



For Immediate Release

Paul Mueller Company Announces Its Third Quarter Earnings of 2023

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PAUL MUELLER COMPANY NINE-MONTH REPORT

Unaudited
(In thousands)

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2023	2022	2023	2022	2023	2022
Net Sales	\$ 57,088	\$ 45,766	\$ 173,370	\$ 132,518	\$ 232,372	\$ 179,511
Cost of Sales	38,948	34,801	119,881	102,204	169,963	139,665
Gross Profit	\$ 18,140	\$ 10,965	\$ 53,489	\$ 30,314	\$ 62,409	\$ 39,846
Selling, General and Administrative Expense	11,245	9,695	36,546	30,332	41,225	40,088
Operating Income (Loss)	\$ 6,895	\$ 1,270	\$ 16,943	\$ (18)	\$ 21,184	\$ (242)
Interest Expense	(82)	(105)	(259)	(610)	(346)	(708)
Other Income	477	38	1,810	176	2,749	2,956
Income (Loss) before Provision (Benefit) for Income Taxes	\$ 7,290	\$ 1,203	\$ 18,494	\$ (452)	\$ 23,587	\$ 2,006
Provision (Benefit) for Income Taxes	1,786	223	4,510	(161)	5,703	335
Net Income (Loss)	\$ 5,504	\$ 980	\$ 13,984	\$ (291)	\$ 17,884	\$ 1,671
Earnings (Loss) per Common Share - Basic and Diluted	\$5.07	\$0.90	\$12.88	(\$0.27)	\$16.47	\$1.54

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30	
	2023	2022
Net Income (Loss)	\$ 13,984	\$ (291)
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustment	(275)	(3,292)
Comprehensive Income (Loss)	\$ 13,709	\$ (3,583)

CONSOLIDATED BALANCE SHEETS

	September 30 2023	December 31 2022
Cash and Short-Term Investments	\$ 41,527	\$ 38,176
Accounts Receivable	24,126	20,580
Inventories (FIFO)	51,042	48,515
LIFO Reserve	(22,233)	(21,691)
Inventories (LIFO)	28,809	26,824
Current Net Investments in Sales-Type Leases	25	24
Other Current Assets	3,721	3,156
Current Assets	\$ 98,208	\$ 88,760
Net Property, Plant, and Equipment	40,689	41,511
Right of Use Assets	2,147	2,304
Other Assets	5,283	5,041
Long-Term Net Investments in Sales-Type Leases	391	312
Total Assets	\$ 146,718	\$ 137,928
Accounts Payable	\$ 11,654	\$ 11,802
Current Maturities and Short-Term debt	624	628
Current Lease Liabilities	376	448
Advance Billings	36,551	41,288
Pension Liabilities	9,972	11,558
Other Current Liabilities	22,023	20,062
Current Liabilities	\$ 81,200	\$ 85,786
Long-Term Debt	8,824	9,349
Long-Term Pension Liabilities	236	236
Other Long-Term Liabilities	2,537	1,737
Lease Liabilities	643	762
Total Liabilities	\$ 93,440	\$ 97,870
Shareholders' Investment	53,278	40,058
Total Liabilities and Shareholders' Investment	\$ 146,718	\$ 137,928

SELECTED FINANCIAL DATA

	September 30 2023	December 31 2022
Book Value per Common Share	\$49.07	\$36.90
Total Shares Outstanding	1,085,711	1,085,711
Backlog	\$ 99,441	\$ 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			13,984			13,984
Other Comprehensive Income (Loss), Net of Tax					(275)	(275)
Dividends, \$.45 per Common Share			(489)			(489)
Treasury Stock Acquisition						-
Balance, September 30, 2023	\$ 1,508	\$ 9,708	\$ 89,216	\$ (10,787)	\$ (36,367)	\$ 53,278

CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Operating Activities:		
Net Income (Loss)	\$ 13,984	\$ (291)
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(1,586)	(2,950)
Bad Debt Expense (Recovery)	112	(1)
Depreciation & Amortization	4,718	4,549
(Gain) on Sales of Equipment	(48)	(4)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(3,658)	5,266
(Inc) in Cost in Excess of Estimated Earnings and Billings	(109)	-
(Inc) in Inventories	(1,985)	(7,358)
(Inc) in Prepayments	(456)	(2,742)
(Inc) in Net Investment in Sales-type leases	(80)	(86)
Dec in Other LT Assets	373	218
(Dec) in Accounts Payable	(148)	(3,284)
Inc (Dec) in Accrued Income Tax	3,519	(1)
Inc in Other Accrued Expenses	5,515	1,468
(Dec) Inc in Advanced Billings	(4,737)	15,494
(Dec) Inc in Billings in Excess of Costs and Estimated Earnings	(7,073)	7,554
Inc in Lease Liability for Operating	-	220
Inc in Lease Liability for Financing	130	-
Principal payments of Lease Liability for Operating	(163)	(231)
Inc (Dec) In Other Long-Term Liabilities	197	(175)
Net Cash Provided by Operating Activities	\$ 8,505	\$ 17,646
Investing Activities		
Intangibles	(62)	-
Proceeds from Sales of Equipment	83	11
Additions to Property, Plant, and Equipment	(4,351)	(5,838)
Net Cash (Required) for Investing Activities	\$ (4,330)	\$ (5,827)
Financing Activities		
Principal payments of Lease Liability for Financing	(146)	(144)
(Repayment) of Short-Term Borrowings, Net	-	-
(Repayment) of Long-Term Debt	(479)	(957)
Dividends Paid	(489)	(489)
Treasury Stock Acquisitions	-	(38)
Net Cash (Required) for Financing Activities	\$ (1,114)	\$ (1,628)
Effect of Exchange Rate Changes	290	(601)
Net Increase in Cash and Cash Equivalents	\$ 3,351	\$ 9,590
Cash and Cash Equivalents at Beginning of Year	38,176	11,281
Cash and Cash Equivalents at End of Quarter	\$ 41,527	\$ 20,871

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	2023	2022
Domestic	\$46,044	\$35,464
Mueller BV	\$11,366	\$10,316
Eliminations	(\$322)	(\$14)
Net Revenue	\$57,088	\$45,766

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

Nine Months Ended September 30		
Revenue	2023	2022
Domestic	\$139,924	\$97,895
Mueller BV	\$34,743	\$35,354
Eliminations	(\$1,297)	(\$731)
Net Revenue	\$173,370	\$132,518

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

Twelve Months Ended September 30		
Revenue	2023	2022
Domestic	\$187,222	\$130,791
Mueller BV	\$46,745	\$49,805
Eliminations	(\$1,595)	(\$1,085)
Net Revenue	\$232,372	\$179,511

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	2023	2022
Domestic	\$5,078	\$1,308
Mueller BV	\$426	(\$333)
Eliminations	\$0	\$5
Net Income	\$5,504	\$980

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

Nine Months Ended September 30		
Net Income	2023	2022
Domestic	\$14,233	\$658
Mueller BV	(\$234)	(\$955)
Eliminations	(\$15)	\$6
Net Income (Loss)	\$13,984	(\$291)

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	2023	2022
Domestic	\$18,092	\$1,619
Mueller BV	(\$182)	\$6
Eliminations	(\$26)	\$46
Net Income	\$17,884	\$1,671

B. Key headlines for the quarter:

- In the US, the Company continues to perform well against a strong backlog which has contributed to excellent results for the first nine months of the year.
- In April, 2023, Mueller B.V. announced organizational changes aimed to improve earnings which can be seen in recent results. The Net Loss for the 1st Quarter of 2023 was \$(770) thousand. The YTD Net Loss as of September 30, 2023 is \$(234) thousand, a \$536 thousand improvement.
- The standard plan termination of the Company's two domestic pension plans is progressing well with an anticipated completion before December 31, 2023.

C. September 30, 2023 backlog is \$99.4 million compared to \$139.2 million at September 30, 2022. Although down from the previous year, the backlog is still healthy from a historical perspective. The September 30th backlog in the U.S. is \$90.3 million as compared to \$130.4 million at September 30, 2022. The reduction in U.S. backlog occurred primarily in the pharmaceutical activities of the Company. In the Netherlands, the backlog is \$9.7 million at September 30, 2023 compared to \$9.4 million September 20, 2022.

D. Revenue is up from the previous year by \$11.3 million, \$40.9 million and \$52.9 million on a three-month, nine-month and twelve-month basis. Most every business segment in the U.S. has an increase led by the pharmaceutical and food and beverage groups. In the Netherlands, revenue is up \$1.0 million for the quarter and down for the nine-month and twelve-month periods compared to last year.

Net Income is up from the previous year by \$4.5 million, \$14.3 million and \$16.2 million on a three-month, nine-month and twelve-month basis. This improvement is partially driven by the US operations where the 2023 profits are 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 30.2% as September 30, 2023. This compares to 21.2% for the first nine months of 2022. This improved margin coupled with the \$42.0 million increase in revenue has led to the excellent results for the first nine 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. The Company has received no questions from the PBGC and on September 28, 2023, the Company received a favorable determination letter from the IRS.

In September, plan termination election packets were mailed to current employees and former employees who are vested but are not receiving pension payments. The Company plans to complete the termination 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. Participants have until October 31st to make their election.

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 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 was \$44,874,302 as of December 31, 2022.

- F. The pre-tax results for the three months ended September 30, 2023, were unfavorably affected by \$0.3 million increase in the LIFO reserve. The pre-tax results for the nine months ended September 30, 2023, were unfavorably affected by \$0.5 million increase in the LIFO reserve. The pre-tax results for the twelve month ended September 30, 2023 were unfavorably affected by \$0.9 million increase in the LIFO reserve. 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.
- 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 .98 for September 2022; 1.07 for December 2022; and 1.06 for September 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.