

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

For Immediate Release

## Paul Mueller Company Announces Its First Quarter Earnings of 2019

Springfield, Missouri – April 26, 2019, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended March 31, 2019.

### PAUL MUELLER COMPANY THREE-MONTH REPORT

Unaudited

(In thousands)

CONSOLIDATED STATEMENTS OF INCOME				
	Three Months Ended March 31		Twelve Months Ended March 31	
	2019	2018	2019	2018
Net Sales	\$ 41,882	\$ 46,078	\$ 197,014	\$ 176,424
Cost of Sales	31,826	33,802	148,284	125,772
Gross Profit	\$ 10,056	\$ 12,276	\$ 48,730	\$ 50,652
Selling, General and Administrative Expense	11,499	11,608	47,028	44,902
Operating Income (Loss)	\$ (1,443)	\$ 668	\$ 1,702	\$ 5,750
Interest Expense	(408)	(346)	(982)	(626)
Other Income (Expense)	277	234	261	(1,192)
Income (Loss) before Provision (Benefit) for Income Taxes	\$ (1,574)	\$ 556	\$ 981	\$ 3,932
Provision (Benefit) for Income Taxes	(494)	174	(196)	5,733
Net Income (Loss)	\$ (1,080)	\$ 382	\$ 1,177	\$ (1,801)
Earnings (Loss) per Common Share – Basic	(\$0.90)	\$0.32	\$0.98	(\$1.51)
Diluted	(\$0.90)	\$0.32	\$0.98	(\$1.51)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
	Three Months Ended March 31		
	2019	2018	
Net Income (Loss)	\$ (1,080)	\$ 382	
Other Comprehensive Income, Net of Tax:			
Foreign Currency Translation Adjustment	(631)	727	
Amortization of De-Designated Hedges	-	-	
Comprehensive Income (Loss)	\$ (1,711)	\$ 1,109	

CONSOLIDATED BALANCE SHEETS			
	March 31 2019	December 31 2018	
Cash and Short-Term Investments	\$ 846	\$ 715	
Accounts Receivable	28,136	27,533	
Inventories	30,754	26,678	
Other Current Assets	3,240	2,066	
Current Assets	\$ 62,976	\$ 56,992	
Net Property, Plant, and Equipment	49,089	50,699	
Other Assets	23,365	22,497	
Total Assets	\$ 135,430	\$ 130,188	
Accounts Payable	\$ 14,631	\$ 11,177	
Current Maturities and Short-Term debt	7,131	10,332	
Other Current Liabilities	37,729	26,131	
Current Liabilities	\$ 59,491	\$ 47,640	
Long-Term Debt	16,324	21,478	
Long-Term Pension Liabilities	31,483	32,081	
Other Long-Term Liabilities	2,215	1,361	
Total Liabilities	\$ 109,513	\$ 102,560	
Shareholders' Investment	25,917	27,628	
Total Liabilities and Shareholders' Investment	\$ 135,430	\$ 130,188	

**SELECTED FINANCIAL DATA**

	March 31 2019	December 31 2018
Book Value per Common Share	\$21.67	\$23.10
Total Shares Outstanding	1,196,187	1,196,187
Backlog	\$ 89,946	\$ 97,354

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT**

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2018</b>	\$ 1,508	\$ 9,708	\$ 61,895	\$ (6,332)	\$ (39,151)	\$ 27,628
<b>Add (Deduct):</b>						
Net Income (Loss)			(1,080)			(1,080)
Other Comprehensive Income, Net of Tax					(631)	(631)
Treasury Stock Acquisition						
<b>Balance, March 31, 2019</b>	\$ 1,508	\$ 9,708	\$ 60,815	\$ (6,332)	\$ (39,782)	\$ 25,917

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Operating Activities:</b>		
Net Income (Loss)	\$ (1,080)	\$ 382
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(598)	(4,058)
Bad Debt Expense (Recovery)	(181)	5
Depreciation & Amortization	1,615	1,329
(Gain) Loss on Sales of Equipment	(18)	(152)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(418)	(4,748)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	(43)	(53)
(Inc) Dec in Inventories	(4,076)	(3,865)
(Inc) Dec in Prepayments	(1,131)	(474)
(Inc) Dec Other Assets	(178)	(1)
Inc (Dec) in Accounts Payable	3,455	3,084
Inc (Dec) Other Accrued Expenses	(739)	(3,859)
Inc (Dec) Advanced Billings	12,375	3,804
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	(39)	1,096
Inc (Dec) In Other Liabilities	(70)	51
<b>Net Cash Provided (Required) by Operating Activities</b>	\$ 8,874	\$ (7,459)
<b>Investing Activities</b>		
Proceeds from Sales of Equipment	27	152
Additions to Property and Equipment	(2)	(7,452)
<b>Net Cash Provided (Required) for Investing Activities</b>	\$ 25	\$ (7,300)
<b>Financing Activities</b>		
Proceeds (Repayment) of Short-Term Borrowings, Net	(3,202)	5,488
Proceeds (Repayment) of Long-Term Debt	(4,868)	4,569
Treasury Stock Acquisitions	-	(2)
<b>Net Cash (Required) Provided for Financing Activities</b>	\$ (8,070)	\$ 10,055
<b>Effect of Exchange Rate Changes</b>	(698)	399
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ 131	\$ (4,305)
<b>Cash and Cash Equivalents at Beginning of Year</b>	715	6,571
<b>Cash and Cash Equivalents at End of Quarter</b>	\$ 846	\$ 2,266

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 March 31.

Three Months Ended March 31			
Revenue	2019	2018	
Domestic	\$ 27,912	\$ 32,633	
Mueller BV	\$ 14,663	\$ 13,608	
Eliminations	\$ (693)	\$ (163)	
Net Revenue	\$ 41,882	\$ 46,078	

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

Twelve Months Ended March 31			
Revenue	2019	2018	
Domestic	\$ 132,369	\$ 125,521	
Mueller BV	\$ 66,396	\$ 51,516	
Eliminations	\$ (1,751)	\$ (613)	
Net Revenue	\$ 197,014	\$ 176,424	

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

Three Months Ended March 31			
Net Income	2019	2018	
Domestic	\$ (1,056)	\$ 854	
Mueller BV	\$ 6	\$ (497)	
Eliminations	\$ (30)	\$ 25	
Net Income	\$ (1,080)	\$ 382	

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

Twelve Months Ended March 31			
Net Income	2019	2018	
Domestic	\$ 2,776	\$ 184	
Mueller BV	\$ (1,580)	\$ (2,121)	
Eliminations	\$ (19)	\$ 136	
Net Income	\$ 1,177	\$ (1,801)	

- B.** Backlog fell during the first quarter to \$89.9 million on March 31, 2019 from \$97.4 million on December 31, 2018. The reduction in backlog was due primarily to the Dairy Farm Equipment product line in the United States which has worked through the unusually large backlog of equipment sold into Canada. Backlog in The Netherlands fell slightly to \$13.0 million on March 31, 2019 from the \$13.8 million on December 31, 2018.
- C.** Revenue for the first quarter of 2019 was down by \$4.2 million compared to the first quarter of 2018. The drop was related primarily to the pharmaceutical business in the United States which has experienced a slow period between two large orders. This product line completed a large order in 2018 for an insulin producer and is currently engaged in the design and planning work to begin manufacturing, later this year, of a large order which has been secured from a vaccine producer. Revenue in The Netherlands is up by \$1.1 million.
- D.** Net income for the first quarter of 2019 was down by \$1.1 million compared to the first quarter of 2018. The drop was related to the slow period discussed above for the pharmaceutical business and the dairy farm business in the United States experiencing lower order entry and lower shipments of the highest margin products during the seasonally slow time of the year with difficult weather conditions. Net income in The Netherlands improved by \$0.5 million to \$6 thousand with some improvement in the market for dairy farm products and the shipment of a large order for a heat exchanger.
- E.** 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 included 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.
- F.** Mueller B.V. was in violation of certain financial covenants in its bank borrowing facility as of December 31, 2018. On March 4, 2019, the Company loaned Mueller B.V. \$3.4 million in subordinated debt. This amount plus an additional \$1.1 million of subordinated debt loaned to Mueller B.V. in November 2018 was used to pay down the variable rate note payable by \$4.5 million on March 8, 2019. Mueller B.V. also agreed to reduce their capacity of the revolving credit facility from \$8.0 million to \$6.8 million and to complete an independent review of the business and real estate valuation acceptable to the lender. In return, the lender waived the loan covenant violations as of December 31, 2018 and future violations of these covenants through March 31, 2020.
- G.** A total of \$6.6 million has been loaned to Mueller B.V. by the Company in the trailing twelve months through March 31, 2019. This lending and the first quarter domestic loss of \$1.1 million has resulted in the Company requesting an amendment to the bank borrowing facility in the United States to accommodate its lending to Mueller B.V. On, April 25, 2019, the lender provided an amendment excluding, from the fixed charge

coverage ratio calculation, \$2 million of the March 4th loan to Mueller B.V. described in F. above.

- H. The pre-tax results for the three months ended March 31, 2019, were unfavorably affected by a \$0.7 million increase in the LIFO reserve. The pre-tax results for the twelve months ended March 31, 2019, were unfavorably affected by a \$2.2 million increase in the LIFO reserve. The pre-tax results for the three months ended March 31, 2018, were unfavorably affected by a \$0.6 million increase in the LIFO reserve. The pre-tax results for the twelve months ended March 31, 2018, were unfavorably affected by a \$1.3 million increase 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 1.23 for March, 2018; 1.14 for December, 2018 and 1.12 for March, 2019, 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](http://www.paulmueller.com).