MERCURY SYSTEMS INC
Form 424B5
April 04, 2016
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-198180

The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. We are not using this preliminary prospectus supplement or the accompanying base prospectus to offer to sell these securities or to solicit offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS SUPPLEMENT DATED APRIL 4, 2016

PROSPECTUS SUPPLEMENT

(To prospectus dated August 15, 2014)

4,500,000 Shares

Common Stock

We are offering 4,500,000 shares of our common stock, par value $0.01 per share.

The net proceeds from this offering will be used primarily to fund a portion of the Acquisition (as defined herein) of the custom microelectronics, RF and microwave solutions, and embedded security operations of the Power and Microelectronics Group within Microsemi Corporation, which we refer to herein as the Carve-Out Business. See Prospectus Supplement Summary Acquisition of the Carve-Out Business, Use of Proceeds and The Transactions in this prospectus supplement for more information regarding the Acquisition. This offering is not contingent upon the completion the Acquisition, and if the Acquisition is not completed, the net proceeds of this offering will be used for general corporate purposes, which may include other acquisitions, the refinancing or repayment of debt, working capital, share repurchases or capital expenditures.

Our common stock is listed on the NASDAQ Global Select Market under the symbol MRCY. On April 1, 2016, the last reported sale price of our common stock on the NASDAQ Global Select Market was $20.96 per share.

Investing in our common stock involves risks. See Risk Factors section beginning on page S-29 of this prospectus supplement.

	Per Share	Total
Public offering price	$	$
Underwriting discount(1)	$	$
Proceeds, before expenses, to us	$	$

(1) See **Underwriting** for a description of the compensation payable to the underwriters.

We have granted to the underwriters the right to purchase up to an additional 675,000 shares from us at the price set forth above within 30 days from the date of this prospectus supplement.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver shares to purchasers on or about April , 2016 through the book-entry facilities of the Depository Trust Company.

Joint Book Running Managers

Citi **BofA Merrill Lynch** **KeyBanc Capital Markets**

The date of this prospectus supplement is , 2016

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement	
ABOUT THIS PROSPECTUS SUPPLEMENT	S-1
CERTAIN DEFINED TERMS	S-2
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION	S-2
MARKET AND INDUSTRY DATA	S-3
NON-GAAP FINANCIAL MEASURES	S-3
PROSPECTUS SUPPLEMENT SUMMARY	S-5
RISK FACTORS	S-29
THE TRANSACTIONS	S-37
USE OF PROCEEDS	S-40
MARKET PRICE RANGE OF COMMON STOCK	S-41
CAPITALIZATION	S-42
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION	S-43
SELECTED HISTORICAL FINANCIAL DATA OF THE COMPANY	S-51
SELECTED HISTORICAL FINANCIAL DATA OF THE CARVE-OUT BUSINESS	S-53
DESCRIPTION OF INDEBTEDNESS	S-55
MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS TO NON-U.S. HOLDERS	S-57
UNDERWRITING	S-62
LEGAL MATTERS	S-67
EXPERTS	S-67
INCORPORATION BY REFERENCE	S-67

	Page
Prospectus	
ABOUT THIS PROSPECTUS	1
ABOUT MERCURY SYSTEMS, INC.	1
RISK FACTORS	1
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	2
HOW WE INTEND TO USE THE PROCEEDS	2
DESCRIPTION OF THE SECURITIES	3
DESCRIPTION OF DEBT SECURITIES	4
DESCRIPTION OF PREFERRED STOCK	19
DESCRIPTION OF COMMON STOCK	25
DESCRIPTION OF WARRANTS	27
DESCRIPTION OF UNITS	28
HOW WE PLAN TO SELL THE SECURITIES	31
INFORMATION INCORPORATED BY REFERENCE	33
WHERE YOU CAN FIND MORE INFORMATION	34
EXPERTS	34
LEGAL MATTERS	34

No person has been authorized to give any information or make any representations in connection with this offering other than those contained or incorporated by reference in this prospectus supplement and any accompanying prospectus supplement in connection with the offering described in this prospectus supplement and any accompanying prospectus supplement, and, if given or made, such information or representations must not be relied upon as having been authorized by us. Neither this prospectus supplement nor any prospectus supplemental shall constitute an offer to sell or a solicitation of an offer to buy offered securities in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. Neither the delivery of this prospectus supplement or any

prospectus supplement nor any sale made hereunder shall under any circumstances imply that the information contained or incorporated by reference in this prospectus supplement or in any prospectus supplement is correct as of any date subsequent to the date of this prospectus supplement or of any prospectus supplement.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which contains the terms of this offering of shares of our common stock. The second part, the accompanying base prospectus dated August 15, 2014, which is part of our Registration Statement on Form S-3, gives more general information, some of which does not apply to this offering.

This prospectus supplement and the information incorporated by reference in this prospectus supplement may add, update or change information contained in the accompanying base prospectus. If there is any inconsistency between the information in this prospectus supplement and the information contained in the accompanying base prospectus, the information in this prospectus supplement will apply and will supersede the information in the accompanying base prospectus.

It is important for you to read and consider all information contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in Where You Can Find More Information in the accompanying base prospectus and Incorporation by Reference in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement or the accompanying base prospectus, and in other offering material, if any, or information contained in documents which you are referred to by this prospectus supplement or the accompanying base prospectus. We have not, and the Underwriters have not, authorized anyone to provide you with different information. This prospectus supplement and the accompanying base prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in this prospectus supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. See Underwriting. The information contained in or incorporated by reference into this prospectus supplement or the accompanying base prospectus or other offering material is accurate only as of the date of those documents or information, regardless of the time of delivery of the documents or information or the time of any sale of the securities.

The distribution of this prospectus supplement and the accompanying base prospectus and the offering of shares of our common stock in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying base prospectus do not constitute an offer, or an invitation on our behalf or the underwriters, to subscribe to or purchase any of shares of our common stock, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. See Underwriting.

The unaudited pro forma condensed consolidated financial information contained in this prospectus supplement gives effect to the Acquisition (as defined below), even though it has not yet occurred, and the related transactions. The unaudited pro forma condensed consolidated financial information contained in this prospectus supplement is for illustrative purposes only, is based on various adjustments and assumptions, and is not necessarily an indication of our financial condition or the results of our operations that would have been achieved had the Acquisition and the related transactions been completed as of the dates indicated or that may have been achieved in the future. See Prospectus Supplement Summary Summary Unaudited Pro Forma Condensed Consolidated Financial Information, Risk Factors Risk Related to the Acquisition and Unaudited Pro Forma Condensed Consolidated Financial Information.

The Acquisition is subject to the satisfaction or waiver of customary closing conditions, including the absence of an injunction or the enactment of any law that would make the Acquisition illegal and the receipt of antitrust clearance in the United States. However, the offering is not contingent on completion of the Acquisition and there can be no assurances that the Acquisition will close on the terms described herein or at all.

If the Acquisition is not completed, none of the transactions described under The Transactions, other than this offering, if completed, will occur, and we will use the net proceeds from this offering for general corporate purposes as described under Use of Proceeds. See Risk Factors Risks Related to the Acquisition.

Table of Contents

Certain Defined Terms

As used in this prospectus supplement, unless otherwise stated or the context otherwise requires:

- Mercury, we, our, us, and the Company refer to Mercury Systems, Inc., a Massachusetts corporation, and its consolidated subsidiari prior to the Acquisition;

- the Carve-Out Business means the custom microelectronics, RF and microwave solutions, and embedded security operations of the Power and Microelectronics Group within Microsemi Corporation (Microsemi or the Seller), to be acquired by the Company pursuant to that certain Stock Purchase Agreement, dated as of March 23, 2016, by and between the Company and Microsemi (the Purchase Agreement);

- the Acquisition means Mercury s anticipated acquisition of the Carve-Out Business pursuant to the Purchase Agreement;

- the Financing means Mercury s anticipated entry into senior secured credit facilities with Bank of America, N.A. as administrative agent;

- the combined company refers to Mercury Systems, Inc. and its consolidated subsidiaries after giving pro forma effect to the Acquisition;

- the Transactions refers to this offering of common stock, the consummation of the Financing, and the consummation of the Acquisition and the related transactions and the payment of fees and expenses related thereto, as more fully described under The Transactions, Use of Proceeds and Capitalization ; and

- you refers to all purchasers of shares of our common stock being offered by this prospectus supplement and the accompanying base prospectus, whether they are the holders or only indirect owners of those securities.

Cautionary Statement Regarding Forward-Looking Information

Certain statements and information in this prospectus supplement and the accompanying base prospectus may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). You can identify these statements by the use of the words may, will, could, should, would, plans, expects, anticipates, continue, estimate, project, intend, potential and similar expressions, and these statements include, without limitation, statements made relating to our expectation regarding the anticipated synergies and other financial and operating benefits from the Acquisition; our expectations regarding industry trends and anticipated growth in our markets; our belief that we are well-positioned to maintain high level customer engagements and enhance them through additional relationships that the Carve-Out Business has with many of the same customers; and our expectation that we intend to use the net proceeds from this offering to finance a portion of the Acquisition. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs, the timing and amounts of such funding, general economic and business conditions, including unforeseen weakness in the Company s markets, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in, or in the U.S. Government s interpretation of, federal export control or procurement rules and regulations, market acceptance of the Company s products, shortages in components, production delays or unanticipated expenses due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and restructurings, or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, changes to export regulations, increases in

Table of Contents

tax rates, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price service and system integration engagements, and various other factors beyond our control; our ability to complete the other financing transactions necessary to consummate and fund the Acquisition; failure to integrate and achieve expected benefits of the Acquisition; incurrence of significant expenses to acquire and integrate the Carve-Out Business; decline in market price of our common stock as a result of the Acquisition; risks relating to the combined company s substantial indebtedness following the completion of the Acquisition; delay or failure in completing the Acquisition; and other risks that are described under the heading Risk Factors in this prospectus supplement, the accompanying base prospectus, and our other reports filed from time to time with the SEC.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

The Company s last guidance was provided on January 26, 2016. The Company is not commenting on, updating or confirming this guidance in connection with the offering.

Market and Industry Data

Certain market data contained in or incorporated by reference in this prospectus supplement or the accompanying base prospectus are based on independent industry publications and reports by market research firms. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources referred to above.

Non-GAAP Financial Measures

We have included these important measures that are not calculated according to U.S. generally accepted accounting principles (GAAP), adjusted EBITDA, free cash flow, adjusted income from continuing operations and adjusted EPS.

Adjusted EBITDA is defined as income from continuing operations before interest income and expense, income taxes, depreciation, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition and financing costs, fair value adjustments from purchase accounting, litigation and settlement expenses, and stock-based compensation expense. We use adjusted EBITDA as an important indicator of the operating performance of our business. These measures may be inconsistent with measures presented by other companies.

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.

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. 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 are 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.

Adjusted income from continuing operations 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 continuing operations results and trends and allows for comparability with our peer company index and industry. 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 from continuing operations as income from continuing operations before amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition and financing costs, fair value adjustments from purchase accounting, litigation and settlement expenses, stock-based compensation expense, and the tax impact of those items. Adjusted EPS expresses adjusted income from continuing operations on a per share basis using weighted average diluted shares outstanding.

Adjusted income from continuing operations 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. These non-GAAP financial measures 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 income from continuing operations 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 non-GAAP measures of adjusted EBITDA, free cash flow, adjusted income from continuing operations and adjusted EPS used in this prospectus supplement may be different from similar measures used by other companies, limiting their usefulness as comparable measures. These non-GAAP financial measures should not be considered as an alternative to net income or cash flows from operating activities as an indicator of operating performance or liquidity.

See footnotes to the summary historical financial information under Prospectus Supplement Summary Summary Historical Financial Information Mercury Historical Financial Information and footnotes to the summary pro forma financial information under Prospectus Supplement Summary Summary Unaudited Pro Forma Condensed Consolidated Financial Information for a description of the calculation of adjusted EBITDA and an unaudited reconciliation of adjusted EBITDA to income from continuing operations. See footnotes to the summary historical financial information under Prospectus Supplement Summary Summary Historical Financial Information Mercury Historical Financial Information for a description of the calculation of free cash flow and an unaudited reconciliation of free cash flow to cash flow from operating activities. See footnotes to the summary historical financial information under Prospectus Supplement Summary Summary Historical Financial Information Mercury Historical Financial Information for a description of the calculation of adjusted income from continuing operations and adjusted EPS and an unaudited reconciliation of income from continuing operations and diluted net EPS, to adjusted income from continuing operations and adjusted EPS. See footnotes to the historical financial information under Prospectus Supplement Summary Summary Historical Financial Information The Carve-Out Business Historical Financial Information for a calculation of adjusted EBITDA and an unaudited reconciliation of adjusted EBITDA to income (loss) from continuing operations for the Carve-Out Business. See footnotes to the historical financial information under Prospectus Supplement Summary Summary Historical Financial Information The Carve-Out Business Historical Financial Information for a calculation of free cash flow and an unaudited reconciliation of free cash flow to cash flow from operating activities.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us and this offering. This summary is not complete and does not contain all of the information that may be important to you in deciding whether to invest in shares of our common stock. You should read carefully this entire prospectus supplement and the accompanying base prospectus, including the Risk Factors section, and the other documents that we refer to and incorporate by reference herein for a more complete understanding of Mercury and this offering. In particular, we incorporate by reference important business and financial information into this prospectus supplement and the accompanying base prospectus.

Unless otherwise specified, all information in this prospectus supplement that is presented on a pro forma basis is presented after giving effect to the Transactions, including the Acquisition, described under Unaudited Pro Forma Condensed Consolidated Financial Information on the basis set forth therein.

Mercury operates on a fiscal year that ends on June 30. In the context of any discussion of our financial information in this prospectus supplement, any reference to a year or to any quarter of that year relates to the fiscal year ended on June 30. The Carve-Out Business, as a part of the Seller s business, has a fiscal year ending on the Sunday generally closest to September 30. In the context of any discussion of the Carve-Out Business historical financial information in this prospectus supplement, any reference to a year or to any quarter of that year relates to the fiscal year ended on the last Sunday of September of that year. Following the Acquisition, the combined company s fiscal year will be the same as our fiscal year.

Overview

The following summary highlights selected information contained in the prospectus supplement and does not contain all of the information that may be important to you. You should carefully read this entire prospectus supplement and the accompanying base prospectus, including the documents incorporated by reference herein and therein, including the financial data and related notes, and risks discussed in Risk Factors herein or therein before making a decision to purchase shares of our common stock. Unless the context specifies or clearly indicates otherwise, the terms Mercury, the Company, we, us and our or similar terms refer to Mercury Systems, Inc., a Massachusetts corporation, and its consolidated subsidiaries prior to the Acquisition. References to the Carve-Out Business mean the custom microelectronics, RF and microwave solutions, and embedded security businesses operating under the Power and Microelectronics Group of the Seller prior to the Acquisition.

Our Company

Mercury Systems, Inc. is a leading commercial provider of secure processing subsystems designed and made in the U.S.A. Optimized for customer and mission success, our solutions power a wide variety of critical defense and intelligence programs. Headquartered in Chelmsford, Massachusetts, we are pioneering a next-generation defense electronics business model specifically designed to meet the industry s current and emerging technology and business needs. We deliver affordable innovative solutions, rapid time-to-value and service and support to our defense prime contractor customers. Our products and solutions have been deployed in more than 300 programs with over 25 different defense prime contractors. Key programs include Aegis, Patriot, Surface Electronic Warfare Improvement Program (SEWIP), Gorgon Stare, Predator, F-35 and Reaper. Our organizational structure allows us to deliver capabilities that combine technology building blocks and deep domain expertise in the defense sector.

Our consolidated revenues, income from continuing operations and adjusted EBITDA for fiscal 2015 were $234.8 million, $14.4 million and $44.4 million, respectively. Our consolidated revenues, (loss) from continuing operations and adjusted EBITDA for fiscal 2014 were $208.7 million, $(4.1) million and $23.5 million, respectively.

We operate across a broad spectrum of defense programs and deliver our solutions and services through two operating segments:

Mercury Commercial Electronics, or MCE, provides affordable, innovative, commercially designed and developed, specialized processing subsystems for critical defense and intelligence applications. Our technologies and capabilities include secure embedded processing modules and subsystems, RF and microwave multi-function assemblies and subsystems, as well as RF and microwave components. MCE utilizes leading edge, high performance computing technologies and open standards and open architectures to address highly data-intensive applications that include data signal, sensor and image processing, while simultaneously addressing the packaging challenges, often referred to as SWaP (size, weight, and power) that are common in military applications. In addition, MCE designs and builds RF and microwave components and subsystems to meet the needs of the electronic warfare (EW), signals intelligence (SIGINT) and other high bandwidth communications requirements and applications.

Mercury Defense Systems, or MDS, provides significant capabilities relating to pre-integrated, open and affordable EW, electronic attack (EA) and electronic counter measure (ECM) subsystems, SIGINT, electro-optical/infrared (EO/IR) and secure processing technologies, and radar environment test and simulation systems. Recently, MDS gained additional advanced security technology and development services capabilities related to secure embedded processing applications. MDS deploys these solutions on behalf of defense prime contractors and the Department of Defense (DoD), leveraging commercially available technologies and solutions (or building blocks) from our MCE business and other commercial suppliers. MDS leverages this technology to design and build integrated sensor processing subsystems, often including classified application-specific software and intellectual property (IP) for the C4ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance), EW, and ECM markets. MDS brings significant domain expertise to customers, drawing on over 25 years of experience in EW, SIGINT, and radar environment test and simulation.

Our two operating segments allow us to deliver capabilities that combine our technology building blocks, deep domain expertise in the defense sector and critical solution areas, and specialized skills in serving the DoD and the intelligence community.

Since 2011, we have acquired and successfully integrated four businesses, most recently in December 2015 with the acquisition of Lewis Innovative Technologies, Inc. (LIT). Embedded systems security has become a requirement for new and emerging military programs, and LIT s security solutions significantly extend our capabilities and leadership in secure embedded computing, a critical differentiator from our traditional competition. LIT s solutions, combined with our next-generation secure Intel server-class product line, together with increasingly frequent mandates from the government to secure electronic systems for domestic and foreign military sales, position us well to capitalize on DoD program protection security requirements.

Overview of the Acquisition of the Carve-Out Business

On March 23, 2016, the Company and Microsemi entered into the Purchase Agreement. Upon the terms and conditions of the Purchase Agreement, the Company will purchase all of the outstanding membership interests of Microsemi LLC RF Integrated Solutions, a Delaware limited liability company that, directly and through subsidiaries, owns and operates the Carve-Out Business, resulting in the entities comprising the Carve-Out Business becoming 100% owned direct or indirect subsidiaries of Mercury.

Under the terms of the Purchase Agreement, we have agreed to pay $300.0 million in cash on a cash-free, debt-free basis, subject to working capital and other post-closing adjustments. We estimate that the funds necessary to consummate the acquisition of the Carve-Out Business, including payment of related fees and expenses, will be approximately $317.2 million. For a detailed description of the Purchase Agreement, see The Transactions The Purchase Agreement.

Table of Contents

The Carve-Out Business consists of multiple legal entities operating under the Power and Microelectronics Group within Microsemi.

Net sales for the Carve-Out Business were $99.4 million and $87.2 million for the fiscal years ended September 27, 2015 and September 28, 2014, net income was $6.4 million for the fiscal year ended September 27, 2015 and net loss was ($3.1) million for the fiscal year ended September 28, 2014. Net sales and net income were $25.0 million and $1.5 million for the three months ended January 3, 2016, compared to net sales and net income of $25.2 million and $1.9 million for the three months ended December 28, 2014.

The Carve-Out Business is a leader in the design, development, and production of sophisticated electronic subsystems and components for use in high-technology products for defense and aerospace markets. The Carve-Out Business defense electronics solutions include high-density memory modules, secure solid-state drives, secure GPS receiver modules, high-power RF amplifiers, millimeter-wave modules and subsystems, and specialized software and firmware for anti-tamper applications. The Carve-Out Business customers, which include many significant defense prime contractors, outsource many of their electronic design and manufacturing requirements to the Carve-Out Business as a result of its specialized capabilities in packaging electronics for SWaP-constrained environments, its focus on security and the unique requirements of defense applications, and its expertise in RF and microwave technologies. The Carve-Out Business products and technologies are used in a variety of defense applications, including missiles and precision munitions, fighter and surveillance aircraft, airport security portals, and advanced electronic systems for radar and EW.

Strategic Rationale for the Acquisition

We believe that the Acquisition will provide several significant strategic and operational benefits to the combined company, including the following:

- creating the defense industry s largest commercial embedded secure processing company;
- adding secure solid-state drive (SSDs) capabilities to our industry leading pre-integrated sensor processing subsystems;
- increasing our existing RF and microwave business by approximately 66% and adding new capabilities, scale and synergies;
- adding new capabilities in embedded security and custom microelectronics; and
- providing access to new high-growth markets, customers and programs, such as precision-guided munitions and missiles.

Key elements of our strategy to accomplish our continued growth objectives following the Acquisition include:

Achieve Design Wins on High-growth, High-priority Defense Programs. We believe our advanced embedded sensor processing solutions position us well going forward to capture design wins on key high-growth, high-priority defense programs within our targeted segments of the C4ISR market. We have won designs in persistent ISR related signals intelligence-payloads on unmanned aerial vehicles (UAVs) and other aerial platforms. As a result of these successes, we now have significant content on major UAV platforms, including Global Hawk, Predator, Triton, Reaper and Gorgon Stare. Our ballistic missile defense wins include additional designs on the Aegis program, as well as wins on the Patriot missile program. In EW, we have won key designs related to the U.S. Navy s SEWIP program and the Ships Signal Exploitation Equipment (SSEE) programs. Additional wins in the critical EW space include the Navy s Filthy Badger and Filthy Buzzard programs, focusing on vulnerability assessment and training for manned aircraft. Together, these wins represent substantial opportunity for us in the years ahead.

Table of Contents

Continue to Provide Excellent Performance on Our Existing Programs. The foundation for our growth remains our continued involvement with existing programs that are in late-stage development or currently in production. Such programs include Aegis, the F-35 Joint Strike Fighter, Patriot missile, the F-16 and F-15 aircrafts, the Global Hawk, Predator and Reaper UAVs, the P-8 Multimission Maritime Aircraft as well as the Suite of Integrated Radio Frequency Countermeasures (SIRFC) program. As part of a long-term reprioritization, the DoD is shifting its emphasis from major new weapons systems development to upgrades of existing programs and platforms. We believe the upgrades on these programs focus on four key areas: improved sensors; more advanced on-board embedded computing; enhanced ISR algorithms; and better communications on and off the platform. A key element of our strategy is to continue to provide high-performance, cost-effective solutions on these programs and for these customers.

Pursue Additional Strategic, Capability-Enhancing Acquisitions. We will continue to pursue strategic acquisitions to augment our businesses using the following strategies: adding technologies or products that expand MCE s core business by competing more effectively in the ISR, EW, and missile-defense markets; adding content and services to the defense programs and platforms in which we currently participate or could participate in the future; and enhancing key customer relationships and forming relationships with potential new customers. Our acquisition strategy also focuses on scaling our operations and broadening our program and customer base.

Capitalize on Outsourcing and Other Dynamics in the Defense Industry. We are well-positioned to take advantage of several changing dynamics in the defense industry. Defense prime contractors are increasingly being awarded firm fixed-price contracts. These contracts shift risk to the defense prime contractors, and as a result they are beginning to outsource increasing levels of subsystem development and production and other higher value program content. In addition, the U.S. government is shifting toward shorter program timelines, which require increased flexibility and responsiveness from defense prime contractors. Finally, more programs are moving to open systems architectures that enable best-of-breed capabilities. We believe that these dynamics will result in defense prime contractors outsourcing increasing levels of program content to us as a provider of an increasingly wide array of differentiated products, subsystems engineering services and system integration.

Leverage Our Research and Development Efforts to Anticipate Market Needs and Maintain our Technology Leadership. We devote significant resources in order to anticipate the future requirements in our target defense markets, including monitoring and pioneering advances in advanced embedded computing hardware, security, and software, anticipating changes in U.S. government spending and procurement practices and leveraging insight from direct interaction with our customers. Our high-performance, quick reaction subsystems and capabilities require increasingly sophisticated hardware, software and middleware technology. In addition, as the defense industry shifts to products with open systems architectures, we believe that our software expertise will become increasingly important and differentiates us from many of our competitors as we have the ability to rapidly map complex algorithms onto SWaP-constrained on-board embedded sensor-processing solutions. We have invested in faster product development velocity, aligning with the U.S. government s demands on the defense prime contractors for quick reaction capabilities. By shortening our product development times, we are able to quickly launch the products we need to win new designs from the defense prime contractor community. We intend to continue utilizing company and customer-funded research and development, as well as our acquisition strategy, to develop technologies, products and solutions that have significant potential for near-term and long-term value creation in the defense industry.

We expect to realize aggregate annualized cost synergies from the Acquisition of approximately $10 million per year by fiscal 2020. We expect to achieve approximately $2 million of those annualized cost savings by the end of the next fiscal year and an aggregate of approximately $6 million of annualized savings by the end of fiscal 2018. Synergies are expected to be derived from sources such as manufacturing efficiencies, alignment of

sales models and channel, and increased purchasing power. There can be no assurance that such synergies will materialize or that we will achieve expected cost savings. See Risk Factors Risks Related to the Acquisition We may not realize the expected benefits, including synergies, of the Acquisition because of integration difficulties and other challenges.

Products and Markets of the Carve-Out Business

The Carve-Out Business is primarily the combination of acquisitions made by Microsemi of White Electronic Designs Corporation, AML Communications, Endwave Defense Systems, and Arxan Defense Systems, Inc. The Carve-Out Business provides products in three distinct technology areas that are highly synergistic and that work closely together to accelerate growth and advance next generation technologies. The three technology focus areas are:

Custom Microelectronics. The Carve-Out Business custom microelectronics products, designed and manufactured in its Phoenix, Arizona facility, include SWaP efficient memory modules, secure SSDs, secure GPS receiver technologies, and other custom microelectronic solutions for defense and aerospace customers.

Radio Frequency and Microwave Solutions. The Carve-Out Business RF and microwave solutions products, manufactured in Camarillo, California with an engineering satellite office in San Jose, California, provide high-power, high-frequency and broadband RF components and subsystems for defense and homeland security applications.

Embedded Security. The Carve-Out Business embedded security solutions, provided through its West Lafayette, Indiana facility, include anti-tamper assessment and systems engineering services as well as proprietary firmware and software that are licensed to defense and commercial customers.

Custom Microelectronics Key Markets, Products, and Programs

The Carve-Out Business custom microelectronics products include SWaP-efficient memory modules, secure SSDs, secure GPS receiver modules, and other custom microelectronic solutions, primarily for defense and aerospace customers. Custom microelectronic products are generally sold directly to defense prime contractors or through select distributors, and customers generally require products to pass specific qualifications due to the demanding environmental requirements of defense applications (e.g., temperature, shock, etc.).

Missiles and Precision Ordinance. The missiles and precision ordinance market requires highly packaged (SWaP) guidance and navigation capabilities that can operate in extreme environments and often requires sophisticated security enhancements to protect against tamper and guidance interference. Example products and programs include the following:

Products: GPS receivers and circuit card assemblies.

Select Programs: Precision-Guided Kit (PGK), Paveway, Tomahawk, and classified wide-body aircraft navigation.

Aircraft. Aircraft market demand is driven by the need to integrate more electronics content on a smaller physical footprint. Example products and programs include the following:

Products: Memory modules (SWaP-efficient memory), SSDs and custom solutions (custom-packaged multi-chip-modules for AESA radar and EW applications).

Select Programs: F-35 Joint Strike Fighter, P-8, KC-46, and F-16.

Radio Frequency and Microwave Solutions Key Markets, Products, and Programs

The Carve-Out Business radio frequency and microwave solutions products include high power, high frequency, broadband RF components and subsystems provided to defense and homeland security customers.

Table of Contents

The products of the Carve-Out Business are generally sold to defense prime contractors and have the ability to deliver superior signal integrity in demanding environments, including external pods on high-altitude aircraft, artillery batteries, and munitions. The Carve-Out Business has established relationships with key customers, including Raytheon and Boeing, that have led design wins on franchise programs that will extend into future years.

Missiles and Precision Ordinance. The missiles and precision ordinance market is the main market for compact RF components and assemblies used in guidance. Example products and programs include the following:

Products: Transceiver Subsystems (Ka-band transmitter/receiver with the ability to amplify, filter, and downconvert).

Select Programs: Small Diameter Bomb-II (SDB-II), Miniature Air Launched Decoy (MALD), and Phalanx Close-in Weapon System (CIWS).

Airborne Radar. The demand for airborne radar products is driven by SWaP constraints and signal integrity, leading to more highly-packaged RF and digital technologies that integrate multiple RF/digital functions in a single package. Example products and programs include the following:

Products: Signal sensing RF subsystems (LO-distribution / BIT subsystems and switched converter subsystems), DRFM subsystem (multi-function assemblies with digital functionality), and Gallium Nitride (GaN) Power Amplifiers (high performance solid state amplifiers).

Select Programs: AWACS, LCMR and G/ATOR.

Homeland Security. A key market for the Carve-Out Business next-generation RF scanning products is Homeland Security. Example products and programs include the following:

Products: Millimeter wave (mmw) transceivers (antenna mast for next generation ProVision security scanner and mmw imaging subsystems).

Select Programs: L-3 ProVision and L-3 ProVision 2.

Embedded Security Key Markets, Products, and Programs

The Carve-Out Business embedded security solutions include anti-tamper solutions providing full-service support to defense customers in security systems designed to protect against tampering, piracy, and reverse engineering. The services and intellectual property products of the Carve-Out Business are generally sold to Tier 1 through Tier 3 military contractors, including the defense prime contractors and embedded computing providers. The Carve-Out Business also provides services and licenses technologies to customers in various commercial industries. The Carve-Out Business employs a services-led engagement business model for its security solutions products. In this model, the Carve-Out Business provides services, such as anti-tamper planning, critical program information (CPI) identification, and vulnerability assessments early on in the lifecycle of a military program. If successful, a customer typically engages the Carve-Out Business to implement the security plan that was developed, which often includes one or more intellectual property licenses.

Defense. In the defense market, the Carve-Out Business focuses on assessments and program security planning and implementation for defense prime contractors and suppliers. Example products include the following:

Products, technologies and services: Security technologies, including scalable anti-tamper and information assurance products. Examples include: EnforcIT, WhiteboxCRYPTO, and CodeSEAL. CPI identification, security/protection design, cryptography design and analysis, automated software analysis, vulnerability assessment, and side channel analysis (DPA & DCA) testing and analysis.

S-10

Table of Contents

Commercial. In the commercial market, demand for products and services is driven by increased reliance on the internet of things and networked devices. Example products and services include the following:

Products and Services: The embedded security business has developed a product called CANGuard, which provides advanced security for the electronic communications and control architectures on a wide variety of vehicles. The Carve-Out Business is currently under contract to evaluate applying this technology to an automotive application.

The Market Opportunity for the Combined Company

Our market opportunity is defined by the growing demand for domestically designed and manufactured secure sensor and mission processing capabilities for critical defense and intelligence applications. Historically, our primary market has been centered on bringing commercially available technologies to the defense sector, specifically C4ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance), EW, and ballistic missile defense; and commercial markets, which include commercial communications and other commercial computing applications. We believe we are well-positioned in growing, sustainable market segments of the defense sector that rely on advanced technologies to improve warfighter capability and provide enhanced force protection capabilities. The Acquisition will further improve our ability to successfully compete in these market segments by allowing us to offer an even more comprehensive set of closely related capabilities.

We believe there are a number of evolving trends that are reshaping our target markets and accordingly provide us with attractive growth opportunities. These trends include:

The defense electronics market is expected to grow in government fiscal 2016 and beyond as requested in President Obama s recent budget submission. According to The Teal Group, world defense electronics funding available to the U.S. was approximately $42.8 billion in fiscal 2015, or approximately 8.7% of the government fiscal 2015 appropriated U.S. DoD base budget. The defense electronics market is projected to increase to $43.0 billion in government fiscal 2016. Within the context of the overall defense budget and spending for defense electronics specifically we believe ISR, EW and ballistic missile defense have a high priority for future DoD spending. We continue to build on our strengths in the design and development of performance optimized electronic subsystems for the ISR and EW markets. As a leader in these markets, we often team with multiple defense prime contractors as they bid for projects, thereby increasing our chance of a successful outcome.

The rapidly expanding demand for tactical ISR is leading to significant growth in sensor data being generated, leading to even greater demand for the capability of our products to securely store and process data onboard platforms. An increase in the prevalence and resolution of ISR sensors is generating significant growth in the associated data that needs to be stored and turned into information for the warfighter in a timely manner. In addition, several factors are driving the defense and intelligence industries to demand greater capability to collect, store, and process data onboard the aircraft, UAVs, ships and other vehicles, which we refer to collectively as platforms. These factors include the limited communications bandwidth of existing platforms, the need for platforms that can operate more autonomously and possibly in denied communications environments, the need for platforms with increased persistency to enable them to remain in or fly above the battlefield for extended periods, and the need for greater onboard processing capabilities.

Rogue nations missile programs and threats from peer nations are causing greater investment in advanced new radar, EW and ballistic missile defense capabilities. There are a number of new and emerging threats, such as peer nations developing stealth technologies, including stealth aircraft, new anti-ship ballistic missiles that potentially threaten the U.S. naval fleet, and a variety of other advanced missile capabilities. Additionally, U.S. armed forces require enhanced signals intelligence and jamming

Table of Contents

capabilities. In response to these emerging threats, we have participated in key DoD programs, including Aegis, Patriot, SEWIP Block 2, LRDR, F-22 Raptor, F-35 Joint Strike Fighter and upgrade programs for the F-15 and F-16.

The long-term DoD budget pressure is pushing more dollars toward upgrades of the electronic subsystems on existing platforms, which may increase demand for our products. The DoD is moving from major new weapons systems developments to upgrades of the electronic subsystems on existing platforms. These upgrades are expected to include more sensors, signal processing, ISR algorithms, multi-intelligence fusion and exploitation, computing and communications. We believe that upgrades to provide new urgent war fighting capability, driven by combatant commanders, are occurring more rapidly than traditional defense prime contractors can easily react to. We believe these trends will cause defense prime contractors to increasingly seek out our high-performance, cost-effective open architecture products.

Defense procurement reform is causing the defense prime contractors to outsource more work to commercial companies. According to the VDC Webcast: Budgetary & Strategic Shifts Creating Opportunities for Merchant Embedded COTS Systems in Mil/Aero, the portion of the defense electronics market that is captive to the defense primes is estimated to be $35.1 billion and the portion in the merchant market is estimated to be $1.9 billion. The U.S. government is intensely focused on making systems more affordable and shortening their development time. As a company that provides commercial items to the defense industry, we believe our products and subsystem solutions are often more affordable than solutions with the same functionality developed by a defense prime contractor. Several DoD and prime contractor factors are providing incentives for defense prime contractors to outsource more work to subcontractors with significant expertise and cost-effective technology capabilities, and we have transformed our business model over the last several years to address these long-term outsourcing trends and other needs.

DoD security and program protection requirements are creating new opportunities for our advanced secure processing capabilities. The government is focused on ensuring that the U.S. military protects its defense electronic systems and the information held within from nefarious activities such as tampering, reverse engineering, and other forms of advanced attacks. The requirement to add security comes at a time when the commercial technology world continues to offshore more of the design, development, manufacturing, and support of such capabilities, making it more difficult to protect against tampering, reverse engineering and other undesired activities. The DoD has a mandate to ensure both the provenance and integrity of the technology and its associated supply chain. These factors have created a unique opportunity for us to expand beyond sensor processing into the provision of advanced secure processing subsystems and capabilities for other on-board critical compute applications all designed, developed, manufactured, and supported in the USA. In addition, advanced systems sold to foreign military buyers also require protection so that the technologies, techniques and data associated with them do not become more widely available, which further enhances our market opportunity.

The Competitive Strengths of the Combined Company

We believe the following competitive strengths will allow us to take advantage of the evolving trends in our industry and successfully pursue our business strategy:

Subsystem Solutions Provider for the C4ISR and EW Markets. Through our commercially developed, specialized processing subsystem solutions, we address the challenges associated with the collection and processing of massive, continuous streams of data and dramatically shorten the time that it takes to give information to U.S. armed forces at the tactical edge. Our solutions are specifically designed for flexibility and interoperability, allowing our products to be easily integrated into larger system-level solutions. Our ability to integrate subsystem-level capabilities allows us to provide solutions that most effectively address the mission-critical challenges within the C4ISR market, including multi-intelligence data fusion and intelligence processing onboard the platform. We leverage our deep expertise in embedded multi-computing, embedded sensor processing, with the addition of our RF and microwave subsystems and

Table of Contents

components, along with strategic investments in research and development to provide solutions across the sensor processing chain. Our deep domain knowledge within MDS rounds out our capabilities and services to our prime contractor and DoD customers. The Acquisition adds both depth and breadth to our capabilities and offerings, and also opens new market opportunities such as missiles, precision guided munitions and homeland security.

Diverse Mix of Stable, Growth Programs Aligned with DoD Funding Priorities. Our products and solutions have been deployed on more than 300 different programs and over 25 different defense prime contractors. We serve high priority markets for the DoD and foreign militaries, such as UAVs, ballistic missile defense, airborne reconnaissance, EW, ECM, and have secured positions on mission-critical programs including Aegis, Predator and Reaper UAVs, F-35 Joint Strike Fighter, Patriot missile, and SEWIP. In addition, we consistently leverage our technology and capabilities across 15 to 20 programs on an annual basis, providing significant operating leverage and cost savings. The Acquisition allows us to participate in a broader array of programs, many with customers that are already key strategic customers of ours.

We are a leading commercial provider of secure processing subsystems designed and made in the USA. We have a portfolio of open system architecture (OSA) technology building blocks across the entire sensor processing chain. We offer embedded secure processing capabilities with advanced packaging and cooling technologies that ruggedize commercial technologies while allowing them to stay cool for reliable operation. These capabilities allow us to help our customers meet the demanding SWaP requirements of today s defense platforms. Our pre-integrated subsystems improve affordability by substantially reducing customer system integration costs and time-to-market for our solutions. System integration costs are one of the more substantial costs our customers bear in developing and deploying technologies in defense programs and platforms. Our pre-integrated solutions approach allows for more rapid and affordable modernization of existing platforms and faster deployment of new platforms.

Our strengths in this area include our position as an early and leading advocate for OSA in defense, offering Intel server class processing form factors across 3/6U OpenVPX, ATCA and rackmount architectures, and high density, secure solutions across multiple hardware architectures to seamlessly scale to meet our customer s SWaP requirements. In addition, we have a 30-year legacy of system management and system integration expertise that allows us to reduce technical risk, while improving affordability and interoperability. Our system integration expertise is a cornerstone in helping us support our customers in deploying pre-integrated, OSA subsystems.

We provide advanced, integrated security features for our products and subsystems, addressing an increasingly prevalent requirement for DoD program security. We offer secure processing expertise that is built-in to our pre-integrated subsystems, not bolted on. By doing this we are able to provide secure building blocks that allow our customers to incorporate their own security capabilities. This assists our customers in ensuring program protection as they deploy critical platforms and programs, all in support of DoD missions. The Acquisition will bring us new security technologies and also allow us to provide enhanced security capabilities in areas such as memory and storage devices. The Acquisition also provides us with a DMEA-(Defense Micro-Electronics Association) certified trusted manufacturing facility for microelectronics in the Carve-Out Business Phoenix, Arizona facility.

We are pioneering a next generation business model. The defense industrial base is currently undergoing a major transformation. Domestic political and budget uncertainty, geopolitical instability and evolving global threats have become constants. The defense budget, while stabilized in the short term, remains under pressure and R&D and technology spending are often in budgetary competition with the increasing costs of military personnel requirements, health care costs, and other important elements within the DoD and the federal budget generally. Finally, defense acquisition reform, under the banner of Better Buying Power calls for the continued drive for innovation and competition within the defense industrial base, while also driving down acquisition cost.

Table of Contents

We have pioneered a next-generation business model that is in sync with current defense industry transformation efforts. Our approach is built around a few key pillars:

- We continue to leverage our expertise in building pre-integrated subsystems in support of critical defense programs, driving out procurement costs by lowering integration expenses of our customers.
- We have been a pioneer in driving open systems architectures.
- The DoD has asked defense industry participants to invest their own resources into R&D. This approach is a pillar of our business model.
- Security and program protection are now critical considerations for both program modernizations as well as for new program deployment. We are now in our third generation of building secure embedded processing solutions.

We have a next generation business model built to meet the emerging needs of the DoD.

- *Value-Added Subsystem Solution Provider for Defense Prime Contractors.* Because of the DoD s shift towards a firm fixed price contract procurement model, an increasingly uncertain budgetary and procurement environment, and increased budget pressures from both the U.S. and allied governments, defense prime contractors are accelerating their move toward outsourcing opportunities to help mitigate the increased program and financial risk. Our differentiated advanced sensor processing solutions offer meaningful capabilities upgrades for our customers and enable the rapid, cost-effective deployment of systems to the end customer. We believe our open architecture subsystems offer differentiated sensor processing and data analytics capabilities that cannot be easily replicated. Our solutions minimize program risk, maximize application portability, and accelerate customers time to market, all within a fixed-pricing contracting environment.
- *MDS Enables the Delivery of Platform-Ready Solutions for Classified Programs.* MDS was created in fiscal 2013 following the acquisition of KOR Electronics to enable us to directly pursue systems integration opportunities within the DoD. In addition, MDS increasingly draws on critical subsystem innovations from MCE. We believe our integration work through MDS provides us with critical insights as we implement and incorporate key classified government intellectual property, including critical intelligence and signal processing algorithms, into advanced systems. We believe that MDS provides us the opportunity to directly combine and integrate these technology building blocks along with intellectual property developed by MDS into our existing MCE products and solutions, enabling us to deliver more affordable, platform-ready integrated ISR subsystems that leverage our OSA and address key government technology and procurement concerns. MDS operations in this environment also help us identify emerging needs and opportunities influence our future product development, so that critical future needs can be met in a timely manner with commercially-developed products and solutions.
- *Advanced Microelectronics Centers.* Our Advanced Microelectronics Centers (AMCs) in Hudson, New Hampshire and West Caldwell, New Jersey, design, build and test both RF and microwave components and subsystems in support of a variety of key customer programs. With our fiscal 2014 move into our new AMC in Hudson, New Hampshire, including the installation of integrated business systems into both our AMCs, we have a platform for scalable, continued growth in our RF and microwave product lines. Our scalable microelectronics manufacturing operations at our AMCs enable rapid, cost-effective deployment of RF and microwave solutions to our customers. The Acquisition will give us a west coast location providing similar advanced capabilities and better proximity to certain key customer locations.
- *Long-Standing Industry Relationships.* We have established long-standing relationships with defense prime contractors, the U.S. government and other key organizations in the defense industry over our 30 years in the defense electronics industry. Our customers

include BAE Systems, the Boeing Company, Harris, Lockheed Martin Corporation, Northrop Grumman Corporation, and Raytheon Company. Over this period, we have become recognized for our ability to develop new technologies and meet stringent

Table of Contents

program requirements. We believe we are well-positioned to maintain these high-level customer engagements and enhance them through the additional relationships that the Carve-Out Business has with many of the same customers.

Proven Management Team. Over the past several years, our senior management team has refocused the Company on its economic core, developed a long-term compelling strategy for the defense markets and restored profitability to the business. Having completed these critical steps to rebuild the Company and with a senior management team with significant experience in growing and scaling businesses, both through operating execution and acquisitions, we believe that we have demonstrated our operational capabilities and we are well-positioned for the next phase to transform, grow and scale our business.

Business Strategy for the Combined Company

Our strategy is built around our key strengths as a leading commercial provider of secure and processing subsystems designed and made in the U.S.A. Optimized for customer and mission success, our solutions power a wide variety of critical defense and intelligence programs. We are pioneering a next-generation defense electronics business model specifically designed to meet the industry s current and emerging technology needs. By driving this strategy consistently, we are able to help our customers, mostly defense prime contractors, reduce program cost, minimize technical risk, and stay on schedule and on budget. Tactically, we have a reputation of relentless execution on behalf of our customers that supports the successful evolution of our strategy.

We intend to accelerate our strategic direction through continued investment in advanced new products and solutions development in the fields of radio frequency, analog-to-digital and digital to analog conversion, advanced multi- and many-core sensor processing systems including GPUs, embedded security, digital storage, and digital radio frequency memory (DRFM) solutions, software defined communications capabilities, and advanced security technologies and capabilities. We leverage our engineering development services including systems integration to accelerate our move to become a commercial outsourcing partner to the large defense prime contractors as they seek the more rapid design, development and delivery of affordable, commercially-developed, open sensor processing solutions within the markets we serve. Our services-led engagements can help lead to long-term production subsystem revenues that will continue long after the initial services are delivered. This business model positions us to be paid for non-recurring engineering work we would have previously expensed through our own income statement, to team concurrently with multiple defense prime contractors as they pursue new business with the unique solutions they develop and market to the government, and to engage with our customers much earlier in the design cycle and ahead of our competition. In fiscal 2013, 2014, and 2015, we have substantially added to our technology portfolio by adding capabilities in RF and microwave subsystems and components as critical building blocks to support programs in EW, EA, and ECM.

Corporate Information

Mercury Systems, Inc. was incorporated in Massachusetts in 1981. Our common stock is listed and traded on the NASDAQ Global Select Market under the symbol MRCY. Our executive offices are located at 201 Riverneck Road, Chelmsford, Massachusetts 01824 and our telephone number is (978) 256-1300. We maintain a website at www.mrcy.com. Information contained on our website does not constitute part of this prospectus supplement and the accompanying base prospectus other than the documents that the Company files with the SEC that are expressly incorporated by reference into this prospectus supplement. See Incorporation by Reference.

Sources and Uses

The following table illustrates the estimated sources and uses of funds for the Transactions. Actual amounts could vary from estimated amounts depending on several factors, including changes in the cash purchase price for the Acquisition and changes in our actual amount of expenses related to the Transactions. You should read

Table of Contents

the following together with the information under the headings The Transactions and Unaudited Pro Forma Condensed Consolidated Financial Information included elsewhere in this prospectus supplement.

Sources of Funds		Uses of Funds (dollars in millions)	
Term loan A(1)	$ 200.0	Purchase price of acquisition(3)	$ 300.0
New equity offered hereby(2)	94.3	Estimated fees and expenses(4)	17.2
Cash on hand	22.9		
Total sources of funds	$ 317.2	Total uses of funds	$ 317.2

(1) Reflects borrowings under the new term loan A.

(2) Reflects the estimated gross cash proceeds from the issuance of 4,500,000 shares of the Company s common stock, excluding the underwriters option to purchase additional shares.

(3) Reflects the consideration to be paid to the Seller for 100% of the issued and outstanding equity interests of the Carve-Out Business. The estimated purchase price does not consider working capital and other post-closing adjustments as outlined in the Purchase Agreement.

(4) Reflects our estimate of fees and expenses associated with the Transactions, including underwriting fees, advisory fees, and other fees and transaction costs. See Unaudited Pro Forma Condensed Consolidated Financial Information. There can be no assurance that these fees and expenses will not exceed our estimates.

Table of Contents

The Offering

The summary below describes the principal terms of this offering of shares of our common stock. Certain of the terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of shares of our common stock, see the section entitled Description of the Common Stock in the accompanying base prospectus. As used in this section, references to the Company mean Mercury Systems, Inc. and not any of its subsidiaries.

Issuer	Mercury Systems, Inc.
Common Stock Offered	4,500,000 shares.
Common Stock Outstanding After This Offering	39,322,735 shares.[1]
Option to Purchase Additional Shares	The underwriters have an option for a period of 30 days from the date of this prospectus supplement to purchase up to an additional 675,000 shares of our common stock at the public offering price, less the underwriting discounts and commissions.
Use of Proceeds	We estimate that the net proceeds from this offering will be approximately $89.4 million ($102.8 million if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and our estimated expenses related to the offering. We intend to use the net proceeds to fund a portion of the Acquisition and pay related expenses and for general corporate purposes.
	We expect that the total cash consideration payable in connection with the Acquisition, including the payment of related fees and expenses, will be approximately $317.2 million. In addition to the net proceeds from this offering, we expect to use the proceeds of a new term loan A and existing cash on hand to finance the Acquisition. Pending closing of the Acquisition, we intend to use the net proceeds from this offering to invest in interest-bearing accounts and short-term, interest-bearing securities.
	The consummation of this offering is not conditioned on the closing of the Acquisition or any other potential source of financing. Accordingly, even if the Acquisition or other financing transactions do not occur, the shares of our common stock sold in this offering will remain outstanding, and we will not have any obligation to offer to repurchase any or all of the shares of common stock sold in this offering. If the Acquisition does not occur for any reason, we will use the net proceeds from this offering for general corporate purposes, which may include other potential acquisitions, the refinancing or repayment of debt, working capital, share repurchases or capital expenditures. See Use of Proceeds and Risk Factors.

(1) The number of shares of common stock outstanding after this offering is based on the number of shares of common stock outstanding as of April 1, 2016 and the issuance of shares of common stock in this offering, assuming no exercise of the underwriters option to purchase additional shares.

Table of Contents

Material U.S. Federal Income Tax Considerations for Non-U.S. Holders of the Common Stock	For a discussion of the material U.S. federal income tax considerations relating to the ownership and disposition of our common stock by Non-U.S. Holders, see Material U.S. Federal Income Tax Considerations to Non-U.S. Holders.
Risk Factors	Investing in our common stock involves risks. You should carefully consider the risk factors set forth or cross-referenced in Risk Factors beginning on page S-28 of this prospectus supplement and the other information contained in this prospectus supplement and the accompanying base prospectus and the documents incorporated by reference herein and therein, prior to making an investment in our common stock.
Dividend Policy	We have never declared or paid cash dividends on shares of our common stock. We currently intend to retain any earnings for future growth. Accordingly, we do not anticipate that any cash dividends will be declared or paid on our common stock in the foreseeable future. See Market Price Range of Common Stock Dividend Policy.
NASDAQ Global Select Market Listing	MRCY
Transfer Agent and Registrar	Computershare Investor Services

Table of Contents

Summary Unaudited Pro Forma Condensed Consolidated Financial Information

The following summary unaudited pro forma condensed consolidated financial information as of and for the periods presented in the tables below have been derived from, and should be read together with, our unaudited pro forma condensed consolidated financial statements and related notes included in Unaudited Pro Forma Condensed Consolidated Financial Information in this prospectus supplement. We derived the summary unaudited pro forma data set forth below by the application of pro forma adjustments as described herein to the historical financial statements of Mercury Systems, Inc., incorporated by reference herein, and the Carve-Out Business, incorporated by reference herein.

The summary unaudited pro forma condensed consolidated financial data is presented for informational purposes only. It is not necessarily indicative of what our financial position or results of operations actually would have been had we completed the Transactions at the dates indicated, nor does it purport to project the future financial position or operating results of the combined company. The summary unaudited pro forma condensed consolidated statement of operations does not reflect any revenue enhancements or cost savings from synergies that may be achieved with respect to the combined companies, or the impact of non-recurring items directly related to the Acquisition and related financing.

(in thousands)	Pro Forma Six Months Ended December 31, 2015(1)	Pro Forma Twelve Months Ended June 30, 2015(2)
Other Financial Data:		
Net sales	$ 168,496	$ 334,292
Gross margin	79,641	157,386
Depreciation and amortization	13,790	28,061
Capital expenditures	4,654	7,751
Interest expense, net	4,382	8,801
Income from continuing operations(3)	5,617	13,380
Adjusted EBITDA(3)(4)	$ 35,046	$ 68,107
Balance Sheet Data (at period end):		
Cash and cash equivalents	$ 58,682	
Working capital(5)	179,974	
Current assets	228,878	
Total assets	729,904	
Current liabilities	48,904	
Total debt	$ 198,300	

(1) The historical results of Mercury were derived from its unaudited consolidated statement of operations included in its Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2015 and incorporated by reference herein. The historical results of the Carve-Out Business were derived from its unaudited condensed consolidated statements of operations and comprehensive income for the relevant periods within its fiscal year 2016, as well as the audited financial statements filed as an exhibit to Mercury s Current Report on Form 8-K filed April 4, 2016 and incorporated by reference herein.

The unaudited pro forma condensed consolidated balance sheet data at December 31, 2015 gives effect to the Transactions as if they occurred on such date and combines the historical balance sheets of Mercury as of December 31, 2015 and the Carve-Out Business as of January 3, 2016. The Mercury balance sheet information was derived from its unaudited consolidated balance sheet included in its Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2015 and incorporated by reference herein. The Carve-Out Business balance sheet information was derived from its unaudited condensed consolidated balance sheet as of January 3, 2016 filed as an exhibit to Mercury s Form 8-K filed on April 4, 2016 and incorporated by reference herein, filed as an exhibit to Mercury s Current Report on Form 8-K filed on April 4, 2016 and incorporated by reference herein.

(2) The historical results of Mercury were derived from its audited consolidated statement of operations included in its Annual Report on Form 10-K for the fiscal year ended June 30, 2015 and incorporated by reference herein. The historical results of the Carve-Out Business were derived from its audited consolidated statements of operations for its fiscal year ended September 27, 2015, included in the Current Report on Form 8-K filed on April 4, 2016 and incorporated by reference herein, filed as an exhibit to Mercury s current report on Form 8-K filed on April 4, 2016 and incorporated by reference herein.

(3) Includes \$3.1 million and \$4.2 million of allocated indirect corporate costs from Seller that Mercury expects will not be required or continue upon the consummation of the Acquisition, for the six months ended December 31, 2015 and the twelve months ended June 30, 2015, respectively.

(4) Adjusted EBITDA is defined as income (loss) from continuing operations before interest income and expense, income taxes, depreciation, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition and financing costs, fair value adjustments from purchase accounting, litigation and settlement expenses, and stock-based compensation expense. Mercury uses adjusted EBITDA as an important indicator of the operating performance of its business. These measures may be inconsistent with measures presented by other companies. See About this Prospectus Supplement Non-GAAP Financial Measures for the discussion of our use of adjusted EBITDA.

(5) Working capital represents current assets (excluding cash and cash equivalents) less current liabilities (excluding short-term borrowings and current portion of long-term debt obligations).

The following table sets forth an unaudited reconciliation of pro forma income from continuing operations to pro forma adjusted EBITDA:

(in thousands)	Pro Forma Six Months Ended December 31, 2015 (1)	Pro Forma Twelve Months Ended June 30, 2015 (2)
Income from continuing operations(3)	$ 5,617	$ 13,380
Interest expense, net	4,382	8,801
Tax provision	2,187	3,666
Depreciation	4,709	9,595
Amortization of intangible assets	9,081	18,466
Restructuring and other charges	559	3,530
Impairment of long-lived assets	231	
Acquisition and financing costs	2,323	451
Fair value adjustments from purchase accounting		
Litigation and settlement expenses		
Stock-based compensation expense	5,957	10,218
Adjusted EBITDA(3)	$ 35,046	$ 68,107

(1) The historical results of Mercury were derived from its unaudited consolidated statement of operations included in its Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2015 and incorporated by reference herein. The historical results of the Carve-Out Business were derived from its unaudited condensed consolidated statements of operations and comprehensive income for the relevant periods within its fiscal year 2016, as well as the audited financial statements filed as an exhibit to Mercury s Current Report on Form 8-K filed April 4, 2016 and incorporated by reference herein.

Table of Contents

The unaudited pro forma condensed consolidated balance sheet data at December 31, 2015 gives effect to the Transactions as if they occurred on such date and combines the historical balance sheets of Mercury as of December 31, 2015 and the Carve-Out Business as of January 3, 2016. The Mercury balance sheet information was derived from its unaudited consolidated balance sheet included in its Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2015 and incorporated by reference herein. The Carve-Out Business balance sheet information was derived from its unaudited condensed consolidated balance sheet as of January 3, 2016 filed as an exhibit to Mercury s Form 8-K filed on April 4, 2016 and incorporated by reference herein, filed as an exhibit to Mercury s Current Report on Form 8-K filed on April 4, 2016 and incorporated by reference herein.

(2) The historical results of Mercury were derived from its audited consolidated statement of operations included in its Annual Report on Form 10-K for the fiscal year ended June 30, 2015 and incorporated by reference herein. The historical results of the Carve-Out Business were derived from its audited consolidated statements of operations and comprehensive income for its fiscal year ended September 27, 2015, included in the Current Report on Form 8-K filed on April 4, 2016 and incorporated by reference herein, filed as an exhibit to Mercury s current report on Form 8-K filed on April 4, 2016 and incorporated by reference herein.

(3) Includes $3.1 million and $4.2 million of allocated indirect corporate costs from Seller that Mercury expects will not be required or continue upon the consummation of the Acquisition, for the six months ended December 31, 2015 and the twelve months ended June 30, 2015, respectively.

Table of Contents

Summary Historical Financial Information

The following tables set forth certain historical information for Mercury and the Carve-Out Business.

Mercury Historical Financial Information

The following summary historical financial information as of and for each of the three years in the period ended June 30, 2015, has been derived from our audited consolidated financial statements and related notes. The historical financial information as of and for each of the six months in the periods ended December 31, 2015 and December 31, 2014, has been derived from our unaudited consolidated financial statements and related notes. You should read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes appearing in our Annual Report on Form 10-K for the year ended June 30, 2015 and our Quarterly Reports on Form 10-Q for the period ended December 31, 2015 all of which are incorporated by reference in this prospectus supplement and the accompanying base prospectus. See also Where You Can Find More Information in the accompanying base prospectus and Incorporation by Reference in this prospectus supplement for details regarding documents incorporated by reference herein. The summary historical financial information provided below does not purport to indicate results of operations as of any future date or for any future period.

	Six months ended December 31,		Year ended June 30,		
(in thousands, except per share data)	**2015**	**2014**	**2015**	**2014**	**2013**
Net revenues	$ 118,826	$ 111,150	$ 234,847	$ 208,729	$ 194,231
Cost of revenues	62,719	60,116	124,628	113,985	116,073
Gross margin	56,107	51,034	110,219	94,744	78,158
Operating expenses:					
Selling, general and administrative	24,709	24,967	49,010	53,685	54,764
Research and development	15,777	15,846	32,554	35,693	32,604
Amortization of intangible assets	3,351	3,524	7,008	7,328	8,222
Restructuring and other charges	559	2,430	3,175	5,443	7,060
Impairment of long-lived assets	231				
Acquisition costs and other related expenses	1,980		117		318
Total operating expenses	46,607	46,767	91,864	102,149	102,968
Income (loss) from operations	9,500	4,267	18,355	(7,405)	(24,810)
Interest income	50	7	21	9	7
Interest expense	(7)	(16)	(34)	(49)	(38)
Other income, net	154	392	453	1,532	558
Income (loss) from continuing operations before income taxes	9,697	4,650	18,795	(5,913)	(24,283)
Tax provision (benefit)	2,944	1,047	4,366	(1,841)	(10,501)
Income (loss) from continuing operations	6,753	3,603	14,429	(4,072)	(13,782)
(Loss) gain from discontinued operations, net of taxes		(2,839)	(4,060)	(7,353)	574
Net income (loss)	$ 6,753	$ 764	$ 10,369	$ (11,425)	$ (13,208)
Basic net earnings (loss) per share:					

Income (loss) from continuing operations	$ 0.20	$ 0.11	$ 0.45	$ (0.13)	$ (0.46)
(Loss) gain from discontinued operations, net of income taxes		(0.09)	(0.13)	(0.24)	0.02
Net income (loss)	$ 0.20	$ 0.02	$ 0.32	$ (0.37)	$ (0.44)

Table of Contents

(in thousands, except per share data)	Six months ended December 31, 2015	Six months ended December 31, 2014	Year ended June 30, 2015	Year ended June 30, 2014	Year ended June 30, 2013
Diluted net earnings (loss) per share:					
Income from continuing operations	$ 0.20	$ 0.11	$ 0.44	$ (0.13)	$ (0.46)
(Loss) gain from discontinued operations, net of income taxes		(0.09)	(0.13)	(0.24)	0.02
Net income (loss)	$ 0.20	$ 0.02	$ 0.31	$ (0.37)	$ (0.44)
Weighted-average shares outstanding:					
Basic	33,047	31,880	32,114	31,000	30,128
Diluted	33,819	32,720	32,939	31,000	30,128
Other data:					
Net cash provided by (used in):					
Operating activities	$ 17,478	$ 10,406	$ 32,207	$ 14,241	$ (1,871)
Investing activities	$ (13,105)	$ (2,122)	$ (5,598)	$ (6,720)	$ (71,091)
Financing activities	$ (468)	$ 1,529	$ 3,905	$ 742	$ (3,669)
Depreciation and amortization	$ 6,559	$ 7,150	$ 13,840	$ 15,608	$ 17,209
Capital expenditures	$ (3,156)	$ (2,123)	$ (5,984)	$ (6,701)	$ (3,880)
Adjusted EBITDA(1)	$ 24,420	$ 18,710	$ 44,414	$ 23,522	$ 9,940
Free Cash Flow(2)	$ 14,322	$ 8,283	$ 26,223	$ 7,540	$ (5,751)
Adjusted earnings per share(3)	$ 0.42	$ 0.33	$ 0.82	$ 0.38	$ 0.11
Balance sheet data (at end of period):					
Working capital	$ 157,586	$ 139,578	$ 154,879	$ 127,375	$ 115,483
Total assets	$ 408,092	$ 385,367	$ 389,988	$ 373,712	$ 374,431
Long-term obligations	$ 5,242	$ 11,694	$ 6,565	$ 13,635	$ 15,112
Total stockholders equity	$ 361,458	$ 334,216	$ 350,138	$ 327,147	$ 328,501

(1) Adjusted EBITDA, the profitability measure for our segment reporting, is defined as income (loss) from continuing operations before interest income and expense, income taxes, depreciation, amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition costs and other related expenses, fair value adjustments from purchase accounting, litigation and settlement expenses and stock-based compensation costs. 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 a component of bonus compensation for executive officers and other key employees based on operating performance and evaluating short-term and long-term operating trends in our operations. We believe the adjusted EBITDA financial measure assists in providing a more complete understanding of our underlying operational measures to manage our business, to evaluate our performance compared to prior periods and the marketplace, and to establish operational goals. 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.

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 income (loss) from continuing operations, the most directly comparable GAAP financial measure, to our adjusted EBITDA:

(in thousands)	Six months ended December 31, 2015	Six months ended December 31, 2014	Year ended June 30, 2015	Year ended June 30, 2014	Year ended June 30, 2013
Income (loss) from continuing operations	$ 6,753	$ 3,603	$ 14,429	$ (4,072)	$ (13,782)
Interest (income) expense, net	(43)	9	13	40	31
Tax provision (benefit)	2,944	1,047	4,366	(1,841)	(10,501)
Depreciation	3,208	3,290	6,332	7,625	8,445
Amortization of intangible assets	3,351	3,524	7,008	7,328	8,222
Restructuring and other charges	559	2,430	3,175	5,443	7,060
Impairment of long-lived assets	231				
Acquisition and financing costs	2,323		451		318
Fair value adjustments from purchase accounting					2,293
Litigation and settlement expenses					
Stock-based compensation expense	5,094	4,807	8,640	8,999	7,854
Adjusted EBITDA	$ 24,420	$ 18,710	$ 44,414	$ 23,522	$ 9,940

(2) 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. 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 are 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 provided by operating activities, the most directly comparable GAAP financial measure, to free cash flow:

(in thousands)	Six months ended December 31, 2015	Six months ended December 31, 2014	Year ended June 30, 2015	Year ended June 30, 2014	Year ended June 30, 2013
Cash flow from operating activities	$ 17,478	$ 10,406	$ 32,207	$ 14,241	$ (1,871)
Purchases of property and equipment	(3,156)	(2,123)	(5,984)	(6,701)	(3,880)
Free cash flow	$ 14,322	$ 8,283	$ 26,223	$ 7,540	$ (5,751)

(3) Adjusted income from continuing operations 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 continuing operations results and trends and allows for comparability with our peer company index and industry. 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 from continuing operations as income (loss) from continuing operations before amortization of intangible assets, restructuring and other charges, impairment of long-lived assets, acquisition and financing costs, fair

value

Table of Contents

adjustments from purchase accounting, litigation and settlement expenses, stock-based compensation expense, and the tax impact of those items. Adjusted EPS expresses adjusted income from continuing operations on a per share basis using weighted average diluted shares outstanding.

Adjusted income from continuing operations 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. These non-GAAP financial measures 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 income from continuing operations and adjusted EPS financial adjustments described above, and investors should not infer from our presentation of these non-GAAP financial measures that these costs are unusual, infrequent or non-recurring.

The following table reconciles income from continuing operations and diluted net earnings per share, the most directly comparable GAAP measures, to adjusted income from continuing operations and adjusted EPS:

	Six Months Ended December 31,			
(in thousands, except per share data)	**2015**		**2014**	
Income (loss) from continuing operations and earnings per share	$ 6,753	$ 0.20	$ 3,603	$ 0.11
Amortization of intangible assets	3,351		3,524	
Restructuring and other charges	559		2,430	
Impairment of long-lived assets	231			
Acquisition and financing costs	2,323			
Fair value adjustments from purchase accounting				
Litigation and settlement expenses				
Stock-based compensation expense	5,094		4,807	
Impact to income taxes	(4,045)		(3,615)	
Adjusted income from operations and adjusted earnings per share	$ 14,266	$ 0.42	$ 10,749	$ 0.33
Diluted weighted-average shares outstanding		33,819		32,720

	Years Ended June 30,					
(in thousands, except per share data)	**2015**		**2014**		**2013**	
Income (loss) from continuing operations and earnings per share	$ 14,429	$ 0.44	$ (4,072)	$ (0.13)	$ (13,782)	$ (0.46)
Amortization of intangible assets	7,008		7,328		8,222	
Restructuring and other charges	3,175		5,443		7,060	
Impairment of long-lived assets						
Acquisition and financing costs	451				318	
Fair value adjustments from purchase accounting					2,293	
Litigation and settlement expenses						
Stock-based compensation expense	8,640		8,999		7,854	
Impact to income taxes	(6,733)		(5,773)		(8,776)	
Adjusted income from operations and adjusted earnings per share	$ 26,970	$ 0.82	$ 11,925	$ 0.38	$ 3,189	$ 0.11
Diluted weighted-average shares outstanding		32,939		31,000		30,128

Table of Contents

The Carve-Out Business Historical Financial Information

The following table sets forth the summary historical financial data as of and for the periods indicated for the Carve-Out Business. The summary historical consolidated financial data for the fiscal years ended September 27, 2015, September 28, 2014, and September 29, 2013 have been derived from the audited consolidated financial statements of the Carve-Out Business for such years. The summary historical financial data as of January 3, 2016 and for the three months ended January 3, 2016 and December 28, 2014 have been derived from the unaudited condensed consolidated financial statements of the Carve-Out Business for such periods, which contain all adjustments, consisting of normal recurring adjustments, that management considers necessary for a fair presentation of the Carve-Out Business financial position and results of operations for the periods presented.

The Carve-Out Business historically was not operating as a separate legal entity within the Seller. Accordingly, its financial statements have been prepared on a carve-out basis. The carve-out financial statements have been derived from the consolidated financial statements and accounting records of Seller, using the historical results of operations and historical bases of assets and liabilities which comprise the Carve-Out Business. The carve-out financial statements also include allocations of certain Seller-shared expenses. Seller management believes the assumptions and methodologies underlying the allocation of shared expenses from Seller are reasonable in depicting the Carve-Out Business on a carve-out basis; however, such expenses may not be indicative of the actual level of expense that would have been incurred by the Carve-Out Business if it had operated as an independent company or of the costs expected to be incurred in the future. As such, the carve-out financial statements included in this prospectus supplement may not necessarily reflect the Carve-Out Business results of operations, financial position or cash flows in the future or what its results of operations, financial position or cash flows would have been had the Carve-Out Business been a stand-alone entity during the periods presented.

You should read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of the Carve-Out Business and the Carve-Out Business audited consolidated financial statements as of September 27, 2015 and September 28, 2014 and the related notes and the Carve-Out Business unaudited condensed consolidated financial statements as of January 3, 2016 and December 28, 2014 filed as Exhibits 99.6, 99.2 and 99.3, respectively to Mercury s Current Report on Form 8-K as filed with the SEC on April 4, 2016, all of which are incorporated by reference in this prospectus supplement and the accompanying base prospectus. See also Where You Can Find More Information in the accompanying base prospectus and Incorporation by Reference in this prospectus supplement for details regarding documents incorporated by reference herein. The summary historical financial information provided below does not purport to indicate results of operations as of any future date or for any future period.

	Three months ended		Year ended		
(in thousands)	**January 3, 2016**	**December 28, 2014**	**September 27, 2015**	**September 28, 2014**	**September 29, 2013**
Net revenues	$ 24,976	$ 25,240	$ 99,445	$ 87,209	$ 93,623
Costs and expenses:					
Cost of revenues	12,375	13,022	52,183	51,945	54,850
Selling, general and administrative	2,439	2,316	9,238	11,891	13,474
Research and development	2,655	2,443	10,204	10,890	13,166
Amortization of intangible assets	1,394	2,404	8,011	10,828	10,861
Allocated costs(1)	2,744	2,255	9,020	6,389	5,440
Restructuring and other charges		259	355	1,059	1,073
Total costs and operating expenses(2)	21,607	22,699	89,011	93,002	98,864
Income (loss) from operations	3,369	2,541	10,434	(5,793)	(5,241)
Other income, net		6	52		(212)
Income (loss) before income taxes	3,369	2,547	10,486	(5,793)	(5,453)
Tax provision	1,044	995	4,095	(2,734)	(2,211)

Net income (loss)(2)	$	2,325	$	1,552	$	6,391	$	(3,059)	$	(3,242)

Table of Contents

(in thousands)	Three months ended January 3, 2016	December 28, 2014	Year ended September 27, 2015	September 28, 2014	September 29, 2013
Other data:					
Net cash provided by (used in):					
Operating activities	$ 5,762	$ 2,981	$ 13,537	$ 6,223	$ 9,215
Investing activities	$ (655)	$ (392)	$ (1,866)	$ (1,860)	$ (5,168)
Financing activities	$ (5,107)	$ (2,589)	$ (11,671)	$ (4,363)	$ (4,047)
Depreciation and amortization	$ 2,104	$ 3,281	$ 11,274	$ 14,275	$ 14,788
Capital expenditures	$ (655)	$ (392)	$ (1,866)	$ (1,860)	$ (5,168)
Adjusted EBITDA(2)	$ 5,836	$ 6,449	$ 23,693	$ 11,676	$ 12,660
Free Cash Flow	$ 5,107	$ 2,589	$ 11,671	$ 4,363	$ 4,047
Balance sheet data (at end of period):					
Working capital	$ 41,538		$ 44,426	$ 41,103	
Total assets	$ 148,756		$ 154,045	$ 159,613	
Long-term obligations	$ 3,686		$ 3,858	$ 6,472	
Invested equity	$ 137,558		$ 139,977	$ 143,844	

(1) Allocated costs of the Carve-Out Business pertain to the below noted functional cost areas. These functional cost areas are reflected for the periods presented in the unaudited pro forma condensed consolidated statements of operations, consistent with the presentation of Mercury s financial information.

(in thousands)	Three months ended January 3, 2016	December 28, 2014	Year ended September 27, 2015	September 28, 2014	September 29, 2013
Allocated Costs					
Selling, general and administrative	$ 2,229	$ 1,741	$ 6,834	$ 4,062	$ 2,956
Research and development	152	152	608	192	232
Stock-based compensation	363	362	1,578	2,135	2,252
Total Allocated Costs	$ 2,744	$ 2,255	$ 9,020	$ 6,389	$ 5,440

(2) Includes $1.6 million and $1.2 million of allocated indirect corporate costs from Seller that Mercury expects will not be required or continue upon the consummation of the Acquisition, for the three month periods ended January 3, 2016 and December 28, 2014, respectively. Includes $4.2 million, $1.4 million and $0.5 million of allocated indirect corporate costs from Seller that Mercury expects will not be required or continue upon the consummation of the Acquisition, for the fiscal years ended September 27, 2015, September 28, 2014 and September 29, 2013, respectively.

The following table sets forth an unaudited reconciliation of income (loss) from continuing operations to adjusted EBITDA:

(in thousands)	Three months ended January 3, 2016	December 28, 2014	Year ended September 27, 2015	September 28, 2014	September 29, 2013
Income (loss) from continuing operations(1)	$ 2,325	$ 1,552	$ 6,391	$ (3,059)	$ (3,242)
Interest expense, net					
Tax provision (benefit)	1,044	995	4,095	(2,734)	(2,211)
Depreciation and amortization	2,104	3,281	11,274	14,275	14,788
Restructuring and other charges		259	355	1,059	1,073
Impairment of long-lived assets					
Acquisition and financing costs					
Fair value adjustments from purchase Accounting					
Litigation and settlement expenses					
Stock-based compensation expense	363	362	1,578	2,135	2,252
Adjusted EBITDA(2)	$ 5,836	$ 6,449	$ 23,693	$ 11,676	$ 12,660

(1) Includes $1.6 million and $1.2 million of allocated indirect corporate costs from Seller that Mercury expects will not be required or continue upon the consummation of the Acquisition, for the three month periods ended January 3, 2016 and December 28, 2014, respectively. Includes $4.2 million, $1.4 million and $0.5 million of allocated indirect corporate costs from Seller that Mercury expects will not be required or continue upon the consummation of the Acquisition, for the fiscal years ended September 27, 2015, September 28, 2014 and September 29, 2013, respectively.

The following table sets forth an unaudited reconciliation of net cash provided by operating activities to free cash flow:

	Three months ended		Year ended		
(in thousands)	**January 3, 2016**	**December 28, 2014**	**September 27, 2015**	**September 28, 2014**	**September 29, 2013**
Cash flow from operating activities	$ 5,762	$ 2,981	$ 13,537	$ 6,223	$ 9,215
Purchases of property and equipment	(655)	(392)	(1,866)	(1,860)	(5,168)
Free cash flow	$ 5,107	$ 2,589	$ 11,671	$ 4,363	$ 4,047

Table of Contents

RISK FACTORS

Investing in our common stock involves risks. You should carefully consider the risk factors described below and in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015, our Quarterly Reports on Form 10-Q for the three and six months ended September 30, 2015 and December 31, 2015 and our other reports filed from time to time with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying base prospectus. See Incorporation by Reference. Some of these risk factors relate principally to our business and the Transactions. Other factors relate principally to your investment in our common stock. Before making any investment decision, you should carefully consider these risks. These risks could materially affect our business, results of operation or financial condition and affect the value of our securities. In such case, you may lose all or part of your original investment. The risks described below or incorporated by reference herein are not the only risks facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business, results of operation or financial condition.

Risks Related to our Company

For a description of risks related to our Company, please refer to Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended June 30, 2015, and in our Quarterly Reports on Form 10-Q for the three and six months ended September 30, 2015 and December 31, 2015, which are incorporated by reference herein.

Risks Related to the Acquisition

There is no assurance when or if the Acquisition will be completed. Any delay in completing the Acquisition may substantially reduce the benefits that Mercury expects to obtain from the Acquisition and increase the transaction costs.

Completion of the Acquisition is subject to the satisfaction or waiver of a number of conditions as set forth in the Purchase Agreement, including the receipt of antitrust clearance in the United States. There can be no assurance that Mercury and the Seller will be able to satisfy the closing conditions or that closing conditions beyond their control will be satisfied or waived and the Acquisition may not be consummated by reason of failure to so satisfy such conditions. For a discussion of the conditions to the completion of the Acquisition, see the section titled The Transactions included in this prospectus supplement.

If the Acquisition and the integration of the companies respective businesses are not completed within the expected timeframe, that delay may materially and adversely affect the synergies and other benefits that Mercury expects to achieve as a result of the Acquisition and could result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the Acquisition.

The offering of shares of common stock is not conditioned upon the consummation of the Acquisition.

This offering of shares of common stock is not conditioned upon the consummation of the Acquisition. Accordingly, by purchasing the common stock, you are investing in Mercury on a stand-alone basis, without the Carve-Out Business, in the event that we do not consummate the

Acquisition. Although certain information included in this prospectus supplement generally assumes consummation of the Acquisition, we cannot assure you that the Acquisition will be consummated on the terms described herein or at all. This offering is not conditioned on the completion of the Acquisition and by purchasing our common stock in this offering you are investing in us on a stand-alone basis and recognize that we may not consummate the Acquisition or realize the expected benefits therefrom if we do. In the event that we fail to consummate the Acquisition, we will have issued a significant number of additional shares of common stock and we will not have acquired the revenue generating assets that will be required to produce the earnings and cash flow we anticipated. As a result, failure to consummate the Acquisition would adversely affect our earnings per share.

Table of Contents

If the Acquisition is not completed, we could be subject to a number of risks that may adversely affect our business and the market price of our common stock, including:

- we will be required to pay costs relating to the Acquisition, such as legal, accounting, financial advisory and printing fees, whether or not the Acquisition is completed;

- time and resources committed by our management to matters relating to the Acquisition could otherwise have been devoted to pursuing other beneficial opportunities;

- the market price of our common stock could decline to the extent that the current market price reflects a market assumption that the Acquisition will be completed; and

- we would not realize the benefits we expect to realize from consummating the Acquisition.

We will have broad discretion to use the net proceeds from this offering if the Acquisition is not consummated.

If we do not consummate the Acquisition, we will retain broad discretion to use the net proceeds from this offering of shares of common stock for any general corporate purposes, which may include other potential acquisitions, the refinancing or repayment of debt, working capital, share repurchases or capital expenditures. In making your investment decision, you should evaluate the Company both with and without consummation of the Acquisition. See Use of Proceeds.

Failure to complete the Acquisition could negatively impact our stock price and our future business and financial results.

Consummation of the Acquisition is subject to customary closing conditions. If the Acquisition is not completed for any reason, our ongoing business and financial results may be adversely affected, and we will be subject to a number of risks, including the following:

- we may be required, under certain circumstances, to pay damages to Seller in connection with a termination of the Purchase Agreement;

- we will be required to pay certain other costs relating to the Acquisition, whether or not the Acquisition is completed, such as legal, accounting, financial advisor and printing fees; and

- matters relating to the Acquisition (including integration planning) may require substantial commitments of time and resources by our management, whether or not the Acquisition is completed, which could otherwise have been devoted to other opportunities that may have been beneficial to us.

We may also be subject to litigation related to any failure to complete the Acquisition. If the Acquisition is not completed, these risks may materialize and may adversely affect our business, financial results and financial condition, as well as the price of our common stock, which may cause the value of your investment to decline. We cannot provide any assurance that the Acquisition will be completed, that there will not be a delay in the completion of the Acquisition or that all or any of the anticipated benefits of the Acquisition will be obtained. In the event the

Acquisition is materially delayed for any reason, the price of our common stock may decline.

We may not realize the expected benefits, including synergies, of the Acquisition because of integration difficulties and other challenges.

While we expect the Acquisition to result in synergies and other financial and operational benefits, we may be unable to realize these synergies or other benefits in the timeframe that we expect or at all. The success of the Acquisition will depend, in part, on our ability to realize the anticipated benefits from integrating the Carve-Out Business with our existing businesses. The integration process may be complex, costly and time-consuming. The difficulties of integrating the operations of the Carve-Out Business include, among others:

failure to implement our business plan for the combined business;

- unanticipated issues in integrating manufacturing, logistics, information, communications and other systems;
- unanticipated changes in applicable laws and regulations;
- failure to retain key employees;
- failure to retain key customers;
- operating risks inherent in the Carve-Out Business and our business;
- the impact of any assumed legal proceedings;
- the impact on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002; and
- unanticipated issues, expenses costs, charges and liabilities related to the Acquisition.

We may not be able to maintain the levels of revenue, earnings or operating efficiency that each of Mercury and the Carve-Out Business had achieved or might achieve separately. In addition, we may not accomplish the integration of the Carve-Out Business smoothly, successfully or within the anticipated costs or timeframe. Further, we will incur implementation costs relative to these anticipated cost synergies, and our expectations with respect to integration or synergies as a result of the Acquisition may not materialize. Accordingly, you should not place undue reliance on our anticipated synergies.

We will incur significant transaction and acquisition-related costs in connection with the Acquisition.

We will incur significant costs in connection with the Acquisition. The substantial majority of these costs will be non-recurring transaction expenses and costs, which may impact our results of operations. These non-recurring costs and expenses are not included in the unaudited pro forma condensed consolidated statements of operations for the twelve months ended June 30, 2015 or the six months ended December 31, 2015. We may incur additional costs to maintain employee morale and to retain key employees. We also expect to incur significant costs related to integrating the Carve-Out Business.

The market price of our common stock may decline as a result of the Acquisition.

The market price of our common stock may decline as a result of the Acquisition if, among other things, we are unable to achieve the expected growth in earnings, or if the operational cost savings estimates in connection with the integration of the Carve-Out Business are not realized, or if the transaction costs related to the Acquisition are greater than expected, or if the financing related to the transaction is on unfavorable terms. The market price of our common stock also may decline if we do not achieve the perceived benefits of the Acquisition as rapidly or to the extent anticipated by financial or industry analysts or if the effect of the Acquisition on our financial results is not consistent with the expectations of financial or industry analysts.

Our substantial indebtedness could materially adversely affect our financial condition and prevent us from fulfilling our obligations.

Following the Transactions, we will have a significant amount of indebtedness. As of December 31, 2015, on a pro forma basis after giving effect to the Transactions, our total indebtedness would have been approximately $200.0 million (not including approximately $5.1 million of outstanding letters of credit), and the combined company would have had unused revolving commitments of approximately $69.9 million under our new senior secured credit facilities (after giving effect to $5.1 million of outstanding letters of credit). Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. The combined company may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

Table of Contents

In addition, increases in interest rates will increase the cost of servicing our financial instruments with exposure to interest rate risk and could materially reduce our profitability and cash flows. In December 2015, the U.S. Federal Reserve announced that it would gradually raise short-term interest rates over the next three years. As of December 31, 2015, on a pro forma basis giving effect to the Transactions, each one percentage point change in interest rates would result in an approximate $2.0 million change in the annual cash interest expense before any principal payment on our financial instruments with exposure to interest rate risk.

Additionally, there can be no assurance that the amount of indebtedness we intend to incur in connection with the Acquisition will not impact the rating of our indebtedness.

Subject to the limits contained in the credit agreement that will govern our new credit facilities, and our other debt instruments, the combined company may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If the combined company does so, the risks related to our high level of debt could intensify. Specifically, our high level of debt could have important consequences to our investors, including the following:

- making it more difficult for us to satisfy our obligations with respect to our debt; and if we fail to comply with these requirements, an event of default could result;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings have variable interest rates, which could increase the cost of servicing our financial instruments and could materially reduce our profitability and cash flows;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

In addition, the agreements governing our indebtedness contain and will contain restrictive covenants that limit our ability to engage in activities that may be in our long term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt. And, if we were unable to repay the amounts due and payable, the lenders under each facility could proceed against the collateral granted to them to secure that indebtedness.

If we do not complete the Transactions, our Existing Credit Agreement and Existing Revolver will remain in place. *See* Description of Indebtedness for details regarding the Existing Credit Agreement and Existing Revolver and Unaudited Pro Forma Condensed Consolidated Financial Information for details regarding our pro forma debt balances.

We have a significant amount, and will have an additional amount following the Acquisition, of goodwill and intangible assets on our consolidated financial statements that is subject to impairment based upon future adverse changes in our business or prospects.

At December 31, 2015, the carrying values of goodwill and identifiable intangible assets on our balance sheet were $173.7 million and $18.6 million, respectively. At December 31, 2015, on a pro forma basis after giving effect to the Acquisition, we expect to have goodwill of $366.8 million and identifiable intangible assets of $122.5 million. We evaluate indefinite lived intangible assets and goodwill for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Indefinite lived intangible assets are impaired and goodwill impairment is indicated when their book value exceeds fair value. We also review finite-lived intangible assets and long-lived assets when indications of potential impairment exist, such as a significant reduction in undiscounted cash flows associated with the assets. Should the fair value of our long-lived assets decline because of reduced operating performance, market declines, or other indicators of impairment, a charge to operations for impairment may be necessary. The value of goodwill and intangible assets from the allocation of purchase price from the Acquisition will be derived from our business operating plans and is susceptible to an adverse change in demand, input costs or general changes in our business or industry and could require an impairment charge in the future.

The historical and unaudited pro forma financial information included elsewhere in this prospectus supplement may not be representative of our combined results after the Acquisition, and accordingly, you have limited financial information on which to evaluate the combined company and your investment decision.

We and the Carve-Out Business have operated separately and will continue to do so until the Acquisition is consummated. The historical financial statements of the Carve-Out Business may be different from those that would have resulted had such businesses been operated as part of Mercury or from those that may result in the future from these businesses being operated as a part of Mercury. The pro forma financial information, which was prepared in accordance with Article 11 of the SEC s Regulation S-X, is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the Transactions been completed at or as of the dates indicated, nor is it indicative of the future operating results or financial position of the combined company. The unaudited pro forma financial information reflects adjustments, which are based upon preliminary estimates, to allocate the purchase price to net assets of the Carve-Out Business. The purchase price allocation reflected in this prospectus supplement is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of the Carve-Out Business as of the date of the completion of the Acquisition. The pro forma statements of income do not reflect future non-recurring charges resulting from the Acquisition. The pro forma financial information does not reflect future events that may occur after the Acquisition, including the costs related to the planned integration of these businesses, and does not consider potential impacts of current market conditions on revenues or expense efficiencies. The pro forma financial information presented in this prospectus supplement is based in part on certain assumptions regarding the Acquisition that we believe are reasonable under the circumstances. We cannot assure you that our assumptions will prove to be accurate over time. Additionally, the pro forma financial statements included in any offering materials for a subsequent offering of securities may differ from the pro forma financial statements included in this prospectus supplement.

Risks Related to the Carve-Out Business.

The Carve-Out Business have substantially the same risks as described by the Company in Part I, Item 1A, Risk Factors in the Company s Annual Report on Form 10-K for the year ended June 30, 2015, our Quarterly Report on Form 10-Q for the six months ended December 31, 2015 and our other reports filed from time to time with the SEC including the following risks discussed in the Annual Report on Form 10-K for the year ended June 30, 2015: We depend heavily on defense electronics programs that incorporate our products and services, which may be only partially funded and are subject to potential termination and reductions and delays in government spending, Economic conditions could adversely affect our business, results of operations and financial condition, We face other risks and uncertainties associated with defense-related contracts, which may have a material adverse effect on our business, The loss of one or more of our largest customers, programs, or applications could adversely affect our results of operations, If we are unable to respond adequately to our competition or to changing technology, we may lose existing customers and fail to win future business opportunities, Competition from existing or new companies could cause us to experience downward pressure on prices, fewer customer orders, reduced margins, the inability to take advantage of new business opportunities, and the loss of market share, Our sales in the defense market could be adversely affected by the emergence of commodity-type products as acceptable substitutes for certain of our products and by uncertainty created by emerging changes in standards that may cause customers to delay purchases or seek alternative solutions, If we fail to respond to commercial industry cycles in terms of our cost structure, manufacturing capacity and/or personnel need, our business could be seriously harmed, Implementation of our growth strategy may not be successful, which could affect our ability to increase revenues, Future acquisitions may adversely affect our financial condition, We may be unable to obtain critical components from suppliers, which could disrupt or delay our ability to deliver products to our customers, We are exposed to risks associated with international operations and markets, We may be exposed to unfavorable currency exchange rate fluctuations, which may lead to lower operating margins, or may cause us to raise prices which could result in reduced revenues, If we are unable to respond to technological developments and changing customer needs on a timely and cost-effective basis, our results of operations may be adversely affected, Our products are complex, and undetected defects may increase our costs, harm our reputation with customers or lead to costly litigation, We may be unsuccessful in protecting our intellectual property rights which could result in the loss of a competitive advantage, If we become subject to intellectual property infringement claims, we could incur significant expenses and could be prevented from selling specific products, Our need for continued investment in research and development may increase expenses and reduce our profitability, Our results of operations are subject to fluctuation from period to period and may not be an accurate indication of future performance, Changes in regulations could materially adversely affect us, Changes in generally accepted accounting principles may adversely affect us, We rely on the significant experience and specialized expertise of our senior management and engineering staff and must retain and attract qualified engineers and other highly skilled personnel in order to grow our business successfully, If we experience a disaster or other business continuity problem, we may not be able to recover successfully, which could cause material financial loss, loss of human capital, regulatory actions, reputational harm, or legal liability, If we are unable to continue to obtain U.S. federal government authorization regarding the export of our products, or if current or future export laws limit or otherwise restrict our business, we could be prohibited from shipping our products to certain countries, which would harm our ability to generate revenue, If we suffer any data breaches involving the designs, schematics or source code for our products or other sensitive information, our business and financial results could be adversely affected, We may need to invest in new information technology systems and infrastructure to scale our operations, Our income tax provision and other tax liabilities may be insufficient if taxing authorities are successful in asserting tax positions that are contrary to our position. Increases in tax rates could impact our financial performance, and Our profits may decrease and/or we may incur significant unanticipated costs if we do not accurately estimate the costs of fixed-price engagements.

Risks Related to the Offering

The trading price of our common stock may continue to be volatile, which may adversely affect our business, and investors in our common stock may experience substantial losses.

Our stock price, like that of other technology companies, has been volatile. The stock market in general and technology companies in particular may continue to experience volatility. The stock prices for companies in the defense technology industry may continue to remain volatile given the uncertainty and timing of funding for defense programs. This volatility may or may not be related to our operating performance. Our operating results, from time to time, may be below the expectations of public market analysts and investors, which could have a material adverse effect on the market price of our common stock. Our low stock trading volume and microcap status could hamper existing and new shareholders from gaining a meaningful position in our stock. In addition, the continued threat of terrorism in the United States and abroad and the resulting military action and heightened security measures undertaken in response to threats may cause continued volatility in securities markets. When the market price of a stock has been volatile, holders of that stock will sometimes issue securities class action litigation against the company that issued the stock. If any shareholders were to issue a lawsuit, we could incur substantial costs defending the lawsuit. Also, the lawsuit could divert the time and attention of management.

We have never paid dividends on our capital stock and we do not anticipate paying any dividends in the foreseeable future. Consequently, any gains from an investment in our common stock will likely depend on whether the price of our common stock increases.

We have not declared or paid cash dividends on any of our classes of capital stock to date and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future. Furthermore, we may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. Consequently, in the foreseeable future, you will likely only experience a gain from your investment in our common stock if the price of our common stock increases. There is no guarantee that our common stock will appreciate in value or even maintain the price at which you purchased your shares, and you may not realize a return on your investment in our common stock.

If our internal controls over financial reporting are not considered effective, our business and stock price could be adversely affected.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate the effectiveness of our internal controls over financial reporting as of the end of each fiscal year, and to include a management report assessing the effectiveness of our internal controls over financial reporting in our annual report on Form 10-K for that fiscal year. Section 404 also requires our independent registered public accounting firm to attest to, and report on, management s assessment of our internal controls over financial reporting.

Our management, including our chief executive officer and chief financial officer, does not expect that our internal controls over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud involving a company have been, or will be, detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become ineffective because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected. We cannot assure you that we or our independent registered public accounting firm will not identify a material weakness in our internal controls in the future. A material weakness in our internal controls over financial reporting would require management and our independent registered public accounting firm to consider our internal controls as ineffective. If our internal controls over financial reporting are not considered effective, we may experience a loss of public confidence, which could have an adverse effect on our business and on the market price of our common stock.

If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock relies in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price of our common stock could decline if one or more equity analysts downgrade our common stock or if analysts issue other unfavorable commentary or cease publishing reports about us or our business.

We may need additional capital and may not be able to raise funds on acceptable terms, if at all. In addition, any funding through the sale of additional common stock or other equity securities could result in additional dilution to our stockholders and any funding through indebtedness could restrict our operations.

We may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary principally depending on the timing of new product and service launches, investments and/or acquisitions, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities or securities convertible into our ordinary shares could result in additional dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors perception of, and demand for, securities of defense technology companies;
- conditions of the United States and other capital markets in which we may seek to raise funds; and
- our future results of operations, financial condition and cash flows.

We cannot assure that financing will be available in amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or to reduce our growth to a level that can be supported by our cash flow. Without additional capital, we may not be able to:

- further develop or enhance our customer base;
- acquire necessary technologies, products or businesses;
- expand operations in the United States and elsewhere;
- hire, train and retain employees;
- market our software solutions, services and products; or
- respond to competitive pressures or unanticipated capital requirements.

We have not identified any specific use of the net proceeds of this offering of shares of common stock in the event the Acquisition is not completed.

Consummation of the Acquisition is subject to a number of conditions and, if the Purchase Agreement is terminated for any reason, our board of directors and management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the market price of our common stock. Because the primary purpose of this offering of shares of common stock is to provide funds to pay a portion of the consideration for the Acquisition, we have not identified a specific use for the proceeds in the event the Acquisition does not occur. Any funds received may be used by us for any corporate purpose, which may include pursuit of other business combinations, expansion of our operations, repayment of existing debt, share repurchases or other uses. The failure of our management to use the net proceeds from this offering of shares of common stock effectively could have a material adverse effect on our business and may have an adverse effect on our earnings per share.

This offering of shares of common stock is expected to be dilutive and there may be future dilution of our common stock.

Except as described under the heading Underwriting, we are not restricted from issuing additional shares of common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive common stock. As part of this offering, we expect to issue 4,500,000 shares of common stock (or up to 5,175,000 shares of common stock if the underwriters exercise their option to purchase additional shares in full). We expect that this offering will have a dilutive effect on our earnings per share. The actual amount of such dilution cannot be determined at this time and will be based on numerous factors.

Sales of a substantial number of shares of our common stock or other equity-related securities in the public market could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

Table of Contents

THE TRANSACTIONS

The Purchase Agreement

The following summary describes material provisions of the Purchase Agreement and is subject to, and qualified in its entirety by reference to, the Purchase Agreement, a copy of which is included as an exhibit to our Current Report on Form 8-K filed with the SEC on April 4, 2016, which is incorporated by reference into this prospectus supplement. You are urged to read the Purchase Agreement carefully and in its entirety as it is the legal document governing the Acquisition.

The following summary of the Purchase Agreement has been included to provide you with information regarding the terms of the Purchase Agreement. The representations and warranties contained in the Purchase Agreement are not intended to be a source of business or operational information about Mercury or the Carve-Out Business as such representations and warranties are made as of a specified date, are tools used to allocate risk between the parties, are subject to contractual standards of knowledge and materiality and are modified or qualified by information contained in our public filings and in the disclosure schedules exchanged by the parties. Business and operational information regarding Mercury and the Carve-Out Business can be found elsewhere in this prospectus supplement, our Current Report on Form 8-K filed with the SEC on April 4, 2016, and, with respect to us, in the other public documents that we file with the SEC. See Incorporated By Reference in this prospectus supplement and Where You Can Find More Information in the accompanying base prospectus.

Summary of the Purchase Agreement

On March 23, 2016 the Company and the Seller entered into the Purchase Agreement. Upon the terms and conditions of the Purchase Agreement, the Company will purchase all of the outstanding membership interests of Microsemi LLC RF Integrated Solutions, a Delaware limited liability company through which the Carve-Out Business is operated, resulting in the entities comprising the Carve-Out Business becoming 100% owned direct or indirect subsidiaries of Mercury.

We estimate that the funds necessary to consummate the acquisition of the Carve-Out Business, including payment of related fees and expenses, will be approximately $317.2 million in cash on a cash-free, debt-free basis, subject to working capital and other post-closing adjustments.

Our board of directors has approved and adopted the Purchase Agreement. The Acquisition is not subject to approval by our stockholders. The Purchase Agreement also has been approved by the board of directors of the Seller.

Conditions to the Completion of the Acquisition

Each party s obligation to consummate the Acquisition is subject to the satisfaction or waiver of customary closing conditions, including the absence of an injunction or the enactment of any law that would make the Acquisition illegal and the receipt of antitrust clearance in the United States.

Mercury s obligation to consummate the Acquisition is subject to the satisfaction or waiver of certain conditions, including:

- the Seller having performed its covenants under the Purchase Agreement in all material respects;
- the accuracy of the representations and warranties of the Seller contained in the Purchase Agreement;
- all required governmental approvals have been obtained; and
- there shall not have been any event or occurrence that has a material adverse effect (as defined) on the Carve-Out Business.

Table of Contents

Mercury s obligations to consummate the Acquisition are not subject to any condition related to the availability of financing.

The Seller s obligation to consummate the Acquisition is subject to the satisfaction or waiver of certain conditions, including:

- Mercury having performed its covenants under the Purchase Agreement in all material respects;
- the accuracy of the representations and warranties of Mercury contained in the Purchase Agreement; and
- the purchase price shall have been paid by Mercury in accordance with the terms of the Purchase Agreement.

Indemnification

Mercury and the Seller have agreed to indemnify each other for certain losses, subject to certain caps, baskets and threshold amounts and time limitations.

Termination of the Purchase Agreement

The Purchase Agreement may be terminated at any time prior to the effective time of the Acquisition under the following circumstances:

- by the mutual written agreement of Mercury and the Seller;
- by either party, if the closing shall not have occurred on or before the date that is ninety (90) days after the date of the Purchase Agreement (and if such ninetieth (90^{th}) day is not a business day, then the next following business day) (the End Date);
- by Mercury, if any of the condition in the Purchase Agreement to its obligations to complete the Acquisition shall have become incapable of being satisfied on or before the End Date; or
- by the Seller, if any of the condition in the Purchase Agreement to its obligations to complete the Acquisition shall have become incapable of being satisfied on or before the End Date.

Transition Services Agreements and Other Agreements

Prior to or concurrently with the closing of the Acquisition, Mercury and Seller, and/or their respective affiliates, will enter into transition services agreements and certain other customary arrangements.

Financing Transactions

The following summary describes material provisions of the Commitment Letter and is subject to, and qualified in its entirety by reference to, the Commitment Letter, a copy of which is included as an exhibit to our Current Report on Form 8-K filed with the SEC on April 4, 2016, which is incorporated by reference into this prospectus supplement. You are urged to read the Commitment Letter carefully and in its entirety as it is the initial legal document governing the financing transactions.

We expect that the total cash consideration payable in connection with the Acquisition, including the payment of related fees and expenses, will be approximately $317.2 million. In addition to the net proceeds from this offering, on March 23, 2016, the Company entered into a Commitment Letter with Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citibank, N.A., KeyBank National Association, KeyBanc Capital Markets Inc., SunTrust Bank and SunTrust Robinson Humphrey, Inc. (collectively, the Commitment Parties) pursuant to which the Commitment Parties committed to arrange and provide a $265.0 million senior secured term loan A facility and a $75.0 million revolving credit facility. If this offering is completed, the Company expects that the term loan A facility will be reduced to approximately $200.0 million. The Company expects to close the Financing substantially contemporaneously with the Acquisition. The following description contains the expected terms of the Financing, subject to certain changes in the syndication process for the Financing.

Table of Contents

Maturity

The revolving credit facility will have a five year maturity. Subject to the amortization payments described below, the term loan A facility will have a five year maturity.

Interest Rates and Fees

Borrowings under the Financing will, at the Company s option, bear interest at floating rates tied to LIBOR or the prime rate plus an applicable margin.

In addition to interest on the aggregate outstanding principal amounts of any borrowings, the Company will also pay a commitment fee of 0.50% per annum (subject to reductions based on the Company s total net leverage ratio) on the unutilized commitments under the revolving credit facility.

Prepayments

The Financing will include quarterly amortization payments, beginning with 5% per annum amortization and increasing to 12.5% per annum amortization over the five year term of the term loan A facility. The Company is required to make mandatory prepayments of the term loan A facility with the proceeds of certain non-ordinary course asset sales or the proceeds of certain debt issuances. Borrowings under the Financing may be voluntarily prepaid at any time without premium or penalty, subject to customary provisions for existing LIBOR contracts.

Covenants and Events of Default

The Financing will contain customary covenants for a term loan A financing, including restrictions on the incurrence of debt, the creation of liens, the making of certain investments, the payment of dividends and the repayment of junior debt, among others. The Financing will contain customary events of default including the failure to make required payments of principal and interest, certain insolvency events and the breach of the Company s representations and warranties or covenants, among others.

Guarantees and Security

The Guarantors will guarantee the obligations of the Company under the Financing. In connection with the Financing, the Company and the Guarantors will grant a security interest in and lien on substantially all of the assets of the Company and the Guarantors to secure the obligations of the Company under the Financing. The security interest granted by the Company and the Guarantors will be a first-priority perfected security interest, subject to customary permitted liens.

Dilution in Percentage Ownership of Mercury Systems, Inc. following the Acquisition

Mercury plans to issue 4,500,000 shares of Mercury Systems, Inc. common stock in the offering in order to fund, in part, the Acquisition, plus additional shares if the underwriters exercise their option to purchase additional shares, in whole or in part. The shareholders of Mercury will hold the same number of shares of common stock that they held prior to the equity issuance, however, because Mercury is issuing new shares of its common stock, each outstanding share of common stock held prior to the issuance will represent a smaller percentage of the total number of shares of Mercury outstanding after the issuance. See Risk Factors Risks Related to the Offering.

Board of Directors and Management of Mercury Systems, Inc. After the Acquisition

The directors and officers of Mercury immediately prior to the effective time of the Acquisition will continue to be directors and officers of Mercury after the Acquisition.

Table of Contents

USE OF PROCEEDS

We estimate that the gross proceeds from the sale of our common stock in this offering will be approximately $94.3 million (or approximately $108.5 million if the underwriters exercise their option to purchase additional shares with respect to the offering in full) excluding underwriting discounts and commissions of the offering. We intend to use the net proceeds from this offering to finance a portion of the Acquisition and pay related expenses and for general corporate purposes. If the Acquisition is not completed, the shares will remain outstanding and we will use the proceeds of this offering for general corporate purposes, which may include other potential acquisitions, the refinancing or repayment of debt, working capital, share repurchases or capital expenditures.

We expect to use the net proceeds of this offering together with available cash on hand and borrowings under the term loan A facility to fund the cash consideration in connection with the Acquisition, including the payment of related fees and expenses, and for general corporate purposes.

We expect that the total cash consideration payable in connection with the Acquisition, including the payment of related fees and expenses, will be approximately $317.2 million. Pending closing of the Acquisition, we intend to use the net proceeds from this offering to invest in interest-bearing accounts and short-term, interest-bearing securities.

This offering is not conditioned upon the successful completion of the Acquisition or any other potential source of financing. Accordingly, even if the Acquisition or other financing transactions to not occur, the shares of our common stock sold in this offering will remain outstanding, and we will not have any obligation to offer to repurchase any or all of the shares of common stock sold in this offering.

Table of Contents

MARKET PRICE RANGE OF COMMON STOCK

Our common stock is listed and traded on the NASDAQ Global Select Market under the symbol MRCY . The following table sets forth, for the fiscal periods indicated, the high and low sale prices per share for our common stock during such periods. Such market quotations reflect inter-dealer prices without retail markup, markdown or commission.

	High	Low
2016 Fourth quarter(1)	$ 21.11	$ 20.11
Third quarter	$ 20.55	$ 15.67
Second quarter	$ 19.99	$ 15.52
First quarter	$ 16.44	$ 13.56
2015 Fourth quarter	$ 15.94	$ 13.37
Third quarter	$ 17.59	$ 12.76
Second quarter	$ 14.43	$ 10.61
First quarter	$ 12.34	$ 10.47
2014 Fourth quarter	$ 14.40	$ 11.09
Third quarter	$ 13.40	$ 10.25
Second quarter	$ 11.22	$ 8.42
First quarter	$ 10.47	$ 8.48
2013 Fourth quarter	$ 9.67	$ 7.13
Third quarter	$ 9.49	$ 6.76
Second quarter	$ 10.49	$ 7.50
First quarter	$ 13.02	$ 8.51

(1) The closing sales price of our common stock on April 1, 2016, as reported on the NASDAQ Global Select Market, was $20.96 per share. On April 1, 2016, there were approximately 278 shareholders including record and nominee holders of our common stock.

Dividend Policy

We have never declared or paid cash dividends on shares of our common stock. We currently intend to retain any earnings for future growth. Accordingly, we do not anticipate that any cash dividends will be declared or paid on our common stock in the foreseeable future.

In the six months ended December 31, 2015, we retired $4.1 million of our common stock in connection with the vesting of employee restricted shares during such period. During fiscal years 2015 we retired $0.9 million of our common stock in connection with the vesting of employee restricted shares. No shares were retired during fiscal years 2014 and 2013 in connection with the vesting of employee restricted shares.

(1) Fourth quarter of 2016 reflects the high and low sales on April 1, 2016.

Table of Contents

CAPITALIZATION

The below table sets forth our consolidated cash and cash equivalents and capitalization as of December 31, 2015 on (i) an actual basis, (ii) an as adjusted basis after giving effect to this offering of shares of common stock, after deducting the underwriting discount and estimated offering expenses, and assuming no exercise of the underwriters option to purchase additional shares and (iii) an as adjusted pro forma basis after giving effect to:

- our estimated net proceeds from this offering of shares of common stock, after deducting the underwriting discount and estimated offering expenses, and assuming no exercise of the underwriters option to purchase additional shares;
- $200.0 million draw of the term loan A facility in connection with the Financing;
- the use of proceeds from this offering of shares of common stock, and borrowings from our term loan A facility to consummate the Acquisition; and
- the consummation of the Acquisition as if it had occurred on December 31, 2015, including the pro forma adjustments as outlined in the notes to the unaudited pro forma condensed consolidated financial statements included in this prospectus supplement.

We have estimated that the gross proceeds of this offering, without giving effect to the underwriters option to purchase additional shares, excluding the estimated underwriting discount will be approximately $94.3 million.

You should read this table in conjunction with Prospectus Supplement Summary Sources and Uses, Use of Proceeds, The Transactions, and Selected Historical Financial Data of the Company, in this prospectus supplement and our consolidated financial statements and the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 and our Quarterly Report on Form 10-Q for the period ended December 31, 2015, both of which are incorporated by reference into this prospectus supplement and the accompanying base prospectus.

	At December 31, 2015		
(in thousands)	**Actual**	**As adjusted**	**Pro forma as adjusted**
Cash and cash equivalents	$ 81,554	$ 170,922	$ 58,682
Long-term debt, including current portion:			
Existing Revolving Credit facility	$	$	$
Term Loan A Facility			198,300
Total long-term debt, including current portion			198,300
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; 33,240,461 shares issued and outstanding actual, and 37,740,461 shares issued and outstanding as adjusted and pro forma as adjusted	332	377	377
Additional paid in capital	259,140	345,873	345,873
Retained earnings	101,221	101,221	100,306

Accumulated other comprehensive income	765	765	765
Total shareholders equity	361,458	448,236	447,321
Total capitalization	$ 361,458	$ 448,236	$ 645,621

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

On March 23, 2016, we entered into a definitive Purchase Agreement with Seller, pursuant to which Mercury Systems, Inc. will purchase all of the outstanding equity interests of Microsemi LLC RF Integrated Solutions and its subsidiaries through which the Carve-Out Business is operated, resulting in the entities comprising the Carve-Out Business becoming our 100% owned direct or indirect subsidiaries. For purposes of this prospectus supplement, the Acquisition was accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification (ASC) 805, Business Combinations, which we refer to as ASC 805. We estimate that the funds necessary to consummate the Acquisition will be approximately $300.0 million in cash on a cash-free, debt-free basis, subject to working capital and other post-closing adjustments and the total amount including payment of related fees and expenses will be approximately $317.2 million. Consummation of the Acquisition is subject to customary closing conditions. We intend to finance the acquisition of the Carve-Out Business through this offering of shares of common stock, with the balance funded under our term loan A facility with a total committed facility of up to $265.0 million and cash on hand. Accordingly, the purchase price and the related transaction expenses and fees are collectively expected to be $317.2 million and are expected to be funded by $94.3 million in gross proceeds from the sale of common stock, $200.0 million in gross proceeds from the term loan A facility, and $22.9 million of cash on hand. The consummation of this offering of shares of common stock is not conditioned upon the closing of the Acquisition. In addition, there can be no assurance that the Transactions will be consummated under the terms contemplated or at all.

This unaudited pro forma condensed consolidated financial information has been prepared in accordance with Article 11 of Regulation S-X and is not intended to indicate the results that would actually have been achieved had the Transactions been completed on the assumed date for the periods presented.

The unaudited pro forma condensed consolidated statement of operations for the fiscal year ended June 30, 2015 gives effect to the Transactions as if they had occurred on July 1, 2014, combines the historical results of Mercury for its fiscal year ended June 30, 2015, the historical results of the Carve-Out Business for its fiscal year ended September 27, 2015, and reflects pro forma adjustments that are expected to have a continuing impact on the combined results.

The historical results of Mercury were derived from its audited consolidated statement of operations included in its Annual Report on Form 10-K for the fiscal year ended June 30, 2015 and incorporated by reference herein. The historical results of the Carve-Out Business were derived from its audited consolidated statements of operations and comprehensive income for its fiscal year ended September 27, 2015, included in the Current Report on Form 8-K filed on April 4, 2016 and incorporated by reference herein.

The unaudited pro forma condensed consolidated statement of operations for the six-month period ended December 31, 2015 gives effect to the Transactions as if they had occurred on July 1, 2014, combines the historical results of Mercury for the six months ended December 31, 2015 and the Carve-Out Business for its six months ended January 3, 2016, and reflects pro forma adjustments that are expected to have a continuing impact on the combined results.

The historical results of Mercury were derived from its unaudited consolidated statement of operations included in its Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2015 and incorporated by reference herein. The historical results of the Carve-Out Business were derived from its unaudited consolidated statements of operations and comprehensive income for the relevant periods within its fiscal year 2016, as well as the audited financial statements filed as an exhibit to Mercury s Current Report on Form 8-K filed on April 4, 2016 and incorporated by reference herein.

The unaudited pro forma condensed consolidated balance sheet data at December 31, 2015 gives effect to the Transactions as if they occurred on such date and combines the historical balance sheets of Mercury as of

Table of Contents

December 31, 2015 and the Carve-Out Business as of January 3, 2016. The Mercury balance sheet information was derived from its unaudited consolidated balance sheet included in its Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2015 and incorporated by reference herein. The Carve-Out Business balance sheet information was derived from its unaudited condensed consolidated balance sheet as of January 3, 2016 filed as an exhibit to Mercury s Form 8-K filed on April 4, 2016 and incorporated by reference herein.

The Carve-Out Business was not operating as a separate legal entity within Seller. Accordingly, its financial statements have been prepared on a carve-out basis. The carve-out financial statements have been derived from the consolidated financial statements and accounting records of Seller, using the historical results of operations and historical bases of assets and liabilities which comprise Carve-Out Business. The carve-out financial statements also include allocations of certain Seller-shared expenses. Seller s management believes the assumptions and methodologies underlying the allocation of shared expenses from Seller are reasonable in depicting Carve-Out Business on a carve-out basis; however, such expenses may not be indicative of the actual level of expense that would have been incurred by the Carve-Out Business if it had operated as a stand-alone entity or of the costs expected to be incurred in the future. As such, the carve-out financial statements included in this prospectus supplement may not necessarily reflect the Carve-Out Business results of operations, financial position or cash flows in the future or what its results of operations, financial position or cash flows would have been had the Carve-Out Business been a stand-alone entity during the periods presented.

The unaudited pro forma condensed consolidated financial statements have been prepared by Mercury s management and are not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had Mercury and the Carve-Out Business been a combined company during the periods presented. The pro forma adjustments are based on the preliminary assumptions and information available at the time of the preparation of this prospectus supplement, and such assumptions are subject to change.

The unaudited pro forma condensed consolidated statements of operations exclude certain non-recurring charges that have been or will be incurred in connection with the Transactions, including certain expenses related to the Transactions, including financing and professional fees of both Mercury and the Carve-Out Business. These expenses are expected to total approximately $17.2 million.

The unaudited pro forma data should be read in conjunction with the information contained in Capitalization, Selected Historical Financial Data of the Company, and Selected Historical Financial Data of the Carve-Out Business included herein and Management s Discussion and Analysis of Financial Condition and Results of Operations of Mercury, and Management s Discussion and Analysis of Financial Condition and Results of Operations of the Carve-Out Business incorporated by reference herein, the historical consolidated financial statements of Mercury included in its Annual Report on Form 10-K for the fiscal year ended June 30, 2015 and incorporated by reference herein, the historical unaudited consolidated financial statements of Mercury included in its Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2015 and incorporated by reference herein, the historical audited consolidated financial statements of the Carve-Out Business for the fiscal years ended September 27, 2015, September 28, 2014 and September 29, 2013 and incorporated by reference herein, and the historical unaudited condensed consolidated financial statements of the Carve-Out Business for the three months ended January 3, 2016 and December 28, 2014, incorporated by reference herein.

The unaudited pro forma condensed consolidated financial information is presented for informational purposes only. It is not necessarily indicative of what our financial position or results of operations actually would have been had we completed the Transactions at the date indicated, nor does it purport to project the future financial position or operating results of the combined company. The unaudited pro forma condensed consolidated statement of operations does not reflect any revenue or cost savings from synergies that may be achieved with respect to the combined companies, or the impact of non-recurring items directly related to the Acquisition and related financing.

Table of Contents

MERCURY SYSTEMS, INC.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2015

(In thousands)

(UNAUDITED)

	Mercury Systems, Inc.	Carve-Out Business as of January 3, 2016	Pro Forma Adjustments	Adjustment	Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 81,554	$	$ (22,872)	A,B,C,D	$ 58,682
Accounts receivable, net	35,468	22,873			58,341
Unbilled receivables and costs in excess of billings	24,645				24,645
Inventory	36,707	22,780	2,500	A	61,987
Other current assets	20,604	3,397	1,222	A,H	25,223
Total current assets	198,978	49,050	(19,150)		228,878
Property and equipment, net	13,324	10,850			24,174
Goodwill	173,749	75,613	93,293	A	342,655
Intangible assets, net	18,608	11,412	92,488	A	122,508
Other non-current assets	3,433	1,831	6,425	C	11,689
Total assets	$ 408,092	$ 148,756	$ 173,056		$ 729,904
Liabilities and Shareholders Equity					
Current liabilities:					
Accounts payable	$ 11,858	$ 5,932	$		$ 17,790
Current portion of long-term debt					
Other current liabilities	29,534	1,580			31,114
Total current liabilities	41,392	7,512			48,904
Long-term debt, less current portion			198,300	C	198,300
Other non-current liabilities	5,242	3,686	26,451	A	35,379
Total liabilities	46,634	11,198	224,751		282,583
Shareholders equity:					
Preferred stock					

Common stock	332		45	D	377
Additional paid-in capital	259,140	137,558	(50,825)	D	345,873
Retained earnings	101,221		(915)	B,H	100,306
Accumulated other comprehensive income	765				765
Total shareholders equity	361,458	137,558	(51,695)		447,321
Total liabilities and shareholders equity	$ 408,092	$ 148,756	$ 173,056		$ 729,904

Table of Contents

MERCURY SYSTEMS, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2015

(In thousands except per share amounts)

(UNAUDITED)

	Mercury Systems, Inc.	Carve-Out Business	Pro Forma Adjustments	Adjustment	Pro Forma Combined
Net revenues	$ 118,826	$ 49,670	$		$ 168,496
Cost of revenues	62,719	26,085	51	I	88,855
Gross margin	56,107	23,585	(51)		79,641
Operating expenses:					
Selling, general and administrative	24,709	4,445	4,721	I	33,875
Research and development	15,777	5,339	767	I	21,883
Amortization of intangible assets	3,351	2,791	2,939	E	9,081
Allocated costs		5,539	(5,539)	I	
Other operating expenses	2,770				2,770
Total operating expenses	46,607	18,114	2,888		67,609
Income from operations	9,500	5,471	(2,939)		12,032
Other income, net	197		(4,425)	C,F	(4,228)
Income from continuing operations before income taxes	9,697	5,471	(7,364)		7,804
Tax provision	2,944	1,865	(2,622)	H	2,187
Income from continuing operations	$ 6,753	$ 3,606	$ (4,742)		$ 5,617
Per share income from continuing operations:					
Basic	$ 0.20				$ 0.15
Diluted	$ 0.20				$ 0.15