



**First-Quarter 2023 Results
Investor Supplemental Materials**

May 9, 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, general product performance, the company's future financial performance, including guidance, and market recognition of key technologies and demand for its products, the company's overall growth potential, its capitalization and access to, and deployment of, capital, its strategic position and corporate and leadership strength and culture. 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. The statements made in this presentation are based on information available to Luna as of the date of this presentation, May 9, 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



Gene Nastro

Chief Financial Officer & SVP, Finance

First-Quarter FY23 Results

A decorative graphic in the bottom right corner of the slide. It consists of several parallel, light blue lines that slope upwards from left to right. Small, light blue arrowheads are placed at regular intervals along these lines, pointing in the same direction as the lines.

First-Quarter 2023: Key Financial Results

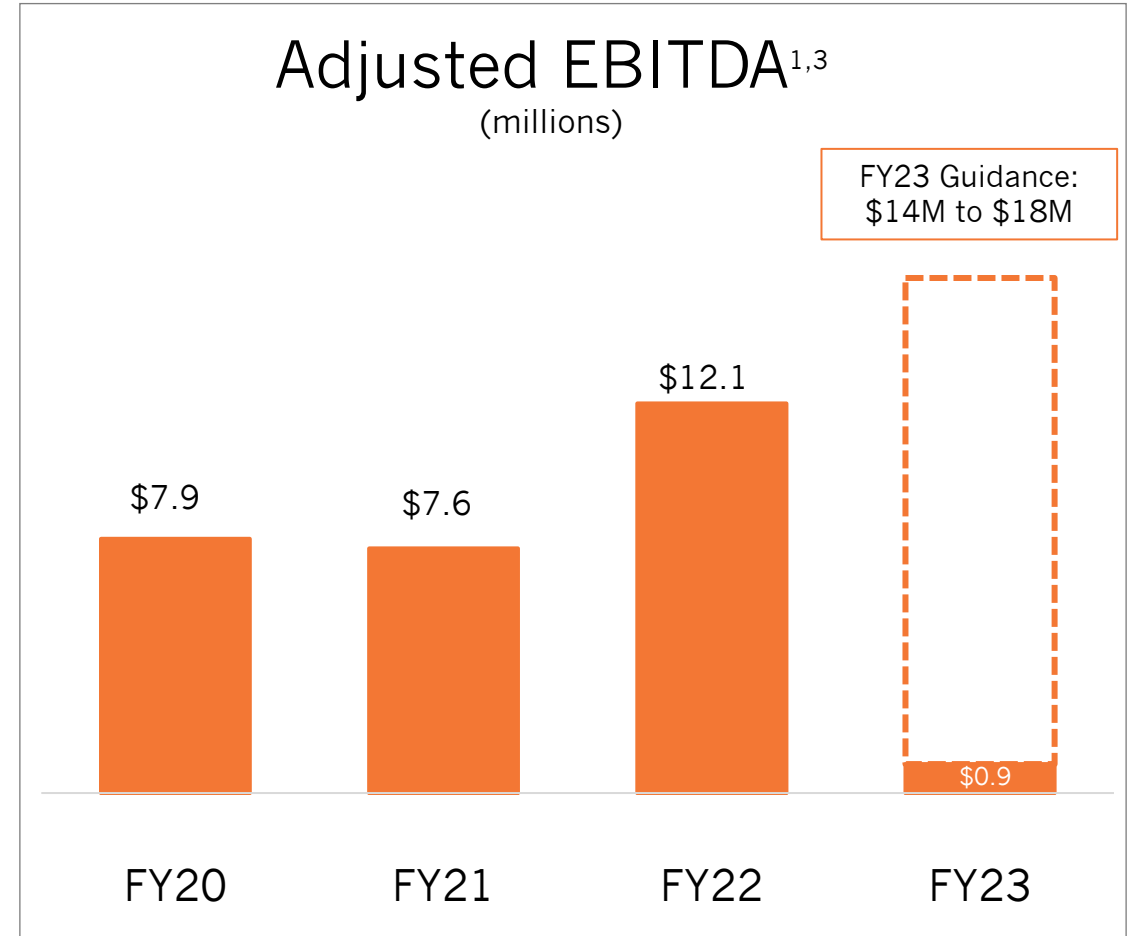
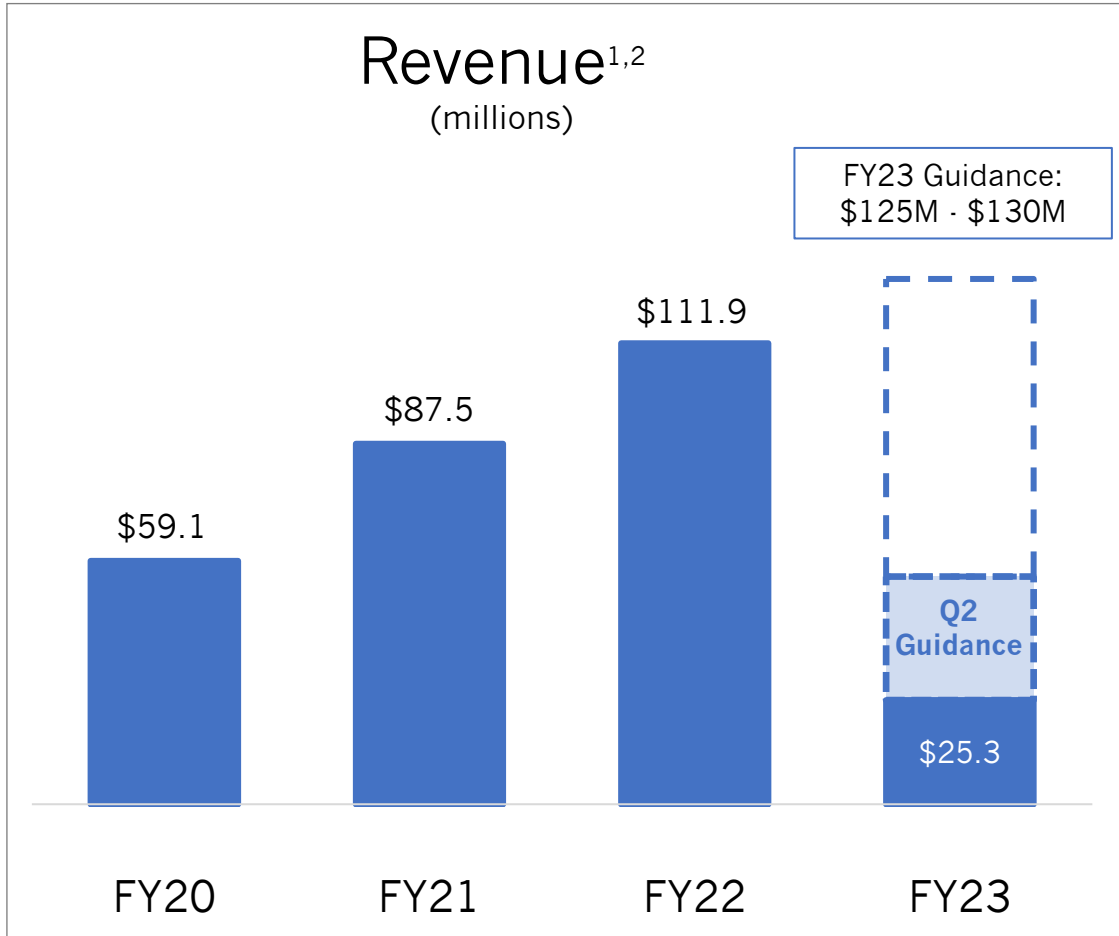
- Revenues of \$25.0M; up 11% year over year
 - \$25.3M in constant currency; up 13%
- Gross margin of 60%, compared to 64% for the prior year
- Net loss of \$1.8M, compared to net income of \$9.6M for the prior year, which included the gain of \$10.9M on sale of Luna Labs
- Adjusted EBITDA¹ of \$0.9M, compared to \$1.7M for the prior year
 - Primarily due to M&A activity in Q1 2022
- Adjusted EPS¹ of \$0.00, compared to \$0.05 for the prior year

¹Adj 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.

First-Quarter 2023 and Recent Highlights

- Realized strong, double-digit revenue growth for communications test and Terahertz product lines
- Announced a significant contract to provide temperature, depth and acoustic monitoring for an innovative power generation project that will deliver clean energy to a major metropolitan area in the Northeast U.S.
- Announced large, new contract with Dominion Energy to provide monitoring services for the largest offshore wind project in the United States
- Won a contract for industrial battery storage monitoring for a leading European manufacturer of electric vehicle batteries
- Experienced high levels of activity and customer engagement at industry trade shows OFC and Photonics West

Strong Financial Results



¹ Reminder: Luna Labs reclassified to Discontinued Operations and subsequent sale in late Q1 2022.

² FY 2022 revenue and after is reported in constant currency.

³ Adj EBITDA is a non-GAAP measure. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix to this presentation.

Balance Sheet

- Balance sheet on March 31, 2023:
 - \$152.1M in total assets
 - \$3.6M in cash and cash equivalents
 - \$57.3M in working capital
- Total debt of \$25.2M outstanding
- All investments over the past five years – in both business and in M&A – have been funded using the balance sheet through cash and bank debt
- Luna will continue to deploy capital prudently to generate long-term sustainable growth
 - Increasing organic sales
 - Reinvesting in our business
 - Identifying strategic M&A opportunities

2023 Outlook



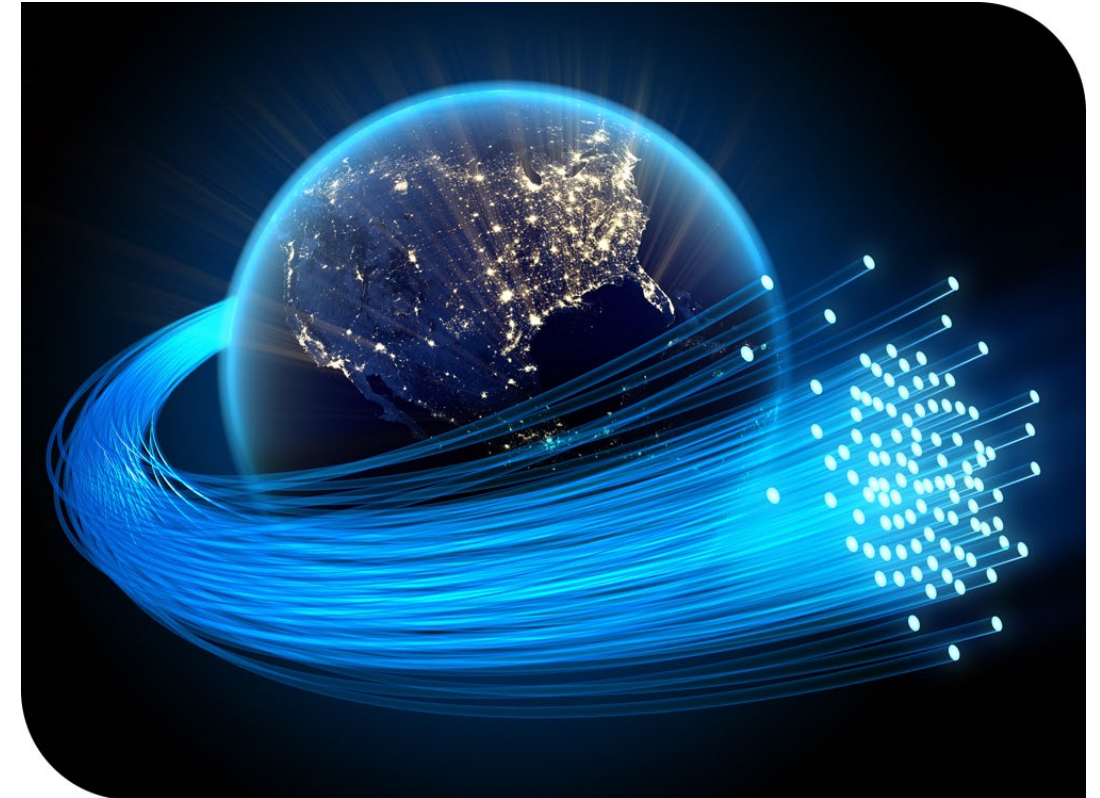
Q2 and Full-Year Guidance

- Reaffirm guidance:
 - Full-year total revenue of \$125M to \$130M
 - Full-year adjusted EBITDA¹ of \$14M to \$18M
- Q2 guidance:
 - Revenue of \$29M to \$31M

¹ Adj EBITDA is a non-GAAP measure. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix to this presentation. The outlook above does not include any future acquisitions, divestitures, or unanticipated events.

Luna – Enabling the Future with Fiber

- Positioned as a **global** fiber optic **leader**
- **Proprietary fiber-optic based** measurement technology, offering **unprecedented** combination of performance and economics
- Customers in **attractive markets**: Defense, Communications, Infrastructure, Energy, Automotive and Aerospace
- Positioned to **take advantage of trends** such as vehicle lightweighting, smart infrastructure, increasing needs for global security, and increasing demands on data centers and broadband capacity
- **Adequately capitalized** to fund growth
- Long-tenured, **experienced** executive team / board
- Corporate culture of **innovation and integrity**



Appendix



Reconciliation of Net (Loss)/Income to Adjusted EBITDA¹

(in thousands)

	Three Months Ended	
	March 31,	
	2023	2022
	(Unaudited)	
Reconciliation of EBITDA and Adjusted EBITDA		
GAAP net income/(loss)	\$ (1,842)	\$ 9,581
Income from discontinued operations, net of tax	-	10,924
GAAP net income/(loss) from continuing operations	(1,842)	(1,343)
Interest expense, net	369	113
Income tax (benefit)/expense	(567)	(1,115)
Depreciation and amortization	1,417	1,156
EBITDA	(623)	(1,189)
Share-based compensation	1,054	1,066
Integration and transaction expense	89	1,844
Other non-recurring charges ⁽²⁾	334	-
Adjusted EBITDA	\$ 854	\$ 1,721

¹ Results shown include the reclassification of Luna Labs to Discontinued Operations.

² Other non-recurring charges primarily include facility consolidation, one-time insurance deductible, etc.

Reconciliation of Net (Loss)/Income to Adjusted EPS¹

(in thousands, except per share data)

	Three Months Ended	
	March 31,	
	2023	2022
	(Unaudited)	
Reconciliation of Net (loss)/Income to Adjusted EPS		
GAAP net income/(loss)	\$ (1,842)	\$ 9,581
Income from discontinued operations, net of tax	-	10,924
GAAP net income/(loss) from continuing operations	(1,842)	(1,343)
Adjustments:		
Share-based compensation	1,054	1,066
Integration and transaction expense	89	1,844
Amortization of intangible assets	992	821
Other non-recurring charges ⁽²⁾	334	-
Total adjustments:	2,469	3,731
Income tax effect on adjustments	(617)	(933)
Adjusted income from continuing operations	\$ 10	\$ 1,455
Adjusted EPS	\$ 0.00	\$ 0.05
Adjusted weighted average shares (in thousands):		
Diluted	33,332	32,243

¹ Results shown include the reclassification of Luna Labs to Discontinued Operations.

² Other non-recurring charges primarily include facility consolidation, insurance one-time deductible, etc.

Reconciliation of Revenues to Constant Currency Revenues

(in thousands)

	Three Months March 31, 2023 (Unaudited)
<u>Reconciliation of Revenues to Constant Currency Revenues</u>	
GAAP Revenue	\$ 25,045
Effect of Foreign Exchange	256
Constant Currency Revenues	\$ 25,301

Historical Quarterly Results¹

	(in thousands)				
	Three Months Ended				
	<u>March 31, 2022</u>	<u>June 30, 2022</u>	<u>September 30, 2022</u>	<u>December 31, 2022</u>	<u>March 31, 2023</u>
Revenues	\$ 22,481	\$ 26,162	\$ 29,153	\$ 31,702	\$ 25,045
Cost of revenues	8,202	10,199	12,234	12,367	10,072
Gross profit	<u>14,279</u>	<u>15,963</u>	<u>16,919</u>	<u>19,335</u>	<u>14,973</u>
Gross margin	64%	61%	58%	61%	60%
Operating expense:					
Selling, general and administrative	11,437	14,612	12,065	13,292	13,207
Research, development and engineering	2,543	2,665	2,204	2,853	2,817
Amortization of intangibles	821	992	988	1,238	992
Integration and deal related expense	<u>1,844</u>	<u>156</u>	<u>184</u>	<u>488</u>	<u>89</u>
Total operating expense	<u>16,645</u>	<u>18,425</u>	<u>15,441</u>	<u>17,871</u>	<u>17,105</u>
Operating income/(loss)	<u>\$ (2,366)</u>	<u>\$ (2,462)</u>	<u>\$ 1,478</u>	<u>\$ 1,464</u>	<u>\$ (2,132)</u>

¹ Results shown include the reclassification of Luna Labs to Discontinued Operations.