Dear Shareholders of Biglari Holdings Inc.:

Biglari Holdings is a collection of businesses. It resembles a museum — not of art but of businesses. Rather than collecting Monets, we collect money from productive assets. Cash is cash regardless of its source, whether it originates from a restaurant chain or from an insurance company. This cash-generating philosophy, measured on the basis of intrinsic value, renders all businesses as economic equivalents.[1]

As a modern corporation Biglari Holdings is unorthodox, for it is both highly unified and highly decentralized. Its group of operationally independent companies — Steak n Shake, Western Sizzlin, First Guard, and Maxim — is held together by Biglari Holdings' ownership. The management of business units is decentralized, with financial authority fully concentrated under my control. As the sole capital allocator, I employ neither analysts nor advisors. Because of our corporate architecture, we are able to administer our enterprise of approximately 19,000 employees with a staff of 5 at corporate headquarters.

Biglari Holdings' structure improves capital allocation and empowers a far-flung patchwork of businesses. And we can grow faster through acquisitions than we would by simply expanding upon our existing base. For a corporation devoted to acquisitions, however, it might seem unusual that we have not made a single purchase in the past five years. Then again, we have observed that many corporate acquirers confuse means and ends, namely by fixating on making acquisitions rather than on making money *from* acquisitions. We make acquisitions for the sole purpose of advancing per-share wealth.

Yet full ownership is not the only path to prosperity. Partial ownership of businesses via the stock market often offers uncommon value vis-à-vis negotiated transactions for entire businesses. We think of stocks as fractional ownership in businesses. Because of our attitude toward equity markets, viewing stocks from a businessman's perspective, our range of investment options is wide and varied. Plainly, we view our corporation as a vehicle for deploying capital in high-return opportunities.

One of our competitive advantages is maximum flexibility concerning capital allocation — the ability to allocate in *any* category of investments. We deploy capital on the basis of value unimpeded by tradition or imperative. A common corporate imperative is to reinvest the money where it was earned, which may be less than ideal — akin to a buggy-whip manufacturer reinvesting in its operations after the advent of the automobile. Our opportunistic expansion into a disparate collection of controlled and noncontrolled businesses has led us to build Biglari Holdings into a multifaceted enterprise. Over the last decade, Biglari Holdings' cumulative pre-tax earnings (including profits from investments) totaled $421.4 million. In the process, we grew cash and investments from $1.6 million to $802.0 million.

[1] Intrinsic value is measured by taking all future cash flows into and out of the business and discounting the net figures at an appropriate interest rate.

Here is the year-by-year development of cash and investments:

(In Millions)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Cash and Equivalents	$ 48.6	$ 58.6	$ 75.8	$ 56.5	$ 124.3	$ 94.6	$ 60.4	$ 99.0	$ 47.6	$ 51.4	$ 1.6
Marketable Securities	38.3	27.7	26.8	23.8	21.5	85.5	269.9	115.3	32.5	3.0	–
The Lion Fund	715.1	925.3	972.7	734.7	620.8	455.3	48.3	38.5	38.6	–	–
Total Investments	**$ 802.0**	**$ 1,011.6**	**$ 1,075.3**	**$ 815.0**	**$ 766.6**	**$ 635.4**	**$ 378.6**	**$ 252.8**	**$ 118.7**	**$ 54.4**	**$ 1.6**

Notes: The years 2015 through 2018 were calendar years. The years 2009 through 2014 were fiscal years that ended on the last Wednesday in September. The 2008 data is for the fiscal quarter ending on July 2, 2008, the nearest fiscal quarter prior to present management assuming control.

Biglari Holdings' investments in The Lion Fund, L.P. and The Lion Fund II, L.P. do not include other limited partners' interests. Both partnerships throughout this letter will be referenced as The Lion Fund.

The meteoric rise in investments, combined with no debt at the parent company, has given Biglari Holdings a capital structure advantage. Financial strength is the *sine qua non* in depressed financial markets, not only to avoid peril but to preserve the financial flexibility needed for acquisitions and investments. Lucrative opportunities are often hidden in adversity, requiring a mixture of cash, courage, and competence to seize them. Holding ample financial resources positions us to be aggressive when others are mired in apprehension.

Phil Cooley, Vice Chairman of Biglari Holdings, and I have no desire to surrender our capital strength in order to stretch for higher returns. From our founding we have endeavored to take risk of ruin to a probability of zero point zero, zero, zero.

To further enhance our financial base, Biglari Holdings is seeking to acquire additional insurance companies. Unquestionably, purchasing a fine insurance company is far from easy, mainly because it is a CEO-intensive business. But Phil and I like the prospects of the insurance business and would expect to enlarge our domain so long as we associate with skilled, honorable operators.

Our model of an ideal acquisition is First Guard: an exceptional business run by an exceptional operator. With First Guard we obtained a gem of a company along with its creator, CEO Edmund B. Campbell, III. There is yet another benefit: The Ed Campbells of the world are owner-managers who cannot be recruited away. For starters, Ed has no financial need for employment, as his joy comes from the love of achievement. The transaction was beneficial for him because it diversified his family's holdings and simplified his estate planning. Plus, he continues to run the business as if he had never sold it. We were spoiled in the First Guard acquisition — and we wish to keep getting spoiled.

To be sure, there are not many First Guards in the insurance business or, for that matter, in business generally. But we have a decided edge in attracting such business masterpieces and their master-managers: Becoming a constituent company of Biglari Holdings is nearly the same as an owner-manager running his or her own show.

We offer what most business buyers — strategic or financial — do not or cannot offer: continuity and permanency. Strategic buyers value integration based on the prospect of capturing "synergies" by combining the acquiree's operations with their own existing business. We, by contrast, place value on non-integration. The cost is a lack of operational synergy, an overrated concept; conversely, non-integration is underrated. Then there are the private equity firms, exit-driven, which would most likely saddle the company with considerable debt. Here again, we are buying with no such ruinous intentions; rather, we undertake business acquisitions with the expectation of holding them in perpetuity. Because of our idiosyncratic approach, we are the right fit for many entrepreneurs.

After nearly five years of owning First Guard, we invite potential sellers to review our dealings. To judge how one will behave in the future, it is logical to evaluate how one has behaved in the past. After all, a reputation is earned, not bought.

Our corporate performance is the result of cash generated by our operating subsidiaries along with our capital allocation work, which according to our criterion must outdo the S&P 500 Index. Over the past decade we believe Biglari Holdings' gain in per-share intrinsic value has *far* outstripped the S&P 500. Two components are critical in assessing the company's progress: its investments and its operating businesses.

Investments

By the end of 2018, total investments (cash, marketable securities, and Biglari Holdings' investments in The Lion Fund) amounted to $802.0 million; close to half of that sum came from investment gains. Our investment activities are largely conducted through The Lion Fund, whose origin dates from the year 2000 when I founded it.

To achieve superior results in marketable securities, our reasoning must be superior. Our action is deliberate and infrequent, for we adhere to long-term, selective investing. By conventional standards our investment style — with long stretches of inaction — is anachronistic. We follow neither the advice nor the actions of so-called experts, or even actual experts. Wall Street, in the business of selling, needs activity, but we as owners of capital act only when it is sensible. Because attractive opportunities are rare and ephemeral, we make relatively few investments. It is incontrovertible that many large fortunes have accumulated through the concentration of capital in a single corporation. But it is also an approach in which ignorance spawns immense losses; thus, knowledge is the best shield against permanent loss of capital. A superior investment offers profit potential without the assumption of commensurate risk.

For an investor to attain sizable profits in common stocks, two constituent factors are critical: (1) knowing a company's long-term business prospects; and (2) recognizing a divergence between investor perception and business reality. Only when we hold a capital-allocation edge, with confidence in the correctness of our judgment, do we concentrate heavily in shares of a corporation. In adopting a strategy favoring concentration, we will *ipso facto* experience greater volatility, which we handle with equanimity. Why should we suffer anguish from quotational changes caused by the misjudgment of others? Admittedly, most investors would not be temperamentally equipped to follow our approach. We are comfortable on such an investment journey. Despite the fact that the road we travel is rather bumpy, it is also a road that can lead to an outstanding destination.

At year-end, The Lion Fund's largest common stock holding was 4,322,218 shares of Cracker Barrel Old Country Store, Inc. During 2018 we decreased our holding in Cracker Barrel from 19.7% to 18.0% of the company's outstanding shares. We originally purchased 4,737,794 shares of Cracker Barrel for $241.1 million from May 2011 through December 2012, with a dollar-weighted purchase date of December 2011. Here are some of Cracker Barrel's figures for 2011 through 2018:

Fiscal Year*	Earnings per Share	Dividends per Share
2011	$ 3.70	$ .88
2012 (53 weeks).....	4.47	1.15
2013	4.95	2.25
2014	5.55	3.25
2015	6.85	7.10
2016	7.91	7.70
2017	8.40	8.15
2018 (53 weeks).....	10.31	8.60

**Fiscal years ended on the Friday nearest July 31.*

At last year's dividend of $8.60 per share, the pre-tax yield is 16.9% on our average cost per share of $50.89. Along the way we have collected a total of $39.18 per share in dividends. By year-end 2018, we received proceeds of $74.3 million from the sale of stock, $185.6 million in dividends, plus held a remaining stake of $690.9 million. In sum, over a seven-year period, our investment in Cracker Barrel of $241.1 million turned into $950.8 million in value.

At year-end 2018, Biglari Holdings had a $715.1 million investment in The Lion Fund partnerships, with net unrealized appreciation of $329.8 million. Biglari Holdings' investment in the partnerships excludes deferred income taxes on unrealized gains. As is evident in Biglari Holdings' financial statements, we would owe taxes of $92.7 million if the partnerships liquidated their holdings at year-end values. The tax liability, we regard, is tantamount to an interest-free loan from the government for the company's benefit. We are gaining the upside of leverage without its associated downside. Hence, we control $92.7 million more in assets funded by liabilities carrying no cost, no covenants, and no maturity date — except the loan must be paid as assets are sold.

Operating Businesses

Biglari Holdings has four major controlled businesses, each 100%-owned: Steak n Shake, Western Sizzlin, First Guard, and Maxim. Over the long term, each business must be a moneymaker. Our preference is to plow the profits into an unrelated collection of other businesses, continually adding streams of cash with each acquisition.

Because we are driven by intrinsic value, not by an income statement, in our view our reported earnings do not represent a meaningful measure of our economic progress. Nevertheless, as a first step in evaluating Biglari Holdings' performance, the following table delineates an unconventional breakdown of our earnings in a form that Phil and I find more useful than the conventional one in our consolidated statements.

	(In 000's) 2018	2017
Operating Earnings:		
Steak n Shake	$ (10,657)	$ 431
Western Sizzlin	2,046	1,860
First Guard	6,215	4,770
Maxim	1,068	(439)
Corporate and Other	(10,651)	(15,437)
Operating Earnings Before Interest and Taxes	(11,979)	(8,815)
Interest Expense	11,677	11,040
Income Taxes	(9,808)	(58,846)[1]
Net Operating Earnings	(13,848)	38,991
The Lion Fund (net of taxes)	33,240	11,080
Total Earnings	$ 19,392	$ 50,071

(1) Includes $53.5 million in income tax benefit derived from a reduction in deferred tax liability related to unrealized gains on marketable securities.

Our reported earnings are materially affected by the volatility in the carrying value of The Lion Fund. Yet we are indifferent to variability in reported earnings triggered by the accounting of the investment partnerships. To correct the resultant distortions in our earnings figures, we simply separate changes in the partnerships' values from those in the operating businesses when we report Biglari Holdings' earnings.

Last year was a doozy. Our net operating loss of $13.8 million in 2018 compares with earnings of $39.0 million in 2017. We have been consistent in our view that such annual figures provide an incomplete evaluation of our performance. Although we do not disregard yearly figures, neither do we regard them as vital. We measure business progress not on a single year's profits or cash flows but rather on the present value of future cash flows. As a corollary, the logical approach for shareholders to take when appraising Biglari Holdings is to review the performance of each operating subsidiary.

Restaurant Operations

Our restaurant operations consist of Steak n Shake and Western Sizzlin for a combined 685 restaurants. However, the business models of each differ. Steak n Shake primarily operates restaurants, totaling 626 locations, of which 413 are company operated. Western Sizzlin, on the other hand, primarily franchises restaurants, with 59 units — all but 4 are franchisee-run.

Western Sizzlin Corporation

Ever since Phil and I took control of Western Sizzlin in 2006, we have been wringing cash from the business and channeling it into other investments with potential for solid gains. From the outset we knew Western Sizzlin was not going to knock the cover off the ball, but by inaugurating a cash-return approach, we turned it into a cash-generating machine. In March 2010, Biglari Holdings acquired Western Sizzlin for a net purchase price of $21.7 million. Since then, Western Sizzlin's cash distributions to Biglari Holdings have totaled $23.1 million, which we have redeployed in more gainful opportunities. Hats off to the Western Sizzlin staff, who continue to do an outstanding job creating a steady stream of cash for Biglari Holdings.

Steak n Shake Inc.

From 1934 through 2008, the cumulative pre-tax earnings of Steak n Shake were about $480 million — but those earnings were squandered because capital was reinvested at unsatisfactory rates of return. In fact, when present management took over on August 5, 2008, Steak n Shake was losing $100,000 per day. We were able to turn the business around — details of which are covered in prior letters — and by the end of 2009 we were generating $100,000 per day. From 2009 through 2018, Steak n Shake's aggregate pre-tax earnings were about $185 million, and, better yet, these earnings translated into an even greater sum of distributable cash.

So much for the good news: The decade of control under current management ended much like it started — with heavy losses. While the company's performance in 2018 was a significant disappointment, its ten-year performance generated about $300 million of cash that was dispatched to Biglari Holdings, fueling the holding company's growth.

Here is a review of Steak n Shake's results since 2008:

(Dollars in 000's)

	Net Revenue	Operating Earnings	Number of Customers	Same-Store Sales	Number of Company Stores at Year-End	Operating Earnings Per Store
2008	$ 610,061	$ (30,754)	85,000,000	(7.1%)	423	$ (72.7)
2009 (53 weeks)...	628,726	11,473	91,000,000	4.1%	412	27.8
2010	662,891	38,316	101,000,000	7.5%	412	93.0
2011	689,325	41,247	105,000,000	4.2%	413	99.9
2012	718,010	45,622	110,000,000	3.8%	414	110.2
2013	737,090	28,376	112,000,000	2.2%	415	68.4
2014	765,600	26,494	114,000,000	2.9%	416	63.7
2015	805,771	39,749	118,000,000	3.6%	417	95.3
2016	804,423	34,717	116,000,000	(0.4%)	417	83.3
2017	792,827	431	111,000,000	(1.8%)	415	1.0
2018	760,565	(10,657)	103,000,000	(5.1%)	413	(25.8)

Notes: Customer count is only for company-operated units. The years 2015 through 2018 were calendar years. The years 2008 through 2014 were fiscal years that ended on the last Wednesday in September.

Amid the Great Recession of 2008, we repositioned Steak n Shake from a dying brand in the casual-dining segment of the industry into one succeeding in the quick-serve restaurant business. For seven consecutive years, we registered industry-leading gains in customer traffic. But for the past three years, we have been in a decline, with same-store sales below the average for the industry. The work we left undone has led us in recent years to be a market laggard.

Ever since we took control of Steak n Shake, we have been steadfast in our formula for success: providing the highest quality burgers and shakes at the lowest possible profit per customer from an ever-increasing number of customers. Despite our unwavering dedication to product quality and low prices, we erroneously stayed with equipment and kitchen design that was ill-suited for volume production. The effect has been high-cost, labor-intensive slow service. We failed customers by not being fast and friendly.

Whereas we adopted Henry Ford's pricing philosophy — lower price, higher volume — we failed to implement his highly efficient assembly line methods. To be a market leader in the fast food business, we should have paid greater heed to becoming, well, fast. We are in the process of addressing this misstep. To do so, we are overhauling and streamlining production — that is, developing a sophisticated operating and delivery system — in order to gain volume through speed. This principle can be summed up in the dictum of Benjamin Franklin: "Time is money."

Over the last decade, from fiscal 2008 through 2018, drive-thru and take-out revenue increased by 51.5%, which now represents approximately half of our overall revenue. While in our first decade of control we employed an aggressive pricing formula, we enter our second decade determined to implement advanced production techniques. No old method is inviolable. Consequently, we are developing a tailor-made system designed to speed up service, deliver consistency, and reduce labor while safeguarding our customers' love affair with the craftsmanship behind our handmade, homemade creations. Our aim is to change not our products but the process by which we create our delicious Steakburgers and milkshakes.

But more important than the price of our product or the speed of our service is the way customers are treated. As Sam Walton aptly put it, "The customer is our boss." Unquestionably, the single most important person to ensure that customers are served in a caring, hospitable manner is the leader of the restaurant. No amount of technology or equipment will create a winning restaurant chain; it takes the right leadership in every restaurant unit. We must be ardent not only about the quality of the product but also the quality of the people who operate Steak n Shake restaurants. To achieve our goal, we are building a culture of ownership at the unit level. For operators to think and act like owners, we believe they must be owners. In other words, we are becoming a company of owners.

In order to attract such owner-operators, we are franchising all company-operated units. After all, franchising is the epitome of entrepreneurship. But there is a caveat: We are not interested in absentee owners; rather, we seek entrepreneurs with a consummate commitment to the business. In doing so, we aim to harness the power of enterprising operators.

Because talent, not money, is in short supply, we are building a franchise network on the same principle that built America: equal opportunity. In 1931, James Truslow Adams coined the term "the American dream" in *The Epic of America*: "the *American dream*, that dream of a land in which life should be better and richer and fuller for every man, with opportunity for each according to his ability or achievement…. It is not a dream of motor cars and high wages merely, but a dream of social order in which each man and each woman shall be able to attain to the fullest stature of which they are innately capable, and be recognized by others for what they are, regardless of the fortuitous circumstances of birth or position."

Every man and woman is entitled to pursue the American dream. Because we favor the ideal of opportunity for all, we have designed a franchise system in which those who are passionate about serving others, and who wish to go into business for themselves but not by themselves, can fulfill the dream of being an owner — and with it, the prospect of becoming an American success story. Our system is designed for those long on ability but short on capital.

Our franchise agreement stipulates that the franchisee make an upfront investment totaling $10,000, a modest figure for a franchise opportunity. Because of our significant investment in the business, including the construction of the restaurant and its equipment, we assess a fee of up to 15% of sales as well as 50% of profits. Under our arrangement, a franchise partner is able to earn considerable sums, which is the way we want it. Our thinking behind such a lucrative arrangement is simple: The best way to create wealth for ourselves is to first create wealth for our franchise partners.

Potential franchisees are carefully screened based on entrepreneurial attitude and ability, but they become franchise partners based on achievement. Each must demonstrate exemplary skills embodying a customer-focused approach that meets the gold standard in service. Franchise partners are required to be hands-on operators. We limit a franchisee to a single location, based on the belief that focus, along with passion, determination, and persistence, will translate into excellent employee and customer satisfaction.

We will become a federation of 400 or so independent entities connected by a web of franchise partnerships. The new Steak n Shake system — based on an entrepreneurial culture — will place trust in those deserving of it. Our owner-operator model empowers individuals to be self-reliant, self-directed, and self-motivated. Clearly, the tenets of our operating philosophy — quality, service, cleanliness, and price — are standards to which we require allegiance. By viewing franchise partners as equal partners, we expect to build harmonious relationships and achieve system-wide consistency.

We currently have several franchise partners, and in my estimation it will take approximately three years to complete the transition. The essence of our program is to simultaneously achieve standardization while unleashing the entrepreneurial spirit of the operators. We expect the combination to reinvent Steak n Shake as the best quick-serve restaurant company in the premium burger segment of the industry.

Therefore, we now offer two franchise arrangements: (1) franchise partner, outlined above; and (2) traditional franchisee, which is our means of growing unit count.

To achieve unit growth without a major capital outlay, we employ a traditional franchise-based model, a noncapital-intensive strategy that generates high-return, annuity-like cash flows. Here, the major funding necessary to expand the brand is borne by third parties. Traditional franchising is a business that not only produces cash instead of consuming it but concomitantly reduces operating risk.

Beginning in 2010, we invested substantial sums to advance our traditional franchise business. Displayed below are the number of franchise units and the revenue derived from them:

(Dollars in 000's)

	Franchise Royalties and Other Fees (A)	**Franchise Marketing Contributions (B)**	**Franchise Revenue (A) + (B)**	**Number of Franchise Units**
2010*	$ 4,316	$ 6,516	$ 10,832	71
2018	18,828	9,675	28,503	213
Gain................	$ 14,512	$ 3,159	$ 17,671	142

**Franchise royalties and other fees have been adjusted to reflect the new accounting standard.*

A new accounting rule in Generally Accepted Accounting Principles alters franchise revenue recognition in two ways: (1) franchise marketing contributions are now reflected in our revenue; and (2) initial franchise fees are now amortized over their term (typically 20 years) rather than recognized as franchise restaurants are opened. Neither change affects cash flow. As a consequence, Phil and I disregard the franchise marketing contributions because the vast majority of these are advertising dollars spent on behalf of the franchisees, as required by our contractual obligations.

Although Steak n Shake was founded in 1934 in Normal, Illinois, the first franchise unit opened in 1939. From 1939 to 2010 Steak n Shake grew by an average of one franchise unit per year. Over the last eight years, we have added twice the number of franchise units — 142 to be exact — as had been built in the preceding 71 years.

For the first 78 years, all our restaurants had table service. However, in 2012, we introduced a counter-service-only model, designing and developing our concepts in a modular way that embraced flexibility and made it adaptable to various venues. Because of the modularity of Steak n Shake's design, we are now growing in universities, casinos, airports, gas stations, shopping centers, and other arenas. We now have 87 franchise units with counter service only, a figure that includes international operations, which commenced in 2013. After much experimentation, we have concentrated our international resources in France. Steak n Shake occupies a niche in the French market with 22 locations.

For the period 2011 through 2015, the franchise business operated at a loss but intrinsic value advanced. We allocated capital to develop the franchising business with the expectation of creating greater dollar value for each dollar spent. Our traditional franchise business — domestic and international combined — is now a prodigious cash generator. In 2018, franchise operations posted a record profit of $8.0 million. Furthermore, because international operations reached scale toward the end of 2018, thereby turning the flow of red ink to black, we expect our franchise business to generate even higher profits in 2019.

First Guard Insurance Company

As you may have gathered by now, I am an admirer of Ed Campbell, III. It was on March 19, 2014, that we consummated the purchase of First Guard Insurance Company and its affiliated agency. But earlier that month, while visiting Ed in Venice, Florida, I met his father, the singular Ed Campbell, Jr., whom I call Junior. He told me that I would be pleased entering into business with his son Eddie, as he calls Ed III. Junior was not only dead right but — as a testament to the Campbell family character — Ed way over-delivered. Shareholders gained a terrific business and I gained a friend. The experience with First Guard and the Campbell family has been a true pleasure.

First Guard is a direct underwriter of commercial truck insurance — with no agent between the insurer and the insured — rendering the company a low-cost operator with a sustainable competitive advantage. Ed is an exemplar in the insurance world. Backing up that assertion, First Guard has achieved underwriting profitability for 22 consecutive years, placing it near the top of a rarified group of property and casualty companies.

Shown below are the results for the last five years. Note that 2014 is presented as a full year, that is, as if we had owned the company throughout the year rather than from the date of acquisition:

(Dollars in 000's)

	Premiums Earned	Underwriting Profit	Combined Ratio*
2014	$ 10,757	$ 2,293	78.7
2015	16,719	3,357	79.9
2016	22,397	4,913	78.1
2017	24,242	4,518	81.4
2018	26,465	5,634	78.7

**The combined ratio represents losses incurred plus expenses as compared to revenue from premiums. A combined ratio below 100 percent denotes an underwriting profit, whereas a ratio above 100 percent denotes a loss.*

First Guard set an earnings record in 2018. Premium volume increased by 9.2%, but more importantly, an underwriting profit of $5.6 million was generated on $26.5 million of earned premiums. First Guard has continued to produce a first-class profit because Ed and his team continue to run a first-class operation.

First Guard's investment income has benefited from a buildup of invested assets alongside higher yields on its holdings in U.S. Treasury securities. Our policy has been to retain all earnings within our insurance company for additional capital strength. We have arranged our affairs to meet contractual commitments under any scenario.

First Guard's 2018 pre-tax profit of $6.2 million was roughly three times what the company earned in the year preceding our acquisition. With the aid of an able, experienced, profit-oriented team of executives, Ed created considerable value *after* he sold the company. Phil and I did not teach the team any skills — the company arrived with them — but rather, the parent company's financial strength provided the group the ability to retain greater levels of originated premiums and thereby generate greater profits. Owning First Guard has imparted substantial knowledge about the insurance business to Phil and me, which we expect will greatly benefit us in future insurance acquisitions.

Maxim Inc.

In 2018, Maxim earned $1.1 million pre-tax, its first seven-figure profit in over a decade.

When we purchased Maxim in February 2014, the company was nearing its demise. Its high fixed cost, inherent in the magazine business, was destined to drain cash unremittingly. But we did not purchase Maxim to be in the magazine business per se; rather, we purchased an underexploited brand with the intention of generating nonmagazine revenue, notably through licensing, a cash-generating business related to consumer products, services, and events. We found safety in a bargain purchase price along with the opportunity to convert a magazine company into a profitable business built around the Maxim name.

We have addressed the cost structure of the traditional side of the business, print publishing, while creating a sophisticated periodical that is aspirational and inspirational. We greatly amplified the quality of paper, photography, and content. To augment Maxim's relevance, we have also become a reader-focused rather than an advertiser-focused publication. In sum, we have repositioned the brand with a luxury lifestyle magazine and an online platform that together provide a launching pad for high-profit lines of business.

Our pathway to profit emanated from the development of a new, sustainable business model. The ability to build profits will rest mainly on our licensing business. Because the nature of the licensing business is predicated on projects that materialize with irregularity, near-term results are inevitably indeterminate. Nevertheless, Maxim is now a solidly profitable company.

Shareholder Communications

My communications with shareholders are generally limited to the annual report and the annual meeting. We do not provide earnings guidance, nor do we hold quarterly conference calls because neither activity would be consistent with our ethos and style of management. Moreover, we wish to provide all shareholders simultaneously with the same information. One-on-one meetings are neither productive nor practicable.

Past Chairman's Letters are also essential to help you gain more knowledge of our business. These letters can be easily accessed on our website, biglariholdings.com. To keep you abreast of the company, we will issue press releases concerning 2019 quarterly results after the market closes on May 3, August 2, and November 1. The 2019 annual report will be posted on our website on Saturday, February 22, 2020.

Our annual meeting will be held at 1:00 pm on Thursday, April 25, 2019 in New York City at the St. Regis Hotel. The meeting is just for our owners; to attend, you must own shares and show proof thereof. As an owner, you may bring up to two pre-registered guests with you. The bulk of the gathering is a question-and-answer session that usually lasts about five hours, covering myriad topics on shareholders' minds. Phil and I look forward to spending that time answering your questions. We find the annual meeting to be an effective channel to communicate with you.

* * *

As an entrepreneurial enterprise we hold a disdain for bureaucracy. Our unorthodox approach stems from thinking and acting independently in pursuit of value creation. What interests us is profits, not popularity. Profit-making opportunities emerge when fear, folly, or financial trouble dominate the scene. Instead of following trends written on the wind, we rely on our judgment, fortified by experience, to shape Biglari Holdings for superior returns on capital.

Sardar Biglari
Chairman of the Board

February 22, 2019