

FOR: **WEBCO INDUSTRIES, INC.**

CONTACT: Mike Howard
Chief Financial Officer
(918) 241-1094
mhoward@webcotube.com

For Immediate Release

WEBCO INDUSTRIES, INC. REPORTS FISCAL 2018 THIRD QUARTER RESULTS

SAND SPRINGS, Oklahoma, May 31, 2018 – Webco Industries, Inc. (OTC: WEBC) today reported results for our third quarter of fiscal year 2018, ended April 30, 2018.

For our third quarter of fiscal year 2018, we generated net income of \$5.0 million, or \$5.35 per diluted share, while in our third quarter of fiscal year 2017, we generated net income of \$1.3 million, or \$1.44 per diluted share. Net sales for the third quarter of fiscal 2018 were \$127.3 million, a 29.5 percent increase from the \$98.3 million of net sales in last year's third quarter. The current quarter includes a \$0.2 million non-cash gain related to our interest swap contract, whereas the prior year third quarter includes a \$0.1 million non-cash gain related to the interest swap contract.

For the first nine months of fiscal year 2018, we generated net income of \$16.5 million, or \$17.80 per diluted share, while in the first nine months of fiscal year 2017, we generated net income of \$4.2 million, or \$4.91 per diluted share. Net sales for the first nine months of the current year amounted to \$352.6 million, a 26.7 percent increase over the \$278.3 million in net sales for the same nine-month period of last year. Results for the first nine months of the current year include a \$0.9 million non-cash gain related to the interest swap contract, whereas the prior year same nine-month period contained a \$1.5 million non-cash gain on the contract. In addition, the current nine-month period includes a \$4.3 million non-cash deferred income tax benefit from the Tax Cuts and Jobs Act of 2017. Selling, General and Administrative costs also include \$1.3 million paid in the second quarter of 2018 for one-time special cash bonuses to our non-executive employees that were based on the tax cut.

In the third quarter of fiscal year 2018, we generated income from operations of \$7.2 million, after depreciation of \$3.1 million. The third fiscal quarter of the prior year generated income from operations of \$2.5 million, after depreciation amounting to \$2.7 million. Gross profit

for the third quarter of fiscal 2018 was \$18.6 million, or 14.6 percent of net sales, compared to \$8.9 million, or 9.0 percent of net sales, for the third quarter of fiscal 2017.

Our income from operations for the first nine months of fiscal year 2018 was \$17.5 million, after depreciation expense of \$9.1 million and \$1.3 million in employee special tax cut bonuses. Income from operations in the first nine months of the prior year was \$5.9 million, after depreciation expense of \$8.5 million. Gross profit for the first nine months of fiscal 2018 was \$45.4 million, or 12.9 percent of net sales, compared to \$24.4 million, or 8.8 percent of net sales for the same period in fiscal year 2017.

Dana S. Weber, Chief Executive Officer, commented, “Our third fiscal quarter shows continued improvement in volumes and margins, results we were able to generate with the continued hard work and dedication of our engaged workforce. Volumes and margins are improved in many product groups, due to a better domestic industrial economy, consequences of the April 2017 trade case covering certain cold drawn mechanical tubing, more stabilized oil prices and benefits being generated by product innovation and new business development efforts. We have also benefitted from rising steel prices due in part to the higher domestic demand for steel products and the Section 232 Investigation and proposed tariffs and quotas. The Tax Cuts and Jobs Act resulted in a \$4.3 million non-cash income tax benefit in our second fiscal quarter, and has otherwise reduced our Federal current tax rate for fiscal year 2018 to a blended 27%, down from 35%. We shared some of the benefit from lower corporate income tax rates with our employees in the form of a one-time special bonus and an enhancement in go-forward variable pay arrangements, because we win together, just like we overcome adversity together. Increasing raw material costs, especially with respect to carbon steel, have added to the impact of higher volumes, causing our sales and working capital to grow. We have been investing in our core strengths, including quality, efficiency, yield improvement and capabilities.”

Selling, general and administrative expenses were \$11.4 million in the third quarter of fiscal 2018 and \$6.4 million in the third quarter of fiscal 2017. Selling, general and administrative charges were \$27.9 million in the first nine months of the current fiscal year, an increase over the \$18.5 million in such expenses in the same period of fiscal 2017. The increase in SG&A reflects increased costs associated with increased business levels and profitability, such as company-wide incentive compensation and variable pay programs. In addition, the one-time \$1.3 million special tax cut bonuses paid to our non-executive employees impacted the second quarter and first-nine months of fiscal year 2018.

Interest expense was \$0.9 million and \$0.5 million, respectively, in each of the third quarters of fiscal years 2018 and 2017. Interest expense was \$2.5 million and \$1.9 million,

respectively, in each of the first nine-month periods of the current and prior fiscal years. The increase in interest expense is attributed to higher debt levels associated with increased working capital costs due to higher metal prices 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.

At April 30, 2018, we had \$4.4 million in cash, in addition to \$25.3 million of available borrowing under our senior revolving credit facility, which had \$91.1 million drawn. In May 2018, the cap on the revolver was increased to \$160 million, with availability 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 \$7.3 million in the third fiscal quarter and \$14.0 million for the first nine-months of fiscal year 2018. Our third quarter fiscal 2018 capital investments have largely focused on improving our efficiencies, yields, quality and capabilities.

Webco's mission is to create a vibrant company for the ages. We leverage on 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 teammates, customers, business partners, investors and community. We manufacture and distribute high-quality carbon steel, stainless steel and other metal tubular products designed to industry and customer specifications. We have five tube production facilities in Oklahoma and Pennsylvania and nine 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 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.

- TABLES FOLLOW -

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	April 30,		April 30,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net sales	\$ 127,323	\$ 98,316	\$ 352,560	\$ 278,278
Cost of sales	<u>108,703</u>	<u>89,421</u>	<u>307,123</u>	<u>253,890</u>
Gross profit	18,620	8,895	45,437	24,388
Selling, general & administrative	<u>11,388</u>	<u>6,350</u>	<u>27,939</u>	<u>18,509</u>
Income (loss) from operations	7,232	2,545	17,498	5,880
Interest expense	896	541	2,466	1,861
Unrealized (gain) loss on interest contracts	<u>(171)</u>	<u>(148)</u>	<u>(859)</u>	<u>(1,462)</u>
Income (loss) before income taxes	6,507	2,151	15,891	5,480
Income tax expense (benefit)	<u>1,471</u>	<u>860</u>	<u>(617)</u>	<u>1,288</u>
Net income (loss)	\$ <u>5,036</u>	\$ <u>1,291</u>	\$ <u>16,508</u>	\$ <u>4,192</u>
Net income (loss) per common share:				
Basic	\$ <u>6.11</u>	\$ <u>1.49</u>	\$ <u>20.19</u>	\$ <u>5.04</u>
Diluted	\$ <u>5.35</u>	\$ <u>1.44</u>	\$ <u>17.80</u>	\$ <u>4.91</u>
Weighted average common shares				
outstanding:				
Basic	<u>823,600</u>	<u>866,600</u>	<u>817,600</u>	<u>831,000</u>
Diluted	<u>942,100</u>	<u>896,600</u>	<u>927,500</u>	<u>854,500</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)

	<u>April 30,</u> <u>2018</u>	<u>July 31,</u> <u>2017</u>
Cash	\$ 4,440	\$ 7,189
Accounts receivable, net	68,753	52,988
Inventories, net	153,666	124,533
Other current assets	<u>5,662</u>	<u>5,491</u>
Total current assets	232,521	190,202
Property, plant and equipment, net	102,475	97,208
Other long-term assets	<u>6,190</u>	<u>4,750</u>
Total assets	\$ <u>341,186</u>	\$ <u>292,159</u>
Other current liabilities	\$ 45,339	\$ 31,355
Current portion of long-term debt, net	<u>90,670</u>	<u>67,876</u>
Total current liabilities	136,009	99,232
Long-term debt	12,000	12,000
Deferred income tax liability	7,579	12,772
Total equity (900,400 common shares, par value \$0.01, outstanding at April 30, 2018)	<u>185,598</u>	<u>168,156</u>
Total liabilities and equity	\$ <u>341,186</u>	\$ <u>292,159</u>

CASH FLOW DATA

(Dollars in thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	April 30,		April 30,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net cash provided by (used in) operating activities	\$ <u>(11,800)</u>	\$ <u>(5,986)</u>	\$ <u>(13,585)</u>	\$ <u>260</u>
Depreciation and amortization	\$ <u>3,111</u>	\$ <u>2,870</u>	\$ <u>9,224</u>	\$ <u>8,691</u>
Cash paid for capital expenditures	\$ <u>7,054</u>	\$ <u>5,653</u>	\$ <u>14,603</u>	\$ <u>12,924</u>

Note: Amounts may not sum due to rounding.