

A-Mark Precious Metals Reports Fiscal Second Quarter 2015 Results

February 9, 2015 4:05 PM ET

SANTA MONICA, Calif., Feb. 9, 2015 (GLOBE NEWSWIRE) -- [A-Mark Precious Metals, Inc.](#) (Nasdaq:AMRK), a full-service precious metals trading company, reported results for its fiscal second quarter and six months ended December 31, 2014.

Fiscal Q2 2015 Overview

- Revenues totaled \$1.54 billion, up 6% from the prior quarter, driven by an increase in silver ounces sold.
- Revenues totaled \$1.54 billion, up 3% from the same year-ago quarter, driven by an increase in silver ounces sold.
- Gross profit increased 26% from the quarter ended September 30, 2014 as compared to the quarter ended December 31, 2014, driven by improved market conditions.
- Gross profit decreased 9% from the quarter ended December 31, 2013 as compared to the quarter ended December 31, 2014, driven by stronger market conditions during the year-ago quarter.
- Development of the Las Vegas logistics center remains on schedule for opening mid-2015.

Fiscal Q2 2015 Financial Results

Revenues increased 6% to \$1.54 billion from \$1.45 billion in the prior quarter, and increased 3% from \$1.49 billion from the same year-ago quarter. The increase was due to an increase in silver ounces sold, partially offset by a decrease in gold ounces sold as well as a decrease of both gold and silver commodity prices.

Gross profit increased 26% to \$7.2 million (0.47% of revenues) from \$5.7 million (0.39% of revenues) in the prior quarter, and decreased 9% from \$7.9 million (0.53% of revenues) in the same year-ago quarter. The sequential increase in gross profit was due to an increase in silver ounces sold, which resulted from the higher volatility of gold and silver commodity prices. The decrease from the year-ago quarter was due to a decrease in premium spreads.

Selling, general and administrative expenses increased 13% to \$4.8 million compared to \$4.2 million in the prior quarter, and up 6% from \$4.5 million in the same year-ago quarter. The increases were primarily due to operational costs related to the development of the company's new logistics center established to provide fulfillment services to A-Mark customers. Expenses were also higher due to increased costs associated with being a public company since March 2014, including the addition of key personnel and legal and accounting fees and expenses.

Net income totaled \$1.7 million or \$0.24 per diluted share, up 46% from \$1.1 million or \$0.16 per diluted share in the previous quarter, and down 26% from \$2.2 million or \$0.29 per diluted share in the same year-ago quarter. The sequential improvement was due to an increase in premium spreads, while the decrease from the year-ago period was due to lower gross margins related to lower commodity price volatility.

Fiscal Six Months 2015 Financial Results

Revenues were \$2.99 billion, improving marginally from \$2.98 billion in the same period last year. The increase was primarily due to the increase in silver ounces sold, partially offset by a decrease in gold ounces sold and the decrease of both gold and silver commodity prices.

Gross profit declined 13% to \$12.9 million (0.43% of revenue) from \$14.9 million (0.50% of revenue) in the same year-ago period. The decrease reflected the lower premium spreads on the company's primary products, offset by sales of higher margin value-added products.

Selling, general and administrative expenses increased 10% to \$9.0 million from \$8.2 million in the same year-ago period. The increase was primarily due to greater operational costs related to the development of the logistics center as well as

costs associated with being a public company.

Net income totaled \$2.8 million or \$0.40 per diluted share, declining by 39% from \$4.6 million or \$0.59 per diluted share in the same period last year. The decrease in net income was primarily due to lower gross margins.

Management Commentary

"Our revenue and gross profit improvements in fiscal Q2 were primarily driven by increased precious metals volatility," said Greg Roberts, A-Mark's CEO. "Our financial performance during the quarter reflects the potential of our business model, which is structured to provide consistent profitability in any market environment, while offering opportunities for significantly increased revenue and gross margin when we see volatility return to the precious metals market.

"We continue to rapidly increase our value-added products pipeline and services, which enhance our gross margin and profitability profile. In step with this, we are working to further expand our capacity to handle the increased demand that will inevitably return when volatility increases across all of our lines of business."

Conference Call

A-Mark will hold a conference call today (February 9, 2015) to discuss these financial results. The company's CEO, Greg Roberts, and executive vice president and COO, Thor Gjerdrum, will host the call starting 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: 13600070

The conference call will be broadcast simultaneously and available for replay via the Investor Information section of A-Mark's website at www.amark.com. For the webcast, please access the link at least 15 minutes prior the call in order to register and install any necessary audio software. If you have any difficulty connecting with the conference call or webcast, please contact Liolios Group at 1-949-574-3860.

A replay of the call will be available after 7:30 p.m. Eastern time on the same day through February 23, 2015.

Toll-free replay number: 1-877-870-5176

International replay number: 1-858-384-5517

Conference ID: 13600070

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 Santa Monica, 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.

Important Causations 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 are identified in the Company's public filings with the Securities and Exchange Commission (SEC) and include the following: our inability to execute our growth strategy; our inability to maintain the security of customer or company information; the impact of complying with laws and regulations relating to our trading and financing operations; changes in our liquidity and capital requirements; changes in the political or economic environments of the countries in which we do business; the loss of key management or trading personnel; our exposure to commodity price risks, concentration of credit risk, and the risks of default of our counterparties; the demand nature of our credit facility; the possible loss of a key government distributorship arrangement; potential losses in connection with our financing operations; the inability of our historical financial statements to be indicative of our future performance; the impact of increased costs associated with being a public company; our inability to maintain effective internal controls as a public company; our inability or determination not to pay dividends; low trading volume of our capital stock due to limited liquidity or a lack of analyst coverage; and the ability of our principal shareholders to exert substantial control over us or prevent a change of control.

More information about factors that could affect the Company's business and financial results included in its public filings with the SEC, which are available on the SEC's website at www.sec.gov.

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 share data)

(unaudited)

December	June
31,	30,
2014	2014

ASSETS

Current assets:

Cash	\$5,113	\$13,193
Receivables, net	125,206	102,824

Inventories:

Inventories	143,111	150,944
Restricted inventories	80,660	24,610
	223,771	175,554

Deferred tax assets	4,507	—
Income taxes receivable	197	—
Income taxes receivable from Former Parent	3,139	3,139
Prepaid expenses and other assets	658	613
Total current assets	362,591	295,323

Property and equipment, net	1,491	1,678
Goodwill	4,884	4,884
Intangibles, net	2,561	2,753
Long-term receivables	800	—
Long-term investments	1,611	500
Total assets	\$373,938	\$305,138

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Lines of credit	\$151,000	\$135,200
Liability on borrowed metals	5,684	8,709
Product financing arrangement	80,660	24,610
Accounts payable	80,767	77,426
Accrued liabilities	3,416	6,070
Income taxes payable	—	2,178
Deferred tax liability - current	—	1,456
Total current liabilities	321,527	255,649
Deferred tax liabilities	33	33
Total liabilities	321,560	255,682

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of December 31, 2014 and June 30, 2014	—	—
Common Stock, par value \$0.01; 40,000,000 authorized; 6,962,742 and 6,962,742 issued and outstanding as of December 31, 2014 and June 30, 2014, respectively	70	70
Additional paid-in capital	22,439	22,317
Retaining earnings	29,869	27,069
Total stockholders' equity	52,378	49,456
Total liabilities and stockholders' equity	\$373,938	\$305,138

A-MARK PRECIOUS METALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

(unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Revenues	\$1,538,871	\$1,488,691	\$2,992,337	\$2,984,716
Cost of sales	1,531,678	1,480,819	2,979,414	2,969,815
Gross profit	7,193	7,872	12,923	14,901
Selling, general and administrative expenses	(4,754)	(4,503)	(8,973)	(8,151)
Interest income	1,398	1,365	2,875	2,822
Interest expense	(969)	(889)	(2,032)	(1,877)
Unrealized gains (losses) on foreign exchange	(75)	24	(84)	60
Net income before provision for income taxes	2,793	3,869	4,709	7,755
Provision for income taxes	(1,131)	(1,621)	(1,909)	(3,141)
Net income	\$1,662	\$2,248	\$2,800	\$4,614
Basic and diluted income per share:				
Basic - net income	\$0.24	\$0.29	\$0.40	\$0.60
Diluted - net income	\$0.24	\$0.29	\$0.40	\$0.59
Weighted average shares outstanding:				
Basic	6,962,742	7,729,181	6,962,742	7,729,401
Diluted	7,059,400	7,885,640	7,062,300	7,886,167

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

(amounts in thousands)

(unaudited)

Six Months Ended December 31,	2014	2013
Cash flows from operating activities:		
Net Income	\$2,800	\$4,614
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	455	443
Deferred income taxes	(5,963)	—
Interest added to principal of secured loans	(144)	—
Share-based compensation	122	75
Changes in assets and liabilities:		
Receivables	(21,871)	7,824
Secured loans to Former Parent	(2,711)	—
Income tax receivable	(197)	—
Inventories	(48,217)	2,349
Prepaid expenses and other current assets	(45)	(381)
Accounts payable	3,341	(1,400)
Liabilities on borrowed metals	(3,025)	(8,891)
Accrued liabilities	(2,654)	(1,616)
Receivable from/ payables to Former Parent	—	(1,905)
Income taxes payable	(2,178)	—
Net cash (used in) provided by operating activities	(80,287)	1,112
Cash flows from investing activities:		
Capital expenditures for property and equipment	(76)	(264)
Purchase of cost method investment	(1,111)	—
Secured loans, net	1,544	(350)
Net cash provided by (used in) investing activities	357	(614)
Cash flows from financing activities:		
Product financing arrangement, net	56,050	(13,048)
Dividends paid to Former Parent	—	(5,000)
Borrowings under lines of credit, net	15,800	11,000
Net cash provided by (used in) financing activities	71,850	(7,048)
Net decrease in cash and cash equivalents	(8,080)	(6,550)

Cash and cash equivalents, beginning of period	13,193	21,565
Cash and cash equivalents, end of period	\$5,113	\$15,015
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest expense	\$1,719	\$1,851
Income taxes	\$10,247	\$3,925
Non-cash investing and financing activities:		
Interest added to principal of secured loans	\$144	\$—
Secured loans received in satisfaction of customer receivable	\$—	\$12,800

RESULTS OF OPERATIONS

Overview of Results of Operations for the Three Months Ended December 31, 2014 and 2013

Condensed Consolidated Results of Operations

in thousands, except per share data and performance metrics

Three Months Ended December 31,	2014		2013		\$	%
	\$	% of revenue	\$	% of revenue		
Revenue	\$1,538,871	100.000%	\$1,488,691	100.000%	\$50,180	3.4%
Gross profit	7,193	0.467%	7,872	0.529%	(679)	(8.6)%
Selling, general and administrative expenses	(4,754)	(0.309)%	(4,503)	(0.303)%	251	5.6%
Interest income	1,398	0.091%	1,365	0.092%	33	2.4%
Interest expense	(969)	(0.063)%	(889)	(0.060)%	80	9.0%
Unrealized gains (losses) on foreign exchange	(75)	(0.005)%	24	0.002%	(99)	NM
Net income before provision for income taxes	2,793	0.182%	3,869	0.260%	(1,076)	(27.8)%
Provision for income taxes	(1,131)	(0.074)%	(1,621)	(0.109)%	(490)	(30.2)%
Net income	\$1,662	0.108%	\$2,248	0.151%	\$(586)	(26.1)%

Per Share Data:

Basic	\$0.24	NA	\$0.29	NA	\$(0.05)	(17.2)%
Diluted	\$0.24	NA	\$0.29	NA	\$(0.05)	(17.2)%

NM Not meaningful.

NA Not applicable.

RESULTS OF OPERATIONS

Overview of Results of Operations for the Six Months Ended December 31, 2014 and 2013

Condensed Consolidated Results of Operations

in thousands, except per share data and performance metrics

Six Months Ended December 31,	2014		2013		\$	%
	\$	% of revenue	\$	% of revenue		
Revenue	\$2,992,337	100.000%	\$2,984,716	100.000%	\$7,621	0.3%
Gross profit	12,923	0.432%	14,901	0.499%	(1,978)	(13.3)%
Selling, general and administrative expenses	(8,973)	(0.300)%	(8,151)	(0.273)%	822	10.1%
Interest income	2,875	0.096%	2,822	0.095%	53	1.9%
Interest expense	(2,032)	(0.068)%	(1,877)	(0.063)%	155	8.3%
Unrealized gains (losses) on foreign exchange	(84)	(0.003)%	60	0.002%	(144)	NM
Net income before provision for income taxes	4,709	0.157%	7,755	0.260%	(3,046)	(39.3)%
Provision for income taxes	(1,909)	(0.064)%	(3,141)	(0.105)%	(1,232)	(39.2)%
Net income	\$2,800	0.094%	\$4,614	0.155%	\$(1,814)	(39.3)%

Per Share Data:

Basic	\$0.40	NA	\$0.60	NA	\$(0.20)	(33.3)%
Diluted	\$0.40	NA	\$0.59	NA	\$(0.19)	(32.2)%

NM Not meaningful.

NA Not applicable.

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