

May 4, 2017



# Global Brass and Copper Holdings, Inc. Reports First Quarter 2017 Financial Results

## First Quarter Highlights

- Volume of 133.9 million pounds, an increase of 2.0% year-over-year;
- Net income and diluted earnings per common share, which were both impacted by the recovery of insurance proceeds and unusual costs, increased 39.3% to \$17.0 million and 35.1% to \$0.77, respectively;
- Adjusted EBITDA of \$33.5 million, relatively flat year-over-year;
- Adjusted diluted earnings per common share of \$0.71, an increase of 9.2% from \$0.65 in the prior year period; and
- The Company reaffirms 2017 full-year guidance.

SCHAUMBURG, Ill.--(BUSINESS WIRE)-- Global Brass and Copper Holdings, Inc. (NYSE:BRSS) ("GBC" or the "Company") today announced the results for the first quarter ended March 31, 2017.

## First Quarter Operating Results

Volume for the first quarter of 2017 increased 2.0% to 133.9 million pounds compared to 131.3 million pounds in the first quarter of 2016. Olin Brass delivered strong first quarter volumes as increased coinage volumes were partially offset by decreased munitions volumes. Chase continued to grow volumes with key building and housing customers. A.J. Oster's volumes decreased 4.2% largely due to lower order fulfillment rates as it grappled with a new ERP system early in the quarter.

"For the quarter, we experienced growth in both volumes and adjusted diluted earnings per share. We advanced several key strategic initiatives, including launching new IT systems at Olin Brass and A.J. Oster. Our foundation continues to strengthen and our business remains steady," said John Wasz, GBC's President and Chief Executive Officer.

"Chase delivered profit growth resulting from improved volumes and pricing, and Olin Brass experienced increased demand in its end markets. A.J. Oster completed the implementation of its ERP and ended the quarter with increased volumes and a larger than normal backlog.

We also made progress on resolving our claim for insurance proceeds related to the 2016 hot mill outage at Olin Brass, collecting an advance payment of \$3.0 million in April," Mr. Wasz concluded.

Net sales for the first quarter of 2017 increased to \$393.3 million from \$328.9 million in the first quarter of 2016. The increase in net sales was primarily attributable to an increase in our pass-through commodity costs. Adjusted sales, our non-GAAP financial measure that reflects the value added premium over metal replacement cost recovery, increased \$3.0 million as compared to the prior year, primarily attributable to increased volumes. A reconciliation of net sales to adjusted sales is provided later in this press release.

Net income attributable to Global Brass and Copper Holdings, Inc. for the first quarter was \$17.0 million in 2017, or \$0.77 per diluted share, compared to \$12.2 million, or \$0.57 per diluted share, in 2016. Net income for the current quarter was impacted by a variety of factors including: reduced interest expense; a \$3.0 million recovery of insurance proceeds; \$2.9 million of unusual medical expenses, ERP transition costs, and increased cost of goods sold due to inventory reductions; the absence of a loss on extinguishment of debt, as was incurred in Q1 2016; and a decrease in the provision for income taxes resulting from stock compensation transactions. These items were partially offset by increased selling, general and administrative expenses and unfavorable fluctuations in unrealized gains / losses on derivative contracts.

Adjusted EBITDA, our non-GAAP measure of consolidated profitability, was \$33.5 million for the first quarter of 2017, a decrease of 0.6% compared to 2016. The decrease was primarily due to the net of increased medical costs, increased cost of goods sold resulting from inventory reductions, additional costs incurred related to the A.J. Oster ERP implementation, increased selling, general and administrative expenses, the insurance proceeds, and the benefit from increased volumes.

Adjusted diluted earnings per common share, another one of our non-GAAP measures, was \$0.71 for the first quarter of 2017 compared to \$0.65 in the prior year. It was affected by the above noted items impacting adjusted EBITDA, the decrease in interest expense, and the corresponding tax impact of these items. A reconciliation of diluted net income attributable to GBC per common share to adjusted diluted earnings per common share is provided later in this press release.

### Cash Flow and Leverage

During the first quarter of 2017, we used \$7.1 million of cash in operating activities largely due to increased working capital investment resulting from the timing of customer and vendor payments and increased metal prices, partially offset by inventory reductions.

We ended the quarter with cash of \$66.9 million, \$318.4 million outstanding under our new term loan facility, and \$197.9 million of available borrowings under our asset-based revolving loan facility.

### 2017 Guidance

We reaffirm our full-year 2017 guidance and expect:

- Shipment volumes to range from 530 million pounds to 560 million pounds; and
- Adjusted EBITDA to range from \$120 million to \$130 million.

Please note that this guidance does not include any benefit from any insurance recoveries associated with our 2016 hot mill outage.

Due to the forward looking nature of adjusted EBITDA guidance, we are unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure as we are unable to project certain reconciling items, in particular unrealized gains / losses on derivative contracts, LIFO liquidation gains / losses and lower of cost or market adjustments to inventory, for future periods due to market volatility.

### Conference Call

The Company will host a teleconference and webcast at 9:00 a.m. (Central Time) on Friday, May 5, 2017 to review the results. To listen to the live call, individuals can access the webcast approximately 10 minutes before the scheduled start time at the investor relations portion of the Company's website at <http://ir.gbcholdings.com>, or by dialing 855-878-0250, passcode #11200585. For those who cannot listen to the live webcast, replays will be available shortly after the call on the Company's website.

### About Global Brass and Copper

Global Brass and Copper Holdings, Inc., through our wholly-owned principal operating subsidiary, Global Brass and Copper, Inc., is a leading, value-added converter, fabricator, processor and distributor of specialized non-ferrous products in North America. We engage in metal melting and casting, rolling, drawing, extruding, welding and stamping to fabricate finished and semi-finished alloy products from processed scrap, virgin metals and other refined metals. Our products include a wide range of sheet, strip, foil, rod, tube and fabricated metal component products that we sell under the Olin Brass, Chase Brass and A.J. Oster brand names. Our products are used in a variety of applications across diversified markets, including the building and housing, munitions, automotive, transportation, coinage, electronics/electrical components, industrial machinery and equipment and general consumer markets.

### Global Brass and Copper Holdings, Inc. Consolidated Statements of Operations (Unaudited)

	Three Months Ended	
	March 31,	
	2017	2016
<i>(In millions, except per share data)</i>		
Net sales	\$ 393.3	\$ 328.9
Cost of sales	(343.4)	(279.4)
Gross profit	49.9	49.5
Selling, general and administrative expenses	(22.9)	(19.7)

Operating income	27.0	29.8
Interest expense	(4.7)	(8.4)
Loss on extinguishment of debt	—	(2.9)
Other income (expense), net	(0.3)	0.4
Income before provision for income taxes	22.0	18.9
Provision for income taxes	(4.8)	(6.7)
Net income	17.2	12.2
Net income attributable to noncontrolling interest	(0.2)	—
Net income attributable to Global Brass and Copper Holdings, Inc.	<u>\$ 17.0</u>	<u>\$ 12.2</u>

Net income attributable to Global Brass and Copper Holdings, Inc. per common share:

Basic	\$ 0.79	\$ 0.57
Diluted	\$ 0.77	\$ 0.57
Weighted average common shares outstanding:		
Basic	21.5	21.3
Diluted	22.1	21.5

#### **Supplemental Non-GAAP Reconciliation**

Net sales	\$ 393.3	\$ 328.9
Metal component of net sales	(254.9)	(193.5)
Adjusted sales	<u>\$ 138.4</u>	<u>\$ 135.4</u>

Diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share, as reported

Unrealized loss (gain) on derivative contracts	0.04	(0.09)
Loss on extinguishment of debt	—	0.14
Specified legal/professional expenses	—	0.02
Lower of cost or market adjustment to inventory	(0.03)	0.01
Share-based compensation expense	0.11	0.05
Tax impact on above adjustments (a)	(0.18)	(0.05)
Adjusted diluted earnings per common share	<u>\$ 0.71</u>	<u>\$ 0.65</u>

(a) Calculated based on our estimated tax rate, including tax benefits related to the vesting of share awards and option exercises.

#### **Global Brass and Copper Holdings, Inc.** **Adjusted EBITDA Reconciliation**

<i>(in millions)</i>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
Net income attributable to Global Brass and Copper Holdings, Inc.	\$ 17.0	\$ 12.2
Interest expense	4.7	8.4
Provision for income taxes	4.8	6.7
Depreciation expense	4.5	3.6
Unrealized loss (gain) on derivative contracts (a)	0.8	(1.9)
Loss on extinguishment of debt (b)	—	2.9
Specified legal/professional expenses (c)	—	0.4
Lower of cost or market adjustment to inventory (d)	(0.8)	0.3
Share-based compensation expense (e)	2.5	1.1
Adjusted EBITDA	<u>\$ 33.5</u>	<u>\$ 33.7</u>

- (a) Represents unrealized gains/losses on derivative contracts.
- (b) Represents the loss on extinguishment of debt recognized in connection with the open market purchases of our former senior secured notes.
- (c) Represents selected professional fees for accounting, tax, legal and consulting services incurred as a public company that exceed our expected long-term requirements.
- (d) Represents the impact of lower of cost or market adjustments to domestic metal inventory.
- (e) Represents compensation expense resulting from stock compensation awards to certain employees and our Board of Directors.

### Segment Results of Operations

<i>(in millions)</i>	Three Months Ended		Change	
	March 31,		2017 vs. 2016	
	2017	2016	Amount	Percent
Pounds shipped (a)				
Olin Brass	66.9	63.5	3.4	5.4 %
Chase Brass	59.5	59.3	0.2	0.3 %
A.J. Oster	18.1	18.9	(0.8)	(4.2) %
Corporate and other (b)	(10.6)	(10.4)	(0.2)	(1.9) %
Total	<u>133.9</u>	<u>131.3</u>	<u>2.6</u>	<u>2.0 %</u>
Net sales				
Olin Brass	\$ 188.6	\$ 151.8	\$ 36.8	24.2 %
Chase Brass	154.1	128.2	25.9	20.2 %
A.J. Oster	74.7	69.2	5.5	7.9 %
Corporate and other (b)	(24.1)	(20.3)	(3.8)	(18.7) %
Total	<u>\$ 393.3</u>	<u>\$ 328.9</u>	<u>\$ 64.4</u>	<u>19.6 %</u>
Adjusted EBITDA				
Olin Brass	\$ 11.8	\$ 13.3	\$ (1.5)	(11.3) %
Chase Brass	20.4	19.2	1.2	6.3 %
A.J. Oster	2.5	5.1	(2.6)	(51.0) %
Total adjusted EBITDA of operating segments	\$ 34.7	\$ 37.6	\$ (2.9)	(7.7) %
Corporate and other (c)	(1.2)	(3.9)	2.7	(69.2) %
Total consolidated adjusted EBITDA	<u>\$ 33.5</u>	<u>\$ 33.7</u>	<u>\$ (0.2)</u>	<u>(0.6) %</u>

- (a) Amounts exclude quantity of unprocessed metal sold.
- (b) Amounts represent intercompany eliminations.
- (c) For 2017, includes \$3.0 million insurance recovery from the prior year production outage.

### Global Brass and Copper Holdings, Inc. Consolidated Balance Sheets (Unaudited)

<i>(In millions, except share and par value data)</i>	As of	
	March 31, 2017	December 31, 2016
<b>Assets</b>		
Current assets:		
Cash	\$ 66.9	\$ 88.2
Accounts receivable (net of allowance of \$0.8 and \$0.5, respectively)	196.0	134.0
Inventories	143.3	163.7
Prepaid expenses and other current assets	40.6	18.3
Income tax receivable	3.2	5.4

Total current assets	450.0	409.6
Property, plant and equipment, net	131.2	130.4
Goodwill	4.4	4.4
Intangible assets, net	0.4	0.4
Deferred income taxes	33.7	34.1
Other noncurrent assets	3.4	3.7
Total assets	<u>\$ 623.1</u>	<u>\$ 582.6</u>
<b>Liabilities and equity</b>		
Current liabilities:		
Current portion of debt	\$ 4.5	\$ 4.5
Accounts payable	105.2	88.9
Accrued liabilities	56.6	45.0
Accrued interest	0.1	0.2
Income tax payable	0.3	1.3
Total current liabilities	<u>166.7</u>	<u>139.9</u>
Noncurrent portion of debt	310.5	311.5
Other noncurrent liabilities	35.3	36.0
Total liabilities	<u>512.5</u>	<u>487.4</u>
Commitments and contingencies		
Global Brass and Copper Holdings, Inc. stockholders' equity:		
Common stock - \$0.01 par value; 80,000,000 shares authorized; 22,108,381 and 21,712,216 shares issued, respectively	0.2	0.2
Additional paid-in capital	48.7	45.0
Retained earnings	66.8	51.2
Treasury stock - 218,487 and 79,149 shares, respectively	(6.3)	(1.5)
Accumulated other comprehensive loss	(3.4)	(4.1)
Total Global Brass and Copper Holdings, Inc. stockholders' equity	<u>106.0</u>	<u>90.8</u>
Noncontrolling interest	4.6	4.4
Total equity	<u>110.6</u>	<u>95.2</u>
Total liabilities and equity	<u>\$ 623.1</u>	<u>\$ 582.6</u>

**Global Brass and Copper Holdings, Inc.**  
**Consolidated Statements of Cash Flows (Unaudited)**

<i>(In millions)</i>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Net income	\$ 17.2	\$ 12.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Lower of cost or market adjustment to inventory	(0.8)	0.3
Unrealized (gain) / loss on derivatives	0.8	(1.9)
Depreciation	4.5	3.6
Amortization of debt discount and issuance costs	0.3	0.7
Loss on extinguishment of debt	—	2.9
Share-based compensation expense	2.5	1.1
Provision for bad debts, net of reductions	0.3	(0.3)
Deferred income taxes	0.2	1.2
Change in assets and liabilities:		
Accounts receivable	(61.7)	(22.9)
Inventories	21.7	16.3
Prepaid expenses and other current assets	(23.5)	1.8
Accounts payable	18.6	0.4

Accrued liabilities	12.0	(12.5)
Accrued interest	(0.1)	7.1
Income taxes, net	1.3	2.1
Other, net	(0.4)	—
Net cash provided by (used in) operating activities	(7.1)	12.1
<b>Cash flows from investing activities</b>		
Capital expenditures	(7.8)	(7.6)
Net cash used in investing activities	(7.8)	(7.6)
<b>Cash flows from financing activities</b>		
Borrowings on ABL Facility	0.2	0.4
Payments on ABL Facility	(0.2)	(0.4)
Retirement of Senior Secured Notes	—	(35.5)
Premium payment on extinguishment of debt	—	(2.2)
Payments on term loan	(0.8)	—
Principal payments under capital lease obligation	(0.3)	(0.3)
Dividends paid	(0.9)	(0.8)
Proceeds from exercise of stock options	0.7	—
Share repurchases	(4.8)	(0.4)
Net cash used in financing activities	(6.1)	(39.2)
Effect of foreign currency exchange rates	(0.3)	(0.1)
Net increase (decrease) in cash	(21.3)	(34.8)
Cash at beginning of period	88.2	83.5
Cash at end of period	<u>\$ 66.9</u>	<u>\$ 48.7</u>
<b>Noncash investing and financing activities</b>		
Purchases of property, plant and equipment not yet paid	\$ 1.6	\$ 1.9

### **Non-GAAP Measures**

In addition to the results reported in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), we also report “adjusted EBITDA,” “adjusted diluted earnings per common share” and “adjusted sales,” which are non-GAAP financial measures as defined below.

Adjusted sales, adjusted EBITDA and adjusted diluted earnings per common share may not be comparable to similarly titled measures presented by other companies and are not intended as alternatives to any other measure of performance in conformity with US GAAP.

You should therefore not place undue reliance on adjusted EBITDA, adjusted diluted earnings per common share, adjusted sales, or any ratios calculated using them. Our US GAAP-based measures can be found in our consolidated financial statements included elsewhere in this press release.

### **Adjusted EBITDA**

Net income attributable to Global Brass and Copper Holdings, Inc. is the most directly comparable US GAAP measure to adjusted EBITDA. Adjusted EBITDA is defined as net income attributable to Global Brass and Copper Holdings, Inc., plus interest, taxes, depreciation and amortization (“EBITDA”) adjusted to exclude the following:

- unrealized gains and losses on derivative contracts in support of our balanced book approach;
- unrealized gains and losses associated with derivative contracts related to energy and utility costs;
- adjustments due to lower of cost or market adjustments to inventory;
- gains and losses due to the depletion of a LIFO layer of metal inventory;
- share-based compensation expense;
- loss on extinguishment of debt;
- restructuring and other business transformation charges;
- specified legal and professional expenses; and

- certain other items.

We believe adjusted EBITDA represents a meaningful presentation of the financial performance of our core operations because it provides period-to-period comparisons that are more consistent and more easily understood. We also believe it is an important supplemental measure that is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

Adjusted EBITDA is the key metric used by our Chief Operating Decision Maker to evaluate segment performance in a way that we believe reflects our core operating performance, and in turn, incentivizes members of management and certain employees. For example, we use adjusted EBITDA per pound in order to measure the effectiveness of the balanced book approach in reducing the financial impact of metal price volatility on earnings and operating margins, and to measure the effectiveness of our business transformation initiatives in improving earnings and operating margins. However, our adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. In addition, it has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under US GAAP.

We compensate for these limitations by using adjusted EBITDA along with other comparative tools, together with US GAAP measurements, to assist in the evaluation of operating performance. Such US GAAP measurements include operating income and net income.

### **Adjusted diluted earnings per common share**

Diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share is the most directly comparable US GAAP measure to adjusted diluted earnings per common share. Adjusted diluted earnings per common share is defined as diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share adjusted to remove the per share impact of the add backs to EBITDA in calculating adjusted EBITDA.

We believe adjusted diluted earnings per common share represents a meaningful presentation of the financial performance of our consolidated results because it provides period-to-period comparisons that are more consistent and more easily understood. We also believe it is an important supplemental measure that is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

Adjusted diluted earnings per share is the key metric used by our Chief Operating Decision Maker to evaluate the Company's performance, and in turn, incentivize members of management and certain employees.

We believe that adjusted diluted earnings per common share supplements our US GAAP results to provide a more complete understanding of the results of our business, and we believe it is useful to our investors and other parties for these same reasons. Adjusted diluted earnings per common share may not be comparable to similarly titled measures presented by other companies and is not a measure of operating performance or liquidity defined by US GAAP.

### **Adjusted sales**

Net sales is the most directly comparable US GAAP measure to adjusted sales, which represents the value-added premium we earn over our conversion and fabrication costs. Adjusted sales is defined as net sales less the metal cost of products sold. We use adjusted sales on a consolidated basis to monitor the revenues that are generated from our value-added conversion and fabrication processes excluding the effects of fluctuations in metal costs. We believe that adjusted sales supplements our US GAAP results to provide a more complete understanding of the results of our business, and we believe it is useful to our investors and other parties for these same reasons.

### **Cautionary Statement Concerning Forward-Looking Statements**

This press release contains "forward-looking statements" that involve risks and uncertainties. You can identify forward-looking statements because they contain words such as "believes," "expects," "projects," "may," "would," "should," "seeks," "approximately," "intends," "plans," "estimates," "anticipates" or similar expressions that relate to our strategy, plans or intentions. All statements the Company makes relating to its estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to its expectations regarding future industry trends are forward-looking statements. In addition, the Company, through its senior management, from time to time makes or may make forward-looking public statements concerning its expected future operations and performance and other developments. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may change at any time, and, therefore, the Company's actual results may differ materially from those that it expected. The Company derives many of its forward-looking statements from its operating budgets and forecasts, which are based upon many detailed assumptions. While the Company believes

that its assumptions are reasonable, the Company cautions that it is very difficult to predict the impact of known factors, and, of course, it is impossible to anticipate all factors that could affect the Company's actual results. Actual results may differ materially from these expectations due to various risks and uncertainties, including: the impact of our indebtedness; the effect of our ability to borrow money; our ability to implement our business strategies, including acquisition activities; our ability to continue implementing our balanced book approach to substantially reduce the impact of fluctuations in metal prices on our earnings and operating margins; shrinkage from processing operations and metal price fluctuations, particularly copper; the condition of various markets in which our customers operate, including the housing and commercial construction industries; our ability to maintain business relationships with our customers on favorable terms; the impact of a loss in customer volume or demand or a shift by customers of their manufacturing or sourcing offshore; our ability to compete effectively with existing and new competitors; the effects of industry consolidation or competition in our business lines; operational factors affecting the ongoing commercial operations of our facilities, including technology failures, regulatory approvals, permit issues, unscheduled blackouts, outages or repairs or unanticipated changes in energy costs; supply, demand, prices and other market conditions for our products; our ability to accommodate increases in production to meet demand for our products; government regulations relating to our products and services, including proposed EPA regulations regarding the registration and marketing of bactericidal copper products; our ability to maintain effective internal control over financial reporting; our ability to realize the planned cost savings and efficiency gains as part of our various initiatives; workplace safety issues; our ability to retain key employees; adverse developments in our relationship with our employees or the future terms of our collective bargaining agreements; rising employee medical costs; our ability to maintain the confidentiality of our proprietary information, to protect the validity, enforceability or scope of our intellectual property rights and manage litigation regarding our intellectual property rights; fluctuations in interest rates; and restrictive covenants in our indebtedness that may adversely affect our operational flexibility.

More detailed information about these and other risks and uncertainties are contained in the Company's filings with the Securities and Exchange Commission, including under "Risk Factors" and elsewhere in our Annual Report on Form 10-K filed with the Securities and Exchange Commission and our reports filed with the Securities and Exchange Commission from time-to-time, including Quarterly Reports on Form 10-Q, copies of which may be obtained by visiting the Company's Investor Relations website at <http://ir.gbcholdings.com> or the SEC's website at [www.sec.gov](http://www.sec.gov). All forward-looking information in this press release is expressly qualified in its entirety by these cautionary statements. All forward-looking statements contained in this press release are based upon information available to the Company on the date of this press release.

In addition, the matters referred to in the forward-looking statements contained in this press release may not in fact occur. Accordingly, investors should not place undue reliance on those statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

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