

Burnham Holdings, Inc. Announces Third quarter 2024 Financial Results

Lancaster, PA

October 24, 2024

Burnham Holdings, Inc. (OTC-Pink: BURCA) (“BHI”, the “Company”, “we” or “our”) today reported its consolidated financial results for the third quarter of 2024. Where noted, prior periods presented have been restated for a voluntary change in accounting principle related to our last-in, first-out (LIFO) inventory valuation as disclosed in our 2023 Annual Report.

- Net sales were \$64.7 million for the third quarter of 2024, an increase of \$5.0 million, or 8.3%, versus the third quarter of 2023. Year to date net sales were \$176.1 million compared to \$171.4 for the first nine months of 2023.
- Gross profit margin was 19.3% and 20.5% for the third quarters of 2024 and 2023, respectively. Year to date gross profit margins were 21.6% for 2024 versus 22.0% for 2023. Product mix and temporary inefficiencies from unplanned downtime adversely impacted third quarter 2024 gross profit margins.
- Selling, general, and administrative expenses (SG&A) were higher by \$1.4 million and \$2.0 million for the third quarter 2024 and the first nine months of 2024, respectively, versus the same periods last year. The primary driver in the increase in SG&A expenses was an adjustment to reserves related to uninsured litigation settlements and fees. Excluding these impacts, adjusted SG&A as a percentage of sales in the third quarter of 2024 was 15.6% compared to 17.1% for the third quarter of 2023.
- Adjusted EBITDA was \$12.8 million, or 7.3%, for the nine months of 2024 versus \$12.0 million, or 7.0%, for the first nine months of 2023. Adjusted EBITDA excludes the impact of the reserve adjustments noted above.
- Adjusted net income, excluding reserve adjustments, for the third quarter of 2024 was \$1.7 million versus net income of \$0.8 million for the third quarter of 2023.
- Adjusted diluted earnings per share were \$0.37 and \$0.17 for the third quarters of 2024 and 2023, respectively. For the first nine months of 2024 and 2023, adjusted diluted earnings per share were \$1.18 and \$1.03, respectively. Adjusted diluted earnings per share excludes \$0.25 per share related to the reserve adjustments noted above for both the three months and nine months ended September 29, 2024.

For the third quarter of 2024, sales of residential products were higher by 2.2% versus the same period in 2023, while sales of commercial products were up 20.8% in 2024 versus 2023. For the nine months of 2024, residential sales were lower by 5.1% versus the prior year while commercial sales were higher by 13.0% versus the nine months of 2023. Thermal InMotion continues to expand BHI’s capabilities into previously unserved segments of the HVAC industry, and we are pleased with the results. The service and rentals businesses contributed \$1.8 million of net sales in the third quarter of 2024 and \$6.3 million for the nine months of 2024. Overall, we continue to believe order flow and our current backlogs are in line with seasonal operating patterns.

Average debt levels of the Company’s revolving credit facility for the third quarter of 2024 were approximately \$10.6 million lower than the third quarter of 2023. On a year over year basis, the average debt levels on the revolving credit facility were approximately \$9.6 million lower. We continue to evaluate our working capital needs, including inventory levels, to ensure we can appropriately meet production volumes and fund future growth initiatives.

About Burnham Holdings, Inc.: BHI is 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. BHI is listed on the OTC Exchange under the ticker symbol “BURCA”. For more information, please visit www.burnhamholdings.com.

Non-GAAP Financial Information: This press release contains certain non-GAAP financial measures, including adjusted SG&A, EBITDA, Adjusted EBITDA, Adjusted Net Income and adjusted diluted earnings per share. These non-GAAP financial measures do not provide investors with an accurate measure of, and should not be used as a substitute for, the comparable financial measures as determined in accordance with accounting principles generally accepted in the United States (“GAAP”). The Company believes these non-GAAP financial measures,

when read in conjunction with the comparable GAAP financial measures, give investors a useful tool to assess and understand the Company's overall financial performance, because they exclude items of income or expense that the Company believes are not reflective of its ongoing operating performance, allowing for a better period-to-period comparison of operations of the Company. The Company acknowledges that there are many items that impact a company's reported results, and the adjustments reflected in these non-GAAP measures are not intended to present all items that may have impacted these results. In addition, these non-GAAP measures are not necessarily comparable to similarly titled measures used by other companies.

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

	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Net sales	\$ 64,689	\$ 59,705	\$ 176,083	\$ 171,406
Cost of goods sold	52,217	47,489	138,035	133,613
Gross profit	12,472	12,216	38,048	37,793
Selling, general and administrative expenses	11,605	10,182	32,115	30,164
Operating income	867	2,034	5,933	7,629
Other (expense) / income:				
Non-service related pension credit	124	137	374	412
Interest and investment gain	423	(222)	912	267
Interest expense	(697)	(921)	(1,526)	(2,107)
Other expense	(150)	(1,006)	(240)	(1,428)
Income before income taxes	717	1,028	5,693	6,201
Income tax expense	165	236	1,309	1,426
Net income	<u>\$ 552</u>	<u>\$ 792</u>	<u>\$ 4,384</u>	<u>\$ 4,775</u>
Earnings per share:				
Basic	\$ 0.12	\$ 0.17	\$ 0.94	\$ 1.03
Diluted	\$ 0.12	\$ 0.17	\$ 0.93	\$ 1.03
Cash dividends per share	\$ 0.23	\$ 0.22	\$ 0.69	\$ 0.66

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

	(Unaudited) September 29, 2024	December 31, 2023	(Unaudited) October 1, 2023
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 6,280	\$ 5,880	\$ 6,638
Trade accounts receivable, net	29,573	31,023	27,704
Inventories, net	70,158	58,017	72,043
Costs in Excess of Billings	1,425	621	544
Prepaid expenses and other current assets	3,038	1,954	3,130
Total Current Assets	<u>110,474</u>	<u>97,495</u>	<u>110,059</u>
Property, plant and equipment, net	70,040	64,437	63,728
Lease assets	6,410	4,119	4,171
Other long-term assets	18,592	18,620	17,831
Total Assets	<u>\$ 205,516</u>	<u>\$ 184,671</u>	<u>\$ 195,789</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current Liabilities			
Accounts payable & accrued expenses	\$ 29,663	\$ 35,365	\$ 26,620
Billings in excess of costs	3,497	137	-
Current portion of:			
Long-term liabilities	71	1,171	1,252
Lease liabilities	1,175	1,051	1,036
Long-term debt	184	184	-
Total Current Liabilities	<u>34,590</u>	<u>37,908</u>	<u>28,908</u>
Long-term debt	48,390	27,232	53,713
Lease liabilities	5,235	3,068	3,135
Other long-term liabilities	5,847	5,933	6,726
Deferred income taxes	9,039	9,095	8,423
Shareholders' Equity			
Preferred Stock	530	530	530
Class A Common Stock	3,633	3,633	3,630
Class B Convertible Common Stock	1,311	1,311	1,314
Additional paid-in capital	10,625	11,769	11,549
Retained earnings	122,397	121,291	117,667
Accumulated other comprehensive loss	(25,023)	(24,668)	(27,331)
Treasury stock, at cost	(11,058)	(12,431)	(12,475)
Total Shareholders' Equity	<u>102,415</u>	<u>101,435</u>	<u>94,884</u>
Total Liabilities and Shareholders' Equity	<u>\$ 205,516</u>	<u>\$ 184,671</u>	<u>\$ 195,789</u>

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

	Nine Months Ended	
	September 29, 2024	October 1, 2023
Cash flows from operating activities:		
Net income	\$ 4,384	\$ 4,775
Adjustments to reconcile net income to net cash related to operating activities:		
Depreciation and amortization	4,031	3,730
Deferred income taxes	50	162
Provision for long-term employee benefits	(375)	(375)
Share-based compensation expense	300	482
Other reserves and allowances	(33)	977
Changes in current assets and liabilities, net of acquisition:		
Decrease in accounts receivable, net	947	1,491
Increase in inventories, net	(12,141)	(10,495)
Decrease / (increase) in other current assets	1,954	(891)
Decrease in accounts payable and accrued expenses	(6,889)	(7,681)
Net cash used by operating activities	(7,772)	(7,825)
Cash flows from investing activities:		
Capital expenditures	(9,638)	(7,614)
Purchase of CSI	-	(1,750)
Other investing activities	-	(8)
Net cash used by investing activities	(9,638)	(9,372)
Cash flows from financing activities:		
Net proceeds from revolver	21,251	19,992
Repayment of term loan	(92)	-
Share-based compensation activity	(71)	(44)
Dividends paid	(3,278)	(3,107)
Net cash provided by financing activities	17,810	16,841
Net increase (decrease) in cash and cash equivalents	\$ 400	\$ (356)
Cash and cash equivalents, beginning of period	\$ 5,880	\$ 6,994
Net increase (decrease) in cash and cash equivalents	400	(356)
Cash and cash equivalents, end of period	\$ 6,280	\$ 6,638

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, 2023	\$ 530	\$ 3,633	\$ 1,311	\$ 11,769	\$ 121,291	\$ (24,668)	\$ (12,431)	\$ 101,435
Net income	-	-	-	-	2,991	-	-	2,991
Other comprehensive income, net of tax	-	-	-	-	-	253	-	253
Cash dividends declared:								
Common stock - (\$0.88 per share)	-	-	-	-	(1,065)	-	-	(1,065)
Share-based compensation:								
Expense recognition	-	-	-	100	-	-	-	100
Balance at March 31, 2024	\$ 530	\$ 3,633	\$ 1,311	\$ 11,869	\$ 123,217	\$ (24,415)	\$ (12,431)	\$ 103,714
Net income	-	-	-	-	841	-	-	841
Other comprehensive income, net of tax	-	-	-	-	-	(27)	-	(27)
Cash dividends declared:								
Preferred stock - 6%	-	-	-	-	(9)	-	-	(9)
Common stock - (\$0.88 per share)	-	-	-	-	(1,132)	-	-	(1,132)
Share-based compensation:								
Expense recognition	-	-	-	100	-	-	-	100
Issuance of vested shares	-	-	-	(1,444)	-	-	1,373	(71)
Balance at June 30, 2024	\$ 530	\$ 3,633	\$ 1,311	\$ 10,525	\$ 122,917	\$ (24,442)	\$ (11,058)	\$ 103,416
Net income	-	-	-	-	552	-	-	552
Other comprehensive income, net of tax	-	-	-	-	-	(581)	-	(581)
Cash dividends declared:								
Common stock - (\$0.88 per share)	-	-	-	-	(1,072)	-	-	(1,072)
Share-based compensation:								
Expense recognition	-	-	-	100	-	-	-	100
Balance at September 29, 2024	\$ 530	\$ 3,633	\$ 1,311	\$ 10,625	\$ 122,397	\$ (25,023)	\$ (11,058)	\$ 102,415
	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 (as restated)	\$ 530	\$ 3,626	\$ 1,318	\$ 11,928	\$ 115,999	\$ (27,549)	\$ (13,292)	\$ 92,560
Net income	-	-	-	-	2,969	-	-	2,969
Other comprehensive income, net of tax	-	-	-	-	-	(296)	-	(296)
Cash dividends declared:								
Common stock - (\$0.88 per share)	-	-	-	-	(1,012)	-	-	(1,012)
Share-based compensation:								
Expense recognition	-	-	-	75	-	-	-	75
Balance at April 2, 2023	\$ 530	\$ 3,626	\$ 1,318	\$ 12,003	\$ 117,956	\$ (27,845)	\$ (13,292)	\$ 94,296
Net income	-	-	-	-	1,014	-	-	1,014
Other comprehensive income, net of tax	-	-	-	-	-	316	-	316
Cash dividends declared:								
Preferred stock - 6%	-	-	-	-	(9)	-	-	(9)
Common stock - (\$0.88 per share)	-	-	-	-	(1,068)	-	-	(1,068)
Share-based compensation:								
Expense recognition	-	-	-	357	-	-	-	357
Issuance of vested shares	-	-	-	(861)	-	-	817	(44)
Balance at July 2, 2023	\$ 530	\$ 3,626	\$ 1,318	\$ 11,499	\$ 117,893	\$ (27,529)	\$ (12,475)	\$ 94,862
Net income	-	-	-	-	792	-	-	792
Other comprehensive income, net of tax	-	-	-	-	-	198	-	198
Cash dividends declared:								
Common stock - (\$0.88 per share)	-	-	-	-	(1,018)	-	-	(1,018)
Share-based compensation:								
Expense recognition	-	-	-	50	-	-	-	50
Conversion of common stock	-	4	(4)	-	-	-	-	-
Balance at October 1, 2023	\$ 530	\$ 3,630	\$ 1,314	\$ 11,549	\$ 117,667	\$ (27,331)	\$ (12,475)	\$ 94,884

Burnham Holdings, Inc.
Non-GAAP Reconciliations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended, September 29, 2024			Nine Months Ended, September 29, 2024		
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted
	Selling, general and administrative expenses	\$ 11,605	\$ (1,536)	\$ 10,069	\$ 32,115	\$ (1,536)
Net sales	\$ 64,689	\$ -	\$ 64,689	\$ 176,083	\$ -	\$ 176,083
SG&A as percent of sales	17.9%		15.6%	18.2%		17.4%

	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Net sales	\$ 64,689	\$ 59,705	\$ 176,083	\$ 171,406
Net income	\$ 552	\$ 792	\$ 4,384	\$ 4,775
Exclude:				
Income tax expense	165	236	1,309	1,426
Interest expense	697	921	1,526	2,107
Depreciation and amortization	1,322	1,219	4,031	3,730
EBITDA	\$ 2,736	\$ 3,168	\$ 11,250	\$ 12,038
EBITDA as a percent of net sales	4.2%		5.3%	6.4%
EBITDA	\$ 2,736	\$ 3,168	\$ 11,250	\$ 12,038
Adjustments	1,536	-	1,536	-
Adjusted EBITDA	\$ 4,272	\$ 3,168	\$ 12,786	\$ 12,038
Adjusted EBITDA as a percent of net sales	6.6%		5.3%	7.0%

	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Net income	\$ 552	\$ 792	\$ 4,384	\$ 4,775
Adjustments, net of tax	1,183	-	1,183	-
Adjusted net income	\$ 1,735	\$ 792	\$ 5,567	\$ 4,775
Diluted weighted-average shares outstanding	4,718	4,629	4,713	4,618
Diluted earnings per share	\$ 0.12	\$ 0.17	\$ 0.93	\$ 1.03
Adjusted diluted earnings per share	\$ 0.37	\$ 0.17	\$ 1.18	\$ 1.03