BURNHAM HOLDINGS, INC.

2024 ANNUAL REPORT

BURNHAM HOLDINGS

PERFORMANCE PROVEN • TECHNOLOGY FORWARD

Christopher R. Drew
President and CEO

2024 Continued Growth, Strong Financial Performance

Burnham Holdings had another great year in 2024 setting new records with its financial performance. The organization successfully navigated the lingering effects of the pandemic to hit all-time records for revenue and profits.

2024 Key Accomplishments:

- A focus on Sales and Marketing activities in support of the multiple new products introduced in the last few years were key drivers of 2024's increased revenue.
    - Heating Solutions Sales Company (HSSC), which provides sales and marketing support to multiple Burnham Holdings subsidiaries, completely restructured their sales organization across the Northeast. These changes led to double digit growth in Alta products in the region.
    - Nationally, HSSC also broadened their network of sales and engineering support for commercial products leading to record sales and shipments of our portfolio of commercial industrial boiler products.
    - Multiple new distributors were added across the upper mid-west and western states to enhance our product availability in these geographies.
- Steady growth at CSI Services which demonstrates the viability of entering the service segment of the commercial/industrial boiler market and the inherent synergies it provides to Thermal InMotion rental business.
- Continuing to work on defining and enhancing our culture across all subsidiaries through the execution of an employee engagement survey. This is a multi-year initiative that will support our approximately 840 employees and their careers at the Burnham Holding family of companies.

The last several years have highlighted the multiple impacts of the global pandemic. The disruption to supply chains, the volatility of commodity costs, and diminished reliability of global shipping among other issues have had ongoing direct and indirect impacts on BHI's financial performance. I mentioned in my letter last year that towards the end of 2023 we were finally seeing normalization in multiple critical aspects of our business. Parts were available on a consistent basis within expected lead times, and input costs for raw materials and components were less volatile. This combination along with improved stability in our labor force created a manageable cost basis for us to properly cost and price our products. Additionally, wholesaler inventories were normalizing after the dramatic swings of 2022 and 2023. In a nutshell, we could hire people, get parts and material when we needed it at an appropriate cost and therefore, we could build and ship product in a cadence that was reflective of the decades of "normal" ordering patterns we had seen prior to 2020.

Our 2024 results reflect this reality. Our operations executed extremely well throughout the year. We hit new highs in residential condensing boiler unit sales, our commercial cast iron revenue reached record revenue, and the Thermo Pride furnace business rebounded strongly from the prior year as wholesaler's inventory overstock positions resolved themselves. In addition, Casting Solutions, our foundry, improved their operations with reductions in scrap rates, improvements in uptime and multiple input cost reductions. Across the consolidated BHI enterprise our financial metrics measurably improved, we achieved $15.7 million in pre-tax profits, achieved a return on invested capital of 9.8%, and improved operating cash flow to $22.1 million, up $1.0 million from 2023.

As is our practice, we continue to re-invest in our operations to reduce costs, improve operational efficiency and maintain a strong product portfolio. Several high-profile projects were completed during 2024 and already beginning to contribute to improvements in our operational metrics.

A few highlights include:

- Breaking ground on a new 45,000 square foot "Condensing Center of Excellence". This addition to our facilities in Lancaster will feature state of the art manufacturing and quality technologies allowing US Boiler to expand its production capacity for the Alta/Phantom II families of condensing boiler products.
- Several new CNC machines to upgrade our capabilities and replace older units.
- On-going improvements at Castings Solutions highlighted by:
    - Completion of the multi-year project to upgrade the plant-wide compressed air system.
    - Installation and commissioning a new cupola Pre-Heater which will dramatically reduce cupola input requirements and generate significant energy savings.

Investment in our subsidiaries' product portfolios also continues unabated. Multiple new product development projects continued during 2024 that will further enhance our line-up of high efficiency condensing products.

- Development of multiple boiler, "Cascade" venting options for the Alta family of products which are expected to launch in 2025.
- Kicking off a project to apply our industry leading gas adaptive combustion technology to a broader range of condensing products.
- Upgrading our line-up of light commercial condensing products with enhanced features.
- Continued enhancements to our industry leading "Connected Service Tool" that simplifies the installation and service of our current lineup of high efficiency boiler products. More products than ever are compatible with this tool.

The Ambient brand of Air to Water heat pumps, released in 2024, has seen broad industry acceptance as either a complementary product to an existing boiler or as a standalone hydronic heating appliance. We remain committed to heat pump technology as an evolutionary step towards sustainable hydronic heating products. Its inclusion in our product portfolio positions our organization well to address state and any future federal decarbonization activities.

During 2024, we continued to invest in Thermal InMotion, our boiler/water heater rental business. They increased the size of their rental fleet and successfully began to provide units for various applications. In addition to new rental units, Thermal InMotion designed and completed several projects for complete mobile boiler packages for customers desiring to support multiple buildings with their own backup systems.

Our first full year of ownership of CSI Services, which provides commercial/industrial mechanical contracting services to a broad array of customers across the Mid-Atlantic region, was a success. CSI had a strong year, completing multiple boiler room renovation and retrofit projects for their customers. We believe the ability to provide a full suite of services for rental, repair, and replacement of multiple types of commercial/industrial boilers and associated HVAC equipment allows us to capture a new category of service-oriented commercial customers that we have not previously served. We continue to view this segment of the HVAC industry as a significant growth opportunity.

We believe that our operational and product development investments, plus our expansion into the services and rental space, will continue to set us apart from our competition as we push toward broader, more diverse revenue streams that reduces our concentration in any specific category of product or market segment.

Consolidated Results:

For the second year in a row, the Company set a new top line record of $270.2 million – an increase of $17.2 million, or 6.8% over 2023. Residential product sales were up 3.0% versus last year while Commercial product sales were up 8.8%. The Service and Rentals segment, which we introduced last year and enhanced with the acquisition of CSI Services, delivered revenue of $8.8 million compared to $2.6 million in 2023. Gross margin percent remained strong at 22.6% versus 23.6% in 2023. Although lower on a year over year basis, gross profit margin was in line with expectations related to product mix. Additionally, temporary inefficiencies from unplanned downtime at certain subsidiaries also impacted gross margin.

Consolidated net income for 2024 was a new record at $12.0 million, up $2.5 million, or 26.8% versus 2023. Diluted earnings per share of $2.55 was also a new record high, up $0.53, or 26.2% versus the prior year. EBITDA was $23.2 million, or 8.6%, compared to $20.2 million, or 8.0%, in 2023. Continued working capital management and expense control, along with productivity improvements, drove total debt down $5.0 million to $22.5 million at the end of 2024 compared to $27.4 million at the end of 2023.

We also want to recognize the extraordinary efforts of our colleagues and co-workers for their countless contributions. We are fortunate to have such a caring, experienced workforce, with approximately 16.7% of our colleagues across the many organizations serving more than 25 years as well as our growing cadre of newer team members, without whom our businesses would struggle. Their experience is a major driver of our success, and their guidance to our younger co-workers will maintain our legacy into the future.

Finally, we want to take this opportunity to thank you, our shareholders, for your ongoing support and loyalty. We welcome your questions and comments at any time.

Thank you!

Christopher R. Drew
President and CEO

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COMPANY PROFILE

Burnham Holdings, Inc. and its subsidiaries (the Company) provides the heating, ventilating, and air conditioning (HVAC) industry with thermal and interior comfort solutions for a wide range of residential, commercial, and industrial applications.

Our subsidiaries are market leaders in the design, manufacture, and sale of boilers, furnaces and related HVAC products and accessories. We offer a broad line of high-value, energy- efficient products, sold under well-established brand names. Products are manufactured at facilities in the East, South, and Midwestern United States.

Our residential subsidiaries drive customer value through highly efficient, innovative products, providing interior comfort solutions for homes and small buildings. U.S. Boiler Company, Velocity Boiler Works, New Yorker Boiler Company, and Governale collectively offer a full range of residential hydronic heating products, including cast iron, stainless steel, and steel boilers, as well as cast iron and steel heat distribution products. Thermo Products offers warm air furnaces for the residential heating and cooling markets, including specialized units for the manufactured housing industry.

Commercial and industrial heating and process needs are addressed by our commercial subsidiaries, including Burnham Commercial, Bryan Steam, and Thermal Solutions. Commercial heating applications include military bases, multi-unit residential buildings, health care, government, education, and hospital facilities. Industrial applications include any project where steam or hot water is needed. Product offerings encompass a full range of cast iron, stainless steel, fire-tube, water-tube, and copper-tube boilers and water heaters, as well as boiler room accessories, for commercial and industrial applications.

Thermal InMotion compliments our core manufacturing business with a complete suite of boiler rental, service and installation services.

Vertical integration of our operations is provided by subsidiaries that manufacture key product components. Every year, Casting Solutions converts tens of thousands of tons of scrap metal into boiler castings and other gray and ductile iron castings. Painted light-gauge metal parts are made by Norwood Manufacturing and Lancaster Metal Manufacturing. Collectively, our affiliated companies offer more types and models of products and accessory equipment than any of our competitors. Our commitment to shareholder value through innovation has provided the foundation for our history of proven performance. We expect that our investment in HVAC technologies, as well as operational and product excellence, will continue to drive that foundation forward.

OUR VISION

To be leaders in providing thermal solutions for residential, commercial, and industrial applications through highly efficient, dependable products and services.

OUR PRINCIPLES

Performance – Create shareholder value through industry leadership and operational excellence.

Innovation – Create customer solutions by applying advanced technology to create superior products and services.

Engagement – Committed to the success of our customers, colleagues, and community.

Integrity – We keep our promises.

COMPANY SUBSIDIARIES & LOCATIONS

The consolidated financial statements include the accounts of the Company and its subsidiaries. The Company does not have any unconsolidated legal entities, “special purpose” entities, or “off-balance-sheet” financial arrangements, nor is it a partner in any joint venture. The Company and its subsidiaries have approximately 840 employees nationwide, of which approximately 45% are union employees covered through separate collective bargaining agreements. Generally, the agreements are for three-year periods and expire at different times. The Company has two collective bargaining agreements expiring in 2025. The first agreement covering approximately 44% of union employees expires on March 22, 2025, while the second agreement covering approximately 14% of union employees expires on June 7, 2025.

Burnham Holdings, Inc.	Lancaster, PA
Bryan Steam, LLC	Peru, IN
Burnham, LLC	Lancaster, PA
Burnham Casualty Insurance Co.	Burlington, VT
Burnham Financial, LLC	Wilmington, DE
Burnham Holdings Engineering Company, LLC	Lancaster, PA
Burnham Holdings Sourcing Company, LLC	Lancaster, PA
Burnham Services, Inc.	Wilmington, DE
Casting Solutions, LLC	Zanesville, OH
Commercial and Industrial Thermal Solutions, LLC	Lancaster, PA
Commercial Leasing and Services, LLC	Lancaster, PA
Crown Boiler Company, LLC	Philadelphia, PA
Governale Company, Inc.	Brooklyn, NY
Heating Solutions Sales Company, LLC	Lancaster, PA
I Street Properties, LLC	Lancaster, PA
Lancaster Metal Manufacturing, LLC	Lancaster, PA
New Yorker Boiler Company, LLC	Lancaster, PA
Norwood Manufacturing, Inc.	Norwood, NC
Thermal InMotion	Lancaster, PA
Thermal Solutions Products, LLC	Lancaster, PA
Thermo Products, LLC	Denton, NC
U.S. Boiler Company, LLC	Lancaster, PA
Velocity Boiler Works, LLC	Philadelphia, PA

CONSOLIDATED FINANCIAL HIGHLIGHTS

The "% Change" figures included in the Consolidated Financial Highlights and other presentations of percentages throughout this Annual Report were calculated using unrounded dollar amounts and may differ from calculations using the rounded dollar amounts presented.

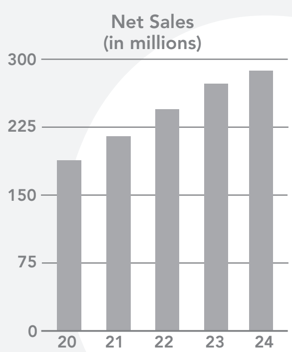
Burnham Holdings, Inc. is a holding company owning multiple, separate subsidiaries, each of which do business in the HVAC industry. All products, services, manufacturing, and related activities referred to herein are the products, services, and related activities of the applicable subsidiary, and not of Burnham Holdings, Inc.

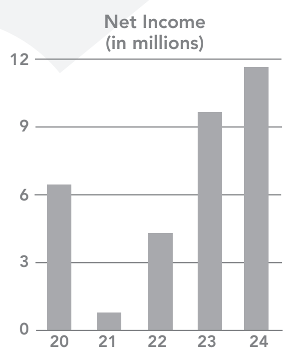
(In millions, except per share data)	2024	2023	% Change
Net Sales	$ 270.2	$ 253.0	6.8%
Gross Margin	$ 61.0	$ 59.8	2.1%
Gross Margin %	22.6%	23.6%	
Selling, General and Administrative Expenses (SG&A)	$ 44.5	$ 43.1	3.2%
SG&A %	16.5%	17.1%	
Pretax Profit (PTP)	$ 15.7	$ 12.5	25.4%
PTP %	5.8%	4.9%	
EBITDA (1)	$ 23.2	$ 20.2	14.7%
EBITDA %	8.6%	8.0%	
Operating Cash Flow	$ 22.1	$ 21.1	4.7%
Capital Expenditures	$ 11.2	$ 9.4	19.0%
Free Cash Flow	$ 11.0	$ 11.8	-6.8%
Per Share Data:			
Diluted Earnings per Share	$ 2.55	$ 2.02	26.2%
Dividends Paid	$ 0.92	$ 0.88	4.5%
Book Value per Share (2)	$ 24.24	$ 21.85	10.9%
Adjusted Book Value per Share (3)	$ 28.71	$ 27.18	5.6%
Share Price on 12/31	$ 13.90	$ 11.75	18.3%
Market Capitalization on 12/31	$ 64.8	$ 54.4	19.1%

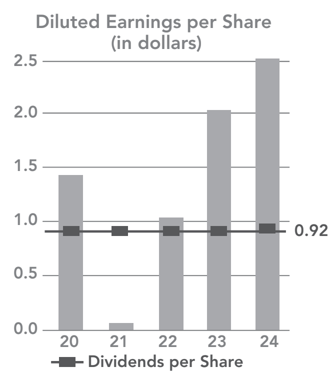
(1) EBITDA stands for Earnings Before Interest, Taxes, Depreciation and Amortization. It is calculated by taking PTP and adding back interest expense, and depreciation and amortization.

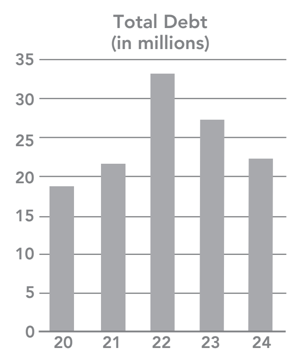
(2) Book Value per Share is calculated as Shareholders' Equity divided by weighted-shares outstanding.

(3) Adjusted Book Value per Share is calculated as Shareholders' Equity excluding Accumulated Other Comprehensive Loss (AOCL), divided by weighted-shares outstanding.









REVIEW OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. Other reports, letters, press releases and investor presentations distributed or made available by the Company may also contain forward-looking statements.

Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates, and projections, and you should therefore not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, variations in weather, changes in the regulatory environment, litigation, customer preferences, general economic conditions, technology, product performance, raw material costs, and increased competition.

OVERVIEW OF RESULTS

2024 was a year of continued sales growth as demand for our boilers and furnace products remained strong. Net sales for 2024 were $270.2 million, an increase of $17.2 million, or 6.8%, compared to 2023. After the various inflationary, supply chain and labor supply challenges we've faced over the last several years, 2024 was generally "normal". Our subsidiaries were able to purchase components, hire employees and effectively manage their costs during the year. Additionally, order flow also normalized with a reversion to a historically consistent split between first half and second half sales.

Operating metrics were a significant focus in 2024. The organization worked diligently on reducing inventory, lowering our debt position, and improving operating cash flow. This was a collective effort by our sourcing, financial and operational teams. End of year debt was $22.5 million, a decrease of 18.1% from 2023. Total inventory was also reduced by $3.1 million while operating cash flow improved by 4.7%.

Our various boiler assembly and machining operations had strong operational years, thanks to efficiency gains, inventory reduction efforts and expense control initiatives which contributed to the strong financial results. Furthermore, the benefits from our continued investments in capital improvements clearly paid dividends as various energy efficiency and productivity projects were commissioned, reducing our overall energy spend, reducing plant downtime and improving labor efficiency.

Each of the last several years has had unique challenges. That said, in 2024, the organization had an opportunity to focus on moving forward rather than reacting to the various macro influences that had disrupted the normal course of operations over the last several years. We executed multiple initiatives extremely well; all of which are designed to improve our operations and allow us to deliver stable and consistent results. The outcome of these efforts is clearly demonstrated by the excellent financial performance achieved during the year.

PERFORMANCE PROVEN, TECHNOLOGY FORWARD

In providing interior comfort solutions to the HVAC industry for a multitude of residential, commercial, institutional, and industrial applications, the Company has proven its ability to grow value for stakeholders year after year. The installed base of residential and commercial heating products provides a stable revenue stream due to the consistent product replacement cycle.

2024 was the first full year of ownership of Combustion Services Inc. (CSI Services) located in York, Pennsylvania. CSI Services provides commercial/industrial mechanical contracting services to a broad array of customers across the Mid-Atlantic region. Upon acquisition, CSI Services was integrated with Thermal InMotion, our commercial industrial rental boiler business. The acquisition of CSI Services further enhanced the services Thermal InMotion could provide and successfully provided access to a new revenue segment for the organization that compliments the commercial boiler businesses. The combined entity outperformed internal expectations, and successfully continued to build additional rental units for the InMotion fleet while providing installation and repair services to an array of industrial manufacturing customers.

The Alta and Phantom II product families continue to grow and contribute to the financial performance of the residential segment of our business. These condensing boiler platforms feature the most advanced "Gas Adaptive" combustion platforms in the world, giving it a strong feature set for the North American market. The sophisticated self-tuning combustion system simplifies installation for the contractor, ensuring clean, efficient combustion regardless of installation conditions. These products remain an industry favorite and account for more than 75% of our high efficiency residential boiler volume in 2024.

Our residential furnace business, Thermo Pride, had a strong year of oil and gas furnace sales. The oil furnace segment of the furnace industry volumes finished 2024 up almost 33% vs 2023. With its leading market share, Thermo Pride benefited substantially from this rebound in volumes. Continued growth in their recently introduced mid-efficiency gas furnace portfolio for the manufactured housing market also contributed to Thermo Pride's strong results.

Our capital investment program continued during 2024 with investments in a variety of new equipment to improve our manufacturing operations. We have invested heavily at Casting Solutions over the last few years and 2024 was no exception. Completed projects included upgrades to our casting core making equipment, foundry wide compressed air systems, and cupola pre-heater. The foundry has realized improved efficiencies as a result of the positive returns on investment these projects have generated. U.S. Boiler broke ground in late 2024 on a new 45,000 square foot addition to an existing facility in Lancaster, PA. The new facility, funded by a combination of state backed low interest loans and grants, will be dedicated to the production of high efficiency condensing boilers. Equipped with state-of-the-art production equipment and leveraging several operational improvements, the additional capacity the building provides will support the continued growth of our Alta and Phantom II product lines. The building is expected to be completed in late 2025 and fully operational by the first quarter of 2026.

CONSOLIDATED FINANCIAL PERFORMANCE – 2024 COMPARED TO 2023

Net sales in 2024 were $270.2 million, an increase of 6.8% compared to $253.0 million in net sales achieved in 2023. Consolidated net sales are primarily derived from sales to customers located in the United States. International sales, including Canada and Mexico, were 1.4% of net sales in both 2024 and 2023. Net sales growth in 2024 was primarily due to strong Commercial and Service and Rentals performance. Net sales of residential products, which comprised approximately 72% of total net sales in 2024, increased by 3.0% compared to 2023. Net sales of commercial boiler products were up 8.8% in 2024 versus 2023 primarily as a result of several larger projects. Last year, the Company introduced Thermal InMotion to expand our capabilities into previously unserved segments of the HVAC industry. Net sales in 2024 from Service and Rentals segment of the business was $8.8 million compared to $2.6 million in 2023. The year over year increase is primarily due to having a full year of the service business revenue from CSI Services purchased in August 2023 although rental sales increased by $1.2 million year over year.

We continue to remain optimistic about the long-term business outlook for our residential and commercial business units. There remains a sizable installed base of hydronic heating equipment in the U.S. that will be replaced over time – either due to the age of the equipment or because the owner wants to improve the operating efficiency and lower the annual cost of operating the equipment. Due to the wide range of modern, high-efficiency residential and commercial products sold by our subsidiaries, we can meet the requirements of virtually any residential or commercial heating application. Our Service and Rentals segment continues to expand the Company's capabilities into previously unserved segments of the HVAC industry, and we are pleased with the results.

Gross profit in 2024 was 22.6% versus 23.6% in 2023. The decrease in margin percentage year over year was primarily due to product mix as well as temporary inefficiencies from incremental unplanned downtime at certain subsidiaries.

Selling, general, and administrative expenses (SG&A) were $44.5 million in 2024 compared to $43.1 million in 2023, an increase of $1.4 million, or 3.2%. On a percentage of sales basis, SG&A spend was lower due better leverage of fixed costs on 6.8% higher net sales.

Other (expense) income was a net $0.8 million expense in 2024 compared to a net expense of $1.8 million in 2023. On a weighted-average basis, the interest rate on our revolver was 6.98% in 2024 compared to 7.14% in 2023. Improvements in working capital management significantly reduced average borrowings by $7.8 million which in turn led to lower interest expense year-over-year.

The Company's effective tax rate was 23.9% in 2024 versus 24.7% in 2023.

CONSOLIDATED FINANCIAL PERFORMANCE – 2023 COMPARED TO 2022

Net sales in 2023 were $253.0 million, an increase of 5.2% compared to $240.5 million in net sales achieved in 2022. Consolidated net sales are primarily derived from sales to customers located in the United States. International sales, including Canada and Mexico, were 1.4% of sales in 2023 and 1.9% of sales in 2022. Net sales growth in 2023 was primarily due to strong demand and pricing actions to combat inflation. Net sales of residential products, which comprised approximately 74.6% of total net sales in 2023, increased by 5.0% compared to 2022. Net sales of commercial boiler products were flat to 2022 although overall demand for commercial products remained strong. In early 2023, the Company introduced Thermal InMotion, its mobile rental boiler fleet and supplemented the rental business with the acquisition of the net assets of CSI Services in August 2023. Net sales in 2023 from this new Service and Rentals segment of the business was $2.6 million.

Gross profit in 2023 was 23.6% versus 19.2% in 2022. The growth in margins year over year was primarily due to 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 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 $6.9 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.

Other (expense) income was a net $1.8 million expense in 2023 compared to a net expense of $2.7 million in 2022. Higher year-over-year weighted-average interest rates on our debt funding contributed to the $1.0 million increase in interest expense. Significant interest rate hikes that began in 2022 continued into 2023 before ultimately stabilizing. On a weighted-average basis, the interest rate on our revolver was 7.1% in 2023 compared to 3.8% in 2022. The increase in interest expense was offset by investment returns and mark to market gains on short-term investments.

The Company's effective tax rate was 24.7% in 2023 versus 24.8% in 2022.

PENSION AND POST-RETIREMENT HEALTHCARE BENEFIT PLANS

The Company has a defined benefit pension plan and post-retirement healthcare benefit plans (the Plan) which cover certain eligible employees and retirees. Beginning in 2003, the Plan was amended to state that newly hired, non-union employees would not be eligible to participate in the Plan. Subsequent to 2003, the benefit accrual was eliminated for all unionized new hires and active employees with the exception of a closed group of union production employees. During 2022, the Company was able to reach agreement with this final group of union production employees and freeze further accrual of pension benefits. Additionally, the Plan prevents the Company from obtaining any surplus assets of the Plan during a three-year period immediately following a change in control.

U.S. Generally Accepted Accounting Principles (GAAP) require that companies recognize in their consolidated balance sheets a liability for defined benefit pension and post-retirement plans that are underfunded or an asset for defined benefit pension and post- retirement plans that are overfunded. Pension and post-retirement healthcare obligations are calculated through actuarial valuations. The valuation of benefit obligations and net periodic benefit costs relies on key assumptions including discount rates, mortality, long-term expected return on plan assets, future compensation and healthcare cost trend rates.

The Plan is managed by independent third-party administrators under policies and guidelines established by the Employee Post-Retirement Benefits Committee. It is a policy of the Committee for the pension trust not to directly invest in Company stock. Obligations and actuarial assumptions are presented in Note 13 of the consolidated financial statements. While the Company believes its assumptions are reasonable based on current knowledge, variables such as future market conditions, investment returns, and employee experience could affect results.

Plan assets are measured at fair value and are subject to market volatility. In estimating the expected return on plan assets, the Company considers the historical returns on plan assets as well as future expected returns for each asset class based on the target asset allocation of the pension trust.

During 2024, plan funded status improved due to investment returns as well as a 65-basis point increase in the discount rate from 2023 to 2024 which decreased projected liabilities. The net impacts of asset performance and the change in the discount rate increased the funded status of the pension by $5.3 million versus the prior year, resulting in a funded status of $8.3 million.

Additionally, during the third quarter of 2024, as a result of the estimated pension funded status, the Company offered a lump sum option to approximately 160 vested former members (VFMs). Approximately 50 VFMs took the lump sum option totaling $2.0 million.

During 2023, plan funded status improved as a result of overall market conditions which caused an increase in plan assets greater than expected returns on plan assets. A 20-basis point decrease in the discount rate from 2022 to 2023 had an inverse effect on plan funded status by increasing projected liabilities. The net impacts of asset performance and the change in the discount rate increased the funded status of the pension by $4.2 million versus the prior year, resulting in a funded status of $3.0 million.

Cash contributions to the Plan are tax-deductible but do not impact on the Company's earnings. The Company last made a voluntary contribution of $1.0 million during 2021. Minimum mandatory contributions are determined by ERISA regulations as amended by the Pension Protection Act of 2006. The Company did not have a required contribution in 2024 and does not anticipate a required contribution in 2025.

LIQUIDITY AND CAPITAL RESOURCES

The seasonal nature of our business requires the Company to maintain a sharp focus on the balance between working capital levels and the debt structure required to support the operating needs of the business. Cash flow generated from subsidiary operations provides the Company with a significant source of liquidity.

Net cash provided by operating activities in 2024 was $22.1 million compared to $21.1 million in 2023, an increase of $1.0 million. Net income grew by $2.5 million over 2023, while net changes in working capital management were $0.6 million lower versus 2023. On a FIFO basis, inventories were down $1.8 million in 2024 versus 2023 compared to a decrease of $3.7 million in 2023 versus 2022. We continue to monitor all components of working capital closely, particularly inventory levels, and believe they are appropriate to support the operating levels of our subsidiaries in 2025.

On October 25, 2023, the Company announced changes in its funding structure, including a new revolving credit facility. The new 5-year revolving facility (New Revolver) replaced the previous 5-year revolving credit facility (Prior Revolver) which was set to mature on January 31, 2025. The New Revolver is financed through a syndicated agreement between two banks and includes total borrowing capacity of up to $92.0 million, consisting of $72.0 million in immediately available credit and a $20.0 million accordion that can be executed as necessary. The New Revolver matures on October 16, 2028, with no scheduled principal payments prior to maturity. Interest on the New Revolver is due monthly and interest rates are set at a predefined margin rate plus one-month term Secured Overnight Financing Rate (SOFR). The New Revolver is primarily used to support working capital needs.

Additionally, to free capacity on the New Revolver, a $3.7 million term note was entered into and collateralized by certain real property. The term note accrues interest at the same rate as the New Revolver and principal and interest payments are due quarterly. The term note matures on October 16, 2033. Expected principal payments are approximately $0.2 million per year with a balloon payment due at the end of the term.

On February 1, 2024, the Company entered a $10.0 million equipment financing line (EFL) through its existing syndication. The EFL provides additional financing flexibility to the Company and increases total borrowing capacity. The EFL is subject to the same financial covenants as the New Revolver and term loan.

The Prior Revolver was financed through a consortium of three banks with a credit line of $72.0 million and three additional letters of credit agreements (the LOC) totaling $5.5 million for other specific bank services. The Prior Revolver was set to mature on January 31, 2025. Interest rates were equal to a predefined margin rate plus the London Interbank Offered Rate (LIBOR).

At December 31, 2024, the Company was in compliance with the funded debt covenant but not in compliance with the fixed charge ratio. The Company received a waiver of this breach from the banking group. At December 31, 2023, the Company was in compliance with all covenants.

KEY LIQUIDITY DATA AND OTHER MEASURES

(In millions, except per share data)	2024	2023	2022
Cash and Cash Equivalents	$ 6.4	$ 5.9	$ 7.0
Working Capital	$ 54.9	$ 59.6	$ 64.5
Total Debt	$ 22.5	$ 27.4	$ 33.7
Debt to Adj Equity	13.3%	17.1%	21.9%
Shareholders' Equity	$ 113.3	$ 101.4	$ 92.6
AOCL	(20.8)	(24.7)	(27.5)
Shareholders' Equity Excluding AOCL	$ 134.1	$ 126.1	$ 120.1
Share Price at 12/31	$ 13.90	$ 11.75	$ 12.50
Book Value per Share	$ 24.24	$ 21.85	$ 20.03
Adjusted Book Value per Share	$ 28.71	$ 27.18	$ 26.01
Debt to Adj Equity			
Debt	$ 22.5	$ 27.4	$ 33.7
Total Shareholders' Equity	113.3	101.4	92.6
AOCL	(20.8)	(24.7)	(27.5)
LIFO	35.1	33.8	34.0
Adjusted Equity	$ 169.2	$ 159.9	$ 154.1
Debt to Adj Equity	13.3%	17.1%	21.9%

Throughout a typical year, our borrowing requirements fluctuate based on business activity and our need to support working capital levels. The normal cyclical high-borrowing level occurs during the third quarter of each year and is provided for by the New Revolver mentioned above. Peak debt levels during the third quarters of 2024 and 2023, were $49.0 million and $65.8 million, respectively.

The Company currently believes that its liquidity position, its capital structure, and its banking relationships are adequate to meet foreseeable future needs. The Company is party to financial derivative transactions to hedge its exposure to interest rate fluctuations on a portion of its variable-rate debt.

CAPITAL EXPENDITURES

Capital expenditures totaled $11.2 million in 2024 and $9.4 million in 2023, compared to depreciation expenses of $5.4 million and $5.0 million in 2024 and 2023, respectively. Capital spending for 2024 was lower than our guidance in last year's report of $12.3 million, with the difference primarily due to timing of planned spend.

Capital expenditures for 2025 are budgeted at approximately $11.5 million. Almost half of the estimated spend relates to the 45,000 square foot expansion at U.S. Boiler that began in late 2024 and is expected to be complete in late 2025. The remainder of the 2025 capital spending plan includes several projects intended to enhance our subsidiaries' flexible manufacturing capabilities, investments intended to drive future growth while improving productivity and product quality, and a standard cycle of machinery and equipment refurbishment and replacement.

BOARD ACTIONS

On February 20, 2025, the Company announced a quarterly dividend of $0.23 per common share. At its February 2025 meeting, the Board of Directors authorized the discretionary repurchase of 60,000 shares of Class A common stock at market prices during 2025. The Board may authorize additional repurchases from time to time. Management also has authority to repurchase preferred stock. There were no discretionary repurchases of common or preferred stock in either 2024 or 2023.

CRITICAL ACCOUNTING ESTIMATES

The Company's consolidated financial statements are based on the selection and application of significant accounting policies that currently affect the presentation of the Company's financial condition and results of operations, which require management to make significant estimates and assumptions. Management believes that the following are some of the more critical judgment areas in the application of accounting policies that currently affect the presentation of the Company's financial condition and results of operations. The figures presented herein are set forth on a consolidated basis unless otherwise stated.

Medical Health Coverage: The Company and its subsidiaries are self- insured for most of the medical health benefits offered to employees. The Company's exposure is limited to $275,000 per occurrence under third-party stop-loss coverage. The Company retains various third-party providers for the administration of its health coverage. The costs of these various plans and administrative charges are expensed monthly.

Retiree Health Benefits: Prior to 2006, the Company provided certain medical benefits to a closed group of Medicare-eligible retirees. Beginning in 2006, the Company began to pay a fixed annual amount that assists this group in purchasing medical and/or prescription drug coverage from providers. Additionally, certain employees electing early retirement receive a fixed dollar amount based on years of employee service to assist them in covering medical costs. These obligations are accounted for within the consolidated financial statements.

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. For these policies, which cover periods through mid-2025, the Company's retained liability is for the first $25,000 per occurrence of product liability and for the first $100,000 per occurrence of environmental claims, and a total exposure of $750,000 per occurrence for workers' compensation in Ohio and Pennsylvania (fully insured for workers' compensation in all other states). Property insurance deductibles range from $50,000 to $500,000 per occurrence. All policies and corresponding deductible levels are reviewed on an annual basis. Third-party administrators, approved by the Company and the insurance carriers, handle workers' compensation 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 the administrators and adjusts recorded reserves as required. At this time, the Company believes that its insurance policies and associated reserves for product, general, workers' compensation, and property liabilities are reasonable based on the information currently available.

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, and which may not be resolved for several years. Asbestos litigation remains a national issue with thousands of companies defending claims. While most 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, which may include an award of punitive damages. Any such verdict in its totality would be subject to a potential reduction or reversal of verdict on appeal, reduction by set-offs, and/or a reduction of liability following allocation of fault among parties.

The Company conducts its various businesses in separate subsidiaries, and, as a result, it believes that any potential liability of a subsidiary because of a particular claim would be limited to such subsidiary. 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 actions and claims, 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. To the extent that any claims are uninsured, the Company and its subsidiaries maintain adequate reserve levels as set forth herein. 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.

On August 3, 2023, a jury rendered a verdict against one of the Company's subsidiaries for alleged asbestos-related lung cancer damages. The verdict equated to $31.5 million of compensatory damages and $6.5 million of punitive damages. The damage values are gross amounts without regard to setoffs, the potential for apportionment among parties (including plaintiff), and/or post-trial rulings that may reduce the damages. The subsidiary has filed an appeal. As of December 31, 2024, the Company believes it has sufficient reserves for this matter and any compensatory damages awarded and appeal bond costs are covered by the applicable insurance policies. Similar results have been noted in other unrelated cases in New York State Courts including a verdict of approximately $23.0 million against parties unrelated to the Company and its subsidiaries in an asbestos-related mesothelioma case in December 2022. Verdicts of this nature are subject to potential reduction or reversal as seen in historical instances. 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. The subsidiary, whose share of the verdicts amounted to $42.0 million and $6.0 million before offsets, filed post-trial motions seeking to reduce and/or overturn the verdicts, and requesting the court to grant new trials. On February 9, 2015, the trial court significantly reduced the 2013 verdicts, reducing the subsidiary's liability from $42.0 million to less than $7.0 million. Additionally, on May 15, 2015 the trial court reduced the subsidiary's liability in the 2014 verdict to less than $2.0 million. Finally, on October 30, 2015, the subsidiary settled these verdicts for significantly less than the trial courts' reduced verdicts.

Litigation Expense, Settlements, and Defense: The cost for settlements, including legal and consulting fees, in 2024, 2023 and 2022, for all uninsured litigation was $5.3 million, $1.6 million and $1.3 million, respectively. Each of these years includes a self-insured asbestos claim. While it is unusual for an asbestos suit to not be covered by insurance, uninsured claims do exist depending on the alleged time period of asbestos exposure. The increase is uninsured litigation was due to a significant increase in the number of uninsured claims and settlements at various subsidiaries. The Company is continuing to monitor the increased volume of uninsured claims against certain subsidiaries. While we believe current reserve levels for uninsured claims are sufficient, additional reserve adjustments in 2025 may be warranted.

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 material 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 are required 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 remedial actions at disposal areas containing waste materials from their current or former operations. In the past five years, the Company has not received any notice that it or its subsidiaries might be responsible for new or additional remedial cleanup actions under government supervision. However, there is one older open matter that relates to a formerly owned site in Elizabeth, New Jersey. In 2000, a Company subsidiary entered into an agreement with the New Jersey Department of Environmental Protection to clean up portions of this site. To date, all costs associated with the cleanup have been reimbursed by insurance proceeds. In 2009, our insurance carrier established and funded a trust account to fund anticipated future site activities. 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, and no reserves have been established.

MANAGEMENT'S REPORT & REPORT OF INDEPENDENT AUDITORS

Management is responsible for the preparation, as well as the integrity and objectivity, of the Burnham Holdings, Inc. consolidated financial statements. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include amounts which represent the best estimates and judgments of management.

The Company maintains an accounting system and related system of internal controls to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial records are reliable for preparing consolidated financial statements and maintaining accountability for assets. Reasonable assurance recognizes that the cost of a system of internal controls should not exceed its benefits and that the evaluation of these factors requires estimates and judgments by management. The internal control system includes the selection and training of management and supervisory personnel; an organizational structure providing for delegation of authority and establishment of responsibilities; communication of requirements for compliance with approved accounting control and business practices throughout the organization; business planning and review; and a program of internal audit.

Baker Tilly US, LLP, independent auditors, are engaged to audit and report on these consolidated financial statements. Their audit is conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that they plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

The Audit Committee of the Board of Directors meets regularly with management and the independent auditors to review matters relating to financial reporting, internal controls, and auditing. Management and the independent auditors each have direct and confidential access to this Committee.

Christopher R. Drew
President & CEO

Nicholas I. Ribich
Vice President & CFO

Opinion

We have audited the consolidated financial statements of Burnham Holdings, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years ended December 31, 2024, 2023 and 2022, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information includes the Letter to Our Shareholders, Company Profile, Financial Highlights, Review of Operations, Critical Accounting Estimates, Management's Report, Five-Year Summary and Investor & Shareholder Information sections on pages 1-10 and pages 27-29 but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Baker Tilly US, LLP

Baker Tilly US, LLP
Lancaster, Pennsylvania
February 28, 2025

CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31, 2024, 2023 and 2022 (In thousands, except per share amounts)		
	2024	**2023**	**2022**
Net sales	**$ 270,185**	$ 252,982	$ 240,547
Cost of goods sold	**209,151**	193,223	194,403
Gross profit	**61,034**	59,759	46,144
Selling, general and administrative expenses	**44,530**	43,137	36,245
Investment impairment loss	–	2,298	–
Operating income	**16,504**	14,324	9,899
Other (expense) / income:			
Non-service related pension credit	**369**	57	130
Interest and investment gain (loss)	**892**	872	(1,124)
Interest expense	**(2,069)**	(2,733)	(1,690)
Other expense	**(808)**	(1,804)	(2,684)
Income before income taxes	**15,696**	12,520	7,215
Income tax expense	**3,744**	3,094	1,790
Net income	**$ 11,952**	$ 9,426	$ 5,425
Earnings per share:			
Basic	**$ 2.57**	$ 2.04	$ 1.18
Diluted	**$ 2.55**	$ 2.02	$ 1.18
Cash dividends per share	**$ 0.92**	$ 0.88	$ 0.88

The accompanying notes are integral to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31, 2024, 2023 and 2022 (In thousands)		
	2024	**2023**	**2022**
Net income	**$ 11,952**	$ 9,426	$ 5,425
Other comprehensive income (loss), net of tax			
Pension liability	**3,818**	3,165	(6,981)
Post-retirement medical liability	**56**	73	183
Interest rate swaps	**(26)**	(357)	1,509
	3,848	2,881	(5,289)
COMPREHENSIVE INCOME	**$ 15,800**	$ 12,307	$ 136

The accompanying notes are integral to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	December 31, 2024 and 2023 (In thousands)	
ASSETS	**2024**	**2023**
Current Assets		
Cash and cash equivalents	$ 6,350	$ 5,880
Trade accounts receivable, net	28,606	31,023
Inventories, net	54,908	58,017
Costs in excess of billings	141	621
Prepaid expenses and other current assets	4,426	1,954
Total Current Assets	94,431	97,495
Property, plant and equipment, net	70,144	64,437
Lease assets	6,005	4,119
Other long-term assets	23,756	18,620
Total Assets	$ 194,336	$ 184,671

LIABILITIES AND SHAREHOLDERS' EQUITY	2024	2023
Current Liabilities		
Accounts payable & accrued expenses	$ 35,509	$ 35,365
Billings in excess of costs	1,698	137
Current portion of:		
Long-term liabilities	772	1,171
Lease liabilities	1,348	1,051
Long-term debt	184	184
Total Current Liabilities	39,511	37,908
Long-term debt	22,273	27,232
Lease liabilities	4,657	3,068
Other long-term liabilities	4,823	5,933
Deferred income taxes	9,793	9,095
Shareholders' Equity		
Preferred Stock	530	530
Class A Common Stock	3,633	3,633
Class B Convertible Common Stock	1,311	1,311
Additional paid-in capital	10,799	11,769
Retained earnings	128,884	121,291
Accumulated other comprehensive loss	(20,820)	(24,668)
Treasury stock, at cost	(11,058)	(12,431)
Total Shareholders' Equity	113,279	101,435
Total Liabilities and Shareholders' Equity	$ 194,336	$ 184,671

The accompanying notes are integral to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Years ended December 31, 2024, 2023 and 2022 (In thousands, except per share amounts)							
	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**	**$12,399**	**$114,695**	**$ (22,260)**	**$(14,030)**	**$ 96,278**
Net income	–	–	–	–	5,425	–	–	5,425
Other comprehensive loss,								
net of tax (Note 14)	–	–	–	–	–	(5,289)	–	(5,289)
Cash dividends declared:								
Preferred stock - 6%	–	–	–	–	(18)	–	–	(18)
Common stock - ($0.88 per share)	–	–	–	–	(4,103)	–	–	(4,103)
Share-based compensation:								
Expense recognition	–	–	–	267	–	–	–	267
Issuance of vested shares	–	–	–	(738)	–	–	738	–
Conversion of common stock	–	11	(11)	–	–	–	–	–
Balance at December 31, 2022	**$ 530**	**$ 3,626**	**$ 1,318**	**$11,928**	**$115,999**	**$ (27,549)**	**$(13,292)**	**$ 92,560**
Net income	–	–	–	–	9,426	–	–	9,426
Other comprehensive income,								
net of tax (Note 14)	–	–	–	–	–	2,881	–	2,881
Cash dividends declared:								
Preferred stock - 6%	–	–	–	–	(18)	–	–	(18)
Common stock - ($0.88 per share)	–	–	–	–	(4,116)	–	–	(4,116)
Share-based compensation:								
Expense recognition	–	–	–	702	–	–	–	702
Issuance of vested shares	–	–	–	(861)	–	–	861	–
Conversion of common stock	–	7	(7)	–	–	–	–	–
Balance at December 31, 2023	**$ 530**	**$ 3,633**	**$ 1,311**	**$11,769**	**$121,291**	**$ (24,668)**	**$(12,431)**	**$101,435**
Net income	–	–	–	–	11,952	–	–	11,952
Other comprehensive income,								
net of tax (Note 14)	–	–	–	–	–	3,848	–	3,848
Cash dividends declared:								
Preferred stock - 6%	–	–	–	–	(18)	–	–	(18)
Common stock - ($0.92 per share)	–	–	–	–	(4,341)	–	–	(4,341)
Share-based compensation:								
Expense recognition	–	–	–	474	–	–	–	474
Issuance of vested shares	–	–	–	(1,444)	–	–	1,373	(71)
Balance at December 31, 2024	**$ 530**	**$ 3,633**	**$ 1,311**	**$10,799**	**$128,884**	**$ (20,820)**	**$(11,058)**	**$113,279**

The accompanying notes are integral to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2024, 2023 and 2022 (In thousands)		
	2024	2023	2022
Cash flows from operating activities:			
Net income	$ 11,952	$ 9,426	$ 5,425
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,445	4,984	4,802
Investment impairment loss	–	2,298	–
Deferred income taxes	(451)	(161)	2
Provision for long-term employee benefits	(434)	(22)	(119)
Share-based compensation expense	474	702	267
Other reserves and allowances	1,758	(64)	920
Changes in current assets and liabilities, net of acquisition:			
Decrease (increase) in accounts receivable, net	2,393	(695)	(4,318)
Decrease (increase) in inventories, net	3,109	3,791	(9,037)
(Increase) decrease in other current assets	(1,992)	1,733	312
(Decrease) increase in other current liabilities	(144)	(870)	3,213
Net cash provided by operating activities	22,110	21,122	1,467
Cash flows from investing activities:			
Capital expenditures	(11,152)	(9,370)	(7,278)
Investment in EnviroPower	–	(141)	(611)
Purchase of CSI	(1,100)	(2,277)	–
Other investing activities	–	(9)	(8)
Net cash used by investing activities	(12,252)	(11,797)	(7,897)
Cash flows from financing activities:			
Net proceeds from revolver	(4,774)	(6,305)	11,891
Repayment of term loan	(184)	–	–
Share-based compensation activity	(71)	–	–
Dividends paid	(4,359)	(4,134)	(4,121)
Net cash (used by) provided by financing activities	(9,388)	(10,439)	7,770
Net increase (decrease) in cash and cash equivalents	$ 470	$ (1,114)	$ 1,340
Cash and cash equivalents, beginning of period	5,880	6,994	5,654
Net increase (decrease) in cash and cash equivalents	470	(1,114)	1,340
Cash and cash equivalents, end of period	$ 6,350	$ 5,880	$ 6,994

The accompanying notes are integral to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Burnham Holdings, Inc. (the Company) is the parent company of a group of subsidiaries that service the heating, ventilating, and air conditioning (HVAC) market segment. These subsidiaries are leading domestic manufacturers of boilers and related HVAC products and accessories for residential, commercial, and industrial applications.

The Company and its subsidiaries have approximately 840 employees nationwide, of which approximately 45% are union employees covered through separate collective bargaining agreements. Generally, the agreements are for three-year periods and expire at different times. The Company has two collective bargaining agreements expiring in 2025. The first agreement covering approximately 44% of union employees expires on March 22, 2025, while the second agreement covering approximately 14% of union employees expires on June 7, 2025.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation: The consolidated financial statements include the accounts of the Company and subsidiaries. All intercompany accounts and material intercompany transactions have been eliminated. The Company does not have any unconsolidated legal entities, joint ventures, special-purpose entities or off-balance sheet financial arrangements.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of 90 days or less to be cash equivalents. Included in cash are investments in short-term, liquid assets whose balances are based on costs which approximate current market values. The total of these investments was $4.4 million and $3.6 million as of December 31, 2024 and 2023, respectively.

The Company utilizes various zero-balancing bank accounts with certain financial institutions to manage its cash disbursements. From time to time, checks disbursed from these accounts result in a negative cash balance or book overdraft positions until funds are transferred into the accounts as checks are subsequently presented for payment. The Company includes these negative balances as a component of accounts payable.

Trade Accounts Receivable: Trade accounts receivable are recorded at the invoice price, net of allowances for credit losses and discounts, and do not bear interest. The allowance for credit losses is the Company's best estimate of the amount of probable credit losses in accounts receivable and is reviewed monthly. Such allowance is based on the credit losses expected to arise over the life of the receivables which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the balance sheet date. Receivable balances are written off against the allowance when management believes it is probable the receivable will not be recovered. The Company's subsidiaries generally pool all of their receivables into a single pool based on similar risk characteristics in estimating the expected credit losses. In situations where a receivable would not share the same risk characteristics with other receivables, the Company measures those receivables individually. The Company also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change. The Company's subsidiaries generally utilize the loss rate method in determining lifetime expected credit losses on receivables. This method is used for calculating an estimate of losses based primarily on historical loss experience. In determining loss rates, the Company evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, customer creditworthiness, changes in the terms of receivables, and effect of other external forces such as competition. The Company does not have any off-balance sheet credit exposure related to its customers.

Inventories: As of December 31, 2024 and 2023, approximately 86% and 85%, respectively, of the Company's inventories are valued using the LIFO method. The remainder of the Company's inventories are valued on the first-in, first-out (FIFO) method. The subsidiaries periodically review their inventories and make provisions for estimated obsolescence and slow-moving parts.

Property, Plant and Equipment, Net: Property, plant and equipment is recorded at cost, net of accumulated depreciation and amortization. Depreciation is generally determined using the straight-line method over the estimated useful lives of the assets although certain machinery and equipment are being depreciated using the units of production method. The estimated useful lives of each class of property, plant and equipment generally consist of 30 years for buildings, 15 years for building and land improvements, 10 years for machinery and equipment and 5 to 7 years for all other items. Accelerated methods of depreciation are used for income tax purposes.

Goodwill: Goodwill represents the excess of acquisition cost over the fair value of the net assets purchased in a business combination. Goodwill is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company may first evaluate qualitative factors in determining whether or not goodwill is impaired. A quantitative impairment test is required only if the Company concludes that it is more likely than not that a reporting unit's fair value is less than its carrying amount. The Company may also elect to bypass the qualitative test and move directly to a quantitative test of goodwill impairment. An election to bypass the qualitative test in a given year does not preclude the Company from taking the qualitative approach in the following year. When a quantitative assessment is performed, goodwill is evaluated for impairment based on financial data related to the reporting unit to which it has been assigned. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and an impairment loss is recognized for the amount by which the carrying amount exceeds the fair value, limited to the total goodwill allocated to the reporting unit. During 2024 and 2023, the Company tested its goodwill balances for impairment and no adjustments were recorded to goodwill as a result of those reviews.

Long-lived Assets: The Company periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset for assets to be held and used. The Company also reviews the useful life of its long-lived assets when events and circumstances indicate that the actual useful life may be shorter than originally estimated. If the actual useful life is deemed to be shorter than the original useful life, depreciation is adjusted prospectively so that the remaining book value is depreciated over the revised useful life.

During the fourth quarter 2023, the Company became aware that EnviroPower, the clean energy technology entity the Company began investing in during 2019, was unsuccessful in raising additional funding to support operations, and the Company did not believe additional investment or support was warranted. Accordingly, the Company recognized a full impairment of $2.3 million related to its investment in EnviroPower. This impairment charge was recorded as Investment impairment loss on the Consolidated statements of income and Consolidated statements of cash flows. There were no impairments of long-lived assets during 2024.

Workers' Compensation: The Company and its subsidiaries use a combination of self-insurance and externally purchased insurance policies to provide coverage for their employees. In those states where the Company and its subsidiaries are self-insured, a state-approved third party is retained to oversee the administration of the plan. The Company maintains excess liability insurance to limit its total exposure per occurrence. The liability recorded on the consolidated financial statements represents an estimate of the ultimate cost of claims incurred as of the reporting date, after giving effect to anticipated insurance recoveries. The Company reviews these liabilities periodically in conjunction with the plan administrators and adjusts recorded allowances as required. Allowances for self-insured claims are based on the information currently available.

Advertising: Costs are expensed as incurred within Selling, general and administrative expenses.

Shipping and Handling Costs: The subsidiaries charge certain customers shipping and handling fees which are included in Net sales. Certain costs associated with receiving material and shipping goods to customers are recorded as Cost of goods sold. For the years ended December 31, 2024, 2023 and 2022, these receiving and shipping costs were $10.2 million, $10.6 million and $10.5 million, respectively.

Income Taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between (1) the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and (2) operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred income tax assets are reduced by a valuation allowance if, in the judgment of the Company's management, it is more likely than not that such assets will not be realized.

The Company accounts for uncertainty in income taxes using Financial Accounting Standards Board (FASB) guidance, which clarifies recognition by prescribing the threshold a tax position is required to meet before being recognized in the consolidated financial statements. Tax benefits recognized in the statements are measured based on the largest benefit that cumulatively has a greater than 50% likelihood of being sustained in a tax examination, with a tax examination being presumed to occur.

Company Loans: Loans from the Company to any employee or director are prohibited as a matter of policy and by the Company's charter, unless approved by shareholders who are not directors. There were no loans outstanding as of December 31, 2024 and 2023.

Reclassifications: Certain prior year numbers have been reclassified to conform to current year presentation. There was no change to the previously reported net income as a result of these reclassifications.

Recent Accounting Pronouncements: During December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU No. 2023-09 enhances the transparency and decision usefulness of income tax disclosures. The amendments in this ASU require consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. ASU No. 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in this ASU should be applied on a prospective basis. Retrospective application is permitted. The Company is currently assessing the effect that ASU No. 2023-09 will have on its results of operations, financial position and cash flows.

During November 2024 and January 2025, the FASB issued ASU No. 2024-03, Disaggregation of Income Statement Expenses and ASU 2025-01, Clarifying the Effective Date, respectively. ASU No. 2024-03 improves disclosures about a public business entity's expenses and addresses requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales, selling, general and administrative, and research and development). ASU No. 2024-03, as clarified by ASU 2025-01, is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December15, 2027. Early adoption is permitted. The Company is currently assessing the effect that ASU No. 2024-03, as clarified by ASU 2025-01, will have on its results of operations, financial position and cash flows.

Subsequent Events: The Company has evaluated subsequent events occurring after December 31, 2024 through February 28, 2025. All material required events have been recorded or disclosed in the Company's consolidated financial statements.

2. REVENUE

The Company accounts for revenue under ASC 606 - Revenue From Contracts With Customers (ASC 606). Revenue is measured based on the consideration that the Company and its subsidiaries expect to be entitled to in exchange for the goods or services transferred.

Disaggregated revenue by major source for the years ended December 31 (in thousands):

	2024		2023		2022	
Residential Products and Accessories	$194,332	71.9%	$188,695	74.6%	$179,747	74.7%
Commercial/ Industrial Products and Accessories	67,065	24.8%	61,643	24.4%	60,800	25.3%
Service and Rentals	8,788	3.3%	2,644	1.0%	–	0.0%
	$270,185	100.0%	$252,982	100.0%	$240,547	100.0%

Revenue is primarily derived from sales in the United States, with a concentration of these domestic sales located in the Northeast quadrant of the nation. The majority of sales are to wholesale distributors who, in turn, market to builders, heating contractors, utilities, and fuel dealers for resale to end-use customers. Commercial products are sold primarily through independent sales representatives, directly to contractors or end users. Service revenue is recognized on a percentage of completion basis, while rental revenue is recognized in accordance with the terms of the rental agreement. The Company's subsidiaries also market many of their products internationally, working in conjunction with selected independent sales representatives worldwide. International sales, which include Canada and Mexico, for the years ended December 31, 2024, 2023 and 2022 were 1.4%, 1.4% and

1.9% of reported sales, respectively. Sales to the ten largest customers amounted to $127.5 million, $117.7 million and $108.6 million in 2024, 2023 and 2022, respectively.

For certain products supplied by our subsidiaries, the customer has a limited right to return standard products that for various reasons may not conform to specifications (e.g., damaged goods, incorrect product shipment, etc.). Each subsidiary recognizes returns as a reduction in revenue when goods are returned by the customer. There is no reserve for returns, as there is normally a short time (30–45 days) between the original shipment of goods and their ultimate return, and thus any impact on the consolidated financial statements would be immaterial.

Some subsidiaries of the Company engage in volume and incentive rebate programs that result in payments or credits being issued throughout the year to their customers. The amounts due under these programs are either estimated based on historical patterns or on actual sales volumes during the year and are recorded as a reduction in sales revenue in the period incurred. The Company records a contract liability for rebates expected to be paid to its customers.

Also, certain subsidiaries offer standard warranties that the product will meet published specifications for a defined period of time after delivery. These warranties do not represent separate performance obligations, and the Company's subsidiaries establish reserves for potential warranty claims based on historical experience.

Service contracts may result in contract assets or liabilities over time depending on the percentage of completion of those jobs and the amount billed to the customer.

The Company has elected the practical expedient in ASC 606-10-50-14 and does not disclose any information about any remaining performance obligations that have original expected durations of one year or less. The Company applies the practical expedient in ASC 340-40-25-4 and recognizes the incremental costs of obtaining contracts as selling expense when incurred when the amortization period over which the Company otherwise would have recognized is one year or less. The Company also applies the practical expedient in ASC 606-10-32-18 to not adjust the amount received in a contract for any financing component, as the Company expects all consideration to be received in one year or less at contract inception. Lastly, the Company applies the practical expedient in ASC 606-10-25-18B to treat shipping and handling costs as a fulfillment cost and not as a separate performance obligation.

3. INCOME TAXES

Income tax expense for the years ended December 31, consists of the following (in thousands):

	2024	2023	2022
Current:			
Federal	$ 3,319	$ 2,522	$ 786
State	907	733	468
	4,226	3,225	1,254
Deferred:			
Federal	(419)	(140)	471
State	(63)	(21)	65
	(482)	(161)	536
Income tax expense	$ 3,744	$ 3,094	$ 1,790
Income taxes paid	$ 6,576	$ 267	$ 370
Effective tax rate	23.9%	24.7%	24.8%

The principal components of the Company's deferred income tax assets and liabilities as of December 31, include the following (in thousands):

	2024	2023
Deferred income tax assets	$ 3,528	$ 4,041
Valuation allowance	–	–
	3,528	4,041
Deferred income tax liabilities	(13,321)	(13,136)
	$ (9,793)	$ (9,095)

The tax effects of significant temporary differences representing deferred tax assets and liabilities are as follows:

	2024	2023
Depreciation	$ (7,981)	$ (8,151)
Vacation	498	539
Employee Benefits	174	195
Workers' Compensation	296	163
Pension	(1,914)	(685)
Inventory	(2,683)	(2,687)
Warranty	536	296
Fair Value of Swap	(333)	(341)
Other	1,614	1,576
Net deferred tax liability	$ (9,793)	$ (9,095)

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2024 and 2023, no accrued interest or penalties related to uncertain tax positions were recorded in the consolidated balance sheets.

The total amount of unrecognized tax benefits that would affect the effective tax rate if recognized is $0.1 million in both years. The tax years 2021 to 2024 remain open to examination by major taxing jurisdictions to which the Company is subject.

4. CAPITAL STOCK AND EARNINGS PER SHARE

Capital Stock: The Company's Preferred Stock is 6% cumulative, voting, par value $50.00 a share; is redeemable at $52.50 a share; and is carried at its stated liquidation preference of $50.00 a share. There are 10,600 shares authorized and issued, including 4,631 shares in Treasury Stock at December 31, 2024 and 2023.

The Company's Class A common stock (Class A) has a par value of $1.00 per share; there are 9 million shares authorized. The Company's Class B convertible common stock (Class B) has a par value of $1.00 per share; there are 4 million shares authorized.

Share information regarding the Company's common stock at December 31, was as follows:

	2024	2023
Class A issued	3,633,499	3,633,199
Treasury shares	(283,875)	(315,534)
Class A outstanding	3,349,624	3,317,665
Class B outstanding	1,310,712	1,311,012
Total outstanding	4,660,336	4,628,677

The Company's Class A and Class B have similar rights except for voting rights and transferability. Class A has one vote per share. Class B has eight votes per share. A majority approval by the holders of Class B is required for certain corporate actions. Class B may be transferred only to Permitted Transferees, as defined in related documents, at the option of the holder of the Class B share. Other transfers of Class B result in the automatic conversion of the transferred shares into an equal number of shares of Class A. Class B can be converted at any time into Class A at the option of the holder.

The Company paid cash dividends of $0.92 per share during the year ended December 31, 2024 and $0.88 per share during the years ended December 31, 2023 and 2022 for its Class A and B shares. The Company paid cash dividends of $3.00 per share during the years ended December 31, 2024, 2023 and 2022 for its Preferred shares.

Earnings Per Share: The computation of basic and diluted earnings per share for the years ended December 31, was as follows (in thousands except per share amounts):

	2024	2023	2022
Net income	$ 11,952	$ 9,426	$ 5,425
Less: Preferred Share Dividends	(18)	(18)	(18)
Net income available to Common Shareholders	$ 11,934	$ 9,408	$ 5,407
Basic weighted-average shares outstanding	4,646	4,620	4,601
Effect of dilutive securities share-based compensation plan	39	38	–
Diluted weighted-average shares outstanding	4,685	4,658	4,601
Earnings per share:			
Basic	$ 2.57	$ 2.04	$ 1.18
Diluted	$ 2.55	$ 2.02	$ 1.18

Shares of common stock related to share-based compensation that were not included in the effect of dilutive securities because the effect would have been anti-dilutive include 0.1 million shares during 2024, and 0.2 million shares during each of 2023 and 2022, respectively.

5. ADDITIONAL BALANCE SHEET INFORMATION

On August 4, 2023, the Company announced the acquisition of the net assets of Combustion Services, Inc. (CSI Services), located in York, PA, as a complementary addition to its rental boiler business launched in 2023. CSI Services is a full-service mechanical contracting company providing sales, service, installation, and repair of boilers, pressure vessels, piping systems, and industrial combustion applications.

The acquisition was accounted for under the acquisition method of accounting under ASC Topic 805 – Business Combinations. Goodwill recognized in the acquisition is attributable to the expected synergies of the combined operations. The amount of goodwill deductible for income tax purposes related to this acquisition was $2.5 million.

Net assets of CSI Services at the time of acquisition were reflective of fair value and not subject to any additional basis adjustment.

The following table reflects the recognized amounts of assets and liabilities assumed as of August 4, 2023 (in thousands):

Consideration:	
Cash	$ 2,277
Future consideration	1,800
Fair value of total consideration transferred	$ 4,077
Assets acquired and liabilities assumed	
Accounts receivable	$ 1,109
Inventory	261
Cost in excess of billings	544
Other assets	60
PP&E	71
Accounts payable and accrued expenses	(242)
Billing in excess of costs	(254)
Total identifiable net assets	$ 1,549
Goodwill	2,528
Total purchase price	$ 4,077

Future consideration consists of payments that are due to the seller at future dates. Of the $1.8 million, $1.1 million was due and paid August 4, 2024 and $0.7 million is due August 4, 2025 and is included in Current portion of long-term liabilities. Acquisition costs of $0.1 million related to the transaction were expensed in the Consolidated statement of income for the year ended December 31, 2023.

Inventories consisted of the following as of December 31, (in thousands):

	2024	2023
Raw materials and work in progress	$ 71,272	$ 71,959
Finished goods	18,691	19,843
Inventory at lower of FIFO or net realizable value	89,963	91,802
Excess of FIFO over LIFO cost	(35,055)	(33,785)
Inventories, net	$ 54,908	$ 58,017

Inventory obsolescence reserves deducted from FIFO cost were $2.1 million and $2.2 million as of December 31, 2024 and 2023, respectively.

During 2024 and 2023, certain inventory quantities were reduced either in total or at specific subsidiaries. These reductions resulted in a liquidation of LIFO inventory quantities carried at different costs prevailing in prior years versus the current year cost in 2024 and 2023. The following table shows the impact of the LIFO liquidation for the year ended December 31 (in thousands):

	2024	2023
(Decrease) / Increase to cost of goods sold	$ (153)	$ 23
Increase / (Decrease) to net income	118	(18)
Increase to earning per share		
Basic	0.03	N/M
Diluted	0.02	N/M

Property, plant, and equipment, net consisted of the following as of December 31, (in thousands):

	2024	2023
Land and related improvements	$ 8,018	$ 8,018
Buildings and related improvements	52,156	52,884
Machinery and equipment	138,230	129,282
Rental assets	3,067	2,184
	203,471	192,368
Accumulated depreciation	(133,327)	(127,931)
Property, plant and equipment, net	$ 70,144	$ 64,437

6. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are included in Other long-term assets in the Company's Consolidated balance sheets. The carrying amount of goodwill in the Residential businesses for the years ended December 31, 2024 and 2023 was $3.0 million. As discussed in Note 5, the acquisition of the net assets of CSI Services resulted in goodwill of $2.5 million that is part of the Service and Rentals businesses. Indefinite-lived intangible assets were $3.6 million for the years ended December 31, 2024 and 2023.

7. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to risks from fluctuations in interest rates. To reduce exposure to such risks, the Company selectively uses derivative financial instruments. All derivative transactions are authorized and executed pursuant to regularly reviewed policies and procedures which prohibit the use of financial instruments for speculative trading purposes.

All derivative financial instruments are recognized on the Consolidated balance sheets at fair value. In accordance with ASC 815 – Derivatives and Hedging (ASC 815), the accounting for changes in the fair value of a derivative financial instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. Changes in the fair value of derivative financial instruments that are designated as cash flow hedges are initially recorded in Other comprehensive income (OCI) and subsequently reclassified into earnings when the hedged item affects income. The Company assesses, both at the inception of each hedge and on an ongoing basis, whether the derivative financial instruments that are designated as cash flow hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. No component of a designated hedging derivative financial instrument's gain or loss is excluded from the assessment of hedge effectiveness. Cash flow activity associated with the Company's derivative financial instruments is recorded in Cash flows from operating activities on the Consolidated statement of cash flow.

The notional and fair values of the Company's derivative financial instruments designated as cash flow hedging instruments under ASC Topic 815, at December 31, were as follows (in thousands):

	2024		
	Notional Value	Other Long-Term Assets	Other Long-Term Liabilities
Interest rate swap	$ 15,000	$ 1,382	$ –
Interest rate swap	$ 7,000	$ 67	$ –

	2023		
	Notional Value	Other Current Assets	Other Long-Term Assets
Interest rate swap	$ 15,000	$ 1,522	$ –
Interest rate swap	$ 7,000	$ –	$ 39

Both interest rate swaps expire in the first quarter of 2028.

Gains and losses related to derivative financial instruments designated as cash flow hedges for the years ended December 31, were as follows (in thousands):

	Gain Recognized in OCI		
	2024	2023	2022
Interest rate swaps	$ 725	$ 234	$ 1,766

	Gain / (Loss) Reclassified from AOCL into Income		
	2024	2023	2022
Interest rate swaps	$ 759	$ 698	$ (193)

The effects of cash flow hedges are recorded in Interest expense in the Consolidated statements of income. The amount of net gain included in AOCL at December 31, 2024 estimated to be reclassified into income of the next 12 months was $0.4 million, net of tax.

The Company is exposed to risk in the event of non-performance by the counterparty to its derivative financial instruments. Although no assurances can be given, the Company does not expect its counterparty to fail to meet its obligations.

8. LEASES

The Company accounts for leases under ASC 842 – Leases (ASC 842). The Company determines if an arrangement is or contains a lease at contract inception. Right-of-use (ROU) assets related to the Company's leases are recorded in Lease assets and lease liabilities are recorded in Current liabilities and Lease liability on the Consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset over the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. The ROU asset also includes prepaid lease payments and initial direct costs and is reduced for lease incentives paid by the lessor. The discount rate used to determine the present value is generally the Company's incremental borrowing rate because the implicit rate in the lease is not readily determinable. The lease term used to calculate the ROU asset and lease liabilities includes periods covered by options to extend or terminate when the Company is reasonably certain the lease term will include these optional periods.

The Company elected the short-term lease practical expedient that allows entities to recognize lease payments on a straight-line basis over the lease term for leases with a term of 12 months or less. The Company has also elected the practical expedient under ASC Topic 842 allowing entities to not separate non-lease components from lease components, but instead account for such components as a single lease component for all leases except leases involving assets used in manufacturing and distribution processes.

The Company and its subsidiaries enter operating leases for certain real estate, automobiles, and office equipment. These leases have remaining terms of 1 to 5 years. Two building leases have an option to renew the term for one 5-year period. Certain leases contain an option to purchase leased items at fair value at the end of the lease. As of December 31, 2024, the Company and its subsidiaries do not have any financing leases or any operating leases that have not yet commenced.

Operating lease expenses and supplemental information related to the Company's leases at December 31, was as follows (in thousands):

	2024	2023
Operating lease expense	$ 1,337	$ 1,098
Short-term lease expense	363	205
	$ 1,700	$ 1,303
Non-cash information:		
ROU assets obtained in exchange for lease obligations	$ 3,498	$ 3,030
Weighted-average remaining lease term (in years)	5.36	5.88
Weighted-average discount rate	6.06%	5.04%

Future minimum lease payments as of December 31, 2024, are as follows:

2025	$ 1,711
2026	1,610
2027	1,411
2028	1,175
2029	951
Thereafter	130
Future lease payments	$ 6,988
Interest	(983)
Lease liabilities	$ 6,005

9. DEBT

On October 25, 2023, the Company announced changes in its funding structure, including a new revolving credit facility. The new 5-year revolving facility (New Revolver) replaced the previous 5-year revolving credit facility (Prior Revolver) which was set to mature on January 31, 2025. The New Revolver is financed through a syndicated agreement between two banks and includes total borrowing capacity of up to $92.0 million, consisting of $72.0 million in immediately available credit and a $20.0 million accordion that can be executed as necessary. The New Revolver matures on October 16, 2028, with no scheduled principal payments prior to maturity. Interest on the New Revolver is due monthly and interest rates are set at a predefined margin rate plus one-month term Secured Overnight Financing Rate (SOFR). The New Revolver is primarily used to support working capital needs.

Additionally, to free capacity on the New Revolver, a $3.7 million term note was entered into and collateralized by certain real property. The term note accrues interest at the same rate as the New Revolver; principal and interest payments are due quarterly beginning December 2023. The term note matures on October 16, 2033. Expected principal payments are approximately $0.2 million per year with a balloon payment due at the end of the term.

On February 1, 2024, the Company entered a $10.0 million equipment financing line (EFL) through its existing syndication. The EFL provides additional financing flexibility to the Company and increases total borrowing capacity. The EFL is subject to the same financial covenants as the New Revolver and term loan.

The Prior Revolver was financed through a consortium of three banks with a credit line of $72.0 million and three additional letters of credit agreements (the LOC) totaling $5.5 million for other specific bank services. The Prior Revolver was set to mature on January 31, 2025. Interest rates were equal to a predefined margin rate plus the London Interbank Offered Rate (LIBOR).

Financial Covenants: The Company is subject to various financial covenants related to the New Revolver and term loan. Under the lending arrangements, the Company is required to maintain a fixed charge coverage ratio minimum of 1.25 and a funded debt to EBITDA ratio maximum of 3.75 (as defined in the agreement). The Company is charged a margin rate that adjusts quarterly based on the funded debt to EBITDA ratio.

At December 31, 2024, the Company was in compliance with the funded debt covenant but not in compliance with the fixed charge ratio. The Company received a waiver of this breach from the banking group. At December 31, 2023, the Company was in compliance with all covenants.

Interest: Interest rates as of December 31, 2024, 2023 and 2022 were 6.30%, 7.26% and 6.07%, respectively. Cash paid during the years ended December 31, 2024, 2023 and 2022 for interest was $2.1 million, $2.7 million and $1.7 million, respectively.

Related Party: A Director of the Company is also a Director of a member bank in the Company's syndicated lending agreements. All relationships between this institution and the Company are considered arms-length.

10. FAIR VALUE

The Company assesses the inputs used to measure fair value using a three-tier hierarchy.

Level 1 inputs include quoted prices for identical instruments and are the most observable.

Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates and yield curves. The Company uses the market approach to derive the fair value for its Level 2 fair value measurements. Interest rate swaps are valued using proprietary models of the counterparty to the swaps.

Level 3 inputs are not observable in the market and include the Company's judgments about the assumptions market participants would use in pricing the asset or liability. The Company does not have any Level 3 fair value assets or liabilities as of December 31, 2024 and 2023.

The Company's assets and liabilities measured at fair value on a recurring basis as of December 31, were as follows (in thousands):

	2024		
	Balance	Level 1	Level 2
Assets:			
Mutual Funds:			
Fixed income	$ 3	$ 3	$ –
Domestic equities	1,091	1,091	–
Money market	852	852	–
Corporate bonds	1,939	1,939	–
Municipal bonds	1,400	1,400	–
Interest rate swaps	1,449	–	1,449
	$ 6,734	$ 5,285	$ 1,449

	2023		
	Balance	Level 1	Level 2
Assets:			
Mutual Funds:			
Fixed income	$ 6	$ 6	$ –
Domestic equities	532	532	–
Money market	1,359	1,359	–
Corporate bonds	1,673	1,673	–
Municipal bonds	1,405	1,405	–
Interest rate swap	1,522	–	1,522
	$ 6,497	$ 4,975	$ 1,522
Liabilities:			
Interest rate swap	$ 39	$ –	$ 39

The estimated fair values of cash and cash equivalents, trade accounts receivable, accounts payable and accrued expenses approximate their carrying values at December 31, 2024 and 2023 due to their short-term nature. The fair value of debt approximates its carrying value based on the variable nature of interest rates and current market rates available to the Company.

11. PRODUCT WARRANTY

Certain subsidiaries of the Company offer a variety of warranty coverages depending on the type of unit and its application. General warranty allowances are maintained by each subsidiary based on its product warranty policy and historical experience.

Product warranty liabilities are recorded in Accrued liabilities in the Consolidated balance sheets. Changes in product warranty liabilities were as follows as of December 31, (in thousands):

	2024	2023	2022
Balance, beginning of period	$ 1,243	$ 1,018	$ 1,000
Accruals made during the period	1,173	1,317	1,274
Settlements made during the period	(1,095)	(1,092)	(1,256)
Balance, end of period	$ 1,321	$ 1,243	$ 1,018

12. SHARE-BASED AWARDS

The Company has a share-based compensation plan which was approved by its shareholders in April 2023 (the Plan) under which its Board of Directors may grant to key employees, officers and directors share-based awards including restricted stock awards (RSAs), stock options and stock appreciation rights (SARs). RSAs granted under the plan generally vest ratably over a three- year period with the first one-third of the grant vesting one year after the date of grant. Dividends are paid on RSAs. Stock options granted expire 10 years from the date of grant.

The Company recognizes the cost of its share-based awards in its Consolidated statements of income. The cost of each share-based equity award is based on the grant date fair value. Share-based award expense is recognized on a straight-line basis over the service period of each separately vesting tranche within the awards. The expense recognized reflects the number of awards that are ultimately expected to vest based on the service requirements of each award. Total share-based award expense recognized by the Company for the years ended December 31, 2024, 2023 and 2022, was $0.5 million, $0.7 million and $0.3 million, respectively. As of December 31, 2024, there were 0.5 million shares available for future awards under the Plan.

Restricted Stock Awards: The fair value of RSAs settled in stock is determined based on the market price of the Company's stock on the grant date. The activity for these awards for the year ended December 31, 2024 was as follows:

	Shares	Weighted-Average Fair Value per Share
Nonvested, beginning of period	68,885	$ 13.15
Granted	42,075	$ 12.58
Vested	(36,588)	$ 12.58
Forfeited	(501)	$ 13.23
Nonvested, end of period	73,871	$ 12.75

As of December 31, 2023, there was $0.4 million of unrecognized compensation cost related to RSAs that is expected to be recognized over a weighted-average period of 1.8 years.

Stock Options: The fair value of the Company's stock option awards is re-measured at each reporting period using a Black-Scholes option-pricing model and are recorded on the Company's Consolidated Balance Sheet as a liability award. The Company uses historical volatility to determine the expected volatility of its stock. The risk-free rate for periods within the contractual life of the option is based on the yield curve of a zero-coupon U.S. Treasury bond at the time of grant. The Company uses historical data to estimate stock option exercises and forfeitures within its valuation model. The expected term of options granted is derived from historical exercise experience. Stock options have not been granted since 2019.

The stock option transactions for the year ended December 31, 2024 were as follows:

	Options	Weighted-Average Exercise Price
Outstanding, beginning of period	182,350	$ 16.89
Granted	–	–
Exercised	–	–
Forfeited	(113,650)	$ 17.14
Outstanding, end of period	68,700	$ 16.47
Exercisable, end of period	68,700	$ 16.47

Options outstanding and exercisable at December 31, 2024, have exercise prices between $14.52 and $21.70. The weighted-average remaining contractual life of Options outstanding and exercisable was 2.6 years.

13. EMPLOYEE BENEFIT PLANS AND OTHER POST-RETIREMENT BENEFITS

The Company maintains a non-contributory defined benefit pension plan and a post-retirement healthcare benefit plan. The plans cover certain eligible employees and retirees of the Company and its subsidiaries.

Normal retirement age is 65, but provision is made for earlier retirement. Benefits for salaried employees are based on salary and years of service, while hourly employee benefits are based on average monthly compensation and years of service with negotiated minimum benefits.

Obligations and Funded Status: The changes in the benefit obligation, fair value of plan assets and the funded status of the Company's pension and post-retirement healthcare plans as of the Company's measurement dates of December 31, were as follows (in thousands):

	Pension Benefits		Post-Retirement Healthcare Benefits	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation, beginning of period	$131,226	$133,100	$ 849	$ 959
Service cost	–	–	14	18
Interest cost	5,919	6,206	35	39
Actuarial losses (gains)	(7,210)	1,221	(110)	(116)
Lump sum payments	(1,972)	–	–	–
Benefits paid	(9,457)	(9,301)	(31)	(51)
Benefits obligation, end of period	$118,506	$131,226	$ 757	$ 849
Change in plan assets:				
Fair value of plan assets, beginning of period	$134,206	$131,911	$ –	$ –
Return on plan assets, net of expenses	4,049	11,596	–	–
Lump sum payments	(1,972)	–	–	–
Benefits paid	(9,457)	(9,301)	–	–
Fair value of plan assets, end of period	126,826	134,206	–	–
Funded status of the plan	$ 8,320	$ 2,980	$ (757)	$ (849)

During 2024, plan funded status improved due to investment returns as well as a 65-basis point increase in the discount rate from 2023 to 2024 which decreased projected liabilities. The net impacts of asset performance and the change in the discount rate increased the funded status of the pension by $5.3 million versus the prior year, resulting in a funded status of $8.3 million.

Additionally, during the third quarter of 2024, as a result of the estimated pension funded status, the Company offered a lump sum option to approximately 160 vested former members (VFMs). Approximately 50 VFMs took the lump sum option totaling $2.0 million.

During 2023, plan funded status improved as a result of overall market conditions which caused an increase in plan assets greater than expected returns on plan assets. A 20-basis point decrease in the discount rate from 2022 to 2023 had an inverse effect on plan funded status by increasing projected liabilities. The net impacts of asset performance and the change in the discount rate increased the funded status of the pension by $4.2 million versus the prior year, resulting in a funded status of $3.0 million.

Benefit Costs: Service cost is included in Cost of goods sold in the Consolidated statements of income. Non-service cost components of net periodic benefit cost are included in Non-service related pension credit in the Consolidated statements of income. Components of net periodic benefit costs for the Company's defined benefit plans for the years ended December 31, were as follows (in thousands):

	Pension Benefits		Post-Retirement Healthcare Benefits	
	2024	2023	2024	2023
Service cost	$ –	$ –	$ 14	$ 18
Interest cost	5,919	6,206	35	39
Expected return on plan assets	(6,479)	(6,441)	–	–
Amortization of unrecognized:				
Prior service credit	178	178	–	–
Net loss (gain)	–	–	(37)	(21)
Net periodic benefit (credit) cost	$ (382)	$ (57)	$ 12	$ 36

The expected return on plan assets is based on historical returns as well as future expected returns for each asset class based on the target asset allocation of the pension trust.

Assumptions: Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost at December 31, were as follows:

	Pension Benefits		Post-Retirement Healthcare Benefits	
	2024	2023	2024	2023
Assumptions for benefit obligations:				
Discount rate	5.35%	4.70%	5.36%	4.72%
Rate of compensation increase	0.00%	0.00%	N/A	N/A
Assumptions for net periodic benefit cost:				
Expected return on plan assets	4.25%	4.25%	N/A	N/A
Discount rate	4.70%	4.90%	4.72%	4.90%
Rate of compensation increase	0.00%	0.00%	N/A	N/A

The health care cost trend assumption does not have an effect on the amounts reported because the Company has adopted an aggregate cost cap for its retiree medical benefits.

It is a policy of the Company that the pension trust does not invest in the Company's stock. While unlikely, it is possible that a "mutual fund" investment of the pension trust could invest in the Company's stock in a limited way. To the best of the Company's knowledge, there is no Burnham stock in the pension trust as of December 31, 2024 and 2023. The Plan provides that the Company may not obtain surplus assets of the Plan during a three-year period immediately following a change in control of the Company. The allocation of assets between equities (or equity type investments) and bonds is rebalanced periodically on a moving scale based on the funded level of the Plan. At December 31, 2024 and 2023, the asset allocation were approximately 19% equity and 81% fixed income. The asset allocation strategy, as approved by the Employee Retirement Benefits Committee, is that the assets of the trust fund are to be allocated based upon an analysis of the funding adequacy, cash flow requirements, maturity level, and participant growth rate of the Plan. The investment alternatives available in each of the capital markets are to be analyzed based on the risk tolerance indicated by the Plan's unique characteristics.

The following table presents pension plan assets carried at fair value (as discussed in Note 10 — Fair Value) as measured on a recurring basis as of December 31, 2024 and 2023 (in thousands):

	2024		
	Fair Value	Level 1	Level 2
Mutual Funds:			
Domestic equities	$ 14,477	$ 14,477	$ –
International equities	9,907	9,907	–
Money market	3,051	3,051	–
Corporate bonds	57,385	–	57,385
U.S. Treasury bonds	39,935	39,935	–
Other fixed income	2,071	–	2,071
	$126,826	$67,370	$59,456

	2023		
	Fair Value	Level 1	Level 2
Mutual Funds:			
Fixed income	$ 164	$ 164	$ –
Domestic equities	16,235	16,235	–
International equities	10,903	10,903	–
Money market	2,549	2,549	
Corporate bonds	50,218	–	50,218
U.S. Treasury bonds	53,561	53,561	–
Other fixed income	576	–	576
	$134,206	$83,412	$50,794

The pension plan did not have any Level 3 assets as of December 31, 2024 and 2023.

Future Contributions and Benefit Payments: Based on the funded status of the qualified pension plan, the Company does not expect to make contributions to the qualified pension plan in 2025. The Company's future expected benefit payments as of December 31, 2024 were as follows (in thousands):

	Pension Benefits	Post-Retirement Healthcare Benefits
2025	$ 9,870	$ 72
2026	$ 9,898	$ 108
2027	$ 9,974	$ 123
2028	$ 9,897	$ 111
2029	$ 9,822	$ 97
2030-2034	$ 46,304	$ 350

Multi-Employer Plan: A company subsidiary, Lancaster Metal Manufacturing LLC, is also a participant in a union-sponsored multi-employer defined benefit pension plan covering collective bargaining employees. This plan is not administered by the subsidiary or the Company, and the provisions of the negotiated labor agreement determine the contributions. The subsidiary's contributions do not represent 5% or more of the plan's total contributions, and there were no surcharges assessed for either of the years 2024 or 2023. The risks of participating in a multi-employer plan are different from a single-employer plan in that assets contributed by one employer are not specifically segregated to its covered employees, unfunded obligations of the plan may be borne by all participants, and the liability to withdraw from the plan may be determined based on the funded status of the plan. Participation in this plan is outlined as follows and is based on Company information or information received from the certified annual reports of the plan:

	Funded Status (1)		Company Contributions	
	2024	2023	2024	2023
Steelworkers Pension Trust EIN/Plan Number 23-6648508-499	97.4%	94.8%	$ 84	$ 55

(1) The plan was valued as of January 1 of the preceding year; 2023 is the most recently available.

The Steelworkers Pension Trust was considered "Safe" for 2024 per the Pension Protection Act of 2006 because of the 2023 funded status being over 80%.

Defined Contribution Plans: The Company has various defined contribution benefit plans that in total cover substantially all full-time employees. Employees can make voluntary contributions in accordance with the provisions of their respective plan, which includes a 401(k) tax deferral option. The Company makes additional contributions to the plans on behalf of the employees and expensed $1.6 million, $1.7 million and $1.3 million during 2024, 2023 and 2022, respectively.

Other Plans: The Company provides a non-qualified deferred compensation plan available to executive and certain senior leaders. Under this plan, participants may elect to defer up to 80% of their eligible compensation. Participants may allocate their deferrals across several different independent third-party investment vehicles that are held in a Rabbi Trust. The net unrealized impact associated with holding these securities was a gain of $0.6 million and $0.7 million in 2024 and 2023, respectively, and a loss of $0.8 million loss in 2022, which was recognized in Interest and investment (loss) income in the Company's Consolidated statements of income. Trust assets were $4.3 million and $4.4 million as of December 31, 2024 and 2023, respectively, and included in Other long-term assets on the Company's Consolidated balance sheets. Trust assets are recorded at fair value using Level 1 and Level 2 inputs (see Note 10). The liabilities to employees were $4.1 million and $4.4 million as of December 31, 2024 and 2023, respectively, and included within Other long-term liabilities in the Company's Consolidated balance sheets. Adjustments to this liability caused by changes in the value of the marketable securities was a $0.6 million gain and a $0.7 million gain in 2023, respectively, and are classified within selling, general, and administrative expenses.

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in Accumulated other comprehensive loss for the years ended December 31, were as follows (in thousands):

2024				
	Pension Liability	Post-Retirement Medical Liability	Interest Rate Swaps	Total
Balance, beginning of period	$ (25,947)	$ 137	$ 1,142	$ (24,668)
Other comprehensive income before reclassifications	4,781	73	725	5,579
Income tax expense	(1,100)	(17)	(167)	(1,284)
	3,681	56	588	4,295
Reclassifications:				
Realized gains	–	–	(759)	(759)
Amortization: (a)				
Prior Service Costs	178	–	–	178
Income tax benefit (b)	(41)	–	175	134
	137	–	(584)	(447)
Other comprehensive income (loss)	3,818	56	(26)	3,848
Balance, end of period	$ (22,129)	$ 193	$ 1,116	$ (20,820)

(a) Amounts reclassified are included in the computation of net periodic benefit cost, discussed further in Note 13.
(b) Tax benefits are adjustments to deferred taxes within the Consolidated statements of income.

2023				
	Pension Liability	Post-Retirement Medical Liability	Interest Rate Swaps	Total
Balance, beginning of period	$ (29,112)	$ 64	$ 1,499	$ (27,549)
Other comprehensive income before reclassifications	3,933	95	234	4,262
Income tax expense	(905)	(22)	(54)	(981)
	3,028	73	180	3,281
Reclassifications:				
Realized gains	–	–	(698)	(698)
Amortization: (a)				
Prior Service Costs	178	–	–	178
Income tax benefit (b)	(41)	–	161	120
	137	–	(537)	(400)
Other comprehensive income (loss)	3,165	73	(357)	2,881
Balance, end of period	$ (25,947)	$ 137	$ 1,142	$ (24,668)

(a) Amounts reclassified are included in the computation of net periodic benefit cost, discussed further in Note 13.
(b) Tax benefits are adjustments to deferred taxes within the Consolidated statements of income.

2022				
	Pension Liability	Post-Retirement Medical Liability	Interest Rate Swap	Total
Balance, beginning of period	$ (22,131)	$ (119)	$ (10)	$ (22,260)
Other comprehensive (loss) / income before reclassifications	(10,772)	238	1,766	(8,768)
Income tax benefit / (expense)	2,478	(55)	(406)	2,017
	(8,294)	183	1,360	(6,751)
Reclassifications:				
Realized losses	–	–	193	193
Amortization: [(a)]				
Prior Service Costs	46	–	–	46
Actuarial Loss	1,659	–	–	1,659
Income tax benefit [(b)]	(392)	–	(44)	(436)
	1,313	–	149	1,462
Other comprehensive (loss) income	(6,981)	183	1,509	(5,289)
Balance, end of period	$ (29,112)	$ 64	$ 1,499	$ (27,549)

(a) Amounts reclassified are included in the computation of net periodic benefit cost, discussed further in Note 13.
(b) Tax benefits are adjustments to deferred taxes within the Consolidated statements of income.

15. COMMITMENTS AND CONTINGENCIES

The Company is contingently liable at any given time under standby letters of credit pertaining to workers' compensation self-insurance coverage, employee medical insurance, international product purchases, and other business guarantees. In the normal course of business, this amount is less than $2.5 million, and at December 31, 2024 and 2023, the amount outstanding was $1.9 million and $1.8 million, respectively.

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, and which may not be resolved for several years. Asbestos litigation remains a national issue with thousands of companies defending claims. While most claims historically 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, which may include an award of punitive damages. Any such verdict in its totality would be subject to a potential reduction or reversal of verdict on appeal, reduction by set-offs, and/or a reduction of liability following allocation of fault among parties.

The Company conducts its various businesses in separate subsidiaries, and, as a result, it believes that any potential liability of a subsidiary because of a particular claim would be limited to such subsidiary. 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 actions and claims, 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. To the extent that any claims are uninsured, the Company and its subsidiaries maintain adequate reserve levels as set forth herein. 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.

On August 3, 2023, a jury rendered a verdict against one of the Company's subsidiaries for alleged asbestos-related lung cancer damages. The verdict equated to $31.5 million of compensatory damages and $6.5 million of punitive damages. The damage values are gross amounts without regard to setoffs, the potential for apportionment among parties (including plaintiff), and/or post-trial rulings that may reduce the damages. The subsidiary has filed an appeal. As of December 31, 2024, the Company believes it has sufficient reserves for this matter and any compensatory damages awarded and appeal bond costs are covered by the applicable insurance policies. Similar results have been noted in other unrelated cases in New York State Courts including a verdict of approximately $23.0 million against parties unrelated to the Company and its subsidiaries in an asbestos-related mesothelioma case in December 2022. Verdicts of this nature are subject to potential reduction or reversal as seen in historical instances. 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. The subsidiary, whose share of the verdicts amounted to $42.0 million and $6.0 million before offsets, filed post-trial motions seeking to reduce and/or overturn the verdicts, and requesting the court to grant new trials. On February 9, 2015, the trial court significantly reduced the 2013 verdicts, reducing the subsidiary's liability from $42.0 million to less than $7.0 million. Additionally, on May 15, 2015 the trial court reduced the subsidiary's liability in the 2014 verdict to less than $2.0 million. Finally, on October 30, 2015, the subsidiary settled these verdicts for significantly less than the trial courts' reduced verdicts.

The operations of the Company's subsidiaries are subject to a variety of federal, state, and local environmental laws. At this time, 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 remedial actions at disposal areas containing waste materials from their operations.

FIVE YEAR SUMMARY (IN MILLIONS, EXCEPT PER SHARE DATA) (UNAUDITED):

	2024	2023	2022	2021	2020
Net Sales	$ 270.2	$ 253.0	$ 240.5	$ 218.5	$ 187.5
Income before Income Taxes	$ 15.7	$ 12.5	$ 7.2	$ 2.6	$ 8.5
Income Tax Expense	$ 3.7	$ 3.1	$ 1.8	$ 0.5	$ 1.9
Net Income	$ 12.0	$ 9.4	$ 5.4	$ 2.1	$ 6.6
Diluted Earning per Share	$ 2.55	$ 2.02	$ 1.18	$ 0.45	$ 1.43
Cash Flow per Share [1]	$ 3.66	$ 3.60	$ 2.26	$ 1.46	$ 2.39
Net Cash Provided by Operating Activities	$ 22.1	$ 21.1	$ 1.5	$ 10.7	$ 4.7
Total Dividends Paid	$ 4.4	$ 4.1	$ 4.1	$ 4.1	$ 4.1
Dividends per Share	$ 0.92	$ 0.88	$ 0.88	$ 0.88	$ 0.88
Property, Plant, and Equipment, Net	$ 70.1	$ 64.4	$ 60.0	$ 57.5	$ 52.5
Capital Expenditures	$ 11.2	$ 9.4	$ 7.3	$ 9.5	$ 4.3
Depreciation and Amortization	$ 5.4	$ 5.0	$ 4.8	$ 4.5	$ 4.3
Current Assets	$ 94.4	$ 97.5	$ 101.5	$ 87.7	$ 85.8
Current Liabilities	$ 39.5	$ 37.9	$ 37.0	$ 34.3	$ 29.5
Working Capital	$ 54.9	$ 59.6	$ 64.5	$ 53.4	$ 56.3
Total Debt	$ 22.5	$ 27.4	$ 33.7	$ 21.8	$ 18.3
Shareholders' Equity	$ 113.3	$ 101.4	$ 92.6	$ 96.3	$ 91.3
Book Value per Share	$ 24.24	$ 21.85	$ 20.03	$ 20.92	$ 19.89
Adjusted Book Value per Share [2]	$ 28.71	$ 27.18	$ 26.01	$ 25.77	$ 26.24
Outstanding Common Shares (in thousands)	4,660	4,629	4,606	4,587	4,571

(1) Cash Flow per Share is calculated as net income plus depreciation and amortization less pension income, divided by weighted-shares outstanding.
(2) Adjusted Book Value per Share is calculated as Shareholders' Equity excluding AOCL, divided by weighted-shares outstanding.

INVESTOR & SHAREHOLDER INFORMATION

REPORTING REQUIREMENTS

The Company is not currently required to register with the SEC (Securities and Exchange Commission) and therefore is not subject to the reporting requirements of an SEC-regulated public company. Individuals, trusts, and investment organizations hold shares of the Company. To the best of the Company's knowledge, no one person owns more than 10% of the outstanding shares, regardless of class or combination of classes (shares held by family relatives have not been combined in computing this percentage). The Company issues periodic news releases, quarterly unaudited statements, a yearly Annual Report with audited consolidated financial statements and a Proxy Statement. Interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2024. The results for any interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in audited consolidated financial statements have been omitted from interim reporting.

As mentioned previously, the Company is not subject to SEC reporting requirements and therefore its quarterly interim consolidated financial statements are not subject to an interim review by independent auditors as prescribed by the SEC.

This Annual Report contains forward-looking statements. Other reports, letters, and press releases distributed by the Company may also contain forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates, and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, variations in weather, changes in the regulatory environment, raw material costs, litigation, customer preferences, general economic conditions, technology, product performance, and increased competition.

BUSINESS STRATEGY

Subsidiaries of the Company provide high-value, high-quality HVAC products backed by superior service. This diverse product mix meets the various needs of most residential, commercial, and industrial applications. This diversification, combined with the critical need for thermal solutions, ensures consistent financial performance through fluctuating economic cycles. That's how the Company provides consistent returns: We're creating value in established market segments driven by a constant replacement cycle. Our strong earnings and dividend history, proven management team, diverse product mix, and continuing product demand represent an outstanding opportunity for stakeholders. The Company is a unique investment opportunity that creates stable value while delivering solid returns. The Company has also grown and will continue to grow through acquisitions. The Company is continually looking for appropriate acquisitions at appropriate prices.

CORPORATE GOVERNANCE

Prior to December 12, 2024, the Board of Directors (the Board) of the Company comprised nine members, eight of whom were considered independent directors (not an employee, not affiliated with the Company's auditors, and not part of an interlocking directorate). The non-independent member of the Board is the Company's President and Chief Executive Officer. On December 12, 2024, William F. Dodge, II announced his retirement from the Board effective immediately. The Board now consists of eight members, seven of whom are considered independent. Three directors are members of families, the extended members of which hold in the aggregate significant ownership interests in the Company.

Directors are selected based on their individual qualifications and experience, the overall balance of the Board's background and experience, and the individual's willingness to fulfill their obligations and to contribute appropriately. Board members have complete access to Company information and personnel through meetings, reports, on-site operational reviews, and direct contact.

The total Board meets five times per year, with various additional Board committee meetings and special meetings held throughout the year. Board committees concentrate on important areas of responsibility. Standing committees of the Company consist of the Audit and Risk Committee, the Nominating and Governance Committee and the Human Resources Committee. These committees have defined charters that address the committees' purposes, goals, and responsibilities. All committees meet on a scheduled basis. Please refer to the proxy for more information on corporate governance, executive compensation, and security holders.

INVESTOR AND SHAREHOLDER INFORMATION

Shareholder Inquiries

Questions concerning your account, dividend payments, address changes, consolidation of duplicate accounts, lost certificates, and related matters should be addressed to Burnham Holdings, Inc.'s transfer agent:

Computershare Trust Company, N.A.
150 Royall Street
Suite 101
Canton, MA 02021
(866) 595-6048 (U.S.)
(781) 575-2798 (non-U.S.)

Stock Exchange Listing

The Company's Class A Common Stock is traded under the symbol "BURCA" on the electronic Pink Sheets and is listed by the OTC Markets Group, Inc., a reporting service for over-the-counter stocks. Stock quotation information is available through stock reporting services on the internet. The Company's Class B Convertible Stock and Preferred Stock are not traded.

Annual Meeting

Burnham Holdings, Inc.'s Annual Meeting will be held virtually via a secure website meeting platform on Monday, April 28, 2025, beginning at 11:30 a.m. eastern. Further details will be provided in March 2025 on our website, www.burnhamholdings.com.

Corporate Data

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1241 Harrisburg Pike
Post Office Box 3245
Lancaster, PA 17604-3245

For further information contact:
Nicholas I. Ribich, Vice President and Chief Financial Officer
Telephone: (717) 390-7812
Fax: (717) 390-7852
Email: nribich@burnhamholdings.com
Email: shareholderinquiry@burnhamholdings.com

You can access Company information, including press releases, earnings announcements, history, and other information by visiting the Burnham Holdings, Inc. website at **www.burnhamholdings.com**.

DIRECTORS & OFFICERS

BOARD OF DIRECTORS

Laura T. Wand, J. David W. Reeves, Christopher E. Pruitt, John W. Lyman, Christopher R. Drew, E. Philip Wenger, Donald A. Stern, William F. Dodge, II, Douglas S. Brossman

AUDIT & RISK COMMITTEE

E. Philip Wenger - Chair
John W. Lyman
Douglas S. Brossman
Christopher E. Pruitt
Donald A. Stern
Laura T. Wand

HUMAN RESOURCES COMMITTEE

Laura T. Wand - Chair
John W. Lyman
Christopher R. Drew
J. David W. Reeves
E. Philip Wenger

NOMINATING & GOVERNANCE COMMITTEE

Donald A. Stern - Chair
John W. Lyman
William F. Dodge, II
Christopher R. Drew
J. David W. Reeves

PROXY COMMITTEE

William F. Dodge, II - Chair
John W. Lyman
J. David W. Reeves
Donald A. Stern

OFFICERS OF BURNHAM HOLDINGS, INC.

Samantha L. Fugagli	General Counsel and Secretary
Nicholas I. Ribich	Vice President and Chief Financial Officer
Bryan J. O'Toole	Vice President of Business Development
Christopher R. Drew	President and Chief Executive Officer
Melissa M. Devitz	Vice President of Human Resources
Paul D. Spradling	Vice President of Operations

Members of the U.S. Boiler team, Wohlsen Construction Company and the EDC of Lancaster County at the groundbreaking for the new 45,000 square foot Centerville Road plant. The new plant that will be a dedicated manufacturing space for condensing boiler products and enable U.S. Boiler to scale production to meet market demand.

TAKING THE DIRECT ROUTE

"NEW" NEW ENGLAND SALES TEAM TARGETS CONDENSING BOILER GROWTH

Demand for high-efficiency residential condensing boilers has been growing in recent years, and the ALTA and Citadel systems are two of the strongest product lines in the U.S. Boilers portfolio. To build on the opportunity this increased demand offers, HSSC, Burnham Holding's dedicated sales company, chose to transition sales representation in the New England market from manufacturers' reps to a dedicated team of hydronic industry veterans.

In this interview, we discussed the strategy and goals of the newly created New England Sales team with three members: Dave Benham, Executive Account Manager, New Customer Development; Dave Walsh, Business Development Director, USA; and Matt Freeman, Account Executive, New Customers. They were joined by Chris Mitchell, Vice President of Sales for the HSSC Wholesale Products Group.

First, congratulations to the new sales team. Chris, can you share a little history about the different sales models HSSC utilizes and why the change for New England in 2024?

Chris Mitchell: For the last decade we have relied on manufacturers' representatives to handle sales in key regions, including New England. While this approach enhanced our exposure to a diverse customer base, we felt we needed a more focused sales team with an in-depth understanding of our products that could better take advantage of the major opportunities in the New England market. Professionals with a strong background in condensing technology who have a mission to build strong relationships with distributors, contractors and installers.

Why is the New England market such a strong growth opportunity for U.S. Boilers?

Dave Benham: In terms of the market basics, "old and cold" is a pretty good way of summing it up. The New England team's territory, which includes eastern portions of New York state, represents approximately 25% of the U.S. hydronic boiler market. Many existing systems are outdated, creating a significant market for replacements, particularly with first-generation condensing boilers nearing the end of their life cycle.

Dave Walsh: And the cold part is obvious, but equally important is that we have a great new product, the ALTA, that is a real game-changer for this market. Most of our competitors have nothing like it. Introduced in 2021, the ALTA high-efficiency condensing boiler offers best-in-class, next-generation gas-adaptive technology that provides the shortest installation time and lowest operating costs in heating only and combined heating/hot water applications.

It's the most reliable product on the market; it's the easiest for contractors to install. It has adaptive combustion, so it adjusts itself to adverse conditions to maintain perfect combustion. In addition, U.S. Boiler introduced a complementary product, the Citadel boiler and water heater for larger residential and commercial applications, The Citadel offers twice the heating space and water heating power in half the space.

Matt Freeman: That reliability is so important to the contractors. The number one reason why they're installing the ALTA is they don't get a callback. Callbacks, to adjust the system if there's a little hiccup or a problem, cost everybody time and money. It's super flexible in terms of venting and setup; it comes with all the pieces an installer needs – even those who aren't that experienced – and once its setup and running, there's virtually no callbacks. I like to say that it's as simple as you want it to be and as sophisticated as you want it to be, which really makes it so appealing to the contractors and distributors we're calling on.

"When we created this team, we wanted a sales team with an in-depth understanding of our products that could take advantage of the major opportunities in the New England markets, professionals with a strong background in this technology..."

- Chris Mitchell, Vice President of Sales for the HSSC Wholesale Products Group

Chris Mitchell: The team's main focus is to increase our high-efficiency condensing boiler market share leveraging both the ALTA and Citadel family of boilers. The Citadel boiler, is a larger high-efficiency condensing boiler applicable to larger residential applications and light commercial applications, like schools, churches and office buildings for example.

So the ALTA and Citadel systems have a lot going for them. What are the key goals of the New England team?

Chris Mitchell: We see a lot of opportunity in the region to replace end of life cast-iron boilers or the first generation of condensing boilers with the efficiency and performance that is offered by our ALTA product line.

Dave Walsh: We also want to establish and really expand our relationships with the key distributors and as many of the contractor installers as we can, in ways we couldn't with manufacturers' reps representing multiple product lines. I've been out in the field, and I'm hearing from contractors that the U.S. Boiler name is known, so when I tell them I'm the U.S. Boiler guy here to talk high-efficiency condensing boilers, they're much more open and easier to talk with.

Matt Freeman: Having a team focused on a single product line really helps build credibility with the contractors. Our contractor base includes established, long-time installers, as well as the smaller-scale "white van" guys. Plus, all of us on the team have years of experience with boilers – with the technology – which can be helpful with some contractors who may not be as knowledgeable or have questions about settings, installation, venting. We build credibility with them because we can talk their talk.

Building strong relationships with the contractor community seems to be key to your growth plans. What are their biggest needs and how can your team meet those needs?

Dave Walsh: Time is money to these guys, so they need systems that are simple and easy to install and easily understood and designed for efficient setup. This is especially important for contractors who may not specialize in high-efficiency boiler systems. They also really value systems with a reputation for reliability, because callbacks and service calls from homeowners are expensive and time-consuming.

Matt Freeman: So we emphasize key features of the ALTA, like the adaptive combustion technology, the corrosion-resistant stainless steel heat exchanger and the boiler's physical layout, which allows for easy access to internal components. When we show those kinds of things to the contractors, they can see how it makes their life easier and fits the needs of their customers, particularly the homeowners who are replacing older systems.

Dave Benham: Plus, we make sure the contractors know that we support them. Just like our reps do in other regions, we arrange system demos and hands-on training sessions whenever they need support. I think we all kind of have a contractor's mentality. I know my phone doesn't shut off at 5:00. They know if you're factory direct, they can reach out to you if they need to. They don't abuse it but just knowing that they have that security blanket is pretty powerful.

As a team, how do you work together to take full advantage of the opportunities the region offers?

Dave Benham: It's really just communication, staying in constant contact. Although my territory is up in the northern part of New England, I talk to Dave and Matt pretty frequently. We share information via our customer relationship management system. If there are questions on products or just procedural questions — we go back and forth all the time.

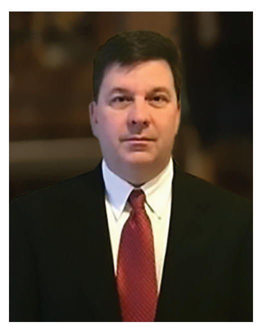
Dave Walsh: Really, from day one, the collaboration has been great; it's been all hands on deck. We do have a territory, but if Matt was out of town and he needed me to go into his territory, I'd do it in a second. And that speaks to all of us. So although we have regions, the entire region is our focus.

Matt Freeman: And it's not just us. The rest of the team includes Tom Secondino, who's our technical trainer in New England and delivers a tremendous amount of customer support and tech support, and Mark Chisolm, who does outreach for new customers and supports our product demo efforts. The team also includes Jim McKenna, who is driving new business to our key distributor partners, and Chris Massey, directing the region sales efforts for the team. They all have years of experience here in the New England region, and they're an integral part of the success we're building.

Chris Mitchell: In New England, we did the research, we listened to the voice of the customer surveys that were conducted, and we know that our high-efficiency condensing boilers match customer needs. We have really big goals when it comes to the condensing market, and the ALTA and Citadel are fantastic products to help us to win more business. And with the experience and enthusiasm this team has shown, we think we have all the pieces in place to do just that.

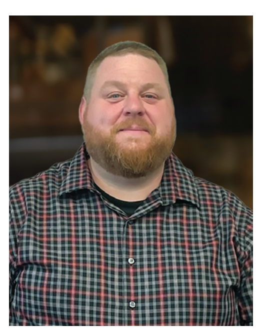
"The ALTA is a real game changer for the market... I like to say that it's as simple as you want it to be and as sophisticated as you want it to be, which really makes it so appealing to the contractors and distributors we're calling on."

- Matt Freeman, Account Executive, New Customers

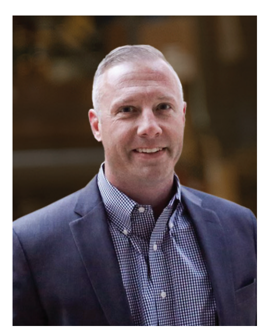


Dave Benham
Executive Account Manager, New Customer Development

Dave Walsh
Business Development Director, USA



Matt Freeman
Account Executive, New Customers



Chris Mitchell
Vice President of Sales for the HSSC Wholesale Products Group

RESIDENTIAL BOILER DEMAND DRIVES MANUFACTURING EXPANSION

Members of the U.S. Boiler team at the groundbreaking for the new Centerville Road plant. From left to right, Keith Diller, President, U.S. Boiler Co., Paul Spradling, Vice President of Operations, Burnham Holdings, Inc., and Bob Peris, Operations Manager, U.S. Boiler Co.

New US Boiler Co. plant will support increased production of ALTA high-efficiency boilers

The past few years have seen substantial growth in sales and demand for our ALTA family of residential high-efficiency condensing boilers.

It's clear this tremendous growth calls for expansion of our production facilities. The new plant, located next to the existing Centerville production facilities, creates a dedicated manufacturing space for condensing boiler products with state-of-the-art assembly lines that will enhance manufacturing quality and efficiency while enabling U.S. Boiler Company to scale production to meet market demand.

New Production Lines

The new 45,000-square-foot facility is designed to be a "condensing manufacturing center of excellence" that combines new automated assembly tools, vision systems and skilled personnel into an improved production environment. "We designed the new facility to incorporate sensible lean manufacturing elements so that safety, quality and efficiency are built into the entire process," said Bob Peris, Operations Manager for U.S. Boiler Company.

At the existing condensing boiler production line, parts and work-in-progress are transported between separate buildings, creating handling and logistical challenges. The new facility consolidates these operations under one roof, integrating sub-assembly stations into the main assembly lines to reduce inefficiencies.

The plant will use an innovative single-piece flow manufacturing system to ensure the highest levels of quality and efficiency. This single-piece manufacturing workflow can reduce wasted time and effort and shorten production and delivery time frames, enhancing customer service.

Boilers are built sequentially at six assembly stations, with each step carefully monitored to maintain consistent quality. This minimizes errors by completing one boiler at a time, allowing assemblers to identify and correct potential defects immediately. The single-piece flow model, initially introduced for the ALTA line, will be expanded and refined at the new facility; it will also allow us to learn lessons from this operation and potentially adopt this workflow at other plants.

Enhancing Manufacturing Quality

The new production line incorporates advanced automated vision systems, which verify that critical components are properly installed at each assembly stage. Each boiler is fully tested with a complete fire test, which simulates the product operating in the customer's home or facility.

These systems prevent incomplete products from advancing to the next station, ensuring that quality is built into the process rather than relying on end-stage inspections. Additionally, the ergonomic design of the new assembly lines, which allows workers to adjust equipment heights for optimal handling, promotes accuracy and reduces the likelihood of errors caused by fatigue or discomfort.

"As we talk about the Center of Excellence concept we're implementing, it's important to note that many of the best practices we will be using come from other continuous improvement initiatives that we're working on in the original Centerville Road plant and at other production facilities," Peris said.

The plant represents a $5.5 million investment and will add 15 new employees to the current workforce, including specialists in assembly, quality assurance and operations. To support the project and invest in manufacturing in Pennsylvania, the company applied for and received a $2.7 million Pennsylvania Industrial Development Authority (PIDA) loan, as well as $222,000 in grants for construction assistance and workforce training.

Investing in Future Growth

The new plant is a key investment to help U.S. Boiler meet the strong demand for the ALTA high-efficiency condensing boiler products, leveraging advanced manufacturing techniques and systems.

"Our investment in this plant demonstrates commitment to our Lancaster-based operations and the strength of our manufacturing base here," said Keith Diller, President of U.S. Boiler Company. "It represents our dedication to supporting our outstanding local workforce, an ongoing focus on improving our high-efficiency boiler products and the utilization of technological advancements as we move the business forward, introducing high-efficiency boiler products that serve the heating needs of homeowners across the country."

Construction began in late 2024, with full occupancy and operations expected to commence in mid-2025. The facility will play a pivotal role in supporting U.S. Boiler's long-term growth strategy and commitment to U.S.-based manufacturing.