

## **Dear Shareholders of Biglari Holdings Inc.:**

Biglari Holdings is an amalgamation of businesses — majority and minority ownership interests in disparate companies — that are tied together by a common purpose. Individually, our subsidiary businesses operate on their own, but like musical instruments they attain new heights in concert. As a multifaceted corporation with relatively stable earnings streams and substantial investments, our holding company commands a network of resources that can be used to maximize the long-term value of the enterprise. Assembling an ever-growing array of profitable companies into a dynamic corporation that will endure — that is our cardinal aim.

By design, our operating businesses function independently from one another and, to a great extent, from the parent company. They are managed on a decentralized basis, while capital allocation decisions are centralized at the holding company level. Decentralization is achieved by empowering local management: We trust our people to manage their business. The extreme delegation of authority to individual business units allows the corporation to scale with a modicum of staff at headquarters. In this way, the enterprise can sidestep the burdens of bureaucracy.

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 2025, Biglari Holdings garnered pre-tax operating earnings of \$18.8 million from its seven first-line businesses.

With few exceptions, the door of opportunity opens far wider for us than it does for companies that reinvest their earnings in their specific industry. When single-line companies pursue acquisitions, their narrow devotion to one field of activity results in fewer possibilities. Our multi-industry corporation has no arbitrary constraints, which allows us to efficiently move capital to any industry, any company, anywhere. Our only limitation is self-imposed, as it is predicated on our own ability to evaluate the future economics of a business. We are concerned solely with growing intrinsic value per share — and are prepared to achieve it by investing the company's capital where we believe it will create the greatest value.<sup>1</sup>

As a consequence, ideas power the enterprise. We attempt to use our advantages in structure and concept — namely, our flexibility in capital allocation — to engineer a business with superior economics.

An important underpinning of our business philosophy bears repeating. 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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<sup>1</sup> 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 seventeen years, Biglari Holdings' cash and investments grew from \$1.6 million to \$1.1 billion — 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)*

	<b>Cash and Cash Equivalents</b>	<b>Marketable Securities</b>	<b>The Lion Fund</b>	<b>Total Investments</b>
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
2025.....	268.8	69.0	772.6	1,110.4

*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.*

As presented in recent reports, 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 254,176 Class A equivalents (as opposed to the 620,592 shares outstanding) at year-end.<sup>2</sup> Correspondingly, the value of total investments would be adjusted to \$492.1 million, which is the carrying value as opposed to the fair value (\$1.1 billion) 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.

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

The increase in our level of investments last year is due primarily to an increase in our level of debt. To be sure, debt capital is not for all times and not for all businesses; its use ought to be inversely related to business risk. We operate from the perspective that even dire economic and market conditions — worse than those observed over the last century — would not threaten the well-being of Biglari Holdings. We have designed a financial architecture for the corporation that separates the capital structure of subsidiaries from that of the parent company. Our layers of liquidity, diversity of cash streams from uncorrelated operations, and net worth give us the financial strength to withstand the perfect storm.

Steak n Shake added leverage into its balance sheet last year, but that debt is its own obligation and is not guaranteed by Biglari Holdings. The earning power of Steak n Shake, along with its substantial real estate holdings, allowed it to borrow \$225 million, which it distributed to Biglari Holdings for the parent company’s use. The interest rate is slightly under 9% per annum.

Currently, the \$225 million of unallocated capital — a.k.a. “dry powder” — is earning us nearly 4% but because the rate we are paying is about 9%, the spread costs us approximately \$11 million annually. We carry that expense in anticipation of attractive opportunities, which are rare and temporary in nature. The cost, however, will not cause us to reach for yield or stretch for an acquisition. We keep our cash short and safe in U.S. Treasury bills, and do not mind if the proverbial powder remains dry for what turns out to be an extended period of time.

The capital structure of any corporation affects its value. A financially strong corporation can be acquisitive, and Biglari Holdings is, of course, in the business of acquisitions. We view balance-sheet management as an art, where the right-hand side of the balance sheet, liabilities and equity, is managed at a specific time and under specific circumstances that are different from those of the left-hand, asset side. It is critical to have ample liquidity and the right capital structure so that when opportunities emerge, financing them will not pose difficulties or involve exorbitant costs. To achieve prosperity, we must be prepared for adversity.

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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.

	<b>Investments Per Share</b>	<b>Pre-tax Operating Earnings Per Share</b>
2008.....	\$ 4	\$(82.07)
2021.....	1,236	76.31
2022.....	899	117.23
2023.....	1,121	138.36
2024.....	1,273	102.52
2025.....	1,936	59.26
Annual Growth Rate, 2008-2025.....	42.4%	N.A.
One-Year Growth Rate, 2024-2025.....	52.1%	(42.2)%

As can be observed in the table, in 2025 our investments per share increased by 52.1% to \$1,936, and our pre-tax operating earnings per share from businesses decreased by 42.2% to \$59.26. The higher level of indebtedness greatly increased our per-share investment figure but penalized our per-share operating earnings.

Since 2008, our compounded annual increase in investments per share has been 42.4%, 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 Cooley, Vice Chairman of Biglari Holdings, and I will continue to do our best to achieve satisfactory growth in both operations and investments, as measured on a per-share basis.

Chronicling the progress we have made over the past seventeen years, Phil and I like what we have achieved and like our prospects for what will unfold in the future. However, we have not increased the company's operating earnings in recent years, mainly because we have not made additional acquisitions — despite our predilection for purchasing businesses in their entirety.

We are highly selective in terms of the businesses we choose to purchase and the people with whom we choose to associate. The number of business gems may be limited, but when we encounter them we also offer a superior proposition to select owners vis-à-vis acquisitive competitors.

Broadly speaking, in most acquisitions the prospective parties tend to focus on the attractiveness of the common ground that has brought them together and to ignore the differences that may one day drive them apart. Business marriages driven by money alone are commonplace, yet the profound differences in management style between the acquiring company and the acquired are often overlooked. Most buyers — private equity or strategic — tend to be more formal and impersonal. Invariably, they will convey the Billy Joel sentiment that they “love you just the way you are,” but once the private equity firm brings in consultants to help improve operations or the strategic buyer implements its own way of operating, it is the leader of the acquired firm who suddenly feels like a stranger in his own company. Any owner-manager worth his salt will soon resent the steady pull of such organizational reins.

Biglari Holdings occupies a special place in the business of acquisitions, with an uncommonly flexible corporate structure. Our management system, built on the principle of adapting to our operating businesses, permits our constituent companies to function autonomously and to retain their owner-managers, who then feel it is still their business despite the change in ownership. There will be no erosion, not even gradual erosion, of managerial autonomy. We invite potential sellers to contact the owner-managers who have sold their businesses to us.

Our owner-managers are independently wealthy and have no financial need to work. In fact, they do not view their business as work but as a creative endeavor. We seek business masterpieces and view Biglari Holdings as a museum of such businesses. In this regard, we provide an environment in which entrepreneurs can continue to develop their life's work. We are ideally suited for owners who care about their business and their employees, and who value a permanent home for their corporate masterpiece.

Our acquisition strategy centers on finding a good business that comes with great management at a sensible price — a good business being one that has a track record of generating high returns on capital. We would welcome hearing from any owner whose business meets our acquisition criteria.

Although we prefer to build the corporation by purchasing businesses, we also pursue partial ownership opportunities offered by the stock market.

## **Investments**

By the end of 2025, total investments (cash, marketable securities, and Biglari Holdings' investments in The Lion Fund) amounted to \$1.1 billion 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.

Our largest common stock holding is Ferrari. Over the last three years we have purchased 543,800 shares.<sup>3</sup> At year-end, our investment in Ferrari was valued at \$202.3 million. None of our other equity positions had a value greater than \$50 million.

When considering investment opportunities, we increasingly ask ourselves what a Rip Van Winkle investor would find upon awakening from a deep sleep of twenty years or more. Let us postulate that when he fell asleep, he was majorly invested in a business that had stunning economics. Upon opening his eyes, he will undoubtedly find a different world before him. But there is just one chief concern for our focused investor: whether the business he invested in has sustained its exceptional economics and made him richer.

We seek out companies with competitive advantages in durable industries. All businesses will change over the course of two or more decades, but the business gems will be those that have sustained their competitive edge. We believe Ferrari is one such company. When we started purchasing shares in 2022, we were thinking about what the company would look like in two decades. Ferrari's vehicles will, of course, continue to change over the coming years, but we think the reasons people will choose the brand in the 2040s will be nearly the same as they are today.

Phil and I do not attempt to identify the creative destructors in emerging industries. Instead, we look to own companies that are shielded from “creative destruction” — a term coined by economist Joseph A. Schumpeter to describe the process by which innovators destroy old business paradigms to make room for the new. A rapidly growing industry may offer the possibility of significant monetary gain; in fact, most investors see change as an opportunity to exploit. But we view change as a threat to avoid. It is through the lens of this unorthodox view that we pursue investment opportunities.

## **Operating Businesses**

Biglari Holdings has seven major controlled businesses: Steak n Shake, Western Sizzlin, Maxim, First Guard, Southern Oil, Southern Pioneer, and Abraxas Petroleum. By growing through acquisitions, the enterprise is building a stronger profit base for the future.

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<sup>3</sup> The number of shares represents the sum of The Lion Fund's common stock investments plus those held by Biglari Holdings and its subsidiaries.

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.

	<i>(In 000's)</i>	
	<u>2025</u>	<u>2024</u>
Operating Earnings:		
Restaurant Operations:		
Steak n Shake .....	\$ 22,570	\$ 20,099
Western Sizzlin .....	572	1,515
Insurance Operations:		
Underwriting—First Guard .....	6,015	4,038
Underwriting—Southern Pioneer .....	1,195	400
Investment Income and Other .....	5,506	4,652
Oil and Gas Operations:		
Abraxas Petroleum .....	11,136	19,853
Southern Oil .....	1,762	(81)
Maxim .....	(1,921)	(1,180)
Corporate and Other .....	(19,832)	(15,956)
Interest Expense .....	(8,221)	(771)
Operating Earnings Before Taxes .....	18,782	32,569
Income Taxes .....	(4,629)	(8,448)
Net Operating Earnings .....	14,153	24,121
Investment Gains/Losses* .....	(51,641)	(27,880)
Total Net Earnings .....	<u>\$ (37,488)</u>	<u>\$ (3,759)</u>

*\*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 2025, the corporation had net operating earnings of \$14.2 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 435 units. However, their business models differ. Steak n Shake, with 404 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 31 units — all but 3 are franchisee-run.

Making money in the restaurant industry can feel like picking up nickels in front of a steamroller. The restaurant business is capital intensive, labor intensive, and intensely competitive, with a low barrier to entry, characteristics that when taken together result in low returns on capital and a high mortality rate. We have bucked the trend, managing to earn reasonable cash returns during our period of ownership by taking an approach contrary to most in the industry. For instance, we would rather maximize returns on capital than maximize the number of stores we operate. It is easy to open new stores; what is hard is to obtain decent rates of return on them.

## **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 2025, Western Sizzlin's cash distributions to Biglari Holdings totaled \$31.0 million. And we still own the securities and real estate, which, conservatively calculated, are worth \$15 million.

Western Sizzlin's ingenious CEO, Robyn Mabe, has done the near impossible: prosper in the declining buffet segment. Our market share has gone up as other chains have gone out of business. Phil and I met Robyn 21 years ago when we first invested in the company. Her great leadership became our great fortune.

## **Steak n Shake**

The biggest story of the year for Biglari Holdings was Steak n Shake's performance.

Many of the company's goals, the foundation for which was laid in 2020, came to fruition in 2025. We reconstituted the senior management team and embraced a new mission, a new energy, and a new pace. By revitalizing Steak n Shake, we made it relatable to a new generation that is itself faster paced, more mobile, and keenly interested in quality. In 2025, the culmination of those efforts led to industry-leading growth in same-store sales of 10.2% in the fast-food category, which was our best annual same-store performance since present management took control of Steak n Shake in August 2008. Actually, it was the best performance since 1992. (Of course, we are excluding the rebound year of 2022 coming out of the COVID-19 pandemic.)

We assumed control of a company that had just \$1.6 million of cash on hand, debt of \$27 million, burdensome lease liabilities of \$140.3 million, and losses of approximately \$100,000 per day. We were able to turn the business around in the throes of the global financial crisis of 2008, and by the end of 2009 were generating \$100,000 per day. Details of the turnaround are covered in prior letters.

At various times in Biglari Holdings’ history, Steak n Shake has been the strongest-performing subsidiary and the parent company the beneficiary of its tremendous cash and value creation. Over the past seventeen years, the chain has supplied Biglari Holdings with over \$400 million in cash. (Of that sum, about \$200 million came from an increase in Steak n Shake’s debt.)

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

*(Dollars in 000’s)*

	<b>Operating Earnings</b>	<b>Number of Company- Operated Units</b>	<b>Number of Franchise Partner Units</b>	<b>Number of Traditional Franchise Units</b>	<b>Total Number of Units</b>
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
2025 .....	22,570	131	179	94	404

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

In 2025, Steak n Shake produced pre-tax operating earnings of \$22.6 million. For the last several years we have achieved double-digit pre-tax cash returns on capital but have yet to reach our goal of 20%. That target is now in sight as earnings increased — powered by the 10% rise in same-store sales — and capital employed decreased.

The year 2025 was pivotal, for it marked a surge of improvement in the quality of our products. The company’s messaging around quality resonated with the public. In essence, we are coming back to the philosophy of Steak n Shake founder Gus Belt: “In sight it must be right” — emphasizing quality that you can see and taste. Belt invented the Steakburger, and with it Steak n Shake. He would bring in steak and grind it into burger patties before diners’ eyes to prove the provenance of his ingredients. Steak n Shake, born in 1934 on Route 66, soon became an American icon.

Today, Steak n Shake is also known for its beef tallow fries and legendary milkshakes. Our loyal and new customers' enthusiasm for Steak n Shake has grown as a result of our zestful insistence on expensive natural ingredients. In addition to 100% beef tallow fries, we have introduced cane sugar Coca-Cola, Grade A Wisconsin butter, and A2 whole milk. The next big change we will introduce is 100% grass-fed Steakburgers. Our objective is for Steak n Shake to become a great differentiator — to differentiate itself from the fast-food pack in a manner that customers value.

The transformation of 2020 laid the groundwork for today's achievements 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. These radical changes required a capital investment of about \$50 million, which improved unit economics mightily. The payback on this capital investment took just under eighteen months.

Crucially, the transformation led to triple-digit percentage gains in productivity — i.e., output per hour of employment — which enabled us to provide higher wages and higher quality that translated into higher profits. But another indispensable element of that transformation has been our franchise partner program.

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.

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.

We choose franchise partners based on their managerial skill set and their demonstration of the gold standard in service. This franchise opportunity cannot be purchased, only earned. Our program is designed for those long on ability but short on capital.

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.

The loyalty of our operators and the spirit of cooperation that prevails throughout the partnerships are second to none. Our franchise partners are industrious individuals who have translated hard work into productive enterprise in their pursuit of the American dream.

By year-end 2025, we had converted 179 company-operated units into single-unit franchise partnerships. The program has exceeded all expectations but one: We have yet to convert the entire system from company-operated units to franchise partnerships. The remaining restaurants are lower-volume units, which makes them a tough sell for the kind of franchise operators we seek. Nonetheless, the continued upswing in their profits should enhance these stores' prospects. As we continue to work on company-operated restaurants, our future lies primarily with franchise partners, whose units collectively generate about 70% of Steak n Shake's store-level cash flows.

Restaurants are a momentum business. To continue building on our momentum, we will judiciously reinvest in our restaurants to achieve improved product quality, better consistency, lower labor intensity, and greater speed of service. We have also chosen several restaurants in which to test a retro-futuristic aesthetic — combining the best of our heritage with the best of modern advancements, such as Supercharger stations in partnership with Tesla. Further, we are exploring the introduction of robotics and robotaxis, in an effort to anticipate the future. Essentially, we want to combine tradition stemming from our founding in 1934 with a look toward 2034.

An area of disappointment last year was our traditional franchise business. Although the current group had an exceptional year in growing same-store sales, we have not stemmed unit closures. This segment of our operation has been in decline since 2019 because many franchisees did not adopt the company's transformation plan. Plus, there exists a lag between the progress we make as a company and franchise unit growth. We will continue to develop a track record proffering the most appealing combination of aesthetics, premium quality, and strong unit economics. The traditional franchise business is an important dimension of Steak n Shake because it expands the brand without the deployment of our capital.

Steak n Shake's overall performance in 2025 was not the result of a rising industry tide. What really mattered is how we treated our customers. To become America's favorite burger restaurant, we must deserve it.

## **Insurance Operations**

The assets of financial firms differ in important respects from those of other kinds of businesses. Nonfinancial companies largely create their assets out of profits and use them to create more profits. But financial companies such as banks create assets primarily by serving as receptacles for deposits — that is, other people's money — which they then lend or invest. Insurance firms also create assets by using other people's money. But unlike a bank, where customers can withdraw their deposits, property and casualty insurance reserves cannot be withdrawn.

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.

By reviewing industry data compiled by AM Best — the largest credit-rating agency specializing in the insurance industry — we can easily see that from 2014 through 2025, the total return on the net worth of property and casualty insurance companies amounted to about 8%. This compares to an average return of approximately 15% for all U.S. industries. Essentially, the average insurance company is just not as profitable as the average Fortune 500 company.

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. In 2024, we started a reinsurance division, Biglari Reinsurance Ltd., that strengthened the resources of our insurance group. Over our near twelve-year history in the property and casualty insurance business, we have produced underwriting profits every year, totaling \$74.4 million pre-tax. Here is the record of our insurance business since 2014.

*(Dollars in 000's)*

	<b>Premiums Earned</b>	<b>Underwriting Profit</b>	<b>Combined Ratio*</b>
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
2025.....	70,147	7,210	89.7

*\*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 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 21.5% since it commenced operations in 1997. More impressively, it has registered an underwriting profit in every quarter of its existence. That is 114 consecutive quarters of underwriting profit.

The creator of this marvelous business is Ed Campbell, III. We have long viewed First Guard as a masterpiece in our collection of businesses, and Ed as the Michelangelo of management. And in another masterful stroke, in 2021 he chose the ideal CEO to succeed him: Drew Toepfer. A consummate businessman with an analytical mind, Drew has done a sensational job managing First Guard. He will make the company more valuable over time by retaining the company's collective discipline and finding new ways to grow the business.

We were spoiled by our purchase of First Guard, and with the acquisition of Southern Pioneer, we were spoiled once again. The two companies have one important characteristic in common: They are run by extraordinary people.

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.

Southern Pioneer had a solid year, with a combined ratio of 96.4%. That performance is even more remarkable in light of the difficulties the company experienced in homeowners insurance. Indeed, this line has been like crossing a minefield. Our company's record has been far better than average because its cautious underwriters know how to navigate the dangers.

The Hynemans are staunch believers in cooperation and mutual loyalty — many of the employees have been with the company for decades, some generationally. It is a delight to be associated with the Hyneman family; they embody the wisdom of Benjamin Franklin. Ben and Hal's father was B.F. Hyneman — his initials, as you may have guessed, stand for the name of that founding father. (Interesting side note: Among Franklin's countless achievements, he co-founded the first successful fire-insurance company in colonial America in 1752.)

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We have been on a journey to build a robust insurance operation that will become the corporation's primary engine. With the creation of our reinsurance company, Biglari Reinsurance, we have transformed our insurance division to both improve our returns on capital and serve as a foundation for growth. Biglari Reinsurance is a highly capitalized entity that has enhanced the credit rating of our insurance group. Last year, AM Best bestowed the group with an A rating. Our financial strength is a valuable asset, one we intend to exploit in our quest to acquire other insurance companies.

We expect our acquisition activity to increase now that our insurance division possesses a rating advantage; a reputational advantage, among both regulators and owner-managers; and an investment flexibility advantage. We will need these advantages to build a sizable business using insurance reserve liabilities, rather than equity, to fund the purchase of assets. If we grow these liabilities without an underwriting loss, we anticipate an increase in the profitability of our enterprise.

Generally speaking, the insurance business presents Biglari Holdings with its greatest opportunities. Phil and I are intent on building an ever greater collection of insurance businesses.

## **Oil & Gas Operations**

In 2025, our oil and gas operations earned \$12.9 million of pre-tax earnings. As occurred in the preceding two years, we benefited from assigning — or in industry parlance, farming out — some of our oil and natural gas assets to third parties for development. We realized a gain of \$11.9 million on these transactions.

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 2025, the oil companies paid Biglari Holdings a cumulative \$172.6 million in cash. So far, so good.

Our approach has been to get the money out of the ground — and not put the money back in. A substantial portion of our oil profits have come from farmouts. To date, we have been successful in obtaining partners for various depths of Abraxas's undeveloped 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.

## **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.

As I wrote in last year's letter, we brought our digital contest business in-house; that new venture grew stronger and more important in 2025. The highly talented team worked laboriously to unearth the latent value of the Maxim brand by producing contests that drew in more than 250,000 contestants. The start-up business factored into our \$1.9 million pre-tax loss, but during the year it turned profitable and is now a supplier rather than a recipient of cash. Building on the trend of new revenue streams, we expect Maxim to contribute cash to Biglari Holdings going forward.

## 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 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](http://biglariholdings.com). To keep you abreast of the company, we will issue press releases concerning 2026 quarterly results after the market closes on May 8, August 7, and November 6. The 2026 annual report will be posted on our website on Saturday, February 27, 2027.

The annual meeting will be held at 1:00 pm on Wednesday, April 8, 2026, 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 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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Our aim is to grow per-share intrinsic value by an average of 15% per annum. To attain our return objective, we must generate aggregate profits of about \$1.6 billion in the next ten years, assuming the equity base does not change as a result of share issuances or repurchases. Doing so will require the sound reallocation of capital into consequential profit-making opportunities. We feel we are just getting started.

Phil and I are committed to making your journey with us a profitable one.

Sardar Biglari  
Chairman of the Board

February 27, 2026