

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 FOURTH QUARTER AND YEAR-END RESULTS

SAND SPRINGS, Oklahoma, September 25, 2018 – Webco Industries, Inc. (OTC: WEBC) today reported results for our fourth quarter and fiscal year ended July 31, 2018.

For our fourth quarter of fiscal year 2018, we generated net income of \$6.8 million, or \$7.29 per diluted share, while in our fourth quarter of fiscal year 2017, we generated net income of \$1.4 million, or \$1.55 per diluted share. Net sales for the fourth quarter of fiscal 2018 were \$147.8 million, a 38.7 percent increase from the \$106.6 million of net sales in last year's fourth quarter. Both current and prior fiscal fourth quarters include negligible non-cash gains related to our interest swap contract. In addition, the Selling General and Administrative expenses for the current quarter reflect higher company-wide incentive compensation and variable pay programs.

For fiscal year 2018, we generated net income of \$23.3 million, or \$25.10 per diluted share, while we generated net income of \$5.6 million, or \$6.45 per diluted share in fiscal year 2017. Net sales for the current fiscal year amounted to \$500.4 million, a 30 percent increase over the \$384.9 million in net sales for last fiscal year. Results for the current fiscal year include a \$0.9 million non-cash gain related to the interest swap contract, whereas the prior year contained a \$1.5 million non-cash gain on the contract. In addition, the current fiscal year includes a \$4.3 million non-cash deferred income tax benefit from the Tax Cuts and Jobs Act of 2017. Selling, General and Administrative expenses are increased due to higher company-wide incentive compensation and variable pay programs and \$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 fourth quarter of fiscal year 2018, we generated income from operations of \$10.3 million, after depreciation of \$3.3 million. The fourth fiscal quarter of the prior year generated income from operations of \$3.0 million, after depreciation amounting to \$3.0 million. Gross profit for the fourth quarter of fiscal 2018 was \$24.1 million, or 16.3 percent of net sales, compared to \$10.2 million, or 9.6 percent of net sales, for the fourth quarter of fiscal 2017.

Our income from operations for fiscal year 2018 was \$27.8 million, after depreciation expense of \$12.3 million and \$1.3 million in employee special tax cut bonuses. Income from operations in fiscal year 2017 was \$8.9 million, after depreciation expense of \$11.5 million. Gross profit for fiscal 2018 was \$69.6 million, or 13.9 percent of net sales, compared to \$34.6 million, or 9.0 percent of net sales for the same period in fiscal year 2017.

Dana S. Weber, Chief Executive Officer, commented, “Our dedicated and engaged workforce continues to create value and improve our results. 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 34%. We shared some of the benefit from lower corporate income tax rates with our employees in the form of a one-time special cash 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 \$13.8 million in the fourth quarter of fiscal 2018 and \$7.2 million in the fourth quarter of fiscal 2017. Selling, general and administrative charges were \$41.8 million in the current fiscal year, an increase over the \$25.7 million in such expenses in fiscal 2017. SG&A expenses reflects increased costs associated with higher business levels and profitability, such as company-wide incentive compensation and variable pay programs, and the second quarter \$1.3 million special tax cut cash bonuses paid to our non-executive employees. In addition, SG&A expenses in the current fourth quarter and fiscal 2018 include \$2.9 million and \$4.1 million, respectively, of one-time non-cash charges related to long-term incentive plans.

Interest expense was \$1.1 million and \$0.6 million, respectively, in the fourth quarters of fiscal years 2018 and 2017, respectively. Interest expense was \$3.6 million and \$2.5 million, respectively, in the current and prior fiscal year, respectively. 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 July 31, 2018, we had \$7.1 million in cash, in addition to \$28.5 million of available borrowing under our senior revolving credit facility, which had \$110.5 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 \$5.0 million in the fourth fiscal quarter and \$19.4 for fiscal year 2018. Our fourth quarter fiscal 2018 capital investments have largely focused on improving our efficiencies, yields, quality and capabilities.

In February 2018, the Company's Board of Directors renewed the authority for the Company's existing stock repurchase program, under which the Company was authorized to purchase, in private or open market transactions, up to \$4 million of its outstanding common stock. During the fourth quarter, the Company acquired 10,000 shares of its common stock in a third-party private transaction. At July 31, 2018, \$2.2 million remains available under the repurchase plan authority to repurchase outstanding common shares. Authority to repurchase shares under the plan extends through 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 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," "considering," "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.

- TABLES FOLLOW -

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended July 31,		Fiscal Year Ended July 31,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net sales	\$ 147,843	\$ 106,608	\$ 500,403	\$ 384,886
Cost of sales	<u>123,706</u>	<u>96,409</u>	<u>430,829</u>	<u>350,299</u>
Gross profit	24,137	10,199	69,574	34,587
Selling, general & administrative	<u>13,818</u>	<u>7,170</u>	<u>41,757</u>	<u>25,678</u>
Income (loss) from operations	10,319	3,029	27,817	8,909
Interest expense	1,134	633	3,600	2,494
(Gain) loss on interest contracts	<u>(24)</u>	<u>3</u>	<u>(882)</u>	<u>(1,459)</u>
Income (loss) before income taxes	9,209	2,393	25,100	7,873
Provision for (benefit from) income taxes	<u>2,398</u>	<u>963</u>	<u>1,781</u>	<u>2,251</u>
Net income (loss)	\$ <u>6,811</u>	\$ <u>1,430</u>	\$ <u>23,319</u>	\$ <u>5,622</u>
Net income (loss) per common share:				
Basic	\$ <u>8.34</u>	\$ <u>1.75</u>	\$ <u>28.53</u>	\$ <u>6.90</u>
Diluted	\$ <u>7.29</u>	\$ <u>1.55</u>	\$ <u>25.10</u>	\$ <u>6.45</u>
Weighted average common shares outstanding:				
Basic	<u>816,900</u>	<u>816,700</u>	<u>817,400</u>	<u>814,900</u>
Diluted	<u>934,500</u>	<u>922,000</u>	<u>929,200</u>	<u>871,700</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)

	July 31, <u>2018</u>	July 31, <u>2017</u>
Cash	\$ 7,141	\$ 7,189
Accounts receivable, net	76,483	52,988
Inventories, net	170,892	124,533
Other current assets	<u>7,156</u>	<u>5,491</u>
Total current assets	261,672	190,202
Property, plant and equipment, net	104,211	97,208
Other long-term assets	<u>3,605</u>	<u>4,750</u>
Total assets	\$ <u>369,488</u>	\$ <u>292,159</u>
Other current liabilities	\$ 46,649	\$ 31,355
Current portion of long-term debt, net	<u>110,466</u>	<u>67,876</u>
Total current liabilities	157,116	99,232
Long-term debt	12,000	12,000
Deferred tax liability	8,829	12,772
Total equity (890,426 common shares, par value \$0.01, outstanding at July 31, 2018)	<u>191,544</u>	<u>168,156</u>
Total liabilities and equity	\$ <u>369,488</u>	\$ <u>292,159</u>

CASH FLOW DATA

(Dollars in thousands)

(Unaudited)

	Three Months Ended July 31,		Fiscal Year Ended July 31,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net cash provided by (used in) operating activities	\$ <u>(8,918)</u>	\$ <u>(2,452)</u>	\$ <u>(23,038)</u>	\$ <u>(2,192)</u>
Depreciation and amortization	\$ <u>3,311</u>	\$ <u>3,036</u>	\$ <u>12,535</u>	\$ <u>11,726</u>
Cash paid for capital expenditures	\$ <u>4,420</u>	\$ <u>3,210</u>	\$ <u>19,023</u>	\$ <u>16,134</u>

Note: Amounts may not sum due to rounding.