



**Scott A. Graeff, President and CEO**

*24<sup>th</sup> Annual Needham Virtual Growth Conference*

*January 14, 2022*

# Safe Harbor

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## Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

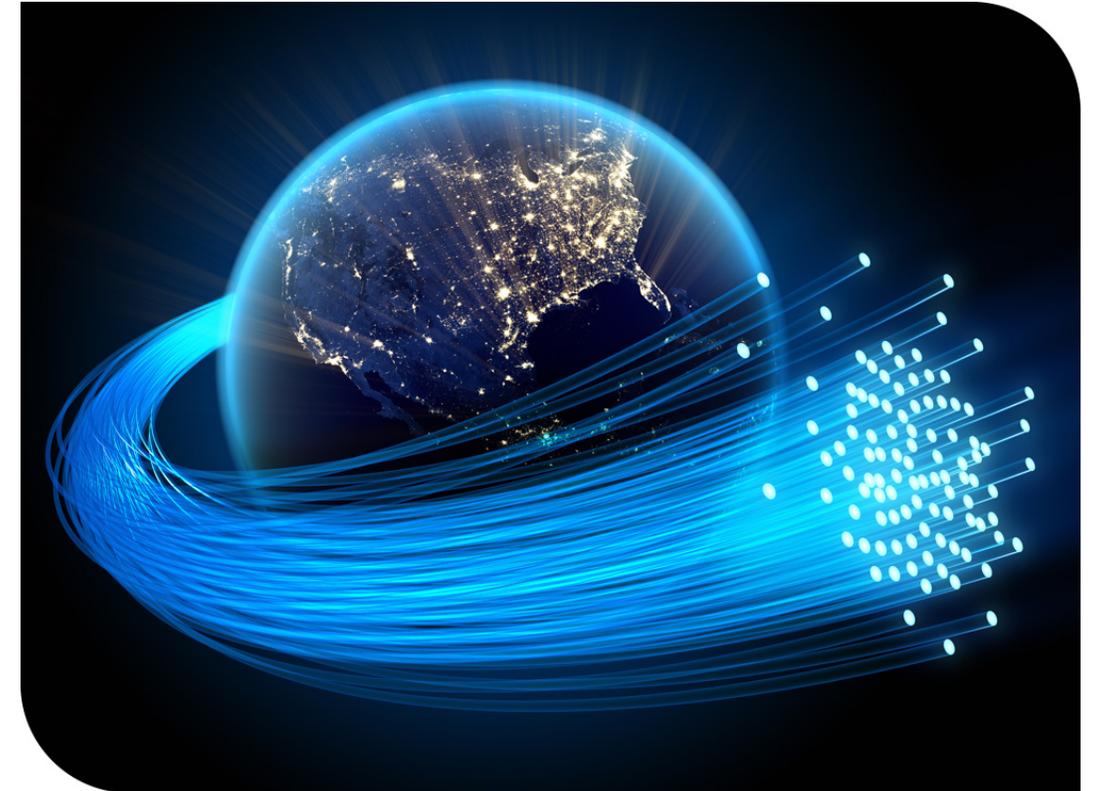
This presentation includes information that constitutes “forward-looking statements” made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These statements include the company's expectations regarding the company's future financial performance, including 2021 guidance, and 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](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, January 14, 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.

# 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**



# Luna is a global company

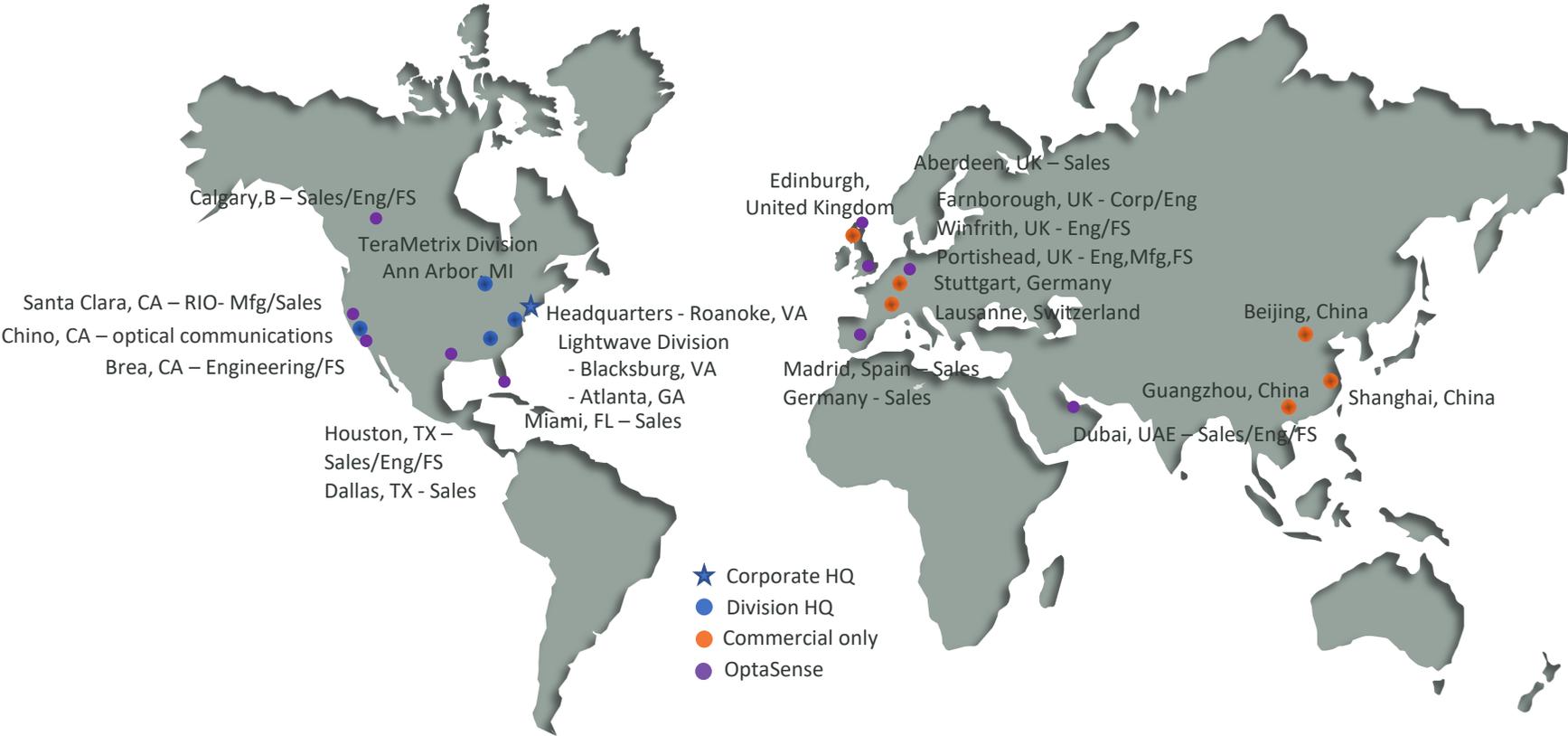


**Revenue<sup>1,3</sup>**  
**FY20 \$59.1M**  
**FY21 Guidance**  
**\$85M-88M**



**AEBITDA<sup>1,2,3</sup>**  
**FY20 \$8.6M**  
**FY21 Guidance**  
**\$6M-8M**

**400+ Employees**



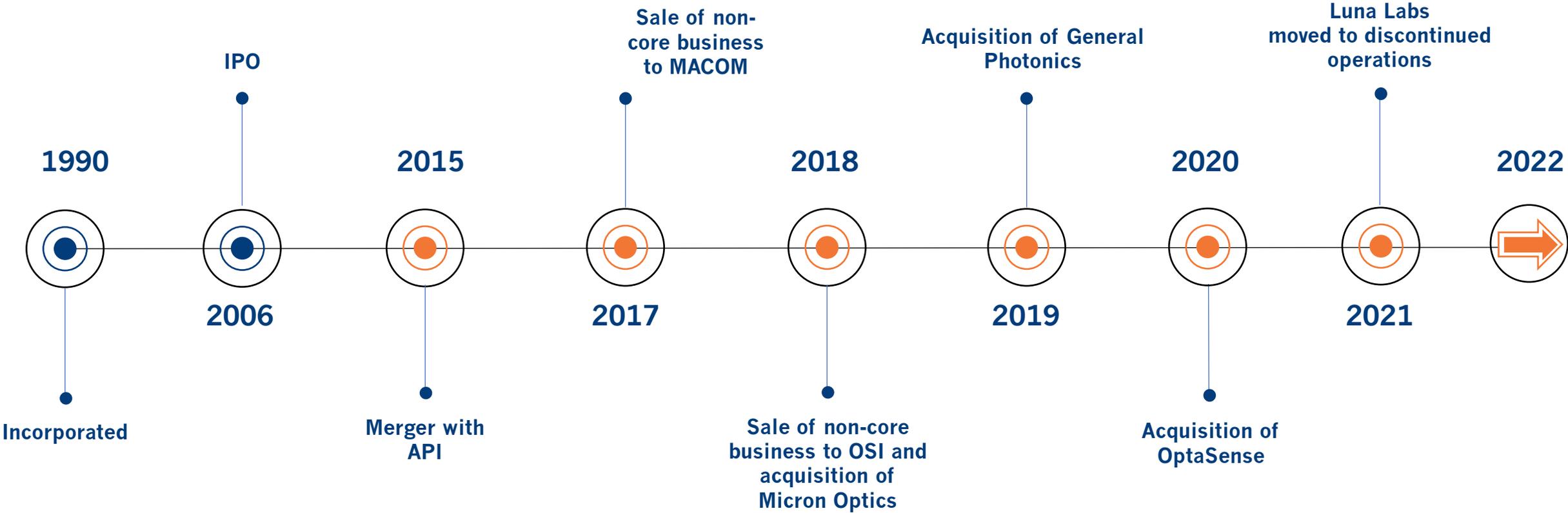
<sup>1</sup> Results shown include the reclassification of Luna Labs to Discontinued Operations.

<sup>2</sup> Adj EBITDA is a non-GAAP measure. Reconciliation of comparable GAAP measures to non-GAAP measures are included at the end of this presentation.

<sup>3</sup> Reflects guidance provided on November 15, 2021. This is not a reaffirmation of guidance.

# Luna has a clear vision and established history

## Vision: Enabling the Future with Fiber



# Luna Today and Into the Future:

*A Compelling business model with strong growth potential*

## Revenue Growth



Organic Growth:  
Mid-to High-teens

18% to 20%

Strategic M&A

Within core focus and accretive

## Bottom-Line Focus



Gross Margin  
60%

AEBITDA

15%-20% of Revenue

## Shareholder Return

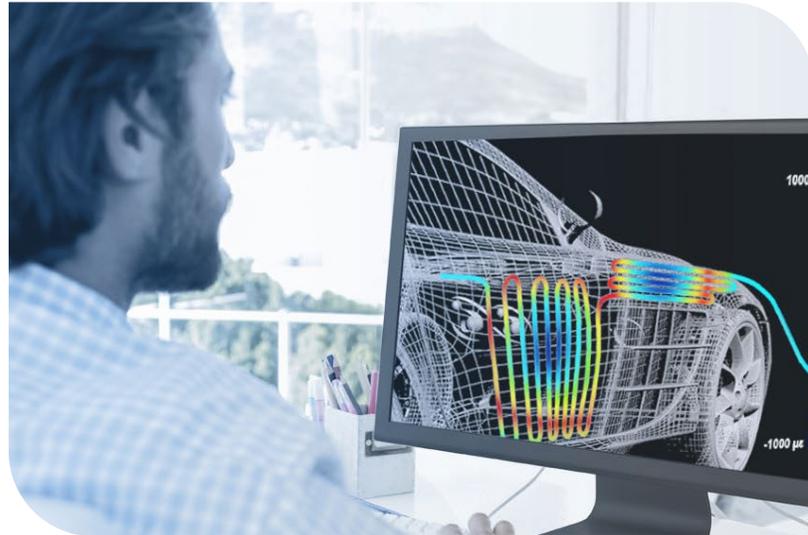


Continued Cash Generation  
while investing for growth

Increasing Non-GAAP EPS

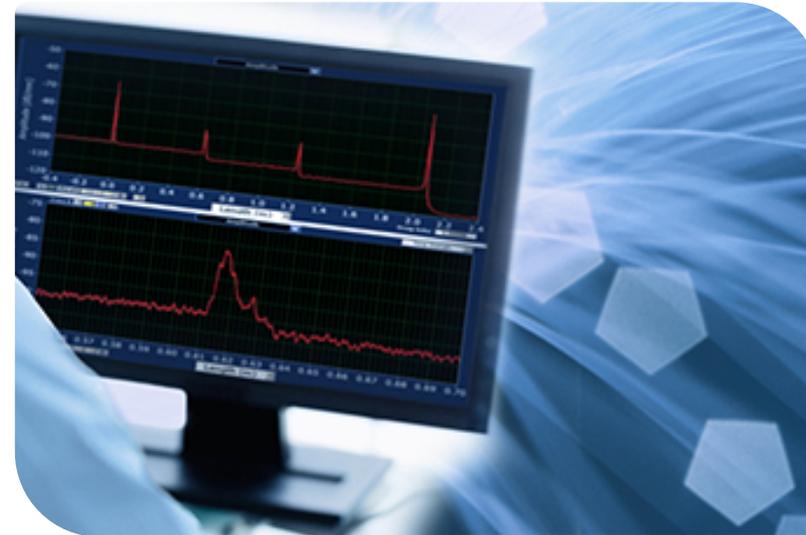
# Luna Overview

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## Sensing

- Short-range, high resolution
- Long-range, high speed
- Long-range, continuous
- Material thickness

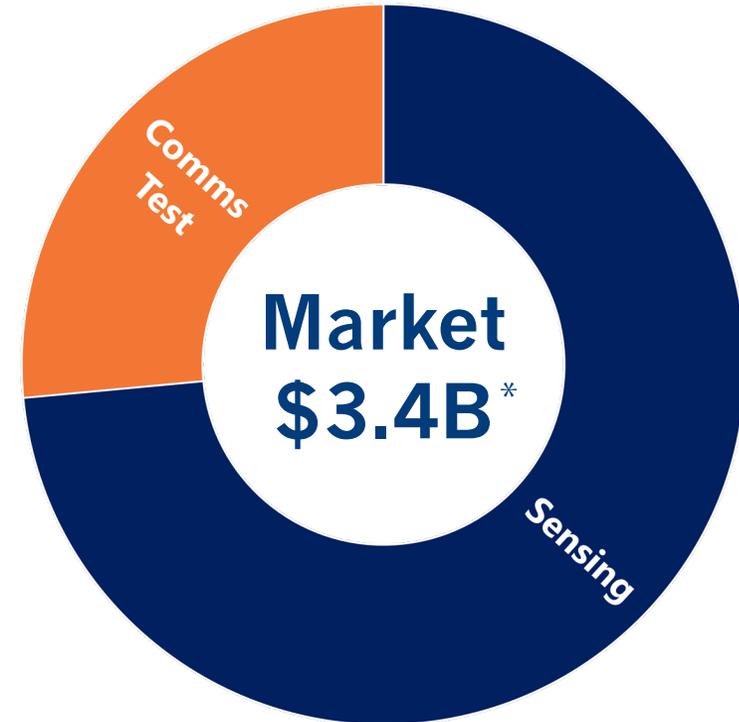


## Comms Test

- Components
- Short-haul network

# Where Does Luna Play?

	Comms Test	Sensing
Market size*	\$900M	\$2.5B
Luna growth	15%-20%	20-25%
Drivers	5G, Silicon Photonics	Lightweighting, Smart Infrastructure, IoT
Key competition	Keysight, Viavi, Exfo	HBM, Vishay, National Instruments



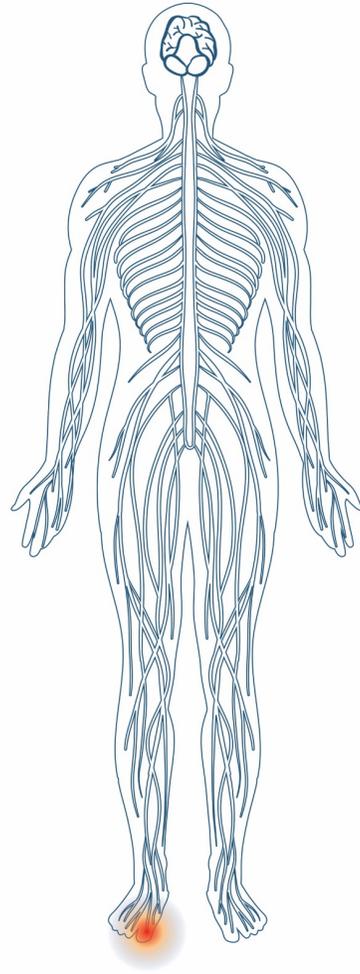
**Comms Test:**  
5G Buildout  
Field Support

**Sensing:**  
Smart Infrastructure  
Lightweighting  
Process control & NDE

\*Total SAM based on Luna estimates and published market reports

# Sensing

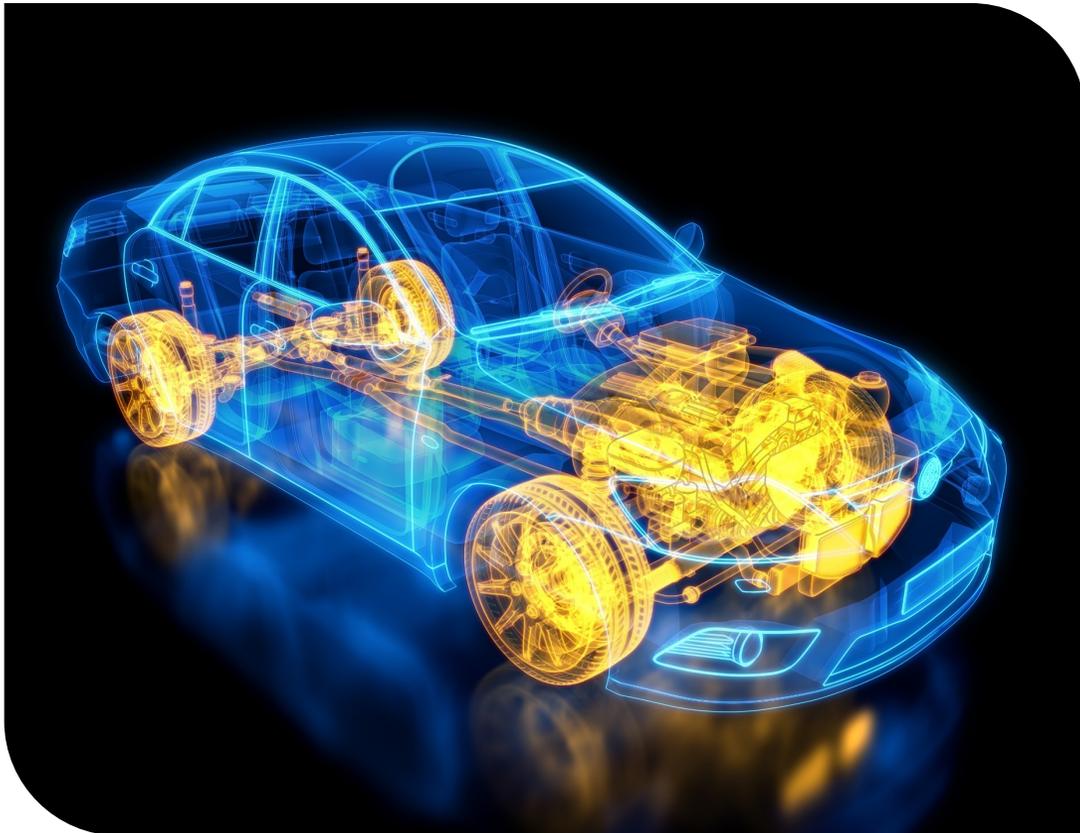
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- Fiber optic sensors are the “nerves” of smart materials
- Luna’s products are the “brain” that collects and aggregates data from fiber sensor “nerves”
- The new OptaSense acquisition will add missing capability to Luna’s Sensing business

# Sensing: Short-range, high-resolution

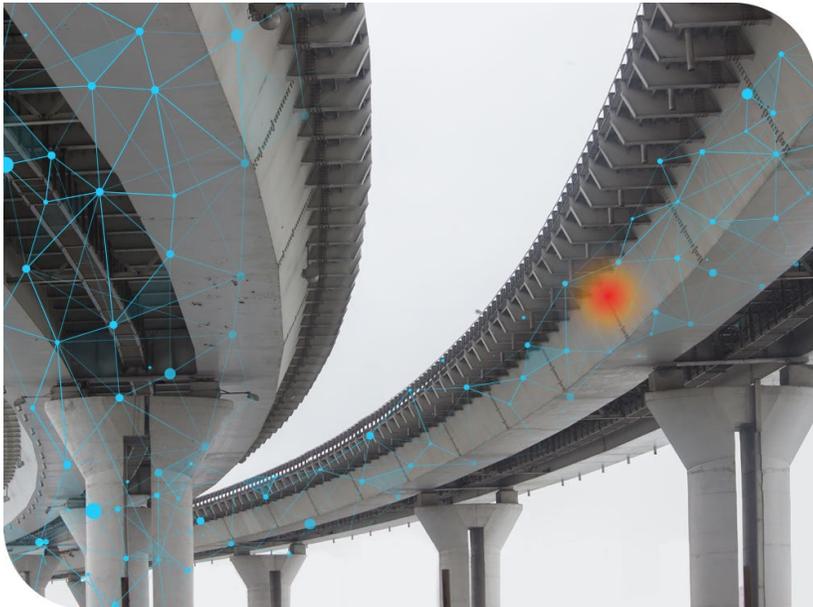
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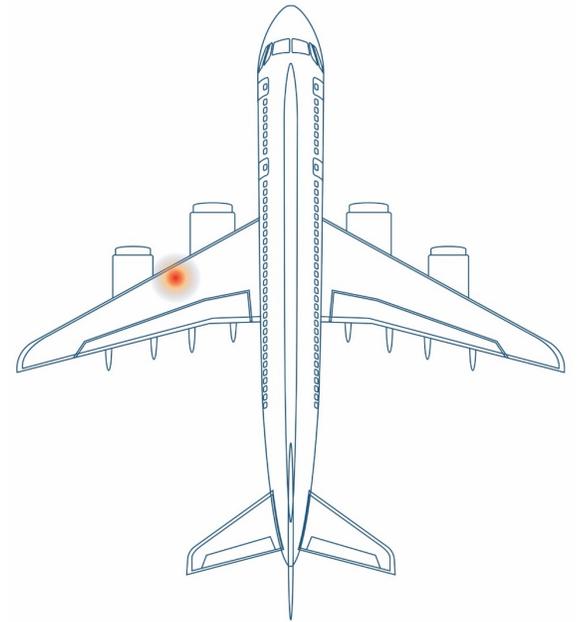
- Product: ODiSI
- High-Definition Fiber Optic Sensing
  - Measuring strain and temperature in composites and other advanced materials
  - Focus on military and commercial aerospace and automotive

# Sensing: Long-range, high-speed

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- Product: Hyperion
- High-Speed, Long-Range FBG Sensing
  - Measuring strain, temperature, acceleration, displacement and pressure
  - Focus on structural health and security
    - Buildings, tunnels, bridges
    - Perimeter security



# Sensing: Long-range, continuous

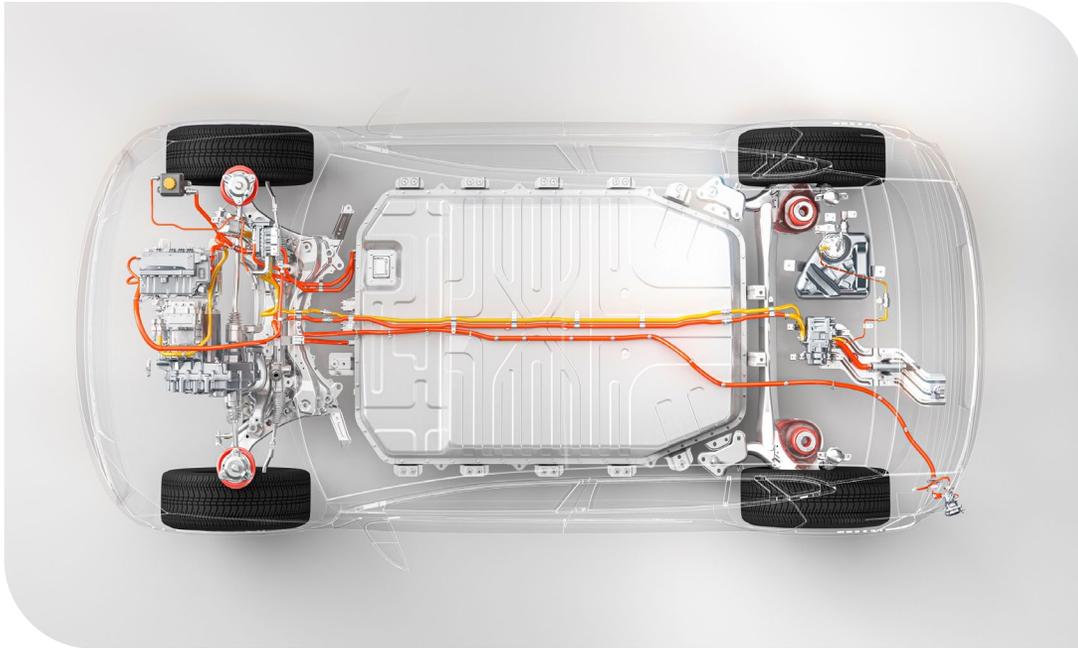
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- Product: OptaSense
- Market Leader in Long-Range Distributed Acoustic Sensing (DAS)
  - Proprietary distributed acoustic sensing and software analytics
  - Measure acoustic signals continuously using fiber over very long lengths (50 km)
  - Markets
    - Borders, perimeter security, transportation, pipelines, oil and gas

# Sensing: Material thickness

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- Product: Terahertz technology
- Layer thickness measurements for process control, inspection and non-destructive testing
  - Advanced technology measures thickness of opaque materials
  - Unique measurement of composites and coatings with easy-to-use hand-held tools
  - Focus on manufacturing environments and field test for military-aerospace
    - Plastic and industrial packaging
    - Used extensively on F35 and F22 for anti-radar surface treatment
  - Optimization of EV battery production

# Comms Test

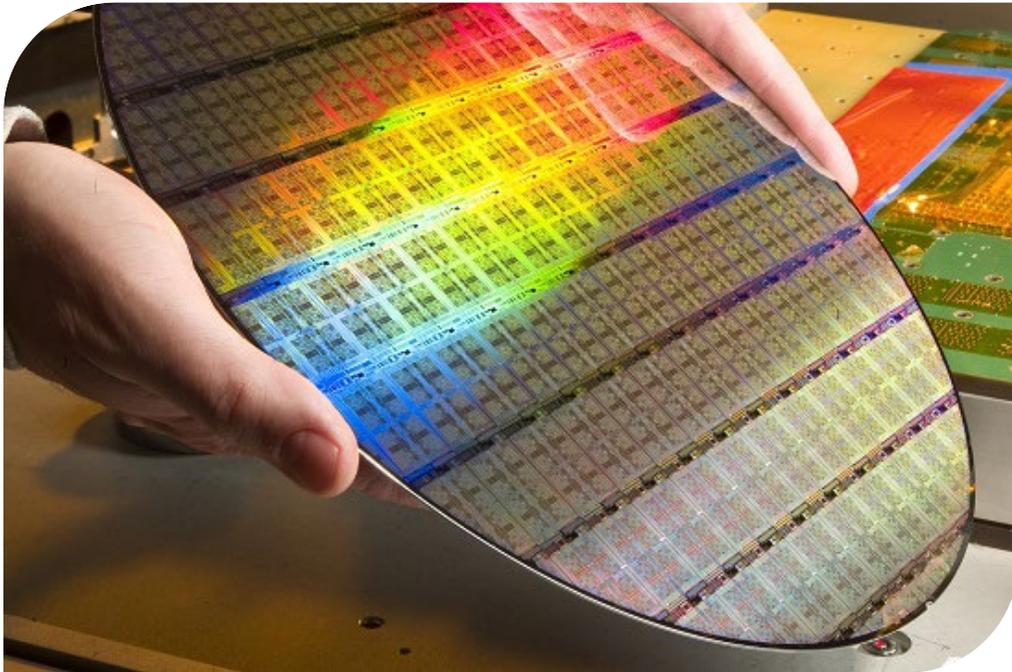
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- Increased data and video consumption
  - Video forecasted to represent 82% of all IP traffic in 2022, 34% CAGR
- Growth in mobile and 4G/5G
  - Mobile data traffic growing at 46% CAGR
- Cloud services and adoption of Internet of Things
  - Data center traffic growing at 26% CAGR
  - 28.5 billion IoT networked devices by 2022

# Comms Test: Components

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- Product: Optical Vector Analyzer (OVA)
- Ensuring speed at the chip level
- Unprecedented visibility inside devices - you can't fix what you can't see
- Reduces time and cost associated with the development of high-speed optical components
- Focus on enabling the carriers to move to 5G networks

# Comms Test: Short-haul network

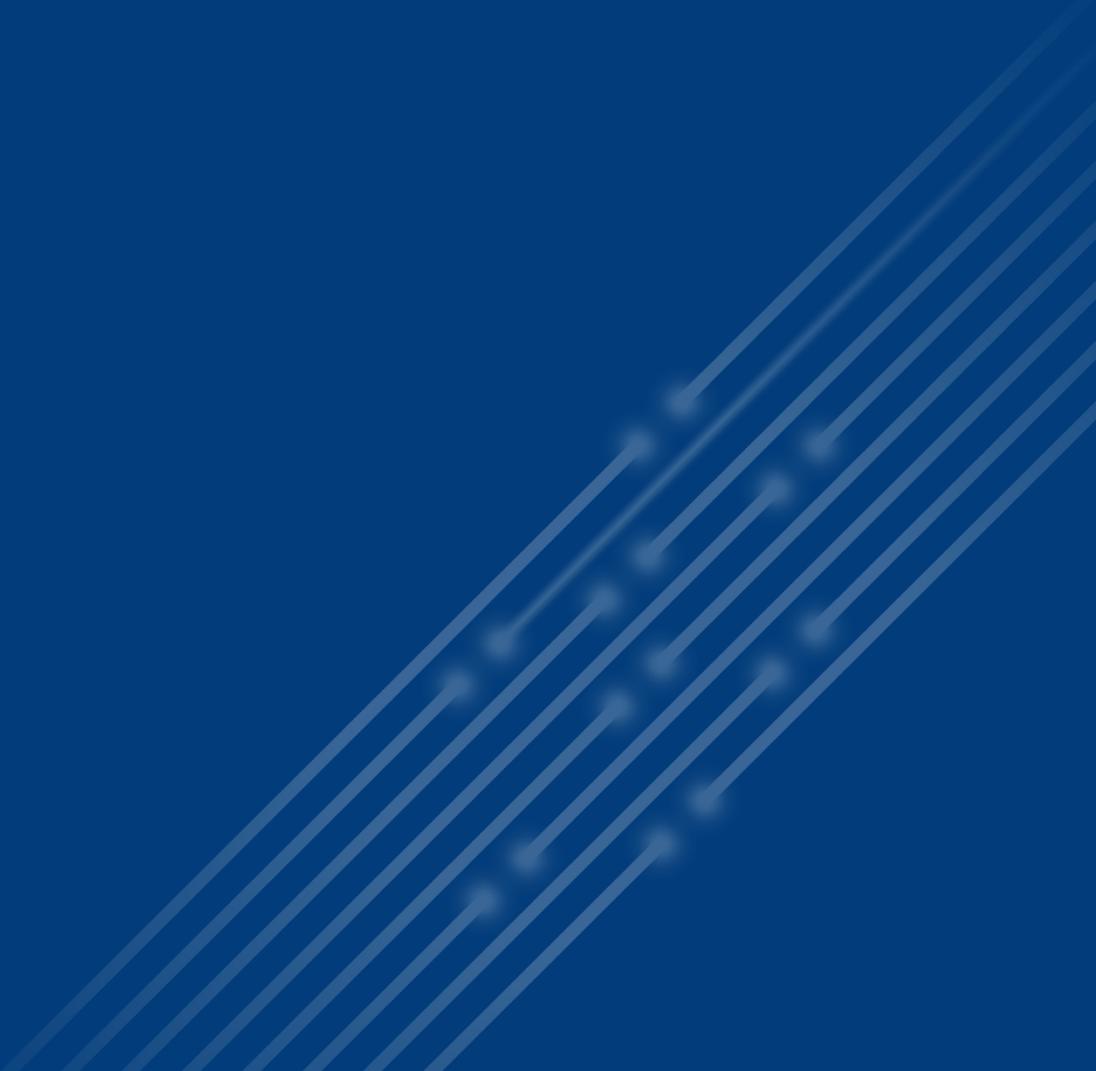
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- Product: Optical Backscatter Reflectometer (OBR)
- Bandwidth demands continue to drive double-digit connectivity growth
- Delivers unprecedented visibility into short-haul networks
- Emerging market for on-board aircraft communications
- Ensuring network “up time” on Lockheed Martin’s F-35



# 3Q FY21 Results



# Third-Quarter 2021: Key Financial Results

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- 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 EBITDA<sup>1</sup> of \$2.1M, compared to \$3.1M for the prior-year period
- Adjusted EPS<sup>1</sup> of \$0.03, compared to \$0.11 for the prior-year period

<sup>1</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.

# Third-quarter 2021 Highlights

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- 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)

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- 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

# A Flexible Balance Sheet

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- 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

# Luna – Enabling the Future with Fiber

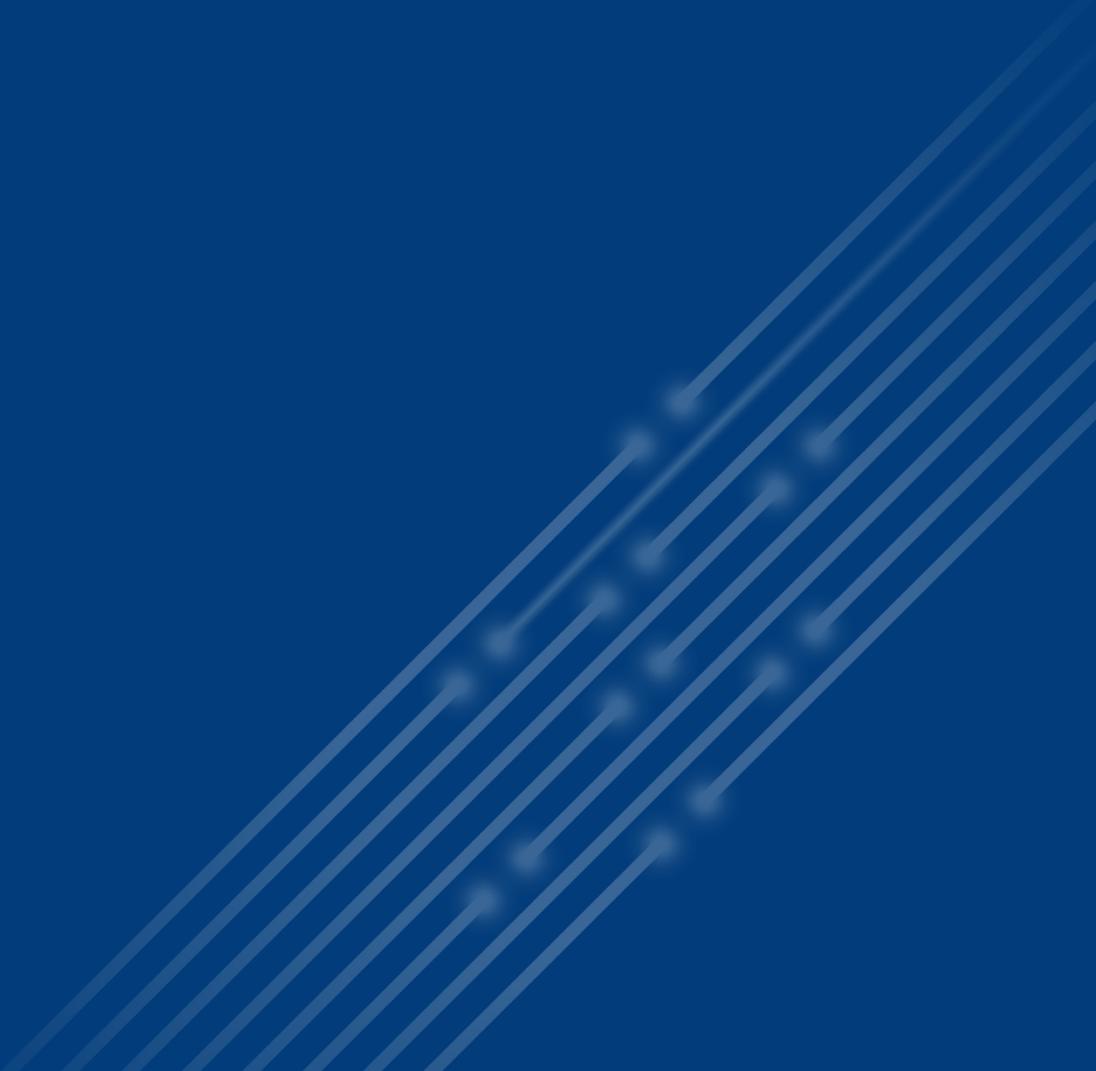
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**NASDAQ: LUNA**



# Appendix



# Reconciliation of Net (Loss)/Income to Adjusted EBITDA<sup>1</sup>

(in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
<b>Reconciliation of EBITDA and Adjusted EBITDA</b>				
<b>GAAP net income/(loss)</b>	\$ 355	\$ 3,102	\$ (193)	\$ 3,355
Income from discontinued operations, net of tax	699	794	2,371	1,469
<b>GAAP net income/(loss) from continuing operations</b>	<b>(344)</b>	<b>2,308</b>	<b>(2,564)</b>	<b>1,886</b>
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
<b>EBITDA</b>	<b>1,121</b>	<b>1,934</b>	<b>(185)</b>	<b>2,872</b>
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	
<b>Adjusted EBITDA</b>	<b>\$ 2,110</b>	<b>\$ 3,144</b>	<b>\$ 4,461</b>	<b>\$ 4,990</b>

<sup>1</sup> Results shown include the reclassification of Luna Labs to Discontinued Operations.

# Reconciliation of Net (Loss)/Income to Adjusted EPS<sup>1</sup>

(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
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Income from discontinued operations, net of tax	699	794	2,371	1,469
<b>GAAP net income/(loss) from continuing operations</b>	(344)	2,308	(2,564)	1,886
<b>Adjustments:</b>				
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
<b>Total adjustments:</b>	<b>1,750</b>	<b>1,634</b>	<b>6,999</b>	<b>3,354</b>
Income tax adjustment - benefit (expense)	(438)	(409)	(1,750)	(839)
<b>Adjusted (loss)/income from continuing operations</b>	<b>\$ 968</b>	<b>\$ 3,533</b>	<b>\$ 2,685</b>	<b>\$ 4,401</b>
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

<sup>1</sup> Results shown include the reclassification of Luna Labs to Discontinued Operations.

# Historical Quarterly Results<sup>1</sup>

	(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	5,805	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 and disposal of property and equipment	576	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>

<sup>1</sup> Results shown include the reclassification of Luna Labs to Discontinued Operations.