



FOR: **WEBCO INDUSTRIES, INC.**
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For Immediate Release

WEBCO INDUSTRIES, INC. REPORTS FISCAL 2023 THIRD QUARTER RESULTS

SAND SPRINGS, Oklahoma, June 6, 2023 – Webco Industries, Inc. (OTC: WEBC) today reported results for our third quarter for fiscal year 2023, which ended April 30, 2023.

For our third quarter of fiscal year 2023, we had a net income of \$6.4 million, or \$7.91 per diluted share, while in our third quarter of fiscal year 2022, we had net income of \$16.0 million, or \$19.88 per diluted share. Net sales for the third quarter of fiscal 2023 were \$168.6 million, an 11.5 percent decrease from the \$190.6 million of sales in the third quarter of fiscal year 2022.

For the first nine months of fiscal year 2023, we generated a net income of \$18.3 million, or \$22.89 per diluted share, compared to a net income of \$40.1 million, or \$49.25 per diluted share, for the same period in fiscal year 2022. Net sales for the first nine months of the current year amounted to \$530.5 million, a minimal decrease from the \$531.5 million in sales for the same nine-month period of last year.

In the third quarter of fiscal year 2023, we had income from operations of \$11.4 million after depreciation of \$3.3 million. The third fiscal quarter of the prior year generated income from operations of \$21.0 million after depreciation of \$3.5 million. Gross profit for the third quarter of fiscal 2023 was \$23.6 million, or 14.0 percent of net sales, compared to \$33.5 million, or 17.6 percent of net sales, for the third quarter of fiscal year 2022.

Our income from operations for the first nine months of fiscal year 2023 was \$28.4 million, after depreciation expense of \$9.8 million. Income from operations in the first nine-month period of fiscal year 2022 was \$53.7 million, after depreciation expense of \$10.5 million. Gross profit for the first nine months of fiscal 2023 was \$64.9 million, or 12.2 percent of net sales, compared to \$97.0 million, or 18.3 percent of net sales for the same period in fiscal year 2022.

Dana S. Weber, Chief Executive Officer and Board Chair, stated, “We continue to position our Company to respond to numerous potential economic environments. Our strong balance sheet and liquidity 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 \$101.7 million at April 30, 2023, which we believe to be a competitive advantage.”

Selling, general and administrative expenses were \$12.2 million in the third quarter of fiscal 2023 and \$12.5 million in the third quarter of fiscal 2022. SG&A expenses were \$36.5 million in the first nine months of fiscal year 2023 and \$43.4 million for the first nine-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 \$1.6 million in the third quarter of fiscal year 2023 and \$0.8 million in the same quarter of fiscal year 2022. Interest expense was \$4.8 million and \$2.1 million in the first nine-month periods of the current and prior fiscal years, respectively. Fed funds rate increases by the Federal Reserve have increased the variable rate component on our senior credit facility, causing most of the increase in interest expense.

Capital expenditures incurred amounted to \$6.3 million in the third quarter of fiscal year 2023 and \$23.9 million for the first nine 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 April 30, 2023, we had \$19.7 million in cash and short-term investments, in addition to \$82.0 million of available borrowing capacity under our senior revolving credit facility. Availability on the revolver, which had \$82.1 million drawn at April 30, 2023, was subject to advance rates on eligible accounts receivable and inventories. Borrowing decreased primarily due to reduced working capital levels. 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 our outstanding common stock in private or open market transactions. The Company’s Board of Directors recently refreshed the repurchase program with a new limit of up to \$40 million and extended the program’s



expiration until July 31, 2026. During the third quarter of fiscal year 2023, we repurchased 2,500 shares of the company's stock, bringing the total in the current fiscal year to over 4,000 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 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 gases; 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 crises; 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; our inability or unwillingness to comply with rules required to maintain the quotation of our shares on any market place; 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 April 30,		Nine Months Ended April 30,	
	2023	2022	2023	2022
Net sales	\$ 168,576	\$ 190,583	\$ 530,477	\$ 531,514
Cost of sales	144,989	157,051	465,597	434,466
Gross profit	23,588	33,532	64,880	97,048
Selling, general & administrative expenses	12,199	12,487	36,480	43,379
Income (loss) from operations	11,389	21,045	28,420	53,669
Interest expense	1,564	783	4,788	2,075
Pretax income (loss)	9,825	20,262	23,632	51,595
Provision for (benefit from) income taxes	3,472	4,268	5,336	11,473
Net income (loss)	\$ 6,353	\$ 15,994	\$ 18,296	\$ 40,121
Net income (loss) per share:				
Basic	\$ 8.16	\$ 20.82	\$ 23.84	\$ 52.05
Diluted	\$ 7.91	\$ 19.88	\$ 22.89	\$ 49.25
Weighted average common shares outstanding:				
Basic	779,000	768,000	767,000	771,000
Diluted	803,000	805,000	799,000	815,000

CONSOLIDATED CASH FLOW DATA

(Dollars in thousands – Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2023	2022	2023	2022
Net cash provided by (used in) operating activities	\$ 39,961	\$ 5,066	\$ 59,850	\$ (25,166)
Depreciation and amortization	\$ 3,337	\$ 3,493	\$ 9,959	\$ 10,505
Cash paid for capital expenditures	\$ 6,551	\$ 2,699	\$ 24,077	\$ 15,187

Notes: Amounts may not sum due to rounding.



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

	April 30, 2023	July 31, 2022
Current assets:		
Cash	\$ 5,119	\$ 12,739
Certificates of deposit	1,500	-
U.S. Treasury Bonds	13,072	-
Accounts receivable	78,199	83,657
Inventories, net	208,702	244,311
Prepaid expenses	3,342	11,847
Total current assets	<u>309,935</u>	<u>352,553</u>
Property, plant and equipment, net	137,488	123,136
Right of use, finance leases, net	1,003	1,181
Right of use, operating leases, net	22,307	21,592
Other long-term assets	<u>10,924</u>	<u>9,686</u>
Total assets	<u>\$ 481,657</u>	<u>\$ 508,148</u>
Current liabilities:		
Accounts payable	\$ 34,165	\$ 53,255
Accrued liabilities	30,025	33,614
Current portion of long-term debt	81,702	114,210
Current portion of finance lease liabilities	511	611
Current portion of operating lease liabilities	4,878	4,484
Total current liabilities	<u>151,280</u>	<u>206,175</u>
Long-term debt, net of current portion	20,000	12,000
Finance lease liabilities, net of current portion	529	613
Operating lease liabilities, net of current portion	17,383	17,083
Stockholders' equity:		
Common stock	8	8
Additional paid-in capital	50,894	48,424
Retained earnings	241,562	223,846
Total stockholders' equity	<u>292,464</u>	<u>272,277</u>
Total liabilities and stockholders' equity	<u>\$ 481,657</u>	<u>\$ 508,148</u>

Notes: Amounts may not sum due to rounding.