

A-Mark Precious Metals Reports Fiscal Third Quarter and Nine Month 2017 Results

May 9, 2017 4:07 PM ET

EL SEGUNDO, Calif., May 09, 2017 (GLOBE NEWSWIRE) -- **A-Mark Precious Metals, Inc.** (NASDAQ:AMRK), a full-service precious metals trading company and an official distributor for all the major sovereign mints, reported results for the fiscal third quarter and nine months ended March 31, 2017.

Fiscal Q3 2017 Financial Highlights

- Revenues increased 14% to \$1.73 billion from \$1.51 billion for the three months ended March 31, 2016 and decreased 19% from \$2.13 billion for the three months ended December 31, 2016
- Gross profit increased 7% to \$7.3 million from \$6.9 million for the three months ended March 31, 2016 and decreased 26% from \$9.9 million for the three months ended December 31, 2016
- Net income decreased 3% to \$1.2 million or \$0.16 per diluted share from \$1.2 million or \$0.17 per diluted share for the three months ended March 31, 2016 and decreased 58% from \$2.8 million or \$0.39 per diluted share for the three months ended December 31, 2016
- Gold ounces sold decreased 13% to 579,000 ounces from 662,000 for the three months ended March 31, 2016 and decreased 25% from 772,000 for the three months ended December 31, 2016
- Silver ounces sold decreased 23% to 20.9 million ounces from 27.3 million ounces for the three months ended March 31, 2016 and decreased 8% from 22.8 million from the three months ended December 31, 2016
- Trading ticket volume increased 27% to 27,580 tickets from 21,807 for the three months ended March 31, 2016 and decreased 21% from 35,198 for the three months ended December 31, 2016
- As of March 31, 2017, the number of secured loans increased 176% to 2,138 from 775 as of March 31, 2016 and increased 26% from 1,698 as of December 31, 2016

Fiscal Q3 2017 Financial Results

Revenues increased 14% to \$1.73 billion from \$1.51 billion in the same year-ago quarter. The increase in revenues was mainly due to an increase in precious metal prices and higher forward sales, which was partially offset by a decrease in gold ounces and silver ounces sold.

Gross profit increased 7% to \$7.3 million (0.42% of revenue) from \$6.9 million (0.45% of revenue) in the same year-ago quarter. The increase in gross margin was primarily due to improved performance of the company's finance portfolio, improved trading profits and cost efficiencies, offset by lower demand for the company's physical products.

Selling, general and administrative expenses increased 12% to \$6.0 million from \$5.4 million in the same year-ago quarter. The increase was due to costs related to SilverTowne's minting operations (which were acquired in the first quarter of fiscal 2017), increased headcount, and other expenses.

Interest income increased 46% to \$3.3 million from \$2.3 million in same year-ago quarter, driven primarily by an increase in the size of the company's loan portfolio as well as increased utilization of the company's inventory finance products by its customers.

Interest expense increased 63% to \$2.7 million from \$1.7 million in same year-ago quarter. The increase was primarily the result of greater usage of the company's lines of credit and other product financing arrangements, arising from continued growth in the business. The increase was also partially due to higher LIBOR interest rates that went into effect subsequent to the Federal Reserve rate increases.

Net income was generally flat at \$1.2 million or \$0.16 per diluted share as compared to \$1.2 million or \$0.17 per diluted share in the same year-ago quarter.

Fiscal Nine Months 2017 Financial Highlights

- Revenues increased 12% to \$5.66 billion from \$5.05 billion for the nine months ended March 31, 2016
- Gross profit decreased 6% to \$25.3 million (0.45% of revenue) from \$27.0 million (0.53% of revenue) for the nine months ended March 31, 2016
- Net income decreased 29% to \$5.9 million or \$0.82 per diluted share from \$8.2 million or \$1.15 per diluted share for the nine months ended March 31, 2016
- Gold ounces sold decreased 17% to 1.9 million ounces from 2.3 million for the nine months ended March 31, 2016
- Silver ounces sold decreased 35% to 65.5 million ounces from 100.6 million for the nine months ended March 31, 2016
- Trading ticket volume increased 26% to 84,809 tickets from 67,522 for the nine months ended March 31, 2016
- As of March 31, 2017, the number of secured loans increased 176% to 2,138 from 775 as of March 31, 2016

Fiscal Nine Months 2017 Financial Results

Revenues increased 12% to \$5.66 billion from \$5.05 billion in the same period last year. The increase in revenues was primarily due to an increase in precious metal prices and higher forward sales, which was partially offset by a decrease in the total amount of gold ounces and silver ounces sold.

Gross profit decreased 6% to \$25.3 million (0.45% of revenue) from \$27.0 million (0.53% of revenue) in the same year-ago period. The decrease in gross margin was primarily due to lower demand for the company's physical products resulting in lower premiums, offset by improved performance of the company's finance product portfolio, trading activities and cost improvement efficiencies.

Selling, general and administrative expenses increased 9% to \$17.8 million from \$16.3 million in the same year-ago period. The increase was due to higher consulting expenses related to the development and implementation of a new enterprise resource system, costs related to SilverTowne's minting operations (acquired in the first quarter of fiscal 2017), and other non-recurring expenses. The increase was partially offset by lower compensation costs, primarily due to lower performance-based compensation accruals.

Interest income increased 43% to \$9.1 million from \$6.4 million in the same year-ago period. The improvement was primarily due to an increase in the size of the company's loan portfolio as well as growth in finance products.

Interest expense increased 75% to \$7.4 million from \$4.2 million in the same year-ago quarter. The increase was primarily due to a greater usage of the company's lines of credit and other product financing arrangements, arising from continued growth in the business. The increase was also due, in part, to higher LIBOR interest rates that went in to effect subsequent to the Federal Reserve rate increases.

Net income decreased 29% to \$5.9 million or \$0.82 per diluted share from \$8.2 million or \$1.15 per diluted share in the same period last year. The decrease was primarily due to lower gross profit, higher interest expense and higher selling, general and administrative expenses, offset by higher interest income.

Management Commentary

"Our results for the third quarter were in line with our expectations, given the relatively slow market activity that persisted throughout the period, both in terms of demand and volatility," said company CEO Greg Roberts. "In fact, sales of both gold and silver bullion by the U.S. Mint were down significantly compared to the same year-ago period. Although these market conditions worsened from the prior quarter, primarily due to the continued strength of the U.S. dollar and equities, we were still able to generate solid growth in several metrics, especially gross profit and net interest income. These results helped drive our 13th consecutive quarter of profitability since we became public in March 2014, a track record we believe reflects our operating discipline and supports our increasingly diversified business model. In particular, our continued focus on building our finance portfolio, which grew 26% from the prior quarter, has added yet another meaningful source of income and predictability to our business model, both of which have helped mitigate the effects of the recent subdued market conditions.

"Our business and financial results also benefited from the addition of our majority investment in SilverTowne Mint, a

leading producer of fabricated silver products, which we completed in fiscal Q1. SilverTowne has not only increased our capacity to meet unforeseen surges in silver demand during volatile markets, but it has also bolstered our capability to develop truly unique silver offerings, like the innovative ‘Stackable’ coins that we released in Q2. Along that line, we are continuing to expand our broader portfolio of custom coins. This area of our business continues to experience moderate demand, albeit at lower unit volumes, but at relatively higher gross margins. We remain focused on leveraging the mint’s capabilities to drive additional growth and profitability.

“Another key objective in fiscal 2017 is to further expand our suite of ancillary services at our logistics facility in Las Vegas.

During the third quarter, A-Mark continued to benefit from the operational and cost efficiencies provided by the facility. We are also seeing demand for our turnkey logistics and storage services. In addition to securing new logistics customers, our marketing and sales efforts remain focused on attracting additional customers for our new storage program for precious metal investment options for self-directed IRA accounts.

“Looking ahead, we continue to experience slower market activity in our current quarter. We expect the current market trends to continue for the near-term, although we remain of the view that certain geopolitical issues have the potential to quickly alter the precious metals environment. We intend to pursue strategic investments with the goal of positioning ourselves to take advantage of dynamic opportunities created by market volatility and changes in customer demand. Furthermore, we remain focused on expanding our platform of high-margin and turnkey solutions. In the more immediate future, we will rely on our diversified business model and seek to generate predictable streams of revenue and profits, which ideally will enable us to capitalize on favorable trading opportunities and market conditions as they arise.”

Conference Call

A-Mark will hold a conference call today (May 9, 2017) 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: 1-877-407-0789

International number: 1-201-689-8562

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 Liolios Group at 949-574-3860.

A replay of the call will be available after 7:30 p.m. Eastern time through May 23, 2017.

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

International replay number: 1-412-317-6671

Conference ID: 13657545

About A-Mark Precious Metals

A-Mark Precious Metals, Inc. is a full-service precious metals trading company and an official distributor for many government mints throughout the world. The company offers gold, silver, platinum and palladium in the form of bars, plates, powder, wafers, grain, ingots and coins. Its Industrial unit services manufacturers and fabricators of products utilizing or incorporating precious metals, while its Coin & Bar unit deals in over 200 coin and bar products in a variety of weights, shapes and sizes for distribution to dealers and other qualified purchasers. The company operates trading centers in El Segundo, California, and Vienna, Austria, for buying and selling precious metals.

In addition to wholesale and trading activity, A-Mark offers customers a variety of services, including financing,

consignment and various customized financial programs. 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 and South Africa. Customers of A Mark include mints, manufacturers and fabricators, refiners, coin and metal dealers, banks and other financial institutions, jewelers, investors and collectors. For more information about A-Mark Precious Metals, visit www.amark.com.

Through its subsidiary Collateral Finance Corporation, a licensed California Finance Lender, the company offers loans collateralized by numismatic and semi-numismatic coins and bullion to coin and metal dealers, investors and collectors. Through its Transcontinental Depository Services subsidiary, it offers a variety of managed storage options for precious metals products to financial institutions, dealers, investors and collectors around the world. Through its A-M Global Logistics subsidiary, the company provides its customers an array of complementary services, including storage, shipping, handling, receiving, processing, and inventorying 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. SilverTowne Mint is a leading producer of fabricated silver bullion and specialty products. For more information about SilverTowne Mint, please visit www.silvertownemint.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 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.

A-MARK PRECIOUS METALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except for share data)

(unaudited)

	March 31, 2017	June 30, 2016
ASSETS		
Current assets:		
Cash	\$ 6,440	\$ 17,142
Receivables, net	42,863	43,302
Derivative assets	4,638	33,732

Secured loans receivable	92,676	70,004
Inventories:		
Inventories	189,081	185,699
Restricted inventories	156,450	59,358
	345,531	245,057
Income taxes receivable	1,247	7,318
Income taxes receivable from Former Parent	—	203
Prepaid expenses and other assets	1,348	1,503
Total current assets	494,743	418,261
Plant, property and equipment, net	6,746	3,482
Goodwill	8,881	4,620
Intangibles, net	4,172	1,987
Long-term secured loans receivable	—	500
Long-term investments	7,946	7,873
Deferred tax assets - non-current	517	424
Total assets	\$ 523,005	\$ 437,147
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 213,000	\$ 212,000
Liability on borrowed metals	6,437	4,352
Product financing arrangements	156,450	59,358
Accounts payable	44,151	46,769
Derivative liabilities	15,845	36,454
Note payable - related party	500	—
Accrued liabilities	5,602	7,660
Income taxes payable	6,038	—
Total current liabilities	448,023	366,593
Deferred tax liabilities - non-current	1,679	7,245
Other long-term liabilities	1,117	—
Total liabilities	450,819	373,838
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of March 31, 2017 and June 30, 2016	—	—
Common Stock, par value \$0.01; 40,000,000 shares authorized; 7,031,450 and 7,021,450 shares issued and outstanding as of March 31, 2017 and June 30, 2016, respectively	71	71
Additional paid-in capital	23,205	22,220

Retained earnings	45,338	41,018
Total A-Mark Precious Metals, Inc. stockholders' equity	68,614	63,309
Non-controlling interest	3,572	—
Total stockholders' equity	72,186	63,309
Total liabilities, non-controlling interest and stockholders' equity	\$ 523,005	\$ 437,147

A-MARK PRECIOUS METALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except for share and per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Revenues	\$ 1,730,845	\$ 1,512,750	\$ 5,662,859	\$ 5,048,829
Cost of sales	1,723,513	1,505,892	5,637,604	5,021,871
Gross profit	7,332	6,858	25,255	26,958
Selling, general and administrative expenses	(5,989)	) (5,366)	) (17,784)	) (16,302)
Interest income	3,283	2,250	9,101	6,365
Interest expense	(2,700)	) (1,658)	) (7,388)	) (4,214)
Other income	191	107	270	613
Unrealized (loss) gain on foreign exchange	21	(102)	) 12	9
Net income before provision for income taxes	2,138	2,089	9,466	13,429
Provision for income taxes	(833)	) (894)	) (3,482)	) (5,226)
Net income	1,305	1,195	5,984	8,203
Less: Net income attributable to non-controlling interest	139	—	118	—
Net income attributable to the Company	\$ 1,166	\$ 1,195	\$ 5,866	\$ 8,203

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

Basic	\$ 0.17	\$ 0.17	\$ 0.83	\$ 1.18
Diluted	\$ 0.16	\$ 0.17	\$ 0.82	\$ 1.15

Weighted average shares outstanding:

Basic	7,023,300	6,983,400	7,028,700	6,976,800
Diluted	7,129,500	7,146,100	7,121,500	7,111,900

A-MARK PRECIOUS METALS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(amounts in thousands)

Nine Months Ended	March 31, 2017	March 31, 2016	
Cash flows from operating activities:			
Net income	\$ 5,984	\$ 8,203	
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	1,120	911	
Amortization of loan cost	583	—	
Deferred income taxes	(5,659	) 4,540
Interest added to principal of secured loans	(50) (65)
Accrued earn-out	(198) —	
Share-based compensation	675	224	
Earnings from equity method investment	(73) (613)
Changes in assets and liabilities:			
Receivables	439	4,097	
Secured loans	(18,163	) 2,404
Secured loans to Former Parent	(6,595) (1,363)
Derivative assets	29,094	278	
Income tax receivable	6,071	(999)
Inventories	(100,474) (82,472)
Prepaid expenses and other current assets	(428) (460)
Accounts payable	(2,618) (7,801)
Derivative liabilities	(20,609) (6,824)
Liabilities on borrowed metals	2,085	(3,927)
Accrued liabilities	(2,266	) 1,270
Receivable from/payables to Former Parent	203	1,605	
Income taxes payable	6,038	—	
Net cash used in operating activities	(104,841) (80,992)
Cash flows from investing activities:			
Capital expenditures for property and equipment	(1,932) (1,112)
Purchase of long-term investments	—	(4,672)
Secured loans, net	2,636	(16,487)
Acquisition of majority-owned subsidiary, net of cash	(3,421) —	
Net cash used in investing activities	(2,717) (22,271)
Cash flows from financing activities:			
Product financing arrangements, net	97,092	53,743	
Dividends	(1,546) (1,185)
Borrowings under lines of credit, net	1,000	43,000	
Stock award grant	172	(250)
Excess tax benefit of share-based awards	138	—	

Net cash provided by financing activities	96,856	95,308
Net decrease in cash and cash equivalents	(10,702)	(7,955)
Cash and cash equivalents, beginning of period	17,142	20,927
Cash and cash equivalents, end of period	\$ 6,440	\$ 12,972

Consolidated Results of Operations

The operating results of our business for the three months ended March 31, 2017 and 2016 are as follows:

in thousands, except per share data

Three Months Ended March 31,	2017		2016		\$	%
	\$	% of revenue	\$	% of revenue			Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 1,730,845	100.000 %	\$ 1,512,750	100.000 %	\$ 218,095	14.4 %
Gross profit	7,332	0.424 %	6,858	0.453 %	474	6.9 %
Selling, general and administrative expenses	(5,989)	(0.346)%	(5,366)	(0.355)%	623	11.6 %
Interest income	3,283	0.190 %	2,250	0.149 %	1,033	45.9 %
Interest expense	(2,700)	(0.156)%	(1,658)	(0.110)%	1,042	62.8 %
Other income	191	0.011 %	107	0.007 %	84	78.5 %
Unrealized (loss) gain on foreign exchange	21	0.001 %	(102)	(0.007)%	123	NM
Net income before provision for income taxes	2,138	0.124 %	2,089	0.138 %	49	2.3 %
Provision for income taxes	(833)	(0.048)%	(894)	(0.059)%	(61)	6.8 %
Net income	1,305	0.075 %	1,195	0.079 %	110	9.2 %
Less: Net income attributable to non-controlling interest	139	0.008 %	—	— %	139	— %
Net income attributable to the Company	\$ 1,166	0.067 %	\$ 1,195	0.079 %	\$ (29)	(2.4)%

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

Per Share Data:

Basic	\$ 0.17	\$ 0.17	—	— %
Diluted	\$ 0.16	\$ 0.17	\$ (0.01)	(5.9)%

Consolidated Results of Operations

The operating results of our business for the nine months ended March 31, 2017 and 2016 are as follows:

in thousands, except per share data

Nine Months Ended March 31,	2017			2016			\$	%
	\$	% of revenue		\$	% of revenue			
Revenues	\$ 5,662,859	100.000 %		\$ 5,048,829	100.000 %		\$ 614,030	12.2 %
Gross profit	25,255	0.446 %		26,958	0.534 %		(1,703)	(6.3)%
Selling, general and administrative expenses	(17,784)	(0.314)%		(16,302)	(0.323)%		1,482	9.1 %
Interest income	9,101	0.161 %		6,365	0.126 %		2,736	43.0 %
Interest expense	(7,388)	(0.130)%		(4,214)	(0.083)%		3,174	75.3 %
Other income	270	0.005 %		613	0.012 %		(343)	(56.0)%
Unrealized (loss) gain on foreign exchange	12	— %		9	— %		3	NM
Net income before provision for income taxes	9,466	0.167 %		13,429	0.266 %		(3,963)	(29.5)%
Provision for income taxes	(3,482)	(0.061)%		(5,226)	(0.104)%		(1,744)	33.4 %
Net income	5,984	0.106 %		8,203	0.162 %		(2,219)	(27.1)%
Less: Net income attributable to non-controlling interest	118	0.002 %		—	— %		118	— %
Net income attributable to the Company	\$ 5,866	0.104 %		\$ 8,203	0.162 %		\$ (2,337)	(28.5)%

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

Per Share Data:

Basic	\$ 0.83		\$ 1.18	(0.35)	(29.7)%
Diluted	\$ 0.82		\$ 1.15	\$ (0.33)	(28.7)%

Company Contact:
 Thor Gjerdrum, President
 A-Mark Precious Metals, Inc.
 310-587-1414
thor@amark.com

Investor Relations Contact:
 Matt Glover or Najim Mostamand
 Liolios Group, Inc.
 949-574-3860
AMRK@liolios.com



A-Mark Precious Metals