

Luxfer Holdings Announces Second Quarter 2019 Financial Results

Second Quarter Highlights

- Net sales declined 9.1% to \$116.5 million, including a 2.1% unfavorable impact from foreign currency.
- GAAP EPS of \$0.13, including \$12.7 million in qualified restructuring expenses. Adjusted EPS was \$0.44 and unchanged from last year to this year.
- GAAP net income of \$3.5 million decreased 69.3%. Adjusted net income increased 1.6% to \$12.4 million.
- Adjusted EBITDA decreased 5.6% to \$20.2 million, while Adjusted EBITDA margin increased 60 basis points to 17.3%

MANCHESTER, UK - (BUSINESS WIRE) - Luxfer Holdings PLC (NYSE: LXFR), a global manufacturer of highly-engineered industrial materials, today announced financial results for the second quarter 2019, which ended June 30, 2019. Financial results for all periods are presented in U.S. GAAP, as the Company became an SEC domestic issuer as of January 1, 2019.

Second Quarter 2019 Results

Consolidated net sales decreased 9.1% to \$116.5 million from \$128.2 million, principally due to lower shipments of SoluMag® magnesium alloy products used in oil and gas fracking applications, lower sales of disaster-relief products and the impact of rationalizing lower-margin products. Unfavorable movements in foreign currency rates reduced sales by \$2.7 million, or 2.1%. Strong sales growth of alternative fuel cylinders for compressed natural gas and of Zirconium chemicals for catalyst applications partially offset lower sales elsewhere.

GAAP net income was \$3.5 million, or \$0.13 per diluted share, compared with net income of \$11.4 million, or \$0.41 per diluted share, for the prior year. Quarterly results for the second quarter of 2019 include \$12.7 million in qualified restructuring expenses related to the Company's transformation plan, versus restructuring expenses of \$0.3 million for the prior year's second quarter.

Adjusted net income of \$12.4 million for the second quarter of 2019 increased from \$12.2 million for the same period a year ago. Adjusted diluted earnings per share were unchanged at \$0.44 from last year's second quarter. Adjusted EBITDA was \$20.2 million, compared with \$21.4 million for the prior year's second quarter. Adjusted EBITDA margin of 17.3% for the second quarter of 2019 increased 60 basis points from 16.7% for the second quarter of 2018.

"Luxfer's second-quarter results demonstrate the success of our actions to date to lower costs and improve performance for long-term success," stated Luxfer's Chief Executive Officer, Alok Maskara. "Despite lower SoluMag sales related to customer destocking, we improved profit margin by accelerating progress toward our targeted \$24 million in net cost savings by 2021. During the quarter, we completed the sale of our Czech magnesium recycling facility, further simplifying our footprint. We also closed our cylinder manufacturing plant in France, successfully transferring production to our sites in the U.K. and U.S. These important milestones will ensure that we achieve the total cost savings target."

Segment Results

Elektron Segment

- Net sales of \$58.4 million decreased 13.9% from \$67.8 million for the second quarter of 2018, due largely to lower shipments of SoluMag® magnesium alloy and disaster-relief products. These lower sales were partially offset by higher sales of zirconium chemical products. Unfavorable foreign currency rates reduced sales by \$1.3 million, or 1.9%.
- Segment adjusted EBITDA was \$13.1 million (22.4% of sales), down 20.1% from prior-year results of \$16.4 million (24.2% of sales).

Gas Cylinders Segment

- Net sales of \$58.1 million decreased 3.8% from \$60.4 million for the second quarter of 2018. Strong growth in alternative fuel cylinder products partially offset the decline in sales of lower-margin Superform products. Unfavorable foreign currency rates reduced sales by \$1.4 million, or 2.3%.
- Segment adjusted EBITDA increased 42.0% to \$7.1 million (12.2% of sales), from \$5.0 million (8.3% of sales) a year ago.

Capital Resources and Liquidity

Net cash flow before financing for the second quarter of 2019 was an outflow of \$5.9 million, compared with an inflow of \$10.7 million for the second quarter of 2018. As expected, notable cash outflows were associated with the closure of the French cylinder manufacturing facility in furtherance of the Company's transformation plan. As of June 30, 2019, the Company had net debt of \$88.8 million, with a net debt to EBITDA ratio of 1.1x.

"The cash outflow for the second quarter was consistent with our planned expenditures on our transformation plan," noted Mr. Maskara. "We expect cash flow to be positive in the second half of the year."

Outlook

Given the impact of customer destocking of SoluMag®, the Company now expects its 2019 adjusted EPS to be within a range of +2% to -2% from last year's EPS of \$1.69, versus the prior expectation of 8% growth. Management expects cost reductions to partially offset the impact of lower-volume sales of high-margin products., Further, Management remains confident in the Company's potential for long-term earnings growth, as it continues to improve performance by delivering an expanded stream of innovative products to customers, driving lean manufacturing across the enterprise and focusing on commercial excellence.

Appointment of New Director

Separately, Luxfer today announced the appointment of Lisa Trimberger to the Luxfer Board of Directors. Click [here](#) to view the release regarding her appointment.

Conference Call Information

Luxfer has scheduled a conference call at 8:30 a.m. U.S. Eastern Time on Thursday, August 1, 2019, during which management will provide a review of the Company's results for the second quarter. U.S. participants may access the conference call by telephoning +1-877-341-8545. U.K. participants may call 0-800-028-8438. Participants from other countries may call +1-908-982-4601. The participant conference ID code is 6766944. The following link provides access to slides for the conference call:

https://event.webcasts.com/starthere.jsp?ei=1240764&tp_key=51ee3bc70e

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, call +1-800-585-8367 in the U.S., 0-800-917-2646 in the U.K. and +1-404-537-3406 in other countries. Enter conference ID code 6766944 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 to 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 Statement

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 we offer, 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, utilities and other inputs; (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, that was 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 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 knowhow 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, 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

LUXFER HOLDINGS PLC

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

<i>In millions, except share and per-share data</i>	Second Quarter		Year-to-date	
	2019	2018	2019	2018
Net sales	\$ 116.5	\$ 128.2	\$ 236.9	\$ 247.9
Cost of goods sold	(85.5)	(94.6)	(175.8)	(184.0)
Gross profit	31.0	33.6	61.1	63.9
Selling, general and administrative expenses	(14.4)	(16.8)	(30.8)	(32.0)
Research and development	(1.6)	(1.9)	(3.0)	(3.5)
Restructuring charges	(12.7)	(0.3)	(21.7)	(1.0)
Impairment charges	—	—	0.2	—
Acquisition and disposal related gains / (costs)	2.9	—	(1.7)	—
Operating income	5.2	14.6	4.1	27.4
Interest expense	(1.1)	(1.1)	(2.2)	(2.7)
Interest income	—	0.1	—	0.2
Defined benefit pension credit	0.5	1.2	1.1	2.6
Income before income taxes and equity in net income of affiliates	4.6	14.8	3.0	27.5
Provision for income taxes	(1.4)	(3.4)	(3.5)	(6.4)
Income / (loss) before equity in net income of affiliates	3.2	11.4	(0.5)	21.1
Equity income of affiliates (net of tax)	0.3	—	0.2	0.2
Net income / (loss)	\$ 3.5	\$ 11.4	\$ (0.3)	\$ 21.3
Earnings / (loss) per share				
Basic	\$ 0.13	\$ 0.43	\$ (0.01)	\$ 0.80
Diluted ⁽¹⁾	\$ 0.13	\$ 0.41	\$ (0.01)	\$ 0.78
Weighted average ordinary shares outstanding				
Basic	27,302,174	26,558,883	27,168,170	26,535,824
Diluted	27,889,909	27,584,515	27,168,170	27,396,557

⁽¹⁾ The loss per share for 2019 year-to-date 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 BALANCE SHEETS (UNAUDITED)

	June 30,	December 31,
<i>In millions, except share and per-share data</i>	2019	2018
Current assets		
Cash and cash equivalents	\$ 20.4	\$ 13.8
Restricted cash	0.2	0.3
Accounts and other receivables, net of allowances of \$1.6 and \$2.4, respectively	67.9	62.7
Inventories	98.7	93.6
Other current assets	5.7	10.7
Total current assets	\$ 192.9	\$ 181.1
Non-current assets		
Property, plant and equipment, net	\$ 102.3	\$ 106.9
Right-of-use assets from operating leases	16.4	18.4
Goodwill	67.4	67.6
Intangibles, net	13.9	14.6
Deferred tax assets	17.3	18.6
Investments and loans to joint ventures and other affiliates	1.9	1.6
Total assets	\$ 412.1	\$ 408.8
Current liabilities		
Current maturities of long-term debt and short-term borrowings	\$ 7.2	\$ 3.5
Accounts payable	36.3	36.9
Accrued liabilities	23.7	33.8
Taxes on income	0.8	1.6
Other current liabilities	14.0	15.4
Total current liabilities	\$ 82.0	\$ 91.2
Non-current liabilities		
Long-term debt	\$ 102.0	\$ 73.6
Pensions and other retirement benefits	32.5	40.0
Deferred tax liabilities	3.2	3.5
Other non-current liabilities	14.4	16.2
Total liabilities	\$ 234.1	\$ 224.5
Shareholders' equity		
Ordinary shares of £0.50 par value; authorized 40,000,000 shares for 2019 and 2018; issued and outstanding 29,000,000 shares for 2019 and 27,136,799 shares for 2018	\$ 26.6	\$ 26.6
Deferred shares of £0.0001 par value; authorized 761,845,318,444; issued and outstanding 761,835,338,444 shares for 2019 and authorized 769,423,688,000; issued and outstanding 769,413,708,000 shares for 2018	149.9	149.9
Additional paid-in capital	67.3	65.6
Treasury shares	(4.3)	(4.3)
Own shares held by ESOP	(1.7)	(2.2)
Retained earnings	88.2	95.3
Accumulated other comprehensive loss	(148.0)	(146.6)
Total shareholders' equity	\$ 178.0	\$ 184.3
Total liabilities and shareholders' equity	\$ 412.1	\$ 408.8

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>In millions</i>	Year-to-date	
	2019	2018
Operating activities		
Net (loss) / income	\$ (0.3)	\$ 21.3
<i>Adjustments to reconcile net (loss) / income to net cash (used for) / provided by operating activities</i>		
Equity income of unconsolidated affiliates	(0.2)	(0.2)
Depreciation	7.1	9.2
Amortization of purchased intangible assets	0.6	0.6
Amortization of debt issuance costs	0.2	0.3
Share-based compensation charges	3.4	1.9
Deferred income taxes	1.2	5.1
Gain on disposal of business	(2.9)	—
Asset impairment charges	4.8	—
Pension and other post-retirement expense / (credit)	1.5	(2.1)
Pension and other post-retirement contributions	(6.0)	(6.9)
<i>Changes in assets and liabilities, net of effects of business acquisitions</i>		
Accounts and notes receivable	(4.8)	(3.6)
Inventories	(5.9)	(15.6)
Other current assets	(1.3)	1.2
Accounts payable	(1.0)	5.0
Accrued liabilities	(10.8)	4.4
Other current liabilities	0.7	1.2
Other non-current assets and liabilities	(1.9)	(0.4)
Net cash (used for) / provided by operating activities	\$ (15.6)	\$ 21.4
Investing activities		
Capital expenditures	\$ (7.1)	\$ (3.9)
Proceeds from sale of property, plant and equipment	1.2	—
Proceeds from sale of businesses	4.6	—
Investments in unconsolidated affiliates	—	0.8
Acquisitions, net of cash acquired	—	(0.5)
Net cash used for investing activities	\$ (1.3)	\$ (3.6)
Financing activities		
Net drawdown / (repayments) of short-term borrowings	\$ 3.8	\$ (19.2)
Net drawdown of long-term borrowings	28.2	5.0
Deferred consideration paid	(0.5)	—
Proceeds from sale of shares	3.3	—
Share-based compensation cash paid	(4.5)	(4.7)
Dividends paid	(6.8)	(6.7)
Net cash from / (used) for financing activities	\$ 23.5	\$ (25.6)
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(0.3)
Net increase / (decrease)	\$ 6.5	\$ (8.1)
Cash, cash equivalents and restricted cash; beginning of year	14.1	13.3
Cash, cash equivalents and restricted cash; end of the Second Quarter	20.6	5.2
Supplemental cash flow information:		
Interest payments	\$ 2.3	\$ 2.7
Income tax payments	5.0	1.7

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SUPPLEMENTAL INFORMATION
SEGMENT INFORMATION (UNAUDITED)

	Net sales				Adjusted EBITDA			
	Second Quarter		Year-to-date		Second Quarter		Year-to-date	
	2019	2018	2019	2018	2019	2018	2019	2018
<i>In millions</i>								
Gas Cylinders segment	\$ 58.1	\$ 60.4	\$ 116.5	\$ 119.7	\$ 7.1	\$ 5.0	\$ 11.6	\$ 11.0
Elektron segment	58.4	67.8	120.4	128.2	13.1	16.4	27.1	29.6
Consolidated	\$ 116.5	\$ 128.2	\$ 236.9	\$ 247.9	\$ 20.2	\$ 21.4	\$ 38.7	\$ 40.6

	Depreciation and amortization				Restructuring charges			
	Second Quarter		Year-to-date		Second Quarter		Year-to-date	
	2019	2018	2019	2018	2019	2018	2019	2018
<i>In millions</i>								
Gas Cylinders segment	\$ 1.4	\$ 1.9	\$ 2.8	\$ 3.9	\$ 8.3	\$ (0.1)	\$ 17.2	\$ 0.1
Elektron segment	2.6	3.0	4.9	5.9	4.4	0.4	4.5	0.9
Consolidated	\$ 4.0	\$ 4.9	\$ 7.7	\$ 9.8	\$ 12.7	\$ 0.3	\$ 21.7	\$ 1.0

	Second Quarter		Year-to-date	
	2019	2018	2019	2018
<i>In millions</i>				
Adjusted EBITDA	\$ 20.2	\$ 21.4	\$ 38.7	\$ 40.6
Other share-based compensation charges	(0.8)	(1.4)	(3.4)	(1.9)
Depreciation and amortization	(4.0)	(4.9)	(7.7)	(9.8)
Unwind discount on deferred consideration	(0.1)	(0.2)	(0.1)	(0.3)
Restructuring charges	(12.7)	(0.3)	(21.7)	(1.0)
Fair value adjustment to held-for-sale assets	—	—	0.2	—
Acquisition and disposal related gains / (costs)	2.9	—	(1.7)	—
Defined benefits pension mark-to-market gain	0.5	1.2	1.1	2.6
Interest expense, net	(1.1)	(1.0)	(2.2)	(2.5)
Provision for income taxes	(1.4)	(3.4)	(3.5)	(6.4)
Net income	\$ 3.5	\$ 11.4	\$ (0.3)	\$ 21.3

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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	
	2019	2018	2019	2018
Net income / (loss)	\$ 3.5	\$ 11.4	\$ (0.3)	\$ 21.3
Accounting charges relating to acquisitions and disposals of businesses:				
Unwind of discount on deferred consideration	0.1	0.2	0.1	0.3
Amortization on acquired intangibles	0.3	0.3	0.6	0.6
Acquisitions and disposals	(2.9)	—	1.7	—
Defined benefit pension credit	(0.5)	(1.2)	(1.1)	(2.6)
Restructuring charges	12.7	0.3	21.7	1.0
Impairment charges	—	—	(0.2)	—
Share-based compensation charges	0.8	1.4	3.4	1.9
Income tax on adjusted items	(1.6)	(0.2)	(2.3)	(0.3)
Adjusted net income	\$ 12.4	\$ 12.2	\$ 23.6	\$ 22.2
Adjusted earnings per ordinary share				
Diluted (loss) / earnings per ordinary share	\$ 0.13	\$ 0.41	\$ (0.01)	\$ 0.78
Impact of adjusted items	0.31	0.03	0.86	0.03
Adjusted diluted earnings per ordinary share ⁽¹⁾	\$ 0.44	\$ 0.44	\$ 0.85	\$ 0.81

⁽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.

ADJUSTED EBITDA (UNAUDITED)

<i>In millions</i>	Second Quarter		Year-to-date	
	2019	2018	2019	2018
Adjusted net income	\$ 12.4	\$ 12.2	\$ 23.6	\$ 22.2
Add back:				
Income tax on adjusted items	1.6	0.2	2.3	0.3
Provision for income taxes	1.4	3.4	3.5	6.4
Net finance costs	1.1	1.0	2.2	2.5
Adjusted EBITA	\$ 16.5	\$ 16.8	\$ 31.6	\$ 31.4
Depreciation	3.7	4.6	7.1	9.2
Adjusted EBITDA	\$ 20.2	\$ 21.4	\$ 38.7	\$ 40.6

ADJUSTED EFFECTIVE TAX RATE (UNAUDITED)

<i>In millions</i>	Second Quarter		Year-to-date	
	2019	2018	2019	2018
Adjusted net income	\$ 12.4	\$ 12.2	\$ 23.6	\$ 22.2
Add back:				
Income tax on adjusted items	1.6	0.2	2.3	0.3
Provision for income taxes	1.4	3.4	3.5	6.4
Adjusted income before income taxes	\$ 15.4	\$ 15.8	\$ 29.4	\$ 28.9
Adjusted provision for income taxes	3.0	3.6	5.8	6.7
Adjusted effective tax rate	19.5%	22.8%	19.7%	23.2%