

A-Mark Precious Metals Reports Fiscal Third Quarter 2019 Results

EL SEGUNDO, Calif., May 09, 2019 (GLOBE NEWSWIRE) --[A-Mark Precious Metals, Inc. \(NASDAQ: AMRK\)](#), a leading full-service provider of products and services to the global precious metals market, reported results for the fiscal third quarter ended March 31, 2019.

Fiscal Q3 2019 Financial Highlights

- Revenues for the three months ended March 31, 2019 decreased 36% to \$1.27 billion from \$1.99 billion for the three months ended March 31, 2018 and increased 15% from \$1.10 billion for the three months ended December 31, 2018
- Gross profit for the three months ended March 31, 2019 increased 17% to \$8.7 million (0.69% of revenue) from \$7.4 million (0.37% of revenue) for the three months ended March 31, 2018 and increased 5% from \$8.3 million (0.76% of revenue) for the three months ended December 31, 2018
- Net income for the three months ended March 31, 2019 totaled \$990,000 or \$0.14 per diluted share, as compared to a net loss of \$633,000 or \$0.09 per diluted share for the three months ended March 31, 2018 and net income of \$577,000 or \$0.08 per diluted share for the three months ended December 31, 2018
- Gold ounces sold in the three months ended March 31, 2019 decreased 23% to 474,000 ounces from 618,000 for the three months ended March 31, 2018 and increased 8% from 440,000 for the three months ended December 31, 2018
- Silver ounces sold in the three months ended March 31, 2019 increased 47% to 16.8 million ounces from 11.4 million for the three months ended March 31, 2018 and decreased 16% from 20.0 million for the three months ended December 31, 2018
- As of March 31, 2019, the number of secured loans decreased 18% to 2,568 from 3,124 as of March 31, 2018 and increased 33% from 1,931 as of December 31, 2018

Fiscal Q3 2019 Financial Results

Revenues decreased 36% to \$1.27 billion from \$1.99 billion in the same year-ago quarter. The decrease in revenues was mainly due to lower forward sales and lower gold and silver prices, offset by an increase in the total amount of silver ounces sold.

Gross profit increased 17% to \$8.7 million (0.69% of revenue) from \$7.4 million (0.37% of revenue) in the same year-ago quarter. The increase in gross profit was primarily due to improved gross profits from the Wholesale Trading & Ancillary Services and Direct Sales segments.

Selling, general and administrative expenses decreased 12% to \$8.3 million from \$9.4 million in the same year-ago quarter. The decrease was primarily due to lower operating expenses incurred by the Direct Sales segment of \$1.4 million, which were partially offset by increased overall compensation costs of \$0.5 million.

Interest income increased 18% to \$4.8 million from \$4.1 million in the same year-ago

quarter. The increase was driven primarily by an increase in other finance product income of \$0.4 million related to customer repurchase arrangements and an increase in interest income from the Secured Lending Segment of \$0.2 million due principally to an increase in the value of the secured loan portfolio.

Interest expense increased 16% to \$4.2 million from \$3.6 million in the same year-ago quarter. The increase was primarily due to the newly issued notes payable related to the Secured Lending segment and an increase in liability on borrowed metals, partially offset by a reduction of interest expense from product financing arrangements and the repayment of the Goldline Credit Facility.

Net income totaled \$990,000 or \$0.14 per diluted share, an improvement from net loss of \$633,000 or \$0.09 per diluted share in the same year-ago quarter.

Fiscal Nine Months 2019 Highlights

- Revenues for the nine months ended March 31, 2019 decreased 33% to \$3.93 billion from \$5.84 billion for the nine months ended March 31, 2018
- Gross profit for the nine months ended March 31, 2019 increased 8% to \$25.5 million (0.65% of revenue) from \$23.6 million (0.40% of revenue) for the nine months ended March 31, 2018
- Net income for the nine months ended March 31, 2019 totaled \$3.0 million or \$0.43 per diluted share, as compared to a net loss of \$360,000 or \$0.05 per diluted share for the nine months ended March 31, 2018
- Gold ounces sold in the nine months ended March 31, 2019 increased 9% to 1.4 million ounces from 1.3 million for the nine months ended March 31, 2018
- Silver ounces sold in the nine months ended March 31, 2019 increased 45% to 55.1 million ounces from 37.9 million for the nine months ended March 31, 2018

Fiscal Nine Months 2019 Financial Results

Revenues decreased 33% to \$3.93 billion from \$5.84 billion in the same year-ago period. The decrease was primarily due to lower forward sales and lower gold and silver prices, offset by an increase in the total amount of gold and silver ounces sold.

Gross profit increased 8% to \$25.5 million (0.65% of revenue) from \$23.6 million (0.40% of revenue) in the same year-ago period. The increase in gross profit was primarily due to improved gross profits from the Wholesale Trading & Ancillary Services and Direct Sales segments.

Selling, general and administrative expenses decreased 6% to \$24.1 million from \$25.7 million in the same year-ago period. The decrease was primarily due to lower operating expenses incurred by the Direct Sales segment of \$2.0 million, lower investigatory acquisition costs of \$0.7 million, lower legal costs of \$0.3 million, which were partially offset by increased overall compensation costs of \$1.4 million.

Interest income increased 33% to \$14.0 million from \$10.5 million in the same year-ago period. This increase was driven primarily by an increase in other finance product income of \$2.1 million related to customer repurchase arrangements and an increase in interest income from the Secured Lending Segment of \$0.7 million due principally to an increase in the value of the secured loan portfolio.

Interest expense increased 28% to \$12.4 million from \$9.7 million in the same year-ago period. The increase was primarily due to the recently issued notes payable related to the Secured Lending segment and an increase in liability on borrowed metals, which was partially offset by a reduction in interest expense related to product financing arrangements and the repayment of the Goldline Credit Facility. In comparison to the same year-ago period, interest expense increased \$2.8 million related to the recently issued notes payable and \$0.8 million related to the liability on borrowed metals. This was partially offset by a decrease of \$0.4 million related to product financing arrangements and \$0.2 million related to the repayment of the Goldline Credit Facility.

Net income totaled \$3.0 million or \$0.43 per diluted share, an improvement from a loss of \$360,000 or \$0.05 per diluted share in the same year-ago period.

Management Commentary

“During the third quarter, we leveraged our diversified platform and longstanding relationships to capitalize on moderate market volatility and demand for A-Mark’s physical products,” said company CEO Greg Roberts. “The operational success we achieved during the quarter is evidenced by the improvement of key financial metrics, most notably gross profit, net income and silver ounces sold. We also saw solid increases in nearly all of our key financial metrics for the first nine months of the fiscal year, reflecting both improved market conditions and the effectiveness of our scaled platform and business model, which is structured to provide diverse sources of income and predictability.

“While we achieved solid results year-to-date and have one of the most expansive product and service offerings in our industry, we are continuing to plan and judiciously invest in strategic growth areas to further diversify our business. One key area is our Direct Sales Segment, which improved performance in the third quarter due to the increasing demand for retail products coupled with the segment’s more streamlined operations and expense structure. In step with this, we are actively implementing initiatives to leverage technology to further enhance the customer experience, more effectively secure new customers, improve efficiencies and, ultimately, drive revenue and continue our trajectory towards profitability of the Direct Sales segment. Additionally, we are continuing to build out our finance portfolio, in which the total number of loans grew 33% from the quarter ended December 31, 2018.

“We remain optimistic about our long-term prospects, and believe we are aligning favorably with our business strategy to drive organic growth and enhance our model. In the near-term, we will continue to systemically build our platform to capture a greater share of the market regardless of political and economic conditions, while acting opportunistically to capitalize on attractive near-term trading opportunities and strategically to scale our business for long-term success.”

Conference Call

A-Mark will hold a conference call today (May 9, 2019) 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: 1-877-327-6837
International number: 1-631-891-4304
Conference ID: 10006666

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 A-Mark's investor relations team at 1-949-574-3860.

A replay of the call will be available after 7:30 p.m. Eastern time through May 23, 2019.

Toll-free replay number: 1-844-512-2921
International replay number: 1-412-317-6671
Conference ID: 10006666

About A-Mark Precious Metals

Founded in 1965, A-Mark Precious Metals, Inc. (NASDAQ: AMRK) is a leading full-service precious metals trading company and wholesaler of gold, silver, platinum and palladium bullion and related products. The company's global customer base includes sovereign and private mints, manufacturers and fabricators, refiners, dealers and online retailers, financial institutions, industrial users, investors, collectors and retail customers. The company conducts its operations through three complementary segments: Wholesale Trading & Ancillary Services, Secured Lending and Direct Sales.

A-Mark operates several business units in its Wholesale Trading & Ancillary Services segment, including Industrial, Coin and Bar, Trading and Finance, Transcontinental Depository Services (TDS), Logistics and Mint. Its Industrial unit services manufacturers and fabricators of products utilizing precious metals, while its Coin and Bar unit deals in over 200 different products for distribution to dealers and other qualified purchasers. 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, South Africa and the United Kingdom. Through its [TDS](#) subsidiary, A-Mark provides customers with storage and management solutions for precious metals worldwide. Through its A-M Global Logistics subsidiary, A-Mark provides customers an array of complementary services, including storage, shipping, and delivery of precious metals and custom coins on a secure basis. A-Mark also holds a majority stake in a joint venture that owns the minting operations known as [SilverTowne Mint](#), which enables A-Mark to mint proprietary products as well as provides greater access to fabricated silver products.

The company operates its Secured Lending segment through its wholly-owned subsidiary, [CFC](#). Founded in 2005, CFC is a California licensed finance lender that originates and acquires loans secured by bullion and numismatic coins. Its customers include coin and precious metal dealers, investors and collectors.

A-Mark operates its Direct Sales segment through its wholly-owned subsidiary [Goldline Inc.](#), a direct retailer of precious metals to the investor community. Goldline markets A-Mark's precious metal products through various channels, including radio, television and the Internet.

A-Mark is headquartered in El Segundo, California with offices and facilities in Vienna, Austria and Las Vegas, Nevada. For more information, visit www.amark.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 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.

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

	March 31, 2019	June 30, 2018
ASSETS		
Current assets:		
Cash	\$ 4,749	\$ 6,291
Receivables, net	15,725	35,856
Derivative assets	6,243	7,395
Secured loans receivable	111,246	110,424
Precious metals held under financing arrangements	212,622	262,566
Inventories:		
Inventories	200,696	166,176
Restricted inventories	65,723	113,940
	<u>266,419</u>	<u>280,116</u>
Income taxes receivable	1,541	1,553
Prepaid expenses and other assets	2,748	2,782
Total current assets	<u>621,293</u>	<u>706,983</u>
Plant, property and equipment, net	6,977	8,018
Goodwill	8,881	8,881
Intangibles, net	6,105	6,861
Long-term investments	11,621	8,388
Deferred tax assets - non-current	2,895	3,870
Total assets	<u>\$ 657,772</u>	<u>\$ 743,001</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 149,000	\$ 200,000
Liability on borrowed metals	210,650	280,346
Product financing arrangements	65,723	113,940
Accounts payable	64,897	45,997
Derivative liabilities	2,107	20,457
Accrued liabilities	5,628	5,129
Total current liabilities	<u>498,005</u>	<u>665,869</u>
Debt obligation (related party)	—	7,226
Notes payable	86,720	—
Other long-term liabilities (related party)	—	798
Total liabilities	<u>584,725</u>	<u>673,893</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of March 31, 2019 and June 30, 2018	—	—
Common stock, par value \$0.01; 40,000,000 shares authorized; 7,031,450 shares issued and outstanding as of March 31, 2019 and June 30, 2018	71	71
Additional paid-in capital	26,198	24,717
Retained earnings	43,958	40,910
Total A-Mark Precious Metals, Inc. stockholders' equity	<u>70,227</u>	<u>65,698</u>
Non-controlling interest	2,820	3,410
Total stockholders' equity	<u>73,047</u>	<u>69,108</u>
Total liabilities, non-controlling interest and stockholders' equity	<u>\$ 657,772</u>	<u>\$ 743,001</u>

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

	Three Months Ended		Nine Months Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Revenues	\$ 1,266,986	\$ 1,994,963	\$ 3,932,988	\$ 5,839,491
Cost of sales	1,258,270	1,987,536	3,907,480	5,815,842
Gross profit	8,716	7,427	25,508	23,649
Selling, general and administrative expenses	(8,258)	(9,423)	(24,080)	(25,748)
Interest income	4,807	4,087	14,010	10,516
Interest expense	(4,239)	(3,642)	(12,447)	(9,734)
Other income	373	99	1,303	811
Unrealized gain (loss) on foreign exchange	(36)	(32)	(54)	6
Net income (loss) before provision for income taxes	1,363	(1,484)	4,240	(500)
Income tax (expense) benefit	(402)	807	(1,143)	209
Net income (loss)	961	(677)	3,097	(291)
Net (loss) income attributable to non-controlling interest	(29)	(44)	49	69
Net income (loss) attributable to the Company	\$ 990	\$ (633)	\$ 3,048	\$ (360)
Basic and diluted net income (loss) per share attributable to A-Mark Precious Metals, Inc.:				
Basic	\$ 0.14	\$ (0.09)	\$ 0.43	\$ (0.05)
Diluted	\$ 0.14	\$ (0.09)	\$ 0.43	\$ (0.05)
Dividends per share	\$ —	\$ 0.08	\$ —	\$ 0.24
Weighted average shares outstanding:				
Basic	7,031,400	7,031,400	7,031,400	7,031,400
Diluted	7,084,400	7,031,400	7,087,300	7,031,400

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

Nine Months Ended March 31,	2019	2018
Cash flows from operating activities:		
Net income (loss)	\$ 3,097	\$ (291)
<i>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</i>		
Provision (reversal) for doubtful accounts	(30)	—
Depreciation and amortization	2,088	1,994
Amortization of loan cost	854	1,055
Deferred income taxes	975	(239)
Interest added to principal of secured loans	(16)	(41)
Change in accrued earn-out (non-cash)	(504)	(529)
Loss on debt extinguishment	7	—
Share-based compensation	842	1,020
Earnings from equity method investment	(934)	(278)
<i>Changes in assets and liabilities:</i>		
Receivables	20,161	(919)
Secured loans receivable	(1,747)	313
Secured loans to Former Parent	4,007	(9,352)
Derivative assets	1,152	10,777
Income tax receivable	12	(1,521)
Precious metals held under financing arrangements	49,944	—
Inventories	13,697	(202,217)
Prepaid expenses and other assets	(447)	(2,330)
Accounts payable	14,680	7,590
Derivative liabilities	(18,350)	(16,411)
Liabilities on borrowed metals	(69,696)	228,720
Accrued liabilities	567	(1,597)
Income taxes payable	—	(1,418)
Net cash provided by operating activities	20,359	14,326
Cash flows from investing activities:		
Capital expenditures for property and equipment	(290)	(821)
Purchase of long-term investments	(2,300)	—
Secured loans receivable, net	(3,066)	(9,175)
Acquisition of subsidiary, net of cash	—	(9,548)
Net cash used in investing activities	(5,656)	(19,544)
Cash flows from financing activities:		
Product financing arrangements, net	(48,217)	(37,973)
Dividends	—	(1,686)
Borrowings and repayments under lines of credit, net	(51,000)	30,000
Repayments on notes payable to related party	(7,500)	(500)
Borrowings on unsecured advance	4,220	—
Proceeds from issuance of notes payable	90,000	7,500
Debt funding issuance costs	(3,748)	(241)
Net cash used in financing activities	(16,245)	(2,900)
Net decrease in cash, cash equivalents, and restricted cash	(1,542)	(8,118)
Cash, cash equivalents, and restricted cash, beginning of period	6,291	13,059
Cash, cash equivalents, and restricted cash, end of period	\$ 4,749	\$ 4,941

Overview of Results of Operations for the Three Months Ended March 31, 2019 and 2018

Condensed Consolidated Results of Operations

The operating results of our business for the three months ended March 31, 2019 and 2018 are as follows:

in thousands, except per share data

Three Months Ended March 31,	2019		2018		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 1,266,986	100.000 %	\$ 1,994,963	100.000 %	\$ (727,977)	(36.5)%
Gross profit	8,716	0.688 %	7,427	0.372 %	\$ 1,289	17.4 %
Selling, general and administrative expenses	(8,258)	(0.652)%	(9,423)	(0.472)%	\$ (1,165)	(12.4)%
Interest income	4,807	0.379 %	4,087	0.205 %	\$ 720	17.6 %
Interest expense	(4,239)	(0.335)%	(3,642)	(0.183)%	\$ 597	16.4 %
Other income	373	0.029 %	99	0.005 %	\$ 274	276.8 %
Unrealized loss on foreign exchange	(36)	(0.003)%	(32)	(0.002)%	\$ 4	12.5 %
Net income (loss) before provision for income taxes	1,363	0.108 %	(1,484)	(0.074)%	\$ 2,847	191.8 %
Income tax (expense) benefit	(402)	(0.032)%	807	0.041 %	\$ 1,209	149.8 %
Net income (loss)	961	0.076 %	(677)	(0.034)%	\$ 1,638	241.9 %
Net loss attributable to non-controlling interest	(29)	(0.002)%	(44)	(0.002)%	\$ (15)	(34.1)%
Net income (loss) attributable to the Company	\$ 990	0.078 %	\$ (633)	(0.032)%	\$ 1,623	256.4 %

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

Per Share Data:

Basic	\$ 0.14	\$ (0.09)	\$ 0.23	255.6 %
Diluted	\$ 0.14	\$ (0.09)	\$ 0.23	255.6 %

Overview of Results of Operations for the Nine Months Ended March 31, 2019 and 2018

Condensed Consolidated Results of Operations

The operating results of our business for the nine months ended March 31, 2019 and 2018 are as follows:

in thousands, except per share data

	2019		2018		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 3,932,988	100.000 %	\$ 5,839,491	100.000 %	\$ (1,906,503)	(32.6)%
Gross profit	25,508	0.649 %	23,649	0.405 %	\$ 1,859	7.9 %
Selling, general and administrative expenses	(24,080)	(0.612)%	(25,748)	(0.441)%	\$ (1,668)	(6.5)%
Interest income	14,010	0.356 %	10,516	0.180 %	\$ 3,494	33.2 %
Interest expense	(12,447)	(0.316)%	(9,734)	(0.167)%	\$ 2,713	27.9 %
Other income	1,303	0.033 %	811	0.014 %	\$ 492	60.7 %
Unrealized (loss) gain on foreign exchange	(54)	(0.001)%	6	— %	\$ 60	1,000.0 %
Net income (loss) before provision for income taxes	4,240	0.108 %	(500)	(0.009)%	\$ 4,740	948.0 %
Income tax (expense) benefit	(1,143)	(0.029)%	209	0.004 %	\$ 1,352	646.9 %
Net income (loss)	3,097	0.079 %	(291)	(0.005)%	\$ 3,388	1,164.3 %
Net income attributable to non-controlling interest	49	0.001 %	69	0.001 %	\$ (20)	(29.0)%
Net income (loss) attributable to the Company	\$ 3,048	0.078 %	\$ (360)	(0.006)%	\$ 3,408	946.7 %

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

Per Share Data:

Basic	\$ 0.43	\$ (0.05)	\$ 0.48	960.0 %
Diluted	\$ 0.43	\$ (0.05)	\$ 0.48	960.0 %



Source: A-Mark Precious Metals