

**BOWLIN TRAVEL CENTERS, INC.**

**Financial Statements**

**For the Quarterly Period Ended**

**July 31, 2019**

**(unaudited)**

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

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

	<u>July 31, 2019 (Unaudited)</u>	<u>January 31, 2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,225	\$ 4,445
Marketable securities	1,180	865
Accounts receivable	23	11
Inventories	4,161	3,810
Prepaid expenses	201	243
Prepaid income taxes	66	66
Interest receivable	6	5
Total current assets	<u>10,862</u>	<u>9,445</u>
Property and equipment, net	12,766	12,663
Right of use assets	950	—
Capital lease, net	274	320
Intangible assets, net	23	18
Investment in real estate	821	821
Total assets	<u>\$ 25,696</u>	<u>\$ 23,267</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,434	\$ 635
Current maturity of long-term debt	410	282
Current maturity of capital lease obligation	96	93
Accrued liabilities	1,159	1,111
Deferred revenue	15	42
Total current liabilities	<u>3,114</u>	<u>2,163</u>
Net deferred income taxes liabilities	797	620
Lease liabilities	878	—
Capital lease obligation, less current maturities	178	227
Long-term debt, less current maturities	7,545	7,499
Total liabilities	<u>12,512</u>	<u>10,509</u>
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, none issued or outstanding at July 31, 2019 and January 31, 2019	—	—
Common stock, \$0.001 par value; 10,000,000 shares authorized, 4,583,348 issued and outstanding at July 31, 2019 and January 31, 2019	5	5
Less: Treasury stock, \$0.001 par value: 586,546 shares at July 31, 2019 and 581,576 shares at January 31, 2019	1	1
Common stock, 3,996,802 and 4,001,772 shares outstanding at July 31, 2019 and January 31, 2019, respectively	4	4
Additional paid in capital, net	9,029	9,041
Retained earnings	4,151	3,713
Total stockholders' equity	<u>13,184</u>	<u>12,758</u>
Total liabilities and stockholders' equity	<u>\$ 25,696</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>Six Months Ended</u>	
	<u>July 31, 2019 (Unaudited)</u>	<u>July 31, 2018 (Unaudited)</u>	<u>July 31, 2019 (Unaudited)</u>	<u>July 31, 2018 (Unaudited)</u>
Gross sales	\$ 9,443	\$ 9,316	\$ 16,751	\$ 16,245
Less discounts on sales	101	167	182	240
Net sales	9,342	9,149	16,569	16,005
Cost of goods sold	5,064	5,286	9,118	9,271
Gross profit	4,278	3,863	7,451	6,734
General and administrative expenses	(3,313)	(3,127)	(6,026)	(5,680)
Depreciation and amortization	(289)	(249)	(581)	(502)
Operating income	676	487	844	552
Non-operating income (expense)				
Interest income	8	4	13	7
Interest expense	(102)	(46)	(208)	(126)
Loss on sale of assets	(65)	(1)	(65)	(1)
Rental income	14	16	31	33
Total non-operating income (expense)	(145)	(27)	(229)	(87)
Income before income tax expense	531	460	615	465
Income tax expense	(153)	(123)	(177)	(128)
Net income	<u>\$ 378</u>	<u>\$ 337</u>	<u>\$ 438</u>	<u>\$ 337</u>
Net income per share	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.11</u>	<u>\$ 0.08</u>
Weighted average common shares outstanding	<u>4,002,379</u>	<u>4,020,876</u>	<u>4,002,379</u>	<u>4,020,876</u>

See accompanying notes to condensed financial statements.

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

	<b>For the Six Months Ended</b>	
	<b>July 31, 2019 (Unaudited)</b>	<b>July 31, 2018 (Unaudited)</b>
Cash flows from operating activities:		
Net income	\$ 438	\$ 337
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	581	502
Loss on sale of assets	65	1
Deferred income taxes, net	177	128
Changes in operating assets and liabilities, net	1,377	(126)
Net cash provided by operating activities	2,638	842
Cash flows from investing activities:		
Proceeds from sale of assets	35	—
Purchases of property and equipment, net	(742)	(3005)
Right of use assets	(950)	—
Accrued interest receivable	(1)	(4)
Marketable securities, net	(315)	—
Net cash used in investing activities	(1,973)	(3,009)
Cash flows from financing activities:		
Payments on long-term debt	(138)	(98)
Payments for obligation under capital lease	(46)	(43)
Proceeds from borrowing	311	2,735
Additional paid-in capital, treasury stock	(12)	(31)
Net cash provided by financing activities	115	2,563
Net increase in cash and cash equivalents	780	396
Cash and cash equivalents at beginning of period	4,445	4,033
Cash and cash equivalents at end of period	\$ 5,225	\$ 4,429

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 six months ended July 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 4,970 of its outstanding common shares, as treasury stock, for the six months ended July 31, 2019 at an average price per share of approximately \$2.31 for a total repurchase of approximately \$11,488. The common stock issued and outstanding was reduced by 4,970 shares or \$5 (4,970 shares times the par value of \$0.001), and additional paid in capital was reduced by \$11,483. 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 July 31, 2019, the Company recorded \$950,000 and \$878,000 for operating lease assets and liabilities, respectively.

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