[2]	$ 2,444	$ 0.04	$ (13,679)	$ (0.24)
Diluted weighted-average shares outstanding		58,585		57,105

(1) Impact to income taxes is calculated by recasting income before income taxes to include the items involved in determining adjusted income and recalculating the income tax provision using this adjusted income from operations before income taxes. The recalculation also adjusts for any discrete tax expense or benefit related to the items.
(2) Adjusted earnings per share is calculated using diluted shares whereas Net loss per share or Adjusted loss per share is calculated using basic shares. There was no impact to the calculation of adjusted earnings per share as a result of this for the first quarters ended September 27, 2024 and September 29, 2023.

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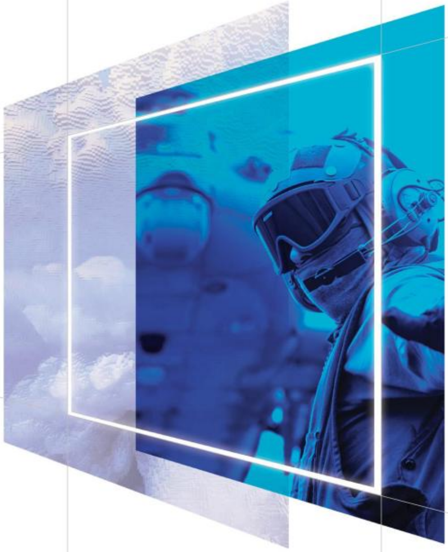
FIRST QUARTER FISCAL YEAR 2025 FINANCIAL RESULTS



Bill Ballhaus

Chairman and CEO

David Farnsworth

Executive Vice President and CFO

November 5, 2024, 5:00 pm ET

WEBCAST LOGIN AT WWW.MRCY.COM/INVESTOR

WEBCAST REPLAY AVAILABLE BY 7:00 P.M. ET NOVEMBER 5, 2024

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 Company's focus on enhanced execution of the Company's strategic plan under a refreshed Board and leadership team. You can identify these statements by the words "may," "will," "could," "should," "would," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," "likely," "forecast," "probable," "potential," and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in the Company's 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 the Company's products, shortages in or delays in receiving components, supply chain delays or volatility for critical components, production delays or unanticipated expenses including due to quality issues or manufacturing execution issues, adherence to required manufacturing standards, capacity underutilization, increases in scrap or inventory write-offs, failure to achieve or maintain manufacturing quality certifications, such as AS9100, the impact of supply chain disruption, inflation and labor shortages, among other things, on program execution and the resulting effect on customer satisfaction, inability to fully realize the expected benefits from acquisitions, restructurings, and operational efficiency initiatives or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, effects of shareholder activism, increases in interest rates, changes to industrial security and cyber-security regulations and requirements and impacts from any cyber or insider threat events, changes in tax rates or tax regulations, such as the deductibility of internal research and development, changes to interest rate swaps or other cash flow hedging arrangements, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, litigation, including the dispute arising with the former CEO over his resignation, unanticipated costs under fixed-price service and system integration engagements, and various other factors beyond our control. These risks and uncertainties also include such additional risk factors as are discussed in 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 28, 2024 and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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

Today's call

- Opening remarks on business and results
- Update on our four focus areas
- Expectations for performance for FY25 and beyond
- Q&A

Business and results

- Optimistic about our strategic positioning and expectations on delivering predictable organic growth with expanding margins and robust free cash flow.
- Q1 results generally as expected and reflect solid progress in each of our four priority focus areas.
- Improved execution across our portfolio, notably in our Common Processing Architecture area.
- Continued to expand record backlog to over $1.3 billion.
- Reduced operating expense enabling increased positive operating leverage.
- Continued progress on free cash flow drivers, with net working capital down $97 million year-over-year.

Delivering predictable performance

- Focus on delivering predictable performance positively impacted results, primarily in three areas.
- Continued progress on mitigating what we believe to be predominantly transitory impacts.
- Continued progress in ramping toward full rate production in our Common Processing Architecture product area.
  - Expect to have full capacity online as we move through the second half of the year.
  - Progress in the quarter contributed to over $50 million in follow-on orders in this area.
- Focus on improved operational performance generated acceleration of deliveries in the quarter.

Driving organic growth

- Q1 bookings of $247.7 million resulted in record backlog of over $1.3 billion.
- In line with expectations, over 90% of Q1 bookings were production in nature.
- Secured several marquee wins in the quarter, reflecting customers' continued trust in Mercury to support critical franchise programs.
- Engagements with customers highlight Mercury's unique capabilities to provide mission-critical processing at the edge that align with customers' priorities and what we view as strong demand in growth markets.

Expanding margins

- Remain focused on the following levers in our efforts to achieve targeted adjusted EBITDA margins in the low to mid 20% range:
  - Executing on development programs and minimizing cost growth impacts.
  - Getting back toward a more historical 20/80 mix of development to production programs.
  - Driving organic growth to generate positive operating leverage.
  - Achieving cost efficiencies.
- Q1 adjusted EBITDA margin in line with expectations and indicative of progress on each of these levers.
- Q1 gross margin largely driven by average margin in backlog coming into FY25.
- Expect backlog margin to increase as we continue to bring in new bookings that we believe will be in-line with our targeted margin profile.
- Operating expenses down significantly year-over-year as a result of actions to streamline and focus operations.

Driving improved free cash flow conversion and release

- Continued progress on drivers of free cash flow, in particular in reducing net working capital which is down 14.6% year-over-year.
- Inventory down $11.8 million year-over-year, with an increase in deferred revenue reflecting focus on improved contract terms.
- Unbilled receivables down $90.3 million year-over-year, reflecting focus on progressing programs in order to deliver for our customers and collect cash.
- We believe continuous improvement related to program execution and hardware delivery, just-in-time material, and appropriately timed payment terms will lead to continued reduction in net working capital and improved free cash flow performance going forward.

Expectations for FY25 and beyond

- Optimistic about our expected ability over time to deliver results in-line with our target profile.
- Continue to expect that revenue for the first half will be approximately in line with last year.
- Continue to expect FY25 revenue to be relatively flat year-over year with an increase in run rate as we exit the fiscal year.
- Continue to expect low double digit adjusted EBITDA margins overall for FY25, with adjusted EBITDA margins in the high single-digit range for the first half of the year and expanding in the second half.
- Expect to be cash flow positive in FY25, with second half free cash flow higher than the first half.

Q1 FY25 vs. Q1 FY24

In $ millions, except percentage and per share data	Q1 FY25[2]	Q1 FY24[2]	CHANGE
Bookings Book-to-Bill	$247.7 1.21	$191.5 1.06	29%
Backlog 12-Month Backlog	$1,338.1 777.0	$1,150.4 732.8	16%
Revenue	$204.4	$181.0	13%
Gross Margin	25.3%	27.9%	(260 bps)
Operating Expenses Selling, General & Administrative Research & Development Amortization/Restructuring/Acquisition	$65.2 33.2 18.4 13.6	$90.7 35.8 31.9 23.1	(28%)
GAAP Net Loss	($17.5)	($36.7)	N.A.
GAAP Loss Per Share Weighted Average Diluted Shares	($0.30) 58.3	($0.64) 57.1	N.A.
Adjusted EPS[1]	$0.04	($0.24)	N.A.
Adj. EBITDA[1] % of revenue	$21.5 10.5%	$2.0 1.1%	975%
Operating Cash Flow	($14.7)	($39.1)	N.A.
Free Cash Flow[1] % of Adjusted EBITDA	($20.9) N.A.	($47.1) N.A.	N.A.

Notes
(1) Non-GAAP, see reconciliation table.
(2) All references in this presentation to the first quarter of fiscal 2025 are to the quarter ended September 27, 2024. All references to the first quarter of fiscal 2024 are to the quarter ended September 29, 2023.

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Balance sheet

(In $ millions)[1]	As of 9/29/23	12/29/23	3/29/24	6/28/24	9/27/24
ASSETS					
Cash & cash equivalents	$89.4	$168.6	$142.6	$180.5	$158.1
Accounts receivable and unbilled receivables, net	480.0	433.7	417.2	415.5	422.8
Inventory, net	363.0	354.2	343.0	335.3	351.1
PP&E, net	117.2	114.4	113.9	110.4	105.1
Goodwill and intangibles, net	1,223.6	1,211.4	1,199.9	1,188.6	1,177.4
Other	127.6	154.0	161.6	148.6	154.5
TOTAL ASSETS	**$2,400.8**	**$2,436.3**	**$2,378.1**	**$2,378.9**	**$2,369.0**
LIABILITIES AND S/E					
AP and accrued expenses	$147.2	$144.7	$136.9	$160.4	$135.4
Other liabilities	136.3	170.6	151.9	154.2	182.3
Debt	576.5	616.5	616.5	591.5	591.5
Total liabilities	**860.0**	**931.8**	**905.3**	**906.1**	**909.2**
Stockholders' equity	**1,540.8**	**1,504.5**	**1,472.8**	**1,472.8**	**1,459.8**
TOTAL LIABILITIES AND S/E	**$2,400.8**	**$2,436.3**	**$2,378.1**	**$2,378.9**	**$2,369.0**

Notes
(1) Rounded amounts used.

Cash flow summary

(In $ millions)[1]	For the Fiscal Quarters Ended				
	9/29/23	12/29/23	3/29/24	6/28/24	9/27/24
Net Loss	**($36.7)**	**($45.6)**	**($44.6)**	**($10.8)**	**($17.5)**
Depreciation and amortization	22.7	22.2	21.8	21.4	21.2
Other non-cash items, net	(3.7)	1.6	27.5	0.3	5.6
Cash settlement for termination of interest rate swap	7.4	-	-	-	-
Changes in Operating Assets and Liabilities					
Accounts receivable, unbilled receivables, and costs in excess of billings	27.0	42.7	8.6	(1.9)	(6.1)
Inventory	(27.6)	12.1	8.5	7.1	(13.9)
Accounts payable and accrued expenses	(13.0)	(5.2)	(7.7)	26.6	(27.0)
Other	(15.2)	17.6	(31.9)	29.1	23.0
	(28.8)	**67.2**	**(22.5)**	**60.9**	**(24.0)**
Operating Cash Flow	**(39.1)**	**45.5**	**(17.8)**	**71.8**	**(14.7)**
Capital expenditures	**(8.0)**	**(8.0)**	**(7.9)**	**(10.4)**	**(6.2)**
Free Cash Flow[2]	**($47.1)**	**$37.5**	**($25.7)**	**$61.4**	**($20.9)**
Free Cash Flow[2] / Adjusted EBITDA[2]	***N.A.***	***N.A.***	***N.A.***	***197.1%***	***N.A.***
Free Cash Flow[2] / GAAP Net (Loss) Income	***N.A.***	***N.A.***	***N.A.***	***N.A.***	***N.A.***

Notes
(1) Rounded amounts used.
(2) Non-GAAP, see reconciliation table.

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APPENDIX

Adjusted EPS reconciliation

(In thousands, except per share data)[2]	Q1 FY24	Q1 FY25	LTM Q1 FY24	LTM Q1 FY25
Loss per share[1]	$ (0.64)	$ (0.30)	$ (0.88)	$ (2.05)
Net Loss	$ (36,708)	$ (17,525)	$ (50,708)	$ (118,457)
Other non-operating adjustments, net	731	(1,735)	(2,655)	(3,058)
Amortization of intangible assets	12,547	11,235	51,525	46,349
Restructuring and other charges	9,546	2,260	15,019	18,884
Impairment of long-lived assets	-	-	-	-
Acquisition, financing and other third party costs	1,332	2,331	8,487	5,369
Fair value adjustments from purchase accounting	177	177	709	710
Litigation and settlement expense, net	503	1,394	(307)	5,818
COVID related expenses	-	-	6	-
Stock-based and other non-cash compensation expense	8,951	10,560	41,042	42,866
Impact to income taxes[3]	(10,758)	(6,253)	(33,343)	(22,116)
Adjusted income (loss)	$ (13,679)	$ 2,444	$ 29,775	$ (23,635)
Adjusted earnings (loss) per share[1][5]	$ (0.24)	$ 0.04	$ 0.53	$ (0.41)
Weighted-average shares outstanding:				
Basic	57,105	58,260		
Diluted	57,105	58,585		

Notes
(1) Per share information is presented on a fully diluted basis.
(2) Rounded amounts used.
(3) Impact to income taxes is calculated by recasting income before income taxes to include the 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.
(4) All references in this presentation to the first quarter of fiscal 2025 and LTM Q1 FY25 are to the quarter ended September 27, 2024, and the four-quarter period ended September 27, 2024. All references in this presentation to the first quarter of fiscal 2024 and LTM Q1 FY24 are to the quarter ended September 29, 2023, and the four-quarter period ended September 29, 2023.
(5) Earnings per share and Adjusted earnings per share is calculated using diluted shares whereas loss per share and adjusted loss per share is calculated using basic shares. There was no impact to the calculation of adjusted earnings per share as a result of this for the first quarters ended September 27, 2024 and September 29, 2023.

Adjusted EBITDA reconciliation

(In thousands)[1][2]	Q1 FY24	Q1 FY25	LTM Q1 FY24	LTM Q1 FY25
Net Loss	**$ (36,708)**	**$ (17,525)**	**$ (50,708)**	**$ (118,457)**
Other non-operating adjustments, net	731	(1,735)	(2,655)	(3,058)
Interest expense, net	7,760	8,362	27,348	34,418
Income tax benefit	(13,027)	(5,594)	(32,212)	(44,202)
Depreciation	10,145	9,985	44,795	40,209
Amortization of intangible assets	12,547	11,235	51,525	46,349
Restructuring and other charges	9,546	2,260	15,019	18,884
Impairment of long-lived assets	-	-	-	-
Acquisition, financing and other third party costs	1,332	2,331	8,487	5,369
Fair value adjustments from purchase accounting	177	177	709	710
Litigation and settlement expense, net	503	1,394	(307)	5,818
COVID related expenses	-	-	6	-
Stock-based and other non-cash compensation expense	8,951	10,560	41,042	42,866
Adjusted EBITDA	**$ 1,957**	**$ 21,450**	**$ 103,049**	**$ 28,906**

Notes
(1) Rounded amounts used.
(2) All references in this presentation to the first quarter of fiscal 2025 and LTM Q1 FY25 are to the quarter ended September 27, 2024, and the four-quarter period ended September 27, 2024. All references in this presentation to the first quarter of fiscal 2024 and LTM Q1 FY24 are to the quarter ended September 29, 2023, and the four-quarter period ended September 29, 2023.

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Free cash flow reconciliation

(In thousands)[1]	Q1 FY24	Q1 FY25	LTM Q1 FY24	LTM Q1 FY25
Cash provided by (used in) operating	**$ (39,068)**	**$ (14,660)**	**$ 5,717**	**$ 84,790**
Purchases of property and equipment	(8,015)	(6,236)	(39,483)	(32,512)
Free cash flow	**$ (47,083)**	**$ (20,896)**	**$ (33,766)**	**$ 52,278**

Notes
(1) Rounded amounts used.

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