

# 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	
	2023	2022	2023	2022	2023	2022
Net Sales	\$ 59,931	\$ 45,977	\$ 116,282	\$ 86,752	\$ 221,050	\$ 176,808
Cost of Sales	41,379	35,542	80,933	67,403	165,816	137,823
Gross Profit	\$ 18,552	\$ 10,435	\$ 35,349	\$ 19,349	\$ 55,234	\$ 38,985
Selling, General and Administrative Expense	12,714	10,397	25,301	20,637	39,675	41,660
Operating Income (Loss)	\$ 5,838	\$ 38	\$ 10,048	\$ (1,288)	\$ 15,559	\$ (2,675)
Interest Expense	(80)	(117)	(177)	(505)	(369)	(705)
PPP Loan Forgiveness	-	-	-	-	-	1,884
Other Income (Expense)	613	(126)	1,333	138	2,310	940
Income (Loss) before Provision (Benefit) for Income Taxes	\$ 6,371	\$ (205)	\$ 11,204	\$ (1,655)	\$ 17,500	\$ (556)
Provision (Benefit) for Income Taxes	1,558	(56)	2,724	(384)	4,140	(205)
Net Income (Loss)	\$ 4,813	\$ (149)	\$ 8,480	\$ (1,271)	\$ 13,360	\$ (351)
Earnings (Loss) per Common Share - Basic and Diluted	\$4.43	(\$0.14)	\$7.81	(\$1.17)	\$12.31	(\$0.32)

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30	
	2023	2022
Net Income (Loss)	\$ 8,480	\$ (1,271)
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustment	441	(2,292)
Comprehensive Income (Loss)	\$ 8,921	\$ (3,563)

## CONSOLIDATED BALANCE SHEETS

	June 30 2023	December 31 2022
Cash and Short-Term Investments	\$ 38,907	\$ 38,176
Accounts Receivable	24,453	20,580
Inventories (FIFO)	52,198	48,515
LIFO Reserve	(21,930)	(21,691)
Inventories (LIFO)	30,268	26,824
Current Net Investments in Sales-Type Leases	25	24
Other Current Assets	3,799	3,156
Current Assets	\$ 97,452	\$ 88,760
Net Property, Plant, and Equipment	41,572	41,511
Right of Use Assets	2,455	2,304
Other Assets	5,385	5,041
Long-Term Net Investments in Sales-Type Leases	380	312
Total Assets	\$ 147,244	\$ 137,928
Accounts Payable	\$ 13,132	\$ 11,802
Current Maturities and Short-Term Debt	636	628
Current Lease Liabilities	433	448
Advance Billings	36,641	41,288
Pension Liabilities	10,740	11,558
Other Current Liabilities	23,965	20,062
Current Liabilities	\$ 85,547	\$ 85,786
Long-Term Debt	9,145	9,349
Long-Term Pension Liabilities	236	236
Other Long-Term Liabilities	2,965	1,737
Lease Liabilities	698	762
Total Liabilities	\$ 98,591	\$ 97,870
Shareholders' Investment	48,653	40,058
Total Liabilities and Shareholders' Investment	\$ 147,244	\$ 137,928

**SELECTED FINANCIAL DATA**

	June 30 2023	December 31 2022
Book Value per Common Share	\$44.81	\$36.90
Total Shares Outstanding	1,085,711	1,085,711
Backlog	\$ 106,016	\$ 132,829

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT**

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2022</b>	\$ 1,508	\$ 9,708	\$ 75,721	\$ (10,787)	\$ (36,092)	\$ 40,058
<b>Add (Deduct):</b>						
Net Income			8,480			8,480
Other Comprehensive Income, Net of Tax					441	441
Dividends, \$.30 per Common Share			(326)			(326)
Treasury Stock Acquisition						-
<b>Balance, June 30, 2023</b>	\$ 1,508	\$ 9,708	\$ 83,875	\$ (10,787)	\$ (35,651)	\$ 48,653

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
<b>Operating Activities:</b>		
Net Income (Loss)	\$ 8,480	\$ (1,271)
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(818)	(1,451)
Bad Debt (Recovery) Expense	(19)	15
Depreciation & Amortization	3,027	3,028
(Gain) on Sales of Equipment	(33)	(3)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(3,854)	4,313
(Inc) in Inventories	(3,444)	(8,925)
(Inc) in Prepayments	(643)	(1,400)
(Inc) in Net Investment in Sales-type leases	(69)	(25)
Dec in Other Assets	307	251
Inc (Dec) in Accounts Payable	1,330	(441)
Inc (Dec) in Accrued Income Tax	1,911	(1)
Inc in Other Accrued Expenses	4,919	1,689
(Dec) Inc in Advanced Billings	(4,647)	15,444
(Dec) in Billings in Excess of Costs and Estimated Earnings	(2,927)	(281)
Inc in Lease Liability for Operating	-	238
Inc in Lease Liability for Financing	133	-
Principal payments of Lease Liability for Operating	(137)	(218)
Inc (Dec) in Other Long-Term Liabilities	607	(108)
<b>Net Cash Provided by Operating Activities</b>	\$ 4,123	\$ 10,854
<b>Investing Activities</b>		
Intangibles	(62)	-
Proceeds from Sales of Equipment	67	3
Additions to Property, Plant, and Equipment	(3,190)	(3,828)
<b>Net Cash (Required) for Investing Activities</b>	\$ (3,185)	\$ (3,825)
<b>Financing Activities</b>		
Principal payments of Lease Liability for Financing	(98)	(106)
(Repayment) Proceeds of Short-Term Borrowings, Net	-	-
(Repayment) of Long-Term Debt	(318)	(760)
Dividends Paid	(326)	(326)
Treasury Stock Acquisitions	-	(38)
<b>Net Cash (Required) for Financing Activities</b>	\$ (742)	\$ (1,230)
<b>Effect of Exchange Rate Changes</b>	535	(990)
<b>Net Increase in Cash and Cash Equivalents</b>	\$ 731	\$ 4,809
<b>Cash and Cash Equivalents at Beginning of Year</b>	38,176	11,281
<b>Cash and Cash Equivalents at End of Quarter</b>	\$ 38,907	\$ 16,090

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>	2023	2022
Domestic	\$48,295	\$34,315
Mueller BV	\$12,073	\$12,058
Eliminations	(\$437)	(\$396)
Net Revenue	\$59,931	\$45,977

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>	2023	2022
Domestic	\$93,880	\$62,431
Mueller BV	\$23,377	\$25,038
Eliminations	(\$975)	(\$717)
Net Revenue	\$116,282	\$86,752

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>	2023	2022
Domestic	\$176,642	\$128,519
Mueller BV	\$45,695	\$49,637
Eliminations	(\$1,287)	(\$1,348)
Net Revenue	\$221,050	\$176,808

The chart below depicts the net income (loss) on a consolidating basis for the three months ended June 30.

Three Months Ended June 30		
<i>Net Income</i>	2023	2022
Domestic	\$4,705	\$237
Mueller BV	\$110	(\$386)
Eliminations	(\$2)	\$0
Net Income (Loss)	\$4,813	(\$149)

The chart below depicts the net income (loss) on a consolidating basis for the six months ended June 30.

Six Months Ended June 30		
<i>Net Income</i>	2023	2022
Domestic	\$9,155	(\$650)
Mueller BV	(\$660)	(\$622)
Eliminations	(\$15)	\$1
Net Income (Loss)	\$8,480	(\$1,271)

The chart below depicts the net income (loss) on a consolidating basis for the twelve months ended June 30.

Twelve Months Ended June 30		
<i>Net Income</i>	2023	2022
Domestic	\$14,322	\$230
Mueller BV	(\$941)	(\$604)
Eliminations	(\$21)	\$23
Net Income Loss	\$13,360	(\$351)

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

- In the US, the Company has performed well against a strong backlog which has contributed to excellent results for the first six months of the year.
- After Mueller B.V. announced organizational changes aimed to improve future results, Earnings Before Tax for May and June were improved with the second quarter of 2023 showing a profit of \$110,000 compared to a \$386,000 loss the year before.
- The standard plan terminations of the Company's two domestic pension plans are moving forward. The Company is awaiting responses from the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC).

- C. June 30, 2023 backlog is \$106.0 million compared to \$141.7 million at June 30, 2022. The majority of this backlog is in the U.S. where the backlog is \$98.7 million at June 30, 2023 compared to \$131.0 million at June 30, 2022. The \$32.3 million reduction in U.S. backlog is mainly from the BioPharm division working through a large pharmaceutical project with its backlog reduced \$27.9 million year over year. In the Netherlands, the backlog is \$7.7 million at June 30, 2023 versus \$11.0 million June 20, 2022. Part of this shortfall is from the shutdown of DEG.
- D. Revenue is up from the previous year by \$13.9 million, \$29.5 million and \$44.2 million on a three-month, six-month and twelve-month basis. Most every business segment in the U.S. has an increase led by the pharmaceutical, food and beverage, and component groups. In the Netherlands, revenue is flat for the quarter and down for the six-month and twelve-month periods compared to last year. The shortfall is primarily from milk tanks sold to Great Britain and Ireland, serving beer tanks and the shutdown of DEG.

Net Income is up from the previous year by \$5.0 million, \$9.8 million and \$13.7 million on a three-month, six-month and twelve-month basis. This improvement is partially driven by the US operations where profits were less negatively affected by the change in the LIFO reserve as outlined in footnote F. However, the greater impact has been an increased focus on improving margins. Gross profit in the US (excluding the effects of LIFO) as a percentage of revenue is 29.8% as June 30, 2023. This compares to 20.9% for the first six months of 2022. This improved margin coupled with the \$31.4 million increase in revenue has led to the excellent results for the first six months.

- E. 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 IRS for its approval of the terminations on December 15, 2022. The Company gave notice of intent to terminate to the PBGC for the Contract Plan on June 27, 2023 and the Noncontract Plan on July 14, 2023. Assuming no questions or concerns from the PBGC, the Company has until the end of February 2024 to terminate the plans. The Company is still waiting on a response from the IRS. The Company is still hopeful to complete the termination process by the end of 2023, 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 pretax earnings. The accumulated actuarial loss related to these plans is \$44,874,302 as of December 31, 2022.

- F.** The pre-tax results for the three months ended June 30, 2023, were unfavorably affected by a \$0.4 million increase in the LIFO reserve. The pre-tax results for the six months ended June 30, 2023, were unfavorably affected by a \$0.2 million increase in the LIFO reserve. The pre-tax results for the twelve months ended June 30, 2023, were unfavorably affected by a \$1.5 million increase in the LIFO reserve. The pre-tax results for the three months ended June 30, 2022, were unfavorably affected by a \$1.5 million increase in the LIFO reserve. The pre-tax results for the six months ended June 30, 2022, were unfavorably affected by a \$3.5 million increase in the LIFO reserve. The pre-tax results for the twelve months ended June 30, 2022, were unfavorably affected by a \$6.4 million increase in the LIFO reserve.
- G.** 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 1.04 for June 2022, 1.07 for December 2022, and 1.09 for June 2023.

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](http://www.paulmueller.com).**