

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 Third Quarter Earnings of 2019

Springfield, Missouri – October 25, 2019, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended September 30, 2019.

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		
	2019	2018	2019	2018	2019	2018	
Net Sales	\$ 45,968	\$ 46,809	\$ 141,911	\$ 155,592	\$ 187,529	\$ 198,037	
Cost of Sales	33,117	34,276	103,883	116,318	137,825	146,080	
Gross Profit	\$ 12,851	\$ 12,533	\$ 38,028	\$ 39,274	\$ 49,704	\$ 51,957	
Selling, General and Administrative Expense	11,205	11,098	33,701	35,172	45,666	47,015	
Operating Income	\$ 1,646	\$ 1,435	\$ 4,327	\$ 4,102	\$ 4,038	\$ 4,942	
Interest Expense	(213)	(182)	(808)	(733)	(995)	(815)	
Other Income (Expense)	81	57	366	219	365	(1,126)	
Income before Provision (Benefit) for Income Taxes	\$ 1,514	\$ 1,310	\$ 3,885	\$ 3,588	\$ 3,408	\$ 3,001	
Provision (Benefit) for Income Taxes	374	486	861	809	524	4,864	
Net Income (Loss)	\$ 1,140	\$ 824	\$ 3,024	\$ 2,779	\$ 2,884	\$ (1,863)	
Earnings per Common Share							
Basic	\$0.95	\$0.69	\$2.53	\$2.32	\$2.41	(\$1.56)	
Diluted	\$0.95	\$0.69	\$2.53	\$2.32	\$2.41	(\$1.56)	

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
	Nine Months Ended September 30		
	2019	2018	
Net Income	\$ 3,024	\$ 2,779	
Other Comprehensive Income (Loss), Net of Tax:			
Foreign Currency Translation Adjustment	(1,216)	(1,140)	
Comprehensive Income	\$ 1,808	\$ 1,639	

CONSOLIDATED BALANCE SHEETS			
	September 30		
	2019	2018	
Cash and Short-Term Investments	\$ 993	\$ 715	
Accounts Receivable	25,426	27,533	
Inventories	27,224	26,678	
Other Current Assets	2,889	2,066	
Current Assets	\$ 56,532	\$ 56,992	
Net Property, Plant, and Equipment	46,866	50,699	
Other Assets	22,901	22,497	
Total Assets	\$ 126,299	\$ 130,188	
Accounts Payable	\$ 13,188	\$ 11,177	
Current Maturities and Short-Term debt	2,641	10,332	
Other Current Liabilities	34,110	26,131	
Current Liabilities	\$ 49,939	\$ 47,640	
Long-Term Debt	15,403	21,478	
Long-Term Pension Liabilities	29,451	32,081	
Other Long-Term Liabilities	2,070	1,361	
Total Liabilities	96,863	102,560	
Shareholders' Investment	29,436	27,628	
Total Liabilities and Shareholders' Investment	\$ 126,299	\$ 130,188	

SELECTED FINANCIAL DATA

	September 30 2019	December 31 2018
Book Value per Common Share	\$24.61	\$23.10
Total Shares Outstanding	1,196,187	1,196,187
Backlog	\$ 86,426	\$ 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			3,024			3,024
Other Comprehensive Income, Net of Tax					(1,216)	(1,216)
Balance, September 30, 2019	\$ 1,508	\$ 9,708	\$ 64,919	\$ (6,332)	\$ (40,367)	\$ 29,436

CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Operating Activities:		
Net Income	\$ 3,024	\$ 2,779
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(2,631)	(3,625)
Bad Debt Expense (Recovery)	(210)	(24)
Depreciation & Amortization	4,919	4,568
(Gain) Loss on Sales of Equipment	(18)	(162)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	2,426	(11,127)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	(180)	50
(Inc) Dec in Inventories	(546)	1,456
(Inc) Dec in Prepayments	(643)	459
(Inc) Dec in Intangibles	(118)	-
(Inc) Dec Other LT Assets	(48)	(3)
Inc (Dec) in Accounts Payable	2,012	1,133
Inc (Dec) Other Accrued Expenses	(948)	(247)
Inc (Dec) Advanced Billings	7,295	(2,993)
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	1,633	(770)
Inc (Dec) In Other Liabilities	(198)	44
Net Cash Provided (Required) by Operating Activities	\$ 15,769	\$ (8,462)
Investing Activities		
Proceeds from Sales of Equipment	31	172
Additions to Property and Equipment	(1,062)	(4,856)
Net Cash (Required) for Investing Activities	\$ (1,031)	\$ (4,684)
Financing Activities		
(Repayment) Proceeds of Short-Term Borrowings, Net	(7,692)	9,360
(Repayment) Proceeds of Long-Term Debt	(5,553)	(576)
Treasury Stock Acquisitions	-	(3)
Net Cash (Required) Provided for Financing Activities	\$ (13,245)	\$ 8,781
Effect of Exchange Rate Changes	(1,215)	(1,526)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 278	\$ (5,891)
Cash and Cash Equivalents at Beginning of Year	715	6,571
Cash and Cash Equivalents at End of Quarter	\$ 993	\$ 680

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>	2019	2018
Domestic	\$36,168	\$33,197
Mueller BV	\$10,310	\$14,107
Eliminations	(\$510)	(\$495)
Net Revenue	\$45,968	\$46,809

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>	2019	2018
Domestic	\$104,190	\$105,902
Mueller BV	\$39,393	\$50,611
Eliminations	(\$1,672)	(\$921)
Net Revenue	\$141,911	\$155,592

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>	2019	2018
Domestic	\$135,378	\$136,828
Mueller BV	\$54,123	\$62,217
Eliminations	(\$1,972)	(\$1,008)
Net Revenue	\$187,529	\$198,037

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>	2019	2018
Domestic	\$2,273	\$1,574
Mueller BV	(\$1,085)	(\$740)
Eliminations	(\$48)	(\$10)
Net Income	\$1,140	\$824

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>	2019	2018
Domestic	\$4,093	\$3,689
Mueller BV	(\$997)	(\$931)
Eliminations	(\$72)	\$21
Net Income	\$3,024	\$2,779

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>	2019	2018
Domestic	\$5,090	\$695
Mueller BV	(\$2,149)	(\$2,680)
Eliminations	(\$57)	\$122
Net Income	\$2,884	(\$1,863)

B. Backlog fell during the first nine months of 2019 to \$86.4 million on September 30, 2019 from \$97.4 million on December 31, 2018. This is down from the peak of \$100.7 million on June 30, 2019 as we began working through the large backlog from the strong pharmaceutical market. In addition, the unusually large backlog in the Dairy Farm Equipment product line in which we entered 2019 has been reduced from the slowdown in the strong Canadian market and continued softness in the US market. Backlog in The Netherlands fell to \$12.7 million on September 30, 2019 from the \$13.8 million on December 31, 2018, due to weaker demand in the Dutch market. The Dutch farmer is facing uncertainty from new nitrogen-based emission limits.

C. Revenue for the third quarter of 2019 was down by \$0.8 million compared to the third quarter of 2018. Revenues in the US were up \$3.0 million, but down \$3.8 million in The Netherlands.

For the nine months ending September 30th, revenue was down \$13.7 million. The US revenue was down \$1.7 million and Mueller BV revenue was down \$11.2 million primarily from a large heat transfer order that shipped in the second quarter of 2018.

D. Net income for the third quarter of 2019 was up \$0.3 million compared to the third quarter of 2018. In the US, net income was up \$0.7 million, driven by a strong showing from our Food and Dairy product line partially offset by the slowing Dairy Farm Equipment market. Mueller B.V. profits were down slightly for the quarter compared to 2018.

E. Net income for the nine months ending September 30, 2019 was up \$0.2 million over the same period in 2018. US net income was up \$0.4 million, primarily from the Food and Dairy product line profit improvement and the positive effect of LIFO as described in footnote I. These improvements were partially offset by the soft Dairy Farm Equipment results and the timing of recognition of revenue and profits on large pharmaceutical orders. Mueller B.V. expense control measures are showing results as profits were only down \$0.1 million on \$11.2 million in less revenue.

F. Tax expense of approximately \$4.2 million was recognized in December 2017 due to new US 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.

- G. 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.
- H. 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 US 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, \$2.0 million of the March 4th loan to Mueller B.V. described in G. above. All domestic covenants were met as of September 30, 2019.
- I. The pre-tax results for the three months ended September 30, 2019, were unfavorably affected by \$0.8 million increase in the LIFO reserve. The pre-tax results for the nine months ended September 30, 2019, were unfavorably affected by \$0.4 million increase in the LIFO reserve. The pre-tax results for the twelve months ended September 30, 2019, were unfavorably affected by \$0.3 million increase in the LIFO reserve. The pre-tax results for the three months ended September 30, 2018, were unfavorably affected by \$0.2 million 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.
- J. 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 1.16 for September 2018; 1.14 for December 2018; and 1.10 for September 2019.

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.