

# 14<sup>th</sup> Annual Midwest IDEAS Conference

Scott Graeff, President & CEO

**LUNA** The logo for LUNA features the word "LUNA" in a bold, blue, sans-serif font. To the right of the text is a graphic element consisting of a thin horizontal line that transitions from yellow to red, with a small red starburst or spark at the end.

August 24, 2023

# 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 its technological and product capabilities, market growth and its market position, revenue growth, customer activity, engagement and prospects, customer problems, industry trends, recurring sales, margin, general product performance, the company's future financial performance, including guidance, and market recognition of key technologies and demand for its products, the company's overall growth potential, workforce, investment in innovation, capitalization and access to, and deployment of, capital, sales models and tools, operational planning and execution, quality processes, research and development, strategic position and corporate and leadership governance, focus, discipline, values, strength, philosophy and culture. Management cautions the reader that these forward-looking statements are only predictions and are subject to a number of both known and unknown risks and uncertainties, and actual results, performance, and/or achievements of the company may differ materially from the future results, performance, and/or achievements expressed or implied by these forward-looking statements as a result of a number of factors.

These factors include, without limitation, customer relationships, failure of demand for the company's products and services to meet expectations, industry trends, failure to penetrate target markets or of those markets to grow and expand, technological, operational and strategic challenges, integration of acquisitions, challenges with workforce and innovation, global supply chain issues, geopolitical and economic factors 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 [sec.gov](http://sec.gov) and on the company's website at [www.lunainc.com](http://www.lunainc.com).

The statements made in this presentation are based on information available to Luna as of the date of this presentation, August 24, 2023, and Luna undertakes no obligation to update any of the forward-looking statements after the date of this presentation, except as required by law.

## **Adjusted Financial Measures**

In addition to U.S. GAAP financial information, this presentation includes Adjusted EBITDA and Adjusted EPS, which are non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. A reconciliation of Net Income to Adjusted EBITDA and Net Income to Adjusted EPS are included in the appendix to this presentation.

The background features a dark blue field with a network of glowing blue lines and dots. A prominent, thick diagonal line in orange and yellow runs from the bottom left towards the top right. The overall aesthetic is futuristic and digital.

# Why Luna? Why now?

# Key takeaways from today's presentation

Completed goals set out in last 5-year plan to create a **pure-play fiber optics** company

Provide **mission-critical information** to our customers to maximize their processes and protect their assets

**"One Luna"** philosophy will drive profitable growth

Continue to invest in **scalable** platforms, processes and people

**Aligned with macro trends** in industries with vast market potential

# FY 2022 statistics

**\$109M**  
Revenue



■ Comms Test  
■ Sensing

**\$12M**  
AEBITDA

**43%**  
5-year CAGR



**1000s**  
Customers



**700+**  
Patents



**~350**  
Employees



**5,000+**  
Global installations



**12**  
Global locations



**Dozens**  
Long-term contracts

# What we look like today – Luna is a global company

- Moving to next phase of growth and scale
- Future-minded
- One Luna operating philosophy and culture
- Solid HR infrastructure
- Top talent to build and sustain innovation and top-line growth
- ~350 employees



# Since 2017, Luna has transformed and is now well-positioned for growth



## Where we were

- IPO in 2006
- Portfolio of unrelated assets - fiber optic and other
- Small geographic footprint
- No international footprint
- Graeff CEO in 2017



## Where we are

- Executed strategies
- M&A and divestitures
- Integrated acquisitions and delivered cost synergies
- Big company governance
- Long-term contracts
- Aligned with macro trends
- Portfolio focused on fiber optics



## Where we're going

- Drive shareholder value through growth and disciplined capital allocation
- Solution selling
- Recurring revenue
- Growth continues to be supported by macro trends
- Invest in product innovation

# Luna leverages its expertise in fiber optic-based technology to enhance safety, security and connectivity of people



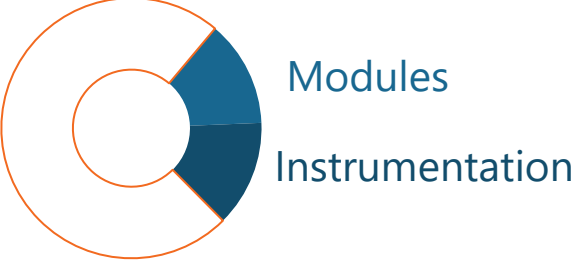
## SENSING

Luna sensing products **measure** physical parameters of materials and **monitor** health, usage, and security of assets



## COMMS TEST

Luna comms test products **measure** and **control** light, enabling and analyzing next-generation optical communications, systems and instruments



— WHAT WE DO



The background features a dark blue gradient with a prominent diagonal stripe in shades of orange and yellow. The scene is filled with numerous thin, glowing blue lines that curve and swirl, creating a sense of motion and depth. Scattered throughout are soft, out-of-focus light spots in various shades of blue and white, resembling bokeh or distant stars.

# Sensing



# An analogy to explain sensing

## Traditional data acquisition and measurement systems

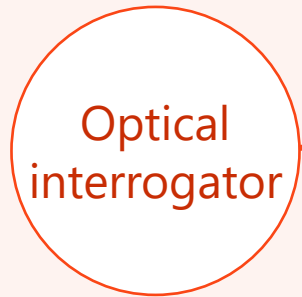


**Sensor cabling**  
(multiple copper wires per sensor)

### Electrical sensors

Foil strain gages	Load cells
Thermocouples	Accelerometers
RTDs	Etc...

## Distributed fiber optic sensing

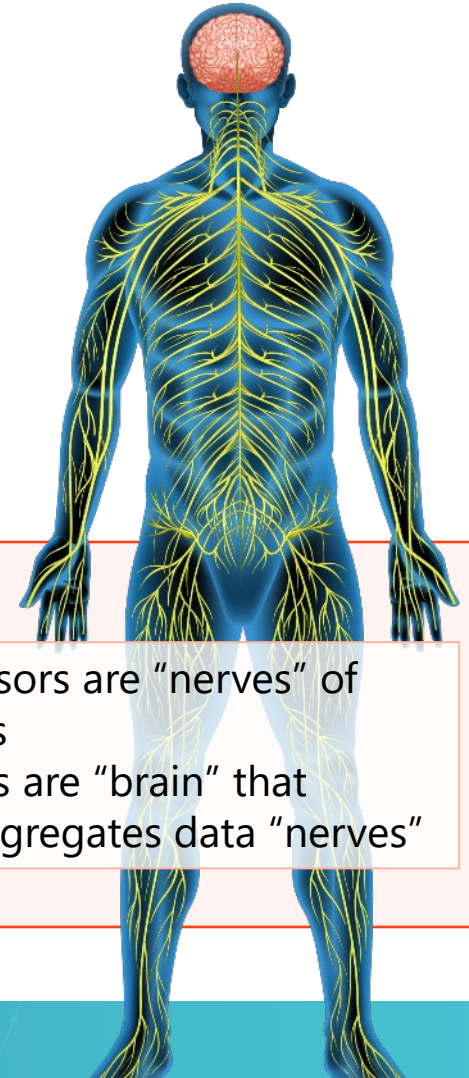


**Optical fiber**

**Fiber optic sensors**

Multiple sensing points (up to thousands) on single optical fiber

- Fiber optic sensors are “nerves” of smart materials
- Luna’s products are “brain” that collects and aggregates data “nerves”





# A closer look at SENSING solutions



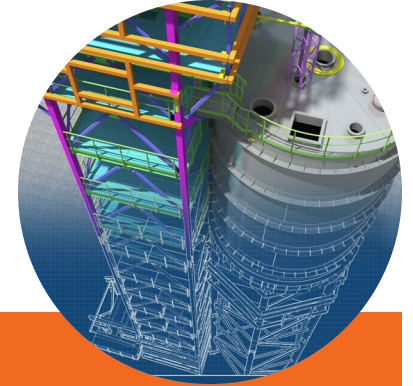
## MEASURE

Physical property of material or structure



## MONITOR

24 x 7 asset monitoring



**Instruments and sensors to make measurements of physical properties of materials that are unmeasurable using conventional technology**

- **Application:** Research & development of new materials, quality control & verification of systems and structures
- **Who:** Researchers, designers, quality control, engineers

**Complete solutions to monitor health, usage, and security of critical assets**

- **Application:** Permanently installed instrumentation, sensors and software
- **Who:** Asset owners, operators, state and federal agencies, power utility companies



SENSING

# Sensing targeted industries / mega drivers

Infrastructure	Energy	Industrial
<ul style="list-style-type: none"><li>• Critical infrastructure</li><li>• Telecom &amp; smart city</li><li>• Perimeter security</li><li>• Fire detection</li></ul>	<ul style="list-style-type: none"><li>• Oil &amp; gas</li><li>• Wind</li><li>• Power &amp; utility</li><li>• Clean energy</li></ul>	<ul style="list-style-type: none"><li>• Process control</li><li>• Composites manufacturing</li><li>• EV &amp; battery technology</li><li>• Production/manufacturing</li></ul>

## Drivers:

- Growth of conventional and green energy demand
  - 47% growth in energy demand over next 20 years
  - Offshore wind growing at 16% CAGR
- Light-weighting and green initiatives
  - Expansion of the use of composites in aerospace and automotive, and new materials in construction
- Global increase in demand for security solutions
  - International borders, high-value asset security
- Growing need for more advanced infrastructure monitoring
- Industry 4.0 need for advanced manufacturing solutions

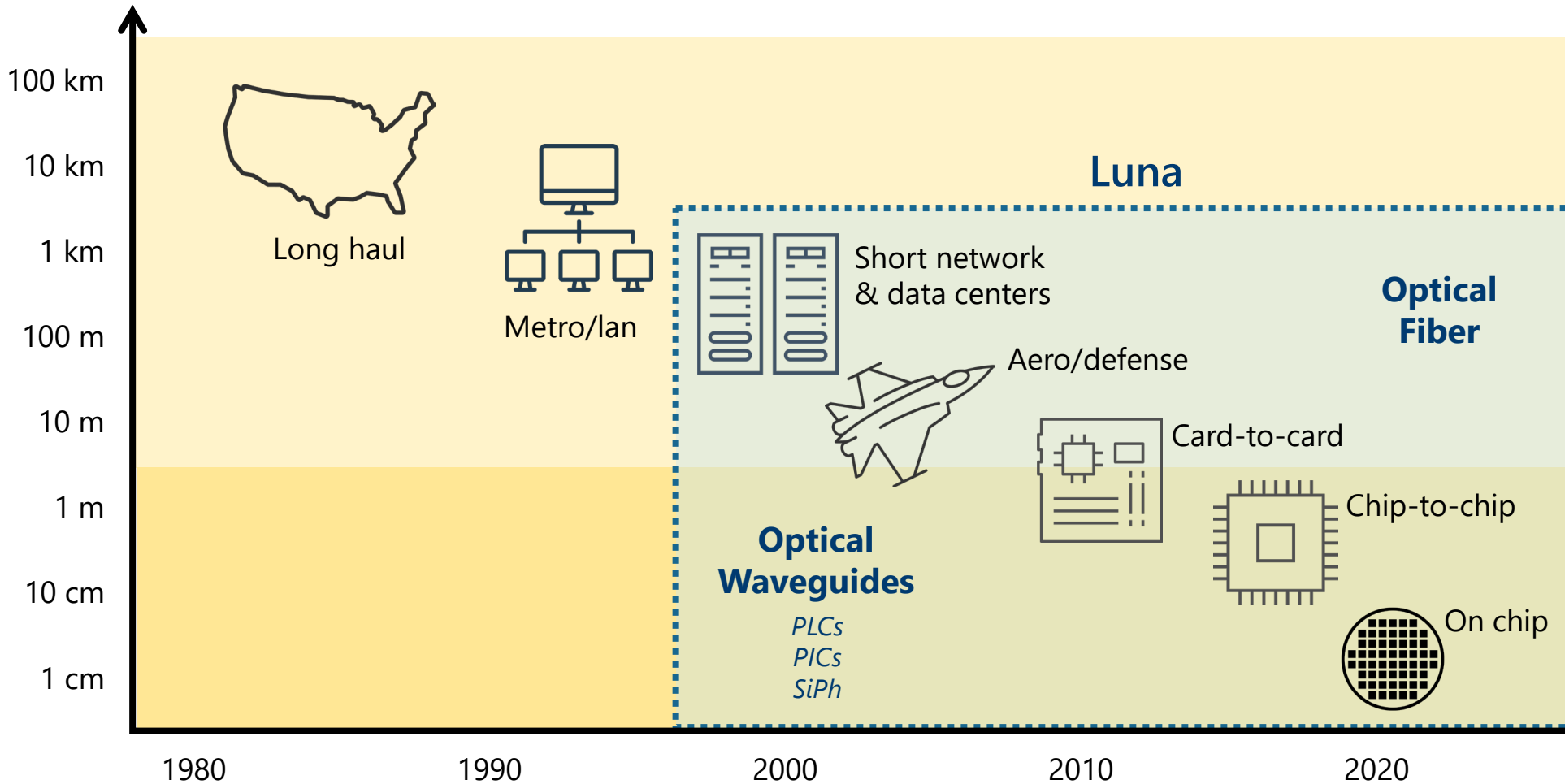


# Comms Test



# What is Comms Test?

Optical communications has evolved, signals go farther than copper



- # of physical connections grows exponentially
- Components must be designed and qualified to higher performance standards
- Systems more sensitive to connectivity and cabling issues
- Luna's unique approach is an enabling measurement technology



# Comms test targeted industries / drivers

Communications	Defense	Medical	Quantum Tech
<ul style="list-style-type: none"><li>• High-speed optical devices</li><li>• Silicon photonics</li><li>• Data center connectivity</li></ul>	<ul style="list-style-type: none"><li>• Field test for aerospace networks</li><li>• Directed energy</li></ul>	<ul style="list-style-type: none"><li>• OCT imaging</li><li>• Guided robotics</li></ul>	<ul style="list-style-type: none"><li>• Precise control of light</li></ul>

## Mega drivers:

- Silicon photonics expected to grow from 20% to 30% of optical transceiver market by 2027
- 5G deployments - subscribers expected to increase from 1B to 5B in 5 years
- Artificial Intelligence & Machine Learning
  - Data center AI networking market expected to grow from \$350M to \$6.5B in 2027
- Growing demand in Defense, Space, Medical & LiDAR applications
  - Directed energy CAGR of 19% 2022-2028, medical robotics growing 21.3% CAGR through 2030, LiDAR growing 21% through 2027



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# Strategy



# Problems we solve for our customers

- Global aging and safety of critical infrastructure (dams, bridges, buildings, pipelines)
- Keeping perimeters secure
- Protecting assets from fire
- Need for new materials to be lighter and safe
- Production of green energy
- Ensuring performance and operability of fiber components and short networks
- Reducing long design cycles for R&D
- Conventional technology doesn't always work for testing in R&D

# Why Luna? Our investment thesis

Enabling the future with fiber



**Proprietary** measurement technology, offering **unparalleled** combination of resolution, accuracy and speed



**Robust IP portfolio** with over 700 patents owned or in-licensed



**Customers** in large, growing markets: Infrastructure, Energy, Defense, Communications, Automotive & Aerospace



**Leverage:** Scalable platforms, processes and people in place



**Aligned with macro trends** in Energy, Infrastructure, Defense, Communications and more



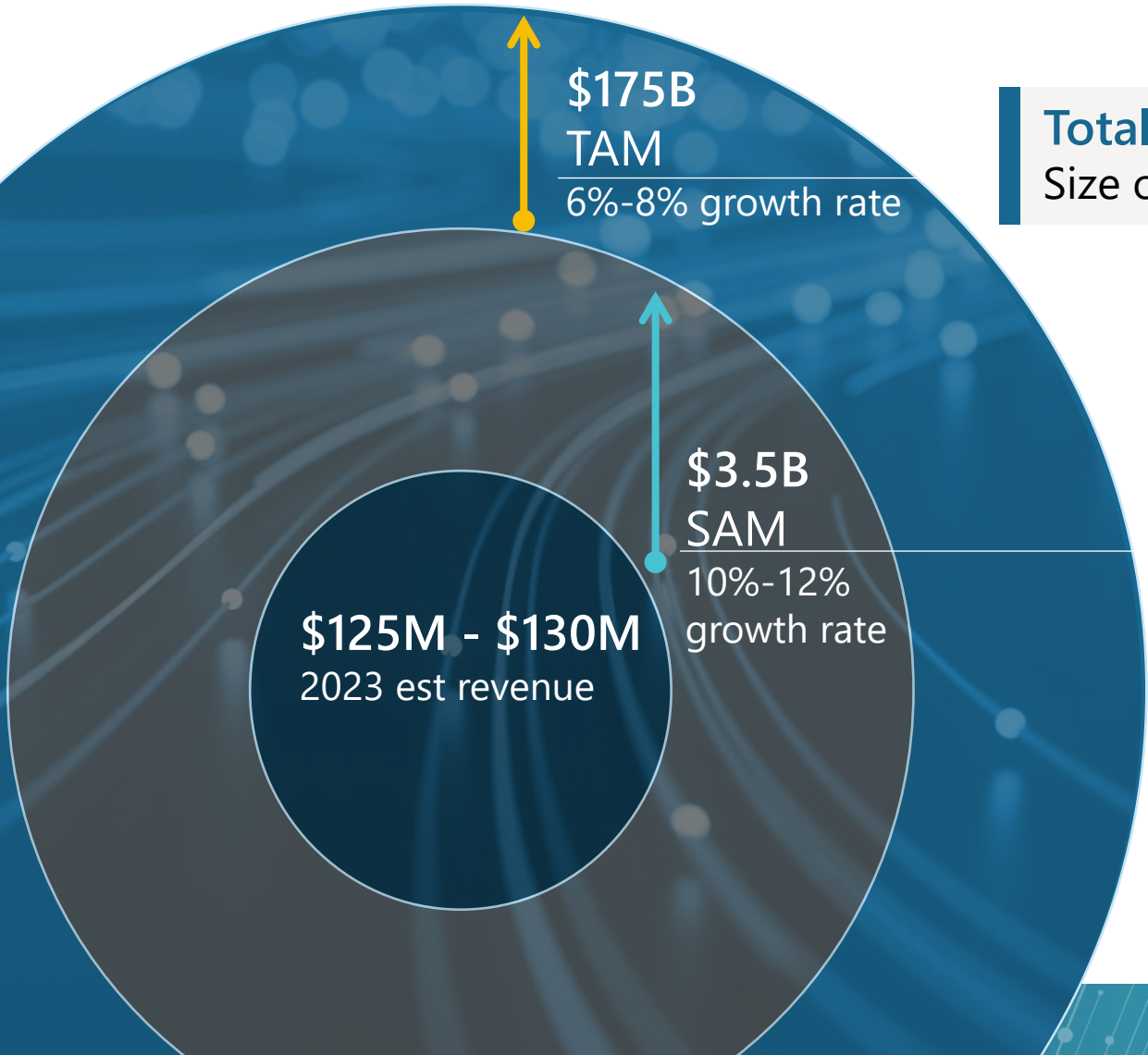
**Attractive capital deployment**, funded all investments internally; disciplined M&A



# Why now?

- Achieved 5-year strategic plan creating pure play in fiber
  - Divestitures and acquisitions
  - Scalable platforms, processes and people
  - Significant international expansion
- Market is ready
  - Shifting away from conventional and toward Luna's fiber-based solutions
  - Aligned to current macro trends driving opportunities
- One Luna creates leverage and shareholder value
- Predictable revenue streams
  - Blanket orders
  - Recurring revenue

# Our growth plan enables us to exceed market growth rates



**Total Addressable Market (TAM)**  
Size of test, measurement and sensors market

**Serviceable Addressable Market (SAM)**  
Size of opportunity served by our current solutions, which we are actively expanding

# Luna has a well-planned roadmap to achieve 15% - 20% growth

Move into larger, higher-value opportunities in manufacturing, maintenance & monitoring

## R&D product development

### STRENGTHEN CORE

- Prototype design validation
- Silicon Photonics R&D
- Composite design for aero/auto
- Avionics systems design
- Infrastructure modeling
- Temperature studies

## Production/manufacturing

### INVEST TO GROW

- Process enhancement and control with THz
- Move from R&D to manufacturing
- ISO certification
- Expansion into silicon photonics initiative

## Monitoring & maintenance

### EXPAND TO WIN

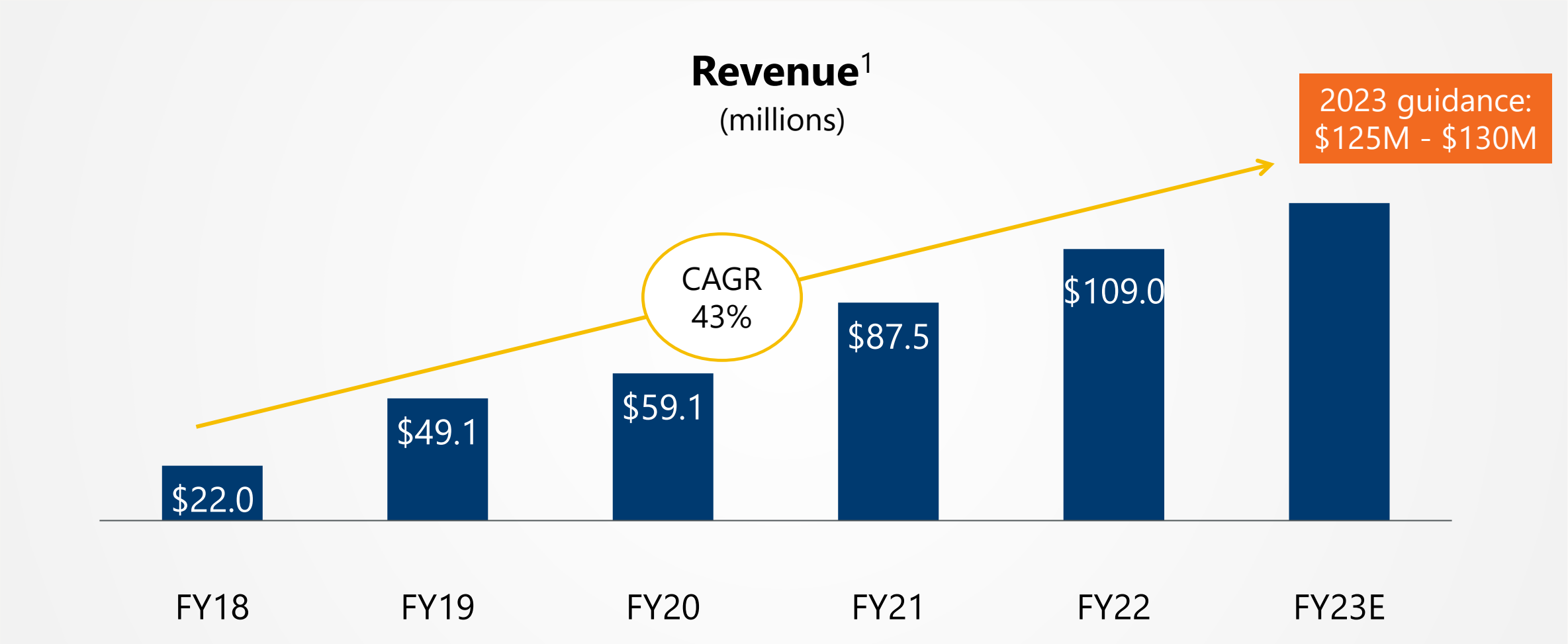
- Field maintenance and data center test
- Enhanced infrastructure monitoring
- Borders, security, traffic
- Energy sector, power cables
- Software as a product

LEVERAGE CORE CAPABILITIES IN LARGER MARKET OPPORTUNITIES

# Our company goals for next 3 - 5 years will drive growth and shareholder value



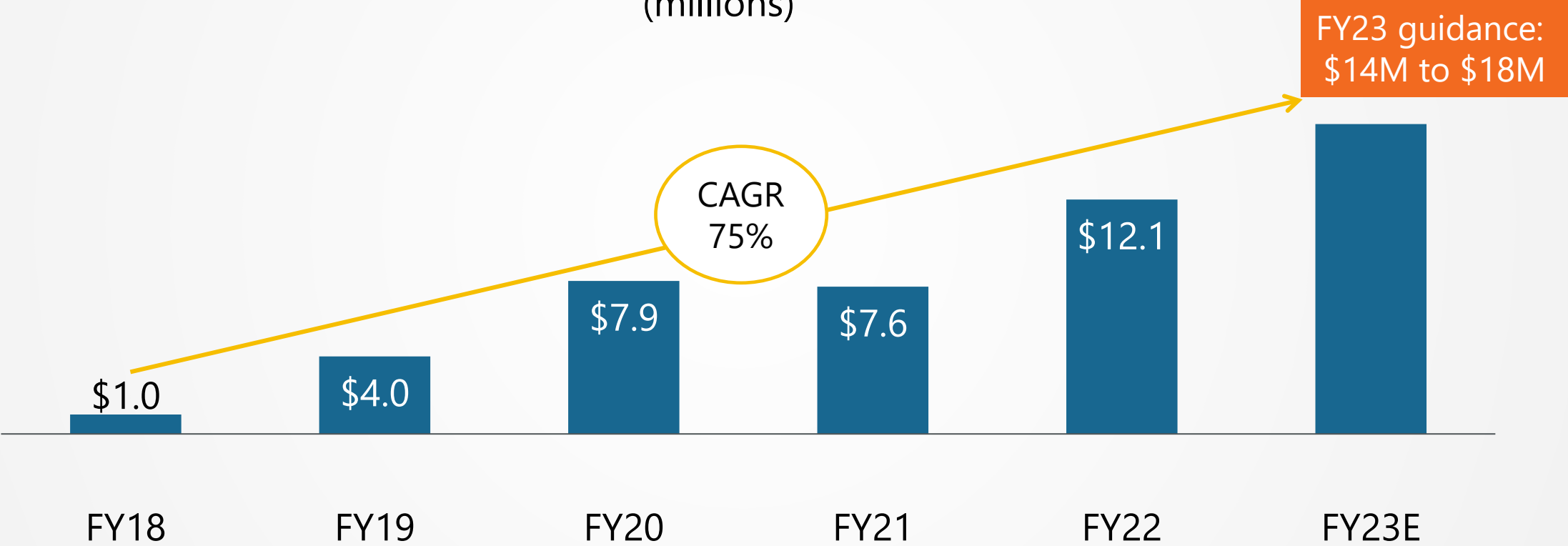
# Revenue has been driven by strong organic growth, supplemented by efficient M&A



<sup>1</sup>Results exclude Luna Labs

# We have delivered solid AEBITDA, while internally funding many initiatives

## Adjusted EBITDA<sup>1,2</sup> (millions)



<sup>1</sup>Results exclude Luna Labs

<sup>2</sup>Adj EBITDA is a non-GAAP measure. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix of the Q2 23 presentation found on our website



# 2023 Guidance<sup>1</sup>



**Full-year  
total revenue**  
**\$125M to \$130M**



**Full-year  
adjusted EBITDA**  
**\$14M to \$18M**



**Top-line revenue  
guidance for Q3**  
**\$29M to \$32M**

<sup>1</sup> Guidance included from 08/10/23 earning release and call. The outlook above does not include any future acquisitions, divestitures or unanticipated events..



# Questions



# NASDAQ: Luna