

Luxfer Holdings PLC Announces Second Quarter 2021 Financial Results

Second Quarter 2021 Summary (all comparisons year-over-year unless otherwise noted; results exclude aluminum products discontinued operations)

- Net sales of \$99.0 million increased 29.2%, including a 5.9% benefit from foreign currency
- GAAP net income of \$11.9 million, including \$0.9 million in restructuring and other expenses, increased from \$4.6 million; adjusted net income of \$10.2 million increased 96.2%
- GAAP EPS of \$0.42 increased from \$0.16; adjusted EPS of \$0.36 increased 89.5%
- Adjusted EBITDA of \$17.3 million increased 63.2%; adjusted EBITDA margin of 17.5% increased 370 basis points
- Narrowing 2021 adjusted EPS guidance range to \$1.15 to \$1.30, including approximately \$0.10 dilutive impact of SCI losses in the second half; continue to expect SCI to be accretive in 2022

MANCHESTER, UK - (BUSINESS WIRE) - Luxfer Holdings PLC (NYSE: LXFR), (“Luxfer” or the “Company”), a global manufacturer of highly-engineered industrial materials, today announced financial results for the second quarter, ending June 27, 2021.

Consolidated net sales increased 29.2% to \$99.0 million from \$76.6 million, including a favorable foreign currency benefit of \$4.5 million, or 5.9%. The robust sales growth also included \$8.0 million, or 10.4%, from the 2021 SCI acquisition. The sales volume increase was broad-based due to recovery in most end markets, with particular strength in magnesium products.

GAAP net income increased to \$11.9 million, or \$0.42 per diluted share, compared to \$4.6 million, or \$0.16 per diluted share one year ago. Results include \$0.9 million in restructuring and other charges and a one-time benefit from UK tax rate change, compared to restructuring and other charges of \$0.8 million in the prior year period.

Adjusted net income increased 96.2% to \$10.2 million from \$5.2 million. Adjusted diluted earnings per share increased 89.5% to \$0.36 from \$0.19. Adjusted EBITDA increased 63.2% to \$17.3 million. Adjusted EBITDA margin of 17.5% expanded 370 basis points.

“We delivered another strong quarter amid the continued global economic recovery, benefitting from the continued execution of our strategic initiatives and the acquisition of SCI,” said Alok Maskara, Luxfer’s Chief Executive Officer. “During the quarter, we saw strength in our magnesium products, as well as a rebound in our general industrial businesses. Robust free cash flow and a low net leverage position provided us with the financial flexibility to strategically invest in innovation and future growth opportunities, while increasing shareholder returns through dividend and share buybacks.”

Segment Results (all comparisons year-over-year unless otherwise noted; results exclude aluminum products discontinued operations)

Elektron Segment

- Net sales of \$52.5 million increased 34.3% including a \$1.7 million, or 4.3%, benefit from foreign currency.
- Adjusted EBITDA of \$12.0 million increased 126% and margin expanded 930 basis points to 22.9% from 13.6%.

Gas Cylinders Segment

- Net sales of \$46.5 million increased 24.0% including a \$2.8 million, or 7.5%, benefit from foreign currency, and an \$8.0 million, or 21.3%, contribution from the acquisition of SCI.
- Adjusted EBITDA of \$5.3 million remained flat and EBITDA margin decreased compared to the prior year due to lower core sales and impact of SCI acquisition, partially offset by cost reductions.

Capital Resources and Liquidity

Free cash flow of \$7.0 million for the quarter, compared to an inflow of \$12.1 million in the prior year. Resulting year to date free cash flow of \$20.8 million compares favorably to \$5.1 million from the first half of prior year. During the quarter, the Company paid \$3.4 million in ordinary dividends, or \$0.125 per share, and repurchased shares totaling \$0.9 million related to the Company's previously announced share buyback program. Given the strong cash flow, the Company maintains normal levels of funding for growth and productivity initiatives. At quarter end, net debt totaled \$39.5 million, resulting in a net debt to EBITDA ratio of 0.6x.

2021 Guidance

"We are narrowing our previously announced guidance of Adjusted EPS to the range of \$1.15 to \$1.30, including an estimated \$0.10 dilutive impact of the SCI acquisition in the second half of the year. We will remain focused on retaining a strong balance sheet, providing us the financial flexibility to continue investing in growth, returning cash to shareholders and exploring acquisition opportunities to deliver long-term profitable growth and shareholder value creation," added Maskara.

Conference Call Information

Luxfer has scheduled a conference call at 8:30 a.m. U.S. Eastern Daylight Time on Tuesday, July 27, 2021, during which management will provide a review of the Company's financial results for the second quarter of 2021. U.S. participants may access the conference call by telephoning +1-877-341-8545. Participants from other countries may access the conference call by telephoning +1-908-982-4601. The participant conference ID code is 6047794. The following link provides access to a webcast for the conference call:

<https://event.on24.com/wcc/r/3308114/C1138386411DE4658DBB86D26C2E1B3C>

A recording of the conference call will be available for replay two hours after the completion of the call and will remain accessible until the next quarterly report is released. To hear the recording, please call +1-855-859-2056 in the U.S. and +1-404-537-3406 in other countries. Enter conference ID code 6047794 when prompted. Slides used in the presentation and a recording of the call will also be available in the Investor Relations section of the Luxfer website at www.luxfer.com.

Non-GAAP Financial Measures

Luxfer Holdings PLC prepares its financial statements using U.S. Generally Accepted Accounting Principles (GAAP). When a company discloses material information containing non-GAAP financial measures, SEC regulations require that the disclosure include a presentation of the most directly comparable GAAP measure and a reconciliation of the GAAP and non-GAAP financial measures. Management's inclusion of non-GAAP financial measures in this release is intended to supplement, not replace, the presentation of the financial results in accordance with GAAP. Luxfer management believes that these non-GAAP financial measures, when considered together with the GAAP financial measures, provide information that is useful to investors in understanding period-over-period operating results separate and apart from items that may, or could, have a disproportionately positive or negative impact on results in any period. Management also believes that these non-GAAP financial measures enhance the ability of investors to analyze the Company's business trends and understand the Company's performance. In addition, management may utilize non-GAAP financial measures as a guide in the Company's forecasting, budgeting and long-term planning process. Non-GAAP financial measures should be considered in addition to, and not as a substitute for, or superior to, financial measures presented in accordance with GAAP.

Forward-Looking Statements

This release contains certain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected in the 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 several 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) lower than expected future sales; (ii) increasing competitive industry pressures; (iii) general economic conditions or conditions affecting demand for the products and services it offers, both domestically and internationally, including as a result of post-Brexit regulation, being less favorable than expected; (iv) worldwide economic and business conditions and conditions in the industries in which it operates; (v) fluctuations in the cost of raw materials, utilities and other inputs; (vi) currency fluctuations and hedging risks; (vii) its ability to protect its intellectual property; (viii) the significant amount of indebtedness it has incurred and may incur and the obligations to service such indebtedness and to comply with the covenants contained therein; and (ix) risks related to the impact of the global COVID-19 pandemic, such as the scope and duration of the outbreak, government actions and restrictive measures implemented in response, supply chain disruptions and other impacts to the business, and the Company's ability to execute business continuity plans, as a result of the COVID-19 pandemic. The Company cautions that the foregoing list of important factors is not exhaustive. These factors are more fully discussed in the sections entitled "Forward-Looking Statements" and "Risk Factors" in its Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the U.S. Securities and Exchange Commission on March 2, 2021. 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 because of new information, future events or otherwise.

About Luxfer Holdings PLC ("Luxfer")

Luxfer is a global manufacturer of highly-engineered industrial materials, which focuses on value creation by using its broad array of technical know-how and proprietary technologies. Luxfer's high-performance materials, components and high-pressure gas containment devices are used in defense and emergency response, healthcare, transportation and general industrial applications. For more information, please visit www.luxfer.com.

Luxfer is listed on the New York Stock Exchange and its ordinary shares trade under the symbol LXFR.

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Luxfer Holdings PLC

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

<i>In millions, except share and per-share data</i>	Second Quarter		Year-to-date	
	2021	2020	2021	2020
Net sales	\$ 99.0	\$ 76.6	\$ 184.2	\$ 165.0
Cost of goods sold	(73.1)	(58.6)	(133.1)	(122.9)
Gross profit	25.9	18.0	51.1	42.1
Selling, general and administrative expenses	(12.7)	(10.5)	(23.3)	(21.9)
Research and development	(0.8)	(0.9)	(1.6)	(1.6)
Restructuring charges	(0.2)	(0.8)	(1.6)	(3.6)
Acquisition and disposal related costs	(0.7)	—	(0.9)	(0.2)
Other charges	—	—	(1.1)	—
Operating income	11.5	5.8	22.6	14.8
Interest expense	(0.8)	(1.1)	(1.6)	(2.3)
Defined benefit pension credit	0.6	1.1	1.2	2.2
Income before income taxes and equity in net loss from affiliates	11.3	5.8	22.2	14.7
Credit / (provision) for income taxes	0.6	(1.1)	(1.7)	(2.8)
Income before equity in net loss from affiliates	11.9	4.7	20.5	11.9
Equity in net loss from affiliates (net of tax)	—	(0.1)	—	(0.1)
Net income from continuing operations	11.9	4.6	20.5	11.8
Net loss from discontinued operations, net of tax	(0.5)	(0.5)	(2.1)	(1.5)
Gain on disposition of discontinued operations, net of tax	(0.4)	—	7.1	—
Net (loss) / income from discontinued operations	\$ (0.9)	\$ (0.5)	\$ 5.0	\$ (1.5)
Net income	\$ 11.0	\$ 4.1	\$ 25.5	\$ 10.3
Earnings / (loss) per share¹				
Basic from continuing operations	\$ 0.43	\$ 0.17	\$ 0.74	\$ 0.43
Basic from discontinued operations ²	\$ (0.03)	\$ (0.02)	\$ 0.18	\$ (0.05)
Basic	\$ 0.40	\$ 0.15	\$ 0.92	\$ 0.37
Diluted from continuing operations	\$ 0.42	\$ 0.16	\$ 0.73	\$ 0.42
Diluted from discontinued operations	\$ (0.03)	\$ (0.02)	\$ 0.18	\$ (0.05)
Diluted	\$ 0.39	\$ 0.15	\$ 0.91	\$ 0.37
Weighted average ordinary shares outstanding				
Basic	27,771,983	27,540,377	27,717,025	27,490,955
Diluted	28,131,785	27,968,825	28,095,788	27,933,119

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 Second Quarter of 2021 and Second quarter and year-to-date of 2020 has not been diluted, since the incremental shares included in the weighted-average number of shares outstanding would have been anti-dilutive.

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 27,	December 31,
<i>In millions, except share and per-share data</i>	2021	2020
Current assets		
Cash and cash equivalents	\$ 10.1	\$ 1.5
Restricted cash	0.2	—
Accounts and other receivables, net of allowances of \$0.5 and \$0.5, respectively	57.5	43.1
Inventories	77.3	68.8
Current assets held-for-sale	20.1	36.0
Other current assets	1.1	1.5
Total current assets	\$ 166.3	\$ 150.9
Non-current assets		
Property, plant and equipment, net	\$ 90.8	\$ 86.0
Right-of-use assets from operating leases	8.9	9.5
Goodwill	73.3	70.2
Intangibles, net	12.5	12.8
Deferred tax assets	19.4	16.5
Investments and loans to joint ventures and other affiliates	0.5	0.5
Total assets	\$ 371.7	\$ 346.4
Current liabilities		
Accounts payable	\$ 28.9	\$ 18.6
Accrued liabilities	26.2	21.5
Taxes on income	3.1	0.4
Current liabilities held-for-sale	6.5	11.4
Other current liabilities	13.3	13.5
Total current liabilities	\$ 78.0	\$ 65.4
Non-current liabilities		
Long-term debt	\$ 49.6	\$ 53.4
Pensions and other retirement benefits	45.9	50.8
Deferred tax liabilities	2.1	2.0
Other non-current liabilities	7.9	7.7
Total liabilities	\$ 183.5	\$ 179.3
Shareholders' equity		
Ordinary shares of £0.50 par value; authorized 40,000,000 shares for 2021 and 2020; issued and outstanding 28,962,000 shares for 2021 and 29,000,000 2020.	\$ 26.5	\$ 26.6
Deferred shares of £0.0001 par value; authorized issued and outstanding 761,835,338,444 shares for 2021 and 2020	149.9	149.9
Additional paid-in capital	69.5	70.6
Treasury shares	(4.0)	(4.0)
Own shares held by ESOP	(1.2)	(1.4)
Retained earnings	109.9	91.2
Accumulated other comprehensive loss	(162.4)	(165.8)
Total shareholders' equity	\$ 188.2	\$ 167.1
Total liabilities and shareholders' equity	\$ 371.7	\$ 346.4

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>In millions</i>	Year-to-date	
	2021	2020
Operating activities		
Net income	\$ 25.5	\$ 10.3
Net (income) / loss from discontinued operations	(5.0)	1.5
Net income from continuing operations	\$ 20.5	\$ 11.8
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Equity in net loss from affiliates	—	0.1
Depreciation	7.0	6.2
Amortization of purchased intangible assets	0.4	0.4
Amortization of debt issuance costs	0.3	0.3
Share-based compensation charges	1.4	1.3
Deferred income taxes	(1.9)	0.2
Defined benefit pension credit	(1.2)	(2.2)
Defined benefit pension contributions	(2.9)	(1.8)
<i>Changes in assets and liabilities</i>		
Accounts and other receivables	(8.4)	0.6
Inventories	(1.4)	(3.0)
Other current assets	(2.8)	4.9
Accounts payable	7.5	(6.7)
Accrued liabilities	4.5	(2.3)
Other current liabilities	0.5	—
Other non-current assets and liabilities	0.9	(0.3)
Net cash provided by operating activities - continuing	24.4	9.5
Net cash provided by operating activities - discontinued	—	—
Net cash provided by operating activities	\$ 24.4	\$ 9.5
Investing activities		
Capital expenditures	\$ (3.6)	\$ (4.4)
Proceeds from sale of businesses and other	20.6	—
Acquisitions, net of cash acquired	(19.3)	—
Net cash used for investing activities - continuing	(2.3)	(4.4)
Net cash used for investing activities - discontinued	—	—
Net cash used for investing activities	\$ (2.3)	\$ (4.4)
Financing activities		
Net (repayment) / drawdown of long-term borrowings	\$ (4.4)	\$ 0.4
Deferred consideration paid	—	(0.4)
Proceeds from sale of shares	—	1.1
Repurchase of own shares	(0.9)	—
Share-based compensation cash paid	(1.5)	(1.2)
Dividends paid	(6.8)	(6.8)
Net cash used for financing activities	\$ (13.6)	\$ (6.9)
Effect of exchange rate changes on cash and cash equivalents	0.3	(0.3)
Net increase / (decrease)	\$ 8.8	\$ (2.1)
Cash, cash equivalents and restricted cash; beginning of year	1.5	10.3
Cash, cash equivalents and restricted cash; end of the Second Quarter	10.3	8.2
Supplemental cash flow information:		
Interest payments	\$ 1.7	\$ 2.5
Income tax payments	3.7	0.2

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SUPPLEMENTAL INFORMATION
SEGMENT INFORMATION (UNAUDITED)

	Net sales				Adjusted EBITDA			
	Second Quarter		Year-to-date		Second Quarter		Year-to-date	
	2021	2020	2021	2020	2021	2020	2021	2020
<i>In millions</i>								
Gas Cylinders segment	\$ 46.5	\$ 37.5	\$ 82.7	\$ 74.7	\$ 5.3	\$ 5.3	\$ 11.3	\$ 9.5
Elektron segment	52.5	39.1	101.5	90.3	12.0	5.3	23.7	16.9
Consolidated	\$ 99.0	\$ 76.6	\$ 184.2	\$ 165.0	\$ 17.3	\$ 10.6	\$ 35.0	\$ 26.4

	Depreciation and amortization				Restructuring charges			
	Second Quarter		Year-to-date		Second Quarter		Year-to-date	
	2021	2020	2021	2020	2021	2020	2021	2020
<i>In millions</i>								
Gas Cylinders segment	\$ 1.6	\$ 0.9	\$ 2.5	\$ 1.8	\$ 0.2	\$ 0.8	\$ 0.7	\$ 3.4
Elektron segment	2.4	2.4	4.9	4.8	—	0.1	0.9	0.1
Other	—	—	—	—	—	(0.1)	—	0.1
Consolidated	\$ 4.0	\$ 3.3	\$ 7.4	\$ 6.6	\$ 0.2	\$ 0.8	\$ 1.6	\$ 3.6

<i>In millions</i>	Second Quarter		Year-to-date	
	2021	2020	2021	2020
Adjusted EBITDA	\$ 17.3	\$ 10.6	\$ 35.0	\$ 26.4
Other share-based compensation charges	(0.9)	(0.8)	(1.4)	(1.3)
Depreciation and amortization	(4.0)	(3.3)	(7.4)	(6.6)
Restructuring charges	(0.2)	(0.8)	(1.6)	(3.6)
Acquisition and disposal related costs	(0.7)	—	(0.9)	(0.2)
Other charges	—	—	(1.1)	—
Defined benefits pension credit	0.6	1.1	1.2	2.2
Interest expense, net	(0.8)	(1.1)	(1.6)	(2.3)
Credit / (provision) for income taxes	0.6	(1.1)	(1.7)	(2.8)
Net income from continuing operations	\$ 11.9	\$ 4.6	\$ 20.5	\$ 11.8

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ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE (UNAUDITED)

<i>In millions except per share data</i>	Second Quarter		Year-to-date	
	2021	2020	2021	2020
Net income from continuing operations	\$ 11.9	\$ 4.6	\$ 20.5	\$ 11.8
Accounting charges relating to acquisitions and disposals of businesses:				
Amortization on acquired intangibles	0.2	0.2	0.4	0.4
Acquisition and disposal related costs	0.7	—	0.9	0.2
Defined benefit pension credit	(0.6)	(1.1)	(1.2)	(2.2)
Restructuring charges	0.2	0.8	1.6	3.6
Other charges	—	—	1.1	—
Share-based compensation charges	0.9	0.8	1.4	1.3
Other non-recurring tax items	(2.2)	—	(2.2)	—
Income tax on adjusted items	(0.9)	(0.1)	(1.4)	(0.5)
Adjusted net income	\$ 10.2	\$ 5.2	\$ 21.1	\$ 14.6
Adjusted earnings per ordinary share				
Diluted earnings per ordinary share	\$ 0.42	\$ 0.16	\$ 0.73	\$ 0.42
Impact of adjusted items	(0.06)	0.02	0.02	0.10
Adjusted diluted earnings per ordinary share	\$ 0.36	\$ 0.19	\$ 0.75	\$ 0.52

ADJUSTED EBITDA (UNAUDITED)

<i>In millions</i>	Second Quarter		Year-to-date	
	2021	2020	2021	2020
Adjusted net income	\$ 10.2	\$ 5.2	\$ 21.1	\$ 14.6
Add back:				
Other non-recurring tax items	2.2	—	2.2	—
Income tax on adjusted items	0.9	0.1	1.4	0.5
Provision for income taxes	(0.6)	1.1	1.7	2.8
Net finance costs	0.8	1.1	1.6	2.3
Adjusted EBITA	\$ 13.5	\$ 7.5	\$ 28.0	\$ 20.2
Depreciation	3.8	3.1	7.0	6.2
Adjusted EBITDA	\$ 17.3	\$ 10.6	\$ 35.0	\$ 26.4

ADJUSTED EFFECTIVE TAX RATE (UNAUDITED)

<i>In millions</i>	Second Quarter		Year-to-date	
	2021	2020	2021	2020
Adjusted net income	\$ 10.2	\$ 5.2	\$ 21.1	\$ 14.6
Add back:				
Other non-recurring tax items	2.2	—	2.2	—
Income tax on adjusted items	0.9	0.1	1.4	0.5
Provision for income taxes	(0.6)	1.1	1.7	2.8
Adjusted income before income taxes	\$ 12.7	\$ 6.4	\$ 26.4	\$ 17.9
Adjusted provision for income taxes	2.5	1.2	5.3	3.3
Adjusted effective tax rate	19.7 %	18.8 %	20.1 %	18.4 %