

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___ to ___

Commission file number 001-38477

BIGLARI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction of incorporation)

82-3784946

(I.R.S. Employer Identification No.)

19100 Ridgewood Parkway, Suite 1200

San Antonio, Texas

(Address of principal executive offices)

78259

(Zip Code)

(210) 344-3400

Registrant's telephone number, including area code

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Class A Common Stock, no par value	BH.A	New York Stock Exchange
Class B Common Stock, no par value	BH	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and an “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock outstanding as of November 5, 2024:

Class A common stock –	206,864
Class B common stock –	2,068,640

BIGLARI HOLDINGS INC.
INDEX

	<u>Page No.</u>
<u>Part I – Financial Information</u>	
<u>Item 1. Financial Statements</u>	1
<u>Consolidated Balance Sheets — September 30, 2024 and December 31, 2023</u>	1
<u>Consolidated Statements of Earnings — Third Quarter and First Nine Months 2024 and 2023</u>	2
<u>Consolidated Statements of Comprehensive Income — Third Quarter and First Nine Months 2024 and 2023</u>	3
<u>Consolidated Statements of Cash Flows — First Nine Months 2024 and 2023</u>	4
<u>Consolidated Statements of Changes in Shareholders’ Equity — Third Quarter and First Nine Months 2024 and 2023</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	31
<u>Item 4. Controls and Procedures</u>	31
<u>Part II – Other Information</u>	
<u>Item 1. Legal Proceedings</u>	31
<u>Item 1A. Risk Factors</u>	31
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
<u>Item 3. Defaults Upon Senior Securities</u>	31
<u>Item 4. Mine Safety Disclosures</u>	31
<u>Item 5. Other Information</u>	31
<u>Item 6. Exhibits</u>	32
<u>Signatures</u>	33

PART 1 – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BIGLARI HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	September 30, 2024	December 31, 2023
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,891	\$ 28,066
Investments	102,902	91,879
Receivables	21,384	22,241
Inventories	3,859	2,980
Other current assets	7,183	7,385
Total current assets	165,219	152,551
Property and equipment	380,622	380,491
Operating lease assets	33,637	32,215
Goodwill and other intangible assets	75,845	76,760
Investment partnerships	201,591	199,103
Other assets	8,202	8,302
Total assets	\$ 865,116	\$ 849,422
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 66,694	\$ 66,743
Loss and loss adjustment expenses	15,281	15,168
Unearned premiums	15,711	14,334
Current portion of lease obligations	14,359	14,855
Total current liabilities	112,045	111,100
Lease obligations	91,989	86,389
Line of credit	9,000	—
Deferred taxes	35,194	37,939
Asset retirement obligations	14,777	14,316
Other liabilities	348	348
Total liabilities	263,353	250,092
Shareholders' equity		
Common stock	1,138	1,138
Additional paid-in capital	385,594	385,594
Retained earnings	637,972	631,458
Accumulated other comprehensive loss	(2,179)	(2,518)
Treasury stock, at cost	(420,762)	(416,342)
Biglari Holdings Inc. shareholders' equity	601,763	599,330
Total liabilities and shareholders' equity	\$ 865,116	\$ 849,422

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in thousands except per share amounts)

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
	(Unaudited)		(Unaudited)	
Revenues				
Restaurant operations	\$ 62,384	\$ 61,886	\$ 188,855	\$ 187,506
Insurance premiums and other	18,247	16,624	53,674	50,400
Oil and gas	9,574	12,159	27,755	35,123
Licensing and media	202	268	715	1,624
Total revenues	90,407	90,937	270,999	274,653
Costs and expenses				
Restaurant cost of sales	36,212	36,789	107,519	104,455
Insurance losses and underwriting expenses	14,397	12,964	45,205	39,244
Oil and gas production costs	4,425	3,771	13,206	12,754
Licensing and media costs	432	476	1,458	1,427
Selling, general and administrative	19,510	18,315	56,438	54,587
Gain on sale of oil and gas properties	(54)	(13,563)	(16,700)	(13,563)
Impairments	—	752	1,107	2,381
Depreciation, depletion, and amortization	10,585	9,611	29,760	29,645
Interest expense on leases	1,353	1,262	4,016	3,870
Interest expense on borrowings	275	262	317	469
Total costs and expenses	87,135	70,639	242,326	235,269
Other income				
Investment gains (losses)	4,740	(4,715)	3,724	(724)
Investment partnership gains (losses)	35,314	(89,599)	(22,591)	(24,507)
Total other income (expenses)	40,054	(94,314)	(18,867)	(25,231)
Earnings (loss) before income taxes	43,326	(74,016)	9,806	14,153
Income tax expense (benefit)	11,201	(17,502)	3,292	3,254
Net earnings (loss)	32,125	(56,514)	6,514	10,899
Earnings attributable to noncontrolling interest	—	—	—	591
Net earnings (loss) attributable to Biglari Holdings Inc. shareholders	\$ 32,125	\$ (56,514)	\$ 6,514	\$ 10,308
Net earnings (loss) per average equivalent Class A share *	\$ 114.77	\$ (195.55)	\$ 23.15	\$ 35.44

*Net earnings (loss) per average equivalent Class B share outstanding are one-fifth of the average equivalent Class A share or \$22.95 and \$4.63 for the third quarter and first nine months of 2024, respectively, and \$(39.11) and \$7.09 for the third quarter and first nine months of 2023, respectively.

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
	(Unaudited)		(Unaudited)	
Net earnings (loss)	\$ 32,125	\$ (56,514)	\$ 6,514	\$ 10,899
Foreign currency translation	488	(286)	339	(276)
Comprehensive income (loss)	32,613	(56,800)	6,853	10,623
Comprehensive income attributable to noncontrolling interests	—	—	—	591
Total comprehensive income (loss) attributable to Biglari Holdings Inc. shareholders	\$ 32,613	\$ (56,800)	\$ 6,853	\$ 10,032

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	First Nine Months	
	2024	2023
	(Unaudited)	
Operating activities		
Net earnings	\$ 6,514	\$ 10,899
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation, depletion, and amortization	29,760	29,645
Provision for deferred income taxes	(2,756)	(5,931)
Asset impairments	1,107	2,381
Gains on sale of assets	(21,718)	(18,391)
Investment and investment partnership gains and losses	18,867	25,231
Distributions from investment partnerships	1,000	—
Changes in receivables, inventories and other assets	(2,503)	5,441
Changes in accounts payable and accrued expenses	1,394	(599)
Net cash provided by operating activities	31,665	48,676
Investing activities		
Capital expenditures	(23,497)	(16,910)
Proceeds from property and equipment disposals	25,412	20,403
Purchases of noncontrolling interests	—	(5,387)
Purchases of interests in limited partnerships	(30,499)	(41,530)
Purchases of investments	(56,183)	(78,520)
Sales of investments and redemptions of fixed maturity securities	49,851	65,718
Net cash used in investing activities	(34,916)	(56,226)
Financing activities		
Proceeds from line of credit	16,050	31,600
Payments on line of credit	(7,050)	(22,600)
Principal payments on direct financing lease obligations	(4,131)	(4,618)
Net cash provided by financing activities	4,869	4,382
Effect of exchange rate changes on cash	(42)	(56)
Increase (decrease) in cash, cash equivalents and restricted cash	1,576	(3,224)
Cash, cash equivalents and restricted cash at beginning of year	29,654	38,805
Cash, cash equivalents and restricted cash at end of third quarter	\$ 31,230	\$ 35,581

	September 30,	
	2024	2023
	(Unaudited)	
Cash and cash equivalents	\$ 29,891	\$ 33,993
Restricted cash in other long-term assets	1,339	1,588
Cash, cash equivalents and restricted cash at end of third quarter	\$ 31,230	\$ 35,581

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(dollars in thousands)

	Biglari Holdings Inc. Shareholders' Equity						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non- controlling Interests	Total
<u>For the third quarter and first nine months of 2024</u>							
Balance at December 31, 2023	\$ 1,138	\$ 385,594	\$631,458	\$ (2,518)	\$(416,342)	\$ —	\$599,330
Net earnings (loss)			22,579				22,579
Other comprehensive loss				(31)			(31)
Adjustment for holdings in investment partnerships					(3,306)		(3,306)
Balance at March 31, 2024	\$ 1,138	\$ 385,594	\$654,037	\$ (2,549)	\$(419,648)	\$ —	\$618,572
Net earnings (loss)			(48,190)				(48,190)
Other comprehensive loss				(118)			(118)
Adjustment for holdings in investment partnerships					(1,085)		(1,085)
Balance at June 30, 2024	\$ 1,138	\$ 385,594	\$605,847	\$ (2,667)	\$(420,733)	\$ —	\$569,179
Net earnings (loss)			32,125				32,125
Other comprehensive income				488			488
Adjustment for holdings in investment partnerships					(29)		(29)
Balance at September 30, 2024	<u>\$ 1,138</u>	<u>\$ 385,594</u>	<u>\$637,972</u>	<u>\$ (2,179)</u>	<u>\$(420,762)</u>	<u>\$ —</u>	<u>\$601,763</u>
<u>For the third quarter and first nine months of 2023</u>							
Balance at December 31, 2022	\$ 1,138	\$ 381,788	\$576,510	\$ (2,790)	\$(409,680)	\$ 8,602	\$555,568
Net earnings (loss)			64,886			651	65,537
Other comprehensive income				332			332
Adjustment for holdings in investment partnerships					(239)		(239)
Balance at March 31, 2023	\$ 1,138	\$ 381,788	\$641,396	\$ (2,458)	\$(409,919)	\$ 9,253	\$621,198
Net earnings (loss)			1,936			(60)	1,876
Other comprehensive loss				(322)			(322)
Adjustment for holdings in investment partnerships					(1,011)		(1,011)
Purchases of noncontrolling interests		3,806				(9,193)	(5,387)
Balance at June 30, 2023	\$ 1,138	\$ 385,594	\$643,332	\$ (2,780)	\$(410,930)	\$ —	\$616,354
Net earnings (loss)			(56,514)				(56,514)
Other comprehensive loss				(286)			(286)
Adjustment for holdings in investment partnerships					(2,150)		(2,150)
Balance at September 30, 2023	<u>\$ 1,138</u>	<u>\$ 385,594</u>	<u>\$586,818</u>	<u>\$ (3,066)</u>	<u>\$(413,080)</u>	<u>\$ —</u>	<u>\$557,404</u>

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2024

(dollars in thousands, except share and per share data)

Note 1. Summary of Significant Accounting Policies

Description of Business

The accompanying unaudited consolidated financial statements of Biglari Holdings Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In our opinion, all adjustments considered necessary to present fairly the results of the interim periods have been included and consist only of normal recurring adjustments. The results for the interim periods shown are not necessarily indicative of results for the year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2023.

Biglari Holdings Inc. is a holding company owning subsidiaries engaged in a number of diverse business activities, including property and casualty insurance, licensing and media, restaurants, and oil and gas. The Company’s largest operating subsidiaries are involved in the franchising and operating of restaurants. Biglari Holdings is founded and led by Sardar Biglari, Chairman and Chief Executive Officer of the Company.

Biglari Holdings’ management system combines decentralized operations with centralized financial decision-making. Operating decisions for the various business units are made by their respective managers. All major investment and capital allocation decisions are made for the Company and its subsidiaries by Mr. Biglari.

As of September 30, 2024, Mr. Biglari beneficially owns shares of the Company that represent approximately 71.5% of the voting interest.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, including Steak n Shake Inc., Western Sizzlin Corporation, First Guard Insurance Company, Maxim Inc., Southern Pioneer Property & Casualty Insurance Company, Biglari Reinsurance Ltd., Southern Oil Company and Abraxas Petroleum Corporation. Intercompany accounts and transactions have been eliminated in consolidation.

Note 2. Earnings Per Share

Earnings per share of common stock is based on the weighted average number of shares outstanding during the year. The shares of Company stock attributable to our limited partner interest in The Lion Fund, L.P., and The Lion Fund II, L.P., (collectively, the “investment partnerships”) — based on our proportional ownership during this period — are considered treasury stock on the consolidated balance sheet and thereby deemed not to be included in the calculation of weighted average common shares outstanding. However, these shares are legally outstanding.

Note 2. Earnings Per Share (continued)

The following table presents shares authorized, issued and outstanding on September 30, 2024 and December 31, 2023.

	September 30, 2024		December 31, 2023	
	Class A	Class B	Class A	Class B
Common stock authorized	500,000	10,000,000	500,000	10,000,000
Common stock issued and outstanding	206,864	2,068,640	206,864	2,068,640

The Company has applied the “two-class method” of computing earnings per share as prescribed in Accounting Standards Codification (“ASC”) 260, “*Earnings Per Share*”. (Class B shares are economically equivalent to one-fifth of a Class A share.) The equivalent Class A common stock applied for computing earnings per share excludes the proportional shares of Biglari Holdings’ stock held by the investment partnerships. In the tabulation below is the weighted average equivalent Class A common stock for earnings per share.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Equivalent Class A common stock outstanding	620,592	620,592	620,592	620,592
Proportional ownership of Company stock held by investment partnerships	340,683	331,585	339,245	329,732
Equivalent Class A common stock for earnings per share	279,909	289,007	281,347	290,860

Note 3. Investments

We classify investments in fixed maturity securities at the acquisition date as available-for-sale. Realized gains and losses on disposals of investments are determined on a specific identification basis. Dividends and interest earned on investments are reported as investment income by our insurance companies. We consider investment income as a component of our aggregate insurance operating results. However, we consider investment gains and losses, whether realized or unrealized, as non-operating.

Investment gains for the third quarter and first nine months of 2024 were \$4,740 and \$3,724, respectively. Investment losses in the third quarter and first nine months of 2023 were \$4,715 and \$724, respectively.

Note 4. Investment Partnerships

The Company reports on the limited partnership interests in investment partnerships under the equity method of accounting. We record our proportional share of equity in the investment partnerships but exclude Company common stock held by said partnerships. The Company’s pro-rata share of its common stock held by the investment partnerships is recorded as treasury stock even though these shares are legally outstanding. The Company records gains/losses from investment partnerships (inclusive of the investment partnerships’ unrealized gains and losses on their securities) in the consolidated statements of earnings based on our carrying value of these partnerships. The fair value is calculated net of the general partner’s accrued incentive fees. Gains and losses on Company common stock included in the earnings of these partnerships are eliminated because they are recorded as treasury stock.

Biglari Capital Corp. is the general partner of the investment partnerships. Biglari Capital Corp. is solely owned by Mr. Biglari.

Note 4. Investment Partnerships *(continued)*

The fair value and adjustment for Company common stock held by the investment partnerships to determine the carrying value of our partnership interest are presented below.

	Fair Value	Company Common Stock	Carrying Value
Partnership interest at December 31, 2023	\$ 472,772	\$ 273,669	\$ 199,103
Investment partnership gains (losses)	(10,682)	11,909	(22,591)
Contributions (net of distributions)	29,499		29,499
Changes in proportionate share of Company stock held		4,420	(4,420)
Partnership interest at September 30, 2024	<u>\$ 491,589</u>	<u>\$ 289,998</u>	<u>\$ 201,591</u>

	Fair Value	Company Common Stock	Carrying Value
Partnership interest at December 31, 2022	\$ 383,004	\$ 227,210	\$ 155,794
Investment partnership gains (losses)	21,141	45,648	(24,507)
Contributions (net of distributions)	41,530		41,530
Changes in proportionate share of Company stock held		3,400	(3,400)
Partnership interest at September 30, 2023	<u>\$ 445,675</u>	<u>\$ 276,258</u>	<u>\$ 169,417</u>

The carrying value of the investment partnerships net of deferred taxes is presented below.

	September 30, 2024	December 31, 2023
Carrying value of investment partnerships	\$ 201,591	\$ 199,103
Deferred tax liability related to investment partnerships	(22,880)	(27,896)
Carrying value of investment partnerships net of deferred taxes	<u>\$ 178,711</u>	<u>\$ 171,207</u>

We expect that a majority of the \$22,880 deferred tax liability enumerated above will not become due until the dissolution of the investment partnerships.

The Company's proportionate share of Company stock held by investment partnerships at cost was \$420,762 and \$416,342 at September 30, 2024 and December 31, 2023, respectively.

The carrying value of the partnership interest approximates fair value adjusted by the value of held Company stock. Fair value of our partnership interest is assessed according to our proportional ownership interest of the fair value of investments held by the investment partnerships. Unrealized gains and losses on marketable securities held by the investment partnerships affect our net earnings.

Gains/losses from investment partnerships recorded in the Company's consolidated statements of earnings are presented below.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Gains (losses) from investment partnerships	\$ 35,314	\$ (89,599)	\$ (22,591)	\$ (24,507)
Tax expense (benefit)	8,867	(21,222)	(5,438)	(6,660)
Contribution to net earnings (loss)	<u>\$ 26,447</u>	<u>\$ (68,377)</u>	<u>\$ (17,153)</u>	<u>\$ (17,847)</u>

On December 31 of each year, the general partner of the investment partnerships, Biglari Capital Corp., will earn an incentive reallocation fee for the Company's investments equal to 25% of the net profits above an annual hurdle rate of 6% over the previous high-water mark. Our policy is to accrue an estimated incentive fee throughout the year. The total incentive reallocation from Biglari Holdings to Biglari Capital Corp. includes gains on the Company's common stock. Gains and losses on the Company's common stock and the related incentive reallocations are eliminated in our financial statements.

There were no incentive reallocations accrued during the first nine months of 2024 and 2023.

Note 4. Investment Partnerships *(continued)*

Summarized financial information for The Lion Fund, L.P. and The Lion Fund II, L.P. is presented below.

	Equity in Investment Partnerships	
	Lion Fund	Lion Fund II
Total assets as of September 30, 2024	\$ 372,605	\$ 382,895
Total liabilities as of September 30, 2024	\$ 22,447	\$ 183,055
Revenue for the first nine months of 2024	\$ (1,940)	\$ (630)
Earnings (loss) for the first nine months of 2024	\$ (3,233)	\$ (9,261)
Biglari Holdings' ownership interest as of September 30, 2024	90.2 %	87.8 %
Total assets as of December 31, 2023	\$ 371,365	\$ 373,302
Total liabilities as of December 31, 2023	\$ 26,594	\$ 185,024
Revenue for the first nine months of 2023	\$ 44,886	\$ (12,172)
Earnings (loss) for the first nine months of 2023	\$ 44,208	\$ (19,603)
Biglari Holdings' ownership interest as of September 30, 2023	89.4 %	87.8 %

Revenue in the financial information of the investment partnerships, summarized above, includes investment income and unrealized gains and losses on investments.

Note 5. Property and Equipment

Property and equipment is composed of the following.

	September 30, 2024	December 31, 2023
Land	\$ 136,953	\$ 139,897
Buildings	158,890	151,716
Land and leasehold improvements	152,016	149,795
Equipment	213,279	212,424
Oil and gas properties	156,364	145,065
Construction in progress	346	1,629
	817,848	800,526
Less accumulated depreciation, depletion, and amortization	(437,226)	(420,035)
Property and equipment, net	<u>\$ 380,622</u>	<u>\$ 380,491</u>

Depletion expense related to oil and gas properties was \$7,412 and \$7,550 during the first nine months of 2024 and 2023, respectively.

The Company recorded no impairment to restaurant long-lived assets in the third quarter of 2024 and \$752 in the third quarter of 2023. The Company recorded an impairment to restaurant long-lived assets related to underperforming stores of \$107 and \$2,361 in the first nine months of 2024 and 2023, respectively.

Property and equipment held for sale of \$773 are recorded in other assets as of December 31, 2023. There was no property and equipment held for sale as of September 30, 2024.

During the first nine months of 2024, the Company sold former company-operated restaurants for a gain of \$5,335. During the first nine months of 2023, the Company sold former company-operated restaurants for a gain of \$5,253 and Abraxas Petroleum sold its office building with no gain or loss recorded.

Note 6. Goodwill and Other Intangible Assets

Goodwill

Goodwill consists of the excess of the purchase price over the fair value of the net assets acquired in connection with business acquisitions.

A reconciliation of the change in the carrying value of goodwill is as follows.

	Goodwill
Goodwill at December 31, 2023	
Goodwill	\$ 53,830
Impairments prior to 2024	(300)
	53,530
Impairment during the first nine months of 2024	(1,000)
Change in foreign exchange rates during the first nine months of 2024	7
Goodwill at September 30, 2024	<u>\$ 52,537</u>

Goodwill and indefinite-lived intangible asset impairment reviews include determining the estimated fair values of our reporting units and indefinite-lived intangible assets. The key assumptions and inputs used in such determinations may include forecasting revenues and expenses, cash flows and capital expenditures, as well as an appropriate discount rate and other inputs. Significant judgment by management is required in estimating the fair value of a reporting unit and in performing impairment reviews. Due to the inherent subjectivity and uncertainty in forecasting future cash flows and earnings over long periods of time, actual results may differ materially from the forecasts. If the carrying value of the indefinite-lived intangible asset exceeds fair value, the excess is charged to earnings as an impairment loss. If the carrying value of a reporting unit exceeds the estimated fair value of the reporting unit, then the excess, limited to the carrying amount of goodwill, will be charged to earnings as an impairment loss. There was no impairment recorded by Steak n Shake for goodwill during the first nine months of 2024 or 2023. During the second quarter of 2024, we performed our annual assessment of our recoverability of goodwill related to Western Sizzlin and an impairment to goodwill of \$1,000 was recorded. Western Sizzlin did not record an impairment for goodwill during the first nine months of 2023. There was no impairment recorded for intangible assets during the first nine months of 2024 and a \$20 impairment was recorded in the first nine months of 2023.

Other Intangible Assets

Intangible assets with indefinite lives are composed of the following.

	Trade Names	Lease Rights	Total
Balance at December 31, 2023			
Intangibles	\$ 15,876	\$ 11,102	\$ 26,978
Impairments prior to 2024	—	(3,748)	(3,748)
	15,876	7,354	23,230
Change in foreign exchange rates during the first nine months of 2024	—	78	78
Balance at September 30, 2024	<u>\$ 15,876</u>	<u>\$ 7,432</u>	<u>\$ 23,308</u>

Note 7. Restaurant Operations Revenues

Restaurant operations revenues were as follows.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Net sales	\$ 39,660	\$ 39,195	\$ 119,210	\$ 115,613
Franchise partner fees	17,157	17,622	53,064	54,604
Franchise royalties and fees	3,442	4,073	10,534	12,456
Other	2,125	996	6,047	4,833
	<u>\$ 62,384</u>	<u>\$ 61,886</u>	<u>\$ 188,855</u>	<u>\$ 187,506</u>

Note 7. Restaurant Operations Revenues *(continued)***Net Sales**

Net sales are composed of retail sales of food through company-operated stores. Company-operated store revenues are recognized, net of discounts and sales taxes, when our obligation to perform is satisfied at the point of sale. Sales taxes related to these sales are collected from customers and remitted to the appropriate taxing authority and are not reflected in the Company's consolidated statements of earnings as revenue.

Franchise Partner Fees

Franchise partner fees are composed of up to 15% of sales as well as 50% of profits. We are therefore fully affected by the operating results of the business, unlike in a traditional franchising arrangement, where the franchisor obtains a royalty fee based on sales only. We generate most of our revenue from our share of the franchise partners' profits. An initial franchise fee of ten thousand dollars is recognized when the operator becomes a franchise partner. The Company recognizes franchise partner fees monthly as underlying restaurant sales occur.

The Company leases or subleases property and equipment to franchise partners under lease arrangements. Both real estate and equipment rental payments are charged to franchise partners and are recognized in accordance with ASC 842, "Leases". During the third quarter of 2024 and 2023, restaurant operations recognized \$5,780 and \$5,692, respectively, in franchise partner fees related to rental income. During the first nine months ended September 30, 2024 and September 30, 2023, restaurant operations recognized \$17,265 and \$17,030, respectively, in franchise partner fees related to rental income.

Franchise Royalties and Fees

Franchise royalties and fees from Steak n Shake and Western Sizzlin franchisees are based upon a percentage of sales of the franchise restaurant and are recognized as earned. Franchise royalties are billed on a monthly basis. Initial franchise fees when a new restaurant opens or at the start of a new franchise term are recorded as deferred revenue when received and recognized as revenue over the term of the franchise agreement.

Other Revenue

Restaurant operations sell gift cards to customers which can be redeemed for retail food sales within our stores. Gift cards are recorded as deferred revenue when issued and are subsequently recorded as net sales upon redemption. Restaurant operations estimate breakage related to gift cards when the likelihood of redemption is remote. This estimate utilizes historical trends based on the vintage of the gift card. Breakage on gift cards is recorded as other revenue in proportion to the rate of gift card redemptions by vintage.

Note 8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include the following.

	September 30, 2024	December 31, 2023
Accounts payable	\$ 26,314	\$ 22,448
Gift cards and other marketing	5,263	7,089
Insurance accruals	2,411	2,565
Compensation	7,545	12,821
Deferred revenue	4,834	5,314
Taxes payable	13,471	11,050
Oil and gas payable	2,803	3,560
Other	4,053	1,896
Accounts payable and accrued expenses	<u>\$ 66,694</u>	<u>\$ 66,743</u>

Note 9. Lines of Credit

Biglari Holdings Line of Credit

Biglari Holdings' line of credit dated September 13, 2022 was amended on September 13, 2024 and the available line of credit was increased to \$35,000. The line of credit matures on September 13, 2026. The line of credit includes customary covenants, as well as financial maintenance covenants. The balance of the line of credit was \$9,000 on September 30, 2024. There was no balance on the line of credit on December 31, 2023. Our interest rate was 7.71% and 8.06% on September 30, 2024 and December 31, 2023, respectively, which is based on the 30-day Secured Overnight Financing Rate plus 2.75% and 2.73%, respectively.

Western Sizzlin Revolver

Western Sizzlin's available line of credit is \$500. As of September 30, 2024 and December 31, 2023, Western Sizzlin had no debt outstanding under its revolver.

Note 10. Unpaid Losses and Loss Adjustment Expenses

Our liabilities for unpaid losses and loss adjustment expenses (also referred to as "claim liabilities") under insurance contracts are based upon estimates of the ultimate claim costs associated with claim occurrences as of the balance sheet date and include estimates for incurred-but-not-reported ("IBNR") claims. A reconciliation of the changes in claim liabilities, net of reinsurance, for each of the nine month periods ended September 30, 2024 and 2023 follows.

	September 30, 2024	September 30, 2023
Balances at beginning of year:		
Gross liabilities	\$ 16,105	\$ 17,520
Reinsurance recoverable on unpaid losses	(937)	(715)
Net liabilities	15,168	16,805
Incurred losses and loss adjustment expenses:		
Current accident year	36,246	29,171
Prior accident years	(4,189)	(3,421)
Total	32,057	25,750
Paid losses and loss adjustment expenses:		
Current accident year	27,226	22,443
Prior accident years	4,718	6,026
Total	31,944	28,469
Balances at September 30:		
Net liabilities	15,281	14,086
Reinsurance recoverable on unpaid losses	576	1,047
Gross liabilities	<u>\$ 15,857</u>	<u>\$ 15,133</u>

We recorded net reductions of estimated ultimate liabilities for prior accident years of \$4,189 and \$3,421 in the first nine months of 2024 and 2023, respectively, which produced corresponding reductions in incurred losses and loss adjustment expenses in those periods. These reductions as a percentage of the net liabilities at the beginning of each year were 27.6% in 2024 and 20.4% in 2023.

Note 11. Lease Assets and Obligations

Lease obligations include the following.

	September 30, 2024	December 31, 2023
Current portion of lease obligations		
Finance lease liabilities	\$ 1,282	\$ 1,258
Finance obligations	4,603	4,826
Operating lease liabilities	8,474	8,771
Total current portion of lease obligations	<u>\$ 14,359</u>	<u>\$ 14,855</u>
Long-term lease obligations		
Finance lease liabilities	\$ 3,020	\$ 3,581
Finance obligations	61,417	56,471
Operating lease liabilities	27,552	26,337
Total long-term lease obligations	<u>\$ 91,989</u>	<u>\$ 86,389</u>

Nature of Leases

Steak n Shake and Western Sizzlin operate restaurants that are located on sites owned by us or leased from third parties. In addition, they own sites and lease sites from third parties that are leased and/or subleased to franchisees.

Lease Costs

A significant portion of our operating and finance lease portfolio includes restaurant locations. We recognize fixed lease expense for operating leases on a straight-line basis over the lease term. For finance leases, we recognize amortization expense on the right-of-use asset and interest expense on the lease liability over the lease term.

Total lease cost consists of the following.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Finance lease costs:				
Amortization of right-of-use assets	\$ 249	\$ 239	\$ 696	\$ 723
Interest on lease liabilities	78	80	245	257
Operating and variable lease costs	2,880	3,012	8,657	9,260
Sublease income	(3,002)	(2,988)	(8,977)	(9,133)
Total lease costs	<u>\$ 205</u>	<u>\$ 343</u>	<u>\$ 621</u>	<u>\$ 1,107</u>

Supplemental cash flow information related to leases is as follows.

	First Nine Months	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	\$ 921	\$ 934
Operating cash flows from finance leases	\$ 245	\$ 257
Operating cash flows from operating leases	\$ 8,147	\$ 9,670

Note 11. Lease Assets and Obligations (continued)

Supplemental balance sheet information related to leases is as follows.

	September 30, 2024	December 31, 2023
Finance leases:		
Property and equipment, net	\$ 3,202	\$ 3,574

Weighted-average lease terms and discount rates are as follows.

	September 30, 2024
Weighted-average remaining lease terms:	
Finance leases	4.47 years
Operating leases	6.06 years
Weighted-average discount rates:	
Finance leases	7.0 %
Operating leases	7.0 %

Maturities of lease liabilities as of September 30, 2024 are as follows.

Year	Operating Leases	Finance Leases
Remainder of 2024	\$ 2,878	\$ 378
2025	10,220	1,486
2026	7,865	1,163
2027	5,580	828
2028	4,761	437
After 2028	12,637	729
Total lease payments	43,941	5,021
Less interest	7,915	719
Total lease liabilities	\$ 36,026	\$ 4,302

Lease Income

The components of lease income recorded in restaurant operations are as follows.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Operating lease income	\$ 4,284	\$ 4,085	\$ 12,701	\$ 12,214
Variable lease income	1,761	1,840	5,384	5,545
Total lease income	\$ 6,045	\$ 5,925	\$ 18,085	\$ 17,759

Note 11. Lease Assets and Obligations (continued)

The following table displays the Company's future minimum rental receipts for non-cancelable leases and subleases as of September 30, 2024. Franchise partner leases and subleases are short-term leases and have been excluded from the table.

Year	Operating Leases	
	Subleases	Owned Properties
Remainder of 2024	\$ 165	\$ 99
2025	622	404
2026	225	407
2027	206	415
2028	86	424
After 2028	—	2,435
Total future minimum receipts	<u>\$ 1,304</u>	<u>\$ 4,184</u>

Note 12. Income Taxes

In determining the quarterly provision for income taxes, the Company used an estimated annual effective tax rate for the first nine months of 2024 and 2023. Our periodic effective income tax rate is affected by the relative mix of pre-tax earnings or losses and underlying income tax rates applicable to the various taxing jurisdictions.

Income tax expense for the third quarter of 2024 was \$11,201 compared to an income tax benefit of \$17,502 for the third quarter of 2023. Income tax expense for the first nine months of 2024 was \$3,292 compared to an income tax expense of \$3,254 for the first nine months of 2023. The variance in income taxes between 2024 and 2023 is attributable to taxes on income generated by the investment partnerships.

Note 13. Commitments and Contingencies

We are involved in various legal proceedings and have certain unresolved claims pending. We believe, based on examination of these matters and experiences to date, that the ultimate liability, if any, in excess of amounts already provided in our consolidated financial statements is not likely to have a material effect on our results of operations, financial position or cash flow.

Note 14. Fair Value of Financial Assets

The fair values of substantially all of our financial instruments were measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the fair values presented are not necessarily indicative of the amounts that could be realized in an actual current market exchange. The use of alternative market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

The hierarchy for measuring fair value consists of Levels 1 through 3, which are described below.

- Level 1 – Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets.
- Level 2 – Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar assets or liabilities exchanged in active or inactive markets; quoted prices for identical assets or liabilities exchanged in inactive markets; other inputs that may be considered in fair value determinations of the assets or liabilities, such as interest rates and yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. Pricing evaluations generally reflect discounted expected future cash flows, which incorporate yield curves for instruments with similar characteristics, such as credit ratings, estimated durations and yields for other instruments of the issuer or entities in the same industry sector.

Note 14. Fair Value of Financial Assets (continued)

- Level 3 – Inputs include unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities and we may be unable to corroborate the related observable inputs. Unobservable inputs require management to make certain projections and assumptions about the information that would be used by market participants in pricing assets or liabilities.

The following methods and assumptions were used to determine the fair value of each class of the following assets recorded at fair value in the consolidated balance sheets:

Cash equivalents: Cash equivalents primarily consist of money market funds which are classified as Level 1 of the fair value hierarchy.

Equity securities: The Company’s investments in equity securities are classified as Level 1 of the fair value hierarchy.

Bonds: The Company’s investments in bonds consist of both corporate and government debt. Bonds are classified as Level 1 of the fair value hierarchy.

As of September 30, 2024 and December 31, 2023, the fair values of financial assets were as follows.

	September 30, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents	\$ 9,741	\$ —	\$ —	\$ 9,741	\$ 2,374	\$ —	\$ —	\$ 2,374
Equity securities								
Consumer goods	43,826	—	—	43,826	26,660	—	—	26,660
Other	4,962	—	—	4,962	3,171	—	—	3,171
Bonds								
Government	53,995	—	—	53,995	61,536	—	—	61,536
Corporate	795	—	—	795	3,199	—	—	3,199
Total assets at fair value	\$ 113,319	\$ —	\$ —	\$ 113,319	\$ 96,940	\$ —	\$ —	\$ 96,940

There were no changes in our valuation techniques used to measure fair values on a recurring basis.

Note 15. Related Party Transactions***Service Agreement***

The Company is party to a service agreement with Biglari Enterprises LLC (“Biglari Enterprises”) under which Biglari Enterprises provides business and administrative related services to the Company. Biglari Enterprises is owned by Mr. Biglari.

The Company paid Biglari Enterprises \$7,200 in service fees during the first nine months of 2024 and \$6,300 during the first nine months of 2023. The service agreement does not alter the hurdle rate connected with the incentive reallocation paid to Biglari Capital Corp.

Incentive Agreement

The Incentive Agreement establishes a performance-based annual incentive payment for Mr. Biglari contingent upon the growth in adjusted equity in each year attributable to our operating businesses. In order for Mr. Biglari to receive any incentive, our operating businesses must achieve an annual increase in shareholders’ equity in excess of 6% (the “hurdle rate”) above the previous highest level (the “high-water mark”). Mr. Biglari will receive 25% of any incremental book value created above the high-water mark plus the hurdle rate. The Company accrued \$2,050 in incentive fees in the first nine months of 2024 and \$3,700 in the first nine months of 2023.

Note 16. Business Segment Reporting

Our reportable business segments are organized in a manner that reflects how management views those business activities. Our restaurant operations include Steak n Shake and Western Sizzlin. Our insurance operations include First Guard and Southern Pioneer. Our oil and gas operations include Southern Oil and Abraxas Petroleum. The Company also reports segment information for Maxim. Other business activities not specifically identified with reportable business segments are presented in corporate. We report our earnings from investment partnerships separate from our corporate expenses. We assess and measure segment operating results based on segment earnings as disclosed below. Segment earnings from operations are neither necessarily indicative of cash available to fund cash requirements, nor synonymous with cash flow from operations. The tabular information that follows shows data of our reportable segments reconciled to amounts reflected in the consolidated financial statements.

A disaggregation of our consolidated data for the third quarters and first nine months of 2024 and 2023 is presented in the tables which follow.

	Revenues			
	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Operating Businesses:				
Restaurant Operations:				
Steak n Shake	\$ 59,821	\$ 59,180	\$ 180,886	\$ 179,244
Western Sizzlin	2,563	2,706	7,969	8,262
Total Restaurant Operations	62,384	61,886	188,855	187,506
Insurance Operations:				
Underwriting				
First Guard	9,394	9,351	28,198	27,465
Southern Pioneer	7,281	5,809	20,690	18,430
Investment income and other	1,572	1,464	4,786	4,505
Total Insurance Operations	18,247	16,624	53,674	50,400
Oil and Gas Operations:				
Abraxas Petroleum	6,019	8,310	16,879	21,493
Southern Oil	3,555	3,849	10,876	13,630
Total Oil and Gas Operations	9,574	12,159	27,755	35,123
Maxim	202	268	715	1,624
	\$ 90,407	\$ 90,937	\$ 270,999	\$ 274,653

Note 16. Business Segment Reporting *(continued)*

	Earnings (Losses) Before Income Taxes			
	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Operating Businesses:				
Restaurant Operations:				
Steak n Shake	\$ 6,248	\$ 3,358	\$ 15,994	\$ 19,317
Western Sizzlin	265	397	1,162	1,462
Total Restaurant Operations	6,513	3,755	17,156	20,779
Insurance Operations:				
Underwriting:				
First Guard	1,366	2,362	3,497	7,378
Southern Pioneer	912	(166)	186	(728)
Investment income and other	845	1,155	3,536	3,456
Total Insurance Operations	3,123	3,351	7,219	10,106
Oil and Gas Operations:				
Abraxas Petroleum	696	17,990	19,497	21,044
Southern Oil	16	963	32	2,902
Total Oil and Gas Operations	712	18,953	19,529	23,946
Maxim	(267)	(239)	(876)	91
Interest expense not allocated to segments	(275)	(262)	(317)	(469)
Total Operating Businesses	9,806	25,558	42,711	54,453
Goodwill impairment	—	—	(1,000)	—
Corporate and other	(6,534)	(5,260)	(13,038)	(15,069)
Investment gains (losses)	4,740	(4,715)	3,724	(724)
Investment partnership gains (losses)	35,314	(89,599)	(22,591)	(24,507)
	\$ 43,326	\$ (74,016)	\$ 9,806	\$ 14,153

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands except per share data)

Overview

Biglari Holdings Inc. is a holding company owning subsidiaries engaged in a number of diverse business activities, including property and casualty insurance, licensing and media, restaurants, and oil and gas. Biglari Holdings is founded and led by Sardar Biglari, Chairman and Chief Executive Officer of the Company.

Biglari Holdings’ management system combines decentralized operations with centralized financial decision-making. Operating decisions for the various business units are made by their respective managers. All major investment and capital allocation decisions are made for the Company and its subsidiaries by Mr. Biglari.

As of September 30, 2024, Mr. Biglari beneficially owns shares of the Company that represent approximately 71.5% of the voting interest.

Net earnings (loss) attributable to Biglari Holdings Inc. shareholders are disaggregated in the table that follows. Amounts are recorded after deducting income taxes.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Operating businesses:				
Restaurant	\$ 4,870	\$ 3,395	\$ 12,587	\$ 16,170
Insurance	2,455	2,674	5,647	7,975
Oil and gas	599	14,631	15,117	18,451
Brand licensing	(194)	(179)	(652)	68
Interest expense	(210)	(202)	(242)	(362)
Total operating businesses	7,520	20,319	32,457	42,302
Goodwill impairment	—	—	(1,000)	—
Corporate and other	(5,548)	(4,746)	(10,669)	(12,987)
Investment partnership gains (losses)	26,447	(68,377)	(17,153)	(17,847)
Investment gains (losses)	3,706	(3,710)	2,879	(569)
Net earnings (loss)	32,125	(56,514)	6,514	10,899
Earnings attributable to noncontrolling interest	—	—	—	591
Net earnings (loss) attributable to Biglari Holdings Inc. shareholders	\$ 32,125	\$ (56,514)	\$ 6,514	\$ 10,308

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Restaurants

Our restaurant businesses, which include Steak n Shake and Western Sizzlin, comprise 468 company-operated and franchise restaurants as of September 30, 2024.

	Steak n Shake			Western Sizzlin		
	Company-operated	Franchise Partner	Traditional Franchise	Company-operated	Franchise	Total
Total stores as of December 31, 2023	148	181	128	3	32	492
Corporate stores transitioned	4	(4)	—	—	—	—
Net restaurants opened (closed)	(9)	—	(12)	—	(3)	(24)
Total stores as of September 30, 2024	143	177	116	3	29	468
Total stores as of December 31, 2022	177	175	154	3	36	545
Corporate stores transitioned	(6)	7	(1)	—	—	—
Net restaurants opened (closed)	(12)	(1)	(19)	—	(3)	(35)
Total stores as of September 30, 2023	159	181	134	3	33	510

As of September 30, 2024, 11 of the 143 company-operated Steak n Shake stores were closed. Steak n Shake plans to sell or lease 6 of the 11 locations and rebrand the balance.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Restaurant operations are summarized below.

	Third Quarter				First Nine Months			
	2024		2023		2024		2023	
Revenue								
Net sales	\$ 39,660		\$ 39,195		\$ 119,210		\$ 115,613	
Franchise partner fees	17,157		17,622		53,064		54,604	
Franchise royalties and fees	3,442		4,073		10,534		12,456	
Other revenue	2,125		996		6,047		4,833	
Total revenue	62,384		61,886		188,855		187,506	
Restaurant cost of sales								
Cost of food	12,218	30.8 %	11,888	30.3 %	35,549	29.8 %	34,038	29.4 %
Labor costs	13,158	33.2 %	12,192	31.1 %	38,694	32.5 %	36,077	31.2 %
Occupancy and other	10,836	27.3 %	12,709	32.4 %	33,276	27.9 %	34,340	29.7 %
Total cost of sales	36,212		36,789		107,519		104,455	
Selling, general and administrative								
General and administrative	10,355	16.6 %	10,720	17.3 %	35,101	18.6 %	31,973	17.1 %
Marketing	3,182	5.1 %	2,629	4.2 %	8,984	4.8 %	8,876	4.7 %
Other expenses (income)	(1,978)	(3.2)%	(825)	(1.3)%	(4,420)	(2.3)%	(5,126)	(2.7)%
Total selling, general and administrative	11,559	18.5 %	12,524	20.2 %	39,665	21.0 %	35,723	19.1 %
Impairments								
Impairments	—	— %	752	1.2 %	107	0.1 %	2,381	1.3 %
Depreciation and amortization	6,747	10.8 %	6,804	11.0 %	20,392	10.8 %	20,298	10.8 %
Interest on finance leases and obligations	1,353		1,262		4,016		3,870	
Earnings before income taxes								
Earnings before income taxes	6,513		3,755		17,156		20,779	
Income tax expense								
Income tax expense	1,643		360		4,569		4,609	
Contribution to net earnings								
Contribution to net earnings	<u>\$ 4,870</u>		<u>\$ 3,395</u>		<u>\$ 12,587</u>		<u>\$ 16,170</u>	

Cost of food, labor costs, and occupancy and other costs are expressed as a percentage of net sales.

General and administrative, marketing, other expenses, impairments, and depreciation are expressed as a percentage of total revenue.

Net sales for the third quarter and first nine months of 2024 were \$39,660 and \$119,210, respectively, representing an increase of \$465 or 1.2% and \$3,597 or 3.1%, compared to the third quarter and first nine months of 2023, respectively. The increase in net sales was primarily due to an increase in Steak n Shake’s same-store sales of 5.4% during the third quarter of 2024.

For company-operated units, sales to the end customer are recorded as revenue generated by the Company, but for franchise partner units, only our share of the restaurant’s profits, along with certain fees, are recorded as revenue. Because we derive most of our revenue from our share of the profits, revenue will decline as we transition from company-operated units to franchise partner units.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Our franchise partner fees were \$17,157 during the third quarter of 2024, as compared to \$17,622 during the third quarter of 2023. Franchise partner fees were \$53,064 and \$54,604 during the first nine months of 2024 and 2023, respectively. As of September 30, 2024 and September 30, 2023, there were 177 and 181 franchise partner units, respectively. Included in franchise partner fees were \$5,780 and \$5,692 of rental income during the third quarter of 2024 and 2023, respectively, and \$17,265 and \$17,030 during the first nine months of 2024 and 2023, respectively. Franchise partners rent buildings and equipment from Steak n Shake. Our share of franchise partner fees was lower primarily because our franchise partners' food and labor expenses were higher during the first nine months of 2024 as compared to the first nine months of 2023.

The franchise royalties and fees generated by the traditional franchising business were \$3,442 during the third quarter of 2024, as compared to \$4,073 during the third quarter of 2023. Franchise royalties and fees during the first nine months of 2024 were \$10,534 as compared to \$12,456 during the first nine months of 2023. There were 116 Steak n Shake traditional units open on September 30, 2024, as compared to 134 units open on September 30, 2023. The decrease in franchise royalties and fees was primarily due to fewer traditional units open during 2024.

The cost of food at company-operated units during the third quarter of 2024 was \$12,218 or 30.8% of net sales, as compared to \$11,888 or 30.3% of net sales during the third quarter of 2023. The cost of food at company-operated units during the first nine months of 2024 was \$35,549 or 29.8% of net sales, as compared to \$34,038 or 29.4% of net sales during the first nine months of 2023. Cost of food expressed as a percentage of net sales remained relatively consistent.

Labor costs at company-operated restaurants during the third quarter of 2024 were \$13,158 or 33.2% of net sales, as compared to \$12,192 or 31.1% of net sales in the third quarter of 2023. Labor costs at company-operated restaurants during the first nine months of 2024 were \$38,694 or 32.5% of net sales, as compared to \$36,077 or 31.2% of net sales in 2023. Labor costs expressed as a percentage of net sales increased during 2024 compared to 2023 primarily due to an increase in store level managers in Steak n Shake company-operated restaurants.

General and administrative expenses during the third quarter of 2024 were \$10,355 or 16.6% of total revenue, as compared to \$10,720 or 17.3% of total revenue in the third quarter of 2023. General and administrative expenses during the first nine months of 2024 were \$35,101 or 18.6% of total revenue, as compared to \$31,973 or 17.1% of total revenue in the first nine months of 2023. The increase in general and administrative expenses was mainly attributable to higher personnel costs at Steak n Shake.

The Company recorded no impairment charges in the third quarter of 2024 and \$752 of impairment charges in the third quarter of 2023. The Company recorded impairment charges of \$107 and \$2,381 in the first nine months of 2024 and 2023, respectively, related to underperforming stores.

Interest on obligations under leases was \$4,016 during 2024 versus \$3,870 during 2023.

Other income was \$4,420 during 2024 versus \$5,126 during 2023. During 2024, Western Sizzlin received a settlement of \$450. During 2024, Steak n Shake sold five properties for a gain of \$4,383 and sold six properties for a gain of \$5,253 during 2023.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

To better convey the performance of the franchise partnership model, the table below shows the underlying sales, cost of food, labor costs, and other restaurant costs of the franchise partners. We believe the franchise partner information is useful to readers, as they have a direct effect on Steak n Shake’s profitability.

	Third Quarter				First Nine Months			
	2024		2023		2024		2023	
Revenue								
Net sales and other	<u>\$ 82,553</u>		<u>\$ 81,780</u>		<u>\$ 246,811</u>		<u>\$ 242,741</u>	
Restaurant cost of sales								
Cost of food	\$ 25,135	30.4 %	\$ 23,566	28.8 %	\$ 73,145	29.6 %	\$ 67,535	27.8 %
Labor costs	22,417	27.2 %	21,739	26.6 %	66,487	26.9 %	64,679	26.6 %
Occupancy and other	17,557	21.3 %	17,082	20.9 %	51,498	20.9 %	49,239	20.3 %
Total cost of sales	<u>\$ 65,109</u>		<u>\$ 62,387</u>		<u>\$ 191,130</u>		<u>\$ 181,453</u>	

The Company’s consolidated financial statements do not include data in the table above. Figures are shown for information purposes only.

Insurance

We view our insurance businesses as possessing two activities: underwriting and investing. Underwriting decisions are the responsibility of the unit managers, whereas investing decisions are the responsibility of our Chairman and CEO, Sardar Biglari. Our business units are operated under separate local management. Biglari Holdings’ insurance operations consist of Biglari Reinsurance, First Guard, and Southern Pioneer.

Underwriting results of our insurance operations are summarized below.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Underwriting gain attributable to:				
First Guard	\$ 1,366	\$ 2,362	\$ 3,497	\$ 7,379
Southern Pioneer	912	(166)	186	(728)
Pre-tax underwriting gain	2,278	2,196	3,683	6,651
Income tax expense	478	461	773	1,397
Net underwriting gain	<u>\$ 1,800</u>	<u>\$ 1,735</u>	<u>\$ 2,910</u>	<u>\$ 5,254</u>

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Earnings of our insurance operations are summarized below.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Premiums written	\$ 16,890	\$ 15,155	\$ 50,265	\$ 47,715
Premiums earned	\$ 16,675	\$ 15,160	\$ 48,888	\$ 45,895
Insurance losses	9,489	8,783	31,329	25,751
Underwriting expenses	4,908	4,181	13,876	13,493
Pre-tax underwriting gain	2,278	2,196	3,683	6,651
Other income and expenses				
Investment income	816	832	2,686	2,169
Other income (expenses)	29	323	850	1,286
Total other income	845	1,155	3,536	3,455
Earnings before income taxes	3,123	3,351	7,219	10,106
Income tax expense	668	677	1,572	2,131
Contribution to net earnings	\$ 2,455	\$ 2,674	\$ 5,647	\$ 7,975

Insurance premiums and other on the consolidated statement of earnings includes premiums earned, investment income, other income, and commissions.

First Guard

First Guard is a direct underwriter of commercial truck insurance, selling physical damage and nontrucking liability insurance to truckers. First Guard’s insurance products are marketed primarily through direct response methods via the Internet or by telephone. First Guard’s cost-efficient direct response marketing methods enable it to be a low-cost insurer. A summary of First Guard’s underwriting results follows.

	Third Quarter				First Nine Months			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums written	\$ 9,394		\$ 9,351		\$28,198		\$27,465	
Premiums earned	\$ 9,394	100.0 %	\$ 9,351	100.0 %	\$28,198	100.0 %	\$27,465	100.0 %
Insurance losses	6,003	63.9 %	5,268	56.3 %	18,939	67.2 %	14,766	53.8 %
Underwriting expenses	2,025	21.6 %	1,721	18.4 %	5,762	20.4 %	5,320	19.4 %
Total losses and expenses	8,028	85.5 %	6,989	74.7 %	24,701	87.6 %	20,086	73.2 %
Pre-tax underwriting gain	\$ 1,366		\$ 2,362		\$ 3,497		\$ 7,379	

First Guard produced an underwriting gain in the third quarter and first nine months of 2024. Its underwriting profitability declined in 2024 as compared to 2023 because of a higher ratio of losses and loss adjustment expenses to premiums earned. Our periodic underwriting earnings are subject to considerable volatility from significant weather-related loss events. It is the nature of the insurance business to experience volatility in underwriting performance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Southern Pioneer

Southern Pioneer underwrites garage liability and commercial property insurance, as well as homeowners and dwelling fire insurance. A summary of Southern Pioneer's underwriting results follows.

	Third Quarter				First Nine Months			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Premiums written	\$ 7,496		\$ 5,804		\$22,067		\$20,250	
Premiums earned	\$ 7,281	100.0 %	\$ 5,809	100.0 %	\$20,690	100.0 %	\$18,430	100.0 %
Insurance losses	3,486	47.9 %	3,515	60.5 %	12,390	59.9 %	10,985	59.6 %
Underwriting expenses	2,883	39.6 %	2,460	42.3 %	8,114	39.2 %	8,173	44.3 %
Total losses and expenses	6,369	87.5 %	5,975	102.8 %	20,504	99.1 %	19,158	103.9 %
Pre-tax underwriting gain (loss)	\$ 912		\$ (166)		\$ 186		\$ (728)	

Premiums written increased \$1,817 (9.0%) in 2024 compared to 2023. Southern Pioneer's ratio of losses and loss adjustment expenses to premiums earned was 47.9% during the third quarter of 2024 as compared to 60.5% during the third quarter of 2023 and 59.9% during the first nine months of 2024 as compared to 59.6% during the first nine months of 2023.

A summary of net investment income attributable to our insurance operations follows.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Interest, dividends and other investment income:				
First Guard	\$ 435	\$ 475	\$ 1,538	\$ 1,293
Southern Pioneer	363	357	1,130	876
Biglari Reinsurance	18	—	18	—
Pre-tax investment income	816	832	2,686	2,169
Income tax expense	171	174	564	455
Net investment income	\$ 645	\$ 658	\$ 2,122	\$ 1,714

We consider investment income as a component of our aggregate insurance operating results. However, we consider investment gains and losses, whether realized or unrealized, as non-operating.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)**Oil and Gas**

A summary of revenues and earnings of our oil and gas operations follows.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Oil and gas revenues	\$ 9,574	\$ 12,159	\$ 27,755	\$ 35,123
Oil and gas production costs	4,425	3,771	13,206	12,754
Depreciation, depletion and accretion	3,402	2,404	8,072	8,155
Gain on sale of properties	(54)	(13,563)	(16,700)	(13,563)
General and administrative expenses	1,089	594	3,648	3,831
Earnings before income taxes	712	18,953	19,529	23,946
Income tax expense (benefit)	113	4,322	4,412	5,495
Contribution to net earnings	\$ 599	\$ 14,631	\$ 15,117	\$ 18,451

Our oil and gas business is highly dependent on oil and natural gas prices. The lower natural gas prices and lower production during 2024 caused decreases in revenues. Production decreases were primarily because several gas wells were shut-in along with the natural depletion of oil and gas reserves.

During the first nine months of 2024, Abraxas Petroleum recorded a gain of \$16,700 as a result of selling undeveloped reserves to an unaffiliated party whose aim is to conduct development activities; however, Abraxas Petroleum will not be required to fund any exploration expenditures on its undeveloped properties. During the third quarter of 2023, Abraxas Petroleum entered into a similar royalty-based arrangement on its undeveloped properties, which began producing in the third quarter of 2024.

Abraxas Petroleum

Abraxas Petroleum operates oil and gas properties in the Permian Basin of West Texas. Earnings for Abraxas Petroleum are summarized below.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Oil and gas revenues	\$ 6,019	\$ 8,310	\$ 16,879	\$ 21,493
Oil and gas production costs	2,377	2,061	7,462	6,836
Depreciation, depletion and accretion	2,287	1,650	4,615	5,049
Gain on sale of properties	(54)	(13,563)	(16,700)	(13,563)
General and administrative expenses	713	172	2,005	2,127
Earnings before income taxes	696	17,990	19,497	21,044
Income tax expense	150	4,137	4,482	4,839
Contribution to net earnings	\$ 546	\$ 13,853	\$ 15,015	\$ 16,205

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Southern Oil

Southern Oil primarily operates oil and natural gas properties offshore in the shallow waters of the Gulf of Mexico. Earnings for Southern Oil are summarized below.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Oil and gas revenues	\$ 3,555	\$ 3,849	\$ 10,876	\$ 13,630
Oil and gas production costs	2,048	1,710	5,744	5,918
Depreciation, depletion and accretion	1,115	754	3,457	3,106
General and administrative expenses	376	422	1,643	1,704
Earnings (loss) before income taxes	16	963	32	2,902
Income tax expense (benefit)	(37)	185	(70)	656
Contribution to net earnings	\$ 53	\$ 778	\$ 102	\$ 2,246

Brand Licensing

Maxim's business lies principally in licensing and media. Earnings of operations are summarized below.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Licensing and media revenue	\$ 202	\$ 268	\$ 715	\$ 1,624
Licensing and media costs	432	476	1,458	1,427
General and administrative expenses	37	31	133	106
Earnings (loss) before income taxes	(267)	(239)	(876)	91
Income tax expense (benefit)	(73)	(60)	(224)	23
Contribution to net earnings (loss)	\$ (194)	\$ (179)	\$ (652)	\$ 68

Licensing revenue was lower during 2024 as compared to 2023 primarily due to fewer licensing events in the first nine months of 2024.

Investment Gains and Investment Partnership Gains

Investment gains net of tax for the third quarter of 2024 were \$3,706 as compared to investment losses net of tax for the third quarter of 2023 of \$3,710. Investment gains net of tax for the first nine months of 2024 were \$2,879 as compared to investment losses net of tax for the first nine months of 2023 of \$569. Dividends earned on investments are reported as investment income by our insurance companies. We consider investment income as a component of our aggregate insurance operating results. However, we consider investment gains and losses, whether realized or unrealized, as non-operating.

Earnings (loss) from our investments in partnerships are summarized below.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Investment partnership gains (losses)	\$ 35,314	\$ (89,599)	\$ (22,591)	\$ (24,507)
Tax expense (benefit)	8,867	(21,222)	(5,438)	(6,660)
Contribution to net earnings (loss)	\$ 26,447	\$ (68,377)	\$ (17,153)	\$ (17,847)

Investment partnership gains include gains/losses from changes in market values of underlying investments and dividends earned by the partnerships. Dividend income has a lower effective tax rate than income from capital gains. These gains and losses have caused and will continue to cause significant volatility in our periodic earnings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

The investment partnerships hold the Company's common stock as investments. The Company's pro-rata share of its common stock held by the investment partnerships is recorded as treasury stock even though these shares are legally outstanding. Gains and losses on Company common stock included in the earnings of the partnerships are eliminated in the Company's consolidated financial results.

Investment gains and losses in 2024 and 2023 were mainly derived from our investments in equity securities and included unrealized gains and losses from market price changes during the period. We believe that investment and derivative gains/losses are generally meaningless for analytical purposes in understanding our quarterly and annual results.

Interest Expense

The Company's interest expense is summarized below.

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Interest expense on notes payable	\$ 275	\$ 262	\$ 317	\$ 469
Tax benefit	65	60	75	107
Interest expense net of tax	<u>\$ 210</u>	<u>\$ 202</u>	<u>\$ 242</u>	<u>\$ 362</u>

Biglari Holdings' line of credit dated September 13, 2022 was amended on September 13, 2024 and the available line of credit was increased to an aggregate principal amount of up to \$35,000. The balance of the line of credit was \$9,000 on September 30, 2024. There was no balance on the line of credit on December 31, 2023.

Corporate and Other

Corporate expenses exclude the activities of the restaurant, insurance, brand licensing, and oil and gas businesses. Corporate and other net losses during the third quarter of 2024 increased as compared to the same period in 2023 because of higher legal and professional expenses. Corporate and other net losses during the first nine months of 2024 decreased as compared to the same period in 2023 primarily due to lower incentive fees accrued.

Income Taxes

Income tax expense for the third quarter of 2024 was \$11,201 compared to income tax benefit of \$17,502 for the third quarter of 2023. Income tax expense for the first nine months of 2024 was \$3,292 compared to income tax expense of \$3,254 for the first nine months of 2023. The variance in income taxes between 2024 and 2023 is attributable to taxes on income generated by the investment partnerships.

Financial Condition

Consolidated cash and investments are summarized below.

	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 29,891	\$ 28,066
Investments	102,902	91,879
Fair value of interest in investment partnerships	491,589	472,772
Total cash and investments	624,382	592,717
Less: portion of Company stock held by investment partnerships	(289,998)	(273,669)
Carrying value of cash and investments on balance sheet	<u>\$ 334,384</u>	<u>\$ 319,048</u>

Unrealized gains/losses of Biglari Holdings' stock held by the investment partnerships are eliminated in the Company's consolidated financial results.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Liquidity

Our balance sheet continues to maintain significant liquidity. Consolidated cash flow activities are summarized below.

	First Nine Months	
	2024	2023
Net cash provided by operating activities	\$ 31,665	\$ 48,676
Net cash used in investing activities	(34,916)	(56,226)
Net cash provided by financing activities	4,869	4,382
Effect of exchange rate changes on cash	(42)	(56)
Increase (decrease) in cash, cash equivalents and restricted cash	\$ 1,576	\$ (3,224)

Cash from operating activities decreased in 2024 as compared to 2023 primarily because of lower net earnings in restaurants and oil and gas of \$3,583 and \$3,334, respectively.

Cash used in investing activities decreased during 2024 by \$21,310 as compared to 2023 primarily due to a decrease in investments.

Cash from financing activities during 2024 was relatively consistent with 2023.

Biglari Holdings Line of Credit

Biglari Holdings’ line of credit dated September 13, 2022 was amended on September 13, 2024 and the available line of credit was increased to \$35,000. The line of credit matures on September 13, 2026. The line of credit includes customary covenants, as well as financial maintenance covenants. As of September 30, 2024, we were in compliance with all covenants. The balance of the line of credit was \$9,000 on September 30, 2024. There was no balance on the line of credit on December 31, 2023. Our interest rate was 7.71% and 8.06% on September 30, 2024 and December 31, 2023, respectively, which is based on the 30-day Secured Overnight Financing Rate plus 2.75% and 2.73%, respectively.

Western Sizzlin Revolver

Western Sizzlin’s available line of credit is \$500. As of September 30, 2024 and December 31, 2023, Western Sizzlin had no debt outstanding under its revolver.

Critical Accounting Policies

Management’s discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Certain accounting policies require management to make estimates and judgments concerning transactions that will be settled several years in the future. Amounts recognized in our consolidated financial statements from such estimates are necessarily based on numerous assumptions involving varying and potentially significant degrees of judgment and uncertainty. Accordingly, the amounts currently reflected in our consolidated financial statements will likely increase or decrease in the future as additional information becomes available. There have been no material changes to critical accounting policies previously disclosed in our annual report on Form 10-K for the year ended December 31, 2023.

Recently Issued Accounting Pronouncements

No recently issued accounting pronouncements were applicable for this Quarterly Report on Form 10-Q.

Cautionary Note Regarding Forward-Looking Statements

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In general, forward-looking statements include estimates of future revenues, cash flows, capital expenditures, or other financial items, and assumptions underlying any of the foregoing. Forward-looking statements reflect management's current expectations regarding future events and use words such as "anticipate," "believe," "expect," "may," and other similar terminology. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. Investors should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. These forward-looking statements are all based on currently available operating, financial, and competitive information and are subject to various risks and uncertainties. Our actual future results and trends may differ materially depending on a variety of factors, many beyond our control, including, but not limited to, the risks and uncertainties described in Item 1A, Risk Factors of our annual report on Form 10-K and Item 1A of this report. We undertake no obligation to publicly update or revise them, except as may be required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Based on an evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), our Chief Executive Officer and Controller have concluded that our disclosure controls and procedures were effective as of September 30, 2024.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2024 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information in response to this Item is included in Note 13 to the Consolidated Financial Statements included in Part 1, Item 1 of this Form 10-Q and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in Item 1A to the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
<u>31.01*</u>	<u>Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.02*</u>	<u>Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.01*</u>	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	Interactive Data Files.
104	Cover page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Biglari Holdings Inc.

Date: November 8, 2024

By: /s/ BRUCE LEWIS
Bruce Lewis
Controller