GLOBAL BRASS & COPPER HOLDINGS, INC.
Form 10-Q
May 05, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File No. 001-35938

GLOBAL BRASS AND COPPER HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	06-1826563 (I.R.S. Employer Identification Number)
475 N. Martingale Road Suite 1050 Schaumburg, IL (Address of principal executive offices)	60173 (Zip Code)

(847) 240-4700
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
On April 28, 2016, there were 21,483,715 shares of common stock outstanding.

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.
Global Brass and Copper Holdings, Inc.
Consolidated Balance Sheets (Unaudited)

(In millions, except share and par value data)	As of March 31, 2016	December 31, 2015	March 31, 2015
Assets			
Current assets:			
Cash	$48.7	$ 83.5	$ 52.1
Accounts receivable (net of allowance of $0.6, $1.2 and $1.0 at March 31, 2016, December 31, 2015 and March 31, 2015, respectively)	142.8	119.6	191.9
Inventories	159.6	176.3	184.8
Prepaid expenses and other current assets	17.6	17.4	34.0
Income tax receivable	0.7	2.4	4.0
Total current assets	369.4	399.2	466.8
Property, plant and equipment	163.8	158.8	140.5
Less: Accumulated depreciation	(51.1)	(47.7)	(38.3)
Property, plant and equipment, net	112.7	111.1	102.2
Investment in joint venture	—	—	1.7
Goodwill	4.4	4.4	4.4
Intangible assets, net	0.5	0.5	0.6
Deferred income taxes	36.9	38.0	31.0
Other noncurrent assets	3.7	4.0	5.0
Total assets	$527.6	$ 557.2	$ 611.7
Liabilities and equity			
Current liabilities:			
Current portion of capital lease obligation	$1.1	$ 1.1	$ 1.0
Accounts payable	68.9	71.0	98.4
Accrued liabilities	41.6	53.9	70.4
Accrued interest	10.1	3.0	12.1
Income tax payable	0.5	0.2	0.2
Total current liabilities	122.2	129.2	182.1
Noncurrent portion of debt	307.3	342.0	370.6
Other noncurrent liabilities	25.3	25.3	25.4
Total liabilities	454.8	496.5	578.1
Commitments and Contingencies (Note 11)			
Global Brass and Copper Holdings, Inc. stockholders' equity:			
Common stock - $0.01 par value; 80,000,000 shares authorized; 21,553,883, 21,553,883 and 21,513,021 shares issued at March 31, 2016, December 31, 2015 and March 31, 2015, respectively	0.2	0.2	0.2
Additional paid-in capital	38.1	36.9	33.2
Retained earnings (accumulated deficit)	33.7	22.3	(2.8)
Treasury stock - 64,238, 46,729 and 32,344 shares at March 31, 2016, December 31, 2015 and March 31, 2015, respectively	(1.1)	(0.7)	(0.5)
Accumulated other comprehensive loss	(2.4)	(2.3)	(0.8)
Total Global Brass and Copper Holdings, Inc. stockholders' equity	68.5	56.4	29.3
Noncontrolling interest	4.3	4.3	4.3

Total equity	72.8	60.7	33.6
Total liabilities and equity	$527.6	$ 557.2	$ 611.7

The accompanying notes are an integral part of these consolidated financial statements.

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

(In millions, except per share data)	Three Months Ended March 31, 2016			2015		
Net sales	$	328.9		$	400.2	
Cost of sales	(279.4		)	(356.3		)
Gross profit	49.5			43.9		
Selling, general and administrative expenses	(19.7		)	(21.4		)
Operating income	29.8			22.5		
Interest expense	(8.4		)	(10.0		)
Loss on extinguishment of debt	(2.9		)	—		
Other income (expense), net	0.4			(0.1		)
Income before provision for income taxes and equity income	18.9			12.4		
Provision for income taxes	(6.7		)	(4.5		)
Income before equity income	12.2			7.9		
Equity income, net of tax	—			0.2		
Net income	12.2			8.1		
Net income attributable to noncontrolling interest	—			—		
Net income attributable to Global Brass and Copper Holdings, Inc.	$	12.2		$	8.1	
Net income attributable to Global Brass and Copper Holdings, Inc. per common share:						
Basic	$	0.57		$	0.38	
Diluted	$	0.57		$	0.38	
Weighted average common shares outstanding:						
Basic	21.3			21.2		
Diluted	21.5			21.3		
Dividends declared per common share	$	0.0375		$	0.0375	

The accompanying notes are an integral part of these consolidated financial statements.

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Global Brass and Copper Holdings, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
(In millions)	2016	2015
Net income	$12.2	$8.1
Other comprehensive loss:		
Foreign currency translation adjustment	(0.2)	(0.2)
Income tax benefit on foreign currency translation adjustment	0.1	0.1
Comprehensive income	12.1	8.0
Comprehensive income attributable to noncontrolling interest	—	(0.1)
Comprehensive income attributable to Global Brass and Copper Holdings, Inc.	$12.1	$7.9

The accompanying notes are an integral part of these consolidated financial statements.

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Global Brass and Copper Holdings, Inc.
Consolidated Statements of Changes in Equity (Unaudited)

(In millions, except share data)	Shares Outstanding	Common stock	Additional paid-in capital	Retained earnings / (accumulated deficit)	Treasury stock	Accumulated other comprehensive (loss) income	Total Global Brass and Copper Holdings, Inc. stockholders' equity/(deficit)	Noncontrolling interest	Total equity
Balance at December 31, 2014	21,340,207	$ 0.2	$ 32.5	$ (10.1)	$ (0.4)	$ (0.6)	$ 21.6	$ 4.4	$ 26.0
Share-based compensation	143,614	—	0.7	—	—	—	0.7	—	0.7
Share repurchases	(3,144)	—	—	—	(0.1)	—	(0.1)	—	(0.1)
Dividends declared	—	—	—	(0.8)	—	—	(0.8)	—	(0.8)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(0.2)	(0.2)
Net income	—	—	—	8.1	—	—	8.1	—	8.1
Other comprehensive (loss) income, net of tax	—	—	—	—	—	(0.2)	(0.2)	0.1	(0.1)
Balance at March 31, 2015	21,480,677	$ 0.2	$ 33.2	$ (2.8)	$ (0.5)	$ (0.8)	$ 29.3	$ 4.3	$ 33.6
Balance at December 31, 2015	21,507,154	$ 0.2	$ 36.9	$ 22.3	$ (0.7)	$ (2.3)	$ 56.4	$ 4.3	$ 60.7
Share-based compensation	—	—	1.1	—	—	—	1.1	—	1.1
Share repurchases	(17,509)	—	—	—	(0.4)	—	(0.4)	—	(0.4)
Excess tax benefit on share-based compensation	—	—	0.1	—	—	—	0.1	—	0.1
Dividends declared	—	—	—	(0.8)	—	—	(0.8)	—	(0.8)
Net income	—	—	—	12.2	—	—	12.2	—	12.2
Other comprehensive loss, net of tax	—	—	—	—	—	(0.1)	(0.1)	—	(0.1)
Balance at March 31, 2016	21,489,645	$ 0.2	$ 38.1	$ 33.7	$ (1.1)	$ (2.4)	$ 68.5	$ 4.3	$ 72.8

The accompanying notes are an integral part of these consolidated financial statements.

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

(In millions)	Three Months Ended March 31, 2016			2015		
Cash flows from operating activities						
Net income	$	12.2		$	8.1	
Adjustments to reconcile net income to net cash provided by operating activities:						
Lower of cost or market adjustment to inventory	0.3			1.9		
Unrealized gain on derivatives	(1.9		)	(1.0		)
Depreciation	3.6			3.3		
Amortization of debt issuance costs	0.7			0.7		
Loss on extinguishment of debt	2.9			—		
Share-based compensation expense	1.1			0.7		
Excess tax benefit from share-based compensation	(0.1		)	—		
Provision for bad debts, net of reductions	(0.3		)	—		
Deferred income taxes	1.2			(0.8		)
Equity earnings, net of distributions	—			0.2		
Change in assets and liabilities:						
Accounts receivable	(22.9		)	(39.6		)
Inventories	16.3			2.2		
Prepaid expenses and other current assets	1.8			(6.8		)
Accounts payable	0.4			18.5		
Accrued liabilities	(12.5		)	13.5		
Accrued interest	7.1			8.9		
Income taxes, net	2.1			4.0		
Net cash provided by operating activities	12.0			13.8		
Cash flows from investing activities						
Capital expenditures	(7.6		)	(5.0		)
Net cash used in investing activities	(7.6		)	(5.0		)

Cash flows from financing activities				
Borrowings on ABL Facility	0.4		0.3	
Payments on ABL Facility	(0.4	)	(0.3	)
Purchases of Senior Secured Notes	(35.5	)	—	
Premium payment on partial extinguishment of debt	(2.2	)	—	
Principal payments under capital lease obligation	(0.3	)	(0.2	)
Dividends paid	(0.8	)	(0.8	)
Distribution to noncontrolling interest owner	—		(0.2	)
Excess tax benefit from share-based compensation	0.1		—	
Share repurchases	(0.4	)	(0.1	)
Net cash used in financing activities	(39.1	)	(1.3	)
Effect of foreign currency exchange rates	(0.1	)	—	
Net (decrease) increase in cash	(34.8	)	7.5	
Cash at beginning of period	83.5		44.6	
Cash at end of period	$ 48.7		$ 52.1	
Noncash investing and financing activities				
Purchases of property, plant and equipment not yet paid	$ 1.9		$ 1.0	

The accompanying notes are an integral part of these consolidated financial statements.

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation and Principles of Consolidation

Global Brass and Copper Holdings, Inc. (“Holdings,” the “Company,” “we,” “us,” or “our”) through its wholly-owned principal operating subsidiary, Global Brass and Copper, Inc. (“GBC”), is operated and managed through three reportable segments: GBC Metals, LLC (“Olin Brass”), Chase Brass and Copper Company, LLC (“Chase Brass”) and A.J. Oster, LLC (“A.J. Oster”).

These unaudited consolidated financial statements include the accounts of the Company, our wholly-owned subsidiaries and our majority-owned subsidiaries in which we have a controlling interest. All intercompany accounts and transactions are eliminated in consolidation.

The accompanying unaudited interim consolidated financial statements include all normal recurring adjustments that are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The December 31, 2015 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“US GAAP”). Certain information and disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, it requires management to make estimates and assumptions that affect the reported amount of net sales and expenses during the reporting periods. Actual amounts could differ from those estimates.

Results of operations for the interim periods presented are not necessarily indicative of results which may be expected for any other interim period or for the year as a whole. There have been no significant changes to our significant accounting policies during the three months ended March 31, 2016. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Adoption of Accounting Standards

In 2015, we elected to early adopt Accounting Standard Update (“ASU”) No. 2015-3, Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-3”) and ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”), and we applied the requirements retrospectively to all periods presented in the consolidated balance sheets. Neither of these ASU’s affected the underlying accounting for interest or taxes, but rather only affected the presentation of such accounts in our consolidated financial statements. A summary of the reclassifications in the consolidated balance sheet as of March 31, 2015 is as follows:

	March 31, 2015		
(in millions)	As previously reported	Adjustment	As Revised
Current deferred income tax asset	$30.2	$ (30.2)	$ —
Total current assets	497.0	(30.2)	466.8
Noncurrent deferred income tax asset	1.0	30.0	31.0
Other noncurrent assets	14.0	(9.0)	5.0
Total assets	620.9	(9.2)	611.7
Noncurrent portion of debt	379.6	(9.0)	370.6
Noncurrent deferred income tax liability	0.2	(0.2)	—
Total liabilities	587.3	(9.2)	578.1

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Recently Issued and Recently Adopted Accounting Pronouncements
In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-9, Compensation-Stock Compensation (Topic 718) ("ASU 2016-9"). ASU 2016-9 simplifies various aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows and forfeiture rate calculations. The provisions of ASU 2016-9 are effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. We are in the process of evaluating the impact of adoption on our consolidated financial statements.
In February 2016, the FASB issued ASU No. 2016-2, Leases (Topic 842) ("ASU 2016-2"). ASU 2016-2 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease effectively finances a purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method (finance lease) or on a straight line basis over the term of the lease (operating lease). A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU 2016-2 supersedes the existing guidance on accounting for leases in "Leases (Topic 840)." The provisions of ASU 2016-2 are effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted and the provisions are to be applied using a modified retrospective approach. We are in the process of evaluating the impact of adoption on our consolidated financial statements.
In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2015. The adoption of this standard did not have a material effect on our consolidated financial statements.
In May 2014, the FASB issued ASU No. 2014-9, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-9"). The guidance provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. In August 2015, the FASB issued ASU No. 2015-14, Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date ("ASU 2015-14"), which is an amendment to ASU 2014-9 and defers its effective date by one year to interim and annual reporting periods beginning after December 15, 2017. It permits early adoption of the standard, but not before the original effective date of December 15, 2016. Further, in March 2016, the FASB issued ASU No. 2016-8, Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (Topic 606) ("ASU 2016-8"), which clarifies the implementation guidance on principal versus agent considerations. The revenue recognition guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. We are in the process of evaluating the impact of adoption on our consolidated financial statements.

2. Earnings Per Share
Basic earnings per share is computed based on the weighted-average number of common shares outstanding and diluted earnings per share is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had potentially dilutive common shares been issued. Potentially dilutive securities include nonvested share awards and stock options for which the exercise price was less than the average market price of our outstanding common stock. Nonvested performance-based share awards are included in the average diluted shares outstanding for each period if established performance criteria have been

met at the end of the respective periods.

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31,	
(in millions, except per share data)	2016	2015
Numerator		
Net income attributable to Global Brass and Copper Holdings, Inc.	$12.2	$8.1
Denominator		
Weighted-average common shares outstanding	21.3	21.2
Effect of potentially dilutive securities:		
Stock options and nonvested share awards	0.2	0.1
Weighted-average common shares outstanding, assuming dilution	21.5	21.3
Anti-dilutive shares excluded from above	—	0.3
Net income attributable to Global Brass and Copper Holdings, Inc. per common share:		
Basic	$0.57	$0.38
Diluted	$0.57	$0.38

3. Segment Information

Our Chief Operating Decision Maker allocates resources and evaluates performance at the divisional level. As such, we have determined that we have three reportable segments: Olin Brass, Chase Brass and A.J. Oster.

Olin Brass is a leading manufacturer, fabricator and converter of non-ferrous products, including sheet, strip, foil, tube and fabricated products. Olin Brass also rerolls and forms other alloys such as stainless steel, carbon steel and aluminum. Sheet and strip is generally manufactured from copper and copper-alloy scrap. Olin Brass's products are used in five primary markets: building and housing, munitions, automotive, coinage, and electronics / electrical components.

Chase Brass is a leading manufacturer of brass rod in North America. Chase Brass primarily manufactures rod in round and other shapes, ranging from 1/4 inch to 4.5 inches in diameter. The key attributes of brass rod include its machinability, corrosion resistance and moderate strength, making it especially suitable for forging and machining products such as valves and fittings. Brass rod is generally manufactured from copper or copper-alloy scrap. Chase Brass produces brass rod used in production applications which can be grouped into four primary markets: building and housing, transportation, electronics / electrical components and industrial machinery and equipment.

A.J. Oster primarily processes and distributes copper and copper-alloy sheet, strip and foil through six strategically-located service centers in the United States, Puerto Rico and Mexico. Each A.J. Oster service center reliably provides a broad range of high quality products at quick lead-times in small quantities. These capabilities, combined with A.J. Oster's operations of precision slitting, hot tinning, traverse winding, cutting, edging, stamping and special packaging, provide value to a broad customer base. A.J. Oster's products are used in three primary markets: building and housing, automotive and electronics / electrical components.

Corporate includes compensation for corporate executives and officers, corporate office and administrative salaries, and professional fees for accounting, tax and legal services. Corporate also includes interest expense, state and Federal income taxes, overhead costs, all share-based compensation expense, gains and losses associated with certain acquisitions and dispositions and the elimination of intercompany balances and transactions.

The Chief Operating Decision Maker evaluates performance and determines resource allocations based on a number of factors, the primary performance measure being adjusted EBITDA (as defined below), a non-GAAP measure.

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Adjusted EBITDA is earnings before 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;
- non-cash losses due to lower of cost or market adjustments to inventory;
- non-cash gains and losses due to the depletion of a last-in, first out ("LIFO") layer of metal inventory;
- share-based compensation expense;
- loss on extinguishment of debt;
- non-cash income accretion related to Dowa Olin Metal Corporation (the "Dowa Joint Venture");
- restructuring and other business transformation charges;
- specified legal and professional expenses; and
- certain other items.

Each of these items are excluded because our management believes they are not indicative of the ongoing performance of our core operations.

Below is a reconciliation of adjusted EBITDA of segments to income before provision for income taxes and equity income:

	Three Months Ended March 31,	
(in millions)	2016	2015
Net Sales, External Customers		
Olin Brass	$131.6	$169.4
Chase Brass	128.1	156.0
A.J. Oster	69.2	74.8
Total net sales, external customers	$328.9	$400.2
Intersegment Net Sales		
Olin Brass	$20.2	$15.3
Chase Brass	0.1	0.4
A.J. Oster	—	—
Total intersegment net sales	$20.3	$15.7
Adjusted EBITDA		
Olin Brass	$13.3	$9.3
Chase Brass	19.2	21.4
A.J. Oster	5.1	3.5
Total adjusted EBITDA of segments	37.6	34.2
Corporate and Other	(3.9)	(4.9)
Depreciation expense	(3.6)	(3.3)
Interest expense	(8.4)	(10.0)
Unrealized gain on derivative contracts (a)	1.9	1.0
Loss on extinguishment of debt (b)	(2.9)	—
Specified legal/professional expenses (c)	(0.4)	(1.1)
Lower of cost or market adjustment to inventory (d)	(0.3)	(1.9)
Share-based compensation expense (e)	(1.1)	(0.7)
Restructuring and other business transformation charges (f)	—	(0.9)
Income before provision for income taxes and equity income	$18.9	$12.4

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(a) Represents unrealized gains on derivative contracts.
(b) Represents the loss on extinguishment of debt recognized in connection with the open market purchases of Senior Secured Notes (see Note 7, "Financing").
(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 non-cash lower of cost or market charges for the write down of domestic, non-copper metal inventory.
(e) Represents compensation expense resulting from stock compensation awards to certain employees and our Board of Directors.
(f) Restructuring and other business transformation charges for the three months ended March 31, 2015 represent severance charges at Olin Brass.

4. Inventories

Inventories were as follows:

(in millions)	As of March 31, 2016	December 31, 2015	March 31, 2015
Raw materials and supplies	$22.6	$ 31.3	$ 32.5
Work-in-process	63.6	69.7	69.8
Finished goods	73.4	75.3	82.5
Total inventories	$159.6	$ 176.3	$ 184.8

Inventories include costs attributable to direct labor and manufacturing overhead, but are primarily comprised of metal costs. The metals component of inventories that is valued on a LIFO basis comprised approximately 70% of total inventory at March 31, 2016, December 31, 2015 and March 31, 2015. Other manufactured inventories, including the direct labor and manufacturing overhead components and certain non-U.S. inventories, are valued on a first-in, first out ("FIFO") basis.

During the three months ended March 31, 2016 and 2015, we reduced the recorded value of certain domestic, non-copper metal inventory by $0.3 million and $1.9 million, respectively, resulting from the decline in market value of these metals. These non-cash, lower of cost or market adjustments were recorded in cost of sales in the accompanying consolidated statements of operations.

Below is a summary of inventories valued at period-end market values compared to the as reported values.

(in millions)	As of March 31, 2016	December 31, 2015	March 31, 2015
Market value	$202.1	$ 213.1	$ 265.2
As reported	159.6	176.3	184.8
Excess of market over reported value	$42.5	$ 36.8	$ 80.4

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets were as follows:

(in millions)	As of March 31, 2016	December 31, 2015	March 31, 2015
Workers' compensation plan deposits	$6.5	$ 6.0	$ 6.9
Deferred cost of sales - toll customers	4.2	4.0	20.1
Derivative contract assets	2.3	1.8	1.9
Prepaid insurance	1.1	2.0	1.8
Prepaid tooling	0.3	0.5	0.7
Other	3.2	3.1	2.6
Total prepaid expenses and other current assets	$17.6	$ 17.4	$ 34.0

6. Accrued Liabilities

Accrued liabilities consisted of the following:

(in millions)	As of March 31, 2016	December 31, 2015	March 31, 2015
Workers' compensation	$13.2	$ 13.3	$ 13.5
Compensation and benefits	12.3	23.8	24.6
Deferred sales revenue - toll customers	4.3	4.0	20.1
Insurance	2.6	2.6	2.4
Professional fees	2.6	2.5	2.3
Utilities	1.8	1.6	1.8
Taxes	1.2	1.3	1.6
Tooling	0.2	0.5	0.5
Other	3.4	4.3	3.6
Total accrued liabilities	$41.6	$ 53.9	$ 70.4

7. Financing

Long-term debt consisted of the following:

(in millions)	As of March 31, 2016	December 31, 2015	March 31, 2015
Senior Secured Notes	$309.8	$ 345.3	$ 375.0
Deferred financing fees - Senior Secured Notes	(5.9)	(7.0)	(9.0)
ABL Facility	—	—	—
Obligations under capital lease	4.5	4.8	5.6
Total debt	308.4	343.1	371.6
Less: Current portion of capital lease obligations	(1.1)	(1.1)	(1.0)
Noncurrent portion of debt	$307.3	$ 342.0	$ 370.6

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Senior Secured Notes
We have $309.8 million of senior secured notes outstanding that mature on June 1, 2019 (the “Senior Secured Notes”) and are guaranteed by Holdings. Interest on the Senior Secured Notes accrues at the rate of 9.50% per annum and is payable semiannually in arrears on June 1 and December 1.
During the three months ended March 31, 2016, we purchased in the open market an aggregate of $35.5 million principal amount of our Senior Secured Notes for an aggregate purchase price of $37.7 million, plus accrued interest. As a result of these purchases, we recognized a loss on the extinguishment of debt of $2.9 million, which includes a premium of $2.2 million and the write-off of $0.7 million of unamortized debt issuance costs.
Subsequent to March 31, 2016, we purchased in the open market an aggregate of $4.5 million principal amount of our Senior Secured Notes for an aggregate purchase price of $4.7 million, plus accrued interest. We expect to recognize a loss on the extinguishment of debt of $0.3 million related to these purchases in the second quarter of 2016, which includes a premium of $0.2 million and the write-off of $0.1 million of unamortized debt issuance costs. We may, from time to time, continue to retire certain of our outstanding debt through open market cash purchases, privately-negotiated transactions or otherwise. Such purchases, if any, will depend on prevailing market conditions, our liquidity requirements and other factors.
The credit agreement governing the ABL Facility (hereinafter defined) and the indenture governing the Senior Secured Notes (the “Indenture”) limit the ability of GBC and its subsidiaries to pay dividends or distribute cash to Holdings and to its equityholders, although ordinary course dividends and distributions to meet the limited holding company expenses and related obligations at Holdings of up to $5.0 million per year are permitted under those agreements. Under the terms of the Indenture, GBC is also permitted to pay dividends or distribute to Holdings and its equityholders up to 50% of its “Consolidated Net Income” (as such term is used in the Indenture) from April 1, 2012 to the end of GBC’s most recently ended fiscal quarter. As of March 31, 2016, all of the net assets of the subsidiaries are restricted except for $86.2 million, which are permitted for dividend distributions under the Indenture. As of March 31, 2016, we were in compliance with all of the covenants relating to the Indenture.
ABL Facility
Available borrowings under our asset-based revolving loan facility (the “ABL Facility”) were $200.0 million, $196.9 million and $200.0 million as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively. As of March 31, 2016, December 31, 2015 and March 31, 2015, amounts outstanding, if any, under the ABL Facility accrued interest at a rate of 4.50%, 4.50% and 4.25%, respectively. Unused amounts under the ABL Facility incur an unused line fee of 0.50% per annum, payable in full on a quarterly basis.
The ABL Facility has an expiration date of June 1, 2017 and contains various debt covenants to which we are subject on an ongoing basis. As of March 31, 2016, we were in compliance with all of the covenants under the ABL Facility.

8. Income Taxes
The effective income tax rate, which is the provision for income taxes as a percentage of income before provision for income taxes and equity income, was 35.4% and 36.3% for the three months ended March 31, 2016 and 2015, respectively. The effective income tax rates for the three months ended March 31, 2016 and 2015 differed from the U.S. Federal statutory rate of 35% primarily due to state income taxes, utilization of foreign tax credits and the domestic manufacturing deduction.
As of March 31, 2016, December 31, 2015 and March 31, 2015, we had $25.1 million, $25.1 million and $25.2 million, respectively, of unrecognized tax benefits, none of which would impact the effective tax rate, if recognized. Estimated interest and penalties related to the underpayment of income taxes are classified as a component of provision for income taxes. There were no such estimated amounts for the three months ended March 31, 2016 or 2015. Accrued interest and penalties as of March 31, 2016, December 31, 2015 and March 31, 2015 were $0.1 million. Our liability for uncertain tax positions of $25.2 million, $25.2 million and $25.3 million at March 31, 2016, December 31, 2015 and March 31, 2015, respectively, is presented in other noncurrent liabilities in the

accompanying unaudited consolidated balance sheets.

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Our U.S. federal returns for the period ended December 31, 2012 and all subsequent periods remain open for audit. The majority of state returns for the period ended December 31, 2011 and all subsequent periods also remain open for audit.

9. Derivative Contracts

We maintain a metal, energy and utility pricing risk-management strategy that uses commodity derivative contracts to minimize significant, unanticipated gains or losses that may arise from volatility of the commodity indices.

We are also exposed to credit risk and market risk. Credit risk is the risk that the counterparty might fail to fulfill its performance obligations under the terms of the derivative contract. Market risk is the risk that the value of a derivative instrument might be adversely affected by a change in commodity price. We manage the market risk associated with derivative contracts by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

We manage credit risk associated with derivative contracts by executing derivative instruments with counterparties that we believe are credit-worthy. The amount of such credit risk is limited to the fair value of the derivative contract plus the unpaid portion of amounts due to the Company pursuant to terms of the derivative contracts, if any. If the credit- worthiness of these counterparties deteriorates, we believe the exposure is mitigated by provisions in the derivative arrangements which allow for the legal right of offset of amounts due to the Company from the counterparties, if any, with any amounts payable to the counterparties.

The following tables provide a summary of our outstanding commodity derivative contracts:

	As of					
(in millions, except for number of contracts)	March 31, 2016		December 31, 2015		March 31, 2015	
	Net Notional Amount	# of Contracts	Net Notional Amount	# of Contracts	Net Notional Amount	# of Contracts
Metal	$29.0	750	$18.2	534	$16.0	471
Energy and utilities	3.7	92	4.3	114	6.1	113
Total	$32.7	842	$22.5	648	$22.1	584

	As of		
(in millions)	March 31, 2016	December 31, 2015	March 31, 2015
Notional amount - long	$37.5	$ 28.5	$ 30.4
Notional amount - (short)	(4.8)	(6.0)	(8.3)
Net long / (short)	$32.7	$ 22.5	$ 22.1

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

The fair values of derivative contracts in the consolidated balance sheets include the impact of netting derivative assets and liabilities when a legally enforceable master netting arrangement exists. The following tables summarize the gross amounts of open derivative contracts, the net amounts presented in the consolidated balance sheets, and the collateral deposited with counterparties:

	As of March 31, 2016		
(in millions)	Gross Amounts of Recognized Assets	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets Presented in Consolidated Balance Sheet
Metal	$1.8	$ (0.7)	$ 1.1
Collateral on deposit	1.7	(0.5)	1.2
Total	$3.5	$ (1.2)	$ 2.3
Consolidated balance sheet location:			
Prepaid expenses and other current assets			$ 2.3

	As of March 31, 2016		
(in millions)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Liabilities Presented in Consolidated Balance Sheet
Metal	$0.7	$ (0.7)	$ —
Energy and utilities	0.5	(0.5)	—
Total	$1.2	$ (1.2)	$ —

	As of December 31, 2015		
(in millions)	Gross Amounts of Recognized Assets	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets Presented in Consolidated Balance Sheet
Metal	$0.6	$ (0.6)	$ —
Energy and utilities	0.1	(0.1)	—
Collateral on deposit	3.2	(1.4)	1.8
Total	$3.9	$ (2.1)	$ 1.8
Consolidated balance sheet location:			
Prepaid expenses and other current assets			$ 1.8

	As of December 31, 2015		
(in millions)	Gross Amounts	Gross Amounts Offset in	Net Amounts of Liabilities

	of Recognized Liabilities	Consolidated Balance Sheet	Presented in Consolidated Balance Sheet
Metal	$1.7	$ (1.7)	$ —
Energy and utilities	0.4	(0.4)	—
Total	$2.1	$ (2.1)	$ —

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	As of March 31, 2015 Gross Amounts of Recognized Assets	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets Presented in Consolidated Balance Sheet
Metal	$1.2	$ (1.2)	$ —
Energy and utilities	0.1	(0.1)	—
Collateral on deposit	2.9	(1.0)	1.9
Total	$4.2	$ (2.3)	$ 1.9
Consolidated balance sheet location:			
Prepaid expenses and other current assets			$ 1.9

(in millions)	As of March 31, 2015 Gross Amounts of Recognized Liabilities	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Liabilities Presented in Consolidated Balance Sheet
Metal	$1.2	$ (1.2)	$ —
Energy and utilities	1.1	(1.1)	—
Total	$2.3	$ (2.3)	$ —

The following table summarizes the effects of derivative contracts in the consolidated statements of operations:

(in millions)	Three Months Ended March 31, 2016	2015
Losses (gains) in cost of sales for:		
Metal	$(1.3)	$(0.5)
Energy and utilities	0.5	0.1
Total	$(0.8)	$(0.4)

10. Fair Value Measurements

ASC 820 specifies a fair value framework and hierarchy based upon the observability of inputs used in valuation techniques. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

- Level 1 - Quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
- Level 3 - Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

As of March 31, 2016, December 31, 2015 and March 31, 2015, the fair value of our commodity derivative contracts was $2.3 million, $1.8 million and $1.9 million, respectively. In accordance with ASC 820, our metal, energy and utility commodity derivative contracts are considered Level 2, as fair value measurements consist of both quoted price inputs and inputs provided by a third party that are derived principally from or corroborated by observable market data by correlation. These assumptions include, but are not limited to, those concerning interest rates, credit rates, discount rates, default rates and other factors. All of our derivative commodity contracts have a set term of 24 months or less. We do not hold assets or liabilities requiring a Level 3 measurement and there have not been any transfers between the hierarchy levels during 2016 or 2015.

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

For purposes of financial reporting, we have determined that the carrying value of cash, accounts receivable, accounts payable, and accrued expenses approximates fair value due to their short term nature. Additionally, given the revolving nature and the variable interest rates, we have determined that the carrying value of the ABL Facility also approximates fair value. As of March 31, 2016, December 31, 2015 and March 31, 2015, the fair value of our Senior Secured Notes approximated $329.2 million, $365.2 million and $408.8 million, respectively, compared to a carrying value of $309.8 million, $345.3 million and $375.0 million, respectively. The fair value of the Senior Secured Notes was based upon quotes from financial institutions (Level 2 in the fair value hierarchy as defined by ASC 820).

11. Commitments and Contingencies

Environmental Considerations

We are subject to a variety of environmental laws and regulations governing discharges to air and water, the handling, storage and disposal of hazardous or solid waste materials and the remediation of contamination associated with releases of hazardous substances. Although we believe we are in material compliance with all of the various regulations applicable to our business, there can be no assurance that requirements will not change in the future or that we will not incur significant costs to comply with such requirements. We are currently not aware of any environmental matters which may have a material impact on our financial position, results of operations, or liquidity.
On November 19, 2007 (the date of inception of GBC), we acquired the assets and operations relating to the worldwide metals business of Olin Corporation. Olin Corporation agreed to retain liability arising out of the existing conditions on certain of our properties for any remedial actions required by environmental laws, and agreed to indemnify the Company for all or part of a number of other environmental liabilities. Since 2007, Olin Corporation has been performing remedial actions at the facilities in East Alton, Illinois and Waterbury, Connecticut related to environmental conditions at such facilities, and has been participating in remedial actions at certain other properties as well. If Olin Corporation were to stop its environmental remedial activities at our properties, we could be required to assume responsibility for these activities, the cost of which could be material.

Legal Considerations

We are party to various legal proceedings arising in the ordinary course of business. We believe that none of our lawsuits are individually material or that the aggregate exposure of all of our lawsuits, including those that are probable and those that are only reasonably possible, is material to our financial condition, results of operations or cash flows.

12. Guarantor / Non-Guarantor Subsidiary Financial Information

In June 2012, Holdings (presented as “Parent” in the following tables), through its wholly-owned principal operating subsidiary, GBC (presented as “Issuer” in the following tables), issued the Senior Secured Notes as further described in Note 7, “Financing.” The Senior Secured Notes are jointly and severally guaranteed on a senior secured basis by Holdings and substantially all existing 100%-owned U.S. subsidiaries of GBC and any future restricted subsidiaries who guarantee or incur certain types of Permitted Debt, as such term is defined under the Indenture (individually, a “Guarantor” and collectively, the “Guarantors”). The guarantees are full and unconditional, except that a Guarantor can be automatically released and relieved of its obligations under certain customary provisions contained in the Indenture. Under these customary provisions, a Guarantor is automatically released from its obligations as a guarantor upon the sale of the Guarantor or substantially all of its assets to a third party, the designation of the Guarantor as an unrestricted subsidiary in accordance with the terms of the Indenture, the release or discharge of all guarantees by such Guarantor and the repayment of all indebtedness, or upon the Issuer’s exercise of its legal defeasance option or covenant defeasance option or if the obligations under the Indenture are discharged in accordance with the terms of the Indenture. All other subsidiaries of GBC, whether direct or indirect, do not guarantee the Senior Secured Notes (collectively, the “Non-Guarantors”).

Holdings is also a guarantor of the ABL Facility and substantially all of its 100%-owned U.S. subsidiaries are borrowers under, or guarantors of, the ABL Facility on a senior secured basis.

The following condensed consolidating financial information presents the financial position, results of operations, comprehensive income and cash flows of (1) the Parent, (2) the Issuer, (3) the Guarantors, (4) the Non-Guarantors and (5) eliminations to arrive at the information for the Company on a consolidated basis. The condensed consolidating

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financial information presented below is not necessarily indicative of the financial position, results of operations, comprehensive income or cash flows of the Parent, the Issuer, the Guarantors or the Non-Guarantors on a stand-alone basis.

As discussed in Note 1, “Basis of Presentation and Principles of Consolidation,” we adopted ASU 2015-3 and ASU 2015-17 on December 31, 2015 and we applied the new guidance retrospectively to all prior periods presented in the accompanying financial statements to conform to the fiscal 2015 presentation. The adoption of ASU 2015-03 resulted in a decrease of $9.0 million in the Company’s and the Issuer’s other noncurrent assets and a corresponding decrease in the Company’s and the Issuer’s noncurrent portion of debt as of March 31, 2015 related to the retrospective reclassification of deferred financing fees incurred in connection with the issuance of the Senior Secured Notes. The adoption of ASU 2015-17 resulted in a decrease of $30.2 million in the Company’s and the Issuer’s current deferred income tax asset, a decrease of $0.2 million in the Company’s and the Issuer’s noncurrent deferred income tax liability and a corresponding net increase of $30.0 million to the Company’s and the Issuer’s noncurrent deferred income tax assets as of March 31, 2015 related to the retrospective reclassification of all deferred income taxes as noncurrent on the balance sheet.

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Balance Sheet As of March 31, 2016					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash	$—	$32.8	$ 4.7	$ 12.5	$ (1.3)	$ 48.7
Accounts receivable, net of allowance	—	3.1	129.5	10.2	—	142.8
Inventories	—	—	149.1	12.1	(1.6)	159.6
Prepaid expenses and other current assets	—	10.2	6.9	0.5	—	17.6
Income tax receivable	—	0.8	—	—	(0.1)	0.7
Total current assets	—	46.9	290.2	35.3	(3.0)	369.4
Property, plant and equipment, net	—	0.4	111.8	0.5	—	112.7
Investment in subsidiaries	77.7	905.4	23.3	—	(1,006.4)	—
Intercompany accounts	—	—	571.1	—	(571.1)	—
Goodwill	—	—	4.4	—	—	4.4
Intangible assets, net	—	—	0.5	—	—	0.5
Deferred income taxes	—	36.9	—	—	—	36.9
Other noncurrent assets	—	1.8	1.9	—	—	3.7
Total assets	$77.7	$991.4	$ 1,003.2	$ 35.8	$ (1,580.5)	$ 527.6
Liabilities and equity						
Current liabilities:						
Current portion of capital lease obligation	$—	$—	$ 1.1	$ —	$—	$ 1.1
Accounts payable	—	1.6	68.2	2.0	(2.9)	68.9
Accrued liabilities	—	16.4	24.7	0.5	—	41.6
Accrued interest	—	10.1	—	—	—	10.1
Income tax payable	—	—	0.3	0.3	(0.1)	0.5
Total current liabilities	—	28.1	94.3	2.8	(3.0)	122.2
Noncurrent portion of debt	—	303.9	3.4	—	—	307.3
Other noncurrent liabilities	—	25.2	0.1	—	—	25.3
Intercompany accounts	9.2	556.5	—	5.4	(571.1)	—
Total liabilities	9.2	913.7	97.8	8.2	(574.1)	454.8
Global Brass and Copper Holdings, Inc. stockholders' equity	68.5	77.7	905.4	23.3	(1,006.4)	68.5
Noncontrolling interest	—	—	—	4.3	—	4.3
Total equity	68.5	77.7	905.4	27.6	(1,006.4)	72.8
Total liabilities and equity	$77.7	$991.4	$ 1,003.2	$ 35.8	$ (1,580.5)	$ 527.6

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Balance Sheet As of December 31, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash	$—	$68.8	$ 4.1	$ 12.3	$(1.7)	$ 83.5
Accounts receivable, net of allowance	—	3.1	106.1	10.4	—	119.6
Inventories	—	—	164.9	12.7	(1.3)	176.3
Prepaid expenses and other current assets	—	10.1	6.9	0.4	—	17.4
Income tax receivable	—	2.7	—	—	(0.3)	2.4
Total current assets	—	84.7	282.0	35.8	(3.3)	399.2
Property, plant and equipment, net	—	0.4	110.3	0.4	—	111.1
Investment in subsidiaries	65.4	872.1	22.3	—	(959.8)	—
Intercompany accounts	—	—	559.2	—	(559.2)	—
Goodwill	—	—	4.4	—	—	4.4
Intangible assets, net	—	—	0.5	—	—	0.5
Deferred income taxes	—	38.0	—	—	—	38.0
Other noncurrent assets	—	2.0	2.0	—	—	4.0
Total assets	$65.4	$997.2	$ 980.7	$ 36.2	$(1,522.3)	$ 557.2
Liabilities and equity						
Current liabilities:						
Current portion of capital lease obligation	$—	$—	$ 1.1	$ —	$—	$ 1.1
Accounts payable	—	2.0	69.5	2.5	(3.0)	71.0
Accrued liabilities	—	19.3	34.0	0.6	—	53.9
Accrued interest	—	3.0	—	—	—	3.0
Income tax payable	—	—	0.2	0.3	(0.3)	0.2
Total current liabilities	—	24.3	104.8	3.4	(3.3)	129.2
Noncurrent portion of debt	—	338.3	3.7	—	—	342.0
Other noncurrent liabilities	—	25.2	0.1	—	—	25.3
Intercompany accounts	9.0	544.0	—	6.2	(559.2)	—
Total liabilities	9.0	931.8	108.6	9.6	(562.5)	496.5
Global Brass and Copper Holdings, Inc. stockholders' equity	56.4	65.4	872.1	22.3	(959.8)	56.4
Noncontrolling interest	—	—	—	4.3	—	4.3
Total equity	56.4	65.4	872.1	26.6	(959.8)	60.7
Total liabilities and equity	$65.4	$997.2	$ 980.7	$ 36.2	$(1,522.3)	$ 557.2

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Balance Sheet As of March 31, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash	$—	$39.3	$ 6.0	$ 8.8	$ (2.0)	$ 52.1
Accounts receivable, net of allowance	—	2.8	174.7	14.4	—	191.9
Inventories	—	—	170.0	17.6	(2.8)	184.8
Prepaid expenses and other current assets	—	10.6	22.8	0.6	—	34.0
Income tax receivable	—	4.3	—	—	(0.3)	4.0
Total current assets	—	57.0	373.5	41.4	(5.1)	466.8
Property, plant and equipment, net	—	0.6	101.2	0.4	—	102.2
Investment in joint venture	—	—	1.7	—	—	1.7
Investment in subsidiaries	37.7	781.2	22.8	—	(841.7)	—
Intercompany accounts	—	—	428.0	—	(428.0)	—
Goodwill	—	—	4.4	—	—	4.4
Intangible assets, net	—	—	0.6	—	—	0.6
Deferred income taxes	—	31.0	—	—	—	31.0
Other noncurrent assets	—	2.8	2.2	—	—	5.0
Total assets	$37.7	$872.6	$ 934.4	$ 41.8	$ (1,274.8)	$ 611.7
Liabilities and equity						
Current liabilities:						
Current portion of capital lease obligation	$—	$—	$ 1.0	$ —	$—	$ 1.0
Accounts payable	—	3.6	96.5	3.1	(4.8)	98.4
Accrued liabilities	—	18.9	50.9	0.6	—	70.4
Accrued interest	—	12.1	—	—	—	12.1
Income tax payable	—	—	0.1	0.4	(0.3)	0.2
Total current liabilities	—	34.6	148.5	4.1	(5.1)	182.1
Noncurrent portion of debt	—	366.0	4.6	—	—	370.6
Other noncurrent liabilities	—	25.3	0.1	—	—	25.4
Intercompany accounts	8.4	409.0	—	10.6	(428.0)	—
Total liabilities	8.4	834.9	153.2	14.7	(433.1)	578.1
Global Brass and Copper Holdings, Inc. stockholders' equity	29.3	37.7	781.2	22.8	(841.7)	29.3
Noncontrolling interest	—	—	—	4.3	—	4.3
Total equity	29.3	37.7	781.2	27.1	(841.7)	33.6
Total liabilities and equity	$37.7	$872.6	$ 934.4	$ 41.8	$ (1,274.8)	$ 611.7

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Statement of Operations Three Months Ended March 31, 2016					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$—	$—	$ 316.7	$ 16.5	$ (4.3)	$ 328.9
Cost of sales	—	1.6	(270.9)	(14.4)	4.3	(279.4)
Gross profit	—	1.6	45.8	2.1	—	49.5
Selling, general and administrative expenses	(0.3)	(4.6)	(14.0)	(0.8)	—	(19.7)
Operating income (loss)	(0.3)	(3.0)	31.8	1.3	—	29.8
Interest expense	—	(8.3)	(0.1)	—	—	(8.4)
Loss on extinguishment of debt	—	(2.9)	—	—	—	(2.9)
Other income (expense), net	—	(0.1)	0.4	0.1	—	0.4
Income (loss) before provision for (benefit from) income taxes and equity income	(0.3)	(14.3)	32.1	1.4	—	18.9
(Provision for) benefit from income taxes	0.1	5.0	(11.3)	(0.5)	—	(6.7)
Income (loss) before equity income	(0.2)	(9.3)	20.8	0.9	—	12.2
Equity income, net of tax	12.4	21.7	0.9	—	(35.0)	—
Net income	12.2	12.4	21.7	0.9	(35.0)	12.2
Net income attributable to noncontrolling interest	—	—	—	—	—	—
Net income attributable to Global Brass and Copper Holdings, Inc.	$12.2	$12.4	$ 21.7	$ 0.9	$ (35.0)	$ 12.2

(in millions)	Condensed Consolidating Statement of Operations Three Months Ended March 31, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$—	$—	$ 386.7	$ 21.7	$ (8.2)	$ 400.2
Cost of sales	—	(1.4)	(342.9)	(20.2)	8.2	(356.3)
Gross profit (loss)	—	(1.4)	43.8	1.5	—	43.9
Selling, general and administrative expenses	(0.3)	(5.6)	(14.7)	(0.8)	—	(21.4)
Operating income (loss)	(0.3)	(7.0)	29.1	0.7	—	22.5
Interest expense	—	(9.9)	(0.1)	—	—	(10.0)
Other income (expense), net	—	(0.1)	(0.2)	0.2	—	(0.1)
Income (loss) before provision for (benefit from) income taxes and equity income	(0.3)	(17.0)	28.8	0.9	—	12.4
(Provision for) benefit from income taxes	0.1	6.0	(10.2)	(0.4)	—	(4.5)
Income (loss) before equity income	(0.2)	(11.0)	18.6	0.5	—	7.9
Equity income, net of tax	8.3	19.3	0.7	—	(28.1)	0.2
Net income	8.1	8.3	19.3	0.5	(28.1)	8.1
Net income attributable to noncontrolling interest	—	—	—	—	—	—
Net income attributable to Global Brass and Copper Holdings, Inc.	$8.1	$8.3	$ 19.3	$ 0.5	$ (28.1)	$ 8.1

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Statement of Comprehensive Income Three Months Ended March 31, 2016					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$12.2	$12.4	$ 21.7	$ 0.9	$ (35.0)	$ 12.2
Foreign currency translation adjustment, net of tax	(0.1)	(0.1)	(0.2)	(0.2)	0.5	(0.1)
Comprehensive income	12.1	12.3	21.5	0.7	(34.5)	12.1
Less: Comprehensive income attributable to noncontrolling interest	—	—	—	—	—	—
Comprehensive income attributable to Global Brass and Copper Holdings, Inc.	$12.1	$12.3	$ 21.5	$ 0.7	$ (34.5)	$ 12.1

(in millions)	Condensed Consolidating Statement of Comprehensive Income Three Months Ended March 31, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$8.1	$8.3	$ 19.3	$ 0.5	$ (28.1)	$ 8.1
Foreign currency translation adjustment, net of tax	(0.2)	(0.2)	(0.3)	(0.2)	0.8	(0.1)
Comprehensive income	7.9	8.1	19.0	0.3	(27.3)	8.0
Less: Comprehensive income attributable to noncontrolling interest	—	—	—	(0.1)	—	(0.1)
Comprehensive income attributable to Global Brass and Copper Holdings, Inc.	$7.9	$8.1	$ 19.0	$ 0.2	$ (27.3)	$ 7.9

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Statement of Cash Flows Three Months Ended March 31, 2016					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities						
Net cash provided by operating activities	$1.1	$2.5	$ 8.4	$ 0.4	$ (0.4)	$ 12.0
Cash flows from investing activities						
Capital expenditures	—	—	(7.5)	(0.1)	—	(7.6)
Net cash used in investing activities	—	—	(7.5)	(0.1)	—	(7.6)
Cash flows from financing activities						
Borrowings on ABL Facility	—	0.4	—	—	—	0.4
Payments on ABL Facility	—	(0.4)	—	—	—	(0.4)
Purchases of Senior Secured Notes	—	(35.5)	—	—	—	(35.5)
Premium payment on partial extinguishment of debt	—	(2.2)	—	—	—	(2.2)
Principal payments under capital lease obligation	—	—	(0.3)	—	—	(0.3)
Dividends paid	(0.8)	(0.8)	—	—	0.8	(0.8)
Excess tax benefit from share-based compensation	0.1	—	—	—	—	0.1
Share repurchases	(0.4)	—	—	—	—	(0.4)
Net cash used in financing activities	(1.1)	(38.5)	(0.3)	—	0.8	(39.1)
Effect of foreign currency exchange rates	—	—	—	(0.1)	—	(0.1)
Net increase (decrease) in cash	—	(36.0)	0.6	0.2	0.4	(34.8)
Cash at beginning of period	—	68.8	4.1	12.3	(1.7)	83.5
Cash at end of period	$—	$32.8	$ 4.7	$ 12.5	$ (1.3)	$ 48.7

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Global Brass and Copper Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

(in millions)	Condensed Consolidating Statement of Cash Flows Three Months Ended March 31, 2015					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities						
Net cash provided by operating activities	$0.9	$2.5	$ 7.4	$ 4.4	$ (1.4)	$ 13.8
Cash flows from investing activities						
Capital expenditures	—	—	(5.0)	—	—	(5.0)
Net cash used in investing activities	—	—	(5.0)	—	—	(5.0)
Cash flows from financing activities						
Borrowings on ABL Facility	—	0.3	—	—	—	0.3
Payments on ABL Facility	—	(0.3)	—	—	—	(0.3)
Principal payments under capital lease obligation	—	—	(0.2)	—	—	(0.2)
Dividends paid	(0.8)	(0.8)	—	—	0.8	(0.8)
Distributions to noncontrolling interest owners	—	—	—	(0.2)	—	(0.2)
Share repurchases	(0.1)				—	(0.1)
Net cash used in financing activities	(0.9)	(0.8)	(0.2)	(0.2)	0.8	(1.3)
Net increase (decrease) in cash	—	1.7	2.2	4.2	(0.6)	7.5
Cash at beginning of period	—	37.6	3.8	4.6	(1.4)	44.6
Cash at end of period	$—	$39.3	$ 6.0	$ 8.8	$ (2.0)	$ 52.1

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This report 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," "approxi "intends," "plans," "estimates," "anticipates" or similar expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make or may make forward-looking public statements concerning our 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, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements contained in this report are based upon information available to us on the date of this report.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as "cautionary statements," are disclosed under the "Risk Factors" section in Item 1A of our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 9, 2016, and subsequent Reports on Form 10-Q, including, without limitation, in conjunction with the forward-looking statements included in this Report on Form 10-Q and in our other SEC filings. All forward-looking information in this report and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include, but are not limited to:

- the impact of our indebtedness, including the effect of our ability to borrow money, fund working capital and operations and make new investments;
- general economic conditions affecting the markets in which our products are sold;
- our ability to implement our business strategies, including acquisition activities;
- our ability to maintain business relationships with our customers on favorable terms;
- 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;
- 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;
- limitations on our ability to purchase raw materials, particularly copper;
- fluctuations in commodity, energy and utility prices and costs;
- our ability to maintain sufficient liquidity as commodity, energy and utility prices rise;
- the effects of industry consolidation or competition in our business lines;
- operational factors affecting the ongoing commercial operations of our facilities, including technology failures, catastrophic weather-related damage, regulatory approvals, permit issues, unscheduled blackouts, outages or repairs or unanticipated changes in energy and utility costs;
- operational factors affecting the ongoing commercial operations of our facilities resulting from inclement weather conditions;
- supply, demand, prices and other market conditions for our products;
- our ability to accommodate increases in production to meet demand for our products;
- our ability to continue our operations internationally and the risks applicable to international operations;

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- government regulations relating to our products and services, including new legislation relating to derivatives and the elimination of the dollar bill and 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;
- our ability to successfully execute acquisitions and joint ventures;
- 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;
- environmental costs and our exposure to environmental claims;
- our exposure to product liability claims;
- our ability to successfully manage litigation;
- our ability to maintain cost-effective insurance policies;
- 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;
- litigation regarding our intellectual property rights could affect us and harm our business;
- our limited experience managing and operating as an SEC reporting company;
- fluctuations in interest rates; and
- restrictive covenants in our indebtedness that may adversely affect our operational flexibility.

We caution you that the foregoing list of factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report may not in fact occur. Accordingly, investors should not place undue reliance on those statements. We undertake 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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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2015. In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those discussed in the section entitled "Cautionary Statement Concerning Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q.

Overview

Our Company

Global Brass and Copper Holdings, Inc. ("Holdings," the "Company," "we," "us," or "our") was incorporated in Delaware on October 10, 2007. Holdings, through its wholly-owned principal operating subsidiary, Global Brass and Copper, Inc. ("GBC"), commenced commercial operations on November 19, 2007 through the acquisition of the metals business from Olin Corporation. The majority of our operations are managed through three reportable operating segments: Olin Brass, Chase Brass and A.J. Oster. We also have a Corporate entity which includes certain administrative costs and expenses and the elimination of intercompany balances.

We are a leading value-added converter, fabricator, processor and distributor of specialized non-ferrous products including a wide range of sheet, strip, foil, rod, tube and fabricated metal component products. While we primarily process copper and copper-alloys, we also reroll and form certain other metals such as stainless steel, carbon steel and aluminum. Using processed scrap, virgin metals and other refined metals, we engage in metal melting and casting, rolling, drawing, extruding, welding and stamping to fabricate finished and semi-finished alloy products. Key attributes of copper and copper alloys are conductivity, corrosion resistance, strength, malleability, cosmetic appearance and bactericidal properties.

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. We access these markets through direct mill sales, our captive distribution network and third-party distributors. We hold the exclusive production and distribution rights in North America for a lead-free brass rod product, which we sell under the Green Dot® and Eco Brass® brand names. The vertical integration of Olin Brass's manufacturing capabilities and A.J. Oster's distribution capabilities allows us to access customers with a wide variety of volume and service needs.

Unlike traditional metals companies, in particular those that engage in mining, smelting and refining activities, we are purely a metal converter, fabricator, processor and distributor, and we do not attempt to generate profits from fluctuations in metal prices. Our financial performance is primarily driven by metal conversion economics, not by the underlying movements in the price of copper and the other metals we use. Through our "balanced book" approach, we strive to match the timing, quantity and price of our metal sales with the timing, quantity and price of our replacement metal purchases. This practice, along with our toll processing operations, substantially reduces the financial impact of metal price movements on our earnings and operating margins.

For a discussion of Key Factors Affecting our Results of Operations, including the "balanced book" approach, refer to our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 9, 2016.

Changes in Certain GAAP and 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 sales," "adjusted gross profit," "adjusted selling, general and administrative expenses," "adjusted EBITDA" and "adjusted diluted earnings per common share" which are non-GAAP financial measures as defined below.

Adjusted sales 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 gross profit and adjusted selling, general and administrative expenses may not be comparable to similarly titled measures presented by other companies and are not measures of operating performance or liquidity defined by US GAAP. Adjusted EBITDA is not intended as an alternative to net income or as an alternative to any other measure of performance in conformity with US GAAP or as

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an alternative to cash flow provided by (used in) operating activities as a measure of liquidity. 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.

You should therefore not place undue reliance on adjusted sales, adjusted gross profit, adjusted selling, general and administrative expenses, adjusted EBITDA, adjusted diluted earnings per common share, or any ratios calculated using them. The most comparable US GAAP-based measure for each respective non-GAAP financial measure can be found in our unaudited consolidated financial statements and the related notes thereto included elsewhere in this report.

The following discussions present an analysis of certain GAAP and non-GAAP measures for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. These discussions should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

Adjusted sales

Adjusted sales is defined as net sales less the metal cost of products sold. 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. 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.

Adjusted sales were determined as follows:

	Three Months Ended March 31,		Change: 2016 vs. 2015	
(in millions, except per pound values)	2016	2015	Amount	Percent
Pounds shipped (a)	131.3	128.6	2.7	2.1 %
Net sales	$328.9	$400.2	$(71.3)	(17.8)%
Metal component of net sales	(193.5)	(265.3)	71.8	(27.1)%
Adjusted sales	$135.4	$134.9	$0.5	0.4 %
Net sales per pound	$2.50	$3.11	$(0.61)	(19.6)%
Metal component of net sales per pound	(1.47)	(2.06)	0.59	(28.6)%
Adjusted sales per pound	$1.03	$1.05	$(0.02)	(1.9)%
Average copper price per pound (b)	$2.11	$2.66	$(0.55)	(20.7)%

(a) Amounts exclude quantity of unprocessed metal sold.
(b) Copper prices reported by the Commodity Exchange ("COMEX").

Net sales decreased by $71.3 million, or 17.8%, primarily as the result of a $71.8 million decline in the metal cost recovery component due to decreased metal prices and product mix ($73.5 million) and a decline in sales of unprocessed metals ($1.9 million), slightly offset by higher volume ($3.6 million). Adjusted sales increased by $0.5 million, predominantly due to a $4.8 million increase in volume, partially offset by a net $4.3 million unfavorable price impact. While our pricing initiatives to address appropriate returns given product and manufacturing complexities favorably impacted adjusted sales, these were overshadowed by unfavorable mix impacts, primarily due to the shift in volume from the coinage market to the munitions market.

Volume increased by 2.7 million pounds, or 2.1%, primarily due to increased demand within our munitions channel and in the building and housing market, partially offset by decreased demand in the coinage and industrial machinery and equipment markets.

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Adjusted gross profit

Adjusted gross profit is defined as gross profit less items excluded from the calculation of adjusted EBITDA. Gross profit is the most directly comparable US GAAP measure to adjusted gross profit. We believe that adjusted gross profit 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. We believe adjusted gross profit represents a meaningful presentation of the financial performance of our core operations, in order to provide period-to-period comparisons that are more consistent and more easily understood.

Adjusted gross profit was determined as follows:

	Three Months Ended March 31,		Amount change:
(in millions)	2016	2015	2016 vs. 2015
Total gross profit	$49.5	$43.9	$ 5.6
Unrealized gain on derivative contracts (a)	(1.9)	(1.0)	(0.9)
Lower of cost or market adjustment to inventory (b)	0.3	1.9	(1.6)
Restructuring and other business transformation charges	—	0.4	(0.4)
Depreciation expense	3.1	2.9	0.2
Adjusted gross profit	$51.0	$48.1	$ 2.9

(a) We use our balanced book approach, supported, where required, by derivative contracts, to substantially reduce the impact of metal price fluctuations on operating margins. We also use derivative contracts to reduce uncertainty and volatility related to energy and utility costs.

(b) During the three months ended March 31, 2016 and 2015, we reduced the recorded value of certain domestic, non-copper metal inventory by $0.3 million and $1.9 million, respectively, resulting from the decline in market value of these metals.

Gross profit increased by $5.6 million, or 12.8%, primarily due to lower manufacturing conversion costs resulting from a reduction in the lower of cost or market charges, as previously discussed, as well as due to yield and productivity improvements. Adjusted gross profit increased by $2.9 million, predominantly due to yield and productivity improvements, partially offset by unfavorable changes in product mix, mainly due to the shift in volume from the coinage market to the munitions market.

Adjusted selling, general and administrative expenses

Adjusted selling, general and administrative expenses is defined as selling, general and administrative expenses less items excluded from the calculation of adjusted EBITDA. Selling, general and administrative expenses are the most directly comparable US GAAP measure to adjusted selling, general and administrative expenses. We believe that adjusted selling, general and administrative expenses supplement 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. We believe adjusted selling, general and administrative expenses represent a meaningful presentation of the financial performance of our core operations, in order to provide period-to-period comparisons that are more consistent and more easily understood.

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Adjusted selling, general and administrative expenses were determined as follows:

(in millions)	Three Months Ended March 31, 2016	2015	Amount change: 2016 vs. 2015
Total selling, general and administrative expenses	$19.7	$21.4	$ (1.7)
Specified legal / professional expenses	(0.4)	(1.1)	0.7
Share-based compensation expense	(1.1)	(0.7)	(0.4)
Restructuring and other business transformation charges	—	(0.5)	0.5
Depreciation and amortization expense	(0.5)	(0.4)	(0.1)
Adjusted selling, general and administrative expenses	$17.7	$18.7	$ (1.0)

Selling, general and administrative expenses decreased by $1.7 million, or 7.9%, and adjusted selling, general and administrative expenses decreased by $1.0 million primarily due to lower employee and related costs.

Adjusted EBITDA

Adjusted EBITDA is earnings before 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;
- non-cash losses due to lower of cost or market adjustments to inventory;
- non-cash gains and losses due to the depletion of a LIFO layer of metal inventory;
- share-based compensation expense;
- loss on extinguishment of debt;
- non-cash income accretion related to Dowa Olin Metal Corporation (the “Dowa Joint Venture”)
- 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, in order to provide 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 the segment performance in a way that we believe reflects our core operating performance, and in turn, incentivize 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. In addition, measures similar to adjusted EBITDA are defined and used in the agreements governing our asset-based revolving loan facility (the “ABL Facility”) and our 9.50% senior secured notes due 2019 (“Senior Secured Notes”) to determine compliance with various financial covenants and tests.

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. Some of these limitations are that adjusted EBITDA:

- does not reflect every expenditure, future requirements for capital expenditures or contractual commitments;
- does not reflect the significant interest expense or the amounts necessary to service interest or principal payments on our debt;
- does not reflect income tax expense and therefore the cost of complying with applicable laws;
- is an imperfect substitute for cash flow as it eliminates depreciation and amortization expense but does not include cash expended for capital expenditures required to operate our business;

- does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations; and
- does not reflect limitations on our costs related to transferring earnings from our subsidiaries to us.

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, net income, cash flows from operations and other cash flow data. We have significant uses of cash,

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including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in adjusted EBITDA.

Adjusted EBITDA was determined as follows:

(in millions)	Three Months Ended March 31, 2016	2015	Amount change: 2016 vs. 2015
Net income attributable to Global Brass and Copper Holdings, Inc.	$12.2	$8.1	$ 4.1
Interest expense	8.4	10.0	(1.6)
Provision for income taxes	6.7	4.5	2.2
Depreciation expense	3.6	3.3	0.3
Unrealized gain on derivative contracts (a)	(1.9)	(1.0)	(0.9)
Loss on extinguishment of debt (b)	2.9	—	2.9
Non-cash accretion of income of Dowa Joint Venture (c)	—	(0.2)	0.2
Specified legal / professional expenses (d)	0.4	1.1	(0.7)
Lower of cost or market adjustment to inventory (e)	0.3	1.9	(1.6)
Share-based compensation expense (f)	1.1	0.7	0.4
Restructuring and other business transformation charges (g)	—	0.9	(0.9)
Adjusted EBITDA	$33.7	$29.3	$ 4.4

(a) Represents unrealized gains on derivative contracts.

(b) Represents the loss on extinguishment of debt recognized in connection with the open market purchases of our Senior Secured Notes.

(c) As a result of the application of purchase accounting in connection with the November 2007 acquisition, no carrying value was initially assigned to our equity investment in our Dowa Joint Venture. This adjustment represents the accretion of equity in our Dowa Joint Venture at the date of the acquisition over a 13-year period (i.e., the estimated useful life of the technology and patents of the joint venture). In 2015, we sold our investment in the Dowa Joint Venture.

(d) Represents selected professional fees for accounting, tax, legal and consulting services incurred as a public company that exceed our expected long-term requirements.

(e) Represents non-cash lower of cost or market charges for the write down of domestic, non-copper metal inventory.

(f) Represents compensation expense resulting from stock compensation awards to certain employees and our Board of Directors.

(g) Restructuring and other business transformation charges in 2015 represent severance charges at Olin Brass.

Net income attributable to Global Brass and Copper Holdings, Inc. increased by $4.1 million, or 50.6%, mainly due to an increase in gross profit, a decrease in selling, general and administrative expenses and a decrease in interest expense, partially offset by the loss on extinguishment of debt and an increase in the provision for income taxes, as described elsewhere in this report.

Adjusted EBITDA increased by $4.4 million, or 15.0%, due to decreased manufacturing conversion costs stemming primarily from yield and productivity improvements and a decrease in selling, general and administrative expenses. These were partially offset by the unfavorable impact of changes in price largely resulting from a change in product mix as volumes shifted from the coinage market to the munitions market.

Adjusted diluted earnings per common share

Adjusted diluted earnings per common share is defined as diluted income per common share adjusted to remove the after-tax impact of the add backs to EBITDA in calculating adjusted EBITDA. 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.

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Adjusted diluted earnings per common share was determined as follows:

	Three Months Ended March 31,		Amount change:
	2016	2015	2016 vs. 2015
Diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share, as reported	$0.57	$0.38	$ 0.19
Unrealized gain on derivative contracts	(0.06)	(0.03)	(0.03)
Loss on extinguishment of debt	0.09	—	0.09
Specified legal / professional expenses	0.01	0.03	(0.02)
Lower of cost or market adjustment to inventory	0.01	0.06	(0.05)
Share-based compensation expense	0.03	0.02	0.01
Restructuring and other business transformation charges	—	0.03	(0.03)
Adjusted diluted earnings per common share (a)	$0.65	$0.49	$ 0.16

(a) All adjustments include an estimated tax effect.

Results of Operations

Consolidated Results of Operations for the Three Months Ended March 31, 2016, Compared to the Three Months Ended March 31, 2015.

	Three Months Ended March 31,				Change: 2016 vs. 2015	
(in millions)	2016	% of Net Sales	2015	% of Net Sales	Amount	Percent
Net sales	$328.9	100.0 %	$400.2	100.0 %	$(71.3)	(17.8)%
Cost of sales	(279.4)	84.9 %	(356.3)	89.0 %	76.9	(21.6)%
Gross profit	49.5	15.1 %	43.9	11.0 %	5.6	12.8 %
Selling, general and administrative expenses	(19.7)	6.0 %	(21.4)	5.3 %	1.7	(7.9)%
Operating income	29.8	9.1 %	22.5	5.6 %	7.3	32.4 %
Interest expense	(8.4)	2.6 %	(10.0)	2.5 %	1.6	(16.0)%
Loss on extinguishment of debt	(2.9)	0.9 %	—	— %	(2.9)	N/A
Other income (expense), net	0.4	0.1 %	(0.1)	— %	0.5	N/M
Income before provision for income taxes and equity income	18.9	5.7 %	12.4	3.1 %	6.5	52.4 %
Provision for income taxes	(6.7)	2.0 %	(4.5)	1.1 %	(2.2)	48.9 %
Income before equity income	12.2	3.7 %	7.9	2.0 %	4.3	54.4 %
Equity income, net of tax	—	— %	0.2	— %	(0.2)	(100.0)%
Net income	12.2	3.7 %	8.1	2.0 %	4.1	50.6 %
Net income attributable to noncontrolling interest	—	— %	—	— %	—	N/A
Net income attributable to Global Brass and Copper Holdings, Inc.	$12.2	3.7 %	$8.1	2.0 %	$4.1	50.6 %
Adjusted EBITDA (a)	$33.7	10.2 %	$29.3	7.3 %	$4.4	15.0 %

(a) See “Changes in Certain GAAP and Non-GAAP Measures—Adjusted EBITDA.”
N/A - not applicable
N/M - not meaningful

The following discussions present an analysis of our results of operations for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. See “Changes in Certain GAAP and Non-GAAP Measures” for discussions of net sales, adjusted sales, gross profit, adjusted gross profit, selling, general and administrative expenses, adjusted selling, general and administrative expenses, net income attributable to Global Brass and Copper

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Holdings, Inc., adjusted EBITDA, diluted net income attributable to Global Brass and Copper Holdings, Inc. per common share and adjusted diluted earnings per common share. These discussions should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

Interest expense

Interest expense decreased by $1.6 million primarily due to lower average principal borrowings on our debt facilities of $325.0 million in 2016 as compared to $380.7 million in 2015. The lower average borrowings are mainly the result of our purchasing $65.2 million of our Senior Secured Notes in the open market during the latter half of 2015 and the first quarter of 2016.

The following table summarizes the components of interest expense:

	Three Months Ended March 31,		Amount change:
(in millions)	2016	2015	2016 vs. 2015
Interest on principal	$7.7	$9.0	$ (1.3)
Amortization of debt issuance costs	0.7	0.7	—
Capitalized interest	(0.3)	—	(0.3)
Other borrowing costs (a)	0.3	0.3	—
Total interest expense	$8.4	$10.0	$ (1.6)

(a) Includes fees related to letters of credit and unused line of credit fees.

Loss on extinguishment of debt

In the first quarter ended March 31, 2016, we purchased in the open market an aggregate of $35.5 million principal amount of our Senior Secured Notes for an aggregate purchase price of $37.7 million, plus accrued interest. As a result of these purchases, we recognized a loss on the extinguishment of debt of $2.9 million, which includes a premium of $2.2 million and the write-off of $0.7 million of unamortized debt issuance costs.

Provision for income taxes

The provision for income taxes increased by $2.2 million, or 48.9%, from $4.5 million to $6.7 million. The change in the provision for income taxes was due primarily to an increase in taxable income, the components of which are discussed elsewhere in this report. The effective income tax rate remained relatively flat at 35.4%, compared to 36.3% in prior year.

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Segment Results of Operations

Segment Results of Operations for the Three Months Ended March 31, 2016, Compared to the Three Months Ended March 31, 2015.

The following discussions present an analysis of our results by segment for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. This discussion should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

	Three Months Ended March 31,		Change: 2016 vs. 2015	
(in millions)	2016	2015	Amount	Percent
Pounds shipped (a)				
Olin Brass	63.5	60.0	3.5	5.8 %
Chase Brass	59.3	61.3	(2.0)	(3.3)%
A.J. Oster	18.9	18.1	0.8	4.4 %
Corporate and other (b)	(10.4)	(10.8)	0.4	3.7 %
Total	131.3	128.6	2.7	2.1 %
Net sales				
Olin Brass	$151.8	$184.7	$(32.9)	(17.8)%
Chase Brass	128.2	156.4	(28.2)	(18.0)%
A.J. Oster	69.2	74.8	(5.6)	(7.5)%
Corporate and other (b)	(20.3)	(15.7)	(4.6)	(29.3)%
Total	$328.9	$400.2	$(71.3)	(17.8)%
Adjusted EBITDA				
Olin Brass	$13.3	$9.3	$4.0	43.0 %
Chase Brass	19.2	21.4	(2.2)	(10.3)%
A.J. Oster	5.1	3.5	1.6	45.7 %
Total adjusted EBITDA of operating segments	$37.6	$34.2	$3.4	9.9 %

(a) Amounts exclude quantity of unprocessed metal sold.

(b) Amounts represent intercompany eliminations.

See Note 3, “Segment Information,” of our unaudited consolidated financial statements, which are included elsewhere in this report, for a reconciliation of adjusted EBITDA of segments to income before provision for income taxes and equity income.

Olin Brass

Net sales decreased by $32.9 million as the metal cost recovery component decreased by $34.2 million due to decreased metal prices and unfavorable product mix fluctuations, which were partially offset by higher volume ($5.4 million). Adjusted sales increased by $1.3 million due to increased volume of $4.4 million, partially offset by $3.1 million due to unfavorable product mix changes as concentration of munitions volumes increased and coinage volumes decreased due to fluctuations in demand.

Adjusted EBITDA increased by $4.0 million, primarily due to decreased manufacturing conversion costs resulting from improvements in productivity, yield and cost controls, increased volumes and unfavorable changes in product mix noted above.

Chase Brass

Net sales decreased by $28.2 million as the metal cost recovery component declined by $24.0 million due to lower metal prices ($20.2 million) and lower volume ($3.8 million). Adjusted sales decreased by $4.2 million, which was the result of decreased pricing ($2.8 million) and decreased volume ($1.4 million).

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Volumes increased in the building and housing market and decreased in the transportation and industrial machinery and equipment markets, all due to underlying demand.

Adjusted EBITDA decreased by $2.2 million predominantly due to the decreased pricing and volumes.

A.J. Oster

Net sales decreased by $5.6 million, mostly because decreased metal prices led to an $8.9 million decrease in the metal cost recovery component of net sales. Adjusted sales increased by $3.3 million due to higher volume ($1.5 million) and the impact of increased selling prices ($1.8 million). A.J. Oster continues to pass on certain price increases from its sister company Olin Brass. Both entities are focusing on pricing their products in order to earn a return that better reflects the complexity of the products being produced and the assets used to produce them. Volumes rose due to increased demand in the automotive and electronics / electrical components markets.

Adjusted EBITDA increased by $1.6 million, which was primarily due to the impact of increased selling prices.

Changes in Financial Condition

The following discussions present an analysis of fluctuations in certain asset, liability and equity components of our consolidated balance sheet as of March 31, 2016 as compared to the amounts as of December 31, 2015 and March 31, 2015. These discussions should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto.

March 31, 2016 compared to December 31, 2015

Cash decreased by $34.8 million primarily due to purchases of Senior Secured Notes during the first quarter of 2016 and other factors as detailed in our consolidated statement of cash flows for the three months ended March 31, 2016.

Accounts receivable increased by $23.2 million due to increased volumes.

Inventories decreased by $16.7 million due to improved inventory management.

Accrued liabilities decreased by $12.3 million as annual incentive compensation rewards were paid in the first quarter.

Our non-current portion of debt decreased by $34.7 million, reflective of our open market purchase of $35.5 million of principal amount of Senior Secured Notes.

March 31, 2016 compared to March 31, 2015

Accounts receivable decreased by $49.1 million and accounts payable decreased by $29.5 million primarily due to decreased metal prices.

Inventory decreased by $25.2 million due to improved inventory management.

Prepaid expenses and other current assets decreased by $16.4 million predominantly due to a reduction in deferred cost of sales related to sales to toll customers. Similarly, accrued liabilities decreased by $28.8 million for the same reason, as well as due to the timing of incentive compensation payments.

Our non-current portion of debt decreased by $63.3 million, reflective of our open market purchases of Senior Secured Notes during the latter portion of 2015 and the first quarter 2016.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary uses of cash are to fund working capital, operating expenses, debt service and capital expenditures. Historically, our primary sources of short-term liquidity have been cash flow from operations and borrowings under our ABL Facility. Holdings derives all of its cash flow from its subsidiaries, including GBC, and receives dividends, distributions and other payments from them to generate the funds necessary to meet its financial obligations. However, Holdings is a holding company with no operations, no employees and no assets other than its investment in GBC. All of our operations are conducted at GBC and its subsidiaries. GBC is also the primary obligor on our indebtedness, and Holdings has no indebtedness other than its guarantee of GBC's indebtedness.

The credit agreement governing the ABL Facility and the indenture governing the Senior Secured Notes (the "Indenture") limit the ability of GBC and its subsidiaries to pay dividends or distribute cash to Holdings and to its equityholders, although ordinary course dividends and distributions to meet the limited holding company expenses and related obligations at Holdings of up to $5.0 million per year are permitted under those agreements. Under the terms of the Indenture, GBC is also permitted to pay dividends or distribute to Holdings and its equityholders under certain restrictions. As of March 31, 2016, all of the net assets of the subsidiaries are restricted except for $86.2 million, which are permitted for dividend distributions under the Indenture.

We do not believe that the restrictions on dividends and distributions to Holdings and its equityholders imposed by the terms of our debt agreements have any impact on our liquidity, financial condition or results of operations. We believe that these resources will be sufficient to meet our working capital and debt service needs for the foreseeable future, including costs that we may incur in connection with our growth strategy.

Cash Flows

The following table presents the summary components of net cash provided by (used in) operating, investing and financing activities for the periods indicated. The following discussion presents an analysis of cash flows for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015 and should be read in conjunction with our consolidated statements of cash flows in our unaudited consolidated financial statements included elsewhere in this report.

Cash Flow Analysis	Three Months Ended March 31,		Change: 2016 vs. 2015
(in millions)	2016	2015	Amount
Cash flows provided by operating activities	$12.0	$13.8	$ (1.8)
Cash flows used in investing activities	$(7.6)	$(5.0)	$ (2.6)
Cash flows used in financing activities	$(39.1)	$(1.3)	$ (37.8)

Cash flows from operating activities

Net cash provided by operating activities decreased by $1.8 million due primarily to an increase in incentive compensation payments in 2016 (incentive compensation payments were made in the second rather than the first quarter of 2015), partially offset by improved working capital management.

Cash flows from investing activities

Our cash flows from investing activities increased by $2.6 million due to increased capital spending.

Cash flows from financing activities

Net cash used in financing activities increased by $37.8 million, as we used $37.7 million of cash to purchase Senior Secured Notes in the open market.

Outstanding Indebtedness

As described in Note 7, "Financing," we made some open market purchases of our Senior Secured Notes. We may, from time to time, retire certain of our outstanding debt through open market cash purchases, privately-negotiated transactions or otherwise. Such purchases, if any, will depend on prevailing market conditions, our liquidity requirements and other factors.

The ABL Facility and the Indenture contain various covenants to which we are subject to on an ongoing basis. At March 31, 2016, we were in compliance with all of these covenants.

For additional information regarding our ABL Facility, the Indenture governing the Senior Secured Notes and our capital lease obligations, see Note 7, "Financing," to our unaudited consolidated financial statements, which are included elsewhere in this report, and our Annual Report on Form 10-K filed with the SEC on March 9, 2016 under

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the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

Debt Purchase Authorization

Our Board of Directors authorized the purchase, subject to market conditions and other factors, of up to $150 million of our Senior Secured Notes in the open market or privately negotiated transactions. We purchased $35.5 million ($37.7 million including premium) in the first quarter of 2016 and $4.5 million ($4.7 million including premium) subsequent to March 31, 2016 of our Senior Secured Notes in the open market. The current unused balance of this authorization is approximately $75.0 million.

Recently Issued and Recently Adopted Accounting Pronouncements

For information on recently issued and recently adopted accounting pronouncements, see the notes to our unaudited consolidated financial statements, which are included elsewhere in this report.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There is no material change in the information reported under Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" contained in our Annual Report on Form 10-K filed with the SEC on March 9, 2016.

For information regarding derivative contracts that the Company uses to limit its exposure to fluctuations in commodity prices, thereby exposing itself to credit risk and market risk, see the notes to our unaudited consolidated financial statements, which are included elsewhere in this report.

Item 4. Controls and Procedures

(a)Evaluation of disclosure controls and procedures

Under applicable SEC regulations, management of a reporting company, with the participation of the principal executive officer and principal financial officer, must periodically evaluate the Company's "disclosure controls and procedures," which are defined generally as controls and other procedures of a reporting company designed to ensure that information required to be disclosed by the reporting company in its periodic reports filed with the SEC (such as this Form 10-Q) is i) recorded, processed, summarized, and reported on a timely basis, and ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the disclosure controls and procedures as of March 31, 2016. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2016, the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that the desired control objectives were achieved.

(b)Changes in internal controls

There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are currently, and from time to time, involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business, none of which management currently believes are, or will be, material to our business. For a discussion of risks related to various legal proceedings and claims, see the risk factors described in our Annual Report on Form 10-K filed with the SEC on March 9, 2016.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K under "Item 1A — Risk Factors" filed with the SEC on March 9, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Unregistered Securities

None.

Purchases of Equity Securities

	Issuer Purchases of Equity Securities			
Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
January 1, 2016 through January 31, 2016	—	$ —	*	*
February 1, 2016 through February 29, 2016	—	$ —	*	*
March 1, 2016 through March 31, 2016	17,509	$ 22.07	*	*
Total	17,509	$ 22.07	*	*

* These amounts are not applicable as we do not have a share repurchase program in effect.

(1) Common stock purchased during the three months ended March 31, 2016 represented shares which were surrendered to the Company by participants under share-based compensation plans to satisfy tax withholding obligations relating to the vesting of equity awards.

Limitations Upon the Payment of Dividends

Both the ABL Facility and the Indenture governing the 9.50% Senior Secured Notes due 2019 contain restrictions as to the payment of dividends. See Note 11, "Financing," of our audited consolidated financial statements in our Annual Report on Form 10-K filed with the SEC on March 9, 2016 for further discussion of these restrictive covenants.

Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Description
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

*Filed herewith
**Furnished herewith

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLOBAL BRASS AND
COPPER HOLDINGS, INC

By: /s/ Robert T. Micchelli
Robert T. Micchelli
Chief Financial Officer

Date: May 5, 2016