

# Third Quarter 2023 Results

## Investor Supplemental Materials



November 14, 2023

# Safe Harbor

## Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This presentation includes information that constitutes “forward-looking statements” made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These statements include the company's expectations regarding its technological and product capabilities, market growth and its market position, sales wins, revenue growth, customer activity, engagement and prospects, recurring sales, margin, and the company's future financial performance, including guidance. Management cautions the reader that these forward-looking statements are only predictions and are subject to a number of both known and unknown risks and uncertainties, and actual results, performance, and/or achievements of the company may differ materially from the future results, performance, and/or achievements expressed or implied by these forward-looking statements as a result of a number of factors. These factors include, without limitation, customer relationships, failure of demand for the company’s products and services to meet expectations, failure to penetrate target markets or of those markets to grow and expand, technological, operational and strategic challenges, integration of acquisitions, global supply chain issues, geopolitical and economic factors and those risks and uncertainties set forth in the company’s periodic reports and other filings with the Securities and Exchange Commission (“SEC”). Such filings are available on the SEC’s website at [sec.gov](https://www.sec.gov) and on the company’s website at [www.lunainc.com](https://www.lunainc.com). The statements made in this presentation are based on information available to Luna as of the date of this presentation, November 14, 2023, and Luna undertakes no obligation to update any of the forward-looking statements after the date of this presentation, except as required by law.

## Adjusted Financial Measures

In addition to U.S. GAAP financial information, this presentation includes Adjusted EBITDA and Adjusted EPS, which are non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. A reconciliation of Net Income to Adjusted EBITDA and Net Income to Adjusted EPS are included in the appendix to this presentation.

# Speakers



**Scott Graeff**

President & Chief Executive Officer



**Brian Soller**

Chief Technology Officer & EVP, Corporate Development



**George Gomez-Quintero**

Chief Financial Officer & EVP, Finance

# Why Luna? Our investment thesis

Enabling the future with fiber



**Proprietary** measurement technology, offering **unparalleled** combination of resolution, accuracy and speed



**Robust IP portfolio** with over 700 patents owned or in-licensed



**Customers** in large, growing markets: Infrastructure, Energy, Defense, Communications, Automotive & Aerospace



**Leverage:** Scalable platforms, processes and people in place



**Aligned with macro trends** in Energy, Infrastructure, Transport, Communications and more



**Attractive capital deployment**, funded all investments internally; disciplined M&A

# Third Quarter FY2023 Results

# Third Quarter 2023: Key Financial Results

- Revenue of \$30.7M; up 5% year over year
- Gross margin of 57%, compared to 58% for the prior year
- Net income of \$0.5M, compared to net income of \$1.2M for the prior year
- Adjusted EBITDA<sup>1</sup> of \$4.2M, compared to \$4.5M for the prior year
- Adjusted EPS<sup>1</sup> of \$0.07, compared to \$0.09 for the prior year

<sup>1</sup>Adj EPS and EBITDA are a non-GAAP measures. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix to this presentation.

# Third Quarter 2023 and Recent Highlights

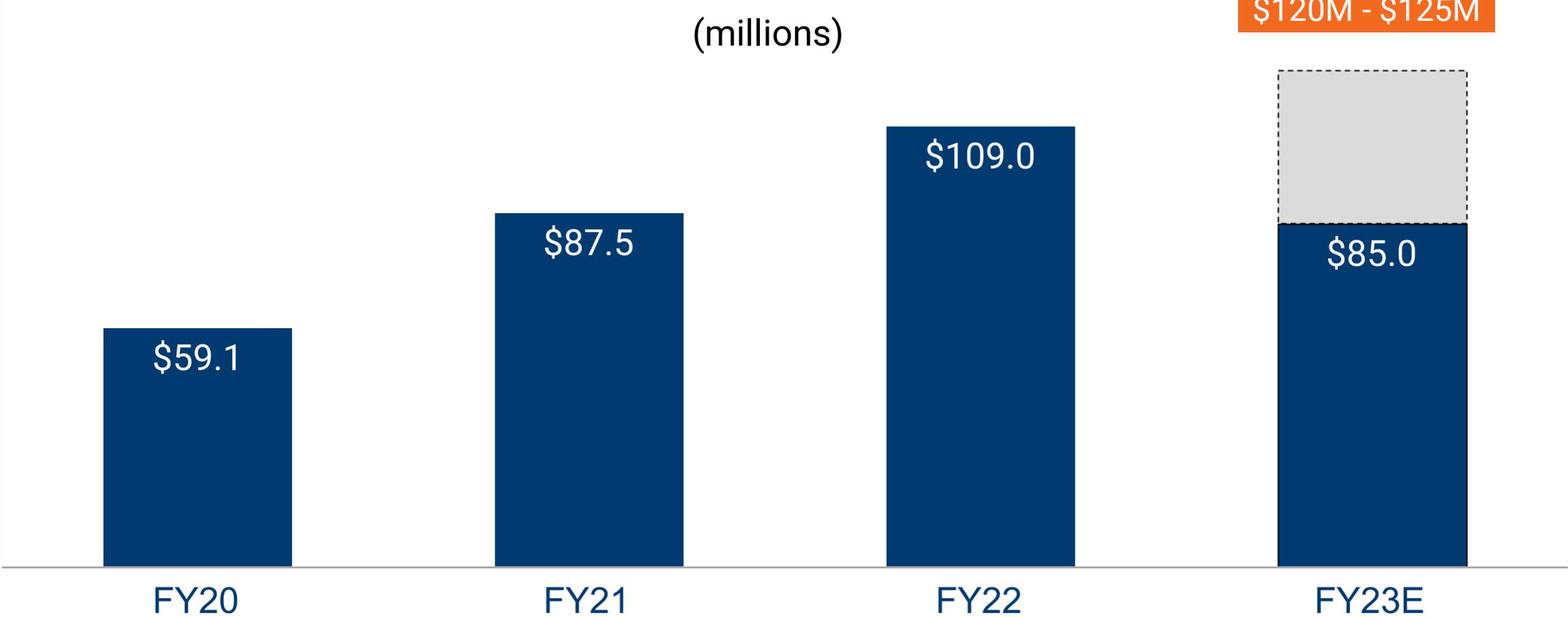
- Named George Gomez-Quintero as Chief Financial Officer
- Awarded a multi-year service contract for system deployed on the largest fiber-optic monitoring solution ever installed
- Secured multiple sales of seismic monitoring DAS instruments to American seismic labs and the U.S. government
- Secured \$1.5M+ in new orders for DAS and DTS systems for pipeline monitoring from the largest energy company in the UAE
- Renewed global supply partnership agreement for infrastructure monitoring with one of the world's largest multinational conglomerates
- Successfully deployed fiber optic-sensing based traffic monitoring for the Utah Department of Transportation

<sup>1</sup>Adj EPS and EBITDA are a non-GAAP measures. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix to this presentation.

# Revenue has been driven by strong organic growth, supplemented by efficient M&A

**Revenue<sup>1</sup>**  
(millions)

2023 guidance:  
\$120M - \$125M

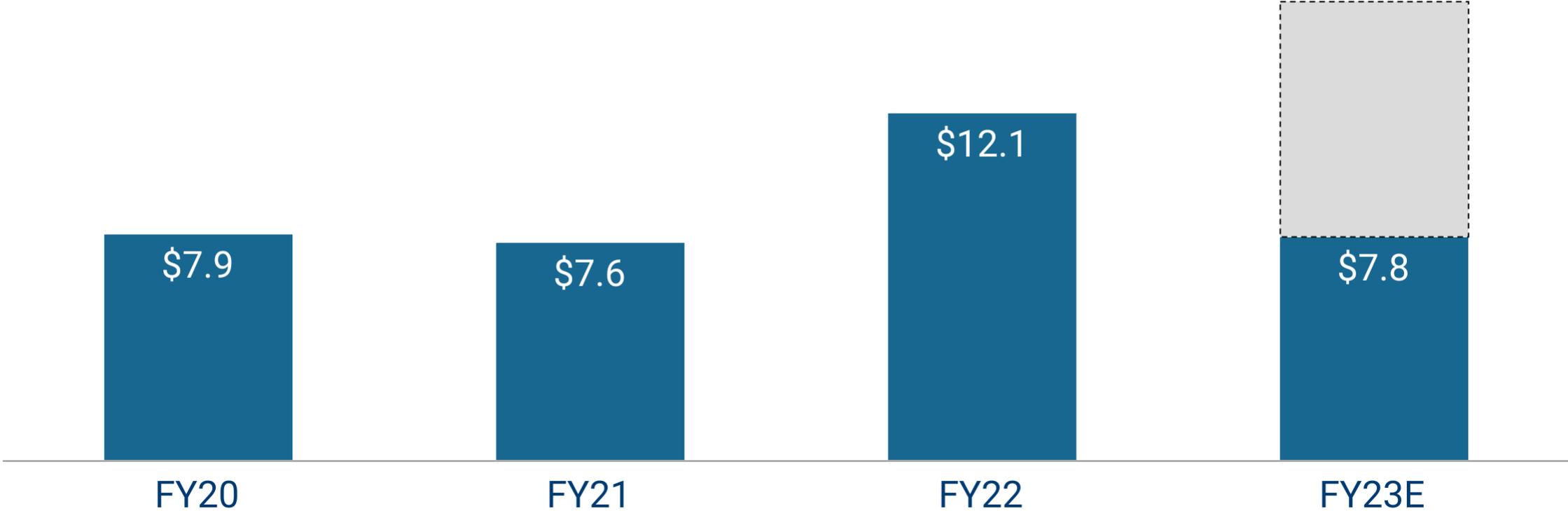


<sup>1</sup>Results exclude Luna Labs

# We have delivered solid AEBITDA, while internally funding many initiatives

## Adjusted EBITDA<sup>1, 2</sup> (millions)

FY23 guidance:  
\$14M - \$18M



<sup>1</sup>Results exclude Luna Labs

<sup>2</sup>Adj EBITDA is a non-GAAP measure. Reconciliation of comparable GAAP measures to non-GAAP measures are included in this presentation.

# Balance Sheet

- Balance sheet on September 30, 2023:
  - \$165.1M in total assets
    - o \$6.0M in cash and cash equivalents
    - o \$65.2M in working capital
- Total debt of \$31.9M outstanding

# 2023 Guidance<sup>1</sup>



**Full-year  
total revenue  
\$120M - \$125M**



**Full-year  
adjusted EBITDA  
\$14M - \$18M**

<sup>1</sup> The outlook above does not include any future acquisitions, divestitures or unanticipated events..

# Appendix

# Reconciliation of Net Income/(Loss) to Adjusted EBITDA

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
<b>Reconciliation of EBITDA and Adjusted EBITDA</b>				
<b>Net income/(loss)</b>	\$ 461	\$ 1,196	\$ (2,977)	\$ 8,426
Net income/(loss) from discontinued operations	—	28	(1,038)	11,543
<b>Net income/(loss) from continuing operations</b>	461	1,168	(1,939)	(3,117)
Interest expense, net	613	218	1,566	442
Investment income			—	
Income tax expense/(benefit)	193	165		(527)
Depreciation and amortization	1,353	1,299	4,092	3,993
<b>EBITDA</b>	2,620	2,850	2,996	791
Share-based compensation	1,046	1,027	3,219	3,027
Integration and transaction expense	59	184	308	2,184
Amortization of inventory step-up	—	134	—	391
Other non-recurring charges (1)	447	349	1,236	1,057
<b>Adjusted EBITDA</b>	<b>\$ 4,172</b>	<b>\$ 4,544</b>	<b>\$ 7,759</b>	<b>\$ 7,450</b>

<sup>1</sup> Other non-recurring charges primarily include facility consolidation, one-time insurance deductible, etc.

# Reconciliation of Net Income/(Loss) to Adjusted EPS

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
<b>Reconciliation of Net (Loss)/Income to Adjusted EPS</b>				
Net income/(loss)	\$ 461	\$ 1,196	\$ (2,977)	\$ 8,426
Net income/(loss) from discontinued operations	—	28	(1,038)	11,543
Net income/(loss) from continuing operations	461	1,168	(1,939)	(3,117)
Share-based compensation	1,046	1,027	3,219	3,027
Integration and transaction expense	59	184	308	2,184
Amortization of intangible assets	929	988	2,839	2,793
Amortization of inventory step-up	—	134	—	391
Other non-recurring charges (1)	447	349	1,236	1,057
Income tax effect on adjustments	(620)	(671)	(1,901)	(2,363)
Adjusted income from continuing operations	<u>\$ 2,322</u>	<u>\$ 3,179</u>	<u>\$ 3,762</u>	<u>\$ 3,972</u>
Adjusted EPS	\$ 0.07	\$ 0.09	\$ 0.11	\$ 0.12
Adjusted weighted average shares:				
Diluted	35,219	34,105	33,632	32,492

<sup>1</sup> Other non-recurring charges primarily include facility consolidation, insurance one-time deductible, etc.

# Historical Quarterly Results

	(in thousands)				
	Three months ended				
	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
Revenue	\$ 29,153	\$ 31,702	\$ 25,045	\$ 29,164	\$ 30,703
Cost of revenue	12,234	12,367	10,072	12,299	13,074
Gross profit	16,919	19,335	14,973	16,865	17,629
Gross margin	58 %	61 %	60 %	58 %	57 %
Operating expense:					
Selling, general and administrative	12,065	13,292	13,207	13,279	12,770
Research, development and engineering	2,204	2,853	2,817	2,722	2,719
Amortization of intangible assets	988	1,238	992	918	929
Integration and deal related expenses	184	488	89	160	59
Total operating expense	15,441	17,871	17,105	17,079	16,477
Operating income/(loss)	\$ 1,478	\$ 1,464	\$ (2,132)	\$ (214)	\$ 1,152