

REFINITIV

DELTA REPORT

10-Q

LASR - NLIGHT, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 534

█ **CHANGES** 117

█ **DELETIONS** 220

█ **ADDITIONS** 197

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, 2023** **March 31, 2024**
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)

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 **October 31, 2023** **April 30, 2024**, the Registrant had **46,686,107** **47,565,204** shares of common stock outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

As of			
		September 30, 2023	December 31, 2022
As of		As of	
		March 31, 2024	March 31, 2024
Assets	Assets		December 31, 2023
Current assets: Current assets:			
Current assets:			
Current assets:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents	\$ 52,087	\$ 57,826	
Marketable securities	59,506	50,391	
Accounts receivable, net of allowances of \$284 and \$290	35,516	37,913	

Accounts receivable, net of allowances of \$410 and \$315			
Inventory	Inventory	61,590	67,600
Prepaid expenses and other current assets	Prepaid expenses and other current assets	15,656	17,026
Total current assets	Total current assets	224,355	230,756
Restricted cash	Restricted cash	255	252
Lease right-of-use assets	Lease right-of-use assets	12,904	13,893
Property, plant and equipment, net	Property, plant and equipment, net	54,130	60,693
Intangible assets, net	Intangible assets, net	2,166	4,041
Goodwill	Goodwill	12,367	12,376
Other assets, net	Other assets, net	6,651	7,222
Total assets	Total assets	\$ 312,828	\$ 329,233
Liabilities and Stockholders' Equity			
Liabilities and Stockholders' Equity			
Liabilities and Stockholders' Equity			
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	\$ 14,328	\$ 17,507
Accrued liabilities	Accrued liabilities	14,179	12,820
Deferred revenues	Deferred revenues	2,017	1,407
Current portion of lease liabilities	Current portion of lease liabilities	3,049	2,758
Total current liabilities	Total current liabilities	33,573	34,492
Total current liabilities			
Total current liabilities			
Non-current income taxes payable	Non-current income taxes payable	5,273	6,699

Long-term lease liabilities	Long-term lease liabilities	11,451	12,852
Other long-term liabilities	Other long-term liabilities	3,012	4,345
Other long-term liabilities			
Other long-term liabilities			
Total liabilities	Total liabilities	53,309	58,388
Stockholders' equity:	Stockholders' equity:		
Common stock - \$0.0001 par value; 190,000 shares authorized, 46,673 and 45,629 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively			16 16
Common stock - \$0.0001 par value; 190,000 shares authorized, 47,552 and 47,266 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Common stock - \$0.0001 par value; 190,000 shares authorized, 47,552 and 47,266 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Common stock - \$0.0001 par value; 190,000 shares authorized, 47,552 and 47,266 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	513,794	496,211
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(3,225)	(2,748)
Accumulated deficit	Accumulated deficit	(251,066)	(222,634)
Total stockholders' equity	Total stockholders' equity	259,519	270,845
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 312,828	\$ 329,233

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,

		2023	2022	2023	2022
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
	2024				
Revenue:					
Revenue:					
Revenue:	Revenue:				
Products	Products	\$ 38,103	\$ 48,042	\$ 118,802	\$ 147,283
Products					
Products					
Development					
Development					
Development	Development	12,531	12,051	39,227	38,096
Total revenue	Total revenue	50,634	60,093	158,029	185,379
Total revenue					
Total revenue					
Cost of revenue:					
Cost of revenue:					
Cost of revenue:	Cost of revenue:				
Products	Products	29,015	35,350	84,813	104,801
Products					
Products					
Development					
Development					
Development	Development	11,681	11,267	36,907	35,540
Total cost of revenue	Total cost of revenue	40,696	46,617	121,720	140,341
Total cost of revenue					
Total cost of revenue					
Gross profit					
Gross profit					
Gross profit	Gross profit	9,938	13,476	36,309	45,038
Operating expenses:	Operating expenses:				
Operating expenses:					
Operating expenses:					
Research and development	Research and development	10,744	12,716	34,049	40,215
Research and development					
Research and development					
Sales, general, and administrative					
Sales, general, and administrative					
Sales, general, and administrative	Sales, general, and administrative	11,725	13,741	34,684	36,430
Total operating expenses	Total operating expenses	22,469	26,457	68,733	76,645
Total operating expenses					
Total operating expenses					
Loss from operations					
Loss from operations					
Loss from operations	Loss from operations	(12,531)	(12,981)	(32,424)	(31,607)

Other income:	Other income:					
Other income:						
Other income:						
Interest income, net	Interest income, net	303	167	990	238	
Other income (expense), net		536	(31)	1,997	(108)	
Interest income, net						
Interest income, net						
Other income, net						
Other income, net						
Other income, net						
Loss before income taxes	Loss before income taxes					
		(11,692)	(12,845)	(29,437)	(31,477)	
Income tax expense (benefit)		187	110	(1,005)	443	
Loss before income taxes						
Loss before income taxes						
Income tax expense						
Income tax expense						
Income tax expense						
Net loss	Net loss	\$ (11,879)	\$ (12,955)	\$ (28,432)	\$ (31,920)	
Net loss						
Net loss						
Net loss per share, basic and diluted						
Net loss per share, basic and diluted						
Net loss per share, basic and diluted	Net loss per share, basic and diluted	\$ (0.26)	\$ (0.29)	\$ (0.62)	\$ (0.72)	
Shares used in per share calculations, basic and diluted	Shares used in per share calculations, basic and diluted					
		46,403	44,786	45,857	44,289	
Shares used in per share calculations, basic and diluted						
Shares used in per share calculations, basic and diluted						

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,		2024	2023
	2023	2022	2023	2022		
	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,		
Net loss	Net loss	\$ (11,879)	\$ (12,955)	\$ (28,432)	\$ (31,920)	

Other comprehensive loss, net of tax:					
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments					
Foreign currency translation adjustments					
Foreign currency translation adjustments	Foreign currency translation adjustments	(131)	(1,709)	(816)	(3,673)
Unrealized gains on available-for-sale securities	Unrealized gains on available-for-sale securities	21	190	339	190
Comprehensive loss	Comprehensive loss	<u><u>\$(11,989)</u></u>	<u><u>\$(14,474)</u></u>	<u><u>\$(28,909)</u></u>	<u><u>\$(35,403)</u></u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30, 2023					
	Common stock		Accumulated other comprehensive loss		Total stockholders' equity	
	Shares	Amount	Additional paid-in capital	other comprehensive loss	Accumulated deficit	
Balance, June 30, 2023	46,503	\$ 16	\$ 507,649	\$ (3,115)	\$ (239,187)	\$ 265,363
Net loss	—	—	—	—	(11,879)	(11,879)
Issuance of common stock pursuant to exercise of stock options	61	—	53	—	—	53
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	109	—	(535)	—	—	(535)
Stock-based compensation	—	—	6,627	—	—	6,627
Unrealized gains on available-for-sale securities	—	—	—	21	—	21
Cumulative translation adjustment, net of tax	—	—	—	(131)	—	(131)
Balance, September 30, 2023	46,673	\$ 16	\$ 513,794	\$ (3,225)	\$ (251,066)	\$ 259,519

	Nine Months Ended September 30, 2023					
	Common stock		Accumulated other comprehensive loss		Total stockholders' equity	
	Shares	Amount	Additional paid-in capital	other comprehensive loss	Accumulated deficit	
Balance, December 31, 2022	45,629	\$ 16	\$ 496,211	\$ (2,748)	\$ (222,634)	\$ 270,845
Net loss	—	—	—	—	(28,432)	(28,432)
Issuance of common stock pursuant to exercise of stock options	278	—	385	—	—	385
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	632	—	(3,667)	—	—	(3,667)
Issuance of common stock under the Employee Stock Purchase Plan	134	—	1,220	—	—	1,220
Stock-based compensation	—	—	19,645	—	—	19,645
Unrealized gains on available-for-sale securities	—	—	—	339	—	339
Cumulative translation adjustment, net of tax	—	—	—	(816)	—	(816)
Balance, September 30, 2023	46,673	\$ 16	\$ 513,794	\$ (3,225)	\$ (251,066)	\$ 259,519

	Three Months Ended March 31, 2024					
	Common stock		other comprehensive loss		Accumulated deficit	
	Shares	Amount	Additional paid-in capital			Total stockholders' equity
Balance, December 31, 2023	47,266	\$ 16	\$ 521,184	\$ (2,477)	\$ (264,304)	\$ 254,419
Net loss	—	—	—	—	(13,766)	(13,766)
Issuance of common stock pursuant to exercise of stock options	11	—	10	—	—	10
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	275	—	(1,625)	—	—	(1,625)
Stock-based compensation	—	—	5,431	—	—	5,431
Unrealized gains on available-for-sale securities	—	—	—	111	—	111
Cumulative translation adjustment, net of tax	—	—	—	(223)	—	(223)
Balance, March 31, 2024	47,552	\$ 16	\$ 525,000	\$ (2,589)	\$ (278,070)	\$ 244,357

	Three Months Ended March 31, 2023					
	Common stock		other comprehensive loss		Accumulated deficit	
	Shares	Amount	Additional paid-in capital			Total stockholders' equity
Balance, December 31, 2022	45,629	\$ 16	\$ 496,211	\$ (2,748)	\$ (222,634)	\$ 270,845
Net loss	—	—	—	—	(7,730)	(7,730)
Issuance of common stock pursuant to exercise of stock options	117	—	143	—	—	143
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	39	—	(182)	—	—	(182)
Stock-based compensation	—	—	5,503	—	—	5,503
Unrealized gains on available-for-sale securities	—	—	—	214	—	214
Cumulative translation adjustment, net of tax	—	—	—	369	—	369
Balance, March 31, 2023	45,785	\$ 16	\$ 501,675	\$ (2,165)	\$ (230,364)	\$ 269,162

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

	Three Months Ended September 30, 2022					
	Common stock		other comprehensive loss		Accumulated deficit	
	Shares	Amount	Additional paid-in capital			Total stockholders' equity
Balance, June 30, 2022	45,074	\$ 15	\$ 483,410	\$ (2,551)	\$ (187,020)	\$ 293,854
Net loss	—	—	—	—	(12,955)	(12,955)
Issuance of common stock pursuant to exercise of stock options	86	1	383	—	—	384
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	153	—	(1,421)	—	—	(1,421)
Restricted stock awards modified in connection with performance achievement	(10)	—	—	—	—	—
Stock-based compensation	—	—	7,495	—	—	7,495
Unrealized gains on available-for-sale securities	—	—	—	190	—	190
Cumulative translation adjustment, net of tax	—	—	—	(1,709)	—	(1,709)
Balance, September 30, 2022	45,303	\$ 16	\$ 489,867	\$ (4,070)	\$ (199,975)	\$ 285,838

	Nine Months Ended September 30, 2022					
	Common stock		other comprehensive loss		Accumulated deficit	Total stockholders' equity
	Shares	Amount	Additional paid-in capital			
Balance, December 31, 2021	44,248	\$ 15	\$ 470,760	\$ (587)	\$ (168,055)	\$ 302,133
Net loss	—	—	—	—	(31,920)	(31,920)
Issuance of common stock pursuant to exercise of stock options	557	1	1,145	—	—	1,146
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	530	—	(3,967)	—	—	(3,967)
Restricted stock awards forfeited in connection with transition agreement	(140)	—	—	—	—	—
Restricted stock awards modified in connection with performance achievement	(10)	—	—	—	—	—
Issuance of common stock under the Employee Stock Purchase Plan	118	—	1,201	—	—	1,201
Stock-based compensation	—	—	20,728	—	—	20,728
Unrealized gains on available-for-sale securities	—	—	—	190	—	190
Cumulative translation adjustment, net of tax	—	—	—	(3,673)	—	(3,673)
Balance, September 30, 2022	45,303	\$ 16	\$ 489,867	\$ (4,070)	\$ (199,975)	\$ 285,838

See accompanying notes to consolidated financial statements.

	nLIGHT, Inc.	
	Consolidated Statements of Cash Flows	
	(In thousands)	(Unaudited)
		Nine Months Ended September 30,
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (28,432)	\$ (31,920)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	9,292	8,135
Amortization	2,697	3,492
Reduction in carrying amount of right-of-use assets	947	2,369
(Recoveries of) provision for losses on accounts receivable	(2)	2
Stock-based compensation	19,645	20,728
Deferred income taxes	7	(1)
Loss on disposal of property, plant and equipment	525	—
Unrealized gain on available-for-sale securities	—	(190)
Changes in operating assets and liabilities:		
Accounts receivable, net	2,308	(3,431)
Inventory	5,491	(8,761)
Prepaid expenses and other current assets	1,358	1,091
Other assets, net	(442)	(308)
Accounts payable	(2,079)	(5,792)
Accrued and other long-term liabilities	161	1,219
Deferred revenues	617	142
Lease liabilities	(1,076)	(1,241)
Non-current income taxes payable	(1,330)	(86)
Net cash provided by (used in) operating activities	9,687	(14,552)
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	—	(664)
Purchases of property, plant and equipment	(4,386)	(16,442)

Acquisition of intangible assets and capitalization of patents	—	(359)
Purchase of marketable securities	(103,008)	(50,000)
Proceeds from maturities and sales of marketable securities	94,231	—
Net cash used in investing activities	(13,163)	(67,465)
Cash flows from financing activities:		
Proceeds from employee stock plan purchases	1,220	1,201
Proceeds from stock option exercises	385	1,146
Tax payments related to stock award issuances	(3,667)	(3,967)
Net cash used in financing activities	(2,062)	(1,620)
Effect of exchange rate changes on cash	(198)	(712)
Net decrease in cash, cash equivalents, and restricted cash	(5,736)	(84,349)
Cash, cash equivalents, and restricted cash, beginning of period	58,078	146,784
Cash, cash equivalents, and restricted cash, end of period	\$ 52,342	\$ 62,435
Supplemental disclosures:		
Cash paid for interest, net	\$ 20	\$ —
Cash paid for income taxes	270	250
Operating cash outflows from operating leases	2,890	2,828
Right-of-use assets obtained in exchange for lease liabilities	1,295	2,242
Accrued purchases of property, equipment and patents	561	2,468

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (13,766)	\$ (7,730)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	3,135	3,105
Amortization	1,258	872
(Increase) reduction in carrying amount of right-of-use assets	(70)	6
Provision for losses on (recoveries of) accounts receivable	95	(2)
Stock-based compensation	5,431	5,503
Loss on disposal of property, plant and equipment	35	—
Changes in operating assets and liabilities:		
Accounts receivable, net	11,892	1,905
Inventory	(888)	662
Prepaid expenses and other current assets	(1,646)	(4,549)
Other assets, net	(616)	(540)
Accounts payable	2,099	(411)
Accrued and other long-term liabilities	1,555	1,855
Deferred revenues	2,745	(142)
Lease liabilities	15	(45)
Non-current income taxes payable	101	155
Net cash provided by operating activities	11,375	644
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,556)	(684)
Purchase of marketable securities	(24,357)	(34,359)
Proceeds from maturities and sales of marketable securities	24,365	24,998
Net cash used in investing activities	(1,548)	(10,045)
Cash flows from financing activities:		
Proceeds from stock option exercises	10	143
Tax payments related to stock award issuances	(1,625)	(182)
Net cash used in financing activities	(1,615)	(39)
Effect of exchange rate changes on cash	(115)	17
Net increase (decrease) in cash, cash equivalents, and restricted cash	8,097	(9,423)
Cash, cash equivalents, and restricted cash, beginning of period	53,466	58,078

Cash, cash equivalents, and restricted cash, end of period	\$ 61,563	\$ 48,655
Supplemental disclosures:		
Cash paid for income taxes	\$ 210	\$ 144
Operating cash outflows from operating leases	1,034	923
Right-of-use assets obtained in exchange for lease liabilities	831	731
Accrued purchases of property, equipment and patents	422	697

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, 2022** December 31, 2023.

Critical Accounting Policies

Our critical accounting policies have not materially changed during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, from those disclosed in our Annual Report on Form 10-K for the year ended **December 31, 2022** December 31, 2023.

New Accounting Pronouncements

None.

ASU 2023-07

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Improvements to Reportable Segment Disclosures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We will adopt ASU 2023-07 in the fourth quarter of 2024 using a retrospective transition method. We are currently evaluating the impact of this guidance on our consolidated financial statements.

ASU 2023-09

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures. This ASU requires enhanced jurisdictional and other disaggregated disclosures for the effective tax rate reconciliation and income taxes paid and is effective for fiscal years beginning after December 15, 2024. This ASU requires additional disclosures and, accordingly, we do not expect the adoption of ASU 2023-09 to have a material effect on our financial position, results of operations or cash flows.

Note 2 - 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, when transfer of control has occurred. As scheduled delivery dates are generally within one year, under the optional exemption provided by ASC 606-10-50-14a, revenues allocated to future shipments of partially completed contracts are not disclosed as performance obligations for point in time revenue. Further, we recognize, over time, revenue as per ASC 606-10-55-18 (invoice practical expedient) for our cost plus contracts and, accordingly, elect not to disclose information related to those performance obligations under ASC 606-10-50-14b. As of **September 30, 2023** **March 31, 2024**, we had **approximately \$33** **\$25** million of performance obligations relating to firm fixed price contracts **with scheduled delivery dates** that **extended beyond one year**, which did not qualify for the aforementioned disclosure exemptions. We expect to recognize **approximately 80%** **75%** of these performance obligations by the end of 2024 and the **remaining 20%** **in** remainder by the end of 2025.

Rights of return generally are not included in customer contracts. Accordingly, product revenue is recognized upon transfer of control at shipment or delivery, as applicable. 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. For long-term contracts, we estimate the total expected costs to complete the contract and recognize revenue based on the percentage of costs incurred at period end. Typically, revenue is recognized over time using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, materials, subcontractors costs, other direct costs, and indirect costs applicable on government and commercial contracts.

Contract estimates are based on various assumptions to project the outcome of future events that may span several years. These assumptions include labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, the performance of subcontractors, and the availability and timing of funding from the customer. Billing under these arrangements generally occurs within one month of the costs being incurred or as milestones are reached.

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,	
		Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,
		2023	2022	2023	2022
Industrial	Industrial	\$ 19,607	\$ 22,217	\$ 56,078	\$ 68,112
Industrial					
Industrial					
Microfabrication					
Microfabrication					
Microfabrication	Microfabrication	12,000	17,682	37,285	51,416
Aerospace and	Aerospace and				
Defense	Defense	19,027	20,194	64,666	65,851
		\$ 50,634	\$ 60,093	\$ 158,029	\$ 185,379
Aerospace and Defense					
Aerospace and Defense					
		\$	\$	\$	\$
		=====	=====	=====	=====
		\$	\$	\$	\$
		=====	=====	=====	=====

Sales by Geography

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,
		2023	2022	2023	2022
North America	North America	\$ 31,330	\$ 32,793	\$ 94,750	\$ 103,619
North America					
North America					
China					
China					

China	China	2,624	5,230	9,134	17,041
Rest of World	Rest of World	16,680	22,070	54,145	64,719
		<u>\$ 50,634</u>	<u>\$ 60,093</u>	<u>\$ 158,029</u>	<u>\$ 185,379</u>

Rest of World

Rest of World

\$

\$

\$

\$

Sales by Timing of Revenue

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,
		2023	2022	2023	2022
Point in time	Point in time	\$ 37,913	\$ 45,268	\$ 117,361	\$ 138,931
Point in time					
Point in time					
Over time	Over time	12,721	14,825	40,668	46,448
Over time		<u>\$ 50,634</u>	<u>\$ 60,093</u>	<u>\$ 158,029</u>	<u>\$ 185,379</u>
Over time					
Over time					
Over time					
Over time					

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

Balance Sheet Classification		As of			
Balance Sheet Classification	Sheet	September 30, 2023	December 31, 2022	Balance Sheet Classification	As of
Contract assets	Contract assets	Balance Sheet Classification	\$ 8,617	\$ 10,377	
	Deferred revenues and				
Contract liabilities	Contract liabilities	other long-term liabilities	3,477	2,455	

Contract assets generally consist of revenue recognized on an over-time basis where revenue recognition has been met, but the amounts are subsequently billed and collected in the following a subsequent period. In our services contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals, which is generally monthly, or upon the achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets recorded in unbilled receivables, prepaid expenses and retentions, other current assets on the Consolidated Balance Sheets. However, we sometimes receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities recorded in customer advances, deferred revenues on the Consolidated Balance Sheets. Contract liabilities are not a significant financing component as they are generally utilized to pay for contract costs within a one-year period or are used to ensure the customer meets contractual requirements. These assets and liabilities are reported on the Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period. For our product revenue, we generally receive cash payments subsequent to satisfying the performance obligation via delivery of the product, resulting in billed accounts receivable. For our contracts, there are no significant gaps between the receipt of payment and the transfer of the associated goods and services to the customer for material amounts of consideration.

During the three and nine months ended **September 30, 2023** **March 31, 2024**, we recognized revenue of **\$0.3 million** and **\$1.4 million**, respectively, **\$0.5 million** that was included in the deferred revenue balances **revenues balance** at the beginning of the period as the performance obligations under the associated agreements were satisfied.

Note 3 - Concentrations of Credit and Other Risks

The following **customer** **customers** accounted for 10% or more of our revenues for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
U.S. Government	16%	16%	17%	16%
			Three Months Ended March 31,	
			2024	2023
U.S. Government*			19%	16%
Raytheon Technologies			11%	(1)
KORD Technologies			10%	(1)

*Excludes sales to customers who sell our products and services exclusively to the U.S. Government

(1) Represents less than 10% of total revenues.

Financial instruments that potentially expose us to concentrations of credit risk consist principally of receivables from customers. As of **September 30, 2023**, **March 31, 2024** and **December 31, 2022** **December 31, 2023**, **three** and two customers accounted for a total of **39%** **30%** and **29%** **24%**, respectively, of net customer receivables. No other customers accounted for 10% or more of net customer receivables at either date.

Note 4 - Marketable Securities

Marketable securities consist primarily of highly liquid investments with original maturities of greater than 90 days when purchased. Our marketable securities are considered available-for-sale as they represent investments that are available to be sold for current operations. As such, they are included as current assets on our Consolidated Balance Sheets at fair value with unrealized gains and losses included in accumulated other comprehensive loss. Any unrealized gains and losses that are considered to be other-than-temporary are recorded in other income, net on our Consolidated Statements of Operations. Realized gains and losses on the sale of marketable securities are determined using the specific-identification method and recorded in other income, net on our Consolidated Statements of Operations.

Realized gains were **\$0.8 million** **\$0.7 million** and **\$1.7 million** for the three and nine months ended **September 30, 2023**, respectively. Unrealized gains were **immaterial** **\$0.1 million** for the three months ended **September 30, 2023** **March 31, 2024**. Realized gains were **\$0.4 million** and **\$0.3 million** unrealized gains were **\$0.2 million** for the **nine** **three** months ended **September 30, 2023**, **March**

31, 2023. These unrealized gains are considered temporary and are reflected in the Consolidated Statements of Comprehensive Loss. **Unrealized gains were \$0.2 million for the three and nine months ended September 30, 2022.**

See Note 5 for additional information.

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.

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 and marketable securities.

Our fair value hierarchy for our financial instruments was as follows (in thousands):

		September 30, 2023							
		Level 1		Level 2		Level 3			
		Level 1	2	3	Total				
		March 31, 2024				March 31, 2024			
		Level 1				Level 1	Level 2	Level 3	Total
Cash	Cash								
Equivalents:	Equivalents:								
Money market securities	Money market securities	\$21,502	\$ —	\$ —	\$21,502				
Money market securities	Money market securities								
Commercial paper	Commercial paper	2,488	—	—	2,488				
		23,990	—	—	23,990				
		25,725							
Marketable Securities:	Marketable Securities:								
U.S. treasuries	U.S. treasuries	59,506	—	—	59,506				
U.S. treasuries	U.S. treasuries								
Total	Total	\$83,496	\$ —	\$ —	\$83,496				
		December 31, 2022				December 31, 2023			
		Level 1		Level 2		Level 3		Total	
		Level 1	2	3	Total				
Cash	Cash								
Equivalents:	Equivalents:								
Money market securities	Money market securities	\$31,658	\$ —	\$ —	\$31,658				
Money market securities	Money market securities								
Commercial paper	Commercial paper	656	—	—	656				
		32,314	—	—	32,314				
		24,436							
Marketable Securities:	Marketable Securities:								
U.S. treasuries	U.S. treasuries	50,391	—	—	50,391				
U.S. treasuries	U.S. treasuries								
Total	Total	\$82,705	\$ —	\$ —	\$82,705				

Cash Equivalents

The fair value of cash equivalents is determined based on quoted market prices for similar or identical securities.

Marketable Securities

We classify our marketable securities as available-for-sale and value them utilizing a market approach that uses observable inputs without applying significant judgment.

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			
		September 30, 2023	December 31, 2022		
		As of			
		March 31, 2024		March 31, 2024	As of
					December 31, 2023
Raw materials	Raw materials	\$ 28,258	\$ 32,515		
Work in process and semi-finished goods	Work in process and semi-finished goods	20,914	19,056		
Finished goods	Finished goods	12,418	16,029		
		\$ 61,590	\$ 67,600		
		\$	\$		

Note 7 - Property, Plant and Equipment

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

		Useful life		As of			
		Useful life					
		(years)		September 30, 2023		December 31, 2022	
		Automobiles	(years)	\$	120	\$	110
Automobiles	Automobiles	3		\$	120	\$	110
Computer hardware and software	Computer hardware and software	3 - 5		8,976		8,712	
Manufacturing and lab equipment	Manufacturing and lab equipment	2 - 7		90,527		89,230	
Office equipment and furniture	Office equipment and furniture	5 - 7		2,520		2,410	
Leasehold and building improvements	Leasehold and building improvements	2 - 12		31,249		30,675	
Buildings	Buildings	30		9,392		9,392	

Land	Land	N/A	3,399	3,399
			146,183	143,928
		148,701		
Accumulated depreciation	Accumulated depreciation		(92,053)	(83,235)
			\$ 54,130	\$ 60,693
		\$		

Note 8 - Intangible Assets and Goodwill

Intangible Assets

The details of definite lived intangible assets were as follows (in thousands):

	Estimated useful life (in years)	As of		Estimated useful life (in years)	As of	
		September 30, 2023	December 31, 2022		March 31, 2024	December 31, 2023
Patents	Patents	(in years) \$ 6,313	\$ 6,322			
Development programs	Development programs	2 - 4	7,200	7,200		
Developed technology	Developed technology	5	2,959	2,930		
		16,472	16,452			
		16,504				
Accumulated amortization	Accumulated amortization	(14,306)	(12,411)			
		\$ 2,166	\$ 4,041			
		\$				

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Amortization expense		\$ 633	\$ 660	\$ 1,896	\$ 2,147
Three Months Ended March 31,					
Amortization expense		\$ 373		\$ 654	

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

2023		\$	514
2024	2024		819
2025	2025		485
2026	2026		348
Thereafter	Thereafter		—
		\$	2,166
		\$	

Goodwill

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

	Laser Products	Advanced Development	Totals
Balance, December 31, 2022	\$ 2,128	\$ 10,248	\$ 12,376
Currency exchange rate adjustment	(9)	—	(9)
Balance, September 30, 2023	\$ 2,119	\$ 10,248	\$ 12,367

	Laser Products	Advanced Development	Totals
Balance, December 31, 2023	2,151	10,248	12,399
Currency exchange rate adjustment	(17)	—	(17)
Balance, March 31, 2024	\$ 2,134	\$ 10,248	\$ 12,382

Note 9 - Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	As of	
	September 30, 2023	December 31, 2022
Accrued payroll and benefits	\$ 9,019	\$ 8,233
Accrued payroll and benefits		
Accrued payroll and benefits		
Product warranty, current		
Product warranty, current		
Product warranty, current	3,694	2,601
Other accrued expenses	1,466	1,986
	\$ 14,179	\$ 12,820
Other accrued expenses		
Other accrued expenses		
	\$	
	\$	
	\$	
	\$	

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):

Nine Months Ended September 30,
Three Months Ended March 31,

		Three Months Ended March 31, Three Months Ended March 31,		2024	2023
		2023	2022		
Product warranty liability, beginning	Product warranty liability, beginning	\$ 5,441	\$ 5,371		
Warranty charges incurred, net	Warranty charges incurred, net	(2,805)	(1,023)		
Provision for warranty charges, net of adjustments	Provision for warranty charges, net of adjustments	2,267	971		
Product warranty liability, ending	Product warranty liability, ending	4,903	5,319		
Product warranty liability, ending	Product warranty liability, ending				
Less: current portion of product warranty liability	Less: current portion of product warranty liability	(3,694)	(2,491)		
Non-current portion of product warranty liability	Non-current portion of product warranty liability	\$ 1,209	\$ 2,828		

Note 11 - Stockholders' Equity and Stock-Based Compensation

Restricted Stock Awards and Units

Restricted stock award unit ("RSA" RSU") and restricted stock unit awards ("RSU" RSA") activity under our equity incentive plan was as follows:

	Number of Restricted Stock Awards and Units (Thousands)	Weighted-Average Grant Date Fair Value
Balance, December 31, 2022	3,115	\$ 18.76
Granted	1,581	10.28
Vested	(1,100)	19.97
Forfeited	(304)	20.12
Balance, September 30, 2023	3,292	14.16

	Number of Restricted Stock Units (Thousands)	Weighted-Average Grant Date Fair Value
Balance, December 31, 2023	2,817	\$ 13.27
Granted	15	13.20
Vested	(399)	10.37
Forfeited	(13)	14.25
Balance, March 31, 2024	2,420	13.75

	Number of Restricted Stock Awards (Thousands)	Weighted-Average Grant Date Fair Value
Balance, December 31, 2023 and March 31, 2024	133	\$ 30.44

The total fair value of RSUs and RSAs vested during the nine three months ended September 30, 2023 March 31, 2024, was \$22.0 million \$4.1 million. Awards outstanding as of September 30, 2023 March 31, 2024 include 0.9 million 0.8 million performance-based awards that will vest upon meeting certain performance criteria. Approximately 0.5 million total No performance-based awards were granted in 2023. These awards vest based on a market metric called Total Shareholder Return ("TSR") for during the performance period of three years relative to the TSR of companies in the Russell 2000 Index and had a weighted average grant date fair value of \$14.21 per share using a Monte Carlo simulation pricing model. months ended March 31, 2024.

Stock Options

The following table summarizes our stock option activity during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Number of Options (Thousands)	Weighted-Average Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value (Thousands)
			3.4	2.6	
Outstanding, December 31, 2022	1,827	\$1.29			\$16,156
Options exercised	(278)	1.39			
Outstanding, September 30, 2023	1,549	1.28			14,128
Options exercisable at September 30, 2023	1,549	1.28			14,128
Options vested as of September 30, 2023, and expected to vest after September 30, 2023	1,549	1.28			14,128

	Number of Options (Thousands)	Weighted-Average Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value (Thousands)
			2.5	2.2	
Outstanding, December 31, 2023	1,398	\$1.24			\$17,142
Options exercised	(11)	0.95			
Outstanding, March 31, 2024	1,387	1.24			16,316
Options exercisable at March 31, 2024	1,387	1.24			16,316
Options vested as of March 31, 2024, and expected to vest after March 31, 2024	1,387	1.24			16,316

Total intrinsic value of options exercised for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**, was **\$2.5 million** **\$0.1 million** and **\$7.5 million** **\$1.1 million**, respectively. We received proceeds of **\$0.4 million** **\$10,000** and **\$1.1 million** **\$0.1 million** from the exercise of options for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**, respectively.

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,	
	2023	2022	2023	2022
Three Months Ended March 31,				
Three Months Ended March 31,				
Three Months Ended March 31,				
2024				
2024				
2024				
Cost of revenues				
Cost of revenues				
Cost of revenues	Cost of revenues	\$ 508	\$ 712	\$ 1,871
Research and development	Research and development	2,613	3,169	7,537
Research and development				
Research and development				
Sales, general and administrative	Sales, general and administrative	3,506	3,614	10,237
Sales, general and administrative				
		\$ 6,627	\$ 7,495	\$ 19,645
Sales, general and administrative				
Sales, general and administrative				
		\$		\$ 20,728

\$

\$

Unrecognized Compensation Costs

As of **September 30, 2023** **March 31, 2024**, total unrecognized stock-based compensation was **\$36.7 million** **\$25.5 million**, which will be recognized over an average expected recognition period of **2.01.7** years.

Note 12 - Commitments and Contingencies

Leases

See Note 13.

Legal Matters

On March 25, 2022, Lumentum Operations LLC (**Lumentum**) 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 are vigorously defending against Lumentum's allegations. Loss in this matter is not probable or reasonably estimable and, as such, no loss contingency has been recorded.

From time to time, we may be subject to various other legal proceedings and claims in the ordinary course of business. As of **September 30, 2023** **March 31, 2024**, we believe these matters will not have a material adverse effect on our consolidated financial statements.

Note 13 - 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 **0.20.4** to **11.7 11.2** 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 **0.10.4** to 4.6 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 **8.7** years as of **September 30, 2023** **March 31, 2024**, and the weighted-average discount rate was **3.7% 3.9%**.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Lease expense:				
Operating lease expense	\$ 948	\$ 911	\$ 2,763	\$ 2,907
Short-term lease expense	142	185	348	437
Variable and other lease expense	271	224	744	659
	\$ 1,361	\$ 1,320	\$ 3,855	\$ 4,003

	Three Months Ended March 31,	
	2024	2023
Lease expense:		
Operating lease expense	\$ 919	\$ 921
Short-term lease expense	69	93
Variable and other lease expense	244	225
	\$ 1,232	\$ 1,239

Future minimum payments under our non-cancelable lease obligations were as follows as of **September 30, 2023** **March 31, 2024** (in thousands):

2023	\$ 922
2024	3,471
2025	2,217
2026	1,714
2027	1,672
2028	
Thereafter	6,809
Total minimum lease payments	16,805

Less: interest	Less: interest	(2,305)
Present value of net minimum lease payments	Present value of net minimum lease payments	14,500
Less: current portion of lease liabilities	Less: current portion of lease liabilities	(3,049)
Total long-term lease liabilities	Total long-term lease liabilities	\$ 11,451

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 (dollars in thousands):

Three Months Ended September 30, 2023			Three Months Ended March 31, 2024		
Laser Products	Advanced Development	Corporate and Other	Laser Products	Advanced Development	Corporate and Other
Revenue	Revenue	\$ 38,103	\$ 12,531	\$ —	\$ 50,634
Gross profit	Gross profit	\$ 9,596	\$ 850	\$ (508)	\$ 9,938
Gross margin	Gross margin	25.2 %	6.8 %	NM*	19.6 %
			Gross margin	22.7 %	8.9 %
					NM*
					16.8 %
Nine Months Ended September 30, 2023			Corporate and Other		
	Laser Products	Advanced Development	Corporate and Other		Totals
Revenue	\$ 118,802	\$ 39,227	\$ —	\$	158,029
Gross profit	\$ 35,860	\$ 2,320	\$ (1,871)	\$	36,309
Gross margin	30.2 %	5.9 %	NM*		23.0 %

Three Months Ended September 30, 2022		
Laser Products	Advanced Development	Corporate and Other
Revenue	\$ 48,042	\$ 12,051
Gross profit	\$ 13,404	\$ 784
Gross margin	27.9 %	6.5 %
	NM*	NM*
		22.4 %

Nine Months Ended September 30, 2022			Three Months Ended March 31, 2023		
Laser Products	Advanced Development	Corporate and Other	Laser Products	Advanced Development	Corporate and Other
Revenue	Revenue	\$ 147,283	\$ 38,096	\$ —	\$ 185,379
Gross profit	Gross profit	\$ 44,587	\$ 2,556	\$ (2,105)	\$ 45,038
Gross margin	Gross margin	30.3 %	6.7 %	NM*	24.3 %
			Gross margin	34.7 %	5.3 %
					NM*
					26.4 %

*Not meaningful

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, 2022** December 31, 2023.

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,		Nine Months Ended September 30,	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Restricted stock units and awards				
Restricted stock units and awards				
Restricted stock units and awards	918	701	942	1,046
Common stock options	1,413	1,676	1,485	2,052
	<u>2,331</u>	<u>2,377</u>	<u>2,427</u>	<u>3,098</u>
Common stock options				
Common stock options				

PART II

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: our business model and strategic plans; our expectations regarding manufacturing; our future financial performance; demand for our semiconductor and fiber laser solutions; our ability to develop innovative products; our expectations regarding product volumes and the introduction of new products; our technology and new product research and development activities; the impact of inflation; the impact of seasonality; 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, fiber amplifiers, and other directed energy laser products are included in the Laser Products segment, while revenue earned from research and development contracts are included in the Advanced Development segment.

Revenues decreased to **\$158.0 million** **\$44.5 million** in the **nine** **three** months ended **September 30, 2023** **March 31, 2024** compared to **\$185.4 million** **\$54.1 million** in the same period of **2022** **2023** due primarily to decreased sales in the Laser Products segment, particularly in China. segment. We generated a net loss of **\$28.4 million** **\$13.8 million** for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** compared to a net loss of **\$31.9 million** **\$7.7 million** for the same period of **2022** **2023**.

Factors Affecting Our Performance

Demand for our Semiconductor and Fiber Laser Solutions

In order to continue to grow our revenues, we must continue to achieve Our revenue growth depends on market demand and achievement of 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 product and 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, and laser-sensing 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 performance of our products provide a significant benefit to our customers. 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, the cost of purchased materials, 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. We have invested heavily in U.S.-based manufacturing capabilities in the last several years. 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, changes in the estimated cost of projects at completion, and successful execution on projects during the period, and estimated costs to project completion. period. Most of our Development contracts are have historically been structured as cost plus fixed fee due to the technical complexity of the research and development services. services, but we also perform work under fixed price contracts where gross margin can change from period to period based on the estimated cost of the project at completion.

Seasonality

Our quarterly revenues can fluctuate with general economic trends, the timing of capital expenditures by our customers, holidays, 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,
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	2024	2023
Revenue:		
Products	66.0 %	76.0 %
Development	34.0	24.0
Total revenue	100.0	100.0
Cost of revenue:		
Products	52.2	50.9
Development	31.0	22.7
Total cost of revenue	83.2	73.6
Gross profit	16.8	26.4
Operating expenses:		
Research and development	23.9	20.9
Sales, general, and administrative	26.0	20.6
Total operating expenses	49.9	41.5
Loss from operations	(33.1)	(15.2)
Other income:		
Interest income, net	1.0	0.6
Other income, net	1.4	0.7
Loss before income taxes	(30.7)	(13.8)
Income tax expense	0.3	0.5
Net loss	(31.0)%	(14.3)%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Products	75.3 %	79.9 %	75.2 %	79.4 %
Development	24.7	20.1	24.8	20.6
Total revenue	100.0	100.0	100.0	100.0
Cost of revenue:				
Products	57.3	58.8	53.7	56.5
Development	23.1	18.7	23.3	19.2
Total cost of revenue	80.4	77.5	77.0	75.7
Gross profit	19.6	22.5	23.0	24.3
Operating expenses:				
Research and development	21.2	21.2	21.5	21.7
Sales, general, and administrative	23.2	22.9	21.9	19.7
Total operating expenses	44.4	44.1	43.5	41.4
Loss from operations	(24.7)	(21.6)	(20.5)	(17.1)
Other income:				
Interest income, net	0.6	0.3	0.6	0.1
Other income (expense), net	1.1	(0.1)	1.3	(0.1)
Loss before income taxes	(23.1)	(21.4)	(18.6)	(17.1)
Income tax expense (benefit)	0.4	0.2	(0.6)	0.2
Net loss	(23.5)%	(21.6)%	(18.0)%	(17.3)%

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	
	2023	% of Revenue	2022	% of Revenue	\$	%
Industrial	\$ 19,607	38.7 %	\$ 22,217	37.0 %	\$ (2,610)	(11.7)%

Microfabrication	12,000	23.7	17,682	29.4	(5,682)	(32.1)
Aerospace and Defense	19,027	37.6	20,194	33.6	(1,167)	(5.8)
	\$ 50,634	100.0 %	\$ 60,093	100.0 %	\$ (9,459)	(15.7)%

		Nine Months Ended September 30,			Change		
		% of Revenue		% of Revenue		Amount	%
		Three Months Ended March 31,					
2024					2024		Three Months
Industrial	Industrial	\$ 56,078	35.5 %	\$ 68,112	36.7 %	(\$12,034)	(17.7)%
Microfabrication	Microfabrication	37,285	23.6	51,416	27.7	(14,131)	(27.5)
Aerospace and Defense	Aerospace and Defense	64,666	40.9	65,851	35.6	(1,185)	(1.8)
		\$158,029	100.0 %	\$185,379	100.0 %	(\$27,350)	(14.8)%
		\$		\$ 44,527	100.0 %		\$ 54,091 100.0 %

The decreases in revenue from the Industrial and Microfabrication markets for the three and nine months ended September 30, 2023, March 31, 2024 compared to the same periods in 2022, period of 2023 were driven by decreases in a result of decreased unit sales due to lower global market customer demand and lower average selling prices in China, deteriorating market conditions. The decreases increase in revenue from the Aerospace and Defense market for the three and nine months ended September 30, 2023, March 31, 2024 compared to the same periods in 2022, were the result of decreases in product unit sales. 2023 was driven by new research and development contracts, offset partially by new development contracts. a decrease in unit sales of laser products.

Revenues by Segment

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

	Three Months Ended September 30,				Change	
	2023	% of Revenue	2022	% of Revenue	\$	%
Laser Products	\$ 38,103	75.3 %	\$ 48,042	79.9 %	\$ (9,939)	(20.7)%
Advanced Development	12,531	24.7	12,051	20.1	480	4.0
	\$ 50,634	100.0 %	\$ 60,093	100.0 %	\$ (9,459)	(15.7)%

		Nine Months Ended September 30,			Change		
		% of Revenue		% of Revenue		Amount	%
		Three Months Ended March 31,					
2024					2024		Three Months
Laser Products	Laser Products	\$118,802	75.2 %	\$147,283	79.4 %	(\$28,481)	(19.3)%
Advanced Development	Advanced Development	39,227	24.8	38,096	20.6	1,131	3.0
		\$158,029	100.0 %	\$185,379	100.0 %	(\$27,350)	(14.8)%
		\$		\$ 44,527	100.0 %		\$ 54,091 100.0 %

The decreases decrease in Laser Products revenue for the three and nine months ended September 30, 2023, March 31, 2024 compared to the same periods in 2022, were primarily period of 2023 was the result of decreased revenue from the Industrial, Microfabrication and Aerospace and Defense markets units sales across each end market as discussed above.

The increases increase in Advanced Development revenue for the three and nine months ended September 30, 2023, March 31, 2024 compared to the same periods in 2022, were period of 2023 was driven by new development contracts. Most of our Advanced Development revenue is generated from cost plus fixed fee research and development contracts, and all contracts. All Advanced Development revenue is included in the Aerospace and Defense market.

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			
	2023	% of Revenue	2022	% of Revenue	\$	%		
North America	\$ 31,330	61.9 %	\$ 32,793	54.6 %	\$ (1,463)	(4.5)%		
China	2,624	5.2	5,230	8.7	(2,606)	(49.8)		
Rest of World	16,680	32.9	22,070	36.7	(5,390)	(24.4)		
	\$ 50,634	100.0 %	\$ 60,093	100.0 %	\$ (9,459)	(15.7)%		
Nine Months Ended September 30,				Change				
	2023	% of Revenue	2022	% of Revenue	Amount	%		
Three Months Ended March 31,				Three Months Ended March 31, 2024				
2024	2024	North	North	2024	% of Revenue	% of Revenue		
North America	\$ 94,750	60.0 %	\$ 103,619	55.9 %	\$ (8,869)	(8.6)%		
China	9,134	5.8	17,041	9.2	(7,907)	(46.4)		
Rest of World	54,145	34.2	64,719	34.9	(10,574)	(16.3)		
	\$158,029	100.0 %	\$185,379	100.0 %	\$ (27,350)	(14.8)%		
	\$			\$ 44,527	100.0 %	\$ 54,091	100.0 %	\$ (9,564)

Geographic revenue information is based on the location to which we ship our products. The decreases There was no significant change in North America revenue for the three and nine months ended September 30, 2023 compared to the same period in 2022, were driven by period of 2023 as decreased revenue from the Industrial, Microfabrication, and Aerospace and Defense markets as previously discussed. Laser Products was offset by increased revenue from Advanced Development. The decreases decrease in China revenue for the three and nine months ended September 30, 2023, March 31, 2024 compared to the same periods in 2022, were period of 2023 was the result of decreased revenue from sales to the Industrial and market, partially offset by increased sales to the Microfabrication markets due to a decline in market conditions and our decision to exit the fiber laser cutting market in China during the fourth quarter of 2022. The decreases decrease in Rest of World revenue for the three and nine months ended September 30, 2023, March 31, 2024 compared to the same periods in 2022, were period of 2023 was due to decreased sales to both the result of decreased revenue from the Industrial and Microfabrication and Industrial markets due primarily to lower demand. markets.

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 demand from our customers. 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 September 30, 2023				Total
	Laser Products		Advanced Development		
	Gross profit	\$ 9,596	\$ 850	\$ (508)	\$ 9,938
Gross margin		25.2 %	6.8 %	NM*	19.6 %
Nine Months Ended September 30, 2023				Three Months Ended March 31, 2024	
	Laser Products	Advanced Development	Corporate and Other	Laser Products	Advanced Development
Products	Development	and Other	Total	Products	Development
Three Months Ended March 31, 2024				Corporate and Other	
	Laser Products			Laser Products	Advanced Development
Gross profit	\$ 35,860	\$ 2,320	\$ (1,871)	\$ 36,309	

Gross margin	30.2 %	5.9 %	NM*	23.0 %	Gross margin 22.7 %	8.9 %	NM*	16.8 %
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	Three Months Ended September 30, 2022				
	Laser Products		Advanced Development	Corporate and Other	
	\$ 13,404	\$ 784	\$ (712)	\$ 13,476	
Gross profit			27.9 %	6.5 %	NM*
Gross margin					22.4 %

	Nine Months Ended September 30, 2022				
	Laser Products	Advanced Development	Corporate and Other	Total	
	\$ 44,587	\$ 2,556	\$ (2,105)	\$ 45,038	
Gross profit			30.3 %	6.7 %	NM*
Gross margin			24.3 %	Gross margin 34.7 %	5.3 %
					NM*
					26.4 %

*NM = not meaningful

The decrease in Laser Products gross margin for the three months ended September 30, 2023, March 31, 2024 compared to the same period of 2022, 2023 was driven primarily by decreased factory utilization the impact of lower production volumes on fixed manufacturing costs due to a the decrease in production demand, an sales and customer demand. The increase in production variances, and changes in sales mix, partially offset by decreased manufacturing spend. The decrease in Laser Products gross margin for the nine months ended September 30, 2023, compared to same period of 2022, was not significant.

The changes in Advanced Development gross margin for the three and nine months ended September 30, 2023, March 31, 2024 compared to the same periods in 2022, were period of 2023 was primarily due to the result of changes in the mix composition of research and development contracts. Most The first quarter of our Advanced Development 2024 includes more revenue consists of cost plus from fixed priced contracts that have higher average gross margins than cost-plus fixed fee contracts, and the fee earned on costs incurred vary by contract. contracts.

Operating Expenses

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

Research and Development

	Three Months Ended September 30,		Change	
	2023	2022	\$	%
Research and development	\$ 10,744	\$ 12,716	\$ (1,972)	(15.5)%
Nine Months Ended September 30,				
	2023		Change	
	2023	2022	Amount	%
Research and development	\$ 34,049	\$ 40,215	\$ (6,166)	(15.3)%
Three Months Ended March 31,				
	2024		Change	
	2024	2023	\$	%
Research and development	\$ 10,659	\$ 11,301	\$ (642)	(5.7)%

The decreases decrease in research and development expense for the three and nine months ended September 30, 2023, March 31, 2024 compared to the same periods period in 2022, were 2023 was driven by decreases in employee headcount and project-related expenses, and decreases a decrease in stock-based compensation of \$0.6 million and \$1.9 million, respectively. \$0.5 million.

Sales, General and Administrative

	Three Months Ended September 30,		Change	
	2023	2022	\$	%
Sales, general, and administrative	\$ 11,725	\$ 13,741	\$ (2,016)	(14.7)%
Nine Months Ended September 30,		Change		
	2023	2022	Amount	%
Sales, general, and administrative	\$ 34,684	\$ 36,430	\$ (1,746)	(4.8)%
Three Months Ended March 31,		Change		
	2024	2023	\$	%
Sales, general, and administrative	\$ 11,547	\$ 11,169	\$ 378	3.4 %

The **decreases****increase** in sales, general and administrative expense for the three and nine months ended **September 30, 2023, March 31, 2024** compared to the same periods period in 2022, **were**2023 was primarily due to **decreases** in employee compensation, including incentive compensation, and an increase in administrative costs allocated to development projects, partially offset by an increase in stock-based compensation of \$1.0 million for the nine months ended **September 30, 2023**. In addition, the three months ended **September 30, 2023** includes an increase in \$0.6 million, partially offset by a decrease professional service fees and outside services, while the nine months ended **September 30, 2023** includes a decrease in professional fees and outside services information technology related costs.

Interest Income, net

	Three Months Ended September 30,		Change	
	2023	2022	\$	%
Interest income, net	\$ 303	\$ 167	\$ 136	81.4%
Nine Months Ended September 30,		Change		
	2023	2022	Amount	%
Interest income, net	\$ 990	\$ 238	\$ 752	316.0 %
Three Months Ended March 31,		Change		
	2024	2023	\$	%
Interest income, net	\$ 455	\$ 337	\$ 118	35.0%

The **increases****increase** in interest income, net, for the three and nine months ended **September 30, 2023, March 31, 2024** compared to the same periods period in 2022, **were**2023 was driven by **increases****an increase** in interest rates and increased investment in marketable securities. rates.

Other Income, (Expense), net

	Three Months Ended September 30,		Change	
	2023	2022	\$	%
Other income (expense), net	\$ 536	\$ (31)	\$ 567	NM*
Nine Months Ended September 30,		Change		
	2023	2022	Amount	%
Other income (expense), net	\$ 1,997	\$ (108)	\$ 2,105	NM*

*NM = not meaningful

	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Other income, net	\$ 641	\$ 404	\$ 237	NM*

Changes in other income, (expense), net are primarily attributable to realized gains and losses on the sale of marketable securities and changes in net realized and unrealized foreign exchange transactions resulting from currency rate fluctuations. The increase in other income, net for the three months ended March 31, 2024 compared to the same period in 2023 was primarily due to realized gains on the sale of marketable securities.

Income Tax Expense (Benefit)

	Three Months Ended September 30,		Change	
	2023	2022	\$	%
Income tax expense (benefit)	\$ 187	\$ 110	\$ 77	70.0 %
Nine Months Ended September 30,		Change		
Income tax expense (benefit)	2023	2022	Amount	%
	\$ (1,005)	\$ 443	\$ (1,448)	(326.9)%
Three Months Ended March 31,		Change		
Income tax expense	2024	2023	\$	%
	\$ 144	\$ 264	\$ (120)	(45.5)%

We record income tax expense (benefit) for taxes in our foreign jurisdictions including Austria, Finland, Italy, and South Korea. While our tax expense is largely dependent on the geographic mix of earnings related to our foreign operations, we also record tax expense (benefit) 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 September 30, 2023 March 31, 2024.

The increase decrease in income tax expense for the three months ended September 30, 2023, compared to the same period of 2022 was driven by higher profitability in foreign jurisdictions, while the decrease in income tax expense for the nine months ended September 30, 2023, March 31, 2024 compared to the same period in 2022, 2023 was driven by a discrete tax benefit related decrease in return to expiring statutes of limitations of provision adjustments and accrued interest on unrecognized tax positions recorded in the second quarter of 2023. positions.

Liquidity and Capital Resources

We had cash and cash equivalents of \$52.1 million \$61.6 million and \$57.8 million \$53.5 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. In addition, we had marketable securities of \$59.5 million \$59.8 million and \$50.4 million \$59.7 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Our total balance of cash, cash equivalents, restricted cash and marketable securities increased by \$3.4 million \$8.2 million from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024.

For the nine three months ended September 30, 2023 March 31, 2024, our principal uses source of liquidity were to fund our working capital needs. The primary source of was cash was collections collected from customers. 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. 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):

	Nine Months Ended September 30,			
	2023			
	2022	2023		
Net cash provided by (used in) operating activities	\$ 9,687	\$ (14,552)		
			Three Months Ended March 31,	
			Three Months Ended March 31,	
			Three Months Ended March 31,	
			2024	
Net cash provided by operating activities				
Net cash provided by operating activities				
Net cash provided by operating activities				
Net cash used in investing activities				

Net cash used in investing activities			
Net cash used in investing activities	Net cash used in investing activities	(13,163)	(67,465)
Net cash used in financing activities	Net cash used in financing activities	(2,062)	(1,620)
Net cash used in financing activities			
Net cash used in financing activities			
Effect of exchange rate changes on cash	Effect of exchange rate changes on cash	(198)	(712)
Net decrease in cash, cash equivalents and restricted cash	\$	(5,736)	\$ (84,349)
Effect of exchange rate changes on cash			
Effect of exchange rate changes on cash			
Net increase (decrease) in cash, cash equivalents and restricted cash			
Net increase (decrease) in cash, cash equivalents and restricted cash			
Net increase (decrease) in cash, cash equivalents and restricted cash			

Net Cash Provided by (used in) Operating Activities

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, net cash provided by operating activities was **\$9.7 million** **\$11.4 million**, which was the result of a **\$28.4 million** **\$13.8 million** net loss, offset by increases in working capital of **\$5.0 million** **\$15.3 million** and non-cash expenses totaling **\$33.1 million** **\$9.9 million** related primarily to depreciation, amortization, and stock-based compensation. **Changes** The increase in working capital **were** in the **three** months ended **March 31, 2024** was driven by a **\$5.5 million** decrease in inventory, and **\$2.4** an **\$11.9 million** decrease in accounts receivable, net, for the **nine** months ended **September 30, 2023**, compared to an **\$8.8 million** increase in inventory and a **\$3.4 million** **\$2.1 million** increase in accounts **receivable**, net, over the **comparable** period of **2022**. **payable**, a **\$1.6 million** increase in accrued and other long-term liabilities and a **\$2.7 million** increase in deferred revenues, partially offset by a **\$1.6 million** increase in prepaid expenses and other current assets.

Net Cash Used in Investing Activities

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, net cash used in investing activities was **\$13.2 million** **\$1.5 million**, which was **driven by** primarily for the **net** purchase of **marketable** **securities** of **\$8.8 million** **property, plant and capital expenditures** of **\$4.4 million** **equipment**.

Net Cash Used in Financing Activities

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, net cash used in financing activities was **\$2.1 million** **\$1.6 million**, which **primarily** consisted of taxes paid on the net settlement of stock awards of **\$3.7 million**, partially offset by **proceeds** from stock option exercises and employee stock plan purchases of **\$1.6 million**. **awards**.

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** **expires** 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 **September 30, 2023** **March 31, 2024** and we were in compliance with all covenants.

Contractual Obligations

There have been no material changes to our contractual obligations as previously disclosed in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

Inflation

While we **We** do not believe that inflation had a material effect on our business, financial condition or results of operations during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, **we experienced increases in wages and other compensation costs, materials, and shipping costs in 2022 and the nine months ended September 30, 2023**. 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, 2022** **December 31, 2023**. Our exposure to market risk has not changed materially since **December 31, 2022** **December 31, 2023**.

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

There were no changes in our internal control over financial reporting that occurred during the three months ended **September 30, 2023** **March 31, 2024** 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—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, see Note [12](#). 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, 2022** **December 31, 2023**. 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, 2022** **December 31, 2023**.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the three months ended **September 30, 2023** **March 31, 2024**, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408.

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit Number	Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Exhibit	
31.1	<u>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</u>				X
31.2	<u>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</u>				X
32.1*	<u>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</u>				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

* 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 May 3, 2023 2024

Date

By: /s/ SCOTT KEENEY

Scott Keeney

President and Chief Executive Officer
(Principal Executive Officer)

November May 3, 2023 2024

Date

By: /s/ JOSEPH CORSO

Joseph Corso

Chief Financial Officer
(Principal Financial Officer)

November May 3, 2023 2024

Date

By: /s/ JAMES NIAS

James Nias

Chief Accounting Officer
(Principal Accounting Officer)

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 3, 2023 May 3, 2024

/s/ SCOTT KEENEY

Scott Keeney

President, Chief Executive Officer and Chairman (Principal Executive 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, 2023, 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: November 3, 2023

/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.

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: November 3, 2023 May 3, 2024

/s/ JOSEPH CORSO

Joseph Corso

Chief Financial Officer (Principal 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 year ended March 31, 2024, 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 3, 2024

/s/ SCOTT KEENNEY

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.

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