Dear Shareholders of Biglari Holdings Inc.:

Biglari Holdings is a collection of controlled and noncontrolled businesses — a group we seek to build upon with companies possessing excellent economics and exceptional management. Constructing a corporation is much like constructing an edifice: the stronger the foundation, the higher one can build. Our subsidiary businesses operate independently but their combined profits form a solid base from which the corporation can grow.

Our path to prosperity — the purchase of businesses in their entirety but also, secondarily, the purchase of partial business ownership via the stock market — is based on opportunity. An inherent advantage of a controlled company is that it empowers us to allocate capital. But a selection of marketable common stocks has its own advantages. It provides a wide range of options from which to choose and can sometimes offer quality businesses at uncommonly low prices. We would rather own a fraction of an outstanding business than 100% of a mediocre one. Guided by the North Star of maximizing per-share intrinsic value, Biglari Holdings enhances capital allocation by channeling resources into any industry, any company, anywhere.[1]

Our growing collection of operating companies began in 2008, when present management gained control of Steak n Shake and turned it into the profitable base of a new holding company. From that small foundation, Biglari Holdings grew through a series of acquisitions. Over the years, we added Western Sizzlin Corporation, Maxim Inc., First Guard Insurance Company, Southern Oil Company, Southern Pioneer Property & Casualty Insurance Company, and Abraxas Petroleum Corporation, listed in order of acquisition. In 2024, Biglari Holdings garnered pre-tax operating earnings of $32.6 million from its seven first-line businesses.

Biglari Holdings is a group of unrelated businesses united by a common purpose. By design, we centralize the control of capital and decentralize managerial operations. Only a decentralized structure will enable our corporation to scale with a modicum of staff at headquarters. It also allows for the retention of the very people responsible for the success of the acquired companies.

The conventional thinking of most managers is to reinvest profit where it was earned. A manager of, say, a sand business may take its earned profit, pay some of it to shareholders, and plow the rest back into the sand business. Even if we posit that sand is an attractive business to be in today, one earning high returns on capital, it cannot sustain such returns on *incremental* capital over the long run. Our scope of activity extends beyond the confines of any particular industry, enabling us to pursue those possibilities that yield the highest payoff. This rational allocation of capital diverges from that of the single-line business, whose manager's head may be proverbially stuck in the sand.

The ideal business is one that earns very high returns on capital and continues to generate high returns on incremental capital. But businesses of this sort are exceedingly rare, and it is even rarer to purchase one at a reasonable valuation. There is a class of businesses that earns satisfactory returns — and substantial cash — but lacks the opportunity to generate returns of similar magnitude on incremental capital. The architecture of Biglari Holdings makes such businesses appealing because we can reallocate the excess cash they generate to buy other businesses. Therefore, our corporate structure allows us to replicate the very economics of the ideal business.

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[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.

Despite the powerful structural advantages we enjoy, our corporate form alone is insufficient to achieve our objectives; it merely sets the stage for business and investment activity. Deploying capital intelligently is the essence of our business. The upshot is that none of our subsidiaries need to grow in order for the holding company's capital to grow.

We constantly compare one investment alternative against a multitude of others in determining capital utilization. As a consequence of our seizing remunerative business and investment opportunities over the past sixteen years, Biglari Holdings' cash and investments grew from $1.6 million to $790.0 million — even while allocating funds toward the acquisition of businesses. The tabulation below shows the year-by-year development of cash and investments. The third column represents our interests in two affiliated investment partnerships, The Lion Fund, L.P., and The Lion Fund II, L.P., which throughout this letter will be referred to as The Lion Fund.

(In Millions)

	Cash and Cash Equivalents	Marketable Securities	The Lion Fund	Total Investments
2008	$ 1.6	$ –	$ –	**$ 1.6**
2009	51.4	3.0	–	**54.4**
2010	47.6	32.5	38.6	**118.7**
2011	99.0	115.3	38.5	**252.8**
2012	60.4	269.9	48.3	**378.6**
2013	94.6	85.5	455.3	**635.4**
2014	124.3	21.5	620.8	**766.6**
2015	56.5	23.8	734.7	**815.0**
2016	75.8	26.8	972.7	**1,075.3**
2017	58.6	27.7	925.3	**1,011.6**
2018	48.6	38.3	715.1	**802.0**
2019	67.8	44.9	666.1	**778.8**
2020	24.5	94.9	590.9	**710.3**
2021	42.3	83.1	474.2	**599.6**
2022	37.5	69.5	383.0	**490.0**
2023	28.0	91.9	472.8	**592.7**
2024	30.7	103.0	656.3	**790.0**

Notes: Data are for calendar years with these exceptions: 2008 ended on July 2, 2008; 2009 through 2014 ended on the last Wednesday in September. Biglari Holdings' investments in The Lion Fund, L.P., and The Lion Fund II, L.P., do not include other limited partners' interests.

If The Lion Fund distributed the shares of Biglari Holdings it owns to its limited partners, the corporation's shares outstanding would be reduced to 263,428 Class A equivalents (as opposed to the 620,592 shares outstanding) at year-end.[2] Correspondingly, the value of total investments would be adjusted to $335.4 million, which is the carrying value as opposed to the fair value ($790.0 million) presented in the preceding table. The difference between fair value and carrying value is the sum of Biglari Holdings stock owned by the corporation through The Lion Fund.

[2] All per-share figures used in this report apply to Biglari Holdings' A shares. The B shares have an economic interest equal to 1/5th that of the A shares.

Our balance sheet reflects low levels of debt and high levels of investment. We manage our affairs to withstand adversity. We do not know — nor do we believe that others know — what the future holds. We pay heed to the counsel of Bette Davis in the 1950 classic *All About Eve*: “Fasten your seatbelts. It’s going to be a bumpy night.” The cash generation of our operating businesses, along with a rock-solid balance sheet, permits us not only to make it through the troughs but also to take advantage of the transfers of wealth they precipitate. We welcome a bumpy ride if it leads to a better destination.

Review of the Corporation’s History

To understand the metamorphosis of the corporation, we must first look back roughly sixteen years — that is, from August 5, 2008, through December 31, 2024.

When we took over the predecessor corporation, Steak n Shake, in August 2008, its net worth was about $293 million, a figure based on the prior fiscal quarter. Book value, or net worth, represents the capital invested in a company by its owners; it is an accounting term that reflects the capital that has built up in the corporation. But the company could not sell anywhere close to that sum in 2007 or 2008. We can state this with certainty because Steak n Shake tried to find a buyer in 2007, with Merrill Lynch as its advisor, and failed. All bids were below book value. Therefore, in August 2008, Steak n Shake’s book value clearly overstated its going-concern value and its liquidation value; the enterprise was at that time a money-losing restaurant operation saddled with substantial lease liabilities.

We turned Steak n Shake around in the midst of the Great Recession, and we made it a subsidiary of the holding company we created, Biglari Holdings. Steak n Shake has gone on to generate aggregate pre-tax earnings of $314 million over a sixteen-year period. Steak n Shake’s history has seen long stretches of earnings interrupted by a few periods of losses. By the end of 2024, Steak n Shake had a book value of just $177 million, as cash dividends to its parent company exceeded net earnings during this time frame. Notwithstanding, we believe the intrinsic value of Steak n Shake today to be far in excess of its carrying value.

During our tenure, we have acquired six businesses in various industries through negotiated transactions. As a group, the businesses we control are worth more than their carrying value. We have also built up liquid assets, mainly marketable stocks, which are carried on our books as if those investments were liquidated at year-end values after paying corporate income tax. Thus, it is the businesses we control that account for the disconnect between the company’s intrinsic value and its book value. Whereas book value represents what has been put into the business, intrinsic value represents the discounted present value of cash that can be taken out of the business over its life.

Between 2008 and 2024, Biglari Holdings transformed from a company whose resources were committed to a dying restaurant business — and whose intrinsic value was far less than its book value — into a dynamic corporation with diverse sources of earnings that is worth more than its book. As a consequence, the gain in per-share book value understates the gain in per-share intrinsic value.

Of important note is the near 38% reduction in the share count of Biglari Holdings since 2008. The 263,428 Class A equivalent shares at year-end are comparable to the 424,325 shares outstanding prior to present management assuming responsibility. At year-end 2024, Biglari Holdings’ net worth was about $573 million, or $2,175 on a per-share basis.

Our stock currently sells at a discount to book value, which means that any repurchase of shares increases our per-share intrinsic value. In effect, when we buy shares at a price that is lower than their intrinsic worth, we are returning cash to select shareholders — those who are selling — in a way that

benefits the continuing shareholders. Phil Cooley, Vice Chairman of Biglari Holdings, and I will focus our efforts on growing per-share intrinsic value, knowing that in the long term, the market price will arrive at about the same destination.

Let us examine the two quantitative figures we believe to be critical for evaluating the company: its investments and its operating businesses. It is as if Biglari Holdings were split in two, with one side holding the corporation's investments (cash, marketable securities, and investments in The Lion Fund) and the other its operating businesses, where all interest and corporate expenses are incurred. To calculate pre-tax operating earnings per share, we exclude the dividends, interest, and capital gains produced by our investments.

	Investments Per Share	Pre-tax Operating Earnings Per Share
2008	$ 4	$ (82.07)
2021	1,236	76.31
2022	899	117.23
2023	1,121	138.36
2024	1,273	102.52
Annual Growth Rate, 2008-2024	41.8%	N.A.
One-Year Growth Rate, 2023-2024	13.6%	(25.9)%

As the preceding table conveys, the corporation in 2008 was a small enterprise compared with the present-day Biglari Holdings.

In 2024, our investments per share increased by 13.6% to $1,273, and our pre-tax operating earnings per share from businesses decreased by 25.9% to $102.52. In last year's report, we had predicted that, barring a major acquisition, operating earnings would decline. Unfortunately, our prediction was realized. Of course, Phil and I continue to search for sensible acquisitions that will advance operating earnings over time.

Since 2008, our compounded annual increase in investments per share has been 41.8%, a figure that is distorted by the paucity of assets with which we started. The growth rate of our investments is almost certain to decline. But one factor that should augment it is the expansion of our insurance business, which by its nature will boost investment holdings. Otherwise, year-to-year changes in investments will be most affected by fluctuations in the value of our marketable securities.

Our acquisition activity undoubtedly impacts the growth rate of investments and operating earnings in any given year. Phil and I will do our best to achieve satisfactory growth in both operations and investments, as measured in decades and on a per-share basis.

Investments

By the end of 2024, total investments (cash, marketable securities, and Biglari Holdings' investments in The Lion Fund) amounted to $790.0 million at fair value; most of that sum came from investment profits. Our investment activities are largely conducted through The Lion Fund, whose origin dates from the year 2000 when I founded it.

The following table shows our unaffiliated marketable equity holdings with a market value of more than $50 million at year-end. The number of shares represents the sum of The Lion Fund's common stock investments plus those held by Biglari Holdings and its subsidiaries.

Shares	Company	*(In 000's)* Market Value
2,069,141	Cracker Barrel Old Country Store, Inc.	$109,375
4,489,247	El Pollo Loco Holdings, Inc.	51,806
440,000	Ferrari N.V.	187,537

At year-end 2024, our three major investment holdings had a market value of $348.7 million. Adjusted for the corporation's weighted 91.5% interest in its investment partnerships, they represented 56.7% of the net worth of Biglari Holdings. Our total equity holdings accounted for 76.7% of the corporation's net worth.

Our largest common stock holding at year-end was Ferrari. We purchased 440,000 shares of Ferrari for $102.2 million. Over a two-year period, our investment in Ferrari turned into $189.4 million in value, including dividends. The automotive industry on the whole is characterized by tough economics, yet Ferrari, as a luxury brand in the high-performance segment, has a durable competitive advantage. The widening of that advantage over the years has made Ferrari one of the most valuable brands in the world.

Our second largest common stock holding was Cracker Barrel. 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. Between 2018 and 2019, we reduced our holding in Cracker Barrel to 2,000,000 shares, but have purchased an additional 69,141 shares since. All in all, we now control 9.3% of Cracker Barrel's outstanding stock at an average cost per share of $51.32.

From 2011 through year-end 2024, we received proceeds of $471.1 million from the sale of Cracker Barrel stock, $255.2 million in dividends and derivative gains, plus we held a remaining stake of $109.4 million in market value. In sum, over a thirteen-year period, our investment in Cracker Barrel of $246.7 million turned into $835.7 million in value.

In valuation, cash flows are the *sine qua non*. The wealth creation of any productive asset — e.g., a business or real estate — is tied to the amount and timing of cash flows into and out of it.

Stock-valuation theory over the last century has been grounded in two powerful original works: *Common Stocks as Long Term Investments* by Edgar Lawrence Smith (1924) and *The Theory of Investment Value* by John Burr Williams (1938). Smith's insights, which are now commonly accepted truths, were that return on stocks includes price appreciation as well as dividends; that price appreciation is fueled by retained earnings; and, most importantly, that the efficacy with which retained earnings are redeployed determines their worth. Because his observations were used to justify the lofty valuations of the late 1920s, his work was generally discredited after the crash of 1929. Over time, however, investors began to understand the sagacity of valuing retained earnings based on the rate of return on incremental capital deployed. Williams's book, published more than a decade later, represented the first systematic attempt to arrive at the intrinsic worth of common stocks. The basic proposition he put forth was that a stock's worth could be understood as the present value of all future cash it would generate for its stockholders. While many market participants agree on a present-value proposition, they rarely apply it in a consistent fashion. Others do not even try and instead rely on expectations of near-term earnings, relative valuation, or analysts' opinions.

Phil and I view marketable stocks as representing ownership in a business, and we evaluate them based on the following criteria: (1) the quality and prospects of the business; (2) the character and competence of management; and (3) the price of the stock relative to its underlying business value. What gives a company its intrinsic worth, whether it is a controlled or a noncontrolled business, is the present value of cash a company can distribute in the future. Of course, laying claim to precise calculations of intrinsic value is foolhardy. Our approach to cash quantification is to make our estimations conservative and to avoid industries subject to major change. The basic idea is to avoid peril.

Operating Businesses

Biglari Holdings has seven major controlled businesses: Steak n Shake, Western Sizzlin, Maxim, First Guard, Southern Oil, Southern Pioneer, and Abraxas Petroleum. A dollar received from a restaurant company is as good as a dollar received from an oil company. By channeling cash into acquisitions, the corporation widens the variety of its earnings streams with the tacit objective of producing ever-increasing profits.

We have conducted the affairs of our non-insurance businesses more advantageously since bringing them into Biglari Holdings than any of them were able to in the days of their stand-alone existence, which were plagued with ruinous ups and downs.

To better convey the performance of the entire corporation, we have rearranged the consolidated data to reflect the way Phil and I think about Biglari Holdings' disparate businesses. The following table exhibits a breakdown of our earnings. Naturally, the total net earnings shown in the table conform to those in our audited financial statements.

	(In 000's)	
	2024	**2023**
Operating Earnings:		
Restaurant Operations:		
Steak n Shake	$ 20,099	$ 26,170
Western Sizzlin	1,515	1,793
Insurance Operations:		
Underwriting—First Guard	4,038	9,492
Underwriting—Southern Pioneer	400	(1,038)
Investment Income and Other	4,652	4,629
Oil and Gas Operations:		
Abraxas Petroleum	19,853	22,410
Southern Oil	(81)	3,356
Maxim	(1,180)	11
Corporate and Other	(15,956)	(22,946)
Interest Expense	(771)	(681)
Operating Earnings Before Taxes	32,569	43,196
Income Taxes and Noncontrolling Interests	(8,448)	(4,625)
Net Operating Earnings	24,121	38,571
Investment Gains/Losses*	(27,880)	16,377
Total Net Earnings	$ (3,759)	$ 54,948

** Investment gains/losses are reported on an after-tax basis and include realized and unrealized gains and losses arising from changes in market prices on investments in equity securities as well as changes in the value of The Lion Fund partnerships.*

Our reported earnings are materially affected by the volatility in the carrying value of The Lion Fund and other investments. Yet we are indifferent to variability in reported earnings triggered by the accounting of these investments. Of course, over the very long term, profits from investments and profits from operations are equally important. However, yearly fluctuation in the value of investments makes those figures meaningless for analytical purposes. As such, the vagaries of our investment performance obscure our operating performance. To correct the resultant distortions in our earnings figures, we simply separate changes in investment values from the earnings of the operating businesses when we report Biglari Holdings' results.

In 2024, the corporation had net operating earnings of $24.1 million. Better yet, those earnings translated into greater amounts of cash. It should be clear from past reports that we loathe operating losses. Our managers do too. It is our policy that every subsidiary must hold the prospect of generating long-term earnings for it to remain a permanent constituent of Biglari Holdings.

To fully assess the economic performance of the corporation, the logical approach for shareholders to take is to review the performance of each major operating subsidiary.

Restaurant Operations

Our restaurant operations consist of Steak n Shake and Western Sizzlin for a combined 458 units. However, their business models differ. Steak n Shake, with 426 locations, is primarily engaged in company-operated and nonconventional franchise restaurants. Western Sizzlin, on the other hand, is a traditional royalty-based franchise business, with 32 units — all but 3 are franchisee-run.

Western Sizzlin Corporation

Biglari Holdings acquired Western Sizzlin in 2010, for a net purchase price of $21.7 million. The acquisition included $2 million of marketable securities and undeveloped real estate purchased for $3.8 million in 2007. Through year-end 2024, Western Sizzlin's cash distributions to Biglari Holdings totaled $30.6 million. And we still own the securities and real estate, which, conservatively calculated, are worth approximately $15 million.

Phil and I have witnessed a large number of restaurant companies enjoy spectacular runs only to end up in bankruptcy. Even Western Sizzlin filed for bankruptcy in 1992, long before we became involved. Western Sizzlin is one of the few survivors in the buffet segment of the restaurant industry — akin to the country's last buggy-whip manufacturers. For Western Sizzlin to remain a dependable moneymaker in the worst segment of the industry is a credit to Robyn Mabe, the company's CEO. She is responsible for this miraculous performance, and deserves induction into the restaurant Hall of Fame.

Steak n Shake Inc.

Steak n Shake is a company that has devoted itself to providing the finest burgers and shakes in the country for 91 years.

Present management took control of Steak n Shake in August 2008, when the company had only $1.6 million of cash on hand, debt of $27 million, and losses of approximately $100,000 per day. The Steak n Shake business was like a vessel taking on water. It came close to sinking amid the global financial crisis of 2008 but we were able to avert disaster with a decisive change in strategy; by the end of 2009 we were generating $100,000 per day. Details of the turnaround are covered in prior letters.

In 2020, after suffering back-to-back yearly losses, we radically transformed the business model from full service to self-service while implementing a new owner-operator program. Under a superior economic model, we were back to generating profits. Over the last four years, the company has produced aggregate pre-tax operating earnings of $71.3 million.

Here is a recap of Steak n Shake's performance since fiscal 2008.

(Dollars in 000's)

	Operating Earnings	**Number of Company-Operated Units**	**Number of Franchise Partner Units**	**Number of Traditional Franchise Units**	**Total Number of Units**
2008	$ (30,754)	423	–	75	498
2009	11,473	412	–	73	485
2010	38,316	412	–	71	483
2011	41,247	413	–	76	489
2012	45,622	414	–	83	497
2013	28,376	415	–	104	519
2014	26,494	416	–	124	540
2015	39,749	417	–	144	561
2016	34,717	417	–	173	590
2017	431	415	–	200	615
2018	(10,657)	411	2	213	626
2019	(18,575)	368	29	213	610
2020	(4,587)	276	86	194	556
2021	13,524	199	159	178	536
2022	11,478	177	175	154	506
2023	26,170	148	181	128	457
2024	20,099	146	173	107	426

Notes: Data are for calendar years with these exceptions: 2008 through 2014 ended on the last Wednesday in September.

In 2024, Steak n Shake produced pre-tax operating earnings of $20.1 million. Our pre-tax cash return on capital fell short of our goal of 20%. The inadequate levels of profit and return on capital employed occurred primarily because we failed to maintain operating margins despite growing same-store sales. Our shortcomings led to a major overhaul of the senior management team. The company has replaced the executives in charge of operations, finance, traditional franchising, and supply chain. The new team is setting a new pace in 2025 — fast and focused.

Steak n Shake was able to successfully transform its business model in 2020 by introducing a new point-of-sale system, installing self-order kiosks, reducing operating hours and menu items, and embarking on a journey to become a company of owners. This transformation required a capital investment of about $50 million, which improved unit economics mightily. The payback on this capital investment took just under eighteen months.

By converting our operation from a full-service to a self-service format, our breakeven point declined by about 40%, obviating our dependence on high unit sales to register a profit. Steak n Shake has embraced the power of simplicity. Our Steakburgers, fries, shakes, and soda now make up nearly 90% of our sales. We do not waste space, inventory, or labor to support marginal products.

Steak n Shake is also well positioned for any economic environment with its strong value proposition. While some competitors have reduced portion size and quality in recent years, we have increased the size of our beef patties by 9%, the quantity of mix-ins for milkshakes, and the amount of homemade whipped cream we serve; we have also changed the way we cook our fries — in 100% beef tallow instead of vegetable oil. Any one of our actions may go unnoticed by our customers but cumulatively they should strengthen our competitive position.

The transformation has led to triple-digit gains in productivity. Under the old model, annual unit sales per employee, measured on a full-time-equivalent basis, were about $64,000 in 2019; they were nearly $137,000 in 2024. With few exceptions, store operating hours were reduced from 24 to 14 hours a day. Although overall sales per unit fell, sales per operating hour increased by 51.9%. Simultaneously, the average number of employees working per operating hour decreased by 28.9%. As a result, productivity grew 114%.

The gain in productivity over a five-year period has translated into a trifecta of higher wages, higher quality, and higher profits. The future from here cannot be charted blithely. We must continue to take advantage of technological innovation as we seek to improve margins. To be sure, other restaurant chains will attempt to do the same. Yet while the buildings, the equipment, and other balance sheet figures are important, it is the individuals operating the restaurants who make or break the company.

As part of our transformation, we are relying on our enterprising operators to become the most productive, hospitable restaurant company in the industry. Although we set the standards for the brand and centralize such functions as purchasing and training, we also confer the authority to make operating decisions on those who have earned the designation of franchise partner, freeing them from layers and layers of bureaucratic control. We have therefore structured the organization to achieve uniformity while building a culture of ownership at the unit level. For operators to think and act like owners, we believe they must be owners. In becoming a company of owners, we are changing the culture of the organization in our quest for service excellence. We now have more units operated by franchise owners than we do units operated by the company. Eventually, we expect to place all units in the hands of owner-operators.

Steak n Shake's franchise partnership program, launched a little over five years ago, is succeeding. It is important to review how the program works, because it is not the typical arrangement. Our franchise partner agreement stipulates that the franchisee make an upfront investment totaling $10,000, a modest figure for the 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. We generate most of our revenue from our share of the profits. It is worth noting that with company-operated units transitioning to franchise ownership, Steak n Shake will appear to be a much smaller company than before from a revenue perspective but not from a profit perspective. Accounting convention dictates that in company-operated units, sales to the end customer are recorded as revenue; but for franchise partner units, only our share of the restaurants' profits, along with certain fees, are recorded as revenue.

The franchise partnership system resembles a federation of legally and administratively separate enterprises. Our single-unit franchise partners display a consummate commitment to their respective restaurants. Absentee ownership is neither desired nor permitted. Our partners are responsible for

managing the day-to-day operations of their restaurant, setting wages, and building their business one customer at a time. Under this franchise arrangement, an owner-operator is able to earn considerable sums, which is the way we want it.

Over the last five years, the average franchise partner made about $132,000 per annum, which was more than the average accountant, architect, or engineer in America earned. Doubtless, a good number of our partners will become millionaires. But make no mistake: We are not minting millionaires but are merely providing the means — they are earning every penny.

Transitioning from a command-and-control management style to a company of owners has reinforced two factors critical to our new operating model: opportunity and motivation. We give franchise partners the opportunity to own a business and the incentive to put forth their best efforts by rewarding them with a portion of the profits their store generates. The franchise program has been indispensable to Steak n Shake's historic performance turnaround.

Our franchise partners are living the American dream, and their achievements are the result of their deeds — they are a group of doers. They know how to translate hard work into a productive enterprise because they possess the talent and energy the position requires. The common thread among them is an early struggle, which calls to mind the motto of the state of Kansas: "*Ad astra per aspera,*" which means "through adversity to the stars." The grit of our operators and the spirit of cooperation that prevails throughout the partnership are unmatched.

By year-end 2024, we had converted 173 company-operated units into single-unit franchise partnerships. The combination of low profits at the remaining company-operated units and our tightened eligibility standards has made it a challenge to transition the balance of these restaurants. We are continuing to improve the performance of these units, which will make them more attractive to prospective partners.

In addition to our nontraditional franchise partnership program, we also have a traditional franchise business. This segment of our operation has been in decline since 2020. The closures mainly occurred with franchisees who failed to follow in our transformational footsteps. Because Steak n Shake underwent a radical change in its business model, it will take some time to spur traditional franchise growth. Led by a team recruited to expand the company's franchise operations, our efforts should reverse the decline in unit count. The traditional franchise business is an important dimension of Steak n Shake because the funding necessary to expand the brand is borne by third parties. We have fixed the business model and are primed for franchise growth.

Insurance Operations

Our insurance business enhances Biglari Holdings' financial base and is a durable source of earnings. The reason we endeavor to construct a formidable insurance operation arises from our attraction to the financial dynamics of the property and casualty insurance business. Premiums are collected before claims are paid out, such that funds from policyholders are, in the interim, available for investment. Naturally, if the sum total of eventual losses and expenses does not exceed premiums, the company produces an underwriting profit, which, in effect, provides investment funds financed at sub-zero cost. Any investment gains or losses on these funds accrue to the insurance company's owners.

What we expect to achieve over time — underwriting profitability — should not be expected of the property and casualty insurance industry as a whole. In most years, the industry experiences underwriting losses. The way we avoid this fate is by associating with first-class companies in the industry.

Our subsidiaries excel in an insurance world populated by property and casualty insurance companies whose overall profits derive mainly from their investment income rather than their underwriting income. By contrast, our insurance companies pursue nothing but underwriting income, while the parent company handles the investments. By focusing on underwriting results, not premium volume, we take a different approach from that of most other companies.

We entered the industry with our acquisition of First Guard Insurance Company in 2014, augmented by our purchase of Southern Pioneer Property & Casualty Insurance Company in 2020. Last year, we started a reinsurance division that strengthened the resources of our insurance group. Over our near eleven-year history in the property and casualty insurance business, we have produced underwriting profits every year, totaling $67.2 million pre-tax. Here is the record of our insurance business since 2014.

(Dollars in 000's)

	Premiums Earned	**Underwriting Profit**	**Combined Ratio***
2014	$ 8,719	$ 1,797	79.4
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
2019	28,746	6,477	77.5
2020	49,220	9,999	79.7
2021	55,411	12,317	77.8
2022	59,949	5,301	91.2
2023	61,225	8,454	86.2
2024	65,809	4,438	93.3

** 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 signifies a loss.*

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. As a niche writer of commercial truck insurance, First Guard has produced an average underwriting profitability of 22.0% since it commenced operations in 1997. Its creator, Ed Campbell, III, had the imagination and the foresight to sell insurance directly to the trucker. But critically, he translated a concept into reality, harnessing a discipline that has produced an unrivaled record of consistent underwriting profitability. It may surprise you to learn that First Guard has generated an underwriting profit in *every quarter* of its existence. That is 110 consecutive quarters of underwriting profit. Ed Campbell is the Joe DiMaggio of insurance.

When Phil and I first saw the historical performance of First Guard, we could not get it out of our heads. And when Ed saw our hands-off proposition, neither could he. So began a fortuitous union. What had started as a small acquisition with big potential became the centerpiece of our new insurance operation.

It takes great force to induce motion in a locomotive at rest, yet once it starts moving, less force is needed to keep it in motion. The same is true in business. With good momentum underway, in 2021 Ed handed the CEO reins to Drew Toepfer. Ever since, Drew has demonstrated uncanny judgment, a thirst for knowledge, and an unwavering commitment to lead First Guard in ways that set it apart from its vast array of competitors. Phil and I are grateful for his and the entire team's efforts.

In insurance, one way to sidestep the commodity-like economics is to be a low-cost operator. First Guard displays unusually high profitability because a great idea has been executed with engineering-like precision. If an insurance company is not a low-cost operator, then it must be guided by a managerial mindset that is exceptionally discerning in its risk selection. That leads me to Southern Pioneer, an insurer offering a range of niche products in personal, commercial, and financial lines.

Southern Pioneer is a specialist in providing commercial coverage to non-franchised automobile dealerships; it also underwrites homeowners, dwelling fire, collateral protection, and liquor liability insurance. Its products are marketed largely through independent agents and financial institutions. By specializing in particular areas, Southern Pioneer has produced an exceptional underwriting record since its creation in 1981. Its founders, Ben and Hal Hyneman, alongside their respective sons Brian and Matt, and Hunter, manage the company collectively.

After two years of underwriting losses, Southern Pioneer returned to underwriting profitability in 2024, with a combined ratio of 98.6. Southern Pioneer's underwriting performance in the preceding two years was tied to severe weather-related losses in its personal lines, e.g., homeowners insurance. But what was bad for us was fatal for some of our competitors, which were placed into receivership for an aggregation of losses they could not bear. With reduced competition in the personal lines, Southern Pioneer emerged with higher premium volume and higher profits. To be clear, the company's culture of underwriting discipline has never wavered.

Our new reinsurance company, Biglari Reinsurance Ltd., is a highly capitalized entity that we anticipate will enhance the credit rating of our insurance group this year, with important implications for Southern Pioneer. A.M. Best is the largest credit rating agency specializing in the insurance industry. For years, Best has rated Southern Pioneer B++. With the advent of our new reinsurance division, Southern Pioneer's rating should be upgraded to A. The higher rating is relevant for certain lines, as some institutions will only engage with insurers possessing such a rating. We had high expectations when we purchased Southern Pioneer, and the company has exceeded them.

Phil and I are intent on building an ever greater collection of insurance businesses under the aegis of the holding company. The corporation's sound financial position and controlled ownership structure enables us to provide a superior proposition to entrepreneurs who seek to monetize their lifetime creation yet also wish to continue to run their business. Biglari Holdings can provide such businesses a permanent corporate home, whereas the vast majority of acquisitive competitors are unable or unwilling to make similar commitments. We offer our operating managers an incomparable degree of autonomy. Both insurance subsidiaries we have acquired are overseen today by the same families responsible for their founding. They have retained their management teams, their headquarters, and their names. However, they also benefit from being part of a much larger corporation with a strong capital position.

Oil & Gas Operations

In 2024, our oil and gas operations were an important contributor to Biglari Holdings' overall operating results, with $19.8 million of pre-tax earnings. Much like in 2023, we had a windfall by assigning — or in industry parlance, farming out — some of our oil and natural gas assets to third parties for development. Last year, we not only realized a gain of $16.7 million on these transactions, but we also agreed to another farmout, which will result in an $8.6 million gain in the first quarter of 2025.

Our oil and gas operations consist of Southern Oil Company and Abraxas Petroleum Corporation. Southern Oil is a different type of operation from that of Abraxas Petroleum, insofar as Southern Oil primarily operates offshore in Louisiana state waters, while Abraxas Petroleum is a land-based producer in the prolific Permian Basin of West Texas.

We acquired Southern Oil in 2019 and Abraxas Petroleum in 2022 (adding the 10% minority interest in 2023) for a combined $136.9 million. From the time of their acquisitions through the end of 2024, the oil companies paid Biglari Holdings a cumulative $152.5 million in cash.

Tracing the corporate genealogy of Southern Oil and Abraxas Petroleum reveals that, prior to our purchase, the former was a publicly owned company that landed in bankruptcy, while the latter had cumulative losses of over $500 million in the first 45 years of its existence. In both cases, we benefited from large capital expenditures made prior to our arrival. Our aim, unlike that of archetypal oilmen, is to get the money out of the ground without turning around and putting it back into the ground.

Oilmen love to drill holes in the earth in hopes of extracting fortunes. But a gamble to unearth oil by drilling was never our game. Last year we made an exception at Southern Oil when we believed the odds were in our favor. The capital outlay was about $11.6 million, and the development proved to be a geologic success — we struck oil. We expect its economic success, however, to be moderate.

Unlike many oil producers, we rarely spend our cash on the drilling of new wells. The typical petroleum company has limited options to deploy its capital and replaces its depleted reserves through costly exploration and drilling operations. Because our holding company has a universe of investment possibilities — and because of the capital intensity and risks associated with development — we are opting to team up with others in order to shift the financial responsibility.

In recent years, Abraxas Petroleum has obtained partners on various depths of its undeveloped acreage. The mid-level depth of our acreage is known as the Wolfcamp Formation, and the area of greater depth is called the Woodford Formation. In 2023, we assigned rights to drill and develop on select Wolfcamp acreage, and in 2024 we did the same on select Woodford acreage. These arrangements allow us to share proportionately in the performance of the new wells but take none of the drilling, operational, or financial risks.

Oil is a commodity as textbook as they come. For us, possibilities in the petroleum industry have less to do with specific companies than with the hydrocarbons they produce and the value that may be derived from them in relation to the price paid. Because our interest is in the category, we will seek out companies regardless of whether they operate onshore or offshore, inside or outside the United States. In all cases we demand value and a large margin of safety.

Maxim Inc.

We purchased Maxim in 2014 for $12.6 million. But we did so not with the intention of entering the publishing business per se; rather, we acquired an underexploited brand with the intention of generating nonmagazine revenue, notably through licensing, a cash-generating business related to consumer products, services, and events.

When we acquired Maxim, we first 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 and have repositioned the brand with a luxury lifestyle magazine and an online presence that together provide a launching pad for high-profit lines of business. The ability to build profits will rest mainly on our licensing business.

We continue to seek licensing opportunities where we bear little to no downside risk yet share in the upside opportunity. Our results are sure to be uneven because licensing projects themselves materialize with irregularity.

In 2023, Maxim had a breakeven year, and I had expected the resumption of profits in 2024 due to the calendar shift of an important licensing arrangement. But I was dead wrong. Our licensee failed to execute on a digital contest, and as a result we decided to bring the project in-house to assume greater managerial oversight. The cost of the new venture contributed to the loss we registered in 2024 — $1.2 million pre-tax. Whether Maxim will be prosperous and we will generate an adequate return on capital remains to be seen. This year will prove to be pivotal for Maxim, as every subsidiary must be a long-term supplier of cash to its parent company, Biglari Holdings.

Shareholder Communications

Stockholders collectively prosper in concert with the prosperity of the corporation. (They also suffer in concert with its failings.) Although we are not responsible for the price you pay for the corporation's stock, we are responsible for the per-share intrinsic value we create during the period of your ownership.

The material contained in this report is designed to provide you with the information necessary to arrive at the corporation's per-share intrinsic value — information we would want to know if our roles were reversed. Our goal during your period of ownership is to build per-share value that exceeds the rate of return of the S&P 500 Index. The longer a shareholder's holding period, the greater the alignment between the corporation's business performance and its stock performance. We hope your time horizon is expressed in decades.

My communications with shareholders are generally limited to the annual report and the annual meeting. We do not provide earnings guidance or hold quarterly conference calls because neither activity would be consistent with our style of management, whose aim is to attract informed long-term investors.

Moreover, we wish to provide all shareholders with the same information simultaneously. One-on-one meetings are neither productive nor practicable. We remain attentive to long-term owners who think for themselves and make long-term investments based on their own assessment. It is this constituency to whom I write the Chairman's Letters, covering the business in reasonable detail, and for whom we hold annual meetings covering matters of substance. We undertake these unorthodox practices because we care about the kind of shareholders who own our stock. Since our decisions are based on rationality, not optics, we frequently depart from the zeitgeist regarding corporate governance. Those seeking a conventional firm to invest in have thousands of publicly owned companies from which to choose. But those who find our modus operandi appealing are welcome to join our club, admission to which is available through the New York Stock Exchange, where our stock is listed.

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 2025 quarterly results after the market closes on May 9, August 8, and November 7. The 2025 annual report will be posted on our website on Saturday, February 28, 2026.

The annual meeting will be held at 1:00 pm on Wednesday, April 16, 2025, at San Antonio's Majestic Theatre, a venue that lives up to its name. We hope you enjoy the city to the fullest. We have obtained discounts at several hotels that are posted on our website. The bulk of the gathering is a question-and-answer session that usually lasts several hours, covering myriad topics on shareholders' minds. 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.

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Looking back on the progress we have made and the superior foundation we have built, Phil and I like our prospects for the years ahead. It should be noted that our past performance was not borne of a master plan but rather arose from opportunities we identified and seized along the way. We may not know which businesses we will purchase in whole or in part in the future, but we aim to grow our ownership of businesses to arrive at the financial destination we seek — ahead of returns achieved by the average American business.

Sardar Biglari
Chairman of the Board

February 28, 2025