ENCORE WIRE®

2019
Annual Report

March 23, 2020

To Our Stockholders:

You are cordially invited to attend the annual meeting of stockholders on Tuesday, May 5, 2020 at 9:00 a.m., central time, at the corporate office of Encore Wire Corporation, located at 1329 Millwood Rd., McKinney, Texas. We intend to hold our annual meeting in person. However, as part of our precautions regarding the coronavirus or COVID-19, we are considering the possibility that the annual meeting may be held by means of remote communication, including but not limited to, providing a webcast of the annual meeting or holding only a virtual meeting. If we determine it is necessary or appropriate to take any additional steps regarding how we conduct our annual meeting, we will announce the decision to do so in advance, and details on how to participate in our annual meeting will be available on the Investors tab of our website at www.encorewire.com. As always, we encourage you to vote your shares prior to the annual meeting. The purposes of the meeting are to elect directors for the ensuing year, to approve, in a non-binding advisory vote, the compensation of Encore's named executive officers, consider and vote on a proposal to approve the Encore Wire Corporation 2020 Long Term Incentive Plan, to ratify the appointment of auditors for 2020, and to conduct other business that may properly come before the meeting.

2019 was a solid year for Encore. Net sales for the year ended December 31, 2019 were $1.275 billion, while net income for the year was $58.1 million, with fully diluted net earnings per common share of $2.77. Our business and the markets for our products remain strong as evidenced by a 4.1% increase in unit volumes in 2019 compared to 2018. We believe that our costs are as low, or lower, than our competitors. We believe our superior order fill rates continue to enhance our competitive position.

This is an exciting time for Encore's employees, customers and stockholders. We've been under construction since inception and we continue to grow today. Our two-phase expansion plans will extend our reach and increase manufacturing capacity to meet the growing needs of our customers.

Our balance sheet is strong, and our Board is focused on delivering stockholder value. We have no long-term debt, and our revolving line of credit is paid down to zero. In addition, we had $231.0 million in cash as of December 31, 2019.

Our strong financial position allows us to pursue product and plant expansion projects in the depths of business cycle downturns and to be poised to take advantage of upturns in business cycles when they occur. We will continue our efforts to grow Encore organically by providing our customers industry-leading order fill rates and innovative products. Although we cannot predict the future with any degree of certainty, we believe Encore is well positioned to take advantage of opportunities to grow our business and prosper in the future.

We want to thank our stockholders for their support and investment. We also wish to recognize the ongoing devotion and hard work of all our employees and associates whose efforts result in our continued growth and success.

Daniel L. Jones

Daniel L. Jones
Chairman, President and Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_________ to _________

Commission File Number: 000-20278

ENCORE WIRE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**75-2274963** **(I.R.S. Employer Identification No.)**
1329 Millwood Road **McKinney, Texas** **(Address of principal executive offices)**	**75069** **(Zip Code)**

Registrant's telephone number, including area code: (972) 562-9473

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01 per share	WIRE	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant computed by reference to the price at which the Common Stock was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was $1,000,071,726 (Note: The aggregate market value of Common Stock held by the Company's directors, executive officers, immediate family members of such directors and executive officers, 10% or greater stockholders and other stockholders deemed to be affiliates was excluded from the computation of the foregoing amount. The characterization of such persons as "affiliates" should not be construed as an admission that any such person is an affiliate of the Registrant for any other purpose).

Number of shares of Common Stock outstanding as of February 20, 2020: 20,998,461

DOCUMENTS INCORPORATED BY REFERENCE

Listed below are documents, parts of which are incorporated herein by reference, and the part of this report into which the document is incorporated:

(1) Proxy statement for the 2020 annual meeting of stockholders – Part III

ENCORE WIRE CORPORATION

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2019

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PART I

Item 1. Business.

General

Encore Wire Corporation is a Delaware corporation, incorporated in 1989, with its principal executive office and manufacturing plants located at 1329 Millwood Road, McKinney, Texas 75069. The Company's telephone number is (972) 562-9473. As used in this annual report, unless otherwise required by the context, the terms "we," "our," "Company," "Encore" and "Encore Wire" refer to Encore Wire Corporation.

Encore believes it is a low-cost manufacturer of electrical building wire and cable. The Company is a significant supplier of building wire for interior electrical wiring in commercial and industrial buildings, homes, apartments, manufactured housing, and data centers.

The principal customers for Encore's wire are wholesale electrical distributors, who sell building wire and a variety of other products to electrical contractors. The Company sells its products primarily through independent manufacturers' representatives located throughout the United States and, to a lesser extent, through its own direct in-house marketing efforts.

Strategy

Encore's strategy is to further expand its share of the building wire market primarily by emphasizing a high level of customer service and the addition of new products that complement its current product line, while maintaining and enhancing its low-cost production capabilities. Encore's low-cost production capability features an efficient plant design incorporating highly automated manufacturing equipment, an integrated production process and a highly-motivated work force. Encore's plants are all located on one large campus. This single-site campus enables and enhances low-cost manufacturing, distribution and administration, as well as helping to build and maintain a cohesive company culture.

Customer Service: Encore is highly focused on responding to customer needs, with an emphasis on building and maintaining strong customer relationships. Encore seeks to establish customer loyalty by achieving an industry-leading order fill rate and rapidly handling customer orders, shipments, inquiries and returns. The Company maintains product inventories sufficient to meet anticipated customer demand and believes that the speed and completeness with which it fills orders are key competitive advantages critical to marketing its products.

Product Innovation: Encore has been a leader in bringing new ideas to a commodity product. Encore pioneered the widespread use of color feeder sizes of commercial wire and colors in residential non-metallic cable. The colors have improved on-the-job safety, reduced installation times for contractors and enabled building inspectors to rapidly and accurately inspect construction projects. Encore Wire's patented SmartColor ID® system for metal-clad and armor-clad cables allows for quick and accurate identification of gauge, number of conductors, wire and jacket type. Our spool-free PullPro® is a lightweight, durable case weighing less than thirty pounds that requires no additional tools for a tangle-free wire pull. We believe our Reel Payoff® is the industry's first self-spinning wooden reel, which allows pulling on or off the pallet with no additional tools. Additionally, Encore currently has multiple patents and patent-pending innovations that range from process improvements to packaging solutions.

Low-Cost Production: Encore's low-cost production capability features an efficient plant design and an incentivized work force.

Efficient Plant Design: Encore's highly automated wire manufacturing equipment is integrated in an efficient design that reduces material handling, labor and in-process inventory.

Incentivized Work Force: The Company has a stock option plan and a stock appreciation rights plan that enhance the motivation of its salaried manufacturing supervisors. The Company also has a comprehensive safety program creating a world-class culture by engaging employees, identifying and eliminating risk, and training employees to be successful. The Company provides a 401(k) retirement savings plan to all employees.

Products

Encore offers an electrical building wire product line that consists primarily of NM-B cable, UF-B cable, THHN/THWN-2, XHHW-2, RHH/RHW-2 and other types of wire products, including tray cable, metal-clad and armored cable. All of these products are manufactured with copper or aluminum as the current-carrying component of the conductor. The principal bases for differentiation among stock-keeping units are product type, conductor type, diameter, insulation, length, color and packaging.

Manufacturing

The efficiency of Encore's highly automated manufacturing facility is a key element of its low-cost production capability. Encore's wire manufacturing lines have been integrated so that the handling of product is substantially reduced throughout the production process. The manufacturing process for the Company's various products involves multiple steps, including: casting, drawing, stranding, compounding, insulating, cabling, jacketing and armoring.

Encore manufactures and tests all of its products in accordance with the Underwriters Laboratories (UL) standards, a nationally recognized testing and standards agency. Additionally, UL representatives routinely visit and test products from each area of manufacturing.

Customers

Encore sells its wire to wholesale electrical distributors throughout the United States. Most distributors supply products to electrical contractors. Encore's customers are numerous and diversified. Encore has three customers, each of whom slightly exceeds 10% of the Company's total sales. Encore has no customer, the loss of which would have a material adverse effect on the Company.

Encore believes that the speed and completeness with which it fills customers' orders is crucial to its ability to expand the market share for its products. The Company also believes that, for a variety of reasons, many customers strive to maintain lean inventories. Because of this trend, the Company seeks to maintain sufficient inventories to satisfy customers' prompt delivery requirements.

Marketing and Distribution

Encore markets its products throughout the United States primarily through independent manufacturers' representatives and, to a lesser extent, through its own direct marketing efforts.

Encore maintains the majority of its finished product inventory at its plant in McKinney, Texas. In order to provide flexibility in handling customer requests for immediate delivery, additional product inventories are maintained at warehouses owned and operated by some of the Company's independent manufacturers' representatives located strategically across the country.

Finished goods are typically delivered to customers by trucks operated by common carriers. The decision regarding the carrier to be used is based primarily on availability and cost.

The Company invoices its customers directly for products purchased and, if an order has been obtained through a manufacturer's representative, pays the representative a commission based on pre-established rates. The Company determines customer credit limits. The Company recorded no bad debt expense in 2019, 2018, and 2017. The manufacturers' representatives have no discretion to determine prices charged for the Company's products, and all sales are subject to Company approval.

Employees

Encore believes that its hourly employees are highly motivated and that their motivation contributes significantly to Encore's efficient operation. The Company believes that competitive hourly compensation coupled with sound management practices focuses its employees on maintaining high production standards and product quality.

As of December 31, 2019, Encore had 1,380 employees, 1,148 of whom were paid hourly wages and were primarily engaged in the operation and maintenance of the Company's manufacturing and warehouse facilities. The Company's remaining employees were executive, supervisory, administrative, sales and clerical personnel. The Company considers its relations with its employees to be good. The Company has no collective bargaining agreements with any of its employees.

Raw Materials

The principal raw materials used by Encore in manufacturing its products are copper cathode, copper scrap, PVC thermoplastic compounds, XLPE compounds, aluminum, steel, paper and nylon, all of which are readily available from a number of suppliers. Copper is the principal raw material used by the Company in manufacturing its products, constituting 81.4% of the dollar value of all raw materials used by the Company during 2019. Copper requirements are purchased primarily from miners and commodity brokers at prices determined each month primarily based on the average daily COMEX closing prices for copper for that month, plus a negotiated premium. The Company also purchases raw materials necessary to manufacture various PVC thermoplastic compounds. These raw materials include PVC resin, clay and plasticizer.

The Company produces copper rod from purchased copper cathode and copper scrap in its own rod fabrication facility. The Company reprocesses copper scrap generated by its operations as well as copper scrap purchased from others. In 2019, the Company's copper rod fabrication facility manufactured virtually all of the Company's copper rod requirements. The Company purchases aluminum rod from various suppliers for aluminum wire production.

The Company also compounds its own wire jacket and insulation compounds. The process involves the mixture of PVC raw material components to produce the PVC used to insulate the Company's wire and cable products. The raw materials include PVC resin, clay and plasticizer. During the last year, the Company's plastic compounding facility produced the vast majority of the Company's PVC requirements.

Competition

The electrical wire and cable industry is highly competitive. The Company competes with several companies who manufacture and sell wire and cable products beyond the building wire segment in which the Company competes. The Company's primary competitors include Southwire Company, Cerro Wire LLC, General Cable (a company of the Prysmian Group) and AFC Cable Systems, Inc.

For our copper products, the Company believes that it is competitive with respect to all relevant factors, including order fill rate, quality, pricing, and, in some instances, breadth of product line.

In aluminum wire, which represented 8.1% of our net sales in 2019, we successfully enforced our rights under the U.S. trade remedy laws. As a result of the International Trade Commission's final affirmative decision, U.S. importers of aluminum wire and cable from China will be required to pay antidumping duties at rates ranging from 47.83% to 52.79%, plus countervailing duties at rates ranging from 33.44% to 165.63%, depending upon the Chinese exporter/supplier.

Compliance with Environmental Regulations

The Company is subject to federal, state and local environmental protection laws and regulations governing the Company's operations and the use, handling, disposal and remediation of hazardous substances currently or formerly used by the Company. Management believes the Company is in compliance with all such rules including permitting and reporting requirements. Historically, compliance with such laws and regulations has not had a material impact on the capital expenditures, earnings and competitive position of the Company.

Intellectual Property Matters

From time to time, the Company files patent applications with the United States Patent and Trademark Office. The Company currently owns several patents and pending patent applications. The Company also owns several registered trademarks and pending trademark applications with the U.S. Patent and Trademark Office. The current registrations for the marks will expire on various dates from 2020 to 2027, but each registration can be renewed indefinitely as long as the respective mark continues to be used in commerce and the requisite proof of continued use or renewal application, as applicable, is filed. These trademarks provide source identification for the goods manufactured and sold by the Company and allow the Company to achieve brand recognition within the industry.

Internet Address/SEC Filings

The Company's Internet address is https://www.encorewire.com. Under the "Investors" section of our website, the Company provides a link to our electronic Securities and Exchange Commission ("SEC") filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, director and officer beneficial ownership reports filed pursuant to Section 16 of the Securities Exchange Act of 1934, as amended, and any amendments to these reports. All such reports are available free of charge and are available as soon as reasonably practicable after the Company files such material with, or furnishes it to, the SEC.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at https://www.sec.gov.

Information about our Executive Officers

Information regarding Encore's executive officers including their respective ages as of February 21, 2020, is set forth below:

Name	Age	Position with Company
Daniel L. Jones	56	Chairman of the Board of Directors, President and Chief Executive Officer
Bret J. Eckert	53	Vice President – Finance, Treasurer, Secretary, and Chief Financial Officer

Mr. Jones has held the office of President and Chief Executive Officer of the Company since February 2006. He performed the duties of the Chief Executive Officer in an interim capacity from May 2005 to February 2006. From May 1998 until February 2005, Mr. Jones was President and Chief Operating Officer of the Company. He previously held the positions of Chief Operating Officer from October 1997 until May 1998, Executive Vice President from May 1997 to October 1997, Vice President-Sales and Marketing from 1992 to May 1997, after serving as Director of Sales since joining the Company in November 1989. He has also served as a member of the Board of Directors since May 1992, and was named Chairman of the Board in 2014.

Mr. Eckert has served as Vice President-Finance, Treasurer, Secretary and Chief Financial Officer of Encore since January 2020. He joined the Company in August 2019 as Vice President-Finance. Prior to joining the Company, Bret served as Executive Managing Director for the Houston office of Riveron Consulting LLC, a business advisory firm, from June 2018 to August 2019. Previously he was Senior Vice President and Chief Financial Officer of Atmos Energy Corporation in Dallas for approximately five years. He spent the first twenty-two years of his career with Ernst & Young LLP where he was a partner for ten years.

All executive officers are elected annually by the Board of Directors to serve until the next annual meeting of the Board or until their respective successors are chosen and qualified.

Item 1A. Risk Factors.

The following are risk factors that could affect the Company's business, financial results and results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. Before purchasing the Company's stock, an investor should know that making such an investment involves some risks, including the risks described below. If any of the risks mentioned below or other unknown risks actually occur, the Company's business, financial condition or results of operations could be negatively affected. In that case, the trading price of its stock could fluctuate significantly.

Product Pricing and Volatility of Copper Market

Price competition for copper electrical wire and cable is significant, and the Company sells its products in accordance with prevailing market prices. Wire prices can, and frequently do, change on a daily basis. This competitive pricing market for wire does not always mirror changes in copper prices, making margins highly volatile. Copper, a commodity product, is the principal raw material used in the Company's manufacturing operations. Copper accounted for approximately 69.9%, 73.0% and 69.7% of the costs of goods sold by the Company during 2019, 2018 and 2017, respectively, and the Company expects that copper will continue to account for a significant portion of these costs in the future. The price of copper fluctuates depending on general economic conditions and in relation to supply and demand and other factors, and it causes monthly variations in the cost of copper purchased by the Company. The SEC allows shares of physically backed copper exchange traded funds ("ETFs") to be listed and publicly traded. Such funds and other copper ETFs like them hold copper cathode as collateral against their shares. The acquisition of copper cathode by copper ETFs may materially decrease or interrupt the availability of copper for immediate delivery in the United States, which could materially increase the Company's cost of copper. In addition to rising copper prices and potential supply shortages, we believe that ETFs and similar copper-backed derivative products could lead to increased copper price volatility. The Company cannot predict future copper prices or the effect of fluctuations in the costs of copper on the Company's future operating results. Consequently, fluctuations in copper prices caused by market forces can significantly affect the Company's financial results.

Operating Results May Fluctuate

Encore's results of operations may fluctuate as a result of a number of factors, including fluctuation in the demand for and shipments of the Company's products. Therefore, comparisons of results of operations have been and will be impacted by the volume of such orders and shipments. In addition, the Company's operating results could be adversely affected by the following factors, among others, such as variations in the mix of product sales, price changes in response to competitive factors, increases in raw material costs, freight costs, and other significant costs, the loss of key manufacturer's representatives who sell the Company's product line, increases in utility costs (particularly electricity and natural gas) and various types of insurance coverage and interruptions in plant operations resulting from the interruption of raw material supplies and other factors.

Reliance on Senior Management

Encore's future operating results depend, in part, upon the continued service of its senior management, including, Mr. Daniel L. Jones, Chairman, President and Chief Executive Officer, and Mr. Bret J. Eckert, the Company's Vice President and Chief Financial Officer (neither of whom is bound by an employment agreement). The Company's future success will depend upon its continuing ability to attract and retain highly qualified managerial and technical personnel. Competition for such personnel is intense, and there can be no assurance that the Company will retain its key managerial and technical employees or that it will be successful in attracting, assimilating or retaining other highly qualified personnel in the future.

Industry Conditions and Cyclicality

The residential, commercial and industrial construction industry, which is the end user of the Company's products, is cyclical and is affected by a number of factors, including the general condition of the economy, market demand and changes in interest rates. Industry sales of electrical wire and cable products tend to parallel general construction activity, which includes remodeling. Construction began to pick up strongly in 2013 after five to seven years of recession, and continued doing well through 2019. Data on remodeling is not as readily available. However, remodeling activity historically trends up when new construction slows down.

Deterioration in the financial condition of the Company's customers due to industry and economic conditions may result in reduced sales, an inability to collect receivables and payment delays or losses due to a customer's bankruptcy or insolvency. Although the Company's bad debt experience has been low in recent years, the Company's inability to collect receivables may increase the amounts the Company must expense against its bad debt reserve, decreasing the Company's profitability. A downturn in the residential, commercial or industrial construction industries and general economic conditions may have a material adverse effect on the Company.

Environmental Liabilities

The Company is subject to federal, state and local environmental protection laws and regulations governing the Company's operations and the use, handling, disposal and remediation of hazardous substances currently or formerly used by the Company. A risk of environmental liability is inherent in the Company's current manufacturing activities in the event of a release or discharge of a hazardous substance generated by the Company. Under certain environmental laws, the Company could be held jointly and severally responsible for the remediation of any hazardous substance contamination at the Company's facilities and at third party waste disposal sites and could also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. There can be no assurance that the costs of complying with environmental, health and safety laws and requirements in the Company's current operations or the liabilities arising from past releases of, or exposure to, hazardous substances, will not result in future expenditures by the Company that could materially and adversely affect the Company's financial results, cash flow or financial condition.

Competition

The electrical wire and cable industry is highly competitive. The Company competes with several manufacturers of wire and cable products that have substantially greater resources than the Company. Some of these competitors are owned and operated by large, diversified companies. The principal elements of competition in the wire and cable industry are, in the opinion of the Company, pricing, product availability and quality and, in some instances, breadth of product line. The Company believes that it is competitive with respect to all of these factors. While the number of firms producing wire and cable has declined in the past, there can be no assurance that new competitors will not emerge or that existing producers will not employ or improve upon the Company's manufacturing and marketing strategy.

Patent and Intellectual Property Disputes

Disagreements about patents and intellectual property rights occur in the wire and cable industry. The unfavorable resolution of a patent or intellectual property dispute could preclude the Company from manufacturing and selling certain products or could require the Company to pay a royalty on the sale of certain products. Patent and intellectual property disputes could also result in substantial legal fees and other costs.

Common Stock Price May Fluctuate

Future announcements concerning Encore or its competitors or customers, quarterly variations in operating results, announcements of technological innovations, the introduction of new products or changes in product pricing policies by the Company or its competitors, developments regarding proprietary rights, changes in earnings estimates by analysts or reports regarding the Company or its industry in the financial press or investment advisory publications, among other factors, could cause the market price of the common stock to fluctuate substantially. These fluctuations, as well as general economic, political and market conditions, such as recessions, world events, military conflicts or market or market-sector declines, may materially and adversely affect the market price of the common stock.

Beneficial Ownership of the Company's Common Stock by a Small Number of Stockholders

A small number of significant stockholders beneficially own greater than 42% of the Company's outstanding common stock. Depending on stockholder turnout for a stockholder vote, these stockholders, acting together, could be able to control the election of directors and certain matters requiring majority approval by the Company's stockholders. The interests of this group of stockholders may not always coincide with the Company's interests or the interests of other stockholders.

In the future, these stockholders could sell large amounts of common stock over relatively short periods of time. The Company cannot predict if, when or in what amounts stockholders may sell any of their shares. Sales of substantial amounts of the Company's common stock in the public market by existing stockholders or the perception that these sales could occur, may adversely affect the market price of our common stock by creating a public perception of difficulties or problems with the Company's business.

Future Sales of Common Stock Could Affect the Price of the Common Stock

No prediction can be made as to the effect, if any, that future sales of shares or the availability of shares for sale will have on the market price of the common stock prevailing from time to time. Sales of substantial amounts of common stock, or the perception that such sales might occur, could adversely affect prevailing market prices of the common stock.

Cybersecurity Breaches and other Disruptions to our Information Technology Systems

The efficient operation of our business is dependent on our information technology systems to process, transmit and store sensitive electronic data, including employee, distributor and customer records, and to manage and support our business operations and manufacturing processes. The secure maintenance of this information is critical to our operations. Despite our security measures, our information technology system may be vulnerable to attacks by hackers or breaches due to errors or malfeasance by employees and others who have access to our system, or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters. Any such event could compromise our information technology system, expose our customers, distributors and employees to risks of misuse of confidential information, impair our ability to effectively and timely operate our business and manufacturing processes, and cause other disruptions, which could result in legal claims or proceedings, disrupt our operations and the services we provide to customers, damage our reputation, and cause a loss of confidence in our products and services, any of which could adversely affect our results of operations and competitive position.

Regulations Related to Conflict-free Minerals May Force Us to Incur Additional Expenses.

In August 2012, the SEC adopted disclosure requirements related to certain minerals sourced from the Democratic Republic of Congo or adjoining countries, as required by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The SEC rules implementing Section 1502 of the Dodd-Frank Act require us to perform due diligence, and report whether "conflict minerals," which are defined as tin, tantalum, tungsten and gold, necessary to the functionality of a product we purchase originated from the Democratic Republic of Congo or an adjoining country. Since 2014, we have been required to file with the SEC on an annual basis a specialized disclosure report on Form SD regarding such matters. As our supply chain is complex, we may incur significant costs to determine the source and custody of conflict minerals that are used in the manufacture of our products in order to comply with these regulatory requirements in the future. We may also face reputation challenges if we are unable to verify the origins for all conflict minerals used in our products, or if we are unable to conclude that our products are "conflict free." Over time, conflict minerals reporting requirements may affect the sourcing, price and availability of our products, and may affect the availability and price of conflict minerals that are certified as conflict free. Accordingly, we may incur significant costs as a consequence of regulations related to conflict-free minerals, which may adversely affect our business, financial condition or results of operations.

Changes in Tax Laws

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") was signed into law. The 2017 Tax Act is a comprehensive tax reform bill that significantly reforms the Internal Revenue Code. The 2017 Tax Act, among other things, contains significant changes to corporate taxation, including a reduction of the corporate income tax rate, a partial limitation on the deductibility of business interest expense, limitation of the deduction for certain net operating losses to 80% of current year taxable income, an indefinite net operating loss carryforward, immediate deductions for certain new investments (instead of deductions for depreciation expense over time) and the modification or repeal of many business deductions and credits. While we expect a beneficial impact from the 2017 Tax Act from the reduction in corporate tax rates and immediate deductions for certain new investments, we continue to examine the 2017 Tax Act, as its overall impact is uncertain, and note that certain provisions of the 2017 Tax Act or its interaction with existing law could adversely affect the Company's business and financial condition. The impact of the 2017 Tax Act on our stockholders is also uncertain and could be adverse.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Encore maintains its corporate office and manufacturing plants in McKinney, Texas, approximately 32 miles north of downtown Dallas. The Company's facilities are located on a combined site of approximately 445 acres and consist of buildings containing approximately 2.1 million square feet of floor space. The corporate office, plants and equipment are owned by the Company and are not mortgaged to secure any of the Company's existing indebtedness. Encore believes that its plants and equipment are suited to its present needs, comply with applicable federal, state and local laws and regulations, and are properly maintained and adequately insured.

Item 3. Legal Proceedings.

For information on the Company's legal proceedings see Note 9 to the Company's financial statements included in Item 8 to this report and incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's common stock is traded and quoted on the NASDAQ Stock Market's Global Select Market under the symbol "WIRE." As of February 20, 2020, there were 28 holders of record of the Company's common stock.

Aside from periodic cash dividends, which the Company currently expects to continue to make consistent with its historical practice, management and the Board currently intend to retain the majority of future earnings for the operation and expansion of the Company's business.

Issuer Purchases of Equity Securities

On November 10, 2006, the Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to an authorized number of shares of its common stock on the open market or through privately negotiated transactions at prices determined by the President of the Company during the term of the program. The Company's Board of Directors has authorized several increases and annual extensions of this stock repurchase program, and, as of December 31, 2019, 1,132,946 shares remained authorized for repurchase through March 31, 2021. The Company did not repurchase any shares of its stock in 2019, 2018 or 2017. The Company also has a broker agreement to repurchase stock in the open market at certain trigger points pursuant to a Rule 10b5-1 plan announced on November 28, 2007.

Equity Compensation Plan Information

The following table provides information about the Company's equity compensation plans as of December 31, 2019.

PLAN CATEGORY	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	393,500	$ 42.36	399,800 (2)

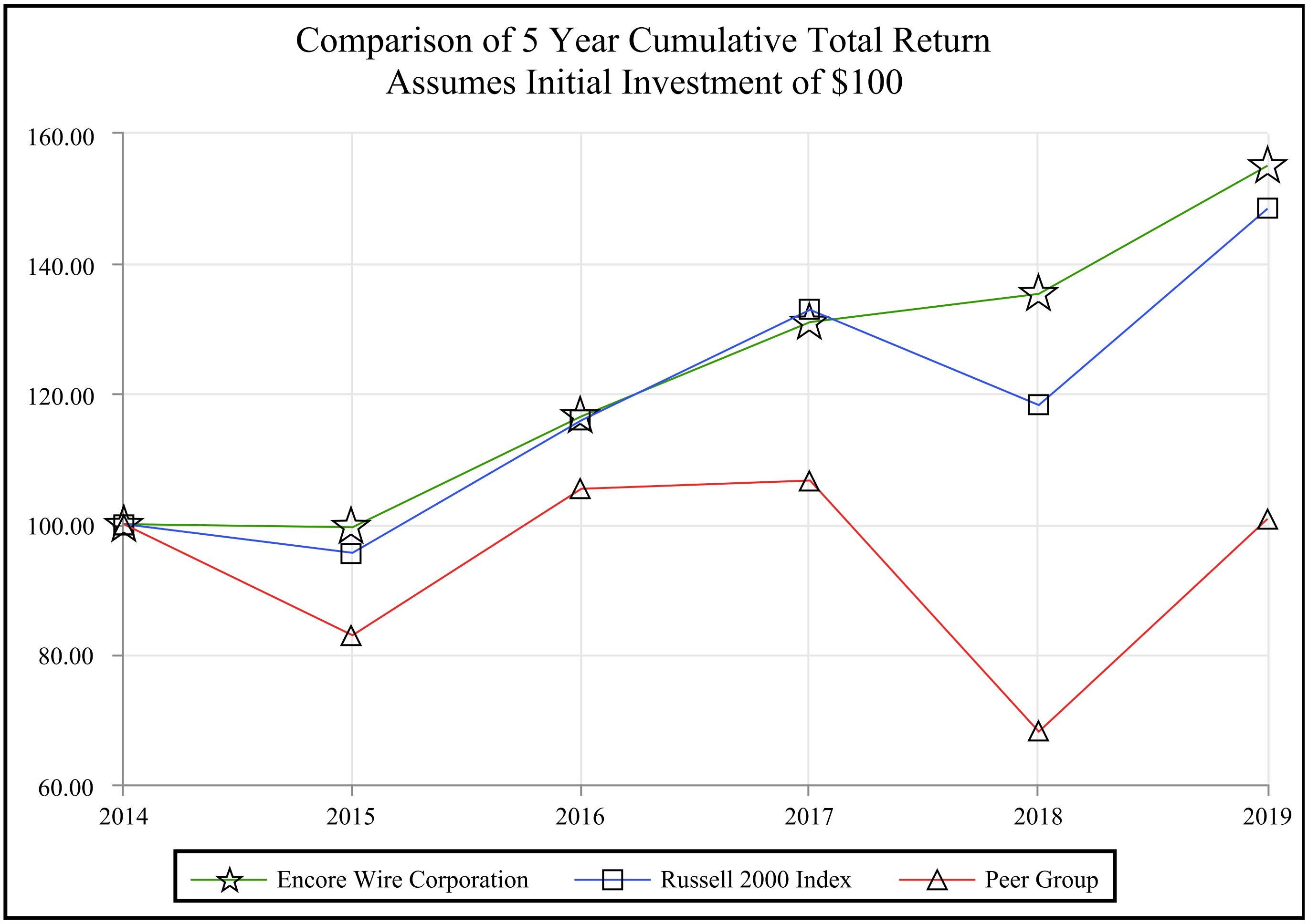
(1) Pursuant to SEC rules and the reporting requirements for this table, we have not included in (a) above 50,000 shares of restricted stock that are issued and outstanding.

(2) Represents securities remaining available for issuance under our 2010 Stock Option Plan as of December 31, 2019 that may be granted in the form of unrestricted common stock, restricted common stock, or options to purchase shares of common stock.

Performance Graph

The following graph is not "soliciting material," is not deemed filed with the SEC, and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, respectively.

The graph below sets forth the cumulative total stockholder return, which assumes reinvestment of dividends, of a $100 investment in the Company's common stock, the Russell 2000 Index, and the Company's self-determined peer group (the "Peer Group")for the five years ended December 31, 2019.



		As of December 31,					
Symbol	Total Return For:	2014	2015	2016	2017	2018	2019
☆	Encore Wire Corporation	100.00	99.52	116.56	131.05	135.39	155.09
□	Russell 2000 Index	100.00	95.59	115.95	132.94	118.30	148.49
△	Peer Group	100.00	82.92	105.43	106.70	68.11	100.81

Notes

(1) Data presented in the performance graph is complete through December 31, 2019.

(2) The Peer Group is self-determined and consists of the following companies: Belden, Inc., Apogee Enterprises, Inc., Quanex Building Products Corporation, Atkore International Group, Inc., and Masonite International Corporation. The performance graph presented in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 25, 2019, consisted of this peer group. However, the description of the "New Peer Group" included in footnote (3) to the performance graph inadvertently

omitted Masonite International Corporation, and inadvertently included Patrick Industries, Inc. and Gibraltar Industries, Inc.

(3) The peer group index uses only the Peer Group's performance and excludes the performance of the Company. The peer group index uses beginning of period market capitalization weighting.

(4) Each data line represents annual index levels derived from compounded daily returns that include all dividends.

(5) The index level for all data lines was set to $100.00 on December 31, 2014.

Item 6. Selected Financial Data.

The following financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, "Financial Statements and Supplementary Data." The table below presents, as of and for the dates indicated, selected historical financial information for the Company.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands, except per share data)				
Statement of Income Data:					
Net sales	$1,274,994	$1,288,683	$1,164,248	$ 940,790	$1,017,622
Cost of goods sold	1,109,023	1,098,961	1,008,073	820,673	880,900
Gross profit	165,971	189,722	156,175	120,117	136,722
Selling, general and administrative expenses	94,442	90,212	76,726	69,351	64,493
Operating income	71,529	99,510	79,449	50,766	72,229
Net interest and other income	4,199	2,174	427	48	155
Income before income taxes	75,728	101,684	79,876	50,814	72,384
Provision for income taxes	17,599	23,534	12,859	16,975	24,779
Net income	$ 58,129	$ 78,150	$ 67,017	$ 33,839	$ 47,605
Earnings per common and common equivalent shares – basic	$ 2.78	$ 3.75	$ 3.23	$ 1.63	$ 2.30
Weighted average common and common equivalent shares – basic	20,904	20,845	20,767	20,704	20,713
Earnings per common and common equivalent shares – diluted	$ 2.77	$ 3.74	$ 3.21	$ 1.63	$ 2.29
Weighted average common and common equivalent shares – diluted	20,990	20,910	20,847	20,773	20,787
Annual dividends declared per common share	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08

	As of December 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Balance Sheet Data:					
Working capital	$ 473,942	$ 445,665	$ 375,353	$ 325,500	$ 315,913
Total assets	883,154	818,060	733,975	657,964	628,116
Long-term debt	—	—	—	—	—
Stockholders' equity	779,096	720,456	641,345	573,109	538,639

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

The following management's discussion and analysis is intended to provide a better understanding of key factors, drivers and risks regarding the Company and the building wire industry.

Executive Overview

Encore Wire sells a commodity product in a highly competitive market. Management believes that the historical strength of the Company's growth and earnings is in large part attributable to the following main factors:

- industry-leading order fill rates and responsive customer service
- product innovations and product line expansions based on listening to and understanding customer needs and market trends
- low cost manufacturing operations, resulting from a state-of-the-art manufacturing complex
- low distribution and freight costs due in large part to the "one campus" business model
- a focused management team leading an incentivized work force
- low general and administrative overhead costs, and
- a team of experienced independent manufacturers' representatives with strong customer relationships across the United States.

These factors, and others, have allowed Encore Wire to grow from a startup in 1989 to what management believes is one of the largest electric building wire companies in the United States of America. Encore has built a loyal following of customers throughout the United States. These customers have developed a brand preference for Encore Wire in a commodity product line due to the reasons noted above, among others. The Company prides itself on striving to grow sales by expanding its product offerings where profit margins are acceptable. Senior management monitors gross margins daily, frequently extending down to the individual order level. Management strongly believes that this "hands-on" focused approach to the building wire business has been an important factor in the Company's success, and will lead to continued success.

The construction and remodeling industries drive demand for building wire. In 2019, unit sales were up 4.1% in copper wire versus 2018. In 2018, unit sales increased 4.5% in copper wire versus 2017. In 2017, unit sales of copper wire sold increased 5.6% versus 2016.

General

The Company's operating results are driven by several key factors, including the volume of product produced and shipped, the cost of copper and other raw materials, the competitive pricing environment in the wire industry and the resulting influence on gross margins and the efficiency with which the Company's plants operate during the period, among others. Price competition for electrical wire and cable is significant, and the Company sells its products in accordance with prevailing market prices. Copper, a commodity product, is the principal raw material used by the Company in manufacturing its products. Copper accounted for approximately 69.9%, 73.0% and 69.7% of the Company's cost of goods sold during 2019, 2018 and 2017, respectively. The price of copper fluctuates, depending on general economic conditions and in relation to supply and demand and other factors, which causes monthly variations in the cost of copper purchased by the Company. Additionally, the SEC allows shares of physically backed copper exchange traded funds ("ETFs") to be listed and publicly traded. Such funds and other copper ETFs like it hold copper cathode as collateral against their shares. The acquisition of copper cathode by Copper ETFs may materially decrease or interrupt the availability of copper for immediate delivery in the United States, which could materially increase the Company's cost of copper. In addition to rising copper prices and potential supply shortages, we believe that ETFs and similar copper-backed derivative products could lead to increased price volatility for copper. The Company cannot predict copper prices in the future or the effect of fluctuations in the cost of copper on the Company's future operating results. Wire prices can, and frequently do change on a daily basis. This competitive pricing market for wire does not always mirror changes in copper prices, making margins highly volatile. Historically, the cost of aluminum has been much lower and less volatile than copper. The tables below highlight the range of closing prices of copper on the Comex exchange for the periods shown.

COMEX COPPER CLOSING PRICE 2019

	October 2019	November 2019	December 2019	Quarter Ended Dec. 31, 2019	Year Ended Dec. 31, 2019
High	$ 2.68	$ 2.72	$ 2.86	$ 2.86	$ 2.98
Low	2.55	2.62	2.61	2.55	2.51
Average	2.61	2.65	2.77	2.68	2.72

COMEX COPPER CLOSING PRICE 2018

	October 2018	November 2018	December 2018	Quarter Ended Dec. 31, 2018	Year Ended Dec. 31, 2018
High	$ 2.82	$ 2.80	$ 2.80	$ 2.82	$ 3.29
Low	2.66	2.68	2.63	2.63	2.56
Average	2.76	2.75	2.72	2.75	2.92

COMEX COPPER CLOSING PRICE 2017

	October 2017	November 2017	December 2017	Quarter Ended Dec. 31, 2017	Year Ended Dec. 31, 2017
High	$ 3.22	$ 3.17	$ 3.29	$ 3.29	$ 3.29
Low	2.94	3.04	2.92	2.92	2.48
Average	3.10	3.09	3.10	3.10	2.81

COMEX COPPER CLOSING PRICE 2019 by Quarter

	Quarter Ended Mar. 31, 2019	Quarter Ended June 30, 2019	Quarter Ended Sept. 30, 2019	Quarter Ended Dec. 31, 2019	Year Ended Dec. 31, 2019
High	$ 2.96	$ 2.98	$ 2.74	$2.86	$2.98
Low	2.57	2.63	2.51	2.55	2.51
Average	2.81	2.78	2.62	2.68	2.72

Results of Operations

The following table presents certain items of income and expense as a percentage of net sales for the periods indicated.

	Year Ended December 31,		
	2019	2018	2017
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold:			
Copper	60.8 %	62.3 %	60.3 %
Other raw materials	14.0 %	12.8 %	12.9 %
Depreciation	1.2 %	1.1 %	1.2 %
Labor and overhead	11.0 %	9.6 %	10.5 %
LIFO adjustment	— %	(0.5)%	1.7 %
	87.0 %	85.3 %	86.6 %
Gross profit	13.0 %	14.7 %	13.4 %
Selling, general and administrative expenses	7.4 %	7.0 %	6.6 %
Operating income	5.6 %	7.7 %	6.8 %
Net interest and other income	0.4 %	0.2 %	0.1 %
Income before income taxes	6.0 %	7.9 %	6.9 %
Provision for income taxes	1.4 %	1.8 %	1.1 %
Net income	4.6 %	6.1 %	5.8 %

The following discussion and analysis relate to factors that have affected the operating results of the Company for the years ended December 31, 2019, 2018 and 2017. Reference should also be made to the Financial Statements and the related notes included under "Item 8. Financial Statements and Supplementary Data" of this Annual Report.

Net sales were $1.275 billion in 2019 compared to $1.289 billion in 2018 and $1.164 billion in 2017. The 1.1% decrease in net sales dollars in 2019 versus 2018 is primarily the result of a 2.0% decrease in copper wire sales. Sales dollars were driven lower primarily by a 5.8% decrease in average selling price of copper wire, partially offset by a 4.1% increase in copper wire pounds shipped. Average selling prices for wire sold were primarily driven lower by falling copper commodity prices.

In the fourth quarter of 2019, net sales dollars decreased 5.5% versus the fourth quarter of 2018. The decrease in net sales was due to a 7.3% decrease in copper net sales, driven by an average selling price decrease of 5.8% in copper wire, coupled with a 1.6% decrease in unit sales volume of copper in the fourth quarter of 2019 versus the fourth quarter of 2018. Net income dropped 57.9% in fourth quarter of 2019 versus the fourth quarter of 2018, fueled by an 11.2% decrease in copper wire spreads. It should be noted that the spreads in the fourth quarter of 2018 were the highest in over a decade.

On a sequential quarter comparison, net sales dollars in the fourth quarter of 2019 decreased 5.9% versus the third quarter of 2019, due primarily to an 8.1% decrease in copper wire unit volumes, offset slightly by a 1.0% increase the average selling price of copper wire. Unit sales generally decline in the fourth quarter.

Comparing the full year of 2019 to 2018, the decrease in gross profit margin percentage was primarily the result of a decrease in the spread between the average price paid for a pound of raw copper and the average sales price for a pound of copper. The copper spread decreased 4.9%. The spread decreased as a result of the 5.8% decrease in the average sales price per copper pound sold in building wire while the per pound cost of raw copper decreased 6.2%. Fluctuations in sales prices are primarily a result of changing copper and other raw material prices and product price competition.

Comparing the full year of 2018 to 2017, the increase in gross profit margin percentage was primarily the result of an increase in the spread between the average price paid for a pound of raw copper and the average sales price for a pound of copper in 2018 versus 2017, due primarily to improved industry pricing. Fluctuations in sales prices are primarily a result of changing copper raw material prices and product price competition. The increased margins were due primarily to the competitive pricing environment in the building wire industry. We believe that a strong construction environment in the United States during the year helped the building wire industry increase margin through price increases during 2018. As the number two player in the industry, the Company tried to lead or quickly follow prices up. However, a financially stressed competitor who had been acting erratically in the aluminum wire market, was purchased by a large foreign based company. This competitor had previously appeared to readily follow pricing downward from some imported aluminum wire. For aluminum products, which represented 7.3% of net sales in 2018, the Company has encountered significant price-based import competition from aluminum wire imports from China, which are sold through U.S. based distributors. In September 2018, the Company joined with another U.S. producer in filing petitions with the U.S. Commerce Department and International Trade Commission (ITC), requesting that they investigate whether aluminum wire and cable imports into the United States are being illegally dumped and subsidized. The Commerce Department initiated these investigations in October 2018, and the ITC issued preliminary affirmative determinations in November 2018. As a result of the International Trade Commission's final affirmative decision in November 2019, U.S. importers of aluminum wire and cable from China will be required to pay antidumping duties at rates ranging from 47.83% to 52.79%, plus countervailing duties at rates ranging from 33.44% to 165.63%, depending upon the Chinese exporter/supplier. The copper spread increased 9.8% in 2018 versus 2017. The spread increased as a result of the 7.0% increase in the average sales price per copper pound sold in building wire while the per pound cost of raw copper increased 5.7%. Fluctuations in sales prices are primarily a result of changing copper and other raw material prices and product price competition.

Cost of goods sold was $1.109 billion in 2019, compared to $1.099 billion in 2018 and $1.008 billion in 2017. The copper costs included in cost of goods sold were $775.0 million in 2019 compared to $802.7 million in 2018 and $702.6 million in 2017. Copper costs as a percentage of net sales were 60.8% in 2019 compared to 62.3% in 2018 and 60.3% in 2017. The decrease from 2018 to 2019 of copper costs as a percentage of net sales was due to copper costs decreasing 6.2%. As noted above, copper costs are the largest component of costs and therefore the most significant driver of sales prices of copper wire. Accordingly, the decrease in copper prices in 2019 caused most of the other costs to increase slightly in terms of their percentage of net sales dollars. The cost of other raw materials as a percentage of net sales increased from 12.9% in 2017 and 12.8% in 2018 to 14.0% in 2019. Material cost percentages in 2019 were decreased by a marginal LIFO credit (income), and decreased in 2018 by a 0.5% LIFO credit (income), and also increased in 2017 by a 1.7% LIFO debit (expense). Adding the LIFO adjustment to the cost of copper and other materials, the total materials cost in 2019 was 74.8% of net sales versus 74.6% in 2018 and 74.9% in 2017.

Depreciation, labor and overhead costs as a percentage of net sales were 12.2% in 2019 compared to 10.7% in 2018 and 11.7% in 2017. The percentage changes of depreciation, labor and overhead costs are due primarily to the changes in copper driven sales dollars providing the denominator by which these costs are divided. These changes in percentages are also somewhat due to the fact that depreciation, labor and overhead costs have fixed and semi-fixed components that do not vary directly with sales dollars or unit volumes.

Inventories consist of the following at December 31 (in thousands):

	2019	2018	2017
Raw materials	$ 25,882	$ 28,455	$ 32,928
Work-in-process	25,381	30,529	22,753
Finished goods	83,222	88,708	88,497
Total	134,485	147,692	144,178
Adjust to LIFO cost	(44,801)	(45,325)	(51,813)
Inventory	$ 89,684	$ 102,367	$ 92,365

The quantity of total copper inventory on hand decreased somewhat in 2019, compared to 2018. The other materials category, which includes a large number of raw materials, had quantity changes that included increases and decreases in various other materials. These factors resulted in the 2019 year-end inventory value of all inventories using the LIFO method being $44.8 million less than the FIFO value, and the 2019 year-end LIFO reserve balance being $0.5 million lower than at the end of 2018. This resulted in a LIFO adjustment decreasing cost of sales by $0.5 million in 2019.

In 2018, copper steadily declined during the year, while exhibiting some volatility as shown in the COMEX copper closing price tables above. The quantity of total copper inventory on hand increased somewhat in 2018, compared to 2017. The other materials category, which includes a large number of raw materials, had quantity changes that included increases and decreases in various other materials. These factors resulted in the 2018 year-end inventory value of all inventories using the LIFO method being $45.3 million less than the FIFO value, and the 2018 year-end LIFO reserve balance being $6.5 million lower than at the end of 2017. This resulted in a LIFO adjustment decreasing cost of sales by $6.5 million in 2018.

Based on the current copper and other raw material prices, there is no LCM adjustment necessary in the periods presented above. Future reductions in the price of copper and other raw materials could require the Company to record an LCM adjustment against the related inventory balance, which would result in a negative impact on net income.

Gross profit was $166.0 million, or 13.0% of net sales, in 2019 compared to $189.7 million, or 14.7% of net sales, in 2018 and $156.2 million, or 13.4% of net sales, in 2017. The changes in gross profit were due to the factors discussed above.

Selling expenses, which are made up of freight and sales commissions, were $66.0 million in 2019, $67.0 million in 2018 and $55.0 million in 2017. As a percentage of net sales, selling expenses were 5.2% in 2019 versus 5.2% in 2018 and 4.7% in 2017. General and administrative expenses, as a percentage of net sales, were 2.2% in 2019 versus 1.8% in 2018 and 1.9% in 2017. Accounts receivable write-offs were $230,000 in 2019, $0 in 2018 and $11,000 in 2017. The Company did not increase the bad debt reserve in 2019, 2018 and 2017.

Net interest and other income was $4.2 million in 2019, $2.2 million in 2018 and $0.4 million in 2017. The increase in 2019 reflects higher cash balances used for our purchase of certificates of deposit during the year and the resulting interest earned.

The 2017 Tax Act was signed into law on December 22, 2017. The 2017 Tax Act significantly revised the U.S. corporate income tax by, among other things, lowering the statutory corporate income tax rate from 35% to 21%, eliminating certain deductions and introducing new tax regimes. The 2017 Tax Act also enhanced and extended through 2026 the option to claim accelerated depreciation deductions on qualified property. The impact of the 2017 Tax Act on the Company's tax accruals of $13.5 million was primarily comprised of the remeasurement of federal net deferred tax liabilities resulting from the permanent reduction in the U.S. statutory corporate tax rate to 21% from 35%.

Our effective tax rate was 23.2% in 2019, 23.1% in 2018 and 16.1% in 2017. The differences between the provisions for income taxes and the income taxes computed using the federal income tax statutory rate are primarily due to changes in tax laws and state taxes. The provisional favorable impact of the 2017 Tax Act reduced the 2017 effective tax rate by 16.9%. The domestic production activity deduction reduced the effective tax rate by approximately 3.1% in 2017. The 2017 Tax Act eliminated the qualified domestic production activities deduction beginning in 2018.

As a result of the foregoing factors, the Company’s net income was $58.1 million in 2019, $78.2 million in 2018 and $67.0 million in 2017.

Off-Balance Sheet Arrangements

The Company does not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company’s financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Liquidity and Capital Resources

The following table summarizes the Company’s cash flow activities (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Net cash provided by operating activities	$ 106,121	$ 81,590	$ 48,013
Net cash used in investing activities	(52,456)	(26,065)	(20,690)
Net cash provided by (used in) financing activities	(1,105)	(482)	286
Net increase in cash and cash equivalents	$ 52,560	$ 55,043	$ 27,609
Annual dividends paid	$ 1,673	$ 1,668	$ 1,661

The Company maintains a substantial inventory of finished products to satisfy customers’ prompt delivery requirements. As is customary in the industry, the Company provides payment terms to most of its customers that exceed terms that it receives from its suppliers. In general, the Company’s standard payment terms result in the collection of a significant majority of net sales within approximately 75 days of the date of the invoice. Therefore, the Company’s liquidity needs have generally consisted of working capital necessary to finance receivables and inventory. Capital expenditures have historically been necessary to expand and update the production capacity of the Company’s manufacturing operations. The Company has historically satisfied its liquidity and capital expenditure needs with cash generated from operations, borrowings under its various debt arrangements and sales of its common stock.

At December 31, 2019 and 2018, the Company had no debt outstanding.

The Company is party to a Credit Agreement (as amended, the “Credit Agreement”) with two banks, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association as syndication agent. The Credit Agreement extends through October 1, 2021, and provides for maximum borrowings of $150.0 million. In the third quarter of 2016, the Company signed a Third Amendment to the Credit Agreement, which, along with other minor changes, eliminated the restriction of maximum borrowings based on the amount of eligible accounts receivable plus the amount of eligible finished goods and raw materials, less any reserves established by the banks. Additionally, at our request and subject to certain conditions, the commitments under the Credit Agreement may be increased by a maximum of up to $100.0 million as long as existing or new lenders agree to provide such additional commitments. Borrowings under the line of credit bear interest, at the Company's option, at either (1) LIBOR plus a margin that varies from 0.875% to 1.75% depending upon the Leverage Ratio (as defined in the Credit Agreement), or (2) the base rate (which is the highest of the federal funds rate plus 0.5%, the prime rate, or LIBOR plus 1.0%) plus 0% to 0.25% (depending upon the Leverage Ratio). A commitment fee ranging from 0.15% to 0.30% (depending upon the Leverage Ratio) is payable on the unused line of credit. At December 31, 2019, there were no borrowings outstanding under the Credit Agreement, and letters of credit outstanding in the amount of $1.5 million left $148.5 million of credit available under the Credit Agreement. Obligations under the Credit Agreement are the only contractual borrowing obligations or commercial borrowing commitments of the Company. Obligations under the Credit Agreement are unsecured and contain customary covenants and events of default. The Company was in compliance with the covenants as of December 31, 2019.

The Company paid interest totaling $0.2 million, $0.3 million and $0.2 million in 2019, 2018 and 2017, respectively, none of which was capitalized.

On November 10, 2006, the Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to an authorized number of shares of its common stock on the open market or through privately negotiated transactions at prices determined by the President of the Company during the term of the program. The Company's Board of Directors has authorized several increases and annual extensions of this stock repurchase program, and, as of December 31, 2019, 1,132,946 shares remained authorized for repurchase through March 31, 2021. The Company did not repurchase any shares of its stock in 2019, 2018 or 2017. The Company also has a broker agreement to repurchase stock in the open market at certain trigger points pursuant to a Rule 10b5-1 plan announced on November 28, 2007.

Net cash provided by operations increased $24.5 million to $106.1 million in 2019 compared to $81.6 million in 2018 and $48.0 million in 2017. The increase in cash provided by operations of $24.5 million in 2019 versus 2018 was due to several factors. Net income decreased to $58.1 million in 2019 from $78.2 million in 2018. Accounts receivable decreased in 2019, resulting in cash provided of $12.3 million versus cash used of $6.5 million in 2018, an increase in operating cash flow of $18.8 million. Accounts receivable generally fluctuates in proportion to dollar sales and, to a lesser extent, are affected by the timing of when sales occur during a given quarter. Additionally, accounts receivable can fluctuate based upon the payment timing patterns of certain large customers, although increases in accounts receivable at the end of quarterly reporting periods for this reason have not historically raised collectability issues. Changes in inventory resulted in cash provided of $12.7 million in 2019 versus cash used of $10.0 million in 2018, a $22.7 million increase in cash provided. Changes in trade accounts payable and accrued liabilities resulted in cash provided of $2.0 million in 2019 versus cash provided of $0.2 million in 2018, a positive swing of $1.8 million. These changes in cash flow were the primary drivers of the $24.5 million increase in net cash flow provided by operations in 2019 versus 2018.

Net cash provided by operations was $81.6 million in 2018 compared to $48.0 million in 2017. The increase in cash provided by operations of $33.6 million in 2018 versus 2017 was due to several factors. The Company had increased net income of $78.2 million in 2018 versus $67.0 million of net income in 2017. Accounts receivable increased in 2018, resulting in cash used of $6.5 million versus cash used of $44.0 million in 2017, an increase in operating cash flow of $37.5 million. Accounts receivable generally fluctuate in proportion to dollar sales and, to a lesser extent, are affected by the timing of when sales occur during a given quarter. Additionally, accounts receivable can fluctuate based upon the payment timing patterns of certain large customers, although increases in accounts receivable at the end of quarterly reporting periods for this reason have not historically raised collectability issues. Changes in current and deferred taxes resulted in $1.3 million of cash provided in 2018 versus cash used of $17.0 million in 2017, a positive swing of $18.3 million in 2018 versus 2017. Changes in inventory resulted in cash used of $10.0 million in 2018 versus cash provided of $0.9 million in 2017, a $10.9 million decrease in cash provided. Changes in trade accounts payable and accrued liabilities resulted in cash provided of $0.2 million in 2018 versus cash provided of $25.0 million in 2017, a negative swing of $24.8 million. These changes in cash flow were the primary drivers of the $33.6 million increase in net cash flow provided by operations in 2018 versus 2017.

Net cash used in investing activities was $52.5 million in 2019 versus $26.1 million in 2018 and $20.7 million in 2017. In 2019 and 2018, capital expenditures were used primarily for the purchase and installation of machinery and equipment throughout the Company. In 2017, capital expenditures were used primarily for the expansion of an existing wire plant and the purchase and installation of machinery and equipment throughout the Company.

The net cash used by financing activities of $1.1 million in 2019 consisted primarily of dividend payments of $1.7 million, partially offset by $0.6 million proceeds from issuance of Company stock related to employees exercising stock options. The net cash used by financing activities of $0.5 million in 2018 consisted primarily of $1.7 million in dividend payments offset by

$1.2 million proceeds from issuance of Company stock related to employees exercising stock options. The net cash provided by financing activities of $0.3 million in 2017 consisted primarily of $1.7 million in dividend payments, offset by $1.9 million proceeds from issuance of Company stock related to employees exercising stock options.

We recently announced our continued expansion plans, which we expect to proceed in two phases. Phase one will begin late in the first quarter of 2020 with the construction of a new 720,000 square foot facility located at the north end of our existing campus. This facility will act as a service center, modernizing our logistics to allow for increased throughput and provide the bandwidth necessary to capture incremental sales volumes. Phase one will allow us to compete at a higher level in the marketplace while further strengthening our industry-leading customer service and order fill rates. We expect to complete construction in the second quarter of 2021. Phase two of our expansion plans will commence following phase one and will focus on repurposing our existing distribution center to expand manufacturing capacity significantly and extend our market reach. Phase two completion is anticipated in 2022. We anticipate total capital expenditures to range from $85 - $95 million in 2020, $70 - $90 million in 2021, and $60 - $80 million in 2022. Our strong balance sheet and ability to generate high levels of operating cash flow consistently should provide ample allowance to fund planned capital expenditures.

Contractual Obligations

As shown below, the Company had the following contractual obligations as of December 31, 2019.

	Payments Due by Period ($ in Thousands)				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Purchase Obligations	$ 63,836	$ 63,836	—	—	—

Note: Amounts listed as purchase obligations consist of open purchase orders for major raw material purchases and $12.4 million of capital equipment and construction purchase orders open as of December 31, 2019.

Critical Accounting Policies and Estimates

Management's discussion and analysis of its financial condition and results of operations are based upon the Company's financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. See Note 1 to the Financial Statements included under "Item 8. Financial Statements and Supplementary Data" of this annual report. Management believes the following critical accounting policies affect its more significant estimates and assumptions used in the preparation of its financial statements.

Inventories are stated at the lower of cost, using the last-in, first out (LIFO) method, or market. The Company maintains two inventory pools for LIFO purposes. As permitted by U.S. generally accepted accounting principles, the Company maintains its inventory costs and cost of goods sold on a first-in, first-out (FIFO) basis and makes a monthly adjustment to adjust total inventory and cost of goods sold from FIFO to LIFO. The Company applies the lower of cost or market (LCM) test by comparing the LIFO cost of its raw materials, work-in-process and finished goods inventories to estimated market values, which are based primarily upon the most recent quoted market price of copper, aluminum and finished wire prices as of the end of each reporting period. The Company performs a lower of cost or market calculation quarterly. As of December 31, 2019, no LCM adjustment was required. However, decreases in copper and other material prices could necessitate establishing an LCM reserve in future periods. Additionally, future reductions in the quantity of inventory on hand could cause copper or other raw materials that are carried in inventory at costs different from the cost of copper and other raw materials in the period in which the reduction occurs to be included in costs of goods sold for that period at the different price.

Revenue from the sale of the Company's products is recognized when goods are shipped to the customer, title and risk of loss are transferred, pricing is fixed or determinable and collection is reasonably assured. A provision for payment discounts and customer rebates is estimated based upon historical experience and other relevant factors and is recorded within the same period that the revenue is recognized.

The Company has provided an allowance for losses on customer receivables based upon estimates of those customers' inability to make required payments. Such allowance is established and adjusted based upon the makeup of the current receivable portfolio, past bad debt experience and current market conditions. If the financial condition of our customers was to deteriorate and impair their ability to make payments to the Company, additional allowances for losses might be required in future periods.

Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the sole source of authoritative U.S. GAAP other than Securities and Exchange Commission ("SEC") issued rules and regulations that apply only to SEC registrants. The FASB issues an Accounting Standard Update ("ASU") to communicate changes to the codification. The Company considers the applicability and impact of all ASUs. The following are those ASUs that are relevant to the Company.

The Company has a minimal number of leases, all of which are classified as operating. As a result of the adoption of ASU No. 2016-02, "Leases (Topic 842)," on January 1, 2019, and as of December 31, 2019, the Company recorded less than $1.0 million of right of use assets which are included in other non-current assets, and less than $1.0 million of total current and non-current lease liabilities, which are included in accounts payable and other non-current liabilities. We will evaluate any future lease commitments in conformance with ASU No. 2016-02.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)," which makes significant changes to the accounting for credit losses on financial assets and disclosures about them. This ASU requires immediate recognition of management's estimates of current expected credit losses. Under the prior model, losses were recognized only as they were incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The guidance affects all entities in all industries and applies to a wide variety of financial assets, including trade receivables. The new standard will be effective for the Company beginning January 1, 2020. ASU 2016-13 permits only a modified retrospective approach without restatement. The effect of our adopting the new standard will not impact our financial statements materially.

Information Regarding Forward-Looking Statements

This report contains various forward-looking statements and information that are based on management's belief as well as assumptions made by and information currently available to management. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected.

Among the key factors that may have a direct bearing on the Company's operating results and stock price are:

- fluctuations in the global and national economy
- fluctuations in the level of activity in the construction industry, including remodeling
- demand for the Company's products
- the impact of price competition on the Company's margins
- fluctuations in the price of copper, aluminum and other key raw materials
- the loss of key manufacturers' representatives who sell the Company's product line
- fluctuations in utility costs, especially electricity and natural gas, and freight costs
- fluctuations in insurance costs and the availability of coverage of various types
- weather related disasters at the Company's and/or key vendor's operating facilities
- stock price fluctuations due to "stock market expectations" and other external variables
- unforeseen future legal issues and/or government regulatory changes
- changes in tax laws
- patent and intellectual property disputes, and
- fluctuations in the Company's financial position or national banking issues that impede the Company's ability to obtain reasonable and adequate financing.

This list highlights some of the major factors that could affect the Company's operations or stock price, but cannot enumerate all the potential issues that management faces on a daily basis, many of which are totally out of management's control. For further discussion of the factors described herein and their potential effects on the Company, see “Item 1. Business,” “Item 1A. Risk Factors,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 7A. Quantitative and Qualitative Disclosures About Market Risk.”

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company does not engage in metal futures trading or hedging activities and does not enter into derivative financial instrument transactions for trading or other speculative purposes. However, the Company is generally exposed to commodity price and interest rate risks.

The Company purchases copper cathode primarily from miners and commodity brokers at prices determined each month based on the average daily COMEX closing prices for copper for that month, plus a negotiated premium. As a result, fluctuations in copper prices caused by market forces can significantly affect the Company’s financial results. Interest rate risk is attributable to the Company’s long-term debt. As of December 31, 2019, the Company was a party to the Credit Agreement. Amounts outstanding under the Credit Agreement, as amended, are payable on October 1, 2021, with interest payments due quarterly. At December 31, 2019, the balance outstanding under the Credit Agreement was zero.

There is inherent rollover risk for borrowings under the Credit Agreement as such borrowings mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and the Company’s future financing requirements.

For further information regarding market risk, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Item 1A. Risk Factors.”

Item 8. Financial Statements and Supplementary Data.

The financial statements of the Company and the notes thereto appear on the following pages.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Encore Wire Corporation

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Encore Wire Corporation (the Company) as of December 31, 2019 and 2018, and the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the PCAOB and required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Valuation of inventories

Description of the Matter	At December 31, 2019, the Company's inventory balance was $89.7 million. As discussed in Notes 1 and 2 to the financial statements, inventories are stated at the lower of cost, using the last-in, first-out (LIFO) method, or market. The Company maintains two inventory pools for LIFO purposes. As permitted by U.S. generally accepted accounting principles, the Company maintains its inventory costs and cost of goods sold on a first-in, first-out (FIFO) basis and adjusts total inventory and cost of goods sold from FIFO to LIFO at each month end. Auditing management's calculation to adjust the FIFO inventory balances to LIFO was challenging due to the complexities of the manual calculations.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's calculation of the adjustments to convert FIFO inventory balances to LIFO, including controls over management's review of the manual calculations described above. To test the LIFO inventory balance, we performed audit procedures that included, among others, assessing methodologies and testing the underlying data used in the Company's calculation to adjust the FIFO inventory balances to LIFO. We also tested the mathematical accuracy of the Company's calculation.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1990.
Dallas, Texas
February 21, 2020

Encore Wire Corporation
Balance Sheets
As of December 31, 2019 and 2018
(In thousands, except share data)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 230,965	$ 178,405
Accounts receivable, net of allowance of $1,801 and $2,030	223,098	235,353
Inventories	89,684	102,367
Income taxes receivable	3,602	1,389
Prepaid expenses and other	1,889	1,723
Total current assets	549,238	519,237
Property, plant and equipment – at cost:		
Land and land improvements	52,354	51,169
Construction-in-progress	49,847	24,623
Buildings and improvements	152,536	151,758
Machinery and equipment	334,204	314,175
Furniture and fixtures	10,926	9,687
Total property, plant and equipment	599,867	551,412
Accumulated depreciation	(266,688)	(252,754)
Property, plant and equipment – net	333,179	298,658
Other assets	737	165
Total assets	$ 883,154	$ 818,060
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	$ 40,509	$ 36,706
Accrued liabilities	34,787	36,866
Total current liabilities	75,296	73,572
Deferred income taxes and other	28,762	24,032
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value:		
Authorized shares – 2,000,000; none issued	—	—
Common stock, $.01 par value:		
Authorized shares – 40,000,000;		
Issued shares – 26,939,403 and 26,906,603	269	269
Additional paid-in capital	63,009	60,822
Treasury stock, at cost – 6,027,455 and 6,027,455 shares	(91,056)	(91,056)
Retained earnings	806,874	750,421
Total stockholders' equity	779,096	720,456
Total liabilities and stockholders' equity	$ 883,154	$ 818,060

See accompanying notes.

Encore Wire Corporation
Statements of Income
For the Years Ended December 31, 2019, 2018 and 2017
(In thousands, except per share data)

	2019	2018	2017
Net sales	$1,274,994	$1,288,683	$1,164,248
Cost of goods sold	1,109,023	1,098,961	1,008,073
Gross profit	165,971	189,722	156,175
Selling, general and administrative expenses	94,442	90,212	76,726
Operating income	71,529	99,510	79,449
Net interest and other income	4,199	2,174	427
Income before income taxes	75,728	101,684	79,876
Provision for income taxes	17,599	23,534	12,859
Net income	$ 58,129	$ 78,150	$ 67,017
Earnings per common and common equivalent share – basic	$ 2.78	$ 3.75	$ 3.23
Earnings per common and common equivalent share – diluted	$ 2.77	$ 3.74	$ 3.21
Weighted average common and common equivalent shares outstanding – basic	20,904	20,845	20,767
Weighted average common and common equivalent shares outstanding – diluted	20,990	20,910	20,847
Cash dividends declared per share	$ 0.08	$ 0.08	$ 0.08

See accompanying notes.

Encore Wire Corporation
Statements of Stockholders' Equity
(In thousands, except per share data)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
	Shares	Amount				
Balance at January 1, 2017	26,763	$ 268	$ 55,311	$ (91,056)	$ 608,586	$ 573,109
Net income	—	—	—	—	67,017	67,017
Exercise of stock options	91	1	1,926	—	—	1,927
Stock-based compensation	5	—	955	—	—	955
Dividend declared—$0.08 per share	—	—	—	—	(1,663)	(1,663)
Balance at December 31, 2017	26,859	269	58,192	(91,056)	673,940	641,345
Net income	—	—	—	—	78,150	78,150
Exercise of stock options	42	—	1,186	—	—	1,186
Stock-based compensation	5	—	1,444	—	—	1,444
Dividend declared—$0.08 per share	—	—	—	—	(1,669)	(1,669)
Balance at December 31, 2018	26,906	269	60,822	(91,056)	750,421	720,456
Net income	—	—	—	—	58,129	58,129
Exercise of stock options	22	—	568	—	—	568
Stock-based compensation	11	—	1,619	—	—	1,619
Dividend declared—$0.08 per share	—	—	—	—	(1,676)	(1,676)
Balance at December 31, 2019	26,939	$ 269	$ 63,009	$ (91,056)	$ 806,874	$ 779,096

See accompanying notes.

Encore Wire Corporation
Statements of Cash Flows
For the Years Ended December 31, 2019, 2018 and 2017
(In thousands)

	2019	2018	2017
Operating Activities			
Net income	$ 58,129	$ 78,150	$ 67,017
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17,707	16,513	15,684
Deferred income taxes	3,376	3,033	(12,974)
Stock-based compensation attributable to equity awards	1,619	1,444	955
Other	754	(187)	(587)
Changes in operating assets and liabilities:			
Accounts receivable	12,255	(6,468)	(44,030)
Inventories	12,683	(10,002)	909
Other assets	(229)	627	58
Trade accounts payable and accrued liabilities	2,040	165	25,004
Current income taxes receivable / payable	(2,213)	(1,685)	(4,023)
Net cash provided by operating activities	106,121	81,590	48,013
Investing Activities			
Purchases of property, plant and equipment	(52,484)	(26,181)	(21,754)
Proceeds from sale of assets	28	116	1,064
Net cash used in investing activities	(52,456)	(26,065)	(20,690)
Financing Activities			
Deferred financing fees	—	—	(1)
Borrowings from revolver	—	67,300	—
Repayments to revolver	—	(67,300)	—
Proceeds from issuance of common stock, net	568	1,186	1,948
Dividends paid	(1,673)	(1,668)	(1,661)
Excess tax benefits of options exercised	—	—	—
Net cash provided by (used in) financing activities	(1,105)	(482)	286
Net increase in cash and cash equivalents	52,560	55,043	27,609
Cash and cash equivalents at beginning of period	178,405	123,362	95,753
Cash and cash equivalents at end of period	$ 230,965	$ 178,405	$ 123,362

See accompanying notes.

1. Significant Accounting Policies

Business

The Company conducts its business in one segment – the manufacture of electric building wire, principally NM-B cable, for use primarily as interior wiring in homes, apartments, and manufactured housing, and THHN/THWN-2 cable and metal-clad and armored cable for use primarily as wiring in commercial and industrial buildings. The Company sells its products primarily through manufacturers' representatives located throughout the United States and, to a lesser extent, through its own direct marketing efforts. The principal customers for Encore's building wire are wholesale electrical distributors.

Copper, a commodity product, is the principal raw material used in the Company's manufacturing operations. Copper accounted for 69.9%, 73.0% and 69.7% of the cost of goods sold during 2019, 2018 and 2017, respectively. The price of copper fluctuates, depending on general economic conditions and in relation to supply and demand and other factors, and has caused monthly variations in the cost of copper purchased by the Company. The Company cannot predict future copper prices or the effect of fluctuations in the cost of copper on the Company's future operating results.

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The financial statements include the accounts of the Company and its former wholly-owned subsidiary, which was dissolved in December 2018. For periods prior to the subsidiary's dissolution, all intercompany accounts and transactions were eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

The majority of our revenue is derived by fulfilling customer orders for the purchase of our products, which include electrical building wire and cable. We recognize revenue at the point in time that control of the ordered products is transferred to the customer, which is typically upon shipment to the customer from our manufacturing facilities and based on agreed upon shipping terms on the related purchase order. Amounts billed and due from our customers are classified as accounts receivables on the balance sheet and require payment on a short-term basis through standard payment terms.

Revenue is measured as the amount of consideration we expect to receive in exchange for fulfilling product orders. The amount of consideration we expect to receive and revenue we recognize includes estimates for trade payment discounts and customer rebates which are estimated using historical experience and other relevant factors and is recorded within the same period that the revenue is recognized. We review and update these estimates regularly and the impact of any adjustments are recognized in the period the adjustments are identified. The adjustments resulting from updated estimates of trade payment discounts and customer rebates were not material.

Freight Expenses

The Company classifies shipping and handling costs as a component of selling, general and administrative expenses. Shipping and handling costs were approximately $33.9 million, $35.1 million and $26.2 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Fair Value of Financial Instruments

Certain items are required to be measured at fair value on a recurring basis, primarily cash equivalents held in banks. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level hierarchy is followed for disclosure to show the extent and level of judgment used to estimate fair value measurements:

Level 1 – Inputs used to measure fair value are unadjusted quoted prices that are available in active markets for the identical assets or liabilities as of the reporting date.

Level 2 – Inputs used to measure fair value, other than quoted prices included in Level 1, are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data from actively quoted markets for substantially the full term of the financial instrument.

Level 3 – Inputs used to measure fair value are unobservable inputs that are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

At December 31, 2019 and 2018, the carrying value of cash and cash equivalents, excluding certificates of deposit, approximated fair value, a Level 1 measurement. At December 31, 2019 and 2018, the carrying value of the Company's certificates of deposit totaling $161.3 million and $100.7 million, respectively, approximated fair value, a Level 2 measurement.

Concentrations of Credit Risk and Accounts Receivable

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high credit quality financial institutions.

Accounts receivable represent amounts due from customers, primarily wholesale electrical distributors, related to the sale of the Company's products. Such receivables are uncollateralized and are generally due from a diverse group of customers located throughout the United States. Encore has three customers, each of whom slightly exceeds 10% of the Company's total sales. The Company establishes an allowance for losses based upon the makeup of the current portfolio, past bad debt experience and current market conditions.

Allowance for Losses Progression (In Thousands)	2019	2018	2017
Beginning balance January 1	$ 2,030	$ 2,028	$ 2,036
Write-offs of bad debts	(230)	—	(11)
Collection of previous write-offs	1	2	3
Ending balance at December 31	$ 1,801	$ 2,030	$ 2,028

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2019 and 2018, the Company's cash equivalents consisted of investments in money market accounts and certificates of deposit with the Company's banks.

Inventories

Inventories are stated at the lower of cost, using the last-in, first-out (LIFO) method, or market. The Company evaluates the market value of its raw materials, work-in-process and finished goods inventory primarily based upon current raw material and finished goods prices at the end of each period.

Property, Plant, and Equipment

Depreciation of property, plant and equipment for financial reporting is provided on the straight-line method over the estimated useful lives of the respective assets as follows: buildings and improvements, 15 to 39 years; machinery and equipment, 3 to 20 years; and furniture and fixtures, 3 to 15 years. Accelerated cost recovery methods are used for tax purposes. Repairs and maintenance costs are expensed as incurred.

Stock-Based Compensation

Compensation cost for all equity-based compensation expected to vest is measured at fair value on the date of grant and recognized over the related service period. The fair value of stock awards is determined based on the number of shares granted and the quoted price of Encore's common stock, and the fair value of stock options and stock appreciation rights is estimated on the date of grant using the Black-Scholes model. Such value is recognized as expense over the service period, net of estimated forfeitures, on a straight-line basis. To the extent actual forfeitures or updated estimates of forfeitures differ from management's current estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised.

Earnings Per Share

Earnings per common and common equivalent share is computed using the weighted average number of shares of common stock and common stock equivalents outstanding during each period. The dilutive effects of stock awards, which are common stock equivalents, are calculated using the treasury stock method.

Income Taxes

Income taxes are provided for based on the liability method, resulting in deferred income tax assets and liabilities arising due to temporary differences. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period the change in rate is enacted.

Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. There were no differences between comprehensive income and reported income in the periods presented.

Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the sole source of authoritative U.S. GAAP other than Securities and Exchange Commission ("SEC") issued rules and regulations that apply only to SEC registrants. The FASB issues an Accounting Standard Update ("ASU") to communicate changes to the codification. The Company considers the applicability and impact of all ASUs. The following are those ASUs that are relevant to the Company.

The Company has a minimal number of leases, all of which are classified as operating. As a result of the adoption of ASU No. 2016-02, "Leases (Topic 842)," on January 1, 2019, and as of December 31, 2019, the Company recorded less than $1.0 million of right of use assets which are included in other non-current assets, and less than $1.0 million of total current and non-current lease liabilities, which are included in accounts payable and other non-current liabilities. We will evaluate any future lease commitments in conformance with ASU No. 2016-02.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)," which makes significant changes to the accounting for credit losses on financial assets and disclosures about them. This ASU requires immediate recognition of management's estimates of current expected credit losses. Under the prior model, losses were recognized only as they were incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The guidance affects all entities in all industries and applies to a wide variety of financial assets, including trade receivables. The new standard will be effective for the Company beginning January 1, 2020. ASU 2016-13 permits only a modified retrospective approach without restatement. The effect of our adopting the new standard will not impact our financial statements materially.

2. Inventories

Inventories consist of the following as of December 31:

In Thousands	2019	2018
Raw materials	$ 25,882	$ 28,455
Work-in-process	25,381	30,529
Finished goods	83,222	88,708
Total	134,485	147,692
Adjust to LIFO cost	(44,801)	(45,325)
Inventory	$ 89,684	$ 102,367

There were no liquidations of inventories that had a material impact on the Company's results of operations for any period presented.

3. Accrued Liabilities

Accrued liabilities consist of the following as of December 31:

In Thousands	2019	2018
Sales rebates payable	$ 16,622	$ 18,565
Property taxes payable	4,011	3,962
Accrued salaries	7,924	8,790
Other accrued liabilities	6,230	5,549
Total accrued liabilities	$ 34,787	$ 36,866

4. Debt

At December 31, 2019 and 2018, the Company had no debt outstanding.

The Company is party to a Credit Agreement (as amended, the "Credit Agreement") with two banks, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association as syndication agent. The Credit Agreement extends through October 1, 2021, and provides for maximum borrowings of $150.0 million. In the third quarter of 2016, the Company signed a Third Amendment to the Credit Agreement, which, along with other minor changes, eliminated the restriction of maximum borrowings based on the amount of eligible accounts receivable plus the amount of eligible finished goods and raw materials, less any reserves established by the banks. Additionally, at the Company's request and subject to certain conditions, the commitments under the Credit Agreement may be increased by a maximum of up to $100.0 million as long as existing or new lenders agree to provide such additional commitments. Borrowings under the line of credit bear interest, at the Company's option, at either (1) LIBOR plus a margin that varies from 0.875% to 1.75% depending upon the Leverage Ratio (as defined in the Credit Agreement), or (2) the base rate (which is the highest of the federal funds rate plus 0.5%, the prime rate, or LIBOR plus 1.0%) plus 0% to 0.25% (depending upon the Leverage Ratio). A commitment fee ranging from 0.15% to 0.30% (depending upon the Leverage Ratio) is payable on the unused line of credit. At December 31, 2019, there were no borrowings outstanding under the Credit Agreement, and letters of credit outstanding in the amount of $1.5 million left $148.5 million of credit available under the Credit Agreement. Obligations under the Credit Agreement are the only contractual borrowing obligations or commercial borrowing commitments of the Company. Obligations under the Credit Agreement are unsecured and contain customary covenants and events of default. The Company was in compliance with the covenants as of December 31, 2019.

The Company paid interest totaling $0.2 million, $0.3 million and $0.2 million in 2019, 2018 and 2017, respectively, none of which was capitalized.

5. Income Taxes

The 2017 Tax Act was signed into law on December 22, 2017. The 2017 Tax Act significantly revised the U.S. corporate income tax by, among other things, lowering the statutory corporate income tax rate from 35% to 21%, eliminating certain deductions and introducing new tax regimes. The 2017 Tax Act also enhanced and extended through 2026 the option to claim accelerated depreciation deductions on qualified property. The impact of the 2017 Tax Act on the Company's tax accruals of $13.5 million was primarily comprised of the remeasurement of federal net deferred tax liabilities resulting from the permanent reduction in the U.S. statutory corporate tax rate to 21% from 35%.

The provisions for income tax expense are summarized as follows for the years ended December 31:

In Thousands	2019	2018	2017
Current:			
Federal	$ 12,675	$ 18,523	$ 24,421
State	1,549	1,978	1,411
Deferred:			
Federal	3,260	2,603	(13,289)
State	115	430	316
Total income tax expense	$ 17,599	$ 23,534	$ 12,859

The differences between the provision for income taxes and income taxes computed using the federal income tax rate are as follows for the years ended December 31:

In Thousands	2019	2018	2017
Amount computed using the statutory rate	$ 15,903	$ 21,354	$ 27,956
State income taxes, net of federal tax benefit	1,314	1,903	1,166
Qualified domestic production activity deduction	—	—	(2,464)
Effect of 2018 deferred rate change	—	—	(13,463)
Other	382	277	(336)
Total income tax expense	$ 17,599	$ 23,534	$ 12,859

The domestic production activity deduction reduced the Company's effective tax rate 3.1% in 2017. The 2017 Tax Act eliminated the qualified domestic production activities deduction beginning in 2018.

The tax effect of each type of temporary difference giving rise to the net deferred tax liability at December 31 is as follows:

In Thousands	2019	2018
Depreciation	$ (27,547)	$ (23,559)
Inventory	(1,970)	(2,650)
Allowance for doubtful accounts	406	457
Uniform capitalization rules	265	470
Other	1,438	1,250
Net deferred income tax liability	$ (27,408)	$ (24,032)

The Company made income tax payments of $16.4 million in 2019, $22.3 million in 2018 and $30.0 million in 2017.

The Company was audited by the IRS for the year 2015. The audit concluded with no adjustments. The Company's federal income tax returns for the years subsequent to December 31, 2015 remain subject to examination. The Company's income tax returns in major state income tax jurisdictions remain subject to examination for various periods subsequent to December 31, 2012. The Company has no reserves for uncertain tax positions as of December 31, 2019 and 2018. Interest and penalties resulting from audits by tax authorities have been immaterial and are included in the provision for income taxes in the statements of income.

6. Stock-Based Compensation

Total stock-based compensation expense by type of award was as follows for the years ended December 31:

In Thousands	2019	2018	2017
Stock options	$ 635	$ 1,209	$ 738
Stock appreciation rights ("SARs")	2,906	894	1,543
Restricted Stock Awards	907	—	—
Stock grants	269	235	217
Total stock-based compensation expense	$ 4,717	$ 2,338	$ 2,498

In 2010, the Board of Directors adopted a new stock option plan called the Encore Wire 2010 Stock Option Plan (As Amended and Restated Effective February 20, 2017) (the "2010 Stock Option Plan") which was approved by the Company's stockholders at the 2017 Annual Meeting of Stockholders. The 2010 Stock Option Plan permits the granting of securities in the form of unrestricted common stock, restricted common stock or options to purchase shares of common stock, to non-employee directors, officers and employees of the Company. The 2010 Stock Option Plan expired on February 20, 2020. We expect that a new equity incentive plan will be proposed in the Company's proxy statement to be voted on at the annual meeting of stockholders to be held on May 5, 2020. As of December 31, 2019, 399,800 securities remained available for grant in the form of unrestricted common stock, restricted common stock or options to purchase shares of common stock under the 2010 Stock Option Plan.

Stock Options:

No stock option awards were granted in 2019. The Company granted stock option awards in 2018 and 2017 with exercise prices equal to the fair market value of its stock on the date of grant of the options. These options vest ratably over a period of five years from the time the options were granted. The maximum term of any option granted under the 2010 Stock Option Plan is ten years. New shares are issued upon the exercise of options.

The following presents a summary of stock option activity for the year ended December 31, 2019:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In Thousands)
Outstanding at January 1, 2019	415,000	$ 41.53		
Exercised	(21,500)	26.39		
Outstanding at December 31, 2019	393,500	$ 42.36	6.2 years	$ 5,918
Vested and exercisable at December 31, 2019	209,700	$ 40.21	5.2 years	$ 3,604

No stock option awards were granted in 2019. The fair value of stock options granted in the years ended December 31, 2018 and 2017, was estimated on the date of grant using a Black-Scholes option pricing model and the following weighted average assumptions:

	Year Ended December 31,	
	2018	2017
Risk-free interest rate	2.36 %	1.84 %
Expected dividend yield	0.16 %	0.19 %
Expected volatility	31.40 %	30.80 %
Expected lives	5.0 years	5.0 years

The Company bases expected volatilities on historical volatilities of Encore's common stock. The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting periods and management's consideration of historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding to the expected life of the option. The expected dividend yield is based on the annualized dividend payment paid on common shares.

During the years ended December 31, 2018 and 2017, the weighted average grant date fair value of options granted was $15.95 and $12.46, respectively. During the years ended December 31, 2019, 2018 and 2017, the total intrinsic value of options exercised was $0.7 million, $0.9 million and $2.2 million, respectively. As of December 31, 2019, total unrecognized compensation cost related to non-vested stock options of $1.3 million was expected to be recognized over a weighted average period of 2.6 years.

Stock Appreciation Rights:

In 2014, the Board of Directors adopted a new stock appreciation rights plan called the Encore Wire 2014 Stock Appreciation Rights Plan (the "2014 SARs Plan"). The 2014 SARs Plan permits the grant of SARs that may only be settled in cash to non-executive officers and employees of the Company. SARs granted to employees vest ratably over a period of five years from the time the SARs were granted. The maximum term of any SARs granted under the 2014 SARs Plan is ten years. These awards are classified as liability awards. The liability balance was $3.1 million and $2.3 million at December 31, 2019 and 2018, respectively, and are included in accrued liabilities. Compensation cost for these awards is determined using a fair value method and remeasured at each reporting date until the date of settlement. As of December 31, 2019, a total of 565,300 SARs were outstanding under the 2014 SARs Plan.

The following presents a summary of SARs activity for the year ended December 31, 2019:

	Cash-settled SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In Thousands)
Outstanding at January 1, 2019	471,100	$ 44.56		
Granted	230,500	52.07		
Exercised	(119,900)	41.51		
Forfeited/Canceled	(16,400)	47.56		
Outstanding at December 31, 2019	565,300	$ 48.18	8.0 years	$ 5,217
Vested and exercisable at December 31, 2019	68,400	$ 44.34	6.4 years	$ 893

The fair value of SARs granted during the years ended December 31, 2019, 2018 and 2017, was estimated on the date of grant using a Black-Scholes option pricing model and the following weighted average assumptions:

	Year Ended December 31, 2019	2018	2017
Risk-free interest rate	1.62 %	2.53 %	2.01 %
Expected dividend yield	0.14 %	0.16 %	0.16 %
Expected volatility	28.46 %	30.83 %	31.90 %
Expected lives	3.0 years	3.0 years	3.2 years

The Company bases expected volatilities on historical volatilities of Encore's common stock. The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting periods and management's consideration of historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding to the expected life of the option. The expected dividend yield is based on the annualized dividend payment paid on common shares.

During the years ended December 31, 2019, 2018 and 2017, the weighted average grant date fair value of SARs granted was $17.19, $14.94 and $16.09, respectively, and the total intrinsic value of SARs exercised was $2.1 million, $1.1 million, and $0.3 million, respectively. As of December 31, 2019, total unrecognized compensation cost related to non-vested SARs of $5.9 million was expected to be recognized over a weighted average period of 3.2 years.

Restricted Stock Awards:

During the year ended December 31, 2019, the Company granted 60,000 shares of restricted stock to employees pursuant to the 2010 Stock Option Plan, with a weighted grant date fair value of $54.49 per share. There were no restricted shares issued in either 2018 or 2017. As of December 31, 2019, there was $2.3 million of total unrecognized compensation cost related to unvested shares. That cost is expected to be recognized over a weighted-average period of 4.4 years. The total fair value of shares vested during the year ending December 31, 2019 was $0.5 million.

The following presents a summary of restricted stock activity for the year ended December 31, 2019:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2019	—	—
Granted	60,000	$ 54.49
Vested	(10,000)	51.94
Forfeited/Canceled	—	—
Unvested at December 31, 2019	50,000	$ 55.00

Stock Grants:

In June 2019, the Company granted 1,000 shares of stock to each of the 5 non-employee directors pursuant to the 2010 Stock Option Plan with a grant date fair value of $53.81 per share. In May 2018, the Company granted 1,000 shares of stock to each of the 5 non-employee directors, with a grant date fair value of $46.95 per share. In May 2017, the Company granted 1,000 shares of stock to each of the 5 non-employee directors, with a grant date fair value of $43.40 per share

7. Earnings Per Share

The following table sets forth certain components of the computation of basic and diluted earnings per share for the years ended December 31:

In Thousands	2019	2018	2017
Numerator:			
Net income	$ 58,129	$ 78,150	$ 67,017
Denominator:			
Denominator for basic earnings per share – weighted average shares	20,904	20,845	20,767
Effect of dilutive securities:			
Employee stock awards	86	65	80
Denominator for diluted earnings per share – weighted average shares	20,990	20,910	20,847

Stock options to purchase common stock at exercise prices in excess of the average actual stock price for the period that were anti-dilutive and that were excluded from the determination of diluted earnings per share are as follows:

In Thousands, Except Per Share Data	2019	2018	2017
Weighted average anti-dilutive stock options	118	181	125
Weighted average exercise price per share	$ 51.05	$ 50.20	$ 45.74

8. Stockholders' Equity

On November 10, 2006, the Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to an authorized number of shares of its common stock on the open market or through privately negotiated transactions at prices determined by the President of the Company during the term of the program. The Company's Board of Directors has authorized several increases and annual extensions of this stock repurchase program, and, as of December 31, 2019, 1,132,946 shares remained authorized for repurchase through March 31, 2021. The Company did not repurchase any shares of its stock in 2019, 2018 or 2017. The Company also has a broker agreement to repurchase stock in the open market at certain trigger points pursuant to a Rule 10b5-1 plan announced on November 28, 2007.

9. Contingencies

There are no material pending proceedings to which the Company is a party or to which any of its property is subject. However, the Company is from time to time involved in litigation, certain other claims and arbitration matters arising in the ordinary course of its business. The Company accrues for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of the probability of a loss and the determination as to whether a loss is reasonably estimable. Any such accruals are reviewed at least quarterly and adjusted to reflect the effects of negotiations, settlements, rulings, advice of legal counsel and technical experts and other information and events pertaining to a particular matter. To the extent there is a reasonable possibility (within the meaning of ASC 450 (Contingencies)) that probable losses could exceed amounts already accrued, if any, and the additional loss or range of loss is able to be estimated, management discloses the additional loss or range of loss.

For matters where the Company has evaluated that a loss is not probable, but is reasonably possible, the Company will disclose an estimate of the possible loss or range of loss or make a statement that such an estimate cannot be made. In some instances, for reasonably possible losses, the Company cannot estimate the possible loss or range of loss. The nature and progression of litigation can make it difficult to predict the impact a particular lawsuit will have on the Company. There are many reasons that the Company cannot make these assessments, including, among others, one or more of the following: the early stages of a proceeding; damages sought that are unspecified, unsupportable, unexplained or uncertain; discovery is incomplete; the complexity of the facts that are in dispute; the difficulty of assessing novel claims; the parties not having engaged in any meaningful settlement discussions; the possibility that other parties may share in any ultimate liability; and/or the often slow pace of litigation.

10. Encore Wire Corporation 401(k) Profit Sharing Plan

The Company sponsors a 401(k) profit sharing plan (the "Plan") that permits eligible employees to make self-directed contributions of their compensation, a portion of which is matched by the Company, subject to applicable limitations. At the discretion of its Board of Directors, the Company may, but is not required to, make profit-sharing contributions to the Plan on behalf of its employees. The Company's matching contributions were $2.5 million, $2.1 million and $1.9 million in 2019, 2018 and 2017, respectively.

11. Quarterly Financial Information (Unaudited)

The following is a summary of the unaudited quarterly financial information for the two years ended December 31, 2019 and 2018 (in thousands, except per share data):

	Three Months Ended			
2019	March 31	June 30	September 30	December 31
Net sales	$ 314,707	$ 336,866	$ 321,169	$ 302,252
Gross profit	41,326	45,910	42,988	35,747
Net income	13,411	17,782	16,401	10,535
Earnings per common share – basic	0.64	0.85	0.78	0.50
Earnings per common share – diluted	0.64	0.85	0.78	0.50

	Three Months Ended			
2018	March 31	June 30	September 30	December 31
Net sales	$ 291,431	$ 336,793	$ 340,732	$ 319,727
Gross profit	37,494	44,497	54,505	53,226
Net income	11,353	18,089	23,678	25,030
Earnings per common share – basic	0.54	0.87	1.14	1.20
Earnings per common share – diluted	0.54	0.86	1.13	1.20

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The Company maintains controls and procedures designed to ensure that information required to be disclosed by it in the reports it files with or submits to the Securities and Exchange Commission (the "SEC") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive and Chief Financial Officers, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report conducted by the Company's management, with the participation of the Chief Executive and Chief Financial Officers, the Chief Executive and Chief Financial Officers concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports it files with or submits to the SEC is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive and Chief Financial Officers, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) for the Company.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control —Integrated Framework (2013 Framework). Based on our assessment, we concluded that, as of December 31, 2019, the Company's internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's financial statements, has also audited the Company's internal control over financial reporting as of December 31, 2019. Ernst & Young LLP's attestation report on the Company's internal control over financial reporting appears directly below.

There have been no changes in the Company's internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the Company's last fiscal quarter.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Encore Wire Corporation

Opinion on Internal Control over Financial Reporting

We have audited Encore Wire Corporation's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Encore Wire Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the balance sheets of Encore Wire Corporation as of December 31, 2019 and 2018, the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Dallas, Texas
February 21, 2020

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

The sections entitled "Election of Directors", "Corporate Governance and Other Board Matters" and "Delinquent Section 16(a) Reports" appearing in the Company's proxy statement for the annual meeting of stockholders to be held on May 5, 2020 setting forth certain information with respect to the directors of the Company, Section 16(a) reporting obligations of directors and officers, the Company's audit committee, the Company's audit committee financial expert and the procedures by which security holders may recommend nominees to the Board of Directors are incorporated herein by reference. Certain information with respect to persons who are or may be deemed to be executive officers of the Company is set forth under the caption "Information about our Executive Officers" in Part I, Item 1 of this report.

In connection with Company's long-standing commitment to conduct its business in compliance with applicable laws and regulations and in accordance with its ethical principles, the Board of Directors has adopted a Code of Business Conduct and Ethics applicable to all employees, officers, directors, and advisors of the Company. The Code of Business Conduct and Ethics of the Company is available under the "Investors" section of the Company's website at http://www.encorewire.com, and is incorporated herein by reference. The Company intends to post amendments to or waivers of its Code of Business Conduct and Ethics (to the extent applicable to any officer or director of the Company) at such location on its website.

Item 11. Executive Compensation.

The section entitled "Executive Compensation" appearing in the Company's proxy statement for the annual meeting of stockholders to be held on May 5, 2020, sets forth certain information with respect to the compensation of management of the Company and compensation committee interlocks and insider participation and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The section entitled "Security Ownership of Certain Beneficial Owners, Directors and Executive Officers" appearing in the Company's proxy statement for the annual meeting of stockholders to be held on May 5, 2020 sets forth certain information with respect to the ownership of the Company's common stock, and is incorporated herein by reference. Certain information with respect to the Company's equity compensation plans that is required to be set forth in this Item 12 is set forth under the caption "Equity Compensation Plan Information" contained in "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" of this Form 10-K and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The sections entitled "Executive Compensation — Certain Relationships and Related Transactions" and "Corporate Governance and Other Board Matters — Board Independence" appearing in the Company's proxy statement for the annual meeting of stockholders to be held on May 5, 2020 set forth certain information with respect to certain relationships and related transactions, and director independence, and are incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The Section entitled "Proposal Three — Ratification of Appointment of Independent Registered Public Accounting Firm" appearing in the Company's proxy statement for the annual meeting of stockholders to be held on May 5, 2020, sets forth certain information with respect to certain fees paid to accountants, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following documents are filed as a part of this report:

(1) Financial Statements included in Item 8 of this Annual Report on Form 10-K; and

(2) Financial statement schedules have been omitted because they are not applicable or the information required therein is included in the financial statements or notes thereto in Item 8 of this Annual Report on Form 10-K.

(3) The exhibits required by Item 601 of Regulation S-K are set forth below:

Exhibit Number	Description
3.1	Certificate of Incorporation of Encore Wire Corporation and all amendments thereto (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and incorporated herein by reference).
3.2	Third Amended and Restated Bylaws of Encore Wire Corporation, as amended through February 27, 2012 (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference).
4.1	Form of certificate for Common Stock (filed as Exhibit 1 to the Company's registration statement on Form 8-A, filed with the SEC on June 4, 1992 and incorporated herein by reference).
4.2	Description of Registrant's Securities
10.1*	1999 Stock Option Plan, as amended and restated, effective as of February 20, 2006 (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 (No. 333-138165) and incorporated herein by reference).
10.2*	2010 Stock Option Plan as amended and restated effective February 20, 2017 (filed as Annex A to the Company's Notice and Proxy Statement filed with on March 27, 2017 and incorporated herein by reference).
10.3*	Form of Indemnification Agreement (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and incorporated herein by reference).
10.4*	Form of Stock Option Agreement under the 1999 Stock Option Plan (filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 and incorporated herein by reference).
10.5*	Form of Incentive Stock Option Agreement under the 2010 Stock Option Plan (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and incorporated herein by reference).
10.6*	Form of Non-Qualified Stock Option Agreement under the 2010 Stock Option Plan (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and incorporated here by reference).
10.7*	Form of Encore Wire 2010 Stock Option Plan Stock Award Agreement (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 2, 2017 and incorporated herein by reference).
10.8*	Form of Encore Wire Corporation Restricted Stock Award Agreement
10.9	Credit Agreement dated September 27, 2012 by and among the Company, Bank of America, N.A., as administrative agent and letter of credit issuer, Wells Fargo Bank, National Association, as syndication agent and the other lender parties thereto (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 2, 2012 and incorporated herein by reference).

10.10	First Amendment to Credit Agreement, dated as of December 31, 2013, by and among the Company, Bank of America, N.A., as lender and administrative agent and Wells Fargo Bank, National Association, as lender (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 5, 2014 and incorporated herein by reference).
10.11	Second Amendment to Credit Agreement, dated as of December 31, 2014, by and among the Company, Bank of America, N.A., as lender and administrative agent and Wells Fargo Bank, National Association, as lender (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference).
10.12	Third Amendment to Credit Agreement, dated as of September 29, 2016, by and among Encore Wire Corporation, as borrower, Bank of America, N.A., as administrative agent and letter of credit issuer, Wells Fargo Bank, National Association, as syndication agent, the financial institutions a party thereto as lenders and EWC Aviation Corporation, as guarantor (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 5, 2016 and incorporated herein by reference).
10.13*	Encore Wire Corporation 2014 Stock Appreciation Rights Plan (filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, and incorporated herein by reference).
23.1	Consent of Ernst & Young LLP
31.1	Certification by Daniel L. Jones, Chairman, President and Chief Executive Officer of the Company, dated February 21, 2020 and submitted pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Bret J. Eckert, Vice President — Finance, Treasurer, Secretary and Chief Financial Officer of the Company, dated February 21, 2020 and submitted pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Daniel L. Jones, Chairman, President and Chief Executive Officer of the Company, dated February 21, 2020 as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Bret J. Eckert, Vice President — Finance, Treasurer, Secretary and Chief Financial Officer, dated February 21, 2020 as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

* Management contract or compensatory plan

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: February 21, 2020

ENCORE WIRE CORPORATION

By: /s/ Daniel L. Jones

Daniel L. Jones
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DANIEL L. JONES Daniel L. Jones	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 21, 2020
/s/ BRET J. ECKERT Bret J. Eckert	Vice President-Finance, Treasurer, Secretary and Chief Financial Officer (Principal Financial and Accounting Officer)	February 21, 2020
/s/ DONALD E. COURTNEY Donald E. Courtney	Director	February 21, 2020
/s/ GREGORY J. FISHER Gregory J. Fisher	Director	February 21, 2020
/s/ WILLIAM R. THOMAS William R. Thomas	Director	February 21, 2020
/s/ SCOTT D. WEAVER Scott D. Weaver	Director	February 21, 2020
/s/ JOHN H. WILSON John H. Wilson	Lead Independent Director	February 21, 2020

CORPORATE INFORMATION

BOARD OF DIRECTORS:
Gregory J. Fisher
Director
Daniel L. Jones
Chairman
William R. Thomas
Director
Scott D. Weaver
Director
John H. Wilson
Lead Independent Director

IN MEMORIAM
Donald E. Courtney
1930 – 2020
Director, 1989 - 2020

COMPANY OFFICERS:
Daniel L. Jones
President & Chief Executive Officer
Bret J. Eckert
Vice President-Finance, Treasurer, Secretary & Chief Financial Officer
William T. Bigbee
Vice President-Operations
Joseph Todd Clayton
Vice President-Facilities Engineering
Matthew D. Ford
Controller, Assistant Secretary
Joseph E. Gibson
Assistant Vice President-Operations
Kevin M. Heffernan
Vice President-Sales Performance
Kevin M. Kieffer
Vice President-Sales and Marketing
Darin Riggs
Vice President-Information Technology
Janet K. Sander
Vice President-Purchasing
David K. Smith
Vice President-Production Assets
Donald M. Spurgin
Vice President-Sales Development

LOCATION OF PLANT:
McKinney, Texas

LEGAL COUNSEL:
Thompson & Knight LLP
Dallas, Texas

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:
Ernst & Young LLP
Dallas, Texas

COMMON STOCK LISTED:
NASDAQ GLOBAL SELECT MARKET
Symbol “WIRE”

TRANSFER AGENT AND REGISTRAR:
American Stock Transfer & Trust Co.
New York, New York

FORM 10-K:
The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as filed with the US Securities and Exchange Commission (SEC), is included herein. Additional copies of the Annual Report may be obtained without charge upon written request to Encore Wire Corporation, 1329 Millwood Road, McKinney, Texas 75069, Attention: Vice President-Finance, Treasurer, Secretary & CFO, or via the internet at www.encorewire.com/investors or the SEC’s website at www.sec.gov.

CORPORATE HEADQUARTERS:
1329 Millwood Road
McKinney, Texas 75069
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