

BOWLIN TRAVEL CENTERS, INC.

Financial Statements

For the Quarterly Period Ended

October 31, 2018

(unaudited)

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

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

	October 31, 2018 (Unaudited)	January 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,123	\$ 4,033
Marketable securities	965	965
Accounts receivable	18	18
Inventories	4,282	3,587
Prepaid expenses	219	247
Prepaid income taxes	79	156
Interest receivable	8	3
Total current assets	9,694	9,009
Property and equipment, net	12,761	10,059
Capital lease, net	342	406
Assets held for sale	487	487
Intangible assets, net	7	9
Investment in real estate	334	334
Total assets	\$ 23,625	\$ 20,304
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,165	\$ 674
Current maturity of long-term debt	261	158
Current maturity of capital lease obligation	91	86
Accrued liabilities	928	1,189
Deferred revenue	46	38
Total current liabilities	2,491	2,145
Deferred income taxes	612	756
Capital lease obligation, less current maturities	251	320
Long-term debt, less current maturities	7,518	4,750
Total liabilities	10,872	7,971
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, none issued or outstanding at October 31, 2018 and January 31, 2018	—	—
Common stock, \$0.001 par value; 10,000,000 shares authorized, 4,006,440 issued and outstanding at October 31, 2018 and 4,022,387 issued and outstanding at January 31, 2018	5	5
Less: Treasury stock, \$0.001 par value: 576,908 shares at October 31, 2018 and 560,961 shares at January 31, 2018	1	1
Common stock outstanding	4	4
Additional paid in capital, net	9,051	9,093
Retained earnings	3,698	3,236
Total stockholders' equity	12,753	12,333
Total liabilities and stockholders' equity	\$ 23,625	\$ 20,304

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		Nine Months Ended	
	Oct 31, 2018 (Unaudited)	Oct 31, 2017 (Unaudited)	Oct 31, 2018 (Unaudited)	Oct 31, 2017 (Unaudited)
Gross sales	\$ 7,023	\$ 6,503	\$ 23,268	\$ 21,224
Less discounts on sales	81	68	321	252
Net sales	6,942	6,435	22,947	20,972
Cost of goods sold	3,947	3,583	13,218	11,653
Gross profit	2,995	2,852	9,729	9,319
General and administrative expenses	(2,766)	(2,532)	(8,446)	(7,893)
Depreciation and amortization	(288)	(258)	(790)	(754)
Operating income (loss)	(59)	62	493	672
Non-operating income (expense)				
Interest income	4	3	12	7
Gain on sale of cell tower leases and easements	—	—	—	301
Interest expense	(106)	(53)	(233)	(144)
Loss on sale of assets	(1)	(7)	(1)	(7)
Rental income	30	23	47	65
Total non-operating income (expense)	(73)	(34)	(175)	222
Income (loss) before income tax expense	(132)	28	318	894
Tax benefit due to TCJA, see note 4	—	—	241	—
Income tax (expense) benefit	31	(1)	(97)	(341)
Net income (loss)	<u>\$ (101)</u>	<u>\$ 27</u>	<u>\$ 462</u>	<u>\$ 553</u>
Earnings (loss) per share	<u>\$ (0.03)</u>	<u>\$ 0.01</u>	<u>\$ 0.12</u>	<u>\$ 0.14</u>
Common shares outstanding	<u>4,006,440</u>	<u>4,028,427</u>	<u>4,006,440</u>	<u>4,028,427</u>

See accompanying notes to condensed financial statements.

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

	For the Nine Months Ended	
	Oct 31, 2018 (Unaudited)	Oct 31, 2017 (Unaudited)
Cash flows from operating activities:		
Net income	\$ 462	\$ 553
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	790	754
(Gain) on sale of cell tower leases and easements	—	(301)
Loss on sale of assets	1	7
Deferred income taxes, net	(144)	86
Changes in operating assets and liabilities, net	(352)	12
Net cash provided by operating activities	757	1,111
Cash flows from investing activities:		
Purchases of property and equipment, net	(3,427)	(680)
Proceeds from sale of cell tower leases and easements	—	301
Accrued interest receivable	(5)	(4)
Net cash used in investing activities	(3,432)	(383)
Cash flows from financing activities:		
Payments on long-term debt	(146)	(194)
Payments for obligation under capital lease	(64)	(70)
Payments for debt issuance costs	—	(43)
Retirement of long-term debt	—	(2,955)
Proceeds from borrowing	3,017	2,993
Additional paid-in capital, treasury stock	(42)	(25)
Net cash provided by (used in) financing activities	2,765	(294)
Net increase in cash and cash equivalents	90	434
Cash and cash equivalents at beginning of period	4,033	3,523
Cash and cash equivalents at end of period	\$ 4,123	\$ 3,957

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 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 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 October 31, 2018 and in the January 31, 2018 balance sheets.

3. In September 2018, 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 15,947 of its outstanding common shares for the nine months ended October 31, 2018 at an average price per share of approximately \$2.645 for a total repurchase of approximately \$42,181. The common stock issued and outstanding was reduced by 15,947 shares or \$16 (15,947 shares times the par value of \$0.001), and additional paid in capital was reduced by \$42,165. 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 the 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. Beginning this fiscal year, 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.

5. In August 2018, the Company completed its major construction project at The Thing Travel Center located 17 miles east of Benson, Arizona. The 30,000 square foot facility includes a new state of the art museum attraction, a significantly expanded retail space, and upgraded Dairy Queen restaurant. The cost of the project was approximately \$3,800,000.