



# FOURTH QUARTER & FY 2019

Earnings Conference Call March 5<sup>th</sup>, 2020

---



# FORWARD-LOOKING STATEMENTS

---

This presentation contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) statements regarding the Company's results of operations and financial condition, (ii) statements of plans, objectives or goals of the Company or its management, including those related to financing, products or services, (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "intends", "forecasts" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. The Company cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: (i) future revenues being lower than expected; (ii) increasing competitive pressures in the industry; (iii) general economic conditions or conditions affecting demand for the services offered by us in the markets in which we operate, both domestically and internationally, including as a result of the Brexit referendum, being less favorable than expected; (iv) worldwide economic and business conditions and conditions in the industries in which we operate; (v) fluctuations in the cost of raw materials and utilities; (vi) currency fluctuations and hedging risks; (vii) our ability to protect our intellectual property; and (viii) the significant amount of indebtedness we have incurred and may incur and the obligations to service such indebtedness and to comply with the covenants contained therein; (viii) our ability to remediate the material weakness in our internal controls over financial reporting. The Company cautions that the foregoing list of important factors is not exhaustive. These factors are more fully discussed in the sections "Forward-Looking Statements" and "Risk factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the U.S. Securities and Exchange Commission on March 11, 2019, as well as our Annual Report on Form 10-K for the year ended December 31, 2019, which is to be filed with the U.S. Securities and Exchange Commission. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and events. Such forward-looking statements speak only as of the date on which they are made, and the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.



LUXFER

# EXECUTIVE SUMMARY

---

## Q4 2019 Financial Performance

### *Results met our updated expectations*

- Sales decreased 7.0%<sup>1</sup>, excluding non-core Czech divestiture
- Adj. EBITDA decreased 20.6% to \$12.7M; margin down 160 basis points to 12.8%
- Adj. diluted EPS of \$0.22, down 45% with challenging macro

## FY 2019 Financial Performance

### *Q4 caps challenging year*

- Sales decreased 7.1%<sup>1</sup>, excluding non-core Czech divestiture
- Adj. EBITDA decreased 14.4% to \$68.1M; margin down 100 basis points to 15.3%
- Adj. diluted EPS of \$1.43, down 15.4%

## Cash Flow & Capital Allocation

### *Strong Balance Sheet; Strong Cash Position*

- Free Cash Flow of \$15.8M in the quarter including \$2M in restructuring spend
- Net Debt to EBITDA ratio of 1.2x
- Quarterly dividend payout of \$3.4M, or \$0.125 per share
- ROIC<sup>2</sup> of 16.5%, decreased 190 basis points

<sup>1</sup> Excludes divested Czech Recycling Business; <sup>2</sup> Calculated using adjusted earnings (see appendix)

**Solid Execution | Challenging Macro**

# MACRO TRENDS

	Growth			Recent Performance Drivers	Future Outlook
	2017	2018	2019		
<b>33%</b> Defense, First Response, & Healthcare	+4.7%	+4.5%	-11.8%	<ul style="list-style-type: none"> <li>• Slower disaster relief</li> <li>• Fire extinguisher exit</li> </ul>	<ul style="list-style-type: none"> <li>• Defense maybe weak in US election year</li> <li>• First responder growth</li> <li>• New products gain share</li> </ul>
<b>31%<sup>1</sup></b> Transportation (AF, Aero, Auto)	+1.9%	+8.2%	+1.8%	<ul style="list-style-type: none"> <li>• Alternative fuel growth</li> <li>• Euro Luxury auto decline</li> <li>• Aerospace stable</li> </ul>	<ul style="list-style-type: none"> <li>• Alternative fuel growth</li> <li>• Luxury auto challenging</li> </ul>
<b>36%</b> General Industrial Including Oil & Gas	+10.5%	+20.2%	-9.6%	<ul style="list-style-type: none"> <li>• SoluMag<sup>®</sup> Destocking</li> <li>• Industrials lower</li> </ul>	<ul style="list-style-type: none"> <li>• ISM uncertainty</li> <li>• GDP + growth due to innovation</li> </ul>
	<b>+5.8%</b>	<b>+11.0%</b>	<b>-7.1%</b>		

<sup>1</sup>: Excludes divested Czech Recycling Business

**Compelling Niche Market Opportunities Over the Long Term**



# GROWTH DRIVERS AND RECENT SUCCESS

## Alternative Fuel Products

- US growth of Alternative Fuel cylinders, especially our large diameter G-Stor Go Type IV cylinders which provide lighter weight and increased storage capacity
- European growth of Alternative Fuel systems used in CNG and Hydrogen-powered Buses



G-Stor Go Type IV cylinder



AF bus system in Nottingham

## Specialty Chemical Kits

- Luxfer has been awarded several US Government contracts in 2020, for unique proprietary Chemical Response products used for decontamination and testing
- Some of the awards are likely to continue over the next 3 to 5 years



Chemical Decontamination Kit



Chemical Water Testing Kit

### Growth Drivers

2016 → 2019 → 2024E

Increase revenue from new products

11% → 15% → 20%

Improve customer satisfaction (NPS)

30% → 45% → 60%

Develop successors for critical roles

40% → 44% → 65%

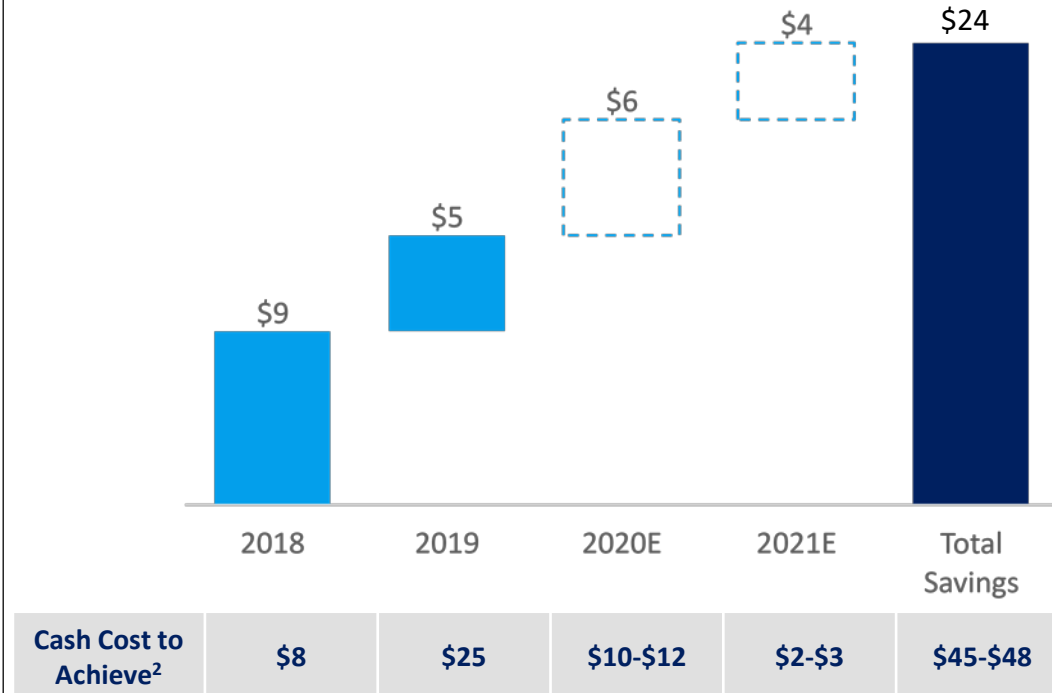
## Building Growth Momentum

# LUXFER TRANSFORMATION: PROGRESS UPDATE

## STRATEGIC PROGRESS

- **Simplification**
  - SEC domestic filer as of 1/1/19
  - Divested Czech recycling, UK Hotpack, HEI Utah, GTM JV, SUB161
- **Productivity**
  - 7 fewer facilities: Completed France closure
  - Reduced costs by \$14M through FY19
- **Culture and Talent**
  - Refreshed board
  - Pay for performance incentive plans
  - Culture training for all key employees
- **Growth & Continuous Improvement**
  - Luxfer B.E.S.T. for sustainable growth
  - +470 bps improvement in ROIC<sup>1</sup> since 2017

## Transformation Plan Savings (\$M)



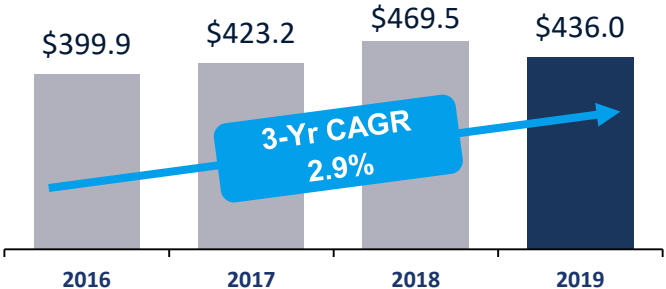
<sup>1</sup> Calculated using adjusted earnings (see appendix)

<sup>2</sup> Cash cost to achieve includes restructuring and exceptional charges, such as Severance, Rationalization & Environmental remediation, etc.; Cash cost to achieve excludes typical annual capital spend of ~\$15M

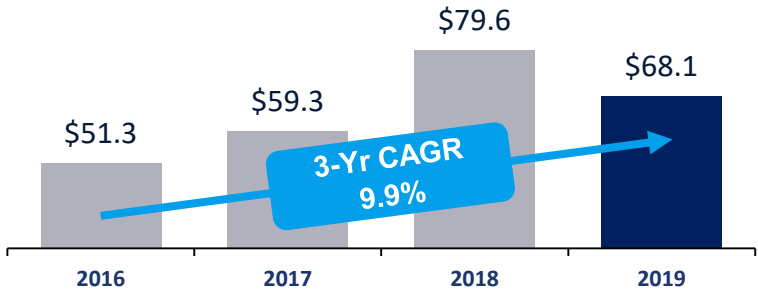
**\$10M Total Cost Reduction in 2020 and 2021**

# LONG-TERM PERFORMANCE OVERVIEW

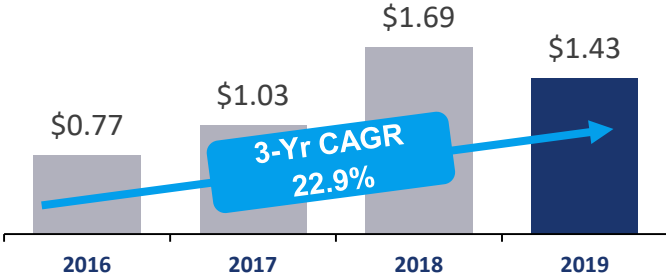
Revenue (\$M)\*



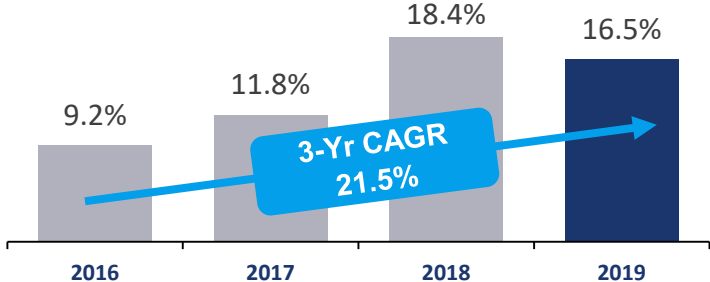
Adj. EBITDA (\$M)



Adj. EPS



Adj. ROIC



\* Excludes divested Czech Recycling Business

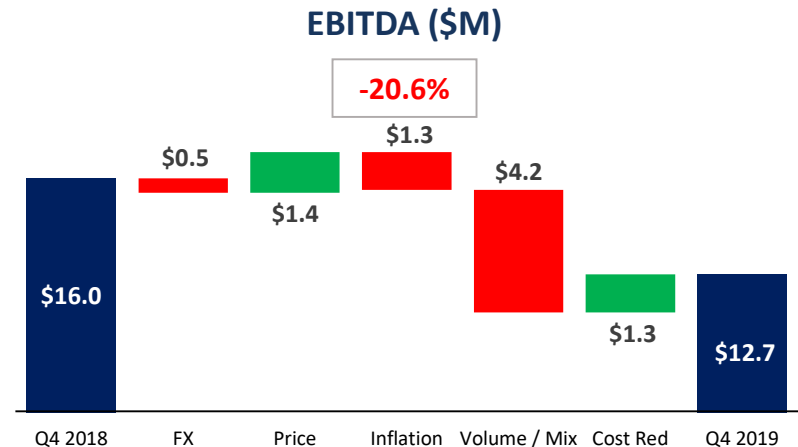
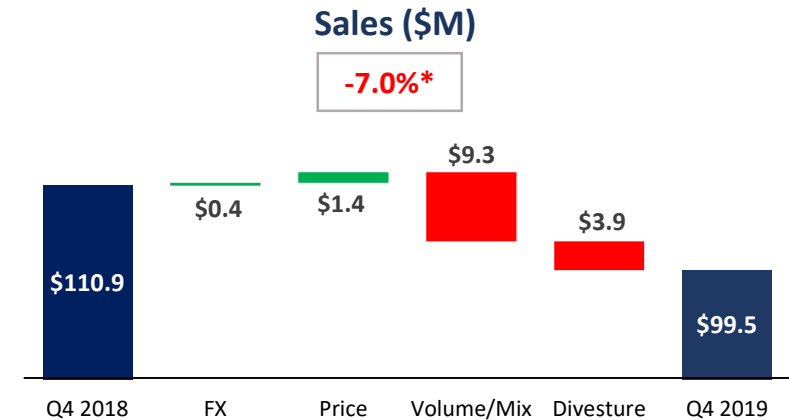
**Strategy Execution is Delivering Results**



# Q4 2019: LUXFER FINANCIAL RESULTS

## Performance Highlights

- Sales declined 10.3%, or 7.0%\* adjusted
  - SoluMag® declined but destocking complete
  - Decline in zirconium-based industrial catalysts
  - Lower Superform sales
- Proactive price actions offset material inflation
- Achieved \$1.3M in net cost reductions, despite \$1.5M legal costs related to legacy liabilities
- Q4 internal control material weakness as a consequence of Q4 ERP implementation at one business unit; no financial impact



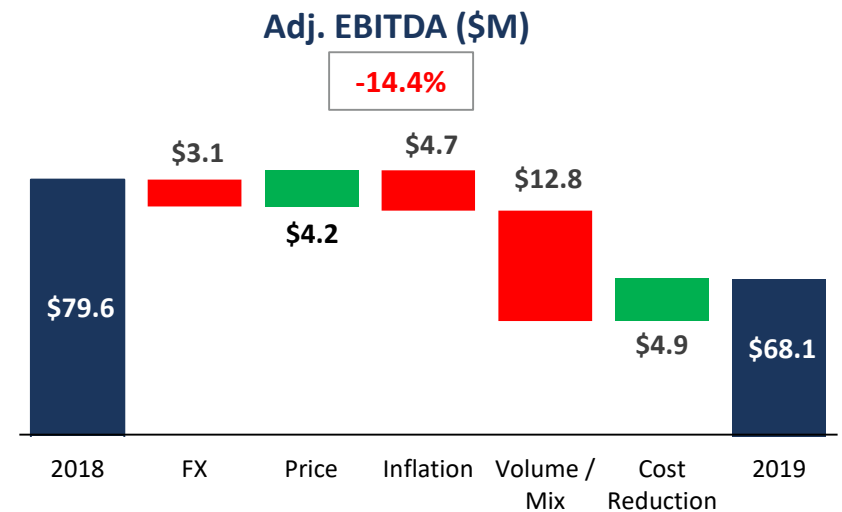
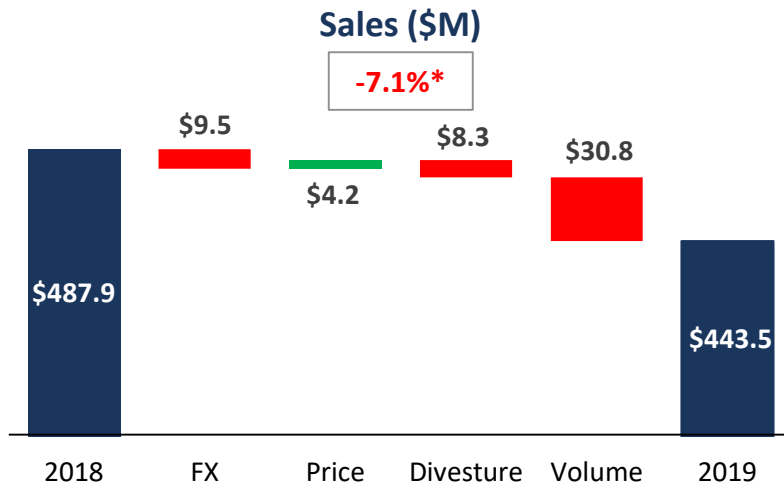
\* Excludes divested Czech Recycling Business



**Macro Impacted Top Line**



# 2019: LUXFER FINANCIAL RESULTS

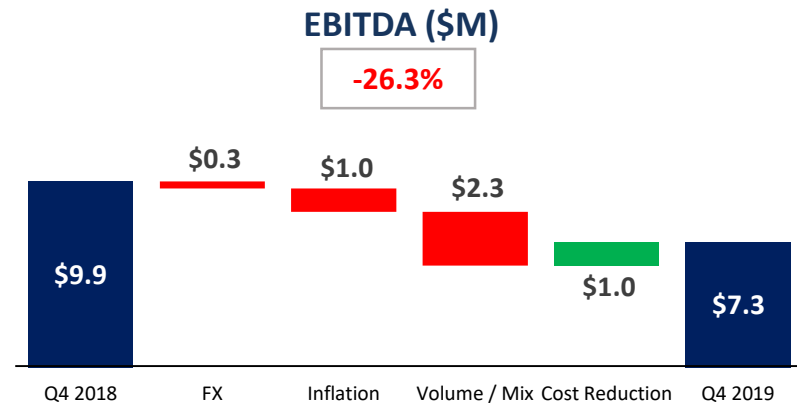
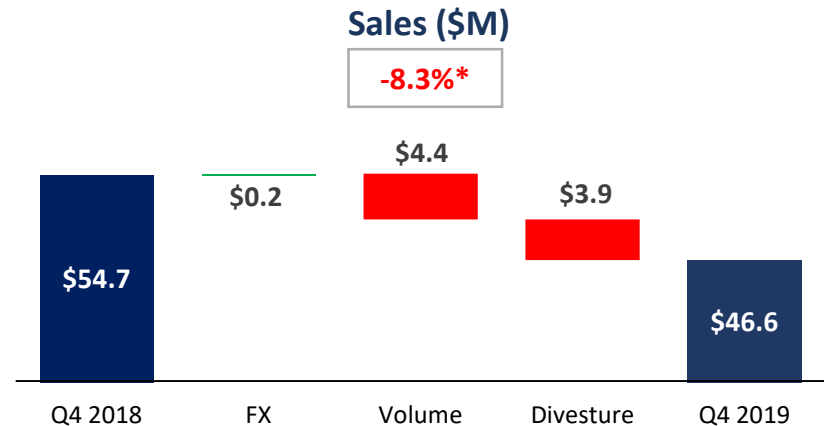


\* Excludes divested Czech Recycling Business

# Q4 2019: ELEKTRON SEGMENT RESULTS

## Performance Highlights

- Sales declined 14.8%, or 8.3%\* adjusted
- SoluMag® sales declined; lower zirconium industrial catalyst sales
- Growth in Chemical Response Kits & Military Powders
- Reduced fixed costs in the segment by \$1.0M despite \$0.7M legal costs related to legacy liabilities



\* Excludes divested Czech Recycling Business

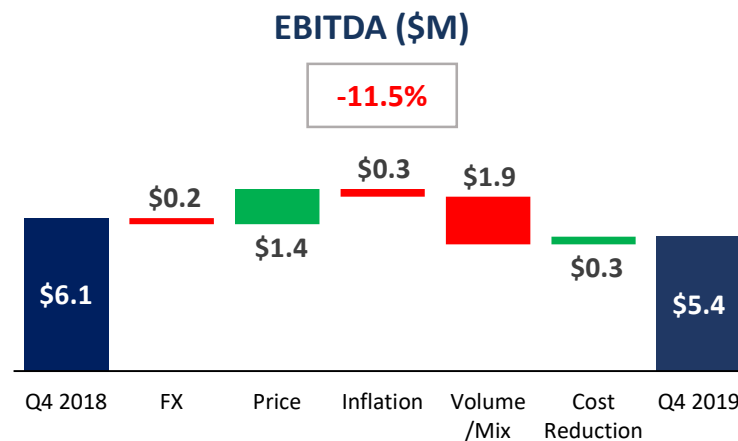
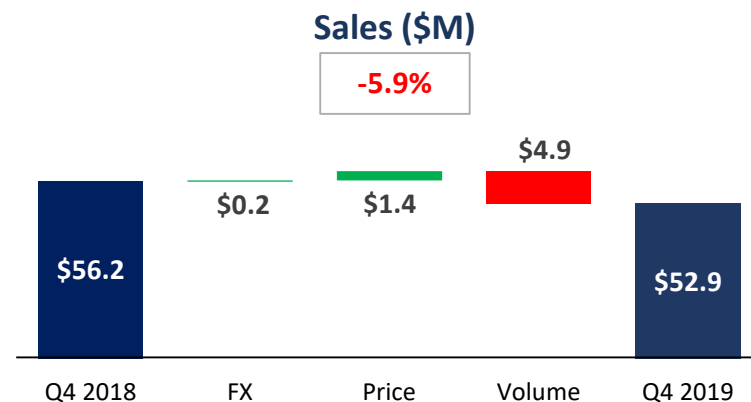


**Impact of Lower Oil & Gas Sales**

# Q4 2019: CYLINDER SEGMENT RESULTS

## Performance Highlights

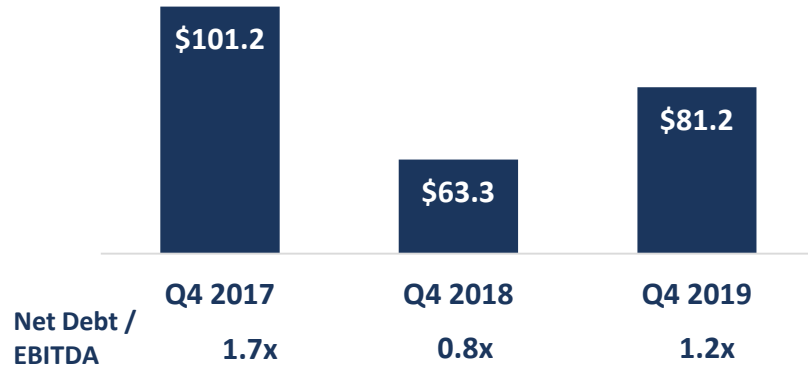
- Continued growth in alternative fuel cylinder sales
- Sales decline in industrial aluminum cylinders and Superform European luxury auto products
- Reduced gross fixed costs in the segment by \$1.1M, partially offset by \$0.8M legal costs related to legacy liabilities



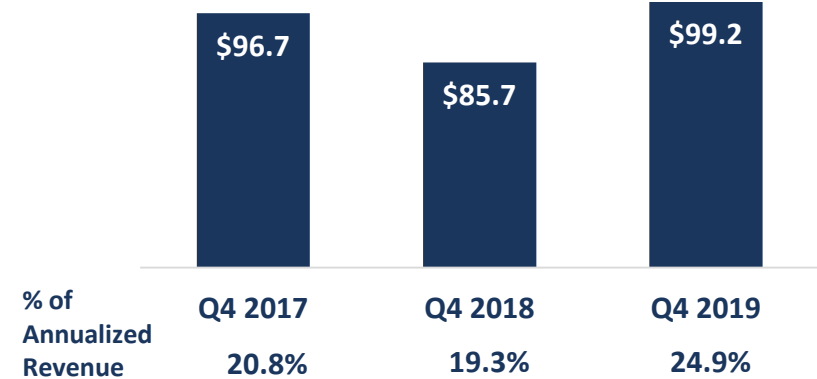
# KEY BALANCE SHEET & CASH FLOW METRICS

All in \$M except ROIC

## Net Debt



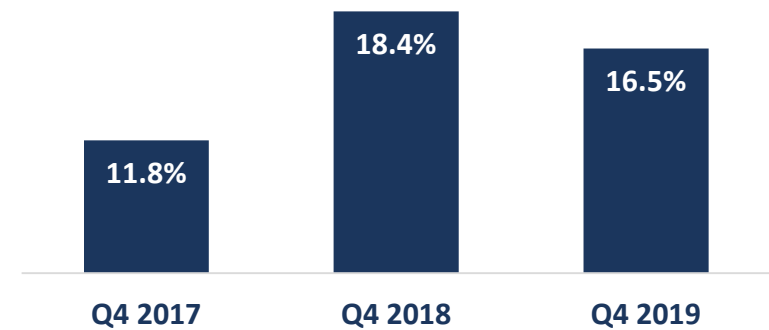
## Working Capital



## Free Cash Flow<sup>1</sup>



## ROIC from Adj. Earnings (TTM)<sup>2</sup>



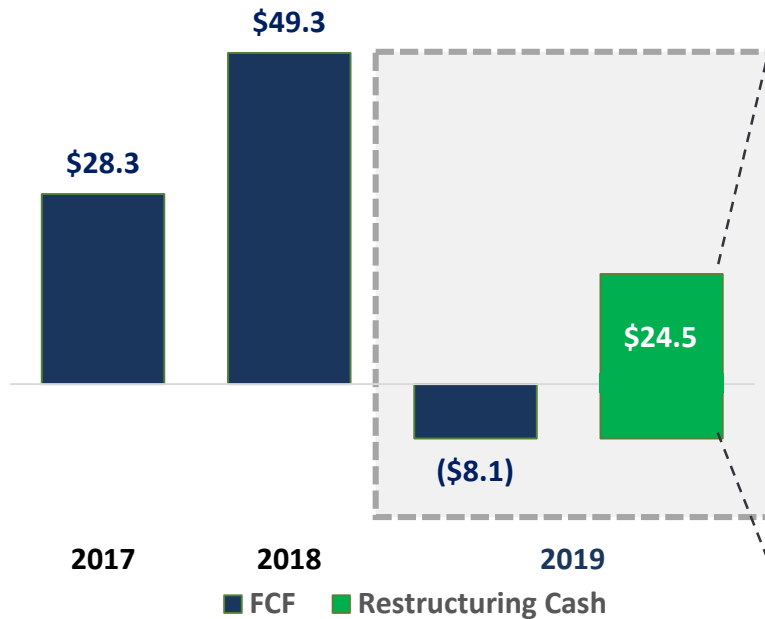
<sup>1</sup> FCF = Cash Flow from Operations – Capex; <sup>2</sup> Calculated using adjusted earnings (see appendix)

**Strong Balance Sheet; Focus on FCF & ROIC**



# STRONG FREE CASH FLOW GENERATION

2017 – 2019 Free Cash Flow<sup>1</sup> (\$M)



## 2019 Performance Highlights

- Tough 2019 conditions impacted working capital performance
  - Facility consolidation
  - Volatile industrial macro
- 2019 impacted by significant planned restructuring cash
  - Spent \$24.5M cash on transformation plan, primarily on French closure
- In 2020, estimated cash outlay for restructuring programs is \$10M-\$12M

<sup>1</sup> FCF = Cash Flow from Operations - Capex

**Plan to Generate Stronger Cash Flow in 2020**

# 2020 GUIDANCE

<b>Net Sales<sup>1</sup></b>	\$420M to \$440M	-4% to +1%
<b>Adjusted EBITDA</b>	\$65M to \$73M	-5% to +8%
<b>Adjusted EBITDA Margin</b>	15.4% to 16.6%	-20 to 100 bps
<b>Adjusted EPS</b>	\$1.30 to \$1.55	-9% to +8%
<b>Free Cash Flow<sup>2</sup></b>	\$20M to \$30M	

## 2020 Assumptions

- Macro remains challenged and doesn't deteriorate
  - Defense & First Responder remains stable with new products offsetting election year impact
  - Transportation flat with stronger demand for alternative fuel offset by Superform weakness
  - Industrial revenue lower given weak demand; SoluMag<sup>®</sup> sales remain flat
- Czech divestiture will impact H1 revenue by \$7.5M
- Coronavirus disruption doesn't extend into 2H'20
- Plan to deliver \$6M in annual cost reductions
- Restructuring costs of \$8M with related cash impact of \$10M-\$12M
- Continue Pension deficit funding of \$7M
- Capex of \$13M to \$15M
- Tax rate of 18% to 20%

<sup>1</sup> Excludes divested Czech Recycling Business; <sup>2</sup> FCF = Cash Flow from Operations – Capex

**Confident in Delivering Transformation Plan; Controlling the Controllable**

# KEY INVESTMENT CONSIDERATIONS

**Highly Engineered  
Industrial Materials  
Company with  
Attractive End  
Markets**



**Comprehensive  
Transformation  
Plan To Enhance  
Growth and  
Profitability**



**Strong Balance  
Sheet, Consistent  
Cash Conversion &  
Disciplined Capital  
Allocation**



**Significant  
Opportunities for  
Continued Value  
Creation**



# APPENDICES

**Summary Financial Statements and Reconciliation of Non-GAAP Measures**



# SUMMARY INCOME STATEMENT

---

# CASH FLOW

(Unaudited)

(\$M)	2019	2018	2019	2018
	Q4	Q4	YTD	YTD
<b>Operating activities</b>				
Net (loss) / income	(2.4)	(8.5)	3.1	25.0
Equity income of unconsolidated affiliates	-	(0.3)	(0.7)	(0.4)
Depreciation	3.7	4.2	14.1	17.8
Amortization of purchased intangible assets	0.3	0.3	1.2	1.2
Loss on disposal of property, plant and equipment	0.2	0.1	0.2	0.3
Amortization of debt issuance costs	-	(0.1)	0.3	0.3
Share-based compensation	0.5	1.7	4.5	4.8
Deferred income taxes	1.7	(9.7)	3.2	0.2
(Gain) loss on disposal of business	-	-	(2.9)	-
Asset impairment charges	5.2	13.9	10.0	13.9
Pension and other post-retirement expense / (credit)	(0.8)	(0.2)	1.4	0.4
Defined benefit pension contributions	(2.2)	(1.8)	(7.9)	(7.9)
Defined contribution pension and other post-retirement contributions	(0.7)	(0.5)	(4.2)	(4.4)
<i>Changes in assets and liabilities, net of effects of business acquisitions</i>				
Accounts and notes receivable	4.5	11.1	(2.7)	5.8
Inventories	4.1	0.1	0.3	(15.5)
Other current assets	0.9	(0.1)	(1.0)	1.1
Accounts payable	4.0	(0.4)	(0.8)	7.3
Accrued liabilities	(3.4)	(2.8)	(11.6)	4.8
Other current liabilities	1.3	12.6	(0.9)	9.9
Other non-current assets and liabilities	2.5	3.7	0.2	(1.4)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>19.4</b>	<b>23.3</b>	<b>5.8</b>	<b>63.2</b>
<b>Investing activities</b>				
Capital expenditures	(3.6)	(5.7)	(13.9)	(13.9)
Proceeds from sale of property and equipment	-	0.1	1.2	0.1
Proceeds from sale of businesses and other	(0.2)	-	4.4	-
Investments in unconsolidated affiliates	-	0.3	-	1.1
Acquisitions, net of cash acquired	-	3.2	-	2.7
<b>NET CASH FLOWS BEFORE FINANCING</b>	<b>15.6</b>	<b>21.2</b>	<b>(2.5)</b>	<b>53.2</b>
<b>Financing activities</b>				
Net increase / (decrease) in short-term borrowings	-	3.5	(3.5)	(15.7)
Net (drawdown) / repayments of long-term borrowings	(14.2)	(15.2)	17.5	(21.3)
Deferred consideration paid	-	(0.8)	(0.5)	(0.8)
Proceeds from issue of share capital	0.2	0.3	3.5	6.6
Share-based compensation cash paid	(0.1)	(0.3)	(4.4)	(7.3)
Dividends paid	(3.4)	(3.4)	(13.6)	(13.4)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS BEFORE EXCHANGE</b>	<b>(1.9)</b>	<b>5.3</b>	<b>(3.5)</b>	<b>1.3</b>
Effect of exchange rate changes	0.1	(0.1)	(0.3)	(0.5)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>(1.8)</b>	<b>5.2</b>	<b>(3.8)</b>	<b>0.8</b>

# RECONCILIATION OF NON-GAAP MEASURES

(Unaudited)

	2019	2018	2019	2018
\$M	Q4	Q4	YTD	YTD
<b>Net income</b>	(2.4)	(8.5)	3.1	25.0
Accounting charges relating to acquisitions and disposals of businesses:				
Unwind of discount on deferred consideration	-	(0.3)	0.2	0.2
Amortization on acquired intangibles	0.3	0.3	1.2	1.2
Acquisitions and disposals	(0.3)	4.3	1.4	4.3
Defined benefit pension actuarial adjustment	0.4	(0.8)	(1.3)	(4.7)
Restructuring charges	1.6	11.3	25.9	13.4
Impairment charges	5.2	7.2	5.0	7.2
Other charges	(0.2)	-	2.5	-
Share-based compensation charges	0.5	1.7	4.5	4.8
Tax Effects	-	(2.9)	-	(2.9)
Income tax thereon	1.1	(1.1)	(2.7)	(1.7)
<b>Adjusted net income</b>	<b>6.2</b>	<b>11.2</b>	<b>39.8</b>	<b>46.8</b>
Add back / (deduct):				
Tax Effects	-	2.9	-	2.9
Income tax thereon	(1.1)	1.1	2.7	1.7
Provision for income taxes	2.6	(4.4)	6.7	5.5
Net finance costs	1.1	0.9	4.6	4.6
<b>Adjusted EBITA</b>	<b>8.8</b>	<b>11.7</b>	<b>53.8</b>	<b>61.5</b>
Loss on disposal of PPE	0.2	0.1	0.2	0.3
Depreciation	3.7	4.2	14.1	17.8
<b>Adjusted EBITDA</b>	<b>12.7</b>	<b>16.0</b>	<b>68.1</b>	<b>79.6</b>

# RECONCILIATION OF NON-GAAP MEASURES

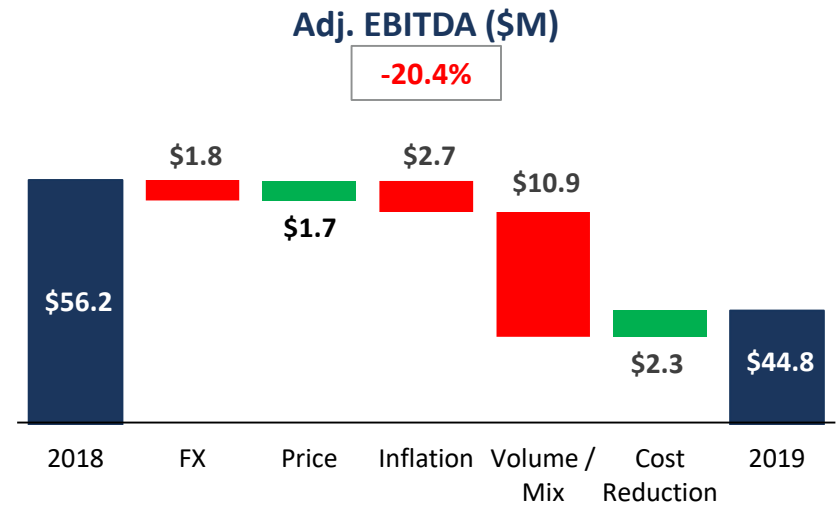
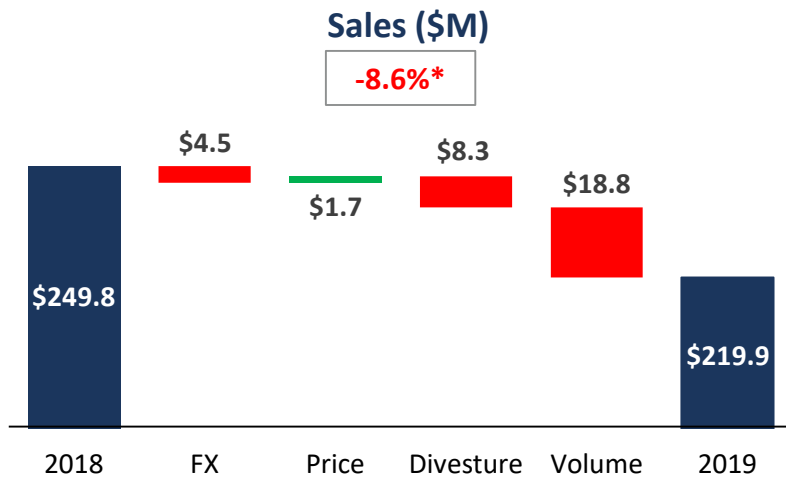
(Unaudited)

\$M	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
EBITA	11.1	10.4	11.2	9.6	14.6	16.8	18.4	11.7	15.1	16.5	13.4	8.8
Effective tax rate - per income statement	19.6%	32.1%	26.3%	71.4%	23.6%	23.0%	22.2%	33.3%	-131.3%	30.4%	10.2%	1300.0%
Notional tax	(2.2)	(3.3)	(2.9)	(6.9)	(3.4)	(3.9)	(4.1)	(3.9)	19.8	(5.0)	(1.4)	(114.4)
EBITA after notional tax	8.9	7.1	8.3	2.7	11.2	12.9	14.3	7.8	34.9	11.5	12.0	(105.6)
<b>Rolling 12 month EBITA after notional tax</b>	<b>26.0</b>	<b>25.2</b>	<b>28.3</b>	<b>27.0</b>	<b>29.3</b>	<b>35.1</b>	<b>41.1</b>	<b>46.2</b>	<b>69.9</b>	<b>68.5</b>	<b>66.2</b>	<b>(47.2)</b>
Bank and other loans	146.5	160.8	121.4	113.8	105.9	99.8	88.7	77.1	92.6	109.2	105.6	91.4
Net cash and cash equivalents	(40.4)	(57.2)	(19.2)	(12.6)	(8.1)	(5.2)	(8.9)	(13.8)	(14.2)	(20.4)	(11.9)	(10.2)
Net debt	106.1	103.6	102.2	101.2	97.8	94.6	79.8	63.3	78.4	88.8	93.7	81.2
Total equity	161.6	172.4	180.0	172.5	177.1	191.1	213.0	184.3	179.8	178.0	179.9	175.2
Invested capital	267.7	276.0	282.2	273.7	274.9	285.7	292.8	247.6	258.2	266.8	273.6	256.4
<b>4 point average invested capital</b>	<b>252.2</b>	<b>259.0</b>	<b>270.9</b>	<b>274.9</b>	<b>276.7</b>	<b>279.1</b>	<b>281.8</b>	<b>275.3</b>	<b>271.1</b>	<b>266.4</b>	<b>261.6</b>	<b>263.8</b>
<b>Return on invested capital</b>	<b>10.3%</b>	<b>9.7%</b>	<b>10.4%</b>	<b>9.8%</b>	<b>10.6%</b>	<b>12.6%</b>	<b>14.6%</b>	<b>16.8%</b>	<b>25.8%</b>	<b>25.7%</b>	<b>25.3%</b>	<b>-17.9%</b>
Adjusted net income for the period	7.4	6.5	7.2	6.5	10.0	12.2	13.4	11.2	11.2	12.4	10.0	5.7
Impact of U.S. tax reform	-	-	-	2.0	-	-	-	-	-	-	-	-
Other tax adjustments	-	-	-	-	-	-	-	2.9	-	-	-	-
Provision for income taxes	1.9	1.8	2.1	(2.5)	3.0	3.4	3.5	(4.4)	2.1	1.4	0.6	2.6
Income tax on adjustments to net income	0.3	0.5	0.3	2.0	0.1	0.2	0.3	1.1	0.7	1.6	1.5	(1.1)
Adjusted income tax charge	2.2	2.3	2.4	1.5	3.1	3.6	3.8	(0.4)	2.8	3.0	2.1	1.5
Adjusted profit before taxation	9.6	8.8	9.6	8.0	13.1	15.8	17.2	10.8	14.0	15.4	12.1	7.2
Adjusted effective tax rate	22.9%	26.1%	25.0%	18.8%	23.7%	22.8%	22.1%	-3.7%	20.0%	19.5%	17.4%	20.8%
EBITA (as above)	11.1	10.4	11.2	9.6	14.6	16.8	18.4	11.7	15.1	16.5	13.4	8.8
Adjusted notional tax	(2.5)	(2.7)	(2.8)	(1.8)	(2.6)	(3.0)	(3.3)	(2.1)	(3.0)	(3.2)	(2.3)	(1.8)
Adjusted EBITA after notional tax	8.6	7.7	8.4	7.8	12.0	13.8	15.1	9.6	12.1	13.3	11.1	7.0
<b>Rolling 12 month adjusted EBITA after notional tax</b>	<b>27.0</b>	<b>26.4</b>	<b>29.2</b>	<b>32.4</b>	<b>35.9</b>	<b>42.0</b>	<b>48.8</b>	<b>50.6</b>	<b>50.7</b>	<b>50.1</b>	<b>46.1</b>	<b>43.4</b>
<b>Adjusted return on invested capital</b>	<b>10.7%</b>	<b>10.2%</b>	<b>10.8%</b>	<b>11.8%</b>	<b>13.0%</b>	<b>15.1%</b>	<b>17.3%</b>	<b>18.4%</b>	<b>18.7%</b>	<b>18.8%</b>	<b>17.6%</b>	<b>16.5%</b>



LUXFER

# 2019: ELEKTRON SEGMENT RESULTS



\* Sales growth restated to exclude divested Czech Recycling Business

# 2019: CYLINDER SEGMENT RESULTS

