



Earnings Presentation

Q4 2020

February 17, 2021

Safe Harbor Statement

Certain statements in this presentation are “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, and the Private Securities Litigation Reform Act of 1995. Words such as “outlook,” “guidance,” “expects,” “intends,” “projects,” “plans,” “believes,” “estimates,” “targets,” “anticipates,” and similar expressions may identify these forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements regarding expected revenues, gross margin, and Adjusted EBITDA and our expectations regarding customer demand for our products, operating results, and financial position, as well as any other statement that does not directly relate to any historical or current fact. Forward-looking statements are based on our current expectations and assumptions, which may not prove to be accurate. These statements are not guarantees and are subject to risks, uncertainties and changes in circumstances that are difficult to predict. Many factors could cause actual results to differ materially and adversely from these forward-looking statements, including but not limited to: (1) the impact on our sales and operations of public health crises in China, the United States or internationally, including the COVID-19 pandemic, (2) our ability to generate sufficient revenues to achieve or maintain profitability in the future, (3) fluctuations in our quarterly results of operations and other operating measures, (4) downturns in the markets we serve could materially adversely affect our revenues and profitability, (5) our high levels of fixed costs and inventory levels may harm our gross profits and results of operations in the event that demand for our products declines or we maintain excess inventory levels, (6) the competitiveness of the markets for our products, (7) our substantial sales and operations in China, which expose us to risks inherent in doing business there, (8) the effect of current and potential tariffs and global trade policies on the cost of our products, (9) our manufacturing capacity and operations may not be appropriate for future levels of demand, (10) our reliance on a small number of customers for a significant portion of our revenues, and (11) the risk that we may be unable to protect our proprietary technology and intellectual property rights. Additional information concerning these and other factors can be found in nLIGHT's filings with the Securities and Exchange Commission (the “SEC”), including other risks, relevant factors and uncertainties identified in the “Risk Factors” section of nLIGHT's most recent Annual Report on Form 10-K or subsequent filings with the SEC. nLIGHT undertakes no obligation to update publicly or revise any forward-looking statements contained herein to reflect future events or developments, except as required by law.

This presentation includes certain non-GAAP financial measures as defined by the SEC rules, including Adjusted EBITDA, non-GAAP net income (loss) and non-GAAP net income (loss) per share (diluted). These non-GAAP financial measures are provided in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with U.S. GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measure to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the appendix.

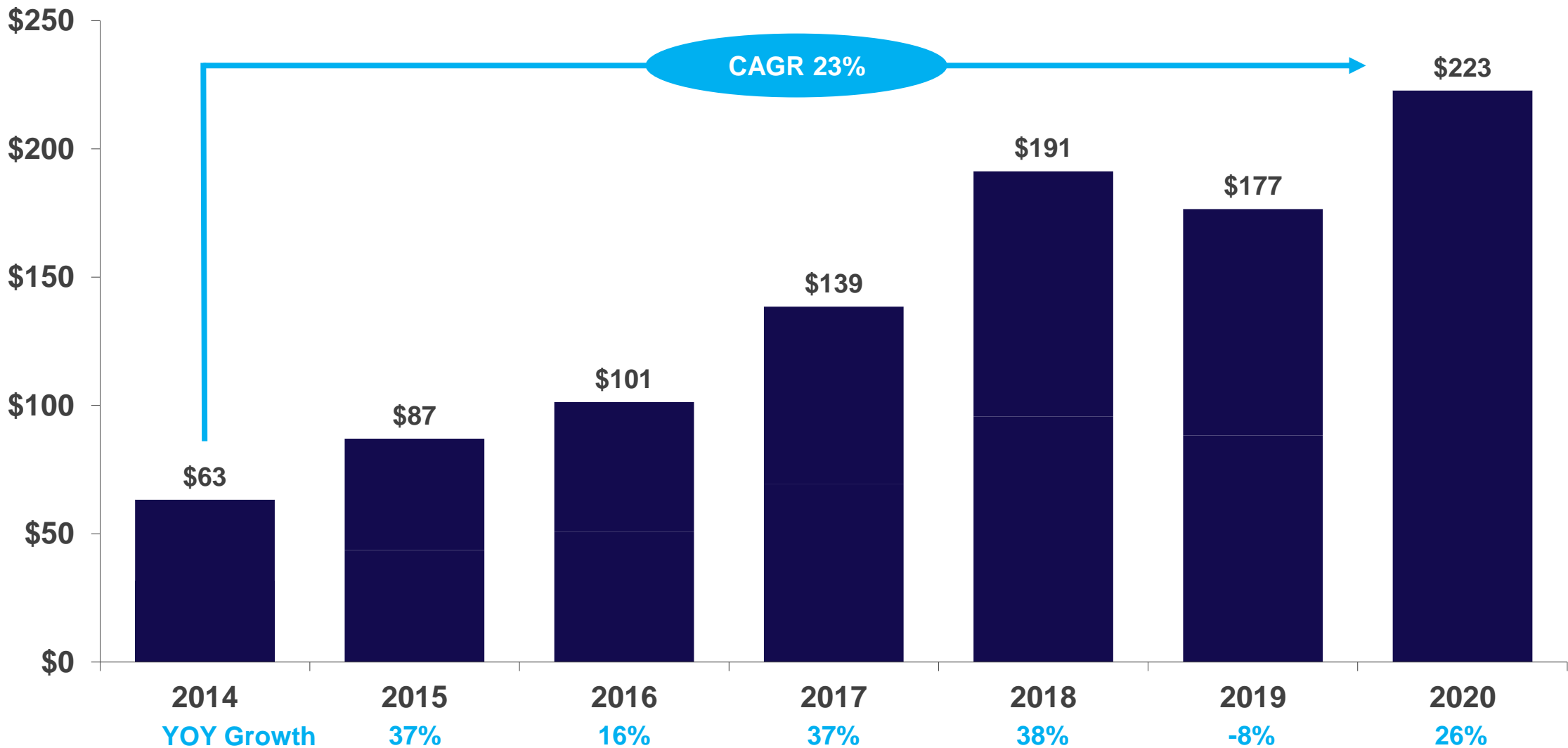
This presentation may also contain estimates, projections and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry and our business. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified the accuracy and completeness of the information obtained by third parties included in this presentation. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

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2020 Revenue | record revenue – 26% y-o-y growth in line with historical CAGR

nLIGHT Worldwide Annual Revenue

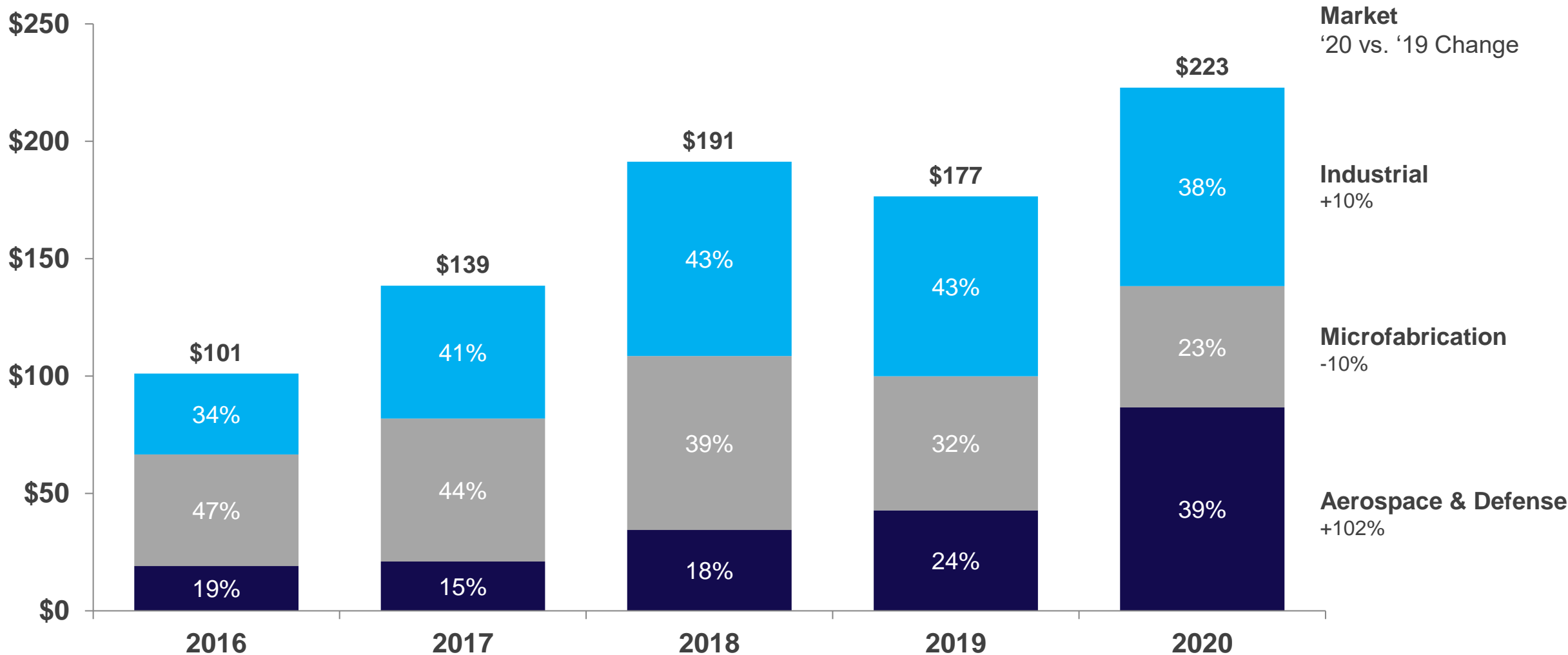
\$ Millions



2020 Revenue | 26% growth driven by both Aerospace & Defense and Industrial

Annual Revenue – by Market

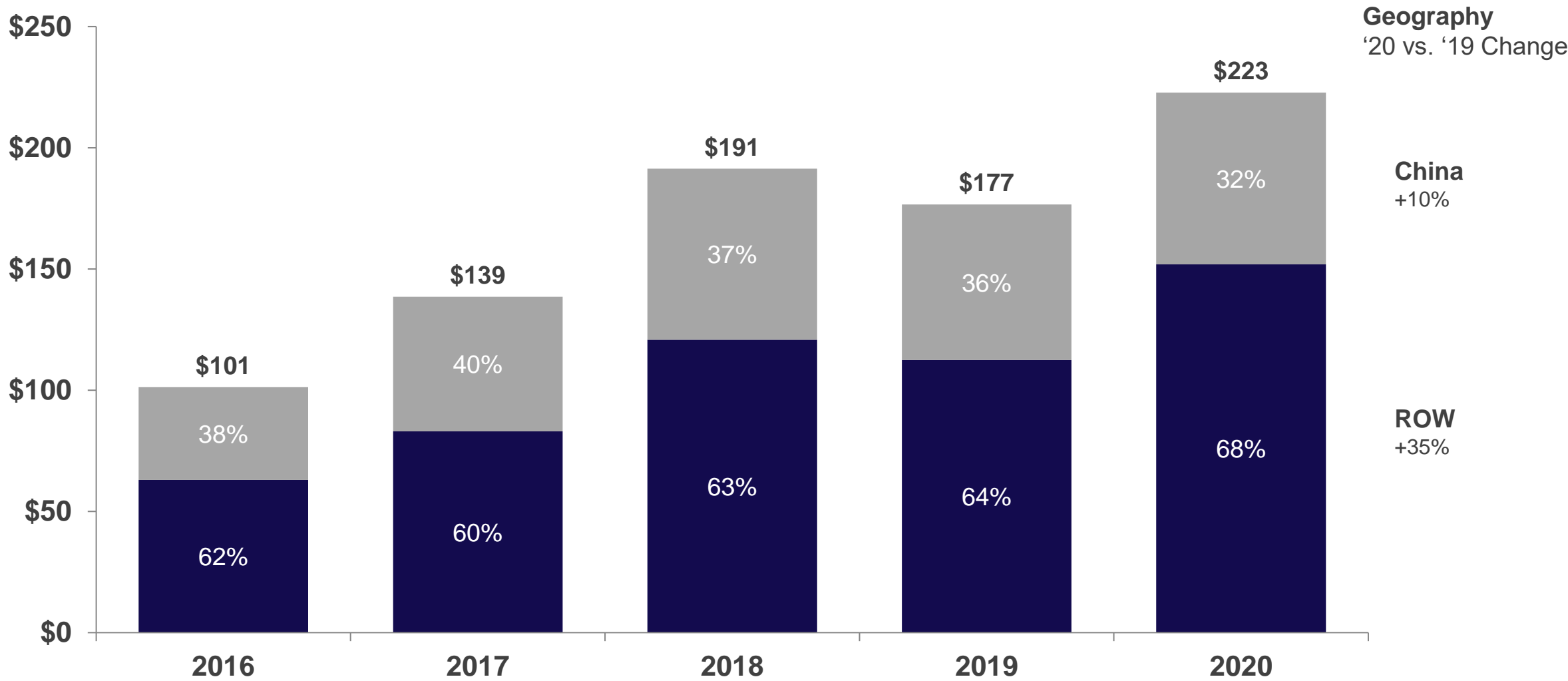
\$ Millions



2020 Revenue | growth in all geographies

Annual Revenue – Geography

\$ Millions

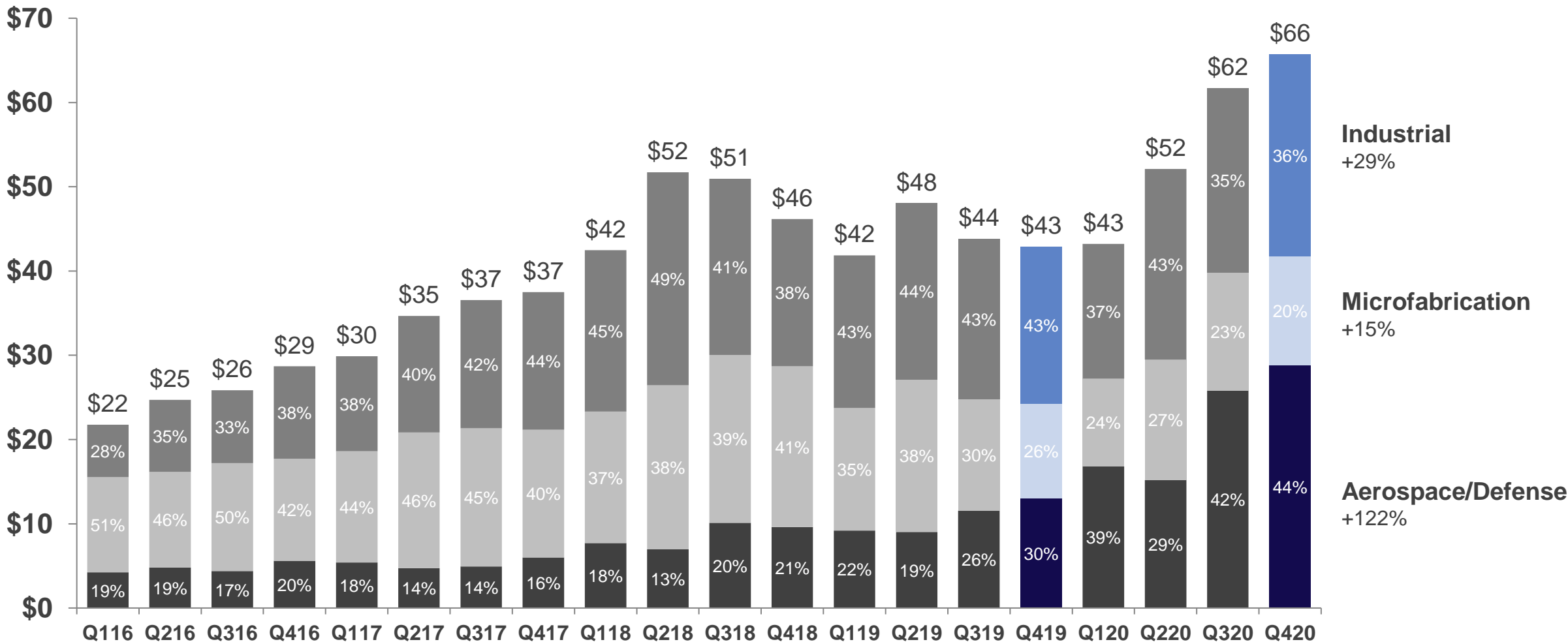


Q4 Revenue | record revenue – 53% y-o-y growth driven by growth in all markets

Quarterly Revenue – Market

\$ Millions

Market
Q420 vs. Q419 Change

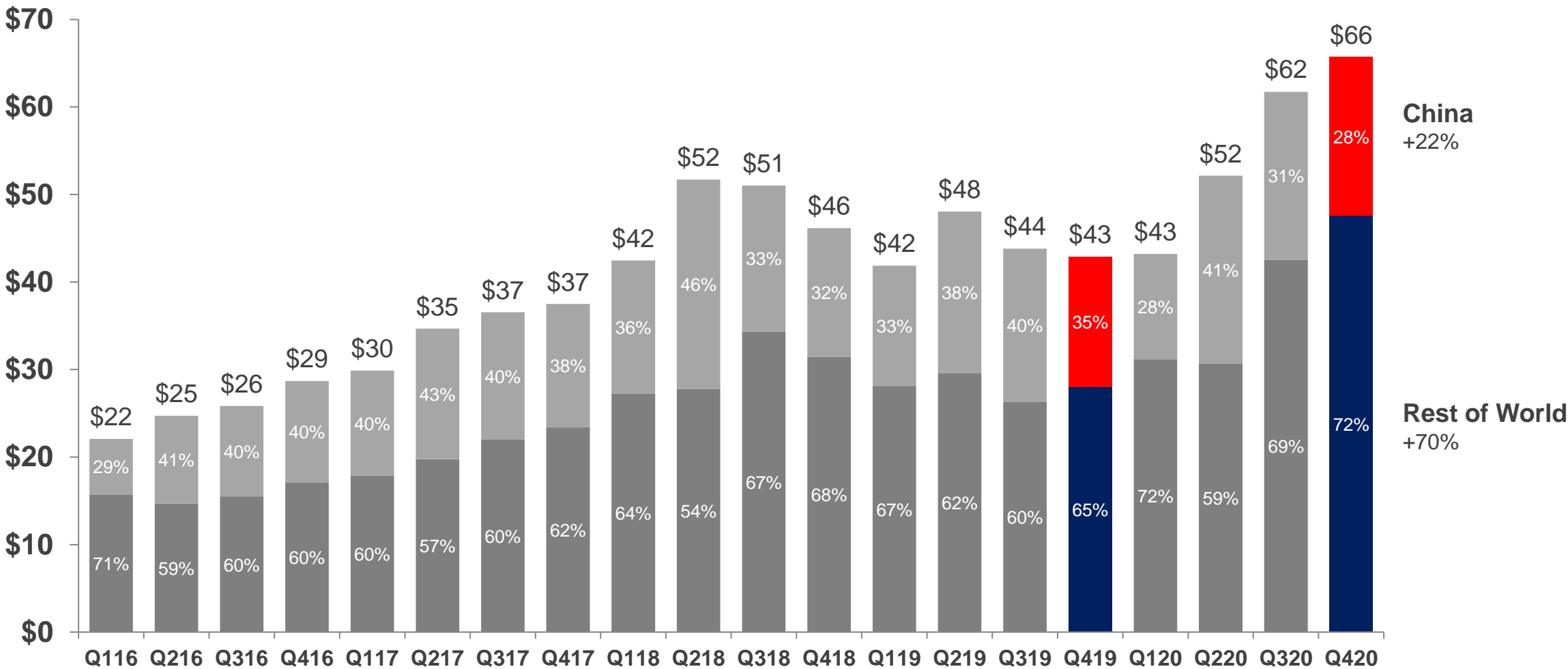


Q4 Revenue | growth in both China and Rest of World

Quarterly Revenue – Geography

\$ Millions

Geography
Q420 vs. Q419 Change



Financial Update

Summary Financial Results | Revenue and Gross Margin

Full Year 2020 and Q4 2020

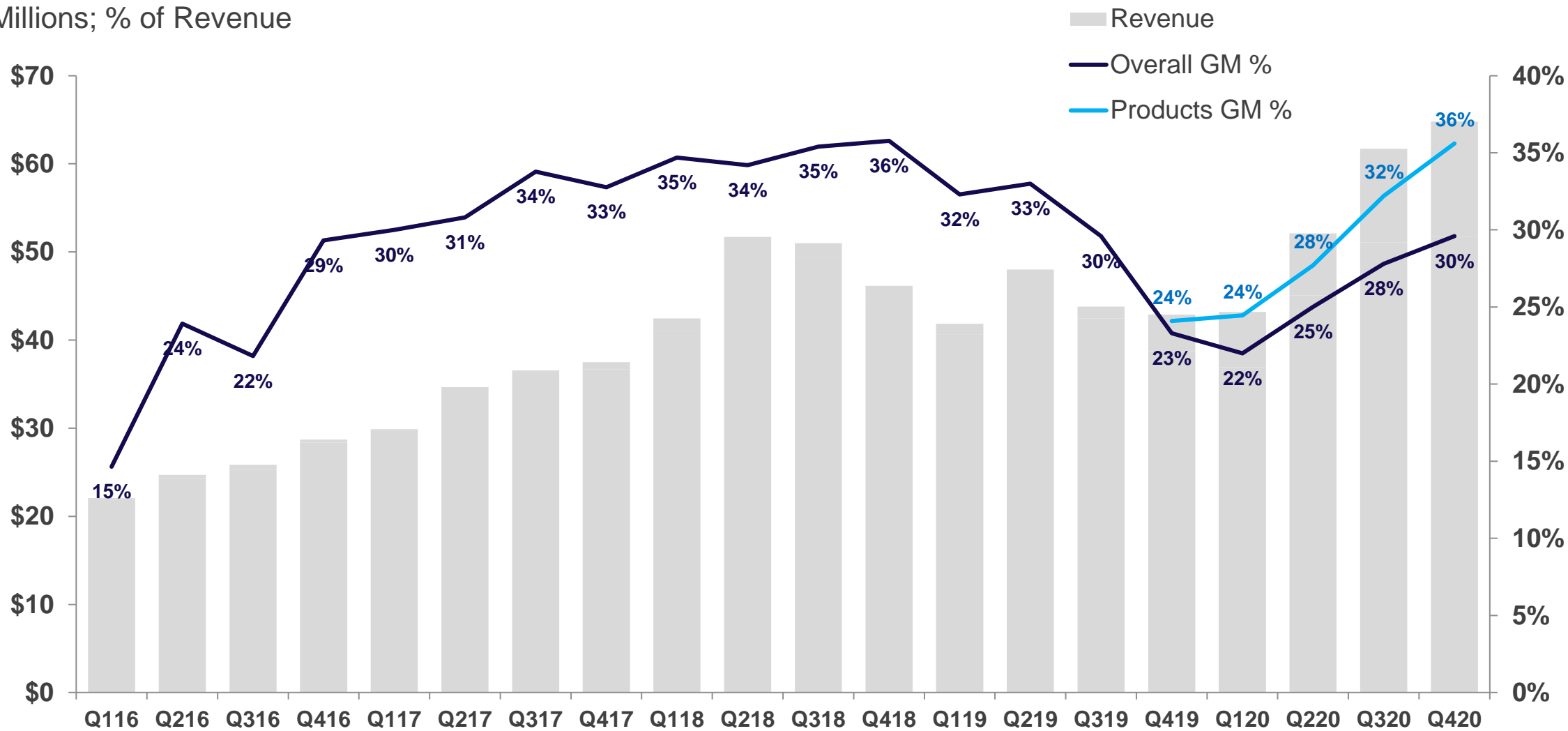
\$ Millions; % of Revenue

	Q4 2019	Q4 2020	2019	2020
Total Revenue	\$42.9	\$65.7	\$176.6	\$222.8
Products Revenue	40.3	51.7	174.1	184.8
Development Revenue	2.6	14.0	2.6	37.9
Gross Margin	23.3%	29.9%	29.6%	26.6%
Products Margin	24.0%	35.9%	29.9%	30.6%
Development Margin	11.4%	7.6%	11.4%	7.3%

Gross Margin | Product and Development

Revenue and Gross Margin - Quarterly

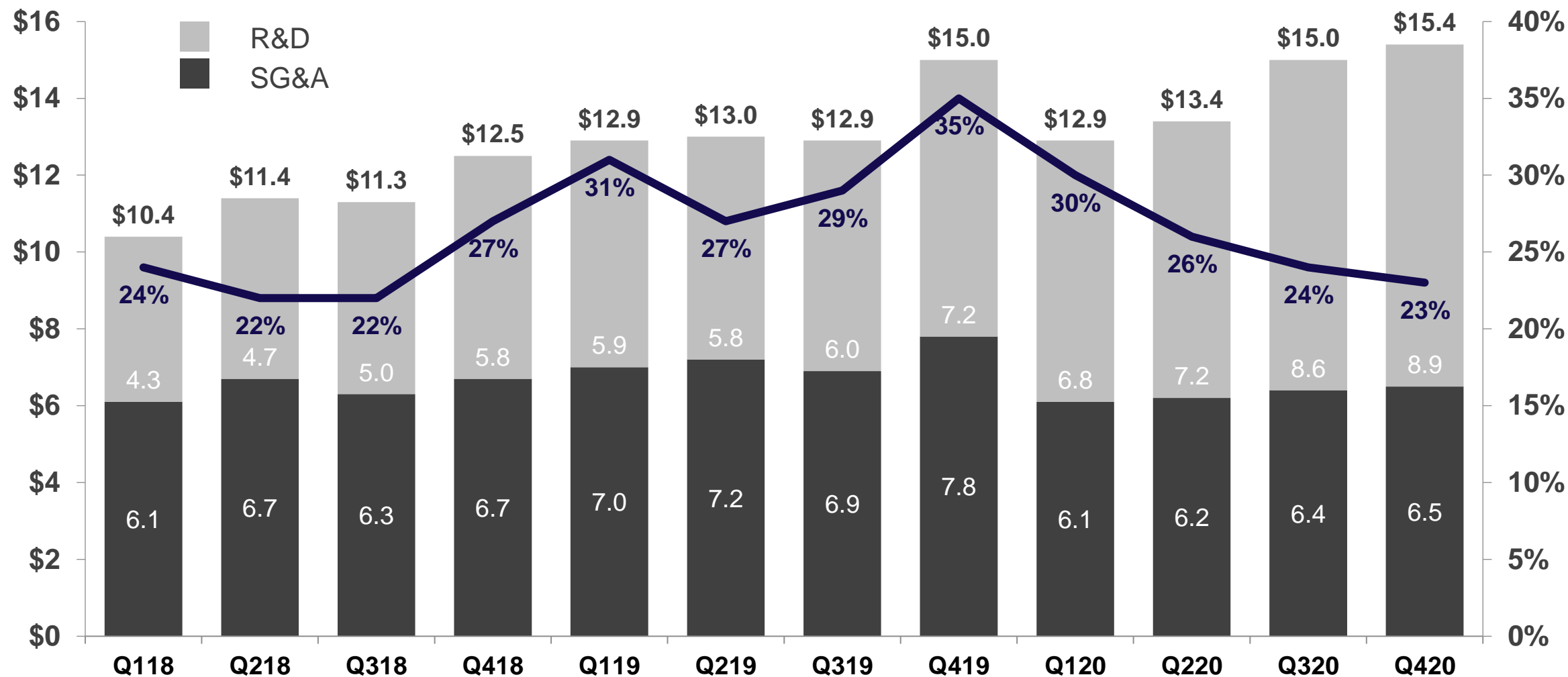
\$ Millions; % of Revenue



Operating Expenses | R&D and SG&A

Operating Expenses*

\$ Millions; % of Revenue



Summary Financial Results | Profitability and Cash Flow

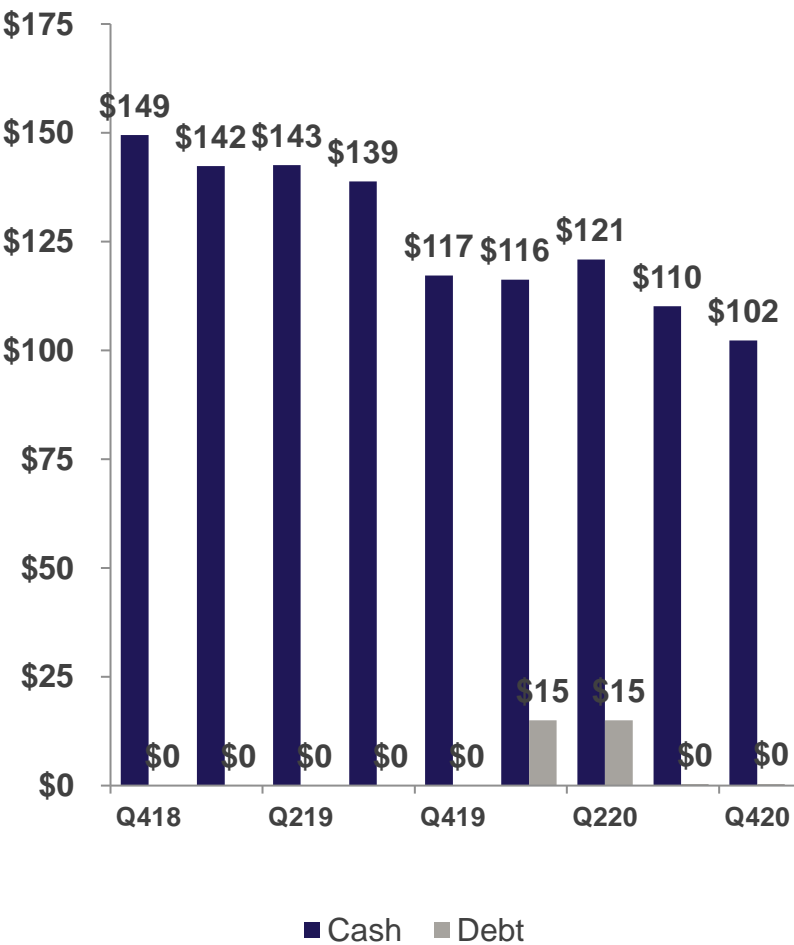
Full Year 2020 and Q4 2020

\$ Millions; % of Revenue

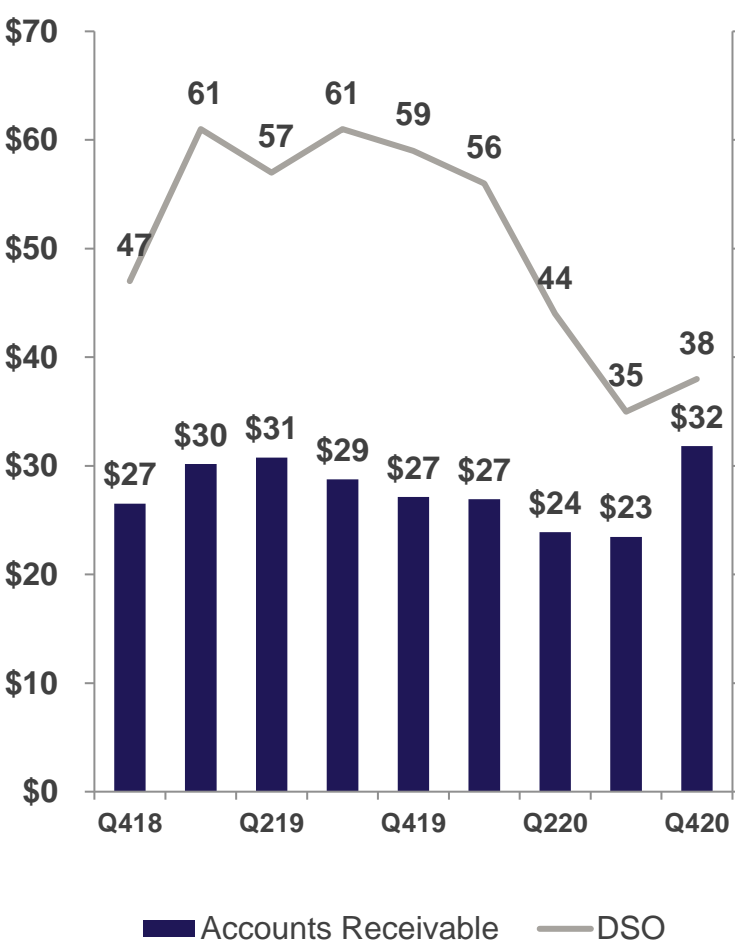
	Q4 2019	Q4 2020	2019	2020
Net Income (Loss)	(\$10.7)	(\$4.5)	(\$12.9)	(\$20.9)
Non-GAAP Net Income*	(2.1)	5.2	1.1	7.3
EPS (diluted)	(0.29)	(0.12)	(0.35)	(0.55)
Non-GAAP EPS (diluted)*	(0.06)	0.12	0.03	0.17
Adjusted EBITDA (non-GAAP)*	(1.4)	8.4	9.9	18.2
Cash Flow from Operations	(2.3)	(1.7)	(4.2)	13.0
Capital Expenditure	(3.5)	(4.0)	(12.4)	(23.4)

Strong Balance Sheet and Working Capital Management

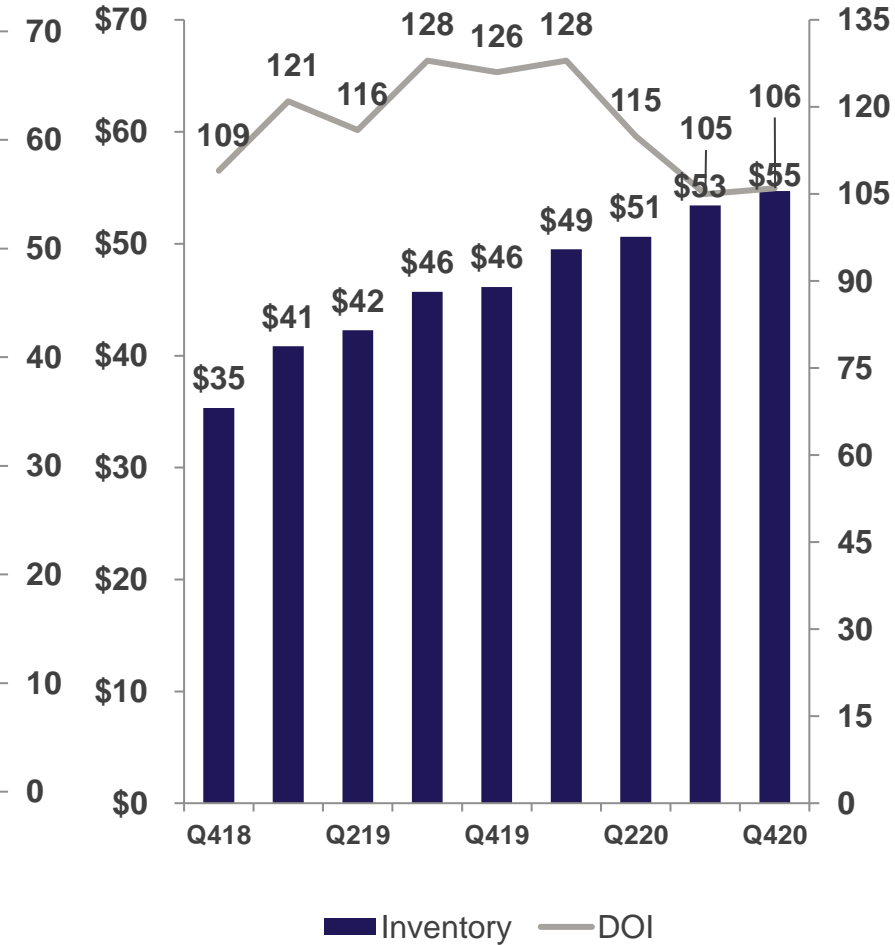
Cash and Debt Position (\$M)



Accounts Receivable (\$M) and Days Sales Outstanding (DSO)



Inventory (\$M) and Days of Inventory (DOI)



Outlook | Q1 2021

- **Q1 2021 Revenues of \$56 million to \$62 million; midpoint of \$59 million**
 - Laser Products: approximately \$47 million at midpoint
 - Advanced Development: approximately \$12 million at midpoint
- **Q1 2021 Gross Margin of 25% to 29%**
 - Laser Products: 30% to 34%
 - Advanced Development: approximately 6.5%
- **Q1 2021 Adjusted EBITDA* of \$3 million to \$6 million**

Well Positioned for Future Growth

Market

Growing market driven by improvement in laser technology and end market catalysts

Strategy

Vertically integrated with leading technology focused on rest of world industrial and aerospace and defense markets

Financials

Track record of growth and margin expansion

n **L I G H T** simply brilliant®

Appendix

Key Revenue Metrics

Unaudited, USD in thousands

	FY 2016	Q117	Q217	Q317	Q417	FY 2017	Q118	Q218	Q318	Q418	FY 2018	Q119	Q219	Q319	Q419	FY 2019	Q120	Q220	Q320	Q420	FY 2020
Revenues by end market																					
Industrial	34,674	11,268	13,828	15,208	16,318	56,622	19,146	25,251	20,890	17,476	82,762	18,124	20,920	18,977	18,647	76,669	15,990	22,630	21,880	23,978	84,478
Microfabrication	47,611	13,214	16,100	16,404	15,168	60,886	15,619	19,497	19,922	19,071	74,109	14,533	18,094	13,280	11,246	57,152	10,419	14,300	14,052	12,878	51,649
Aerospace and defense	19,040	5,406	4,735	4,935	5,997	21,072	7,703	6,957	10,213	9,615	34,488	9,204	9,034	11,556	13,003	42,798	16,806	15,208	25,800	28,848	86,662
Total revenues	101,325	29,887	34,664	36,546	37,483	138,580	42,467	51,705	51,025	46,162	191,359	41,861	48,048	43,814	42,896	176,619	43,215	52,138	61,732	65,704	222,789
Industrial as % of total	34%	38%	40%	42%	44%	41%	45%	49%	41%	38%	43%	43%	44%	43%	43%	43%	37%	43%	35%	36%	38%
Microfabrication as % of total	47%	44%	46%	45%	40%	44%	37%	38%	39%	41%	39%	35%	38%	30%	26%	32%	24%	27%	23%	20%	23%
Aerospace and defense as % of total	19%	18%	14%	14%	16%	15%	18%	13%	20%	21%	18%	22%	19%	26%	30%	24%	39%	29%	42%	44%	39%
Revenues by geography																					
North America	36,200	9,833	10,036	11,706	14,727	46,302	16,109	16,101	20,101	18,052	70,362	15,697	17,899	16,249	17,217	67,062	21,046	20,494	31,384	34,700	107,624
China	38,309	12,007	14,905	14,558	14,065	55,535	15,212	23,923	16,683	14,720	70,538	13,725	18,444	17,519	14,883	64,573	12,042	21,495	19,186	18,159	70,882
Rest of World	26,816	8,047	9,723	10,282	8,691	36,743	11,146	11,682	14,241	13,390	50,459	12,438	11,705	10,045	10,795	44,985	10,127	10,149	11,162	12,845	44,283
Total revenues	101,325	29,887	34,664	36,546	37,483	138,580	42,467	51,705	51,025	46,162	191,359	41,861	48,048	43,814	42,896	176,619	43,215	52,138	61,732	65,704	222,789
North America as % of total	36%	33%	29%	32%	39%	33%	38%	31%	39%	39%	37%	37%	37%	37%	40%	38%	49%	39%	51%	53%	48%
China as % of total	38%	40%	43%	40%	38%	40%	36%	46%	33%	32%	37%	33%	38%	40%	35%	37%	28%	41%	31%	28%	32%
Rest of World as % of total	26%	27%	28%	28%	23%	27%	26%	23%	28%	29%	26%	30%	24%	23%	25%	25%	23%	19%	18%	20%	20%
Fiber laser revenue by power level																					
High-power (>= 6kW)	0%	2%	4%	13%	14%	9%	17%	24%	30%	27%	24%	24%	35%	40%	47%	37%	49%	54%	58%	47%	52%
Medium-power (2kW - 5kW)	39%	40%	45%	39%	43%	42%	49%	44%	43%	51%	47%	57%	48%	39%	39%	45%	39%	35%	34%	39%	36%
Low-power (< 2kW)	61%	58%	51%	49%	43%	49%	34%	32%	27%	22%	29%	19%	17%	20%	14%	17%	12%	11%	9%	14%	11%

GAAP to Non-GAAP Reconciliation

Unaudited, USD in thousands

	FY 2016	Q117	Q217	Q317	Q417	FY 2017	Q118	Q218	Q318	Q418	FY 2018	Q119	Q219	Q319	Q419	FY 2019	Q120	Q220	Q320	Q420	FY 2020
Stock-based compensation included in following:																					
Cost of revenues		9	6	15	16	46	22	62	183	189	456	209	267	340	385	1,201	345	339	505	432	1,621
Research and development		14	14	18	20	66	25	200	513	555	1,293	558	711	424	1,606	3,299	1,782	2,275	2,545	3,101	9,703
Sales, general, and administrative		50	55	76	76	257	115	544	1,207	1,190	3,056	1,142	1,403	315	2,370	5,230	1,636	3,423	3,633	5,448	14,140
Total stock-based compensation	308	73	75	109	112	369	162	806	1,903	1,934	4,805	1,909	2,381	1,079	4,361	9,730	3,763	6,037	6,683	8,981	25,464
Net income (loss)	(14,202)	(1,213)	(287)	2,244	1,093	1,837	2,916	4,653	4,009	2,360	13,938	(1,235)	(155)	(778)	(10,716)	(12,884)	(7,475)	(6,830)	(2,110)	(4,517)	(20,932)
Income tax expense	1,882	1,156	1,084	1,236	1,382	4,858	1,149	848	839	764	3,600	1,753	793	837	2,736	6,119	905	418	(1,485)	502	340
Other (income) expense	753	167	630	1,043	(6)	1,834	(76)	42	537	(250)	253	(820)	907	(90)	(532)	(535)	116	298	(477)	(315)	(378)
Interest expense, net	2,229	502	469	76	222	1,269	219	6	(298)	(655)	(728)	(750)	(740)	(665)	(454)	(2,609)	(283)	65	96	44	(78)
Depreciation and amortization	8,099	1,950	1,959	1,890	2,123	7,922	1,946	2,172	2,194	1,976	8,288	2,212	2,269	2,313	2,770	9,564	3,161	3,268	3,504	3,752	13,685
Stock-based compensation	308	73	75	109	112	369	162	806	1,903	1,934	4,805	1,909	2,381	1,079	4,361	9,730	3,763	6,037	6,683	8,981	25,464
Acquisition and integration-related costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	470	470	50	0	0	0	50
Adjusted EBITDA	(931)	2,635	3,930	6,598	4,926	18,089	6,316	8,527	9,184	6,129	30,156	3,069	5,455	2,696	(1,365)	9,855	237	3,256	6,211	8,447	18,151
Net income (loss)		(1,213)	(287)	2,244	1,093	1,837	2,916	4,653	4,009	2,360	13,938	(1,235)	(155)	(778)	(10,716)	(12,884)	(7,475)	(6,830)	(2,110)	(4,517)	(20,932)
Add back																					
Stock-based compensation (1)		73	75	109	112	369	162	806	1,903	1,934	4,805	1,909	2,381	1,079	4,361	9,730	3,763	6,037	6,683	8,981	25,464
Valuation allowance on foreign deferred tax assets		0	0	0	0	0	0	0	0	0	0	0	0	0	3,423	3,423	0	0	0	0	0
Acquisition and integration-related costs (1)		0	0	0	0	0	0	0	0	0	0	0	0	0	470	470	50	0	0	0	50
Amortization of purchased intangibles (1)		0	0	0	0	0	0	0	0	0	0	0	0	0	328	328	656	656	696	716	2,724
Non-GAAP net income		(1,140)	(212)	2,353	1,205	2,206	3,078	5,459	5,912	4,294	18,743	674	2,226	301	(2,134)	1,067	(3,006)	(137)	5,269	5,180	7,306
GAAP weighted average shares outstanding		2,600	2,626	2,751	2,954	2,735	3,031	24,491	35,007	36,441	24,862	36,694	37,065	37,262	37,463	37,119	37,846	38,177	38,558	38,877	38,367
Assumed conversion of convertible preferred stock to common stock		19,837	23,044	24,642	24,642	23,095	24,642	7,940	0	0	8,056	0	0	0	0	0	0	0	0	0	0
Participating securities		0	0	0	0	0	0	0	0	0	0	0	0	444	0	319	0	0	629	653	544
Non-GAAP weighted average number of shares, basic		22,437	25,670	27,393	27,596	25,830	27,673	32,431	35,007	36,441	32,918	36,694	37,065	37,706	37,463	37,438	37,846	38,177	39,187	39,530	38,911
Dilutive effect of common stock equivalents		0	0	3,115	4,285	3,294	4,492	5,265	5,325	4,798	5,097	4,585	4,391	4,016	0	4,360	0	0	4,290	4,654	4,228
Non-GAAP weighted average number of shares, diluted		22,437	25,670	30,508	31,881	29,124	32,165	37,696	40,332	41,239	38,015	41,279	41,456	41,722	37,463	41,798	37,846	38,177	43,477	44,184	43,139
Non-GAAP net income per share, basic		(0.05)	(0.01)	0.09	0.04	0.09	0.11	0.17	0.17	0.12	0.57	0.02	0.06	0.01	(0.06)	0.03	(0.08)	0.00	0.13	0.13	0.19
Non-GAAP net income per share, diluted		(0.05)	(0.01)	0.08	0.04	0.08	0.10	0.14	0.15	0.10	0.49	0.02	0.05	0.01	(0.06)	0.03	(0.08)	0.00	0.12	0.12	0.17