

A-Mark Precious Metals Reports Fiscal First Quarter 2017 Results

SANTA MONICA, Calif., Nov. 07, 2016 (GLOBE NEWSWIRE) --**A-Mark Precious Metals, Inc.** (NASDAQ:AMRK), a full-service precious metals trading company and an official distributor for all the major sovereign mints, reported results for the fiscal first quarter ended September 30, 2016.

Fiscal Q1 2017 Highlights

- Revenues decreased 10% to \$1.81 billion from \$2.01 billion for the three months ended September 30, 2015 and increased 4.1% from \$1.74 billion for the three months ended June 30, 2016
- Gross profit decreased 44% to \$8.1 million from \$14.4 million for the three months ended September 30, 2015 and increased 6.6% from \$7.6 million for the three months ended June 30, 2016
- Net income decreased 65% to \$2.0 million or \$0.27 per diluted share from \$5.6 million or \$0.80 per diluted share for the three months ended September 30, 2015 and increased 83% from \$1.1 million or \$0.15 per diluted share for the three months ended June 30, 2016
- Gold ounces sold decreased 41% to 530,000 ounces from 896,000 for the three months ended September 30, 2015 and decreased 25.5% from 711,000 for the three months ended June 30, 2016
- Silver ounces sold decreased 46% to 21.8 million ounces from 40.5 million from the three months ended September 30, 2015 and decreased 15.6% from 25.8 million ounces for the three months ended June 30, 2016
- Trading ticket volume decreased 24% to 22,031 tickets from 28,910 for the three months ended September 30, 2015 and increased 5.1% from 20,964 for the three months ended June 30, 2016
- Number of secured loans increased 255% to 1,667 as of September 30, 2016 from 470 as of September 30, 2015 and increased 42.1% from 1,173 as of June 30, 2016

Fiscal Q1 2017 Financial Results

Revenues decreased 10% to \$1.81 billion from \$2.01 billion in the same year-ago quarter. The decrease in revenue was primarily due to lower gold and silver ounces sold as compared to the same year-ago quarter as a result of the unusual market conditions in fiscal Q1 2016 in which commodities experienced unusually high volatility. This decrease was partially offset by an increase in precious metal prices.

Gross profit decreased 44% to \$8.1 million (0.45% of revenue) from \$14.4 million (0.72% of revenue) in the same year-ago quarter. The decline in gross profit margin was primarily due to lower premium spreads on the company's primary products, as well as lower ounces and lower total tickets compared to the same year-ago quarter. The tighter premium spreads and lower volumes as compared to the same year-ago quarter were due primarily to the unusual market conditions in fiscal Q1 2016 in which commodities experienced unusually high

volatility resulting in a widening of trading spreads and higher demand.

Selling, general and administrative expenses decreased 12% to \$5.7 million from \$6.4 million in the same year-ago quarter. The decrease was primarily due to lower performance-based compensation accruals. The decrease in selling, general and administrative expenses was partially offset by \$250,000 of consulting expenses primarily related to the development and implementation of a new enterprise resource planning system and \$600,000 of other non-recurring expenses.

Interest income increased 49% to \$2.9 million from \$1.9 million in same year-ago quarter, driven primarily by an increase in the size of the company's loan portfolio, as well as increased utilization of the Company's inventory finance products by its wholesale customers.

Interest expense increased 82% to \$2.2 million from \$1.2 million in same year-ago quarter, which was primarily due to greater usage of the company's lines of credit and other product financing arrangements.

Net income decreased 65% to \$2.0 million or \$0.27 per diluted share from \$5.6 million or \$0.80 per diluted share in the same year-ago quarter. The decrease in net income was primarily due to lower revenue and gross profit.

Management Commentary

"Fiscal Q1 was gratifying in many ways because it validated our business model in a relatively subdued precious metals market," said company CEO, Greg Roberts. "These conditions were consistent with the prior quarter, so looking at our results on a sequential basis, nearly every metric was up, including revenue, gross profit, and net income, despite lower physical metal ounces sold. The sequential improvement was driven by strong demand for our higher-margin custom coin and finance products. This solid performance illustrates the advantages of our diversified business model, which provides multiple revenue streams and offers opportunities for significantly higher gross profit in market environments with increased volatility and demand—similar to what we experienced in fiscal Q1 of last year.

"Our initiatives to expand our capacity and product offerings continue to gain traction. This is highlighted by several recent accomplishments, particularly the strategic investment we made in SilverTowne Mint, a leading producer of fabricated silver products. SilverTowne significantly expands our capacity to meet unforeseen surges in demand during volatile market environments.

"In addition to expanding our capacity and production capabilities, we have completed the wholesale operations consolidation plan for our Las Vegas logistics facility. By consolidating those operations into one primary location under our control, we have reduced dependence on third-party service providers, while enhancing quality control, reducing operating costs, and ensuring a more vertically integrated business model. An essential part of our strategy for this facility is to expand our suite of ancillary services, including long-term secured storage. IRA custody is now becoming a growing area within precious metals storage, and we are pleased to have recently secured our first customer for this service. We hope to secure additional customers during fiscal 2017.

“And finally, while the relatively subdued market conditions continue to persist in our current fiscal quarter, both in terms of demand and volatility, we remain focused on executing our plan to grow our platform of high-margin and turnkey solutions. We entered fiscal 2017 with encouraging momentum; now, we aim to leverage that progress, as well as our diversified business model, to expand margins and capitalize on market conditions as they arise.”

Conference Call

A-Mark will hold a conference call today (November 7, 2016) to discuss these financial results. The company's CEO Greg Roberts, President Thor Gjerdrum and CFO Cary Dickson will host the call at 4:30 p.m. Eastern time (1:30 p.m. Pacific time). A question and answer session will follow management's presentation.

To participate, please dial the appropriate number at least five minutes prior to the start time, and ask for the A-Mark Precious Metals conference call.

U.S. dial-in number: 877-407-0789
International number: 201-689-8562

The conference call will be broadcast simultaneously and available for replay via the Investor Information section of A-Mark's website at www.amark.com. If you have any difficulty connecting with the conference call or webcast, please contact Liolios Group at 949-574-3860.

A replay of the call will be available after 7:30 p.m. Eastern time through November 21, 2016.

Toll-free replay number: 844-512-2921
International replay number: 412-317-6671
Conference ID: 13649389

About A-Mark Precious Metals

A-Mark Precious Metals, Inc. is a full-service precious metals trading company and an official distributor for many government mints throughout the world. The company offers gold, silver, platinum and palladium in the form of bars, plates, powder, wafers, grain, ingots and coins. Its Industrial unit services manufacturers and fabricators of products utilizing or incorporating precious metals, while its Coin & Bar unit deals in over 200 coin and bar products in a variety of weights, shapes and sizes for distribution to dealers and other qualified purchasers. The company operates trading centers in Santa Monica, California, and Vienna, Austria, for buying and selling precious metals.

In addition to wholesale and trading activity, A-Mark offers customers a variety of services, including financing, consignment and various customized financial programs. As a U.S. Mint-authorized purchaser of gold, silver and platinum coins, A-Mark purchases bullion products directly from the U.S. Mint for sale to customers. A-Mark also has distributorships with other sovereign mints, including in Australia, Austria, Canada, China, Mexico and South Africa. Customers of A Mark include mints, manufacturers and fabricators, refiners, coin and metal dealers, banks and other financial institutions, jewelers, investors and collectors. For more information about A-Mark Precious Metals, visit www.amark.com.

Through its subsidiary Collateral Finance Corporation, a licensed California Finance Lender,

the company offers loans collateralized by numismatic and semi-numismatic coins and bullion to coin and metal dealers, investors and collectors. Through its Transcontinental Depository Services subsidiary, it offers a variety of managed storage options for precious metals products to financial institutions, dealers, investors and collectors around the world. Through its A-M Global Logistics subsidiary, the company provides its customers an array of complementary services, including storage, shipping, handling, receiving, processing, and inventorying of precious metals and custom coins on a secure basis.

A-Mark recently acquired a majority stake in a joint venture, AM&ST Associates, LLC (AM&ST), which concurrently acquired the entire minting business from Indiana-based SilverTowne Mint, a leading producer of fabricated silver bullion and specialty products. SilverTowne Mint continues to hold a non-majority stake in the joint venture. A-Mark has entered into an exclusive distributorship agreement with AM&ST and intends to leverage AM&ST's fabrication capabilities and extensive coin die portfolio to expand its custom coin programs, as well as introduce new custom products for individual customers. For more information about SilverTowne Mint, please visit www.silvertownemint.com.

Important Cautions Regarding Forward-Looking Statements

Statements in this press release that relate to future plans, objectives, expectations, performance, events and the like are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and the Securities Exchange Act of 1934. Future events, risks and uncertainties, individually or in the aggregate, could cause actual results to differ materially from those expressed or implied in these statements. Factors that could cause actual results to differ include the following: the failure to execute our growth strategy as planned; greater than anticipated costs incurred to execute this strategy; changes in the current international political climate which has favorably contributed to demand and volatility in the precious metals markets; increased competition for our higher margin services, which could depress pricing; the failure of our business model to respond to changes in the market environment as anticipated; general risks of doing business in the commodity markets; and other business, economic, financial and governmental risks as described in in the Company's public filings with the Securities and Exchange Commission.

The words "should," "believe," "estimate," "expect," "intend," "anticipate," "foresee," "plan" and similar expressions and variations thereof identify certain of such forward-looking statements, which speak only as of the dates on which they were made. Additionally, any statements related to future improved performance and estimates of revenues and earnings per share are forward-looking statements. The company undertakes no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

A-MARK PRECIOUS METALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except for share data)
(unaudited)

	September 30, 2016	June 30, 2016
ASSETS		
Current assets:		
Cash	\$ 16,753	\$ 17,142
Receivables, net	20,746	43,302
Derivative assets	28,775	33,732
Secured loans receivable	82,782	70,004
Inventories:		
Inventories	179,826	185,699
Restricted inventories	117,789	59,358
	297,615	245,057
Income taxes receivable	8,341	7,318
Income taxes receivable from Former Parent	—	203
Prepaid expenses and other assets	1,656	1,503
Total current assets	456,668	418,261
Plant, property and equipment, net	5,730	3,482
Goodwill	8,881	4,620
Intangibles, net	4,391	1,987
Long-term secured loans receivable	—	500
Long-term investments	7,859	7,873
Deferred tax assets - non-current	—	424
Total assets	\$ 483,529	\$ 437,147
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 203,000	\$ 212,000
Liability on borrowed metals	4,196	4,352
Product financing arrangements	117,789	59,358
Accounts payable	61,867	46,769
Derivative liabilities	13,519	36,454
Note payable - related party	500	—
Accrued liabilities	4,279	7,660
Total current liabilities	405,150	366,593
Deferred tax liabilities - non-current	8,689	7,245
Other long-term liabilities	1,117	—
Total liabilities	414,956	373,838
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of September 30, 2016 and June 30, 2016	—	—
Common Stock, par value \$0.01; 40,000,000 shares authorized; 7,031,450 and 7,021,450 shares issued and outstanding as of September 30, 2016 and June 30, 2016, respectively	71	71
Additional paid-in capital	22,583	22,220
Retained earnings	42,476	41,018
Total A-Mark Precious Metals, Inc. stockholders' equity	65,130	63,309
Non-controlling interests	3,443	—
Total stockholders' equity	68,573	63,309
Total liabilities, non-controlling interests and stockholders' equity	\$ 483,529	\$ 437,147

A-MARK PRECIOUS METALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except for share and per share data)
(unaudited)

	Three Months Ended	
	September 30, 2016	September 30, 2015
Revenues	\$ 1,805,653	\$ 2,006,936
Cost of sales	1,797,589	1,992,512
Gross profit	<u>8,064</u>	<u>14,424</u>
Selling, general and administrative expenses	(5,664)	(6,408)
Interest income	2,884	1,933
Interest expense	(2,241)	(1,234)
Other (expense) income	(39)	412
Unrealized loss on foreign exchange	(6)	(39)
Net income before provision for income taxes	<u>2,998</u>	<u>9,088</u>
Provision for income taxes	(1,059)	(3,469)
Net income	<u>1,939</u>	<u>5,619</u>
Less: Net loss attributable to non-controlling interests	(11)	—
Net income attributable to A-Mark	<u>\$ 1,950</u>	<u>\$ 5,619</u>
 Basic and diluted income per share attributable to A-Mark Precious Metals, Inc.:		
Basic	<u>\$ 0.28</u>	<u>\$ 0.81</u>
Diluted	<u>\$ 0.27</u>	<u>\$ 0.80</u>
 Weighted average shares outstanding:		
Basic	<u>7,023,300</u>	<u>6,973,500</u>
Diluted	<u>7,108,500</u>	<u>7,058,700</u>

A-MARK PRECIOUS METALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(unaudited)

	Three Months Ended	September 30, 2016	September 30, 2015
Cash flows from operating activities:			
Net income		\$ 1,939	\$ 5,619
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization		321	303
Amortization of loan cost		204	—
Deferred income taxes		1,868	1,444
Interest added to principal of secured loans		(17)	(26)
Share-based compensation		191	53
Earnings from equity method investment		14	(255)
Changes in assets and liabilities:			
Receivables		22,556	(17,223)
Secured loans		(3,262)	340
Secured loans to Former Parent		1,369	(710)
Derivative assets		4,957	738
Income tax receivable		(1,023)	1,822
Inventories		(52,558)	(63,005)
Prepaid expenses and other current assets		(357)	128
Accounts payable		14,606	27,860
Derivative liabilities		(22,935)	(5,004)
Liabilities on borrowed metals		(156)	(5,491)
Accrued liabilities		(3,787)	(1,088)
Receivable from/payables to Former Parent		203	—
Net cash used in operating activities		<u>(35,867)</u>	<u>(54,495)</u>
Cash flows from investing activities:			
Capital expenditures for property and equipment		(336)	(189)
Secured loans, net		(10,368)	(1,355)
Acquisition of majority-owned subsidiary, net of cash		(3,421)	—
Net cash used in investing activities		<u>(14,125)</u>	<u>(1,544)</u>
Cash flows from financing activities:			
Product financing arrangements, net		58,431	10,605
Dividends		—	(349)
(Repayments) borrowings under lines of credit, net		(9,000)	29,900
Release of common stock		172	—
Net cash provided by financing activities		<u>49,603</u>	<u>40,156</u>
Net (decrease) increase in cash and cash equivalents		<u>(389)</u>	<u>(15,883)</u>
Cash and cash equivalents, beginning of period		<u>17,142</u>	<u>20,927</u>
Cash and cash equivalents, end of period		<u>\$ 16,753</u>	<u>\$ 5,044</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest expense		\$ 1,456	\$ 1,134
Income taxes		\$ 307	\$ —
Non-cash investing and financing activities:			
Interest added to principal of secured loans		\$ 14	\$ 26
Contribution of assets from minority interest		\$ 3,454	\$ —
Note issued minority interest partner for acquired business		\$ 500	\$ —
Earn out obligation payable to minority interest partner		\$ 1,523	\$ —

Consolidated Results of Operations

The operating results of our business for the three months ended September 30, 2016 and

2015 are as follows:

in thousands, except per share data

	Three Months Ended September 30,		2015		2016	
	\$	% of revenue	\$	% of revenue	\$	%
Revenues	\$ 1,805,653	100.000 %	\$ 2,006,936	100.000 %	\$ (201,283)	(10.0)%
Gross profit	8,064	0.447 %	14,424	0.719 %	\$ (6,360)	(44.1)%
Selling, general and administrative expenses	(5,664)	(0.314)%	(6,408)	(0.319)%	\$ (744)	(11.6)%
Interest income	2,884	0.160 %	1,933	0.096 %	\$ 951	49.2 %
Interest expense	(2,241)	(0.124)%	(1,234)	(0.061)%	\$ 1,007	81.6 %
Other (expense) income	(39)	(0.002)%	412	0.021 %	\$ (451)	(109.5)%
Unrealized loss on foreign exchange	(6)	— %	(39)	(0.002)%	\$ 33	NM
Net income before provision for income taxes	2,998	0.166 %	9,088	0.453 %	\$ (6,090)	(67.0)%
Provision for income taxes	(1,059)	(0.059)%	(3,469)	(0.173)%	\$ (2,410)	69.5 %
Net income	1,939	0.107 %	5,619	0.280 %	\$ (3,680)	(65.5)%
Less: Net loss attributable to non- controlling interests	(11)	— %	—	— %	\$ (11)	— %
Net income attributable to A- Mark	\$ 1,950	0.108 %	\$ 5,619	0.280 %	\$ (3,669)	(65.3)%

Basic and diluted income per share attributable to A-Mark Precious Metals, Inc.:

Per Share Data:

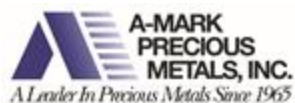
Basic	\$ 0.28	\$ 0.81	\$ (0.53)	(65.4)%
Diluted	\$ 0.27	\$ 0.80	\$ (0.53)	(66.3)%

Company Contact

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Source: A-Mark Precious Metals