



AMG Advanced Metallurgical Group N.V. Reports First Quarter 2019 Results

Key Highlights

- Revenue increased by 12% to \$346.5 million in the first quarter 2019 from \$308.4 million in the first quarter 2018
- EBITDA⁽²⁾ was \$50.4 million in the first quarter 2019, a 13% increase over the same period in 2018
- Annualized return on capital employed continued at a high level of 28.3% in the first quarter 2019, as compared to 28.4% in the first quarter 2018
- AMG ended the first quarter of 2019 with net debt of \$14.6 million, an increase of \$15.0 million versus prior year-end 2018

Amsterdam, 1 May 2019 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. (“AMG”, Euronext Amsterdam: “AMG”) reported first quarter 2019 revenue of \$346.5 million, a 12% increase from \$308.4 million in the first quarter 2018. EBITDA for the first quarter 2019 was \$50.4 million, a 13% increase from \$44.5 million in the first quarter 2018. EBIT increased 11% to \$40.4 million in the first quarter 2019 from \$36.3 million in the first quarter 2018.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “AMG achieved a 13% increase in EBITDA during the quarter compared to prior year, mainly driven by AMG Technologies due to increased profitability associated with our turbine blade coating furnaces and higher after-market sales compared to the first quarter of last year.”

“AMG Critical Materials generated EBITDA of \$31.2 million during the first quarter of 2019, a slight increase of 1% from \$30.8 million in the first quarter of 2018, due to strong financial performance in vanadium, chrome and antimony, which was partially offset by lower gross profit in tantalum, graphite, silicon and additional ramp-up costs associated with lithium in Brazil.”

“AMG Technologies achieved EBITDA of \$19.3 million during the first quarter of 2019, a 40% increase from \$13.7 million in the first quarter 2018. Order backlog was \$224.1 million as of March 31, 2019.”

“In addition, despite ongoing working capital investments and capital expenditures related to the expansion projects, AMG maintained a low level of net debt due to strong profitability in the quarter. AMG continued to generate a high return on capital employed of 28.3% in the first quarter 2019.”

Key Figures

In 000's US dollar

	Q1 '19 ⁽³⁾	Q1 '18	Change
Revenue	\$346,523	\$308,448	12%
Gross profit	67,120	70,118	(4%)
Gross margin	19.4%	22.7%	
Operating profit	29,796	34,579	(14%)
Operating margin	8.6%	11.2%	
Net income attributable to shareholders	14,827	18,389	(19%)
EPS - Fully diluted	0.47	0.58	(19%)
EBIT ⁽¹⁾	40,388	36,256	11%
EBITDA ⁽²⁾	50,423	44,480	13%
EBITDA margin	14.6%	14.4%	
Cash from operating activities	6,935	24,808	(72%)

Note:

- (1) EBIT is defined as earnings before interest and income taxes. EBIT excludes restructuring, asset impairment and equity-settled share-based payments and includes foreign currency gains or losses.
- (2) EBITDA is defined as EBIT adjusted for depreciation and amortization.
- (3) The Company applied IFRS 16 (lease accounting) for the first time as of January 1, 2019. The Company recognized new assets and liabilities for its operating leases which are primarily comprised of buildings, equipment, machinery and automobiles. Right of use assets are included within property, plant and equipment and classified in the same manner as if the underlying assets were owned by the Company. The lease liabilities are presented as a separate line item on the consolidated statement of financial position. The nature and pattern of expense recognition in relation to these leases has changed. The Company recognizes depreciation on the right of use assets on a straight-line basis over the expected term of the lease. Interest expense related to the lease liabilities are recognized over the expected term of the lease using the effective interest method. Comparative figures have not been adjusted. Assets and liabilities increased per January 1, 2019 by \$37 million and depreciation and interest expenses increased in the first quarter by \$1 million.

Operational Review

AMG Critical Materials

	Q1 '19	Q1 '18	Change
Revenue	\$228,591	\$208,525	10%
Gross profit	37,638	44,018	(14%)
Gross profit excluding exceptional items	45,672	44,104	4%
Operating profit	16,192	24,304	(33%)
EBITDA	31,152	30,759	1%

AMG Critical Materials' revenue in the first quarter increased by \$20.1 million, or 10%, to \$228.6 million, driven by improved average vanadium and chrome prices during the quarter, and higher sales volumes of lithium concentrate and antimony products.

Gross profit in the first quarter decreased by \$6.4 million, or 14%, to \$37.6 million. The reduction in gross profit was driven by a non-cash expense related to a vanadium inventory adjustment, additional ramp-up costs associated with lithium in Brazil, lower sales volumes in graphite's heat insulation business and a decrease in silicon metal prices. This reduction was partially offset by higher chrome metal prices and improved antimony sales volumes.

SG&A expenses in the first quarter of 2019 increased by \$1.7 million, or 9%, compared to the same period in the prior year, primarily due to higher professional fees.

First quarter 2019 EBITDA margin was 14%, relatively consistent with prior year.

AMG Technologies

	Q1 '19	Q1 '18	Change
Revenue	\$117,932	\$99,923	18%
Gross profit	29,482	26,100	13%
Gross profit excluding exceptional items	31,278	26,203	19%
Operating profit	13,604	10,275	32%
EBITDA	19,271	13,721	40%

Despite a 7% decrease versus December 31, 2018, order backlog maintained its historically high level of \$224.1 million as of March 31, 2019 and the Company signed \$56.2 million in new orders during the first quarter of 2019. This represents a 0.82x book to bill ratio, driven by strong orders of heat treatment furnaces for the automotive market and induction and remelting furnaces for the aerospace market.

AMG Technologies' first quarter 2019 revenue increased \$18.0 million, or 18%, to \$117.9 million, due to higher titanium master alloy prices and higher revenue generated by the delivery of turbine blade coating, casting and nuclear waste recycling furnaces.

First quarter 2019 gross profit increased by \$3.4 million, or 13%, to \$29.5 million and gross margin was relatively consistent at 25% compared to 26% in the first quarter 2018.

SG&A expenses remained consistent at \$15.9 million in the first quarter, compared to the same period in 2018.

AMG Technologies' first quarter EBITDA increased by 40%, or \$5.6 million, to \$19.3 million from \$13.7 million in the first quarter of 2018, largely due to higher levels of gross profit.

Financial Review

Tax

AMG recorded an income tax expense of \$5.9 million in the first quarter 2019 as compared to a tax expense of \$9.7 million in the same period in 2018. The decrease in tax expense is due to lower profitability and a benefit from the impact of the Brazilian real on the company's deferred tax positions.

Due to the volatile nature of the company's deferred tax balances, AMG believes that the cash tax rate is a more meaningful metric. AMG paid taxes of \$3.9 million in the first quarter 2019 as compared to tax payments of \$2.2 million in the same period in 2018. For the first quarter 2019, AMG's effective cash tax rate increased to 19% in comparison to 8% for the same period in 2018. The prior year rate benefited from net operating loss carryforwards in the United States which were fully utilized in 2018.

Exceptional Items

AMG's first quarter 2019 gross profit of \$67.1 million includes exceptional items, which are not included in the calculation of EBITDA.

A summary of exceptional items included in gross profit in the first quarter of 2019 and 2018 are below:

Exceptional items included in gross profit

	Q1 '19	Q1 '18	Change
Gross profit	\$67,120	\$70,118	(4%)
Restructuring (reversal) expense	(53)	189	N/A
Inventory cost adjustment	9,883	—	N/A
Gross profit excluding exceptional items	76,950	70,307	9%

AMG had a \$9.9 million exceptional non-cash expense related to a net realizable value adjustment to the vanadium inventory cost position on March 31, 2019. This adjustment was driven by a combination of the high vanadium prices at which the Company purchased its inventory in the second half of 2018 and the lower comparable price on March 31, 2019. The vanadium price nearly doubled from September to November of 2018, and then returned to the September levels at the end of March 2019. This exceptional price movement impacted our inventory cost position and resulted in a balance sheet adjustment which has been adjusted in EBITDA.

Liquidity

	March 31, 2019	December 31, 2018	Change
Total debt	\$380,872	\$381,444	-
Cash and cash equivalents	366,296	381,900	(4%)
Net debt (cash)	14,576	(456)	N/A

AMG had a net debt position of \$14.6 million as of March 31, 2019. Net debt increased by \$15.0 million and total debt decreased by \$0.6 million from December 31, 2018.

Cash from operating activities decreased by \$17.9 million to \$6.9 million in the first quarter of 2019, primarily due to higher working capital investment at AMG Critical Materials, as well as higher interest and tax payments.

Capital expenditures decreased to \$12.8 million in the first quarter of 2019 compared to \$22.6 million in the same period in 2018. Capital spending in the first quarter 2019 included \$5.9 million of maintenance capital. The remaining \$6.9 million of capital spending is primarily attributable to expansion projects at AMG's lithium, vanadium and heat treatment facilities.

Including the \$366.3 million of cash, AMG had \$535.9 million of total liquidity as of March 31, 2019.

Net Finance Costs

AMG's first quarter 2019 net finance costs increased to \$9.2 million compared to \$6.5 million in the first quarter 2018. Interest expenses associated with AMG's long-term credit facility increased due to higher levels of gross debt and higher interest rates associated with the long-term nature of the facility.

SG&A

AMG's first quarter 2019 SG&A expenses were \$37.4 million compared to \$35.6 million in the first quarter of 2018, primarily due to higher professional fees.

Outlook

AMG's lithium concentrate plant startup is proceeding well: We have reached a 90 ton per hour feed rate (95% of target); a metallurgical recovery rate of 90% of target; we are producing in-spec material; and, most importantly, latest estimates essentially confirm our target cost per ton. Our EPC contractor expects to achieve 100% of the target capacity by the end of May.

Though our Critical Materials business continues to experience strong demand for its products, it is experiencing very high price volatility, with spot prices for vanadium, chrome, silicon, tantalum and spodumene down significantly versus year-end 2018. To illustrate the unexpected dramatic fall in vanadium prices in recent weeks: the decline from year-end 2018 to the end of Q1 is 41%; and the additional decline to today is 23%. In light of this and similar weaknesses in other materials we have adjusted our EBITDA target to be \$150 million.

AMG's confidence in the longer-term trends within its business units remains strong. As such, we are targeting \$200 million of EBITDA in 2020.

AMG's five-year target EBITDA will be detailed at the Annual General Meeting today at 13:00 CEST.

Net Income to EBITDA reconciliation

	Q1 '19	Q1 '18
Net Income	\$14,703	\$18,333
Income tax expense	5,876	9,705
Net finance cost*	8,852	6,578
Equity-settled share-based payment transactions	1,118	1,634
Restructuring expense	(53)	189
Inventory cost adjustment	9,883	—
Others	9	(183)
EBIT	40,388	36,256
Depreciation and amortization	10,035	8,224
EBITDA	50,423	44,480

*Excludes foreign exchange expense (income)

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Income Statement

For the quarter ended March 31

In thousands of US dollars

	2019 Unaudited	2018 Unaudited
Continuing operations		
Revenue	346,523	308,448
Cost of sales	279,403	238,330
Gross profit	67,120	70,118
Selling, general and administrative expenses	37,357	35,626
Net other operating income	33	87
Operating profit	29,796	34,579
Finance income	(971)	(518)
Finance cost	10,188	7,059
Net finance cost	9,217	6,541
Profit before income tax	20,579	28,038
Income tax expense	5,876	9,705
Profit for the period	14,703	18,333
Attributable to:		
Shareholders of the Company	14,827	18,389
Non-controlling interests	(124)	(56)
Profit for the period	14,703	18,333
Earnings per share		
Basic earnings per share	0.48	0.62
Diluted earnings per share	0.47	0.58

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Statement of Financial
Position

<i>In thousands of US dollars</i>	March 31, 2019 Unaudited	December 31, 2018
Assets		
Property, plant and equipment	364,161	327,951
Goodwill and other intangible assets	34,444	35,130
Derivative financial instruments	1,415	7,592
Other investments	22,125	21,452
Deferred tax assets	33,133	34,112
Restricted cash	1,367	1,715
Other assets	10,438	11,266
Total non-current assets	467,083	439,218
Inventories	313,012	316,715
Derivative financial instruments	2,007	1,335
Trade and other receivables	148,714	138,530
Other assets	42,244	39,570
Current tax assets	3,257	3,668
Cash and cash equivalents	366,296	381,900
Total current assets	875,530	881,718
Total assets	1,342,613	1,320,936

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Statement of Financial
Position
(continued)

<i>In thousands of US dollars</i>	March 31, 2019 Unaudited	December 31, 2018
Equity		
Issued capital	831	812
Share premium	489,546	462,891
Treasury shares	(7,120)	(347)
Other reserves	(101,575)	(104,274)
Retained earnings (deficit)	(51,608)	(39,158)
Equity attributable to shareholders of the Company	330,074	319,924
Non-controlling interests	23,782	24,119
Total equity	353,856	344,043
Liabilities		
Loans and borrowings	356,997	356,997
Lease liabilities	32,580	-
Employee benefits	147,035	149,217
Provisions	31,294	32,527
Other liabilities	5,085	4,371
Derivative financial instruments	6,543	5,148
Deferred tax liabilities	4,368	7,930
Total non-current liabilities	583,902	556,190
Loans and borrowings	8,375	8,947
Lease liabilities	3,816	-
Short term bank debt	15,500	15,500
Other liabilities	63,381	61,120
Trade and other payables	202,597	230,939
Derivative financial instruments	6,163	8,267
Advance payments	51,247	50,210
Current taxes payable	25,244	19,675
Provisions	28,532	26,045
Total current liabilities	404,855	420,703
Total liabilities	988,757	976,893
Total equity and liabilities	1,342,613	1,320,936

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Statement of Cash Flows

For the quarter ended March 31

In thousands of US dollars

	2019 Unaudited	2018 Unaudited
Cash from operating activities		
Profit for the period	14,703	18,333
Adjustments to reconcile net profit to net cash flows:		
Non-cash:		
Income tax expense	5,876	9,705
Depreciation and amortization	10,035	8,224
Net finance costs	9,217	6,541
Gain on sale or disposal of property, plant and equipment	(168)	(37)
Equity-settled share-based payment transactions	1,118	1,634
Movement in provisions, pensions and government grants	1,708	3,537
Working capital and deferred revenue adjustments	(26,017)	(17,654)
Cash generated from operating activities	16,472	30,283
Finance costs paid, net	(5,680)	(3,240)
Income tax paid, net	(3,857)	(2,235)
Net cash from operating activities	6,935	24,808
Cash used in investing activities		
Proceeds from sale of property, plant and equipment	237	39
Acquisition of property, plant and equipment and intangibles	(12,759)	(22,575)
Change in restricted cash	334	(17,405)
Other	-	(23)
Net cash used in investing activities	(12,188)	(39,964)

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Statement of Cash Flows
(continued)

For the quarter ended March 31

In thousands of US dollars

	2019 Unaudited	2018 Unaudited
Cash (used in) from financing activities		
Proceeds from issuance of debt	-	346,335
Transaction costs related to the issuance of debt	-	(9,339)
Repayment of borrowings	(875)	(155,094)
Net repurchase of common shares	(7,351)	(230)
Payment of lease liabilities	(936)	-
Net cash (used in) from financing activities	(9,162)	181,672
 Net (decrease) increase in cash and cash equivalents	 (14,415)	 166,516
 Cash and cash equivalents at January 1	 381,900	 178,800
Effect of exchange rate fluctuations on cash held	(1,189)	4,922
Cash and cash equivalents at March 31	366,296	350,238

This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

This press release contains regulated information as defined in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

About AMG

AMG is a global critical materials company at the forefront of CO₂ reduction trends. AMG produces highly engineered specialty metals and mineral products and provides related vacuum furnace systems and services to the transportation, infrastructure, energy, and specialty metals & chemicals end markets.

AMG Critical Materials produces aluminum master alloys and powders, ferrovanadium, natural graphite, chromium metal, antimony, lithium, tantalum, niobium and silicon metal. AMG Technologies produces titanium aluminides and titanium alloys for the aerospace market; designs, engineers, and produces advanced vacuum furnace systems; and operates vacuum heat treatment facilities, primarily for the transportation and energy industries.

With approximately 3,300 employees, AMG operates globally with production facilities in Germany, the United Kingdom, France, the Czech Republic, the United States, China, Mexico, Brazil, India, Sri Lanka and Mozambique, and has sales and customer service offices in Russia and Japan (www.amg-nv.com).

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Disclaimer

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