

FOR: **WEBCO INDUSTRIES, INC.**

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For Immediate Release

**WEBCO INDUSTRIES, INC. REPORTS FISCAL 2017 SECOND
QUARTER RESULTS**

SAND SPRINGS, Oklahoma, March 9, 2017 – Webco Industries, Inc. (OTC: WEBC) today reported results for our second quarter of fiscal year 2017, ended January 31, 2017.

For our second quarter of fiscal year 2017, we generated net income of \$2.2 million, or \$2.61 per diluted share, compared to a net loss of \$1.2 million, or a loss of \$1.43 per diluted share, for the second quarter in fiscal 2016. Net sales for the second quarter of fiscal 2017 were \$91.6 million, a 21.3 percent increase from the \$75.5 million of sales in last year's second quarter. The current quarter includes a non-cash gain of \$0.9 million related to our interest swap contract, whereas the prior year second quarter includes a \$0.4 million non-cash loss related to the interest swap contract.

For the first six months of fiscal year 2017, we generated net income of \$2.9 million, or \$3.48 per diluted share, compared to a net loss of \$2.3 million, or a loss of \$2.90 per diluted share, for the same period in fiscal 2016. Net sales for the first six months of the current year amounted to \$180.0 million, a 7.3 percent increase over the \$167.8 million in sales for the same six-month period of last year. Results for the first six months of the current year include a \$1.3 million non-cash gain related to the interest swap contract, whereas the prior year same six-month period contained a \$0.8 million non-cash loss on the contract.

In the second quarter of fiscal year 2017, we generated income from operations of \$1.8 million, after depreciation of \$2.8 million. The second fiscal quarter of the prior year generated a loss from operations of \$1.0 million, after depreciation amounting to \$2.9 million. Gross profit for the second quarter of fiscal 2017 was \$7.6 million, or 8.2 percent of net sales, compared to \$4.5 million, or 5.9 percent of net sales, for the second quarter of fiscal 2016.

Our income from operations for the first six months of fiscal year 2017 was \$3.3 million, after depreciation expense of \$5.6 million, while we generated a loss from operations for the same period in fiscal 2016 of \$1.9 million, after depreciation expense of \$5.9 million. Gross profit for

the first six months of fiscal 2017 was \$15.5 million, or 8.6 percent of net sales, compared to \$9.4 million, or 5.6 percent of net sales for the same period in fiscal year 2016.

Dana S. Weber, Chief Executive Officer, commented, “Our performance continues to primarily improve as a result of not having to deal with high cost steel in this lower demand environment. Volumes have been low and the industrial and energy-related economies are relatively sluggish. The steel industry, for a number of micro and macro reasons, continues to have cost volatility for both stainless and carbon steel. Over the course of the quarter, the tubing industry continued to deal with low oil prices, commodity volatility, a strong U.S. dollar, and foreign competition. Expense and working capital management continue to be priorities in this lower demand environment. We have been investing in our core strengths, including quality, efficiency, yield improvement and capabilities.”

Selling, general and administrative expenses were \$5.8 million in the second quarter of fiscal 2017 and \$5.5 million in the second quarter of fiscal 2016. Selling, general and administrative charges were \$12.2 million in the first six months of the current fiscal year, an increase over the \$11.3 million in such expenses in the same period of fiscal 2016. The increase in SG&A reflects increased costs associated with increased activity levels.

Interest expense was \$0.6 million in each of the second quarters of fiscal year 2017 and 2016. Interest expense was \$1.3 million in the first six months of both fiscal year 2017 and fiscal year 2016. Subsequent to January 31, 2017, we amended our senior credit facility to extend the maturity an additional five years, until March 2022.

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.

At January 31, 2017, we had \$8.0 million in cash in addition to \$29.8 million of available borrowing under our senior revolving credit facility, which had \$49.1 million drawn. The amended revolver continues to have a \$120 million cap with availability subject to advance rates on eligible accounts receivable and inventories.

Capital expenditures incurred amounted to \$5.0 million in the second fiscal quarter and \$7.4 million for the first six months of fiscal year 2017. Our fiscal 2017 capital investments are focused on improving efficiencies, yields, quality and capabilities. The first quarter fiscal 2017

adoption of a change in balance sheet presentation of deferred taxes has resulted in current deferred tax assets being netted against long-term deferred income tax liabilities, and presented as a single element on our balance sheet; however, since we changed for future presentation only, our July 31, 2016, balance sheet was not changed.

Webco is a manufacturer and value-added distributor of high-quality carbon steel, stainless steel and other metal tubular products designed to industry and customer specifications. Our tubing products consist primarily of pressure tubing, including heat exchanger and boiler tubing, and specialty tubing for use in durable and capital goods. Webco's long-term strategy involves the pursuit of niche markets within the metal tubing industry through the deployment of leading-edge manufacturing and information technology. We have five tube production facilities in Oklahoma and Pennsylvania and six value-added facilities in Oklahoma, Texas, Illinois and Michigan, 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," "considering," "expects," "hopes," "intended," "plans," "projects," "pursue," "should," "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 imports, including any impacts associated with 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 January 31,		Six Months Ended January 31,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net sales	\$ 91,621	\$ 75,511	\$ 179,962	\$ 167,792
Cost of sales	<u>84,037</u>	<u>71,046</u>	<u>164,468</u>	<u>158,365</u>
Gross profit	7,584	4,465	15,494	9,426
Selling, general & administrative	<u>5,753</u>	<u>5,461</u>	<u>12,159</u>	<u>11,282</u>
Income (loss) from operations	1,831	(996)	3,335	(1,856)
Interest expense	643	575	1,320	1,287
Unrealized (gain) loss on interest contracts	<u>(856)</u>	<u>385</u>	<u>(1,314)</u>	<u>760</u>
Income (loss) before income taxes	2,045	(1,956)	3,329	(3,903)
Income tax expense (benefit)	<u>(142)</u>	<u>(800)</u>	<u>427</u>	<u>(1,556)</u>
Net income (loss)	\$ <u>2,186</u>	\$ <u>(1,155)</u>	\$ <u>2,901</u>	\$ <u>(2,347)</u>
Net income (loss) per common share:				
Basic	\$ <u>2.69</u>	\$ <u>(1.43)</u>	\$ <u>3.57</u>	\$ <u>(2.90)</u>
Diluted	\$ <u>2.61</u>	\$ <u>(1.43)</u>	\$ <u>3.48</u>	\$ <u>(2.90)</u>
Weighted average common shares outstanding:				
Basic	<u>813,500</u>	<u>808,300</u>	<u>813,200</u>	<u>808,000</u>
Diluted	<u>837,900</u>	<u>808,300</u>	<u>833,100</u>	<u>808,000</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)

	January 31, <u>2017</u>	July 31, <u>2016</u>
Cash	\$ 8,030	\$ 6,261
Accounts receivable, net	42,960	39,871
Inventories, net	112,624	113,354
Other current assets	<u>1,220</u>	<u>9,804</u>
Total current assets	164,834	169,289
Property, plant and equipment, net	93,672	92,575
Other long-term assets	<u>2,342</u>	<u>1,299</u>
Total assets	\$ <u>260,848</u>	\$ <u>263,164</u>
Other current liabilities	\$ 26,229	\$ 30,166
Current portion of long-term debt	<u>49,086</u>	<u>43,367</u>
Total current liabilities	75,314	73,533
Long-term debt	12,000	12,000
Deferred income tax liability	9,149	17,009
Total equity (814,600 common shares, par value \$0.01, outstanding at January 31, 2017)	<u>164,385</u>	<u>160,622</u>
Total liabilities and equity	\$ <u>260,848</u>	\$ <u>263,164</u>

Note: Prior amounts have not been changed to conform to current deferred tax presentation.

CASH FLOW DATA

(Dollars in thousands)

(Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net cash provided by (used in) operating activities	\$ <u>7,805</u>	\$ <u>19,889</u>	\$ <u>6,246</u>	\$ <u>30,158</u>
Depreciation and amortization	\$ <u>2,888</u>	\$ <u>2,938</u>	\$ <u>5,820</u>	\$ <u>5,933</u>
Cash paid (refunded) for capital expenditures	\$ <u>4,972</u>	\$ <u>2,228</u>	\$ <u>7,271</u>	\$ <u>5,037</u>

Note: Amounts may not sum due to rounding.