BURNHAM HOLDINGS, INC. ANNOUNCES YEAR 2019 FINANCIAL RESULTS

Lancaster, PA February 13, 2020

Burnham Holdings, Inc., (OTC-Pink: BURCA), the parent company of multiple subsidiaries that are leading domestic manufacturers and sellers 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, 2019.

The following are some key highlights of 2019 financial results:

- Net sales were $212.3 million, an increase of $14.6 million, or 7.4%, compared to 2018 as overall demand for residential and commercial heating equipment contributed to higher 2019 revenues.
- Gross profit was $45.5 million, an increase of $3.9 million, or 9.3%, versus 2018.
- Operating income was $11.2 million, up $3.3 million (42%), compared to 2018 results (excluding the impact of a $6.8 million goodwill impairment charge included in the 2018 results). This pro forma comparison of operating income is a better indicator of the difference in financial results from normal operations between 2019 and 2018.
- Net income was $8.74 million, or $1.91 per share, an improvement of $2.5 million, or 40%, versus 2018 results after adjusting out the 2018 goodwill impairment charge.
- Year-end debt of $15.1 million was $3.4 million lower than last year, despite the higher working capital levels required to support increased sales volumes and numerous capital equipment upgrades targeted at operational cost reductions. Debt remains at a level that allows us to continue to invest in capital improvements, while also being able to pursue appropriate business opportunities.

Further details of the results mentioned in this press release will be discussed in the Company's 2019 Annual Report and audited financial statements, which will be available on or around March 20, 2020.

Net sales of $ 212.3 million were 7.4% ($14.6 million) higher than 2018 net sales. Sales of residential heating products increased by 3.4%, while commercial product sales increased by 19.8% compared to the prior year. The improvement was the result of favorable seasonal winter weather in our key sales geographies, continued growth during 2019 of the U.S. economy, and higher sales of high-efficiency, condensing boiler products.

Gross profit (profit after deducting cost of goods sold (COGS) from net sales) in 2019 was $ 45.5 million, or 21.4% of net sales. This compares to gross profit of $ 41.6 million in 2018, which represented 21.1% of net sales. Favorable items that improved gross profit in 2019 were the higher sales volume and a more profitable mix of commercial product sales, as well as generally lower commodity raw material prices (scrap and steel) compared to 2018.

Selling, general, and administrative expenses (SG&A) were higher at $ 34.4 million in 2019 compared to $ 33.7 million in 2018, an increase of $ 0.7 million, or 1.8%. Although SG&A expenses were slightly higher in dollar terms, the amount in 2019 on a percentage of sales basis of 16.2% was significantly lower than the 17.1% of net sales in 2018. Income from operations increased by $10.0 million in 2019 compared to last year on a reported basis and by $3.2 million after adjusting for the impact of a goodwill impairment charge related to our commercial business units that was included in 2018 reported results.

Reported net income in 2019 was $8.74 million, a return on net sales of 4.1%, and basic earnings per share of $1.91. This compared to a reported 2018 net loss of $(0.545) million, a return on net sales of (0.3)%, and basic loss per share of $ (0.12). As noted in Note 3 of the Consolidated Statements of Income included with this release, 2018 net income was lowered by $6.78 million due to a goodwill impairment charge. Net income results between 2019 and 2018 are more comparable when excluding the impact of the impairment charge to 2018 results. A comparison of 2019 and 2018 results on this pro forma basis yields an increase in 2019 net income of $2.5 million compared to last year, an improvement of 40%.

The Company's Board of Directors has scheduled the 2020 Annual Meeting of Shareholders for Monday, April 27th with a shareholder record date of March 2, 2020. 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 2019	2018
Net sales	$ 212,257	$ 197,707
Cost of goods sold	166,737	156,058
Gross profit	45,520	41,649
Selling, general and administrative expenses	34,355	33,746
Goodwill impairment loss (Note 3)	-	6,780
Operating income	11,165	1,123
Other income (expense):		
Non-service related pension credit	720	650
Interest and investment income	822	293
Interest expense	(1,141)	(1,057)
Other income (expense)	401	(114)
Income before income taxes	11,566	1,009
Income tax (benefit) expense	2,828	1,554
NET (LOSS) INCOME	$ 8,738	$ (545)
BASIC (LOSS) EARNINGS PER SHARE (Note 1)	$ 1.91	$ (0.12)
DILUTED (LOSS) EARNINGS PER SHARE (Note 1)	$ 1.91	$ (0.12)
COMMON STOCK DIVIDENDS PAID	$ 0.88	$ 0.88
BOOK VALUE PER COMMON SHARE	$ 18.99	$ 17.40

Consolidated Balance Sheets

(in thousands and data is unaudited (see Notes)) ASSETS	December 2019	2018
CURRENT ASSETS		
Cash, cash equivalents and restricted cash	$ 5,749	$ 8,399
Trade accounts receivable, less allowances	24,589	23,567
Inventories	47,234	45,817
Prepaid expenses and other current assets	1,661	1,656
TOTAL CURRENT ASSETS	79,233	79,439
PROPERTY, PLANT AND EQUIPMENT, net	52,461	49,997
OPERATING LEASE RIGHT OF USE ASSETS (Note 7)	4,431	
OTHER ASSETS, net	11,064	9,930
TOTAL ASSETS	$ 147,189	$ 139,366
LIABILITIES AND STOCKHOLDERS' EQUITY	**2019**	2018
CURRENT LIABILITIES		
Accounts and taxes payable & accrued expenses	$ 26,095	$ 25,577
Current portion of long-term liabilities	152	4,136
Current portion of operating lease liabilities (Note 7)	979	
Current portion of long-term debt	-	-
TOTAL CURRENT LIABILITIES	27,226	29,713
LONG-TERM DEBT	15,068	14,423
LONG-TERM OPERATING LEASE LIABILITIES (Note 7)	3,452	
OTHER POSTRETIREMENT LIABILITIES (Notes 5 and 6)	8,488	11,502
DEFERRED INCOME TAXES (Note 5)	6,019	4,196
STOCKHOLDERS' EQUITY		
Preferred Stock	530	530
Class A Common Stock	3,536	3,518
Class B Convertible Common Stock	1,408	1,426
Additional paid-in capital	16,034	15,911
Retained earnings	114,139	109,610
Accumulated other comprehensive income (loss) (Note 5)	(30,738)	(33,481)
Treasury stock, at cost	(17,973)	(17,982)
TOTAL STOCKHOLDERS' EQUITY	86,936	79,532
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 147,189	$ 139,366

Consolidated Statements of Cash Flows

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

	Years Ended December 31, 2019	2018
Net (loss) income	$ 8,738	$ (545)
Depreciation and amortization	4,127	3,933
Goodwill impairment loss (Note 3)	-	6,780
Pension and postretirement liabilities expense	104	225
Contributions to pension trust (Note 6)	-	(2,630)
Other net adjustments	1,342	2,283
Changes in operating assets and liabilities	(2,286)	(2,232)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,025	7,814
Net cash used in the purchase of assets	(7,078)	(4,385)
Proceeds from borrowings	320	3,374
Proceeds from stock option exercise and Treasury activity, net	131	121
Principal payments on debt and lease obligations	(4,000)	-
Dividends paid	(4,048)	(4,040)
INCREASE (DECREASE)IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(2,650)	2,884
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	8,399	5,515
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 5,749	$ 8,399

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, 2019 includes 3,153,757 of Class A shares and 1,407,822 of Class B shares.

(3) During the annual impairment testing of goodwill in 2018, 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 for goodwill impairment. (See Note 2 - Other Assets in the 2019 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, 2019 and 2018, 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 2019 Annual Report for more details).

(6) For the years 2019 and 2018, the Company made voluntary pre-tax contributions of $0 and $2.63 million, respectively, to its defined benefit pension plan. The 2018 payment increased the trust assets available for benefit payments (reducing "Other postretirement liabilities"), and did not impact the Statement 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 2019 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, 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 items such as warranties, pensions, 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 in order to provide regular knowledge of relevant matters. Estimates and related reserves are more fully explained in the 2019 Annual Report.

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.

New Accounting Standards:

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (ASC 842). ASC 842 requires lessees to recognize the assets and liabilities that arise from all leases that exceed twelve months in duration on the balance sheet, regardless if they are operating or financing type leases. A lessee shall recognize on the balance sheet a liability to make future lease payments (the lease liability) and a right-of-use asset representing the value of the right to use the asset for the remaining term of the lease agreement. ASC 842 is effective for annual periods beginning after December 15, 2018, including interim periods. The Company adopted ASC 842 effective January 1, 2019 using the optional transition method described in ASU No. 2018-11, 'Leases - Targeted Improvements', which was issued in July, 2018. Under the optional transition method, the Company recognized any cumulative impact of initially applying ASC 842 as an adjustment to the opening balance of retained earnings as of January 1, 2019.

Based on the guidance provided in ASC 842, the Company balance sheet at December 31, 2019 includes a total right-of-use asset value of $4,431, and current liabilities of $(979) and long-term liabilities of $(3,452) related to future lease payments. Leases at all of the Company's subsidiaries have been classified as operating leases. Therefore, all lease payments made with respect to outstanding leases are reported as lease expense. For the year ended December 31, 2019, total lease expenses of $1,394 were included in the calculation of operating income.

On January 1, 2019 the Company adopted ASU No. 2016-01, "Financial Instruments, Recognition and measurement of Financial Assets and Liabilities", ASU 2018-03, "Technical Corrections and Improvements to Financial Instruments, Recognition and Measurement of Financial Assets and Liabilities" and ASU 2018-13, "Fair Value Measurement, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement". The standards address the recognition, measurement, presentation and disclosure of certain financial instruments. The guidance requires equity investments to be measured at fair value with any changes recognized in net income rather than in other comprehensive income. Upon adoption on January 1, 2019, the Company recognized a decrease to the beginning balance of accumulated comprehensive income (AOCI), net of tax of $161 and a corresponding decrease to the beginning balance of retained earnings related to the cumulative unrealized losses on equity securities as of December 31, 2018.

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 2019 charges for all uninsured litigation of every kind, were $956 thousand. Expenses for legal counsel, consultants, etc., in defending these various actions and claims for the year were approximately $42 thousand. Prior year's settlements and expenses, including amounts for self-insured asbestos cases, are disclosed in the 2019 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 2019 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.