

May 7, 2020



# A-Mark Precious Metals Reports Fiscal Third Quarter 2020 Results

EL SEGUNDO, Calif., May 07, 2020 (GLOBE NEWSWIRE) -- **A-Mark Precious Metals, Inc. (NASDAQ: AMRK)**, a leading full-service provider of products and services to the global precious metals market, reported results for the fiscal third quarter ended March 31, 2020.

## Fiscal Q3 2020 Financial Highlights

- Revenues for the three months ended March 31, 2020 decreased 1% to \$1.26 billion from \$1.27 billion for the three months ended March 31, 2019 and increased 19% from \$1.06 billion for the three months ended December 31, 2019
- Gross profit for the three months ended March 31, 2020 increased 158% to \$22.5 million (1.79% of revenue) from \$8.7 million (0.69% of revenue) for the three months ended March 31, 2019 and increased 176% from \$8.1 million (0.8% of revenue) for the three months ended December 31, 2019
- Net income for the three months ended March 31, 2020 totaled \$11.3 million or \$1.61 per diluted share, as compared to net income of \$990,000 or \$0.14 per diluted share for the three months ended March 31, 2019 and net income of \$1.2 million or \$0.17 per diluted share for the three months ended December 31, 2019
- Gold ounces sold in the three months ended March 31, 2020 increased 7% to 508,000 ounces from 474,000 for the three months ended March 31, 2019 and increased 19% from 428,000 for the three months ended December 31, 2019
- Silver ounces sold in the three months ended March 31, 2020 increased 54% to 25.7 million ounces from 16.8 million ounces for the three months ended March 31, 2019 and increased 82% from 14.1 million from the three months ended December 31, 2019
- As of March 31, 2020, the number of secured loans decreased 83% to 429 from 2,568 as of March 31, 2019 and decreased 88% from 3,725 as of December 31, 2019

## Fiscal Q3 2020 Financial Results

Revenues decreased 1% to \$1.26 billion from \$1.27 billion in the same year-ago quarter. The decrease in revenues was mainly due to lower forward sales, offset by an increase in the total amount of gold and silver ounces sold and higher selling prices of gold and silver.

Gross profit increased 158% to \$22.5 million (1.79% of revenue) from \$8.7 million (0.69% of revenue) in the same year-ago quarter. This increase was due to higher gross profits earned by the Wholesale Trading & Ancillary Services and Direct Sales segments and was driven primarily by significantly wider trading spreads as a result of increased demand, and higher trading profits.

Selling, general and administrative expenses increased 26% to \$10.4 million from \$8.3 million in the same year-ago quarter. The increase was primarily due to increases in performance-based compensation accruals of \$2.3 million and depreciation expense of \$0.3

million, which were partially offset by decreases in consulting expenses of \$0.1 million and operating expenses of \$0.5 million associated with the Company's Direct Sales segment.

Interest income increased 24% to \$6.0 million from \$4.8 million in the same year-ago quarter. The aggregate increase in interest income was primarily due to higher interest income from the Secured Lending segment and other finance product income.

Interest expense increased 19% to \$5.1 million from \$4.2 million in the same year-ago quarter. The increase in interest expense was primarily related to the Company's notes payable, liabilities on borrowed metals, product financing arrangements, and loan servicing fees, partially offset by a reduction in interest expense related to our Trading Credit Facility.

Net income totaled \$11.3 million or \$1.61 per diluted share, an improvement from \$990,000 or \$0.14 per diluted share in the same year-ago quarter.

### **Fiscal Nine Months 2020 Financial Highlights**

- Revenues for the nine months ended March 31, 2020 decreased 4% to \$3.80 billion from \$3.93 billion for the nine months ended March 31, 2019
- Gross profit for the nine months ended March 31, 2020 increased 53% to \$39.0 million (1.03% of revenue) from \$25.5 million (0.65% of revenue) for the nine months ended March 31, 2019
- Net income for the nine months ended March 31, 2020 totaled \$12.7 million or \$1.80 per diluted share, as compared to net income of \$3.0 million or \$0.43 per diluted share for the nine months ended March 31, 2019
- Gold ounces sold in the nine months ended March 31, 2020 increased 4% to 1,512,000 ounces from 1,449,000 for the nine months ended March 31, 2019
- Silver ounces sold in the nine months ended March 31, 2020 increased 10% to 60.7 million ounces from 55.1 million for the nine months ended March 31, 2019

### **Fiscal Nine Months 2020 Financial Results**

Revenues decreased 4% to \$3.80 billion from \$3.93 billion in the same year-ago period. The decrease was primarily due to lower forward sales, offset by an increase in the total amount of gold and silver ounces sold and higher selling prices of gold and silver.

Gross profit increased 53% to \$39.0 million (1.03% of revenue) from \$25.5 million (0.65% of revenue) in the same year-ago period. This increase was due to higher gross profits earned by the Wholesale Trading & Ancillary Services and Direct Sales segments and was driven primarily by significantly wider trading spreads as a result of increased demand, and higher trading profits.

Selling, general and administrative expenses increased 10% to \$26.5 million from \$24.1 million in the same year-ago period. The increase was primarily due to increases in performance-based compensation accruals of \$2.8 million and depreciation expense of \$0.3 million, which were partially offset by decreases in consulting expenses of \$0.2 million and operating expenses of \$0.6 million associated with the Company's Direct Sales segment.

Interest income increased 28% to \$18.0 million from \$14.0 million in the same year-ago period. The aggregate increase in interest income was primarily due to interest income earned by the Secured Lending Segment and other finance product income.

Interest expense increased 23% to \$15.3 million from \$12.4 million in the same year-ago period. The increase in interest expense was related primarily to the Company's notes payable, liabilities on borrowed metals, product financing arrangements, loan servicing fees, and Trading Credit Facility, partially offset by a reduction in interest expense related to the Goldline Credit Facility which was paid off in December 2018.

Net income totaled \$12.7 million or \$1.80 per diluted share, compared to net income of \$3.0 million or \$0.43 per diluted share in the same year-ago period.

### **Management Commentary**

"Our record financial results and operational performance in the third quarter demonstrate the scalability of our platform and the demand for A-Mark's physical products, which increased significantly during the quarter," said company CEO Greg Roberts. "Recent macroeconomic and other events have created significant demand, related supply constraints and unprecedented volatility in the precious metals market. Our ability to successfully utilize our existing platforms to improve profitability in this environment is both a reflection of our combined team's resiliency and a result of the investments we have made to increase capacity and operational capabilities in key areas such as our Direct Sales segment, Logistics, 24/7 online trading platform and Minting services.

"Our financial performance in fiscal Q3 was also a direct result of the flexibility in our business model, designed to maintain a baseline of profitability irrespective of market conditions but with the ability to adapt and capitalize on upside opportunities during periods of market volatility; the \$22.5 million in gross profit and \$11.3 million in net income we realized during the quarter exemplifies our model. In fact, Q3's net income level was higher than any fiscal full year period since A-Mark became a publicly traded company in 2014.

"With one of the most expansive product and service offerings in the industry, we believe we are well positioned to continue to capitalize on the current market conditions by optimizing our business platform, while continuing to increase market share and driving growth over the long term."

### **Conference Call**

A-Mark will hold a conference call today (May 7, 2020) to discuss these financial results. The company's CEO Greg Roberts, President Thor Gjerdrum and CFO Kathleen Simpson-Taylor will host the call at 4:30 p.m. Eastern time (1:30 p.m. Pacific time). A question and answer session will follow management's presentation.

To participate, please dial the appropriate number at least five minutes prior to the start time and ask for the A-Mark Precious Metals conference call.

U.S. dial-in number: 1-888-224-1005

International number: 1-856-344-9316

Conference ID: 9392853

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](http://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 May 21, 2020.

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

International replay number: 1-412-317-6671

Conference ID: 9392853

### **About A-Mark Precious Metals**

Founded in 1965, A-Mark Precious Metals, Inc. (NASDAQ: AMRK) is a leading full-service precious metals trading company and wholesaler of gold, silver, platinum and palladium bullion and related products. The company's global customer base includes sovereign and private mints, manufacturers and fabricators, refiners, dealers, financial institutions, industrial users, investors, collectors, and e-commerce and other retail customers. The company conducts its operations through three complementary segments: Wholesale Trading & Ancillary Services, Secured Lending, and Direct Sales.

A-Mark operates several business units in its Wholesale Trading & Ancillary Services segment, including Industrial, Coin and Bar, Trading and Finance, Transcontinental Depository Services (TDS), Logistics, and the Mint (as more fully described below). Its Industrial unit services manufacturers and fabricators of products utilizing precious metals, while its Coin and Bar unit deals in over 200 different products for distribution to dealers and other qualified purchasers. As a U.S. Mint-authorized purchaser of gold, silver and platinum coins, A-Mark purchases bullion products directly from the U.S. Mint for sale to customers. A-Mark also has distributorships with other sovereign mints, including Australia, Austria, Canada, China, Mexico, South Africa and the United Kingdom. Through its [TDS](#) subsidiary, A-Mark provides customers with a variety of managed storage options for precious metals worldwide. Through its A-M Global Logistics subsidiary, A-Mark provides customers an array of complementary services, including receiving, handling, inventorying, processing, packaging and shipping of precious metals and custom coins on a secure basis. A-Mark also holds a majority stake in a joint venture that owns the minting operations known as [SilverTowne Mint](#) (Mint), which designs and produces minted silver products which provide greater product selection to customers, price stability within the supply chain as well as more secured access to silver during volatile market environments.

The company operates its Secured Lending segment through its wholly-owned subsidiaries, Collateral Finance Corporation ([CFC](#)) and AM Capital Funding, LLC (AMCF). Founded in 2005, CFC is a 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](http://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 in the company's public filings with the Securities and Exchange Commission.

The words "should," "believe," "estimate," "expect," "intend," "anticipate," "foresee," "plan" and similar expressions and variations thereof identify certain of such forward-looking statements, which speak only as of the dates on which they were made. Additionally, any statements related to future improved performance and estimates of revenues and earnings per share are forward-looking statements. The company undertakes no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

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

	March 31, 2020	June 30, 2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ 95,503	\$ 8,320
Receivables, net	96,753	26,895
Derivative assets	53,081	2,428
Secured loans receivable	49,621	125,298
Precious metals held under financing arrangements	187,005	208,792
Inventories:		
Inventories	291,003	198,356
Restricted inventories	122,126	94,505
	<u>413,129</u>	<u>292,861</u>
Income taxes receivable	1,438	1,473
Prepaid expenses and other assets	3,149	2,783
<b>Total current assets</b>	<u>899,679</u>	<u>668,850</u>
Operating lease right of use assets, net	4,508	—
Property, plant, and equipment, net	5,953	6,731
Goodwill	8,881	8,881
Intangibles, net	5,234	5,852
Long-term investments	12,277	11,885
Deferred tax assets - non-current	925	3,163
Other long-term assets	3,500	—
<b>Total assets</b>	<u>\$ 940,957</u>	<u>\$ 705,362</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Lines of credit	\$ 175,000	\$ 167,000
Liabilities on borrowed metals	178,604	201,144
Product financing arrangements	122,126	94,505
Accounts payable and other current liabilities	231,920	62,180
Derivative liabilities	39,532	9,971
Accrued liabilities	10,919	6,137
<b>Total current liabilities</b>	<u>758,101</u>	<u>540,937</u>
Notes payable	92,347	91,859
Other liabilities	4,142	—
<b>Total liabilities</b>	<u>854,590</u>	<u>632,796</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of March 31, 2020 and June 30, 2019		
Common stock, par value \$0.01; 40,000,000 shares authorized; 7,031,450 shares issued and outstanding as of March 31, 2020 and June 30, 2019	71	71
Additional paid-in capital	27,087	26,452
Retained earnings	55,818	43,135
<b>Total A-Mark Precious Metals, Inc. stockholders' equity</b>	<u>82,976</u>	<u>69,658</u>
Non-controlling interests	3,391	2,908
<b>Total stockholders' equity</b>	<u>86,367</u>	<u>72,566</u>
<b>Total liabilities, non-controlling interests and stockholders' equity</b>	<u>\$ 940,957</u>	<u>\$ 705,362</u>

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

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Revenues	\$ 1,258,722	\$ 1,266,986	\$ 3,795,326	\$ 3,932,988
Cost of sales	1,236,247	1,258,270	3,756,380	3,907,480
Gross profit	22,475	8,716	38,946	25,508
Selling, general, and administrative expenses	(10,388 )	(8,258 )	(26,528 )	(24,080 )
Interest income	5,968	4,807	17,968	14,010
Interest expense	(5,051 )	(4,239 )	(15,274 )	(12,447 )
Other income, net	463	373	447	1,303
Unrealized loss on foreign exchange	(45 )	(36 )	(42 )	(54 )
Net income before provision for income taxes	13,422	1,363	15,517	4,240
Income tax expense	(1,814 )	(402 )	(2,351 )	(1,143 )
Net income	11,608	961	13,166	3,097
Net income (loss) attributable to non-controlling interests	287	(29 )	483	49
Net income attributable to the Company	\$ 11,321	\$ 990	\$ 12,683	\$ 3,048
<b>Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:</b>				
Basic	\$ 1.61	\$ 0.14	\$ 1.80	\$ 0.43
Diluted	\$ 1.61	\$ 0.14	\$ 1.80	\$ 0.43
<b>Weighted average shares outstanding:</b>				
Basic	7,031,400	7,031,400	7,031,400	7,031,400
Diluted	7,042,800	7,084,400	7,063,100	7,087,300

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

<b>Nine Months Ended March 31,</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 13,166	\$ 3,097
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>		
Provision (reversal) for doubtful accounts	—	(30 )
Depreciation and amortization	2,217	2,088
Amortization of loan cost	1,139	854
Deferred income taxes	2,238	975
Interest added to principal of secured loans	(15 )	(16 )
Change in accrued earn-out	—	(504 )
Debt extinguishment costs	—	7
Share-based compensation	635	842
Earnings from equity method investments	(392 )	(934 )
Changes in assets and liabilities:		
Receivables	(69,858 )	20,161
Secured loans receivable	3,007	(1,747 )
Secured loans made to affiliates	2,315	4,007
Derivative assets	(50,653 )	1,152
Income taxes receivable	35	12
Precious metals held under financing arrangements	21,787	49,944
Inventories	(120,268 )	13,697
Prepaid expenses and other assets	(319 )	(447 )
Accounts payable and other current liabilities	169,740	14,680
Derivative liabilities	29,560	(18,350 )
Liabilities on borrowed metals	(22,540 )	(69,696 )
Accrued liabilities	4,431	567
<b>Net cash (used in) provided by operating activities</b>	<b>(13,775 )</b>	<b>20,359</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures for property, plant, and equipment	(686 )	(290 )
Purchase of long-term investments	—	(2,300 )
Purchase of intangible assets	(150 )	—
Secured loans receivable, net	70,370	(3,066 )
Other loans originated	(3,500 )	—
<b>Net cash provided by (used in) investing activities</b>	<b>66,034</b>	<b>(5,656 )</b>
<b>Cash flows from financing activities:</b>		
Product financing arrangements, net	27,621	(48,217 )
Borrowings and repayments under lines of credit, net	8,000	(51,000 )
Repayments on notes payable to related party	—	(7,500 )
Proceeds from issuance of notes payable	—	90,000
Borrowings on unsecured advance	—	4,220
Debt funding issuance costs	(697 )	(3,748 )
<b>Net cash provided by (used in) financing activities</b>	<b>34,924</b>	<b>(16,245 )</b>
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>87,183</b>	<b>(1,542 )</b>
<b>Cash, cash equivalents, and restricted cash, beginning of period</b>	<b>8,320</b>	<b>6,291</b>
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$ 95,503</b>	<b>\$ 4,749</b>

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

### Condensed Consolidated Results of Operations

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



*in thousands, except per share data*

Three Months Ended  
March 31,

	2020		2019		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 1,258,722	100.000 %	\$ 1,266,986	100.000 %	\$ (8,264 )	(0.7 )%
Gross profit	22,475	1.786 %	8,716	0.688 %	\$ 13,759	157.9 %
Selling, general, and administrative expenses	(10,388 )	(0.825 )%	(8,258 )	(0.652 )%	\$ 2,130	25.8 %
Interest income	5,968	0.474 %	4,807	0.379 %	\$ 1,161	24.2 %
Interest expense	(5,051 )	(0.401 )%	(4,239 )	(0.335 )%	\$ 812	19.2 %
Other income, net	463	0.037 %	373	0.029 %	\$ 90	24.1 %
Unrealized loss on foreign exchange	(45 )	(0.004 )%	(36 )	(0.003 )%	\$ 9	25.0 %
Net income before provision for income taxes	13,422	1.066 %	1,363	0.108 %	\$ 12,059	884.7 %
Income tax expense	(1,814 )	(0.144 )%	(402 )	(0.032 )%	\$ 1,412	351.2 %
Net income	11,608	0.922 %	961	0.076 %	\$ 10,647	1107.9 %
Net income (loss) attributable to non-controlling interests	287	0.023 %	(29 )	(0.002 )%	\$ 316	1089.7 %
Net income attributable to the Company	\$ 11,321	0.899 %	\$ 990	0.078 %	\$ 10,331	1043.5 %
<b>Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:</b>						
<b>Per Share Data:</b>						
Basic	\$ 1.61		\$ 0.14		\$ 1.47	1050.0 %
Diluted	\$ 1.61		\$ 0.14		\$ 1.47	1050.0 %

## Overview of Results of Operations for the Nine Months Ended March 31, 2020 and 2019

### Condensed Consolidated Results of Operations

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

*in thousands, except per share data*

Nine Months Ended March 31,	2020		2019		\$	%
	\$	% of revenue	\$	% of revenue	Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 3,795,326	100.000 %	\$ 3,932,988	100.000 %	\$ (137,662 )	(3.5 )%
Gross profit	38,946	1.026 %	25,508	0.649 %	\$ 13,438	52.7 %
Selling, general, and administrative expenses	(26,528 )	(0.699 )%	(24,080 )	(0.612 )%	\$ 2,448	10.2 %
Interest income	17,968	0.473 %	14,010	0.356 %	\$ 3,958	28.3 %
Interest expense	(15,274 )	(0.402 )%	(12,447 )	(0.316 )%	\$ 2,827	22.7 %
Other income, net	447	0.012 %	1,303	0.033 %	\$ (856 )	(65.7 )%
Unrealized loss on foreign exchange	(42 )	(0.001 )%	(54 )	(0.001 )%	\$ (12 )	(22.2 )%
Net income before provision for income taxes	15,517	0.409 %	4,240	0.108 %	\$ 11,277	266.0 %
Income tax expense	(2,351 )	(0.062 )%	(1,143 )	(0.029 )%	\$ 1,208	105.7 %
Net income	13,166	0.347 %	3,097	0.079 %	\$ 10,069	325.1 %
Net income attributable to non-controlling interests	483	0.013 %	49	0.001 %	\$ 434	885.7 %
Net income attributable to the Company	\$ 12,683	0.334 %	\$ 3,048	0.077 %	\$ 9,635	316.1 %
<b>Basic and diluted net income per share attributable to A-Mark Precious Metals, Inc.:</b>						
<b>Per Share Data:</b>						
Basic	\$ 1.80		\$ 0.43		\$ 1.37	318.6 %
Diluted	\$ 1.80		\$ 0.43		\$ 1.37	318.6 %



Source: A-Mark Precious Metals