

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 report ended September 24, 2022  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
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**

**38017**  
(Zip Code)

**(901) 753-3200**  
(Registrant's telephone number, including area 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 October 14, 2022 was 56,864,688.

MUELLER INDUSTRIES, INC.

FORM 10-Q

For the Quarterly Period Ended September 24, 2022

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.

INDEX

Page Number

Part I. Financial Information

Item 1. – Financial Statements (Unaudited)

<u>a.) Condensed Consolidated Statements of Income</u>	<u>3</u>
<u>b.) Condensed Consolidated Statements of Comprehensive Income</u>	<u>4</u>
<u>c.) Condensed Consolidated Balance Sheets</u>	<u>5</u>
<u>d.) Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>e.) Condensed Consolidated Statements of Changes in Equity</u>	<u>8</u>
<u>f.) Notes to Condensed Consolidated Financial Statements</u>	<u>10</u>

<u>Item 2. – Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
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<u>Item 3. – Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
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<u>Item 4. – Controls and Procedures</u>	<u>38</u>
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Part II. Other Information

<u>Item 1. – Legal Proceedings</u>	<u>38</u>
------------------------------------	-----------

<u>Item 1A – Risk Factors</u>	<u>38</u>
-------------------------------	-----------

<u>Item 2. – Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
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<u>Item 6. – Exhibits</u>	<u>40</u>
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<u>Signatures</u>	<u>41</u>
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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 Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Net sales	\$ 944,830	\$ 982,248	\$ 3,104,874	\$ 2,812,988
Cost of goods sold	678,637	744,265	2,244,062	2,212,395
Depreciation and amortization	10,850	10,868	32,993	33,757
Selling, general, and administrative expense	50,178	48,524	146,590	137,891
Gain on sale of assets	—	—	(5,507)	—
Gain on sale of businesses	—	(54,759)	—	(54,759)
Operating income	205,165	233,350	686,736	483,704
Interest expense	(361)	(1,116)	(666)	(7,451)
Redemption premium	—	—	—	(5,674)
Other income (expense), net	1,030	(2,548)	4,013	(1,288)
Income before income taxes	205,834	229,686	690,083	469,291
Income tax expense	(51,035)	(60,229)	(173,524)	(120,996)
Income from unconsolidated affiliates, net of foreign tax	1,014	2,799	6,026	131
Consolidated net income	155,813	172,256	522,585	348,426
Net income attributable to noncontrolling interests	(1,271)	(1,276)	(3,175)	(5,507)
Net income attributable to Mueller Industries, Inc.	\$ 154,542	\$ 170,980	\$ 519,410	\$ 342,919
Weighted average shares for basic earnings per share	55,589	56,077	55,825	55,979
Effect of dilutive stock-based awards	835	731	796	784
Adjusted weighted average shares for diluted earnings per share	56,424	56,808	56,621	56,763
Basic earnings per share	\$ 2.78	\$ 3.05	\$ 9.30	\$ 6.13
Diluted earnings per share	\$ 2.74	\$ 3.01	\$ 9.17	\$ 6.04
Dividends per share	\$ 0.25	\$ 0.13	\$ 0.75	\$ 0.39

*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 Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Consolidated net income	\$ 155,813	\$ 172,256	\$ 522,585	\$ 348,426
Other comprehensive (loss) income, net of tax:				
Foreign currency translation	(28,179)	(8,569)	(44,086)	(667)
Net change with respect to derivative instruments and hedging activities, net of tax of \$352, \$(610), \$3,198, and \$204	(1,179)	2,122	(10,974)	(722)
Net change in pension and postretirement obligation adjustments, net of tax of \$(573), \$(137), \$(676), and \$(80)	1,608	493	1,729	476
Attributable to unconsolidated affiliates, net of tax of \$56, \$(284), \$(1,224), and \$(642)	(191)	977	4,218	2,211
Total other comprehensive (loss) income, net	(27,941)	(4,977)	(49,113)	1,298
Consolidated comprehensive income	127,872	167,279	473,472	349,724
Comprehensive loss (income) attributable to noncontrolling interests	148	(192)	(167)	(4,077)
Comprehensive income attributable to Mueller Industries, Inc.	\$ 128,020	\$ 167,087	\$ 473,305	\$ 345,647

*See accompanying notes to condensed consolidated financial statements.*

**MUELLER INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

<i>(In thousands, except share data)</i>	(Unaudited) September 24, 2022	December 25, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 483,496	\$ 87,924
Accounts receivable, less allowance for doubtful accounts of \$2,691 in 2022 and \$2,590 in 2021	441,287	471,859
Inventories	454,511	430,244
Other current assets	41,630	28,976
Total current assets	1,420,924	1,019,003
Property, plant, and equipment, net	374,160	385,562
Operating lease right-of-use assets	24,297	23,510
Goodwill, net	156,938	171,330
Intangible assets, net	55,540	61,714
Investments in unconsolidated affiliates	70,439	61,133
Other assets	7,453	6,684
Total assets	<u>\$ 2,109,751</u>	<u>\$ 1,728,936</u>
<b>Liabilities</b>		
Current liabilities:		
Current portion of debt	\$ 1,123	\$ 811
Accounts payable	166,978	180,793
Accrued wages and other employee costs	54,252	49,629
Current portion of operating lease liabilities	5,271	6,015
Other current liabilities	147,323	145,191
Total current liabilities	374,947	382,439
Long-term debt, less current portion	1,184	1,064
Pension liabilities	5,419	5,572
Postretirement benefits other than pensions	11,786	11,961
Environmental reserves	15,612	17,678
Deferred income taxes	11,428	14,347
Noncurrent operating lease liabilities	18,431	17,099
Other noncurrent liabilities	16,295	21,813
Total liabilities	<u>455,102</u>	<u>471,973</u>
<b>Equity</b>		
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 56,863,688 in 2022 and 57,295,961 in 2021	802	802
Additional paid-in capital	294,402	286,208
Retained earnings	1,935,137	1,458,489
Accumulated other comprehensive loss	(99,452)	(53,347)
Treasury common stock, at cost	(505,647)	(470,034)
Total Mueller Industries, Inc. stockholders' equity	1,625,242	1,222,118
Noncontrolling interests	29,407	34,845
Total equity	<u>1,654,649</u>	<u>1,256,963</u>
Commitments and contingencies	—	—
Total liabilities and equity	<u>\$ 2,109,751</u>	<u>\$ 1,728,936</u>

*See accompanying notes to condensed consolidated financial statements.*

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

<i>(In thousands)</i>	For the Nine Months Ended	
	September 24, 2022	September 25, 2021
<b>Cash flows from operating activities</b>		
Consolidated net income	\$ 522,585	\$ 348,426
Reconciliation of consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	33,261	33,932
Stock-based compensation expense	12,254	7,228
Provision for doubtful accounts receivable	327	1,310
Income from unconsolidated affiliates	(6,026)	(131)
Redemption premium	—	5,674
Gain on disposals of properties	(7,107)	(1,135)
Gain on sale of businesses	—	(54,759)
Impairment charges	—	2,568
Insurance proceeds - non-capital related	1,646	—
Deferred income tax expense	226	6,304
Changes in assets and liabilities, net of effects of businesses acquired and sold:		
Receivables	15,741	(155,103)
Inventories	(33,768)	(96,505)
Other assets	(8,574)	(9,335)
Current liabilities	(5,331)	85,523
Other liabilities	(7,399)	8,335
Other, net	(923)	(851)
Net cash provided by operating activities	516,912	181,481
<b>Cash flows from investing activities</b>		
Capital expenditures	(29,555)	(25,547)
Insurance proceeds - capital related	3,354	—
Acquisition of businesses, net of cash acquired	—	(13,935)
Proceeds from sale of businesses, net of cash sold	—	74,250
Investments in unconsolidated affiliates	—	(1,613)
Payment received for notes receivable	—	8,539
Proceeds from sales of assets	7,841	2,124
Dividends from unconsolidated affiliates	2,091	—
Net cash (used in) provided by investing activities	(16,269)	43,818

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

<i>(In thousands)</i>	For the Nine Months Ended	
	September 24, 2022	September 25, 2021
<b>Cash flows from financing activities</b>		
Dividends paid to stockholders of Mueller Industries, Inc.	(41,876)	(21,846)
Dividends paid to noncontrolling interests	—	(9,722)
Repurchase of common stock	(38,054)	—
Payment of contingent consideration	—	(1,250)
Issuance of debt	—	475,000
Repayments of debt	(148)	(680,572)
Issuance (repayment) of debt by consolidated joint ventures, net	406	(4,865)
Net cash (used) received to settle stock-based awards	(1,619)	219
Debt issuance costs	—	(1,111)
<b>Net cash used in financing activities</b>	<b>(81,291)</b>	<b>(244,147)</b>
Effect of exchange rate changes on cash	(10,310)	(377)
<b>Increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>409,042</b>	<b>(19,225)</b>
Cash, cash equivalents, and restricted cash at the beginning of the period	90,376	127,376
Cash, cash equivalents, and restricted cash at the end of the period	<b>\$ 499,418</b>	<b>\$ 108,151</b>

*See accompanying notes to condensed consolidated financial statements.*

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

<i>(In thousands)</i>	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
<b>Common stock:</b>				
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>
<b>Additional paid-in capital:</b>				
Balance at beginning of period	\$ 291,228	\$ 285,148	\$ 286,208	\$ 280,051
Acquisition (issuance) of shares under incentive stock option plans	560	163	853	728
Stock-based compensation expense	7,083	2,411	12,254	7,228
Issuance of restricted stock	<u>(4,469)</u>	<u>(4,437)</u>	<u>(4,913)</u>	<u>(4,722)</u>
Balance at end of period	<u>\$ 294,402</u>	<u>\$ 283,285</u>	<u>\$ 294,402</u>	<u>\$ 283,285</u>
<b>Retained earnings:</b>				
Balance at beginning of period	\$ 1,794,811	\$ 1,176,812	\$ 1,458,489	\$ 1,019,694
Net income attributable to Mueller Industries, Inc.	154,542	170,980	519,410	342,919
Dividends paid or payable to stockholders of Mueller Industries, Inc.	<u>(14,216)</u>	<u>(7,455)</u>	<u>(42,762)</u>	<u>(22,276)</u>
Balance at end of period	<u>\$ 1,935,137</u>	<u>\$ 1,340,337</u>	<u>\$ 1,935,137</u>	<u>\$ 1,340,337</u>
<b>Accumulated other comprehensive loss:</b>				
Balance at beginning of period	\$ (72,930)	\$ (48,262)	\$ (53,347)	\$ (54,883)
Total other comprehensive (loss) income attributable to Mueller Industries, Inc.	<u>(26,522)</u>	<u>(3,893)</u>	<u>(46,105)</u>	<u>2,728</u>
Balance at end of period	<u>\$ (99,452)</u>	<u>\$ (52,155)</u>	<u>\$ (99,452)</u>	<u>\$ (52,155)</u>



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

*(In thousands)*

	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
<b>Treasury stock:</b>				
Balance at beginning of period	\$ (503,448)	\$ (468,784)	\$ (470,034)	\$ (468,919)
Acquisition of shares under incentive stock option plans	(2,083)	(360)	(2,472)	(484)
Repurchase of common stock	(4,585)	—	(38,054)	(26)
Issuance of restricted stock	4,469	4,437	4,913	4,722
Balance at end of period	<u>\$ (505,647)</u>	<u>\$ (464,707)</u>	<u>\$ (505,647)</u>	<u>\$ (464,707)</u>
<b>Noncontrolling interests:</b>				
Balance at beginning of period	\$ 35,160	\$ 28,200	\$ 34,845	\$ 24,315
Purchase of Mueller Middle East	(5,605)	—	(5,605)	—
Dividends paid to noncontrolling interests	—	(9,722)	—	(9,722)
Net income attributable to noncontrolling interests	1,271	1,276	3,175	5,507
Foreign currency translation	(1,419)	(1,084)	(3,008)	(1,430)
Balance at end of period	<u>\$ 29,407</u>	<u>\$ 18,670</u>	<u>\$ 29,407</u>	<u>\$ 18,670</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 January 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2021-01, *Reference Rate Reform (Topic 848): An Amendment of the FASB Accounting Standards Codification*. The new guidance was issued in response to concerns about structural risks of interbank offered rates, and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR). Regulators in numerous jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The Company adopted the ASU during the first quarter of 2022. The adoption of the ASU did not have a material impact on the Company's Condensed Consolidated Financial Statements.

**Issued**

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The new guidance was issued to clarify existing guidance measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and introduce new disclosure requirements for applicable equity securities. The ASU is effective for fiscal years beginning after December 15, 2023 for public entities. The updated guidance requires prospective adoption, and early adoption is permitted. The Company does not expect the adoption of the ASU to have a material impact on its Condensed Consolidated Financial Statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): An Amendment of the FASB Accounting Standards Codification*. The new guidance was issued to improve accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the (i) recognition of an acquired contract liability, and (ii) payment terms and their effect on subsequent revenue recognized by the acquirer. The ASU is effective for fiscal years beginning after December 5, 2022 for public entities. The updated guidance requires prospective adoption, and early adoption is permitted. The Company does not expect the adoption of the ASU to have a material impact on its 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. There were no stock-based awards excluded from the computation of diluted earnings per share for the quarter ended September 24, 2022 because they were antidilutive. Approximately thirty thousand stock-based awards were excluded from the computation of diluted earnings per share for the quarter ended September 25, 2021 because they were antidilutive.

### **Note 3 – Acquisitions and Dispositions**

#### **Acquisitions**

##### **Mueller Middle East**

On December 7, 2021 the Company entered into an agreement providing for the purchase of an additional 15 percent equity interest in Mueller Middle East for a total of 55 percent, for approximately \$20.1 million. The total purchase price consisted of \$15.8 million in cash paid at closing (net of cash acquired), a gain recognized on the settlement of preexisting relationships of \$2.6 million, a contingent consideration arrangement of \$1.0 million, and the fair value of the Company's existing investment in the joint venture of \$0.7 million. Mueller Middle East, which manufactures copper tube, is headquartered in Bahrain. This business complements the company's existing copper tube business in the Piping Systems segment. Prior to entering into this agreement, the Company was the technical and marketing lead with a 40 percent ownership in a joint venture with Cayan Ventures and Bahrain Mumtalakat Holding Company and accounted for this investment under the equity method of accounting. The Company began consolidating this business for financial reporting purposes in December 2021. Mueller Middle East manufactures and sells copper coils to certain Mueller subsidiaries.

The provisional fair value of the assets acquired totaled \$44.8 million, consisting primarily of property, plant, and equipment of \$26.7 million, accounts receivable of \$10.7 million, inventories of \$4.7 million, and other assets of \$2.7 million. The provisional fair value of the liabilities assumed totaled \$16.2 million, consisting primarily of other liabilities of \$11.6 million and accounts payable of \$4.6 million. Of the remaining purchase price, \$1.3 million was allocated to non-deductible goodwill and intangible assets. The noncontrolling interest in Mueller Middle East is \$9.8 million. The purchase price allocation is provisional as of September 24, 2022 and subject to change upon completion of the final valuation of the long-lived assets and noncontrolling interest during the measurement period. Changes to the purchase price allocation from the amounts presented in the Company's Q2 2022 Quarterly Report on Form 10-Q included the valuation of the intangible assets and noncontrolling interest. These changes resulted in a net decrease to goodwill of \$3.2 million.

##### **H&C Flex**

On December 20, 2020, the Company entered into an asset purchase agreement with Hart & Cooley LLC. The transaction closed on January 29, 2021, whereby the Company purchased the Hart & Cooley flexible duct business, which included inventory, manufacturing equipment, and related assets for approximately \$15.3 million. The total purchase price consisted of \$14.0 million in cash paid at closing and a contingent consideration arrangement of \$1.3 million. The Company treated this as a business combination. The acquired business, H&C Flex, is a manufacturer and distributor of insulated HVAC flexible duct systems. It is reported within and complements the Company's existing businesses in the Climate segment.

The fair value of tangible assets acquired totaled \$15.3 million, consisting primarily of property, plant, and equipment of \$10.8 million and inventories of \$4.5 million. The valuation of the business has been finalized. There were no material changes to the purchase price allocation from the amounts presented in the Company's 2021 Annual Report on Form 10-K.

#### **Dispositions**

##### **Copper Bar**

On October 25, 2021, the Company sold its Copper Bar business for approximately \$10.1 million. This business manufactured copper bar products used primarily by original equipment manufacturers (OEMs) in the U.S. and was included in the Industrial Metals segment. The carrying value of the assets disposed totaled \$3.6 million, consisting primarily of inventories and long-lived assets. Copper Bar reported net sales of \$14.8 million and operating income of \$0.1 million in the third quarter of 2021 and net sales of \$39.6 million and an operating loss of \$0.1 million in the first nine months of 2021.

##### **Die-Mold**

On September 2, 2021, the Company entered into a contribution agreement with a limited liability company in the retail distribution business, pursuant to which the Company exchanged the outstanding common stock of Die-Mold for a 17 percent equity interest in the limited liability company. 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. and was included in the Piping Systems Segment. Die-Mold reported net sales of \$3.0 million and operating income of \$0.8 million in the third quarter of 2021 and net sales of \$10.9 million and operating income of \$2.2 million in the first nine months of 2021. As a result of the transaction, the Company recognized a gain of \$4.7 million in the third quarter of 2021 based on the excess of the fair value of the consideration received (the 17 percent equity interest) over the carrying value of Die-Mold. The Company utilized a market

comparable companies approach using an EBITDA multiple to determine the fair value of the consideration received of \$22.8 million, which is recognized within the Investments in unconsolidated affiliates line of the Condensed Consolidated Balance Sheet. The excess of the fair value of the deconsolidated subsidiary over its carrying value resulted in the gain.

#### **Fabricated Tube Products and Shoals Tubular, Inc.**

On July 28, 2021, the Company entered into a purchase agreement with J.W. Harris Co., Inc. and Lincoln Electric Holdings, Inc., pursuant to which the Company sold the assets of Fabricated Tube Products (FTP) and all of the outstanding stock of Shoals Tubular, Inc. (STI) for approximately \$75.7 million. These businesses manufacture and fabricate valves and assemblies, brazed manifolds, headers, and distributor assemblies used primarily by manufacturers of residential heating and air conditioning units in the U.S. and were included in the Climate segment. They reported combined net sales of \$5.1 million and operating income of \$0.5 million in the third quarter of 2021 and net sales of \$37.0 million and operating income of \$5.4 million in the first nine months of 2021. The carrying value of the assets disposed totaled \$32.7 million, consisting primarily of accounts receivable, inventories, and long-lived assets. The carrying value of the liabilities disposed totaled \$3.6 million, consisting primarily of accounts payable. As a result of the transaction, the Company recognized a pre-tax gain of \$46.6 million during the third quarter of 2021 on the sale of these businesses in the Condensed Consolidated Financial Statements.

#### **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, European Operations, Trading Group, Jungwoo-Mueller (the Company's South Korean joint venture), and Mueller Middle East (the Company's Bahraini joint venture). The Domestic Piping Systems Group manufactures and distributes 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. European Operations manufactures 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. Mueller Middle East manufactures copper tube and serves markets in the Middle East and Northern Africa. 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 OEMs.

Beginning in fiscal year 2022, the results of Precision Tube are included in the Industrial Metals segment prospectively as the impact to prior periods was not material. The business was previously reported in the Piping Systems segment. This change was made to reflect the Company's internal management reporting structure.

##### **Industrial Metals**

Industrial Metals is composed of the following operating segments: Brass Rod, Impacts & Micro Gauge, Brass Value-Added Products, and Precision Tube. These businesses manufacture brass rod, impact extrusions, and forgings, specialty copper, copper alloy, and aluminum tube, 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, Westermeyer, Turbotec, Flex Duct, and Linesets, Inc. These domestic businesses manufacture refrigeration valves and fittings, high pressure components, coaxial heat exchangers, insulated HVAC flexible duct systems, and line sets primarily for the heating, ventilation, air-conditioning, and refrigeration markets in the U.S.

Summarized segment information is as follows:

For the Quarter Ended September 24, 2022					
<i>(In thousands)</i>	Piping Systems	Industrial Metals	Climate	Corporate and Eliminations	Total
Net sales	\$ 634,808	\$ 144,880	\$ 174,650	\$ (9,508)	\$ 944,830
Cost of goods sold	440,216	128,152	114,850	(4,581)	678,637
Depreciation and amortization	5,516	1,846	2,289	1,199	10,850
Selling, general, and administrative expense	21,137	2,805	10,049	16,187	50,178
Operating income	167,939	12,077	47,462	(22,313)	205,165
Interest expense					(361)
Other income (expense), net					1,030
Income before income taxes					<u>\$ 205,834</u>

For the Quarter Ended September 25, 2021					
<i>(In thousands)</i>	Piping Systems	Industrial Metals	Climate	Corporate and Eliminations	Total
Net sales	\$ 688,200	\$ 182,245	\$ 122,252	\$ (10,449)	\$ 982,248
Cost of goods sold	506,703	158,822	89,175	(10,435)	744,265
Depreciation and amortization	5,547	1,661	2,484	1,176	10,868
Selling, general, and administrative expense	23,751	2,710	9,521	12,542	48,524
Gain on sale of businesses	—	—	—	(54,759)	(54,759)
Operating income	152,199	19,052	21,072	41,027	233,350
Interest expense					(1,116)
Other loss, net					(2,548)
Income before income taxes					<u>\$ 229,686</u>

## Segment information (continued):

<i>(In thousands)</i>	For the Nine Months Ended September 24, 2022				
	Piping Systems	Industrial Metals	Climate	Corporate and Eliminations	Total
Net sales	\$ 2,163,045	\$ 498,367	\$ 479,756	\$ (36,294)	\$ 3,104,874
Cost of goods sold	1,539,493	424,802	311,917	(32,150)	2,244,062
Depreciation and amortization	16,846	5,636	6,989	3,522	32,993
Selling, general, and administrative expense	66,700	8,425	25,941	45,524	146,590
Gain on sale of assets	—	—	—	(5,507)	(5,507)
Operating income	540,006	59,504	134,909	(47,683)	686,736
Interest expense					(666)
Other income, net					4,013
Income before income taxes					<u>\$ 690,083</u>

<i>(In thousands)</i>	For the Nine Months Ended September 25, 2021				
	Piping Systems	Industrial Metals	Climate	Corporate and Eliminations	Total
Net sales	\$ 1,947,564	\$ 527,137	\$ 364,986	\$ (26,699)	\$ 2,812,988
Cost of goods sold	1,515,335	455,112	269,560	(27,612)	2,212,395
Depreciation and amortization	17,272	5,098	7,866	3,521	33,757
Selling, general, and administrative expense	71,152	8,529	23,781	34,429	137,891
Gain on sale of businesses	—	—	—	(54,759)	(54,759)
Operating income	343,805	58,398	63,779	17,722	483,704
Interest expense					(7,451)
Redemption premium					(5,674)
Other loss, net					(1,288)
Income before income taxes					<u>\$ 469,291</u>

The following table presents total assets attributable to each segment:

<i>(In thousands)</i>	September 24, 2022	December 25, 2021
Segment assets:		
Piping Systems	\$ 1,169,693	\$ 1,160,272
Industrial Metals	169,385	173,290
Climate	287,387	250,107
General Corporate	483,286	145,267
	<u>\$ 2,109,751</u>	<u>\$ 1,728,936</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 September 24, 2022			
	Piping Systems	Industrial Metals	Climate	Total
Tube and fittings	\$ 520,842	\$ —	\$ —	\$ 520,842
Brass rod and forgings	—	114,956	—	114,956
OEM components, tube & assemblies	—	16,819	30,180	46,999
Valves and plumbing specialties	113,966	—	—	113,966
Flex duct and other HVAC components	—	—	144,470	144,470
Other	—	13,105	—	13,105
	<u>634,808</u>	<u>144,880</u>	<u>174,650</u>	<u>954,338</u>
Intersegment sales				<u>(9,508)</u>
Net sales				<u>\$ 944,830</u>

<i>(In thousands)</i>	For the Quarter Ended September 25, 2021			
	Piping Systems	Industrial Metals	Climate	Total
Tube and fittings	\$ 555,161	\$ —	\$ —	\$ 555,161
Brass rod and forgings	—	143,788	—	143,788
OEM components, tube & assemblies	6,943	12,076	29,627	48,646
Valves and plumbing specialties	126,096	—	—	126,096
Flex duct and other HVAC components	—	—	92,625	92,625
Other	—	26,381	—	26,381
	<u>688,200</u>	<u>182,245</u>	<u>122,252</u>	<u>992,697</u>
Intersegment sales				<u>(10,449)</u>
Net sales				<u>\$ 982,248</u>

Disaggregation of revenue from contracts with customers (continued):

<i>(In thousands)</i>	For the Nine Months Ended September 24, 2022			
	Piping Systems	Industrial Metals	Climate	Total
Tube and fittings	\$ 1,766,931	\$ —	\$ —	\$ 1,766,931
Brass rod and forgings	—	394,277	—	394,277
OEM components, tube & assemblies	—	57,169	91,798	148,967
Valves and plumbing specialties	396,114	—	—	396,114
Flex duct and other HVAC components	—	—	387,958	387,958
Other	—	46,921	—	46,921
	2,163,045	498,367	479,756	3,141,168
Intersegment sales				(36,294)
Net sales				\$ 3,104,874

<i>(In thousands)</i>	For the Nine Months Ended September 25, 2021			
	Piping Systems	Industrial Metals	Climate	Total
Tube and fittings	\$ 1,548,392	\$ —	\$ —	\$ 1,548,392
Brass rod and forgings	—	418,024	—	418,024
OEM components, tube & assemblies	23,954	35,819	111,143	170,916
Valves and plumbing specialties	375,218	—	—	375,218
Flex duct and other HVAC components	—	—	253,843	253,843
Other	—	73,294	—	73,294
	1,947,564	527,137	364,986	2,839,687
Intersegment sales				(26,699)
Net sales				\$ 2,812,988

**Note 5 – Cash, Cash Equivalents, and Restricted Cash**

<i>(In thousands)</i>	September 24, 2022	December 25, 2021
Cash & cash equivalents	\$ 483,496	\$ 87,924
Restricted cash included within other current assets	15,820	2,349
Restricted cash included within other assets	102	103
Total cash, cash equivalents, and restricted cash	\$ 499,418	\$ 90,376

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

(In thousands)

	September 24, 2022	December 25, 2021
Raw materials and supplies	\$ 157,497	\$ 130,133
Work-in-process	61,080	64,989
Finished goods	246,220	245,226
Valuation reserves	(10,286)	(10,104)
Inventories	<u>\$ 454,511</u>	<u>\$ 430,244</u>

## 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 September 24, 2022, the Company held open futures contracts to purchase approximately \$80.8 million of copper over the next 12 months related to fixed price sales orders. The fair value of those futures contracts was a \$13.5 million net loss 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 September 24, 2022, this amount was approximately \$10.4 million of deferred net losses, net of tax.

The Company may also enter into futures contracts to protect the value of inventory against market fluctuations. At September 24, 2022, the Company held open futures contracts to sell approximately \$11.1 million of copper over the next nine months related to copper inventory. The fair value of those futures contracts was a \$1.7 million net gain 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	
		September 24, 2022	December 25, 2021		September 24, 2022	December 25, 2021
Commodity contracts - gains	Other current assets	\$ 1,774	\$ 1,150	Other current liabilities	\$ 31	\$ —
Commodity contracts - losses	Other current assets	—	(46)	Other current liabilities	(13,529)	(353)
Total derivatives <sup>(1)</sup>		<u>\$ 1,774</u>	<u>\$ 1,104</u>		<u>\$ (13,498)</u>	<u>\$ (353)</u>

<sup>(1)</sup> 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:

(In thousands)	Location	For the Quarter Ended		For the Nine Months Ended	
		September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
<b>Undesignated derivatives:</b>					
Gain (loss) on commodity contracts (nonqualifying)	Cost of goods sold	5,125	7,282	21,007	(3,141)

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

(In thousands)	For the Quarter Ended September 24, 2022		
	(Loss) Gain Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)	Loss Reclassified from AOCI (Effective Portion), Net of Tax
<b>Cash flow hedges:</b>			
Commodity contracts	\$ (5,984)	Cost of goods sold	\$ 4,767
Other	38	Other	—
Total	<u>\$ (5,946)</u>	Total	<u>\$ 4,767</u>

Amounts recognized in and reclassified from AOCI (continued):

		For the Quarter Ended September 25, 2021	
<i>(In thousands)</i>	Gain Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)	Loss (Gain) Reclassified from AOCI (Effective Portion), Net of Tax
Cash flow hedges:			
Commodity contracts	\$ 845	Cost of goods sold	\$ 1,265
Other	13	Other	(1)
Total	<u>\$ 858</u>	Total	<u>\$ 1,264</u>

		For the Nine Months Ended September 24, 2022	
<i>(In thousands)</i>	(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	\$ (13,310)	Cost of goods sold	\$ 2,253
Other	83	Other	—
Total	<u>\$ (13,227)</u>	Total	<u>\$ 2,253</u>

		For the Nine Months Ended September 25, 2021	
<i>(In thousands)</i>	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	\$ 861	Cost of goods sold	\$ (1,584)
Other	1	Other	—
Total	<u>\$ 862</u>	Total	<u>\$ (1,584)</u>

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 September 24, 2022 and December 25, 2021, the Company had recorded restricted cash in other current assets of \$15.6 million and \$2.0 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 September 24, 2022 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>	September 24, 2022	December 25, 2021
Current assets	\$ 257,468	\$ 214,550
Noncurrent assets	78,402	76,406
Current liabilities	198,557	169,155
Noncurrent liabilities	45,894	46,059

<i>(In thousands)</i>	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Net sales	\$ 135,720	\$ 125,581	\$ 388,024	\$ 326,744
Gross profit	25,767	15,693	70,799	40,715
Net (loss) income	(593)	5,599	5,576	262

The Company's income from unconsolidated affiliates, net of foreign tax, for the quarter and nine months ended September 24, 2022 included net losses of \$0.3 million and net income of \$2.8 million, respectively, for Tecumseh.

The Company's loss from unconsolidated affiliates, net of foreign tax, for the quarter and nine months ended September 25, 2021 included net income of \$2.8 million and \$0.1 million, respectively, for Tecumseh.

## Retail Distribution

On September 2, 2021, the Company acquired a 17 percent noncontrolling equity interest in a limited liability company in the retail distribution business by contributing the outstanding common stock of Die-Mold in exchange for the equity method interest. The transaction was recorded as a deconsolidation of a subsidiary and the recognition of an equity method investment at fair value, as described in “[Note 3 - Acquisitions and Dispositions](#).” This investment is recorded using the equity method of accounting. The Company records its proportionate share of the investee’s net income or loss one month in arrears as income (loss) from unconsolidated affiliates in the Condensed Consolidated Statements of Income. The Company’s proportionate share of the investee’s other comprehensive income (loss), net of income taxes, is recorded in the Condensed Consolidated Statements of Comprehensive Income and Condensed Consolidated Statement of Changes in Equity.

The Company’s income from unconsolidated affiliates, net of tax, for the quarter and nine months ended September 24, 2022 included net income of \$1.3 million and \$3.2 million, respectively, for the retail distribution business.

## 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:

<i>(In thousands)</i>	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Pension benefits:				
Interest cost	\$ 394	\$ 313	\$ 1,181	\$ 939
Expected return on plan assets	(967)	(903)	(2,901)	(2,711)
Amortization of net loss	244	378	731	1,135
Net periodic benefit income	<u>\$ (329)</u>	<u>\$ (212)</u>	<u>\$ (989)</u>	<u>\$ (637)</u>
Other benefits:				
Service cost	\$ 72	\$ 64	\$ 216	\$ 194
Interest cost	104	87	310	261
Amortization of prior service credit	(1)	(118)	(198)	(353)
Amortization of net gain	(59)	(32)	(177)	(96)
Curtailement gain	—	—	(1,756)	—
Net periodic benefit cost (income)	<u>\$ 116</u>	<u>\$ 1</u>	<u>\$ (1,605)</u>	<u>\$ 6</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 has explored possible settlement with KDHE and other potentially responsible parties (PRP) in order to avoid litigation.

In February 2022, the Company reached a settlement with another PRP relating to these three sites. Under the terms of that agreement, the Company paid \$5.6 million, which was previously reserved, in exchange for the other PRP's agreement to conduct or fund any required remediation within the geographic boundaries of the three sites (namely, the parcel(s) on which the former smelters were located), plus coverage of certain off-site areas (namely, contamination that migrated by surface water runoff or air emissions from the Altoona or East La Harpe site, and smelter materials located within 50 feet of the geographic boundary of each site). The settlement does not cover certain matters, including potential liability related to the remediation of the town of Iola which is not estimable at this time. The other PRP will also provide an indemnity that would cover third-party cleanup claims for those sites, subject to a time limit and a cap.

**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. Under the terms of the settlement with the other PRP, the Company expects the operations and maintenance costs for this remedy to be paid for entirely by the other PRP.

**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 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. Pursuant to the terms of the settlement with the other PRP noted above, the Company expects the remediation to be conducted and paid for entirely by the other PRP, and for that other PRP to negotiate and enter into an agreement with KDHE.

**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. According to EPA, 1,371 properties in total will be remediated, and the work will be completed near the end of 2022.

#### *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 2032 to address residual discharges of acid rock drainage. The Company currently estimates that it will spend between approximately \$14.0 million and \$16.0 million for remediation at these sites over the next 30 years and has accrued a reserve at the low end of this range.

### *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 \$1.6 million and \$2.3 million over the next 15 years. The Company has recorded a reserve at the low end of this range.

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 remedial investigation and feasibility study remain ongoing. 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. As of September 24, 2022, the Company has made payments of approximately \$7.6 million related to the aforementioned agreement with the other PRPs. The Company disputes that it was properly named in the UAOs. In March 2022, Lead Refinery entered into an administrative settlement agreement and order on consent with the EPA, along with the four other PRPs, which involves payment of certain past and future costs relating to operable unit 1, in exchange for certain releases and contribution protection for the Company, Lead Refinery and their respective affiliates relating to that operable unit. That settlement became effective in September 2022. The Company reserved \$3.3 million for this settlement in the third quarter of 2021. In March 2018, a group of private plaintiffs sued the Company, Arava, MRRC, and Lead Refinery, along with other defendants, in civil tort action relating to the site. The Company, Arava, and MRRC have been voluntarily dismissed from that litigation without prejudice. Lead Refinery's motion to dismiss the matter was granted without prejudice, but plaintiffs in that case have been granted leave to replead certain of their claims. 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 the 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 \$0.7 million to \$0.9 million over the next four years. The Company has recorded a reserve at the low end of this range.

#### **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.

#### **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 September 24, 2022 were \$33.1 million.



## Note 11 – Income Taxes

The Company's effective tax rate for the third quarter of 2022 was 25 percent compared with 26 percent for the same period last year. The primary item impacting the effective tax rate for the third quarter of 2022 was an increase related to the provision for state income taxes, net of the federal benefit, of \$7.3 million.

The Company's effective tax rate for the third quarter of 2021 was 26 percent. The items impacting the effective tax rate for the third quarter of 2021 were increases related to the provision for state income taxes, net of the federal benefit, of \$8.5 million and the effect of foreign tax rates higher than statutory tax rates and other foreign items of \$5.6 million. These items were partially offset by \$2.2 million of other items.

The Company's effective tax rate for the first nine months of 2022 was 25 percent compared with 26 percent for the same period last year. The items impacting the effective tax rate for the first nine months of 2022 were increases related to the provision for state income taxes, net of the federal benefit, of \$24.2 million and the effect of foreign tax rates higher than statutory tax rates and other foreign adjustments of \$4.3 million.

The Company's effective tax rate for the first nine months of 2021 was 26 percent. The items impacting the effective tax rate for the first nine months of 2021 were increases related to the provision for state income taxes, net of the federal benefit, of \$16.3 million and the effect of foreign tax rates higher than statutory tax rates and other foreign items of \$8.7 million. These items were partially offset by \$2.5 million of other items.

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 returns for 2018 and all subsequent years. The statutes of limitations for most state returns are open for 2018 and all subsequent years, and some state and foreign returns are also open for some earlier tax years due to differing statute periods. 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):

	For the Nine Months Ended September 24, 2022				
	Cumulative Translation Adjustment	Unrealized Gain (Loss) on Derivatives	Pension/OPEB Liability Adjustment	Attributable to Unconsol. Affiliates	Total
<i>(In thousands)</i>					
Balance as of December 25, 2021	\$ (42,303)	\$ 803	\$ (11,500)	\$ (347)	\$ (53,347)
Other comprehensive (loss) income before reclassifications	(41,078)	(13,227)	1,424	4,218	(48,663)
Amounts reclassified from AOCI	—	2,253	305	—	2,558
Net current-period other comprehensive (loss) income	(41,078)	(10,974)	1,729	4,218	(46,105)
Balance as of September 24, 2022	<u>\$ (83,381)</u>	<u>\$ (10,171)</u>	<u>\$ (9,771)</u>	<u>\$ 3,871</u>	<u>\$ (99,452)</u>

<i>(In thousands)</i>	For the Nine Months Ended September 25, 2021				
	Cumulative Translation Adjustment	Unrealized Gain (Loss) on Derivatives	Pension/OPEB Liability Adjustment	Attributable to Unconsol. Affiliates	Total
Balance as of December 26, 2020	\$ (37,339)	\$ 984	\$ (17,203)	\$ (1,325)	\$ (54,883)
Other comprehensive income (loss) before reclassifications	763	862	(98)	2,211	3,738
Amounts reclassified from AOCI	—	(1,584)	574	—	(1,010)
Net current-period other comprehensive income (loss)	763	(722)	476	2,211	2,728
Balance as of September 25, 2021	\$ (36,576)	\$ 262	\$ (16,727)	\$ 886	\$ (52,155)

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 Nine Months Ended		
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021	
Unrealized losses (gains) on derivative commodity contracts	\$ 6,151	\$ 1,077	\$ 2,906	\$ (2,612)	Cost of goods sold
	(1,384)	187	(653)	1,028	Income tax (benefit) expense
	\$ 4,767	\$ 1,264	\$ 2,253	\$ (1,584)	Net of tax and noncontrolling interests
Amortization of net loss and prior service cost on employee benefit plans	\$ 184	\$ 228	\$ 356	\$ 686	Other income, net
	(31)	(37)	(51)	(112)	Income tax benefit
	\$ 153	\$ 191	\$ 305	\$ 574	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; 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, European Operations, Trading Group, Jungwoo-Mueller (our South Korean joint venture), and Mueller Middle East (our Bahraini joint venture). The Domestic Piping Systems Group manufactures and distributes 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. European Operations manufactures 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. Mueller Middle East manufactures copper tube and serves markets in the Middle East and Northern Africa. 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, Impacts & Micro Gauge, Brass Value-Added Products, and Precision Tube. The segment manufactures and sells brass rod, bar, and shapes; aluminum and brass forgings; aluminum impact extrusions; gas valves and assemblies; and specialty copper, copper alloy, and aluminum tube. 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, Westermeyer, Turbotec, Flex Duct, and Linesets, Inc. The segment manufactures and sells refrigeration valves and fittings, high pressure components, coaxial heat exchangers, and insulated HVAC flexible duct systems and line sets. 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 August 2022 seasonally adjusted annual rate of new housing starts was 1.58 million, consistent with the August 2021 rate. The average 30-year fixed mortgage rate was 4.87 percent for the first nine months of 2022 and 2.96 percent for the twelve months ended December 2021. 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 \$513.1 billion in August 2022 compared to the August 2021 rate of \$486.2 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; however, margins of our businesses that account for inventory on a FIFO basis may be impacted in periods of significant fluctuations in material costs. 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. 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 nine months of 2022 and 2021:

<i>(In thousands)</i>	For the Quarter Ended		Percent Change 2022 vs. 2021	For the Nine Months Ended		Percent Change 2022 vs. 2021
	September 24, 2022	September 25, 2021		September 24, 2022	September 25, 2021	
Net sales	\$ 944,830	\$ 982,248	(3.8)%	\$ 3,104,874	\$ 2,812,988	10.4 %
Operating income	205,165	233,350	(12.1)	686,736	483,704	42.0
Net income	154,542	170,980	(9.6)	519,410	342,919	51.5

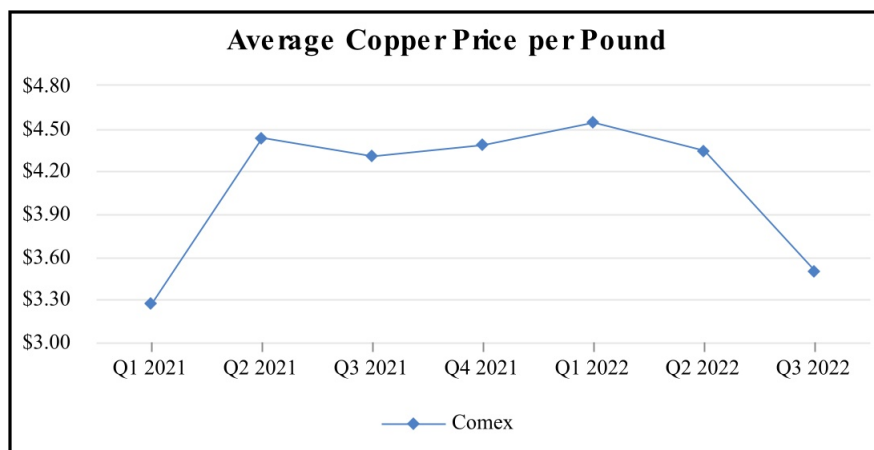
The following are components of changes in net sales compared to the prior year:

	Quarter-to- Date	Year-to- Date
Net selling price in core product lines	(0.4) %	9.1 %
Unit sales volume in core product lines	(9.5)	(5.3)
Acquisitions	1.2	1.2
Dispositions	(2.1)	(2.8)
Other	7.0	8.2
	<u>(3.8) %</u>	<u>10.4 %</u>

The decrease in net sales during the third quarter of 2022 was primarily due to (i) lower unit sales volume of \$93.5 million in our core product lines, primarily copper tube and brass rod, (ii) a decrease in sales of \$20.4 million as a result of the dispositions of Copper Bar, Die-Mold, FTP, and STI in the second half of 2021, and (iii) lower net selling prices of \$4.0 million in our core product lines. These decreases were partially offset by (i) an increase in sales of \$69.0 million in our non-core product lines and (ii) sales of \$11.5 million recorded by Mueller Middle East (MME), acquired in December 2021.

The increase in net sales during the first nine months of 2022 was primarily due to (i) higher net selling prices of \$255.3 million in our core product lines, (ii) an increase in sales of \$202.9 million in our non-core product lines, (iii) sales of \$33.0 million recorded by MME, and (iv) incremental sales of \$27.8 million recorded by H&C Flex (H&C). These increases were partially offset by (i) lower unit sales volume of \$148.6 million in our core product lines and (ii) a decrease in sales of \$78.5 million as a result of the dispositions of Copper Bar, Die-Mold, FTP, and STI in the second half of 2021.

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 nine months of 2022 and 2021:

<i>(In thousands)</i>	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Cost of goods sold	\$ 678,637	\$ 744,265	\$ 2,244,062	\$ 2,212,395
Depreciation and amortization	10,850	10,868	32,993	33,757
Selling, general, and administrative expense	50,178	48,524	146,590	137,891
Gain on sale of assets	—	—	(5,507)	—
Gain on sale of businesses	—	(54,759)	—	(54,759)
<b>Operating expenses</b>	<b>\$ 739,665</b>	<b>\$ 748,898</b>	<b>\$ 2,418,138</b>	<b>\$ 2,329,284</b>

	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Cost of goods sold	71.8 %	75.8 %	72.3 %	78.6 %
Depreciation and amortization	1.1	1.1	1.1	1.2
Selling, general, and administrative expense	5.3	4.9	4.7	5.0
Gain on sale of assets	—	—	(0.2)	—
Gain on sale of businesses	—	(5.6)	—	(1.9)
<b>Operating expenses</b>	<b>78.3 %</b>	<b>76.2 %</b>	<b>77.9 %</b>	<b>82.9 %</b>

### *Q3 2022 compared to Q3 2021*

Cost of goods sold decreased in the third quarter of 2022 primarily due to the factors noted above regarding the change in net sales. Gross margin as a percentage of sales was 28.2 percent compared with 24.2 percent in the prior year quarter. The increase in gross margin percent reflects effective price management in response to higher demand and significant inflation in wages, consumable, energy, freight, and distribution costs, as well as fluctuating material costs. Depreciation and amortization was consistent with the third quarter of 2021. Selling, general, and administrative expense increased in the third quarter of 2022 primarily as a result of (i) higher employment costs, including incentive compensation, of \$6.1 million and (ii) incremental expenses of \$0.3 million associated with MME. These increases were partially offset by (i) the absence of asset impairment charges of \$2.6 million recorded in the prior year quarter, (ii) higher foreign currency transaction gains of \$2.1 million, and (iii) the absence of expenses associated with Die-Mold, FTP, and STI of \$0.3 million.

Interest expense decreased for the third quarter of 2022 primarily as a result of there being no borrowings outstanding under the Credit Agreement. We recognized other income, net, of \$1.0 million in the third quarter of 2022 compared to other expenses, net, of \$2.5 million in the third quarter of 2021. This change was primarily due to (i) lower environmental remediation costs at our non-operating properties and (ii) higher interest income on short-term investments in the third quarter of 2022.

Our effective tax rate for the third quarter of 2022 was 25 percent compared with 26 percent for the same period last year. The primary item impacting the effective tax rate was an increase related to the provision for state income taxes, net of the federal benefit, of \$7.3 million.

For the third quarter of 2021, the difference between the effective tax rate and the amount computed using the U.S. federal statutory rate was primarily attributable to (i) increases related to the provision for state income taxes, net of the federal benefit, of \$8.5 million and (ii) the effect of foreign tax rates higher than statutory tax rates and other foreign adjustments of \$5.6 million. These items were partially offset by \$2.2 million of other items.

During the third quarters of 2022 and 2021, we recognized income of \$1.0 million and \$2.8 million, respectively, on our investments in unconsolidated affiliates.

### *YTD 2022 compared to YTD 2021*

Cost of goods sold decreased in the first nine months of 2022 primarily due to the factors noted above regarding the change in net sales. Gross margin as a percentage of sales was 27.7 percent compared with 21.4 percent in the prior year. The combination of strong demand for our products, inflationary pressures, and industry wide supply constraints contributed to an environment of higher selling prices and improved margins for the majority of our businesses. Depreciation and amortization decreased slightly in the first nine months of 2022 primarily as a result of long-lived assets of businesses sold. Selling, general, and administrative expense increased in the first nine months of 2022 primarily as a result of (i) higher employment costs, including incentive compensation, of \$13.9 million, (ii) incremental expenses associated with H&C and MME of \$2.7 million, and (iii) higher travel and entertainment expense of \$1.2 million. These increases were partially offset by (i) the absence of expenses associated with Die-Mold, FTP, and STI of \$2.9 million, (ii) higher foreign currency transaction gains of \$2.9 million, (iii) the absence of asset impairment charges of \$2.6 million recorded in the prior year, and (iv) a decrease in bad debt expense of \$1.0 million. In addition, during the first nine months of 2022 we recognized a gain of \$5.5 million on the sale of a building. During the first nine months of 2021 we recognized a gain of \$54.8 million on the sale of FTP, STI, and the majority of Die-Mold.

Interest expense decreased for the first nine months of 2022 primarily as a result of the redemption of our Subordinated Debentures during the second quarter of 2021 and there being no borrowings outstanding under the Credit Agreement in the third quarter of 2022. In addition, we recognized expense of \$5.7 million for a redemption premium related to our Subordinated Debentures redeemed during the first nine months of 2021. We recognized other income, net, of \$4.0 million in the first nine months of 2022 compared to other expenses, net, of \$1.3 million the first nine months of 2021. This change was primarily due to (i) lower environmental remediation costs at our non-operating properties, (ii) a curtailment gain related to our benefit plans recognized during the first nine months of 2022, and (iii) higher interest income on short-term investments in the first nine months of 2022.

Our effective tax rate for the first nine months of 2022 was 25 percent compared with 26 percent for the same period last year. The items impacting the effective tax rate are primarily (i) increases related to the provision for state income taxes, net of the federal benefit, of \$24.2 million and (ii) the effect of foreign tax rates higher than statutory tax rates and other foreign adjustments of \$4.3 million.

For the first nine months of 2021, the items impacting the effective tax rate were (i) increases related to the provision for state income taxes, net of the federal benefit, of \$16.3 million, and (ii) the effect of foreign tax rates higher than statutory tax rates and other foreign adjustments of \$8.7 million. These increases were partially offset by \$2.5 million of other items.

During the first nine months of 2022 and the first nine months of 2021, we recognized income of \$6.0 million and \$0.1 million, respectively, on our investments in unconsolidated affiliates.

#### Piping Systems Segment

The following table compares summary operating results for the first nine months of 2022 and 2021 for the businesses comprising our Piping Systems segment:

<i>(In thousands)</i>	For the Quarter Ended		Percent Change	For the Nine Months Ended		Percent Change
	September 24, 2022	September 25, 2021	2022 vs. 2021	September 24, 2022	September 25, 2021	2022 vs. 2021
Net sales	\$ 634,808	\$ 688,200	(7.8) %	\$ 2,163,045	\$ 1,947,564	11.1 %
Operating income	167,939	152,199	10.3	540,006	343,805	57.1

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	1.2 %	12.5 %
Unit sales volume in core product lines	(11.4)	(6.0)
Acquisitions	1.7	1.7
Dispositions	(0.4)	(0.6)
Other	1.1	3.5
	<u>(7.8) %</u>	<u>11.1 %</u>

The decrease in net sales during the third quarter of 2022 was primarily attributable to (i) lower unit sales volume of \$77.5 million in the segment's core product lines, primarily copper tube, and (ii) a decrease in sales of \$3.0 million as a result of the disposition of Die-Mold in the third quarter of 2021. These decreases were partially offset by (i) sales of \$11.5 million recorded by MME, (ii) an increase in sales of \$10.5 million in the segment's non-core product lines, and (iii) higher net selling prices in the segment's core product lines of \$8.0 million.

Net sales during the first nine months of 2022 increased primarily as a result of (i) higher net selling prices in the segment's core product lines of \$240.5 million, (ii) an increase in sales of \$71.7 million in the segment's non-core product lines, and (iii) sales of \$33.0 million recorded by MME. These increases were partially offset by (i) lower unit sales volume of \$116.1 million in the segment's core product lines and (ii) a decrease in sales of \$10.9 million as a result of the disposition of Die-Mold in the third quarter of 2021.

The following tables compare cost of goods sold and operating expenses as dollar amounts and as a percent of net sales for the first nine months of 2022 and 2021:

<i>(In thousands)</i>	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Cost of goods sold	\$ 440,216	\$ 506,703	\$ 1,539,493	\$ 1,515,335
Depreciation and amortization	5,516	5,547	16,846	17,272
Selling, general, and administrative expense	21,137	23,751	66,700	71,152
Operating expenses	\$ 466,869	\$ 536,001	\$ 1,623,039	\$ 1,603,759

	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Cost of goods sold	69.3 %	73.6 %	71.2 %	77.8 %
Depreciation and amortization	0.9	0.8	0.8	0.8
Selling, general, and administrative expense	3.3	3.5	3.0	3.7
Operating expenses	73.5 %	77.9 %	75.0 %	82.3 %

The decrease in cost of goods sold during the third quarter of 2022 was primarily due to the decrease in the average cost of copper, our principal raw material. Gross margin as a percentage of sales was 30.7 percent compared with 26.4 percent in the prior year quarter. The increase in gross margin percent reflects effective price management in response to significant inflation in wages, consumable, freight, and distribution costs, as well as fluctuating material costs. Depreciation and amortization was consistent with the third quarter of 2021. Selling, general, and administrative expense decreased for the third quarter of 2022 primarily as a result of (i) higher foreign currency transaction gains of \$2.2 million and (ii) lower employment costs, including incentive compensation, of \$0.7 million. These decreases were partially offset by expenses associated with MME of \$0.3 million.

The increase in cost of goods sold during the first nine months of 2022 was primarily due to the factors noted above regarding the change in net sales. Gross margin as a percentage of sales was 28.8 percent compared with 22.2 percent in the prior year. Depreciation and amortization decreased slightly in the first nine months of 2022 primarily as a result of long-lived assets of businesses sold, partially offset by depreciation and amortization of the long-lived assets of MME. Selling, general, and administrative expense decreased for the first nine months of 2022 primarily as a result of (i) higher foreign currency transaction gains of \$2.9 million, (ii) the absence of expenses of \$1.6 million associated with the write-off of vendor deposits in the first nine months of 2021, (iii) lower expenses of \$0.5 million associated with businesses disposed, and (iv) lower employment costs, including incentive compensation, of \$0.4 million. These decreases were partially offset by expenses associated with MME of \$0.9 million.

#### Industrial Metals Segment

The following table compares summary operating results for the first nine months of 2022 and 2021 for the businesses comprising our Industrial Metals segment:

<i>(In thousands)</i>	For the Quarter Ended		Percent Change 2022 vs. 2021	For the Nine Months Ended		Percent Change 2022 vs. 2021
	September 24, 2022	September 25, 2021		September 24, 2022	September 25, 2021	
Net sales	\$ 144,880	\$ 182,245	(20.5)%	\$ 498,367	\$ 527,137	(5.5)%
Operating income	12,077	19,052	(36.6)	59,504	58,398	1.9



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	(6.7)%	2.8 %
Unit sales volume in core product lines	(8.8)	(6.1)
Dispositions	(6.9)	(6.1)
Other	1.9	3.9
	<u>(20.5)%</u>	<u>(5.5)%</u>

The decrease in net sales during the third quarter of 2022 was primarily due to (i) lower unit sales volume of \$15.9 million in the segment's core product lines, primarily brass rod and forgings, (ii) a decrease in sales of \$12.5 million as a result of the disposition of Copper Bar in the fourth quarter of 2021, and (iii) lower net selling prices of \$12.1 million in the segment's core product lines.

The decrease in net sales during the first nine months of 2022 was primarily due to (i) lower unit sales volume of \$32.4 million in the segment's core product lines and (ii) a decrease in sales of \$32.0 million as a result of the disposition of Copper Bar in the fourth quarter of 2021. These decreases were partially offset by (i) higher net selling prices of \$14.9 million in the segment's core product lines and (ii) an increase in sales of \$5.6 million in the segment's non-core product lines.

The following tables compare cost of goods sold and operating expenses as dollar amounts and as a percent of net sales for the first nine months of 2022 and 2021:

*(In thousands)*

	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Cost of goods sold	\$ 128,152	\$ 158,822	\$ 424,802	\$ 455,112
Depreciation and amortization	1,846	1,661	5,636	5,098
Selling, general, and administrative expense	<u>2,805</u>	<u>2,710</u>	<u>8,425</u>	<u>8,529</u>
Operating expenses	<u>\$ 132,803</u>	<u>\$ 163,193</u>	<u>\$ 438,863</u>	<u>\$ 468,739</u>

	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Cost of goods sold	88.5 %	87.1 %	85.2 %	86.3 %
Depreciation and amortization	1.3	0.9	1.1	1.0
Selling, general, and administrative expense	<u>1.9</u>	<u>1.5</u>	<u>1.8</u>	<u>1.6</u>
Operating expenses	<u>91.7 %</u>	<u>89.5 %</u>	<u>88.1 %</u>	<u>88.9 %</u>

The decrease in cost of goods sold during the third quarter of 2022 was primarily due to the factors noted above regarding the change in net sales. Gross margin as a percentage of sales was 11.5 percent compared with 12.9 percent in the prior year quarter. Depreciation and amortization and selling, general, and administrative expense were consistent with the third quarter of 2021.

The decrease in cost of goods sold during the first nine months of 2022 was primarily due to the factors noted above regarding the change in net sales. Gross margin as a percentage of sales was 14.8 percent compared with 13.7 percent in the prior year. Depreciation and amortization increased slightly during the first nine months of 2022 as a result of long-lived assets placed into service. Selling, general, and administrative expense were consistent with the first nine months of 2021.

## Climate Segment

The following table compares summary operating results for the first nine months of 2022 and 2021 for the businesses comprising our Climate segment:

<i>(In thousands)</i>	For the Quarter Ended		Percent Change	For the Nine Months Ended		Percent Change
	September 24, 2022	September 25, 2021	2022 vs. 2021	September 24, 2022	September 25, 2021	2022 vs. 2021
Net sales	\$ 174,650	\$ 122,252	42.9 %	\$ 479,756	\$ 364,986	31.4 %
Operating income	47,462	21,072	125.2	134,909	63,779	111.5

Sales for the third quarter of 2022 increased primarily as a result of strong demand and an increase in price in certain product lines. These increases were partially offset by a decrease in sales of \$4.9 million as a result of the dispositions of FTP and STI during the third quarter of 2021.

Sales for the first nine months of 2022 increased primarily as a result of an increase in volume and price in certain product lines, as well as incremental sales of \$27.8 million recorded by H&C. These increases were partially offset by a decrease in sales of \$35.6 million as a result of the dispositions of FTP and STI during the third quarter of 2021.

The following tables compare cost of goods sold and operating expenses as dollar amounts and as a percent of net sales for the first nine months of 2022 and 2021:

<i>(In thousands)</i>	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Cost of goods sold	\$ 114,850	\$ 89,175	\$ 311,917	\$ 269,560
Depreciation and amortization	2,289	2,484	6,989	7,866
Selling, general and administrative expense	10,049	9,521	25,941	23,781
Operating expenses	\$ 127,188	\$ 101,180	\$ 344,847	\$ 301,207

	For the Quarter Ended		For the Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Cost of goods sold	65.8 %	72.9 %	65.0 %	73.9 %
Depreciation and amortization	1.3	2.0	1.5	2.2
Selling, general and administrative expense	5.7	7.9	5.4	6.4
Operating expenses	72.8 %	82.8 %	71.9 %	82.5 %

Cost of goods sold increased during the third quarter of 2022, consistent with the increase in net sales. Gross margin as a percentage of sales was 34.2 percent compared with 27.1 percent in the prior year quarter. The increase in gross margin percent reflects effective price management in response to significant inflation in wages, consumable, freight, and distribution costs, as well as fluctuations in material costs. Depreciation and amortization decreased by \$0.2 million as a result of long-lived assets of businesses sold. Selling, general, and administrative expense increased primarily due to (i) higher agent commissions of \$2.7 million and (ii) higher employment costs, including incentive compensation, of \$0.8 million. These increases were partially offset by (i) the absence of asset impairment charges of \$2.6 million recorded in the prior year quarter and (ii) the absence of expenses associated with FTP and STI of \$0.3 million.

Cost of goods sold increased during the first nine months of 2022 primarily due to factors noted above regarding the change in net sales. Gross margin as a percentage of sales was 35.0 percent compared with 26.1 percent in the prior year. The increase in gross margin percent reflects effective price management in response to significant inflation in wages, consumable, freight, and distribution costs, as well as fluctuations in material costs. Depreciation and amortization decreased as a result of long-lived assets of businesses sold. Selling, general, and administrative expense increased for the first nine months of 2022 as a result of (i) higher agent commissions of \$3.8 million, (ii) incremental expenses associated with H&C of \$1.8 million, and (iii) higher employment costs, including incentive compensation, of \$1.6 million. These increases were partially offset by (i) the absence of asset impairment charges of \$2.6 million recorded in the prior year and (ii) the absence of expenses associated with FTP and STI of \$2.4 million.

### Liquidity and Capital Resources

The following table presents selected financial information for the first nine months of 2022 and 2021:

<i>(In thousands)</i>	2022	2021
Increase (decrease) in:		
Cash, cash equivalents, and restricted cash	\$ 409,042	\$ (19,225)
Property, plant, and equipment, net	(11,402)	(6,350)
Total debt	432	(205,754)
Working capital, net of cash and current debt	14,153	146,240
Net cash provided by operating activities	516,912	181,481
Net cash (used in) provided by investing activities	(16,269)	43,818
Net cash used in financing activities	(81,291)	(244,147)

#### *Cash Flows from Operating Activities*

During the nine months ended September 24, 2022, net cash provided by operating activities was primarily attributable to (i) consolidated net income of \$522.6 million, (ii) depreciation and amortization of \$33.3 million, (iii) a decrease in accounts receivable of \$15.7 million, and (iv) stock-based compensation expense of \$12.3 million. These increases were partially offset by (i) an increase in inventories of \$33.8 million, (ii) an increase in other assets of \$8.6 million, (iii) a decrease in other liabilities of \$7.4 million, (iv) the gain of \$7.1 million recognized on the sale of assets, (v) equity in earnings of unconsolidated affiliates of \$6.0 million, and (vi) a decrease in current liabilities of \$5.3 million.

During the nine months ended September 25, 2021, net cash provided by operating activities was primarily attributable to (i) consolidated net income of \$348.4 million, (ii) an increase in current liabilities of \$85.5 million, (iii) depreciation and amortization of \$33.9 million, (iv) stock-based compensation expense of \$7.2 million, and (v) the redemption premium of \$5.7 million related to our Subordinated Debentures. These increases were largely offset by (i) an increase in accounts receivable of \$155.1 million, (ii) an increase in inventories of \$96.5 million, and (iii) the gain of \$54.8 million recognized on the sale of Die-Mold, FTP, and STI. The fluctuations of accounts receivable, inventories, and current liabilities were primarily due to increased sales volume in certain businesses and higher material costs during the first nine months of 2021.

#### *Cash Flows from Investing Activities*

The major component of net cash used in investing activities during the nine months ended September 24, 2022 was capital expenditures of \$29.6 million. This use was partially offset by (i) proceeds from the sale of properties of \$7.8 million, (ii) insurance proceeds for property and equipment of \$3.4 million, and (iii) dividends received from unconsolidated affiliates of \$2.1 million.

The major components of net cash provided by investing activities during the nine months ended September 25, 2021 included (i) proceeds from the sale of FTP and STI, net of cash sold, of \$74.3 million and (ii) payments received on notes receivable of \$8.5 million. These sources were partially offset by (i) capital expenditures of \$25.5 million and (ii) \$13.9 million for the purchase of H&C, net of cash acquired.

#### *Cash Flows from Financing Activities*

For the nine months ended September 24, 2022, net cash used in financing activities consisted primarily of (i) \$41.9 million used for the payment of regular quarterly dividends to stockholders of the Company and (ii) \$38.1 million used to repurchase common stock.

For the nine months ended September 25, 2021, net cash used in financing activities consisted of (i) \$390.0 million used to reduce the debt outstanding under our Credit Agreement, (ii) \$290.2 million used for the redemption of the Subordinated Debentures, (iii) \$21.8 million used for the payment of regular quarterly dividends to stockholders of the Company, and (iv) \$9.7 million used for the payment of dividends to noncontrolling interests. These uses were largely offset by the issuance of debt under our Credit Agreement of \$475.0 million.

#### *Liquidity and Outlook*

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 September 24, 2022, we had \$483.5 million of cash on hand and \$366.9 million available to be drawn under the Credit Agreement. Our current ratio was 3.8 to 1.

We have significant environmental remediation obligations which we expect to pay over future years. Cash used for environmental remediation activities was approximately \$7.6 million during the first nine months of 2022, which included a \$5.6 million settlement related to the Southeast Kansas Sites. We expect to spend approximately \$5.5 million over the next twelve months for ongoing environmental remediation activities.

The Company declared a quarterly cash dividend of 25.0 cents per common share during the first, second, and third quarters of 2022 and 13.0 cents per common share during the first, second, and third quarters of 2021, respectively. 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 September 24, 2022, the Company's total debt was \$2.3 million or 0.1 percent of its total capitalization.

The Company's Credit Agreement provides for an unsecured \$400.0 million revolving credit facility, which matures March 31, 2026. There were no borrowings outstanding under the Credit Agreement as of September 24, 2022. The Credit Agreement backed approximately \$33.1 million in letters of credit at the end of the third quarter of 2022.

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 September 24, 2022, the Company was in compliance with all of its debt covenants.

#### *Share Repurchase Program*

The Board of Directors has extended, until July 2023, 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 September 24, 2022, the Company has repurchased approximately 7.2 million shares under this authorization.

#### *Contractual Cash Obligations*

There have been no significant changes in our contractual cash obligations reported at December 25, 2021.

### **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 September 24, 2022, we held open futures contracts to purchase approximately \$80.8 million of copper over the next 12 months related to fixed-price sales orders and to sell approximately \$11.1 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 September 24, 2022, we held no open futures contracts to purchase natural gas.

### **Interest Rates**

At September 24, 2022, we had no variable-rate debt outstanding. 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 the Secured Overnight Financing Rate (SOFR).

### **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 September 24, 2022, we had open forward contracts with a financial institution to sell approximately 4.7 million euros, 17.9 million Swedish kronor, and 10.2 million Norwegian kroner through January 2023.

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, the South Korean won, and the Bahraini dinar. 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 25, 2021, 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 September 24, 2022. 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 September 24, 2022 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 September 24, 2022, 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 2021 Annual Report on Form 10-K. There have been no material changes in risk factors that were previously disclosed in our 2021 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.

## 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 July 2023, 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 September 24, 2022, the Company has repurchased approximately 7.2 million shares under this authorization. Below is a summary of the Company's stock repurchases for the period ended September 24, 2022.

	(a) Total Number of Shares Purchased <sup>(1)</sup>	(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 <sup>(2)</sup>
June 26, 2022 - July 23, 2022	89,035	\$ 51.93	88,411	12,759,795
July 24, 2022 - August 20, 2022	52,241	\$ 65.94	—	12,759,795
August 21, 2022 - September 24, 2022	4,333	\$ 44.97	—	12,759,795
Total	145,609		88,411	

<sup>(1)</sup> 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.

<sup>(2)</sup> Shares available to be purchased under the Company's 20 million share repurchase authorization until July 2023. The extension of the authorization was announced on October 19, 2022.

**Item 6. Exhibits**

31.1	<a href="#"><u>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.</u></a>
31.2	<a href="#"><u>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.</u></a>
32.1	<a href="#"><u>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.</u></a>
32.2	<a href="#"><u>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.</u></a>
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)

October 19, 2022

Date

/s/ Anthony J. Steinriede

Anthony J. Steinriede

Vice President – Corporate Controller

October 19, 2022

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: October 19, 2022

/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: October 19, 2022

/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 September 24, 2022 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  
October 19, 2022

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 September 24, 2022 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  
October 19, 2022