

A-Mark Precious Metals Reports Fiscal First Quarter 2022 Results

EL SEGUNDO, Calif., Nov. 04, 2021 (GLOBE NEWSWIRE) -- **A-Mark Precious Metals, Inc. (NASDAQ: AMRK)**, a leading fully integrated precious metals platform, reported results for the fiscal first quarter ended September 30, 2021.

Fiscal First Quarter 2022 Financial Highlights

- Revenues for the three months ended September 30, 2021 increased 8% to \$2.01 billion from \$1.87 billion for the three months ended September 30, 2020 and decreased 8% from \$2.18 billion for the three months ended June 30, 2021
- Gross profit for the three months ended September 30, 2021 increased 55% to \$56.0 million from \$36.1 million for the three months ended September 30, 2020 and decreased 36% from \$87.1 million for the three months ended June 30, 2021
- Gross profit margin for the three months ended September 30, 2021 increased to 2.78% of revenue, from 1.94% of revenue for the three months ended September 30, 2020, and declined from 4.00% of revenue in the three months ended June 30, 2021
- Net income attributable to the Company for the three months ended September 30, 2021 totaled \$26.0 million or \$2.17 per diluted share, as compared to net income of \$23.1 million or \$3.09 per diluted share for the three months ended September 30, 2020, and net income of \$51.0 million or \$4.28 per diluted share for the three months ended June 30, 2021
- Adjusted net income before provision for income taxes, depreciation, amortization and acquisition costs, a non-GAAP financial measure, for the three months ended September 30, 2021 totaled \$41.1 million, an increase of \$10.4 million compared to \$30.7 million for the three months ended September 30, 2020, and a decrease of \$31.2 million compared to \$72.3 million for the three months ended June 30, 2021
- Gold ounces sold in the three months ended September 30, 2021 decreased 7% to 669,000 ounces from 721,000 ounces for the three months ended September 30, 2020, and decreased 13% from 772,000 ounces for the three months ended June 30, 2021
- Silver ounces sold in the three months ended September 30, 2021 increased 16% to 28.1 million ounces from 24.2 million ounces for the three months ended September 30, 2020, and decreased 21% from 35.7 million ounces for the three months ended June 30, 2021
- As of September 30, 2021, the number of secured loans increased 84% to 2,074 from 1,125 as of September 30, 2020, and increased 10% from 1,881 as of June 30, 2021

Fiscal First Quarter 2022 Financial Results

Revenues increased 8% to \$2.01 billion from \$1.87 billion in the same year-ago quarter due

to an increase in silver ounces sold at higher selling prices, partially offset by lower gold ounces sold at lower selling prices. JM Bullion (“JMB”) contributed \$472.3 million of revenue to the quarter.

Gross profit increased 55% to \$56.0 million (2.78% of revenue) from \$36.1 million (1.94% of revenue) in the same year-ago quarter. The gross profit increase was due to higher gross profits earned from the Direct-to-Consumer (DTC) segment including \$24.7 million contributed by JMB.

Selling, general and administrative expenses increased 76% to \$16.7 million from \$9.5 million in the same year-ago quarter. The increase was primarily due to \$6.0 million of expenses incurred by JMB, \$0.7 million of consulting and professional fees, higher insurance costs of \$0.4 million and increased compensation expense (including performance-based accruals) of \$0.2 million.

Depreciation and amortization expense increased 1,551% to \$8.3 million from \$0.5 million in the same year-ago quarter. The increase was primarily due to \$7.7 million of amortization of acquired intangibles related to JMB.

Interest income increased 39% to \$5.5 million from \$4.0 million in the same year-ago quarter. The aggregate increase was primarily due to higher interest income earned by the Secured Lending Segment, and higher other finance product income.

Interest expense increased 28% to \$5.5 million from \$4.3 million in the same year-ago quarter. The increase in interest expense was primarily driven by \$0.7 million related to product financing arrangements, \$0.4 million associated with the Company’s Trading Credit Facility and Notes Payable, \$0.2 million of loan servicing fees, offset by a \$0.2 million decrease in interest and fees associated with liabilities on borrowed metals.

Earnings from equity method investments decreased 64% to \$1.5 million from \$4.1 million in the same year-ago quarter. The aggregate decrease was primarily due to the acquisition of JMB, which occurred in March 2021 and has subsequently been reported by the Company as a wholly owned subsidiary. The related \$3.7 million decrease was partially offset by increased earnings of \$1.0 million from the Company’s other equity method investments.

Net income attributable to the Company totaled \$26.0 million or \$2.17 per diluted share, compared to net income of \$23.1 million or \$3.09 per diluted share in the same year-ago quarter. Diluted weighted average shares outstanding for the three months ended September 30, 2021 were 12.0 million compared to 7.5 million in the same year ago quarter.

Adjusted net income before provision for income taxes, depreciation, amortization and acquisition costs, a non-GAAP financial measure, totaled \$41.1 million, compared to \$30.7 million in the same year-ago quarter. The increase is principally due to higher net income before provision for income taxes of \$2.6 million and higher amortization of acquired intangibles of \$7.7 million.

Management Commentary

“Our first quarter results illustrate the continued advantages of our integrated and diversified business model,” said A-Mark CEO Greg Roberts. “Revenue grew 8% year-over-year, driving a 55% increase in gross margin and a 7% return on equity, led by the continued

positive contribution of our higher-margin DTC segment, driven by JMB. While the start to the quarter was somewhat subdued compared to the prior quarter, business trends improved during the second half of the quarter.

“Our vertically integrated businesses, coupled with our strategic DTC expansion, highlighted by JMB, continue to deliver strong results. JMB’s integration continues to go well, and we are encouraged by the business performance of our recently expanded strategic investments, where we are working to accelerate growth and synergies.

“We continue to see positive macro tailwinds persisting, including precious metals supply constraints and elevated demand for precious metals products in both the retail and wholesale segments. We remain optimistic that our platform and proven business model will assist us to generate profit in stable periods and opportunities for outsized returns in periods of volatility driving strong returns for A-Mark over the long term.”

Conference Call

A-Mark will hold a conference call today (November 4, 2021) 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: 1-855-327-6837

International number: 1-631-891-4304

Conference ID: 10016895

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 November 18, 2021.

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

International replay number: 1-412-317-6671

Conference ID: 10016895

About A-Mark Precious Metals

Founded in 1965, A-Mark Precious Metals, Inc. (NASDAQ: AMRK) is a leading fully integrated precious metals platform that offers an array of gold, silver, platinum, palladium, and copper bullion, numismatic coins and related products to wholesale and retail customers via a portfolio of channels. The company conducts its operations through three complementary segments: Wholesale Sales & Ancillary Services, Secured Lending, and Direct-to-Consumer. The company’s global customer base spans sovereign and private mints, manufacturers and fabricators, refiners, dealers, financial institutions, industrial users, investors, collectors, and e-commerce and other retail customers.

A-Mark's Wholesale Sales & Ancillary Services segment distributes and purchases precious metal products from sovereign and private mints. As a U.S. Mint-authorized purchaser of gold, silver, and platinum coins since 1986, A-Mark purchases bullion products directly from the U.S. Mint for sale to customers. A-Mark also has longstanding distributorships with other sovereign mints, including Australia, Austria, Canada, China, Mexico, South Africa and the United Kingdom. The company sells more than 200 different products to e-commerce retailers, coin and bullion dealers, financial institutions, brokerages and collectors. In addition, A-Mark sells precious metal products to industrial users, including metal refiners, manufacturers and electronic fabricators.

Through its A-M Global Logistics subsidiary, A-Mark provides its customers with a range of complementary services, including managed storage options for precious metals as well as receiving, handling, inventorying, processing, packaging, and shipping of precious metals and coins on a secure basis. A-Mark's mint operations, which are conducted through its wholly owned subsidiary [Silver Towne Mint](#), enable the company to offer customers a wide range of proprietary coin and bar offerings and, during periods of market volatility when the availability of silver bullion from sovereign mints is often product constrained, preferred product access.

A-Mark's Direct-to-Consumer segment operates as an omni-channel retailer of precious metals, providing access to a multitude of products through its wholly owned subsidiaries, [JM Bullion](#) and [Goldline](#). JM Bullion is a leading e-commerce retailer of precious metals and operates five separately branded, company-owned websites targeting specific niches within the precious metals market: [JMBullion.com](#), [ProvidentMetals.com](#), [Silver.com](#), [GoldPrice.org](#), [SilverPrice.org](#). Goldline markets precious metals directly to the investor community through various channels, including television, radio and telephonic sales efforts. A-Mark also holds minority ownership interests in two additional direct-to-consumer brands.

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

A-Mark is headquartered in El Segundo, CA and has additional offices and facilities in the neighboring Los Angeles area as well as in Dallas, TX, Las Vegas, NV, Winchester, IN, and Vienna, Austria. 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. These include statements regarding future macroeconomic conditions and demand for precious metal products, and the Company's ability to effectively respond to changing economic conditions. Future events, risks and uncertainties, individually or in the aggregate, could cause actual results or circumstances 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 the Company's 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 the Company's higher margin services, which could depress pricing; the failure of the Company's 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.

Use and Reconciliation of Non-GAAP Financial Measures

In addition to presenting the Company's financial results determined in accordance with GAAP, management believes the following non-GAAP financial measure is useful in evaluating the Company's operating performance. The Company presents "adjusted net income before provision for income taxes" because management believes it assists investors and analysts by facilitating comparison of period-to-period operational performance on a consistent basis by excluding items that management does not believe are indicative of the Company's core operating performance. The items excluded from this financial measure may have a material impact on the Company's financial results. Certain of those items are non-recurring, while others are non-cash in nature. Accordingly, this non-GAAP financial measure should be considered in addition to, and not as a substitute for or superior to, the comparable measures prepared in accordance with GAAP, and should be read in conjunction with the financial statements included in the Company's Quarterly Report on Form 10-Q to be filed with the SEC.

In the Company's reconciliation from its reported GAAP "net income before provision for taxes" to its non-GAAP "adjusted net income before provision for taxes," the Company eliminates the impact of the following three amounts: (i) acquisition expenses; (ii) amortization expenses related to intangible assets acquired; and (iii) depreciation expense.

Management encourages investors and others to review the Company's financial information in its entirety and not to rely on any single financial measure.

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

	<u>September 30,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 29,609	\$ 101,405
Receivables, net	104,522	89,000
Derivative assets	69,785	44,536
Secured loans receivable	110,323	112,968
Precious metals held under financing arrangements	130,618	154,742
Inventories:		
Inventories	346,285	256,991
Restricted inventories	219,420	201,028
	<u>565,705</u>	<u>458,019</u>
Prepaid expenses and other assets	4,074	3,557
Total current assets	<u>1,014,636</u>	<u>964,227</u>
Operating lease right of use assets	7,346	5,702
Property, plant, and equipment, net	8,913	8,609
Goodwill	100,943	100,943
Intangibles, net	85,761	93,633
Long-term investments	29,683	18,467
Total assets	<u>\$ 1,247,282</u>	<u>\$ 1,191,581</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 194,000	\$ 185,000
Liabilities on borrowed metals	74,618	91,866
Product financing arrangements	219,420	201,028
Accounts payable and other current liabilities	178,798	200,351
Derivative liabilities	70,348	7,539
Accrued liabilities	12,836	18,785
Income tax payable	7,140	5,016
	<u>757,160</u>	<u>709,585</u>
Total current liabilities	<u>757,160</u>	<u>709,585</u>
Notes payable	93,446	93,249
Deferred tax liabilities	18,091	19,514
Other liabilities	6,958	5,291
Total liabilities	<u>875,655</u>	<u>827,639</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, 2021 and June 30, 2021	—	—
Common stock, par value \$0.01; 40,000,000 shares authorized; 11,351,897 and 11,229,657 shares issued and outstanding as of September 30, 2021 and June 30, 2021, respectively	114	113
Additional paid-in capital	154,619	150,420
Retained earnings	215,475	212,090
Total A-Mark Precious Metals, Inc. stockholders' equity	<u>370,208</u>	<u>362,623</u>
Noncontrolling interests	1,419	1,319
Total stockholders' equity	<u>371,627</u>	<u>363,942</u>
Total liabilities, noncontrolling interests and stockholders' equity	<u>\$ 1,247,282</u>	<u>\$ 1,191,581</u>

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	
	September 30, 2021	September 30, 2020
Revenues	\$ 2,013,971	\$ 1,866,116
Cost of sales	1,957,962	1,829,971
Gross profit	56,009	36,145
Selling, general, and administrative expenses	(16,677)	(9,505)
Depreciation and amortization expense	(8,271)	(501)
Interest income	5,531	3,983
Interest expense	(5,473)	(4,293)
Earnings from equity method investments	1,489	4,126
Other income, net	409	359
Unrealized losses on foreign exchange	(224)	(97)
Net income before provision for income taxes	32,793	30,217
Income tax expense	(6,669)	(6,511)
Net income	26,124	23,706
Net income attributable to noncontrolling interests	100	623
Net income attributable to the Company	\$ 26,024	\$ 23,083
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:		
Basic	\$ 2.31	\$ 3.28
Diluted	\$ 2.17	\$ 3.09
Weighted average shares outstanding:		
Basic	11,262,600	7,034,700
Diluted	12,009,300	7,475,000

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

Three Months Ended September 30,	2021	2020
Cash flows from operating activities:		
Net income	\$ 26,124	\$ 23,706
<i>Adjustments to reconcile net income to net cash (used in) provided by operating activities:</i>		
Depreciation and amortization	8,271	501
Amortization of loan cost	569	396
Deferred income taxes	(1,423)	—
Interest added to principal of secured loans	(5)	(4)
Share-based compensation	473	178
Earnings from equity method investments	(1,489)	(4,126)
<i>Changes in assets and liabilities:</i>		
Receivables	(15,522)	(26,526)
Secured loans receivable	25	(358)
Secured loans made to affiliates	3,032	4,642
Derivative assets	(25,249)	(67,275)
Precious metals held under financing arrangements	24,124	19,821
Inventories	(107,686)	(91,900)
Prepaid expenses and other assets	(689)	(292)
Accounts payable and other current liabilities	(21,553)	69,992
Derivative liabilities	62,809	(11,917)
Liabilities on borrowed metals	(17,248)	(14,454)
Accrued liabilities	(6,420)	(1,227)
Income tax payable	2,124	771
Net cash used in operating activities	(69,733)	(98,072)
Cash flows from investing activities:		
Capital expenditures for property, plant, and equipment	(709)	(476)
Purchase of long-term investments	(6,250)	—
Secured loans receivable, net	(407)	(24,793)
Net cash used in investing activities	(7,366)	(25,269)
Cash flows from financing activities:		
Product financing arrangements, net	18,392	26,921
Dividends paid	(22,639)	(10,553)
Borrowings and repayments under lines of credit, net	9,000	79,000
Debt funding issuance costs	(199)	(398)
Net settlement on issuance of common shares on exercise of options	749	416
Net cash provided by financing activities	5,303	95,386
Net decrease in cash, cash equivalents, and restricted cash	(71,796)	(27,955)
Cash, cash equivalents, and restricted cash, beginning of period	101,405	52,325
Cash, cash equivalents, and restricted cash, end of period	\$ 29,609	\$ 24,370

Overview of Results of Operations for the Three Months Ended September 30, 2021 and 2020

Condensed Consolidated Results of Operations

The operating results for the three months ended September 30, 2021 and 2020 are as follows:

in thousands, except per share data

Three Months Ended September 30,

	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$2,013,971	100.000 %	\$1,866,116	100.000 %	\$ 147,855	7.9 %
Gross profit	56,009	2.781 %	36,145	1.937 %	\$ 19,864	55.0 %
Selling, general, and administrative expenses	(16,677)	(0.828)%	(9,505)	(0.509)%	\$ 7,172	75.5 %
Depreciation and amortization expense	(8,271)	(0.411)%	(501)	(0.027)%	\$ 7,770	1,550.9 %
Interest income	5,531	0.275 %	3,983	0.213 %	\$ 1,548	38.9 %
Interest expense	(5,473)	(0.272)%	(4,293)	(0.230)%	\$ 1,180	27.5 %
Earnings from equity method investments	1,489	0.074 %	4,126	0.221 %	\$ (2,637)	(63.9 %)
Other income, net	409	0.020 %	359	0.019 %	\$ 50	13.9 %
Unrealized losses on foreign exchange	(224)	(0.011)%	(97)	(0.005)%	\$ 127	130.9 %
Net income before provision for income taxes	32,793	1.628 %	30,217	1.619 %	\$ 2,576	8.5 %
Income tax expense	(6,669)	(0.331)%	(6,511)	(0.349)%	\$ 158	2.4 %
Net income	26,124	1.297 %	23,706	1.270 %	\$ 2,418	10.2 %
Net income attributable to noncontrolling interests	100	0.005 %	623	0.033 %	\$ (523)	(83.9 %)
Net income attributable to the Company	\$ 26,024	1.292 %	\$ 23,083	1.237 %	\$ 2,941	12.7 %
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:						
Per Share Data:						
Basic	\$ 2.31		\$ 3.28		\$ (0.97)	(29.6 %)
Diluted	\$ 2.17		\$ 3.09		\$ (0.92)	(29.8 %)

Overview of Results of Operations for the Three Months Ended September 30, 2021 and June 30, 2021

Condensed Consolidated Results of Operations

The operating results for the three months ended September 30, 2021 and June 30, 2021 are as follows:

in thousands, except per share data

	Three Months Ended					
	September 30, 2021		June 30, 2021		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$2,013,971	100.000 %	\$2,178,666	100.000 %	\$ (164,695)	(7.6 %)
Gross profit	56,009	2.781 %	87,131	3.999 %	\$ (31,122)	(35.7 %)
Selling, general, and administrative expenses	(16,677)	(0.828) %	(16,693)	(0.766) %	\$ (16)	(0.1 %)
Depreciation and amortization expense	(8,271)	(0.411) %	(8,294)	(0.381) %	\$ (23)	(0.3 %)
Interest income	5,531	0.275 %	5,234	0.240 %	\$ 297	5.7 %
Interest expense	(5,473)	(0.272) %	(5,200)	(0.239) %	\$ 273	5.3 %
Earnings from equity method investments	1,489	0.074 %	1,648	0.076 %	\$ (159)	(9.6 %)
Other income, net	409	0.020 %	176	0.008 %	\$ 233	132.4 %
Unrealized (losses) gains on foreign exchange	(224)	(0.011) %	2	0.000 %	\$ 226	11,300.0 %
Net income before provision for income taxes	32,793	1.628 %	64,004	2.938 %	\$ (31,211)	(48.8 %)
Income tax expense	(6,669)	(0.331) %	(12,933)	(0.594) %	\$ (6,264)	(48.4 %)
Net income	26,124	1.297 %	51,071	2.344 %	\$ (24,947)	(48.8 %)
Net income attributable to non-controlling interests	100	0.005 %	66	0.003 %	\$ 34	51.5 %
Net income attributable to the Company	\$ 26,024	1.292 %	\$ 51,005	2.341 %	\$ (24,981)	(49.0 %)
Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:						
Per Share Data:						
Basic	\$ 2.31		\$ 4.57		\$ (2.26)	(49.5 %)
Diluted	\$ 2.17		\$ 4.28		\$ (2.11)	(49.3 %)

A-MARK PRECIOUS METALS, INC. AND SUBSIDIARIES

Reconciliation of GAAP to Non-GAAP Financial Measures

Reconciliation of Net income before provision for income taxes to Adjusted net income before provision for income taxes:

in thousands

Three Months Ended September 30,	2021		2020		\$	%
	\$	% of revenue	\$	% of revenue		
	Revenues	\$2,013,971	100.000 %	\$1,866,116	100.000 %	\$ 147,855
Net income before provision for income taxes	\$ 32,793	1.628 %	\$ 30,217	1.619 %	\$ 2,576	8.5 %
Adjustments:						
Acquisition costs	44	0.002 %	—	—	\$ 44	(—) %
Amortization of acquired intangibles	7,872	0.391 %	154	0.008 %	\$ 7,718	5,011.7 %
Depreciation expense	399	0.020 %	347	0.019 %	\$ 52	15.0 %
Adjusted net income before provision for income taxes (Non-GAAP)	\$ 41,108	2.041 %	\$ 30,718	1.646 %	\$ 10,390	33.8 %

Source: A-Mark Precious Metals