



# FIRST QUARTER 2019

Earnings Conference Call May 2, 2019

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# FORWARD-LOOKING STATEMENTS

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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. 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, filed with the U.S. Securities and Exchange Commission on March 11, 2019. 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.



# EXECUTIVE SUMMARY

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## 1Q 2019 Financial Performance

- Reported sales growth of 0.6%. FX impact was negative 3.7%
- Adj. EBITDA decreased 3.6% to \$18.5M
- Adj. diluted EPS increased 8.1% to \$0.40

## Cash Flow & Capital Allocation

- Net cash\* outflow of \$11M for seasonal working capital, transformation plan expenses, and incentive payouts
- Net Debt to EBITDA ratio of 1.0x at quarter-end
- ROIC from Adjusted Earnings of 19.0%, +630 basis points YoY

## Strategic Update

- Luxfer B.E.S.T. driving operational excellence
- Progress on establishing high performance culture
- On target with transformation plan; \$24M in net cost savings by 2021

\*before financing

**Driving Toward Operational Excellence**

# 1Q 2019 HIGHLIGHTS: GROWTH MOMENTUM

## Zirconium Products



- Industrial growth with new and existing applications
- Auto catalyst share recovery through new products and commercial excellence

## Alternate Fuel Products



- Strong growth in European Bus Systems
- Ongoing share recovery in U.S. region
- Simplified joint ventures enabling growth potential

## Disaster Relief, France & SoluMag®



- Lower disaster-relief sales
- France factory strike negatively impacted sales
- Flat SoluMag® sales – excess channel inventory

# 1Q 2019: FOOTPRINT CONSOLIDATION UPDATE

## Completed projects

- ✓ Riverhead, NY
- ✓ Brigham City, UT
- ✓ Salford, UK
- ✓ Brighton, UK

## Current projects

### Gas Cylinder: Gerzat, France location

- Project announced in 4Q 2018
- Employee strike in early 1Q 2019 caused disruption
- Employee agreement signed recently
- Working to secure local authority's approval
- Site closure scheduled for June 2019
- Complicated project; positive outlook



### Elektron Graphic Arts: Madison, IL location

- Findlay, OH site closed in 4Q 2018
- 1Q 2019 production startup issues in Madison, IL
- Production stabilized recently
- Additional shifts working to satisfy order backlog



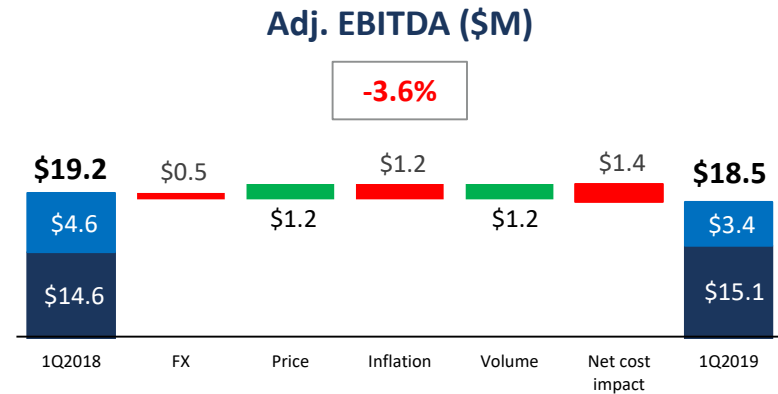
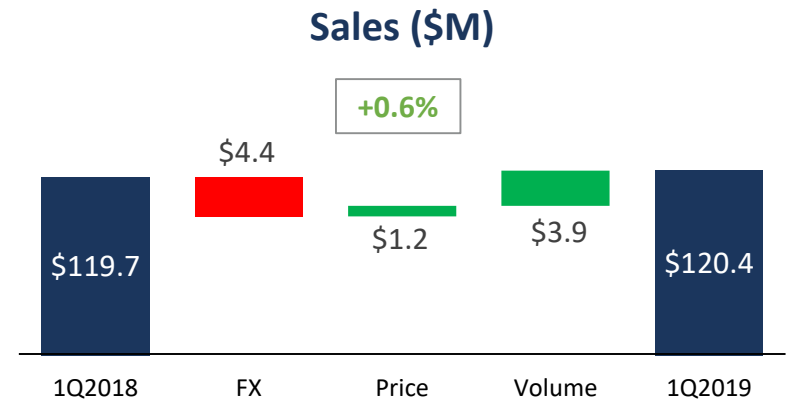
## 1Q Status

1Q Short-term Inefficiencies of ~\$2M

# 1Q 2019: LUXFER FINANCIAL RESULTS

## Performance Highlights

- FX offset volume growth
- \$3M in lower hurricane-related shipments
- Pricing offset inflation
- Cost reductions continuing, although offset by short-term inefficiencies related to plant relocations



■ Depreciation      ■ EBITA

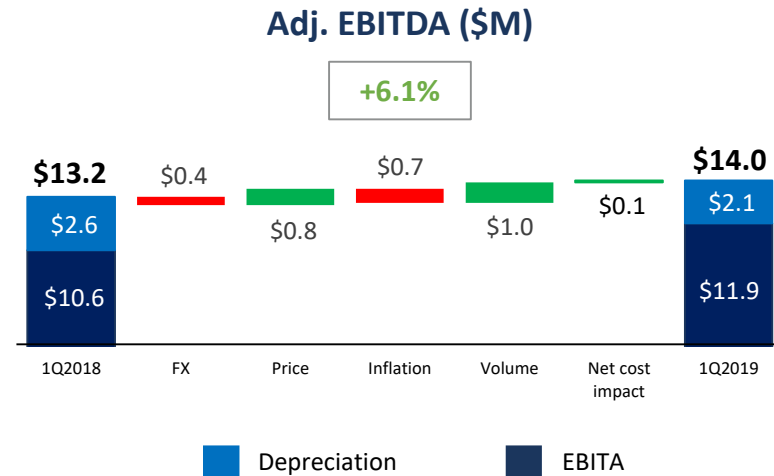
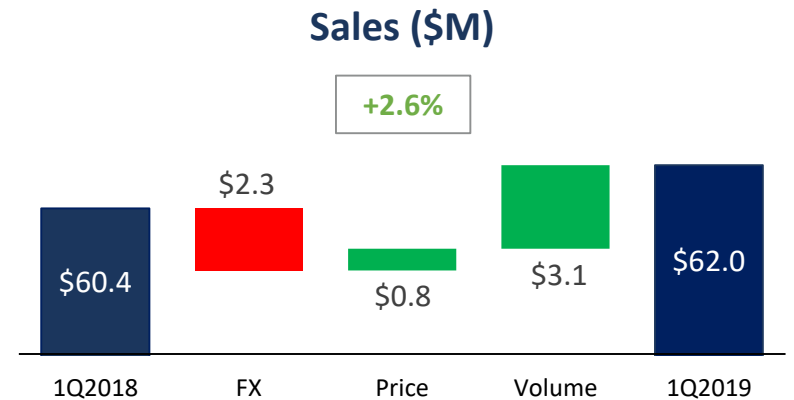
## Favorable Price and Volume Trends



# 1Q 2019: ELEKTRON SEGMENT RESULTS

## Performance Highlights

- \$3.1M in volume growth, including \$3M unfavorable impact of lower hurricane-related sales
- Strong growth in zirconium chemicals
- Inefficiencies in Graphic Arts offset gross cost reduction



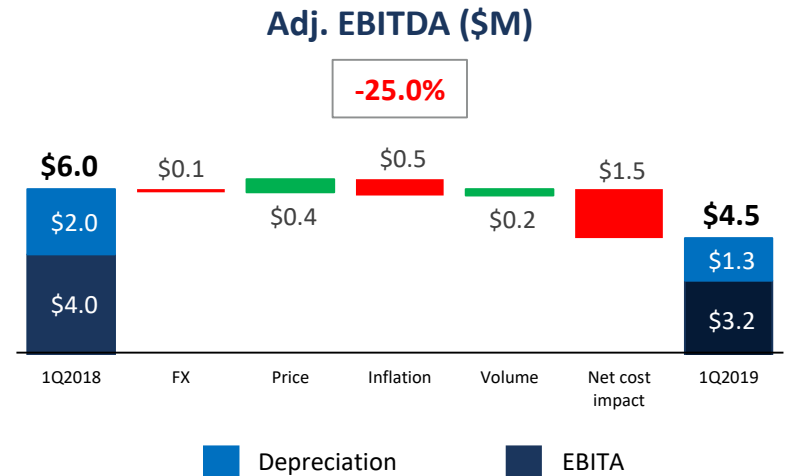
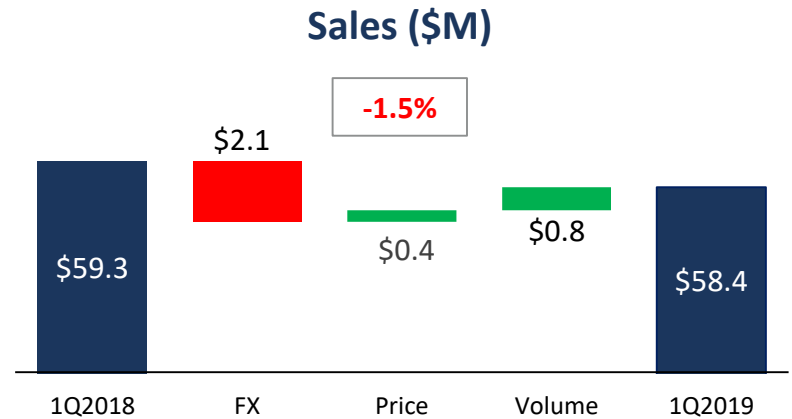
**Positive Trends in Volume**



# 1Q 2019: CYLINDER SEGMENT RESULTS

## Performance Highlights

- European demand drove strong sales growth in alternative fuel cylinders
- Sales negatively impacted from project to close France facility
- Inefficiencies related to French facility closure project



**Temporary Impact from France Closure Project**





# 1Q 2019: ADDITIONAL FINANCIAL DETAILS

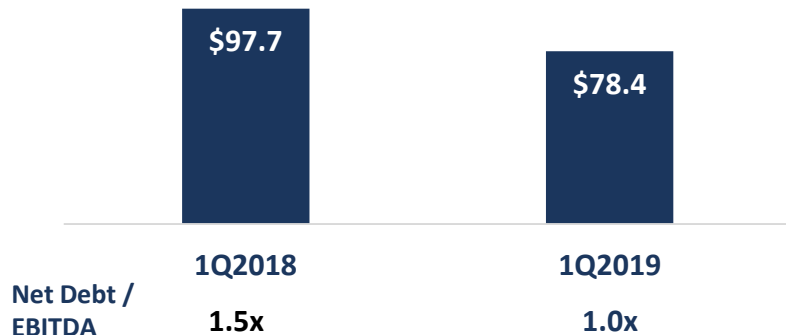
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- **Restructuring charge of \$9.0M, primarily related to France facility consolidation project**
- **Terminated Neo transaction expense of \$4.6M in 1Q 2019, in addition to \$3.7M in 2018 for a total cost of \$8.3M**
  - Cash outflow of \$6.4M to occur in 2Q 2019
- **Share-based compensation of \$2.6M vs. \$0.5M in 1Q 2018**
  - Increase driven by executive management LTIP vesting and payouts due to strong 2017/18 performance

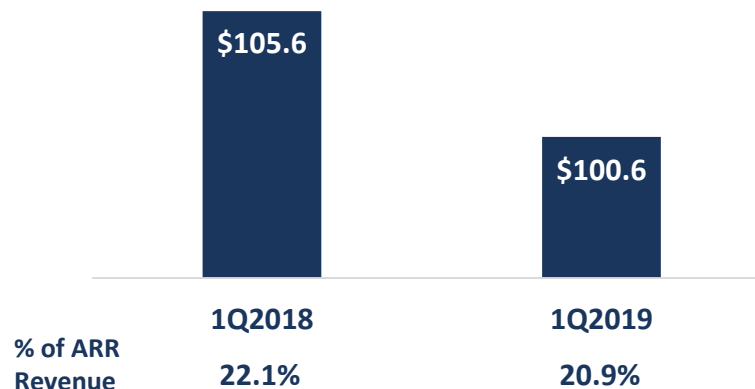
# KEY BALANCE SHEET & CASH FLOW METRICS

All in \$M except ROIC

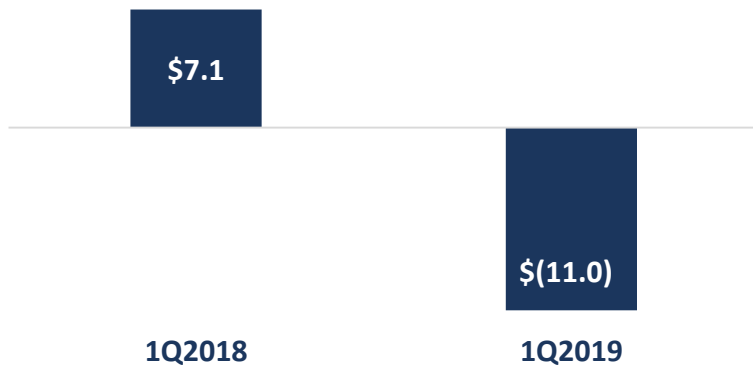
## Net Debt



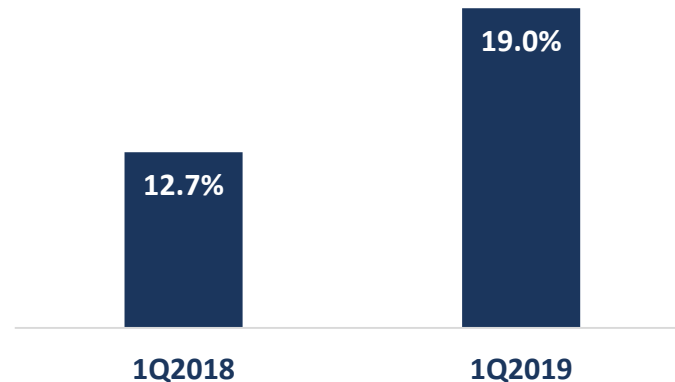
## Working Capital



## Net Cash Flow (Before Financing Activities)



## ROIC from Adj. Earnings (TTM)



**Maintained Strong Balance Sheet; Increased Cash Needs**

# LUXFER STRATEGY UPDATE: 2017 - 2021

## 2017-18 Accomplishments

- ✓ Board & management transformed
- ✓ Eliminated ADR listing
- ✓ SEC domestic issuer:  
More transparency and better governance
- ✓ \$9M+ cost out
- ✓ Record volume growth

## 2019-21 Strategy for Shareholder Value Creation

- **Complete cost out transformation plan**
  - Will deliver remaining \$15M (of \$24M) cost reduction
  - 2019 net impact lower due to inefficiencies
- **Operational excellence through Luxfer B.E.S.T.**
  - Top 50 Luxfer leaders completed culture training
  - Lean talent: New VP ops plus six new plant managers
  - Commercial excellence framework established
  - New product development tollgate process launched
- **Portfolio optimization and capital deployment**
  - Divestiture of magnesium recycling “on-track”
  - Superform and other SKU optimization continues
  - Refreshing M&A pipeline

**Maintaining Three Year Outlook for 8-10 Percent Earnings Growth**



# SUMMARY AND OUTLOOK

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## Favorable Business Environment

- Solid pipeline of business activity
- Commercial Excellence driving share gains

## Transformation Plan Remains On Track

- 2019 net cost reduction impacted by 1Q/2Q inefficiencies
- Growing our talent bench with new Lean resources

## Capital Deployment

- Net debt to remain flat YoY in 2019 as cash flow is used for restructuring/exceptional costs. H2 stronger vs. H1.

## Other Factors

- ~\$6M less disaster-relief sales in 1H19
- Progress in divesting magnesium recycling operation in 2Q

**Confirming ~8% Earnings Growth Outlook for 2019**

# KEY INVESTMENT CONSIDERATIONS

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**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**

**Our Best Days are Ahead of Us**



**Q&A**



# APPENDICES

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

# SUMMARY INCOME STATEMENT

(Unaudited)

\$M	2019	2018	Variance	
	Q1	Q1	\$M	%
<b>REVENUE</b>	120.4	119.7	0.7	0.6%
Cost of sales	(90.3)	(89.4)		
<b>Gross profit</b>	30.1	30.3	(0.2)	-0.7%
Selling, general and administrative expenses	(16.4)	(15.2)		
Research and development expenses	(1.4)	(1.6)		
Restructuring charges	(9.0)	(0.7)		
Impairment charges	0.2	-		
Acquisition related costs / credits	(4.6)	-		
<b>Operating income</b>	<b>(1.1)</b>	<b>12.8</b>	<b>(13.9)</b>	<b>n/a</b>
Finance costs:				
Net finance costs	(1.1)	(1.5)		
Defined benefit pension credit	0.6	1.4		
<b>Income before income taxes and equity in net income of affiliates</b>	<b>(1.6)</b>	<b>12.7</b>	<b>(14.3)</b>	<b>n/a</b>
Provision for income taxes	(2.1)	(3.0)		
<b>Income before equity in net income of affiliates</b>	<b>(3.7)</b>	<b>9.7</b>	<b>(13.4)</b>	<b>n/a</b>
Equity in income of affiliates (net of tax)	(0.1)	0.2		
<b>Net income</b>	<b>(3.8)</b>	<b>9.9</b>	<b>(13.7)</b>	<b>n/a</b>
<i>Earnings per share - Basic</i>	(0.14)	0.37		
<i>Earnings per share - Diluted</i>	(0.14)	0.37		
<b>ADJUSTED NET INCOME</b>	<b>11.2</b>	<b>10.0</b>	<b>1.2</b>	<b>12.0%</b>
<i>Adjusted earnings per share - Diluted</i>	0.40	0.37		
<b>Adjusted EBITDA</b>	<b>18.5</b>	<b>19.2</b>	<b>(0.7)</b>	<b>-3.6%</b>



# CASH FLOW

(Unaudited)

<b>SM</b>	<b>2019</b>	<b>2018</b>
	<b>Q1</b>	<b>Q1</b>
<b>Operating activities</b>		
Net (loss) / income	(3.8)	9.9
Equity income of unconsolidated affiliates	0.1	(0.2)
Depreciation	3.4	4.6
Amortization of purchased intangible assets	0.3	0.3
Amortization of debt issuance costs	0.1	0.1
Share-based compensation	2.6	0.5
Deferred income taxes	0.8	0.8
Asset impairment charges	(0.2)	-
Pension and other post-retirement expense	0.7	0.3
Pension and other post-retirement contributions	(3.2)	(3.2)
<i>Changes in assets and liabilities, net of effects of business acquisitions</i>		
Accounts and notes receivable	(10.4)	(0.1)
Inventories	(3.6)	(11.2)
Other current assets	-	1.3
Accounts payable	(0.8)	6.7
Accrued liabilities	(1.7)	(2.8)
Other current liabilities	7.2	2.2
Other non-current assets and liabilities	0.7	(0.9)
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<b>(7.8)</b>	<b>8.3</b>
<b>Investing activities</b>		
Capital expenditures	(3.2)	(1.3)
Investments in unconsolidated affiliates	-	0.6
Acquisitions, net of cash acquired	-	(0.5)
<b>NET CASH FLOWS BEFORE FINANCING</b>	<b>(11.0)</b>	<b>7.1</b>
<b>Financing activities</b>		
Net increase / (decrease) in short-term borrowings	4.2	(4.2)
Net repayments of long-term borrowings	11.3	(4.0)
Deferred consideration paid	(0.5)	-
Proceeds from issue of share capital	1.4	-
Dividends paid	(3.4)	(3.4)
Repurchases of ordinary shares	(1.8)	(0.6)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS BEFORE EXCHANGE</b>	<b>0.2</b>	<b>(5.1)</b>
Effect of exchange rate changes	0.2	(0.1)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>0.4</b>	<b>(5.2)</b>

# RECONCILIATION OF NON-GAAP MEASURES

(Unaudited)

	2019	2018
\$M	Q1	Q1
<b>Net income</b>	<b>(3.8)</b>	<b>9.9</b>
Accounting charges relating to acquisitions and disposals of businesses:		
Unwind of discount on deferred consideration	-	0.1
Amortization on acquired intangibles	0.3	0.3
Acquisitions and disposals	4.6	-
Defined benefit pension actuarial adjustment	(0.6)	(1.4)
Restructuring and other charges	9.0	0.7
Impairment charges	(0.2)	-
Share-based compensation charges	2.6	0.5
Income tax thereon	(0.7)	(0.1)
<b>Adjusted net income</b>	<b>11.2</b>	<b>10.0</b>
Add back / (deduct):		
Income tax thereon	0.7	0.1
Provision for income taxes	2.1	3.0
Net finance costs	1.1	1.5
<b>Adjusted EBITA</b>	<b>15.1</b>	<b>14.6</b>
Depreciation	3.4	4.6
<b>Adjusted EBITDA</b>	<b>18.5</b>	<b>19.2</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
EBITA	11.1	10.4	11.2	9.6	14.6	16.8	18.4	11.7	15.1
Effective tax rate - per income statement	19.6%	32.1%	26.3%	71.4%	23.6%	23.0%	22.2%	33.3%	-131.3%
Notional tax	(2.2)	(3.3)	(2.9)	(6.9)	(3.4)	(3.9)	(4.1)	(3.9)	19.8
EBITA after notional tax	8.9	7.1	8.3	2.7	11.2	12.9	14.3	7.8	34.9
<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>
Bank and other loans	146.5	160.8	121.4	113.8	105.9	99.8	88.7	77.1	92.6
Net cash and cash equivalents	(40.4)	(57.2)	(19.2)	(12.6)	(8.1)	(5.2)	(8.9)	(13.8)	(14.2)
Net debt	106.1	103.6	102.2	101.2	97.8	94.6	79.8	63.3	78.4
Total equity	161.6	172.4	180.0	172.5	177.1	191.1	213.0	184.3	179.8
Invested capital	267.7	276.0	282.2	273.7	274.9	285.7	292.8	247.6	258.2
<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>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>
Adjusted net income for the period	7.4	6.5	7.2	6.5	10.0	12.2	13.4	11.2	11.2
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
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
Adjusted income tax charge	2.2	2.3	2.4	1.5	3.1	3.6	3.8	(0.4)	2.8
Adjusted profit before taxation	9.6	8.8	9.6	8.0	13.1	15.8	17.2	10.8	14.0
Adjusted effective tax rate	22.9%	26.1%	25.0%	18.8%	23.7%	22.8%	22.1%	-3.7%	20.0%
EBITA (as above)	11.1	10.4	11.2	9.6	14.6	16.8	18.4	11.7	15.1
Adjusted notional tax	(2.5)	(2.7)	(2.8)	(1.8)	(3.5)	(3.8)	(4.1)	0.4	(3.0)
Adjusted EBITA after notional tax	8.6	7.7	8.4	7.8	11.1	13.0	14.3	12.1	12.1
<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>35.0</b>	<b>40.3</b>	<b>46.2</b>	<b>50.6</b>	<b>51.5</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>12.7%</b>	<b>14.4%</b>	<b>16.4%</b>	<b>18.4%</b>	<b>19.0%</b>



LUXFER