



Investor Supplemental Materials

March 4, 2019

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 and the potential demand for its products, the company's growth potential, its business focus and competitive advantages, and its expectations about the benefits of its acquisition of General Photonics. 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 market to grow and expand, technological and strategic challenges, market valuation of the company 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 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, a non-GAAP financial measure. This non-GAAP financial measure is 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 Adjusted EBITDA to Net Income is included in the appendix to this presentation.

Fiscal 2018 Highlights

- Exceptional year of strategic and operational execution
- Robust financial performance
 - Five consecutive quarters of double-digit revenue growth
 - Significant improvement in net income from continuing ops vs. a loss in FY17
- Continued disciplined, strategic M&A to realign and refocus the business on core, fiber optic-based test and measurement offerings
 - Divested HSOR and Opto Electronics businesses in past 18 months
 - Acquired Micron Optics in October 2018, a leader in optical measurement technology
 - Today, announced acquisition of General Photonics, a leader in characterization and control of light for photonics applications
- Recognized with the prestigious “Evolutionary Technology Supplier” award from Lockheed Martin, an important customer

4Q and FY 2018 Results

Fourth-quarter 2018 Financial Results

- We delivered strong financial performance this quarter:
 - Fifth consecutive quarter of year-over-year, double-digit revenue growth from continuing operations; strong revenue growth across the businesses
 - Solid improvement in Adjusted EBITDA and net income vs. prior-year period
- Total revenues of \$13.5M for the three months ended December 31, 2018, up 37% compared to the three months ended December 31, 2017
- Pre-tax net income from continuing operations improved to \$0.6M for the three months ended December 31, 2018 compared to \$(0.5M) for the prior-year period
 - Net income from continuing operations declined slightly to \$(0.1M) for the three months ended December 31, 2018 compared to approximately breakeven for the prior-year period due to the allocation of taxes between continuing and discontinued operations
- Net income attributable to common stockholders was \$0.9M vs. \$0.4M for the prior year
- Adjusted EBITDA¹ improved to \$1.6M for Q4 FY18, compared to \$0.7M for the prior-year period

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

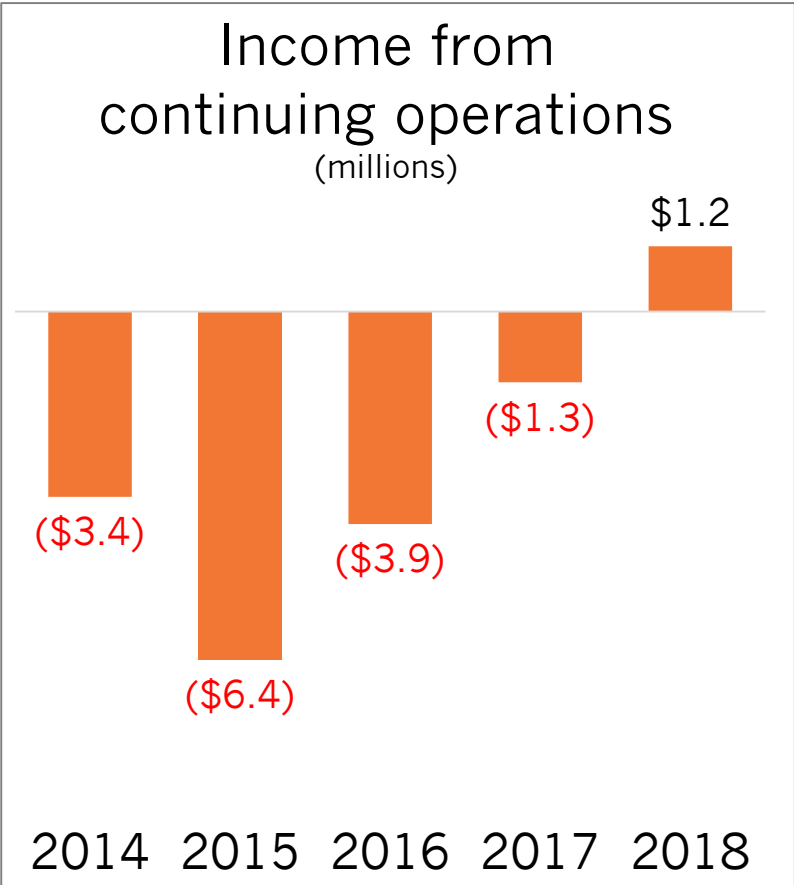
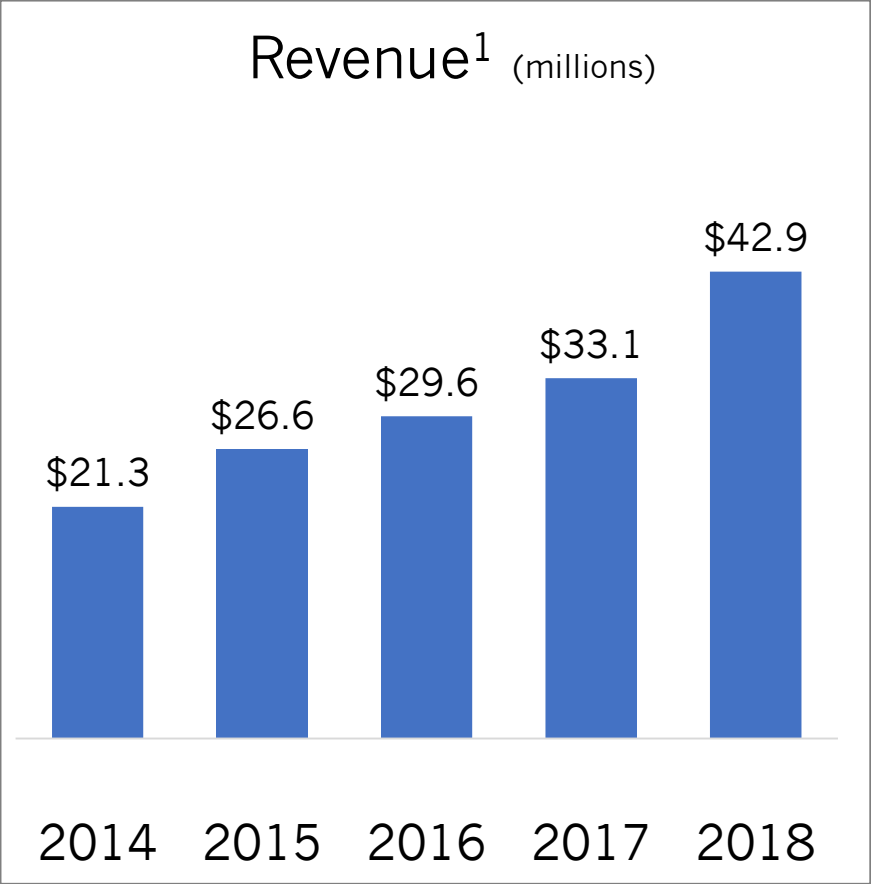
Full-year 2018 Financial Results

- Strong, consistent top- and bottom-line growth throughout the year
- Entering 2019 with momentum
- Total revenues of \$42.9M FY18, up 30% vs FY17
- Disciplined expense management aided incremental revenue contribution to profit
 - Gross profit up 45% year-over-year
 - Operating profit up to \$0.9M in FY18 from a loss of (\$2.2M) in FY17
- Net income from continuing operations improved to \$1.2M for FY18 vs a loss of \$(1.3M) for FY17
- Adjusted EBITDA¹ \$3.0M for FY18, compared to \$0.3M for the prior-year period
- Net income attributable to common stockholders was \$10.7M, compared to \$14.5M in FY17. Decline due to large gain recognized on sale of business in 2017

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Strong Trajectory of Growth with Momentum Going into 2019

Twelve months ended December 31:



■ Double-digit revenue growth year-over-year

Acquisition of General Photonics

- Today, announced the acquisition of General Photonics, a leader in characterization and control of light for photonics applications
- Will accelerate growth in Luna's communications test segments
- Based in Chino, CA; formed in 1995; approximately 60 employees; approximately 80 active patents or patent applications
- Brings capabilities that will broaden the Luna portfolio allowing greater penetration into existing customer base
- Complementary and additive product lines:
 - Polarization-based measurement instruments are highly complementary to Luna's optical measurement instruments
 - Component and module product lines are purely additive to overall portfolio
- Anticipate quick, smooth integration into Lightwave

A Disciplined Capital Deployment Strategy to Leverage Our Flexible Balance Sheet and Strong Cash Position

- As of December 31, 2018, our balance sheet reflects:
 - \$75.6M in total assets
 - \$42.5M in cash and cash equivalents
 - \$56.1M in working capital
- A disciplined approach to capital deployment, with a focus on working capital and reinvestment in the business in order to generate long-term sustainable growth

A Reminder: Pro-forma Luna Financials, Adjusted for the sale of Opto Electronics and the Acquisition of Micron Optics¹

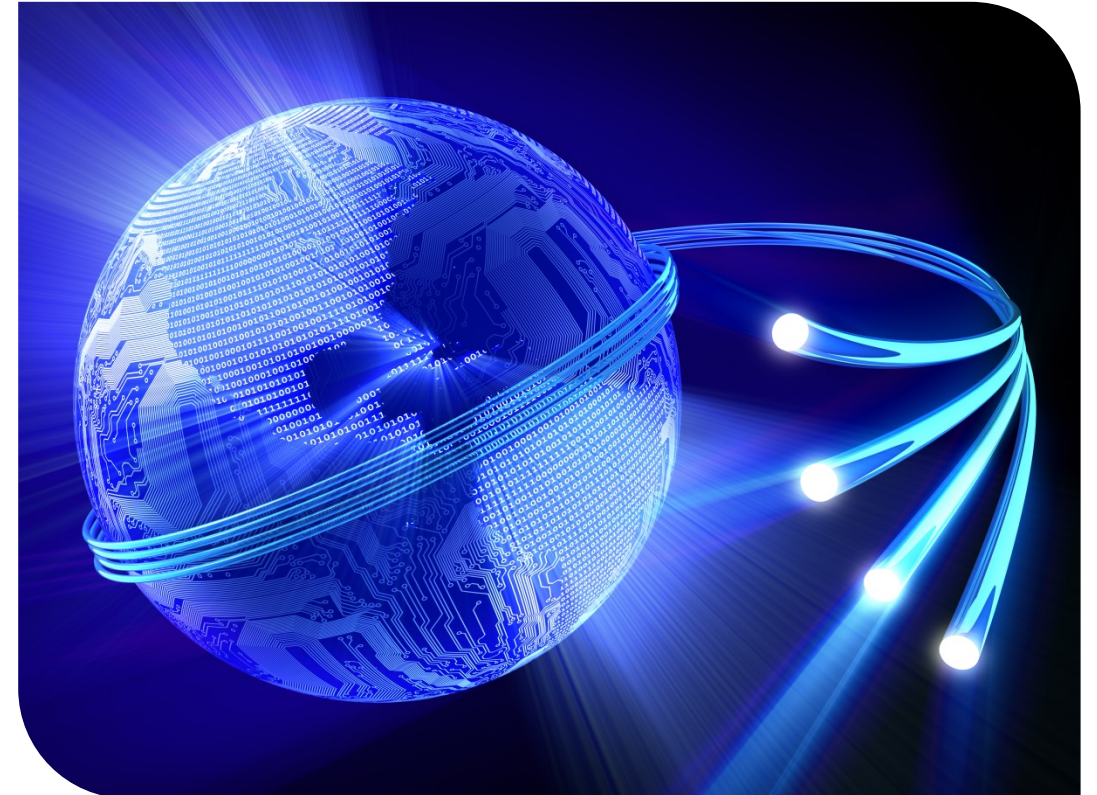
	(in thousands)			
	For the three months ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Revenues:				
Technology development	\$ 4,637	\$ 5,466	\$ 5,316	\$ 5,548
Products and licensing	6,180	6,318	7,843	8,187
Total revenues	<u>10,817</u>	<u>11,784</u>	<u>13,159</u>	<u>13,735</u>
Cost of revenues:				
Technology development	3,354	3,945	3,919	4,335
Products and licensing	2,331	2,416	3,099	2,749
Total cost of revenues	<u>5,685</u>	<u>6,361</u>	<u>7,018</u>	<u>7,084</u>
Gross Profit	<u>5,132</u>	<u>5,423</u>	<u>6,141</u>	<u>6,651</u>
Operating expense:				
Selling, general and administrative	4,399	4,300	4,319	4,896
Research, development and engineering	1,172	1,110	1,285	1,644
Total operating expense	<u>5,571</u>	<u>5,410</u>	<u>5,604</u>	<u>6,540</u>
Operating income/(loss)	<u>\$ (439)</u>	<u>\$ 13</u>	<u>\$ 537</u>	<u>\$ 111</u>

¹ Unaudited pro forma financials assumes the Optoelectronics business was sold and the Micron Optics business was acquired on January 1, 2018.

² Includes \$751,000 of costs associated with the acquisition of Micron Optics.

Why Invest in Luna?

- **Proprietary**, measurement technology, offering **unprecedented** combination of resolution, accuracy and speed
- Customers in **attractive markets**: Aerospace, Automotive, Communications, Energy and Defense
- Positioned to **take advantage of trends** such as vehicle light-weighting 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**
- **Compelling value**: currently trading at an attractive multiple



Appendix



Reconciliation of Net Income to Adjusted EBITDA

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
	(unaudited)		(unaudited)	
Net income	\$ 939,836	435,329	\$ 11,004,241	\$ 14,614,905
Less income from discontinued operations, net of income taxes	1,062,186	434,783	9,766,431	15,865,720
Net (loss)/income from continuing operations	(122,350)	546	1,237,810	(1,250,815)
Income tax expense/(benefit)	722,148	(486,530)	47,818	(1,148,579)
Income/(loss) from continuing operations before income taxes	599,798	(485,984)	1,285,628	(2,399,394)
Investment income	(198,525)	—	(549,580)	—
Interest expense	21,136	38,474	124,344	217,352
Depreciation and amortization	197,203	311,565	908,347	1,136,729
EBITDA	619,612	(135,945)	1,768,739	(1,045,313)
Share-based compensation	181,607	194,861	527,189	715,094
Non-recurring charges	751,102	595,992	751,102	595,992
Adjusted EBITDA	\$ 1,552,321	\$ 654,908	\$ 3,047,030	\$ 265,773