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For Immediate Release

Paul Mueller Company Announces Its Second Quarter Earnings of 2019

Springfield, Missouri – July 26, 2019, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended June 30, 2019.

PAUL MUELLER COMPANY SIX-MONTH REPORT

Unaudited
(In thousands)

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2019	2018	2019	2018	2019	2018
Net Sales	\$ 54,061	\$ 62,705	\$ 95,943	\$ 108,783	\$ 188,370	\$ 199,499
Cost of Sales	38,940	48,240	70,766	82,042	138,984	146,078
Gross Profit	\$ 15,121	\$ 14,465	\$ 25,177	\$ 26,741	\$ 49,386	\$ 53,421
Selling, General and Administrative Expense	10,997	12,409	22,496	24,074	45,559	46,738
Operating Income (Loss)	\$ 4,124	\$ 2,056	\$ 2,681	\$ 2,667	\$ 3,827	\$ 6,683
Interest Expense	(187)	(205)	(595)	(551)	(964)	(770)
Other Income (Expense)	8	(129)	285	162	341	(1,245)
Income (Loss) before Provision (Benefit) for Income Taxes	\$ 3,945	\$ 1,722	\$ 2,371	\$ 2,278	\$ 3,204	\$ 4,668
Provision (Benefit) for Income Taxes	981	149	487	323	636	5,549
Net Income (Loss)	\$ 2,964	\$ 1,573	\$ 1,884	\$ 1,955	\$ 2,568	\$ (881)
Earnings per Common Share — Basic	\$2.48	\$1.31	\$1.58	\$1.63	\$2.15	(\$0.74)
Diluted	\$2.48	\$1.31	\$1.58	\$1.63	\$2.15	(\$0.74)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30	
	2019	2018
Net Income	\$ 1,884	\$ 1,955
Other Comprehensive Income, Net of Tax:		
Foreign Currency Translation Adjustment	12	(814)
Change in Pension Liability	-	-
Amortization of De-Designated Hedges	-	-
Comprehensive Income	\$ 1,896	\$ 1,141

CONSOLIDATED BALANCE SHEETS

	June 30 2019	December 31 2018
Cash and Short-Term Investments	\$ 897	\$ 715
Accounts Receivable	34,867	27,533
Inventories	25,238	26,678
Other Current Assets	2,096	2,066
Current Assets	\$ 63,098	\$ 56,992
Net Property, Plant, and Equipment	49,198	50,699
Other Assets	23,457	22,497
Total Assets	\$ 135,753	\$ 130,188
Accounts Payable	\$ 13,732	\$ 11,177
Current Maturities and Short-Term Debt	9,277	10,332
Other Current Liabilities	33,989	26,131
Current Liabilities	\$ 56,998	\$ 47,640
Long-Term Debt	16,223	21,478
Long-Term Pension Liabilities	30,841	32,081
Other Long-Term Liabilities	2,167	1,361
Total Liabilities	\$ 106,229	\$ 102,560
Shareholders' Investment	29,524	27,628
Total Liabilities and Shareholders' Investment	\$ 135,753	\$ 130,188

SELECTED FINANCIAL DATA

	June 30 2019	December 31 2018
Book Value per Common Share	\$24.68	\$23.10
Total Shares Outstanding	1,196,187	1,196,187
Backlog	\$ 100,693	\$ 97,354

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2018	\$ 1,508	\$ 9,708	\$ 61,895	\$ (6,332)	\$ (39,151)	\$ 27,628
Add (Deduct):						
Net Income			1,884			1,884
Other Comprehensive Income, Net of Tax					12	12
Treasury Stock Acquisition						-
Balance, June 30, 2019	\$ 1,508	\$ 9,708	\$ 63,779	\$ (6,332)	\$ (39,139)	\$ 29,524

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Operating Activities:		
Net Income	\$ 1,884	\$ 1,955
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(1,241)	(3,841)
Bad Debt Expense (Recovery)	(242)	(20)
Depreciation & Amortization	3,275	2,928
(Gain) Loss on Sales of Equipment	(17)	(156)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(7,053)	(10,503)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	251	(54)
(Inc) Dec in Inventories	1,440	(422)
(Inc) Dec in Prepayments	(280)	(1,814)
(Inc) Dec Other Assets	(78)	(3)
Inc (Dec) in Accounts Payable	2,555	6,220
Inc (Dec) Other Accrued Expenses	(2,478)	(1,363)
Inc (Dec) Advanced Billings	3,965	(4,687)
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	6,371	(648)
Inc (Dec) in Other Long-Term Liabilities	(135)	(190)
Net Cash Provided (Required) by Operating Activities	\$ 8,217	\$ (12,598)
Investing Activities		
Proceeds from Sales of Equipment	31	161
Additions to Property and Equipment	(1,768)	(3,840)
Net Cash (Required) for Investing Activities	\$ (1,737)	\$ (3,679)
Financing Activities		
(Repayment) Proceeds of Short-Term Borrowings, Net	(1,055)	9,869
(Repayment) Proceeds of Long-Term Debt	(5,210)	1,768
Treasury Stock Acquisitions	-	(2)
Net Cash (Required) Provided for Financing Activities	\$ (6,265)	\$ 11,635
Effect of Exchange Rate Changes	(33)	(1,141)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 182	\$ (5,783)
Cash and Cash Equivalents at Beginning of Year	715	6,571
Cash and Cash Equivalents at End of Quarter	\$ 897	\$ 788

PAUL MUELLER COMPANY
SUMMARIZED NOTES TO THE FINANCIAL STATEMENTS

(1) Results of Operations: (In thousands)

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

Three Months Ended June 30		
<i>Revenue</i>	2019	2018
Domestic	\$40,110	\$40,073
Mueller BV	\$14,419	\$22,896
Eliminations	(\$468)	(\$264)
Net Revenue	\$54,061	\$62,705

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

Six Months Ended June 30		
<i>Revenue</i>	2019	2018
Domestic	\$68,022	\$72,705
Mueller BV	\$29,082	\$36,504
Eliminations	(\$1,161)	(\$426)
Net Revenue	\$95,943	\$108,783

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

Twelve Months Ended June 30		
<i>Revenue</i>	2019	2018
Domestic	\$132,407	\$138,528
Mueller BV	\$57,919	\$61,651
Eliminations	(\$1,956)	(\$680)
Net Revenue	\$188,370	\$199,499

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

Three Months Ended June 30		
<i>Net Income</i>	2019	2018
Domestic	\$2,878	\$1,261
Mueller BV	\$83	\$309
Eliminations	\$3	\$3
Net Income	\$2,964	\$1,573

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

Six Months Ended June 30		
<i>Net Income</i>	2019	2018
Domestic	\$1,822	\$2,115
Mueller BV	\$88	(\$191)
Eliminations	(\$26)	\$31
Net Income	\$1,884	\$1,955

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

Twelve Months Ended June 30		
<i>Net Income</i>	2019	2018
Domestic	\$4,393	\$1,121
Mueller BV	(\$1,804)	(\$2,131)
Eliminations	(\$21)	\$129
Net Income	\$2,568	(\$881)

- B. Backlog rose during the first half of 2019 to \$100.7 million on June 30, 2019 from \$97.4 million on December 31, 2018. The increase was additional orders in the strong pharmaceutical market offset by the reduction in backlog in 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 to \$10.8 million on March 31, 2019 from the \$13.8 million on December 31, 2018, due to weaker demand in the Dutch market.
- C. Revenue for the second quarter of 2019 was down by \$8.6 million compared to the second quarter of 2018. Revenues were flat in the US and the drop was related primarily to a large heat transfer order that Mueller B.V. shipped in the second quarter of last year.
- D. Net income for the second quarter of 2019 was up \$1.4 million compared to the second quarter of 2018. In the US, Net Income was up \$1.6 million, primarily from the \$1.3 million (net of tax) positive change in the effect of LIFO explained in footnote H. Mueller B.V. profits were down slightly for the quarter compared to 2018. However, their expense control measures are beginning to work as profits were only down \$0.2 million on \$8.5 million in less revenue.
- 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. The independent business review was finished and reviewed with the bank. Management and the bank are currently discussing a path forward.
- 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. All covenants were met as of June 30, 2019.
- H. The pre-tax results for the three months ended June 30, 2019, were favorably affected by a \$0.4 million decrease in the LIFO reserve. The pre-tax results for the six months ended June 30, 2019, were unfavorably affected by a \$0.4 million increase in the LIFO reserve. The pre-tax results for the twelve months ended June 30, 2019, were unfavorably affected by a \$0.5 increase in the LIFO reserve. The pre-tax results for the three months ended June 30, 2018, were unfavorably affected by a \$1.4 million increase in the LIFO reserve. The pre-tax results for the six months ended June 30, 2018, were unfavorably affected by a \$1.9 million increase in the LIFO reserve. The pre-tax results for the twelve months ended June 30, 2018, were unfavorably affected by a \$2.2 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 1.17 for June, 2018; 1.14 for December, 2018; and 1.14 for June, 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 in the Company's Annual Report under "Safe Harbor for Forward-Looking Statements", 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.