BURNHAM HOLDINGS, INC. ANNOUNCES YEAR 2018 FINANCIAL RESULTS

Lancaster, PA February 14, 2019

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 financial results for the year ended December 31, 2018.

The following are several key highlights of 2018 financial results:

- Net sales were $197.7 million, an increase of $21.9 million, or 12.5%, compared to 2017 as overall demand for residential and commercial heating equipment and higher sales of our newly introduced, high-efficiency residential and commercial condensing boilers combined to improve 2018.
- Gross profit was $41.6 million, an increase of $5.8 million, or 16.3%, versus 2017.
- Operating profit, excluding the impact of non-cash goodwill impairment charges explained below, was $7.9 million, up $2.0 million, or 34.4%, compared to 2017. This pro-forma presentation of operating income is a better indicator of our financial results as net income reflects non-cash impairment charges in 2018 and 2017 and tax changes that impacted 2017 reported results.
- Year-end debt, net of cash, was essentially flat with 2017, up only $200 thousand despite higher sales and material input prices.

Further details of the results mentioned in this press release will be discussed in the Company's 2018 Annual Report and audited financial statements, which will be available on or around March 20, 2019.

Net sales of $ 197.7 million, reflect an increase of 12.5% compared to 2017. Sales of residential heating products increased by 15.2%, while commercial product sales increased by 4.9% compared to the prior year. The improvement was driven by favorable seasonal winter weather in our key geographic markets, an expanding U.S. economy, and significantly higher sales of condensing boiler products. Sales of commercial boiler products also increased versus 2017.

Gross profit (profit after deducting cost of goods sold (COGS) from net sales) was $ 41.6 million, an increase of 16.3% compared to 2017. Gross profit as a percentage of sales also rose to 21.1% in 2018, versus 20.4% in 2017. Positive impacts to gross profit resulted from higher sales volume and a more profitable mix of products sold in 2018. A significant negative impact to gross profit in 2018 was higher raw material prices incurred due to U.S. import tariffs on steel, aluminum and other imported components. Selling, general, and administrative expenses (SG&A) increased by $3.8 million in 2018, but were essentially flat as a percentage of sales, at 17.1% in 2018 compared to 17.0% in 2017.

Net income results in 2017 and 2018 were negatively impacted by non-cash goodwill impairment charges related to the commercial reporting unit. Although our commercial sales, particularly sales of our high-efficiency commercial condensing boilers, increased in 2018, changing market demand for large commercial boilers and continued cost impacts (including significant steel price inflation due to U.S. import tariffs) caused us to further adjust the future outlook for sales of large, non-condensing commercial boilers. This resulted in our taking a $6.78 million non-cash goodwill impairment charge in 2018, in addition to the $6.0 impairment charge taken in 2017. The goodwill written down in both years pertains to acquisitions made over 20 years ago, and represents all remaining goodwill related to the commercial unit. Also in 2017, a one-time income tax benefit of $2.2 million ($0.48/share) was recorded due to the revaluation of net deferred tax liabilities resulting from lower U.S. corporate tax rates enacted in late 2017 as part of the Tax Cuts and Jobs Act. The combined impact of these charges resulted in a net loss in 2018 of ($0.55) million, or ($0.12) per basic share, compared to net income of $0.97 million or $0.21 per basic share in 2017. Excluding the impacts of the non-cash, non-deductible goodwill impairment charges in 2018 and 2017, and tax rate changes from 2017 results; net income in 2018 would have been $6.2 million ($1.37/share) versus $4.8 million ($1.06/share) in 2017, up $1.4 million ($0.31/share), or 30%.

The Company's Board of Directors has scheduled the 2019 Annual Meeting of Shareholders for Monday, April 29th with a shareholder record date of March 1, 2019. 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 2018		2017	
Net sales	$	197,707	$	175,778
Cost of goods sold		156,058		139,976
Gross profit		41,649		35,802
Selling, general and administrative expenses		33,746		29,922
Goodwill impairment loss (Note 3)		6,780		6,000
Operating income		1,123		(120)
Other income (expense):				
Loss on sale of property		-		(50)
Non-service related pension credit		650		1,141
Interest and investment income		293		414
Interest expense		(1,057)		(1,020)
Other income (expense)		(114)		485
Income before income taxes		1,009		365
Income tax (benefit) expense		1,554		(605)
NET (LOSS) INCOME	$	(545)	$	970
BASIC (LOSS) EARNINGS PER SHARE (Note 1)	$	(0.12)	$	0.21
DILUTED (LOSS) EARNINGS PER SHARE (Note 1)	$	(0.12)	$	0.21
COMMON STOCK DIVIDENDS PAID	$	0.88	$	0.88
BOOK VALUE PER COMMON SHARE	$	17.40	$	19.02

Consolidated Balance Sheets

(in thousands and data is unaudited (see Notes)) ASSETS	December 2018		2017	
CURRENT ASSETS				
Cash, cash equivalents and restricted cash	$	8,399	$	5,515
Trade accounts receivable, less allowances		23,567		22,461
Inventories		45,817		42,834
Prepaid expenses and other current assets		1,656		1,338
TOTAL CURRENT ASSETS		79,439		72,148
PROPERTY, PLANT AND EQUIPMENT, net		49,997		49,532
OTHER ASSETS, net		9,930		16,725
TOTAL ASSETS	$	139,366	$	138,405
LIABILITIES AND STOCKHOLDERS' EQUITY		2018		2017
CURRENT LIABILITIES				
Accounts and taxes payable & accrued expenses	$	25,577	$	22,149
Current portion of long-term liabilities		4,136		134
TOTAL CURRENT LIABILITIES		29,713		22,283
LONG-TERM DEBT		14,423		15,342
OTHER POSTRETIREMENT LIABILITIES (Notes 5 and 6)		11,502		10,221
DEFERRED INCOME TAXES (Note 5)		4,196		3,830
STOCKHOLDERS' EQUITY				
Preferred Stock		530		530
Class A Common Stock		3,518		3,500
Class B Convertible Common Stock		1,426		1,444
Additional paid-in capital		15,911		15,798
Retained earnings		109,610		109,019
Accumulated other comprehensive income (loss) (Note 5)		(33,481)		(25,572)
Treasury stock, at cost		(17,982)		(17,990)
TOTAL STOCKHOLDERS' EQUITY		79,532		86,729
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	139,366	$	138,405

Consolidated Statements of Cash Flows

(in thousands and data is unaudited (see Notes))	Years Ended December 31, 2018	2017
Net (loss) income	$ **(545)**	$ 970
Loss on sale of property	**-**	50
Depreciation and amortization	**3,933**	3,942
Goodwill impairment loss (Note 3)	**6,780**	6,000
Pension and postretirement liabilities expense	**225**	(329)
Contributions to pension trust (Note 6)	**(2,630)**	(1,300)
Other net adjustments	**4,276**	(1,794)
Changes in operating assets and liabilities	**(4,225)**	2,010
NET CASH PROVIDED BY OPERATING ACTIVITIES	**7,814**	9,549
Net cash used in the purchase of assets	**(4,385)**	(8,291)
Proceeds from sale of property, net	**-**	532
Proceeds from borrowings	**3,374**	72
Proceeds from stock option exercise and Treasury activity, net	**121**	122
Dividends paid	**(4,040)**	(4,032)
INCREASE (DECREASE)IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**2,884**	(2,048)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	**5,515**	7,563
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ **8,399**	$ 5,515

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, 2018 includes 3,126,230 of Class A shares and 1,426,270 of Class B shares.

(3) During the annual impairment testing of goodwill in 2018 and 2017, the Company determined that certain conditions had changed, causing it to adjust several assumptions regarding subsidiaries that service the commercial boiler market. As a result, the Company recorded a $6.78 million charge in 2018 and a $6.00 million charge in 2018 for goodwill impairment. (See Note 2 -Other Assets in the 2018 Annual Report for more details).

(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, 2018 and 2017, 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 2018 Annual Report for more details).

(6) For the years 2018 and 2017, the Company made voluntary pre-tax contributions of $2.63 million and $1.30 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, 2018, which will be available on or about March 21, 2019. 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 2018 Annual Report.

New Accounting Standards: All of the following accounting standards were adopted in the first quarter of 2018:

Beginning on January 1, 2018, we adopted accounting standard ASC606, Revenue from Contracts with Customers, using the full retrospective adoption method. In the Consolidated Statements of Income for the year ended December 31, 2018, the adoption of ASC606 caused a decrease in sales of $882 thousand and a corresponding decrease of $882 thousand in selling, general and administrative expenses compared to previously reported results. There was no impact to income before taxes in 2017 and no changes to balance sheet accounts were required as the result of the adoption of ASC606. On an ongoing basis, we expect the impact of the adoption of ASC606 to be immaterial to our reported net income.

Also effective January 1, 2018, we adopted ASU 2017-07 - Compensation - Retirement Benefits (Topic 715). In the Consolidated Statements of Income, the adoption of the standard had the following impacts on previously reported 2017 results: increase to cost of goods sold of $680 thousand, increase to SG&A expenses of $461 thousand and increase to the line item titled "non-service related pension credit" in other income of $1.14 million. The implementation of the standard had no net impact on income before taxes, just the line items where pension expense/credit was previously reported.

We also adopted the requirements of ASU 2018-02, Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income (AOCI). The Company has elected to adopt the policy of reclassifying stranded tax effects caused by the Tax Cut and Jobs Act from AOCI to retained earnings and also to include the full effect of the reclassification in 2018. In the Consolidated Balance Sheets, adoption of the standard increased the balance of retained earnings and AOCI by $5.176 million in 2018 compared to the ending balances recorded at December 31, 2017.

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 and/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 Court 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 2018 charges for all uninsured litigation of every kind, were $1.25 million. Expenses for legal counsel, consultants, etc., in defending these various actions and claims for the year were approximately $187 thousand. Prior year's settlements and expenses, including amounts for self-insured asbestos cases, are disclosed in the 2018 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, one issue covered by insurance policies remains open as of this date and is fully disclosed in the 2018 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.