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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): February 8, 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.)

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

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

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

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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))
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**Item 7.01 Regulation FD Disclosure.**

The management of Mercury Systems, Inc. (“Mercury”) will present an overview of Mercury’s business on February 8-9, 2017 on a Midwest investor relations road show hosted by William Blair & Company. Attached as Exhibit 99.1 to this Current Report on Form 8-K (the “Report”) is a copy of the slide presentation to be made by Mercury on the road show.

This information is being furnished pursuant to Item 7.01 of this Report and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section and will not be incorporated by reference into any registration statement filed by Mercury under the Securities Act of 1933, as amended, unless specifically identified as being incorporated therein by reference. This Report will not be deemed an admission as to the materiality of any information in this Report that is being disclosed pursuant to Regulation FD.

Please refer to page 2 of Exhibit 99.1 for a discussion of certain forward-looking statements included therein and the risks and uncertainties related thereto, as well as the use of non-GAAP financial measures included therein.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u>                              |
|--------------------|---|
| 99.1               | Presentation materials dated February 8-9, 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: February 8, 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        | Presentation materials dated February 8-9, 2017 |

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# William Blair Midwest Road Show

**Mark Aslett**  
President and CEO

**Gerry Haines**  
Executive Vice President and CFO

**February 8-9, 2017**



# 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 fiscal 2017 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 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 export regulations, 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, 2016. 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 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. A reconciliation of GAAP to non-GAAP financial results discussed in this presentation is contained in the Appendix hereto.



# Pioneering a next generation defense electronics company...

- High-tech commercial business model
- Secure processing subsystems
- Serving defense Prime contractor outsourcing needs
- Deployed on 300+ programs with 25+ Prime contractors
- LTM 12/31/16<sup>(1)</sup>  
\$337M revenue;  
Growth YoY:
  - 39% revenue
  - 19% GAAP net income
  - 48% Adj. EBITDA
  - 56% backlog
- FY17 guidance<sup>(2)</sup>:
  - \$393M - \$400M revenue
  - \$19.4M - \$21.4M GAAP income
  - \$87.5M - \$90.5M Adj. EBITDA



...to address the industry's challenges and opportunities

# Investor highlights

|   |  |
|---|--|
| <b>Proven Management Team</b>                             | Successful business transformation.<br>Double-digit revenue growth with strong profitability                                 |
| <b>Leading Positions on Well-funded Platforms</b>         | Pure play aerospace and defense electronics company.<br>Embedded on key growth programs aligned to DoD priorities            |
| <b>Aligned with Industry Growth Drivers</b>               | Pacific pivot and third offset, aging platform modernization,<br>foreign and international military sales                    |
| <b>Next Generation Defense Electronics Business Model</b> | Internally-funded R&D. IP retention. Commercial sales model.<br>US development, manufacturing and support for secure systems |
| <b>Innovative Technology Leader</b>                       | Secure sensor processing, safety-critical mission processing and<br>platform management subsystems, software and services    |
| <b>Low Risk Growth Strategy</b>                           | Captive Prime outsourcing largest secular growth trend.<br>RF and secure processing content expansion on key DoD programs    |
| <b>Business Platform Built to Scale</b>                   | Scalable business, engineering and manufacturing platform<br>to facilitate future acquisitions                               |





# We are deployed on 300+ programs with 25+ Primes

|                                 |   |   |  |   |   |
|---------------------------------|---|---|--|---|---|
|                                 | F-16  | F-35  | Triton   | Patriot   | Aegis   |
| <b>RADAR</b>                    |  |  |  |  |  |
|                                 | F-15  | AH-64 Apache  | Global Hawk  | Badger/Buzzard  | SEWIP   |
| <b>EW</b>                       |  |  |  |  |  |
|                                 | F-16  | Reaper/Gorgon Stare   | F-35   | P-8 MMA   | KC-46   |
| <b>EO/IR – C4I</b>              |  |  |  |  |  |
|                                 | SDB II  | PGK   | MALD-J   | Paveway   | SM2/3/6   |
| <b>MISSILES &amp; MUNITIONS</b> |  |  |  |  |  |

**snc** SIERRA NEVADA CORPORATION

**Raytheon**

**NORTHROP GRUMMAN**

**BAE SYSTEMS**

**AIRBUS**

**LOCKHEED MARTIN**



communications



**GENERAL ATOMICS**



**BOEING**

**HARRIS**

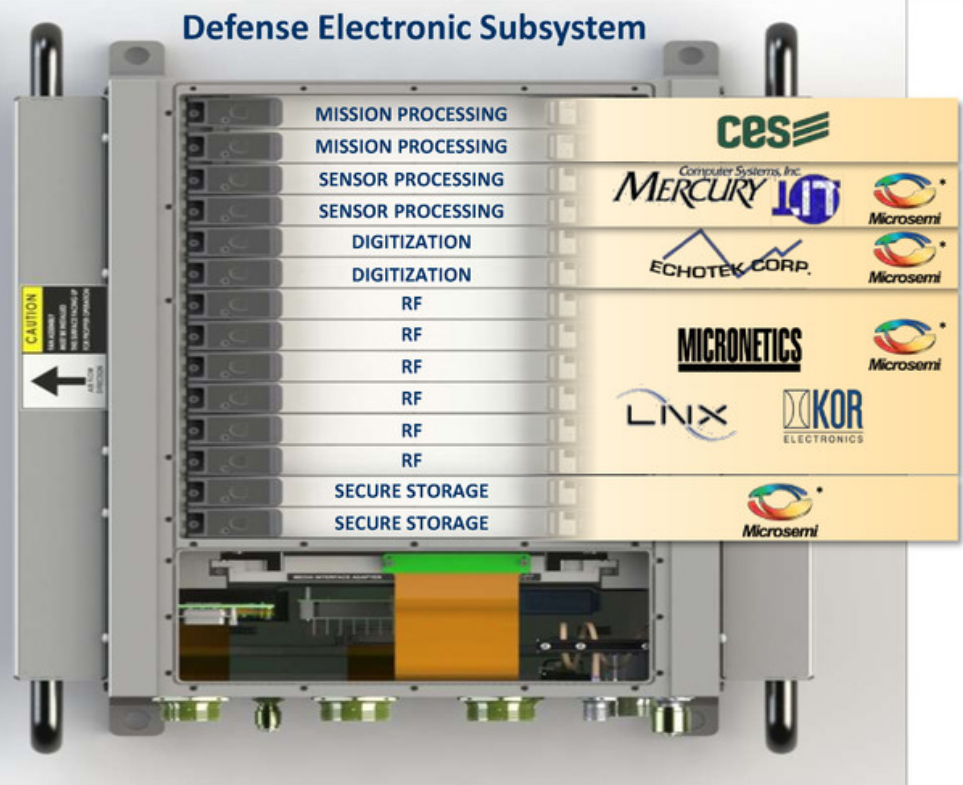
Mercury's vision is to be the...

Leading commercial provider  
of secure sensor and mission  
processing subsystems



# Acquisitions have transformed Mercury into a commercial...

- Acquired capabilities significantly expand addressable market
- Moved up the value chain
- Model facilitates greater customer outsourcing
- Accelerates customer supply chain consolidation
- Disintermediate traditional product competitors
- Low-risk, high-growth content expansion organic growth
- Future M&A opportunities



...provider of secure sensor and mission processing subsystems

# Five major trends shaping the defense industry



## **Political Dysfunction:**

Sequestration-driven cuts and repeated Continuing Resolutions disrupting DoD budget process and spending



## **Crowding Out of Defense Spending and Investment:**

Rising interest rates, healthcare and social spending; MilPer expense growth, aging military platforms' O&M costs rising



## **Defense Procurement Reform 3.0:**

Firm-fixed-price contracts and less government-funded R&D changing economics and competitive dynamics of defense industry



## **Industry Has Cut Capacity to Innovate:**

Reduced headcount, fewer engineers and aging workforce; Less IR&D and growth investments, increased dividends and buybacks



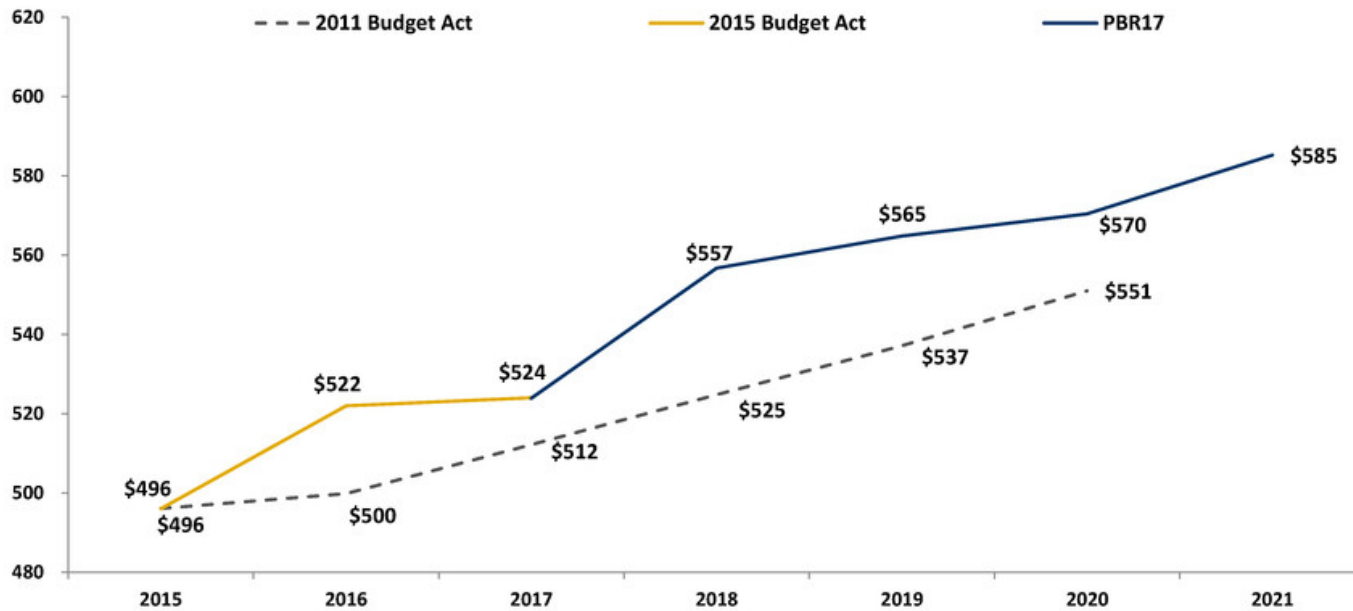
## **Challenging Global Security Environment:**

Resurgent Russia, Chinese militarization and power projection, ISIS threat, North Korean agitation, Middle East instability



# Defense budget outlook improved

## Topline Base Authorization Budget vs. BCA Caps & Bipartisan Budget Act Agreement (\$B)



Sources: National Defense Authorization Act of 2016, GFY2017 President's Budget Request. Both the House and Senate authorized President's requested \$524b for GFY17. Numbers may not add due to rounding.

## New administration expected to better support Defense



# Mercury's capabilities and opportunity for growth...



## **Pacific Pivot & Third Offset:**

Platforms need improved sensors, autonomy, electronic protection and attack, on-board exploitation. Greater demand for onboard processing



## **Aging Platform Modernization:**

Port customer software to available state-of-the-art open architectures to rapidly and affordably upgrade electronics on aging military platforms



## **International and Foreign Military Sales:**

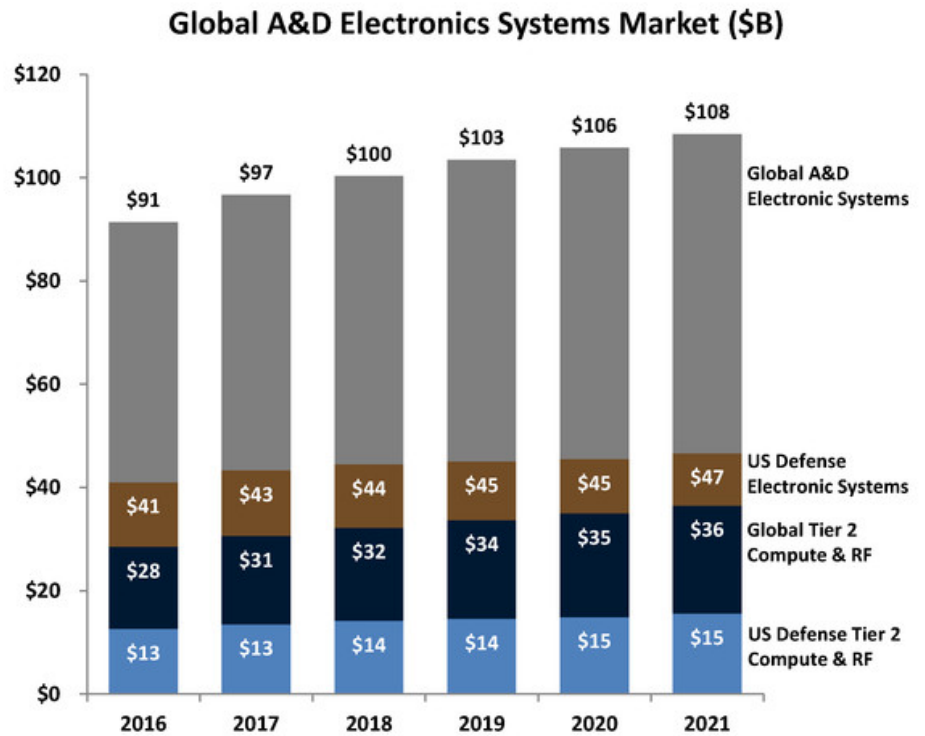
Upgrade subsystems with security for export to expand addressable market, grow revenues and access international customer R&D funding

...are aligned to DoD investment priorities



# Captive outsourcing by Defense prime contractors...

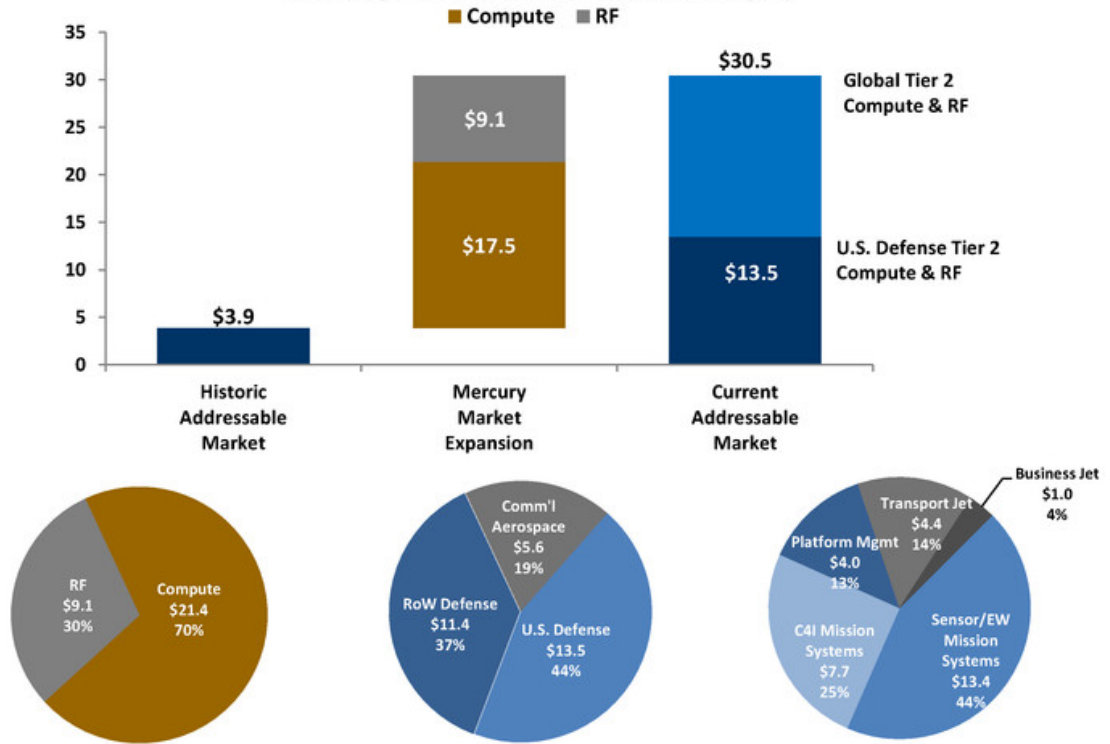
- 2017 A&D electronics is \$97 billion market
- US Defense is nearly half of total market at \$43B
- Global Tier 2 compute & RF \$31B; US \$13B
- Small percentage of Tier 2 compute & RF estimated to be currently outsourced
- Primes outsourcing to fewer but more capable suppliers willing to invest, share risk and rewards



...is the Defense industry's largest secular growth opportunity

# Mercury's addressable market increased ~8x supporting continued...

Mercury's Tier 2 Addressable Market (\$B)



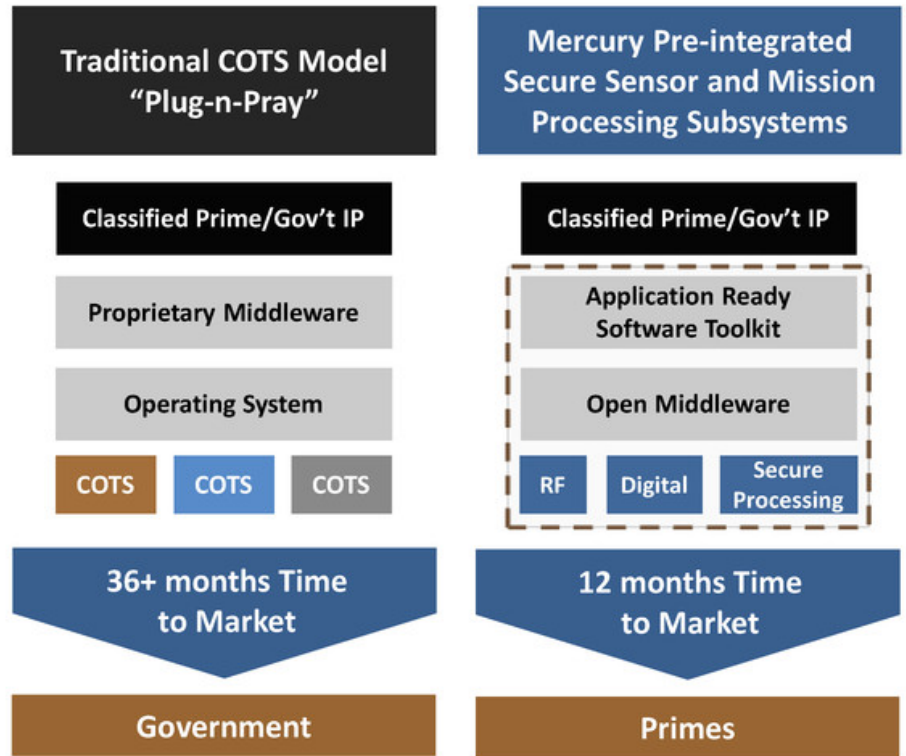
...above industry average growth, returns and future acquisitions





# Business model built for speed, innovation and affordability...

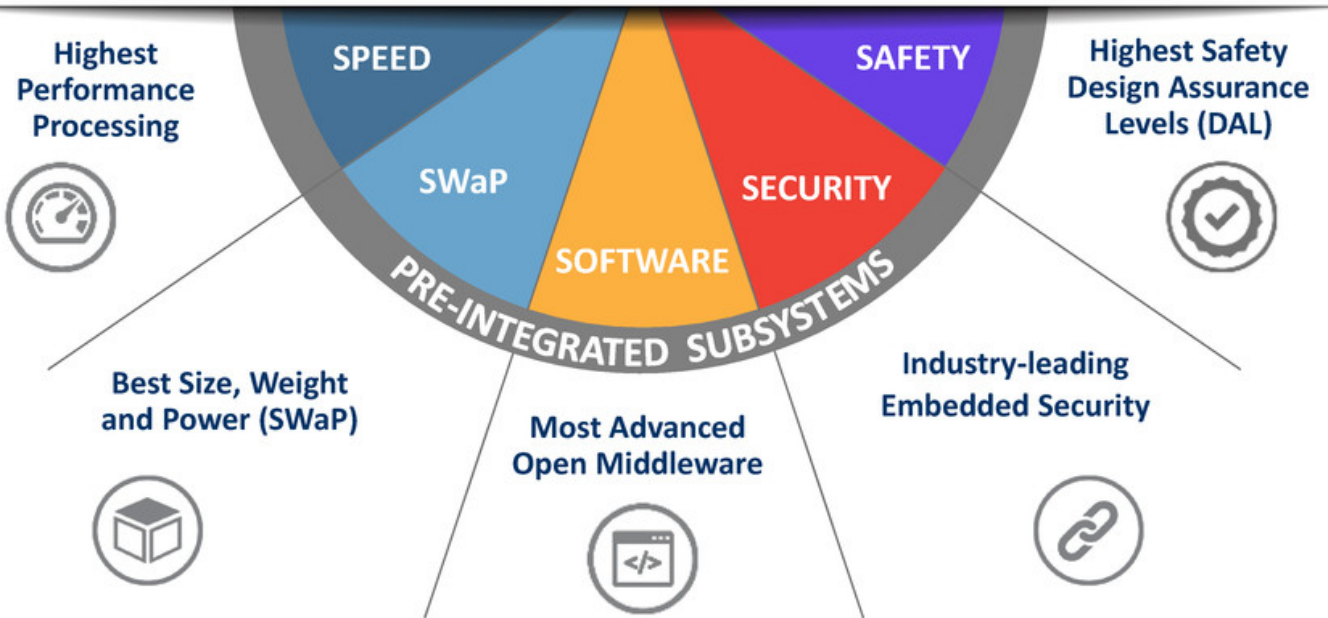
- Traditional COTS board model broken (“Plug-n-Pray”)
  - Product procurement cost low
  - Large hidden integration costs
  - Lower Prime IR&D spending
  - COTS lifecycle support difficult
- Defense procurement reform
  - Less Government-funded cost-plus integration
  - Under firm fixed price, Prime bears risk and expense
- Acquired and pre-integrating sensor chain technologies
  - More affordable, lower risk, simplifies supply chain
  - Open architectures and open middleware speed adoption



...as customers seek affordable outsourced pre-integrated subsystems

Only high-tech commercial company with the technology...

Safe and Secure Sensor and Mission Processing Solutions



...and domain expertise for secure sensor and mission processing

# We will continue to execute on a disciplined and focused M&A strategy

## Aerospace & Defense Platform Electronics Content

### Mission Systems

Platform Systems  
Platform Management

#### C4I / Mission Systems

#### Sensor / EW Mission Systems



Avionics / Vetronics

Control & operation of platform



\$9.3B  
4.8% CAGR  
'17-21



Command & Control / Battle Management

Processing & exploitation of information



\$3.3B  
2.5% CAGR  
'17-21



Dedicated Communications

Dissemination of information



\$4.5B  
4.1% CAGR  
'17-21



Electronic Warfare

Offensive & defensive exploitation of EM spectrum



\$5.1B  
5.8% CAGR  
'17-21



Radar

Use of RF signal to detect, track, and ID



\$5.7B  
4.1% CAGR  
'17-21



Electro Optical / Infrared

Thermographic camera which provides video output

\$1.9B  
5.1% CAGR  
'17-21



Acoustics

Sound pulses to determine object location

\$0.7B  
4.5% CAGR  
'17-21

Definition

2017 Tier 2\* Market \$B

Source: RSAAdvisors research & analysis

\*Tier 2 includes Embedded Computing and subsystems with RF content

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## Strategy and investments have positioned Mercury well

- Pioneering a next-generation defense electronics business model
- Unique technology and capabilities on key production programs
- Substantial total addressable market expansion enabling future growth
- Low-risk content expansion growth strategy with demonstrable progress
- Largest secular growth opportunity captive Prime outsourcing
- Above industry-average growth; dramatic improvement in profitability
- Business platform built to grow and scale through future acquisitions



## Financial Overview

Gerry Haines  
Executive Vice President & CFO



# The evolution of Mercury Systems

In millions, except percentage and per share data.

|             |                            | One Year Ago <sup>(2)</sup> | Today <sup>(3)</sup> | % Increase / (Decrease) |
|-------------|----------------------------|-----------------------------|----------------------|-------------------------|
| Valuation   | Share price                | \$19.09                     | \$33.72              | 77%                     |
|             | Market Capitalization      | \$665                       | \$1,383              | 108%                    |
|             | Enterprise Value           | \$583                       | \$1,528              | 162%                    |
| Operational | Revenue <sup>(1)</sup>     | \$243                       | \$337                | 39%                     |
|             | Adj. EBITDA <sup>(1)</sup> | \$50                        | \$74                 | 48%                     |
|             | Adj. EPS <sup>(1)</sup>    | \$0.91                      | \$1.06               | 16%                     |

**Notes:**

(1) LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks and Form 10-Qs.

(2) As of January 29, 2016, share data from Q2 2016 10-Q.

(3) As of January 31, 2017, share data from Q1 2017 10-Q.



# Mercury's financial profile puts it in a unique category

**1,027**

Companies

ALL NYSE AND NASDAQ COMPANIES WITH MARKET CAPITALIZATION BETWEEN \$750mm - \$3bn



EBITDA Margin  
>20% CY15

**~21%**  
Adj. EBITDA  
CY15

**22%**  
Adj. EBITDA  
CY16

**218**

Companies

Revenue CAGR  
>10% CY13-15

**~10%**  
CY13-15

**18%**  
CY13-16

**94**

Companies

LTM 9/30/2016  
Revenue  
Growth  
>25%

**~25%**  
LTM 9/30/2016

**39%**  
LTM 12/31/2016

**24**

Companies

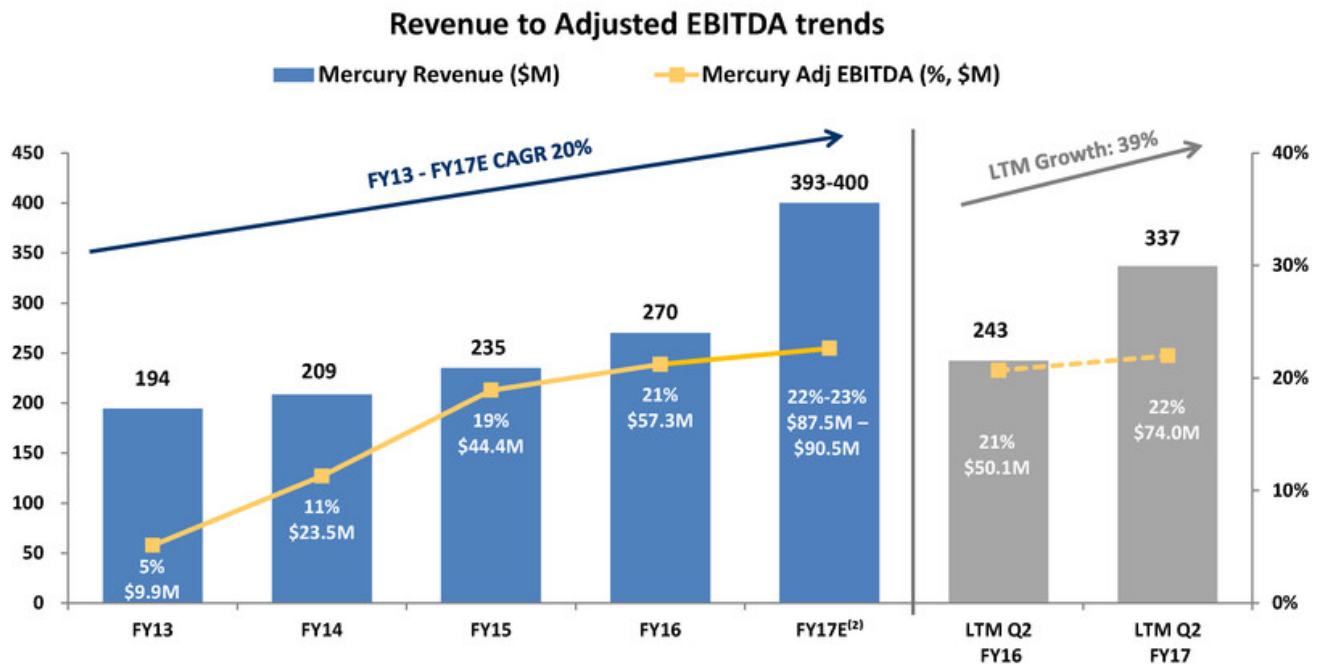
**Notes:**

- Source: FactSet; market data as of January 20, 2017.
- LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks and Form 10-Qs.
- Financials represent reported results and are not adjusted for acquisitions or divestitures.
- NASDAQ companies represent those that are U.S. listed.



# Strong revenue growth and operating leverage...

20% revenue and 73% Adj. EBITDA CAGR FY13-FY17E



**Notes:**

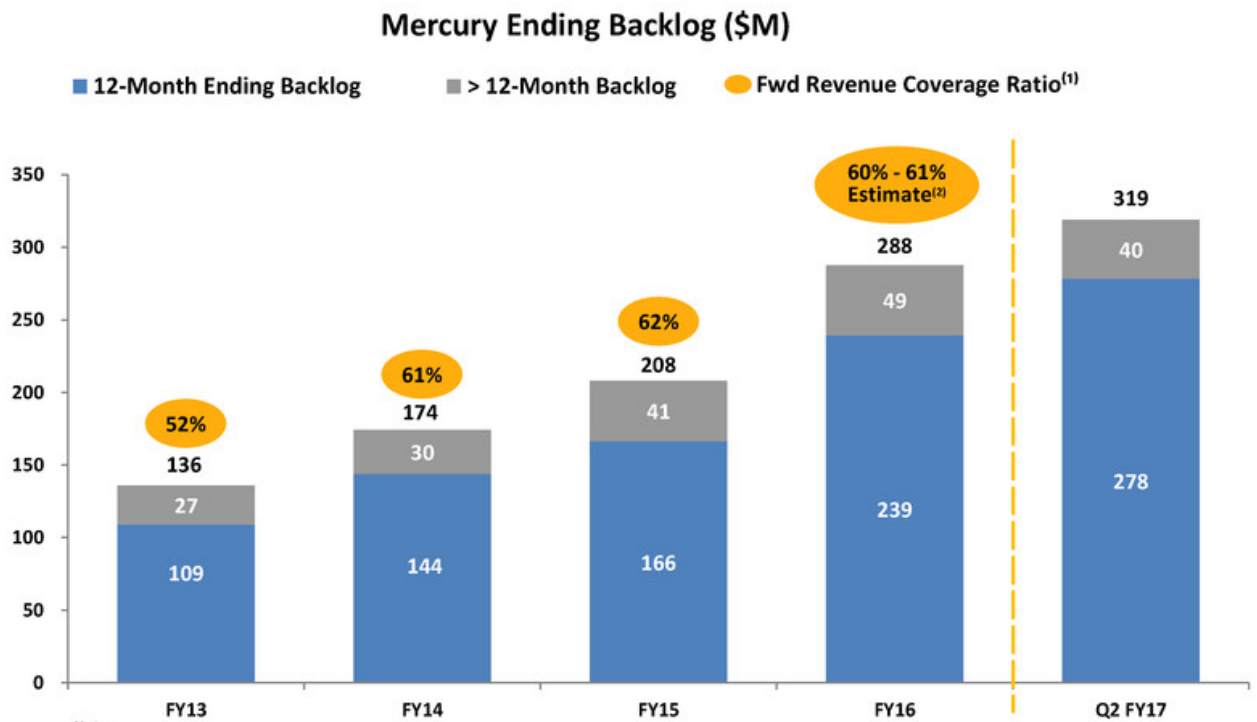
- (1) Fiscal years ended June 30; FY13-16 figures are as reported in the Company's Form 10-Ks.
- (2) Estimate based upon guidance from the Company's most recent earnings release. CAGR assumes revenue and Adj. EBITDA at the mid-point of the range.
- (3) LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks and Form 10-Qs.

...yielded dramatic growth in adjusted EBITDA





# FY13-FY16 backlog CAGR of 28%...



**Notes:**

- (1) Revenue Coverage Ratio = 12-month ending backlog/Next 12 months Revenue (or initial revenue estimate for current/future year).
- (2) Estimate based upon FY17 revenue guidance provided in the Company's most recent earnings release.

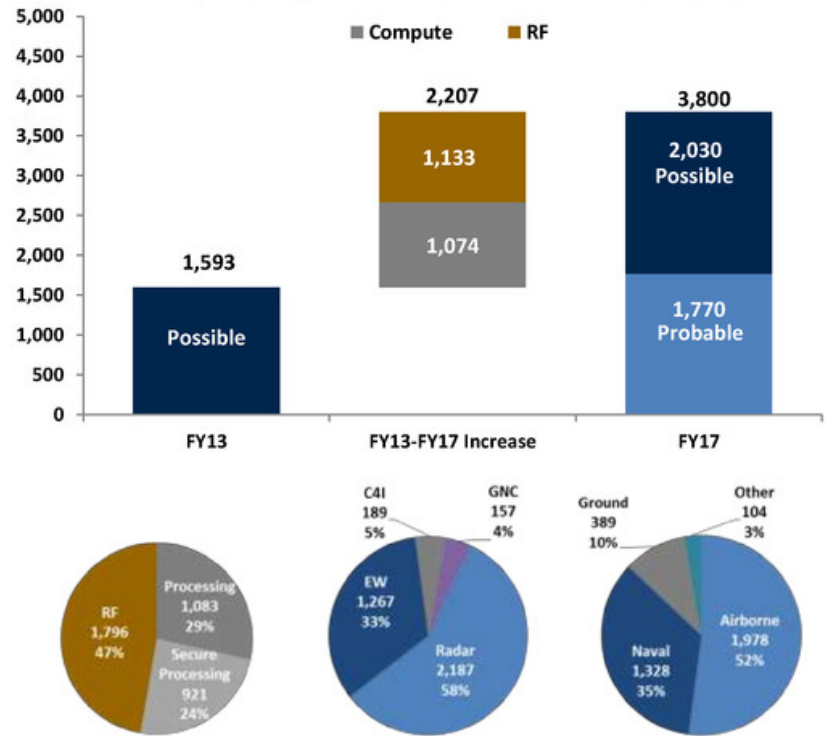
...yielded record backlog and revenue coverage exiting FY16



# Acquisitions and investments driving significant opportunity growth...

- Acquired businesses brought wide array of programs and capabilities
- Content expansion drives outsized growth
- New design wins have expanded program portfolio
- Result is expanded, diversified, growing base of programs and content
- Total potential value grew 2.4x to \$3.8B in 4 years
- Broader portfolio yields lower program risk

Top 30 Programs Estimated Lifetime Value (\$M)



...which in turn is driving strong actual results

**Note:** Refer to Appendix for definitions of "Probable" and "Possible". Probable and Possible values are as of the beginning of the referenced fiscal year. Numbers are rounded.

# Strong LTM performance

39% revenue and 48% adjusted EBITDA growth YoY

| <i>In millions, except percentage and per share data</i>                         | LTM Q2FY16    | LTM Q2FY17 <sup>(2)</sup> | Change        |
|--|---------------|---------------------------|---------------|
| Backlog  | \$204.8       | \$318.8                   | 56%           |
| Revenue  | \$242.5       | \$337.0                   | 39%           |
| Gross Margin <sup>(2)</sup>  | 48%           | 46%                       | (2) pts       |
| Operating Expenses <sup>(2)</sup><br>Adjusted OpEx (% of revenue) <sup>(3)</sup> | \$93.6<br>37% | \$129.2<br>37%            | 38%<br>(0) pt |
| GAAP Income <sup>(4)</sup>   | \$18.7        | \$20.9                    | 11%           |
| GAAP EPS   | \$0.56        | \$0.55                    | (2%)          |
| Adjusted EPS <sup>(5)</sup>  | \$0.91        | \$1.05                    | 16%           |
| Adj. EBITDA <sup>(5)</sup>   | \$50.1        | \$74.0                    | 48%           |

**Notes:**

(1) LTM figures are based on the trailing four fiscal quarters using information reported in the Company's Form 10-Ks and Form 10-Qs, except as noted below.

(2) LTM Q2FY17 was adjusted in Q3FY16 for the subsequent reclassification of \$0.9M of sustaining engineering expenses from Cost of Revenues to Research and Development.

(3) Excludes \$3.6M of restructuring and acquisition costs and other related expenses from GAAP operating expenses in LTM Q2 FY16 and \$4.5M in LTM Q2 FY17.

(4) LTM Q2FY17 was adjusted in Q3FY16 for the adoption of FASB ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The tax benefit (provision) was (\$0.2M), (\$0.2M) and \$0.00 for GAAP income from continuing operations, tax provision (benefit) and GAAP EPS, respectively.

(5) Non-GAAP, see reconciliation table.



## Q2 FY17 vs. Q2 FY16

| <i>In millions, except percentage and per share data</i> | Q2FY16 <sup>(1)</sup> | Q2FY17 <sup>(1)</sup> | Change |
|--|-----------------------|-----------------------|--------|
| Revenue  | \$60                  | \$98                  | 63%    |
| Gross Margin   | 49%                   | 48% <sup>(2)</sup>    | (1)pt  |
| Operating Expenses                                       | \$23.4                | \$38.4                | 64%    |
| GAAP Income  | \$5.0                 | \$5.2                 | 4%     |
| GAAP EPS   | \$0.15                | \$0.13                | (13%)  |
| Adjusted EPS <sup>(3)</sup>                              | \$0.23                | \$0.30                | 30%    |
| Adj. EBITDA <sup>(3)</sup>                               | \$12.6                | \$23.0                | 83%    |

**Notes:**

(1) Q2FY16 figures are as reported in the Company's Form 10-Q and Q2FY17 figures are as reported in the Company's most recent earnings release.

(2) Includes \$0.9 million negative impact of inventory valuation step-up from purchase accounting.

(3) Non-GAAP, see reconciliation table.



## Q3 FY17 guidance vs. Q3 FY16 actual

| <i>In millions, except percentage and per share data</i> | <b>Q3FY16</b> | <b>Q3FY17<sup>(1)</sup></b> | <b>Change</b> |
|--|---------------|-----------------------------|---------------|
| <b>Revenue</b>   | \$66          | \$103 - \$107               | 56% - 62%     |
| <b>Gross Margin<sup>(2)</sup></b>                        | 48%           | 47% - 47% <sup>(3)</sup>    | (1)pt - 0pt   |
| <b>Operating Expenses<sup>(2)</sup></b>                  | \$24.6        | \$38.1 - \$38.5             | 55% - 57%     |
| <b>GAAP Income<sup>(4)</sup></b>                         | \$4.4         | \$5.6 - \$6.8               | 29% - 56%     |
| <b>GAAP EPS<sup>(4)</sup></b>                            | \$0.13        | \$0.14 - \$0.17             | 8% - 31%      |
| <b>Adjusted EPS<sup>(5)</sup></b>                        | \$0.25        | \$0.29 - \$0.32             | 16% - 28%     |
| <b>Adj. EBITDA<sup>(5)</sup></b>                         | \$14.6        | \$22.8 - \$24.7             | 57% - 70%     |

**Notes:**

- (1) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.
- (2) Q3FY16 figures are as reported in the Company's Form 10-Q and were adjusted for the reclassification of \$0.9M of sustaining engineering expenses from Cost of Revenues to Research and Development.
- (3) Includes \$0.3 million negative impact of inventory valuation step-up from purchase accounting.
- (4) Q3FY16 figure is as reported in the Company's Form 10-Q and was adjusted for the adoption of FASB ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The tax benefit (provision) was (\$0.2M), (\$0.2M) and \$0.00 for GAAP income from continuing operations, tax provision (benefit) and GAAP EPS, respectively.
- (5) Non-GAAP, see reconciliation table.



# FY17 annual guidance

| <i>In millions, except percentage and per share data</i> | <b>FY16<sup>(1)</sup></b> | <b>FY17<sup>(2)</sup></b> | <b>Change</b> |
|--|---------------------------|---------------------------|---------------|
| <b>Revenue</b>   | \$270                     | \$393 - \$400             | 45% - 48%     |
| <b>GAAP Income<sup>(3)</sup></b>                         | \$19.7                    | \$19.4 - \$21.4           | (2%) - 8%     |
| <b>GAAP EPS</b>  | \$0.56                    | \$0.49 - \$0.54           | (13%) - (4%)  |
| <b>Adjusted EPS<sup>(4)</sup></b>                        | \$0.96                    | \$1.09 - \$1.14           | 14% - 19%     |
| <b>Adj. EBITDA<sup>(4)</sup></b>                         | \$57.3                    | \$87.5 - \$90.5           | 53% - 58%     |

**Notes:**

(1) FY16 figures are as reported in the Company's Form 10-K.

(2) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(3) GAAP income from continuing operations.

(4) Non-GAAP, see reconciliation table.



## New target business model beginning FY17

|                             | FY15 <sup>(1)</sup> | FY16 <sup>(1)</sup> | FY17 <sup>(2)</sup> | New Target Business Model |
|-----------------------------|---------------------|---------------------|---------------------|---------------------------|
| Revenue                     | 100%                | 100%                | 100%                | 100%                      |
| Gross Margin <sup>(3)</sup> | 47%                 | 47%                 |                     | 45% - 50%                 |
| SG&A                        | 21%                 | 20%                 |                     | 16% - 18%                 |
| R&D <sup>(3)</sup>          | 14%                 | 13%                 |                     | 11% - 13%                 |
| Amortization                | 3%                  | 3%                  | ~5%                 | 4% - 5%                   |
| GAAP Income <sup>(4)</sup>  | 6%                  | 7%                  | 5% - 6%             | NA                        |
| Adj. EBITDA <sup>(5)</sup>  | 19%                 | 21%                 | 22% - 23%           | 22% - 26%                 |

**Notes:**

(1) FY15 and FY16 figures are as reported in the Company's Form 10-K, except as noted below in footnote 3.

(2) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(3) FY16 was adjusted for the subsequent reclassification of \$2.9M of sustaining engineering expenses from Cost of Revenues to Research and Development.

(4) GAAP income from continuing operations.

(5) Non-GAAP, see reconciliation table.



# Conservative balance sheet

Ample liquidity, unused \$100M credit facility, \$172M Universal Shelf capacity

| (In millions)                    | FY15<br>Actual | FY16<br>Actual     | Q2 FY17<br>Actual  |
|----------------------------------|----------------|--------------------|--------------------|
| <b>ASSETS</b>                    |                |                    |                    |
| Cash & cash equivalents          | 78             | 82                 | 46 <sup>(1)</sup>  |
| Accounts receivable, net         | 54             | 96                 | 97                 |
| Inventory, net                   | 32             | 58                 | 70                 |
| PP&E, net                        | 13             | 28                 | 39                 |
| Goodwill and intangibles, net    | 186            | 461                | 489                |
| Other                            | 24             | 12                 | 25                 |
| <b>TOTAL ASSETS</b>              | <b>387</b>     | <b>737</b>         | <b>766</b>         |
| <b>LIABILITIES AND S/E</b>       |                |                    |                    |
| AP and other liabilities         | 37             | 72                 | 90                 |
| Debt                             | 0              | 192 <sup>(2)</sup> | 191 <sup>(2)</sup> |
| <b>Total liabilities</b>         | <b>37</b>      | <b>264</b>         | <b>281</b>         |
| <b>Stockholders' equity</b>      | <b>350</b>     | <b>473</b>         | <b>485</b>         |
| <b>TOTAL LIABILITIES AND S/E</b> | <b>387</b>     | <b>737</b>         | <b>766</b>         |

Added \$216M via  
2/1/17 equity offering

**Notes:**

(1) Reflects use of approximately \$39 million in connection with acquisition of CES completed in Q2 of fiscal 2017.

Excludes \$216M of proceeds received from 2/1/17 equity offering.

(2) \$200 Term Loan A facility entered into on May 2, 2016 in connection with closing of Microsemi carve-out acquisition.





# We actively develop potential acquisition targets across all channels

|                            |   |    |    | ~\$350mm of capital deployed in 12 months |                        |                        |
|----------------------------|--|---|---|---|------------------------|------------------------|
|                            |  |  |  |   |                        |                        |
| Acquisition Close Date     | Jan 2011   | Dec 2011  | Aug 2012  | Dec 2015                                  | May 2016               | Nov 2016               |
| Size                       | \$31mm   | \$70mm  | \$75mm  | \$10mm                                    | \$300mm                | \$39mm                 |
| Strong Strategic Rationale | ✓  | ✓   | ✓   | ✓   | ✓                      | ✓                      |
| Expand Addressable Market  | ✓  | ✓   | ✓   | ✓   | ✓                      | ✓                      |
| Revenue & Cost Synergies   | ✓  | ✓   | ✓   | ✓   | ✓                      | ✓                      |
| Accretive in Short Term    | ✓  | ✓   | ✓   | ✓   | ✓                      | ✓                      |
| Seller                     | Founder  | Private Equity  | Public  | Founder                                   | Corporate Carve-out    | Private Equity         |
| Sourcing                   | Proprietary Negotiated   | Proprietary Negotiated  | Targeted Auction  | Proprietary Negotiated                    | Proprietary Negotiated | Proprietary Negotiated |

## Disciplined Approach to M&A

Learn Market

Add Capabilities

Scale Business

Leverage Channel

Maintain Conservative Balance Sheet

\* Represents carve-out acquisition from Microsemi Corp.

## Poised for continued, profitable growth

- Improved defense environment, fast-moving streams enhance opportunities
- Acquisitions have transformed top and bottom lines
- Broader base of larger, more diversified programs
- Record backlog enhances forward visibility, facilitates operational execution
- Sustained growth & profitability, above industry-averages
- Strong financial position supports organic growth and future M&A





# Appendix

# Q3 FY17 guidance (as of January 23rd)

| <i>In millions, except percentage and per share data</i>    | Q3 FY16 | Q3 FY17 <sup>(1)</sup> | YoY Change       |
|---|---------|------------------------|------------------|
|   | Actual  | Est. Range             |                  |
| <b>Revenue</b>  | \$66    | \$103 - \$107          | 56% - 62%        |
| <b>GAAP Income from continuing operations<sup>(2)</sup></b> | \$4.4   | \$5.6 - \$6.8          | 29% - 56%        |
| <b>Adj EBITDA<sup>(3)</sup></b>                             | \$14.6  | \$22.8 - \$24.7        | 57% - 70%        |
| <b><u>Adj EBITDA Adjustments:</u></b>                       |         |                        |                  |
| <b>Income (loss) from continuing operations</b>             | 4.4     | \$5.6 - \$6.8          |                  |
| Interest (income) expense, net                              | (\$0.0) | 1.7                    |                  |
| Tax provision (benefit) <sup>(2)</sup>                      | \$2.6   | \$3.0 - \$3.7          |                  |
| Depreciation  | \$1.6   | 3.5                    |                  |
| Amortization of intangible assets                           | \$1.8   | 4.7                    |                  |
| Restructuring and other charges                             | \$0.4   | 0.1                    |                  |
| Impairment of long-lived assets                             | \$0.0   | 0.0                    |                  |
| Acquisition and financing costs                             | \$1.7   | 0.1                    |                  |
| Fair value adjustments from purchase accounting             | \$0.0   | 0.3                    |                  |
| Litigation and settlement expenses                          | \$0.0   | 0.0                    |                  |
| Stock-based compensation expense                            | \$2.2   | 3.8                    |                  |
| <b>Adj EBITDA<sup>(3)</sup></b>                             | \$14.6  | \$22.8 - \$24.7        | 57% - 70%        |
| <b>GAAP EPS<sup>(2)</sup></b>                               | \$0.13  | \$0.14 - \$0.17        | \$0.01 to \$0.04 |
| <b>Adjusted EPS<sup>(3)</sup></b>                           | \$0.25  | \$0.29 - \$0.32        | \$0.04 to \$0.07 |

**Notes:**

(1) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(2) Q3FY16 figure is as reported in the Company's Form 10-Q and was adjusted for the adoption of FASB ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The tax benefit (provision) was (\$0.2M), (\$0.2M) and \$0.00 for GAAP income from continuing operations, tax provision (benefit) and GAAP EPS, respectively.

(3) Non-GAAP.

# FY17 guidance (as of January 23rd)

| <i>In millions, except percentage and per share data</i> | FY16   | FY17 <sup>(1)</sup> | YoY Change           |
|--|--------|---------------------|----------------------|
|  | Actual | Est. Range          |                      |
| Revenue  | \$270  | \$393 - \$400       | 46% - 48%            |
| GAAP Income from continuing operations                   | \$19.7 | \$19.4 - \$21.4     | (2%) - 8%            |
| Adj EBITDA <sup>(2)</sup>                                | \$57.3 | \$87.5 - \$90.5     | 53% - 58%            |
| <b>Adj EBITDA Adjustments:</b>                           |        |                     |                      |
| Income (loss) from continuing operations                 | 19.7   | \$19.4 - \$21.4     |                      |
| Interest (income) expense, net                           | 1.0    | 7.3                 |                      |
| Tax provision (benefit)                                  | 5.5    | \$7.2 - \$8.2       |                      |
| Depreciation   | 6.9    | 13.2                |                      |
| Amortization of intangible assets                        | 8.8    | 19.0                |                      |
| Restructuring and other charges                          | 1.2    | 0.7                 |                      |
| Impairment of long-lived assets                          | 0.2    | 0.0                 |                      |
| Acquisition and financing costs                          | 4.7    | 1.8                 |                      |
| Fair value adjustments from purchase accounting          | 1.4    | 3.5                 |                      |
| Litigation and settlement expenses                       | (1.9)  | 0.1                 |                      |
| Stock-based compensation expense                         | 9.6    | 15.3                |                      |
| Adj EBITDA <sup>(2)</sup>                                | \$57.3 | \$87.5 - \$90.5     | 53% - 58%            |
| GAAP EPS   | \$0.56 | \$0.49 - \$0.54     | (\$0.08) to (\$0.03) |
| Adjusted EPS <sup>(2)</sup>                              | \$0.96 | \$1.09 - \$1.14     | \$0.12 to \$0.17     |

**Notes:**

(1) The guidance included herein is from the Company's most recent earnings release and is as of the date of that release. The Company is neither reconfirming such guidance as of the date of this presentation nor assuming any obligations to update or revise such guidance. For purposes of modeling and guidance, we have assumed no restructuring, acquisition or financing-related expenses and an effective tax rate of approximately 35% in the period discussed.

(2) Non-GAAP.



# Adjusted EPS reconciliation

| (000's)  | FY13        | FY14       | FY15      | Q1 FY16  | Q2 FY16  | Q3 FY16  | Q4 FY16   | FY16      | Q1 FY17  | Q2 FY17   |
|--|-------------|------------|-----------|----------|----------|----------|-----------|-----------|----------|-----------|
| Diluted net earnings (loss) per share from continuing operations <sup>(1)(2)</sup> | \$ (0.46)   | \$ (0.13)  | \$ 0.44   | \$ 0.08  | \$ 0.15  | \$ 0.13  | \$ 0.19   | \$ 0.56   | \$ 0.10  | \$ 0.13   |
| Income (loss) from continuing operations   | \$ (13,782) | \$ (4,072) | \$ 14,429 | \$ 2,856 | \$ 5,040 | \$ 4,357 | \$ 7,489  | \$ 19,742 | \$ 3,819 | \$ 5,204  |
| Amortization of intangible assets  | 8,222       | 7,328      | 7,008     | 1,713    | 1,638    | 1,754    | 3,737     | 8,842     | 4,602    | 4,888     |
| Restructuring and other charges  | 7,060       | 5,443      | 3,175     | 338      | 221      | 409      | 272       | 1,240     | 297      | 69        |
| Impairment of long-lived assets  | -           | -          | -         | -        | 231      | -        | -         | 231       | -        | -         |
| Acquisition and financing costs  | 318         | -          | 451       | 2,298    | 25       | 1,725    | 653       | 4,701     | 553      | 1,114     |
| Fair value adjustments from purchase accounting                                    | 2,293       | -          | -         | -        | -        | -        | 1,384     | 1,384     | 2,077    | 870       |
| Litigation and settlement (income) expenses, net                                   | -           | -          | -         | -        | -        | -        | (1,925)   | (1,925)   | -        | 100       |
| Stock-based compensation expense   | 7,854       | 8,999      | 8,640     | 2,702    | 2,392    | 2,150    | 2,330     | 9,574     | 3,632    | 4,093     |
| Impact to income taxes <sup>(2)</sup>  | (8,776)     | (5,772)    | (6,733)   | (3,466)  | (1,722)  | (1,979)  | (2,808)   | (9,975)   | (6,085)  | (4,441)   |
| Adjusted income from continuing operations   | \$ 3,189    | \$ 11,926  | \$ 26,970 | \$ 6,441 | \$ 7,825 | \$ 8,416 | \$ 11,132 | \$ 33,814 | \$ 8,895 | \$ 11,897 |
| Diluted adjusted net earnings per share <sup>(1)</sup>                             | \$ 0.10     | \$ 0.37    | \$ 0.82   | \$ 0.19  | \$ 0.23  | \$ 0.25  | \$ 0.29   | \$ 0.96   | \$ 0.22  | \$ 0.30   |
| Weighted-average shares outstanding:   |             |            |           |          |          |          |           |           |          |           |
| Basic  | 30,128      | 31,000     | 32,114    | 32,778   | 33,120   | 33,251   | 37,811    | 34,241    | 38,865   | 39,151    |
| Diluted  | 30,128      | 31,000     | 32,939    | 33,616   | 33,831   | 33,991   | 38,954    | 35,097    | 39,865   | 39,985    |

**Notes:**

(1) Numbers shown are in cents.

(2) Upon the adoption of FASB ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, the Company recognized \$1,100 of excess tax benefits in FY16. The tax benefit (provision) impacts were \$896, \$247, \$(169), and \$126 for 1<sup>st</sup> quarter, 2<sup>nd</sup> quarter, 3<sup>rd</sup> quarter and 4<sup>th</sup> quarter in FY16, respectively. The GAAP EPS impacts were \$0.02, \$0.01, \$0.00, and \$(0.03) for 1<sup>st</sup> quarter, 2<sup>nd</sup> quarter, 3<sup>rd</sup> quarter and 4<sup>th</sup> quarter in FY16, respectively.



# Adjusted EBITDA reconciliation

| (000's)   | FY13            | FY14             | FY15             | Q1 FY16          | Q2 FY16          | Q3 FY16          | Q4 FY16          | FY16             | Q1 FY17          | Q2 FY17          |
|---|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Income (loss) from continuing operations <sup>(1)</sup> | \$ (13,782)     | \$ (4,072)       | \$ 14,429        | \$ 2,856         | \$ 5,040         | \$ 4,357         | \$ 7,489         | \$ 19,742        | \$ 3,819         | \$ 5,204         |
| Interest expense (income), net                          | 31              | 40               | 13               | (22)             | (21)             | (36)             | 1,120            | 1,041            | 1,782            | 1,888            |
| Tax provision (benefit) <sup>(1)</sup>                  | (10,501)        | (1,841)          | 4,366            | 368              | 1,433            | 2,642            | 1,101            | 5,544            | (1,259)          | 1,779            |
| Depreciation  | 8,445           | 7,625            | 6,332            | 1,588            | 1,620            | 1,565            | 2,127            | 6,900            | 2,718            | 2,966            |
| Amortization of intangible assets                       | 8,222           | 7,328            | 7,008            | 1,713            | 1,638            | 1,754            | 3,737            | 8,842            | 4,602            | 4,888            |
| Restructuring and other charges                         | 7,060           | 5,443            | 3,175            | 338              | 221              | 409              | 272              | 1,240            | 297              | 69               |
| Impairment of long-lived assets                         | -               | -                | -                | -                | 231              | -                | -                | 231              | -                | -                |
| Acquisition and financing costs                         | 318             | -                | 451              | 2,298            | 25               | 1,725            | 653              | 4,701            | 553              | 1,114            |
| Fair value adjustments from purchase accounting         | 2,293           | -                | -                | -                | -                | -                | 1,384            | 1,384            | 2,077            | 870              |
| Litigation and settlement (income) expenses, net        | -               | -                | -                | -                | -                | -                | (1,925)          | (1,925)          | -                | 100              |
| Stock-based compensation expense                        | 7,854           | 8,999            | 8,640            | 2,702            | 2,392            | 2,150            | 2,330            | 9,574            | 3,632            | 4,093            |
| <b>Adjusted EBITDA</b>                                  | <b>\$ 9,940</b> | <b>\$ 23,522</b> | <b>\$ 44,414</b> | <b>\$ 11,841</b> | <b>\$ 12,579</b> | <b>\$ 14,566</b> | <b>\$ 18,288</b> | <b>\$ 57,274</b> | <b>\$ 18,221</b> | <b>\$ 22,971</b> |

**Notes:**

(1) Upon the adoption of FASB ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, the Company recognized \$1,100 of excess tax benefits in FY16. The tax benefit (provision) impacts were \$896, \$247, \$(169), and \$126 for 1<sup>st</sup> quarter, 2<sup>nd</sup> quarter, 3<sup>rd</sup> quarter and 4<sup>th</sup> quarter in FY16, respectively.



# Sales-related definitions

|            |  |
|------------|--|
| Design Win | A design win means that the customer has selected us to provide services, products, or intellectual property for a program of record or equivalent. In addition, the customer has won the program and we have an initial purchase order from the customer.   |
| Possible   | Possible value is a projection based upon our current information and assumptions regarding the system configuration, systems or units utilized per platform or installation, current and potential future Design Wins, our average sales price for current and/or future content, the number of platforms, spares, and potential retrofits, as well as the potential for foreign military sales - all of which could change materially as and when new information becomes available or assumptions are revised. Possible value is the highest outcome we believe to be reasonable given a range of potential outcomes based upon available information and our current set of assumptions. |
| Probable   | Probable value is a projection based upon our current information and assumptions regarding the system configuration, systems or units utilized per platform or installation, current and potential future Design Wins, our average sales price for current and/or future content, the number of platforms, spares, and potential retrofits, as well as the potential for foreign military sales - all of which could change materially as and when new information becomes available or assumptions are revised. Probable value is the outcome we believe to be most likely given a range of potential outcomes based upon available information and our current set of assumptions.        |





# Glossary

|               |   |                |  |                |  |
|---------------|---|----------------|--|----------------|--|
| <b>AEGIS</b>  | Aegis Ballistic Missile Defense System  | <b>ECM</b>     | Electronic Countermeasures               | <b>OpenVPX</b> | System-level specification for VPX, initiated by Mercury |
| <b>AESA</b>   | Active Electronically Scanned Array   | <b>EO/IR</b>   | Electro-optical / Infrared               | <b>PBR</b>     | President's Budget Request                               |
| <b>AIDEWS</b> | Advanced Integrated Defensive Electronic Warfare Suite                                  | <b>EP</b>      | Electronic Protection                    | <b>PGK</b>     | Precision Guidance Kit                                   |
| <b>AMC</b>    | Advanced Microelectronics Center  | <b>EW</b>      | Electronic Warfare                       | <b>RDP</b>     | Radar Digital Processor                                  |
| <b>ATCA</b>   | Advanced Telecommunications Architecture  | <b>FAB-T</b>   | Family of Beyond Line-of-Sight Terminals | <b>RF</b>      | Radio Frequency  |
| <b>AWACS</b>  | Airborne Warning and Control System   | <b>FC</b>      | Fire Control                             | <b>RoW</b>     | Rest of World  |
| <b>BCA</b>    | Budget Control Act  | <b>FMS</b>     | Foreign Military Sales                   | <b>SABR</b>    | Scalable Agile Beam Radar                                |
| <b>C2</b>     | Command & Control   | <b>FMV</b>     | Full Motion Video                        | <b>SBC</b>     | Single Board Computer                                    |
| <b>C4ISR</b>  | Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance | <b>IFF</b>     | Identification Friend or Foe             | <b>SDB</b>     | Small Diameter Bomb                                      |
| <b>COTS</b>   | Commercial off-the Shelf  | <b>IMA</b>     | Integrated Microwave Assembly            | <b>SEWIP</b>   | Surface Electronic Warfare Improvement Program           |
| <b>CR</b>     | Continuing Resolution   | <b>LRDR</b>    | Long Range Discrimination Radar          | <b>SIGINT</b>  | Signals Intelligence                                     |
| <b>DAL</b>    | Design Assurance Level  | <b>MALD</b>    | Miniature Air Launched Decoy             | <b>SIP</b>     | System-in-Package  |
| <b>DEWS</b>   | Digital Electronic Warfare System   | <b>MMA</b>     | Multimission Maritime Aircraft           | <b>SIRFC</b>   | Suite of Integrated RF Countermeasures                   |
| <b>DRFM</b>   | Digital Radio Frequency Memory  | <b>MOSA</b>    | Modular Open Systems Architecture        | <b>SM</b>      | Standard Missile   |
| <b>DSP</b>    | Digital Signal Processing   | <b>NMT</b>     | Navy Multiband Terminal                  | <b>SSEE</b>    | Ships Signal Exploitation Equipment                      |
| <b>EA</b>     | Electronic Attack   | <b>O&amp;M</b> | Operations & Maintenance                 | <b>SWaP</b>    | Size Weight and Power                                    |



