

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 16, 2022

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))

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

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 May 16, 2022, Luna Innovations Incorporated (the “Company”) issued a press release announcing its financial results for the three months ended March 31, 2022, 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 May 16, 2022, 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 16, 2022, 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 16, 2022



Luna Innovations Reports First-Quarter 2022 Results

Reaffirms 2022 Outlook

Highlights

- Total revenues of \$22.5 million for the three months ended March 31, 2022, up 7% compared to the three months ended March 31, 2021
- Gross margin of 64% for the three months ended March 31, 2022, compared to 58% for the three months ended March 31, 2021
- Operating loss of \$2.4 million for the three months ended March 31, 2022, compared to operating loss of \$1.6 million for the three months ended March 31, 2021
- Net income of \$9.6 million for the three months ended March 31, 2022, which includes the gain on sale of Luna Labs, compared to net loss of \$0.3 million for the three months ended March 31, 2021
- Adjusted EBITDA of \$1.7 million for the three months ended March 31, 2022, compared to \$1.3 million for the three months ended March 31, 2021
- Adjusted EPS of \$0.05 for the three months ended March 31, 2022, compared to \$0.03 for the three months ended March 31, 2021

(ROANOKE, VA, May 16, 2022) - Luna Innovations Incorporated (NASDAQ: LUNA), a global leader in advanced optical technology, today announced its financial results for the three months ended March 31, 2022. The first-quarter 2022 results include two weeks of Lios, Luna's newest acquisition.

"I'm very pleased with our first-quarter performance as the Luna team delivered a solid start to 2022," said Scott Graeff, President and Chief Executive Officer of Luna. "We surpassed the top end of the Q1 revenue guidance we provided in March, while completing significant events including the divestiture of Luna Labs, the acquisition of Lios and the complete absorption of OptaSense into our operations. And, as always, the Luna team is laser-focused on executing against our strategy. During the past year, you've seen us make some strategic moves to refresh our product lines and broaden our IP. We've done this to leverage and incorporate the best of our organic portfolio with cutting-edge technology and products from recent acquisitions to create highly competitive product offerings."

Graeff continued, "As a result of the moves we've made, today Luna is a company with blue-chip customers, over a dozen of which are long-term, resulting in many large, multi-unit purchase orders. For example, we've gone from shipping one or two boxes to being completely integrated into Lockheed Martin's F-35 global program. I'm incredibly proud of the team for managing through the numerous puts and takes over the past six quarters, as we solidify Luna as a clear leader and a company fully focused on Enabling the Future with Fiber."

First-Quarter Fiscal 2022 Financial Summary

Highlights of the financial results for the three months ended March 31, 2022 are:

<i>(in thousands, except share and per share data)</i>	Three Months Ended March 31,		Change
	2022	2021	
Revenues	\$ 22,481	\$ 20,997	7 %
Gross profit	14,279	12,271	16 %
Gross margin	64 %	58 %	
Operating expense	16,645	13,851	20 %
Operating loss	(2,366)	(1,580)	
Operating margin	(11)%	(8)%	
Other expense and income tax benefit	1,023	521	
Net loss from continuing operations	\$ (1,343)	\$ (1,059)	
Income from discontinued operations, net of income taxes	10,924	740	
Net income/(loss)	\$ 9,581	\$ (319)	
Earnings/(loss) per diluted share (EPS)	\$ 0.30	\$ (0.01)	
Adjusted EPS	\$ 0.05	\$ 0.03	67 %
Diluted weighted average shares outstanding	32,243,082	31,350,629	
Adjusted EBITDA	\$ 1,721	\$ 1,331	29 %

A reconciliation of Adjusted EPS and Adjusted EBITDA to the nearest comparable figures under generally accepted accounting principles ("GAAP") can be found in the schedules included in this release.

Revenues for the three months ended March 31, 2022 increased 7% compared to the prior-year period, primarily due to revenue generated by the Lios acquisition.

Gross margin increased to 64% for the three months ended March 31, 2022, compared to 58% for the three months ended March 31, 2021, driven primarily by favorable product mix. Operating loss and margin were \$2.4 million and

11% of total revenues, respectively, for the three months ended March 31, 2022, compared to \$1.6 million and 8% of total revenues, respectively, for the three months ended March 31, 2021. The increase in operating loss was primarily due to an increase in deal and integration costs related to the acquisition of Lios.

Net income was \$9.6 million, or \$0.30 per fully diluted share, for the three months ended March 31, 2022, compared to net loss of \$0.3 million, or \$0.01 per fully diluted share, for the three months ended March 31, 2021. Adjusted EPS was \$0.05 for the three months ended March 31, 2022 compared to \$0.03 for the three months ended March 31, 2021.

Adjusted EBITDA was \$1.7 million for three months ended March 31, 2022, compared to \$1.3 million for the three months ended March 31, 2021.

2022 Full-Year Outlook

Luna is confirming the 2022 outlook it originally provided on March 14, 2022, which included the mid-March divestiture of Luna Labs and the acquisition of Lios:

- Total revenue of \$109 million to \$115 million for the full year 2022
- Adjusted EBITDA of \$10 million to \$12 million for the full year 2022
- Total revenues in the range of \$25 million to \$27 million for the second quarter 2022

Luna is not providing an outlook for net income, which is the most directly comparable 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, 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 and Adjusted EPS, which exclude certain charges and income that are required by GAAP. Adjusted EBITDA and Adjusted EPS provide 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 and Adjusted EPS 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 and Adjusted EPS have 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 8:30 am (ET) today to discuss its financial results for the three months ended March 31, 2022. 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 6847538. 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 a multitude of industries. 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 2022 financial results and outlook, and the Company's 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 quarter ended March 31, 2022, 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

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Email: IR@lunainc.com

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

	March 31, 2022 (unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,788	\$ 17,128
Accounts receivable, net	26,261	20,913
Contract assets	4,889	5,166
Inventory	28,891	22,493
Prepaid expenses and other current assets	7,152	3,793
Assets held for sale	—	12,952
Total current assets	77,981	82,445
Property and equipment, net	4,398	2,988
Intangible assets, net	22,332	17,177
Goodwill	29,199	18,984
Operating lease right-of-use assets	5,544	5,075
Other non-current assets	3,872	247
Deferred tax asset	1,339	3,321
Total assets	\$ 144,665	\$ 130,237
Liabilities and stockholders' equity		
Liabilities:		
Current liabilities:		
Current portion of long-term debt obligations	\$ 4,167	\$ 4,167
Accounts payable	2,617	2,809
Accrued and other current liabilities	17,312	9,258
Contract liabilities	4,047	4,649
Current portion of operating lease liabilities	2,458	2,101
Liabilities associated with assets held for sale	—	9,703
Total current liabilities	30,601	32,687
Long-term debt obligations, net of current portion	18,087	11,673
Long-term portion of operating lease liabilities	3,526	3,509
Other long-term liabilities	434	445
Total liabilities	52,648	48,314
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.001, 100,000,000 shares authorized, 34,143,411 and 33,855,725 shares issued, 32,361,122 and 32,116,270 shares outstanding at March 31, 2022 and December 31, 2021, respectively	34	34
Treasury stock at cost, 1,782,289 and 1,744,026 shares at March 31, 2022 and December 31, 2021, respectively	(5,526)	(5,248)
Additional paid-in capital	99,906	98,745
Accumulated deficit	(1,994)	(11,575)
Accumulated other comprehensive loss	(403)	(33)
Total stockholders' equity	92,017	81,923
Total liabilities and stockholders' equity	\$ 144,665	\$ 130,237

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

	Three Months Ended March 31,	
	2022	2021
Revenues	\$ 22,481	\$ 20,997
Cost of revenues	8,202	8,726
Gross profit	14,279	12,271
Operating expense:		
Selling, general and administrative	14,102	10,934
Research, development and engineering	2,543	2,917
Total operating expense	16,645	13,851
Operating loss	(2,366)	(1,580)
Other (expense)/income:		
Other income	21	—
Interest expense	(113)	(143)
Total other expense	(92)	(143)
Loss from continuing operations before income taxes	(2,458)	(1,723)
Income tax benefit	(1,115)	(664)
Net loss from continuing operations	(1,343)	(1,059)
Income from discontinued operations, net of income tax of \$1,022 and \$46	3	740
Gain on sale of discontinued operations, net of tax of \$3,117	10,921	—
Net income from discontinued operations	10,924	740
Net income/(loss)	\$ 9,581	\$ (319)
Net loss per share from continuing operations:		
Basic	\$ (0.04)	\$ (0.03)
Diluted	\$ (0.04)	\$ (0.03)
Net income per share from discontinued operations:		
Basic	\$ 0.34	\$ 0.02
Diluted	\$ 0.34	\$ 0.02
Net income/(loss) per share attributable to common stockholders:		
Basic	\$ 0.30	\$ (0.01)
Diluted	\$ 0.30	\$ (0.01)
Weighted average shares:		
Basic	32,243,082	31,350,629
Diluted	32,243,082	31,350,629

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

	Three Months Ended March 31,	
	2022	2021
Cash flows used in operating activities		
Net income/(loss)	\$ 9,581	\$ (319)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	1,179	1,231
Share-based compensation	1,132	657
Loss from discontinued operations, net of tax	(10,921)	—
Deferred taxes	220	—
Tax benefit from release of valuation allowance	—	262
Change in assets and liabilities		
Accounts receivable	(1,795)	1,439
Contract assets	(1,144)	(729)
Inventory	(1,416)	(1,617)
Other current assets	(1,636)	(847)
Other long term assets	2	(80)
Accounts payable and accrued expenses	2,287	(1,939)
Contract liabilities	171	(992)
Other long term liabilities	(33)	—
Net cash used in operating activities	<u>(2,373)</u>	<u>(2,934)</u>
Cash flows used in investing activities		
Acquisition of property and equipment	(915)	(361)
Intangible property costs	38	(48)
Proceeds from sale of property and equipment	25	—
Proceeds from sale of discontinued operations	12,973	—
Acquisition of Lios	(22,085)	—
Net cash used in investing activities	<u>(9,964)</u>	<u>(409)</u>
Cash flows provided by/(used in) financing activities		
Payments on finance lease obligations	(12)	(12)
Payments of debt obligations	(1,036)	(1,036)
Repurchase of common stock	(278)	(202)
Proceeds from ESPP	85	—
Proceeds from the exercise of options and warrants	220	845
Proceeds from borrowings under term loan	7,450	—
Net cash provided by/(used in) financing activities	<u>6,429</u>	<u>(405)</u>
Effect of exchange rate changes on cash and cash equivalents	(432)	176
Net decrease in cash and cash equivalents	<u>(6,340)</u>	<u>(3,572)</u>
Cash and cash equivalents-beginning of period	17,128	15,366
Cash and cash equivalents-end of period	<u>\$ 10,788</u>	<u>\$ 11,794</u>

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

	Three Months Ended March 31,	
	2022	2021
Net income/(loss)	\$ 9,581	\$ (319)
Net income from discontinued operations	10,924	740
Net loss from continuing operations	(1,343)	(1,059)
Interest expense	113	143
Income tax benefit	(1,115)	(664)
Depreciation and amortization	1,156	1,200
EBITDA	(1,189)	(380)
Share-based compensation	1,066	657
Integration and transaction expense	1,844	886
Amortization of inventory step-up	—	168
Adjusted EBITDA	\$ 1,721	\$ 1,331

Luna Innovations Incorporated
Reconciliation of Net Income/(Loss) to Adjusted EPS
(in thousands, except per share data)

	Three Months Ended March 31,	
	2022	2021
Net income/(loss)	\$ 9,581	\$ (319)
Net income from discontinued operations	10,924	740
Net income from continuing operations	(1,343)	(1,059)
Share-based compensation	1,066	657
Integration and transaction expense	1,844	886
Amortization of intangible assets	821	826
Amortization of inventory step-up	—	168
Income tax effect on adjustments	(933)	(634)
Adjusted income from continuing operations	\$ 1,455	\$ 844
Adjusted EPS	\$ 0.05	\$ 0.03
Adjusted weighted average shares (in thousands):		
Diluted	32,243	31,351

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**First-Quarter 2022 Results
Investor Supplemental Materials**

May 16, 2022

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, the nature of its market position, sales pipeline, intellectual property position and portfolio, and other expected benefits of recent acquisition, including the breadth of product offerings, complimentary products, expertise and sales opportunities and the ability to expand offerings to combined customer groups, the ability to establish a strong international presence, potential operational improvements and the ability to expand into additional high-growth markets, the company’s future financial performance, including 2022 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 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, integration of acquisitions, potential performance shortfalls as a result of the diversion of management’s attention caused by transactions and integrating operations, 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 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, May 16, 2022, 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.

First-Quarter FY22 Results



First-Quarter 2022: Key Financial Results

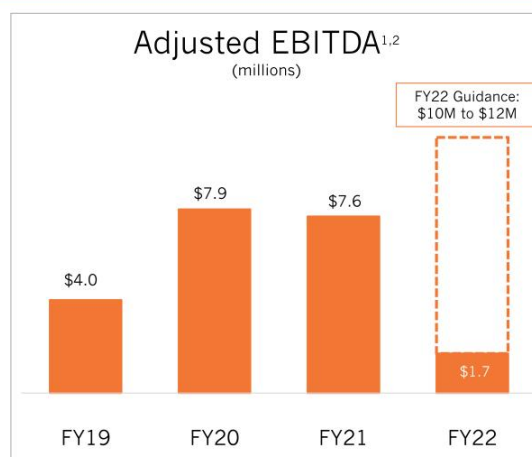
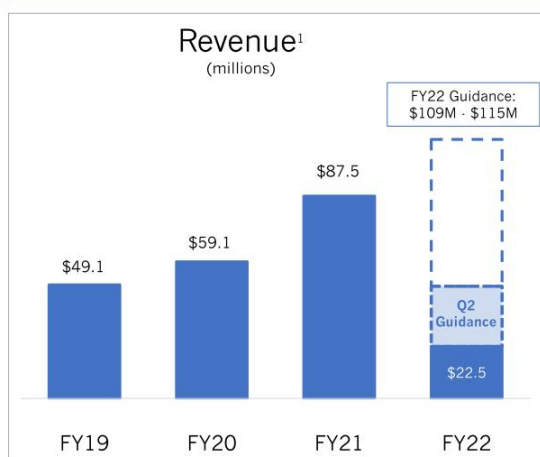
- Revenues of \$22.5M; up 7% year-over-year
- Gross margin of 64%, compared to 58% for the prior-year period
- Adjusted operating income of \$1.4M, compared to \$957k for the prior-year period
- Adjusted EBITDA¹ of \$1.7M, compared to \$1.3M for the prior-year period
- Adjusted EPS¹ of \$0.05, compared to \$0.03 for the prior-year period
 - Reported (GAAP) EPS was \$0.30 due to the gain on the sale of Luna Labs

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.

First-Quarter 2022 and Recent Business Highlights

- Luna Innovations is now a pure play leader in fiber-based technologies with the divestiture of Luna Labs complete
- Q1 2022 financial performance
 - Record ODISI shipments
 - Strong backlog in Hyperion and THz; growth in Rio Laser sales
 - Strong demand for OptaSense
- Closed on the acquisition of Lios, creating the strongest distributed fiber sensing play on the market
 - Further expands global presence, building on existing, strong international customer base and sales capability
- Building pipeline of larger, multi-unit, blanket orders
 - Expanded relationships with existing customers in aerospace, electric vehicle and perimeter defense markets
 - Secured incremental, multi-unit order for OBR 6200 through strong, long-standing relationship with Lockheed Martin
- Luna receives Gold Tier Award from BAE Systems, for exceptional performance and contributions to supply chain success

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.

Balance Sheet

- Balance sheet on March 31, 2022:
 - \$144.7M in total assets
 - \$10.8M in cash and cash equivalents
 - \$47.4M in working capital
- Total debt of \$22.3M outstanding
 - \$7.3M in term debt
 - \$15.0M drawn on revolver
- All investments over the past five years – in both business and in M&A – have been funded by using the balance sheet through cash and bank debt
- Luna will continue to deploy capital prudently to generate long-term sustainable growth
 - Increasing organic sales
 - Reinvesting in our business
 - Identifying inorganic opportunities

2022 Outlook



Q2 and Full-Year Guidance

- 2022 outlook reflects the sale of Luna Labs, the acquisition of Lios and the ongoing impact of the pandemic:
 - Reaffirm the following:
 - Full-year total revenue of \$109M to \$115M
 - Full-year adjusted EBITDA¹ of \$10M to \$12M
 - Top-line guidance for Q2
 - Revenue of \$25M to \$27M

Luna – Enabling the Future with Fiber

- Positioned as a **global** fiber optic **leader**
- **Proprietary fiber-optic based** measurement technology, offering **unprecedented** combination of performance and economics
- Customers in **attractive markets**: Defense, Communications, Infrastructure, Energy, Automotive and Aerospace
- Positioned to **take advantage of trends** such as vehicle lightweighting, smart infrastructure, increasing needs for global security, 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	
	March 31,	
	2022	2021
	(Unaudited)	
Reconciliation of EBITDA and Adjusted EBITDA		
GAAP net income/(loss)	\$ 9,581	\$ (319)
Income from discontinued operations, net of tax	10,924	740
GAAP net income/(loss) from continuing operations	(1,343)	(1,059)
Interest expense	113	143
Income tax (benefit)/expense	(1,115)	(664)
Depreciation and amortization	1,156	1,200
EBITDA	(1,189)	(380)
Share-based compensation	1,066	657
Integration and transaction expense	1,844	886
Amortization of Inventory step-up	-	168
Adjusted EBITDA	\$ 1,721	\$ 1,331

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	
	March 31,	
	2022	2021
	(Unaudited)	
Reconciliation of Net (loss)/Income to Adjusted EPS		
GAAP net income/(loss)	\$ 9,581	\$ (319)
Income from discontinued operations, net of tax	10,924	740
GAAP net income/(loss) from continuing operations	(1,343)	(1,059)
Adjustments:		
Share-based Compensation	1,066	657
Integration and transaction expense	1,844	886
Amortization of Intangible assets	821	826
Amortization of Inventory Step-up	-	168
Total adjustments:	3,731	2,537
Income tax effect on adjustments	(933)	(634)
Adjusted income from continuing operations	\$ 1,455	\$ 844
Adjusted EPS	\$ 0.05	\$ 0.03
Adjusted weighted average shares (in thousands):		
Diluted	32,243	31,351

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

Reconciliation of Operating (Loss) to Adjusted Operating Income¹

(in thousands)

	Three Months Ended	
	March 31,	
	2022	2021
	(Unaudited)	
Reconciliation of Operating (Loss) to Adjusted Operating Income		
GAAP Operating Loss	\$ (2,366)	\$ (1,580)
Adjustments:		
Share-based Compensation	1,066	657
Integration and transaction expense	1,844	886
Amortization of Intangible assets	821	826
Amortization of Inventory Step-up	-	168
Total adjustments:	3,731	2,537
Adjusted Operating Income	\$ 1,365	\$ 957

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

Historical Quarterly Results¹

	(in thousands)				
	March 31, 2021	June 30, 2021	Three Months Ended September 30, 2021	December 31, 2021	March 31, 2022
Revenues	\$ 20,997	\$ 21,965	\$ 20,329	\$ 24,222	\$ 22,481
Cost of revenues	8,726	9,385	7,744	10,102	8,202
Gross Profit	<u>12,271</u>	<u>12,580</u>	<u>12,585</u>	<u>14,120</u>	<u>14,279</u>
Gross Margin	58%	57%	62%	58%	64%
Operating expense:					
Selling, general and administrative	9,222	11,047	8,719	9,533	11,437
Research, development and engineering	2,917	1,810	2,920	2,543	2,543
Amortization of Intangibles	826	766	761	760	821
Integration and deal related expense	886	991	196	249	1,844
Total operating expense	<u>13,851</u>	<u>14,614</u>	<u>12,596</u>	<u>13,085</u>	<u>16,645</u>
Operating income/(loss)	<u>\$ (1,580)</u>	<u>\$ (2,034)</u>	<u>\$ (11)</u>	<u>\$ 1,035</u>	<u>\$ (2,366)</u>

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

