

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 27, 2020

Commission file number 1-6770



MUELLER INDUSTRIES INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

25-0790410

(I.R.S. Employer Identification No.)

150 Schilling Boulevard

Collierville

(Address of principal executive offices)

Suite 100

Tennessee

(901) 753-3200
(Registrant's telephone number, including area code)

38017

(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock

Trading Symbol

MLI

Name of exchange on which registered

NYSE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the Registrant's common stock outstanding as of July 17, 2020 was 56,791,916.

MUELLER INDUSTRIES, INC.

FORM 10-Q

For the Quarterly Period Ended June 27, 2020

As used in this report, the terms "Company," "Mueller," and "Registrant" mean Mueller Industries, Inc. and its consolidated subsidiaries taken as a whole, unless the context indicates otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

<i>(In thousands, except per share data)</i>	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net sales	\$ 500,168	\$ 666,394	\$ 1,103,087	\$ 1,278,175
Cost of goods sold	403,159	563,948	911,874	1,075,341
Depreciation and amortization	11,097	10,478	22,136	21,033
Selling, general, and administrative expense	33,616	40,446	76,368	81,099
Asset impairments	—	—	3,035	—
Litigation settlement, net	—	—	(21,933)	—
Operating income	52,296	51,522	111,607	100,702
Interest expense	(4,973)	(7,033)	(10,352)	(13,987)
Other income, net	2,834	462	3,112	290
Income before income taxes	50,157	44,951	104,367	87,005
Income tax expense	(13,029)	(10,432)	(27,173)	(19,978)
Loss from unconsolidated affiliates, net of foreign tax	(8,641)	(5,843)	(14,756)	(21,212)
Consolidated net income	28,487	28,676	62,438	45,815
Net income attributable to noncontrolling interests	(531)	(690)	(2,067)	(2,106)
Net income attributable to Mueller Industries, Inc.	\$ 27,956	\$ 27,986	\$ 60,371	\$ 43,709
Weighted average shares for basic earnings per share	55,723	55,753	55,799	55,741
Effect of dilutive stock-based awards	471	561	527	543
Adjusted weighted average shares for diluted earnings per share	56,194	56,314	56,326	56,284
Basic earnings per share	\$ 0.50	\$ 0.50	\$ 1.08	\$ 0.78
Diluted earnings per share	\$ 0.50	\$ 0.50	\$ 1.07	\$ 0.78
Dividends per share	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20

See accompanying notes to condensed consolidated financial statements.

MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

<i>(In thousands)</i>	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Consolidated net income	\$ 28,487	\$ 28,676	\$ 62,438	\$ 45,815
Other comprehensive (loss) income, net of tax:				
Foreign currency translation	421	(2,977)	(20,834)	3,080
Net change with respect to derivative instruments and hedging activities, net of tax of \$(970), \$253, \$(10), and \$(90)	3,398	(929)	41	328
Net change in pension and postretirement obligation adjustments, net of tax of \$375, \$(198), \$132, and \$(91)	(1,284)	676	(545)	430
Attributable to unconsolidated affiliates, net of tax of \$810, \$(68), \$262, and \$(81)	(2,790)	234	(903)	281
Total other comprehensive (loss) income, net	(255)	(2,996)	(22,241)	4,119
Consolidated comprehensive income	28,232	25,680	40,197	49,934
Comprehensive loss (income) attributable to noncontrolling interests	90	433	(855)	(1,187)
Comprehensive income attributable to Mueller Industries, Inc.	\$ 28,322	\$ 26,113	\$ 39,342	\$ 48,747

See accompanying notes to condensed consolidated financial statements.

MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(In thousands, except share data)</i>	(Unaudited)	
	June 27, 2020	December 28, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 123,610	\$ 97,944
Accounts receivable, less allowance for doubtful accounts of \$2,205 in 2020 and \$770 in 2019	273,710	269,943
Inventories	244,414	292,107
Other current assets	28,957	33,778
Total current assets	670,691	693,772
Property, plant, and equipment, net	362,785	363,128
Operating lease right-of-use assets	17,172	26,922
Goodwill, net	153,335	153,276
Intangible assets, net	63,004	60,082
Investments in unconsolidated affiliates	32,443	48,363
Other assets	23,960	25,397
Total assets	<u>\$ 1,323,390</u>	<u>\$ 1,370,940</u>
Liabilities		
Current liabilities:		
Current portion of debt	\$ 6,543	\$ 7,530
Accounts payable	93,579	85,644
Accrued wages and other employee costs	40,409	41,673
Current portion of operating lease liabilities	4,623	5,250
Other current liabilities	84,110	94,190
Total current liabilities	229,264	234,287
Long-term debt, less current portion	323,114	378,724
Pension liabilities	5,819	9,126
Postretirement benefits other than pensions	12,179	13,082
Environmental reserves	19,776	19,972
Deferred income taxes	19,635	21,094
Noncurrent operating lease liabilities	13,009	22,388
Other noncurrent liabilities	10,390	10,131
Total liabilities	633,186	708,804
Equity		
Mueller Industries, Inc. stockholders' equity:		
Preferred stock - \$1.00 par value; shares authorized 5,000,000; none outstanding	—	—
Common stock - \$.01 par value; shares authorized 100,000,000; issued 80,183,004; outstanding 56,791,916 in 2020 and 56,949,246 in 2019	802	802
Additional paid-in capital	281,856	278,609
Retained earnings	951,992	903,070
Accumulated other comprehensive loss	(89,799)	(68,770)
Treasury common stock, at cost	(474,170)	(470,243)
Total Mueller Industries, Inc. stockholders' equity	670,681	643,468
Noncontrolling interests	19,523	18,668
Total equity	690,204	662,136
Commitments and contingencies	—	—
Total liabilities and equity	<u>\$ 1,323,390</u>	<u>\$ 1,370,940</u>

See accompanying notes to condensed consolidated financial statements.

MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	For the Six Months Ended	
	June 27, 2020	June 29, 2019
Cash flows from operating activities		
Consolidated net income	\$ 62,438	\$ 45,815
Reconciliation of consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	22,296	21,192
Stock-based compensation expense	4,198	4,302
Provision for doubtful accounts receivable	1,850	(100)
Loss from unconsolidated affiliates	14,756	21,212
Gain on disposals of properties	(9)	(37)
Impairment charges	3,035	—
Deferred income tax expense (benefit)	764	(67)
Changes in assets and liabilities, net of effects of business acquired:		
Receivables	(11,212)	(42,045)
Inventories	43,263	30,080
Other assets	3,967	(4,617)
Current liabilities	(277)	(9,735)
Other liabilities	(5,369)	(1,485)
Other, net	3,082	(532)
Net cash provided by operating activities	<u>142,782</u>	<u>63,983</u>
Cash flows from investing activities		
Capital expenditures	(22,215)	(13,034)
Acquisition of business, net of cash acquired	(15,415)	3,465
Investments in unconsolidated affiliates	—	(10,500)
Proceeds from sales of assets	1	351
Net cash used in investing activities	<u>(37,629)</u>	<u>(19,718)</u>
Cash flows from financing activities		
Dividends paid to stockholders of Mueller Industries, Inc.	(11,168)	(11,151)
Repurchase of common stock	(5,574)	(1,763)
Issuance of long-term debt	110,015	100,638
Repayments of long-term debt	(166,021)	(110,914)
Repayment of debt by consolidated joint ventures, net	(471)	(4,132)
Net cash received (used) to settle stock-based awards	696	(127)
Net cash used in financing activities	<u>(72,523)</u>	<u>(27,449)</u>
Effect of exchange rate changes on cash	(6,160)	118
Increase in cash, cash equivalents, and restricted cash	26,470	16,934
Cash, cash equivalents, and restricted cash at the beginning of the period	98,042	77,138
Cash, cash equivalents, and restricted cash at the end of the period	<u>\$ 124,512</u>	<u>\$ 94,072</u>

See accompanying notes to condensed consolidated financial statements.

MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(In thousands)

	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Common stock:				
Balance at beginning of period	\$ 802	\$ 802	\$ 802	\$ 802
Balance at end of period	<u>\$ 802</u>	<u>\$ 802</u>	<u>\$ 802</u>	<u>\$ 802</u>
Additional paid-in capital:				
Balance at beginning of period	\$ 280,197	\$ 278,800	\$ 278,609	\$ 276,849
Issuance of shares under incentive stock option plans	(270)	(227)	(667)	(283)
Stock-based compensation expense	2,213	2,295	4,198	4,302
Issuance of restricted stock	(284)	(242)	(284)	(242)
Balance at end of period	<u>\$ 281,856</u>	<u>\$ 280,626</u>	<u>\$ 281,856</u>	<u>\$ 280,626</u>
Retained earnings:				
Balance at beginning of period	\$ 929,810	\$ 834,798	\$ 903,070	\$ 824,737
Net income attributable to Mueller Industries, Inc.	27,956	27,986	60,371	43,709
Dividends paid or payable to stockholders of Mueller Industries, Inc.	(5,774)	(5,663)	(11,449)	(11,325)
Balance at end of period	<u>\$ 951,992</u>	<u>\$ 857,121</u>	<u>\$ 951,992</u>	<u>\$ 857,121</u>
Accumulated other comprehensive loss:				
Balance at beginning of period	\$ (90,165)	\$ (72,881)	\$ (68,770)	\$ (79,792)
Total other comprehensive income (loss) attributable to Mueller Industries, Inc.	366	(1,873)	(21,029)	5,038
Balance at end of period	<u>\$ (89,799)</u>	<u>\$ (74,754)</u>	<u>\$ (89,799)</u>	<u>\$ (74,754)</u>

MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(In thousands)

	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Treasury stock:				
Balance at beginning of period	\$ (474,957)	\$ (476,121)	\$ (470,243)	\$ (474,240)
Issuance of shares under incentive stock option plans	503	274	1,363	156
Repurchase of common stock	—	—	(5,574)	(1,763)
Issuance of restricted stock	284	323	284	323
Balance at end of period	<u>\$ (474,170)</u>	<u>\$ (475,524)</u>	<u>\$ (474,170)</u>	<u>\$ (475,524)</u>
Noncontrolling interests:				
Balance at beginning of period	\$ 19,613	\$ 16,524	\$ 18,668	\$ 14,904
Net income attributable to noncontrolling interests	531	690	2,067	2,106
Foreign currency translation	(621)	(1,123)	(1,212)	(919)
Balance at end of period	<u>\$ 19,523</u>	<u>\$ 16,091</u>	<u>\$ 19,523</u>	<u>\$ 16,091</u>

See accompanying notes to condensed consolidated financial statements.

MUELLER INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

General

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been condensed or omitted. Results of operations for the interim periods presented are not necessarily indicative of results which may be expected for any other interim period or for the year as a whole. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K, including the annual financial statements incorporated therein.

The accompanying unaudited interim financial statements include all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented herein.

Note 1 – Recent Accounting Standards

Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Disclosure Framework- Measurement of Credit Losses on Financial Instruments*. The ASU significantly changes the current incurred credit loss model under U.S. GAAP, which delays the recognition of credit losses until it is probable a loss has been incurred, to a current expected credit losses model which requires immediate recognition of management estimates of credit losses. The Company adopted the ASU during the first quarter of 2020 using a retrospective approach. The adoption of the ASU did not have a material impact on the Company's Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*. For employers that sponsor defined benefit pension and/or other postretirement benefit plans, the ASU eliminates requirements for certain disclosures that are no longer considered cost beneficial, requires new disclosures related to the weighted-average interest crediting rate for cash balance plans and explanations for significant gains and losses related to changes in benefit obligations, and clarifies the requirements for entities that provide aggregate disclosures for two or more plans. The Company adopted the ASU during the first quarter of 2020 using a retrospective approach. The adoption of the ASU did not have a material impact on the Company's Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU eliminates requirements to disclose the amount and reasons for transfers between level 1 and level 2 of the fair value hierarchy, but requires public companies to disclose changes in unrealized gains and losses for the period included in other comprehensive income (OCI) for recurring level 3 fair value measurements or instruments held at the end of the reporting period and the range and weighted average used to develop significant unobservable inputs for level 3 fair value measurements. The Company adopted the ASU during the first quarter of 2020. The guidance on changes in unrealized gains and losses for the period included in OCI for recurring level 3 measurements, the range and weighted average of significant unobservable inputs used to develop level 3 fair value measurements, and the narrative description of measurement uncertainty is applied prospectively. All other amendments are applied retrospectively. The adoption of the ASU did not have a material impact on the Company's Condensed Consolidated Financial Statements.

Note 2 – Earnings per Common Share

Basic per share amounts have been computed based on the average number of common shares outstanding. Diluted per share amounts reflect the increase in average common shares outstanding that would result from the assumed exercise of outstanding stock options and vesting of restricted stock awards, computed using the treasury stock method. Approximately eight thousand and nine thousand stock-based awards were excluded from the computation of diluted earnings per share for the quarters ended June 27, 2020 and June 29, 2019, respectively, because they were antidilutive.

Note 3 – Acquisitions

Shoals Tubular, Inc.

On January 17, 2020, the Company entered into a stock purchase agreement pursuant to which the Company acquired all of the outstanding stock of Shoals Tubular, Inc. (STI) for approximately \$15.4 million, net of working capital adjustments. The total purchase price consisted of \$15.4 million in cash at closing. STI is a manufacturer of brazed manifolds, headers, and distributor assemblies used primarily by manufacturers of residential heating and air conditioning units. The acquired business is reported within and complements the Company's existing businesses in the Climate segment.

The fair value of the tangible assets acquired totaled \$6.2 million, consisting primarily of property, plant, and equipment of \$3.7 million, inventories of \$1.8 million, and accounts receivable of \$0.7 million. The fair value of the liabilities assumed totaled \$0.2 million, consisting primarily of accounts payable. Of the remaining purchase price, \$9.4 million was allocated to tax-deductible goodwill and intangible assets. The purchase price allocation is provisional as of June 27, 2020 and subject to change upon completion of the final valuation of the long-lived assets and working capital during the measurement period.

Note 4 – Segment Information

Each of the Company's reportable segments is composed of certain operating segments that are aggregated primarily by the nature of products offered as follows:

Piping Systems

Piping Systems is composed of the following operating segments: Domestic Piping Systems Group, Great Lakes Copper, Heatlink Group, Die-Mold, European Operations, Trading Group, and Jungwoo-Mueller (the Company's South Korean joint venture). The Domestic Piping Systems Group manufactures copper tube, fittings, and line sets. These products are manufactured in the U.S., sold in the U.S., and exported to markets worldwide. Outside the U.S., Great Lakes Copper manufactures copper tube and line sets in Canada and sells the products primarily in the U.S. and Canada. Heatlink Group produces a complete line of products for PEX plumbing and radiant systems in Canada and sells these products in Canada and the U.S. Die-Mold manufactures PEX and other plumbing-related fittings and plastic injection tooling in Canada and sells these products in Canada and the U.S. European Operations manufacture copper tube in the U.K. which is sold primarily in Europe. The Trading Group manufactures pipe nipples and resells brass and plastic plumbing valves, malleable iron fittings, faucets, and plumbing specialty products in the U.S. and Mexico. Jungwoo-Mueller manufactures copper-based joining products that are sold worldwide. The Piping Systems segment's products are sold primarily to plumbing, refrigeration, and air-conditioning wholesalers, hardware wholesalers and co-ops, building product retailers, and air-conditioning original equipment manufacturers (OEMs).

Industrial Metals

Industrial Metals is composed of the following operating segments: Brass Rod & Copper Bar Products, Impacts & Micro Gauge, and Brass Value-Added Products. These businesses manufacture brass rod, impact extrusions, and forgings, as well as a wide variety of end products including plumbing brass, automotive components, valves, fittings, and gas assemblies. These products are manufactured in the U.S. and sold primarily to OEMs in the U.S., many of which are in the industrial, transportation, construction, heating, ventilation, and air-conditioning, plumbing, refrigeration, and energy markets.

Climate

Climate is composed of the following operating segments: Refrigeration Products, Fabricated Tube Products, Westermeyer, Turbotec, ATCO, Linesets, Inc., and STI. These domestic businesses manufacture and fabricate valves, assemblies, high pressure components, coaxial heat exchangers, insulated HVAC flexible duct systems, line sets, brazed manifolds, headers, and distributor assemblies primarily for the heating, ventilation, air-conditioning, and refrigeration markets in the U.S.

Summarized segment information is as follows:

<i>(In thousands)</i>	For the Quarter Ended June 27, 2020				
	Piping Systems	Industrial Metals	Climate	Corporate and Eliminations	Total
Net sales	\$ 334,040	\$ 88,619	\$ 86,107	\$ (8,598)	\$ 500,168
Cost of goods sold	272,271	75,274	64,540	(8,926)	403,159
Depreciation and amortization	5,456	1,995	2,757	889	11,097
Selling, general, and administrative expense	15,239	2,477	6,457	9,443	33,616
Operating income	41,074	8,873	12,353	(10,004)	52,296
Interest expense					(4,973)
Other income, net					2,834
Income before income taxes					<u>\$ 50,157</u>

<i>(In thousands)</i>	For the Quarter Ended June 29, 2019				
	Piping Systems	Industrial Metals	Climate	Corporate and Eliminations	Total
Net sales	\$ 425,865	\$ 147,719	\$ 96,081	\$ (3,271)	\$ 666,394
Cost of goods sold	364,332	127,950	74,849	(3,183)	563,948
Depreciation and amortization	5,652	1,838	2,128	860	10,478
Selling, general, and administrative expense	19,985	3,020	6,069	11,372	40,446
Operating income	35,896	14,911	13,035	(12,320)	51,522
Interest expense					(7,033)
Other income, net					462
Income before income taxes					<u>\$ 44,951</u>

Segment information (continued):

	For the Six Months Ended June 27, 2020				
<i>(In thousands)</i>	Piping Systems	Industrial Metals	Climate	Corporate and Eliminations	Total
Net sales	\$ 719,053	\$ 219,821	\$ 179,379	\$ (15,166)	\$ 1,103,087
Cost of goods sold	591,435	190,071	135,633	(5,265)	911,874
Depreciation and amortization	11,155	3,997	5,223	1,761	22,136
Selling, general, and administrative expense	35,678	5,698	13,156	21,836	76,368
Asset impairments	3,035	—	—	—	3,035
Litigation settlement, net	—	—	—	(21,933)	(21,933)
Operating income	77,750	20,055	25,367	(11,565)	111,607
Interest expense					(10,352)
Other income, net					3,112
Income before income taxes					<u>\$ 104,367</u>

	For the Six Months Ended June 29, 2019				
<i>(In thousands)</i>	Piping Systems	Industrial Metals	Climate	Corporate and Eliminations	Total
Net sales	\$ 802,357	\$ 298,594	\$ 185,915	\$ (8,691)	\$ 1,278,175
Cost of goods sold	689,128	254,649	141,678	(10,114)	1,075,341
Depreciation and amortization	11,202	3,682	4,441	1,708	21,033
Selling, general, and administrative expense	37,882	6,165	14,375	22,677	81,099
Operating income	64,145	34,098	25,421	(22,962)	100,702
Interest expense					(13,987)
Other income, net					290
Income before income taxes					<u>\$ 87,005</u>

The following tables represent a disaggregation of revenue from contracts with customers, along with the reportable segment for each category:

<i>(In thousands)</i>	For the Quarter Ended June 27, 2020			
	Piping Systems	Industrial Metals	Climate	Total
Tube and fittings	\$ 256,016	\$ —	\$ —	\$ 256,016
Brass rod and forgings	—	64,490	—	64,490
OEM components, tube & assemblies	16,812	10,427	32,931	60,170
Valves and plumbing specialties	61,212	—	—	61,212
Other	—	13,702	53,176	66,878
	334,040	88,619	86,107	508,766
Intersegment sales				(8,598)
Net sales				\$ 500,168

<i>(In thousands)</i>	For the Quarter Ended June 29, 2019			
	Piping Systems	Industrial Metals	Climate	Total
Tube and fittings	\$ 358,473	\$ —	\$ —	\$ 358,473
Brass rod and forgings	—	114,082	—	114,082
OEM components, tube & assemblies	7,444	12,852	36,965	57,261
Valves and plumbing specialties	59,948	—	—	59,948
Other	—	20,785	59,116	79,901
	425,865	147,719	96,081	669,665
Intersegment sales				(3,271)
Net sales				\$ 666,394

<i>(In thousands)</i>	For the Six Months Ended June 27, 2020			
	Piping Systems	Industrial Metals	Climate	Total
Tube and fittings	\$ 558,145	\$ —	\$ —	\$ 558,145
Brass rod and forgings	—	164,160	—	164,160
OEM components, tube & assemblies	42,107	21,309	69,504	132,920
Valves and plumbing specialties	118,801	—	—	118,801
Other	—	34,352	109,875	144,227
	719,053	219,821	179,379	1,118,253
Intersegment sales				(15,166)
Net sales				\$ 1,103,087

Disaggregation of revenue from contracts with customers (continued):

<i>(In thousands)</i>	For the Six Months Ended June 29, 2019			
	Piping Systems	Industrial Metals	Climate	Total
Tube and fittings	\$ 665,994	\$ —	\$ —	\$ 665,994
Brass rod and forgings	—	230,006	—	230,006
OEM components, tube & assemblies	14,727	25,889	74,208	114,824
Valves and plumbing specialties	121,636	—	—	121,636
Other	—	42,699	111,707	154,406
	802,357	298,594	185,915	1,286,866
Intersegment sales				(8,691)
Net sales				\$ 1,278,175

Note 5 – Cash, Cash Equivalents, and Restricted Cash

<i>(In thousands)</i>	June 27, 2020	December 28, 2019
Cash & cash equivalents	\$ 123,610	\$ 97,944
Restricted cash included within other current assets	800	—
Restricted cash included within other assets	102	98
Total cash, cash equivalents, and restricted cash	\$ 124,512	\$ 98,042

Amounts included in restricted cash relate to required deposits in brokerage accounts that facilitate the Company's hedging activities as well as imprest funds for the Company's self-insured workers' compensation program.

Note 6 – Inventories

<i>(In thousands)</i>	June 27, 2020	December 28, 2019
Raw materials and supplies	\$ 60,815	\$ 85,769
Work-in-process	51,240	48,814
Finished goods	140,065	163,842
Valuation reserves	(7,706)	(6,318)
Inventories	\$ 244,414	\$ 292,107

Note 7 – Financial Instruments

Derivative Instruments and Hedging Activities

The Company's earnings and cash flows are subject to fluctuations due to changes in commodity prices, foreign currency exchange rates, and interest rates. The Company uses derivative instruments such as commodity futures contracts, foreign currency forward contracts, and interest rate swaps to manage these exposures.

All derivatives are recognized in the Condensed Consolidated Balance Sheets at their fair value. On the date the derivative contract is entered into, it is either a) designated as a hedge of a forecasted transaction or the variability of cash flow to be paid (cash flow hedge) or b) not designated in a hedge accounting relationship, even though the derivative contract was executed to mitigate an economic exposure (economic hedge), as the Company does not enter into derivative contracts for trading purposes. Changes in the fair value of a derivative that is qualified, designated, and highly effective as a cash flow hedge are recorded in stockholders' equity within AOCI, to the extent effective, until they are reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Changes in the fair value of undesignated derivatives executed as economic hedges are reported in current earnings.

The Company documents all relationships between derivative instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivative instruments that are designated as fair value hedges to specific assets and liabilities in the Condensed Consolidated Balance Sheets and linking cash flow hedges to specific forecasted transactions or variability of cash flow.

The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the designated derivative instruments that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items. When a derivative instrument is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable of occurring, hedge accounting is discontinued prospectively in accordance with the derecognition criteria for hedge accounting.

Commodity Futures Contracts

Copper and brass represent the largest component of the Company's variable costs of production. The cost of these materials is subject to global market fluctuations caused by factors beyond the Company's control. The Company occasionally enters into forward fixed-price arrangements with certain customers; the risk of these arrangements is generally managed with commodity futures contracts. These futures contracts have been designated as cash flow hedges.

At June 27, 2020, the Company held open futures contracts to purchase approximately \$5.4 million of copper over the next 15 months related to fixed price sales orders. The fair value of those futures contracts was a \$1.2 million net gain position, which was determined by obtaining quoted market prices (level 1 within the fair value hierarchy). In the next 12 months, the Company will reclassify into earnings realized gains or losses relating to cash flow hedges. At June 27, 2020, this amount was approximately \$0.3 million of deferred net gains, net of tax.

The Company may also enter into futures contracts to protect the value of inventory against market fluctuations. At June 27, 2020, the Company held open futures contracts to sell approximately \$0.6 million of copper over the next nine months related to copper inventory. The fair value of those futures contracts was a \$8 thousand net loss position, which was determined by obtaining quoted market prices (level 1 within the fair value hierarchy).

The Company presents its derivative assets and liabilities in the Condensed Consolidated Balance Sheets on a net basis by counterparty. The following table summarizes the location and fair value of the derivative instruments and disaggregates the net derivative assets and liabilities into gross components on a contract-by-contract basis:

(In thousands)	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value	
		June 27, 2020	December 28, 2019		June 27, 2020	December 28, 2019
Commodity contracts - gains	Other current assets	\$ 1,155	\$ 1,435	Other current liabilities	\$ 15	\$ 50
Commodity contracts - losses	Other current assets	—	(12)	Other current liabilities	(103)	(159)
Total derivatives ⁽¹⁾		\$ 1,155	\$ 1,423		\$ (88)	\$ (109)

⁽¹⁾ Does not include the impact of cash collateral provided to counterparties.

The following tables summarize the effects of derivative instruments on the Company's Condensed Consolidated Statements of Income:

<i>(In thousands)</i>	Location	For the Quarter Ended		For the Six Months Ended	
		June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Undesignated derivatives:					
Gain (loss) on commodity contracts (nonqualifying)	Cost of goods sold	5,037	450	(4,439)	1,892

The following tables summarize amounts recognized in and reclassified from AOCI during the period:

<i>(In thousands)</i>	For the Quarter Ended June 27, 2020		
	(Loss) Gain Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)	Loss Reclassified from AOCI (Effective Portion), Net of Tax
Cash flow hedges:			
Commodity contracts	\$ (1,715)	Cost of goods sold	\$ 5,075
Other	37	Other	1
Total	<u>\$ (1,678)</u>	Total	<u>\$ 5,076</u>

<i>(In thousands)</i>	For the Quarter Ended June 29, 2019		
	(Loss) Gain Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)	Gain Reclassified from AOCI (Effective Portion), Net of Tax
Cash flow hedges:			
Commodity contracts	\$ (733)	Cost of goods sold	\$ (218)
Other	22	Other	—
Total	<u>\$ (711)</u>	Total	<u>\$ (218)</u>

Changes recognized in and reclassified from AOCI (continued):

<i>(In thousands)</i>	For the Six Months Ended June 27, 2020	
	(Loss) Gain Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)
Cash flow hedges:		Loss Reclassified from AOCI (Effective Portion), Net of Tax
Commodity contracts	\$ (5,421)	Cost of goods sold \$ 5,453
Other	8	Other 1
Total	\$ (5,413)	Total \$ 5,454

<i>(In thousands)</i>	For the Six Months Ended June 29, 2019	
	Gain Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)
Cash flow hedges:		Gain Reclassified from AOCI (Effective Portion), Net of Tax
Commodity contracts	\$ 619	Cost of goods sold \$ (297)
Other	6	Other —
Total	\$ 625	Total \$ (297)

The Company primarily enters into International Swaps and Derivatives Association master netting agreements with major financial institutions that permit the net settlement of amounts owed under their respective derivative contracts. Under these master netting agreements, net settlement generally permits the Company or the counterparty to determine the net amount payable for contracts due on the same date and in the same currency for similar types of derivative transactions. The master netting agreements generally also provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. The Company does not offset fair value amounts for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral. At June 27, 2020 and December 28, 2019, the Company had recorded restricted cash in other current assets of \$0.1 million and \$0.2 million, respectively, as collateral related to open derivative contracts under the master netting arrangements.

Long-Term Debt

The fair value of long-term debt at June 27, 2020 approximates the carrying value on that date. The estimated fair values were determined based on quoted market prices and the current rates offered for debt with similar terms and maturities. The fair value of long-term debt is classified as level 2 within the fair value hierarchy. This classification is defined as a fair value determined using market-based inputs other than quoted prices that are observable for the liability, either directly or indirectly.

Note 8 – Investments in Unconsolidated Affiliates

Tecumseh

The Company owns a 50 percent interest in an unconsolidated affiliate that acquired Tecumseh Products Company LLC (Tecumseh). The Company also owns a 50 percent interest in a second unconsolidated affiliate that provides financing to Tecumseh. These investments are recorded using the equity method of accounting, as the Company can exercise significant influence but does not own a majority equity interest or otherwise control the respective entities. Under the equity method of accounting, these investments are stated at initial cost and are adjusted for subsequent additional investments and the Company's proportionate share of earnings or losses and distributions.

The Company records its proportionate share of the investees' net income or loss, net of foreign taxes, one quarter in arrears as income (loss) from unconsolidated affiliates, net of foreign tax, in the Condensed Consolidated Statements of Income and its proportionate share of the investees' other comprehensive income (loss), net of income taxes, in the Condensed Consolidated Statements of Comprehensive Income and the Condensed Consolidated Statements of Changes in Equity. The U.S. tax effect of the Company's proportionate share of Tecumseh's income or loss is recorded in income tax expense in the Condensed Consolidated Statements of Income. In general, the equity investment in unconsolidated affiliates is equal to the current equity investment plus the investees' net accumulated losses.

The following tables present summarized financial information derived from the Company's equity method investees' combined consolidated financial statements, which are prepared in accordance with U.S. GAAP.

<i>(In thousands)</i>	June 27, 2020	December 28, 2019
Current assets	\$ 195,519	\$ 198,559
Noncurrent assets	80,724	87,218
Current liabilities	165,094	147,801
Noncurrent liabilities	46,754	51,219

<i>(In thousands)</i>	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net sales	\$ 103,550	\$ 120,062	\$ 210,548	\$ 233,389
Gross profit	11,022	15,327	24,508	23,333
Net loss	(17,282)	(10,512)	(29,967)	(39,719)

The Company's loss from unconsolidated affiliates, net of foreign tax, for the quarter and six months ended June 27, 2020 included net losses of \$8.6 million and \$15.0 million, respectively, for Tecumseh.

The Company's loss from unconsolidated affiliates, net of foreign tax, for the quarter and six months ended June 29, 2019 included net losses of \$5.3 million and \$19.9 million, respectively, for Tecumseh.

Mueller Middle East

On December 30, 2015, the Company entered into a joint venture agreement with Cayan Ventures and Bahrain Mumtalakat Holding Company to build a copper tube mill in Bahrain. The business operates and brands its products under the Mueller Industries family of brands. The Company has invested approximately \$5.0 million of cash to date and is the technical and marketing lead with a 40 percent ownership in the joint venture.

The Company's loss from unconsolidated affiliates, net of foreign tax, for the six months ended June 27, 2020 included net income of \$0.2 million for Mueller Middle East.

The Company's loss from unconsolidated affiliates, net of foreign tax, for the quarter and six months ended June 29, 2019 included net losses of \$0.6 million and \$1.4 million, respectively, for Mueller Middle East.

Note 9 – Benefit Plans

The Company sponsors several qualified and nonqualified pension plans and other postretirement benefit plans for certain of its employees. The components of net periodic benefit cost (income) are as follows:

(In thousands)	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Pension benefits:				
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	866	1,443	1,724	2,910
Expected return on plan assets	(1,495)	(2,077)	(2,990)	(4,153)
Amortization of net loss	528	440	988	970
Net periodic benefit income	<u>\$ (101)</u>	<u>\$ (194)</u>	<u>\$ (278)</u>	<u>\$ (273)</u>
Other benefits:				
Service cost	\$ 56	\$ 63	\$ 117	\$ 127
Interest cost	106	153	215	306
Amortization of prior service credit	(58)	(225)	(284)	(451)
Amortization of net gain	(47)	(13)	(100)	(21)
Curtailement gain	(2,591)	\$ —	(2,591)	\$ —
Net periodic benefit income	<u>\$ (2,534)</u>	<u>\$ (22)</u>	<u>\$ (2,643)</u>	<u>\$ (39)</u>

The components of net periodic benefit cost (income) other than the service cost component are included in other income, net in the Condensed Consolidated Statements of Income.

Note 10 – Commitments and Contingencies

The Company is involved in certain litigation as a result of claims that arose in the ordinary course of business, which management believes will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. The Company may also realize the benefit of certain legal claims and litigation in the future; these gain contingencies are not recognized in the Condensed Consolidated Financial Statements.

Environmental

Non-operating Properties

Southeast Kansas Sites

The Kansas Department of Health and Environment (KDHE) has contacted the Company regarding environmental contamination at three former smelter sites in Kansas (Altoona, East La Harpe, and Lanyon). The Company is not a successor to the companies that operated these smelter sites, but is exploring possible settlement with KDHE and other potentially responsible parties (PRP) in order to avoid litigation.

Altoona. Another PRP conducted a site investigation of the Altoona site under a consent decree with KDHE and submitted a removal site evaluation report recommending a remedy. The remedial design plan, which covers both on-site and certain off-site cleanup costs, was approved by the KDHE in 2016. Construction of the remedy was completed in 2018.

East La Harpe. At the East La Harpe site, the Company and two other PRPs conducted a site study evaluation under KDHE supervision and prepared a site cleanup plan approved by KDHE. In 2016, the corporate parent (Peabody Energy) of a third party that the Company understands may owe indemnification obligations to one of the other PRPs (Blue Tee) in connection with the East La Harpe site filed for protection under Chapter 11 of the U.S. Bankruptcy Code. KDHE has extended the deadline for the PRPs to develop a repository design plan to allow for wetlands permitting to take place. In December 2018,

KDHE provided a draft agreement which contemplates the use of funds KDHE obtained from two other parties (Peabody Energy and Blue Tee) to fund part of the remediation, and removes Blue Tee from the PRPs' agreement with KDHE. The Company is currently negotiating the terms of that draft agreement.

Lanyon. With respect to the Lanyon Site, in 2016, the Company received a general notice letter from the United States Environmental Protection Agency (EPA) asserting that the Company is a PRP, which the Company has denied. EPA issued an interim record of decision in 2017 and has been remediating properties at the site.

The Company's reserve for its proportionate share of the remediation costs associated with these three Southeast Kansas sites is \$5.6 million.

Shasta Area Mine Sites

Mining Remedial Recovery Company (MRRC), a wholly owned subsidiary, owns certain inactive mines in Shasta County, California. MRRC has continued a program, begun in the late 1980s, of implementing various remedial measures, including sealing mine portals with concrete plugs in portals that were discharging water. The sealing program achieved significant reductions in the metal load in discharges from these adits; however, additional reductions are required pursuant to an order issued by the California Regional Water Quality Control Board (QCB). In response to a 1996 QCB Order, MRRC completed a feasibility study in 1997 describing measures designed to mitigate the effects of acid rock drainage. In December 1998, the QCB modified the 1996 order extending MRRC's time to comply with water quality standards. In September 2002, the QCB adopted a new order requiring MRRC to adopt Best Management Practices (BMP) to control discharges of acid mine drainage, and again extended the time to comply with water quality standards until September 2007. During that time, implementation of BMP further reduced impacts of acid rock drainage; however, full compliance has not been achieved. The QCB is presently renewing MRRC's discharge permit and will concurrently issue a new order. It is expected that the new 10-year permit will include an order requiring continued implementation of BMP through 2030 to address residual discharges of acid rock drainage. The Company currently estimates that it will spend between approximately \$12.7 million and \$17.7 million for remediation at these sites over the next 30 years.

Lead Refinery Site

U.S.S. Lead Refinery, Inc. (Lead Refinery), a non-operating wholly owned subsidiary of MRRC, has conducted corrective action and interim remedial activities (collectively, Site Activities) at Lead Refinery's East Chicago, Indiana site pursuant to the Resource Conservation and Recovery Act since December 1996. Although the Site Activities have been substantially concluded, Lead Refinery is required to perform monitoring and maintenance-related activities pursuant to a post-closure permit issued by the Indiana Department of Environmental Management effective as of March 2, 2013. Approximate costs to comply with the post-closure permit, including associated general and administrative costs, are estimated at between \$1.8 million and \$2.3 million over the next 17 years.

On April 9, 2009, pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the U.S. Environmental Protection Agency (EPA) added the Lead Refinery site and surrounding properties to the National Priorities List (NPL). On July 17, 2009, Lead Refinery received a written notice from the EPA indicating that it may be a PRP under CERCLA due to the release or threat of release of hazardous substances including lead into properties surrounding the Lead Refinery NPL site. The EPA identified two other PRPs in connection with that matter. In November 2012, the EPA adopted a remedy for the surrounding properties and in September 2014, the EPA announced that it had entered into a settlement with the two other PRPs whereby they will pay approximately \$26.0 million to fund the cleanup of approximately 300 properties surrounding the Lead Refinery NPL site (zones 1 and 3 of operable unit 1) and perform certain remedial action tasks.

On November 8, 2016, the Company, its subsidiary Arava Natural Resources Company, Inc. (Arava), and Arava's subsidiary MRRC each received general notice letters from the EPA asserting that they may be PRPs in connection with the Lead Refinery NPL site. The Company, Arava, and MRRC have denied liability for any remedial action and response costs associated with the Lead Refinery NPL site. In June 2017, the EPA requested that Lead Refinery conduct, and the Company fund, a remedial investigation and feasibility study of operable unit 2 of the Lead Refinery NPL site pursuant to a proposed administrative settlement agreement and order on consent. The Company and Lead Refinery entered into that agreement in September 2017. The Company has made a capital contribution to Lead Refinery to conduct the remedial investigation and feasibility study with respect to operable unit 2 and has provided financial assurance in the amount of \$1.0 million. The EPA has also asserted its position that Mueller is a responsible party for the Lead Refinery NPL site, and accordingly is responsible for a share of remedial action and response costs at the site and in the adjacent residential area.

In January 2018, the EPA issued two unilateral administrative orders (UAOs) directing the Company, Lead Refinery, and four other PRPs to conduct soil and interior remediation of certain residences at the Lead Refinery NPL site (zones 2 and 3 of operable unit 1). The Company and Lead Refinery have reached agreement with the four other PRPs to implement these two UAOs, with the Company agreeing to pay, on an interim basis, (i) an estimated \$4.5 million (subject to potential change through a future reallocation process) of the approximately \$25.0 million the PRPs currently estimate it will cost to implement the UAOs, which estimate is subject to change, and (ii) \$2.0 million relating to past costs incurred by other PRPs for work conducted at the site, as well as the possibility of up to \$0.7 million in further payments for ongoing work by those PRPs, \$0.4 million of which has been incurred by those PRPs and paid for by the Company to date. As of June 27, 2020, the Company has made payments of approximately \$7.1 million related to the aforementioned agreement with the other PRPs. The Company disputes that it was properly named in the UAOs, and has reserved its rights to petition the EPA for reimbursement of any costs incurred to comply with the UAOs upon the completion of the work required therein. In October 2017, a group of private plaintiffs sued the Company, Arava, MRRC, and Lead Refinery, along with other defendants, in a private tort action relating to the site; the Company, Arava, and MRRC were voluntarily dismissed from that litigation without prejudice in March 2018. A second civil action asserting similar claims was filed against the Company, Arava, MRRC, and Lead Refinery in September 2018. At this juncture, the Company is unable to determine the likelihood of a material adverse outcome or the amount or range of a potential loss in excess of the current reserve with respect to any remedial action or litigation relating to the Lead Refinery NPL site, either at Lead Refinery's former operating site (operable unit 2) or the adjacent residential area (operable unit 1), including, but not limited to, EPA oversight costs for which EPA may attempt to seek reimbursement from the Company, and past costs for which other PRPs may attempt to seek contribution from the Company.

Bonita Peak Mining District

Following an August 2015 spill from the Gold King Mine into the Animas River near Silverton, Colorado, the EPA listed the Bonita Peak Mining District on the NPL. Said listing was finalized in September 2016. The Bonita Peak Mining District encompasses 48 mining sites within the Animas River watershed, including the Sunnyside Mine, the American Tunnel, and the Sunbank Group. On or about July 25, 2017, Washington Mining Company (Washington Mining) (a wholly-owned subsidiary of the Company's wholly-owned subsidiary, Arava), received a general notice letter from the EPA stating that Washington Mining may be a PRP under CERCLA in connection with the Bonita Peak Mining District site and therefore responsible for the remediation of certain portions of the site, along with related costs incurred by the EPA. Shortly thereafter, the Company received a substantively identical letter asserting that it may be a PRP at the site and similarly responsible for the cleanup of certain portions of the site. The general notice letters identify one other PRP at the site, and do not require specific action by Washington Mining or the Company at this time. At this juncture, the Company is unable to determine the likelihood of a materially adverse outcome or the amount or range of a potential loss with respect to any remedial action related to the Bonita Peak Mining District NPL site.

Operating Properties

Mueller Copper Tube Products, Inc.

In 1999, Mueller Copper Tube Products, Inc. (MCTP), a wholly owned subsidiary, commenced a cleanup and remediation of soil and groundwater at its Wynne, Arkansas plant to remove trichloroethylene, a cleaning solvent formerly used by MCTP. On August 30, 2000, MCTP received approval of its Final Comprehensive Investigation Report and Storm Water Drainage Investigation Report addressing the treatment of soils and groundwater from the Arkansas Department of Environmental Quality (ADEQ). The Company established a reserve for this project in connection with the acquisition of MCTP in 1998. Effective November 17, 2008, MCTP entered into a Settlement Agreement and Administrative Order by Consent to submit a Supplemental Investigation Work Plan (SIWP) and subsequent Final Remediation Work Plan (RWP) for the site. By letter dated January 20, 2010, ADEQ approved the SIWP as submitted, with changes acceptable to the Company. On December 16, 2011, MCTP entered into an amended Administrative Order by Consent to prepare and implement a revised RWP regarding final remediation for the Site. The remediation system was activated in February 2014. Costs to implement the work plans, including associated general and administrative costs, are estimated to approximate \$0.6 million to \$0.9 million over the next six years.

United States Department of Commerce Antidumping Review

On December 24, 2008, the Department of Commerce (DOC) initiated an antidumping administrative review of the antidumping duty order covering circular welded non-alloy steel pipe and tube from Mexico for the November 1, 2007 through October 31, 2008 period of review. The DOC selected Mueller Comercial as a respondent in the review. On April 19, 2010, the DOC published the final results of the review and assigned Mueller Comercial an antidumping duty rate of 48.33 percent. On May 25, 2010, the Company appealed the final results to the U.S. Court of International Trade (CIT). On December 16,

2011, the CIT issued a decision remanding the Department's final results. While the matter was still pending, the Company and the United States reached an agreement to settle the appeal. Subject to the conditions of the agreement, the Company anticipated that certain of its subsidiaries would incur antidumping duties on subject imports made during the period of review and, as such, established a reserve for this matter. After the lapse of the statutory period of time during which U.S. Customs and Border Protection (CBP) was required, but failed, to liquidate the entries at the settled rate, the Company released the reserve. Between October 30, 2015 and November 27, 2015, CBP sent a series of invoices to Southland Pipe Nipples Co., Inc. (Southland), requesting payment of approximately \$3.0 million in duties and interest in connection with 795 import entries made during the November 1, 2007 through October 31, 2008 period. On January 26, 2016 and January 27, 2016, Southland filed protests with CBP in connection with these invoices, noting that CBP's asserted claims were not made in accordance with applicable law, including statutory provisions governing deemed liquidation. The Company believes in the merits of the legal objections raised in Southland's protests, and CBP's response to Southland's protests is currently pending. Given the procedural posture and issues raised by this legal dispute, the Company cannot estimate the amount of potential duty liability, if any, that may result from CBP's asserted claims.

Equal Employment Opportunity Commission Matter

On October 5, 2016, the Company received a demand letter from the Los Angeles District Office of the United States Equal Employment Opportunity Commission (EEOC). The EEOC alleged that between May 2011 and April 2015, various Company employees were terminated in violation of the Americans with Disabilities Act (ADA), and that certain of the Company's employee leave and attendance policies were discriminatory in nature. Thereafter, the Company, in consultation with its liability insurers, entered into conciliation and mediation efforts with the EEOC for purposes of resolving the claims. At the conclusion of those efforts, the Company and the EEOC reached agreement on a consensual resolution of the EEOC's claims, which includes both monetary and equitable relief.

On June 28, 2018, the EEOC filed a complaint against the Company on behalf of a group of unidentified claimants in the United States District Court for the Central District of California alleging that the Company engaged in unlawful employment practices in violation of the ADA. On July 13, 2018, the District Court approved a Consent Decree between the Company and the EEOC to resolve the EEOC's claims. The Consent Decree, the term of which shall be two and a half years, provides that the Company shall pay up to \$1.0 million in monetary relief to fund individual claims for discrimination under the ADA as approved by the EEOC. That amount is fully within the limits of the Company's applicable insurance coverage. Pursuant to the Consent Decree, the Company shall also take a series of proactive measures to cultivate a work environment free from unlawful discrimination. Those measures include, among others, assistance with the identification of potential claimants, employee, supervisory and managerial training regarding employee rights under the ADA, revised practices and procedures concerning reasonable workplace accommodations as required by the ADA, and related reporting and recordkeeping.

Deepwater Horizon Economic and Property Damage Claim

On February 12, 2020, Mueller Copper Tube Company, a wholly owned subsidiary of the Company, collected approximately \$21.9 million related to its claim under the Deepwater Horizon Economic and Property Damage Settlement Program, which as previously reported by the Company, was originally approved in November 2018, subject to appeal. The collected amount represents settlement proceeds received after the payment of fees and expenses.

Guarantees

Guarantees, in the form of letters of credit, are issued by the Company generally to assure the payment of insurance deductibles, certain retiree health benefits, and debt at certain unconsolidated affiliates. The terms of the guarantees are generally one year but are renewable annually as required. These letters are primarily backed by the Company's revolving credit facility. The maximum payments that the Company could be required to make under its guarantees at June 27, 2020 were \$19.5 million.

Note 11 – Income Taxes

The Company's effective tax rate for the second quarter of 2020 was 26 percent compared with 23 percent for the same period last year. The primary item impacting the effective tax rate for the second quarter of 2020 was the provision for state income taxes, net of the federal benefit, of \$1.2 million, and other items totaling \$1.3 million.

The Company's effective tax rate for the second quarter of 2019 was 23 percent. The primary item impacting the effective tax rate for the second quarter of 2019 was the provision for state income taxes, net of the federal benefit, of \$1.2 million.

The Company's effective tax rate for the first half of 2020 was 26 percent compared with 23 percent for the same period last year. The difference between the Company's effective tax rate and the current U.S. statutory rate of 21 percent is primarily related to the provision for state income taxes, net of the federal benefit of \$3.3 million, and the effect of foreign tax rates different than statutory tax rates of \$1.5 million.

The Company's effective tax rate for the first half of 2019 was 23 percent. The difference between the Company's effective tax rate and the current U.S. statutory rate of 21 percent is primarily related to an increase in the transition tax calculation of \$1.5 million for the effects of the final regulations issued during the first quarter of 2019 and the provision for state income taxes, net of the federal benefit, of \$2.3 million. These increases were partially offset by the recognition of a \$2.6 million benefit related to an increased tax loss on the sale of a foreign subsidiary in a prior period.

The Company files a consolidated U.S. federal income tax return and numerous consolidated and separate-company income tax returns in many state, local, and foreign jurisdictions. The statute of limitations is open for the Company's federal tax return for 2015 and all subsequent years. The statutes of limitations for most state returns are open for 2016 and all subsequent years, and some state and foreign returns are also open for some earlier tax years due to differing statute periods. The Internal Revenue Service is currently auditing the Company's 2015 and 2017 federal consolidated returns. While the Company believes that it is adequately reserved for possible audit adjustments, the final resolution of these examinations cannot be determined with certainty and could result in final settlements that differ from current estimates.

Note 12 – Accumulated Other Comprehensive Income (Loss)

AOCI includes certain foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency, net deferred gains and losses on certain derivative instruments accounted for as cash flow hedges, adjustments to pension and OPEB liabilities, and other comprehensive income attributable to unconsolidated affiliates.

The following tables provide changes in AOCI by component, net of taxes and noncontrolling interests (amounts in parentheses indicate debits to AOCI):

<i>(In thousands)</i>	For the Six Months Ended June 27, 2020				
	Cumulative Translation Adjustment	Unrealized Gain (Loss) on Derivatives	Pension/OPEB Liability Adjustment	Attributable to Unconsol. Affiliates	Total
Balance as of December 28, 2019	\$ (46,198)	\$ 476	\$ (21,855)	\$ (1,193)	\$ (68,770)
Other comprehensive loss before reclassifications	(19,622)	(5,413)	(1,034)	(903)	(26,972)
Amounts reclassified from AOCI	—	5,454	489	—	5,943
Net current-period other comprehensive loss	(19,622)	41	(545)	(903)	(21,029)
Balance as of June 27, 2020	\$ (65,820)	\$ 517	\$ (22,400)	\$ (2,096)	\$ (89,799)

For the Six Months Ended June 29, 2019

<i>(In thousands)</i>	Cumulative Translation Adjustment	Unrealized (Loss) Gain on Derivatives	Pension/OPEB Liability Adjustment	Attributable to Unconsol. Affiliates	Total
Balance as of December 29, 2018	\$ (54,257)	\$ (214)	\$ (24,967)	\$ (354)	\$ (79,792)
Other comprehensive income before reclassifications	3,999	625	17	281	4,922
Amounts reclassified from AOCI	—	(297)	413	—	116
Net current-period other comprehensive income	3,999	328	430	281	5,038
Balance as of June 29, 2019	<u>\$ (50,258)</u>	<u>\$ 114</u>	<u>\$ (24,537)</u>	<u>\$ (73)</u>	<u>\$ (74,754)</u>

Reclassification adjustments out of AOCI were as follows:

<i>(In thousands)</i>	Amount reclassified from AOCI				Affected line item
	For the Quarter Ended		For the Six Months Ended		
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019	
Unrealized losses (gains) on derivative commodity contracts	\$ 6,361	\$ (274)	\$ 6,829	\$ (370)	Cost of goods sold
	(1,285)	56	(1,375)	73	Income tax (benefit) expense
	<u>\$ 5,076</u>	<u>\$ (218)</u>	<u>\$ 5,454</u>	<u>\$ (297)</u>	Net of tax and noncontrolling interests
Amortization of net loss and prior service cost on employee benefit plans	\$ 423	\$ 202	\$ 604	\$ 498	Other income, net
	(86)	(32)	(115)	(85)	Income tax benefit
	<u>\$ 337</u>	<u>\$ 170</u>	<u>\$ 489</u>	<u>\$ 413</u>	Net of tax and noncontrolling interests

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General Overview

We are a leading manufacturer of copper, brass, aluminum, and plastic products. The range of products we manufacture is broad: copper tube and fittings; line sets; brass and copper alloy rod, bar, and shapes; aluminum and brass forgings; aluminum impact extrusions; PEX plastic tube and fittings; refrigeration valves and fittings; compressed gas valves; fabricated tubular products; pressure vessels; steel nipples; and insulated flexible duct systems. We also resell brass and plastic plumbing valves, plastic fittings, malleable iron fittings, faucets, and plumbing specialty products. Our operations are located throughout the United States and in Canada, Mexico, Great Britain, South Korea, the Middle East, and China.

Each of our reportable segments is composed of certain operating segments that are aggregated primarily by the nature of products offered as follows:

- **Piping Systems:** The Piping Systems segment is composed of Domestic Piping Systems Group, Great Lakes Copper, Heatlink Group, Die-Mold, European Operations, Trading Group, and Jungwoo-Mueller (our South Korean joint venture). The Domestic Piping Systems Group manufactures copper tube, fittings, and line sets. These products are manufactured in the U.S., sold in the U.S., and exported to markets worldwide. Great Lakes Copper manufactures copper tube and line sets in Canada and sells the products primarily in the U.S. and Canada. Heatlink Group manufactures a complete line of products for PEX plumbing and radiant systems in Canada and sells these products in Canada and the U.S. Die-Mold manufactures PEX and other plumbing-related fittings and plastic injection tooling in Canada and sells these products in Canada and the U.S. European Operations manufacture copper tube in the United Kingdom, which is sold throughout Europe. The Trading Group manufactures pipe nipples and sources products for import distribution in North America. Jungwoo-Mueller manufactures copper-based joining products that are sold worldwide. The Piping Systems segment sells products to wholesalers in the plumbing and refrigeration markets, distributors to the manufactured housing and recreational vehicle industries, building material retailers, and air-conditioning original equipment manufacturers (OEMs).
- **Industrial Metals:** The Industrial Metals segment is composed of Brass Rod & Copper Bar Products, Impacts & Micro Gauge, and Brass Value-Added Products. The segment manufactures and sells brass and copper alloy rod, bar, and shapes; aluminum and brass forgings; aluminum impact extrusions; and gas valves and assemblies. The segment manufactures and sells its products primarily to domestic OEMs in the industrial, transportation, construction, heating, ventilation, and air-conditioning, plumbing, refrigeration, and energy markets.
- **Climate:** The Climate segment is composed of Refrigeration Products, Fabricated Tube Products, Westermeyer, Turbotec, ATCO, Linesets, Inc., and STI. The segment manufactures and sells refrigeration valves and fittings, fabricated tubular products, high pressure components, coaxial heat exchangers, and insulated HVAC flexible duct systems, line sets, brazed manifolds, headers, and distributor assemblies. The segment sells its products primarily to the heating, ventilation, air-conditioning, and refrigeration markets in the U.S.

New housing starts and commercial construction are important determinants of our sales to the heating, ventilation, and air-conditioning, refrigeration, and plumbing markets because the principal end use of a significant portion of our products is in the construction of single and multi-family housing and commercial buildings. Repairs and remodeling projects are also important drivers of underlying demand for these products. In addition, our products are used in various transportation, automotive, and industrial applications.

According to the U.S. Census Bureau, the June 2020 seasonally adjusted annual rate of new housing starts was 1.19 million, which was consistent with the June 2019 rate of 1.24 million. Mortgage rates remain at historically low levels, as the average 30-year fixed mortgage rate was 3.37 percent for the first half of 2020 and 3.94 percent for the twelve months ended December 2019. The private non-residential construction sector includes offices, industrial, health care, and retail projects. According to the U.S. Census Bureau, the seasonally adjusted annual value of private nonresidential construction put in place was \$465.3 billion in May 2020 compared to the May 2019 rate of \$481.4 billion.

Profitability of certain of our product lines depends upon the “spreads” between the cost of raw material and the selling prices of our products. The open market prices for copper cathode and copper and brass scrap, for example, influence the selling price of copper tube and brass rod, two principal products manufactured by the Company. We attempt to minimize the effects on profitability from fluctuations in material costs by passing through these costs to our customers. Our earnings and cash flow are dependent upon these spreads that fluctuate based upon market conditions.

Earnings and profitability are also impacted by unit volumes that are subject to market trends, such as substitute products, imports, technologies, and market share. In core product lines, we intensively manage our pricing structure while attempting to maximize profitability. From time-to-time, this practice results in lost sales opportunities and lower volume. For plumbing systems, plastics are the primary substitute product; these products represent an increasing share of consumption. For certain air-conditioning and refrigeration applications, aluminum-based systems are the primary substitution threat. We cannot predict the acceptance or the rate of switching that may occur. U.S. consumption of copper tube and brass rod is still predominantly supplied by U.S. manufacturers. In recent years, brass rod consumption in the U.S. has declined due to the outsourcing of many manufactured products to offshore regions.

Results of Operations

Consolidated Results

The following table compares summary operating results for the first half of 2020 and 2019:

<i>(In thousands)</i>	For the Quarter Ended		Percent Change	For the Six Months Ended		Percent Change
	June 27, 2020	June 29, 2019	2020 vs. 2019	June 27, 2020	June 29, 2019	2020 vs. 2019
Net sales	\$ 500,168	\$ 666,394	(24.9)%	\$ 1,103,087	\$ 1,278,175	(13.7)%
Operating income	52,296	51,522	1.5	111,607	100,702	10.8
Net income	27,956	27,986	(0.1)	60,371	43,709	38.1

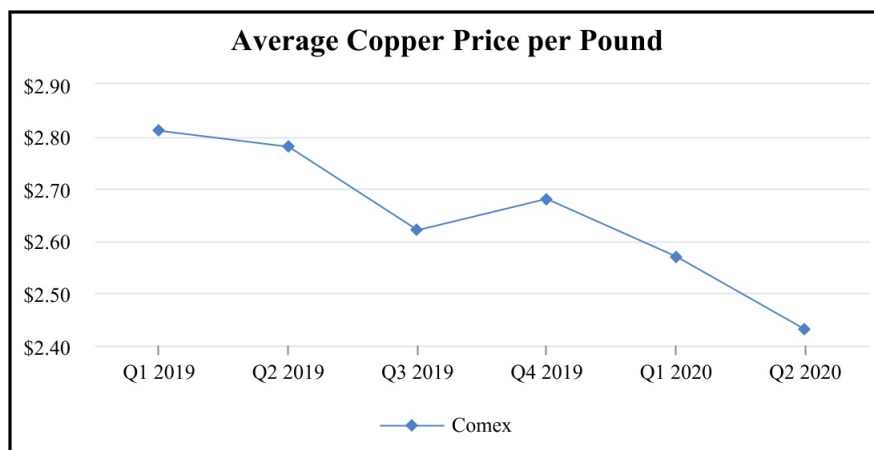
The following are components of changes in net sales compared to the prior year:

	Quarter-to-Date	Year-to-Date
Net selling price in core product lines	(4.3)%	(3.0)%
Unit sales volume in core product lines	(16.9)	(9.6)
Acquisitions	0.4	0.4
Other	(4.1)	(1.5)
	<u>(24.9)%</u>	<u>(13.7)%</u>

The decrease in net sales during the second quarter of 2020 was primarily due to (i) lower unit sales volume of \$112.7 million in our core product lines, primarily copper tube and brass rod, (ii) lower net selling prices of \$28.8 million in our core product lines, and (iii) a decrease in sales in our non-core product lines of \$22.4 million. These decreases were partially offset by sales of \$2.4 million recorded by Shoals Tubular, Inc. (STI), acquired in January 2020.

The decrease in net sales during the first half of 2020 was primarily due to (i) lower unit sales volume of \$122.8 million in our core product lines, (ii) lower net selling prices of \$38.2 million in our core product lines, and (iii) a decrease in sales in our non-core product lines of \$8.3 million. These decreases were partially offset by sales of \$5.7 million recorded by Shoals Tubular, Inc. (STI), acquired in January 2020.

Net selling prices generally fluctuate with changes in raw material costs. Changes in raw material costs are generally passed through to customers by adjustments to selling prices. The following graph shows the Comex average copper price per pound by quarter for the current and prior fiscal years:



The following tables compare cost of goods sold and operating expenses as dollar amounts and as a percent of net sales for the first half of 2020 and 2019:

<i>(In thousands)</i>	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of goods sold	\$ 403,159	\$ 563,948	\$ 911,874	\$ 1,075,341
Depreciation and amortization	11,097	10,478	22,136	21,033
Selling, general, and administrative expense	33,616	40,446	76,368	81,099
Asset impairments	—	—	3,035	—
Litigation settlement, net	—	—	(21,933)	—
Operating expenses	\$ 447,872	\$ 614,872	\$ 991,480	\$ 1,177,473

	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of goods sold	80.6 %	84.6 %	82.7 %	84.1 %
Depreciation and amortization	2.2	1.6	2.0	1.6
Selling, general, and administrative expense	6.7	6.1	6.9	6.4
Asset impairments	—	—	0.3	—
Litigation settlement, net	—	—	(2.0)	—
Operating expenses	89.5 %	92.3 %	89.9 %	92.1 %

Q2 2020 compared to Q2 2019

Cost of goods sold decreased in the second quarter of 2020 primarily due to the factors noted above regarding the change in net sales. Gross margin as a percentage of sales was 19.4 percent compared with 15.4 percent in the prior year quarter. This improvement was primarily the result of an increased mix of sales from higher margin businesses, lower costs, and gains recognized on open copper contracts. Depreciation and amortization increased slightly in the second quarter of 2020 primarily as a result of (i) depreciation of property, plant, and equipment placed into service in the prior year and (ii) depreciation and amortization of the long-lived assets of businesses acquired. Selling, general, and administrative expense decreased in the second quarter of 2020 primarily as a result of (i) a decrease in employment costs of \$4.4 million, (ii) a reduction of \$1.7 million in fees received for services provided under certain third-party sales and distribution arrangements, (iii) a decrease in travel and entertainment expense of \$1.3 million, and (iv) a decrease in supplies and utilities of \$0.9 million. These decreases were partially offset by (i) an increase in bad debt expense of \$0.8 million and (ii) expenses associated with STI of \$0.6 million.

Interest expense decreased for the second quarter of 2020 primarily as a result of decreased borrowing costs associated with our unsecured \$350.0 million revolving credit facility. For the second quarter of 2020, we had other income, net of \$2.8 million compared to other income, net of \$0.5 million in the second quarter of 2019. This was primarily due to a curtailment gain related to our benefit plans in the second quarter of 2020.

Our effective tax rate for the second quarter of 2020 was 26 percent compared with 23 percent for the same period last year. The items impacting the effective tax rate are primarily related to the provision for state income taxes, net of the federal benefit, of \$1.2 million, and other items of \$1.3 million.

For the second quarter of 2019, the difference between the effective tax rate and the amount computed using the U.S. federal statutory rate was primarily attributable to the provision for state income taxes, net of the federal benefit, of \$1.2 million.

During the second quarter of 2020 and the second quarter of 2019, we recognized losses of \$8.6 million and \$5.8 million, respectively, on our investments in unconsolidated affiliates.

YTD 2020 compared to YTD 2019

Cost of goods sold decreased in the first half of 2020 primarily due to the factors noted above regarding the change in net sales. Depreciation and amortization increased slightly in the first half of 2020 primarily as a result of (i) depreciation of property, plant, and equipment placed into service in the prior year and (ii) depreciation and amortization of the long-lived assets of businesses acquired. Selling, general, and administrative expense decreased in the first half of 2020 primarily as a result of (i) a decrease in employment costs of \$5.0 million, (ii) a reduction in supplies and utilities of \$1.6 million, and (iii) a decrease in travel and entertainment expense of \$1.4 million. These decreases were offset by (i) an increase in bad debt expense of \$2.0 million and (ii) expenses associated with STI of \$1.1 million. In addition, during the first half of 2020 we recognized a gain of \$21.9 million for the settlement of our claim under the Deepwater Horizon Economic and Property Damage Settlement Program and asset impairment charges of \$3.0 million related to production equipment that was idled during the first half of 2020.

Interest expense decreased for the first half of 2020 primarily as a result of decreased borrowing costs associated with our unsecured \$350.0 million revolving credit facility. For the first half of 2020, we had other income, net of \$3.1 million compared to other income, net of \$0.3 million in the first half of 2019. This was primarily due to a curtailment gain related to our benefit plans in the first half of 2020.

Our effective tax rate for the first half of 2020 was 26 percent compared with 23 percent for the same period last year. The items impacting the effective tax rate are primarily related to the provision for state income taxes, net of the federal benefit, of \$3.3 million, and the effect of foreign tax rates different than statutory tax rates of \$1.5 million.

For the first half of 2019, the difference between the effective tax rate and the amount computed using the U.S. federal statutory rate was primarily attributable to an increase in the transition tax calculation of \$1.5 million for the effects of final regulations issued during the first half of 2019 and the provision for state income taxes, net of the federal benefit, of \$2.3 million. These increases were partially offset by the recognition of a \$2.6 million benefit related to an increased tax loss on the sale of a foreign subsidiary in a prior period.

During the first half of 2020 and the first half of 2019, we recognized losses of \$14.8 million and \$21.2 million, respectively, on our investments in unconsolidated affiliates.

Piping Systems Segment

The following table compares summary operating results for the first half of 2020 and 2019 for the businesses comprising our Piping Systems segment:

<i>(In thousands)</i>	For the Quarter Ended		Percent Change 2020 vs. 2019	For the Six Months Ended		Percent Change 2020 vs. 2019
	June 27, 2020	June 29, 2019		June 27, 2020	June 29, 2019	
Net sales	\$ 334,040	\$ 425,865	(21.6)%	\$ 719,053	\$ 802,357	(10.4)%
Operating income	41,074	35,896	14.4	77,750	64,145	21.2

The following are components of changes in net sales compared to the prior year:

	Quarter-to-Date	Year-to-Date
Net selling price in core product lines	(4.8)%	(3.4)%
Unit sales volume in core product lines	(14.7)	(6.9)
Other	(2.1)	(0.1)
	<u>(21.6)%</u>	<u>(10.4)%</u>

The decrease in net sales during the second quarter of 2020 was primarily attributable to (i) lower unit sales volume of \$62.3 million in the segment's core product lines, primarily copper tube, (ii) lower net selling prices in the segment's core product lines of \$20.5 million, and (iii) a decrease in sales in the segment's non-core product lines of \$12.5 million.

Net sales during the first half of 2020 decreased primarily as a result of (i) lower unit sales volume of \$55.2 million in the segment's core product lines and (ii) lower net selling prices in the segment's core product lines of \$26.9 million.

The following tables compare cost of goods sold and operating expenses as dollar amounts and as a percent of net sales for the first half of 2020 and 2019:

<i>(In thousands)</i>	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of goods sold	\$ 272,271	\$ 364,332	\$ 591,435	\$ 689,128
Depreciation and amortization	5,456	5,652	11,155	11,202
Selling, general, and administrative expense	15,239	19,985	35,678	37,882
Asset impairments	—	—	3,035	—
Operating expenses	<u>\$ 292,966</u>	<u>\$ 389,969</u>	<u>\$ 641,303</u>	<u>\$ 738,212</u>

	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of goods sold	81.5 %	85.6 %	82.3 %	85.9 %
Depreciation and amortization	1.6	1.3	1.6	1.4
Selling, general, and administrative expense	4.6	4.7	5.0	4.7
Asset impairments	—	—	0.3	—
Operating expenses	<u>87.7 %</u>	<u>91.6 %</u>	<u>89.2 %</u>	<u>92.0 %</u>

The decrease in cost of goods sold during the second quarter of 2020 was primarily due to the decrease in sales volume in the segment and the decrease in the average cost of copper, our principal raw material. Depreciation and amortization was consistent with the second quarter of 2019. Selling, general, and administrative expense decreased for the second quarter of 2020 primarily as a result of (i) a reduction of \$1.7 million in fees received for services provided under certain third-party sales and distribution arrangements, (ii) a decrease in employment costs of \$1.4 million, (iii) a decrease in travel and entertainment expense of \$0.8 million, and (iv) a decrease in marketing expenses of \$0.7 million.

The decrease in cost of goods sold during the first half of 2020 was primarily due to the factors noted above regarding the change in net sales. Depreciation and amortization was consistent with the first half of 2019. Selling, general, and administrative expense decreased for the first half of 2020 primarily as a result of (i) a reduction in employment costs of \$1.2 million, (ii) a decrease in travel and entertainment expense of \$0.9 million, (iii) a decrease in marketing expenses of \$0.8 million, and (iv) a decrease in supplies and utilities of \$0.4 million. These decreases were partially offset by higher foreign currency transaction losses of \$0.9 million. In addition, during the first half of 2020 the segment recognized asset impairment charges of \$3.0 million related to production equipment that was idled during the period.

Industrial Metals Segment

The following table compares summary operating results for the first half of 2020 and 2019 for the businesses comprising our Industrial Metals segment:

<i>(In thousands)</i>	For the Quarter Ended		Percent Change 2020 vs. 2019	For the Six Months Ended		Percent Change 2020 vs. 2019
	June 27, 2020	June 29, 2019		June 27, 2020	June 29, 2019	
Net sales	\$ 88,619	\$ 147,719	(40.0)%	\$ 219,821	\$ 298,594	(26.4)%
Operating income	8,873	14,911	(40.5)	20,055	34,098	(41.2)

The following are components of changes in net sales compared to the prior year:

	Quarter-to-Date	Year-to-Date
Net selling price in core product lines	(5.7)%	(3.8)%
Unit sales volume in core product lines	(34.6)	(23.0)
Other	0.3	0.4
	<u>(40.0)%</u>	<u>(26.4)%</u>

The decrease in net sales during the second quarter of 2020 was primarily due to (i) lower unit sales volume of \$50.4 million and (ii) lower net selling prices of \$8.3 million in the segment's core product lines, primarily brass rod.

The decrease in net sales during the first half of 2020 was primarily due to (i) lower unit sales volume of \$67.6 million and (ii) lower net selling prices of \$11.3 million in the segment's core product lines, primarily brass rod.

The following tables compare cost of goods sold and operating expenses as dollar amounts and as a percent of net sales for the first half of 2020 and 2019:

<i>(In thousands)</i>	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of goods sold	\$ 75,274	\$ 127,950	\$ 190,071	\$ 254,649
Depreciation and amortization	1,995	1,838	3,997	3,682
Selling, general, and administrative expense	2,477	3,020	5,698	6,165
Operating expenses	<u>\$ 79,746</u>	<u>\$ 132,808</u>	<u>\$ 199,766</u>	<u>\$ 264,496</u>

	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of goods sold	84.9 %	86.6 %	86.5 %	85.3 %
Depreciation and amortization	2.3	1.2	1.8	1.2
Selling, general, and administrative expense	2.8	2.1	2.6	2.1
Operating expenses	90.0 %	89.9 %	90.9 %	88.6 %

The decrease in cost of goods sold during the second quarter of 2020 was primarily due to the decrease in sales volume and the decrease in the average cost of copper in the segment's core product lines. Depreciation and amortization was consistent with the second quarter of 2019. Selling, general, and administrative expense decreased for the second quarter of 2020 primarily as a result of (i) a decrease in employment costs of \$0.2 million, (ii) a reduction in travel and entertainment expense of \$0.1 million, (iii) a decrease in marketing expense of \$0.1 million, and (iv) a decrease in professional fees of \$0.1 million.

The decrease in cost of goods sold during the first half of 2020 was primarily due to the factors noted above regarding the change in net sales. Depreciation and amortization was consistent with the first half of 2019. Selling, general, and administrative expense decreased for the first half of 2020 primarily as a result of (i) a decrease in employment costs of \$0.2 million, (ii) a reduction in travel and entertainment expense of \$0.1 million, (iii) a decrease in marketing expense of \$0.1 million, and (iv) a decrease in professional fees of \$0.1 million.

Climate Segment

The following table compares summary operating results for the first half of 2020 and 2019 for the businesses comprising our Climate segment:

<i>(In thousands)</i>	For the Quarter Ended		Percent Change 2020 vs. 2019	For the Six Months Ended		Percent Change 2020 vs. 2019
	June 27, 2020	June 29, 2019		June 27, 2020	June 29, 2019	
Net sales	\$ 86,107	\$ 96,081	(10.4)%	\$ 179,379	\$ 185,915	(3.5)%
Operating income	12,353	13,035	(5.2)	25,367	25,421	(0.2)

Sales for the second quarter of 2020 decreased primarily as a result of a decrease in volume and price in certain product lines, offset by sales of \$2.4 million recorded by STI.

Sales for the first half of 2020 decreased primarily as a result of a decrease in volume and price in certain product lines, offset by sales of \$5.7 million recorded by STI.

The following tables compare cost of goods sold and operating expenses as dollar amounts and as a percent of net sales for the first half of 2020 and 2019:

<i>(In thousands)</i>	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of goods sold	\$ 64,540	\$ 74,849	\$ 135,633	\$ 141,678
Depreciation and amortization	2,757	2,128	5,223	4,441
Selling, general and administrative expense	6,457	6,069	13,156	14,375
Operating expenses	\$ 73,754	\$ 83,046	\$ 154,012	\$ 160,494

	For the Quarter Ended		For the Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of goods sold	75.0 %	77.9 %	75.6 %	76.2 %
Depreciation and amortization	3.2	2.2	2.9	2.4
Selling, general and administrative expense	7.5	6.3	7.3	7.7
Operating expenses	85.7 %	86.4 %	85.9 %	86.3 %

Cost of goods sold decreased during the second quarter of 2020 primarily due to factors noted above regarding the change in net sales. Depreciation and amortization increased during the second quarter of 2020 primarily as a result of depreciation and amortization of the long-lived assets of businesses acquired. Selling, general, and administrative expenses for the second quarter of 2020 increased as a result of expenses associated with STI of \$0.6 million.

Cost of goods sold decreased during the first half of 2020 primarily due to factors noted above regarding the change in net sales. Depreciation and amortization increased during the first half of 2020 primarily as a result of depreciation and amortization of the long-lived assets of businesses acquired. Selling, general, and administrative expenses decreased for the first half of 2020 as a result of lower employment costs of \$2.5 million, partially offset by expenses associated with STI of \$1.1 million.

Liquidity and Capital Resources

The following table presents selected financial information for the first half of 2020 and 2019:

(In thousands)

	2020	2019
Increase (decrease) in:		
Cash, cash equivalents, and restricted cash	\$ 26,470	\$ 16,934
Property, plant, and equipment, net	(343)	(5,608)
Total debt	(56,597)	(14,531)
Working capital, net of cash and current debt	(44,711)	(14,899)
Net cash provided by operating activities	142,782	63,983
Net cash used in investing activities	(37,629)	(19,718)
Net cash used in financing activities	(72,523)	(27,449)

Cash Flows from Operating Activities

During the six months ended June 27, 2020, net cash provided by operating activities was primarily attributable to (i) consolidated net income of \$62.4 million, (ii) a decrease in inventories of \$43.3 million, (iii) depreciation and amortization of \$22.3 million, (iv) losses from unconsolidated affiliates of \$14.8 million, (v) a decrease in other assets of \$4.0 million, and (vi) asset impairment charges of \$3.0 million. These increases were partially offset by (i) an increase in accounts receivable of \$11.2 million and (ii) a decrease in other liabilities of \$5.4 million.

During the six months ended June 29, 2019, net cash provided by operating activities was primarily attributable to (i) consolidated net income of \$45.8 million, (ii) depreciation and amortization of \$21.2 million, (iii) losses from unconsolidated affiliates of \$21.2 million, and (iv) a decrease in inventories of \$30.1 million. These increases were partially offset by (i) an increase in accounts receivable of \$42.0 million and (ii) a decrease in current liabilities of \$9.7 million.

Cash Flows from Investing Activities

The major components of net cash used in investing activities during the six months ended June 27, 2020 included (i) capital expenditures of \$22.2 million and (ii) \$15.4 million for the purchase of STI, net of cash acquired.

The major components of net cash used in investing activities during the six months ended June 29, 2019 included (i) capital expenditures of \$13.0 million and (ii) investments in our unconsolidated affiliates related to Tecumseh of \$10.5 million. These

uses of cash were offset by the \$3.5 million working capital settlement received from the previous owners for the ATCO acquisition.

Cash Flows from Financing Activities

For the six months ended June 27, 2020, net cash used in financing activities consisted primarily of (i) \$165.0 million used to reduce the debt outstanding under our Credit Agreement, (ii) \$11.2 million used for the payment of regular quarterly dividends to stockholders of the Company, and (iii) \$5.6 million used to repurchase common stock. These uses were partially offset by the issuance of debt under our Credit Agreement of \$110.0 million.

For the six months ended June 29, 2019, net cash used in financing activities consisted primarily of (i) \$110.0 million used to reduce the debt outstanding under our Credit Agreement, (ii) \$11.2 million used for the payment of regular quarterly dividends to stockholders of the Company, (iii) \$4.1 million used for repayment of debt by Jungwoo-Mueller, and (iv) \$1.8 million used to repurchase common stock. These uses were offset by the issuance of debt under our Credit Agreement of \$100.0 million.

Liquidity and Outlook

The Company's second quarter sales were significantly impacted by the COVID-19 pandemic. However, our focus on reducing costs, minimizing capital expenditures, and managing working capital mitigated the impact on liquidity. Due to the inherent uncertainty of this evolving situation, we are unable at this time to predict the likely impact of the COVID-19 pandemic on our future operations. However, we believe that cash provided by operations, funds available under the Credit Agreement, and cash on hand will be adequate to meet our liquidity needs, including working capital, capital expenditures, and debt payment obligations.

As of June 27, 2020 we had \$123.6 million of cash on hand and \$295.5 million available to be drawn under the Credit Agreement. Our current ratio was 2.9 to 1.

We have significant environmental remediation obligations which we expect to pay over future years. Cash used for environmental remediation activities was approximately \$0.6 million during the first half of 2020. We expect to spend approximately \$0.7 million for the remainder of 2020 for ongoing environmental remediation activities.

The Company declared a quarterly cash dividend of 10.0 cents per common share during the first and second quarters of 2020 and 2019. The first and second quarter 2020 dividends were paid in the second quarter of 2020, the first quarter 2019 dividend was paid in the first quarter of 2019, and the second quarter 2019 dividend was paid in the second quarter of 2019. Payment of dividends in the future is dependent upon our financial condition, cash flows, capital requirements, earnings, and other factors.

Long-Term Debt

As of June 27, 2020, the Company's total debt was \$329.7 million or 32.3 percent of its total capitalization.

The Debentures distributed as part of our special dividend are subordinated to all other funded debt of the Company and are callable, in whole or in part, at any time at the option of the Company, subject to declining call premiums during the first five years. The Debentures also grant each holder the right to require the Company to repurchase such holder's Debentures in the event of a change in control at declining repurchase premiums during the first five years. Interest is payable semiannually on September 1 and March 1. Total Debentures outstanding as of June 27, 2020 were \$284.5 million.

The Company's Credit Agreement provides for an unsecured \$350.0 million revolving credit facility which matures on December 6, 2021. Total borrowings under the Credit Agreement were \$35.0 million as of June 27, 2020. The Credit Agreement backed approximately \$19.5 million in letters of credit at the end of the second quarter of 2020.

Covenants contained in the Company's financing obligations require, among other things, the maintenance of minimum levels of tangible net worth and the satisfaction of certain minimum financial ratios. As of June 27, 2020, the Company was in compliance with all of its debt covenants.

Share Repurchase Program

The Board of Directors has extended, until August 2020, the authorization to repurchase up to 20 million shares of the Company's common stock through open market transactions or through privately negotiated transactions. We may cancel, suspend, or extend the time period for the repurchase of shares at any time. Any repurchases will be funded primarily through existing cash and cash from operations. We may hold any shares repurchased in treasury or use a portion of the repurchased shares for our stock-based compensation plans, as well as for other corporate purposes. From its initial authorization in 1999 through June 27, 2020, the Company has repurchased approximately 6.4 million shares under this authorization.

Contractual Cash Obligations

There have been no significant changes in our contractual cash obligations reported at December 28, 2019.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in raw material and energy costs, interest rates, and foreign currency exchange rates. To reduce such risks, we may periodically use financial instruments. Hedging transactions are authorized and executed pursuant to policies and procedures. Further, we do not buy or sell financial instruments for trading purposes.

Cost and Availability of Raw Materials and Energy

Raw materials, primarily copper and brass, represent the largest component of the Company's variable costs of production. The cost of these materials is subject to global market fluctuations caused by factors beyond our control. Significant increases in the cost of metal, to the extent not reflected in prices for our finished products, or the lack of availability could materially and adversely affect our business, results of operations, and financial condition.

The Company occasionally enters into future fixed-price arrangements with certain customers. We may utilize futures contracts to hedge risks associated with these forward fixed-price arrangements. We may also utilize futures contracts to manage price risk associated with inventory. Depending on the nature of the hedge, changes in the fair value of the futures contracts will either be offset against the change in fair value of the inventory through earnings or recognized as a component of accumulated other comprehensive income (AOCI) in equity and reflected in earnings upon the sale of inventory. Periodic value fluctuations of the contracts generally offset the value fluctuations of the underlying fixed-price transactions or inventory. At June 27, 2020, we held open futures contracts to purchase approximately \$25.4 million of copper over the next 15 months related to fixed-price sales orders and to sell approximately \$0.6 million of copper over the next nine months related to copper inventory.

We may enter into futures contracts or forward fixed-price arrangements with certain vendors to manage price risk associated with natural gas purchases. The effective portion of gains and losses with respect to these positions are deferred in equity as a component of AOCI and reflected in earnings upon consumption of natural gas. Periodic value fluctuations of the futures contracts generally offset the value fluctuations of the underlying natural gas prices. As of June 27, 2020, we held no open futures contracts to purchase natural gas.

Interest Rates

At June 27, 2020, we had variable-rate debt outstanding of \$37.9 million. At this borrowing level, a hypothetical 10 percent increase in interest rates would have had an insignificant unfavorable impact on our pretax earnings and cash flows. The primary interest rate exposure on variable-rate debt is based on LIBOR.

Foreign Currency Exchange Rates

Foreign currency exposures arising from transactions include firm commitments and anticipated transactions denominated in a currency other than an entity's functional currency. The Company and its subsidiaries generally enter into transactions denominated in their respective functional currencies. We may utilize certain futures or forward contracts with financial institutions to hedge foreign currency transactional exposures. Gains and losses with respect to these positions are deferred in equity as a component of AOCI and reflected in earnings upon collection of receivables or payment of commitments. At June 27, 2020, we had open forward contracts with a financial institution to sell approximately 17.9 million Swedish kronor and 6.8 million Norwegian kroner through October 2020.

The Company's primary foreign currency exposure arises from foreign-denominated revenues and profits and their translation into U.S. dollars. The primary currencies to which we are exposed include the Canadian dollar, the British pound sterling, the

Mexican peso, and the South Korean won. The Company generally views its investments in foreign subsidiaries with a functional currency other than the U.S. dollar as long-term. As a result, we generally do not hedge these net investments.

Cautionary Statement Regarding Forward Looking Information

This Quarterly Report contains various forward-looking statements and includes assumptions concerning the Company's operations, future results, and prospects. These forward-looking statements are based on current expectations and are subject to risk and uncertainties, and may be influenced by factors that could cause actual outcomes and results to be materially different from those predicted. The forward-looking statements reflect knowledge and information available as of the date of preparation of the Quarterly Report, and the Company undertakes no obligation to update these forward-looking statements. We identify the forward-looking statements by using the words "anticipates," "believes," "expects," "intends" or similar expressions in such statements.

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary statement identifying important economic, political, and technological factors, among others, which could cause actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions. In addition to those factors discussed under "Risk Factors" in the Annual Report on Form 10-K for the year ended December 28, 2019, such factors include: (i) the current and projected future business environment, including interest rates capital and consumer spending, and the impact of the COVID-19 pandemic; (ii) the domestic housing and commercial construction industry environment; (iii) availability and price fluctuations in commodities (including copper, natural gas, and other raw materials, including crude oil that indirectly affects plastic resins); (iv) competitive factors and competitor responses to the Company's initiatives; (v) stability of government laws and regulations, including taxes; (vi) availability of financing; and (vii) continuation of the environment to make acquisitions, domestic and foreign, including regulatory requirements and market values of candidates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure information required to be disclosed in Company reports filed under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e) of the Exchange Act as of June 27, 2020. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of June 27, 2020 to ensure that information required to be disclosed in Company reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the Company's fiscal quarter ending June 27, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

General

The Company is involved in certain litigation as a result of claims that arose in the ordinary course of business. Additionally, the Company may realize the benefit of certain legal claims and litigation in the future; these gain contingencies are not

recognized in the Condensed Consolidated Financial Statements. For a description of material pending legal proceedings, see “[Note 10 - Commitments and Contingencies](#)” in the Notes to the Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors

The Company is exposed to risk as it operates its businesses. To provide a framework to understand the operating environment of the Company, we have provided a brief explanation of the more significant risks associated with our businesses in our 2019 Annual Report on Form 10-K. Other than the change noted below, there have been no material changes in risk factors that were previously disclosed in our 2019 Annual Report on Form 10-K. Additionally, the operating results of the Company’s unconsolidated affiliates may be adversely affected by unfavorable economic and market conditions.

The novel coronavirus (COVID-19) and other possible pandemics and similar outbreaks, could result in material adverse effects on our business, financial position, results of operations and cash flows.

The novel coronavirus (COVID-19) pandemic, and the various governmental, industry and consumer actions related thereto, are having and could continue to have negative impacts on our business and have created or could create conditions in our other risk factors noted above. These impacts include, without limitation, potential significant volatility or decreases in the demand for our products, changes in customer and consumer behavior and preferences, disruptions in or closures of our manufacturing operations or those of our customers and suppliers, disruptions within our supply chain, limitations on our employees’ ability to work and travel, potential financial difficulties of customers and suppliers, significant changes in economic or political conditions, and related financial and commodity volatility, including volatility in raw material and other input costs.

It is uncertain what the impact of various legislation and other responses being taken in the U.S. and other countries will have on the economy, international trade, our industries, our businesses and the businesses of our customers and suppliers.

Despite our efforts to manage the impacts, the degree to which COVID-19 and related actions ultimately impact our business, financial position, results of operations and cash flows will depend on factors beyond our control including the duration, spread and severity of the outbreak, the actions taken to contain COVID-19 and mitigate its public health effects, the impact on the U.S. and global economies and demand for our products, and how quickly and to what extent normal economic and operating conditions resume.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The Company's Board of Directors has extended, until August 2020, the authorization to repurchase up to 20 million shares of the Company's common stock through open market transactions or through privately negotiated transactions. The Company may cancel, suspend, or extend the time period for the repurchase of shares at any time. Any repurchases will be funded primarily through existing cash and cash from operations. The Company may hold any shares repurchased in treasury or use a portion of the repurchased shares for its stock-based compensation plans, as well as for other corporate purposes. From its initial authorization in 1999 through June 27, 2020, the Company had repurchased approximately 6.4 million shares under this authorization. Below is a summary of the Company's stock repurchases for the period ended June 27, 2020.

	(a) Total Number of Shares Purchased ⁽¹⁾	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs ⁽²⁾
March 29, 2020 - April 25, 2020	—	\$ —	—	13,575,070
April 26, 2020 - May 23, 2020	1,462	\$ 25.09	—	13,575,070
May 24, 2020 - June 27, 2020	300	\$ 20.27	—	13,575,070
Total	1,762		—	

⁽¹⁾ Includes shares tendered to the Company by holders of stock-based awards in payment of the purchase price and/or withholding taxes upon exercise and/or vesting. Also includes shares resulting from restricted stock forfeitures at the average cost of treasury stock.

⁽²⁾ Shares available to be purchased under the Company's 20 million share repurchase authorization until August 2020. The extension of the authorization was announced on October 23, 2019.

Item 6. Exhibits

- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act of 1934, as amended.](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act of 1934, as amended.](#)
- 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase
- 101.INS Inline XBRL Instance Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase
- 101.PRE Inline XBRL Presentation Linkbase Document
- 101.SCH Inline XBRL Taxonomy Extension Schema
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document and included in exhibit 101)

Items 3, 4, and 5 are not applicable and have been omitted.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MUELLER INDUSTRIES, INC.

/s/ Jeffrey A. Martin

Jeffrey A. Martin

Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)

July 22, 2020

Date

/s/ Anthony J. Steinriede

Anthony J. Steinriede

Vice President – Corporate Controller

July 22, 2020

Date

CERTIFICATION

I, Gregory L. Christopher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mueller Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2020

/s/ Gregory L. Christopher
Gregory L. Christopher
Chief Executive Officer

CERTIFICATION

I, Jeffrey A. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mueller Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2020

/s/ Jeffrey A. Martin
Jeffrey A. Martin
Chief Financial Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Mueller Industries, Inc. (the "Company") on Form 10-Q for the period ending June 27, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory L. Christopher, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GREGORY L. CHRISTOPHER

Gregory L. Christopher

Chief Executive Officer

July 22, 2020

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Mueller Industries, Inc. (the "Company") on Form 10-Q for the period ending June 27, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey A. Martin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JEFFREY A. MARTIN

Jeffrey A. Martin
Chief Financial Officer
July 22, 2020