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 March 31, 2022

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	**91-2066376**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

4637 NW 18th Avenue
Camas, Washington 98607
(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
Common Stock, par value $0.0001 per share	**LASR**	**The Nasdaq Stock Market LLC**

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 May 2, 2022, the Registrant had 44,551,190 shares of common stock outstanding.

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PART I

ITEM 1. FINANCIAL STATEMENTS

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

	As of	
	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 134,949	$ 146,534
Accounts receivable, net of allowances of $303 and $303	36,912	41,574
Inventory	77,240	73,746
Prepaid expenses and other current assets	20,398	15,350
Total current assets	269,499	277,204
Restricted cash	250	250
Lease right-of-use assets	17,646	17,048
Property, plant and equipment, net	58,309	56,101
Intangible assets, net	5,996	6,698
Goodwill	12,405	12,420
Other assets, net	3,808	3,897
Total assets	$ 367,913	$ 373,618
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$ 23,124	$ 26,347
Accrued liabilities	13,384	14,730
Deferred revenues	983	1,629
Current portion of lease liabilities	3,141	3,066
Total current liabilities	40,632	45,772
Non-current income taxes payable	7,320	7,149
Long-term lease liabilities	15,190	14,612
Other long-term liabilities	4,193	3,952
Total liabilities	67,335	71,485
Stockholders' equity:		
Common stock - $0.0001 par value; 190,000 shares authorized, 44,538 and 44,248 shares issued and outstanding at March 31, 2022, and December 31, 2021, respectively	15	15
Additional paid-in capital	477,924	470,760
Accumulated other comprehensive loss	(683)	(587)
Accumulated deficit	(176,678)	(168,055)
Total stockholders’ equity	300,578	302,133
Total liabilities and stockholders’ equity	$ 367,913	$ 373,618

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2022	2021
Revenue:		
Products	$ 51,061	$ 47,335
Development	13,398	14,010
Total revenue	64,459	61,345
Cost of revenue:		
Products	35,768	30,395
Development	12,514	13,305
Total cost of revenue	48,282	43,700
Gross profit	16,177	17,645
Operating expenses:		
Research and development	13,711	11,710
Sales, general, and administrative	10,775	11,714
Total operating expenses	24,486	23,424
Loss from operations	(8,309)	(5,779)
Other income (expense):		
Interest expense, net	—	(74)
Other income, net	29	26
Loss before income taxes	(8,280)	(5,827)
Income tax expense	343	322
Net loss	$ (8,623)	$ (6,149)
Net loss per share, basic and diluted	$ (0.20)	$ (0.15)
Shares used in per share calculations, basic and diluted	43,655	40,048

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2022	2021
Net loss	$ (8,623)	$ (6,149)
Other comprehensive loss:		
Foreign currency translation adjustments, net of tax	(96)	(662)
Comprehensive loss	$ (8,719)	$ (6,811)

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2022					
	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance, December 31, 2021	44,248	$ 15	$ 470,760	$ (587)	$ (168,055)	$ 302,133
Net loss	—	—	—	—	(8,623)	(8,623)
Issuance of common stock pursuant to exercise of stock options	423	—	689	—	—	689
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	7	—	(78)	—	—	(78)
Restricted stock forfeited in connection with transition agreement	(140)	—	—	—	—	—
Stock-based compensation	—	—	6,553	—	—	6,553
Cumulative translation adjustment, net of tax	—	—	—	(96)	—	(96)
Balance, March 31, 2022	44,538	$ 15	$ 477,924	$ (683)	$ (176,678)	$ 300,578

	Three Months Ended March 31, 2021					
	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance, December 31, 2020	39,793	$ 15	$ 358,544	$ (259)	$ (138,386)	$ 219,914
Net loss	—	—	—	—	(6,149)	(6,149)
Proceeds from follow-on offering, net of offering costs	2,537	—	82,355	—	—	82,355
Issuance of common stock pursuant to exercise of stock options	452	—	574	—	—	574
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	1	—	(31)	—	—	(31)
Stock-based compensation	—	—	8,054	—	—	8,054
Cumulative translation adjustment, net of tax	—	—	—	(662)	—	(662)
Balance, March 31, 2021	42,783	$ 15	$ 449,496	$ (921)	$ (144,535)	$ 304,055

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (8,623)	$ (6,149)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	2,556	2,157
Amortization	1,182	1,560
Reduction in carrying amount of right-of-use assets	867	808
Recoveries of losses on accounts receivable	—	(71)
Stock-based compensation	6,553	8,054
Deferred income taxes	(4)	(11)
Changes in operating assets and liabilities:		
Accounts receivable, net	4,690	121
Inventory	(3,433)	(4,405)
Prepaid expenses and other current assets	(5,061)	2,183
Other assets, net	(317)	(428)
Accounts payable	(3,019)	1,437
Accrued and other long-term liabilities	(1,088)	(736)
Deferred revenues	(647)	64
Lease liabilities	(813)	(690)
Non-current income taxes payable	153	221
Net cash provided by (used in) operating activities	(7,004)	4,115
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	—	(291)
Purchases of property, plant and equipment	(5,019)	(3,134)
Acquisition of intangible assets and capitalization of patents	(114)	(80)
Net cash used in investing activities	(5,133)	(3,505)
Cash flows from financing activities:		
Proceeds from public offerings, net of offering costs	—	82,761
Principal payments on term loan, debt and financing leases	—	(372)
Proceeds from stock option exercises	689	574
Tax payments related to stock award issuances	(78)	(31)
Net cash provided by financing activities	611	82,932
Effect of exchange rate changes on cash	(59)	(227)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(11,585)	83,315
Cash, cash equivalents, and restricted cash, beginning of period	146,784	102,573
Cash, cash equivalents, and restricted cash, end of period	$ 135,199	$ 185,888
Supplemental disclosures:		
Cash paid for interest, net	$ —	$ 66
Cash paid for income taxes	79	241
Operating cash outflows from operating leases	1,097	702
Right-of-use assets obtained in exchange for lease liabilities	1,470	6,699
Accrued purchases of property, equipment and patents	2,268	1,698

See accompanying notes to consolidated financial statements.

nLIGHT, Inc.
Notes to Consolidated Financial Statements

Note 1 - Basis of Presentation and New Accounting Pronouncements

Basis of Presentation

The accompanying unaudited consolidated financial statements of nLIGHT, Inc. and our wholly owned subsidiaries 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 Annual Report on Form 10-K for the year ended December 31, 2021.

Critical Accounting Policies

Our critical accounting policies have not materially changed during the three months ended March 31, 2022 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Note 2 - Acquisition

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 $1.6 million, $0.2 million of which was paid at closing with the remaining $1.4 million to be paid over the next 24 months.

As of March 31, 2022, we owed OPI $0.8 million, which was included on our Consolidated Balance Sheets as a component of accrued liabilities.

Note 3 - Revenue

We recognize revenue upon transferring control of products and services, and the amounts recognized reflect the consideration we expect to be entitled to receive in exchange for these products and services. We consider customer purchase orders, which in some cases are governed by master sales agreements, to be the contracts with a customer. As part of our consideration of the contract, we evaluate certain factors, including the customer's ability to pay (or credit risk). For each contract, we consider the promise to transfer products, each of which is distinct, as the identified performance obligations.

We allocate the transaction price to each distinct product based on its relative standalone selling price. Master sales agreements or purchase orders from customers could include a single product or multiple products. Regardless, the contracted price with the customer is agreed to at the individual product level outlined in the customer contract or purchase order. We do not bundle prices; however, we do negotiate with customers on pricing for the same products based on a variety of factors (e.g., level of contractual volume). We have concluded that the prices negotiated with each individual customer are representative of the stand-alone selling price of the product.

We often receive orders with multiple delivery dates that may extend across several reporting periods. We allocate the transaction price of the contract to each delivery based on the product standalone selling price and invoice for each scheduled delivery upon shipment or delivery and recognize revenues for such delivery at that point, assuming transfer of control has occurred. Rights of return generally are not included in customer contracts. Accordingly, product revenue is recognized upon shipment or delivery, as applicable, and transfer of control. Rights of return are evaluated as they occur.

Revenues recognized at a point in time consist of sales of semiconductor lasers, fiber lasers and other related products. Revenues recognized over time generally consist of development arrangements that are structured based on our costs incurred. Because control transfers over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. We generally use the cost-to-cost measure of progress for our contracts because it best depicts the transfer of control to the customer. Billing under these arrangements generally occurs within one month after the work is completed.

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 March 31,	
	2022	2021
Industrial	$ 23,996	$ 21,400
Microfabrication	17,319	15,215
Aerospace and Defense	23,144	24,730
	$ 64,459	$ 61,345

Sales by Geography

	Three Months Ended March 31,	
	2022	2021
North America	$ 35,144	$ 31,134
China	7,139	15,577
Rest of World	22,176	14,634
	$ 64,459	$ 61,345

Sales by Timing of Revenue

	Three Months Ended March 31,	
	2022	2021
Point in time	$ 48,215	$ 46,994
Over time	16,244	14,351
	$ 64,459	$ 61,345

Our contract assets and liabilities are as follows (in thousands):

	Balance Sheet Classification	As of	
		March 31, 2022	December 31, 2021
Contract assets	Prepaid expenses and other current assets	$ 14,122	$ 9,657
Contract liabilities	Deferred revenues and other long-term liabilities	1,732	2,358

During the three months ended March 31, 2022 and 2021, we recognized revenue of $1.4 million and $1.3 million, respectively, that was included in the deferred revenue balances at the beginning of the period 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 our revenues for the periods presented:

	Three Months Ended March 31,	
	2022	2021
Raytheon Technologies	10%	(1)
U.S. Government	17%	20%

(1) Represents less than 10% of total revenues

Financial instruments that potentially expose us to concentrations of credit risk consist principally of accounts receivable. As of March 31, 2022 and December 31, 2021, one customer accounted for approximately 21% and two customers accounted for approximately 33%, respectively, of net accounts receivable. No other customers accounted for 10% or more of net accounts receivable at either date.

Note 5 - Fair Value of Financial Instruments

The carrying amounts of certain of our financial instruments, including cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and accrued liabilities are shown at cost which approximates fair value due to the short-term nature of these instruments. The fair value of our term and revolving loans approximates the carrying value due to the variable market rate used to calculate interest payments.

We do 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.

Our 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. Our fair value hierarchy for our financial instruments consists of cash equivalents as follows (in thousands):

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market securities	$ 116,903	$ —	$ —	$ 116,903
Commercial paper	643	—	—	643
Total	$ 117,546	$ —	$ —	$ 117,546

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market securities	$ 126,900	$ —	$ —	$ 126,900
Commercial paper	236	—	—	236
Total	$ 127,136	$ —	$ —	$ 127,136

Note 6 - Inventory

Inventory is stated at the lower of average cost (principally standard cost, which approximates actual cost on a first-in, first-out basis) and net realizable value. Inventory includes raw materials and components that may be specialized in nature and subject to obsolescence. On a quarterly basis, we review inventory quantities on hand in comparison to our past consumption, recent purchases, and other factors to determine what inventory quantities, if any, may not be sellable. Based on this analysis, we write down the affected inventory value for estimated excess and obsolescence charges. At the point of loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Inventory consisted of the following (in thousands):

	As of	
	March 31, 2022	December 31, 2021
Raw materials	$ 32,493	$ 32,185
Work in process and semi-finished goods	26,645	24,642
Finished goods	18,102	16,919
	$ 77,240	$ 73,746

Note 7 - Property, Plant and Equipment

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

		As of	
	Useful life (years)	March 31, 2022	December 31, 2021
Automobile	3	$ 114	$ 114
Computer hardware and software	3 - 5	7,081	6,594
Manufacturing and lab equipment	2 - 7	84,554	81,130
Office equipment and furniture	5 - 7	2,415	2,361
Leasehold and building improvements	2 - 12	28,823	28,125
Buildings	30	9,392	9,392
Land	N/A	3,399	3,399
		135,778	131,115
Accumulated depreciation		(77,469)	(75,014)
		$ 58,309	$ 56,101

Note 8 - Intangible Assets and Goodwill

Intangibles

The details of amortizing intangible assets are as follows (in thousands):

	Estimated useful life (in years)	As of March 31, 2022	As of December 31, 2021
Patents	3 - 5	$ 6,092	$ 5,986
Development programs	2 - 4	7,200	7,200
Developed technology	5	3,000	3,038
		16,292	16,224
Accumulated amortization		(10,296)	(9,526)
		$ 5,996	$ 6,698

Amortization related to intangible assets was as follows (in thousands):

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Amortization expense	$ 776	$ 1,016

Estimated amortization expense for future years is as follows (in thousands):

Remainder of 2022	$ 2,131
2023	2,171
2024	863
2025	519
2026	312
	$ 5,996

Goodwill

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

	Laser Products	Advanced Development	Totals
Balance, December 31, 2021	2,172	10,248	12,420
Currency exchange rate adjustment	(15)	—	(15)
Balance, March 31, 2022	$ 2,157	$ 10,248	$ 12,405

Note 9 - Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	As of March 31, 2022	As of December 31, 2021
Accrued payroll and benefits	$ 9,549	$ 10,915
Product warranty, current	2,339	2,286
Other accrued expenses	1,496	1,529
	$ 13,384	$ 14,730

Note 10 - Product Warranties

We provide warranties on certain products and record 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 our estimate of future costs. The current portion of our product warranty liability is included in the accrued liabilities and the long-term portion is included in other long-term liabilities in our Consolidated Balance Sheets.

Product warranty liability activity was as follows for the periods presented (in thousands):

	Three Months Ended March 31,	
	2022	2021
Product warranty liability, beginning	$ 5,371	$ 4,711
Warranty charges incurred, net	(298)	(701)
Provision for warranty charges, net of adjustments	216	1,285
Product warranty liability, ending	5,289	5,295
Less: current portion of product warranty liability	(2,339)	(2,441)
Non-current portion of product warranty liability	$ 2,950	$ 2,854

Note 11 - Commitments and Contingencies

Leases
See Note 12.

Legal Matters
On March 25, 2022, Lumentum Operations LLC filed a complaint against nLIGHT, Inc. and certain of its employees in the U.S. District Court for the Western District of Washington. The complaint alleges that Lumentum is the partial or full owner of certain of our patents and requests corresponding relief from the court. We intend to vigorously defend against Lumentum's allegations.

From time to time, we may be subject to various other legal proceedings and claims in the ordinary course of business. We do not believe the ultimate resolution of these matters will have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

Note 12 - Leases

We lease real estate space under non-cancelable operating lease agreements for commercial and industrial space. Facilities-related operating leases have remaining terms of 0.1 to 13.2 years, and some leases include options to extend up to 15 years. Other leases for automobiles, manufacturing and office and computer equipment have remaining lease terms of 0.3 to 4.2 years. These leases are primarily operating leases; financing leases are not material. We did not include any renewal options in our lease terms for calculating the lease liabilities as we are not reasonably certain we will exercise the options at this time. The weighted-average remaining lease term for the lease obligations was 8 years at March 31, 2022, 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 March 31,	
	2022	2021
Lease expense:		
Operating lease expense	$ 1,031	$ 874
Short-term lease expense	121	73
Variable and other lease expense	194	122
	$ 1,346	$ 1,069

Future minimum payments under our non-cancelable lease obligations were as follows as of March 31, 2022 (in thousands):

Remainder of 2022	$	2,895
2023		3,129
2024		2,754
2025		2,135
2026		1,802
Thereafter		8,739
Total minimum lease payments		21,454
Less: interest		(3,123)
Present value of net minimum lease payments		18,331
Less: current portion of lease liabilities		(3,141)
Total long-term lease liabilities	$	15,190

Note 13 - 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
RSAs at December 31, 2021	753	$	25.63
Awards forfeited	(140)		25.21
RSAs at March 31, 2022	613	$	25.72

RSAs forfeited were in connection with our former chief financial officer's transition agreement dated January 18, 2022.

	Number of Restricted Stock Units		Weighted-Average Grant Date Fair Value
RSUs at December 31, 2021	2,799	$	24.41
Awards granted	31		18.82
Awards vested	(10)		30.78
Awards forfeited	(22)		28.56
RSUs at March 31, 2022	2,798	$	24.29

The total fair value of RSAs and RSUs vested during the three months ended March 31, 2022 was $0.3 million. Awards outstanding as of March 31, 2022 include 0.7 million performance-based awards that will vest upon meeting certain performance criteria.

Stock Options

The following table summarizes our stock option activity during the three months ended March 31, 2022 (in thousands, except weighted-average exercise prices):

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2021	2,454	$1.61	4.4	$54,815
Options exercised	(423)	$1.63		
Options canceled	(39)	$9.67		
Outstanding, March 31, 2022	1,992	$1.45	4.2	$31,651
Options exercisable at March 31, 2022	1,892	$1.34	4.1	$30,283
Options vested as of March 31, 2022 and expected to vest after March 31, 2022	1,992	$1.45	4.2	$31,651

Total intrinsic value of options exercised for the three months ended March 31, 2022 and 2021 was $6.4 million and $15.0 million, respectively. We received proceeds of $0.7 million and $0.6 million from the exercise of options for the three months ended March 31, 2022 and 2021, respectively.

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

	Three Months Ended March 31,	
	2022	2021
Cost of revenues	$ 709	$ 491
Research and development	3,122	2,918
Sales, general and administrative	2,722	4,645
	$ 6,553	$ 8,054

Unrecognized Compensation Costs
As of March 31, 2022, total unrecognized stock-based compensation was $55.8 million, which will be recognized over an average expected recognition period of 2.5 years.

Common Stock Repurchase Plan
On November 14, 2019, our Board of Directors authorized the repurchase of up to $10.0 million of our outstanding shares of common stock. As of March 31, 2022, no repurchases had been executed under the program.

Note 14 - Segment Information

We operate 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 periods presented (dollars in thousands):

	Three Months Ended March 31, 2022			
	Laser Products	Advanced Development	Corporate and Other	Totals
Revenue	$ 51,061	$ 13,398	$ —	$ 64,459
Gross profit	$ 16,002	$ 884	$ (709)	$ 16,177
Gross margin	31.3 %	6.6 %	NM	25.1 %

	Three Months Ended March 31, 2021			
	Laser Products	Advanced Development	Corporate and Other	Totals
Revenue	$ 47,335	$ 14,010	$ —	$ 61,345
Gross profit	$ 17,431	$ 705	$ (491)	$ 17,645
Gross margin	36.8 %	5.0 %	NM	28.8 %

Corporate and Other is unallocated expenses related to stock-based compensation.

There have been no material changes to the geographic locations of our 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, 2021.

Note 15 - Net Loss per Share

Basic and diluted net loss and the number of shares used for basic and diluted net loss calculations were the same for all periods presented because we were in a loss position.

The following potentially dilutive securities were not included in the calculation of diluted shares as the effect would have been anti-dilutive (in thousands):

	Three Months Ended March 31,	
	2022	2021
Restricted stock units and awards	1,313	2,433
Employee stock purchase plan	—	7
Common stock options	2,090	2,904
	3,403	5,344

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 impact on our business from the COVID-19 pandemic and the related lockdown in Shanghai; the impact of inflation; the effect on our business of litigation to which we are or may become a party; and the sufficiency of our existing liquidity sources to meet our cash needs.

You should refer to the "Risk Factors" section of this report 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., is a leading provider of high-power semiconductor and fiber lasers for industrial, microfabrication, and aerospace and defense applications. Headquartered in Camas, Washington, we design, develop and manufacture the critical elements of our lasers, and believe our vertically integrated business model enables us to rapidly introduce innovative products, control our costs and protect our intellectual property.

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 directed energy products 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 $64.5 million in the three months ended March 31, 2022 compared to $61.3 million in the same period of 2021 as a result of higher revenue in the Industrial and Microfabrication markets. We generated a net loss of $8.6 million for the three months ended March 31, 2022 compared to a net loss of $6.1 million for the same period of 2021.

Factors Affecting Our Performance

Impact of the COVID-19 Pandemic

The COVID-19 pandemic and related global liquidity concerns and significant macro-economic volatility continues to adversely impact our end-markets, including reduced economic activity and demand for our products, delays in new capital expenditure decisions and implementations, and restrictions on individual and business activities and travel. While our manufacturing operations have generally remained open throughout the pandemic, including our manufacturing facilities in the United States, which are considered essential businesses, the recent COVID-related lockdown of Shanghai by the Chinese government forced us to halt operations in our Shanghai manufacturing facility on March 28, 2022. Our Shanghai facility manufactures products that are sold directly to end customers as well as components that are shipped to our facilities in the United States to be integrated into finished products. Although we are increasing our manufacturing capabilities in the United States, our Shanghai manufacturing facility remains an important part of our global operations.

The closure of our Shanghai facility did not have a material adverse impact on our financial results for the first quarter of 2022, but may adversely affect our financial results for the second quarter of 2022, and a prolonged closure, or partial closure, of our Shanghai facility could have an adverse impact on future periods. In addition to the impact of the lockdown in Shanghai, some of our non-manufacturing personnel have been partially working from home since March 2020. In recent periods, labor issues have become more pronounced as a result of the COVID-19 pandemic and we have experienced higher than expected increases in wages and other compensation costs as well as increased competition for qualified employees.

There are ongoing related risks to our business depending on the progression of the COVID-19 pandemic, including from the potential returns to limited or closed government functions, business activities and person-to-person interactions. Global trade conditions may further adversely impact us and our industry. For example, pandemic-related issues have exacerbated port congestion and caused intermittent supplier shutdowns and delays, resulting in additional expenses and challenges to obtaining critical parts. 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 and the conditions and timing under which restrictions will be lifted or re-imposed, impacts on our supply and distribution chains as well as our customers, the demand for our products and whether the pandemic leads to recessionary conditions in any of our key markets.

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 and commercialize that technology in the future.

Demand for our products also fluctuates based on market cycles, continuously evolving industry supply chains, trade and tariff terms, as well as evolving competitive dynamics in each of our end-markets. 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. Although we anticipate further increases in product volumes and the continued introduction of new and higher value products, ASP reduction 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, fiber laser and directed energy 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 Product 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.

Our Development gross profit varies with the type and terms of contracts, contract volume, project mix, and progress on projects during the period. Most of our Development contracts are structured as cost plus fixed fee due to the technical complexity of the research and development services.

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 (which may not add up due to rounding):

	Three Months Ended March 31, 2022	2021
Revenue:		
Products	79.2 %	77.2 %
Development	20.8	22.8
Total revenue	100.0	100.0
Cost of revenue:		
Products	55.5	49.5
Development	19.4	21.7
Total cost of revenue	74.9	71.2
Gross profit	25.1	28.8
Operating expenses:		
Research and development	21.3	19.1
Sales, general, and administrative	16.7	19.1
Total operating expenses	38.0	38.2
Loss from operations	(12.9)	(9.4)
Other income (expense):		
Interest expense, net	—	(0.1)
Loss before income taxes	(12.9)	(9.5)
Income tax expense	0.5	0.5
Net loss	(13.4)%	(10.0)%

Revenues by End Market

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

	Three Months Ended March 31,				Change	
	2022	% of Revenue	2021	% of Revenue	$	%
Industrial	$ 23,996	37.3 %	$ 21,400	34.9 %	$ 2,596	12.1 %
Microfabrication	17,319	26.8	15,215	24.8	2,104	13.8
Aerospace and Defense	23,144	35.9	24,730	40.3	(1,586)	(6.4)
	$ 64,459	100.0 %	$ 61,345	100.0 %	$ 3,114	5.1 %

The increases in revenue from the Industrial market for the three months ended March 31, 2022, compared to the same period of 2021, was driven by an increase in unit sales outside of China, partially offset by lower unit sales in China and lower average selling prices due to changes in product mix. The increase in revenue from the Microfabrication market for the three months ended March 31, 2022, compared to the same period of 2021, was driven by increases in demand and unit sales of semiconductor lasers outside of China, offset partially by lower unit sales inside China. The decrease in revenue from the Aerospace and Defense market for the three months ended March 31, 2022, compared to the same period of 2021, was primarily due to a decrease in product sales and decreased activity on research and development contracts.

Revenues by Segment

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

	Three Months Ended March 31,				Change	
	2022	% of Revenue	2021	% of Revenue	$	%
Laser Products	$ 51,061	79.2 %	$ 47,335	77.2 %	$ 3,726	7.9 %
Advanced Development	13,398	20.8	14,010	22.8	(612)	(4.4)
	$ 64,459	100.0 %	$ 61,345	100.0 %	$ 3,114	5.1 %

The increase in Laser Products revenue for the three months ended March 31, 2022, compared to the same period of 2021, was driven by increased sales to the Industrial and Microfabrication markets as discussed above, offset partially by a decrease in product sales to the Aerospace and Defense market. The decrease in Advanced Development revenue was primarily due to decreased activity on research and development contracts. Most of our Advanced Development revenue is generated from cost plus fixed fee research and development contracts.

Revenues by Geographic Region

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

	Three Months Ended March 31,				Change	
	2022	% of Revenue	2021	% of Revenue	$	%
North America	$ 35,144	54.5 %	$ 31,134	50.7 %	$ 4,010	12.9 %
China	7,139	11.1	15,577	25.4	(8,438)	(54.2)
Rest of World	22,176	34.4	14,634	23.9	7,542	51.5
	$ 64,459	100.0 %	$ 61,345	100.0 %	$ 3,114	5.1 %

Geographic revenue information is based on the location to which we ship our products. The increases in both North America and Rest of World revenue for the three months ended March 31, 2022, compared to the same period of 2021, were primarily driven by increased revenue from the Industrial and Microfabrication markets, offset partially by a decrease in revenue from the Aerospace and Defense market for North America. The decrease in China revenue for the three months ended March 31, 2022, compared to the same period of 2021, was due to decreased sales in the Industrial and Microfabrication markets, primarily as a result of deteriorating market conditions in the Industrial market.

Cost of Revenues and Gross Margin

Cost of Laser Products revenue consists primarily of manufacturing materials, labor, 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.

Cost of Advanced Development revenue consists of materials, labor, subcontracting costs, and an allocation of indirect costs including overhead and general and administrative.

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

	Three Months Ended March 31, 2022			
	Laser Products	Advanced Development	Corporate and Other	Total
Gross profit	$ 16,002	$ 884	$ (709)	$ 16,177
Gross margin	31.3 %	6.6 %	NM	25.1 %

	Three Months Ended March 31, 2021			
	Laser Products	Advanced Development	Corporate and Other	Total
Gross profit	$ 17,431	$ 705	$ (491)	$ 17,645
Gross margin	36.8 %	5.0 %	NM	28.8 %

The decrease in Laser Products gross margin for the three months ended March 31, 2022, compared to the same period of 2021, was driven by sales mix, decreased factory utilization of our Shanghai manufacturing facility due to lower sales in China, increased investments in U.S. based manufacturing, and increased production and freight costs. The increase in Advanced Development gross margin for the three months ended March 31, 2022, compared to the same period of 2021, was primarily due to changes in the composition of research and development contracts.

Operating Expenses

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

Research and Development

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Research and development	$ 13,711	$ 11,710	$ 2,001	17.1 %

The increase in research and development expense for the three months ended March 31, 2022, compared to the same period in 2021, was primarily due to increased employee headcount and related costs and project-related expenses to support our development efforts, and an increase in stock-based compensation of $0.2 million. These increases in costs were partially offset by a decrease in intangible amortization expense.

Sales, General and Administrative

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Sales, general, and administrative	$ 10,775	$ 11,714	$ (939)	(8.0)%

The decrease in sales, general and administrative expense for the three months ended March 31, 2022, compared to the same period in 2021 was primarily due to a decrease in stock-based compensation of $1.9 million, partially offset by an increase in facility expenses and a decrease in administrative cost allocated to development projects. The decrease in stock-based compensation was driven by forfeitures in connection with the retirement of our chief financial officer during the first quarter of 2022.

Interest Expense, net

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Interest expense, net	$ —	$ (74)	$ 74	(100.0)%

Changes in interest expense, net, are driven by bank charges and changes in the market rates on money market funds. There was no significant change in interest expense, net, for the three months ended March 31, 2022, compared to the same period in 2021.

Other Income, net

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Other income, net	$ 29	$ 26	$ 3	11.5%

Changes on other income, net, are primarily attributable to changes in net realized and unrealized foreign exchange transactions resulting from currency rate fluctuations. There was no significant change other income, net, for the three months ended March 31, 2022, compared to the same period in 2021.

Income Tax Expense

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Income tax expense	$ 343	$ 322	$ 21	6.5 %

We record income tax expense for taxes in our foreign jurisdictions including Finland, Italy and Korea. While our tax expense is largely dependent on the geographic mix of earnings related to our foreign operations, we also record tax expense for uncertain tax positions taken and associated penalties and interest. 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 United States, Austria and China, we continue to maintain a full valuation allowance in these jurisdictions as of March 31, 2022.

There was no significant change in income tax expense for the three months ended March 31, 2022 compared to the same period in 2021.

Liquidity and Capital Resources

We had cash and cash equivalents of $134.9 million and $146.5 million as of March 31, 2022 and December 31, 2021, respectively.

For the three months ended March 31, 2022, our principal uses of liquidity were to fund our working capital needs and purchase property, plant and equipment. 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):

	Three Months Ended March 31,	
	2022	2021
Net cash provided by (used in) operating activities	$ (7,004)	$ 4,115
Net cash used in investing activities	(5,133)	(3,505)
Net cash provided by financing activities	611	82,932
Effect of exchange rate changes on cash	(59)	(227)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (11,585)	$ 83,315

Net Cash Provided by (Used in) Operating Activities

During the three months ended March 31, 2022, net cash used in operating activities was $7.0 million, which was the results of a $8.6 million net loss and use of cash for working capital of $9.6 million, offset partially by non-cash expenses totaling $11.2 million related primarily to depreciation, amortization, and stock-based compensation. Changes in working capital were driven by a $5.1 million increase in prepaid expenses and other current assets, a $3.4 million increase in inventory, and a $3.0 million decrease in accounts payable, offset partially by $4.7 million decrease in accounts receivable. The increase in prepaid expense and other current assets was attributable to an increase in contract assets, and the increase in inventory was driven primarily by an increase in safety stock to address risks related to the supply chain and manufacturing disruptions. The decrease in accounts payable is due to timing of vendor payments, and the decrease in accounts receivable is attributable to the decrease in revenue for the three months ended March 31, 2022 compared to the preceding quarter.

During the three months ended March 31, 2021, net cash provided by operating activities was $4.1 million, which was primarily driven by $6.1 million of net loss reported for the period, and non-cash adjustments of $12.5 million related to depreciation and amortization, stock-based compensation, and other items. These items were partially offset by increases of $4.4 million in inventory and $1.4 million in accounts payable, and a decrease in prepaid expenses and other current assets of $2.2 million. The increase in inventory was driven by an expected increase in future period sales, and the increase in accounts payable was driven by an increase in inventory purchases and timing of vendor payments. The decrease in prepaid expenses and other current assets was primarily due to reduction in our contract assets and collection of import duty reclaims.

Net Cash Used in Investing Activities

During the three months ended March 31, 2022, net cash used in investing activities was $5.1 million, primarily resulting from $5.0 million of capital expenditures related to investments in manufacturing equipment and improvements to our corporate facility.

During the three months ended March 31, 2021, net cash used in investing activities was $3.5 million, primarily resulting from $3.1 million of capital expenditures related to investments in manufacturing equipment and improvements to our corporate facility.

Net Cash Provided by Financing Activities

During the three months ended March 31, 2022, net cash provided by financing activities was $0.6 million, which was primarily driven by $0.7 million of proceeds from stock options exercises, partially offset by $0.1 million of withholding tax payments related to the vesting of stock awards.

During the three months ended March 31, 2021, net cash provided by financing activities was $82.9 million, which was primarily driven by our follow-on public offering of $82.8 million, net of offering costs.

Credit Facilities

We have a $40.0 million revolving line of credit, or LOC, with Pacific Western Bank dated September 24, 2018, which is secured by our assets and matures September 24, 2024.

The LOC agreement contains restrictive and financial covenants and bears an unused credit fee of 0.20% on an annualized basis. The interest rate on the LOC is based on the Prime rate, minus a margin based on our liquidity levels. No amounts were outstanding under the LOC at March 31, 2022 and we were in compliance with all covenants.

Contractual Obligations

For the three months ended March 31, 2022, our operating lease obligations increased by approximately $0.7 million. There have been no other material changes to our contractual obligations as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Inflation

While we do not believe that inflation had a material effect on our business, financial condition or results of operations through March 31, 2022, we have experienced higher than expected increases in wages and other compensation costs, and shipping costs over the past year. We expect those increases will continue to impact our cost structure. If our costs 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.

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, 2021. Our exposure to market risk has not changed materially since December 31, 2021.

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 March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Internal Control

Control systems, including ours, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems' objectives are being met. Further, the design of any control systems must reflect the fact that there are resource constraints, and the benefits of all controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Control systems can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based, in part, on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. 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 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, see Note 11, Commitments and Contingencies, to our consolidated financial statements included elsewhere in this report.

ITEM 1A. RISK FACTORS

For risk factors related to our business, reference is made to Item 1A, "Risk Factors," contained in Part I of our Annual Report on Form 10-K for the year ended December 31, 2021. 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, 2021, except as described below:

The COVID-19 pandemic has disrupted our operations, manufacturing and supply chain and likely will continue to adversely affect our business, financial condition and operating results.

The COVID-19 pandemic and related global liquidity concerns and significant macro-economic volatility continues to adversely impact our end-markets, including reduced economic activity and demand for our products, delays in new capital expenditure decisions and implementations, and restrictions on individual and business activities and travel. Government imposed restrictions may limit our ability to manufacture our products in a timely manner or not at all, and some of our non-manufacturing personnel have been partially working from home since March 2020. The COVID-related lockdown of Shanghai by the Chinese government has forced us to halt operations in our Shanghai manufacturing facility since March 28, 2022. The Shanghai facility manufactures products that are sold directly to end customers as well as components that are shipped to our facilities in the United States to be integrated into finished products. Although we are increasing our manufacturing capabilities in the United States, the Shanghai manufacturing facility remains an important part of our global operations. The closure of our Shanghai facility may adversely affect our financial results for the second quarter of 2022, and a prolonged closure, or partial closure, of our Shanghai facility could have an adverse impact on future periods.

In addition, travel has been severely limited during the COVID-19 pandemic due to government restrictions and other precautionary measures. Limitations on travel have, for example, impacted our management's ability to visit our employees and facilities, particularly in China, as well as our vendors and potential and existing customers. Such limitations have adversely impacted and could continue to adversely impact oversight of our employees and facilities, our sales and marketing efforts and our manufacturing and supply arrangements, potentially disrupting our business operations and adversely impacting our financial condition and operating results. In recent periods, labor issues have also become more pronounced as a result of the COVID-19 pandemic and we have experienced higher than expected increases in wages and other compensation costs as well as increased competition for qualified employees.

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of the Registrant	10-Q	001-38462	3.1	May 25, 2018	
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-38462	3.1	April 21, 2020	
4.1	Specimen Common Stock Certificate of the Registrant	S-1/A	333-224055	4.1	April 16, 2018	
10.1+	Transition Agreement and Release, dated January 18, 2022, by and between the registrant and Ran Bareket	10-K	001-38462	10.12	February 28, 2022	
31.1	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					X
31.2	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					X
32.1*	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					X
101.INS	Inline 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

+ Indicates a management contract or compensatory plan or arrangement.

* 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)

May 6, 2022	By: /s/ SCOTT KEENEY
Date	Scott Keeney *President and Chief Executive Officer* *(Principal Executive Officer)*
May 6, 2022	By: /s/ JOSEPH CORSO
Date	Joseph Corso *Chief Financial Officer* *(Principal Financial Officer)*
May 6, 2022	By: /s/ JAMES NIAS
Date	James Nias *Chief Accounting Officer* *(Principal Accounting Officer)*

Exhibit 31.1

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: May 6, 2022

/s/ SCOTT KEENEY

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

Exhibit 31.2

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, Joseph Corso, 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: May 6, 2022

/s/ JOSEPH CORSO
Joseph Corso
Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

**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 March 31, 2022, 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 Joseph Corso, 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: May 6, 2022

/s/ SCOTT KEENEY

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

/s/ JOSEPH CORSO

Joseph Corso
Chief Financial Officer (Principal 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 the Company 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.