

BOWLIN TRAVEL CENTERS, INC.

Financial Statements

For the Quarterly Period Ended

April 30, 2018

(unaudited)

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

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

	<u>April 30, 2018 (Unaudited)</u>	<u>January 31, 2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,615	\$ 4,033
Marketable securities	965	965
Accounts receivable	26	18
Inventories	4,256	3,587
Prepaid expenses	211	247
Prepaid income taxes	172	156
Interest receivable	5	3
Total current assets	<u>9,250</u>	<u>9,009</u>
Property and equipment, net	11,666	10,059
Capital lease, net	384	406
Assets held for sale	487	487
Intangible assets, net	9	9
Investment in real estate	334	334
Total assets	<u>\$ 22,130</u>	<u>\$ 20,304</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,486	\$ 674
Current maturity of long-term debt	197	158
Current maturity of capital lease obligation	88	86
Accrued liabilities	625	1,189
Deferred revenue	28	38
Total current liabilities	<u>2,424</u>	<u>2,145</u>
Deferred income taxes, net	536	756
Capital lease obligation, less current maturities	297	320
Long-term debt, less current maturities	6,324	4,750
Total liabilities	<u>9,581</u>	<u>7,971</u>
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, none issued or outstanding at April 30, 2018 and January 31, 2018	—	—
Common stock, \$0.001 par value; 10,000,000 shares authorized, 4,012,451 issued and outstanding at April 30, 2018 and 4,022,387 issued and outstanding at January 31, 2018	5	5
Less: Treasury stock, \$0.001 par value: 570,897 shares at April 30, 2018 and 560,961 shares at January 31, 2018	1	1
Common stock outstanding	<u>4</u>	<u>4</u>
Additional paid in capital, net	9,068	9,093
Retained earnings	3,477	3,236
Total stockholders' equity	<u>12,549</u>	<u>12,333</u>
Total liabilities and stockholders' equity	<u>\$ 22,130</u>	<u>\$ 20,304</u>

See accompanying notes to condensed financial statements.

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

	Three Months Ended	
	April 30, 2018 (Unaudited)	April 30, 2017 (Unaudited)
Gross sales	\$ 6,929	\$ 6,349
Less discounts on sales	73	81
Net sales	6,856	6,268
Cost of goods sold	3,985	3,593
Gross profit	2,871	2,675
General and administrative expenses	(2,552)	(2,368)
Depreciation and amortization	(254)	(252)
Operating income	65	55
Non-operating income (expense):		
Interest income	3	2
Gain on sale of cell tower leases and easements	—	301
Interest expense	(80)	(45)
Rental income	17	19
Total non-operating income (expense)	(60)	277
Income before income tax benefit (expense)	5	332
Tax benefit due to TCJA, see note 4	241	—
Income tax expense	(5)	(130)
Net income	\$ 241	\$ 202
Income per share:		
Net income	\$ 0.06	\$ 0.05
Common shares outstanding	4,012,451	4,032,597

See accompanying notes to condensed financial statements.

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

	For the Three Months Ended	
	April 30, 2018 (Unaudited)	April 30, 2017 (Unaudited)
Cash flows from operating activities:		
Net income	\$ 241	\$ 202
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	254	252
(Gain) on sale of cell tower leases and easements	—	(301)
Deferred income taxes	(220)	(15)
Changes in operating assets and liabilities, net	(420)	(48)
Net cash (used in) provided by operating activities	(145)	90
Cash flows from investing activities:		
Purchases of property and equipment, net	(1,811)	(169)
Proceeds from sale of cell tower leases and easements	—	301
Accrued interest receivable	(2)	(2)
Net cash (used in) provided by investing activities	(1,813)	130
Cash flows from financing activities:		
Payments on long-term debt	(76)	(77)
Payments for obligation under capital lease	(21)	(9)
Proceeds from borrowing	1,662	—
Additional paid-in capital, treasury stock	(25)	(17)
Net cash provided by (used in) financing activities	1,540	(103)
Net (decrease) increase in cash and cash equivalents	(418)	117
Cash and cash equivalents at beginning of period	4,033	3,523
Cash and cash equivalents at end of period	\$ 3,615	\$ 3,640

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 ended April 2018 and 2017 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, 2018. 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 continues to list for sale property located in Edgewood, New Mexico.

The property was closed October 31, 2007 and the property remains for sale and therefore has been identified as a component as defined in FASB ASC 205-20-45 – Accounting for Impairment or Disposal of Long-Lived Assets (as amended). The carrying value of the property of approximately \$487,000 has been reclassified as assets held for sale in the April 30, 2018 and in the January 31, 2018 balance sheets.

3. In September 2017, the Board of Directors voted to continue the stock repurchase program that began in September 2008, whereby up to 1,000,000 shares of its common stock outstanding may be repurchased in the open market or in privately negotiated purchases from time to time, depending on market conditions and other factors. The purchases will be funded from available working capital and will be made in accordance with applicable securities laws and regulations.

The Company repurchased 9,936 of its outstanding common shares for the three months ended April 30, 2018 at an average price per share of approximately \$2.56 for a total repurchase of approximately \$25,410. The common stock issued and outstanding was reduced by 9,936 shares or \$10 (9,936 shares times the par value of \$0.001), and additional paid in capital was reduced by \$25,400. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

4. On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (TCJA), which significantly changed U.S. tax law. The TCJA lowered the U.S. statutory federal income tax rate from 35% to 21% effective January 1, 2018.

In prior years, the Company used the effective rate of 34% to calculate deferred tax assets and liabilities. At April 30, 2018, the net deferred tax liability was calculated using the 21% rate which resulted in a \$241,000 reduction to the estimated beginning net deferred tax liability. This change in estimate was included in the current year provision for income tax.