



AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS FULL YEAR AND FOURTH QUARTER 2019 RESULTS

Fourth Quarter Strategic Highlights

- **AMG Technologies completed its acquisition of the assets of International Specialty Alloys Division (“ISA”) of Kennametal Inc.; ISA is a leading U.S. producer of titanium master alloys and other binary alloys for the aerospace market located in New Castle, PA**
- **AMG signed a memorandum of understanding (MOU) subject to regulatory approval with the Saudi Arabian General Investment Authority (SAGIA) and Shell Overseas Services Ltd. (Shell) to explore the feasibility of building a world-class spent catalyst recycling facility outside North America**
- **AMG Lithium GmbH commenced basic engineering for a battery grade lithium hydroxide facility in Germany**
- **AMG Vanadium signed a new long-term, multi-year agreement to process and recycle spent catalysts from a major oil refinery operator in North America**

Fourth Quarter Financial Highlights

- **Operating cash flow was \$55.5 million in the fourth quarter of 2019, a 10% increase over the same period in 2018**
- **Revenue decreased by 22% to \$268.6 million in the fourth quarter of 2019 from \$344.4 million in the fourth quarter of 2018**
- **EBITDA⁽³⁾ was \$22.8 million in the fourth quarter of 2019, a 64% decrease compared to 2018**
- **AMG returned over \$100 million to shareholders in 2019 through its share repurchase program and dividend payments**
- **Total 2019 dividend proposed of €0.40 per ordinary share, including the interim dividend of €0.20, paid on August 15, 2019**

Amsterdam, 26 February 2020 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. (“AMG”, Euronext Amsterdam: “AMG”) reported fourth quarter 2019 revenue of \$268.6 million, a 22% decrease from \$344.4 million in the fourth quarter of 2018. EBITDA for the fourth quarter of 2019 was \$22.8 million, a 64% decrease from \$62.8 million in the fourth quarter of 2018. In the fourth quarter of 2019, AMG generated cash from operating activities of \$55.5 million, an increase of \$4.8 million, or 10%, over the same period in 2018 despite the lower profitability noted above.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “AMG achieved EBITDA of \$23 million in the fourth quarter resulting in total EBITDA of \$121 million for 2019. AMG generated cash flows from operations of \$56 million in the fourth quarter despite the unprecedented fall in critical materials prices across the AMG portfolio. As a result, AMG ends the year with strong liquidity and the ability to continue to invest in our growth projects.

As we face global macroeconomic challenges throughout our business, we continue to focus on the things we can control. Specifically, we have maintained an industry-leading working capital cycle of 21 days, which is down 17 days, or 45%, from the prior year ending balance. This is accomplished by constant management focus on investment effectiveness and increasing operating efficiency throughout the company. In addition, despite the poor market conditions, our status as a low-cost producer across all nine of AMG’s business units ensured that each one was EBITDA positive throughout 2019.

We have also made significant strategic achievements in the quarter. AMG Technologies completed its acquisition of the assets of International Specialty Alloys from Kennametal Inc. AMG Critical Materials signed an MOU, subject to regulatory approval, with SAGIA and Shell to explore the feasibility of building a spent catalyst recycling facility, based on AMG’s proprietary technology; commenced basic engineering for a battery grade lithium hydroxide facility in Germany; and signed a new long-term, multi-year agreement to process and recycle spent catalysts from a major oil refinery operator in North America.”

Key Figures

In 000's US dollars

	Q4 '19	Q4 '18	Change	FY '19	FY '18	Change
Revenue	\$268,563	\$344,448	(22%)	\$1,188,571	\$1,310,288	(9%)
Gross profit	30,422	86,341	(65%)	118,290	315,175	(62%)
Gross margin	11.3%	25.1%		10.0%	24.1%	
Operating (loss) profit	(7,012)	42,461	N/A	(25,722)	163,261	N/A
Operating margin	(2.6%)	12.3%		(2.2%)	12.5%	
Net (loss) income attributable to shareholders	(14,239)	28,980	N/A	(48,283)	94,616	N/A
Adjusted net (loss) income⁽¹⁾	(5,813)	29,758	N/A	19,805	97,065	(80%)
EPS - Fully diluted	(0.50)	0.92	N/A	(1.64)	2.97	N/A
EBIT⁽²⁾	11,450	54,327	(79%)	79,415	184,099	(57%)
EBITDA⁽³⁾	22,772	62,788	(64%)	121,382	217,133	(44%)
EBITDA margin	8.5%	18.2%		10.2%	16.6%	
Cash from operating activities	55,517	50,675	10%	46,573	97,422	(52%)

Notes:

- (1) Adjusted net income is adjusted for inventory cost adjustments and asset impairment expense, net of tax
- (2) EBIT is defined as earnings before interest and income taxes. EBIT excludes restructuring, asset impairment, inventory cost adjustments, environmental provisions, exceptional legal expenses and equity-settled share-based payments and includes foreign currency gains or losses.
- (3) EBITDA is defined as EBIT adjusted for depreciation and amortization.

Operational Review

AMG Critical Materials

	Q4 '19	Q4 '18	Change	FY '19	FY '18	Change
Revenue	\$170,152	\$221,477	(23%)	\$762,482	\$873,440	(13%)
Gross profit	8,211	50,065	(84%)	19,343	198,474	(90%)
Gross profit before non-recurring items	21,653	50,219	(57%)	110,315	198,690	(44%)
Operating (loss) profit	(11,594)	25,923	N/A	(59,318)	114,494	N/A
EBITDA	13,061	41,512	(69%)	65,401	149,650	(56%)

AMG Critical Materials' revenue in the fourth quarter decreased by \$51.3 million, or 23%, to \$170.2 million, driven largely by lower average prices across all seven business units during the quarter, partially offset by higher sales volumes of vanadium and chrome metal.

Gross profit before non-recurring items in the fourth quarter decreased by \$28.6 million, or 57%, to \$21.7 million. The reduction in gross profit was primarily driven by decreased profitability in our vanadium business, exacerbated by lower profitability across all seven business units.

SG&A expenses in the fourth quarter of 2019 increased by \$3.7 million, or 23%, compared to the same period in the prior year, primarily due to an exceptional legal expense.

The fourth quarter 2019 EBITDA margin declined to 8% due to the lower price environment experienced in the quarter.

AMG Technologies

	Q4 '19	Q4 '18	Change	FY '19	FY '18	Change
Revenue	\$98,411	\$122,971	(20%)	\$426,089	\$436,848	(2%)
Gross profit	22,211	36,276	(39%)	98,947	116,701	(15%)
Gross profit before non-recurring items	22,209	36,819	(40%)	103,551	121,870	(15%)
Operating profit	4,582	16,538	(72%)	33,596	48,767	(31%)
EBITDA	9,711	21,276	(54%)	55,981	67,483	(17%)

AMG Technologies' fourth quarter 2019 revenue decreased by \$24.6 million, or 20%, to \$98.4 million, due to lower heat treatment services sales, lower metal prices impacting our Titanium Alloys and Coatings business, and a \$7.5 million customer payment related to the early termination of a customer contract recorded in the fourth quarter of 2018. These declines were offset by higher revenue from after sales services as well as higher sales of vacuum furnaces such as turbine blade coatiers and remelting furnaces.

Gross profit before non-recurring items in the fourth quarter decreased \$14.6 million, or 40%, to \$22.2 million, and gross margin was 23%, compared to 29% in the fourth quarter 2018 due to the revenue effects noted above, in particular the \$7.5 million customer payment received in the fourth quarter of 2018.

SG&A expenses decreased by \$1.6 million, or 9%, in the fourth quarter of 2019 compared to the fourth quarter of 2018, primarily due to lower variable compensation expense.

AMG Technologies' fourth quarter EBITDA decreased by 54% to \$9.7 million from \$21.3 million in the fourth quarter of 2018 due to the decline in gross profit noted above.

Due to strong orders of remelting, turbine blade coating, engineering services and induction furnaces, the Company signed \$80.5 million in new orders during the fourth quarter of 2019, representing a strong 1.2x book to bill ratio. Order backlog was \$222.6 million as of December 31, 2019, a 10% increase from \$202.6 million as of September 30, 2019. On a full year basis, the Company signed \$249.4 million in new orders, representing a balanced 1.0x book to bill ratio. In January 2020, the Company's strong order intake continued, mainly due to turbine blade coater sales, resulting in a robust backlog as of the end of the month.

Financial Review

Tax

AMG recorded an income tax benefit of \$5.1 million in 2019 as compared to an expense of \$45.0 million in 2018. The tax benefit is due primarily to losses in the United States related to the decline in vanadium profitability and vanadium inventory cost adjustments in the current year.

AMG paid taxes of \$24.6 million in 2019, compared to tax payments of \$21.3 million in 2018. As a result of the year-over-year volatility in income and the timing of cash tax payments, the present cash tax rate is not indicative of the current year performance as payments in the current year are reflective of the income in 2018 and not 2019. Once earnings have stabilized, we believe that the cash tax rate is the more meaningful metric with regards to AMG's taxes due to the volatile nature of the company's deferred tax balances.

Exceptional Items

AMG's fourth quarter 2019 and full year 2019 gross profit includes exceptional items, which are not included in the calculation of EBITDA.

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

Exceptional items included in gross profit

	Q4 '19	Q4 '18	Change	FY '19	FY '18	Change
Gross profit	\$30,422	\$86,341	(65%)	\$118,290	\$315,175	(62%)
Inventory cost adjustment	12,001	–	N/A	87,792	–	N/A
Restructuring expense	2,442	564	333%	3,265	2,052	59%
Asset impairment expense	(1,003)	133	N/A	4,519	3,333	36%
Gross profit excluding exceptional items	43,862	87,038	(50%)	213,866	320,560	(33%)

AMG had an \$13.4 million exceptional non-cash expense during the fourth quarter of 2019, mainly driven by vanadium metal inventory cost adjustments as a result of the significant decline in price which impacted our inventory cost position and resulted in a non-cash balance sheet adjustment which has been adjusted in EBITDA.

The \$2.4 million restructuring expense in the fourth quarter was mainly due to headcount reductions in our Brazilian mining activities and AMG Technologies including reductions at our US heat treatment service center.

Liquidity

	December 31, 2019	December 31, 2018	Change
Senior secured debt	\$366,682	\$368,757	(1%)
Cash & equivalents	226,218	381,900	(41%)
Senior secured net debt (cash)	140,464	(13,143)	N/A
Other debt	12,144	12,687	(4%)
Net debt excluding municipal bond	152,608	(456)	N/A
Municipal bond debt	319,911	–	N/A
Restricted cash	(309,581)	–	N/A
Net debt (cash)	162,938	(456)	N/A

In 2019, AMG maintained a strong balance sheet and adequate sources of liquidity. At December 31, 2019, the Company had \$226.2 million in unrestricted cash and cash equivalents and \$169.9 million available on its revolving credit facility, as such AMG had \$396.1 million of total liquidity as of December 31, 2019. Changes in liquidity during the year were due primarily to AMG returning over \$100 million to its shareholders through its dividend and share buyback program as well as investing in long-term expansion projects in lithium, vanadium and AMG Technologies.

Net Finance Costs

AMG's fourth quarter 2019 net finance costs were \$6.1 million compared to \$6.9 million in the fourth quarter of 2018, driven by interest expense associated with the outstanding gross debt on AMG's long-term credit facility. Additionally, AMG capitalized \$2.8 million of interest costs in the fourth quarter of 2019 compared to nil in the prior year, driven by interest associated with the Company's new tax-exempt municipal bond supporting the vanadium expansion in Ohio.

SG&A

AMG's fourth quarter 2019 SG&A expenses were \$37.2 million, an increase of 6% from the same period in the prior year, primarily due to an increase in exceptional legal fees.

Full year 2019 SG&A expenses were \$143.5 million, in line with 2018.

Final Dividend Proposed

AMG intends to declare a dividend of €0.40 per ordinary share over the financial year 2019. The interim dividend of €0.20, paid on August 15, 2019, will be deducted from the amount to be distributed to shareholders. The proposed final dividend per ordinary share therefore amounts to €0.20.

A proposal to resolve upon the final dividend distribution will be included on the agenda for the Annual General Meeting to be held on May 6, 2020.

Outlook

It is extremely difficult to provide firm guidance for 2020. Temporary disruptions in the aerospace supply chain resulting from the Boeing 737 MAX issues and the uncertain impact of the coronavirus continue to infuse unpredictable variables into the current market. On the bright side, we note AMG Technologies' backlog at the end of January 2020 is at its highest level in over a decade. In addition, critical material prices appear to have reached a bottom as early 2020 market pricing is showing signs of improvement from the depressed pricing experienced throughout 2019. Specifically, vanadium pricing is already up over 30% in the early part of 2020.

As a result of all these factors, our target for 2020 is unchanged: we expect to improve profitability relative to 2019.

Net (loss) income to EBITDA reconciliation

	Q4 '19	Q4 '18	FY '19	FY '18
Net (loss) income	(\$14,083)	\$29,671	(\$48,586)	\$94,781
Income tax expense (benefit)	938	5,849	(5,119)	44,971
Net finance cost*	5,920	6,839	27,626	22,949
Equity-settled share-based payment transactions	1,422	2,889	5,514	7,499
Restructuring expense	2,442	564	3,265	2,052
Inventory cost adjustment	12,001	–	87,792	–
Asset impairment expense	(1,003)	133	4,519	3,333
Environmental provision	234	8,722	725	8,757
Exceptional legal expense	3,133	–	3,133	–
Others	446	(340)	546	(243)
EBIT	11,450	54,327	79,415	184,099
Depreciation and amortization	11,322	8,461	41,967	33,034
EBITDA	22,772	62,788	121,382	217,133

*Excludes foreign exchange expense (income).

Net (loss) income adjusted for non-cash impairments

	Q4 '19	Q4 '18	FY '19	FY '18
Net (loss) income	(\$14,083)	\$29,671	(\$48,586)	\$94,781
Inventory cost adjustment, net of tax	8,966	–	65,442	–
Asset impairment expense, net of tax	(696)	87	2,949	2,284
Adjusted net (loss) income	(5,813)	29,758	19,805	97,065

AMG Advanced Metallurgical Group N.V.
Consolidated Income Statement

For the quarter ended December 31

In thousands of US dollars

	2019 Unaudited	2018
Continuing operations		
Revenue	268,563	344,448
Cost of sales	238,141	258,107
Gross profit	30,422	86,341
 Selling, general and administrative expenses	 37,209	 35,131
Environmental expense	234	8,722
Other (income) expense, net	(9)	27
Net other operating expense	225	8,749
 Operating (loss) profit	 (7,012)	 42,461
Finance income	(1,662)	(1,509)
Finance cost	7,795	8,450
Net finance cost	6,133	6,941
 (Loss) profit before income tax	 (13,145)	 35,520
 Income tax expense	 938	 5,849
 (Loss) profit for the period	 (14,083)	 29,671
Attributable to:		
Shareholders of the Company	(14,239)	28,980
Non-controlling interests	156	691
(Loss) profit for the period	(14,083)	29,671
 (Loss) earnings per share		
Basic (loss) earnings per share	(0.50)	0.95
Diluted (loss) earnings per share	(0.50)	0.92

AMG Advanced Metallurgical Group N.V.
Consolidated Income Statement

For the year ended December 31

In thousands of US dollars

	2019 Unaudited	2018
Continuing operations		
Revenue	1,188,571	1,310,288
Cost of sales	1,070,281	995,113
Gross profit	118,290	315,175
Selling, general and administrative expenses	143,451	143,581
Environmental expense	725	8,757
Other income, net	(164)	(424)
Net other operating expense	561	8,333
Operating (loss) profit	(25,722)	163,261
Finance income	(4,728)	(3,721)
Finance cost	32,711	27,230
Net finance cost	27,983	23,509
(Loss) profit before income tax	(53,705)	139,752
Income tax (benefit) expense	(5,119)	44,971
(Loss) profit for the year	(48,586)	94,781
Attributable to:		
Shareholders of the Company	(48,283)	94,616
Non-controlling interests	(303)	165
(Loss) profit for the year	(48,586)	94,781
(Loss) earnings per share		
Basic (loss) earnings per share	(1.64)	3.12
Diluted (loss) earnings per share	(1.64)	2.97

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

<i>In thousands of US dollars</i>	December 31, 2019 Unaudited	December 31, 2018
Assets		
Property, plant and equipment	429,993	327,951
Goodwill and other intangible assets	41,923	35,130
Derivative financial instruments	922	7,592
Other investments	23,565	21,452
Deferred tax assets	60,945	34,112
Restricted cash	309,581	1,715
Other assets	11,072	11,266
Total non-current assets	878,001	439,218
Inventories	204,152	316,715
Derivative financial instruments	2,693	1,335
Trade and other receivables	119,052	138,530
Other assets	33,860	39,570
Current tax assets	7,980	3,668
Cash and cash equivalents	226,218	381,900
Total current assets	593,955	881,718
Total assets	1,471,956	1,320,936

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

<i>In thousands of US dollars</i>	December 31, 2019 Unaudited	December 31, 2018
Equity		
Issued capital	831	812
Share premium	489,546	462,891
Treasury shares	(83,880)	(347)
Other reserves	(116,358)	(104,274)
Retained earnings (deficit)	(129,626)	(39,158)
Equity attributable to shareholders of the Company	160,513	319,924
Non-controlling interests	23,893	24,119
Total equity	184,406	344,043
Liabilities		
Loans and borrowings	669,497	356,997
Lease liabilities *	46,490	-
Employee benefits	175,870	149,217
Provisions	28,984	32,527
Other liabilities	3,629	4,371
Derivative financial instruments	4,289	5,148
Deferred tax liabilities	4,300	7,930
Total non-current liabilities	933,059	556,190
Loans and borrowings	21,740	8,947
Lease liabilities *	4,227	-
Short-term bank debt	7,500	15,500
Other liabilities	61,479	61,120
Trade and other payables	157,108	230,939
Derivative financial instruments	4,037	8,267
Advance payments	57,650	50,210
Current tax liability	18,299	19,675
Provisions	22,451	26,045
Total current liabilities	354,491	420,703
Total liabilities	1,287,550	976,893
Total equity and liabilities	1,471,956	1,320,936

*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.

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

For the year ended December 31

In thousands of US dollars

	2019 Unaudited	2018
Cash from operating activities		
(Loss) profit for the period	(48,586)	94,781
Adjustments to reconcile net (loss) profit to net cash flows:		
Non-cash:		
Income tax (benefit) expense	(5,119)	44,971
Depreciation and amortization	41,967	33,034
Asset impairments	4,519	3,333
Net finance cost	27,983	23,509
Gain on sale or disposal of property, plant and equipment	(69)	(720)
Equity-settled share-based payment transactions	5,514	7,499
Movement in provisions, pensions and government grants	(8,053)	3,724
Working capital and deferred revenue adjustments	76,169	(73,107)
Cash generated from operating activities	94,325	137,024
Finance costs paid, net	(23,152)	(18,273)
Income tax paid, net	(24,600)	(21,329)
Net cash from operating activities	46,573	97,422
Cash used in investing activities		
Proceeds from sale of property, plant and equipment	421	1,660
Insurance proceeds on property, plant and equipment	-	1,300
Acquisition of property, plant and equipment and intangibles	(79,442)	(73,031)
Acquisitions of subsidiaries	(25,435)	-
Change in restricted cash	(307,866)	(923)
Capitalized borrowing cost	2,437	-
Other	6	(325)
Net cash used in investing activities	(409,879)	(71,319)

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

For the year ended December 31

In thousands of US dollars

	2019	2018
	Unaudited	
Cash from financing activities		
Proceeds from issuance of debt	325,093	353,087
Payment of transaction costs related to the issuance of debt	(4,981)	(9,238)
Repayment of borrowings	(3,911)	(155,423)
Proceeds from issuance of common shares	2,915	15,923
Net repurchase of common shares	(89,881)	(9,558)
Dividends paid	(16,703)	(12,092)
Payment of lease liabilities	(3,829)	-
Net cash from financing activities	208,703	182,699
Net (decrease) increase in cash and cash equivalents	(154,603)	208,802
Cash and cash equivalents at January 1	381,900	178,800
Effect of exchange rate fluctuations on cash held	(1,079)	(5,702)
Cash and cash equivalents at December 31	226,218	381,900

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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