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

November 7, 2017 at 4:15 PM EST
NEW YORK--(BUSINESS WIRE)--Nov. 7, 2017-- Steel Partners Holdings L.P.(NYSE: SPLP), a diversified global holding company, today announced operating results for the third quarter and nine months ended September 30, 2017. 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.

Steel Partners reported that revenue for the 2017 third quarter increased to $355.0 million, from $316.8 million for the same period in 2016. Income before taxes, associated companies and other investments held at fair value advanced to $18.5 million in the third quarter of 2017, from $15.0 million in the comparable 2016 period. Net income attributable to the Company's common unitholders for the 2017 third quarter was $7.0 million, or $0.27 per diluted common unit, compared with $10.8 million, or $0.41 per diluted common unit, for the same period in 2016.

For the nine months ended September 30, 2017, revenues increased to $1.0 billion, from $845.0 million for the same period of 2016. Income before taxes, associated companies and other investments held at fair value was $42.0 million for the first nine months of 2017, compared with $41.0 million in the same period of 2016. Net income attributable to the Company's common unitholders for the first nine months of 2017 was $14.2 million, or $0.54 per diluted common unit, compared with $22.0 million, or $0.83 per diluted common unit, for the same period in 2016.

Results for the quarter and nine months ended September 30, 2017, and the comparable periods in 2016, include certain significant transaction-related and integration charges associated with the Company's recently completed acquisitions, 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 nine-month period ended September 30, 2017 also reflects an accrual for incentive unit expense of $3.9 million based on an increase in the market price of the Company's common units.

Steel Partners generated a 4.4% increase in Adjusted EBITDA for the third quarter of 2017 to $44.6 million, from $42.7 million for the same period in 2016. The current quarter's Adjusted EBITDA reflects a higher contribution from the Diversified Industrial, Energy and Financial Services segments, partially offset by higher corporate expenses. For the nine-month period, Steel Partners generated a 12.3% increase in Adjusted EBITDA to $125.3 million, from $111.6 million for the same period last year. 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.

"The past three months were characterized by solid operating performances in each of our business segments," said Warren Lichtenstein, Executive Chairman of Steel Partners. "As well, we made further progress implementing our strategic plan to simplify our corporate structure and work toward creating 'One Steel.' This was best exemplified just subsequent to the close of the quarter by the completion of the purchase of the remaining shares of Handy & Harman that Steel Partners did not previously own."
The Company anticipates revenue for the full 2017 year between $1.3 billion and $1.4 billion and Adjusted EBITDA between $157 million and $164 million.

On October 12, 2017, Steel Partners completed its previously announced tender offer for the remaining shares of Handy & Harman Ltd. ("HNH") not already owned by Steel Partners or its affiliates. Each outstanding share of HNH common stock was exchanged for 1.484 6.0% Series A preferred units of Steel Partners. As a result, Steel Partners now owns 100.0% of HNH, and HNH is no longer publicly traded.

Financial Summary				
(in thousands, except per common unit)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue	$ 355,040	$ 316,849	$ 1,036,750	$ 845,044
Costs and expenses	336,554	301,813	994,752	804,064
Income before taxes, associated companies and other investments held at fair value	18,486	15,036	41,998	40,980
Income tax provision	9,913	8,334	27,175	18,357
Income of associated companies and other investments held at fair value, net of taxes	(2,332)	(6,367)	(8,702)	(2,649)
Net income	10,905	13,069	23,525	25,272
Net income attributable to noncontrolling interests in consolidated entities	(3,892)	(2,237)	(9,341)	(3,269)
Net income attributable to common unitholders	$ 7,013	$ 10,832	$ 14,184	$ 22,003
Net income per common unit - basic and diluted	$ 0.27	$ 0.41	$ 0.54	$ 0.83

Segment Results				
(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue:				
Diversified industrial	$ 295,485	$ 274,327	$ 879,515	$ 722,399
Energy	37,959	27,154	99,310	68,868
Financial services	21,596	15,368	57,925	53,777
Total	$ 355,040	$ 316,849	$ 1,036,750	$ 845,044
Income (loss) before income taxes:				
Diversified industrial	$ 17,189	$ 12,646	$ 46,988	$ 37,499
Energy	(3,677)	(3,380)	(12,959)	(6,402)
Financial services	9,669	7,911	28,136	32,018
Corporate and other	(2,363)	4,226	(11,465)	(19,486)
Income before income taxes	20,818	21,403	50,700	43,629
Income tax provision	9,913	8,334	27,175	18,357
Net income	$ 10,905	$ 13,069	$ 23,525	$ 25,272
Income (loss) of associated companies and other investments held at fair value, net of taxes:				
Diversified industrial	$ —	$ —	$ —	$ 8,078

Energy	(318)	886	1,952	6,976
Corporate and other	2,650	5,481	6,750	(12,405)
Total	$ 2,332	$ 6,367	$ 8,702	$ 2,649

Supplemental Non-GAAP Disclosures

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Segment Income (U.S. GAAP):				
Diversified industrial	$ 17,189	$ 12,646	$ 46,988	$ 37,499
Energy	(3,677)	(3,380)	(12,959)	(6,402)
Financial services	9,669	7,911	28,136	32,018
Corporate and other	(2,363)	4,226	(11,465)	(19,486)
Income before income taxes	$ 20,818	$ 21,403	$ 50,700	$ 43,629
Segment Adjusted EBITDA:				
Diversified industrial	$ 35,461	$ 34,760	$ 102,545	$ 86,974
Energy	2,901	977	3,576	(1,838)
Financial services	10,152	7,978	28,399	32,306
Corporate and other	(3,891)	(981)	(9,193)	(5,806)
Adjusted EBITDA	$ 44,623	$ 42,734	$ 125,327	$ 111,636
Adjusted EBITDA Reconciliation:				
Net income	$ 10,905	$ 13,069	$ 23,525	$ 25,272
Income tax provision	9,913	8,334	27,175	18,357
Income before income taxes	20,818	21,403	50,700	43,629
Add (Deduct):				
Income of associated companies and other investments held at fair value, net of taxes	(2,332)	(6,367)	(8,702)	(2,649)
Interest expense	5,147	3,025	14,446	7,390
Depreciation and amortization	18,505	19,158	54,213	46,487
Non-cash asset impairment charges	—	3,607	—	12,935
Non-cash pension expense	673	682	3,860	2,655
Non-cash equity-based compensation	(724)	875	5,696	3,086
Amortization of fair value adjustments to acquisition-date inventories	—	940	—	1,924
Realized and unrealized gains and losses on investments, net	2	(901)	769	(4,183)
Other items, net	2,534	312	4,345	362
Adjusted EBITDA	$ 44,623	$ 42,734	$ 125,327	$ 111,636

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 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, 2016.

About Steel Partners Holdings L.P.
Steel Partners Holdings L.P. is a diversified global holding company that engages in multiple businesses through consolidated subsidiaries, associated companies and other interests. It 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 2017 and beyond to differ materially from those expressed in, or implied by, these forward-looking statements. These factors include, without limitation, SPLP's subsidiaries need for additional financing and the terms and conditions of any financing that is consummated, their 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 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, 2016 and the Company's Form 10-Q for the quarterly period ended September 30, 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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Source: Steel Partners Holdings L.P.

Investors: Pondel Wilkinson Inc. Roger S. Pondel, 310-279-5965 rpondel@pondel.com