

Steel Partners Holdings L.P. Reports Second Quarter Financial Results and Outlook

August 7, 2018 at 4:52 PM EDT

NEW YORK--(BUSINESS WIRE)--Aug. 7, 2018-- Steel Partners Holdings L.P.(NYSE: SPLP), a diversified global holding company, today announced operating results for the second quarter and six months ended June 30, 2018. For a full discussion of the results, please see the Company's Form 10-Q as filed with the U.S. Securities and Exchange Commission, which can be found at www.steelpartners.com.

Revenue for the 2018 second quarter increased to \$434.4 million from \$358.4 million for the same period in 2017. Income before income taxes and equity method investments was \$19.6 million for the second quarter of 2018, compared with \$26.1 million in the comparable 2017 period. Net income attributable to the Company's common unitholders for the 2018 second quarter was \$13.0 million, or \$0.42 per diluted common unit, compared with \$11.3 million, or \$0.41 per diluted common unit, for the same period in 2017.

Revenue for the six months ended June 30, 2018 increased to \$800.7 million from \$681.7 million for the same period in 2017. Income before income taxes and equity method investments was \$10.1 million for the six months ended June 30, 2018, compared with \$23.5 million in the comparable 2017 period. Net income attributable to the Company's common unitholders for the six months ended June 30, 2018 was \$4.0 million, or \$0.15 per diluted common unit, compared with \$7.2 million, or \$0.27 per diluted common unit, for the same period in 2017.

The Company generated a 26.2% increase in Adjusted EBITDA for the second quarter of 2018 to \$63.7 million from \$50.4 million for the same period in 2017 and generated a 22.5% increase in Adjusted EBITDA for the six months ended June 30, 2018 to \$98.8 million from \$80.7 million for the same period in 2017.

Results for the three and six months ended June 30, 2018, and the comparable periods in 2017, include certain significant acquisition and integration-related costs associated with the Company's recently completed transactions, as well as other non-cash income or loss from associated companies and other investments held at fair value, net of taxes, which are allocated by segment. The 2017 six-month period reflects an accrual for incentive unit expense of \$4.9 million based on an increase in the market price of the Company's common units. No comparable expense was recorded in the 2018 period.

Adjusted EBITDA for the three and six months ended June 30, 2018 reflects a higher contribution from the Company's Diversified Industrial segment, including the impact of the acquisition of Dunmore, as well as the Energy and Financial Services segments. The Company is presenting Adjusted EBITDA to assist investors with their understanding of Steel Partners' results of operations and financial condition. See "Note Regarding Use of Non-GAAP Financial Measurements" below for the definition of Adjusted EBITDA.

"We continued to make solid operating progress during the second quarter, although results were impacted by certain cash and non-cash acquisition and investment related expenses," said Warren Lichtenstein, Executive Chairman of Steel Partners. "The Company achieved year-over-year increases in revenue and Adjusted EBITDA in each of our business segments for the quarter. The positive performance reflects the hard work of the entire Steel Partners team, along with implementation of our strategic initiatives, and adherence throughout the company to the disciplines of the Steel Business System - a unique culture of watchful management, shared problem solving and striving for continuous improvement.

"Further, we continue to develop our people to grow and reach their potential under our SteelGrow talent program," said Lichtenstein. "Recent internal promotions have included John Ashe as President and CEO of our Lucas-Milhaupt unit and Sarah Corrigan to Chair our Wellness Council, which promotes employee well-being to enhance productivity, recruitment and retention."

Based on current information, Steel Partners expects 2018 third quarter revenue between \$379 million and \$440 million and Adjusted EBITDA between \$50 million and \$61 million. The Company anticipates revenue for the full 2018 year between \$1.6 billion and \$1.7 billion and Adjusted EBITDA between \$198 million and \$220 million, as compared with the Company's previously reported annual guidance for the full 2018 year of revenue between \$1.5 billion and \$1.6 billion and Adjusted EBITDA between \$184 million and \$225 million.

(Financial Tables on Following Pages)

| Financial Summary | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Long-term investments | | | | 310,013 | | | 236,144 |
| Total debt | | | | 498,328 | | | 414,667 |
| Preferred unit liability | | | | 178,008 | | | 176,512 |
| Common units outstanding | | | | 26,192,463 | | | 26,348,420 |
| Preferred units outstanding | | | | 7,927,288 | | | 7,952,660 |
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| Energy | | | | 47,073 | | | 34,035 | | | 83,665 | | | 61,351 | |
| Financial services | | | | 28,966 | | | 20,540 | | | 51,001 | | | 36,329 | |
| Total Revenue | | | | \$ | 434,437 | | \$ | 358,391 | | \$ | 800,682 | | \$ | 681,710 |
| | | | | | | | | | | | | | | |
| Income (loss) before income taxes: | | | | | | | | | | | | | | |
| Diversified industrial | | | | \$ | 26,810 | | \$ | 21,853 | | \$ | 37,492 | | \$ | 29,799 |
| Energy | | | | 849 | | | (1,505 |) | | (4,971 |) | | (9,282 |) |
| Financial services | | | | 13,080 | | | 10,844 | | | 21,610 | | | 18,467 | |
| Corporate and other | | | | (19,578 |) | | (5,058 |) | | (40,491 |) | | (9,102 |) |
| Income before income taxes | | | | 21,161 | | | 26,134 | | | 13,640 | | | 29,882 | |
| Income tax provision | | | | 7,606 | | | 10,416 | | | 8,936 | | | 17,262 | |
| Net income | | | | \$ | 13,555 | | \$ | 15,718 | | \$ | 4,704 | | \$ | 12,620 |
| | | | | | | | | | | | | | | |
| (Loss) income of associated companies, net of taxes: | | | | | | | | | | | | | | |
| Energy | | | | \$ | (161 |) | \$ | 1,471 | | \$ | 658 | | \$ | 2,270 |
| Corporate and other | | | | 1,748 | | | (1,403 |) | | 2,884 | | | 4,100 | |
| Total | | | | \$ | 1,587 | | \$ | 68 | | \$ | 3,542 | | \$ | 6,370 |
| | | | | | | | | | | | | | | |
| Segment depreciation and amortization: | | | | | | | | | | | | | | |
| Diversified industrial | | | | \$ | 14,402 | | \$ | 12,313 | | \$ | 27,950 | | \$ | 25,499 |
| Energy | | | | 5,083 | | | 4,982 | | | 10,105 | | | 9,971 | |
| Financial services | | | | 101 | | | 70 | | | 201 | | | 140 | |
| Corporate and other | | | | 33 | | | 63 | | | 65 | | | 98 | |
| Total depreciation and amortization | | | | \$ | 19,619 | | \$ | 17,428 | | \$ | 38,321 | | \$ | 35,708 |
| | | | | | | | | | | | | | | |
| Segment Adjusted EBITDA: | | | | | | | | | | | | | | |
| Diversified industrial | | | | \$ | 47,829 | | \$ | 39,886 | | \$ | 77,505 | | \$ | 67,084 |
| Energy | | | | 5,017 | | | 2,311 | | | 5,384 | | | 675 | |
| Financial services | | | | 13,445 | | | 10,554 | | | 22,939 | | | 18,247 | |
| Corporate and other | | | | (2,622 |) | | (2,306 |) | | (6,991 |) | | (5,302 |) |
| Total Adjusted EBITDA | | | | \$ | 63,669 | | \$ | 50,445 | | \$ | 98,837 | | \$ | 80,704 |

Note Regarding Use of Non-GAAP Financial Measurements

The financial data contained in this press release includes certain non-GAAP financial measurements as defined by the U.S. Securities and Exchange Commission ("SEC"), including "Adjusted EBITDA." The Company is presenting Adjusted EBITDA because it believes that it provides useful information to investors about SPLP, its business and its financial condition. The Company defines Adjusted EBITDA as net income or

loss before the effects of income or loss from investments in associated companies and other investments held at fair value, interest expense, taxes, depreciation and amortization, non-cash pension expense or income, and realized and unrealized gains or losses on investments and excludes certain non-recurring and non-cash items. The Company believes Adjusted EBITDA is useful to investors because it is one of the measures used by the Company's Board of Directors and management to evaluate its business, including in internal management reporting, budgeting and forecasting processes, in comparing operating results across the business, as an internal profitability measure, as a component in evaluating the ability and the desirability of making capital expenditures and significant acquisitions and as an element in determining executive compensation.

However, Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles in the U.S. ("U.S. GAAP"), and the items excluded from Adjusted EBITDA are significant components in understanding and assessing financial performance. Therefore, Adjusted EBITDA should not be considered a substitute for net income or loss, or cash flows from operating, investing or financing activities. Because Adjusted EBITDA is calculated before recurring cash charges, including realized losses on investments, interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a measure of discretionary cash available to invest in the growth of the business. There are a number of material limitations to the use of Adjusted EBITDA as an analytical tool, including the following:

- Adjusted EBITDA does not reflect the Company's tax provision or the cash requirements to pay its taxes;
- Adjusted EBITDA does not reflect income or loss from the Company's investments in associated companies and other investments held at fair value;
- Adjusted EBITDA does not reflect the Company's interest expense;
- Although depreciation and amortization are non-cash expenses in the period recorded, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect the cash requirements for such replacement;
- Adjusted EBITDA does not reflect the Company's net realized and unrealized gains and losses on its investments;
- Adjusted EBITDA does not include non-cash charges for pension expense and equity-based compensation; and
- Adjusted EBITDA does not include certain other non-recurring and non-cash items.

The Company compensates for these limitations by relying primarily on its U.S. GAAP financial measures and by using Adjusted EBITDA only as supplemental information. The Company believes that consideration of Adjusted EBITDA, together with a careful review of its U.S. GAAP financial measures, is the most informed method of analyzing SPLP.

The Company reconciles Adjusted EBITDA to net income or loss, which does not include amounts reported under U.S. GAAP related to noncontrolling interests in consolidated entities, and that reconciliation is set forth above. Because Adjusted EBITDA is not a measurement determined in accordance with U.S. GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. Revenues and expenses are measured in accordance with the policies and procedures described in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, except for changes made in accordance with the new accounting pronouncements adopted January 1, 2018, as discussed in Note 1 - "Nature of the Business and Basis of Presentation" and Note 2 - "Revenues" to the Company's Form 10-Q filed with the SEC.

About Steel Partners Holdings L.P.

Steel Partners Holdings L.P. (www.steelpartners.com) is a diversified global holding company that owns and operates businesses and has significant interests in leading companies in various industries, including diversified industrial products, energy, defense, supply chain management and logistics, banking and youth sports.

Forward-Looking Statements

This press release contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that reflect SPLP's current expectations and projections about its future results, performance, prospects and opportunities. SPLP has tried to identify these forward-looking statements by using words such as "may," "should," "expect," "hope," "anticipate," "believe," "intend," "plan," "estimate" and similar expressions. These forward-looking statements are based on information currently available to the Company and are subject to a number of risks, uncertainties and other factors that could cause its actual results, performance, prospects or opportunities in 2018 and beyond to differ materially from those expressed in, or implied by, these forward-looking statements. These factors include, without limitation, SPLP's need for additional financing and the terms and conditions of any financing that is consummated, customers' acceptance of its new and existing products, the risk that the Company and its subsidiaries will not be able to compete successfully, the possible volatility of the Company's common or preferred unit price and the potential fluctuation in its operating results. Although SPLP believes that the expectations reflected in these forward-looking statements are reasonable and achievable, such statements involve significant risks and uncertainties, and no assurance can be given that the actual results will be consistent with these forward-looking statements. Investors should read carefully the factors described in the "Risk Factors" section of the Company's filings with the SEC, including the Company's Form 10-K for the year ended December 31, 2017, for information regarding risk factors that could affect the Company's results. Except as otherwise required by federal securities laws, SPLP undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

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