
**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): May 8, 2019

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))

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.

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 |

Item 2.02. Results of Operations and Financial Condition

On May 8, 2019, Luna Innovations Incorporated (the “Company”) issued a press release announcing its financial results for the quarter ended March 31, 2019, as well as information regarding a conference call to discuss these financial results. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Also on May 8, 2019, 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.

| <u>Exhibit</u> | <u>Description</u> |
|----------------|---|
| 99.1 | Press Release, dated May 8, 2019, by Luna Innovations Incorporated. |
| 99.2 | Company Presentation. |

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. Graeff
Scott A. Graeff
President and Chief Executive Officer

Date: May 8, 2019



Luna Innovations Reports Strong First-Quarter 2019 Results

Highlights

- **Total revenues of \$14.8 million for the three months ended March 31, 2019, up 69% compared to the three months ended March 31, 2018**
- **Products and licensing revenues of \$8.2 million for the three months ended March 31, 2019, up 98% compared to the three months ended March 31, 2018**
- **Net income was \$1.1 million, or \$0.03 per fully diluted share, for the three months ended March 31, 2019, compared to \$0.1 million, or \$0.00 per fully diluted share, for the three months ended March 31, 2018**
- **Adjusted EBITDA improved to \$1.0 million for the three months ended March 31, 2019, compared to a loss of \$(0.1) million for the three months ended March 31, 2018**
- **Reaffirms 2019 outlook**

(ROANOKE, VA, May 8, 2019) - Luna Innovations Incorporated (NASDAQ: LUNA), a global leader in advanced optical technology, today announced its financial results for the three months ended March 31, 2019.

"I continue to be proud of the Luna team and how we've driven performance and delivered such a strong first quarter," said Scott Graeff, President and Chief Executive Officer of Luna. "We continue to build on the momentum we gained in 2018. The Luna team, through all levels of this organization, demonstrated leadership and delivered outstanding customer service, all while closing sales and filling the pipeline. Integration of the Micron Optics and General Photonics acquisitions is going smoothly. It is clear that we acquired excellent talent, strong capabilities and assets that are both strategic and synergistic. In addition, performance in Adjusted EBITDA is a good demonstration of the accretion delivered by our recent acquisitions. Overall, this is a great start to our fiscal 2019."

First-quarter Fiscal 2019 Financial Summary

Financial results for the three months ended March 31, 2019 reflect strong momentum entering the fiscal year. These results include a full quarter of the business of Micron Optics, Inc. ("MOI"), acquired in October 2018, and one month of the operations of General Photonics ("GP"), acquired on March 1, 2019. Revenue and expenses

related to the Company's optoelectronics business, which was divested in July 2018, are classified as discontinued operations in the Company's results of operations for the three months ended March 31, 2018:

| | Three Months Ended March 31, | | Change |
|------------------------|------------------------------|--------------|---------|
| | 2019 | 2018 | |
| Revenues: | | | |
| Technology development | \$ 6,640,743 | \$ 4,636,776 | 43.2% |
| Products and licensing | \$ 8,192,375 | \$ 4,131,754 | 98.3% |
| Total revenues | \$ 14,833,118 | \$ 8,768,530 | 69.2% |
| Gross profit | \$ 6,767,634 | \$ 3,839,626 | 76.3% |
| Gross margin | 45.6% | 43.8% | 180 bps |
| Operating expense | \$ 7,665,211 | \$ 4,213,082 | 81.9% |
| Operating loss | \$ (897,577) | \$ (373,456) | 140.3% |
| Net income | \$ 1,125,879 | \$ 148,676 | \$1.0M |
| Adjusted EBITDA | \$ 958,810 | \$ (52,339) | \$1.0M |

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

Products and licensing revenue for the three months ended March 31, 2019, increased compared to the prior year period due partially to the inclusion of incremental revenues from the acquisitions of both MOI in October 2018 and GP at the beginning of March 2019. In addition, products and licensing revenue benefited from continued growth in sales of Luna's fiber optic-based sensing products, including its ODISI products. Technology development revenues increased for the three months ended March 31, 2019, compared to the prior-year period due to growth in various government research programs surrounding applications of optical sensing and advanced materials and Luna's success in winning related research contracts.

The increase in operating expenses was due primarily to \$0.9 million in transaction-related costs associated with the acquisition of GP and \$1.8 million of expenses associated with the operations of MOI and GP. Neither of these acquisitions were present in the first quarter of 2018.

Pre-tax loss from continuing operations increased to \$(0.7) million for the three months ended March 31, 2019, compared to \$(0.3) million for the prior year fiscal quarter due primarily to transaction-related expenses associated with the acquisition of GP.

Income tax benefit for the three months ended March 31, 2019, was due to a one-time non-cash benefit resulting from a reduction in the valuation allowance associated with the company's net deferred tax asset following the acquisition of GP.

Net income attributable to common stockholders for the three months ended March 31, 2019, was \$1.0 million, or \$0.03 per fully diluted share, compared to net income attributable to common stockholders of \$0.1 million, or \$0.00 per fully diluted share, for the three months ended March 31, 2018. The increase in net income attributable to common stockholders was driven by improved overall performance and included the \$1.9 million income tax benefit from the release of valuation allowance, partially offset by \$0.9 million of transaction-related costs associated with the acquisition of GP. Net income attributable to common stockholders for the three months ended March 31, 2019, also included \$0.5 million of non-cash expenses for share-based compensation and amortization of intangible assets associated with the acquisitions of MOI and GP.

Adjusted EBITDA was \$1.0 million for the three months ended March 31, 2019, compared to \$(0.1) million for the three months ended March 31, 2018.

2019 Full-year Outlook:

Luna reaffirms:

- Total revenues in the range of \$60 million to \$65 million for full fiscal 2019; and
- Adjusted EBITDA in the range of \$6.0 million to \$6.5 million for full fiscal 2019.

Luna is not providing an outlook for net income, which is the most directly comparable generally accepted accounting principles ("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, amortization of acquired intangible assets, 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, 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 months ended March 31, 2019. The call can be accessed by dialing 844.578.9643 domestically or 270.823.1522 internationally prior to the start of the call. The participant access code is 5299635. Investors are advised to dial in at least five minutes prior to the call to register. The conference call will also be webcast live over the Internet. The webcast can be accessed by logging on to the "Investor Relations" section of the Luna website, www.lunainc.com, prior to the event. The webcast will be archived under the "Webcasts and Presentations" section of the Luna website for at least 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 Technology Development segment and a Products and Licensing 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 the integration of its recent acquisitions of MOI and GP, its projected 2019 financial results, and its business focus. 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 and those risks and uncertainties set forth in Luna's Form 10-K for the year ended December 31, 2018, 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 Contacts:

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Luna Innovations Incorporated

Luna Innovations Incorporated

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Luna Innovations Incorporated
Consolidated Statements of Operations

| | Three Months Ended March 31, | |
|--|------------------------------|-------------------|
| | 2019 | 2018 |
| | (unaudited) | |
| Revenues: | | |
| Technology development | \$ 6,640,743 | \$ 4,636,776 |
| Products and licensing | 8,192,375 | 4,131,754 |
| Total revenues | <u>14,833,118</u> | <u>8,768,530</u> |
| Cost of revenues: | | |
| Technology development | 4,816,146 | 3,353,501 |
| Products and licensing | 3,249,338 | 1,575,403 |
| Total cost of revenues | <u>8,065,484</u> | <u>4,928,904</u> |
| Gross profit | <u>6,767,634</u> | <u>3,839,626</u> |
| Operating expense: | | |
| Selling, general and administrative | 6,207,318 | 3,333,490 |
| Research, development and engineering | 1,457,893 | 879,592 |
| Total operating expense | <u>7,665,211</u> | <u>4,213,082</u> |
| Operating loss | <u>(897,577)</u> | <u>(373,456)</u> |
| Other income/(expense): | | |
| Investment income | 171,225 | 75,912 |
| Other expense | (1,729) | (10,854) |
| Interest expense | (11,187) | (40,647) |
| Total other income | <u>158,309</u> | <u>24,411</u> |
| Loss from continuing operations before income taxes | <u>(739,268)</u> | <u>(349,045)</u> |
| Income tax benefit | <u>(1,865,147)</u> | <u>(76,967)</u> |
| Net income/(loss) from continuing operations | <u>1,125,879</u> | <u>(272,078)</u> |
| Income from discontinued operations, net of income tax of \$0 and \$78,363 | <u>—</u> | <u>420,754</u> |
| Net income from discontinued operations | <u>—</u> | <u>420,754</u> |
| Net income | <u>1,125,879</u> | <u>148,676</u> |
| Preferred stock dividend | <u>83,058</u> | <u>64,425</u> |
| Net income attributable to common stockholders | <u>\$ 1,042,821</u> | <u>\$ 84,251</u> |
| Net income/(loss) per share from continuing operations: | | |
| Basic | <u>\$ 0.04</u> | <u>\$ (0.01)</u> |
| Diluted | <u>\$ 0.03</u> | <u>\$ (0.01)</u> |
| Net income per share from discontinued operations: | | |
| Basic | <u>\$ —</u> | <u>\$ 0.02</u> |
| Diluted | <u>\$ —</u> | <u>\$ 0.02</u> |
| Net income per share attributable to common stockholders: | | |
| Basic | <u>\$ 0.04</u> | <u>\$ —</u> |
| Diluted | <u>\$ 0.03</u> | <u>\$ —</u> |
| Weighted average common shares and common equivalent shares outstanding: | | |
| Basic | <u>28,039,080</u> | <u>27,204,989</u> |
| Diluted | <u>33,479,935</u> | <u>27,204,989</u> |

Luna Innovations Incorporated
Consolidated Balance Sheets

| | March 31, 2019 (unaudited) | December 31, 2018 |
|---|-------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 24,580,006 | \$ 42,460,267 |
| Accounts receivable, net | 13,505,444 | 13,037,068 |
| Receivable from sale of HSOR business | 2,500,375 | 2,500,000 |
| Contract assets | 2,829,186 | 2,422,495 |
| Inventory | 9,996,054 | 6,873,742 |
| Prepaid expenses and other current assets | 1,087,416 | 935,185 |
| Total current assets | 54,498,481 | 68,228,757 |
| Long-term contract assets | 359,166 | 336,820 |
| Property and equipment, net | 3,845,748 | 3,627,886 |
| Intangible assets, net | 11,309,181 | 3,302,270 |
| Goodwill | 10,345,249 | 101,008 |
| Other assets | 3,205,983 | 1,995 |
| Total assets | \$ 83,563,808 | \$ 75,598,736 |
| Liabilities and stockholders' equity | | |
| Liabilities: | | |
| Current liabilities: | | |
| Current portion of long-term debt obligations | \$ 247,726 | \$ 619,315 |
| Current portion of capital lease obligations | — | 40,586 |
| Accounts payable | 4,945,927 | 2,395,984 |
| Accrued liabilities | 8,599,225 | 6,597,458 |
| Contract liabilities | 2,792,119 | 2,486,111 |
| Total current liabilities | 16,584,997 | 12,139,454 |
| Long-term deferred rent | — | 1,035,974 |
| Other long-term liabilities | 2,970,879 | — |
| Long-term capital lease obligations | — | 68,978 |
| Total liabilities | 19,555,876 | 13,244,406 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, par value \$0.001, 1,321,514 shares authorized, issued and outstanding at March 31, 2019 and December 31, 2018 | 1,322 | 1,322 |
| Common stock, par value \$0.001, 100,000,000 shares authorized, 29,398,818 and 29,209,506 shares issued, 28,145,713 and 27,956,401 shares outstanding at March 31, 2019 and December 31, 2018, respectively | 30,329 | 30,120 |
| Treasury stock at cost, 1,253,105 shares at March 31, 2019 and December 31, 2018 | (2,116,640) | (2,116,640) |
| Additional paid-in capital | 86,355,322 | 85,744,750 |
| Accumulated deficit | (20,262,401) | (21,305,222) |
| Total stockholders' equity | 64,007,932 | 62,354,330 |
| Total liabilities and stockholders' equity | \$ 83,563,808 | \$ 75,598,736 |

Luna Innovations Incorporated
Consolidated Statements of Cash Flows

Three Months Ended March 31,

| | 2019 | 2018 |
|--|---------------------|--------------------|
| | (unaudited) | |
| Cash flows provided by/(used in) operating activities | | |
| Net income | \$ 1,125,879 | \$ 148,676 |
| Adjustments to reconcile net income to net cash provided by/(used in) operating activities | | |
| Depreciation and amortization | 617,309 | 307,852 |
| Share-based compensation | 342,765 | 94,606 |
| Deferred taxes | (1,889,266) | — |
| Change in assets and liabilities | | |
| Accounts receivable | 1,052,571 | (229,535) |
| Contract assets | (429,037) | 221,386 |
| Inventory | (527,849) | (110,095) |
| Other current assets | (41,549) | 133,293 |
| Accounts payable and accrued expenses | 1,196,425 | (1,456,154) |
| Contract liabilities | 149,435 | (1,650,363) |
| Net cash provided by/(used in) operating activities | 1,596,683 | (2,540,334) |
| Cash flows used in investing activities | | |
| Acquisition of property and equipment | (215,251) | (129,720) |
| Intangible property costs | (60,639) | (113,108) |
| Acquisition of General Photonics Corporation | (19,004,250) | — |
| Net cash used in investing activities | (19,280,140) | (242,828) |
| Cash flows used in financing activities | | |
| Payments on finance lease obligations | (6,763) | (13,611) |
| Payments of debt obligations | (375,000) | (458,333) |
| Repurchase of common stock | — | (306,041) |
| Proceeds from the exercise of options and warrants | 184,959 | 22,288 |
| Net cash used in financing activities | (196,804) | (755,697) |
| Net decrease in cash and cash equivalents | (17,880,261) | (3,538,859) |
| Cash and cash equivalents-beginning of period | 42,460,267 | 36,981,533 |
| Cash and cash equivalents-end of period | \$ 24,580,006 | \$ 33,442,674 |

Luna Innovations Incorporated
Reconciliation of Net Income to EBITDA and Adjusted EBITDA

| | Three Months Ended March 31, | | | |
|---|------------------------------|-------------|------|-----------|
| | 2019 | | 2018 | |
| | (unaudited) | | | |
| Net income | \$ | 1,125,879 | \$ | 148,676 |
| Less income from discontinued operations, net of income tax | | — | | 420,754 |
| Net income/(loss) from continuing operations | | 1,125,879 | | (272,078) |
| Interest expense | | 11,187 | | 40,647 |
| Investment income | | (171,225) | | (75,912) |
| Tax benefit | | (1,865,147) | | (76,967) |
| Depreciation and amortization | | 617,309 | | 237,365 |
| EBITDA | | (281,997) | | (146,945) |
| Share-based compensation | | 342,765 | | 94,606 |
| Non-recurring charges (1) | | 898,042 | | — |
| Adjusted EBITDA | \$ | 958,810 | \$ | (52,339) |

(1) Non-recurring charges consist of transaction-related expenses incurred during the quarter ended March 31, 2019, related to the acquisition of General Photonics.

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Investor Supplemental Materials

May 8, 2019

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 and the potential demand for its products, the company's growth potential, its business focus and competitive advantages, and its expectations about the benefits of its acquisition of General Photonics. 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 market to grow and expand, technological and strategic challenges, market valuation of the company 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 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 FY19 Results

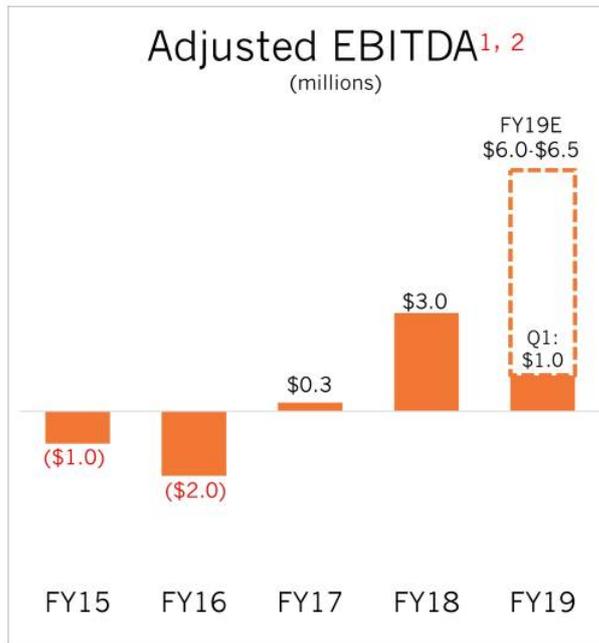
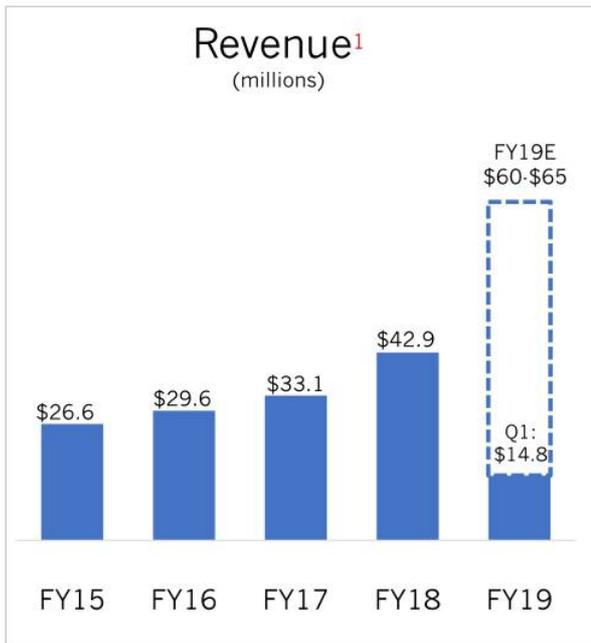


First-quarter 2019 Financial Results

- Strong financial performance:
 - Sixth consecutive quarter of year-over-year, double-digit revenue growth from continuing operations
 - \$1.0M improvement in Adjusted EBITDA year-over-year
- Total revenues of \$14.8M, up 69% year-over-year:
 - Products and licensing revenue of \$8.2M, up 98% year-over-year
 - Technology development revenue of \$6.6M, up 43% year-over-year
- Net Income was \$1.0 million, or \$0.03 per fully diluted share, for the three months ended March 31, 2019, compared to \$0.1 million, or \$0.00 per fully diluted share, for the three months ended March 31, 2018
 - Change due to one-time \$1.9 million income tax benefit, offset by one-time \$0.9 million of transaction-related costs and recurring \$0.5 million in incremental non-cash expenses associated with the acquisition
- Adjusted EBITDA¹ improved to \$1.0 million for the three months ended March 31, 2019, compared to a loss of \$(0.1) million for the three months ended March 31, 2018
- Reaffirms FY19 outlook:
 - Total revenues of \$60M to \$65M
 - Adjusted EBITDA of \$6.0M to \$6.5M

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

Strong Start to 2019



Q1FY19 performance continues the operational and financial growth of the prior five years.

¹ Based on management's forecast as of May 8, 2019 of the full year 2019 revenue from the divestiture of Optoelectronics. Includes acquisitions of Micron Optics and General Photonics.

²Adj EBITDA is a non-GAAP measure. Reconciliation of comparable measures to non-GAAP measures is included in the appendix 1 presentation.

Update on Acquisitions Integration

- Rapid integration; moved quickly to merge complementary products into integrated customer solutions; migrated sales teams to common rewards systems
- Working as a single integrated company

Micron Optics

- Exceptionally positive customer feedback for the combination with Luna
- Sales force training complete on products from both companies

General Photonics

- Quick, smooth integration into Lightwave proceeding as planned
 - Education of sales force on all products
 - Complementary, additive product lines; driving integration into one overall product portfolio

Recent Highlights

- Acquisition of General Photonics
- \$6M+ purchase order for Phoenix 1000 Tunable Lasers
 - Received from industry-leading robotics company
 - Delivered over four years
- Recognized as 2019 Innovator of the Year
 - Presented by the Roanoke-Blacksburg Technology Council
 - Recognizes organizations that set standard for thought leadership and innovation
 - Represents significant technological breakthrough / addresses market opportunity / or both
- Introduced Luna 6415 Lightwave Analyzer
 - Newest product in Comms Test segment
 - Provides robust, easy-to-use measurements for development and manufacturing of modern high-speed optical components and networks

A Flexible Balance Sheet and Strong Cash Position

- Balance sheet on March 31, 2019:
 - \$83.6M in total assets
 - \$24.6M in cash and cash equivalents
 - \$37.9M in working capital
- Focus on working capital and reinvestment in business in order to generate long-term sustainable growth

Pro-forma Luna Financials, Adjusted for the sale of Optoelectronics and the Acquisitions of Micron Optics and General Photonics

| | (in thousands) | | | | |
|---------------------------------------|---|---------------|--------------------|-------------------------|------------------------|
| | For the three months ended ¹ | | | | |
| | March 31, 2018 | June 30, 2018 | September 30, 2018 | 12/31/2018 ² | 3/31/2019 ³ |
| Revenues: | | | | | |
| Technology development | \$ 4,637 | \$ 5,466 | \$ 5,316 | \$ 5,548 | \$ 6,641 |
| Products and licensing | <u>8,481</u> | <u>8,867</u> | <u>10,787</u> | <u>11,345</u> | <u>10,221</u> |
| Total revenues | <u>13,118</u> | <u>14,333</u> | <u>16,103</u> | <u>16,893</u> | <u>16,862</u> |
| Cost of revenues: | | | | | |
| Technology development | 3,353 | 3,945 | 3,919 | 4,268 | 4,816 |
| Products and licensing | <u>3,112</u> | <u>3,323</u> | <u>4,204</u> | <u>4,002</u> | <u>3,836</u> |
| Total cost of revenues | <u>6,465</u> | <u>7,268</u> | <u>8,123</u> | <u>8,270</u> | <u>8,652</u> |
| Gross Profit | <u>6,653</u> | <u>7,065</u> | <u>7,980</u> | <u>8,623</u> | <u>8,210</u> |
| Operating expense: | | | | | |
| Selling, general and administrative | 5,510 | 5,413 | 5,488 | 6,394 | 7,165 |
| Research, development and engineering | <u>1,422</u> | <u>1,360</u> | <u>1,535</u> | <u>1,894</u> | <u>1,708</u> |
| Total operating expense | <u>6,932</u> | <u>6,773</u> | <u>7,023</u> | <u>8,288</u> | <u>8,873</u> |
| Operating income/(loss) | <u>\$ (279)</u> | <u>\$ 292</u> | <u>\$ 957</u> | <u>\$ 335</u> | <u>\$ (663)</u> |

¹ Unaudited pro forma financials assumes the Optoelectronics business was sold and the Micron Optics and General Photonics businesses were acquired on January 1, 2018.

² Includes \$751,000 of costs associated with the acquisition of Micron Optics.

³ Includes \$898,000 of costs associated with the acquisition of General Photonics.

Why Invest in Luna?

- **Proprietary**, measurement technology, offering **unprecedented** combination of resolution, accuracy and speed
- Customers in **attractive markets**: Aerospace, Automotive, Communications, Energy and Defense
- Positioned to **take advantage of trends** such as vehicle light-weighting 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**
- **Compelling value**: currently trading at an attractive multiple



Appendix



Reconciliation of Net Income to Adjusted EBITDA: First-Quarter

| | Three Months Ended March 31, | |
|---|------------------------------|-------------|
| | 2019 | 2018 |
| | (unaudited) | |
| Net income | \$ 1,125,879 | \$ 148,676 |
| Less income from discontinued operations, net of income tax | — | 420,754 |
| Net income/(loss) from continuing operations | 1,125,879 | (272,078) |
| Interest expense | 11,187 | 40,647 |
| Investment income | (171,225) | (75,912) |
| Tax benefit | (1,865,147) | (76,967) |
| Depreciation and amortization | 617,309 | 237,365 |
| EBITDA | (281,997) | (146,945) |
| Share-based compensation | 342,765 | 94,606 |
| Non-recurring charges ¹ | 898,042 | — |
| Adjusted EBITDA | \$ 958,810 | \$ (52,339) |

¹ Non-recurring charges consist of transaction-related expenses incurred during the quarter ended March 31, 2019, related to the acquisition of General Photonics.

Additional Financial Information

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Reconciliation of Net Income to Adjusted EBITDA: Full Fiscal Year

| | For the year ended December 31, | | | |
|------------------------------------|---------------------------------|-----------------------|-------------------|---------------------|
| | 2015 | 2016 | 2017 | 2018 |
| | (Unaudited) | | | |
| Net income | \$ 2,317,026 | \$ (2,369,492) | \$ 14,614,905 | \$ 11,004,241 |
| Less Income from disc ops | 8,718,103 | 1,538,624 | 15,865,720 | 9,766,431 |
| Net income from continuing ops | (6,401,077) | (3,908,116) | (1,250,815) | 1,237,810 |
| Interest expense | 218,233 | 316,975 | 217,352 | 124,344 |
| Investment income | - | - | - | (549,580) |
| Tax provision | (470,605) | (135,567) | (1,148,579) | 47,818 |
| Depreciation and amortization | 843,636 | 905,956 | 1,136,729 | 908,347 |
| EBITDA | (5,809,813) | (2,820,752) | (1,045,313) | 1,768,739 |
| Share based compensation | 1,124,379 | 860,215 | 715,094 | 527,189 |
| Non-recurring charges ¹ | 3,704,019 | - | 595,992 | 751,102 |
| Adjusted EBITDA | <u>\$ (981,415)</u> | <u>\$ (1,960,537)</u> | <u>\$ 265,773</u> | <u>\$ 3,047,030</u> |

¹ Non-recurring charges include the following:

2015: Transaction-related expenses associated with the acquisition of Advanced Photonix, Inc.

2017: CEO separation costs and other share-based compensation

2018: Transaction related expenses associated with the acquisition of Micron Optics, Inc.

Additional Financial Information

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