



COMPANY: Perma-Pipe International Holdings, Inc.
CONTACTS: David Mansfield, President & CEO
(847) 966-1000

Harriet Fried / Jody Burfening
LHA
(212) 838-3777
hfried@lhai.com

PERMA-PIPE INTERNATIONAL HOLDINGS ANNOUNCES FOURTH QUARTER AND FULL YEAR FINANCIAL RESULTS

- *Net sales of \$27.6 million for the quarter and \$98.8 million for the year*
- *Loss from continuing operations of \$1.9 million for the quarter and \$13.0 million for the year*
- *Backlog at \$44.6 million*

NILES, IL -- April 14, 2017 -- Perma-Pipe International Holdings, Inc. (NASDAQ: PPIH) announced today financial results for the fourth quarter and fiscal year ended January 31, 2017.

CEO David Mansfield commented, "Perma-Pipe's fourth-quarter results continued to be constrained by the adverse conditions prevailing in the energy market and the negative impact on spending on infrastructure development. This is reflected in the reduction in revenues for the quarter, down 9% compared to last year, and for the full year, down 19% compared to the prior year.

"The 2016/17 year has been a challenging one, but also a transformative one as we implemented a series of strategic actions to refocus the business portfolio and cost structure. These steps included fully exiting our Filtration segment. Accordingly, our financial statements show the after-tax effect of the divestiture and related expenses in Discontinued Operations. In addition, during the fourth quarter the Company completed its efforts to reduce costs primarily through staffing reductions, which included a number of retirements and realignments amongst the senior management.

"The refocus of our resources on the Perma-Pipe business was evident in our acquisition of the remaining 51% outstanding equity capital in the pipe coating joint venture now named Perma-Pipe Canada Ltd. (previously Bayou Perma-Pipe Corporation) at the beginning of the fiscal year. The results of this Canadian entity are fully consolidated for the entire fiscal year, while in the prior year, results were shown in Joint Venture income.

"Our Company's recent name change and the restructuring of the group reflect our strategy to focus solely on our piping business. We believe Perma-Pipe's brand recognition will continue to provide value to us in geographies where we have an existing presence and as we seek to expand our presence into new markets, where we are actively identifying and pursuing opportunities."

Mr. Mansfield continued, "In fiscal 2016/17, the prolonged downturn in the energy industry, which had a profound impact on the market drivers, also had a major impact throughout the value chain in the oil and gas segment. All industry participants have been driving prices down in an effort to reduce development costs. Some major oil and gas operators have announced that they have been able to reduce their break-even prices from \$70 to well below \$30 per barrel. Some of these reductions have come from efficiencies and

improvements, but a sizeable proportion of it has come from reduced costs of materials and services. The latter has a direct impact on our business.

"Despite the extremely challenging market conditions, our backlog at January 31, 2017 stood at \$44.6 million, which represented 93% of the value at January 2016. We have recently seen some positive, although modest, indications that our market drivers could begin to become more favorable. However, our expectations are that we will not see a significant change to the dynamics in the Middle East until the latter half of 2017.

Meanwhile, we believe we have now established our infrastructure at the optimum level where we are able to minimize costs while remaining responsive to an upturn in market demand.

"Recently we announced entering into a consortium with LOGSTOR to pursue jointly the significant East Africa Crude Oil Pipeline project. This pipeline will become the longest insulated and heat traced pipeline in the world, and represents a significant opportunity for the Consortium. While we do not expect a major impact on our financial results in fiscal 2017/18 should we be successful in our pursuit of the project award, we are preparing to position ourselves as a competitive provider to this project, which will see execution over several coming years."

BACKLOG

	January 31, October 31, January 31,		
Backlog (\$ in thousands):	2017	2016	2016
Piping Systems	\$44,615	\$52,755	\$47,937

YEAR ENDED JANUARY 31, 2017

SALES - Net sales were \$98.8 million in 2016, a decrease of 19% from \$122.7 million in 2015. Various economic factors substantially reduced demand in the markets the Company serves during this fiscal year. Since the Company serves oil and gas customers, the low price of oil had a significant dampening effect on new exploration projects in the Gulf of Mexico and Canada. Restrained domestic federal and state infrastructure spending, combined with the oil-price induced recession in the Gulf Cooperation Council region, combined to weaken demand for district heating and cooling projects.

GROSS PROFIT - Gross profit decreased 56% to \$11.7 million in 2016 from \$26.7 million in 2015 due to lower volume. Gross margin decreased to 12% of net sales from 22% of net sales in the prior year. Despite having reduced manufacturing plant expenses in the U.S. and Middle East facilities, the resulting lower production levels led to a reduced absorption of manufacturing plant costs. Underutilization in the industry in the Middle East continued, with resulting pressure on project pricing, all contributing to a reduction in gross margins versus the prior year.

EXPENSES - Operating expenses decreased 6% to \$22.5 million from \$23.9 million. Operating expenses decreased by \$3.1 million partially offset by a one-time legal settlement of \$0.8 million and the addition of the Canadian expenses in the period. The decrease was due to staffing reductions in the U.S. and the Middle East as well as lower management incentive compensation expense. Operating expenses as a percent of net sales increased to 22.8% from 19.4%.

TAXES - The Company's worldwide effective income tax rates ("ETR") on continuing operations for 2016 and 2015 were 4.7% and 45.7%, respectively. The 2016 ETR was significantly impacted by the Company reporting a pre-tax loss for the year, a portion of which was generated by the subsidiary in the United Arab Emirates, which receives no tax benefit due to a zero tax rate in that country and due to the impact of the full valuation allowance maintained against domestic deferred tax assets. Other changes in the ETR from the prior year-to-date to the current year are due to the Canadian acquisition and the allocation of tax expense between continuing operations, other comprehensive income and discontinued operations when applying intra-period allocation rules.

NET LOSS - Net loss was \$11.7 million in fiscal 2016/17 compared to \$4.4 million in fiscal 2016/15.

FOURTH FISCAL QUARTER ENDED JANUARY 31, 2017

SALES - For the reasons discussed above, in the quarter net sales decreased 9% in the quarter to \$27.6 million from \$30.3 million in the prior-year quarter.

GROSS PROFIT - For the reasons discussed above, gross profit decreased 56% to \$3.0 million from \$6.9 million in the prior-year.

EXPENSES - Operating expenses totaled \$6.4 million, or 23% of net sales, compared to \$5.5 million, or 18%, in the prior-year quarter. Changes in the senior executive positions of the Company went into effect in the fourth quarter with related hiring and separation costs of \$1.1 million.

PRETAX (LOSS) INCOME FROM CONTINUING OPERATIONS - Pretax loss from continuing operations was \$3.5 million versus income of \$1.3 million in the prior year.

Perma-Pipe International Holdings, Inc.

Perma-Pipe International Holdings is a global leader in pre-insulated piping and leak detection systems for oil and gas gathering, district heating and cooling, and other applications. It uses its extensive engineering and fabrication expertise to develop piping solutions that solve complex challenges regarding the safe and efficient transportation of many types of liquids. In total, Perma-Pipe has operations at seven locations in five countries.

Forward-Looking Statements

Statements and other information contained in this announcement that can be identified by the use of forward-looking terminology constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbors created thereby, including, without limitation, statements regarding the expected future performance and operations of the Company. These statements should be considered as subject to the many risks and uncertainties that exist in the Company's operations and business environment. Such risks and uncertainties include, but are not limited to, the project nature of the business, the increasing international nature of the business, economic conditions, market demand and pricing, competitive and cost factors, raw material availability and prices, global interest rates, currency exchange rates, labor relations and other risk factors.

Perma-Pipe's Form 10-K for the period ended January 31, 2017 will be accessible at www.sec.gov and www.permapipe.com. For more information, visit the Company's website or contact its investor relations representative, LHA.

Perma-Pipe International Holdings, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended January 31,		Year Ended January 31,	
	2017	2016	2017	2016
Net sales	\$27,615	\$30,322	\$98,845	\$122,696
Cost of sales	24,568	23,377	87,129	95,955
Gross profit	3,047	6,945	11,716	26,741
Operating expenses:				
General and administrative expense	4,968	4,445	16,783	18,869
Selling expense	1,485	1,043	5,721	4,994
Total operating expenses	6,453	5,488	22,504	23,863
(Loss) income from operations	(3,406)	1,457	(10,788)	2,878
Income from joint venture	—	78	—	602
Loss on consolidation of joint venture	—	—	(1,620)	—
Interest expense, net	134	246	569	470
(Loss) income from continuing operations before income taxes	(3,540)	1,289	(12,977)	3,010
Income tax (benefit) expense	(1,688)	(657)	(611)	1,375
(Loss) income from continuing operations	(1,852)	1,946	(12,366)	1,635
(Loss) income from discontinued operations, net of tax	(218)	(5,422)	688	(6,044)
Net loss	(\$2,070)	(\$3,476)	(\$11,678)	(\$4,409)
Weighted average common shares outstanding				
Basic	7,579	7,300	7,488	7,280
Diluted	7,579	7,392	7,488	7,371
(Loss) earnings per share from continuing operations				
Basic	(\$0.24)	\$0.27	(\$1.65)	\$0.22
Diluted	(\$0.24)	\$0.26	(\$1.65)	\$0.22
(Loss) earnings per share from discontinued operations				
Basic and diluted	(\$0.03)	(\$0.74)	\$0.09	(\$0.83)
Loss per share				
Basic and diluted	(\$0.27)	(\$0.48)	(\$1.56)	(\$0.61)

Note: Earnings per share calculations could be impacted by rounding.

Perma-Pipe International Holdings, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(In thousands)</i>	January 31, 2017	January 31, 2016
ASSETS		
Current assets		
Cash, cash equivalents	\$7,603	\$16,631
Restricted cash	1,097	2,324
Trade accounts receivable, net	31,271	36,090
Inventories, net	13,565	15,625
Prepaid expenses and other current assets	4,288	25,212
Total current assets	57,824	95,882
Property, plant and equipment, net of accumulated depreciation	36,275	25,400
Long-term assets		
Goodwill	2,279	—
Note receivable	—	1,905
Investment in joint venture	—	9,112
Other assets	5,233	5,799
Total long-term assets	7,512	16,816
Total assets	\$101,611	\$138,098
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	\$10,901	\$11,026
Accrued liabilities, compensation, incentives, and payroll taxes	6,081	13,315
Current maturities of long-term debt	4,471	14,004
Other current liabilities, including customer deposits	8,595	25,740
Total current liabilities	30,048	64,085
Long-term liabilities		
Long-term debt, less current maturities	7,258	1,470
Other long-term liabilities	4,892	3,515
Total long-term liabilities	12,150	4,985
Stockholders' equity		
Total stockholders' equity	59,413	69,028
Total liabilities and stockholders' equity	\$101,611	\$138,098

Perma-Pipe International Holdings, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands)</i>	Twelve months ended January 31,	
	2017	2016
Operating activities		
Net loss	(\$11,678)	(\$4,409)
Adjustments to reconcile net income to net cash flows used in operating activities		
Depreciation and amortization	5,521	5,929
Loss on consolidation of joint venture	1,620	—
Gain on disposal of discontinued operations	(127)	(8,099)
Deferred tax benefit	(33)	(249)
Other, net	619	6,404
Changes in operating assets and liabilities		
Accounts receivable	13,698	(2,809)
Costs and estimated earnings in excess of billings on uncompleted contracts	296	(1,268)
Accrued compensation and payroll taxes	(9,227)	299
Other assets and liabilities	(4,920)	1,305
Net cash used in operating activities	<u>(4,231)</u>	<u>(2,897)</u>
Investing activities		
Net proceeds from sale of discontinued operations	9,606	16,373
Proceeds from surrender of corporate-owned life insurance policies	3,185	—
Acquisition of interest in subsidiary, net of cash acquired	(4,672)	—
Capital expenditures	(2,257)	(6,457)
Proceeds from sales of property and equipment	4,356	2,059
Receipts on loan from joint venture	—	1,890
Net cash provided by investing activities	<u>10,218</u>	<u>13,865</u>
Financing activities		
Proceeds from debt	46,092	108,470
Payments of debt on revolving lines of credit, other	(61,131)	(110,836)
Other financing	94	(659)
Net cash used in financing activities	<u>(14,945)</u>	<u>(3,025)</u>
Effect of exchange rate changes on cash and cash equivalents	(70)	(1,212)
Net (decrease) increase in cash and cash equivalents	<u>(9,028)</u>	<u>6,731</u>
Cash and cash equivalents - beginning of period	16,631	9,900
Cash and cash equivalents - end of period	<u>\$7,603</u>	<u>\$16,631</u>