

A-Mark Precious Metals Reports Fiscal First Quarter 2020 Results

EL SEGUNDO, Calif., Nov. 07, 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 first quarter ended September 30, 2019.

Fiscal Q1 2020 Financial Highlights

- Revenues for the three months ended September 30, 2019 decreased 5% to \$1.48 billion from \$1.57 billion for the three months ended September 30, 2018 and increased 74% from \$850.2 million for the three months ended June 30, 2019
- Gross profit for the three months ended September 30, 2019 decreased 2% to \$8.3 million (0.56% of revenue) from \$8.5 million (0.54% of revenue) for the three months ended September 30, 2018 and increased 29% from \$6.5 million (0.76% of revenue) for the three months ended June 30, 2019
- Net income for the three months ended September 30, 2019 totaled \$128,000 or \$0.02 per diluted share, as compared to net income of \$1.5 million or \$0.21 per diluted share for the three months ended September 30, 2018 and net loss of \$823,000 or \$(0.12) per diluted share for the three months ended June 30, 2019
- Gold ounces sold in the three months ended September 30, 2019 increased 8% to 576,000 ounces from 535,000 for the three months ended September 30, 2018 and increased 65% from 350,000 for the three months ended June 30, 2019
- Silver ounces sold in the three months ended September 30, 2019 increased 14% to 20.9 million ounces from 18.0 million for the three months ended September 30, 2018 and increased 67% from 12.5 million for the three months ended June 30, 2019
- As of September 30, 2019, the number of secured loans increased 109% to 3,571 from 1,705 as of September 30, 2018 and increased 27% from 2,806 as of June 30, 2019

Fiscal Q1 2020 Financial Results

Revenues decreased 5% to \$1.48 billion from \$1.57 billion in the same year-ago quarter. The decrease in revenues was primarily due to lower forward sales of approximately \$0.4 billion, offset by higher gold and silver prices and higher gold and silver ounces sold.

Gross profit decreased 2% to \$8.3 million (0.56% of revenue) from \$8.5 million (0.54% of revenue) in the same year-ago quarter. The decrease in gross profit was primarily due to lower gross profits earned by the Company's Wholesale Trading & Ancillary Services segment, offset by higher gross profits earned by the Direct Sales segment (i.e. Goldline).

Selling, general and administrative expenses increased 7% to \$8.3 million from \$7.7 million in the same year-ago quarter. The increase was primarily due to an increase in overall compensation costs of \$0.2 million, and deductibles on insurance claims of \$0.3 million, which were partially offset by a decrease in consulting costs of \$0.1 million.

Interest income increased 27% to \$5.8 million from \$4.6 million in the same year-ago quarter. The increase was primarily due to interest income earned by the Company's Secured Lending Segment and other finance product income earned by its Wholesale Trading & Ancillary Services segment.

Interest expense increased 45% to \$5.1 million from \$3.6 million in the same year-ago quarter. The increase was primarily due to higher overall average debt levels and interest rates associated with the Secured Lending segment's asset-backed notes issued in September 2018.

Net income totaled \$128,000 or \$0.02 per diluted share, compared to net income of \$1.5 million or \$0.21 per diluted share in the same year-ago quarter.

Management Commentary

"In the first quarter of fiscal 2020, we leveraged our diversified platform and long-standing relationships to capitalize on the modest increase in demand we experienced for A-Mark's physical products, which was incrementally higher than the demand we witnessed in the prior quarter," said company CEO Greg Roberts. "While we realized broad-based improvements across our business, particularly in the latter half of the quarter, our Secured Lending segment performed especially well, as evidenced by the 27% sequential increase in the number of loans outstanding and an increase in interest income from our higher average loan portfolio during the quarter. This performance, coupled with the increases in both gold and silver volume sold in Q1, drove sequential improvements in our financial results for the first quarter compared with last quarter, including a 74% increase in revenue, a 29% increase in gross profit, and profitability.

"Today, A-Mark has one of the most expansive product and service offerings in the industry, and we are continuing to invest in strategic growth areas to capitalize on and further increase our market share within the industry. This includes expanding our Secured Lending segment to respond to favorable trends in the market as well as investing in our company's digital transformation to drive additional operational and financial efficiencies across our business over the long-term.

"As we look forward, we are cautiously optimistic about our prospects this year, especially given the macro backdrop and upcoming election year. The investments and initiatives we have completed have positioned us well and give us increased confidence in our organization as whole. We believe these factors will support a stronger fiscal 2020 with more predictable growth and increased profitability."

Conference Call

A-Mark will hold a conference call today (November 7, 2019) to discuss these financial results. The company's CEO Greg Roberts, President Thor Gjerdrum and CFO Kathleen Simpson-Taylor 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: 1-888-224-1121

International number: 1-323-994-2082

Conference ID: 7727329

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 on the same day through November 21, 2019.

Toll-free replay number: 1-844-512-2921

International replay number: 1-412-317-6671

Conference ID: 7727329

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, financial institutions, industrial users, investors, collectors, and e-commerce and other 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 the Mint (as more fully described below). 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 Australia, Austria, Canada, China, Mexico, South Africa and the United Kingdom. Through its [TDS](#) subsidiary, A-Mark provides customers with a variety of managed storage options for precious metals worldwide. Through its A-M Global Logistics subsidiary, A-Mark provides customers an array of complementary services, including receiving, handling, inventorying, processing, packaging and shipping 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 \(Mint\)](#), which designs and produces minted silver products which provide greater product selection to customers, price stability within the supply chain as well as more secured access to silver during volatile market environments.

The company operates its Secured Lending segment through its wholly-owned subsidiaries, Collateral Finance Corporation ([CFC](#)) and AM Capital Funding, LLC (AMCF). 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. AMCF was formed in 2018 for the purpose of securitizing eligible secured loans of CFC.

A-Mark operates its Direct Sales segment primarily through its wholly-owned subsidiary [Goldline Inc. \(Goldline\)](#), a direct retailer of precious metals for 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 and with offices and facilities in Los Angeles, California, Vienna, Austria, Las Vegas, Nevada, and Winchester, Indiana. 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. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except for share data)

	September 30, 2019	June 30, 2019
ASSETS		
Current assets:		
Cash	\$ 12,461	\$ 8,320
Receivables, net	23,643	26,895
Derivative assets	19,546	2,428
Secured loans receivable	150,473	125,298
Precious metals held under financing arrangements	200,809	208,792
Inventories:		
Inventories	213,068	198,356
Restricted inventories	159,130	94,505
	<u>372,198</u>	<u>292,861</u>
Income tax receivable	1,500	1,473
Prepaid expenses and other assets	2,605	2,783
Total current assets	<u>783,235</u>	<u>668,850</u>
Operating lease right of use assets, net	5,066	—
Plant, property and equipment, net	6,448	6,731
Goodwill	8,881	8,881
Intangibles, net	5,599	5,852
Long-term investments	11,897	11,885
Deferred tax assets - non-current	3,071	3,163
Other long-term assets	3,000	—
Total assets	<u>\$ 827,197</u>	<u>\$ 705,362</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 204,000	\$ 167,000
Liabilities on borrowed metals	196,738	201,144
Product financing arrangements	159,130	94,505
Accounts payable	85,405	62,180
Derivative liabilities	6,690	9,971
Accrued liabilities	5,391	6,137
Total current liabilities	<u>657,354</u>	<u>540,937</u>
Notes payable	92,017	91,859
Other liabilities	4,791	—
Total liabilities	<u>754,162</u>	<u>632,796</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of September 30, 2019 and June 30, 2019	—	—
Common stock, par value \$0.01; 40,000,000 shares authorized; 7,031,450 shares issued and outstanding as of September 30, 2019 and June 30, 2019	71	71
Additional paid-in capital	26,618	26,452
Retained earnings	43,263	43,135
Total A-Mark Precious Metals, Inc. stockholders' equity	<u>69,952</u>	<u>69,658</u>
Non-controlling interests	3,083	2,908
Total stockholders' equity	<u>73,035</u>	<u>72,566</u>
Total liabilities, non-controlling interests and stockholders' equity	<u>\$ 827,197</u>	<u>\$ 705,362</u>

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

	Three Months Ended September 30,	2019	2018
Revenues		\$ 1,481,014	\$ 1,565,090
Cost of sales		1,472,674	1,556,615
Gross profit		<u>8,340</u>	<u>8,475</u>
Selling, general and administrative expenses		(8,270)	(7,719)
Interest income		5,768	4,551
Interest expense		(5,142)	(3,552)
Other (expense) income, net		(166)	248
Unrealized loss on foreign exchange		(122)	(70)
Net income before provision for income taxes		<u>408</u>	<u>1,933</u>
Income tax expense		(105)	(499)
Net income		<u>303</u>	<u>1,434</u>
Net income (loss) attributable to non-controlling interests		175	(47)
Net income attributable to the Company		<u>\$ 128</u>	<u>\$ 1,481</u>
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:			
Basic		\$ 0.02	\$ 0.21
Diluted		\$ 0.02	\$ 0.21
Weighted average shares outstanding:			
Basic		7,031,400	7,031,400
Diluted		7,091,000	7,091,900

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

	Three Months Ended September 30,	2019	2018
Cash flows from operating activities:			
Net income		\$ 303	\$ 1,434
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>			
Depreciation and amortization		668	697
Amortization of loan cost		353	211
Deferred income taxes		92	453
Interest added to principal of secured loans		(5)	(5)
Share-based compensation		166	272
Earnings from equity method investments		(11)	(248)
<i>Changes in assets and liabilities:</i>			
Receivables		3,252	(21,476)
Secured loans receivable		1,543	93
Secured loans made to affiliates		5,154	6,824
Derivative assets		(17,118)	4,689
Income tax receivable		(27)	(8)
Precious metals held under financing arrangements		7,983	30,090
Inventories		(79,337)	(9,689)
Prepaid expenses and other assets		(17)	(208)
Accounts payable		23,225	14,996
Derivative liabilities		(3,281)	15,517
Liabilities on borrowed metals		(4,406)	(53,148)
Accrued liabilities		(1,016)	(792)
Net cash used in operating activities		<u>(62,479)</u>	<u>(10,298)</u>
Cash flows from investing activities:			
Capital expenditures for plant, property, and equipment		(137)	(122)
Secured loans receivable, net		(31,868)	21,621
Other loans originated		(3,000)	—
Net cash (used in) provided by investing activities		<u>(35,005)</u>	<u>21,499</u>
Cash flows from financing activities:			
Product financing arrangements, net		64,625	(60,814)
Borrowings and repayments under lines of credit, net		37,000	(21,000)
Proceeds from issuance of notes payable		—	90,000
Debt funding issuance costs		—	(2,964)
Net cash provided by financing activities		<u>101,625</u>	<u>5,222</u>
Net increase in cash, cash equivalents, and restricted cash		<u>4,141</u>	<u>16,423</u>
Cash, cash equivalents, and restricted cash, beginning of period		<u>8,320</u>	<u>6,291</u>
Cash, cash equivalents, and restricted cash, end of period		<u>\$ 12,461</u>	<u>\$ 22,714</u>

Overview of Results of Operations for the Three Months Ended September 30, 2019 and 2018

Condensed Consolidated Results of Operations

The operating results of our business for the three months ended September 30, 2019 and 2018 are as follows:

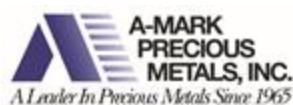
in thousands, except per share data

	2019		2018		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 1,481,014	100.000 %	\$ 1,565,090	100.000 %	\$ (84,076)	(5.4) %
Gross profit	8,340	0.563 %	8,475	0.542 %	\$ (135)	(1.6) %
Selling, general and administrative expenses	(8,270)	(0.558) %	(7,719)	(0.493) %	\$ 551	7.1 %
Interest income	5,768	0.389 %	4,551	0.291 %	\$ 1,217	26.7 %
Interest expense	(5,142)	(0.347) %	(3,552)	(0.227) %	\$ 1,590	44.8 %
Other (expense) income, net	(166)	(0.011) %	248	0.016 %	\$ 414	166.9 %
Unrealized loss on foreign exchange	(122)	(0.008) %	(70)	(0.004) %	\$ 52	NM
Net income before provision for income taxes	408	0.028 %	1,933	0.124 %	\$ (1,525)	(78.9) %
Income tax expense	(105)	(0.007) %	(499)	(0.032) %	\$ (394)	(79.0) %
Net income	303	0.020 %	1,434	0.092 %	\$ (1,131)	(78.9) %
Net income (loss) attributable to non-controlling interest	175	0.012 %	(47)	(0.003) %	\$ 222	472.3 %
Net income attributable to the Company	\$ 128	0.009 %	\$ 1,481	0.095 %	\$ (1,353)	(91.4) %

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

Per Share Data:

Basic	\$ 0.02	\$ 0.21	\$ (0.19)	(90.5) %
Diluted	\$ 0.02	\$ 0.21	\$ (0.19)	(90.5) %



Source: A-Mark Precious Metals