

# Jefferies Virtual Industrials Conference

**Mark Aslett**  
President and CEO

**Michael Ruppert**  
Executive Vice President and CFO

**August 6, 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 fiscal 2020 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 cybersecurity 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.

# Pioneering a next-generation defense electronics company...

- Unique business model at the intersection of high-tech and Defense
- Make commercial technology profoundly more accessible
- Provide all trusted and secure computers for A&D
- Deployed on 300+ programs - serving defense Prime contractor outsourcing needs
- FY15–FY20 CAGR:
  - 28% Revenue; ~10% Organic<sup>(1)</sup>
  - 43% GAAP Net Income
  - 32% Adj. EBITDA
  - 32% Backlog
- Defense industry's highest Glassdoor employee ratings<sup>(2)</sup>



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



## Notes

(1) Represents average of organic growth annual rates from FY15 to FY20.

(2) Source: Capital Alpha Partners, "Glassdoor Data & Defense: Not Much Change Over the Past Year", August 21, 2018

# Investment highlights

Spent \$1.3B since fiscal 2014 creating a unique business and model for A&D industry

- Innovative growth company at the intersection of high-tech and defense
  - Focused on large, growing and well-funded addressable markets
- Proven transformational business model for A&D industry
  - R&D levels 4-5x industry average as percent of revenue
  - Reusable, trusted and secure mission-critical technologies for speed, reduced risk and affordability
  - Industry-leading secure computing subsystems developed by a highly cleared workforce
  - Developed and produced in trusted facilities with a trusted supply chain
  - Destination employer and acquirer of choice
- Low-risk content expansion strategies delivering above-average organic revenue CAGR
  - Upward vertical expansion for outsourced Tier 2 subsystems driving large dollar content increases
  - Horizontal adjacent market expansion into other platforms and programs with similar needs
  - Unique chip-scale innovation driving future highest-margin content expansion
- Successful M&A strategy targeting new capabilities and market expansion
  - In-house deal origination, M&A execution and acquisition integration
  - Full integration drives substantial cost and revenue synergies over time
  - Multiple M&A themes ongoing
  - Scalable business platform

Our financial performance in top 5% of similarly sized public companies



# Mercury's financial profile demonstrates our unique strategy

# of Companies

**1,176**

ALL NYSE AND NASDAQ U.S. LISTED COMPANIES WITH  
MARKET CAPITALIZATION BETWEEN \$1B-\$7B

TIER 2 DEFENSE  
INDEX MEDIAN



LTM EBITDA Margin  
>20%

**367**

**16%**

**22%**  
Margin

Revenue CAGR  
>10% 5-Year

**102**

**4%**

**28%**  
Growth

FY Revenue  
Growth  
>20%

**26**

**6%**

**22%**  
Growth

Notes:

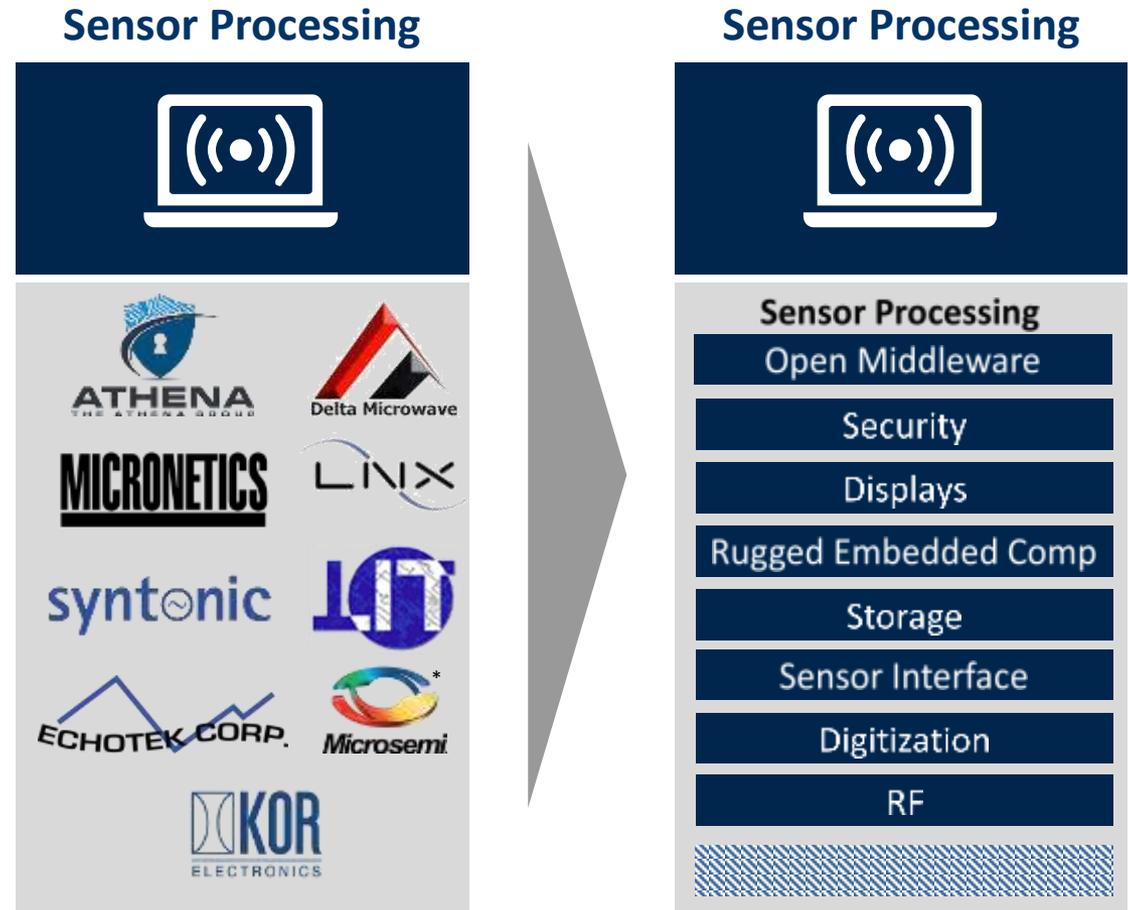
- Fiscal year figures for Mercury are based on the trailing four fiscal quarters using information reported in Mercury's Form 10-Ks, Form 10-Qs and/or most recent earnings release.
- All other data per FactSet as of July 14, 2020. 4-year CAGR for market participants calculated per FactSet for the trailing four fiscal quarters available as of July 14, 2020 and the comparable historical period. Mercury 5-year CAGR calculated as the trailing four fiscal quarters ending fiscal Q4 FY20 compared to the trailing four fiscal quarters ending fiscal Q4 FY15. Financials represent reported results and are not adjusted for acquisitions or divestitures.
- TIER 2 DEFENSE INDEX: AAR, Aerojet Rocketdyne, AeroVironment, AXON Enterprise, Ball Corporation, BWX Technologies, Comtech Telecommunications Corp, Cubic, Curtiss-Wright, Ducommun, Elbit Systems, FLIR Systems, HEICO, Hexcel, Honeywell Intl, Kaman, Kratos Defense & Security Solutions, L3Harris Technologies, Maxar, Moog, Oshkosh, OSI Systems, Teledyne Technologies, Textron, TransDigm Group, Triumph Group, ViaSat, Woodward, Inc.

# Strategy delivering above-average growth and profitability



# Acquisitions initially transformed Mercury into a...

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

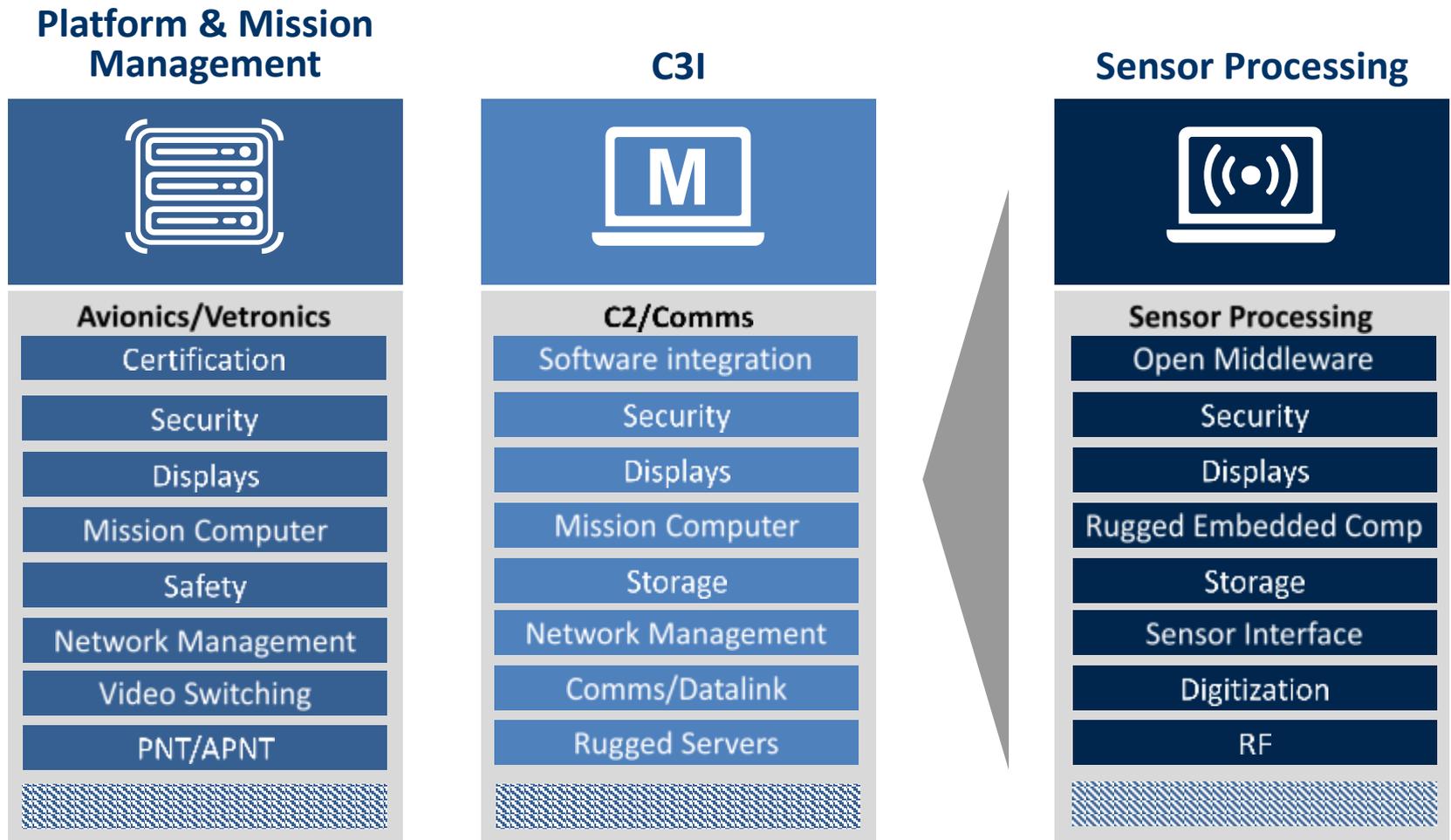


\* Represents carve-out acquisition from Microsemi Corp.

...Tier 2 provider of pre-integrated sensor processing subsystems



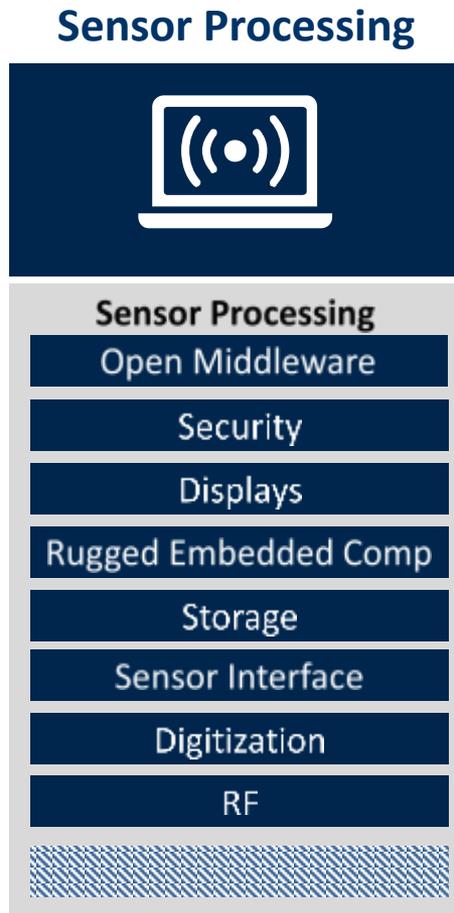
# Our overarching strategy however is to provide all types...



...of processing subsystems requiring trusted, secure computing



# Our goal is to also uniquely replicate our sensor...



## Trusted and Secure Solutions Chip-Scale Application-Specific Customization

Communications



Radar



Electronic Warfare



Signal Intelligence

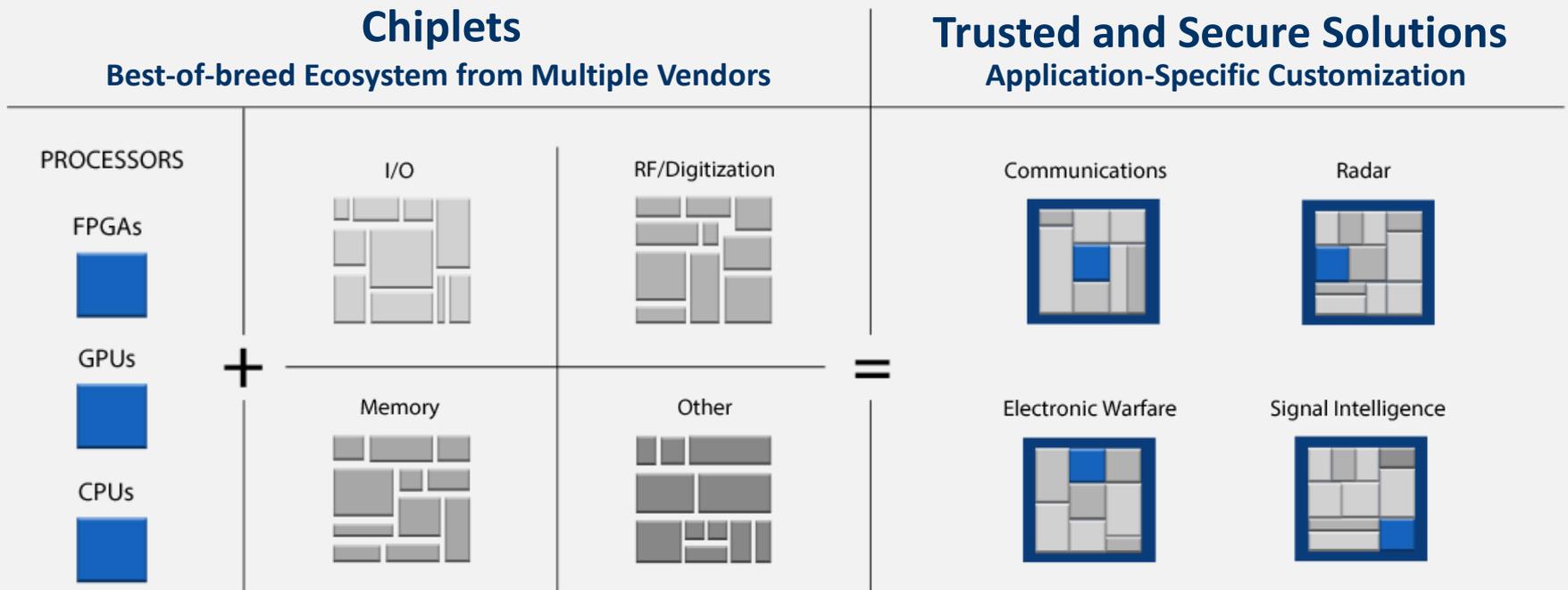


...processing subsystem integration strategy at chip scale

# This game-changing capability will enable new applications...

## New Modular IP Library Enables Rapid Affordable Customization

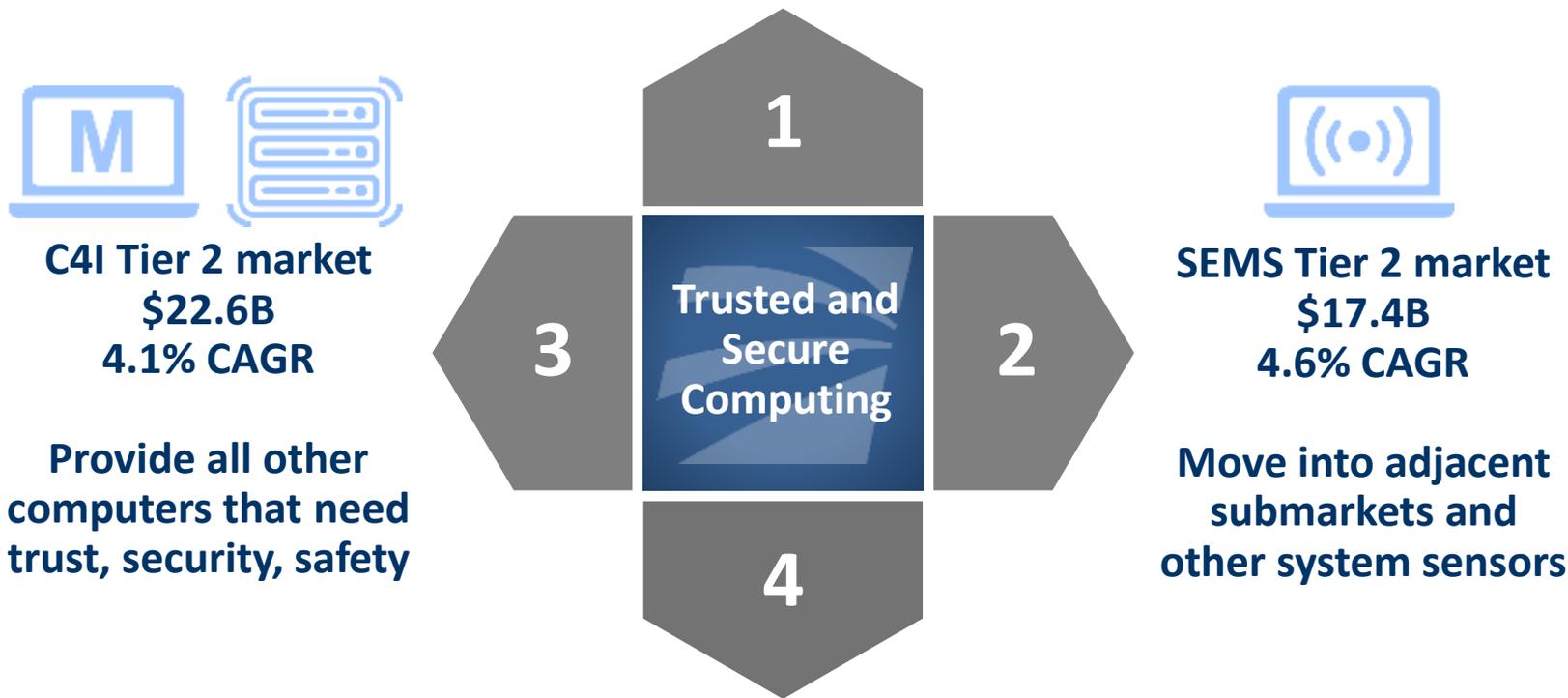
Open systems at chip scale allows unprecedented configurability and flexibility



...and an additional dimension of highest-margin future growth

# We are simultaneously expanding our content footprint...

Up to a 12x increase in content per system as customers outsource more due to secure computing requirements and as system complexity grows



Up to another 2x higher-margin content increase per system as new trusted microelectronic capabilities enable new applications and performance

... vertically while horizontally expanding our market access

Notes  
Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets  
Sources: RSAAdvisors research & analysis, November 2019. CAGRs referenced are for periods GFY19-GFY24. Numbers are rounded.

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

## Aerospace & Defense Platform and Systems Electronics Content

C4I	JLTV	WIN-T	KC-46	A330 MRTT	Aegis
					
Sensor & Effector Mission Systems	F-16	Reaper/Gorgon Stare	Triton	LTAMDS	Aegis
					
	F-35	C-130	Global Hawk	Badger/Buzzard	SEWIP
					
Stormbreaker	PGK	MALD-J	Paveway	SM2/3/6	
					



# Six major trends shaping the defense industry



## **Political Dysfunction:**

2019 Budget Control Act positive. Repeated Continuing Resolutions disrupting DoD budget process and spending. 2020 election. Pentagon attrition



## **Increased Defense Spending Cycle:**

Rising interest rates, healthcare and social spending remain long-term issues; Significant platform electronics modernization underway



## **Defense Procurement Reform:**

DoD focused on speeding up rate of innovation and fielding  
Other Transaction Authority (OTA) and Non-Traditional Defense Contractors (NTDCs)



## **Innovation Challenges:**

Primes increasing headcount but recruitment challenges and aging workforce;  
Relatively low IRAD requires focused investment and increased outsourcing



## **DoD needs more domestically-produced technology**

Leverage high-tech commercial investment and innovation;  
Address supply chain globalization and need for trust, security and assurance



## **Challenging Global Security Environment:**

Chinese militarization and power projection, resurgent Russia and  
Middle East instability

# 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



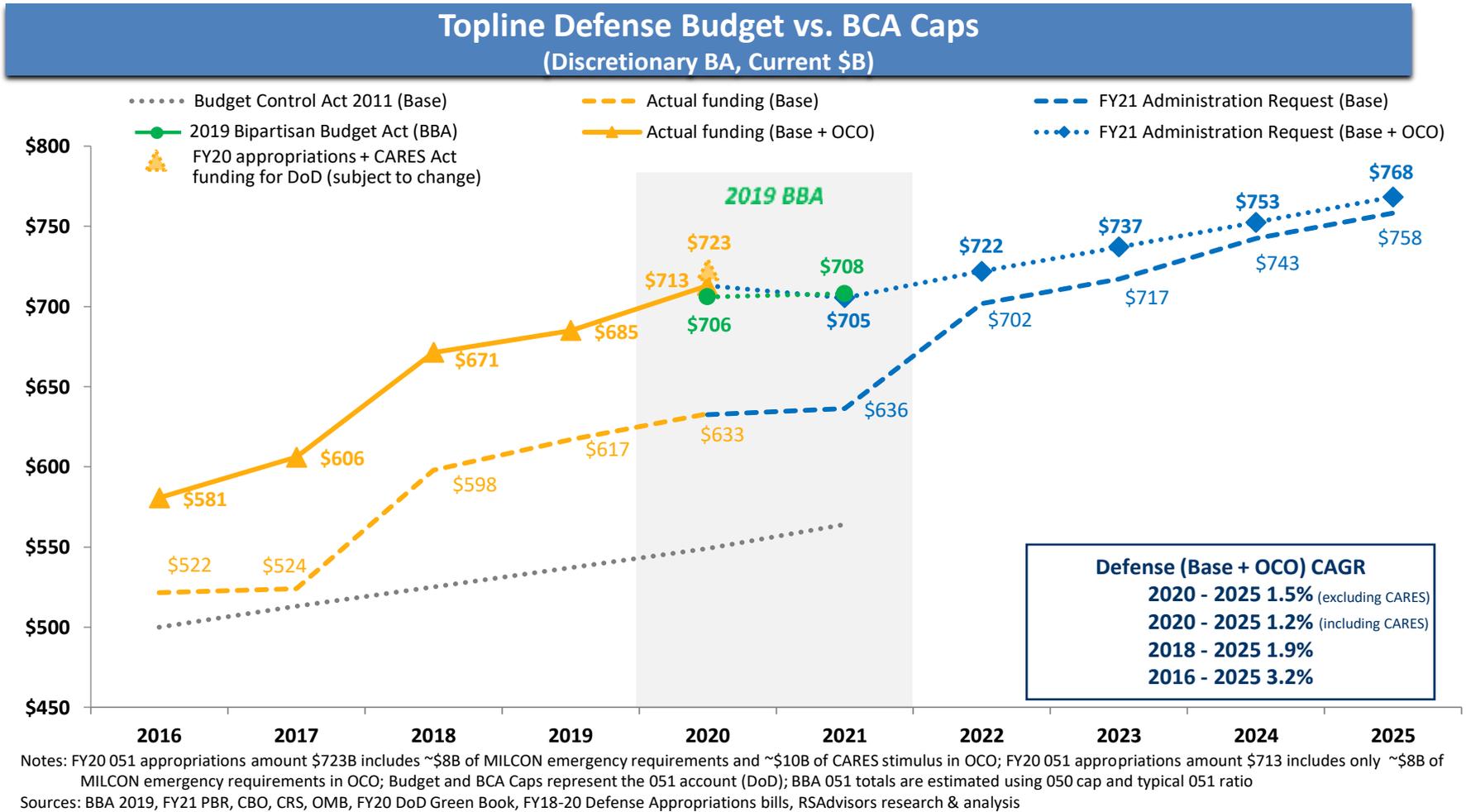
# Business outlook

- 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

Confident in ability to deliver against FY21 goals and objectives



# FY21 DoD PBR reflects 2019 BBA topline for FY20-21...



...and calls for ~1.5% topline budget growth over the FYDP

# The A&D electronics systems market is over \$125B annually

Our total addressable market is now ~\$40B

## Aerospace & Defense Platform and Systems Electronics Content

		C4I (\$22.6B)*			Sensor & Effector Mission Systems (\$17.4B)*			
		C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
								
		<b>Platform &amp; Mission Mgmt</b>	<b>Command &amp; Control / Battle Management</b>	<b>Dedicated Communications</b>	<b>Electronic Warfare</b>	<b>Radar</b>	<b>Electro-Optical/Infrared</b>	<b>Missiles/Munitions</b>
	<b>Definition</b>	Control & operation of platform & mission systems	Dissemination of information	Offensive / defensive exploitation of EM spectrum	Use of RF signal to detect, track, ID	Thermo-graphic camera with video output	Sound pulses to determine object location	Seekers, HEL, HPM Naval Launched Air Launched
	<b>2019 Market (\$B)</b>	<b>\$28.1B</b>	<b>\$37.0B</b>	<b>\$9.7B</b>	<b>\$10.4B</b>	<b>\$11.6B</b>	<b>\$4.0B</b>	<b>\$5.8B</b>
	<b>2019 Market (\$B)</b>	4.0%	2.8%	4.0%	3.4%	3.8%	5.2%	4.0%
	<b>2019 Tier 2* Market (\$B)</b>	<b>\$7.1B</b>	<b>\$7.6B</b>	<b>\$5.9B</b>	<b>\$5.3B</b>	<b>\$2.3B</b>	<b>\$1.0B</b>	<b>\$2.9B</b>
	<b>2019 Tier 2* Market (\$B)</b>	4.8%	3.7%	4.1%	3.7%	5.1%	6.0%	4.4%
	<b>2019 Tier 2* Market (\$B)</b>	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR	'19-24 CAGR

Notes

\*Tier 2 includes embedded computing and subsystems with RF content. Includes US Government and Global Defense & Commercial Aerospace Markets  
Sources: RSAdivisors research & analysis, November 2019. Numbers are rounded.

# Our capabilities and growth dimensions are well-aligned...

- Growth in defense spending
- Defense prime contractors outsourcing more
- Defense primes' flight to quality suppliers
- Supply chain delayering
- Foreign military and international sales increasing
- Sensor & C4I modernization
- Weapon systems readiness and modernization

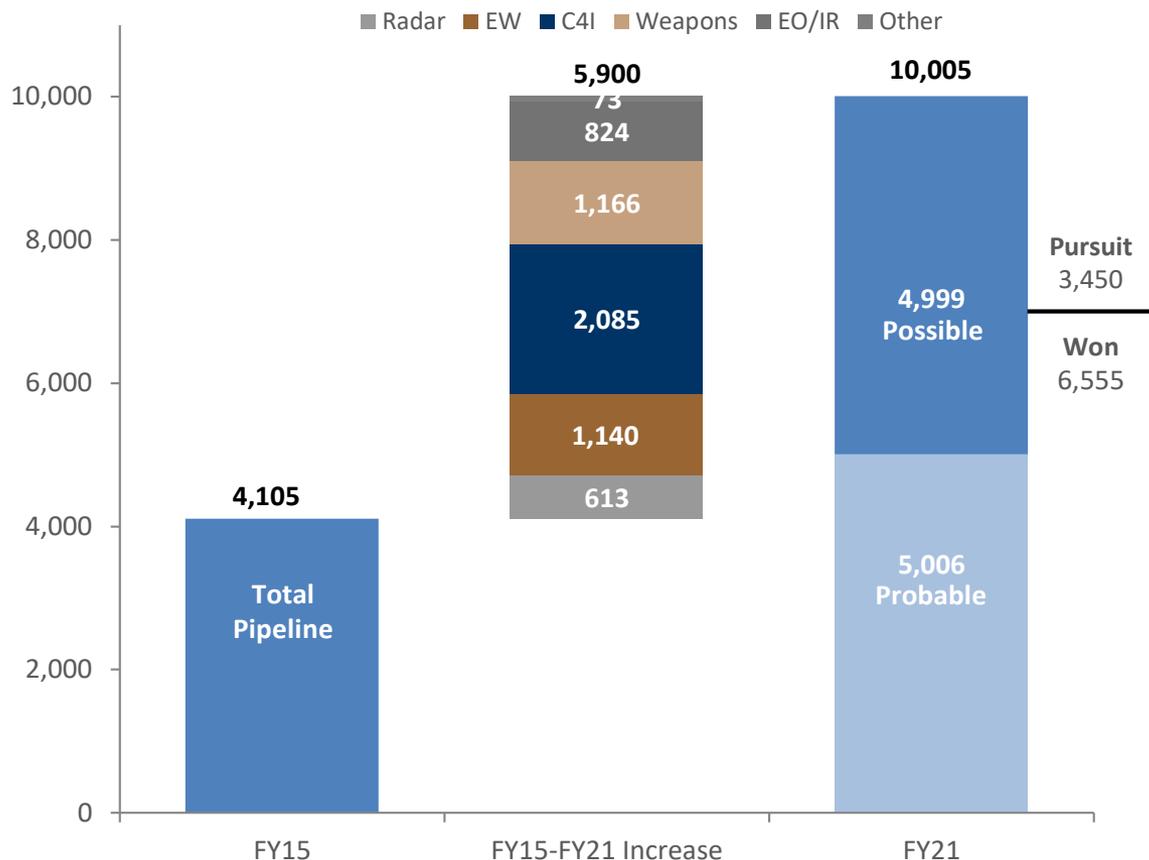


...with DoD investment priorities and overall industry trends

# Acquisitions and investments driving significant opportunity growth...

- Total potential value grew >2.4x to \$10B in 6 years
- Significant Radar, EW, C4I, weapons and EO/IR opportunity pipeline
- Acquisitions bring new programs and capabilities
- Larger, more diversified, program base reduces risk
- Content expansion driving above-average growth
- Outsourced integrated subsystems 74% of top 30 program lifetime value

TOP 30 PROGRAMS & PURSUITS ESTIMATED LIFETIME VALUE (\$M)

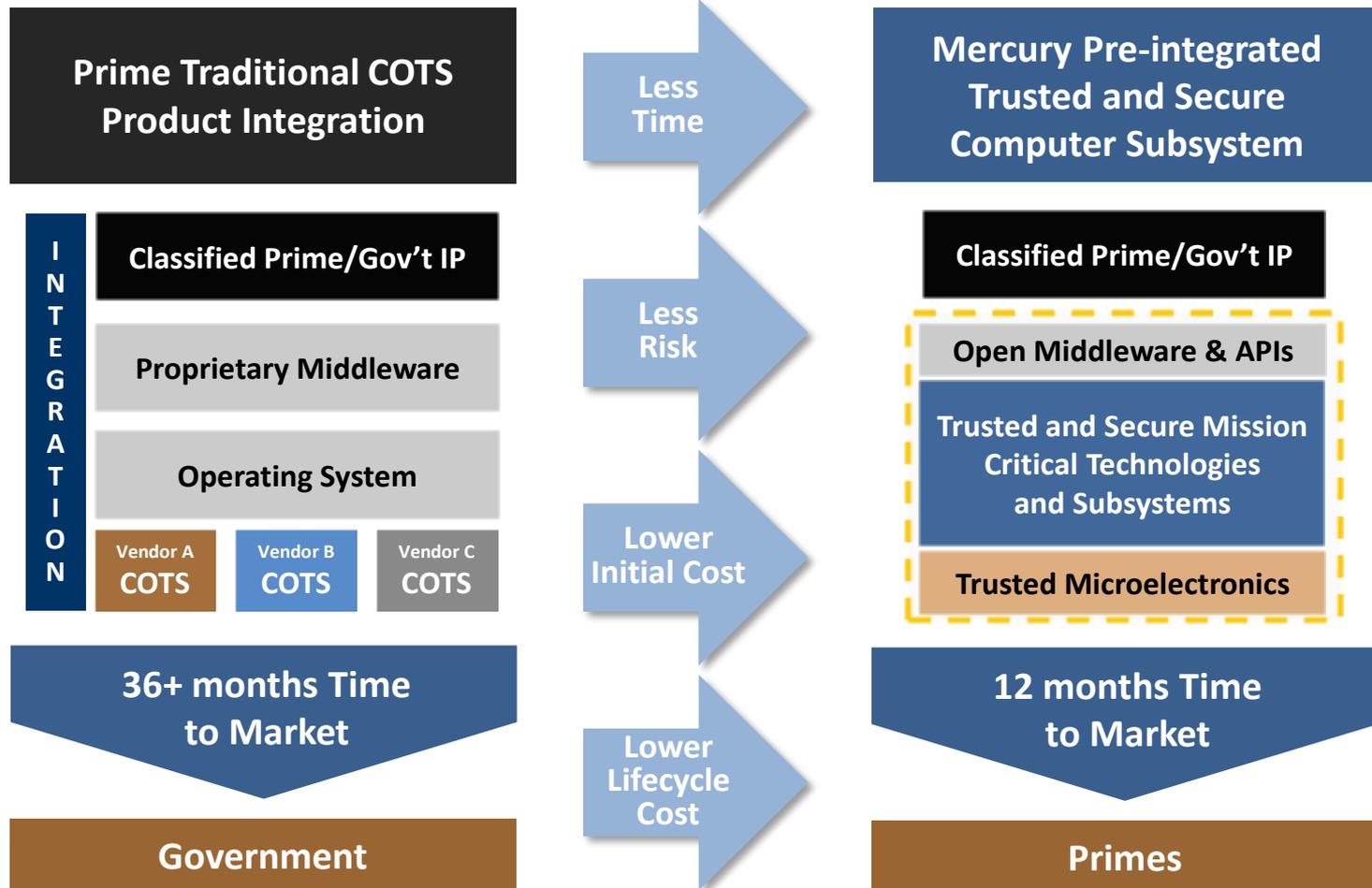


...which in turn is driving strong results

Note: Probable and Possible values are as of the beginning of the referenced fiscal year. Numbers are rounded.



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



...as customers outsource pre-integrated mission subsystems



# Innovating and making mission-critical technologies profoundly...

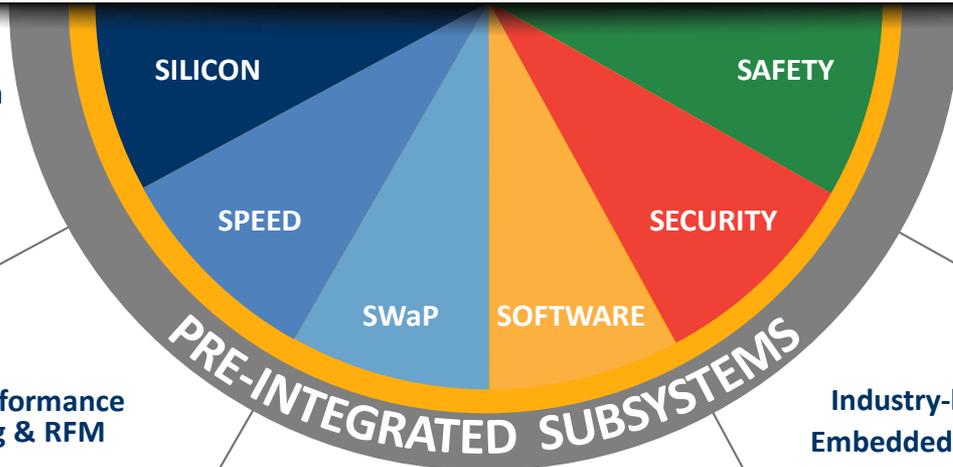
## Trusted and Secure Mission-Critical Technologies and Subsystems



Leading conduit for commercial silicon innovation into A&D market



Highest Safety Design Assurance Levels (DAL)



Highest Performance Processing & RFM



Best Size, Weight & Power with State-of-the-Art Cooling Technology



Open Software for Low Risk Integration, Investment Protection



Industry-leading Embedded Security



...more accessible for systems that require trusted, secure computing



# Glassdoor current employee ratings

Validates Mercury's destination employer and acquirer of choice status

	Mercury Systems	Glassdoor Average	Proxy Peer Group <sup>(1)</sup>	Tier 2 Defense Company Index <sup>(2)</sup>
<b>Overall Rating</b>	4.6	3.4	3.5	3.5
<b>Culture &amp; Values</b>	4.6	3.4	3.5	3.4
<b>Work-Life Balance</b>	4.1	3.4	3.5	3.5
<b>Senior Management</b>	4.6	3.1	3.1	3.1
<b>Compensation &amp; Benefits</b>	4.4	3.1	3.5	3.5
<b>Career Opportunities</b>	4.4	3.0	3.3	3.3
<b>Recommend to Friend</b>	94%	62%	64%	67%
<b>CEO Approval</b>	97%	70%	72%	74%
<b>Positive Business Outlook</b>	94%	49%	56%	56%

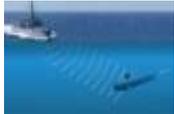
(1) **PROXY PEER GROUP:** ADTRAN, Inc., AeroVironment, Inc., Astronics Corp., Brooks Automation, Inc., CalAmp Corp., Cognex Corp., Comtech Telecommunications Corp., Cray, Inc., Digi International, Inc., Ducommun, Inc., Infinera Corp., iRobot Corp., Kratos Defense & Security Solutions, Inc., MACOM Technology Solutions Holdings, Inc., MKS Instruments, Inc., NETGEAR, Inc., NetScout Systems, Inc., Novanta, Inc., Progress Software Corp., Qualys, Inc., Vicor Corp.

(2) **TIER 2 DEFENSE INDEX:** AAR Corporation, Aerojet Rocketdyne, AeroVironment, AXON Enterprises, Ball Aerospace, BXW Technologies, Comtech Telecom, Cubic Corp, Curtiss Wright Corp, Ducommun, Elbit Systems, FLIR Systems, Harris Corp, Heico, Hexcel, Honeywell Intl, Kaman, KBR, Kratos Defense, L-3 Technologies, Maxar, MOOG, Oshkosh Defense, OSI Systems, Teledyne Technologies, Textron, Transdigm Group, Triumph Group, United Technologies, Vectrus, Viasat, Woodward Aerospace.

(3) Source: Glassdoor, Inc., July 14, 2020

# We have executed on a disciplined and focused M&A strategy

## 2019 Tier 2\* Market (\$B) & CY'19-24 CAGR (%)

Aerospace & Defense Platform and Systems Electronics Content							
C4I (\$22.6B)*			Sensor & Effector Mission Systems (\$17.4B)*				
Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
							
Avionics / Vetronics	Command & Control / Battle Management	Dedicated Communications	Electronic Warfare	Radar	Electro-Optical/Infrared	Acoustics	Missiles/Munitions
					<p>Organic</p>		
\$7.1B 4.8%	\$7.6B 3.7%	\$7.9B 3.8%	\$5.9B 4.1%	\$5.3B 3.7%	\$2.3B 5.1%	\$1.0B 6.0%	\$2.9B 4.4%

Notes

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

Sources: RSAdvisors research & analysis, November 2019. Numbers are rounded.

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

# Mercury M&A philosophy and value creation blueprint

<b>Culture &amp; Values</b>	Assess cultural fit and rapidly enculturate the acquiree
<b>Full Integration</b>	We believe in full integration – We're not a holding company
<b>Unify Brand</b>	One Brand – Mercury Systems
<b>Combine Like Entities</b>	Combine like businesses or product lines to gain scale and efficiencies
<b>Consolidate Manufacturing</b>	Invest capital to consolidate and modernize manufacturing facilities
<b>Deploy Common Processes &amp; Systems</b>	Deploy scalable enterprise processes, systems, security, collaboration
<b>Invest R&amp;D Leverage G&amp;A</b>	Raise R&D to accelerate new design wins. Centralize G&A where possible
<b>Accelerate Organic Growth</b>	Strategic account and solution sales model to accelerate organic growth
<b>Continuously Improve</b>	Matrix structure drives clarity, consistency, continuous improvement
<b>Deliver Results</b>	Common business management process and operating cadence

# We're a leader in trusted, secure technologies and subsystems



Innovative growth company at intersection of high tech and defense



Proven transformational business model for A&D industry



Low-risk content expansion strategies with substantial headroom



Successful M&A strategy targeting new capabilities and market expansion



Financial performance in top 5% of similarly sized public companies

# Financial Overview

**Michael Ruppert**

**Executive Vice President & CFO**



# The evolution of Mercury Systems

In millions, except percentage and per share data.

	FY15 <sup>(1)</sup>	FY20 <sup>(1)</sup>	Change	
Valuation	Market Capitalization <sup>(2)</sup>	\$504	\$4,373	9x
	Enterprise Value <sup>(2)</sup>	\$426	\$4,165	10x
Operational	Revenue	\$235	\$797	3x
	Adj. EBITDA <sup>(3)</sup> % Margin	\$44 19%	\$176 22%	4x +~320 bps
	Adj. EPS <sup>(3)</sup>	\$0.80	\$2.30	3x
Strategy	Number of Acquisitions <sup>(4)</sup>	N.A.	11	N.M.
	Capital Deployed <sup>(4)</sup>	N.A.	\$804	N.M.

Notes

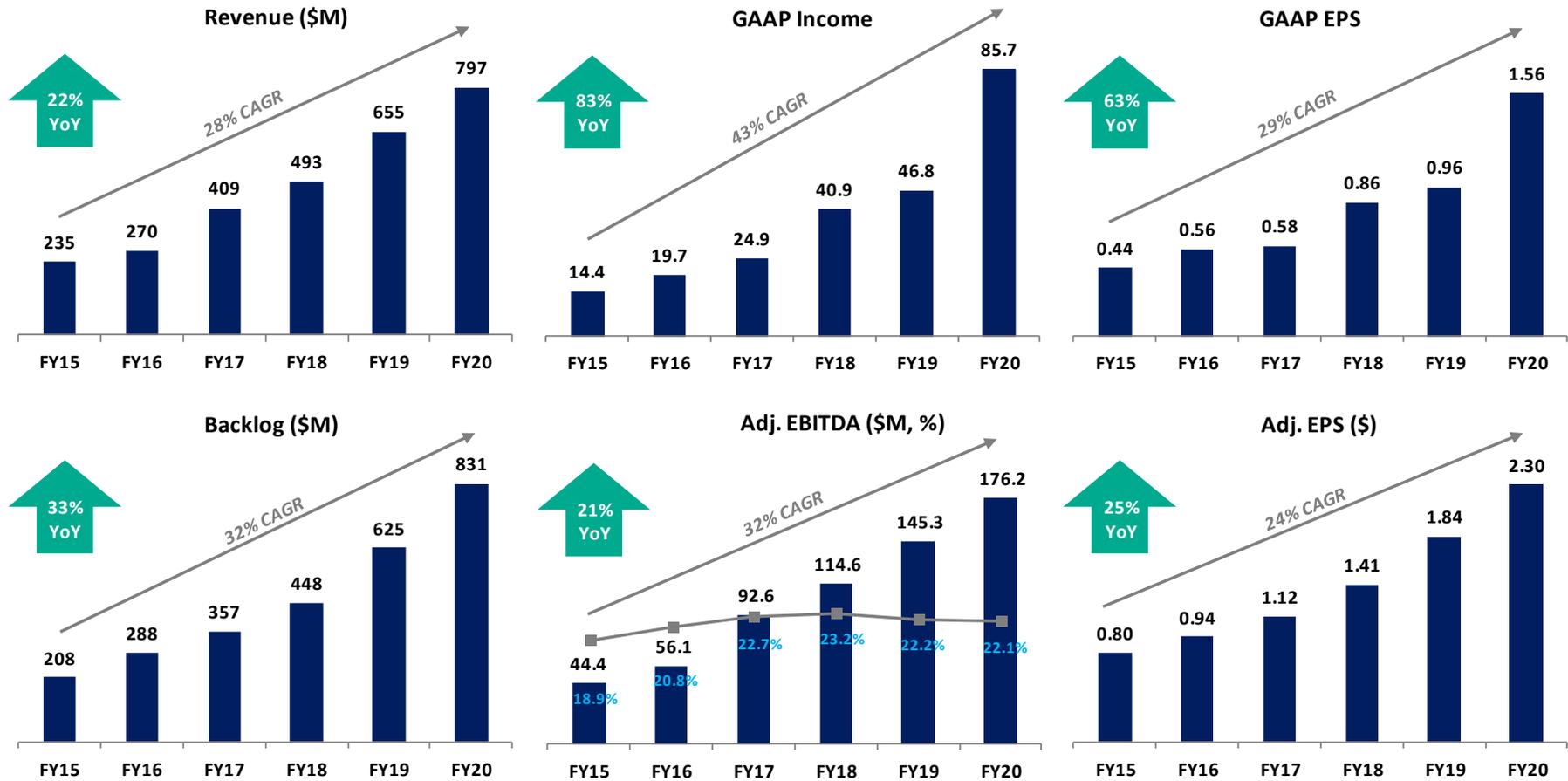
(1) Trailing four fiscal quarters ended FY15 and FY20, respectively. Operational figures are based on fiscal year and fiscal quarter results as reported in the Company's Form 10-Ks, Form 10-Qs and/or most recent earnings release. Historical results are as reported, not pro forma for acquisitions.

(2) Valuation for FY15 based on basic shares from the cover page of the Company's FY15 10-K and stock price as of June 30, 2015. Valuation for FY20 based on basic shares from the cover page of the Company's Q3 FY20 10-Q and stock price as of June 30, 2020.

(3) Non-GAAP, see reconciliation table.

(4) Acquisitions completed and capital deployed in acquisitions FY15-FY20.

# Mercury continues to deliver strong financial results

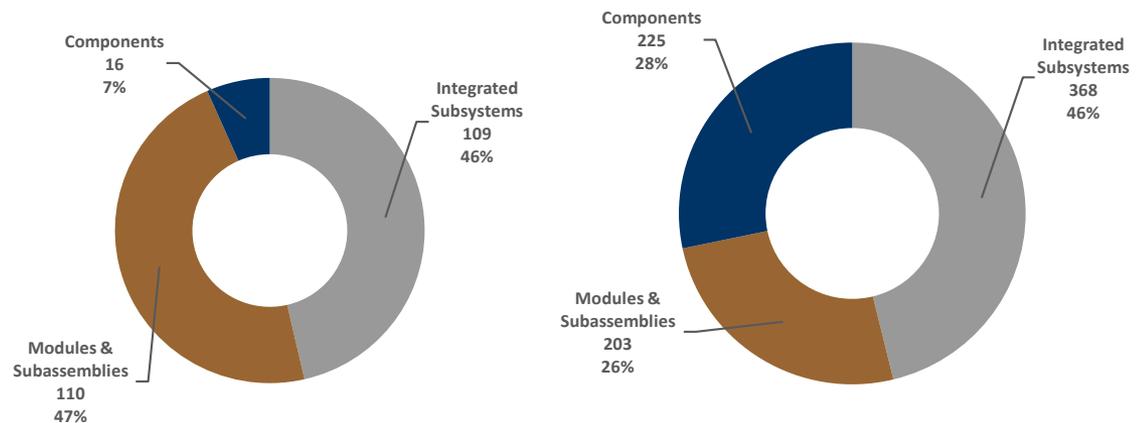
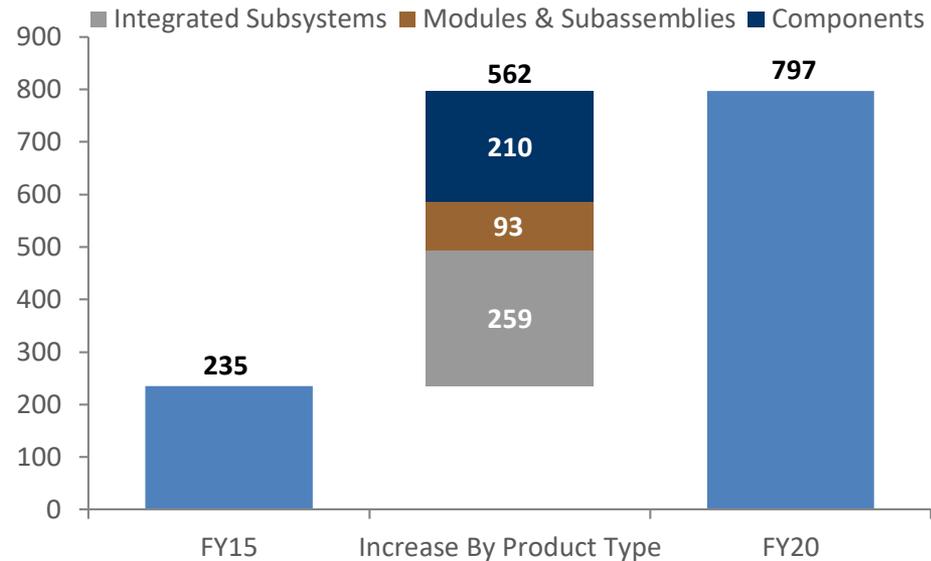


Notes: For the fiscal years ended June 30, as reported in the Company's Form 10-Ks. CAGR figures for the period FY15-FY20. YoY figures for the period FY19 vs. FY20. Numbers are rounded. Per share data is presented on a fully diluted basis. As of Q3 FY20, the Company has revised its definition of adjusted EBITDA to incorporate other non-operating adjustments, net, which includes gains or losses on foreign currency measurement and fixed assets sales and disposals among other adjustments.

# Content expansion from modules to subsystems

- **Components:**
  - ▶ Expansion via custom microelectronics acquisition from Microsemi
  - ▶ Investment in trusted microelectronics
- **Modules/Subassemblies:**
  - ▶ Down from 47% of revenue in FY15 to 26% in FY20 as shift towards subsystems
- **Subsystems:**
  - ▶ Expansion into \$40B Tier 2 RF & computing market
  - ▶ Subsystems represent 74% of top 30 program lifetime value

REVENUE AND GROWTH BY PRODUCT TYPE (\$M)



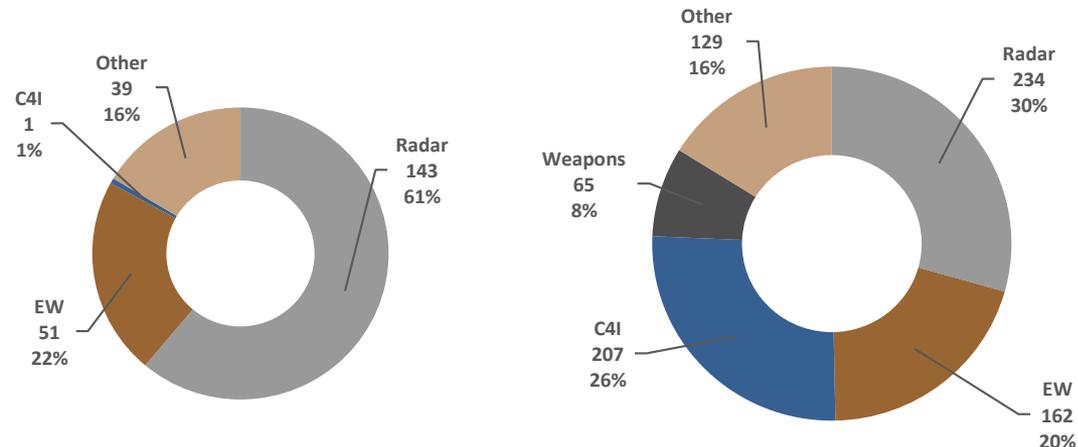
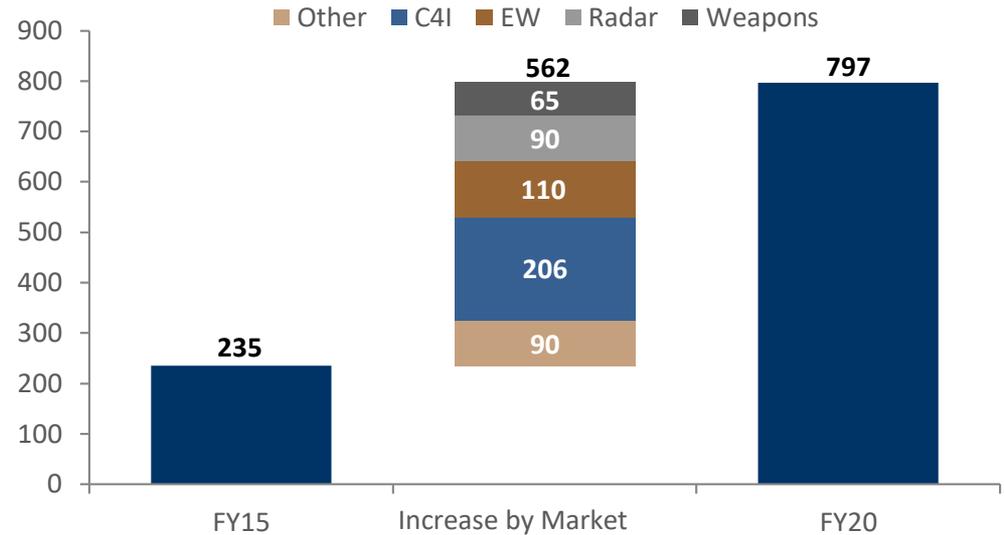
Notes: Fiscal years ended June 30, FY15-FY20 figures are as reported in the Company's Form 10-Ks and/or internal Company data. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.



# Expanding into new markets

- Continued growth in core markets
- Expansion into adjacent markets and leveraging current capabilities
- Additional capabilities drive content expansion
- Broader program and customer base
- Vastly larger addressable market
- Consistently driving above market growth rates

REVENUE AND GROWTH BY MARKET (\$M)

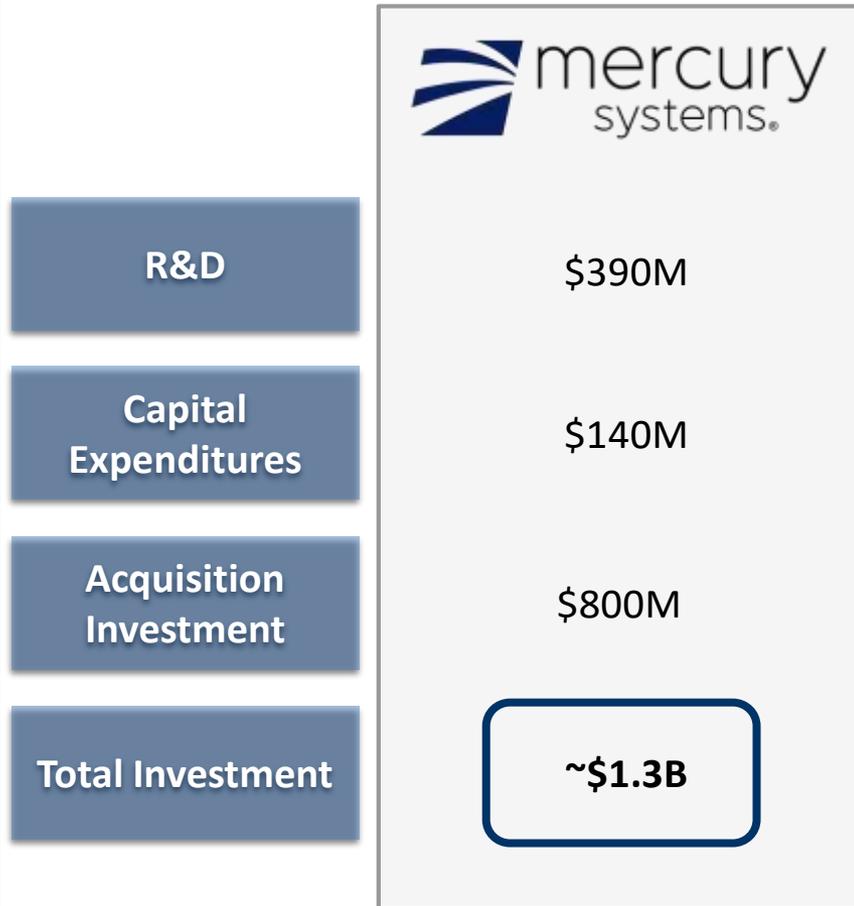


Notes: Fiscal years ended June 30, FY15-FY20 figures are as reported in the Company's Form 10-Ks and/or internal Company data. Percent of total may not equal 100% due to other non-categorized revenue. Numbers are rounded. As additional information related to the Company's products by end user, application and/or product grouping is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application and/or product grouping for prior periods.



# Taking market share due to significant investments

Focused on core markets, technologies and scale



## Markets C4I and SEMS

Aerospace & Defense Platform and Systems Electronics Content							
C4I			Sensor & Effector Mission Systems				
Platform & Mission Mgmt	C2I	Comms	EW	Radar	EO/IR	Acoustics	Weapons
Avionics / Vetronics	Command & Control / Battle Management	Dedicated Communications	Electronic Warfare	Radar	Electro-Optical/ Infrared	Acoustics	Missiles/ Munitions

## Trusted and Secure Mission-Critical Technologies and Subsystems



## Trusted Domestic Manufacturing and Integration from Chip-scale to Systems



Invested \$1.3 billion since FY14 driving outsourcing

Notes

All figures are approximate and reflect the period of FY14-FY20 using information reported in the Company's Form 10-Ks, Form 10-Qs and/or recent public announcements. Numbers are rounded.

# FY20 vs. FY19

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

#### 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.
- (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 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.

# FY21 annual guidance

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

#### 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, and \$5.6M, or \$0.10 per share, of discrete tax benefits and other non-operating investment income, respectively.
- (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. 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.

# Mercury recent acquisition history

Company	Expansion Primary Theme	Closing Date	Purchase Price (\$M)	Ending Debt Balance	Funding
	Security	Dec-2015	\$ 10	\$ 0	Cash on Hand
 <sup>(1)</sup>	Weapons, EW, Security	May-2016	\$ 300	-	Term Loan Cash on Hand
April 2016 Equity Offering			(\$ 93)	\$ 200	Equity Offering
	Platform/Mission, Comm's	Nov-2016	\$ 39	\$ 190	Cash on Hand
January 2017 Equity Offering			(\$ 216)	\$ 0 <sup>(2)</sup>	Equity Offering
	EW, Space	Apr-2017	\$ 41	\$ 0 <sup>(2)</sup>	Cash on Hand
	Platform/Mission	Jul-2017	\$ 6	\$ 0	Cash on Hand
	C2I, Comm's	Feb-2018	\$ 180	\$ 195	Revolver
	C2I, Acoustics	Jul-2018	\$ 45	\$ 240	Revolver
	Platform/Mission	Jan-2019	\$ 37	\$ 277	Revolver
	Security	Apr-2019	\$ 46	\$ 325	Revolver
	EW	Apr-2019			
May 2019 Equity Offering			(\$ 455)	\$ 0 <sup>(3)</sup>	Equity Offering
	Platform/Mission, Vectronics	Sep-2019	\$ 100	\$ 0 <sup>(4)</sup>	Cash on Hand

**Total Capital Deployed: \$ 804**

Source: Company filings, Company investor presentations

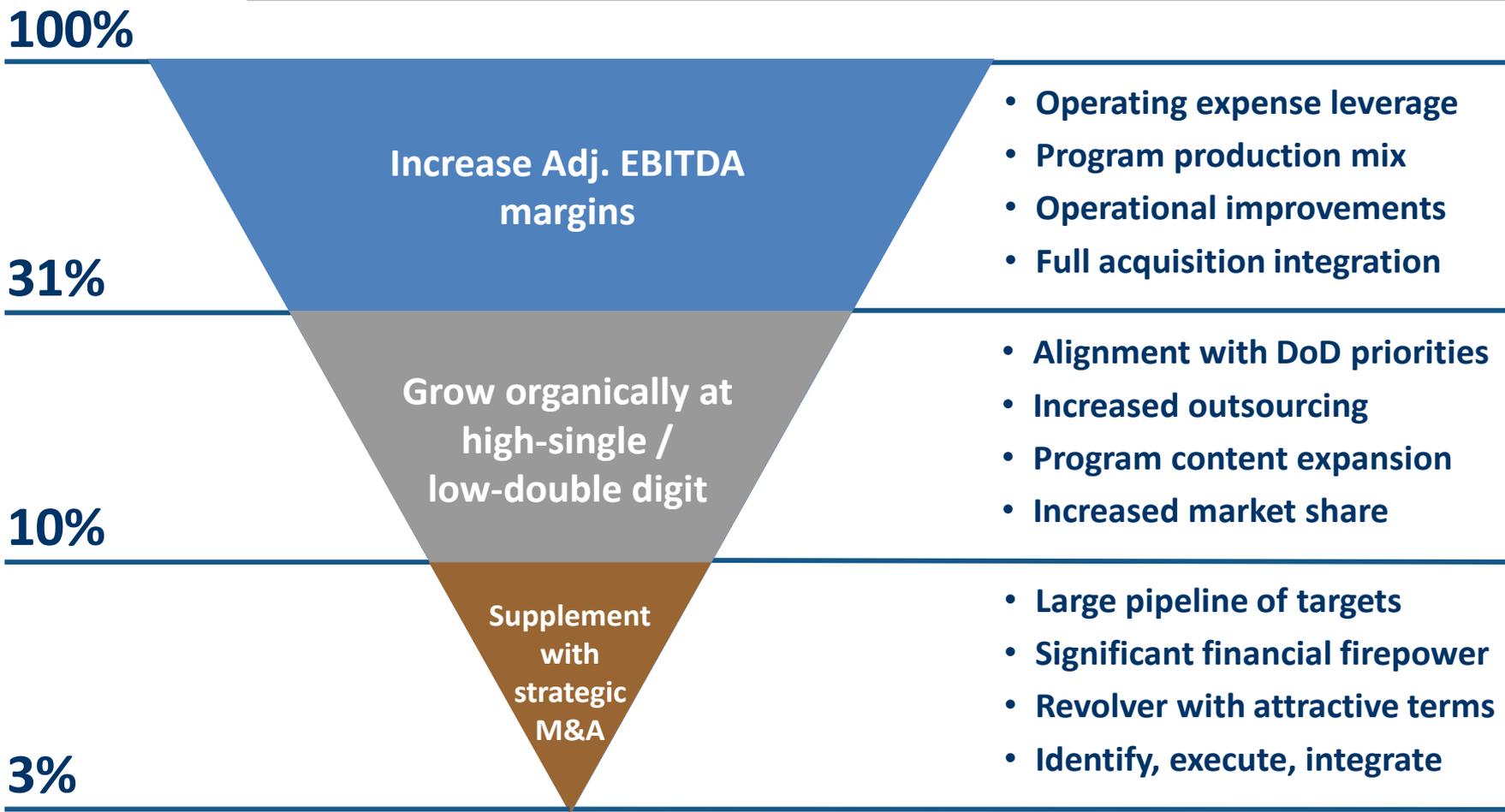
<sup>(1)</sup> Represents carve-out acquisition from Microsemi Corp.

<sup>(2)</sup> On June 27, 2017, Mercury amended its senior secured credit facility, increasing and extending the revolving credit facility and utilizing the January 2017 equity offering proceeds to repay the remaining principal on the existing term loan.

<sup>(3)</sup> Reflects repayment of debt with proceeds from the May 2019 common stock offering.

<sup>(4)</sup> Reflects acquisition of American Panel Corporation (APC) on September 23, 2019 with proceeds from the May 2019 common stock offering

# Committed to maintaining differentiated and attractive financial profile



Poised to remain in the top 5%



# Strategy and business model delivering financial performance well above industry average



Track record of strong organic growth, profitability and strategic M&A



Significant investment over last 5 years competitive differentiator



Poised for continued organic growth and margin expansion



Well positioned for future M&A with strong pipeline and financial flexibility



Clear strategy to continue to maintain unique financial profile



# Appendix

# 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><u>ASSETS</u></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><u>LIABILITIES AND S/E</u></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 \$60.6 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>	<b>49%</b>	<b>40%</b>	<b>48%</b>	<b>41%</b>	<b>35%</b>	<b>41%</b>
<i>Free Cash Flow<sup>(2)</sup> / GAAP Net Income</i>	<b>151%</b>	<b>76%</b>	<b>132%</b>	<b>81%</b>	<b>63%</b>	<b>84%</b>

Notes

(1) Rounded amounts used.

(2) Non-GAAP, see reconciliation table.

# Q4 FY20 vs. Q4 FY19

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

## 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.
- (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 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.

# Q1 FY21 guidance

<i>In \$ millions, except percentage and per share data</i>	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> Effective tax rate <sup>(3)</sup>	\$19.2 (12%)	\$10.1 – \$12.3 26%	(47%) – (36%)
<b>GAAP EPS</b> Weighted-average diluted shares outstanding	\$0.35 55.1	\$0.18 – \$0.22 55.4	(49%) – (37%)
<b>Adjusted EPS<sup>(4)</sup></b>	\$0.45	\$0.43 – \$0.47	(4%) – 4%
<b>Adj. EBITDA<sup>(4)</sup></b> % of revenue	\$36.7 20.7%	\$38.0 – \$41.0 20.0%	4% – 12%

## 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 \$6.6M, or \$0.12 per share, of discrete tax benefits and other non-operating investment 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. 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 EPS reconciliation

(In thousands, except per share data)	Q4 FY19	Q4 FY20	FY19	FY20	Q1 FY21 <sup>(2)(6)</sup>		FY21 <sup>(2)(6)</sup>	
					Low	High	Low	High
<b>Earnings per share<sup>(1)</sup></b>	\$ 0.25	\$ 0.49	\$ 0.96	\$ 1.56	\$ 0.18	\$ 0.22	\$ 1.23	\$ 1.34
<b>Net Income</b>	\$12,804	\$ 27,224	\$46,775	\$ 85,712	\$ 10,100	\$ 12,300	\$ 68,500	\$ 74,400
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>	\$ 24,261	\$ 39,760	\$ 89,289	\$ 126,762	\$ 24,000	\$ 26,200	\$ 119,400	\$ 125,300
<b>Adjusted earnings per share<sup>(1)</sup></b>	\$ 0.48	\$ 0.72	\$ 1.84	\$ 2.30	\$ 0.43	\$ 0.47	\$ 2.15	\$ 2.26
<b>Weighted-average shares outstanding:</b>								
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
<b>Cash provided by operating activities</b>	\$ 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
<b>Organic revenue<sup>(1)</sup></b>	<b>\$ 174,899</b>	<b>\$ 205,463</b>	<b>\$ 641,209</b>	<b>\$ 732,572</b>
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.

# Glossary

<b>API</b>	Application Programming Interface
<b>BCA</b>	Budget Control Act
<b>C4I</b>	Command, Control, Communications, Computers
<b>COTS</b>	Commercial off-the Shelf
<b>CPU</b>	Central Processing Unit
<b>EO/IR</b>	Electro-optical / Infrared
<b>EW</b>	Electronic Warfare
<b>FPGA</b>	Field Programmable Gate Array
<b>GPU</b>	Graphics Processing Unit
<b>I/O</b>	Input/Output
<b>IP</b>	Intellectual Property
<b>IRAD</b>	Internal Research And Development
<b>NTCD</b>	Non-traditional Defense Contractor
<b>OTA</b>	Other Transaction Authority
<b>PBR</b>	President's Budget Request
<b>R&amp;D</b>	Research & Development
<b>RF</b>	Radio Frequency
<b>SEMS</b>	Sensor and Effector Mission Systems

