

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): March 14, 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:

<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.

Item 2.02. Results of Operations and Financial Condition

On March 14, 2022, Luna Innovations Incorporated (the “Company”) issued a press release announcing its financial results for the three months and year ended December 31, 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 March 14, 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 March 14, 2022 by Luna Innovations Incorporated.
99.2	Company Presentation.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)



Luna Innovations Reports Fourth-Quarter and Full-Year 2021 Results

*Luna Completes Divestiture of Luna Labs
Acquires LIOS Sensing from NKT Photonics*

Highlights

- Total revenues of \$24.2 million for the three months ended December 31, 2021, up 26%, compared to the three months ended December 31, 2020
- Gross margin of 58% for the three months ended December 31, 2021, compared to 61% for the three months ended December 31, 2020
- Operating income of \$1.0 million for the three months ended December 31, 2021, compared to operating loss of \$0.6 million for the three months ended December 31, 2020
- Net income of \$1.6 million for the three months ended December 31, 2021, compared to net loss of \$0.1 million for the three months ended December 31, 2020
- Adjusted EBITDA of \$3.1 million for the three months ended December 31, 2021, compared to \$3.0 million for the three months ended December 31, 2020
- Adjusted EPS of \$0.08 for the three months ended December 31, 2021, compared to \$0.05 for the three months ended December 31, 2020
- Company provides 2022 outlook

(ROANOKE, VA, March 14, 2022) - Luna Innovations Incorporated (NASDAQ: LUNA), a global leader in advanced optical technology, today announced its financial results for the three months and full fiscal year ended December 31, 2021.

“In many ways, 2021 was a pivotal year for Luna Innovations, and that has continued into early 2022,” said Scott Graeff, President and Chief Executive Officer of Luna. “Through the challenges of the global pandemic, we stayed focused on our strategy and on enhancing our global leadership position in fiber optic technology. We integrated the OptaSense acquisition, and subsequent to year-end, completed the divestiture of Luna Labs and acquired LIOS Sensing. We reported record backlog and delivered double-digit revenue and gross profit growth for the fourth-quarter and full-year. Across our sensing and communications testing businesses, we realized some of the largest

customer orders to date and penetrated into new geographies and markets, while implementing systems to support growth."

Graeff continued, "Luna's businesses are stronger than ever. The strategic initiatives that we undertook during the past five years, and in particular the past 18 months, have placed us in a better position to more fully capitalize on the growing 5G network communications, electric vehicle and other emerging market opportunities. The absolute focus and dedication of the Luna team is evident every day, as we serve our customers with excellence. I'm proud of the team for what they've accomplished and know that they will continue to execute against our vision: Enabling the Future with Fiber. We look forward to reporting against our 2022 goals, and updating you on initiatives, over the coming months."

Fourth-Quarter Fiscal 2021 Financial Summary

Highlights of the financial results for the three months ended December 31, 2021 are:

	Three Months Ended December 31,		Change	
	2021	2020		
<i>(in thousands, except per share data)</i>				
Revenues	\$ 24,222	\$ 19,278	26	%
Gross profit	14,120	11,754	20	%
Gross margin	58 %	61 %		
Operating expense	13,085	12,391	6	%
Operating income/(loss)	1,035	(637)		
Operating margin	4.3 %	(3.3)%		
Other (expense)/income and income tax benefit/(expense)	440	(308)		
Net income/(loss) from continuing operations	\$ 1,475	\$ (945)		
Income from discontinued operations, net of income tax expense of \$203 and \$284	100	881		
Net income/(loss)	\$ 1,575	\$ (64)		
Earnings per diluted share (EPS)	\$ 0.05	\$ —		
Adjusted EPS	\$ 0.08	\$ 0.05	60	%
Diluted weighted average shares outstanding	33,666	30,896		
Adjusted EBITDA	\$ 3,123	\$ 3,028	3	%

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 December 31, 2021 increased 26% compared to the prior year period, primarily due to revenue generated by the businesses the Company acquired during 2020.

Gross margin for the three months ended December 31, 2021 was 58%, compared to 61% for the three months ended December 31, 2020, driven primarily by product mix as a result of acquisitions. Operating income increased to \$1.0 million for the three months ended December 31, 2021, compared to an operating loss of \$0.6 million for the three months ended December 31, 2020. The increase in operating income was primarily due to higher revenue resulting in a higher gross profit, as well as lower acquisition costs in the current quarter versus the prior-year quarter.

Net income was \$1.6 million, or \$0.05 per fully diluted share, for the three months ended December 31, 2021, compared to a net loss of \$0.1 million, or \$0.00 per fully diluted share, for the three months ended December 31, 2020. Adjusted EPS was \$0.08 for the three months ended December 31, 2021 compared to \$0.05 for the three months ended December 31, 2020. Adjusted EBITDA was \$3.1 million for the three months ended December 31, 2021, compared to \$3.0 million for the three months ended December 31, 2020.

Full-Year Fiscal 2021 Financial Summary

Highlights of the financial results for the twelve months ended December 31, 2021 are:

(in thousands, except per share data)

	Full Year Ended December 31,		Change
	2021	2020	
Revenues	\$ 87,513	\$ 59,115	48 %
Gross profit	\$ 51,556	\$ 35,880	44 %
Gross margin	59 %	61 %	
Operating expense	54,146	35,067	54 %
Operating (loss)/income	(2,590)	813	
Operating margin	(3.0)%	1.4 %	
Other (expense)/income and income tax benefit/(expense)	1,501	547	
Net (loss)/income from continuing operations	\$ (1,089)	\$ 1,360	
Income from discontinued operations, net of income tax expense of \$584 and \$339	2,471	1,931	
Net income	\$ 1,382	\$ 3,291	
Earnings per diluted share (EPS)	\$ 0.04	\$ 0.10	(60) %
Adjusted EPS	\$ 0.17	\$ 0.18	(6) %
Diluted weighted average shares outstanding	31,658,085	32,578,757	
Adjusted EBITDA	\$ 7,584	\$ 7,926	(4) %

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

Revenues for the twelve months ended December 31, 2021 increased 48% compared to the prior-year period, primarily due to our acquisitions in 2020.

Gross margin of 59% for the twelve months ended December 31, 2021 was down compared to 61% for the twelve months ended December 31, 2020 due to product mix as a result of acquisitions. Operating loss of \$2.6 million for the twelve months ended December 31, 2021, declined compared to operating income of \$0.8 million for the twelve months ended December 31, 2020. The decrease in operating income was primarily due to incremental amortization of intangible assets and inventory step-up related to Luna's completed acquisitions.

Net income was \$1.4 million, or \$0.04 per fully diluted share, for the twelve months ended December 31, 2021, compared to a net income of \$3.3 million, or \$0.10 per fully diluted share, for the twelve months ended December

31, 2020. Adjusted EPS was \$0.17 for the twelve months ended December 31, 2021, compared to \$0.18 for the twelve months ended December 31, 2020. Adjusted EBITDA was \$7.6 million for the twelve months ended December 31, 2021, compared to \$7.9 million for the twelve months ended December 31, 2020.

Subsequent Events

Subsequent to the close of the fiscal year, Luna completed two important and strategic transactions:

- Divestiture of Luna Labs, which was moved to Discontinued Operations in the third quarter 2021
- Acquisition of LIOS Sensing

LIOS Sensing, based in Cologne, Germany, is a recognized market leader in fiber optic distributed monitoring solutions for power cable, pipelines, oilfield services, security, highways, railways and industrial fire detection systems. The acquisition brings to Luna important Distributed Temperature Sensing ("DTS") intellectual property, products and expertise. DTS strongly complements Luna's existing offerings and provides algorithm development expertise, critical for AI and machine learning.

2022 Full-Year and Q1 Outlook

For fiscal year and Q1 2022, including both the mid-March divestiture of Luna Labs and the acquisition of LIOS Sensing, Luna expects:

- Total revenues in the range of \$109 million to \$115 million for full year 2022
- Adjusted EBITDA in the range of \$10 million to \$12 million for full year 2022
- Total revenues in the range of \$20 million to \$22 million for Q1 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, 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 8:30 am (ET) today to discuss its financial results for the three months and full-year ended December 31, 2021, as well as the divestiture of Luna Labs and the acquisition of LIOS Sensing. 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 2096088. 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 growth potential, as well as the impacts of the recently completed acquisition of OptaSense and LIOS Sensing and the recently completed divestiture of Luna Labs. 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 and those risks and uncertainties set forth in Luna's Form 10-Q for the quarter ended September 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 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

Phone: 540-769-8465

Email: IR@lunainc.com

Luna Innovations Incorporated
Consolidated Balance Sheets
(in thousands of U.S. Dollars)

Assets	December 31, 2021	December 31, 2020
Current assets:		
Cash and cash equivalents	\$ 17,128	\$ 15,366
Accounts receivable, net	20,913	21,928
Contract assets	5,166	4,139
Inventory	22,493	23,062
Prepaid expenses and other current assets	3,793	4,434
Assets held for sale	12,952	6,540
Total current assets	82,445	75,469
Property and equipment, net	2,988	2,917
Intangible assets, net	17,177	19,994
Goodwill	18,984	18,121
Operating lease right-of-use asset	5,075	5,984
Other non-current assets	247	369
Deferred tax asset	3,321	1,689
Non-current assets held for sale	—	6,459
Total assets	130,237	131,002
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt obligation	\$ 4,167	\$ 4,167
Accounts payable	2,809	2,851
Accrued and other current liabilities	9,258	11,325
Contract liabilities	4,649	6,147
Current portion of operating lease liability	2,101	1,876
Current liabilities held for sale	9,703	3,719
Total current liabilities	32,687	30,085
Long-term debt obligation	11,673	15,817
Long-term portion of operating lease liability	3,509	5,034
Other long-term liabilities	445	410
Non-current liabilities held for sale	—	5,214
Total liabilities	48,314	56,560
Stockholders' equity:		
Common stock, par value \$0.001, 100,000,000 shares authorized, 33,855,725 and 32,724,512 shares issued, 32,116,270 and 31,024,537 shares outstanding at December 31, 2021 and 2020, respectively	34	33
Treasury stock at cost, 1,744,206 and 1,699,975 shares at December 31, 2021 and 2020, respectively	(5,248)	(4,789)
Additional paid-in capital	98,745	92,403
Accumulated deficit	(11,575)	(12,957)
Accumulated other comprehensive loss	(33)	(248)
Total stockholders' equity	81,923	74,442
Total liabilities and stockholders' equity	\$ 130,237	\$ 131,002

Luna Innovations Incorporated
Consolidated Statements of Operations
(in thousands of U.S. Dollars, except per share data)

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Revenues	\$ 24,222	\$ 19,278	\$ 87,513	\$ 59,115
Cost of revenues	10,102	7,524	35,957	23,235
Gross profit	14,120	11,754	51,556	35,880
Operating expense:				
Selling, general and administrative	10,542	10,394	43,956	28,353
Research, development and engineering	2,543	1,997	10,190	6,714
Total operating expense	13,085	12,391	54,146	35,067
Operating income/(loss)	1,035	(637)	(2,590)	813
Other (expense)/income:				
Other income	—	31	—	50
Investment income	—	2	—	67
Interest expense, net	(104)	(23)	(479)	(25)
Total other (expense)/income	(104)	10	(479)	92
Income/(loss) from continuing operations before income taxes	931	(627)	(3,069)	905
Income tax benefit/(expense)	544	(318)	1,980	455
Income/(loss) from continuing operations	1,475	(945)	(1,089)	1,360
Income from discontinued operations, net of income taxes	100	881	2,471	1,931
Net income/(loss)	\$ 1,575	\$ (64)	\$ 1,382	\$ 3,291
Net income per share from continuing operations:				
Basic	\$ 0.04	\$ (0.03)	\$ (0.03)	\$ 0.04
Diluted	\$ 0.04	\$ (0.03)	\$ (0.03)	\$ 0.04
Net loss per share from discontinued operations:				
Basic	\$ —	\$ 0.03	\$ 0.08	\$ 0.06
Diluted	\$ —	\$ 0.03	\$ 0.08	\$ 0.06
Net income per share attributable to common stockholders:				
Basic	\$ 0.05	\$ —	\$ 0.04	\$ 0.11
Diluted	\$ 0.05	\$ —	\$ 0.04	\$ 0.10
Weighted average shares (in thousands):				
Basic	32,014	30,896	31,658	30,670
Diluted	33,666	30,896	31,658	32,579

Luna Innovations Incorporated
Consolidated Statements of Cash Flows
(in thousands of U.S. Dollars)

	Year ended December 31,	
	2021	2020
Cash flows provided by operating activities:		
Net income	\$ 1,382	\$ 3,291
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,628	2,970
Stock-based compensation	2,955	2,134
Loss on sale and disposal of property and equipment	—	644
Loss from discontinued operations, net of tax	—	1,436
Deferred tax asset	(1,501)	(522)
Bad debt	393	127
Changes in operating assets and liabilities:		
Accounts receivable	(280)	(3,292)
Contract assets	(1,672)	(1,504)
Inventory	939	(1,550)
Other current assets	582	(2,203)
Other long-term assets	—	(3)
Accounts payable and accrued expenses	(3,213)	1,143
Contract liabilities	186	(29)
Other long-term liabilities	84	214
Net cash provided by operating activities	<u>4,483</u>	<u>2,856</u>
Cash flows used in investing activities:		
Acquisitions, net of cash acquired	—	(34,102)
Acquisition of property and equipment	(1,412)	(681)
Proceeds from sale of property and equipment	—	403
Intangible property costs	(356)	(379)
Proceeds from sale of discontinued operations, net	—	600
Net cash used in investing activities	<u>(1,768)</u>	<u>(34,159)</u>
Cash flows provided by/(used in) financing activities:		
Proceeds from debt obligations	—	19,984
Payments on debt obligations	(4,144)	—
Payments on finance lease obligation	(48)	(53)
Purchase of treasury stock	(459)	(452)
Proceeds from ESPP	1,131	456
Proceeds from the exercise of options	2,256	1,714
Net cash (used in)/provided by financing activities	<u>(1,264)</u>	<u>21,649</u>
Net change in cash and cash equivalents	<u>1,451</u>	<u>(9,654)</u>
Effect of exchange rate changes on cash and cash equivalents	311	14,000
Cash and cash equivalents—beginning of period	15,366	25,006
Cash and cash equivalents—end of period	<u>\$ 17,128</u>	<u>\$ 15,366</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 458	\$ 4
Cash paid for income taxes	\$ 113	\$ (1,244)

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

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Net income/(loss)	\$ 1,575	\$ (64)	\$ 1,382	\$ 3,291
Income from discontinued operations, net of income taxes	100	881	2,471	1,931
Net income/(loss) from continuing operations	1,475	(945)	(1,089)	1,360
Interest expense	104	23	479	25
Investment income	—	(2)	—	(67)
Income tax (benefit)/provision	(544)	318	(1,980)	(455)
Depreciation and amortization	1,077	790	4,517	2,769
EBITDA	2,112	184	1,927	3,632
Share-based compensation	693	562	2,826	2,012
Integration and transaction expense	249	2,204	2,322	2,204
Amortization of inventory step-up	69	78	509	78
Adjusted EBITDA	<u>\$ 3,123</u>	<u>\$ 3,028</u>	<u>\$ 7,584</u>	<u>\$ 7,926</u>

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

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Net income/(loss)	\$ 1,575	\$ (64)	\$ 1,382	\$ 3,291
Income from discontinued operations, net of income taxes	100	881	2,471	1,931
Net income/(loss) from continuing operations	1,475	(945)	(1,089)	1,360
Share-based compensation	693	562	2,826	2,012
Integration and transaction expense	249	2,204	2,322	2,204
Amortization of intangible assets	760	478	3,113	1,714
Amortization of inventory step-up	69	78	509	78
Income tax effect on adjustments	(443)	(831)	(2,193)	(1,502)
Adjusted income from continuing operations	<u>\$ 2,803</u>	<u>\$ 1,546</u>	<u>\$ 5,488</u>	<u>\$ 5,866</u>
Adjusted EPS	\$ 0.08	\$ 0.05	\$ 0.17	\$ 0.18
Adjusted weighted average shares (in thousands):				
Diluted	33,666	30,896	31,658	32,579

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**Fourth-Quarter and Full-Year 2021 Results
Investor Supplemental Materials**

March 14, 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, the integration of employees, 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, offerings and business operations, 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, March 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.

Fourth-Quarter and Full-Year FY21 Results

Fourth-Quarter 2021: Key Financial Results

- Revenues of \$24.2M; up 26% year-over-year
 - Reminder – As of Q3 Luna Labs became classified as discontinued operations
 - Luna is a pure play in fiber optic technology
- Gross margin of 58%, compared to 61% for the prior-year period
 - Compared to the low 50% range when this metric included Luna Labs
- Operating income of \$1.0M, compared to operating loss of \$0.6M for the prior-year period
- Adjusted EBITDA¹ of \$3.1M, compared to \$3.0M for the prior-year period
- Adjusted EPS¹ of \$0.08, compared to \$0.05 for the prior-year period

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.

Fourth-quarter 2021: Highlights

- Robust demand drove record bookings and revenue
 - 26% YoY revenue growth driven by strong demand for sensing solutions
- Sensing segment growth driven by successful delivery of multiple large projects
 - 64% YoY revenue growth, record bookings
 - Major deployment in the mining industry for health monitoring of tailings dams
 - Successful deployment of 24x7 acoustic monitoring system for the Roosevelt Bridge, FL USA
 - Multiple systems deployed to monitor four European border sections
 - Strategic sale and delivery of sensing system into Japanese earthquake/tsunami monitoring market
 - Large Hyperion fiber sensing solution order for perimeter security applications
 - Multiple significant new orders for monitoring applications in the off-shore oil market

Fourth-quarter 2021: Highlights (continued)

- Record bookings and significant, new strategic wins in Q4 for Terahertz sensing products
 - Industrial adhesives and automotive EV and tire manufacturing applications
- Communications test segment highlights
 - Record bookings for RIO laser products for long-range sensing and LiDAR applications
 - Multiple, large blanket orders for polarization control products for defense and medical applications
 - Multiple strategic wins and new customer placements for silicon photonic and data center testing

Full-Year 2021: Key Financial Results

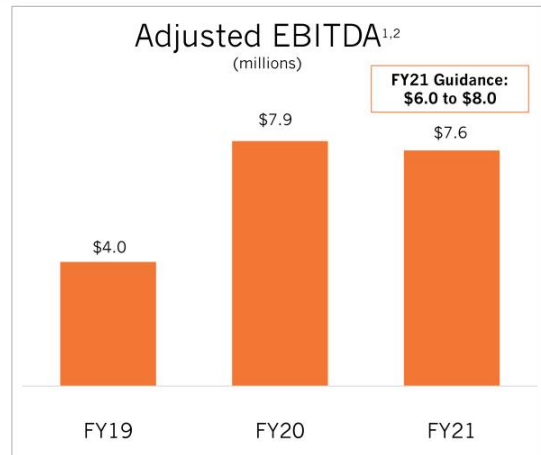
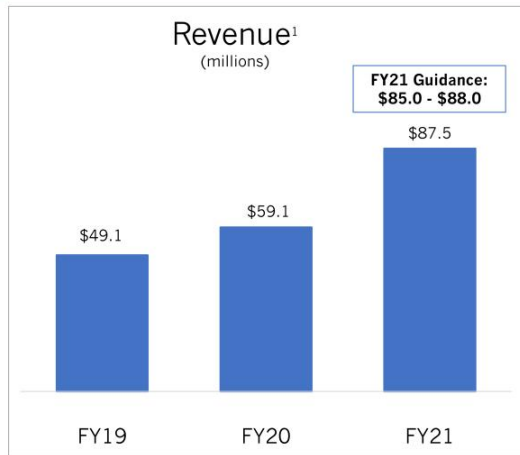
- Revenues of \$87.5M; up 48% year-over-year
- Gross Margin of 59%, compared to 61% for the prior-year period
 - Slight margin compression as expected, resulting from early stages of integrating acquisitions; future synergies anticipated as business and sales teams fully integrate into Luna
 - Gross Margins were also pressured by product mix
- Operating loss of \$2.6M, compared to operating income of \$0.8M for the prior-year period
 - Decrease primarily due to increase in operating expenses and amortization as the result of acquisitions
 - Impact from pandemic-related sourcing of critical components
- Adjusted EBITDA¹ of \$7.6M, compared to \$7.9M for the prior-year period
 - Increased expenses and slight margin compression associated with onboarding new acquisitions
- Adjusted EPS¹ of \$0.17, compared to \$0.18 for the prior-year period
 - Increased expenses and slight margin compression associated with onboarding new acquisitions
 - Slight increase in weighted average shares outstanding

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.

Full-Year 2021: Highlights and Accomplishments

- Significant customer successes; strong ongoing pipeline of opportunities
 - Large orders from blue-chip customers for sensing (ODiSI), comms test (OBR 6200) and process control (Terahertz) products
 - Continued strong bookings for RIO lasers and silicon photonics
 - Traction and customer orders remain strong
 - Commercial engagement with customers in EV-battery space for sensing products
- To support growth, completed implementation of significant new Financial and IT systems
- Recorded largest backlog in company history and record bookings
- Significant progress in product development and delivery
 - Successfully delivered 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
- Continued successful penetration of distributed sensing solutions in key, target markets: Infrastructure and security; Oil and Gas; Transportation
- Strengthened executive team with promotions and additions to key roles

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.

A Flexible Balance Sheet

- Strong balance sheet on December 31, 2021:
 - \$130.2M in total assets
 - \$17.1M in cash and cash equivalents
 - \$49.8M in working capital
- Total debt of \$15.8M outstanding
 - \$8.3M 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

Subsequent Events



Divestiture of Luna Labs

- Luna has closed on the divestiture of its Luna Labs business
 - Luna Labs was moved to Discontinued Operations in Q3 2021
 - Luna is now a pure play in fiber optic technology; Lightwave = Luna
- Luna Labs leveraged third-party contract research to build a portfolio of technologies outside of Luna's core, strategic fiber-optic offerings
- Luna Labs Inc. is a newly formed company backed by its management team with support from Mereo Capital Partners and Point Lookout Capital Partners
 - Luna will retain minority equity ownership

Acquisition of LIOS Sensing

- Acquired LIOS Sensing, a leader in distributed fiber optic monitoring solutions
- LIOS adds Distributed Temperature and Strain Sensing (“DTS/DSS”) to Luna’s market leading portfolio
 - With this addition, Luna now has all major fiber sensing modalities
 - Short range, high resolution (ODiSI)
 - Long range discrete (Hyperion)
 - Long range continuous temperature, strain, acoustics (DTS, DSS, DAS)
 - Will accelerate growth in Luna’s sensing segment
- Brings capabilities that will complement and broaden the Luna portfolio allowing
 - Greater penetration into existing customer base
 - Infrastructure, oil and gas, pipelines
 - Expansion into adjacent markets
 - Wind energy, fire detection, power cable monitoring
- Broadens footprint in Europe
 - Based in Cologne, Germany
 - Approximately 60 employees
 - Approximately 42 active patents and 17 patent applications
- Anticipate quick, smooth integration

2022 Outlook



2022 Financial Outlook

- 2022 outlook reflects both the mid-March sale of Luna Labs and the acquisition of LIOS Sensing and considers the ongoing impact of the pandemic:
 - Full-year total revenue of \$109M to \$115M
 - Full-year adjusted EBITDA¹ of \$10M to \$12M
 - Q1 2022 revenue of \$20M to \$22M

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 EBITDA¹

(in thousands)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Reconciliation of EBITDA and Adjusted EBITDA				
GAAP net income/(loss)	\$ 1,575	\$ (64)	\$ 1,382	\$ 3,291
Income from discontinued operations, net of tax	100	881	2,471	1,931
GAAP net income/(loss) from continuing operations	1,475	(945)	(1,089)	1,360
Interest expense	104	23	479	25
Investment income		(2)		(67)
Income tax (benefit)/expense	(544)	318	(1,980)	(455)
Depreciation and amortization	1,077	790	4,517	2,769
EBITDA	2,112	184	1,927	3,632
Share-based compensation	693	562	2,826	2,012
Integration and transaction expense	249	2,204	2,322	2,204
Amortization of Inventory step-up	69	78	509	78
Adjusted EBITDA	\$ 3,123	\$ 3,028	\$ 7,584	\$ 7,926

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		Twelve Months Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Reconciliation of Net (loss)/Income to Adjusted EPS				
GAAP net income/(loss)	\$ 1,575	\$ (64)	\$ 1,382	\$ 3,291
Income from discontinued operations, net of tax	100	881	2,471	1,931
GAAP net income/(loss) from continuing operations	1,475	(945)	(1,089)	1,360
Adjustments:				
Share-based Compensation	693	562	2,826	2,012
Integration and transaction expense	249	2,204	2,322	2,204
Amortization of Intangible assets	760	478	3,113	1,714
Amortization of Inventory Step-up	69	78	509	78
Total adjustments:	1,771	3,322	8,770	6,008
Income tax effect on adjustments	(443)	(831)	(2,193)	(1,502)
Adjusted income from continuing operations	\$ 2,803	\$ 1,546	\$ 5,488	\$ 5,866
Adjusted EPS	\$ 0.08	\$ 0.05	0.17	0.18
Adjusted weighted average shares (in thousands):				
Diluted	33,666	30,896	31,658	32,579

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

Historical Quarterly Results¹

	(in thousands)				
	December 31, 2020	March 31, 2021	Three Months Ended June 30, 2021	September 30, 2021	December 31, 2021
Revenues	\$ 19,278	\$ 20,997	\$ 21,965	\$ 20,329	\$ 24,222
Cost of revenues	7,524	8,726	9,385	7,744	10,102
Gross Profit	<u>11,754</u>	<u>12,271</u>	<u>12,580</u>	<u>12,585</u>	<u>14,120</u>
Gross Margin	61%	58%	57%	62%	58%
Operating expense:					
Selling, general and administrative	7,713	9,222	11,047	8,719	9,533
Research, development and engineering	1,996	2,917	1,810	2,920	2,543
Amortization of Intangibles	478	826	766	761	760
Integration and deal related expense	2,204	886	991	196	249
Total operating expense	<u>12,391</u>	<u>13,851</u>	<u>14,614</u>	<u>12,596</u>	<u>13,085</u>
Operating income/(loss)	<u>\$ (637)</u>	<u>\$ (1,580)</u>	<u>\$ (2,034)</u>	<u>\$ (11)</u>	<u>\$ 1,035</u>

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

