



**Fourth-Quarter and Full-Year 2022 Results  
Investor Supplemental Materials**

March 14, 2023

# Safe Harbor

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## 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 market and revenue growth, customer relationship, 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](https://www.sec.gov) and on the company's website at [www.lunainc.com](https://www.lunainc.com). The statements made in this presentation are based on information available to Luna as of the date of this presentation, March 14, 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

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**Scott Graeff**

President & Chief Executive Officer



**Brian Soller**

Chief Technology Officer & EVP, Corporate Development



**Gene Nestro**

Chief Financial Officer & SVP, Finance

# Fourth-Quarter and Full-Year FY22 Results



# Fourth-Quarter 2022: Key Financial Results

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- Revenues of \$31.7M; up 31% year over year
  - \$32.5M in constant currency; up 34%
- Gross margin of 61%, compared to 58% for the prior year
- Net income of \$0.9M, compared to \$1.6M for the prior year
- Adjusted EBITDA<sup>1</sup> of \$4.7M, compared to \$3.1M for the prior year
- Adjusted EPS<sup>1</sup> of \$0.08, flat 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.

# Fourth-Quarter 2022: Highlights

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- Closed multiple, new, large and recurring OEM accounts
  - Extended existing relationship with Northrop Grumman by securing an incremental, multi-unit order for the OBR 6200 portable backscatter reflectometer of more than \$3M
  - Secured \$3.4M in multiple, large OEM RIO laser orders for LiDAR and space-based communications applications
- Won multiple, large contracts for our fiber sensing solutions in the infrastructure and energy industries
  - Multiple, large power cable monitoring contracts in North America
  - A contract with PT Freeport Indonesia to provide a monitoring system for the company's levees
  - A contract for deployment of fire-detection systems for battery storage facilities in Europe
  - Additional pipeline monitoring awards in West Texas, Nigeria, Mexico and Saudi Arabia
- Achieved strong, 47% year-over-year growth for the Company's THz products
- Record quarter in the Company's communications test vertical, delivering 59% year-over-year growth
- Delivered a new generation laser tester for Silicon Photonics applications to large computer chip manufacturer in North America

# Full-Year 2022: Key Financial Results

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- Revenues of \$109.5M; up 25% year over year
  - \$111.9M in constant currency; up 28%
- Gross Margin of 61%, compared to 59% for the prior year
- Net income of \$9.3M, compared to \$1.4M for the prior year
- Adjusted EBITDA<sup>1</sup> of \$12.1M, compared to \$7.6M for the prior year
- Adjusted EPS<sup>1</sup> of \$0.21, compared to \$0.17 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.

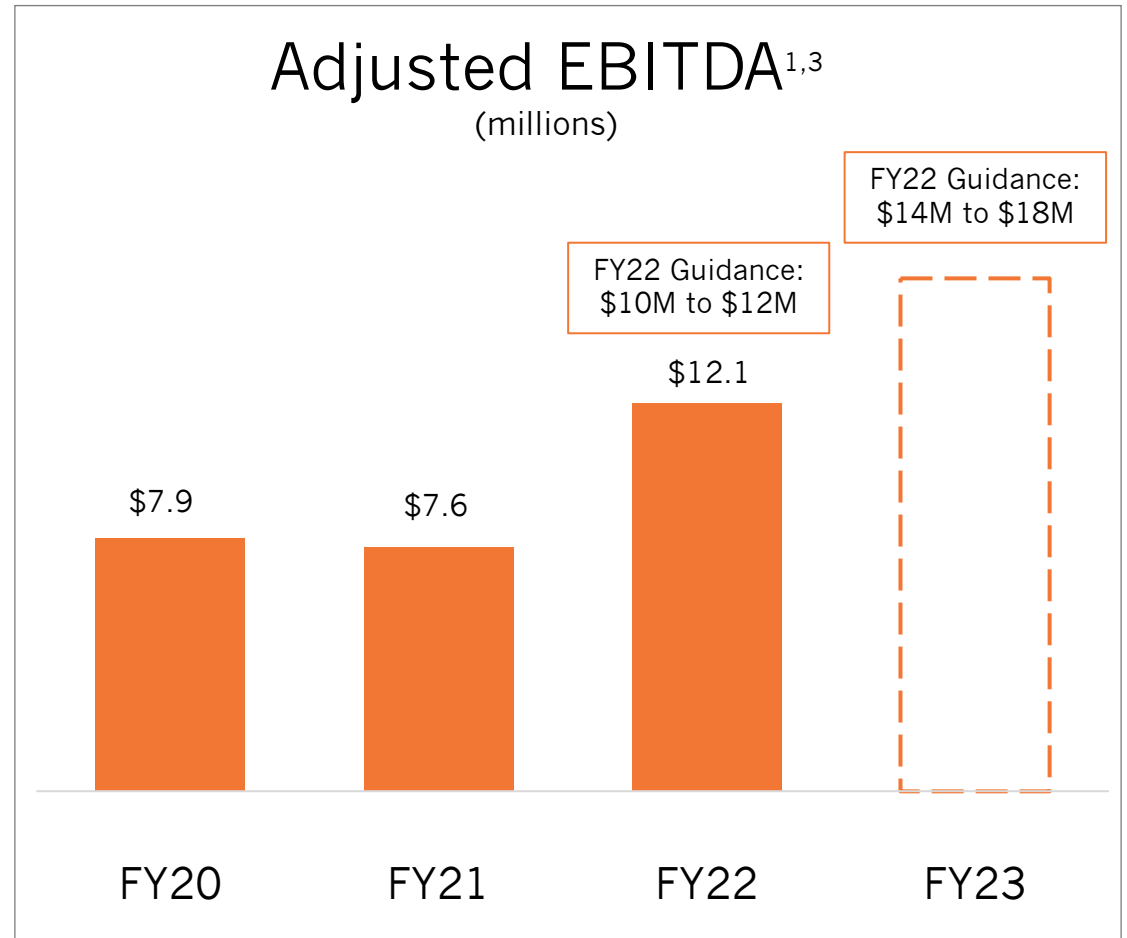
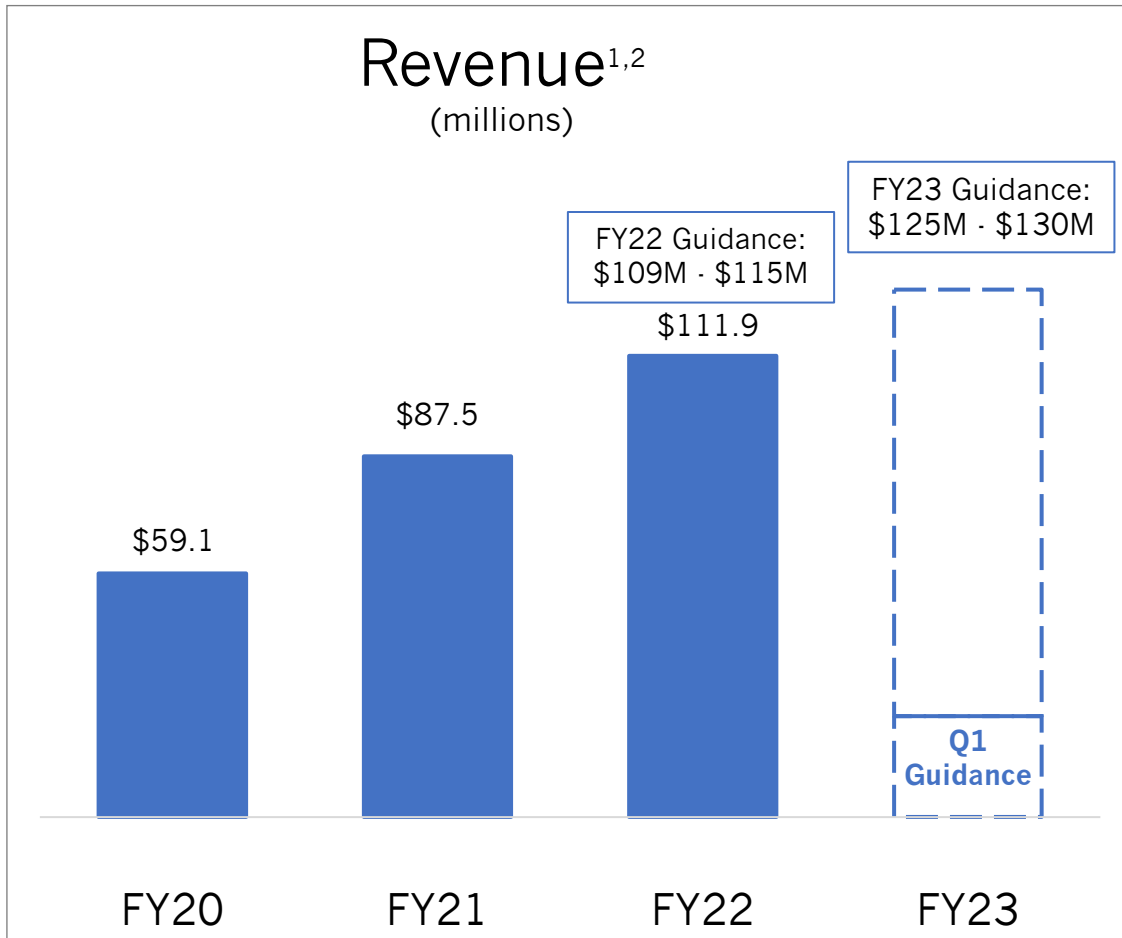
# Full-Year 2022: Highlights and Accomplishments

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- Luna is now a leading pure play in fiber-based technologies
  - Closed on the divestiture of its Luna Labs business in March 2022
- 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 a pipeline of larger, multi-unit, blanket orders
  - Expanded relationships with existing customers in aerospace, electric vehicle and defense markets
  - Secured multiple, multi-unit orders for test equipment through strong, long-standing relationships with Lockheed Martin and Northrop Grumman
  - Signed new \$14.2M contract with Intuitive Surgical, Inc. (Nasdaq: ISRG) to supply critical photonic subsystems for its next-generation, robotic surgical systems
- Strengthened executive team with promotions and additions to key roles



# Strong Financial Results



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

<sup>2</sup> FY 2022 revenue is reported in constant currency.

<sup>3</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.

# A Flexible Balance Sheet

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- Balance sheet on December 31, 2022:
  - \$151.0M in total assets
    - \$6.0M in cash and cash equivalents
    - \$54.2M in working capital
- Total debt of \$23.2M outstanding
  - \$18.9M in term debt
  - \$4.3M drawn on \$15M revolver
- All investments over the past five years – in both business and in M&A – have been funded 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 strategic M&A opportunities

# 2023 Outlook



# 2023 Financial Outlook

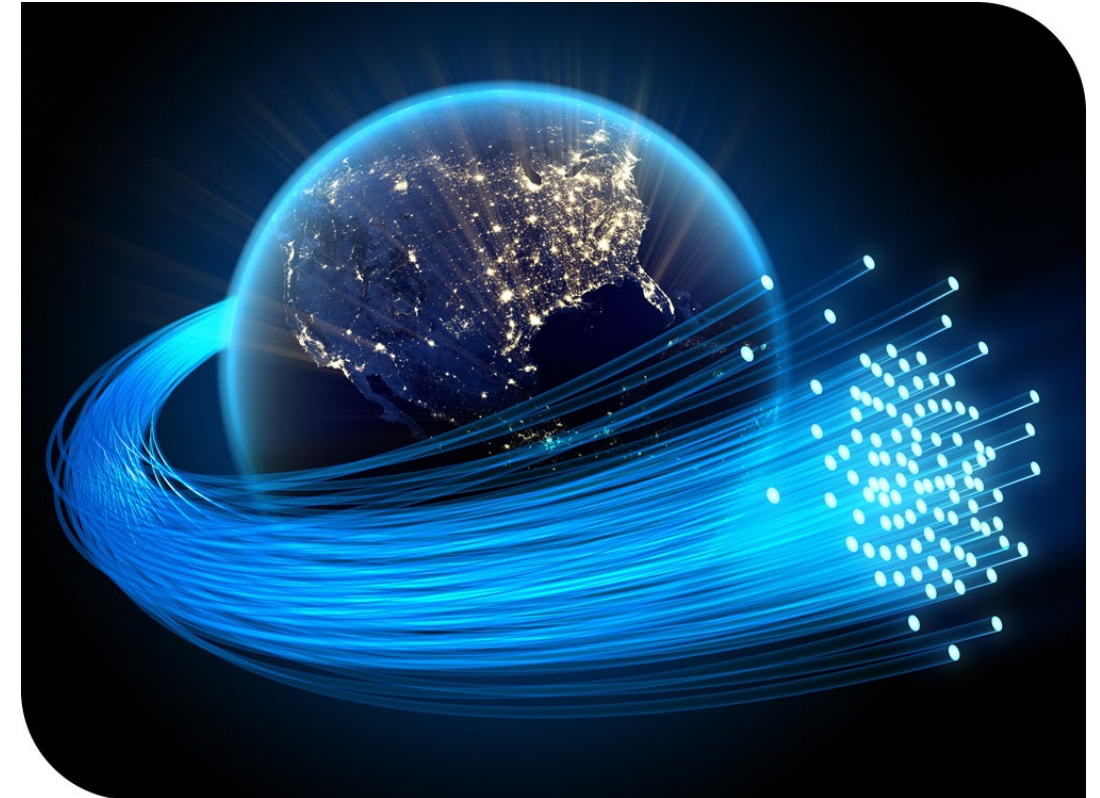
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- Issuing FY 2023 outlook:
  - Full-year total revenue of \$125M to \$130M
  - Full-year adjusted EBITDA<sup>1</sup> of \$14M to \$18M
  - Q1 2023 revenue of \$23M to \$25M

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

# 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		Twelve Months Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
<b>Reconciliation of EBITDA and Adjusted EBITDA</b>				
<b>GAAP net income/(loss)</b>	\$ 853	\$ 1,575	\$ 9,279	\$ 1,382
Income from discontinued operations, net of tax	36	100	11,579	2,471
<b>GAAP net income/(loss) from continuing operations</b>	<b>817</b>	<b>1,475</b>	<b>(2,300)</b>	<b>(1,089)</b>
Interest expense, net	293	104	735	479
Income tax (benefit)/expense	307	(544)	(220)	(1,980)
Depreciation and amortization	1,455	1,077	5,449	4,517
<b>EBITDA</b>	<b>2,872</b>	<b>2,112</b>	<b>3,664</b>	<b>1,927</b>
Share-based compensation	1,067	693	4,094	2,826
Integration and transaction expense	(21)	249	2,163	2,322
Amortization of inventory step-up	286	69	677	509
Other non-recurring charges <sup>(2)</sup>	488	-	1,545	-
<b>Adjusted EBITDA</b>	<b>\$ 4,692</b>	<b>\$ 3,123</b>	<b>\$ 12,143</b>	<b>\$ 7,584</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, severance and debt refinancing costs.

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

(in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
<b>Reconciliation of Net (loss)/Income to Adjusted EPS</b>				
<b>GAAP net income/(loss)</b>	\$ 853	\$ 1,575	\$ 9,279	\$ 1,382
Income from discontinued operations, net of tax	36	100	11,579	2,471
<b>GAAP net income/(loss) from continuing operations</b>	<b>817</b>	<b>1,475</b>	<b>(2,300)</b>	<b>(1,089)</b>
<b>Adjustments:</b>				
Share-based compensation	1,067	693	4,094	2,826
Integration and transaction expense	(21)	249	2,163	2,322
Amortization of intangible assets	952	760	3,745	3,113
Amortization of inventory step-up	286	69	677	509
Other non-recurring charges <sup>(2)</sup>	488	-	1,545	-
<b>Total adjustments:</b>	<b>2,772</b>	<b>1,771</b>	<b>12,224</b>	<b>8,770</b>
Income tax effect on adjustments	(693)	(443)	(3,056)	(2,193)
<b>Adjusted income from continuing operations</b>	<b>\$ 2,896</b>	<b>\$ 2,803</b>	<b>\$ 6,868</b>	<b>\$ 5,488</b>
Adjusted EPS	\$ 0.08	\$ 0.08	\$ 0.21	\$ 0.17
Adjusted weighted average shares (in thousands):				
Diluted	34,355	33,666	32,592	31,658

<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, severance and debt refinancing costs.



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

(in thousands)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
<b><u>Reconciliation of Operating (Loss) to Adjusted Operating Income</u></b>				
<b>GAAP Operating Loss</b>	\$ 1,464	\$ 1,035	\$ (1,884)	\$ (2,590)
<b>Adjustments:</b>				
Share-based compensation	1,067	693	4,094	2,826
Integration and transaction expense	(21)	249	2,163	2,322
Amortization of intangible assets	952	760	3,745	3,113
Amortization of inventory step-up	286	69	677	509
Other non-recurring charges <sup>(2)</sup>	488	-	1,545	-
<b>Total adjustments:</b>	<b>2,772</b>	<b>1,771</b>	<b>12,224</b>	<b>8,770</b>
<b>Adjusted Operating Income</b>	<b>\$ 4,236</b>	<b>\$ 2,806</b>	<b>\$ 10,340</b>	<b>\$ 6,180</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, severance and debt refinancing costs.

# Reconciliation of Revenues to Constant Currency Revenues

(in thousands)

	<u>Three Months</u> <u>December 31,</u> <u>2022</u> <u>(Unaudited)</u>	<u>Twelve Months</u> <u>December 31,</u> <u>2022</u> <u>(Unaudited)</u>
<b><u>Reconciliation of Revenues to Constant Currency Revenues</u></b>		
<b>GAAP Revenue</b>	\$ 31,702	\$ 109,497
Effect of Foreign Exchange	776	2,383
<b>Constant Currency Revenues</b>	<u>\$ 32,478</u>	<u>\$ 111,880</u>

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

	(in thousands)				
	Three Months Ended				
	<u>December 31, 2021</u>	<u>March 31, 2022</u>	<u>June 30, 2022</u>	<u>September 30, 2022</u>	<u>December 31, 2022</u>
Revenues	\$ 24,222	\$ 22,481	\$ 26,162	\$ 29,153	\$ 31,702
Cost of revenues	10,102	8,202	10,199	12,234	12,367
Gross profit	<u>14,120</u>	<u>14,279</u>	<u>15,963</u>	<u>16,919</u>	<u>19,335</u>
Gross margin	58%	64%	61%	58%	61%
Operating expense:					
Selling, general and administrative	9,533	11,437	14,612	12,065	13,292
Research, development and engineering	2,543	2,543	2,665	2,204	2,853
Amortization of intangibles	760	821	992	988	1,238
Integration and deal related expense	249	1,844	156	184	488
Total operating expense	<u>13,085</u>	<u>16,645</u>	<u>18,425</u>	<u>15,441</u>	<u>17,871</u>
Operating income/(loss)	<u>\$ 1,035</u>	<u>\$ (2,366)</u>	<u>\$ (2,462)</u>	<u>\$ 1,478</u>	<u>\$ 1,464</u>

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