

A-Mark Precious Metals Reports Fiscal Second Quarter and Six Month 2017 Results

SANTA MONICA, Calif., Feb. 07, 2017 (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 second quarter and six months ended December 31, 2016.

Fiscal Q2 2017 Financial Highlights

- Revenues increased 39% to \$2.13 billion from \$1.53 billion for the three months ended December 31, 2015 and increased 18% from \$1.81 billion for the three months ended September 30, 2016
- Gross profit increased 74% to \$9.9 million from \$5.7 million for the three months ended December 31, 2015 and increased 22% from \$8.1 million for the three months ended September 30, 2016
- Net income increased 98% to \$2.8 million or \$0.39 per diluted share from \$1.4 million or \$0.20 per diluted share for the three months ended December 31, 2015 and increased 41% from \$2.0 million or \$0.27 per diluted share for the three months ended September 30, 2016
- Gold ounces sold increased 10% to 772,000 ounces from 699,000 for the three months ended December 30, 2015 and increased 46% from 530,000 for the three months ended September 30, 2016
- Silver ounces sold decreased 31% to 22.8 million ounces from 32.8 million from the three months ended December 31, 2015 and increased 5% from 21.8 million ounces for the three months ended September 30, 2016
- Trading ticket volume increased 109% to 35,198 tickets from 16,805 for the three months ended December 31, 2015 and increased 60% from 22,031 for the three months ended September 30, 2016
- Number of secured loans increased 153% to 1,698, as of December 31, 2016 from 670 as of December 31, 2015 and increased 2% from 1,667 as of September 30, 2016

Fiscal Q2 2017 Financial Results

Revenues increased 39% to \$2.13 billion from \$1.53 billion in the same year-ago quarter. The increase in revenue was mainly due to an increase in the total amount of gold ounces sold, an increase in precious metal prices, and higher forward sales, which was partially offset by a decrease in silver ounces sold. The higher demand for gold was driven in part by higher sales of industrial products.

Gross profit increased 74% to \$9.9 million (0.46% of revenue) from \$5.7 million (0.37% of revenue) in the same year-ago quarter. The increase in gross margin was primarily due to an improvement in trading profits.

Selling, general and administrative expenses increased 35% to \$6.1 million from \$4.5 million in the same year-ago quarter. The increase was due to greater consulting expenses related to the development and implementation of a new enterprise resource system, compensation costs, costs related to SilverTowne's minting operations (which were acquired in the first quarter of fiscal 2017), and other non-recurring costs.

Interest income increased 36% to \$3.0 million from \$2.2 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 85% to \$2.4 million from \$1.3 million in same year-ago quarter. The increase was primarily the result of greater activity within the company's lines of credit and other product financing arrangements, arising from continued growth in the business. The increase was also partially due to higher LIBOR interest rates that went into effect subsequent to the Federal Reserve rate increases.

Net income increased 98% to \$2.8 million or \$0.39 per diluted share from \$1.4 million or \$0.20 per diluted share in the same year-ago quarter. The increase in net income was primarily due to higher revenue and gross profit, partially offset by higher expenses.

Fiscal Six Months Highlights

- Revenues increased 11% to \$3.93 billion from \$3.54 billion for the six months ended December 31, 2015
- Gross profit decreased 11% to \$17.9 million (0.46% of revenue) from \$20.1 million (0.57% of revenue) for the six months ended December 31, 2015
- Net income decreased 33% to \$4.7 million or \$0.66 per diluted share from \$7.0 million or \$0.99 per diluted share for the six months ended December 31, 2015
- Gold ounces sold decreased 18% to 1.3 million ounces from 1.6 million for the six months ended December 31, 2015
- Silver ounces sold decreased 39% to 44.6 million ounces from 73.3 million for the six months ended December 31, 2015
- Trading ticket volume increased 25% to 57,229 tickets from 45,715 for the six months ended December 31, 2015
- Number of secured loans increased 153% to 1,698, as of December 31, 2016 from 670 as of December 31, 2015

Fiscal Six Months 2017 Financial Results

Revenues increased 11% to \$3.93 billion from \$3.54 billion in the same period last year. The increase was primarily due to an increase in precious metal prices and higher forward sales, which was partially offset by a decrease in the total amount of gold ounces and silver ounces sold.

Gross profit decreased 11% to \$17.9 million (0.46% of revenue) from \$20.1 million (0.57% of revenue) in the same year-ago period. The decrease in gross margin was primarily due to lower premium spreads on the company's primary products compared to the same year-ago period when the company experienced atypical volatility and supply constraints, particularly in fiscal Q1 2016.

Selling, general and administrative expenses increased 8% to \$11.8 million from \$10.9 million in the same year-ago period. The increase was due to higher consulting expenses related to the development and implementation of a new enterprise resource system, costs related to SilverTowne's minting operations (acquired in the first quarter of fiscal 2017), and other non-recurring costs. The rise was partially offset by lower compensation costs, primarily due to lower performance-based compensation accruals.

Interest income increased 41% to \$5.8 million from \$4.1 million in the same year-ago period. The increase was primarily due to an increase in the size of the company's loan portfolio, as well as improvement in certain finance products.

Interest expense increased 83% to \$4.7 million from \$2.6 million in the same year-ago quarter. The increase was primarily due to a greater usage of the company's lines of credit and other product financing arrangements, arising from continued growth in the business. The increase was also due, in part, to higher LIBOR interest rates that went in to effect subsequent to the Federal Reserve rate increases.

Net income decreased 33% to \$4.7 million or \$0.66 per diluted share from \$7.0 million or \$0.99 per diluted share in the same period last year. The decrease was primarily due to lower gross profit, higher interest expense and higher selling, general and administrative expenses, offset by higher interest income.

Management Commentary

"Our fiscal Q2 results were strong across the board despite operating under the subdued market conditions in the precious metals space," said company CEO, Greg Roberts. "While these conditions were consistent with the prior quarter, we were able to deliver double-digit sequential and year-over-year growth in nearly every key metric, namely revenue, gross profit, net income, and gold ounces sold, all of which partially offset weaker demand for silver products. On top of this, our trading-ticket volume more than doubled in the quarter, driven by an increase in customers taking advantage of our online trading portal. Altogether, this solid performance reaffirms the advantages of our increasingly diversified business model, which provides multiple revenue streams while offering opportunities for significantly higher gross profit in market environments with increased volatility and demand."

"One of our key strategic objectives in fiscal 2017 is to further diversify our business and expand our capacity. A major initiative is our investment in SilverTowne Mint, a leading producer of fabricated silver products, which we completed in fiscal Q1. SilverTowne significantly expands our capacity to meet unforeseen surges in silver demand during volatile market environments. As expected, the mint has been consistently producing in excess of one million ounces of silver per month, which A-Mark then sells to our customer base. We are now focused on various initiatives to drive additional growth and profitability at the mint, including promoting consignment offerings, developing custom and standard coins in innovative 'Stackable' coin packaging, and producing built-to-order customer branded silver products."

"Another key objective this year is to expand our suite of ancillary services at our Las Vegas logistics facility. During Q2, we continued to benefit from the operational and cost efficiencies the facility provides us. In fact, this quarter marked the facility's strongest period since we opened it in July 2015, both in terms of financial performance and volume of business. Securing additional customers for our new storage program for precious metal

investment options for self-directed IRA accounts continues to be a primary focus.”

“Slower market activity has persisted into our current quarter, both in terms of demand and volatility. Looking ahead, we expect the current market environment and trends to continue for the near-term, though increases in federal interest rates should have a positive effect on our business that could potentially offset some of the slowing activity. Nevertheless, as we navigate this more subdued market going forward, we will continue to focus on growing and improving our platform of high-margin and turnkey solutions. In the more immediate future, we will rely on our diversified business model to generate predictable streams of revenue and profits, and be ready to capitalize on trading opportunities and favorable market conditions as they arise.”

Conference Call

A-Mark will hold a conference call today (February 7, 2017) 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 Relations 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 February 21, 2017.

Toll-free replay number: 844-512-2921
International replay number: 412-317-6671
Conference ID: 13654433

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, packaging, 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.

	December 31, 2016	June 30, 2016
ASSETS		
Current assets:		
Cash	\$ 13,270	\$ 17,142
Receivables, net	81,945	43,302
Derivative assets	39,577	33,732
Secured loans receivable	80,939	70,004
Inventories:		
Inventories	169,457	185,699
Restricted inventories	121,466	59,358
	<u>290,923</u>	<u>245,057</u>
Income taxes receivable	1,429	7,318
Income taxes receivable from Former Parent	—	203
Prepaid expenses and other assets	1,272	1,503
Total current assets	<u>509,355</u>	<u>418,261</u>
Plant, property and equipment, net	6,063	3,482
Goodwill	8,881	4,620
Intangibles, net	4,280	1,987
Long-term secured loans receivable	—	500
Long-term investments	7,952	7,873
Deferred tax assets - non-current	453	424
Total assets	<u>\$ 536,984</u>	<u>\$ 437,147</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 185,000	\$ 212,000
Liability on borrowed metals	3,471	4,352
Product financing arrangements	121,466	59,358
Accounts payable	65,845	46,769
Derivative liabilities	74,358	36,454
Note payable - related party	500	—
Accrued liabilities	4,499	7,660
Income taxes payable	5,745	—
Total current liabilities	<u>460,884</u>	<u>366,593</u>
Deferred tax liabilities - non-current	3,933	7,245
Other long-term liabilities	1,117	—
Total liabilities	<u>465,934</u>	<u>373,838</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of December 31, 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 December 31, 2016 and June 30, 2016, respectively	71	71
Additional paid-in capital	22,812	22,220
Retained earnings	44,734	41,018
Total A-Mark Precious Metals, Inc. stockholders' equity	<u>67,617</u>	<u>63,309</u>
Non-controlling interest	3,433	—
Total stockholders' equity	<u>71,050</u>	<u>63,309</u>
Total liabilities, non-controlling interest and stockholders' equity	<u>\$ 536,984</u>	<u>\$ 437,147</u>

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Revenues	\$ 2,126,361	\$ 1,529,143	\$ 3,932,014	\$ 3,536,079
Cost of sales	2,116,502	1,523,467	3,914,091	3,515,979
Gross profit	9,859	5,676	17,923	20,100
Selling, general and administrative expenses	(6,131)	(4,528)	(11,795)	(10,936)
Interest income	2,959	2,182	5,818	4,115
Interest expense	(2,447)	(1,322)	(4,688)	(2,556)
Other income	93	94	79	506
Unrealized (loss) gain on foreign exchange	(3)	150	(9)	111
Net income before provision for income taxes	4,330	2,252	7,328	11,340
Provision for income taxes	(1,590)	(863)	(2,649)	(4,332)
Net income	2,740	1,389	4,679	7,008
Add: Net loss attributable to non-controlling interest	(10)	—	(21)	—
Net income attributable to the Company	<u>\$ 2,750</u>	<u>\$ 1,389</u>	<u>\$ 4,700</u>	<u>\$ 7,008</u>
Basic and diluted income per share attributable to A-Mark Precious Metals, Inc.:				
Basic	<u>\$ 0.39</u>	<u>\$ 0.20</u>	<u>\$ 0.67</u>	<u>\$ 1.00</u>
Diluted	<u>\$ 0.39</u>	<u>\$ 0.20</u>	<u>\$ 0.66</u>	<u>\$ 0.99</u>
Weighted average shares outstanding:				
Basic	<u>7,023,300</u>	<u>6,973,500</u>	<u>7,027,400</u>	<u>6,973,500</u>
Diluted	<u>7,108,900</u>	<u>7,119,000</u>	<u>7,112,800</u>	<u>7,089,700</u>

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

	Six Months Ended	December 31, 2016	December 31, 2015
Cash flows from operating activities:			
Net income	\$	4,679	\$ 7,008
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization		707	606
Amortization of loan cost		378	—
Deferred income taxes		(3,341)	1,748
Interest added to principal of secured loans		(34)	(46)
Share-based compensation		420	107
		(79)	(506)
Earnings from equity method investment			
Changes in assets and liabilities:			
Receivables		(38,643)	7,468
Secured loans		8,442	2,361
Secured loans to Former Parent		(1,453)	(881)
Derivative assets		(5,845)	(5,759)
Income tax receivable		5,889	864
Inventories		(45,866)	(48,278)
Prepaid expenses and other current assets		(147)	554
Accounts payable		19,076	5,420
Derivative liabilities		37,904	2,033
Liabilities on borrowed metals		(881)	(5,266)
Accrued liabilities		(3,567)	263
Receivable from/payables to Former Parent		203	1,605
Income taxes payable		5,745	—
Net cash used in operating activities		(16,413)	(30,699)
Cash flows from investing activities:			
Capital expenditures for property and equipment		(944)	(574)
Purchase of long-term investments		—	(2,336)
Secured loans, net		(17,390)	(9,826)
Acquisition of majority-owned subsidiary, net of cash		(3,421)	—
Net cash used in investing activities		(21,755)	(12,736)
Cash flows from financing activities:			
Product financing arrangements, net		62,108	11,079
Dividends		(984)	(696)
(Repayments) borrowings under lines of credit, net		(27,000)	15,500
Stock award grant		172	—
Net cash provided by financing activities		34,296	25,883
Net decrease in cash and cash equivalents		(3,872)	(17,552)
Cash and cash equivalents, beginning of period		17,142	20,927
Cash and cash equivalents, end of period	\$	13,270	\$ 3,375

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest expense	\$	3,968	\$ 2,393
Income taxes	\$	365	\$ 113

Non-cash investing and financing activities:

Interest added to principal of secured loans	\$	34	\$ 46
Contribution of assets from minority interest	\$	3,454	\$ —
Payable to 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 December 31, 2016 and

2015 are as follows:

in thousands, except per share data

Three Months Ended December 31,	2016		2015		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 2,126,361	100.000 %	\$ 1,529,143	100.000 %	\$ 597,218	39.1 %
Gross profit	9,859	0.464 %	5,676	0.371 %	\$ 4,183	73.7 %
Selling, general and administrative expenses	(6,131)	(0.288)%	(4,528)	(0.296)%	\$ 1,603	35.4 %
Interest income	2,959	0.139 %	2,182	0.143 %	\$ 777	35.6 %
Interest expense	(2,447)	(0.115)%	(1,322)	(0.086)%	\$ 1,125	85.1 %
Other income	93	0.004 %	94	0.006 %	\$ (1)	(1.1)%
Unrealized (loss) gain on foreign exchange	(3)	— %	150	0.010 %	\$ (153)	NM
Net income before provision for income taxes	4,330	0.204 %	2,252	0.147 %	\$ 2,078	92.3 %
Provision for income taxes	(1,590)	(0.075)%	(863)	(0.056)%	\$ 727	84.2 %
Net income	2,740	0.129 %	1,389	0.091 %	\$ 1,351	97.3 %
Net loss attributable to non-controlling interest	(10)	— %	—	— %	\$ (10)	— %
Net income attributable to the Company	\$ 2,750	0.129 %	\$ 1,389	0.091 %	\$ 1,361	98.0 %

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

Per Share Data:

Basic	\$ 0.39	\$ 0.20	\$ 0.19	95.0 %
Diluted	\$ 0.39	\$ 0.20	\$ 0.19	95.0 %

Consolidated Results of Operations

The operating results of our business for the six months ended December 31, 2016 and 2015 are as follows:

in thousands, except per share data

Six Months Ended December 31,	2016		2015		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 3,932,014	100.000 %	\$ 3,536,079	100.000 %	\$ 395,935	11.2 %
Gross profit	17,923	0.456 %	20,100	0.568 %	\$ (2,177)	(10.8)%
Selling, general and administrative expenses	(11,795)	(0.300)%	(10,936)	(0.309)%	\$ 859	7.9 %
Interest income	5,818	0.148 %	4,115	0.116 %	\$ 1,703	41.4 %
Interest expense	(4,688)	(0.119)%	(2,556)	(0.072)%	\$ 2,132	83.4 %
Other income	79	0.002 %	506	0.014 %	\$ (427)	(84.4)%
Unrealized (loss) gain on foreign exchange	(9)	— %	111	0.003 %	\$ (120)	NM
Net income before provision for income taxes	7,328	0.186 %	11,340	0.321 %	\$ (4,012)	(35.4)%
Provision for income taxes	(2,649)	(0.067)%	(4,332)	(0.123)%	\$ (1,683)	38.9 %
Net income	4,679	0.119 %	7,008	0.198 %	\$ (2,329)	(33.2)%
Net loss attributable to non-controlling interest	(21)	(0.001)%	—	— %	\$ (21)	— %
Net income attributable to the Company	\$ 4,700	0.120 %	\$ 7,008	0.198 %	\$ (2,308)	(32.9)%

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

Per Share Data:

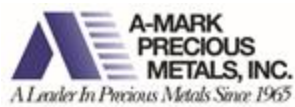
Basic	\$ 0.67	\$ 1.00	\$ (0.33)	(33.0)%
Diluted	\$ 0.66	\$ 0.99	\$ (0.33)	(33.3)%

Company Contact

Steve Reiner, Executive Vice President, Capital Markets & Investor Relations
A-Mark Precious Metals, Inc.
310-587-1410
sreiner@amark.com

Investor Relations Contact:

Matt Glover
Liolios Group, Inc.
949-574-3860
AMRK@liolios.com



Source: A-Mark Precious Metals