

BOWLIN TRAVEL CENTERS, INC.

Financial Statements

For the Quarterly Period Ended

October 31, 2019

(unaudited)

150 Louisiana, NE Albuquerque, NM 87108 (505) 266-5985

BOWLIN TRAVEL CENTERS, INC.
Condensed Balance Sheets
(in thousands, except share data)

	<u>October 31, 2019 (Unaudited)</u>	<u>January 31, 2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,796	\$ 4,445
Marketable securities	1,180	865
Accounts receivable	54	11
Inventories	4,228	3,810
Prepaid expenses	228	243
Prepaid income taxes	42	66
Interest receivable	10	5
Total current assets	<u>10,538</u>	<u>9,445</u>
Property and equipment, net	12,535	12,663
Right of use assets	918	—
Capital lease, net	251	320
Intangible assets, net	23	18
Investment in real estate	821	821
Total assets	<u>\$ 25,086</u>	<u>\$ 23,267</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,005	\$ 635
Current maturity of long-term debt	415	282
Current maturity of capital lease obligation	98	93
Accrued liabilities	1,094	1,111
Deferred revenue	15	42
Total current liabilities	<u>2,627</u>	<u>2,163</u>
Net deferred income taxes liabilities	804	620
Lease liabilities	876	—
Capital lease obligation, less current maturities	153	227
Long-term debt, less current maturities	7,437	7,499
Total liabilities	<u>11,897</u>	<u>10,509</u>
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, none issued or outstanding at October 31, 2019 and January 31, 2019	—	—
Common stock, \$0.001 par value; 10,000,000 shares authorized, 4,583,348 issued and outstanding at October 31, 2019 and January 31, 2019	5	5
Less: Treasury stock, \$0.001 par value: 588,871 shares at October 31, 2019 and 581,576 shares at January 31, 2019	1	1
Common stock, 3,994,477 and 4,001,772 shares outstanding at October 31, 2019 and January 31, 2019, respectively	4	4
Additional paid in capital, net	9,021	9,041
Retained earnings	4,164	3,713
Total stockholders' equity	<u>13,189</u>	<u>12,758</u>
Total liabilities and stockholders' equity	<u>\$ 25,086</u>	<u>\$ 23,267</u>

See accompanying notes to condensed financial statements.

BOWLIN TRAVEL CENTERS, INC.
Condensed Statements of Income
(in thousands, except share and per share data)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 31, 2019 (Unaudited)</u>	<u>October 31, 2018 (Unaudited)</u>	<u>October 31, 2019 (Unaudited)</u>	<u>October 31, 2018 (Unaudited)</u>
Gross sales	\$ 7,184	\$ 7,023	\$ 23,935	\$ 23,268
Less discounts on sales	95	81	277	321
Net sales	7,089	6,942	23,658	22,947
Cost of goods sold	3,953	3,947	13,071	13,218
Gross profit	3,136	2,995	10,587	9,729
General and administrative expenses	(2,721)	(2,766)	(8,747)	(8,446)
Depreciation and amortization	(292)	(288)	(873)	(790)
Operating income (loss)	123	(59)	967	493
Non-operating income (expense)				
Interest income	8	4	21	12
Interest expense	(110)	(106)	(318)	(233)
Loss on sale of assets	(14)	(1)	(80)	(1)
Rental income	13	30	45	47
Total non-operating income (expense)	(103)	(73)	(332)	(175)
Income (loss) before income tax expense	20	(132)	635	318
Income tax (expense) benefit	(8)	31	(185)	(97)
Net income (loss)	<u>\$ 12</u>	<u>\$ (101)</u>	<u>\$ 450</u>	<u>\$ 221</u>
Net income (loss) per share	<u>\$ 0.003</u>	<u>\$ (0.03)</u>	<u>\$ 0.11</u>	<u>\$ 0.06</u>
Weighted average common shares outstanding	<u>3,999,469</u>	<u>4,015,553</u>	<u>3,999,469</u>	<u>4,015,553</u>

See accompanying notes to condensed financial statements.

BOWLIN TRAVEL CENTERS, INC.
Condensed Statements of Cash Flows
(in thousands)

	For the Nine Months Ended	
	October 31, 2019 (Unaudited)	October 31, 2018 (Unaudited)
Cash flows from operating activities:		
Net income	\$ 450	\$ 462
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	873	790
Loss on sale of assets	80	1
Deferred income taxes, net	185	(144)
Changes in operating assets and liabilities, net	808	(352)
Net cash provided by operating activities	2,396	757
Cash flows from investing activities:		
Proceeds from sale of assets	65	—
Purchases of property and equipment, net	(825)	(3,427)
Right of use assets	(918)	—
Accrued interest receivable	(5)	(5)
Marketable securities, net	(315)	—
Note receivable, net	(29)	—
Net cash used in investing activities	(2,027)	(3,432)
Cash flows from financing activities:		
Payments on long-term debt	(240)	(146)
Payments for obligation under capital lease	(69)	(64)
Proceeds from borrowing	311	3,017
Additional paid-in capital, treasury stock	(20)	(42)
Net cash (used in) provided by financing activities	(18)	2,765
Net increase in cash and cash equivalents	351	90
Cash and cash equivalents at beginning of period	4,445	4,033
Cash and cash equivalents at end of period	\$ 4,796	\$ 4,123

See accompanying notes to condensed financial statements.

Notes to Condensed Financial Statements (Unaudited)

1. The condensed financial statements of Bowlin Travel Centers, Inc. (the "Company") as of and for the three months and nine months ended October 2019 and 2018 are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position, operating results and cash flows for the interim periods. The interim financial statements should be read in conjunction with the audited financial statements and notes for the fiscal year ended January 31, 2019. Results of operations for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole.
2. The Company repurchased 7,295 of its outstanding common shares, as treasury stock, for the nine months ended October 31, 2019 at an average price per share of approximately \$2.68 for a total repurchase of approximately \$19,573. The common stock issued and outstanding was reduced by 7,295 shares or \$7 (7,295 shares times the par value of \$0.001), and additional paid in capital was reduced by \$19,566. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.
3. On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (TCJA), which significantly changed the U.S. tax law. The TCJA lowered the U.S. statutory federal income tax rate from 35% to 21% effective January 1, 2018.

The Company adjusted the deferred income tax assets and liabilities using the 21% rate as of the first quarter of fiscal year 2019. Management has determined that the TCJA adjustment should have been recorded as of and for the year ended January 31, 2018 and has restated its previously reported financial statements.

4. **Recent Accounting Pronouncements.** In February of 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842). The guidance was issued to increase the transparency and comparability of lessees by recognizing lease assets and lease liabilities for all operating leases on the balance sheet with the exception of short-term leases (twelve months or less). The Company adopted the updated guidance on February 1, 2019 on a prospective basis and as a result, prior periods were not adjusted to reflect the impacts of the updated guidance. As of October 31, 2019, the Company recorded \$918,000 and \$876,000 for operating lease assets and liabilities, respectively.