

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-35370

Luxfer Holdings PLC

(Exact Name of Registrant as Specified in Its Charter)

England and Wales

98-1024030

State or Other Jurisdiction of
Incorporation or Organization

I.R.S. Employer Identification No.

8989 North Port Washington Road, Suite 211,
Milwaukee, WI, 53217

Address of principal executive offices

Registrant's telephone number, including area code: +1 414-269-2419

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, nominal value £0.50 each	LXFR	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

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, smaller reporting company or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

The number of shares outstanding of Registrant's only class of ordinary stock on March 31, 2024, was 26,842,132.

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited)

LUXFER HOLDINGS PLC

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

<i>In millions, except share and per share data</i>	First Quarter	
	2024	2023
Net sales	\$ 89.4	\$ 101.3
Cost of goods sold	(71.0)	(80.2)
Gross profit	18.4	21.1
Selling, general and administrative expenses	(11.6)	(12.5)
Research and development	(1.2)	(1.2)
Restructuring charges	(0.7)	(0.3)
Acquisition and disposal related costs	(0.2)	—
Other income	0.2	—
Operating income	4.9	7.1
Interest expense	(1.4)	(1.3)
Defined benefit pension credit / (charge)	0.3	(8.9)
Income / (loss) before income taxes	3.8	(3.1)
(Provision) / credit for income taxes	(1.0)	3.6
Net income from continuing operations	2.8	0.5
Net (loss) / income from discontinued operations	\$ (0.1)	\$ —
Net income	\$ 2.7	\$ 0.5
Earnings per share¹		
Basic from continuing operations	\$ 0.10	\$ 0.02
Basic from discontinued operations ²	\$ —	\$ —
Basic	\$ 0.10	\$ 0.02
Diluted from continuing operations	\$ 0.10	\$ 0.02
Diluted from discontinued operations ²	\$ —	\$ —
Diluted	\$ 0.10	\$ 0.02
Weighted average ordinary shares outstanding		
Basic	26,820,968	26,921,010
Diluted	26,866,976	27,071,494

See accompanying notes to condensed consolidated financial statements

¹ The calculation of earnings per share is performed separately for continuing and discontinued operations. As a result, the sum of the two in any particular period may not equal the earnings-per-share amount in total.

² The loss per share for discontinued operations in the First Quarter of 2024 has not been diluted, since the incremental shares included in the weighted-average number of shares outstanding would have been anti-dilutive.

LUXFER HOLDINGS PLC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

<i>In millions</i>	First Quarter	
	2024	2023
Net income	\$ 2.7	\$ 0.5
Other comprehensive (loss) / income		
Net change in foreign currency translation adjustment, net of tax	(1.8)	3.4
Pension and post-retirement actuarial gains, net of \$0.1 and \$4.9 tax, respectively	0.3	6.8
Other comprehensive (loss) / income, net of tax	(1.5)	10.2
Total comprehensive income	\$ 1.2	\$ 10.7

See accompanying notes to condensed consolidated financial statements

LUXFER HOLDINGS PLC
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<i>In millions, except share and per share data</i>	March 31, 2024	December 31, 2023
Current assets		
Cash and cash equivalents	\$ 6.8	\$ 2.3
Restricted cash	0.3	0.3
Accounts and other receivables, net of allowances of \$1.4 and \$0.7, respectively	59.9	59.9
Inventories	88.9	95.9
Current assets held-for-sale	27.8	8.9
Other current assets	1.5	1.5
Total current assets	\$ 185.2	\$ 168.8
Non-current assets		
Property, plant and equipment, net	\$ 62.7	\$ 63.8
Right-of-use assets from operating leases	14.5	15.4
Goodwill	67.2	67.5
Intangibles, net	11.8	12.0
Deferred tax assets	3.7	3.9
Investments and loans to joint ventures and other affiliates	0.4	0.4
Pensions and other retirement benefits	40.5	40.3
Total assets	\$ 386.0	\$ 372.1
Current liabilities		
Current maturities of long-term debt and short-term borrowings	\$ 0.3	\$ 4.6
Accounts payable	30.9	26.5
Accrued liabilities	22.8	20.9
Taxes on income	2.3	—
Current liabilities held-for-sale	8.0	3.9
Other current liabilities	8.0	8.9
Total current liabilities	\$ 72.3	\$ 64.8
Non-current liabilities		
Long-term debt	\$ 78.1	\$ 67.6
Pensions and other retirement benefits	—	0.1
Deferred tax liabilities	10.2	10.2
Other non-current liabilities	15.1	16.8
Total liabilities	\$ 175.7	\$ 159.5
Commitments and contingencies (Note 15)		
Shareholders' equity		
Ordinary shares of £0.50 par value; authorized 40,000,000 shares for 2024 and 2023; issued and outstanding 28,944,000 for 2024 and 2023	\$ 26.5	\$ 26.5
Additional paid-in capital	223.9	223.5
Treasury shares	(23.3)	(22.9)
Company shares held by ESOP	(0.9)	(0.9)
Retained earnings	103.5	104.3
Accumulated other comprehensive loss	(119.4)	(117.9)
Total shareholders' equity	\$ 210.3	\$ 212.6
Total liabilities and shareholders' equity	\$ 386.0	\$ 372.1

See accompanying notes to condensed consolidated financial statements

LUXFER HOLDINGS PLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>In millions</i>	First Quarter	
	2024	2023
Operating activities		
Net income	\$ 2.7	\$ 0.5
Net (loss) / income from discontinued operations	(0.1)	—
Net income from continuing operations	\$ 2.8	\$ 0.5
<i>Adjustments to reconcile net income to net cash used by operating activities</i>		
Depreciation	2.2	3.1
Amortization of purchased intangible assets	0.2	0.2
Amortization of debt issuance costs	0.1	0.1
Share-based compensation charges	0.6	0.6
Deferred income taxes	0.1	1.2
Defined benefit pension charge	0.3	8.9
Defined benefit pension contributions	—	(2.3)
<i>Changes in assets and liabilities</i>		
Accounts and other receivables	(6.9)	(2.3)
Inventories	(8.2)	(17.1)
Current assets held-for-sale	0.7	1.5
Accounts payable	5.7	(2.4)
Accrued liabilities	3.1	(1.0)
Current liabilities held-for-sale	0.6	(0.9)
Other current liabilities	3.7	(3.5)
Other non-current assets and liabilities	(1.4)	(1.0)
Net cash provided / (used) by operating activities - continuing	3.6	(14.4)
Net cash provided by operating activities - discontinued	0.1	—
Net cash provided / (used) by operating activities	\$ 3.7	\$ (14.4)
Investing activities		
Capital expenditures	\$ (1.4)	\$ (2.0)
Net cash used by investing activities - continuing	(1.4)	(2.0)
Net cash used by investing activities - discontinued	(0.1)	—
Net cash used by investing activities	\$ (1.5)	\$ (2.0)
Financing activities		
Repayment of bank overdraft	\$ (4.3)	\$ —
Net drawdown of long-term borrowings	\$ 10.6	\$ 9.9
Repurchase of own shares	(0.4)	(0.8)
Share-based compensation cash paid	(0.1)	(0.3)
Dividends paid	(3.5)	(3.5)
Net cash provided by financing activities	\$ 2.3	\$ 5.3
Effect of exchange rate changes on cash and cash equivalents	—	0.3
Net increase / (decrease)	\$ 4.5	\$ (10.8)
Cash, cash equivalents and restricted cash; beginning of year	2.6	12.9
Cash, cash equivalents and restricted cash; end of the First Quarter	7.1	2.1
Supplemental cash flow information:		
Interest payments	\$ 1.4	\$ 1.4
Income tax receipts, net	—	(0.5)

See accompanying notes to condensed consolidated financial statements

LUXFER HOLDINGS PLC

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

<i>In millions,</i>	Ordinary shares	Additional paid-in capital	Treasury shares Number	Treasury shares Amount	Own shares held by ESOP Number	Own shares held by ESOP Amount	Retained earnings	Accumulated other comprehensive loss	Total equity
At January 1, 2023	\$ 26.5	\$ 221.4	(1.3)	\$ (20.4)	(0.7)	\$ (1.0)	\$ 120.2	\$ (139.4)	\$ 207.3
Net income	—	—	—	—	—	—	0.5	—	0.5
Other comprehensive gain, net of tax	—	—	—	—	—	—	—	10.2	10.2
Dividends declared	—	—	—	—	—	—	(3.5)	—	(3.5)
Share-based compensation	—	0.6	—	—	—	—	—	—	0.6
Share buyback	—	—	(0.1)	(0.8)	—	—	—	—	(0.8)
Utilization of shares from ESOP to satisfy share based compensation	—	(0.3)	—	—	—	—	—	—	(0.3)
At April 2, 2023	\$ 26.5	\$ 221.7	(1.4)	\$ (21.2)	(0.7)	\$ (1.0)	\$ 117.2	\$ (129.2)	\$ 214.0
At January 1, 2024	\$ 26.5	\$ 223.5	(1.5)	\$ (22.9)	(0.6)	(0.9)	104.3	\$ (117.9)	\$ 212.6
Net income	—	—	—	—	—	—	2.7	—	2.7
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(1.5)	(1.5)
Dividends declared	—	—	—	—	—	—	(3.5)	—	(3.5)
Share based compensation	—	0.6	—	—	—	—	—	—	0.6
Share buy back	—	—	—	(0.4)	—	—	—	—	(0.4)
Utilization of shares from ESOP to satisfy share based compensation	—	(0.2)	—	—	—	—	—	—	(0.2)
At March 31, 2024	\$ 26.5	\$ 223.9	(1.5)	\$ (23.3)	(0.6)	\$ (0.9)	\$ 103.5	\$ (119.4)	\$ 210.3

See accompanying notes to condensed consolidated financial statements

LUXFER HOLDINGS PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation and Responsibility for interim Financial Statements

We prepared the accompanying unaudited condensed consolidated financial statements of Luxfer Holdings PLC and all wholly-owned, majority owned or otherwise controlled subsidiaries on the same basis as our annual audited financial statements. We condensed or omitted certain information and footnote disclosures normally included in our annual audited financial statements, which we prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Our quarterly financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023. As used in this report, the terms "we," "us," "our," "Luxfer" and "the Company" mean Luxfer Holdings PLC and its subsidiaries, unless the context indicates another meaning.

In the opinion of management, our financial statements reflect all adjustments, which are only of a normal recurring nature, necessary for the fair statement of financial statements for interim periods in accordance with U.S. GAAP and with the instructions to Form 10-Q in Article 10 of Securities and Exchange Commission (SEC) Regulation S-X.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates, and any such differences may be material to our financial statements.

Our fiscal year ends on December 31. We report our interim quarterly periods on a 13-week quarter basis, ending on a Sunday. The First Quarter 2024, ended on March 31, 2024, and the First Quarter 2023, ended on April 2, 2023.

Accounting standards issued but not yet effective

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, Improvements to Income Tax Disclosures, which enhances the transparency of income tax disclosures in ASC 740, Income Taxes, primarily related to rate reconciliation and income taxes paid information. The ASU is effective for fiscal years beginning after December 15, 2024 and early adoption is permitted. The Company is currently assessing the impact on its Consolidated Condensed Financial Statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, Improvements to Reportable Segment Disclosures, which improves the reportable segment disclosure requirements in ASC 280, Segment Reporting, primarily through enhanced disclosures about significant expenses. The ASU is effective for fiscal years beginning after December 15, 2023 and early adoption is permitted. The Company is currently assessing the impact on its Consolidated Condensed Financial Statements and related segment disclosures.

2. Earnings per share

Basic earnings per share are computed by dividing net income or loss for the period by the weighted-average number of ordinary shares outstanding, net of treasury shares and shares held in ESOP. Diluted earnings per share are computed by dividing net income or loss for the period by the weighted average number of ordinary shares outstanding and the dilutive ordinary shares equivalents.

Basic and diluted earnings per share were calculated as follows:

<i>In millions except share and per-share data</i>	First Quarter	
	2024	2023
Basic earnings:		
Net income from continuing operations	\$ 2.8	\$ 0.5
Net (loss) / income from discontinued operations	(0.1)	—
Net income	\$ 2.7	\$ 0.5
Weighted average number of £0.50 ordinary shares:		
For basic earnings per share	26,820,968	26,921,010
Dilutive effect of potential common stock	46,008	150,484
For diluted earnings per share	26,866,976	27,071,494
Earnings / (loss) per share using weighted average number of ordinary shares outstanding⁽¹⁾:		
Basic earnings per ordinary share for continuing operations	\$ 0.10	\$ 0.02
Basic (loss) / earnings per ordinary share for discontinued operations	—	—
Basic earnings per ordinary share	\$ 0.10	\$ 0.02
Diluted earnings per ordinary share for continuing operations	\$ 0.10	\$ 0.02
Diluted (loss) / earnings per ordinary share for discontinued operations	—	—
Diluted earnings per ordinary share	\$ 0.10	\$ 0.02

(1) The calculation of earnings per share is performed separately for continuing and discontinued operations. As a result, the sum of the two in any particular period may not equal the earnings-per-share amount in total

In the first quarter of 2024, basic average shares outstanding and diluted average shares outstanding were the same for discontinued operations because the effect of potential shares of common stock was anti-dilutive since the Company generated a net loss from discontinued operations.

3. Net Sales

Disaggregated sales disclosures for the quarters ended March 31, 2024, and April 2, 2023, are included below and in Note 15, Segmental Information.

<i>In millions</i>	First Quarter							
	2024				2023			
	Gas Cylinders	Elektron	Graphic Arts	Total	Gas Cylinders	Elektron	Graphic Arts	Total
General industrial	\$ 5.7	\$ 14.0	\$ 6.3	\$ 26.0	\$ 9.5	\$ 15.5	\$ 7.4	\$ 32.4
Transportation	19.1	9.8	—	28.9	13.9	12.8	—	26.7
Defense, First Response & Healthcare	20.6	13.9	—	34.5	18.1	24.1	—	42.2
	\$ 45.4	\$ 37.7	\$ 6.3	\$ 89.4	\$ 41.5	\$ 52.4	\$ 7.4	\$ 101.3

The Company's performance obligations are satisfied at a point in time. With the classification of our Superform business as discontinued operations, none of the Company's revenue from continuing operations is satisfied over time. As a result, the Company's contract receivables, contract assets and contract liabilities are included within current assets and liabilities held-for-sale.

4. Restructuring

The \$0.7 million (2023: \$0.3 million) restructuring charges in the first quarter of 2024, predominantly relates to continued costs aimed at reducing our fixed cost structure and realigning our business. The \$0.3 million restructuring charge in 2023 relates solely the costs incurred in streamlining our North American Gas Cylinders business.

Restructuring-related costs by reportable segment were as follows:

<i>In millions</i>	First Quarter	
	2024	2023
Severance and related costs		
Gas Cylinders	\$ 0.5	\$ 0.3
Elektron	0.2	—
Total restructuring charges	\$ 0.7	\$ 0.3

Activity related to restructuring, recorded in *Other current liabilities* in the consolidated balance sheets is summarized as follows:

<i>In millions</i>	2024
Balance at January 1,	\$ 3.3
Costs incurred	0.7
Cash payments and other	(0.9)
Balance at March 31,	\$ 3.1

5. Acquisition and disposal related costs

Disposal-related costs of \$0.2 million in the first quarter of 2024 represent professional fees incurred in relation to the planned disposal of the Graphic Arts segment .

6. Other income

In December 2023, it was established that any potential liability arising from the lawsuits and reasonable defense costs related to the previously disclosed US Ecology case are covered by insurance. In the first quarter of 2024, the Company recovered \$0.2 million in relation to these costs previously incurred by the Company. Further information disclosed in Note 18.

7. Income Taxes

We manage our affairs so that we are centrally managed and controlled in the United Kingdom (“U.K.”) and therefore have our tax residency in the U.K. The provision for income taxes consists of provisions for the U.K. and international income taxes. We operate in an international environment with operations in various locations outside the U.K. Accordingly, the consolidated income tax rate is a composite rate reflecting the earnings in the various locations and the applicable rates.

The effective income tax rate on continuing operations for the Quarter ended March 31, 2024, was 26.3%, compared to 116.1% for the Quarter ended April 2, 2023. The rate in the prior year was impacted by non-deductible expenses and a deferred tax credit, primarily in relation to the U.S. pension buyout.

8. Supplementary balance sheet information

<i>In millions</i>	March 31, 2024	December 31, 2023
Accounts and other receivables		
Trade receivables	\$ 52.5	\$ 52.3
Related parties	0.1	0.1
Prepayments and accrued income	4.7	5.7
Derivative financial instruments	0.1	0.4
Other receivables	2.5	1.4
Total accounts and other receivables	\$ 59.9	\$ 59.9
Inventories		
Raw materials and supplies	\$ 32.7	\$ 34.7
Work-in-process	29.2	34.8
Finished goods	27.0	26.4
Total inventories	\$ 88.9	\$ 95.9
Other current assets		
Income tax receivable	1.5	1.5
Total other current assets	\$ 1.5	\$ 1.5
Property, plant and equipment, net		
Land, buildings and leasehold improvements	\$ 59.9	\$ 51.0
Machinery and equipment	257.5	234.9
Construction in progress	10.4	13.6
Total property, plant and equipment	327.8	299.5
Accumulated depreciation and impairment	(265.1)	(235.7)
Total property, plant and equipment, net	\$ 62.7	\$ 63.8
Current maturities of long-term debt and short-term borrowings		
Overdrafts	0.3	4.6
Total current maturities of long-term debt and short-term borrowings	\$ 0.3	\$ 4.6
Other current liabilities		
Restructuring provision	\$ 3.1	\$ 3.3
Short term provision	—	0.1
Derivative financial instruments	0.1	—
Operating lease liability	3.8	4.7
Advance payments	1.0	0.8
Total other current liabilities	\$ 8.0	\$ 8.9
Other non-current liabilities		
Contingent liabilities	\$ 1.8	\$ 1.6
Operating lease liability	13.2	15.0
Other non-current liabilities	0.1	0.2
Total other non-current liabilities	\$ 15.1	\$ 16.8

9. Goodwill and other identifiable intangible assets

Changes in goodwill during the first three months ended March 31, 2024, were as follows:

<i>In millions</i>	Gas Cylinders	Elektron	Total
At January 1, 2024	\$ 26.2	\$ 41.3	\$ 67.5
Exchange difference	(0.2)	(0.1)	(0.3)
Net balance at March 31, 2024	<u>\$ 26.0</u>	<u>\$ 41.2</u>	<u>\$ 67.2</u>

Accumulated goodwill impairment losses in relation to continuing activities were \$8.0 million as of March 31, 2024 and December 31, 2023.

Identifiable intangible assets consisted of the following:

<i>In millions</i>	Customer relationships	Technology and trading related	Total
Cost:			
At January 1, 2024	\$ 15.2	\$ 7.8	\$ 23.0
Exchange movements	—	(0.1)	(0.1)
At March 31, 2024	<u>\$ 15.2</u>	<u>\$ 7.7</u>	<u>\$ 22.9</u>
Accumulated amortization:			
At January 1, 2024	\$ 6.6	\$ 4.4	\$ 11.0
Provided during the period	0.1	0.1	0.2
Exchange movements	—	(0.1)	(0.1)
At March 31, 2024	<u>\$ 6.7</u>	<u>\$ 4.4</u>	<u>\$ 11.1</u>
Net book values:			
At January 1, 2024	\$ 8.6	\$ 3.4	\$ 12.0
At March 31, 2024	<u>\$ 8.5</u>	<u>\$ 3.3</u>	<u>\$ 11.8</u>

Identifiable intangible asset amortization expense was \$0.2 million and \$0.2 million for the First Quarters of 2024 and 2023 respectively.

Intangible asset amortization expense during each of the following five years is expected to be approximately \$0.8 million.

10. Debt

Debt outstanding was as follows:

<i>In millions</i>	March 31, 2024	December 31, 2023
4.94% Loan Notes due 2026	\$ 25.0	\$ 25.0
Revolving credit facility	53.5	43.1
Bank overdraft	0.3	4.6
Unamortized debt issuance costs	(0.4)	(0.5)
Total debt	<u>\$ 78.4</u>	<u>\$ 72.2</u>
Less current portion	(0.3)	(4.6)
Non-current debt	<u>\$ 78.1</u>	<u>\$ 67.6</u>

The weighted-average interest rate on the revolving credit facility was 7.87% for the First Quarter of 2024 and 7.70% for the full-year 2023.

10. Debt (continued)

Loan notes due and shelf facility

The Note Purchase Agreement and Private Shelf Agreement requires us to maintain compliance with a minimum interest coverage ratio and a leverage ratio. We have been in compliance with the covenants under the Note Purchase and Private Shelf Agreement throughout all of the quarterly measurement dates from and including September 30, 2014, to March 31, 2024.

The Loan Notes due 2026, the Shelf Facility and the Note Purchase and Private Shelf Agreement are governed by the law of the State of New York.

Senior Facilities Agreement

During the first quarter of 2024, we drew down net \$10.6 million on the Revolving Credit Facility and the balance outstanding at March 31, 2024, was \$53.5 million, and at December 31, 2023, was \$43.1 million, with \$71.5 million undrawn at March 31, 2024.

We have been in compliance with the covenants under the Senior Facilities Agreement throughout all of the quarterly measurement dates to March 31, 2024.

Bank Overdraft

The bank overdraft is an uncommitted facility with no expiration date, this is reviewed annually and can be cancelled by either the bank or the Company on demand.

11. Discontinued Operations

Our Superform aluminum superplastic forming business operating in the U.S. was historically included in the Gas Cylinders segment. As a result of our decision to exit non-strategic aluminum product lines, we have reflected the results of operations of this business as discontinued operations in the Condensed Consolidated Statements of Income for all periods presented. We expect the sale of our Superform business to occur in 2024.

The assets and liabilities of the Superform business have been presented within assets held-for-sale and liabilities held-for-sale in the consolidated balance sheets for 2024 and 2023.

Results of discontinued operations in the first quarter of 2024 and 2023 were as follows:

<i>In millions</i>	First Quarter	
	2024	2023
Net sales	\$ 1.5	\$ 2.3
Cost of goods sold	(1.1)	(1.9)
Gross profit	\$ 0.4	\$ 0.4
Selling, general and administrative expenses	(0.4)	(0.3)
Restructuring charges	(0.1)	(0.1)
Operating (loss) / profit	\$ (0.1)	\$ —
Tax credit / (charge)	—	—
Net (loss) / profit	\$ (0.1)	\$ —

11. Discontinued Operations (continued)

The assets and liabilities classified as held-for-sale related to discontinued operations were as follows:

Held-for-sale assets <i>In millions</i>	March 31, 2024	December 31, 2023
Inventory	\$ 3.7	\$ 3.3
Accounts and other receivables	2.1	2.3
Current assets	5.8	5.6
Right-of-use-assets	1.8	2.1
Held-for-sale assets	\$ 7.6	\$ 7.7
Held-for-sale liabilities		
Accounts payable	0.8	0.9
Accrued liabilities	0.3	0.4
Other liabilities	2.5	2.6
Held-for-sale liabilities	\$ 3.6	\$ 3.9

There was \$0.1m of capital expenditure in the first quarter of 2024 (2023: none), there was no depreciation and amortization or any other significant non-cash items.

12. Held-for-sale assets and liabilities

The total assets and liabilities classified as held-for-sale, including those that qualify as discontinued operations are as follows:

Held-for-sale assets <i>In millions</i>	March 31, 2024	December 31, 2023
Inventory	\$ 18.0	\$ 3.3
Accounts and other receivables	6.8	2.3
Current assets	24.8	5.6
Property, plant and equipment	1.2	1.2
Right-of-use-assets	1.8	2.1
Non-current assets	3.0	3.3
Total held-for-sale assets	\$ 27.8	\$ 8.9
Held-for-sale liabilities		
Accounts payable	2.1	0.9
Accrued liabilities	1.9	0.4
Other liabilities	4.0	2.6
Held-for-sale liabilities	\$ 8.0	\$ 3.9

As a result of the Company's strategic review process announced in October 2023, the Company concluded that its Graphic Arts business no longer aligns with the Company's overall business and value proposition. In 2024, the Company initiated a sale process for its Graphic Arts business with the intention of divesting this business in 2024.

In accordance with ASC 205-20 and ASC 360-10, our Graphic Arts business is classified as held-for-sale at March 31, 2024, however the business does not meet the criteria to be classified as a discontinued operation.

13. Share Plans

Total share-based compensation expense for the quarters ended March 31, 2024 and April 2, 2023 was as follows:

<i>In millions</i>	First Quarter	
	2024	2023
Total share-based compensation charges	\$ 0.6	\$ 0.6

In March 2024, we issued our annual share-based compensation grants under the Luxfer Holdings PLC Long-Term Umbrella Incentive Plan. The total number of awards issued was approximately 155,000 and the weighted average fair value of options granted in 2024 was estimated to be \$10.44 per share.

The following table illustrates the assumptions used in deriving the fair value of share options granted during the First Quarter of 2024 and the year-ended December 31, 2023:

	First Quarter 2024	Year ended December 31, 2023
Dividend yield (%)	3.15 - 3.32	3.15 - 3.32
Expected volatility range (%)	31.54 - 43.49	31.54 - 43.49
Risk-free interest rate (%)	3.67 - 5.16	3.67 - 5.16
Expected life of share options range (years)	1.00 - 4.00	1.00 - 4.00
Forfeiture rate (%)	5.00	5.00
Weighted average exercise price (\$)	\$1.00	\$1.00
Model used	Black-Scholes & Monte-Carlo	Black-Scholes & Monte-Carlo

The expected life of the share options is based on historical data and current expectations, and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

14. Shareholders' Equity

Dividends paid and proposed

<i>In millions</i>	First Quarter	
	2024	2023
Dividends declared and paid during the year:		
Interim dividend paid February 1, 2023 (\$0.130 per ordinary share)	\$ —	\$ 3.5
Interim dividend paid February 7, 2024 (\$0.130 per ordinary share)	3.5	—
	<u>\$ 3.5</u>	<u>\$ 3.5</u>

<i>In millions</i>	2024	2023
Dividends declared and paid after the quarter end (not recognized as a liability at the quarter end):		
Interim dividend declared April 3, 2023, and to be paid May 3, 2023 (\$0.130 per ordinary share)	\$ —	\$ 3.5
Interim dividend declared April 9, 2024, and to be paid May 8, 2024 (\$0.130 per ordinary share)	3.5	—
	<u>\$ 3.5</u>	<u>\$ 3.5</u>

15. Segmental Information

We classify our operations into business segments, based primarily on shared economic characteristics for the nature of the products and services; the nature of the production processes; the type or class of customer for their products and services; the methods used to distribute their products or provide their services; and the nature of the regulatory environment. The Company has five identified business units, which aggregate into three reportable segments within continuing operations, and one within discontinued operations. Luxfer Gas Cylinders forms the Gas Cylinders segment, and Luxfer MEL Technologies and Luxfer Magtech aggregate into the Elektron segment. As of December 31, 2023, it was determined that the Luxfer Graphic Arts reporting segment no longer met the criteria, specifically, similar economic characteristics, to be aggregated within the Elektron segment for 2023. As a result, Luxfer Graphic Arts has been disaggregated from the Elektron segment and is being reported separately as the Graphic Arts segment. The Elektron segment's results for 2023 have been adjusted to exclude Graphic Arts' results. Our Superform business unit used to aggregate into the Gas Cylinders segment but is now recognized within discontinued operations. A summary of the operations of the segments within continuing operations is provided below:

Gas Cylinders segment

Our Gas Cylinders segment manufactures and markets specialized highly-engineered cylinders, using composites and aluminum alloys, including pressurized cylinders for use in various applications including self-contained breathing apparatus ('SCBA') for firefighters, containment of oxygen and other medical gases for healthcare, alternative fuel vehicles, and general industrial applications.

Elektron segment

Our Elektron segment focuses on specialty materials based primarily on magnesium and zirconium, with key product lines including advanced lightweight magnesium alloys with a variety of uses across a variety of industries; magnesium powders for use in countermeasure flares, as well as heater meals; and high-performance zirconium-based materials and oxides used as catalysts and in the manufacture of advanced ceramics, fiber-optic fuel cells, and many other performance products.

Graphic Arts segment

Our Graphic Arts segment provides a full range of pre-sensitized magnesium, copper and zinc plates, along with associated chemicals, for the production of foil-stamping and embossing dies. In addition, non-sensitized polished brass and magnesium plates are also manufactured for computer numerical control ('CNC') engraving. The segment also advises on turnkey engraving operations, complete with etching machines, computer-to-plate ('CtP') machines, exposure units and film setters.

Other

Other, as used below, primarily represents unallocated corporate expense and includes non-service related defined benefit pension credit / cost.

Management monitors the operating results of its reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated by the chief operating decision maker, the CEO, who is responsible for allocating resources and assessing performance of the operating segments, using adjusted EBITA⁽¹⁾ and adjusted EBITDA, which is defined as segment income, and is based on operating income adjusted for share-based compensation charges; restructuring charges; acquisitions and disposals costs; and depreciation and amortization.

Unallocated assets and liabilities include those which are held on behalf of the Company and cannot be allocated to a segment, such as taxation, investments, cash, retirement benefits obligations, bank and other loans and holding company assets and liabilities.

Financial information by reportable segment for the Quarters ended March 31, 2024, and April 2, 2023, is included in the following summary:

<i>In millions</i>	Net sales		Adjusted EBITDA	
	First Quarter		First Quarter	
	2024	2023	2024	2023
Gas Cylinders segment	\$ 45.4	\$ 41.5	\$ 4.1	\$ 2.5
Elektron segment	37.7	52.4	6.4	9.5
Graphic Arts segment	6.3	7.4	(1.7)	(0.7)
Consolidated	\$ 89.4	\$ 101.3	\$ 8.8	\$ 11.3

⁽¹⁾ Adjusted EBITA is adjusted EBITDA less depreciation and loss on disposal of property, plant and equipment.

15. Segmental Information (continued)

<i>In millions</i>	Depreciation and amortization		Restructuring charges	
	First Quarter		First Quarter	
	2024	2023	2024	2023
Gas Cylinders segment	\$ 0.8	\$ 1.1	\$ 0.5	\$ 0.3
Elektron segment	1.6	1.7	0.2	—
Graphic Arts segment	—	0.5	—	—
Consolidated	\$ 2.4	\$ 3.3	\$ 0.7	\$ 0.3

<i>In millions</i>	Total assets		Capital expenditures	
	March 31,	December 31,	First Quarter	
	2024	2023	2024	2023
Gas Cylinders segment	\$ 137.8	\$ 131.0	\$ 0.8	\$ 0.3
Elektron segment	167.3	162.4	0.7	1.6
Graphic Arts segment	19.0	19.6	—	0.1
Other	54.3	51.3	—	—
Discontinued operations	7.6	7.8	—	(0.1)
Consolidated	\$ 386.0	\$ 372.1	\$ 1.5	\$ 1.9

<i>In millions</i>	Property, plant and equipment, net	
	First Quarter	December 31,
	2024	2023
U.S.	\$ 26.3	\$ 26.8
United Kingdom	32.1	32.8
Canada	3.0	2.9
Rest of Europe	1.0	1.0
Asia Pacific	0.3	0.3
	\$ 62.7	\$ 63.8

The following table presents a reconciliation of Adjusted EBITDA to net income from continuing operations:

<i>In millions</i>	First Quarter	
	2024	2023
Adjusted EBITDA	\$ 8.8	\$ 11.3
Other share-based compensation charges	(0.6)	(0.6)
Depreciation and amortization	(2.4)	(3.3)
Restructuring charges	(0.7)	(0.3)
Acquisition and disposal related costs	(0.2)	—
Defined benefits pension credit / (charge)	0.3	(8.9)
Interest expense, net	(1.4)	(1.3)
Net income / (loss) before income taxes from continuing operations	\$ 3.8	\$ (3.1)

15. Segmental Information (continued)

The following tables present certain geographic information by geographic region for the First Quarter ended March 31, 2024, and April 2, 2023:

	Net Sales ⁽¹⁾			
	First Quarter			
	2024		2023	
	\$M	Percent	\$M	Percent
United States	\$ 53.2	59.6 %	\$ 57.7	57.0 %
Germany	5.4	6.0 %	6.3	6.2 %
U.K.	4.3	4.8 %	5.6	5.5 %
Canada	4.0	4.5 %	1.8	1.8 %
Japan	3.7	4.1 %	4.5	4.4 %
Top five countries	\$ 70.6	79.0 %	\$ 75.9	74.9 %
Rest of Europe	12.1	13.5 %	13.0	12.8 %
Asia Pacific	3.6	4.0 %	9.1	9.0 %
Other ⁽²⁾	3.1	3.5 %	3.3	3.3 %
	\$ 89.4		\$ 101.3	

(1) Net sales are based on the geographic destination of sale.

(2) Other includes South America, Latin America the Middle East and Africa.

16. Commitments and Contingencies

Committed and uncommitted banking facilities

The Company had committed banking facilities of \$125.0 million at March 31, 2024 and December 31, 2023. Of these committed facilities, \$53.5 million was drawn at March 31, 2024 and \$43.1 million at December 31, 2023. The Company also had an additional \$25.0 million of uncommitted facilities through an accordion provision at March 31, 2024 and December 31, 2023.

	Uncommitted Facilities			
	March 31, 2024		December 31, 2023	
	Facility	Drawn	Facility	Drawn
Bond and Guarantees	\$ 0.6	\$ 0.2	\$ 0.6	\$ 0.2
Letters of Credit	4.0	2.2	4.0	2.2
Overdraft	7.8	0.3	7.8	4.6
	\$ 12.4	\$ 2.7	\$ 12.4	\$ 7.0

Contingencies

In November 2018, an alleged explosion occurred at a third-party waste disposal and treatment site in Grand View, Idaho, reportedly causing property damage, personal injury, and one fatality. The Company had contracted with a service company for removal and disposal of certain waste resulting from the magnesium powder manufacturing operations at the Reade facility in Manchester, New Jersey. The Company believes this service company, in turn, contracted with the third-party disposal company, at whose facility the explosion occurred, for treatment and disposal of the waste. In November 2020, we were named as a defendant in three lawsuits in relation to the incident – one by the third-party disposal company, one by the estate of the decedent, and one by an injured employee of the third-party disposal company. The three lawsuits were administratively consolidated and, to date, two lawsuits remain ongoing. The Company believes that we are not liable for the incident, have asserted such, and, in conjunction with our insurers, continue to fully defend the Company against these lawsuits. Therefore, we do not currently expect any eventual outcome in these matters to have a material impact on the Company's financial position or results of operations.

In December 2023, it was established that any potential liability arising from the lawsuits and reasonable defense costs related thereto are covered by insurance. Negotiations as to recovery of historic defense costs are ongoing, and therefore the Company has not recognized any asset with respect to said recovery as of March 31, 2023. The Company recognized \$0.2 million realizable other income in the quarter with respect to historic defense costs previously incurred by the Company. An additional \$1.3 million was realized in April 2024 and will be reflected in the Company's second quarter financial statements.

17. Pension Settlement

In the first quarter of 2023, there was a \$9.2 million charge in relation to the sale of the U.S. pension plan liability to an insurer, which included \$2.3 million cash and \$6.9 million in relation to the derecognition of the U.S. pension liability and reallocation of accumulated actuarial losses from other comprehensive income. This was partially offset by a \$0.3 million defined benefit credit on the U.K. pension plan.

18. Subsequent Events

In April 2024, the Company received an additional \$1.3 million in relation to the recovery of historic defense costs for the aforementioned legal case in Note 16 and will be reflected in the Company's second quarter financial statements.

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

Information regarding forward-looking statements

This Interim Report on Form 10-Q contains certain statements, statistics and projections that are, or may be, forward-looking. These forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other factors that could cause our actual results of operations, financial condition, liquidity, performance, prospects, opportunities, achievements or industry results, as well as those of the markets we serve or intend to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. The accuracy and completeness of all such statements, including, without limitation, statements regarding our future financial position, strategy, plans and objectives for the management of future operations, is not warranted or guaranteed. These statements typically contain words such as "believes," "intends," "expects," "anticipates," "estimates," "may," "will," "should" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, factors identified in "Business," "Risk factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," or elsewhere in this Interim Report, as well as:

- general economic conditions, or conditions affecting demand for the services offered by us in the markets in which we operate, both domestically and internationally, being less favorable than expected;
- worldwide economic and business conditions and conditions in the industries in which we operate;
- our ability to execute our strategic review, including our Graphic Arts business, to safeguard margins and reduce costs;
- post-pandemic impact of COVID-19 and future pandemics;
- fluctuations in the cost and / or availability of raw materials, labor and energy, as well as our ability to pass on cost increases to customers;
- currency fluctuations and other financial risks;
- our ability to protect our intellectual property;
- the amount of indebtedness we have incurred and may incur, and the obligations to service such indebtedness and to comply with the covenants contained therein;
- relationships with our customers and suppliers;
- increased competition from other companies in the industries in which we operate;
- changing technology;
- our ability to execute and integrate new acquisitions;
- claims for personal injury, death or property damage arising from the use of products produced by us;
- the occurrence of accidents or other interruptions to our production processes;
- changes in our business strategy or development plans, and our expected level of capital expenditure;
- our ability to attract and retain qualified personnel;
- restrictions on the ability of Luxfer Holdings PLC to receive dividends or loans from certain of its subsidiaries;
- climate change regulations and the potential impact on energy costs;
- regulatory, environmental, legislative and judicial developments; and
- our intention to pay dividends.

Please read the sections "Business" and "Risk factors" included within the 2023 Annual Report on Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Risk factors" of this Interim Report on Form 10-Q for a more complete discussion of the factors that could affect our performance and the industries in which we operate, as well as those discussed in other documents we file or furnish with the SEC.

About Luxfer

Luxfer Holdings PLC ("Luxfer," "the Company," "we," "our") is a global industrial company innovating niche applications in materials engineering. Luxfer focuses on value creation by using its broad array of technical know-how and proprietary technologies to help create a safe, clean and energy-efficient world. Luxfer's high-performance materials, components and high-pressure gas containment devices are used in defense, first response and healthcare, transportation and general industrial applications.

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Key trends and uncertainties regarding our existing business

Margin pressure resulting from supply chain challenges easing

We have recently experienced supply chain challenges, which resulted in higher cost of certain raw materials. In our supply chain, previously described challenges caused by the disruption in our U.S. domestic magnesium supply continued, and overall competitive cost pressures persisted. These issues have been particularly acute in our Graphic Arts segment, where the ability to pass through higher costs to our customers has proved to be constrained. In recent months however, the purchase price of Magnesium has been falling, which will result in lower input cost in 2024. We have implemented cost-saving measures in Graphic Arts, including a headcount reduction program, prior to announcing our intention to dispose of that business in line with our recently-announced expanded and accelerated strategic review. We are also pursuing further actions to improve margins and maintain strong cash flow across the business.

In the majority of cases we are able to pass through inflationary costs to our customers, although we are still constrained by a relatively small number of contracts, particularly in the Gas Cylinders segment, the longest running of which is not subject to renewal until the middle of the current year. However, our expectation is that the adverse impact of material availability / inflation, energy cost inflation and labor and transport constraints will lessen in 2024 and indeed some costs have started to fall. In certain cases, including when dictated by contract, we will look to share cost savings with customers through lower pricing. However the outlook still remains uncertain with both the size and timing of future cost movements difficult to predict.

Operating objectives and trends

In 2024, we expect the following operating objectives and trends to impact our business:

- Addressing general macro uncertainty and building resilience into the outlook, especially in our General Industrial end-market;
- Execution of actions identified upon completion of the recently-announced expanded and accelerated strategic review, including the divestiture of Graphic Arts;
- Completion of long-term agreement renewals in Gas Cylinders enabling pass through of inflationary costs;
- Ongoing focus on cost control, new product launches and productivity improvements across the business;
- Execution of selected capital investment projects to support our strategy of profitable growth while maintaining our infrastructure;
- Continued emphasis on operating cash generation and maintaining strong working capital performance;
- Further improvements in ESG standing through focus on sustainability and on our values of team-working and accountability; and
- Focus on recruiting, developing and maintaining talent, including our new leadership development programs, while driving a high-performance culture.

CONSOLIDATED RESULTS OF OPERATIONS

The consolidated results of operations for the First Quarter of 2024 and 2023 of Luxfer were as follows:

<i>In millions</i>	First Quarter		% / point change
	2024	2023	2024 v 2023
Net sales	\$ 89.4	\$ 101.3	(11.7)%
Cost of goods sold	(71.0)	(80.2)	(11.5)%
Gross profit	18.4	21.1	(12.8)%
<i>% of net sales</i>	20.6 %	20.8 %	(0.2)
Selling, general and administrative expenses	(11.6)	(12.5)	(7.2)%
<i>% of net sales</i>	13.0 %	12.3 %	0.7
Research and development	(1.2)	(1.2)	— %
<i>% of net sales</i>	1.3 %	1.2 %	0.1
Restructuring charges	(0.7)	(0.3)	133.3 %
<i>% of net sales</i>	0.8 %	0.3 %	0.5
Acquisition and disposal related costs	(0.2)	—	n/a
<i>% of net sales</i>	0.2 %	— %	0.2
Other income	0.2	—	n/a
<i>% of net sales</i>	0.2 %	— %	0.2
Operating income	\$ 4.9	\$ 7.1	(31.0)%
<i>% of net sales</i>	5.5 %	7.0 %	(1.5)
Net interest expense	(1.4)	(1.3)	7.7 %
<i>% of net sales</i>	1.6 %	1.3 %	0.3
Defined benefit pension credit / (charge)	0.3	(8.9)	n/a
<i>% of net sales</i>	0.3 %	(8.8)%	9.1
Income / (loss) before income taxes	\$ 3.8	\$ (3.1)	n/a
<i>% of net sales</i>	4.3 %	(3.1)%	7.4
(Provision) / credit for income taxes	(1.0)	3.6	n/a
<i>Effective tax rate</i>	26.3 %	116.1 %	(89.8)
Net income from continuing activities	\$ 2.8	\$ 0.5	460.0 %
<i>% of net sales</i>	3.1 %	0.5 %	2.6

Net sales

Adjusting for foreign exchange tailwinds of \$0.7 million, net sales have decreased by 12.4% in the first quarter of 2024. The passing through of material cost inflation, where not constrained by contract, increased net sales in first quarter of 2024 from 2023 by \$1.7 million. Sales were negatively impacted in the quarter from:

- Reduced sales of magnesium powders used in military countermeasure flares following customers destocking;
- Lower demand for zirconium products in both general industrial and transportation applications;
- Lower shipments of chemical response kits following increased sales in the prior year period; and
- Lower demand for magnesium aerospace products.

These decreases were partially offset by:

- Significant increase in Alternative Fuel ("AF") cylinder sales;
- Continued increased demand for SCBA cylinders;
- Higher sales in the Oil and Gas industry; and
- Increased Meals-Ready-to-Eat ("MRE") product sales.

Gross profit

The 0.2 percentage point decrease in gross profit as a percentage of sales in the first quarter of 2024 from 2023 was primarily the result of the continued increased material and labor costs, particularly in our Graphic Arts Division, while contract renegotiations and manufacturing efficiencies have had a positive impact on margins within the Gas Cylinders and Elektron Divisions respectively.

Selling, general and administrative expenses ("SG&A")

SG&A expenses have decreased \$0.9 million, but as a percentage of sales there has been a 0.7 percentage point increase in 2024 from 2023. The gross figure has been positively impacted by the \$1.0 million reduction in legal fees, although reduced revenue has led to the percentage point increase.

Research and development costs

Research and development costs remained flat, with a slight increase as a percentage of sales in the first quarter of 2024 relative to 2023 respectively, attributable to the reduction in sales.

Restructuring charges

The \$0.7 million restructuring charge in the first quarter of 2024, predominantly relates to costs incurred in respect of cost savings initiatives affecting our North American Gas Cylinders business (\$0.4 million) and clean up costs of \$0.2 million in relation to the consolidation of production facilities in the Magnesium Powders operations. There was a further \$0.1 million relating to costs associated with the closure of Luxfer Gas Cylinders France, which ceased operations in 2019.

The \$0.3 million restructuring charge in the first quarter of 2023, predominantly relates to costs incurred in respect of cost savings initiatives affecting our North American Gas Cylinders business.

Acquisition and disposal related costs

Acquisition and disposal related costs of \$0.2 million in 2024 represents amounts incurred in relation to the planned disposal of Luxfer Graphic Arts.

Net interest expense

Net interest expense of \$1.4 million in the first quarter of 2024 increased slightly from the \$1.3 million in the first quarter 2023, largely due to the continuing impact of higher interest rates.

Defined benefit pension credit / (charge)

In 2024 there was a defined benefit credit of \$0.3 million for the U.K. plan, consistent with 2023. 2023 was also impacted by the sale of the U.S. pension plan liability to an insurer, which included \$2.3 million cash and \$6.9 million in relation to the derecognition of the U.S. pension liability and reallocation of accumulated actuarial losses from other comprehensive income.

Provision for income taxes

The movement in the statutory effective tax rate from 116.1% in 2023, to 26.3% in 2024, was primarily due to non-deductible expenses and deferred tax credit in 2023, predominantly in relation to the previously mentioned pension buyout. When stripping out the impact of this, as well as other less significant adjusting items, the adjusted effective tax rate has increased to 23.1% in 2024 from 21.7% in 2023, largely as a result of the statutory tax rate increase in the U.K. from 19% to 25%, which came into effect in April 2023.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP MEASURES

The following tables of non-GAAP summary financial data presents a reconciliation of net income from continuing operations and diluted earnings per ordinary share from continuing operations to adjusted net income from continuing operations, adjusted EBITA from continuing operations, adjusted income from continuing operations before income taxes, adjusted EBITDA from continuing operations, adjusted earnings per ordinary share from continuing operations, adjusted provision for income taxes and adjusted effective tax rate from continuing operations, for the periods presented, being the most comparable GAAP measures. Management believes that adjusted net income, adjusted earnings per share, adjusted EBITA and adjusted EBITDA are key performance indicators ("KPIs") used by the investment community and that such presentation will enhance an investor's understanding of the Company's operational results. In addition, Luxfer's CEO and other senior management use these KPIs, among others, to evaluate business performance. However, investors should not consider adjusted net income from continuing operations, adjusted earnings per share from continuing operations, adjusted EBITA from continuing operations and adjusted EBITDA from continuing operations in isolation as an alternative to net income and earnings per share when evaluating Luxfer's operating performance or measuring Luxfer's profitability. In 2024, the Company initiated a process to divest the Graphic Arts business. While Graphic Arts does not meet the 'strategic shift' criteria outlined in ASC 205-20 for it to be classified as a discontinued operation, we believe that given the expectation that divestiture will be completed in the current year, it is appropriate in the the tables below to separate out the results of Graphic Arts in order to provide a more complete financial summary for the period.

<i>In millions except per share data</i>	First Quarter					
	2024			2023		
	Continuing operations	Graphic Arts	Adjusted Total	Continuing operations	Graphic Arts	Adjusted Total
Net income / (loss)	\$ 2.8	\$ (1.6)	\$ 4.4	\$ 0.5	(1.0)	\$ 1.5
Accounting charges relating to acquisitions and disposals of businesses:						
Amortization on acquired intangibles	0.2	—	0.2	0.2	—	0.2
Acquisition and disposal related charge	0.2	0.2	—	—	—	—
Defined benefit pension (credit) / charge	(0.3)	—	(0.3)	8.9	—	8.9
Restructuring charge	0.7	—	0.7	0.3	—	0.3
Share-based compensation charge	0.6	0.1	0.5	0.6	—	0.6
Tax impact of defined benefit settlement	—	—	—	(4.9)	—	(4.9)
Income tax on adjusted items	(0.2)	—	(0.2)	(0.2)	—	(0.2)
Adjusted net income / (loss)	\$ 4.0	\$ (1.3)	\$ 5.3	\$ 5.4	(1.0)	\$ 6.4
Adjusted earnings per ordinary share ⁽¹⁾						
Diluted earnings / (loss) per ordinary share	\$ 0.10	\$ (0.06)	\$ 0.16	\$ 0.02	(0.04)	\$ 0.06
Impact of adjusted items	0.05	0.01	0.04	0.18	—	0.18
Adjusted diluted earnings / (loss) per ordinary share	\$ 0.15	\$ (0.05)	\$ 0.20	\$ 0.20	(0.04)	\$ 0.24

⁽¹⁾ For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares outstanding during the financial year has been adjusted for the dilutive effects of all potential ordinary shares and share options granted to employees, except where there is a loss in the period, then no adjustment is made.

<i>In millions except per share data</i>	First Quarter					
	2024			2023		
	Continuing operations	Graphic Arts	Adjusted Total	Continuing operations	Graphic Arts	Adjusted Total
Adjusted net income from continuing operations	\$ 4.0	\$ (1.3)	\$ 5.3	\$ 5.4	(1.0)	\$ 6.4
Add back:						
Income tax on adjusted items	0.2	—	0.2	0.2	—	0.2
Provision / (credit) for income taxes	1.0	(0.4)	1.4	(3.6)	(0.2)	(3.4)
Tax impact of defined benefit pension settlement	—	—	—	4.9	—	4.9
Net finance costs	1.4	—	1.4	1.3	—	1.3
Adjusted EBITA	6.6	(1.7)	8.3	8.2	(1.2)	9.4
Depreciation	2.2	—	2.2	3.1	0.5	2.6
Adjusted EBITDA	8.8	(1.7)	10.5	11.3	(0.7)	12.0

The following table presents a reconciliation for the adjusted effective tax rate, which management believes is a KPI used by the investment community and that such presentation will enhance an investor's understanding of the Company's operational results.

<i>In millions except per share data</i>	First Quarter					
	2024			2023		
	Continuing operations	Graphic Arts	Adjusted Total	Continuing operations	Graphic Arts	Adjusted Total
Adjusted net income from continuing operations	\$ 4.0	\$ (1.3)	\$ 5.3	\$ 5.4	\$ (1.0)	\$ 6.4
Add back:						
Income tax on adjusted items	0.2	—	0.2	0.2	—	0.2
Tax impact of defined benefit pension settlement	—	—	—	4.9	—	4.9
Provision / (credit) for income taxes	1.0	(0.4)	1.4	(3.6)	(0.2)	(3.4)
Adjusted income from continuing operations before income taxes	5.2	(1.7)	6.9	6.9	(1.2)	8.1
Adjusted provision / (credit) for income taxes	1.2	(0.4)	1.6	1.5	(0.2)	1.7
Adjusted effective tax rate from continuing operations	23.1 %	23.5 %	23.2 %	21.7 %	16.7 %	21.0 %

SEGMENT RESULTS OF OPERATIONS

The summary that follows provides a discussion of the results of operations of each of our three reportable segments (Gas Cylinders, Elektron and Graphic Arts). The three segments comprise various product offerings that serve multiple end-markets.

During 2023, the Graphic Arts reporting segment has been disaggregated from the Elektron segment and is being reported separately as the Graphic Arts segment. The Elektron segment's results for 2023 has been adjusted to strip out Graphic Arts' results.

Adjusted EBITDA represents operating income adjusted for share based compensation charges; restructuring charges; acquisition and disposal related gains and costs; depreciation and amortization. A reconciliation to net income and taxes can be found in Note 15 to the condensed consolidated financial statements.

GAS CYLINDERS

The net sales and adjusted EBITDA for Gas Cylinders were as follows:

<i>In millions</i>	First Quarter		% / point change
	2024	2023	2024 v 2023
Net sales	\$ 45.4	\$ 41.5	9.4%
Adjusted EBITDA	4.1	2.5	64.0%
<i>% of net sales</i>	9.0 %	6.0 %	3.0

Net sales

The 9.4% increase in Gas Cylinders sales in the first quarter of 2024 from 2023 was primarily the result of:

- Significant increase in Alternative Fuel cylinder sales;
- Continued increase in demand for SCBA cylinders; and
- \$0.5 million FX tailwind.

The Gas Cylinders Division has also benefited from renegotiated contracts, which previously constrained inflationary cost pass through, therefore adversely impacting the first quarter of 2023 relative to the current year quarter.

These increases have been partially offset by reduced sales of aluminum cylinders used in our general industrial end market.

Adjusted EBITDA

There was a 3.0 percentage point increase in adjusted EBITDA for Gas Cylinders as a percentage of net sales in the first quarter of 2024 relative to 2023. This was primarily due to the impact of new sales contracts, partially offset by adverse volume and mix reductions.

ELEKTRON

The net sales and adjusted EBITDA for Elektron were as follows:

<i>In millions</i>	First Quarter		% / point change
	2024	2023	2024 v 2023
Net sales	\$ 37.7	\$ 52.4	(28.1)%
Adjusted EBITDA	6.4	9.5	(32.6)%
<i>% of net sales</i>	17.0 %	18.1 %	(1.1)

Net sales

The 28.1% decrease in Elektron sales in the first quarter of 2024 from 2023 was primarily the result of:

- Reduced sales of magnesium powders used both in military countermeasure flares and general industrial applications;
- Lower demand for zirconium products used in automotive catalysis and in general industrial applications;
- Reduction in sales of chemical response kits; and
- Lower demand for magnesium aerospace products.

These decreases were partially offset by:

- Higher sales in the Oil and Gas industry; and
- Increased MRE product sales.

Net sales were also impacted by \$0.1 million of FX tailwinds.

Adjusted EBITDA

The 1.1 percentage point decrease in adjusted EBITDA for Elektron as a percentage of net sales in the first quarter of 2024 from 2023 was impacted by adverse movement in volume and mix and \$0.6 million unfavorable FX. This was partially offset by the reduction in legal costs of \$1.0 million from those incurred in the first quarter of 2023.

GRAPHIC ARTS

The net sales and adjusted EBITDA for Graphic Arts were as follows:

<i>In millions</i>	First Quarter		% / point change
	2024	2023	2024 v 2023
Net sales	\$ 6.3	\$ 7.4	(14.9)%
Adjusted EBITDA	(1.7)	(0.7)	(142.9)%
<i>% of net sales</i>	(27.0)%	(9.5)%	(17.5)

Net sales

The 14.9% decrease in Graphic Arts sales in the first quarter of 2024 from 2023 was primarily the result of decreased demand for photo-engraving plates, particularly outside the North American market..

Adjusted EBITDA

The increased loss in Graphic Arts during the first quarter of 2024 from 2023 was the result of lower volumes coupled with the continued elevated cost of magnesium, linked to historic purchases. Given recent reductions in the magnesium purchase price, material cost is expected to reduce as we progress through the current year.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements arise primarily from obligations under our indebtedness, capital expenditures, acquisitions, the funding of working capital and the funding of hedging facilities to manage foreign exchange and commodity purchase price risks. We meet these requirements primarily through cash flows from operating activities, cash deposits and borrowings under the Revolving Credit Facility and accompanying ancillary hedging facilities and the Loan Note due in 2026. Our principal liquidity needs are:

- funding acquisitions;
- capital expenditure requirements;
- payment of shareholder dividends;
- servicing interest on the Loan Notes, which is payable at each quarter end, in addition to interest and / or commitment fees on the Senior Facilities Agreement;
- working capital requirements, particularly in the short term as we aim to achieve organic sales growth; and
- hedging facilities used to manage our foreign exchange and aluminum purchase price risks.

We believe that, in the long term, cash generated from our operations will be adequate to meet our anticipated requirements for working capital, capital expenditures and interest payments on our indebtedness. In the short term, we believe we have sufficient credit facilities to cover any variation in our cash flow generation. However, any major repayments of indebtedness will be dependent on our ability to raise alternative financing or to realize substantial returns from operational sales. Also, our ability to expand operations through sales development and capital expenditures could be constrained by the availability of liquidity, which, in turn, could impact the profitability of our operations.

We have been in compliance with the covenants under the Loan Notes and the Senior Facilities Agreement throughout all of the quarterly measurement dates from and including September 30, 2011, to March 31, 2024.

Luxfer conducts all of its operations through its subsidiaries, joint ventures and affiliates. Accordingly, Luxfer's main cash source is dividends from its subsidiaries. The ability of each subsidiary to make distributions depends on the funds that a subsidiary receives from its operations in excess of the funds necessary for its operations, obligations or other business plans. We have not historically experienced any material impediment to these distributions, and we do not expect any local legal or regulatory regimes to have any impact on our ability to meet our liquidity requirements in the future. In addition, since our subsidiaries are wholly-owned, our claims will generally rank junior to all other obligations of the subsidiaries. If our operating subsidiaries are unable to make distributions, our growth may slow, unless we are able to obtain additional debt or equity financing. In the event of a subsidiary's liquidation, there may not be assets sufficient for us to recoup our investment in the subsidiary.

Our ability to maintain or increase the generation of cash from our operations in the future will depend significantly on the competitiveness of and demand for our products, including our success in launching new products. Achieving such success is a key objective of our business strategy. Due to commercial, competitive and external economic factors, however, we cannot guarantee that we will generate sufficient cash flows from operations or that future working capital will be available in an amount sufficient to enable us to service our indebtedness or make necessary capital expenditures.

Cash Flows

Operating activities

Cash provided by operating activities was \$3.6 million for the first quarter of 2024 compared to \$14.4 million outflow in the first quarter of 2023. It was primarily related to net income from operating activities offset by movements in working capital, and net of the following non-cash items: depreciation and amortization; share-based compensation charges; pension charge / (credit) and net changes to assets and liabilities. In 2023, cash flow was impacted by the significant increase in working capital related to inventory build to protect supply chain and the \$2.3 million contribution the Company made in relation to the sale of the U.S. pension plan to an insurer.

Investing activities

Net cash used by investing activities was \$1.4 million for the first quarter of 2024, compared to net cash used for investing activities of \$2.0 million in 2023, as a result of reduced capital expenditure in the quarter.

Financing activities

In the first quarter of 2024, net cash provided by financing activities was \$2.3 million, compared to \$5.3 million inflow in 2023. We made net repayment of our overdraft facility of \$4.3 million (2023: nil), net drawdown on our banking facilities of \$10.6 million (2023: \$9.9 million) and dividend payments of \$3.5 million (2023: \$3.5 million), equating to \$0.13 per ordinary share respectively. In addition, we paid out \$0.1 million (2023: \$0.3 million) in settling share based compensation and \$0.4 million (2023: \$0.8 million) in repurchasing our own shares as part of the share buyback program which equates to 20,000 shares (2023: 48,000 shares).

Capital Resources

Dividends

We paid year-to-date dividends in 2024 of \$3.5 million (2023: \$3.5 million year-to-date), or \$0.13 per ordinary share (2023: \$0.13).

Any payment of dividends is also subject to the provisions of the U.K. Companies Act, according to which dividends may only be paid out of profits available for distribution determined by reference to financial statements prepared in accordance with the Companies Act and U.K.-adopted International Accounting Standards, which differ in some respects from GAAP. In the event that dividends are paid in the future, holders of the ordinary shares will be entitled to receive payments in U.S. dollars in respect of dividends on the underlying ordinary shares in accordance with the deposit agreement. Furthermore, because we are a holding company, any dividend payments would depend on cash flows from our subsidiaries.

Authorized shares

Our authorized share capital consists of 40.0 million ordinary shares with a par value of £0.50 per share.

Contractual obligations

The following summarizes our significant contractual obligations that impact our liquidity:

	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	After 5 years
	(in \$ million)				
Contractual cash obligations					
Loan Notes due 2026	25.0	—	25.0	—	—
Revolving credit facility	53.5	—	53.5	—	—
Bank Overdraft	0.3	0.3	—	—	—
Obligations under operating leases	23.6	4.4	8.2	2.5	8.5
Capital commitments	2.3	2.3	—	—	—
Interest payments	13.0	5.0	8.0	—	—
Total contractual cash obligations	\$ 117.7	\$ 12.0	\$ 94.7	\$ 2.5	\$ 8.5

Off-balance sheet measures

At March 31, 2024, we had no off-balance sheet arrangements other than the two bonding facilities disclosed in Note 16.

NEW ACCOUNTING STANDARDS

See Note 1 of the Notes to Condensed Consolidated Financial Statements for information pertaining to recently adopted accounting standards or accounting standards to be adopted in the future.

CRITICAL ACCOUNTING POLICIES

We have adopted various accounting policies to prepare the consolidated financial statements in accordance with GAAP. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. In our 2023 Annual Report on Form 10-K, filed with the SEC on February 27, 2024, we identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our consolidated financial statements.

Item 3. Quantitative and qualitative disclosures about market risk

There have been no material changes in our market risk during the first quarter ended March 31, 2024. For additional information, refer to Item 7A of our 2023 Annual Report on Form 10-K, filed with the SEC on February 27, 2024.

Item 4. Controls and Procedures***Evaluation of Disclosure Controls and Procedures***

We maintain a system of disclosure controls and procedures designed to provide reasonable assurance as to the reliability of our published financial statements and other disclosures included in this report. Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter ended March 31, 2024, pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon their evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the quarter ended March 31, 2024, because of the material weakness described in Item 9A of the Form 10-K filed with the SEC on February 27, 2024 not having been fully remediated by the first quarter of 2024.

Ongoing Remediation of Material Weakness

During the first quarter of 2024, we undertook efforts to develop and design enhanced risk assessment procedures to identify and analyze changes in the business that could have a significant impact on financial reporting and determine actions necessary to mitigate new or evolving risks. We have also implemented a new period-end control over the recording of inventory in-transit and enhanced other post-closing controls. However, the material weakness will not be considered remediated until management have implemented and operated the new risk assessment and inventory controls for a sufficient period of time and have concluded, through testing, that these controls are operating effectively.

Notwithstanding the material weakness in internal control over financial reporting, management, including our Chief Executive Officer and our Chief Financial Officer, believes and has concluded that, the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles.

Changes in Internal Control over Financial Reporting

Other than the changes related to the ongoing remediation activities related to the material weakness noted above, no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a defendant in various lawsuits and is subject to various claims that arise in the normal course of business, the most significant of which are summarized in Note 16 (commitments and contingencies) to the consolidated financial statements in ITEM 1. In the opinion of management, the likelihood that the ultimate disposition of these matters will have a material adverse impact is remote.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Item 1A. of our 2023 Annual Report on Form 10-K filed with the SEC on February 27, 2024.

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

Not applicable.

Item 5. Other Information

Director and Officer Trading Arrangements

None of Luxfer's directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this Report.

Item 6. Exhibits

- 31.1 [Certification Required by Rule 13a-14\(a\) or 15d-14\(a\) under the Securities Exchange Act of 1934-Andrew Butcher](#)
- 31.2 [Certification Required by Rule 13a-14\(a\) or 15d-14\(a\) under the Securities Exchange Act of 1934-Stephen Webster](#)
- 32.1 [Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(Subsections \(a\) and \(b\) of Section 1350, Chapter 63 of Title 18, United States Code\)-Andrew Butcher](#)
- 32.2 [Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(Subsections \(a\) and \(b\) of Section 1350, Chapter 63 of Title 18, United States Code\)-Stephen Webster](#)
- 101 The financial statements from the Company's Interim Report on Form 10-Q for the quarter ended March 31, 2024, formatted in inline XRBL: (i) Condensed Consolidated Statements of Income; (ii) Condensed Consolidated Statements of Comprehensive Income; (iii) Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Cash Flows; (v) Condensed Consolidated Statements of Changes in Equity; and (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags. The instance document does not appear in the Interactive Data File because its XRBL tags are embedded within the Inline XRBL document.
- 104 Cover Page Interactive Data File (formatted as inline XRBL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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.

Luxfer Holdings plc
(Registrant)

/s/Andrew Butcher

Andrew Butcher
Chief Executive Officer
(Duly Authorized Officer)
April 30, 2024