



FOR: **WEBCO INDUSTRIES, INC.**
CONTACT: Mike Howard
Chief Financial Officer
(918) 241-1094
mhoward@webcotube.com

For Immediate Release

WEBCO INDUSTRIES, INC. REPORTS FISCAL 2023 SECOND QUARTER RESULTS

SAND SPRINGS, Oklahoma, March 6, 2023 – Webco Industries, Inc. (OTC: WEBC) today reported results for our second quarter for fiscal year 2023, which ended January 31, 2023.

For our second quarter of fiscal year 2023, we had a net income of \$3.5 million, or \$4.43 per diluted share, while in our second quarter of fiscal year 2022, we had net income of \$9.5 million, or \$11.76 per diluted share. Net sales for the second quarter of fiscal 2023 and second quarter of fiscal year 2022 were both approximately \$173.4 million.

For the first six months of fiscal year 2023, we generated a net income of \$11.9 million, or \$14.97 per diluted share, compared to a net income of \$24.1 million, or \$29.40 per diluted share, for the same period in fiscal year 2022. Net sales for the first six months of the current year amounted to \$361.9 million, a 6.2 percent increase from the \$340.9 million in sales for the same six-month period of last year.

In the second quarter of fiscal year 2023, we had income from operations of \$4.6 million after depreciation of \$3.3 million. The second fiscal quarter of the prior year generated income from operations of \$13.2 million after depreciation of \$3.5 million. Gross profit for the second quarter of fiscal 2023 was \$15.3 million, or 8.8 percent of net sales, compared to \$29.1 million, or 16.8 percent of net sales, for the second quarter of fiscal year 2022.

Our income from operations for the first six months of fiscal year 2023 was \$17.0 million, after depreciation expense of \$6.5 million. Income from operations in the first six-month period of fiscal year 2022 was \$32.6 million, after depreciation expense of \$7.0 million. Gross profit for the first half of fiscal 2023 was \$41.3 million, or 11.4 percent of net sales, compared to \$63.5 million, or 18.6 percent of net sales for the same period in fiscal year 2022.

Dana S. Weber, Chief Executive Officer and Board Chair, stated, “Our recent results demonstrate the strength, agility and innovation of our Trusted Teammates in an environment that presented numerous challenges associated with significant changes in our raw material and commercial markets. Economic uncertainty and volatility in the cost and availability of raw materials and other manufacturing supplies has become a norm within which we have operated.



Our strong balance sheet and liquidity position have positioned us well to successfully navigate and gain strength through this volatile environment. We remain focused on financial strength and agility. Our total cash, short-term investments and available credit on our revolver were \$76.7 million at January 31, 2023, which we believe to be a competitive advantage.”

Selling, general and administrative expenses were \$10.7 million in the second quarter of fiscal 2023 and \$15.9 million in the second quarter of fiscal 2022. SG&A expenses were \$24.3 million in the first half of fiscal year 2023 and \$30.9 million for the first six-month period of fiscal year 2022. SG&A expenses thus far in fiscal year 2023 reflect a decrease in costs associated with lower profitability, such as company-wide incentive compensation and variable pay programs, offset by inflation we have experienced in wages and other expenses.

Interest expense was \$1.7 million in the second quarter of fiscal year 2023 and \$0.7 million in the same quarter of fiscal year 2022. Interest expense was \$3.2 million and \$1.3 million in the first six-month periods of the current and prior fiscal years, respectively. The change in interest expense between the periods was principally because higher interest rates.

Capital expenditures incurred amounted to \$8.0 million in the second quarter of fiscal year 2023 and \$17.6 million for the first six months of fiscal year 2023. Included in our capital spending is ongoing construction of our F. William Weber Leadership Campus, which will house our Tech Center, Webco University and corporate headquarters. The Tech Center will be the tip of the spear leading Webco’s trusted and technical brand throughout our industry and Webco University is the mechanism through which we educate and engage our trusted teammates.

As of January 31, 2023, we had \$14.2 million in cash and short-term investments, in addition to \$62.5 million of available borrowing capacity under our senior revolving credit facility. Availability on the revolver, which had \$106.5 million drawn at January 31, 2023, was subject to advance rates on eligible accounts receivable and inventories. Borrowing was up primarily due to increased working capital requirements associated with increased sales prices and inventory cost. In September 2022, we refinanced our senior credit facility, increasing our revolving credit facility from \$160 million to \$220 million, and our senior term loan to \$20 million from \$12 million. The increased capacity of our senior credit facility will help us navigate volatility in raw material cost. Our new term loan and revolver mature in September 2027. Most provisions of the senior credit facility are similar to our prior agreement. Accounting rules require asset-based debt agreements like our revolver to be classified as a current liability, despite its fiscal year 2028 maturity.

Webco’s stock repurchase program authorizes the purchase of up to \$20 million of our outstanding common stock in private or open market transactions. During the second quarter of



fiscal year 2023, we repurchased 400 shares of the company's stock, bringing the total in the current fiscal year to over 1,500 shares. Webco purchased over 140,000 shares over the course of the three prior fiscal years. The repurchase plan may be extended, suspended, or discontinued at any time, without notice, at the Board'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," "believe," "can," "consider," "expects," "forever," "hopes," "intends," "plans," "projects," "pursue," "should," "wishes," "would," or similar words may 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; government policy or low hydrocarbon prices that stifle domestic investment in energy; competition from foreign imports, including any impacts associated with dumping or the strength of the U.S. dollar; political or social environments that are unfriendly to industrial or energy-related businesses; changes in manufacturing technology; banking environment, including availability of adequate financing; worldwide and domestic monetary policy; changes in tax rates and regulation; regulatory and permitting requirements, including, but not limited to, environmental, workforce, healthcare, safety and national security; availability and cost of adequate qualified and competent personnel; changes in import / export tariff or restrictions; volatility in raw material cost and availability for the Company, its customers and vendors; the cost and availability, including time for delivery, of parts and services necessary to maintain equipment essential to the Company's manufacturing activities; the cost and availability



of manufacturing supplies, including process gasses; volatility in oil, natural gas and power cost and availability; world-wide or national transition from hydrocarbon sources of energy that adversely impact demand for our products, problems associated with product development efforts; appraised values of inventories that can impact available borrowing under the Company's credit facility; declaration of material adverse change by a lender; industry capacity; domestic competition; loss of, or reductions in, purchases by significant customers and customer work stoppages; work stoppages by critical suppliers; labor unrest; conditions, including acts of God, that require more costly transportation of raw materials; accidents, equipment failures and insured or uninsured casualties; third-party product liability claims; flood, tornado, winter storms, and other natural disasters; customer or supplier bankruptcy; customer or supplier declarations of force majeure; customer or supplier breach of contract; insurance cost and availability; lack of insurance coverage for floods; the cost associated with providing healthcare benefits to employees; customer claims; supplier quality or delivery problems; technical and data processing capabilities; cyberattack on our information technology infrastructure; world, domestic or regional health crisis; vaccine mandates or related governmental policy that would cause significant portions of our workforce, or that of our customers or vendors, to leave their current employment; global or regional wars and conflicts; and our ability to repurchase the Company's stock. The Company assumes no obligation to publicly update any such forward-looking statements.

- TABLES FOLLOW -



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

	Three Months Ended		Six Months Ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Net sales	\$ 173,377	\$ 173,390	\$ 361,901	\$ 340,931
Cost of sales	158,076	144,318	320,608	277,415
Gross profit	15,301	29,072	41,292	63,516
Selling, general & administrative expenses	10,664	15,860	24,262	30,892
Income (loss) from operations	4,637	13,212	17,031	32,625
Interest expense	1,740	659	3,223	1,292
Pretax income (loss)	2,897	12,554	13,807	31,332
Provision for (benefit from) income taxes	(639)	3,027	1,865	7,205
Net income (loss)	\$ 3,535	\$ 9,526	\$ 11,943	\$ 24,128
Net income (loss) per share:				
Basic	\$ 4.64	\$ 12.51	\$ 15.68	\$ 31.24
Diluted	\$ 4.43	\$ 11.76	\$ 14.97	\$ 29.40
Weighted average common shares outstanding:				
Basic	762,000	762,000	762,000	772,000
Diluted	798,000	810,000	798,000	821,000

CONSOLIDATED CASH FLOW DATA

(Dollars in thousands – Unaudited)

	Three Months Ended		Six Months Ended	
	January 31,		January 31,	
	2023	2022	2023	2022
Net cash provided by (used in) operating activities	\$ 19,988	\$ 10,603	\$ 19,889	\$ (30,232)
Depreciation and amortization	\$ 3,315	\$ 3,451	\$ 6,622	\$ 7,012
Cash paid for capital expenditures	\$ 9,628	\$ 7,414	\$ 17,526	\$ 12,487

Notes: Amounts may not sum due to rounding.



WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except par value - Unaudited)

	January 31, 2023	July 31, 2022
Current assets:		
Cash	\$ 3,651	\$ 12,739
Certificates of deposit	1,500	-
U.S. Treasury Bonds	9,054	-
Accounts receivable	87,044	83,657
Inventories, net	219,030	244,311
Prepaid expenses	15,044	11,847
Total current assets	<u>335,324</u>	<u>352,553</u>
Property, plant and equipment, net	134,303	123,136
Right of use, finance leases, net	1,056	1,181
Right of use, operating leases, net	22,763	21,592
Other long-term assets	<u>10,242</u>	<u>9,686</u>
Total assets	<u>\$ 503,688</u>	<u>\$ 508,148</u>
Current liabilities:		
Accounts payable	\$ 39,012	\$ 53,255
Accrued liabilities	29,948	33,614
Current portion of long-term debt	106,186	114,210
Current portion of finance lease liabilities	580	611
Current portion of operating lease liabilities	4,833	4,484
Total current liabilities	<u>180,559</u>	<u>206,175</u>
Long-term debt, net of current portion	20,000	12,000
Finance lease liabilities, net of current portion	517	613
Operating lease liabilities, net of current portion	17,888	17,083
Stockholders' equity:		
Common stock	8	8
Additional paid-in capital	49,093	48,424
Retained earnings	235,625	223,846
Total stockholders' equity	<u>284,725</u>	<u>272,277</u>
Total liabilities and stockholders' equity	<u>\$ 503,688</u>	<u>\$ 508,148</u>

Notes: Amounts may not sum due to rounding.