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

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 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 **001-38462**

NLIGHT, INC.
(Exact name of Registrant as specified in its charter)

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

5408 NE 88th Street, Building E
Vancouver, Washington 98665
(Address of principal executive office, including zip code)
(360) 566-4460
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐	Non-Accelerated Filer	☐	Smaller Reporting Company	☐
						Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of May 3, 2021, the Registrant had 42,807,788 shares of common stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. UNAUDITED INTERIM FINANCIAL STATEMENTS

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

	As of	
	March 31, 2021	**December 31, 2020**
Assets		
Current assets:		
Cash and cash equivalents	$ 185,638	$ 102,282
Accounts receivable, net of allowances of $295 and $367	31,658	31,820
Inventory	58,804	54,706
Prepaid expenses and other current assets	9,548	11,767
Total current assets	285,648	200,575
Restricted cash	250	291
Lease right-of-use assets	18,153	12,302
Property, plant and equipment, net of accumulated depreciation of $67,834 and $66,262	46,127	44,480
Intangible assets, net of accumulated amortization of $7,278 and $6,280	7,409	8,345
Goodwill	12,447	12,484
Other assets, net	5,038	5,167
Total assets	$ 375,072	$ 283,644
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 23,644	$ 21,057
Accrued liabilities	13,922	15,321
Deferred revenues	2,589	2,528
Current portion of lease liabilities	2,751	2,273
Current portion of long-term debt	—	184
Total current liabilities	42,906	41,363
Non-current income taxes payable	7,730	7,556
Long-term lease liabilities	15,846	10,375
Long-term debt	29	215
Other long-term liabilities	4,506	4,221
Total liabilities	71,017	63,730
Stockholders' equity:		
Common stock - $0.0001 par value; 190,000 shares authorized, 42,783 shares issued and outstanding at March 31, 2021, and 39,793 shares issued and outstanding at December 31, 2020	15	15
Additional paid-in capital	449,496	358,544
Accumulated other comprehensive loss	(921)	(259)
Accumulated deficit	(144,535)	(138,386)
Total stockholders' equity	304,055	219,914
Total liabilities and stockholders' equity	$ 375,072	$ 283,644

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2021	2020
Revenue:		
Products	$ 47,335	$ 36,930
Development	14,010	6,285
Total revenue	61,345	43,215
Cost of revenue:		
Products	30,395	27,900
Development	13,305	5,814
Total cost of revenue	43,700	33,714
Gross profit	17,645	9,501
Operating expenses:		
Research and development	11,710	8,538
Sales, general, and administrative	11,714	7,700
Total operating expenses	23,424	16,238
Loss from operations	(5,779)	(6,737)
Other income (expense):		
Interest income (expense), net	(74)	283
Other income (expense), net	26	(116)
Loss before income taxes	(5,827)	(6,570)
Income tax expense	322	905
Net loss	$ (6,149)	$ (7,475)
Net loss per share, basic	$ (0.15)	$ (0.20)
Net loss per share, diluted	$ (0.15)	$ (0.20)
Shares used in per share calculations:		
Basic	40,048	37,846
Diluted	40,048	37,846

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2021	**2020**
Net loss	$ (6,149)	$ (7,475)
Other comprehensive loss:		
Foreign currency translation adjustments, net of tax	(662)	(496)
Comprehensive loss	$ (6,811)	$ (7,971)

See accompanying notes to consolidated financial statements.

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

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

	Three Months Ended March 31, 2020					
	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance, December 31, 2019	38,084	$ 15	$ 336,732	$ (2,685)	$ (117,454)	$ 216,608
Net loss	—	—	—	—	(7,475)	(7,475)
Issuance of common stock pursuant to exercise of stock options	373	—	558	—	—	558
Issuance of common stock pursuant to vesting of restricted stock awards and units, net of stock withheld for tax	16	—	(11)	—	—	(11)
Stock-based compensation	—	—	3,763	—	—	3,763
Cumulative translation adjustment	—	—	—	(496)	—	(496)
Balance, March 31, 2020	38,473	$ 15	$ 341,042	$ (3,181)	$ (124,929)	$ 212,947

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	$ (6,149)	$ (7,475)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	2,157	1,769
Amortization	1,560	1,392
Reduction in carrying amount of right-of-use assets	808	706
Provision for (recoveries of) losses on accounts receivable	(71)	67
Stock-based compensation	8,054	3,763
Deferred income taxes	(11)	—
Gain on disposal of assets	—	(1)
Changes in operating assets and liabilities:		
Accounts receivable, net	121	(53)
Inventory	(4,405)	(3,572)
Prepaid expenses and other current assets	2,183	923
Other assets	(428)	(1,488)
Accounts payable	1,437	4,582
Accrued and other long-term liabilities	(736)	(2,247)
Deferred revenues	64	1,312
Lease liabilities	(690)	(705)
Non-current income taxes payable	221	(52)
Net cash provided by (used in) operating activities	4,115	(1,079)
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(291)	—
Purchases of property, plant and equipment	(3,134)	(15,185)
Capitalization of patents	(80)	(320)
Proceeds from sale of assets	—	41
Net cash used in investing activities	(3,505)	(15,464)
Cash flows from financing activities:		
Proceeds from public offerings, net of offering costs	82,761	—
Proceeds from term loan	—	15,000
Principal payments on debt and financing leases	(372)	(16)
Proceeds from stock option exercises	574	558
Tax payments related to stock award issuances	(31)	(11)
Net cash provided by financing activities	82,932	15,531
Effect of exchange rate changes on cash	(227)	10
Net increase (decrease) in cash, cash equivalents, and restricted cash	83,315	(1,002)
Cash, cash equivalents, and restricted cash, beginning of period	102,573	117,293
Cash, cash equivalents, and restricted cash, end of period	$ 185,888	$ 116,291
Supplemental disclosures:		
Cash paid (received) for interest	$ 66	$ (384)
Cash paid for income taxes	241	605
Right-of-use assets obtained in exchange for lease liabilities	6,699	7,566
Accrued purchases of property, equipment and patents	1,698	744
Accrued offering costs	406	—

See accompanying notes to consolidated financial statements.

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

Note 1 - Basis of Presentation and New Accounting Pronouncements

Basis of Presentation

The accompanying consolidated financial statements of nLIGHT, Inc. and its wholly owned subsidiaries (Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The unaudited financial information reflects, in the opinion of management, all adjustments necessary for a fair presentation of financial position, results of operations, stockholders' equity, and cash flows for the interim periods presented. The results reported for the interim period presented are not necessarily indicative of results that may be expected for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2020 Annual Report on Form 10-K.

Critical Accounting Policies

The Company's critical accounting policies have not materially changed during the three months ended March 31, 2021 from those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2020.

New Accounting Pronouncements

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

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, in June 2016. ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For assets measured at amortized cost, the new standard requires that the income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 was amended in November 2018, April 2019 and March 2020. The Company adopted ASU 2016-13, as amended, on January 1, 2021 on a prospective basis. The adoption did not have a material impact on the Company's financial position, results of operations, and cash flows.

ASU 2019-12

The FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, in December 2019. ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The Company adopted ASU 2019-12 on January 1, 2021 on a prospective basis. The adoption did not have a material impact on the Company's financial position, results of operations, and cash flows.

Note 2 - Acquisitions

OPI

On July 30, 2020, the Company acquired the outstanding shares of OPI Photonics S.r.l. (OPI), an Italian limited liability company, for cash consideration of approximately $1.6 million, of which $0.2 million was paid at closing with the remaining $1.4 million to be paid over the next 24 months. The acquisition price was allocated to the tangible and identified intangible assets acquired and liabilities assumed as of the closing date of the acquisition based upon their respective fair values, and the excess of purchase price over the fair value amounts representing goodwill. The fair values assigned to assets acquired and liabilities assumed were based on management's best estimates and assumptions as of the reporting date and are considered preliminary. Changes to amounts recorded as assets or liabilities may result in corresponding adjustments to goodwill. Pro forma financial information has not been provided for the purchase as it was not material to the Company's overall financial position.

During the three months ended March 31, 2021, accrued acquisition consideration of $0.3 million was paid to the sellers of OPI.

Note 3 - Revenue

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

Sales by End Market

	Three Months Ended March 31,	
	2021	2020
Industrial	$ 21,400	$ 15,990
Microfabrication	15,215	10,419
Aerospace and Defense	24,730	16,806
	$ 61,345	$ 43,215

Sales by Geography

	Three Months Ended March 31,	
	2021	2020
North America	$ 31,134	$ 21,046
China	15,577	12,042
Rest of World	14,634	10,127
	$ 61,345	$ 43,215

Sales by Timing of Revenue

	Three Months Ended March 31,	
	2021	2020
Point in time	$ 46,994	$ 36,930
Over time	14,351	6,285
	$ 61,345	$ 43,215

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

		As of	
	Balance Sheet Classification	March 31, 2021	December 31, 2020
Contract assets	Prepaid expenses and other current assets	$ 4,329	$ 5,680
Contract liabilities	Deferred revenue and Other long-term liabilities	4,203	2,985

During the three months ended March 31, 2021 and 2020, the Company recognized revenue of $1.3 million and $0.2 million, respectively, that was included in the deferred revenue balances at the beginning of the periods as the performance obligations under the associated agreements were satisfied.

Note 4 - Concentrations of Credit and Other Risks

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

	Three Months Ended March 31,	
	2021	2020
Raytheon Technologies	(1)	16%
U.S. Government	20%	10%

(1) Represents less than 10% of total revenues

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of accounts receivable. As of March 31, 2021 and December 31, 2020, two customers accounted for approximately 40% and 43%, respectively, of net accounts receivable. No other customers accounted for 10% or more of net accounts receivable in either of these periods.

Note 5 - Fair Value of Financial Instruments

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

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

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

- Level 1 Inputs: Observable inputs, such as quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

- Level 2 Inputs: Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Inputs: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market securities	$ 156,887	$ —	$ —	$ 156,887
Commercial paper	2,643	—	—	2,643
Total	$ 159,530	$ —	$ —	$ 159,530

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money market securities	$ 74,084	$ —	$ —	$ 74,084
Commercial paper	1,584	—	—	1,584
Total	$ 75,668	$ —	$ —	$ 75,668

Note 6 - Inventory

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

Inventory consisted of the following (in thousands):

	As of	
	March 31, 2021	December 31, 2020
Raw materials	$ 22,852	$ 21,410
Work in process and semi-finished goods	23,829	21,320
Finished goods	12,123	11,976
	$ 58,804	$ 54,706

Note 7 - Property, Plant and Equipment

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

		As of	
	Useful life (years)	March 31, 2021	December 31, 2020
Automobile	3	$ 64	$ 34
Computer hardware and software	3-5	5,046	4,840
Manufacturing and lab equipment	2-7	71,663	69,849
Office equipment and furniture	5-7	1,769	1,605
Leasehold and building improvements	2-12	22,628	21,934
Buildings	30	9,392	9,081
Land	N/A	3,399	3,399
		113,961	110,742
Accumulated depreciation		(67,834)	(66,262)
		$ 46,127	$ 44,480

Note 8 - Intangible Assets and Goodwill

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

		As of	
	Estimated useful life (in years)	March 31, 2021	December 31, 2020
Patents	3 - 5	$ 6,261	$ 6,199
Development programs	2 - 4	7,200	7,200
Developed technology	5	1,226	1,226
		14,687	14,625
Accumulated amortization		(7,278)	(6,280)
		$ 7,409	$ 8,345

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

Remainder of 2021	$	2,878
2022		2,357
2023		1,674
2024		364
2025		136
	$	7,409

Goodwill

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

	Laser Products	Advanced Development	Totals
Balance, December 31, 2020	$ 2,236	$ 10,248	$ 12,484
Currency exchange rate adjustment	(37)	—	(37)
Balance, March 31, 2021	$ 2,199	$ 10,248	$ 12,447

Note 9 - Other Assets

Other assets consisted of the following (in thousands):

	As of	
	March 31, 2021	December 31, 2020
Demonstration assets, net	$ 2,472	$ 2,598
Deferred tax assets, net	66	69
Other	2,500	2,500
	$ 5,038	$ 5,167

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

	Three Months Ended March 31,	
	2021	2020
Amortization expense	$ 541	$ 504

Note 10 - Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	As of	
	March 31, 2021	December 31, 2020
Accrued payroll and benefits	$ 9,402	$ 10,770
Product warranty, current	2,441	2,122
Income tax payable	390	401
Other accrued expenses	1,689	2,028
	$ 13,922	$ 15,321

Note 11 - Product Warranties

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

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

	Three Months Ended March 31,	
	2021	2020
Product warranty liability, beginning	$ 4,711	$ 2,984
Warranty charges incurred, net	(701)	(766)
Provision for warranty charges, net of adjustments	1,285	1,033
Acquired warranty	—	100
Product warranty liability, ending	$ 5,295	$ 3,351
Less: current portion of product warranty liability	(2,441)	(1,828)
Non-current portion of product warranty liability	$ 2,854	$ 1,523

Note 12 - Commitments and Contingencies

Leases

See Note 13.

Credit Facilities

The Company has a $40.0 million revolving line of credit (LOC) with Pacific Western Bank which is secured by its assets and expires in September 2021. Interest on the LOC is based primarily on the London Interbank Offered Rate (LIBOR), or an alternative rate such as the Prime rate, plus or minus, respectively, a margin based on certain liquidity levels. The loan agreement contains restrictive and financial covenants and bears an unused credit fee of 0.20% on an annualized basis. As of March 31, 2021, no amounts were outstanding under the LOC, and the Company was in compliance with all covenants under the loan agreement.

Contractual Commitments and Purchase Obligations

As of March 31, 2021, the Company's purchase obligations and other contractual obligations have increased by approximately $6.5 million for new and modified operating leases, primarily related to U.S. operations. There have been no other material changes to the Company's purchase obligations and other contractual obligations from those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2020.

Legal Matters

From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of business. As of March 31, 2021, and as of the filing of this Quarterly Report on Form 10-Q, the Company was not involved in any material legal proceedings.

Note 13 - Leases

Adoption of ASC 842

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

Transition Practical Expedients and Elections

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

Lease Accounting

The Company leases real estate space under non-cancelable operating lease agreements for commercial and industrial space, as well as its corporate headquarters located in Vancouver, Washington. Facilities-related operating leases have remaining terms of 0.2 to 14.2 years, and some leases include options to extend up to 15 years. Other leases for automobiles, manufacturing and office and computer equipment have remaining lease terms of 0.2 to 5.2 years. These leases are primarily operating leases; financing leases are not material. The Company did not include any renewal options in its lease terms for calculating the lease liabilities as the Company is not reasonably certain it will exercise the options at this time. The weighted-average remaining lease term for the lease obligations was 9.3 years at March 31, 2021, and the weighted-average discount rate was 3.6%.

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

	Three Months Ended March 31,	
	2021	**2020**
Lease expense:		
Operating lease expense	$ 874	$ 769
Short-term lease expense	73	87
Variable and other lease expense	122	146
	$ 1,069	$ 1,002

Future minimum payments under our non-cancelable lease obligations were as follows as of March 31, 2021 (in thousands):

Remainder of 2021	$	2,566
2022		3,028
2023		2,369
2024		2,325
2025		1,896
Thereafter		10,011
Total minimum lease payments		22,195
Less: interest		(3,598)
Present value of net minimum lease payments		18,597
Less: current portion of lease liabilities		(2,751)
Total long-term lease liabilities	$	15,846

Note 14 - Income Taxes

Income Tax Provision

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

The Company's effective tax rate for the three months ended March 31, 2021 and 2020 differs from the U.S. statutory rate due to the U.S. and China valuation allowance, foreign income taxed at local statutory rates, and accrued withholding taxes. For the three months ended March 31, 2021 and 2020, the Company reported U.S. and China pre-tax losses. The Company has not yet been able to establish a sustained level of profitability in the U.S. and China, or other sufficient significant positive evidence, to conclude that its U.S. and China deferred tax assets are more likely than not to be realized. Therefore, the Company continues to maintain a valuation allowance against its U.S. and China deferred tax assets.

Note 15 - Stockholders' Equity and Stock-Based Compensation

Public Offering

In March 2021, the Company closed a follow-on public offering in which it issued and sold approximately 2.5 million shares of common stock (including approximately 0.3 million shares sold pursuant to the full exercise of the underwriters option to purchase additional shares) at an offering price of $34.00 per share, resulting in aggregate net proceeds to the Company of approximately $82.4 million after deducting underwriting discounts, commissions and offering costs.

Restricted Stock Awards and Units

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

	Number of Restricted Stock Awards		Weighted-Average Grant Date Fair Value
RSAs at December 31, 2020	653	$	21.30
Awards granted	—		—
Awards vested	—		—
RSAs at March 31, 2021	653	$	21.30

	Number of Restricted Stock Units	Weighted-Average Grant Date Fair Value
RSUs at December 31, 2020	2,800	$ 20.54
Awards granted	76	38.76
Awards vested	(3)	18.63
Awards forfeited	(7)	24.88
RSUs at March 31, 2021	2,866	$ 21.01

The total fair value of RSAs and RSUs vested during the three months ended March 31, 2021 was less than $0.1 million in total. Awards outstanding as of March 31, 2021 include 0.7 million performance-based awards that will vest upon meeting certain performance criteria.

Stock Options
The following table summarizes the Company's stock option activity during the three months ended March 31, 2021 (in thousands, except weighted-average exercise prices):

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2020	3,358	$1.53	5.3	$104,510
Options exercised	(452)	$1.27		
Options canceled	(2)	$4.79		
Outstanding, March 31, 2021	2,904	$1.56	5.1	$89,554
Options exercisable at March 31, 2021	2,408	$1.15	4.8	$75,265
Options vested as of March 31, 2021 and expected to vest after March 31, 2021	2,904	$1.56	5.1	$89,554

Total intrinsic value of options exercised for the three months ended March 31, 2021 and 2020 was $15.0 million and $6.0 million, respectively. The Company received proceeds of $0.6 million from the exercise of options for each of the three months ended March 31, 2021 and 2020.

Employee Stock Purchase Plan
There were no purchases under the Company's employee stock purchase plan during the three months ended March 31, 2021.

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

	Three Months Ended March 31,	
	2021	2020
Cost of revenues	$ 491	$ 345
Research and development	2,918	1,782
Sales, general and administrative	4,645	1,636
	$ 8,054	$ 3,763

Unrecognized Compensation Costs
As of March 31, 2021, total unrecognized stock-based compensation related to unvested stock awards was $58.3 million, which will be recognized over the next five years as follows (in thousands):

Remainder of 2021	$	20,570
2022		21,754
2023		12,899
2024		3,027
2025		35
	$	58,285

Total unrecognized stock-based compensation includes approximately 0.3 million awards that do not have a measurement date and have been valued as of March 31, 2021.

Common Stock Repurchase Plan

On November 14, 2019, the Company's Board of Directors authorized the repurchase of up to $10.0 million of its outstanding shares of common stock. As of March 31, 2021, no repurchases had been executed under the program.

Note 16 - Segment Information

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

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

	Three Months Ended March 31, 2020			
	Laser Products	Advanced Development	Corporate and Other	Totals
Revenue	$ 36,930	$ 6,285	$ —	$ 43,215
Gross profit	$ 9,375	$ 471	$ (345)	$ 9,501
Gross margin	25.4 %	7.5 %	NM	22.0 %

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

There have been no material changes to the geographic locations of the Company's long-lived assets, net, based on the location of the assets, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Note 17 - Net Loss per Share

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

	Three Months Ended March 31,	
	2021	2020
Numerator:		
Net loss	$ (6,149)	$ (7,475)
Denominator:		
Weighted-average shares, basic	40,048	37,846
Weighted-average shares, diluted	40,048	37,846
Net loss per share:		
Basic	$ (0.15)	$ (0.20)
Diluted	$ (0.15)	$ (0.20)

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

	Three Months Ended March 31,	
	2021	2020
Restricted stock units and awards	2,433	2,460
Employee stock purchase plan	7	—
Common stock options	2,904	3,859
	5,344	6,319

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

These statements involve risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain. Forward-looking statements include, but are not limited to, statements about: our ability to develop new technology, designs and applications for our lasers; the implementation of our business model and strategic plans, including estimates regarding future sales, revenues, expenses, acquisitions, investments and capital requirements; our future financial performance; our utilization of vertical integration; our ability to adequately protect our intellectual property rights; the effect on our business of litigation to which we are or may become a party; and the sufficiency of our existing liquidity sources to meet our cash needs; and our ability to sustain and manage growth in our business.

You should refer to the "Risk Factors" section of this report and those risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2020 for a discussion of other important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this report will prove to be accurate. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, which although we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted a thorough inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Overview

nLIGHT, Inc., is a leading provider of high-power semiconductor and fiber lasers for industrial, microfabrication, and aerospace and defense applications. Headquartered in Vancouver, Washington, we design, develop and manufacture the critical elements of our lasers, and believe our vertically integrated business model enables us to rapidly introduce innovative products, control our costs and protect our intellectual property.

We operate in two reportable segments consisting of the Laser Products segment and the Advanced Development segment. Sales of our semiconductor lasers, fiber lasers and directed energy products are included in the Laser Products segment, while revenue earned from research and development contracts are included in the Advanced Development segment.

Revenues increased to $61.3 million in the three months ended March 31, 2021 compared to $43.2 million in the same period of 2020 as a result of higher revenue across all end markets. We generated a net loss of $6.1 million for the three months ended March 31, 2021 as compared to a net loss of $7.5 million for the same period of 2020.

Factors Affecting Our Performance

For factors affecting our performance, reference is made to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," contained in Part II of our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no material changes to the factors affecting our performance since December 31, 2020.

Results of Operations

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

	Three Months Ended March 31,	
	2021	2020
Revenue:		
Products	77.2 %	85.5 %
Development	22.8	14.5
Total revenue	100.0	100.0
Cost of revenue:		
Products	49.5	64.6
Development	21.7	13.5
Total cost of revenue	71.2	78.0
Gross profit	28.8	22.0
Operating expenses:		
Research and development	19.1	19.8
Sales, general, and administrative	19.1	17.8
Total operating expenses	38.2	37.6
Loss from operations	(9.4)	(15.6)
Other income (expense):		
Interest income (expense), net	(0.1)	0.7
Other income (expense), net	—	(0.3)
Loss before income taxes	(9.5)	(15.2)
Income tax expense	0.5	2.1
Net loss	(10.0)%	(17.3)%

Revenues by Segment

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

	Three Months Ended March 31,				Change	
	2021	% of Revenue	2020	% of Revenue	$	%
Laser Products	$ 47,335	77.2 %	$ 36,930	85.5 %	$ 10,405	28.2 %
Advanced Development	14,010	22.8	6,285	14.5	7,725	122.9
	$ 61,345	100.0 %	$ 43,215	100.0 %	$ 18,130	42.0 %

The increase in Laser Products revenue for the three months ended March 31, 2021, compared to the same period of 2020, was driven by increased sales from the Industrial and Microfabrication markets as discussed below. The increase in Advanced Development revenue was primarily due to increased activity on existing research and development contracts.

Revenues by End Market

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

	Three Months Ended March 31,				Change	
	2021	% of Revenue	2020	% of Revenue	$	%
Industrial	$ 21,400	34.9 %	$ 15,990	37.0 %	$ 5,410	33.8 %
Microfabrication	15,215	24.8	10,419	24.1	4,796	46.0
Aerospace and Defense	24,730	40.3	16,806	38.9	7,924	47.1
	$ 61,345	100.0 %	$ 43,215	100.0 %	$ 18,130	42.0 %

The increase in revenue from the Industrial market for the three months ended March 31, 2021, compared to the same period of 2020, was driven by a net increase in unit sales offset partially by lower average selling prices (ASP's). The increase in revenue from the Microfabrication market for the three months ended March 31, 2021, compared to the same period of 2020, was driven by a net increase in unit sales of semiconductor lasers. The increase in revenue from the Aerospace and Defense market for the three months ended March 31, 2021, compared to the same period of 2020, was primarily due to increased activity on existing research and development contracts.

Revenues by Geographic Region

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

	Three Months Ended March 31,				Change	
	2021	% of Revenue	2020	% of Revenue	$	%
North America	$ 31,134	50.7 %	$ 21,046	48.7 %	$ 10,088	47.9 %
China	15,577	25.4	12,042	27.9	3,535	29.4
Rest of World	14,634	23.9	10,127	23.4	4,507	44.5
	$ 61,345	100.0 %	43,215	100.0 %	$ 18,130	42.0 %

Geographic revenue information is based on the location to which we ship our products. The increase in North America revenue for the three months ended March 31, 2021, compared to the same period of 2020, was primarily driven by increased revenue from the Aerospace and Defense market. The increase in China revenue for the three months ended March 31, 2021, compared to the same period of 2020, was primarily due to increased sales in the Industrial market, and the increase in Rest of World revenue for the three months ended March 31, 2021, compared to the same period of 2020, was primarily due to increased sales in the Microfabrication market.

Cost of Revenues and Gross Margin

Cost of Laser Products revenue consists primarily of manufacturing materials, payroll, shipping and handling costs, tariffs and manufacturing-related overhead. We order materials and supplies based on backlog and forecasted customer orders. We expense all warranty costs and inventory provisions as cost of revenues. Cost of Advanced Development revenue consists of materials, labor, subcontracting costs, an allocation of indirect costs including overhead and general and administrative.

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

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

	Three Months Ended March 31, 2020			
	Laser Products	Advanced Development	Corporate and Other	Total
Gross profit	$ 9,375	$ 471	$ (345)	$ 9,501
Gross margin	25.4 %	7.5 %	NM	22.0 %

The increase in Laser Products gross margin for the three months ended March 31, 2021, compared to the same period of 2020, was driven primarily by sales mix, product cost improvements, and improved factory utilization from higher production volume, partially offset by lower ASPs in the Industrial market. The decrease in Advanced Development gross margin for the three months ended March 31, 2021, compared to the same period of 2020, was primarily due to mix and timing of research and development contracts.

Operating Expenses

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

Research and Development

	Three Months Ended March 31,		Change	
	2021	2020	$	%
Research and development	$ 11,710	$ 8,538	$ 3,172	37.2 %

The increase in research and development expense for the three months ended March 31, 2021, compared to the same period in 2020, was primarily due to increase in stock-based compensation of $1.1 million, and increased headcount and project-related expenses to support our development efforts.

Sales, General and Administrative

	Three Months Ended March 31,		Change	
	2021	2020	$	%
Sales, general, and administrative	$ 11,714	$ 7,700	$ 4,014	52.1 %

The increase in sales, general and administrative expense for the three months ended March 31, 2021, compared to the same period in 2020 was primarily due to increase in stock-based compensation of $3.0 million, increased headcount to support our continued growth, and increased professional service fees.

Interest Income (Expense), net

	Three Months Ended March 31,		Change	
	2021	2020	$	%
Interest income (expense), net	$ (74)	$ 283	$ (357)	(126.1)%

The decrease in interest income (expense), net, for the three months ended March 31, 2021, compared to the same period in 2020 was primarily attributable to a decrease in the market rates on money market funds. The mid-March 2021 cash infusion from our public offering of stock had minimal impact on our interest income for the quarter.

Other Income (Expense), net

	Three Months Ended March 31,		Change	
	2021	2020	$	%
Other income (expense), net	$ 26	$ (116)	$ 142	122.4%

The increase in other income (expense), net for the three months ended March 31, 2021, compared to the same period in 2020 was primarily attributable to changes in net realized and unrealized foreign exchange transactions resulting from currency rate fluctuations.

Income Tax Expense

	Three Months Ended March 31,		Change	
	2021	2020	$	%
Income tax expense	$ 322	$ 905	$ (583)	(64.4)%

We record income tax expense for taxes in our foreign jurisdictions including Finland, Italy and Korea. We also record tax expense for uncertain tax positions taken and associated penalties and interest. We consider all available evidence, both positive and negative, in assessing the extent to which a valuation allowance should be applied against our deferred tax assets. Due to the uncertainty with respect to their ultimate realizability in the U.S. and China, we continue to maintain a full valuation allowance in both jurisdictions as of March 31, 2021.

The decrease in income tax expense for the three months ended March 31, 2021, compared to the same period in 2020 was driven by a decrease in income from our Finland operations. Our tax expense is dependent on the geographic mix of earnings and primarily related to our foreign operations.

Liquidity and Capital Resources

We had cash and cash equivalents of $185.6 million and $102.3 million as of March 31, 2021 and December 31, 2020, respectively.

For the three months ended March 31, 2021, our principal uses of liquidity were to fund our working capital needs. Our principal sources of liquidity for the three months ended March 31, 2021 was from our equity offering and cash flows from operations.

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

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

	Three Months Ended March 31,	
	2021	2020
Net cash provided by (used in) operating activities	$ 4,115	$ (1,079)
Net cash used in investing activities	(3,505)	(15,464)
Net cash provided by financing activities	82,932	15,531
Effect of exchange rate changes on cash	(227)	10
Net increase (decrease) in cash	$ 83,315	$ (1,002)

Net Cash Provided by (Used in) Operating Activities

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

During the three months ended March 31, 2020, net cash used in operating activities was $1.1 million, which was primarily driven by $7.5 million of net loss reported in the period, and non-cash adjustments of $7.7 million related to depreciation and amortization, stock-based compensation, and other items. These items were partially offset by increases of $3.6 million in inventory and $4.6 million in accounts payable. The increase in inventory supported new product introductions, decreased customer lead times and increased safety stock. The increase in accounts payable was primarily driven by timing of vendor payments.

Net Cash Used in Investing Activities

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

During the three months ended March 31, 2020, net cash used in investing activities was $15.5 million, primarily resulting from $15.2 million of capital expenditures related to the acquisition of commercial property and other investments in manufacturing equipment for our worldwide operations.

Net Cash Provided by Financing Activities

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

During the three months ended March 31, 2020, net cash provided by financing activities was $15.5 million, which was primarily driven by proceeds from our revolving line of credit of $15.0 million to acquire commercial property, and $0.6 million of proceeds from stock options exercised.

Credit Facilities

We have a $40.0 million revolving line of credit with Pacific Western Bank which is secured by our assets and expires in September 2021. Interest on the line of credit is based primarily on the London Interbank Offered Rate (LIBOR), or an alternative rate such as the Prime rate, plus or minus, respectively, a margin based on certain liquidity levels. The loan agreement contains restrictive and financial covenants and bears an unused credit fee of 0.20% on an annualized basis. As of March 31, 2021, no amounts were outstanding under the line of credit, and we were in compliance with all covenants under the loan agreement.

Contractual Obligations

For the three months ended March 31, 2021, our contractual obligations increased by approximately $5.9 million for operating leases. There have been no other material changes to our contractual obligations as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Off-Balance Sheet Arrangements

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

Inflation

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

Recent Accounting Pronouncements

See Note 1 of Notes to Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For financial market risks related to changes in interest rates and foreign currency exchange rates, reference is made to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” contained in Part II of our Annual Report on Form 10-K for the year ended December 31, 2020. Our exposure to market risk has not changed materially since December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

Our chief executive officer and our chief financial officer did not identify any changes in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Limitations on the Effectiveness of Internal Control

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

There have been no material changes to the legal proceedings disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 1A. RISK FACTORS

For risk factors related to our business, reference is made to Item 1A, "Risk Factors," contained in Part I of our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of the Registrant	10-Q	001-38462	3.1	May 25, 2018	
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-38462	3.1	April 21, 2020	
4.1	Specimen Common Stock Certificate of the Registrant	S-1/A	333-224055	4.1	April 16, 2018	
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NLIGHT, INC.
(Registrant)

May 7, 2021	By: /s/ SCOTT KEENEY
Date	Scott Keeney
	President and Chief Executive Officer
	(Principal Executive Officer)
May 7, 2021	By: /s/ RAN BAREKET
Date	Ran Bareket
	Chief Financial Officer
	(Principal Accounting and Financial Officer)

Exhibit 31.1

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

I, Scott Keeney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of nLIGHT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ SCOTT KEENEY
Scott Keeney
President, Chief Executive Officer and Chairman (Principal Executive Officer)

Exhibit 31.2

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

I, Ran Bareket, certify that:

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

Date: May 7, 2021

/s/ RAN BAREKET

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

Exhibit 32.1

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

In connection with the filing of the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report") by nLIGHT, Inc. (the "Company"), Scott Keeney, as the Chief Executive Officer of the Company, and Ran Bareket, as the Chief Financial Officer of the Company, each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

Date: May 7, 2021

/s/ SCOTT KEENEY
Scott Keeney
President, Chief Executive Officer and Chairman (Principal Executive Officer)

/s/ RAN BAREKET
Ran Bareket
Chief Financial Officer (Principal Accounting and Financial Officer)

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

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