

**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 9, 2021**

**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:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value per share	LUNA	The Nasdaq Stock Market LLC

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.

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

On August 9, 2021, Luna Innovations Incorporated (the “Company”) issued a press release announcing its financial results for the three and six months ended June 30, 2021, 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 9, 2021, 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	<a href="#">Press Release, dated August 9, 2021, by Luna Innovations Incorporated.</a>
99.2	<a href="#">Company Presentation.</a>

**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 9, 2021



## **Luna Innovations Reports Second-Quarter 2021 Results**

*Delivers Record Revenue and Reaffirms 2021 Outlook*

### **Highlights**

- **Total revenues of \$27.9 million for the three months ended June 30, 2021, up 50% compared to the three months ended June 30, 2020**
- **Operating loss of \$1.0 million for the three months ended June 30, 2021, versus operating income of \$1.8 million for the three months ended June 30, 2020; primarily due to \$1.5 million of transaction-related costs**
- **Net loss of \$0.2 million for the three months ended June 30, 2021, compared to net income of \$1.4 million for the three months ended June 30, 2020**
- **Adjusted EBITDA of \$2.1 million for the three months ended June 30, 2021, compared to \$3.0 million for the three months ended June 30, 2020**
- **Adjusted EPS of \$0.06 for each of the three months ended June 30, 2021 and 2020**
- **Company reaffirms 2021 outlook**

(ROANOKE, VA, August 9, 2021) - 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, 2021.

"I couldn't be more thrilled about delivering record revenue, despite challenges such as a very difficult supply chain environment, all while integrating the largest acquisition in the company's history," said Scott Graeff, President and Chief Executive Officer of Luna. "As I mentioned on our last earnings call, 2021 marks another inflection point of growth. We continue to invest in our business as we build for Luna's future, including adding several experienced executives to my team this quarter. These professionals each have track records in growing larger public companies. We remain excited about Luna's strategy and future, which is why we are reaffirming the guidance that we first provided in March."

**Second-Quarter Fiscal 2021 Financial Summary.**

Highlights of the financial results for the three months ended June 30, 2021 are:

*(in thousands, except share and per share data)*

	Three Months Ended June 30,		Change
	2021	2020	
Revenues:			
Lightwave	\$ 21,965	\$ 12,933	70 %
Luna Labs	5,972	5,643	6 %
Total revenues	<u>27,937</u>	<u>18,576</u>	50 %
Gross profit	13,950	9,517	47 %
Gross margin	50 %	51 %	
Operating expense	14,952	7,707	94 %
Operating (loss)/income	<u>(1,002)</u>	<u>1,810</u>	(155) %
Operating margin	(4)%	10 %	
Other (expense)/income and income tax benefit/(expense)	<u>772</u>	<u>(441)</u>	275 %
Net (loss)/income	<u>\$ (230)</u>	<u>\$ 1,369</u>	117 %
Earnings per diluted share (EPS)	<u>\$ (0.01)</u>	<u>\$ 0.04</u>	(125) %
Adjusted EPS	<u>\$ 0.06</u>	<u>\$ 0.06</u>	— %
Diluted weighted average shares outstanding	<u>33,500,801</u>	<u>32,494,950</u>	
Adjusted EBITDA	<u>\$ 2,143</u>	<u>\$ 2,955</u>	(27) %

A reconciliation of Adjusted EPS and Adjusted EBITDA to the nearest comparable GAAP figures can be found in the schedules included in this release.

Lightwave revenues for the three months ended June 30, 2021 increased compared to the prior-year period, primarily due to acquisitions and strength in the telecommunications, aerospace and defense markets. Luna Labs revenue increased for the three months ended June 30, 2021, compared to the prior-year period, due to growth in various government research projects.

Gross margin decreased to 50% for the three months ended June 30, 2021, compared to 51% for the three months ended June 30, 2020, driven primarily by lower gross margin in Luna's Lightwave division. Operating income/(loss) and margin declined to \$(1.0) million and (4)% of total revenues, respectively, for the three months ended June 30, 2021, compared to \$1.8 million and 10% of total revenues, respectively, for the three months ended June 30, 2020. The decrease in operating income was primarily due to \$1.0 million integration and transaction costs, as well as \$0.5 million of amortization of intangible assets and inventory step-up related to Luna's recently completed acquisitions and its continuing portfolio activities.

Net loss was \$0.2 million, or \$0.01 per fully diluted share, for the three months ended June 30, 2021, compared to net income of \$1.4 million, or \$0.04 per fully diluted share, for the three months ended June 30, 2020. Adjusted EPS was \$0.06 for each of the three months ended June 30, 2021 and 2020.

Adjusted EBITDA was \$2.1 million for the three months ended June 30, 2021, compared to \$3.0 million for the three months ended June 30, 2020. The decrease was driven by lower income from continuing operations.

**Six Months Ended Fiscal 2021 Financial Summary**

Highlights of the financial results for the six months ended June 30, 2021 are:

<i>(in thousands, except share and per share data)</i>	Six months ended June 30,		Change
	2021	2020	
Revenues:			
Lightwave	\$ 42,962	\$ 24,487	75 %
Luna Labs	11,274	11,230	— %
Total revenues	<u>54,236</u>	<u>35,717</u>	52 %
Gross profit	27,379	17,881	53 %
Gross margin	50 %	50 %	
Operating expense	29,175	15,681	86 %
Operating (loss)/income	(1,796)	2,200	(182) %
Operating margin	(3)%	6 %	
Other (expense)/income and income tax benefit/(expense)	1,248	(511)	344 %
Net (loss)/income from continuing operations	<u>\$ (548)</u>	<u>\$ 1,689</u>	(132) %
Loss from discontinued operations, net of income tax of \$464	—	(1,436)	
Net (loss)/income	<u>\$ (548)</u>	<u>\$ 253</u>	317 %
Earnings per diluted share (EPS)	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	(300) %
Adjusted EPS	<u>\$ 0.10</u>	<u>\$ 0.09</u>	11 %
Diluted weighted average shares outstanding	<u>33,487,109</u>	<u>32,466,122</u>	
Adjusted EBITDA	<u>\$ 4,291</u>	<u>\$ 4,535</u>	(5) %

A reconciliation of Adjusted EPS and Adjusted EBITDA to the nearest comparable GAAP figures can be found in the schedules included in this release.

Lightwave revenues for the six months ended June 30, 2021 increased compared to the prior-year period, primarily due to acquisitions and increased revenues from both sensing and communication test businesses.

Luna Labs revenue increased for the six months ended June 30, 2021, compared to the prior-year period, due to growth in various government research projects.

Gross margin of 50% for the six months ended June 30, 2021 was flat compared to 50% for the six months ended June 30, 2020. Operating income/(loss) and margin declined to \$(1.8) million and (3)% of total revenues,



respectively, for the six months ended June 30, 2021, compared to \$2.2 million and 6% of total revenues, respectively, for the six months ended June 30, 2020. The decrease in operating income was primarily due to \$1.9 million integration and transaction costs, as well as \$1.0 million of amortization of intangible assets and inventory step-up related to Luna's recently completed acquisitions and its continuing portfolio activities.

Net loss was \$0.5 million, or \$0.02 per fully diluted share, for the six months ended June 30, 2021, compared to a net income of \$0.3 million, or \$0.01 per fully diluted share, for the six months ended June 30, 2020. Adjusted EPS was \$0.10 for the six months ended June 30, 2021, compared to \$0.09 for the six months ended June 30, 2020.

Adjusted EBITDA was \$4.3 million for the six months ended June 30, 2021, compared to \$4.5 million for the six months ended June 30, 2020.

#### **2021 Full-Year Outlook**

Luna is reaffirming its full-year guidance:

- Total revenues of \$122 million to \$127 million
- Adjusted EBITDA of \$16 million to \$19 million

Adjusted EBITDA is a non-GAAP measure. Luna is not providing an outlook for net income/(loss), which is the most directly comparable generally accepted accounting principles ("GAAP") measure to Adjusted EBITDA, because changes in the items that Luna excludes from net income to calculate Adjusted EBITDA, such as share-based compensation, tax expense, and significant non-recurring charges, among other things, can be dependent on future events that are less capable of being controlled or reliably predicted by management and are not part of Luna's routine operating activities.

The outlook above does not include any future acquisitions, divestitures, or unanticipated events.

#### **Non-GAAP Financial Measures**

In evaluating the operating performance of its business, Luna's management considers Adjusted EBITDA, which excludes certain charges and credits that are required by GAAP. Adjusted EBITDA 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 5:00 pm (ET) today to discuss its financial results for the three and six months ended June 30, 2021. The investor conference call will be available via live webcast on the Luna website at [www.lunainc.com](http://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 2326659. 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](http://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 2021 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 June 30, 2021, 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](http://www.sec.gov) and on Luna's website at [www.lunainc.com](http://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:**

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

Assets	June 30, 2021 (unaudited)	December 31, 2020
<b>Current assets:</b>		
Cash and cash equivalents	\$ 11,970	\$ 15,366
Accounts receivable, net	24,605	24,951
Contract assets	6,857	7,046
Inventory	25,579	23,597
Prepaid expenses and other current assets	6,886	4,509
Total current assets	75,897	75,469
Property and equipment, net	3,183	3,308
Intangible assets, net	18,887	20,109
Goodwill	19,155	18,121
Long-term contract assets	—	471
Operating lease ROU asset	10,461	11,281
Finance lease ROU asset	220	244
Other assets	38	39
Deferred tax asset	1,486	1,960
Total assets	\$ 129,327	\$ 131,002
<b>Liabilities and stockholders' equity</b>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt obligations	\$ 4,167	\$ 4,167
Accounts payable	3,962	4,393
Accrued liabilities	11,171	12,159
Contract liabilities	6,425	7,095
Current portion of operating lease ROU liability	2,314	2,223
Current portion of finance lease ROU liability	48	48
Total current liabilities	28,087	30,085
Long-term debt obligations	13,745	15,817
Long-term portion of operating lease ROU liability	9,226	10,248
Long-term portion of finance lease ROU liability	172	196
Other long-term liabilities	214	214
Total liabilities	51,444	56,560
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock, par value \$0.001, 100,000,000 shares authorized, 33,511,899 and 32,724,512 shares issued, 31,772,444 and 31,024,537 shares outstanding at June 30, 2021 and December 31, 2020, respectively	33	33
Treasury stock at cost, 1,739,455 and 1,699,975 shares at June 30, 2021 and December 31, 2020, respectively	(5,209)	(4,789)
Additional paid-in capital	95,936	92,403
Accumulated deficit	(13,505)	(12,957)
Accumulated other comprehensive income/(loss)	628	(248)
Total stockholders' equity	77,883	74,442
Total liabilities and stockholders' equity	\$ 129,327	\$ 131,002

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Lightwave	\$ 21,965	\$ 12,933	\$ 42,962	\$ 24,487
Luna Labs	5,972	5,643	11,274	11,230
Total revenues	<u>27,937</u>	<u>18,576</u>	<u>54,236</u>	<u>35,717</u>
Cost of revenues:				
Lightwave	9,441	5,181	18,212	10,066
Luna Labs	4,546	3,878	8,645	7,770
Total cost of revenues	<u>13,987</u>	<u>9,059</u>	<u>26,857</u>	<u>17,836</u>
Gross profit	<u>13,950</u>	<u>9,517</u>	<u>27,379</u>	<u>17,881</u>
Operating expense:				
Selling, general and administrative	13,142	6,202	24,432	12,579
Research, development and engineering	1,810	1,505	4,743	3,102
Total operating expense	<u>14,952</u>	<u>7,707</u>	<u>29,175</u>	<u>15,681</u>
Operating (loss)/income	<u>(1,002)</u>	<u>1,810</u>	<u>(1,796)</u>	<u>2,200</u>
Other (expense)/income:				
Investment income	—	4	—	64
Other income/(expense)	—	(4)	—	5
Interest expense	(122)	(1)	(265)	(1)
Total other (expense)/income	<u>(122)</u>	<u>(1)</u>	<u>(265)</u>	<u>68</u>
(Loss)/income from continuing operations before income taxes	<u>(1,124)</u>	<u>1,809</u>	<u>(2,061)</u>	<u>2,268</u>
Income tax (benefit)/expense	<u>(894)</u>	<u>440</u>	<u>(1,513)</u>	<u>579</u>
Net (loss)/income from continuing operations	<u>(230)</u>	<u>1,369</u>	<u>(548)</u>	<u>1,689</u>
Loss from discontinued operations, net of income tax of \$—	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,436)</u>
Net (loss)/income	<u>(230)</u>	<u>1,369</u>	<u>(548)</u>	<u>253</u>
Preferred stock dividend	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net loss attributable to common stockholders	<u>\$ (230)</u>	<u>\$ 1,369</u>	<u>\$ (548)</u>	<u>\$ 253</u>
Net (loss)/income per share from continuing operations:				
Basic	<u>\$ (0.01)</u>	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ 0.06</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ 0.05</u>
Net loss per share from discontinued operations:				
Basic	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (0.05)</u>
Diluted	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (0.04)</u>
Net (loss)/income per share attributable to common stockholders:				
Basic	<u>\$ (0.01)</u>	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>
Weighted average shares:				
Basic	<u>31,494,563</u>	<u>30,484,797</u>	<u>31,413,451</u>	<u>30,589,249</u>
Diluted	<u>33,500,801</u>	<u>32,494,950</u>	<u>33,487,109</u>	<u>32,466,122</u>

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

	Six Months Ended June 30,	
	2021	2020
<b>Cash flows (used in)/provided by operating activities</b>		
Net (loss)/income	\$ (548)	\$ 253
Adjustments to reconcile net loss to net cash (used in)/provided by operating activities		
Depreciation and amortization	2,360	1,363
Share-based compensation	1,514	967
Bad debt expense	—	(26)
Loss from discontinued operations, net of tax	—	1,436
Deferred taxes	475	(10)
Change in assets and liabilities		
Accounts receivable	(473)	(139)
Contract assets	763	(508)
Inventory	(1,562)	(937)
Other current assets	(2,399)	(404)
Accounts payable and accrued expenses	(2,185)	(1,286)
Contract liabilities	(826)	(520)
Net cash (used in)/provided by operating activities	<u>(2,881)</u>	<u>193</u>
<b>Cash flows (used in)/provided by investing activities</b>		
Acquisition of property and equipment	(551)	(111)
Intangible property costs	(141)	(192)
Proceeds from sale of discontinued operations	—	600
Net cash (used in)/provided by investing activities	<u>(692)</u>	<u>298</u>
<b>Cash flows (used in)/provided by financing activities</b>		
Payments on finance lease obligations	(24)	(26)
Payments of debt obligations	(2,072)	—
Repurchase of common stock	(420)	(328)
Proceeds from term loan	530	—
Proceeds from the exercise of options and warrants	1,490	1,363
Net cash (used in)/provided by financing activities	<u>(496)</u>	<u>1,009</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(4,069)	1,500
Effect of exchange rate changes on cash and cash equivalents	673	—
Cash and cash equivalents-beginning of period	15,366	25,006
Cash and cash equivalents-end of period	<u>\$ 11,970</u>	<u>\$ 26,506</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net (loss)/income	\$ (230)	\$ 1,369	\$ (548)	\$ 253
Loss from discontinued operations, net of tax	—	—	—	(1,436)
Net (loss)/income from continuing operations	(230)	1,369	(548)	1,689
Interest expense	122	1	265	1
Investment income	—	(4)	—	(64)
Income tax (benefit)/expense	(894)	440	(1,513)	579
Depreciation and amortization	1,129	684	2,360	1,363
EBITDA	127	2,490	564	3,568
Share-based compensation	857	465	1,514	967
Integration and transaction expense	991	—	1,877	—
Amortization of inventory step-up	168	—	336	—
Adjusted EBITDA	<u>\$ 2,143</u>	<u>\$ 2,955</u>	<u>\$ 4,291</u>	<u>\$ 4,535</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net (loss)/income	\$ (230)	1,369	\$ (548)	253
Loss from discontinued operations, net of tax	—	—	—	(1,436)
Net (loss)/income from continuing operations	(230)	1,369	(548)	1,689
Share-based compensation	857	465	1,514	967
Integration and deal expense	991	—	1,877	—
Amortization of intangible assets	773	410	1,616	843
Amortization of inventory step-up	168	—	336	—
Income tax effect on adjustments	(697)	(219)	(1,336)	(453)
Adjusted income from continuing operations	<u>\$ 1,862</u>	<u>\$ 2,025</u>	<u>\$ 3,459</u>	<u>\$ 3,046</u>
Adjusted EPS	\$ 0.06	\$ 0.06	\$ 0.10	\$ 0.09
Adjusted weighted average shares (in thousands):				
Diluted	33,501	32,495	33,487	32,466

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

August 9<sup>th</sup>, 2021

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## Safe Harbor

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### 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 the market and demand for its products, the company’s 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](http://www.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 9, 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.

## 2Q FY21 Results



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## Second-Quarter 2021: Key Financial Results

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- Total revenues of \$28M; up 50% year-over-year
  - Proforma<sup>1</sup> up >20%
- Lightwave revenue of \$22M, up 70% year-over-year
  - Proforma<sup>1</sup> up nearly 30%
- Luna Labs revenue of \$6M, up 6% year-over-year
- Gross Margin of 50%, compared to 51% for the prior-year period
- Operating loss of \$1M, compared to operating income of \$1.8M for the prior-year period
  - Loss primarily due to \$1.5M of transaction-related costs
- Adjusted EBITDA<sup>2</sup> of \$2.1M, compared to \$3.0M for the prior-year period
- Adjusted EPS<sup>2</sup> of \$0.06, compared to \$0.06 for the prior-year period

<sup>1</sup>Proforma percentages represent results as if Luna owned OptaSense from the beginning of 2020.

<sup>2</sup>Adj 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.

## Second-quarter 2021 Highlights

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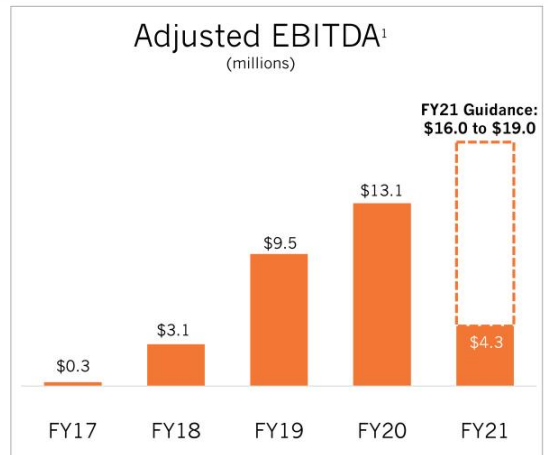
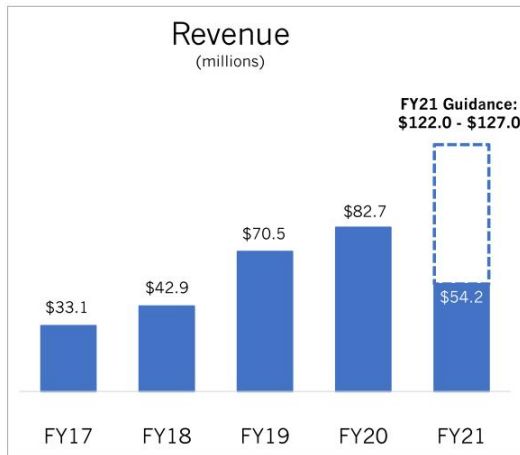
- Significant customer successes, strong ongoing pipeline of opportunities
  - Large orders from blue-chip customers for sensing products
    - Military & defense
    - Infrastructure & mining
    - Inter-Data Center
  - Commercial engagement with customers in the EV-battery space for sensing products to optimize battery design and production
  - Continued success and robust pipeline for silicon photonics applications
  - Continued strong bookings for RIO lasers
    - Primarily for LiDAR for wind and automotive
- Significant progress in product development and delivery
  - Continued success in deliveries of first 100+ OBR 6200 units to LMCO for global support of F-35
  - Released 6th generation DAS data acquisition system, OS6, with integrated machine learning for faster turn-up time

## Second-quarter 2021 Highlights, *continued*

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- Strengthened executive team
  - Promoted Brian Soller to COO
  - Promoted Yves Le Maitre to SVP of North America Operations
  - Promoted Jamie Pollard to SVP of EMEA Operations
  - Promoted Salvan Farooqui to SVP of Global Sales
  - Added Bhaskar Banerjee as SVP and Head of Strategy
  - Added William Van Anglen as SVP and Head of Human Resources
  - Added Ray Matty as VP of Financial Planning and Analysis
- Significant progress in integration of OptaSense; completed the integration of support functions
  - IT
  - HR
  - Finance

## Strong Financial Results



<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.

## A Flexible Balance Sheet

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- Strong balance sheet on June 30, 2021:
  - \$129.3M in total assets
    - \$12.0M in cash and cash equivalents
    - \$47.8M in working capital
- Total debt of \$17.9M outstanding
  - \$10.4M in term debt
  - \$7.5M drawn on revolver
    - \$7.5M available
- Allows us 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

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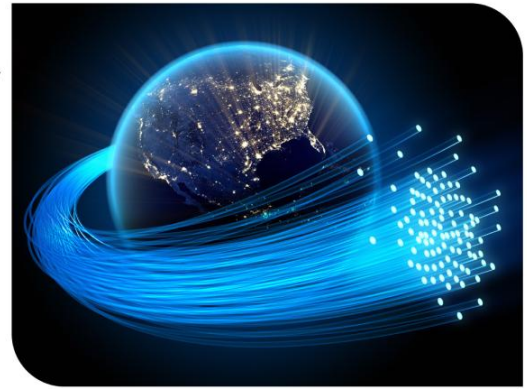
- Reaffirming FY 2021 outlook:
  - Total revenues of \$122M to \$127M
  - Adjusted EBITDA<sup>1</sup> of \$16M to \$19M

<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 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

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## Reconciliation of Net (Loss)/Income to Adjusted EBITDA

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
<b>Reconciliation of EBITDA and Adjusted EBITDA</b>				
Net (loss)/income	\$ (230)	\$ 1,369	\$ (548)	\$ 253
Loss from discontinued operations, net of income tax benefit of \$464				(1,436)
<b>Net (loss)/income from continuing operations</b>	<b>(230)</b>	<b>1,369</b>	<b>(548)</b>	<b>1,689</b>
Interest expense	122	1	265	1
Investment income		(4)		(64)
Income tax (benefit)/expense	(894)	440	(1,513)	579
Depreciation and amortization	1,129	684	2,360	1,363
<b>EBITDA</b>	<b>127</b>	<b>2,490</b>	<b>564</b>	<b>3,568</b>
Share-based compensation	857	465	1,514	967
Integration and transaction expense	991		1,877	
Amortization of Inventory step-up	168		336	
<b>Adjusted EBITDA</b>	<b>\$ 2,143</b>	<b>\$ 2,955</b>	<b>\$ 4,291</b>	<b>\$ 4,535</b>

## Reconciliation of Net (Loss)/Income to Adjusted EPS

(in thousands, except per share data)

	June 30,		June 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
<b>Reconciliation of Net (loss)/Income to Adjusted EPS</b>				
GAAP (loss)/income from continuing operations	\$ (230)	\$ 1,369	\$ (548)	\$ 1,689
<b>Adjustments:</b>				
Share-based Compensation	857	465	1,514	967
Integration and transaction expense	991		1,877	
Amortization of Intangibles	773	410	1,616	843
Amortization of Inventory Step-up	168		336	
<b>Total adjustments:</b>	<b>2,789</b>	<b>875</b>	<b>5,343</b>	<b>1,810</b>
Income tax adjustment - benefit (expense)	(697)	(219)	(1,336)	(453)
<b>Adjusted (loss)/income from continuing operations</b>	<b>\$ 1,862</b>	<b>\$ 2,025</b>	<b>\$ 3,459</b>	<b>\$ 3,046</b>
Adjusted EPS	\$ 0.06	\$ 0.06	0.10	0.09
Adjusted weighted average shares (in thousands):				
Diluted	33,501	32,495	33,487	32,466

## Historical Quarterly Results

	(in thousands)				
	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021
Three Months Ended					
Revenues:					
Lightwave	\$ 12,933	\$ 15,350	\$ 19,278	\$ 20,997	\$ 21,965
Luna Labs	5,642	5,700	6,637	5,302	5,972
Total revenues	<u>18,576</u>	<u>21,050</u>	<u>25,915</u>	<u>26,299</u>	<u>27,937</u>
Cost of revenues:					
Lightwave	5,181	5,670	7,570	8,771	9,441
Luna Labs	3,878	4,431	4,986	4,099	4,546
Total cost of revenues	<u>9,059</u>	<u>10,101</u>	<u>12,556</u>	<u>12,870</u>	<u>13,987</u>
Gross Profit	<u>9,517</u>	<u>10,949</u>	<u>13,359</u>	<u>13,429</u>	<u>13,950</u>
Operating expense:					
Selling, general and administrative	6,202	6,505	8,559	10,404	12,151
Research, development and engineering	1,505	1,616	1,996	2,933	1,810
Integration and deal related expense	-	-	2,204	886	991
Loss on sale and disposal of property and equipment	-	576	69	-	-
Total operating expense	<u>7,707</u>	<u>8,697</u>	<u>12,828</u>	<u>14,223</u>	<u>14,952</u>
Operating income/(loss)	<u>\$ 1,810</u>	<u>\$ 2,252</u>	<u>\$ 531</u>	<u>\$ (794)</u>	<u>\$ (1,002)</u>

