

July 23, 2019



## Mueller Industries, Inc. Reports Second Quarter 2019 Earnings

COLLIERVILLE, Tenn.--(BUSINESS WIRE)-- Mueller Industries, Inc. (NYSE: MLI) announced today second quarter operating income of \$51.5 million, compared with \$51.9 million in the same quarter of 2018.

Net income was \$28.0 million, or 50 cents per diluted share, on \$666.4 million in net sales, compared with net income of \$33.2 million, or 58 cents per diluted share, on \$662.8 million in net sales for the same quarter of 2018.

### *Financial and Operating Highlights:*

- We recorded a \$5.3 million loss on our investment in Tecumseh Products Co. in the second quarter of 2019, which narrowed significantly from the first quarter of 2019. On an as adjusted basis, excluding the loss, diluted earnings per share would have been 58 cents in the second quarter.
- Consolidated net sales, as well as earnings in our FIFO businesses, were negatively impacted by the decline in copper during the quarter. Copper declined 22 cents per pound during the quarter and was, on average, 10 percent lower in the second quarter of 2019 compared with the second quarter of 2018.
- Weaker demand from certain export markets and our industrial customer base impacted shipments in both the Piping Systems and Industrial Metals segments.
- Cash generated from operations was \$88.7 million in the second quarter and debt repayments totaled \$82.5 million. Quarter-end cash on hand was \$91.4 million, debt to total capitalization was 44 percent, and the current ratio was 3.2 to 1.

Regarding the quarter and the outlook, Greg Christopher, Mueller CEO said, "Considering the impact of softness in our export and industrial end-markets, as well as the negative effect of copper this quarter, these are healthy results. Demand in our businesses remains steady."

He added, "Once again, charges taken for Tecumseh reduced our net income, but Tecumseh's results for the quarter improved over our first quarter, a trend we believe will continue."

Mueller Industries, Inc. is an industrial manufacturer that specializes in copper and copper alloy manufacturing while also producing goods made from aluminum, steel, and plastics. It is headquartered in Collierville, Tennessee and comprises a network of operations in the United States, Canada, Mexico, Great Britain, South Korea, the Middle East, and China. Its products include tubing, fittings, valves, vessels, and related items for plumbing and HVACR related piping systems, as well as rod, forgings, extrusions, and various components for OEM applications. Products are distributed into sectors such as building construction, appliance, defense, energy, and automotive.

Statements in this release that are not strictly historical may be “forward-looking” statements, which involve risks and uncertainties. These include economic and currency conditions, continued availability of raw materials and energy, market demand, pricing, competitive and technological factors, and the availability of financing, among others, as set forth in the Company’s SEC filings. The words “outlook,” “estimate,” “project,” “intend,” “expect,” “believe,” “target,” “encourage,” “anticipate,” “appear,” and similar expressions are intended to identify forward-looking statements. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. The Company has no obligation to publicly update or revise any forward-looking statements to reflect events after the date of this report.

**MUELLER INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

|                                                         | For the Quarter Ended |               | For the Six Months Ended |               |
|---------------------------------------------------------|-----------------------|---------------|--------------------------|---------------|
| <i>(In thousands, except per share data)</i>            | June 29, 2019         | June 30, 2018 | June 29, 2019            | June 30, 2018 |
| Net sales                                               | \$ 666,394            | \$ 662,773    | \$ 1,278,175             | \$ 1,302,833  |
| Cost of goods sold                                      | 563,948               | 563,820       | 1,075,341                | 1,109,490     |
| Depreciation and amortization                           | 10,478                | 9,006         | 21,033                   | 18,462        |
| Selling, general, and administrative expense            | 40,446                | 38,428        | 81,099                   | 72,485        |
| (Gain) loss on sale of assets                           | —                     | (409)         | —                        | 3,060         |
| Operating income                                        | 51,522                | 51,928        | 100,702                  | 99,336        |
| Interest expense                                        | (7,033)               | (6,073)       | (13,987)                 | (11,982)      |
| Other income, net                                       | 462                   | 586           | 290                      | 1,146         |
| Income before income taxes                              | 44,951                | 46,441        | 87,005                   | 88,500        |
| Income tax expense                                      | (10,432)              | (12,411)      | (19,978)                 | (19,806)      |
| Loss from unconsolidated affiliates, net of foreign tax | (5,843)               | (148)         | (21,212)                 | (10,468)      |
| Consolidated net income                                 | 28,676                | 33,882        | 45,815                   | 58,226        |
| Net income attributable to noncontrolling interests     | (690)                 | (700)         | (2,106)                  | (916)         |
| Net income attributable to Mueller Industries, Inc.     | \$ 27,986             | \$ 33,182     | \$ 43,709                | \$ 57,310     |

|                                                                 |                |                |                |                |
|-----------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Weighted average shares for basic earnings per share            | 55,753         | 56,797         | 55,741         | 56,848         |
| Effect of dilutive stock-based awards                           | <u>561</u>     | <u>514</u>     | <u>543</u>     | <u>516</u>     |
| Adjusted weighted average shares for diluted earnings per share | <u>56,314</u>  | <u>57,311</u>  | <u>56,284</u>  | <u>57,364</u>  |
| Basic earnings per share                                        | <u>\$ 0.50</u> | <u>\$ 0.58</u> | <u>\$ 0.78</u> | <u>\$ 1.01</u> |
| Diluted earnings per share                                      | <u>\$ 0.50</u> | <u>\$ 0.58</u> | <u>\$ 0.78</u> | <u>\$ 1.00</u> |
| Dividends per share                                             | <u>\$ 0.10</u> | <u>\$ 0.10</u> | <u>\$ 0.20</u> | <u>\$ 0.20</u> |

Summary Segment Data:

Net sales:

|                                   |                   |                   |                     |                     |
|-----------------------------------|-------------------|-------------------|---------------------|---------------------|
| Piping Systems Segment            | \$ 425,865        | \$ 453,183        | \$ 802,357          | \$ 884,147          |
| Industrial Metals Segment         | 147,719           | 175,891           | 298,594             | 353,223             |
| Climate Segment                   | 96,081            | 39,172            | 185,915             | 75,235              |
| Elimination of intersegment sales | <u>(3,271)</u>    | <u>(5,473)</u>    | <u>(8,691)</u>      | <u>(9,772)</u>      |
| Net sales                         | <u>\$ 666,394</u> | <u>\$ 662,773</u> | <u>\$ 1,278,175</u> | <u>\$ 1,302,833</u> |

Operating income:

|                           |                  |                  |                   |                  |
|---------------------------|------------------|------------------|-------------------|------------------|
| Piping Systems Segment    | \$ 35,896        | \$ 42,019        | \$ 64,145         | \$ 74,968        |
| Industrial Metals Segment | 14,911           | 16,093           | 34,098            | 38,726           |
| Climate Segment           | 13,035           | 5,347            | 25,421            | 10,894           |
| Unallocated expenses      | <u>(12,320)</u>  | <u>(11,531)</u>  | <u>(22,962)</u>   | <u>(25,252)</u>  |
| Operating income          | <u>\$ 51,522</u> | <u>\$ 51,928</u> | <u>\$ 100,702</u> | <u>\$ 99,336</u> |

**MUELLER INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

| <i>(In thousands)</i>     | June 29,<br>2019 | December 29,<br>2018 |
|---------------------------|------------------|----------------------|
| <b>ASSETS</b>             |                  |                      |
| Cash and cash equivalents | \$ 91,440        | \$ 72,616            |
| Accounts receivable, net  | 316,806          | 273,417              |
| Inventories               | 300,391          | 329,795              |
| Other current assets      | <u>25,867</u>    | <u>26,790</u>        |

|                                     |                    |                     |
|-------------------------------------|--------------------|---------------------|
| Total current assets                | 734,504            | 702,618             |
| Property, plant, and equipment, net | 365,025            | 370,633             |
| Operating lease right-of-use assets | 28,590             | —                   |
| Other assets                        | 288,949            | 296,298             |
|                                     | <u>\$1,417,068</u> | <u>\$ 1,369,549</u> |

#### **LIABILITIES AND STOCKHOLDERS' EQUITY**

|                                                |          |          |
|------------------------------------------------|----------|----------|
| Current portion of debt                        | \$ 2,891 | \$ 7,101 |
| Accounts payable                               | 106,055  | 103,754  |
| Current portion of operating lease liabilities | 4,754    | —        |
| Other current liabilities                      | 113,054  | 121,946  |

|                           |         |         |
|---------------------------|---------|---------|
| Total current liabilities | 226,754 | 232,801 |
|---------------------------|---------|---------|

|                                        |         |         |
|----------------------------------------|---------|---------|
| Long-term debt                         | 479,276 | 489,597 |
| Pension and postretirement liabilities | 28,099  | 29,055  |
| Environmental reserves                 | 19,904  | 20,009  |
| Deferred income taxes                  | 18,595  | 16,615  |
| Noncurrent operating lease liabilities | 24,491  | —       |
| Other noncurrent liabilities           | 15,587  | 18,212  |

|                   |                |                |
|-------------------|----------------|----------------|
| Total liabilities | <u>812,706</u> | <u>806,289</u> |
|-------------------|----------------|----------------|

|                                                     |         |         |
|-----------------------------------------------------|---------|---------|
| Total Mueller Industries, Inc. stockholders' equity | 588,271 | 548,356 |
| Noncontrolling interests                            | 16,091  | 14,904  |

|              |                |                |
|--------------|----------------|----------------|
| Total equity | <u>604,362</u> | <u>563,260</u> |
|--------------|----------------|----------------|

|  |                    |                     |
|--|--------------------|---------------------|
|  | <u>\$1,417,068</u> | <u>\$ 1,369,549</u> |
|--|--------------------|---------------------|

### **MUELLER INDUSTRIES, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

| <i>(In thousands)</i>                       | For the Six Months Ended |               |
|---------------------------------------------|--------------------------|---------------|
|                                             | June 29, 2019            | June 30, 2018 |
| <b>Cash flows from operating activities</b> |                          |               |
| Consolidated net income                     | \$ 45,815                | \$ 58,226     |

Reconciliation of consolidated net income to net cash provided by operating activities:

|                                                                            |           |          |
|----------------------------------------------------------------------------|-----------|----------|
| Depreciation and amortization                                              | 21,192    | 18,622   |
| Stock-based compensation expense                                           | 4,302     | 3,906    |
| Loss from unconsolidated affiliates                                        | 21,212    | 10,468   |
| (Gain) loss on disposals of properties                                     | (37)      | 2,646    |
| Deferred income tax benefit                                                | (67)      | (1,260)  |
| Changes in assets and liabilities, net of effects of business acquired:    |           |          |
| Receivables                                                                | (42,145)  | (90,345) |
| Inventories                                                                | 30,080    | 33,357   |
| Other assets                                                               | (4,617)   | 12,405   |
| Current liabilities                                                        | (9,735)   | (11,566) |
| Other liabilities                                                          | (1,485)   | (1,361)  |
| Other, net                                                                 | (532)     | 1,121    |
| Net cash provided by operating activities                                  | 63,983    | 36,219   |
| <b>Cash flows from investing activities</b>                                |           |          |
| Capital expenditures                                                       | (13,034)  | (10,882) |
| Acquisition of business, net of cash acquired                              | 3,465     | (12,467) |
| Investments in unconsolidated affiliates                                   | (10,500)  | (609)    |
| Proceeds from sales of properties                                          | 351       | 11,376   |
| Net cash used in investing activities                                      | (19,718)  | (12,582) |
| <b>Cash flows from financing activities</b>                                |           |          |
| Dividends paid to stockholders of Mueller Industries, Inc.                 | (11,151)  | (11,360) |
| Repurchase of common stock                                                 | (1,763)   | (6,575)  |
| Issuance of long-term debt                                                 | 100,638   | 193,247  |
| Repayments of long-term debt                                               | (110,914) | (37,107) |
| Repayment of debt by consolidated joint ventures, net                      | (4,132)   | (3,100)  |
| Net cash (used) received to settle stock-based awards                      | (127)     | 103      |
| Dividends paid to noncontrolling interests                                 | —         | (592)    |
| Net cash (used in) provided by financing activities                        | (27,449)  | 134,616  |
| Effect of exchange rate changes on cash                                    | 118       | (368)    |
| Increase in cash, cash equivalents, and restricted cash                    | 16,934    | 157,885  |
| Cash, cash equivalents, and restricted cash at the beginning of the period | 77,138    | 126,563  |

Cash, cash equivalents, and restricted cash at the end of the period

\$ 94,072 \$ 284,448

**MUELLER INDUSTRIES, INC.**

**Reconciliation of Net Income as Reported to Non-GAAP Financial Measures Without Loss (Gain) from the Unconsolidated Affiliate Tecumseh Products (Unaudited)**

Earnings attributable to normal operations without the loss (gain) from Tecumseh Products (Tecumseh) is a measurement not derived in accordance with generally accepted accounting principles (GAAP). Excluding the loss (gain) is useful as it measures the operating results that are the outcome of daily operating decisions made in the normal course of business. Reconciliation of earnings attributable to normal operations without the loss (gain) from Tecumseh to net income as reported is as follows:

*(In thousands, except per share data)*

For the Quarter Ended June 29, 2019

|                                                         | As<br>Reported<br>(GAAP) | Loss from<br>Tecumseh | As Adjusted<br>(Non-GAAP) |
|---------------------------------------------------------|--------------------------|-----------------------|---------------------------|
| Income before income taxes                              | \$ 44,951                | \$ —                  | \$ 44,951                 |
| Income tax expense                                      | (10,432)                 | (377)                 | (10,809)                  |
| Loss from unconsolidated affiliates, net of foreign tax | (5,843)                  | 5,256                 | (587)                     |
| Consolidated net income                                 | 28,676                   | 4,879                 | 33,555                    |
| Net income attributable to noncontrolling interests     | (690)                    | —                     | (690)                     |
| Net income attributable to Mueller Industries, Inc.     | <u>\$ 27,986</u>         | <u>\$ 4,879</u>       | <u>\$ 32,865</u>          |
| Diluted earnings per share                              | <u>\$ 0.50</u>           |                       | <u>\$ 0.58</u>            |

*(In thousands, except per share data)*

For the Quarter Ended June 30, 2018

|                                                         | As<br>Reported<br>(GAAP) | Gain from<br>Tecumseh | As Adjusted<br>(Non-GAAP) |
|---------------------------------------------------------|--------------------------|-----------------------|---------------------------|
| Income before income taxes                              | \$ 46,441                | \$ —                  | \$ 46,441                 |
| Income tax expense                                      | (12,411)                 | 231                   | (12,180)                  |
| Loss from unconsolidated affiliates, net of foreign tax | (148)                    | (235)                 | (383)                     |
| Consolidated net income                                 | 33,882                   | (4)                   | 33,878                    |

|                                                     |                  |               |                  |
|-----------------------------------------------------|------------------|---------------|------------------|
| Net income attributable to noncontrolling interests | <u>(700)</u>     | <u>—</u>      | <u>(700)</u>     |
| Net income attributable to Mueller Industries, Inc. | <u>\$ 33,182</u> | <u>\$ (4)</u> | <u>\$ 33,178</u> |
| Diluted earnings per share                          | <u>\$ 0.58</u>   |               | <u>\$ 0.58</u>   |

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