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For Immediate Release

WEBCO INDUSTRIES, INC. REPORTS FISCAL 2019 THIRD QUARTER RESULTS

SAND SPRINGS, Oklahoma, June 5, 2019 – Webco Industries, Inc. (OTC: WEBC) today reported results for our third quarter of fiscal year 2019, ended April 30, 2019.

For our third quarter of fiscal year 2019, we generated net income of \$6.6 million, or \$7.11 per diluted share, while in our third quarter of fiscal year 2018, we generated net income of \$5.0 million, or \$5.35 per diluted share. Net sales for the third quarter of fiscal 2019 were \$145.7 million, a 14.5 percent increase over the \$127.3 million of net sales in last year's third quarter. Improved profitability in the current fiscal quarter has resulted from innovation in our market offerings, supported by a favorable industrial economy.

For the first nine months of fiscal year 2019, we generated net income of \$21.3 million, or \$23.00 per diluted share, compared to net income of \$16.5 million, or \$17.80 per diluted share, for the same period in fiscal 2018. Net sales for the first nine months of the current year amounted to \$418.6 million, an 18.7 percent increase over the \$352.6 million in sales for the same nine-month period of last year. Results for the first nine months of fiscal year 2018 include a \$4.3 million non-cash deferred income tax benefit and a \$1.1 million current income tax benefit from the federal tax rate reduction contained in the Tax Cuts and Jobs Act of 2017. SG&A cost for the first nine months of fiscal year 2018 also include \$1.3 million for one-time special cash bonuses for our non-executive employees based on the tax cut.

In the third quarter of fiscal year 2019, we generated income from operations of \$10.0 million, after depreciation of \$3.3 million. The third fiscal quarter of the prior year generated income from operations of \$7.2 million, after depreciation of \$3.1 million. Gross profit for the third quarter of fiscal 2019 was \$19.7 million, or 13.5 percent of net sales, compared to \$18.6 million, or 14.6 percent of net sales, for the third quarter of fiscal 2018.

Our income from operations for the first nine months of fiscal year 2019 was \$32.0 million, after depreciation expense of \$10.0 million. Income from operations in the first nine-month period 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. Gross profit for the first nine months of fiscal 2019 was



\$62.2 million, or 14.9 percent of net sales, compared to \$45.4 million, or 12.9 percent of net sales for the same period in fiscal year 2018.

Dana S. Weber, Chief Executive Officer and Chairman, commented, “We believe our highly dedicated and engaged work force differentiates us in our industry. Our people innovate daily, creating value and building on our ever-strengthening brand. The comparison of our year-to-date results in fiscal year 2019 to the same period in the prior year is impacted by the one-time \$5.4 million benefit from the tax rate reduction associated with the Tax Cuts and Jobs Act of 2017 affecting the prior fiscal year-to-date results. Our operating income is up 38.8 percent over the third quarter of fiscal 2018 and up 82.8 percent when comparing the first nine months of the current and prior fiscal year. Most of the markets we serve remain favorable, and we continued to benefit from our process and product innovations. We also continued to benefit from lower federal corporate income tax rates; and separately from domestic demand for steel products, due in part to the April 2017 trade case covering certain cold drawn mechanical tubing and to the Section 232 tariffs and quotas. We have continued to invest in our people and compelling technologies, both of which we consider core strengths.”

David E. Boyer, President and Vice-Chairman commented, “The Sand Springs, Oklahoma area has been inundated by severe flooding in recent weeks and two of our plant locations and our corporate offices are located here. Because of concerns for the well-being of our trusted teammates, we curtailed almost all operations at those locations. Thankfully, we suffered neither personnel injury nor property damage and our operations have fully resumed. The cost of responding to the flood and suspending operations was not insignificant. Our preliminary estimate of cost to Webco of this event, in emergency response and lost production, is in the range of \$1.0 million, some of which may be covered by insurance. If not for the dedication and selfless efforts of our trusted teammates, we believe the cost could have been much greater. We expect that all costs associated with this event will be reflected in our fourth quarter of fiscal year 2019 and recoveries, if any, will be recorded when confirmed. We are pleased to be able to move forward with business as usual.”

Selling, general and administrative expenses were \$9.7 million in the third quarter of fiscal 2019 and \$11.4 million in the third quarter of fiscal 2018. SG&A expenses were \$30.3 million in the first nine months of fiscal 2019 and \$27.9 million for the first nine-month period of fiscal 2018. SG&A expenses for the first nine-months of fiscal year 2019 reflect increased costs associated with higher business levels and profitability, such as headcount and company-wide incentive



compensation and variable pay programs. As a result of the corporate federal tax rate reduction, we modified the formula for non-executive employee profit sharing to increase payouts by approximately 30 percent, effective with the beginning of the third quarter of fiscal year 2018.

Interest expense was \$1.2 million and \$0.9 million in the third quarters of fiscal years 2019 and 2018, respectively. Interest expense was \$3.9 million and \$2.5 million in the first nine-month periods of the current and prior fiscal years. The increase in interest expense is equally attributable to higher debt levels and increased interest rates.

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, it has 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 for the third quarter and first nine months of fiscal year 2019 was 23.9 percent and 23.4 percent, respectively. The prior year nine-month period included a \$5.4 million tax benefit from the tax rate reduction associated with the Tax Cuts and Jobs Act of 2017. Because we are a fiscal year company, we had a blended federal rate of 26.7 percent for our current provision in fiscal year 2018. Our federal tax rate dropped to 21% beginning fiscal year 2019. We have used the tax savings to increase company-wide incentive compensation payouts, invest in plant and equipment and reduce debt.

At April 30, 2019, we had \$6.8 million in cash, in addition to \$47.3 million of available borrowing under our \$160 million senior revolving credit facility, which had \$101.0 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, despite its March 2022 maturity.

Capital expenditures incurred amounted to \$6.4 million in the third quarter of fiscal year 2019, and \$13.9 million fiscal year-to-date. Our capital investments were largely focused on improving our efficiencies, yields, quality and capabilities.



The Company's Board of Directors previously established authority of up to \$10 million for a stock repurchase program, under which the Company is authorized to purchase its outstanding common stock, in private or open market transactions. The Board approved authority expires July 31, 2022. In the third quarter of fiscal 2019, the Company acquired 1,300 shares. Stock repurchases are subject to our ability to identify shares available for repurchase, the willingness of shareholders to pursue a sale of their shares to the Company, price and other market considerations, including that we do not know the identity of a significant number of our shareholders. Further, debt covenants may restrict the amount and timing of future stock repurchases the Company may wish to pursue, if any. There is no guarantee as to the number or dollar value of shares the Company may wish to, or be able to, repurchase. The repurchase 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, lack of insurance coverage for flood damages, 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 April 30,		Nine Months Ended April 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net sales	\$ 145,745	\$ 127,323	\$ 418,605	\$ 352,560
Cost of sales	<u>126,039</u>	<u>108,703</u>	<u>356,358</u>	<u>307,123</u>
Gross profit	19,706	18,620	62,247	45,437
Selling, general & administrative	<u>9,669</u>	<u>11,388</u>	<u>30,269</u>	<u>27,939</u>
Income (loss) from operations	10,036	7,232	31,977	17,498
Interest expense	1,194	896	3,869	2,466
Unrealized (gain) loss on interest contracts	<u>116</u>	<u>(171)</u>	<u>350</u>	<u>(859)</u>
Income (loss) before income taxes	8,727	6,507	27,758	15,891
Income tax expense (benefit)	<u>2,085</u>	<u>1,471</u>	<u>6,487</u>	<u>(617)</u>
Net income (loss)	\$ <u>6,642</u>	\$ <u>5,036</u>	\$ <u>21,271</u>	\$ <u>16,508</u>
Net income (loss) per common share:				
Basic	\$ <u>7.96</u>	\$ <u>6.11</u>	\$ <u>25.96</u>	\$ <u>20.19</u>
Diluted	\$ <u>7.11</u>	\$ <u>5.35</u>	\$ <u>23.00</u>	\$ <u>17.80</u>
Weighted average common shares outstanding:				
Basic	<u>834,600</u>	<u>823,600</u>	<u>819,500</u>	<u>817,600</u>
Diluted	<u>934,100</u>	<u>942,100</u>	<u>924,700</u>	<u>927,500</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)

	April 30, <u>2019</u>	July 31, <u>2018</u>
Cash	\$ 6,783	\$ 7,141
Accounts receivable, net	67,241	76,483
Inventories, net	185,766	170,892
Other current assets	<u>6,659</u>	<u>7,156</u>
Total current assets	266,449	261,672
Property, plant and equipment, net	107,947	104,211
Other long-term assets	<u>4,469</u>	<u>3,605</u>
Total assets	\$ <u>378,865</u>	\$ <u>369,488</u>
Other current liabilities	\$ 45,998	\$ 46,649
Current portion of long-term debt, net	<u>100,562</u>	<u>110,466</u>
Total current liabilities	146,560	157,116
Long-term debt	12,000	12,000
Deferred tax liability	7,210	8,829
Total equity (900,473 common shares, par value \$0.01, outstanding at April 30, 2019)	<u>213,095</u>	<u>191,544</u>
Total liabilities and equity	\$ <u>378,865</u>	\$ <u>369,488</u>

CASH FLOW DATA
(Dollars in thousands - Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net cash provided by (used in)				
operating activities	\$ <u>12,897</u>	\$ <u>(11,800)</u>	\$ <u>29,128</u>	\$ <u>(13,585)</u>
Depreciation and amortization	\$ <u>3,385</u>	\$ <u>3,111</u>	\$ <u>10,153</u>	\$ <u>9,224</u>
Cash paid for capital expenditures	\$ <u>4,353</u>	\$ <u>7,054</u>	\$ <u>12,387</u>	\$ <u>14,603</u>

Note: Amounts may not sum due to rounding.