

MERCURY SYSTEMS INC
Form 10-Q
November 07, 2013
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 SEPTEMBER 30, 2013

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.)

201 RIVERNECK ROAD 01824
CHELMSFORD, MA (Zip Code)
(Address of principal executive offices)
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, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

Shares of Common Stock outstanding as of October 31, 2013: 33,289,445 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)

	September 30, 2013	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$40,106	\$39,126
Accounts receivable, net of allowance for doubtful accounts of \$17 and \$33 at September 30, 2013 and June 30, 2013, respectively	35,143	30,498
Unbilled receivables and costs in excess of billings	13,913	17,743
Inventory	35,179	37,432
Deferred income taxes	10,724	11,672
Prepaid income taxes	3,541	2,369
Prepaid expenses and other current assets	6,737	7,461
Total current assets	145,343	146,301
Restricted cash	546	546
Property and equipment, net	14,565	15,019
Goodwill	176,612	176,521
Intangible assets, net	32,758	34,866
Other non-current assets	1,061	1,178
Total assets	\$370,885	\$374,431
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$7,522	\$4,813
Accrued expenses	6,743	7,999
Accrued compensation	8,403	12,218
Deferred revenues and customer advances	4,749	5,788
Total current liabilities	27,417	30,818
Deferred gain on sale-leaseback	2,953	3,242
Deferred income taxes	7,238	7,721
Income taxes payable	2,880	2,880
Other non-current liabilities	1,179	1,269
Total liabilities	41,667	45,930
Commitments and contingencies (Note H)		
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; 30,927,319 and 30,381,254 shares issued and outstanding at September 30, 2013 and June 30, 2013, respectively	309	304
Additional paid-in capital	234,620	231,711
Retained earnings	93,268	95,524
Accumulated other comprehensive income	1,021	962
Total shareholders' equity	329,218	328,501

Total liabilities and shareholders' equity	\$370,885	\$374,431
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The accompanying notes are an integral part of the consolidated financial statements.

MERCURY SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		
	September 30,		
	2013	2012	
Net revenues	\$53,940	\$49,428	
Cost of revenues	31,355	29,038	
Gross margin	22,585	20,390	
Operating expenses:			
Selling, general and administrative	15,101	14,533	
Research and development	9,344	10,039	
Amortization of intangible assets	2,108	1,788	
Restructuring and other charges	(15) 4,984	
Acquisition costs and other related expenses	—	230	
Total operating expenses	26,538	31,574	
Loss from operations	(3,953) (11,184)
Interest income	1	2	
Interest expense	(15) (8)
Other income, net	432	339	
Loss before income taxes	(3,535) (10,851)
Tax benefit	(1,279) (3,651)
Net loss	\$(2,256) \$(7,200)
Basic net loss per share:	\$(0.07) \$(0.24)
Diluted net loss per share:	\$		