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For Immediate Release

Paul Mueller Company Announces Its Second Quarter Earnings of 2021

Springfield, Missouri – July 30, 2021, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended June 30, 2021.

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	
	2021	2020	2021	2020	2021	2020
Net Sales	\$ 49,278	\$ 53,223	\$ 94,557	\$ 95,383	\$ 200,290	\$ 196,617
Cost of Sales	33,909	36,602	65,747	66,901	139,159	138,570
Gross Profit	\$ 15,369	\$ 16,621	\$ 28,810	\$ 28,482	\$ 61,131	\$ 58,047
Selling, General and Administrative Expense	11,553	11,484	22,861	21,989	45,027	45,165
Goodwill Impairment Expense	-	-	-	-	15,397	-
Operating Income	\$ 3,816	\$ 5,137	\$ 5,949	\$ 6,493	\$ 707	\$ 12,882
Interest Expense	(91)	(94)	(542)	(709)	(825)	(941)
Other Income	2,004	5	2,042	442	2,808	508
Income before Provision for Income Taxes	\$ 5,729	\$ 5,048	\$ 7,449	\$ 6,226	\$ 2,690	\$ 12,449
Provision for Income Taxes	949	1,200	1,368	1,503	3,889	3,021
Net Income (Loss)	\$ 4,780	\$ 3,848	\$ 6,081	\$ 4,723	\$ (1,199)	\$ 9,428
Earnings (Loss) per Common Share — Basic	\$4.38	\$3.22	\$5.56	\$3.95	(\$1.05)	\$7.88
Diluted	\$4.38	\$3.22	\$5.56	\$3.95	(\$1.05)	\$7.88

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30	
	2021	2020
Net Income	\$ 6,081	\$ 4,723
Other Comprehensive Income, Net of Tax:		
Foreign Currency Translation Adjustment	(847)	16
Comprehensive Income	\$ 5,234	\$ 4,739

CONSOLIDATED BALANCE SHEETS

	June 30 2021	December 31 2020
Cash and Short-Term Investments	\$ 11,601	\$ 22,943
Accounts Receivable	25,124	20,462
Inventories	24,743	17,926
Current Net Investments in Sales-Type Leases	4	3
Other Current Assets	2,581	1,771
Current Assets	\$ 64,053	\$ 63,105
Net Property, Plant, and Equipment	44,034	46,570
Right of Use Assets	2,343	2,448
Other Assets	8,737	8,732
Long-Term Net Investments in Sales-Type Leases	119	83
Total Assets	\$ 119,286	\$ 120,938
Accounts Payable	\$ 12,073	\$ 11,316
Current Maturities and Short-Term Debt	1,390	2,115
Current Lease Liabilities	482	519
Other Current Liabilities	26,556	24,656
Current Liabilities	\$ 40,501	\$ 38,606
Long-Term Debt	15,509	18,440
Long-Term Pension Liabilities	28,126	30,047
Other Long-Term Liabilities	2,680	2,226
Lease Liabilities	886	1,075
Total Liabilities	\$ 87,702	\$ 90,394
Shareholders' Investment	31,584	30,544
Total Liabilities and Shareholders' Investment	\$ 119,286	\$ 120,938

SELECTED FINANCIAL DATA

	June 30 2021	December 31 2020
Book Value per Common Share	\$28.94	\$25.54
Total Shares Outstanding	1,091,464	1,195,747
Backlog	\$ 76,118	\$ 61,563

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2020	\$ 1,508	\$ 9,708	\$ 65,927	\$ (6,344)	\$ (40,255)	\$ 30,544
Add (Deduct):						
Net Income			6,081			6,081
Other Comprehensive Income, Net of Tax					(847)	(847)
Treasury Stock Acquisition				(4,194)		(4,194)
Balance, June 30, 2021	\$ 1,508	\$ 9,708	\$ 72,008	\$ (10,538)	\$ (41,102)	\$ 31,584

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating Activities:		
Net Income	\$ 6,081	\$ 4,723
Adjustment to Reconcile Net Income to Net Cash (Required) Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(1,921)	(2,142)
Bad Debt (Recovery)	(44)	(26)
Depreciation & Amortization	3,277	3,192
(Gain) Loss on Sales of Equipment	(18)	1
PPP Loan Forgiveness	(1,884)	-
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(4,618)	6,514
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	(824)	1,229
(Inc) in Inventories	(5,947)	(1,345)
Dec in Prepayments	14	755
(Inc) in Net Investment in Sales-type leases	(37)	(41)
Dec in Other Assets	611	71
Inc in Accounts Payable	757	1,382
(Dec) Inc in Other Accrued Expenses	(4,061)	5,169
Inc in Advanced Billings	7,944	5,366
(Dec) in Billings in Excess of Costs and Estimated Earnings	(1,982)	(4,480)
Inc in Lease Liability for Operating	51	-
Inc in Lease Liability for Financing	43	-
Principal payments of Lease Liability for Operating	(137)	(25)
(Dec) Inc in Other Long-Term Liabilities	(47)	66
Net Cash (Required) Provided by Operating Activities	\$ (2,742)	\$ 20,409
Investing Activities		
Proceeds from Sales of Equipment	24	3
Additions to Property, Plant, and Equipment	(2,188)	(824)
Net Cash (Required) for Investing Activities	\$ (2,164)	\$ (821)
Financing Activities		
Principal payments of Lease Liability for Financing	(136)	-
(Repayment) Proceeds of Short-Term Borrowings, Net	(610)	(4,875)
(Repayment) Proceeds of Long-Term Debt	(843)	2,758
Treasury Stock Acquisitions	(4,194)	(3)
Net Cash (Required) for Financing Activities	\$ (5,783)	\$ (2,120)
Effect of Exchange Rate Changes	(653)	14
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (11,342)	\$ 17,482
Cash and Cash Equivalents at Beginning of Year	22,943	1,072
Cash and Cash Equivalents at End of Quarter	\$ 11,601	\$ 18,554

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>	2021	2020
Domestic	\$37,494	\$41,902
Mueller BV	\$12,194	\$11,587
Eliminations	(\$410)	(\$266)
Net Revenue	\$49,278	\$53,223

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>	2021	2020
Domestic	\$70,991	\$71,526
Mueller BV	\$24,221	\$24,389
Eliminations	(\$655)	(\$532)
Net Revenue	\$94,557	\$95,383

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>	2021	2020
Domestic	\$154,353	\$148,004
Mueller BV	\$47,045	\$49,743
Eliminations	(\$1,108)	(\$1,130)
Net Revenue	\$200,290	\$196,617

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>	2021	2020
Domestic	\$4,766	\$3,526
Mueller BV	\$11	\$316
Eliminations	\$3	\$6
Net Income	\$4,780	\$3,848

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>	2021	2020
Domestic	\$6,448	\$4,452
Mueller BV	(\$383)	\$262
Eliminations	\$16	\$9
Net Income	\$6,081	\$4,723

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>	2021	2020
Domestic	\$14,180	\$10,042
Mueller BV	(\$15,403)	(\$631)
Eliminations	\$24	\$17
Net Income	(\$1,199)	\$9,428

- B.** We have continued to have positive results in the first half of 2021. Backlog across most business segments has been strengthening. However, a spike in COVID-19 cases, particularly in southwest Missouri, the location of our headquarters is concerning. A continued tightening of labor and materials markets will also pose a challenge for the remainder of 2021. Although we are once again implementing remote work for some office staff and physical separation in our locations due to the COVID-19 spike in our area and facilities, our facilities are operating.
- C.** June 30, 2021, the backlog was \$76.1 million compared to \$61.6 million on December 31, 2020. However, when comparing the current backlog to the June 30, 2020 backlog, it has dropped 13% from \$87.5 million. Although this is a reduction of \$11.4 million, the backlog has fallen \$40.3 million from the large pharmaceutical order and Mueller Field Operations (MFO) large juice storage facility project, both nearing completion. Excluding these two jobs, backlog in the US is \$60.0 million, which is up \$26.8 million from a low of \$33.2 million on June 30, 2020, during the height of the COVID-19 slowdown. The backlog is stronger across all business segments in the US. Likewise, Mueller BV backlog is stronger across all business segments and is up \$2.0 million from a year ago.
- D.** Revenue for the three months is down 7.4% from a year ago, primarily from MFO's substantial revenue for the quarter a year ago from its large project. Revenue in the US for the trailing twelve months is up 4.3%, driven by the same large project. In the Netherlands, revenue is up slightly from the year before for three months, primarily from the slight weakening of the dollar against the euro and down 5.4% for the trailing twelve months as Europe is recovering more slowly from the effects of COVID-19.

- E. The Company was granted a loan for \$1.9 million under the Paycheck Protection Program under Division A, Title I of the CARES Act, enacted on March 27, 2020. The loan, which was in the form of a note dated June 12, 2020, issued to the Company, matures on June 11, 2025, and bears interest at a rate of 1% per annum, with a deferral of payments for the first six months. The note may be prepaid by the Company at any time prior to maturity with no prepayment penalties. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, and maintains its payroll levels. The Company filed for the forgiveness of the loan on November 17, 2020, and the loan was forgiven on June 10, 2021. The \$1.9 million credit for the loan forgiveness is in Other Income and is a non-cash financing activity.
- F. Net income for the three months was \$4.8 million, which improved by \$0.9 million over the second quarter of last year. Net income in the US was favorable \$1.2 million driven by the \$1.9 million PPP loan forgiveness, but partially offset by a \$0.3 million negative impact from LIFO. Operationally, the most significant contributors to the improvement in the US are the rebound of the Dairy Farm Equipment (DFE) segment and strong results from our Components business unit. However, these results were reduced from less profit from reduced revenue as the large pharmaceutical, and large juice storage facility jobs wind down. In the Netherlands, net income is down \$0.3 million primarily from slightly lower margins and effects of change in the exchange rate.

Net income for the trailing twelve months is a \$1.2 million loss. However, when the \$15.4 million goodwill impairment for the Mueller BV acquisition is excluded, net income would be \$14.2 million. This is a \$4.8 million (51%) improvement over the previous trailing twelve months' net income even after absorbing a \$1.0 million after-tax negative impact from the LIFO reserve. The pharmaceutical groups, DFE, Components, and MFO all show good year-over-year improvement. In the Netherlands, net income would be break-even when excluding the goodwill impairment. This is an improvement from the \$0.6 million loss in the prior twelve months, even with lower revenue.

In June, the Company increased wages of the production workers in the US in response to the shortage of qualified workers and the labor shortage in general. Many of the non-manufacturing hourly wages were adjusted in July, and salaried positions are also under review. The estimated annual impact of these changes on net income will be a negative \$2.0-2.5 million, with half of this amount impacting 2021 results.

- G. On March 19, 2021, the Company announced a stock repurchase plan of up to \$2 million to begin on April 2, 2021, under a prearranged stock trading plan (a "10b5-1 Plan") adopted by the Company to execute such repurchases in compliance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or in privately negotiated transactions in compliance with applicable state and federal securities laws. A total of 4,254 shares were repurchased through the 10b5-1 Plan during the second quarter. The total shares repurchased in 2021 are 104,283.
- H. The pre-tax results for the three months ended June 30, 2021, were unfavorably affected by a \$0.3 million increase in the LIFO reserve. The pre-tax results for the six months ended June 30, 2021, were unfavorably impacted by a \$1.1 million increase in the LIFO reserve. The pre-

tax results for the twelve months ended June 30, 2021, were unfavorably affected by a \$0.9 million increase in the LIFO reserve. The pre-tax results for the three and six months ended June 30, 2020, were favorably impacted by \$0.1 million decreases in the LIFO reserve. The pre-tax results for the twelve months ended June 30, 2020, were favorably affected by a \$0.5 million reduction in the LIFO reserve.

- I. The consolidated financials are affected by the euro to the dollar exchange rate when consolidating Mueller B.V., the Dutch subsidiary. The month-end euro to dollar exchange rate was 1.12 for June 2020, 1.23 for December 2020, and 1.19 for June 2021.

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 2020 annual report, available at www.paulmueller.com.