

FOR: **WEBCO INDUSTRIES, INC.**

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For Immediate Release

WEBCO INDUSTRIES, INC. REPORTS FISCAL 2019 FIRST QUARTER RESULTS

SAND SPRINGS, Oklahoma, November 26, 2018 – Webco Industries, Inc. (OTC: WEBC) today reported results for our first quarter of fiscal year 2019, ended October 31, 2018.

For our first quarter of fiscal year 2019, we generated net income of \$9.8 million, or \$10.47 per diluted share, while in our first quarter of fiscal year 2018, we generated net income of \$3.0 million, or \$3.31 per diluted share. Net sales for the first quarter of fiscal 2019 were \$137.0 million, a 19.9 percent increase over the \$114.3 million of net sales in last year's first quarter. Improved profitability has resulted from a stronger industrial economy and innovation in our product offerings.

In the first quarter of fiscal year 2019, we generated income from operations of \$13.9 million, after depreciation of \$3.3 million. The first fiscal quarter of the prior year generated income from operations of \$5.7 million, after depreciation of \$3.0 million. Gross profit for the first quarter of fiscal 2019 was \$24.2 million, or 17.7 percent of net sales, compared to \$13.9 million, or 12.2 percent of net sales, for the first quarter of fiscal 2018.

Dana S. Weber, Chief Executive Officer and Chairman, commented, "We believe that we have a highly dedicated and engaged workforce, which continues to create value and improve our results. The domestic industrial and energy economies remain strong, and we continue to benefit from our process and product innovations. We also continue to benefit from the April 2017 trade case covering certain cold drawn mechanical tubing and rising steel prices due in part to the higher domestic demand for steel products and the Section 232 Investigation and proposed tariffs and quotas. We are continuing to invest in our people and compelling technologies, both of which we consider core strengths. We have repurchased \$2.2 million of our common stock in private third-party transactions over the last two fiscal quarters, and currently have a \$10 million stock repurchase program in place."

Selling, general and administrative expenses were \$10.3 million in the first quarter of fiscal 2019 and \$8.1 million in the first quarter of fiscal 2018. SG&A expenses reflect increased costs associated with higher business levels and profitability, such as company-wide incentive compensation and variable pay programs.

Interest expense was \$1.3 million and \$0.8 million in the first quarters of fiscal years 2019 and 2018, respectively. The increase in interest expense is attributed to higher debt levels associated with increased working capital costs and higher activity levels.

We are party to an arrangement that swaps the variable interest rate for \$50 million of our debt to a fixed rate through December 2019. We record the interest swap contract at fair value on our balance sheet and non-cash changes in value are reported as unrealized gains or losses on interest contracts. The non-cash income and charges from adjusting the interest swap contract value to market value create volatility in our income statement; however, they have no bearing on cash flow for the quarter because the actual monthly cash swap payments are reflected in interest expense, and therefore earnings.

Our effective tax rate was 22.3% for the first quarter of fiscal 2019 and 41.5% for last fiscal year's first quarter. Our federal tax rate dropped to 21% beginning in the first quarter of fiscal year 2019, due to the Tax Cuts and Jobs Act. We have used the tax savings to increase company-wide incentive compensation payouts and to increase investment in plant and equipment.

At October 31, 2018, we had \$6.2 million in cash, in addition to \$29.2 million of available borrowing under our \$160 million senior revolving credit facility, which had \$111.2 million drawn. Availability on the revolver is subject to advance rates on eligible accounts receivable and inventories. Our term and revolver mature in March 2022. Accounting rules require current classification of a revolver, irrespective of maturity, when the agreement contains both a lock-box arrangement and a subjective acceleration clause. Because our revolver contains both provisions, it is shown as a current obligation on our balance sheet.

Capital expenditures incurred amounted to \$4.6 million in the first quarter of fiscal year 2019, versus \$1.9 million incurred in the first quarter of fiscal year 2018. Our capital investments were largely focused on improving our efficiencies, yields, quality and capabilities.

The Company's Board of Directors has established authority for a stock repurchase program, under which the Company is authorized to purchase its outstanding common stock, in private or open market transactions. In the first quarter of fiscal 2019, the Company acquired approximately 8,000 shares of its common stock in a third-party private transaction, bringing the total stock repurchases over the last two fiscal quarters to \$2.3 million. In November 2018, the Board of Directors approved authority for additional share purchases of up to \$10 million, which

expires July 31, 2022. Stock repurchases are subject to price and other market considerations and debt covenants that may restrict the amount and timing of future stock repurchases the Company wishes to pursue, if any. There is no guarantee as to the number or dollar value of shares that will be repurchased, and the plan may be extended, suspended or discontinued at any time without notice, at the Company's discretion.

Webco's mission is to continuously build on our strengths as we create a vibrant company for the ages. We leverage on our core values of trust and teamwork, continuously building strength, agility and innovation. We focus on practices that support our brand, such that we are 100% engaged every day to build a forever kind of company for our trusted teammates, customers, business partners, investors and community. We provide high-quality carbon steel, stainless steel and other metal specialty tubing products designed to industry and customer specifications. We have five tube production facilities in Oklahoma and Pennsylvania and eight value-added facilities in Oklahoma, Illinois, Michigan, Pennsylvania and Texas, serving customers globally.

Forward-looking statements: Certain statements in this release, including, but not limited to, those preceded by or predicated upon the words "anticipates," "appears," "available," "believes," "can," "consider," "expects," "forever," "hopes," "intended," "plans," "projects," "pursue," "should," "wishes," "would," or similar words constitute "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance or achievements expressed or implied herein. Such risks, uncertainties and factors include the factors discussed above and, among others: general economic and business conditions, including any global economic downturn, reduced oil prices, competition from foreign imports, including any impacts associated with dumping or the strength of the U.S. dollar, changes in manufacturing technology, banking environment, including availability of adequate financing, monetary policy, changes in tax rates and regulation, raw material costs and availability, appraised values of inventories which can impact available borrowing under the Company's credit facility, industry capacity, domestic competition, loss of or reductions in purchases by significant customers and customer work stoppages, the costs associated with providing healthcare benefits to employees, customer claims, technical and data processing capabilities, and insurance costs and availability. The Company assumes no obligation to update publicly such forward-looking statements.

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended October 31,	
	<u>2018</u>	<u>2017</u>
Net sales	\$ 137,002	\$ 114,270
Cost of sales	<u>112,809</u>	<u>100,380</u>
Gross profit	24,192	13,889
Selling, general & administrative	<u>10,306</u>	<u>8,149</u>
Income (loss) from operations	13,887	5,740
Interest expense	1,337	782
(Gain) loss on interest contracts	<u>3</u>	<u>(243)</u>
Income (loss) before income taxes	12,547	5,201
Income tax expense (benefit)	<u>2,796</u>	<u>2,158</u>
Net income (loss)	\$ <u><u>9,751</u></u>	\$ <u><u>3,044</u></u>
Net income (loss) per common share:		
Basic	\$ <u><u>12.03</u></u>	\$ <u><u>3.74</u></u>
Diluted	\$ <u><u>10.47</u></u>	\$ <u><u>3.31</u></u>
Weighted average common shares outstanding:		
Basic	<u><u>810,500</u></u>	<u><u>815,000</u></u>
Diluted	<u><u>931,800</u></u>	<u><u>919,100</u></u>

Note: Amounts may not sum due to rounding.

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET HIGHLIGHTS

(Dollars in thousands, except par value)

(Unaudited)

	October 31, <u>2018</u>	July 31, <u>2018</u>
Cash	\$ 6,189	\$ 7,141
Accounts receivable, net	64,707	76,483
Inventories, net	198,563	170,892
Other current assets	<u>5,338</u>	<u>7,156</u>
Total current assets	274,796	261,672
Property, plant and equipment, net	105,468	104,211
Other long-term assets	<u>3,881</u>	<u>3,605</u>
Total assets	\$ <u>384,144</u>	\$ <u>369,488</u>
Other current liabilities	\$ 52,541	\$ 46,649
Current portion of long-term debt, net	<u>111,187</u>	<u>110,466</u>
Total current liabilities	163,639	157,116
Long-term debt	12,000	12,000
Deferred tax liability	8,024	8,829
Total equity (881,868 common shares, par value \$0.01, outstanding at October 31, 2018)	<u>200,481</u>	<u>191,544</u>
Total liabilities and equity	\$ <u>384,144</u>	\$ <u>369,488</u>

CASH FLOW DATA

(Dollars in thousands)

(Unaudited)

	Three Months Ended October 31, <u>2018</u>	<u>2017</u>
Net cash provided by (used in) operating activities	\$ <u>1,434</u>	\$ <u>2,466</u>
Depreciation and amortization	\$ <u>3,404</u>	\$ <u>3,085</u>
Cash paid for capital expenditures	\$ <u>5,324</u>	\$ <u>2,494</u>

Note: Amounts may not sum due to rounding.