

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 15, 2021

Luna Innovations Incorporated
(Exact name of registrant as specified in its charter)

**301 1st Street SW, Suite 200
Roanoke, VA 24011**
(Address of principal executive offices, including zip code)
540-769-8400
(Registrant's telephone number, including area code)
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value per share	LUNA	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth Company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition

On November 15, 2021, Luna Innovations Incorporated (the "Company") issued a press release announcing its financial results for the three and nine months ended September 30, 2021, as well as information regarding a conference call to discuss these financial results and the Company's recent corporate highlights and outlook. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Also, on November 15, 2021, the Company is posting an updated slide presentation on its corporate website and will be using the presentation in connection with the conference call discussed above. A copy of the presentation is furnished herewith as Exhibit 99.2 to this Current Report on Form 8-K.

The information in this Current Report on Form 8-K and Exhibits 99.1 and 99.2 attached hereto are being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

Exhibit	Description
99.1	Press Release, dated November 15, 2021, by Luna Innovations Incorporated,
99.2	Company Presentation.



Luna Innovations Reports Third-Quarter 2021 Results

Luna Labs moved to Discontinued Operations

Highlights

The following highlights reflect the reclassification of Luna Labs to discontinued operations:

- Total revenues of \$20.3 million for the three months ended September 30, 2021, up 32% compared to the three months ended September 30, 2020
- Gross margin of 62% for the three months ended September 30, 2021, compared to 63% for the three months ended September 30, 2020
- Operating loss of \$10 thousand for the three months ended September 30, 2021, compared to operating income of \$1.2 million for the three months ended September 30, 2020
- Net income of \$0.4 million for the three months ended September 30, 2021, compared to net income of \$3.1 million for the three months ended September 30, 2020
- Adjusted EBITDA of \$2.1 million for the three months ended September 30, 2021, compared to \$3.1 million for the three months ended September 30, 2020
- Adjusted EPS of \$0.03 for the three months ended September 30, 2021, compared to \$0.11 for the three months ended September 30, 2020

(ROANOKE, VA, November 15, 2021) - Luna Innovations Incorporated (NASDAQ: LUNA), a global leader in advanced optical technology, today announced its financial results for the three and nine months ended September 30, 2021.

"Q3 was a record quarter for customer demand of our products, as we realized the highest level of bookings we've ever had," said Scott Graeff, President and Chief Executive Officer of Luna. "The largest backlog in our history is the result of record bookings, the increased impact of COVID and industry-wide supply chain challenges which have slowed our ability to deliver products. As a result, revenue for the year will be lighter than what we could have delivered. We believe that this is a temporary situation and remain committed to Luna's strategy. We continue to see vast opportunities for Luna in fiber optic technologies and are pleased to take the pivotal step in focusing on fiber with our transition of Luna Labs to discontinued operations. We have evaluated a number of opportunities and look forward to sharing Luna's meaningful achievements over the coming months."

Third-Quarter Fiscal 2021 Financial Summary

Highlights of the financial results for the three months ended September 30, 2021 are:

<i>(in thousands, except share and per share data)</i>	Three Months Ended September 30,		Change	
	2021	2020		
Revenues	\$ 20,329	\$ 15,350	32	%
Gross profit	12,584	9,632	31	%
Gross margin	62 %	63 %		
Operating expense	12,594	8,420	50	%
Operating (loss)/income	(10)	1,212		
Operating margin	— %	8 %		
Other (expense)/income and income tax benefit/(expense)	(334)	1,096		
Net (loss)/income from continuing operations	\$ (344)	\$ 2,308		
Income from discontinued operations, net of income tax of \$235 and \$247	699	794		
Net income	\$ 355	\$ 3,102	(89)	%
Earnings per diluted share (EPS)	\$ 0.01	\$ 0.10	(90)	%
Adjusted EPS	\$ 0.03	\$ 0.11	(73)	%
Diluted weighted average shares outstanding	33,780,714	32,411,086		
Adjusted EBITDA	\$ 2,110	\$ 3,144	(33)	%

A reconciliation of Adjusted EPS and Adjusted EBITDA to the nearest comparable figures under generally accepted accounting principles ("GAAP") can be found in the schedules included in this release.

Revenues for the three months ended September 30, 2021 increased compared to the prior-year period, primarily due to revenue generated by the businesses we have recently acquired over the last year.

Gross margin decreased to 62% for the three months ended September 30, 2021, compared to 63% for the three months ended September 30, 2020, driven primarily by product mix. Operating loss and margin declined to \$10 thousand and less than 1% of total revenues, respectively, for the three months ended September 30, 2021, compared to \$1.2 million and 8% of total revenues, respectively, for the three months ended September 30, 2020. The decrease in operating income was primarily due to an increase in operating expenses and amortization related to our recent acquisitions.

Net income was \$0.4 million, or \$0.01 per fully diluted share, for the three months ended September 30, 2021, compared to net income of \$3.1 million, or \$0.10 per fully diluted share, for the three months ended September 30, 2020. Adjusted EPS was \$0.03 for the three months ended September 30, 2021 compared to \$0.11 for the three months ended September 30, 2020.

Adjusted EBITDA was \$2.1 million for three months ended September 30, 2021, compared to \$3.1 million for the three months ended September 30, 2020. The decrease was driven by lower income from continuing operations.

Nine Months Ended Fiscal 2021 Financial Summary

Highlights of the financial results for the nine months ended September 30, 2021 are:

<i>(in thousands, except share and per share data)</i>	Nine months ended September 30,		Change
	2021	2020	
Revenues	\$ 63,291	\$ 39,837	59 %
Gross profit	37,436	24,126	55 %
Gross margin	59 %	61 %	
Operating expense	41,061	23,252	77 %
Operating (loss)/income	(3,625)	874	
Operating margin	(6)%	2 %	
Other (expense)/income and income tax benefit/(expense)	1,061	1,012	5 %
Net (loss)/income from continuing operations	\$ (2,564)	\$ 1,886	
Income from discontinued operations, net of income tax of \$381 and \$209	2,371	1,469	
Net (loss)/income	\$ (193)	\$ 3,355	
Earnings per diluted share (EPS)	\$ (0.01)	\$ 0.10	
Adjusted EPS	\$ 0.08	\$ 0.14	(43) %
Diluted weighted average shares outstanding	33,585,973	32,478,625	
Adjusted EBITDA	\$ 4,461	\$ 4,990	(11) %

A reconciliation of Adjusted EPS and Adjusted EBITDA to the nearest comparable GAAP figures can be found in the schedules included in this release.

Revenues for the nine months ended September 30, 2021 increased compared to the prior-year period, primarily due to our recent acquisitions.

Gross margin of 59% for the nine months ended September 30, 2021 was down compared to 61% for the nine months ended September 30, 2020 due to product mix. Operating loss and margin declined to \$3.6 million and (6)% of total revenues, respectively, for the nine months ended September 30, 2021, compared to \$0.9 million and 2% of total revenues, respectively, for the nine months ended September 30, 2020. The decrease in operating income was primarily due to \$2.1 million of integration and transaction costs, as well as \$1.6 million of amortization of

intangible assets and inventory step-up related to Luna's recently completed acquisitions and its continuing portfolio activities.

Net loss was \$0.2 million, or \$(0.01) per fully diluted share, for the nine months ended September 30, 2021, compared to a net income of \$3.4 million, or \$0.10 per fully diluted share, for the nine months ended September 30, 2020. Adjusted EPS was \$0.08 for the nine months ended September 30, 2021, compared to \$0.14 for the nine months ended September 30, 2020.

Adjusted EBITDA was \$4.5 million for the nine months ended September 30, 2021, compared to \$5.0 million for the nine months ended September 30, 2020.

2021 Full-Year Outlook

Luna is revising guidance to reflect the reclassification of Luna Labs to discontinued operations and COVID-19 pandemic related issues:

- Total revenue of \$85 million to \$88 million
- Adjusted EBITDA of \$6 million to \$8 million

Adjusted EBITDA is a non-GAAP measure. Luna is not providing an outlook for net income/(loss), which is the most directly comparable GAAP measure to Adjusted EBITDA, because changes in the items that Luna excludes from net income to calculate Adjusted EBITDA, such as share-based compensation, tax expense, and significant non-recurring charges, among other things, can be dependent on future events that are less capable of being controlled or reliably predicted by management and are not part of Luna's routine operating activities.

The outlook above does not include any future acquisitions, divestitures, or unanticipated events.

Non-GAAP Financial Measures

In evaluating the operating performance of its business, Luna's management considers Adjusted EBITDA and Adjusted EPS, which exclude certain charges and income that are required by GAAP. Adjusted EBITDA and Adjusted EPS provide useful information to both management and investors by excluding the effect of certain non-cash expenses and items that Luna believes may not be indicative of its operating performance, because either they are unusual and Luna does not expect them to recur in the ordinary course of its business, or they are unrelated to the ongoing operation of the business in the ordinary course. Adjusted EBITDA and Adjusted EPS should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. Adjusted EBITDA and Adjusted EPS have been reconciled to the nearest GAAP measure in the table following the financial statements attached to this press release.

Conference Call Information

As previously announced, Luna will conduct an investor conference call at 5:00 pm (ET) today to discuss its financial results for the three and nine months ended September 30, 2021. The investor conference call will be available via live webcast on the Luna website at www.lunainc.com under the tab "Investor Relations." To participate by telephone, the domestic dial-in number is 844.578.9643 and the international dial-in number is 270.823.1522. The participant access code is 6088397. Investors are advised to dial in at least five minutes prior to the call to register. The webcast will be archived on the company's website under "Webcasts and Presentations" for 30 days following the conference call.

About Luna

Luna Innovations Incorporated (www.lunainc.com) is a leader in optical technology, providing unique capabilities in high-performance, fiber optic-based, test products for the telecommunications industry and distributed fiber optic-based sensing for a multitude of industries. Luna's business model is designed to accelerate the process of bringing new and innovative technologies to market.

Forward-Looking Statements

The statements in this release that are not historical facts constitute "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 Luna's expectations regarding its projected 2021 financial results and outlook, the Company's growth potential, the resolution of backlog and supply chain challenges and the potential sale of Luna Labs. 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 Luna 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, failure of demand for Luna's products and services to meet expectations, failure of target market to grow and expand, technological and strategic challenges, uncertainties related to the ultimate impact of the COVID-19 pandemic and those risks and uncertainties set forth in Luna's Form 10-Q for the quarter ended September 30, 2021, and Luna's other periodic reports and filings with the Securities and Exchange Commission ("SEC"). Such filings are available on the SEC's website at www.sec.gov and on Luna's website at www.lunainc.com. The statements made in this release are based on information available to Luna as of the date of this release and Luna undertakes no obligation to update any of the forward-looking statements after the date of this release.

Investor Contact:

Allison Woody

Phone: 540-769-8465

Email: IR@lunainc.com

Luna Innovations Incorporated
Consolidated Balance Sheets
(in thousands, except share data)

Assets	September 30, 2021 (unaudited)	December 31, 2020
Current assets:		
Cash and cash equivalents	\$ 14,755	\$ 15,366
Accounts receivable, net	19,557	21,928
Contract assets	2,883	4,139
Inventory	25,350	23,062
Prepaid expenses and other current assets	6,213	4,433
Assets held for sale	13,855	6,541
Total current assets	82,613	75,469
Property and equipment, net	2,820	2,917
Intangible assets, net	17,819	19,994
Goodwill	18,979	18,121
Operating lease right-of-use asset	5,497	5,984
Other non-current assets	246	369
Deferred tax asset	1,707	1,689
Non-current assets held for sale	—	6,459
Total assets	\$ 129,681	\$ 131,002
Liabilities and stockholders' equity		
Liabilities:		
Current liabilities:		
Current portion of long-term debt obligations	\$ 4,167	\$ 4,167
Accounts payable	2,585	2,852
Accrued and other current liabilities	10,826	10,773
Contract liabilities	4,967	6,698
Current portion of operating lease liability	2,020	1,876
Liabilities associated with assets held for sale	9,091	3,719
Total current liabilities	33,656	30,085
Long-term debt obligations	12,709	15,817
Long-term portion of operating lease liability	4,073	5,034
Other long-term liabilities	374	410
Non-current liabilities associated with assets held for sale	—	5,214
Total liabilities	50,812	56,560
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.001, 100,000,000 shares authorized, 33,511,899 and 32,724,512 shares issued, 31,961,907 and 31,024,537 shares outstanding at September 30, 2021 and December 31, 2020, respectively	34	33
Treasury stock at cost, 1,739,455 and 1,699,975 shares at September 30, 2021 and December 31, 2020, respectively	(5,209)	(4,789)
Additional paid-in capital	97,238	92,403
Accumulated deficit	(13,150)	(12,957)
Accumulated other comprehensive loss	(44)	(248)
Total stockholders' equity	78,869	74,442
Total liabilities and stockholders' equity	\$ 129,681	\$ 131,002

Luna Innovations Incorporated
Consolidated Statements of Operations (Unaudited)
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 20,329	\$ 15,350	\$ 63,291	\$ 39,837
Cost of revenues	7,745	5,718	25,855	15,711
Gross profit	12,584	9,632	37,436	24,126
Operating expense:				
Selling, general and administrative	9,674	6,229	33,414	17,959
Research, development and engineering	2,920	1,615	7,647	4,717
Loss on sale of property and equipment	—	576	—	576
Total operating expense	12,594	8,420	41,061	23,252
Operating (loss)/income	(10)	1,212	(3,625)	874
Other (expense)/income:				
Investment income	—	1	—	65
Other income	—	13	—	19
Interest expense	(110)	(1)	(375)	(2)
Total other (expense)/income	(110)	13	(375)	82
(Loss)/income from continuing operations before income taxes	(120)	1,225	(4,000)	956
Income tax expense/(benefit)	224	(1,083)	(1,436)	(930)
Net (loss)/income from continuing operations	(344)	2,308	(2,564)	1,886
Income from discontinued operations, net of income tax of \$235, \$246, \$381, and \$673	699	794	2,371	1,469
Net income/(loss)	\$ 355	\$ 3,102	\$ (193)	\$ 3,355
Net (loss)/income per share from continuing operations:				
Basic	\$ (0.01)	\$ 0.07	\$ (0.08)	\$ 0.06
Diluted	\$ (0.01)	\$ 0.07	\$ (0.08)	\$ 0.06
Net income per share from discontinued operations:				
Basic	\$ 0.02	\$ 0.03	\$ 0.08	\$ 0.05
Diluted	\$ 0.02	\$ 0.02	\$ 0.07	\$ 0.05
Net income/(loss) per share attributable to common stockholders:				
Basic	\$ 0.01	\$ 0.10	\$ (0.01)	\$ 0.11
Diluted	\$ 0.01	\$ 0.10	\$ (0.01)	\$ 0.10
Weighted average shares:				
Basic	31,944,869	30,809,896	31,553,998	30,593,954
Diluted	33,780,714	32,411,086	33,585,973	32,478,625

Luna Innovations Incorporated
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2021	2020
Cash flows provided by operating activities		
Net (loss)/income	\$ (193)	\$ 3,355
Adjustments to reconcile net loss to net cash (used in)/provided by operating activities		
Depreciation and amortization	3,523	2,126
Share-based compensation	2,230	1,538
Bad debt expense	262	147
Loss on sale of property and equipment	—	576
Loss from discontinued operations, net of tax	—	1,436
Deferred taxes	(23)	(313)
Change in assets and liabilities		
Accounts receivable	220	(2,131)
Contract assets	837	(1,589)
Inventory	(1,906)	(1,419)
Other current assets	(1,752)	(1,982)
Accounts payable and accrued expenses	(1,681)	(1,481)
Contract liabilities	(287)	(166)
Net cash provided by operating activities	1,230	97
Cash flows (used in)/provided by investing activities		
Acquisition of property and equipment	(943)	(422)
Intangible property costs	(215)	(291)
Proceeds from sale of property and equipment	—	403
Proceeds from sale of discontinued operations	—	600
Net cash (used in)/provided by investing activities	(1,158)	290
Cash flows (used in)/provided by financing activities		
Payments on finance lease obligations	(36)	(39)
Payments of debt obligations	(3,110)	—
Repurchase of common stock	(420)	(329)
Proceeds from ESPP	530	—
Proceeds from the exercise of options and warrants	2,076	1,397
Net cash (used in)/provided by financing activities	(960)	1,029
Effect of exchange rate changes on cash and cash equivalents	277	—
Net (decrease)/increase in cash and cash equivalents	(611)	1,416
Cash and cash equivalents—beginning of period	15,366	25,006
Cash and cash equivalents—end of period	\$ 14,755	\$ 26,422

Luna Innovations Incorporated
Reconciliation of Net Income/(Loss) to EBITDA and Adjusted EBITDA
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income/(loss)	\$ 355	\$ 3,102	\$ (193)	\$ 3,355
Income from discontinued operations, net of tax	699	794	2,371	1,469
Net (loss)/income from continuing operations	(344)	2,308	(2,564)	1,886
Interest expense	110	1	375	2
Investment income	—	(1)	—	(65)
Income tax expense/(benefit)	224	(1,083)	(1,436)	(930)
Depreciation and amortization	1,131	709	3,440	1,979
EBITDA	1,121	1,934	(185)	2,872
Share-based compensation	689	542	2,133	1,450
Integration and transaction expense	196	—	2,073	—
Loss on sale of property and moving related expenses	—	668	—	668
Amortization of inventory step-up	104	—	440	—
Adjusted EBITDA	<u>\$ 2,110</u>	<u>\$ 3,144</u>	<u>\$ 4,461</u>	<u>\$ 4,990</u>

Luna Innovations Incorporated
Reconciliation of Net Income/(Loss) to Adjusted EPS
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income/(loss)	\$ 355	\$ 3,102	\$ (193)	\$ 3,355
Income from discontinued operations, net of tax	699	794	2,371	1,469
Net (loss)/income from continuing operations	(344)	2,308	(2,564)	1,886
Share-based compensation	689	542	2,133	1,450
Integration and deal expense	196	—	2,073	—
Amortization of intangible assets	761	424	2,353	1,236
Amortization of inventory step-up	104	—	440	—
Loss on sale of property and moving related expenses	—	668	—	668
Income tax effect on adjustments	(438)	(409)	(1,750)	(839)
Adjusted income from continuing operations	<u>\$ 968</u>	<u>\$ 3,533</u>	<u>\$ 2,685</u>	<u>\$ 4,401</u>
Adjusted EPS	\$ 0.03	\$ 0.11	\$ 0.08	\$ 0.14
Adjusted weighted average shares (in thousands):				
Diluted	33,781	32,411	33,586	32,479

###



**Third-quarter 2021 Results
Investor Supplemental Materials**

November 15, 2021

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 the company’s future financial performance, including 2021 guidance, and market recognition of key technologies and demand for its products, backlog, sales growth, the company’s overall growth potential, its balance sheet and capitalization and access to capital, its technological advantages and capabilities, its strategic position, and corporate and leadership 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, failure of demand for the company’s products and services to meet expectations, failure of target markets to grow and expand, technological, operational and strategic challenges, uncertainties related to the ongoing impact of the COVID-19 pandemic 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 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, November 15, 2021, 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.

3Q FY21 Results



Third-Quarter 2021: Key Financial Results

- Revenues of \$20.3M; up 32% year-over-year
 - Beginning in Q3 with the classification of Luna Labs to discontinued operations, Luna now reports as one segment
 - Luna becomes a pure play based on its fiber optic technology; Lightwave = Luna
- Gross Margin of 62%, compared to 63% for the prior-year period
 - Increase to the low/mid 60% range, compared to the low 50% range
 - Historically, this metric included the gross margin of Luna Labs
- Operating loss of \$10K, compared to operating income of \$1.2M for the prior-year period
 - Decrease primarily due to increase in operating expenses and amortization related to our recent acquisitions
- Adjusted EBITDA¹ of \$2.1M, compared to \$3.1M for the prior-year period
- Adjusted EPS¹ of \$0.03, compared to \$0.11 for the prior-year period

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.

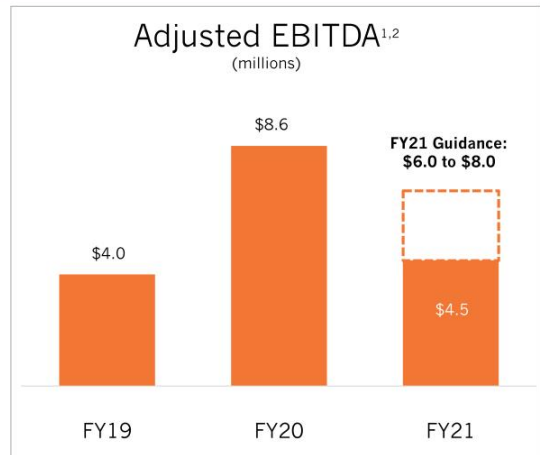
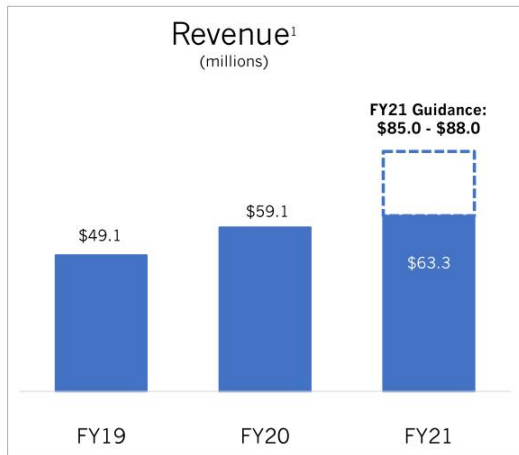
Third-quarter 2021 Highlights

- Continued focus on Luna’s mission to “enable the future with fiber” by moving Luna Labs to discontinued operations
- Returned to international travel, including onsite visits to OptaSense locations
- Recorded largest backlog in company history
- Continued successful penetration of distributed sensing solutions in key, target markets
 - Infrastructure and security
 - Delivered large order for infrastructure monitoring in the mining space to South American customer
 - First significant order for DAS products with new, “quantitative” features for monitoring strain and temperature
 - Landed large deal for perimeter monitoring system in Indonesia
 - Won competitive bid for a monitoring system for a major bridge in the southeast U.S. using Hyperion and associated sensors
 - Oil and Gas
 - Large, multi-unit order for Hyperion-based monitoring solution for off-shore oil and gas infrastructure
 - Oilfield business for DAS products seeing increasing uptake as confidence grows entering Q4
 - Carbon sequestration market beginning to recognize value of DAS technology with several key wins in Q3
 - Transportation
 - Large win for traffic monitoring system with a western U.S. DOT
 - Further validation of DAS technology for real-time traffic monitoring systems

Third-quarter 2021 Highlights (continued)

- Continued sales momentum for Terahertz products for industrial process control market
 - Record bookings with multiple, large “Blue-chip” customer wins in Q3
- Continued sales momentum for communications test products
 - Record bookings for high-speed optical analyzers (OVA/OBR)
 - Delivered first five OBR 6200, portable test systems for field support of the F-22 aircraft
 - First follow-on sale generated from successful deployment of OBR 6200 units for global fleet support of F-35
- Multiple large orders for laser and module products for multiple, growing applications
 - Significant new orders for RIO lasers from multiple LiDAR manufacturers
 - Large customer wins for polarization modules for applications in medical robotics, medical imaging, and defense-related high-power laser applications

Strong Financial Results



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

² Adj EBITDA is a non-GAAP measure. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix to this presentation.

A Flexible Balance Sheet

- Strong balance sheet on September 30, 2021:
 - \$129.7M in total assets
 - \$14.8M in cash and cash equivalents
 - \$49.0M in working capital
- Total debt of \$16.9M outstanding
 - \$9.4M in term debt
 - \$7.5M drawn on revolver
 - \$7.5M available
- Allows us to continue to deploy our capital to generate long-term sustainable growth by increasing organic sales, reinvesting in our business and identifying inorganic opportunities

2021 Financial Outlook

- Revising guidance to reflect the reclassification of Luna Labs to Discontinued Operations and pandemic related issues:
 - Total revenue of \$85M to \$88M
 - Adjusted EBITDA¹ of \$6M to \$8M

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** measurement technology, offering **unprecedented** combination of resolution, accuracy and speed
- Customers in **attractive markets**: Military and Defense, Communications, Infrastructure, Energy, Automotive and Aerospace
- Positioned to **take advantage of trends** such as vehicle lightweighting, smart infrastructure, 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		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Reconciliation of EBITDA and Adjusted EBITDA				
GAAP net income/(loss)	\$ 355	\$ 3,102	\$ (193)	\$ 3,355
Income from discontinued operations, net of tax	699	794	2,371	1,469
GAAP net income/(loss) from continuing operations	(344)	2,308	(2,564)	1,886
Interest expense	110	1	375	2
Investment income	-	(1)	-	(65)
Income tax (benefit)/expense	224	(1,083)	(1,436)	(930)
Depreciation and amortization	1,131	709	3,440	1,979
EBITDA	1,121	1,934	(185)	2,872
Share-based compensation	689	542	2,133	1,450
Integration and transaction expense	196	-	2,073	-
Loss on sale of property and facility moving expenses	-	668	-	668
Amortization of inventory step-up	104	-	440	-
Adjusted EBITDA	\$ 2,110	\$ 3,144	\$ 4,461	\$ 4,990

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

Reconciliation of Net (Loss)/Income to Adjusted EPS¹

(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Reconciliation of Net (loss)/Income to Adjusted EPS				
GAAP net income/(loss)	\$ 355	\$ 3,102	\$ (193)	\$ 3,355
Income from discontinued operations, net of tax	699	794	2,371	1,469
GAAP net income/(loss) from continuing operations	(344)	2,308	(2,564)	1,886
Adjustments:				
Share-based Compensation	689	542	2,133	1,450
Integration and transaction expense	196	-	2,073	-
Amortization of Intangible assets	761	424	2,353	1,236
Amortization of Inventory Step-up	104	-	440	-
Loss on sale of property and facility moving expenses	-	668	-	668
Total adjustments:	1,750	1,634	6,999	3,354
Income tax effect on adjustments	(438)	(409)	(1,750)	(839)
Adjusted income from continuing operations	\$ 968	\$ 3,533	\$ 2,685	\$ 4,401
Adjusted EPS	\$ 0.03	\$ 0.11	0.08	0.14
Adjusted weighted average shares (in thousands):				
Diluted	33,781	32,411	33,586	32,479

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

Historical Quarterly Results¹

	(in thousands)				
	Three Months Ended				
	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021
Revenues	\$ 15,350	\$ 19,278	\$ 20,997	\$ 21,965	\$ 20,329
Cost of revenues	5,718	7,523	8,726	9,384	7,745
Gross Profit	<u>9,632</u>	<u>11,755</u>	<u>12,271</u>	<u>12,581</u>	<u>12,584</u>
Gross Margin	63%	61%	58%	57%	62%
Operating expense:					
Selling, general and administrative	5,713	7,714	9,222	11,048	8,717
Research, development and engineering	1,615	1,996	2,917	1,810	2,920
Amortization of Intangibles	424	478	826	766	761
Integration and deal related expense	-	2,204	886	991	196
Loss on sale of property and facility moving expenses	668	69	-	-	-
Total operating expense	<u>8,420</u>	<u>12,461</u>	<u>13,851</u>	<u>14,615</u>	<u>12,594</u>
Operating income/(loss)	<u>\$ 1,212</u>	<u>\$ (706)</u>	<u>\$ (1,580)</u>	<u>\$ (2,034)</u>	<u>\$ (10)</u>

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

