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For Immediate Release

Paul Mueller Company Announces Its Second Quarter Earnings of 2020

Springfield, Missouri – July 31, 2020, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended June 30, 2020.

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	
	2020	2019	2020	2019	2020	2019
Net Sales	\$ 53,223	\$ 54,061	\$ 95,383	\$ 95,943	\$ 196,617	\$ 188,370
Cost of Sales	36,602	38,940	66,901	70,766	138,570	138,984
Gross Profit	\$ 16,621	\$ 15,121	\$ 28,482	\$ 25,177	\$ 58,047	\$ 49,386
Selling, General and Administrative Expense	11,484	10,997	21,989	22,496	45,165	45,559
Operating Income	\$ 5,137	\$ 4,124	\$ 6,493	\$ 2,681	\$ 12,882	\$ 3,827
Interest Expense	(94)	(187)	(709)	(595)	(941)	(964)
Other Income	5	8	442	285	508	341
Income before Provision for Income Taxes	\$ 5,048	\$ 3,945	\$ 6,226	\$ 2,371	\$ 12,449	\$ 3,204
Provision for Income Taxes	1,200	981	1,503	487	3,021	636
Net Income	\$ 3,848	\$ 2,964	\$ 4,723	\$ 1,884	\$ 9,428	\$ 2,568
Earnings per Common Share — Basic	\$3.22	\$2.48	\$3.95	\$1.58	\$7.88	\$2.15
Diluted	\$3.22	\$2.48	\$3.95	\$1.58	\$7.88	\$2.15

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30	
	2020	2019
Net Income	\$ 4,723	\$ 1,884
Other Comprehensive Income, Net of Tax:		
Foreign Currency Translation Adjustment	16	12
Comprehensive Income	\$ 4,739	\$ 1,896

CONSOLIDATED BALANCE SHEETS

	June 30 2020	December 31 2019
Cash and Short-Term Investments	\$ 18,554	\$ 1,072
Accounts Receivable	22,021	28,509
Inventories	21,896	20,552
Current Net Investments in Sales-Type Leases	53	47
Other Current Assets	1,778	3,763
Current Assets	\$ 64,302	\$ 53,943
Net Property, Plant, and Equipment	45,082	47,406
Right of Use Assets	1,396	1,421
Other Assets	22,417	21,355
Long-Term Net Investments in Sales-Type Leases	804	769
Total Assets	\$ 134,001	\$ 124,894
Accounts Payable	\$ 11,917	\$ 10,534
Current Maturities and Short-Term Debt	1,320	6,208
Current Lease Liabilities	446	485
Other Current Liabilities	33,075	27,021
Current Liabilities	\$ 46,758	\$ 44,248
Long-Term Debt	18,289	15,334
Long-Term Pension Liabilities	28,252	30,395
Other Long-Term Liabilities	2,601	1,566
Lease Liabilities	950	936
Total Liabilities	\$ 96,850	\$ 92,479
Shareholders' Investment	37,151	32,415
Total Liabilities and Shareholders' Investment	\$ 134,001	\$ 124,894

SELECTED FINANCIAL DATA						
			June 30 2020	December 31 2019		
	Book Value per Common Share		\$31.07	\$27.11		
	Total Shares Outstanding		1,195,747	1,195,866		
	Backlog		\$ 87,547	\$ 79,791		
CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT						
	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2019	\$ 1,508	\$ 9,708	\$ 68,484	\$ (6,341)	\$ (40,944)	\$ 32,415
Add (Deduct):						
Net Income			4,723			4,723
Other Comprehensive Income, Net of Tax					16	16
Treasury Stock Acquisition				(3)		(3)
Balance, June 30, 2020	\$ 1,508	\$ 9,708	\$ 73,207	\$ (6,344)	\$ (40,928)	\$ 37,151
CONSOLIDATED STATEMENT OF CASH FLOWS						
			Six Months Ended June 30, 2020	Six Months Ended June 30, 2019		
Operating Activities:						
Net Income			\$ 4,723	\$ 1,884		
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:						
Pension Contributions (Greater) Less than Expense			(2,142)	(1,241)		
Bad Debt Expense (Recovery)			(26)	(242)		
Depreciation & Amortization			3,192	3,275		
Loss (Gain) on Sales of Equipment			1	(17)		
Change in Assets and Liabilities						
Dec (Inc) in Accts and Notes Receivable			6,514	(7,053)		
Dec in Cost in Excess of Estimated Earnings and Billings			1,229	251		
(Inc) Dec in Inventories			(1,345)	1,440		
Dec (Inc) in Prepayments			755	(280)		
(Inc) in Net Investment in Sales-type leases			(41)	-		
Dec (Inc) in Other Assets			71	(78)		
Inc in Accounts Payable			1,382	2,555		
Inc (Dec) in Other Accrued Expenses			5,169	(2,478)		
Inc in Advanced Billings			5,366	3,965		
(Dec) Inc in Billings in Excess of Costs and Estimated Earnings			(4,480)	6,371		
Inc (Dec) in Other Long-Term Liabilities			66	(135)		
Net Cash Provided by Operating Activities			\$ 20,434	\$ 8,217		
Investing Activities						
Proceeds from Sales of Equipment			3	31		
Additions to Property and Equipment			(824)	(1,768)		
Net Cash (Required) for Investing Activities			\$ (821)	\$ (1,737)		
Financing Activities						
(Repayment) of principal portion of lease liability for operating			(25)	-		
(Repayment) Proceeds of Short-Term Borrowings, Net			(4,875)	(1,055)		
Proceeds (Repayment) of Long-Term Debt			2,758	(5,210)		
Treasury Stock Acquisitions			(3)	-		
Net Cash (Required) for Financing Activities			\$ (2,145)	\$ (6,265)		
Effect of Exchange Rate Changes			14	(33)		
Net Increase in Cash and Cash Equivalents			\$ 17,482	\$ 182		
Cash and Cash Equivalents at Beginning of Year			1,072	715		
Cash and Cash Equivalents at End of Quarter			\$ 18,554	\$ 897		

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>	2020	2019
Domestic	\$41,902	\$40,110
Mueller BV	\$11,587	\$14,419
Eliminations	(\$266)	(\$468)
Net Revenue	\$53,223	\$54,061

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>	2020	2019
Domestic	\$71,526	\$68,022
Mueller BV	\$24,389	\$29,082
Eliminations	(\$532)	(\$1,161)
Net Revenue	\$95,383	\$95,943

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>	2020	2019
Domestic	\$148,004	\$132,407
Mueller BV	\$49,743	\$57,919
Eliminations	(\$1,130)	(\$1,956)
Net Revenue	\$196,617	\$188,370

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>	2020	2019
Domestic	\$3,526	\$2,878
Mueller BV	\$316	\$83
Eliminations	\$6	\$3
Net Income	\$3,848	\$2,964

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>	2020	2019
Domestic	\$4,452	\$1,822
Mueller BV	\$262	\$88
Eliminations	\$9	(\$26)
Net Income	\$4,723	\$1,884

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>	2020	2019
Domestic	\$10,042	\$4,393
Mueller BV	(\$631)	(\$1,804)
Eliminations	\$17	(\$21)
Net Income	\$9,428	\$2,568

- B.** The COVID-19 pandemic continues to be a challenge. The strong beginning of the year backlog in the U.S. and reduced spending has partially mitigated the initial financial impact of the pandemic resulting in strong earnings for the first six months. However, the uncertainty in the economy has slowed order entry creating excess capacity.
- C.** June 30, 2020 backlog was \$87.5 million which is \$7.8 million higher than the \$79.8 million at December 31, 2019. In the U.S., backlog is \$77.8 million which is up \$8.2 million (12%) from December 31, 2019. However, 75% of the U.S. backlog is in the Pharmaceutical groups and Mueller Field Operations which received a large order for a juice storage facility. When you remove the backlog related to the juice facility project, total U.S. June 30th backlog is down 25% from December 31, 2019. Mueller BV backlog has been relatively flat but still at recent historic lows.

In the U.S., the Company has furloughed some employees and have had the majority of the employees working reduced schedules of 24-32 hours a week since May to keep the employees working while stretching out the workload and maintaining customer delivery dates. With the lower revenue, Mueller BV head count (FTE's) has been reduced by 49 (18%) since the beginning of the year. Capital Expenditures, major renovations and maintenance projects have been temporarily put on hold to conserve cash. On June 19th, the Company received a \$1.88 million Payroll Protection Program loan to facilitate keeping its employees employed. The loan is up to five years at 1% interest.

- D.** Revenue for the three months and six months are relatively flat to the previous year with U.S. revenue increases offsetting the decreases in The Netherlands. The trailing twelve months revenue increase is driven by the large pharmaceutical backlog in the U.S. that went into production in mid-2019. This backlog in the pharmaceutical segment led to an increase in second quarter revenue over the last year's second quarter by 46%. Mueller Field Operations showed increased revenue from the previous year's quarter from large projects including a large juice facility project. These increases offset a 43% decrease in Dairy Farm Equipment revenue quarter over quarter. In The Netherlands, the business conditions continue to be soft with trailing revenues down compared to last year at three-month, six-month and twelve months. However, The Netherlands continues to save in expenses.

Net Income was favorable from the prior year at three-month, six-month and twelve-month trailing results. Similar to the revenue variance explanations for the U.S., increased profitable pharmaceutical and field operations work more than offset the weak dairy farm segment. In the Netherlands, better margins and expense savings are more than offsetting the reduced revenue.

- E. As of June 30, 2020, total debt was \$19.6 million compared to \$21.5 million as of December 31, 2019. Cash and cash equivalents were \$18.6 million at June 30, 2020 compared to \$1.1 million at December 31, 2019. Advanced Billings for the Company which is a liability representing deposits received from customers on large projects was \$14.2 million at June 30th compared to \$8.9 million at December 31, 2019.

As of June 30th, Mueller BV had its first test of its loan covenants since it violated certain covenants as of December 31, 2018. On March 4, 2019, the Company loaned Mueller BV funds to pay down the existing loan and in return Mueller BV received adjustments to the covenant requirements and a waiver of all financial covenants until being tested again on June 30, 2020. As of June 30, both Mueller BV and the Company were in compliance of all financial covenant requirements.

- F. The pre-tax results for the three and six months ended June 30, 2020, were favorably affected by \$0.1 million decrease in the LIFO reserve. The pre-tax results for the twelve months ended June 30, 2020 were favorably affected by \$0.5 million decrease in the LIFO reserve. 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 million increase in the LIFO reserve.
- G. 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 1.14 for June, 2019; 1.12 for December, 2019; and 1.12 for June, 2020, 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 2019 annual report, available at www.paulmueller.com.