

A-Mark Precious Metals Reports Fiscal Second Quarter 2021 Results

EL SEGUNDO, Calif., Feb. 09, 2021 (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, 2020.

Fiscal Second Quarter 2021 Financial Highlights

- Revenues for the three months ended December 31, 2020 increased 44% to \$1.52 billion from \$1.06 billion for the three months ended December 31, 2019 and decreased 19% from \$1.87 billion for the three months ended September 30, 2020
- Gross profit for the three months ended December 31, 2020 increased 131% to \$18.8 million (1.24% of revenue) from \$8.1 million (0.77% of revenue) for the three months ended December 31, 2019 and decreased 48% from \$36.1 million (1.94% of revenue) for the three months ended September 30, 2020
- Net income attributable to the Company for the three months ended December 31, 2020 totaled \$8.9 million or \$1.16 per diluted share, as compared to net income of \$1.2 million or \$0.17 per diluted share for the three months ended December 31, 2019 and net income of \$23.1 million or \$3.09 per diluted share for the three months ended September 30, 2020
- Gold ounces sold in the three months ended December 31, 2020 increased 12% to 479,000 ounces from 428,000 ounces for the three months ended December 31, 2019 and decreased 34% from 721,000 ounces for the three months ended September 30, 2020
- Silver ounces sold in the three months ended December 31, 2020 increased 51% to 21.2 million ounces from 14.1 million ounces for the three months ended December 31, 2019 and decreased 12% from 24.2 million ounces for the three months ended September 30, 2020
- As of December 31, 2020, the number of secured loans decreased 65% to 1,324 from 3,725 as of December 31, 2019 and increased 18% from 1,125 as of September 30, 2020

Fiscal Second Quarter 2021 Financial Results

Revenues increased 44% to \$1.52 billion from \$1.06 billion in the same year-ago quarter. The increase in revenues was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver.

Gross profit increased 131% to \$18.8 million (1.24% of revenue) from \$8.1 million (0.77% of

revenue) in the same year-ago quarter. The increase in gross profit was due to higher gross profits from the company's Wholesale Sales & Ancillary Services and Direct Sales segments.

Selling, general and administrative expenses increased 15% to \$9.0 million from \$7.9 million in the same year-ago quarter. The increase in selling, general and administrative expenses was primarily due to increases in insurance costs of \$0.5 million, financial and tax consulting costs of \$0.4 million, compensation expense (including performance-based accruals) of \$0.3 million and \$0.1 million of advertising expense, which were partially offset by decreases in operating expenses of \$0.1 million associated with the company's Direct Sales segment and depreciation and amortization expenses of \$0.1 million.

Interest income decreased 27% to \$4.5 million from \$6.2 million in the same year-ago quarter. The aggregate decrease in interest income was primarily due to lower interest income earned by the company's Secured Lending segment, partially offset by higher other finance product income.

Interest expense decreased 1% to \$5.0 million from \$5.1 million in the same year-ago quarter. The decrease in interest expense was primarily due to a reduction in loan servicing fees, partially offset by an increase interest expense related to product financing arrangements. As compared to the same year-ago period, interest expense related to loan servicing fees decreased by \$0.5 million, which was offset by an increase of \$0.4 million related to product financing arrangements.

Net income attributable to the Company totaled \$8.9 million or \$1.16 per diluted share, a significant improvement compared to net income of \$1.2 million or \$0.17 per diluted share in the same year-ago quarter.

Fiscal Six Months 2020 Highlights

- Revenues for the six months ended December 31, 2020 increased 33% to \$3.38 billion from \$2.54 billion for the six months ended December 31, 2019
- Gross profit for the six months ended December 31, 2020 increased 233% to \$54.9 million (1.6% of revenue) from \$16.5 million (0.6% of revenue) for the six months ended December 31, 2019
- Net income attributable to the Company for the six months ended December 31, 2020 totaled \$32.0 million or \$4.21 per diluted share, as compared to net income of \$1.4 million or \$0.19 per diluted share for the six months ended December 31, 2019
- Gold ounces sold in the six months ended December 31, 2020 increased 20% to 1.2 million ounces from 1.0 million for the six months ended December 31, 2019
- Silver ounces sold in the six months ended December 31, 2020 increased 30% to 45.5 million ounces from 35.0 million for the six months ended December 31, 2019

Fiscal Six Months 2020 Financial Results

Revenues increased 33% to \$3.38 billion from \$2.54 billion in the same year-ago period. The increase in revenues was primarily attributable to an increase in the total amount of gold and silver ounces sold and higher average selling prices of gold and silver.

Gross profit increased 233% to \$54.9 million (1.6% of revenue) from \$16.5 million (0.6% of revenue) in the same year-ago period. The increase in gross profit was primarily due to higher gross profits earned by the company's Wholesale Sales & Ancillary Services and Direct Sales segments.

Selling, general and administrative expenses increased 18% to \$19.0 million from \$16.1 million in the same year-ago period. The increase in selling, general and administrative expenses was primarily due to increases in compensation expense (including performance-based accruals) of \$2.2 million, insurance costs of \$0.4 million, financial and tax consulting costs of \$0.4 million, computer software costs of \$0.2 million and advertising costs of \$0.2 million, which were partially offset by decreases in operating expenses of \$0.3 million associated with the company's Direct Sales segment and depreciation and amortization expense of \$0.2 million.

Interest income decreased 29% to \$8.5 million from \$12.0 million in the same year-ago period. The decrease in Interest income was primarily due to interest income earned by the company's Secured Lending segment, partially offset by higher other finance product income.

Interest expense decreased 9% to \$9.3 million from \$10.2 million in the same year-ago period. The decrease in interest expense was primarily due to reductions in interest expense related to the company's Trading Credit Facility and loan servicing fees, partially offset by increases in interest expense related to product financing arrangements and liability on borrowed metals.

Net income attributable to the Company totaled \$32.0 million or \$4.21 per diluted share, an improvement from \$1.4 million or \$0.19 per diluted share in the same year-ago period.

Management Commentary

"The second quarter was another solid period for A-Mark," said CEO Greg Roberts. "Following the unprecedented volatility in the precious metals market during Q1 that produced outsized profitability for A-Mark, Q2 was characterized by above average product demand, volumes and premium spreads. These market dynamics allowed us to realize another quarter of strong financial performance, highlighted by the \$8.9 million we generated in net income, which contributed to the most profitable first half of any fiscal year in our history. Our financial results continue to demonstrate the strength of our unique business model, which is designed to generate consistent and diverse revenue streams in normal market conditions and outsized profitability during volatile market periods.

"We continue to benefit from the scalability of our fully-integrated platform and highly complementary business segments, which have enabled us to capture significant value across the precious metals market especially during periods of supply constrained and volatile market conditions. The strategic investments we have made to expand A-Mark's direct sales are yielding encouraging results and have positioned A-Mark to take advantage of the current market conditions and to drive growth in the years ahead.

"Our business continues to benefit from the sustained rally in the precious metals market and we remain confident that our favorable competitive position, industry-leading platform, and proven business model will help us capitalize on the near-term opportunities and realize continued growth and profitability over the long term."

Conference Call

A-Mark will hold a conference call today (February 9, 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 5:00 p.m. Eastern time (2:00 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: 13716127

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 23, 2021.

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

International replay number: 1-412-317-6671

Conference ID: 13716127

About A-Mark Precious Metals

Founded in 1965, A-Mark Precious Metals, Inc. (NASDAQ: AMRK) is a leading full-service precious metals 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 Sales & Ancillary Services, Secured Lending, and Direct Sales.

A-Mark operates several business units in its Wholesale Sales & Ancillary Services segment, including Industrial, Coin and Bar, Trading and Finance, Storage, 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 Transcontinental Depository Services 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 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; the effects of the COVID-19 pandemic and the eventual return to normalized business and economic conditions; and the strategic, business, economic, financial, political and governmental risks 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.

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
Gateway Investor Relations

1-949-574-3860

AMRK@gatewayIR.com

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

	December 31, 2020	June 30, 2020
ASSETS		
Current assets:		
Cash	\$ 14,922	\$ 52,325
Receivables, net	101,864	49,142
Derivative assets	57,849	46,325
Secured loans receivable	95,817	63,710
Precious metals held under financing arrangements	160,255	178,577
Inventories:		
Inventories	245,151	246,603
Restricted inventories	272,531	74,678
	517,682	321,281
Prepaid expenses and other assets	3,131	2,659
Total current assets	951,520	714,019
Operating lease right of use assets	3,642	4,223
Property, plant, and equipment, net	5,913	5,675
Goodwill	8,881	8,881
Intangibles, net	4,657	4,974
Long-term investments	30,013	16,763
Other long-term assets	2,500	3,500
Total assets	\$ 1,007,126	\$ 758,035
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 175,000	\$ 135,000
Liabilities on borrowed metals	141,796	168,206
Product financing arrangements	272,531	74,678
Accounts payable and other current liabilities	142,372	140,930
Derivative liabilities	50,809	25,414
Accrued liabilities	9,431	10,397
Income tax payable	715	2,135
Total current liabilities	792,654	556,760
Notes payable	92,874	92,517
Deferred tax liabilities	62	62
Other liabilities	3,108	3,802
Total liabilities	888,698	653,141
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of December 31, 2020 and June 30, 2020	—	—
Common stock, par value \$0.01; 40,000,000 shares authorized; 7,131,462 and 7,031,500 shares issued and outstanding as of December 31, 2020 and June 30, 2020, respectively	72	71
Additional paid-in capital	29,093	27,289
Retained earnings	84,461	73,644
Total A-Mark Precious Metals, Inc. stockholders' equity	113,626	101,004
Non-controlling interests	4,802	3,890
Total stockholders' equity	118,428	104,894
Total liabilities, non-controlling interests and stockholders' equity	\$ 1,007,126	\$ 758,035

A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except for share and per share data) (unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Revenues	\$ 1,518,744	\$ 1,055,590	\$ 3,384,860	\$ 2,536,604
Cost of sales	1,499,993	1,047,459	3,329,964	2,520,133
Gross profit	18,751	8,131	54,896	16,471
Selling, general, and administrative expenses	(9,033)	(7,870)	(19,039)	(16,140)
Interest income	4,533	6,232	8,516	12,000
Interest expense	(5,037)	(5,081)	(9,330)	(10,223)
Other income (expense), net	2,567	150	7,052	(16)
Unrealized gains (losses) on foreign exchange	19	125	(78)	3
Net income before provision for income taxes	11,800	1,687	42,017	2,095
Income tax expense	(2,586)	(432)	(9,097)	(537)
Net income	9,214	1,255	32,920	1,558
Net income attributable to non-controlling interests	289	21	912	196
Net income attributable to the Company	<u>\$ 8,925</u>	<u>\$ 1,234</u>	<u>\$ 32,008</u>	<u>\$ 1,362</u>
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:				
Basic	<u>\$ 1.26</u>	<u>\$ 0.17</u>	<u>\$ 4.53</u>	<u>\$ 0.19</u>
Diluted	<u>\$ 1.16</u>	<u>\$ 0.17</u>	<u>\$ 4.21</u>	<u>\$ 0.19</u>
Weighted average shares outstanding:				
Basic	<u>7,063,000</u>	<u>7,031,400</u>	<u>7,064,800</u>	<u>7,031,400</u>
Diluted	<u>7,713,300</u>	<u>7,056,300</u>	<u>7,610,400</u>	<u>7,074,800</u>

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

Six Months Ended December 31,	2020	2019
Cash flows from operating activities:		
Net income	\$ 32,920	\$ 1,558
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	1,006	1,334
Amortization of loan cost	968	730
Deferred income taxes	—	474
Interest added to principal of secured loans	(4)	(10)
Share-based compensation	388	410
Earnings from equity method investments	(6,488)	(114)
<i>Changes in assets and liabilities:</i>		
Receivables	(52,722)	2,297
Secured loans receivable	(309)	2,131
Secured loans made to affiliates	8,662	5,108
Derivative assets	(11,524)	(2,931)
Income tax receivable	—	7
Precious metals held under financing arrangements	18,322	11,820
Inventories	(196,401)	29,930
Prepaid expenses and other assets	(532)	359
Accounts payable and other current liabilities	1,442	174
Derivative liabilities	25,395	(923)
Liabilities on borrowed metals	(26,410)	(8,255)
Accrued liabilities	(1,068)	(743)
Income tax payable	(1,420)	—
Net cash (used in) provided by operating activities	(207,775)	43,356
Cash flows from investing activities:		
Capital expenditures for property, plant, and equipment	(937)	(455)
Purchase of long-term investments	(6,763)	—
Purchase of intangible assets	—	(150)
Secured loans receivable, net	(40,456)	(34,274)
Other secured loans, net	1,000	(3,500)
Net cash used in investing activities	(47,156)	(38,379)
Cash flows from financing activities:		
Product financing arrangements, net	197,853	(14,739)
Dividends paid	(21,191)	—
Borrowings and repayments under lines of credit, net	40,000	13,000
Debt funding issuance costs	(551)	—
Net settlement on issuance of common shares on exercise of options	1,417	—
Net cash provided by (used in) financing activities	217,528	(1,739)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(37,403)	3,238
Cash, cash equivalents, and restricted cash, beginning of period	52,325	8,320
Cash, cash equivalents, and restricted cash, end of period	\$ 14,922	\$ 11,558

Overview of Results of Operations for the Three Months Ended December 31, 2020 and 2019

Condensed Consolidated Results of Operations

The operating results of our business for the three months ended December 31, 2020 and 2019 are as follows:

in thousands, except per share data

	2020		2019		\$	%		
	\$	% of revenue	\$	% of revenue			Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 1,518,744	100.000 %	\$ 1,055,590	100.000 %	\$ 463,154	43.9 %		
Gross profit	18,751	1.235 %	8,131	0.770 %	\$ 10,620	130.6 %		
Selling, general, and administrative expenses	(9,033)	(0.595) %	(7,870)	(0.746) %	\$ 1,163	14.8 %		
Interest income	4,533	0.298 %	6,232	0.590 %	\$ (1,699)	(27.3) %		
Interest expense	(5,037)	(0.332) %	(5,081)	(0.481) %	\$ (44)	(0.9) %		
Other income, net	2,567	0.169 %	150	0.014 %	\$ 2,417	1,611.3 %		
Unrealized gains on foreign exchange	19	0.001 %	125	0.012 %	\$ (106)	(84.8) %		
Net income before provision for income taxes	11,800	0.777 %	1,687	0.160 %	\$ 10,113	599.5 %		
Income tax expense	(2,586)	(0.170) %	(432)	(0.041) %	\$ 2,154	498.6 %		
Net income	9,214	0.607 %	1,255	0.119 %	\$ 7,959	634.2 %		
Net income attributable to non-controlling interests	289	0.019 %	21	0.002 %	\$ 268	1,276.2 %		
Net income attributable to the Company	\$ 8,925	0.588 %	\$ 1,234	0.117 %	\$ 7,691	623.3 %		
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:								
Per Share Data:								
Basic	\$ 1.26		\$ 0.17		\$ 1.09	641.2 %		
Diluted	\$ 1.16		\$ 0.17		\$ 0.99	582.4 %		

Overview of Results of Operations for the Six Months Ended December 31, 2020 and 2019

Condensed Consolidated Results of Operations

The operating results of our business for the six months ended December 31, 2020 and 2019 are as follows:

in thousands, except per share data

Six Months Ended December 31,	2020		2019		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 3,384,860	100.000 %	\$ 2,536,604	100.000 %	\$ 848,256	33.4 %
Gross profit	54,896	1.622 %	16,471	0.649 %	\$ 38,425	233.3 %
Selling, general, and administrative expenses	(19,039)	(0.562) %	(16,140)	(0.636) %	\$ 2,899	18.0 %
Interest income	8,516	0.252 %	12,000	0.473 %	\$ (3,484)	(29.0) %
Interest expense	(9,330)	(0.276) %	(10,223)	(0.403) %	\$ (893)	(8.7) %
Other income (expense), net	7,052	0.208 %	(16)	(0.001) %	\$ 7,068	44,175.0 %
Unrealized (losses) gains on foreign exchange	(78)	(0.002) %	3	0.000 %	\$ 81	2,700.0 %
Net income before provision for income taxes	42,017	1.241 %	2,095	0.083 %	\$ 39,922	1,905.6 %
Income tax expense	(9,097)	(0.269) %	(537)	(0.021) %	\$ 8,560	1,594.0 %
Net income	32,920	0.973 %	1,558	0.061 %	\$ 31,362	2,013.0 %
Net income attributable to non-controlling interests	912	0.027 %	196	0.008 %	\$ 716	365.3 %
Net income attributable to the Company	\$ 32,008	0.946 %	\$ 1,362	0.054 %	\$ 30,646	2,250.1 %
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:						
Per Share Data:						
Basic	\$ 4.53		\$ 0.19		\$ 4.34	2,284.2 %
Diluted	\$ 4.21		\$ 0.19		\$ 4.02	2,115.8 %



Source: A-Mark Precious Metals