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For Immediate Release

WEBCO INDUSTRIES, INC. REPORTS FISCAL 2019 SECOND QUARTER RESULTS

SAND SPRINGS, Oklahoma, February 26, 2019 – Webco Industries, Inc. (OTC: WEBC) today reported results for our second quarter of fiscal year 2019, ended January 31, 2019.

For our second quarter of fiscal year 2019, we generated net income of \$4.9 million, or \$5.28 per diluted share, while in our second quarter of fiscal year 2018, we generated net income of \$8.4 million, or \$9.15 per diluted share. Net sales for the second quarter of fiscal 2019 were \$135.9 million, a 22.4 percent increase over the \$111.0 million of net sales in last year's second quarter. The second quarter of fiscal year 2018 includes a \$4.3 million non-cash deferred income tax benefit and a \$1.1 million current income tax benefit, both resulting from the federal tax rate reduction contained in the Tax Cuts and Jobs Act of 2017. Selling, General and Administrative cost for last year's second fiscal quarter also include \$1.3 million for one-time special cash bonuses the Company paid to its non-executive employees based on the tax cut. Improved profitability in the current fiscal quarter has resulted from a stronger industrial economy and innovation in our product offerings.

For the first six months of fiscal year 2019, we generated net income of \$14.6 million, or \$15.86 per diluted share, compared to net income of \$11.5 million, or \$12.47 per diluted share, for the same period in fiscal 2018. Net sales for the first six months of the current year amounted to \$272.9 million, a 21.1 percent increase over the \$225.2 million in sales for the same six-month period of last year. Results for the first six-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 and SG&A cost for the same period last year include \$1.3 million for one-time special cash bonuses for its non-executive employees based on the tax cut.

In the second quarter of fiscal year 2019, we generated income from operations of \$8.1 million, after depreciation of \$3.3 million. The second fiscal quarter of the prior year generated income from operations of \$4.5 million, after depreciation of \$3.0 million. Gross profit for the second quarter of fiscal 2019 was \$18.3 million, or 13.5 percent of net sales, compared to \$12.9 million, or 11.6 percent of net sales, for the second quarter of fiscal 2018.



Our income from operations for the first six months of fiscal year 2019 was \$21.9 million, after depreciation expense of \$6.6 million. Income from operations in the first six-month period of fiscal year 2018 was \$10.3 million, after depreciation expense of \$6.0 million and \$1.3 million in employee special tax cut bonuses. Gross profit for the first half of fiscal 2019 was \$42.5 million, or 15.6 percent of net sales, compared to \$26.8 million, or 11.9 percent of net sales for the same period in fiscal year 2018.

Dana S. Weber, Chief Executive Officer and Chairman, commented, “We are proud of our highly dedicated and engaged workforce, which continues to create value and build on our ever-strengthening brand. The comparisons to our prior year periods are dominated by the one-time \$5.4 million benefit associated with the federal tax rate reduction affecting the prior fiscal year second quarter. Aside from that specific comparison, our operating income is up 77.9 percent over the second quarter of fiscal 2018 and up 113.7 percent when comparing the first six months of the current and prior fiscal year. The domestic industrial and energy economies remain strong, and we continue to benefit from our process and product innovations. We also continue to benefit from lower federal corporate income tax rates; and separately from higher 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 are continuing to invest in our people and compelling technologies, both of which we consider core strengths.”

Selling, general and administrative expenses were \$10.3 million in the second quarter of fiscal 2019 and \$8.4 million in the second quarter of fiscal 2018. SG&A expenses were \$20.6 million in the first half of fiscal 2019 and \$16.6 million for the first six-month period of fiscal 2018. SG&A expenses 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, effective with the beginning of the third quarter of fiscal year 2018, we modified the formula for non-executive employee profit sharing to increase payouts by approximately 30 percent, which has increased profit sharing for both the second quarter and first six-month in fiscal 2019.

Interest expense was \$1.3 million and \$0.8 million in the second quarters of fiscal years 2019 and 2018, respectively. Interest expense was \$2.7 million and \$1.6 million in the first six-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 and higher activity levels, as well as 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, 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.

Our effective tax rate for the second quarter and first six months of fiscal year 2019 was 24.8 percent and 23.1 percent, respectively. The prior year quarter and six-month period included a \$5.4 million tax benefit from the tax rate reduction in Tax Cuts and Jobs Act of 2017. Because we are a fiscal year, we had a blended federal rate of 26.7 percent 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 and to increase investment in plant and equipment.

At January 31, 2019, we had \$4.9 million in cash, in addition to \$48.6 million of available borrowing under our \$160 million senior revolving credit facility, which had \$107.5 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 \$2.9 million in the second quarter of fiscal year 2019, and \$7.5 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 has established authority for a stock repurchase program, under which the Company is authorized to purchase its outstanding common stock, in private or open market transactions. In the second quarter of fiscal 2019, the Company acquired approximately 2,195 shares of its common stock, bringing the total stock repurchases since April 2018 to 21,983 shares. In November 2018, the Board of Directors approved authority for additional share purchases of up to \$10 million, which expires 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 or dollar value 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," "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, 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net sales	\$ 135,858	\$ 110,967	\$ 272,860	\$ 225,237
Cost of sales	<u>117,510</u>	<u>98,040</u>	<u>230,319</u>	<u>198,420</u>
Gross profit	18,348	12,927	42,541	26,817
Selling, general & administrative	<u>10,294</u>	<u>8,401</u>	<u>20,600</u>	<u>16,550</u>
Income (loss) from operations	8,054	4,526	21,941	10,266
Interest expense	1,338	789	2,675	1,570
Unrealized (gain) loss on interest contracts	<u>232</u>	<u>(444)</u>	<u>235</u>	<u>(687)</u>
Income (loss) before income taxes	6,484	4,182	19,031	9,383
Income tax expense (benefit)	<u>1,607</u>	<u>(4,246)</u>	<u>4,402</u>	<u>(2,088)</u>
Net income (loss)	\$ <u>4,878</u>	\$ <u>8,428</u>	\$ <u>14,629</u>	\$ <u>11,472</u>
Net income (loss) per common share:				
Basic	\$ <u>6.00</u>	\$ <u>10.36</u>	\$ <u>18.02</u>	\$ <u>14.09</u>
Diluted	\$ <u>5.28</u>	\$ <u>9.15</u>	\$ <u>15.86</u>	\$ <u>12.47</u>
Weighted average common shares outstanding:				
Basic	<u>813,500</u>	<u>813,600</u>	<u>812,000</u>	<u>814,300</u>
Diluted	<u>924,300</u>	<u>921,300</u>	<u>922,300</u>	<u>920,100</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>2019</u>	July 31, <u>2018</u>
Cash	\$ 4,858	\$ 7,141
Accounts receivable, net	64,448	76,483
Inventories, net	197,902	170,892
Other current assets	<u>3,688</u>	<u>7,156</u>
Total current assets	270,896	261,672
Property, plant and equipment, net	104,745	104,211
Other long-term assets	<u>4,292</u>	<u>3,605</u>
Total assets	\$ <u>379,933</u>	\$ <u>369,488</u>
Other current liabilities	\$ 48,054	\$ 46,649
Current portion of long-term debt, net	<u>107,098</u>	<u>110,466</u>
Total current liabilities	155,151	157,116
Long-term debt	12,000	12,000
Deferred tax liability	7,217	8,829
Total equity (894,994 common shares, par value \$0.01, outstanding at January 31, 2019)	<u>205,565</u>	<u>191,544</u>
Total liabilities and equity	\$ <u>379,933</u>	\$ <u>369,488</u>

CASH FLOW DATA
(Dollars in thousands - Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net cash provided by (used in)				
operating activities	\$ <u>14,798</u>	\$ <u>(4,251)</u>	\$ <u>16,232</u>	\$ <u>(1,785)</u>
Depreciation and amortization	\$ <u>3,364</u>	\$ <u>3,029</u>	\$ <u>6,768</u>	\$ <u>6,113</u>
Cash paid for capital expenditures	\$ <u>2,709</u>	\$ <u>5,055</u>	\$ <u>8,034</u>	\$ <u>7,549</u>

Note: Amounts may not sum due to rounding.