Filed pursuant to Rule 424(b)(3)
Registration No. 333-251657

PROSPECTUS SUPPLEMENT NO. 3
(to Prospectus dated May 27, 2021)

LUMINAR

LUMINAR TECHNOLOGIES, INC.
Up to 181,247,830 Shares of Class A Common Stock
Up to 19,999,975 Shares of Class A Common Stock Issuable Upon Exercise of Warrants

This prospectus supplement supplements the prospectus dated May 27, 2021 (the "Prospectus"), which forms a part of our registration statement on Form S-1 (No. 333-251657). This prospectus supplement is being filed to update and supplement the information in the Prospectus with the information contained in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021, filed with the Securities and Exchange Commission (the "SEC") on November 15, 2021 (the "Quarterly Report"). Accordingly, we have attached the Quarterly Report to this prospectus supplement.

The Prospectus and this prospectus supplement relates to the offer and sale from time to time by the selling securityholders named in the Prospectus (the "Selling Securityholders") of up to (A) 181,247,830 shares of our Class A common stock, par value $0.0001 per share ("Class A Stock"), which consists of (i) 10,000,000 shares of Class A Stock (the "Founder Shares") originally issued in a private placement to Gores Metropoulos Sponsor LLC (the "Sponsor") in connection with the initial public offering (the "IPO") of Gores Metropoulos, Inc. ("Gores"), and subsequently distributed to certain equityholders of the Sponsor, (ii) 42,064,871 shares of Class A Stock issued pursuant to the Merger Agreement (as defined in the Prospectus), (iii) 6,666,666 shares of Class A Stock issuable upon the exercise of 6,666,666 warrants (the "Private Warrants") originally issued in a private placement to the Sponsor in connection with the IPO at an exercise price of $11.50 per share of Class A Stock and subsequently distributed to certain equityholders of the Sponsor, (iv) 105,118,203 Executive Shares (as defined in the Prospectus), (v) up to 3,944,151 Earn-Out Shares (as defined in the Prospectus) that may be issued in the form of Class A Stock pursuant to the earn-out provisions in the Merger Agreement, (vi) up to 10,455,134 shares of Class A Stock that may be issued or issuable upon the conversion of any Earn-Out Shares that may be issued in the form of our Class B common stock, par value $0.0001 per share ("Class B Stock") pursuant to the earn-out provisions in the Merger Agreement, and (vii) up to 2,998,805 shares of Class A Stock issuable upon the exercise of outstanding Rollover Options (as defined in the Prospectus) to purchase shares of Class A Stock, and (B) up to 6,666,666 Private Warrants.

In addition, the Prospectus relates to the offer and sale of up to 13,333,309 shares of Class A Stock that are issuable by us upon the exercise of 13,333,309 warrants originally issued in connection with the IPO at an exercise price of $11.50 per share of Class A Stock (the "Public Warrants" and, together with the Private Warrants, the "Warrants"). On February 3, 2021, we announced the redemption of the Public Warrants. As a result of the ensuing exercises of the Public Warrants and the redemption of the remaining Public Warrants, no Public Warrants were outstanding as of April 14, 2021.

Our Class A Stock is listed on the Nasdaq Global Select Market ("Nasdaq") under the symbol "LAZR." On November 12, 2021, the closing price of our Class A Stock was $19.63 per share.

This prospectus supplement should be read in conjunction with the Prospectus, and this prospectus supplement is qualified by reference to the Prospectus, except to the extent that the information provided by this prospectus supplement supersedes the information contained in the Prospectus.

This prospectus supplement is not complete without, and may not be delivered or utilized except in connection with, the Prospectus dated May 27, 2021 with respect to the securities described above, including any amendments or supplements thereto.

We are an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933, as amended, and, as such, have elected to comply with certain reduced disclosure and regulatory requirements.

Investing in our Class A Stock is highly speculative and involves a high degree of risk. You should consider carefully the risks and uncertainties in the section entitled "Risk Factors" beginning on page 6 of the Prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus supplement is November 15, 2021.

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, 2021

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 001-38791

LUMINAR TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**83-1804317**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2603 Discovery Drive **Suite 100** **Orlando** **Florida**	**32826**
(Address of Principal Executive Offices)	(Zip Code)

(407) 900-5259

Registrant's telephone number, including area code

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A common stock, par value of $0.0001 per share	**LAZR**	**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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 Act). Yes ☐ No ☒

As of November 5, 2021, the registrant had 259,965,800 shares of Class A common stock and 101,588,670 shares of Class B common stock, par value $0.0001 per share, outstanding.

LUMINAR TECHNOLOGIES, INC. AND SUBSIDIARIES

FORM 10-Q

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which involve substantial risks and uncertainties. These statements reflect the current views of management with respect to future events and our financial performance. In some cases, you can identify these statements by forward-looking words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words or phrases, but the absence of these words does not mean that a statement is not forward-looking. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business.

These statements are only predictions based on our current expectations and projections about future events. These statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. These factors include the information set forth in Part 1, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 under the heading "Risk Factors" and Part II, Item 1A, of this Quarterly Report under the heading "Risk Factors", which we encourage you to carefully read. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. We undertake no obligation to update any forward-looking statements made in this Form 10-Q to reflect events or circumstances after the date of this Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

LUMINAR TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(In thousands)

	September 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 129,323	$ 208,944
Restricted cash	725	775
Marketable securities	415,544	276,710
Accounts receivable	1,033	5,971
Inventories, net	7,871	3,613
Prepaid expenses and other current assets	23,883	4,797
Total current assets	578,379	500,810
Property and equipment, net	11,128	7,689
Operating lease right-of-use assets	10,165	—
Intangible assets, net	2,488	—
Goodwill	3,110	701
Other non-current assets	2,536	1,151
Total assets	$ 607,806	$ 510,351
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,682	$ 6,039
Accrued and other current liabilities	18,551	10,452
Operating lease liabilities	4,927	—
Debt, current	66	99
Total current liabilities	33,226	16,590
Warrant liabilities	27,753	343,400
Debt, non-current	177	302
Operating lease liabilities, non-current	6,639	—
Other non-current liabilities	911	1,318
Total liabilities	68,706	361,610
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Class A common stock	26	22
Class B common stock	10	11
Additional paid-in capital	1,287,558	733,175
Accumulated other comprehensive income	100	34
Accumulated deficit	(748,594)	(584,501)
Total stockholders' equity	539,100	148,741
Total liabilities and stockholders' equity	$ 607,806	$ 510,351

See accompanying notes to the unaudited condensed consolidated financial statements.

LUMINAR TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited, in thousands, except share and per share data)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenue	$ 7,978	$ 4,223	$ 19,600	$ 11,519
Cost of sales	10,762	6,924	26,254	18,209
Gross loss	(2,784)	(2,701)	(6,654)	(6,690)
Operating expenses:				
Research and development	25,890	10,152	59,813	28,268
Sales and marketing	5,868	2,332	12,010	5,407
General and administrative	35,603	6,611	65,113	16,116
Total operating expenses	67,361	19,095	136,936	49,791
Loss from operations	(70,145)	(21,796)	(143,590)	(56,481)
Other income (expense), net:				
Change in fair value of warrant liabilities	17,072	(7,988)	(22,649)	(12,562)
Loss on extinguishment of debt	—	—	—	(866)
Interest expense and other	(374)	(1,076)	(860)	(2,097)
Interest income and other	843	(351)	1,744	(221)
Total other income (expense), net	17,541	(9,415)	(21,765)	(15,746)
Loss before benefit from income taxes	(52,604)	(31,211)	(165,355)	(72,227)
Benefit from income taxes	(1,264)	—	(1,262)	—
Net loss	$ (51,340)	$ (31,211)	$ (164,093)	$ (72,227)
Net loss attributable to common stockholders	$ (51,340)	$ (37,458)	$ (164,093)	$ (78,474)
Net loss per share attributable to common stockholders:				
Basic and diluted	$ (0.15)	$ (0.29)	$ (0.48)	$ (0.61)
Shares used in computing net loss per share attributable to common stockholders:				
Basic and diluted	352,122,485	130,601,660	341,858,435	129,643,774
Comprehensive Loss:				
Net loss	$ (51,340)	$ (31,211)	$ (164,093)	$ (72,227)
Net unrealized gains (losses) on available-for-sale debt securities	93	(28)	66	(19)
Comprehensive loss	$ (51,247)	$ (31,239)	$ (164,027)	$ (72,246)

See accompanying notes to the unaudited condensed consolidated financial statements.

LUMINAR TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
(Unaudited, in thousands, except share data)

	Series A Convertible Preferred Stock		Series X Convertible Preferred Stock		Founders Convertible Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of June 30, 2020	94,818,151	$ 244,743	—	$ —	26,206,837	$ 3	139,635,890	$ 14	—	$ —	$ 13,889	$ 8	$ (263,219)	$ (249,305)
Issuance of Series X convertible preferred stock for cash, net of issuance costs of $5,889	—	—	17,065,536	164,111	—	—	—	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	—	—	—	—	—	1,306	—	—	1,306
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	(28)	—	(28)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(31,211)	(31,211)
Balance as of September 30, 2020	94,818,151	$ 244,743	17,065,536	$ 164,111	26,206,837	$ 3	139,635,890	$ 14	—	$ —	$ 15,195	$ (20)	$ (294,430)	$ (279,238)
Balance as of June 30, 2021	—	$ —	—	$ —	—	$ —	236,483,687	$ 24	105,118,203	$ 11	$ 1,244,228	$ 7	$ (697,254)	$ 547,016
Issuance of Class A common stock upon exercise of stock options and vesting of restricted stock units	—	—	—	—	—	—	1,920,137	—	—	—	1,547	—	—	1,547
Vendor payments in shares in lieu of cash	—	—	—	—	—	—	291,940	—	—	—	4,848	—	—	4,848
Acquisition of Optogration, Inc.	—	—	—	—	—	—	370,034	—	—	—	6,527	—	—	6,527
Issuance of earn-out shares	—	—	—	—	—	—	10,242,703	1	6,970,467	—	(2)	—	—	(1)
Conversion of Class B common stock into Class A common stock	—	—	—	—	—	—	10,500,000	1	(10,500,000)	(1)	—	—	—	
Share-based compensation	—	—	—	—	—	—	—	—	—	—	30,410	—	—	30,410
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	93	—	93
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(51,340)	(51,340)
Balance as of September 30, 2021	—	$ —	—	$ —	—	$ —	259,808,501	$ 26	101,588,670	$ 10	$ 1,287,558	$ 100	$ (748,594)	$ 539,100

See accompanying notes to the unaudited condensed consolidated financial statements.

LUMINAR TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
(Unaudited, in thousands, except share data)

	Series A Convertible Preferred Stock		Series X Convertible Preferred Stock		Founders Convertible Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2019	94,818,151	$ 244,743	—	$ —	26,206,837	$ 3	139,635,890	$ 14	—	$ —	$ 10,457	$ (1)	$ (222,203)	$ (211,730)
Issuance of Series X convertible preferred stock for cash, net of issuance costs of $5,889	—	—	17,065,536	164,111	—	—	—	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	—	—	—	—	—	4,738	—	—	4,738
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	(19)	—	(19)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(72,227)	(72,227)
Balance as of September 30, 2020	94,818,151	$ 244,743	17,065,536	$ 164,111	26,206,837	$ 3	139,635,890	$ 14	—	$ —	$ 15,195	$ (20)	$ (294,430)	$ (279,238)
Balance as of December 31, 2020	—	$ —	—	$ —	—	$ —	218,818,037	$ 22	105,118,203	$ 11	$ 733,175	$ 34	$ (584,501)	$ 148,741
Issuance of Class A common stock upon exercise of warrants, stock options and vesting of restricted stock units	—	—	—	—	—	—	19,585,787	2	—	—	496,972	—	—	496,974
Vendor payments in shares in lieu of cash	—	—	—	—	—	—	291,940	—	—	—	4,848	—	—	4,848
Acquisition of Optogration, Inc.	—	—	—	—	—	—	370,034	—	—	—	6,527	—	—	6,527
Issuance of earn-out shares	—	—	—	—	—	—	10,242,703	1	6,970,467	—	(2)	—	—	(1)
Conversion of Class B common stock into Class A common stock	—	—	—	—	—	—	10,500,000	1	(10,500,000)	(1)	—	—		—
Share-based compensation	—	—	—	—	—	—	—	—	—	—	46,168	—	—	46,168
Payments of employee taxes related to vested restricted stock units	—	—	—	—	—	—	—	—	—	—	(140)	—	—	(140)
Cash received from Gores on settlement of recapitalization of escrow	—	—	—	—	—	—	—	—	—	—	10	—	—	10
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	66	—	66
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(164,093)	(164,093)
Balance as of September 30, 2021	—	$ —	—	$ —	—	$ —	259,808,501	$ 26	101,588,670	$ 10	$ 1,287,558	$ 100	$ (748,594)	$ 539,100

See accompanying notes to the unaudited condensed consolidated financial statements.

LUMINAR TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	$ (164,093)	$ (72,227)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,240	1,929
Noncash lease expense related to operating lease right-of-use assets	2,682	—
Change in fair value of warrants	22,649	12,562
Share-based compensation—vendor payments	2,744	—
Impairment of inventories	1,601	4,393
Loss on extinguishment of debt	—	866
Share-based compensation	49,887	4,710
Warranty related to sensors	1,239	—
Deferred taxes	(1,264)	—
Other	883	389
Changes in operating assets and liabilities:		
Accounts receivable	5,748	723
Inventories	(6,658)	(3,206)
Prepaid expenses and other current assets	(16,971)	(3,571)
Other non-current assets	(88)	544
Accounts payable	3,330	2,462
Accrued and other current liabilities	5,910	2,885
Other non-current liabilities	(4,095)	(190)
Net cash used in operating activities	(94,256)	(47,731)
Cash flows from investing activities:		
Cash received from acquisition of Optogration, Inc.	358	—
Purchases of marketable securities	(530,179)	(123,403)
Proceeds from maturities of marketable securities	306,907	8,465
Proceeds from sales of marketable securities	83,493	4,448
Purchases of property and equipment	(4,155)	(1,963)
Net cash used in investing activities	(143,576)	(112,453)
Cash flows from financing activities:		
Proceeds from issuance of Series X convertible preferred stock	—	170,000
Issuance cost paid for Series X convertible preferred stock	—	(5,662)
Proceeds from the issuance of debt	—	31,910
Repayment of debt	(159)	(11,206)
Proceeds from exercise of warrants	153,927	—
Proceeds from exercise of stock options	4,738	—
Other financing activities	(345)	(1,238)
Net cash provided by financing activities	158,161	183,804
Net increase (decrease) in cash, cash equivalents and restricted cash	(79,671)	23,620
Beginning cash, cash equivalents and restricted cash	209,719	27,305
Ending cash, cash equivalents and restricted cash	$ 130,048	$ 50,925
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 53	$ 2,013
Supplemental disclosures of noncash investing and financing activities:		
Issuance of Class A common stock upon exercise of warrants	$ 338,293	$ —
Operating lease right-of-use assets obtained in exchange for lease obligations upon adoption of ASC 842	10,849	—
Operating lease right-of-use assets obtained in exchange for lease obligations	2,876	—
Assets acquired under finance leases (capital lease prior to adoption of ASC 842)	—	43
Purchases of property and equipment recorded in accounts payable and accrued liabilities	543	313
Merger related expense recorded in accounts payable and accrued liabilities	—	3,669
Issuance cost for Series X preferred stock recorded in accounts payable	—	227

See accompanying notes to the unaudited condensed consolidated financial statements.

Note 1. Organization and Description of Business

Luminar Technologies, Inc. and its wholly-owned subsidiaries (the “Company” or “Luminar”) was originally incorporated in Delaware on August 28, 2018 under the name Gores Metropoulos, Inc (“Gores”). The Company was formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. On December 2, 2020 (the “Closing Date”), the Company (at such time named Gores Metropoulos, Inc.) consummated the business combination (the “Business Combination”) pursuant to the Agreement and Plan of Merger (the “Merger Agreement”), dated August 24, 2020 with the pre-Business Combination Luminar Technologies, Inc. (“Legacy Luminar”). Legacy Luminar was incorporated in Delaware on March 31, 2015. In connection with the consummation of the Business Combination, the Company changed its name from Gores Metropoulos, Inc. to Luminar Technologies, Inc. The Company’s common stock is listed on the NASDAQ under the symbol “LAZR.” The Company’s public warrants to purchase shares of Class A common stock were listed on the NASDAQ under the symbol “LAZRW,” until they were delisted on March 5, 2021 upon exercise and redemption.

Unless the context otherwise requires, the “Company” refers to the combined company and its subsidiaries following the Business Combination, “Gores” refers to the Company prior to the Business Combination and “Legacy Luminar” refers to Luminar Technologies, Inc., prior to the Business Combination. Refer to Note 3 to the financial statements of the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 for additional information relating to the Business Combination.

The Company is a developer of advanced sensor technologies and software for the autonomous vehicle industry, encompassing Laser Imaging, Detection and Ranging (lidar) technology. The Company manufactures and distributes commercial lidar sensors and certain components for the autonomous vehicle industry. The Company has facilities located in Palo Alto, California, Detroit, Michigan, Boston, Massachusetts, Colorado Springs, Colorado, Munich, Germany and Orlando, Florida, which is also the Company’s headquarters.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenues and expenses, and related disclosures. The significant estimates made by management include inventory reserves, valuation allowance for deferred tax assets, valuation of warrants, revenue, stock-based compensation expense and other loss contingencies. Management periodically evaluates such estimates and they are adjusted prospectively based upon such periodic evaluation. Actual results could differ from those estimates.

Segment Information

The Company has determined its operating segments using the same indicators which are used to evaluate its performance internally. The Company has two business activities which are its operating segments:

(i) “Autonomous Solutions” for automotive mobility applications, which includes manufacturing and distribution of lidar sensors that measure distance using laser light to generate a 3D map, non-recurring engineering services related to the Company’s lidar products, and development of software products that enable autonomy capabilities; and

(ii) “Component Sales” which includes development of ultra-sensitive pixel-based sensors as well as designing, testing and providing consulting services for non-standard integrated circuits. In August 2021, the Company acquired Optogration, Inc.

(“Optogration”) to secure supply for a key enabling component as the Company advances towards series production and scale of its lidar sensor offering.

The Company’s chief operating decision maker (“CODM”), its Chief Executive Officer, reviews the operating results of these segments for the purpose of allocating resources and evaluating financial performance.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk, consist primarily of cash and cash equivalents, marketable investments and accounts receivable. A significant portion of the Company’s cash and cash equivalents is held at high-quality domestic financial institutions. Deposits held with the financial institutions may, at times, exceed the amount of insurance provided on such deposits. The Company held cash in foreign entities of $1.6 million and $0.6 million as of September 30, 2021 and December 31, 2020, respectively.

The Company’s revenue is derived from customers located in the United States and international markets. The Company generally does not require collateral.

Three customers accounted for 35%, 17% and 12%, respectively, of the Company’s accounts receivable at September 30, 2021 and one customer accounted for 86% of the Company’s accounts receivable at December 31, 2020.

Significant Accounting Policies

The Company’s significant accounting policies are disclosed in its Annual Report on Form 10-K for the year ended December 31, 2020. Other than the accounting policies discussed below related to equity investments and in Note 12 related to the adoption of Accounting Standards Codification (“ASC”) 842, *Leases*, there has been no material change to the Company’s significant accounting policies during the nine months ended September 30, 2021.

Equity Investments

The Company holds marketable equity investments over which the Company does not have a controlling interest or significant influence. Marketable equity investments are measured using the quoted prices in active markets with changes recorded in other income (expense), net on the condensed consolidated statement of operations.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2016-02,*Leases* (Topic 842) and issued subsequent amendments to the initial guidance in 2017, 2018 and 2019 (collectively “ASC 842”). Under the new guidance, a lessee is required to recognize assets and liabilities for both finance, previously known as capital, and operating leases with lease terms of more than 12 months. The ASU also requires disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. In transition, the Company recognized and measured leases at the beginning of the period of adoption, January 1, 2021, using a modified retrospective approach that included a number of optional practical expedients that the Company elected to apply. See Note 12 for disclosure on the impact of adopting this standard.

Recent Accounting Pronouncements Not Yet Effective

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (ASC 326)*: Measurement of Credit Losses of Financial Instruments, which, together with subsequent amendments, amends the requirement on the measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 will be effective for the Company beginning January 1, 2023, with early adoption permitted. The Company is currently in the process of evaluating the effects of this pronouncement on the Company’s financial statements and does not expect it to have a material impact on the consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08,*Business Combinations (Topic 805)*: Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The new guidance in this update affects all entities that enter into a business combination within the scope of ASC 805-10. ASU 2021-08 will be effective for the Company beginning January 1, 2023. The Company is currently in the process of evaluating the effects of this pronouncement on the Company’s financial statements and does not expect it to have a material impact on the consolidated financial statements.

Note 3. Business Combination

On August 3, 2021, (the “Acquisition Date”) the Company completed its acquisition of OptoGration. The OptoGration acquisition helps the Company secure intellectual property and supply of Indium Gallium Arsenide (“InGaAs”) photodetector (used to convert optical power into an electrical current) semiconductor chips. The acquisition of OptoGration is part of the Company's vertical integration strategy, which will secure supply of a key component of its sensor technology.

Pursuant to the terms of the Stock Purchase Agreement between the Company and OptoGration, the Company acquired all of the issued and outstanding capital stock of OptoGration for an aggregate purchase price of approximately $6.3 million payable in Class A common stock of the Company. Subsequent to the Acquisition Date, up to $22.0 million of post combination compensation may be payable to the shareholders of OptoGration subject to certain service and performance conditions. The results of operations related to OptoGration are included in our consolidated statements of operations beginning from the Acquisition Date. The impact of the acquisition on the consolidated financial results of the Company for the three months ended September 30, 2021 was not material.

Recording of Assets Acquired and Liabilities Assumed

Preliminary estimates of fair value included in the consolidated financial statements, in conformity with ASC 820, Fair Value Measurement, represent the Company's best preliminary estimates and preliminary valuations. In accordance with ASC 805, Business Combinations, the preliminary allocation of the consideration value is subject to adjustment until the Company has completed its analysis, but not to exceed one year after the Acquisition Date to provide the Company with the time to complete the valuation of its assets and liabilities. As of September 30, 2021, the Company has completed a preliminary estimate of deferred tax balances but the process of finalizing deferred tax balances will take place after the current period tax returns are filed. As of September 30, 2021, the Company was still in the process of finalizing assessment of working capital accounts. The completion of this analysis could result in changes to the Company's allocation of the consideration value to assets acquired and liabilities assumed.

Settlement of a pre-existing agreement with OptoGration

Prior to the acquisition, the Company had contracted with OptoGration as a supplier. In assessing whether said pre-existing supply contract was at market, favorable or unfavorable from the Company's perspective, the Company assessed whether the terms of the supply contract, including pricing, were consistent with what the Company would have required from another company that would have contracted for similar products and production volumes. The Company concluded that the supply agreement was at market, and thus no gain or loss was recognized upon effective settlement of the said pre-existing supply agreement.

The following table summarizes the preliminary purchase price allocation to assets acquired and liabilities assumed, including identification of measurement period adjustments:

	Preliminary Recorded Value
Cash and cash equivalents	$ 358
Accounts receivable	810
Other current assets	482
Property and equipment	1,248
Other non-current assets	384
Intangible assets (1)	2,650
Goodwill (2)	2,409
Total assets acquired	8,341
Current Liabilities	(488)
Non-current liabilities	(1,511)
Total liabilities assumed	(1,999)
Net assets acquired	$ 6,342

(1) Identifiable intangible assets were measured using the income approach.

(2) Goodwill is the excess of the consideration transferred over the net assets recognized and represents the expected future economic benefits as a result of other assets acquired that could not be individually identified and separately recognized. Goodwill is not amortized. The factors that made up the goodwill recognized included assembled workforce and component cost savings. Goodwill is not expected to be deductible for tax purposes.

Identifiable intangible assets recognized:

	Useful Life	Preliminary Recorded Value
Customer relationships	10 years	$ 780
Tradename	≤ 1 year	120
Developed technology	10 years	1,750
Total intangible assets		$ 2,650

Note 4. Revenue

The Company’s revenue till date has comprised of sales of lidar sensors hardware, components, and engineering services.

Disaggregation of Revenues

The Company disaggregates its revenue from contracts with customers by geographic region based on the primary locations where the customer is situated, type of good or service and timing of transfer of goods or services to customers (point-in-time or over time), as it believes it best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors. Total revenue based on the disaggregation criteria described above are as follows (in thousands):

	Three Months Ended September 30,			
	2021		2020	
	Revenue	% of Revenue	Revenue	% of Revenue
Revenue by primary geographical market:				
North America	$ 5,713	72 %	$ 1,473	35 %
Asia Pacific	—	— %	507	12 %
Europe and Middle East	2,265	28 %	2,243	53 %
Total	$ 7,978	100 %	$ 4,223	100 %
Revenue by timing of recognition:				
Recognized at a point in time	$ 873	11 %	$ 1,286	30 %
Recognized over time	7,105	89 %	2,937	70 %
Total	$ 7,978	100 %	$ 4,223	100 %
Revenue by segment:				
Autonomy Solutions	$ 7,550	95 %	$ 3,481	82 %
Component Sales	428	5 %	742	18 %
Total	$ 7,978	100 %	$ 4,223	100 %

LUMINAR TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

	Nine Months Ended September 30,			
	2021		2020	
	Revenue	% of Revenue	Revenue	% of Revenue
Revenue by primary geographical market:				
North America	$ 12,313	63 %	$ 3,198	28 %
Asia Pacific	475	2 %	720	6 %
Europe and Middle East	6,812	35 %	7,601	66 %
Total	$ 19,600	100 %	$ 11,519	100 %
Revenue by timing of recognition:				
Recognized at a point in time	$ 4,914	25 %	$ 2,076	18 %
Recognized over time	14,686	75 %	9,443	82 %
Total	$ 19,600	100 %	$ 11,519	100 %
Revenue by segment:				
Autonomy Solutions	$ 17,708	90 %	$ 9,587	83 %
Component Sales	1,892	10 %	1,932	17 %
Total	$ 19,600	100 %	$ 11,519	100 %

Volvo Stock Purchase Warrant

In March 2020, the Company issued a stock purchase warrant to Volvo Car Technology Fund AB (“VCTF”) in connection with an engineering services contract. The warrants entitle VCTF to purchase from the Company up to 4,089,280 shares of Class A common stock, at a price of $3.1769 per share from the Company. The warrants vest and become exercisable in two tranches based on satisfaction of certain commercial milestones, upon reaching commercial production and delivering of production units. The grant date fair value of warrants, aggregating $2.9 million, represents consideration payable to VCTF and will be recognized as reduction in revenue consistent with the revenue recognition pattern when these warrants become probable of vesting. The Company’s management determined that the vesting of these warrants was not probable as of September 30, 2021. The following factors were considered in this determination:

- During the second quarter of 2021, the Company issued a joint press release stating that Volvo intends to include Luminar’s Iris unit, the Company’s latest generation lidar sensor which meets the size, weight, cost, power and reliability requirements of automotive qualified series production, as a standard component on one of its vehicle programs as opposed to being only an optional component. While the announcement increased the estimated targeted volume for the Company’s potential business with Volvo, the anticipated start of production and the necessary prototype testing procedures were not modified. This announcement did not impact the probability or likelihood of reaching commercial production.
- The Company is in the process of transitioning from currently producing B-sample prototype Iris units at its manufacturing operations in Orlando, Florida to producing C-sample prototype Iris units at its contract manufacturing partner. This transition is expected to occur by the end of this calendar year.
- The Company only recently completed its initial design freeze for the prototype C-sample Iris units. This design includes modifications from the Company’s B-sample Iris units as well as modifications to the production process for its contract manufacturing partner. The prototype units produced with this design and production process will need to undergo certain industry standard testing procedures. The Company anticipates reaching commercial production once it substantially completes these industry standard testing procedures, which is expected to be achieved in the fourth quarter of 2021.

Contract assets and liabilities

Contract assets primarily represent revenues recognized for performance obligations that have been satisfied but have not been billed. The Company’s contract assets as of September 30, 2021 and December 31, 2020 were $11.8 million and $0, respectively. Contract liabilities consist of deferred revenue and customer advanced payments. Deferred revenue includes billings in excess of revenue recognized related to product sales and other services revenue and is recognized as revenue when the Company performs under the contract. Customer advanced payments represent required customer payments in advance of product shipments according to customer's payment term. Customer advance payments are recognized in revenue as or when control of the performance obligation is transferred to the customer. The Company's contract liabilities were $0.6 million and $2.3 million as of September 30, 2021 and December 31, 2020, respectively, and were included in accrued and other current liabilities in the condensed consolidated balance sheets.

The significant changes in contract liabilities balances consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Beginning balance	$ 2,284	$ 225
Revenue recognized that was included in the contract liabilities beginning balance	(2,284)	(225)
Net increase due to cash received and not recognized as revenue and billings in excess of revenue recognized during the period	579	2,284
Ending balance	$ 579	$ 2,284

Note 5. Investments

Debt Securities

The Company's investments in debt securities consisted of the following as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 120,260	$ 13	$ (63)	$ 120,210
U.S. agency and government sponsored securities	4,994	—	—	4,994
Commercial paper	132,991	5	(2)	132,994
Corporate bonds	138,832	147	(9)	138,970
Asset-backed securities	20,814	9	(1)	20,822
Total debt securities	$ 417,891	$ 174	$ (75)	$ 417,990
Included in cash and cash equivalents	$ 47,193	$ 1	$ —	$ 47,194
Included in marketable securities	$ 370,698	$ 173	$ (75)	$ 370,796

	December 31, 2020			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 155,339	$ 14	$ (6)	$ 155,347
U.S. agency and government sponsored securities	19,996	—	—	19,996
Commercial paper	182,218	6	(4)	182,220
Corporate bonds	45,431	21	(2)	45,450
Asset-backed securities	7,012	6	—	7,018
Total debt securities	$ 409,996	$ 47	$ (12)	$ 410,031
Included in cash and cash equivalents	$ 133,319	$ 4	$ (2)	$ 133,321
Included in marketable securities	$ 276,677	$ 43	$ (10)	$ 276,710

The following table presents the gross unrealized losses and the fair value for those debt securities that were in an unrealized loss position for less than 12 months as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021		December 31, 2020	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ (63)	$ 19,972	$ (6)	$ 65,298
U.S. agency and government sponsored securities	—	4,994	—	—
Commercial paper	(2)	35,934	(4)	47,629
Corporate bonds	(9)	22,641	(2)	15,575
Asset-backed securities	(1)	1,270	—	—
Total	$ (75)	$ 84,811	$ (12)	$ 128,502

Equity Investments

The Company's equity investments included in marketable securities as of September 30, 2021 and December 31, 2020 were as follows (in thousands):

	September 30, 2021	December 31, 2020
Equity investments included in marketable securities	$ 44,748	$ —

Total realized and unrealized gains and losses associated with the Company's equity investments consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net realized gains (losses) recognized on equity investments sold	$ 236	$ —	$ 317	$ —
Net unrealized gains (losses) recognized on equity investments held	70	—	45	—
Total net gains (losses) recognized in other income (expense), net	$ 306	$ —	$ 362	$ —

Note 6. Financial Statement Components

Cash and Cash Equivalents

Cash and cash equivalents consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Cash	$ 17,097	$ 10,652
Money market funds	65,032	64,971
U.S. Treasury	—	24,999
Commercial paper	47,194	108,322
Total cash and cash equivalents	$ 129,323	$ 208,944

Inventories, net

Inventories consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Raw materials	$ 4,858	$ 625
Work-in-process	1,672	52
Finished goods	1,341	2,936
Total inventories, net	$ 7,871	$ 3,613

The Company’s inventory write-down (primarily due to obsolescence, lower of cost or market assessment, and other adjustments) was $0.1 million and $1.6 million for the three and nine months ended September 30, 2021, respectively, and $1.9 million and $4.4 million for the three and nine months ended September 30, 2020, respectively.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Prepaid expenses	$ 4,723	$ 1,073
Contract assets	11,788	—
Advance payments to vendors	3,443	961
Prepaid rent and other receivables	3,929	2,763
Total prepaid expenses and other current assets	$ 23,883	$ 4,797

Property and Equipment

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

	September 30, 2021	December 31, 2020
Machinery and equipment	$ 10,265	$ 5,940
Computer hardware and software	3,263	2,450
Demonstration fleet and demonstration units	1,709	1,821
Leasehold improvements	990	791
Vehicles	795	835
Furniture and fixtures	571	293
Construction in progress	3,127	1,410
Total property and equipment	20,720	13,540
Accumulated depreciation and amortization	(9,592)	(5,851)
Total property and equipment, net	$ 11,128	$ 7,689

Property and equipment capitalized under finance lease (capital lease prior to adoption of ASC 842) consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Computer hardware and software	$ 88	$ 88
Machinery and equipment	838	838
Total property and equipment, gross	926	926
Less: accumulated depreciation	(321)	(219)
Total property and equipment, net	$ 605	$ 707

Depreciation and amortization expense associated with property and equipment was $0.7 million and $2.1 million for the three and nine months ended September 30, 2021, respectively, and $0.7 million and $1.9 million for the three and nine months ended September 30, 2020, respectively.

Other Non-Current Assets

Other non-current assets consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Security deposits	$ 1,101	$ 1,106
Other non-current assets	1,435	45
Total other non-current assets	$ 2,536	$ 1,151

Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Accrued expenses	$ 6,152	$ 3,998
Warranty liabilities	1,721	259
Contract liabilities	579	2,284
Accrued compensation and benefits	7,045	3,071
Contract losses	9	558
Finance lease (capital lease prior to adoption of ASC 842) liabilities, current	257	282
Employee tax withholding	2,788	—
Total accrued and other current liabilities	$ 18,551	$ 10,452

Other Non-Current Liabilities

Other non-current liabilities consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Deferred rent	$ —	$ 826
Finance lease (capital lease prior to adoption of ASC 842) liabilities, non-current	145	331
Other non-current liabilities	766	161
Total other non-current liabilities	$ 911	$ 1,318

Note 7. Fair Value Measurements

As of September 30, 2021, the Company carried cash equivalents, marketable investments and Private Warrants. The Company had previously carried Public Warrants which were exercised and redeemed in March 2021.

Fair value is based on the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 — Observable inputs, which include unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than Level 1 inputs, such as 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 — Unobservable inputs that are supported by little or no market activity and that are based on management's assumptions, including fair value measurements determined by using pricing models, discounted cash flow methodologies or similar techniques.

The Company determined the fair value of its Level 1 financial instruments, which are traded in active markets, using quoted market prices for identical instruments.

Marketable investments classified within Level 2 of the fair value hierarchy are valued based on other observable inputs, including broker or dealer quotations, alternative pricing sources or U.S. Government Treasury yield of appropriate term. When quoted prices in active markets for identical assets or liabilities are not available, the Company relies on non-binding quotes from its investment managers, which are based on proprietary valuation models of independent pricing services. These models generally use inputs such as observable market data, quoted market prices for similar instruments, historical pricing trends of a security as relative to its peers. To validate the fair value determination provided by its investment managers, the Company reviews the pricing movement in the context of overall market trends and trading information from its investment managers. The Company performs routine procedures such as comparing prices obtained from independent source to ensure that appropriate fair values are recorded.

Given that the transfer of Private Warrants to anyone outside of a small group of individuals constituting the sponsors of Gores Metropoulos, Inc. would result in the Private Warrants having substantially the same terms as the Public Warrants, management determined that the fair value of each Private Warrant is the same as that of a Public Warrant, with an insignificant adjustment for short-term marketability restrictions, as of December 31, 2020. As of September 30, 2021, management determined the fair value of the Private Warrants using observable inputs in the Black-Scholes valuation model, which used the remaining term of warrants of 4.18 years, volatility of 65.1% and a risk-free rate of 0.79%. Accordingly, the Private Warrants are classified as Level 3 financial instruments.

The following table presents changes in Level 3 liabilities relating to Private Warrants measured at fair value as of September 30, 2021 (in thousands):

	Private Warrants
Balance as of December 31, 2020	$ —
Private warrants transferred from Level 2	52,832
Measurement adjustments	(25,079)
Balance as of September 30, 2021	$ 27,753

The decrease in fair value of private warrants for the three and nine months ended September 30, 2021 was $17.1 million and $25.1 million, respectively, which was included in the change in fair value of warrant liabilities in the condensed consolidated statement of operations and comprehensive loss. The decrease in Private Warrant liability as of September 30, 2021 is predominantly attributable to the decrease in per share price of the Company’s Class A common stock.

The Company’s financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used for such measurements were as follows (in thousands):

	Fair Value (in thousands) Measured as of September 30, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 65,032	$ —	$ —	$ 65,032
Commercial paper	—	47,194	—	47,194
Total cash equivalents	$ 65,032	$ 47,194	$ —	$ 112,226
Marketable investments:				
U.S. Treasury	$ 120,210	$ —	$ —	$ 120,210
U.S. agency and government sponsored securities	—	4,994	—	4,994
Commercial paper	—	85,800	—	85,800
Corporate bonds	—	138,970	—	138,970
Asset-backed securities	—	20,822	—	20,822
Equity investments	44,748	—	—	44,748
Total marketable investments	$ 164,958	$ 250,586	$ —	$ 415,544
Liabilities:				
Private Warrants	$ —	$ —	$ 27,753	$ 27,753
Total warrant liabilities	$ —	$ —	$ 27,753	$ 27,753

	Fair Value (in thousands) Measured as of December 31, 2020 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 64,971	$ —	$ —	$ 64,971
U.S. Treasury	24,999	—	—	24,999
Commercial paper	—	108,322	—	108,322
Total cash equivalents	$ 89,970	$ 108,322	$ —	$ 198,292
Marketable investments:				
U.S. Treasury	$ 130,348	$ —	$ —	$ 130,348
U.S. agency and government sponsored securities	—	19,996	—	19,996
Commercial paper	—	73,898	—	73,898
Corporate bonds	—	45,450	—	45,450
Asset-backed securities	—	7,018	—	7,018
Total marketable investments	$ 130,348	$ 146,362	$ —	$ 276,710
Liabilities:				
Public Warrants	$ 228,933	$ —	$ —	$ 228,933
Private Warrants	—	114,467	—	114,467
Total warrant liabilities	$ 228,933	$ 114,467	$ —	$ 343,400

Note 8. Stockholders’ Equity

Class A and Class B Common Stock

The Company’s Board of Directors has authorized two classes of common stock, Class A and Class B. As of September 30, 2021, the Company had authorized 715,000,000 and 121,000,000 shares of Class A and Class B common stock with a par value of $0.0001 per share for each class. As of September 30, 2021, the Company had 259,808,501 and 101,588,670 shares of Class A and Class B common stock issued and outstanding, respectively. Holders of the Class A and Class B common stock have identical rights, except that holders of the Class A common stock are entitled to one vote per share and the holder of the Class B common stock is entitled to ten votes per share. On July 1, 2021, 10,500,000 shares of Class B common stock were converted into Class A common stock on a one-for-one basis.

Public and Private Warrants

As of December 31, 2020, the Company had 13,333,309 Public Warrants and 6,666,666 Private Warrants outstanding.

As of March 16, 2021, 3,589,645 Private Warrants and 13,128,671 Public Warrants were exercised, and the Company received $153.9 million in cash proceeds from the exercise of these warrants. Pursuant to the terms of the agreements governing the rights of the holders of the Public Warrants, the Company redeemed the remaining unexercised and outstanding 204,638 Public Warrants after March 16, 2021 for a redemption price of $0.01 per Public Warrant.

The Company had 3,077,021 Private Warrants and no Public Warrants, outstanding as of September 30, 2021 and such Private Warrants are set to expire on December 2, 2025.Each Private Warrant allows the sponsor to purchase one share of Class A common stock at $11.50 per share. During the three and nine months ended September 30, 2021, the fair value gain (loss) of Warrants was $17.1 million and $(22.6) million, respectively.

Stock-in-lieu of Cash Program

The Company has entered into arrangements with certain vendors wherein the Company at its discretion may elect to compensate the respective vendors for services provided in either cash or by issuing shares of the Company's Class A common stock ("Stock-in-lieu of Cash Program"). During the three and nine months ended September 30, 2021, the Company issued 291,940 shares of Class A common stock, as part of the Stock-in-lieu of Cash Program. The Company considers the shares issuable under the Stock-in-lieu of Cash Program as liability classified awards when the arrangement with the vendors require the Company to issue a variable number of registered shares to settle amounts owed. As of September 30, 2021, the Company did not have any outstanding liabilities related to its Stock-in-lieu of Cash Program.

Note 9. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock during the period plus, common stock equivalents, as calculated under the treasury stock method, outstanding during the period. If the Company reports a net loss, the computation of diluted loss per share excludes the effect of dilutive common stock equivalents, as their effect would be antidilutive. The Company computes earnings (loss) per share using the two-class method for its Class A and Class B common stock. Earnings (loss) per share is same for both Class A and Class B common stock since they are entitled to the same liquidation and dividend rights. Earnings (loss) per share calculations for all periods prior to the Business Combination have been retrospectively restated to the equivalent number of shares reflecting the exchange ratio established in the reverse capitalization.

The following table sets forth the computation of basic and diluted loss per share for the three and nine months ended September 30, 2021 and 2020: (in thousands, except for share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net loss	$ (51,340)	$ (31,211)	$ (164,093)	$ (72,227)
Deemed dividend attributable to BCF accretion	—	(6,247)	—	(6,247)
Net loss attributable to common shareholders	$ (51,340)	$ (37,458)	$ (164,093)	$ (78,474)
Denominator:				
Weighted average common shares outstanding- Basic	352,122,485	130,601,660	341,858,435	129,643,774
Weighted average common shares outstanding- Diluted	352,122,485	130,601,660	341,858,435	129,643,774
Net loss per shares attributable to common shareholders- Basic and Diluted	$ (0.15)	$ (0.29)	$ (0.48)	$ (0.61)

The following table presents the potential shares of Common Stock outstanding that were excluded from the computation of diluted net loss per share of common stock as of the periods presented because including them would have been antidilutive:

	September 30, 2021
Warrants	7,166,301
Stock options	12,700,104
Restricted stock awards and restricted stock units	10,966,176
Earn-out shares	8,606,717
Total	39,439,298

Note 10. Stock-based Compensation

The Company maintained the 2015 Stock Plan (the “2015 Plan”) under which incentive stock options, non-qualified stock options, and restricted stock were granted to employees and non-employee consultants. In connection with the Business Combination, the Company assumed the 2015 Plan upon the Closing. The Company discontinued the 2015 Plan, provided that the outstanding awards previously granted under the 2015 Plan continue to remain outstanding under the 2015 Plan. In December 2020, the Company’s Board adopted and the Company’s stockholders approved the 2020 Equity Incentive Plan (the “2020 Plan”). The 2020 Plan became effective upon the closing of the Business Combination. Under the 2020 Plan, as of September 30, 2021, the Company was authorized to issue a maximum number of 36,588,278 shares of Class A common stock. The Company granted 11,465,582 restricted stock units in the nine months ended September 30, 2021.

Stock Options

Under the terms of the 2015 Plan, incentive stock options had an exercise price at or above the fair market value of the stock on the date of the grant, while non-qualified stock options were permitted to be granted below fair market value of the stock on the date of grant. Stock options granted have service-based vesting conditions only. The service-based vesting conditions vary, though typically, stock options vest over four years with 25% of stock options vesting on the first anniversary of the grant and the remaining 75% vesting monthly over the remaining 36 months. Option holders have a 10-year period to exercise their options before they expire. Forfeitures are recognized in the period of occurrence.

A summary of the Company’s stock option activity for the nine months ended September 30, 2021 was as follows:

	Number of Common Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding as of December 31, 2020	16,188,071	$ 1.67		
Exercised	(2,822,956)	1.68		
Cancelled/Forfeited	(665,011)	1.67		
Outstanding as of September 30, 2021	12,700,104	1.71	8.33	$ 176,413

The aggregate intrinsic value of stock options exercised during the nine months ended September 30, 2021 was $55.1 million. The intrinsic value is calculated as the difference between the exercise price and the fair value of the common stock on the exercise date. The total grant-date fair value of the options vested was $4.5 million during the nine months ended September 30, 2021.

Restricted Stock Awards

Prior to June 30, 2019, the Company granted restricted stock awards to employees. Recipients purchased the restricted stock on the grant date and the Company has the right to repurchase the restricted shares at the same price recipients paid to obtain those shares. The restrictions lapse solely based on continued service, and generally lapse over 4 years —25% on the first anniversary of the date of issuance, and the remaining 75% monthly over the remaining 36 months. At the grant date of the award, recipients of restricted stock are granted voting rights and receive dividends on unvested shares. No restricted stock awards have been granted after June 30, 2019.

Restricted stock awards activity for the nine months ended September 30, 2021 was as follows:

	Shares	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2020	1,815,891	$ 1.15
Forfeited	(99,780)	1.12
Vested	(831,819)	0.93
Outstanding as of September 30, 2021	884,292	1.19

Restricted Stock units

To date, the Company has granted restricted stock units (“RSUs”) under the 2020 Plan. Each RSU granted under the 2020 Plan represents a right to receive one share of the Company’s Class A common stock when the RSU vests. RSUs generally vest over a period up to six years. The fair value of RSU is equal to the fair value of the Company’s common stock on the date of grant.

A summary of the Company’s restricted stock units activity for the nine months ended September 30, 2021 was as follows:

	Shares	Weighted Average Grant Date Fair Value per Share
Outstanding as of December 31, 2020	—	$ —
Granted	11,465,582	20.13
Forfeited	(188,251)	23.00
Vested	(1,195,447)	19.20
Outstanding as of September 30, 2021	10,081,884	20.18

Compensation expense

Stock-based compensation expense by function was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of sales	$ 1,619	$ 83	$ 2,829	$ 237
Research and development	6,318	541	12,743	1,608
Sales and marketing	1,859	150	2,979	334
General and administrative	23,724	523	31,336	2,531
Total	$ 33,520	$ 1,297	$ 49,887	$ 4,710

The Company issues fixed value equity awards to certain employees as a part of their compensation package. These awards are issued as RSUs out of the 2020 Plan and are accounted for as liability classified awards under ASC 718 — Stock Compensation. Fixed value equity awards granted have service-based conditions only and vest quarterly over a period of four years. These awards represent a fixed dollar amount settled in a variable number of shares determined at each vesting period. For the three and nine months ended September 30, 2021, the Company recorded $1.2 million and $1.8 million in stock-based compensation expense related to these awards.

As discussed in Note 3 as part of the Optogration acquisition, the Company owes up to $22.0 million of post combination compensation related to certain service and performance conditions. As of September 30, 2021, it is probable that the conditions will be met and as a result, the Company recorded $2.1 million in stock-based compensation expense.

Stock-based compensation expense related to the liability classified awards (fixed value equity awards and compensation related to Optogration acquisition) was $0.6 million in each of the three and six months ended June 30, 2021, $3.3 million and $3.9 million, respectively, in the three and nine months ended September 30, 2021, which was recorded in current and non-current accrued liabilities, as appropriate.

Note 11. Income Taxes

The Company had benefit from income taxes of $1.3 million and $1.3 million, respectively for the three and nine months ended September 30, 2021, respectively. The effective tax rate was 0% for the three and nine months ended September 30, 2020. The effective tax rates differ significantly from the statutory tax rate of 21%, primarily due to the Company's valuation allowance movement in each period presented.

As of September 30, 2021, the Company is in the process of evaluating the deferred tax balances associated with the Optogration acquisition. Preliminary estimate of the acquired deferred tax liability balances necessitated a partial release of the Company's valuation allowance in the amount of $1.3 million. The completion of this analysis when the tax returns for the current period are filed may result in changes to the Company's allocation of the consideration value to assets acquired and liabilities assumed. In accordance with ASC 805, Business Combinations, the preliminary calculation of the deferred tax balances is subject to adjustment until the Company has completed its analysis, but not to exceed one year after the Acquisition Date to provide the Company with the time to complete the valuation of its assets and liabilities and file its tax returns.

The realization of tax benefits of deferred tax assets is dependent upon future levels of taxable income, of an appropriate character, in the periods the items are expected to be deductible or taxable. Based on the available objective evidence, the Company does not believe it is more likely than not that the net deferred tax assets will be realizable. Accordingly, the Company has provided a full valuation allowance against the domestic net deferred tax assets as of September 30, 2021 and December 31, 2020. The Company intends to maintain the remaining valuation allowance until sufficient positive evidence exists to support a reversal of, or decrease in, the valuation allowance.

The Company reports income tax related interest and penalties within its provision for income tax in its condensed consolidated statements of operations. Similarly, the Company reports the reversal of income tax-related interest and penalties within its provision for income tax line item to the extent the Company resolves its liabilities for uncertain tax positions in a manner favorable to its accruals therefor. During the three and nine months ended September 30, 2021, there were no material changes to the total amount of unrecognized tax benefits.

Note 12. Leases

The Company leases manufacturing equipment under non-cancelable finance leases expiring at various dates through December 2025. The Company also leases office and manufacturing facilities under non-cancelable operating leases expiring at various dates through June 2026. In October 2021, the Company entered into a lease agreement commencing on April 1, 2022 for a term of 65 months through August 31, 2027. In September 2021, the Company gave a notice to the landlord to terminate the lease of certain office space in Orlando, Florida. The amounts of operating lease right-of-use assets and liabilities associated with the termination were not material. Some of the Company's leases include one or more options to renew, with renewal terms that if exercised by the Company, extend the lease term from one to six years. The exercise of these renewal options is at the Company's discretion. The Company's lease agreements do not contain any material terms and conditions of residual value guarantees or material restrictive covenants. The Company's short-term leases and sublease income were not material.

The Company adopted ASC 842 using the modified retrospective method on January 1, 2021. The Company elected the available package of practical expedients and implemented internal controls to enable the preparation of financial information upon adoption. The most significant impact of the adoption of ASC 842 was the recognition of right-of-use, or ROU, assets and lease liabilities for operating leases of $10.8 million and $12.0 million, respectively, and a reversal of deferred rent of $1.2 million on January 1, 2021. The Company's accounting for finance leases remained substantially unchanged. The adoption of ASC 842 did not have any impact on the Company's operating results or cash flows.

The Company determines if an arrangement is or contains a lease at inception. Operating leases are included in operating lease right-of use assets and operating lease liabilities in the Company's condensed consolidated balance sheets. Finance leases are included in property and equipment, and finance lease liabilities in the Company's condensed consolidated balance sheets.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on an amount equal to the present value of lease payments over the lease term. The Company's leases do not provide an implicit rate, therefore the Company uses an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Company uses the implicit rate when it is readily determinable. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward existing lease classification and to exclude leases with original terms of one year or less. Further, the Company elected to combine lease and non-lease components for all asset classes. Any variable lease components are expensed as incurred. The operating lease right-of-use asset also includes adjustments related to prepaid or deferred lease payments and lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

The components of lease expenses for the three and nine months ended September 30, 2021 were as follows (in thousands):

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Operating lease cost	$ 1,202	$ 3,560
Variable lease cost	420	1,324
Total operating lease cost	$ 1,622	$ 4,884
Finance lease cost:		
Amortization of right-of-use assets	$ 42	$ 126
Interest on finance lease liabilities	14	42
Total finance lease cost	$ 56	$ 168

Supplemental cash flow information for the nine months ended September 30, 2021 related to leases was as follows (in thousands):

	Amount
Cash paid for amounts included in the measurement of lease liabilities:	
Cash paid for operating leases included in operating activities	$ (3,723)
Cash paid for finance leases included in financing activities	(258)
Right of use assets obtained in exchange for lease obligations:	
Operating leases	2,876
Finance leases	—

Supplemental balance sheet information related to leases was as follows (in thousands):

	September 30, 2021
Operating leases:	
Operating lease right-of-use assets	$ 10,165
Operating lease liabilities:	
Operating lease liabilities, current	$ 4,927
Operating lease liabilities, non-current	6,639
Total operating lease liabilities	$ 11,566
Finance leases:	
Property and equipment, gross	$ 926
Less: accumulated depreciation	(321)
Property and equipment, net	$ 605
Finance lease liabilities, current	$ 257
Finance lease liabilities, non-current	145
Total finance lease liabilities	$ 402

Weighted average remaining terms were as follows (in years):

	September 30, 2021
Weighted average remaining lease term	
Operating leases	3.13
Finance leases	2.03

Weighted average discount rates were as follows:

	September 30, 2021
Weighted average discount rate	
Operating leases	2.76 %
Finance leases	9.92 %

Maturities of lease liabilities were as follows (in thousands):

	Operating Leases	Finance Leases
Year Ending December 31,		
2021 (remaining three months)	$ 1,286	$ 78
2022	4,963	240
2023	3,515	71
2024	1,283	28
2025	1,205	26
2026	602	—
Total lease payments	12,854	443
Less: imputed interest	(1,288)	(41)
Total leases liabilities	$ 11,566	$ 402

Disclosures under ASC 840, Leases

Rent expense was $1.3 million and $4.2 million for the three and nine months ended September 30, 2020, respectively.

As of December 31, 2020, future minimum lease payments under all noncancelable capital and operating leases with an initial lease term in excess of one year were as follows (in thousands):

	Capital Leases	Operating Leases
2021	$ 331	$ 5,834
2022	240	6,172
2023	70	4,544
2024	28	746
2025	25	—
Thereafter	—	—
Total minimum lease payments	694	$ 17,296
Less: amount representing interest	80	
Capital lease obligations	$ 614	

Note 13. Commitments and Contingencies

Purchase Obligations

The Company purchases goods and services from a variety of suppliers in the ordinary course of business. Purchase obligations are defined as agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum, or variable price provisions, and the approximate timing of the transaction. The Company had purchase obligations primarily for purchases of inventory, R&D, and general and administrative activities totaling $54.1 million as of September 30, 2021, which are expected to be received within a year. In October 2021, the Company entered into an office space lease commencing April 1, 2022. This will commit the Company to total rent payments of $5.0 million and variable costs of $1.4 million through the end of the lease ending August 31, 2027.

In June 2021, the Company entered into an agreement with P3 USA, Inc. ("P3") to provide engineering, and general and administrative services. Under the said agreement, the Company issued 291,940 shares of Class A common stock to P3 in the third quarter of 2021. In September 2021, the Company entered into an amendment to modify the existing agreement with P3 and among other things, extended the term of the agreement until December 2025. The Company expects that the expenses to be incurred with P3 will be at least $30.0 million over the extended term under the amended agreement.

Legal Matters

From time to time, the Company is involved in actions, claims, suits and other proceedings in the ordinary course of business, including assertions by third parties relating to intellectual property infringement, breaches of contract or warranties or employment-related matters. When it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated, the Company records a liability for such loss contingencies. The Company's estimates regarding potential losses and materiality are based on the Company's judgment and assessment of the claims utilizing currently available information. Although the Company will continue to reassess its reserves and estimates based on future developments, the Company's objective assessment of the legal merits of such claims may not always be predictive of the outcome and actual results may vary from the Company's current estimates.

Note 14. Segment and Customer Concentration Information

Reportable segments are (i) Autonomy Solutions and (ii) Component Sales. These segments reflect the way the CODM evaluates the Company's business performance and manages its operations. Each segment has distinct product offerings, customers, and market penetration. The Chief Executive Officer is the CODM of the Company.

Autonomy Solutions

This segment manufactures and distributes commercial lidar sensors that measure distance using laser light to generate a highly accurate 3D map for automotive mobility applications. This segment is impacted by trends in and the strength of the autonomous vehicles and associated infrastructure/technology sector.

Component Sales

This segment is in the business of development of ultra-sensitive pixel-based sensors. This segment also designs, tests and provides consulting services for non-standard integrated circuits that are essential for systems to meet the requirement of customers. This segment is impacted by trends in and the strength of automobile and aeronautics sector as well as government spending in military and defense activities.

The accounting policies of the operating segments are the same as those described in Note 2. Segment operating results and reconciliations to the Company's consolidated balances are as follows (in thousands):

	Three Months Ended September 30, 2021				
	Autonomy Solutions	Component Sales	Total reportable segments	Eliminations (1)	Total Consolidated
Revenue:					
Revenues from external customers	$ 7,550	$ 428	$ 7,978	$ —	$ 7,978
Revenues from internal customer	2,379	1,516	3,895	(3,895)	—
Total revenue	$ 9,929	$ 1,944	$ 11,873	$ (3,895)	$ 7,978
Depreciation and amortization	$ 673	$ 235	$ 908	$ —	$ 908
Operating loss	(69,614)	(787)	(70,401)	256	(70,145)
Other significant items:					
Segment assets	606,431	11,064	617,495	(9,689)	607,806
Inventories, net	7,531	340	7,871	—	7,871

	Three Months Ended September 30, 2020				
	Autonomy Solutions	Component Sales	Total reportable segments	Eliminations (1)	Total Consolidated
Revenue:					
Revenues from external customers	$ 3,481	$ 742	$ 4,223	$ —	$ 4,223
Revenues from internal customer	639	813	1,452	(1,452)	—
Total revenue	$ 4,120	$ 1,555	$ 5,675	$ (1,452)	$ 4,223
Depreciation and amortization	$ 665	$ 23	$ 688	$ —	$ 688
Operating income (loss)	(21,800)	4	(21,796)	—	(21,796)
Other significant items:					
Segment assets	191,778	2,979	194,757	(3,304)	191,453
Inventories, net	2,912	9	2,921	—	2,921

	Nine Months Ended September 30, 2021				
	Autonomy Solutions	Component Sales	Total reportable segments	Eliminations (1)	Total Consolidated
Revenue:					
Revenues from external customers	$ 17,708	$ 1,892	$ 19,600	$ —	$ 19,600
Revenues from internal customer	5,500	3,865	9,365	(9,365)	—
Total revenue	$ 23,208	$ 5,757	$ 28,965	$ (9,365)	$ 19,600
Depreciation and amortization	$ 1,963	$ 278	$ 2,241	$ (1)	$ 2,240
Operating loss	(142,651)	(1,100)	(143,751)	161	(143,590)
Other significant items:					
Segment assets	606,431	11,064	617,495	(9,689)	607,806
Inventories, net	7,531	340	7,871	—	7,871

LUMINAR TECHNOLOGIES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

	Nine Months Ended September 30, 2020				
	Autonomy Solutions	Component Sales	Total reportable segments	Eliminations (1)	Total Consolidated
Revenue:					
Revenues from external customers	$ 9,587	$ 1,932	$ 11,519	$ —	$ 11,519
Revenues from internal customer	639	2,544	3,183	(3,183)	—
Total revenue	$ 10,226	$ 4,476	$ 14,702	$ (3,183)	$ 11,519
Depreciation and amortization	$ 1,825	$ 104	$ 1,929	$ —	$ 1,929
Operating income (loss)	(56,673)	192	(56,481)	—	(56,481)
Other significant items:					
Segment assets	191,778	2,979	194,757	(3,304)	191,453
Inventories, net	2,912	9	2,921	—	2,921

(1) Represent the eliminations of all intercompany balances and transactions during the period presented.

Two customers accounted for 63% and 24% of the Company’s revenue for the three months ended September 30, 2021. Three customers accounted for 38%, 31% and 11% of the Company’s revenue for the nine months ended September 30, 2021, Two customers accounted for 52% and 17% of the Company’s revenue for the three months ended September 30, 2020. One customer accounted for 64% of the Company’s revenue for the nine months ended September 30, 2020.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on April 14, 2021. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, and in Part II, Item 1A - "Risk Factors" and elsewhere in this report. See also "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this report.

Overview

Our vision is to make autonomous transportation safe and ubiquitous. As a global leader in lidar autonomous driving technology, we are enabling the world's first autonomous solutions for automotive series production in passenger cars and commercial trucks.

Founded in 2012 by President and Chief Executive Officer Austin Russell, we built a new type of lidar from the chip-level up, with technological breakthroughs across all core components. As a result, we have created what we believe is the only lidar sensor that meets the demanding performance, safety, and cost requirements for autonomous vehicles in production bypassing the traditional limitations of legacy lidar technology, while also enabling Advanced Driving Assistance Systems ("ADAS") with our Proactive Safety solution. Integrating this advanced hardware with our custom developed software stack enables a turn-key autonomous solution to accelerate widespread adoption across automakers at series production scale.

Our lidar hardware and software products help set the standard for safety in the industry, and are designed to enable accurate and reliable detection of some of the most challenging "edge cases" that autonomous vehicles can encounter on a regular basis. This is achieved by advancing existing lidar range and resolution to new levels, ensuring hard-to-see objects like a tire on the road ahead or a child that runs into the street are more likely to be detected. Our software is also critical to interpreting the data and informing autonomous and assisted driving decisions.

Our full-stack hardware and software autonomy solution for cars and trucks as well as our standalone lidar technology offerings have made us one of the leading partners for the world's top OEMs. We are currently partnering with eight of the top-ten global automakers, by sales, and have the goal of being the first lidar company to produce highway self-driving and next-generation Proactive Safety systems for series production. With over 500 employees across eight global locations, we have scaled to over 50 partners in the last two years, including the first industry-wide automotive series production award in the autonomous space, awarded by Volvo Cars in May 2020, with series production expected to commence in 2022. We subsequently entered into a strategic partnership with Daimler Truck AG in October 2020 and with Mobileye Vision Technologies Ltd ("Mobileye") in November 2020. In March 2021, we announced a partnership with Zenseact to deliver autonomous software for series production vehicles and entered into a relationship with SAIC Motor Corporation, the largest automaker in China. Since that time we have announced partnerships with Pony.AI, a leading autonomous vehicle company, and have announced a partnership with Airbus UpNext, as we work to make not only automotive, but also air transportation safer. In June 2021, we saw a watershed moment when Volvo announced that our Proactive Safety will be standard on Volvo's upcoming fully electric flagship vehicle, which we believe will help the automaker to save even more lives as it sets a new benchmark for automotive safety. In September 2021, Polestar disclosed that they will integrate our technology into certain of their future production vehicles. In November 2021, we announced that NVIDIA has selected us as its lidar partner for their production autonomous vehicle platform known as NVIDIA DRIVE Hyperion.

The automotive industry is among the largest in the world and features an estimated total addressable market opportunity ("TAM") for ADAS and autonomous solutions (Level 0 through Level 5) expected to exceed $150 billion by 2030. Our model to capture this opportunity is to directly partner with top established automotive companies to power their autonomous future. Correspondingly, we have successfully established customer partnerships with over 50 companies across three primary application verticals: passenger vehicles, commercial trucks, and robo-taxis. We have multiple levers for sustained growth, including significant industry tailwinds, a strong five-year product roadmap in production and development, a robust series production and standardization pipeline with anticipated long-term contracts and substantial new, adjacent market opportunities. Powered by breakthrough technology, our solutions are ready to enable autonomous vehicles to be safe and ubiquitous.

COVID-19 Impact

The coronavirus (COVID-19) pandemic has adversely affected some of our customers' business operations, which has impacted our revenue in 2020 and 2021 as well as resulted in the impairment of inventory in 2020. The extent of the continued impact of the coronavirus pandemic on our operational and financial performance will depend on various future developments, including the duration and spread of the outbreak and impact on our customers, suppliers, and employees, all of which is uncertain at this time. The coronavirus (COVID-19) pandemic may potentially adversely impact our revenue and results of operations, but we are unable to predict at this time the size and duration of this adverse impact.

Industrialization and Customer Update

Industrialization Update

Iris product development and tooling are both predominantly complete, and we are entering the C-phase of our product lifecycle. We continue to work closely with our manufacturing partners Celestica and Fabrinet and have successfully secured next year's supply chain.

In Q3, we debuted our Proactive Safety™ functionality, which is enabled by our Sentinel software, at IAA Mobility2. We successfully developed our alpha version of the full-stack Sentinel solution, and demonstrated both advanced automatic emergency braking and assisted highway driving capabilities. We expect to unveil Sentinel alpha on Iris to the public at the Consumer Electronics Show (CES) in January 2022.

Customer Update

Luminar recently announced one new major commercial win and several new customer engagements:

- **NVIDIA:** This week we announced that NVIDIA* has selected Luminar as its lidar partner for their autonomous vehicle reference platform known as NVIDIA DRIVE Hyperion. Luminar's Iris will be part of a best-in-class sensor suite to help deliver safe, highly assisted and full self-driving capabilities. This AI vehicle computing platform accelerates development of autonomous consumer vehicles, which will be available for production vehicles in 2024.
- **Polestar:** Polestar cited Luminar as their partner for best-in-class long range sensors and autonomous driving capabilities.
- **Kodiak:** Kodiak announced its fourth-generation autonomous truck, which will feature Luminar's Iris sensor, sleekly integrated into the roofline.
- **Embark:** Embark announced its partnership with Luminar to accelerate their 2024 commercialization of self-driving trucks.

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*NVIDIA is classified as a major commercial win because they are a major industry player and publicly announced selection of our lidar as part of their Hyperion reference platform, which is expected to be designed into significant commercial program(s). NVIDIA is a technology/platform provider and relevant written agreements would ultimately be made directly with the end users of Nvidia's Hyperion reference platform.

Basis of Presentation

We currently conduct our business through two operating segments: (i) Autonomy Solutions and (ii) Component Sales.

Components of Results of Operations

Revenue

Our revenue producing activities can be viewed as two separate and distinct operating segments: (i) Autonomy Solutions and (ii) Component Sales.

The Autonomy Solutions segment is engaged in design, manufacturing and sale of lidar sensors as well as related perception and autonomy enabling software solutions catering mainly to the original equipment manufacturers in the automobile, commercial vehicle, robo-taxi and adjacent industries. The Autonomy Solutions segment has historically entered into Strategic Partner Programs ("SPP") with leading automotive partners and other customers. An SPP is a contract under which we deliver our product to a specified customer at a fixed price under customary terms and conditions, usually in collaboration on an autonomous vehicle development program. With many major automakers having signed SPP contracts, we are shifting our focus from entering into SPPs with new partners to converting existing SPPs and relationships with our partners into series production programs. Once we achieve series production, the primary sources of revenue are expected to shift from prototype sales and services revenue to sales of lidar hardware, perception software and autonomy enabling software for series production vehicles.

The Component Sales segment provides designing, testing and consulting services for non-standard integrated circuits to U.S. customers, including government agencies and defense contractors generally for purposes unrelated to autonomous vehicles. Fixed fee arrangements are satisfied over time and utilize the input method based on costs incurred. Accordingly, revenue is recognized on a percentage of completion basis. Contracts are also structured as time and materials and billed at cost of time incurred plus a markup. We anticipate more closely aligning and integrating our Component Sales segment operations with portions of our Autonomy Solutions segment, specifically in relation to lidar solutions for the defense and other adjacent markets.

Cost of sales and gross profit (loss)

Cost of sales of the Autonomy Solutions segment includes the fixed and variable manufacturing cost of our lidar sensors, which primarily consists of personnel-related costs (including certain engineering personnel), including stock-based compensation, directly associated with our manufacturing organization, and cost of material purchased from third-party contract manufacturers and suppliers. Cost of sales also includes depreciation and amortization for manufacturing fixed assets or equipment, cost of component inventory, product testing costs, costs of providing services, an allocated portion of overhead, facility and IT costs, excess and obsolete inventory and shipping costs.

Cost of sales of the Component Sales segment includes the cost of providing products and services as well as an allocated portion of overhead, facility and IT costs.

Gross profit (loss) equals revenue less cost of sales. Our cost of sales is expected to increase as our revenue continues to grow.

Operating Expenses

Research and Development (R&D)

Our R&D efforts are focused on enhancing and developing additional functionality for our existing products and on new product development, including new releases and upgrades to our lidar sensors and integrated software solutions. R&D expenses consist primarily of:

- Personnel-related expenses, including salaries, benefits, and stock-based compensation expense, for personnel in our research and engineering functions;
- Expenses related to materials, software licenses, supplies and third-party services;
- Prototype expenses;
- An allocated portion of facility and IT costs and depreciation; and
- Component Sales services provided to Luminar are accounted for as R&D by Luminar.

R&D costs are expensed as incurred. We expect our R&D costs to increase for the foreseeable future as we continue to invest in research and development activities to achieve our product roadmap.

Sales and Marketing Expenses

Sales and marketing expenses consist of personnel and personnel-related expenses, including stock-based compensation of our business development team as well as advertising and marketing expenses. These include the cost of marketing programs, trade shows, promotional materials, demonstration equipment, an allocated portion of facility and IT costs and depreciation. We expect to increase our sales and marketing activities, mainly in order to continue to build out our geographic presence to be closer to our partners and better serve them. We also expect that our sales and marketing expenses will increase over time as we continue to hire additional personnel to scale our business.

General and Administrative Expenses

General and administrative expenses consist of personnel and personnel-related expenses, including stock-based compensation of our executive, finance, human resources, information systems and legal departments as well as legal and accounting fees for professional and contract services. We expect our general and administrative expenses to increase for the foreseeable future as we scale headcount with the growth of our business, and as a result of operating as a public company, including compliance with the rules and regulations of the SEC, legal, audit, additional insurance expenses, investor relations activities, and other administrative and professional services.

Change in Fair Value of Warrants

Change in fair value of warrants are non-cash changes and primarily consists of changes in fair value related to the warrant liabilities. The warrant liabilities are classified as marked-to-market liabilities pursuant to ASC 480 and the corresponding increase or decrease in value impacts our net loss.

Interest Income and other, and Interest Expense

Interest income and other consists primarily of income earned on our cash equivalents and marketable securities. These amounts will vary based on our cash, cash equivalents and marketable securities balances, and also with market rates. It also includes realized gains and losses related to the marketable securities, as well as impact of gains and losses related to foreign exchange transactions. Interest expense consisted primarily of interest on our senior secured term loan facility, which was repaid upon consummation of the Business Combination.

Results of Operations for the Three and Nine Months Ended September 30, 2021 and 2020

The results of operations presented below should be reviewed in conjunction with the condensed consolidated financial statements and notes included elsewhere in this report. The following table sets forth our consolidated results of operations data for the periods presented (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Revenue	$ 7,978	$ 4,223	$ 3,755	89 %	$ 19,600	$ 11,519	$ 8,081	70 %
Cost of sales	10,762	6,924	3,838	55 %	26,254	18,209	8,045	44 %
Gross loss	(2,784)	(2,701)	(83)	3 %	(6,654)	(6,690)	36	(1) %
Operating Expenses:								
Research and development	25,890	10,152	15,738	155 %	59,813	28,268	31,545	112 %
Sales and marketing	5,868	2,332	3,536	152 %	12,010	5,407	6,603	122 %
General and administrative	35,603	6,611	28,992	439 %	65,113	16,116	48,997	304 %
Total operating expenses	67,361	19,095	48,266	253 %	136,936	49,791	87,145	175 %
Loss from operations	(70,145)	(21,796)	(48,349)	222 %	(143,590)	(56,481)	(87,109)	154 %
Other income (expense), net:								
Change in fair value of warrants	17,072	(7,988)	25,060	(314) %	(22,649)	(12,562)	(10,087)	80 %
Loss on extinguishment of debt	—	—	—	— %	—	(866)	866	(100) %
Interest expense and other	(374)	(1,076)	702	(65) %	(860)	(2,097)	1,237	(59) %
Interest income and other	843	(351)	1,194	(340) %	1,744	(221)	1,965	(889) %
Total other income (expense), net	17,541	(9,415)	26,956	(286) %	(21,765)	(15,746)	(6,019)	38 %
Loss before income taxes	(52,604)	(31,211)	(21,393)	69 %	(165,355)	(72,227)	(93,128)	129 %
Benefit from income taxes	(1,264)	—	(1,264)	nm	(1,262)	—	(1,262)	nm
Net loss	$ (51,340)	$ (31,211)	$ (20,129)	64 %	$ (164,093)	$ (72,227)	$ (91,866)	127 %

Revenue

The increase in revenue in the three months ended September 30, 2021, compared to the same period of 2020 was driven by increased revenue from our Autonomy Solutions segment partially offset by a decrease in revenue from our Component Sales segment. The increase in revenue in the nine months ended September 30, 2021 , compared to the same period of 2020 was driven by increased revenue from our Autonomy Solutions partially offset by a decrease in revenue from our Component Sales segment. The breakdown of our revenue by these segments for the periods presented was as follows (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Revenue:								
Autonomy Solutions	$ 7,550	$ 3,481	$ 4,069	117 %	$ 17,708	$ 9,587	$ 8,121	85 %
Component Sales	428	742	(314)	(42) %	1,892	1,932	(40)	(2) %
Total	$ 7,978	$ 4,223	$ 3,755	89 %	$ 19,600	$ 11,519	$ 8,081	70 %

The increase in revenue of our Autonomy Solutions segment in the three and nine months ended September 30, 2021, compared to same periods of 2020 was primarily driven by program revenue from customization services of our sensors and software for future series production programs.

The decrease in revenue of our Component Sales segment in the three months ended September 30, 2021, was primarily due to the completion of two large firm-fixed price contracts. The decrease in revenue of our Component Sales segment in the nine months ended September 30, 2021, compared to the same period of 2020 was primarily due to the winding down of effort on several customer contracts that were completed in the third quarter of 2021.

Cost of Sales and Gross Loss

The $3.8 million increase in the cost of sales in the three months ended September 30, 2021, compared to the same period of 2020, was due to an increase in personnel headcount, including stock-based compensation, contractor fees, and higher project service costs to customize our sensors. These increases were offset by lower direct material costs and excess inventory reserves, and increased factory utilization from higher sensor production. Our gross loss increased by $(0.1) million in the three months ended September 30, 2021, compared to the same period of 2020, primarily due to increased personnel and contractor fees to support higher production and sensor projects, and sensor repairs, offset slightly by higher project revenue, and improved factory efficiency and utilization from higher Model H and Model Iris production.

The $8.0 million increase in our cost of sales in the nine months ended September 30, 2021, compared to the same period of 2020, was due to an increase in personnel headcount, including stock-based compensation, contractor fees, and project service costs to customize our sensors. These increases were offset by lower excess inventory reserves and improved factory yield, efficiency, and utilization from higher sensor production. Our gross loss increased by $36.0 thousand in the nine months ended September 30, 2021, compared to the same period of 2020, primarily due to increased personnel and consulting fees to support higher production and sensor projects, and sensor repairs, offset slightly by higher project service revenue from customization of our sensors, higher sensor sales and improved factory utilization associated with the initial ramp-up of Model H and Model Iris sensors.

Operating Expenses

Research and Development

The $15.7 million and $31.5 million increase in research and development expenses in the three and nine months ended September 30, 2021 compared to the same periods of 2020 was primarily due to a $12.3 million and $26.0 million increase in personnel-related costs including stock-based compensation costs, driven mainly by increased headcount and a higher fair value of equity awards, consultant and contractor fees in relation to preparing for multiple series production launches and continued investments in research and development.

Sales and Marketing

The $3.5 million and $6.6 million increase in sales and marketing expenses for the three and nine months ended September 30, 2021 compared to the same periods of 2020 was primarily due to a $2.2 million and $4.4 million increase in personnel related costs including stock-based compensation costs from increase in headcount and consultancy fees, and a $0.9 million and $1.3 million increase in marketing expenses related to trade shows and presentations in auto industry conventions.

General and Administrative

The $29.0 million and $49.0 million increase in general and administrative expenses for the three and nine months ended September 30, 2021 compared to the same periods of 2020 was primarily due to a $24.4 million and $31.9 million increase in personnel costs including stock-based compensation costs, driven mainly by increased headcount associated with being a public company and a higher fair value of equity awards, and an increase in travel related expenses as domestic and international travel increased with the easing of Covid-19 restrictions. Increased public company costs for the three and nine months ended September 30, 2021 compared to the same periods of 2020 included $2.0 million and $6.1 million in higher insurance costs, and approximately $1.2 million and $6.7 million in higher professional services fee for legal and accounting services and regulatory fees.

Change in Fair Value of Warrant Liabilities

The change in fair value of warrant liabilities is a non-cash benefit or charge due to the corresponding decrease or increase in the estimated fair value of warrants. The fair value Private Warrants decreased by $17.1 million in the three months ended September 30, 2021. In March 2021, 16,718,316 Public and Private Warrants were exercised and 204,638 Public Warrants were redeemed and prior to the exercise and redemption, the fair value of the warrants was calculated and the net increase of $46.6 million in the fair value was recorded.

Segment Operating Income or Loss

Segment income or loss is defined as income or loss before taxes. Our segment income or loss breakdown is as follows (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Segment operating income (loss)								
Autonomy Solutions	$ (69,614)	$ (21,800)	$ (47,814)	219 %	$ (142,651)	$ (56,673)	$ (85,978)	152 %
Component Sales	(787)	4	(791)	(19775 %)	(1,100)	192	(1,292)	(673 %)

Liquidity and Capital Resources

Sources of Liquidity

Our capital requirements will depend on many factors, including lidar and software sales volume, the timing and extent of spending to support our manufacturing ramp-up for series production, R&D and launch efforts, investments in information technology systems, the expansion of sales and marketing activities, and market adoption of new and enhanced products and features. Until we can generate sufficient revenue from lidar sensors and software to cover our operating expenses, working capital and capital expenditures, we expect our current liquidity, comprising of cash, cash equivalents and marketable securities, to fund our cash needs. If we are required to raise additional funds by issuing equity securities, dilution to stockholders would result. Any equity securities issued may also provide for rights, preferences or privileges senior to those of holders of our common stock. If we raise funds by issuing debt securities, these debt securities may have rights, preferences and privileges senior to those of holders of our common stock. The terms of debt securities or borrowings could impose significant restrictions on our operations. The credit market and financial services industry have in the past, and may in the future, experience periods of uncertainty that could impact the availability and cost of equity and debt financing. We believe our existing cash and cash equivalents will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months.

As of September 30, 2021, we had cash and cash equivalents totaling $129.3 million and marketable securities of $415.5 million, combining for a total liquidity of $544.9 million. To date, our principal sources of liquidity have been proceeds received from issuances of equity.

In March 2021, we received $153.9 million in cash proceeds from the exercise of Public and Private warrants.

We have not generated positive cash flows from operating activities and have incurred significant losses from operations in the past as reflected in our accumulated deficit of $748.6 million as of September 30, 2021. We expect to continue to incur operating losses for at least the foreseeable future due to continued investments that we intend to make in our business and, as a result, we may require additional capital resources to grow our business. We believe that our current cash, cash equivalents, and marketable securities will be sufficient for us to continue to execute our business strategy over the next two years and until we expect to begin series production.

Cash Flow Summary

The following table summarizes our cash flows for the periods presented:

	Nine Months Ended June 30,	
	2021	**2020**
Net cash provided by (used in):		
Operating activities	$ (94,256)	$ (47,731)
Investing activities	$ (143,576)	$ (112,453)
Financing activities	$ 158,161	$ 183,804

Operating Activities

Net cash used in operating activities was $94.3 million during the nine months ended September 30, 2021. Net cash used in operating activities was due to our net loss of $164.1 million adjusted for non-cash items of $82.7 million, primarily consisting of $22.6 million of change in fair value of warrant liabilities, $49.9 million of stock-based compensation, $1.6 million of inventory impairment and $2.2 million of depreciation and amortization, offset by use of cash for operating assets and liabilities of $12.8 million due to the timing of cash payments to vendors and cash receipts from customers.

Net cash used in operating activities was $47.7 million during the nine months ended September 30, 2020. Net cash used in operating activities was due to our net loss of $72.2 million adjusted for non-cash items of $24.8 million, primarily consisting of $12.6 million of change in fair value of warrant liabilities, $4.7 million of stock-based compensation, $4.4 million of impairment of inventories and $1.9 million of depreciation and amortization, offset by use of cash for operating assets and liabilities of $0.4 million due to the timing of cash payments to vendors and cash receipts from customers.

Investing Activities

Net cash used in investing activities of $143.6 million in the nine months ended September 30, 2021 comprised of $530.2 million related to purchases of marketable securities and $4.2 million in capital expenditures, offset by $83.5 million and $306.9 million, respectively, of cash proceeds from sales and maturities of marketable securities.

Net cash used in investing activities of $112.5 million in the nine months ended September 30, 2020 was comprised of $123.4 million related to purchases of marketable securities and capital expenditures of $2.0 million, offset by cash proceeds from sales and maturities of marketable securities of $4.4 million and $8.5 million, respectively.

Financing Activities

Net cash provided by financing activities in the nine months ended September 30, 2021 was $158.2 million, compared to $183.8 million for the nine months ended September 30, 2020. Net cash provided by financing activities of $158.2 million primarily related to $153.9 million of cash received from exercises of Public and Private Warrants, $4.7 million of cash received from exercises of stock options, offset by $0.2 million of cash paid for repayment of debt and $0.3 million of cash paid for other financing activities.

Net cash provided by financing activities of $183.8 million in the nine months ended September 30, 2020 primarily related to $164.3 million of net cash received from of the issuance of Series X convertible preferred stock and $20.7 million of net cash received from the issuance of debt, offset by $1.2 million of cash paid for other financing activities.

Off-Balance Sheet Arrangements

As of September 30, 2021, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K, such as the use of unconsolidated subsidiaries, structured finance, special purpose entities or variable interest entities.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe our critical accounting policies involve the greatest degree of judgment and complexity and have the greatest potential impact on our condensed consolidated financial statements.

During the nine months ended September 30, 2021, there were no significant changes to our critical accounting policies and estimates. For a more detailed discussion of our critical accounting policies and estimates, please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Revenue

We adopted the requirements of the new revenue recognition standard, known as ASC 606, effective January 1, 2019, utilizing the modified retrospective method of transition. Revenue from product sales is recognized upon transfer of control of promised products. Revenue is recognized in an amount that reflects the consideration that we expect to receive in exchange for those products and services. For service projects, revenue is recognized as services are performed and amounts are earned in accordance with the terms of a contract at estimated collectible amounts.

Revenues related to custom products are recognized over time using the cost input method. In using this input method, we generally apply the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion. Recognition of profit on these contracts requires estimates of the total contract value, the total cost at completion, and the measurement of progress towards completion. Significant judgment is required when estimating total contract costs and progress to completion on the arrangements, as well as whether a loss is expected to be incurred on the contract. If circumstances arise that change the original estimates of revenues, costs, or extent of progress toward completion, revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in income in the period in which the circumstances that gave rise to the revision become known to us. We perform ongoing profitability analysis of our contracts accounted for under this method in order to determine whether the latest estimates of revenues, costs, and profits require updating. If at any time these estimates indicate that the contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately.

We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations; however, determining whether products or services are considered distinct performance obligations that should be accounted for separately versus together may sometimes require significant judgment. Transaction price is allocated to each performance obligation on a relative standalone selling price (SSP) basis. Judgment is required to determine SSP for each distinct performance obligation. We use a range of amounts to estimate SSP when products and services are sold separately. In instances where SSP is not directly observable, we determine SSP using information that may include other observable inputs available to it.

Changes in judgments with respect to these assumptions and estimates could impact the timing or amount of revenue recognition.

Emerging Growth Company Status

Section 102(b)(1) of the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”) exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable.

We are an “emerging growth company” as defined in Section 2(a) of the Securities Act, and have elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards. Following the consummation of the Business Combination, our Post-Combination Company will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which the market value of our common stock that held by non-affiliates exceeds $700 million as of the end of that year’s second fiscal quarter, (ii) the last day of the fiscal year in which we achieve total annual gross revenue of $1.07 billion or more during such fiscal year (as indexed for inflation), (iii) the date on which we issue more than $1 billion in non-convertible debt in the prior three-year period or (iv) December 31, 2024. We expect to continue to take advantage of the benefits of the extended transition period, although we may decide to early adopt such new or revised accounting standards to the extent permitted by such standards. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used. As of June 30, 2021, the market value of our common stock held by non-affiliates was $4.6 billion, as such, we will cease to be an emerging growth company as of December 31, 2021.

Recent Accounting Pronouncements

See Note 2 of the notes to condensed consolidated financial statements included in this report.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments for trading purposes. For a discussion of market risk, see “Quantitative and Qualitative Disclosure about Market Risk” in Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Our exposure to market risk has not changed materially since December 31, 2020.

We had cash and cash equivalents, and marketable securities totaling $544.9 million as of September 30, 2021. Cash equivalents and marketable securities were invested primarily in U.S. treasury, commercial paper, corporate bonds, equity investments and money market funds. Our investment policy is focused on the preservation of capital and supporting our liquidity needs. Under the policy, we invest in highly rated securities, while limiting the amount of credit exposure to any one issuer other than the U.S. government. We do not invest in financial instruments for trading or speculative purposes, nor do we use leveraged financial instruments. We utilize external investment managers who adhere to the guidelines of our investment policy. A hypothetical 100 basis point change in interest rates would not have a material impact on the value of our cash and cash equivalents or marketable investments.

ITEM 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) has evaluated the effectiveness of 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 fiscal quarter ended September 30, 2021. Based on this evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were not effective as of September 30, 2021 due to the material weakness in internal control over financial reporting that was disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the “2020 Annual Report”).

Notwithstanding the conclusion by our CEO and CFO that our disclosure controls and procedures as of September 30, 2021 were not effective, and notwithstanding the identified material weakness, management, including our CEO and CFO, believes the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Material Weakness

As discussed in the 2020 Annual Report on Form 10-K, we completed the Business Combination on December 2, 2020. Prior to the Business Combination, the Company was a special purpose acquisition company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or other similar business combination with one or more target businesses. As a result, previously existing internal controls are no longer applicable or comprehensive enough as of the assessment date as the Company’s operations prior to the Business Combination were insignificant compared to those of the Post-Combination Company. The design and implementation of internal control over financial reporting for the Post-Combination Company has required and will continue to require significant time and resources from management and other personnel. Because of this, the design and ongoing development of our framework for implementation and evaluation of internal control over financial reporting is in its preliminary stages. As a result, management was unable, without incurring unreasonable effort or expense, to conduct an assessment of our internal control over financial reporting as of December 31, 2020.

Based on an initial assessment, we concluded that our internal control over financial reporting was not effective as of December 31, 2020 because of the material weakness described below. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with our financial statement close process for the year ended December 31, 2020, we identified a material weakness in our internal control over financial reporting resulting from a lack of sufficient number of qualified personnel within our accounting function who possessed an appropriate level of expertise to effectively perform the following functions:

- identify, select and apply GAAP sufficiently to provide reasonable assurance that transactions were being appropriately recorded; and
- assess risk and design appropriate control activities over information technology systems and financial and reporting processes necessary to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.

Material Weakness Remediation

Management continues to be actively engaged to take steps to remediate the material weakness, including the hiring of additional accounting and finance personnel with technical public company accounting and financial reporting experience. The material weakness will not be considered remediated until management designs and implements effective controls that operate for a sufficient period of time and management has concluded, through testing, that these controls are effective.

Changes in Internal Control Over Financial Reporting

Management continued to take action to remediate the material weakness during the quarterly period ended September 30, 2021. However, the material weakness will not be considered remediated until management designs and implements effective controls that operate for a sufficient period of time and management has concluded, through testing, that these controls are effective.

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarterly period ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal control over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the impact of the COVID-19 situation on our internal controls to minimize any impact on their design and operating effectiveness.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

Information with respect to this Item may be found under the heading “Legal Matters” in Note 13 to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

ITEM 1A. Risk Factors.

There have been no material changes from the Risk Factors previously disclosed in Part 1, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. You should carefully consider the Risk Factors discussed in our Annual Report on Form 10-K as they could materially affect our business, financial condition and future results of operation.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None applicable.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

Exhibit Number	Description	Incorporation by Reference Form	File Number	Exhibit/Appendix Reference	Filing Date	Filed Herewith
3.1	Second Amended and Restated Certificate of Incorporation of the Company.	8-K/A	001-38791	3.1	12/8/20	
3.2	Amended and Restated Bylaws of the Company.	8-K/A	001-38791	3.2	12/8/20	
10.1	Amended and Restated Offer Letter by and between Luminar Technologies, Inc. and Alan Prescott dated November 11, 2021.					X
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15(d)-14(a) under the Securities Exchange Act of 1934, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL).					X

† Indicates a management contract or compensatory plan, contract or arrangement.

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.

Luminar Technologies, Inc.

Date: November 15, 2021

By: /s/ Austin Russell

Austin Russell
President, Chief Executive Officer and Chairman of the Board of Directors
(Principal Executive Officer)

/s/ Thomas J. Fennimore

Thomas J. Fennimore
Chief Financial Officer and Secretary
(Principal Financial Officer)