UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended October 2, 2026
OR

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

For the transition period from to
COMMISSION FILE NUMBER: 001-41194

MERCURY SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Massachusetts	**04-2741391**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
50 MINUTEMAN ROAD ANDOVER MA	**01810**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of Each Class	**Trading Symbol(s)**	**Name of Each Exchange on Which Registered**
Common Stock, par value $0.01 per share	MRCY	Nasdaq Global Select Market

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Shares of Common Stock outstanding as of October 31, 2026: 60,922,200 shares.

MERCURY SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERCURY SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	October 2, 2026	July 3, 2026
Assets		
Current assets:		
Cash and cash equivalents	$ 109,679	$ 214,306
Accounts receivable, net of allowance for credit losses of $109 and $162 at October 2, 2026 and July 3, 2026, respectively	80,772	69,222
Unbilled receivables and costs in excess of billings, net of allowance for credit losses of $5,311 for both October 2, 2026 and July 3, 2026	290,348	285,760
Inventory	398,570	366,968
Prepaid income taxes	1,683	2,258
Prepaid expenses and other current assets	36,114	34,925
Total current assets	917,166	973,439
Property and equipment, net	110,320	108,413
Goodwill	941,637	942,419
Intangible assets, net	166,517	175,820
Operating lease right-of-use assets, net	44,079	47,713
Deferred tax assets	67,333	67,188
Other non-current assets	8,847	7,784
Total assets	$ 2,255,899	$ 2,322,776
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 96,212	$ 91,041
Accrued expenses	30,986	32,991
Due to factoring facility	6,979	391
Accrued compensation	32,270	54,537
Deferred revenues and customer advances	150,181	149,565
Total current liabilities	316,628	328,525
Income taxes payable	3,487	3,487
Long-term debt	341,500	441,500
Operating lease liabilities	41,994	45,829
Other non-current liabilities	5,614	5,977
Total liabilities	709,223	825,318
Commitments and contingencies (Note M)		
Shareholders' equity:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, $0.01 par value; 85,000,000 shares authorized; 60,658,109 and 59,600,732 shares issued and outstanding at October 2, 2026 and July 3, 2026, respectively	607	596
Additional paid-in capital	1,370,452	1,333,410
Retained earnings	165,310	152,222
Accumulated other comprehensive income	10,307	11,230
Total shareholders' equity	1,546,676	1,497,458
Total liabilities and shareholders' equity	$ 2,255,899	$ 2,322,776

The accompanying notes are an integral part of the consolidated financial statements.

MERCURY SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share data)
(Unaudited)

	First Quarters Ended	
	October 2, 2026	September 26, 2025
Net revenues	$ 253,153	$ 225,209
Cost of revenues	163,965	162,310
Gross margin	89,188	62,899
Operating expenses:		
Selling, general and administrative	43,029	45,906
Research and development	16,051	13,184
Amortization of intangible assets	9,303	10,259
Restructuring and other charges	2,018	1,584
Acquisition costs and other related expenses	253	563
Total operating expenses	70,654	71,496
Income (loss) from operations	18,534	(8,597)
Interest income	1,327	2,027
Interest expense	(5,406)	(7,886)
Other expense, net	(1,147)	(2,080)
Income (loss) before income tax provision (benefit)	13,308	(16,536)
Income tax provision (benefit)	220	(4,021)
Net income (loss)	$ 13,088	$ (12,515)
Basic net earnings (loss) per share	$ 0.22	$ (0.21)
Diluted net earnings (loss) per share	$ 0.21	$ (0.21)
Weighted-average shares outstanding:		
Basic	60,121	59,191
Diluted	61,623	59,191
Comprehensive income (loss):		
Net income (loss)	$ 13,088	$ (12,515)
Change in fair value of derivative instruments, net of tax	3	(256)
Foreign currency translation adjustments	(865)	437
Deferred compensation and pension benefit plan, net of tax	(61)	(41)
Total other comprehensive (loss) income, net of tax	(923)	140
Total comprehensive income (loss)	$ 12,165	$ (12,375)

The accompanying notes are an integral part of the consolidated financial statements.

MERCURY SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

	For the First Quarter Ended October 2, 2026					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance at July 3, 2026	59,601	$ 596	$ 1,333,410	$ 152,222	$ 11,230	$ 1,497,458
Issuance of common stock under employee stock incentive plans	533	5	(5)	—	—	—
Issuance of common stock under defined contribution plan	57	1	5,033	—	—	5,034
Stock-based compensation	—	—	12,171	—	—	12,171
Exercise of stock options	467	5	19,843	—	—	19,848
Net income	—	—	—	13,088	—	13,088
Other comprehensive loss	—	—	—	—	(923)	(923)
Balance at October 2, 2026	60,658	$ 607	$ 1,370,452	$ 165,310	$ 10,307	$ 1,546,676

	For the First Quarter Ended September 26, 2025					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance at June 27, 2025	59,003	$ 590	$ 1,287,478	$ 181,895	$ 3,498	$ 1,473,461
Issuance of common stock under employee stock incentive plans	345	3	(3)	—	—	—
Issuance of common stock under defined contribution plan	79	1	5,205	—	—	5,206
Stock-based compensation	—	—	8,717	—	—	8,717
Net loss	—	—	—	(12,515)	—	(12,515)
Other comprehensive income	—	—	—	—	140	140
Balance at September 26, 2025	59,427	$ 594	$ 1,301,397	$ 169,380	$ 3,638	$ 1,475,009

The accompanying notes are an integral part of the consolidated financial statements.

MERCURY SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	First Quarters Ended	
	October 2, 2026	**September 26, 2025**
Cash flows from operating activities:		
Net income (loss)	$ 13,088	$ (12,515)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	17,789	18,913
Stock-based compensation expense	12,171	9,573
Stock-based matching contributions on defined contribution plan	5,034	6,750
Benefit for deferred income taxes	(90)	(3,855)
Provision for bad debt	464	(36)
Other non-cash items	(483)	288
Changes in operating assets and liabilities:		
Accounts receivable, unbilled receivables, and costs in excess of billings	(17,460)	20,138
Inventory	(32,277)	(12,129)
Prepaid income taxes	605	(933)
Prepaid expenses and other current assets	(1,606)	(35,317)
Other non-current assets	2,314	(2,097)
Accounts payable, accrued expenses, accrued compensation, and due to factoring	(10,394)	20,893
Deferred revenues and customer advances	792	(8,339)
Income taxes payable	10	8
Other non-current liabilities	(3,923)	840
Net cash (used in) provided by operating activities	(13,966)	2,182
Cash flows from investing activities:		
Purchases of property and equipment	(10,413)	(6,548)
Net cash used in investing activities	(10,413)	(6,548)
Cash flows from financing activities:		
Proceeds from stock option exercises	19,848	—
Payments under credit facilities	(100,000)	—
Net cash used in financing activities	(80,152)	—
Effect of exchange rate changes on cash and cash equivalents	(96)	(17)
Net decrease in cash and cash equivalents	(104,627)	(4,383)
Cash and cash equivalents at beginning of period	214,306	309,099
Cash and cash equivalents at end of period	$ 109,679	$ 304,716
Cash paid (refunded) during the period for:		
Interest	$ 6,450	$ 8,523
Income taxes (refunded) paid, net	$ (442)	$ 486
Supplemental disclosures—non-cash activities:		
Non-cash investing activity: Purchases of property and equipment incurred but not yet paid	$ 6,348	$ 3,298
Non-cash investing activity: Inventory transfer to property and equipment, net	$ —	$ 4,444

The accompanying notes are an integral part of the consolidated financial statements.

A. Description of Business

Mercury Systems, Inc. (the Company) is a global leader in aerospace and defense electronics, providing breakthrough capabilities in signal and data processing. With a four-decade legacy of innovation that spans silicon to systems and radio frequency front ends to effectors, the Company accelerates commercial technology adoption to deliver powerful and secure mission-critical processing solutions to the edge. The Company is headquartered in Andover, Massachusetts, and has multiple locations worldwide. The Company's end-to-end processing ecosystem, the Mercury Processing Platform, is built on technologies the Company has developed and acquired over 40 years. The Company's technologies are available as standard products or custom solutions from silicon to system scale to ensure interoperability, reduced complexity, optimized performance, and speed development.

B. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared by the Company in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States of America for interim financial information and with the instructions to the Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in annual consolidated financial statements have been condensed or omitted pursuant to those rules and regulations; however, in the opinion of management the financial information reflects all adjustments, consisting of adjustments of a normal recurring nature, necessary for fair presentation. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended July 3, 2026, which are contained in the Company's Annual Report on Form 10-K filed with the SEC on August 18, 2026. The results for the first quarter ended October 2, 2026 are not necessarily indicative of the results to be expected for the full fiscal year.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

All references to the first quarter of fiscal 2027 are to the quarter ended October 2, 2026. There were 13 weeks during the first quarters ended October 2, 2026 and September 26, 2025, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Foreign Currency

Local currencies are the functional currency for the Company's subsidiaries in Switzerland, the United Kingdom, and Spain. The accounts of foreign subsidiaries are translated using exchange rates in effect at period-end for assets and liabilities and at average exchange rates during the period for results of operations. The related translation adjustments are reported in Accumulated other comprehensive income ("AOCI") in shareholders' equity. Gains (losses) resulting from non-U.S. currency transactions are included in Other expense, net in the Consolidated Statements of Operations and Comprehensive Income (Loss) and were immaterial for all periods presented.

Accounts Receivable

Accounts receivable, net, represents amounts that have been billed and are currently due from customers. The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. The Company provides credit to customers in the normal course of business. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended as necessary. The allowance is based upon an assessment of the customer's credit worthiness, reasonable forecasts about the future, history with the customer, and the age of the receivable balance. The Company typically invoices a customer upon shipment of the product (or completion of a service) for contracts where revenue is recognized at a point in time. For contracts where revenue is recognized over time, the invoicing events are typically based on specified performance obligation deliverables or milestone events, or quantifiable measures of performance.

ACCOUNTS RECEIVABLES FACTORING

On June 1, 2026, the Company entered into a $100,000 committed Receivables Purchase Agreement ("RPA"). The RPA has an initial term of one year. Pursuant to the RPA, the counterparty committed to purchase receivables at a discount from a list of certain of the Company's customers, maintaining a balance of purchased receivables at or below $100,000.

Proceeds for amounts factored by the Company are recorded as an increase to cash and a reduction to accounts receivable outstanding in the Consolidated Balance Sheets. Cash flows attributable to factored receivables are reflected as cash flows from operating activities in the Company's Consolidated Statements of Cash Flows. Factoring fees are included as Selling, general and administrative expenses in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). The Company is responsible for collecting customer payments related to factored receivables and will remit these payments to the counterparty. From time to time, the Company will collect customer payments related to factored receivables, which are not remitted to the counterparty prior to the end of the period due to the timing of receiving funds from the customer. As of October 2, 2026 and July 3, 2026, the Company had collected $6,979 and $391, respectively, that was not remitted to the counterparty by quarter end. These collected balances are reflected as Cash and cash equivalents and the related obligation to remit the cash to the counterparty is recorded in Due to factoring facility on the Company's Consolidated Balance Sheet. The change in the receivable for these collections is reflected within the change in operating assets and liabilities within the Company's Consolidated Statement of Cash Flows for the first quarter ended October 2, 2026.

The Company had $98,578 of factored accounts receivable, of which $91,599 was included within Accounts receivable, net of allowance for credit losses on the Company's Consolidated Balance Sheet and $6,979 was recorded in Due to factoring facility on the Company's Consolidated Balance Sheet as of October 2, 2026. The Company incurred factoring fees of approximately $460 for the first quarter ended October 2, 2026. The Company had $51,072 of factored accounts receivable, of which $45,468 was included within Accounts receivable, net of allowance for credit losses on the Company's Consolidated Balance Sheet and $5,604 was recorded in Due to factoring facility on the Company's Consolidated Balance Sheet as of September 26, 2025. The Company incurred factoring fees of approximately $419 for the first quarter ended September 26, 2025.

DERIVATIVES

The Company records the fair value of its derivative financial instruments in its consolidated financial statements in Other non-current assets, or Other non-current liabilities depending on their net position, regardless of the purpose or intent for holding the derivative contract. Changes in the fair value of the derivative financial instruments are either recognized periodically in earnings or in shareholders' equity as a component of Other comprehensive income (loss) ("OCI"). Changes in the fair value of cash flow hedges that qualify for hedge accounting treatment are recorded in OCI and reclassified into earnings in the same line item on the Consolidated Statements of Operations and Comprehensive Income (Loss) as the impact of the hedged transaction when the underlying contract matures and, for interest rate exposure derivatives, over the term of the corresponding debt instrument. Changes in the fair values of derivatives not qualifying for hedge accounting are reported in earnings as they occur. All derivatives for the Company qualified for hedge accounting as of October 2, 2026.

REVENUE RECOGNITION

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, ("ASC 606"). Revenues are derived from the sales of products that are grouped into one of the following three categories: (i) components; (ii) modules and sub-assemblies; and (iii) integrated solutions. The Company also generates revenues from the performance of services, including systems engineering support, consulting, maintenance and other support, testing and installation. Each promised good or service within a contract is accounted for separately under the guidance of ASC 606 if they are distinct. Promised goods or services not meeting the criteria for being a distinct performance obligation are bundled into a single performance obligation with other goods or services that together meet the criteria for being distinct. The appropriate allocation of the transaction price and recognition of revenue is then determined for the bundled performance obligation.

Revenue recognized at a point in time generally relates to contracts that include a combination of components, modules and sub-assemblies, integrated solutions and related system integration or other services. Contracts with distinct performance obligations recognized at a point in time, with or without an allocation of the transaction price, totaled 50% and 52% of revenues for the first quarters ended October 2, 2026 and September 26, 2025, respectively.

The Company also engages in contracts for development, production and service activities and recognizes revenue for performance obligations over time. These over time contracts involve the design, development, manufacture, or modification of complex modules and sub-assemblies or integrated solutions and related services. Over time contracts include both fixed-price and cost reimbursable contracts. The Company's cost reimbursable contracts typically include cost-plus fixed fee and time and material contracts.

Total revenue recognized over time was 50% and 48% of total revenues for the first quarters ended October 2, 2026 and September 26, 2025, respectively.

Accounting for contracts recognized over time requires significant judgment relative to estimating total contract revenues and costs. In particular, this includes assumptions relative to the amount of time to complete the contract and the assessment of the nature and complexity of the work to be performed and the impact of contract amendments which may result in cumulative adjustments. The Company's estimates are based upon the professional knowledge and experience of its engineers, operations, program managers and other personnel, who review each over time contract monthly to assess the contract's schedule, performance, technical matters and estimated cost at completion. Changes in estimates are applied retrospectively and when adjustments in estimated contract costs are identified, such revisions may result in current period adjustments to earnings applicable to performance in prior periods. The aggregate effects of these favorable and unfavorable changes across the Company's portfolio of programs can have a significant effect upon its reported Income (loss) from operations, Net income (loss) and Diluted net income (loss) per share in each of the reporting periods. The net impact of changes in estimates had the following impact on the Company's operating results:

	First Quarters Ended	
(In thousands, except per share data)	**October 2, 2026**	**September 26, 2025**
Income (loss) from operations	$ (3,059)	$ (4,050)
Net income (loss)[(1)]	$ (2,233)	$ (2,957)
Diluted net income (loss) per share	$ (0.04)	$ (0.05)
Diluted shares	61,623	59,191
(1) Federal and state statutory rate of 27%		

The Company generally does not provide its customers with rights of product return other than those related to assurance warranty provisions that permit repair or replacement of defective goods generally over a period of 12 to 36 months. The Company accrues for anticipated warranty costs upon product shipment. The Company does not consider activities related to such assurance warranties, if any, to be a separate performance obligation. The Company does offer separately priced extended warranties which generally range from 12 to 36 months that are treated as separate performance obligations. The transaction price allocated to extended warranties is recognized over time in proportion to the costs expected to be incurred in satisfying the obligations under the contract.

The Company's contracts generally do not include significant financing components. The Company's over time contracts may include milestone payments, which align the payment schedule with the progress towards completion on the performance obligation. Otherwise, the Company's contracts are predicated on payment upon completion of the performance obligation. On certain contracts, the Company may be entitled to receive an advance payment, which is not considered a significant financing component because most contracts have a duration of approximately two years on average and it is used to facilitate inventory demands at the onset of a contract and to safeguard the Company from the failure of the other party to abide by some or all of their obligations under the contract.

All revenues are reported net of government assessed taxes (e.g., sales taxes or value-added taxes). Refer to Note L for disaggregation of revenue for the period.

CONTRACT BALANCES

Contract balances result from the timing of revenue recognized, billings and cash collections resulting in the generation of contract assets and liabilities. Contract assets represent revenue recognized in excess of amounts invoiced to the customer and the right to payment is not subject to the passage of time. Instead, while the Company has an enforceable right to payment as progress is made over performance obligations, billings to customers are generally predicated on (i) completion of defined milestones, (ii) monthly costs incurred or (iii) final delivery of goods or services. Contract assets are presented as Unbilled receivables and costs in excess of billings, net of allowance for credit losses on the Company's Consolidated Balance Sheets. Contract liabilities consist of deferred product revenue, billings in excess of revenues, deferred service revenue and customer advances. Deferred product revenue represents amounts that have been invoiced to customers, but are not yet recognizable as revenue because the Company has not satisfied its performance obligations under the contract. Billings in excess of revenues represents milestone billing contracts where the billings of the contract exceed recognized revenues. Deferred service revenue primarily represents amounts invoiced to customers for annual maintenance contracts or extended warranty contracts, which are recognized over time in proportion to the costs expected to be incurred in satisfying the obligations under the contract. Customer advances represent deposits received from customers on an order. Contract liabilities are included in deferred revenue as well as Other non-current liabilities on the Company's Consolidated Balance Sheets. Contract balances are reported in a net position on a contract-by-contract basis.

The contract asset balances were $290,348 and $285,760 as of October 2, 2026 and July 3, 2026, respectively. The contract asset balance increased due to revenue recognized under over time contracts of $126,055, partially offset by $121,467 of billings during the three months ended October 2, 2026. The contract liability balances were $151,594 and $151,055 as of October 2, 2026 and July 3, 2026, respectively.

Revenue recognized for the first quarter ended October 2, 2026 that was included in the contract liability balance at July 3, 2026 was $46,420. Revenue recognized for the first quarter ended September 26, 2025 that was included in the contract liability balance at June 27, 2025 was $39,642.

REMAINING PERFORMANCE OBLIGATIONS

The Company includes in its computation of remaining performance obligations customer orders for which it has accepted executed sales orders. The definition of remaining performance obligations excludes contracts with original expected durations of less than one year, as well as those contracts that provide the customer with the right to cancel or terminate the order with no substantial penalty, even if the Company's historical experience indicates the likelihood of cancellation or termination is remote. As of October 2, 2026, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately $1,193,000. The Company expects to recognize approximately 46% of its remaining performance obligations as revenue in the next 12 months and the balance thereafter.

LONG-LIVED ASSETS

Long-lived assets primarily include property and equipment, intangible assets and right-of-use ("ROU") assets. The Company regularly evaluates its long-lived assets for events and circumstances that indicate a potential impairment in accordance with ASC 360, *Property, Plant and Equipment* ("ASC 360"). The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the estimated undiscounted cash flows of the asset as compared to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value.

GOODWILL AND INTANGIBLE ASSETS

Goodwill is the amount by which the purchase price of a business acquisition exceeded the fair values of the net identifiable assets on the date of purchase (see Note F). In accordance with the requirements of Intangibles-Goodwill and Other ("ASC 350"), goodwill is not amortized. Goodwill is assessed for impairment at least annually, on a reporting unit basis, or when events and circumstances ("triggering event") occur indicating that the recorded goodwill may be impaired. Potential triggering events include macroeconomic conditions, industry and market considerations, financial performance and expectations of projected financial performance and cash flows, and changes in the Company's stock price in relation to the carrying value of its reporting units, among other relevant factors. Adverse changes to these events and circumstances could require the Company to perform an interim impairment test.

Intangible assets result from the Company's various business acquisitions and certain licensed technologies, and consist of identifiable intangible assets, including completed technology, licensing agreements, patents, customer relationships, trademarks, backlog and non-compete agreements. Intangible assets are reported at cost, net of accumulated amortization and are either amortized on a straight-line basis over their estimated useful lives of up to 12.5 years or over the period the economic benefits of the intangible asset are consumed.

PRODUCT WARRANTY ACCRUAL

The Company's product sales generally include a 12 to 36 month standard hardware warranty. At time of product shipment, the Company accrues for the estimated cost to repair or replace potentially defective products. Estimated warranty costs are based upon prior actual warranty costs for substantially similar transactions and any specifically identified warranty requirements. Product warranty accrual is included as part of accrued expenses in the accompanying Consolidated Balance Sheets. The following table presents the changes in the Company's product warranty accrual.

	Total
Balance at July 3, 2026	$ 3,499
Accruals for warranties issued during the period	587
Settlements made during the period	(709)
Balance at October 2, 2026	$ 3,377

WEIGHTED-AVERAGE SHARES

Weighted-average shares were calculated as follows:

	First Quarters Ended	
	October 2, 2026	September 26, 2025
Basic weighted-average shares outstanding	60,121	59,191
Effect of dilutive equity instruments	1,502	—
Diluted weighted-average shares outstanding	61,623	59,191

For the first quarters ended October 2, 2026 and September 26, 2025, there were equity instruments to purchase or receive 128 and 2,590 shares of common stock, respectively, via restricted stock unit awards and deferred stock unit awards, that were not included in the calculation of diluted net earnings (loss) per share because the equity instruments were anti-dilutive.

RETIREMENT OF COMMON STOCK

Repurchases may be made through open market or privately negotiated transactions from time to time at prevailing market prices. The Company accounts for this under the cost method, and upon retirement the excess amount over par value is charged against additional paid-in capital.

SHARE REPURCHASE PROGRAM

On November 3, 2025, the Board of Directors authorized a share repurchase program for the purchase of up to $200,000 of the Company’s outstanding common stock. The program has no expiration date and repurchases may be made through open market or privately negotiated transactions from time to time at prevailing market prices. The timing and amount of repurchases will depend on market conditions and other factors. All share repurchases are made in accordance with Rule 10b-18. During the first quarter ended October 2, 2026, no shares of the Company's common stock were repurchased. As of October 2, 2026, there was $185,003 available for future share repurchases under this share repurchase program.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures*, an amendment of the FASB Accounting Standard Codification. The amendments in this ASU address improvements to disclosures surrounding operating expenses, including purchases of inventory, employee compensation, depreciation, amortization, and depletion, which are all normally included in common expense captions on the face of the income statement. Any expenses remaining in relevant expense captions that are not disaggregated should be accompanied with a qualitative disclosure as to their nature. In January 2025, the FASB issued ASU No. 2025-01, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures,* which clarified that this ASU is effective for annual reporting periods after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

In May 2025, the FASB issued ASU No. 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity,* an amendment of the FASB Accounting Standards Codification. The amendments in this ASU are intended to clarify guidance surrounding who the accounting acquirer is in a business combination, specifically when a Variable Interest Entity ("VIE") is involved. The ASU is effective for fiscal years beginning after December 15, 2026, and all interim periods within applicable annual periods, with early adoption permitted. The Company does not expect the adoption of ASU 2025-03 to have a material impact on its Consolidated financial statements.

In September 2025, the FASB issued ASU No. 2025-06, *Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal Use Software,* an amendment of the FASB Accounting Standards Codification. The amendments in this ASU apply to all entities subject to the internal-use software guidance in Subtopic 350-40. The main provisions are improving operability of the guidance and removing references of different software development stages to remain neutral to different methods. The ASU is effective for fiscal years beginning after December 15, 2027, and all interim periods within applicable annual periods, with early adoption permitted at beginning of annual reporting period. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

In November 2025, the FASB issued ASU No. 2025-09, *Derivatives and Hedging (Topic 815): Hedge Accounting Improvements*, an amendment of the FASB Accounting Standards Codification. The amendments in this ASU address several hedge accounting improvements and clarifies guidance for cash flow hedges, hedging forecasted interest payments, net written options as instruments, and foreign-currency-denominated debt instruments as a dual hedge. This ASU is effective for fiscal years beginning after December 15, 2026, and all interim periods within applicable annual periods, with early adoption permitted. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

In December 2025, the FASB issued ASU No. 2025-11, *Interim Reporting (Topic 270): Narrow Scope Improvements*, an amendment of the FASB Accounting Standards Codification. The amendments in this ASU primarily provide clarification on interim reporting requirements and enhanced disclosure requirements. The amendments also include a disclosure principle to disclose all events since the end of the last annual reporting period that have a material impact on the Company. The ASU is effective for fiscal years beginning after December 15, 2027, and all interim reporting periods within applicable annual periods, with early adoption permitted. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Effective July 4, 2026, the Company adopted ASU No. 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets,* an amendment of the FASB Accounting Standards Codification. The amendments in this ASU allow for a practical expedient when estimating credit losses on accounts receivable and contract assets for public business entities. The amendment allows entities to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The Company elected to use the practical expedient prospectively, and the adoption of this update did not have a material impact on the Company's consolidated financial statements or related disclosures.

C. Fair Value of Financial Instruments

The following table summarizes the Company's financial instruments measured at fair value on a recurring basis as of October 2, 2026:

		Fair Value Measurements		
	October 2, 2026	Level 1	Level 2	Level 3
Assets:				
Assets held under rabbi trust	$ 1,858	$ 1,858	$ —	$ —
Total measured at fair value	$ 1,858	$ 1,858	$ —	$ —
Liabilities:				
Interest rate swap	$ 695	$ —	$ 695	$ —
Total measured at fair value	$ 695	$ —	$ 695	$ —

The carrying values of cash and cash equivalents, including money market funds, restricted cash, accounts receivable and payable, contract assets and liabilities and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities. The Company determined the carrying value of long-term debt approximated fair value due to variable interest rates charged on the borrowings, which reprice frequently.

The Company implemented a nonqualified deferred compensation plan as of January 1, 2024. Assets held by the rabbi trust are classified as trading securities and are recorded at fair value, with changes in value recorded as adjustments to Other expense, net. As of October 2, 2026, the Company held assets under the rabbi trust of $1,858. Assets related to this plan are included in Other assets in the Consolidated Balance Sheets.

During the first quarter ended September 29, 2023, the Company entered into an interest rate hedging agreement (the “September 2023 Swap”). The fair value of the September 2023 Swap is estimated using a discounted cash flow analysis based on the contractual terms of the derivative, leveraging observable inputs other than quoted prices, such as interest rates. As of October 2, 2026, the fair value of the September 2023 Swap was a liability of $695 and is included within Accrued expenses in the Company's Consolidated Balance Sheets.

The following table summarizes the Company's financial instruments measured at fair value on a recurring basis as of July 3, 2026:

	Fair Value Measurements			
	July 3, 2026	Level 1	Level 2	Level 3
Assets:				
Assets held under rabbi trust	$ 983	$ 983	$ —	$ —
Total measured at fair value	$ 983	$ 983	$ —	$ —
Liabilities:				
Interest rate swap	$ 1,576	$ —	$ 1,576	$ —
Total measured at fair value	$ 1,576	$ —	$ 1,576	$ —

Assets held by the rabbi trust are classified as trading securities and are recorded at fair value, with changes in value recorded as adjustments to Other expense, net. As of July 3, 2026, the Company held assets under the rabbi trust of $983. Assets related to this plan are included in Other assets in the Consolidated Balance Sheets.

The fair value of the September 2023 Swap is estimated using a discounted cash flow analysis based on the contractual terms of the derivative, leveraging observable inputs other than quoted prices, such as interest rates. As of July 3, 2026, the fair value of the September 2023 Swap was a liability of $1,576 and was included within Accrued expenses in the Company's Consolidated Balance Sheets.

Refer to Note J for further information regarding the nonqualified deferred compensation plan.

Refer to Note N for further information regarding the September 2023 Swap.

D. Inventory

Inventory is stated at the lower of cost (first-in, first-out) or net realizable value, and consists of materials, labor and overhead. On a quarterly basis, the Company uses consistent methodologies to evaluate inventory for net realizable value. Once an item is written down, the value becomes the new inventory cost basis. The Company reduces the value of inventory for excess and obsolete inventory, consisting of on-hand inventory in excess of estimated usage. The excess and obsolete inventory evaluation is based upon assumptions about future demand, historical usage, product mix and possible alternative uses. Inventory was comprised of the following:

	As of	
	October 2, 2026	July 3, 2026
Raw materials	$ 224,982	$ 210,538
Work in process	144,680	134,601
Finished goods	28,908	21,829
Total	$ 398,570	$ 366,968

E. Property and Equipment

Property and equipment, net consisted of the following:

	Estimated Useful Lives (Years)	As of	
		October 2, 2026	July 3, 2026
Computer equipment and software	3-4	$ 162,346	$ 160,411
Furniture and fixtures	5	11,661	11,692
Leasehold improvements	lesser of estimated useful life or lease term	74,095	73,780
Machinery and equipment	5-10	215,617	207,724
		463,719	453,607
Less: accumulated depreciation		(353,399)	(345,194)
Property and equipment, net		$ 110,320	$ 108,413

The $1,907 increase in property and equipment, net was primarily due to capital expenditures of $10,413 and offset by depreciation expense.

During the three months ended October 2, 2026 and September 26, 2025, the Company retired an immaterial amount of its property and equipment that were no longer in use by the Company.

Depreciation expense related to property and equipment for the first quarters ended October 2, 2026 and September 26, 2025 was $8,486 and $8,654, respectively.

F. Goodwill

In accordance with FASB ASC 350, *Intangibles-Goodwill and Other* (“ASC 350”), the Company determines its reporting units based upon whether discrete financial information is available, if management regularly reviews the operating results of the component, the nature of the products offered to customers and the market characteristics of each reporting unit. A reporting unit is considered to be an operating segment or one level below an operating segment also known as a component. Component level financial information is reviewed by management across four business units: Signal Technologies; Processing Technologies; Integrated Processing Solutions; and Europe, the Middle East and Africa ("EMEA"). Accordingly, these were determined to be the Company's reporting units.

The Company performs its annual goodwill impairment test in the fourth quarter of each fiscal year. The Company also assesses potential triggering events during interim reporting periods. During the first quarter ended October 2, 2026, the Company assessed events and circumstances to consider its reporting units for a potential triggering event, including: macroeconomic conditions, industry and market considerations, financial performance and expectations of projected financial performance and cash flows, changes in the Company's stock price in relation to the carrying value of its reporting units, among other relevant factors. The Company concluded that there were no triggering events during the period that would require an interim impairment test.

The following table sets forth the changes in the carrying amount of goodwill for the first quarter ended October 2, 2026:

	Total
Balance at July 3, 2026	$ 942,419
Foreign currency translation adjustments	(782)
Balance at October 2, 2026	$ 941,637

G. Restructuring

The Company incurs restructuring and other charges in connection with management's decision to undertake certain actions to realign operating expenses through workforce reductions and the closure of certain Company facilities, businesses and product lines. The Company’s adjustments reflected in restructuring and other charges are typically related to acquisitions and organizational redesign programs initiated as part of discrete post-acquisition integration activities or other transformation activities, including the analysis, evaluation, and planning of information systems upgrades and/or deployments. Management believes these items are non-routine and may not be indicative of ongoing operating results.

During the first quarter ended October 2, 2026, the Company approved and initiated a workforce reduction that eliminated approximately 35 positions, predominantly in manufacturing, SG&A, and R&D, resulting in $1,529 of severance costs. Additionally, the Company incurred $330 of exit costs for the closure of two facility leases during the quarter and $159 of information systems transformation costs. All of the restructuring and other charges are classified as Operating expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss) and any remaining restructuring obligations are expected to be paid within the next twelve months. The restructuring liability is classified as Accrued expenses in the Consolidated Balance Sheets.

The following table presents the detail of charges included in the Company’s liability for restructuring and other charges:

	Severance & Related	Facilities & Other	Total
Balance at July 3, 2026	$ 1,044	$ —	$ 1,044
Restructuring charges	1,529	330	1,859
Cash paid	(815)	(220)	(1,035)
Balance at October 2, 2026	$ 1,758	$ 110	$ 1,868

H. Income Taxes

The Company recorded an income tax provision of $220 and an income tax benefit of $4,021 on income before income taxes of $13,308 and losses before income taxes of $16,536 for the first quarters ended October 2, 2026 and September 26, 2025, respectively.

For the first quarter ended October 2, 2026, the Company calculated the U.S. income tax provision using the discrete method as though the three-month period was the annual period as this was more appropriate given the facts and circumstances. The Company determined that the application of the estimated annual effective tax rate ("AETR") method, generally required by FASB ASC 740, *Income Taxes,* is impractical given that normal deviations in the projected close to break-even pre-tax net income (loss) could result in a disproportionate and unreliable effective tax rate under the AETR method.

During the first quarters ended October 2, 2026 and September 26, 2025, the Company recognized tax benefits of $5,437 and $1,120 related to stock compensation windfalls, respectively.

The effective tax rate for the first quarters ended October 2, 2026 and September 26, 2025 differed from the federal statutory rate primarily due to stock compensation windfalls, non-deductible compensation, state taxes, and federal and state research and development credits.

The Company continues to maintain a valuation allowance on all of its foreign net operating loss carryforwards and the majority of its state research and developmental tax credit carryforwards. Based on forecasted taxable income and the scheduled reversal of the remaining deferred tax assets, the Company believes it is more likely than not that all other deferred tax assets will be recognized.

I. Debt

REVOLVING CREDIT FACILITY

The Company has a five year revolving credit facility (the "Revolver") that matures on November 4, 2030. The borrowing capacity as defined under the Revolver as of October 2, 2026 is $850,000 less outstanding borrowings of $341,500 and outstanding letters of credit of $6,245. During the first quarter ended October 2, 2026, the Company made repayments of $100,000 and no additional borrowings. As of October 2, 2026, the Company was in compliance with all covenants and conditions under the Revolver. The Company incurred interest expense of $5,406 and $7,886 for the first quarters ended October 2, 2026 and September 26, 2025, respectively.

On November 4, 2025, the Company entered into Amendment No. 7 to the Revolver. This amendment extended the maturity date of the credit facility by five years to November 4, 2030 with a borrowing capacity of $850,000. Refer to Exhibit 10.1 on Form 8-K filed by the Company with the SEC on November 4, 2025.

As of October 2, 2026, the Company's outstanding balance of unamortized deferred financing costs was $4,204, which is being amortized to Other expense, net in the Consolidated Statements of Operations and Comprehensive Income (Loss) on a straight line basis over the term of the Revolver.

J. Employee Benefit Plan

PENSION PLAN

The Company maintains a defined benefit pension plan (the "Plan") for its Swiss employees, which is administered by an independent pension fund. The Plan is mandated by Swiss law and meets the criteria for a defined benefit plan under ASC 715, *Compensation—Retirement Benefits* ("ASC 715"), because participants of the Plan are entitled to a defined rate of return on contributions made. The independent pension fund is a multi-employer plan with unrestricted joint liability for all participating companies for which the Plan's overfunding or underfunding is allocated to each participating company based on an allocation key determined by the Plan.

The Company recognizes a net asset or liability for the Plan equal to the difference between the projected benefit obligation of the Plan and the fair value of the Plan's assets as required by ASC 715. The funded status may vary from year to year due to changes in the fair value of the Plan's assets and variations on the underlying assumptions of the projected benefit obligation of the Plan. The Plan's funded status at October 2, 2026 was a net liability of $2,989, which is recorded in Other non-current liabilities on the Consolidated Balance Sheet. The Company recognized net periodic benefit costs of $82 and $167 associated with the Plan and a net loss of $(49) and $(57) in AOCI during the first quarters ended October 2, 2026 and September 26, 2025, respectively. The Company's total expected employer contributions to the Plan during fiscal 2027 are $412.

401(k) Plan

The Company maintains a qualified 401(k) plan (the "401(k) Plan") for its U.S. employees and matches participants' contributions to the plan and/or qualified student loan payments of up to 6% of their eligible annual compensation in Company stock. The Company may also make optional contributions to the plan for any plan year at its discretion. Stock-based 401(k) matching compensation cost is measured based on the value of the matching amount and is recognized as expense as incurred. During the first quarters ended October 2, 2026 and September 26, 2025, the Company recognized share-based matching contributions related to the 401(k) plan of $5,034 and $6,750, respectively.

Deferred Compensation Plan

The Company implemented a nonqualified deferred compensation plan as of January 1, 2024, under which eligible employees may defer up to 50% of their base salaries and up to 100% of their annual incentive bonuses. The Company may also make employer contributions to participant accounts in its sole discretion, and currently matches participants' deferrals under the plan of up to 6% of their eligible annual compensation in the form of deferred stock units (or at the Company's election, a cash-based deferral credited to participants' account balances). The Company's matching obligations for participant deferrals made during calendar 2024 and 2025 were subject to a financial performance condition for the Company's four fiscal quarters corresponding to the respective calendar year. Each of these financial performance conditions was subsequently determined to have been fully satisfied, and the deferred stock units issued in respect of the Company's matching obligations vested accordingly. Participant deferrals under the plan are held in a rabbi trust and are subject to the claims of the Company's creditors. Assets held by the rabbi trust are classified as trading securities and are recorded at fair value, with changes in value recorded as adjustments to Other expense, net. All deferrals or employer contributions under the plan, and all earnings thereon, are fully vested as and when made or credited to plan participants.

As of October 2, 2026, the Company held assets under the rabbi trust of $1,858, and was subject to liabilities for amounts payable under the plan to participants (including accrued employer matching contributions not yet credited to plan participants) of $1,858. Assets related to this plan are included in Other assets, and liabilities related to this plan are included in Accrued compensation in the Consolidated Balance Sheets. During the first quarters ended October 2, 2026 and September 26, 2025, the Company recognized an immaterial value of compensation income and expense, respectively, as a result of changes in the value of notional investments selected by plan participants for the investment of their plan account balances, with the same amount being recorded as Other expense, net attributable to changes in the market value of the assets held by the rabbi trust.

K. Stock-Based Compensation

STOCK INCENTIVE PLANS

The Company's 2025 Long Term Incentive Plan (as amended from time to time, the "2025 Plan") was adopted by the Company's Board of Directors in July 2025 and approved by the Company's shareholders on October 22, 2025. At October 2, 2026, the aggregate number of shares authorized for issuance under the 2025 Plan is 2,159 shares, including 1,900 shares approved by the Company's shareholders on October 22, 2025 and 259 shares by virtue of awards forfeited from and after October 22, 2025 under a predecessor stock incentive plan, the Company's Amended and Restated 2018 Stock Incentive Plan (the "2018 Plan"). The shares authorized for issuance under the 2025 Plan will continue to be increased to the extent that any award previously granted under the 2018 Plan is forfeited, terminates, expires, lapses without being exercised or is settled for cash in the future. The 2025 Plan provides for the grant to employees and non-employees of non-qualified and incentive stock options, stock appreciation rights, time-based and performance-based restricted stock awards or units, and deferred stock awards or units. Stock options and stock appreciation rights must be granted with an exercise price of not less than 100% of the fair value of the Company's common stock on the date of grant and have a maximum exercisable term of ten years. Under the share counting rules applicable to the 2025 Plan, each share issued pursuant to a stock option or stock appreciation right counts as 0.5 shares against the available share reserve, and each share issued pursuant to any other award (a "full value" award) counts as one share against the available reserve. Accordingly, at October 2, 2026, a maximum of 3,578 shares underlying future awards of stock options and stock appreciation rights are issuable under the 2025 Plan, and a maximum of 1,789 shares underlying future full value awards are issuable under the 2025 Plan.

As part of the Company's ongoing annual equity grant program for employees, the Company grants performance-based restricted stock unit awards to certain executives and employees pursuant to the 2025 Plan (and prior to October 22, 2025, the 2018 Plan). Performance awards vest based on the requisite service period subject to the achievement of specific financial performance targets. Based on the performance targets, some of these awards require graded vesting which results in more rapid expense recognition compared to traditional time-based vesting over the same vesting period. The Company monitors the probability of achieving the performance targets on a quarterly basis and may adjust periodic stock compensation expense accordingly based on its determination of the likelihood for reaching targets. The performance targets generally include the achievement of financial performance goals. Payouts under performance-based restricted stock unit awards may also be subject to adjustment based on Mercury's total shareholder return.

EMPLOYEE STOCK PURCHASE PLAN

The Company adopted an employee stock purchase plan (the "2024 ESPP") in April 2024. The Company's shareholders approved the plan at the Company's 2024 annual meeting of shareholders, held on October 23, 2024. The number of shares authorized for issuance under the 2024 ESPP is 1,000 shares. Under the 2024 ESPP, rights are granted to purchase shares of common stock at 85% of the lesser of the market value of such shares at either the beginning or the end of each six-month offering period. The 2024 ESPP permits employees to purchase common stock through payroll deductions, which may not exceed 10% of an employee's compensation as defined in the 2024 ESPP. There were no shares issued under the 2024 ESPP during the first quarters ended October 2, 2026 and September 26, 2025, respectively. Shares available for future purchase under the 2024 ESPP totaled 754 at October 2, 2026.

STOCK OPTION AND AWARD ACTIVITY

The following table summarizes activity with respect to Company-issued stock options since July 3, 2026:

	Options Outstanding				
	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 3, 2026	934	$ 12.71	$ 45.00		—
Granted	—		—		
Exercised	(467)	12.71	42.50		
Canceled	—		—		
Outstanding at October 2, 2026	467	12.71	47.50	1.92 years	$ 17,452
Exercisable at October 2, 2026	—	$ —	$ —	—	—

There were 467 options vested and exercised with an aggregate intrinsic value of $21,934 during the first quarter ended October 2, 2026. Non-vested stock options are subject to the risk of forfeiture until the fulfillment of specified conditions. As of October 2, 2026, there was $1,456 of total unrecognized compensation cost related to non-vested options granted that is expected to be recognized over a weighted-average period of 0.92 years from October 2, 2026.

The following table summarizes the status of the Company's non-vested restricted stock unit awards and deferred stock unit awards since July 3, 2026:

	Non-vested Restricted Stock Unit Awards	
	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at July 3, 2026	1,672	$ 45.50
Granted	220	115.52
Vested	(533)	44.27
Forfeited	(31)	51.48
Non-vested at October 2, 2026	1,328	$ 70.24

STOCK-BASED COMPENSATION EXPENSE

The Company recognizes expense for its share-based payment plans in the Consolidated Statements of Operations and Comprehensive Income (Loss) in accordance with ASC 718, *Compensation - Stock Compensation* ("ASC 718"). Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the service period, net of estimated forfeitures.

The following table presents share-based compensation expenses included in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss):

	First Quarters Ended	
	October 2, 2026	September 26, 2025
Cost of revenues	$ 1,146	$ 1,760
Selling, general and administrative	9,299	6,296
Research and development	1,726	1,517
Stock-based compensation expense before tax	12,171	9,573
Income taxes[1]	(3,286)	(2,585)
Stock-based compensation expense, net of income taxes	$ 8,885	$ 6,988

(1) Federal and state statutory rate of 27%

L. Operating Segment, Geographic Information and Significant Customers

Operating segments are defined as components of an enterprise evaluated regularly by the Company's chief executive officer who acts as its Chief Operating Decision Maker ("CODM") in deciding how to allocate resources and assess performance. The Company evaluated its internal organization under FASB ASC 280, *Segment Reporting* ("ASC 280") to determine whether there has been a change to its conclusion of a single operating and reportable segment. The Company concluded there have been no changes given the CODM continues to evaluate and manage the Company on the basis of one operating and reportable segment. The Company utilized the management approach for determining its operating segment in accordance with ASC 280.

The CODM utilizes Net income (loss) that is reported on the Consolidated Statements of Operations and Comprehensive Income (Loss) to assess operating performance and make decisions related to resource allocation. The Company's significant segment expenses include stock-based compensation and depreciation which are disclosed in Note K and Note E, respectively. Any other significant segment expenses, including interest expense, which are regularly provided to the CODM are provided on the Consolidated Statements of Operations and Comprehensive Income (Loss). The Company's segment assets are reported on the Consolidated Balance Sheets as Total Assets and its segment purchase of property plant and equipment are disclosed in Note E.

The geographic distribution of the Company's revenues as determined by country in which the Company's legal subsidiary is domiciled is summarized as follows:

	U.S.	Europe	Eliminations	Total
FIRST QUARTER ENDED OCTOBER 2, 2026				
Net revenues to unaffiliated customers	$ 246,373	$ 6,780	$ —	$ 253,153
Inter-geographic revenues	6,938	5,928	(12,866)	—
Net revenues	$ 253,311	$ 12,708	$ (12,866)	$ 253,153
FIRST QUARTER ENDED SEPTEMBER 26, 2025				
Net revenues to unaffiliated customers	$ 211,998	$ 13,211	$ —	$ 225,209
Inter-geographic revenues	2,301	2,486	(4,787)	—
Net revenues	$ 214,299	$ 15,697	$ (4,787)	$ 225,209

The geographic distribution of the Company's identifiable long-lived assets is summarized as follows:

	U.S.	Europe	Total
October 2, 2026	$ 107,254	$ 3,066	$ 110,320
July 3, 2026	$ 103,265	$ 3,435	$ 106,700

Identifiable long-lived assets exclude right-of-use assets, goodwill, and intangible assets.

The Company offers a broad family of products and processing solutions designed to meet the full range of requirements in compute-intensive, signal processing, image processing and command and control applications. To maintain a competitive advantage, the Company seeks to leverage technology investments across multiple lines of business and product solutions.

The Company’s products are typically compute-intensive and require extremely high bandwidth and high throughput. These processing solutions often must also meet significant size, weight and power ("SWaP") constraints for use in aircraft, unmanned aerial vehicles, ships and other platforms and be ruggedized for use in harsh environments. The Company's products transform the massive streams of digital data created in these applications into usable information in real time. The systems can scale from a few processors to thousands of processors.

The following tables present revenue consistent with the Company's strategy of expanding its technological capabilities and program content. As additional information related to the Company’s products by end user, application, product grouping and/or platform is attained, the categorization of these products can vary over time. When this occurs, the Company reclassifies revenue by end user, application, product grouping and/or platform for prior periods. Such reclassifications typically do not materially change the underlying trends of results within each revenue category.

The following table presents the Company's net revenue by end user for the periods presented:

	First Quarters Ended	
	October 2, 2026	September 26, 2025
Domestic[1]	$ 220,170	$ 187,923
International/Foreign Military Sales[2]	32,983	37,286
Total Net Revenue	$ 253,153	$ 225,209

(1) Domestic revenues consist of sales where the end user is within the U.S., as well as sales to prime defense contractor customers where the ultimate end user location is not defined.
(2) International/Foreign Military Sales consist of sales to U.S. prime defense contractor customers where the end user is outside the U.S., foreign military sales through the U.S. government, and direct sales to non-U.S. based customers intended for end use outside of the U.S.

The following table presents the Company's net revenue by end application for the periods presented:

	First Quarters Ended	
	October 2, 2026	September 26, 2025
Radar[1]	$ 56,709	$ 30,190
Electronic Warfare[2]	33,768	20,999
Other Sensor & Effector[3]	40,247	29,765
Total Sensor & Effector	130,724	80,954
C4I[4]	88,333	111,466
Other[5]	34,096	32,789
Total Net Revenue	$ 253,153	$ 225,209

(1) Radar includes end-use applications where radio frequency signals are utilized to detect, track and identify objects.
(2) Electronic Warfare includes end-use applications comprising the offensive and defensive use of the electromagnetic spectrum.
(3) Other Sensor and Effector products include all Sensor and Effector end markets other than Radar and Electronic Warfare.
(4) C4I includes rugged secure rackmount servers that are designed to drive the most powerful military processing applications.
(5) Other products include all component and other sales where the end use is not specified.

The following table presents the Company's net revenue by product grouping for the periods presented:

	First Quarters Ended	
	October 2, 2026	September 26, 2025
Components[1]	$ 63,313	$ 45,499
Modules and Sub-assemblies[2]	67,337	66,196
Integrated Solutions[3]	122,503	113,514
Total Net Revenue	$ 253,153	$ 225,209

(1) Components represent the basic building blocks of an electronic system. They generally perform a single function such as switching, storing or converting electronic signals. Some examples include power amplifiers and limiters, switches, oscillators, filters, equalizers, digital and analog converters, chips, MMICs (monolithic microwave integrated circuits) and memory and storage devices.
(2) Modules and sub-assemblies combine multiple components to serve a range of complex functions, including processing, networking and graphics display. Typically delivered as computer boards or other packaging, modules and sub-assemblies are usually designed using open standards to provide interoperability when integrated in a subsystem. Examples of modules and sub-assemblies include embedded processing boards, switched fabrics and boards for high-speed input/output, digital receivers, graphics and video, along with multi-chip modules, integrated radio frequency and microwave multi-function assemblies and radio frequency tuners and transceivers.
(3) Integrated solutions bring components, modules and/or sub-assemblies into one system, enabled with software. Subsystems are typically, but not always, integrated within an open standards-based chassis and often feature interconnect technologies to enable communication between disparate systems. Spares and replacement modules and sub-assemblies are provided for use with subsystems sold by the Company. The Company’s subsystems are deployed in sensor processing, aviation and mission computing and C4I applications.

The following table presents the Company's net revenue by platform for the periods presented:

	First Quarters Ended	
	October 2, 2026	September 26, 2025
Airborne[1]	$ 97,153	$ 94,994
Land[2]	58,683	42,883
Naval[3]	23,613	19,639
Space[4]	18,675	18,475
Other[5]	55,029	49,218
Total Net Revenues	$ 253,153	$ 225,209

(1) Airborne platform includes products that relate to personnel, equipment or pieces of equipment designed for airborne applications.
(2) Land platform includes products that relate to fixed or mobile equipment, or pieces of equipment for personnel, weapon systems, vehicles and support elements operating on land.
(3) Naval platform includes products that relate to personnel, equipment or pieces of equipment designed for naval operations.
(4) Space platform includes products that relate to personnel, equipment or pieces of equipment designed for space operations.
(5) All platforms other than Airborne, Land, Naval, or Space.

Customers comprising 10% or more of the Company’s revenues for the periods shown are as follows:

	First Quarters Ended	
	October 2, 2026	September 26, 2025
RTX Corporation	17 %	10 %
Northrop Grumman	11 %	10 %
U.S. Navy	10 %	*
Lockheed Martin Corporation	*	13 %
	38 %	33 %

* Indicates that the amount is less than 10% of the Company's revenue for the respective period.

While the Company typically has customers from which it derives 10% or more of its revenue, the sales to each of these customers are spread across multiple programs and platforms. There were no programs comprising 10% or more of the Company’s revenues for the first quarters ended October 2, 2026 and September 26, 2025.

M. Commitments and Contingencies

LEGAL CLAIMS

The Company is subject to litigation, claims, investigations and audits arising from time to time in the ordinary course of business. Although legal proceedings are inherently unpredictable, the Company believes that it has valid defenses with respect to those matters currently pending against the Company and intends to defend itself vigorously. The outcome of these matters, individually and in the aggregate, is not expected to have a material impact on the Company’s cash flows, results of operations or financial position.

On December 7, 2021, counsel for National Technical Systems, Inc. (“NTS”) sent the Company an environmental demand letter pursuant to Massachusetts General Laws Chapter 21E, Section 4A, and CERCLA 42 U.S.C. Section 9601, related to a site that NTS formerly owned at 533 Main Street, Acton, Massachusetts. NTS received a Notice of Responsibility from the Massachusetts Department of Environmental Protection (“MassDEP”) alleging trichloroethene, Freon and 1,4-dioxane contamination in the groundwater emanating from NTS’s former site. NTS alleges that the operations of a predecessor company to Mercury that was acquired in the Company’s acquisition of the Microsemi Carve-Out Business that once owned and operated a facility at 531 Main Street, Acton, Massachusetts (the “Site”) contributed to the groundwater contamination, and NTS is seeking payment from the Company of NTS’s costs for any required environmental remediation. The Company believes the NTS claims are without merit and intends to defend itself vigorously. In November 2021, the Company responded to a request for information from MassDEP regarding the detection of PFAS (per- and polyfluoroakyl substances) in the Acton, Massachusetts Water District’s Conant public water supply wells near the Site at a level above the standard that MassDEP published for PFAS in October 2020. The Company had not been contacted by MassDEP regarding PFAS since the response was provided in November 2021 until October 30, 2025, when MassDEP sent a Notice of Responsibility to the Company reporting that the Company, as successor to a former owner and operator of the Site, and Laine Realty Trust, the current owner of the Site, are responsible parties related to alleged releases of Freon at the Site. The Company engaged a licensed site professional, responded to the notice from MassDEP, and negotiated a site access agreement with the current owner for soil testing. The soil test results did not detect reportable levels of the contaminants cited in the MassDEP notice, and on October

30, 2026, the Company and the licensed site professional filed an immediate response action completion report and permanent solution statement to serve as regulatory closure for the October 2025 notice. It is too early to determine what responsibility, if any, the Company may have for these environmental matters.

On June 8, 2026, five funds associated with Starboard Value LP ("Starboard") sued the Company, Mark Aslett and Michael Ruppert in Massachusetts Superior Court in Essex County with claims based on the allegations in a federal securities class action lawsuit originally filed on December 13, 2023 in the U.S. District Court for the District of Massachusetts that has been settled, approved by the Court, and resolved, which alleged that the Company's public disclosures in SEC filings and on earnings calls were false and/or misleading. Starboard also made separate claims arising from Starboard's ownership of Company stock and a related standstill agreement signed in June 2022. On July 30, 2026, the Company filed a motion to dismiss the lawsuit. On October 8, 2026, Starboard amended its complaint. The Company believes the Starboard claims are without merit and intends to defend itself vigorously. It is too early to determine what responsibility, if any, the Company will have for this matter. In connection with Starboard's claims, the Company may incur substantial legal fees and liabilities which may not be covered by the Company's applicable directors' and officers' liability insurance.

On October 11, 2024, the Company received a shareholder derivative demand on behalf of Robert Sawyer alleging substantially the same claims as those covered in the federal securities class action that the Company's public disclosures in SEC filings and on earnings calls were false and/or misleading. On February 28, 2025, the Company received a derivative demand on behalf of James Jones alleging substantially the same claims as those covered in the federal securities class action and the Robert Sawyer derivative demand. On May 20, 2025, the Board of Directors formed a Special Investigation Committee of independent directors to investigate the subject matters of the demand letters. On June 6, 2025, James Jones, on behalf of nominal defendant Mercury Systems, Inc., filed a derivative complaint in Massachusetts Superior Court in Essex County against Mark Aslett, Michael Ruppert, William Ballhaus, David Farnsworth, Orlando Carvalho, Lisa Disbrow, Barry Nearhos, Howard Lance, Debora Plunkett, Gerard DeMuro, Scott Ostfeld, Roger Krone, William O'Brien, Vincent Vitto, James Bass, Michael Daniels and Mary Louise Krakauer, all current or former Mercury officers or directors. This derivative action was stayed while the Special Investigation Committee conducted its investigation. On July 17, 2025, the Company received a derivative demand on behalf of Pauline McKinnon alleging substantially the same claims as those covered in the federal securities class action and the James Jones and Robert Sawyer derivative demands. The Company and the shareholder derivative claimants have agreed to a settlement of $600 with certain corporate governance reforms, which has been preliminarily approved by the Court and which is subject to final Court approval. As of October 2, 2026, a $600 receivable and payable were included within Prepaid expenses and other current assets and Accrued expenses in the Company's Consolidated Balance Sheet, respectively, with respect to the settlement. The increases in the receivable and payable were reflected within the changes in operating assets and liabilities within the Company's Consolidated Statement of Cash Flows for fiscal 2026.

In September 2025, an internal investigation was initiated, with the assistance of outside counsel, in connection with what the Company preliminarily believes may be inaccurately reported test results and certifications of conformance with certain product performance specifications under subcontracts involving approximately $15,000 in total revenue over approximately 20 years in support of a government program. The Company has no evidence that the product has not been effective in its intended use or function, nor has it encountered reported safety issues. The Company has reported the matter to the customer and, in an abundance of caution, to the government. The Company's customer has notified the Company that there is no impact to system performance resulting from the reported deviations from specifications, and that such deviations are within tolerances. The Company's customer has agreed to modify the specifications so that the Company can continue producing the product. The Company cannot currently estimate the amount or range of cost or loss, if any, associated with this matter. Any determination that the Company's previous operations were not in compliance with laws or regulations such as the False Claims Act could result in the imposition of civil or criminal fines, penalties, disgorgement, restitution, equitable relief, or other losses or conduct restrictions, and could be material to the Company's financial results or business operations.

Indemnification Obligations

The Company's standard product sales and license agreements entered into in the ordinary course of business typically contain an indemnification provision pursuant to which the Company indemnifies, holds harmless, and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with any patent, copyright or other intellectual property infringement claim by any third party with respect to the Company's products. Such provisions generally survive termination or expiration of the agreements. The potential amount of future payments the Company could be required to make under these indemnification provisions is, in some instances, unlimited.

Purchase Commitments

As of October 2, 2026, the Company has entered into non-cancelable purchase commitments for certain inventory components and services used in its normal operations. The purchase commitments covered by these agreements aggregate to $359,012. The Company is experiencing higher levels of purchase obligations in an effort to secure materials to support execution on performance obligations.

OTHER

As part of the Company's strategy for growth, the Company continues to explore acquisitions or strategic alliances. The associated acquisition costs incurred in the form of professional fees and services may be material to the future periods in which they occur, regardless of whether the acquisition is ultimately completed.

The Company may elect from time to time to purchase and subsequently retire shares of common stock in order to settle employees' tax liabilities associated with vesting of a restricted stock award or exercise of stock options. These transactions would be treated as a use of cash in financing activities in the Company's Consolidated Statements of Cash Flows.

N. Derivatives

The Company utilizes interest rate derivatives to mitigate interest rate exposure with respect to its financing arrangements. As of October 2, 2026, the Company entered into interest rate swaps with a total notional amount of $300,000 to fix the interest rate associated with a portion of the $341,500 existing borrowings on the Company's Revolver. The Swap agreement is designated and qualified for hedge accounting treatment as a cash flow hedge and is scheduled to mature on February 28, 2027. As of October 2, 2026, the fair value of the Swap was a liability of $695 and is included within Accrued expenses in the Company's Consolidated Balance Sheet.

On September 29, 2022 and on September 28, 2023 the Company terminated previous Swap agreements and entered into new agreements with the same maturity February 28, 2027. The fair market values of the Swaps at the time of termination are amortized until the maturity date (February 28, 2027).

During the first quarter ended October 2, 2026, the Company amortized a total of $881, of the gain associated with the previously disclosed interest swaps terminated on September 29, 2022 and September 28, 2023, which is included within AOCI. As of October 2, 2026, the Company expects to amortize approximately $1,468 of the gain associated with the terminated interest swaps during the next twelve months.

The market risk associated with the Company's derivative instrument is the result of interest rate movements that are expected to offset the market risk of the underlying arrangement. The counterparty to the September 2023 Swap is JPMorgan. Based on the credit ratings of the Company's counterparty as of October 2, 2026, nonperformance is not perceived to be a material risk. Furthermore, none of the Company's derivatives are subject to collateral or other security arrangements and none contain provisions that are dependent on the Company's credit ratings from any credit rating agency. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of the Company's exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of the counterparty to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparty obligations under the contracts exceed the obligations of the Company to the counterparty. As a result of the above considerations, the Company does not consider the risk of counterparty default to be significant.

O. Subsequent Events

The Company has evaluated subsequent events from the date of the Consolidated Balance Sheet through the date the consolidated financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosures.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

From time to time, information provided, statements made by our employees or information included in our filings with the Securities and Exchange Commission ("SEC") may contain statements that are not historical facts but that are "forward-looking statements," which involve risks and uncertainties. You can identify these statements by 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, cost increases, our inability to increase production and deliver products on time and with appropriate quality, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in our markets, effects of any U.S. federal government shutdown or extended continuing resolution, effects of increasingly volatile geopolitical events and regional conflicts, competition, changes in technology and methods of marketing, delays in or cost increases related to completing development, 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, including tariffs, changes in, or in the interpretation or enforcement of, environmental rules and regulations, market acceptance of our products, shortages or delays in receiving components, supply chain delays or volatility for critical components, production delays or unanticipated expenses including due to quality issues or manufacturing execution issues, failure to meet contractual performance specifications, adherence to required manufacturing standards, capacity underutilization, increases in scrap or inventory write-offs, failure to achieve or maintain manufacturing quality certifications, such as AS9100, failure to achieve or maintain qualified business systems, such as those required by the DFARS, adverse findings in government audits or investigations, the impact of supply chain disruption, inflation and labor shortages, among other things, on program execution and the resulting effect on customer satisfaction, inability to fully realize the expected benefits from acquisitions, restructurings, and operational efficiency initiatives or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, effects of shareholder activism, increases in interest rates, changes to industrial security and cyber-security regulations and requirements and impacts from any cyber or insider threat events, including the risks from heightened, persistent, and increasingly sophisticated nation-state level cyberattacks and emerging threats associated with agentic AI-enabled cyber tools, 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, litigation, including the state law claim related to our settled federal securities class action lawsuit, 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 our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended July 3, 2026. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

OVERVIEW

Mercury Systems is a global leader in aerospace and defense electronics, providing breakthrough capabilities in signal and data processing. With a four-decade legacy of innovation that spans silicon to systems and radio frequency ("RF") front ends to effectors, we accelerate commercial technology adoption to deliver powerful and secure mission-critical processing solutions to the edge. We are headquartered in Andover, Massachusetts, and have multiple locations worldwide. Our end-to-end processing ecosystem, the Mercury Processing Platform, is built on technologies we have developed and acquired over 40 years. Our technologies are available as standard products or custom solutions from silicon to system scale to ensure interoperability, reduced complexity, optimized performance and speed development.

As a leading manufacturer of essential components, modules and subsystems, we sell to the top U.S. and European defense prime contractors, the U.S. government and original equipment manufacturers ("OEM") commercial aerospace companies. Our customers deploy our solutions for a variety of applications including sensor and radar processing, electronic warfare, avionics, weapons, and command, control, communications, computers, and intelligence ("C4I"). We deliver a trusted, robust portfolio of proven capabilities, built on the most advanced commercial silicon technologies to exceed the performance needs of our defense and commercial customers.

Our capabilities, technology, people, culture and research and development ("R&D") strategy all differentiate Mercury in the aerospace and defense industry. We maintain our technological edge by investing in the critical building blocks of processing, developing valuable IP and embracing open standards and architectures. This lets us rapidly shape these building blocks into products and solutions for highly data-intensive missions, including emerging areas like artificial intelligence ("AI") processing at the edge.

As of October 2, 2026, we had 2,057 employees. We employ hardware and software architects and design engineers, primarily engaged in engineering and research and product development activities to achieve our objectives to fully capitalize upon and maintain our technological leads in the high-performance, real-time sensor processing industry and in mission computing, platform management and other safety-critical applications. Our talent attraction, engagement and retention is critical to execute on our long-term strategy. We invest in our culture and values to drive employee engagement that turns ideas into action, delivering trusted and secure solutions at the speed of innovation. We believe that our success depends on our ability to foster a company-wide culture that values a broad range of solutions to problems, a wide array of skills and experiences, and multiple perspectives. We are committed to providing an inclusive environment that respects the varied backgrounds and viewpoints of our employees. We believe that the workforce required to grow our business and deliver creative solutions must be rich in diverse thought and experience. Our initiatives focus on building and maintaining the talent that will create cohesive and collaborative teams that drive innovation. By adhering to these values, it will help our employees to realize their full potential at work to provide Innovation That Matters®.

Our consolidated revenues, net income, diluted net income per share, adjusted earnings per share ("adjusted EPS"), and adjusted EBITDA for the first quarter ended October 2, 2026 were $253.2 million, $13.1 million, $0.21, $0.52, and $56.4 million, respectively.

RESULTS OF OPERATIONS:

There were 13 weeks included in the results of operations for the first quarters ended October 2, 2026 and September 26, 2025, respectively. The results for the first quarter ended October 2, 2026 are not necessarily indicative of the results to be expected for the full fiscal year.

The first quarter ended October 2, 2026 compared to the first quarter ended September 26, 2025

The following table sets forth, for the first quarter ended indicated, financial data from the Consolidated Statements of Operations and Comprehensive Income (Loss):

(In thousands)	October 2, 2026	As a % of Total Net Revenue	September 26, 2025	As a % of Total Net Revenue
Net revenues	$ 253,153	100.0 %	$ 225,209	100.0 %
Cost of revenues	163,965	64.8	162,310	72.1
Gross margin	89,188	35.2	62,899	27.9
Operating expenses:				
Selling, general and administrative	43,029	17.0	45,906	20.3
Research and development	16,051	6.3	13,184	5.9
Amortization of intangible assets	9,303	3.7	10,259	4.6
Restructuring and other charges	2,018	0.8	1,584	0.7
Acquisition costs and other related expenses	253	0.1	563	0.2
Total operating expenses	70,654	27.9	71,496	31.7
Income (loss) from operations	18,534	7.3	(8,597)	(3.8)
Interest income	1,327	0.5	2,027	0.9
Interest expense	(5,406)	(2.1)	(7,886)	(3.5)
Other expense, net	(1,147)	(0.4)	(2,080)	(1.0)
Income (loss) before income tax provision (benefit)	13,308	5.3	(16,536)	(7.4)
Income tax provision (benefit)	220	0.1	(4,021)	(1.8)
Net Income (loss)	$ 13,088	5.2 %	$ (12,515)	(5.6)%

REVENUES

Total revenues increased $27.9 million, or 12.4%, to $253.2 million during the first quarter ended October 2, 2026, as compared to $225.2 million during the first quarter ended September 26, 2025. Over time revenue and point in time revenue each represented 50% of total revenues during the first quarter ended October 2, 2026, an increase of $18.4 million and $9.5 million, respectively, as compared to the first quarter ended September 26, 2025. Point in time revenue and over time revenue represented 52% and 48% respectively, of total revenues during the first quarter ended September 26, 2025.

Revenue increases were driven by the components, integrated solutions, as well as the modules and sub-assemblies product groupings which increased $17.8 million, $9.0 million, and $1.1 million, respectively, during the first quarter ended October 2, 2026, when compared to the prior period. The increase in total revenue was primarily driven by the radar, electronic warfare, other sensor and effector, as well as other end applications with increases of $26.5 million, $12.8 million, $10.5 million, and $1.3 million respectively, partially offset by C4I which decreased $23.2 million. The increase in total revenue was also driven by the Land, Other, Naval, and Airborne platforms with increases of $15.8 million, $5.8 million, $4.0 million, and $2.2 million, respectively. The largest program increases were related to LTAMDS, Patriot, F-16, F-15, and an airborne processing program, partially offset by decreases in SCAR, F-35, and an electronic warfare program when compared to the prior period. There were no programs comprising 10% or more of our revenues for the first quarters ended October 2, 2026 or September 26, 2025.

GROSS MARGIN

Gross margin was 35.2% for the first quarter ended October 2, 2026, an increase of 730 basis points from the 27.9% gross margin realized during the first quarter ended September 26, 2025. The higher gross margin was driven by program mix, lower inventory reserves of $5.4 million, and lower net estimate at completion ("EAC") change impact on our programs recognized over time of approximately $3.1 million recorded in the quarter, an incremental improvement of approximately $1.0 million, or 60 basis points, when compared to the prior period. These decreases were partially offset by higher scrap of $0.8 million.

We had the following aggregate effects of favorable and unfavorable margin impacts as a result of changes in estimates across our portfolio for the period presented:

	First Quarters Ended	
(in thousands)	October 2, 2026	September 26, 2025
Gross favorable	$ 9,039	$ 8,455
Gross unfavorable	(12,098)	(12,505)
Net impact of changes in estimates	$ (3,059)	$ (4,050)

The changes in estimates are assessed based on historical results and cumulative adjustments are recorded to recognize revenue to date based on changes in estimated margin on programs, including impact of contract amendments factored for potential risks and opportunities. We utilize the latest and best information available when revising our estimates and apply consistent judgment across the full portfolio of programs.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses decreased $2.9 million, or 6.3%, to $43.0 million during the first quarter ended October 2, 2026, as compared to $45.9 million in the first quarter ended September 26, 2025. The decrease was primarily driven by lower litigation and settlement, compensation, and facilities expense of $6.1 million, $1.2 million, and $0.3 million, respectively. The lower compensation expense was driven by headcount reductions of approximately 30 employees as a result of workforce reductions initiated in fiscal 2026 and the first quarter ended October 2, 2026. These decreases were partially offset by higher stock compensation, software licensing fees, outside commissions, and bad debt expense of $3.0 million, $0.6 million, $0.5 million, and $0.5 million, respectively.

RESEARCH AND DEVELOPMENT

Research and development expenses increased $2.9 million, or 21.7%, to $16.1 million during the first quarter ended October 2, 2026, as compared to $13.2 million during the first quarter ended September 26, 2025. The increase was primarily driven by higher engineering utilization on internal projects of $2.9 million.

AMORTIZATION OF INTANGIBLE ASSETS

We recognized $9.3 million of amortization of intangible assets during the first quarter ended October 2, 2026, as compared to $10.3 million during the first quarter ended September 26, 2025. The decrease from the prior period is primarily due to various customer relationship intangibles being fully amortized in fiscal 2026.

RESTRUCTURING AND OTHER CHARGES

We incurred $2.0 million of restructuring and other charges during the first quarter ended October 2, 2026, as compared to $1.6 million during the first quarter ended September 26, 2025. Restructuring and other charges during the first quarter ended October 2, 2026 were primarily related to severance related charges of $1.5 million associated with a workforce reduction initiated during the quarter that eliminated approximately 35 positions, predominantly in manufacturing, SG&A, and R&D, $0.3 million of exit costs for the closure of two of our facility leases, as well as $0.2 million of information systems transformation costs. Restructuring and other charges during the first quarter ended September 26, 2025 were primarily related to severance related charges associated with a workforce reduction initiated during the quarter that eliminated approximately 40 positions.

ACQUISITION COSTS AND OTHER RELATED EXPENSES

There were an immaterial amount of acquisition costs and other related expenses during the first quarters ended October 2, 2026 and September 26, 2025.

We could incur acquisition costs and other related expenses periodically in the future as we continue to seek acquisition opportunities to expand our technological capabilities and especially within the sensor and effector and C4I markets. Transaction costs incurred by the acquiree prior to the consummation of an acquisition would not be reflected in our historical results of operations.

INTEREST INCOME

We recognized $1.3 million of interest income during the first quarter ended October 2, 2026, as compared to $2.0 million during the first quarter ended September 26, 2025. The decrease was driven by lower average cash and cash equivalents during the period.

INTEREST EXPENSE

We incurred $5.4 million of interest expense during the first quarter ended October 2, 2026, as compared to $7.9 million during the first quarter ended September 26, 2025. The decrease was driven by lower average borrowings on our existing credit facility (the "Revolver").

OTHER EXPENSE, NET

Other expense, net was $1.1 million during the first quarter ended October 2, 2026, as compared to $2.1 million during the first quarter ended September 26, 2025. The first quarter ended October 2, 2026 includes $0.6 million of financing costs and $0.5 million of net foreign currency transaction losses. The first quarter ended September 26, 2025 includes $0.9 million of financing costs, $0.8 million net foreign currency transaction losses, and $0.4 million of securities class action expense.

INCOME TAXES

We recorded an income tax provision of $0.2 million and an income tax benefit of $4.0 million on income before income taxes of $13.3 million and losses before income taxes of $16.5 million for the first quarters ended October 2, 2026 and September 26, 2025, respectively.

For the first quarter ended October 2, 2026, we calculated the U.S. income tax provision using the discrete method as though the three-month period was the annual period, as this was more appropriate given the facts and circumstances. We determined that the application of the estimated annual effective tax rate (“AETR”) method generally required by FASB ASC 740, *Income Taxes* is impractical given that normal deviations in the projected close to break-even pre-tax net income (loss) could result in a disproportionate and unreliable effective tax rate under the AETR method.

During the first quarters ended October 2, 2026 and September 26, 2025, we recognized tax benefits of $5.4 million and $1.1 million related to stock compensation windfalls, respectively.

The effective tax rate for the first quarters ended October 2, 2026 and September 26, 2025 differed from the federal statutory rate primarily due to stock compensation windfalls, non-deductible compensation, state taxes, and federal and state research and development credits.

We continue to maintain a valuation allowance on all of our foreign net operating loss carryforwards and the majority of our state research and developmental tax credit carryforwards. Based on forecasted taxable income and the scheduled reversal of the remaining deferred tax assets, we believe it is more likely than not that all other deferred tax assets will be recognized.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity come from existing cash and cash generated from operations, our Revolver, and our ability to raise capital under our universal shelf registration statement. Our near-term fixed commitments for cash expenditures consist primarily of payments under operating leases and inventory purchase commitments. Our working capital balance, which we define as Total current assets less Cash and cash equivalents and Total current liabilities, as of October 2, 2026 was $490.9 million, as compared to $430.6 million as of July 3, 2026.

Based on our current plans and business conditions, we believe that existing cash and cash equivalents, our available Revolver, cash generated from operations and our financing capabilities will be sufficient to satisfy our anticipated cash requirements for at least the next twelve months.

Shelf Registration Statement

On October 4, 2023, we filed a shelf registration statement on Form S-3ASR with the SEC. The shelf registration statement, which was effective upon filing with the SEC, registered each of the following securities: debt securities, preferred stock, common stock, warrants and units. We intend to use the proceeds from financings using the shelf registration statement for general corporate purposes, which may include the following:

- the acquisition of other companies or businesses;
- the repayment and refinancing of debt;
- capital expenditures;
- working capital; and
- other purposes as described in the prospectus supplement.

We have an unlimited amount available under the shelf registration statement. We anticipate renewing our shelf registration statement during the second quarter of fiscal 2027.

Revolving Credit Facilities

We have an $850.0 million revolving credit facility that matures on November 4, 2030. The borrowing capacity as defined under the Revolver as of October 2, 2026 is the total availability of $850.0 million less outstanding borrowings of $341.5 million and outstanding letters of credit of $6.2 million. During the first quarter ended October 2, 2026, we made payments of $100.0 million on the Revolver with no additional borrowings. As of October 2, 2026, we were in compliance with all covenants and conditions under the Revolver.

On November 4, 2025, we executed Amendment No. 7 to the Revolver. This amendment extended the maturity date of the credit facility by five years to November 4, 2030 with a facility size of $850.0 million.

See Note I in the accompanying consolidated financial statements for further discussion of the Revolver.

Receivables Purchase Agreement

On June 1, 2026, we entered into a $100.0 million committed RPA. The RPA has an initial term of one year. Pursuant to the RPA, the counterparty committed to purchase receivables at a discount from a list of certain of our customers, maintaining a balance of purchased receivables at or below $100.0 million. We had $98.6 million of factored accounts receivable, of which $91.6 million was included within Accounts receivable, net of allowance for credit losses on our Consolidated Balance Sheet and $7.0 million was recorded in Due to factoring facility on our Consolidated Balance Sheet as of October 2, 2026. We incurred factoring fees of approximately $0.5 million during the first quarter ended October 2, 2026. We had $51.1 million of factored accounts receivable, of which $45.5 million was included within Accounts receivable, net of allowance for credit losses on our Consolidated Balance Sheet and $5.6 million was recorded in Due to factoring facility on our Consolidated Balance Sheet as of September 26, 2025. We incurred factoring fees of approximately $0.4 million during the first quarter ended September 26, 2025.

Share Repurchase Agreement

On November 3, 2025, the Board of Directors authorized a share repurchase program for the purchase of up to $200.0 million of our outstanding common stock. The program has no expiration date and repurchases may be made through open market or privately negotiated transactions from time to time at prevailing market prices. The timing and amount of repurchases will depend on market conditions and other factors. Repurchased shares are accounted for as authorized and unissued shares. All share repurchases are made in accordance with Rule 10b-18. During the first quarter ended October 2, 2026, no shares of our common stock was repurchased under the share repurchase program. As of October 2, 2026, there was $185.0 million available for future share repurchases under this share repurchase program.

CASH FLOWS

	As of and For the First Quarters Ended,	
(In thousands)	**October 2, 2026**	**September 26, 2025**
Net cash (used in) provided by operating activities	$ (13,966)	$ 2,182
Net cash used in investing activities	$ (10,413)	$ (6,548)
Net cash used in financing activities	$ (80,152)	$ —
Net decrease in cash and cash equivalents	$ (104,627)	$ (4,383)
Cash and cash equivalents at end of period	$ 109,679	$ 304,716

Our cash and cash equivalents decreased by $104.6 million from July 3, 2026 to October 2, 2026, as the result of the $100.0 million repayment on the Revolver, $14.0 million of cash used in operating activities, and $10.4 million invested in purchases of property and equipment, partially offset by $19.8 million of proceeds from stock option exercises.

Operating Activities

During the first quarter ended October 2, 2026, we had an outflow of $14.0 million in cash from operating activities compared to a $2.2 million inflow during the first quarter ended September 26, 2025. The outflow during the first quarter ended October 2, 2026 was primarily due to an outflow of $17.5 million from accounts receivable, unbilled receivables, and costs in excess of billings, as compared to an inflow of $20.1 million in the prior period, an outflow of $10.4 million due to accounts payable, accrued expenses, accrued compensation, and due to factoring, as compared to an inflow of $20.9 million in the prior period, and a $20.1 million greater outflow from inventory. This activity was partially offset by a lower outflow of $33.7 million from prepaid expenses and other current assets. The outflow of cash from operating activities was also partially offset by net income of $13.1 million, as compared to a net loss of $12.5 million in the prior period.

Investing Activities

During the first quarter ended October 2, 2026, we invested $10.4 million, an increase of $3.9 million, as compared to $6.5 million during the first quarter ended September 26, 2025 due to higher purchases of property and equipment.

Financing Activities

During the first quarter ended October 2, 2026, we made payments of $100.0 million on the Revolver and received $19.8 million of proceeds from stock option exercises. During the first quarter ended September 26, 2025, we had no financing cash flows.

COMMITMENTS, CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The following is a schedule of our commitments and contractual obligations outstanding at October 2, 2026:

(In thousands)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Purchase obligations	$ 359,012	$ 332,247	$ 22,515	$ 4,250	$ —
Operating leases	63,349	16,129	25,662	16,422	5,136
	$ 422,361	$ 348,376	$ 48,177	$ 20,672	$ 5,136

Purchase obligations represent open non-cancelable purchase commitments for certain inventory components and services used in normal operations. The purchase commitments covered by these agreements aggregated approximately $359.0 million at October 2, 2026. We are experiencing higher levels of purchase obligations in an effort to secure materials to support execution on performance obligations.

We have a liability at October 2, 2026 of $3.5 million for uncertain tax positions that have been taken or are expected to be taken in various income tax returns. We do not know the ultimate resolution on these uncertain tax positions and as such, do not know the ultimate timing of payments or amount, if any, related to this liability. Accordingly, these amounts are not included in the above table.

Our standard product sales and license agreements entered into in the ordinary course of business typically contain an indemnification provision pursuant to which we indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred in connection with certain intellectual property infringement claims by any third party with respect to our products. Such provisions generally survive termination or expiration of the agreements. The potential amount of future payments we could be required to make under these indemnification provisions is, in some instances, unlimited.

As part of our strategy for growth, we continue to explore acquisitions or strategic alliances. The associated acquisition costs incurred in the form of professional fees and services may be material to the future periods in which they occur, regardless of whether the acquisition is ultimately completed.

We may elect from time to time to purchase and subsequently retire shares of common stock in order to settle employees' tax liabilities associated with vesting of a restricted stock award. These transactions would be treated as a use of cash in financing activities in our Consolidated Statements of Cash Flows.

OFF-BALANCE SHEET ARRANGEMENTS

Other than certain indemnification provisions in the normal course of business, we do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets, or any obligation arising out of a material variable interest in an unconsolidated entity. We do not have any majority-owned subsidiaries that are not consolidated in the financial statements. Additionally, we do not have an interest in, or relationships with, any special purpose entities.

NON-GAAP FINANCIAL MEASURES

In our periodic communications, we discuss certain important measures that are not calculated according to U.S. generally accepted accounting principles ("GAAP"), including adjusted EBITDA, adjusted income, adjusted EPS, and free cash flow.

Adjusted EBITDA is defined as net income before other non-operating adjustments, interest income and expense, income taxes, depreciation, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition, financing and other third party costs, fair value adjustments from purchase accounting, litigation and settlement income and expense, and stock-based and other non-cash compensation expense. We use adjusted EBITDA as an important indicator of the operating performance of our business. We use adjusted EBITDA in internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to our board of directors, determining the portion of bonus compensation for executive officers and other key employees based on operating performance, evaluating short-term and long-term operating trends in our operations and allocating resources to various initiatives and operational requirements. We believe that adjusted EBITDA permits a comparative assessment of our operating performance, relative to our performance based on our GAAP results, while isolating the effects of charges that may vary from period to period without any correlation to underlying operating performance. We believe that these non-GAAP financial adjustments are useful to investors because they allow investors to evaluate the effectiveness of the methodology and information used by management in our financial and operational decision-making. We believe that trends in our adjusted EBITDA are valuable indicators of our operating performance.

Adjusted EBITDA is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies. We expect to continue to incur expenses similar to the adjusted EBITDA financial adjustments described above, and investors should not infer from our presentation of this non-GAAP financial measure that these costs are unusual, infrequent or non-recurring.

The following table reconciles our net income (loss), the most directly comparable GAAP financial measure, to our adjusted EBITDA:

	First Quarters Ended	
(In thousands)	October 2, 2026	September 26, 2025
Net income (loss)	$ 13,088	$ (12,515)
Other non-operating adjustments, net	584	748
Interest expense, net	4,079	5,859
Income tax provision (benefit)	220	(4,021)
Depreciation	8,486	8,654
Amortization of intangible assets	9,303	10,259
Restructuring and other charges	2,018	1,584
Impairment of long-lived asset	—	—
Acquisition, financing and other third party costs	750	1,317
Fair value adjustments from purchase accounting	131	131
Litigation and settlement expense, net	545	7,224
Stock-based and other non-cash compensation expense	17,191	16,328
Adjusted EBITDA	$ 56,395	$ 35,568

Adjusted income and adjusted EPS exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. We believe that exclusion of these items assists in providing a more complete understanding of our underlying results and trends and allows for comparability with our peer company index and industry. These non-GAAP financial measures may not be computed in the same manner as similarly titled measures used by other companies. We use these measures along with the corresponding GAAP financial measures to manage our business and to evaluate our performance compared to prior periods and the marketplace. We define adjusted income as net income before other non-operating adjustments, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition, financing and other third party costs, fair value adjustments from purchase accounting, litigation and settlement income and expense, and stock-based and other non-cash compensation expense. The impact to income taxes includes the impact to the effective tax rate, current tax provision and deferred tax provision. Adjusted EPS expresses adjusted income on a per share basis using weighted average diluted shares outstanding.

Adjusted income and adjusted EPS are non-GAAP financial measures and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. We expect to continue to incur expenses similar to the adjusted income and adjusted EPS financial adjustments described above, and investors should not infer from our presentation of these non-GAAP financial measures that these costs are unusual, infrequent or non-recurring.

The following table reconciles net income (loss) and diluted earnings (loss) per share, the most directly comparable GAAP measures, to adjusted income and adjusted EPS:

(In thousands, except per share data)	First Quarters Ended			
	October 2, 2026		September 26, 2025	
Net income (loss) and earnings (loss) per share	$ 13,088	$ 0.21	$ (12,515)	$ (0.21)
Other non-operating adjustments, net	584		748	
Amortization of intangible assets	9,303		10,259	
Restructuring and other charges	2,018		1,584	
Impairment of long-lived assets	—		—	
Acquisition, financing and other third party costs	750		1,317	
Fair value adjustments from purchase accounting	131		131	
Litigation and settlement expense, net	545		7,224	
Stock-based and other non-cash compensation expense	17,191		16,328	
Impact to income taxes[1]	(11,605)		(9,516)	
Adjusted income and adjusted earnings per share[2]	$ 32,005	$ 0.52	$ 15,560	$ 0.26
Diluted weighted-average shares outstanding		61,623		60,140

(1) Impact to income taxes is calculated by recasting income before income taxes to include the items 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 provision or benefit related to the items.

(2) Adjusted earnings per share is calculated using diluted shares whereas Net loss per share is calculated using basic shares. There was no impact to the calculation of adjusted earnings per share as a result of this for the first quarter ended September 26, 2025.

Free cash flow, a non-GAAP measure for reporting cash flow, is defined as cash provided by operating activities less capital expenditures for property and equipment, which includes capitalized software development costs. We believe free cash flow provides investors with an important perspective on cash available for investments and acquisitions after making capital investments required to support ongoing business operations and long-term value creation. We believe that trends in our free cash flow can be valuable indicators of our operating performance and liquidity.

Free cash flow is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies. We expect to continue to incur expenditures similar to the free cash flow adjustment described above, and investors should not infer from our presentation of this non-GAAP financial measure that these expenditures reflect all of our obligations which require cash.

The following table reconciles cash (used in) provided by operating activities, the most directly comparable GAAP financial measure, to free cash flow:

(In thousands)	First Quarters Ended	
	October 2, 2026	September 26, 2025
Net cash (used in) provided by operating activities	$ (13,966)	$ 2,182
Purchase of property and equipment	(10,413)	(6,548)
Free cash flow	$ (24,379)	$ (4,366)

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See Note B to our consolidated financial statements (under the caption "Recently Issued Accounting Pronouncements").

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

See Note B to our consolidated financial statements (under the caption "Recently Adopted Accounting Pronouncements").

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in our exposure to market risk from July 3, 2026 to October 2, 2026.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), regarding the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of October 2, 2026. We continue to review our disclosure controls and procedures and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our Company's business. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(b) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended October 2, 2026 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to litigation, claims, investigations and audits arising from time to time in the ordinary course of our business. Although legal proceedings are inherently unpredictable, we believe that we have valid defenses with respect to those matters currently pending against us and intend to defend ourself vigorously. The outcome of these matters, individually and in the aggregate, is not expected to have a material impact on our cash flows, results of operations, or financial position. Please see Note M to our consolidated financial statements (under the caption "Legal Claims") for a discussion of our legal proceedings.

ITEM 1A. RISK FACTORS

You should carefully review and consider the information regarding certain factors that could materially affect our business, financial condition or future results set forth under Item 1A (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended July 3, 2026. There have been no changes from the factors disclosed in our 2026 Annual Report on Form 10-K filed on August 18, 2026, although we may disclose additional changes to such factors from time to time in our future filings with the Securities and Exchange Commission.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no sales of unregistered equity securities during the quarter ended October 2, 2026.

The table below summarizes our repurchases of common stock during the three months ended October 2, 2026. See Note B for more information on our share repurchase program.

Period	Total Number of Shares Purchased	Average Price Paid per Share[2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[3]	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs ($ in thousands)[3]
July 4, 2026 - July 31, 2026[1]	—	$ —	—	$ 185,003
August 1, 2026 - August 28, 2026[1]	—	—	—	185,003
August 29, 2026 - October 2, 2026[1]	—	—	—	185,003
Total	—	$ —	—	$ 185,003

(1) We close our books and records for each 52-week or 53-week fiscal year on the Friday closest to the last day in June to align our financial close with our business processes and needs. As a result, our fiscal months often differ from calendar months. For example, October 2, 2026 was the last day of our September 2026 fiscal month.
(2) Excludes commissions paid and other costs of execution, including taxes.
(3) On November 3, 2025, the Board of Directors authorized a share repurchase program for the purchase of up to $200.0 million of our outstanding common stock. The program has no expiration date and repurchases may be made through open market or privately negotiated transactions from time to time at prevailing market prices. The timing and amount of repurchases will depend on market conditions and other factors.

ITEM 5. OTHER INFORMATION

10b5-1 Plans

During the first quarter ended October 2, 2026, none of the Company’s directors or executive officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement as each term is defined in Section 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

The following Exhibits are filed or furnished, as applicable, herewith:

10.1*	Compensation Policy for Non-Employee Directors
10.2*	Form of Performance Stock Unit Agreement under the 2025 Long Term Incentive Plan
10.3*	Form of Restricted Stock Unit Agreement under the 2025 Long Term Incentive Plan (Executives)
31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1+	Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	eXtensible Business Reporting Language (XBRL) Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Identifies a management contract or compensatory plan in which an executive officer or director of the Company participates.

\+ Furnished herewith. This certificate shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

MERCURY SYSTEMS, INC.

Signatures

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

By: /s/ DAVID E. FARNSWORTH

David E. Farnsworth
Executive Vice President,
Chief Financial Officer, and Chief Operating Officer

Andover, Massachusetts, on November 10, 2026.

MERCURY SYSTEMS, INC.

Compensation Policy for Non-Employee Directors

Cash Compensation

Annual retainer for non-employee directors: $75,000 per annum, paid quarterly

Additional annual retainers (all per annuum, paid quarterly):

Independent Chair:	$45,000
Lead Independent Director:	$40,000
Chair of the Audit Committee:	$25,000
Chair of the Human Capital and Compensation Committee:	$25,000
Chair of the Nominating and Governance Committee:	$15,000
Chair of the M&A and Finance Committee:	$15,000
Chair of the Government Relations Committee:	$15,000

Directors are entitled to be reimbursed for their reasonable expenses incurred in connection with attendance at Board and committee meetings.

Quarterly retainer payments shall be paid in arrears within 30 days following the end of each quarter. The full quarterly retainer shall be paid to each director who served on the Board during all or a portion of a quarter.

Equity Compensation

New non-employee directors will be granted equity awards in connection with their first appointment or election to the Board. These awards will be granted by the Board of Directors and will consist of shares of restricted stock units for the number of shares of common stock equal to $225,000 divided by the average closing price of the Company's common stock during the 30 calendar days prior to the date of grant. These awards will vest as to 50% of the covered shares on each of the first two anniversaries of the date of grant.

Non-employee directors will also receive annual restricted stock unit awards for the number of shares of common stock equal to $185,000 divided by the average closing price of the Company's common stock during the 30 calendar days prior to the date of grant. These awards will vest on the first anniversary of the date of grant.

Non-employee directors will not be eligible to receive an annual restricted stock unit award during the fiscal year in which they are first elected.

/Mercury Proprietary/No Tech Data/

Compensation Deferrals

Non-employee directors will be given an annual opportunity to defer equity compensation in compliance with applicable law by electing to receive deferred stock units that convert into shares of common stock upon termination of Board service (and not upon vesting). Similarly, non-employee directors will be given an annual opportunity to defer cash retainer payments in compliance with applicable law by electing to receive deferred stock units in lieu of such payments, which will be fully vested upon grant but will not convert into shares of common stock until termination of Board service. Subject to applicable law, new non-employee directors will be given an opportunity to defer their equity and/or cash compensation effective upon the commencement of their Board service, provided that they make such election prior to that time.

Approved by the Board of Directors, as amended, on July 28, 2026.

/Mercury Proprietary/No Tech Data/

PERFORMANCE STOCK UNIT AGREEMENT

UNDER THE MERCURY SYSTEMS, INC.
2025 LONG TERM INCENTIVE PLAN

Name of Grantee: #ParticipantName#
No. of Phantom Stock Units Granted: #QuantityGranted#
Grant Date: #GrantDate#

Pursuant to the Mercury Systems, Inc. 2025 Long Term Incentive Plan as amended through the date hereof (the "Plan"), Mercury Systems, Inc. (the "Company") hereby grants a performance stock unit award consisting of the number of phantom stock units listed above (an "Award") to the Grantee named above. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them under the Plan. Each phantom stock unit shall relate to one Share of Common Stock of the Company (the "Target Units"), subject to the restrictions and conditions set forth herein and in the Plan.

1. Restrictions on Transfer of Award. This Agreement and the underlying Award shall be subject to the restrictions on transferability set forth in section 14(g) of the Plan until (i) the third anniversary after the Grant Date (subject to the acceleration events provided for under Section 3 hereof, the "Vesting Date") and (ii) Shares have been issued pursuant to Section 5 of this Agreement.

2. Vesting and Certification of Earned Shares. The performance goals associated with this Grant (the "Performance Goals") will be established by the Human Capital and Compensation Committee of the Board of Directors (including any successor or delegate thereof, the "Committee") with respect to a designated period of three fiscal years (the "Performance Period") and will be attached as an exhibit to this Agreement or otherwise communicated separately to the Grantee by the Company. The final number of Shares to be earned under this Award (the "Earned Shares") will range from 0% to 225% of the number of Target Units granted hereunder, based on the Company's performance during the Performance Period against the Performance Goals as certified by the Committee (the date of such certification, the "Certification Date").

3. Termination of Employment Prior to Vesting Date. In the event of the Grantee's Termination of Service prior to the Vesting Date, then except as may be otherwise provided in any agreement between the Grantee and the Company, the consequences of such termination shall be as follows:

(a) Severance-Based Termination. If:

(i) the Grantee's employment is terminated in a manner that qualifies the Grantee for cash severance under any applicable agreement with the Company; and

(ii) no later than the date that is 60 days following the Grantee's termination of employment, the Grantee shall have satisfied the Release Condition (as defined below), then:

(A) the number of Target Units hereunder shall be prorated based on the portion of the vesting period satisfied at time of the termination of employment;

(B) the Vesting Date shall be accelerated to be the date that is 60 days following the Grantee's termination of employment; and

(C) the Earned Shares shall be determined in accordance with Section 2 without modification as to the Performance Period.

(b) Qualified Retirement. If:

(i) on or after the Grant Date (and prior to receiving any notice of termination of employment by the Company for any reason), the Grantee provides at least six months' written notice of their termination of employment (the date of termination so indicated on such notice, the "Retirement Date") to their manager with a copy to their local Human Resources Business Partner and to the Company's Chief Human Resources Officer;

(ii) as of the date of the Grantee's termination of employment, the Grantee has at least five years of credited employment service with the Company and its Subsidiaries and is at least 60 years of age;

(iii) the Grantee's termination of employment is not for Cause, nor has the Grantee performed, or failed to perform, any acts as of the date of termination that with or without notice or the passage of time or both would constitute Cause; and

(iv) no later than the date that is 60 days following the Grantee's termination of employment, the Grantee shall have satisfied the Release Condition, then:

(A) the number of Target Units hereunder shall be prorated based on the portion of the vesting period satisfied at time of the termination of employment;

(B) the Vesting Date shall be accelerated to the date that is 60 days following the Grantee's termination of employment; and

(C) the Earned Shares shall be determined in accordance with Section 2 without modification as to the Performance Period;

provided, that the Company may accelerate the Grantee's Retirement Date in its sole discretion, which accelerated date shall be the date on which the Grantee's employment shall terminate and be deemed to be a voluntary termination of employment by the Grantee under any applicable employment agreement or policy with the Company and its Subsidiaries; provided, further, that in the event of such acceleration, the service and age requirements set forth in clause (ii) above shall be applied without giving effect to any such acceleration, and on a basis that assumes the Grantee would have maintained employment with the Company and its Subsidiaries through the unaccelerated Retirement

Date; provided, further, that the Company and the Grantee may mutually agree to extend the Grantee's Retirement Date, in which case the Grantee shall not be required to provide a further notice pursuant to clause (i) above.

(c) Death or Disability. If the Grantee's Termination of Service is by reason of death or Disability, then:

(i) the Vesting Date hereunder shall be accelerated to be the date of such termination;

(ii) the Performance Period shall be deemed to have ended as of the end of the most recent fiscal quarter prior to such termination; and

(iii) the Performance Goals shall be equitably adjusted by the Committee in its sole discretion to reflect such reduced Performance Period.

(d) If the Grantee's employment is terminated in a manner that does not result in an accelerated Vesting Date under Paragraph (a), (b) or (c) above, the Target Units shall be automatically forfeited.

(e) For purposes of this Agreement, the "Release Condition" shall mean the Grantee's execution of a general release, which is no longer revocable, of all claims in the form prescribed by the Company in its sole discretion.

4. Change-in-Control Prior to the end of the Performance Period. In the event of a Change-in-Control (including as may be defined in any agreement between the Grantee and the Company) prior to the end of the Performance Period, then the Committee shall certify the number of Shares earned by the Grantee based on the Company's performance to date against the Performance Goals (which shall be assessed at no less than the number of Target Units granted hereunder), with the Committee's certification being effective as of the time of the Change-in-Control (which shall be deemed to be the Certification Date), at which time the number Shares so certified shall be deemed to be the Earned Shares. Notwithstanding the foregoing and except as may be set forth in any agreement between the Grantee and the Company, the Vesting Date shall not be accelerated solely by virtue of the occurrence of a Change-in-Control.

5. Receipt of Shares.

(a) As soon as practicable following the later of the Vesting Date (without giving effect to the acceleration of any such date pursuant to Section 3(a) or (b) above) and the Certification Date, the Company shall direct its transfer agent to issue to the Grantee in book entry form the number of Shares equal to the Earned Shares.

(b) The issuance of Shares hereunder shall be subject to the payment by the Grantee by cash or other means acceptable to the Company of any federal, state, local and other applicable taxes required to be withheld in connection with such issuance in accordance with Section 7 of this Agreement.

6. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Committee set forth in Section 2 of the Plan.

7. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event, pay to the Company or make arrangements satisfactory to the Committee for payment of taxes required by law to be withheld on account of such taxable event.

8. Miscellaneous.

(a) Except as otherwise set forth herein, notice hereunder shall be given to the Company at its principal corporate headquarters to the attention of its legal department, and shall be given to the Grantee at their address on file with the Company's stock plan administrator.

(b) This Agreement does not confer upon the Grantee any rights with respect to continuation of employment or services with the Company or any Subsidiary.

MERCURY SYSTEMS, INC.



By: Steve Ratner
Title: Chief Human Resources Officer

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: #AcceptanceDate# #ParticipantName#

Grantee's Signature

RESTRICTED STOCK UNIT AGREEMENT

UNDER THE MERCURY SYSTEMS, INC.
2025 LONG TERM INCENTIVE PLAN

Name of Grantee: #ParticipantName#
No. of Phantom Stock Units Granted: #QuantityGranted#
Grant Date: #GrantDate#

Pursuant to the Mercury Systems, Inc. 2025 Long Term Incentive Plan as amended through the date hereof (the "Plan"), Mercury Systems, Inc. (the "Company") hereby grants a restricted stock unit award consisting of the number of phantom stock units listed above (an "Award") to the Grantee named above. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them under the Plan. Each phantom stock unit shall relate to one Share of Common Stock of the Company, subject to the restrictions and conditions set forth herein and in the Plan.

1. Restrictions on Transfer of Award. This Agreement and the underlying Award shall be subject to the restrictions on transferability set forth in Section 14(g) of the Plan until (i) the phantom stock units have vested as provided in Section 2 of this Agreement, and (ii) Shares have been issued pursuant to Section 4 of this Agreement.

2. Vesting of Phantom Stock Units. The phantom stock units shall vest in accordance with the schedule set forth below, subject to the acceleration events provided for under Paragraph 3.

Incremental Number of Phantom Stock Units Vested	Vesting Date
#VestQty_1#	#VestDate_1#
#VestQty_2#	#VestDate_2#
#VestQty_3#	#VestDate_3#

3. Termination of Service Prior to Full Vesting. In the event of the Grantee's Termination of Service prior to the vesting of all phantom stock units hereunder, then except as may be otherwise set forth in any agreement between the Grantee and Company, the consequences of such termination shall be as follows:

(a) If (i) the Grantee's employment is terminated in a manner that qualifies the Grantee for cash severance under any applicable agreement with the Company in the form of salary continuation for a specified period of time from and after the date of termination (subject to a maximum period of one year, the "Severance Period"), and (ii) no later than the date that is 60 days following the Grantee's termination of employment, the Grantee shall have satisfied the Release Condition (as defined below), then the vesting date of all phantom stock units that would have vested during the Severance Period under Paragraph 2 shall be accelerated to the date that is 60 days following the Grantee's termination of employment.

(b) If (i) the Grantee's employment terminates on or after August 28, 2026, (ii) the Grantee's termination of employment is not for Cause, nor has the Grantee performed, or failed to perform, any acts as of the date of termination that with or without notice or the passage of time or both would constitute Cause, and (iii) no later than the date that is 60 days following the Grantee's termination of employment, the Grantee shall have satisfied the Release Condition, then the vesting date of all phantom stock units that would have vested during the one-year period following the Grantee's termination of employment shall be accelerated to the date that is 60 days following the Grantee's termination of employment.

(c) If the Grantee's Termination of Service is by reason of death or Disability, then the vesting date for all remaining phantom stock units that have not yet vested shall be accelerated to be the date of such termination.

(d) Any unvested phantom stock units that do not become vested under Paragraphs (a), (b) or (c) above shall be automatically forfeited to the Company.

(e) For purposes of this Agreement, the "Release Condition" shall mean the Grantee's execution of a general release, which is no longer revocable, of all claims in the form prescribed by the Company in its sole discretion.

4. Receipt of Shares of Stock.

(a) As soon as practicable following each vesting date (without giving effect to the acceleration of any such date pursuant to Section 3(a) or (b) above), the Company shall direct its transfer agent to issue to the Grantee in book entry form the number of Shares equal to the number of phantom stock units credited to the Grantee that have vested pursuant to Section 2 of this Agreement on such date in satisfaction of such phantom stock units.

(b) In each instance above, the issuance of Shares shall be subject to the payment by the Grantee by cash or other means acceptable to the Company of any federal, state, local and other applicable taxes required to be withheld in connection with such issuance in accordance with Section 6 of this Agreement.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Committee set forth in Section 2 of the Plan.

6. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event, pay to the Company or make arrangements satisfactory to the Committee for payment of taxes required by law to be withheld on account of such taxable event.

7. Miscellaneous.

(a) Except as otherwise set forth herein, notice hereunder shall be given to the Company at its principal corporate headquarters to the attention of its legal department, and shall be given to the Grantee at their address on file with the Company's stock plan administrator.

(b) This Agreement does not confer upon the Grantee any rights with respect to continuation of employment or service with the Company or any Subsidiary.

MERCURY SYSTEMS, INC.



By: Steve Ratner
Title: Chief Human Resources Officer

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: #AcceptanceDate#

#ParticipantName#

Grantee's Signature

EXHIBIT 31.1

CERTIFICATION

I, William L. Ballhaus, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mercury Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/S/ WILLIAM L. BALLHAUS

William L. Ballhaus

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
[PRINCIPAL EXECUTIVE OFFICER]

Date: November 10, 2026

EXHIBIT 31.2

CERTIFICATION

I, David E. Farnsworth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mercury Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID E. FARNSWORTH

David E. Farnsworth
EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER,
AND CHIEF OPERATING OFFICER
[PRINCIPAL FINANCIAL OFFICER]

Date: November 10, 2026

EXHIBIT 32.1

Mercury Systems, Inc.

Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Mercury Systems, Inc. (the "Company") on Form 10-Q for the period ended October 2, 2026 as filed with the Securities and Exchange Commission (the "Report"), we, William L. Ballhaus, Chairman, President and Chief Executive Officer of the Company, and David E. Farnsworth, Executive Vice President, Chief Financial Officer, and Chief Operating Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that to our knowledge the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2026

/s/ WILLIAM L. BALLHAUS

William L. Ballhaus
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

/s/ DAVID E. FARNSWORTH

David E. Farnsworth
EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER,
AND CHIEF OPERATING OFFICER