

Paul Mueller Company Announces Its First Quarter Earnings of 2023

**PAUL MUELLER COMPANY
THREE-MONTH REPORT**

Unaudited

(In thousands)

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31		Twelve Months Ended March 31	
	2023	2022	2023	2022
Net Sales	\$ 56,351	\$ 40,775	\$ 207,096	\$ 180,109
Cost of Sales	39,554	31,861	159,979	136,190
Gross Profit	\$ 16,797	\$ 8,914	\$ 47,117	\$ 43,919
Selling, General and Administrative Expense	12,587	10,240	37,358	42,816
Operating Income (Loss)	\$ 4,210	\$ (1,326)	\$ 9,759	\$ 1,103
Interest Expense	(97)	(388)	(406)	(679)
PPP Loan Forgiveness	-	-	-	1,884
Other Income	720	264	1,571	3,070
Income (Loss) before Provision (Benefit) for Income Taxes	\$ 4,833	\$ (1,450)	\$ 10,924	\$ 5,378
Provision (Benefit) for Income Taxes	1,166	(328)	2,526	800
Net Income (Loss)	\$ 3,667	\$ (1,122)	\$ 8,398	\$ 4,578
Earnings (Loss) per Common Share — Basic and Diluted	\$3.38	(\$1.03)	\$7.74	\$4.22

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
	2023	2022
Net Income (Loss)	\$ 3,667	\$ (1,122)
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustment	164	(482)
Change in Pension Liability	-	-
Comprehensive Income (Loss)	\$ 3,831	\$ (1,604)

CONSOLIDATED BALANCE SHEETS

	March 31 2023	December 31 2022
Cash and Short-Term Investments	\$ 36,599	\$ 38,176
Accounts Receivable	23,199	20,580
Inventories (FIFO)	51,267	48,515
LIFO Reserve	(21,506)	(21,691)
Inventories (LIFO)	29,761	26,824
Current Net Investments in Sales-Type Leases	27	24
Other Current Assets	4,278	3,156
Current Assets	\$ 93,864	\$ 88,760
Net Property, Plant, and Equipment	41,888	41,511
Right of Use Assets	2,492	2,304
Other Assets	5,468	5,041
Long-Term Net Investments in Sales-Type Leases	355	312
Total Assets	\$ 144,067	\$ 137,928
Accounts Payable	\$ 11,598	\$ 11,802
Current Maturities and Short-Term debt	636	628
Current Lease Liabilities	463	448
Advance Billings	40,200	41,288
Pension Liabilities	11,149	11,558
Other Current Liabilities	23,378	20,062
Current Liabilities	\$ 87,424	\$ 85,786
Long-Term Debt	9,591	9,349
Long-Term Pension Liabilities	236	236
Other Long-Term Liabilities	2,300	1,737
Lease Liabilities	790	762
Total Liabilities	\$ 100,341	\$ 97,870
Shareholders' Investment	43,726	40,058
Total Liabilities and Shareholders' Investment	\$ 144,067	\$ 137,928

SELECTED FINANCIAL DATA

	March 31 2023	December 31 2022
Book Value per Common Share	\$40.27	\$36.90
Total Shares Outstanding	1,085,711	1,085,711
Backlog	\$ 122,818	\$ 132,829

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2022	\$ 1,508	\$ 9,708	\$ 75,721	\$ (10,787)	\$ (36,092)	\$ 40,058
Add (Deduct):						
Net Income			3,667			3,667
Other Comprehensive Income, Net of Tax					164	164
Dividends, \$.15 per Common Share			(163)			(163)
Treasury Stock Acquisition						-
Balance, March 31, 2023	\$ 1,508	\$ 9,708	\$ 79,225	\$ (10,787)	\$ (35,928)	\$ 43,726

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Operating Activities:		
Net Income (Loss)	\$ 3,667	\$ (1,122)
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(409)	(953)
Bad Debt Expense (Recovery)	15	(4)
Depreciation & Amortization	1,560	1,503
Loss (Gain) on Sales of Equipment	9	(1)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(2,634)	2,031
(Inc) in Inventories	(2,937)	(5,129)
(Inc) in Prepayments	(1,122)	(660)
(Inc) in Net Investment in Sales-type leases	(46)	(28)
Dec in Other LT Assets	240	13
(Dec) in Accounts Payable	(204)	(152)
Inc (Dec) in Accrued Income Tax	430	(1)
Inc in Other Accrued Expenses	3,622	705
(Dec) Inc in Advanced Billings	(1,088)	8,142
(Dec) Inc in Billings in Excess of Costs and Estimated Earnings	(736)	377
Inc in Lease Liability for Operating	-	90
Inc in Lease Liability for Financing	131	-
Principal payments of Lease Liability for Operating	(65)	(73)
(Dec) in Long Term Liabilities	(58)	(24)
Net Cash Provided by Operating Activities	\$ 375	\$ 4,714
Investing Activities		
Intangibles	(62)	-
Proceeds from Sales of Equipment	2	1
Additions to Property, Plant, and Equipment	(1,589)	(1,935)
Net Cash (Required) for Investing Activities	\$ (1,649)	\$ (1,934)
Financing Activities		
Principal payments of Lease Liability for Financing	(46)	(57)
(Repayment) of Long-Term Debt	(158)	(380)
Dividends Paid	(163)	(163)
Treasury Stock Acquisitions	-	(38)
Net Cash (Required) for Financing Activities	\$ (367)	\$ (638)
Effect of Exchange Rate Changes	64	(910)
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (1,577)	\$ 1,232
Cash and Cash Equivalents at Beginning of Year	38,176	11,281
Cash and Cash Equivalents at End of Quarter	\$ 36,599	\$ 12,513

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	2023		2022	
Domestic	\$	45,585	\$	28,116
Mueller BV	\$	11,304	\$	12,980
Eliminations	\$	(538)	\$	(321)
Net Revenue	\$	56,351	\$	40,775

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

Twelve Months Ended March 31				
Revenue	2023		2022	
Domestic	\$	162,662	\$	131,698
Mueller BV	\$	45,680	\$	49,773
Eliminations	\$	(1,246)	\$	(1,362)
Net Revenue	\$	207,096	\$	180,109

The chart below depicts the net income (loss) on a consolidating basis for the three months ended March 31.

Three Months Ended March 31				
Net Income	2023		2022	
Domestic	\$	4,450	\$	(885)
Mueller BV	\$	(770)	\$	(238)
Eliminations	\$	(13)	\$	1
Net Income (Loss)	\$	3,667	\$	(1,122)

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	2023		2022	
Domestic	\$	9,852	\$	4,760
Mueller BV	\$	(1,435)	\$	(209)
Eliminations	\$	(19)	\$	27
Net Income	\$	8,398	\$	4,578

B. Key headlines for the quarter:

- Strong backlog in the U.S. has contributed to strong first quarter results.
- Mueller B.V. announced organizational changes that should help improve future results.
- The domestic bank borrowing facility was amended in anticipation of the pension plan terminations announced in the 4th quarter of 2022.

C. March 31, 2023 backlog is \$122.8 million compared to \$130.8 million at March 31, 2022. The majority of this backlog is in the U.S. where the backlog is 115.4 million at March 31, 2023 compared to \$118.4 million at March 31, 2022. The \$3 million reduction in U.S. backlog is from the BioPharm division working through a large pharmaceutical project with its backlog reduced \$20 million year over year. All other business segments are nearly flat or have increased backlog from the previous year. In the Netherlands, the backlog is \$8.2 million at March 31, 2023 versus \$13.0 million March 31, 2022. Of this decrease, almost \$2.5 million is from its German subsidiary, DEG Engineering GmbH (DEG) (see footnote E) and approximately \$1.5 million is related to process and beer tank projects.

D. Revenue is up from the previous year by \$15.6 million and \$27.0 million on a three-month and twelve-month basis. Every business segment in the U.S. has an increase led by the pharmaceutical group. In the Netherlands, revenue is down to last year by \$1.7 million and \$4.1 million on a three-month and twelve-month basis. The shortfall is primarily from milk tanks sold to Great Britain and Ireland and serving beer tanks. The strengthening dollar from 2021 also increases the unfavorable variance.

Net Income is up \$4.8 million and \$3.8 million on a three-month and twelve-month basis. Every business segment in the U.S. is showing an increase led by the pharmaceutical and component groups. In the Netherlands, earnings are down with lower revenue plus the restructure cost discussed in footnote E.

We manage our business in the U.S. looking at earnings before tax (EBT) and excluding the effects of LIFO and non-reoccurring events such as the PPP loan forgiveness and profit and loss from Mueller Field Operations which was sold on December 31, 2021. These adjusted earnings are up \$4.8 million for the three months. The twelve-month adjusted earnings are up \$7.9 million.

E. On March 6, 2023, Mueller B.V. management discussed with the works council the shutting down of DEG. A works council is a group of employees who looks after the interest of employees and is required by the Dutch government for any Dutch company with 50 or more employees. The works council consented to the shutdown as well as the BV reorganization discussed below on April 3, 2023. Mueller B.V. management plans to terminate the operations of DEG by the second quarter of 2023. DEG had not

been profitable in recent years and had revenues of \$2,400,000 and earnings before tax of \$14,000 in 2022.

On April 13, 2023, Mueller BV management announced to the employees a restructure that will eliminate twelve non-manufacturing positions. Restructuring charges of \$588,500 for both DEG and the Mueller BV restructure are in the 1st quarter results.

- F.** The Company has pension plans covering domestic employees represented by a bargaining unit (Contract Plan) and employees not represented by a bargaining unit (Noncontract Plan). The participants discontinued accruing benefits in these plans in 2011. On November 1, 2022, and December 1, 2022, the Company announced that it had initiated a standard plan termination of the Contract Plan and Noncontract Plan, respectively. The Company applied to the Internal Revenue Service for its approval of the terminations on December 15, 2022. As of today, the IRS has not responded. This process takes approximately a year to complete, culminating in the affected participants receiving either a lump sum payment or a monthly annuity payment provided by an insurance company.

The underfunded status of the two plans combined as of December 31, 2022, was \$11.8 million. These terminations will require approximately this amount of cash from the Company, adjusted for any further changes to the plans' funded status. The terminations will end future requirements for Company contributions to the plans, which have averaged \$4.2 million per year in the previous three years. The Company expects to complete the terminations in late 2023 or early 2024, at which time the accumulated actuarial losses will be recognized as a non-cash reduction of pre-tax earnings. The accumulated actuarial loss related to these plans is \$44,874,302 as of December 31, 2022.

- G.** On March 10, 2023, the Company amended its domestic bank borrowing facility to extend the agreement until March 31, 2024. All pricing and terms remain the same, except for the changes below.

The following will be excluded from the Fixed Charge Coverage calculation:

1. All non-cash settlement charges related to the termination of the pension plans.
 2. Cash pension payments that exceed pension expenses and that are related to the termination of the pension plans, not to exceed \$25,000,000.
- H.** The pre-tax results for the three months ended March 31, 2023, were favorably affected by \$0.2 million decrease in the LIFO reserve. The pre-tax results for the twelve months ended March 31, 2023, were unfavorably affected by \$2.6 million increase in the LIFO reserve. 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.

- I. 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 1.11 for March, 2022; 1.07 for December, 2022 and 1.09 for March, 2023, 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 2022 annual report, available at www.paulmueller.com.