

**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 March 28, 2025
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
(State or other jurisdiction of
incorporation or organization)

04-2741391
(I.R.S. Employer
Identification No.)

50 MINUTEMAN ROAD
ANDOVER MA
(Address of principal executive offices)

01810
(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

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 April 30, 2025: 59,754,960 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)

	March 28, 2025	June 28, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 269,822	\$ 180,521
Accounts receivable, net of allowance for credit losses of \$1,765 and \$2,020 at March 28, 2025 and June 28, 2024, respectively	103,401	111,441
Unbilled receivables and costs in excess of billings, net of allowance for credit losses of \$5,311 and \$6,340 at March 28, 2025 and June 28, 2024, respectively	271,293	304,029
Inventory	352,689	335,300
Prepaid income taxes	2,960	—
Prepaid expenses and other current assets	19,339	22,493
Total current assets	1,019,504	953,784
Property and equipment, net	107,477	110,353
Goodwill	938,093	938,093
Intangible assets, net	215,977	250,512
Operating lease right-of-use assets, net	54,640	60,860
Deferred tax assets	72,575	58,612
Other non-current assets	6,151	6,691
Total assets	\$ 2,414,417	\$ 2,378,905
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 73,554	\$ 81,068
Accrued expenses	45,406	42,926
Accrued compensation	35,120	36,398
Income taxes payable	—	109
Deferred revenues and customer advances	142,484	73,915
Total current liabilities	296,564	234,416
Income taxes payable	7,713	7,713
Long-term debt	591,500	591,500
Operating lease liabilities	55,315	62,584
Other non-current liabilities	12,236	9,917
Total liabilities	963,328	906,130
Commitments and contingencies (Note L)		
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; 58,852,270 and 58,093,528 shares issued and outstanding at March 28, 2025 and June 28, 2024, respectively	589	581
Additional paid-in capital	1,279,118	1,242,402
Retained earnings	165,525	219,799
Accumulated other comprehensive income	5,857	9,993
Total shareholders' equity	1,451,089	1,472,775
Total liabilities and shareholders' equity	\$ 2,414,417	\$ 2,378,905

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

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

	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
Net revenues	\$ 211,358	\$ 208,258	\$ 638,914	\$ 586,712
Cost of revenues	154,248	167,616	469,188	464,023
Gross margin	57,110	40,642	169,726	122,689
Operating expenses:				
Selling, general and administrative	43,044	43,157	116,698	123,421
Research and development	15,983	21,563	55,734	81,911
Amortization of intangible assets	10,185	11,533	32,574	36,350
Restructuring and other charges	4,931	9,841	7,231	19,389
Acquisition costs and other related expenses	311	204	666	1,404
Total operating expenses	74,454	86,298	212,903	262,475
Loss from operations	(17,344)	(45,656)	(43,177)	(139,786)
Interest income	1,290	542	2,240	674
Interest expense	(8,068)	(9,319)	(25,404)	(25,856)
Other income (expense), net	2,304	(2,784)	(2,900)	(5,706)
Loss before income tax benefit	(21,818)	(57,217)	(69,241)	(170,674)
Income tax benefit	(2,648)	(12,643)	(14,967)	(43,811)
Net loss	\$ (19,170)	\$ (44,574)	\$ (54,274)	\$ (126,863)
Basic net loss per share	\$ (0.33)	\$ (0.77)	\$ (0.93)	\$ (2.20)
Diluted net loss per share	\$ (0.33)	\$ (0.77)	\$ (0.93)	\$ (2.20)
Weighted-average shares outstanding:				
Basic	58,749	57,698	58,614	57,536
Diluted	58,749	57,698	58,614	57,536
Comprehensive loss:				
Net loss	\$ (19,170)	\$ (44,574)	\$ (54,274)	\$ (126,863)
Change in fair value of derivative instruments, net of tax	(1,876)	3,064	(3,991)	(1,058)
Foreign currency translation adjustments	(256)	(459)	27	370
Deferred compensation and pension benefit plan, net of tax	(79)	(56)	(172)	(169)
Total other comprehensive (loss) income, net of tax	(2,211)	2,549	(4,136)	(857)
Total comprehensive loss	\$ (21,381)	\$ (42,025)	\$ (58,410)	\$ (127,720)

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 Third Quarter Ended March 28, 2025

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance at December 27, 2024	58,660	\$ 587	\$ 1,266,926	\$ 184,695	\$ 8,068	\$ 1,460,276
Issuance of common stock under employee stock incentive plans	102	1	(1)	—	—	—
Issuance of common stock under defined contribution plan	90	1	3,794	—	—	3,795
Stock-based compensation	—	—	8,399	—	—	8,399
Net loss	—	—	—	(19,170)	—	(19,170)
Other comprehensive loss	—	—	—	—	(2,211)	(2,211)
Balance at March 28, 2025	58,852	\$ 589	\$ 1,279,118	\$ 165,525	\$ 5,857	\$ 1,451,089

For the Third Quarter Ended March 29, 2024

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance at December 29, 2023	57,564	\$ 576	\$ 1,220,343	\$ 275,150	\$ 8,423	\$ 1,504,492
Issuance of common stock under employee stock incentive plans	166	1	(1)	—	—	—
Issuance of common stock under defined contribution plan	139	2	4,220	—	—	4,222
Stock-based compensation	—	—	6,104	—	—	6,104
Net loss	—	—	—	(44,574)	—	(44,574)
Other comprehensive income	—	—	—	—	2,549	2,549
Balance at March 29, 2024	57,869	\$ 579	\$ 1,230,666	\$ 230,576	\$ 10,972	\$ 1,472,793

For the Nine Months Ended March 28, 2025

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance at June 28, 2024	58,094	\$ 581	\$ 1,242,402	\$ 219,799	\$ 9,993	\$ 1,472,775
Issuance of common stock under employee stock incentive plans	394	4	(4)	—	—	—
Issuance of common stock under employee stock purchase plan	60	1	1,491	—	—	1,492
Issuance of common stock under defined contribution plan	304	3	11,673	—	—	11,676
Stock-based compensation	—	—	23,556	—	—	23,556
Net loss	—	—	—	(54,274)	—	(54,274)
Other comprehensive loss	—	—	—	—	(4,136)	(4,136)
Balance at March 28, 2025	58,852	\$ 589	\$ 1,279,118	\$ 165,525	\$ 5,857	\$ 1,451,089

For the Nine Months Ended March 29, 2024

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance at June 30, 2023	56,962	\$ 570	\$ 1,196,847	\$ 357,439	\$ 11,829	\$ 1,566,685
Issuance of common stock under employee stock incentive plans	435	4	(4)	—	—	—
Issuance of common stock under employee stock purchase plan	107	1	3,162	—	—	3,163
Issuance of common stock under defined contribution plan	365	4	12,435	—	—	12,439
Retirement of common stock	—	—	(15)	—	—	(15)
Stock-based compensation	—	—	18,241	—	—	18,241
Net loss	—	—	—	(126,863)	—	(126,863)
Other comprehensive loss	—	—	—	—	(857)	(857)
Balance at March 29, 2024	57,869	\$ 579	\$ 1,230,666	\$ 230,576	\$ 10,972	\$ 1,472,793

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

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

	Nine Months Ended	
	March 28, 2025	March 29, 2024
Cash flows from operating activities:		
Net loss	\$ (54,274)	\$ (126,863)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	62,058	66,639
Stock-based compensation expense	22,602	18,423
Stock-based matching contributions on defined contribution plan	11,393	12,180
Benefit for deferred income taxes	(13,991)	(17,260)
Provision for bad debt	472	11,690
Other non-cash items	(802)	445
Cash settlement for termination of interest rate swap	—	7,403
Changes in operating assets and liabilities:		
Accounts receivable, unbilled receivables, and costs in excess of billings	40,792	78,326
Inventory	(29,068)	(7,010)
Prepaid income taxes	(2,979)	(27,964)
Prepaid expenses and other current assets	4,023	174
Other non-current assets	5,592	(234)
Accounts payable, accrued expenses, and accrued compensation	(5,300)	(25,885)
Deferred revenues and customer advances	67,918	14,211
Income taxes payable	(118)	(13,872)
Other non-current liabilities	(7,542)	(1,782)
Net cash provided by (used in) operating activities	<u>100,776</u>	<u>(11,379)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(15,705)	(23,943)
Other investing activities	4,600	—
Net cash used in investing activities	<u>(11,105)</u>	<u>(23,943)</u>
Cash flows from financing activities:		
Proceeds from employee stock plans	1,492	3,163
Borrowings under credit facilities	—	105,000
Purchase and retirement of common stock	—	(15)
Payments of deferred financing and offering costs	(2,249)	(1,931)
Net cash (used in) provided by financing activities	<u>(757)</u>	<u>106,217</u>
Effect of exchange rate changes on cash and cash equivalents	387	187
Net increase in cash and cash equivalents	89,301	71,082
Cash and cash equivalents at beginning of period	180,521	71,563
Cash and cash equivalents at end of period	<u>\$ 269,822</u>	<u>\$ 142,645</u>
Cash paid during the period for:		
Interest	\$ 28,105	\$ 26,660
Income taxes paid, net	\$ 265	\$ 14,451
Supplemental disclosures—non-cash activities:		
Non-cash investing activity: Purchases of property and equipment incurred but not yet paid	\$ 2,712	\$ 7,509
Non-cash investing activity: Inventory transfer to property and equipment, net	\$ 12,675	\$ —

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

MERCURY SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands except per share data)
(Unaudited)

A. Description of Business

Mercury Systems, Inc. (the Company) is a technology company that delivers mission-critical processing power to the edge to solve the most pressing aerospace and defense challenges.

Combining technologies and expertise developed for more than 40 years, the Mercury Processing Platform offers customers a unique advantage to unleash breakthrough capabilities. It spans the full breadth of signal processing - from RF front end to the human-machine interface - to rapidly convert meaningful data, gathered in the most remote and hostile environments, into critical decisions. The Processing Platform allows Mercury to offer standard products and custom integrated solutions from silicon to system scale, including components, modules, subsystems, and systems.

Mercury's products and integrated solutions are deployed in more than 300 programs and across 35 countries. The Company is headquartered in Andover, Massachusetts, and has more than 20 locations worldwide.

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 June 28, 2024, which are contained in the Company's Annual Report on Form 10-K filed with the SEC on August 13, 2024. The results for the third quarter and nine months ended March 28, 2025 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 third quarter of fiscal 2025 are to the quarter ended March 28, 2025. There were 13 weeks during the third quarters ended March 28, 2025 and March 29, 2024, respectively. There were 39 weeks during the nine months ended March 28, 2025 and March 29, 2024, 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 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 September 27, 2022, the Company executed an uncommitted receivables purchase agreement (“RPA”), pursuant to which the Company may offer to sell certain customer receivables, subject to the terms and conditions of the RPA. The RPA was an uncommitted arrangement such that the Company was not obligated to sell any receivables and the party had no obligation to purchase any receivables from the Company. Pursuant to the RPA, the party may purchase certain of the Company’s customer receivables at a discounted rate, subject to a limit that as of any date, the total amount of purchased receivables held by the party, less the amount of all collections received on such receivables, may not exceed \$20,000. The RPA had an indefinite term, with the agreement remaining in effect until termination by either party. Factoring under the RPA was treated as a true sale of accounts receivable by the Company. The Company had continued involvement in servicing accounts receivable under the RPA, but no retained interests related to the factored accounts receivable. On March 14, 2023, the Company amended the RPA to increase the capacity from \$20,000 to \$30,600. On June 21, 2023, the Company further amended the RPA to increase the capacity from \$30,600 to \$60,000. On August 13, 2024, the Company terminated the RPA in conjunction with entering into a new receivables purchase and service agreement.

On August 13, 2024, the Company entered into a \$60,000 committed receivables purchase and servicing agreement (“RPSA”) with a new party. The RPSA has an initial term of two years. Pursuant to the RPSA, the new party has committed to purchase receivables from a certain number of agreed upon customers, maintaining a balance of purchased receivables at or below \$60,000. Under the RPSA, a portion of the factored receivables is paid by the counterparty in cash and classified as a deferred purchase price receivable, which is paid as receivables are collected by the Company.

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 Loss.

The Company had \$55,139 factored accounts receivables as of March 28, 2025 and incurred factoring fees of approximately \$467 and \$1,288 for the third quarter and nine months ended March 28, 2025. The Company had \$44,229 factored accounts receivables as of March 29, 2024 and incurred factoring fees of approximately \$375 and \$1,636 for the third quarter and nine months ended March 29, 2024.

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 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 March 28, 2025.

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 53% and 51% of revenues for the third quarter and nine months ended March 28, 2025, respectively. Contracts with distinct performance obligations recognized at a point in time, with or without an allocation of the transaction price, totaled 42% and 44% of revenues for the third quarters and nine months ended March 29, 2024, 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 47% and 49% of total revenues for the third quarter and nine months ended March 28, 2025, respectively. Total revenue recognized over time was 58% and 56% of total revenues for the third quarter and nine months ended March 29, 2024, 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 Loss from operations, Net loss and Diluted net 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:

<i>(In thousands, except per share data)</i>	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
Loss from operations	\$ (3,653)	\$ (15,977)	\$ (16,354)	\$ (63,950)
Net loss ⁽¹⁾	\$ (2,666)	\$ (11,663)	\$ (11,938)	\$ (46,684)
Diluted net loss per share	\$ (0.05)	\$ (0.20)	\$ (0.20)	\$ (0.81)
Diluted Shares	58,749	57,698	58,614	57,536

(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 K 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 \$271,293 and \$304,029 as of March 28, 2025 and June 28, 2024, respectively. The contract asset balance decreased due to \$344,605 of billings, offset by revenue recognized under over time contracts of \$311,869 during the nine months ended March 28, 2025. The contract liability balances were \$142,801 and \$74,367 as of March 28, 2025 and June 28, 2024, respectively. The contract liability increased due to a higher volume of milestone billing events as well as timing of revenue recognized across multiple programs.

Revenue recognized for the third quarter and nine months ended March 28, 2025 that was included in the contract liability balance at June 28, 2024 was \$8,563 and \$50,310, respectively. Revenue recognized for the third quarter and nine months ended March 29, 2024 that was included in the contract liability balance at June 30, 2023 was \$10,170 and \$41,413, respectively.

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 March 28, 2025, the aggregate amount of the transaction price allocated to remaining performance obligations was \$722,977. The Company expects to recognize approximately 49% 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 E). 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 June 28, 2024	\$ 5,721
Accruals for warranties issued during the period	733
Settlements made during the period	(2,904)
Balance at March 28, 2025	<u>\$ 3,550</u>

WEIGHTED-AVERAGE SHARES

Weighted-average shares were calculated as follows:

	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
Basic weighted-average shares outstanding	58,749	57,698	58,614	57,536
Effect of dilutive equity instruments	—	—	—	—
Diluted weighted-average shares outstanding	<u>58,749</u>	<u>57,698</u>	<u>58,614</u>	<u>57,536</u>

Equity instruments to purchase 2,901 and 2,859 shares of common stock were not included in the calculation of diluted net loss per share for the third quarter and nine months ended March 28, 2025, respectively, because the equity instruments were anti-dilutive. Equity instruments to purchase 2,711 and 2,551 shares of common stock were not included in the calculation of diluted net loss per share for the third quarter and nine months ended March 29, 2024, respectively, because the equity instruments were anti-dilutive.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (ASC 280): Improvements to Reportable Segment Disclosures*, an amendment of the FASB Accounting Standards Codification. The amendments in this ASU address improvements to reportable segment disclosure requirements, specifically requiring disclosure of significant segment expenses. The amendment also extends certain annual disclosures to interim periods, and clarifies that single reportable segment entities must apply ASC 280 in its entirety, inclusive of this update. This ASU is effective for fiscal years beginning after December 15, 2023, as well as all interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, including adoption in an interim period. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Improvement to Income Tax Disclosures*, an amendment of the FASB Accounting Standards Codification. The amendments in this ASU enact new income tax disclosure requirements in addition to modifying existing requirements. The amendment requires entities to categorize and provide greater disaggregation of information in the rate reconciliation and income taxes paid disclosures. This ASU is effective for fiscal years beginning after December 15, 2024, 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 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. This ASU is effective for fiscal years beginning after December 15,

2026, and interim 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.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The Company has evaluated all issued accounting pronouncements and determined there were no recently adopted accounting pronouncements.

C. Fair Value of Financial Instruments

The following table summarizes the Companies' financial instruments measured at fair value on a recurring basis as of March 28, 2025:

	Fair Value Measurements			
	March 28, 2025	Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap	\$ 5,355	\$ —	\$ 5,355	\$ —
Total	\$ 5,355	\$ —	\$ 5,355	\$ —

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.

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 March 28, 2025, the fair value of the September 2023 Swap was a liability of \$5,355 and is included within Other non-current liabilities in the Company's Consolidated Balance Sheets. As of June 28, 2024, the fair value of the September 2023 Swap was a liability of \$2,436 and was included within Other non-current liabilities in the Company's Consolidated Balance Sheets.

The following table summarizes the Companies' financial instruments measured at fair value on a recurring basis as of June 28, 2024:

	Fair Value Measurements			
	June 28, 2024	Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap	\$ 2,436	\$ —	\$ 2,436	\$ —
Total assets measured at fair value	\$ 2,436	\$ —	\$ 2,436	\$ —

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.

Refer to Note M 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. During the nine months ended March 28, 2025, the Company reclassified \$12,675 of work in process inventory to Property and equipment, net to support broader customer outreach for its technologies and to meet anticipated production demands for its solutions through additional testing capabilities. Inventory was comprised of the following:

	As of	
	March 28, 2025	June 28, 2024
Raw materials	\$ 213,509	\$ 200,501
Work in process	122,289	118,060
Finished goods	16,891	16,739
Total	<u>\$ 352,689</u>	<u>\$ 335,300</u>

E. 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 two divisions: Mission Systems and Microelectronics. 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 estimates its fair value and compares the fair value with the carrying value of its reporting units, including goodwill using an income approach based upon a discounted cash flow ("DCF") model to calculate the present value of cash flows to estimate its implied fair value. The future cash flows for the Company's reporting units are projected based on the Company's estimates, at that time, of future revenues, expenses, capital expenditures, and working capital. The discount rates used in the Company's DCF model were based on a weighted-average cost of capital ("WACC") determined from relevant market comparisons, adjusted upward for specific reporting unit risks (primarily the uncertainty of achieving projected operating cash flows). A terminal value growth rate is applied to the final year of the projected period, which reflects the Company's estimate of stable, perpetual growth. The Company then calculated a present value of the respective cash flows for each reporting unit to arrive at an estimate of fair value under the income approach. In addition, the Company uses the market approach, which compares the reporting unit to publicly traded companies and transactions involving similar businesses, to support the conclusions of the income approach. Finally, the Company compared its estimates of fair values to its total market capitalization to assess the reasonableness of the reporting units combined determined fair value.

The Company also assesses potential triggering events during interim reporting periods. During the third quarter ended March 28, 2025, 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.

F. Restructuring

On January 29, 2025, the Company approved and initiated workforce reductions that eliminated approximately 145 positions resulting in an additional \$4,931 of severance costs for the three months ended March 28, 2025. During the nine months ended March 28, 2025, the Company incurred \$7,231 of severance costs.

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. All of the restructuring and other charges are classified as Operating expenses in the Consolidated Statements of Operations and Comprehensive 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
Balance at June 28, 2024	\$ 8,758
Restructuring charges	7,231
Cash paid	(12,913)
Balance at March 28, 2025	<u>\$ 3,076</u>

G. Income Taxes

The Company recorded an income tax benefit of \$2,648 and \$12,643 on a loss before income taxes of \$21,818 and \$57,217 for the third quarters ended March 28, 2025 and March 29, 2024, respectively. The Company recorded an income tax benefit of \$14,967 and \$43,811 on a loss before income taxes of \$69,241 and \$170,674 for the nine months ended March 28, 2025, and March 29, 2024, respectively.

The effective tax rate for the third quarter and nine months ended March 28, 2025 differed from the federal statutory rate primarily due to federal and state research and development credits, return to provision adjustments, non-deductible compensation, and state taxes. The effective tax rate for the third quarter and nine months ended March 29, 2024 differed from the federal statutory rate primarily due to federal and state research and development credits, non-deductible compensation, stock compensation shortfalls, and state taxes.

The Company continues to maintain a valuation allowance on the majority of its foreign net operating loss carryforwards and 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.

H. Debt

REVOLVING CREDIT FACILITY

The Company maintains a 5-year revolving credit facility (the "Revolver") with a maturity extended to February 28, 2027. As of March 28, 2025, the Company's outstanding balance of unamortized deferred financing costs was \$4,051, which is being amortized to Other income (expense), net in the Consolidated Statements of Operations and Comprehensive Loss on a straight line basis over the term of the Revolver and includes the costs incurred in conjunction with the August 2024 amendment to the Revolver.

On November 7, 2023, due to the uncertainty surrounding a government shutdown or prolonged continuing resolution and the potential impact on the second quarter and fiscal 2024 results, the Company proactively executed Amendment No. 5 to the Revolver, as amended to date, with a syndicate of commercial banks and Bank of America, N.A acting as the administrative agent allowing for a temporary increase in the Consolidated Total Net Leverage Ratio covenant requirement from 4.50 to 5.25 for the second quarter ended December 29, 2023. In conjunction with Amendment No. 5 to the Revolver, the Company incurred \$1,931 of new deferred financing costs that will be amortized over the remaining term of the Revolver. Refer to exhibit 10.1 on Form 8-K filed by the Company with the SEC on November 7, 2023.

On August 13, 2024, the Company executed Amendment No. 6 to the Revolver, decreasing the permanent borrowing capacity to \$900,000, with a temporary reduction in credit availability to \$750,000 until the Company meets a minimum consolidated EBITDA level, as defined in the Amendment No. 6 to the Revolver. In conjunction with Amendment No. 6 to the Revolver, the Company incurred \$2,249 of new deferred financing costs that will be amortized over the remaining term of the Revolver. As part of the amendment, the Company wrote off \$714 of previously deferred financing costs associated with the line of credit facility prior to the amendment. This write-off is included in Other expense, net in the Consolidated Statements of Operations and Comprehensive Loss. Refer to exhibit 10.7.6 on Form 10-K filed by the Company with the SEC on August 13, 2024.

During the third quarter and nine months ended March 28, 2025, the Company made no borrowings or repayments. As of March 28, 2025, the Company was in compliance with all covenants and conditions under the Revolver and there were outstanding borrowings of \$591,500 against the Revolver, resulting in interest expense of \$8,068 and \$25,404 for the third quarter and nine months ended March 28, 2025. The borrowing capacity as defined under the Revolver as of March 28, 2025 is approximately \$900,000 less outstanding borrowings of \$591,500. There were outstanding letters of credit of \$7,640 as of March 28, 2025.

I. 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 March 28, 2025 was a net liability of \$5,254, which is recorded in Other non-current liabilities on the Consolidated Balance Sheet. The Company recognized net periodic benefit costs of \$227 and \$213 associated with the Plan and a net loss of \$51 and \$56 in AOCI during the third quarters ended March 28, 2025 and March 29, 2024, respectively. The Company recognized net periodic benefit costs of \$691 and \$628 associated with the Plan and a net loss of \$156 and \$169 in AOCI during the nine months ended March 28, 2025 and March 29, 2024, respectively. The Company’s total expected employer contributions to the Plan during fiscal 2025 are \$939.

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. The Company had \$3,184 and \$2,901 of capitalized stock-based 401(k) matching compensation expense on the Consolidated Balance Sheets at March 28, 2025 and June 28, 2024, respectively. 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 third quarter and nine months ended March 28, 2025, the Company recognized share-based matching contributions related to the 401(k) plan of \$3,533 and \$11,393, as compared to \$4,528 and \$12,180 during the third quarter and nine months ended March 29, 2024.

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 deferral credited to participants’ account balances). The Company’s matching obligations for participant deferrals made during each calendar year are subject to a financial performance condition for the Company’s four fiscal quarters corresponding to such calendar year. In the case of the Company’s matching obligations for participant deferrals made during calendar year 2024, the financial performance condition was 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 income. 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 March 28, 2025, the Company held assets under the rabbi trust of \$212, 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 \$212. Assets related to this plan are included in Other assets, and liabilities related to this plan are included in Other long-term liabilities in the Consolidated Balance Sheets. During the third quarters ended March 28, 2025 and March 29, 2024, the Company recognized an immaterial value of compensation expense 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 income attributable to changes in the market value of the assets held by the rabbi trust.

J. Stock-Based Compensation

STOCK INCENTIVE PLANS

At March 28, 2025, the aggregate number of shares authorized for issuance under the Company's Amended and Restated 2018 Stock Incentive Plan (the "2018 Plan") is 7,862 shares, including 3,000 shares approved by the Company's shareholders on October 28, 2020 and 2,000 shares approved for future grant under the 2018 Plan by the Company's shareholders on October 26, 2022. On October 25, 2023, the Company's shareholders approved an additional 3,450 shares to be added to the 2018 plan. The 2018 Plan shares available for issuance also include 948 shares rolled into the 2018 Plan that were available for future grant under the Company's 2005 Stock Incentive Plan, as amended and restated (the "2005 Plan"). The 2018 Plan replaced the 2005 Plan. The 2018 Plan provides for the grant of non-qualified and incentive stock options, restricted stock, stock appreciation rights and deferred stock awards to employees and non-employees. Stock options 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 the options generally have a term of seven years. There were 3,132 available shares for future grant under the 2018 Plan at March 28, 2025.

As part of the Company's ongoing annual equity grant program for employees, the Company grants performance-based restricted stock awards to certain executives and employees pursuant to 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, either on an absolute basis or relative to a peer group of companies. Payouts under performance-based restricted stock awards may also be subject to modification based on Mercury's total shareholder return relative to the component companies within the Spade Defense Index.

EMPLOYEE STOCK PURCHASE PLAN

The Company's 1997 Employee Stock Purchase Plan, as amended and restated (the "1997 ESPP") was terminated in accordance with its terms effective May 14, 2024. Under the 1997 ESPP, rights were 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 1997 ESPP permitted employees to purchase common stock through payroll deductions, which may not have exceeded 10% of an employee's compensation as defined in the 1997 ESPP. There were no shares and 107 shares issued under the 1997 ESPP during the nine months ended March 28, 2025 and March 29, 2024, respectively. There were an immaterial amount of shares related to the 1997 Plan issued and returned to the reserve during the nine months ended March 28, 2025.

The Company adopted a new 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 65 shares and no shares issued under the 2024 ESPP during the nine months ended March 28, 2025 and March 29, 2024, respectively. Shares available for future purchase under the 2024 ESPP totaled 935 at March 28, 2025.

STOCK OPTION AND AWARD ACTIVITY

On August 15, 2023, the Company announced that William L. Ballhaus was appointed as the Company's President and Chief Executive Officer. Mr. Ballhaus received an onboarding grant of premium-priced stock options ("New Hire Option") under the 2018 Plan. The Company and Mr. Ballhaus are parties to an employment agreement, which is included in exhibit 10.1 on Form 8-K filed by the Company with the SEC on August 15, 2023.

The following table summarizes activity with respect to Company-issued stock options since June 28, 2024:

	Options Outstanding			Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value as of March 28, 2025
	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price		
Outstanding at June 28, 2024	934	\$ 12.71	\$ 45.00		—
Granted	—				
Exercised	—				
Canceled	—				
Outstanding at March 28, 2025	934	12.71	45.00	2.98 years	—
Exercisable at March 28, 2025	—	\$ —	\$ —		—

There were no options vested or exercised during the nine months ended March 28, 2025. Non-vested stock options are subject to the risk of forfeiture until the fulfillment of specified conditions. As of March 28, 2025, there was \$6,685 of total unrecognized compensation cost related to non-vested options granted that is expected to be recognized over a weighted-average period of 1.98 years from March 28, 2025.

The following table summarizes the status of the Company's non-vested restricted stock awards and deferred stock awards since June 28, 2024:

	Non-vested Restricted Stock Awards	
	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at June 28, 2024	1,526	\$ 41.35
Granted	902	39.93
Vested	(394)	44.22
Forfeited	(164)	42.04
Outstanding at March 28, 2025	1,870	\$ 39.36

STOCK-BASED COMPENSATION EXPENSE

The Company recognizes expense for its share-based payment plans in the Consolidated Statements of Operations and Comprehensive Loss in accordance with ASC 718, *Compensation - Stock Compensation* ("ASC 718"). The Company had \$1,410 and \$456 of capitalized stock-based compensation expense on the Consolidated Balance Sheets for the periods ended March 28, 2025 and June 28, 2024, respectively. 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 Loss:

	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
Cost of revenues	\$ 813	\$ 1,299	\$ 759	\$ 2,119
Selling, general and administrative	6,228	4,123	17,156	11,626
Research and development	1,507	1,498	4,687	4,678
Stock-based compensation expense before tax	8,548	6,920	22,602	18,423
Income taxes ⁽¹⁾	(2,308)	(1,868)	(6,103)	(4,974)
Stock-based compensation expense, net of income taxes	\$ 6,240	\$ 5,052	\$ 16,499	\$ 13,449

(1) Federal and state statutory rate of 27%

K. Operating Segment, Geographic Information and Significant Customers

Operating segments are defined as components of an enterprise evaluated regularly by the Company's 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 has 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 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	Asia Pacific	Eliminations	Total
THIRD QUARTER ENDED MARCH 28, 2025					
Net revenues to unaffiliated customers	\$ 200,241	\$ 11,117	\$ —	\$ —	\$ 211,358
Inter-geographic revenues	1,539	2,577	—	(4,116)	—
Net revenues	<u>\$ 201,780</u>	<u>\$ 13,694</u>	<u>\$ —</u>	<u>\$ (4,116)</u>	<u>\$ 211,358</u>
THIRD QUARTER ENDED MARCH 29, 2024					
Net revenues to unaffiliated customers	\$ 199,834	\$ 8,418	\$ 6	\$ —	\$ 208,258
Inter-geographic revenues	1,248	211	—	(1,459)	—
Net revenues	<u>\$ 201,082</u>	<u>\$ 8,629</u>	<u>\$ 6</u>	<u>\$ (1,459)</u>	<u>\$ 208,258</u>
NINE MONTHS ENDED MARCH 28, 2025					
Net revenues to unaffiliated customers	\$ 597,955	\$ 40,959	\$ —	\$ —	\$ 638,914
Inter-geographic revenues	6,312	7,925	—	(14,237)	—
Net revenues	<u>\$ 604,267</u>	<u>\$ 48,884</u>	<u>\$ —</u>	<u>\$ (14,237)</u>	<u>\$ 638,914</u>
NINE MONTHS ENDED MARCH 29, 2024					
Net revenues to unaffiliated customers	\$ 554,877	\$ 31,817	\$ 18	\$ —	\$ 586,712
Inter-geographic revenues	4,253	507	—	(4,760)	—
Net revenues	<u>\$ 559,130</u>	<u>\$ 32,324</u>	<u>\$ 18</u>	<u>\$ (4,760)</u>	<u>\$ 586,712</u>

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 product lines 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.

In recent years, the Company completed a series of acquisitions that changed its technological capabilities, applications and end markets. As these acquisitions and changes occurred, the Company's proportion of revenue derived from the sale of components in different technological areas, and modules, sub-assemblies and integrated solutions which combine technologies into more complex diverse products has shifted. 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:

	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
Domestic ⁽¹⁾	\$ 176,203	\$ 177,973	\$ 513,688	\$ 506,262
International/Foreign Military Sales ⁽²⁾	35,155	30,285	125,226	80,450
Total Net Revenue	\$ 211,358	\$ 208,258	\$ 638,914	\$ 586,712

(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:

	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
Radar ⁽¹⁾	\$ 35,921	\$ 24,607	\$ 116,780	\$ 62,373
Electronic Warfare ⁽²⁾	21,414	21,427	71,690	72,038
Other Sensor & Effector ⁽³⁾	22,041	47,681	70,538	91,482
Total Sensor & Effector	79,376	93,715	259,008	225,893
C4I ⁽⁴⁾	96,784	84,604	270,520	285,758
Other ⁽⁵⁾	35,198	29,939	109,386	75,061
Total Net Revenue	\$ 211,358	\$ 208,258	\$ 638,914	\$ 586,712

(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:

	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
Components ⁽¹⁾	\$ 49,979	\$ 57,283	\$ 139,928	\$ 135,972
Modules and Sub-assemblies ⁽²⁾	58,476	50,161	150,404	130,374
Integrated Solutions ⁽³⁾	102,903	100,814	348,582	320,366
Total Net Revenue	\$ 211,358	\$ 208,258	\$ 638,914	\$ 586,712

(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:

	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
Airborne ⁽¹⁾	\$ 101,548	\$ 95,014	\$ 288,252	\$ 317,808
Land ⁽²⁾	33,766	23,088	112,911	76,962
Naval ⁽³⁾	17,777	21,637	60,623	51,447
Space ⁽⁴⁾	11,543	32,954	38,729	43,557
Other ⁽⁵⁾	46,724	35,565	138,399	96,938
Total Net Revenues	\$ 211,358	\$ 208,258	\$ 638,914	\$ 586,712

(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.

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

	U.S.	Europe	Total
March 28, 2025	\$ 104,924	\$ 2,553	\$ 107,477
June 28, 2024	\$ 107,655	\$ 2,698	\$ 110,353

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

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

	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
U.S. Navy	14 %	*	11 %	*
RTX Corporation	11 %	11 %	11 %	10 %
Lockheed Martin Corporation	11 %	15 %	10 %	11 %
L3Harris	*	13 %	*	11 %
Northrop Grumman	*	10 %	*	*
	36 %	49 %	32 %	32 %

* 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 third quarters and nine months ended March 28, 2025 and March 29, 2024.

L. 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 in its demand letter that the operations of a predecessor company to the Company 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 contributed to the groundwater contamination. NTS is seeking payment from the Company of NTS's costs for any required environmental remediation. In April 2022, the Company engaged in a meet and confer session with NTS pursuant to Massachusetts General Laws Chapter

21E, Section 4A to discuss the status of the environmental review performed by NTS and its licensed site professional. The Company subsequently delivered a letter to NTS outlining the deficiencies in their claim and reiterated that the Company is not obligated to tender a substantive response to their demand without first having received the responsive information requested in connection with the meet and confer session. In April 2024, counsel for NTS sent additional communications on their demand that the Company participate in their environmental monitoring and remediation planning, and in May 2024, the Company responded with a rebuttal of the allegations. The Company believes the NTS claims are without merit and intends to defend itself vigorously. In addition, in November 2021, the Company responded to a request for information from MassDEP regarding the detection of PFAS (per- and polyfluoroalkyl substances) in the Acton, Massachusetts Water District's Conant public water supply wells near the former facility at 531 Main Street, Acton, Massachusetts at a level above the standard that MassDEP published for PFAS in October 2020. The Company has not been contacted by MassDEP since the Company's response was provided in November 2021. It is too early to determine what responsibility, if any, the Company may have for these environmental matters.

On June 19, 2023, the Board of Directors received notice of the Company's former CEO's resignation from the positions of President and Chief Executive Officer. The Board accepted his resignation effective June 24, 2023. In the notice, the former CEO claimed he was entitled to certain benefits, including equity vesting, severance, and other benefits, under the change in control severance agreement (the "CIC Agreement") because the former CEO had resigned with good reason during a potential change in control period. The Company disputes these claims and maintains that the former CEO resigned without good reason. On September 19, 2023, the former CEO filed for binding arbitration under the employment rules of the American Arbitration Association ("AAA"). An arbitrator was appointed on November 29, 2023. On March 25, 2024, the arbitrator denied the former CEO's motion for compensation during the dispute and payment of his legal fees, preserving those matters for the arbitration hearing. An arbitration hearing was conducted from March 31, 2025 through April 9, 2025. In connection with the hearing, the arbitrator and the parties agreed to a post-hearing briefing schedule with initial briefs due May 16, 2025, response briefs due June 13, 2025 and oral arguments on June 30, 2025. The Company continues to contest vigorously the claims under the CIC Agreement and believes that the Company has strong arguments that the former CEO's claims lack merit. If the arbitrator rules in the Company's favor, the Company may still need to pay the former CEO's reasonable legal fees, interest, and compensation during the dispute. If instead the arbitrator rules for the former CEO, the Company could be liable for up to approximately \$14,100, based on the closing price of the Company's common stock on June 26, 2023, for accelerated equity vesting, severance, and other benefits under the CIC Agreement, plus interest, legal fees and expenses and compensation during dispute, which could include Mr. Aslett's base salary and other amounts based on the compensation, benefit and insurance plans in which he participated. The Company categorically denies any wrongdoing or liability under the CIC Agreement, but the outcome of potential arbitration is inherently uncertain. Accordingly, it is reasonably possible that the Company will incur a liability in this matter, and the Company estimates the potential range of exposure from \$0 to \$14,100, plus costs and attorneys' fees, interest and compensation to the former CEO during the dispute.

On December 13, 2023, a securities class action complaint was filed against the Company, Mark Aslett, and Michael Ruppert in the U.S. District Court for the District of Massachusetts. The complaint asserted Section 10(b) and 20(a) securities fraud claims on behalf of a purported class of purchasers and sellers of the Company's stock from December 7, 2020, through June 23, 2023. The complaint alleged that the Company's public disclosures in SEC filings and on earnings calls were false and/or misleading. On February 27, 2024, the Court entered an order appointing Carpenters Pension Trust Fund for Northern California as lead plaintiff. On April 18, 2024, the lead plaintiff filed an amended complaint including William Ballhaus and David Farnsworth as additional defendants and amended the class period to February 3, 2021 through February 6, 2024. The Company filed a motion to dismiss on May 24, 2024, and after the plaintiffs' filed their opposition motion and the Company filed its reply to their opposition, a hearing on the motion was conducted by the Court on July 24, 2024. On July 24, 2024, the Court dismissed the case without prejudice and permitted the plaintiffs 30 days to file an amended complaint. The plaintiffs filed for leave to amend their complaint on August 23, 2024, the Company filed its opposition motion on September 6th, the plaintiffs filed their response brief on September 17, 2024, and the Company filed its reply on September 30, 2024. On October 17, 2024, the Company received a shareholder derivative demand alleging the same claims as those covered in the federal securities class action. On November 14, 2024, the Company and the shareholder entered into a tolling agreement on this derivative demand. On February 20, 2025, the court issued an order that dismissed claims relating to 14 of 17 challenged statements and that allowed the remaining three challenged statements to proceed. The court also dismissed Messrs. Ruppert and Farnsworth from the lawsuit. The parties are beginning the discovery process. On March 4, 2025, the Company received an additional derivative demand from another shareholder alleging the same claims as those covered in the federal securities class action and the first derivative demand. Subject to the terms of the Company's by-laws and applicable Massachusetts law, Mr. Aslett, the Company's former Chief Executive Officer, and Mr. Ballhaus, the Company's current Chief Executive Officer, are indemnified by the Company for this matter. The Company believes the claims in the complaint and derivative demands 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.

On January 31, 2024, a former employee at the Company's Torrance, California location, filed a wage and hour class action lawsuit in California state court in Los Angeles County, along with a companion Private Attorneys General Act ("PAGA") lawsuit, to act in a representative capacity for other Mercury Mission Systems, LLC employees in California, alleging a range of violations of California wage and hour regulations. On October 1, 2024, a second former employee at our Torrance location filed a PAGA notice to act in a representative capacity on allegations of a range of violations of California wage and hour regulations. On December 21, 2024, the Company reached an agreement in principle to settle these wage and hour class action claims for \$450, which settlement in principle is subject to a final settlement agreement and review and approval by the court.

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 March 28, 2025, 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 are for less than one year and aggregate to \$156,759.

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.

M. Derivatives

The Company utilizes interest rate derivatives to mitigate interest rate exposure with respect to its financing arrangements. On September 29, 2022, the Company entered into the Swap with JP Morgan Chase Bank, N.A. ("JPMorgan") for a notional amount of \$300,000 in order to fix the interest rate associated with a portion of the total \$511,500 existing borrowings on the Revolver at the time of the Swap. The Swap agreement was designated and qualified for hedge accounting treatment as a cash flow hedge. The Swap was scheduled to mature on February 28, 2027, coterminous with the maturity of the Revolver. The Swap established a fixed interest rate on the first \$300,000 of the Company's outstanding borrowings against the Revolver obligation at 3.79%.

On September 28, 2023, the Company terminated the Swap. At the time of termination, the fair value of the Swap was an asset of \$7,403. The Company received the cash settlement of \$7,403 and these proceeds are classified within Operating Activities of the Consolidated Statements of Cash Flows.

Following the termination of the Swap, the Company entered into the September 2023 Swap agreement on September 28, 2023 with JPMorgan for a notional amount of \$300,000 in order to fix the interest rate associated with a portion of the total \$576,500 existing borrowings on Company's Revolver at the time of the Swap at 4.66%. The September 2023 Swap agreement was designated and qualified for hedge accounting treatment as a cash flow hedge. The September 2023 Swap matures on February 28, 2027, coterminous with the maturity of the Revolver.

As of March 28, 2025, the fair value of the September 2023 Swap was a liability of \$5,355 and is included within Other non-current liabilities in the Company's Consolidated Balance Sheets.

During the third quarter and nine months ended March 28, 2025, the Company amortized a total of \$881 and \$2,643, respectively, of the gain associated with the interest swaps terminated on September 29, 2022 and September 28, 2023, which is included within Other comprehensive loss.

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 March 28, 2025, 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.

N. 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, 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 geopolitical unrest 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 in 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, 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, 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, changes in tax rates or tax regulations, such as the deductibility of internal research and development, 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 dispute arising with the former CEO over his resignation, 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 June 28, 2024. 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 technology company that delivers mission-critical processing power to the edge to solve the most pressing aerospace and defense challenges.

Combining technologies and expertise developed for more than 40 years, the Mercury Processing Platform offers customers a unique advantage to unleash breakthrough capabilities. It spans the full breadth of signal processing—from RF front end to the human-machine interface—to rapidly convert meaningful data, gathered in the most remote and hostile environments, into critical decisions. The Processing Platform allows Mercury to offer standard products and custom integrated solutions from silicon to system scale, including components, modules, subsystems, and systems.

Mercury's products and integrated solutions are deployed in more than 300 programs and across 35 countries. The company is headquartered in Andover, Massachusetts, and has more than 20 locations worldwide.

As a leading manufacturer of essential components, products, modules and subsystems, we sell to all of the top defense prime contractors, the U.S. government and original equipment manufacturers ("OEM") commercial aerospace companies. Our mission-critical products and solutions are deployed by our customers for a variety of applications including sensor and radar processing, electronic warfare, avionics, weapons, and command, control, communications, and intelligence ("C4I"). Mercury has built a trusted, robust portfolio of proven capabilities, leveraging the most advanced commercial silicon technologies and purpose-built to exceed the performance needs of our defense and commercial customers. Customers add their own applications and algorithms to our specialized, secure and innovative products and pre-integrated solutions. This allows them to complete their full system by integrating with their platform, the sensor technology and, increasingly, the processing from Mercury.

Our deep, long-standing relationships with leading high-tech and other commercial companies, coupled with our targeted research and development (“R&D”) investments and industry-leading trusted and secure design and manufacturing capabilities, are the foundational tenets of this highly successful model. We are leading the development and adaptation of commercial technology for aerospace and defense solutions. From chip-scale to system scale and from data, including RF to digital to decision, we make mission-critical technologies safe, secure, affordable and relevant for our customers.

Our capabilities, technology, people and R&D investment strategy combine to differentiate Mercury in our industry. We maintain our technological edge by investing in critical capabilities and intellectual property (“IP” or “building blocks”) in processing, leveraging open standards and open architectures to adapt quickly those building blocks into solutions for highly data-intensive applications, including emerging needs in areas such as artificial intelligence (“AI”).

As of March 28, 2025, we had 2,200 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 loss, diluted net loss per share, adjusted earnings per share (“adjusted EPS”), and adjusted EBITDA for the third quarter ended March 28, 2025 were \$211.4 million, (\$19.2) million, (\$0.33), \$0.06, and \$24.7 million, respectively. Our consolidated revenues, net loss, diluted net loss per share, adjusted earnings per share (“adjusted EPS”), and adjusted EBITDA for the nine months ended March 28, 2025 were \$638.9 million, (\$54.3) million, (\$0.93), \$0.17, and \$68.2 million, respectively. See the Non-GAAP Financial Measures section for a reconciliation to our most directly comparable GAAP financial measures.

RESULTS OF OPERATIONS:

There were 13 weeks included in the results of operations for the third quarters ended March 28, 2025 and March 29, 2024, respectively. The results for the third quarter ended March 28, 2025 are not necessarily indicative of the results to be expected for the full fiscal year.

The third quarter ended March 28, 2025 compared to the third quarter ended March 29, 2024

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

(In thousands)	March 28, 2025	As a % of Total Net Revenue	March 29, 2024	As a % of Total Net Revenue
Net revenues	\$ 211,358	100.0 %	\$ 208,258	100.0 %
Cost of revenues	154,248	73.0	167,616	80.5
Gross margin	57,110	27.0	40,642	19.5
Operating expenses:				
Selling, general and administrative	43,044	20.4	43,157	20.7
Research and development	15,983	7.6	21,563	10.4
Amortization of intangible assets	10,185	4.8	11,533	5.5
Restructuring and other charges	4,931	2.3	9,841	4.7
Acquisition costs and other related expenses	311	0.1	204	0.1
Total operating expenses	74,454	35.2	86,298	41.4
Loss from operations	(17,344)	(8.2)	(45,656)	(21.9)
Interest income	1,290	0.6	542	0.3
Interest expense	(8,068)	(3.8)	(9,319)	(4.5)
Other income (expense), net	2,304	1.1	(2,784)	(1.3)
Loss before income tax benefit	(21,818)	(10.3)	(57,217)	(27.5)
Income tax benefit	(2,648)	(1.2)	(12,643)	(6.1)
Net Loss	\$ (19,170)	(9.1)%	\$ (44,574)	(21.4)%

REVENUES

Total revenues increased \$3.1 million, or 1.5%, to \$211.4 million during the third quarter ended March 28, 2025, as compared to \$208.3 million during the third quarter ended March 29, 2024. Revenues increased year over year as we pivoted our resources in fiscal 2024 to executing on our program base, including progress toward full rate production of our common processing architecture programs. Point in time revenue and over time revenue represented 53% and 47%, respectively, of total revenues during the third quarter ended March 28, 2025, an increase of \$24.9 million and decrease of \$21.8 million, respectively. Point in time revenue and over time revenue represented 42% and 58% respectively, of total revenues during the third quarter ended March 29, 2024.

Revenue increases by product grouping were driven by the modules and sub-assemblies and integrated solutions product groupings which increased \$8.3 million and \$2.1 million, respectively, partially offset by components which decreased \$7.3 million during the third quarter ended March 28, 2025 when compared to the prior period. The increase in total revenue by end application was primarily driven by the C4I, radar, and other end applications with increases of \$12.2 million, \$11.3 million, and \$5.3 million respectively, partially offset by a decrease to other sensor & effector of \$25.5 million. The increase in total revenue by platform was also driven by higher Other, Land, and Airborne of \$11.2 million, \$10.7 million, and \$6.5 million, respectively, partially offset by decreases to Space and Naval of \$21.4 million and \$3.9 million, respectively. The largest program increases were related to KC46, a secure processing program, and F/A-18, partially offset by decreases in a strategic weapons program and the Tracking Layer program when compared to the prior period. There were no programs comprising 10% or more of our revenues for the third quarters ended March 28, 2025 or March 29, 2024.

GROSS MARGIN

Gross margin was 27.0% for the third quarter ended March 28, 2025, an increase of 750 basis points from the 19.5% gross margin realized during the third quarter ended March 29, 2024. The higher gross margin was driven primarily by net Estimate at completion ("EAC") change impact on our programs recognized over time of approximately \$3.7 million recorded in the quarter, an incremental improvement of approximately \$12.3 million, or 600 basis points, when compared to the prior period as well as lower inventory reserves of \$9.6 million and lower warranty provisions of \$5.0 million. The increase in inventory reserves in fiscal 2024 was primarily related to programs with end of life components, where design changes have occurred, as well as configuration changes necessary to drive efficient production in our common processing architecture programs. We may experience increases in our manufacturing costs related to the imposition of tariffs on the import of components from other countries. We do not expect to see material increases to these costs in fiscal 2025, but they could impact our gross margins in fiscal 2026.

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:

<i>(in thousands)</i>	Third Quarters Ended	
	March 28, 2025	March 29, 2024
Gross favorable	\$ 5,448	\$ 9,667
Gross unfavorable	(9,101)	(25,644)
Net impact of changes in estimates	\$ (3,653)	\$ (15,977)

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 judgement across the full portfolio of programs.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses decreased \$0.2 million, or 0.4%, to \$43.0 million during the third quarter ended March 28, 2025, as compared to \$43.2 million in the third quarter ended March 29, 2024. The decrease was primarily driven by lower bad debt expense of \$6.4 million as well as the savings from reductions in force initiated in fiscal 2024, resulting in lower compensation costs of \$6.1 million. These decreases were partially offset by higher legal and consulting costs of \$5.7 million, additional bonus and stock compensation expense of \$4.6 million, and higher depreciation expense of \$1.3 million.

RESEARCH AND DEVELOPMENT

Research and development expenses decreased \$5.6 million, or 25.9%, to \$16.0 million during the third quarter ended March 28, 2025, as compared to \$21.6 million during the third quarter ended March 29, 2024. The decrease was primarily driven by the savings from headcount reductions of 185 R&D employees, initiated in fiscal 2024 and fiscal 2025, resulting in lower expense of \$4.6 million as well as decreased spend on consultants and outside services of \$2.3 million, and lower equipment and supplies expense of \$2.0 million. These decreases were partially offset by higher bonus expense of \$3.7 million.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets decreased \$1.3 million to \$10.2 million during the third quarter ended March 28, 2025, as compared to \$11.5 million during the third quarter ended March 29, 2024, primarily due to various developed technology and customer relationship intangibles being fully amortized in fiscal 2024.

RESTRUCTURING AND OTHER CHARGES

We incurred \$4.9 million of restructuring and other charges during the third quarter ended March 28, 2025, as compared to \$9.8 million during the third quarter ended March 29, 2024. Restructuring and other charges during the third quarter ended March 28, 2025 include \$4.9 million for separation costs related to the reduction in workforce initiated January 29, 2025 impacting approximately 145 positions. Restructuring and other charges during the third quarter ended March 29, 2024 include \$9.8 million for separation costs related to the reduction in workforce initiated January 12, 2024 impacting approximately 100 positions.

INTEREST INCOME

We recognized \$1.3 million of interest income during the third quarter ended March 28, 2025, as compared to \$0.5 million during the third quarter ended March 29, 2024. The increase was driven by higher average cash and cash equivalents during the period.

INTEREST EXPENSE

We incurred \$8.1 million of interest expense during the third quarter ended March 28, 2025, as compared to \$9.3 million during the third quarter ended March 29, 2024. The decrease was driven by lower average outstanding borrowings during the period on our existing credit facility (the "Revolver").

OTHER INCOME (EXPENSE), NET

Other income (expense), net was \$2.3 million during the third quarter ended March 28, 2025, as compared to \$(2.8) million during the third quarter ended March 29, 2024. The third quarter ended March 28, 2025 includes other income of \$2.7 million, related to the sale of the mc.com domain name, \$1.2 million net foreign currency translation gains, \$0.9 million of financing costs, \$0.5 million of securities class action expense, and \$0.2 million of consulting costs. The third quarter ended March 29, 2024 includes litigation and settlement expenses of \$2.1 million, \$0.8 million of financing costs and \$0.2 million net foreign currency translation losses, partially offset by other income of \$0.3 million.

INCOME TAXES

We recorded an income tax benefit of \$2.6 million and \$12.6 million on a loss before income taxes of \$21.8 million and \$57.2 million for the third quarters ended March 28, 2025 and March 29, 2024, respectively.

The effective tax rate for the third quarter ended March 28, 2025 differed from the federal statutory rate primarily due to federal and state research and development credits, return to provision adjustments, non-deductible compensation, and state taxes. The effective tax rate for the third quarter ended March 29, 2024 differed from the federal statutory rate primarily due to federal and state research and development credits, non-deductible compensation, stock compensation shortfalls, and state taxes.

We continue to maintain a valuation allowance on the majority of our foreign net operating loss carryforwards and 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.

Nine months ended March 28, 2025 compared to the nine months ended March 29, 2024

The following table sets forth, for the nine month periods indicated, financial data from the Consolidated Statements of Operations and Comprehensive Loss:

<u>(In thousands)</u>	March 28, 2025	As a % of Total Net Revenue	March 29, 2024	As a % of Total Net Revenue
Net revenues	\$ 638,914	100.0 %	\$ 586,712	100.0 %
Cost of revenues	469,188	73.4	464,023	79.1
Gross margin	169,726	26.6	122,689	20.9
Operating expenses:				
Selling, general and administrative	116,698	18.3	123,421	21.0
Research and development	55,734	8.7	81,911	14.0
Amortization of intangible assets	32,574	5.1	36,350	6.2
Restructuring and other charges	7,231	1.1	19,389	3.3
Acquisition costs and other related expenses	666	0.1	1,404	0.3
Total operating expenses	212,903	33.3	262,475	44.8
Loss from operations	(43,177)	(6.7)	(139,786)	(23.9)
Interest income	2,240	0.4	674	0.1
Interest expense	(25,404)	(4.0)	(25,856)	(4.4)
Other expense, net	(2,900)	(0.5)	(5,706)	(0.9)
Loss before income tax benefit	(69,241)	(10.8)	(170,674)	(29.1)
Income tax benefit	(14,967)	(2.3)	(43,811)	(7.5)
Net Loss	\$ (54,274)	(8.5)%	\$ (126,863)	(21.6)%

REVENUES

Total revenues increased \$52.2 million, or 8.9%, to \$638.9 million during the nine months ended March 28, 2025, as compared to \$586.7 million during the nine months ended March 29, 2024. Revenues increased year over year as we pivoted

our resources in fiscal 2024 to executing on our program base, including progress toward full rate production of our common processing architecture programs. Point in time revenue and over time revenue represented 51% and 49%, respectively, of total revenues during the nine months ended March 28, 2025, an increase of \$70.0 million and \$17.8 million, respectively. Point in time revenue and over time revenue represented 44% and 56%, respectively, of total revenue during the nine months ended March 29, 2024.

Revenue increases by product groupings were driven by the integrated solutions, modules and sub-assemblies, and components product groupings which increased by \$28.2 million, \$20.0 million and \$4.0 million, respectively. The increase in total revenue by end application was primarily driven by the radar and other end applications increases of \$54.4 million and \$34.3 million, respectively, partially offset by decreases to other sensor & effector and C4I of \$20.9 million and \$15.2 million, respectively. The increase in total revenue by platform was also driven by higher Other, Land, and Naval of \$41.5 million, \$35.9 million, and \$9.2 million, respectively, partially offset by decreases to Airborne and Space of \$29.6 million and \$4.8 million, respectively. The largest program increases were related to LTAMDS, MH-60R/S, Aegis, and a secure processing program, partially offset by decreases to the SCAR and Tracking Layer programs when compared to the prior period. There were no programs comprising 10% or more of our revenues for the nine months ended March 28, 2025 or March 29, 2024.

GROSS MARGIN

Gross margin was 26.6% for the nine months ended March 28, 2025, an increase of 570 basis points from the 20.9% gross margin realized during the nine months ended March 29, 2024. The higher gross margin was driven primarily by net EAC change impact on our programs recognized over time of approximately \$16.4 million recorded in the period, an incremental improvement of approximately \$47.6 million, or 830 basis points, when compared to the prior period as well as lower inventory reserves of \$19.0 million and lower warranty provisions of \$5.1 million, partially offset by higher manufacturing adjustments of \$11.1 million. We may experience increases in our manufacturing costs related to the imposition of tariffs on the import of components from other countries. We do not expect to see material increases to these costs in fiscal 2025, but they could impact our gross margins in fiscal 2026.

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:

<i>(in thousands)</i>	Nine Months Ended	
	March 28, 2025	March 29, 2024
Gross favorable	\$ 20,262	\$ 14,441
Gross unfavorable	(36,616)	(78,391)
Net impact of changes in estimates	\$ (16,354)	\$ (63,950)

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, factored for potential risks and opportunities. We utilize the latest and best information available when revising our estimates and apply consistent judgement across the full portfolio of programs.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses decreased \$6.7 million, or 5.4%, to \$116.7 million during the nine months ended March 28, 2025, as compared to \$123.4 million during the nine months ended March 29, 2024. The decrease was primarily driven by the reduction in force initiated in fiscal 2024, resulting in lower compensation costs of \$14.7 million, lower bad debt expense of \$11.2 million, lower software licensing fees of \$3.1 million, as well as lower equipment and supplies expense of \$0.8 million. These decreases were partially offset by higher bonus and stock-based compensation of \$11.2 million as well as higher legal and consulting costs of \$9.3 million.

RESEARCH AND DEVELOPMENT

Research and development expenses decreased \$26.2 million, or 32.0%, to \$55.7 million during the nine months ended March 28, 2025, as compared to \$81.9 million during the nine months ended March 29, 2024. The decrease was primarily driven by the savings from headcount reductions of 185 employees, initiated in fiscal 2024 and fiscal 2025, resulting in lower expense of \$22.6 million, as well as decreased spend on outside services, supplies, and consulting services of \$10.8 million. These decreases were partially offset by higher bonus expense of \$7.4 million.

RESTRUCTURING AND OTHER CHARGES

Restructuring and other charges were \$7.2 million during the nine months ended March 28, 2025, as compared to \$19.4 million during the nine months ended March 29, 2024. Restructuring and other charges during the nine months ended March 28, 2025 related to severance related charges primarily related to the reduction in workforce initiated January 29, 2025. Restructuring and other charges during the nine months ended March 29, 2024 include \$19.4 million of severance costs related to workforce reductions that eliminated approximately 250 positions.

ACQUISITION COSTS AND OTHER RELATED EXPENSES

Acquisition costs and other related expenses were \$0.7 million during the nine months ended March 28, 2025, as compared to \$1.4 million during the nine months ended March 29, 2024. The acquisition costs and other related expenses we incurred during the nine months ended March 28, 2025 includes \$0.5 million related to run-rate amortization of fair value adjustments from purchase accounting and \$0.2 million related to the acquisition of Star Lab and disposal of our manufacturing operations in Plan-Les-Ouates, Switzerland. Acquisition costs and other related expenses during the nine months ended March 29, 2024 includes \$0.5 million related to run-rate amortization of fair value adjustments from purchase accounting, \$0.3 million related to the conclusion of the Board of Directors' review of strategic alternatives, as well as \$0.3 million for third-party advisory fees in connection with engagements by activist investors.

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 \$2.2 million of interest income during the nine months ended March 28, 2025, as compared to \$0.7 million during the nine months ended March 29, 2024. The increase was driven by higher average cash and cash equivalents during the period.

INTEREST EXPENSE

We incurred \$25.4 million of interest expense during the nine months ended March 28, 2025, as compared to \$25.9 million during the nine months ended March 29, 2024. The decrease was driven by lower average outstanding borrowings during the period on the Revolver.

OTHER EXPENSE, NET

Other expense, net decreased \$2.8 million to \$2.9 million during the nine months ended March 28, 2025, as compared to \$5.7 million during the nine months ended March 29, 2024. There was \$4.3 million of financing costs, \$0.9 million of consulting costs, and \$0.8 million of securities class action expense, partially offset by other income of \$2.9 million, primarily related to the sale of the mc.com domain name, and \$0.3 million of net foreign currency translation gains during the nine months ended March 28, 2025. There was \$4.0 million of litigation and settlement costs, \$2.1 million of financing costs and \$0.5 million of net foreign currency translation losses, partially offset by other income of \$0.9 million during the nine months ended March 29, 2024.

INCOME TAXES

We recorded an income tax benefit of \$15.0 million and \$43.8 million on a loss before income taxes of \$69.2 million and \$170.7 million for the nine months ended March 28, 2025 and March 29, 2024, respectively.

During the nine months ended March 28, 2025, we recognized a return to provision adjustment of \$2.8 million related to federal and state research and development credits.

The effective tax rate for the nine months ended March 28, 2025 differed from the federal statutory rate primarily due to federal and state research and development credits, return to provision adjustments, non-deductible compensation, and state taxes. The effective tax rate for the nine months ended March 29, 2024 differed from the federal statutory rate primarily due to federal and state research and development credits, non-deductible compensation, stock compensation shortfalls, and state taxes.

We continue to maintain a valuation allowance on the majority of our foreign net operating loss carryforwards and 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, our ability to raise capital under our universal shelf registration statement and our ability to factor our receivables. Our near-term fixed commitments for cash expenditures consist primarily of payments under operating leases and inventory purchase commitments. We have experienced growth in our working capital balances and, in particular, related to unbilled receivables and inventory over the last several years. As we have received follow-on production awards, our unbilled receivables began to convert to cash reducing our working capital balances during the nine months ended March 28, 2025. As we receive follow-on production awards, we believe that both unbilled receivables and inventory should convert to cash further reducing our working capital balances.

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.

Revolving Credit Facilities

On November 7, 2023, due to the uncertainty surrounding a government shutdown or prolonged continuing resolution and the potential impact on the second quarter and fiscal 2024 results, we proactively executed Amendment No. 5 to the Revolver, as amended to date, with a syndicate of commercial banks and Bank of America, N.A acting as the administrative agent allowing for a temporary increase in the Consolidated Total Net Leverage Ratio covenant requirement from 4.50 to 5.25 for the second quarter ended December 29, 2023. As part of Amendment No. 5, we agreed to a temporary reduction of Revolver capacity to \$750.0 million through the earlier of May 15, 2024 or the filing of the compliance certificate for the period ended March 29, 2024.

On August 13, 2024, we executed Amendment No. 6 to the Revolver, decreasing the permanent borrowing capacity to \$900.0 million, with a temporary reduction in credit availability to \$750.0 million until we meet a minimum consolidated EBITDA level of \$75.0 million.

During the third quarter and nine months ended March 28, 2025, we did not have any additional borrowings or repayments. As of March 28, 2025, we were in compliance with all covenants and conditions under the Revolver and expect to be within our covenants and conditions for the remainder of the year. The borrowing capacity as defined under the Revolver as of March 28, 2025 is approximately \$900.0 million, less outstanding borrowings of \$591.5 million.

Receivables Purchase Agreement

On September 27, 2022, we entered into an uncommitted receivables purchase agreement (“RPA”), pursuant to which we may offer to sell certain customer receivables, subject to the terms and conditions of the RPA. The RPA was an uncommitted arrangement such that we were not obligated to sell any receivables and the party had no obligation to purchase any receivables from us. Pursuant to the RPA, the party may purchase certain of our customer receivables at a discounted rate, subject to a limit that as of any date, the total amount of purchased receivables held by the party, less the amount of all collections received on such receivables, may not exceed \$20.0 million. The RPA had an indefinite term, with the agreement remaining in effect until termination by either party. On March 14, 2023, we amended the RPA to increase the capacity from \$20.0 million to \$30.6 million. On June 21, 2023, we further amended the RPA to increase the capacity from \$30.6 million to \$60.0 million. On August 13, 2024, we terminated the RPA in conjunction with entering into a new receivables purchase and service agreement.

On August 13, 2024, we entered into a \$60.0 million committed receivables purchase and servicing agreement (“RPSA”) with a new party. The RPSA has an initial term of two years. Pursuant to the RPSA, the new party has committed to purchase receivables from a certain number of agreed upon customers, maintaining a balance of purchased receivables at or below \$60.0 million. We factored accounts receivable and incurred factoring fees of approximately \$55.1 million and \$1.3 million, respectively, for the nine months ended March 28, 2025. We factored accounts receivable and incurred factoring fees of approximately \$44.2 million and \$1.6 million respectively, for the nine months ended March 29, 2024.

CASH FLOWS

<i>(In thousands)</i>	As of and For the Nine Months Ended,	
	March 28, 2025	March 29, 2024
Net cash provided by (used in) operating activities	\$ 100,776	\$ (11,379)
Net cash used in investing activities	\$ (11,105)	\$ (23,943)
Net cash (used in) provided by financing activities	\$ (757)	\$ 106,217
Net increase in cash and cash equivalents	\$ 89,301	\$ 71,082
Cash and cash equivalents at end of period	\$ 269,822	\$ 142,645

Our cash and cash equivalents increased by \$89.3 million from June 28, 2024 to March 28, 2025, as the result of \$100.8 million of cash provided by operating activities, \$4.6 million of cash provided by other investing activities, and \$1.5 million of proceeds from employee stock plans, partially offset by \$15.7 million invested in purchases of property and equipment and \$2.2 million of cash paid in deferred financing and offering costs.

Operating Activities

During the nine months ended March 28, 2025, we had an inflow of \$100.8 million in cash from operating activities compared to a \$11.4 million outflow during the nine months ended March 29, 2024. The inflow during the nine months ended March 28, 2025 was primarily due to a lower net loss of \$72.6 million, higher inflow from deferred revenues and customer advances of \$53.7 million, lower prepaid income taxes of \$25.0 million, lower outflow from accounts payable, accrued expenses, and accrued compensation of \$20.6 million, and an income tax refund received of \$5.3 million as compared to income tax payments of \$25.9 million during the nine months ended March 29, 2024. This activity was partially offset by a lower inflow from accounts receivable, unbilled receivables, and costs in excess of billings of \$37.5 million and a \$11.2 million lower provision for bad debt. The nine months ended March 29, 2024 also included a \$7.4 million inflow from the cash settlement for the termination of the interest rate swap.

Investing Activities

During the nine months ended March 28, 2025, we invested \$11.1 million, a decrease of \$12.8 million, as compared to \$23.9 million during the nine months ended March 29, 2024 primarily due to \$8.2 million lower purchases of property and equipment and an inflow of \$4.6 million due to other investing activities.

Financing Activities

During the nine months ended March 28, 2025, we had no additional borrowings on our Revolver as compared to \$105.0 million of borrowings during the nine months ended March 29, 2024. The nine months ended March 28, 2025, included \$2.2 million of cash paid in deferred financing in conjunction with the amendment to our Revolver during the first quarter of fiscal 2025, partially offset by \$1.5 million proceeds from employee stock plans.

COMMITMENTS, CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The following is a schedule of our commitments and contractual obligations outstanding at March 28, 2025:

<i>(In thousands)</i>	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Purchase obligations	\$ 156,759	\$ 156,759	\$ —	\$ —	\$ —
Operating leases	79,676	14,583	27,484	20,974	16,635
	<u>\$ 236,435</u>	<u>\$ 171,342</u>	<u>\$ 27,484</u>	<u>\$ 20,974</u>	<u>\$ 16,635</u>

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 are for less than one year and aggregated approximately \$156.8 million at March 28, 2025.

We have a liability at March 28, 2025 of \$7.7 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, COVID related expenses, 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 loss, the most directly comparable GAAP financial measure, to our adjusted EBITDA:

(In thousands)	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
Net loss	\$ (19,170)	\$ (44,574)	\$ (54,274)	\$ (126,863)
Other non-operating adjustments, net	(3,911)	(64)	(3,097)	(375)
Interest expense, net	6,778	8,777	23,164	25,182
Income tax benefit	(2,648)	(12,643)	(14,967)	(43,811)
Depreciation	9,731	10,221	29,484	30,289
Amortization of intangible assets	10,185	11,533	32,574	36,350
Restructuring and other charges	4,931	9,841	7,231	19,389
Impairment of long-lived assets	—	—	—	—
Acquisition, financing and other third party costs	1,072	778	4,512	2,970
Fair value adjustments from purchase accounting	131	177	486	532
Litigation and settlement expense, net	5,467	2,096	8,948	3,982
Stock-based and other non-cash compensation expense	12,124	11,461	34,108	30,607
Adjusted EBITDA	\$ 24,690	\$ (2,397)	\$ 68,169	\$ (21,748)

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 tables reconcile net loss and diluted loss per share, the most directly comparable GAAP measures, to adjusted income (loss) and adjusted EPS:

(In thousands, except per share data)	Third Quarters Ended			
	March 28, 2025		March 29, 2024	
Net loss and loss per share	\$ (19,170)	\$ (0.33)	\$ (44,574)	\$ (0.77)
Other non-operating adjustments, net	(3,911)		(64)	
Amortization of intangible assets	10,185		11,533	
Restructuring and other charges	4,931		9,841	
Impairment of long-lived assets	—		—	
Acquisition, financing and other third party costs	1,072		778	
Fair value adjustments from purchase accounting	131		177	
Litigation and settlement expense, net	5,467		2,096	
Stock-based and other non-cash compensation expense	12,124		11,461	
Impact to income taxes ⁽¹⁾	(7,240)		(6,384)	
Adjusted income (loss) and adjusted earnings (loss) per share ⁽²⁾	<u>\$ 3,589</u>	<u>\$ 0.06</u>	<u>\$ (15,136)</u>	<u>\$ (0.26)</u>
Diluted weighted-average shares outstanding		<u>59,367</u>		<u>57,698</u>

(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 expense or benefit related to the items.

(2) Adjusted earnings per share is calculated using diluted shares whereas Net loss per share or Adjusted 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 third quarters ended March 28, 2025 and March 29, 2024.

(In thousands, except per share data)	Nine Months Ended			
	March 28, 2025		March 29, 2024	
Net loss and loss per share	\$ (54,274)	\$ (0.93)	\$ (126,863)	\$ (2.20)
Other non-operating adjustments, net	(3,097)		(375)	
Amortization of intangible assets	32,574		36,350	
Restructuring and other charges	7,231		19,389	
Impairment of long-lived assets	—		—	
Acquisition and financing costs	4,512		2,970	
Fair value adjustments from purchase accounting	486		532	
Litigation and settlement expense, net	8,948		3,982	
Stock-based and other non-cash compensation expense	34,108		30,607	
Impact to income taxes ⁽¹⁾	(20,515)		(19,588)	
Adjusted income (loss) and adjusted earnings (loss) per share ⁽²⁾	<u>\$ 9,973</u>	<u>\$ 0.17</u>	<u>\$ (52,996)</u>	<u>\$ (0.92)</u>
Diluted weighted-average shares outstanding		<u>59,024</u>		<u>57,536</u>

(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 expense 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 a \$0.01 impact to the calculation of adjusted earnings per share as a result of this for the nine months ended March 28, 2025 and no impact to the calculation of adjusted earnings per share as a result of this for the nine months ended March 29, 2024.

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 operating activities, the most directly comparable GAAP financial measure, to free cash flow:

(In thousands)	Third Quarters Ended		Nine Months Ended	
	March 28, 2025	March 29, 2024	March 28, 2025	March 29, 2024
Net cash provided by (used in) operating activities	\$ 29,974	\$ (17,805)	\$ 100,776	\$ (11,379)
Purchase of property and equipment	(5,914)	(7,938)	(15,705)	(23,943)
Free cash flow	\$ 24,060	\$ (25,743)	\$ 85,071	\$ (35,322)

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 June 28, 2024 to March 28, 2025.

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 March 28, 2025. 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 March 28, 2025 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 ourselves 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 L to our consolidated financial statements (under the caption "Legal Claims") for a discussion of our legal proceedings.

ITEM 1A. RISK FACTORS

Other than as noted below, there have been no material changes to the risk factors presented in our Annual Report on Form 10-K for the fiscal year ended June 28, 2024. For further discussion of our risk factors, refer to the section titled Risk Factors in our 2024 Annual Report on Form 10-K. See also Part I Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Quarterly Report on Form 10-Q for additional information regarding risks related to tariffs.

Current trade policies could increase the cost of our manufacturing operations, potentially reducing our gross margins and demand for our products.

There is substantial current uncertainty with respect to trade policies and treaties between the U.S. and other countries. The U.S. has recently announced a broad increase in tariffs on imported components, subject to limited exceptions. Major U.S. trading partners have announced retaliatory tariffs in response. As a result, we are exposed to increased tariffs with respect to products and components that we import into the U.S. Our gross margins could be reduced, potentially significantly, in the event we are unable to recover tariffs or duties from our customers. Further, although we are required to pay tariffs upon importation of the components, we may not be able to recover these amounts from our customers until sometime later, if at all, which could materially adversely impact our operating cash flow in a given period. Any significant increase in the price of our products due to increased costs may result in a reduction in demand from our customers at such higher prices. The impact of any tariff increases will depend on various factors, including if such increases are ultimately implemented, the timing of implementation, contractual terms and the amount, scope and nature of the tariffs.

Tariffs and other restrictive trade measures may require us to take various actions, including changing suppliers and altering business relationships. Changing our operations in accordance with new or evolving trade restrictions can be expensive, time-consuming, disruptive to our operations and distracting to management. Tariffs and trade restrictions can be announced with little or no advanced notice, and we may not be able to effectively mitigate all adverse impacts from such measures.

ITEM 5. OTHER INFORMATION

During the third quarter ended March 28, 2025, 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:

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.

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: May 6, 2025

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

[PRINCIPAL FINANCIAL OFFICER]

Date: May 6, 2025

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 March 28, 2025 as filed with the Securities and Exchange Commission (the "Report"), we, William L. Ballhaus, President and Chief Executive Officer of the Company, and David E. Farnsworth, Executive Vice President, Chief Financial 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: May 6, 2025

/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