



**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](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, 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 EBITDA<sup>1</sup> of \$1.2, compared to \$1.0M for the prior-year period
- Adjusted EPS<sup>1</sup> of (\$0.02), compared to \$0.03 for the prior-year period

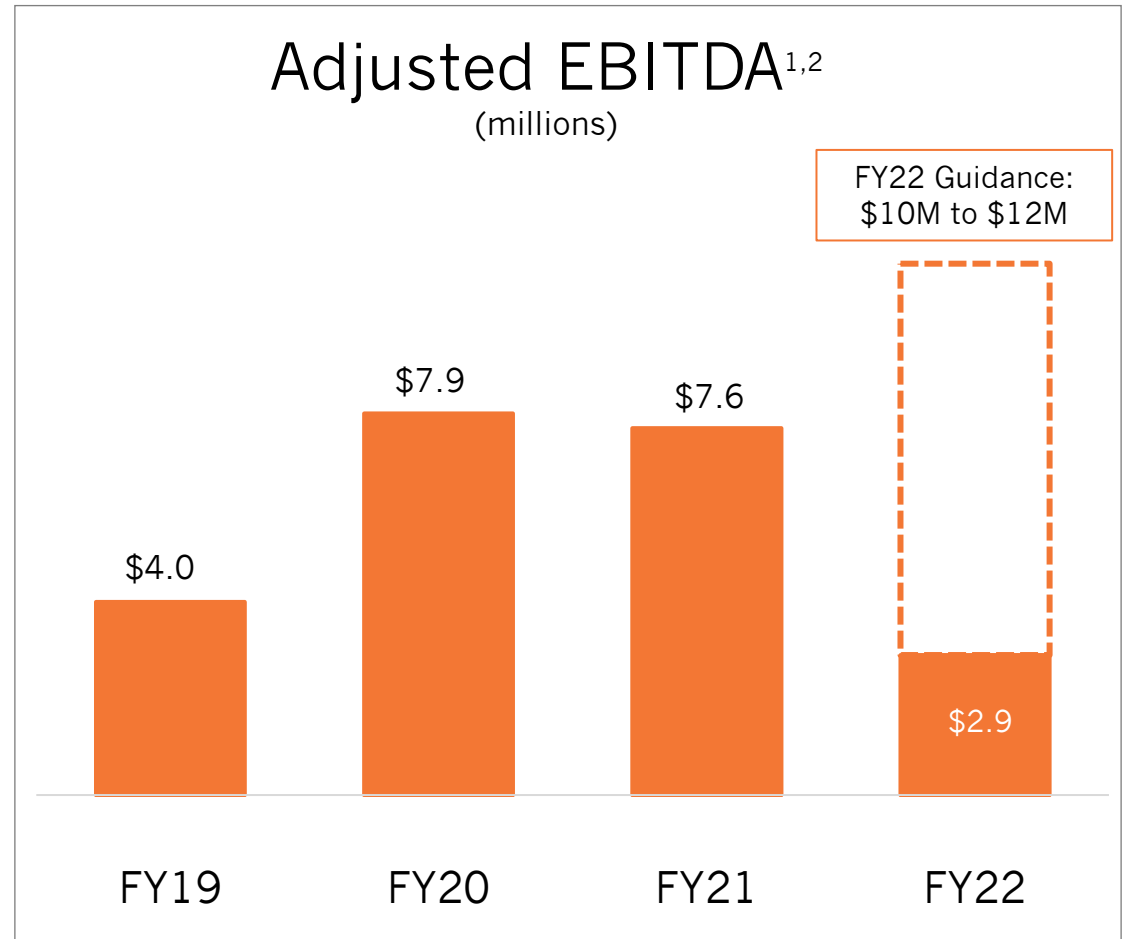
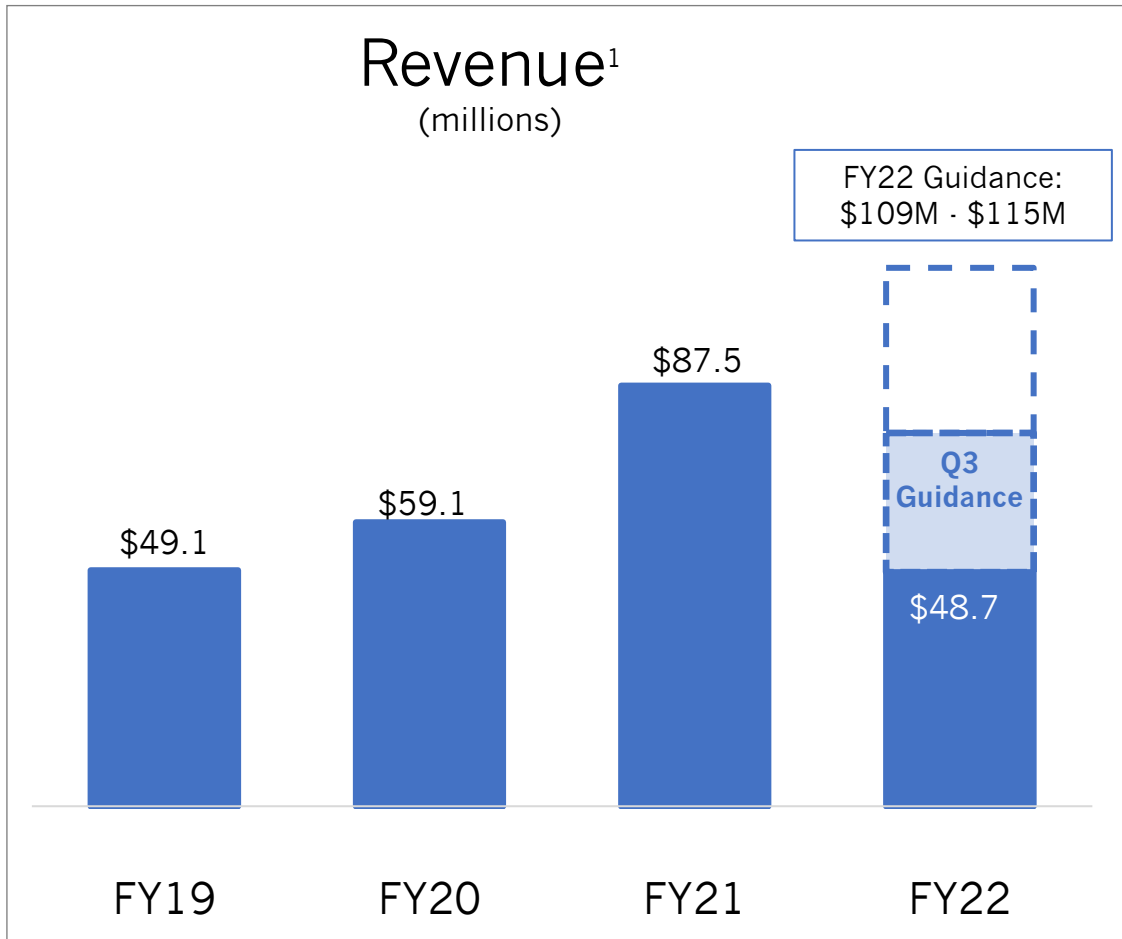
<sup>1</sup>Adj EPS, EBITDA and Operating Income are a non-GAAP measures. Reconciliation of comparable GAAP measures to non-GAAP measures are included in the appendix to this presentation.

# 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



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

<sup>2</sup> 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 EBITDA<sup>1</sup> of \$10M to \$12M
  - Top-line guidance for Q3
    - Revenue of \$28M to \$30M

<sup>1</sup> 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 EBITDA<sup>1</sup>

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
<b>Reconciliation of EBITDA and Adjusted EBITDA</b>				
<b>GAAP net income/(loss)</b>	\$ (2,351)	\$ (230)	\$ 7,231	\$ (549)
Income from discontinued operations, net of tax	591	931	11,515	1,671
<b>GAAP net income/(loss) from continuing operations</b>	<b>(2,942)</b>	<b>(1,161)</b>	<b>(4,284)</b>	<b>(2,220)</b>
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
<b>EBITDA</b>	<b>(871)</b>	<b>(925)</b>	<b>(2,059)</b>	<b>(1,305)</b>
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 <sup>(2)</sup>	708		708	-
<b>Adjusted EBITDA</b>	<b>\$ 1,184</b>	<b>\$ 1,021</b>	<b>\$ 2,906</b>	<b>\$ 2,352</b>

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

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

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

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
<b>Reconciliation of Net (loss)/Income to Adjusted EPS</b>				
<b>GAAP net income/(loss)</b>	\$ (2,351)	\$ (230)	\$ 7,231	\$ (549)
Income from discontinued operations, net of tax	591	931	11,515	1,671
<b>GAAP net income/(loss) from continuing operations</b>	<b>(2,942)</b>	<b>(1,161)</b>	<b>(4,284)</b>	<b>(2,220)</b>
<b>Adjustments:</b>				
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 <sup>(2)</sup>	708	-	708	-
<b>Total adjustments:</b>	<b>3,047</b>	<b>2,712</b>	<b>6,778</b>	<b>5,249</b>
Income tax effect on adjustments	(762)	(678)	(1,695)	(1,312)
<b>Adjusted income from continuing operations</b>	<b>\$ (657)</b>	<b>\$ 873</b>	<b>\$ 799</b>	<b>\$ 1,717</b>
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

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

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

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

(in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
<b><u>Reconciliation of Operating (Loss) to Adjusted Operating Income</u></b>				
<b>GAAP Operating Loss</b>	\$ (2,462)	\$ (2,034)	\$ (4,827)	\$ (3,614)
<b>Adjustments:</b>				
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 <sup>(2)</sup>	708		708	
<b>Total adjustments:</b>	<b>3,047</b>	<b>2,712</b>	<b>6,778</b>	<b>5,249</b>
<b>Adjusted Operating Income</b>	<b>\$ 585</b>	<b>\$ 678</b>	<b>\$ 1,951</b>	<b>\$ 1,635</b>

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

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

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

	(in thousands)				
	Three Months Ended				
	<u>June 30, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2021</u>	<u>March 31, 2022</u>	<u>June 30, 2022</u>
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>

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