

Press Contact: Ken Jeffries | Paul Mueller Company | Springfield, MO 65802 | (417) 575-9346
kjeffries@paulmueller.com | <http://paulmueller.com>

For Immediate Release

Paul Mueller Company Announces Its Fourth Quarter Earnings of 2018

Springfield, Missouri – March 20, 2019, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended December 31, 2018.

PAUL MUELLER COMPANY TWELVE-MONTH REPORT

(In thousands)

CONSOLIDATED STATEMENTS OF INCOME				
	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	2018	2017
Net Sales	\$ 45,618	\$ 42,445	\$ 201,210	\$ 167,957
Cost of Sales	33,942	29,762	150,260	118,987
Gross Profit	\$ 11,676	\$ 12,683	\$ 50,950	\$ 48,970
Selling, General and Administrative Expense	11,965	11,843	47,137	44,046
Operating Income (Loss)	\$ (289)	\$ 840	\$ 3,813	\$ 4,924
Interest Expense	(187)	(82)	(920)	(330)
Other Income (Expense)	(1)	(1,345)	218	(1,247)
Income (Loss) before Provision (Benefit) for Income Taxes	\$ (477)	\$ (587)	\$ 3,111	\$ 3,347
Provision (Benefit) for Income Taxes	(337)	4,055	472	5,673
Net Income (Loss)	\$ (140)	\$ (4,642)	\$ 2,639	\$ (2,326)
Earnings (Loss) per Common Share — Basic	(\$0.12)	(\$3.88)	\$2.21	(\$1.94)
Diluted	(\$0.12)	(\$3.88)	\$2.21	(\$1.94)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
	Twelve Months Ended December 31		
	2018	2017	
Net Income (Loss)	\$ 2,639	\$ (2,326)	
Other Comprehensive Income (Loss), Net of Tax:			
Foreign Currency Translation Adjustment	(1,659)	4,061	
Change in Pension Liability	(1,330)	(4,121)	
Amortization of De-Designated Hedges	-	3	
Comprehensive Income (Loss)	\$ (350)	\$ (2,383)	

CONSOLIDATED BALANCE SHEETS			
	December 31		
	2018	2017	
Cash and Short-Term Investments	\$ 715	\$ 6,571	
Accounts Receivable	27,533	22,680	
Inventories	26,678	31,080	
Other Current Assets	2,066	2,519	
Current Assets	\$ 56,992	\$ 62,850	
Net Property, Plant, and Equipment	50,699	51,586	
Other Assets	22,497	25,458	
Total Assets	\$ 130,188	\$ 139,894	
Accounts Payable	\$ 11,177	\$ 14,242	
Current Maturities and Short-Term debt	10,332	4,021	
Other Current Liabilities	26,131	31,966	
Current Liabilities	\$ 47,640	\$ 50,229	
Long-Term Debt	21,478	23,562	
Long-Term Pension Liabilities	32,081	34,766	
Other Long-Term Liabilities	1,361	3,356	
Total Liabilities	102,560	111,913	
Shareholders' Investment	27,628	27,981	
Total Liabilities and Shareholders' Investment	\$ 130,188	\$ 139,894	

SELECTED FINANCIAL DATA

	December 31 2018	December 31 2017
Book Value per Common Share	\$23.10	\$23.39
Total Shares Outstanding	1,196,187	1,196,261
Backlog	\$ 97,354	\$ 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			2,639			2,639
Other Comprehensive Income, Net of Tax					(2,989)	(2,989)
Treasury Stock Acquisition				(3)		(3)
Balance, December 31, 2018	\$ 1,508	\$ 9,708	\$ 61,895	\$ (6,332)	\$ (39,151)	\$ 27,628

CONSOLIDATED STATEMENT OF CASH FLOWS

	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017
Operating Activities:		
Net Income (Loss)	\$ 2,639	\$ (2,326)
Adjustment to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) than Expense	(4,015)	(984)
Bad Debt Expense (Recovery)	161	28
Depreciation & Amortization	5,794	5,747
Deferred Tax (Benefit) Expense	1,182	5,389
(Gain) Loss on Sales of Equipment	(164)	(46)
Other	-	(20)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(4,856)	(4,405)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	(182)	97
(Inc) Dec in Inventories	4,402	(6,953)
(Inc) Dec in Prepayments	2,000	(375)
(Inc) Dec Other Assets	(57)	23
(Inc) Dec in Deferred Taxes	(422)	(1,315)
Inc (Dec) in Accounts Payable	(3,065)	5,797
Inc (Dec) Other Accrued Expenses	(1,805)	5,119
Inc (Dec) Advanced Billings	(2,500)	5,444
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	(1,529)	674
Inc (Dec) In Long Term Liabilities	(1,997)	394
Net Cash (Required) Provided by Operating Activities	\$ (4,414)	\$ 12,288
Investing Activities		
Proceeds from Sales of Equipment	173	172
Additions to Property, Plant, and Equipment	(4,838)	(23,750)
Net Cash (Required) for Investing Activities	\$ (4,665)	\$ (23,578)
Financing Activities		
Proceeds (Repayment) of Short-Term Borrowings, Net	6,313	(4,747)
(Repayment) Proceeds of Long-Term Debt	(922)	19,004
Treasury Stock Acquisitions	(3)	(102)
Net Cash Provided for Financing Activities	\$ 5,388	\$ 14,155
Effect of Exchange Rate Changes	(2,165)	3,349
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (5,856)	\$ 6,214
Cash and Cash Equivalents at Beginning of Year	6,571	357
Cash and Cash Equivalents at End of Year	\$ 715	\$ 6,571

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 December 31.

Three Months Ended December 31		
Revenue	2018	2017
Domestic	\$31,188	\$30,926
Mueller BV	\$14,730	\$11,607
Eliminations	(\$300)	(\$88)
Net Revenue	\$45,618	\$42,445

The chart below depicts the net revenue on a consolidating basis for the twelve months ended December 31.

Twelve Months Ended December 31		
Revenue	2018	2017
Domestic	\$137,090	\$120,307
Mueller BV	\$65,341	\$48,162
Eliminations	(\$1,221)	(\$512)
Net Revenue	\$201,210	\$167,957

The chart below depicts the net income on a consolidating basis for the three months ended December 31.

Three Months Ended December 31		
Net Income	2018	2017
Domestic	\$995	(\$2,994)
Mueller BV	(\$1,150)	(\$1,748)
Eliminations	\$15	\$100
Net Income	(\$140)	(\$4,642)

The chart below depicts the net income on a consolidating basis for the twelve months ended December 31.

Twelve Months Ended December 31		
Net Income	2018	2017
Domestic	\$4,686	(\$143)
Mueller BV	(\$2,083)	(\$2,350)
Eliminations	\$36	\$167
Net Income	\$2,639	(\$2,326)

- B. Backlog is at \$97.4 million; up slightly from the \$94.0 million at the end of 2017. Domestic backlog has increased \$13.5 million to \$83.6 million, primarily from a large pharmaceutical order. Backlog in The Netherlands is at \$13.8 million; down \$10.2 million after shipping a large heat transfer order to India.
- C. 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.
- D. The pre-tax results for the three months ended December 31, 2018, were favorably affected by a \$0.1 million decrease in the LIFO reserve. The pre-tax results for the twelve months ended December 31, 2018, were unfavorably affected by a \$2.1 million increase in the LIFO reserve. The pre-tax results for the three months ended December 31, 2017, were unfavorably affected by a \$0.2 million increase in the LIFO reserve. The pre-tax results for the twelve months ended December 31, 2017, were unfavorably affected by a \$0.7 million increase in the LIFO reserve.
- E. Mueller B.V. was in violation of certain financial covenants in its bank borrowing facility and its notes payable for the construction of the new building. On March 4, 2019, the Company loaned Mueller B.V. \$3.4 million in subordinated debt from the Company's available cash and borrowing on its domestic facility. This amount plus an additional \$1.1 million of subordinated debt loaned to Mueller B.V. in November 2018 was used to pay down on the variable rate note payable on March 8, 2019. In return, the bank waived the loan covenant violations as of December 31, 2018, and any possible future violations through March 31, 2020. In addition, Mueller B.V. agreed to reduce their capacity of the bank borrowing facility from \$8.0 million to \$6.8 million.
- F. 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 1.20 for December, 2017 and 1.14 for December, 2018, respectively.

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 31 of the Company's 2018 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 2018 annual report, available at www.paulmueller.com.