UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 28, 2020

STEEL PARTNERS HOLDINGS L.P.

(Exact name of registrant as specified in its charter)

Delaware	001-35493	13-3727655
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

590 Madison Avenue, 32nd Floor, New York, New York	10022
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 520-2300

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Units, $0 par	SPLP	New York Stock Exchange
6.0% Series A Preferred Units	SPLP-PRA	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On February 28, 2020, Steel Partners Holdings L.P., a Delaware limited partnership (the "Company"), issued a press release announcing its financial results for the quarter and year ended December 31, 2019 and other financial information, and announcing the Company's release of its 2020 Annual Letter from its Executive Chairman on February 28, 2020. A copy of the press release is being furnished as Exhibit 99.1 hereto and is incorporated herein by reference.

The information in this Item 2.02, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of such section. The information in this Current Report, including the exhibit, shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any incorporation by reference language in any such filing, unless the Company expressly sets forth in such future filing that such information is to be considered "filed" or incorporated by reference therein.

Item 7.01 Regulation FD Disclosure.

As indicated above, on February 28, 2020, the Company published its 2020 Annual Letter, which is posted under the "Investor Relations" section of its website (www.steelpartners.com). A copy of the letter is being furnished as Exhibit 99.2 hereto.

The information in this Item 7.01, including Exhibit 99.2 attached hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of such section. The information in this Current Report, including the exhibit, shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any incorporation by reference language in any such filing, unless the Company expressly sets forth in such future filing that such information is to be considered "filed" or incorporated by reference therein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Exhibits
99.1	Press Release issued February 28, 2020.
99.2	2020 Annual Letter

SIGNATURES

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

February 28, 2020

STEEL PARTNERS HOLDINGS L.P.

By: Steel Partners Holdings GP Inc.
Its General Partner

By: /s/ Douglas B. Woodworth
Douglas B. Woodworth
Chief Financial Officer

Exhibits

Exhibit No.	Exhibits
99.1	Press Release issued February 28, 2020.
99.2	2020 Annual Letter

EXHIBIT 99.1

Steel Partners Holdings Reports Fourth Quarter Results and Announces Release of Annual Letter from Executive Chairman

NEW YORK, N.Y., February 28, 2020 - Steel Partners Holdings L.P. (NYSE: SPLP) reported results for the quarter ended December 31, 2019, as summarized in the following paragraphs. We encourage investors to read our 2020 Annual Letter, which is posted under the "Investor Relations" section of our website (www.steelpartners.com).

The Company continues to examine all of its options and strategies to increase cash flow and stakeholder value for the long term.

- Reduce corporate overhead, lower costs, reduce complexity and improve communications,
- Focus investment capital on our core businesses and make synergistic bolt-on acquisitions,
- Eliminate unprofitable investments, divest non-core assets and explore strategic alternatives for some of our businesses, and
- Use proceeds to pay down debt and repurchase our units

"This year marks the 30th anniversary of Steel Partners. Our management team is focused on reducing costs, including but not limited to our corporate overhead, and the sale of non-core assets, including real estate. We have eliminated unprofitable businesses and investments. We expect the savings and proceeds will be used to pay down debt and repurchase our common units. We continuously evaluate the retention and disposition of existing operations, as well as investigate possible synergistic acquisitions. As 2020 unfolds, we expect to simplify our organizational structure and to maximize free cash flow and returns on invested capital," said Warren Lichtenstein, Executive Chairman of Steel Partners.

Financial Overview

Fourth quarter of 2019 compared with fourth quarter of 2018

- Revenue for the 2019 fourth quarter decreased to $364.2 million from $378.6 million for the same period in 2018.
- Loss before income taxes and equity method investments for the 2019 fourth quarter was $37.1 million, as compared to a loss of $11.8 million for the same period in 2018.
- Net loss attributable to the Company's common unitholders for the 2019 fourth quarter was $29.9 million, or $1.20 per basic and diluted common unit, as compared to a loss of $30.5 million, or $1.19 per basic and diluted common unit, for the same period in 2018.
- The Company generated $42.8 million in Adjusted EBITDA for the quarter, as compared to $38.7 million for the same period in 2018.

Year ended December 31, 2019 compared with year ended December 31, 2018

- Revenue for the year ended December 31, 2019 was $1.6 billion, which was relatively flat as compared to 2018.
- Income before income taxes and equity method investments for 2019 was $27.8 million, as compared to a loss of $9.4 million in 2018.
- Net income attributable to the Company's common unitholders for the year was $4.0 million, or $0.16 per basic and diluted common unit, as compared to a loss of $32.6 million, or $1.25 per basic and diluted common unit, in 2018.
- The Company generated $185.4 million in Adjusted EBITDA for the year ended December 31, 2019, as compared to $183.8 million in 2018.

The Company is presenting Adjusted EBITDA to assist investors with their understanding of Steel Partners' results of operations and financial condition. See "Note Regarding Use of Non-GAAP Financial Measurements" below for the definition of Adjusted EBITDA.

Recent Developments

- In July 2019, the Company entered into a $30.0 million settlement of a stockholder class action related to its 2017 acquisition of the remaining outstanding shares of Handy & Harman Ltd. not already owned by the Company or its affiliates. The settlement was approved by the court and paid in December 2019. Our insurance carriers agreed to contribute an aggregate of $17.5 million toward the settlement amount, while the Company recorded a charge of $12.5 million during the twelve months ended December 31, 2019.

- During the fourth quarter of 2019, the Company settled the federal portion of its previously disclosed Internal Revenue Service audit associated with the Company's 2015 sale of Arlon, LLC and remitted payment in settlement of this matter to the Internal Revenue Service of $22.4 million, including accrued interest, in February 2020.
- On January 31, 2020, the Company announced that its subsidiary, API Group Limited, and certain of its affiliates commenced administration proceedings in the United Kingdom. In the United States, API Americas Inc. voluntarily filed for Chapter 11 proceedings in Bankruptcy Court on February 2, 2020. The purpose of these proceedings is to facilitate an orderly sale or wind-down of API's operations. API's loss before interest expense and income taxes was $93.8 million for the year ended December 31, 2019, including goodwill and other non-cash asset impairments totaling $71.5 million recorded in the Company's Diversified Industrial segment. The Company will deconsolidate the API entities on the previously noted filing dates as it no longer holds a controlling financial interest as of those dates, and accordingly, the results of API are expected to be presented as a discontinued operation in future reporting periods.
- On February 6, 2020, the Company redeemed 1,600,000 preferred units at a price equal to $25.00 per unit, plus an amount of $0.22 per unit, equal to any accumulated and unpaid distributions up to, but excluding, the redemption date, for a total payment of approximately $40.4 million.

2020 Outlook

Based on current information, Steel Partners expects 2020 first quarter revenue from continuing operations between $327 million and $343 million and Adjusted EBITDA between $37 million and $46 million. The Company anticipates revenue from continuing operations for the full 2020 year between $1.4 billion and $1.5 billion and Adjusted EBITDA between $222 million and $245 million.

Financial Tables

Financial Summary (quarterly data unaudited)

(in thousands, except per common unit)	**Three Months Ended December 31, 2019**	**Three Months Ended December 31, 2018**	**Year Ended December 31, 2019**	**Year Ended December 31, 2018**
Revenue	$ 364,173	$ 378,613	$ 1,561,771	$ 1,584,614
Costs and expenses, excluding realized and unrealized losses (gains) on securities	379,844	375,890	1,581,325	1,531,450
Realized and unrealized losses (gains) on securities, net	21,405	14,557	(47,315)	62,586
Total costs and expenses	401,249	390,447	1,534,010	1,594,036
(Loss) income before income taxes and equity method investments	(37,076)	(11,834)	27,761	(9,422)
Income tax (benefit) provision	(15,488)	3,519	15,865	12,559
Loss of associated companies, net of taxes	8,451	14,650	8,043	9,509
Net (loss) income	(30,039)	(30,003)	3,853	(31,490)
Net loss (income) attributable to noncontrolling interests in consolidated entities	126	(470)	97	(1,114)
Net (loss) income attributable to common unitholders	$ (29,913)	$ (30,473)	$ 3,950	$ (32,604)
Net (loss) income per common unit - basic and diluted	$ (1.20)	$ (1.19)	$ 0.16	$ (1.25)
Capital expenditures	$ 13,916	$ 13,488	$ 43,024	$ 47,085

Balance Sheet Data

(in thousands, except common and preferred units)	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 148,348	$ 334,884
WebBank cash and cash equivalents	125,047	281,566
Cash and cash equivalents, excluding WebBank	$ 23,301	$ 53,318
Marketable securities	$ 220	$ 1,439
Long-term investments	$ 275,836	$ 258,044
Total debt	$ 408,541	$ 481,989
Preferred unit liability, including current portion of $39,782 and $0, respectively	$ 184,029	$ 180,340
Common units outstanding	25,023,128	25,294,003
Preferred units outstanding	7,927,288	7,927,288

Supplemental Non-GAAP Disclosures (unaudited)

Adjusted EBITDA Reconciliation:

(in thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net (loss) income	$ (30,039)	$ (30,003)	$ 3,853	$ (31,490)
Income tax (benefit) provision	(15,488)	3,519	15,865	12,559
(Loss) income before income taxes	(45,527)	(26,484)	19,718	(18,931)
Add (Deduct):				
Loss of associated companies, net of taxes	8,451	14,650	8,043	9,509
Realized and unrealized losses (gains) on securities, net	21,405	14,557	(47,315)	62,586
Interest expense	9,323	10,920	41,409	39,234
Depreciation	12,907	13,297	49,914	50,465
Amortization	5,604	7,094	22,352	29,858
Non-cash goodwill impairment charges	—	—	41,853	—
Non-cash asset impairment charges	29,591	8,108	30,506	8,108
Non-cash pension expense	2,215	834	8,124	2,923
Non-cash equity-based compensation	145	137	779	644
Amortization of fair value adjustments to acquisition-date inventories	—	128	—	1,019
Other items, net	(1,304)	(4,584)	9,990	(1,638)
Adjusted EBITDA	$ 42,810	$ 38,657	$ 185,373	$ 183,777

Segment Results (quarterly data unaudited)

(in thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenue:				
Diversified industrial	$ 279,285	$ 298,078	$ 1,226,365	$ 1,286,665
Energy	37,307	41,942	163,972	175,950
Financial services	47,581	38,593	171,434	121,999
Total revenue	$ 364,173	$ 378,613	$ 1,561,771	$ 1,584,614
(Loss) income before interest expense and income taxes:				
Diversified industrial	$ (23,285)	$ (1,921)	$ (20,430)	$ 56,057
Energy	(2,650)	(3,264)	(1,850)	(9,012)
Financial services	21,166	19,011	68,560	54,544
Corporate and other	(31,435)	(29,390)	14,847	(81,286)
(Loss) income before interest expense and income taxes	(36,204)	(15,564)	61,127	20,303
Interest expense	9,323	10,920	41,409	39,234
Income tax (benefit) provision	(15,488)	3,519	15,865	12,559
Net (loss) income	$ (30,039)	$ (30,003)	$ 3,853	$ (31,490)
Loss of associated companies, net of taxes:				
Corporate and other	$ (8,451)	$ (14,650)	$ (8,043)	$ (9,509)
Total	$ (8,451)	$ (14,650)	$ (8,043)	$ (9,509)
Segment depreciation and amortization:				
Diversified industrial	$ 13,983	$ 15,262	$ 54,141	$ 59,582
Energy	4,374	5,002	17,548	20,214
Financial services	114	94	423	397
Corporate and other	40	33	154	130
Total depreciation and amortization	$ 18,511	$ 20,391	$ 72,266	$ 80,323
Segment Adjusted EBITDA:				
Diversified industrial	$ 23,152	$ 21,811	$ 116,432	$ 131,218
Energy	1,500	1,815	15,436	11,219
Financial services	20,360	19,213	65,374	56,202
Corporate and other	(2,202)	(4,182)	(11,869)	(14,862)
Total Adjusted EBITDA	$ 42,810	$ 38,657	$ 185,373	$ 183,777

During the three months and year ended December 31, 2019, the Company's investment gains and losses, including income or loss of associated companies, have been classified in its Corporate and Other segment and interest expense, excluding the Financial Services segment's finance interest expense, has been removed from the measurement of segment results. Comparable 2018 balances have been reclassified to conform with the current year presentation.

Note Regarding Use of Non-GAAP Financial Measurements

The financial data contained in this press release includes certain non-GAAP financial measurements as defined by the U.S. Securities and Exchange Commission ("SEC"), including "Adjusted EBITDA." The Company is presenting Adjusted EBITDA because it believes that it provides useful information to investors about SPLP, its business, and its financial condition. The Company defines Adjusted EBITDA as net income or loss before the effects of income or loss from investments in associated companies and other investments held at fair value, interest expense, taxes, depreciation and amortization, non-cash pension expense or income, and realized and unrealized gains or losses on investments, and excludes certain non-recurring and non-cash items. The Company believes Adjusted EBITDA is useful to investors because it is one of the measures used by the Company's Board of Directors and management to evaluate its business, including in internal management reporting, budgeting and forecasting processes, in comparing operating results across the business, as an internal profitability measure, as a component in evaluating the ability and the desirability of making capital expenditures and significant acquisitions, and as an element in determining executive compensation.

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

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

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

The Company reconciles Adjusted EBITDA to net income or loss, which does not include amounts reported under U.S. GAAP related to noncontrolling interests in consolidated entities, and that reconciliation is set forth above. Because Adjusted EBITDA is not a measurement determined in accordance with U.S. GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. Revenue and expenses are measured in accordance with the policies and procedures described in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

About Steel Partners Holdings L.P.

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

Forward-Looking Statements

This press release contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that reflect SPLP's current expectations and projections about its future results, performance, prospects, and opportunities. SPLP has tried to identify these forward-looking statements by using words such as "may," "should," "expect," "hope," "anticipate," "believe," "intend," "plan," "estimate," and similar expressions. These forward-looking statements are based on information currently available to the Company and are subject to risks, uncertainties, and other factors that could cause its actual results, performance, prospects or opportunities in 2020 and beyond to differ materially from those expressed in, or implied by, these forward-looking statements. These factors include, without limitation, our need for additional financing and the terms and conditions of any financing that is consummated, customers' acceptance of our new and existing products, our ability to deploy our capital in a manner that maximizes unitholder value, the ability to identify suitable acquisition candidates or investment opportunities for our core businesses, the inability to realize the benefits of net operating losses of our affiliates and subsidiaries, the ability to consolidate and manage our newly acquired businesses, fluctuations in demand for our products and services, general economic conditions, public health crises (such as the ongoing coronavirus outbreak), the possible volatility our common or preferred unit price, the potential fluctuation in our operating results and other risks detailed from time to time in filings we make with the SEC. Although SPLP believes that the expectations reflected in these forward-looking statements are reasonable and achievable, such statements involve significant risks and uncertainties, and no assurance can be given that the actual results will be consistent with these forward-looking statements. Investors should read carefully the factors described in the "Risk Factors" section of the Company's filings with the SEC, including the Company's Form 10-K for the year ended December 31, 2019, for information regarding risk factors that could affect the Company's results. Except as otherwise required by federal securities laws, SPLP undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Investor contact: Steel Partners Holdings L.P.
Jennifer Golembeske, 212-520-2300
jgolembeske@steelpartners.com

Exhibit 99.2

STEEL PARTNERS
30TH ANNIVERSARY

February 27, 2020

To the Stakeholders of Steel Partners Holdings L.P.:

February 2020 marks the 30th anniversary of Steel Partners. We started Steel Partners in 1990 with five original investors, including myself. I invested my bar mitzvah money, which at the time was my life savings of $10,000. Our first idea was to buy shares in Kinark Corporation, a publicly traded conglomerate whose primary business was galvanizing steel. That is how we got the name Steel Partners. Over the next 18 months, try as we might to acquire 100% of the company, the board of Kinark chose to go it alone and restructured the company by selling off underperforming businesses. In doing so, the share price appreciated, which resulted in a significant profit for our partnership.

Shortly after that, we invested in SL Industries, and today, we own 100% of SL Industries. I think it is safe to say, after 30 years, we have become and will continue to be long term owners and operators of businesses.

In 1992, I was fortunate to meet Jack Howard. In 1993, we started Steel Partners II, which eventually evolved into what is now Steel Partners Holdings. Steel Partners was listed on the New York Stock Exchange under the ticker “SPLP” on April 10, 2012.

Over the past 30 years, we have grown from a small firm with one office, two employees, two desks, and two phones into a $1.6 billion company with approximately 5,000 employees in 72 locations. We have been extremely fortunate to have been born in the United States of America, which has afforded us the opportunity to pursue the American dream. Persistence and hard work are the cornerstones of the culture at Steel Partners. With purpose, passion, and perseverance, great things can happen. We have resiliency, grit, a growth mindset, and sometimes get lucky. We are very grateful for our good fortune and to be able to have so much fun doing what we love doing every day. For us, work is play.

Thirty years after our initial investment, we are still in business even though our company is very different than it was in 1990. Today we are an operating company and not a private investment partnership. Unfortunately, a few of our latest investments have not worked out quite as well as Kinark. Babcock & Wilcox and API have performed miserably, while others have performed exceptionally well, such as Aerojet Rocketdyne, WebBank, and Handy & Harman. Overall, we have had many more wins than losses.

We remain committed to our longstanding investors and current stakeholders. We are taking steps to “right the ship,” including strengthening our board, enhancing our management team, reducing corporate overhead, and eliminating unprofitable businesses and investments while continuing to make bolt-on acquisitions.

In 2019, we welcomed Rory Tahari to the board of Steel Partners. Rory is the founder and CEO of State of Mind Partners, a strategic branding and investment firm. She has worked in the fashion industry for over two decades and served as the CEO of Elie Tahari, a global apparel and retail fashion brand. Also, Gordon Walker joined us in the newly created position of Senior Vice President in November 2019. Gordon has a strong background in aerospace and defense, medical devices, and consumer electronics. He was previously President and CEO at EaglePicher Technologies. Gordon is overseeing five business units.

We are putting in place a new management incentive program which is focused on strengthening each business unit and maximizing free cash flow and returns on invested capital. Our management teams are laser-focused on capital allocation and better balance sheet management.

We have started to implement our strategic plan to sell underperforming businesses and excess real estate, buy back common units, pay down debt, utilize our net operating losses (NOLs), and continue to manage our pension assets and liabilities. We expect the implementation and execution of the plan will take two to three years, barring a worldwide economic slowdown or a worsening of the effects of the coronavirus.

I have said many times over the years that we eat our own cooking. Along with company insiders, Jack and I own approximately 57% of the common units outstanding, as well as preferred units.

We have exited the majority of our Babcock & Wilcox stock at a loss and are currently selling off API's businesses.

API was the "imperfect storm." After taking API private in 2015, API lost a significant customer at its largest plant in the United Kingdom without replacement business due to shifting market dynamics. Also, we underestimated the tribal knowledge we lost when we consolidated facilities in the US. The situation was a major failure in sticking to the 7P's: Proper Planning and Preparation Prevents Piss Poor Performance.

API accounted for a $96.3 million pre-tax loss in 2019, which included goodwill and other non-cash impairment charges of $71.5 million, and an adjusted EBITDA loss of $16.5 million in 2019.

On January 31, 2020, API Group Limited and certain of its affiliates commenced administration proceedings in the United Kingdom. On February 2, 2020, API Americas Inc., filed for protection under Chapter 11 of the US Bankruptcy Code to facilitate asset sales and/or orderly wind-down of the business. It was also disclosed that for financial reporting and accounting purposes, we expect the API Group businesses will be treated as discontinued operations in future periods. We estimate that we will receive approximately $10-15 million for the API businesses and assets, which we will use to pay down the debt, as well as $12-15 million of tax benefits. We are currently exploring strategic alternatives for other businesses as well.

We are undergoing extensive efforts in all our other businesses to ensure there is adequate documentation of all processes to prevent a future occurrence of a similar situation.

Last year, I went around the world and held town hall meetings at many of our locations and met with our employees. We have evaluated many aspects of our corporate structure, organization, and those of each of our businesses. We made the determination to reduce layers to improve communications, lower costs, and reduce complexity. We have reduced the number of people in shared services at the corporate office and pushed the functions and responsibilities to the business units. The goal is to allow the businesses the flexibility to make quick decisions and ultimately perform tasks at a lower cost. We also decided to exit certain products, customers, and businesses to reduce costs and increase overall profitability.

We are divesting non-core assets, including excess real estate and exploring strategic alternatives for some of our businesses. We also intend to reduce the number of businesses and consolidate internal business units. An example of this is the combination of SL Power Electronics and MTE into the newly created business unit of Power Solutions Group. In addition, each business is reviewing profitability by customer and product, and we will be using the 80-20 method to evaluate all aspects of our company and our individual businesses. The 80-20 method focuses on the factors that are most crucial to profitability and makes them the priority, in addition to eliminating activities, products, customers, locations, and businesses that are not meeting our internal hurdles or are not profitable.

We are also evaluating the pros and cons of changing from a partnership to a corporation and are evaluating our capital structure and liquidity.

The cash we realize from reducing the number of businesses and eliminating corporate overhead will be used to pay down debt and repurchase our units assuming the units trade at a significant discount. Our Board of Directors authorized the expansion of the unit buy-back program by an additional one million units to 3 million. So far, under the program, we have purchased 2.1 million common units for $34 million. Our efforts going into this year should provide liquidity through unit buy-backs for those that want it. We will also continue to allocate capital to make synergistic bolt-on acquisitions where it makes sense. We cannot control the market, but we believe the actions we are taking will decrease the value gap, which exists today.

* * * * *

FINANCIALS 2019

For the year ended December 31, 2019, Steel Partners’ revenue was relatively flat at $1.6 billion, compared to 2018. Income before income taxes and equity method investments was $27.8 million in 2019, compared with a loss of $9.4 million in 2018. Net income attributable to the company's common unitholders for the year was $4 million, or $0.16 per common unit, compared with a loss of $32.6 million, or $1.25 per common unit in 2018. The results reflect higher contributions from the Financial Services and Energy segments, along with lower corporate expenses.

As of December 31, 2019, Steel Partners' total assets were $2.3 billion, and unitholders' equity was $473 million, with 25 million Steel Partners common units outstanding. Per unit book value was $18.89. Steel Partners unit closing price on December 31, 2019 was $12.10 per unit. Total debt and preferred units, net of holding company cash and investments, decreased to $293 million from $350 million. The company's pension deficit has been reduced to $196 million from $206 million.

Steel Partners generated a 0.9% increase in adjusted EBITDA to $185.4 million (after corporate overhead) for 2019 from $183.8 million in 2018.

On February 6, 2020, we redeemed 1.6 million units of the 6.0% Series A preferred units, representing approximately 20.2% of the total outstanding preferred units. The preferred units were redeemed in cash on a pro-rata basis for a redemption price equal to $25.00 per unit, plus an amount of $0.22 per unit, equal to any accumulated and unpaid distributions, for a total payment of approximately $40.4 million.

If we look back at 2019 and into early 2020, there were significant non-recurring items, which required us to use our credit facility. The IRS examination associated with the 2015 sale of Arlon resulted in a $22.4 million tax payment. The settlement for the litigation related to the acquisition of the outstanding shares of Handy & Harman resulted in a $12.5 million payment after insurance contributed $17.5 million. The redemption of the preferred units resulted in payments of $40.4 million. In addition, we have taken actions to reduce costs by reducing corporate overhead by $5 million annually, and we have eliminated the $16.5 million drain that API was having on our adjusted EBITDA.

* * * * *

Today we manage our company in three reporting segments, Diversified Industrial, Energy (including Sports), Financial Services, and direct investments.

DIVERSIFIED INDUSTRIAL SEGMENT

Our largest business segment, Diversified Industrial, has a broad customer base that spans a wide range of market segments including building construction, electrical, electronics, transportation, power control, medical, oil and gas production, aerospace and defense, packaging, and food processing. The segment is made up of Dunmore, HandyTube, Indiana Tube, JPS Composite Materials, Kasco, Lucas Milhaupt, MTE, MTI, OMG, and SL Power Electronics.

In 2019, our Diversified Industrial segment performance was down year-over-year, driven by significant challenges at our packaging business, the API Group.

Excluding the API Group business, the Diversified Industrial segment had mixed performance resulting in overall flat year-over-year performance. Several of the operating units faced headwinds from tariffs, labor unrest in Mexico, and weakened demand in some industrial segments during the second half of 2019. Our OMG, HandyTube, and Kasco business units exhibited year-over-year growth in profitability.

We have an experienced leadership team throughout our Diversified Industrial businesses. In 2020, this team will be utilizing the Steel Business System and 80-20 principles to optimize improvements in free cash flow and return on invested capital and get all the operating units on a consistent year-over-year performance improvement trajectory.

The Diversified Industrial segment contributed $1.2 billion of our total 2019 revenue with $116 million in adjusted EBITDA, and we invested $36.2 million in capital expenditures. Overall, the Diversified Industrial segment had good return on invested capital.

ENERGY & SPORTS SEGMENT

Our Energy segment provides critical services to the oil and gas industry, primarily in the Bakken and Permian basins. Despite a decline in revenue due to difficult market conditions, results for Steel Energy improved for the year. The business continued its excellent safety record, with several locations achieving zero recordable safety incidents in 2019. The business contributed $147 million of revenue with $26 million in adjusted EBITDA. We invested $5.9 million in capital expenditures, which included investments in auxiliary equipment and one new workover rig.

Steel Sports exists to help kids thrive by building character and teaching life lessons through sport. We take a Kids First approach to coaching, so our players have fun while developing as athletes and people. Having fun keeps them in the game and gives us the chance to have a long-lasting positive impact on their development. We use the many authentic situations sport offers to teach grit and a growth mindset. We teach the kids using the “COP” method developed by Tommy Lasorda: *Conversations Observations Participation*. We learn by constantly having conversations, constantly observing, and constantly participating. We emphasize Teamwork, Respect, Integrity, and Commitment – all fundamental attributes of leadership.

In 2019, Steel Sports impacted 100,000 people. Steel Sports had $17 million in revenue and a net loss of $1.5 million. We are much further along in developing our program and systems and expect to be profitable in 2020.

A recent study found 95% of Fortune 500 CEOs were athletes. Helping kids thrive ultimately helps us to develop our future leaders. The kids in Steel Sports are our farm team of the future. As they mature and head out into the workplace, we are hopeful that some of them will join the Steel Partners team and apply the skills they have learned on and off the field to help grow our businesses and maintain our culture.

I am sure many of you were influenced by a parent, teacher, coach, or mentor. Through our Steel Sports Coaching System, we're going to be a positive influence in the lives of our kids and hope their experiences with Steel Sports will always be a source of strength and inspiration for years to come.

FINANCIAL SERVICES SEGMENT

Our Financial Services segment consists primarily of WebBank. Through our industrial bank charter, WebBank offers a wide variety of products either directly to our consumer customers via savings accounts and time deposits, or through our Strategic Platforms, providing niche financing solutions to businesses and consumers.

In 2019, WebBank completed the acquisition of National Partners, a Denver-based national insurance premium finance company. With a proprietary technology platform, National Partners provides commercial insurance premium finance solutions for top-tier national insurance brokerages, independent insurance agencies, and insureds in key markets throughout the United States.

WebBank posted an excellent year, with increased revenues, the addition of five new partners, and strong financial returns. In 2019, revenue was $171.4 million with $69.2 million in adjusted EBIT. Capital expenditures were negligible, and return on equity was very high. The bank finished 2019 with $175.7 million in book value.

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OTHER INVESTMENTS

Steel Connect, Inc. (NASDAQ: STCN), http://investor.moduslink.com, provides services through its two wholly-owned subsidiaries, IWCO Direct and ModusLink. Our initial investment in Steel Connect was made on June 13, 2012. For its fiscal year 2019, Steel Connect's consolidated revenue was $819.8 million. ModusLink provides digital and physical supply chain solutions to many of the world's leading brands across a diverse range of industries. With a global footprint spanning North America, Europe, and the Asia-Pacific region, their solutions and services are designed to improve end-to-end supply chains to drive growth, lower costs, and improve profitability. IWCO Direct is a leading provider of data-driven marketing solutions that help clients drive response across all marketing channels to create new and more loyal customers. They are the largest direct mail production provider in North America, with a full range of services, including strategy, creative, and production for multichannel marketing campaigns, along with one of the industry's most sophisticated postal logistics strategies for direct mail.

ModusLink's turnaround started in fiscal year 2017 and continued through fiscal year 2019, first under Jim Henderson and then with John Whitenack as CEO. Corporate activities included an increase in new business development, new management, and a strong focus on operational performance for fiscal year 2019, which included an increase in gross margins. During fiscal year 2019, Steel Connect recorded an increase of $29.4 million in adjusted EBITDA to $65.4 million and increased net cash provided by operating activities by $10.8 million to $20.8 million, while significantly reducing its total debt.

In March 2019, Steel Connect paid off its $65.6 million convertible notes from available cash-on-hand, which included $14.9 million from the proceeds of a new Convertible Senior Note Due 2024. Steel Connect continues to maintain approximately $2.1 billion of NOLs, which it intends to leverage over time. The NOLs begin to expire in 2022.

Our initial investment in Steel Connect was in 2012. We currently own 49.2% of the company, which includes our investment in convertible preferred stock and convertible debt.

Aerojet Rocketdyne Holdings, Inc. (NYSE: AJRD), www.rocket.com, manufactures aerospace and defense systems and has a real estate business.

Aerojet Rocketdyne's financial performance was excellent in 2019. Sales of $2.0 billion were up 5% year over year. The company saw strong growth in backlog and closed the year with a record $5.4 billion of total backlog, up 32% compared to December 2018. EBITDAP was up 4% year over year, excluding the benefit of the 2018 gain from a change in environmental recovery, with solid margins of 13.7%. Free cash flow generation was as high as the company has seen. Free cash flow was $218 million and 155% of net income.

Revenue growth was driven by key defense programs like PAC-3, GMLRS, and next-generation hypersonics propulsion programs. The space side of the business saw declines from the anticipated wind-down of the AJ-60 (Atlas V) solid rocket program and lower RS-68 (Delta IV) volume. This was partially offset by increased activity on RS-25, in support of SLS.

EBITDAP margins were strong at 13.7%, and essentially in line with prior year margins of 13.8% (excluding the one-time environmental gain). Net income was $141 million and up 33%, excluding the prior year environmental gain.

Steel Partners is the largest shareholder of Aerojet Rocketdyne, and I am the Executive Chairman.

Our initial investment in Aerojet Rocketdyne was on August 4, 2000. We own 5.0% of the company, which is worth approximately $180.4 million as of December 31, 2019.

Aviat Networks, Inc. (NASDAQ: AVNW), www.aviatnetworks.com, is a leading expert in microwave networking solutions. Aviat is headquartered in Austin, TX, with operations throughout the world. In addition to microwave networking hardware and software solutions, Aviat provides a comprehensive suite of localized professional and support services. With more than one million systems sold in 170 countries worldwide, Aviat maintains a strong brand. Aviat's key customers include marquees domestic and international service providers such as Verizon, T-Mobile, US Cellular, MTN, Entel, Airtel, Digicel, Globe, Safaricom, and others. Private network operators, including state/local government, utility, federal government, and defense organizations, also depend on Aviat's technology and services. Aviat has a presence in all 50 U.S. states, with 25 statewide networks and 50% of top U.S. utilities.

In fiscal year 2019, which ended June 28, 2019, Aviat reported revenue of $243.9 million and non-GAAP operating income of $4.3 million. Aviat's fiscal year 2019 adjusted EBITDA was $8.8 million, compared to $10.1 million in fiscal year 2018. Some segments of Aviat's international business underperformed. Aviat continues to build on a strong balance sheet and generated positive cash flow in the first half of fiscal year 2020, which saw its cash and cash equivalents balance increase to $38.1 million, an improvement of $6.1 million from the end of fiscal year 2019.

As of January 2nd, 2020, Pete Smith joined Aviat as CEO and President. Pete brings a deep background in commercial and operational excellence. Pete's focus is to drive growth and advance the operational excellence progress.

Our initial investment in Aviat was made in October 2014. We own 12.4% of the company, which is worth approximately $9.4 million as of December 31, 2019.

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THE STEEL WAY

STEEL BUSINESS SYSTEM: The Steel Business System represents our culture of continuous improvement. We use a collection of Lean Manufacturing, Six Sigma tools, 80-20, and much more. In 2019, we began a review of our businesses using the 80-20 principles to drive stakeholder value. As we like to say, it may be simple, but it certainly isn't easy. It is through our commitment to continuous improvement that we develop our competitive advantages and deliver profitable results.

STEELGROW & STEEL WELLNESS:

As part of our Wellness initiatives, we were able to provide each employee with a pair of custom Skechers athletic shoes to support our health and fitness goal. The shoes were decorated to celebrate the 50th anniversary of the Apollo mission, and Steel Partners employees were challenged to walk to the moon. Over one month, we were able to walk 119,752,898 steps in our new shoes. That is six times around the world!

As part of our commitment to our employees and the communities where we do business, we are focusing on bringing awareness and support to the opioid epidemic. One of our initiatives in 2019 was providing every Steel Partners facility with Narcan and training on administering Narcan. Narcan is a life-saving emergency medication for an opiate overdose. While we never want to have to use Narcan at one of our facilities, we are prepared to assist if the need arises. We also made Deterra bags available to employees at all facilities to safely and permanently dispose of prescription and over the counter drugs.

COMPETITIVE IMPROVEMENT PROGRAM: The primary focus of the Steel Partners Competitive Improvement Program is the modernization and digitization of our facilities. Our goals are to refresh or replace outdated facilities and reduce square footage. We want to ensure our facilities are places where our employees are proud to work. As part of this program, we will look to possibly consolidate facilities and sell excess real estate. Individual businesses have already started this activity, such as Lucas Milhaupt, Aerojet Rocketdyne, and OMG.

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It is with great sadness that we lost Phil Lengyel in December. Phil had served on the Steel Connect, Inc. board since 2014. He has personally been both a friend and mentor to me over the years and a great board member. I will truly miss him.

As I reflect on the past 30 years, I would like to thank my many mentors, coaches, friends, and family. They have each taught me about business, leadership, parenting, friendship, failure, and success. Thank you to Marshall Butler, Fred Heim, Cy Leslie, and Larry Butler for believing in me when I was 24 years old and eager to learn and succeed. Thank you to Sash Spenser, Jimmy Benenson, Av Grey, Mario Gabelli, and Tom Corcoran for continued guidance, mentorship, and for being a great sounding board in people and operational matters. I have learned a ton. Special thanks to Steve Wolosky for your sound advice over 30 years; to General McPeak, General Neal, and Tommy Lasorda for showing me a new style of leadership and how empathy is a powerful relationship tool that we use today; to Jack Howard for being a great partner to me for the past 28 years. And, thank you to my family for putting up with my never-ending work and travel schedule.

I want to reiterate the commitment of our entire management team and Board of Directors to building stakeholder value over the long term. I look forward to providing updates as we make progress on our corporate structure, shared services and corporate cost reduction efforts, and sale of non-core assets and excess real estate. We will continue our strategy of reviewing our portfolio, transferring generational and tribal knowledge, and succession planning for the many employees that will be retiring in the coming years. We will also update you on our capital allocation strategies including repurchasing our common units and paying down debt as we generate free cash flow and returns on invested capital.

Thank you for your continuing support, perspectives, and advice. Your guidance and encouragement have been and will continue to be an invaluable resource for Steel Partners.

Respectfully,

Warren G. Lichtenstein
Executive Chairman
Steel Partners L.P.

DIVERSIFIED INDUSTRIAL

DUNMORE	For more than 50 years, the Dunmore brand has stood for quality in coated, laminated and metallized films.
H&H HandyTube	HandyTube is a leading manufacturer of seamless, stainless steel and nickel alloy tubing for a wide range of applications and markets.
IndianaTube	Indiana Tube Corporation is a steel tube manufacturer specializing in welded, low carbon & HSLA steel tube.
JPS Composite Materials	JPS Composite Materials is an ISO-9001 certified US based weaver of composite reinforcement and ballistic protection fabrics.
KASCO	Kasco, LLC, is a leading provider of metallic blade products for the meat cutting, food cutting and wood cutting industries to the global market.
LucasMilhaupt Lasting Connections	Lucas-Milhaupt is a global provider and leading producer of metal joining products and services for thousands of companies worldwide.
MTE	MTE Corporation was formed in 1982 by bringing together Milwaukee Transformer Co., Transformer Design Inc. and Milwaukee Electronics Corp.
MTI	MTI is a manufacturer and developer of precision, high performance electric motors, drives, and controllers in addition to precision winding components.
OMG	OMG is a leading US manufacturer and global supplier of specialty fasteners, adhesives, tools, and related products for the commercial and residential construction markets.
SL	SL Power Electronics is a global leader of differentiated power conversion solutions.

ENERGY & SPORTS

STEEL ENERGY	Steel Energy provides well servicing, workover and other services to the oil and gas industry.
STEEL SPORTS	Founded in 2011, Steel Sports Inc., a subsidiary of Steel Excel Inc., is dedicated to acquiring, building, and strengthening a network of branded participatory and experience-based businesses.

FINANCIAL SERVICES

WebBank	WebBank is headquartered in Salt Lake City, Utah, and is an FDIC-insured, state-chartered industrial bank that provides customized consumer and commercial financing solutions.

STEEL CONNECT 49.2% OWNED

IWCO DIRECT	IWCO Direct is a leading provider of data-driven marketing solutions that help clients drive response across all marketing channels to create new and more loyal customers.
ModusLink	ModusLink Corporation provides digital and physical supply chain solutions to many of the world's leading brands across a diverse range of industries.

DIRECT INVESTMENT

AEROJET ROCKETDYNE	5.3% OWNED	Aerojet Rocketdyne Holdings, formerly GenCorp, is a technology based company that provides innovative solutions to its customers in the aerospace and defense markets.
Aviat NETWORKS	12.4% OWNED	Aviat is the trusted expert in microwave networking. Better solutions from experts you can trust. Aviat enables the highest performing networks, simplest operations, and best customer experiences.