



For Immediate Release  
**Paul Mueller Company Announces Its Third Quarter Earnings of 2022**

Press Contact: Ken Jeffries | Paul Mueller Company | Springfield, MO 65802 | (417) 575-9346  
 kjeffries@paulmueller.com | https://paulmueller.com

**PAUL MUELLER COMPANY**  
**NINE-MONTH REPORT**  
 Unaudited  
 (In thousands)

**CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	September 30		September 30		September 30	
	2022	2021	2022	2021	2022	2021
Net Sales	\$ 45,766	\$ 43,063	\$ 132,518	\$ 137,620	\$ 179,511	\$ 191,746
Cost of Sales	34,801	32,959	102,204	98,706	139,665	136,614
Gross Profit	\$ 10,965	\$ 10,104	\$ 30,314	\$ 38,914	\$ 39,846	\$ 55,132
Selling, General and Administrative Expense	9,695	11,267	30,332	34,128	40,088	45,127
Goodwill Impairment Expense	-	-	-	-	-	15,397
Operating Income (Loss)	\$ 1,270	\$ (1,163)	\$ (18)	\$ 4,786	\$ (242)	\$ (5,392)
Interest Expense	(105)	(102)	(610)	(644)	(708)	(817)
PPP Loan Forgiveness	-	-	-	1,884	-	1,884
Other Income (Expense)	38	(94)	176	64	2,956	403
Income (Loss) before Provision (Benefit) for Income Taxes	\$ 1,203	\$ (1,359)	\$ (452)	\$ 6,090	\$ 2,006	\$ (3,922)
Provision (Benefit) for Income Taxes	223	(317)	(161)	1,051	335	2,314
Net Income (Loss)	\$ 980	\$ (1,042)	\$ (291)	\$ 5,039	\$ 1,671	\$ (6,236)
Earnings (Loss) per Common Share - Basic and Diluted	\$0.90	(\$0.96)	(\$0.27)	\$4.61	\$1.54	(\$5.58)

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Nine Months Ended	
	September 30	
	2022	2021
Net Income (Loss)	\$ (291)	\$ 5,039
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustment	(3,292)	(1,048)
Comprehensive Income (Loss)	\$ (3,583)	\$ 3,991

**CONSOLIDATED BALANCE SHEETS**

	September 30	December 31
	2022	2021
Cash and Short-Term Investments	\$ 20,871	\$ 11,281
Accounts Receivable	20,509	25,774
Inventories (FIFO)	55,120	43,309
LIFO Reserve	(21,308)	(16,855)
Inventories (LIFO)	33,812	26,454
Current Net Investments in Sales-Type Leases	22	23
Other Current Assets	4,556	1,814
Current Assets	\$ 79,770	\$ 65,346
Net Property, Plant, and Equipment	38,649	41,250
Right of Use Assets	2,074	2,526
Other Assets	7,290	7,003
Long-Term Net Investments in Sales-Type Leases	251	164
Total Assets	\$ 128,034	\$ 116,289
Accounts Payable	\$ 11,186	\$ 14,470
Current Maturities and Short-Term debt	1,180	1,330
Current Lease Liabilities	389	483
Advance Billings	34,089	18,595
Other Current Liabilities	18,117	9,096
Current Liabilities	\$ 64,961	\$ 43,974
Long-Term Debt	11,924	14,241
Long-Term Pension Liabilities	15,087	18,036
Other Long-Term Liabilities	2,225	1,848
Lease Liabilities	654	897
Total Liabilities	\$ 94,851	\$ 78,996
Shareholders' Investment	33,183	37,293
Total Liabilities and Shareholders' Investment	\$ 128,034	\$ 116,289

**SELECTED FINANCIAL DATA**

	September 30 2022	December 31 2021
Book Value per Common Share	\$30.56	\$34.32
Total Shares Outstanding	1,085,711	1,086,661
Backlog	\$ 139,177	\$ 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)			(291)			(291)
Other Comprehensive Income (Loss), Net of Tax					(3,292)	(3,292)
Dividends, \$.15 per Common Share			(489)			(489)
Treasury Stock Acquisition				(38)		(38)
<b>Balance, September 30, 2022</b>	\$ 1,508	\$ 9,708	\$ 71,984	\$ (10,787)	\$ (39,230)	\$ 33,183

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
<b>Operating Activities:</b>		
Net Income (Loss)	\$ (291)	\$ 5,039
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(2,950)	(2,882)
Bad Debt Expense (Recovery)	(1)	(58)
Depreciation & Amortization	4,549	4,896
(Gain) Loss on Sales of Equipment	(4)	(43)
PPP Loan Forgiveness	-	(1,884)
Change in Assets and Liabilities		
Dec (Inc) in Accts and Notes Receivable	5,266	(1,658)
(Inc) in Cost in Excess of Estimated Earnings and Billings	-	(1,655)
(Inc) in Inventories	(7,358)	(8,571)
(Inc) in Prepayments	(2,742)	(152)
(Inc) in Net Investment in Sales-type leases	(86)	(101)
Dec in Other LT Assets	218	677
(Dec) Inc in Accounts Payable	(3,284)	3,156
(Dec) in Accrued Income Tax	(1)	-
Inc (Dec) in Other Accrued Expenses	1,468	(3,271)
Inc in Advanced Billings	15,494	9,012
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	7,554	(1,208)
Inc in Lease Liability for Operating	220	193
Inc in Lease Liability for Financing	-	152
Principal payments of Lease Liability for Operating	(231)	(202)
(Dec) In Other Long-Term Liabilities	(175)	(90)
<b>Net Cash Provided by Operating Activities</b>	\$ 17,646	\$ 1,350
<b>Investing Activities</b>		
Intangibles	-	(105)
Proceeds from Sales of Equipment	11	67
Additions to Property, Plant, and Equipment	(5,838)	(3,588)
<b>Net Cash (Required) for Investing Activities</b>	\$ (5,827)	\$ (3,626)
<b>Financing Activities</b>		
Principal payments of Lease Liability for Financing	(144)	(197)
(Repayment) of Short-Term Borrowings, Net	-	(595)
(Repayment) of Long-Term Debt	(957)	(1,250)
Dividends Paid	(489)	-
Treasury Stock Acquisitions	(38)	(4,216)
<b>Net Cash (Required) for Financing Activities</b>	\$ (1,628)	\$ (6,258)
<b>Effect of Exchange Rate Changes</b>	(601)	(140)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ 9,590	\$ (8,674)
<b>Cash and Cash Equivalents at Beginning of Year</b>	11,281	22,943
<b>Cash and Cash Equivalents at End of Quarter</b>	\$ 20,871	\$ 14,269

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		
Revenue	2022	2021
Domestic	\$35,464	\$33,192
Mueller BV	\$10,316	\$10,148
Eliminations	(\$14)	(\$277)
Net Revenue	\$45,766	\$43,063

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

Nine Months Ended September 30		
Revenue	2022	2021
Domestic	\$97,895	\$104,183
Mueller BV	\$35,354	\$34,369
Eliminations	(\$731)	(\$932)
Net Revenue	\$132,518	\$137,620

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

Twelve Months Ended September 30		
Revenue	2022	2021
Domestic	\$130,791	\$146,092
Mueller BV	\$49,805	\$46,675
Eliminations	(\$1,085)	(\$1,021)
Net Revenue	\$179,511	\$191,746

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

Three Months Ended September 30		
Net Income	2022	2021
Domestic	\$1,308	(\$81)
Mueller BV	(\$333)	(\$942)
Eliminations	\$5	(\$19)
Net Income (Loss)	\$980	(\$1,042)

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

Nine Months Ended September 30		
Net Income	2022	2021
Domestic	\$658	\$6,367
Mueller BV	(\$955)	(\$1,326)
Eliminations	\$6	(\$2)
Net Income (Loss)	(\$291)	\$5,039

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

Twelve Months Ended September 30		
Net Income	2022	2021
Domestic	\$1,619	\$10,327
Mueller BV	\$6	(\$16,515)
Eliminations	\$46	(\$48)
Net Income (Loss)	\$1,671	(\$6,236)

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

- September 30, 2022 backlog, excluding Mueller Field Operations which was sold on December 31, 2021, held steady at a very solid \$139.2 million compared to \$141.7 million at June 30, 2022 and \$78.4 million at December 31, 2021. Most business unit backlogs are higher led by the pharmaceutical group which has begun another large project that will continue through 2023.
- With the higher backlog, the company initiated a more aggressive referral and bonus program in the U.S. during the summer to attract new workers in this tight employment environment. As of September 30<sup>th</sup>, the company employed 39 additional workers from the beginning of the year with 18 in production, a 5% increase. Additionally, wages have been increased to remain competitive in the market.
- Cash has increased \$9.6 million in the first nine months to \$20.9 million. Advanced deposits from customers in line with the increased backlog, grew \$15.5 million. Major uses of cash include \$7.4 million increase in inventories and capital expenditures of \$5.8 million.
- Revenue and profits for the first nine months of the year were lower than expected as the Company worked through the older backlog that was not adequately priced for the current inflation. Production continues to be slowed by the shortage or delay of key components.
- The Company's pre-tax earnings have been negatively affected by an increase in the LIFO reserve. Pre-tax earnings were reduced by \$4.5 million year-to-date and \$5.6 million for trailing twelve months. Since January 1, 2021, pre-tax earnings have been negatively affected by \$8.5 million. This increase in the reserve is due to inflation and an increase in inventory to produce the larger backlog.

**C.** Revenue for the trailing three months is up slightly. Revenue in the U.S. was down at nine months and twelve months from the sale of MFO and lower pharmaceutical revenue since the prior year had revenue from the pharmaceutical project that ended in early 2022. In the Netherlands, revenue strengthened slightly but was diminished on the consolidated statements by the strong dollar.

**D.** Similar to revenue, net income is up at three months but lower at nine months and on twelve months when excluding the goodwill impairment of \$15.4 million related to the 2008 acquisition of the Dutch subsidiaries. In the US, the nine-month and twelve-month unfavorable variance is primarily from lower earnings from the pharmaceutical groups and the negative effect from the increase in the LIFO reserve. The prior period results also included the \$1.9 million pre-tax profit from the PPP loan forgiveness. On a positive

note, the Heat Transfer and the Components groups have grown twelve-month earnings a combined \$4.5 million.

- E. On August 17, 2022, the Company renewed its U.S. loan agreement with the bank for another year and changed the basis of calculating interest from LIBOR to SOFR+10.

On August 22, 2022, Mueller B.V. amended its loan agreement with the bank by agreeing to pay €3.45 million of the amortizing debt. In return, the bank reduced the financial loan covenants to an annual yearend debt/EBITDA test. The Company loaned Mueller BV €2 million to help make the loan reduction payment to the bank.

- F. The pre-tax results for the three months ended September 30, 2022, were unfavorably affected by \$0.9 million increase in the LIFO reserve. The pre-tax results for the nine months ended September 30, 2022, were unfavorably affected by \$4.5 million increase in the LIFO reserve. The pre-tax results for the twelve months ended September 30, 2022, were unfavorably affected by \$5.6 million increase in the LIFO reserve. The pre-tax results for the three months ended September 30, 2021, were unfavorably affected by \$1.7 million increase in the LIFO reserve. The pre-tax results for the nine months ended September 30, 2021, were unfavorably affected by \$2.8 million increase in the LIFO reserve. The pre-tax results for the twelve months ended September 30, 2021, were unfavorably affected by \$2.8 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 1.16 for September 2021; 1.13 for December 2021; and 0.98 for September 2022.

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](http://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).**