

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 10, 2023

**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.

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**Item 2.02. Results of Operations and Financial Condition**

On August 10, 2023, Luna Innovations Incorporated (the “Company”) issued a press release announcing its financial results for the three and six months ended June 30, 2023, 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 10, 2023, 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	<a href="#">Press Release, dated August 10, 2023, by Luna Innovations Incorporated.</a>
99.2	<a href="#">Company Presentation.</a>

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**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 10, 2023



## Luna Innovations Reports Second-Quarter 2023 Results

*Reaffirms Full-Year 2023 Outlook*

### Q2 Highlights

- **Total revenues of \$29.2 million, up 11% year over year**
- **Gross margin of 58%, compared to 61% for the prior year**
- **Net loss of \$1.6 million, compared to net loss of \$2.4 million for the prior year**
- **Adjusted EBITDA of \$2.7 million, compared to \$1.2 million for the prior year**
- **Adjusted EPS of \$0.04, compared to \$(0.02) for the prior year**

(ROANOKE, VA, August 10, 2023) - 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, 2023.

"We continue to see abundant opportunities for Luna's capabilities and are particularly pleased this quarter with strong performance from our Sensing business," said Scott Graeff, President and Chief Executive Officer of Luna. "We did experience a distinct difference in the growth rates of our two businesses – Sensing and Communications Test. Our Sensing business, including our project-based solutions, grew strongly. Pressure in the broader Communications market did impact our Communications Test business. We continue to secure large, multi-unit, follow-on orders in our primary markets, and we are seeing significant wins with new applications."

**Second-Quarter Fiscal 2023 Financial Summary.**

Highlights of the financial results for the three months ended June 30, 2023 are:

	Three Months Ended June 30,		Change
	2023	2022	
<i>(in thousands, except share and per share data)</i>			
Revenues	\$ 29,164	\$ 26,162	11 %
Gross profit	16,865	15,963	6 %
Gross margin	58 %	61 %	
Operating expense	17,079	18,425	(7) %
Operating loss	(214)	(2,462)	
Operating margin	(1)%	(9)%	
Other expense, net and income tax benefit	(344)	(480)	
Net loss from continuing operations	\$ (558)	\$ (2,942)	
(Loss)/income from discontinued operations, net of tax of \$(346) and \$(856)	(1,038)	591	
Net loss	\$ (1,596)	\$ (2,351)	
Loss per diluted share (EPS)	\$ (0.05)	\$ (0.07)	
Adjusted EPS	\$ 0.04	\$ (0.02)	
Diluted weighted average shares outstanding	33,634,538	32,478,736	
Adjusted EBITDA	\$ 2,732	\$ 1,184	131 %

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, 2023 increased 11% compared to the prior-year period.

Gross margin was 58% for the three months ended June 30, 2023, compared to 61% for the three months ended June 30, 2022, driven primarily by product mix. Operating loss and margin were \$0.2 million and 1% of total revenues, respectively, for the three months ended June 30, 2023, compared to an operating loss of \$2.5 million and 9% of total revenues, respectively, for the three months ended June 30, 2022.

Net loss was \$1.6 million, or \$0.05 per fully diluted share, for the three months ended June 30, 2023, compared to net loss of \$2.4 million, or \$0.07 per fully diluted share, for the three months ended June 30, 2022.

Adjusted EPS was \$0.04 for the three months ended June 30, 2023 compared to \$(0.02) for the three months ended June 30, 2022.

Adjusted EBITDA was \$2.7 million for three months ended June 30, 2023, compared to \$1.2 million for the three months ended June 30, 2022.

**Six Months Ended Fiscal 2023 Financial Summary**

Highlights of the financial results for the six months ended June 30, 2023 are:

<i>(in thousands, except share and per share data)</i>	Six Months Ended June 30,		Change	
	2023	2022		
Revenues	54,209	48,642	11	%
Gross profit	31,838	30,242	5	%
Gross margin	59 %	62 %		
Operating expense	34,184	35,069	(3)	%
Operating loss	(2,346)	(4,827)		
Operating margin	(4)%	(10)%		
Other expense, net and income tax benefit	(54)	542		
Net loss from continuing operations	<u>\$ (2,400)</u>	<u>\$ (4,285)</u>		
Net (loss)/income from discontinued operations, net of income taxes of \$(346) and \$3,283	(1,038)	11,515		
Net (loss)/income	<u>\$ (3,438)</u>	<u>\$ 7,230</u>		
(Loss)/earnings per diluted share (EPS)	<u>\$ (0.10)</u>	<u>\$ 0.22</u>		
Adjusted EPS	<u>\$ 0.04</u>	<u>\$ 0.02</u>	100	%
Diluted weighted average shares outstanding	<u>33,483,978</u>	<u>32,361,560</u>		
Adjusted EBITDA	<u>\$ 3,586</u>	<u>\$ 2,905</u>	23	%

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, 2023 increased 11% compared to the prior-year period.

Gross profit of \$31.8 million for the six months ended June 30, 2023 increased from \$30.2 million for the six months ended June 30, 2022 primarily due to higher sales. Operating loss and margin improved to \$2.3 million and 4% of total revenues, respectively, for the six months ended June 30, 2023, compared to \$4.8 million and 10% of total revenues, respectively, for the six months ended June 30, 2022.

Net loss was \$3.4 million, or \$0.10 per fully diluted share, for the six months ended June 30, 2023, compared to a net income of \$7.2 million, or \$0.22 per fully diluted share, for the six months ended June 30, 2022. Adjusted EPS was \$0.04 for the six months ended June 30, 2023, compared to \$0.02 for the six months ended June 30, 2022.

Adjusted EBITDA was \$3.6 million for the six months ended June 30, 2023, compared to \$2.9 million for the six months ended June 30, 2022.

#### **Q2 and Recent Business Highlights**

- Recognized significant wins for monitoring systems, including a contract for the largest power utility company in Italy
- Secured large, follow-on, multi-unit Terahertz order for EV battery production process monitoring
- Drove significant wins in our RIO line of lasers supported by macro trends such as LiDAR
- Secured a seven-figure blanket order for polarization modules from a major data center hyper-scaler
- Named industry veteran as Managing Director for Europe, Middle East and Africa region
- Hosted Luna's first Investor Day in New York City, outlining the company's plans for future growth

#### **2023 Full-Year Outlook**

Luna is reaffirming the 2023 revenue and adjusted EBITDA outlook it originally provided on March 14, 2023:

- Total revenue of \$125 million to \$130 million for the full year 2023
- Adjusted EBITDA of \$14 million to \$18 million for the full year 2023

In addition, Luna expects total revenues in the range of \$29 million to \$32 million for the third quarter 2023.

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 are non-GAAP financial measures. Adjusted EBITDA and Adjusted EPS 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 5:00 pm (ET) today, August 10, 2023, to discuss its financial results for the three and six months ended June 30, 2023. The investor conference call will be available via live webcast on the Luna website at [www.lunainc.com](http://www.lunainc.com) under the tab "Investor Relations." To participate by telephone, the domestic dial-in number is 1.800.715.9871 and the international dial-in number is 1.646.307.1963. Participants should ask to join the Luna Innovations Incorporated conference call, conference ID 6350168, and are advised to dial in at least fifteen minutes prior 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](http://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 2023 and third quarter of 2023 financial results and outlook, and the Company's ability to secure additional significant wins. 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 macroeconomic conditions and those risks and uncertainties set forth in Luna's Form 10-Q for the quarter ended June 30, 2023, 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](http://www.sec.gov) and on Luna's website at [www.lunainc.com](http://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

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

	June 30, 2023	December 31, 2022
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,277	\$ 6,024
Accounts receivable, net	33,813	33,249
Contract assets	9,601	7,691
Inventory	42,003	36,582
Prepaid expenses and other current assets	5,159	4,328
Total current assets	93,853	87,874
Property and equipment, net	4,761	4,893
Intangible assets, net	17,371	18,750
Goodwill	27,313	26,927
Operating lease right-of-use assets	3,670	4,661
Other non-current assets	3,321	3,255
Deferred tax asset	4,842	4,647
<b>Total assets</b>	\$ 155,131	\$ 151,007
<b>Liabilities and stockholders' equity</b>		
Liabilities:		
Current liabilities:		
Current portion of long-term debt obligations	\$ 3,000	\$ 2,500
Accounts payable	10,306	8,109
Accrued and other current liabilities	11,375	16,694
Contract liabilities	3,463	4,089
Current portion of operating lease liabilities	1,899	2,239
Total current liabilities	30,043	33,631
Long-term debt obligations, net of current portion	27,734	20,726
Long-term portion of operating lease liabilities	2,062	2,804
Other long-term liabilities	419	444
<b>Total liabilities</b>	60,258	57,605
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.001, 100,000,000 shares authorized, 35,739,827 and 34,901,954 shares issued, 33,908,336 and 33,105,080 shares outstanding at June 30, 2023 and December 31, 2022, respectively	36	35
Treasury stock at cost, 1,831,491 and 1,796,862 shares at June 30, 2023 and December 31, 2022, respectively	(5,960)	(5,607)
Additional paid-in capital	108,709	104,893
Accumulated deficit	(5,734)	(2,296)
Accumulated other comprehensive loss	(2,178)	(3,623)
<b>Total stockholders' equity</b>	94,873	93,402
<b>Total liabilities and stockholders' equity</b>	\$ 155,131	\$ 151,007

**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,	
	2023	2022	2023	2022
Revenues	\$ 29,164	\$ 26,162	\$ 54,209	\$ 48,642
Cost of revenues	12,299	10,199	22,371	18,400
Gross profit	16,865	15,963	31,838	30,242
Operating expense:				
Selling, general and administrative	13,439	14,768	26,736	28,056
Research, development and engineering	2,722	2,665	5,538	5,207
Amortization of intangible assets	918	992	1,910	1,806
Total operating expense	17,079	18,425	34,184	35,069
Operating loss	(214)	(2,462)	(2,346)	(4,827)
Other income/(expense):				
Other (expense)/income	(110)	53	(18)	73
Interest expense, net	(584)	(111)	(953)	(224)
Total other expense, net	(694)	(58)	(971)	(151)
Loss from continuing operations before income taxes	(908)	(2,520)	(3,317)	(4,978)
Income tax (benefit)/expense	(350)	422	(917)	(693)
Net loss from continuing operations	(558)	(2,942)	(2,400)	(4,285)
(Loss)/income from discontinued operations, net of income tax expense (benefit) of \$(346), \$(856), \$(346), and \$166.	(1,038)	591	(1,038)	594
Gain on sale of discontinued operations, net of tax of \$3,117	—	—	—	10,921
Net (loss)/income from discontinued operations	(1,038)	591	(1,038)	11,515
Net (loss)/income	\$ (1,596)	\$ (2,351)	\$ (3,438)	\$ 7,230
Net loss per share from continuing operations:				
Basic	\$ (0.02)	\$ (0.09)	\$ (0.07)	\$ (0.13)
Diluted	\$ (0.02)	\$ (0.09)	\$ (0.07)	\$ (0.13)
Net (loss)/income per share from discontinued operations:				
Basic	\$ (0.03)	\$ 0.02	\$ (0.03)	\$ 0.36
Diluted	\$ (0.03)	\$ 0.02	\$ (0.03)	\$ 0.36
Net loss per share attributable to common stockholders:				
Basic	\$ (0.05)	\$ (0.07)	\$ (0.10)	\$ 0.22
Diluted	\$ (0.05)	\$ (0.07)	\$ (0.10)	\$ 0.22
Weighted average shares:				
Basic	33,634,538	32,478,736	33,483,978	32,361,560
Diluted	33,634,538	32,478,736	33,483,978	32,361,560

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

	Six Months Ended June 30,	
	2023	2022
<b>Cash flows used in by operating activities</b>		
Net (loss)/income	\$ (3,438)	\$ 7,230
Adjustments to reconcile net (loss)/income to net cash used in operating activities		
Depreciation and amortization	2,740	2,694
Share-based compensation	2,172	2,177
Loss on disposal of property and equipment	278	—
Gain on sale of discontinued operations, net of tax	—	(10,921)
Deferred taxes	(194)	(124)
Change in assets and liabilities		
Accounts receivable	(168)	(6,555)
Contract assets	(1,815)	140
Inventory	(4,798)	(4,281)
Other current assets	(804)	(3,870)
Other long-term assets	(93)	646
Accounts payable and accrued and other current liabilities	(3,653)	6,123
Contract liabilities	(693)	1,196
Other long term-liabilities	—	(1,523)
Net cash used in operating activities	<u>(10,466)</u>	<u>(7,068)</u>
<b>Cash flows used in investing activities</b>		
Acquisition of property and equipment	(1,180)	(1,657)
Acquisition of intangible property	(63)	—
Proceeds from sale of property and equipment	—	25
Proceeds from sale of discontinued operations	—	12,973
Acquisition of Luna Innovations Germany GmbH	—	(22,085)
Other	—	4
Net cash used in investing activities	<u>(1,243)</u>	<u>(10,740)</u>
<b>Cash flows provided by financing activities</b>		
Payments on finance lease obligations	(25)	(24)
Proceeds from borrowings under debt obligations	8,500	21,150
Payments of debt obligations	(1,000)	(15,772)
Repurchase of common stock	(353)	(294)
Proceeds from ESPP	546	521
Proceeds from the exercise of stock options	1,234	1,158
Net cash provided by financing activities	<u>8,902</u>	<u>6,739</u>
Effect of exchange rate changes on cash and cash equivalents	60	(1,195)
<b>Net decrease in cash and cash equivalents</b>	<u>(2,747)</u>	<u>(12,264)</u>
Cash and cash equivalents-beginning of period	6,024	17,128
Cash and cash equivalents-end of period	<u>\$ 3,277</u>	<u>\$ 4,864</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net (loss)/income	\$ (1,596)	\$ (2,351)	\$ (3,438)	\$ 7,230
Net (loss)/income from discontinued operations	(1,038)	591	(1,038)	11,515
Net loss from continuing operations	(558)	(2,942)	(2,400)	(4,285)
Interest expense, net	584	111	953	224
Income tax (benefit)/expense	(350)	422	(917)	(693)
Depreciation and amortization	1,323	1,538	2,740	2,694
EBITDA	999	(871)	376	(2,060)
Share-based compensation	1,118	934	2,172	2,000
Integration and transaction expense	160	156	249	2,000
Amortization of inventory step-up	—	257	—	257
Other non-recurring charges <sup>(1)</sup>	455	708	789	708
Adjusted EBITDA	<u>\$ 2,732</u>	<u>\$ 1,184</u>	<u>\$ 3,586</u>	<u>\$ 2,905</u>

(1) - Other non-recurring charges primarily include facility consolidation and one-time insurance deductible.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net (loss)/income	\$ (1,596)	\$ (2,351)	\$ (3,438)	\$ 7,230
Net (loss)/income from discontinued operations	(1,038)	591	(1,038)	11,515
Net loss from continuing operations	(558)	(2,942)	(2,400)	(4,285)
Share-based compensation	1,118	934	2,172	2,000
Integration and transaction expense	160	156	249	2,000
Amortization of intangible assets	918	992	1,910	1,813
Amortization of inventory step-up	—	257	—	257
Other non-recurring charges <sup>(1)</sup>	455	708	789	708
Income tax effect on adjustments	(663)	(762)	(1,280)	(1,695)
Adjusted income (loss) from continuing operations	<u>\$ 1,430</u>	<u>\$ (657)</u>	<u>\$ 1,440</u>	<u>\$ 798</u>
Adjusted EPS	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ 0.04</u>	<u>\$ 0.02</u>
Adjusted weighted average shares:				
Diluted	33,635	32,479	33,484	32,362

(1) - Other non-recurring charges primarily include facility consolidation and one-time insurance deductible.



Second-Quarter 2023 Results  
Investor Supplemental Materials

LUNA

August 10, 2023

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## 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, market growth and its market position, sales wins, revenue growth, customer activity, engagement and prospects, recurring sales, margin, general product performance, 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 capitalization and access to, and deployment of, capital, its strategic position and corporate and leadership strength and 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, customer relationships, 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, 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 [sec.gov](http://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 10, 2023, 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

## Why Luna? Our investment thesis

Enabling the future with fiber



The graphic features six circular icons arranged in a 2x3 grid. Each icon is white with a dark blue border and contains a white symbol. The symbols are: a scale of justice, a globe with a padlock, a globe with nodes, a balance scale, a globe with a checkmark, and a hand holding a tablet. The text is in white and yellow, with yellow used for key terms like 'unparalleled', 'robust', 'aligned', and 'attractive'.

- Proprietary measurement technology**, offering **unparalleled** combination of resolution, accuracy and speed
- Robust IP portfolio** with over 700 patents owned or in-licensed
- Customers** in large, growing markets: Infrastructure, Energy, Defense, Communications, Automotive & Aerospace
- Leverage:** Scalable platforms, processes and people in place
- Aligned with macro trends** in Energy, Infrastructure, Transport, Communications and more
- Attractive capital deployment**, funded all investments internally; disciplined M&A

Luna Innovations Incorporated © 4



## Second-Quarter FY23 Results

## Second-Quarter 2023: Key Financial Results

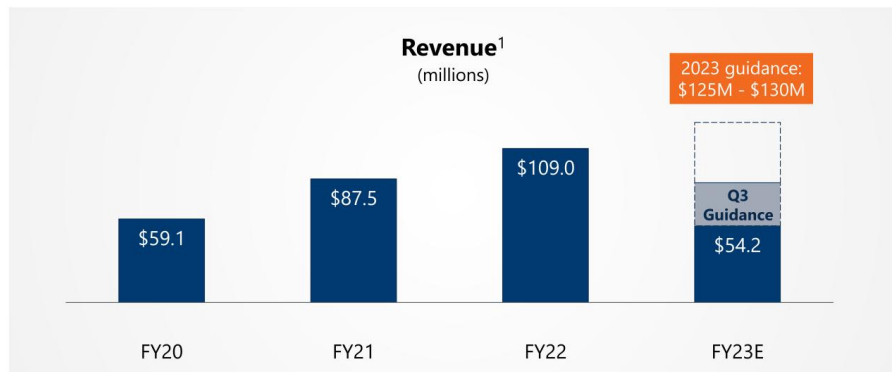
- Revenues of \$29.2M, up 11% year over year
- Gross margin of 58%, compared to 61% for the prior year
- Net loss of \$1.6M, compared to net loss of \$2.4M for the prior year
- Adjusted EBITDA<sup>1</sup> of \$2.7M, compared to \$1.2M for the prior year
- Adjusted EPS<sup>1</sup> of \$0.04, compared to \$(0.02) for the prior year

<sup>1</sup>Adj 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.

## Second-Quarter 2023 and Recent Highlights

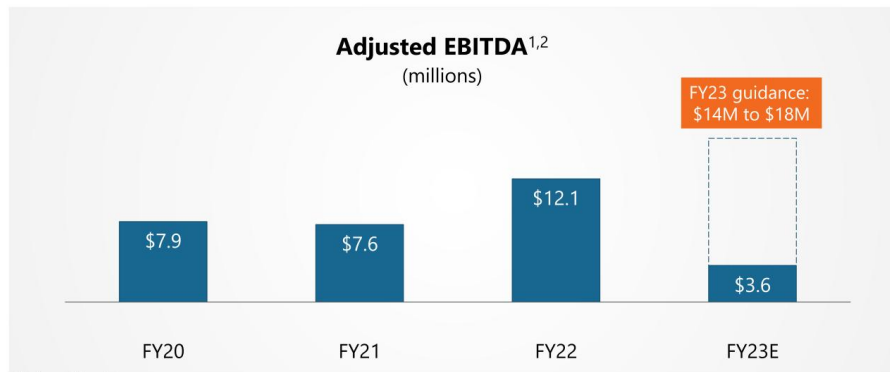
- Recognized significant wins for monitoring systems, including a contract for the largest power utility company in Italy
- Secured large, follow-on, multi-unit Terahertz order for EV battery production process monitoring
- Drove significant wins in our RIO line of lasers supported by macro trends such as LiDAR
- Secured a seven-figure blanket order for polarization modules from a major data center hyper-scaler
- Named industry veteran as Managing Director for Europe, Middle East and Africa region
- Hosted Luna's first Investor Day in New York City, outlining the company's plans for future growth
- Coverage initiated by two additional analysts
  - Stifel
  - Needham

Revenue has been driven by strong organic growth, supplemented by efficient M&A



<sup>1</sup>Results exclude Luna Labs

## We have delivered solid AEBITDA, while internally funding many initiatives



<sup>1</sup>Results exclude Luna Labs

<sup>2</sup>Adj EBITDA is a non-GAAP measure. Reconciliation of comparable GAAP measures to non-GAAP measures are included in this presentation.

## Balance Sheet

- Balance sheet on June 30, 2023:
  - \$155.1M in total assets
    - \$3.3M in cash and cash equivalents
    - \$63.8M in working capital
- Total debt of \$30.7M outstanding



## 2023 Guidance<sup>1</sup>



**Full-year  
total revenue**  
\$125M to \$130M



**Full-year  
adjusted EBITDA**  
\$14M to \$18M



**Top-line revenue  
guidance for Q3**  
\$29M to \$32M

<sup>1</sup>The outlook above does not include any future acquisitions, divestitures or unanticipated events.



## Reconciliation of Net (Loss)/Income to Adjusted EBITDA

(in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
<b>Reconciliation of EBITDA and Adjusted EBITDA</b>				
<b>GAAP net income/(loss)</b>	\$ (1,596)	\$ (2,351)	\$ (3,438)	\$ 7,230
Income from discontinued operations, net of tax	(1,038)	591	(1,038)	11,515
<b>GAAP net income/(loss) from continuing operations</b>	<b>(558)</b>	<b>(2,942)</b>	<b>(2,400)</b>	<b>(4,285)</b>
Interest expense, net	584	111	953	224
Income tax (benefit)/expense	(350)	422	(917)	(693)
Depreciation and amortization	1,323	1,538	2,740	2,694
<b>EBITDA</b>	<b>999</b>	<b>(871)</b>	<b>376</b>	<b>(2,060)</b>
Share-based compensation	1,118	934	2,172	2,000
Integration and transaction expense	160	156	249	2,000
Amortization of inventory step-up	-	257	-	257
Other non-recurring charges <sup>(1)</sup>	455	708	789	708
<b>Adjusted EBITDA</b>	<b>\$ 2,732</b>	<b>\$ 1,184</b>	<b>\$ 3,586</b>	<b>\$ 2,905</b>

<sup>1</sup> Other non-recurring charges primarily include facility consolidation, one-time insurance deductible, etc.

APPENDIX

## Reconciliation of Net (Loss)/Income to Adjusted EPS

(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
<b>Reconciliation of Net (loss)/Income to Adjusted EPS</b>				
<b>GAAP net income/(loss)</b>	\$ (1,596)	\$ (2,351)	\$ (3,438)	\$ 7,230
Income from discontinued operations, net of tax	(1,038)	591	(1,038)	11,515
<b>GAAP net income/(loss) from continuing operations</b>	<b>(558)</b>	<b>(2,942)</b>	<b>(2,400)</b>	<b>(4,285)</b>
<b>Adjustments:</b>				
Share-based compensation	1,118	934	2,172	2,000
Integration and transaction expense	160	156	249	2,000
Amortization of intangible assets	918	992	1,910	1,813
Amortization of inventory step-up	-	257	-	257
Other non-recurring charges <sup>(1)</sup>	455	708	789	708
<b>Total adjustments:</b>	<b>2,651</b>	<b>3,047</b>	<b>5,120</b>	<b>6,778</b>
Income tax effect on adjustments	(663)	(762)	(1,280)	(1,695)
<b>Adjusted income (loss) from continuing operations</b>	<b>\$ 1,430</b>	<b>\$ (657)</b>	<b>\$ 1,440</b>	<b>\$ 798</b>
Adjusted EPS	\$ 0.04	\$ (0.02)	\$ 0.04	\$ 0.02
Adjusted weighted average shares:				
Diluted	33,635	32,479	33,484	32,362

<sup>1</sup> Other non-recurring charges primarily include facility consolidation, insurance one-time deductible, etc.

APPENDIX

## Historical Quarterly Results

	(in thousands)				
	Three Months Ended				
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
Revenues	\$ 26,162	\$ 29,153	\$ 31,702	\$ 25,045	\$ 29,164
Cost of revenues	10,199	12,234	12,367	10,072	12,299
Gross profit	<u>15,963</u>	<u>16,919</u>	<u>19,335</u>	<u>14,973</u>	<u>16,865</u>
Gross margin	61%	58%	61%	60%	58%
Operating expense:					
Selling, general and administrative	14,612	12,065	13,292	13,207	13,279
Research, development and engineering	2,665	2,204	2,853	2,817	2,722
Amortization of intangibles	992	988	1,238	992	918
Integration and deal related expense	156	184	488	89	160
Total operating expense	<u>18,425</u>	<u>15,441</u>	<u>17,871</u>	<u>17,105</u>	<u>17,079</u>
Operating income/(loss)	<u>\$ (2,462)</u>	<u>\$ 1,478</u>	<u>\$ 1,464</u>	<u>\$ (2,132)</u>	<u>\$ (214)</u>

APPENDIX

