

February 11, 2019



A-Mark Precious Metals Reports Fiscal Second Quarter 2019 Results

EL SEGUNDO, Calif., Feb. 11, 2019 (GLOBE NEWSWIRE) -- **A-Mark Precious Metals, Inc. (NASDAQ: AMRK)**, a leading full-service provider of products and services to the global precious metals market, reported results for the fiscal second quarter ended December 31, 2018.

Fiscal Q2 2019 Financial Highlights

- Revenues for the three months ended December 31, 2018 decreased 35% to \$1.10 billion from \$1.68 billion for the three months ended December 31, 2017 and decreased 30% from \$1.57 billion for the three months ended September 30, 2018
- Gross profit for the three months ended December 31, 2018 decreased 7% to \$8.3 million (0.8% of revenue) from \$8.9 million (0.5% of revenue) for the three months ended December 31, 2017 and decreased 2% from \$8.5 million (0.5% of revenue) for the three months ended September 30, 2018
- Net income for the three months ended December 31, 2018 totaled \$577,000 or \$0.08 per diluted share, compared to net loss of \$205,000 or \$(0.03) per diluted share for the three months ended December 31, 2017 and net income of \$1.5 million or \$0.21 per diluted share for the three months ended September 30, 2018
- Gold ounces sold in the three months ended December 31, 2018 increased 17% to 440,000 ounces from 376,000 for the three months ended December 31, 2017 and decreased 18% from 535,000 for the three months ended September 30, 2018
- Silver ounces sold in the three months ended December 31, 2018 increased 68% to 20.0 million ounces from 12.0 million ounces for the three months ended December 31, 2017 and increased 10% from 18.3 million from the three months ended September 30, 2018
- As of December 31, 2018, the number of secured loans decreased 32% to 1,931 from 2,823 as of December 31, 2017 and increased 13% from 1,705 as of September 30, 2018

Fiscal Q2 2019 Financial Results

Revenues decreased 35% to \$1.10 billion from \$1.68 billion in the same year-ago quarter. The decrease in revenues was mainly due to lower forward sales and lower gold and silver prices, offset by an increase in the total amount of gold and silver ounces sold.

Gross profit decreased 7% to \$8.3 million (0.8% of revenue) from \$8.9 million (0.5% of revenue) in the same year-ago quarter. The decrease in gross profit was primarily due to lower trading profits of the Wholesale Trading & Ancillary Services segment and decreased gross profit from the company's Direct Sales segment (i.e., Goldline).

Selling, general and administrative expenses decreased 13% to \$8.1 million from \$9.3

million in the same year-ago quarter. The decrease was primarily due to lower operating expenses incurred by the company's Direct Sales segment of \$1.5 million and a reduction of \$0.5 million of legal expenses and investigatory acquisition costs. These reductions were partially offset by higher overall compensation costs of \$0.6 million.

Interest income increased 42% to \$4.7 million from \$3.3 million in the same year-ago quarter. The increase was driven primarily by other finance product income, including finance fees earned related to repurchase arrangements with customers, which increased by \$0.8 million compared to the same year-ago period and represented approximately 61% of the aggregate increase.

Interest expense increased 39% to \$4.7 million from \$3.4 million in the same year-ago quarter. The increase was primarily due to the newly issued notes payable related to the Secured Lending segment and an increase in liability on borrowed metals, partially offset by a reduction of liabilities for the Trading Credit Facility and product financing arrangements.

Net income totaled \$577,000 or \$0.08 per diluted share, an improvement from net loss of \$205,000 or \$(0.03) per diluted share in the same year-ago quarter.

Fiscal Six Months 2019 Highlights

- Revenues for the six months ended December 31, 2018 decreased 31% to \$2.67 billion from \$3.84 billion for the six months ended December 31, 2017
- Gross profit for the six months ended December 31, 2018 increased 4% to \$16.8 million (0.6% of revenue) from \$16.2 million (0.4% of revenue) for the six months ended December 31, 2017
- Net income for the six months ended December 31, 2018 totaled \$2.1 million or \$0.29 per diluted share, as compared to net income of \$273,000 or \$0.04 per diluted share for the six months ended December 31, 2017
- Gold ounces sold in the six months ended December 31, 2018 increased 38% to 975,000 ounces from 708,000 for the six months ended December 31, 2017
- Silver ounces sold in the six months ended December 31, 2018 increased 45% to 38.3 million ounces from 26.5 million for the six months ended December 31, 2017

Fiscal Six Months 2019 Financial Results

Revenues decreased 31% to \$2.67 billion from \$3.84 billion in the same year-ago period. The decrease was primarily due to lower forward sales and lower gold and silver prices, offset by an increase in the total amount of gold and silver ounces sold.

Gross profit increased 4% to \$16.8 million (0.6% of revenue) from \$16.2 million (0.4% of revenue) in the same year-ago period. The increase in gross profit was primarily due to higher gross profits from the company's Wholesale Trading & Ancillary Services segment, offset by lower trading profits and gross profit from the Direct Sales segment (i.e., Goldline).

Selling, general and administrative expenses decreased 3% to \$15.8 million from \$16.3 million in the same year-ago period. The decrease was primarily due to lower operating expenses incurred by the Direct Sales segment of \$0.6 million and a reduction of \$0.9 million of legal and investigatory acquisition costs. The reductions were partially offset by increased overall compensation costs of \$1.2 million.

Interest income increased 43% to \$9.2 million from \$6.4 million in the same year-ago period. This increase was driven primarily by other finance product income, including finance fees earned related to repurchase arrangements with customers, which increased by \$1.7 million compared to the same year-ago period. The increase was also driven by higher interest rates and an increase in the weighted-average value of the company's secured loan portfolio. Interest income earned from the secured loan portfolio increased by \$0.4 million compared to the same year-ago period.

Interest expense increased 35% to \$8.2 million from \$6.1 million in the same year-ago period. The increase was primarily due to newly issued notes payable related to the Secured Lending segment and an increase in liability on borrowed metals, which was partially offset by a reduction in liabilities for the Trading Credit Facility and product financing arrangements. In comparison to the same year-ago period, interest expense increased \$1.7 million related to the newly issued notes payable, \$0.7 million related to the liability on borrowed metals and \$0.1 million related to the Goldline Credit Facility. This was partially offset by \$(0.1) million related to the Trading Credit Facility (including debt amortization costs) and \$(0.2) million related to product financing arrangements. The Goldline Credit Facility was paid off in full during the period.

Net income totaled \$2.1 million or \$0.29 per diluted share, an improvement from \$273,000 or \$0.04 per diluted share in the same year-ago period.

Management Commentary

"The second quarter was a continuation of the momentum we experienced in Q1," said A-Mark CEO, Greg Roberts. "This achievement was driven, in part, by the favorable conditions in the precious metals market, where we saw continued price volatility, which in turn produced sustained higher demand and supply constraints.

"A-Mark's vertically-integrated structure, and especially our minting capabilities through SilverTowne Mint, gives us a key competitive advantage by enabling us to meet surges in demand during more volatile market environments. Our financial success in the first half of the fiscal year was primarily due to higher sales volumes on both gold and silver products at our Wholesale Trading & Ancillary Services segment and sustained reductions of selling, general and administrative expenses at our Direct Sales segment over the prior year period. Additionally, we further strengthened our balance sheet by paying off the credit facility which we had used to finance our acquisition of Goldline, and which had been our highest interest rate debt instrument.

"Looking forward to the second half of the fiscal year, we have seen a 3% increase in both gold and silver prices since the end of December and have continued to experience increased volatility in the market and robust demand for A-Mark's physical products. Moreover, the price of gold exceeded \$1,300 per ounce in January for the first time in over six months. We remain cautiously optimistic about our prospects, especially given the macro backdrop and geopolitical environment, and will continue to act opportunistically to capitalize on attractive near-term trading opportunities while strategically scaling our business for long-term success."

Conference Call

A-Mark will hold a conference call today (February 11, 2019) 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
Conference ID: 13687174

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 25, 2019.

Toll-free replay number: 1-844-512-2921
International replay number: 1-412-317-6671
Conference ID: 13687174

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 and online retailers, financial institutions, industrial users, investors, collectors and 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 Mint. 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 in Australia, Austria, Canada, China, Mexico, South Africa and the United Kingdom. Through its [TDS](#) subsidiary, A-Mark provides customers with storage and management solutions for precious metals worldwide. Through its A-M Global Logistics subsidiary, A-Mark provides customers an array of complementary services, including storage, shipping, and delivery 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](#), which enables A-Mark to mint proprietary products as well as provides greater access to fabricated silver products.

The company operates its Secured Lending segment through its wholly-owned subsidiary, [CFC](#). 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.

A-Mark operates its Direct Sales segment through its wholly-owned subsidiary [Goldline Inc.](#), a direct retailer of precious metals to the investor community. Goldline markets A-Mark's precious metal products through various channels, including radio, television and the Internet.

A-Mark is headquartered in El Segundo, California and with offices and facilities in Vienna, Austria and Las Vegas, Nevada. 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.
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except for share data)

	December 31, 2018	June 30, 2018
ASSETS		
Current assets:		
Cash	\$ 11,830	\$ 6,291
Receivables, net	23,275	35,856
Derivative assets	1,601	7,395
Secured loans receivable	104,757	110,424
Precious metals held under financing arrangements	226,905	262,566
Inventories:		
Inventories	193,872	166,176
Restricted inventories	82,413	113,940
	<u>276,285</u>	<u>280,116</u>
Income taxes receivable	1,527	1,553
Prepaid expenses and other assets	1,754	2,782
Total current assets	<u>647,934</u>	<u>706,983</u>
Plant, property and equipment, net	7,261	8,018
Goodwill	8,881	8,881
Intangibles, net	6,357	6,861
Long-term investments	10,447	8,388
Deferred tax assets - non-current	3,211	3,870
Total assets	<u>\$ 684,091</u>	<u>\$ 743,001</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 139,000	\$ 200,000
Liability on borrowed metals	227,317	280,346
Product financing arrangements	82,413	113,940
Accounts payable	46,740	45,997
Derivative liabilities	25,304	20,457
Accrued liabilities	4,951	5,129
Total current liabilities	<u>525,725</u>	<u>665,869</u>
Debt obligation (related party)	—	7,226
Notes payable ⁽¹⁾	86,569	—
Other long-term liabilities (related party)	—	798
Total liabilities	<u>612,294</u>	<u>673,893</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of December 31, 2018 and June 30, 2018	—	—
Common stock, par value \$0.01; 40,000,000 shares authorized; 7,031,450 shares issued and outstanding as of December 31, 2018 and June 30, 2018	71	71
Additional paid-in capital	25,909	24,717
Retained earnings	42,968	40,910
Total A-Mark Precious Metals, Inc. stockholders' equity	<u>68,948</u>	<u>65,698</u>
Non-controlling interest	2,849	3,410
Total stockholders' equity	<u>71,797</u>	<u>69,108</u>
Total liabilities, non-controlling interest and stockholders' equity	<u>\$ 684,091</u>	<u>\$ 743,001</u>

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

	Three Months Ended		Six Months Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Revenues	\$ 1,100,912	\$ 1,680,738	\$ 2,666,002	\$ 3,844,528
Cost of sales	1,092,595	1,671,822	2,649,210	3,828,306
Gross profit	8,317	8,916	16,792	16,222
Selling, general and administrative expenses	(8,103)	(9,349)	(15,822)	(16,325)
Interest income	4,652	3,268	9,203	6,429
Interest expense	(4,656)	(3,359)	(8,208)	(6,092)
Other income	682	651	930	712
Unrealized gain (loss) on foreign exchange	52	139	(18)	38
Net income before provision for income taxes	944	266	2,877	984
Income tax expense	(242)	(324)	(741)	(598)
Net income (loss)	702	(58)	2,136	386
Net gain attributable to non-controlling interest	125	147	78	113
Net income (loss) attributable to the Company	\$ 577	\$ (205)	\$ 2,058	\$ 273
Basic and diluted net income (loss) per share attributable to A-Mark Precious Metals, Inc.:				
Basic	\$ 0.08	\$ (0.03)	\$ 0.29	\$ 0.04
Diluted	\$ 0.08	\$ (0.03)	\$ 0.29	\$ 0.04
Dividends per share	\$ —	\$ 0.08	\$ —	\$ 0.16
Weighted average shares outstanding:				
Basic	7,031,400	7,031,400	7,031,400	7,031,400
Diluted	7,085,600	7,031,400	7,088,700	7,113,000

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

	Six Months Ended December 31,	2018	2017
Cash flows from operating activities:			
Net income		\$ 2,136	\$ 386
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>			
Provision for doubtful accounts		(30)	—
Depreciation and amortization		1,398	1,312
Amortization of loan cost		542	595
Deferred income taxes		659	(211)
Interest added to principal of secured loans		(10)	(29)
Change in accrued earn-out (non-cash)		(504)	(529)
Loss on debt extinguishment		6	—
Share-based compensation		553	738
Earnings from equity method investment		(558)	(179)
<i>Changes in assets and liabilities:</i>			
Receivables		12,611	923
Secured loans		(737)	(289)
Secured loans to Former Parent		(4,458)	(1,502)
Derivative assets		5,794	17,013
Income tax receivable		26	(663)
Precious metals held under financing arrangements		35,661	—
Inventories		3,831	(38,035)
Prepaid expenses and other assets		708	(714)
Accounts payable		743	15,511
Derivative liabilities		4,847	(7,162)
Liabilities on borrowed metals		(53,029)	4,952
Accrued liabilities		(109)	(2,376)
Income taxes payable		—	(1,418)
Net cash provided by (used in) operating activities		10,080	(11,677)
Cash flows from investing activities:			
Capital expenditures for property and equipment		(138)	(417)
Purchase of long-term investments		(1,500)	—
Secured loans, net		10,872	(3,913)
Acquisition of subsidiary, net of cash		—	(9,548)
Net cash provided by (used in) investing activities		9,234	(13,878)
Cash flows from financing activities:			
Product financing arrangements, net		(31,527)	(15,182)
Dividends		—	(1,124)
Borrowings and repayments under lines of credit, net		(61,000)	34,000
Repayments on notes payable to related party		(7,500)	(500)
Proceeds from issuance of notes payable		90,000	7,500
Debt funding issuance costs		(3,748)	(187)
Net cash (used in) provided by financing activities		(13,775)	24,507
Net increase (decrease) in cash, cash equivalents, and restricted cash		5,539	(1,048)
Cash, cash equivalents, and restricted cash, beginning of period		6,291	13,059
Cash, cash equivalents, and restricted cash, end of period		\$ 11,830	\$ 12,011

Overview of Results of Operations for the Three Months Ended December 31, 2018 and 2017

Condensed Consolidated Results of Operations

The operating results of our business for the three months ended December 31, 2018 and 2017 are as follows:

in thousands, except per share data

Three Months Ended December 31,	2018		2017		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 1,100,912	100.000 %	\$ 1,680,738	100.000 %	\$ (579,826)	(34.5)%
Gross profit	8,317	0.755 %	8,916	0.530 %	\$ (599)	(6.7)%
Selling, general and administrative expenses	(8,103)	(0.736)%	(9,349)	(0.556)%	\$ (1,246)	(13.3)%
Interest income	4,652	0.423 %	3,268	0.194 %	\$ 1,384	42.4 %
Interest expense	(4,656)	(0.423)%	(3,359)	(0.200)%	\$ 1,297	38.6 %
Other income	682	0.062 %	651	0.039 %	\$ 31	4.8 %
Unrealized gain on foreign exchange	52	0.005 %	139	0.008 %	\$ (87)	(62.6)%
Net income before provision for income taxes	944	0.086 %	266	0.016 %	\$ 678	254.9 %
Income tax expense	(242)	(0.022)%	(324)	(0.019)%	\$ (82)	(25.3)%
Net income (loss)	702	0.064 %	(58)	(0.004)%	\$ 760	1,310.3 %
Net income attributable to non-controlling interest	125	0.011 %	147	0.009 %	\$ (22)	(15.0)%
Net income (loss) attributable to the Company	\$ 577	0.052 %	\$ (205)	(0.012)%	\$ 782	381.5 %

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

Per Share Data:

Basic	\$ 0.08	\$ (0.03)	\$ 0.11	366.7 %
Diluted	\$ 0.08	\$ (0.03)	\$ 0.11	366.7 %

Overview of Results of Operations for the Six Months Ended December 31, 2018 and 2017

Condensed Consolidated Results of Operations

The operating results of our business for the six months ended December 31, 2018 and 2017 are as follows:

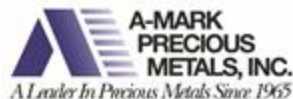
in thousands, except per share data

Six Months Ended December 31,	2018		2017		\$	%
	\$	% of revenue	\$	% of revenue		
Revenues	\$ 2,666,002	100.000 %	\$ 3,844,528	100.000 %	\$ (1,178,526)	(30.7)%
Gross profit	16,792	0.630 %	16,222	0.422 %	\$ 570	3.5 %
Selling, general and administrative expenses	(15,822)	(0.593)%	(16,325)	(0.425)%	\$ (503)	(3.1)%
Interest income	9,203	0.345 %	6,429	0.167 %	\$ 2,774	43.1 %
Interest expense	(8,208)	(0.308)%	(6,092)	(0.159)%	\$ 2,116	34.7 %
Other income	930	0.035 %	712	0.019 %	\$ 218	30.6 %
Unrealized loss on foreign exchange	(18)	(0.001)%	38	0.001 %	\$ 56	147.4 %
Net income before provision for income taxes	2,877	0.108 %	984	0.026 %	\$ 1,893	192.4 %
Income tax expense	(741)	(0.028)%	(598)	(0.016)%	\$ 143	23.9 %
Net income	2,136	0.080 %	386	0.010 %	\$ 1,750	453.4 %
Net income attributable to non-controlling interest	78	0.003 %	113	0.003 %	\$ (35)	(31.0)%
Net income attributable to the Company	\$ 2,058	0.077 %	\$ 273	0.007 %	\$ 1,785	653.8 %

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

Per Share Data:

Basic	\$ 0.29	\$ 0.04	\$ 0.25	625.0 %
Diluted	\$ 0.29	\$ 0.04	\$ 0.25	625.0 %



Source: A-Mark Precious Metals