2023 Annual Report

PAUL
MUELLER
COMPANY

CORPORATE PROFILE

Headquarters

Paul Mueller Company, Inc.
1600 West Phelps Street
Springfield, Missouri 65802, U.S.A.

General Information

Paul Mueller Company was founded in 1940 and incorporated in 1946 in Missouri. Mueller® products and services are used in a wide variety of industries, including animal health, beverage, brewing, chemical, dairy farm, dairy processing, food, heat transfer, HVAC, industrial construction, oil and gas, personal care, pharmaceutical, pure water, tank fabrication, and wine.

Business Segments

Dairy Farm Equipment – Milk cooling and storage, refrigeration products, and heat recovery equipment.

Industrial Equipment – Standard and customized stainless steel and alloy processing and storage tanks, pure water equipment, and heat transfer products.

Transportation – Delivery of products and components to customers and field fabrication sites, backhauls of material, and contract carriage.

About Us

At Paul Mueller Company, we are driven by purpose. For over 80 years, we have been united by the belief that the only quality that matters is Quality for Life: Quality in the lives of our coworkers, customers, and communities. We create a lasting impact with every product and relationship we build. Whether you are drinking a cold glass of milk, enjoying a fresh beer on tap, or filling a prescription at your local pharmacy, we are there with you... fueling your day, filling your glass, and helping you feel better.

FINANCIAL HIGHLIGHTS

Operating Results for the Year

Amounts in thousands, except for share data and ratios.	2023	2022	2021
Net Sales	$ 229,156	$ 191,520	$ 184,613
Income (Loss) Before Taxes	(15,422)	4,641	8,548
Provision (Benefit) for Income Taxes	(5,532)	1,032	1,547
Net Income (Loss)	$ (9,890)	$ 3,609	$ 7,001
Earnings (Loss) Per Common Share:			
Basic	$ (9.11)	$ 3.32	$ 6.44
Diluted	$ (9.11)	$ 3.32	$ 6.44

Year-End Position

	2023	2022	2021
Total Assets	$ 134,269	$ 137,928	$ 116,289
Working Capital	$ 27,694	$ 2,974	$ 21,372
Current Ratio	1:47	1:03	1:49
Shareholders' Investment	$ 63,516	$ 40,058	$ 37,293
Book Value Per Share	$ 58.50	$ 36.90	$ 34.32
Common Shares Outstanding	1,085,711	1,085,711	1,086,661
Backlog – United States (Unaudited)	$ 89,166	$ 125,231	$ 67,578
Backlog – The Netherlands (Unaudited)	$ 8,184	$ 7,598	$ 10,779

To the Shareholders of Paul Mueller Company:

In 2023, Paul Mueller Company achieved the second-highest revenue in Company history. Only the ethanol boom in 2007 led to higher revenue. The Company successfully terminated two defined benefit pension plans on December 18, 2023; only a small SERP plan remains. The Company annually contributed an average of $4.7 million to these plans during 2018–2022, a use of cash that will not be required in the future. The 2023 termination of these plans required an additional cash contribution of $11.1 million and resulted in a non-cash reduction of pretax earnings of $41.8 million. This non-cash settlement charge resulted in a 2023 net loss of $9.9 million. Excluding this settlement charge, net income would have been a record of $21.0 million.

It is useful to compare our 2023 result to 2022 using “Income before provision for income taxes” (EBT) from page 5 of this report. EBT in 2023 was a loss of $15.4 million, and in 2022 it was a profit of $4.6 million. To make the comparison more useful, we can remove the effects of LIFO and the pension settlement charges. We make the following adjustments: add the LIFO effect of $83,000 in 2023 and $4.836 million in 2022; add back the pension settlement costs of $41.773 million in 2023. With these adjustments, 2023 EBT would have been a record $26.435 million compared to 2022 EBT of $9.477 million. This comparison shows that EBT, on this non-GAAP adjusted basis, increased by 178.9% while revenue increased by 19.7%. Gross profit as a percentage of revenue rose from 20% to over 30%.

As the segment data shows on page 28 of this report, both Dairy Farm Equipment and Industrial Equipment produced good revenue and profit growth in 2023. Industrial Equipment was exceptionally strong, led by our pharmaceutical, and food and beverage divisions. Mueller BV was profitable for the first time since 2016. Their 2023 EBT was a $1.9 million improvement over 2022 on flat revenue.

The cash and marketable securities balances of the Company were at $33.9 million as of December 31, 2023, after the termination of the pension plans. The Company has borrowings of $9.520 million, including long-term debt and current maturities. The balance sheet categories “Advance billings” and “Billings in excess of costs and estimated earnings” are related to our performance obligations and are at $31.3 million. These obligations will require cash but are partially covered by work-in-process inventory for which we have already paid.

On December 31, 2023, the backlog of sold projects was $97.4 million, down from $132.8 million on December 31, 2022. While the backlog is lower than a year ago, this is still a historically high backlog, and the Company has a strong pipeline of potential projects.

We continue to upgrade our production equipment and invest in technology with projects similar to those that we described last year. The largest current project is an expansion to the building where we form heads. The second largest is the continuation replacement of the primary seam welding and rolling line, which provides most shell sections used in tank production. Capital spending was lower than 2022 but still historically high.

The Company is in a strong position. Our coworkers have developed the ability to increase margins, as described above, both through better marketing and selling practices and through better operational performance. They continue to find opportunities to invest in equipment and processes to drive this improvement. The termination of the pension plans significantly reduced the financial risk faced by the Company as well as eliminating the future pension expense and cash contributions to the plans. The balance sheet of the company is strong, with significantly more cash and marketable securities than borrowings and manageable performance obligations compared to cash and availability. We are proud of our progress and the contributions of our coworkers.

Simultaneously with the release of this annual report, we are announcing a tender offer as a means to repurchase up to $10 million of stock with the option to go to $15 million. The details are described in a press release and in offer materials distributed to our shareholders.

Sincerely,

David Moore

David Moore
President and CEO

March 15, 2024

Consolidated Statements of Operations
Years Ended December 31, 2023, 2022, and 2021

Amounts in thousands, except for share data.	2023	2022	2021
Net Sales	$ 229,156	$ 191,520	$ 184,613
Cost of Sales	158,625	152,286	141,558
Gross profit	70,531	39,234	43,055
Selling, General, and Administrative Expenses	88,269	35,011	38,493
Operating income (loss)	(17,738)	4,223	4,562
Other Income (Expense):			
Interest income	2,535	907	376
Interest expense	(350)	(697)	(742)
PPP loan forgiveness	–	–	1,884
Other, net	131	208	2,468
Total Other	2,316	418	3,986
Income (loss) before provision (benefit) for income taxes	(15,422)	4,641	8,548
Provision (Benefit) for Income Taxes	(5,532)	1,032	1,547
Net Income (Loss)	$ (9,890)	$ 3,609	$ 7,001
Earnings (Loss) Per Common Share:			
Basic	$ (9.11)	$ 3.32	$ 6.44
Diluted	$ (9.11)	$ 3.32	$ 6.44

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

Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2023, 2022, and 2021

Amounts in thousands.	2023	2022	2021
Net Income (Loss)	$ (9,890)	$ 3,609	$ 7,001
Other Comprehensive Income, Net of Tax:			
Foreign currency translation adjustment	$ 677	$ (1,416)	$ (1,889)
Change in pension liability	33,322	1,262	6,206
Comprehensive Income	$ 24,109	$ 3,455	$ 11,318

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

Consolidated Balance Sheets
December 31, 2023, 2022, and 2021

Amounts in thousands, except for share data.	2023	2022	2021
ASSETS			
Current Assets:			
Cash	$ 1,883	$ 679	$ 3,250
Marketable securities	32,042	37,497	8,031
Accounts receivable, less reserve of $515 for 2023, $539 for 2022, and $931 for 2021	25,166	20,580	25,774
Current net investment in sales-type leases	27	24	23
Inventories: Raw materials and components	20,351	21,786	20,082
Work-in-process	15,923	17,910	12,788
Finished goods	9,636	8,819	10,439
	45,910	48,515	43,309
LIFO reserve	(21,774)	(21,691)	(16,855)
	24,136	26,824	26,454
Prepayments	3,537	3,156	1,814
Total current assets	86,791	88,760	65,346
Property, Plant, and Equipment:			
Land and land improvements	8,126	8,005	8,225
Buildings	28,279	27,392	28,003
Fabrication equipment	87,112	80,587	81,351
Transportation, office, and other equipment	19,218	18,572	17,933
Construction-in-progress	3,025	5,272	1,575
	145,760	139,828	137,087
Less: Accumulated depreciation	(103,749)	(98,317)	(95,837)
	42,011	41,511	41,250
Right of Use for Operating Lease	1,215	1,361	1,347
Right of Use for Financing Lease	1,206	943	1,179
Deferred Taxes	227	2,235	3,794
Other Assets	2,363	2,806	3,209
Long-Term Net Investment in Sales-Type Leases	456	312	164
Total Assets	$ 134,269	$ 137,928	$ 116,289
LIABILITIES AND SHAREHOLDERS' INVESTMENT			
Current Liabilities:			
Current maturities of long-term debt	$ 640	$ 628	$ 1,330
Accounts payable	11,041	11,802	14,470
Current lease liability for operating	221	263	269
Current lease liability for financing	181	185	214
Income taxes payable	1,536	–	–
Accrued expenses: Payroll and benefits	8,122	4,521	4,643
Vacations	918	969	988
Other	5,099	3,635	3,080
Advance billings	27,383	41,288	18,595
Billings in excess of costs and estimated earnings	3,924	10,937	385
Pension Liabilities	32	11,558	–
Total current liabilities	59,097	85,786	43,974
Long-Term Pension Liabilities	233	236	18,036
Long-Term Debt, Less Current Maturities	8,880	9,349	14,241
Other Long-Term Liabilities	1,768	1,737	1,848
Operating Lease Liability, Less Current Portion	493	515	476
Financing Lease Liability, Less Current Portion	282	247	421
Total Liabilities	70,753	97,870	78,996
COMMITMENTS AND CONTINGENCIES			
Shareholders' Investment:			
Common stock, par value $1 per share – Authorized 20,000,000 shares – Issued 1,507,481 shares	1,508	1,508	1,508
Paid-in surplus	9,708	9,708	9,708
Retained earnings	67,181	75,721	72,764
	78,397	86,937	83,980
Less: Treasury stock – 421,770 shares for 2023 and 2022, and 420,820 shares for 2021, at cost	(10,787)	(10,787)	(10,749)
Accumulated other comprehensive (loss)	(4,094)	(36,092)	(35,938)
Total Shareholders' Investment	63,516	40,058	37,293
Total Liabilities and Shareholders' Investment	$ 134,269	$ 137,928	$ 116,289

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

Consolidated Statements of Shareholders' Investment
Years Ended December 31, 2023, 2022, and 2021

Amounts in thousands.	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss)	Total
Balance – December 31, 2020	$ 1,508	$ 9,708	$ 65,927	$ (6,344)	$ (40,255)	$ 30,544
Add (Deduct):						
Net income	–	–	7,001	–	–	7,001
Other comprehensive income, net of tax	–	–	–	–	4,317	4,317
Dividends, $.15 per common share	–	–	(164)	–	–	(164)
Treasury stock acquisition	–	–	–	(4,405)	–	(4,405)
Balance – December 31, 2021	1,508	9,708	72,764	(10,749)	(35,938)	37,293
Add (Deduct):						
Net income	–	–	3,609	–	–	3,609
Other comprehensive (loss), net of tax	–	–	–	–	(154)	(154)
Dividends, $.60 per common share	–	–	(652)	–	–	(652)
Treasury stock acquisition	–	–	–	(38)	–	(38)
Balance – December 31, 2022	1,508	9,708	75,721	(10,787)	(36,092)	40,058
Add (Deduct):						
Net (loss)	–	–	(9,890)	–	–	(9,890)
Other comprehensive income, net of tax	–	–	2,001	–	31,998	33,999
Dividends, $.60 per common share	–	–	(651)	–	–	(651)
Balance – December 31, 2023	$ 1,508	$ 9,708	$ 67,181	$ (10,787)	$ (4,094)	$ 63,516

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

Consolidated Statements of Cash Flows
Years Ended December 31, 2023, 2022, and 2021

Amounts in thousands.	2023	2022	2021
Cash Flow Provisions from Operating Activities:			
Net income (loss)	$ (9,890)	$ 3,609	$ 7,001
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Pension contributions (greater) less than expense	21,793	(4,980)	(5,805)
Bad debt expense (recovery)	275	81	(528)
Depreciation and amortization	6,641	6,156	6,547
Loss (gain) on disposal of equipment	796	(1)	(57)
(Gain) recognized on sale of subsidiary	–	–	(3,208)
Interest on lease liability for financing	–	–	(15)
Deferred tax (benefit) expense	(9,230)	831	1,792
PPP loan forgiveness	–	–	(1,884)
Changes in assets and liabilities:			
(Increase) decrease in accounts and notes receivable	(4,861)	5,113	(1,116)
(Increase) in costs and estimated earnings in excess of billings	–	–	(2,380)
Decrease (increase) in inventories	2,688	(370)	(8,578)
Decrease (increase) in prepayments	394	(1,052)	3
Decrease (increase) in other assets	381	347	(1,906)
(Increase) in net investment is sales-type leases	(147)	(149)	(101)
Decrease in deferred taxes	11,550	437	1,968
(Decrease) increase in accounts payable	(761)	(2,668)	3,748
Increase (decrease) in accrued income tax	1,536	–	(591)
Increase (decrease) in accrued expenses	5,014	414	(5,487)
(Decrease) increase in advance billings	(13,905)	22,693	11,498
(Decrease) increase in billings in excess of costs and estimated earnings	(7,013)	10,552	(672)
Increase in lease liability for operating	–	421	255
Increase in lease liability for financing	133	33	103
Principal payments on lease liability for operating	(85)	(350)	(298)
(Decrease) in long-term liabilities	(1,058)	(111)	(378)
Net cash provided (required) by operating activities	4,251	41,006	(89)
Cash Flows (Requirements) from Investing Activities:			
Proceeds from sales of equipment	171	26	81
Investments in marketable securities	5,455	(29,466)	6,017
Additions to property, plant, and equipment	(7,704)	(9,067)	(5,262)
Net cash (required) provided by investing activities	(2,078)	(38,507)	836
Cash Flow (Requirements) from Financing Activities:			
Principal payments on lease liability for financing	(116)	(201)	(259)
(Repayment) of short-term borrowings	–	(642)	(590)
Principal payments on long-term debt	(634)	(4,045)	(1,653)
Dividends paid	(651)	(652)	(164)
Treasury stock acquisitions	–	(38)	(4,405)
Net cash (required) by financing activities	(1,401)	(5,578)	(7,071)
Effect of Exchange Rate Changes	432	508	679
Net Increase (Decrease) in Cash	1,204	(2,571)	(5,645)
Cash at Beginning of Year	679	3,250	8,895
Cash at End of Year	$ 1,883	$ 679	$ 3,250

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

Notes to Consolidated Financial Statements

(1) Summary of Accounting Policies

Principles of Consolidation and Lines of Business – The financial statements include the accounts of Paul Mueller Company and its wholly owned subsidiaries: Mueller Transportation, Inc.; Mueller Field Operations, Inc. (MFO); and Mueller B.V. and its subsidiaries (collectively "Company"). On December 31, 2021, the Company sold its entire equity interest in its wholly owned subsidiary, MFO, to the MFO management as outlined in Footnote 7. All significant intercompany balances and transactions have been eliminated in consolidation. The Company provides manufactured equipment and components for the food, dairy, beverage, chemical, pharmaceutical, and other industries, as well as the dairy farm market. The Company also provides field fabrication, service, repair, construction, and transportation services in these industries.

Use of Estimates – The preparation of the consolidated financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenue Recognition – Net Sales reported on the statement of operations solely consists of revenue from customer contracts. Management has concluded that the Segment Data disaggregation of revenue provided in Footnote 8 also satisfies the revenue disaggregation disclosure requirement under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." During the year ended December 31, 2023, there was $45,016,000 of revenue recognized that was included on the December 31, 2022, Consolidated Balance Sheets as advance billings and billings in excess of costs and estimated earnings (contract liabilities). During the year ended December 31, 2022, there was $16,305,000 of revenue recognized that was included on the December 31, 2021, Consolidated Balance Sheets as advance billings and billings in excess of costs and estimated earnings (contract liabilities). During the year ended December 31, 2021, there was $8,656,000 of revenue recognized that was included on the December 31, 2020, Consolidated Balance Sheets as advance billings and billings in excess of costs and estimated earnings (contract liabilities).

Revenue from sales of fabricated products or services is recognized based upon the transfer of promised products or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those products or services. Transfer of the products or services may occur at the time of shipment from the Company's dock, at the time of delivery to the customer's location, when projects are completed in the field and accepted by the customer, or throughout the progress of the project dependent upon contract terms and exclusivity of the products or services. For each project, distinct products or services are identified as performance obligations and revenue is recognized appropriately for each performance obligation independently. The revenue allocated to each performance obligation will align with the determination of stand-alone selling price. The Company determines its stand-alone selling price using the cost plus margin method. In situations where the contract dictates that control transfers to the customer upon delivery, then freight is to be a fulfillment activity for the performance obligation and the freight cost allocable to that performance obligation will be added to the performance obligation revenue. In situations where the contract dictates that control transfers to the customer upon shipment, but the Company is responsible for the shipping and handling activities after transfer of control, the Company has elected the accounting policy to treat those shipping and handling activities as fulfillment activities and not promised services that have to be further evaluated under Topic 606. If the products or services of a performance obligation have an alternative use, then the performance obligation will be recognized at a point-in-time. If the products or services do not have an alternative use or are field-fabricated at the customer's location, then the performance obligation will be recognized over-time.

The point-in-time method recognizes revenue of each performance obligation as it is shipped or delivered to the customer (as determined by the contract) or completed and accepted by the customer for services. The applicable manufacturing cost of each performance obligation is identified and charged to cost of sales as revenue is recognized.

Total revenue recognized at a point-in-time and over-time was as follows for the years ended December 31, 2023, 2022, and 2021:

	2023	2022	2021
Revenue recognized at a point-in-time	$ 192,900	$ 174,556	$ 153,879
Revenue recognized over-time	$ 36,256	$ 16,964	$ 30,734
Net sales	$ 229,156	$ 191,520	$ 184,613

The over-time method recognizes revenue using certain methods to measure progress toward the complete satisfaction of performance obligations. The Company uses the input method of cost incurred for plant-fabricated tanks and field-fabricated equipment. The Company uses the input method of hours performed for plant-fabricated skidded-systems. Under the hours performed method, revenues and profits for plant-fabricated skidded projects are recorded by applying the ratio of total manufacturing hours incurred to date for each project to estimated total manufacturing hours for each project. This method provides an accurate depiction of progress on the project because manufacturing labor hours are level (loaded across the duration of the project) as opposed to material costs, which are heavily expended in the beginning of the project and drop off at the end. For field-fabricated projects and plant-fabricated tanks, revenues and profits are recorded by applying the ratio of costs incurred to date for each contract to the estimated total costs for each contract at completion. This method provides an accurate depiction of progress on the project because of the various types of cost on the field-fabrication projects and plant-fabricated tanks (e.g., material, labor, rental, and subcontractor, etc.). As these costs occur in the project it is an accurate picture of the progress of the work in total versus looking at one specific component. Other considerations evaluated in the over-time method are significant financing components and variable consideration. A significant financing component does not exist for the Company's projects because a vast majority complete within one year and if a project extends beyond one year there will be progress billings. Variable consideration is accounted for if it is likely to exist on a project (an example would be liquidated damages for delay in the contract and the project is projecting to be late).

The Company generally provides limited-assurance-type warranties for standard products and work performed under its contracts. The warranty periods typically extend for a limited duration following transfer of control of the product. See Footnote 5 for further information on warranty costs incurred. The Company does not consider these warranties to be performance obligations. Occasionally, the Company offers extended warranties to customers, which are purchased separately. Extended warranties are considered to be separate performance obligations.

Sales commissions paid to sales personnel, as well as associated payroll taxes and retirement plan contributions (together, sales commissions and associated costs) that are incremental to the acquisition of customer contracts, are capitalized as deferred contract costs on the balance sheet when the period of benefit is determined to be greater than one year. The Company has elected to apply the practical expedient to expense sales commissions and associated costs as incurred when the expected amortization period is one year or less. The Company determines the period of benefit for sales commissions paid and associated costs for the acquisition of an initial contract by taking into consideration the initial estimated customer life, as well as future expectations about whether the renewal commission will be commensurate with the initial commission. Amortization is recognized on a straight-line basis commensurate with the pattern of revenue recognition.

At December 31, 2023, 2022, and 2021, there are customer contracts of which some, but not all, performance obligations have been satisfied. The Company is electing the optional exemption to not disclose the total amount of the transaction price allocated to these performance obligations, or explain when the Company expects to recognize the transaction price allocated to these performance obligations, because the Company believes the performance obligations will be satisfied in one year or less.

Costs and estimated earnings on uncompleted contracts and related amounts billed as of December 31, 2023, 2022, and 2021, were as follows (in thousands):

	2023	2022	2021
Costs incurred on uncompleted contracts	$ 29,037	$ 11,198	$ 16,002
Estimated earnings	16,800	4,086	11,081
	45,837	15,284	27,083
Less: Billings to date	46,633	26,167	26,214
	$ (796)	$ (10,883)	$ 869

Amounts included in the accompanying Consolidated Balance Sheets as of December 31, 2023, 2022, and 2021, under the following captions were (in thousands):

	2023	2022	2021
Costs and estimated earnings in excess of billings on uncompleted contracts (contract assets)	$ –	$ –	$ –
Income earned not invoiced included in accounts receivable	3,128	54	1,254
Billings in excess of costs and estimated earnings on uncompleted contracts (contract liabilities)	(3,924)	(10,937)	(385)
	$ (796)	$ (10,883)	$ 869

Costs and estimated earnings in excess of billings (contract assets) and billings in excess of costs and estimated earnings (contract liabilities) relate to contracts in progress and are included in the accompanying Consolidated Balance Sheets as current assets and current liabilities.

Contracts with some customers provide for a portion of the sales amount to be retained by the customer for a period of time after completion of the contract. There were no retainages included in accounts receivable as of December 31, 2023, 2022, and 2021.

The Company has elected the practical expedient to not adjust the promised consideration for the effects of a significant financing component, because at contract inception the Company believes that the time between when the Company transfers its products or services to a customer and when the Company will receive payment for such goods or services will be less than one-year. Most of the Company's projects have a less-than-one-year duration, and for those that extend longer, the Company negotiates progress payments that reduce or eliminate the financing component along the length of the project.

When evaluating variable consideration of the Company's projects, there are limited areas in which variable consideration would arise. The most prominent of these would be concessions provided in the event of a delivery delay. These concessions could take the form of liquidated damages agreed to in the contract or expected back-charges for a customer's direct impact of delay. The Company has significant experience with both standard and custom products, and has appropriate expense mitigation language included in its contracts of sale related to its products. For variable consideration arising from liquidated damages, the schedule of damages will be outlined in the contract and the Company would be able to calculate the exact reduction in transaction price arising from a delay in delivery, if the customer were to pursue the liquidated damages. Whether or not the customer would pursue the liquidated damages would be estimated using the expected value method and treated as a direct reduction to the total transaction price. For contracts without a liquidated damages provision, the Company has protection from highly variable costs because of contractual language limiting the costs that its customers can expect to have reimbursed by the Company. More so, it is a minority of projects where the Company is late delivering its obligations and even less that result in concessions being given. For this reason, the application of the variable consideration constraint does not result in the amount of variable consideration included in the contract price being constrained. The Company utilizes the expected value method to estimate and account for variable consideration of its projects.

Shipping fees charged are included in revenue, whereas sales, use, and other taxes collected from customers are excluded from revenue. The Company has elected an accounting policy that excludes, from the transaction price, all taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue transaction and are collected by the Company from a customer. Outbound shipping and handling costs are included in cost of sales.

For the years ended December 31, 2023, 2022, and 2021, there were no bill-and-hold transactions.

Marketable Securities – Marketable securities consist of short-term investments (less than two years) that have a minimum amount of risk. These include U.S. treasuries, investment grade corporate debt (defined as BBB– or better), bank certificate of deposits, or debt of U.S. government agencies. These investments are held-to-maturity securities that are reported at amortized cost.

Trade Accounts Receivable and Allowances for Credit Losses – In June 2016, the FASB issued guidance (FASB ASC 326), which changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard was a shift from the incurred loss model to the expected loss model.

The Company adopted the standard effective January 1, 2023, using a modified retrospective approach. The impact of the adoption was not material to the financial statements and primarily resulted in additional disclosures.

Trade accounts receivable, reduced by an allowance for expected credit loss, are reported on the Consolidated Balance Sheets. The Company's allowance for credit loss is determined based on the length of time receivables are past due and historical credit loss rates. Accounts are evaluated on a regular basis and reserves are established as deemed appropriate, based on the above criteria. Increases to the reserve are charged to the provision for credit losses, and reductions to the reserve are recorded when receivables are written off or subsequently collected. Accounts and notes receivables from non-customer entities are evaluated for collectability individually.

The allowance for credit losses for accounts receivable and the related activity are as follows:

	2023
Beginning balance	$ 539
Provision for credit losses	275
Write-offs	(127)
Recoveries	(172)
Ending balance	$ 515

For standard products and services, the Company's standard payment terms provide for payment in full within thirty (30) days of shipment of the products or completion of the services. For products that are designed and built to customer specifications or are field-fabricated, the Company may have a payment schedule agreement with the customer that provides for advances and progress billings prior to transfer of control of the products or completion of the field-fabrication. In such circumstances, an invoice is issued by the Company based upon the terms of the contract, and the effect on the consolidated financial statements is to record an account receivable and a liability in advance billings. No revenue is recognized on these transactions. The open accounts receivable related to these invoices are netted with advanced billings at each reporting period. As of December 31, 2023, 2022, 2021, and 2020, the amounts in advanced billings were $27,383,000, $41,288,000, $18,595,000, and $7,611,000, respectively.

For most customer orders, there is no right of return provided to the customer. The exception to this would be for standard parts orders in which the Company would allow for return and refund of the purchase price, less an applicable restocking fee. For the orders where returns would be allowed, the Company evaluates the likelihood of return on those orders and treats the probable returns as a direct reduction to the transaction price.

Inventories – Inventories are valued at the lower of cost or market. For 2023, 2022, and 2021, inventories are adjusted using the internal index method for calculating last-in, first-out ("LIFO").

Inventories of Mueller B.V. were $10,899,000, $10,997,000, and $11,168,000 as of December 31, 2023, 2022, and 2021, respectively, and are recorded at the lower of cost on a FIFO basis, or market.

Intercompany profits in inventory have been eliminated in the preparation of the consolidated financial statements for the years ended December 31, 2023, 2022, and 2021.

The pretax results for the twelve months ended December 31, 2023, were unfavorably affected by a $83,000 increase in the LIFO reserve. The pretax results for the twelve months ended December 31, 2022, were unfavorably affected by a $4,836,000 increase in the LIFO reserve. The pretax results for the twelve months ended December 31, 2021, were unfavorably affected by a $3,999,000 increase in the LIFO reserve.

Property, Plant, and Equipment – The Company provides for depreciation expense using principally the double-declining-balance method for new items and the straight-line method for used items. Depreciation expense was $6,575,000, $6,103,000, and $6,505,000 for the years ended December 31, 2023, 2022, and 2021, respectively. The economic useful lives within each property classification are recorded at cost and as follows:

	Years
Buildings	33 – 40
Land improvements	10 – 20
Fabrication equipment	5 – 10
Transportation, office, and other equipment	3 – 10

Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets retired are removed from the accounts, and any resulting gains or losses are recorded in the Consolidated Statements of Operations.

Research and Development – Research and development costs are charged to expense as incurred and were $818,000 during 2023, $725,000 during 2022, and $760,000 during 2021.

Impairment of Long-Lived Assets – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is evaluated by comparing the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is determined by measuring the amount by which the carrying amount of the asset exceeds the fair value of the asset as determined by the future net discounted cash flows. There were no impairments as of December 31, 2023, 2022, and 2021.

Earnings Per Common Share – The following table sets forth the computation of basic and diluted earnings per common share (in thousands, except for share data):

	2023	2022	2021
Net income (loss)	$ (9,890)	$ 3,609	$ 7,001
Shares for basic earnings per common share:			
Weighted-average shares outstanding	1,085,711	1,085,711	1,091,202
Shares for diluted earnings per common share:			
Adjusted weighted-average shares outstanding	1,085,711	1,085,711	1,091,202
Earnings (loss) per common share:			
Basic	$ (9.11)	$ 3.32	$ 6.42
Diluted	$ (9.11)	$ 3.32	$ 6.42

Comprehensive Income (Loss) – The components of other comprehensive income (loss) for the years ended December 31, 2023, 2022 and 2021, were as follows (in thousands):

	2023	2022	2021
Foreign currency translation adjustment	$ 677	$ (1,416)	$ (1,889)
Tax	–	–	–
Foreign currency translation adjustment, net of tax	677	(1,416)	(1,889)
Change in pension liability	44,872	1,699	8,174
Tax	(11,550)	(437)	(1,968)
Reclassification of stranded OCI	(2,001)	–	–
Change in pension liability, net of tax	31,321	1,262	6,206
Other comprehensive income (loss)	$ 31,998	$ (154)	$ 4,317

Statements of Cash Flows – Interest and income tax payments made during the years ended December 31, 2023, 2022, and 2021, were as follows (in thousands):

	2023	2022	2021
Interest payments	$ 355	$ 630	$ 662
Income tax payments	$ 1,300	$ 67	$ 1,931

Income Taxes – The Company accounts for income taxes in accordance with FASB Accounting Standards Codification ("ASC") 740, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes, as measured by the enacted tax rates which will be in effect when these differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred income tax assets, the Company considers whether it is more likely than not, according to the criteria of FASB ASC 740, that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. FASB ASC 740 requires that the Company recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

As of December 31, 2023, 2022, and 2021, no provision has been made for U.S. federal deferred income taxes on $7,893,000, $6,416,000, and $7,320,000, respectively, of accumulated and undistributed earnings of foreign subsidiaries, since it is the intention of management to indefinitely reinvest the undistributed earnings in those foreign subsidiaries at the U.S. level.

Reclassification – The Company classified certain expenses related to revenue generating activities for Mueller B.V. as selling expense rather than cost of goods sold. These expenses were incurred by the service technicians maintaining the cooling equipment on the farm as part of the annual service contracts purchased by the farmers. Prior periods have been reclassified to conform to the current period presentation. The reclassification increased cost of goods sold and decreased selling expenses by $5,391,000 for the year ended December 31, 2021. The Company classified the break out of marketable securities from cash and cash equivalents. Prior periods of cash and marketable securities have been reclassified to conform to the current period of the financial statements.

Leases – The Company follows ASU 2016-02, "Leases (Topic 842)."

As Lessee: The Company has operating leases for office equipment, buildings, plant equipment, and company vehicles related to its operations in The Netherlands. The Company has finance leases for company vehicles and plant equipment related to its operations in The Netherlands.

The leases of office equipment have variable lease payments that are determined by the local pricing index, but all other leases have fixed lease payments. The Vietnam building lease is the only lease that includes an option to renew. The lease will go to a year-over-year renewal after the initial term, unless either party terminates in accordance with the notice provisions of the lease. None of the leases provide a residual value guarantee to the lessor.

In applying ASU Topic 842, the Company was unable to determine the implicit rates for each lease, so lending rates from the Company's lending institutions were used.

For the year ended December 31, 2023, the financial statements include finance lease costs of $200,000 in amortization of the ROU assets and $11,000 in interest on the lease liabilities and the operating leases costs of $298,000. For the year ended December 31, 2022, the financial statements include finance lease costs of $201,000 in amortization of the ROU assets and $10,000 in interest on the lease liabilities and the operating lease costs of $280,000. For the year ended December 31, 2021, the financial statements include finance lease costs of $261,000 in amortization of the ROU assets and $15,000 in interest on the lease liabilities and the operating lease costs of $298,000.

The following weighted averages apply to the Company's operating and finance leases:

	2023	2022	2021
Weighted average remaining lease term, finance lease	3.9 years	2.7 years	3.3 years
Weighted average remaining lease term, operating lease	3.9 years	3.8 years	3.2 years
Weighted average discount rate, finance lease	3.14%	2.17%	2.02%
Weighted average discount rate, operating lease	3.25%	2.61%	1.89%

As Lessor: For the year ended December 31, 2023, total income from operating leases was $2,605,000, which is included in the consolidated income statement in net sales. For the year ended December 31, 2023, for sales-type leases, total revenue recorded was $126,000, and total costs of goods sold recorded was $118,000, which are included in the consolidated income statement in net sales and cost of sales, respectively. For the year ended December 31, 2022, total income from operating leases was $2,896,000, which is included in the consolidated income statement in net sales. For the year ended December 31, 2022, for sales-type leases, total revenue recorded was $145,000, and total costs of goods sold recorded was $124,000, which are included in the consolidated income statement in net sales and cost of sales, respectively. For the year ended December 31, 2021, total income from operating leases was $3,772,000, which is included in the consolidated income statement in net sales. For the year ended December 31, 2021, for sales-type leases, total revenue recorded was $106,000, and total costs of goods sold recorded was $85,000, which are included in the consolidated income statement in net sales and cost of sales, respectively.

The Company has a fleet of rental milk coolers and related equipment that are leased out to farmers from the operations in The Netherlands. The lease payments are fixed for the duration of the lease and do not have a variable component. These leases are operated on a month-to-month basis using an assumed 141-month average lease term for leases starting 2023, 2022, and 2021, and an assumed 113-month average lease term used for leases starting in 2020, as well as the adoption of ASU Topic 842 in 2019. These leases do allow the farmers to purchase the equipment, but in practice this option is not typically taken (less than 10% of leases end in purchase).

Depreciation expense for assets subject to operating leases is provided primarily on the straight-line method over the term of the lease in amounts necessary to reduce the carrying amount of the asset to its estimated residual value. Estimated and actual residual values are reviewed on a regular basis to determine that depreciation amounts are appropriate. Depreciation expense relating to machinery and equipment held as investments in operating leases was $415,000 for 2023, $249,000 for 2022, and $454,000 for 2021.

Investments in operating leases at December 31 are as follows (in thousands):

	2023	2022	2021
Machinery and equipment, at cost	$ 10,369	$ 10,223	$ 11,571
Accumulated depreciation	(5,769)	(5,973)	(7,300)
Net investments in operating leases	$ 4,600	$ 4,250	$ 4,271

A maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of December 31 are as follows (in thousands):

2024	$ 2,391
2025	2,077
2026	1,752
2027	1,630
2028	951
Thereafter	2,022
	$ 10,823

The components of lease receivables for the net investment in sales-type leases at December 31 are as follows (in thousands):

	2023	2022	2021
Total minimum lease receivables	$ 305	$ 243	$ 149
Less: Allowance for credit loss	–	–	–
Net minimum lease payments receivable	305	243	149
Estimated residual values of leased property	178	93	38
Net investments in sales-type leases	$ 483	$ 336	$ 187
Current portion	$ 27	$ 24	$ 23
Long-term portion	$ 456	$ 312	$ 164

A maturity analysis of the annual undiscounted cash flows of the sales-type lease payments to be received as of December 31 are as follows (in thousands):

2024	$ 77
2025	77
2026	77
2027	77
2028	77
Thereafter	374
	$ 759
Less discounted cash flow adjustment	(454)
Total minimum lease receivable	$ 305

(2) Retirement Plans

The Company has a Profit Sharing and Retirement Savings Plan [401(k) plan] in which substantially all domestic employees are eligible to participate. The 401(k) plan provides for a match of employees' contributions up to a specified limit. The assets of the 401(k) plan are deposited with a trustee and are invested at the employee's option in one or more investment funds. Total Company contributions to the 401(k) plan were $1,436,000 for 2023, $1,044,000 for 2022, and $1,190,000 for 2021. In addition, Mueller B.V. sponsors retirement plans covering employees who are represented by a union and employees who are not represented by a union. The plans are defined contribution plans, and the Company contributions included in the accompanying Consolidated Statements of Operations were $1,445,000 for 2023, $1,290,000 for 2022, and $1,456,000 for 2021.

Historically, the Company has also sponsored defined benefit pension plans covering domestic employees who are represented by a bargaining unit and employees who are not represented by a bargaining unit, the contract plan and noncontract plan, respectively, and a SERP. Benefits under the pension plans are based on a flat benefit formula and final average pay, respectively. Employees not represented by the bargaining unit that are first hired after December 31, 2006, are not covered under the applicable pension plan. Also, after December 31, 2010, there are no further accrual of benefits for participants under the pension plan for employees not represented by the bargaining unit. Employees represented by the bargaining unit that are first hired after June 30, 2007, are not covered under the applicable pension plan. Also, after June 30, 2011, there are no further accrual of benefits for participants under the pension plan for employees represented by the bargaining unit.

In November 2022 and December 2022, the Company announced that it had initiated standard plan terminations of the contract plan and noncontract plan, respectively. The SERP is not impacted by the plan terminations. The Company applied to the Internal Revenue Service for its approval of the terminations, which it received on September 28, 2023. On December 18, 2023, the Company completed the termination of the contract and noncontract pension plans.

As part of the plan termination, the Company purchased a Single Premium Group Annuity Contract (GAC) covering all remaining contract and noncontract annuitants. Premiums for the GAC were paid to an insurance company on December 15, 2023, based on the best available participant data. As part of the annuity placement, the insurance company conducts an independent review of the Plan data to identify any possible discrepancies. The insurance company will provide a repricing spreadsheet in March 2024 that will be agreed to by the end of March 2024, with either a premium refund paid to the Company or additional premium paid to the life insurance company. The life insurance company may submit additional data changes up to one year after the start of the GAC, with amendment to the GAC and GAC premium possible until December 15, 2024.

The Company contributed $11,100,000 in 2023 to fund the plans and complete the terminations with the affected participants receiving either a lump sum payment or a monthly annuity payment provided by an insurance company. For 2023, the Company recognized a non-cash settlement charge of $41,773,000 ($30,900,000, net of tax). Total domestic pension expense under the plans, after recognizing the settlement charge, was $44,492,000 for 2023, $45,000 for 2022, and $395,000 for 2021.

The following table sets forth the required disclosures for the domestic pension plans as of December 31 (in thousands):

	2023	2022	2021
Change in projected benefit obligation:			
Benefit obligation as of beginning of year	$ 81,078	$ 99,866	$ 106,600
Interest cost	4,122	2,637	2,436
Annuity purchase	(62,592)	–	–
Actuarial (gain) loss	(1,569)	(16,023)	(3,792)
Benefits paid and expenses	(5,404)	(5,402)	(5,378)
Lump sum paid at plan termination	(15,297)	–	–
Benefit obligation as of end of year	$ 338*	$ 81,078	$ 99,866
Change in plan assets:			
Fair value of plan assets as of beginning of year	69,284	81,831	76,553
Actual return on plan assets	2,934	(11,731)	6,423
Employer contributions	11,148	4,588	4,232
Annuity purchase	(62,592)	–	–
Benefits paid and expenses	(5,404)	(5,402)	(5,378)
Lump sum paid at plan termination	(15,297)	–	–
Fair value of plan assets as of end of year	$ 73*	$ 69,284	$ 81,830
Funded status	$ (265)	$ (11,794)	$ (18,036)
Funded status as of end of year	$ (265)	$ (11,794)	$ (18,036)

*The decrease in the long-term pension liabilities during 2023 is primarily a result of settling the U.S. contract and noncontract plans. The plan asset balance of $73,000 at December 31, 2023, was primarily from interest earned and recorded subsequent to the plan termination payout. These funds were used to pay final termination expenses invoiced in 2024. The $73,000 is included in the long-term pension liabilities as of end of year.

The funded status as of December 31, 2023, for the SERP plan was underfunded by $265,000. The funded status as of December 31, 2022, for the contract, noncontract, and SERP plans were underfunded by $2,646,000, $8,870,000, and $278,000, respectively. The funded status as of December 31, 2021, for the contract, noncontract, and SERP plans were underfunded by $5,090,000, $12,585,000, and $361,000, respectively.

Included in accumulated other comprehensive loss as of December 31, 2023, are the following amounts that have not yet been recognized in net periodic pension expense: unrecognized actuarial losses from the SERP of $86,000 ($64,000, net of tax). Included in accumulated other comprehensive loss as of December 31, 2022, are the following amounts that have not yet been recognized in net periodic pension expense: unrecognized actuarial losses of $44,958,000 ($34,797,000, net of tax). Included in accumulated other comprehensive loss as of December 31, 2021, are the following amounts that have not yet been recognized in net periodic pension expense: unrecognized actuarial losses of $46,657,000 ($38,063,000, net of tax).

The primary driver of the decrease in accumulated other comprehensive loss between December 31, 2022, and December 31, 2023, is related to the recognition of the $41,773,000 settlement charge related to the plan terminations. The settlement charge reflects the accelerated recognition of the accumulated other comprehensive loss into pension expense for both the noncontract and contract plan at the time of settlement.

Components of pension expense for the three years were (in thousands):

	2023	2022	2021
Interest cost	$ 4,122	$ 2,637	$ 2,436
Expected return on plan assets	(3,195)	(4,365)	(4,123)
Amortization of prior service cost	1,792	1,773	2,082
Net periodic pension expense	$ 2,719	$ 45	$ 395
Settlement charge (income)	41,773	–	–
Total pension expense	$ 44,492	$ 45	$ 395

Pension expense and other amounts recognized in other comprehensive income for the years ends December 31, 2023, 2022, and 2021, are as follows (in thousands):

	2023	2022	2021
Total pension expense	$ 44,492	$ 45	$ 395
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Net loss (gain)	(1,307)	74	(6,092)
Amortization of prior service (cost) credit	(1,792)	(1,773)	(2,082)
Settlement charge (income)	(41,773)	–	–
Total recognized in other comprehensive income	(44,872)	(1,699)	(8,174)
Total recognized in pension expense and other comprehensive income	$ (380)	$ (1,654)	$ (7,779)

The components of pension expense are included in the line item, “selling, general, and administrative expenses” in the statement of operations.

Projected benefit obligations, accumulated benefit obligations, and fair value of plan assets were as follows as of December 31 (in thousands):

	2023	2022	2021
Projected benefit obligations	$ 338	$ 81,078	$ 99,866
Accumulated benefit obligations	$ 338	$ 81,078	$ 99,866
Fair value of plan assets	$ 73	$ 69,284	$ 81,830

Weighted average assumptions used to determine benefit obligations as of December 31 were as follows:

	2023	2022	2021
Discount rate	4.83%	5.24%	2.72%
Rate of compensation increase	N/A	N/A	N/A

Weighted average assumptions used to determine net periodic pension expense for the three years ended December 31 were as follows:

	2023	2022	2021
Discount rate	5.24%	2.72%	2.35%
Expected long-term return on plan assets	4.65%	5.38%	5.44%
Rate of compensation increase	N/A	N/A	N/A

Pension expense is calculated based upon a number of actuarial assumptions established on January 1 of the applicable year (detailed in the table above), including the weighted average discount rate and the expected long-term rate of return on plan assets. Discount rates were derived from spot rates along a yield curve developed from a portfolio of corporate bonds from issuers rated AA or higher by established rating agencies as of each measurement date, applied to our expected benefit cash flows. In developing the expected long-term rate of return assumption for plan assets (which consist mainly of U.S. equity and fixed income securities), input was considered from the actuaries and the investment advisors. The rate is intended to reflect the average rate of return expected to be earned on the funds invested or to be invested to provide plan benefits. In determining the rate, appropriate consideration was given to historical performance of the major asset classes held or anticipated to be held by the plans and the forecast for future rates of return for those asset classes.

Prior to the plan termination, the Company had adopted a pension investment policy designed to achieve an adequate funding status based on expected benefit payouts and to establish an asset allocation that will meet or exceed the long-term rates of return assumptions, while maintaining a prudent level of risk. The Company used the services of outside consultants in setting appropriate asset allocation targets and monitoring investment performance. Plan assets were invested in equity securities, fixed income securities, and cash. The investment strategy employed was a long-term risk-control approach using diversified investment options of 60% in equities and 40% in fixed income with no exposure to volatile investment options, such as financial futures, derivatives, etc.

Within the equities asset class, the investment policy provided for investments in a broad range of publicly traded securities, including both domestic and American depositary receipts ("ADRs") diversified by value, growth, and capitalization. An ADR is a negotiable security that represents the underlying securities of a non-United States company that trades in the U.S. financial markets. Within the fixed income class, the investment policy provided for investments in a broad range of high-quality corporate debt securities and U.S. government securities, in addition to pooled separate accounts maintained by an insurance carrier.

Given the communication of the termination of both of the Company's qualified defined benefit plans, the investment policy allocation was changed for 2023 to 100% of assets in cash equivalents and fixed income with fixed durations. The investment objective was to minimize the volatility of the value of the Company's plan assets relative to pension liabilities as the Company finalizes the plan termination process and settles plan benefits, including the transfer of any remaining liabilities to an insurer through the purchase of an annuity contract by a third-party administrator.

The weighted average asset allocations of the pension plans, as of December 31, were as follows:

	2023	2022	2021
Asset category:			
Cash and cash equivalents	99%	43%	1%
Equity securities	0%	0%	68%
Fixed income securities	1%	57%	31%
	100%	100%	100%

Assets are categorized into fair value, based upon the assumptions (inputs) used to value the assets in accordance with the fair value hierarchy established in FASB ASC 820, "Fair Value Measurements and Disclosures." The following table summarizes the fair value of the Company's plans' assets as of December 31, 2023, 2022, and 2021 (in thousands):

Asset Category	Fair Value at 12-31-23	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at Net Asset Value
Cash and cash equivalents	$ 392	$ 392[a]	$ –	$ –	$ –
Equity securities	–	–[b]	–	–	–
Fixed income securities	1	–[c]	–	–	1[d]
Total plan assets	$ 393	$ 392	$ –	$ –	$ 1

Asset Category	Fair Value at 12-31-22	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at Net Asset Value
Cash and cash equivalents	$ 30,064	$ 30,064[a]	$ –	$ –	$ –
Equity securities	–	–[b]	–	–	–
Fixed income securities	39,220	32,947[c]	–	–	6,273[d]
Total plan assets	$ 69,284	$ 63,011	$ –	$ –	$ 6,273

Asset Category	Fair Value at 12-31-21	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at Net Asset Value
Cash and cash equivalents	$ 410	$ 410[a]	$ –	$ –	$ –
Equity securities	55,482	55,482[b]	–	–	–
Fixed income securities	25,938	17,894[c]	–	–	8,044[d]
Total plan assets	$ 81,830	$ 73,786	$ –	$ –	$ 8,044

(a) The assets consist primarily of institutional money market mutual funds.
(b) The assets consist primarily of exchange traded funds and institutional mutual funds which hold domestic and international equities.
(c) The assets consist primarily of fixed income investments in pooled separate accounts and institutional mutual funds that include issues of the U.S. government and its agencies and high-quality corporate issues.
(d) In accordance with ASC 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Pension benefits expected to be paid over the next ten years are as follows (in thousands):

2024	$ 32
2025	31
2026	30
2027	29
2028	27
2029 through 2033	116
	$ 265

The Company's subsidiary, Mueller Field Operations, Inc. (MFO) contributes to a union sponsored multi-employer benefit plan for certain domestic employees. Benefits under this multi-employer plan are generally based on compensation levels and years of service. For MFO, the financial risks of participating in a multi-employer plan are different from single-employer plans in the following respects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

Under federal legislation regarding multi-employer pension plans, in the event of a withdrawal from a plan or plan termination, companies are required to continue funding their proportionate share of such plan's unfunded vested benefits. MFO is a participant in a union sponsored multi-employer plan, and, as a plan participant, MFO's potential obligation could be significant. The amount of the potential obligation is not currently ascertainable because the information required to determine such amount is not identifiable or readily available.

MFO's participation in the plan for the year ended December 31, 2021, is outlined in the following table. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number. The zone status is based on the latest information that MFO received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are generally less than 80 percent funded, and plans in the green zone are generally at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The "Surcharge Imposed" column includes plans in a red zone status that require a payment of a surcharge in excess of regular contributions. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject. The Company's participation in this plan terminated with the sale of its subsidiary, MFO, on December 31, 2021.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status			FIP/RP Status Pending/ Consolidated	Company Contributions			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2023	2022	2021		2023	2022	2021		
Boilermaker-Blacksmith National Pension Trust	48-6168020/001	N/A	N/A	Yellow	Yes	–	–	$510,111	No	Described Below (a)

(a) MFO's collective bargaining agreement with the Boilermaker-Blacksmith National Pension Trust is under a National Maintenance Agreement, which is evergreen in terms of expiration. However, the agreement allows for termination of the collective bargaining agreement by either party with a predetermined written notice.

(3) Income Taxes

The provision (benefit) for taxes on income before income taxes included (in thousands):

	2023	2022	2021
Current tax expense	$ 3,698	$ 201	$ (245)
Deferred, net	(9,230)	831	1,792
	$ (5,532)	$ 1,032	$ 1,547

Deferred tax assets and liabilities arise from the differences between financial reporting and tax reporting of assets and liabilities that most often result from differences in timing of income and expense recognition. The detail of the deferred tax assets and liabilities as of December 31, 2023, 2022, and 2021, is shown below (in thousands):

	2023	2022	2021
Deferred tax assets:			
Worker's compensation	$ 70	$ 92	$ 217
Vacation	183	267	253
Warranty	529	200	244
Doubtful accounts	68	98	180
Pensions	68	2,377	3,972
Tax attribute carryforward	772	1,973	1,958
Other	2,693	1,167	480
Net deferred tax assets	$ 4,383	$ 6,174	$ 7,304
Deferred tax liabilities:			
Intangibles	$ (11)	$ (13)	$ (16)
Property, plant, and equipment	(4,049)	(3,396)	(3,151)
Inventories	(863)	(890)	(1,096)
Other liabilities	(18)	(107)	(73)
Net deferred tax liabilities	$ (4,941)	$ (4,406)	$ (4,336)
Net deferred tax assets (liabilities)	$ (558)	$ 1,768	$ 2,968

On the accompanying Consolidated Balance Sheets, foreign net deferred tax assets are included as non-current assets, and domestic deferred tax liabilities are included in other long-term liabilities as of December 2023. On the accompanying Consolidated Balance Sheets, domestic net deferred tax assets are included as non-current assets, and foreign deferred tax liabilities are included in other long-term liabilities as of December 2022 and 2021, as appropriate. Income taxes receivable (payable) at December 31, 2023, 2022, and 2021, were $(1,536,000), $1,043,000 and $ 1,414,000, respectively, and are included in accounts receivable or income taxes payable on the accompanying Consolidated Balance Sheets. The detail of the deferred tax assets and liabilities as of December 31, 2023, 2022, and 2021, is shown below (in thousands):

	2023	2022	2021
Deferred tax assets, United States	$ 2,574	$ 5,164	$ 5,565
Deferred tax liability, United States	(3,359)	(2,929)	(1,771)
Net deferred tax assets (liabilities), United States	$ (785)	$ 2,235	$ 3,794
Net deferred tax assets (liabilities,) The Netherlands	$ 227	$ (467)	$ (826)

The Company's deferred income tax assets include certain future tax benefits. As of December 31, 2023, the tax effected deferred tax assets related to state net operating losses and federal net operating losses were eliminated. In addition, the Company has tax effected foreign net operating losses of $771,000.

A reconciliation between the expected income tax expense at the statutory federal income tax rate (21 %) and the reported income tax expense for each of the three years ended December 31, 2023, 2022, and 2021, follows (in thousands):

	2023	Rates	2022	Rates	2021	Rates
Statutory federal income tax expense (benefit)	$ (3,238)	21.00%	$ 950	21.00%	$ 1,795	21.00%
Increase (decrease) in taxes resulting from:						
Tax credits	(151)	.98%	(212)	(4.69%)	(113)	(1.32%)
State tax, net of federal benefit	(1,211)	7.85%	101	2.23%	254	2.97%
Net unrecognized tax positions	40	(.26%)	60	1.33%	(119)	(1.39%)
International taxes	(923)	5.99%	(40)	(.88%)	6	.07%
Permanent differences	(26)	.17%	(48)	(1.06%)	(116)	(1.36%)
Other, net	(23)	.15%	221	4.91%	(160)	(1.87%)
	$ (5,532)	35.88%	$ 1,032	22.84%	$ 1,547	18.10%

A reconciliation of the beginning and ending amounts of unrecognized tax benefits follows. The balances as of December 31, 2023, 2022, and 2021, are included in other long-term liabilities and in the deferred tax liabilities on the accompanying Consolidated Balance Sheets (in thousands):

Balance as of December 31, 2020	$ 509
Additions based on tax positions related to the current year	35
Reductions for tax positions of prior years	(154)
Balance as of December 31, 2021	$ 390
Additions based on tax positions related to the current year	59
Reductions for tax positions of prior years	(80)
Balance as of December 31, 2022	$ 369
Additions based on tax positions related to the current year	40
Reductions for tax positions of prior years	(252)
Balance as of December 31, 2023	$ 157

Federal tax returns are generally subject to examination for tax years 2020 and forward. State statutes vary, but state income tax returns are generally subject to examination from 2019 and forward. The unrecognized benefits of $157,000 as of December 31, 2023, would affect the Company's effective tax rate, if recognized. The Company records potential interest and penalties related to uncertain tax positions as a component of income tax expense. Interest and penalty expense was not significant for the years ended December 31, 2023, 2022, and 2021.

(4) Borrowings

In 2014, the Company entered into a domestic bank borrowing facility of $15,000,000. On March 10, 2023, the Company amended the domestic bank borrowing facility agreement to extend the agreement until March 29, 2024. The Company has a financial leverage covenant of total debt to EBITDA and a minimum fixed charge coverage at each quarter for the trailing twelve months.

Balance under the facility incur interest at the SOFR plus 10 basis points, plus a spread of 1.15%, as defined, and are secured by domestic accounts receivable and inventory. As of December 31, 2023, 2022, and 2021, the total balance under the facility was zero.

On August 31, 2022, Mueller B.V.'s bank borrowing facility was increased to $4,400,000. Balance under the facility are at the variable rate of one-month Euribor plus 1.40%. As of December 31, 2023, 2022, and 2021, the total balance under the facility was zero. Mueller B.V. has a financial leverage covenant of total debt to EBITDA.

As of December 31, 2023, the Company had notes payable with an outstanding long-term balance of $8,880,000. Listed below is a summary of amounts outstanding for notes payable. The current portion is included in current maturities of long-term debt, and the long-term portion is included in long-term debt on the accompanying Consolidated Balance Sheets (in thousands).

	Outstanding Balance		
	2023	2022	2021
Mueller B.V. note payable related to intercompany loan. Note matures in 2027 with a variable rate of 30-day SOFR plus 10 basis points plus 1.5%. The rate at year-end was 5.33%. Payments are made annually	$ 15,366	$ 15,118	$ 12,395
Mueller B.V. note payable related to mortgage loan secured by real estate, fixed assets, accounts receivable, inventory, and insurance proceeds. Note matures in 2026 with a fixed rate of 2.60%. Payments are made quarterly	6,270	6,527	7,345
Mueller B.V. note payable related to mortgage loan secured by real estate, fixed assets, accounts receivable, inventory, and insurance proceeds. Note matures in 2029 with a current variable rate of 1.55%. Payments are made quarterly	–	–	4,576
Notes payable related to Mueller B.V. and subsidiaries	$ 21,636	$ 21,645	$ 24,316
Domestic note payable secured by land, buildings, and equipment. Note matures in 2025 with a fixed rate of 2.5%. Payments are made monthly	$ 3,250	$ 3,450	$ 3,650
Current maturities	(640)	(628)	(1,330)
Elimination of intercompany loans	(15,366)	(15,118)	(12,395)
Total notes payable	$ 8,880	$ 9,349	$ 14,241

The principal payments of the notes payable as of December 31, 2023, and for future years are listed below (in thousands):

2024	$ 640
2025	3,490
2026	5,390
	$ 9,520

(5) Guarantees

The Company has a standby letter-of-credit facility of $5,000,000. As of December 31, 2023, there was a standby letter of credit totaling $847,000, issued under this facility, which will expire within one year.

The standard warranty provided by the Company is against defects in materials and workmanship and a compliance to specifications for a period of twelve (12) months after shipment of the equipment or completion of the services as applicable in each case.

The Company's provisions for warranty expense have historically been a relatively consistent percentage of sales. Warranty claims tend to occur shortly after product delivery, as a significant portion of the Company's sales are engineered-to-order products built to customer specifications. A warranty provision is recorded when notification is received of a potential claim based on an estimate of the cost to repair or replace, in addition to a general reserve provision based on a multi-year lag analysis. Warranty claims are reviewed monthly and reserves are adjusted to properly reflect the remaining estimated cost to complete the repair or to provide a replacement. The following is a reconciliation of changes in the warranty reserve, which is included with other accrued expenses on the Consolidated Balance Sheets for the years ended December 31, 2023, 2022, and 2021 (in thousands):

	2023	2022	2021
Beginning balance	$ 1,297	$ 1,326	$ 859
Costs incurred to satisfy warranty claims	(1,860)	(86)	(381)
Aggregate warranty reserves made	2,960	674	1,307
Aggregate changes to warranty reserves	135	(617)	(459)
Ending balance	$ 2,532	$ 1,297	$ 1,326

(6) Contingencies

The Company has operating leases with total aggregate future minimum payments of $744,000, and financing leases with total aggregate future minimum payments of $488,000, with terms exceeding one year. As of December 31, 2023, 2022, and 2021, the lease expense amounts were $509,000, $491,000, and $574,000, respectively.

The future minimum lease payments for each of the years subsequent to December 31, 2023, will be (in thousands):

	Operating	Finance
2024	$ 236	$ 190
2025	186	101
2026	137	63
2027	102	54
2028	64	39
2029 and after	19	41
	$ 744	$ 488
Less discounted cash flow adjustment	(30)	
Less interest		(25)
Lease liability	$ 714	$ 463

On June 12, 2020, the Company was granted a loan in the amount of $1,883,700, pursuant to the Paycheck Protection Program. The Company filed for forgiveness of the loan on November 17, 2020, and was granted forgiveness on June 10, 2021. The U.S. government has up to six years to audit the loan for compliance.

(7) Divestitures

On December 31, 2021, the Company sold its entire equity interest in its wholly owned subsidiary, Mueller Field Operations, Inc. (MFO), to the MFO management. In 2022, MFO was renamed Adaptive Stainless (Adaptive) by the new owners.

The sale price was $3,500,000, less working capital adjustments of $240,000 ($150,000 of which was paid on December 31, 2021, and $90,000, which was payable at December 31, 2021), for a net price of $3,260,000, before closing costs of $192,000. Assets of $2,599,000 and liabilities of $2,396,000 were sold. The Company recorded a gain on sale on this transaction of $2,865,000.

The Company provided $3,150,000 in financing for five years. Quarterly payments are $106,250 (principal and interest) until the balance is paid in full. The interest rate is based on a 30-day average of five-year treasuries plus 3.00% with a ceiling of 6.00%. The rate is fixed for the first year and then adjusts every six months, thereafter. The rate was 4.23% for 2022 and is 6.00% as of January 1, 2023. In addition, the Company will receive a variable payment of 30% of EBITDA in excess of $475,000 annually. The Company received $70,800 in 2023 as variable payment for 2022 results. As of December 31, 2023, Adaptive management is current on all loan payments.

The Company may also receive an earnout equal to 30% of EBITDA for two years commencing on the two years after the note is paid in full, or years six and seven after December 31, 2021, whichever comes first. The transaction allowed a maximum for the earnout of a cumulative $800,000, but this maximum was reduced to $725,000 based on savings Adaptive realized on a warranty issue that the Company was financially responsible for completing.

The Company will provide a four-year line of credit set initially at $800,000 in the first year at an interest rate equal to that of the financing note. The line of credit is reduced to $600,000 in year two, $500,000 in year three, and $400,000 in year four. As of December 31, 2023 and 2022, the balance due from Adaptive on the line of credit is zero.

As part of the transaction, the Company and Adaptive owners entered into a non-compete agreement and a supply arrangement outlining how the companies will continue to support one another as they have during their history together.

Prior to closing, Adaptive was nearing completion of a large juice facility project that has a warranty issue. The buyer assumed the warranty issue, but the Company agreed to financially support the completion of the warranty work and the project. In return, the Company will receive any remaining profit or loss and cash from the completion of the project. In 2023, the Company reserved $152,500 in expense, and in 2022, the Company recognized $135,000 in profit due to adjusting the reserves on this project. Adaptive is still working with the owner to complete some punch list items on the project so the Company has maintained some reserves to cover additional expenses.

On March 6, 2023, Mueller BV discussed with the works council about the liquidation of DEG Engineering GmbH (DEG), its German subsidiary. A works council is a group of employees who looks after the interest of employees and is required by the Dutch government for any Dutch company with 50 or more employees. The works council signed off on the liquidation. DEG was liquidated on December 31, 2023, with Mueller BV incurring a pretax loss of $4,071,000, which was previously reserved prior to 2023. The liquidation created a tax benefit in 2023 of $1,050,000.

(8) Segment Data

The Company has four reportable segments: Dairy Farm Equipment, Industrial Equipment, Field Fabrication, and Transportation. Dairy Farm Equipment segment sales are made by the Company to independent dealers for resale. Mueller B.V. also sells directly to farmers and provides service for farmers and milk coolers for rent to farmers. Products include milk cooling and storage equipment and accessories, refrigeration units, and heat recovery equipment for use on dairy farms. The Industrial Equipment segment includes sales of the following products directly to industrial customers: food, beverage, chemical, and industrial processing equipment; biopharmaceutical equipment; and pure water equipment. The Field Fabrication segment includes sales of very large, field-fabricated tanks and vessels that cannot be built and shipped from the plant. Typical projects are large stainless steel storage tanks for sanitary and industrial process applications. The Transportation segment includes the delivery of products to customers and backhauls of materials and components. The segment also includes the transportation of components for the Field Fabrication segment and contract carriage for third parties.

Management evaluates performance and allocates resources based on income or loss before income taxes for the segments. The accounting policies of the reportable segments are the same as those described in the Summary of Accounting Policies (Note 1) to these consolidated financial statements.

Reportable segments are managed separately because they offer different products and serve different markets. Industrial Equipment products have been aggregated because they are designed and built to a customer's specifications, and they use common processes and resources. Similar economic conditions affect the long-term financial performance of the product lines included in the Industrial Equipment segment. The Dairy Farm Equipment segment includes standard products that are built to stock and are available for sale from inventory. The demand for Dairy Farm Equipment products is affected by the economic factors that influence the profitability of dairy farmers. The Field Fabrication segment uses different skills and fabrication methods and requires different technology and expertise than other segments. The Transportation segment is a trucking operation.

The subsidiary, Mueller Field Operations, Inc., making up the Field Fabrication segment, was sold on December 31, 2021.

Net sales include revenues from sales to unaffiliated and affiliated customers and include intersegment eliminations (in thousands). The Other/Corporate classification includes other revenues, unallocated corporate assets and expenses, and corporate other income (expense).

2023	Dairy Farm Equipment	Industrial Equipment	Field Fabrication	Transportation	Other/ Corporate	Consolidated
Net sales	$ 87,798	$ 138,169	$ –	$ 3,189	$ –	$ 229,156
Depreciation and amortization expense	$ 3,179	$ 2,805	$ –	$ 467	$ 190	$ 6,641
Income (loss) before income tax	$ 3,422	$ 25,353	$ –	$ 116	$ (44,313)	$ (15,422)
Assets	$ 53,560	$ 37,683	$ –	$ 985	$ 42,041	$ 134,269
Additions to property, plant, and equipment	$ 2,750	$ 4,084	$ –	$ 160	$ 710	$ 7,704

2022	Dairy Farm Equipment	Industrial Equipment	Field Fabrication	Transportation	Other/ Corporate	Consolidated
Net sales	$ 76,658	$ 111,991	$ –	$ 2,871	$ –	$ 191,520
Depreciation and amortization expense	$ 2,979	$ 2,574	$ –	$ 428	$ 175	$ 6,156
Income (loss) before income tax	$ (125)	$ 7,835	$ –	$ 119	$ (3,188)	$ 4,641
Assets	$ 51,866	$ 35,192	$ –	$ 1,184	$ 49,686	$ 137,928
Additions to property, plant, and equipment	$ 3,728	$ 3,963	$ –	$ 970	$ 406	$ 9,067

2021	Dairy Farm Equipment	Industrial Equipment	Field Fabrication	Transportation	Other/ Corporate	Consolidated
Net sales	$ 75,239	$ 89,308	$ 17,335	$ 2,731	$ –	$ 184,613
Depreciation and amortization expense	$ 3,504	$ 2,375	$ 139	$ 326	$ 203	$ 6,547
Income (loss) before income tax	$ 1,612	$ 7,100	$ (1,433)	$ 142	$ 1,127	$ 8,548
Assets	$ 56,802	$ 36,089	$ –	$ 631	$ 22,767	$ 116,289
Additions to property, plant, and equipment	$ 1,549	$ 3,587	$ –	$ –	$ 126	$ 5,262

Revenues from external customers by product category for the three years ended December 31, 2023, were (in thousands):

	2023	2022	2021
Milk cooling and storage equipment	$ 87,412	$ 76,510	$ 77,636
Process vessels and tanks	118,776	101,308	90,137
Other industrial equipment	22,968	13,702	16,840
	$ 229,156	$ 191,520	$ 184,613

Revenues from external customers by geographic location are attributed to countries based on the final destination of the goods and for the three years ended December 31, 2023, were (in thousands):

	2023	2022	2021
United States	$ 164,660	$ 125,273	$ 121,294
North America (excluding the U.S.)	11,998	13,360	10,118
Asia and the Far East	4,226	6,899	5,481
The Netherlands	29,034	25,314	27,833
EU countries	14,665	15,076	16,548
Europe (non-EU countries)	2,406	3,655	2,763
Other areas	2,167	1,943	576
	$ 229,156	$ 191,520	$ 184,613

During 2023, 2022, and 2021, export sales to any one country were not in excess of 10% of consolidated sales.

During 2023, sales to any one customer was in excess of 10% of consolidated sales. Net sales from one domestic customer represented $40,232,000 in 2023. Net sales from this customer was less than 5% in 2022 and there were no other customers that exceeded 10% of consolidated sales in 2022 or 2021.

Long-lived assets owned by the Company for the three years ended December 31, 2023, were (in thousands):

	2023	2022	2021
North America	$ 18,550	$ 16,959	$ 13,580
Asia and the Far East	335	364	637
The Netherlands	25,713	26,657	29,777
EU countries	–	3	7
	$ 44,598	$ 43,983	$ 44,001

(9) Subsequent Events

On March 12, 2024, the Board of Directors authorized a tender offer effective from March 15, 2024, through May 7, 2024, for up to $10,000,000 with the option to go to $15,000,000 of the Company's common stock at a price of $80.

Effective March 14, 2024, the Company amended its domestic bank borrowing facility to extend the agreement until March 31, 2025, with the following changes:

1. Capacity was reduced from $15,000,000 to $10,000,000.
2. Interest rate spread was changed from "SOFR+10" plus 1.15% to "SOFR+10" plus 1.35%.
3. Financial leverage test of trailing twelve-month Debt/EBITDA was eliminated.

Safe Harbor for Forward-Looking Statements

The President's message on pages 3 and 4 of this Annual Report contains certain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. All statements regarding future performance, growth, sales and earnings projections, conditions, or developments are forward-looking statements. Words such as "anticipates," "believes," "intends," "expects," "may," "will," "should," "could," "plans," "forecasts," "estimates," "predicts," "projects," "potential," "continue," "outlook," and similar expressions may be intended to identify forward-looking statements.

Actual future results may differ materially from those described in the forward-looking statements due to a variety of factors, including the fact that the worldwide economy generally, and the dairy farm equipment and the industrial equipment markets, and factors affecting the trucking industry specifically, are all currently subject to uncertainty, making it difficult to determine if past experience is a good guide to the future. A downturn in the Company's business segments could adversely affect the Company's revenues and results of operations. Other factors affecting forward-looking statements, some of which are identified in the discussion relating to such forward-looking statements, include, but are not limited to, the following: specific economic conditions in the food, dairy, beverage, chemical, pharmaceutical, biotechnological and other process industries, and the international dairy farm equipment market and the impact of such conditions on the Company's customers in such markets; the cyclical nature of some of the Company's markets; milk prices, feed costs, weather conditions, dairy farm consolidation, and other factors affecting the profitability of dairy farmers; the price of stainless steel; the highly competitive nature of the markets for the Company's products, as well as pricing pressures that may result from such competitive conditions; business relationships with major customers and suppliers; the continued operation and viability of the Company's major customers; the Company's execution of internal performance plans; difficulties or delays in manufacturing; cost-reduction and productivity efforts; competing technologies and difficulties in entering new markets, both domestic and foreign; changes in product mix; future levels of indebtedness and capital spending; claims, including, without limitation, warranty claims, product liability claims, charges or dispute resolutions; ability of suppliers to provide materials as needed and the Company's ability to recover any price increases for materials and product pricing; the Company's ability to attract and retain key technical and other personnel; labor relations; the failure of customers to make timely payment; the Company's ability, both domestically and in Europe, to maintain adequate financing for operations; any inadequacy of the Company's intellectual property protection or the potential for third-party claims of infringement; global economic factors, including currency exchange rates; general economic conditions, including interest rates, the rate of inflation, and commercial and consumer confidence; energy prices; governmental laws and regulations affecting domestic and foreign operations, including tax obligations; changes in accounting standards; worldwide political stability; the effects of terrorist activities and resulting political or economic instability, including U.S. military action overseas; and the effect of acquisitions, divestitures, restructurings, product withdrawals, and other unusual events.

The Company cautions the reader that these lists of cautionary statements and risk factors may not be exhaustive. The Company expressly disclaims any obligation or undertaking to release publicly any updates or changes to these forward-looking statements that may be made to reflect any future events or circumstances.

RSM

RSM US LLP

Independent Auditor's Report

Board of Directors
Paul Mueller Company and Subsidiaries

Opinion

We have audited the consolidated financial statements of Paul Mueller Company and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' investment, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Kansas City, Missouri
March 15, 2024

Selected Financial Data – Five-Year Summary for the Years 2023, 2022, 2021, 2020, and 2019; and Financial Highlights (Unaudited) and Market Information by Quarter for the Years 2023 and 2022

Selected Financial Data – Five-Year Summary

Amounts in thousands, except for share data, historical exchange rates, and number of employees.

	2023	2022	2021	2020	2019
Net sales	$ 229,156	$ 191,520	$ 184,613	$ 201,116	$ 197,177
Net income (loss)	$ (9,890)	$ 3,609	$ 7,001	$ (2,557)	$ 6,589
Earnings (loss) per common share:					
Basic	$ (9.11)	$ 3.32	$ 6.44	$ (2.14)	$ 5.51
Diluted	$ (9.11)	$ 3.32	$ 6.44	$ (2.14)	$ 5.51
Common shares outstanding	1,085,711	1,085,711	1,086,661	1,195,747	1,195,866
Total assets	$ 134,269	$ 137,928	$ 116,289	$ 120,938	$ 124,894
Long-term debt	$ 8,880	$ 9,349	$ 14,241	$ 18,440	$ 15,334
Shareholders' investment	$ 63,516	$ 40,058	$ 37,293	$ 30,544	$ 32,415
Working capital	$ 27,694	$ 2,974	$ 21,372	$ 24,499	$ 9,695
Book value per common share	$ 58,50	$ 36.90	$ 34.32	$ 25.54	$ 27.11
Average number of employees	880	848	878	785	958
Historical exchange rates (Euro to U.S. Dollar):					
Year-end	$ 1.10	$ 1.07	$ 1.13	$ 1.23	$ 1.12
Year-end average	$ 1.08	$ 1.05	$ 1.18	$ 1.14	$ 1.12

Financial Highlights by Quarter, Unaudited

Amounts in thousands, except share data.

	Quarter Ended March 31		Quarter Ended June 30		Quarter Ended September 30		Quarter Ended December 31	
	2023	2022	2023	2022	2023	2022	2023	2022
United States:								
Net sales	$ 45,585	$ 28,116	$ 48,295	$ 34,315	$ 46,044	$ 35,464	$ 43,082	$ 47,298
Gross profit	$ 13,122	$ 3,857	$ 14,628	$ 5,663	$ 14,092	$ 6,823	$ 12,677	$ 9,358
Net income (loss)	$ 4,450	$ (885)	$ 4,705	$ 232	$ 5,078	$ 1,311	$ (25,561)	$ 3,859
The Netherlands:								
Net sales	$ 11,304	$ 12,980	$ 12,073	$ 12,058	$ 11,366	$ 10,316	$ 12,967	$ 12,002
Gross profit	$ 3,688	$ 5,056	$ 3,926	$ 4,770	$ 4,047	$ 4,140	$ 4,390	$ (429)
Net income (loss)	$ (770)	$ (236)	$ 110	$ (386)	$ 426	$ (334)	$ 1,711	$ 52
Consolidated:								
Net sales	$ 56,351	$ 40,775	$ 59,931	$ 45,977	$ 57,088	$ 45,766	$ 55,786	$ 59,002
Gross profit	$ 16,797	$ 8,914	$ 18,552	$ 10,435	$ 18,140	$ 10,965	$ 17,042	$ 8,920
Net income (loss)	$ 3,667	$ (1,121)	$ 4,813	$ (150)	$ 5,504	$ 980	$ (23,874)	$ 3,900
Earnings (loss) per common share:								
Basic	$ 3.38	$ (1.03)	$ 4.43	$ (0.14)	$ 5.07	$ 0.90	$ (21.99)	$ 3.59
Diluted	$ 3.38	$ (1.03)	$ 4.43	$ (0.14)	$ 5.07	$ 0.90	$ (21.99)	$ 3.59

Market Information by Quarter

	2023				2022			
	Quarter Ended				Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Market price of stock:								
High	$ 48.00	$ 46.00	$ 53.00	$ 58.00	$ 43.21	$ 46.13	$ 48.00	$ 48.00
Low	$ 40.88	$ 43.20	$ 42.10	$ 47.03	$ 38.85	$ 39.65	$ 45.00	$ 42.53

The Company's common stock is traded over-the-counter based on quotes obtained by market makers from OTC Markets Group. The market price data was obtained from NASDAQ for 2023 and 2022.

SHAREHOLDER INFORMATION

Board of Directors

** **CURTIS L. DINAN**
Senior Vice President and
Chief Operating Officer –
ONE Gas, Inc.

* ** *** **JOHN J. GHIRARDELLI**
Chairman of the Board,
President, and CEO –
Keystone Digital
Managing Partner –
Qdoba Franchisee,
MO, AR, and OK

* **DAVID T. MOORE**
President and CEO

*** **JEAN L. MORRIS**
Marketing and Design Coordinator –
Big Cedar Lodge

*** **JOHN P. (JACK) STACK**
Chairman, President, and CEO –
SRC Holdings Corporation

* ** **LEE J. VIOREL, III**
Member –
Lowther Johnson Attorneys at Law, L.L.C.

* Executive Committee Member
** Audit Committee Member
*** Nominating and Compensation Committee Member

Officers

DAVID T. MOORE
President and CEO

KENNETH E. JEFFRIES
Chief Financial Officer

JOE C. MEISSERT
General Manager

DENISE M. SILVEY
Secretary

Subsidiaries

MUELLER TRANSPORTATION, INC.

Officers

JOE C. MEISSERT – President

KENNETH E. JEFFRIES – Controller

PATRICIA K. WEBSTER – Treasurer

DENISE M. SILVEY – Secretary

MUELLER B.V.

Managing Director

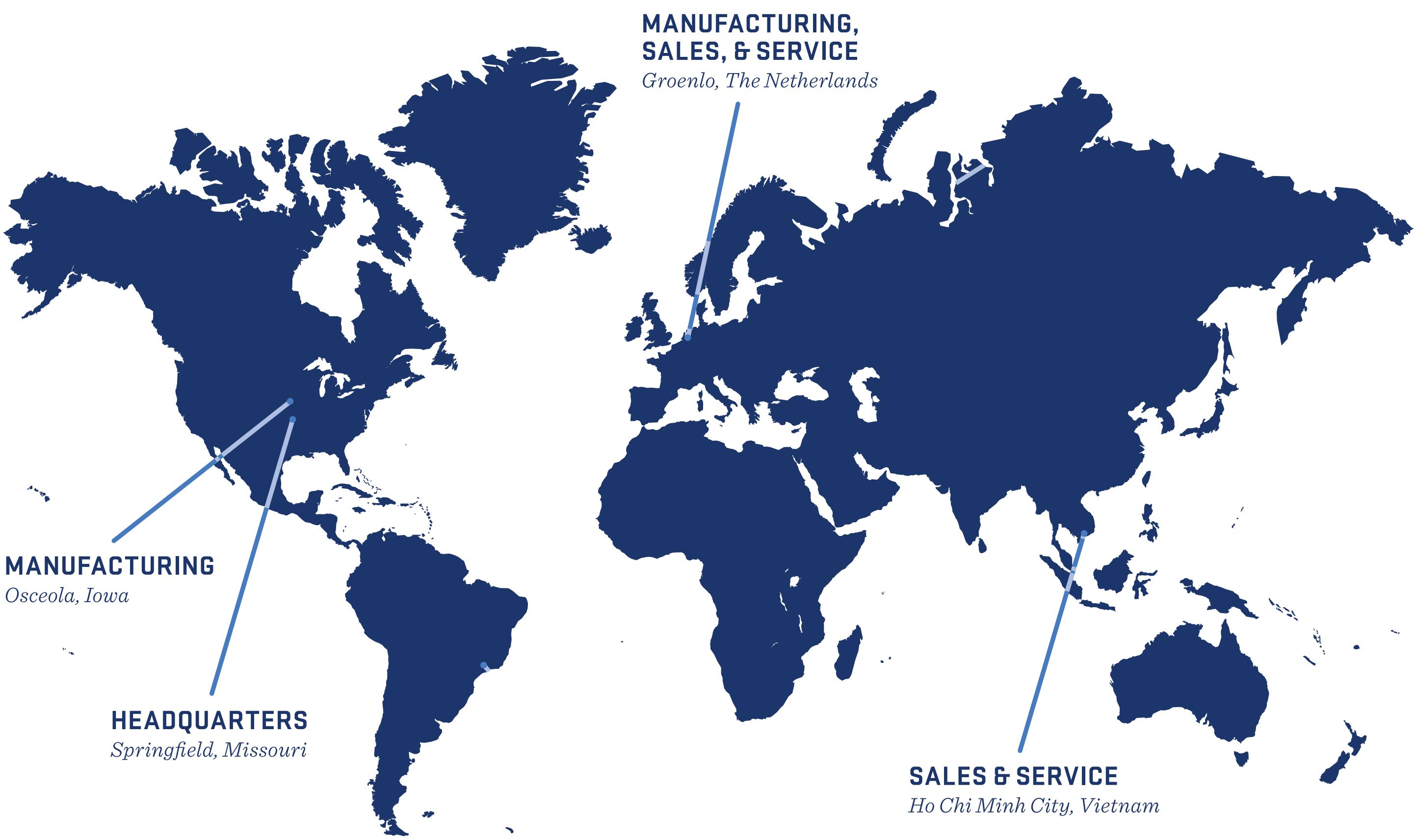
PAUL MUELLER COMPANY

Transfer Agent

Computershare, Inc.
250 Royall Street
Canton, MA 02021

PAUL MUELLER COMPANY

At Paul Mueller Company, we are united by a belief that the only quality that matters is quality that works for life. With every piece of processing equipment we build, our goal is to have lasting impact. This collective vision has led us from a small sheet metal shop to a global supplier of heating, cooling, processing, and storage solutions. Our equipment allows farmers, brewers, and engineers to keep their products fresh and their inventory strong. Whether our equipment preserves milk in rural areas or helps manufacture medicine with broad health benefits, we are making an impact across the globe.



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