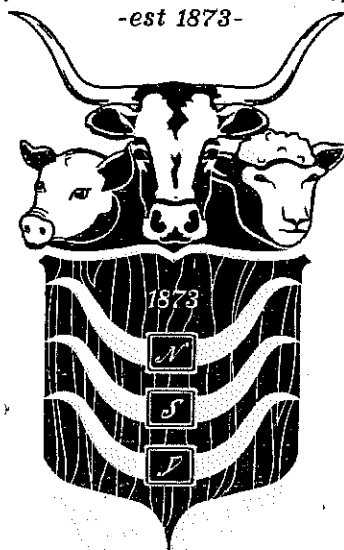


NATIONAL STOCK YARDS COMPANY

National Stock Yards Company
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ANNUAL REPORT

YEAR ENDED DECEMBER 31, 2020

LETTER TO SHAREHOLDERS NATIONAL STOCK YARDS COMPANY

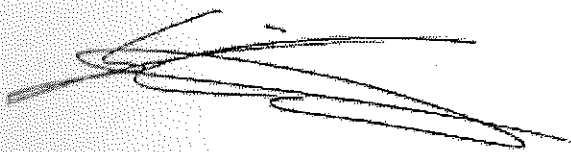
As we all know 2020 was a very unique year. We began the year with strong sales, up 13,780 head or about 19% by the end of February.

When Covid hit in March, sales dropped dramatically as the beef supply chain struggled to adapt and as restaurants were closed. The usage of beef switched to home market from restaurants. Trucking and Packing plants saw disruptions but through all of this, America's cattlemen and Livestock markets continued to operate and feed the nation. Kelli Payne, who was promoted to ONSY President, and her team continue to work hard maintaining and complying with all the safety protocols associated with the pandemic. Keeping our facility, workers, livestock and customers safe is our primary mission. A special thank you to all the ONSY personnel for their dedication and hard work in the midst of all of the challenges this past year.

Many capital improvements were accomplished throughout the year which included the replacement of the fire system in the Exchange building, an upgraded load-out area, a new vet chute and additional pipe upgrades.

In Saint Louis, the sale of two parcels of land netted approximately \$1.0 million. The remaining 84 acres is being aggressively marketed for sale.

With all of the headwinds faced in 2020, I am pleased to announce the year ended with the sale of 436,503 head of cattle, an increase of approximately 5.5%. This resulted in net income of \$1.3 million or \$30.35 per share.



Chris Bakwin
Chairman of the Board
National Stock Yards Company

INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Stock Yards Company

We have audited the accompanying consolidated financial statements of National Stock Yards Company (a Delaware corporation) & Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of earnings and changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Stock Yards Company and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Loyata, Fliegel & Company LLP

St. Louis, Missouri
February 11, 2021

NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,007,071	\$ 1,407,972
Accounts and other receivable	148,726	100,472
Inventories	1,174	14,571
Prepaid supplies	47,413	44,163
Prepaid expenses	52,235	60,768
Prepaid income taxes	9,620	-
Total Current Assets	2,266,239	1,627,946
Property and Equipment		
Buildings, equipment, and roads	9,930,422	9,709,114
Less accumulated depreciation	7,778,200	7,652,256
	2,152,222	2,056,858
Land and land development costs	1,702,150	1,702,150
	3,854,372	3,759,008
St. Louis real estate available for sale	2,554,741	2,923,779
	6,409,113	6,682,787
Other Assets		
Land sale note receivable	208,301	-
Deferred income taxes	-	55,000
Total Other Assets	208,301	55,000
TOTAL ASSETS	\$ 8,883,653	\$ 8,365,733

The accompanying notes are an integral part of these statements.

NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2020 and 2019

	2020	2019
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 38,234	\$ 94,436
Accrued liabilities	166,340	320,243
Accrued income taxes	-	98,315
Dividends payable	872,240	872,240
Other current liabilities	39,914	44,403
Total Current Liabilities	1,116,728	1,429,637
Long-Term Obligations		
Paycheck Protection Program Loan	376,500	-
Deferred income taxes	3,000	-
Total Long-Term Liabilities	379,500	-
Stockholders' Equity		
Common stock - stated value \$50 per share; authorized and issued 73,100 shares	3,655,000	3,655,000
Additional paid-in capital	3,518,050	3,518,050
Retained earnings	1,581,081	1,129,752
	8,754,131	8,302,802
Less common stock in treasury, at cost 29,488 shares	1,366,706	1,366,706
	7,387,425	6,936,096
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,883,653	\$ 8,365,733

The accompanying notes are an integral part of these statements.

NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES
Consolidated Statements of Earnings and Stockholders' Equity
December 31, 2020 and 2019

	2020	2019
Revenues		
Livestock operations	\$ 5,480,821	\$ 5,286,378
Real estate operations	859,695	860,600
	<u>6,340,516</u>	<u>6,146,978</u>
Operating costs and expenses		
Depreciation	189,070	225,808
Payroll expense and related benefits	1,875,730	2,237,747
Operating expenses	2,959,664	2,574,668
Administrative expenses	400,907	395,940
	<u>5,425,371</u>	<u>5,434,163</u>
Operating profit	915,145	712,815
Other income (expense)		
Interest income	5,755	16,458
Other income	6,308	42,524
Gain (loss) on disposition of assets, net	829,083	(11,296)
	<u>841,146</u>	<u>47,686</u>
Income before income taxes	1,756,291	760,501
Income tax expense (benefit)		
Current	374,722	285,465
Deferred	58,000	(72,000)
	<u>432,722</u>	<u>213,465</u>
NET EARNINGS	1,323,569	547,036
Stockholders' equity - beginning of year	6,936,096	7,261,300
Dividends paid or accrued	872,240	872,240
Stockholders' equity - end of year	<u>\$ 7,387,425</u>	<u>\$ 6,936,096</u>
NET EARNINGS PER COMMON SHARE	<u>\$ 30.35</u>	<u>\$ 12.54</u>

The accompanying notes are an integral part of these statements.

NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
December 31, 2020 and 2019

	2020	2019
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Net earnings	\$ 1,323,569	\$ 547,036
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation	189,070	225,808
Loss (gain) on disposition of assets	(829,083)	11,296
Deferred income taxes	58,000	(72,000)
Changes in assets and liabilities:		
Accounts and other receivable	(51,008)	(49,325)
Inventories	13,397	(13,639)
Prepaid supplies and expenses	5,283	(11,619)
Income taxes	(107,935)	16,526
Accounts payable	(56,202)	(7,808)
Accrued liabilities	(153,903)	108,285
Other current liabilities	(4,489)	2,462
Net cash provided by operating activities	386,699	757,022
Cash flows from investing activities:		
Acquisition of property and equipment	(290,448)	(96,801)
Proceeds from sale of property and equipment	998,588	-
Net cash provided by (used in) investing activities	708,140	(96,801)
Cash flows from financing activities:		
Dividends paid	(872,240)	(872,240)
Borrowings on Paycheck Protection Program Loan	376,500	-
Net cash used in financing activities	(495,740)	(872,240)
Net increase (decrease) in cash and cash equivalents	599,099	(212,019)
Cash and cash equivalents at beginning of year	1,407,972	1,619,991
Cash and cash equivalents at end of year	<u>\$ 2,007,071</u>	<u>\$ 1,407,972</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes, net	<u>\$ 476,045</u>	<u>\$ 258,409</u>
Non-cash financing transaction:		

The Company accrued \$872,240 of dividends declared in December 2020 and 2019 to shareholders of record as of January 15, 2021 and January 15, 2020, respectively.

The Company received a \$205,547 promissory note in connection with a land sale in 2020.

The accompanying notes are an integral part of these statements.

NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

Notes To Consolidated Financial Statements

December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS

National Stock Yards Company, through its subsidiaries, St. Louis National Stockyards Company (SLNSY) and Oklahoma National Stock Yards Company (ONSY), operates a diversified corporation.

ONSY provides a marketplace for the exchange of livestock. Their customer base consists of livestock producers who provide animals for sale primarily to feedlots, meatpackers and other livestock operations throughout the United States.

SLNSY owns approximately 100 acres of undeveloped real estate located approximately 2 miles from downtown St. Louis, Missouri. Note F provides more detail. The East St. Louis Junction Railroad Company, a wholly owned subsidiary of SLNSY, further enhances the commercial diversity of the properties. The St. Louis property is currently for sale.

Both operating facilities provide leasing of real estate, warehouses and office space.

1. Principles of Consolidation

The consolidated financial statements include the accounts of National Stock Yards Company and its wholly-owned subsidiaries, Oklahoma National Stock Yards Company and St. Louis National Stockyards Company.

All significant intercompany transactions have been eliminated.

2. Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company has cash and cash equivalents in a financial institution that at times may exceed federal deposit insurance limits. The Company has not experienced any losses in such accounts, and management believes that the Company is not exposed to any significant credit risk on cash and cash equivalents.

3. Property and Equipment

Land owned by St. Louis National Stockyards Company was recorded at the organization of the Company in 1932 at an amount equal to the book value of a predecessor company. The land value was subsequently reduced in the 1980's to reflect its then estimated realizable value. Additions to property and equipment are recorded at cost.

Depreciation is computed using straight-line and accelerated methods. The provision for depreciation is computed based on the Company's estimates of the useful lives of the property, which range from three 3 to 40 years.

NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES

Notes To Consolidated Financial Statements

December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS (CONTINUED)

3. Property and Equipment (Continued)

The cost of maintenance and repairs is charged to operations as incurred. Renewals and betterments which extend the lives of existing properties are capitalized. Gain or loss on the disposal of assets is reflected in operations at the time of disposal.

4. Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2020 and 2019 was approximately \$97,000 and \$98,000, respectively.

5. Income Taxes

The Company accounts for income taxes utilizing an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce deferred tax assets to the amount that will more likely than not be realized. Income tax expense represents the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

6. Revenue Recognition

The Company recognizes revenue for financial reporting purposes when it satisfies a performance obligation by transferring control over a product or service to a customer.

The Company earns revenues primarily from its livestock operations and its leasing operations. Revenues earned through its leasing operations are accounted for under ASC Topic 842 *Leases*.

The Company's contracts with customers include goods and services of delivery, yardage assessments, auction, and feed, which are integrated into one overall output or performance obligation as the provision of a marketplace for the exchange of livestock. The Company's performance obligations are satisfied as the Company completes each day's obligations.

Consideration from livestock contracts is variable in nature because fees are based on the number of livestock brought to the marketplace, which can vary from period to period and is outside the Company's control. Fees at published rates are invoiced to customers daily as performance obligations are met based on the volume of livestock brought through the marketplace and payment is generally due when invoiced. The Company recognizes revenue when invoiced.

NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES
Notes To Consolidated Financial Statements
December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS
(CONTINUED)

6. Revenue Recognition (Continued)

Receivables from livestock contracts were approximately \$38,000 and \$33,000 at December 31, 2020 and 2019, respectively. There were no payables from livestock contracts at December 31, 2020 or 2019.

Livestock and leasing operations by geographic area consisted of the following in 2020 and 2019:

	Year Ended December 31, 2020			
	ONSY Livestock	ONSY Leasing	SLNSY Leasing	Total
Revenues	\$ 5,480,821	\$ 801,435	\$ 58,260	\$ 6,340,516
Depreciation	87,171	92,867	9,032	189,070
Operating Expenses	4,329,386	495,166	411,749	5,236,301
Operating Profit (Loss)	\$ 1,064,264	\$ 213,402	\$ (362,521)	\$ 915,145

	Year Ended December 31, 2019			
	ONSY Livestock	ONSY Leasing	SLNSY Leasing	Total
Revenues	\$ 5,286,378	\$ 801,140	\$ 59,460	\$ 6,146,978
Depreciation	92,850	121,356	11,602	225,808
Operating Expenses	4,128,505	495,346	584,504	5,208,355
Operating Profit (Loss)	\$ 1,065,023	\$ 184,438	\$ (536,646)	\$ 712,815

7. Net Earnings Per Common Share

Net earnings per common share have been computed based on the common shares outstanding of 43,612 in 2020 and 2019.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES
Notes To Consolidated Financial Statements
December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS
(CONTINUED)

9. Subsequent Events

The Company has evaluated subsequent events through February 11, 2021, which is the date the financial statements were available to be issued.

NOTE B – FINANCING ARRANGEMENTS

The Company has a \$350,000 unsecured line of credit with a bank which matured February 6, 2021, and is expected to be renewed. Interest is computed at the prime rate. The Company has not borrowed on this line of credit.

NOTE C – INCOME TAXES

The Company recognizes uncertain tax positions in the financial statements based on whether positions are more likely than not of being sustained on audit, based on the technical merits of the positions. Amounts recognized are subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. No provision for uncertain tax positions was considered necessary at December 31, 2020 and 2019. The Company is no longer subject to examination by U.S. federal or applicable state tax authorities for years before 2017. Management continually evaluates the effect of expiring statutes of limitations, changes in tax law and new authoritative rulings.

The tax effect of temporary differences giving rise to the net deferred tax assets (liabilities) as of December 31, 2020 and 2019 are as follows:

	2020	2019
Net deferred tax asset (liability)		
Depreciation	\$ (111,000)	\$ (68,000)
Difference between book and tax basis of land held for real estate development	90,000	102,000
Various	18,000	21,000
	<u>\$ (3,000)</u>	<u>\$ 55,000</u>

NOTE D – EMPLOYEE BENEFIT PLANS

The Company sponsors the National Stock Yards Company Savings and Retirement Plan for the benefit of its employees. The savings component of the plan is a 401(k) plan and covers all employees of the Company who have met certain minimum age and length of service requirements. The Plan permits contributions from the employees in an amount not greater than 12% of base compensation. In addition, the Company made discretionary contributions to the plan of 8% of the eligible employees' wages in 2020 and 2019. Company contributions are vested over a six year period. Company contributions were approximately \$70,000 and \$90,000 for 2020 and 2019, respectively.

NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES
Notes To Consolidated Financial Statements
December 31, 2020 and 2019

NOTE E – COMMITMENTS AND LEASING OPERATIONS

Leasing Operations

The Company leases land and commercial space under long-term and month-to-month leases to various tenants at its St. Louis and Oklahoma facilities. The long-term leases expire at various dates through 2031.

Minimum future rentals to be received on non-cancelable leases for each of the next five years and in the aggregate are:

<u>Year ending December 31,</u>	
2021	\$ 520,155
2022	210,800
2023	39,250
2024	30,000
2025	30,000
Thereafter	167,500
	<u>\$ 997,705</u>

In addition to the future rents disclosed above, the Company has a perpetual lease with an unrelated company for land with annual rent of \$40,000.

NOTE F – SIGNIFICANT ESTIMATES AND CONTINGENCIES

Oklahoma City Real Estate - Wastewater

The Company has received information that the City of Oklahoma City permit to discharge certain wastewater from livestock operations into the City's sewer system may not be renewed after December 31, 2023. Management is considering its options to mitigate the effects of this possible change.

St. Louis Real Estate Development

The Company is focused on the sale or development of its remaining St. Louis real estate. Sales proceeds net of closing costs on real estate were approximately \$999,000 in 2020 and resulted in a net gain \$835,000 in 2020. In connection with one of these sales, the Company received a \$205,547 promissory note which accrues interest at 4% annually. The unpaid principal and accrued interest are due August 20, 2023. As of December 31, 2020, the carrying value of the land at the St. Louis facility was approximately \$2,555,000.

Management estimates that the fair value of the Company's St. Louis real estate is in excess of its carrying value and demolition costs, and accordingly, the carrying value of the St. Louis real estate has not been adjusted. However, the amounts the Company will ultimately realize from the sale or development of this property could differ materially from management's current estimate.

NATIONAL STOCK YARDS COMPANY AND SUBSIDIARIES
Notes To Consolidated Financial Statements
December 31, 2020 and 2019

NOTE F – SIGNIFICANT ESTIMATES AND CONTINGENCIES (CONTINUED)

St. Louis Real Estate – Golf Course

SLNSY had an investment in an entity which owned a golf course in East St. Louis, Illinois. In December 2019, the golf course property was sold. As the entity wound down in 2020, SLNSY received approximately \$16,500 from the sale and the entity's dissolution.

St. Louis Real Estate - Environmental

The Company has obtained Phase I environmental assessments at its St. Louis facility at various times. These assessments have identified past uses of the property which could lead to environmental conditions, however, management is not aware of specific environmental matters which require immediate remediation. Management continues to consider the assessments and will perform the recommended investigations and testing as required to sell or develop the real estate. The ultimate liability for all environmental matters, if any, cannot be determined.

NOTE G – COVID-19 AND PAYCHECK PROTECTION PROGRAM LOAN

The Company's operations have been affected by the ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it could result in an adverse impact on the Company's financial position, operations and cash flows.

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Company obtained a PPP loan for \$376,500 which is included in the Company's loan payable balance at December 31, 2020.

Under the terms of the CARES Act, PPP Loan recipients may apply for and be granted forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for qualifying expenses during a designated twenty-four week period. While the Company believes that it has utilized the funds in accordance with program requirements and plans to seek forgiveness of the PPP Loan, no assurance can be provided that the Company will obtain forgiveness of the PPP Loan in whole or in part. Any forgiveness of the Loan will result in a nontaxable extinguishment of the debt. Any portion of the Loan that is not forgiven will be repaid over two-years, commencing ten months after the designated twenty-four week period, at an interest rate of 1% per annum.

December 31, 2020

BOARD OF DIRECTORS

Christopher Bakwin



Phil Fleetwood



Edward J. Henry



Jim Reynolds

OFFICERS

Christopher Bakwin
Chairman of the Board



Edward J. Henry
Secretary-Treasurer



Jan Donica
Assistant Secretary-Treasurer