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For Immediate Release

Paul Mueller Company Announces Its Third Quarter Earnings of 2018

Springfield, Missouri – October 26, 2018, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended September 30, 2018.

PAUL MUELLER COMPANY NINE-MONTH REPORT

Unaudited
(In thousands)

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2018	2017	2018	2017	2018	2017
Net Sales	\$ 46,809	\$ 48,271	\$ 155,592	\$ 125,512	\$ 198,037	\$ 162,732
Cost of Sales	34,276	34,274	116,318	89,225	146,080	117,834
Gross Profit	\$ 12,533	\$ 13,997	\$ 39,274	\$ 36,287	\$ 51,957	\$ 44,898
Selling, General and Administrative Expense	11,027	10,903	34,981	32,070	46,742	41,237
Operating Income	\$ 1,506	\$ 3,094	\$ 4,293	\$ 4,217	\$ 5,215	\$ 3,661
Interest Expense	(182)	(137)	(733)	(248)	(815)	(357)
Other Income (Expense)	(14)	20	28	(35)	(1,399)	379
Income before Provision (Benefit) for Income Taxes	\$ 1,310	\$ 2,977	\$ 3,588	\$ 3,934	\$ 3,001	\$ 3,683
Provision (Benefit) for Income Taxes	486	1,171	809	1,618	4,864	2,122
Net Income (Loss)	\$ 824	\$ 1,806	\$ 2,779	\$ 2,316	\$ (1,863)	\$ 1,561
Earnings per Common Share — Basic	\$0.69	\$1.51	\$2.32	\$1.94	(\$1.56)	\$1.30
Diluted	\$0.69	\$1.51	\$2.32	\$1.94	(\$1.56)	\$1.30

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30	
	2018	2017
Net Income	\$ 2,779	\$ 2,316
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustment	(1,140)	3,448
Change in Pension Liability	-	-
Amortization of De-Designated Hedges	-	3
Comprehensive Income	\$ 1,639	\$ 5,767

CONSOLIDATED BALANCE SHEETS

	September 30 2018	December 31 2017
Cash and Short-Term Investments	\$ 680	\$ 6,571
Accounts Receivable	33,925	22,680
Inventories	29,625	31,080
Other Current Assets	2,010	2,519
Current Assets	\$ 66,240	\$ 62,850
Net Property, Plant, and Equipment	51,930	51,586
Other Assets	24,863	25,458
Total Assets	\$ 143,033	\$ 139,894
Accounts Payable	\$ 15,376	\$ 14,242
Current Maturities and Short-Term debt	13,380	4,021
Other Current Liabilities	27,955	31,966
Current Liabilities	\$ 56,711	\$ 50,229
Long-Term Debt	22,162	23,562
Long-Term Pension Liabilities	31,142	34,766
Other Long-Term Liabilities	3,401	3,356
Total Liabilities	113,416	111,913
Shareholders' Investment	29,617	27,981
Total Liabilities and Shareholders' Investment	\$ 143,033	\$ 139,894

SELECTED FINANCIAL DATA

	September 30 2018	December 31 2017
Book Value per Common Share	\$24.76	\$23.39
Total Shares Outstanding	1,196,187	1,196,261
Backlog	\$ 78,286	\$ 94,043

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2017	\$ 1,508	\$ 9,708	\$ 59,256	\$ (6,329)	\$ (36,162)	\$ 27,981
Add (Deduct):						
Net Income			2,779			2,779
Other Comprehensive Income, Net of Tax					(1,140)	(1,140)
Treasury Stock Acquisition				(3)		(3)
Balance, September 30, 2018	\$ 1,508	\$ 9,708	\$ 62,035	\$ (6,332)	\$ (37,302)	\$ 29,617

CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating Activities:		
Net Income	\$ 2,779	\$ 2,316
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(3,625)	(2,023)
Bad Debt Expense (Recovery)	(24)	78
Depreciation & Amortization	4,568	4,361
(Gain) Loss on Sales of Equipment	(162)	(55)
Other	-	(20)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(11,127)	(4,064)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	50	166
(Inc) Dec in Inventories	1,456	(1,569)
(Inc) Dec in Prepayments	459	(2,342)
(Inc) Dec Other LT Assets	(3)	(358)
Inc (Dec) in Accounts Payable	1,133	3,323
Inc (Dec) Other Accrued Expenses	(247)	3,354
Inc (Dec) Advanced Billings	(2,993)	2,778
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	(770)	4,096
Inc (Dec) In Other Liabilities	44	21
Net Cash (Required) Provided by Operating Activities	\$ (8,462)	\$ 10,062
Investing Activities		
Proceeds from Sales of Equipment	172	164
Additions to Property and Equipment	(4,856)	(12,730)
Net Cash (Required) for Investing Activities	\$ (4,684)	\$ (12,566)
Financing Activities		
Proceeds (Repayment) of Short-Term Borrowings, Net	9,360	(3,867)
(Repayment) Proceeds of Long-Term Debt	(576)	13,010
Treasury Stock Acquisitions	(3)	(102)
Net Cash Provided for Financing Activities	\$ 8,781	\$ 9,041
Effect of Exchange Rate Changes	(1,526)	(355)
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (5,891)	\$ 6,182
Cash and Cash Equivalents at Beginning of Year	6,571	357
Cash and Cash Equivalents at End of Quarter	\$ 680	\$ 6,539

PAUL MUELLER COMPANY
SUMMARIZED NOTES TO THE FINANCIAL STATEMENTS
(In thousands)

- A. The chart below depicts the net revenue on a consolidating basis for the three months ended September 30.

Three Months Ended September 30		
<i>Revenue</i>	2018	2017
Domestic	\$33,197	\$34,898
Mueller BV	\$14,107	\$13,541
Eliminations	(\$495)	(\$168)
Net Revenue	\$46,809	\$48,271

The chart below depicts the net revenue on a consolidating basis for the nine months ended September 30.

Nine Months Ended September 30		
<i>Revenue</i>	2018	2017
Domestic	\$105,902	\$89,381
Mueller BV	\$50,611	\$36,555
Eliminations	(\$921)	(\$424)
Net Revenue	\$155,592	\$125,512

The chart below depicts the net revenue on a consolidating basis for the twelve months ended September 30.

Twelve Months Ended September 30		
<i>Revenue</i>	2018	2017
Domestic	\$136,828	\$114,643
Mueller BV	\$62,217	\$48,715
Eliminations	(\$1,008)	(\$626)
Net Revenue	\$198,037	\$162,732

The chart below depicts the net income on a consolidating basis for the three months ended September 30.

Three Months Ended September 30		
<i>Net Income</i>	2018	2017
Domestic	\$1,574	\$2,002
Mueller BV	(\$740)	(\$191)
Eliminations	(\$10)	(\$5)
Net Income	\$824	\$1,806

The chart below depicts the net income on a consolidating basis for the nine months ended September 30.

Nine Months Ended September 30		
<i>Net Income</i>	2018	2017
Domestic	\$3,689	\$2,851
Mueller BV	(\$931)	(\$602)
Eliminations	\$21	\$67
Net Income	\$2,779	\$2,316

The chart below depicts the net income on a consolidating basis for the twelve months ended September 30.

Twelve Months Ended September 30		
<i>Net Income</i>	2018	2017
Domestic	\$695	\$2,129
Mueller BV	(\$2,680)	(\$689)
Eliminations	\$122	\$121
Net Income	(\$1,863)	\$1,561

- B. Beginning with these results, incentive pay based on company profitability will be shown as an SG&A expense. Prior to this, some of the expense was in Other Income (Expense). Prior results have been restated for comparative purposes.
- C. Revenue for the 3rd quarter was flat to last year when excluding the tank trailer division that was discontinued in 2017. Earnings for the quarter were down \$1.0 million. Domestically, earnings were down \$0.4 million but were flat when the tank trailer division and the effects of LIFO are excluded. Mueller BV earnings are down \$0.6 million impacted by less than planned efficiencies from consolidated production in the new facility.

- D. Year-to-date revenue has increased \$30 million (24%) over last year. Domestically, the year-to-date revenue increase was led by the pharmaceutical segment with a combined increase of \$15.8 million (169%) from our BioPharm and PyroPure business units.

Mueller BV year-to-date revenue has increased \$14.1 million (38.5%) primarily from stronger dairy farm equipment orders and completion of a large heat transfer order to India.

In the US, year-to-date earnings are up \$0.8 million with approximately half coming from higher earnings, primarily driven by the strong pharmaceutical market, and half from the lower domestic tax rate. When excluding the effects of LIFO, domestic earnings are up \$2.2 million. Year-to-date earnings for Mueller BV are unfavorable by \$0.3 million.

- E. As of September 30, 2018, Mueller BV was out of compliance of the minimum EBITDA covenant on its Note Payable secured by the new building, fixed assets, accounts receivable, inventory and insurance proceeds. On October 19 2018, a waiver was obtained from the lender for the violation of the September 30, 2018 covenant test. Mueller BV has made the lender aware that recent financial performance will make it difficult for Mueller BV to comply with the December 31, 2018 test of the same covenant. Management and the bank continue discussing options going forward.
- F. Backlog is at \$78.3 million; down from the \$94.0 million at the end of 2017. Domestic backlog has decreased by \$9.4 million to \$60.8 million. Backlog in The Netherlands is at \$18.3; down \$6.6 million.
- G. Tax expense of approximately \$4.2 million was recognized in December, 2017 due to new United States federal tax legislation under the Tax Cuts and Jobs Act (TCJA). This includes a \$0.9 million transition tax expense estimate and \$3.3 million tax expense due to the revaluation of the deferred tax asset due to a decrease in the tax rate. In certain cases, the Company recorded for 2017 a reasonable estimate of the effects of the TCJA, and accordingly such amounts are provisional. In September 2018, tax expense was increased by \$0.2 million to finalize the transition tax for 2017.
- H. The pre-tax results for the three months ended September 30, 2018, were unfavorably affected by \$242,000 increase in the LIFO reserve. The pre-tax results for the nine months ended September 30, 2018, were unfavorably affected by a \$2.2 million increase in the LIFO reserve. The pre-tax results for the twelve months ended September 30, 2018, were unfavorably affected by a \$2.4 million increase in the LIFO reserve. The pre-tax results for the three months ended September 30, 2017, were not affected by LIFO reserve. The pre-tax results for the nine months ended September 30, 2017, were unfavorably affected by a \$0.5 million increase in the LIFO reserve. The pre-tax results for the twelve months ended September 30, 2017, were favorably affected by a \$24,000 decrease in the LIFO reserve.

- I. The consolidated financials are affected by the euro to dollar exchange rate when consolidating Mueller B.V., the Dutch subsidiary. The month end euro to dollar exchange rate was 1.18 for September 2017; 1.20 for December 2017; 1.16 for September 2018.

This press release contains forward-looking statements that provide current expectations of future events based on certain assumptions. All statements regarding future performance growth, conditions, or developments are forward-looking statements. Actual future results may differ materially from those described in the forward-looking statements due to a variety of factors, including, but not limited to, the factors described on page 29 of the Company's 2017 Annual Report, which is available at paulmueller.com. The Company expressly disclaims any obligation or undertaking to update these forward-looking statements to reflect any future events or circumstances.

The accounting policies related to this report and additional management discussion and analysis are provided in the 2017 annual report, available at www.paulmueller.com.