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 9, 2020

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

(Former name or former address, if changed since last report)

Check the app	propriate 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)

- 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)
- $Pre-commencement\ communications\ pursuant\ to\ Rule\ 14d-2(b)\ under\ the\ Exchange\ Act\ (17\ CFR\ 240.14d-2(b))$
- П 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>	Name of each exchange on which registered
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 \square

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) the Exchange Act.) of

Item 2.02. **Results of Operations and Financial Condition**

On November 9, 2020, Luna Innovations Incorporated (the "Company") issued a press release announcing its financial results for the three and nine months ended September 30, 2020, 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 9, 2020, 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 Press Release, dated November 9, 2020, by Luna Innovations Incorporated. Company Presentation. 99.1

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Luna Innovations Incorporated

By: /s/ Scott A. Graef

/s/ Scott A. Graeff
Scott A. Graeff
President and Chief Executive Officer

Date: November 9, 2020



Luna Innovations Reports Strong Third-Quarter 2020 Results

Maintains 2020 Outlook

Highlights

- Total revenues of \$21.1 million for the three months ended September 30, 2020, up 14% compared to the three months ended September 30, 2019
- Operating income and margin of \$2.3 million and 11% of total revenues, respectively, for the three months ended September 30, 2020 versus operating income and margin of \$1.5 million and 8% of total revenues, respectively, for the three months ended September 30, 2019
- Net income of \$3.1 million, or \$0.10 per fully diluted share, for the three months ended September 30, 2020, compared to \$1.2 million, or \$0.04 per fully diluted share, for the three months ended September 30, 2019
- Adjusted EBITDA increased to \$4.3 million for the three months ended September 30, 2020, compared to \$2.9 million for the three months ended September 30, 2019
- Company maintains 2020 outlook

(ROANOKE, VA, November 9, 2020) - 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, 2020.

"I'm extremely pleased with our strong third-quarter 2020 performance, which reflects the team's focus on delivering results during these challenging times," said Scott Graeff, President and Chief Executive Officer of Luna. "I'm particularly pleased with how well the entire team has navigated the unusual and constantly changing environment, with a focus on growing top-line, expanding both gross and operating margins year-over-year, all while managing expenses prudently. Although we continue to experience some impact from the COVID-19 pandemic, we are performing close to our original budget year-to-date, which under the circumstances is quite extraordinary. We will continue to focus on supporting customers with excellence, delivering strong results for our shareholders, and providing a safe and supportive environment for our employees."

Third-Quarter Fiscal 2020 Financial Summary

Financial results for the three months ended September 30, 2020 marked the 12th consecutive quarter of year-on-year revenue and Adjusted EBITDA growth.

Highlights of the financial results for the three months ended September 30, 2020 are:

		Three Months En	ded September 30			
(in thousands, except share and per share data)	'-	2020		2019	Change	
Revenues:						
Lightwave	\$	15,350	\$	13,088	17	%
Luna Labs		5,700		5,301	8	%
Total revenues		21,050		18,389	14	%
Gross profit		10,949		9,275	18	%
Gross margin		52 %		50 %		
Operating expense		8,697		7,793	12	%
Operating income	'-	2,252		1,482	52	%
Operating margin		11 %		8 %		
Other income and income tax benefit/(expense)		850	-	(252)	437	%
Net income	\$	3,102	\$	1,230	152	%
Diluted weighted average shares outstanding		32,411,086		32,115,847		
Net income per share (diluted)	\$	0.10	\$	0.04	150	%
Adjusted EBITDA	\$	4,267	\$	2,883	48	%

A reconciliation of Adjusted EBITDA to net income can be found in the schedules included in this release.

Lightwave revenues for the three months ended September 30, 2020 increased compared to the prior-year period, due primarily to increased revenues from our communication test and sensing businesses. Luna Labs revenue increased for the three months ended September 30, 2020, compared to the prior-year period, due to growth in various government research programs.

Operating income and margin improved to \$2.3 million and 11% of total revenues, respectively, for the three months ended September 30, 2020, compared to \$1.5 million and 8% of total revenues, respectively, for the three months ended September 30, 2020, compared to \$1.5 million and 8% of total revenues, respectively, for the three months ended September 30, 2019. The increase in operating income was primarily due to our revenue mix and operating expense leverage. The Lightwave division represented a larger portion of our total revenues and generally carries stronger margins. Operating expenses as a percentage of revenue decreased 1.1% for the three months ended September 30, 2020, compared to the three months ended September 30, 2019.

Net income was \$3.1 million, or \$0.10 per fully diluted share, for the three months ended September 30, 2020, compared to \$1.2 million, or \$0.04 per fully diluted share, for the three months ended September 30, 2020, was \$3.1 million, or \$0.10 per fully diluted share, compared to \$1.1 million, or \$0.03 per fully diluted share, for the three months ended September 30, 2020, was \$3.1 million, or \$0.10 per fully diluted share, compared to \$1.1 million, or \$0.03 per fully diluted share, for the three months ended September 30, 2019. The increase in both net income from continuing operations and net income attributable to common stockholders is primarily due to Lightwave's additional gross profit and operating expense leverage.

Adjusted EBITDA was \$4.3 million for the three months ended September 30, 2020, compared to \$2.9 million for the three months ended September 30, 2019. The increase was driven by revenue growth, increased gross profit, and operating expense leverage.

Nine Months Year-to-Date Fiscal 2020 Financial Summary

The results for the nine months ended September 30, 2020 include nine months of the business of General Photonics Corporation ("GP"), acquired in March 2019, compared to seven months for the prior-year period.

Highlights of the financial results for the nine months ended September 30, 2020 are:

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	Nine Months End	led September	30,		
(in thousands, except share and per share data)	 2020		2019	Change	
Revenues:					
Lightwave	\$ 39,837	\$	35,129	13	%
Luna Labs	16,929		15,907	6	%
Total revenues	56,766		51,036	11	%
Gross profit	28,830		24,795	16	%
Gross margin	51 %		49 %		
Operating expense	24,378		23,196	5	%
Operating income	 4,452	-	1,599	178	%
Operating margin	8 %		3 %	170	70
Other income and income tax benefit	 339		1,597	(79)	%
Net income from continuing operations	\$ 4,791	\$	3,196	50	%
Loss from discontinued operations, net of income tax of \$464	(1,436)		_		
Net income	\$ 3,355	\$	3,196	5 9	%
Diluted weighted average shares outstanding	32,478,625		31,768,575		
Net income per share from continuing operations (diluted)	\$ 0.15	\$	0.10	50	%
Adjusted EBITDA	\$ 8,803	\$	6,236	41	%

Lightwave revenues for the nine months ended September 30, 2020 increased compared to the prior-year period due to the inclusion of the incremental revenues associated with the acquired operations of GP, as well as increased revenues associated with our sensing business. Luna Labs revenues increased for the nine months ended September 30, 2020, compared to the prior period, due to growth in Phase 2 SBIR government research programs.

Operating income and margin improved to \$4.5 million and 8% of total revenues, respectively, for the nine months ended September 30, 2020, compared to \$1.6 million and 3% of total revenues, respectively, for the nine months ended September 30, 2019. The increase in operating income was primarily due to our revenue mix and operating expense leverage. The Lightwave division represented a larger portion of our total revenues and generally carries stronger margins.

Net income from continuing operations was \$4.8 million, or \$0.15 per fully diluted share, for the nine months ended September 30, 2020, compared to \$3.2 million, or \$0.10 per fully diluted share, for the nine months ended September 30, 2019, which included a \$1.3 million income tax benefit related to a reduction in deferred tax asset valuation allowances due to the GP acquisition. The increase in net income from continuing operations was primarily due to increased revenue and gross profit as well as operating expense leverage. Net income attributable to common stockholders for the nine months ended September 30, 2020, was \$3.4 million, or \$0.10 per fully diluted share, compared to \$2.9 million, or \$0.09 per fully diluted share, for the nine months ended September 30, 2019. The increase in net income attributable to common stockholders is primarily due to increased revenue and gross profit as well as operating expense leverage, partially offset by the loss from discontinued operations. The loss from discontinued operations was attributable to the resolution of a \$2.5 million indemnification claim related to the August 2017 sale of Luna's high-speed optical receivers (HSOR) business that was recorded in the first quarter of 2020. The resolution of the HSOR claim resulted in Luna receiving \$0.6 million from escrow and the buyer receiving \$1.9 million, net of a tax benefit of \$0.5 million.

2020 Full-Year Outlook

Luna is reaffirming its full-year guidance:

- · Total revenues of \$81M to \$83M
- · Adjusted EBITDA of \$10M to \$12M

COVID-19 Update

Luna continues to operate at its normal capacity with the well-being and safety of its workforce a priority and, to date, has not experienced any material impact related to COVID-19.

The company has a strong cash position and adequate access to capital. Cash and cash equivalents were \$26.4 million as of September 30, 2020, and in addition, Luna has access to its \$10 million revolving credit facility

The company continues to believe it is in a strong position to take advantage of trends such as 5G, lightweighting and infrastructure monitoring and that these trends will continue during and after the COVID-19 pandemic.

Luna's operations are deemed essential and continue to operate at normal capacity with necessary COVID-19 precautions. To date, the company has been able to mitigate disruptions to its supply chain.

An important part of Luna's sales effort has been done historically through a series of in-person tradeshows and conferences, none of which are currently taking place. Luna's successful shift to a robust online presence has, in many instances, improved engagement between Luna's sales force and its customers, allowing Luna to curate a specific message over a longer and more dedicated period of customer "face time". Yet, in-person meetings have historically been helpful in closing the sale. This has created a slight challenge around Luna's ability to forecast the exact timing of closing certain customer contracts and receiving purchase orders. Due to Luna's innovative, reliable products and its close customer relationships, the lack of in-person discussions has not, to date, had an adverse effect on the likelihood of obtaining the orders themselves.

Non-GAAP Financial Measures

In evaluating the operating performance of its business, Luna's management considers Adjusted EBITDA, which excludes certain charges and credits that are required by GAAP. Adjusted EBITDA provides 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 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 has 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, 2020. 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 1262746. 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 the aerospace and automotive industries. Luna is organized into two business segments, which work closely together to turn ideas into products: a Lightwave segment and a Luna Labs segment. 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 2020 financial results and outlook, the continuation of trends such as 5G, lightweighting and infrastructure monitoring, the potential impacts of the COVID-19 pandemic on its business, operations and financial results, and growth potential. 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 three and nine months ended September 30, 2020, 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)

James (Asset) Carba and aquivalents (Asset) \$		Septen	nber 30, 2020	December 31, 2019		
Carba and sepurivations \$ 26,42 \$ 5 26,02 26,0		(ui	naudited)			
Accoults receivable net 18,254 5,056 Accoults receivable from sale of HSOR business - 2,501 Contract assets 4,219 2,501 Inventory 11,713 10,224 Prepaid expenses and other current assets 53,367 5,811 Long-term contract assets 57 44 Long-term contract assets 57 44 Property and equipment, net 9,133 5 8,116 Condvill 10,542 10,542 10,542 Ober assets 7,855 2,311 3,66 Condvill 10,542 10,542 10,542 Ober assets 7,855 2,311 1,642 Ober assets 7,855 2,341 1,642 Tell assets 8 3,53 2,53 Tell assets 8 3,53 3,53 3,52 Accounts payable \$ 3,71 \$ 2,67 Accounts payable \$ 3,72 3,78 3,78 Accounts payable \$	Assets					
Accoulars needwable net 18,256 16,269 Receivable from sale of HSOR business — 2,50 Contract assets 4219 2,759 Inventory 11,713 10,249 Prepaid expenses and other current assets 3,366 58,165 Cong-term contract assets 577 449 Property and equipment, net 1,111 3,666 Condition 10,542 10,542 Condition 10,542 10,542 Other assets 10,542 10,542 Other assets 1,529 4,665 Other assets 1,529 4,665 Contract labilities 1,729 1,616 Total current asset 1,729 1,616 Accured labilities 5 5,832 5 3,65 Accured liabilities 7,751 1,729 3,88 Accured liabilities 7,751 1,724 3,88 Accured liabilities 7,751 1,724 3,88 Total Labilities 7,751 2,731 3						
Receivable from sale of HSOR busines 4.29 2.795 Contract assers 11,713 10,294 Inventory 11,713 10,294 Prepail expenses and other current assets 32,608 7,208 Total current assets 577 44,006 Long-term contract assets 577 4,940 Property and equipment, net 9,913 10,194 Goodwill 10,542 10,542 Officer asset 7,855 2,241 Officer asset 7,855 2,241 Everred tract asset 9,983 3 9,652 Everred tract asset 1,726 4,562 4,562 Total asset 5,958,30 5 36,52 4,562 Everred tract asset 1,726 1,516 4,562 <td>Cash and cash equivalents</td> <td>\$</td> <td>26,422</td> <td>\$</td> <td>25,006</td>	Cash and cash equivalents	\$	26,422	\$	25,006	
Contract asset			18,254			
Inventory 11,713 10,294 Prepaid expenses and other current assets 3,268 1,287 Total current assets 63,767 \$8,116 Long-tern contract assets 577 449 Property and equipment, net 511 3,466 Inangaliay assets, net 9,193 10,194 Cond-vill 1,652 1,512 Offer asset 1,729 1,416 Total asset 1,729 1,416 Total asset 1,729 8,552 Total sept 5 8,552 8,552 Total current labilities 3,171 \$ 2,752 Accrued labilities 3,171 \$ 2,752 3	Receivable from sale of HSOR business					
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Total current assets 63,876 58,116 Long-tern contract assets 577 449 Property and equipment, net 2,111 3,466 Intangible assets, net 9,193 10,194 Condwill 10,524 10,524 Oberassets 7,855 2,341 Deferred tax asset 1,729 1,416 Total assets 5 9,583 5 85,254 Total assets 1,729 1,416 1,729 1,416 1,729 1,416 1,729 1,416 1,729 1,416 1,729 1,416 1,729 1,416 1,729 1,416 1,729 1,416 1,729 1,416 1,729 1,416 1,729 1,416 1,729 1,416	Inventory				10,294	
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Intangible assets, net 9,193 10,194 Goodwill 10,542 10,542 Obber asset 7,855 2,341 Defend tax asset 1,729 1,416 Total asset 5 95,803 85,252 Liabilities Total properties Liabilities Total colspan="2">Total payable \$ 3,171 \$ 2,785 Accounts payable \$ 3,271 \$ 10,369 Contract liabilities \$ 3,271 \$ 2,375 \$ 10,369 Total current liabilities \$ 1,501 \$ 2,375	Long-term contract assets		577		449	
Godwill 10,524	Property and equipment, net		2,111		3,466	
Other assets 7,855 2,341 Defend tax asset 1,729 1,416 Total assets 9,898.3 86,524 Elabilities Use of the problems of the pro	Intangible assets, net		9,193		10,194	
Defered tax asset 1,729 1,416 Total asset 5 9,588 9 86,522 Liabilities authotholders' equity Liabilities authotholders' equity Cornet liabilities 3,172 \$ 2,787 Accound Jabilities 5 3,172 \$ 2,878 Contract liabilities 3,272 3,888 3,761 3,888 Total current liabilities 14,614 1,704 3,888 Other long-term liabilities 7,761 2,011 Other long-term liabilities 22,375 19,055 Total liabilities 22,375 19,055 Common stork, par value Suotin ingenties 3 2,271 Schetchelders' equity: 3 3 3 Conditional paid-in capital 4,666 4,637 Feetume 30, 2020 and December 31, 2019, respectively 3 3 3 Feetum 30, 2020 and December 31, 2019, respectively 3 3 3 3 Treasury stock at cost, 1,687,441 and 1,639,791 shares at September 30, 2020 and p	Goodwill				10,542	
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Liabilities	Deferred tax asset		1,729		1,416	
Liabilities: Current liabilities: \$ 3,17° \$ 2,08° Accrued liabilities 7,716 10,36° Contract liabilities 3,721 3,888 Total current liabilities 14,614 17,044 Orber long-tern liabilities 22,375 19,055 Commitments and contingencies 22,375 19,055 Commitments and contingencies Stockholders' equity: 3 3 Common stock, par value \$0,001, 100,000,000 shares authorized, 32,510,506 and 31,788,896 shares issued, 30,823,065 and 30,149,105 shares outstanding at September 30, 2020 and December 31, 2019, respectively 3 3 Treasury stock at cost, 1,687,441 and 1,639,791 shares at September 30, 2020 and December 31, 2019, respectively 4,666 4,337 Additional paid-in capital 91,034 8,022 Accumulated deficit 12,128 16,248 Total stockholders' equity 7,3508 6,7,469	Total assets	\$	95,883	\$	86,524	
Current liabilities: Accounts payable \$ 3,177 \$ 2,786 Accrued liabilities 7,716 10,369 3,888 10,201 3,221 3,888 3,888 10,201 14,614 17,044 17,044 0.001 1,045 2,011 2,011 0.001 1,045 2,011 0.001 0.0	Liabilities and stockholders' equity					
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Other long-term liabilities 7,761 2,011 Total liabilities 22,375 19,055 Commitments and contingencies 2 Stockholders' equity: 8 3	Contract liabilities		3,721		3,888	
Total liabilities 22,375 19,055 Commitments and contingencies 50 ckholders' equity: 50 ckholders' equity: 50 ckholders' equity: 33 32 Common stock, par value \$0,001, 100,000,000 shares authorized, 32,510,506 and 31,788,896 shares issued, 30,823,065 and 30,149,105 shares outstanding at September 30, 2020 and December 31, 2019, respectively 33 32 Treasury stock at cost, 1,687,441 and 1,639,791 shares at September 30,2020 and December 31, 2019, respectively 91,034 88,022 Accumulated deficit (12,89) (16,248) Total stockholders' equity 73,508 67,469	Total current liabilities		14,614		17,044	
Commitments and contingencies Stockholders' equity: Stockholders' equity. 3 32 Common stock, par value \$0.001, 100,000,000 shares authorized, 32,510,506 and 31,788,896 shares issued, 30,823,065 and 30,149,105 shares outstanding at September 30, 2020 and December 31, 2019, respectively 33 32 Treasury stock at cost, 1,687,441 and 1,639,791 shares at September 30, 2020 and December 31, 2019, respectively 91,034 88,022 Additional paid-in capital (12,89) (16,248) Accumulated deficit 73,508 67,469	Other long-term liabilities		7,761		2,011	
Stockholders' equity: Common stock, par value \$0.001, 100,000,000 shares authorized, 32,510,506 and 31,788,896 shares issued, 30,823,065 and 30,149,105 shares outstanding at September 30, 2020 and December 31, 2019, respectively 33 32 Treasury stock at cost, 1,687,441 and 1,639,791 shares at September 30, 2020 and December 31, 2019, respectively (4,666) (4,337) Additional paid-in capital 91,034 88,022 Accumulated deficit (12,89) (16,248) Total stockholders' equity 73,508 67,469	Total liabilities		22,375		19,055	
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September 30, 2020 and December 31, 2019, respectively 33 32 Treasury stock at cost, 1,687,441 and 1,639,791 shares at September 30, 2020 and December 31, 2019, respectively (4,666) (4,337) Additional paid-in capital 91,034 88,022 Accumulated deficit (12,893) (16,248) Total stockholders' equity 73,508 67,469	Stockholders' equity:					
Additional paid-in capital 91,034 88,022 Accumulated deficit (12,893) (16,248) Total stockholders' equity 73,508 67,469	Common stock, par value \$0.001, 100,000,000 shares authorized, 32,510,506 and 31,788,896 shares issued, 30,823,065 and 30,149,105 shares outstanding at September 30, 2020 and December 31, 2019, respectively		33		32	
Accumulated deficit (12,893) (16,248) Total stockholders' equity 73,508 67,469	Treasury stock at cost, 1,687,441 and 1,639,791 shares at September 30, 2020 and December 31, 2019, respectively		(4,666)		(4,337)	
Total stockholders' equity 73,508 67,499	Additional paid-in capital		91,034		88,022	
	Accumulated deficit		(12,893)		(16,248)	
	Total stockholders' equity		73,508		67,469	
	Total liabilities and stockholders' equity	\$	95,883	\$	86,524	

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

		Three Months Ended September 30,			Nine Months Ende	ed September 30,
		2020	2019		2020	2019
Revenues:						
Lightwave	\$	15,350	\$ 13,088	\$	39,837	\$ 35,129
Luna Labs		5,700	5,301		16,929	15,907
Total revenues		21,050	18,389		56,766	51,036
Cost of revenues:						
Lightwave		5,670	5,449		15,736	15,063
Luna Labs		4,431	3,665		12,200	11,178
Total cost of revenues		10,101	9,114		27,936	26,241
Gross profit		10,949	9,275		28,830	24,795
Operating expense:					,	
Selling, general and administrative		6,505	5,746		19,085	17,955
Research, development and engineering		1,616	2,047		4,717	5,241
Loss on sale of property and equipment		576			576	
Total operating expense		8,697	7,793		24,378	23,196
Operating income		2,252	1,482		4,452	1,599
Other income/(expense):						
Investment income		1	76		65	324
Other income/(expense)		14	1		19	(5)
Interest expense		(1)	(4)		(2)	(15)
Total other income		14	73		82	304
Income from continuing operations before income taxes		2,266	1,555		4,534	1,903
Income tax (benefit)/expense		(836)	325		(257)	(1,293)
Net income from continuing operations		3,102	1,230		4,791	3,196
Loss from discontinued operations, net of income tax of \$464		_	_		(1,436)	_
Net income		3,102	1,230		3,355	3,196
Preferred stock dividend		_	113		_	285
Net income attributable to common stockholders	\$	3,102	\$ 1,117	\$	3,355	\$ 2,911
Net income per share from continuing operations:						
Basic	\$	0.10	\$ 0.04	\$	0.16	\$ 0.11
Diluted	\$	0.10	\$ 0.04	\$	0.15	\$ 0.10
Net loss per share from discontinued operations:				<u> </u>		
Basic	\$	_	\$ —	\$	(0.05)	s –
Diluted	<u> </u>		<u>\$</u>	•		-
	3		<u> </u>	\$	(0.04)	<u>\$</u>
Net income per share attributable to common stockholders:	*	0.40			0.44	
Basic	\$	0.10	\$ 0.04	\$		\$ 0.10
Diluted	<u>\$</u>	0.10	\$ 0.03	\$	0.10	\$ 0.09
Weighted average shares:						
Basic		30,809,896	28,291,297		30,593,954	28,193,330
Diluted		32,411,086	32,115,847		32,478,625	31,768,575

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

Aljasments to recordie nei income to net ash provided by operating activities	(iii tilousu	nus)		
Cash flows provided by operating activities 8 3.5 5.5 Nic income \$ 3.55 \$ 3.55 \$ 3.55 Adjustments to reconcile net income to net cash provided by operating activities 2 Depreciation and amortization 1.538 1.140 Shart-based compensation 1.538 1.140 Bad debt expense 1.576 ————————————————————————————————————			Nine Months Ende	d September 30,
Net nome \$ 3.55 \$ 3.98 Adjustments reconcile net income to net cash provided by operating activities Temperature of the provided by operating activities 1.335 1.385 Shar-based compensation 1.573 1.385 1.144 1.285 1.147 2 1.486 1.147 2 1.486 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.488 3 3.586 3.586 3.586 3.586 3.186 3.686 </th <th></th> <th></th> <th>2020</th> <th>2019</th>			2020	2019
Net nome \$ 3.55 \$ 3.98 Adjustments reconcile net income to net cash provided by operating activities Temperature of the provided by operating activities 1.335 1.385 Shar-based compensation 1.573 1.385 1.144 1.285 1.147 2 1.486 1.147 2 1.486 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.486 2 1.488 3 3.586 3.586 3.586 3.586 3.186 3.686 </td <td>Cash flows provided by operating activities</td> <td></td> <td></td> <td></td>	Cash flows provided by operating activities			
Depreciation and amoritation 2,126 1,335 Sharb-abed compensation 1,536 1,140 Bad debt expense 147 — Loss on sale of property and equipment 576 — Loss from discontinued operations, net of tax 1,436 — Deterred taxes (313) — Tax benefit from release of valuation allowance (389) — Change in assets and liabilities (1,589) (1,106 Accounts receivable (1,589) (1,106 Inventory (1,491) (73 Other current assets (1,982) (74 Other long term assets (1,982) (74 Other long term assets (1,491) (1,411) Contract liabilities (166) 747 Net cash provided by operating activities (1,491) (1,411) Contract liabilities (1,691) (1,411) Contract liabilities (1,691) (1,411) Contract liabilities (1,692) (74 Ret cash provided by operating activities (2,102)		\$	3,355	\$ 3,196
Shre-based compesation 1,548 1,140 Bald debt expense 1,47 — Loss on sale of property and equipment 5,76 — Loss from discontinued operations, net of tax 1,436 — Deferred taxes (3,13) — Tax benefit from release of valuation allowance (3,13) — Change in assess and liabilities (2,13) (2,238 Accounts receivable (1,159) (1,106 Contract assess (1,49) (3,73 Other current assets — (39 Other current assets — (39 Accounts payable and accrued expenses (1,48) (1,149 Other current assets — (39 Accounts payable and accrued expenses (1,48) (1,419 Net cash provided by operating activities 9 (1,58) Accounts payable and accrued expenses (2,2) (50 Accounts payable and accrued expenses (4,2) (50 Acta bit on protective by operating activities (2,2) (50 Interpretain to protec	Adjustments to reconcile net income to net cash provided by operating activities			
Bal deht expense 147 Los on sale of property and equipment 576 Los from discontinued operations, net of tax 1,436 Deferred taxes 1,436 Tax benefit from release of valuation allowance - (1,889 Change in assets and liabilities (2,131) (2,238 Accounts receivable (1,89) (1,106 (33 Chortract assets (1,892) (74 (33 (4,109) (30 (32 (34) (4,109) (30 (32 (34)	Depreciation and amortization		2,126	1,835
Loss on sale of property and equipment	Share-based compensation		1,538	1,140
Loss from discontinued operations, net of tax	Bad debt expense		147	_
Deferred taxes	Loss on sale of property and equipment		576	_
Tax benefit from release of valuation allowance — (1,889 Change in assets and liabilities (2,131) (2,238 Accounts receivable (1,589) (1,106) Contract assets (1,589) (1,106) Other current assets (1,582) (74 Other long term assets (1,582) (74 Accounts payable and accrued expenses (1,481) (114 Accounts payable and accrued expenses (1,481) (114 Net cash provided by operating activities 97 1,085 Cash lows provided by (used in) investing activities 97 1,085 Cash (1,482) (501) (501) Intangible property costs (221) (502) Intangible property costs (221) (192 Proceeds from sale of property and equipment 403 — Proceeds from sale of property and equipment 403 — Proceeds from sale of property and equipment 290 (19,034) Actaction for sale of discontinued operations 600 — Actach provided by/(used in) investing activities 99	Loss from discontinued operations, net of tax		1,436	_
Change in assets and liabilities (2,131) (2,238) Accounts receivable (1,589) (1,140) (2,738) (1,140) (73 Contract assets (1,982) (74 (73 (74	Deferred taxes		(313)	_
Accounts receivable (2,131) (2,238) Contract assets (1,596) (1,106) Other current assets (1,982) (74 Other long term assets (1,982) (74 Other long term assets (1,481) (1,1481) Accounts payable and accrued expenses (1,661) 747 No cash provided by operating activities 97 1,065 Contract liabilities (666) 747 No teash provided by operating activities (166) 747 Acquisition of property and equipment (422) (501 Intangible property costs (291) (192) Proceeds from sale of property and equipment 403 —— Proceeds from sale of property and equipment 600 — Proceeds from sale of idiscontinued operations 500 — Acquisition of General Photonics Corporation 500 — Net cash provided by/(used in) linearing activities 309 (2,720 Cash flows provided by/(used in) financing activities 309 (2,720 Payments of debt obligations 309 <td>Tax benefit from release of valuation allowance</td> <td></td> <td>_</td> <td>(1,889)</td>	Tax benefit from release of valuation allowance		_	(1,889)
Contract assets (1,568) (1,106 Inventory (1,419) (73 Other current assets (1,62) (74 Other long term assets - (339 Accounts payable and accrued expenses (1,481) (114 Contract liabilities (166) 747 Net cash provided by operating activities 97 1,065 Cash flows provided by fused in investing activities (22) (501 Acquisition of property and equipment (422) (501 Intaggible property costs (291) (192 Proceeds from sale of objectry and equipment 600 — Proceeds from sale of property and equipment 600 — Proceeds from sale of property and equipment 600 — Proceeds from sale of objective du juinesting activities 29 (19,604 Cash provided by/(used in) investing activities 30 (27 Payments of deneral Photonics Corporation 600 — (20 Cash flows provided by/(used in) financing activities 30 (27 Payments of det obligations <td>Change in assets and liabilities</td> <td></td> <td></td> <td></td>	Change in assets and liabilities			
Inventory	Accounts receivable		(2,131)	(2,238)
Other current assets (1,982) (74 Other long term assets - (339) Accounts payable and accrued expenses (1,644) (114 Contract liabilities (166) 747 Net cash provided by operating activities 97 1,085 Acquisition of property and equipment (422) (501 Intagible property costs 403 - Proceeds from sale of property and equipment 403 - Proceeds from sale of property and equipment 600 - Proceeds from sale of property and equipment 600 - Acquisition of General Photonics Corporation 50 1,9,04 Net cash provided by/(used in) investing activities 290 (19,004 Repurchase provided by/(used in) financing activities 39 27 Payments on finance lease obligations 39 27 Repurchase of common stock 39 2,220 Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,294 2,434 Net cash provided b	Contract assets		(1,589)	(1,106)
Other long term assets — (339 Accounts payable and accrued expenses (1,481) (1144) Counts fabilities (166) 7-47 Net cash provided by operating activities	Inventory		(1,419)	(73)
Accounts payable and accrued expenses (1,481) (114 Contract liabilities (166) 747 Net cash provided by operating activities 379 1,085 Cash flows provided by/(used in) investing activities 380 380 Cash flows provided by/(used in) investing activities (122) (501 Intagible property costs (423) (521) (1904) Proceeds from sale of property and equipment (403) —— Proceeds from sale of discontinued operations (403) —— Acquisition of General Photonics Corporation (400) —— —— Acquisition of General Photonics Corporation (400) —— —— —— <th< td=""><td>Other current assets</td><td></td><td>(1,982)</td><td>(74)</td></th<>	Other current assets		(1,982)	(74)
Contract liabilities (166) 747 Net cash provided by operating activities 747 Cash flows provided by/(used in) investing activities 87 1,085 Acquisition of property and equipment (422) (501 1,012 Intagible property costs (403)	Other long term assets		_	(339)
Net cash provided by operating activities 97 1,085 Cash flows provided by/(used in) investing activities Cash (422) (501) Acquisition of property and equipment (422) (501) Intangible property costs (491) (192) Proceeds from sale of property and equipment 403 —— Proceeds from sale of discontinued operations 600 —— Acquisition of General Photonics Corporation 290 (19,004) Net cash provided by/(used in) investing activities 290 (19,004) Cash flows provided by/(used in) financing activities 803 27 Payments on finance lease obligations 39 2,7 Repurchase of common stock 39 2,220 Proceeds from the exercise of options and warrants 39 2,220 Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,397 438 Vet increase/(decrease) in cash and cash equivalents 25,006 2,436	Accounts payable and accrued expenses		(1,481)	(114)
Cash flows provided by/(used in) investing activities Acquisition of property and equipment (422) (501 Intangible property costs (491) (192 Proceeds from sale of property and equipment 403 — Proceeds from sale of discontinued operations 600 — Acquisition of General Photonics Corporation – (19,004 Net cash provided by/(used in) investing activities 290 (19,697 Cash flows provided by/(used in) financing activities 39 (27 Payments on finance lease obligations (329) (2,720 Repurchase of common stock (329) (2,220 Proceeds from the exercise of options and warrants (329) (2,220 Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,029 (2,434 Vet increase/(decrease) in cash and cash equivalents-beginning of period 25,006 42,460	Contract liabilities		(166)	747
Acquisition of property and equipment (422) (501 Intangible property costs (291) (192) Proceeds from sale of property and equipment (433) — Proceeds from sale of discontinued operations 600 — Acquisition of General Photonics Corporation 290 (19,004 Net cash provided by/(used in) investing activities 290 (19,604 Payments on finance lease obligations (39) (27 Payments of debt obligations (39) (27 Repurchase of common stock (39) (2,220 Proceeds from the exercise of options and warrants (39) (2,220 Proceeds from the exercise of options and warrants (39) (2,220 Vet increase/(decrease) in cash and cash quivalents 1,397 438 Vet increase/(decrease) in cash and cash quivalents-beginning of period 25,006 42,406	Net cash provided by operating activities		97	1,085
Intangible property costs (991) (192 Proceeds from sale of property and equipment 403 — Proceeds from sale of discontinued operations 600 — Acquisition of General Photonics Corporation — (19,004 Net cash provided by/(used in) investing activities — (29) (19,697 Cash flows provided by/(used in) financing activities — (625 Payments on finance lease obligations — (625 Repurchase of common stock — (625 Repurchase of common stock — (625 Proceeds from the exercise of options and warrants — (625 A step convided by/(used in) financing activities — (625 Repurchase of common stock — (625 Repurchase of provided by/(used in) financing activities — (625 A step converted activities — (625 A step converted activities — (625 A step converted by/(used in) financing activities — (625 A step converted by/(used in) financing activities — (625	Cash flows provided by/(used in) investing activities			
Proceeds from sale of property and equipment 403 — Proceeds from sale of discontinued operations 600 — Acquisition of General Photonics Corporation — (19,004 Net cash provided by/(used in) investing activities 290 (19,697 Cash flows provided by/(used in) financing activities — (625 Payments on finance lease obligations — (625 Repurchase of common stock (329) (2,220 Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,029 (2,434 Vet increase/(decrease) in cash and cash equivalents-beginning of period 25,006 42,460	Acquisition of property and equipment		(422)	(501)
Proceeds from sale of discontinued operations 600 ————————————————————————————————————	Intangible property costs		(291)	(192)
Acquisition of General Photonics Corporation — (19,004 Net cash provided by/(used in) investing activities 290 (19,697 Cash flows provided by/(used in) financing activities — (27 Payments on finance lease obligations (39) (27 Payments of debt obligations — (625 Repurchase of common stock (329) (2,220 Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,029 (2,234 Vet increase/(decrease) in cash and cash equivalents 1,161 (21,046 Cash and cash equivalents-beginning of period 25,006 42,460	Proceeds from sale of property and equipment		403	_
Net cash provided by/(used in) investing activities 290 (19,697 Cash flows provided by/(used in) financing activities 3 (27 Payments on finance lease obligations — (625 Payments of debt obligations — (625 Repurchase of common stock (329) (2,220 Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,029 (2,434 Vet increase/(decrease) in cash and cash equivalents 1,146 (21,046 Cash and cash equivalents-beginning of period 25,006 42,460	Proceeds from sale of discontinued operations		600	_
Cash flows provided by/(used in) financing activities 3 2 Payments on finance lease obligations (39) (27 Payments of debt obligations (329) (2,220 Repurchase of common stock (329) (3,230) Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,029 (2,434 Vet increase/(decrease) in cash and cash equivalents 1,1416 (21,046 Cash and cash equivalents-beginning of period 25,006 42,460	Acquisition of General Photonics Corporation		_	(19,004)
Payments on finance lease obligations (39) (27 Payments of debt obligations — (625 Repurchase of common stock (329) (2,220 Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,029 (2,434 Vet increase/(decrease) in cash and cash equivalents 1,146 (21,046 Cash and cash equivalents-beginning of period 25,006 42,460	Net cash provided by/(used in) investing activities		290	(19,697)
Payments of debt obligations — (625 Repurchase of common stock (329) (2,220 Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,029 (2,434 Net increase/(decrease) in cash and cash equivalents 1,1416 (21,046 Cash and cash equivalents-beginning of period 25,006 42,460	Cash flows provided by/(used in) financing activities			
Repurchase of common stock (329) (2,220 Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,029 (2,434 Net increase/(decrease) in cash and cash equivalents 1,146 (21,046 Cash and cash equivalents-beginning of period 25,006 42,460	Payments on finance lease obligations		(39)	(27)
Proceeds from the exercise of options and warrants 1,397 438 Net cash provided by/(used in) financing activities 1,029 2,434 Net increase/(decrease) in cash and cash equivalents 1,416 (21,046 Cash and cash equivalents-beginning of period 25,006 42,460	Payments of debt obligations		_	(625)
Net cash provided by/(used in) financing activities 1,029 (2,434 Net increase/(decrease) in cash and cash equivalents 1,416 (21,046 Cash and cash equivalents-beginning of period 25,006 42,460	Repurchase of common stock		(329)	(2,220)
Net increase/(decrease) in cash and cash equivalents 1,416 (21,046 Cash and cash equivalents-beginning of period 25,006 42,460	Proceeds from the exercise of options and warrants		1,397	438
Cash and cash equivalents-beginning of period 25,006 42,460	Net cash provided by/(used in) financing activities		1,029	(2,434)
Cash and cash equivalents-beginning of period 25,006 42,460	Net increase/(decrease) in cash and cash equivalents		1,416	(21,046)
Cash and cash equivalents-end of period \$ 26.422 \$ 21.414	Cash and cash equivalents-beginning of period		25,006	42,460
	Cash and cash equivalents-end of period	\$	26,422	\$ 21,414

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

		Three Months En	ded Septembe	r 30,	Nine Months End	tember 30,	
		2020		2019	2020		2019
Net income	\$	3,102	\$	1,230	\$ 3,355	\$	3,196
Loss from discontinued operations, net of tax				<u> </u>	(1,436)		<u> </u>
Net income from continuing operations	· ·	3,102		1,230	4,791		3,196
Interest expense		1		4	2		15
Investment income		(1)		(76)	(65)		(324)
Income tax (benefit)/expense		(836)		325	(257)		(1,293)
Depreciation and amortization		762		669	2,126		1,835
EBITDA		3,028		2,152	6,597		3,429
Share-based compensation		571		420	1,538		1,140
Non-recurring charges (1)		668		_	668		942
Amortization of inventory step-up		_		311	_		725
Adjusted EBITDA	\$	4,267	\$	2,883	\$ 8,803	\$	6,236

⁽¹⁾ Non-recurring charges consist of transaction and moving related expenses for the sale of property and equipment during the three and nine months ended September 30, 2020 and transaction related expenses for the acquisition of General Photonics during the nine months ended September 30, 2019.



Third-quarter Fiscal 2020 Earnings Investor Supplemental Materials

November 9, 2020

Safe Harbor

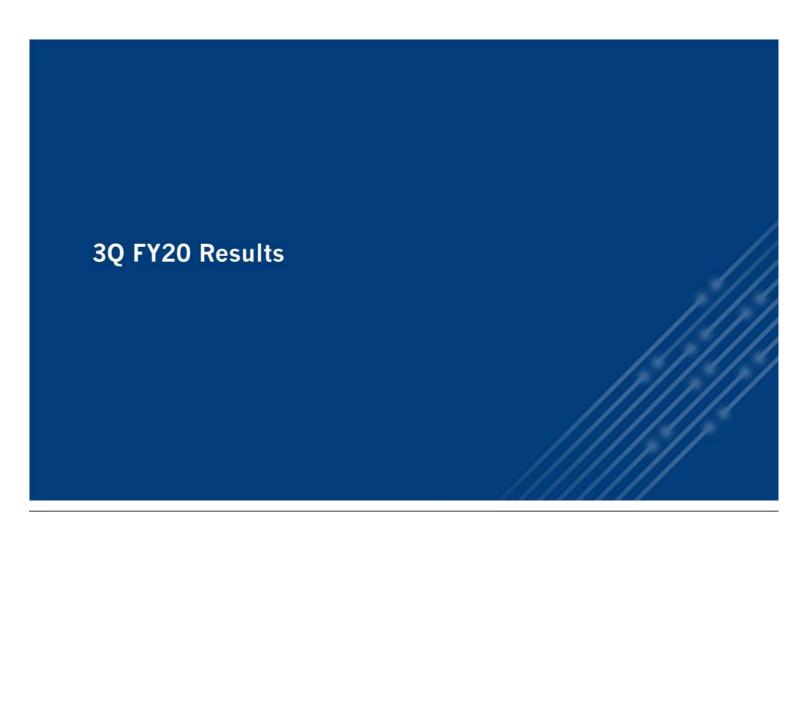
Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

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 2020 guidance, and the potential demand for its products, the company's growth potential, its balance sheet and capitalization and access to capital, its technological advantages, the potential impacts of the COVID-19 pandemic on its business, operations and financial results, its strategic position, corporate culture, operational efficiency and market trends. 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 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 9, 2020, 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.

NASDAQ: LU Luna Innovations Incorporated® 20



Third-quarter 2020: Key Financial Results

- Strong financial performance:
 - \$1.4M improvement in Adjusted EBITDA¹ year-over-year
- Total revenues of \$21.1M; up 14% year-over-year:
 - Lightwave revenue of \$15.4M; up 17% year-over-year
 - Luna Labs revenue of \$5.7M; up 8% year-over-year
- Operating income improved to \$2.3M, or <u>11% of total revenues</u>, in Q3 2020 from \$1.5M, or 8% of total revenues, in Q3 2020 due to increased revenue and gross profit as well as improved operating expense leverage
- Net income of \$3.1M, or \$0.10 per fully diluted share, for the three months ended September 30, 2020, compared to \$1.2M, or \$0.04 per fully diluted share, for the three months ended September 30, 2019
- Adjusted EBITDA¹ increased to \$4.3M for the three months ended September 30, 2020, compared to \$2.9M for the three months ended September 30, 2019
- Reaffirmed 2020 outlook \$81 to \$83M in total revenues and \$10 to \$12M in Adjusted EBITDA

1Adj EBITDA is a non-GAAP measure. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix to this presentation

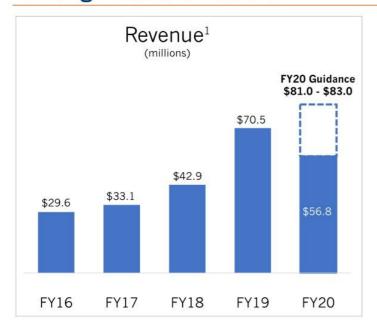
NASDAQ: LL Luna Innovations Incorporated® 2

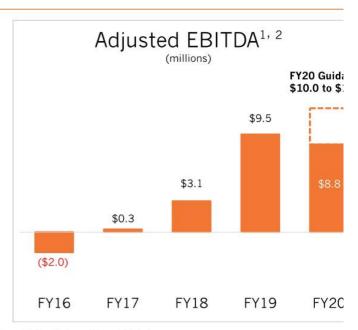
Third-quarter 2020 and Other Recent Accomplishments

- Reported strong third-quarter 2020 financial results in challenging COVID environment
- Acquired New Ridge Technologies
 - Brings advanced measurement capabilities to our communications test portfolio
- Hired key positions in operations and corporate shared services
- Held 9 customer-facing technology educational webinars: ~1,300 live attendees and more 1,400 leads
- Progressing towards NetSuite go-live in Q1 2021
- Continued to monitor employee feedback with a focus on safety and well-being
- Consolidated Luna Labs facility footprint to increase division efficiency and drive collabora and growth
- Selected by Lockheed Martin as the supplier of corrosion sensors for NASA's Artemis miss



Strong Financial Results





¹ Based on management's estimates of the impact from the divestiture of Optoelectronics. Includes the acquisitions of Micron Optics and General Photonics.

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

NASDAQ: LU Luna Innovations Incorporated® 20

A Flexible Balance Sheet and Strong Cash Position

- Strong balance sheet on September 30, 2020:
 - \$95.9M in total assets
 - \$26.4M in cash and cash equivalents
 - \$49.3M in working capital
- Access to \$10M revolving credit facility, if needed
- Continued focus on working capital and reinvestment in business in order to generate long-term sustainable growth

NASDAQ: LU

COVID-19 Business Update

- Took immediate action to create a safer work environment, including open and frequent communication with employees regarding benefits, resources and safety information
- No staff reduction to date; none anticipated
- Continued focus on building sales pipeline and interacting with customers through frequent videoconferencing calls, virtual sales conference, tradeshows and Luna-hosted product educatio webinars
- Strong cash position; adequate access to capital
- Well positioned to take advantage of continued strong trends in 5G, lightweighting and infrastructure monitoring
- Continue to be as transparent as possible through pandemic and to keep stakeholders apprised publicly, of significant operation and financial shifts

NASDAQ: LU Luna Innovations Incorporated® 20

2020 Financial Outlook

- Maintaining FY2020 outlook:
 - Total revenues of \$81M to \$83M
 - Adjusted EBITDA¹ of \$10M to \$12M

NASDAQ: LU Luna Innovations Incorporated® 20

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 future acquisitions, divestitures, or unanticipated events.

Compelling business model with strong growth potential

Revenue Growth



Organic Growth: Mid-to High-teens

Lightwave = 18% to 20% Luna Labs = 6% to 8%

Strategic M&A

Within core focus and accretive

Margin Expansion



Gross Margin

Increase 75-100 bps annually

Operating Margin

Increase ~250 bps annually

Shareholder Return

Cash Generation

Increasing AEBITDA

Non-GAAP EPS

Double-digit annual growth

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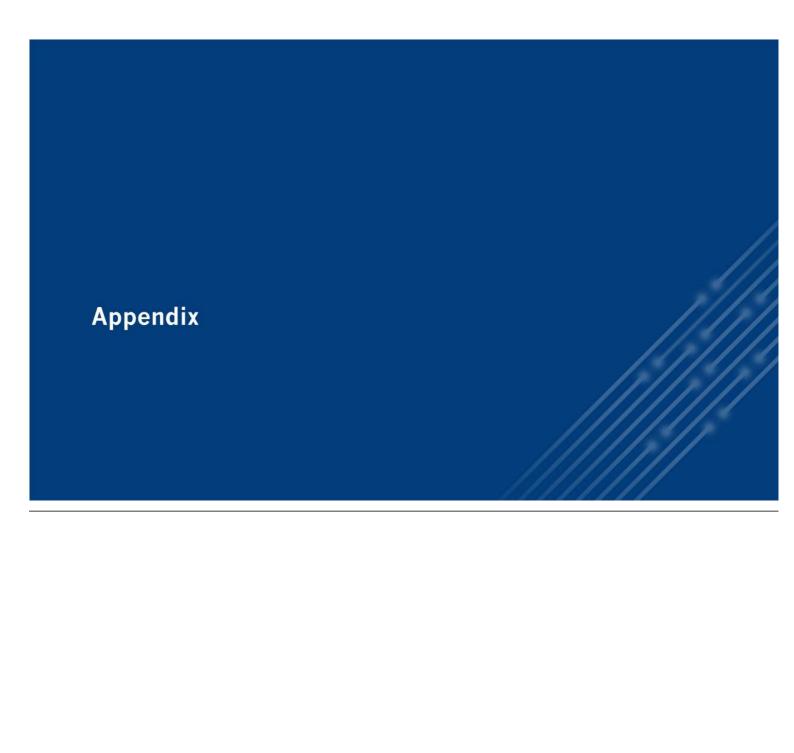
Luna – Enabling the Future with Fiber

- Proprietary, measurement technology, offering unprecedented combination of resolution, accuracy and speed
- Customers in attractive markets: Military and Defense, Communications, Infrastructure, Energy, and Automotive
- Positioned to take advantage of trends such as vehicle lightweighting 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



Overview

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Reconciliation of Net Income to Adjusted EBITDA

	1	Three Mor Septem		0.100.700.00		Nine Mon Septem	Carrie III and	CANADATOR CO.
		2020	18	2019		2020		2019
		(Unau	dited			(Unau	dited))
Reconciliation of EBITDA and Adjusted EBITDA		5-1		<u> </u>		CALCIUM I		
Net income	\$	3,102	\$	1,230	\$	3,355	\$	3,19
Loss from discontinued operations, net of income tax benefit of \$464		-		-		1,436		-
Net income from continuing operations		3,102		1,230		4,791		3,19
Interest expense		1		4		2		1
Investment income		(1)		(76)		(65)		(32
Income tax expense/(benefit)		(836)		325		(257)		(1,29
Depreciation and amortization		762	25	669	25	2,126		1,83
EBITDA		3,028	-	2,152	00	6,597	(6)	3,42
Share-based compensation		571		420		1,538		1,14
Non-Recurring Charges (1)		696		-		696		94
CFO Severance		(28)		-		(28)		-
Amortization of Inventory Step-up		-		311		-		72
Adjusted EBITDA	\$	4,267	\$	2,883	\$	8,803	\$	6,23

⁽¹⁾ Non-recurring charges consist of the following: 2020) footprint consolidation 2019) transaction expenses related to the acquisition of General Photonics.

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Reconciliation of Net Income to Adjusted EBITDA: Full Year

				Year Ended D	December	31,	
	_			(unau	dited)		
		2016		2017		2018	2019
Reconciliation of EBITDA and Adjusted EBITDA					-		
Net (loss)/income	\$	(2,370)	\$	14,615	\$	11,004	\$ 5,3
Less: income from discontinued operations, net of income taxes		300		15,866		9,766	
Net income from continuing operations		(2,670)	235	(1,251)		1,238	5,34
Interest expense		319		217		124	
Investment income		-		-		(549)	(39
Income tax (benefit)/expense		(135)		(1,148)		48	(1,6
Depreciation and amortization		1,466		1,137		908	2,50
EBITDA		(1,020)		(1,045)		1,769	5,83
Share-based compensation		860		715		628	1,54
Non-Recurring Charges (1)		=		596		751	1,39
Amortization of Inventory Step-up		<u> </u>	(0	-		=	 7:
Adjusted EBITDA	\$	(160)	\$	266	\$	3,148	\$ 9.47

(1) Non-recurring charges include the following: 2017) CEO separation costs and other share-based compensation; 2018) Transaction-related expenses associated with the acquisition of Micron Optics. Inc.: 2019) Transaction related expenses and inventory step-up amortization relate to General Photonics acquisition and CFO transition expenses

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New Segment Quarterly Results

	(in thousands) Three Months Ended										
	June	e 30, 2019	Septem	ber 30, 2019 A	Decem	nber 31, 2019	Mare	ch 31, 2020	Jun	e 30, 2020	September 3
Revenues:											
Lightwave	\$	12,523	\$	13,088	\$	13,988	\$	11,554	\$	12,933	\$
Luna Labs		5,291		5,301		5,492		5,587		5,642	
Total revenues		17,814		18,389		19,480		17,141		18,576	
Cost of revenues:											
Lightwave		5,334		5,449		5,070		4,885		5,181	
Luna Labs		3,728		3,665		4,022		3,892		3,878	
Total cost of revenues		9,062		9,114		9,092		8,777		9,059	
Gross Profit		8,752		9,275		10,388	2	8,364		9,517	. To
Operating expense:											
Selling, general and administrative		6,003		5,745		6,416		6,377		6,202	
Research, development and engineering		1,735		2,048		2,255		1,597		1,505	
Loss on sale of property and equipment		_		-				-		-	
Total operating expense	-	7,738	<u> </u>	7,793		8,671	8	7,974		7,707	
Operating income	\$	1,014	\$	1,482	\$	1,717	\$	390	\$	1,810	\$

A The Company revised its results for the three months ended September 30, 2019. The Company has concluded these adjustments are not material individually or in the aggregate.

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