

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): August 4, 2020

**Mercury Systems, Inc.**

(Exact Name of Registrant as Specified in its Charter)

Massachusetts  
(State or Other Jurisdiction  
of Incorporation)

000-23599  
(Commission File Number)

04-2741391  
(IRS Employer  
Identification No.)

50 Minuteman Road, Andover, Massachusetts  
(Address of Principal Executive Offices)

01810  
(Zip Code)

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class            | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|-------------------|---|
| Common Stock, par value \$0.01 | MRCY              | Nasdaq Global Select Market               |

**Item 2.02. Results of Operations and Financial Condition.**

On August 4, 2020, Mercury Systems, Inc. (the “Company”) issued a press release and an earnings presentation regarding its financial results for the fourth quarter and full fiscal year 2020 ended July 3, 2020. The Company’s press release and earnings presentation are attached as exhibits 99.1 and 99.2 to this Current Report on Form 8-K and incorporated by reference herein.

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

**USE OF NON-GAAP FINANCIAL MEASURES**

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

**Item 9.01. Financial Statements and Exhibits.**

**(d) Exhibits.**

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 99.1               | Press Release, dated August 4, 2020 of Mercury Systems, Inc.         |
| 99.2               | Earnings Presentation, dated August 4, 2020 of Mercury Systems, Inc. |

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**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: August 4, 2020

MERCURY SYSTEMS, INC.

By: /s/ Michael D. Ruppert  
Michael D. Ruppert  
Executive Vice President, Chief Financial Officer,  
and Treasurer

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EXHIBIT INDEX

Exhibit No.

Description

[99.1](#) [Press Release, dated August 4, 2020, of Mercury Systems, Inc.](#)  
[99.2](#) [Earnings Presentation, dated August 4, 2020, of Mercury Systems, Inc.](#)

**Mercury Systems Reports Fourth Quarter and Fiscal Year 2020 Results**

***Fourth Quarter Highlights Include:***  
***Record bookings of \$279 million increased 15% over prior year***  
***Record revenue increased 23% over prior year with 17% organic growth***  
***Record net income, adjusted EBITDA, EPS and adjusted EPS***  
***Record backlog increased 33% over prior year***

**ANDOVER, Mass. August 4, 2020** Mercury Systems, Inc. (NASDAQ: MRCY, [www.mrcy.com](http://www.mrcy.com)), reported operating results for the fourth quarter and fiscal year ended July 3, 2020.

**Management Comments**

“Our strong performance in the fourth quarter of fiscal year 2020 culminates a record fiscal year for the business,” said Mark Aslett, Mercury’s President and Chief Executive Officer. “We achieved our highest ever bookings of \$279 million, yielding a book-to-bill ratio of 1.28 as well as record revenues, net income, adjusted EBITDA, EPS and adjusted EPS. Our people and our business have remained resilient in light of the COVID-19 pandemic. As we enter fiscal year 2021, we will continue to focus on the mission-critical work we do to support our customers and the ongoing security of our nation while also protecting the safety and livelihoods of our employees. With record backlog, design wins and a strong balance sheet, we are well-positioned for continued growth and profitability,” said Aslett.

**Fourth Quarter Fiscal 2020 Results**

Total Company fourth quarter fiscal 2020 revenues were \$217.4 million, compared to \$177.0 million in the fourth quarter of fiscal 2019. The fourth quarter fiscal 2020 results included an aggregate of approximately \$11.9 million of revenue attributable to The Athena Group, Syntonic Microwave and American Panel Corporation acquired businesses.

Total Company GAAP net income for the fourth quarter of fiscal 2020 was \$27.2 million, or \$0.49 per share, compared to \$12.8 million, or \$0.25 per share, for the fourth quarter of fiscal 2019.

Adjusted earnings per share (“adjusted EPS”) was \$0.72 per share for the fourth quarter of fiscal 2020, compared to \$0.48 per share in the fourth quarter of fiscal 2019.

Fourth quarter fiscal 2020 adjusted EBITDA for the total Company was \$49.6 million, compared to \$37.9 million for the fourth quarter of fiscal 2019.

Cash flows from operating activities in the fourth quarter of fiscal 2020 were \$28.7 million, compared to \$26.0 million in the fourth quarter of fiscal 2019. Free cash flow, defined as cash flows from operating activities less capital expenditures for property and equipment, was \$17.2 million for the fourth quarter of fiscal 2020 and \$17.1 million for the fourth quarter of fiscal 2019.

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

**Full Year Fiscal 2020 Results**

Full year fiscal 2020 revenues were \$796.6 million, compared to \$654.7 million for full year fiscal 2019, an increase of 22% from fiscal 2019. The full year fiscal 2020 results include organic revenue of \$732.6 million, an increase of 14% from fiscal 2019. Organic revenue represents total company revenue excluding net revenue from acquisitions for the first four full quarters since the entity's acquisition date (which excludes any intercompany transactions). After the completion of four full fiscal quarters, acquired businesses are treated as organic for current and comparable historical periods.

Total Company GAAP net income for fiscal 2020 was \$85.7 million, or \$1.56 per share, compared to \$46.8 million, or \$0.96 per share, for fiscal 2019. Adjusted earnings per share was \$2.30 for fiscal 2020, compared to \$1.84 for fiscal 2019.

Fiscal 2020 adjusted EBITDA for the total Company was \$176.2 million, compared to \$145.3 million for fiscal 2019.

Cash flows from operating activities for fiscal 2020 were \$115.2 million, compared to \$97.5 million for fiscal 2019.

**Bookings and Backlog**

Total bookings for the fourth quarter of fiscal 2020 were \$278.6 million, yielding a book-to-bill ratio of 1.28 for the quarter.

Mercury's total backlog at July 3, 2020 was \$831.1 million, a \$205.7 million increase from a year ago. Of the July 3, 2020 total backlog, \$567.7 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 2021. 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 Fourth Quarter and Fiscal 2020 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. Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day in June. All references in this press release to the fourth quarter and full fiscal 2020 are to the 53-week period ended July 3, 2020, and to the first quarter of fiscal 2021 and full fiscal 2021 are to the quarter ending October 2, 2020 and 52-week period ending July 2, 2021.*

For the first quarter of fiscal 2021, revenues are forecasted to be in the range of \$190.0 million to \$205.0 million. GAAP net income for the first quarter is expected to be approximately \$10.1 million to \$12.3 million, or \$0.18 to \$0.22 per share, assuming no incremental restructuring, acquisition, other non-operating adjustments, non-recurring financing in the period, an effective tax rate, excluding discrete items, of approximately 26% and approximately 55.4 million weighted average diluted shares outstanding. Adjusted EBITDA for the first quarter of fiscal 2021 is expected to be in the range of \$38.0 million to \$41.0 million. Adjusted EPS is expected to be in the range of \$0.43 to \$0.47 per share.

For the full fiscal year 2021, we currently expect revenue of \$860.0 million to \$885.0 million, and GAAP net income of \$68.5 million to \$74.4 million, or \$1.23 to \$1.34 per share, assuming no incremental restructuring, acquisition, other non-operating adjustments, non-recurring financing in the period, an effective tax rate, excluding discrete items, of approximately 26% for the year and approximately 55.5 million weighted average diluted shares outstanding. Adjusted EBITDA for the full fiscal year is expected to be approximately \$188.0 million to \$196.0 million, and adjusted EPS for the full fiscal year is expected to be approximately \$2.15 to \$2.26 per share.

**Recent Highlights**

June – Mercury announced it received a \$25 million follow-on order from a leading defense prime contractor for integrated radio frequency and digital subsystems for an advanced naval electronic support application. The order was booked in the Company's fiscal 2020 fourth quarter and is expected to be shipped over the next several quarters.



June – Mercury announced it received a \$3.9 million multi-phase contract award from a leading defense prime contractor for the development of a high-density system-in-package solution for radar systems utilizing its novel 2.5D chip-scale integration technology. The award has an 18-month planned performance and shipment period.

June – Mercury announced volume production of its newest, high-density secure memory device, with the most capacity in the smallest form factor available. Mercury takes data-intensive processing applications to the edge by embedding 4GB of double data rate third-generation (DDR3) synchronous dynamic random-access memory in a compact, ruggedized package for optimal data center-grade performance in harsh environments.

June – Mercury announced that it has received a \$49 million order from a leading defense prime contractor for high-performance signal processing and radio frequency solutions for a missile defense program. The order was received in the Company's fiscal 2020 fourth quarter and is expected to be shipped over the next several quarters.

June – Mercury announced the new GSC6204 OpenVPX™ NVIDIA® Turing® architecture-based GPU co-processing engine, providing accelerated high-performance computing capabilities to commercial aerospace and defense applications.

April – Mercury announced the SpectrumSeries™ RFM3103s ultra-wideband dual upconverter, designed to align with the emerging sensor open systems architecture technical standard for demanding electronic warfare environments. By creating a common architecture that streamlines system integration, the rugged, compact upconverter pioneers system interoperability and upgradeability, supporting an increased and more diverse range of unmanned systems on various platforms including ground, airborne, and subsurface.

April – Mercury announced it received a \$30 million multi-year award from a leading defense prime contractor to provide video display technology for integration into mobile ground vehicles. The award has a 36-month planned performance and shipment period.

April – Mercury announced it received a \$4.7 million order from a leading defense prime contractor to provide artificial intelligence processing technology for integration into an advanced airborne electro-optic system. The order was booked in the Company's fiscal 2020 third quarter and is expected to be shipped over the next several quarters.

### **Conference Call Information**

Mercury will host a conference call and simultaneous webcast on Tuesday, August 4, 2020, at 5:00 p.m. ET to discuss the fourth quarter and full year fiscal 2020 results and review its financial and business outlook going forward.

The live audio webcast as well as the Company's earnings presentation can be accessed from the 'Events and Presentations' page of Mercury's IR website at [mrcy.com/investor](http://mrcy.com/investor). Please log into the webcast 15 minutes prior to the scheduled start time.

To join the conference call by phone, dial (877) 303-6977 in the USA and Canada, or (760) 298-5079 in all other countries. Please dial in 15 minutes prior to the scheduled start time.

A replay of the webcast will be available two hours after the call and archived for six months on the 'Events and Presentations'.

### **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 the leader in making trusted, secure mission-critical technologies profoundly more accessible to aerospace and defense. Our innovative solutions power more than 300 aerospace, commercial aviation, defense, security and intelligence programs, configured and optimized for mission success in some of the most challenging and demanding environments. Headquartered in Andover, Mass., with manufacturing and design facilities around the world, Mercury specializes in engineering, adapting and manufacturing new solutions purpose-built to meet current and emerging high-tech needs. Our products and solutions have been successfully deployed with over 25 different defense prime contractors, a testament to our deep domain expertise and our commitment to Innovation that Matters®. To learn more, visit [www.mrcy.com](http://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](http://www.mrcy.com)), SEC filings, press releases, public conference calls, webcasts, and social media, including Twitter ([twitter.com/mrcy](https://twitter.com/mrcy) and [twitter.com/mrcy\\_CEO](https://twitter.com/mrcy_CEO)) and LinkedIn ([www.linkedin.com/company/mercury-systems](http://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.

50 Minuteman Road, Andover, Massachusetts 01810 U.S.A. • +1 978.256.1300 • [www.mrcy.com](http://www.mrcy.com) • [twitter: @MRCY](#)

**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 2021 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," "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, market acceptance of the Company's products, shortages in components, production delays or unanticipated expenses due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and restructurings, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, 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 June 30, 2019, and as updated by the Company's Current Report on Form 8-K filed on April 28, 2020. 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:  
Michael D. Ruppert, CFO  
Mercury Systems, Inc.  
978-967-1990

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**MERCURY SYSTEMS, INC.**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
(In thousands)

|  | July 3,<br>2020     | June 30,<br>2019    |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| <b>Current assets:</b>                               |                     |                     |
| Cash and cash equivalents                            | \$ 226,838          | \$ 257,932          |
| Accounts receivable, net                             | 120,438             | 118,832             |
| Unbilled receivables and costs in excess of billings | 90,289              | 57,387              |
| Inventory  | 178,093             | 137,112             |
| Prepaid income taxes                                 | 2,498               | 90                  |
| Prepaid expenses and other current assets            | 16,613              | 10,819              |
| <b>Total current assets</b>                          | <b>634,769</b>      | <b>582,172</b>      |
| Property and equipment, net                          | 87,737              | 60,001              |
| Goodwill   | 614,076             | 562,146             |
| Intangible assets, net                               | 208,748             | 206,124             |
| Operating lease right-of-use assets <sup>(1)</sup>   | 60,613              | —                   |
| Other non-current assets                             | 4,777               | 6,534               |
| <b>Total assets</b>                                  | <b>\$ 1,610,720</b> | <b>\$ 1,416,977</b> |
| <b>Liabilities and Shareholders' Equity</b>          |                     |                     |
| <b>Current liabilities:</b>                          |                     |                     |
| Accounts payable                                     | \$ 41,877           | \$ 39,030           |
| Accrued expenses <sup>(1)</sup>                      | 23,794              | 18,897              |
| Accrued compensation                                 | 41,270              | 28,814              |
| Deferred revenues and customer advances              | 18,974              | 11,291              |
| <b>Total current liabilities</b>                     | <b>125,915</b>      | <b>98,032</b>       |
| Deferred income taxes                                | 13,889              | 17,814              |
| Income taxes payable                                 | 4,117               | 1,273               |
| Operating lease liabilities <sup>(1)</sup>           | 66,981              | —                   |
| Other non-current liabilities                        | 15,034              | 15,119              |
| <b>Total liabilities</b>                             | <b>225,936</b>      | <b>132,238</b>      |
| <b>Shareholders' equity:</b>                         |                     |                     |
| Common stock   | 547                 | 542                 |
| Additional paid-in capital                           | 1,074,667           | 1,058,745           |
| Retained earnings                                    | 312,455             | 226,743             |
| Accumulated other comprehensive loss                 | (2,885)             | (1,291)             |
| <b>Total shareholders' equity</b>                    | <b>1,384,784</b>    | <b>1,284,739</b>    |
| <b>Total liabilities and shareholders' equity</b>    | <b>\$ 1,610,720</b> | <b>\$ 1,416,977</b> |

(1) Effective July 1, 2019, the Company has adopted ASC 842 - Leases using the optional transition method. Prior periods were not changed. As of July 3, 2020, the Company has Right-of-use assets of \$60.6 million and total Lease liabilities of \$73.9 million, of which \$6.9 million is included in Accrued expenses.

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

(In thousands, except per share data)

|  | Fourth Quarters Ended |               | Twelve Months Ended |               |
|--|-----------------------|---------------|---------------------|---------------|
|  | July 3, 2020          | June 30, 2019 | July 3, 2020        | June 30, 2019 |
| Net revenues                                       | \$ 217,377            | \$ 176,963    | \$ 796,610          | \$ 654,744    |
| Cost of revenues <sup>(1)</sup>                    | 120,764               | 97,124        | 439,766             | 368,588       |
| Gross margin                                       | 96,613                | 79,839        | 356,844             | 286,156       |
| Operating expenses:                                |                       |               |                     |               |
| Selling, general and administrative <sup>(1)</sup> | 35,488                | 30,746        | 132,253             | 110,717       |
| Research and development <sup>(1)</sup>            | 26,988                | 20,346        | 98,485              | 68,925        |
| Amortization of intangible assets                  | 7,701                 | 7,008         | 30,560              | 27,914        |
| Restructuring and other charges                    | (10)                  | (13)          | 1,805               | 560           |
| Acquisition costs and other related expenses       | 27                    | 901           | 2,679               | 1,456         |
| Total operating expenses                           | 70,194                | 58,988        | 265,782             | 209,572       |
| Income from operations                             | 26,419                | 20,851        | 91,062              | 76,584        |
| Interest income                                    | 194                   | 590           | 2,151               | 932           |
| Interest expense                                   | (948)                 | (2,181)       | (1,006)             | (9,109)       |
| Other income (expense), net                        | 1,325                 | (6,673)       | 1,726               | (8,880)       |
| Income before income taxes                         | 26,990                | 12,587        | 93,933              | 59,527        |
| Tax (benefit) provision                            | (234)                 | (217)         | 8,221               | 12,752        |
| Net income   | \$ 27,224             | \$ 12,804     | \$ 85,712           | \$ 46,775     |
| Basic net earnings per share                       | \$ 0.50               | \$ 0.26       | \$ 1.57             | \$ 0.98       |
| Diluted net earnings per share                     | \$ 0.49               | \$ 0.25       | \$ 1.56             | \$ 0.96       |
| Weighted-average shares outstanding:               |                       |               |                     |               |
| Basic  | 54,637                | 49,835        | 54,546              | 47,831        |
| Diluted  | 55,259                | 50,655        | 55,115              | 48,500        |

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

|                                     |          |          |           |           |
|-------------------------------------|----------|----------|-----------|-----------|
| Cost of revenues                    | \$ 307   | \$ 221   | \$ 989    | \$ 820    |
| Selling, general and administrative | \$ 6,185 | \$ 3,723 | \$ 21,688 | \$ 16,188 |
| Research and development            | \$ 1,042 | \$ 642   | \$ 3,861  | \$ 2,414  |

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

(In thousands)

|  | Fourth Quarters Ended |               | Twelve Months Ended |               |
|--|-----------------------|---------------|---------------------|---------------|
|  | July 3, 2020          | June 30, 2019 | July 3, 2020        | June 30, 2019 |
| <b>Cash flows from operating activities:</b>                 |                       |               |                     |               |
| Net income   | \$ 27,224             | \$ 12,804     | \$ 85,712           | \$ 46,775     |
| Depreciation and amortization                                | 12,751                | 11,562        | 49,330              | 46,392        |
| Termination of interest rate swap                            | —                     | 5,420         | —                   | 5,420         |
| Gain on investment   | (2,007)               | —             | (5,817)             | —             |
| Other non-cash items, net                                    | 6,814                 | 5,147         | 29,394              | 21,644        |
| Changes in operating assets and liabilities                  | (16,056)              | (8,964)       | (43,435)            | (22,714)      |
| Net cash provided by operating activities                    | 28,726                | 25,969        | 115,184             | 97,517        |
| <b>Cash flows from investing activities:</b>                 |                       |               |                     |               |
| Acquisition of businesses, net of cash acquired              | —                     | (45,554)      | (96,502)            | (127,083)     |
| Purchases of property and equipment                          | (11,506)              | (8,829)       | (43,294)            | (26,691)      |
| Proceeds from sale of investment                             | —                     | —             | 4,310               | —             |
| Net cash used in investing activities                        | (11,506)              | (54,383)      | (135,486)           | (153,774)     |
| <b>Cash flows from financing activities:</b>                 |                       |               |                     |               |
| Proceeds from employee stock plans                           | 2,921                 | 1,984         | 5,317               | 3,661         |
| Borrowings under credit facilities                           | —                     | 48,000        | 200,000             | 129,500       |
| Payments under credit facilities                             | (200,000)             | (324,500)     | (200,000)           | (324,500)     |
| Payments of deferred financing and offering costs            | —                     | —             | —                   | (1,851)       |
| Payments for retirement of common stock                      | (566)                 | (534)         | (16,249)            | (7,968)       |
| Termination of interest rate swap                            | —                     | (5,420)       | —                   | (5,420)       |
| Proceeds from equity offering, net                           | —                     | 454,343       | —                   | 454,343       |
| Net cash (used in) provided by financing activities          | (197,645)             | 173,873       | (10,932)            | 247,765       |
| Effect of exchange rate changes on cash and cash equivalents | 117                   | (42)          | 140                 | (97)          |
| Net (decrease) increase in cash and cash equivalents         | (180,308)             | 145,417       | (31,094)            | 191,411       |
| Cash and cash equivalents at beginning of period             | 407,146               | 112,515       | 257,932             | 66,521        |
| Cash and cash equivalents at end of period                   | \$ 226,838            | \$ 257,932    | \$ 226,838          | \$ 257,932    |

**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 intangibles related to various acquisitions it has made and license agreements. These intangible assets are valued at the time of acquisition, are amortized over a period of several years after acquisition 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 and financing costs.* The Company incurs transaction costs related to acquisition and potential acquisition opportunities, such as legal, accounting, and other third party advisory fees. 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. The Company also incurs 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 the Mercury Employee COVID Relief Fund, which was established to support employees experiencing financial burdens resulting from the COVID pandemic. The intent of this fund is to provide relief for employees who may otherwise be unable to pay for basic necessities, unexpected care for immediate family members, or other urgent needs that promote their health and safety during the current Coronavirus crisis. These costs also include expanded sick pay related to COVID, overtime, meals and other compensation-related expenses. 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.

|   | Fourth Quarters Ended |               | Twelve Months Ended |               |
|---|-----------------------|---------------|---------------------|---------------|
|   | July 3, 2020          | June 30, 2019 | July 3, 2020        | June 30, 2019 |
| Net income  | \$ 27,224             | \$ 12,804     | \$ 85,712           | \$ 46,775     |
| Other non-operating adjustments, net                | (2,250)               | 519           | (5,636)             | 364           |
| Interest expense (income), net                      | 754                   | 1,591         | (1,145)             | 8,177         |
| Income tax (benefit) provision                      | (234)                 | (217)         | 8,221               | 12,752        |
| Depreciation  | 5,050                 | 4,554         | 18,770              | 18,478        |
| Amortization of intangible assets                   | 7,701                 | 7,008         | 30,560              | 27,914        |
| Restructuring and other charges                     | (10)                  | (13)          | 1,805               | 560           |
| Impairment of long-lived assets                     | —                     | —             | —                   | —             |
| Acquisition and financing costs                     | 636                   | 7,036         | 5,645               | 9,628         |
| Fair value adjustments from purchase accounting     | 601                   | —             | 1,801               | 713           |
| Litigation and settlement expense, net              | 315                   | 19            | 944                 | 344           |
| COVID related expenses <sup>(1)</sup>               | 2,196                 | —             | 2,593               | —             |
| Stock-based and other non-cash compensation expense | 7,640                 | 4,626         | 26,972              | 19,621        |
| Adjusted EBITDA                                     | \$ 49,623             | \$ 37,927     | \$ 176,242          | \$ 145,326    |

(1) Effective as of the third quarter of fiscal 2020, the Company has added back incremental COVID related expenses.

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.

|                                       | Fourth Quarters Ended |               | Twelve Months Ended |               |
|---------------------------------------|-----------------------|---------------|---------------------|---------------|
|                                       | July 3, 2020          | June 30, 2019 | July 3, 2020        | June 30, 2019 |
| Cash provided by operating activities | \$ 28,726             | \$ 25,969     | \$ 115,184          | \$ 97,517     |
| Purchases of property and equipment   | (11,506)              | (8,829)       | (43,294)            | (26,691)      |
| Free cash flow                        | \$ 17,220             | \$ 17,140     | \$ 71,890           | \$ 70,826     |

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**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 and financing 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<sup>(3)</sup>. 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.

|   | Fourth Quarters Ended |         |               |         |
|---|-----------------------|---------|---------------|---------|
|   | July 3, 2020          |         | June 30, 2019 |         |
| Net income and earnings per share                   | \$ 27,224             | \$ 0.49 | \$ 12,804     | \$ 0.25 |
| Other non-operating adjustments, net <sup>(1)</sup> | (2,250)               |         | 519           |         |
| Amortization of intangible assets                   | 7,701                 |         | 7,008         |         |
| Restructuring and other charges                     | (10)                  |         | (13)          |         |
| Impairment of long-lived assets                     | —                     |         | —             |         |
| Acquisition and financing costs                     | 636                   |         | 7,036         |         |
| Fair value adjustments from purchase accounting     | 601                   |         | —             |         |
| Litigation and settlement expense, net              | 315                   |         | 19            |         |
| COVID related expenses <sup>(2)</sup>               | 2,196                 |         | —             |         |
| Stock-based and other non-cash compensation expense | 7,640                 |         | 4,626         |         |
| Impact to income taxes <sup>(3)</sup>               | (4,293)               |         | (7,738)       |         |
| Adjusted income and adjusted earnings per share     | \$ 39,760             | \$ 0.72 | \$ 24,261     | \$ 0.48 |
| Diluted weighted-average shares outstanding         |                       | 55,259  |               | 50,655  |

(1) Effective as of the third quarter of fiscal 2020, the Company has revised its definition of adjusted income and adjusted earnings per share to incorporate other non-operating adjustments, which includes gains or losses on foreign currency remeasurement, investments and fixed asset sales or disposals among other adjustments. Adjusted EPS for prior periods has been recast for comparative purposes.

(2) Effective as of the third quarter of fiscal 2020, the Company has added back incremental COVID related expenses.

(3) 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.

|   | Twelve Months Ended |          |               |        |    |          |    |        |
|---|---------------------|----------|---------------|--------|----|----------|----|--------|
|   | July 3, 2020        |          | June 30, 2019 |        |    |          |    |        |
| Net income and earnings per share                   | \$                  | 85,712   | \$            | 1.56   | \$ | 46,775   | \$ | 0.96   |
| Other non-operating adjustments, net <sup>(1)</sup> |                     | (5,636)  |               |        |    | 364      |    |        |
| Amortization of intangible assets                   |                     | 30,560   |               |        |    | 27,914   |    |        |
| Restructuring and other charges                     |                     | 1,805    |               |        |    | 560      |    |        |
| Impairment of long-lived assets                     |                     | —        |               |        |    | —        |    |        |
| Acquisition and financing costs                     |                     | 5,645    |               |        |    | 9,628    |    |        |
| Fair value adjustments from purchase accounting     |                     | 1,801    |               |        |    | 713      |    |        |
| Litigation and settlement expense, net              |                     | 944      |               |        |    | 344      |    |        |
| COVID related expenses <sup>(2)</sup>               |                     | 2,593    |               |        |    | —        |    |        |
| Stock-based and other non-cash compensation expense |                     | 26,972   |               |        |    | 19,621   |    |        |
| Impact to income taxes <sup>(3)</sup>               |                     | (23,634) |               |        |    | (16,630) |    |        |
| Adjusted income and adjusted earnings per share     | \$                  | 126,762  | \$            | 2.30   | \$ | 89,289   | \$ | 1.84   |
| Diluted weighted-average shares outstanding         |                     |          |               | 55,115 |    |          |    | 48,500 |

(1) Effective as of the third quarter of fiscal 2020, the Company has revised its definition of adjusted income and adjusted earnings per share to incorporate other non-operating adjustments, which includes gains or losses on foreign currency remeasurement, investments and fixed asset sales or disposals among other adjustments. Adjusted EPS for prior periods has been recast for comparative purposes.

(2) Effective as of the third quarter of fiscal 2020, the Company has added back incremental COVID related expenses.

(3) 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.

|                  | Fourth Quarters Ended |               | Twelve Months Ended |               |
|------------------|-----------------------|---------------|---------------------|---------------|
|                  | July 3, 2020          | June 30, 2019 | July 3, 2020        | June 30, 2019 |
| Organic revenue  | \$ 205,463            | \$ 174,899    | \$ 732,572          | \$ 641,209    |
| Acquired revenue | 11,914                | 2,064         | 64,038              | 13,535        |
| Net revenues     | \$ 217,377            | \$ 176,963    | \$ 796,610          | \$ 654,744    |

## MERCURY SYSTEMS, INC.

## RECONCILIATION OF FORWARD-LOOKING GUIDANCE RANGE

Quarter Ending October 2, 2020

Fiscal Year Ending July 2, 2021

(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 and financing 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.

|   | First Quarter Ending<br>October 2, 2020 <sup>(1)</sup> |           | Fiscal Year Ending<br>July 2, 2021 <sup>(1)</sup> |            |
|---|--|-----------|---|------------|
|   | Range  |           |   |            |
|   | Low  | High      | Low   | High       |
| GAAP expectation -- Net income                      | \$ 10,100  | \$ 12,300 | \$ 68,500   | \$ 74,400  |
| Adjust for:   |  |           |   |            |
| Other non-operating adjustments, net                | —  | —         | —   | —          |
| Interest (income) expense, net                      | (100)  | (100)     | (300)   | (300)      |
| Income tax provision                                | 3,500  | 4,300     | 24,100  | 26,200     |
| Depreciation  | 5,800  | 5,800     | 26,800  | 26,800     |
| Amortization of intangible assets                   | 7,700  | 7,700     | 30,300  | 30,300     |
| Restructuring and other charges                     | —  | —         | —   | —          |
| Impairment of long-lived assets                     | —  | —         | —   | —          |
| Acquisition and financing costs                     | 800  | 800       | 3,100   | 3,100      |
| Fair value adjustments from purchase accounting     | —  | —         | —   | —          |
| Litigation and settlement expense, net              | —  | —         | —   | —          |
| COVID related expenses                              | 2,200  | 2,200     | 2,200   | 2,200      |
| Stock-based and other non-cash compensation expense | 8,000  | 8,000     | 33,300  | 33,300     |
| Adjusted EBITDA expectation                         | \$ 38,000  | \$ 41,000 | \$ 188,000  | \$ 196,000 |

(1) Rounded amounts used.

## MERCURY SYSTEMS, INC.

## RECONCILIATION OF FORWARD-LOOKING GUIDANCE RANGE

Quarter Ending October 2, 2020

Fiscal Year Ending July 2, 2021

(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 and financing 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<sup>(2)</sup>. 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.

|   | First Quarter Ending October 2, 2020 <sup>(1)</sup> |         |           |         |
|---|---|---------|-----------|---------|
|   | Range   |         |           |         |
|   | Low   |         | High      |         |
| GAAP expectation -- Net income and earnings per share       | \$ 10,100   | \$ 0.18 | \$ 12,300 | \$ 0.22 |
| Other non-operating adjustments, net                        | —   | —       | —         | —       |
| Amortization of intangible assets                           | 7,700   | —       | 7,700     | —       |
| Restructuring and other charges                             | —   | —       | —         | —       |
| Impairment of long-lived assets                             | —   | —       | —         | —       |
| Acquisition and financing costs                             | 800   | —       | 800       | —       |
| Fair value adjustments from purchase accounting             | —   | —       | —         | —       |
| Litigation and settlement expense (income), net             | —   | —       | —         | —       |
| COVID related expenses                                      | 2,200   | —       | 2,200     | —       |
| Stock-based and other non-cash compensation expense         | 8,000   | —       | 8,000     | —       |
| Impact to income taxes <sup>(2)</sup>                       | (4,800)   | —       | (4,800)   | —       |
| Adjusted income and adjusted earnings per share expectation | \$ 24,000   | \$ 0.43 | \$ 26,200 | \$ 0.47 |
| Diluted weighted-average shares outstanding expectation     | 55,400  |         | 55,400    |         |

(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 2, 2021<sup>(1)</sup>

|   | Range |          |      |        |    |          |    |        |
|---|-------|----------|------|--------|----|----------|----|--------|
|   | Low   |          | High |        |    |          |    |        |
| GAAP expectation -- Net income and earnings per share       | \$    | 68,500   | \$   | 1.23   | \$ | 74,400   | \$ | 1.34   |
| Other non-operating adjustments, net                        |       | —        |      |        |    | —        |    |        |
| Amortization of intangible assets                           |       | 30,300   |      |        |    | 30,300   |    |        |
| Restructuring and other charges                             |       | —        |      |        |    | —        |    |        |
| Impairment of long-lived assets                             |       | —        |      |        |    | —        |    |        |
| Acquisition and financing costs                             |       | 3,100    |      |        |    | 3,100    |    |        |
| Fair value adjustments from purchase accounting             |       | —        |      |        |    | —        |    |        |
| Litigation and settlement expense, net                      |       | —        |      |        |    | —        |    |        |
| COVID related expenses                                      |       | 2,200    |      |        |    | 2,200    |    |        |
| Stock-based and other non-cash compensation expense         |       | 33,300   |      |        |    | 33,300   |    |        |
| Impact to income taxes <sup>(2)</sup>                       |       | (18,000) |      |        |    | (18,000) |    |        |
| Adjusted income and adjusted earnings per share expectation | \$    | 119,400  | \$   | 2.15   | \$ | 125,300  | \$ | 2.26   |
| Diluted weighted-average shares outstanding expectation     |       |          |      | 55,500 |    |          |    | 55,500 |

(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.



# 4TH QUARTER AND FULL FISCAL YEAR 2020 FINANCIAL RESULTS

Mark Aslett  
President and CEO

Michael Ruppert  
Executive Vice President and CFO

August 4, 2020, 5:00 pm ET

Conference call:  
Dial (877) 303-6977 in the U.S. and Canada,  
(760) 298-5079 in all other countries  
Webcast login at [www.mrcy.com/investor](http://www.mrcy.com/investor)  
Webcast replay available by 7:00 p.m. ET August 4, 2020



## Forward-looking safe harbor statement

This presentation contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to the acquisitions described herein and to fiscal 2021 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," "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, market acceptance of the Company's products, shortages in components, production delays or unanticipated expenses due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and restructurings, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, 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 June 30, 2019, and as updated by the Company's Current Report on Form 8-K filed on April 28, 2020. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, the Company provides adjusted EBITDA, adjusted income, adjusted EPS, 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 better understand its past financial performance and prospects for the future. However, these non-GAAP measures should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. Management believes these non-GAAP measures assist in providing a more complete understanding of the Company's underlying operational results and trends, and management uses these measures along with the corresponding GAAP financial measures to manage the Company's business, to evaluate its performance compared to prior periods and the marketplace, and to establish operational goals. A reconciliation of GAAP to non-GAAP financial results discussed in this presentation is contained in the Appendix hereto.

## Strong Q4 and FY20 against challenging backdrop

### Q4 FY20 VS. Q4 FY19

- Record bookings up 15%
- Record backlog up 33%
- Record revenue up 23%
- Organic revenue<sup>(1)</sup> up 17%
- Record GAAP net income up 113%
- Record adjusted EBITDA up 31%
- Op cash of \$28.7M; up 11%
- FCF of \$17.2M; 35% adj. EBITDA

### FY20 VS. FY19

- Record bookings up 22%
- Record backlog up 33%
- Record revenue up 22%
- Organic revenue<sup>(1)</sup> up 14%
- Record GAAP net income up 83%
- Record adjusted EBITDA up 21%
- Record Op cash of \$115.2M; up 18%
- FCF of \$71.9M; 41% adj. EBITDA

#### Notes

(1) Organic revenue represents total company revenue excluding net revenue from acquisitions for the first four full quarters since the entities' acquisition date (which excludes any intercompany transactions). After the completion of four fiscal quarters, acquired businesses are treated as organic for current and comparable historical periods.

## COVID-19 update

- Mitigated supply chain risks with minimal impact to date
- No erosion in talent attraction cadence
- Adjusted workplace conditions to improve physical distancing and safety
- Implemented symptom checking and temperature screening protocols
- Mask usage mandatory, as well as face shields in certain areas
- Contracted with Chief Medical Advisor to provide best practices guidance
- Majority of employees to continue to work from home through end of CY
- Implementing weekly onsite testing at largest manufacturing locations



## Industry outlook

- Potential risks for extended continuing budget resolution in GFY21
- Possible crowding out of defense spending by fiscal stimulus
- Diplomatic and economic tensions driving increased national security threats
- Non-national defense electronics supply chain and microelectronics risks rising
- Bipartisan commitment to defense spending

## Trusted microelectronics – A strategic opportunity for Mercury

- Uniquely positioned to provide DoD trusted, secure microelectronics solutions
- Aligns with DoD's #1 defense technology priority
- Congressional support with bipartisan American Foundries Act of 2020
- Next-generation defense electronics company at intersection of tech and defense
- Making commercial technologies profoundly more accessible to A&D
- Investments in embedded security IP and trusted microelectronics paying off

## Business outlook

- Continue delivering organic revenue growth higher than industry average rate
- New business conditions remain robust, much the same as last quarter
- Benefiting from significant wave of radar, EW and C4I modernization
- Strong balance sheet to supplement organic growth with strategic M&A
- M&A been on hold; deal pipeline robust and activity beginning to pick up
- Continue to execute on strategy: strong margins, organic growth, M&A, full integration



## Summary – Plan to continue generating shareholder value

- Drive ~10% average organic revenue growth supplemented by strategic M&A
- Invest in people, new technologies, facilities, manufacturing assets, business systems
- Insource more manufacturing; drive stronger operating performance
- Grow revenues faster than operating expenses to improve operating leverage
- Fully integrate acquired businesses to generate cost and revenue synergies

## Q4 FY20 vs. Q4 FY19

| In \$ millions, except percentage and per share data | Q4 FY19 | Q4 FY20 <sup>(3)</sup> | CHANGE    |
|--|---------|------------------------|-----------|
| Bookings   | \$241.3 | \$278.6                | 15%       |
| Book-to-Bill   | 1.36    | 1.28                   |           |
| Backlog  | \$625.4 | \$831.1                | 33%       |
| 12-Month Backlog                                     | 451.2   | 567.7                  |           |
| Revenue  | \$177.0 | \$217.4                | 23%       |
| Organic Revenue Growth <sup>(1)</sup>                | 4%      | 17%                    |           |
| Gross Margin   | 45.1%   | 44.4%                  | (0.7 pts) |
| Operating Expenses                                   | \$59.0  | \$70.2                 |           |
| Selling, General & Administrative                    | 30.7    | 35.5                   | 19%       |
| Research & Development                               | 20.3    | 27.0                   |           |
| Amortization/Restructuring/Acquisition               | 7.9     | 7.7                    |           |
| GAAP Net Income                                      | \$12.8  | \$27.2                 | 113%      |
| Effective Tax Rate                                   | (1.7%)  | (0.9)%                 |           |
| GAAP EPS   | \$0.25  | \$0.49                 | 96%       |
| Weighted Average Diluted Shares                      | 50.7    | 55.3                   |           |
| Adjusted EPS <sup>(2)</sup>                          | \$0.48  | \$0.72                 | 50%       |
| Adj. EBITDA <sup>(2)</sup>                           | \$37.9  | \$49.6                 | 31%       |
| % of revenue   | 21.4%   | 22.8%                  |           |
| Operating Cash Flow                                  | \$26.0  | \$28.7                 | 11%       |
| Free Cash Flow <sup>(2)</sup>                        | \$17.1  | \$17.2                 | 1%        |
| % of Adjusted EBITDA                                 | 45%     | 35%                    |           |

Notes

(1) Organic revenue represents to company revenue excluding revenue from acquisitions for the first four full quarters since the entities' acquisition date (which excludes any intercompany transactions). After the completion of four fiscal quarters, acquired businesses are treated as organic for current and comparable historical periods.

(2) Non-GAAP, see reconciliation table.

(3) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day of June. All references in this presentation to the fourth quarter and full fiscal 2020 are the 53-week period ended July 2020, and to the first quarter of fiscal 2021 and full fiscal 2021 are to the quarter ending October 2, 2020 and 52-week period ending July 2, 2021.

## FY20 vs. FY19

| In \$ millions, except percentage and per share data | FY19    | FY20 <sup>(3)</sup> | CHANGE  |
|--|---------|---------------------|---------|
| Bookings   | \$782.9 | \$954.3             | 22%     |
| Book-to-Bill   | 1.20    | 1.20                |         |
| Backlog  | \$625.4 | \$831.1             | 33%     |
| 12-Month Backlog                                     | 451.2   | 567.7               |         |
| Revenue  | \$654.7 | \$796.6             | 22%     |
| Organic Revenue Growth <sup>(1)</sup>                | 12%     | 14%                 |         |
| Gross Margin   | 43.7%   | 44.8%               | 1.1 pts |
| Operating Expenses                                   | \$209.6 | \$265.8             |         |
| Selling, General & Administrative                    | 110.7   | 132.3               | 27%     |
| Research & Development                               | 68.9    | 98.5                |         |
| Amortization/Restructuring/Acquisition               | 29.9    | 35.0                |         |
| GAAP Net Income                                      | \$46.8  | \$85.7              | 83%     |
| Effective Tax Rate                                   | 21.4%   | 8.8%                |         |
| GAAP EPS   | \$0.96  | \$1.56              | 63%     |
| Weighted Average Diluted Shares                      | 48.5    | 55.1                |         |
| Adjusted EPS <sup>(2)</sup>                          | \$1.84  | \$2.30              | 25%     |
| Adj. EBITDA <sup>(2)</sup>                           | \$145.3 | \$176.2             | 21%     |
| % of revenue   | 22.2%   | 22.1%               |         |
| Operating Cash Flow                                  | \$97.5  | \$115.2             | 18%     |
| Free Cash Flow <sup>(2)</sup>                        | \$70.8  | \$71.9              | 2%      |
| % of Adjusted EBITDA                                 | 49%     | 41%                 |         |

Notes

(1) Organic revenue represents total company revenue excluding net revenue from acquisitions for the first four quarters since the entities' acquisition date (which exclude any intercompany transactions). After the completion of four fiscal quarters, acquired businesses are treated as organic for current and comparable historical periods. Non-GAAP, see reconciliation table.

(2) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day of June. All references in this presentation to the fourth quarter and full fiscal 2020 are to the 53-week period ended July 3, 2020, and to the first quarter of fiscal 2021 and full fiscal 2021 are to the quarter ending October 2, 2020 and 53-week period ending July 2, 2021.

(3) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day of June. All references in this presentation to the fourth quarter and full fiscal 2020 are to the 53-week period ended July 3, 2020, and to the first quarter of fiscal 2021 and full fiscal 2021 are to the quarter ending October 2, 2020 and 53-week period ending July 2, 2021.

## Balance sheet

| (In \$ millions) <sup>(1)</sup>        | As of            |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
|  | 6/30/19          | 9/27/19          | 12/27/19         | 3/27/20          | 7/3/20           |
| <b>ASSETS</b>                          |                  |                  |                  |                  |                  |
| Cash & cash equivalents                | \$257.9          | \$161.3          | \$182.0          | \$407.1          | \$226.8          |
| Accounts receivable, net               | 176.2            | 177.5            | 193.4            | 214.0            | 210.7            |
| Inventory, net                         | 137.1            | 148.5            | 153.6            | 161.9            | 178.1            |
| PP&E, net                              | 60.0             | 65.9             | 72.7             | 78.7             | 87.7             |
| Goodwill and intangibles, net          | 768.3            | 847.4            | 839.2            | 831.4            | 822.8            |
| Other <sup>(2)</sup>                   | 17.4             | 73.3             | 71.7             | 78.5             | 84.6             |
| <b>TOTAL ASSETS</b>                    | <b>\$1,417.0</b> | <b>\$1,473.9</b> | <b>\$1,512.6</b> | <b>\$1,771.6</b> | <b>\$1,610.7</b> |
| <b>LIABILITIES AND S/E</b>             |                  |                  |                  |                  |                  |
| AP and accrued expenses <sup>(2)</sup> | \$86.7           | \$84.8           | \$91.3           | \$109.6          | \$107.0          |
| Other liabilities <sup>(2)</sup>       | 45.5             | 93.7             | 104.3            | 112.6            | 118.9            |
| Debt                                   | -                | -                | -                | 200.0            | -                |
| <b>Total liabilities</b>               | <b>132.2</b>     | <b>178.5</b>     | <b>195.6</b>     | <b>422.2</b>     | <b>225.9</b>     |
| <b>Stockholders' equity</b>            | <b>1,284.7</b>   | <b>1,295.3</b>   | <b>1,317.1</b>   | <b>1,349.4</b>   | <b>1,384.8</b>   |
| <b>TOTAL LIABILITIES AND S/E</b>       | <b>\$1,417.0</b> | <b>\$1,473.9</b> | <b>\$1,512.6</b> | <b>\$1,771.6</b> | <b>\$1,610.7</b> |

Notes  
(1) Rounded amounts used.  
(2) Effective July 1, 2019, the Company has adopted ASC 842 - Leases using the optional transition method. Prior periods were not changed. As of July 3, 2020, the Company has Right-of-use assets of \$60 million and total Lease liabilities of \$73.9 million, of which \$6.9 million is included in Accrued expenses.

## Cash flow summary

| (In \$ millions) <sup>(1)</sup>  | FY19          | For the Fiscal Quarters Ended |               |               |               | FY20          |
|--|---------------|-------------------------------|---------------|---------------|---------------|---------------|
|  |               | 9/27/19                       | 12/27/19      | 3/27/20       | 7/3/20        |               |
| <b>Net Income</b>  | <b>\$46.8</b> | <b>\$19.2</b>                 | <b>\$15.7</b> | <b>\$23.6</b> | <b>\$27.2</b> | <b>\$85.7</b> |
| Depreciation and amortization  | 46.4          | 11.4                          | 12.5          | 12.7          | 12.8          | 49.3          |
| Termination of interest rate swap  | 5.4           | -                             | -             | -             | -             | -             |
| Gain on investment   | -             | -                             | -             | (3.8)         | (2.0)         | (5.8)         |
| Other non-cash items, net  | 21.6          | 6.4                           | 7.6           | 8.5           | 6.8           | 29.4          |
| <b>Changes in Operating Assets and Liabilities</b>                         |               |                               |               |               |               |               |
| Accounts receivable, unbilled receivables, and costs in excess of billings | (28.1)        | 2.2                           | (15.7)        | (20.7)        | 3.2           | (31.1)        |
| Inventory  | (17.1)        | 0.4                           | (5.7)         | (8.2)         | (18.1)        | (31.6)        |
| Accounts payable and accrued expenses                                      | 17.9          | (6.3)                         | 5.8           | 18.4          | (4.4)         | 13.6          |
| Other  | 4.5           | (9.0)                         | 11.8          | (0.4)         | 3.2           | 5.7           |
|  | <b>(22.7)</b> | <b>(12.8)</b>                 | <b>(3.8)</b>  | <b>(10.9)</b> | <b>(16.1)</b> | <b>(43.4)</b> |
| <b>Operating Cash Flow</b>   | <b>97.5</b>   | <b>24.3</b>                   | <b>32.1</b>   | <b>30.1</b>   | <b>28.7</b>   | <b>115.2</b>  |
| Capital expenditures   | (26.7)        | (9.6)                         | (11.3)        | (10.9)        | (11.5)        | (43.3)        |
| <b>Free Cash Flow<sup>(2)</sup></b>  | <b>\$70.8</b> | <b>\$14.7</b>                 | <b>\$20.7</b> | <b>\$19.2</b> | <b>\$17.2</b> | <b>\$71.9</b> |
| <i>Free Cash Flow<sup>(2)</sup> / Adjusted EBITDA<sup>(2)</sup></i>        | <i>49%</i>    | <i>40%</i>                    | <i>48%</i>    | <i>41%</i>    | <i>35%</i>    | <i>41%</i>    |
| <i>Free Cash Flow<sup>(2)</sup> / GAAP Net Income</i>                      | <i>151%</i>   | <i>76%</i>                    | <i>132%</i>   | <i>81%</i>    | <i>63%</i>    | <i>84%</i>    |

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

## FY21 annual guidance

| In \$ millions, except percentage and per share data | FY20 <sup>(1)</sup> | FY21 <sup>(2)(5)</sup> | CHANGE        |
|--|---------------------|------------------------|---------------|
| <b>Revenue</b>                                       | \$796.6             | \$860.0 – \$885.0      | 8% – 11%      |
| <b>GAAP Net Income</b>                               | \$85.7              | \$68.5 – \$74.4        | (20%) – (13%) |
| Effective tax rate <sup>(3)</sup>                    | 8.8%                | 26%                    |               |
| <b>GAAP EPS</b>                                      | \$1.56              | \$1.23 – \$1.34        | (21%) – (14%) |
| Weighted-average diluted shares outstanding          | 55.1                | 55.5                   |               |
| <b>Adjusted EPS<sup>(4)</sup></b>                    | \$2.30              | \$2.15 – \$2.26        | (7%) – (2)%   |
| <b>Adj. EBITDA<sup>(4)</sup></b>                     | \$176.2             | \$188.0 – \$196.0      | 7% – 11%      |
| % of revenue   | 22.1%               | 21.9% – 22.1%          |               |

Notes

(1) FY20 figures are as reported in the Company's earnings release dated August 4, 2020. The full fiscal period ended July 3, 2020 included \$15.5M, or \$0.28 per share, of discrete tax benefits, other non-operating investment income, respectively.

(2) The guidance included herein from the Company's earnings release dated August 4, 2020. Guidance assumes no major supply chain disruptions, extended facility shutdowns or material change in customer behavior or demand. For purposes of modeling and guidance, we have assumed no incremental restructuring, acquisition, other non-operating adjustments or non-recurring financing.

(3) The effective tax rate in the guidance included herein excludes discrete items.

(4) Non-GAAP, see reconciliation table.

(5) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day of June. References in this presentation the fourth quarter and full fiscal 2020 are to the 53-week period ended July 3, 2020, and to the first quarter of fiscal 2021 and fiscal 2021 are to the quarter ending October 2, 2020 and 53-week period ending July 2, 2021.

## Q1 FY21 guidance

| In \$ millions, except percentage and per share data | Q1 FY20 <sup>(1)</sup> | Q1 FY21 <sup>(2)(5)</sup> | CHANGE        |
|--|------------------------|---------------------------|---------------|
| <b>Revenue</b>                                       | \$177.3                | \$190.0 – \$205.0         | 7% – 16%      |
| <b>GAAP Net Income</b>                               | \$19.2                 | \$10.1 – \$12.3           | (47%) – (36%) |
| Effective tax rate <sup>(3)</sup>                    | (12%)                  | 26%                       |               |
| <b>GAAP EPS</b>                                      | \$0.35                 | \$0.18 – \$0.22           | (49%) – (37%) |
| Weighted-average diluted shares outstanding          | 55.1                   | 55.4                      |               |
| <b>Adjusted EPS<sup>(4)</sup></b>                    | \$0.45                 | \$0.43 – \$0.47           | (4%) – 4%     |
| <b>Adj. EBITDA<sup>(4)</sup></b>                     | \$36.7                 | \$38.0 – \$41.0           | 4% – 12%      |
| % of revenue   | 20.7%                  | 20.0%                     |               |

Notes

(1) Q1 FY20 figures are as reported in the Company's earnings release dated October 30, 2019. The first quarter of fiscal 2020 ended September 27, 2019 included \$6.8M, or \$0.12 per share, of discrete tax benefits and other non-operating investor income.

(2) The guidance included herein is from the Company's earnings release dated August 4, 2020. Guidance assumes no major supply chain disruptions, extended facility shutdowns or material change in customer behavior or demand. For purposes of modeling and guidance, we have assumed no incremental restructuring, acquisition, other non-operating adjustments or non-recurring financing.

(3) The effective tax rate in the guidance included herein excludes discrete items.

(4) Non-GAAP, see reconciliation table.

(5) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day of June. references in this presentation the fourth quarter and full fiscal 2020 are to the 53-week period ended July 3, 2020, and to the first quarter of fiscal 2021 and fiscal 2021 are to the quarter ending October 2, 2020 and 52 week period ending July 2, 2021.

## Summary

- Record financial performance in Q4 and FY20 while managing through COVID-19
- Record revenue, net income, adjusted EBITDA, EPS and adjusted EPS
- Expecting another strong year in FY21 with strong organic revenue growth
- Well positioned with a flexible capital structure to continue to deploy capital towards strategic M&A
- Executing on our long-term financial model with above industry average organic revenue growth coupled with adjusted EBITDA margin expansion





# APPENDIX

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## Adjusted EPS reconciliation

| (In thousands, except per share data)               | Q4 FY19          | Q4 FY20          | FY19             | FY20              | Q1 FY21 <sup>(2)(4)</sup> |                  | FY21 <sup>(2)(4)</sup> |                   |
|---|------------------|------------------|------------------|-------------------|---------------------------|------------------|------------------------|-------------------|
|   |                  |                  |                  |                   | Low                       | High             | Low                    | High              |
| Earnings per share <sup>(1)</sup>                   | \$ 0.25          | \$ 0.49          | \$ 0.96          | \$ 1.56           | \$ 0.18                   | \$ 0.22          | \$ 1.23                | \$ 1.34           |
| <b>Net Income</b>                                   | <b>\$12,804</b>  | <b>\$ 27,224</b> | <b>\$46,775</b>  | <b>\$ 85,712</b>  | <b>\$ 10,100</b>          | <b>\$ 12,300</b> | <b>\$ 68,500</b>       | <b>\$ 74,400</b>  |
| Other non-operating adjustments, net <sup>(3)</sup> | \$ 519           | (2,250)          | 364              | (5,636)           | -                         | -                | -                      | -                 |
| Amortization of intangible assets                   | 7,008            | 7,701            | 27,914           | 30,560            | 7,700                     | 7,700            | 30,300                 | 30,300            |
| Restructuring and other charges                     | (13)             | (10)             | 560              | 1,805             | -                         | -                | -                      | -                 |
| Impairment of long-lived assets                     | -                | -                | -                | -                 | -                         | -                | -                      | -                 |
| Acquisition and financing costs                     | 7,036            | 636              | 9,628            | 5,645             | 800                       | 800              | 3,100                  | 3,100             |
| Fair value adjustments from purchase accounting     | -                | 601              | 713              | 1,801             | -                         | -                | -                      | -                 |
| Litigation and settlement expense, net              | 19               | 315              | 344              | 944               | -                         | -                | -                      | -                 |
| COVID related expenses <sup>(4)</sup>               | -                | 2,196            | -                | 2,593             | 2,200                     | 2,200            | 2,200                  | 2,200             |
| Stock-based and other non-cash compensation expense | 4,626            | 7,640            | 19,621           | 26,972            | 8,000                     | 8,000            | 33,300                 | 33,300            |
| Impact to income taxes <sup>(5)</sup>               | (7,738)          | (4,293)          | (16,630)         | (23,634)          | (4,800)                   | (4,800)          | (18,000)               | (18,000)          |
| <b>Adjusted income</b>                              | <b>\$ 24,261</b> | <b>\$ 39,760</b> | <b>\$ 89,289</b> | <b>\$ 126,762</b> | <b>\$ 24,000</b>          | <b>\$ 26,200</b> | <b>\$ 119,400</b>      | <b>\$ 125,300</b> |
| <b>Adjusted earnings per share<sup>(1)</sup></b>    | <b>\$ 0.48</b>   | <b>\$ 0.72</b>   | <b>\$ 1.84</b>   | <b>\$ 2.30</b>    | <b>\$ 0.43</b>            | <b>\$ 0.47</b>   | <b>\$ 2.15</b>         | <b>\$ 2.26</b>    |
| Weighted-average shares outstanding:                |                  |                  |                  |                   |                           |                  |                        |                   |
| Basic   | 49,835           | 54,637           | 47,831           | 54,546            |                           |                  |                        |                   |
| Diluted   | 50,655           | 55,259           | 48,500           | 55,115            | 55,400                    | 55,400           | 55,500                 | 55,500            |

### Notes

- (1) Per share information is presented on a fully diluted basis.
- (2) Rounded amounts used.
- (3) Effective as of the third quarter of fiscal 2020, the Company has revised its definition of adjusted income and adjusted earnings per share to incorporate other non-operating adjustments, which includes gains or losses on foreign currency remeasurement, investments and fixed asset sales or disposals among other adjustments. Adjusted EPS for prior periods has been recast for comparative purposes.
- (4) Effective as of the third quarter of fiscal 2020, the Company has added back incremental COVID-related expenses.
- (5) 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.
- (6) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day in June. All references in this presentation to the fourth quarter and full fiscal 2020 are to the 53-week period ended July 3, 2020, and to the first quarter of fiscal 2021 and full fiscal 2021 are to the quarter ending October 2, 2020 and 52-week period ending July 2, 2021.

## Adjusted EBITDA reconciliation

| (In thousands)                                      | Q4 FY19          | Q4 FY20          | FY19              | FY20              | Q1 FY21 <sup>(2)(3)</sup> |                  | FY21 <sup>(2)(3)</sup> |                   |
|---|------------------|------------------|-------------------|-------------------|---------------------------|------------------|------------------------|-------------------|
|   |                  |                  |                   |                   | Low                       | High             | Low                    | High              |
| <b>Net Income</b>                                   | <b>\$12,804</b>  | <b>\$ 27,224</b> | <b>\$ 46,775</b>  | <b>\$ 85,712</b>  | <b>\$ 10,100</b>          | <b>\$ 12,300</b> | <b>\$ 68,500</b>       | <b>\$ 74,400</b>  |
| Other non-operating adjustments, net <sup>(1)</sup> | 519              | (2,250)          | 364               | (5,636)           | -                         | -                | -                      | -                 |
| Interest expense (income), net                      | 1,591            | 754              | 8,177             | (1,145)           | (100)                     | (100)            | (300)                  | (300)             |
| Income tax (benefit) provision                      | (217)            | (234)            | 12,752            | 8,221             | 3,500                     | 4,300            | 24,100                 | 26,200            |
| Depreciation  | 4,554            | 5,050            | 18,478            | 18,770            | 5,800                     | 5,800            | 26,800                 | 26,800            |
| Amortization of intangible assets                   | 7,008            | 7,701            | 27,914            | 30,560            | 7,700                     | 7,700            | 30,300                 | 30,300            |
| Restructuring and other charges                     | (13)             | (10)             | 560               | 1,805             | -                         | -                | -                      | -                 |
| Impairment of long-lived assets                     | -                | -                | -                 | -                 | -                         | -                | -                      | -                 |
| Acquisition and financing costs                     | 7,036            | 636              | 9,628             | 5,645             | 800                       | 800              | 3,100                  | 3,100             |
| Fair value adjustments from purchase accounting     | -                | 601              | 713               | 1,801             | -                         | -                | -                      | -                 |
| Litigation and settlement expense, net              | 19               | 315              | 344               | 944               | -                         | -                | -                      | -                 |
| COVID related expenses <sup>(4)</sup>               | -                | 2,196            | -                 | 2,593             | 2,200                     | 2,200            | 2,200                  | 2,200             |
| Stock-based and other non-cash compensation expense | 4,626            | 7,640            | 19,621            | 26,972            | 8,000                     | 8,000            | 33,300                 | 33,300            |
| <b>Adjusted EBITDA</b>                              | <b>\$ 37,927</b> | <b>\$ 49,623</b> | <b>\$ 145,326</b> | <b>\$ 176,242</b> | <b>\$ 38,000</b>          | <b>\$ 41,000</b> | <b>\$ 188,000</b>      | <b>\$ 196,000</b> |

Notes

(1) As of July 1, 2018, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency remeasurement, investments and fixed asset sales or disposals among other adjustments.

(2) Rounded amounts used.

(3) Effective as of July 1, 2019, the Company's fiscal year has changed to the 52-week or 53-week period ending on the Friday closest to the last day in June. All references in this presentation to the fourth quarter and full fiscal 2020 are to the 53-week period ended July 3, 2020, and to the first quarter of fiscal 2021 and full fiscal 2021 are to the quarter ending October 2, 2020 and 52-week period ending July 2, 2021.

(4) Effective as of the third quarter of fiscal 2020, the Company has added back incremental COVID related expenses.

## Free cash flow reconciliation

| (In thousands)                        | Q4 FY19          | Q4 FY20          | FY19             | FY20             |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Cash provided by operating activities | \$ 25,969        | \$ 28,726        | \$ 97,517        | \$ 115,184       |
| Purchases of property and equipment   | (8,829)          | (11,506)         | (26,691)         | (43,294)         |
| <b>Free cash flow</b>                 | <b>\$ 17,140</b> | <b>\$ 17,220</b> | <b>\$ 70,826</b> | <b>\$ 71,890</b> |

## Organic revenue reconciliation

| (In thousands)                 | Q4 FY19           | Q4 FY20           | FY19              | FY20              |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| Organic revenue <sup>(1)</sup> | \$ 174,899        | \$ 205,463        | \$ 641,209        | \$ 732,572        |
| Acquired revenue               | 2,064             | 11,941            | 13,535            | 64,038            |
| <b>Net revenues</b>            | <b>\$ 176,963</b> | <b>\$ 217,404</b> | <b>\$ 654,744</b> | <b>\$ 796,610</b> |

### Notes

(1) Organic revenue represents total company revenue excluding net revenue from acquisitions for the first four full quarters since the entities' acquisition date (which excludes any intercompany transactions). After the completion of four fiscal quarters, acquired businesses are treated as organic for current and comparable historical periods.

