

A-Mark Precious Metals Reports Fiscal First Quarter 2019 Results

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EL SEGUNDO, Calif., Nov. 08, 2018 (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 first quarter ended September 30, 2018.

Fiscal Q1 2019 Financial Highlights

- Revenues for the three months ended September 30, 2018 decreased 28% to \$1.57 billion from \$2.16 billion for the three months ended September 30, 2017 and decreased 11% from \$1.77 billion for the three months ended June 30, 2018
- Gross profit for the three months ended September 30, 2018 increased 16% to \$8.5 million (0.5% of revenue) from \$7.3 million (0.3% of revenue) for the three months ended September 30, 2017 and increased 46% from \$5.8 million (0.33% of revenue) for the three months ended June 30, 2018
- Net income for the three months ended September 30, 2018 totaled \$1.5 million or \$0.21 per diluted share, compared to net income of \$478,000 or \$0.07 per diluted share for the three months ended September 30, 2017 and net loss of \$3.0 million or \$(0.43) per diluted share for the three months ended June 30, 2018
- Gold ounces sold in the three months ended September 30, 2018 increased 61% to 535,000 ounces from 332,000 for the three months ended September 30, 2017 and decreased 9% from 586,000 for the three months ended June 30, 2018
- Silver ounces sold in the three months ended September 30, 2018 increased 26% to 18.3 million ounces from 14.5 million ounces for the three months ended September 30, 2017 and increased 112% from 8.6 million from the three months ended June 30, 2018
- As of September 30, 2018, the number of secured loans decreased 31% to 1,705 from 2,454 as of September 30, 2017 and decreased 51% from 3,507 as of June 30, 2018

Fiscal Q1 2019 Financial Results

Revenues decreased 28% to \$1.57 billion from \$2.16 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 increased 16% to \$8.5 million (0.5% of revenue) from \$7.3 million (0.3% of revenue) in the same year-ago quarter. The increase in gross profit was primarily due to improved market conditions offset by lower trading profits and gross profit of the company's Direct Sales segment (Goldline).

Selling, general and administrative expenses increased 11% to \$7.7 million from \$7.0 million in the same year-ago quarter. The increase was primarily due to selling, general and administrative expenses related to the company's Direct Sales segment (Goldline) of \$0.9 million and higher compensation costs of \$0.5 million, partially offset by a reduction of \$0.5 million of investigatory acquisition costs.

Interest income increased 44% to \$4.6 million from \$3.2 million in same year-ago quarter, driven primarily by increases in interest rates and an increase in the weighted-average value of the secured loan portfolio and other finance product income.

Interest expense increased 30% to \$3.6 million from \$2.7 million in same year-ago quarter. The increase was related primarily to greater usage of the company's trading credit facility, the related-party debt financing agreement associated with the acquisition of Goldline, the company's newly issued notes payable in our lending business, as well as higher LIBOR interest rates.

Net income totaled \$1.5 million or \$0.21 per diluted share, as compared to net income of \$478,000 or \$0.07 per diluted share in the same year-ago quarter.

Management Commentary

“We generated solid improvements across our various business segments in the fiscal first quarter, highlighted by expanded gross profit margins as well as a return to profitability,” said A-Mark CEO Greg Roberts. “Our performance was driven, in part, by more favorable conditions in the precious metals market, which was characterized by a decrease in silver and gold prices, leading to increased volatility, higher demand for our products and improved premium spreads.

“Our financial results were also enhanced by our larger, more diversified platform of products and services. In particular, our Secured Lending segment continued to generate steady and predictable cash flow for our overall business. While the total number of secured loans decreased in Q1 due to margin call activity related to these volatile market conditions, the \$100 million asset-based securitization we completed in the quarter specifically earmarked for our direct lending business, CFC, enables us to more aggressively expand this business to new levels going forward. By growing our finance book and introducing new complementary financing products, A-Mark will increasingly benefit from the revenue diversification and interest income that CFC provides.

“We continue to see heightened volatility and continued demand for A-Mark’s physical products in the current quarter, both from retail and institutional customers. We remain cautiously optimistic, especially given the backdrop of the present geopolitical environment, volatile equity markets, and rising interest rates. We will continue to act opportunistically in an effort 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 (November 8, 2018) 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 at 1-949-574-3860.

A replay of the call will be available after 7:30 p.m. Eastern time through November 22, 2018.

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

International replay number: 1-412-317-6671

Conference ID: 13684493

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 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)

	September 30, 2018	June 30, 2018
ASSETS		
Current assets:		
Cash	\$ 22,714	\$ 6,291
Receivables, net	51,275	35,856
Derivative assets	2,706	7,395
Secured loans receivable	81,891	110,424
Precious metals held under financing arrangements	232,476	262,566
Inventories:		
Inventories	236,679	166,176
Restricted inventories	53,126	113,940
	289,805	280,116
Income taxes receivable	1,561	1,553
Prepaid expenses and other assets	2,830	2,782
Total current assets	685,258	706,983
Plant, property and equipment, net	7,694	8,018
Goodwill	8,881	8,881
Intangibles, net	6,609	6,861
Long-term investments	8,636	8,388
Deferred tax assets - non-current	3,417	3,870
Total assets	\$ 720,495	\$ 743,001
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 179,000	\$ 200,000
Liability on borrowed metals	227,198	280,346
Product financing arrangements	53,126	113,940
Accounts payable	60,993	45,997
Derivative liabilities	29,917	20,457
Accrued liabilities	4,838	5,129
Total current liabilities	555,072	665,869
Debt obligation (related party)	7,257	7,226
Notes Payable	87,056	—
Other long-term liabilities (related party)	296	798
Total liabilities	649,681	673,893
Commitments and contingencies		

Stockholders' equity:

Preferred stock, \$0.01 par value, authorized 10,000,000 shares; issued and outstanding: none as of September 30, 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 September 30, 2018 and June 30, 2018	71	71
Additional paid-in capital	25,628	24,717
Retained earnings	42,391	40,910
Total A-Mark Precious Metals, Inc. stockholders' equity	68,090	65,698
Non-controlling interest	2,724	3,410
Total stockholders' equity	70,814	69,108
Total liabilities, non-controlling interest and stockholders' equity	\$ 720,495	\$ 743,001

A-MARK PRECIOUS METALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

Three Months Ended September 30,	2018	2017
Revenues	\$ 1,565,090	\$ 2,163,790
Cost of sales	1,556,615	2,156,484
Gross profit	8,475	7,306
Selling, general and administrative expenses	(7,719	) (6,976
Interest income	4,551	3,161
Interest expense	(3,552	) (2,733
Other income	248	61
Unrealized loss on foreign exchange	(70	) (101
Net income before provision for income taxes	1,933	718
Income tax expense	(499	) (274
Net income	1,434	444
Add: Net loss attributable to non-controlling interest	(47	) (34
Net income attributable to the Company	\$ 1,481	\$ 478

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

Basic	\$ 0.21	\$ 0.07
Diluted	\$ 0.21	\$ 0.07

Dividends per share \$ — \$ 0.08

Weighted average shares outstanding:

Basic	7,031,400	7,031,400
Diluted	7,091,900	7,122,400

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

Three Months Ended September 30,	2018	2017
Cash flows from operating activities:		
Net income	\$ 1,434	\$ 444
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>		
Depreciation and amortization	697	529
Amortization of loan cost	211	233
Deferred income taxes	453	4,687
Interest added to principal of secured loans	(5	) (15
Share-based compensation	272	436
Earnings from equity method investment	(247	) (57
<i>Changes in assets and liabilities:</i>		
Receivables	(15,419	) (1,792
Secured loans	93	(77
Secured loans to Former Parent	6,824	(2,215
Derivative assets	4,689	(1,914
Income tax receivable	(8	) (5,881
Precious metals held under financing arrangements	30,090	—
Inventories	(9,689	) (14,384
Prepaid expenses and other assets	(208	) (802
Accounts payable	14,996	1,417
Derivative liabilities	9,460	(10,593
Liabilities on borrowed metals	(53,148	) 436
Accrued liabilities	(793	) (3,147
Earn-out payment to related acquisition of joint venture	—	(208
Income taxes payable	—	(1,418
Net cash used in operating activities	(10,298	) (34,321
Cash flows from investing activities:		
Capital expenditures for property and equipment	(122	) (318
Secured loans, net	21,621	4,674
Acquisition of subsidiary, net of cash	—	(9,548
Net cash provided by (used in) investing activities	21,499	(5,192
Cash flows from financing activities:		
Product financing arrangements, net	(60,814	) (10,478
Dividends	—	(562
Borrowings and repayments under lines of credit, net	(21,000	) 39,000
Proceeds from issuance of debt obligation payable to related party	—	7,500
Repayments on notes payable to related party	—	(500

Proceeds from issuance of notes payable	90,000	—
Debt funding issuance costs	(2,964	) (149)
Net cash provided by financing activities	5,222	34,811
Net increase (decrease) in cash, cash equivalents, and restricted cash	16,423	(4,702)
Cash, cash equivalents, and restricted cash, beginning of period	6,291	13,059
Cash, cash equivalents, and restricted cash, end of period	\$ 22,714	\$ 8,357

Overview of Results of Operations for the Three Months Ended September 30, 2018 and 2017

Condensed Consolidated Results of Operations

The operating results of our business for the three months ended September 30, 2018 and 2017 are as follows:

in thousands, except per share data

Three Months Ended September 30,	2018		2017		\$	%
	\$	% of revenue	\$	% of revenue			Increase/ (decrease)	Increase/ (decrease)
Revenues	\$ 1,565,090	100.000 %	\$ 2,163,790	100.000 %	\$ (598,700)	(27.7)%
Gross profit	8,475	0.542 %	7,306	0.338 %	\$ 1,169	16.0 %
Selling, general and administrative expenses	(7,719)	(0.493)%	(6,976)	(0.322)%	\$ 743	10.7 %
Interest income	4,551	0.291 %	3,161	0.146 %	\$ 1,390	44.0 %
Interest expense	(3,552)	(0.227)%	(2,733)	(0.126)%	\$ 819	30.0 %
Other income	248	0.016 %	61	0.003 %	\$ 187	306.6 %
Unrealized loss on foreign exchange	(70)	(0.005)%	(101)	(0.005)%	\$ 31	NM
Net income before provision for income taxes	1,933	0.124 %	718	0.033 %	\$ 1,215	169.2 %
Income tax expense	(499)	(0.032)%	(274)	(0.013)%	\$ 225	82.1 %
Net income	1,434	0.092 %	444	0.021 %	\$ 990	223.0 %
Add: Net loss attributable to non-controlling interest	(47)	(0.003)%	(34)	(0.002)%	\$ (13)	38.2 %
Net income attributable to the Company	\$ 1,481	0.095 %	\$ 478	0.022 %	\$ 1,003	209.8 %

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

Per Share Data:

Basic	\$0.21	\$0.07	\$0.14	200.0 %
Diluted	\$0.21	\$0.07	\$0.14	200.0 %

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A-Mark Precious Metals