

**A-Mark Precious Metals, Inc.**  
**Fiscal First Quarter 2015 Earnings Conference Call**  
**November 7, 2014**

**Operator:** Good morning, and welcome to A-Mark Precious Metals' Fiscal First Quarter 2015 conference call. My name is Melissa and I will be your Operator this morning.

After market closed yesterday, the Company issued their results for its fiscal first quarter of 2015 in a press release, a copy of which is available in the Investor Relations section of the Company's website at [www.amark.com](http://www.amark.com). The link to the Investor Relations section is at the bottom of the A-Mark home page.

Joining us for today's presentation is the Company's CEO, Greg Roberts and COO, Thor Gjerdrum. Following their remarks we will open up the call for your questions. Then, before we conclude today's call, I'll provide the necessary cautions regarding the forward-looking statements made by Management during this call.

I would like to remind everyone that this call is being recorded and will be made available for replay via a link available in the Investor Relations section of the Company's website.

Now I would like to turn the call over to A-Mark's CEO, Mr. Greg Roberts. Please go ahead, sir.

**Gregory Roberts:** Thank you, Melissa. Good morning to everybody. Thank you for joining us today.

During the quarter, we continued to make progress building our higher-margin products. While the overall precious metals market remained flat in our first quarter, we continued to build operational capacity in order to capitalize on periods of instability and higher volume in our precious metal products. We have continued to expand our value-added services.

Overall, our performance during the fiscal first quarter reflected our ability to deliver profitable results even in a precious metals market environment with low volatility.

During our fiscal first quarter, which starts July 1st and goes through September 30th, gold and silver prices experienced downward pressure. Gold traded between \$1,211 and \$1,339 per ounce, while silver traded between \$17.06 and \$21.51 per ounce. Of note today, gold is trading at \$1,164 and silver at \$15.73.

While gold and silver prices have continued to weaken over the last 30 to 45 days, we remain on track for a profitable second quarter of fiscal 2015, which ends on December 31st.

Now, before I go further, I would like to turn the call over to COO, Thor Gjerdrum, who will take us through the financial details for the period. Afterward, I will return to talk more about our operational highlights and business outlook for the remainder of the year. Thor?

**Thor Gjerdrum:** Thank you, Greg, and welcome, everyone.

Let's start with revenue. Revenue in the first quarter of fiscal 2015 was \$1.45 billion; this compares to \$1.50 billion in the same quarter a year ago. The slight decline was primarily due to a decrease in the total number of gold ounces sold, partially offset by an increase in silver ounces sold during the quarter.

Gross profit for the fiscal Q1 2015 was \$5.7 million, compared to \$7.0 million in the year-ago quarter. Gross margin, as a percentage of total revenue, in fiscal Q1 2015 was 0.39% compared to 0.47% in the prior year. Gross profit decreased primarily due to lower premium spreads on our primary products, partially offset by sales of our higher-margin value-added products.

G&A expenses for the fiscal first quarter of 2015 totaled \$4.2 million, compared to \$3.6 million in the same year-ago quarter. The increase was due in part to operational costs related to our new logistics center, which is being established to provide expanded fulfillment services to our customers. Expenses were also higher in fiscal Q1 2015 due to administrative costs associated with being a public company, which included the addition of key personnel, as well as legal and accounting fees.

Our net income for the first fiscal quarter of 2015 totaled \$1.1 million or \$0.16 per diluted share. This was a decrease from net income of \$2.4 million or \$0.30 per diluted share in the same year-ago period. The decrease was primarily due to lower revenues and gross margins related to lower levels of commodity price volatility.

Now turning to the balance sheet, at September 30th we had \$4.7 million in cash on our balance sheet. The sequential decrease in cash was due to the timing of receipts from our customers. It's important to note that as a net borrower, we use the majority of our excess cash to pay down our borrowings on a daily basis. Our access to capital remains strong, with a total of \$128 million in draws on our lines of credit. At quarter-end, our maximum trading credit facility is \$220 million. We also have a product financing arrangement,

with \$20.6 million in draws at the end of fiscal Q1. This arrangement provides us with approximately \$100 million in additional inventory finance capability.

This completes the financial summary. Greg?

**Gregory Roberts:** Thank you, Thor. Since we began trading on the NASDAQ in March of this year, we've now reported four quarters in which we've achieved strong gross profits and profitability despite a softening to flat market environment for precious metals.

As our financial results reflect for fiscal Q1, the overall demand for physical products was slightly weaker year-over-year. As Thor mentioned, during most of the first quarter, precious metals prices experienced low volatility, which negatively impacted our trading volume and gross profit performance. Despite the low volatility trends we experienced throughout fiscal '14 and into the first quarter of fiscal '15, we remain on track for a profitable second quarter.

During the second quarter, we continue to focus on building capacity to capitalize on periods of higher volumes. We also continue to execute on strategic initiatives to enhance our baseline performance. This includes increasing our pipeline of value-added products, which enhances our margins – especially during low volatility market periods.

In our custom coin products, we continue to see an increase in consumer demand. This underscores our opportunity to further enhance profitability by leveraging our longstanding relationships with the largest of the sovereign mints. In step with this, we have five new custom products launching in the next 90 days. Our development with an ongoing pipeline continues as we focus on designing additional products to enhance our margins.

Our European team continues to focus on development of new customers and services including finance products and logistics services.

Turning to our financing subsidiary, CFC. Despite lower precious metal prices, which negatively affect our book, we have continued to see demand for our secured loan program. At the end of the first quarter, we had 120 borrowers and total loans outstanding of \$38.6 million.

On the TDS side, work continues on the development of our Las Vegas logistics center, which will open in early 2015. The facility will provide increased fulfillment capabilities for our business.

We have successfully completed investments in two online retailers and are very pleased with their growth plans and performance to-date.

Looking at the macro environment. We are continuing to see limited volatility in the precious metals market. As we have messaged on past calls, such periods will negatively impact our performance.

Looking forward, our strategy remains unchanged. We will continue to focus on growth, including the volume of our business, our geographic presence, particularly in Europe and Asia, and the scope of complementary products and services that we offer to our customers. We intend to drive this growth through leveraging our existing integrated operations and the depth of our customer relationships, through our access to market makers, suppliers, governments and other mints, our trading offices in the US and Europe which are now open 17 hours a day five days a week, our expansive precious metals dealer network, our depository relationships around the world, our logistic capabilities and trading expertise, and finally, the quality and experience of our our Management team.

Now with that, we're ready to open the calls for your questions. Operator, please provide the appropriate instructions.

**Operator:** Thank you. At this time we'll be conducting a question and answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. One moment please, while we poll for questions.

Once again, ladies and gentlemen, it is star one to join the question queue at this time.

Our first question comes from the line of Nick Stiasni with Stiasni Capital. Please proceed with your question.

**Nick Stiasni:** Hi, Greg. Can you talk a little bit more about the—when you say made an investment in online retailers, is that multiple retailers? Can you give us a little bit more description of what you've—what you're doing?

**Gregory Roberts:** Well, we've identified two online retailers that we are building a closer relationship to, both with our logistics as well as our supply of product to them. We've identified them as people that we want to be closer to that we think are going to lead this part of our business going forward. They seem like good candidates and good partners. To-date, we feel very comfortable

with them. We have had an ongoing relationship with both of these parties for quite some time, so it's not like we've just identified them overnight. We've built a good relationship and we like what they're doing and we believe they're on the right track on this area of the business.

**Nick Stiassni:** Okay, can you quantify a little bit more as to the degree of investment you made in these retailers?

**Gregory Roberts:** It's a small investment. I think it's outlined in the Q.

**Thor Gjerdrum:** Yes, the details are disclosed in the Q.

**Nick Stiassni:** Got it, okay.

**Operator:** Our next question comes from the line of George White with Salvor Funds. Please go ahead with your question.

Mr. White, your line is live; please ask your question.

[No Question Asked]

Thank you. Our next question comes from the line of Mark Zahorik with KAMCO. Please proceed with your question.

**Mark Zahorik:** Good morning. I was wondering if you have any plans on paying a cash dividend in the periods ahead. Also, I'm relatively new to the story, I was wondering if it's customary for you to offer any kind of guidance in terms of revenue or earnings for the upcoming periods.

**Gregory Roberts:** We don't typically offer guidance for upcoming periods. I think that, as you learn about our business, the volatility and the fact that we can't always predict where precious metal prices are going to go, premiums or demand, makes it a little bit difficult to forecast on a quarterly basis what's going to happen in the next quarter.

I think that—from our statement earlier, the goal of the Company is to continue to grow our basic baseline revenue and income, and make sure that we have the capacity, through credit lines and through logistics and through customers, to take advantage of times of greater volatility, when you have big moves in a single day or a single week. So we aren't looking to provide any guidance at this time.

As far as a dividend goes, it's something that the Board and Management talks about regularly. I think right now we believe that the Company is on the right track by investing capital that we have effectively. If we felt that we had more capital or too much capital that we weren't deploying

effectively or at the right rate of return, we would certainly consider a dividend. But there are no plans at this time.

**Mark Zahorik:** All right, thank you.

**Operator:** Thank you. At this time this concludes our question and answer session. I'd now like to turn the call back over to Mr. Greg Roberts for his closing remarks.

**Gregory Roberts:** Thank you again to everyone for joining us on our call today. I especially want to thank our investors for their continued support, as we continue to build A-Mark into the global leader in precious metals trading. We look forward to updating you on our next call. Operator?

**Operator:** Thank you. Before we conclude today's call, I would like to provide A-Mark's Safe Harbor statement that includes important cautions regarding forward-looking statements made during this call.

During today's call, there were forward-looking statements made regarding future events including A-Mark's 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 and include the following: the Company's inability to execute its growth strategy; the Company's inability to maintain the security of customer or Company information; the impact of complying with laws and regulations relating to the Company's trading and financing operations; changes in the Company's liquidity and capital requirements; changes in the political or economic environments of the countries in which A-Mark does business; the loss of key Management or trading personnel; the Company's exposure to commodity price risks, concentration of credit risk and risk of default of A-Mark's counterparties; the demand nature of the Company's credit facility; the possible loss of key government distributorship arrangements; potential losses in connection with the Company's financing operations; the inability of the Company's historical financial statements to be indicative of its future performance; the impact of decreased cost associated with being a public company; the Company's inability to maintain effective internal controls as a public company; the Company's inability to determine—or determination not to pay dividends; low trading volume of Company's capital stock due to limited liquidity or lack of analyst coverage; and the ability of the Company's principal shareholders to exert substantial control over us or prevent a change of control. 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 date 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.

Finally, I would like to remind everyone that a recording of today's call will be available for replay via a link available in the Investor Relations section of the Company's website. Thank you for joining us today for our presentation. You may now disconnect.