

# Mueller Water Products Reports Fiscal Second Quarter 2010 Results

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May 04, 2010

ATLANTA, May 04, 2010 (BUSINESS WIRE) --Mueller Water Products, Inc. (NYSE: MWA) today reported net sales of \$301.8 million and a net loss of \$23.7 million for the quarter ended March 31, 2010. Summarized consolidated 2010 second quarter results compared to 2009 second quarter results are as follows:

- Net sales for the 2010 second quarter were \$301.8 million, down 6.3 percent compared to \$322.2 million for the 2009 second quarter. Excluding the net sales of two divested Anvil businesses, net sales for the 2010 second quarter increased 2.3 percent year-over-year.
- Loss from operations for the 2010 second quarter was \$22.9 million compared to a loss from operations of \$618.2 million for the 2009 second quarter. Adjusted loss from operations for the 2010 second quarter was \$12.4 million compared to adjusted loss from operations of \$5.1 million for the 2009 second quarter.
- Adjusted EBITDA was \$9.0 million for the 2010 second quarter compared to \$18.8 million for the 2009 second quarter.
- Net loss per share was \$0.15 for the 2010 second quarter compared to a net loss per share of \$4.90 for the 2009 second quarter. Adjusted net loss per share was \$0.11 for the 2010 second quarter compared to adjusted net loss per share of \$0.13 for the 2009 second quarter.
- Net debt, which is total debt less cash and cash equivalents, at March 31, 2010, decreased \$88.4 million to \$590.3 million since September 30, 2009.

"Our second-quarter results came in essentially as we had expected. Net sales excluding divested operations in the second quarter increased from the prior year period, the first quarter in six quarters in which net sales increased year-over-year," said Gregory E. Hyland, chairman, president and chief executive officer of Mueller Water Products.

"Capacity utilization increased in all three business segments: Mueller Co., U.S. Pipe and Anvil, which is expected to benefit our financial performance in the second half of the year. Unit bookings of our core products at Mueller Co. - valves, hydrants and brass service - increased 40 percent year-over-year, and bookings on a tonnage basis at U.S.

Pipe increased over 50 percent. However, pricing continued to negatively impact sales at U.S. Pipe during the quarter, and we believe pricing could remain challenging for the balance of the fiscal year. Anvil's results reflect the downturn in non-residential construction.

"We are seeing clear signs the water infrastructure market is gradually recovering and positive trends in some of our businesses. The improved order trends we saw in our water infrastructure markets in the first quarter strengthened further in the second quarter. The uptick in orders, especially as we enter the construction season, reinforces our belief that we will continue to increase capacity utilization, which should lead to higher margins."

## **Second Quarter Consolidated Results**

Net sales for the 2010 second quarter of \$301.8 million declined \$20.4 million from \$322.2 million for the 2009 second quarter. Net sales declined due to the divestiture of two Anvil businesses, which had sales of \$27.3 million in the 2009 second quarter, and lower pricing of \$19.4 million, mainly at U.S. Pipe. These items were partially offset by \$25.1 million of higher shipment volumes and favorable Canadian currency exchange rates of \$2.6 million.

Adjusted loss from operations for the 2010 second quarter of \$12.4 million increased \$7.3 million from \$5.1 million for the 2009 second quarter. Results were negatively impacted by the lower sales pricing and \$9.4 million of higher per-unit overhead costs primarily due to lower production. The quarter's results were positively impacted by \$12.9 million of manufacturing and other cost savings, \$7.4 million of higher shipment volumes and \$3.6 million of lower raw material costs.

## **Second Quarter Segment Results**

### Mueller Co.

Net sales for Mueller Co. increased \$26.4 million to \$141.2 million for the 2010 second quarter from \$114.8 million for the 2009 second quarter due mainly to \$26.8 million of higher shipment volumes. Shipment volumes of iron gate valves, hydrants and brass service products for the quarter all increased above the prior year period.

Income from operations of \$9.7 million for the 2010 second quarter increased \$7.1 million from adjusted income from operations of \$2.6 million for the 2009 second quarter. Adjusted EBITDA increased to \$22.2 million for the 2010 second quarter from \$15.8 million for the 2009 second quarter. Income from operations increased due to \$9.9 million of higher shipment volumes and \$5.3 million of manufacturing and other cost savings. These items were partially offset by \$2.8 million of higher selling, general and administrative expenses primarily associated with investments in Mueller Systems, \$2.0 million of higher per-unit overhead costs, and \$1.2 million of lower sales pricing.

### U.S. Pipe

Net sales for U.S. Pipe of \$83.0 million for the 2010 second quarter declined \$10.2 million from \$93.2 million for the 2009 second quarter. This decrease was due to \$17.6 million of lower pricing partially offset by \$7.4 million of higher shipment volumes.

Adjusted loss from operations of \$19.6 million and an adjusted EBITDA loss of \$14.6 million for the 2010 second quarter compare to adjusted loss from operations of \$10.9 million and an adjusted EBITDA loss of \$4.7 million for the 2009 second quarter. The 2010 second quarter results were negatively impacted by lower sales pricing partially offset by a number of positive factors, including \$4.8 million of manufacturing and other cost savings, \$1.9 million of higher shipment volumes, \$1.4 million of lower selling, general and administrative expenses and \$1.1 million of lower raw material costs. During the quarter we recorded \$10.4 million in restructuring charges primarily associated with the closure of the North Birmingham facility.

### Anvil

Net sales for Anvil of \$77.6 million for the 2010 second quarter declined \$36.6 million from \$114.2 million for the 2009 second quarter. Net sales declined \$27.3 million due to the divestiture of two businesses and \$9.1 million due to lower shipment volumes.

Adjusted income from operations of \$6.0 million and adjusted EBITDA of \$9.7 million for the 2010 second quarter compare to adjusted income from operations of \$12.1 million and adjusted EBITDA of \$16.5 million in the 2009 second quarter. Adjusted income from operations decreased \$8.1 million from higher per-unit overhead costs primarily due to lower production and \$4.4 million of lower shipment volumes. These decreases were partially offset by \$3.1 million from the gain on the sale of one of the divestitures, \$2.8 million of manufacturing and other cost savings and \$2.1 million of lower raw material costs.

### **Interest Expense**

Net interest expense of \$14.8 million for the 2010 second quarter decreased from \$16.6 million for the 2009 second quarter. The 2010 second quarter included a \$1.2 million net benefit from the settlement of interest rate swap contracts associated with debt repayments. When adjusted, 2010 second quarter net interest expense decreased \$0.6 million from the 2009 second quarter primarily due to lower debt levels during the 2010 second quarter partially offset by higher interest rates.

### **Use of Non-GAAP Measures**

The Company presents adjusted income (loss) from operations, adjusted EBITDA, adjusted net loss, adjusted net loss per share, net debt and free cash flow as non-GAAP measures. Adjusted income (loss) from operations represents income (loss) from operations excluding impairment, restructuring and debt extinguishment-related items. Adjusted EBITDA represents income (loss) before depreciation, amortization, debt-related transactions, interest income, income taxes, impairment and restructuring charges. The Company presents adjusted EBITDA because it is an important supplemental measure of performance, and management believes it is frequently used by securities analysts, investors and interested parties in the evaluation of financial

performance. Adjusted EBITDA has limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for analysis of the Company's results as reported under accounting principles generally accepted in the United States ("GAAP"). Adjusted net loss and adjusted net loss per share exclude impairment and restructuring charges, gains and losses from the early settlement of interest rate swap contracts and the early extinguishment of debt. These items are excluded because they are considered unusual and not indicative of recurring operations. Net debt, which is total debt less cash and cash equivalents, is used because management reviews net debt as part of its management of the Company's overall liquidity, financial flexibility, capital structure and leverage. Furthermore, certain debt rating agencies, creditors and credit analysts monitor the Company's net debt as part of their assessment of the Company's business. Free cash flow, which represents cash flows from operating activities less capital expenditures, is presented as a measurement of cash flow because it is commonly used by the investment community.

A reconciliation of non-GAAP to GAAP results is included as an attachment to this press release and has been posted online at [www.muellerwaterproducts.com](http://www.muellerwaterproducts.com).

### **Conference Call Webcast**

Mueller Water Products' quarterly earnings conference call will take place Wednesday, May 5, 2010 at 9:00 a.m. EDT. Mueller Water Products' chairman, president and chief executive officer, Gregory E. Hyland, and members of the Company's leadership team will discuss the Company's recent financial performance and respond to questions from financial analysts. Mueller Water Products invites interested investors to listen to the call and view the accompanying slide presentation, which will be carried live on its Web site at [www.muellerwaterproducts.com](http://www.muellerwaterproducts.com).

Investors interested in listening to the call should log on to the Web site several minutes before the start of the call. After selecting the presentation icon, investors should follow the instructions to ensure their systems are set up to hear the event and view the accompanying presentation slides.

### **Safe Harbor Statement**

This press release contains certain statements that may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements that address activities, events or developments that we intend, expect, plan, project, believe or anticipate will or may occur in the future are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding our ability to increase capacity utilization. Forward-looking statements are based on certain assumptions and assessments made by us in light of our experience and perception of historical trends, current conditions and expected future developments. Actual results and the timing of events may differ materially from those contemplated by the forward-looking statements due to a number of factors, including regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- the demand level of manufacturing and construction activity;
- our ability to service our debt obligations; and
- the other factors that are described in the section entitled "RISK FACTORS" in Item 1A of our most recently filed Annual Report on Form 10-K.

Undue reliance should not be placed on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we file this press release, except as required by law.

### **About Mueller Water Products, Inc.**

Mueller Water Products, Inc. is a leading North American manufacturer and marketer of a broad range of water infrastructure, flow control and piping component system products for use in water distribution networks and water treatment facilities. The Company's broad product portfolio includes engineered valves, fire hydrants, pipe fittings, water meters and ductile iron pipe, which are used by municipalities, as well as the residential and non-residential construction industries for heating, ventilation and air conditioning, fire protection, industrial, energy and oil & gas industries. With latest 12 months net sales through March 31, 2010 of \$1.4 billion, the Company is comprised of three operating segments: Mueller Co., U.S. Pipe and Anvil. Based in Atlanta, Georgia, the Company employs approximately 5,100 people. The Company's common stock trades on the New York Stock Exchange under the ticker symbol MWA. For more information about Mueller Water Products, Inc., please visit the Company's Web site at <http://www.muellerwaterproducts.com/>.

SOURCE: Mueller Water Products, Inc.

### **Mueller Water Products, Inc.**

#### *Investor Contact:*

Martie Edmunds Zakas, 770-206-4237

Sr. Vice President - Strategy, Corporate Development & Communications

[mzakas@muellerwp.com](mailto:mzakas@muellerwp.com)

or

#### *Media Contact:*

John Pensec, 770-206-4240

Director - Corporate Communications & Public Affairs

[jpensec@muellerwp.com](mailto:jpensec@muellerwp.com)