



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

May 16, 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 pipeline, 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, 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, May 16, 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.

First-Quarter FY22 Results

A decorative graphic in the bottom right corner of the slide. It consists of several parallel, light-colored lines that are slightly curved and point towards the top right. Small, light-colored arrowheads are placed at regular intervals along these lines, suggesting a path or direction.

First-Quarter 2022: Key Financial Results

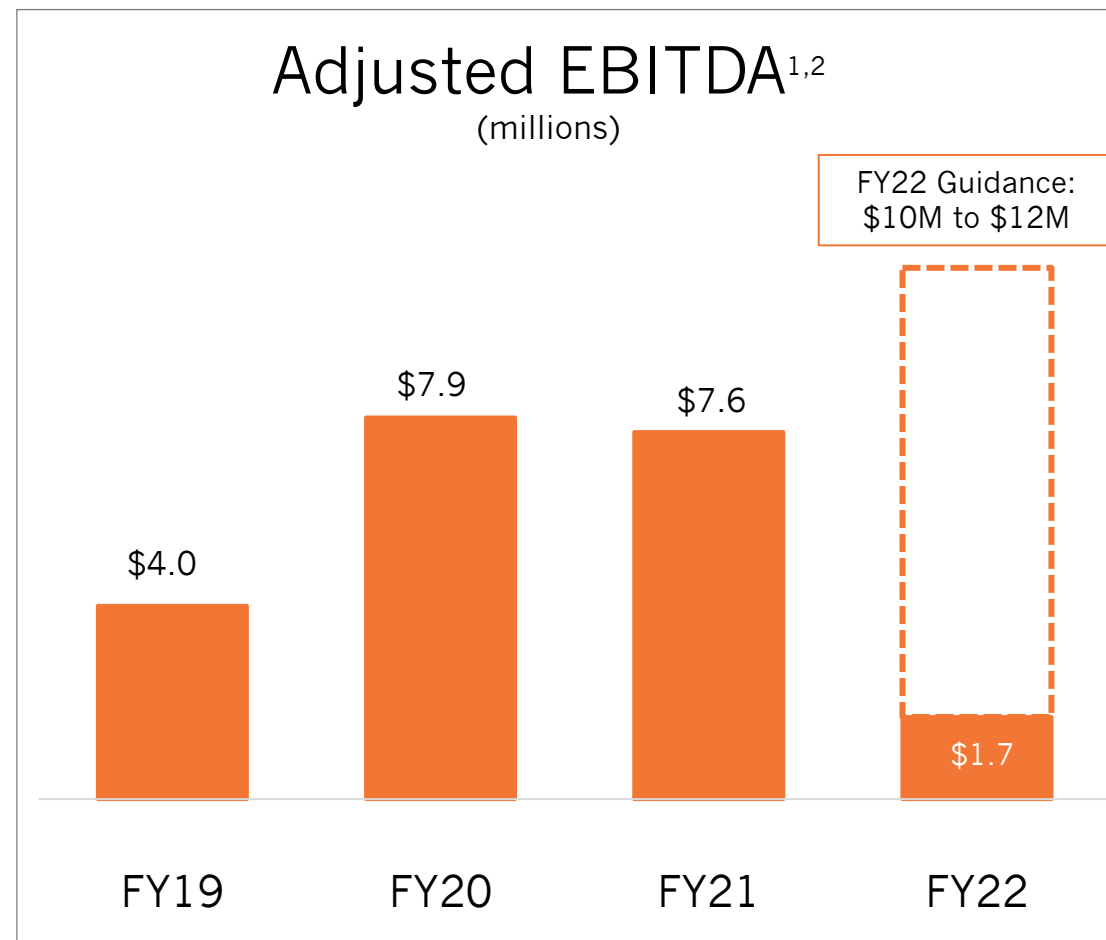
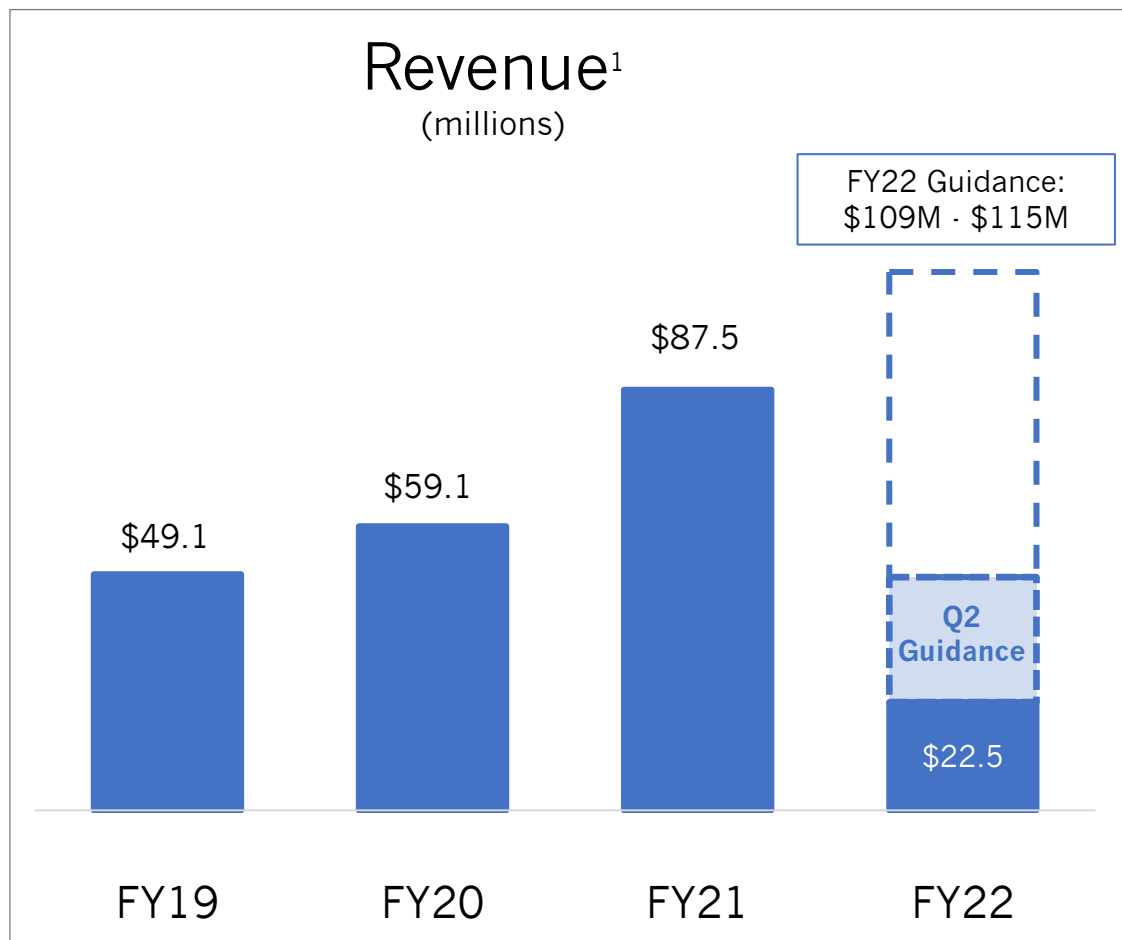
- Revenues of \$22.5M; up 7% year-over-year
- Gross margin of 64%, compared to 58% for the prior-year period
- Adjusted operating income of \$1.4M, compared to \$957k for the prior-year period
- Adjusted EBITDA¹ of \$1.7M, compared to \$1.3M for the prior-year period
- Adjusted EPS¹ of \$0.05, compared to \$0.03 for the prior-year period
 - Reported (GAAP) EPS was \$0.30 due to the gain on the sale of Luna Labs

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.

First-Quarter 2022 and Recent Business Highlights

- Luna Innovations is now a pure play leader in fiber-based technologies with the divestiture of Luna Labs complete
- Q1 2022 financial performance
 - Record ODiSI shipments
 - Strong backlog in Hyperion and THz; growth in Rio Laser sales
 - Strong demand for OptaSense
- Closed on the acquisition of Lios, creating the strongest distributed fiber sensing play on the market
 - Further expands global presence, building on existing, strong international customer base and sales capability
- Building pipeline of larger, multi-unit, blanket orders
 - Expanded relationships with existing customers in aerospace, electric vehicle and perimeter defense markets
 - Secured incremental, multi-unit order for OBR 6200 through strong, long-standing relationship with Lockheed Martin
- Luna receives Gold Tier Award from BAE Systems, for exceptional performance and contributions to supply chain success

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.

Balance Sheet

- Balance sheet on March 31, 2022:
 - \$144.7M in total assets
 - \$10.8M in cash and cash equivalents
 - \$47.4M in working capital
- Total debt of \$22.3M outstanding
 - \$7.3M in term debt
 - \$15.0M 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

2022 Outlook



Q2 and Full-Year Guidance

- 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 Q2
 - Revenue of \$25M to \$27M

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 March 31,	
	2022	2021
	(Unaudited)	
Reconciliation of EBITDA and Adjusted EBITDA		
GAAP net income/(loss)	\$ 9,581	\$ (319)
Income from discontinued operations, net of tax	10,924	740
GAAP net income/(loss) from continuing operations	(1,343)	(1,059)
Interest expense	113	143
Income tax (benefit)/expense	(1,115)	(664)
Depreciation and amortization	1,156	1,200
EBITDA	(1,189)	(380)
Share-based compensation	1,066	657
Integration and transaction expense	1,844	886
Amortization of Inventory step-up	-	168
Adjusted EBITDA	\$ 1,721	\$ 1,331

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	
	March 31,	
	2022	2021
	(Unaudited)	
Reconciliation of Net (loss)/Income to Adjusted EPS		
GAAP net income/(loss)	\$ 9,581	\$ (319)
Income from discontinued operations, net of tax	10,924	740
GAAP net income/(loss) from continuing operations	(1,343)	(1,059)
Adjustments:		
Share-based Compensation	1,066	657
Integration and transaction expense	1,844	886
Amortization of Intangible assets	821	826
Amortization of Inventory Step-up	-	168
Total adjustments:	3,731	2,537
Income tax effect on adjustments	(933)	(634)
Adjusted income from continuing operations	\$ 1,455	\$ 844
Adjusted EPS	\$ 0.05	\$ 0.03
Adjusted weighted average shares (in thousands):		
Diluted	32,243	31,351

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

Reconciliation of Operating (Loss) to Adjusted Operating Income¹

(in thousands)

	Three Months Ended	
	March 31,	
	2022	2021
	(Unaudited)	
<u>Reconciliation of Operating (Loss) to Adjusted Operating Income</u>		
GAAP Operating Loss	\$ (2,366)	\$ (1,580)
Adjustments:		
Share-based Compensation	1,066	657
Integration and transaction expense	1,844	886
Amortization of Intangible assets	821	826
Amortization of Inventory Step-up	-	168
Total adjustments:	3,731	2,537
Adjusted Operating Income	\$ 1,365	\$ 957

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

Historical Quarterly Results¹

	(in thousands)				
	<u>March 31, 2021</u>	<u>June 30, 2021</u>	<u>Three Months Ended September 30, 2021</u>	<u>December 31, 2021</u>	<u>March 31, 2022</u>
Revenues	\$ 20,997	\$ 21,965	\$ 20,329	\$ 24,222	\$ 22,481
Cost of revenues	8,726	9,385	7,744	10,102	8,202
Gross Profit	<u>12,271</u>	<u>12,580</u>	<u>12,585</u>	<u>14,120</u>	<u>14,279</u>
Gross Margin	58%	57%	62%	58%	64%
Operating expense:					
Selling, general and administrative	9,222	11,047	8,719	9,533	11,437
Research, development and engineering	2,917	1,810	2,920	2,543	2,543
Amortization of Intangibles	826	766	761	760	821
Integration and deal related expense	886	991	196	249	1,844
Total operating expense	<u>13,851</u>	<u>14,614</u>	<u>12,596</u>	<u>13,085</u>	<u>16,645</u>
Operating income/(loss)	<u>\$ (1,580)</u>	<u>\$ (2,034)</u>	<u>\$ (11)</u>	<u>\$ 1,035</u>	<u>\$ (2,366)</u>

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