

Burnham Holdings, Inc. Reports Full Year 2023 Financial Results, Raises Dividend and Board Actions

Lancaster, PA

February 22, 2024

Burnham Holdings, Inc. (OTC-Pink: BURCA), the parent company of multiple subsidiaries that are leading domestic manufacturers of boilers, furnaces and related HVAC products and accessories for residential, commercial, and industrial applications, today reported its consolidated financial results for the twelve months ended December 31, 2023. Audited consolidated financial statements and footnotes will be included in our Annual Report, expected to be available in mid- to late March 2024. Prior periods presented have been restated for a voluntary change in accounting principle related to our last-in, first-out (LIFO) inventory valuation. For 2022, the impact increased net income by \$0.4 million and diluted earnings per share by \$0.08.

Burnham Holdings, Inc.'s consolidated financial performance for the year ended December 31, 2023 included the following:

- Net sales were \$253.0 million for 2023, an increase of \$12.4 million, or 5.2%, versus 2022. The net sales figure for 2023 represents the highest net sales number in BHI history, eclipsing the previous mark of \$251.7 million set in 2004.
- Gross profit margin was 23.6% for 2023 compared to 19.2% for 2022 primarily due to continued realization of pricing actions to offset inflation. Operating efficiency also contributed to improved margins as cost of goods sold decreased by \$1.2 million versus 2022 despite higher the 5.2% growth in net sales.
- Selling, general, and administrative expenses (SG&A) were \$43.1 million in 2023 compared to \$36.2 million in 2022, an increase of \$6.7 million, or 19.0%. Prior year spend was lower than historical norms as we slowly returned to pre-Covid staffing, travel, and administrative spending levels. Although higher on a percentage of sales basis, SG&A spend was in line with expectations.
- The Company recognized a \$2.3 million impairment of its investment in EnviroPower.
- Net income for 2023 was \$9.4 million compared to \$5.4 million in 2022 and is the highest net income since 2004.
- Diluted earnings per share were \$2.02 for 2023 versus \$1.18 in 2022.

For 2023, sales of residential products were higher by 5.0% versus the same period in 2022, while sales of commercial products increased by 1.4% in 2023 versus 2022. Our new Service and Rentals businesses contributed \$2.6 million of net sales in 2023. Overall, we are pleased with 2023's results as order velocity remains strong and our current backlogs are back in line with seasonal operating cycles.

As previously noted, pricing actions taken during 2022 and 2023 contributed to the margin expansion realized in 2023. Further positive impacts on the results were provided by tighter inventory controls, which resulted in lower inventory across the organization, as well as a focus on overhead expenses and spending. Reduced volatility in raw material costs also had a significant impact on 2023 results. We will continue to closely monitor these areas as leading indicators for additional pricing actions during 2024.

Average debt levels were higher throughout 2023 due to increased working capital needs and inflationary pressures impacting inventory valuations. In addition, interest rate hikes throughout 2023 increased borrowing costs. As a result of both factors, interest expense for 2023 was higher than 2022. However, year-end total debt was \$6.3 million lower than the prior year. We continue to evaluate our working capital needs, including inventory levels, to ensure we can appropriately meet production volumes and fund future growth initiatives. We also previously announced that we have new lending facilities in place that provide us with up to \$92.0 million in capacity. On January 30, 2024, a \$10.0 million equipment financing line was entered into with our syndicated bank group that adds additional capacity and flexibility to our financing arrangements.

At its meeting on February 22, 2024, Burnham Holdings, Inc.'s Board of Directors declared a quarterly common stock dividend of \$0.23 per share, an increase of 4.5%. The dividend is payable on March 28, 2024 for shareholders of record as of March 21, 2024. Additionally, the Board of Directors amended the bylaws to confirm the ability to conduct meetings virtually, revise officer and director indemnification provisions, and remove the minimum and maximum numbers of directors required on the Board.

Burnham Holdings, Inc.'s Annual Meeting, with a shareholder record date of March 1, 2024, will be held virtually via a secure website meeting platform on Monday, April 22, 2024, beginning at 11:30 a.m. eastern.

Burnham Holdings, Inc.
Consolidated Statements of Income
Years ended December 31, 2023 and 2022
(In thousands, except per share amounts)

	(Unaudited)	(Restated)
	2023	2022
Net sales	\$ 252,982	\$ 240,547
Cost of goods sold	193,223	194,403
Gross profit	59,759	46,144
Selling, general and administrative expenses	43,137	36,245
Investment impairment loss	2,298	-
Operating income	14,324	9,899
Other expense:		
Non-service related pension credit	57	130
Interest and investment gain (loss)	872	(1,124)
Interest expense	(2,733)	(1,690)
Other expense	(1,804)	(2,684)
Income before income taxes	12,520	7,215
Income tax expense	3,094	1,790
Net income	\$ 9,426	\$ 5,425
Earnings per share:		
Basic	\$ 2.04	\$ 1.18
Diluted	\$ 2.02	\$ 1.18
Cash dividends per share	\$ 0.88	\$ 0.88

Burnham Holdings, Inc.
Consolidated Balance Sheets
December 31, 2023 and 2022
(In thousands)

<u>ASSETS</u>	(Unaudited) 2023	(Restated) 2022
Current Assets		
Cash and cash equivalents	\$ 5,880	\$ 6,994
Trade accounts receivable, net	31,023	29,243
Inventories, net	58,017	61,547
Costs in Excess of Billings	621	-
Prepaid expenses and other current assets	1,954	3,747
Total Current Assets	<u>97,495</u>	<u>101,531</u>
Property, plant and equipment, net	64,437	59,980
Lease assets	4,119	1,793
Other long-term assets	18,620	14,866
Total Assets	<u>\$ 184,671</u>	<u>\$ 178,170</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities		
Accounts payable & accrued expenses	\$ 35,365	\$ 36,047
Billings in excess of costs	137	-
Current portion of:		
Long-term liabilities	1,171	152
Lease liabilities	1,051	854
Long-term debt	184	-
Total Current Liabilities	<u>37,908</u>	<u>37,053</u>
Long-term debt	27,232	33,721
Lease liabilities	3,068	939
Other long-term liabilities	5,933	5,636
Deferred income taxes	9,095	8,261
Shareholders' Equity		
Preferred Stock	530	530
Class A Common Stock	3,633	3,626
Class B Convertible Common Stock	1,311	1,318
Additional paid-in capital	11,769	16,565
Retained earnings	121,291	115,999
Accumulated other comprehensive loss	(24,668)	(27,549)
Treasury stock, at cost	(12,431)	(17,929)
Total Shareholders' Equity	<u>101,435</u>	<u>92,560</u>
Total Liabilities and Shareholders' Equity	<u>\$ 184,671</u>	<u>\$ 178,170</u>

Burnham Holdings, Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2023 and 2022
(In thousands)

	(Unaudited)	(Restated)
	2023	2022
Cash flows from operating activities:		
Net income	\$ 9,426	\$ 5,425
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,984	4,802
Investment impairment loss	2,298	-
Deferred income taxes	132	2
Provision for long-term employee benefits	(22)	(119)
Contributions to pension trust	-	-
Other reserves and allowances	(64)	920
Changes in current assets and liabilities:		
Increase in accounts receivable, net	(1,804)	(4,318)
Decrease (increase) in inventories, net	1,618	(9,037)
(Increase) decrease in other current assets	(294)	312
Increase in accounts payable and accrued expenses	4,207	3,213
Net cash provided by operating activities	<u>20,481</u>	<u>1,200</u>
Cash flows from investing activities:		
Capital expenditures	(9,433)	(7,278)
Investment in EnviroPower	(141)	(611)
Purchase of CSI	(2,277)	-
Other investing activities	(7)	(8)
Net cash used by investing activities	<u>(11,858)</u>	<u>(7,897)</u>
Cash flows from financing activities:		
Net proceeds from borrowings	(6,305)	11,891
Proceeds from share-based compensation activity	680	248
Repurchase of common and preferred stock	22	19
Dividends paid	(4,134)	(4,121)
Net cash (used by) provided by financing activities	<u>(9,737)</u>	<u>8,037</u>
Net (decrease) increase in cash and cash equivalents	<u>\$ (1,114)</u>	<u>\$ 1,340</u>
Cash and cash equivalents, beginning of period	6,994	5,654
Net (decrease) increase in cash and cash equivalents	(1,114)	1,340
Cash and cash equivalents, end of period	<u>\$ 5,880</u>	<u>\$ 6,994</u>