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Nov 16, 2015

MFC Industrial Reports Results For The First Nine Months Of 2015

- BUILDING A FOUNDATION TO BECOME A PREMIER TRADE AND STRUCTURED FINANCE COMPANY -

NEW YORK, Nov. 16, 2015 /PRNewswire/ -- MFC Industrial Ltd. ("MFC", the "Company", "we" or "us") (NYSE: MIL) announces its results for the three and nine months ended September 30, 2015. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). *(All references to dollar amounts are in United States dollars unless otherwise stated.)*

NINE MONTH RESULTS

The results of discontinued operations have been re-presented for prior periods. Please see Note 4 to our unaudited consolidated financial statements for the three and nine months ended September 30, 2015 for further information.

Our gross revenues from continuing operations for the first nine months of 2015 increased by 10.7% to $1,012.5 million from $914.4 million in the same period of 2014, primarily as a result of the consolidation of acquisitions in the second quarter of 2014, partially offset by the exiting of certain product lines and the negative impact of the higher United States dollar against the Euro.

Our revenues from continuing operations, by product and geography for each of the nine months ended September 30, 2015 and 2014 are broken out in the tables below:

REVENUES BY PRODUCT	September 30, 2015	September 30, 2014
Wood products	23%	30%
Steel products	18%	17%
Minerals, chemicals and alloys	42%	37%
Metals	14%	10%
Other	3%	6%

GROSS REVENUES BY GEOGRAPHY	September 30, 2015	September 30, 2014
EU (excluding Germany)	35%	26%
Germany	30%	41%
Americas	19%	21%
Asia	11%	6%
Europe, non-EU	4%	4%
Africa	1%	2%

Our costs of sales and services from continuing operations increased to $938.2 million during the nine months ended September 30, 2015 from $844.4 million for the same period of 2014 and gross margin from continuing operations declined to 7.3%, compared to 7.7% in the same period of 2014. This was a result of the consolidation of acquisitions in the second quarter of 2014 with margin profiles below our corporate average and was partially offset by the exiting of certain product lines and the favourable impact of the higher United States dollar against the Euro.

Selling, general and administrative expenses ("SG&A") from continuing operations decreased to $50.0 million for the nine months ended September 30, 2015 from $53.5 million for the same period in 2014, primarily due to the stronger United States dollar versus the Euro and the Canadian dollar and the benefits of certain restructuring efforts and an arbitration settlement, partially offset by investments into new markets, geographies and professional fees. The majority of our SG&A are incurred in Euros and Canadian dollars and a weakening of these currencies results in a decline when reported in United States dollars. As a percentage of gross revenues, SG&A expenses were 4.9% in the first nine months of 2015, compared to 5.9% in the same period of 2014.

Our net income from continuing operations attributable to our shareholders increased in the first nine months of 2015 to $9.2 million from a net loss of $0.8 million in the same period of 2014.

Our net loss from discontinued operations for the first nine months of 2015, which included a non-cash impairment, before income taxes, of $290.6 million, or $4.60 per share, was $289.3 million. Including such discontinued operations and non-cash impairments, for the first nine months of 2015, our net loss attributable to shareholders was $280.1 million, compared to net income attributable to shareholders of $19.3 million for the same period of 2014.

For the first nine months of 2015, our Operating EBITDA from continuing operations was $27.7 million, compared to $16.1 million for the same period of 2014.

Operating EBITDA from continuing operations is defined as earnings from continuing operations before interest, taxes, depreciation, depletion, amortization and impairment. Operating EBITDA from continuing operations is a non-IFRS financial measure and should not be considered in isolation or as a substitute for performance measures under IFRS. Management uses Operating EBITDA from continuing operations as a measure of the Company's operating results and considers it to be a meaningful supplement to net income as a performance measure, primarily because we incur depreciation and depletion from time to time.

The following table reconciles our net income from continuing operations to Operating EBITDA from continuing operations for each of the nine months ended September 30, 2015 and 2014:

OPERATING EBITDA from continuing operations (US$ in thousands)	September 30, 2015	September 30, 2014
Net Income from continuing operations [1]	10,155	168
Income Taxes	2,418	3,728
Finance Costs	11,716	8,962
Depreciation, Depletion and Amortization	3,378	3,239
Operating EBITDA from continuing operations[2]	27,667	16,097

Notes: (1) Includes net income attributable to non-controlling interests.
(2) There were no impairments from continuing operations in the first nine months of 2015 and 2014.

Adjusting our assets and operations to reflect our future, not our past.

In the third quarter of 2015, we determined to pursue the sale of our resource assets, comprised of our hydrocarbon properties and iron ore interests. We do not consider such assets to be a strategic fit with our core long-term strategy. We have instituted an active program to identify potential buyers and we currently expect to rationalize the assets within 12 months. As a result, these assets have been recorded as held for sale as of September 30, 2015 and the operations and cash flows related to these assets are accounted for as *discontinued operations* for the three and nine months ended September 30, 2015.

Our strategic priorities have shifted and the method of our anticipated participation in these projects has changed, so now is the time for prudence as we focus on our future as a regulated institution with an emphasis on trade and structured finance and banking.

We measured the recoverable amounts of these assets in accordance with IFRS and recognized non-cash impairment losses on our hydrocarbon and iron ore interests, before income taxes, of $107.2 million and $183.4 million, respectively, for the three and nine months ended September 30, 2015.

The following table breaks out the carrying amounts of our discontinued operations, as of June 30, 2015 and September 30, 2015:

INTEREST (US$ in thousands)	NET CARRYING VALUE June 30, 2015	NET CARRYING VALUE September 30, 2015
Hydrocarbons	182,002	45,974
Iron ore	141,254	Nil
Total	323,256	45,974

Our discontinued operations include the following assets:

Iron Ore Interests

We are the lessor under a mining sub-lease of the land upon which the Wabush Iron Ore Mine in Labrador, Canada, is located. The mine had operated since 1966.

Upon termination of the lease, we intend to re-take the mine and exercise our contractual rights. Our rights may be delayed due to the operator filing for relief for all of their Canadian mines under the Companies' Creditors Arrangement Act.

Iron ore prices have declined globally and the short-term outlook is not favorable. **But, most importantly, we do not have any debt on this property.** While we believe that the mine presents an interesting long-term opportunity, now is the time for conservatism and prudence while we focus on our other efforts. As such, we have initiated a rationalization process and, therefore, have reclassified the mine and our interest in another iron ore property as discontinued operations. We will be responsible stewards of our capital.

Hydrocarbon Interests

We have participated in the energy sector through the development, production and processing of natural gas and natural gas liquids in Alberta, Canada.

In late March 2015, we announced a plan to rationalize our energy assets, return certain net proceeds to shareholders and redeploy certain net proceeds in our trade finance business. We initially stated that this plan would take 18 months, and now that six months have passed, we meet the requirements to classify these operations as discontinued operations.

Any potential future distributions related to the rationalization of our hydrocarbon assets will depend on the timing of, and amounts received in connection with, the rationalization of such assets and there can be no assurances as to the timing and amount of such distributions. Given the current state of the resource markets and long-term natural gas pricing, which are reflected in the impairment we recognized in the third quarter of 2015 on these assets, we do not currently anticipate a return of capital. However, this process is ongoing and we will continue to evaluate all options.

LIQUIDITY

Cash and cash equivalents were $298.6 million on September 30, 2015, compared to $297.3 million as of December 31, 2014.

On September 30, 2015, our trade receivables were $120.4 million, compared to $161.7 million as of December 31, 2014.

More than 60%, or $122.6 million, of our inventories are either contracted at fixed prices or hedged, while the remainder, being $84.1 million, is comprised of other inventories, which include the raw materials, work in progress and finished goods at our captive supply facilities and, to a much lesser extent, strategic inventories such as consignment positions and goods in transit.

As of September 30, 2015, all of our resource properties have been classified and reported on our balance sheet as assets held for sale and were $210.5 million on September 30, 2015, compared to $131.1 million on December 31, 2014. This increase was a result of additional assets being classified as held for sale, partially offset by the impact of the United States dollar against the Canadian dollar. Liabilities relating to assets held for sale (decommissioning obligations and certain debt obligations and liabilities) were $164.5 million on September 30, 2015, compared to $15.3 million as at December 31, 2014.

Our short-term bank borrowings increased to $206.6 million on September 30, 2015 from $161.3 million on December 31, 2014. Total long-term debt decreased to $202.6 million on September 30, 2015 from $313.1 million on December 31, 2014, primarily as a result of repayments, reclassification of certain debt obligations which are part of discontinued operations and the impact of the higher United States dollar against the Euro.

The following table highlights selected key numbers and ratios as of September 30, 2015 and December 31, 2014:

FINANCIAL POSITION (US$ in thousands, except per share amounts and ratios)	September 30, 2015	December 31, 2014
Cash and cash equivalents	298,559	297,294
Securities	90	250
Trade receivables	120,423	161,674
Inventories – contracted at fixed prices or hedged	122,632	109,824
Inventories – other [1]	84,103	102,753
Current assets	870,347	864,804
Current liabilities	486,020	379,944
Working capital	384,327	484,860
Current ratio [2]	1.79	2.28

Total assets	1,022,326	1,458,684
Total liabilities	669,882	787,248
Shareholders' equity	351,306	670,388
Equity per common share	5.56	10.63

Notes: (1) Inventories – other include the raw materials, work in progress and finished goods at our captive supply facilities and, to a much lesser extent, strategic inventories such as consignment positions and goods in transit.
(2) The current ratio is calculated as current assets divided by current liabilities.

Credit lines and facilities with banks

We maintain various kinds of credit lines and facilities with banks. Most of these facilities are short-term and are used for our day-to-day business and trade financing activities in our supply chain business. The amounts drawn under such facilities fluctuate with the type and level of transactions being undertaken.

As at September 30, 2015, we had credit facilities aggregating approximately $652.7 million (being approximately the same on a constant currency basis since December 31, 2014). These credit facilities are comprised of: (1) unsecured revolving credit facilities aggregating $341.3 million from banks; (2) revolving credit facilities aggregating $68.5 million from banks for structured solutions; (3) a non-recourse factoring arrangement with a bank for up to a credit limit of $184.7 million for our supply chain business; and (4) foreign exchange credit facilities of $58.2 million with banks. These facilities are either renewable on a yearly basis or usable until further notice.

In addition, we have margin lines with availability at multiple brokers, which in the past have enabled us to hedge over $100 million notional value of industrial products.

IMPROVING OUR REPORTING

We have changed our segment reporting to more accurately reflect how we view our businesses. Previously, we presented our finance and supply chain business as two reportable segments, Global Supply Chain and Trade Finance and Services. However, as we have advanced our long-term strategy, the divide between these two segments has become less clear while the revenue and cost synergies have become more apparent. Therefore, as a result of the integrated nature of these operations, we have combined these two former segments into "Finance and Supply Chain".

Going forward, we will present two operating segments: (i) Finance and Supply Chain, which includes our marketing activities, captive supply assets, structured solutions, financial services and proprietary investing activities; and (ii) All Other, which encompasses our corporate and other investments and business.

STRATEGIC FOCUS – TRADE AND STRUCTURED FINANCE AND BANKING

In 1997, MFC, at the time named MFC Bancorp Ltd., acquired a Geneva, Switzerland-based fully licensed bank. After the acquisition of this bank, which was renamed MFC Merchant Bank SA, MFC operated under the rules and regulations of the Swiss Federal Banking Commission.

MFC provided merchant banking services for clients comprised of corporate finance and the implementation of finance solutions and also engaged in proprietary investing for its own account. As part of these finance solutions, MFC offered certain trade finance products and structures to meet its clients' requirements.

With the 2004 acquisition of KHD Humboldt Wedag AG ("KHD"), the industrial businesses of MFC grew to a size that dwarfed its banking activities and we decided to streamline our global operations. We therefore made the strategic decision to focus on the KHD business of design, engineering and construction of industrial plants worldwide. As there was no continuing benefit to the business of owning a bank, we voluntarily returned our banking license to the full satisfaction of the Swiss regulators.

Almost ten years later, we believe an in-house bank will enable us to expand the supply chain and structured finance solutions we currently offer to customers and suppliers with complementary product offerings, such as factoring, inventory financing, forfaiting, marketing and other types of risk management and financing solutions.

Therefore, we are re-entering the regulated banking business with a focus on trade and structured finance. Our priority is to harvest our supply chain relationships and cross-sell a wide range of specialized financial services, which we expect will improve our margin profile and returns on invested capital.

Our corporate goal is to become a premier regulated trade finance institution, utilizing our supply chain platform as the foundation to offer banking, trade and structured finance and other complementary services.

To date, we have made some important progress by:

1. Entering into an agreement to acquire a Western European bank.

In June 2015, we announced that we had entered into an agreement to acquire a Western European bank, subject to customary closing conditions, including the receipt of requisite national and European Central Bank regulatory approvals.

Upon the addition of a front-room regulated bank, we will be able to offer our customers and suppliers a wider range of financial solutions. The back office of the bank will be primarily outsourced.

We currently expect regulatory approvals before the end of 2015.

2. *Aligning our board of directors to our new strategic focus.*

In October 2015, Friedrich Hondl joined our Board of Directors. Mr. Hondl is an experienced European banking executive and former member of the Supervisory Board of Oesterreichische Kontrollbank AG, the Austrian Export Credit Agency. From 2013 to 2015, Mr. Hondl was the head of Erste Group Bank AG's Large Corporates International Division and, from 2009 to 2012, he was the head of International Corporate Relationship Management of UniCredit Bank Austria AG. He has also served as Chairman of the Supervisory Board of Intermarket Bank AG since 2014.

We are in the process of evaluating additional candidates with relevant experience to support our corporate vision.

3. *Hiring additional professionals for our structured finance and supply chain solutions business.*

For more than ten years, our structured finance team, based in Vienna, Austria, has been an important driver of our business and profitability. The successful expansion of this department is the cornerstone for our strategic decision to focus on trade and structured finance and banking, leveraging our supply chain relationships with customers and suppliers.

We are continuing to seek and employ qualified professionals for our structured finance team to foster additional growth in this department. To date, we have hired additional team members and continue to evaluate several candidates who will help support our vision in multiple jurisdictions.

4. *Continuing the reduction of our trade receivables for capital reallocation.*

Over the last six quarters, we have reduced our trade receivables by more than 40% through improved collections and better utilization of our non-recourse factoring lines. While we are encouraged by these results, we are not satisfied and have identified additional areas of improvement, which we will implement before the end of the year.

We plan to reduce our trade receivables below $100.0 million before the end of December 2015.

TRADE RECEIVABLES (US$ in thousands)

June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
207,607	175,229	161,674	137,615	130,975	120,423	100,000[1]

Note: (1) Target levels.

5. *Initiating a process to reduce our inventories for capital reallocation.*

We have initiated a process to reduce our inventories, with a focus on exiting marginally profitable product lines, increasing the turnover of our existing inventory and consolidating inventory positions that are in multiple warehouses.

As a result of this process, we plan to reduce our inventory levels to below $175.0 million before the end of December 2015, with further improvements anticipated in the first quarter of 2016.

More than 60% of our inventories are contracted at fixed prices or hedged, while the remainder is comprised of the raw materials, work in progress and finished goods at our captive supply facilities and, to a much lesser extent, strategic inventories such as consignment positions and goods in transit.

INVENTORIES (US$ in thousands)	June 30, 2014	September 30, 2014	December 31, 2014	March 30, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Contracted at fixed price or hedged	N/A	N/A	109,824	97,415	115,506	122,632	
Other	N/A	N/A	102,753	96,790	78,497	84,103	
Total	205,654	185,863	212,577	194,205	194,003	206,735	175,000[1]

Note: (1) Target levels.

President and Chief Executive Officer Gerardo Cortina commented, "MFC entered the supply chain business in 2010 and implemented a long-term growth strategy to achieve critical mass by expanding geographic reach and diversifying into new product lines. Through organic growth and complementary acquisitions, we entered new markets in North, Central and South America, Europe and Asia and increased our product offerings to include natural gas, minerals, metals, ferro-alloys, steel, wood products and others.

"As a result of this strategy, we reported revenues of $1.4 billion in 2014, a four-year compound annual growth rate of almost 30%. But this revenue growth did not translate into increased profitability and, as a result, we did not generate an adequate return on our invested capital.

"Declining global commodity markets, weak pricing and increased competition attributed to some of this poor performance, but we experienced some unsystematic challenges as well, such as the idling and subsequent closure of our royalty asset, which had been one of the foundations of our earnings for many years.

"These results have been unacceptable, no matter the reasons. And it is now time for change."

Mr. Cortina added, "On November 13, 2015, our shares closed at $2.59, down more than 60% since the beginning of the year. Not only have the industries in which we participate underperformed, but our shares have underperformed these industries.

"While our focus is on long-term value creation, we are disappointed with this recent performance on both a comparative and absolute basis.

"To put this in another perspective, at current prices, our shares trade at approximately 0.47x book value, which mainly consists of working capital. Excluding our assets held for sale, our shares trade at 0.54x book value."

AS OF SEPTEMBER 30, 2015 (US$ in thousands, except per share amounts and ratios)

	Shareholders' Equity	Equity per Share	Share Price (November 13, 2015)	Price / Equity
Cash and cash equivalents	298,559	4.72		
Other working capital[1]	39,794	0.63		
Long-term debt, less current portion	(169,161)	(2.68)		
Other long-term assets	151,979	2.41		
Other long-term liabilities[2] and non-controlling interests	(15,839)	(0.25)		
	305,332	4.83	2.59	0.54
Assets held for sale, net of liabilities [3]	45,974	0.73		
Net book value	351,306	5.56	2.59	0.47

Notes: (1) Working capital, less cash and cash equivalents and assets held for sale (net of liabilities).
(2) Total long-term liabilities, less long-term debt (less current portion).
(3) Assets held for sale, less liabilities related to assets held for sale.

Mr. Cortina continued, "Ultimately, we strive to remove the discount to book value from the market value of our shares.

"Going forward, our goal is to become a premier regulated trade finance institution. With the acquisition of a Western European bank, we will be able to offer our customers and suppliers a wider range of structured finance solutions, including factoring, inventory financing, forfaiting, marketing and other types of risk management and financing solutions.

"There are significant opportunities to offer structured and trade finance and banking solutions in the markets we serve and many of our current customers and suppliers do not have adequate financing alternatives and could benefit from our services.

"Our vertically integrated supply chain platform gives us insight into the financing requirements of our business partners and the ability to offer a full portfolio of trade and structured finance and banking products will us to capitalize on opportunities across the value chain.

"Over the next twelve months, we anticipate that we will make both qualitative and quantitative progress towards our goals.

"Our goal is to achieve at least a 15% return on equity.

"Today, not tomorrow, is the time for significant change. We have the assets. We have the people. We have the resources.

"We adhere to prudent and disciplined policies and practices to provide certainly for our banking partners, shareholders, customers and suppliers and we will continue to work diligently to execute our vision."

Shareholders are encouraged to read our entire unaudited financial statements and management's discussion and analysis for the three and nine months ended September 30, 2015, filed with the U.S. Securities and Exchange Commission on Form 6-K and Canadian securities regulators today, for a greater understanding of the Company.

Today at 10:00 a.m. EDT (7:00 a.m. PDT), a conference call will be held to review MFC's announcement and results. This call will be broadcast live over the Internet at www.mfcindustrial.com. An online archive will be available immediately following the call and will continue for seven days. You may also listen to the audio replay by phone by dialing: 1 (877) 344 7529, using conference number 10075138 (international callers dial: 1 (412) 317 0088). There will also be a simultaneous live webcast through the Company's website, www.mfcindustrial.com. Participants should register on the website approximately ten minutes prior to the start of the webcast. For those unable to attend the call, a recording of the live webcast will be archived shortly following the event for 90 days on the Company's website.

About MFC Industrial Ltd.

MFC is a vertically integrated trade and structured finance and global supply chain company, which is an end-to-end solutions provider for industrial companies around the world. MFC is focused on providing supply chain services and customized structured financial solutions to industrial customers and suppliers. We do business internationally in multiple geographic areas and specialize in a wide range of industrial products that include alloys, metals, minerals, chemicals and wood products.

Disclaimer for Forward-Looking Information

This document contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature, including, without limitation, statements regarding our planned acquisition of a bank, future business prospects, estimated capital expenditures, the anticipated benefits of new projects, our plan to rationalize certain hydrocarbon properties and iron ore interests, our strategy to reduce inventories and trade receivables and any statements regarding beliefs, plans, expectations or intentions regarding the future. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, revenues, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause our actual results, revenues, performance or achievements to differ materially from our expectations include, among other things:(i) periodic fluctuations in financial results as a result of the nature of our business; (ii) commodities price volatility; (iii) economic and market conditions; (iv) competition in our business segments; (v) decisions and activities of operators of our resource interests, including the operator's decisions with respect to termination of the Mine sub-lease; (vi) the availability of commodities for our commodities and resources operations; (vii) the availability of suitable acquisition or merger or other proprietary investment candidates and the availability of financing necessary to complete such acquisitions or development plans; (viii) our ability to realize the anticipated benefits of our acquisitions; (ix) additional risks and uncertainties resulting from strategic investments, acquisitions or joint ventures; (x) counterparty risks related to our trading activities; (xi) our ability to execute, and the timing and amounts received as a result of, our plan to rationalize certain hydrocarbon properties and iron ore interests; (xii) our ability to satisfy conditions to the closing of the bank acquisition our ability to integrate and realize the benefits of such acquisition; (xii) operating hazards; and (xvi) other factors beyond our control. Such forward-looking statements should therefore be construed in light of such factors. Other than in accordance with its legal or regulatory obligations, the Company is not under any obligation and the Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additional information about these and other assumptions, risks and uncertainties are set out in our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission and our Management's Discussion and Analysis for the three and nine months ended September 30, 2015, filed with the Canadian securities regulators.

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