



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

May 17<sup>th</sup>, 2021

# Safe Harbor

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## 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 the market and potential demand for its products, the company's growth potential, its balance sheet and capitalization and access to capital, its technological advantages and capabilities, its strategic position, and corporate 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 ultimate 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](http://www.sec.gov) and on the company’s website at [www.lunainc.com](http://www.lunainc.com). The statements made in this presentation are based on information available to Luna as of the date of this presentation, May 17, 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, a non-GAAP financial measure. This non-GAAP financial measure is 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 Adjusted EBITDA to Net Income is included in the appendix to this presentation.

# 1Q FY21 Results



# First-quarter 2021: Key Financial Results

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- Total revenues of \$26.3M; up 53% year-over-year
  - Lightwave revenue of \$21.0M, up 82% year-over-year
  - Luna Labs revenue of \$5.3M, down 5% year-over-year
- Gross Margin increased to 51%, compared to 49% for the prior-year period
- Operating loss of \$0.8M, compared to operating income of \$0.4M for the prior-year period
  - Loss largely due to:
    - \$0.9M integration and transaction related costs
    - \$0.5M amortization of intangibles and inventory step-up related to our 2020 acquisitions
- Adjusted EBITDA of \$2.1M, compared to \$1.6M for the prior-year period
- Adjusted EPS of \$0.03, compared to \$0.02 for the prior-year period

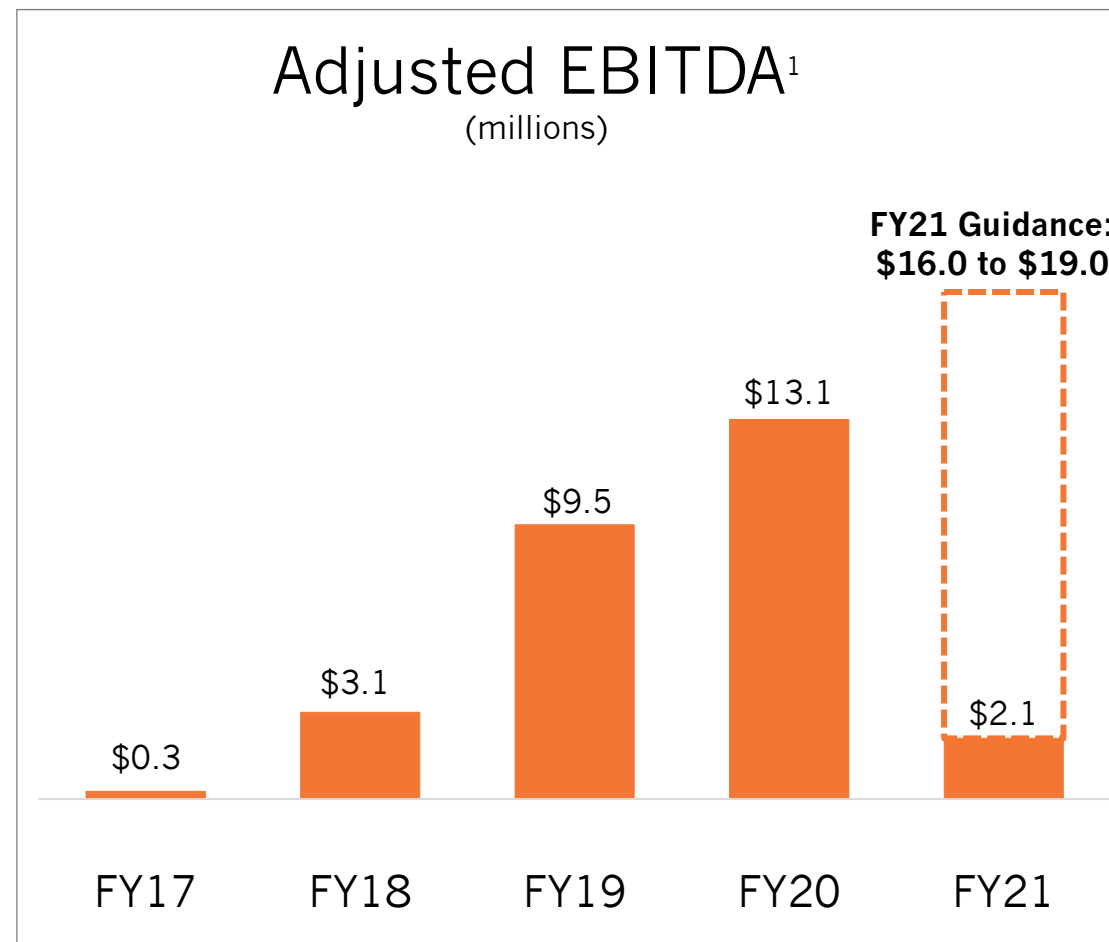
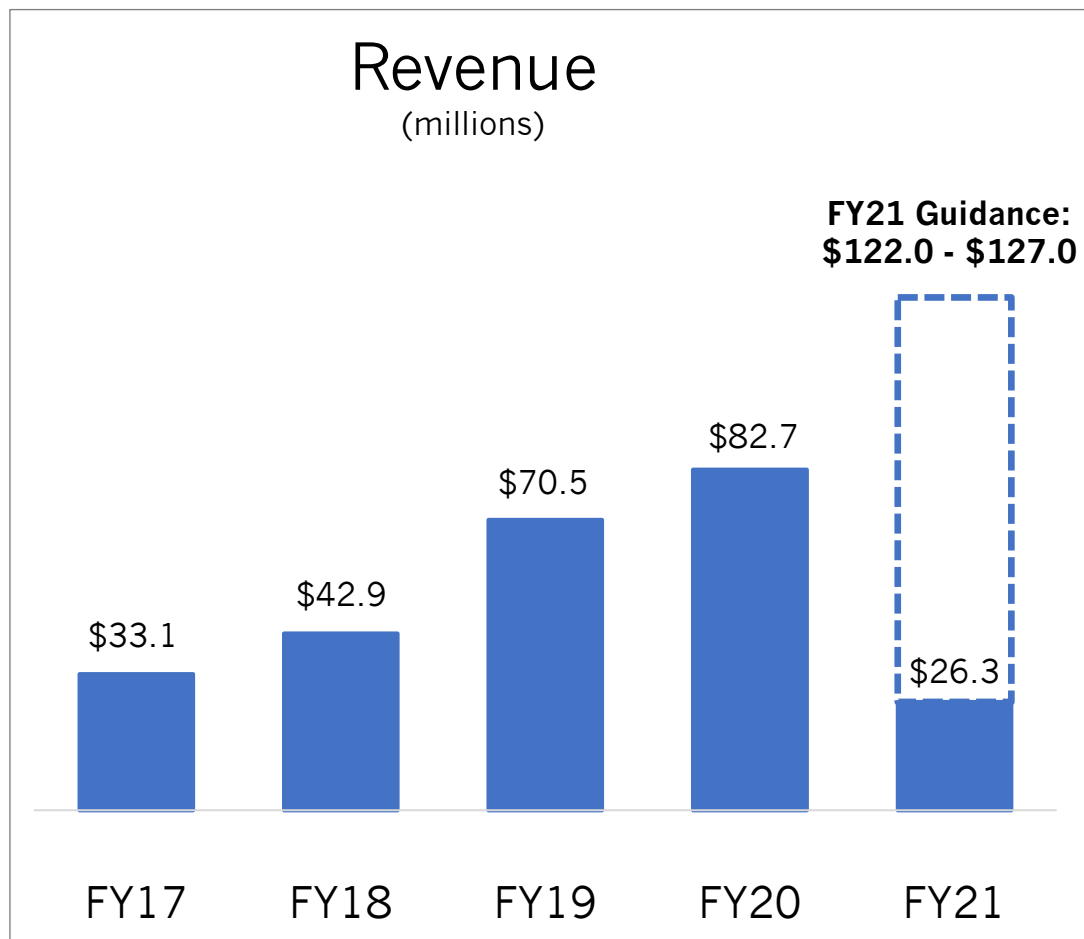
<sup>1</sup>Adj EPS and EBITDA are a non-GAAP measures. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix to this presentation.

# First-quarter 2021 Highlights

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- Total Lightwave revenues up >80%
  - Legacy Lightwave revenues increased double-digit vs. prior-year quarter
- Traction and customer orders remain strong:
  - Large ODiSi (sensing product) order from defense contractor
  - Key strategic wins for Terahertz products in process control markets
  - OBR 6200 sales (comms test)
- OptaSense, a leader in distributed acoustic sensing, operating as stand-alone company in 2021, with key services provided through TSAs for first six months; functional integration begins after first year
  - Employees transitioned / in transition to Luna systems
  - Mapping of OptaSense accounts to Luna complete
  - Financial and IT systems integration ongoing
- Integration of New Ridge Technologies largely completed

# Strong Financial Results



<sup>1</sup> 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

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- Strong balance sheet on March 31, 2021:
  - \$129.1M in total assets
    - \$11.8M in cash and cash equivalents
    - \$47.3M in working capital
- Total debt of \$18.9M outstanding
  - \$11.4M in term debt
  - \$7.5M drawn on revolver
    - \$7.5M available
- Allows us 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

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- Reaffirming FY 2021 outlook:
  - Total revenues of \$122M to \$127M
  - Adjusted EBITDA<sup>1</sup> of \$16M to \$19M
- Continue to forecast revenue split 44%-46% First 6 Months / 56%-54% Second 6 Months

<sup>1</sup> 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 Income to Adjusted EBITDA

**Luna Innovations Incorporated**  
**Reconciliation of Non-GAAP Financial Measures**  
(in thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	
<b><u>Reconciliation of EBITDA and Adjusted EBITDA</u></b>		
Net loss	\$ (318)	\$ (1,116)
Loss from discontinued operations, net of income tax benefit of \$464	-	1,436
<b>Net income from continuing operations</b>	<b>(318)</b>	<b>320</b>
Interest expense	143	-
Investment income	-	(59)
Income tax (benefit)/expense	(619)	138
Depreciation and amortization	1,231	679
<b>EBITDA</b>	<b>437</b>	<b>1,078</b>
Share-based compensation	657	502
Integration and transaction expense	886	-
Amortization of Inventory step-up	168	-
<b>Adjusted EBITDA</b>	<b>\$ 2,148</b>	<b>\$ 1,580</b>

# Reconciliation of Net Income to Adjusted EPS

**Luna Innovations Incorporated**  
**Reconciliation of Non-GAAP Financial Measures**  
(in thousands)

	Three Months Ended March 31,	
	2021	2020
	(Unaudited)	
<b>Reconciliation of Net Income to Adjusted EPS</b>		
<b>GAAP (loss)/income from continuing operations</b>	\$ (318)	\$ 320
<b>Adjustments:</b>		
Share-based Compensation	657	502
Integration and transaction expense	886	
Amortization of Inventory Step-up	168	-
<b>Total adjustments:</b>	<b>1,711</b>	<b>502</b>
Income tax adjustment - benefit (expense)	<b>(428)</b>	<b>(126)</b>
<b>Adjusted (loss)/income from continuing operations</b>	<b>\$ 965</b>	<b>\$ 697</b>
Adjusted EPS	\$ 0.03	\$ 0.02
Adjusted weighted average shares (in thousands):		
Diluted	33,353	32,549

# Historical Quarterly Results

	(in thousands)				
	Three Months Ended				
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020 <sup>A</sup>	March 31, 2021 <sup>B</sup>
Revenues:					
Lightwave	\$ 11,554	\$ 12,933	\$ 15,350	\$ 19,278	\$ 20,997
Luna Labs	5,587	5,642	5,700	6,637	5,302
Total revenues	<u>17,141</u>	<u>18,576</u>	<u>21,050</u>	<u>25,915</u>	<u>26,299</u>
Cost of revenues:					
Lightwave	4,885	5,181	5,670	7,570	8,771
Luna Labs	3,892	3,878	4,431	4,986	4,099
Total cost of revenues	<u>8,777</u>	<u>9,059</u>	<u>10,101</u>	<u>12,556</u>	<u>12,870</u>
Gross Profit	<u>8,364</u>	<u>9,517</u>	<u>10,949</u>	<u>13,359</u>	<u>13,429</u>
Operating expense:					
Selling, general and administrative	6,377	6,202	6,505	8,559	10,404
Research, development and engineering	1,597	1,505	1,616	1,996	2,933
Acquisition related expense	-	-	-	2,204	886
Loss on sale and disposal of property and equipment	-	-	576	69	-
Total operating expense	<u>7,974</u>	<u>7,707</u>	<u>8,697</u>	<u>12,828</u>	<u>14,223</u>
Operating income/(loss)	<u>\$ 390</u>	<u>\$ 1,810</u>	<u>\$ 2,252</u>	<u>\$ 531</u>	<u>\$ (794)</u>

**A** Includes \$2,204 of costs associated with the acquisition of OptaSense.

**B** Includes \$886 of OptaSense integration and other deal related costs.