



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

November 15, 2021

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 2021 guidance, and market recognition of key technologies and demand for its products, backlog, sales growth, the company’s overall growth potential, its balance sheet and capitalization and access to capital, its technological advantages and capabilities, its strategic position, and corporate and leadership culture. Management cautions the reader that these forward-looking statements are only predictions and are subject to a number of both known and unknown risks and uncertainties, and actual results, performance, and/or achievements of the company may differ materially from the future results, performance, and/or achievements expressed or implied by these forward-looking statements as a result of a number of factors. These factors include, without limitation, failure of demand for the company’s products and services to meet expectations, failure of target markets to grow and expand, technological, operational and strategic challenges, uncertainties related to the ongoing impact of the COVID-19 pandemic and those risks and uncertainties set forth in the company’s periodic reports and other filings with the Securities and Exchange Commission (“SEC”). Such filings are available on the SEC’s website at www.sec.gov and on the company’s website at www.lunainc.com. The statements made in this presentation are based on information available to Luna as of the date of this presentation, November 15, 2021, and Luna undertakes no obligation to update any of the forward-looking statements after the date of this presentation, except as required by law.

Adjusted Financial Measures

In addition to U.S. GAAP financial information, this presentation includes Adjusted EBITDA 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.

3Q FY21 Results



Third-Quarter 2021: Key Financial Results

- Revenues of \$20.3M; up 32% year-over-year
 - Beginning in Q3 with the classification of Luna Labs to discontinued operations, Luna now reports as one segment
 - Luna becomes a pure play based on its fiber optic technology; Lightwave = Luna
- Gross Margin of 62%, compared to 63% for the prior-year period
 - Increase to the low/mid 60% range, compared to the low 50% range
 - Historically, this metric included the gross margin of Luna Labs
- Operating loss of \$10K, compared to operating income of \$1.2M for the prior-year period
 - Decrease primarily due to increase in operating expenses and amortization related to our recent acquisitions
- Adjusted EBITDA¹ of \$2.1M, compared to \$3.1M for the prior-year period
- Adjusted EPS¹ of \$0.03, compared to \$0.11 for the prior-year period

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

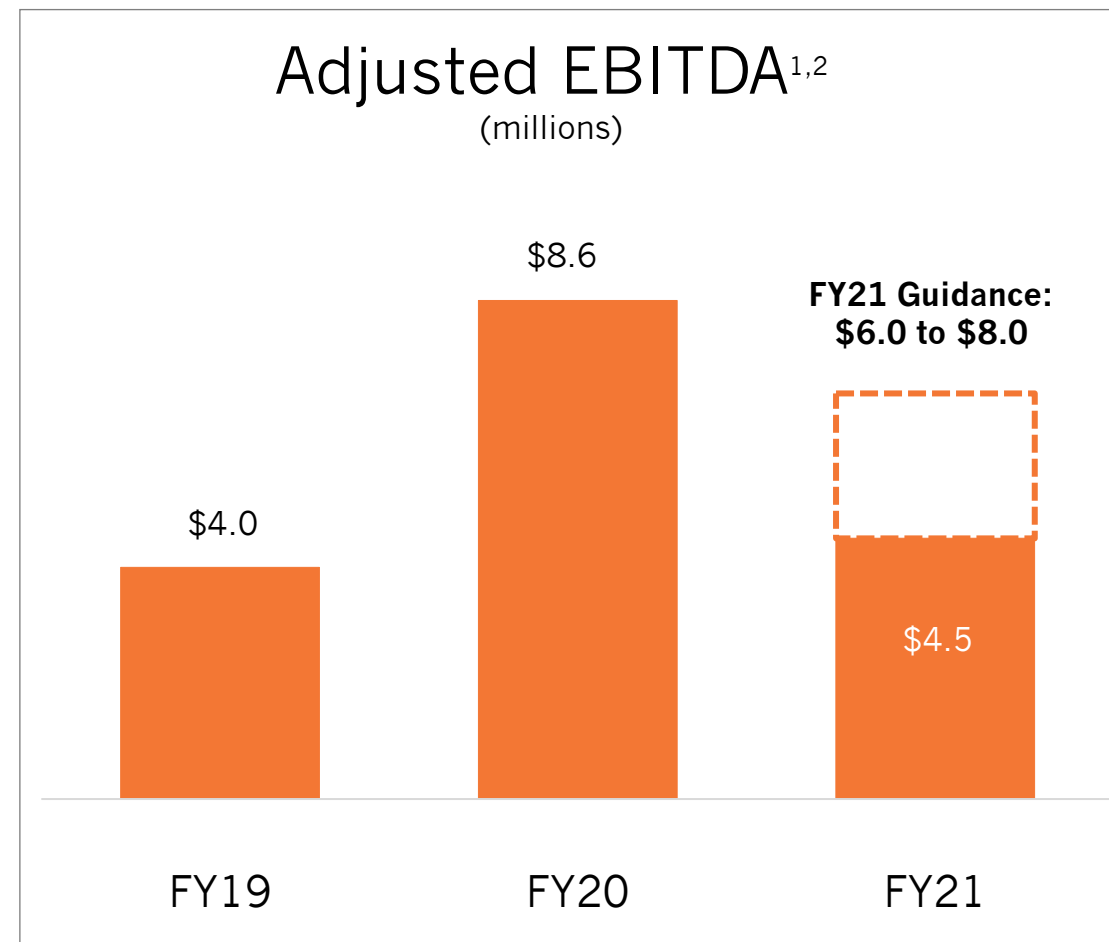
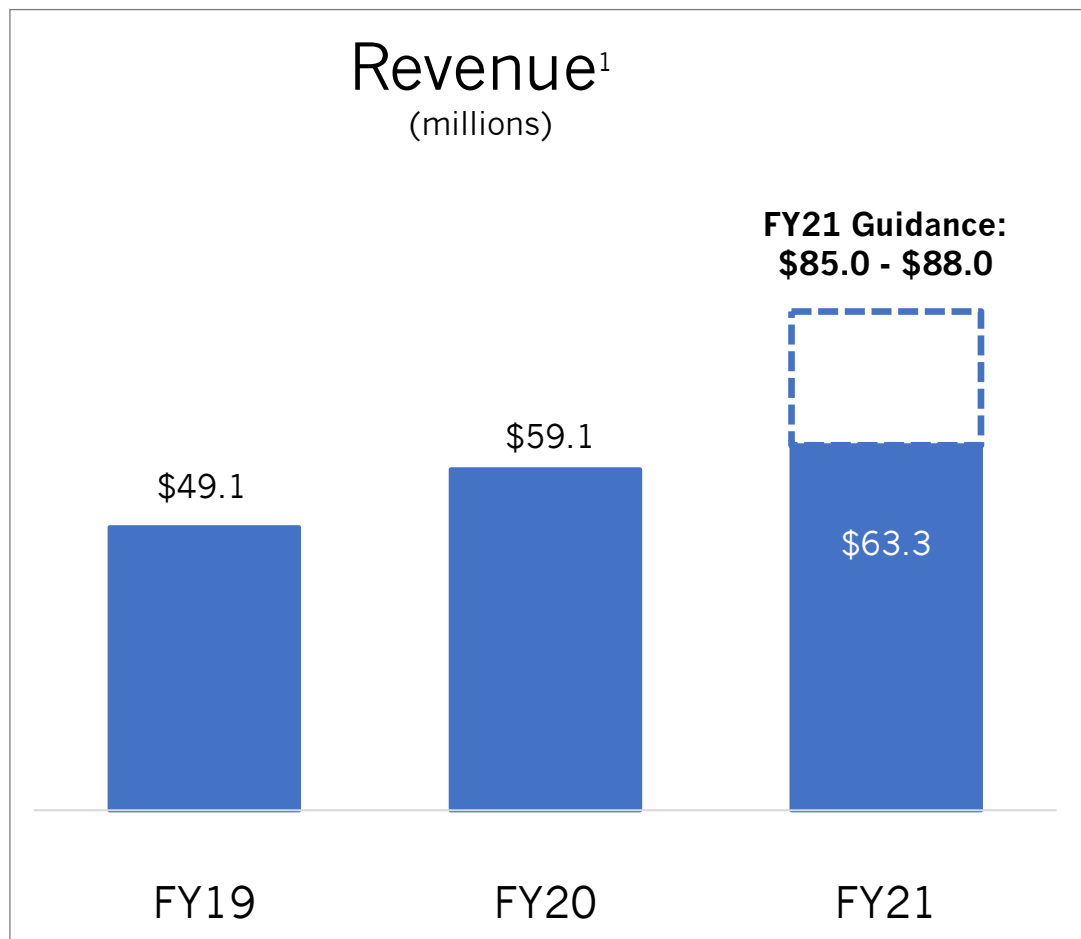
Third-quarter 2021 Highlights

- Continued focus on Luna’s mission to “enable the future with fiber” by moving Luna Labs to discontinued operations
- Returned to international travel, including onsite visits to OptaSense locations
- Recorded largest backlog in company history
- Continued successful penetration of distributed sensing solutions in key, target markets
 - Infrastructure and security
 - Delivered large order for infrastructure monitoring in the mining space to South American customer
 - First significant order for DAS products with new, “quantitative” features for monitoring strain and temperature
 - Landed large deal for perimeter monitoring system in Indonesia
 - Won competitive bid for a monitoring system for a major bridge in the southeast U.S. using Hyperion and associated sensors
 - Oil and Gas
 - Large, multi-unit order for Hyperion-based monitoring solution for off-shore oil and gas infrastructure
 - Oilfield business for DAS products seeing increasing uptake as confidence grows entering Q4
 - Carbon sequestration market beginning to recognize value of DAS technology with several key wins in Q3
 - Transportation
 - Large win for traffic monitoring system with a western U.S. DOT
 - Further validation of DAS technology for real-time traffic monitoring systems

Third-quarter 2021 Highlights (continued)

- Continued sales momentum for Terahertz products for industrial process control market
 - Record bookings with multiple, large “Blue-chip” customer wins in Q3
- Continued sales momentum for communications test products
 - Record bookings for high-speed optical analyzers (OVA/OBR)
 - Delivered first five OBR 6200, portable test systems for field support of the F-22 aircraft
 - First follow-on sale generated from successful deployment of OBR 6200 units for global fleet support of F-35
- Multiple large orders for laser and module products for multiple, growing applications
 - Significant new orders for RIO lasers from multiple LiDAR manufacturers
 - Large customer wins for polarization modules for applications in medical robotics, medical imaging, and defense-related high-power laser applications

Strong Financial Results



¹ Results shown include the reclassification of Luna Labs to Discontinued Operations.

² 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

- Strong balance sheet on September 30, 2021:
 - \$129.7M in total assets
 - \$14.8M in cash and cash equivalents
 - \$49.0M in working capital
- Total debt of \$16.9M outstanding
 - \$9.4M in term debt
 - \$7.5M drawn on revolver
 - \$7.5M available
- Allows us to continue to deploy our capital to generate long-term sustainable growth by increasing organic sales, reinvesting in our business and identifying inorganic opportunities

2021 Financial Outlook

- Revising guidance to reflect the reclassification of Luna Labs to Discontinued Operations and pandemic related issues:
 - Total revenue of \$85M to \$88M
 - Adjusted EBITDA¹ of \$6M to \$8M

¹ Adj EBITDA is a non-GAAP measure. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix to this presentation. The outlook above does not include any future acquisitions, divestitures, or unanticipated events.

Luna – Enabling the Future with Fiber

- Positioned as a **global** fiber optic **leader**
- **Proprietary** measurement technology, offering **unprecedented** combination of resolution, accuracy and speed
- Customers in **attractive markets**: Military and Defense, Communications, Infrastructure, Energy, Automotive and Aerospace
- Positioned to **take advantage of trends** such as vehicle lightweighting, smart infrastructure, and increasing demands on data centers and broadband capacity
- **Adequately capitalized** to fund growth
- Long-tenured, **experienced** executive team / board
- Corporate culture of **innovation and integrity**



Appendix



Reconciliation of Net (Loss)/Income to Adjusted EBITDA¹

(in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Reconciliation of EBITDA and Adjusted EBITDA				
GAAP net income/(loss)	\$ 355	\$ 3,102	\$ (193)	\$ 3,355
Income from discontinued operations, net of tax	699	794	2,371	1,469
GAAP net income/(loss) from continuing operations	(344)	2,308	(2,564)	1,886
Interest expense	110	1	375	2
Investment income	-	(1)	-	(65)
Income tax (benefit)/expense	224	(1,083)	(1,436)	(930)
Depreciation and amortization	1,131	709	3,440	1,979
EBITDA	1,121	1,934	(185)	2,872
Share-based compensation	689	542	2,133	1,450
Integration and transaction expense	196	-	2,073	-
Loss on sale of property and facility moving expenses	-	668	-	668
Amortization of Inventory step-up	104	-	440	-
Adjusted EBITDA	\$ 2,110	\$ 3,144	\$ 4,461	\$ 4,990

¹ Results shown include the reclassification of Luna Labs to Discontinued Operations.

Reconciliation of Net (Loss)/Income to Adjusted EPS¹

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Reconciliation of Net (loss)/Income to Adjusted EPS				
GAAP net income/(loss)	\$ 355	\$ 3,102	\$ (193)	\$ 3,355
Income from discontinued operations, net of tax	699	794	2,371	1,469
GAAP net income/(loss) from continuing operations	(344)	2,308	(2,564)	1,886
Adjustments:				
Share-based Compensation	689	542	2,133	1,450
Integration and transaction expense	196	-	2,073	-
Amortization of Intangible assets	761	424	2,353	1,236
Amortization of Inventory Step-up	104	-	440	-
Loss on sale of property and facility moving expenses	-	668	-	668
Total adjustments:	1,750	1,634	6,999	3,354
Income tax effect on adjustments	(438)	(409)	(1,750)	(839)
Adjusted income from continuing operations	\$ 968	\$ 3,533	\$ 2,685	\$ 4,401
Adjusted EPS	\$ 0.03	\$ 0.11	0.08	0.14
Adjusted weighted average shares (in thousands):				
Diluted	33,781	32,411	33,586	32,479

¹ Results shown include the reclassification of Luna Labs to Discontinued Operations.

Historical Quarterly Results¹

	(in thousands)				
	Three Months Ended				
	<u>September 30, 2020</u>	<u>December 31, 2020</u>	<u>March 31, 2021</u>	<u>June 30, 2021</u>	<u>September 30, 2021</u>
Revenues	\$ 15,350	\$ 19,278	\$ 20,997	\$ 21,965	\$ 20,329
Cost of revenues	5,718	7,523	8,726	9,384	7,745
Gross Profit	<u>9,632</u>	<u>11,755</u>	<u>12,271</u>	<u>12,581</u>	<u>12,584</u>
Gross Margin	63%	61%	58%	57%	62%
Operating expense:					
Selling, general and administrative	5,713	7,714	9,222	11,048	8,717
Research, development and engineering	1,615	1,996	2,917	1,810	2,920
Amortization of Intangibles	424	478	826	766	761
Integration and deal related expense	-	2,204	886	991	196
Loss on sale of property and facility moving expenses	668	69	-	-	-
Total operating expense	<u>8,420</u>	<u>12,461</u>	<u>13,851</u>	<u>14,615</u>	<u>12,594</u>
Operating income/(loss)	<u>\$ 1,212</u>	<u>\$ (706)</u>	<u>\$ (1,580)</u>	<u>\$ (2,034)</u>	<u>\$ (10)</u>

¹ Results shown include the reclassification of Luna Labs to Discontinued Operations.