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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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FORM 8-K

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

Date of report (Date of earliest event reported): December 21, 2017

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

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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)

1810  
(Zip Code)

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

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

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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 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

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## **Item 1.01 Entry into a Material Definitive Agreement.**

On December 21, 2017, Mercury Systems, Inc. (“Mercury”) and Thunderbird Merger Sub, Inc., a newly formed, wholly-owned subsidiary of Mercury (the “Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Ceres Systems (“Ceres”), the holding company that owns Themis Computer (“Themis”, and together with Ceres, collectively the “Acquired Company”), and Ronald Buckley and Andrew Swart, as the shareholders’ representatives. Pursuant to the Merger Agreement, the Merger Sub will merge with and into Ceres with Ceres continuing as the surviving company and a wholly-owned subsidiary of Mercury (the “Merger”). By operation of the Merger, Mercury will acquire both Ceres and its wholly-owned subsidiary, Themis.

Based in Fremont, California, Themis is a leading designer and manufacturer of commercial, SWaP-optimized rugged servers, computers, and storage systems for U.S. and international defense programs.

Under the terms of the Merger Agreement, the merger consideration (including payments with respect to outstanding stock options) will consist of an all cash purchase price of \$180.0 million, without interest. The merger consideration is subject to post-closing adjustments based on a determination of closing net working capital, transaction expenses and net debt (all as defined in the Merger Agreement). A related escrow agreement establishes an escrow amount of \$1.5 million in respect of post-closing adjustments owed to Mercury.

The Merger Agreement contains customary representations and warranties of Mercury and the Acquired Company, which are qualified by confidential disclosures. Each party has agreed to various covenants and agreements, including, among others, in the case of the Acquired Company, to conduct its business in the ordinary course of business during the period between the execution of the Merger Agreement and the completion of the Merger. The Merger Agreement also provides that the equityholders of Ceres will indemnify Mercury for certain liabilities associated with the Acquired Company subject to various limitations, including, among other things, deductibles, caps, and time limitations. The related escrow agreement establishes an indemnity escrow amount of \$0.9 million to support indemnity claims by Mercury. Mercury has also obtained representation and warranty insurance (the “RWI Policy”) which provides coverage for certain breaches of representations and warranties made by the Acquired Company in the Merger Agreement, subject to exclusions, deductibles, and other terms and conditions.

The obligation of the parties to close the Merger is subject to customary closing conditions, including, among others, (i) the receipt of antitrust clearance in the United States, (ii) the absence of legal restraints or prohibitions, (iii) the RWI Policy being in effect, (iv) that 90% of the outstanding shares of Ceres have approved the principal terms of the Merger, and (v) the other party’s representations and warranties being true and correct (subject to certain materiality exceptions) in all material respects and the other party having performed in all material respects its obligations under the Merger Agreement.

The Merger Agreement may be terminated in certain circumstances, including, among other reasons, if the Merger has not been consummated by May 21, 2018, if a governmental authority restrains the Merger by law or order, the parties shall have failed to obtain all necessary governmental approvals, or if either Mercury or Ceres breaches its representations and warranties or its pre-closing covenants in a manner that would cause a failure of closing conditions to be satisfied (subject to a 30-day cure period).

On the same date, certain equityholders of Ceres entered into an Equityholder Support and Restrictive Covenants Agreement in favor of Mercury, in which shareholders holding over 90% of the outstanding shares (on an as-converted basis) of Ceres agreed to support the Merger and not to support any competing transaction, and not to transfer their shares in Ceres. In addition, certain shareholders of Ceres and officers and directors of the Acquired Companies have agreed to certain restrictive covenants.

Mercury expects to fund the Merger through its existing \$400 million revolving credit facility.

The foregoing description of the Merger Agreement is included to provide you with information regarding its terms. It does not purport to be a complete description and is qualified in its entirety by reference to the full text of the Merger

Agreement, a copy of which Mercury expects to file with or prior to its Quarterly Report on Form 10-Q for the quarter ending December 31, 2017.

**Item 7.01 Regulation FD Disclosure.**

On December 21, 2017, Mercury issued a press release announcing that it has signed the Merger Agreement for the proposed Merger. In addition, Mercury has provided presentation materials that discuss Themis and the strategic rationale for the Merger. The press release is furnished as Exhibit 99.1 hereto and the presentation materials are furnished as Exhibit 99.2 hereto. The information provided in Item 7.01 of this Current Report on Form 8-K and in the attached Exhibits 99.1 and 99.2 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, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 99.1               | Press Release of Mercury Systems, Inc. dated December 21, 2017          |
| 99.2               | Investor Presentation for Mercury Systems, Inc. dated December 21, 2017 |

**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: December 21, 2017

MERCURY SYSTEMS, INC.

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

## Exhibit Index

| Exhibit No. | Description   |
|-------------|---|
| 99.1        | <a href="#">Press Release of Mercury Systems, Inc. dated December 21, 2017</a>          |
| 99.2        | <a href="#">Investor Presentation for Mercury Systems, Inc. dated December 21, 2017</a> |

**FOR IMMEDIATE RELEASE****News Release****Mercury Systems To Acquire Themis Computer**

- *Creates platform to further penetrate C4I market*
- *Broadens Mercury's capabilities in rugged servers and tactical cloud computing solutions*
- *Expands Mercury's Navy and Army C4I program portfolio and customer footprint*
- *Leverages Mercury's investments in industry-leading embedded security capabilities*

**ANDOVER, Mass. – Dec. 21, 2017** – Mercury Systems, Inc. (NASDAQ: MRCY, [www.mrcy.com](http://www.mrcy.com)) today announced that it has signed a definitive agreement to acquire Themis Computer (Themis). Based in Fremont, Calif., Themis is a leading designer, manufacturer and integrator of commercial, SWaP-optimized rugged servers, computers and storage systems for U.S. and international defense programs.

Pursuant to the terms of the agreement, Mercury will acquire Themis for an all cash purchase price of \$180 million, subject to net working capital and net debt adjustments. The acquisition and associated transaction expenses are expected to be funded through Mercury's existing revolving credit facility.

Themis is on a rapid growth trajectory supported by a number of key design wins that are transitioning to production, and is currently expected to generate revenue of approximately \$57 million for its fiscal year ending December 31, 2017 with adjusted EBITDA margins of approximately 23%. The acquisition is expected to be immediately accretive to adjusted EPS.

"The acquisition of Themis is consistent with our strategy and will expand our position in the growing Command, Control, Communications, Computers and Intelligence (C4I) market," said Mark Aslett, Mercury's President and Chief Executive Officer. "We view Themis as a platform for accelerating our growth organically and through future acquisitions. With a large installed base and designed-in as a sole-source provider of rugged, rack-mounted servers for some of the largest Navy and Army server programs in the U.S. Department of Defense (DoD), Themis complements Mercury's presence in those areas. In addition to accelerating our efforts to penetrate the C4I market we believe we can offer additional capabilities, most notably our industry-leading security IP portfolio, to Themis' customers to meet their unique requirements and growing demand for secure and trusted computing."

"In summary, Themis is a strategic platform acquisition that will enable us to continue penetrating the C4I market and provide important new capabilities for our customers. We look forward to the Themis team becoming part of the Mercury family," Aslett concluded.

The acquisition is subject to customary closing conditions, including approval pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The transaction is currently expected to close during Mercury's fiscal 2018 third quarter ending March 31, 2018.

For more information, visit [www.mrcy.com/acquisition](http://www.mrcy.com/acquisition) or contact Mercury at (866) 627-6951 or [info@mrcy.com](mailto:info@mrcy.com).

#### **About Themis Computer**

Located in heart of Silicon Valley, at Fremont, California, Themis builds environmentally resilient computing solutions that integrate the latest commercial technologies and minimize size, weight and power (SWaP) for mission critical applications. Dedicated to providing reliable high performance computing platforms for military, aerospace, energy, and rugged commercial use; our products meet or exceed industry requirements, integrate the latest key technologies, and are proven to perform reliably under stress and in extreme environments. For more information, visit [www.themis.com](http://www.themis.com).

#### **Mercury Systems – Innovation That Matters™**

Mercury Systems (NASDAQ:MRCY) is a leading commercial provider of secure sensor and safety-critical processing subsystems. Optimized for customer and mission success, Mercury's solutions power a wide variety of critical defense and intelligence programs. Headquartered in Andover, Mass., Mercury is pioneering a next-generation defense electronics business model specifically designed to meet the industry's current and emerging technology needs. To learn more, visit [www.mrcy.com](http://www.mrcy.com).

#### **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 acquisition described herein. You can identify these statements by the use of the words "may," "will," "could," "should," "would," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," "likely," "forecast," "probable," "potential," and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in the Company's markets, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in, or in the U.S. Government's interpretation of, federal export control or procurement rules and regulations, market acceptance of the Company's products, shortages in components, production delays 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 cyber-security regulations and requirements, increases in tax rates, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price service and system integration engagements, and various other factors beyond our control. These risks and uncertainties also include such additional risk factors as are discussed in the Company's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended June 30, 2017. 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:*  
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# Proposed Acquisition of Themis Computer

December 21, 2017



# Forward-looking safe harbor statement

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## 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 from continuing operations, and adjusted EPS which are non-GAAP financial measures. Adjusted EBITDA, adjusted income from continuing operations, 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, the presentation of adjusted EBITDA, adjusted income from continuing operations and adjusted EPS is not meant to be considered in isolation or as a substitute for financial information provided in accordance with GAAP. Management believes the adjusted EBITDA, adjusted income from continuing operations, and adjusted EPS 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.



# Agenda

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- Transaction overview
- Acquisition strategic rationale
- Review of acquired businesses
- Financial summary

# Transaction overview

Acquiring Themis Computer – a high-growth company specializing in C4I applications  
Strong organic growth driven by established positions on well-funded programs

Highly strategic acquisition consistent with Mercury's recent entry into C4I market  
Expected close in Q1 calendar 2018; Pro forma leverage of ~1.5x using existing revolver

Delivers growth with strong profitability and cash flows  
Acquired business ~\$57 mm estimated CY2017 revenue, ~23% adjusted EBITDA margin, pre-synergies

Cost synergies and achievable revenue synergies  
~\$1 mm expected annual run-rate cost synergies; numerous revenue opportunities

Immediately accretive to adjusted EPS; consistent with Mercury's target financial model  
Aligned with Mercury's target of 22 – 26% adjusted EBITDA



## Acquisition strategic rationale

- Creates platform to further penetrate C4I market organically and through future acquisitions
- Strengthens Mercury's position in rugged server market as well as small and custom form factor computers
- Significantly enhances ability to offer tactical cloud solutions, including high performance rugged computing, storage and security
- Expands Navy and Army program portfolio and customer footprint, with complementary positions and expansion opportunities using Mercury's well-developed channel
- Leverages Mercury's investment and capabilities in trusted computing

Highly aligned with our existing strategy and business






# Company snapshot

### Description

- Leader in the design, manufacture and integration of commercial, SWaP-optimized rugged servers, computers and storage systems for U.S. and international defense programs
- Products are used in C4I applications for key ground programs and are deployed on virtually every U.S. Navy surface ship and submarine
- Locations: Fremont, CA (HQ); Fairfax, VA; Eybens, France

### Key Services and Product Offerings

- Rugged rack-mount servers primarily for naval C2 applications 
- Small form-factor tactical computers and switches primarily for ground C2 applications 
- Integrated platforms for tactical cloud-based C2 applications 

### Key Customers























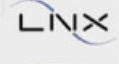





### Key Programs and Platforms

|  |       |   |                    |
|--|-------|---|--------------------|
|    | CPS   |    | Aegis              |
|   | JLTV  |   | Sub-surface        |
|  | WIN-T |  | CG, CVN, LHD Class |

# Continued market expansion in line with strategy

## Aerospace & Defense Platform and Systems Electronics Content

|   |   | C4I   |   |   | Sensor & Effector Mission Systems  |  |   |   |
|---|---|---|---|---|--|--|---|---|
|   |   | C2I   | Comms   | EW  | Radar  | EO/IR  | Acoustics   | Weapons   |
| 2018 Tier 2*<br>Market (\$B)<br><br>2018 Market (\$B)<br><br>Definition | <b>Platform &amp; Mission Mgmt</b><br><br>Avionics / Vetronics<br><br>Control & operation of platform & mission systems  | <br>Command & Control / Battle Management<br><br>Processing & exploitation of information  | <br>Dedicated Communications<br><br>Dissemination of information   | <br>Electronic Warfare<br><br>Offensive / defensive exploitation of EM spectrum  | <br>Radar<br><br>Use of RF signal to detect, track, ID | <br>Electro-Optical/Infrared<br><br>Thermo-graphic camera with video output | <br>Acoustics<br><br>Sound pulses to determine object location | <br>Missiles/ Munitions<br><br>Seekers, HEL, HPM<br>Naval Launched<br>Air Launched |
|   | <br><br> | <br><br> | <br><br> | <br><br><br><br><br><br> |    |    |   |   |

**Notes:**

\*Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Commercial Aerospace Markets

Sources: RSAAdvisors research & analysis

(1) Represents carve-out acquisition from Microsemi Corp.

# Consistent with past M&A transactions

~\$575mm of capital deployed in ~24 months

|                            |  |  |  |  |  |  |  |  |  |
|----------------------------|---|---|---|---|---|---|---|---|---|
| Acquisition Close Date     | Jan 2011  | Dec 2011  | Aug 2012  | Dec 2015  | May 2016  | Nov 2016  | Apr 2017  | Jul 2017  | Q3 FY18**   |
| Size                       | \$31mm  | \$70mm  | \$75mm  | \$10mm  | \$300mm   | \$39mm  | \$40.5mm  | Not Reported  | \$180mm   |
| Strong Strategic Rationale | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |
| Expand Addressable Market  | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |
| Revenue & Cost Synergies   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |
| Accretive in Short Term    | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |
| Seller                     | Founder   | Private Equity  | Public  | Founder   | Corporate Carve-out   | Private Equity  | Founder   | Founder   | Private Equity  |
| Sourcing                   | Proprietary Negotiated  | Proprietary Negotiated  | Targeted Auction  | Proprietary Negotiated  | Proprietary Negotiated  | Proprietary Negotiated  | Targeted Auction  | Proprietary Negotiated  | Targeted Auction  |

## Disciplined Approach to M&A

Learn Market

Add Capabilities

Scale Business

Leverage Channel

Maintain Conservative Balance Sheet

\* Represents carve-out acquisition from Microsemi Corp.  
 \*\* Projected transaction close



# Financial summary

## Purchase Price

- \$180 million purchase price
- ~13x 12/31/17E pro-forma LTM adjusted EBITDA, pre-synergies
- Estimated ~ 1 million of run-rate cost synergies

## Attractive Financial Profile

- Strong historical and projected revenue growth
- Aligned with Mercury's existing adjusted EBITDA margin target model
- Expected to be immediately accretive to Adjusted EPS

## Financing at Attractive Rates and Ample Liquidity

- Funded through existing unused revolving credit facility
- ~1.5x PF Net Debt / CY'17E EBITDA
- L+150 interest on revolver borrowings

## Expected Rapid Close

- Unanimously approved by each company's Board of Directors
- Subject to customary regulatory approvals
- Expected to close during Mercury's fiscal third quarter ending March 31, 2018



# Summary

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- Platform acquisition aligned with C4I market penetration strategy
- Access to new customers and programs
- Opportunities for cost and revenue synergies
- Accretive to Adj. EPS and aligned with Adj. EBITDA margin target
- Leverages balance sheet at low cost of capital
- Continued financial flexibility for additional acquisitions



