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FOR IMMEDIATE RELEASE

Mercury Systems Reports Second Quarter Fiscal 2022 Results

Second Quarter Highlights Include:

Bookings of \$237 million yielding book-to-bill of 1.08

Revenues of \$220 million increased 5% over prior year

Completed the acquisitions of Avalex Technologies and Atlanta Micro

Executing on 1IMPACT value creation initiative as planned

ANDOVER, Mass. February 1, 2022 Mercury Systems, Inc. (NASDAQ: MRCY, www.mrcy.com), reported operating results for the second quarter of fiscal 2022, ended December 31, 2021.

Management Comments

"The Company delivered solid results for the second quarter of fiscal 2022" said Mark Aslett, Mercury's President and Chief Executive Officer. "Bookings of \$237 million increased substantially from the first quarter yielding a book-to-bill of 1.08 and revenue at \$220 million increased 5% over the prior year. We continue to anticipate stronger bookings in the second half leading to substantial growth for the full fiscal year. As a result, we expect to exit the fiscal year well-positioned for a return to our more normal levels of revenue growth and margin expansion in fiscal 2023. During the quarter, we completed the acquisitions of Avalex Technologies and Atlanta Micro, expanding our content and capabilities in both open mission systems and trusted microelectronics. We also continued to execute our 1IMPACT value-creation initiative to operate at a greater scale than what we are today."

Second Quarter Fiscal 2022 Results

Total Company second quarter fiscal 2022 revenues were \$220.4 million, compared to \$210.7 million in the second quarter of fiscal 2021. The second quarter fiscal 2022 results included an aggregate of approximately \$37.5 million of revenue attributable to the Physical Optics Corporation, Pentek, Avalex Technologies and Atlanta Micro acquired businesses.

Total Company GAAP net (loss) income for the second quarter of fiscal 2022 was \$(2.6) million, or \$(0.05) per share, compared to \$12.7 million, or \$0.23 per share, for the second quarter of fiscal 2021. Adjusted earnings per share (“adjusted EPS”) was \$0.39 per share for the second quarter of fiscal 2022, compared to \$0.54 per share in the second quarter of fiscal 2021.

Second quarter fiscal 2022 adjusted EBITDA for the total Company was \$38.1 million, compared to \$45.3 million for the second quarter of fiscal 2021.

Cash flows from operating activities in the second quarter of fiscal 2022 were \$6.8 million, compared to \$23.9 million in the second quarter of fiscal 2021. Free cash flow, defined as cash flows from operating activities less capital expenditures for property and equipment, was \$(1.2) million for the second quarter of fiscal 2022 and \$10.2 million for the second quarter of fiscal 2021.

All per share information is presented on a fully diluted basis.

Bookings and Backlog

Total bookings for the second quarter of fiscal 2022 were \$236.9 million, yielding a book-to-bill ratio of 1.08 for the quarter.

Mercury’s total backlog at December 31, 2021 was \$953.7 million, a \$8.4 million increase from a year ago. Of the December 31, 2021 total backlog, \$572.4 million represents orders expected to be shipped within the next 12 months.

Business Outlook

This section presents our current expectations and estimates, given current visibility, on our business outlook for the current fiscal quarter and fiscal year 2022. It is possible that actual performance will differ materially from the estimates given, either on the upside or on the downside. Investors should consider all of the risks with respect to these estimates, including those listed in the Safe Harbor Statement below and in the Second Quarter and Fiscal 2022 Earnings Presentation and in our periodic filings with the U.S. Securities and Exchange Commission, and make themselves aware of how these risks may impact our actual performance. All references in this press release to the third quarter of fiscal 2022 and full fiscal 2022 are to the quarter ending April 1, 2022 and to the 52-week period ending July 1, 2022.

For the third quarter of fiscal 2022, revenues are forecasted to be in the range of \$245.0 million to \$255.0 million. GAAP net income for the third quarter is expected to be approximately \$8.2 million to \$10.4 million, or \$0.15 to \$0.19 per share, assuming no incremental acquisition costs,

other non-operating adjustments, or non-recurring financing in the period, and approximately 55.9 million weighted average diluted shares outstanding. Adjusted EBITDA for the third quarter of fiscal 2022 is expected to be in the range of \$50.0 million to \$53.0 million. Adjusted EPS is expected to be in the range of \$0.55 to \$0.59 per share.

For the full fiscal year 2022, revenues are forecasted to be in the range of \$1.00 billion to \$1.03 billion, and GAAP net income of \$44.8 million to \$50.1 million, or \$0.80 to \$0.90 per share, assuming no incremental acquisition costs, other non-operating adjustments, or non-recurring financing in the period, and approximately 55.8 million weighted average diluted shares outstanding. Adjusted EBITDA for the full fiscal year is expected to be approximately \$220.0 million to \$227.0 million, and adjusted EPS for the full fiscal year is expected to be approximately \$2.51 to \$2.60 per share.

Recent Highlights

December – Mercury announced that its Board of Directors has adopted a limited-duration shareholder rights plan (the “Rights Plan”). The Mercury Board unanimously adopted the Rights Plan to protect the investment of shareholders during a period in which it believes shares of the Company do not reflect the inherent value of the business or its long-term growth potential.

November – Mercury announced the Model 5503 Sensor Open Systems Architecture™ (SOSA) aligned high-speed 3U VPX synchronizer module (a SOSA plug-in-card). The Model 5503 is an optimized commercial-off-the-shelf (COTS) solution that simplifies complex synchronization tasks for beamforming and phased-array applications used in radar, electronic warfare, and communications, maximizing reception and transmission of signals and reducing development costs and design time.

November – Mercury announced that it acquired Atlanta Micro, Inc. (“Atlanta Micro”). Based in Norcross, Ga., Atlanta Micro is a leading designer and manufacturer of high-performance RF modules and components, including advanced monolithic microwave integrated circuits (MMICs) which are critical for high-speed data acquisition applications including electronic warfare, radar and weapons.

November – Mercury announced its latest NAND flash non-volatile memory device. Featuring a plastic ball-grid array (BGA) package meeting NASA’s EEE-INST-002 space-grade application

guidelines, these purpose-built radiation-tolerant devices are ideal for ultra-high density memory storage applications that require high reliability in high-radiation environments like Space.

November – Mercury announced that it had been named to Fortune magazine's 2021 List of 100 Fastest-Growing Companies for the second consecutive year. The annual Fortune list ranks public companies with market capitalization of \$250 million or more, based on revenue growth rate, EPS growth rate and three-year annualized total return. Mercury was only aerospace and defense company included.

November – Mercury announced the completion of its acquisition of Avalex Technologies (“Avalex”). Based in Gulf, Breeze, Fla., Avalex is a provider of mission-critical avionics, including rugged displays integrated communications management systems, digital video recorders, and warning systems. Pursuant to the terms of the definitive agreement applicable to the acquisition, Mercury acquired Avalex for all cash, subject to net working capital and net debt adjustments. The acquisition was treated as an asset sale for tax purposes. The acquisition and associated transaction expenses were funded through a combination of cash on hand and Mercury’s existing revolving credit facility.

November – Mercury announced that Roger Wells joined the Company as executive vice president and president of Mercury’s Microelectronics division, effective Nov. 1, 2021. Reporting to Mark Aslett, Mercury’s president and chief executive officer, Mr. Wells brings more than 25 years’ experience across multiple disciplines including engineering, business development, program management, and executive management.

October – Mercury announced the Model 8257A Development Platform aligned to the Sensor Open Systems Architecture™ Technical Standard. Featuring a single-slot 3U VPX backplane and integrated power supply, the 8257A enables engineers to accelerate development of their sensor processing applications in an easy-to-use SOSA aligned desktop environment, saving time and money.

October – Mercury announced that Debora A. Plunkett, former director of information assurance at the National Security Agency, was elected to its Board of Directors at the annual meeting of shareholders. Mercury also announced that Vincent Vitto, Chairman of the Board, retired from

the Board effective with the annual meeting on October 27, 2021, and current director, William K. O'Brien has been appointed as new Chairman.

October – Mercury announced that Mitch Stevison had joined the Company as executive vice president and chief growth officer, effective Oct. 4, 2021. Reporting to Mark Aslett, Mercury's president and chief executive officer, Dr. Stevison will drive and align the Company's growth strategy across the enterprise to achieve its growth objectives.

Conference Call Information

Mercury will host a conference call and simultaneous webcast at 5:00 p.m. ET on Tuesday, February 1, 2022, to discuss the second quarter fiscal 2022 results and review its financial and business outlook going forward.

To attend the conference call or webcast, participants should register online at ir.mrcy.com/events-presentations. Participants are requested to register a minimum of 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"), free cash flow, organic revenue and acquired revenue, 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.

About Mercury Systems – Innovation That Matters®

Mercury Systems is a global commercial technology company serving the aerospace and defense industry. Headquartered in Andover, Mass., the company delivers trusted, secure open architecture processing solutions powering a broad range of mission-critical applications in the most challenging and demanding environments. Inspired by its purpose of delivering Innovation that Matters, By and For People Who Matter, Mercury helps make the world a safer, more secure place for all. To learn more, visit www.mrcy.com, or follow us on [Twitter](#).

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 Twitter (twitter.com/mrcy and twitter.com/mrcy_CEO) 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 acquisitions described herein and to fiscal 2022 business performance and beyond and the Company's plans for growth, cost savings and improvement in profitability and cash flow. 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 epidemics and pandemics such as COVID, effects of any U.S. Federal government shutdown or extended continuing resolution, 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, 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, production delays or unanticipated expenses due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions, restructurings and value creation initiatives such as 1MPACT, 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, changes in tax rates or tax regulations, changes to interest rate swaps or other cash flow hedging arrangements, 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 July 2, 2021. 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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MERCURY SYSTEMS, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2021	July 2, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 105,169	\$ 113,839
Accounts receivable, net	126,325	128,807
Unbilled receivables and costs in excess of billings	193,803	162,921
Inventory	251,272	221,640
Prepaid income taxes	16,070	782
Prepaid expenses and other current assets	16,153	15,111
Total current assets	708,792	643,100
Property and equipment, net	127,385	128,524
Goodwill	942,346	804,906
Intangible assets, net	376,091	307,559
Operating lease right-of-use assets	71,974	66,373
Other non-current assets	4,186	4,675
Total assets	\$ 2,230,774	\$ 1,955,137
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 59,389	\$ 47,951
Accrued expenses	31,391	24,652
Accrued compensation	37,952	40,043
Deferred revenues and customer advances	34,940	38,177
Total current liabilities	163,672	150,823
Deferred income taxes	29,561	28,810
Income taxes payable	8,160	7,467
Long-term debt	451,500	200,000
Operating lease liabilities	75,108	71,508
Other non-current liabilities	15,652	12,383
Total liabilities	743,653	470,991
Shareholders' equity:		
Preferred stock	—	—
Common stock	556	552
Additional paid-in capital	1,122,113	1,109,434
Retained earnings	364,720	374,499
Accumulated other comprehensive loss	(268)	(339)
Total shareholders' equity	1,487,121	1,484,146
Total liabilities and shareholders' equity	\$ 2,230,774	\$ 1,955,137

MERCURY SYSTEMS, INC.**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

	Second Quarters Ended		Six Months Ended	
	December 31, 2021	January 1, 2021	December 31, 2021	January 1, 2021
Net revenues	\$ 220,380	\$ 210,676	\$ 445,393	\$ 416,297
Cost of revenues ⁽¹⁾	133,158	122,009	269,762	239,511
Gross margin	87,222	88,667	175,631	176,786
Operating expenses:				
Selling, general and administrative ⁽¹⁾	36,810	31,596	73,766	64,500
Research and development ⁽¹⁾	28,335	28,128	57,217	55,545
Amortization of intangible assets	16,002	7,643	29,736	15,374
Restructuring and other charges	3,802	951	16,076	2,248
Acquisition costs and other related expenses	2,660	2,236	4,798	2,236
Total operating expenses	87,609	70,554	181,593	139,903
(Loss) income from operations	(387)	18,113	(5,962)	36,883
Interest income	5	60	14	132
Interest expense	(1,094)	(73)	(1,689)	(73)
Other expense, net	(1,318)	(981)	(2,738)	(1,827)
(Loss) income before income taxes	(2,794)	17,119	(10,375)	35,115
Income tax (benefit) provision	(155)	4,433	(596)	6,631
Net (loss) income	\$ (2,639)	\$ 12,686	\$ (9,779)	\$ 28,484
Basic net (loss) earnings per share	\$ (0.05)	\$ 0.23	\$ (0.18)	\$ 0.52
Diluted net (loss) earnings per share	\$ (0.05)	\$ 0.23	\$ (0.18)	\$ 0.51
Weighted-average shares outstanding:				
Basic	55,520	55,070	55,448	54,976
Diluted	55,520	55,434	55,448	55,385

(1) Includes stock-based compensation expense, allocated as follows:

Cost of revenues	\$ 322	\$ 369	\$ 881	\$ 664
Selling, general and administrative	\$ 6,032	\$ 5,619	\$ 13,593	\$ 11,295
Research and development	\$ 1,494	\$ 1,282	\$ 2,901	\$ 2,495

MERCURY SYSTEMS, INC.**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Second Quarters Ended		Six Months Ended	
	December 31, 2021	January 1, 2021	December 31, 2021	January 1, 2021
Cash flows from operating activities:				
Net (loss) income	\$ (2,639)	\$ 12,686	\$ (9,779)	\$ 28,484
Depreciation and amortization	24,066	13,284	45,556	26,281
Other non-cash items, net	5,761	8,367	11,565	12,898
Changes in operating assets and liabilities	(20,364)	(10,398)	(42,524)	(20,795)
Net cash provided by operating activities	6,824	23,939	4,818	46,868
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired	(243,255)	(243,637)	(243,255)	(243,637)
Purchases of property and equipment	(8,027)	(13,775)	(13,404)	(24,753)
Proceeds from sale of investment	—	1,538	—	1,538
Other investing activities	6	—	(3,231)	—
Net cash used in investing activities	(251,276)	(255,874)	(259,890)	(266,852)
Cash flows from financing activities:				
Proceeds from employee stock plans	2,516	3,186	2,516	3,188
Borrowings under credit facilities	251,500	160,000	251,500	160,000
Payments for retirement of common stock	(183)	—	(7,499)	(66)
Net cash provided by financing activities	253,833	163,186	246,517	163,122
Effect of exchange rate changes on cash and cash equivalents	(16)	366	(115)	763
Net increase (decrease) in cash and cash equivalents	9,365	(68,383)	(8,670)	(56,099)
Cash and cash equivalents at beginning of period	95,804	239,122	113,839	226,838
Cash and cash equivalents at end of period	\$ 105,169	\$ 170,739	\$ 105,169	\$ 170,739

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, capital 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 outside of the normal course of Mercury'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 we 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 we 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 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.

COVID related expenses. The Company incurred costs associated with the COVID pandemic. These costs relate primarily to enhanced compensation and benefits for employees as well as incremental supplies and services to support social distancing and mitigate the spread of COVID. These costs include expanded sick pay related to COVID, overtime, the Mercury Employee COVID Relief Fund, meals and other compensation-related expenses as well as ongoing testing for onsite employees. Management believes these items are outside the normal operations of the Company and are not indicative of ongoing operating results.

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. 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 the portion of bonus compensation for executive officers and other key employees based on operating performance, evaluating short-term and long-term operating trends in 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 any 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.

	Second Quarters Ended		Six Months Ended	
	December 31,	January 1, 2021	December 31,	January 1, 2021
Net (loss) income	\$ (2,639)	\$ 12,686	\$ (9,779)	\$ 28,484
Other non-operating adjustments, net	226	(3)	643	(185)
Interest expense (income), net	1,089	13	1,675	(59)
Income tax (benefit) provision	(155)	4,433	(596)	6,631
Depreciation	8,064	5,641	15,820	10,907
Amortization of intangible assets	16,002	7,643	29,736	15,374
Restructuring and other charges	3,802	951	16,076	2,248
Impairment of long-lived assets	—	—	—	—
Acquisition, financing and other third party costs	3,115	2,969	5,748	3,810
Fair value adjustments from purchase accounting	(70)	—	(1,731)	—
Litigation and settlement expense, net	506	251	882	438
COVID related expenses	274	3,309	457	5,628
Stock-based and other non-cash compensation expense	7,892	7,439	17,465	14,806
Adjusted EBITDA	\$ 38,106	\$ 45,332	\$ 76,396	\$ 88,082

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.

	Second Quarters Ended		Six Months Ended	
	December 31, 2021	January 1, 2021	December 31, 2021	January 1, 2021
Cash provided by operating activities	\$ 6,824	\$ 23,939	\$ 4,818	\$ 46,868
Purchases of property and equipment	(8,027)	(13,775)	(13,404)	(24,753)
Free cash flow	\$ (1,203)	\$ 10,164	\$ (8,586)	\$ 22,115

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 our peer company index and industry. These non-GAAP financial measures may not be computed in the same manner as similarly titled measures used by other companies. 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, COVID related expenses, and stock-based and other non-cash compensation expense. The impact to income taxes includes the impact to the effective tax rate, current tax provision and deferred tax provision⁽¹⁾. Adjusted EPS expresses adjusted income on a per share basis using weighted average diluted shares outstanding.

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

	Second Quarters Ended			
	December 31, 2021		January 1, 2021	
Net (loss) income and (loss) earnings per share	\$ (2,639)	\$ (0.05)	\$ 12,686	\$ 0.23
Other non-operating adjustments, net	226		(3)	
Amortization of intangible assets	16,002		7,643	
Restructuring and other charges	3,802		951	
Impairment of long-lived assets	—		—	
Acquisition, financing and other third party costs	3,115		2,969	
Fair value adjustments from purchase accounting	(70)		—	
Litigation and settlement expense, net	506		251	
COVID related expenses	274		3,309	
Stock-based and other non-cash compensation expense	7,892		7,439	
Impact to income taxes ⁽¹⁾	(7,144)		(5,275)	
Adjusted income and adjusted earnings per share	<u>\$ 21,964</u>	<u>\$ 0.39</u>	<u>\$ 29,970</u>	<u>\$ 0.54</u>
Diluted weighted-average shares outstanding		<u>55,693</u>		<u>55,434</u>

(1) Impact to income taxes is calculated by recasting income before income taxes to include the add-backs 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 add-backs.

	Six Months Ended			
	December 31, 2021		January 1, 2021	
Net (loss) income and (loss) earnings per share	\$ (9,779)	\$ (0.18)	\$ 28,484	\$ 0.51
Other non-operating adjustments, net	643		(185)	
Amortization of intangible assets	29,736		15,374	
Restructuring and other charges	16,076		2,248	
Impairment of long-lived assets	—		—	
Acquisition, financing and other third party costs	5,748		3,810	
Fair value adjustments from purchase accounting	(1,731)		—	
Litigation and settlement expense, net	882		438	
COVID related expenses	457		5,628	
Stock-based and other non-cash compensation expense	17,465		14,806	
Impact to income taxes ⁽¹⁾	(14,973)		(12,299)	
Adjusted income and adjusted earnings per share	<u>\$ 44,524</u>	<u>\$ 0.80</u>	<u>\$ 58,304</u>	<u>\$ 1.05</u>
Diluted weighted-average shares outstanding		<u>55,653</u>		<u>55,385</u>

(1) Impact to income taxes is calculated by recasting income before income taxes to include the add-backs 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 add-backs.

UNAUDITED SUPPLEMENTAL INFORMATION RECONCILIATION OF GAAP TO NON-GAAP MEASURES

(In thousands)

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

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

	Second Quarters Ended		Six Months Ended	
	December 31, 2021	January 1, 2021	December 31, 2021	January 1, 2021
Organic revenue	\$ 182,857	\$ 210,459	\$ 366,589	\$ 416,080
Acquired revenue	37,523	217	78,804	217
Net revenues	\$ 220,380	\$ 210,676	\$ 445,393	\$ 416,297

MERCURY SYSTEMS, INC.**RECONCILIATION OF FORWARD-LOOKING GUIDANCE RANGE**

Quarter Ending April 1, 2022

Fiscal Year Ending July 1, 2022

(In thousands)

The Company defines adjusted EBITDA as income before other non-operating adjustments, interest income and expense, income taxes, depreciation, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition, financing and other third party costs, fair value adjustments from purchase accounting, litigation and settlement income and expense, COVID related expenses, and stock-based and other non-cash compensation expense.

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

	Third Quarter Ending April 1, 2022 ⁽¹⁾		Fiscal Year Ending July 1, 2022 ⁽¹⁾	
	Range			
	Low	High	Low	High
GAAP expectation -- Net income	\$ 8,200	\$ 10,400	\$ 44,800	\$ 50,100
Adjust for:				
Other non-operating adjustments, net	—	—	600	600
Interest expense, net	1,500	1,500	4,800	4,800
Income tax provision	2,800	3,600	14,100	15,800
Depreciation	8,300	8,300	32,900	32,900
Amortization of intangible assets	15,600	15,600	60,800	60,800
Restructuring and other charges	3,700	3,700	19,900	19,900
Impairment of long-lived assets	—	—	—	—
Acquisition, financing and other third party costs	500	500	6,800	6,800
Fair value adjustments from purchase accounting	700	700	(900)	(900)
Litigation and settlement expense, net	—	—	900	900
COVID related expenses	—	—	500	500
Stock-based and other non-cash compensation expense	8,700	8,700	34,800	34,800
Adjusted EBITDA expectation	\$ 50,000	\$ 53,000	\$ 220,000	\$ 227,000

(1) Rounded amounts used.

MERCURY SYSTEMS, INC.**RECONCILIATION OF FORWARD-LOOKING GUIDANCE RANGE**

Quarter Ending April 1, 2022

Fiscal Year Ending July 1, 2022

(In thousands, except per share data)

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, COVID related expenses and stock-based and other non-cash compensation expense. The impact to income taxes includes the impact to the effective tax rate, current tax provision and deferred tax provision⁽²⁾. Adjusted EPS expresses adjusted income on a per share basis using weighted average diluted shares outstanding.

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

	Third Quarter Ending April 1, 2022 ⁽¹⁾			
	Range			
	Low		High	
GAAP expectation -- Net income and earnings per share	\$ 8,200	\$ 0.15	\$ 10,400	\$ 0.19
Other non-operating adjustments, net	—		—	
Amortization of intangible assets	15,600		15,600	
Restructuring and other charges	3,700		3,700	
Impairment of long-lived assets	—		—	
Acquisition, financing and other third party costs	500		500	
Fair value adjustments from purchase accounting	700		700	
Litigation and settlement expense (income), net	—		—	
COVID related expenses	—		—	
Stock-based and other non-cash compensation expense	8,700		8,700	
Impact to income taxes ⁽²⁾	(6,400)		(6,400)	
Adjusted income and adjusted earnings per share expectation	<u>\$ 31,000</u>	<u>\$ 0.55</u>	<u>\$ 33,200</u>	<u>\$ 0.59</u>
Diluted weighted-average shares outstanding expectation		<u>55,900</u>		<u>55,900</u>

(1) Rounded amounts used.

(2) Impact to income taxes is calculated by recasting income before income taxes to include the add-backs 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 add-backs.

	Fiscal Year Ending July 1, 2022 ⁽¹⁾			
	Range			
	Low		High	
GAAP expectation -- Net income and earnings per share	\$ 44,800	\$ 0.80	\$ 50,100	\$ 0.90
Other non-operating adjustments, net	600		600	
Amortization of intangible assets	60,800		60,800	
Restructuring and other charges	19,900		19,900	
Impairment of long-lived assets	—		—	
Acquisition, financing and other third party costs	6,800		6,800	
Fair value adjustments from purchase accounting	(900)		(900)	
Litigation and settlement expense, net	900		900	
COVID related expenses	500		500	
Stock-based and other non-cash compensation expense	34,800		34,800	
Impact to income taxes ⁽²⁾	(28,300)		(28,300)	
Adjusted income and adjusted earnings per share expectation	<u>\$ 139,900</u>	<u>\$ 2.51</u>	<u>\$ 145,200</u>	<u>\$ 2.60</u>
Diluted weighted-average shares outstanding expectation		<u>55,800</u>		<u>55,800</u>

(1) Rounded amounts used.

(2) Impact to income taxes is calculated by recasting income before income taxes to include the add-backs 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 add-backs.