

CASEYS GENERAL STORES INC  
Form 10-Q  
March 06, 2017

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)  
of the Securities Exchange Act of 1934  
For the Fiscal Quarter Ended January 31, 2017  
Commission File Number 001-34700

CASEY'S GENERAL STORES, INC.  
(Exact name of registrant as specified in its charter)

IOWA 42-0935283  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

ONE CONVENIENCE BOULEVARD, 50021  
ANKENY, IOWA  
(Address of principal executive offices) (Zip Code)  
(515) 965-6100  
(Registrant's telephone number, including area code)

NONE  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of Accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                                | Outstanding at March 1, 2017 |
|--------------------------------------|------------------------------|
| Common stock, no par value per share | 39,198,171 shares            |



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## PART I—FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

## CASEY'S GENERAL STORES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(DOLLARS IN THOUSANDS)

|  | January 31, April 30,<br>2017            2016 |           |
|--|---|-----------|
| ASSETS   |   |           |
| Current assets:  |   |           |
| Cash and cash equivalents  | \$115,721                                     | 75,775    |
| Receivables  | 34,542  | 27,701    |
| Inventories  | 209,692                                       | 204,988   |
| Prepaid expenses   | 4,726   | 3,008     |
| Income tax receivable  | 11,021  | 14,413    |
| Total current assets   | 375,702                                       | 325,885   |
| Other assets, net of amortization  | 20,238  | 18,981    |
| Goodwill   | 130,081                                       | 128,566   |
| Property and equipment, net of accumulated depreciation of \$1,456,308 at January 31, 2017 and \$1,340,249 at April 30, 2016 | 2,450,358                                     | 2,252,475 |
| Total assets   | \$2,976,379                                   | 2,725,907 |

See notes to unaudited condensed consolidated financial statements.

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CASEY'S GENERAL STORES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)  
 (Continued)  
 (DOLLARS IN THOUSANDS)

|   | January 31,<br>2017 | April 30,<br>2016 |
|---|---------------------|-------------------|
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                     |                   |
| Current liabilities:                        |                     |                   |
| Current maturities of long-term debt        | \$ 15,415           | 15,375            |
| Accounts payable                            | 230,472             | 241,207           |
| Accrued expenses                            | 140,869             | 130,989           |
| Total current liabilities                   | 386,756             | 387,571           |
| Long-term debt, net of current maturities   | 914,955             | 822,628           |
| Deferred income taxes                       | 422,334             | 394,934           |
| Deferred compensation                       | 15,603              | 17,813            |
| Other long-term liabilities                 | 21,225              | 19,498            |
| Total liabilities                           | 1,760,873           | 1,642,444         |
| Shareholders' equity:                       |                     |                   |
| Preferred stock, no par value               | —                   | —                 |
| Common stock, no par value                  | 85,714              | 72,868            |
| Retained earnings                           | 1,129,792           | 1,010,595         |
| Total shareholders' equity                  | 1,215,506           | 1,083,463         |
| Total liabilities and shareholders' equity  | \$2,976,379         | 2,725,907         |

See notes to unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

|  | Three Months Ended |            | Nine Months Ended |            |
|--|--------------------|------------|-------------------|------------|
|  | January 31,        |            | January 31,       |            |
|  | 2017               | 2016       | 2017              | 2016       |
| Total revenue  | \$1,769,993        | 1,565,940  | 5,660,127         | 5,539,132  |
| Cost of goods sold (exclusive of depreciation and amortization,<br>shown separately below) | 1,380,364          | 1,194,771  | 4,377,185         | 4,313,731  |
| Gross profit   | 389,629            | 371,169    | 1,282,942         | 1,225,401  |
| Operating expenses   | 292,321            | 259,625    | 879,738           | 791,185    |
| Depreciation and amortization  | 51,152             | 43,822     | 145,682           | 125,028    |
| Interest, net  | 10,559             | 10,132     | 31,174            | 30,225     |
| Income before income taxes   | 35,597             | 57,590     | 226,348           | 278,963    |
| Federal and state income taxes   | 12,762             | 19,491     | 78,941            | 100,025    |
| Net income   | \$22,835           | 38,099     | 147,407           | 178,938    |
| Net income per common share  |                    |            |                   |            |
| Basic  | \$0.58             | 0.98       | 3.76              | 4.59       |
| Diluted  | \$0.58             | 0.97       | 3.72              | 4.54       |
| Basic weighted average shares outstanding  | 39,194,671         | 39,033,987 | 39,183,388        | 39,003,820 |
| Plus effect of stock compensation  | 463,445            | 403,421    | 466,380           | 397,551    |
| Diluted weighted average shares outstanding  | 39,658,116         | 39,437,408 | 39,649,768        | 39,401,371 |
| Dividends declared per share   | \$0.24             | 0.22       | 0.72              | 0.66       |

See notes to unaudited condensed consolidated financial statements.

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CASEY'S GENERAL STORES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (DOLLARS IN THOUSANDS)

|   | Nine months ended<br>January 31, |           |
|---|----------------------------------|-----------|
|   | 2017                             | 2016      |
| Cash flows from operating activities:   |                                  |           |
| Net income  | \$ 147,407                       | 178,938   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                  |           |
| Depreciation and amortization   | 145,682                          | 125,028   |
| Other amortization  | 255                              | 310       |
| Stock-based compensation  | 7,356                            | 5,793     |
| Loss on disposal of assets and impairment charges                                 | 810                              | 314       |
| Deferred income taxes   | 27,400                           | 41,551    |
| Changes in assets and liabilities:  |                                  |           |
| Receivables   | (6,841 )                         | (1,331 )  |
| Inventories   | (4,061 )                         | 7,744     |
| Prepaid expenses  | (1,718 )                         | (1,644 )  |
| Accounts payable  | (20,755 )                        | (33,193 ) |
| Accrued expenses  | 19,100                           | 18,832    |
| Income taxes  | 4,594                            | 7,523     |
| Other, net  | (3,202 )                         | (348 )    |
| Net cash provided by operating activities   | 316,027                          | 349,517   |
| Cash flows from investing activities:   |                                  |           |
| Purchase of property and equipment  | (325,609 )                       | (312,588) |
| Payments for acquisition of businesses, net of cash acquired                      | (13,565 )                        | (4,252 )  |
| Proceeds from sales of property and equipment                                     | 2,916                            | 3,546     |
| Net cash used in investing activities   | (336,258 )                       | (313,294) |
| Cash flows from financing activities:   |                                  |           |
| Proceeds from long-term debt  | 100,000                          | —         |
| Repayments of long-term debt  | (7,797 )                         | (7,797 )  |
| Net borrowings (repayments) of short-term debt                                    | —                                | 2,800     |
| Proceeds from exercise of stock options   | 1,975                            | 3,595     |
| Payments of cash dividends  | (27,407 )                        | (24,929 ) |
| Tax withholdings on employee share-based awards                                   | (6,594 )                         | (4,870 )  |
| Net cash provided by (used in) financing activities                               | 60,177                           | (31,201 ) |

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CASEY'S GENERAL STORES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (Continued)  
 (DOLLARS IN THOUSANDS)

|  | Nine months<br>ended January<br>31, |        |
|--|-------------------------------------|--------|
|  | 2017                                | 2016   |
| Net increase in cash and cash equivalents            | 39,946                              | 5,022  |
| Cash and cash equivalents at beginning of the period | 75,775                              | 48,541 |
| Cash and cash equivalents at end of the period       | \$ 115,721                          | 53,563 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

|                                     | Nine months<br>ended January<br>31, |        |
|-------------------------------------|-------------------------------------|--------|
|                                     | 2017                                | 2016   |
| Cash paid during the period for:    |                                     |        |
| Interest, net of amount capitalized | \$24,430                            | 23,125 |
| Income taxes, net                   | 46,861                              | 50,862 |

Noncash investing and financing activities:

|  |        |        |
|--|--------|--------|
| Purchased property and equipment in accounts payable | 10,020 | 13,256 |
|--|--------|--------|

See notes to unaudited condensed consolidated financial statements.

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CASEY'S GENERAL STORES, INC. AND SUBSIDIARIES  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

(Dollars in Thousands, Except Share and Per Share Amounts)

1. Presentation of Financial Statements

The accompanying condensed consolidated financial statements include the accounts and transactions of Casey's General Stores, Inc. (hereinafter referred to as the Company or Casey's) and its wholly-owned subsidiaries. All material inter-company balances and transactions have been eliminated in consolidation.

2. Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations.

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments (including normal recurring accruals) necessary to present fairly the financial position as of January 31, 2017 and April 30, 2016, and the results of operations for the three and nine months ended January 31, 2017 and 2016, and cash flows for the nine months ended January 31, 2017 and 2016. Although management believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto. In addition to updates provided below, see the Form 10-K for the year ended April 30, 2016 for our consideration of new accounting pronouncements.

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, "Interest-Imputation of Interest (Subtopic 835-30)", which provided guidance on the presentation of debt issuance costs. The new standard requires that debt issuance costs be recorded as a reduction from the face amount of the related debt, with amortization recorded as interest expense, rather than recording as a deferred asset. The Company adopted this standard in the quarter ended July 31, 2016, retrospectively to all prior periods. The adoption of this standard did not have a material impact on the financial statements.

Also, in March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The goal of this update is to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This update was effective for the Company beginning May 1, 2017 with early adoption permitted. The Company chose to early adopt this standard in the quarter ended July 31, 2016. See Footnote 5 for further discussion of the impact of adoption.

3. Revenue Recognition

The Company recognizes retail sales of fuel, grocery and other merchandise, prepared food and fountain and other revenue at the time of the sale to the customer. Renewable Identification Numbers (RINs) are treated as a reduction in cost of goods sold in the period the Company commits to a price and agrees to sell the RIN. Vendor rebates in the form of rack display allowances are treated as a reduction in cost of goods sold and are recognized pro rata over the period covered by the applicable rebate agreement. Vendor rebates in the form of billbacks are treated as a reduction in cost of goods sold and are recognized at the time the product is sold.

4. Long-Term Debt and Fair Value Disclosure

The fair value of the Company's long-term debt is estimated based on the current rates offered to the Company for debt of the same or similar issues. The fair value of the Company's long-term debt was approximately \$952,000 and \$887,000 at January 31, 2017 and April 30, 2016, respectively. The Company has an aggregate \$100,000 line of credit

with \$0 outstanding at January 31, 2017 and April 30, 2016.

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## 5. Disclosure of Compensation Related Costs, Share Based Payments

The 2009 Stock Incentive Plan (the “Plan”), was approved by the Board in June 2009 and approved by the shareholders in September 2009. The Plan replaced the 2000 Option Plan and the Non-employee Director Stock Plan (together, the “Prior Plans”). There are 3,245,262 shares available for grant at January 31, 2017. Awards made under the Plan may take the form of stock options, restricted stock or restricted stock units. Each share issued pursuant to a stock option will reduce the shares available for grant by one, and each share issued pursuant to an award of restricted stock or restricted stock units will reduce the shares available for grant by two. We account for stock-based compensation by estimating the fair value of stock options using the Black Scholes model, and value restricted stock unit awards granted under the Plan using the market price of a share of our common stock on the date of grant. We recognize this fair value as an operating expense in our consolidated statements of income ratably over the requisite service period using the straight-line method, as adjusted for certain retirement provisions. All awards have been granted at no cost to the grantee and/or non-employee member of the Board. Additional information regarding the Plan is provided in the Company’s 2009 Proxy Statement.

The following table summarizes the most recent compensation grants as of January 31, 2017:

| Date of Grant      | Type of Grant          | Shares<br>Granted | Recipients                 | Vesting Date                             | Fair Value at<br>Grant Date |
|--------------------|------------------------|-------------------|----------------------------|--|-----------------------------|
| September 13, 2013 | Restricted Stock Units | 14,000            | Non-employee board members | May 1, 2014                              | \$958                       |
| June 6, 2014       | Restricted Stock Units | 91,000            | Officers & Key employees   | June 6, 2017                             | \$6,584                     |
| June 6, 2014       | Restricted Stock       | 30,538            | Officers & Key employees   | Immediate (Annual performance goal)      | \$2,209                     |
| September 19, 2014 | Restricted Stock       | 13,955            | Non-employee board members | Immediate                                | \$990                       |
| June 5, 2015       | Restricted Stock Units | 104,200           | Officers & Key employees   | June 5, 2018                             | \$9,135                     |
| June 5, 2015       | Restricted Stock       | 48,913            | Officers & Key employees   | Immediate (Annual performance goal)      | \$4,288                     |
| September 18, 2015 | Restricted Stock       | 7,748             | Non-employee board members | Immediate                                | \$856                       |
| April 12, 2016     | Restricted Stock       | 10,000            | CEO                        | 2,000 Shares each May 1st from 2017-2021 | \$1,060                     |
| June 3, 2016       | Restricted Stock Units | 111,150           | Officers & Key employees   | June 3, 2019                             | \$13,849                    |
| June 3, 2016       | Restricted Stock       | 40,996            | Officers & Key employees   | Immediate (Annual performance goal)      | \$5,108                     |
| September 16, 2016 | Restricted Stock       | 8,941             | Non-employee board members | Immediate                                | \$1,064                     |

At January 31, 2017, options for 233,500 shares (which expire between 2017 and 2021) were outstanding for the Plan and Prior Plans. Information concerning the issuance of stock options under the Plan and Prior Plans is presented in the following table:

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|                                 | Number of<br>option shares | Weighted<br>average option<br>exercise price |
|---------------------------------|----------------------------|--|
| Outstanding at April 30, 2016   | 291,200                    | \$ 37.46                                     |
| Granted                         | —                          | —  |
| Exercised                       | 57,700                     | 34.22  |
| Forfeited                       | —                          | —  |
| Outstanding at January 31, 2017 | 233,500                    | \$ 38.26                                     |

At January 31, 2017, all 233,500 outstanding options were vested, and had an aggregate intrinsic value of \$17,897 and a weighted average remaining contractual life of 3.68 years. The aggregate intrinsic value for the total of all options exercised during the nine months ended January 31, 2017, was \$5,261.

Information concerning the unvested restricted stock units under the Plan is presented in the following table:

|                              |           |
|------------------------------|-----------|
| Unvested at April 30, 2016   | 272,900   |
| Granted                      | 111,150   |
| Vested                       | (73,000 ) |
| Forfeited                    | (5,250 )  |
| Unvested at January 31, 2017 | 305,800   |

Total compensation costs recorded for the nine months ended January 31, 2017 and 2016, respectively, were \$7,356 and \$5,793 for the stock option, restricted stock, and restricted stock unit awards to employees. As of January 31, 2017, there were no unrecognized compensation costs related to the Plan for stock options and \$15,197 of unrecognized compensation costs related to restricted stock units which are expected to be recognized ratably through fiscal 2019.

ASU No 2016-09 "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" was issued in March 2016 and early adopted by the Company in the first quarter of fiscal 2017. ASU 2016-09 eliminates the requirement to estimate and apply a forfeiture rate to reduce stock compensation expense during the vesting period, and instead, provides an alternative option to account for forfeitures as they occur, which is the option the Company adopted. ASU 2016-09 requires that this change be adopted using the modified retrospective approach. The adoption of this section had no material impact on the financial statements. Additionally, ASU 2016-09 addresses the presentation of excess tax benefits and employee taxes paid on the statement of cash flows. The standard requires presentation of excess tax benefits as an operating activity (combined with other income tax cash flows) on the statement of cash flows rather than as a financing activity. We adopted this change prospectively during the first quarter of 2017. ASU 2016-09 also requires the presentation of amounts withheld for applicable income taxes on employee share-based awards as a financing activity on the statement of cash flows. This adoption is reflected in the cash flow statement on a retrospective basis, which resulted in an increase in net cash used in financing activities and an increase in net cash provided by operating activities of \$4,870 for the nine months ended January 31, 2016.

ASU No 2016-09 also eliminates additional paid in capital ("APIC") pools and requires excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled. This requirement is to be adopted prospectively by the Company. The impact of this section of the standard was a benefit of \$3,046 to income tax expense for the first quarter of fiscal 2017. In addition, the ASU requires that the excess tax benefit be removed from the overall calculation of diluted shares. The impact on diluted earnings per share of this adoption was not material. Finally, modified retrospective adoption of ASC 2016-09 eliminates the requirement that excess tax benefits be realized (i.e. through a reduction in income taxes payable) before they are recognized. The adoption of this section had no impact on the financial statements.

## 6. Commitments and Contingencies

As previously reported, the Company was named as a defendant in four lawsuits (“hot fuel” cases) brought in the federal courts in Kansas and Missouri against a variety of fuel retailers, which were consolidated in the U.S. District Court for the District of Kansas in Kansas City, Kansas as part of the multidistrict “Motor Fuel Temperature Sales Practices Litigation.” A hearing to consider whether the previously-reported settlement involving the Company was fair, reasonable and adequate was conducted on June 9, 2015, and on August 21, 2015, the District Court approved the same. A hearing was held on November 19, 2015 with regard to the attorneys’ fee award for plaintiffs’ counsel, and an

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order awarding fees was filed by the Court on February 17, 2016. On November 17, 2016, an oral argument was held before the 10th Circuit Court of Appeals generally regarding appeals based on the fairness of various proposed settlement provisions. A ruling from the 10th Circuit is anticipated prior to the end of the first quarter of FY 18. The District Court approved settlement includes, but is not limited to, the commitment on the part of the Company to "sticker" certain information on its gasoline pumps and to make a monetary payment (which is not considered to be material in amount) to the plaintiff class. However, the settlement will not be considered final until the pending appeal has been resolved and all time for appeals have expired.

From time to time we may be involved in other legal and administrative proceedings or investigations arising from the conduct of our business operations, including contractual disputes; employment or personnel matters; personal injury and property damage claims; and claims by federal, state, and local regulatory authorities relating to the sale of products pursuant to licenses and permits issued by those authorities. Claims for compensatory or exemplary damages in those actions may be substantial. While the outcome of such litigation, proceedings, investigations, or claims is never certain, it is our opinion, after taking into consideration legal counsel's assessment and the availability of insurance proceeds and other collateral sources to cover potential losses, that the ultimate disposition of such matters currently pending or threatened, individually or cumulatively, will not have a material adverse effect on our consolidated financial position and results of operation.

### 7. Unrecognized Tax Benefits

The total amount of gross unrecognized tax benefits was \$6,484 at April 30, 2016. At January 31, 2017, gross unrecognized tax benefits were \$8,089. If this unrecognized tax benefit were ultimately recognized, \$5,295 is the amount that would impact our effective tax rate. The total amount of accrued interest and penalties for such unrecognized tax benefits was \$321 at January 31, 2017, and \$217 at April 30, 2016. Net interest and penalties included in income tax expense for the nine months ended January 31, 2017, was a net expense of \$104, with a net expense of \$186 for the same period in 2016.

A number of years may elapse before an uncertain tax position is audited and ultimately settled. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. It is reasonably possible that the amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months. These changes could result from the expiration of the statute of limitations, examinations or other unforeseen circumstances. The State of Nebraska is examining tax years 2012-2014 and the state of Kansas is examining years 2013-2015. Additionally, the IRS is currently examining tax year 2012. The Company has no other ongoing federal or state income tax examinations. The Company does not have any outstanding litigation related to tax matters. At this time, management expects the aggregate amount of unrecognized tax benefits to decrease by approximately \$3,153 within the next twelve months. The expected decrease is due to the expiration of the statute of limitations related to certain federal and state income tax filing positions.

The federal statute of limitation remains open for the tax years 2012 and forward. Tax years 2011 and forward are subject to audit by state tax authorities depending on open statute of limitations waivers and the tax code of each state.

### 8. Segment Reporting

As of January 31, 2017 we operated 1,954 stores in 14 states. Our stores offer a broad selection of merchandise, fuel and other products and services designed to appeal to the convenience needs of our customers. We manage the business on the basis of one operating segment. Our stores sell similar products and services, and use similar processes to sell those products and services directly to the general public. We make specific disclosures concerning the three broad merchandise categories of fuel, grocery and other merchandise, and prepared food and fountain because it allows us to more effectively discuss trends and operational programs within our business and industry. Although we can separate gross margins within these categories (and further sub-categories), the operating expenses associated with operating a store that sells these products are not separable by these three categories.



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9. Subsequent Event

On March 3, 2017, the Company's Board of Directors approved a share repurchase program under which the Company is authorized to repurchase up to an aggregate of \$300 million of the Company's outstanding common stock. The share repurchase authorization is valid for a period of two years.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in Thousands).

Overview

Casey's and its wholly-owned subsidiaries operate convenience stores primarily under the names "Casey's" and "Casey's General Store" (hereinafter referred to as "Casey's Store" or "Stores") in 14 Midwestern states, primarily Iowa, Missouri and Illinois. The Company also operates two stores under the name "Tobacco City", selling primarily tobacco products, and one grocery store. On January 31, 2017, there were a total of 1,954 Casey's Stores in operation. All convenience stores offer fuel for sale on a self-serve basis and most stores carry a broad selection of food (including freshly prepared foods such as pizza, donuts and sandwiches), beverages, tobacco products, health and beauty aids, automotive products and other non-food items. The Company derives its revenue primarily from the retail sale of fuel and the products offered in its stores.

Approximately 57% of all Casey's Stores are located in areas with populations of fewer than 5,000 persons, while approximately 18% of all stores are located in communities with populations exceeding 20,000 persons. The Company operates two central warehouses (distribution centers), through which it supplies grocery and general merchandise items to stores. One is adjacent to its Corporate Headquarters facility in Ankeny, Iowa, and the other is located in Terre Haute, Indiana (operating since February 2016). At January 31, 2017, the Company owned the land at 1,933 locations and the buildings at 1,938 locations, and leased the land at 21 locations and the buildings at 16 locations.

The Company reported diluted earnings per common share of \$0.58 for the third quarter of fiscal 2017. For the same quarter a year-ago, diluted earnings per common share were \$0.97.

During the first nine months of fiscal 2017, the Company opened 24 new-store constructions, completed 19 replacement stores, completed 56 major remodels, acquired 14 stores (of which ten were opened and four will be opened at a later date), and closed 12 stores. We also opened one store acquired in the prior year. The Company currently has 33 new stores, 21 replacement stores, and 46 major remodels under construction. The Company also has eight acquisition stores under contract and 91 sites under agreement for future new builds. The annual goal is to build or acquire 77 to 116 stores, replace 35 existing locations and complete 100 major store remodels.

Same-store sales is a common metric used in the convenience store industry. We define same-store sales as the total sales increase (or decrease) for stores open during the full time of both periods being presented. We exclude from the calculation any acquired stores and any stores that have been replaced with a new store, until such stores have been open during the full time of both periods being presented. Stores that have undergone a major remodel, had adjustments in hours of operation, added pizza delivery, or had other revisions to their operating format remain in the calculation.

The third quarter results reflected a 2.6% increase in same-store fuel gallons sold, with an average margin of 17.9 cents per gallon, compared to a 18.1 cent margin in the same quarter a year ago. The Company policy is to price to the competition, so the timing of retail price changes is driven by local competitive conditions. The Company sold 16.3 million renewable fuel credits for \$14.5 million during the quarter, compared to 15.2 million renewable fuel credits in the third quarter of the prior year, which generated \$9.2 million.

Same-store sales of grocery and other merchandise increased 3.0% and prepared food and fountain increased 5.8% during the third quarter. Operating expenses increased 12.6% in the quarter primarily due to an increase in wages due to operating 43 more stores compared to the same period a year ago, the continued rollout of our growth programs in additional stores (expanded hours at select locations, stores with pizza delivery, and major remodels), and wage rate increases.



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Three Months Ended January 31, 2017 Compared to  
Three Months Ended January 31, 2016  
(Dollars and Amounts in Thousands)

| Three months ended 1/31/2017 | Fuel        | Grocery &<br>Other<br>Merchandise | Prepared<br>Food &<br>Fountain | Other    | Total       |   |
|------------------------------|-------------|-----------------------------------|--------------------------------|----------|-------------|---|
| Revenue                      | \$1,053,990 | \$476,309                         | \$228,278                      | \$11,416 | \$1,769,993 |   |
| Gross profit                 | \$89,265    | \$148,099                         | \$140,869                      | \$11,396 | \$389,629   |   |
| Margin                       | 8.5         | % 31.1                            | % 61.7                         | % 99.8   | % 22.0      | % |
| Fuel gallons                 | 498,122     |                                   |                                |          |             |   |

| Three months ended 1/31/2016 | Fuel      | Grocery &<br>Other<br>Merchandise | Prepared<br>Food &<br>Fountain | Other    | Total       |   |
|------------------------------|-----------|-----------------------------------|--------------------------------|----------|-------------|---|
| Revenue                      | \$888,744 | \$453,388                         | \$209,595                      | \$14,213 | \$1,565,940 |   |
| Gross profit                 | \$85,460  | \$141,482                         | \$130,027                      | \$14,200 | \$371,169   |   |
| Margin                       | 9.6       | % 31.2                            | % 62.0                         | % 99.9   | % 23.7      | % |
| Fuel gallons                 | 472,259   |                                   |                                |          |             |   |

Total revenue for the third quarter of fiscal 2017 increased by \$204,053 (13.0%) over the comparable period in fiscal 2016. Retail fuel sales increased by \$165,246 (18.6%) as the average retail price per gallon increased 12.4% (amounting to a \$110,522 increase), and the number of gallons sold increased by 25,863 (5.5%). During this same period, retail sales of grocery and other merchandise increased by \$22,921 (5.1%), primarily due to a \$11,365 increase from stores that were built or acquired after April 30, 2015, and an \$5,805 increase from the expansion of our growth programs in our stores. Prepared food and fountain sales increased by \$18,683 (8.9%), due primarily to a \$6,289 increase resulting from the expansion of our growth programs in our stores, and a \$5,808 increase from stores that were built or acquired after April 30, 2015.

The other revenue category primarily consists of lottery, car wash, and prepaid phone cards, which are presented net of applicable costs. These revenues decreased \$2,797 (19.7%) for the third quarter of fiscal 2017, due to an immaterial income statement reclassification entry impacting other revenues.

Total gross profit margin was 22.0% for the third quarter of fiscal 2017, compared to 23.7% for the comparable period in the prior year. The gross profit margin on retail fuel sales decreased (to 8.5%) during the third quarter of fiscal 2017 from the third quarter of the prior year (9.6%). The gross profit margin per gallon decreased (to \$0.179) in the third quarter of fiscal 2017 from the comparable period in the prior year (\$0.181) primarily due to rising wholesale costs throughout the quarter. The gross profit margin on retail sales of grocery and other merchandise was consistent (at 31.1%) compared to the prior year (31.2%). The prepared food margin decreased (to 61.7%) from the comparable period in the prior year (62.0%) primarily due to increases in input costs.

Operating expenses increased \$32,696 (12.6%) in the third quarter of fiscal 2017 from the comparable period in the prior year primarily due to a \$10,333 increase from the expansion of our growth programs in our stores and a \$7,746 increase from stores that were built or acquired after April 30, 2015. The store level operating expenses for open stores not impacted by the recent operating programs were up 9.6% for the quarter, primarily due to wage increases partially stemming from recent proposed regulations, along with increases in credit card fees.

Depreciation and amortization expense increased 16.7% to \$51,152 in the third quarter of fiscal 2017 from \$43,822 for the comparable period in the prior year. The increase was due primarily to capital expenditures purchased during the previous twelve months.

The effective tax rate increased 210 basis points to 35.9% in the third quarter of fiscal 2017 from 33.8% in the third quarter of fiscal 2016. The increase in the effective tax rate was primarily due to a decrease in favorable permanent differences.

Net income decreased by \$15,264 (40.1%) to \$22,835 from \$38,099 in the prior year. The decrease in net income was attributable to a combination of increases in operating expenses and depreciation, and declines in fuel margin (cents per gallon) and inside sales margins, offset by increases in gallons sold and inside sales.

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Nine Months Ended January 31, 2017 Compared to  
 Nine Months Ended January 31, 2016  
 (Dollars and Amounts in Thousands)

| Nine months ended 1/31/2017 | Fuel        | Grocery &<br>Other<br>Merchandise | Prepared<br>Food &<br>Fountain | Other    | Total       |   |
|-----------------------------|-------------|-----------------------------------|--------------------------------|----------|-------------|---|
| Revenue                     | \$3,314,385 | \$1,587,281                       | \$720,279                      | \$38,182 | \$5,660,127 |   |
| Gross profit                | \$292,755   | \$501,816                         | \$450,250                      | \$38,121 | \$1,282,942 |   |
| Margin                      | 8.8         | % 31.6                            | % 62.5                         | % 99.8   | % 22.7      | % |
| Fuel gallons                | 1,565,302   |                                   |                                |          |             |   |

| Nine months ended 1/31/2016 | Fuel        | Grocery &<br>Other<br>Merchandise | Prepared<br>Food &<br>Fountain | Other    | Total       |   |
|-----------------------------|-------------|-----------------------------------|--------------------------------|----------|-------------|---|
| Revenue                     | \$3,341,721 | \$1,496,586                       | \$662,364                      | \$38,461 | \$5,539,132 |   |
| Gross profit                | \$295,830   | \$475,935                         | \$415,220                      | \$38,416 | \$1,225,401 |   |
| Margin                      | 8.9         | % 31.8                            | % 62.7                         | % 99.9   | % 22.1      | % |
| Fuel gallons                | 1,469,654   |                                   |                                |          |             |   |

Total revenue for the first nine months of fiscal 2017 increased by \$120,995 (2.2%) over the comparable period in fiscal 2016. Retail fuel sales decreased by \$27,336 (0.8%) as the average retail price per gallon decreased 6.9% (amounting to a \$229,862 decrease) and the number of gallons sold increased by 95,648 (6.5%). During this same period, retail sales of grocery and other merchandise increased by \$90,695 (6.1%), primarily due to a \$37,022 increase from stores that were built or acquired after April 30, 2015, and a \$29,629 increase from our unchanged store base (stores that were built or acquired before April 30, 2015 that maintained the same level of operating programs in both periods). Prepared food and fountain sales increased by \$57,915 (8.7%), due primarily to a \$19,990 increase from the expansion of our growth programs and a \$19,609 increase from stores that were built or acquired after April 30, 2015. The other revenue category primarily consists of lottery, car wash, and prepaid phone cards. These revenues decreased \$279 (0.7%) through the third quarter of fiscal 2017.

Total gross profit margin was 22.7% for the first nine months of fiscal 2017, compared to 22.1% for the comparable period in the prior year. The gross profit margin on retail fuel sales decreased slightly (to 8.8%) during the first nine months of fiscal 2016 from the first nine months of the prior year (8.9%). The gross profit margin per gallon was lower (at \$0.187) in the first nine months of fiscal 2017 with the comparable period in the prior year (\$0.201). The gross profit margin on retail sales of grocery and other merchandise decreased slightly (to 31.6%) from the comparable period in the prior year (31.8%). The prepared food margin also decreased slightly (to 62.5%) with the comparable period in the prior year (62.7%).

Operating expenses increased \$88,553 (11.2%) in the first nine months of fiscal 2017 from the comparable period in the prior year primarily due to a \$26,425 increase from the expansion of our growth programs in our stores, and a \$22,373 increase from stores that were built or acquired after April 30, 2015. The store level operating expenses for open stores not impacted by the recent operating programs were up approximately 6.6% for the first nine months of fiscal 2017, primarily related to wage rate increases.

Depreciation and amortization expense increased 16.5% to \$145,682 in the first nine months of fiscal 2017 from \$125,028 for the comparable period in the prior year. The increase was due primarily to capital expenditures purchased during the previous twelve months.

The effective tax rate decreased 100 basis points to 34.9% in the first nine months of fiscal year 2017 compared to 35.9% in the comparable period of fiscal year 2016. The decrease in the effective tax rate was primarily due to the impact of the adoption of ASU 2016-09 in the first quarter of fiscal year 2017. ASU 2016-09 requires excess tax benefits from the settlement of share-based awards to be recognized in income tax expense in the income statement,

whereas they were previously recognized in equity.

Net income decreased by \$31,531 (17.6%) to \$147,407 from \$178,938 in the prior year. The decrease in net income was attributable to a combination of increases in operating expenses and depreciation, and declines in fuel margin (cents per gallon) and inside sales margins, offset by increases in gallons sold and inside sales.

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## Use of Non-GAAP Measures

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 management for internal purposes including our capital budgeting process, evaluating acquisition targets, and assessing performance.

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 nine months ended January 31, 2017 and 2016:

|   | Three months ended |             | Nine months ended |             |
|---|--------------------|-------------|-------------------|-------------|
|   | January 31,        | January 31, | January 31,       | January 31, |
|   | 2017               | 2016        | 2017              | 2016        |
| Net income  | \$22,835           | 38,099      | \$147,407         | 178,938     |
| Interest, net                                     | 10,559             | 10,132      | 31,174            | 30,225      |
| Federal and state income taxes                    | 12,762             | 19,491      | 78,941            | 100,025     |
| Depreciation and amortization                     | 51,152             | 43,822      | 145,682           | 125,028     |
| EBITDA  | \$97,308           | 111,544     | \$403,204         | 434,216     |
| Loss on disposal of assets and impairment charges | 516                | 505         | 810               | 314         |
| Adjusted EBITDA                                   | \$97,824           | 112,049     | \$404,014         | 434,530     |

For the three months ended January 31, 2017, EBITDA and adjusted EBITDA were down 12.8% and 12.7%, respectively, when compared to the same period a year ago. The decrease is due to a combination of increases in operating expenses, and declines in fuel margin (cents per gallon) and inside sales margins, offset by increases in gallons sold and inside sales. For the nine months ended January 31, 2017, EBITDA and adjusted EBITDA were down 7.1% and 7.0%, respectively, when compared to the same period a year ago. The decrease is due to a combination of increases in operating expenses, and declines in fuel margin (cents per gallon) and inside sales margins, offset by increases in gallons sold and inside sales.

## Critical Accounting Policies

Critical accounting policies are those accounting policies that management believes are important to the portrayal of the Company's financial condition and results of operations. The Company's critical accounting policies are described in the Form 10-K for the year ended April 30, 2016, and such discussion is incorporated herein by reference. There have been no changes to these policies in the nine months ended January 31, 2017.

## Liquidity and Capital Resources (Dollars in Thousands)

Due to the nature of the Company's business, cash provided by operations is the Company's primary source of liquidity. The Company finances its inventory purchases primarily from normal trade credit aided by the relatively rapid turnover of inventory. This turnover allows the Company to conduct its operations without large amounts of cash and working capital. As of January 31, 2017, the Company's ratio of current assets to current liabilities was 0.97 to 1. The ratio at January 31, 2016 and April 30, 2016 was 0.85 to 1 and 0.84 to 1, respectively. Management believes that the Company's current aggregate \$100,000



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bank line of credit, together with the current cash and cash equivalents and the future cash flow from operations will be sufficient to satisfy the working capital needs of our business.

Net cash provided by operations decreased \$33,490 (9.6%) in the nine months ended January 31, 2017 from the comparable period in the prior year, primarily as a result of a decrease in net income compared to prior year, offset by increases in depreciation and amortization. Cash used in investing in the nine months ended January 31, 2017 increased \$22,964 over prior year, due to increases in new store construction and acquisition activity. Cash provided by financing increased, primarily due to receipt of funds from financing through a senior note offering completed in the second quarter.

Capital expenditures represent the single largest use of Company funds. Management believes that by acquiring, building, and reinvesting in stores, the Company will be better able to respond to competitive challenges and increase operating efficiencies. During the first nine months of fiscal 2017, the Company expended \$339,174 primarily for property and equipment, resulting from the construction, remodeling, and acquisition of stores, compared to \$316,840 for the comparable period in the prior year. The Company anticipates expending between \$496,000 and \$614,000 in fiscal 2017 for construction, acquisition and remodeling of stores, primarily from existing cash, funds generated by operations, and the recent issuance of senior notes.

As of January 31, 2017, the Company had long-term debt (net of related debt issuance costs) of \$914,955, (net of current maturities of \$15,415), consisting of \$569,000 in principal amount of 5.22% Senior Notes, \$150,000 in principal amount of 3.67% Senior Notes, Series A, \$50,000 in principal amount of 3.75% Senior Notes Series B, \$37,500 in principal amount of 5.72% Senior Notes, Series A and B, \$50,000 in principal amount of 3.65% Senior Notes Series A, \$50,000 in principal amount of 3.72% Senior Notes Series B, and \$8,665 of capital lease obligations. The Company also has an aggregate \$100,000 line of credit with \$0 outstanding at January 31, 2017.

To date, the Company has funded capital expenditures primarily from the proceeds of the sale of Common Stock, issuance of debt, existing cash, and funds generated from operations. Future capital needs required to finance operations, improvements and the anticipated growth in the number of stores are expected to be met from cash generated by operations, the bank line of credit, and additional long-term debt or other securities as circumstances may dictate, and are not expected to adversely affect liquidity.

Cautionary Statements (Dollars in Thousands)

This Form 10-Q, including the foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations, contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements represent the Company's expectations or beliefs concerning future events, including (i) any statements regarding future sales and gross profit percentages, (ii) any statements regarding the continuation of historical trends and (iii) any statements regarding the sufficiency of the Company's cash balances and cash generated from operations and financing activities for the Company's future liquidity and capital resource needs. The words "believe," "expect," "anticipate," "intend," "estimate," "project" and similar expressions are used to identify forward-looking statements. The Company cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including, without limitations, the following factors described more completely in the Form 10-K for the fiscal year ended April 30, 2016:

**Competition.** The Company's business is highly competitive, and marked by ease of entry and constant change in terms of the numbers and type of retailers offering the products and services found in stores. Many of the food (including prepared foods) and non-food items similar or identical to those sold by the Company are generally available from a variety of competitors in the communities served by stores, and the Company competes with other convenience store chains, gasoline stations, supermarkets, drug stores, discount stores, club stores, mass merchants and "fast-food" outlets (with respect to the sale of prepared foods). Sales of such non-fuel items (particularly prepared food items) have contributed substantially to the Company's gross profits from retail sales in recent years. Fuel sales are also intensely competitive. The Company competes with both independent and national brand gasoline stations in the sale of fuel, other convenience store chains and several non-traditional fuel retailers such as supermarkets in specific markets. Some of these other fuel retailers may have access to more favorable arrangements for fuel supply

then do the Company or the firms that supply its stores. Some of the Company's competitors have greater financial, marketing and other resources than the Company, and, as a result, may be able to respond better to changes in the economy and new opportunities within the industry.

Fuel operations. Fuel sales are an important part of the Company's sales and earnings, and retail fuel profit margins have a substantial impact on the Company's net earnings. Profit margins on fuel sales can be adversely affected by factors beyond the control of the Company, including the supply of fuel available in the retail fuel market, uncertainty or volatility in the

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wholesale fuel market, increases in wholesale fuel costs generally during a period, and price competition from other fuel marketers. The market for crude oil and domestic wholesale petroleum products is marked by significant volatility, and is affected by general political conditions and instability in oil producing regions such as the Middle East and South America. The volatility of the wholesale fuel market makes it extremely difficult to predict the impact of future wholesale cost fluctuation on the Company's operating results and financial conditions. These factors could materially impact the Company's fuel gallon volume, fuel gross profit, and overall customer traffic levels at stores. Any substantial decrease in profit margins on fuel sales or in the number of gallons sold by stores could have a material adverse effect on the Company's earnings.

The Company purchases its fuel from a variety of independent national and regional petroleum distributors. Fuel is purchased at current daily prices at the rack in which the fuel is loaded onto tanker trucks. While the Company has annual purchase agreements with a few distributors, those agreements primarily specify purchasing volumes the Company must maintain to be eligible for certain discounts. Although in recent years the Company's suppliers have not experienced any difficulties in obtaining sufficient amounts of fuel to meet the Company's needs, unanticipated national and international events could result in a reduction of fuel supplies available for distribution to the Company. Any substantial curtailment in fuel supplied to the Company could adversely affect the Company by reducing its fuel sales. Further, management believes that a significant amount of the Company's business results from the patronage of customers primarily desiring to purchase fuel and, accordingly, reduced fuel supplies could adversely affect the sale of non-fuel items. Such factors could have a material adverse impact upon the Company's earnings and operations.

Tobacco Products. Sales of tobacco products represent a significant portion of the Company's grocery and other merchandise category. Significant increases in wholesale cigarette costs and tax increases on tobacco products, as well as national and local campaigns to further regulate and discourage smoking in the United States, have had, and are expected to continue having, an adverse effect on the demand for cigarettes sold in our stores. The Company attempts to pass price increases onto its customers, but competitive pressures in specific markets may prevent it from doing so. These factors could materially impact the retail price of cigarettes, the volume of cigarettes sold by stores and overall customer traffic, and have a material adverse impact on the Company's earnings and profits.

Environmental Compliance Costs. The United States Environmental Protection Agency and several states, including Iowa, have established requirements for owners and operators of underground gasoline storage tanks (USTs) with regard to (i) maintenance of leak detection, corrosion protection and overfill/spill protection systems; (ii) upgrade of existing tanks; (iii) actions required in the event of a detected leak; (iv) prevention of leakage through tank closings; and (v) required gasoline inventory recordkeeping. Since 1984, new Company stores have been equipped with non-corroding fiberglass USTs, including many with double-wall construction, over-fill protection and electronic tank monitoring. The Company currently has 4,413 USTs, of which 3,515 are fiberglass and 898 are steel. Management believes that its existing fuel procedures and planned capital expenditures will continue to keep the Company in substantial compliance with all current federal and state UST regulations.

Several of the states in which the Company does business have trust fund programs with provisions for sharing or reimbursing corrective action or remediation costs incurred by UST owners, including the Company. In the years ended April 30, 2016 and 2015, the Company spent approximately \$1,621 and \$1,387, respectively, for assessments and remediation. During the nine months ended January 31, 2017, the Company expended approximately \$1,128 for such purposes. Substantially all of these expenditures have been submitted for reimbursement from state-sponsored trust fund programs and as of January 31, 2017, approximately \$20,399 has been received from such programs since their inception. Such amounts are typically subject to statutory provisions requiring repayment of the reimbursed funds for non-compliance with upgrade provisions or other applicable laws. No amounts are currently expected to be repaid. The Company has an accrued liability at January 31, 2017 of approximately \$341 for estimated expenses related to anticipated corrective actions or remediation efforts, including relevant legal and consulting costs.

Management believes the Company has no material joint and several environmental liability with other parties. Although the Company regularly accrues expenses for the estimated costs related to its future corrective action or remediation efforts, there can be no assurance that such accrued amounts will be sufficient to pay such costs, or that the Company has identified all environmental liabilities at all of its current store locations. In addition, there can be no

assurance that the Company will not incur substantial expenditures in the future for remediation of contamination or related claims that have not been discovered or asserted with respect to existing store locations or locations that the Company may acquire in the future, or that the Company will not be subject to any claims for reimbursement of funds disbursed to the Company under the various state programs or that additional regulations, or amendments to existing regulations, will not require additional expenditures beyond those presently anticipated.

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Other Factors. Other factors and risks that may cause actual results to differ materially from those in the forward-looking statements include the risk that our cash balances and cash generated from operations and financing activities will not be sufficient for our future liquidity and capital resource needs, tax increases, potential liabilities and expenditures related to compliance with environmental and other laws and regulations, the seasonality of demand patterns, and weather conditions; the increased indebtedness that the Company has incurred to purchase shares of our common stock in our self-tender offer; and the other risks and uncertainties included from time to time in our filings with the SEC. We further caution you that other factors we have not identified may in the future prove to be important in affecting our business and results of operations. We ask you not to place undue reliance on any forward-looking statements because they speak only of our views as of the statement dates. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

The Company's exposure to market risk for changes in interest rates relates primarily to our investment portfolio and long-term debt obligations. We place our investments with high-quality credit issuers and, by policy, limit the amount of credit exposure to any one issuer. Our first priority is to attempt to reduce the risk of principal loss. Consequently, we seek to preserve our invested funds by limiting default risk, market risk, and reinvestment risk. We attempt to mitigate default risk by investing in only high-quality credit securities that we believe to be low risk and by positioning our portfolio to respond appropriately to a significant reduction in a credit rating of any investment issuer or guarantor. The portfolio includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. We believe an immediate 100-basis-point move in interest rates affecting our floating and fixed rate financial instruments as of January 31, 2017 would have no material effect on pretax earnings.

We do from time to time, participate in a forward buy of certain commodities, primarily cheese and coffee. These contracts are not accounted for as derivatives as they meet the normal purchases exclusion under derivative accounting.

**Item 4. Controls and Procedures.**

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 240.13a-15(e)). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

**PART II—OTHER INFORMATION**

**Item 1. Legal Proceedings**

The information required by this Item is set forth in Note 6 to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q and is incorporated herein by this reference.

**Item 1A. Risk Factors**

Except for the update set forth in our Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2016, there have been no material changes in our "risk factors" from those previously disclosed in our 2016 Annual Report on Form 10-K.

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Item 6. Exhibits.

The following exhibits are filed with this Report or, if so indicated, incorporated by reference.

| Exhibit<br>No. | Description  |
|----------------|--|
| 3.1            | Restatement of the Restated and Amended Articles of Incorporation (incorporated by reference from the Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1996) and Articles of Amendment thereto (incorporated by reference from the Current Report on Form 8-K filed April 16, 2010, as amended by the Current Report on Form 8-K/A filed April 19, 2010, and the Current Report on Form 8-K filed May 20, 2011). |
| 3.2(a)         | Second Amended and Restated By-laws (incorporated by reference from the Current Report on Form 8-K filed June 16, 2009) and Amendments thereto (incorporated by reference from the Current Reports on Form 8-K filed May 20, 2011, and August 2, 2011, and the Current Report on Form 8-K filed on June 22, 2012).   |
| 4.8            | Note Purchase Agreement dated as of September 29, 2006 among the Company and the purchasers of the 5.72% Senior Notes, Series A and Series B (incorporated by reference from the Current Report on Form 8-K filed September 29, 2006).   |
| 4.9            | Note Purchase Agreement dated as of August 9, 2010 among the Company and the purchasers of the 5.22% Senior Notes (incorporated by reference from the Current Report on Form 8-K filed August 10, 2010).   |
| 4.10           | Note Purchase Agreement dated as of June 17, 2013 among the Company and the purchasers of the 3.67% Senior A Notes and 3.75% Series B Notes (incorporated by reference from the Current Reports on Form 8-K filed June 18, 2013 and December 18, 2013).  |
| 4.11           | Note Purchase Agreement dated as of May 2, 2016 among the Company and the purchasers of the 3.65% Senior A Notes and 3.72% Series B Notes (incorporated by reference from the Current Reports on Form 8-K filed May 3, 2016 and October 28, 2016).   |
| 21(a)          | Subsidiaries of Casey's General Stores, Inc. (incorporated by reference from the Annual Report on Form 10-K for the fiscal year ended April 30, 2016).   |
| 31.1           | Certification of Terry W. Handley under Section 302 of the Sarbanes Oxley Act of 2002  |
| 31.2           | Certification of William J. Walljasper under Section 302 of the Sarbanes Oxley Act of 2002   |
| 32.1           | Certificate of Terry W. Handley under Section 906 of Sarbanes-Oxley Act of 2002  |
| 32.2           | Certificate of William J. Walljasper under Section 906 of Sarbanes-Oxley Act of 2002   |
| 101.INS        | XBRL Instance Document   |
| 101.SCH        | XBRL Taxonomy Extension Schema Document  |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document   |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document   |

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CASEY'S GENERAL STORES, INC.

Date: March 6, 2017 By: /s/ William J. Walljasper

William J. Walljasper

Its: Senior Vice President and

Chief Financial Officer

(Authorized Officer and Principal

Financial and Accounting Officer)

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EXHIBIT INDEX

The following exhibits are filed herewith:

Exhibit No. Description

|         |  |
|---------|--|
| 31.1    | Certification of Terry W. Handley under Section 302 of the Sarbanes Oxley Act of 2002      |
| 31.2    | Certification of William J. Walljasper under Section 302 of the Sarbanes Oxley Act of 2002 |
| 32.1    | Certificate of Terry W. Handley under Section 906 of Sarbanes-Oxley Act of 2002            |
| 32.2    | Certificate of William J. Walljasper under Section 906 of Sarbanes-Oxley Act of 2002       |
| 101.INS | XBRL Instance Document   |
| 101.SCH | XBRL Taxonomy Extension Schema Document  |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document                                      |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document                                     |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document                                       |