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

For Immediate Release

WEBCO INDUSTRIES, INC. REPORTS FISCAL 2020 THIRD QUARTER RESULTS

SAND SPRINGS, Oklahoma, May 15, 2020 – Webco Industries, Inc. (OTC: WEBC) today reported results for our third quarter of fiscal year 2020, which ended April 30, 2020.

Dana S. Weber, Chief Executive Officer and Chairwoman, stated, "These are certainly unprecedented times for our company, our industry and our nation's economy. The COVID-19 pandemic began to impact our business mid-way through this third fiscal quarter and accelerated in scope and scale through the end of the quarter. Webco, including our subsidiary, Phillips & Johnston, are part of the nation's critical infrastructure as defined by the U.S. Department of Homeland Security. As a result, we have continued to operate during this period. To the extent Webco identified non-essential businesses within our Company, we stopped those activities, including businesses that would otherwise be essential except that demand was reduced or non-existent. In order to help ensure the wellness of our employees, we immediately instituted numerous processes and practices aimed at reducing the likelihood of having COVID-19 related illnesses contracted and spread in our facilities and communities. Although not required by applicable law, we chose to adopt a COVID-19 paid-time-off program to support our employees quarantined, furloughed or needing to care for family members and paid $0.4 million in such benefits in the third quarter of fiscal year 2020. Our first and highest priority is the safety and well-being of our trusted teammates. Strict CDC recommended hygiene practices were immediately instituted and all teammates that could reasonably work from their home did so."

David E. Boyer, President, commented, "The COVID-19 pandemic and very low oil prices (the "Current Business Environment") combined to impact our operations by disrupting supply channels, customer demand and employee availability. Some segments of industries we serve simply shuttered. Demand for new orders dropped precipitously in March and continued through the end of the quarter. We have been able to continue our essential operations; however, financial circumstances required that we reduce all discretionary spending and right-size our organization to match the current level of business. Because we are hopeful that business levels will recover to some improved level in the future, we have reduced our number of active employees mostly using furlough, with continuing benefit coverage. While this does not allow us to reduce our expenses as much as we otherwise could, it respects the fact that our highly trained and engaged workforce is our greatest asset. As we learn more about future business levels, we will adjust furlough levels. As always, we will remain vigilant regarding our staffing and expense needs in the Current Business Environment.

Dana S. Weber, concluded by saying, "While the current environment is challenging, we are pleased with our performance and demonstrated organizational agility. We have spent the better part of the last five fiscal quarters reducing our inventories and debt and increasing our liquidity. Over that same period, we also saw dramatic declines in carbon steel sheet coil prices, which pressured margins and reduced our profitability. Barring further declines in carbon steel sheet coil, most of the adverse effects associated with declining steel prices are in the past. In prior economic crises, including the 2008-09 global economic crisis and the collapse of oil prices less than five years later, our greatest challenges came from an overhang of high-priced steel, inventory levels that drastically exceeded current sales requirements and liquidity that was lower than desired. Today, we do not face these challenges. Rather, due to our efforts since mid-fiscal year 2019, we are generally satisfied with inventories and we have liquidity at high levels. We believe this puts us in a favorable position to navigate this environment."

For our third quarter of fiscal year 2020, we generated net income of $0.2 million, or $0.19 per diluted share, while in our third quarter of fiscal year 2019, we generated net income of $6.6 million, or $7.11 per diluted share. Net sales for the third quarter of fiscal 2020 were $104.8 million, a 28.1 percent decrease from the $145.7 million of net sales in last year's third quarter. All comparisons between the two fiscal quarters are impacted by the fact that fiscal 2019 was one of Webco's best years, compared to the Current Business Environment. In addition, in the third quarter of fiscal year 2020, we also paid $0.4 million in COVID-19 paid-time-off to employees; and, while no specific accounts are in question, we created additional reserves for uncollectible accounts and inventories totaling $1.5 million due to the current macro-economic climate compared to a reduction in reserves of $0.2 million in the prior third quarter.

For the first nine months of fiscal year 2020, we generated net income of $5.3 million, or $5.95 per diluted share, compared to net income of $21.3 million, or $23.00 per diluted share, for the same period in fiscal year 2019. Net sales for the first nine months of the current year amounted to $339.7 million, an 18.8 percent decrease from the $418.6 million in sales for the same nine-month period of last year. As with the fiscal quarter, comparisons contrast the good business environment in fiscal year 2019 with the Current Business Environment. The nine-month period in fiscal 2020, includes $0.4 million in COVID-19 paid time off to employees. Net bad debt and inventory reserves created in the first nine months of fiscal year 2020 totaled $2.7 million compared to $3.0 million in the same period in fiscal year 2019.

In the third quarter of fiscal year 2020, we generated income from operations of $0.6 million, after depreciation of $3.3 million. The third fiscal quarter of the prior year generated income from operations of $10.0 million, after depreciation of $3.3 million. Gross profit for the third quarter of fiscal 2020 was $9.9 million, or 9.4 percent of net sales, compared to $19.7 million, or 13.5 percent of net sales, for the third quarter of fiscal year 2019.

Our income from operations for the first nine months of fiscal year 2020 was $8.7 million, after depreciation expense of $10.3 million. Income from operations in the first nine-month period of fiscal year 2019 was $32.0 million, after depreciation expense of $10.0 million. Gross profit for the first nine months of fiscal 2020 was $35.2 million, or 10.3 percent of net sales, compared to $62.2 million, or 14.9 percent of net sales for the same period in fiscal year 2019.

Selling, general and administrative expenses were $9.3 million in the third quarter of fiscal 2020 and $9.7 million in the third quarter of fiscal 2019. SG&A expenses were $26.5 million in the first nine months of fiscal year 2020 and $30.3 million for the first nine-month period of fiscal year 2019. SG&A expenses for fiscal year 2020 reflect the mid-quarter elimination of discretionary spending and lower costs associated with decreased profitability, such as company-wide incentive compensation and variable pay programs. SG&A in the current third quarter and nine-month period reflect an additional $0.6 million in bad debt reserves related to the Current Business Environment, rather than specific customer concerns.

Interest expense was $0.7 million and $1.2 million in the third quarters of fiscal years 2020 and 2019, respectively. Interest expense was $2.4 million and $3.9 million in the first nine-month periods of the current and prior fiscal years. The differential in interest expense between the quarterly periods is due to a combination of lower interest rates and lower average debt levels.

Our effective tax rates for both the third quarter and first nine months of fiscal 2020 are significantly different from the expected rate of 23%. The divergence is due to lower taxable income levels, which have accentuated the impact of various tax credits earned and items that are recognized differently in our financial statements than for taxes.

At April 30, 2020, we had $11.3 million in cash, in addition to $38.4 million of available borrowing under our $160 million senior revolving credit facility, which had $74.7 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 asset-based debt agreements like our revolver to be classified as a current liability, despite its March 2022 maturity.

In the first quarter of fiscal year 2020, we adopted the new accounting standards for reporting leases and, upon that implementation, recorded right of use assets and related lease liabilities for outstanding lease obligations. The accounting rules generally require us to record a right of use asset and lease liability for the present value of the future payments we will make on new, modified or renewed leases, which previously would not have been recorded on the balance sheet. The right of use asset is amortized over the life of the lease and the liability is reduced as payments are made on the obligations. The adoption of this accounting rule has not had a material impact on our statement of operations.

Capital expenditures incurred amounted to $2.8 million in the third quarter of fiscal year 2020 and $16.1 million fiscal year-to-date. Our capital investments were largely focused on improving our efficiencies, yields, quality and capabilities. We are restricting further capital investments until more is understood about the Current Business Environment.

The Company's Board of Directors has maintained a stock repurchase program, under which the Company is authorized to purchase its outstanding common stock, in private or open market transactions. In February 2020, the Board replenished that authority to $10 million. The Board approved authority expires December 31, 2023. From the beginning of fiscal year 2020 through mid-third fiscal quarter, the Company acquired 36,306 shares. The Company acquired 21,550 and 18,393 shares in fiscal years 2018 and 2019, respectively. Stock repurchases are subject to our ability to identify shares to 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 in the future. While we have not purchased shares since the onset of the Current Business Environment, we will evaluate further share purchase opportunities based on the circumstances at that time. 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," "believes," "can," "consider," "expects," "forever," "hopes," "intends," "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; low hydrocarbon 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; worldwide and domestic monetary policy; changes in tax rates and regulation; changes in import / export tariff or restrictions; raw material cost and availability; problems associated with product development efforts; the cost and availability of manufacturing supplies, including process gasses; appraised values of inventories which 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; third-party product liability claims; fire, flood, tornado, and other natural disasters; customer or supplier bankruptcy; customer or supplier declarations of force majeure; insurance cost and availability; lack of insurance coverage for floods; the cost associated with providing healthcare benefits to employees; customer claims; technical and data processing capabilities; cyberattack on our information technology infrastructure; world or *domestic health crisis; and our ability to repurchase the Company's stock. 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, 2020	Three Months Ended April 30, 2019	Nine Months Ended April 30, 2020	Nine Months Ended April 30, 2019
Net sales	$ 104,798	$ 145,745	339,704	$ 418,605
Cost of sales	94,944	126,039	304,553	356,358
Gross profit	9,854	19,706	35,151	62,247
Selling, general & administrative	9,304	9,669	26,468	30,269
Income (loss) from operations	550	10,036	8,683	31,977
Interest expense	655	1,194	2,371	3,869
Unrealized (gain) loss on interest contracts	-	116	65	350
Income (loss) before income taxes	(105)	8,727	6,247	27,758
Income tax expense (benefit)	(274)	2,085	904	6,487
Net income (loss)	$ 169	$ 6,642	$ 5,343	$ 21,271
Net income (loss) per common share:				
Basic	$ 0.21	$ 7.96	$ 6.54	$ 25.96
Diluted	$ 0.19	$ 7.11	$ 5.95	$ 23.00
Weighted average common shares outstanding:				
Basic	813,500	834,600	816,400	819,500
Diluted	886,000	934,100	897,900	924,700

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, 2020	July 31, 2019
Cash	$ 11,262	$ 7,140
Accounts receivable, net	47,305	59,358
Inventories, net	160,198	176,418
Other current assets	6,707	11,649
Total current assets	225,472	254,565
Property, plant and equipment, net	116,368	112,501
Leased assets, net	16,984	-
Other long-term assets	4,715	3,943
Total assets	$ 363,539	$ 371,009
Other current liabilities	$ 36,035	$ 46,373
Current portion of long-term debt, net	74,464	88,558
Current portion of lease liabilities	4,704	68
Total current liabilities	115,204	134,999
Long-term debt	12,000	12,000
Long-term portion of lease liabilities	12,262	178
Deferred tax liability	6,739	8,677
Total equity (862,264 common shares, par value $0.01, outstanding at April 30, 2020)	217,334	215,155
Total liabilities and equity	$ 363,539	$ 371,009

CASH FLOW DATA
(Dollars in thousands - Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2020	2019	2020	2019
Net cash provided by (used in) operating activities	$ 5,015	$ 12,897	$ 39,112	$ 29,128
Depreciation and amortization	$ 3,406	$ 3,385	$ 10,461	$ 10,153
Cash paid for capital expenditures	$ 2,751	$ 4,353	$ 16,074	$ 12,387

Note: Amounts may not sum due to rounding.