# BURNHAM HOLDINGS, INC. ANNOUNCES YEAR 2016 FINANCIAL RESULTS

Lancaster, PA February 16, 2017

Burnham Holdings, Inc., (OTC-Pink: BURCA), the parent company of multiple subsidiaries that are leading domestic manufacturers of boilers, and related HVAC products and accessories (including furnaces, radiators, and air conditioning systems), for residential, commercial and industrial applications, today reported its financial results for the year ended December 31, 2016.

Burnham Holdings, Inc. continued to maintain a strong balance sheet during a year of challenging market conditions in 2016. The following are key items related to 2016 financial results:

- Net sales were $172.4 million, a decline of $ 18.0 million from 2015, as demand for our residential heating products during the first three quarters of the year was negatively impacted by low energy prices and unseasonably warm temperatures during the 2015/2016 heating season.
- Net sales for the fourth quarter of 2016 were $62.5 mm, up 1.3% versus the same period in 2015.
- Net income was $4.64 million, or $1.02 per basic share; versus $1.71 per basic share in 2015.
- Book value of our common stock in 2016 was $18.72 per share, an increase of 5%. Dividends of $ 0.88 per share were paid in 2016.
- Our year-end debt level of $ 15.6 million continues to be below the average of the last ten years, giving us the ability to continue to invest in new product technologies and appropriate business opportunities. Interest expense was lower in 2016 as the result of lower interest rates.

Further details of the results mentioned in this press release will be discussed in the Company's 2016 Annual Report and audited financial statements, which will be available on or around March 21, 2017.

Net sales were $ 172.4 million, a decrease of 9.5% compared to 2015. Sales of residential products declined by 11.6%, while commercial product sales dropped by 3.3% compared to the prior year. Sales of residential products during the first three quarters of 2016 were negatively influenced by unseasonably warm winter weather experienced in late 2015/early 2016 which reduced demand for heating equipment. Additionally, historically low energy prices reduced consumers' incentive to upgrade their equipment to newer, energy efficient products. These factors combined to reduce overall consumer demand for residential products, resulting in distributors carrying higher product inventories throughout much of the year. Sales in the first three quarters of 2016 were off almost 15% versus the first three quarters of 2015. Sales in the fourth quarter of 2016, however, were higher versus the same period in 2015 as weather and distributor inventories returned to historical ranges.

Gross profit (profit after deducting cost of goods sold (COGS) from net sales) in 2016 was $ 36.5 million, or 21.2% of net sales. This compares to a gross profit percentage of 23.3% in 2015. Factors contributing to the lower gross profit margin in 2016 included product mix and lower 2016 sales. Selling, general, and administrative expenses (SG&A), shown on the Consolidated Statements of Income, totaled $ 30.2 million in 2016 compared to $ 31.9 million in 2015, a decrease of $ 1.7 million. Spending on SG&A expenses was lower in 2016 in dollars, but higher as a percentage of 2016 sales. Overall results were impacted by higher employee medical costs, which were partially offset by cost reductions and operational productivity gains. We also continued our commitment to invest in the development of new products by introducing new high efficiency commercial and residential boilers during the course of the year.

Other income (expense) as reflected on the Consolidated Statements of Income was income of $0.3 million in 2016 compared to (expense) of $1.0 million in 2015, an improvement of $1.3 million. Of that increase, $ 1.1 million resulted from the sale of excess subsidiary company property as we realign our real estate holdings to better serve the needs of our businesses (See "Sale of Property" in Note 3 of the attached financial statement footnotes). The remaining improvement was the result of lower interest expense and higher investment income compared to 2015.

The Company's Board of Directors has scheduled the 2017 Annual Meeting of Shareholders for Monday, April 24th with a shareholder record date of March 1, 2017. The meeting will be held at the Eden Resort and Suites in Lancaster starting at 11:30 AM.

## Consolidated Statements of Income

(In thousands, except per share data)
(Data is unaudited (see Notes))

| | Years Ended December 2016 | 2015 |
|---|---|---|
| Net sales | $ 172,447 | $ 190,449 |
| Cost of goods sold | 135,972 | 146,157 |
| Gross profit | 36,475 | 44,292 |
| Selling, general and administrative expenses | 30,179 | 31,880 |
| Operating income | 6,296 | 12,412 |
| Other income (expense): | | |
| Gain on sale of property (Note 3) | 1,107 | 115 |
| Interest and investment income | 236 | 31 |
| Interest expense | (1,014) | (1,166) |
| Other income (expense) | 329 | (1,020) |
| Income before income taxes | 6,625 | 11,392 |
| Income tax expense | 1,988 | 3,647 |
| NET INCOME | $ 4,637 | $ 7,745 |
| BASIC EARNINGS PER SHARE (Note 1) | $ 1.02 | $ 1.71 |
| DILUTED EARNINGS PER SHARE (Note 1) | $ 1.02 | $ 1.70 |
| COMMON STOCK DIVIDENDS PAID | $ 0.88 | $ 0.88 |
| BOOK VALUE PER COMMON SHARE | $ 18.72 | $ 17.87 |

## Consolidated Balance Sheets

(in thousands and data is unaudited (see Notes))

| ASSETS | December 2016 | 2015 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash, cash equivalents and restricted cash | $ 7,563 | $ 4,912 |
| Trade accounts receivable, less allowances | 23,016 | 20,561 |
| Inventories | 39,585 | 43,699 |
| Prepaid expenses and other current assets | 1,322 | 2,223 |
| TOTAL CURRENT ASSETS | 71,486 | 71,395 |
| PROPERTY, PLANT AND EQUIPMENT, net | 45,752 | 47,969 |
| OTHER ASSETS, net | 22,433 | 22,522 |
| TOTAL ASSETS | $ 139,671 | $ 141,886 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | **2016** | 2015 |
| CURRENT LIABILITIES | | |
| Accounts and taxes payable & accrued expenses | $ 17,127 | $ 19,091 |
| Current portion of long-term liabilities | 157 | 184 |
| Current portion of long-term debt | - | 1,264 |
| TOTAL CURRENT LIABILITIES | 17,284 | 20,539 |
| LONG-TERM DEBT | 15,582 | 12,208 |
| OTHER POSTRETIREMENT LIABILITIES (Notes 5 and 6) | 18,243 | 27,250 |
| DEFERRED INCOME TAXES (Note 5) | 3,318 | 645 |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stock | 530 | 530 |
| Class A Common Stock | 3,486 | 3,478 |
| Class B Convertible Common Stock | 1,458 | 1,466 |
| Additional paid-in capital | 15,684 | 15,551 |
| Retained earnings | 112,081 | 111,469 |
| Accumulated other comprehensive income (loss) (Note 5) | (29,997) | (33,245) |
| Treasury stock, at cost | (17,998) | (18,005) |
| TOTAL STOCKHOLDERS' EQUITY | 85,244 | 81,244 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 139,671 | $ 141,886 |

## Consolidated Statements of Cash Flows

| (in thousands and data is unaudited (see Notes)) | Years Ended December 31, 2016 | 2015 |
|---|---|---|
| Net income | $ **4,637** | $ 7,745 |
| Gain on sale of property (Note 3) | **(1,107)** | (115) |
| Depreciation and amortization | **4,245** | 4,306 |
| Pension and postretirement liabilities expense | **(252)** | 215 |
| Contributions to pension trust (Note 6) | **(3,750)** | (3,900) |
| Other net adjustments | **(956)** | 1,013 |
| Changes in operating assets and liabilities | **2,226** | (1,942) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | **5,043** | 7,322 |
| Net cash used in the purchase of assets | **(3,161)** | (6,580) |
| Proceeds from sale of property, net (Note 3) | **2,254** | - |
| Proceeds from borrowings | **3,664** | 3,000 |
| Proceeds from stock option exercise and Treasury activity, net | **140** | 299 |
| Principal payments on debt and lease obligations | **(1,264)** | - |
| Dividends paid | **(4,025)** | (4,014) |
| INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | **2,651** | 27 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR | **4,912** | 4,885 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR | $ **7,563** | $ 4,912 |

**Notes To Financial Statements:**

(1) Basic earnings per share are based upon weighted average shares outstanding for the period. Diluted earnings per share assume the conversion of outstanding rights into common stock.

(2) Common stock outstanding at December 31, 2016 includes 3,079,181 of Class A shares and 1,457,725 of Class B shares.

(3) On July 23, 2013, a Company subsidiary sold property located in Lancaster, PA. to the Lancaster County Solid Waste Authority for $1.35 million. The book value plus expenses of sale was $76 thousand, resulting in a book gain of $1.274 million. On November 30, 2016, a Company subsidiary sold a portion of its property located in Lancaster, PA for $2.0 million. The book value plus expenses of sale was $893 thousand, resulting in a book gain of $1.107 million. Additionally in 2016 and 2015, $0 and $115, respectively, was recognized as deferred gain from year 2010 transactions involving a sale and leaseback of property.

(4) Mark-to-Market adjustments are a result of changes (non-cash) in the fair value of interest rate agreements. These agreements are used to exchange the interest rate stream on variable rate debt for payments indexed to a fixed interest rate. These non-operational, non-cash charges reverse themselves over the term of the agreements.

(5) Accounting rules require that the funded status of pension and other postretirement benefits be recognized as a non-cash asset or liability, as the case may be, on the balance sheet. For December 31, 2016 and 2015, projected benefit obligations exceeded plan assets. The resulting non-cash presentation on the balance sheet is reflected in "Deferred income taxes", "Other postretirement liabilities", and "Accumulated other comprehensive income (loss)", a non-cash sub-section of "Stockholders' Equity" (See Note 10 of the 2016 Annual Report for more details).

(6) For the years 2016 and 2015, the Company made voluntary pre-tax contributions of $3.75 million and $3.90 million, respectively to its defined benefit pension plan. These payments increased the trust assets available for benefit payments (reducing "Other postretirement liabilities"), and did not impact the Statements of Income.

(7) Unaudited results, forward looking statements, and certain significant estimates and risks. This note has been expanded to include items discussed in detail within the Annual Report.

**Unaudited Results and Forward Looking Statements**. The accompanying unaudited financial statements contain all adjustments that are necessary for a fair presentation of results for such periods and are consistent with policies and procedures employed in the audited year-end financial statements. These consolidated financial statements should be read in conjunction with the Annual Report for the period ended December 31, 2016, which will be available on or about March 21, 2017. Statements other than historical facts included or referenced in this Report are forward-looking statements subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those projected. We undertake no duty to update or revise these forward-looking statements.

**Certain Significant Estimates and Risks.** Certain estimates are determined using historical information along with assumptions about future events. Changes in assumptions for such items as warranties, pension assumptions, medical cost trends, employment demographics and legal actions, as well as changes in actual experience, could cause these estimates to change. Specific risks, such as those included below, are discussed in the Company's Quarterly and Annual Reports to provide regular knowledge of relevant matters. Estimates and related reserves are more fully explained in the 2016 Annual Report.

(Note 7 continued on following page)

**Note (7) Certain Significant Estimates and Risks (continued from previous page)**

**Retirement Plans:** The Company maintains a non-contributory defined benefit pension plan, covering both union and non-union employees, that has been closed to new hires for a number of years. Benefit accrual ceased in 2009, or earlier depending on the employee group, with the exception of a limited, closed group of union production employees. While not 100% frozen, these actions were taken to protect benefits for retirees and eligible employees, and have materially reduced the growth of the pension liability. Lancaster Metal Manufacturing, a Company subsidiary, also contributes to a separate union-sponsored multiemployer-defined benefit pension plan that covers its collective bargaining employees. Variables such as future market conditions, investment returns, and employee experience could affect results.

**Medical Health Coverage:** The Company and its subsidiaries are self-insured for most of the medical health insurance provided for its employees, limiting maximum exposure per occurrence by purchasing third-party stop-loss coverage.

**Retiree Health Benefits:** The Company pays a fixed annual amount that assists a specific group of retirees in purchasing medical and/or prescription drug coverage from providers. Additionally, certain employees electing early retirement have the option of receiving access to an insured defined benefit plan at a yearly stipulated cost or receiving a fixed dollar amount to assist them in covering medical costs.

**Insurance:** The Company and its subsidiaries maintain insurance to cover product liability, general liability, workers' compensation, and property damage. Well-known and reputable insurance carriers provide current coverage. All policies and corresponding deductible levels are reviewed on an annual basis. Third-party administrators, approved by the Company and the insurance carriers, handle claims and attempt to resolve them to the benefit of both the Company and its insurance carriers. The Company reviews claims periodically in conjunction with administrators and adjusts recorded reserves as required.

**General Litigation, including Asbestos**: In the normal course of business, certain subsidiaries of the Company have been named, and may in the future be named, as defendants in various legal actions including claims related to property damage and/or personal injury allegedly arising from products of the Company's subsidiaries or their predecessors. A number of these claims allege personal injury arising from exposure to asbestos-containing material allegedly contained in certain boilers manufactured many years ago, or through the installation or removal of heating systems. The Company's subsidiaries, directly or through insurance providers, are vigorously defending all open asbestos cases, many of which involve multiple claimants and many defendants, which may not be resolved for several years. Asbestos litigation is a national issue with thousands of companies defending claims. While the large majority of claims have historically been resolved prior to the completion of trial, from time to time some claims may be expected to proceed to a potentially substantial verdict against subsidiaries of the Company. Any such verdict would be subject to a potential reduction or reversal of verdict on appeal, any set-off rights, and/or a reduction of liability following allocation of liability among various defendants. For example, on July 23, 2013 and December 12, 2014, New York City State juries found numerous defendant companies, including a subsidiary of the Company, responsible for asbestos-related damages in cases involving multiple plaintiffs. The subsidiary, whose share of the verdicts amounted to $42 million and $6 million, respectively, before offsets, filed post-trial motions and appeals seeking to reduce and/or overturn the verdicts, and granting of new trials. On February 9, 2015, the trial court significantly reduced the 2013 verdicts, reducing the subsidiary's liability from $42 million to less than $7 million. Additionally, on May 15, 2015, the trial court reduced the subsidiary's liability in the 2014 verdict to less than $2 million. On October 30, 2015, the subsidiary settled these verdicts for significantly less than the trial courts' reduced verdicts, with all such settled amounts being covered by applicable insurance. The Company believes, based upon its understanding of its available insurance policies and discussions with legal counsel, that all pending legal actions and claims, including asbestos, should ultimately be resolved (whether through settlements or verdicts) within existing insurance limits and reserves, or for amounts not material to the Company's financial position or results of operations. However, the resolution of litigation generally entails significant uncertainties, and no assurance can be given as to the ultimate outcome of litigation or its impact on the Company and its subsidiaries. Furthermore, the Company cannot predict the extent to which new claims will be filed in the future, although the Company currently believes that the great preponderance of future asbestos claims will be covered by existing insurance. There can be no assurance that insurers will be financially able to satisfy all pending and future claims in accordance with the applicable insurance policies, or that any disputes regarding policy provisions will be resolved in favor of the Company.

**Litigation Expense, Settlements, and Defense:** The 2016 charges for all uninsured litigation of every kind, was $(30) thousand. The credit amount for 2016 is due to a reduction in the estimated required reserves needed for actions or claims established in previous years. The amount included one asbestos claim, while it is rare for an asbestos suit not to be covered by insurance, a few such claims exist, depending on the alleged time period of asbestos exposure. Expenses for legal counsel, consultants, etc., in defending these various actions and claims for the year was $105 thousand. Prior year's settlements and expenses are disclosed in the 2016 Annual Report.

**Permitting Activities (excluding environmental):** The Company's subsidiaries are engaged in various matters with respect to obtaining, amending or renewing permits required under various laws and associated regulations in order to operate each of its manufacturing facilities. Based on the information presently available, management believes it has all necessary permits and expects that all permit applications currently pending will be routinely handled and approved.

**Environmental Matters:** The operations of the Company's subsidiaries are subject to a variety of Federal, State, and local environmental laws. Among other things, these laws require the Company's subsidiaries to obtain and comply with the terms of a number of Federal, State and local environmental regulations and permits, including permits governing air emissions, wastewater discharges, and waste disposal. The Company's subsidiaries periodically need to apply for new permits or to renew or amend existing permits in connection with ongoing or modified operations. In addition, the Company generally tracks and tries to anticipate any changes in environmental laws that might relate to its ongoing operations. The Company believes its subsidiaries are in material compliance with all environmental laws and permits.

As with all manufacturing operations in the United States, the Company's subsidiaries can potentially be responsible for response actions at disposal areas containing waste materials from their operations. In the past five years, the Company has not received any notice that it or its subsidiaries might be responsible for remedial clean-up actions under government supervision. However, two pre-2008 issues covered by insurance policies remain open as of this date and are fully disclosed in the year-end 2016 Annual Report. While it is not possible to be certain whether or how any new or old matters will proceed, the Company does not presently have reason to anticipate incurring material costs in connection with any matters.