Casey's Announces Second Quarter Results; Updates Fiscal 2023 Outlook

December 6, 2022

ANKENY, Iowa--(BUSINESS WIRE)-- Casey's General Stores, Inc. ("Casey's" or the "Company") (Nasdaq: CASY) a leading convenience store chain in the United States, today announced financial results for the three and six months ended October 31, 2022.

Second Quarter Key Highlights

- Diluted EPS of $3.67, up 42% from the same period a year ago.
- Inside same-store sales increased 7.9% compared to prior year, and 14.4% on a two-year stack basis, with an inside margin of 39.8%. Total inside gross profit increased 8.9% to $504.5 million compared to the prior year.
- Same-store fuel gallons were up 0.3% compared to prior year with a fuel margin of 40.5 cents per gallon. Total fuel gross profit increased 22.7% to $284.4 million compared to the prior year.
- Same-store operating expense excluding credit card fees were up 1.3%, favorably impacted by a 3% reduction in same-store labor hours.
- The Company is updating its Fiscal 2023 Outlook due to improved inside sales and operating expense performance.

“Thanks to our entire team, Casey's delivered another excellent quarter by growing inside sales while driving efficiency throughout the business,” said Darren Rebelez, President and CEO. “Inside same-store sales were driven by prepared food and dispensed beverages, most notably pizza and fountain sales. Grocery and general merchandise achieved impressive results in both alcoholic and non-alcoholic beverages. The fuel gross profit dollars remained strong as our fuel team executed at a high level again and struck the right balance between sales volume and gross profit margin. The resiliency of our business model along with the ability to effectively execute on our long-term strategic plan continues to drive shareholder value.”

Earnings

	Three Months Ended October 31,		Six Months Ended October 31,	
	2022	2021	**2022**	2021
Net income (in thousands)	**$ 137,555**	$ 96,831	**$ 290,487**	$ 215,990
Diluted earnings per share	**$ 3.67**	$ 2.59	**$ 7.75**	$ 5.78
Adjusted EBITDA (in thousands)	**$ 276,296**	$ 217,009	**$ 569,505**	$ 460,198

Net income, diluted EPS, and Adjusted EBITDA (reconciled later in the document), were up compared to the same period a year ago as higher profitability both inside the store and in fuel was partially offset by higher operating expenses due to operating 83 additional stores, as well as increased credit card fees resulting from the higher retail price of fuel.

Inside

	Three Months Ended October 31,		Six Months Ended October 31,	
	2022	2021	**2022**	2021
Inside sales (in thousands)	**$ 1,268,436**	$ 1,138,988	**$ 2,535,053**	$ 2,282,913
Inside same-store sales	**7.9%**	6.0%	**7.0%**	7.0%
Grocery and general merchandise same-store sales	**6.9%**	6.8%	**6.1%**	6.9%
Prepared food and dispensed beverage same-store sales	**10.5%**	4.1%	**9.4%**	7.3%
Inside gross profit (in thousands)	**$ 504,474**	$ 463,438	**$ 1,008,734**	$ 926,952
Inside margin	**39.8%**	40.7%	**39.8%**	40.6%
Grocery and general merchandise margin	**33.3%**	33.3%	**33.6%**	33.1%
Prepared food and dispensed beverage margin	**56.7%**	60.6%	**56.2%**	60.8%

Total inside sales were up 11.4% for the quarter driven by strong performance in prepared food items including both pizza slices and whole pies, as well as non-alcoholic and alcoholic beverages, snacks and candy from the grocery and general merchandise category. Inside margin was down 90 basis points compared to the same quarter a year ago. Grocery and general merchandise margin was consistent with the prior year, while higher prepared food and dispensed beverage ingredient costs, notably cheese, partially offset by price adjustments, continued to pressure gross profit margin relative to the prior year.

Fuel [1]

	Three Months Ended October 31,		Six Months Ended October 31,	
	2022	2021	**2022**	2021
Fuel gallons sold (in thousands)	**702,043**	668,757	**1,391,510**	1,336,291
Same-store gallons sold	**0.3%**	2.5%	**(1.2) %**	5.6%
Fuel gross profit (in thousands)	**$284,407**	$ 231,883	**$ 592,595**	$ 466,358
Fuel margin (cents per gallon, excluding credit card fees)	**40.5 ¢**	34.7 ¢	**42.6 ¢**	34.9 ¢

Total gallons increased 5.0% compared to the prior year due to the store count increase while same-store gallons sold were up 0.3% versus the prior year. The Company's total fuel gross profit was up 22.7% versus the prior year, favorably impacted by higher cents per gallon. The Company sold $11.1 million in renewable fuel credits (RINs) in the second quarter, an increase of $4.8 million from the same quarter in the prior year.

[1] Fuel category does not include wholesale fuel activity, which is included in Other.

Operating Expenses

	Three Months Ended October 31,		Six Months Ended October 31,	
	2022	2021	**2022**	2021
Operating expenses (in thousands)	**$ 539,207**	$ 500,644	**$ 1,082,478**	$ 979,572
Credit card fees (in thousands)	**$ 60,469**	$ 52,072	**$ 127,696**	$ 101,515
Same-store operating expense excluding credit card fees	**1.3%**	8.3%	**1.9%**	12.7%

Operating expenses increased 7.7% during the second quarter. Over 2% of the increase is due to operating 83 more stores than prior year and over 1% of the change is related to an increase in same-store credit card fees from higher retail fuel prices. Approximately 1% of the increase was due to a non-cash impairment charge and approximately 1% of the increase is from internal fuel expense related to grocery self-distribution. Same-store operating expense excluding credit card fees was also up 1.3%, benefited by a 3% reduction in same-store hours.

Expansion

	Store Count
Stores at 4/30/2022	2,452
New store construction	9
Acquisitions	3
Acquisitions not opened	(2)
Prior acquisitions opened	2
Closed	(1)
Stores at 10/31/2022	2,463

Liquidity

At October 31, 2022, the Company had approximately $884 million in available liquidity, consisting of approximately $415 million in cash and cash equivalents on hand and $469 million in undrawn borrowing capacity on existing lines of credit.

Share Repurchase

The Company has $400 million remaining under its existing share repurchase authorization. There were no repurchases made against that authorization in the second quarter.

Dividend

At its December meeting, the Board of Directors voted to pay a quarterly dividend of $0.38 per share. The dividend is payable February 15, 2023 to shareholders of record on February 1, 2023.

Fiscal 2023 Outlook

Due to the strong year-to-date performance the Company is modifying its fiscal 2023 outlook. The Company now expects same-store inside sales to be approximately 5% to 7%. Total operating expense increase is expected to be near the low end of the annual range which was approximately 9% to 10%. The tax rate is now expected to be between approximately 24% and 25% for the year.

The Company is not updating its outlook for the following metrics. Inside margin is expected to be approximately 40%. The

Company expects same-store fuel gallons to be flat to 2% higher. The Company expects to add approximately 80 stores in fiscal 2023, and expects to exceed our stated three year commitment of 345 units. Interest expense is expected to be approximately $55 million. Depreciation and amortization is expected to be approximately $320 million and the purchase of property plant and equipment is expected to be approximately $450 to $500 million, including approximately $135 million in one-time store remodel costs for recently acquired stores.

Casey's General Stores, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(Dollars in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2022	2021	**2022**	2021
Total revenue	**$ 3,978,575**	$ 3,262,942	**$ 8,433,219**	$ 6,444,935
Cost of goods sold (exclusive of depreciation and amortization, shown separately below)	**3,167,633**	2,545,352	**6,786,027**	5,003,458
Operating expenses	**539,207**	500,644	**1,082,478**	979,572
Depreciation and amortization	**78,117**	74,258	**154,412**	150,146
Interest, net	**13,502**	13,520	**27,318**	27,250
Income before income taxes	**180,116**	129,168	**382,984**	284,509
Federal and state income taxes	**42,561**	32,337	**92,497**	68,519
Net income	**$ 137,555**	$ 96,831	**$ 290,487**	$ 215,990
Net income per common share				
Basic	**$ 3.69**	$ 2.61	**$ 7.80**	$ 5.81
Diluted	**$ 3.67**	$ 2.59	**$ 7.75**	$ 5.78
Basic weighted average shares	**37,277,080**	37,162,984	**37,250,580**	37,144,744
Plus effect of stock compensation	**246,679**	205,669	**215,335**	205,669
Diluted weighted average shares	**37,523,759**	37,368,653	**37,465,915**	37,350,413

Casey's General Stores, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in thousands)
(Unaudited)

	October 31, 2022	April 30, 2022
Assets		
Current assets		
Cash and cash equivalents	**$ 414,798**	$ 158,878
Receivables	**157,491**	108,028
Inventories	**393,320**	396,199
Prepaid expenses	**27,734**	17,859
Income taxes receivable	**—**	44,071
Total current assets	**993,343**	725,035
Other assets, net of amortization	**177,593**	187,219
Goodwill	**612,934**	612,934
Property and equipment, net of accumulated depreciation of $2,530,393 at October 31, 2022 and $2,425,709 at April 30, 2022	**4,006,594**	3,980,542
Total assets	**$5,790,464**	$5,505,730
Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt and finance lease obligations	**$ 33,996**	$ 24,466
Accounts payable	**587,030**	588,783
Accrued expenses	**298,962**	291,429
Income taxes payable	**1,310**	—
Total current liabilities	**921,298**	904,678
Long-term debt and finance lease obligations, net of current maturities	**1,639,580**	1,663,403

Deferred income taxes	**545,756**	520,472
Deferred compensation	**11,668**	12,746
Insurance accruals, net of current portion	**29,816**	27,957
Other long-term liabilities	**129,530**	135,636
Total liabilities	**3,277,648**	3,264,892
Total shareholders' equity	**2,512,816**	2,240,838
Total liabilities and shareholders' equity	**$5,790,464**	$5,505,730

Casey's General Stores, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Six months ended October 31,	
	2022	2021
Cash flows from operating activities:		
Net income	**$ 290,487**	$ 215,990
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**154,412**	150,146
Amortization of debt issuance costs	**691**	717
Share-based compensation	**25,875**	17,500
Loss (gain) on disposal of assets and impairment charges	**4,791**	(1,707)
Deferred income taxes	**25,284**	58,073
Changes in assets and liabilities:		
Receivables	**(49,463)**	(8,087)
Inventories	**3,023**	(39,531)
Prepaid expenses	**(9,875)**	(13,698)
Accounts payable	**(14,330)**	87,831
Accrued expenses	**6,224**	(6,134)
Income taxes	**46,707**	(6,898)
Other, net	**2,273**	1,175
Net cash provided by operating activities	**486,099**	455,377
Cash flows from investing activities:		
Purchase of property and equipment	**(177,327)**	(123,518)
Payments for acquisition of businesses, net of cash acquired	**(2,692)**	(626,126)
Proceeds from sales of assets	**10,052**	21,890
Net cash used in investing activities	**(169,967)**	(727,754)
Cash flows from financing activities:		
Proceeds from long-term debt	**—**	300,000
Payments of long-term debt	**(17,302)**	(9,750)
Payments of debt issuance costs	**—**	(249)
Proceeds from exercise of stock options	**—**	133
Payments of cash dividends	**(27,292)**	(25,234)
Tax withholdings on employee share-based awards	**(15,618)**	(17,370)
Net cash (used in) provided by financing activities	**(60,212)**	247,530
Net increase (decrease) in cash and cash equivalents	**255,920**	(24,847)
Cash and cash equivalents at beginning of the period	**158,878**	336,545
Cash and cash equivalents at end of the period	**$ 414,798**	$ 311,698

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

	Six months ended October 31,	
	2022	2021
Cash paid during the period for:		
Interest, net of amount capitalized	**$ 25,077**	$ 25,076
Income taxes, net	**17,696**	14,937

Noncash investing and financing activities:		
Purchased property and equipment in accounts payable	**59,236**	50,713
Right-of-use assets obtained in exchange for new finance lease liabilities	**2,119**	47,775
Right-of-use assets obtained in exchange for new operating lease liabilities	**1,163**	40,944

Summary by Category (Amounts in thousands)

Three months ended October 31, 2022	**Fuel**	**Grocery & General Merchandise**	**Prepared Food & Dispensed Beverage**	**Other**	**Total**
Revenue	**$ 2,635,920**	**$ 917,176**	**$ 351,260**	**$ 74,219**	**$ 3,978,575**
Gross profit	**$ 284,407**	**$ 305,250**	**$ 199,224**	**$ 22,061**	**$ 810,942**
	10.8%	**33.3%**	**56.7%**	**29.7%**	**20.4%**
Fuel gallons sold	**702,043**				
Three months ended October 31, 2021					
Revenue	$ 2,048,831	$ 829,484	$ 309,504	$ 75,123	$ 3,262,942
Gross profit	$ 231,883	$ 275,940	$ 187,498	$ 22,269	$ 717,590
	11.3%	33.3%	60.6%	29.6%	22.0%
Fuel gallons sold	668,757				

Summary by Category (Amounts in thousands)

Six Months Ended October 31, 2022	**Fuel**	**Grocery & General Merchandise**	**Prepared Food & Dispensed Beverage**	**Other**	**Total**
Revenue	**$ 5,732,262**	**$ 1,840,240**	**$ 694,813**	**$ 165,904**	**$ 8,433,219**
Gross profit	**$ 592,595**	**$ 618,557**	**$ 390,177**	**$ 45,863**	**$ 1,647,192**
	10.3%	**33.6%**	**56.2%**	**27.6%**	**19.5%**
Fuel gallons sold	**1,391,510**				
Six Months Ended October 31, 2021					
Revenue	$ 4,015,986	$ 1,664,969	$ 617,944	$ 146,036	$ 6,444,935
Gross profit	$ 466,358	$ 551,348	$ 375,604	$ 48,167	$ 1,441,477
	11.6%	33.1%	60.8%	33.0%	22.4%
Fuel gallons sold	1,336,291				

Fuel Gallons Same-store Sales

	Q1	Q2	Q3	Q4	Fiscal Year
F2023	**(2.3) %**	**0.3%**	**—**	**—**	**—**
F2022	9.0	2.5	**5.7%**	**1.5%**	**4.4%**
F2021	(14.6)	(8.6)	(12.1)	6.4	(8.1)

Fuel Margin (Cents per gallon, excluding credit card fees)

	Q1	Q2	Q3	Q4	Fiscal Year
F2023	**44.7 ¢**	**40.5 ¢**	—	—	—
F2022	35.1	34.7	**38.3 ¢**	**36.2 ¢**	**36.0 ¢**
F2021	38.2	35.3	32.9	33.0	34.9

Grocery & General Merchandise Same-store Sales

	Q1	Q2	Q3	Q4	Fiscal Year
F2023	**5.5%**	**6.9%**	**—**	**—**	**—**
F2022	7.0	6.8	**7.7%**	**4.3%**	**6.3%**
F2021	3.6	6.6	5.4	12.5	6.6

Grocery & General Merchandise Margin

	Q1	Q2	Q3	Q4	Fiscal Year
F2023	**33.9%**	**33.3%**	**—**	**—**	**—**
F2022	33.0	33.3	**32.0%**	**32.5%**	**32.7%**
F2021	32.2	33.3	30.7	31.8	32.0

Prepared Food & Dispensed Beverage Same-store Sales

	Q1	Q2	Q3	Q4	Fiscal Year
F2023	**8.4%**	**10.5%**	**—**	**—**	**—**
F2022	10.8	4.1	**7.4%**	**7.6%**	**7.4%**
F2021	(9.8)	(3.6)	(5.0)	13.4	(2.1)

Prepared Food & Dispensed Beverage Margin

	Q1	Q2	Q3	Q4	Fiscal Year
F2023	**55.6%**	**56.7%**	**—**	**—**	**—**
F2022	61.0	60.6	**58.0%**	**56.9%**	**59.2%**
F2021	59.7	60.1	60.6	60.1	60.1

RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA

We define EBITDA as net income before net interest expense, income taxes, depreciation and amortization. Adjusted EBITDA further adjusts EBITDA by excluding the gain or loss on disposal of assets as well as impairment charges. Neither EBITDA nor Adjusted EBITDA are considered GAAP measures, and should not be considered as a substitute for net income, cash flows from operating activities or other income or cash flow statement data. These measures have limitations as analytical tools, and should not be considered in isolation or as substitutes for analysis of our results as reported under GAAP. We strongly encourage investors to review our financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We believe EBITDA and Adjusted EBITDA are useful to investors in evaluating our operating performance because securities analysts and other interested parties use such calculations as a measure of financial performance and debt service capabilities, and they are regularly used by the Company for internal purposes including our capital budgeting process, evaluating acquisition targets, assessing performance, and awarding incentive compensation.

Because non-GAAP financial measures are not standardized, EBITDA and Adjusted EBITDA, as defined by us, may not be comparable to similarly titled measures reported by other companies. It therefore may not be possible to compare our use of these non-GAAP financial measures with those used by other companies.

The following table contains a reconciliation of net income to EBITDA and Adjusted EBITDA for the three and six months ended October 31, 2022 and 2021:

(in thousands)	Three Months Ended October 31,		Six Months Ended October 31,	
	2022	2021	**2022**	2021
Net income	**$ 137,555**	$ 96,831	**$ 290,487**	$ 215,990
Interest, net	**13,502**	13,520	**27,318**	27,250
Federal and state income taxes	**42,561**	32,337	**92,497**	68,519
Depreciation and amortization	**78,117**	74,258	**154,412**	150,146
EBITDA	**271,735**	216,946	**564,714**	461,905
Loss (gain) on disposal of assets and impairment charges	**4,561**	63	**4,791**	(1,707)
Adjusted EBITDA	**$ 276,296**	$ 217,009	**$ 569,505**	$ 460,198

NOTES:

- Gross Profit is defined as revenue less cost of goods sold (exclusive of depreciation and amortization)
- Inside is defined as the combination of Grocery and General Merchandise and Prepared Food and Dispensed Beverage

This release contains statements that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including those related to expectations for future periods, possible or assumed future results of operations, financial conditions, liquidity and related sources or needs, business and/or integration strategies, plans and synergies, supply chain, growth opportunities, performance at our stores. There are a number of known and unknown risks, uncertainties, and other factors that may cause our actual results to differ materially from any results expressed or implied by these forward-looking statements, including but not limited to the execution of our strategic plan, the integration and financial performance of acquired stores, wholesale fuel, inventory and ingredient costs, distribution challenges and disruptions, the impact and duration of COVID-19 and related governmental actions, the impact and duration of the conflict in Ukraine or other geopolitical disruptions, as well as other risks, uncertainties and factors which are described in the Company's most recent annual report on Form 10-K and quarterly reports on Form 10-Q, as filed with the Securities and Exchange Commission and available on our website. Any forward-looking statements contained in this release represent our current views as of the date of this release with respect to future events, and Casey's disclaims any intention or obligation to update or revise any forward-looking statements in the release whether as a result of new information, future events, or otherwise.

Corporate information is available at this website: https://www.caseys.com. Earnings will be reported during a conference call on December 7, 2022. The call will be broadcast live over the Internet at 7:30 a.m. CST. To access the call, go to the Events and Presentations section of our website at https://investor.caseys.com/events-and-presentations/default.aspx. No access code is required. A webcast replay of the call will remain available in an archived format on the Events and Presentations section of our website at https://investor.caseys.com/events-and-presentations/default.aspx for one year after the call.

Investor Relations Contact:
Brian Johnson (515) 965-6587

Media Relations Contact:
Katie Petru (515) 446-6772

Source: Casey's General Stores