

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 11, 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:

Title of each class	Trading Symbol	Name of each exchange on which registered
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 August 11, 2022, Luna Innovations Incorporated (the “Company”) issued a press release announcing its financial results for the three and six months ended June 30, 2022, 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 11, 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 August 11, 2022, by Luna Innovations Incorporated.
99.2	Company Presentation.

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 11, 2022



Luna Innovations Reports Second-Quarter 2022 Results

Reaffirms 2022 Outlook

Highlights

- Total revenues of \$26.2 million for the three months ended June 30, 2022, up 19% compared to the three months ended June 30, 2021
- Gross margin of 61% for the three months ended June 30, 2022, compared to 57% for the three months ended June 30, 2021
- Net loss of \$2.4 million for the three months ended June 30, 2022, compared to net loss of \$0.2 million for the three months ended June 30, 2021; primarily due to \$1.8 million benefit from tax and discontinued operations in the second quarter 2021
- Adjusted EBITDA of \$1.2 million for the three months ended June 30, 2022, compared to \$1.0 million for the three months ended June 30, 2021
- Adjusted EPS of \$(0.02) for the three months ended June 30, 2022, compared to \$0.03 for the three months ended June 30, 2021; impacted by discontinued operations and associated taxes

(ROANOKE, VA, August 11, 2022) - 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, 2022.

"As I reflect on the first half of 2022, I'm pleased with the team's top-line performance and ability to navigate ongoing macroeconomic and market factors," said Scott Graeff, President and Chief Executive Officer of Luna. "We achieved double-digit revenue growth for the second-quarter in nearly all of our product lines, and I'm proud of the Luna team for their accomplishments. The team's focus and execution will carry us through the remainder of 2022 and will allow us to achieve growth in each business. This, combined with strong bookings, gives me the confidence to reaffirm our 2022 outlook."

Graeff continued, "We've recently completed several acquisitions and one large divestiture. As with all transactions, we are reviewing expense infrastructure to ensure operational efficiency. The strategic actions that we've recently undertaken to enhance operations, expand our IP portfolio and refresh product lines are gaining momentum. As a result, today Luna is a clear leader and a company fully focused on Enabling the Future with Fiber."

Second-Quarter Fiscal 2022 Financial Summary.

Highlights of the financial results for the three months ended June 30, 2022 are:

	Three Months Ended June 30,		Change
	2022	2021	
<i>(in thousands, except share and per share data)</i>			
Revenues	\$ 26,162	\$ 21,965	19 %
Gross profit	15,963	12,581	27 %
Gross margin	61 %	57 %	
Operating expense	18,425	14,615	26 %
Operating loss	(2,462)	(2,034)	
Operating margin	(9)%	(9)%	
Other expense, net and income tax (expense)/benefit	(480)	873	
Net loss from continuing operations	\$ (2,942)	\$ (1,161)	
Income from discontinued operations, net of income taxes	591	931	
Net loss	\$ (2,351)	\$ (230)	
Loss per diluted share (EPS)	\$ (0.07)	\$ (0.01)	
Adjusted EPS	\$ (0.02)	\$ 0.03	
Diluted weighted average shares outstanding	32,478,736	31,494,563	
Adjusted EBITDA	\$ 1,184	\$ 1,021	16 %

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 June 30, 2022 increased 19% compared to the prior-year period, primarily due to revenue generated by the Lios acquisition.

Gross margin increased to 61% for the three months ended June 30, 2022, compared to 57% for the three months ended June 30, 2021, driven primarily by favorable product mix. Operating loss and margin were \$2.5 million and 9% of total revenues, respectively, for the three months ended June 30, 2022, compared to \$2.0 million and 9% of total revenues, respectively, for the three months ended June 30, 2021. The increase in operating loss was primarily due to our recent acquisitions, partially offset by lower deal and integration costs.

Net loss was \$2.4 million, or \$0.07 per fully diluted share, for the three months ended June 30, 2022, compared to net loss of \$0.2 million, or \$0.01 per fully diluted share, for the three months ended June 30, 2021. Adjusted EPS was \$(0.02) for the three months ended June 30, 2022 compared to \$0.03 for the three months ended June 30, 2021. The second-quarter 2022 results were impacted by discontinued operations and associated taxes.

Adjusted EBITDA was \$1.2 million for three months ended June 30, 2022, compared to \$1.0 million for the three months ended June 30, 2021.

Six Months Ended Fiscal 2022 Financial Summary

Highlights of the financial results for the six months ended June 30, 2022 are:

<i>(in thousands, except share and per share data)</i>	Six Months Ended June 30,		Change
	2022	2021	
Revenues	48,642	42,962	13 %
Gross profit	30,242	24,852	22 %
Gross margin	62 %	58 %	
Operating expense	35,069	28,466	23 %
Operating loss	(4,827)	(3,614)	
Operating margin	(10)%	(8)%	
Other expense, net and income tax benefit	543	1,394	
Net loss from continuing operations	\$ (4,284)	\$ (2,220)	
Income from discontinued operations, net of income taxes	11,515	1,672	
Net income/(loss)	\$ 7,231	\$ (548)	
Earnings/(loss) per diluted share (EPS)	\$ 0.22	\$ (0.02)	
Adjusted EPS	\$ 0.02	\$ 0.05	(60) %
Diluted weighted average shares outstanding	32,361,560	31,413,451	
Adjusted EBITDA	\$ 2,906	\$ 2,352	24 %

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 six months ended June 30, 2022 increased compared to the prior-year period, primarily due to revenue generated by the Lios acquisition.

Gross margin of \$30.2 million for the six months ended June 30, 2022 increased from \$24.9 million for the six months ended June 30, 2021 primarily due to higher sales. Operating loss and margin declined to \$4.8 million and 10% of total revenues, respectively, for the six months ended June 30, 2022, compared to \$3.6 million and 8% of total revenues, respectively, for the six months ended June 30, 2021. The increase in operating loss was primarily due to our recent acquisitions.

Net income was \$7.2 million, or \$0.22 per fully diluted share, for the six months ended June 30, 2022, compared to a net loss of \$0.5 million, or \$(0.02) per fully diluted share, for the six months ended June 30, 2021. Adjusted EPS was \$0.02 for the six months ended June 30, 2022, compared to \$0.05 for the six months ended June 30, 2021.

Adjusted EBITDA was \$2.9 million for the six months ended June 30, 2022, compared to \$2.4 million for the six months ended June 30, 2021.

2022 Full-Year Outlook

Luna is confirming the 2022 outlook it originally provided on March 14, 2022, which included the mid-March divestiture of Luna Labs and the acquisition of Lios, and also is providing a third-quarter 2022 outlook:

- Total revenue of \$109 million to \$115 million for the full year 2022
- Adjusted EBITDA of \$10 million to \$12 million for the full year 2022
- Total revenues in the range of \$28 million to \$30 million for the third quarter 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 and Adjusted EPS, which exclude certain charges and income 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, August 11, 2022, to discuss its financial results for the three and six months ended June 30, 2022. The investor conference call will be accessible by telephone and through the internet. Participants may register using this link to obtain dial-in details. Registration details are also available by visiting www.lunainc.com under the tab "Investor Relations." To participate in the webcast, please follow instructions via the links above at least 15 minutes before the call to download the necessary software and to avoid any delays in listening to the call. A replay of the conference call will be available 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 full year and third quarter 2022 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, 2022, 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:

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

	June 30, 2022 (unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,864	\$ 17,128
Accounts receivable, net	30,422	20,913
Contract assets	3,369	5,166
Inventory	30,754	22,493
Prepaid expenses and other current assets	6,535	3,793
Assets held for sale	—	12,952
Total current assets	75,944	82,445
Property and equipment, net	4,499	2,988
Intangible assets, net	20,399	17,177
Goodwill	28,441	18,984
Operating lease right-of-use assets	4,774	5,075
Other non-current assets	3,214	247
Deferred tax asset	4,612	3,321
Total assets	\$ 141,883	\$ 130,237
Liabilities and stockholders' equity		
Liabilities:		
Current liabilities:		
Current portion of long-term debt obligations	\$ 2,000	\$ 4,167
Accounts payable	3,881	2,809
Accrued and other current liabilities	16,413	9,258
Contract liabilities	4,816	4,649
Current portion of operating lease liabilities	2,449	2,101
Liabilities associated with assets held for sale	—	9,703
Total current liabilities	29,559	32,687
Long-term debt obligations, net of current portion	19,218	11,673
Long-term portion of operating lease liabilities	2,767	3,509
Deferred tax liability	1,357	—
Other long-term liabilities	421	445
Total liabilities	53,322	48,314
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.001, 100,000,000 shares authorized, 34,528,065 and 33,855,725 shares issued, 32,752,348 and 32,116,270 shares outstanding at June 30, 2022 and December 31, 2021, respectively	35	34
Treasury stock at cost, 1,784,957 and 1,744,026 shares at June 30, 2022 and December 31, 2021, respectively	(5,542)	(5,248)
Additional paid-in capital	102,043	98,745
Accumulated deficit	(4,345)	(11,575)
Accumulated other comprehensive loss	(3,630)	(33)
Total stockholders' equity	88,561	81,923
Total liabilities and stockholders' equity	\$ 141,883	\$ 130,237

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,	
	2022	2021	2022	2021
Revenues	\$ 26,162	\$ 21,965	\$ 48,642	\$ 42,962
Cost of revenues	10,199	9,384	18,400	18,110
Gross profit	15,963	12,581	30,242	24,852
Operating expense:				
Selling, general and administrative	15,760	12,805	29,862	23,739
Research, development and engineering	2,665	1,810	5,207	4,727
Total operating expense	18,425	14,615	35,069	28,466
Operating loss	(2,462)	(2,034)	(4,827)	(3,614)
Other income/(expense):				
Other income	53	—	74	—
Interest expense, net	(111)	(122)	(224)	(265)
Total other expense, net	(58)	(122)	(150)	(265)
Loss from continuing operations before income taxes	(2,520)	(2,156)	(4,977)	(3,879)
Income tax expense/(benefit)	422	(995)	(693)	(1,659)
Net loss from continuing operations	(2,942)	(1,161)	(4,284)	(2,220)
Income from discontinued operations, net of income tax expense (benefit) of (\$856), \$101, \$166 and \$146	591	931	594	1,672
Gain on sale of discontinued operations, net of tax of \$3,117	—	—	10,921	—
Net income from discontinued operations	591	931	11,515	1,672
Net (loss)/income	\$ (2,351)	\$ (230)	\$ 7,231	\$ (548)
Net loss per share from continuing operations:				
Basic	\$ (0.09)	\$ (0.04)	\$ (0.13)	\$ (0.07)
Diluted	\$ (0.09)	\$ (0.04)	\$ (0.13)	\$ (0.07)
Net income per share from discontinued operations:				
Basic	\$ 0.02	\$ 0.03	\$ 0.36	\$ 0.05
Diluted	\$ 0.02	\$ 0.03	\$ 0.36	\$ 0.05
Net (loss)/income per share attributable to common stockholders:				
Basic	\$ (0.07)	\$ (0.01)	\$ 0.22	\$ (0.02)
Diluted	\$ (0.07)	\$ (0.01)	\$ 0.22	\$ (0.02)
Weighted average shares:				
Basic	32,478,736	31,494,563	32,361,560	31,413,451
Diluted	32,478,736	31,494,563	32,361,560	31,413,451

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

	Six Months Ended June 30,	
	2022	2021
Cash flows used in operating activities		
Net income/(loss)	\$ 7,231	\$ (548)
Adjustments to reconcile net income/loss to net cash used in operating activities		
Depreciation and amortization	2,694	2,360
Share-based compensation	2,177	1,514
Gain from discontinued operations, net of tax	(10,921)	—
Deferred taxes	(124)	—
Tax benefit from release of valuation allowance	—	475
Change in assets and liabilities		
Accounts receivable	(6,555)	(473)
Contract assets	140	763
Inventory	(4,281)	(1,562)
Other current assets	(3,870)	(2,399)
Other long-term assets	646	—
Accounts payable and accrued and other current liabilities	6,123	(2,185)
Contract liabilities	1,196	(826)
Other long term-liabilities	(1,524)	—
Net cash used in operating activities	<u>(7,068)</u>	<u>(2,881)</u>
Cash flows used in investing activities		
Acquisition of property and equipment	(1,657)	(551)
Intangible property costs	4	(141)
Proceeds from sale of property and equipment	25	—
Proceeds from sale of discontinued operations	12,973	—
Acquisition of Lios	(22,085)	—
Net cash used in investing activities	<u>(10,740)</u>	<u>(692)</u>
Cash flows provided by/(used in) financing activities		
Payments on finance lease obligations	(24)	(24)
Proceeds from borrowings under debt obligations	21,150	—
Payments of debt obligations	(15,772)	(2,072)
Repurchase of common stock	(294)	(420)
Proceeds from ESPP	521	530
Proceeds from the exercise of options	1,158	1,490
Net cash provided by/(used in) financing activities	<u>6,739</u>	<u>(496)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,195)	673
Net decrease in cash and cash equivalents	<u>(12,264)</u>	<u>(3,396)</u>
Cash and cash equivalents-beginning of period	17,128	15,366
Cash and cash equivalents-end of period	<u>\$ 4,864</u>	<u>\$ 11,970</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net (loss)/income	\$ (2,351)	\$ (230)	\$ 7,231	\$ (548)
Net income from discontinued operations	591	931	11,515	1,672
Net loss from continuing operations	(2,942)	(1,161)	(4,284)	(2,220)
Interest expense, net	111	122	224	265
Income tax expense/(benefit)	422	(995)	(693)	(1,659)
Depreciation and amortization	1,538	1,109	2,694	2,309
EBITDA	(871)	(925)	(2,059)	(1,305)
Share-based compensation	934	787	2,000	1,444
Integration and transaction expense	156	991	2,000	1,877
Amortization of inventory step-up	257	168	257	336
Other non-recurring charges ⁽¹⁾	708	—	708	—
Adjusted EBITDA	<u>\$ 1,184</u>	<u>\$ 1,021</u>	<u>\$ 2,906</u>	<u>\$ 2,352</u>

(1) - Other non-recurring charges include customer accommodation, facility consolidation and debt refinancing costs.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net (loss)/income	\$ (2,351)	\$ (230)	\$ 7,231	\$ (548)
Net income from discontinued operations	591	931	11,515	1,672
Net loss from continuing operations	(2,942)	(1,161)	(4,284)	(2,220)
Share-based compensation	934	787	2,000	1,444
Integration and transaction expense	156	991	2,000	1,877
Amortization of intangible assets	992	766	1,813	1,592
Amortization of inventory step-up	257	168	257	336
Other non-recurring charges ⁽¹⁾	708	—	708	—
Income tax effect on adjustments	(762)	(678)	(1,695)	(1,312)
Adjusted (loss)/income from continuing operations	<u>\$ (657)</u>	<u>\$ 873</u>	<u>\$ 799</u>	<u>\$ 1,717</u>
Adjusted EPS	<u>\$ (0.02)</u>	<u>\$ 0.03</u>	<u>\$ 0.02</u>	<u>\$ 0.05</u>
Adjusted weighted average shares (in thousands):				
Diluted	32,479	31,495	32,362	31,413

(1) - Other non-recurring charges include customer accommodation, facility consolidation and debt refinancing costs.

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**Second-Quarter 2022 Results
Investor Supplemental Materials**

August 11, 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, sales bookings, revenue growth, intellectual property position, the company’s future financial performance, including 2022 guidance, and market recognition of key technologies and demand for its products, backlog, the company’s overall growth potential, its balance sheet and capitalization and access to, and deployment of, 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, 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, August 11, 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.

Second-Quarter FY22 Results

Second-Quarter 2022: Key Financial Results

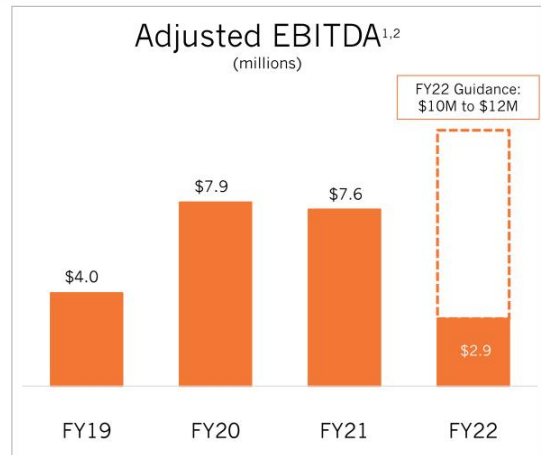
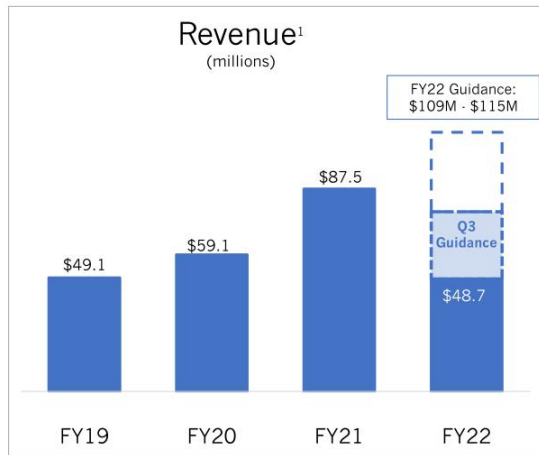
- Revenues of \$26.2M; up 19% year-over-year
- Gross margin of 61%, compared to 57% for the prior-year period
- Adjusted operating income of \$585k, compared to \$678k for the prior-year period
- Adjusted EBITDA¹ of \$1.2, compared to \$1.0M for the prior-year period
- Adjusted EPS¹ of (\$0.02), compared to \$0.03 for the prior-year period

¹Adj. EPS, EBITDA and Operating Income are a non-GAAP measures. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix to this presentation.

Second-Quarter 2022 and Recent Business Highlights

- Double-digit overall revenue growth
- Continued strong demand for Luna products; double-digit bookings growth vs. Q2 '21
- Sensing segment
 - Revenues grew strong double-digit vs. prior-year quarter
 - First full quarter of contribution from Lios, a distributed fiber sensing leader
 - Legacy products ODiSI, Hyperion and THz products contributed double-digit sales growth; bookings for Thz increased >100% H1'22 vs. H1 '21
 - Multiple key, large wins in infrastructure monitoring, security and power cable monitoring
- Communications Test segment
 - Total revenues in-line with our expectations
 - Record RIO laser revenues in Q2 '22
 - Secured large, multi-unit OBR 6200 order from Lockheed Martin
 - Multiple strategic wins with blue-chip customers (high-speed, tele- & data-comms)

Strong Financial Results



¹ Reminder: Luna Labs reclassified to Discontinued Operations and subsequent sale in late Q1 2022.

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.

Balance Sheet

- Balance sheet on June 30, 2022:
 - \$141.9M in total assets
 - \$4.9M in cash and cash equivalents
 - \$46.4M in working capital
- Total debt of \$21.2M outstanding
 - \$19.9M in term debt
 - \$1.3M drawn on revolver
- All investments over the past five years – in both business and in M&A – have been funded by using the balance sheet through cash and bank debt
- Luna will continue to deploy capital prudently to generate long-term sustainable growth
 - Increasing organic sales
 - Reinvesting in our business
 - Identifying inorganic opportunities

Q3 Guidance and 2022 Outlook



Q3 and Full-Year Guidance 2022

- 2022 outlook reflects the sale of Luna Labs, the acquisition of Lios and the ongoing impact of the pandemic:
 - Reaffirm the following:
 - Full-year total revenue of \$109M to \$115M
 - Full-year adjusted EBITDA¹ of \$10M to \$12M
 - Top-line guidance for Q3
 - Revenue of \$28M to \$30M

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.

Luna – Enabling the Future with Fiber

- Positioned as a **global** fiber optic **leader**
- **Proprietary fiber-optic based** measurement technology, offering **unprecedented** combination of performance and economics
- Customers in **attractive markets**: Defense, Communications, Infrastructure, Energy, Automotive and Aerospace
- Positioned to **take advantage of trends** such as vehicle lightweighting, smart infrastructure, increasing needs for global security, 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		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
Reconciliation of EBITDA and Adjusted EBITDA				
GAAP net income/(loss)	\$ (2,351)	\$ (230)	\$ 7,231	\$ (549)
Income from discontinued operations, net of tax	591	931	11,515	1,671
GAAP net income/(loss) from continuing operations	(2,942)	(1,161)	(4,284)	(2,220)
Interest expense, net	111	122	224	265
Income tax (benefit)/expense	422	(995)	(693)	(1,659)
Depreciation and amortization	1,538	1,109	2,694	2,309
EBITDA	(871)	(925)	(2,059)	(1,305)
Share-based compensation	934	787	2,000	1,444
Integration and transaction expense	156	991	2,000	1,877
Amortization of inventory step-up	257	168	257	336
Other non-recurring charges ⁽²⁾	708	-	708	-
Adjusted EBITDA	\$ 1,184	\$ 1,021	\$ 2,906	\$ 2,352

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

² Other non-recurring charges include customer accommodation, facility consolidation and debt refinancing costs.

Reconciliation of Net (Loss)/Income to Adjusted EPS¹

(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
Reconciliation of Net (loss)/Income to Adjusted EPS				
GAAP net income/(loss)	\$ (2,351)	\$ (230)	\$ 7,231	\$ (549)
Income from discontinued operations, net of tax	591	931	11,515	1,671
GAAP net income/(loss) from continuing operations	(2,942)	(1,161)	(4,284)	(2,220)
Adjustments:				
Share-based compensation	934	787	2,000	1,444
Integration and transaction expense	156	991	2,000	1,877
Amortization of intangible assets	992	766	1,813	1,592
Amortization of inventory step-up	257	168	257	336
Other non-recurring charges ⁽²⁾	708	-	708	-
Total adjustments:	3,047	2,712	6,778	5,249
Income tax effect on adjustments	(762)	(678)	(1,695)	(1,312)
Adjusted income from continuing operations	\$ (657)	\$ 873	\$ 799	\$ 1,717
Adjusted EPS	\$ (0.02)	\$ 0.03	\$ 0.02	\$ 0.05
Adjusted weighted average shares (in thousands):				
Diluted	32,479	31,495	32,362	31,413

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

² Other non-recurring charges include customer accommodation, facility consolidation and debt refinancing costs.

Reconciliation of Operating (Loss) to Adjusted Operating Income¹

(in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
Reconciliation of Operating (Loss) to Adjusted Operating Income				
GAAP Operating Loss	\$ (2,462)	\$ (2,034)	\$ (4,827)	\$ (3,614)
Adjustments:				
Share-based compensation	934	787	2,000	1,444
Integration and transaction expense	156	991	2,000	1,877
Amortization of intangible assets	992	766	1,813	1,592
Amortization of inventory step-up	257	168	257	336
Other non-recurring charges ⁽²⁾	708		708	
Total adjustments:	3,047	2,712	6,778	5,249
Adjusted Operating Income	\$ 585	\$ 678	\$ 1,951	\$ 1,635

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

² Other non-recurring charges include customer accommodation, facility consolidation and debt refinancing costs.

Historical Quarterly Results¹

	(in thousands)				
	June 30, 2021	Three Months Ended			June 30, 2022
	September 30, 2021	December 31, 2021	March 31, 2022		
Revenues	\$ 21,965	\$ 20,329	\$ 24,222	\$ 22,481	\$ 26,162
Cost of revenues	9,385	7,744	10,102	8,202	10,199
Gross profit	<u>12,580</u>	<u>12,585</u>	<u>14,120</u>	<u>14,279</u>	<u>15,963</u>
Gross margin	57%	62%	58%	64%	61%
Operating expense:					
Selling, general and administrative	11,047	8,719	9,533	11,437	14,612
Research, development and engineering	1,810	2,920	2,543	2,543	2,665
Amortization of intangibles	766	761	760	821	992
Integration and deal related expense	991	196	249	1,844	156
Total operating expense	<u>14,614</u>	<u>12,596</u>	<u>13,085</u>	<u>16,645</u>	<u>18,425</u>
Operating income/(loss)	<u>\$ (2,034)</u>	<u>\$ (11)</u>	<u>\$ 1,035</u>	<u>\$ (2,366)</u>	<u>\$ (2,462)</u>

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

