

Burnham Holdings, Inc. Reports Third Quarter and Nine Months Results

Lancaster, PA

October 19, 2023

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 third quarter and nine months ended October 1, 2023.

Burnham Holdings, Inc.'s financial performance for the first nine months of 2023 included the following:

- Net sales were \$59.7 million for the third quarter of 2023, essentially flat with the third quarter of 2022. Year to date net sales were \$171.4 million, an increase of 4.1% over the first nine months of 2022.
- Gross profit margin was 20.5% and 18.1% for the third quarters of 2023 and 2022, respectively, primarily due to continued realization of pricing actions to offset inflation. Year to date gross profit margins were 22.0% for 2023 versus 16.3% for 2022.
- Selling, general and administrative expenses (SG&A) were up as a percentage of sales to 17.1% in the third quarter of 2023 versus 15.6% in the third quarter of 2022. Prior year spend was lower than historical norms as we slowly returned to pre-Covid staffing, travel, and administrative spending levels. For the first nine months of 2023 and 2022, SG&A as a percentage of sales was 17.6% and 16.4%, respectively.
- Net income for the third quarter 2023 was \$0.8 million, flat to the third quarter of 2022. Through nine months of 2023, net income was \$4.8 million versus net loss of (\$1.1) million in 2022.
- Earnings per share were \$0.17 for the third quarter of 2023 versus \$0.16 for the third quarter of 2022. For the first nine months of 2023 and 2022, earnings per share and loss per share was \$1.03 and (\$0.23), respectively.

For the first nine months of 2023, sales of residential products were higher by 2.9% versus the same period in 2022, while sales of commercial products increased by 7.5% in 2023 versus 2022. We are seeing an expected adjustment to seasonal ordering patterns as supply chain issues mitigate and product availability is back within standard lead times. Order velocity for 2023 remains strong, and we believe current backlog levels are in line with seasonal operating cycles.

As noted in previous releases, the multiple pricing actions undertaken throughout 2022 across all subsidiaries in response to continuing inflationary pressures had a positive impact resulting in improved price realization during the first nine months of 2023. Component part and commodity inflation continued through the first nine months of 2023, and we continue to monitor the need for additional pricing actions to maintain margins as well as remaining diligent and ready to respond to continued instability and uncertainty in the greater macro-economic environment.

Debt levels remain in line with expectations due to increased working capital needs and inflationary pressures impacting inventory valuations. Accordingly, interest expense for both the third quarter and year to date 2023 was higher versus the same periods in 2022. We will continue to evaluate our working capital needs, including inventory levels, to ensure we can appropriately meet production volumes.

Burnham Holdings, Inc.
Consolidated Statements of Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Net sales	\$ 59,705	\$ 59,656	\$ 171,406	\$ 164,594
Cost of goods sold	47,489	48,844	133,613	137,828
Gross profit	<u>12,216</u>	<u>10,812</u>	<u>37,793</u>	<u>26,766</u>
Selling, general and administrative expenses	<u>10,182</u>	<u>9,299</u>	<u>30,164</u>	<u>27,017</u>
Operating income (loss)	2,034	1,513	7,629	(251)
Other expense:				
Non-service related pension credit	137	106	412	319
Interest and investment gain (loss)	(222)	(129)	267	(347)
Interest expense	(921)	(512)	(2,107)	(1,117)
Other expense	<u>(1,006)</u>	<u>(535)</u>	<u>(1,428)</u>	<u>(1,145)</u>
Income (loss) before income taxes	1,028	978	6,201	(1,396)
Income tax expense (benefit)	236	225	1,426	(321)
Net income (loss)	<u>\$ 792</u>	<u>\$ 753</u>	<u>\$ 4,775</u>	<u>\$ (1,075)</u>
Earnings (loss) per share				
Basic	\$ 0.17	\$ 0.16	\$ 1.03	\$ (0.23)
Diluted	\$ 0.17	\$ 0.16	\$ 1.03	\$ (0.23)
Cash dividends per share	\$ 0.22	\$ 0.22	\$ 0.66	\$ 0.66

Burnham Holdings, Inc.
Consolidated Balance Sheets
(In thousands)

	(Unaudited) October 1, 2023	December 31, 2022	(Unaudited) October 2, 2022
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 6,638	\$ 6,994	\$ 6,151
Trade accounts receivable, net	27,704	29,243	24,569
Inventories, net	70,131	59,635	65,384
Prepaid expenses and other current assets	5,905	3,747	4,717
Total Current Assets	<u>110,378</u>	<u>99,619</u>	<u>100,821</u>
Property, plant and equipment, net	63,728	59,980	58,866
Lease assets	4,171	1,793	1,928
Other long-term assets	15,600	14,866	23,828
Total Assets	<u>\$ 193,877</u>	<u>\$ 176,258</u>	<u>\$ 185,443</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current Liabilities			
Accounts payable & accrued expenses	\$ 28,574	\$ 36,047	\$ 29,374
Current portion of long-term liabilities	152	152	152
Current portion of operating lease liabilities	1,036	854	837
Total Current Liabilities	<u>29,762</u>	<u>37,053</u>	<u>30,363</u>
Long-term debt	53,713	33,721	46,034
Lease liabilities	3,135	939	1,091
Other postretirement liabilities	6,026	5,636	6,015
Deferred income taxes	7,984	7,822	9,110
Shareholders' Equity			
Preferred Stock	530	530	530
Class A Common Stock	3,630	3,626	3,623
Class B Convertible Common Stock	1,314	1,318	1,321
Additional paid-in capital	16,826	16,565	16,564
Retained earnings	116,194	114,526	109,410
Accumulated other comprehensive loss	(27,331)	(27,549)	(20,690)
Treasury stock, at cost	(17,906)	(17,929)	(17,928)
Total Shareholders' Equity	<u>93,257</u>	<u>91,087</u>	<u>92,830</u>
Total Liabilities and Shareholders' Equity	<u>\$ 193,877</u>	<u>\$ 176,258</u>	<u>\$ 185,443</u>

Burnham Holdings, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended	
	October 1, 2023	October 2, 2022
Net income (loss)	\$ 4,775	\$ (1,075)
Depreciation and amortization	3,730	3,546
Pension and postretirement liabilities expense	(375)	(28)
Changes in operating assets and liabilities	<u>(18,033)</u>	<u>(18,205)</u>
Net cash used by operating activities	(9,903)	(15,762)
Purchase of property, plant and equipment	(7,622)	(5,114)
Net proceeds from borrowings	19,992	24,203
Share-based and treasury activity, net	284	267
Dividends paid	<u>(3,107)</u>	<u>(3,097)</u>
Net (decrease) increase in cash and cash equivalents	<u>\$ (356)</u>	<u>\$ 497</u>
Cash and cash equivalents, beginning of period	\$ 6,994	\$ 5,654
Net (decrease) increase in cash and cash equivalents	<u>(356)</u>	<u>497</u>
Cash and cash equivalents, end of period	<u>\$ 6,638</u>	<u>\$ 6,151</u>

Burnham Holdings, Inc.
Consolidated Statements of Shareholders' Equity
(In thousands)
(Unaudited)

	Preferred Stock	Class A Common Stock	Class B Convertible Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock, at Cost	Shareholders' Equity
Balance at December 31, 2022	\$ 530	\$ 3,626	\$ 1,318	\$ 16,565	\$ 114,526	\$ (27,549)	\$ (17,929)	\$ 91,087
Cash dividends declared:								
Common stock - (\$0.22 per share)	-	-	-	-	(1,012)	-	-	(1,012)
Net income for the period	-	-	-	-	2,969	-	-	2,969
Other comprehensive loss, net of tax (\$88)	-	-	-	-	-	(296)	-	(296)
Balance at April 2, 2023	\$ 530	\$ 3,626	\$ 1,318	\$ 16,565	\$ 116,483	\$ (27,845)	\$ (17,929)	\$ 92,748
Share-based compensation	-	-	-	259	-	-	23	282
Cash dividends declared:								
Preferred stock - 6%	-	-	-	-	(9)	-	-	(9)
Common stock - (\$0.22 per share)	-	-	-	-	(1,068)	-	-	(1,068)
Net income for the period	-	-	-	-	1,014	-	-	1,014
Other comprehensive income, net of tax (\$94)	-	-	-	-	-	316	-	316
Balance at July 2, 2023	\$ 530	\$ 3,626	\$ 1,318	\$ 16,824	\$ 116,420	\$ (27,529)	\$ (17,906)	\$ 93,283
Share-based compensation	-	-	-	2	-	-	-	2
Conversion of common stock	-	4	(4)	-	-	-	-	-
Cash dividends declared:								
Common stock - (\$0.22 per share)	-	-	-	-	(1,018)	-	-	(1,018)
Net income for the period	-	-	-	-	792	-	-	792
Other comprehensive income, net of tax (\$59)	-	-	-	-	-	198	-	198
Balance at October 1, 2023	\$ 530	\$ 3,630	\$ 1,314	\$ 16,826	\$ 116,194	\$ (27,331)	\$ (17,906)	\$ 93,257
	Preferred Stock	Class A Common Stock	Class B Convertible Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock, at Cost	Shareholders' Equity
Balance at December 31, 2021	\$ 530	\$ 3,615	\$ 1,329	\$ 16,317	\$ 113,582	\$ (22,260)	\$ (17,948)	\$ 95,165
Share-based compensation	-	-	-	37	-	-	3	40
Cash dividends declared:								
Common stock - (\$0.22 per share)	-	-	-	-	(1,011)	-	-	(1,011)
Net loss for the period	-	-	-	-	(755)	-	-	(755)
Other comprehensive income, net of tax (\$211)	-	-	-	-	-	751	-	751
Balance at April 3, 2022	\$ 530	\$ 3,615	\$ 1,329	\$ 16,354	\$ 111,816	\$ (21,509)	\$ (17,945)	\$ 94,190
Share-based compensation	-	-	-	210	-	-	17	227
Conversion of common stock	-	8	(8)	-	-	-	-	-
Cash dividends declared:								
Preferred stock - 6%	-	-	-	-	(9)	-	-	(9)
Common stock - (\$0.22 per share)	-	-	-	-	(1,066)	-	-	(1,066)
Net loss for the period	-	-	-	-	(1,073)	-	-	(1,073)
Other comprehensive income, net of tax (\$65)	-	-	-	-	-	218	-	218
Balance at July 3, 2022	\$ 530	\$ 3,623	\$ 1,321	\$ 16,564	\$ 109,668	\$ (21,291)	\$ (17,928)	\$ 92,487
Cash dividends declared:								
Preferred stock - 6%	-	-	-	-	-	-	-	-
Common stock - (\$0.22 per share)	-	-	-	-	(1,011)	-	-	(1,011)
Net income for the period	-	-	-	-	753	-	-	753
Other comprehensive income, net of tax (\$180)	-	-	-	-	-	601	-	601
Balance at October 2, 2022	\$ 530	\$ 3,623	\$ 1,321	\$ 16,564	\$ 109,410	\$ (20,690)	\$ (17,928)	\$ 92,830