

A-Mark Precious Metals Reports Fiscal Second Quarter 2020 Results

EL SEGUNDO, Calif., Feb. 06, 2020 (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 second quarter ended December 31, 2019.

Fiscal Q2 2020 Financial Highlights

- Revenues for the three months ended December 31, 2019 decreased 4% to \$1.06 billion from \$1.10 billion for the three months ended December 31, 2018 and decreased 29% from \$1.48 billion for the three months ended September 30, 2019
- Gross profit for the three months ended December 31, 2019 decreased 2% to \$8.1 million (0.8% of revenue) from \$8.3 million (0.8% of revenue) for the three months ended December 31, 2018 and decreased 3% from \$8.3 million (0.6% of revenue) for the three months ended September 30, 2019
- Net income for the three months ended December 31, 2019 totaled \$1.2 million or \$0.17 per diluted share, as compared to net income of \$577,000 or \$0.08 per diluted share for the three months ended December 31, 2018 and net income of \$128,000 or \$0.02 per diluted share for the three months ended September 30, 2019
- Gold ounces sold in the three months ended December 31, 2019 decreased 3% to 428,000 ounces from 440,000 for the three months ended December 31, 2018 and decreased 26% from 576,000 for the three months ended September 30, 2019
- Silver ounces sold in the three months ended December 31, 2019 decreased 30% to 14.1 million ounces from 20.0 million ounces for the three months ended December 31, 2018 and decreased 33% from 20.9 million from the three months ended September 30, 2019
- As of December 31, 2019, the number of secured loans increased 93% to 3,725 from 1,931 as of December 31, 2018 and increased 4% from 3,571 as of September 30, 2019

Fiscal Q2 2020 Financial Results

Revenues decreased 4% to \$1.06 billion from \$1.10 billion in the same year-ago quarter. The decrease in revenues was mainly due to lower forward sales and a decrease in the total amount of gold and silver ounces sold, offset by higher gold and silver prices.

Gross profit decreased 2% to \$8.1 million (0.8% of revenue) from \$8.3 million (0.8% of revenue) in the same year-ago quarter. The decrease in gross profit was primarily due to lower gross profit from the Wholesale Trading & Ancillary Services segment, offset by higher gross profit from the Direct Sales segment and higher trading profits.

Selling, general and administrative expenses decreased 3% to \$7.9 million from \$8.1 million in the same year-ago quarter. The decrease was primarily due to lower operating expenses incurred by the Direct Sales segment of \$0.1 million, consulting expenses of \$0.2 million and

recoveries on insurance claims of \$0.2 million, which were partially offset by increased overall compensation costs of \$0.2 million.

Interest income increased 34% to \$6.2 million from \$4.7 million in the same year-ago quarter. The aggregate increase in interest income was primarily due to higher interest income from the Secured Lending segment and other finance product income.

Interest expense increased 9% to \$5.1 million from \$4.7 million in the same year-ago quarter. The increase in interest expense was primarily due to the Company's Trading Credit Facility, product financing arrangements, and loan servicing fees, partially offset by a reduction in interest expense related to liabilities on borrowed metals and the Goldline Credit Facility, which was paid off in full during the second quarter of fiscal year 2019.

Net income totaled \$1.2 million or \$0.17 per diluted share, an improvement from \$577,000 or \$0.08 per diluted share in the same year-ago quarter.

Fiscal Six Months 2020 Highlights

- Revenues for the six months ended December 31, 2019 decreased 5% to \$2.54 billion from \$2.67 billion for the six months ended December 31, 2018
- Gross profit for the six months ended December 31, 2019 decreased 2% to \$16.5 million (0.6% of revenue) from \$16.8 million (0.6% of revenue) for the six months ended December 31, 2018
- Net income for the six months ended December 31, 2019 totaled \$1.4 million or \$0.19 per diluted share, as compared to net income of \$2.1 million or \$0.29 per diluted share for the six months ended December 31, 2018
- Gold ounces sold in the six months ended December 31, 2019 increased 3% to 1,004,000 ounces from 975,000 for the six months ended December 31, 2018
- Silver ounces sold in the six months ended December 31, 2019 decreased 9% to 35.0 million ounces from 38.3 million for the six months ended December 31, 2018

Fiscal Six Months 2020 Financial Results

Revenues decreased 5% to \$2.54 billion from \$2.67 billion in the same year-ago period. The decrease was primarily due to lower forward sales and lower silver ounces sold, offset by an increase in higher gold and silver prices and higher gold ounces sold.

Gross profit decreased 2% to \$16.5 million (0.6% of revenue) from \$16.8 million (0.6% of revenue) in the same year-ago period. The decrease in gross profit was primarily due to lower gross profit from the Wholesale Trading & Ancillary segment, offset by improved gross profit from the Direct Sales segment and higher trading profits.

Selling, general and administrative expenses increased 2% to \$16.1 million from \$15.8 million in the same year-ago period. The increase was primarily due to higher overall compensation costs of \$0.3 million and deductibles on insurance claims of \$0.2 million, which were partially offset by lower operating expenses incurred by the Direct Sales segment of \$0.1 million and lower information technology costs of \$0.2 million.

Interest income increased 30% to \$12 million from \$9.2 million in the same year-ago period. The aggregate increase in interest income was primarily due to interest income earned by the Secured Lending Segment and other finance product income.

Interest expense increased 25% to \$10.2 million from \$8.2 million in the same year-ago period. The increase in interest expense was related primarily to the Company's Trading Credit Facility, notes payable, product financing arrangements, and loan servicing fees, partially offset by a reduction in interest expense related to liabilities on borrowed metals and the Goldline Credit Facility, which was paid off in full during second quarter of fiscal year 2019.

Net income totaled \$1.4 million or \$0.19 per diluted share, compared to net income of \$2.1 million or \$0.29 per diluted share in the same year-ago period.

Management Commentary

"The second quarter was highlighted by double-digit growth in interest income and stabilized operating expenses, which drove the second consecutive quarter of profitability," said company CEO Greg Roberts. "This consistent performance is due to our diversified platform of products and services as well as the cost optimization measures we implemented in fiscal 2019 which made A-Mark a leaner organization. Our Secured Lending segment continues to perform well and provides us with solid interest income, as demonstrated by the record number of loans outstanding at quarter end, which was up 93% year-over-year.

"Overall, we're encouraged by our operational and financial performance in the second quarter and first half of fiscal 2020, and we remain optimistic about our prospects for the balance of the year. We believe our competitive position, robust platform, expanding customer base and diversified business model will help drive predictable growth and increased profitability in the years ahead."

Conference Call

A-Mark will hold a conference call today (February 6, 2020) 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: 1-877-407-0789

International number: 1-201-689-8562

Conference ID: 13698642

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 February 20, 2020.

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

International replay number: 1-412-317-6671

Conference ID: 13698642

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, 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)

	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 11,558	\$ 8,320
Receivables, net	24,598	26,895
Derivative assets	5,359	2,428
Secured loans receivable	152,343	125,298
Precious metals held under financing arrangements	196,972	208,792
Inventories:		
Inventories	183,165	198,356
Restricted inventories	79,766	94,505
	<u>262,931</u>	<u>292,861</u>
Income taxes receivable	1,466	1,473
Prepaid expenses and other assets	2,016	2,783
	<u>657,243</u>	<u>668,850</u>
Total current assets		
Operating lease right of use assets, net	4,787	—
Property, plant, and equipment, net	6,349	6,731
Goodwill	8,881	8,881
Intangibles, net	5,494	5,852
Long-term investments	11,999	11,885
Deferred tax assets - non-current	2,689	3,163
Other long-term assets	3,500	—
	<u>\$ 700,942</u>	<u>\$ 705,362</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 180,000	\$ 167,000
Liabilities on borrowed metals	192,889	201,144
Product financing arrangements	79,766	94,505
Accounts payable	62,354	62,180
Derivative liabilities	9,049	9,971
Accrued liabilities	5,703	6,137
	<u>529,761</u>	<u>540,937</u>
Notes payable ⁽¹⁾	92,181	91,859
Other liabilities	4,466	—
	<u>626,408</u>	<u>632,796</u>
Total liabilities		
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of December 31, 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 December 31, 2019 and June 30, 2019	71	71
Additional paid-in capital	26,862	26,452
Retained earnings	44,497	43,135
	<u>71,430</u>	<u>69,658</u>
Total A-Mark Precious Metals, Inc. stockholders' equity		
Non-controlling interests	3,104	2,908
	<u>74,534</u>	<u>72,566</u>
Total stockholders' equity		
Total liabilities, non-controlling interests and stockholders' equity	<u>\$ 700,942</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		Six Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Revenues	\$ 1,055,590	\$ 1,100,912	\$ 2,536,604	\$ 2,666,002
Cost of sales	1,047,459	1,092,595	2,520,133	2,649,210
Gross profit	8,131	8,317	16,471	16,792
Selling, general, and administrative expenses	(7,870)	(8,103)	(16,140)	(15,822)
Interest income	6,232	4,652	12,000	9,203
Interest expense	(5,081)	(4,656)	(10,223)	(8,208)
Other income (expense), net	150	682	(16)	930
Unrealized gain (loss) on foreign exchange	125	52	3	(18)
Net income before provision for income taxes	1,687	944	2,095	2,877
Income tax expense	(432)	(242)	(537)	(741)
Net income	1,255	702	1,558	2,136
Net income attributable to non-controlling interests	21	125	196	78
Net income attributable to the Company	<u>\$ 1,234</u>	<u>\$ 577</u>	<u>\$ 1,362</u>	<u>\$ 2,058</u>
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:				
Basic	<u>\$ 0.17</u>	<u>\$ 0.08</u>	<u>\$ 0.19</u>	<u>\$ 0.29</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.08</u>	<u>\$ 0.19</u>	<u>\$ 0.29</u>
Weighted average shares outstanding:				
Basic	<u>7,031,400</u>	<u>7,031,400</u>	<u>7,031,400</u>	<u>7,031,400</u>
Diluted	<u>7,056,300</u>	<u>7,085,600</u>	<u>7,074,800</u>	<u>7,088,700</u>

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

	Six Months Ended December 31,	2019	2018
Cash flows from operating activities:			
Net income	\$	1,558	\$ 2,136
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>			
Provision (reversal) for doubtful accounts		—	(30)
Depreciation and amortization		1,334	1,398
Amortization of loan cost		730	542
Deferred income taxes		474	659
Interest added to principal of secured loans		(10)	(10)
Change in accrued earn-out		—	(504)
Debt extinguishment costs		—	7
Share-based compensation		410	553
Earnings from equity method investments		(114)	(559)
<i>Changes in assets and liabilities:</i>			
Receivables		2,297	12,611
Secured loans receivable		2,131	(737)
Secured loans made to affiliates		5,108	(4,458)
Derivative assets		(2,931)	5,794
Income taxes receivable		7	26
Precious metals held under financing arrangements		11,820	35,661
Inventories		29,930	3,831
Prepaid expenses and other assets		359	708
Accounts payable		174	743
Derivative liabilities		(923)	4,847
Liabilities on borrowed metals		(8,255)	(53,029)
Accrued liabilities		(743)	(109)
Net cash provided by operating activities		<u>43,356</u>	<u>10,080</u>
Cash flows from investing activities:			
Capital expenditures for property, plant, and equipment		(455)	(138)
Purchase of long-term investments		—	(1,500)
Purchase of intangible assets		(150)	—
Secured loans receivable, net		(34,274)	10,872
Other loans originated		(3,500)	—
Net cash (used in) provided by investing activities		<u>(38,379)</u>	<u>9,234</u>
Cash flows from financing activities:			
Product financing arrangements, net		(14,739)	(31,527)
Borrowings and repayments under lines of credit, net		13,000	(61,000)
Repayments on notes payable to related party		—	(7,500)
Proceeds from issuance of notes payable		—	90,000
Debt funding issuance costs		—	(3,748)
Net cash used in financing activities		<u>(1,739)</u>	<u>(13,775)</u>
Net increase in cash, cash equivalents, and restricted cash		3,238	5,539
Cash, cash equivalents, and restricted cash, beginning of period		8,320	6,291
Cash, cash equivalents, and restricted cash, end of period	\$	<u>11,558</u>	\$ <u>11,830</u>

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

Condensed Consolidated Results of Operations

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

in thousands, except per share data

Three Months Ended December 31,

	2019		2018		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 1,055,590	100.000 %	\$ 1,100,912	100.000 %	\$ (45,322)	(4.1)%
Gross profit	8,131	0.770 %	8,317	0.755 %	\$ (186)	(2.2)%
Selling, general, and administrative expenses	(7,870)	(0.746)%	(8,103)	(0.736)%	\$ (233)	(2.9)%
Interest income	6,232	0.590 %	4,652	0.423 %	\$ 1,580	34.0 %
Interest expense	(5,081)	(0.481)%	(4,656)	(0.423)%	\$ 425	9.1 %
Other income, net	150	0.014 %	682	0.062 %	\$ (532)	(78.0)%
Unrealized gain on foreign exchange	125	0.012 %	52	0.005 %	\$ 73	140.4 %
Net income before provision for income taxes	1,687	0.160 %	944	0.086 %	\$ 743	78.7 %
Income tax expense	(432)	(0.041)%	(242)	(0.022)%	\$ 190	78.5 %
Net income	1,255	0.119 %	702	0.064 %	\$ 553	78.8 %
Net income attributable to non-controlling interests	21	0.002 %	125	0.011 %	\$ (104)	(83.2)%
Net income attributable to the Company	\$ 1,234	0.117 %	\$ 577	0.052 %	\$ 657	113.9 %

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

Per Share Data:

Basic	\$ 0.17	\$ 0.08	\$ 0.09	112.5 %
Diluted	\$ 0.17	\$ 0.08	\$ 0.09	112.5 %

Overview of Results of Operations for the Six Months Ended December 31, 2019 and 2018

Condensed Consolidated Results of Operations

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

in thousands, except per share data

Six Months Ended December 31,	2019		2018		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 2,536,604	100.000 %	\$ 2,666,002	100.000 %	\$ (129,398)	(4.9)%
Gross profit	16,471	0.649 %	16,792	0.630 %	\$ (321)	(1.9)%
Selling, general, and administrative expenses	(16,140)	(0.636)%	(15,822)	(0.593)%	\$ 318	2.0 %
Interest income	12,000	0.473 %	9,203	0.345 %	\$ 2,797	30.4 %
Interest expense	(10,223)	(0.403)%	(8,208)	(0.308)%	\$ 2,015	24.5 %
Other (expense) income, net	(16)	(0.001)%	930	0.035 %	\$ 946	101.7 %
Unrealized gain (loss) on foreign exchange	3	— %	(18)	(0.001)%	\$ 21	NM
Net income before provision for income taxes	2,095	0.083 %	2,877	0.108 %	\$ (782)	(27.2)%
Income tax expense	(537)	(0.021)%	(741)	(0.028)%	\$ (204)	(27.5)%
Net income	1,558	0.061 %	2,136	0.080 %	\$ (578)	(27.1)%
Net income attributable to non-controlling interests	196	0.008 %	78	0.003 %	\$ 118	151.3 %
Net income attributable to the Company	\$ 1,362	0.054 %	\$ 2,058	0.077 %	\$ (696)	(33.8)%

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

Per Share Data:

Basic	\$ 0.19	\$ 0.29	\$ (0.10)	(34.5)%
Diluted	\$ 0.19	\$ 0.29	\$ (0.10)	(34.5)%



Source: A-Mark Precious Metals