

LUNA INNOVATIONS INC
Form 10-Q
May 10, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
COMMISSION FILE NUMBER 000-52008

LUNA INNOVATIONS INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware 54-1560050
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification Number)
301 First Street SW, Suite 200
Roanoke, VA 24011
(Address of Principal Executive Offices)
(540) 769-8400
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of May 8, 2018, there were 27,323,424 shares of the registrant's common stock outstanding.

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FOR THE QUARTER ENDED MARCH 31, 2018
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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Consolidated Balance Sheets

	March 31, 2018 (unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$33,442,674	\$36,981,533
Accounts receivable, net	8,098,703	7,869,168
Receivable from sale of HSOR business	4,001,496	4,000,976
Contract assets	2,408,930	1,778,142
Inventory	6,534,899	6,951,110
Prepaid expenses and other current assets	1,086,837	1,220,650
Total current assets	55,573,539	58,801,579
Long-term contract assets	263,722	209,699
Property and equipment, net	3,425,544	3,453,741
Intangible assets, net	3,204,843	3,237,593
Goodwill	502,000	502,000
Other assets	18,024	18,024
Total assets	\$62,987,672	\$66,222,636
Liabilities and stockholders' equity		
Liabilities:		
Current liabilities:		
Current portion of long-term debt obligations	\$1,750,000	\$1,833,333
Current portion of capital lease obligations	38,145	43,665
Accounts payable	2,357,649	2,962,863
Accrued liabilities	5,742,777	6,557,649
Contract liabilities	1,804,125	3,428,625
Total current liabilities	11,692,696	14,826,135
Long-term deferred rent	1,148,370	1,184,438
Long-term debt obligations	232,084	603,007
Long-term capital lease obligations	63,184	71,275
Total liabilities	13,136,334	16,684,855
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.001, 1,321,514 shares authorized, issued and outstanding at March 31, 2018 and December 31, 2017	1,322	1,322
Common stock, par value \$0.001, 100,000,000 shares authorized, 28,365,549 and 28,354,822 shares issued, 27,162,195 and 27,283,918 shares outstanding at March 31, 2018 and December 31, 2017	29,217	29,186
Treasury stock at cost, 1,203,354 and 1,070,904 shares at March 31, 2018 and December 31, 2017	(1,955,787)	(1,649,746)
Additional paid-in capital	83,744,496	83,563,208
Accumulated deficit	(31,967,910)	(32,406,189)
Total stockholders' equity	49,851,338	49,537,781
Total liabilities and stockholders' equity	\$62,987,672	\$66,222,636

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Statements of Operations

	Three Months Ended	
	March 31,	
	2018	2017
	(unaudited)	
Revenues:		
Technology development	\$4,636,776	\$4,236,102
Products and licensing	7,556,396	5,850,795
Total revenues	12,193,172	10,086,897
Cost of revenues:		
Technology development	3,353,501	3,109,467
Products and licensing	3,813,553	3,101,045
Total cost of revenues	7,167,054	6,210,512
Gross profit	5,026,118	3,876,385
Operating expense:		
Selling, general and administrative	3,809,617	3,722,170
Research, development and engineering	1,101,488	928,772
Total operating expense	4,911,105	4,650,942
Operating income/(loss)	115,013	(774,557)
Other income/(expense):		
Investment income	75,912	—
Other (expense)/income	(115)) 351
Interest expense	(40,738)) (64,374)
Total other income/(expense)	35,059	(64,023)
Income/(loss) from continuing operations before income taxes	150,072	(838,580)
Income tax expense	1,396	26,690
Net income/(loss) from continuing operations	148,676	(865,270)
Loss from discontinued operations, net of income tax of \$0	—	(490,717)
Net loss from discontinued operations	—	(490,717)
Net income/(loss)	148,676	(1,355,987)
Preferred stock dividend	64,425	34,096
Net income/(loss) attributable to common stockholders	\$84,251	\$