



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

November 10, 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 and critical nature, its market position and penetration, sales bookings, sales market and revenue growth, intellectual property position, the company's future financial performance, including guidance, and market recognition of key technologies and demand for its products, 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 to penetrate target markets or of those 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, November 10, 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.

Speakers



Scott Graeff

President & Chief Executive Officer



Brian Soller

Chief Technology Officer & EVP, Corporate Development



Gene Nestro

Chief Financial Officer & SVP, Finance

Third-Quarter 2022: Key Financial Results

- Revenues of \$29.2M, up 43% year-over-year
- Revenues in constant currency¹ of \$30.1M, up 48% year-over-year
- Gross margin of 58%, compared to 62% for the prior-year period
- Adjusted operating income of \$4.2M, compared to \$1.7M for the prior-year period
- Adjusted EBITDA² of \$4.5, compared to \$2.1M for the prior-year period
- Adjusted EPS² of \$0.09, compared to \$0.03 for the prior-year period

Executing against our strategy

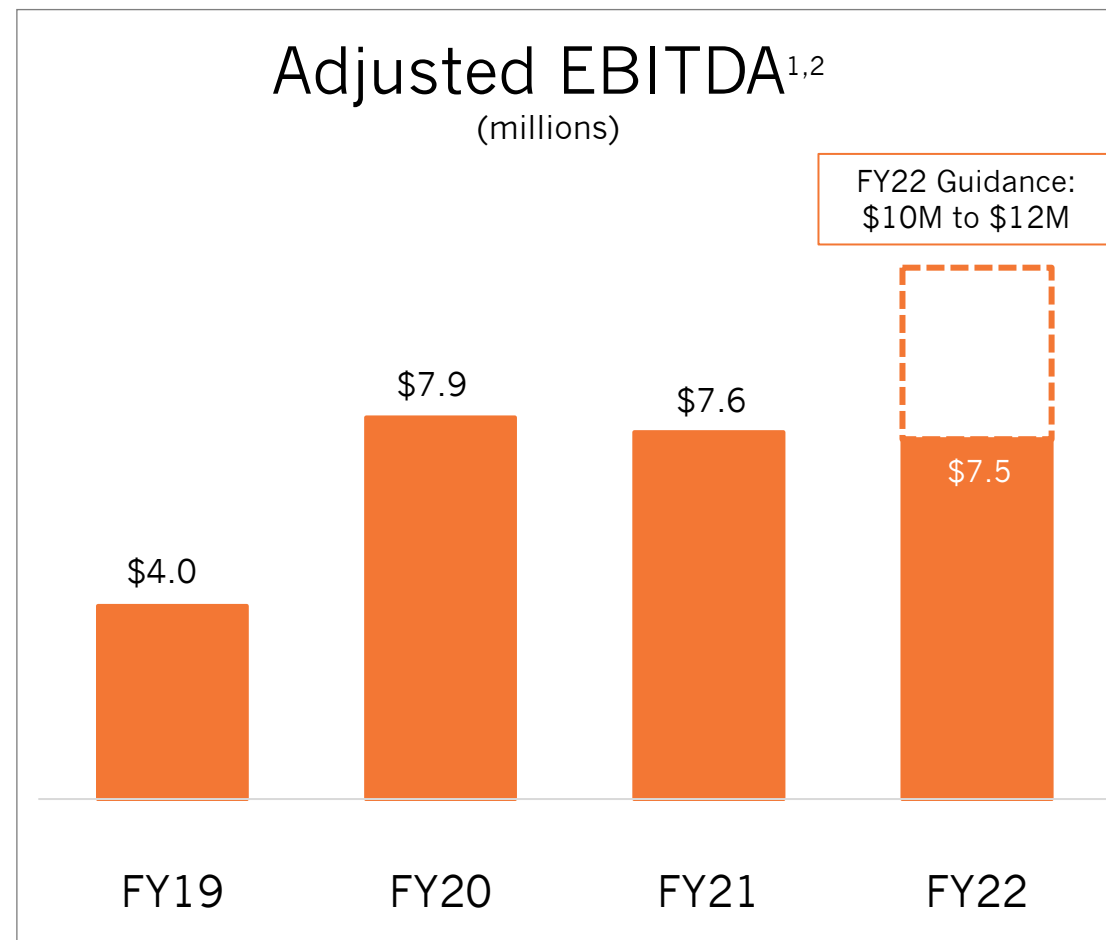
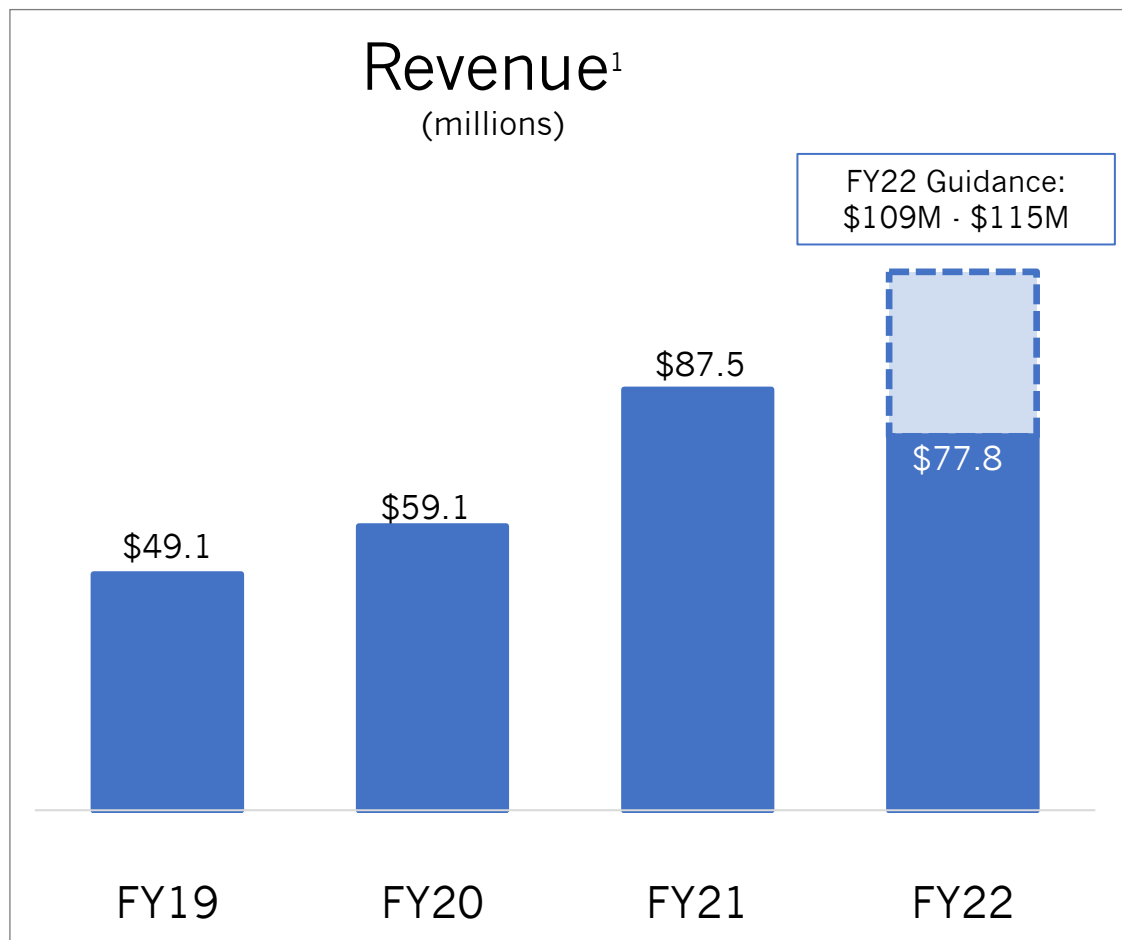
¹We calculate constant currency revenues (a non-GAAP financial measure) by translating our foreign revenues for the current period in U.S. dollars at the average exchange rate in effect for the comparable prior year period. The translated results are then used to determine year-over-year percentage increases or decreases..

²Adj 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.

Third-Quarter 2022 and Recent Business Highlights

- Signed new, \$14.2 million contract with Intuitive Surgical, Inc. (Nasdaq: ISRG) to supply critical photonic subsystems for its next-generation, robotic surgical systems
- Continued delivering OBR 6200 to Lockheed Martin to support global sustainment of F-35
- Continued market share growth for Luna's fiber optic systems displacing legacy technologies
 - Perimeter security for an Eastern European airport
 - Water storage tank monitoring in Middle East
 - Leak detection for Produced Water pipeline in the U.S.
 - Power cable monitoring for large, offshore, U.S. wind farm
- Continued successful penetration with THz products into industrial process monitoring markets
 - EV battery
 - Adhesive manufacturing
- Key management appointments
 - Eva Hartmann named SVP of Human Resources
 - Brian Soller to Chief Technology Officer & EVP of Corporate Development

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 September 30, 2022:
 - \$145.2M in total assets
 - \$7.9M in cash and cash equivalents
 - \$46.7M in working capital
- Total debt of \$21.7M outstanding
 - \$19.5M in term debt
 - \$2.2M 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 Financial Outlook



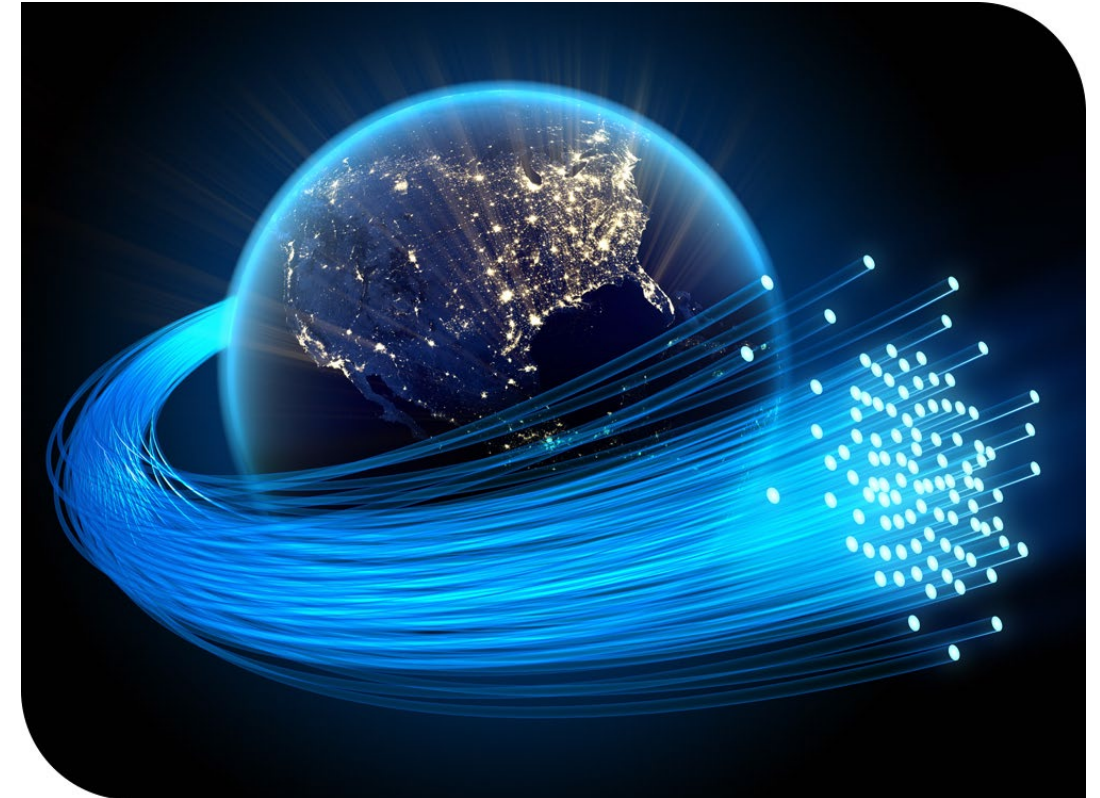
2022 Financial Outlook

- 2022 outlook reflects the sale of Luna Labs, the acquisition of Lios and the ongoing impact of the pandemic:
 - Full-year total revenue of \$109M to \$115M
 - Full-year adjusted EBITDA¹ of \$10M to \$12M

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		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
Reconciliation of EBITDA and Adjusted EBITDA				
GAAP net income/(loss)	\$ 1,196	\$ 355	\$ 8,426	\$ (193)
Income from discontinued operations, net of tax	28	699	11,543	2,371
GAAP net income/(loss) from continuing operations	1,168	(344)	(3,117)	(2,564)
Interest expense, net	218	110	442	375
Income tax (benefit)/expense	165	224	(527)	(1,436)
Depreciation and amortization	1,299	1,131	3,993	3,440
EBITDA	2,850	1,121	791	(185)
Share-based compensation	1,027	689	3,027	2,133
Integration and transaction expense	184	196	2,184	2,073
Amortization of inventory step-up	134	104	391	440
Other non-recurring charges ⁽²⁾	349	-	1,057	-
Adjusted EBITDA	\$ 4,544	\$ 2,110	\$ 7,450	\$ 4,461

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

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

Reconciliation of Net (Loss)/Income to Adjusted EPS¹

(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
Reconciliation of Net (loss)/Income to Adjusted EPS				
GAAP net income/(loss)	\$ 1,196	\$ 355	\$ 8,426	\$ (193)
Income from discontinued operations, net of tax	28	699	11,543	2,371
GAAP net income/(loss) from continuing operations	1,168	(344)	(3,117)	(2,564)
Adjustments:				
Share-based compensation	1,027	689	3,027	2,133
Integration and transaction expense	184	196	2,184	2,073
Amortization of intangible assets	988	761	2,793	2,353
Amortization of inventory step-up	134	104	391	440
Other non-recurring charges ⁽²⁾	349	-	1,057	-
Total adjustments:	2,682	1,750	9,452	6,999
Income tax effect on adjustments	(671)	(438)	(2,363)	(1,750)
Adjusted income from continuing operations	\$ 3,179	\$ 968	\$ 3,972	\$ 2,685
Adjusted EPS	\$ 0.09	\$ 0.03	\$ 0.12	\$ 0.08
Adjusted weighted average shares (in thousands):				
Diluted	34,105	33,781	32,492	33,586

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

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

Reconciliation of Operating (Loss) to Adjusted Operating Income¹

(in thousands)

	Three Months Ended		Nine Months Ended	
	September 30		September 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
<u>Reconciliation of Operating (Loss) to Adjusted Operating Income</u>				
GAAP Operating Loss	\$ 1,478	\$ (10)	\$ (3,348)	\$ (3,625)
Adjustments:				
Share-based compensation	1,027	689	3,027	2,133
Integration and transaction expense	184	196	2,184	2,073
Amortization of intangible assets	988	761	2,793	2,353
Amortization of inventory step-up	134	104	391	440
Other non-recurring charges ⁽²⁾	349		1,057	
Total adjustments:	2,682	1,750	9,452	6,999
Adjusted Operating Income	\$ 4,160	\$ 1,740	\$ 6,104	\$ 3,374

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

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

Historical Quarterly Results¹

	(in thousands)				
	Three Months Ended				
	<u>September 30, 2021</u>	<u>December 31, 2021</u>	<u>March 31, 2022</u>	<u>June 30, 2022</u>	<u>September 30, 2022</u>
Revenues	\$ 20,329	\$ 24,222	\$ 22,481	\$ 26,162	\$ 29,153
Cost of revenues	7,745	10,102	8,202	10,199	12,234
Gross profit	<u>12,584</u>	<u>14,120</u>	<u>14,279</u>	<u>15,963</u>	<u>16,919</u>
Gross margin	62%	58%	64%	61%	58%
Operating expense:					
Selling, general and administrative	8,717	9,533	11,437	14,612	12,065
Research, development and engineering	2,920	2,543	2,543	2,665	2,204
Amortization of intangibles	761	760	821	992	988
Integration and deal related expense	196	249	1,844	156	184
Total operating expense	<u>12,594</u>	<u>13,085</u>	<u>16,645</u>	<u>18,425</u>	<u>15,441</u>
Operating income/(loss)	<u>\$ (10)</u>	<u>\$ 1,035</u>	<u>\$ (2,366)</u>	<u>\$ (2,462)</u>	<u>\$ 1,478</u>

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