

For Immediate Release

Paul Mueller Company Announces Its First Quarter Earnings of 2022

# PAUL MUELLER COMPANY THREE-MONTH REPORT

Unaudited

(In thousands)

## CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31		Twelve Months Ended March 31	
	2022	2021	2022	2021
Net Sales	\$ 40,775	\$ 45,279	\$ 180,109	\$ 204,235
Cost of Sales	31,861	31,838	136,190	141,852
Gross Profit	\$ 8,914	\$ 13,441	\$ 43,919	\$ 62,383
Selling, General and Administrative Expense	10,240	11,308	42,816	44,958
Goodwill Impairment Expense	-	-	-	15,397
Operating Income (Loss)	\$ (1,326)	\$ 2,133	\$ 1,103	\$ 2,028
Interest Expense	(388)	(451)	(679)	(828)
PPP Loan Forgiveness	-	-	1,884	-
Other Income	264	38	3,070	809
Income (Loss) before Provision (Benefit) for Income Taxes	\$ (1,450)	\$ 1,720	\$ 5,378	\$ 2,009
Provision (Benefit) for Income Taxes	(328)	419	800	4,140
Net Income (Loss)	\$ (1,122)	\$ 1,301	\$ 4,578	\$ (2,131)
Earnings (Loss) per Common Share – Basic	(\$1.03)	\$1.19	\$4.22	(\$1.94)
Diluted	(\$1.03)	\$1.19	\$4.22	(\$1.94)

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
	2022	2021
Net Income (Loss)	\$ (1,122)	\$ 1,301
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustment	(482)	(1,275)
Comprehensive Income (Loss)	\$ (1,604)	\$ 26

## CONSOLIDATED BALANCE SHEETS

	March 31 2022	December 31 2021
Cash and Short-Term Investments	\$ 12,513	\$ 11,281
Accounts Receivable	23,747	25,774
Inventories	32,427	26,454
Current Net Investments in Sales-Type Leases	22	23
Other Current Assets	2,474	1,814
Current Assets	\$ 71,183	\$ 65,346
Net Property, Plant, and Equipment	40,913	41,250
Right of Use Assets	2,481	2,526
Other Assets	7,650	7,003
Long-Term Net Investments in Sales-Type Leases	193	164
Total Assets	\$ 122,420	\$ 116,289
Accounts Payable	\$ 14,137	\$ 14,470
Current Maturities and Short-Term debt	1,310	1,330
Current Lease Liabilities	471	483
Other Current Liabilities	36,914	27,691
Current Liabilities	\$ 52,832	\$ 43,974
Long-Term Debt	13,723	14,241
Long-Term Pension Liabilities	17,083	18,036
Other Long-Term Liabilities	2,450	1,848
Lease Liabilities	844	897
Total Liabilities	\$ 86,932	\$ 78,996
Shareholders' Investment	35,488	37,293
Total Liabilities and Shareholders' Investment	\$ 122,420	\$ 116,289

# SELECTED FINANCIAL DATA

	March 31 2022	December 31 2021
Book Value per Common Share	\$32.69	\$34.32
Total Shares Outstanding	1,085,711	1,086,661
Backlog	\$ 130,763	\$ 78,357

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2021</b>	\$ 1,508	\$ 9,708	\$ 72,764	\$ (10,749)	\$ (35,938)	\$ 37,293
<b>Add (Deduct):</b>						
Net Income (Loss)			(1,122)			(1,122)
Other Comprehensive Income (Loss), Net of Tax					(482)	(482)
Dividends, \$.15 per Common Share			(163)			(163)
Treasury Stock Acquisition				(38)		(38)
<b>Balance, March 31, 2022</b>	\$ 1,508	\$ 9,708	\$ 71,479	\$ (10,787)	\$ (36,420)	\$ 35,488

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
<b>Operating Activities:</b>		
Net Income (Loss)	\$ (1,122)	\$ 1,301
Adjustment to Reconcile Net Income to Net Cash Provided (Required) by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(953)	(960)
Bad Debt Expense (Recovery)	(4)	(32)
Depreciation & Amortization	1,503	1,652
(Gain) Loss on Sales of Equipment	(1)	(3)
Change in Assets and Liabilities		
Dec (Inc) in Accts and Notes Receivable	2,031	(1,460)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	-	(478)
(Inc) in Inventories	(5,129)	(3,213)
(Inc) in Prepayments	(660)	(118)
(Inc) in Net Investment in Sales-type leases	(28)	(15)
Dec (Inc) in Other LT Assets	13	(72)
(Dec) Inc in Accounts Payable	(152)	2,225
(Dec) in Accrued Income Tax	(1)	-
Inc (Dec) in Other Accrued Expenses	705	(4,131)
Inc in Advanced Billings	8,142	5,580
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	377	(1,204)
Inc in Lease Liability for Operating	90	24
Inc in Lease Liability for Financing	-	43
Principal payments of Lease Liability for Operating	(73)	(69)
(Dec) in Long Term Liabilities	(24)	(72)
<b>Net Cash Provided (Required) by Operating Activities</b>	\$ 4,714	\$ (1,002)
<b>Investing Activities</b>		
Proceeds from Sales of Equipment	1	9
Additions to Property, Plant, and Equipment	(1,935)	(812)
<b>Net Cash (Required) for Investing Activities</b>	\$ (1,934)	\$ (803)
<b>Financing Activities</b>		
Principal payments of Lease Liability for Financing	(57)	(69)
(Repayment) of Short-Term Borrowings, Net	-	(605)
(Repayment) of Long-Term Debt	(380)	(353)
Dividends Paid	(163)	-
Treasury Stock Acquisitions	(38)	(4,001)
<b>Net Cash (Required) for Financing Activities</b>	\$ (638)	\$ (5,028)
<b>Effect of Exchange Rate Changes</b>	(910)	(551)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ 1,232	\$ (7,384)
<b>Cash and Cash Equivalents at Beginning of Year</b>	11,281	22,943
<b>Cash and Cash Equivalents at End of Quarter</b>	\$ 12,513	\$ 15,559

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	2022		2021	
Domestic	\$	28,116	\$	33,497
Mueller BV	\$	12,980	\$	12,027
Eliminations	\$	(321)	\$	(245)
Net Revenue	\$	40,775	\$	45,279

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

Twelve Months Ended March 31				
Revenue	2022		2021	
Domestic	\$	131,698	\$	158,761
Mueller BV	\$	49,773	\$	46,439
Eliminations	\$	(1,362)	\$	(965)
Net Revenue	\$	180,109	\$	204,235

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	2022		2021	
Domestic	\$	(885)	\$	1,683
Mueller BV	\$	(238)	\$	(394)
Eliminations	\$	1	\$	12
Net Income	\$	(1,122)	\$	1,301

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	2022		2021	
Domestic	\$	4,760	\$	12,942
Mueller BV	\$	(209)	\$	(15,098)
Eliminations	\$	27	\$	25
Net Income	\$	4,578	\$	(2,131)

**B. Key headlines for the quarter,**

- Backlog is at an all-time high with much of this increase to be realized in the last half of this year and the first part of 2023.
- The year has started out slower than expected. Shortage or delay of key components and cost increases against older backlog have contributed to this slow start and lower margins.
- Earnings were dampened by a \$2.1 million increase in the LIFO reserve from general inflation and an increase in inventory from planned early purchases to protect margin.
- Finding enough qualified workers to meet our backlog is our greatest challenge.

**C.** The following backlog comparisons exclude Mueller Field Operations which was sold on December 31, 2021. March 31, 2022 backlog is \$130.8 million compared to \$78.4 million at December 31, 2021 and \$59.3 million at March 31, 2021. All business segments have higher backlogs than a year ago especially the pharmaceutical group in the U.S. which received a large order in February, 2022. The U.S. backlog is up 130% from a year ago to \$118.4 million, the largest in our history. In the Netherlands, the backlog is up 54% from March 31, 2021, to \$13.0 million.

**D.** Revenue is down to last year at three months and twelve months primarily from Mueller Field Operations no longer being part of the Company and from the pharmaceutical group which was finishing a large project in the first quarter of 2021. We anticipate the revenue shortfall from the slow start in 2022 to be reduced later in the year as the current large backlog is being produced.

**E.** Similar to revenue, net income is down \$2.4 million for the three months primarily from lower earnings from the pharmaceutical groups and a greater negative affect by the increase in the LIFO reserve by \$1.2 million (pretax).

Net Income was improved for the trailing twelve months by \$6.7 million. In the U.S., earnings were down by \$8.2 million. The pretax effect of LIFO was \$4.7 million of this negative variance but was offset by the pretax gain of \$1.9 million from the forgiveness of the PPP loan and \$2.9 million pretax gain on the sale of Mueller Field Operations. The remainder of the negative variance is primarily from the large pharmaceutical order manufactured in 2020 and finishing in early 2021 and the large juice storage facility project for Mueller Field Operations which was profitable for the first part of the project in 2020, but had warranty issues as the job was nearing completion in 2021. Mueller BV was favorable by \$15.3 million due to the goodwill impairment of \$15.4 million at the end of 2020.

**F.** The pre-tax results for the three months ended March 31, 2022, were unfavorably affected by \$2.1 million increase in the LIFO reserve. The pre-tax results for the twelve months ended March 31, 2022 were unfavorably affected by \$5.2 million increase in the LIFO reserve. The pre-tax results for three months ended March 31, 2021, were unfavorably affected by \$0.9 million increase in the LIFO reserve. The pre-tax results

for the twelve months ended March 31, 2021, were unfavorably affected by \$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 1.17 for March, 2021; 1.13 for December, 2021 and 1.11 for March, 2022, 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 2021 annual report, available at [www.paulmueller.com](http://www.paulmueller.com).**