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): April 28, 2009

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

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

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

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

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

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

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

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

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

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

Item 2.02 Results of Operations and Financial Condition.

On April 28, 2009, Mercury Computer Systems, Inc. (the "Company") held its third quarter 2009 earnings conference call. A transcript of the call is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The transcript includes discussion of certain non-GAAP financial measures as described below. A reconciliation of these non-GAAP financial measures to GAAP financial measures is included in the Company's related earnings release attached hereto as Exhibit 99.2, which is incorporated herein by reference.

Information in Item 2.02 of this Current Report on Form 8-K and 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 (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 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 non-GAAP financial measures adjusted to exclude certain specified charges, which the Company believes are useful to help investors better understand its past financial performance and prospects for the future. However, the presentation of 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 their 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.

FORWARD-LOOKING SAFE HARBOR STATEMENT

This Current Report on Form 8-K and exhibits furnished herewith contain certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to fiscal 2009 business performance and beyond and the Company's plans for growth and improvement in profitability and cash flow. You can identify these statements by the use of the words "may," "will," "should," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," 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, general economic and business conditions, including unforeseen weakness in the Company's markets, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, continued funding of defense programs, the timing of such funding, changes in the U.S. Government's interpretation of federal procurement rules and regulations, market acceptance of the Company's products, shortages in components, production delays due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, timing and costs associated with disposing of businesses, and difficulties in retaining key customers. These risks and uncertainties also include such additional risk factors as are discussed in the Company's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended June 30, 2008. 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.

Item 9.01 Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Transcript of Mercury Computer Systems, Inc. third quarter 2009 earnings conference call
99.2	Press Release, dated April 28, 2009, of Mercury Computer Systems, Inc.

SIGNATURES

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

Dated: May 1, 2009

MERCURY COMPUTER SYSTEMS, INC.

By: /s/ Alex A. Van Adzin

Alex A. Van Adzin
Vice President, General Counsel,
and Secretary

EXHIBIT INDEX

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Thomson StreetEvents

Conference Call Transcript

MRCY—Q3 2009 Mercury Computer Systems Earnings Conference Call

Event Date/Time: Apr 28, 2009 / 09:00PM GMT

CORPORATE PARTICIPANTS

Bob Hult
Mercury Computer Systems Inc.—SVP, CFO, Treasurer

Mark Aslett
Mercury Computer Systems Inc.—President, CEO

CONFERENCE CALL PARTICIPANTS

Mark Jordan
Noble Financial Group—Analyst

Tyler Hojo
Sidoti & Company—Analyst

Jonathan Ho
William Blair & Company—Analyst

Steve Levenson
Stifel Nicolaus—Analyst

PRESENTATION

Operator

Good day, and welcome, everyone, to the Mercury Computer Systems Inc. third-quarter fiscal 2009 earnings results conference call. Today's call is being recorded. At this time, for opening remarks and introductions, I would like to turn the call over to the Senior Vice President and Chief Financial Officer, Mr. Bob Hult.

Bob Hult —*Mercury Computer Systems Inc.—SVP, CFO, Treasurer*

Good afternoon and thank you for joining us. With me today is our President and Chief Executive Officer, Mark Aslett, and our Vice President and Controller, Karl Noone. If you have not received a copy of the earnings release, you can find it on our website, www.MC.com.

We would like to remind you that remarks that we make during this call about future expectations, trends, and plans for the Company and its business constitute forward-looking statements, which involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Additional information regarding forward-looking statements and risk factors is included in the press release we issued this afternoon reporting the Company's third-quarter results, and in the Company's periodic reports filed with the SEC.

We caution listeners of today's conference call not to place undue reliance upon any forward-looking statements, which speak only as of the date of this call. We undertake no obligation to update any forward-looking statements.

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, we will also be discussing non-GAAP financial measures adjusted to exclude certain charges, which we will specifically identify. Management believes that 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 their corresponding GAAP financial measures, to manage the Company's business, to evaluate its performance compared to prior periods in the marketplace, and to establish operational goals.

However, they are not meant to be considered in isolation or as a substitute for financial information provided in accordance with GAAP. A reconciliation of GAAP to non-GAAP financial results discussed in today's conference call is contained in the press release we issued this afternoon.

Finally, we will also briefly remark on our proposed option exchange program, which is described in our proxy statement dated April 13, 2009. We have not commenced the exchange program. If the exchange program is approved by shareholders, we will provide eligible participants with written materials explaining the full terms and conditions of the program, and we'll also file these materials with the Securities and Exchange Commission.

When these materials become available, participants should read them carefully because they will contain important information about the program. Once filed, the materials will be available free of charge at www.SEC.gov, and by contacting our investor relations department at 978-256-1300.

I am now pleased to turn the call over to Mercury's President and CEO, Mark Aslett.

Mark Aslett **—*Mercury Computer Systems Inc.—President, CEO***

Good afternoon, everyone, and thanks for joining us. I'll begin with an update on the business, Bob will review the financials and discuss our guidance for the fourth quarter, and then we will open it up for your questions.

As part of our strategic turnaround, we have been working toward the goal of divesting Mercury's unprofitable, non-core businesses by the end of fiscal '09. In fiscal 2008, we shut down AUSG and sold the ESPS business. Earlier this fiscal year, we sold the assets and IP of SolMap Pharmaceuticals.

On our Q2 conference call January 27, we announced the sale of our largest non-core business, VI, which generated the majority of our operating losses.

The sale of our last remaining non-core business, the Visualization Sciences Group, will conclude this process. We have moved VSG into discontinued operations this quarter in anticipation of the sale, which we currently expect to close by the end of this fiscal year. This will be another milestone for Mercury as we work to focus the Company and position ourselves for renewed growth.

We have also treated VI as a discontinued operation in this quarter's financial statements. As a result, from a reporting standpoint, we have finally unmasked the true profitability we have been delivering in our core business.

Overall, this was another successful quarter for Mercury. Our total revenue and non-GAAP earnings both exceeded the high end of our guidance range. From a revenue perspective, we guided $48 million to $50 million for the quarter, which excluded VI but included VSG.

Excluding VSG would've adjusted our guidance to $45 million to $47 million. Revenue excluding discontinued operations came in at $50.6 million for the quarter, which was substantially above the high end of this adjusted guidance.

Our non-GAAP earnings of $0.20 a share were also well above the high end of our range.

We continued to generate healthy levels of free cash flow in Q3, and have paid down all but $5 million of our $125 million convertible senior notes. We ended the quarter with a strong cash balance of $85.6 million. Then, as we announced in March, we plan to redeem the remaining $5 million of the convert in May.

Returning the Company back to profitability in the third quarter was a major achievement. When we put our divestitures fully behind us, we will have also successfully refocused the business in a very challenging M&A environment.

Now, the priority is to grow the business. Our focus is clearly on defense, where we have been making steady progress not only in driving bookings and revenue, but also in terms of operating profit.

In the third quarter, total defense revenue, including ACS and Mercury Federal, increased 11% sequentially, and by $2.2 million, or 6%, year over year, to $38 million. Revenue in ACS Defense was up 11% sequentially and 3% year on year.

The ACS business as a whole produced a non-GAAP operating income margin of 14%.

We also continue to improve the underlying operations of the business. From a supply-chain perspective, we've made substantial progress around improving working capital. Our cash conversion cycle is down significantly and inventory has declined from $28.6 million to $18.9 million in a year, which is a dramatic reduction.

Managing working capital will continue to be an area of focus for us going forward. Our goal is to make sure that we have a business model that's efficient, allowing us to generate the cash we need to scale a business profitably as we capture the growth opportunities ahead of us.

Looking at where Mercury stands today, we are well-prepared to emerge from our turnaround phase. This phase focused on restoring total Company profitability, rationalizing the portfolio, and improving operations.

The next phase is focused on continuing to strengthen our core defense business and growing that business on both the top and bottom lines.

We have been increasingly successful in producing this growth. Although the commercial business and ACS is still contracting, due to the macro economy, revenue in ACS Defense was up 17% year on year in fiscal '08 and more than 9% year to date in fiscal '09.

Going forward, our growth in defense will come from four sources. Number one, from growth in the number and value of our design wins. Two, it will come from a larger role for our systems integration and services business in ACS. Third, it will come from Mercury Federal, and then, longer term, potentially from acquisitions.

Starting with design wins, the key to winning new designs is having new products. We are now in the midst of the most ambitious new product development cycle in Mercury's history, encompassing both our signal processing and multi-computer product lines.

Our main focus over the past four quarters has been to create significant hardware design leverage in the business and to refresh our product line.

Fiscal 2010 will be the year we focus on software leverage. We are in a high-mix, low-volume customization business, and if you can't bring customized new products to market quickly and efficiently, you're not in the game. Whereas if you can do it, through substantial design reuse and leverage, you can win a larger number of new designs that will ultimately fuel growth on the top line.

We received a total of 18 design wins in the fiscal first half of '09, and added another nine wins in Q3. All of our wins in Q3 were in defense. The five-year probable value for the nine wins is approximately $59 million, an increase of $26 million, or 78%, compared with design wins in Q3 of '08.

Year to date, looking specifically at defense, the probable value of our design wins increased significantly from $60 million to $107 million over the same period last year. We believe this demonstrates not only the success we are having in proving our engineering leverage, but also the fact that we are now better in tune with the markets and our customers' requirements.

In terms of bookings, we expect ACS Defense to report a stronger second half of the fiscal year as planned. Defense bookings were strong in Q3, and we closed the quarter with a book-to-bill in defense of 1.21. We booked a $13 million contract for an airborne sonar dipping application as well as a multimillion dollar deal related to an important ground-based electronic warfare application.

I am pleased to report that Q4 is also off to a great start. Within the first three weeks of the quarter, we've already received two POs totaling $30 million. One is an $18 million contract for a ground-based radar program for theater missile defense with one of the major [primes]. It's one of the largest single bookings in Mercury's history, with good revenue potential going forward.

In addition, about 10 days ago, we received a $12 million PO related to an airborne radar on a next-generation fighter platform. With two months to go in the fourth quarter, we are already in a good position to deliver the strong second-half bookings that we've previously discussed.

Let's now turn to our second growth driver — a larger role for the systems integration and services business in ACS. The total addressable market in COTS defense electronics is roughly $3 billion annually. Our broad-based hardware business addresses about a third of this market, with the other $2 billion being systems integration and services business.

Our goal over the longer term is to capture a greater share of this larger market. Strategically, our plan is to transition ACS Defense from the hardware-centric model we currently have in our COTS board business to a complementary systems integration and services model focused on intelligent surveillance and reconnaissance, or ISR.

We have been evolving our organization, our business model, and product roadmap in support of this strategy. The centerpiece of the ACS strategy is a next-generation converged sensor network, or CSN platform architecture. We believe CSN will position Mercury as a leader in the ISR space over time.

Shifting our ACS Defense business into the systems integration and services domain has the potential to help scale the business faster than a hardware-based business alone. The key is to position Mercury as a trusted partner for the primes with domain expertise in ISR.

Early in fiscal ‘09, we set about creating a dedicated systems integration business and we’re starting to see some very good progress. The Q4 ground-based radar program for the theater missile defense that I mentioned earlier has a significant systems integration and services component. Mercury will play a key role in providing the digital signal processing architecture for this next-generation platform.

If this program, along with the ground-based EW program, develops as we think they can, they could be significant revenue drivers for Mercury. These contracts are good examples of how the systems integration and services model works.

In our position as a trusted partner to the primes, we are capturing more of the content within the platform, moving up the value chain from playing at the board and subsystem level to providing more of a complete solution than we have done historically.

We are also getting paid for work that we previously would’ve expensed through our own P&L.

In terms of our results, systems integration and services bookings grew 167% sequentially to $2.4 million in Q3. Revenue was up 229% to $2.3 million in the quarter. Our objective is to grow this part of our defense business, both this year and next.

We’ve talked in the past about the broader military electronics market, which, at $30 billion, is 10 times larger than the COTS market we are addressing in ACS Defense.

This is growth driver number three — the opportunity we are pursuing with our Mercury Federal services business, MercFed. Our goal for MercFed is to create a hybrid business model that will lead to faster revenue growth, reduce R&D expenses, and mitigate the risk that we have elsewhere in our business model.

MercFed positions us to be perceived by the government as their key trusted partner for smart processing. This opens the door to being selected as the prime subcontractor to pull together the entire signal processing and computing architecture, the new programs, and platforms.

MercFed also offers us the potential to, where appropriate, subcontract the development work to ACS Defense.

MercFed’s total bookings in Q3 grew from $1.2 million in the sequential second quarter to $5 million, the best quarterly performance since its inception.

The largest of our Q3 deals was for the second phase of an important next-generation persistent ISR program. Structured as a professional services contract, it’s an example of how MercFed is getting us closer to the application and closer to both the primes and the end customer, which enables us to attract funding flows and gain greater insight into DoD priorities.

As a result, even at this early stage, MercFed is establishing us in markets like persistent ISR much earlier than we could’ve done through ACS Defense alone.

To put the great progress MercFed has made this year in perspective, in fiscal ‘08, MercFed’s first full year in business, bookings were $400,000 for the entire year. Through the end of Q3 ‘09, MercFed had booked $10.2 million year to date, which is a great showing for a start-up business in an early stage of development.

MercFed’s Q3 revenue totaled $2 million and operating profit was $116,000.

We have been able to focus MercFed very rapidly into a space where we think there is a significant potential. It’s a space where we can fully develop a hybrid business model that clearly differentiates us from our competitors.

From a longer-term perspective, we feel Mercury did well under the reprioritization announced by Defense Secretary Gates earlier this month. We are only minimally involved on the Air Force F-22, which is one of the platforms and programs facing cuts or being scaled back.

In addition, we have no exposure to others in this category, such as the Navy’s DDG 1000 Zumwalt-class destroyer, and the Army’s future combat system.

There are four main areas in the Gates proposal that Mercury will benefit from. It includes an additional $4.4 billion in fiscal 2010, which encompasses 30 additional F-35 aircraft, where we have a presence in the radar. It increases spend by $900 million on theater missile defense. This includes the Aegis ballistic missile defense program, along with [SAD], another ground-based missile defense program where Mercury participates.

Third, it increases R&D spend in ISR by an additional $2 billion. This is, among other things, to field sustained 50 Predator UAVs to meet high demand in Iraq and Afghanistan. And we are also on Predator.

And four, Secretary Gates has also proposed a high level of funding for [canker] IAD technology.

Our positioning relative to the DoD’s new priorities demonstrates that we have a strong install base in ACS Defense. It encompasses a wide range of high-priority military platforms and programs at various stages of development and deployment. This creates a low potential risk profile for us as we pursue new programs and platforms to drive growth going forward.

Before I hand it over to Bob, I’d like to briefly note the special meeting of shareholders scheduled for Friday, May 8. As outlined in our April 13 proxy statement, the purpose of the meeting is to approve (multiple speakers) exchange program, which we feel is critical to employee retention as we execute on our turnaround.

The program is structured to provide our employees with meaningful performance incentives, while it’s also being shareholder friendly in its design. Bob will provide some of the details in a few minutes. We encourage those of you who are shareholders to vote your shares in favor of this proposal.

As we approach the end of a turnaround year, we are making good progress driving growth in our defense business through new design wins, by expanding our ISR systems integration and services business in ACS, as well as through MercFed. Looking specifically at Q4, although we continue to face challenges in our commercial markets, it’s shaping up to be another strong quarter for defense bookings and revenue.

We expect to exit the year with a solid momentum, positioning Mercury for a new growth in fiscal 2010. Bob, over to you.

Bob Hult —*Mercury Computer Systems Inc.—SVP, CFO, Treasurer*

As a reminder, I will be discussing our third-quarter results and fourth-quarter guidance on both the GAAP and non-GAAP basis. In addition, as Mark said, both VI and VSG are treated as discontinued operations in our financial statements for the third quarter, so the numbers I will be discussing relate only to continuing operations.

Mercury executed well this quarter. Total revenue was $50.6 million, coming in above the top end of our guidance range of $48 million to $50 million, which included VSG. We have run VSG through discontinued operations, and after subtracting VSG’s actuals, our Q3 guidance would have been $45 million to $47 million.

On that basis, we substantially exceeded our original revenue guidance.

Non-GAAP earnings for the third quarter were $0.20 per share, also above the high end of our guidance range, which was $0.05 to $0.09 cents per share. We are seeing good success in growing bookings, revenue, and operating profit, and our third-quarter results reflect this progress.

We’re also continuing to do well from an operations perspective. Operating income in our ACS business was up by $2.1 million year on year, and $4.1 million sequentially. Mercury generated $1.5 million in free cash flow for the quarter.

We redeemed $119.7 million of our convertible senior notes on February 4, 2009, and we’ve notified the holders that we would be redeeming the remaining outstanding $5.3 million of notes at par plus accrued interest on May 1, 2009.

Now that we have divested four of our non-core businesses and treated the remaining VSG business as discontinued operations, our income statement clearly reflects the value at the core of the enterprise and we now have a clean and encumbered balance sheet.

Breaking down our $50.6 million in total revenue, ACS revenues for Q3, including both defense and commercial, were $49.4 million, up 12% from the sequential second quarter and down 2% from Q3 of fiscal 2008. For the nine months year to date, ACS total revenue was down 1% to $138 million from $139.2 million in the comparable nine-month period a year earlier.

We reported revenue in ACS Defense for Q3 of $36.4 million, an increase of 11% sequentially and 3% year on year. Defense revenues represent 74% of ACS total revenue in the third quarter, up from 70% in Q3 last year.

In ACS commercial, revenue was $13 million, up 17% sequentially but down 13% year on year. The sequential increase resulted from two main factors — first, a large commercial radar order in the quarter, and second, the expected modest bump up we're seeing in legacy medical. Some of our medical business customers are extending their support for existing Mercury equipment in the field, because their customers are slowing down on purchasing new equipment.

Semiconductor remains our largest commercial market. We continue to believe that any future rebounds in ACS commercial will be driven mainly by semiconductor, which is in the midst of an extended downturn. As a result, we expect our commercial bookings and revenue to be down sharply, both sequentially and year over year, in the fourth quarter.

Our long-term target is for the relationship between the ACS Defense and commercial businesses to stabilize at around the 80/20 level. However, this split is likely to continue fluctuating from quarter to quarter, primarily driven by conditions in the macroeconomy and their impact on commercial bookings.

Our Q3 book-to-bill ratio in ACS as a whole was 1.1 times, down from 1.12 in Q3 last year, but up from 0.9 in the sequential second quarter. Commercial bookings in ACS were up 44% sequentially, but down 10% year on year. ACS Defense bookings for Q3 were up 36% sequentially and down 1% year on year.

We closed the quarter with a book-to-bill in ACS Defense of 1.21.

Mercury Federal had an outstanding quarter, reporting $2 million in revenue. In essentially its first year of operations, MercFed has grown significantly, reporting year-to-date bookings and revenues of $10.2 million and $3.4 million, respectively.

Book-to-bill for Mercury as a whole, including ACS and MercFed, was 1.14 for the third quarter and 1.03 for fiscal 2009 year-to-date.

Mercury's third-quarter backlog, including deferred revenue, was $82.3 million, an increase of $7.2 million from the sequential second quarter and a decrease of $5 million from Q3 last year. Of the current total backlog, $65.4 million, or approximately 80%, relates to shipments scheduled within the next 12 months. Note that backlog has also been adjusted for discontinued operations.

Moving down the income statement, third-quarter GAAP net income from continuing operations was $4.7 million, or $0.21 per diluted share. This compares with a GAAP loss from continuing operations of $2.2 million, or $0.10 cents per share for the same period last year.

Third-quarter GAAP operating income was $4.7 million, and includes approximately $1.9 million in charges as follows — $1.2 million in stock-based compensation costs, $500,000 in amortization of acquired intangible assets, and $200,000 in restructuring expenses.

On a non-GAAP basis, excluding the impact of these charges, third-quarter non-GAAP operating income was $6.7 million, as compared to $3.2 million in Q3 last year.

We used a non-GAAP tax rate of 34% in FY '09 and 30% in FY '08. Depreciation was $1.5 million.

EBITDA for the third quarter was $6.9 million. Adjusted EBITDA, which excludes FAS 123R charges and restructuring, was $8.3 million.

Our non-GAAP gross margin for the quarter was 57.9%, within our guidance range of 57% to 58%. Our non-GAAP operating expenses for the third quarter were $22.5 million. This compares with $23.4 million in the sequential second quarter and $26.2 million in Q3 last year.

Discontinued operations have been excluded for all periods. We can clearly see the benefit of the cost-reduction actions we took previously.

Turning to the balance sheet and cash flow statement, cash, cash equivalents, and marketable securities at the end of the third quarter were $85.6 million, compared to $197.9 million at December 31, 2008.

As previously mentioned, we redeemed $119.7 million of convertible senior notes in the quarter.

As we reported last quarter, as part of a settlement with UBS concerning our auction rate securities portfolio, we received a line of credit at no net cost to Mercury. We were advanced approximately $31.4 million under the line of credit in December. We borrowed an additional $1.9 million, again at no cost, in the third quarter, raising our total borrowings to $33.3 million.

Our settlement with UBS also entitles us to full repayment of our auction rate securities portfolio at par on June 30, 2010.

As I mentioned earlier, we generated $1.5 million of free cash flow this quarter. This compares with $1.6 million in the sequential second quarter. Free cash flow, year to date, is $4.6 million.

There are three elements in our turnaround strategy for Mercury. The first, which should be complete by the end of FY '09, is to rationalize our portfolio by divesting our non-core businesses.

The second is to improve the underlying operations in our business, and we are also making progress in this respect.

The third element is to strengthen and grow our core defense business, and we are clearly making progress there.

As Mark discussed, we have been able to significantly improve the hardware design leverage in our business, and we are now focused on comparable gains in the software design area. We have also been focused on improving the working capital in our business by strengthening our overall supply-chain capabilities, reducing inventory, and improving our performance in cash collections.

Third quarter days sales outstanding were 60 days, compared to 46 in the sequential second quarter. Accounts receivable is up from $26 million to $34 million sequentially.

Collections this quarter were negatively affected by two drivers, the first being an unfavorable end-of-quarter shipment skew. The second driver was an increase in unbilled receivables associated with a large contract, being accounted for under the percentage-of-completion method.

Inventory turns improved in Q3 to 4.5 from 3.8 in Q2. And inventory declined by 11% to $18.9 million, from $21.3 million in the sequential second quarter. Since Q3 of 2008, inventory is down by nearly $10 million, or 34%.

At the end of Q3, our total employee headcount, excluding contractors, was 576, compared with 634 at the end of Q2 and 745 a year ago. The 576 figure for Q3 excludes 64 employees of VI, but still includes VSG's 54 employees. Although we have run VSG through discontinued operations in anticipation of a sale, which we currently expect to close by the end of this fiscal year, we will continue to include VSG's personnel in our headcount until the deal has closed.

I'd like to call your attention to a couple of important corporate items before we get to the guidance. First, earlier today we filed a $100 million universal shelf registration statement. As stated in our Form S3, any proceeds raised through the sale of securities under this shelf are intended for general corporate purposes, including to fund potential acquisitions.

Second is the recently mailed proxy statement related to our proposed stock option exchange program for employees. Mark discussed the reasons for the proposal earlier. I'll expand briefly on the mechanics, which we believe are shareholder friendly in their design.

Our executive officers and Board of Directors are not eligible for the program. It has been structured as a value-for-value exchange for the participants. So it's FAS 123R-neutral to the extent practicable, with minimal impact on the P&L. And it only includes stock options with exercise prices that exceed the 52-week-high price of our stock.

In addition, assuming full participation by the eligible participants, the program would represent approximately a 1.3% net reduction in the Company's equity award overhang. We believe the program is in the best interest of all of our shareholders and we encourage you to vote in favor of the proposal.

I'll conclude with guidance for the fourth quarter of fiscal 2009. We previously said that Mercury will exit the fiscal year as a more focused and profitable enterprise, and our guidance bears this out. We've made steady progress enhancing the leverage in our business model, increasing our cash flow, expanding the size of our addressable defense market, and capturing a share of that larger opportunity.

As Mark said, we are expecting Q4 to be a strong quarter for bookings. We also expect defense revenues to remain strong. Although we expect a decline in commercial revenues, we expect Mercury to remain solidly profitable in the fourth quarter.

For the fourth quarter of fiscal 2009, we currently expect a revenue range of between $46 million and $48 million. We anticipate reporting Q4 gross margin of approximately 52% to 53%. This is down sequentially from 58% in Q3 and 57% year to date, due to product and business mix.

This reflects our expectation that Q4 will have a larger share of systems integration and services projects. We expect gross margin for the full year to come in around 56%.

Operating expenses are currently anticipated to be approximately $23 million on a non-GAAP basis. CapEx for the fourth quarter is projected to be approximately $1 million and depreciation, approximately $1.5 million.

Mercury’s GAAP earnings per diluted share are currently expected to be in a range of $0.04 to $0.08 on approximately 22.5 million shares outstanding. On a non-GAAP basis, our earnings estimate for the fourth quarter of 2009 excludes the impact of approximately $200,000 in stock-based compensation costs, approximately $500,000 for amortization of acquired intangible assets, and the difference between expected GAAP and non-GAAP tax rates.

Our non-GAAP tax rate for Q4 is expected to be 34%. As a result, fourth-quarter fiscal 2009 non-GAAP earnings per diluted share are currently expected to be in a range of $0.05 to $0.08 on approximately 22.5 million non-GAAP shares outstanding.

With that, we’ll be happy to take your questions. Operator? You can proceed with the Q&A now.

QUESTION AND ANSWER

Operator

Mark Jordan, Noble Financial Group.

Mark Jordan *—Noble Financial Group—Analyst*

Good afternoon, gentlemen. I’d like to talk a little bit about the capital structure here and see if I understand your position. You said you ended with $40.6 million in cash, and you have the adjustable rate securities, which you will receive a [plod] for the middle of next year. Against that, you have the borrowings in a line of credit of $33.4 million. So, in essence, if you were looking at your Company, it’s fair to say you have cash or quasi net cash of about $52 million, and therefore don’t have any immediate financing needs. Is that a proper view?

Bob Hult *—Mercury Computer Systems Inc.—SVP, CFO, Treasurer*

That’s a very proper view. I think you’ve got the number almost spot on, and we certainly feel that we’ve got sufficient cash to run the business.

Mark Jordan *—Noble Financial Group—Analyst*

So while you have that shelf in place, there is nothing — no need to do anything unless it’s on an opportunistic basis.

Mark Aslett *—Mercury Computer Systems Inc.—President, CEO*

The shelf, we feel, is just a good tool to have in the corporate finance toolkit. And I think it’s a prudent thing to do, hence the filing.

Mark Jordan *—Noble Financial Group—Analyst*

Stock comp has come down in the third quarter. Obviously, the discontinuance has helped that. But you're looking for $200,000 in the fourth quarter. Is there a change in philosophy for the use of stock for compensation, and what type of stock comp expense might be reasonable for 2010?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

I think, overall, you have seen a decline in the stock compensation expense. We've had a number of senior executives leave the business over the last year as we've kind of rebuilt the management team.

In addition, as you state, we have divested ourselves of four of the non-core businesses at this point that clearly have reduced that number also.

I think from a what are we trying to do, or how we are using our equity, we believe that, from an employee perspective, we are trying to focus that equity to get the best return from an employee perspective. So we are looking to see some changes from a stock compensation expense going forward. I'll hand that over to Bob.

Bob Hult —*Mercury Computer Systems Inc.—SVP, CFO, Treasurer*

A couple tidy-ups there. We have modestly moved our forfeiture rate up here in the third quarter from approximately 9.5% to, say, 10.5%. That's brought the expense down a few hundred thousand dollars.

Mark noted that we've had a number of senior executives leave the Company this past year. That's had an equal impact on bringing the overall expense down.

Looking forward, I think I'd like to hold off on that until the July call. I think a rough takeaway at this point would be our stock-based compensation expenses have been moving down this past year, compared to FY '08. They should move down a bit again in FY '10, but I want to stay away from the numbers for the moment.

Mark Jordan —*Noble Financial Group—Analyst*

Looking at the commercial business, clearly you're expecting a decline sequentially from $13 million in the third quarter. Where and when do you think that commercial business is going to bottom out?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

I think a big piece of it is dependent upon what's going on with the overall macroeconomy. As we said in the prepared remarks, the largest part of the commercial business today is semiconductor, which, as we all know, is in the midst of a pretty significant downturn.

There are — there appear to be — there is some potentials of maybe — or a glimmer of hope looking forward, I think. There was an interesting article in The Wall Street Journal a couple days ago about maybe the memory market starting to recover, which is one of the earliest parts of the semi-market that would recover. Maybe it's a leading indicator.

The customers that we are dealing with are still clearly down substantially, but they are feeling a little bit better. Whether or not that translates into bookings and revenues over the next couple of quarters or so, it's still a little bit early to tell.

I think, as we've said overall, for our commercial business to really recover, we do need a rebound in that sector. We've had a couple of pretty substantial design wins, one with KLA-Tencor in terms of their next-generation design, and two pretty substantial wins with ASML. So, we need that part of the market to recover before we start to see a recovery in commercial.

Mark Jordan —*Noble Financial Group—Analyst*

Kind of a final question, if I may. As you develop your systems integration business, how do you manage — the channel — potential for channel conflict with the prime, as you are taking, potentially, business that might have heretofore been sort of their scope of business?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

We are not actually competing with the prime. If anything, I think the primes want Mercury to take on more of the complete systems. So this program that I mentioned, this ground-based radar program for theater missile defense, working closely with one of the big primes, is — they basically came to us and asked us to take over more of the systems integration activities.

So I think there is an opportunity for us. We are not looking to compete with our customers. We are looking to provide more value add.

Mark Jordan —*Noble Financial Group—Analyst*

Thank you.

Operator

Tyler Hojo, Sidoti & Company.

Tyler Hojo —*Sidoti & Company—Analyst*

Good evening, guys. What was the gross margin that was implied in your guidance? Was it 56% for the fourth quarter?

Bob Hult —*Mercury Computer Systems Inc.—SVP, CFO, Treasurer*

No. For this very next quarter, fourth quarter? It's a range of 52% to 53%. We said that we felt the full year would come in at 56%.

We've had very strong gross margins throughout the year. 56%, 57%, 58%. 52% to 53% for the fourth quarter, so the full year will be 56%.

Tyler Hojo —*Sidoti & Company—Analyst*

Okay, so that was for the full year. And I guess — clearly, these results were at least much stronger than I was looking for. But — did most of that come from the commercial side, where you got a big bump up on the legacy medical, and you just don't expect that, which I imagine has a pretty high margin, to be there in the fourth quarter? Is that the right way to think of that?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

If you look at the decline in commercial, quarter over sequential, we did have the large commercial radar booking that was really a one-off, that wouldn't repeat on a quarter-over-quarter basis.

In addition, we did get some pickup, I think, as we have been talking about, in our legacy medical business, where the large medical OEMs are actually looking to extend the life of the equipment that they have in the field on behalf of customers, because customers aren't buying new stuff. So that — we may benefit, but probably not to the extent that we did this quarter.

So that's really the dynamic that's occurring, along with a slight decline in commercial — sorry, in semiconductor. Sequentially. And then, we actually had a good quarter in defense again.

Tyler Hojo —*Sidoti & Company—Analyst*

No, I get all that, but I guess what I'm trying to understand is what specifically is driving the margin down? From kind of the 50 (multiple speakers) the 58%, 59% that we saw in the first three quarters of the year?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

So this quarter coming up — the quarter that we are in now, Q4, there is a higher percentage of services and systems integration business than we have had historically. So it's really a product and business mix this quarter.

Tyler Hojo —*Sidoti & Company—Analyst*

Obviously, this is going to be lumpy, but would you expect this to kind of be a more normalized kind of business mix on a go-forward level, or is it too early to tell?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

No, I think it is lumpy, but this quarter seems — we've got more of that type of business than we've had historically.

Tyler Hojo —*Sidoti & Company—Analyst*

And then, the other thing I want to talk about is just the really solid performance in MercFed. And obviously, $5 million in bookings and a huge increase sequentially in revenue. Maybe if you could talk about what your — nearer-term expectations kind of beyond this quarter are for that business, and where you are with that business.

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

We think, as I said before, that we've got three major growth drivers in the business. One is the number and the value of the design wins. I think we've been putting some pretty good numbers up on the board there.

The second is around systems integration and services, and we believe that we can continue to grow that business going forward. It's certainly an important part of us adding more value to the primes and scaling the ACS business potentially faster than we have been.

And the third, as you mentioned, is MercFed. We had a really good quarter in MercFed this quarter. The largest booking that we had was the second phase of a — what we believe to be a next-generation persistent ISR platform. We had some early bookings in 2009 associated with that. This was the second phase.

Looking forward, we believe that we are going to continue to grow that business. Q3, I think, was particularly strong, so we don't expect the same sort of number in Q4. But when you look at it from a year-over-year perspective, and you say $400,000 in bookings for the whole of '08 to over 10 through the first three quarters of '09, it's a pretty impressive performance.

Tyler Hojo —*Sidoti & Company—Analyst*

Agreed. And then, just lastly, and I'm sorry if this is redundant, but what was the operating margin in the ACS business? I know you gave it for emerging businesses.

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

14% non-GAAP this quarter.

Tyler Hojo —*Sidoti & Company—Analyst*

And again, was that — was the big swing factor there, obviously net of the profitable defense business, the legacy medical?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

No, again, it's largely product and business mix. As Bob said, the gross margin has been increasing over the last few quarters. We've got a lumpy business. Depending upon what's in there, it can affect our gross margins. This was favorable this quarter.

Tyler Hojo —*Sidoti & Company—Analyst*

Great. Thanks for the color.

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

Thanks, Tyler.

Operator

Jonathan Ho, William Blair & Company.

Jonathan Ho —*William Blair & Company—Analyst*

Good morning, guys. Great quarter.

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

Hi, Jonathan. How are you?

Jonathan Ho —*William Blair & Company—Analyst*

I'm doing well. Just a couple follow-ups on the MercFed side. The first question I have is how scalable is the MercFed business? Is this mostly a boots-on-the-ground type of business? And my second question on MercFed is, is this a good sort of proxy in terms of lead generation for future hardware and software sales?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

So MercFed, the way in which we are approaching that business is to really look at scaling it profitably. I think Mercury had a number of start-up businesses (multiple speakers), four of which we have already sold, that we didn't scale profitably, were sucking a lot of profit out of the business.

So we have taken a more conservative approach with MercFed. We are kind of winning the business and adding the resources as appropriate. And we believe that we can continue to scale it going forward.

As it relates to how we are using MercFed, MercFed, because they are doing business largely directly with the government, but then also a prime subcontractor, as it relates to the smart processing, it gives us the opportunity of getting much closer to the funding flows, as well as some of the new program starts and getting involved in those programs much earlier than what we would've done historically. So it is a form of BD, and we believe it's having a positive impact on our business model.

Jonathan Ho —*William Blair & Company—Analyst*

Are you already seeing the MercFed results on — I guess beyond just the systems integration and BD side, but also in these design wins that you're talking about? Has that flowed through already at this point?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

Absolutely. I think this persistent ISR program that we mentioned, that's one of a number that we are pursuing. This one is further along than some of the others.

But this one particular contract is a great example of how the hybrid business model works. MercFed is actually doing the upfront work, and there's a subcontract for some of the engineering work back into the ACS business. So it's kind of proving out at a very early stage that this hybrid business model is actually, we feel, the right way to go and take the business going forward.

Jonathan Ho —*William Blair & Company—Analyst*

In terms of the margins, can you talk a little bit about the differences between — just give us sort of rough ballpark ranges between the services margins versus your more traditional product margins?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

Clearly, it's a different pro forma business model. MercFed looks more like a prime model in terms of the costs are really in the OCOGS line as opposed to the operating expense line. From an operating income level, both businesses will be double digit, we believe.

Jonathan Ho—*William Blair & Company—Analyst*

Great. My last question is on this software leverage opportunity that you talked about for 2010. Can you give us maybe a little bit more color on how you see that developing? Is this going to be based on the core platforms and the leverage that you're going to see from there?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

Yes, what we tried — let me start by explaining a little bit about what we have done with the hardware. The Mercury, I think, had lost a lot of the design leverage. We were designing specifically for customers' programs and platforms with very little design reuse. And it's a pretty inefficient way of doing it.

So what we are doing is now doing much more modular-based design, where you kind of lay out a computer process or architecture and be able to reuse that technology across multiple different platforms, markets, and programs. We are going to do the same thing on the software side of things, which is — it's basically design reuse.

If you do it effectively, it allows you to be more efficient from an R&D expense perspective, but probably more importantly going forward, it allows you to go after more design wins, which is clearly a focus for us as we are trying to scale the topline.

So we think it's the right approach, and we've demonstrated that we can do this in the hardware side of things, and '10, we are going to do it in software.

Jonathan Ho —*William Blair & Company—Analyst*

Fantastic. My last question would be on Defense Secretary Gates talked about changing the procurement model to favor more fixed-price contracts. You're doing a little bit more business on the COT side is how we read it. How do you think about that shift and whether it's beneficial to Mercury?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

We believe it is beneficial, I think. Clearly, the COTS model makes sense when you are trying to contain costs. We are developing the majority of the technology on our own nickel, which the government can benefit from.

And as we have seen, as part of Secretary Gates' reprioritization, we believe that we kind of sidestepped the programs and platforms that were cut, and we are net beneficiaries of the increases such as Predator, Aegis Ballistic Missile Defense, and the increase in — more generally in ISR.

So we, I think, feel pretty good about how we are positioned, that we are on the right programs, we are on the right platforms, and in the right sectors.

Jonathan Ho —*William Blair & Company—Analyst*

Fantastic. Thank you.

Operator

(Operator Instructions). Steve Levenson, Stifel Nicolaus.

Steve Levenson —*Stifel Nicolaus—Analyst*

Good afternoon. Nice to see all the progress. Did you have any 10% customers this quarter? And if so, how many?

Bob Hult —*Mercury Computer Systems Inc.—SVP, CFO, Treasurer*

We did. We had four, all in defense.

Steve Levenson —*Stifel Nicolaus—Analyst*

Okay. Not a big surprise there. On the design wins that you've captured, do you think they were more related to processing power, or heat disposition temperature — heat dissipation temperature management, price, or was it something else?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

I think we have been working steadily during '09, refreshing parts of our signal processing and multi-computer product lines. I think some of the design wins this quarter were related to the new products that we're bringing out. So we feel pretty good about the fact that the products that we have been working on are starting to get some traction.

Steve Levenson —*Stifel Nicolaus—Analyst*

I know this may be a little bit early, because a lot of the budget information isn't out yet, but with the increased focus on ISR, what do you see as the demand picture for the next year, if you can sort of handicap it, and what's the competitive landscape like?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

Clearly, I think we feel good about ISR in general. I think if you look at what Gates did in terms of funding more monies for ISR R&D, we are a part of that through MercFed in terms of this persistent ISR program. It's kind of a next-generation approach, so we feel good that we are on some of the leading edge there.

But then, in terms of the platforms that we are on, programs and platforms such as Predator, Global Hawk, the [BANS] platform, again we'll be net beneficiaries. So I think we see and expect to see increases in ISR as a result of the prioritization, and we feel good about the position that we're in.

Steve Levenson —*Stifel Nicolaus—Analyst*

And as far as competitors, are most of the design wins — I know you are already on these. Do you see other ones, or this is where you are sort of blocked out? You've got your space blocked out now?

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

We feel pretty good about where we are at. I think we are getting stronger from a product portfolio perspective. I think we are adding more value from a systems integration perspective, and we feel that with MercFed really being the tip of the BD spear and kind of getting involved in some of the new programs much earlier, we're going to have a competitive advantage over time. Actually, I feel pretty good about the progress that we are making vis-a-vis the competition.

Steve Levenson —*Stifel Nicolaus—Analyst*

Thanks very much.

Operator

Mark Jordan, Noble Financial Group.

Mark Jordan —*Noble Financial Group—Analyst*

A question for Bob here. Given the dust has finally settled here on the divestitures, how much of tax benefits do you have, or how much pre-tax profitability can you shelter before, on a GAAP basis, you'll start to show a meaningful tax rate?

Bob Hult —*Mercury Computer Systems Inc.—SVP, CFO, Treasurer*

Not much. We've been carrying things back consistently here the past couple of years. So we are going to become a taxpayer fairly quickly.

Mark Jordan —*Noble Financial Group—Analyst*

Can you say — pick a quarter in the next 12 months, or is that still too murky?

Bob Hult —*Mercury Computer Systems Inc.—SVP, CFO, Treasurer*

I won't try to pick a quarter, but it could happen in FY '10.

Mark Jordan —*Noble Financial Group—Analyst*

Thank you.

Operator

There are no more questions at this time. I'd like to turn the call back over to Mr. Aslett for any additional or closing remarks.

Mark Aslett —*Mercury Computer Systems Inc.—President, CEO*

Thanks very much, and thanks to everyone for listening. We look forward to speaking with you again next quarter. This concludes our call.

Operator

Thank you for your participation in today's conference call.

A registration statement relating to the securities referenced above has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This transcript shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction. Any offer or sale will be made only by means of a written prospectus forming part of the effective registration statement. Once available, a prospectus relating to these securities may be obtained by contacting Mercury Computer Systems, Inc., 201 Riverneck Road, Chelmsford, Massachusetts 01824, Attention: General Counsel.

Exhibit 99.2

MERCURY
COMPUTER SYSTEMS

News Release

Mercury Computer Systems Reports Third Quarter Fiscal 2009 Revenues of $50.6 Million

Operating cash flow of $2.5 million
Book-to-bill ratio of 1.14-to-1
GAAP earnings per share from continuing operations of $0.21
Non-GAAP earnings per share from continuing operations of $0.20

CHELMSFORD, Mass. – April 28, 2009 – Mercury Computer Systems, Inc. (NASDAQ: MRCY) reported results for its third quarter of fiscal 2009, which ended March 31, 2009.

The results of Mercury's Visualization Sciences Group business, which Mercury currently expects to sell by the end of the fourth fiscal quarter, and Mercury's Visage Imaging business, which was sold during the third fiscal quarter, are included in discontinued operations. Results from prior periods have also been reclassified for comparison purposes. Reclassified quarterly results for fiscal 2008 and the first 3 quarters of fiscal 2009 have been provided in the attached supplemental information.

Third quarter revenues were $50.6 million, an increase of $5.5 million over the second quarter of fiscal 2009. Revenues for the third quarter of fiscal 2009 were approximately equal to the third quarter of the prior fiscal year. Revenues from defense customers increased by $2.2 million over the prior year's third quarter; however, this increase was offset by a decline in revenue from commercial customers.

GAAP net income for the third quarter was $8.2 million, or $0.36 per share. GAAP net income for the third quarter includes the results of discontinued operations. These consisted of a gain on the sale of Mercury's Visage Imaging business of $4.2 million, and losses totaling $(0.7) million from the operations of Mercury's Visage Imaging and Visualization Sciences Group businesses.

Third quarter GAAP income from continuing operations was $4.7 million, or $0.21 per share, as compared with a GAAP loss from continuing operations of $(2.2) million, or $(0.10) per share for the prior year's third quarter.

Third quarter GAAP operating income was $4.7 million and includes approximately $2.0 million in charges, consisting of $1.2 million in stock-based compensation costs, $0.5 million in amortization of acquired intangible assets, and $0.2 million in restructuring expenses. Excluding the impact of these charges, third quarter non-GAAP operating income was $6.7 million, as compared to $3.2 million in the third quarter of the prior year. Third quarter non-GAAP income from continuing operations was $4.5 million. Non-GAAP diluted earnings per share were $0.20 for the third quarter.

Cash flows from operating activities were a net inflow of $2.5 million in the third quarter. Cash, cash equivalents, and marketable securities as of March 31, 2009 were $85.6 million, a decrease of $112.4 million from December 31, 2008. During the quarter ended March 31, 2009, Mercury repurchased $119.7 million aggregate principal amount of its 2.0% Convertible Senior Notes due 2024 from the holders of such notes.

"This was another successful quarter for Mercury," said Mark Aslett, President and CEO, Mercury Computer Systems. "As part of the portfolio rationalization phase of our strategic turnaround, we have been working toward the goal of divesting all of Mercury's non-core businesses by the end of fiscal 2009. This quarter, we moved the Visualization Sciences Group – our last remaining non-core business – into discontinued operations in anticipation of its sale, which we currently expect to occur by the end of this fiscal year. We are also treating Visage Imaging, which was sold in the third quarter, as a discontinued operation. As a result, from a reporting standpoint we have finally unmasked the profitability we have been delivering in our core defense business. Mercury's revenue and earnings for the third quarter exceeded the top end of our guidance range, and Mercury's earnings grew substantially year over year."

“As we fast approach the end of a turnaround year, we are making good progress driving further growth in our defense business through new design wins, by expanding our systems integration and services business in ACS, as well as through Mercury Federal,” Mr. Aslett continued. “Although we continue to face challenges in our commercial markets, we currently anticipate strong defense bookings and revenue in the fiscal fourth quarter, as well as solid profitability for the company as a whole. This should enable Mercury to exit the year with significant momentum, positioning us for renewed growth in fiscal 2010.”

Backlog

The Company’s total backlog at the end of the third quarter was $82.3 million, a $7.2 million sequential increase from the second quarter of the current fiscal year, and a $5.0 million decrease from the same quarter last year due to a decline in the Company’s commercial business. Prior-period backlog amounts have been adjusted to reflect Mercury’s Visage Imaging and Visualization Sciences Group businesses as discontinued operations for comparison purposes. Of the current total backlog, $65.4 million represents orders scheduled over the next 12 months. The book-to-bill ratio for the Company’s continuing operations was 1.14 for the third quarter and 1.03 for the nine months ended March 31, 2009.

Revenues by Operating Unit

Advanced Computing Solutions (ACS) — Revenues for the quarter from ACS were $49.4 million, representing an increase of $5.4 million from the second quarter of fiscal 2009. Approximately 74% of ACS revenues for the quarter related to defense business, as compared to approximately 70% in the same quarter last year.

Emerging Businesses — The results for this segment primarily consist of Mercury’s wholly-owned subsidiary Mercury Federal Systems, Inc. (MFS). During the third quarter, MFS secured $5.0 million in bookings and recorded $2.0 million in revenues.

The revenues by operating unit do not include adjustments to eliminate any inter-segment revenues.

Business Outlook

This section presents our current expectations and estimates, given current visibility, on our business outlook for the upcoming fiscal quarter. 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, including those listed in the Safe Harbor Statement below, with respect to these estimates, and make themselves aware of the risk factors that may impact the Company's actual performance.

For the fourth quarter of fiscal year 2009, revenues are currently expected to be in the range of approximately $46 million to $48 million. At this range, GAAP earnings from continuing operations per share are currently expected to be in the range of $0.04 to $0.08. Excluding the impact of stock-based compensation costs, amortization of acquired intangible assets, and the difference between expected GAAP and non-GAAP tax rates, fourth quarter fiscal year 2009 non-GAAP earnings per share from continuing operations are currently expected to range from $0.05 to $0.08.

Recent Highlights

January – Mercury announced availability of the Ensemble™ MCH2020 MicroTCA Carrier Hub and a 12-slot MicroTCA Application Platform. The MCH2020 is the third-generation RapidIO switching module within the Ensemble product family, and it can be readily configured with any combination of Ensemble processing AMCs to create a high-performance, real-time computing system. Application developers can use the MicroTCA Application Platform to combine extreme processing density with low-latency, deterministic communications.

January – Mercury announced that it was selected by Lockheed Martin's Surface/Sea-based Missile Defense line of business to provide the PowerStream® 7000 system for a new state-of-the-art radar system designed to support multiple naval missions including air surveillance, cruise missile defense, sea-based ballistic missile defense, counter target acquisition, and littoral, or shoreline, operations.

January – Mercury announced that it signed a definitive agreement and closed on the sale of its wholly-owned subsidiaries, Visage Imaging®, Inc. and its affiliate Visage Imaging GmbH, to Australia-based Pro Medicus Limited. Pro Medicus offers a range of enterprise-wide technology solutions to large medical corporations and individual medical group practices, and will integrate the Visage® Client/Server and PACS solutions, and the amira® 3D visualization software, with its Digital Imaging portfolio that includes Radiology Information Systems (RIS).

January – Mercury announced the OpenVPX™ Industry Working Group, an independent association being formed through the alliance of more than 10 leading defense prime contractors and COTS (commercial off-the-shelf) systems developers striving to solve the interoperability issues of VPX system architectures. The key outcome of this group, a completed system specification (formerly referred to as a System Design Guide), will be contributed to the VITA Standards Organization (VSO).

March – Mercury announced on behalf of the OpenVPX Industry Working Group that membership to the OpenVPX Technical Working Group is open to any COTS defense contractor or embedded computing supplier in good standing with the VSO, and committed to the OpenVPX Industry Working Group's mission and aggressive schedule for completion of a system specification.

March – Mercury announced that it is exercising its right to redeem the remaining outstanding balance of $5,312,000 of its 2% Convertible Senior Notes due May 1, 2024 (the "Notes"). The Notes will be redeemed on May 1, 2009 at a redemption price equal to 100% of the principal amount, together with interest accrued to the Redemption Date. The redemption is being made solely pursuant to Mercury Computer Systems' Notice of Full Optional Redemption dated March 31, 2009, which will be delivered to the holders of the Notes by U.S. Bank, the trustee under the indenture governing the Notes.

Conference Call Information

Mercury will host a conference call on Tuesday, April 28, 2009 at 5:00 p.m. EDT to discuss the third quarter fiscal 2009 results and review the financial and business outlook for the remainder of the year.

To listen to the conference call, dial (888) 668-1636 in the USA and Canada, and (913) 312-1498 for all other countries. The conference code number is 5229413. Please call five to ten minutes prior to the scheduled start time. This call will also be broadcast live over the web at www.mc.com/investor under Financial Events.

A replay of the call by telephone will be available from approximately 8:00 p.m. EDT on Tuesday, April 28 through 8:00 p.m. EDT on Friday, May 8. To access the replay, dial (888) 203-1112 in the USA and Canada, and (719) 457-0820 for all other countries. Enter access code 5229413. A replay of the webcast of the call will be available for an extended period of time on the Financial Events page of the Company's website at www.mc.com/investor.

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 non-GAAP financial measures adjusted to exclude certain non-cash and other specified charges, which the Company believes are useful to help investors better understand its past financial performance and prospects for the future. However, the presentation of 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 their 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 Computer Systems, Inc. – Where Challenges Drive Innovation™

Mercury Computer Systems (www.mc.com, NASDAQ: MRCY) provides embedded computing systems and software that combine image, signal, and sensor processing with information management for data-intensive applications. With deep expertise in optimizing algorithms and software and in leveraging industry-standard technologies, we work closely with customers to architect comprehensive, purpose-built solutions that capture, process, and present data for defense electronics, homeland security, and other computationally challenging commercial markets. Our dedication to performance excellence and collaborative innovation continues a 25-year history in enabling customers to gain the competitive advantage they need to stay at the forefront of the markets they serve.

Mercury is based in Chelmsford, Massachusetts, and serves customers worldwide through a broad network of direct sales offices, subsidiaries, and distributors.

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 fiscal 2009 business performance and beyond and the Company’s plans for growth and improvement in profitability and cash flow. You can identify these statements by the use of the words “may,” “will,” “should,” “plans,” “expects,” “anticipates,” “continue,” “estimate,” “project,” “intend,” 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, general economic and business conditions, including unforeseen weakness in the Company’s markets, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, continued funding of defense programs, the timing of such funding, changes in the U.S. Government’s interpretation of federal procurement rules and regulations, market acceptance of the Company’s products, shortages in components, production delays due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, timing and costs associated with disposing of businesses, and difficulties in retaining key customers. 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 year ended June 30, 2008. 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:
Robert Hult, CFO, Mercury Computer Systems, Inc.
978-967-1990

MERCURY COMPUTER SYSTEMS, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2009	June 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 40,584	$ 59,045
Marketable securities	—	60,205
Accounts receivable, net	33,811	29,995
Inventory	18,890	24,202
Prepaid expenses and other current assets	3,261	7,862
Current assets of discontinued operations	1,742	4,534
Total current assets	98,288	185,843
Marketable securities	44,981	47,231
Option to sell auction rate securities at par	5,194	—
Property and equipment, net	8,539	10,053
Goodwill	57,653	57,653
Acquired intangible assets, net	3,371	4,718
Other non-current assets	3,874	5,520
Non-current assets of discontinued operations	7,989	27,532
Total assets	$ 229,889	$ 338,550
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 13,607	$ 13,647
Accrued expenses	6,391	8,674
Accrued compensation	8,581	8,249
Notes payable	5,312	125,000
Borrowings under line of credit and current capital lease obligation	33,426	277
Income taxes payable	1,020	580
Deferred revenues and customer advances	7,048	10,521
Current liabilities of discontinued operations	7,816	12,810
Total current liabilities	83,201	179,758
Notes payable and non-current capital lease obligations	7	18
Accrued compensation	—	1,709
Deferred tax liabilities, net	83	285
Deferred gain on sale-leaseback	8,159	9,027
Other non-current liabilities	1,187	919
Non-current liabilities of discontinued operations	9	322
Total liabilities	92,646	192,038
Shareholders' equity:		
Common stock	222	220
Additional paid-in capital	104,906	100,268
Retained earnings	30,357	40,575
Accumulated other comprehensive income	1,758	5,449
Total shareholders' equity	137,243	146,512
Total liabilities and shareholders' equity	$ 229,889	$ 338,550

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

	Three months ended March 31, 2009	Three months ended March 31, 2008	Nine months ended March 31, 2009	Nine months ended March 31, 2008
Net revenues	$50,563	$50,674	$140,497	$140,572
Cost of revenues (1)	21,380	22,308	60,983	57,611
Gross profit	29,183	28,366	79,514	82,961
Operating expenses:				
Selling, general and administrative (1)	12,584	16,685	38,666	49,097
Research and development (1)	11,118	11,992	33,001	34,548
Amortization of acquired intangible assets	498	1,291	1,955	3,871
Restructuring	239	1,054	713	1,253
Total operating expenses	24,439	31,022	74,335	88,769
Income (loss) from operations	4,744	(2,656)	5,179	(5,808)
Interest income	239	1,541	1,920	5,753
Interest expense	(497)	(839)	(2,280)	(2,522)
Other income (expense), net	317	476	120	995
Income (loss) from continuing operations before income taxes	4,803	(1,478)	4,939	(1,582)
Income tax expense	101	732	101	1,916
Income (loss) from continuing operations	4,702	(2,210)	4,838	(3,498)
Loss from discontinued operations, net of tax	(704)	(3,429)	(19,696)	(11,536)
Gain on disposal of discontinued operations, net of tax	4,152	—	4,640	—
Net income (loss)	$ 8,150	$ (5,639)	$ (10,218)	$ (15,034)
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.21	$ (0.10)	$ 0.22	$ (0.16)
Loss from discontinued operations	(0.03)	(0.16)	(0.89)	(0.54)
Gain on disposal of discontinued operations	0.19	—	0.21	—
Net income (loss) per share	$ 0.37	$ (0.26)	$ (0.46)	$ (0.70)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.21	$ (0.10)	$ 0.22	$ (0.16)
Loss from discontinued operations	(0.03)	(0.16)	(0.88)	(0.54)
Gain on disposal of discontinued operations	0.18	—	0.20	—
Net income (loss) per share	$ 0.36	$ (0.26)	$ (0.46)	$ (0.70)
Weighted average shares outstanding:				
Basic	22,208	21,689	22,113	21,590
Diluted	22,486	21,689	22,374	21,590

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

	Three months ended March 31, 2009	Three months ended March 31, 2008	Nine months ended March 31, 2009	Nine months ended March 31, 2008
Cost of revenues	$ 69	$ 228	$ 278	$ 475
Selling, general and administrative	$ 877	$ 1,919	$ 3,391	$ 5,999
Research and development	$ 276	$ 573	$ 1,001	$ 1,655

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

	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Cash flows from operating activities:				
Net income (loss)	$ 8,150	$ (5,639)	$ (10,218)	$ (15,034)
Depreciation and amortization	2,074	4,254	7,493	12,132
Impairment of goodwill and long-lived assets	—	—	14,555	—
Other non-cash items, net	(3,936)	4,002	(875)	11,972
Changes in operating assets and liabilities	(3,802)	6,973	(3,099)	2,191
Net cash provided by operating activities	2,486	9,590	7,856	11,261
Cash flows from investing activities:				
Sales of marketable securities, net	117,923	33,601	60,295	55,549
Purchases of property and equipment, net	(969)	(1,282)	(3,188)	(3,016)
Proceeds from liquidation of insurance policies	—	—	831	324
Proceeds from sale of discontinued operations	819	—	819	—
Acquisitions, net of cash acquired, and acquired intangible assets	—	—	—	(2,400)
Net cash provided by investing activities	117,773	32,319	58,757	50,457
Cash flows from financing activities:				
Proceeds from employee stock option and purchase plans	—	1	413	1,146
Repurchases of common stock	(107)	(167)	(404)	(516)
Borrowings under line of credit	1,906	—	33,316	—
Payments of principal under notes payable	(119,688)	—	(119,688)	—
Payments under capital lease	(43)	(30)	(178)	(91)
Gross tax windfall from stock-based compensation	151	—	601	226
Net cash (used in) provided by financing activities	(117,781)	(196)	(85,940)	765
Effect of exchange rate changes on cash and cash equivalents	148	(103)	866	218
Net increase (decrease) in cash and cash equivalents	2,626	41,610	(18,461)	62,701
Cash and cash equivalents at beginning of period	37,958	72,384	59,045	51,293
Cash and cash equivalents at end of period	$ 40,584	$113,994	$ 40,584	$113,994

UNAUDITED SUPPLEMENTAL INFORMATION—RECONCILIATION OF GAAP TO NON-GAAP MEASURES

The Company provides non-GAAP operating income (losses), non-GAAP income (losses) from continuing operations, and non-GAAP basic and diluted earnings (losses) from continuing operations per share as supplemental measures to GAAP regarding the Company's operational performance. These financial measures exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. The adjustments to these non-GAAP financial measures, and the basis for such adjustments, are outlined below:

Stock-based 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. Although stock-based 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 a Stock-based 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. Although stock-based 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. In accordance with SFAS No. 123R, stock-based compensation expense is calculated as of the grant date of each stock-based award, and generally cannot be changed or influenced by management after the grant date. Management believes that exclusion of these expenses allows comparisons of operating results that are consistent with periods prior to the Company's adoption of SFAS No. 123R, and allows comparisons of the Company's operating results to those of other companies, both public, private or foreign, that either are not required to adopt SFAS No. 123R, or disclose non-GAAP financial measures that exclude stock-based compensation.

Amortization of acquired intangible assets. The Company incurs amortization of intangibles related to various acquisitions it has made in recent years. These intangible assets are valued at the time of acquisition, are then amortized over a period of several years after the acquisition and generally cannot be changed or influenced by management after the acquisition. Management believes that exclusion of these expenses allows comparisons of operating results that are consistent over time for both our newly-acquired and long-held businesses.

Restructuring. The Company incurs restructuring 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. Management believes this item is outside the normal operations of the Company's business and is not indicative of ongoing operating results, and that exclusion of this expense allows comparisons of operating results that are consistent across past, present and future periods.

Inventory Writedown. The Company incurred a significant inventory writedown in the third quarter of fiscal 2008, resulting from the closure of one of its businesses. Management believes this item was outside the normal operations of the Company's business and is not indicative of ongoing operating results, and that exclusion of this writedown allows comparisons of operating results that are consistent across past, present and future periods.

Tax valuation allowance. The Company records a tax valuation allowance as an expense item when it is "more likely than not" per FAS 109 criteria that the Company will not reap the benefits of the deferred tax assets (future deductible amounts derived from temporary differences between book and taxable income). Management believes these allowances are not indicative of ongoing operating results, and that exclusion of this expense item allows comparisons of operating results that are consistent across past, present and future periods.

Adjustments for related tax impact. Finally, for purposes of calculating non-GAAP net income (losses) from continuing operations and non-GAAP basic and diluted earnings (losses) from continuing operations per share, management adjusts the (benefit) provision for income taxes to tax effect the non-GAAP adjustments described above as they have a significant impact on the Company's income tax (benefit) provision.

Management excludes the above-described items and their related tax impact 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 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.

(in thousands, except per share data)

	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Income (loss) from operations	$ 4,744	$ (2,656)	$ 5,179	$ (5,808)
Stock-based compensation	1,222	2,720	4,670	8,129
Amortization of acquired intangible assets	498	1,291	1,955	3,871
Restructuring	239	1,054	713	1,253
Inventory writedown	—	792	—	792
Non-GAAP income from operations	$ 6,703	$ 3,201	$12,517	$ 8,237

	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Income (loss) from continuing operations	$ 4,702	$ (2,210)	$ 4,838	$ (3,498)
Stock-based compensation	1,222	2,720	4,670	8,129
Amortization of acquired intangible assets	498	1,291	1,955	3,871
Restructuring	239	1,054	713	1,253
Inventory writedown	—	792	—	792
Tax valuation allowance and tax impact of excluding the above items	(2,198)	(582)	(4,073)	(1,823)
Non-GAAP income from continuing operations	$ 4,463	$ 3,065	$ 8,103	$ 8,724
Non-GAAP income from continuing operations per share:				
Basic	$ 0.20	$ 0.14	$ 0.37	$ 0.40
Diluted	$ 0.20	$ 0.14	$ 0.36	$ 0.40
Non-GAAP weighted average shares outstanding:				
Basic	22,208	21,689	22,113	21,590
Diluted	22,486	22,039	22,374	21,948

UNAUDITED SUPPLEMENTAL INFORMATION—QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS RECLASSIFIED TO REFLECT DISCONTINUED OPERATIONS

The following quarterly consolidated statements of operations have been reclassified to reflect the following businesses of the Company as discontinued operations:

- Embedded Systems and Professional Services, a subsidiary of Visage Imaging — sold during the quarter ended June 30, 2008
- SolMap Pharmaceuticals — sold during the quarter ended September 30, 2008
- Visage Imaging — sold during the quarter ended March 31, 2009
- Visualization Sciences Group — expected to be sold during the quarter ended June 30, 2009

The Company's former Avionics and Unmanned Systems Group (AUSG) business, which the Company divested through licensing technology and transitioning support to Honeywell during the quarter ended June 30, 2008, did not qualify for treatment as discontinued operations. As a result, the historical operating results of AUSG are included in continuing operations in the consolidated statements of operations.

	Three Months Ended				Year Ended	Three Months Ended			Nine Months Ended
	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	March 31, 2009
Net revenues	$ 42,681	$ 47,217	$ 50,674	$ 49,636	$ 190,208	$ 44,840	$ 45,094	$ 50,563	$ 140,497
Cost of revenues (1)	16,089	19,214	22,308	22,660	80,271	19,913	19,690	21,380	60,983
Gross profit	26,592	28,003	28,366	26,976	109,937	24,927	25,404	29,183	79,514
Operating expenses:									
Selling, general and administrative (1)	15,219	17,193	16,685	13,987	63,084	12,085	13,997	12,584	38,666
Research and development (1)	11,421	11,135	11,992	10,686	45,234	10,251	11,632	11,118	33,001
Amortization of acquired intangible assets	1,290	1,290	1,291	1,275	5,146	1,010	447	498	1,955
Impairment of goodwill and long-lived assets	—	—	—	561	561	—	—	—	—
Gain on sale of long-lived and other assets	—	—	—	(3,151)	(3,151)	—	—	—	—
Restructuring	7	192	1,054	3,201	4,454	239	235	239	713
Total operating expenses	27,937	29,810	31,022	26,559	115,328	23,585	26,311	24,439	74,335
Income (loss) from operations	(1,345)	(1,807)	(2,656)	417	(5,391)	1,342	(907)	4,744	5,179
Interest income	2,103	2,109	1,541	736	6,489	995	686	239	1,920
Interest expense	(844)	(839)	(839)	(838)	(3,360)	(838)	(945)	(497)	(2,280)
Other income (expense), net	365	154	476	540	1,535	(146)	(51)	317	120
Income (loss) from continuing operations before income taxes	279	(383)	(1,478)	855	(727)	1,353	(1,217)	4,803	4,939
Income tax expense (benefit)	1,447	(263)	732	1,226	3,142	—	—	101	101
Income (loss) from continuing operations	(1,168)	(120)	(2,210)	(371)	(3,869)	1,353	(1,217)	4,702	4,838
Loss from discontinued operations, net of tax	(2,140)	(5,967)	(3,429)	(19,003)	(30,539)	(3,129)	(15,863)	(704)	(19,696)
Gain (loss) on disposal of discontinued operations, net of tax	—	—	—	(1,005)	(1,005)	472	16	4,152	4,640
Net income (loss)	$ (3,308)	$ (6,087)	$ (5,639)	$(20,379)	$ (35,413)	$ (1,304)	$ (17,064)	$ 8,150	$ (10,218)
Basic earnings (loss) per share:									
Income (loss) from continuing operations	$ (0.05)	$ (0.00)	$ (0.10)	$ (0.02)	$ (0.18)	$ 0.06	$ (0.05)	$ 0.21	$ 0.22
Loss from discontinued operations	(0.10)	(0.28)	(0.16)	(0.87)	(1.41)	(0.14)	(0.72)	(0.03)	(0.89)
Gain on disposal of discontinued operations	—	(0.00)	—	(0.05)	(0.05)	0.02	0.00	0.19	0.21
Net income (loss) per share	$ (0.15)	$ (0.28)	$ (0.26)	$ (0.94)	$ (1.64)	$ (0.06)	$ (0.77)	$ 0.37	$ (0.46)
Diluted earnings (loss) per share:									
Income (loss) from continuing operations	$ (0.05)	$ —	$ (0.10)	$ (0.02)	$ (0.18)	$ 0.06	$ (0.05)	$ 0.21	$ 0.22
Loss from discontinued operations	(0.10)	(0.28)	(0.16)	(0.87)	(1.41)	(0.14)	(0.72)	(0.03)	(0.88)
Gain on disposal of discontinued operations	—	—	—	(0.05)	(0.05)	0.02	0.00	0.18	0.20
Net income (loss) per share	$ (0.15)	$ (0.28)	$ (0.26)	$ (0.94)	$ (1.64)	$ (0.05)	$ (0.77)	$ 0.36	$ (0.46)
Weighted average shares outstanding:									
Basic	21,474	21,607	21,689	21,785	21,639	22,009	22,121	22,208	22,113
Diluted	21,474	21,607	21,689	21,785	21,639	22,009	22,121	22,486	22,374
(1) Includes stock-based compensation expense, which was allocated as follows:									
Cost of revenues	$ 82	$ 165	$ 228	$ (64)	$ 411	$ 68	$ 141	$ 69	$ 278
Selling, general and administrative	1,658	2,422	1,919	606	6,605	730	1,784	877	3,391
Research and development	510	572	573	175	1,830	311	414	276	1,001
	$ 2,250	$ 3,159	$ 2,720	$ 717	$ 8,846	$ 1,109	$ 2,339	$ 1,222	$ 4,670

MERCURY COMPUTER SYSTEMS, INC.
RECONCILIATION OF FORWARD-LOOKING GUIDANCE RANGE
Quarter ending June 30, 2009

	RANGE	
	Earnings From Continuing Operations Per Share - Diluted	Earnings From Continuing Operations Per Share - Diluted
GAAP expectation	$ 0.04	$ 0.08
Adjustment to exclude stock-based compensation	0.01	0.01
Adjustment to exclude amortization of acquired intangible assets	0.02	0.02
Adjustment for tax impact	(0.02)	(0.03)
Non-GAAP expectation	$ 0.05	$ 0.08