

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2020

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 001-38462

**NLIGHT, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**91-2066376**

(I.R.S. Employer  
Identification Number)

**5408 NE 88th Street, Building E**

**Vancouver, Washington 98665**

(Address of principal executive office, including zip code)

**(360) 566-4460**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Exchange on which Registered
<b>Common Stock, par value \$0.0001 per share</b>	<b>LASR</b>	<b>The Nasdaq Stock Market LLC</b>

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 every Interactive Data File required to be submitted 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 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

Smaller Reporting Company

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.

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

As of November 2, 2020, the Registrant had 39,365,991 shares of common stock outstanding.

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## PART I - FINANCIAL INFORMATION

## ITEM 1. UNAUDITED INTERIM FINANCIAL STATEMENTS

**nLIGHT, Inc.**  
Consolidated Balance Sheets  
(In thousands)  
(Unaudited)

Assets	As of	
	September 30, 2020	December 31, 2019
<b>Current assets:</b>		
Cash and cash equivalents	\$ 110,152	\$ 117,252
Accounts receivable, net of allowances of \$335 and \$269	23,452	27,126
Inventory	53,432	46,131
Prepaid expenses and other current assets	12,996	8,084
Total current assets	200,032	198,593
Restricted cash	291	41
Lease right-of-use assets	11,428	—
Property, plant and equipment, net of accumulated depreciation of \$63,513 and \$58,633	42,365	27,747
Intangible assets, net of accumulated amortization of \$5,972 and \$3,150	9,088	10,006
Goodwill	12,503	9,872
Other assets, net	4,681	3,707
Total assets	\$ 280,388	\$ 249,966
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 24,403	\$ 12,700
Accrued liabilities	14,663	11,605
Deferred revenues	2,124	679
Lease liabilities	2,347	—
Current portion of long-term debt	142	51
Total current liabilities	43,679	25,035
Non-current income taxes payable	7,219	6,429
Long-term lease liabilities	9,397	—
Long-term debt	205	—
Other long-term liabilities	3,796	1,894
Total liabilities	64,296	33,358
<b>Stockholders' equity:</b>		
Common stock - \$0.0001 par value; 190,000 shares authorized, 39,335 shares issued and outstanding at September 30, 2020, and 38,084 shares issued and outstanding at December 31, 2019	15	15
Additional paid-in capital	351,703	336,732
Accumulated other comprehensive loss	(1,757)	(2,685)
Accumulated deficit	(133,869)	(117,454)
Total stockholders' equity	216,092	216,608
Total liabilities and stockholders' equity	\$ 280,388	\$ 249,966

See accompanying notes to consolidated financial statements.

**nLIGHT, Inc.**  
Consolidated Statements of Operations  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenue:</b>				
Products	\$ 51,117	\$ 43,814	\$ 133,151	\$ 133,723
Development	10,615	—	23,934	—
Total revenue	61,732	43,814	157,085	133,723
<b>Cost of revenue:</b>				
Products	34,645	30,852	95,142	91,376
Development	9,927	—	22,226	—
Total cost of revenue	44,572	30,852	117,368	91,376
Gross profit	17,160	12,962	39,717	42,347
<b>Operating expenses:</b>				
Research and development	11,126	6,402	29,136	19,318
Sales, general, and administrative	10,010	7,256	27,343	23,972
Total operating expenses	21,136	13,658	56,479	43,290
Loss from operations	(3,976)	(696)	(16,762)	(943)
<b>Other income (expense):</b>				
Interest income (expense), net	(96)	665	122	2,155
Other income, net	477	90	63	3
Income (loss) before income taxes	(3,595)	59	(16,577)	1,215
Income tax expense (benefit)	(1,485)	837	(162)	3,383
Net loss	\$ (2,110)	\$ (778)	\$ (16,415)	\$ (2,168)
Net loss per share, basic	\$ (0.05)	\$ (0.02)	\$ (0.43)	\$ (0.06)
Net loss per share, diluted	\$ (0.05)	\$ (0.02)	\$ (0.43)	\$ (0.06)
<b>Shares used in per share calculations:</b>				
Basic	38,558	37,262	38,195	37,005
Diluted	38,558	37,262	38,195	37,005

See accompanying notes to consolidated financial statements.

**nLIGHT, Inc.**  
Consolidated Statements of Comprehensive Loss  
(In thousands)  
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net loss	\$ (2,110)	\$ (778)	\$ (16,415)	\$ (2,168)
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	1,091	(1,126)	928	(1,069)
Comprehensive loss	<u>\$ (1,019)</u>	<u>\$ (1,904)</u>	<u>\$ (15,487)</u>	<u>\$ (3,237)</u>

See accompanying notes to consolidated financial statements.

**nLIGHT, Inc.**  
Consolidated Statements of Stockholders' Equity  
(In thousands)  
(Unaudited)

	<b>Three Months Ended September 30, 2020</b>					
	Common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
<b>Balance, June 30, 2020</b>	38,850	\$ 15	\$ 345,917	\$ (2,848)	\$ (131,759)	\$ 211,325
Net loss	—	—	—	—	(2,110)	(2,110)
Issuance of common stock pursuant to exercise of stock options	115	—	260	—	—	260
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	370	—	(1,157)	—	—	(1,157)
Stock-based compensation	—	—	6,683	—	—	6,683
Cumulative translation adjustment	—	—	—	1,091	—	1,091
<b>Balance, September 30, 2020</b>	<b>39,335</b>	<b>\$ 15</b>	<b>\$ 351,703</b>	<b>\$ (1,757)</b>	<b>\$ (133,869)</b>	<b>\$ 216,092</b>

	<b>Nine Months Ended September 30, 2020</b>					
	Common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
<b>Balance, December 31, 2019</b>	38,084	\$ 15	\$ 336,732	\$ (2,685)	\$ (117,454)	\$ 216,608
Net loss	—	—	—	—	(16,415)	(16,415)
Issuance of common stock pursuant to exercise of stock options	633	—	1,117	—	—	1,117
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	579	—	(3,314)	—	—	(3,314)
Issuance of common stock under the Employee Stock Purchase Plan	39	—	685	—	—	685
Stock-based compensation	—	—	16,483	—	—	16,483
Cumulative translation adjustment	—	—	—	928	—	928
<b>Balance, September 30, 2020</b>	<b>39,335</b>	<b>\$ 15</b>	<b>\$ 351,703</b>	<b>\$ (1,757)</b>	<b>\$ (133,869)</b>	<b>\$ 216,092</b>

	<b>Three Months Ended September 30, 2019</b>					
	<b>Common stock</b>		<b>Additional paid-in capital</b>	<b>Accumulated other comprehensive loss</b>	<b>Accumulated deficit</b>	<b>Total stockholders' equity</b>
	<b>Shares</b>	<b>Amount</b>				
<b>Balance, June 30, 2019</b>	37,665	\$ 15	\$ 329,982	\$ (2,100)	\$ (105,960)	\$ 221,937
Net loss	—	—	—	—	(778)	(778)
Issuance of common stock pursuant to exercise of stock options	77	—	117	—	—	117
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	2	—	(9)	—	—	(9)
Stock-based compensation	—	—	1,079	—	—	1,079
Cumulative translation adjustment	—	—	—	(1,126)	—	(1,126)
<b>Balance, September 30, 2019</b>	<u>37,744</u>	<u>\$ 15</u>	<u>\$ 331,169</u>	<u>\$ (3,226)</u>	<u>\$ (106,738)</u>	<u>\$ 221,220</u>

	<b>Nine Months Ended September 30, 2019</b>					
	<b>Common stock</b>		<b>Additional paid-in capital</b>	<b>Accumulated other comprehensive loss</b>	<b>Accumulated deficit</b>	<b>Total stockholders' equity</b>
	<b>Shares</b>	<b>Amount</b>				
<b>Balance, December 31, 2018</b>	36,705	\$ 15	\$ 324,656	\$ (2,157)	\$ (104,731)	\$ 217,783
Cumulative effect adjustment due to adoption of ASU 2018-07	—	—	(161)	—	161	—
Net loss	—	—	—	—	(2,168)	(2,168)
Issuance of common stock pursuant to exercise of stock options	595	—	1,032	—	—	1,032
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	401	—	(489)	—	—	(489)
Issuance of common stock under the Employee Stock Purchase Plan	43	—	762	—	—	762
Stock-based compensation	—	—	5,369	—	—	5,369
Cumulative translation adjustment	—	—	—	(1,069)	—	(1,069)
<b>Balance, September 30, 2019</b>	<u>37,744</u>	<u>\$ 15</u>	<u>\$ 331,169</u>	<u>\$ (3,226)</u>	<u>\$ (106,738)</u>	<u>\$ 221,220</u>

See accompanying notes to consolidated financial statements.

**nLIGHT, Inc.**  
Consolidated Statements of Cash Flows  
(In thousands)  
(Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (16,415)	\$ (2,168)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>		
Depreciation	5,614	4,859
Amortization	4,319	1,935
Reduction in carrying amount of right-of-use assets	2,162	—
Provision for losses on accounts receivable	84	58
Stock-based compensation	16,483	5,369
Gain on disposal of assets	—	(7)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, net	4,094	(2,836)
Inventory	(6,411)	(11,055)
Prepaid expenses and other current assets	(4,753)	2,590
Other assets	(2,418)	(2,670)
Accounts payable	10,565	3,290
Accrued and other long-term liabilities	1,494	(1,337)
Deferred revenues	1,405	(259)
Lease liabilities	(2,120)	—
Non-current income taxes payable	591	337
Net cash provided by (used in) operating activities	<u>14,694</u>	<u>(1,894)</u>
<b>Cash flows from investing activities:</b>		
Acquisition of business, net of cash acquired	(168)	—
Purchases of property, plant and equipment	(19,395)	(8,943)
Capitalization of patents	(717)	(1,064)
Proceeds from sale of assets	—	19
Net cash used in investing activities	<u>(20,280)</u>	<u>(9,988)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from term loan	15,000	—
Principal payments on term loans and financing leases	(15,126)	(67)
Proceeds from employee stock plan purchases	685	762
Proceeds from stock option exercises	1,117	1,032
Tax payments related to stock award issuances	(3,314)	(489)
Net cash provided by (used in) financing activities	<u>(1,638)</u>	<u>1,238</u>
<b>Effect of exchange rate changes on cash</b>	<u>373</u>	<u>29</u>
Net decrease in cash, cash equivalents, and restricted cash	<u>(6,851)</u>	<u>(10,615)</u>
Cash, cash equivalents, and restricted cash, beginning of period	<u>117,294</u>	<u>149,520</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 110,443</u>	<u>\$ 138,905</u>
<b>Supplemental disclosures:</b>		
Cash received for interest	\$ 312	\$ 2,265
Cash paid for income taxes	1,015	1,741
Accrued purchases of property, equipment and patents	1,294	1,275
Accrued acquisition consideration	1,390	—
<b>Supplemental disclosure of noncash investing and financing activities:</b>		
Right-of-use assets obtained in exchange for lease liabilities	\$ 13,470	\$ —

See accompanying notes to consolidated financial statements.



**nLIGHT, Inc.**  
Notes to Consolidated Financial Statements  
(Unaudited)

**Note 1 - Basis of Presentation and New Accounting Pronouncements**

**Basis of Presentation**

The accompanying consolidated financial statements of nLIGHT, Inc. and its wholly owned subsidiaries (Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The unaudited financial information reflects, in the opinion of management, all adjustments necessary for a fair presentation of financial position, results of operations, stockholders' equity, and cash flows for the interim periods presented. The results reported for the interim period presented are not necessarily indicative of results that may be expected for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2019 Annual Report on Form 10-K.

**Reclassifications**

Certain immaterial reclassifications were made to the prior period financial statements to conform to the current period presentation.

**Critical Accounting Policies**

Other than the adoption of new lease accounting standards as described in Note 13, our critical accounting policies have not materially changed during the nine months ended September 30, 2020 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

**New Accounting Pronouncements**

***ASU 2016-02, ASU 2018-10, ASU 2018-11 and ASU 2019-01***

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, in February 2016. ASU 2016-02 requires the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet for virtually all leases, other than leases that meet the definition of short-term. ASU 2016-02 was amended in July 2018, March 2019 and February 2020. The Company adopted ASU 2016-02, as amended, on January 1, 2020 using the modified transition approach, resulting in the recognition of operating lease ROU assets and lease liabilities of \$7.6 million and \$7.9 million, respectively. Refer to Note 13 for additional information.

***ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2020-03***

The FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, in June 2016. ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For assets measured at amortized cost, the new standard requires that the income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 was amended in November 2018, April 2019 and March 2020. ASU 2016-13, as amended, is effective for annual reporting periods of emerging growth companies beginning after December 15, 2020. An entity will apply the new standard, as amended, using a modified-retrospective approach and record a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is currently evaluating the impact on its consolidated financial statements and cannot reasonably estimate the impact on its financial statements at this time.

***ASU 2020-04***

FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, in March 2020. ASU 2020-04 provides optional practical expedients and exceptions for applying U.S. GAAP to contracts and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 applies only to contracts and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 is effective for all entities for the period March 12, 2020 through December 31, 2022, and will not apply to contract modifications made after December 31, 2022. If elected, the optional expedients for contract modifications must be applied consistently for all eligible contracts or eligible transactions. Adoption of the ASU as of its effective date had no material impact on the Company's financial position, results of operations and cash flows.

**Note 2 - Acquisitions****OPI**

On July 30, 2020, we acquired the outstanding shares of OPI Photonics S.r.l. (OPI), an Italian limited liability company, for cash consideration of approximately \$1.6 million, including contingent consideration of up to \$0.3 million. Approximately \$0.2 million was paid at closing with the remaining \$1.4 million to be paid over the next 24 months. Located in Turin, Italy, OPI develops high power multi-emitter laser diode sources and innovative devices for kilowatt fiber laser beam management, including beam collimation, coupling and switching.

The allocation of the purchase price for the OPI acquisition was as follows (in thousands):

	<b>Valuation at July 30, 2020</b>
Cash	\$ 58
Accounts receivable	73
Inventory	307
Other assets	186
Tangible assets acquired	<u>624</u>
Accounts payable	(193)
Deferred taxes	(299)
Debt	(402)
Other liabilities	(164)
Liabilities assumed	<u>(1,058)</u>
Total tangible assets and liabilities assumed	(434)
Intangible assets	1,179
Goodwill	869
Net assets acquired	<u>\$ 1,614</u>

The intangible assets as of the July 30, 2020 acquisition date were as follows (in thousands):

	Amount	Weighted-Average Useful Life (in years)
Developed technology	\$ 1,179	5.0

The acquisition price was allocated to the tangible and identified intangible assets acquired and liabilities assumed as of the acquisition date based upon their respective fair values. The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed represents the amount of goodwill resulting from the acquisition. The fair values assigned to assets acquired and liabilities assumed were based on management's best estimates and assumptions as of the reporting date and are considered preliminary. Changes to amounts recorded as assets or liabilities may result in corresponding adjustments to goodwill.

The goodwill and operating results of OPI are allocated to the Company's Laser Products segment. Revenue and earnings since the date of acquisition are not material. Transaction costs of \$0.1 million were expensed as incurred as a component of Sales, general, and administrative expenses.

Pro forma financial information has not been provided for the purchase as it was not material to the Company's overall financial position.

**Nutronics**

On November 14, 2019, the Company acquired Nutronics, Inc. (Nutronics), a private company, pursuant to the Stock Purchase Agreement between nLIGHT, Inc. and selling stockholders of Nutronics, Inc. and sellers as of that date. The total acquisition consideration consisted of \$17.4 million in cash. Based in Longmont, Colorado, Nutronics is a leading developer of coherently combined lasers and beam control systems (BCS) for high-energy laser (HEL) systems serving the defense market.

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The acquisition price was allocated to the tangible and identified intangible assets acquired and liabilities assumed as of the closing date of the acquisition based upon their respective fair values. The fair values assigned to assets acquired and liabilities assumed were based on management's best estimates and assumptions, including future tax elections, as of the reporting date and are considered preliminary. During the nine months ended September 30, 2020, updated information primarily related to a 2020 tax election resulted in an increase to deferred taxes and other liabilities acquired of \$1.8 million and a corresponding adjustment to goodwill. The table below summarizes the assets acquired and liabilities assumed (in thousands):

	Valuation as of November 14, 2019	Adjustments	Balances as of September 30, 2020
Cash	\$ 33	\$ —	\$ 33
Accounts receivable	635	—	635
Contract assets	456	—	456
Inventory	255	—	255
Other current assets	201	—	201
Property, plant and equipment	1,019	—	1,019
Security deposits	46	—	46
Tangible assets acquired	<u>2,645</u>	<u>—</u>	<u>2,645</u>
Accounts payable	(278)	—	(278)
Other liabilities	(477)	(100)	(577)
Deferred revenue	(141)	—	(141)
Deferred taxes	—	(1,667)	(1,667)
Liabilities assumed	<u>(896)</u>	<u>(1,767)</u>	<u>(2,663)</u>
Total tangible assets acquired and liabilities assumed	1,749	(1,767)	(18)
Intangible assets	7,200	—	7,200
Goodwill	8,484	1,767	10,251
Net assets acquired	<u>\$ 17,433</u>	<u>\$ —</u>	<u>\$ 17,433</u>

The intangible assets as of the November 14, 2019 acquisition date were as follows (in thousands):

	Amount	Weighted-Average Useful Life (in years)
Development programs	\$ 7,200	3.1

Pro forma financial information has not been provided for the purchase as it was not material to the Company's overall financial position.

**Note 3 - Revenue**

The following tables represent a disaggregation of revenue from contracts with customers for the periods presented (in thousands):

*Sales by End Market*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Industrial	\$ 21,880	\$ 18,977	\$ 60,500	\$ 58,021
Microfabrication	14,052	13,280	38,771	45,907
Aerospace and Defense	25,800	11,557	57,814	29,795
	<u>\$ 61,732</u>	<u>\$ 43,814</u>	<u>\$ 157,085</u>	<u>\$ 133,723</u>

*Sales by Geography*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
North America	\$ 31,384	\$ 16,382	\$ 72,924	\$ 50,294
China	19,186	17,397	52,723	49,251
Rest of World	11,162	10,035	31,438	34,178
	<u>\$ 61,732</u>	<u>\$ 43,814</u>	<u>\$ 157,085</u>	<u>\$ 133,723</u>

*Sales by Timing of Revenue*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Point in time	\$ 51,101	\$ 42,458	\$ 133,304	\$ 129,951
Over time	10,631	1,356	23,781	3,772
	<u>\$ 61,732</u>	<u>\$ 43,814</u>	<u>\$ 157,085</u>	<u>\$ 133,723</u>

The Company's contract assets and liabilities are as follows (in thousands):

	Balance Sheet Classification	As of	
		September 30, 2020	December 31, 2019
Contract assets	Prepaid expenses and other current assets	\$ 5,178	\$ 2,449
Contract liabilities	Deferred revenue and Other long-term liabilities	2,524	881

During the three and nine months ended September 30, 2020, the Company recognized revenue of \$0.8 million and \$1.6 million, respectively, that was included in the deferred revenue balances at the beginning of the periods as the performance obligations under the associated agreements were satisfied.

**Note 4 - Concentrations of Credit and Other Risks**

The following customers accounted for 10% or more of the Company's revenues for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Quick Laser Technology Co., Ltd.	13%	12%	13%	*
U.S. Government	16%	*	13%	*
Raytheon Technologies	12%	15%	13%	12%

\*Represents less than 10% of total revenues

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of accounts receivable. As of September 30, 2020 and December 31, 2019, two customers accounted for approximately 44% and 48%, respectively, of net accounts receivable. No other customers accounted for 10% or more of net accounts receivable in either of these periods.

**Note 5 - Fair Value of Financial Instruments**

The carrying amounts of certain of the Company's financial instruments, including cash equivalents, accounts receivable, restricted cash, and accounts payable are shown at cost which approximates fair value due to the short-term nature of these instruments. The fair value of the Company's term and revolving loans with Pacific Western Bank, also described in Note 12, approximates the carrying value due to the variable market rate used to calculate interest payments.

The Company does not have any other significant financial assets or liabilities that are measured at fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 Inputs: Observable inputs, such as quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2 Inputs: Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments that are carried at fair value consist of Level 1 assets which include highly liquid investments and bank drafts classified as cash equivalents. The Company's fair value hierarchy for its financial instruments consists of cash equivalents as follows (in thousands):

	<b>September 30, 2020</b>					
	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>	<b>Total</b>
Money market securities	\$ 74,084	\$	—	\$	—	\$ 74,084
Commercial paper	4,585		—		—	4,585
<b>Total</b>	<b>\$ 78,669</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>\$ 78,669</b>

	<b>December 31, 2019</b>					
	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>	<b>Total</b>
Money market securities	\$ 94,260	\$	—	\$	—	\$ 94,260
Commercial paper	2,401		—		—	2,401
<b>Total</b>	<b>\$ 96,661</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>\$ 96,661</b>

**Note 6 - Inventory**

Inventory is stated at the lower of average cost and net realizable value. Inventory consisted of the following (in thousands):

	<b>As of</b>	
	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Raw materials	\$ 19,740	\$ 16,643
Work in process and semi-finished goods	22,693	17,723
Finished goods	10,999	11,765
<b>Total</b>	<b>\$ 53,432</b>	<b>\$ 46,131</b>

**Note 7 - Property, Plant and Equipment**

Property, plant and equipment consist of the following (in thousands):

	Useful life (years)	As of	
		September 30, 2020	December 31, 2019
Computer hardware and software	3-5	\$ 4,625	\$ 4,764
Manufacturing and lab equipment	2-7	65,893	59,395
Office equipment and furniture	5-7	1,410	1,462
Leasehold and building improvements	2-12	21,470	20,759
Buildings	30	9,081	—
Land	N/A	3,399	—
		105,878	86,380
Accumulated depreciation		(63,513)	(58,633)
		<u>\$ 42,365</u>	<u>\$ 27,747</u>

On March 31, 2020, the Company purchased a commercial property in Camas, Washington that consists of approximately 21 acres of land and two buildings with approximately 165,000 square feet of office space, clean rooms and manufacturing space. The property was purchased "as is", and the Company intends to use the property as its new headquarters following the completion of certain renovations and modifications.

**Note 8 - Intangible Assets and Goodwill**

**Intangibles**

The details of amortizing intangible assets are as follows (in thousands, except for estimated useful lives):

	Estimated useful life (in years)	As of	
		September 30, 2020	December 31, 2019
Patents	3 - 5	\$ 6,689	\$ 5,956
Development programs	2 - 4	7,200	7,200
Developed technology	5	1,171	—
		15,060	13,156
Accumulated amortization		(5,972)	(3,150)
		<u>\$ 9,088</u>	<u>\$ 10,006</u>

**Goodwill**

The carrying amount of goodwill by segment was as follows (in thousands):

	Laser Products	Advanced Development	Totals
<b>Balance, December 31, 2019</b>	\$ 1,388	\$ 8,484	\$ 9,872
Business acquisition	869	—	869
Purchase accounting adjustment	—	1,767	1,767
Currency exchange rate adjustment	(5)	—	(5)
<b>Balance, September 30, 2020</b>	<u>\$ 2,252</u>	<u>\$ 10,251</u>	<u>\$ 12,503</u>

See Note 2 for details related to goodwill for the Nutronics and OPI acquisitions.

**Note 9 - Other Assets**

Other assets consisted of the following (in thousands):

	As of	
	September 30, 2020	December 31, 2019
Demonstration assets, net	\$ 1,965	\$ 1,824
Deferred tax assets, net	72	72
Other	2,644	1,811
	\$ 4,681	\$ 3,707

Demonstration (demo) assets are equipment that is used for demonstration and other purposes with existing and prospective customers. Demo assets are recorded at cost and amortized over an estimated useful life of approximately two years. Amortization expense was as follows for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Amortization expense	\$ 478	\$ 454	\$ 1,500	\$ 1,355

**Note 10 - Accrued Liabilities**

Accrued liabilities consist of the following (in thousands):

	As of	
	September 30, 2020	December 31, 2019
Accrued payroll and benefits	\$ 10,759	\$ 8,208
Product warranty, current	1,982	1,683
Income tax payable	—	155
Other accrued expenses	1,922	1,559
	\$ 14,663	\$ 11,605

**Note 11 - Product Warranties**

The Company provides warranties on certain products and records a liability for the estimated future costs associated with warranty claims at the time revenue is recognized. The warranty liability is based on historical experience, any specifically identified failures, and its estimate of future costs.

Product warranty liability activity for the nine months ended September 30, 2020 and 2019 was as follows (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Product warranty liability, beginning	\$ 2,984	\$ 4,555
Warranty charges incurred, net	(2,259)	(1,971)
Provision for warranty charges, net of adjustments	3,425	456
Acquired warranty	100	—
Product warranty liability, ending	\$ 4,250	\$ 3,040
Less: current portion of product warranty liability	(1,982)	(1,725)
Non-current portion of product warranty liability	\$ 2,268	\$ 1,315

**Note 12 - Commitments and Contingencies**

**Leases**

See Note 13.

**Credit Facilities**

The Company has a \$40.0 million revolving line of credit (LOC) with Pacific Western Bank which is secured by its assets and expires in September 2021. Interest on the LOC is based primarily on the London Interbank Offered Rate (LIBOR), or an alternative rate such as the Prime rate, plus or minus, respectively, a margin based on certain liquidity levels. The loan agreement contains restrictive and financial covenants and bears an unused credit fee of 0.20% on an annualized basis. As of September 30, 2020, no amounts were outstanding under the LOC, and the Company was in compliance with all covenants under the loan agreement.

**Contractual Commitments and Purchase Obligations**

The Company's purchase obligations and other contractual obligations have increased as of September 30, 2020 by approximately \$11.7 million for operating leases as discussed in Note 13, and approximately \$1.4 million for the earn-out and hold-back amounts related to the acquisition of OPI (see Note 2). There have been no other material changes to the Company's purchase obligations and other contractual obligations from those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2019.

**Legal Matters**

From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of business. As of September 30, 2020, and as of the filing of this Quarterly Report on Form 10-Q, the Company was not involved in any material legal proceedings.

**Note 13 - Leases**

**Adoption of ASC 842**

The Company adopted ASU 2016-02, *Leases (Topic 842)* and related amendments, using the modified transition approach with an effective date of January 1, 2020. The modified transition approach permits a company to use its effective date as the date of initial application to apply the standard to its leases, and, therefore, not restate comparative prior period financial information. Consequently, prior period financial information is not updated, and the disclosures required under the new standard will not be provided for dates and periods prior to January 1, 2020. The adoption of the lease standard did not have any effect on our previously reported consolidated financial statements and did not result in a cumulative catch-up adjustment to opening equity.

**Transition Practical Expedients and Elections**

The standard provides several optional practical expedients in transition. The Company elected the 'package of practical expedients,' which permits it to not reassess, under the new standard, the Company's prior conclusions about lease identification, lease classification and initial direct costs. The Company did not elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to it. The new standard also provides practical expedients for an entity's ongoing accounting. The Company elected the short-term lease recognition exemption; for those leases that qualify, the Company will not recognize a right-of-use asset or lease liability, and this includes not recognizing right-of-use assets or lease liabilities for existing short-term leases of those assets in transition. The Company also elected the practical expedient to not separate lease and non-lease components for all its leases.

**Lease Accounting**

We lease real estate space under non-cancelable operating lease agreements for commercial and industrial space, as well as our corporate headquarters located in Vancouver, Washington. Our facilities-related operating leases have remaining terms of 0.3 to 14.7 years, and some leases include options to extend up to 15 years. We also have leases for automobiles, manufacturing and office and computer equipment with remaining lease terms of 0.2 to 5.7 years. These leases are primarily operating leases; financing leases are not material. We did not include any of our renewal options in our lease terms for calculating our lease liability as we are not reasonably certain we will exercise the options at this time. The weighted-average remaining lease term for our lease obligations was 9.0 years at September 30, 2020, and the weighted-average discount rate was 3.5%.

The components of lease expense related to operating leases were as follows (in thousands):



	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Lease expense:		
Operating lease expense	\$ 758	\$ 2,178
Short-term lease expense	35	153
Variable and other lease expense	128	381
	<u>\$ 921</u>	<u>\$ 2,712</u>

Undiscounted future minimum payments under our non-cancelable lease obligations were as follows as of September 30, 2020 (in thousands):

Remainder of 2020	\$ 785
2021	2,463
2022	1,873
2023	1,401
2024	1,347
Thereafter	5,976
	<u>\$ 13,845</u>

#### Note 14 - Income Taxes

##### Income Tax Provision

To calculate the interim tax provision, at the end of each interim period the Company estimates the annual effective tax rate and applies that to its ordinary quarterly earnings. The effect of changes in the enacted tax laws or rates is recognized in the interim period in which the change occurs. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and judgments including, but not limited to, the expected operating income for the year, projections of the proportion of income earned and taxed in foreign jurisdictions, permanent differences between book and tax amounts, and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained, or the tax environment changes.

The Company's effective tax rate for the three and nine months ended September 30, 2020 and 2019 differs from the U.S. statutory rate due to the U.S. and China valuation allowance, foreign income taxed at local statutory rates, and accrued withholding taxes. In addition, the three and nine months ended September 30, 2020 included a \$1.7 million prior year tax benefit true-up related to purchase accounting for Nutronics. For the nine months ended September 30, 2020, the Company reported U.S. pre-tax loss and China pre-tax income. The Company has not yet been able to establish a sustained level of profitability in the U.S. and China, or other sufficient significant positive evidence, to conclude that its U.S. and China deferred tax assets are more likely than not to be realized. Therefore, the Company continues to maintain a valuation allowance against its U.S. and China deferred tax assets.

#### Note 15 - Stockholders' Equity and Stock-Based Compensation

##### Restricted Stock Awards and Units

Restricted stock award (RSA) and restricted stock unit (RSU) activity under our equity incentive plan was as follows (in thousands, except weighted average grant date fair values):

	Number of Restricted Stock Awards	Weighted-Average Grant Date Fair Value
<b>RSAs at December 31, 2019</b>	459	\$ 20.49
Awards granted	310	22.54
Awards vested	(116)	21.41
<b>RSAs at September 30, 2020</b>	<u>653</u>	<u>\$ 21.30</u>

	Number of Restricted Stock Units	Weighted-Average Grant Date Fair Value
<b>RSUs at December 31, 2019</b>	2,407	\$ 19.47
Awards granted	1,150	21.60
Awards vested	(400)	21.66
Awards forfeited	(75)	20.19
<b>RSUs at September 30, 2020</b>	<u>3,082</u>	<u>\$ 19.96</u>

The total fair value of RSAs and RSUs vested during the nine months ended September 30, 2020 was \$1.5 million and \$7.0 million, respectively. Awards outstanding as of September 30, 2020 include 0.7 million performance-based awards that will vest upon meeting certain performance criteria.

**Stock Options**

The following table summarizes the Company's stock option activity during the nine months ended September 30, 2020 (in thousands, except weighted average exercise prices):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
<b>Outstanding, December 31, 2019</b>	4,239	\$1.54	6.1	\$79,443
Options exercised	(633)	\$1.77		
Options canceled	(13)	\$1.56		
<b>Outstanding, September 30, 2020</b>	<u>3,593</u>	\$1.50	5.5	\$78,962
Options exercisable at September 30, 2020	<u>2,869</u>	\$1.06	5.2	\$64,337
Options vested as of September 30, 2020 and expected to vest after September 30, 2020	<u>3,593</u>	\$1.50	5.5	\$78,962

Total intrinsic value of options exercised for the nine months ended September 30, 2020 and 2019 was \$11.2 million and \$11.5 million, respectively. The Company received proceeds of \$1.1 million and \$1.0 million from the exercise of options for the nine months ended September 30, 2020 and 2019, respectively.

**Employee Stock Purchase Plan**

Information related to activity under our Employee Stock Purchase Plan (ESPP) was as follows (in thousands, except weighted- average per share prices):

	Nine Months Ended September 30, 2020
Shares issued	39
Weighted-average per share purchase price	\$ 17.53
Weighted-average per share discount from the fair value of the Company's common stock on date of issuance	\$ 3.85

**Stock-Based Compensation**

Total stock-based compensation expense was included in our consolidated statements of operations as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cost of revenues	\$ 505	\$ 340	\$ 1,189	\$ 816
Research and development	2,545	424	6,602	1,693
Sales, general and administrative	3,633	315	8,692	2,860
	<u>\$ 6,683</u>	<u>\$ 1,079</u>	<u>\$ 16,483</u>	<u>\$ 5,369</u>

#### Unrecognized Compensation Costs

As of September 30, 2020, total unrecognized stock-based compensation related to unvested stock awards was \$64.9 million, which will be recognized over the next five years as follows (in thousands):

Remainder of 2020	\$ 6,594
2021	24,256
2022	19,231
2023	12,154
2024	2,646
	<u>\$ 64,881</u>

Total unrecognized stock-based compensation includes approximately 0.6 million awards that do not have a measurement date and have been valued as of September 30, 2020.

#### Common Stock Repurchase Plan

On November 14, 2019, the Company's Board of Directors authorized the repurchase of up to \$10.0 million of its outstanding shares of common stock. This program is intended to offset the potentially dilutive effects of restricted stock grants awarded in connection with the acquisition of Nutronics. (See Note 2 for additional information.) As of September 30, 2020, no repurchases had been executed under the program.

#### Note 16 - Segment Information

The Company operates in two reportable segments consisting of the Laser Products segment and the Advanced Development segment. The following table summarizes the operating results by reportable segment for the period presented (dollars in thousands):

	Three Months Ended September 30, 2020			
	Laser Products	Advanced Development	Corporate and Other	Totals
Revenue	\$ 51,117	\$ 10,615	\$ —	\$ 61,732
Gross profit	\$ 16,977	\$ 688	\$ (505)	\$ 17,160
Gross margin	33.2 %	6.5 %	NM	27.8 %

	Nine Months Ended September 30, 2020			
	Laser Products	Advanced Development	Corporate and Other	Totals
Revenue	\$ 133,151	\$ 23,934	\$ —	\$ 157,085
Gross profit	\$ 39,198	\$ 1,708	\$ (1,189)	\$ 39,717
Gross margin	29.4 %	7.1 %	NM	25.3 %

Corporate and Other is unallocated expenses related to stock-based compensation. Since the Company operated only in the Laser Products segment prior to the acquisition of Nutronics in November 2019, no comparative information is presented for 2019.

Except as described in Note 7, there have been no material changes to the geographic locations of the Company's long-lived assets, net, based on the location of the assets, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

**Note 17 - Net Loss per Share**

The following table sets forth the calculation of basic and diluted net loss per share for the periods presented (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Numerator:</b>				
Net loss	\$ (2,110)	\$ (778)	\$ (16,415)	\$ (2,168)
<b>Denominator:</b>				
Weighted-average shares, basic	38,558	37,262	38,195	37,005
Weighted-average shares, diluted	38,558	37,262	38,195	37,005
<b>Net loss per share:</b>				
Basic	\$ (0.05)	\$ (0.02)	\$ (0.43)	\$ (0.06)
Diluted	\$ (0.05)	\$ (0.02)	\$ (0.43)	\$ (0.06)

The following potentially dilutive shares of restricted stock awards and units, employee stock purchase plan, and stock options were not included in the calculation of diluted shares above as the effect would have been anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Restricted stock units and awards	3,498	1,912	2,129	1,912
Employee stock purchase plan	39	33	—	77
Common stock options	3,593	4,529	3,593	4,529
	7,130	6,474	5,722	6,518

**Note 18 - Subsequent Event**

On November 3, 2020, the Company entered into a lease amendment related to its Longmont, Colorado facilities. The agreement included lease modifications that extended the lease term on the Company's existing premises and added a new right-of-use asset consisting of additional expansion premises. The lease, as modified, includes a minimum lease term of 90 months. The lease modifications together resulted in increases to the Company's balance sheet of approximately \$1.1 million each in right-of-use assets and lease liabilities as of the lease modification date.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify forward-looking statements by the following words: "ability," "anticipate," "attempt," "believe," "can be," "continue," "could," "depend," "enable," "estimate," "expect," "extend," "grow," "if," "intend," "likely," "may," "objective," "ongoing," "plan," "possible," "potential," "predict," "project," "propose," "rely," "should," "target," "will," "would" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words.

These statements involve risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain.

Forward-looking statements include, but are not limited to, statements about: the size of our market opportunity; our ability to develop new technology, designs and applications for our lasers; the implementation of our business model and strategic plans, including estimates regarding future sales, revenues, expenses, acquisitions, investments, capital requirements and stock performance; our future financial performance; fluctuations in our quarterly results of operations and other operating measures, particularly as a result of seasonality; the Chinese regulatory regime for our products and services; the adoption of our products or lasers generally and the growth of the laser market broadly and within specific industries; our utilization of vertical integration; our ability to adequately protect our intellectual property rights; the impact on our sales and operations of public health crises in China, the United States or internationally, including the current COVID-19 pandemic and our response to it; the effect on our business of litigation to which we are or may become a party; our ability to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud; future macroeconomic conditions and the effect of trade restrictions and new or increased tariffs on our products; the sufficiency of our existing liquidity sources to meet our cash needs; and our ability to sustain and manage growth in our business.

You should refer to the "Risk Factors" section of this report and those risk factors discussed in our other Securities and Exchange Commission filings for a discussion of other important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this report will prove to be accurate. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, which although we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted a thorough inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## Overview

nLIGHT, Inc., headquartered in Vancouver, Washington, is a leading provider of high-power semiconductor and fiber lasers. Revolutionizing laser technology, we are making the impossible possible. We design, develop and manufacture the critical elements of our lasers, and we believe our vertically integrated business model enables us to rapidly introduce innovative products, control our costs and protect our intellectual property.

In July 2020, we acquired OPI Photonics S.r.l. (OPI), an Italian limited liability company. Located in Turin, Italy, OPI develops high power multi-emitter laser diode sources and innovative devices for kilowatt fiber laser beam management, including beam collimation, coupling and switching. In November 2019, we acquired Nutronics, Inc. (Nutronics), based in Longmont, Colorado, a leading developer of coherently combined lasers and beam control systems (BCS) for high-energy laser (HEL) systems serving the defense market. Our consolidated financial results for the three and nine months ended September 30, 2020 include the results of OPI and Nutronics, and therefore may not be directly comparable to the corresponding period of 2019, which does not include the results of OPI and Nutronics.

Since the acquisition of Nutronics, we operate in two reportable segments consisting of the Laser Products segment and the Advanced Development segment. Sales of our semiconductor lasers, fiber lasers and optical fibers are included in the Laser Products segment, while revenue earned from research and development contracts are included in the Advanced Development segment.

Revenues increased to \$157.1 million in the nine months ended September 30, 2020 compared to \$133.7 million in the same period of 2019 as a result of higher revenue from the Aerospace and Defense market, including the acquisition of Nutronics, offset partially by lower revenues from the Microfabrication market. We generated a net loss of \$16.4 million for the nine months ended September 30, 2020 as compared to a net loss of \$2.2 million for the same period of 2019. The higher net loss in 2020 was driven by an increase in stock-based compensation, amortization of intangible assets from the Nutronics acquisition, and a decrease in gross margins on product sales, offset partially by higher revenue.

## **Factors Affecting Our Performance**

### ***Impact of the COVID-19 Pandemic on Our Business***

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. COVID-19 continues to spread throughout the United States and the world, including in geographies in which we and our customers operate. Our first priority is the health and safety of our employees and our communities. As of the date of this report, all our U.S. operating locations have been deemed essential and all of our global manufacturing facilities are fully operational. Our Shanghai manufacturing facility was closed for an additional week following the Chinese New Year, due to COVID-19, but has since remained open. All of our facilities have implemented a variety of policies and procedures, including additional cleaning, social distancing, wearing masks, staggered shifts and prohibiting or significantly restricting on-site visitors, to minimize the risk to our employees.

The impact from the rapidly changing U.S. and global market and economic conditions due to the COVID-19 pandemic is uncertain, with disruptions to the business of our customers and suppliers, which may materially adversely impact our business, operations, demand for our products and coincidentally our consolidated results of operations and financial condition in the future. In response to the global pandemic, many of our non-manufacturing personnel outside of China have been primarily working from home since March 2020. While we have not incurred significant disruptions to our manufacturing or to our supply chain thus far from the COVID-19 pandemic, we may experience decreased demand from certain customers. We are unable to accurately predict the impact COVID-19 will have due to numerous uncertainties, including the severity of the disease, the duration of the pandemic, potential resurgence of outbreaks in locations where outbreaks have previously been contained, actions that may be taken by governmental authorities, the impact to our customers' and suppliers' businesses and other factors identified in the "Risk Factors" section of this report. We are continuing to evaluate closely the nature and extent of the impact to our business, consolidated results of operations, and financial condition.

### ***Demand for our Semiconductor and Fiber Laser Solutions***

In order to continue to grow our revenues, we must continue to achieve design wins for our semiconductor and fiber lasers. We consider a design win to occur when a customer notifies us that it has selected one of our products to be incorporated into a product or system under development by such customer. For the foreseeable future, our operations will continue to depend upon capital expenditures by customers in the Industrial and Microfabrication markets, which, in turn, depend upon the demand for these customers' products or services. In addition, in the Aerospace and Defense market, our business depends in large part on continued investment in laser technology by the U.S. government and its allies, and our ability to continue to successfully develop leading technology in this area.

Erosion of average selling prices, or ASPs, of established products is typical in our industry, and the ASPs of our products generally decrease as our products mature. We may also negotiate discounted selling prices from time to time with certain customers that purchase higher volumes, or to penetrate new markets or applications. Historically, we have been able to offset decreasing ASPs by introducing new and higher value products, increasing the sales of our existing products, expanding into new applications and reducing our manufacturing costs. However, recent ASP pressure has been more pronounced, and as a result, we have only been able to partially offset the impact of the lower selling prices. Certain of our competitors have continued to reduce the price of their fiber lasers sold in the China Industrial market. Although we anticipate further increases in product volumes and the continued introduction of new and higher value products, we expect further ASP reduction that may cause our revenues to decline or grow at a slower rate.

### ***Technology and New Product Development***

We invest heavily in the development of our semiconductor and fiber laser technologies to provide solutions to our current and future customers. We anticipate that we will continue to invest in research and development to achieve our technology and product roadmap. Our product development is targeted to specific sectors of the market where we believe the power and performance requirements of our products can provide the most benefit. We believe our close coordination with our customers regarding their future product requirements enhances the efficiency of our research and development expenditures.

### ***Manufacturing Costs and Gross Margins***

Our gross profit, in absolute dollars and as a percentage of revenues, is impacted by our product sales mix, sales volumes, changes in ASPs, production volumes, the corresponding absorption of manufacturing overhead expenses, production costs and manufacturing yields. Our product sales mix can affect gross profits due to variations in profitability related to product- configurations and cost profiles, customer volume pricing, availability of competitive products in various markets, and new

product introductions, among other factors. Capacity utilization affects our gross margin because we have a high fixed cost base due to our vertically integrated business model. Increases in sales and production volumes drive favorable absorption of fixed costs, improved manufacturing efficiencies and lower production costs. Gross margins may fluctuate from period to period depending on product mix and the level of capacity utilization.

Given the fixed nature of our facilities and equipment costs, we expect gross margin to increase as revenues and volumes increase. Historically, gross margins have fluctuated from period to period depending on product mix and the level of capacity utilization. However, over the last 18 - 24 months, gross margins have been negatively affected by increased tariff costs as a result of the trade war between the United States and China. So long as such increased tariff costs remain in place or increase further, our gross margins may continue to decline unless we can sufficiently increase our prices to offset those costs.

### Seasonality

Our quarterly revenues can fluctuate with general economic trends, holidays in foreign countries such as Chinese New Year in the first quarter of our fiscal year, the timing of capital expenditures by our customers, and general economic trends. In addition, as is typical in our industry, we tend to recognize a larger percentage of our quarterly revenues in the last month of the quarter, which may impact our working capital trends.

### Results of Operations

The following table sets forth our operating results as a percentage of revenues for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenue:</b>				
Products	82.8 %	100.0 %	84.8 %	100.0 %
Development	17.2	—	15.2	—
Total revenue	100.0	100.0	100.0	100.0
<b>Cost of revenue:</b>				
Products	56.1	70.4	60.6	68.3
Development	16.1	—	14.1	—
Total cost of revenue	72.2	70.4	74.7	68.3
Gross profit	27.8	29.6	25.3	31.7
<b>Operating expenses:</b>				
Research and development	18.0	14.6	18.6	14.5
Sales, general, and administrative	16.2	16.6	17.4	17.9
Total operating expenses	34.2	31.2	36.0	32.4
Loss from operations	(6.4)	(1.6)	(10.7)	(0.7)
<b>Other income (expense):</b>				
Interest income (expense), net	(0.2)	1.5	0.1	1.6
Other income, net	0.8	0.2	—	—
Income (loss) before income taxes	(5.8)	0.1	(10.6)	0.9
Income tax expense (benefit)	(2.4)	1.9	(0.2)	2.5
Net loss	(3.4)%	(1.8)%	(10.4)%	(1.6)%

### Revenues by Segment

Our revenues by segment were as follows for the periods presented (dollars in thousands):

	Three Months Ended September 30,				Change	
	2020	% of Revenue	2019	% of Revenue	\$	%
Laser Products	\$ 51,117	82.8 %	\$ 43,814	100.0 %	\$ 7,303	16.7 %
Advanced Development	10,615	17.2	—	—	10,615	NM
	<u>\$ 61,732</u>	<u>100.0 %</u>	<u>\$ 43,814</u>	<u>100.0 %</u>	<u>\$ 17,918</u>	<u>40.9 %</u>

	Nine Months Ended September 30,				Change	
	2020	% of Revenue	2019	% of Revenue	\$	%
Laser Products	\$ 133,151	84.8 %	\$ 133,723	100.0 %	(572)	(0.4)%
Advanced Development	23,934	15.2	—	—	23,934	NM
	<u>\$ 157,085</u>	<u>100.0 %</u>	<u>\$ 133,723</u>	<u>100.0 %</u>	<u>23,362</u>	<u>17.5 %</u>

The increase in Laser Products revenue for the three months ended September 30, 2020, compared to the same period of 2019, was driven by higher revenue from the Aerospace and Defense market and the Industrial market. The decrease in Laser Product revenue for the nine months ended September 30, 2020, compared to the same period of 2019, was not significant, as decreased revenue from the Microfabrication market was partially offset by increased revenue from the Aerospace and Defense market. Prior to the acquisition of Nutronics in November 2019, we operated only in the Laser Products segment. The Laser Products segment for the three and nine months ended September 30, 2019 includes approximately \$1.4 million and \$3.8 million, respectively, of revenue earned from non-Nutronics research and development contracts.

#### Revenues by End Market

Our revenues by end market were as follows for the periods presented (dollars in thousands):

	Three Months Ended September 30,				Change	
	2020	% of Revenue	2019	% of Revenue	\$	%
Industrial	\$ 21,880	35.4 %	\$ 18,977	43.3 %	\$ 2,903	15.3 %
Microfabrication	14,052	22.8	13,280	30.3	772	5.8
Aerospace and Defense	25,800	41.8	11,557	26.4	14,243	123.2
	<u>\$ 61,732</u>	<u>100.0 %</u>	<u>\$ 43,814</u>	<u>100.0 %</u>	<u>\$ 17,918</u>	<u>40.9 %</u>

	Nine Months Ended September 30,				Change	
	2020	% of Revenue	2019	% of Revenue	\$	%
Industrial	\$ 60,500	38.5 %	\$ 58,021	43.4 %	\$ 2,479	4.3 %
Microfabrication	38,771	24.7	45,907	34.3	(7,136)	(15.5)
Aerospace and Defense	57,814	36.8	29,795	22.3	28,019	94.0
	<u>\$ 157,085</u>	<u>100.0 %</u>	<u>\$ 133,723</u>	<u>100.0 %</u>	<u>\$ 23,362</u>	<u>17.5 %</u>

The increase in revenue from the Industrial market for the three and nine months ended September 30, 2020, compared to the same periods of 2019, was driven by an increase in unit sales and change in sales mix toward high-power fiber lasers. The increase in revenue from the Microfabrication market for the three months ended September 30, 2020, compared to the same period of 2019, was driven by a net increase in unit sales, while the decrease in Microfabrication revenue for the nine months ended September 30, 2020, compared to the same period of 2019, was due to lower unit sales to customers for consumer electronics and semiconductors. The increase in revenue from the Aerospace and Defense market for the three and nine months ended September 30, 2020, compared to the same periods of 2019, was primarily attributable to the acquisition of Nutronics, and an increase in unit sales to new and existing customers for defense applications.

#### Revenues by Geographic Region



Our revenues by geographic region were as follows for the periods presented (dollars in thousands):

	Three Months Ended September 30,				Change	
	2020	% of Revenue	2019	% of Revenue	\$	%
North America	\$ 31,384	50.8 %	\$ 16,382	37.4 %	\$ 15,002	91.6 %
China	19,186	31.1	17,397	39.7	1,789	10.3
Rest of World	11,162	18.1	10,035	22.9	1,127	11.2
	\$ 61,732	100.0 %	\$ 43,814	100.0 %	\$ 17,918	40.9 %

	Nine Months Ended September 30,				Change	
	2020	% of Revenue	2019	% of Revenue	\$	%
North America	\$ 72,924	46.4 %	\$ 50,294	37.6 %	\$ 22,630	45.0 %
China	52,723	33.6	49,251	36.8	3,472	7.0
Rest of World	31,438	20.0	34,178	25.6	(2,740)	(8.0)
	\$ 157,085	100.0 %	\$ 133,723	100.0 %	\$ 23,362	17.5 %

Geographic revenue information is based on the location to which we ship our products. The increase in North America revenue for the three and nine months ended September 30, 2020 compared to the same periods of 2019 was primarily driven by the acquisition of Nutronics and increased sales in the Aerospace and Defense market, partially offset by decreased sales in the Microfabrication market on a year-to-date basis. The increase in China revenue for the three and nine months ended September 30, 2020 compared to the same periods of 2019 was primarily due to increased sales in the Industrial market. The increase in Rest of World revenue for the three months ended September 30, 2020, compared to the same period of 2019, was due to increased sales in the Microfabrication market, while the decrease in Rest of World revenue for the nine months ended September 30, 2020, compared to the same period of 2019, was driven by lower sales in all markets.

#### Cost of Revenues and Gross Margin

Cost of revenues consists primarily of manufacturing materials, payroll, shipping and handling costs, tariffs and manufacturing-related overhead. We order materials and supplies based on backlog and forecasted customer orders. We expense all warranty costs and inventory provisions as cost of revenues.

Our gross profit and gross margin were as follows for the periods presented (dollars in thousands):

	Three Months Ended September 30,						Change	
	Laser Products	Advanced Development	Corporate and Other	2020	2019	\$	%	
Gross profit	\$ 16,977	\$ 688	\$ (505)	\$ 17,160	\$ 12,962	\$ 4,198	32.4 %	
Gross margin	33.2 %	6.5 %	NM	27.8 %	29.6 %	—	(1.8)%	

	Nine Months Ended September 30,						Change	
	Laser Products	Advanced Development	Corporate and Other	2020	2019	\$	%	
Gross profit	\$ 39,198	\$ 1,708	\$ (1,189)	\$ 39,717	\$ 42,347	\$ (2,630)	(6.2)%	
Gross margin	29.4 %	7.1 %	NM	25.3 %	31.7 %	—	(6.4)%	

The increase in Laser Products gross margin for the three months ended September 30, 2020, compared to the same period of 2019, was driven primarily by product cost improvements, higher production volume and factory utilization, and changes in sales mix. The decrease in Laser Products gross margin for the nine months ended September 30, 2020, compared to the same period of 2019, was primarily due to overall price reductions in the Industrial market and increased reserve charges, offset partially by product cost improvements and changes in sales mix. Since we operated only in the Laser Products segment prior to the acquisition of Nutronics in 2019, no segment breakout is presented for the comparative periods in 2019.

**Operating Expenses**

Our operating expenses were as follows for the periods presented (dollars in thousands):

*Research and Development*

	Three Months Ended September 30,		Change	
	2020	2019	\$	%
Research and development	\$ 11,126	\$ 6,402	\$ 4,724	73.8 %

	Nine Months Ended September 30,		Change	
	2020	2019	\$	%
Research and development	\$ 29,136	\$ 19,318	\$ 9,818	50.8 %

The increase in research and development expense for the three and nine months ended September 30, 2020, compared to the same periods in 2019, was primarily due to increases in stock-based compensation of \$2.1 million and \$4.9 million, respectively; increases in purchased intangible amortization from the Nutronics acquisition of \$0.7 million and \$2.0 million, respectively; and increased project-related costs to support our development efforts.

*Sales, General and Administrative*

	Three Months Ended September 30,		Change	
	2020	2019	\$	%
Sales, general, and administrative	\$ 10,010	\$ 7,256	\$ 2,754	38.0 %

	Nine Months Ended September 30,		Change	
	2020	2019	\$	%
Sales, general, and administrative	\$ 27,343	\$ 23,972	\$ 3,371	14.1 %

The increase in sales, general and administrative expense for the three and nine months ended September 30, 2020, compared to the same periods in 2019 was primarily due to increases in stock-based compensation of \$3.3 million and \$5.8 million, respectively, offset partially by decreases in marketing costs, travel and entertainment, and professional service fees.

*Interest Income (Expense), net*

	Three Months Ended September 30,		Change	
	2020	2019	\$	%
Interest income (expense), net	\$ (96)	\$ 665	\$ (761)	(114.4)%

	Nine Months Ended September 30,		Change	
	2020	2019	\$	%
Interest income (expense), net	\$ 122	\$ 2,155	\$ (2,033)	(94.3)%

The decrease in interest income (expense), net, for the three and nine months ended September 30, 2020, compared to the same periods in 2019 was primarily attributable to lower balances in our money market funds coupled with a decrease in the market rates on those funds.

**Other Income, net**

	Three Months Ended September 30,		Change	
	2020	2019	\$	%
Other income, net	\$ 477	\$ 90	\$ 387	430.0%

	Nine Months Ended September 30,		Change	
	2020	2019	\$	%
Other income, net	\$ 63	\$ 3	\$ 60	2,000.0%

The changes in other income, net for the three and nine months ended September 30, 2020, compared to the same periods in 2019 was primarily attributable to changes in net realized and unrealized foreign exchange transactions resulting from currency rate fluctuations.

**Income Tax Expense**

	Three Months Ended September 30,		Change	
	2020	2019	\$	%
Income tax expense (benefit)	\$ (1,485)	\$ 837	\$ (2,322)	(277.4)%

	Nine Months Ended September 30,		Change	
	2020	2019	\$	%
Income tax expense (benefit)	\$ (162)	\$ 3,383	\$ (3,545)	(104.8)%

We record income tax expense for taxes in our foreign jurisdictions including Finland and Korea. We also record tax expense for uncertain tax positions taken and associated penalties and taxes. We consider all available evidence, both positive and negative, in assessing the extent to which a valuation allowance should be applied against our deferred tax assets. Due to the uncertainty with respect to their ultimate realizability in the U.S. and China, we continue to maintain a full valuation allowance in both jurisdictions as of September 30, 2020.

The decrease in income tax expense for the three and nine months ended September 30, 2020, compared to the same periods in 2019 was driven by a decrease in income from our Finland operations and a \$1.7 million prior year tax benefit true-up related to purchase accounting for Nutronics. Our tax expense is dependent on the geographic mix of earnings and primarily related to our foreign operations.

**Liquidity and Capital Resources**

We had cash and cash equivalents of \$110.2 million and \$117.3 million as of September 30, 2020 and December 31, 2019, respectively.

For the nine months ended September 30, 2020, our principal uses of liquidity were to acquire a commercial property in Camas, Washington, and fund our working capital needs. Our principal sources of liquidity for the nine months ended September 30, 2020 included cash flows from operations. In addition, \$15 million of proceeds was drawn from our revolving line of credit in the first quarter of 2020 and repaid in full during the third quarter of 2020.

We believe our existing sources of liquidity will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. However, we may need to raise additional capital to expand the commercialization of our products, fund our operations and further our research and development activities. Our future capital requirements may vary materially from period to period and will depend on many factors, including the timing and extent of spending on research and development efforts, the expansion of sales and marketing activities, the continuing market acceptance of our products and ongoing investments to support the growth of our business. We may in the future enter into arrangements to acquire or invest in

complementary businesses, services, technologies and intellectual property rights. From time to time, we may explore additional financing sources which could include equity, equity-linked and debt financing arrangements.

The following table summarizes our cash flows for the periods presented (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Net cash provided by (used in) operating activities	\$ 14,694	\$ (1,894)
Net cash used in investing activities	(20,280)	(9,988)
Net cash provided by (used in) financing activities	(1,638)	1,238
Effect of exchange rate changes on cash	373	29
Net decrease in cash	<u>\$ (6,851)</u>	<u>\$ (10,615)</u>

#### ***Net Cash Provided by (Used in) Operating Activities***

During the nine months ended September 30, 2020, net cash provided by operating activities was \$14.7 million, which was primarily driven by \$16.4 million of net loss reported for the period, and non-cash adjustments of \$28.7 million related to depreciation and amortization, stock-based compensation, and other items. These items were partially offset by increases of \$6.4 million in inventory and \$10.6 million in accounts payable. The increase in inventory supported new product introductions, decreased customer lead times and increased safety stock. The increase in accounts payable was primarily driven by timing of vendor payments.

During the nine months ended September 30, 2019, net cash used in operating activities was \$1.9 million, which was driven by \$2.2 million of net loss reported in the period, and non-cash adjustments of \$12.2 million related to depreciation and amortization, stock-based compensation, and other items. These items were offset by increases of \$2.8 million in accounts receivable, \$11.1 million in inventory, and \$3.3 million in accounts payable. The reasons for the increases were as follows: in accounts receivable, due to the timing of sales and customer collections; in inventory, primarily to support new product introductions; and in accounts payable, due to timing of vendor payments.

#### ***Net Cash Used in Investing Activities***

During the nine months ended September 30, 2020, net cash used in investing activities was \$20.3 million, primarily resulting from \$19.4 million of capital expenditures related to the acquisition of commercial property and other investments in manufacturing equipment for our worldwide operations.

During the nine months ended September 30, 2019, net cash used in investing activities was \$10.0 million, which was primarily due to capital expenditures related to investments in manufacturing equipment in our worldwide operations.

#### ***Net Cash Provided by (Used in) Financing Activities***

During the nine months ended September 30, 2020, net cash used in financing activities was \$1.6 million, which was primarily driven by \$3.3 million of withholding tax payments related to vesting of restricted stock awards, offset by \$1.8 million of proceeds from stock option exercises and employee stock program purchases. In addition, the \$15.0 million in proceeds from our revolving line of credit drawn in the first quarter of 2020 was paid in full during the third quarter of 2020.

During the nine months ended September 30, 2019, net cash provided by financing activities was \$1.2 million, which was primarily driven by \$1.8 million of proceeds from stock option exercises and employee stock plan purchases, partially offset by \$0.5 million of withholding tax payments related to vesting of restricted stock awards.

#### **Credit Facilities**

We have a \$40.0 million revolving line of credit with Pacific Western Bank which is secured by our assets and expires in September 2021. Interest on the line of credit is based primarily on the London Interbank Offered Rate (LIBOR), or an alternative rate such as the Prime rate, plus or minus, respectively, a margin based on certain liquidity levels. The loan agreement contains restrictive and financial covenants and bears an unused credit fee of 0.20% on an annualized basis. As of September 30, 2020, no amounts were outstanding under the line of credit, and we were in compliance with all covenants under the loan agreement.

### **Contractual Obligations**

For the nine months ended September 30, 2020, our contractual obligations increased by approximately \$11.7 million for operating leases and approximately \$1.4 million for the earn-out and hold-back amounts related to the acquisition of OPI. There have been no other material changes to our significant contractual obligations as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

### **Off-Balance Sheet Arrangements**

Since inception, we have not had any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or for another contractually narrow or limited purpose.

### **Inflation**

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could materially adversely affect our business, financial condition and results of operations.

### **Recent Accounting Pronouncements**

See Note 1 to Consolidated Financial Statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For financial market risks related to changes in interest rates and foreign currency exchange rates, reference is made to Item 7A “Quantitative and Qualitative Disclosures about Market Risk” contained in Part II of our Annual Report on Form 10-K for the year ended December 31, 2019. Our exposure to market risk has not changed materially since December 31, 2019.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our chief executive officer and our chief financial officer, have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and our chief financial officer have concluded that, as of such date, our disclosure controls and procedures were, in design and operation, effective.

#### *Changes in Internal Control over Financial Reporting*

Our chief executive officer and our chief financial officer did not identify any changes in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act during the three months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We acquired OPI Photonics S.r.l. (OPI) on July 30, 2020 and Nutronics, Inc. (Nutronics) on November 14, 2019, and have not yet completed the process of integrating the acquired businesses' internal controls over financial reporting into our overall internal controls over financial reporting processes.

#### *Inherent Limitation on the Effectiveness of Internal Control*

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their

costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

## PART II

### ITEM I. LEGAL PROCEEDINGS

We may, from time to time, be party to litigation and subject to claims incident to the ordinary course of business. As our company matures, we may become party to an increasing number of litigation matters and claims. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of these matters could materially adversely affect our business, financial condition, results of operations and growth prospects.

There have been no material changes to the legal proceedings disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

### ITEM IA. RISK FACTORS

*You should carefully consider the following risk factors, in addition to the other information contained in this report, including the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes. This report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this report.*

With the exception of the risk factors identified below, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

#### Risks Related to our Business and Industry

***Our operations are vulnerable to the impact of COVID-19 and other public health crises, which have disrupted and likely will continue to disrupt our manufacturing and supply chain and adversely affect our business and operating results.***

We are vulnerable to the impact of COVID-19 and other public health crises. The impact of COVID-19, including disruptions to our business, impact on end-market demand, restrictions on individual and business activities, and global liquidity concerns, has created significant volatility in the macro-economic environment and led to reduced economic activity. There have been material actions taken by global government authorities to contain and slow the spread of COVID-19, including travel bans, quarantines, and stay-at-home orders to restrict activities for individuals and businesses. The duration of many stay-at-home orders, and the conditions and timing under which many restrictions will be lifted or reinstated, are unknown.

In response to the global pandemic, many of our non-manufacturing personnel outside of China have been working from home since March 2020. Our global manufacturing operations, including our U.S. facilities located in Vancouver and Camas, Washington, Hillsboro, Oregon, and Longmont, Colorado have been designated as essential businesses and therefore continue to operate. Our facility in Lohja, Finland also continues to operate. Our Shanghai manufacturing facility was closed for an additional one week following the Chinese New Year, due to COVID-19, but has since remained open. In the best interest of our employees and regions in which our teams operate, we have implemented significant preventative measures to ensure the health and safety of our employees and the communities in which we operate.

The full impact of the COVID-19 pandemic on our financial condition and results of operations will depend on future events and developments, such as the duration and magnitude of the pandemic, impacts on our suppliers and customers, the demand for our products, and whether the pandemic leads to recessionary conditions in any of our key markets. Additionally, our supply and distribution chains may be disrupted or their operations discontinued permanently. As such, the ultimate impact on our financial condition and results of operations cannot be determined at this time. As long as the COVID-19 pandemic continues, our business, financial condition and results of operations may be adversely affected.

The COVID-19 pandemic may also intensify the risks described in the other risk factors disclosed in this report and our other Securities and Exchange Commission filings.

***We have substantial sales and business operations in China, which exposes us to risks inherent in doing business there.***

Our business operations in China and our sales to Chinese customers are critical to our success. As of September 30, 2020, we had approximately 580 full-time employees at our Shanghai facility where we have high-volume manufacturing, fiber laser assembly and sales operations. Moreover, approximately 34% and 37% of our revenues were derived from China for the nine months ended September 30, 2020 and 2019, respectively. As a result, downturns in the Chinese economy could materially adversely affect our results of operations. The Chinese economy differs from the economies of other developed countries in many respects, including the level of government involvement, level of development, growth rate and control of foreign exchange and allocation of resources. The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Despite reforms, the government continues to exercise significant control over China's economic growth by way of the allocation of resources, control over foreign currency-denominated obligations and monetary policy and provision of preferential treatment to particular industries or companies. We cannot predict the future economic policies of the Chinese government or their effect on the regional or global economy and we cannot predict other governments' economic policies toward China. For example, the United States and China have imposed a number of tariffs and other restrictions on items imported or exported between the United States and China, and could impose additional tariffs or other trade restrictions. These or other events may lead to a significant reduction in demand for our products, which could materially adversely affect our results of operations.

The political, legal and regulatory climate in China, both nationally and regionally, is fluid and unpredictable, and operating in China exposes us to political and legal risks. Our ability to operate in China may be materially adversely affected by changes in Chinese laws and regulations such as those related to, among other things, taxation, import and export tariffs or other trade restrictions, environmental regulations, land use rights, intellectual property, currency controls, network security, privacy, employee benefits and overtime policies and other matters. Our operations in China are subject to numerous laws, regulations, rules and specifications relating to human health and safety and the environment. Applicable laws, rules and regulations often lack clarity and it is difficult to predict how any of these laws, rules and regulations will be enforced. If we or our employees or agents violate, or are alleged to have violated, any of these laws, rules and regulations, we or our employees could be subject to civil or criminal penalties, damages or fines, or our employees or agents could be detained, imprisoned or prevented from entering China, any of which could materially adversely affect our results of operations.

In addition, our business in China is subject to audit and financial risks as a result of varying accounting, auditing and financial reporting standards, accountability and protections, including risks related to the lack of access by the Public Company Accounting Oversight Board (United States) (PCAOB) to inspect PCAOB-registered accounting firms.

***A breach of our information technology and security systems could materially adversely affect our business.***

We use information technology and security systems to maintain our facility's physical security and to protect proprietary and confidential information, including that of our customers, suppliers and employees. Accidental or willful security breaches or other unauthorized access to our facilities or information systems, or viruses, loggers, or other malfeasant code in our data or software, could compromise this information. The consequences of such loss and possible misuse of our proprietary and confidential information could include, among other things, unfavorable publicity, damage to our reputation, difficulty marketing our products, customer allegations of breach-of-contract, litigation by affected parties and possible financial liabilities for damages, any of which could materially adversely affect our business, financial condition, reputation and relationships with customers and partners. We also rely on a number of third-party "cloud-based" providers of corporate infrastructure services relating to, among other things, human resources, electronic communication services and some financial functions, and we are therefore dependent on the security systems of these providers. Any security breaches or other unauthorized access to our service-providers' systems or viruses, loggers or other malfeasant code in their data or software could expose us to information loss and misappropriation of confidential information. Because the techniques used to obtain unauthorized access to or sabotage security systems change frequently and are often not recognized until after an attack, we may be unable to anticipate the techniques or implement adequate preventative measures, thereby exposing us to material adverse effects on our business, financial condition, results of operations and growth prospects. Moreover, the increase in remote working during the COVID-19 pandemic may also result in heightened privacy, data security and fraud risks, and our understanding of applicable legal and regulatory requirements, as well as the latest guidance from regulatory authorities in connection with the COVID-19 pandemic, may be subject to legal or regulatory challenge, particularly as regulatory guidance evolves in response to future developments.

***We are subject to regulatory compliance requirements, including Section 404 of the Sarbanes-Oxley Act of 2002. If we fail to maintain an effective system of internal controls we may not be able to accurately report our consolidated financial results or prevent fraud.***

We are subject to the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal controls over financial reporting. However, our independent registered public accounting firm will not be required to report on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act until our annual report on Form 10-K for the fiscal year ending December 31, 2020. Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud.

Our testing of key controls over financial reporting, or the subsequent testing by our independent registered public accounting firm required under the Sarbanes-Oxley Act for the fiscal year ending December 31, 2020, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock would likely decline and we could be subject to lawsuits, sanctions or investigations by regulatory authorities, which would require additional financial and management resources.

In addition, the Sarbanes-Oxley Act requirements may be modified, supplemented or amended from time to time. Implementing the changes may take significant time and may require additional employee compliance training. We or our independent registered public accounting firm may discover internal controls that need improvement. A discovery of a material weakness, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price. Any inability to provide reliable financial reports or prevent fraud could harm our business. We cannot assure you that we will be able to fully comply with the requirements of the Sarbanes-Oxley Act or that management or our independent registered public accounting firm will conclude that our internal controls are effective in future periods. Irrespective of compliance with Section 404, any failure of our internal controls could have a material adverse effect on our stated operating results and harm our reputation.

In addition, we are subject to the reporting requirements of the Exchange Act, the listing requirements of the Nasdaq Stock Market, and other applicable securities rules and regulations. As a consequence, and particularly after we cease to be an "emerging growth company" at the end of the fiscal year ending December 31, 2020, we expect to continue to incur legal, accounting and other expenses. We also anticipate that we will continue to incur costs associated with corporate governance requirements, including requirements of the SEC and the Nasdaq Stock Market. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our Board of Directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

***Our growth is dependent, in part, on the successful integration of acquired businesses. Future acquisitions could result in operating difficulties and may materially adversely affect our business, financial condition, results of operations and growth prospects.***

On November 14, 2019, we acquired Nutronics, Inc. (Nutronics), and on July 30, 2020, we acquired OPI Photonics S.r.l. (OPI). The successful integration of Nutronics and OPI depends on the realization of anticipated efficiencies and synergies. If we are unable to successfully integrate Nutronics and OPI, or realize growth, synergies and efficiencies that were expected when determining the respective transaction consideration, then goodwill and other intangible assets acquired may be considered impaired and result in an adverse impact on our business, financial condition, results of operations and growth prospects.

We have evaluated, and expect to continue evaluating, other potential strategic transactions, and we may pursue one or more transactions, including acquisitions. We have limited experience executing acquisitions. Integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures. If we fail to successfully integrate our acquisitions, or the people or technologies associated with those acquisitions, into our company, the results of operations of the combined company could be adversely affected. Any integration process will require significant time and resources, require significant attention from management, and disrupt the ordinary functioning of our business, and we may not be able to manage the process successfully, which could adversely affect our business, results of operations, and financial condition.

We may have to pay cash, incur debt, or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. If we incur more debt, it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to flexibly operate our business.



## Risks Related to Ownership of our Common Stock

*We are an "emerging growth company," and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.*

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups, or JOBS, Act enacted in April 2012, and, until we are no longer an "emerging growth company" at the end of the fiscal year ending December 31, 2020, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies." For example, as an "emerging growth company" we have not been required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2002, or Section 404, have been subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Until we are no longer an "emerging growth company," if some investors find our common stock less attractive as a result of any choices to reduce disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

As an "emerging growth company," the JOBS Act allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to use this extended transition period under the JOBS Act. As a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our common stock less attractive to investors.

*Delaware and Washington law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock.*

Anti-takeover provisions in our charter documents and under Delaware and Washington law could make an acquisition of us difficult, limit attempts by our stockholders to replace or remove our current management or Board of Directors and adversely affect our stock price.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our stock. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws:

- permit the Board of Directors to issue up to 5 million shares of preferred stock, with any rights, preferences and privileges as they may designate;
- provide that the authorized number of directors may be changed only by resolution of the Board of Directors;
- provide that all vacancies on our Board of Directors may only be filled by our Board of Directors and not by stockholders;
- divide the Board of Directors into three classes;
- provide that a director may only be removed from the Board of Directors by the stockholders for cause;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner and meet specific requirements as to the form and content of a stockholder's notice;
- prevent cumulative voting rights (therefore allowing the holders of a plurality of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose);
- provide that special meetings of our stockholders may be called only by the chairman of the board, our chief executive officer (or president, in the absence of a chief executive officer) or by the Board of Directors; and

- provide that stockholders will be permitted to amend our amended and restated certificate of incorporation, and until December 31, 2020, our amended and restated bylaws only upon receiving at least two-thirds of the total votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Likewise, because our principal executive offices are located in Washington, the anti-takeover provisions of the Washington Business Corporation Act may apply to us under certain circumstances now or in the future. These provisions prohibit a "target corporation" from engaging in any of a broad range of business combinations with any stockholder constituting an "acquiring person" for a period of five years following the date on which the stockholder became an "acquiring person."

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (iii) any action arising pursuant to any provision of the Delaware General Corporation Law, or our amended and restated certificate of incorporation or our amended and restated bylaws or (iv) any other action asserting a claim that is governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to the court having jurisdiction over indispensable parties named as defendants.

Our amended and restated bylaws also provide that the federal district courts of the United States of America are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. On December 19, 2018, the Delaware Court of Chancery issued a decision in *Matthew Sciacacchi v. Matthew B. Salzberg et al.*, C.A. No. 2017-0931-JTL (Del. Ch.), finding that provisions such as the federal forum provision are not valid under Delaware law. In light of this decision of the Delaware Court of Chancery, we previously disclosed that we do not intend to enforce the federal forum provision in our amended and restated bylaws unless and until such time there is a final determination by the Delaware Supreme Court regarding the validity of such provisions. On March 18, 2020, the Delaware Supreme Court issued its decision in *Salzburg et al. v. Matthew Sciacacchi*, No. 346, 2019 (Del.), which reversed the Delaware Court of Chancery's decision. The Delaware Supreme Court found that provisions such as the federal forum provision are facially valid under Delaware law. In light of this decision finally resolving the facial validity of such provisions, we intend to enforce the federal forum provision in our bylaws.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision. These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find either exclusive-forum provision in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

## **ITEM 6. EXHIBITS**

### (a) Exhibits

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Registrant</a>	10-Q	001-38462	3.1	May 25, 2018	
3.2	<a href="#">Amended and Restated Bylaws of the Registrant</a>	8-K	001-38462	3.1	April 21, 2020	
4.1	<a href="#">Specimen Common Stock Certificate of the Registrant</a>	S-1/A	333-224055	4.1	April 16, 2018	
4.2	<a href="#">Amended and Restated Investors' Rights Agreement, dated April 28, 2017, by and among the registrant and the parties named therein</a>	S-1	333-224055	4.2	March 30, 2018	
10.1	<a href="#">Third Amendment to Lease, by and between Nutronics, Inc. and GCC Longmont Holdings, Limited Partnership, dated July 1, 2020</a>	10-Q	001-38462	10.3	August 6, 2020	
10.2	<a href="#">Fourth Amendment to Lease, by and between nLIGHT, Inc. and Dutton Aspen LLC, effective June 2, 2020</a>					X
10.3	<a href="#">Fourth Amendment to Lease, by and between Nutronics, Inc. and GCC Longmont Holdings, Limited Partnership, dated November 3, 2020</a>					X
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					X
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					X
32.1*	<a href="#">Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

\* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

**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, thereunto duly authorized.

**NLIGHT, INC.**  
(Registrant)

November 6, 2020  
\_\_\_\_\_  
Date

By: /s/ SCOTT KEENEY  
\_\_\_\_\_  
Scott Keeney  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

November 6, 2020  
\_\_\_\_\_  
Date

By: /s/ RAN BAREKET  
\_\_\_\_\_  
Ran Bareket  
*Chief Financial Officer*  
*(Principal Accounting and Financial Officer)*

**FOURTH AMENDMENT TO LEASE  
(5408 NE 88th Avenue)**

THIS FOURTH AMENDMENT TO LEASE ("Fourth Amendment"), dated and effective June 2, 2020, is by and between DUTTON ASPEN LLC, an Oregon limited liability company ("Landlord") and nLIGHT, INC. (formerly nLIGHT Photonics Corporation), a Delaware corporation ("Tenant").

**RECITALS**

A. Pursuant to an Amended and Restated Lease dated April 1, 2010 (the "Lease") originally between Aspen North Park L.L.C. ("Aspen North") and Tenant, Aspen North leased to Tenant and Tenant leased from Aspen North certain premises located at 5408 NE 88th Street, Vancouver, Washington and more particularly described therein (the "Premises").

B. The Lease was amended by a First Amendment to Lease dated June 18, 2012 (the "First Amendment"), a Second Amendment to Lease dated August 1, 2016 (the "Second Amendment"), and a Third Amendment dated June 1, 2020 (the "Third Amendment"), whereby, among other matters (i) certain property was added to the Premises, (ii) Tenant authorized the construction of additional parking spaces on the Premises, and (iii) the Term was extended to May 31, 2035. The Lease, the First Amendment, the Second Amendment, and the Third Amendment are referred to herein collectively as the "Lease."

C. Pursuant to an Assignment of Lease dated June 25, 2012, Aspen North assigned all of its interest under the Lease to Landlord.

D. Landlord and Tenant desire to amend the Lease on the terms and conditions set forth below. Except as noted herein, defined terms in this Fourth Amendment shall have the same meaning given to such terms in the Lease.

NOW, THEREFORE, for good and valuable consideration, Landlord and Tenant agree as follows:

1. **Letter of Credit.** Landlord and Tenant acknowledge and agree that the Letter of Credit shall solely secure Tenant's Surrender Obligations, and that, except as provided below, Landlord shall not be entitled to draw upon the Letter of Credit in the event of a default by Tenant of other obligations under the Lease. In the event the issuing Bank gives notice of non-renewal, Tenant shall have the right to obtain a replacement Letter of Credit in a form and from an issuing bank acceptable to Landlord. If the replacement Letter of Credit has not been issued at least ten (10) business days prior to the expiration date of the existing Letter of Credit, Landlord may (i) draw upon the Letter of Credit, and (ii) place the funds in a deposit account to secure Tenant's Surrender Obligations.



2. **Full Force and Effect.** Except as amended by the First Amendment, the Second Amendment, the Third Amendment, and this Fourth Amendment, the Lease is in full force and effect.

LANDLORD:

DUTTON ASPEN LLC

By:   
B. Daniel Dutton, Manager

TENANT:

nLIGHT, INC.

By:   
Ran Bareket, Chief Financial Officer







## FOURTH AMENDMENT TO LEASE

THIS FOURTH AMENDMENT TO LEASE ("Amendment"), dated effective as of 11/3/2020, is entered into by and between GCC LONGMONT HOLDINGS, LIMITED PARTNERSHIP, a Delaware limited partnership ("Landlord"), and NUTRONICS, INC., a Nevada corporation ("Tenant").

WITNESSETH:

WHEREAS, Landlord's predecessor in interest and Tenant entered into that certain Lease dated July 3, 2014 ("Original Lease"), as amended by that certain First Amendment to Lease dated August 4, 2016 ("First Amendment"), that certain Second Amendment to Lease dated November 2, 2016 ("Second Amendment"), that certain Expansion Date Acknowledgement and Agreement dated May 3, 2017 ("Acknowledgement"), and that certain Third Amendment to Lease dated July 1, 2020 ("Third Amendment"; the Original Lease as amended by the First Amendment, the Second Amendment, the Acknowledgement and the Third Amendment, the "Lease"), pertaining to those certain premises consisting of approximately 37,935 rentable square feet of space (the "Existing Premises"), which consists of 16,792 rentable square feet of space ("1851 Premises") in the building having an address of 1851 Lefthand Circle, Longmont, Colorado (the "1851 Building"), and 21,143 rentable square feet of space ("Expansion Premises") in the building having an address of 1841 Lefthand Circle, Longmont, Colorado (the "1841 Building"). Terms not otherwise defined herein shall have their respective meanings set forth in the Lease.

WHEREAS, the parties desire to further expand the Existing Premises with additional space in the 1841 Building, and extend the Term of the Lease for the Premises, as provided herein;

WHEREAS, the obligations of Tenant under the Lease are guaranteed by nLIGHT, Inc., a Delaware corporation ("Guarantor") pursuant to that certain Guaranty executed concurrently with the Third Amendment ("Guaranty")

WHEREAS, the parties desire to amend the Lease to reflect the expansion of the Existing Premises, extension of the Term, and otherwise the amendment of the Lease in the manner and form hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, Landlord and Tenant hereby agree as follows:

1. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, in addition to the Existing Premises, space in the 1841 Building consisting of approximately 8,457 rentable square feet (the "Second Expansion Premises"), as shown on Exhibit A hereto and made a part hereof by reference, on all of the terms of the Lease as herein amended on the following basis:

A. Tenant's right to occupy the Second Expansion Premises and its obligations under the Lease with respect to the Second Expansion Premises, including but not limited to Tenant's obligations to pay Rent and other charges payable pursuant to the Lease, shall commence on November 1, 2020 (the "Second Expansion Date"). The Lease, as it pertains to both the Existing Premises and the Second Expansion Premises, shall terminate on the last day of the 90th whole calendar month after the Expansion Date (as defined in the Third Amendment) for the Expansion Premises. As of the Second Expansion Date, references to Premises in the Lease shall include the Second Expansion Premises, Tenant's occupancy of the Second Expansion Premises shall be subject to all terms of the Lease as herein specifically amended, and the Premises described in the Lease shall consist of the Existing Premises and the Second Expansion Premises for a total of approximately 46,392 rentable square feet of space.



B. Except as expressly set forth herein, Landlord has no obligation to make or pay for improvements or alterations to the Existing Premises or the Second Expansion Premises, and Tenant accepts the Existing Premises and the Second Expansion Premises in their current "as is" condition as of the date of this Amendment. At the request of Landlord, the parties will evidence the Expansion Date, Second Expansion Date, and such other matters set forth therein in an agreement substantially in the form of Exhibit B attached hereto, which agreement will contain a revised Base Rent schedule for the Premises and shall replace Exhibit B to the Third Amendment.

C. Landlord shall reimburse Tenant for the cost of improvements to be made by Tenant to the Second Expansion Premises (the "Second Expansion Improvements") up to a maximum amount of \$253,710.00 (or \$30.00 per square foot of rentable space in the Second Expansion Premises) (the "Second Expansion Allowance"). The Second Expansion Allowance shall be used to pay for expenditures related to the Second Expansion Improvements including but not limited to costs of all labor, materials, permits, fees, contractors and subcontractors' charges, and, pursuant to Section 10 of the Lease, payment of Landlord's supervisory fee in an amount equal to \$95.00 per hour or, if the Second Expansion Improvements are not constructed by Landlord's employees, 3% of project costs of the Improvements, plus any out of pocket engineering and architectural review costs. All costs of the Second Expansion Improvements in excess of the Allowance shall be at Tenant's expense. Tenant is responsible for and shall pay all costs and expenses of the Second Expansion Improvements that are not allowable as expenditures from the Second Expansion Allowance as such amounts become due and payable. Promptly following completion of the Second Expansion Improvements, Tenant will deliver to Landlord a request for payment of the Second Expansion Allowance, accompanied by all of the following in form and substance reasonably satisfactory to Landlord: (a) a copy of the contract with Tenant's general contractor which includes a plan or scope of work to be performed; (b) duly executed unconditional lien waivers and such other affidavits, certificates, information, and data as may be reasonably requested by Landlord from all general contractors, subcontractors and materialmen performing work on the Premises; (c) an itemized computation of the actual total costs incurred by Tenant ("Actual Costs") and paid invoices evidencing payment of the Actual Costs; (d) final as-built plans and specifications for the Second Expansion Improvements; and (e) such other information and documentation as Landlord or Landlord's lender may reasonably request to evidence the proper, lien-free completion of the Second Expansion Improvements. Unless Landlord reasonably disputes in writing Tenant's assertion that the Second Expansion Improvements have been completed in accordance with the provisions of the Lease as herein amended, within 30 days after Landlord's receipt, review and reasonable approval of all of the foregoing, Landlord will pay to Tenant the amount of the Actual Costs of the Second Expansion Improvements, up to the maximum amount of the Second Expansion Allowance. In no event will Landlord have any obligation to reimburse Tenant for any costs of the Second Expansion Improvements in excess of the Second Expansion Allowance. Unless otherwise agreed by Landlord and Tenant in writing, if any portion of the Second Expansion Allowance has not been requested by Tenant on or before the date that is 24 full calendar months from the date of this Amendment, such amount will be forfeited by Tenant to Landlord. The Second Expansion Improvements shall be performed as alterations in accordance with the terms and conditions of the Lease, including without limitation Section 10 of the Lease. In addition to the Second Expansion Allowance, if requested in writing by Tenant, Landlord shall pay the cost of the initial space plan for the Second Expansion Improvements and shall pay for one revision to the space plan. Notwithstanding anything contained herein to the contrary, in addition to the Allowance as provided in the Third Amendment, Tenant may use all or any portion of the Second Expansion Allowance toward the costs of the Improvements being made to the Expansion Premises and/or to the Existing Premises.

D. In addition to Tenant's parking rights for the Existing Premises and the Expansion Premises, Tenant shall have the right to use 27 additional parking spaces in the parking areas for the 1841 Building, based on a parking ratio of 3.21 spaces/1,000 rentable square feet leased. Tenant's use of the parking areas shall be subject to and in accordance with the provisions of the Lease, as herein amended.





E. Tenant acknowledges that the Second Expansion Premises is currently occupied by another tenant ("Existing Tenant"). Therefore, the effectiveness of this Amendment is conditioned upon Landlord entering into a lease amendment with Existing Tenant pursuant to which Existing Tenant agrees to vacate and surrender the Second Expansion Premises to Landlord. Landlord shall not be liable for any delay in delivery of the Second Expansion Premises to Tenant due to Existing Tenant's delay in vacating and surrendering the Second Expansion Premises, and Tenant's sole remedy for such delay shall be the delay of the Second Expansion Date until the Existing Tenant has vacated and surrendered the Expansion Premises to Landlord.

2. Commencing on the Second Expansion Date, in addition to Base Rent for the Existing Premises, Tenant shall pay Base Rent for the Second Expansion Premises in the manner provided in the Lease in accordance with the following schedule:

Period	Annual PSF	Monthly Base Rent*
Second Expansion Date through Month 12 after Expansion Date	\$12.00	\$8,457.00
Month 13 through Month 24	\$12.50	\$8,809.38
Month 25 through Month 36	\$13.00	\$9,161.75
Month 37 through Month 48	\$13.50	\$9,514.13
Month 49 through Month 60	\$14.00	\$9,866.50
Month 61 through Month 72	\$14.50	\$10,218.88
Month 73 through Month 90	\$15.00	\$10,571.25

\*Notwithstanding anything to the contrary, Tenant may abate the payment of Base Rent (but not any other charges payable by Tenant pursuant to the Lease) for the first 3 months following the Second Expansion Date (the "Second Abated Rent Period"). Rents payable hereunder are allocable to, and will be accrued by the parties during, their fiscal periods in which the same is actually paid. No portion of the Rent paid by Tenant during periods after the expiration of the Second Abated Rent Period will be allocated to such Second Abated Rent Period, nor is such Rent intended to be allocable to the Second Abated Rent Period. If at any time during the Term, an event of default by Tenant occurs, Tenant owes Landlord, in addition to all other amounts, the unamortized portion of the Rent abated hereunder, such amortization to be on a straight-line basis over the period commencing on the Second Expansion Date and continuing through the New Expiration Date. Tenant has no obligation to pay the abated amounts if no event of default by Tenant occurs prior to the expiration of the Term.

3. In addition to Base Rent for the Premises, Tenant shall be obligated to pay all other charges payable by Tenant for the Premises (inclusive of the Existing Premises and the Second Expansion Premises), including without limitation utilities and Tenant's Share of all Operating Costs, Taxes, insurance, and other sums payable by Tenant in accordance with the Lease for both the 1851 Building and the 1841 Building; provided, Tenant's Share for the 1841 Building shall be adjusted as of the Expansion Date and the Second Expansion Date based on the rentable square footage in the 1841 Building.

4. The Expansion Space Allowance (as defined in the Third Amendment) is hereby amended to be \$634,290.00 which consists of \$30.00 per square foot of rentable space in the Expansion Premises. The Existing Premises Allowance (as defined in the Third Amendment) is hereby amended to be \$142,732.00 which is \$8.50 per square foot of rentable space in the Existing Premises.

5. Section 3 of the Third Amendment is hereby deleted in its entirety and replaced with the following in lieu thereof:



Until the Expansion Date, Tenant shall continue to pay Base Rent for the Existing Premises pursuant to the terms of the Lease. Commencing on the Expansion Date, Tenant shall pay Base Rent for the Existing Premises pursuant to the terms of the Lease and, notwithstanding anything contained in the Lease to the contrary, in accordance with the following schedule:

Period	Annual PSF	Monthly Base Rent
Expansion Date through Month 12	\$12.00	\$16,792.00
Month 13 through Month 24	\$12.50	\$17,491.67
Month 25 through Month 36	\$13.00	\$18,191.33
Month 37 through Month 48	\$13.50	\$18,891.00
Month 49 through Month 60	\$14.00	\$19,590.67
Month 61 through Month 72	\$14.50	\$20,290.33
Month 73 through Month 90	\$15.00	\$20,990.00

In consideration for the increase in Base Rent applicable to the Existing Premises, in addition to the Allowance, Landlord provide Tenant with an additional allowance in the amount of \$79,720.02 (the "Additional Allowance"), which may be used for Improvements and is payable by Landlord in the same manner as the Allowance (as defined in the Third Amendment); provided, however, any amount not used by Tenant for the cost of Improvements may, upon Tenant's written notice to Landlord, be applied as a credit toward Base Rent payments first coming due after Tenant's notice. The Additional Allowance is based on the actual number of months of increased Base Rent for the Existing Premises, and if the Expansion Date (as defined in the Third Amendment) does not occur on or before February 1, 2021, then the Additional Allowance is subject to proportionate reduction. Unless otherwise agreed by Landlord and Tenant in writing, if any portion of the Allowance has not been requested by Tenant on or before July 1, 2022, such amount will be forfeited by Tenant to Landlord.

6. Section 4 of the Third Amendment is hereby deleted in its entirety and replaced with the following in lieu thereof:

Commencing on the Expansion Date, in addition to Base Rent for the Existing Premises and the Second Expansion Premises, Tenant shall pay Base Rent for the Expansion Premises pursuant to the terms of the Lease, in accordance with the following schedule:

Period	Annual PSF	Monthly Base Rent*
Expansion Date through Month 12	\$12.00	\$21,143.00
Month 13 through Month 24	\$12.50	\$22,023.96
Month 25 through Month 36	\$13.00	\$22,904.92
Month 37 through Month 48	\$13.50	\$23,785.88
Month 49 through Month 60	\$14.00	\$24,666.83
Month 61 through Month 72	\$14.50	\$25,547.79
Month 73 through Month 90	\$15.00	\$26,428.75

\*Notwithstanding anything to the contrary, Tenant may abate the payment of Base Rent (but not any other charges payable by Tenant pursuant to the Lease) for the first 6 months following the Expansion Date (as defined in the Third Amendment) (the "First Abated Rent Period"). Rents payable hereunder are allocable to, and will be accrued by the parties





during, their fiscal periods in which the same is actually paid. No portion of the Rent paid by Tenant during periods after the expiration of the First Abated Rent Period will be allocated to such First Abated Rent Period, nor is such Rent intended to be allocable to the First Abated Rent Period. If at any time during the Term, an event of default by Tenant occurs, Tenant owes Landlord, in addition to all other amounts, the unamortized portion of the Rent abated hereunder; such amortization to be on a straight-line basis over the period commencing on the Expansion Date (as defined in the Third Amendment) and continuing through the New Expiration Date. Tenant has no obligation to pay the abated amounts if no event of default by Tenant occurs prior to the expiration of the Term.

7. Upon execution of this Amendment, Tenant shall deposit with Landlord an additional amount equal to \$17,020.10 to be added to the existing Security Deposit being held by Landlord in the amount of \$62,232.90. Thereafter, Landlord shall hold the Security Deposit in the amount of \$79,253.00 for the duration of the Term as it may be extended.

8. The last two (2) sentences of Section 2 of the Third Amendment are hereby deleted in their entirety.

9. This Amendment shall not affect the Option to extend the Term of the Lease granted to Tenant in paragraph 1 of the Addendum, as amended by the Third Amendment.

10. Tenant hereby represents and warrants to Landlord that it has not engaged any broker in connection with the negotiation and/or execution of this Amendment other than JLL ("Tenant's Broker"), who has acted as Tenant's agent. Tenant has no knowledge of any broker's involvement in this transaction, other than Sentinel Management, Inc. ("Landlord's Broker"), who has acted as Landlord's agent. Landlord shall pay those commissions regarding this Amendment owed to Tenant's Broker and/or Landlord's Broker pursuant to a separate agreement. Tenant will indemnify Landlord against any claim or expense (including, without limitation, attorneys' fees) paid or incurred by Landlord as a result of any claim for commissions or fees by any broker, finder, or agent, whether or not meritorious, employed by Tenant or claiming by, through or under Tenant other than Tenant's Broker. Landlord will indemnify Tenant against any claim or expense (including, without limitation, attorneys' fees) paid or incurred by Tenant as a result of any claim for commissions or fees by any broker, finder, or agent, whether or not meritorious, employed by Landlord or claiming by, through or under Landlord.

11. If there is any conflict between the terms of this Amendment and the terms of the Lease, the terms of this Amendment govern. The Lease as hereby amended is in full force and effect, is hereby ratified and affirmed by the parties, and is binding upon the parties in accordance with its terms.

12. Time is of the essence herein.



IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year below and it is effective as of the date first above written.

NUTRONICS, INC., a Nevada corporation

DocuSigned by:  
By: Jeff Barchers  
Name: Jeff Barchers  
Title: VP/CTO  
Date of Signature: 10/28/2020  
"Tenant"

GCC LONGMONT HOLDINGS, LIMITED PARTNERSHIP, a Delaware limited partnership

By: GCC Longmont Holdings GP, Inc.,  
a Delaware corporation, its General Partner  
DocuSigned by:  
By: Dave Kristen  
Name: Dave Kristen  
Title: Managing Partner  
Date of Signature: 11/3/2020  
"Landlord"

GUARANTOR ACKNOWLEDGEMENT AND CONTINUED GUARANTY

By signature below, Guarantor acknowledges and approves the modifications of the Lease as set forth herein and agrees that its obligations under the Guaranty, including, but not limited to, Guarantor's obligation to remain jointly and severally primarily and directly liable for Tenant's payment obligations under the Lease, shall remain in full force and effect as to obligations arising under the Lease, as amended pursuant to this Amendment, through the term of the Lease, as same may be extended.

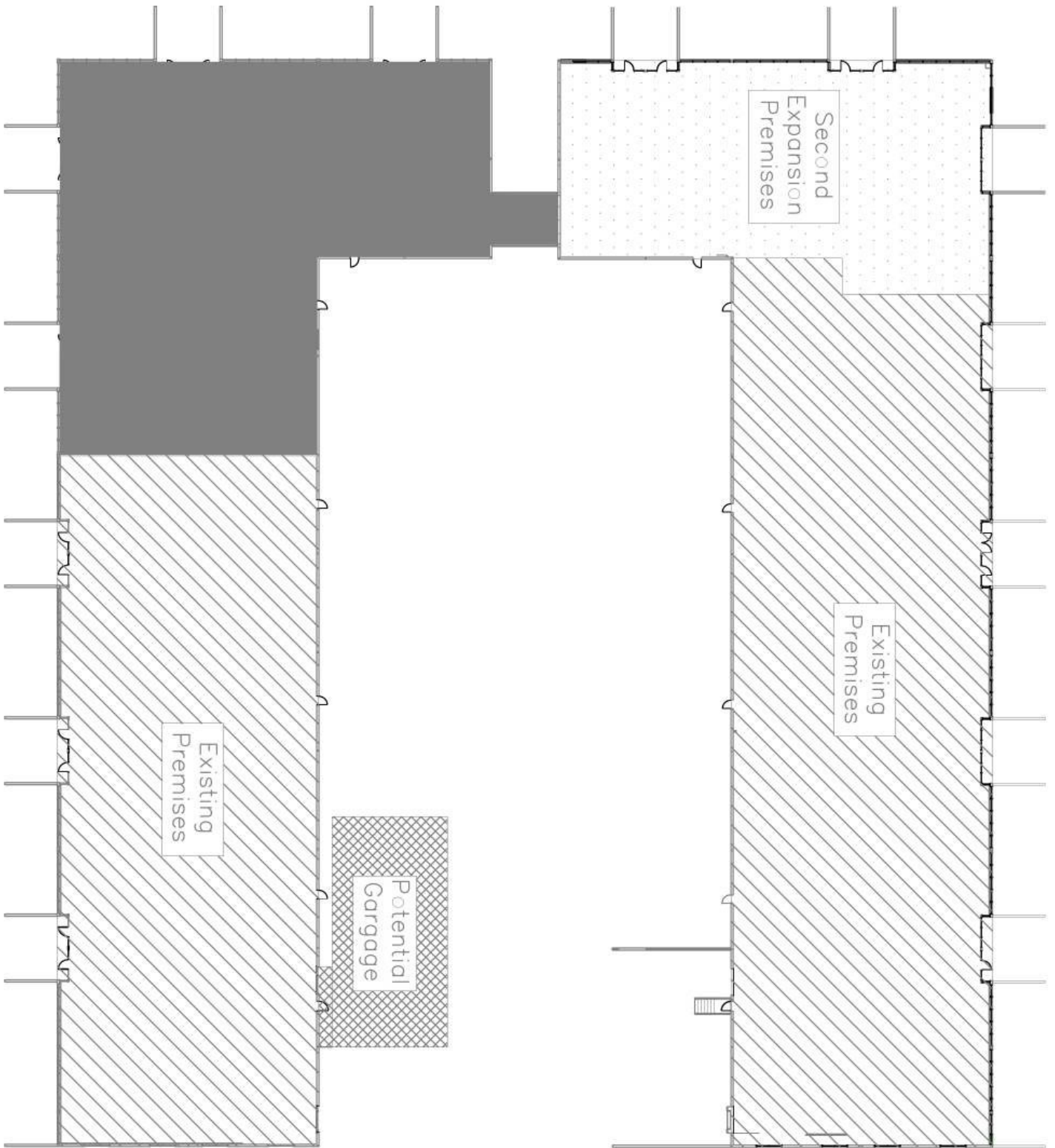
GUARANTOR:

nLIGHT, Inc., a Delaware corporation

DocuSigned by:  
By: Ran Barket  
Name: Ran Barket  
Title: Chief Financial Officer

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**Exhibit A**  
**Second Expansion Premises**



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Exhibit A-1  
1841 Building

LOT 1F, LONGS PEAK INDUSTRIAL PARK-MINOR SUBDIVISION "F", THE PLAT OF WHICH  
WAS RECORDED FEBRUARY 28, 1983 ON FILM 1241 AS RECEPTION NO. 535391 UNDER  
PLAN FILE NO. P-13, F-3, #10,  
CITY OF LONGMONT,  
COUNTY OF BOULDER,  
STATE OF COLORADO.



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Exhibit B

Form of Expansion Date Acknowledgement and Agreement

Expansion Date Acknowledgment and Agreement

This Expansion Date Acknowledgment and Agreement (“Agreement”) is an acknowledgment of the Expansion Date as defined in the Third Amendment to Lease (“Amendment”) and intended to be a part of that certain Lease for premises located at 1841 and 1851 Lefthand Circle, Longmont, Colorado, which Amendment was effective on the \_\_\_ day of \_\_\_\_\_, 2020, by GCC LONGMONT HOLDINGS, LIMITED PARTNERSHIP, a Delaware limited partnership, as Landlord, and NUTRONICS, INC., a Nevada corporation, as Tenant.

Landlord and Tenant hereby agree that:

1. Tenant acknowledges that both the 1851 Building, the 1841 Building and the Premises (inclusive of the Existing Premises, the Expansion Premises and the Second Expansion Premises) are satisfactory in all respects.
2. Tenant took possession of the Expansion Premises on \_\_\_\_\_, \_\_\_\_\_. Tenant hereby agrees to pay partial month’s Base Rent for the Expansion Premises in the amount of \$\_\_\_\_\_ (\_\_\_ days at \$\_\_\_ per diem). Tenant took possession of the Second Expansion Premises on \_\_\_\_\_, \_\_\_\_\_. Tenant hereby agrees to pay partial month’s Base Rent for the Second Expansion Premises in the amount of \$\_\_\_\_\_ (\_\_\_ days at \$\_\_\_ per diem).
3. The Expansion Date of the Lease is hereby agreed to be the \_\_\_ day of the month of \_\_\_\_\_, \_\_\_\_\_. The Second Expansion Date of the Lease is hereby agreed to be the \_\_\_ day of the month of \_\_\_\_\_, \_\_\_\_\_. The New Expiration Date is hereby agreed to be the last day of the month of \_\_\_\_\_, 20\_\_.
4. Tenant shall pay Base Rent for the Premises pursuant to the terms of the Lease and in accordance with the following schedule(s):

Period	Annual PSF	Monthly Base Rent
_____, 20 - _____, 20	\$ _____	\$ _____
_____, 20 - _____, 20	\$ _____	\$ _____
_____, 20 - _____, 20	\$ _____	\$ _____
_____, 20 - _____, 20	\$ _____	\$ _____
_____, 20 - _____, 20	\$ _____	\$ _____
_____, 20 - _____, 20	\$ _____	\$ _____
_____, 20 - _____, 20	\$ _____	\$ _____

All other terms and conditions of the Lease are hereby ratified and acknowledged to be unchanged.

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Agreed and executed this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

LANDLORD:

GCC LONGMONT HOLDINGS, LIMITED  
PARTNERSHIP, a Delaware limited partnership

By: GCC Longmont Holdings GP, Inc., a Delaware  
corporation, its General Partner

By \_\_\_\_\_  
Title: \_\_\_\_\_

TENANT:

NUTRONICS, INC.,  
a Nevada corporation

By \_\_\_\_\_  
Title \_\_\_\_\_

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**NLIGHT, INC.**  
**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**  
**PURSUANT TO RULE 13a - 14(a) OR RULE 15d - 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Scott Keeney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of nLIGHT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020

/s/ SCOTT KEENEY

Scott Keeney  
President, Chief Executive Officer and Chairman (Principal Executive Officer)

**NLIGHT, INC.**  
**CERTIFICATION OF CHIEF FINANCIAL OFFICER**  
**PURSUANT TO RULE 13a - 14(a) OR RULE 15d - 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Ran Bareket, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of nLIGHT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020

/s/ RAN BAREKET

Ran Bareket

Chief Financial Officer (Principal Accounting and Financial Officer)



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report") by nLIGHT, Inc. (the "Company"), Scott Keeney, as the Chief Executive Officer of the Company, and Ran Bareket, as the Chief Financial Officer of the Company, each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2020

/s/ SCOTT KEENEY

\_\_\_\_\_  
Scott Keeney  
President, Chief Executive Officer and Chairman (Principal Executive Officer)

/s/ RAN BAREKET

\_\_\_\_\_  
Ran Bareket  
Chief Financial Officer (Principal Accounting and Financial Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of nLIGHT, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.