### **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): August 6, 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

(Registrant's telep r, including area code)

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

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

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	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  $\Box$ 

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

On August 6, 2020, Luna Innovations Incorporated (the "Company") issued a press release announcing its financial results for the three and six months ended June 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 August 6, 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
99.1	Press Release, dated August 6, 2020, 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: August 6, 2020



### Luna Innovations Reports Solid Second-Quarter 2020 Results

Maintains 2020 Outlook

### <u>Highlights</u>

- Total revenues of \$18.6 million for the three months ended June 30, 2020, up 4% compared to the three months ended June 30, 2019
- Operating income and margin of \$1.8 million and 10% of total revenues, for the three months ended June 30, 2020 versus operating income and margin of \$1.0 million and 6% of total revenues, for the three months ended June 30, 2019
- Net income of \$1.4 million, or \$0.04 per fully diluted share, for the three months ended June 30, 2020, compared to \$0.8 million, or \$0.02 per fully diluted share, for the three months ended June 30, 2019
- Adjusted EBITDA increased to \$3.0 million for the three months ended June 30, 2020, compared to \$2.4 million for the three months ended June 30, 2019
- Company maintains 2020 outlook, tightens revenue range to \$81M to \$83M

(ROANOKE, VA, August 6, 2020) - Luna Innovations Incorporated (NASDAQ: LUNA), a global leader in advanced optical technology, today announced its financial results for the three and six months ended June 30, 2020. During the second quarter of 2020, the company changed its reportable segments to align with how management reviews and evaluates the business. The two new reportable segments are Lightwave and Luna Labs.

"Given the current environment, I'm extremely pleased with our second-quarter 2020 results and the team's focus on delivering this quarter," said Scott Graeff, President and Chief Executive Officer of Luna. "Like other companies, we experienced the effects of the COVID-19 pandemic during Q2 and now have a better perspective on what its impact may be in the future. I strongly believe that the swift and decisive action we took as a management team in mid-March helped to safeguard the long-term potential of our businesses. The entire Luna team continues to be incredibly flexible to address the changing dynamics of the current environment. Above all, their safety is paramount. As we learn more about the potential impact of this virus on our business and our employee safety, we continue to improve upon the mitigating processes we put into place in Q1."

### Second-Quarter Fiscal 2020 Financial Summary.

Financial results for the three months ended June 30, 2020 marked the 11th consecutive quarter of year-on-year revenue and Adjusted EBITDA growth.

Highlights of the financial results for the second-quarter of 2020 are:

(in thousands, except share and per share data)		2020		2019	Change	
Revenues:						
Lightwave	\$	12,933	\$	12,523	3	%
Luna Labs		5,643		5,291	7	%
Total revenues		18,576		17,814	4	%
Gross profit		9,517		8,752	9	%
Gross margin		51 %		49 %		
Operating expense		7,707		7,738	_	%
Operating income	-	1,810		1,014	79	%
Operating margin		10 %		6 %		
Other expense and income taxes		(441)		(174)	153	%
Net income	\$	1,369	\$	840	63	%
Diluted weighted average shares outstanding		32,466,122		33,650,790		
Net income per share (diluted)	\$	0.04	\$	0.02	100	%
Adjusted EBITDA	\$	2,955	\$	2,396	23	%

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 June 30, 2020 increased compared to the prior year period, due primarily to increased revenues from our sensing business. Luna Labs revenue increased for the three months ended June 30, 2020, compared to the prior-year period, due to growth in various government research programs.

Operating income and margin improved to \$1.8 million and 10% of total revenues, for the three months ended June 30, 2020, compared to \$1.0 million and 6% of total revenues, for the three months ended June 30, 2019. The increase in operating income was primarily due to Lightwave's increased gross profit. There were no significant changes in operating expenses for the three months ended June 30, 2020, compared to the three months ended June 30, 2019.

Net income was \$1.4 million, or \$0.04 per fully diluted share, for the three months ended June 30, 2020, compared to \$0.8 million, or \$0.02 per fully diluted share, for the three months ended June 30, 2020, was \$1.4 million, or \$0.04 per fully diluted share, compared to \$0.8 million, or \$0.02 per fully diluted share, for the three months ended June 30, 2020, was \$1.4 million, or \$0.04 per fully diluted share, compared to \$0.8 million, or \$0.02 per fully diluted share, for the three months ended June 30, 2020, was \$1.4 million, or \$0.04 per fully diluted share, compared to \$0.8 million, or \$0.02 per fully diluted share, for the three months ended June 30, 2020, was \$1.4 million, or \$0.04 per fully diluted share, compared to \$0.8 million, or \$0.02 per fully diluted share, for the three months ended June 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 \$3.0 million for the three months ended June 30, 2020, compared to \$2.4 million for the three months ended June 30, 2019. The increase was driven by revenue growth from both Luna's legacy business, increased gross profit, and operating expense leverage.

#### Six Months Year-to-Date Fiscal 2020 Financial Summary

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

Highlights of the financial results for the six months ended June 30, 2020 are:

(in thousands, except share and per share data)		2020		2019	Change	
Revenues:						
Lightwave	\$	24,487	\$	22,041	11	%
Luna Labs		11,230		10,606	6	%
Total revenues		35,717		32,647	9	%
Gross profit		17,881		15,520	15	%
Gross margin		50 %		48 %		
Operating expense		15,681		15,422	2	%
Operating income		2,200		98	2,145	%
Operating margin		6 %		0 %	_,	
Other (expense)/income and income taxes		(511)		1,869		
Net income from continuing operations	\$	1,689	\$	1,967	(14)	%
		(1.120)				
Loss from discontinued operations, net of income tax of \$464		(1,436)		—		
Net income		253		1,967	(87)	%
Diluted weighted average shares outstanding		32,494,950		33,588,951		
Diffied weighted average shares outstanding		52,434,550		33,300,331		
Net income per share from continuing operations (diluted)	\$	0.05	\$	0.06	(17)	%
······					()	
Adjusted EBITDA	\$	4,535	\$	3,335	36	%
Adjusted EDITEA	2	1,000	+	3,000	50	/0

Lightwave revenues for the six months ended June 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 six months ended June 30, 2020, compared to the prior period, due to growth in various government research programs.

Operating income and margin improved to \$2.2 million and 6% of total revenues, for the six months ended June 30, 2020, compared to \$0.1 million and 0% of total revenues, in six months ended June 30, 2019. The increase in operating income is primarily due to increased growth from the acquired operations of GP and operating expense leverage.

Net income from continuing operations was \$1.7 million, or \$0.05 per fully diluted share, for the six months ended June 30, 2020, compared to \$2.0 million, or \$0.06 per fully diluted share, for the six months ended June 30, 2019, which included a \$1.9 million income tax benefit related to a reduction in deferred tax asset valuation allowances due to the GP acquisition. Net income attributable to common stockholders for the six months ended June 30, 2020,

was \$0.3 million, or \$0.01 per fully diluted share, compared to \$1.8 million, or \$0.05 per fully diluted share, for the six months ended June 30, 2019. The decrease in net income attributable to common stockholders is primarily due to a \$1.9 million income tax benefit related to a reduction in deferred tax asset valuation allowances due to the GP acquisition that was recorded in the prior period, a \$1.4 million loss from discontinued operations and the increase in our operating income for the six months ended June 30, 2020. 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 recognizes that the COVID-19 pandemic has created evolving and significant macroeconomic uncertainty. Based on a bottoms-up analysis, Luna is slightly tightening its revenue outlook range to \$83 million. Incorporating this slight adjustment, the Company reiterates the outlook it provided on May 7, 2020, which projected revenues at the lower end of the range:

Total revenues of \$81M to \$83MAdjusted 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. Luna and has not experienced any material impacts related to COVID-19.

Luna has a strong cash position and adequate access to capital. Cash and cash equivalents were \$26.5 million as of June 30, 2020, and Luna continues to have access to its \$10 million revolving credit facility.

The company believes 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 essential and continue to operate at normal capacity with necessary COVID-19 precautions. The company has not experienced any material disruptions to its supply chain that it has not been able to mitigate.

An important part of Luna's sales effort has been done historically through a series of 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 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 six months ended June 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 8888351. 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 strength and improvement in capital structure and the solidity of its balance sheet and cash flows, 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 six months ended June 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 Statements of Operations (Unaudited) (in thousands, except share and per share data)

		Three Mont	hs Ended .	June 30,		Six Months Ended June 30,			
		2020		2019		2020		2019	
Revenues:									
Lightwave	\$	12,933	\$	12,523	\$	24,487	\$	22,041	
Luna Labs		5,643		5,291		11,230		10,606	
Total revenues		18,576		17,814		35,717		32,647	
Cost of revenues:									
Lightwave		5,181		5,334		10,066		9,613	
Luna Labs		3,878		3,728		7,770		7,514	
Total cost of revenues		9,059		9,062		17,836		17,127	
Gross profit		9,517		8,752		17,881		15,520	
Operating expense:									
Selling, general and administrative		6,202		6,003		12,579		12,229	
Research, development and engineering		1,505		1,735		3,102		3,193	
Total operating expense		7,707		7,738		15,681		15,422	
Operating income		1,810		1,014		2,200		98	
Other income/(expense):									
Investment income		4		77		64		268	
Other (expense)/income		(4)		(3)		5		(4)	
Interest expense		(1)		_		(1)		(13)	
Total other (expense)/income		(1)		74		68		251	
Income from continuing operations before income taxes		1,809		1,088		2,268		349	
Income tax expense/(benefit)		440		247		579		(1,618)	
Net income from continuing operations		1,369		841		1,689		1,967	
Loss from discontinued operations, net of income tax of \$464		_		—		(1,436)		—	
Net income		1,369		841		253		1,967	
Preferred stock dividend		—		90		—		173	
Net income attributable to common stockholders	\$	1,369	\$	751	\$	253	\$	1,794	
Net income per share from continuing operations:									
Basic	\$	0.04	\$	0.03	\$	0.06	\$	0.07	
Diluted	\$	0.04	\$	0.02	\$	0.05	\$	0.06	
Net loss per share from discontinued operations:			<u> </u>						
Basic	S	-	\$	_	\$	(0.05)	\$	-	
Diluted	s		\$		\$	(0.04)	s		
	¢		9		ý.	(0.04)	9		
Net income per share attributable to common stockholders: Basic		0.04	\$	0.02	\$	0.01	\$	0.00	
	\$			0.03	_	0.01	_	0.06	
Diluted	\$	0.04	\$	0.02	\$	0.01	\$	0.05	
Weighted average shares:									
Basic		30,589,249		28,246,840		30,484,797		28,143,534	
Diluted		32,466,122		33,650,790		32,494,950		33,588,951	

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

Intangible assets, net         9,544         10,194           Goodwill         10,542         10,542         10,542           Other assets         7,053         2,341           Deferred tax asset         1,426         1,416           Total assets         91,222         \$         865,24           Liabilities and stockholders' equity           Liabilities and stockholders' equity           Current liabilities           Contract liabilities           Current liabilities           Contract liabilities           Contract liabilities           Contract liabilities           Contract liabilities         3,368         3,368         3,368         3,368         3,368         3,368         3,368         3,368         3,368         3,368         3,368 <th <="" colspan="3" th=""><th></th><th>Ju</th><th>une 30, 2020</th><th colspan="3">December 31, 2019</th></th>	<th></th> <th>Ju</th> <th>une 30, 2020</th> <th colspan="3">December 31, 2019</th>				Ju	une 30, 2020	December 31, 2019		
Current assets\$6.6600Accounts revealube, are16.4356.6200Accounts revealube, are16.4356.6200Receivable from allo of ISOD busines-2.201Receivable from allo of ISOD busines-2.202Inventory11.23110.0234Prepaid expenses and other current assets16.0611.227Total current assets-4.660Long-tern contract assets-4.660Prepaid expenses and other current assets-4.660Invent assets-4.6603.6416Condraft assets, net-4.6603.6416Condraft3.64663.6416Invent assets-4.6601.6621.662Condraft3.64663.6416Condraft3.64663.64261.662 <th></th> <th>(1</th> <th>unaudited)</th> <th></th> <th></th>		(1	unaudited)						
Cash and cash equivalentsS26.568S25.006Accounts receivable (net) </th <th>Assets</th> <th></th> <th></th> <th></th> <th></th>	Assets								
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Receivable from sale of HSOR business—2.501Contrast assets3.2202.759Inventory11.20110.294Indext assets1.6011.287Tall adexpense and other current assets9.0839.0818Long-term contract assets4.064.490Proper up deupipment, net3.0783.366Long-term contract assets9.5540.10194Contract assets9.5540.10194Contract assets7.0532.241Defered ta asset1.4250.1522Defered ta asset1.4260.1416Tall assets7.0532.541Contract labilities:1.4260.1522Contract labilities:1.4260.1529Contract labilities:3.6683.868Contract labilities:3.3683.868Contract labilities3.3683.868Contract labilities3.3683.868Contract labilities3.4683.868Contract labilities3.4683.868Contract labilities3.4683.868Contract labilities3.4683.868Contract labilities3.4683.868Contract labilities3.2643.264Contract labilities3.2643.264Contract labilities3.2643.268Contract labilities3.2683.868Contract labilities3.2643.868Contract labilities3.2643.868Contract labilities3.2643.868 <td>Cash and cash equivalents</td> <td>\$</td> <td>26,506</td> <td>\$</td> <td>25,006</td>	Cash and cash equivalents	\$	26,506	\$	25,006				
Contract assets3,2202,799Inventory11,23110,294Propaid expression dother current assets16,011,237Total current assets59,00358,116Long-term contract assets39,00358,116Poperty and ergingtene, net30,78446Invengety and ergingtene, net30,784466Invengety and ergingtene, net30,784466Invengety and ergingtene, net30,5810,542Goodwill10,54210,54210,542Order assets70,532,241Defered tax asset14,26514,165Total assets14,26514,165Total assets14,26514,165Total assets14,26514,165Current labilities14,26114,261Total asset14,26110,562Accounts payable2,7632,277Accounts payable2,1632,207Accounts payable2,14210,565Total current labilities3,38810,369Total current labilities3,15810,569Total current labilities2,14210,555Contract cultabilities2,14210,555Total current labilities2,14210,555Total current labilities2,2423,242Total current labilities2,2433,243Total current labilities2,2433,243Total current labilities2,2433,243Total current labilities3,247,2753,247<	Accounts receivable, net		16,435		16,269				
Inventory     11,213     10,204       Inventory     1,610     1,620       Tola current assets     56,016     56,016       Langeter contract assets     3,078     3,078       Property and equipment, net     3,078     3,078       Goodwill     3,078     3,078       Colber assets     9,544     10,194       Other assets     0,554     10,554       Other assets     7,053     2,2441       Deferred tax asset     1,426     1,416       Tatal assets     1,426     1,416       Tatal asset     1,426     1,416       Contract liabilities     1,426     1,416       Contract liabilities     2,027     2       Accounts payable     2,703     2,2971       Accounts payable     2,703     2,2971       Accounts payable     3,068     3,088       Contract liabilities     3,068     3,088       Total asset contingencies (Note 13)     3,007     3,007       Contract liabilities     2,104     2,001       Total asset contingencies (Note 13)     3,007     3,007       Contract liabilities     3,007     3,007       Total asset contingencies (Note 13)     3,007     3,007       Total asset contingencies (Note 13)     3,007 </td <td>Receivable from sale of HSOR business</td> <td></td> <td>—</td> <td></td> <td>2,501</td>	Receivable from sale of HSOR business		—		2,501				
Prepaid expenses and other current assets1.6911.287Total current assets5.90.816.90.81Cong-tern cutrate cassets4.964.496Property and equipment, net3.0783.466Innangible assets, net0.54210.1542Codoskill1.054210.542Other assets7.0532.2341Deferred tax asset1.4261.416Tota assets1.4261.416Tota assets1.4261.416Tota assets1.4261.426Concoms payable2.968.524Accurated labilities3.6883.688Total current labilities3.6883.688Contract Labilities3.3683.688Total current labilities3.1421.925Contract Labilities3.1421.925Contract Labilities3.2683.288Total current labilities3.1421.926Total current labilities3.2683.288Contract current labilities3.2683.288Contract current labilities3.2683.288Total current labilities3.2683.288Contract current labilities3.2883.28	Contract assets		3,220		2,759				
Total current assets         59,083         58,116           Long-term contract assets         496         449           Poperty and equipment, net         3078         3,466           Inangble assets, net         9,544         10,194           Goodwill         10,542         10,542           Other assets         7,053         2,341           Deferred tax asset         1,426         1,416           Total assets         1,426         1,416           Current labilities:         1,426         1,416           Current labilities:         2,63         2,787           Acccured labilities         3,368         3,388           Total current labilities         3,368         3,388           Total current labilities         2,763         2,787           Accurent labilities         3,368         3,388           Total current labilities         3,368         3,388           Total current labilities         2,142         10,055           Comman stoch, par value so 0,001, 100,000,000, shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at 3,29         32           Taseu stock at cost, 1,672,741 and 1,633,791 shares at June 30, 2020 and December 31, 2019, respectively         42,51         43,537	Inventory		11,231		10,294				
Long-term contract assets496499Propert val equipment, net3.0783.0783.0466Intangible assets, net10.54210.542Godwill10.54210.54210.542Godwill10.5427.0532.341Deferred tax asset1.652\$ 91.222\$ 0.855Tatal assets1.626Tatal asset2.055Contract isbilities and stockholders' equity2.056Contract liabilitiesContract liabilities <td>Prepaid expenses and other current assets</td> <td></td> <td>1,691</td> <td></td> <td>1,287</td>	Prepaid expenses and other current assets		1,691		1,287				
Property and equipment, net3,0783,466Itanagito assets, net9,54410,194Goodwill10.64210,542Other asset7,0332,341Defered tax asset1,426\$Total asset1,426\$Catastitis and stockholders' equity\$9,122Liabilities\$9,122Accounts payable2,7632,2763Accounts payable2,7632,2783Accounts payable3,3683,868Other laibilities3,3683,868Total current laibilities3,3683,868Total current laibilities3,3683,868Total current laibilities3,26410,049Total current laibilities3,2683,868Total use this current laibilities3,2683,868Total use total current laibilities3,2683,868Total use total current laibilities3,8693,868Total use total current laibilities3,8693,869Comments and contingencies (Note 3)3,8693,869Sockholders' equity4,8104,8337June 20,2020 and December 31,2019, respectively4,8114,8337Accumand	Total current assets		59,083		58,116				
Inagible asets, net9,5410,194Godwill10,54210,542Other assets7,0532,341Deferred ax aset1,4261,416Total asets91,222\$8,524Current labilities and stockholders' equityCurrent labilitiesCurrent labilitiesCurrent labilitiesAccounts payable2,7632,787Accounts payable2,7632,787Accounts payable3,3683,888Total current labilities3,3683,888Total current labilities3,1683,089Total current labilities3,1683,089Total current labilities3,1642,011Contract labilities7,1402,011Total current labilities3,243,005Commitments and contingencies (Note 13)3,213,22Stockholders' equity:3,243,22Treasury stock at cost, 1,572,741 and 1,583,791 shares at June 30, 2020 and December 31, 2019, respectively4,541(4,337)Additional paid-in capital90,3056,86,202Total diabilities4,505(4,543)4,64,337Accound ad deficit4,505(4,543)Accound ad deficit4,505(4,543)Accound ad deficit4,505(4,543)Accound ad deficit6,98,001(6,98,001Total labilities6,98,001(6,98,001Total labilities3,5023,502Total labilities3,502 </td <td>Long-term contract assets</td> <td></td> <td>496</td> <td></td> <td>449</td>	Long-term contract assets		496		449				
Goodwill         10,542         10,542           Other asses         7,053         2,341           Deferred tax asset         1,426         1,416           Total asets         9         0         0           Total asets         9         0         0         0           Total asets         9         0	Property and equipment, net		3,078		3,466				
Other assets7,0532,341Deferred tax asset1,4261,416Total assets9,1222\$8Between tabilities1,225\$8Labilities and stockholders' equityCurrent liabilities:Current liabilities:Accounds payable2,7632,778Accounds payable2,7632,787Accounds payable3,3683,888Total current liabilities3,3683,888Total current liabilities14,28117,044Other long-term liabilities14,28117,044Other long-term liabilities14,28117,044Other long-term liabilities14,28119,055Committees and contingencies (Note 13)Stockholders' equity:Common stock, par value \$0,001,100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,555 and 30,149,105 shares outstanding and 3,020 and December 31, 2019, respectively32Tasary stock at cus, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively4(4,337)Additional paid-in capital90,30588,002Accumula deficit169,80116,2481Total backholders' equity16,34916,2481	Intangible assets, net		9,544		10,194				
Deferred tax asset         1,426         1,416           Total assets         91,222         \$         86,524           Liabilities and stockholders' equity           Liabilities:              86,524           Corrent liabilities:           2,763         2,787           2,763         2,787           10,369          10,369          10,369           10,369          10,369          10,369          10,369          3,368          3,888          10,369          10,369          10,369          3,888          10,369          3,888          10,369          10,369          3,888          10,369          3,888          10,369          3,888          10,369          10,369          3,888          10,369          3,888          10,369          10,369          10,505          10,505          10,505 <td>Goodwill</td> <td></td> <td>10,542</td> <td></td> <td>10,542</td>	Goodwill		10,542		10,542				
Total assets         9 <t< td=""><td>Other assets</td><td></td><td>7,053</td><td></td><td>2,341</td></t<>	Other assets		7,053		2,341				
Liabilities and stockholders' equity           Liabilities:           Current liabilities:           Current liabilities:           Accounts payable         2,763         2,787           Accounts payable         8,150         10,059           Contract liabilities         3,368         3,888           Total current liabilities         14,281         17,044           Other long-term liabilities         14,281         2,011           Total current liabilities         14,281         2,011           Total liabilities         21,421         19,055           Commant liabilities         21,421         19,055           Common stock, par value \$0,001,100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at gauge stock at cost, 1,672,741 and 1,639,791 shares at Jung 30, 2020 and December 31, 2019, respectively         32         32           Treasury stock at cost, 1,672,741 and 1,639,791 shares at Jung 30, 2020 and December 31, 2019, respectively         32         32           Additional paid-in capital         90,305         88,022           Accumulated deficit         (15,995)         (16,248)           Total stockholders' equity         32         32	Deferred tax asset		1,426		1,416				
Liabilities:         Current liabilities:         Accounds payable       2,763       2,767         Accound liabilities       8,150       10,369         Contract liabilities       3,368       3,888         Total current liabilities       3,368       3,888         Total current liabilities       14,261       17,044         Other long-term liabilities       7,140       2,011         Total liabilities       21,421       19,055         Commutents and contingencies (Note 13)       21,421       19,055         Combinements and contingencies (Note 13)       32       32         Treasury stock par value \$0,001, 100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at 12       32       32         Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively       32       32         Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively       4,5411       (4,337)         Additional pai-i-n capial       90,0305       88,022       88,022       88,022       88,023       86,023       86,023       86,023       86,024       86,024       86,024       86,024       86,024       86,024       86,024       86,024       86,024<	Total assets	\$	91,222	\$	86,524				
Current liabilities:       2,763       2,787         Accounts payable       8,150       10,369         Accnued liabilities       3,368       3,888         Contract liabilities       3,368       3,888         Total current liabilities       14,281       17,044         Other long-term liabilities       7,140       2,011         Total liabilities       21,421       19,055         Commitor stock, par value \$0,001, 100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at June 30, 2020 and December 31, 2019, respectively       32       32         Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively       4(4,541)       (4,337)         Additional paid-in capital       90,305       88,022         Accumulated deficit       (15,995)       (16,248)         Total stockholders' equity       69,801       67,469	Liabilities and stockholders' equity			-					
Accounts payable2,7632,787Account labilities8,15010,369Contract liabilities3,3683,888Total current liabilities114,281117,044Other long-term liabilities7,1402,011Total liabilities21,42119,055Common stock, par value \$0,001, 100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at June 30, 2020 and December 31, 2019, respectively3232Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively4(4,541)(4,337)Additional paid-in capital90,30588,022Accumulated deficit(15,995)(16,248)Total stockholders' equity69,800167,469	Liabilities:								
Accrued tabilities         8,150         10,369           Contract liabilities         3,368         3,888           Total current liabilities         114,281         17,044           Other long-term liabilities         7,140         2,011           Total liabilities         7,140         2,011           Common stock, par value \$0,001, 100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at June 30, 2020 and December 31, 2019, respectively         32         32           Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively         4(4,541)         (4,337)           Additional paid-in capital         90,305         88,022           Accumulated deficit         (15,995)         (16,248)           Total stockholders' equity         69,801         67,469	Current liabilities:								
Contract liabilities3,3683,888Total current liabilities114,28117,044Other long-term liabilities7,1402,011Total liabilities21,42119,055Common stock, par value \$0,001, 100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at June 30, 2020 and December 31, 2019, respectively3232Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively4(4,541)(4,337)Additional paid-in capital90,30588,022Accumulated deficit(15,995)(16,248)Total stockholders' equity69,80167,469	Accounts payable		2,763		2,787				
Total current liabilities14,28117,044Other long-term liabilities7,1402,011Total liabilities21,42119,055Comminents and contingencies (Note 13)55Stockholders' equity:3232Common stock, par value \$0,001, 100,000,00 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at June 30, 2020 and December 31, 2019, respectively3232Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively(4,541)(4,337)Additional paid-in capital90,30588,022Accumulated deficit(15,995)(16,248)Total stockholders' equity69,80167,469	Accrued liabilities		8,150		10,369				
Other long-term liabilities         7,140         7,140           7,140         7,140         2,011           Total liabilities         21,221         19,055           Commitments and contingencies (Note 13)         50         32           Stockholders' equity:         32         32           Common stock, par value \$0,001, 100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at June 30, 2020 and December 31, 2019, respectively         32         32           Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively         (4,541)         (4,337)           Additional paid-in capital         90,305         88,022           Accumulated deficit         (15,995)         (16,248)           Total stockholders' equity         69,801         67,469	Contract liabilities		3,368		3,888				
Total liabilities         21,221         19,055           Commitments and contingencies (Note 13)	Total current liabilities		14,281		17,044				
Commitments and contingencies (Note 13)	Other long-term liabilities		7,140		2,011				
Stockholders' equity:         32         32           Dummon stock, par value \$0.001, 100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at June 30, 2020 and December 31, 2019, respectively         32         32           Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively         (4,541)         (4,337)           Additional paid-in capital         90,305         88,022           Accumulated deficit         (15,995)         (16,248)           Total stockholders' equity         69,801         67,469	Total liabilities		21,421		19,055				
Common stock, par value \$0.001, 100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at June 30, 2020 and December 31, 2019, respectively         32           Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively         (4,541)         (4,337)           Additional paid-in capital         90,305         88,022           Accumulated deficit         (15,995)         (16,248)           Total stockholders' equity         69,801         67,469	Commitments and contingencies (Note 13)								
June 30, 2020 and December 31, 2019, respectively         32         32           Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively         (4,541)         (4,337)           Additional paid-in capital         90,305         88,022           Accumulated deficit         (15,995)         (16,248)           Total stockholders' equity         69,801         67,469	Stockholders' equity:								
Additional paid-in capital         90,305         88,022           Accumulated deficit         (15,995)         (16,248)           Total stockholders' equity         69,801         67,469	Common stock, par value \$0.001, 100,000,000 shares authorized, 32,470,276 and 31,788,896 shares issued, 30,797,535 and 30,149,105 shares outstanding at June 30, 2020 and December 31, 2019, respectively		32		32				
Accumulated deficit         (15,995)         (16,248)           Total stockholders' equity         69,801         67,469	Treasury stock at cost, 1,672,741 and 1,639,791 shares at June 30, 2020 and December 31, 2019, respectively		(4,541)		(4,337)				
Total stockholders' equity 69,801 67,469	Additional paid-in capital		90,305		88,022				
	Accumulated deficit		(15,995)		(16,248)				
Total liabilities and stockholders' equity         \$         91,222         \$         86,524	Total stockholders' equity		69,801	-	67,469				
	Total liabilities and stockholders' equity	\$	91,222	\$	86,524				

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

	Six Mo	nths Ended June 30,
	2020	2019
Cash flows provided by operating activities		
Net income	\$ 25	3 \$ 1,967
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,36	3 1,166
Share-based compensation	84	3 72:
Bad debt expense	(2	6) —
Loss on disposal of fixed assets		4 —
Loss from discontinued operations, net of tax	1,43	6 —
Deferred taxes	(1	J) —
Change in assets and liabilities		
Accounts receivable	(13	9) 71
Contract assets	(50	8) (72)
Inventory	(93	7) (16
Other current assets	(40	4) (1
Accounts payable and accrued expenses	(1,28	6) (2,31
Contract liabilities	(52	0) (23
Net cash provided by operating activities	6	9 1,11
ash flows provided by/(used in) investing activities		
Acquisition of property and equipment	(11	1) (40
Intangible property costs	(19	2) (13)
Acquisition of General Photonics Corporation	-	- (19,00-
Proceeds from sale of property and equipment		1 –
Proceeds from sale of discontinued operations	60	0 -
Net cash provided by/(used in) investing activities	29	8 (19,54)
ash flows provided by/(used in) financing activities		
Payments on finance lease obligations	(2	6) (15
Payments of debt obligations	-	- (62
Repurchase of common stock	(20	4) (22
Proceeds from the exercise of options and warrants	1,36	3 36
Net cash provided by/(used in) financing activities	1,13	3 (49)
et increase/(decrease) in cash and cash equivalents	1,50	0 (18,92
ash and cash equivalents-beginning of period	25,00	6 42,46
ash and cash equivalents-end of period	\$ 26,50	6 \$ 23,53

nd cash equivalents-e t p

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

		Three Months	Ended Jur	1e 30,	Six Months I	nded June 30,			
	2	)20	2019 2020			2019			
Net income	\$	1,369	\$	841	\$ 253	\$	1,967		
Loss from discontinued operations, net of tax		—		—	(1,436)		-		
Net income from continuing operations		1,369		841	1,689		1,967		
Interest expense		1		_	1		13		
Investment income		(4)		(77)	(64)		(268)		
Income tax expense/(benefit)		440		247	579		(1,618)		
Depreciation and amortization		684		653	1,363		1,166		
EBITDA		2,490		1,664	 3,568		1,260		
Share-based compensation		465		378	967		721		
Non-recurring charges (1)		_		44	—		942		
Amortization of inventory step-up		—		310	—		412		
Adjusted EBITDA	\$	2,955	\$	2,396	\$ 4,535	\$	3,335		

(1) Non-recurring charges consist of transaction-related expenses incurred during the three and six months ended June 30, 2019, related to the acquisition of General Photonics.

###



Second-quarter Fiscal 2020 Earnings Investor Supplemental Materials

August 6, 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 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 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 <u>www.lunainc.com</u>. The statements made in this presentation are based on information available to Luna as of the date of this presentation, August 6, 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.

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Luna Innovations Incorporated®

# 2Q FY20 Results

## Second-quarter 2020: Key Financial Results

- Solid financial performance:
  - \$0.6M improvement in Adjusted EBITDA<sup>1</sup> year-over-year
- Total revenues of \$18.6M; up 4% year-over-year:
  - Lightwave revenue of \$12.9M; up 3% year-over-year
  - Luna Labs revenue of \$5.6M; up 7% year-over-year
- Operating income improved to \$1.8M, or 10% of total revenues, in Q2 2020 from \$1.0M, or 6% of total revenues, in Q2 2019 due to increased revenue and gross profit as well as improved operating expense leverage
- Net income of \$1.4M, or \$0.04 per fully diluted share, for the three months ended June 30, 2020, compared to \$0.8M, or \$0.02 per fully diluted share, for the three months ended June 30, 2019
- Adjusted EBITDA<sup>1</sup> increased to \$3.0M for the three months ended June 30, 2020, compared to \$2.4M for the three months ended June 30, 2019

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Reaffirmed 2020 outlook, tighten range to \$81 to \$83M in total revenues

<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.

### Second-quarter 2020 and Other Recent Accomplishments

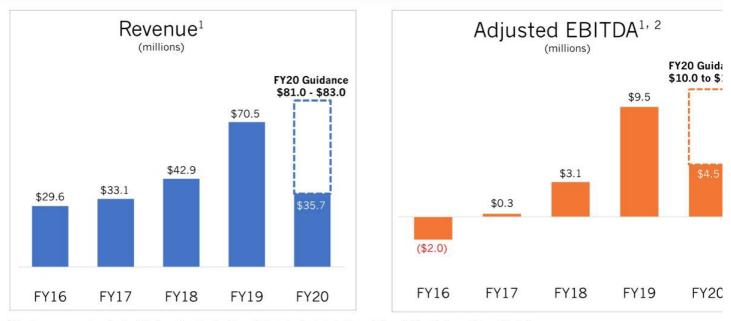
- Reported solid second-quarter 2020 financial results in challenging COVID environme
- Held 6 customer-facing technology educational webinars: ~1,000 live attendees and n than 1,200 leads
- Hosted worldwide virtual sales meeting with 47 attendees
- Participated in virtual trade shows
- Continued to monitor employee feedback with a focus on safety and well-being
- Successful implementation of Employee Stock Purchase Plan with approximately 60% participation

NASDAQ: LU

Luna Innovations Incorporated<sup>®</sup> 2

Held successful Virtual Annual Shareholder Meeting in May

### **Strong Financial Results**



<sup>1</sup> Based on management's estimates of the impact from the divestiture of Optoelectronics. Includes the acquisitions of Micron Optics and General Photonics. <sup>2</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 and Strong Cash Position

- Strong balance sheet on June 30, 2020:
  - \$91.2M in total assets
    - \$26.5M in cash and cash equivalents
    - \$44.8M 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

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## **COVID-19 Business Update**

- In mid-March, took immediate action to create a safer work environment; many actions remain i
  effect, new initiatives added:
  - Communicate openly and frequently with employees regarding benefits, resources, COVID-1 government information
  - Broad use of videoconferencing, including get-togethers and frequent CEO communication
- 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

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## 2020 Financial Outlook

- Maintaining FY2020 outlook, tightening our range:
  - Total revenues of \$81M to \$83M
  - Adjusted EBITDA<sup>1</sup> of \$10M to \$12M

<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 a future acquisitions, divestitures, or unanticipated events.

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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

## Appendix

## Reconciliation of Net Income to Adjusted EBITDA

	٦	Three Mor June	ths Ei 30,	nded	Six Mont June	ths End e 30,	bed
		2020		2019	2020	3	2019
		(Unau	dited		 (Unau	dited)	)
Reconciliation of EBITDA and Adjusted EBITDA							
Net income	\$	1,369	\$	841	\$ 253	\$	1,967
Loss from discontinued operations, net of income tax benefit of \$464		121		12	1,436		121
Net income from continuing operations	2	1,369	1	841	1,689	10	1,967
Interest expense		1		-	1		13
Investment income		(4)		(77)	(64)		(268)
Income tax expense/(benefit)		441		247	579		(1,618
Depreciation and amortization		684		653	1,363		1,166
EBITDA		2,490		1,664	 3,568		1,260
Share-based compensation		465		378	967		721
Non-Recurring Charges (1)		-		44	-		942
Amortization of Inventory Step-up	-	-		310	 		412
Adjusted EBITDA	\$	2,955	\$	2,396	\$ 4,535	\$	3,335

(1) Non-recurring charges consist of transaction-related expenses related to the acquisition of General Photonics.

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## Reconciliation of Net Income to Adjusted EBITDA: Full Year

			Year Ended D	ecember	31,	
			(unau	dited)		
	2016	~	2017	-	2018	 2019
Reconciliation of EBITDA and Adjusted EBITDA						
Net (loss)/income	\$ (2,370)	\$	14,615	\$	11,004	\$ 5,34
Less: income from discontinued operations, net of income taxes	300		15,866		9,766	
Net income from continuing operations	(2,670)		(1,251)		1,238	5,34
Interest expense	319		217		124	3
Investment income	2				(549)	(3
Income tax (benefit)/expense	(135)		(1,148)		48	(1,6
Depreciation and amortization	1,466		1,137		908	2,5
EBITDA	(1,020)		(1,045)		1,769	5,81
Share-based compensation	860		715		628	1,54
Non-Recurring Charges (1)	5		596		751	1,3
Amortization of Inventory Step-up	 -	(c)			8	 7
Adjusted EBITDA	\$ (160)	\$	266	\$	3,148	\$ 9,4

(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 Mor	nths En	ded				
	March 31, 201	<u>Jui</u>	ne 30, 2019	Sep	30, 2019 <sup>A</sup>	Dec	: 31, 2019	Mare	ch 31, 2020	June	e 30, 2020
Revenues:											
Lightwave	\$ 9,518	\$\$	12,523	\$	13,088	\$	13,988	\$	11,554	\$	12,933
Luna Labs	5,315	5	5,291		5,301		5,492		5,587	62	5,643
Total revenues	14,833	3	17,814		18,389	-	19,480		17,141		18,576
Cost of revenues:											
Lightwave	4,280	)	5,334		5,449		5,070		4,885		5,181
Luna Labs	3,785	i	3,728	12	3,665		4,022	6 - 62	3,892	11	3,878
Total cost of revenues	8,065	<u> </u>	9,062	<u> </u>	9,114	-	9,092	: : <u>-</u>	8,777		9,059
Gross Profit	6,768	<u> </u>	8,752	-	9,275		10,388	. <u></u>	8,364		9,517
Operating expense:											
Selling, general and administrative	6,207	,	6,003		5,745		6,416		6,377		6,202
Research, development and engineering	1,458	3	1,735		2,048		2,255		1,597		1,505
Total operating expense	7,665	<u>;</u>	7,738		7,793		8,671	-	7,974		7,707
Operating income	\$ (89)	<u>') \$</u>	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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