



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

August 9th, 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 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 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, 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



Second-Quarter 2021: Key Financial Results

- Total revenues of \$28M; up 50% year-over-year
 - Proforma¹ up >20%
- Lightwave revenue of \$22M, up 70% year-over-year
 - Proforma¹ 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 EBITDA² of \$2.1M, compared to \$3.0M for the prior-year period
- Adjusted EPS² of \$0.06, compared to \$0.06 for the prior-year period

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

²Adj 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.

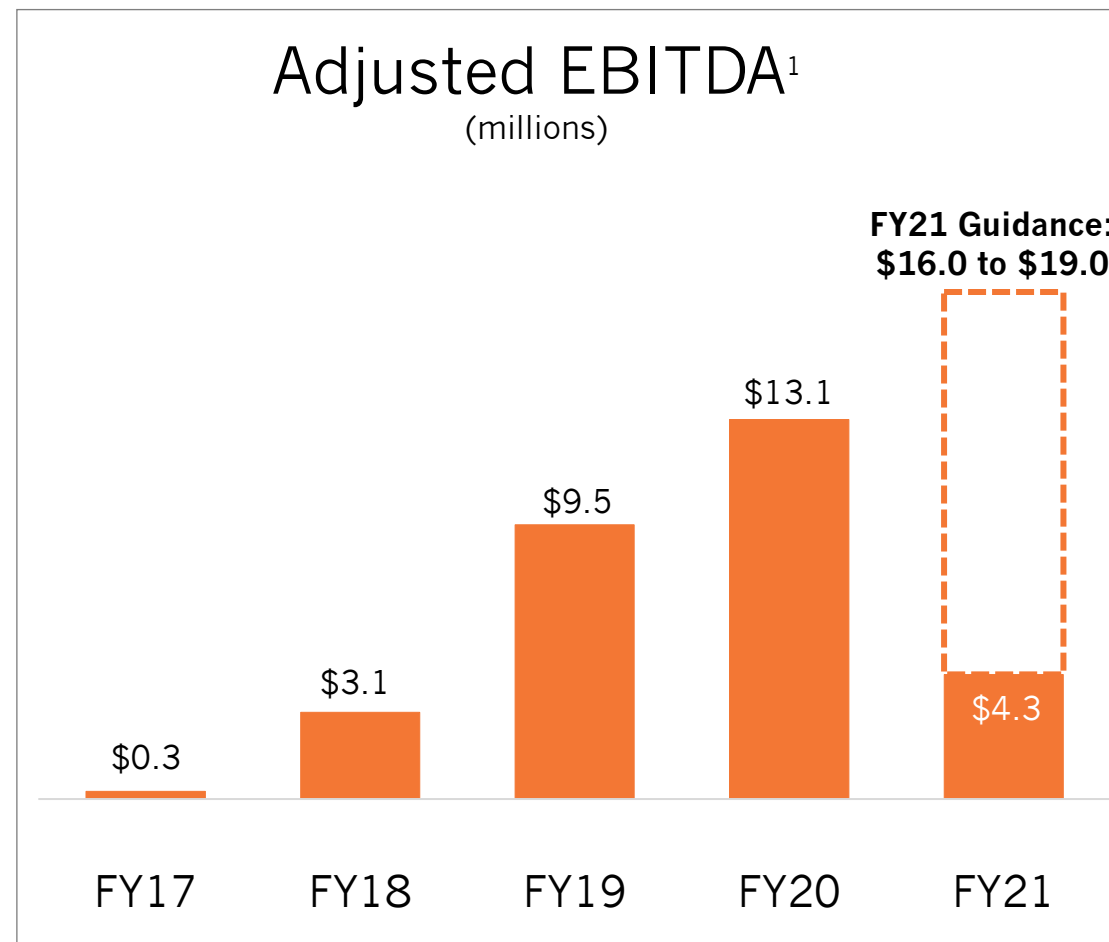
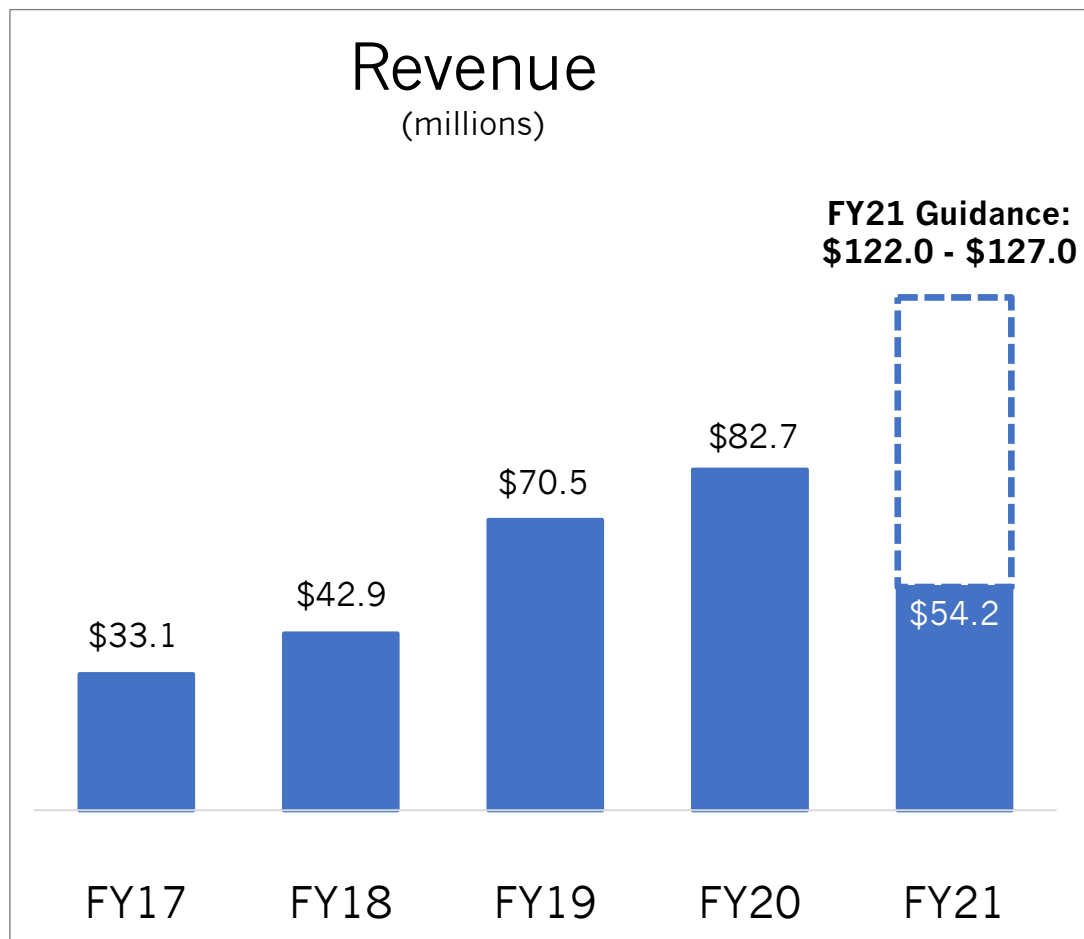
Second-quarter 2021 Highlights

- 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

- 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



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.

A Flexible Balance Sheet

- 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

- Reaffirming FY 2021 outlook:
 - Total revenues of \$122M to \$127M
 - Adjusted EBITDA¹ of \$16M to \$19M

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 EBITDA

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Reconciliation of EBITDA and Adjusted EBITDA				
Net (loss)/income	\$ (230)	\$ 1,369	\$ (548)	\$ 253
Loss from discontinued operations, net of income tax benefit of \$464				(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	\$ 2,143	\$ 2,955	\$ 4,291	\$ 4,535

Reconciliation of Net (Loss)/Income to Adjusted EPS

(in thousands, except per share data)

	June 30,		June 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Reconciliation of Net (loss)/Income to Adjusted EPS				
GAAP (loss)/income from continuing operations	\$ (230)	\$ 1,369	\$ (548)	\$ 1,689
Adjustments:				
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	
Total adjustments:	2,789	875	5,343	1,810
Income tax adjustment - benefit (expense)	(697)	(219)	(1,336)	(453)
Adjusted (loss)/income from continuing operations	\$ 1,862	\$ 2,025	\$ 3,459	\$ 3,046
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)				
	Three Months Ended				
	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021
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>