ENCORE WIRE®

2017 Annual Report

ENCORE WIRE®

March 26, 2018

To Our Stockholders:

You are cordially invited to attend the annual meeting of stockholders on Tuesday, May 8, 2018 at 9:00 a.m., central time, at the corporate office of Encore Wire Corporation, located at 1329 Millwood Rd., McKinney, Texas. The purposes of the meeting are to elect directors for the ensuing year, to approve, in a non-binding advisory vote, the compensation of the Company's named executive officers, to ratify the appointment of auditors for 2018, and to conduct other business that may properly come before the meeting.

2017 was a very good year. Net sales for the year ended December 31, 2017 were $1.164 billion, while net income for the year was $67.0 million, with fully diluted net earnings per common share of $3.21. Net earnings per common share for the year from core operations was $2.61 per share. In addition, as a result of the December Federal Tax Legislation changes, we recognized a $13.5 million decrease in our deferred tax liability, offset by the special bonus of $1,000 we gave to all our employees except corporate officers, resulting in a net one-time gain of $0.60 per share. The $2.61 in net earnings per common share from core operations is the second best year in our history and is a 60% increase over last year. The overall construction and building wire markets remain strong. Anecdotal information confirms our belief that there are still large commercial and industrial projects in the pipeline. 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,

Our balance sheet is very strong, and our Board is focused on returning value to the stockholders. We have no long-term debt, and our revolving line of credit is paid down to zero. In addition, we had $123.4 million in cash as of December 31, 2017.

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 the Company 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 assure them that the management team is dedicated to increasing stockholder value. 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, 2017

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	Name of each exchange on which registered
Common Stock, par value $.01 per share	**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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 ☐ (Do not check if a smaller reporting company)	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 $754,677,665 (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 22, 2018: 20,835,748

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 2018 annual meeting of stockholders – Part III

ENCORE WIRE CORPORATION

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2017

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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 and its consolidated entities.

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, and manufactured housing.

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.

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 a high 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. 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 that emphasizes employee participation. 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 ("SKUs") 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 two customers, each of whom slightly exceed 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 independent manufacturers' representatives located strategically across the country. Some of these manufacturers' representatives, as well as the Company's other manufacturers' representatives, maintain offices without warehouses in numerous locations throughout the United States.

Finished goods are typically delivered to warehouses and 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 charges in 2017, 2016, and 2015. 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 the 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, 2017, Encore had 1,235 employees, 1,028 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 80.6% of the dollar value of all raw materials used by the Company during 2017. 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 2017, the Company's copper rod fabrication facility manufactured the majority 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 virtually all 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 Corporation and AFC Cable Systems, Inc.

The principal elements of competition in the electrical wire and cable industry are, in the Company's opinion, order fill rate, quality, pricing, and, in some instances, breadth of product line. The Company believes that it is competitive with respect to all of these factors.

Competition in the electrical wire and cable industry, although intense, has been primarily from U.S. manufacturers, including foreign-owned facilities located in the United States. The Company has not encountered significant competition from imports of building wire. The Company believes this is primarily because direct labor costs generally account for a relatively small percentage of the cost of goods sold for these products and freight costs are relatively high to bring wire to the United States from overseas.

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.

Research and Development Activities

The Company classifies research and development activities as a component of production overhead. Costs attributable to Company-sponsored research and development activities were approximately $1.9 million, $2.0 million and $1.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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 between 2018 and 2023, 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 public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. 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.

Executive officers of the Company

Information regarding Encore's executive officers including their respective ages as of February 23, 2018, is set forth below:

Name	Age	Position with Company
Daniel L. Jones	54	Chairman of the Board of Directors, President and Chief Executive Officer
Frank J. Bilban	61	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. Bilban has served as Vice President-Finance, Treasurer, Secretary and Chief Financial Officer of Encore since June 2000. From 1998 until joining the Company in June 2000, Mr. Bilban was Executive Vice President and Chief Financial Officer of Alpha Holdings, Inc., a plastics manufacturing conglomerate. From 1996 until 1998, Mr. Bilban was Vice President and Chief Financial Officer of Wedge Dia-Log Inc., an oil field services company.

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 intense, 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 69.7%, 65.2% and 72.1% of the costs of goods sold by the Company during 2017, 2016 and 2015, 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. With the volatility of both raw material prices and wire prices in the Company's end market, hedging raw materials can be risky. Historically, the Company has not engaged in hedging strategies for raw material purchases.

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 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, Mr. Daniel L. Jones, Chairman, President and Chief Executive Officer, and Mr. Frank J. Bilban, the Company's Vice President and Chief Financial Officer (neither of whom are 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 2017. While volumes were not at "boom" levels nationally, there were regional pockets of strength, such as Texas, while other regions of the country had lower levels of activity early in the up cycle, but are now also improving. According to various industry and national economic forecasts, the future is unclear for the next few years. 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 as a whole 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 41% 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.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Encore maintains its corporate office and manufacturing plants in McKinney, Texas, approximately 35 miles north of Dallas. The Company's facilities are located on a combined site of approximately 430 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 plant 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.

A description of the Company's legal proceedings is contained in Note 9 to the Company's consolidated 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." The following table sets forth the high and low intraday sales prices per share for the common stock as reported by NASDAQ for the periods indicated.

	High	Low
2017		
First Quarter	$ 49.75	$ 40.85
Second Quarter	47.40	40.20
Third Quarter	45.75	37.30
Fourth Quarter	49.45	42.78
2016		
First Quarter	$ 40.13	$ 32.96
Second Quarter	41.46	35.40
Third Quarter	43.78	34.03
Fourth Quarter	46.40	33.70

As of February 22, 2018, there were 30 holders of record of the Company's common stock.

The Company paid its first cash dividend in January 2007 and has continued paying quarterly dividends of two cents per share through 2017. Aside from periodic dividends, 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, 2017, 1,132,946 shares remained authorized for repurchase through March 31, 2018. The Company did not repurchase any shares of its stock in 2017 or 2016. The Company repurchased 92,804 shares of its stock in the third quarter of 2015, its only purchases in 2015. 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

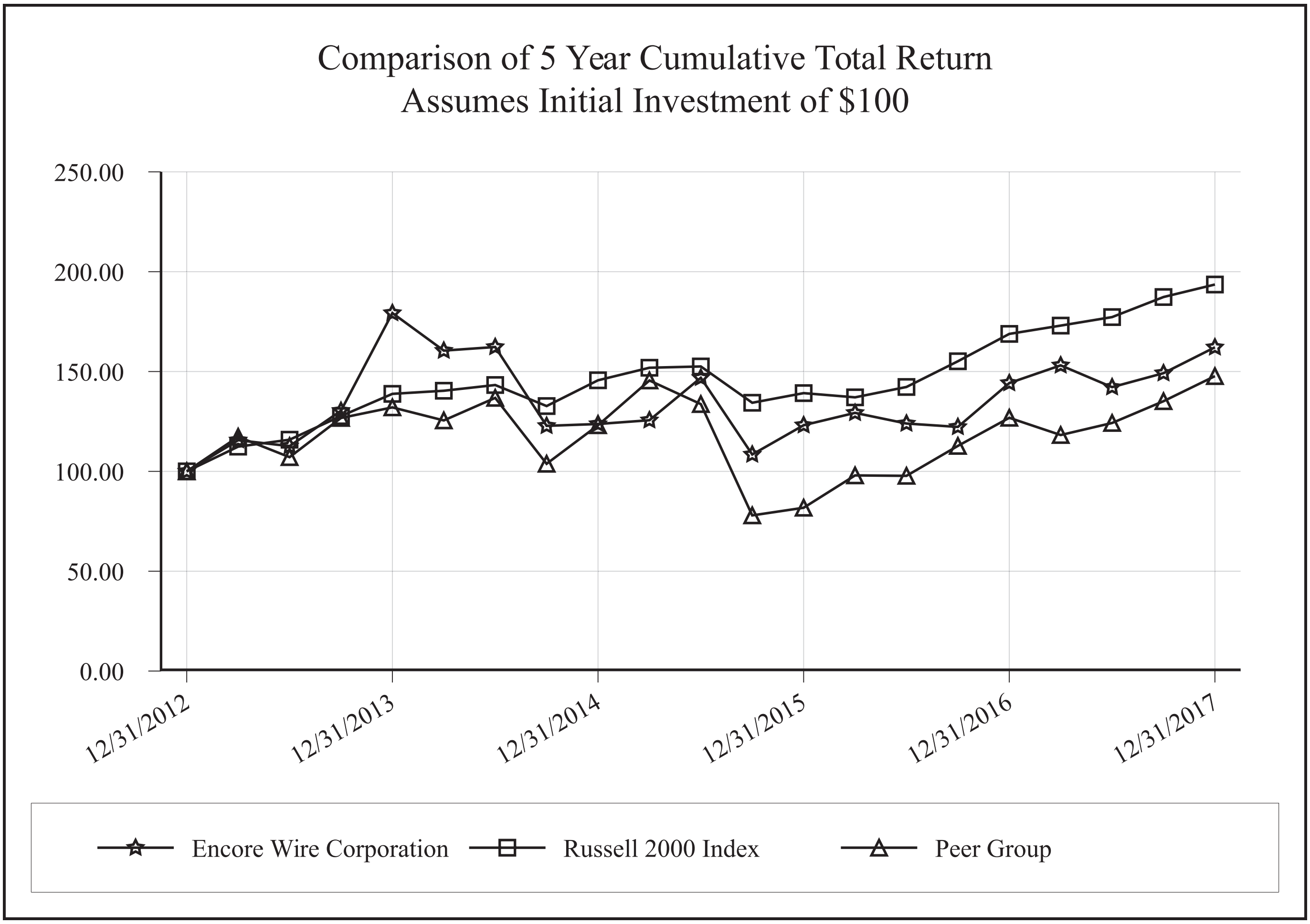
The following table provides information about the Company's equity compensation plans as of December 31, 2017.

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	339,900	$ 36.55	592,300

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 for the five years ended December 31, 2017



		As of December 31,					
Symbol	Total Return For:	2012	2013	2014	2015	2016	2017
★	Encore Wire Corporation	100.00	179.30	123.72	123.12	144.22	162.14
■	Russell 2000 Index	100.00	138.82	145.62	139.19	168.85	193.58
▲	Peer Group	100.00	132.04	123.09	81.78	126.83	147.70

Notes

(1) Data presented in the performance graph is complete through December 31, 2017.

(2) The Peer Group is self-determined and consists of the following companies: General Cable Corporation and Belden, Inc.

(3) The peer group index uses only such 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 quarterly 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, 2012.

Item 6. Selected Consolidated 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,				
	2017	2016	2015	2014	2013
	(in thousands, except per share data)				
Statement of Income Data:					
Net sales	$1,164,248	$ 940,790	$1,017,622	$1,166,979	$1,158,252
Cost of goods sold	1,008,073	820,673	880,900	1,042,002	1,023,180
Gross profit	156,175	120,117	136,722	124,977	135,072
Selling, general and administrative expenses	76,726	69,351	64,493	68,876	64,453
Operating income	79,449	50,766	72,229	56,101	70,619
Net interest and other income	427	48	155	56	64
Income before income taxes	79,876	50,814	72,384	56,157	70,683
Provision for income taxes	12,859	16,975	24,779	19,034	23,773
Net income	$ 67,017	$ 33,839	$ 47,605	$ 37,123	$ 46,910
Earnings per common and common equivalent shares – basic	$ 3.23	$ 1.63	$ 2.30	$ 1.79	$ 2.27
Weighted average common and common equivalent shares – basic	20,767	20,704	20,713	20,714	20,676
Earnings per common and common equivalent shares – diluted	$ 3.21	$ 1.63	$ 2.29	$ 1.78	$ 2.26
Weighted average common and common equivalent shares – diluted	20,847	20,773	20,787	20,821	20,764
Annual dividends paid per common share	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08

	As of December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Balance Sheet Data:					
Working capital	$ 375,353	$ 325,500	$ 315,913	$ 284,671	$ 277,392
Total assets	733,975	657,964	628,116	572,751	525,826
Long-term debt	—	—	—	—	—
Stockholders' equity	641,345	573,109	538,639	493,187	456,581

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 strongly believes that the historical strength of the Company's growth and earnings is 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 2015, unit sales were down 1.5% in copper wire versus 2014. It should be noted, however, that 2015 had a slow start, due in part to rough winter and spring weather. Unit sales volumes were down 9.4% for copper through the first five months of 2015 versus the first five months of 2014. However, unit sales volumes were up 4.4% for copper in the last seven months of 2015 versus the same period in 2014. In 2016, unit sales were up 2.4% in copper wire versus 2015. In 2017, unit sales increased 5.6% in copper wire 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 intense, 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 69.7%, 65.2% and 72.1% of the Company's cost of goods sold during 2017, 2016 and 2015, 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. With the volatility of both raw material prices and wire prices in the Company's end market, hedging raw materials can be risky. Historically, the Company has not engaged in hedging strategies for raw material purchases. The tables below highlight the range of closing prices of copper on the Comex exchange for the periods shown.

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 2016

	October 2016	November 2016	December 2016	Quarter Ended Dec. 31, 2016	Year Ended Dec. 31, 2016
High	$ 2.20	$ 2.67	$ 2.69	$ 2.69	$ 2.69
Low	2.08	2.22	2.47	2.08	1.94
Average	2.14	2.47	2.57	2.39	2.20

COMEX COPPER CLOSING PRICE 2015

	October 2015	November 2015	December 2015	Quarter Ended Dec. 31, 2015	Year Ended Dec. 31, 2015
High	$ 2.43	$ 2.33	$ 2.14	$ 2.43	$ 2.95
Low	2.31	2.02	2.03	2.02	2.02
Average	2.37	2.16	2.08	2.20	2.51

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,		
	2017	2016	2015
Net sales	100.0%	100.0%	100.0 %
Cost of goods sold:			
Copper	60.3%	56.9%	62.4 %
Other raw materials	12.9%	15.0%	14.9 %
Depreciation	1.2%	1.5%	1.4 %
Labor and overhead	10.5%	12.6%	11.0 %
LIFO adjustment	1.7%	1.2%	(3.1)%
	86.6%	87.2%	86.6 %
Gross profit	13.4%	12.8%	13.4 %
Selling, general and administrative expenses	6.6%	7.4%	6.3 %
Operating income	6.8%	5.4%	7.1 %
Net interest and other income	0.1%	—%	— %
Income before income taxes	6.9%	5.4%	7.1 %
Provision for income taxes	1.1%	1.8%	2.4 %
Net income	5.8%	3.6%	4.7 %

The following discussion and analysis relates to factors that have affected the operating results of the Company for the years ended December 31, 2017, 2016 and 2015. Reference should also be made to the Consolidated Financial Statements and the related notes included under "Item 8. Financial Statements and Supplementary Data" of this Annual Report.

Net sales were $1.164 billion in 2017 compared to $940.8 million in 2016 and $1.018 billion in 2015. The 23.8% increase in net sales dollars in 2017 versus 2016 is primarily the result of a 26.6% increase in copper wire sales. Sales dollars were driven higher primarily by a 19.8% increase in average selling price of copper wire, coupled with a 5.6% increase in copper wire pounds shipped. Average selling prices for wire sold were primarily driven higher by rising copper commodity prices.

In the fourth quarter of 2017, net sales dollars increased 25.9% versus the fourth quarter of 2016. The increase in net sales was due to a 29.9% increase in copper net sales, driven by an increase in unit sales volume of copper of 5.8%, and an average selling price increase of 22.8% in copper wire in the fourth quarter of 2017 versus the fourth quarter of 2016.

On a sequential quarter comparison, net sales dollars in the fourth quarter of 2017 increased 3.2% versus the third quarter of 2017, due primarily to a 5.7% increase in average copper wire selling prices, offset somewhat by a 1.7% decrease in copper wire unit sales. Average selling prices were driven higher by a 7.2% increase in the cost of copper purchased. Margins in the fourth quarter of 2017 were up versus those of the third quarter of 2017, producing $28.5 million of net income in the fourth quarter of 2017 versus $14.0 million in the third quarter of 2017.

Comparing the full year of 2017 to 2016, 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 2017 versus 2016, 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 industry. We believe that a strong construction environment in the United States coupled with a fairly steady rise in copper prices during the year helped the building wire industry increase margin through price increases during 2017. As the number two player in the industry, the Company tried to lead or quickly follow prices up. However, we believe a different, financially stressed competitor was acting erratically in the aluminum wire market, impacting aluminum spreads negatively in 2017, although aluminum is an insignificant piece of the Company's sales. This competitor appeared to readily follow pricing downward from some imported aluminum wire. The building wire industry has filed anti-dumping complaints with the United States Department of Commerce regarding these imports. The response from the United States Department of Commerce is pending. The copper spread increased 9.9% in 2017 versus 2016. The spread increased as a result of the 19.8% increase in the average sales price per copper pound sold while the per pound cost of raw copper increased 25.4%. In nominal dollars, the sales price increased more than the cost of copper. 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 2016 to 2015, 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 in 2016 versus 2015, due primarily to competitive industry pricing. Fluctuations in sales prices are primarily a result of changing copper raw material prices and product price competition. The margin declines were due primarily to the competitive pricing environment in the industry. There were two notable competitive factors at work in the market in 2016. First, our largest competitor announced the purchase of a smaller competitor during the third quarter. While these industry consolidations generally lead to better industry margin discipline in the long term, they can lead to erratic pricing in the short term. Historically, the acquired companies appear to "window dress" themselves by pumping up sales figures pre-sale with low prices while dropping unit cost figures with high production volumes and then dumping excess inventory in the market post-sale. We believe this factor impacted our spread negatively in 2016. The copper spread decreased 4.1% in 2016 versus 2015. The spread contracted as a result of the 10.1% decline in the average sales price per copper pound sold while the per pound cost of raw copper decreased 13.2%. In nominal dollars, the sales price declined more than the cost of copper. 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 $1.008 billion in 2017, compared to $820.7 million in 2016 and $880.9 million in 2015. The copper costs included in cost of goods sold were $702.6 million in 2017 compared to $535.4 million in 2016 and $635.2 million in 2015. Copper costs as a percentage of net sales were 60.3% in 2017 compared to 56.9% in 2016 and 62.4% in 2015. The increase from 2016 to 2017 of copper costs as a percentage of net sales was due to copper costs increasing significantly. 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 increase in copper prices in 2017 caused most of the other costs to decrease in terms of their percentage of net sales dollars. The cost of other raw materials as a percentage of net sales dropped from 14.9% in 2015 and 15.0% in 2016 to 12.9% in 2017. Material cost percentages in 2017 were increased by a 1.7% LIFO debit (expense), and also increased in 2016 by a 1.2% LIFO debit (expense), and decreased in 2015 by a 3.1% LIFO credit (income). Adding the LIFO adjustment to the cost of copper and other materials, the total materials cost in 2017 was 74.9% of net sales versus 73.1% in 2016 and 74.2% in 2015.

Depreciation, labor and overhead costs as a percentage of net sales were 11.7% in 2017 compared to 14.1% in 2016 and 12.3% in 2015. The percentage decrease of depreciation, labor and overhead costs in 2017 versus 2016 was due primarily to the increase in copper driven sales dollars providing a larger denominator by which these costs are divided. In 2016 versus 2015 the increase was due primarily to the decrease in copper driven sales dollars providing a smaller denominator by which these costs are divided. These trends in percentages are also somewhat due to the fact that depreciation, labor and overhead costs have fixed or semi-fixed components and do not vary directly with sales dollars or unit volumes.

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

	2017	2016	2015
Raw materials	$ 32,928	$ 23,144	$ 26,245
Work-in-process	22,753	20,889	20,155
Finished goods	88,497	81,764	70,348
Total	144,178	125,797	116,748
Adjust to LIFO cost	(51,813)	(32,523)	(21,494)
Inventory	$ 92,365	$ 93,274	$ 95,254

In 2017, copper steadily rose during the year, while exhibiting some volatility as shown in the COMEX copper closing price tables above. Following the global collapse of many commodities that began in 2015, copper prices rebounded in 2017, finishing significantly higher than at the end of 2016. The quantity of total copper inventory on hand decreased nominally in 2017, compared to 2016. 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 2017 year-end inventory value of all inventories using the LIFO method being $51.8 million less than the FIFO value, and the 2017 year-end LIFO reserve balance being $19.3 million higher than at the end of 2016. This resulted in a LIFO adjustment increasing cost of sales by $19.3 million in 2017.

In 2016, copper traded in a range lower than 2015, while exhibiting some volatility as shown in the COMEX copper closing price tables above. Following the global collapse of many commodities that began in 2015, copper prices continued to drop in 2016, but then rallied in the fourth quarter and finished higher than at the end of 2015. The quantity of total copper inventory on hand increased nominally in 2016, compared to 2015. 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 2016 year-end inventory value of all inventories using the LIFO method being $32.5 million less than the FIFO value, and the 2016 year-end LIFO reserve balance being $11.0 million higher than at the end of 2015. This resulted in a LIFO adjustment increasing cost of sales by $11.0 million in 2016.

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 $156.2 million, or 13.4% of net sales, in 2017 compared to $120.1 million, or 12.8% of net sales, in 2016 and $136.7 million, or 13.4% of net sales, in 2015. The changes in gross profit were due to the factors discussed above.

Selling expenses, which are made up of freight and sales commissions, were $55.0 million in 2017, $47.7 million in 2016 and $47.2 million in 2015. As a percentage of net sales, selling expenses were 4.7% in 2017 versus 5.1% in 2016 and 4.6% in 2015. General and administrative expenses, as a percentage of net sales, were 1.9% in 2017 versus 2.3% in 2016 and 1.7% in 2015. Percentages to sales of these costs decreased slightly as the metal driven sales dollars increased. Accounts receivable write-offs were $8,000 in 2017, $29,000 in 2016 and zero in 2015. The Company did not increase the bad debt reserve in 2017, 2016 and 2015.

Net interest and other income was $0.4 million in 2017, $0.1 million in 2016 and $0.2 million in 2015.

The Tax Cuts and Jobs Act of 2017 ("the 2017 Tax Act") was signed into law on December 22, 2017. The 2017 Tax Act significantly revises the U.S. corporate income tax by, among other things, lowering the statutory corporate 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. We have not completed our determination of the accounting implications of the 2017 Tax Act on our tax accruals. However, we have reasonably estimated the effects of the 2017 Tax Act and recorded provisional amounts in our financial statements as of December 31, 2017, including a provisional tax benefit for the impact of the 2017 Tax Act of approximately $13.5 million. This amount is 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%. Additional information that may affect our provisional amounts would include further clarification and guidance on how the IRS will implement tax reform, further clarification and guidance on how state taxing authorities will implement tax reform, including the related effect on our state income tax returns, completion of our 2017 tax return filings and the potential for additional guidance from the SEC or the FASB related to tax reform. We may make adjustments to the provisional amounts as a result of this additional information and those adjustments may materially impact our provision for income taxes in the period in which the adjustments are made.

Our effective tax rate was 16.1% in 2017, 33.4% in 2016 and 34.2% in 2015. 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 the effects of permanent differences between transactions reported for financial reporting and tax purposes, primarily the domestic production activity deduction. 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, 3.4% in 2016 and 1.2% in 2015. 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 $67.0 million in 2017, $33.8 million in 2016 and $47.6 million in 2015.

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,		
	2017	2016	2015
Net cash provided by operating activities	$ 48,013	$ 58,560	$ 70,768
Net cash used in investing activities	(20,690)	(41,582)	(43,469)
Net cash provided by (used in) financing activities	286	(377)	(2,811)
Net increase in cash and cash equivalents	$ 27,609	$ 16,601	$ 24,488
Annual dividends paid	$ 1,661	$ 1,656	$ 1,657

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, 2017 and 2016, 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, 2017, there were no borrowings outstanding under the Credit Agreement, and letters of credit outstanding in the amount of $1.3 million left $148.7 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, 2017.

The Company paid interest totaling $0.2 million, $0.2 million and $0.3 million in 2017, 2016 and 2015, 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, 2017, 1,132,946 shares remained authorized for repurchase through March 31, 2018. The Company did not repurchase any shares of its stock in 2017 and 2016. The Company repurchased 92,804 shares of its stock in the third quarter of 2015, its only purchases that year. 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 was $48.0 million in 2017 compared to $58.6 million in 2016 and $70.8 million in 2015. The decrease in cash provided by operations of $10.6 million in 2017 versus 2016 was due to several factors. The Company had increased net income of $67.0 million in 2017 versus $33.8 million of net income in 2016. Accounts receivable increased in 2017, resulting in cash used of $44.0 million versus cash provided of $1.2 million in 2016, resulting in a reduction in operating cash flow of $45.2 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 $17.0 million of cash used in 2017 versus cash provided of $10.5 million in 2016, a negative swing of $27.5 million in 2017 versus 2016. This negative impact of current and deferred taxes in 2017 is a result of the 2017 federal tax rate reduction and offsets the tax benefit included in the $67.0 million of net income. Changes in inventory resulted in cash provided of $0.9 million in 2017 versus cash provided of $2.0 million in 2016, a $1.1 million decrease in cash provided. Changes in trade accounts payable and accrued liabilities resulted in cash provided of $25.0 million in 2017 versus cash used of $7.8 million in 2016, a positive swing of $32.8 million. These changes in cash flow were the primary drivers of the $10.6 million decrease in net cash flow provided by operations in 2017 versus 2016.

Net cash provided by operations was $58.6 million in 2016 compared to $70.8 million in 2015. The decrease in cash provided by operations of $12.2 million in 2016 versus 2015 was due to several factors. The Company had decreased net income of $33.8 million in 2016 versus $47.6 million of net income in 2015. Accounts receivable decreased slightly in 2016, resulting in cash provided of $1.2 million versus cash provided of $20.8 million in 2015, resulting in a reduction in operating cash flow of $19.6 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 $10.5 million of cash provided in 2016 versus cash provided of $11.0 million in 2015, a negative swing of $0.5 million in 2016 versus 2015. Changes in inventory resulted in cash provided of $2.0 million in 2016 versus cash used of $17.0 million in 2015, a $19.0 million increase in cash used. Changes in trade accounts payable and accrued liabilities resulted in cash used of $8.6 million in 2016 versus cash provided of $5.9 million in 2015, a negative swing of $2.7 million, which was offset by the $2.4 million positive swing in the other assets and liabilities in 2016 versus 2015. These changes in cash flow were the primary drivers of the $12.2 million decrease in net cash flow provided by operations in 2016 versus 2015.

Net cash used in investing activities was $20.7 million in 2017 versus $41.6 million in 2016 and $43.5 million in 2015. In 2017 and 2016, 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. In 2015, capital expenditures were used primarily for the purchase and installation of machinery and equipment in the aluminum wire plant expansion project.

The net cash provided by financing activities of $0.3 million in 2017 consisted primarily of dividend payments of $1.7 million offset by $1.9 million proceeds from issuance of Company stock related to employees exercising stock options. The net cash used in financing activities of $0.4 million in 2016 consisted primarily of $1.7 million in dividend payments offset by $1.4 million proceeds from issuance of Company stock related to employees exercising stock options. The net cash used of $2.8 million in 2015 consisted primarily of $2.9 million used to repurchase 92,804 shares of the Company's common stock in the third quarter, along with $1.7 million in dividend payments partially offset by $1.7 million proceeds from issuance of Company stock related to employees exercising stock options.

During 2018, the Company expects its capital expenditures will consist primarily of machinery and equipment for its manufacturing operations. The Company also expects its future working capital requirements may fluctuate as a result of changes in unit sales volumes and the price of copper and other raw materials. The Company believes that its cash balance, cash flow from operations and the financing available from its revolving credit facility will satisfy working capital and capital expenditure requirements for the next twelve months.

Contractual Obligations

As shown below, the Company had the following contractual obligations as of December 31, 2017.

	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	$ 79,587	$ 79,587	—	—	—

Note: Amounts listed as purchase obligations consist of open purchase orders for major raw material purchases and $10.8 million of capital equipment and construction purchase orders open as of December 31, 2017.

Critical Accounting Policies and Estimates

Management’s discussion and analysis of its financial condition and results of operations are based upon the Company’s consolidated 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 Consolidated 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 consolidated 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, 2017, 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 (the “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.

Effective January 1, 2017, we adopted ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,” which requires excess tax benefits and deficiencies to be recognized as a component of income tax expense rather than equity. This guidance also requires excess tax benefits to be presented as an operating activity on the statement of cash flows and allows an entity to make an accounting policy election to either estimate expected forfeitures or to account for them as they occur. We elected not to change our policy on accounting for forfeitures and will continue to estimate a requisite forfeiture rate. We have elected to apply the guidance for classification of excess tax benefits in the statement of cash flows prospectively and accordingly, no adjustments were required to prior period amounts as a result of our adoption of ASU No. 2016-09. The adoption of this new standard did not have a material impact on our consolidated financial position, results of operations or statement of cash flows.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118)," which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. Since the 2017 Tax Act was passed late in the fourth quarter of 2017, and ongoing guidance and accounting interpretation is expected over the next 12 months, management considers the deferred tax re-measurements and other items to be incomplete due to the forthcoming guidance and our ongoing analysis of final year-end data and tax positions. We expect to complete our analysis within the measurement period in accordance with SAB 118.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition," and most industry-specific guidance. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. We have completed the process of evaluating the effect of the adoption and determined the adoption of ASU No. 2014-09 will not have a material impact on our results of operations, cash flows or financial position. Based on our evaluation process and review of our contracts with customers, the majority of our revenue arrangements generally consist of a single performance obligation to transfer promised goods and the timing and amount of revenue recognized based on ASU No. 2014-09 is consistent with our revenue recognition policy under previous guidance. We adopted the new standard effective January 1, 2018, using the modified retrospective approach, and will expand our consolidated financial statement disclosures in order to comply with the ASU.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Under the new guidance, a lessee will be required to recognize a right to use asset and a lease liability for all leases with terms of twelve months or longer. Lessor accounting remains largely consistent with existing U.S. generally accepted accounting principles. The new standard will be effective for us beginning January 1, 2019. Early adoption is permitted. The standard requires the use of a modified retrospective transition method. We are evaluating the effect that ASU 2016-02 will have on our consolidated financial statements and related disclosures.

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 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
- 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, 2017, 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, 2017, 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. Assuming that the Company had $100.0 million of outstanding debt, an average 1% interest rate increase in 2017 would increase the Company's interest expense by $1.0 million.

For further information, 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 consolidated 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 consolidated balance sheets of Encore Wire Corporation (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Encore Wire Corporation at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, 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, 2017, 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 23, 2018 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.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1990.

Dallas, Texas

February 23, 2018

Encore Wire Corporation
Consolidated Balance Sheets
As of December 31, 2017 and 2016
(In thousands, except share data)

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 123,362	$ 95,753
Accounts receivable, net of allowance of $2,028 and $2,036	228,885	184,876
Inventories	92,365	93,274
Prepaid expenses and other	2,372	2,479
Total current assets	446,984	376,382
Property, plant and equipment – at cost:		
Land and land improvements	51,024	50,934
Construction-in-progress	13,782	35,825
Buildings and improvements	150,603	121,432
Machinery and equipment	300,250	289,493
Furniture and fixtures	9,602	9,204
Total property, plant and equipment	525,261	506,888
Accumulated depreciation	(238,463)	(225,499)
Property, plant and equipment – net	286,798	281,389
Other assets	193	193
Total assets	$ 733,975	$ 657,964
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	$ 36,330	$ 18,577
Accrued liabilities	35,005	27,986
Income taxes payable	296	4,319
Total current liabilities	71,631	50,882
Deferred income taxes	20,999	33,973
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 – 26,859,203 and 26,762,703	269	268
Additional paid-in capital	58,192	55,311
Treasury stock, at cost – 6,027,455 and 6,027,455 shares	(91,056)	(91,056)
Retained earnings	673,940	608,586
Total stockholders' equity	641,345	573,109
Total liabilities and stockholders' equity	$ 733,975	$ 657,964

See accompanying notes.

Encore Wire Corporation
Consolidated Statements of Income
For the Years Ended December 31, 2017, 2016 and 2015
(In thousands, except per share data)

	2017	2016	2015
Net sales	$1,164,248	$ 940,790	$1,017,622
Cost of goods sold	1,008,073	820,673	880,900
Gross profit	156,175	120,117	136,722
Selling, general and administrative expenses	76,726	69,351	64,493
Operating income	79,449	50,766	72,229
Net interest and other income	427	48	155
Income before income taxes	79,876	50,814	72,384
Provision for income taxes	12,859	16,975	24,779
Net income	$ 67,017	$ 33,839	$ 47,605
Earnings per common and common equivalent share – basic	$ 3.23	$ 1.63	$ 2.30
Weighted average common and common equivalent shares outstanding – basic	20,767	20,704	20,713
Earnings per common and common equivalent share – diluted	$ 3.21	$ 1.63	$ 2.29
Weighted average common and common equivalent shares outstanding – diluted	20,847	20,773	20,787
Cash dividends declared per share	$ 0.08	$ 0.08	$ 0.08

See accompanying notes.

Encore Wire Corporation
Consolidated 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, 2015	26,657	$ 267	$ 50,598	$ (88,134)	$ 530,456	$ 493,187
Net income	—	—	—	—	47,605	47,605
Exercise of stock options	58	—	1,728	—	—	1,728
Tax benefit on exercise of stock options	—	—	40	—	—	40
Stock-based compensation	—	—	658	—	—	658
Dividend declared—$0.08 per share	—	—	—	—	(1,657)	(1,657)
Purchase of treasury stock	—	—	—	(2,922)	—	(2,922)
Balance at December 31, 2015	26,715	267	53,024	(91,056)	576,404	538,639
Net income	—	—	—	—	33,839	33,839
Exercise of stock options	48	1	1,436	—	—	1,437
Tax benefit on exercise of stock options	—	—	60	—	—	60
Stock-based compensation	—	—	791	—	—	791
Dividend declared—$0.08 per share	—	—	—	—	(1,657)	(1,657)
Balance at December 31, 2016	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

See accompanying notes.

Encore Wire Corporation
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017, 2016 and 2015
(In thousands)

	2017	2016	2015
Operating Activities			
Net income	$ 67,017	$ 33,839	$ 47,605
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,684	16,811	16,063
Deferred income taxes	(12,974)	(1,262)	16,315
Excess tax benefits of options exercised	—	(60)	(40)
Stock-based compensation attributable to equity awards	955	791	658
Other	(587)	1,294	(190)
Changes in operating assets and liabilities:			
Accounts receivable	(44,030)	1,210	20,843
Inventories	909	1,980	(17,003)
Trade accounts payable and accrued liabilities	25,004	(7,778)	(5,715)
Other assets and liabilities	58	12	(2,415)
Income taxes payable	(4,023)	11,723	(5,353)
Net cash provided by operating activities	48,013	58,560	70,768
Investing Activities			
Purchases of property, plant and equipment	(21,754)	(45,374)	(43,711)
Proceeds from sale of assets	1,064	3,792	242
Net cash used in investing activities	(20,690)	(41,582)	(43,469)
Financing Activities			
Deferred financing fees	(1)	(197)	—
Purchase of treasury stock	—	—	(2,922)
Proceeds from issuance of common stock, net	1,948	1,416	1,728
Dividends paid	(1,661)	(1,656)	(1,657)
Excess tax benefits of options exercised	—	60	40
Net cash provided by (used in) financing activities	286	(377)	(2,811)
Net increase in cash and cash equivalents	27,609	16,601	24,488
Cash and cash equivalents at beginning of year	95,753	79,152	54,664
Cash and cash equivalents at end of year	$ 123,362	$ 95,753	$ 79,152

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 69.7%, 65.2% and 72.1% of the cost of goods sold during 2017, 2016 and 2015, 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.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. Intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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

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.

Freight Expenses

The Company classifies shipping and handling costs as a component of selling, general and administrative expenses. Shipping and handling costs were approximately $26.2 million, $24.1 million and $22.7 million for the years ended December 31, 2017, 2016 and 2015, 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, 2017 and 2016, the carrying value of cash and cash equivalents excluding certificates of deposit approximated fair value, a Level 1 measurement. At December 31, 2017, the carrying value of the Company's certificates of deposit totaling $30.2 million approximated fair value, a Level 2 measurement. At December 31, 2016, the Company had no certificates of deposit.

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 two customers, each of whom slightly exceed 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)	2017	2016	2015
Beginning balance January 1	$ 2,036	$ 2,065	$ 2,065
(Write offs) of bad debts, net of collections of previous write offs	(8)	(29)	—
Ending balance at December 31	$ 2,028	$ 2,036	$ 2,065

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, 2017, the Company's cash equivalents consisted of investments in money market accounts and certificates of deposit with the Company's banks. At December 31, 2016, the Company's cash equivalents consisted of investments in money market accounts 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 options, 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

Effective January 1, 2017, the Company adopted ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," which requires excess tax benefits and deficiencies to be recognized as a component of income tax expense rather than equity. This guidance also requires excess tax benefits to be presented as an operating activity on the statement of cash flows and allows an entity to make an accounting policy election to either estimate expected forfeitures or to account for them as they occur. The Company elected not to change its policy on accounting for forfeitures and will continue to estimate a requisite forfeiture rate. The Company elected to apply the guidance for classification of excess tax benefits in the statement of cash flows prospectively and accordingly, no adjustments were required to prior period amounts as a result of its adoption of ASU No. 2016-09. The adoption of this new standard did not have a material impact on the Company's consolidated financial position, results of operations or statement of cash flows.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118)," which allows the Company to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. Since the 2017 Tax Act was passed late in the fourth quarter of 2017, and ongoing guidance and accounting interpretation is expected over the next twelve months, management considers the deferred tax re-measurements and other items to be incomplete due to the forthcoming guidance and the ongoing analysis of final year-end data and tax positions. The Company expects to complete its analysis within the measurement period in accordance with SAB 118.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition," and most industry-specific guidance. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. Management has completed the process of evaluating the effect of the adoption and determined the adoption of ASU No. 2014-09 will not have a material impact on the Company's results of operations cash flows, or financial position. Based on management's evaluation process and review of Encore's contracts with customers, the majority of the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods and the timing and amount of revenue recognized based on ASU No. 2014-09 is consistent with the Company's revenue recognition policy under previous guidance. The Company adopted the new standard effective January 1, 2018, using the modified retrospective approach, and will expand its consolidated financial statement disclosures in order to comply with the ASU.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Under the new guidance, a lessee will be required to recognize a right to use asset and a lease liability for all leases with terms of twelve months or longer. Lessor accounting remains largely consistent with existing U.S. generally accepted accounting principles. The new standard will be effective for us beginning January 1, 2019. Early adoption is permitted. The standard requires the use of a modified retrospective transition method. The Company is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

2. Inventories

Inventories consist of the following as of December 31:

In Thousands	2017	2016
Raw materials	$ 32,928	$ 23,144
Work-in-process	22,753	20,889
Finished goods	88,497	81,764
Total	144,178	125,797
Adjust to LIFO cost	(51,813)	(32,523)
Inventory	$ 92,365	$ 93,274

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	2017	2016
Sales volume discounts payable	$ 17,386	$ 13,590
Property taxes payable	3,802	3,932
Accrued salaries	8,318	6,198
Other accrued liabilities	5,499	4,266
Total accrued liabilities	$ 35,005	$ 27,986

4. Debt

At December 31, 2017 and 2016, 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, 2017, there were no borrowings outstanding under the Credit Agreement, and letters of credit outstanding in the amount of $1.3 million left $148.7 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, 2017.

The Company paid interest totaling $0.2 million, $0.2 million and $0.3 million in 2017, 2016 and 2015, respectively, none of which was capitalized.

5. Income Taxes

The Tax Cuts and Jobs Act of 2017 ("the 2017 Tax Act") was signed into law on December 22, 2017. The 2017 Tax Act significantly revises the U.S. corporate income tax by, among other things, lowering the statutory corporate 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 Company has not completed its determination of the accounting implications of the 2017 Tax Act on its tax accruals. However, management has reasonably estimated the effects of the 2017 Tax Act and recorded provisional amounts in the Company's financial statements as of December 31, 2017, including a provisional tax benefit for the impact of the 2017 Tax Act of approximately $13.5 million. This amount is 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%. Additional information that may affect the Company's provisional amounts would include further clarification and guidance on how the IRS will implement tax reform, further clarification and guidance on how state taxing authorities will implement tax reform, including the related effect on the Company's state income tax returns, completion of the Company's 2017 tax return filings and the potential for additional guidance from the SEC or the FASB related to tax reform. Management may make adjustments to the provisional amounts as a result this additional information and those adjustments may materially impact the Company's provision for income taxes in the period in which the adjustments are made.

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

In Thousands	2017	2016	2015
Current:			
Federal	$ 24,421	$ 17,139	$ 7,918
State	1,411	1,098	546
Deferred:			
Federal	(13,289)	(905)	16,486
State	316	(357)	(171)
Total Income Tax Expense	$ 12,859	$ 16,975	$ 24,779

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	2017	2016	2015
Amount computed using the statutory rate	$ 27,956	$ 17,769	$ 25,334
State income taxes, net of federal tax benefit	1,166	482	244
Qualified domestic production activity deduction	(2,464)	(1,712)	(859)
Effect of 2018 deferred rate change	(13,463)	—	—
Other	(336)	436	60
Total Income Tax Expense	$ 12,859	$ 16,975	$ 24,779

The domestic production activity deduction reduced the Company's effective tax rate 3.1%, 3.4% and 1.2% in 2017, 2016 and 2015, respectively. 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, 2017 and 2016 is as follows:

In Thousands	2017	2016
Depreciation	$ (22,121)	$ (30,845)
Inventory	(486)	(5,807)
Allowance for doubtful accounts	457	738
Uniform capitalization rules	610	932
Other	541	1,009
Deferred income tax liability	$ (20,999)	$ (33,973)

The Company made income tax payments of $30.0 million in 2017, $6.7 million in 2016 and $14.0 million in 2015.

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, 2017 and 2016. Interest and penalties resulting from audits by tax authorities have been immaterial and are included in the provision for income taxes in the consolidated 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	2017	2016	2015
Stock options	$ 738	$ 791	$ 658
Stock appreciation rights (“SARs”)	1,543	805	144
Stock grants	217	—	—
Total stock-based compensation expense	$ 2,498	$ 1,596	$ 802
Tax benefit on exercise of stock options	$ —	$ 60	$ 40

Stock Options:

In 2010, the Board of Directors adopted a new stock option plan called the Encore Wire 2010 Stock Option Plan (the “2010 Stock Option Plan”) which was approved by the Company’s stockholders at the 2010 Annual Meeting of Stockholders. Similar to the 1999 Stock Option Plan, which expired on June 28, 2009, the 2010 Stock Option Plan permits the grant of stock options to directors, officers and employees of the Company. The Company granted stock option awards in 2017, 2016 and 2015 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 1999 or 2010 Stock Option Plan is ten years. New shares are issued upon the exercise of options. As of December 31, 2017, 592,300 options were available to be granted in the future under the 2010 Stock Option Plan.

The following presents a summary of stock option activity for the year ended December 31, 2017:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In Thousands)
Outstanding at January 1, 2017	351,400	$ 31.28		
Granted	80,000	41.95		
Exercised	(91,500)	21.06		
Outstanding at December 31, 2017	339,900	$ 36.55	6.8 years	$ 4,258
Vested and exercisable at December 31, 2017	146,899	$ 33.36	5.0 years	$ 2,334

The fair value of stock options granted during the years ended December 31, 2017, 2016 and 2015, was estimated on the date of grant using a Black-Scholes option pricing model and the following weighted average assumptions:

	Year Ended December 31, 2017	2016	2015
Risk-free interest rate	1.84%	1.46%	1.22%
Expected dividend yield	0.19%	0.23%	0.25%
Expected volatility	30.80%	32.92%	31.90%
Expected lives	5.0 years	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, 2017, 2016 and 2015, the weighted average grant date fair value of options granted was $12.46, $10.64 and $9.25, respectively, and the total intrinsic value of options exercised was $2.2 million, $0.5 million and $0.7

million, respectively. As of December 31, 2017, total unrecognized compensation cost related to non-vested stock options of $1.2 million was expected to be recognized over a weighted average period of 2.7 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 $2.5 million and $1.2 million at December 31, 2017 and 2016, 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, 2017, a total of 366,900 SARs was outstanding under the 2014 SARs Plan.

The following presents a summary of SARs activity for the year ended December 31, 2017:

	Cash-settled SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In Thousands)
Outstanding at January 1, 2017	226,500	$ 37.97		
Granted	174,500	41.95		
Exercised	(21,300)	38.49		
Forfeited/Canceled	(12,800)	41.36		
Outstanding at December 31, 2017	366,900	$ 39.73	8.2 years	$ 3,274
Vested and exercisable at December 31, 2017	67,200	$ 39.87	7.0 years	$ 590

The fair value of SARs granted during the years ended December 31, 2017, 2016 and 2015, was estimated on the date of grant using a Black-Scholes option pricing model and the following weighted average assumptions:

	Year Ended December 31, 2017	2016	2015
Risk-free interest rate	2.01%	1.53%	1.39%
Expected dividend yield	0.16%	0.18%	0.22%
Expected volatility	31.90%	33.25%	30.30%
Expected lives	3.2 years	3.4 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, 2017, 2016 and 2015, the weighted average grant date fair value of SARs granted was $16.09, $13.36 and $7.33, respectively, and the total intrinsic value of SARs exercised was $0.3 million in 2017 and negligible in 2016. No SARs were exercised in 2015. As of December 31, 2017, total unrecognized compensation cost related to non-vested SARs of $3.5 million was expected to be recognized over a weighted average period of 3.2 years.

Stock Grants:

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	2017	2016	2015
Numerator:			
Net income	$ 67,017	$ 33,839	$ 47,605
Denominator:			
Denominator for basic earnings per share – weighted average shares	20,767	20,704	20,713
Effect of dilutive securities:			
Employee stock options	80	69	74
Denominator for diluted earnings per share – weighted average shares	20,847	20,773	20,787

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	2017	2016	2015
Weighted average anti-dilutive stock options	125	143	96
Weighted average exercise price per share	$ 45.74	$ 40.39	$ 43.43

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, 2017, 1,132,946 shares remained authorized for repurchase through March 31, 2018. The Company did not repurchase any shares of its stock in 2017 and 2016. The Company repurchased 92,804 shares of its stock in the third quarter of 2015, its only purchases in 2015. 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

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) 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.

On July 7, 2009, Southwire Company, a Delaware corporation ("Southwire"), filed a complaint for patent infringement against the Company and Cerro Wire, Inc. ("Cerro") in the United States District Court for the Eastern District of Texas. In the complaint, Southwire alleged that the Company infringed one or more claims of United States Patent No. 7,557,301 (the "301 Patent"), entitled "Method of Manufacturing Electrical Cable Having Reduced Required Force for Installation," by making and selling electrical cables, including the Company's Super Slick cables. The case has been transferred to the Northern District of Georgia and the parties have agreed to stay it pending reexamination of the 301 Patent by the United States Patent and Trademark Office. One reexamination proceeding - a reexamination request by Cerro - remains pending. In that reexamination, the examiner rejected all the claims, and the Patent Trial and Appeal Board affirmed the examiner's rejection. Southwire appealed the decision to the Federal Circuit, and on September 8, 2017, the Federal Circuit affirmed the Patent Trial and Appeal Board affirmance of the examiner's rejection. On October 10, 2017, Southwire filed a Petition for Rehearing en banc (a rehearing by the full court). The Court denied such Petition for Rehearing en banc. The deadline for Southwire to appeal to the United States Supreme Court is March 6, 2018.

The potentially applicable factual and legal issues related to the above claims asserted against the Company have not been resolved. The Company disputes all of Southwire's claims and alleged damages and intends to vigorously defend the lawsuits and vigorously pursue its own claims against Southwire if and when the litigation resumes.

At this time, given the status of the proceedings, the complexities of the facts in dispute and the multiple claims involved, the Company has not concluded that a probable loss exists with respect to the Southwire litigation. Accordingly, no accrual has been made. Additionally, given the aforementioned uncertainties, while it is reasonably possible we may incur a loss, the Company is unable to estimate any possible loss or range of losses for disclosure purposes.

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 $1.9 million, $1.9 million and $1.5 million in 2017, 2016 and 2015, respectively.

11. Related Party Transactions

Prior to 2017, the Company purchased certain finished goods inventory components from a company that was partially owned by a family member of an individual serving on the Board of Directors. The purchases totaled approximately $10.3 million and $13.4 million in 2016 and 2015. This supplier was sold during 2016 to an unrelated company. Therefore, this related party relationship ended in mid-2016.

The Company obtains quotes and purchases items from other vendors at prices that confirm that the Company obtains prices that are no less favorable than prices available from non-affiliated parties. Related party transactions are approved by the Audit Committee pursuant to Encore Wire Corporation's Related Party Transactions Policy.

12. Quarterly Financial Information (Unaudited)

The following is a summary of the unaudited quarterly financial information for the two years ended December 31, 2017 and 2016 (in thousands, except per share data):

	Three Months Ended			
2017	March 31	June 30	September 30	December 31
Net sales	$ 279,392	$ 291,534	$ 292,030	$ 301,292
Gross profit	39,205	35,872	39,087	42,011
Net income	13,632	10,933	13,964	28,488
Earnings per common share – basic	0.66	0.53	0.67	1.37
Earnings per common share – diluted	0.65	0.52	0.67	1.36

2016	Three Months Ended March 31	June 30	September 30	December 31
Net sales	$ 225,544	$ 238,831	$ 237,168	$ 239,247
Gross profit	30,143	28,631	27,818	33,525
Net income	8,599	7,839	5,999	11,402
Earnings per common share – basic	0.42	0.38	0.29	0.55
Earnings per common share – diluted	0.41	0.38	0.29	0.55

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, 2017. 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, 2017, 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 consolidated financial statements, has also audited the Company's internal control over financial reporting as of December 31, 2017. 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, 2017, 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, 2017, 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 consolidated balance sheets of Encore Wire Corporation as of December 31, 2017 and 2016, the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated February 23, 2018 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 23, 2018

PART III

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

The sections entitled "Election of Directors", "Corporate Governance and Other Board Matters" and "Section 16(a) Beneficial Ownership Reporting Compliance" appearing in the Company's proxy statement for the annual meeting of stockholders to be held on May 8, 2018 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 "Executive Officers of the Company" 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 8, 2018, 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 8, 2018 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 8, 2018 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 8, 2018, 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) Consolidated 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).
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 om August 2, 2017 and incorporated herein by reference).
10.8	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).
10.9	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).

10.10	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).
10.11	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).
10.12*	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).
21.1	Subsidiaries
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 23, 2018 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 Frank J. Bilban, Vice President — Finance, Treasurer, Secretary and Chief Financial Officer of the Company, dated February 23, 2018 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 23, 2018 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 Frank J. Bilban, Vice President — Finance, Treasurer, Secretary and Chief Financial Officer, dated February 23, 2018 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
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase 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 23, 2018

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 23, 2018
/s/ FRANK J. BILBAN Frank J. Bilban	Vice President-Finance, Treasurer, Secretary and Chief Financial Officer (Principal Financial and Accounting Officer)	February 23, 2018
/s/ DONALD E. COURTNEY Donald E. Courtney	Director	February 23, 2018
/s/ GREGORY J. FISHER Gregory J. Fisher	Director	February 23, 2018
/s/ WILLIAM R. THOMAS, III William R. Thomas, III	Director	February 23, 2018
/s/ SCOTT D. WEAVER Scott D. Weaver	Director	February 23, 2018
/s/ JOHN H. WILSON John H. Wilson	Lead Independent Director	February 23, 2018

CORPORATE INFORMATION

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

COMPANY OFFICERS:
Daniel L. Jones
 President & Chief Executive Officer
Frank J. Bilban
 Vice President-Finance, Treasurer, Secretary & Chief Financial Officer
William T. Bigbee
 Vice President-Operations
Gary W. Bliss
 Vice President-New Product Development
Joseph Todd Clayton
 Vice President-Facilities Engineering
Matthew D. Ford
 Controller, Assistant Secretary
Joseph E. Gibson
 Assistant Vice President-Operations
Kevin M. Kieffer
 Vice President-Sales and Marketing
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, 2017, 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.proxydocs.com/WIRE or the SEC’s website at www.sec.gov.

CORPORATE HEADQUARTERS:
1329 Millwood Road
McKinney, Texas 75069
972-562-9473

ENCORE WIRE®

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