

MERCURY SYSTEMS INC
Form 10-Q
February 02, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2017

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

FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER: 0-23599

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

MASSACHUSETTS 04-2741391
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

50 MINUTEMAN ROAD 01810
ANDOVER, MA
(Address of principal executive offices) (Zip Code)
978-256-1300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

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

Shares of Common Stock outstanding as of January 31, 2018: 48,242,590 shares

MERCURY SYSTEMS, INC.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERCURY SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	December 31, 2017	June 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,035	\$41,637
Accounts receivable, net of allowance for doubtful accounts of \$52 and \$83 at December 31, 2017 and June 30, 2017, respectively	87,315	76,341
Unbilled receivables and costs in excess of billings	35,655	37,332
Inventory	105,912	81,071
Prepaid income taxes	15	1,434
Prepaid expenses and other current assets	7,970	8,381
Total current assets	268,902	246,196
Property and equipment, net	51,640	51,643
Goodwill	384,785	380,846
Intangible assets, net	120,672	129,037
Other non-current assets	9,817	8,023
Total assets	\$ 835,816	\$815,745
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 37,628	\$27,485
Accrued expenses	10,427	20,594
Accrued compensation	17,781	18,406
Deferred revenues and customer advances	8,440	6,360
Total current liabilities	74,276	72,845
Deferred income taxes	—	4,856
Income taxes payable	855	855
Other non-current liabilities	11,454	11,772
Total liabilities	86,585	90,328
Commitments and contingencies (Note M)		
Shareholders' equity:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; no shares issued or outstanding—	—	—
Common stock, \$0.01 par value; 85,000,000 shares authorized; 46,833,499 and 46,303,075 shares issued and outstanding at December 31, 2017 and June 30, 2017, respectively	468	463
Additional paid-in capital	581,534	584,795
Retained earnings	166,171	139,085
Accumulated other comprehensive income	1,058	1,074
Total shareholders' equity	749,231	725,417
Total liabilities and shareholders' equity	\$ 835,816	\$815,745

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

MERCURY SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(In thousands, except per share data)

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Net revenues	\$ 117,912	\$ 98,014	\$ 223,981	\$ 185,663
Cost of revenues	63,752	50,625	119,147	98,830
Gross margin	54,160	47,389	104,834	86,833
Operating expenses:				
Selling, general and administrative	21,222	19,320	41,790	36,864
Research and development	15,187	13,156	28,929	25,994
Amortization of intangible assets	5,827	4,888	11,464	9,490
Restructuring and other charges	313	69	408	366
Acquisition costs and other related expenses	723	998	984	1,419
Total operating expenses	43,272	38,431		