BIGLARI HOLDINGS INC.

2023 ANNUAL REPORT

Dear Shareholders of Biglari Holdings Inc.:

The ancient pyramids were built stone by stone; we are building Biglari Holdings company by company. Inspired by the endurance of those monuments, we aim to construct a corporation that will last for generations. Each building block of Biglari Holdings was chosen with the objective of maximizing per-share intrinsic value.[1] Its corporate architecture is expressly designed to scale the enterprise with the acquisition of outstanding companies.

Biglari Holdings is a creative endeavor — a work of art. We view the corporation as our canvas and capital allocation as our means of artistic expression. Because we seek acquisitions or investments that are significant in relation to our capital, each brushstroke is consequential. As the deployer of capital, I have a nearly unlimited palette of colors from which to choose. The only self-imposed restriction is that I will only consider businesses whose future economic prospects I can evaluate. Our predilection is for well-established companies with competitive advantages, in stable industries. Indeed, the appeal of the businesses we own lies in their predictability.

Our growing collection of operating companies began in 2008, when present management gained control of Steak n Shake, a then profitless restaurant chain, 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 2023, Biglari Holdings garnered pre-tax operating earnings of $43.2 million from its seven first-line businesses.

Profit alone, however, is an inadequate means of assessing operating performance; rather, profit must be measured in relation to the capital that produced it. The restaurant industry is characterized by low returns on capital. During the course of our ownership, our restaurant operations, which originally represented Biglari Holdings' entire net worth, impeded overall returns. Nevertheless, in recent years, we have improved the capital efficiency of our restaurant operations. More critically, we have reallocated capital into other businesses whose return on capital as a group has exceeded that of the Fortune 500, which has averaged about 15% annually over the last decade.

This may be a good place for me to share a semi-philosophical thought: 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. (It bears mentioning that an exceptional business purchased at too high a price will be a poor investment.) However, there is also 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. In effect, our corporate structure allows us to replicate the very economics of the ideal business.

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.

---

[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.

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 fifteen years, Biglari Holdings' cash and investments grew from \$1.6 million to \$592.7 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**

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.

Our corporation's financial strength is an operational advantage and its substantial investment holdings serve as a source of capital for acquisitions. A strong balance sheet is capable of withstanding extraordinary adverse market and economic conditions, whereas a speculative capital structure places a firm at the mercy of others. By retaining a decided edge in capital structure, Biglari Holdings is positioned to capture opportunities, thereby expanding and solidifying its domain.

When assessing the corporation's capital structure, it is important to keep in mind that since 2015 The Lion Fund has allocated more than \$300 million to purchase the company's stock.

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 284,696 Class A equivalents (as opposed to the 620,592 shares outstanding) at year-end.[2] Correspondingly, the value

[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.

of total investments would be adjusted to $319.0 million, which is the carrying value as opposed to the fair value ($592.7 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.) Continuing this approach in regard to share count, which adheres to generally accepted accounting principles, at year-end 2023, the per-share book value of our Class A stock was $2,105. Our per-share book value increased by 12.5% in 2023, yet underperformed the S&P 500 Index by 13.8 percentage points. What matters, however, is not per-share net worth but per-share intrinsic value, with the latter's advancement measured against the performance of the S&P 500.

Book value represents the capital invested in the company by its owners, as shown on the financial statements; it is an accounting term that reflects the capital that has built up in the corporation, which in our case has mainly been retained earnings. Intrinsic value, on the other hand, is an economic concept: the discounted present value of cash that can be taken out of the business over its corporate life. The difference between book value and intrinsic value is akin to the difference between looking in the rearview mirror and looking through the windshield.

Between 2008 and 2023, Biglari Holdings metamorphosed from a dying restaurant business whose per-share intrinsic value was far less than its per-share book value into a diversified corporation worth more than its book value. Of course, intrinsic value, by its nature inexact, will be greatly impacted by the redeployment of future retained earnings, a factor that can enhance or diminish the corporation's value.

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
Annual Growth Rate, 2008-2023	43.8%	N.A.
One-Year Growth Rate, 2022-2023	24.7%	18.0%

In 2023, our investments per share increased by 24.7% to $1,121, and our pre-tax operating earnings per share from businesses increased by 18.0% to $138.36. Last year we had a good increase in operating earnings but major, sensible acquisitions will be needed to advance from this level henceforth. 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 do our best to achieve satisfactory growth in both operations and investments, as measured in decades and on a per-share basis.

Since 2008, our compounded annual increase in investments per share has been 43.8%. On a per-share basis, the company had just $4 of cash and $63 of debt on July 2, 2008, the third fiscal quarter-end prior to our assuming responsibility for the company on August 5, 2008. Over the ensuing fifteen years, we have acquired six businesses through negotiated transactions, paid in cash, and allocated funds toward investments; we ended the year with no debt.

To digress for a moment, the 284,696 Class A equivalent shares at year-end 2023 are comparable to 424,325 shares outstanding on July 2, 2008, a near 33% reduction in share count over the course of our tenure. Every 1% of the company an investor owned then is 1.49% of the company today. Consequently, the original shareholders now own a 49% larger portion of the Steak n Shake assets, plus all the new assets — the six businesses and over $300 million of total investments at carrying value.

Investments

By the end of 2023, total investments (cash, marketable securities, and Biglari Holdings' investments in The Lion Fund) amounted to $592.7 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.	$159,489
402,000	Ferrari N.V.	135,661
1,137,300	Jack in the Box Inc.	92,838

At year-end 2023, our three major investment holdings — Cracker Barrel Old Country Store, Inc., Ferrari N.V., and Jack in the Box Inc. — had a market value of $388.0 million. Adjusted for the corporation's weighted 90.2% interest in its investment partnerships, they represented 58.6% of the net worth of Biglari Holdings. Our total equity holdings, including the aforementioned stocks, accounted for 61.0% of the corporation's net worth at year-end.

As indicated in the table above, at year-end our 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, The Lion Fund reduced its holding in Cracker Barrel to 2,000,000 shares. Since 2020, however, Biglari Holdings has purchased an additional 69,141 shares for its insurance subsidiaries. All in all, we now control 9.3% of Cracker Barrel's outstanding stock at an average cost per share of $51.32. Over the years of our ownership, we have received aggregate dividends per share of $62.60, which exceeds our cost per share.

From 2011 through year-end 2023, we received proceeds of $471.1 million from the sale of Cracker Barrel stock, $248.8 million in dividends and derivative gains, plus we held a remaining stake of $159.5 million in market value. In sum, over a twelve-year period, our investment in Cracker Barrel of $246.7 million turned into $879.4 million in value.

Our second largest common stock holding at year-end was Ferrari. A luxury brand in the form of an artisanal automobile manufacturer, Ferrari is more than just the ne plus ultra of cars; it is a club of sorts. Ferrari is an exceptional business run by an excellent management team. With this combination, our attitude toward owning a part interest in Ferrari is analogous to that of owning 100% of a business such as First Guard. In other words, our intent is for Ferrari to be a permanent holding.

From our point of view, we are owners of businesses, not merely holders of stock certificates. Basically, our position resembles that of a minority owner of a private corporation. The stock-market quotation, however, may be relevant if it allows us to increase our ownership at a price we deem attractive. To us, evaluating stocks is tantamount to evaluating businesses, because stocks are business purchases, just partial rather than whole.

One fallacy many equity market participants share is the indiscriminate use of deceptively simple multiples — price-to-sales, price-to-book, or price-to-earnings — to estimate the value of a company. The approach is fast and easy but also faulty, since value is not a function of any such multiple. There are hazards associated with such mental shortcuts, but their use can create golden opportunities for the investor who has the ability, the sound judgment, and the courage to capitalize on them. It takes the right mental equipment and the right type of temperament — if either is lacking, disappointment or worse will ensue.

We concede that the path we have embarked on remains an uncommon one. But we would rather sustain the consequences of being unconventional than suffer a permanent loss of capital. John Maynard Keynes wrote in his seminal book, *The General Theory of Employment, Interest, and Money*, "Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally."

All of that said, simply adopting a contrarian approach is a fool's errand; the key is to be *correct* on the facts and the reasoning. We are investors, not speculators, a distinction that is all-important. The speculator's attention is on stock price and its short-term fluctuations, whereas the investor's attention centers on the enterprise and its long-term business prospects. In times of market chaos, the speculator folds while the investor focuses. When fear pervades the scene, fundamental business economics still dominate our thinking.

Operating Businesses

Biglari Holdings has seven major controlled businesses: Steak n Shake, Western Sizzlin, Maxim, First Guard, Southern Oil, Southern Pioneer, and Abraxas Petroleum. Though the group is diverse, the operating subsidiaries share a common denominator: All of them generate cash that advances the development of the holding company.

In Aesop's fable of the bundle of sticks, an old man imparts a life lesson to his sons by demonstrating that individual sticks are easily broken, but when bound together they become unbreakable. Although most of our seven subsidiaries could have prospered had they remained independent, the collective, with the diversity of its earnings, engenders strength for the holding company.

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) 2023	2022
Operating Earnings:		
Restaurant Operations:		
Steak n Shake	$ 26,170	$ 11,478
Western Sizzlin	1,793	1,484
Insurance Operations:		
Underwriting—First Guard	9,492	6,578
Underwriting—Southern Pioneer	(1,038)	(1,277)
Investment Income and Other	4,629	4,603
Oil and Gas Operations:		
Abraxas Petroleum*	22,410	652
Southern Oil	3,356	24,539
Maxim	11	1,760
Corporate and Other	(22,946)	(13,099)
Interest Expense	(681)	(399)
Operating Earnings Before Taxes	43,196	36,319
Income Taxes and Noncontrolling Interests	(4,625)	(8,694)
Net Operating Earnings	38,571	27,625
Investment Gains/Losses**	16,377	(59,643)
Total Net Earnings	$ 54,948	$(32,018)

* *From the date of acquisition, September 14, 2022.*

***Investment gains/losses are reported on an after-tax basis and include realized real estate gains 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 2023, the corporation had net operating earnings of $38.6 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 492 units. However, their business models differ. Steak n Shake, with 457 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 35 units — all but 3 are franchisee-run.

If we had acted like a traditional company and utilized our retained earnings in the same restaurant businesses that produced them, we would have destroyed capital. To understand the brutality of capitalism, one need only study the history of the restaurant industry, which too often resembles a graveyard of failed businesses. Combining ease of entry with ready access to financing is a recipe for failure. When a business is in decline, trying to bring back its greatness through capital investment is usually a mistake.

We took a divergent path by investing the earnings not needed within our restaurant businesses in areas such as insurance companies and oil and gas concerns, among others. Although neither of our restaurant companies has produced record net operating earnings, their parent company has. That is the beauty of the Biglari Holdings system — namely, the rational allocation of capital.

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 2023, Western Sizzlin's cash distributions to Biglari Holdings totaled $29.3 million.

The achievements of Western Sizzlin can be traced to the company's CEO, Robyn Mabe. Phil and I discovered a valuable franchise business that, under Robyn's skilled leadership, has remained a dependable money-earning concern.

Steak n Shake Inc.

Steak n Shake is a company that has gotten off track at various times since its creation in 1934. 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. Although we were swimming upstream, we were able to turn the business around, and 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 three years, the company has produced aggregate pre-tax operating earnings of $51.2 million.

Admittedly, it is not a sign of strength for a business to repeatedly encounter emergencies that cause it to rise from the ruins, phoenix-like, stronger than before. In future acquisitions, we will try to steer clear of businesses presenting multiple high-degree problems in a tough industry.

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

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

In 2023, Steak n Shake produced pre-tax operating earnings of $26.2 million. Our pre-tax cash return on capital fell a few percentage points short of our goal of 20%. To meet our objective, we will continue to improve the company's cash earnings while reducing our investment in fixed assets.

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.

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. All company and franchise partner units have been fully converted to self-service.

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 $135,000 in 2023. 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 50.7%. Simultaneously, the average number of employees working per operating hour decreased by 28.5%. As a result, productivity grew 111%. The resultant cost savings have largely been passed on to customers through low prices, and to associates through higher wages.

I have reviewed the financial figures for all listed publicly owned restaurant companies in the U.S., and the comparative changes in gross margin over the last few years should arouse your interest. Since 2019, Steak n Shake's improvement in gross margin — namely, the profit after deducting food and labor costs as a percentage of net sales — has been better than that of every other publicly owned restaurant company. Our prime costs, which are the combined costs of food and labor, were 69% of net sales in 2019 but fell to 56% of net sales in 2023. And yes, we started out way behind the pack. But that 13-percentage-point improvement altered Steak n Shake's destiny.

We continue to seek avenues to enhance the customer experience through innovation. For instance, we are in the process of adding face pay to our kiosks. Once customers opt in, the facial recognition technology will vastly speed up self-service ordering. We are also upgrading the technology of the drive-through with new digital menu boards, which will improve the guest experience in similar fashion. We will keep refining our operating system, from ordering to food assembly, to increase the speed of service while making our products more uniform.

A restaurant chain numbering in the hundreds of stores is an extraordinary exercise in management. For the typical company, it is, above all, a business of supervision whose key requirement is control. Such is the conventional management structure, and that is what we inherited. But we eventually replaced it with a new management system in order to cultivate a superior culture. This takes me to the importance of unit-level leadership.

We were determined to rely on hundreds of 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 four years, the average franchise partner made about $137,000 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.

In the late 19th century, the tales of Horatio Alger captivated the public for the way his characters overcome adversity. Our franchise partners are the flesh-and-blood Horatio Alger heroes of the 21st century. It is a reminder that when opportunity knocks, all one needs is a knack for seizing chances and for putting one's all into the work at hand.

The program has been a success story because it was founded on the basic principle of equality of opportunity. As of year-end 2023, minority- and women-owned businesses accounted for 63% of all franchise partnerships, while Black-owned enterprises represented 21%. We did not set out to win any diversity awards; nor did we ever develop a diversity program. The word "diversity" is frequently used to force an outcome. The goal is laudatory but it often misses its mark. We simply focused on individual skills and effort, and it resulted in a diverse group of immensely industrious and ambitious owner-operators. We will continue to search for talent, not diversity, and by getting the former we will end up with the latter, not the other way around. Our system of meritocracy is about placing the right people into positions of power and ownership.

By year-end 2023, we had converted 181 company-operated units into single-unit franchise partnerships, a net increase of six partners from the prior year. We launched the program in late 2018, and by the end of that year, we had just two partners. From the beginning of 2019 through the end of 2021, the program grew at an average rate of 52 partners per year, but in the past two years the rate slowed to just 11 per year. In 2023, we had the fewest franchise conversions, partly because we tightened our standards and partly because the remaining company-operated stores have low sales volumes and marginal profits. Reversing the performance of these units will not be an easy task but we have dedicated the resources required to effectuate an upswing in their earnings. The good news is that our best units are in the hands of our best operators.

In addition to our nontraditional franchise partnership program, we also have a traditional franchise business. Because Steak n Shake underwent a radical change in its business model, it will take some time to spur traditional franchise growth after several years of decline. We are developing a new prototype that should inject verve into this segment and achieve satisfactory unit economics for franchisees. 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.

Phil and I believe Steak n Shake is on solid footing.

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.

The theory is easy to enunciate but difficult to execute, as demonstrated by the industry's underwriting performance. In fact, over the last ten years, the industry has generated a cumulative underwriting loss. The average property and casualty insurance company continues to generate low returns on equity as compared to the Fortune 500. We attempt to be an exception to the rule by owning exceptional companies whose managers are even more exceptional.

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. Our insurance operations have had property and casualty underwriting gain every year, with aggregate pre-tax underwriting profits totaling $62.8 million through year-end 2023. Here is the record of our insurance business over a near decade-long span.

(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

**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.*

As soon as Phil and I learned of First Guard, we knew it was a gold mine.

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. Its creator, Ed Campbell, III, had the ingenious idea of selling insurance directly to the trucker. As a niche writer of commercial truck insurance, First Guard has produced an average underwriting profitability of 23.2% over a 27-year period. Such a record is nearly unheard of.

First Guard was a great company before our purchase and has remained so ever since. In 2021, the CEO reins were handed to Drew Toepfer, who has done a sensational job managing the company. Drew started with First Guard when he was in high school, working first in the mailroom, then in each of the company's departments, and ultimately as CEO. Many of the employees have followed a similar career development path, owing to the unusual program Ed devised.

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, holding a commanding share in its four core states — Alabama, Arkansas, Missouri, and Tennessee. In 2023, it also expanded into Mississippi. The company's other offerings include 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. The Hynemans have integrity and skill. We are fortunate indeed to be associated with them.

In 2023, Southern Pioneer had a combined ratio of 104.2, which did not meet our collective expectations. Our lines of insurance are priced to be profitable absent unusually severe weather activity, which has in fact occurred in each of the last two years. Nonetheless, we believe our insurance underwriting transactions carry with them the mathematical expectation of profit.

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 2023, our oil and gas operations were an important contributor to Biglari Holdings' overall operating results, with $25.8 million of pre-tax earnings. Do not expect an encore in 2024. Oil is a depleting asset, and we are primarily in the business of extraction, not exploration.

Our oil and gas operations consist of Southern Oil Company and Abraxas Petroleum Corporation, whose 73 combined producing wells averaged approximately 2,800 barrels of oil equivalent per day in 2023. Southern Oil is a different type of operation from that of Abraxas Petroleum, insofar as Southern Oil primarily operates offshore in the shallow waters of the Gulf of Mexico, specifically in Louisiana state waters, while Abraxas Petroleum is a land-based producer in the prolific Permian Basin of West Texas. The two companies operate independently of each other but they share the common characteristic of making barrels of cash.

We acquired Southern Oil in 2019 for $51.5 million. From the time of its acquisition through the end of 2023, Southern Oil paid Biglari Holdings $75.8 million. In 2022, we acquired 90% of

Abraxas Petroleum, purchasing the remaining 10% of the company in 2023, for a total cash consideration of $85.4 million. From the time of the initial acquisition through the end of 2023, Abraxas Petroleum paid Biglari Holdings $52.8 million.

Our oil business is predicated not on discovering hydrocarbons but on extracting them from the ground. 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 2023, we were successful in obtaining a partner for some of Abraxas's undeveloped acreage. We not only realized a gain of $13.6 million on the transaction but the royalty-based arrangement also increased our proved undeveloped reserves by $8.8 million. Therefore, we will share proportionately in the performance of the new wells but take none of the drilling, operational, or financial risks.

It should be further noted that our oil companies carry no debt. Many a petroleum company has experienced the toxicity of mixing oil with debt. An enterprise becomes vulnerable when the predictability of interest payments on debt collides with the unpredictability of its revenue streams. (The prices of crude oil and natural gas are notoriously skittish.) For equity holders, any decline in the value of oil and gas assets is magnified by the use of financial leverage.

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. In 2023, Maxim had a breakeven year, as its results were impacted by the shift of an important licensing arrangement to the current calendar year. In the preceding five years, Maxim produced aggregate pre-tax earnings of $6.2 million.

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.

Maxim is a royalty-based business with a magazine attached. We continue to seek licensing opportunities where we bear little to no downside risk yet share in the upside opportunity. Through the licensing business, we are, in effect, engaged in a venture capital operation — one that is entirely funded by others. (Venture capital is not our game but we happily accept free options for licensing the Maxim brand.) As a consequence, there is option value embedded within this component of our business, with a payoff that can range from zero to a material sum. To maximize our chances for the latter, we are working to improve the pipeline of potential licensing partners.

Our results are sure to be uneven because licensing projects themselves materialize with irregularity. Maxim is a profitable enterprise, and we intend to unearth the latent value of the brand in order to obtain a satisfactory return on our total investment.

Shareholder Communications

By retaining all our earnings and skillfully increasing our ownership of other businesses, we will grow our shareholders' wealth. Phil and I expect such an accretion of value to eventually be reflected in the market price. Therefore, we will focus our efforts on gain in per-share business value, knowing that in the long term, market price will eventually arrive at about the same destination. Of course, in the interim, the divergence between market value and business value may be significant. During such a period, which can go on for some time, there is a transfer of wealth among shareholders, a situation Phil and I dislike. Ideally, a shareholder's results align with the business's results.

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 2024 quarterly results after the market closes on May 10, August 9, and November 8. The 2024 annual report will be posted on our website on Saturday, March 1, 2025.

The annual meeting will be held at 1:00 pm on Wednesday, April 17, 2024, 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. Last year, many shareholders traveled from afar to be with us, and once again we expect a greater number to join us this year. 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.

* * *

Biglari Holdings is a dynamic, multifaceted enterprise. Phil and I are implementing the basic idea of combining many profitable companies into one powerful corporation. We have the capability to channel resources anywhere, enabling us to move in any direction, in any industry, in any part of the world. By revering logic and operating without conventional constraints, we hold the advantages necessary to maximize the per-share value of the company.

We are fully committed to making your journey with us a prosperous one.

Sardar Biglari
Chairman of the Board

February 24, 2024

[THIS PAGE LEFT BLANK INTENTIONALLY]

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

FORM 10-K

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

For the fiscal year ended December 31, 2023

or

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

For the transition period from ____ to ____

Commission file number 001-38477

BIGLARI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Indiana	**82-3784946**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
19100 Ridgewood Parkway, Suite 1200	
San Antonio, Texas	**78259**
(Address of principal executive offices)	(Zip Code)

(210) 344-3400
Registrant’s telephone number, including area code

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

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

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☒ Emerging growth company ☐

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2023, was approximately $201,503,586.

Number of shares of common stock outstanding as of February 20, 2024:

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

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s definitive Proxy Statement to be filed for its 2024 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

Table of Contents

Part I

Item 1. Business

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

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

As of December 31, 2023, Mr. Biglari beneficially owns shares of the Company that represent approximately 66.8% of the economic interest and approximately 71.0% of the voting interest.

Restaurant Operations

The Company's restaurant operations are conducted through two subsidiaries: Steak n Shake Inc. ("Steak n Shake") and Western Sizzlin Corporation ("Western Sizzlin") for a combined 492 units. As of December 31, 2023, Steak n Shake had 148 company-operated restaurants, 181 franchise partner units, and 128 traditional franchise units. Western Sizzlin had 3 company-operated restaurants and 32 franchise units.

Founded in 1934 in Normal, Illinois, on Route 66, Steak n Shake is a classic American brand serving premium burgers and milkshakes. Steak n Shake is headquartered in Indianapolis, Indiana.

Founded in 1962 in Augusta, Georgia, Western Sizzlin is a steak and buffet concept serving signature steak dishes as well as other classic American menu items. Western Sizzlin also operates two other concepts: Great American Steak & Buffet, and Wood Grill Buffet. Western Sizzlin is headquartered in Roanoke, Virginia.

Company-Operated Restaurants

A typical company-operated restaurant management team consists of a general manager, a restaurant manager, and other managers, depending on the sales volume of the restaurant. Each restaurant's general manager has primary responsibility for the day-to-day operations of his or her unit. Restaurant operations obtain food products and supplies from independent national distributors. Purchases are centrally negotiated to ensure uniformity in product quality.

Franchise Partner Restaurants

Steak n Shake offers a franchise partner program to transition company-operated restaurants to franchise partnerships. The franchise agreement stipulates that the franchisee make an upfront investment totaling ten thousand dollars. Steak n Shake, as the franchisor, assesses a fee of up to 15% of sales as well as 50% of profits. Potential franchise partners are screened based on entrepreneurial attitude and ability, but they become franchise partners based on achievement. Each must meet the gold standard in service. Franchise partners are single-unit owner-operators.

Traditional Franchise Restaurants

Restaurant operations' traditional franchising program extends the brands to areas in which there are no current development plans for company stores. The expansion plans include seeking qualified new franchisees and expanding relationships with current franchisees. Restaurant operations typically seek franchisees with both the financial resources necessary to fund successful development and significant experience in the restaurant/retail business. Both restaurant chains assist franchisees with the development and ongoing operation of their restaurants. In addition, personnel assist franchisees with site selection, approve restaurant sites, and provide prototype plans, construction support, and specifications. Restaurant operations staff provides both on-site and off-site instruction to franchise restaurant management and associates.

International

We have a corporate office in Monaco and an international organization with personnel in various functions to support our international business. Similar to our traditional domestic franchise agreements, a typical international franchise development agreement includes development and franchise fees in addition to subsequent royalty fees based on the gross sales of each restaurant.

Competition
The restaurant business is one of the most intensely competitive industries. As there are virtually no barriers to entry into the restaurant business, competitors may include national, regional, and local establishments. Restaurant businesses compete on the basis of price, convenience, service, experience, menu variety, and product quality. The restaurant business is often affected by changes in consumer tastes and by national, regional, and local economic conditions. The performance of individual restaurants may be impacted by factors such as traffic patterns, demographic trends, weather conditions, and competing restaurants.

Government Regulations
The Company is subject to various global, federal, state, and local laws affecting its restaurant operations. Each of the restaurants must comply with licensing and regulation by a number of governmental authorities, i.e., health, sanitation, safety, and fire agencies in the jurisdiction in which the restaurant is located.

Various federal and state labor laws govern our relationship with our employees, e.g., minimum wage, overtime pay, unemployment tax, health insurance, and workers' compensation. Federal, state, and local government agencies have established regulations requiring that we disclose nutritional information.

Trademark and Licenses
The name and reputation of Steak n Shake is a material asset, and management protects it and other service marks through appropriate registrations.

Insurance Business
Biglari Holdings' insurance activities are conducted through two insurance entities, First Guard Insurance Company and its affiliated agency, 1st Guard Corporation (collectively "First Guard"), and Southern Pioneer Property & Casualty Insurance Company and its affiliated agency, Southern Pioneer Insurance Agency, Inc. (collectively "Southern Pioneer"). Our insurance businesses provide insurance of property and casualty.

The insurance business is stringently regulated by state insurance departments. Insurers based in the United States are subject to regulation by their states of domicile and by those states in which they are licensed to write policies on an admitted basis. First Guard and Southern Pioneer operate under licenses issued by various state insurance authorities. The primary focus of regulation is to ensure that insurers are financially solvent and that policyholder interests are otherwise protected. States establish minimum capital levels for insurance companies and establish guidelines for permissible business and investment activities. States have the authority to suspend or revoke a company's authority to do business as conditions warrant. States regulate the payment of dividends by insurance companies to their shareholders and other transactions with affiliates. Dividends, capital distributions, and other transactions of extraordinary amounts are subject to prior regulatory approval. Insurers may market, sell, and service insurance policies in the states where they are licensed. These insurers are referred to as admitted insurers. Admitted insurers are generally required to obtain regulatory approval of their policy forms and premium rates. Except for regulatory considerations, there are virtually no barriers to entry into the insurance industry.

First Guard is a direct underwriter of commercial truck insurance, primarily selling physical damage and nontrucking liability insurance to truckers. The commercial truck insurance business is highly competitive in the areas of price and service. Vigorous competition is provided by large, well-capitalized companies and by small regional insurers. First Guard's insurance products are marketed primarily through direct response methods via the Internet or by telephone. First Guard's cost-efficient direct response marketing methods enable it to be a low-cost insurer. First Guard uses its own claim staff to manage claims. Seasonal variations in First Guard's insurance business are not significant. However, extraordinary weather conditions or other factors may have a significant effect upon the frequency or severity of claims. First Guard is headquartered in Venice, Florida.

Southern Pioneer underwrites garage liability and commercial property as well as homeowners and dwelling fire insurance on an admitted basis. Insurance coverages are offered nationwide, primarily through insurance agents. Southern Pioneer competes with large companies and local insurers. Southern Pioneer is headquartered in Jonesboro, Arkansas.

Biglari Holdings' insurance operations may be affected by extraordinary weather conditions or other factors, any of which may have a significant effect upon the frequency or severity of claims.

Oil and Gas Business
The Company's oil and gas operations are conducted through two entities, Southern Oil Company ("Southern Oil") and Abraxas Petroleum Corporation ("Abraxas Petroleum"). Southern Oil primarily operates oil and natural gas properties offshore in the shallow waters of the Gulf of Mexico. Abraxas Petroleum operates oil and natural gas wells in the Permian Basin.

On September 14, 2022, the Company purchased Preferred Shares of Abraxas Petroleum for $80.0 million. On October 26, 2022, the Company exchanged the Preferred Shares for 90% of the outstanding common stock of Abraxas Petroleum. On June 14, 2023, the remaining 10% of the outstanding common stock of Abraxas Petroleum was acquired for $5.4 million.

The oil and gas industry is fundamentally a commodity business. Southern Oil's and Abraxas Petroleum's operations and earnings, therefore, may be significantly affected by changes in oil and natural gas prices. Biglari Holdings' oil and gas operations compete with fully integrated, major global petroleum companies, as well as independent and national petroleum companies. In addition, our companies are subject to a variety of risks inherent in the oil and gas business, including a wide range of local, state, and federal regulations.

Southern Oil is headquartered in Madisonville, Louisiana, and Abraxas Petroleum is headquartered in San Antonio, Texas.

Brand Licensing Business

Maxim's business lies principally in brand licensing. Maxim is headquartered in New York, New York.

Maxim competes for licensing business with other companies. The nature of the licensing business is predicated on projects that materialize with irregularity. In addition, publishing is a highly competitive business.

Maxim products are marketed under various registered brand names, including, but not limited to, "MAXIM®" and "Maxim®."

Investments

The Company and its subsidiaries have invested in The Lion Fund, L.P., and The Lion Fund II, L.P. (collectively, "the investment partnerships"). The investment partnerships operate as private investment funds. As of December 31, 2023, the fair value of the investment partnerships was $472.8 million. In addition, the Company held marketable securities (outside the investment partnerships) of $91.9 million at fair value.

Employees

As of December 31, 2023, the Company employed 2,466 persons. When hiring personnel, we do not consider circumstances of birth, race, gender, ethnicity, religion, or any other factor unrelated to talent. The factor of prime importance to us, talent, is invariably found across a wide spectrum of humanity. We seek to associate with people of high character and competence.

Additional information with respect to Biglari Holdings' businesses

Information related to our reportable segments may be found in Part II, Item 8 of this Form 10-K.

Biglari Holdings maintains a website (*biglariholdings.com*) where its annual reports, press releases, interim shareholder reports, and links to its subsidiaries' websites can be found. Biglari Holdings' periodic reports filed with the Securities and Exchange Commission (the "SEC"), which include Form 10-K, Form 10-Q, Form 8-K, and amendments thereto, may be accessed by the public free of charge from the SEC and through Biglari Holdings' website. In addition, corporate governance documents such as Corporate Governance Guidelines, Code of Conduct, Compensation Committee Charter, and Audit Committee Charter are posted on the Company's website. The documents are also available without charge upon written request. The Company's website and the information contained therein or connected thereto are not intended to be incorporated into this report on Form 10-K.

Item 1A. Risk Factors

Biglari Holdings and its subsidiaries (referred to herein as “we,” “us,” “our,” or similar expressions) are subject to certain risks and uncertainties in their business operations, which are described below. The risks and uncertainties described below are not the only risks we face. Additional risks and uncertainties not presently known or that are currently deemed immaterial may also impair our business operations.

Risks relating to Biglari Holdings

We are dependent on our Chairman and CEO.
Our success depends on the services of Sardar Biglari, Chairman and Chief Executive Officer. All major investment and capital allocation decisions are made for the Company and its subsidiaries by Mr. Biglari. If for any reason the services of Mr. Biglari were to become unavailable, a material adverse effect on our business could occur.

Sardar Biglari, Chairman and CEO, beneficially owns over 50% of our outstanding shares of common stock, enabling Mr. Biglari to exert control over matters requiring shareholder approval.
Mr. Biglari has the ability to control the outcome of matters submitted to our shareholders for approval, including the election or removal of directors, the amendment of our articles of incorporation or bylaws, and other significant transactions. In addition, Mr. Biglari has the ability to control the management and affairs of the Company. This control position may conflict with the interests of some or all of the Company’s passive shareholders, and reduce the possibility of a merger proposal, tender offer, or proxy contest for the removal of directors.

We are a “controlled company” within the meaning of the New York Stock Exchange rules and thus can rely on exemptions from certain corporate governance requirements.
Because Mr. Biglari beneficially owns more than 50% of the Company’s outstanding voting stock, we are considered a “controlled company” pursuant to New York Stock Exchange rules. As a result, we are not required to comply with certain director independence and board committee requirements. The Company does not have a governance and nominating committee.

Biglari Holdings’ access to capital is subject to restrictions that may adversely affect its ability to satisfy its cash requirements.
We are a holding company and are largely dependent upon dividends and other sources of funds from our subsidiaries in order to meet our needs. The ability of our insurance subsidiaries to pay dividends to Biglari Holdings is regulated by state insurance laws, which limit the amount of, and in certain circumstances may prohibit the payment of, cash dividends. Furthermore, as a result of our substantial investments in The Lion Fund, L.P., and The Lion Fund II, L.P., investment partnerships controlled by Mr. Biglari, our access to capital is restricted by the terms of their respective partnership agreements. There is also a high likelihood that we will make additional investments in these investment partnerships.

Competition and technology may result in lower earnings.
Our operating businesses face intense competition within their markets, and many factors, including technological changes, may erode or prevent the strengthening of their competitive advantages. Accordingly, our future operating results will depend to some degree on our operating units successfully enhancing their competitive advantages. If our operating businesses are unsuccessful in these efforts, our periodic operating results may decline in the future. We also highlight certain competitive risks in the sections below.

Deterioration of general economic conditions may significantly reduce our operating earnings.
Our operating businesses are subject to normal economic cycles, which affect the general economy or the specific industries in which they operate. Significant deterioration of economic conditions over a prolonged period could produce a material adverse effect on one or more of our significant operations.

Epidemics, pandemics, or other outbreaks could hurt our operating businesses and investments.
Epidemics, pandemics, or outbreaks may adversely affect our operations and investments. This is or may be due to closures or restrictions requested or mandated by governmental authorities, disruption to supply chains and workforce, reduction of demand for our products and services, credit losses when customers and other counterparties fail to satisfy their obligations to us, and volatility in global equity securities markets, among other factors.

Potential changes in laws or regulations may have a negative impact on our Class A common stock and Class B common stock.

In prior years, bills have been introduced in Congress that, if enacted, would have prohibited the listing of common stock on a national securities exchange if such common stock were part of a class of securities that has no voting rights or carries disproportionate voting rights. Although these bills have not been acted upon by Congress, there can be no assurance that such a bill (or a modified version thereof) will not be introduced in Congress in the future. Legislation or other regulatory developments could make the shares of Class A common stock and Class B common stock ineligible for trading on the NYSE or other national securities exchanges.

Litigation could have a material adverse effect on our financial position, cash flows, and results of operations.

We are or may be from time to time a party to various legal actions, investigations, and other proceedings brought by employees, consumers, policyholders, suppliers, shareholders, government agencies, or other third parties in connection with matters pertaining to our business, including those related to our investment activities. The outcome of such matters is often difficult to assess or quantify, and the cost to defend future proceedings may be significant. Even if a claim is unsuccessful or is not fully pursued, the negative publicity surrounding any allegation regarding the Company, our business, or our products could adversely affect our reputation. While we believe that the ultimate outcome of routine legal proceedings, individually and in the aggregate, will not have a material impact on our financial position, we cannot assure that an adverse outcome on, or reputational damage from, any of these matters would not, in fact, materially impact our business and results of operations for the period after these matters are completed or otherwise resolved.

Risks Relating to Our Restaurant Operations

Our restaurant operations face intense competition from a wide range of industry participants.

The restaurant business is one of the most intensely competitive industries. As there are virtually no barriers to entry into the restaurant business, competitors may include national, regional, and local establishments. Restaurant businesses compete on the basis of price, convenience, service, experience, menu variety, and product quality. The restaurant business is often affected by changes in consumer tastes and by national, regional, and local economic conditions. The performance of individual restaurants may be impacted by factors such as traffic patterns, demographic trends, weather conditions, and competing restaurants. Additional factors that may adversely affect the restaurant industry include, but are not limited to, food and wage inflation, safety, and food-borne illness.

Changes in economic conditions may have an adverse impact on our restaurant operations.

Our restaurant operations are subject to normal economic cycles affecting the economy in general or the restaurant industry in particular. The restaurant industry has been affected by economic factors, including the deterioration of global, national, regional, and local economic conditions, declines in employment levels, and shifts in consumer spending patterns. Declines in consumer restaurant spending could be harmful to our financial position and results of operations. As a result, decreased cash flow generated from our business may adversely affect our financial position and our ability to fund our operations. In addition, macroeconomic disruptions could adversely impact the availability of financing for our franchisees' expansions and operations.

Fluctuations in commodity and energy prices and the availability of commodities, including beef and dairy, could affect our restaurant business.

The cost, availability, and quality of ingredients restaurant operations use to prepare their food are subject to a range of factors, many of which are beyond their control. A significant component of our restaurant business costs is related to food commodities, including beef and dairy products, which can be subject to significant price fluctuations due to seasonal shifts, climate conditions, industry demand, changes in commodity markets, inflation, and other factors. If there is a substantial increase in prices for these food commodities, our results of operations may be negatively affected. In addition, our restaurants are dependent upon frequent deliveries of perishable food products that meet certain specifications. Shortages or interruptions in the supply of perishable food products caused by unanticipated demand, problems in production or distribution, disease or food-borne illnesses, inclement weather, or other conditions could adversely affect the availability, quality, and cost of ingredients, which would likely lower revenues, damage our reputation, or otherwise harm our business. We cannot predict whether we will continue to be able to anticipate and react to changing food costs by adjusting our purchasing practices, menu offerings, and menu prices, and a failure to do so could adversely affect our operating results.

Adverse weather conditions or losses due to casualties could negatively impact our operating performance.
Property damage caused by casualties and natural disasters, instances of inclement weather, flooding, hurricanes, fire, and other acts of nature can adversely impact sales in several ways. Many of Steak n Shake's and Western Sizzlin's restaurants are located in the Midwest and Southeast portions of the United States. During the first and fourth quarters, restaurants in the Midwest may face harsh winter weather conditions. During the third and fourth quarters, restaurants in the Southeast may experience hurricanes or tropical storms. Our sales and operating results may be negatively affected by these harsh weather conditions, which could make it more difficult for guests to visit our restaurants, necessitate the closure of restaurants, cause physical damage, or lead to a shortage of employees.

Changes in the availability of and the cost of labor could adversely affect our restaurant business.
Our restaurant business depends substantially on our ability to recruit and retain high-quality staff. Maintaining adequate staffing in our restaurants requires workforce planning and knowledge of the relevant labor market. The market for the most qualified talent continues to be competitive, and we must provide competitive wages, benefits, and workplace conditions. We have experienced, and may continue to experience, challenges in recruiting and retaining associates in various locations. A shortage of qualified candidates, failure to recruit and retain new associates in a timely manner, or higher than expected turnover levels could all affect our ability to grow sales at existing restaurants or meet our labor cost objectives.

We are subject to health, employment, environmental, and other government regulations, and failure to comply with existing or future government regulations could expose us to litigation or penalties, damage our reputation, and lower profits.
We are subject to various global, federal, state, and local laws and regulations affecting our restaurant operations. Changes in existing laws, rules, and regulations applicable to us, or increased enforcement by governmental authorities, may require us to incur additional costs and expenses necessary for compliance. If we fail to comply with any of these laws, we may be subject to governmental action or litigation, and our reputation could be harmed accordingly. Injury to our reputation would, in turn, likely reduce revenues and profits.

The development and construction of restaurants is subject to compliance with applicable zoning, land use, and environmental regulations. Difficulties in obtaining, or failure to obtain, the required licenses or approvals could delay or prevent the development of a new restaurant in a particular area.

Restaurant operations are also subject to regulatory initiatives in the area of nutrition disclosure or advertising, such as requirements to provide information about the nutritional content of our food products. The operation of the Steak n Shake and Western Sizzlin franchise systems is also subject to franchise laws and regulations enacted by a number of states, and to rules promulgated by the U.S. Federal Trade Commission. Any future legislation regulating franchise relationships may negatively affect our operations, particularly our relationships with franchisees. Failure to comply with new or existing franchise laws and regulations in any jurisdiction, or to obtain required government approvals, could result in a ban or temporary suspension on future franchise sales. Further national, state, and local government initiatives, such as mandatory health insurance coverage or increases in minimum wage rates, could adversely affect our business.

Risks Relating to Our Investment Activities

The majority of our investment activities are conducted through outside investment partnerships, The Lion Fund, L.P., and The Lion Fund II, L.P., which are controlled by Mr. Biglari.
Our investment activities are conducted mainly through these outside investment partnerships. Under the terms of their partnership agreements, each contribution made by the Company to the investment partnerships is subject to a five-year lock-up period, and any distribution upon our withdrawal of funds will be paid out over a two-year period (and may be paid in-kind rather than in cash, thus increasing the difficulty of liquidating these investments). As a result of these provisions and our consequent inability to access this capital for a defined period, the capital we have invested in the investment partnerships may be subject to an increased risk of loss of all or a significant portion of its value, and we may become unable to meet our capital requirements. There is a high likelihood that we will make additional investments in these investment partnerships in the future.

We have a services agreement with Biglari Capital Corp., the general partner of the investment partnerships ("Biglari Capital"), and Biglari Enterprises LLC (collectively, the "Biglari Entities"), in which the Company pays a fixed fee to the Biglari Entities for business and administrative-related services. The Biglari Entities are owned by Mr. Biglari. There can be no assurance that the fees paid will be commensurate with the benefits received.

The incentive allocation to which Mr. Biglari, as Chairman and Chief Executive Officer of Biglari Capital, is entitled with respect to our investments under the terms of the respective partnership agreements is equal to 25% of the net profits allocated to the limited partners in excess of a 6% hurdle rate over the previous high-water mark.

Our investments may be concentrated, and fair values are subject to a loss in value.
The majority of our investments are held through the investment partnerships, which generally invest in common stocks. These investments may be largely concentrated in the common stocks of a few investees. A significant decline in the values of these investments may produce a large decrease in our consolidated shareholders' equity and can have a material adverse effect on our consolidated book value per share and earnings.

We are subject to the risk of possibly becoming an investment company under the Investment Company Act of 1940.
We run the risk of inadvertently becoming an investment company, which would require us to register under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Registered investment companies are subject to extensive, restrictive, and potentially adverse regulations relating to, among other things, operating methods, management, capital structure, dividends, and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner in which we operate our business, nor are registered investment companies permitted to have many of the relationships that we have with our affiliated companies.

To avoid becoming and registering as an investment company under the Investment Company Act, we operate as an ongoing enterprise, with approximately 2,500 employees, along with an asset base from which to pursue acquisitions. Furthermore, Section 3(c)(3) of the Investment Company Act excludes insurance companies from the definition of "investment company." Because we monitor the value of our investments and structure transactions accordingly, we may structure transactions in a less advantageous manner than if we did not have Investment Company Act concerns, or we may avoid otherwise economically desirable transactions due to those concerns. In addition, adverse developments with respect to our ownership of certain of our operating subsidiaries, including significant appreciation or depreciation in the market value of certain of our publicly traded holdings, could result in our inadvertently becoming an investment company. If it were established that we were an investment company, there would be a risk, among other material adverse consequences, that we could become subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC, that we would be unable to enforce contracts with third parties, or that third parties could seek to obtain rescission of transactions with us undertaken during the period in which it was established that we were an unregistered investment company.

Risks Relating to Our Insurance Business

Our success depends on our ability to underwrite risks accurately and to charge adequate rates to policyholders.
Our results of operations depend on our ability to underwrite and set rates accurately for risks assumed. A primary role of the pricing function is to ensure that rates are adequate to generate sufficient premiums to pay losses, loss adjustment expenses, and underwriting expenses.

Our insurance business is vulnerable to significant catastrophic property loss, which could have an adverse effect on its financial condition and results of operations.
Our insurance business faces a significant risk of loss in the ordinary course of its business for property damage resulting from natural disasters, man-made catastrophes, and other catastrophic events. These events typically increase the frequency and severity of commercial property claims. Because catastrophic loss events are by their nature unpredictable, historical results of operations may not be indicative of future results of operations, and the occurrence of claims from catastrophic events may result in significant volatility in our insurance business's financial condition and results of operations from period to period. We attempt to manage our exposure to these events through reinsurance programs, although there is no assurance we will be successful in doing so.

Our insurance business is subject to extensive existing state, local, and foreign governmental regulations that restrict its ability to do business and generate revenues.
Our insurance business is subject to regulation in the jurisdictions in which it operates. These regulations may relate to, among other things, the types of business that can be written, the rates that can be charged for coverage, the level of capital and reserves that must be maintained, and restrictions on the types and size of investments that can be held. Regulations may also restrict the timing and amount of dividend payments. Accordingly, existing or new regulations related to these or other matters, or regulatory actions imposing restrictions on our insurance business, may adversely impact its results of operations.

Risks Relating to Our Brand Licensing Business

Licensing opportunities for the Maxim brand may be difficult to maintain.
Maxim's success depends to a significant degree upon licensing agreements. These licensing agreements mature from time to time, and we may be unable to secure favorable terms for future licensing arrangements. Future licensing partners may also fail to honor their contractual obligations or take other actions that can diminish the value of the Maxim brand. Disputes could arise that prevent or delay our ability to collect licensing revenues under these arrangements. If any of these developments occur or our licensing efforts are otherwise not successful, the value and recognition of the Maxim brand, as well as the prospects of our media business, could be materially, adversely affected.

Risks Relating to Our Oil and Gas Business

Our oil and gas business is exposed to the effects of volatile commodity prices.
The single largest variable that affects our oil and gas results of operations is the price of crude oil and natural gas. The price we receive for our oil and natural gas production heavily influences our oil and gas business's revenue and profitability. Extended periods of low prices for crude oil or natural gas can have a material adverse impact on our results of operations.

Our oil and gas business is subject to disruption by factors beyond its control.
Any disruption of the extractive business of either of our oil and gas subsidiaries would adversely affect our revenues and profitability. Our oil and gas operations are therefore subject to disruption from natural or human causes beyond their control, including physical risks from hurricanes, severe storms, and other forms of system failures, any of which could result in suspension of operations or harm to people or the natural environment.

Our oil and gas business can be adversely affected by political or regulatory developments affecting our operations.
Our oil and gas operations can be affected by changing economic, regulatory, and political environments. Litigation or changes in national, state, or local environmental regulations or laws, including those designed to stop or impede the development or production of oil and natural gas, could adversely affect our operations and profitability.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Our enterprise (the holding company and its operating subsidiaries) is using technology in virtually all aspects of the business. Much like many other businesses, certain of our subsidiaries' information systems have been subject to computer viruses, malicious codes, unauthorized access, and other cyberattacks. We expect to be subject to similar attacks in the future as such attacks become more sophisticated. A significant disruption or failure of our technology systems could result in service interruptions, safety failures, security events, regulatory compliance failures, an inability to protect information and assets against unauthorized users, and other operational difficulties. Attacks perpetrated against our systems could result in loss of assets and critical information and expose us to remediation costs and reputational damage.

Cyberattacks could compromise confidential customer and employee information. Cyberattacks may result in business interruptions, lost revenues, higher commodity prices, disruption in fuel supplies, lower energy consumption, unstable markets, increased security, repair or other costs, or may materially adversely affect us in ways that cannot be predicted at this time.

Our operating businesses are managed on an unusually decentralized basis. There are few centralized or integrated business functions. Consistent with our decentralized management philosophy, our operating businesses individually establish specific practices concerning cybersecurity risks. Although our subsidiaries have taken steps intended to mitigate these risks, including business continuity planning, disaster recovery planning, and business impact analysis, a significant disruption or cyber intrusion at one or more of our significant operations could adversely affect our results of operations, financial condition, and liquidity. Additionally, if we are unable to acquire, develop, implement, adopt, or protect rights around new technology, we may suffer a competitive disadvantage, which could also have an adverse effect on our results of operations and financial condition. Given the wide variations in the nature and size of business activities, specific practices may vary widely among our operating subsidiaries.

Item 2. Properties

Restaurant Properties

As of December 31, 2023, restaurant operations included 492 company-operated and franchise locations. Restaurant operations own the land and building for 142 restaurants; they also own one other property. The following table lists the locations of the restaurants as of December 31, 2023.

	Steak n Shake			Western Sizzlin		
	Company Operated	**Franchise Partner**	**Traditional Franchise**	**Company Operated**	**Franchise**	**Total**
Domestic:						
Alabama	1	1	4	—	5	11
Arkansas	—	—	4	—	6	10
California	—	—	2	—	—	2
Colorado	1	—	—	—	—	1
Florida	16	60	5	—	—	81
Georgia	7	11	10	—	4	32
Illinois	37	17	8	—	—	62
Indiana	35	20	1	—	—	56
Iowa	2	1	1	—	—	4
Kansas	—	—	2	—	—	2
Kentucky	—	12	6	—	—	18
Louisiana	—	—	1	—	—	1
Maryland	—	—	—	—	1	1
Michigan	7	6	1	—	—	14
Mississippi	—	—	6	—	1	7
Missouri	6	14	20	—	—	40
Nebraska	—	—	1	—	—	1
Nevada	—	—	5	—	—	5
North Carolina	1	5	2	—	6	14
Ohio	27	19	1	—	1	48
Oklahoma	—	—	2	—	2	4
Pennsylvania	1	—	1	—	—	2
South Carolina	1	—	2	—	1	4
Tennessee	1	7	9	—	3	20
Texas	1	8	10	—	—	19
Virginia	—	—	4	2	2	8
Washington, D.C.	—	—	1	—	—	1
West Virginia	—	—	2	1	—	3
International:						
France	2	—	17	—	—	19
Monaco	1	—	—	—	—	1
Spain	1	—	—	—	—	1
Total	148	181	128	3	32	492

As of December 31, 2023, 17 of the 148 Steak n Shake company-operated stores were closed. Steak n Shake plans to sell or lease 10 of the 17 locations and refranchise the balance.

Other Properties
Southern Oil primarily operates oil and natural gas wells in Louisiana. Its operations are primarily offshore in the shallow waters of the Gulf of Mexico.

Abraxas Petroleum operates oil and natural gas wells in the Permian Basin.

Through its subsidiaries, the Company owns Steak n Shake's office building in Indianapolis, Indiana; First Guard's office building in Venice, Florida; and Southern Pioneer's office building in Jonesboro, Arkansas. In addition, the Company owns eight various locations that are being leased or are available to be leased by third parties, along with owning one undeveloped property in San Antonio, Texas.

Item 3. Legal Proceedings

Refer to Commitments and Contingencies - Note 15 to the Consolidated Financial Statements included in Item 8 for a discussion of legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Market Information
Biglari Holdings' Class A common stock and Class B common stock are listed for trading on the NYSE, trading symbol: BH.A and BH, respectively.

Shareholders
Biglari Holdings had 1,551 beneficial shareholders of its Class A common stock and 4,374 beneficial shareholders of its Class B common stock as of February 1, 2024.

Dividends
Biglari Holdings has never declared a dividend.

Issuer Purchases of Equity Securities
From December 1, 2023 through December 31, 2023, The Lion Fund, L.P. purchased 1,100 shares of Class A common stock and 9,813 shares of Class B common stock. The Lion Fund, L.P. may be deemed an "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended. The purchases were made through open market transactions.

	Total Number of Class A Shares Purchased	Average Price Paid per Class A Share	Total Number of Class B Shares Purchased	Average Price Paid per Class B Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs
October 1, 2023 - October 31, 2023	—	$ —	—	$ —	—	—
November 1, 2023 - November 30, 2023	—	$ —	—	$ —	—	—
December 1, 2023 - December 31, 2023	1,100	$ 828.69	9,813	$ 164.99	—	—
Total	1,100		9,813		—	

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands, except per-share data)

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

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

As of December 31, 2023, Mr. Biglari beneficially owns shares of the Company that represent approximately 66.8% of the economic interest and approximately 71.0% of the voting interest.

Business Acquisitions

On September 14, 2022, the Company purchased Preferred Shares of Abraxas Petroleum Corporation ("Abraxas Petroleum") for $80,000. On October 26, 2022, the Company converted the Preferred Shares to 90% of the outstanding common stock of Abraxas Petroleum. On June 14, 2023, the remaining 10% of the outstanding common stock of Abraxas Petroleum was acquired for $5,387. The Company used working capital including its line of credit to fund the purchase of the Preferred Shares. Abraxas Petroleum operates oil and natural gas properties in the Permian Basin. The purchase price allocation included $70,200 of oil and gas properties, cash of $21,726, and liabilities, net of other assets, of $11,926. The Company's financial results include the results of Abraxas Petroleum from the initial acquisition date to the end of the calendar year.

Discussion of Operations

Net earnings attributable to Biglari Holdings Inc. shareholders are disaggregated in the table that follows.

	2023	2022	2021
Operating businesses:			
Restaurant	$ 21,831	$ 9,383	$ 11,235
Insurance	10,262	7,662	11,290
Oil and gas	25,406	19,091	7,528
Brand licensing	8	1,313	2,364
Interest expense	(531)	(305)	(841)
Corporate and other	(17,814)	(9,806)	(9,829)
Total operating businesses	39,162	27,338	21,747
Investment partnership gains (losses)	14,646	(56,961)	8,899
Investment gains (losses)	1,731	(2,682)	4,832
Net earnings (loss)	55,539	(32,305)	35,478
Earnings (loss) attributable to noncontrolling interest	591	(287)	—
Net earnings (loss) attributable to Biglari Holdings Inc. shareholders	$ 54,948	$ (32,018)	$ 35,478

The following discussion should be read in conjunction with Item 1, Business and our Consolidated Financial Statements and the notes thereto included in this Form 10-K. The following discussion should also be read in conjunction with the "Cautionary Note Regarding Forward-Looking Statements" and the risks and uncertainties described in Item 1A, Risk Factors, set forth above.

Our Management Discussion and Analysis generally discusses 2023 and 2022 items. Discussions of 2021 items can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 27, 2023.

Investment gains and losses in 2023 and 2022 were mainly derived from our investments in equity securities and included unrealized gains and losses from market price changes during the period. We believe that investment gains/losses are generally meaningless for analytical purposes in understanding our reported quarterly and annual results. These gains and losses have caused and will continue to cause significant volatility in our periodic earnings.

Through our subsidiaries, we engage in numerous diverse business activities. We operate on a decentralized management structure. The business segment data (Note 17 to the accompanying Consolidated Financial Statements) should be read in conjunction with this discussion.

Restaurants

Our restaurant businesses, which include Steak n Shake and Western Sizzlin, comprise 492 company-operated and franchise restaurants as of December 31, 2023.

	Steak n Shake			Western Sizzlin		
	Company-operated	Franchise Partner	Traditional Franchise	Company-operated	Franchise	Total
Stores on December 31, 2020	276	86	194	3	39	598
Corporate stores transitioned	(73)	73	—	—	—	—
Net restaurants opened (closed)	(4)	—	(16)	—	(1)	(21)
Stores on December 31, 2021	199	159	178	3	38	577
Corporate stores transitioned	(16)	16	—	—	—	—
Net restaurants opened (closed)	(6)	—	(24)	—	(2)	(32)
Stores on December 31, 2022	177	175	154	3	36	545
Corporate stores transitioned	(6)	7	(1)	—	—	—
Net restaurants opened (closed)	(23)	(1)	(25)	—	(4)	(53)
Stores on December 31, 2023	148	181	128	3	32	492

As of December 31, 2023, 17 of the 148 company-operated Steak n Shake stores were closed. Steak n Shake plans to sell or lease 10 of the 17 locations and refranchise the balance.

Restaurant operations for 2023, 2022, and 2021 are summarized below.

	2023		2022		2021	
Revenue						
Net sales	$ 152,545		$ 149,184		$ 187,913	
Franchise partner fees	72,552		63,853		55,641	
Franchise royalties and fees	16,443		19,678		21,736	
Other revenue	9,317		8,853		6,000	
Total revenue	250,857		241,568		271,290	
Restaurant cost of sales						
Cost of food	44,993	29.5 %	44,461	29.8 %	55,315	29.4 %
Labor costs	47,090	30.9 %	50,524	33.9 %	58,159	30.9 %
Occupancy and other	45,903	30.1 %	45,279	30.4 %	54,017	28.7 %
Total cost of sales	137,986		140,264		167,491	
Selling, general and administrative						
General and administrative	44,120	17.6 %	40,206	16.6 %	39,940	14.7 %
Marketing	12,631	5.0 %	13,921	5.8 %	13,923	5.1 %
Other expenses (income)	(7,935)	(3.2)%	(2,294)	(0.9)%	3,323	1.2 %
Total selling, general and administrative	48,816		51,833		57,186	
Impairments	3,947	1.6 %	3,520	1.5 %	4,635	1.7 %
Depreciation and amortization	27,031	10.8 %	27,496	11.4 %	21,484	7.9 %
Interest on finance leases and obligations	5,114		5,493		6,039	
Earnings before income taxes	27,963		12,962		14,455	
Income tax expense	6,132		3,579		3,220	
Contribution to net earnings	$ 21,831		$ 9,383		$ 11,235	

Cost of food, labor, and occupancy and other costs are expressed as a percentage of net sales.
General and administrative, marketing, other expenses, impairments, and depreciation and amortization are expressed as a percentage of total revenue.

Net sales during 2023 were $152,545 as compared to $149,184 during 2022. For company-operated units, sales to the end customer are recorded as revenue generated by the Company, but for franchise partner units, only our share of the restaurants' profits, along with certain fees, are recorded as revenue. Because we derive most of our revenue from our share of the profits, revenue will decline as we transition from company-operated units to franchise partner units.

Fees generated by our franchise partners were $72,552 during 2023 as compared to $63,853 during 2022. As of December 31, 2023, there were 181 franchise partner units as compared to 175 franchise partner units as of December 31, 2022. Included in the franchise partner fees were $22,687 and $20,426 of rental income during 2023 and 2022, respectively. Franchise partners rent buildings and equipment from Steak n Shake.

The franchise royalties and fees generated by the traditional franchising business were $16,443 during 2023 as compared to $19,678 during 2022. The decrease in franchise royalties and fees was primarily due to the closing of certain traditional franchise stores. There were 160 traditional units open on December 31, 2023, as compared to 190 units open on December 31, 2022.

The cost of food at company-operated units in 2023 was $44,993, or 29.5% of net sales as compared to $44,461, or 29.8% of net sales in 2022. The cost of food expressed as a percentage of net sales in 2023 remained consistent with 2022.

The labor costs at company-operated restaurants during 2023 were $47,090, or 30.9% of net sales as compared to $50,524, or 33.9% of net sales in 2022. The 3-percentage-point decrease in costs was primarily attributable to a 2.7-percentage-point decrease in Steak n Shake's labor costs as a result of a gain in productivity.

General and administrative expenses during 2023 were $44,120, or 17.6% of total revenue as compared to $40,206, or 16.6% of total revenue during 2022. General and administrative expenses increased during 2023 as compared to 2022 primarily because of higher salaries and wages. An increase in overall personnel and additional franchise partner training accounted for much of the increase in general and administrative expenses.

Other income increased during 2023 compared to 2022 primarily because of gains on the sale of real estate.

Interest on obligations under leases was $5,114 during 2023 versus $5,493 during 2022. The year-over-year decrease in interest expense was primarily attributable to the maturity and retirement of lease obligations.

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

	2023		2022	
Revenue				
Net sales and other	$ 324,281		$ 296,045	
Restaurant cost of sales				
Cost of food	$ 91,317	28.2 %	$ 81,952	27.7 %
Labor costs	86,286	26.6 %	84,191	28.4 %
Occupancy and other	66,135	20.4 %	59,647	20.1 %
Total cost of sales	$ 243,738		$ 225,790	

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

Insurance

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

Underwriting results of our insurance operations are summarized below.

	2023	2022	2021
Underwriting gain (loss) attributable to:			
First Guard	$ 9,492	$ 6,578	$ 10,573
Southern Pioneer	(1,038)	(1,277)	1,744
Pre-tax underwriting gain	8,454	5,301	12,317
Income tax expense	1,775	1,113	2,587
Net underwriting gain	$ 6,679	$ 4,188	$ 9,730

Earnings of our insurance operations are summarized below.

	2023	2022	2021
Premiums earned	$ 61,225	$ 59,949	$ 55,411
Insurance losses	35,668	37,187	27,649
Underwriting expenses	17,103	17,461	15,445
Pre-tax underwriting gain	8,454	5,301	12,317
Other income and expenses			
Investment income	3,074	1,380	704
Other income	1,555	3,223	1,414
Total other income	4,629	4,603	2,118
Earnings before income taxes	13,083	9,904	14,435
Income tax expense	2,821	2,242	3,145
Contribution to net earnings	$ 10,262	$ 7,662	$ 11,290

Insurance premiums and other on the consolidated statement of earnings includes premiums earned, investment income, other income, and commissions. Commissions are in other income in the above table.

First Guard

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

	2023		2022		2021	
	Amount	%	Amount	%	Amount	%
Premiums earned	$ 36,917	100.0 %	$ 35,914	100.0 %	$ 33,521	100.0 %
Insurance losses	20,861	56.5 %	22,299	62.1 %	16,338	48.7 %
Underwriting expenses	6,564	17.8 %	7,037	19.6 %	6,610	19.7 %
Total losses and expenses	27,425	74.3 %	29,336	81.7 %	22,948	68.4 %
Pre-tax underwriting gain	$ 9,492		$ 6,578		$ 10,573	

First Guard's ratio of losses and loss adjustment expenses to premiums earned was 56.5% during 2023 as compared to 62.1% during 2022. First Guard's underwriting results in 2023 were in line with its historical performance despite cost inflation in property and physical damage claims, which began to accelerate in 2022.

Southern Pioneer

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

	2023		2022		2021	
	Amount	%	Amount	%	Amount	%
Premiums earned	$ 24,308	100.0 %	$ 24,035	100.0 %	$ 21,890	100.0 %
Insurance losses	14,807	60.9 %	14,888	61.9 %	11,311	51.7 %
Underwriting expenses	10,539	43.4 %	10,424	43.4 %	8,835	40.4 %
Total losses and expenses	25,346	104.3 %	25,312	105.3 %	20,146	92.1 %
Pre-tax underwriting gain (loss)	$ (1,038)		$ (1,277)		$ 1,744	

Southern Pioneer's ratio of losses and loss adjustment expenses to premiums earned was 60.9% during 2023 as compared to 61.9% during 2022. Southern Pioneer's performance in both years was primarily attributable to weather-related losses.

Insurance – Investment Income

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

	2023	2022	2021
Interest, dividends, and other investment income:			
First Guard	$ 1,873	$ 751	$ 133
Southern Pioneer	1,201	629	571
Pre-tax investment income	3,074	1,380	704
Income tax expense	646	289	148
Net investment income	$ 2,428	$ 1,091	$ 556

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

Oil and Gas

A summary of revenue and earnings of oil and gas operations follows.

	2023	2022	2021
Oil and gas revenue	$ 45,071	$ 57,546	$ 33,004
Oil and gas production costs	17,365	17,842	10,470
Depreciation, depletion, and accretion	10,339	8,013	8,073
Gain on sale of properties	(13,563)	—	—
General and administrative expenses	5,164	6,500	4,748
Earnings before income taxes	25,766	25,191	9,713
Income tax expense (benefit)	360	6,100	2,185
Contribution to net earnings	$ 25,406	$ 19,091	$ 7,528

Our oil and gas business is highly dependent on oil and natural gas prices. The average West Texas Intermediate price per barrel for the year ended December 31, 2023, was approximately $77.64 as compared to approximately $94.53 for the year ended December 31, 2022. It is expected that the prices of oil and gas commodities will remain volatile, which will be reflected in our financial results.

Oil and gas production costs have remained constant despite a decrease in revenue primarily because of the acquisition of Abraxas Petroleum and costs to repair nonperforming wells at Southern Oil. Depreciation, depletion, and accretion expense during 2023 increased $2,326 as compared to 2022, primarily due to the acquisition of Abraxas Petroleum in the third quarter of 2022, offset by temporarily shutting producing wells.

During the third quarter of 2023, Abraxas Petroleum entered into a royalty-based arrangement with an unaffiliated party to conduct development activities that will establish proved undeveloped reserves on its proportional share; however, Abraxas Petroleum will not be required to fund any exploration expenditures on its undeveloped properties. As a result of the transaction, a gain of $13,563 was recorded in 2023.

Abraxas Petroleum

Abraxas Petroleum operates oil and natural gas properties in the Permian Basin. Earnings for Abraxas Petroleum from the date of acquisition, September 14, 2022, are summarized below.

	2023	2022
Oil and gas revenue	$ 27,576	$ 11,455
Oil and gas production costs	9,605	4,487
Depreciation, depletion, and accretion	6,359	2,510
Gain on sale of properties	(13,563)	—
General and administrative expenses	2,765	3,806
Earnings before income taxes	22,410	652
Income tax expense (benefit)	(384)	154
Contribution to net earnings	$ 22,794	$ 498

Southern Oil

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

	2023	2022	2021
Oil and gas revenue	$ 17,495	$ 46,091	$ 33,004
Oil and gas production costs	7,760	13,355	10,470
Depreciation, depletion, and accretion	3,980	5,503	8,073
General and administrative expenses	2,399	2,694	4,748
Earnings before income taxes	3,356	24,539	9,713
Income tax expense	744	5,946	2,185
Contribution to net earnings	$ 2,612	$ 18,593	$ 7,528

Brand Licensing

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

	2023	2022	2021
Licensing and media revenue	$ 2,118	$ 4,577	$ 3,203
Licensing and media cost	1,840	2,695	2,275
General and administrative expenses	267	122	114
Earnings before income taxes	11	1,760	814
Income tax expense	3	447	(1,550)
Contribution to net earnings	$ 8	$ 1,313	$ 2,364

Licensing and media revenue decreased $2,459 in 2023 compared to 2022 primarily because an important licensing transaction shifted from 2023 to 2024.

We acquired Maxim with the idea of transforming its business model. The magazine developed the Maxim brand, a franchise we are utilizing to generate nonmagazine revenue, notably through licensing, a cash-generating business related to consumer products, services, and events.

Investment Gains and Investment Partnership Gains

Investment gains were $2,211 ($1,731 net of tax) in 2023 as compared to investment losses of $3,393 ($2,682 net of tax) in 2022. Dividends and interest earned on investments are reported as investment income by our insurance companies. We consider investment income as a component of our aggregate insurance operating results. However, we consider investment gains and losses, whether realized or unrealized, as non-operating.

Earnings from our investments in partnerships are summarized below.

	2023	2022	2021
Investment partnership gains (losses)	$ 19,440	$ (75,953)	$ 10,953
Tax expense (benefit)	4,794	(18,992)	2,054
Contribution to net earnings	$ 14,646	$ (56,961)	$ 8,899

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

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

Investment gains and losses in 2023 and 2022 were mainly derived from our investments in equity securities and included unrealized gains and losses from market price changes during the period. We believe that investment gains/losses are generally meaningless for analytical purposes in understanding our reported quarterly or annual results. These gains and losses have caused and will continue to cause significant volatility in our periodic earnings.

Management's Discussion and Analysis *(continued)*

Interest Expense

The Company's interest expense is summarized below.

	2023	2022	2021
Interest expense on notes payable and other borrowings	$ (681)	$ (399)	$ (1,121)
Tax benefit	(150)	(94)	(280)
Interest expense net of tax	$ (531)	$ (305)	$ (841)

The Company paid Steak n Shake's outstanding credit facility in full in February 2021. On September 13, 2022, Biglari Holdings entered into a line of credit in an aggregate principal amount of up to $30,000. There was no balance on the line of credit on December 31, 2023. The balance on the line of credit was $10,000 on December 31, 2022.

Income Taxes

The consolidated income tax expense was $9,308 in 2023 versus a benefit of $10,722 in 2022. During 2023, the Company recognized tax benefits of $5,660 associated with the tax attributes of Abraxas Petroleum's oil and gas properties offset by an increase in tax expense of $23,786 for investment partnership gains in 2023.

Corporate and Other

Corporate expenses exclude the activities of the restaurant, insurance, brand licensing, and oil and gas businesses. Corporate and other net losses increased in 2023 compared to 2022 primarily due to an incentive fee of $7,271.

Financial Condition

Our consolidated shareholders' equity on December 31, 2023, was $599,330, an increase of $52,364 as compared to the December 31, 2022 balance. The increase in shareholders' equity was primarily due to net income of $54,948 and an increase in additional paid-in capital for purchases of noncontrolling interest of $3,806, offset by a change in treasury stock of $6,662.

Consolidated cash and investments are summarized below.

	December 31,	
	2023	2022
Cash and cash equivalents	$ 28,066	$ 37,467
Investments	91,879	69,466
Fair value of interest in investment partnerships	472,772	383,004
Total cash and investments	592,717	489,937
Less: portion of Company stock held by investment partnerships	(273,669)	(227,210)
Carrying value of cash and investments on balance sheet	$ 319,048	$ 262,727

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

Management's Discussion and Analysis *(continued)*

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

	2023	2022	2021
Net cash provided by operating activities	$ 73,002	$ 127,825	$ 228,767
Net cash used in investing activities	(66,080)	(136,605)	(58,525)
Net cash provided by (used in) financing activities	(16,132)	3,860	(156,157)
Effect of exchange rate changes on cash	59	38	(64)
Increase (decrease) in cash, cash equivalents, and restricted cash	$ (9,151)	$ (4,882)	$ 14,021

In 2023, cash from operating activities decreased by $54,823 as compared to 2022. The change was primarily attributable to distributions from investment partnerships of $14,500 in 2023 compared to $70,700 in 2022. The distributions during 2022 were primarily used to acquire Abraxas Petroleum.

Net cash used in investing activities was $70,525 lower during 2023 as compared to 2022. Capital expenditures were $6,341 higher in 2022 primarily due to Steak n Shake's implementation of a self-service model. Proceeds from sales of property and equipment were $19,309 higher in 2023 primarily due to the sale of oil and gas properties for $13,563 and the sale of restaurant properties for $10,883. During 2022, the Company acquired 90% of Abraxas Petroleum for $58,274, net of cash acquired. In 2023, the Company acquired the remaining 10% of Abraxas Petroleum for $5,387.

Cash used by financing activities of $16,132 during 2023 was primarily due to net repayments on the Company's line of credit. Cash provided by financing activities of $3,860 during 2022 was primarily due to net borrowings on the Company's line of credit.

We intend to meet the working capital needs of our operating subsidiaries, principally through cash flows generated from operations and cash on hand. We continually review available financing alternatives.

Biglari Holdings Line of Credit
On September 13, 2022, Biglari Holdings entered into a line of credit in an aggregate principal amount of up to $30,000. The line of credit will be available on a revolving basis until September 13, 2024. The line of credit includes customary covenants, as well as financial maintenance covenants. As of December 31, 2023, we were in compliance with all covenants. There was no balance on the line of credit on December 31, 2023. The balance of the line of credit was $10,000 on December 31, 2022. Our interest rate is based on the 30-day Secured Overnight Financing Rate plus 2.73%.

Western Sizzlin Revolver
Western Sizzlin's available line of credit is $500. As of December 31, 2023 and 2022, Western Sizzlin had no debt outstanding under its revolver.

Critical Accounting Policies
Certain accounting policies require us to make estimates and judgments in determining the amounts reflected in the consolidated financial statements. Such estimates and judgments necessarily involve varying, and possibly significant, degrees of uncertainty. Accordingly, certain amounts currently recorded in the financial statements will likely be adjusted in the future based on new available information and changes in other facts and circumstances. A discussion of our principal accounting policies that required the application of significant judgments as of December 31, 2023, follows.

Consolidation
The consolidated financial statements include the accounts of Biglari Holdings Inc. and the wholly owned subsidiaries of Biglari Holdings Inc. The analysis as to whether to consolidate an entity is subject to a significant amount of judgment. All intercompany accounts and transactions are eliminated in consolidation.

Our interests in the investment partnerships are accounted for as equity method investments because of our retained limited partner interest in the investment partnerships. The Company records gains from the investment partnerships (inclusive of the investment partnerships' unrealized gains and losses on their securities) in the consolidated statement of earnings based on our proportional ownership interest in the investment partnerships.

Impairment of Restaurant Long-lived Assets
We review company-operated restaurants for impairment on a restaurant-by-restaurant basis when events or circumstances indicate a possible impairment. Assets included in the impairment assessment generally consist of property, equipment, and leasehold improvements directly associated with an individual restaurant as well as any related finance or operating lease assets. We test for impairment by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the total estimated future cash flows are less than the carrying amount of the asset, the carrying value is written down to the estimated fair value, and a loss is recognized in earnings. Determining the future cash flows expected to be generated by an asset requires significant judgment regarding future performance of the asset, fair market value if the asset were to be sold, and other financial and economic assumptions.

Oil and Natural Gas Reserves
Crude oil and natural gas reserves are estimates of future production that impact certain asset and expense accounts. Proved reserves are the estimated quantities of oil and gas that geoscience and engineering data demonstrate with reasonable certainty to be economically producible in the future under existing economic conditions, operating methods, and government regulations. Proved reserves include both developed and undeveloped volumes. Proved developed reserves represent volumes expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are volumes expected to be recovered from new wells on undrilled proved acreage, or from existing wells where expenditure is required for recompletion. We estimate our proved oil and natural gas reserves in accordance with the guidelines established by the SEC. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of reserves are subject to change as additional information becomes available.

Income Taxes
We record deferred tax assets or liabilities, which are based on differences between financial reporting and the tax basis of assets and liabilities and are measured using the currently enacted rates and laws that will be in effect when the differences are expected to reverse. We record deferred tax assets to the extent we believe there will be sufficient future taxable income to utilize those assets prior to their expiration. To the extent deferred tax assets are unable to be utilized, we would record a valuation allowance against the unrealizable amount and record that amount as a charge against earnings. Due to changing tax laws and state income tax rates, significant judgment is required to estimate the effective tax rate applicable to tax differences arising from reversal in the future. We must also make estimates about the sufficiency of taxable income in future periods to offset any deductions related to deferred tax assets currently recorded.

Goodwill and Other Intangible Assets
We evaluate goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. Goodwill impairment occurs when the estimated fair value of goodwill is less than its carrying value. The valuation methodology and underlying financial information included in our determination of fair value require significant managerial judgment. Based on a review of the qualitative factors, if we determine it is not more likely than not that the fair value is less than the carrying value, we may bypass the quantitative impairment test. We may also elect not to perform the qualitative assessment for the reporting unit or intangible assets and perform a quantitative impairment test instead.

Leases
We determine whether a contract is or contains a lease at contract inception based on the presence of identified assets and our right to obtain substantially all of the economic benefit from, or to direct the use of, such assets. When we determine a lease exists, we record a right-of-use asset and corresponding lease liability on our consolidated balance sheets. Right-of-use assets represent our right to use an underlying asset for the lease term. Lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets are recognized at the commencement date at the value of the lease liability and are adjusted for any prepayments, lease incentives received, and initial direct costs incurred. Lease liabilities are recognized at the lease commencement date based on the present value of remaining lease payments over the lease term. As the discount rate implicit in the lease is not readily determinable in most of our leases, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Our lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We do not record lease contracts with a term of 12 months or less on our consolidated balance sheets. We recognize fixed lease expense for operating leases on a straight-line basis over the lease term. For finance leases, we recognize amortization expense on the right-of-use asset and interest expense on the lease liability over the lease term.

Recently Issued Accounting Pronouncements

For detailed information regarding recently issued accounting pronouncements and the expected impact on our consolidated financial statements, see Note 1 "Summary of Significant Accounting Policies" in the accompanying notes to consolidated financial statements included in Part II, Item 8 of this report on Form 10-K.

Cautionary Note Regarding Forward-Looking Statements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

[THIS PAGE LEFT BLANK INTENTIONALLY]

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Biglari Holdings Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Biglari Holdings Inc. and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2024 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of a Matter

As discussed in Note 4 and Note 14 to the consolidated financial statements, the Company and its subsidiaries have invested in investment partnerships in the form of limited partnership interests. These investment partnerships represent related parties, and such investments are subject to a rolling five-year lock up period under the terms of the respective partnership agreements for the investment partnerships. The value of these investments reported in the Company's consolidated balance sheets as of December 31, 2023 and 2022 totals $199,103,000 and $155,794,000, respectively. Our opinion is not modified with respect to this matter.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Property and Equipment — Refer to Notes 1 and 6 to the financial statements

Critical Audit Matter Description

Company-operated restaurants and associated long-lived assets are evaluated for impairment on a restaurant-by-restaurant basis when events or circumstances indicate a possible impairment may have occurred. The Company's evaluation of potential impairment of long-lived assets involves the comparison of undiscounted future cash flows expected to be generated by the asset group, generally an individual restaurant, over the expected remaining useful life of that asset group, to the respective carrying amount. The Company also applied a market analysis for certain properties. The Company's undiscounted future cash flows analysis requires management to make estimates and assumptions related to future revenues, labor costs and planned operating periods. To the extent that the undiscounted cash flows are not sufficient to recover the related assets, the Company estimates the fair value of the related assets using a discounted cash flow model to assess the amount of any impairment.

We identified the impairment of company-operated restaurant long-lived assets as a critical audit matter because of the estimates and assumptions required by management to evaluate the potential impairment of these asset groups. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of certain assumptions, in management's undiscounted and discounted future cash flows analyses, including revenue growth, food costs, labor costs, and planned operating periods of restaurants.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the undiscounted and discounted future cash flows analysis and the assessment of the expected remaining holding period included the following, among others:

- We tested the effectiveness of controls over management's evaluation of the recoverability of long-lived assets, including those over revenue, food costs, labor costs and the planned operating period for the store.

- We evaluated the undiscounted future cash flows analysis, including estimates of revenue growth, labor costs and planned operating periods of restaurants by (1) evaluating the underlying source information and assumptions used by management (2) performing sensitivity analyses and (3) testing the mathematical accuracy of the undiscounted future cash flows analysis.

- We evaluated the reasonableness of management's undiscounted future cash flows analysis by comparing management's projections to the Company's historical results and available market data.

- With the assistance of our fair value specialists, for the properties where management applied a market analysis, we evaluated the reasonableness of the valuation methodology and used comparable current market data to develop a range of independent estimates and compare our estimates to those used by management.

- We evaluated the discount rates used by management in the performance of discounted cash flow analyses by testing management's calculation, performing sensitivity analyses, and assessed the mathematical accuracy of the Company's calculations of potential impairment.

/s/ DELOITTE & TOUCHE LLP
Austin, Texas
February 24, 2024

We have served as the Company's auditor since 2003.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Biglari Holdings Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Biglari Holdings Inc. and subsidiaries (the "Company") as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2023, of the Company and our report dated February 24, 2024, expressed an unqualified opinion on those financial statements and included an emphasis of matter paragraph relating to the Company's investment in related party investment partnerships.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP
Austin, Texas
February 24, 2024

BIGLARI HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 28,066	$ 37,467
Investments	91,879	69,466
Receivables	22,241	29,375
Inventories	2,980	3,851
Other current assets	7,385	10,495
Total current assets	152,551	150,654
Property and equipment	380,491	400,725
Operating lease assets	32,215	34,739
Goodwill	53,530	53,513
Other intangible assets	23,230	23,037
Investment partnerships	199,103	155,794
Other assets	8,302	10,012
Total assets	$ 849,422	$ 828,474
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 66,743	$ 78,616
Loss and loss adjustment expenses	15,168	16,805
Unearned premiums	14,334	12,495
Current portion of lease obligations	14,855	16,981
Line of credit	—	10,000
Total current liabilities	111,100	134,897
Lease obligations	86,389	91,844
Deferred taxes	37,939	31,343
Asset retirement obligations	14,316	14,068
Other liabilities	348	754
Total liabilities	250,092	272,906
Shareholders' equity		
Common stock	1,138	1,138
Additional paid-in capital	385,594	381,788
Retained earnings	631,458	576,510
Accumulated other comprehensive loss	(2,518)	(2,790)
Treasury stock, at cost	(416,342)	(409,680)
Biglari Holdings Inc. shareholders' equity	599,330	546,966
Noncontrolling interests	—	8,602
Total shareholders' equity	599,330	555,568
Total liabilities and shareholders' equity	$ 849,422	$ 828,474

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in thousands except per-share amounts)

	Year Ended December 31, 2023	2022	2021
Revenue			
Restaurant operations	$ 250,857	$ 241,568	$ 271,290
Insurance premiums and other	67,272	64,540	58,609
Oil and gas	45,071	57,546	33,004
Licensing and media	2,118	4,577	3,203
Total revenue	365,318	368,231	366,106
Cost and expenses			
Restaurant cost of sales	137,986	140,264	167,491
Insurance losses and underwriting expenses	52,771	54,648	43,094
Oil and gas production costs	17,365	17,842	10,470
Licensing and media costs	1,840	2,695	2,275
Selling, general and administrative	77,002	70,608	76,018
Gain on sale of oil and gas properties	(13,563)	—	—
Impairments	3,947	3,520	4,635
Depreciation, depletion, and amortization	38,979	36,443	30,050
Interest expense on leases	5,114	5,493	6,039
Interest expense on debt	681	399	1,121
Total cost and expenses	322,122	331,912	341,193
Other income (expenses)			
Investment gains (losses)	2,211	(3,393)	6,401
Investment partnership gains (losses)	19,440	(75,953)	10,953
Total other income (expenses)	21,651	(79,346)	17,354
Earnings (loss) before income taxes	64,847	(43,027)	42,267
Income tax expense (benefit)	9,308	(10,722)	6,789
Net earnings (loss)	55,539	(32,305)	35,478
Earnings (loss) attributable to noncontrolling interest	591	(287)	—
Net earnings (loss) attributable to Biglari Holdings Inc. shareholders	$ 54,948	$ (32,018)	$ 35,478
Net earnings (loss) per equivalent Class A share *	$ 189.49	$ (107.43)	$ 111.83

* Net earnings (loss) per equivalent Class B share outstanding are one-fifth of the equivalent Class A share or $37.90 for 2023, $(21.49) for 2022, and $22.37 for 2021.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31, 2023	2022	2021
Net earnings (loss)	$ 55,539	$ (32,305)	$ 35,478
Foreign currency translation	272	(883)	(376)
Comprehensive income	55,811	(33,188)	35,102
Comprehensive income attributable to noncontrolling interest	591	(287)	—
Total comprehensive income attributable to Biglari Holdings Inc. shareholders	$ 55,220	$ (32,901)	$ 35,102

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year Ended December 31, 2023	2022	2021
Operating activities			
Net earnings (loss)	$ 55,539	$ (32,305)	$ 35,478
Adjustments to reconcile net earnings (loss) to operating cash flows:			
Depreciation and amortization	38,979	36,443	30,050
Provision for deferred income taxes	6,567	(15,582)	5,269
Asset impairments	3,947	3,520	4,772
Gains on sale of assets	(21,241)	(1,578)	(25)
Investment (gains) losses	(2,211)	3,393	(6,214)
Investment partnership (gains) losses	(19,440)	75,953	(10,953)
Distributions from investment partnerships	14,500	70,700	180,170
Changes in receivables and inventories	5,783	3,339	(9,324)
Changes in other assets	2,810	8,523	136
Changes in accounts payable and accrued expenses	(12,231)	(24,581)	(592)
Net cash provided by operating activities	73,002	127,825	228,767
Investing activities			
Capital expenditures	(23,405)	(29,746)	(64,549)
Proceeds from property and equipment disposals	24,627	5,318	10,101
Acquisition of business, net of cash acquired	—	(58,274)	—
Purchases of noncontrolling interests	(5,387)	—	—
Purchases of interests in limited partnerships	(45,030)	(48,569)	(12,300)
Purchases of investments	(107,866)	(134,451)	(110,199)
Sales of investments and redemptions of fixed maturity securities	90,981	129,117	118,422
Net cash used in investing activities	(66,080)	(136,605)	(58,525)
Financing activities			
Payments on line of credit	(41,600)	(20,000)	—
Proceeds from line of credit	31,600	30,000	—
Principal payments on long-term debt	—	—	(149,952)
Principal payments on direct financing lease obligations	(6,132)	(6,140)	(6,205)
Net cash provided by (used in) financing activities	(16,132)	3,860	(156,157)
Effect of exchange rate changes on cash	59	38	(64)
Increase (decrease) in cash, cash equivalents, and restricted cash	(9,151)	(4,882)	14,021
Cash, cash equivalents, and restricted cash at beginning of period	38,805	43,687	29,666
Cash, cash equivalents, and restricted cash at end of period	$ 29,654	$ 38,805	$ 43,687

	Year Ended December 31, 2023	2022	2021
Cash and cash equivalents	$ 28,066	$ 37,467	$ 42,349
Restricted cash included in other long-term assets	1,588	1,338	1,338
Cash, cash equivalents, and restricted cash at end of period	$ 29,654	$ 38,805	$ 43,687

See accompanying Notes to Consolidated Financial Statements.

BIGLARI HOLDINGS INC.

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

	Biglari Holdings Inc. Shareholder's Equity						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling interest	Total
Balance at December 31, 2020	$ 1,138	$ 381,788	$573,050	$ (1,531)	$(389,617)	$ —	$564,828
Net earnings (loss)			35,478				35,478
Other comprehensive income, net				(376)			(376)
Adjustment for holdings in investment partnerships					(12,234)		(12,234)
Balance at December 31, 2021	$ 1,138	$ 381,788	$608,528	$ (1,907)	$(401,851)	$ —	$587,696
Net earnings (loss)			(32,018)			(287)	(32,305)
Other comprehensive income, net				(883)			(883)
Adjustment for holdings in investment partnerships					(7,829)		(7,829)
Transactions with noncontrolling interests						8,889	8,889
Balance at December 31, 2022	$ 1,138	$ 381,788	$576,510	$ (2,790)	$(409,680)	$ 8,602	$555,568
Net earnings (loss)			54,948			591	55,539
Other comprehensive income, net				272			272
Adjustment for holdings in investment partnerships					(6,662)		(6,662)
Purchases of noncontrolling interests		3,806				(9,193)	(5,387)
Balance at December 31, 2023	$ 1,138	$ 385,594	$631,458	$ (2,518)	$(416,342)	$ —	$599,330

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Years Ended December 31, 2023, 2022, and 2021)

(dollars in thousands, except per-share data)

Note 1. Summary of Significant Accounting Policies

Description of Business

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

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

As of December 31, 2023, Mr. Biglari beneficially owns shares of the Company that represent approximately 66.8% of the economic interest and approximately 71.0% of the voting interest.

Principles of Consolidation

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

Cash, Cash Equivalents, and Restricted Cash

Cash equivalents primarily consist of U.S. Government securities and money market accounts, all of which have original maturities of three months or less. Cash equivalents are carried at fair value. The statement of cash flows includes restricted cash with cash and cash equivalents.

Investments

We classify investments in fixed maturity securities at the acquisition date as either available-for-sale or held-to-maturity and re-evaluate the classification at each balance sheet date. Securities classified as held-to-maturity are carried at amortized cost, reflecting the ability and intent to hold the securities to maturity. As of December 31, 2023 and 2022, all investments were classified as available-for-sale and carried at fair value with net unrealized gains or losses reported in the statements of earnings. Realized gains and losses on disposals of investments are determined by the specific identification of the cost of investments sold. Dividends earned on investments are reported as investment income by our insurance companies. We consider investment income as a component of our aggregate insurance operating results. However, we consider investment gains and losses, whether realized or unrealized, as non-operating.

Investment Partnerships

The Company holds a limited interest in The Lion Fund, L.P., and The Lion Fund II, L.P. (collectively the "investment partnerships"). Biglari Capital Corp. ("Biglari Capital"), an entity solely owned by Mr. Biglari, is the general partner of the investment partnerships. Our interests in the investment partnerships are accounted as equity method investments because of our retained limited partner interests. The Company records investment partnership gains (inclusive of the investment partnerships' unrealized gains and losses on their securities) as a component of other income based on our proportional ownership interest in the partnerships. The investment partnerships are, for purposes of generally accepted accounting principles ("GAAP"), investment companies under the AICPA Audit and Accounting Guide *Investment Companies.*

Note 1. Summary of Significant Accounting Policies *(continued)*

Concentration of Equity Price Risk
The majority of our investments are conducted through investment partnerships that generally hold common stocks. We also hold marketable securities directly. We concentrate a high percentage of the investments in a small number of equity securities. A significant decline in the general stock market or in the prices of our major investments may have a materially adverse effect on our earnings and on consolidated shareholders' equity.

Receivables
Our accounts receivable balance consists primarily of franchisee, customer, and other receivables. We carry our accounts receivable at cost less an allowance for doubtful accounts, which is based on a history of past write-offs and collections and current credit conditions. Allowance for doubtful accounts was \$2,546 and \$1,151 at December 31, 2023 and 2022, respectively.

Inventories
Inventories are valued at the lower of cost (first-in, first-out method) or market, and consist primarily of restaurant food items and supply inventory.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized on the straight-line method over the estimated useful lives of the assets (10 to 30 years for buildings and land improvements, and 3 to 10 years for equipment). Leasehold improvements are amortized on the straight-line method over the shorter of the estimated useful lives of the improvements or the term of the related leases. Interest costs associated with the construction of new restaurants are capitalized. Major improvements are also capitalized, while repairs and maintenance are expensed as incurred. We review our long-lived restaurant assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For purposes of this assessment, assets are evaluated at the lowest level for which there are identifiable cash flows, which is generally at the individual restaurant level. Assets included in the impairment assessment generally consist of property, equipment, and leasehold improvements directly associated with an individual restaurant as well as any related finance or operating lease assets. If the future undiscounted cash flows of an asset are less than the recorded value, an impairment is recorded for the difference between the carrying value and the estimated fair value of the asset.

Oil and Gas Properties
The successful efforts method is used for crude oil and natural gas exploration and production activities. All costs for development wells, related plant and equipment, proved mineral interests in crude oil and natural gas properties, and related asset retirement obligation assets are capitalized. Costs of exploratory wells are capitalized pending determination of whether the wells found proved reserves. Costs of wells that are assigned proved reserves remain capitalized. Costs are also capitalized for exploratory wells that have found crude oil and natural gas reserves, even if the reserves cannot be classified as proved when the drilling is completed, provided the exploratory well has found a sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress assessing the reserves and the economic and operating viability of the project. All other exploratory wells and costs are expensed. We did not have any property acquisition or exploration activities during 2023, and our development costs were nominal.

Asset Retirement Obligations
Asset retirement obligations relate to future costs associated with the plugging and abandonment of oil and gas wells, the removal of equipment and facilities from leased acreage, and the return of such land to its original condition. The Company determines its asset retirement obligation amounts by calculating the present value of the estimated future cash outflows associated with its plug and abandonment obligations. The fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred, and the cost of such liability increases the carrying amount of the related long-lived asset by the same amount. The liability is accreted each period through charges to depreciation, depletion, and amortization expense, and the capitalized cost is depleted on a unit-of-production basis over the proved developed reserves of the related asset. If an asset retirement obligation is settled for an amount other than the recorded amount, a gain or loss is recognized.

Goodwill and Other Intangible Assets
Goodwill and indefinite life intangible assets are not amortized, but are tested for potential impairment on an annual basis using either a qualitative or quantitative approach, or more often if events or circumstances change that could cause goodwill or indefinite life intangible assets to become impaired. Other purchased intangible assets are amortized over their estimated useful lives, generally on a straight-line basis. We perform reviews for impairment of intangible assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when

estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying value. When an impairment is identified, we reduce the carrying value of the asset to its estimated fair value. During 2023, 2022 and 2021, no impairments were recorded to goodwill. During 2023, we recorded impairments to indefinite life intangible assets of $20. During 2022 and 2021, no impairments were recorded to other intangible assets. Refer to Note 8 for information regarding our goodwill and other intangible assets.

Dual Class Common Stock

The Company has two classes of common stock, designated Class A common stock and Class B common stock. Each Class A common share is entitled to one vote. Class B common stock possesses economic rights equal to one-fifth (1/5th) of such rights of Class A common stock; however, Class B common stock has no voting rights.

The following table presents shares authorized, issued, and outstanding.

	December 31, 2023		December 31, 2022		December 31, 2021	
	Class A	Class B	Class A	Class B	Class A	Class B
Common stock authorized	500,000	10,000,000	500,000	10,000,000	500,000	10,000,000
Common stock issued and outstanding	206,864	2,068,640	206,864	2,068,640	206,864	2,068,640

Earnings Per Share

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

The Company has applied the "two-class method" of computing earnings per share as prescribed in Accounting Standards Codification ("ASC") 260, "*Earnings Per Share*." The equivalent Class A common stock applied for computing earnings per share excludes the proportional shares of Biglari Holdings' stock held by the investment partnerships. In the tabulation below is the equivalent Class A common stock for earnings per share. There are no dilutive securities outstanding.

	2023	2022	2021
Equivalent Class A common stock outstanding	620,592	620,592	620,592
Proportional ownership of Company stock held by investment partnerships	330,606	322,561	303,341
Equivalent Class A common stock for earnings per share	289,986	298,031	317,251

Revenue Recognition

Restaurant operations

Restaurant operations revenues were disaggregated as follows.

	2023	2022	2021
Net sales	$ 152,545	$ 149,184	$ 187,913
Franchise partner fees	72,552	63,853	55,641
Franchise royalties and fees	16,443	19,678	21,736
Other	9,317	8,853	6,000
	$ 250,857	$ 241,568	$ 271,290

Note 1. Summary of Significant Accounting Policies *(continued)*

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

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

The Company leases or subleases property and equipment to franchisees under lease arrangements. Both real estate and equipment rental payments are charged to franchisees and are recognized in accordance with ASC 842, "*Leases.*" During the years ended 2023, 2022, and 2021, restaurant operations recognized $22,687, $20,426, and $15,483, respectively, in franchise partner fees related to rental income.

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

During the years ended December 31, 2023, 2022, and 2021, restaurant operations recognized $1,207, $1,810, and $2,033, respectively, in revenue related to initial franchise fees. As of December 31, 2023 and 2022, restaurant operations had deferred revenue recorded in accrued expenses related to franchise fees of $2,280 and $3,484, respectively. Restaurant operations expect to recognize approximately $443 of deferred revenue during 2024.

Our advertising arrangements with franchisees are reported in franchise royalties and fees. During the years ended December 31, 2023, 2022, and 2021, restaurant operations recognized $4,479, $6,386, and $6,829, respectively, in revenue related to franchisee advertising fees. As of December 31, 2023 and 2022, restaurant operations had deferred revenue recorded in accrued expenses related to franchisee advertising fees of $1,945 and $2,748, respectively. Restaurant operations expect to recognize approximately $1,556 of deferred revenue during 2024.

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

For the years ended December 31, 2023, 2022, and 2021, restaurant operations recognized $5,276, $5,395, and $5,903, respectively, of revenue from gift card redemptions. As of December 31, 2023 and 2022, restaurant operations had deferred revenue recorded in accrued expenses related to unredeemed gift cards of $5,144 and $9,279, respectively. Restaurant operations expect to recognize approximately $2,500 of deferred revenue during 2024.

Insurance Premiums and Commissions
Insurance premiums are earned over the terms of the related policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs, are charged to operations as incurred. Premiums earned are stated net of amounts ceded to reinsurer.

Oil and Gas
Revenues are derived from the sale of produced oil and natural gas. Revenue is recognized when the performance obligation is satisfied, which typically occurs at the point in time when control of the product transfers to the customer. Payment is due within 30 days of delivery.

Note 1. Summary of Significant Accounting Policies *(continued)*

Licensing Revenue and Other

Licensing revenue is recognized when earned. We derive value and revenues from intellectual property assets through a range of licensing and business activities, including licensing and syndication of our trademarks and copyrights in the United States and internationally. Magazine subscription and advertising revenues are recognized at the magazine cover date. The unearned portion of magazine subscriptions is deferred until the magazine's cover date, at which time a proportionate share of the gross subscription price is recognized as revenue.

Restaurant Cost of Sales

Cost of sales includes the cost of food, restaurant operating costs, and restaurant occupancy costs. Cost of sales excludes depreciation and amortization, which is presented as a separate line item on the consolidated statement of earnings.

Insurance Losses and Underwriting Expenses

Liabilities for estimated unpaid losses and loss adjustment expenses with respect to claims occurring on or before the balance sheet date are established under insurance contracts issued by our insurance subsidiaries. Such estimates include provisions for reported claims or case estimates, provisions for incurred but not reported claims, and legal and administrative costs to settle claims. The estimates of unpaid losses and amounts recoverable under reinsurance are established and continually reviewed by using a variety of actuarial, statistical, and analytical techniques. Reinsurance contracts do not relieve the ceding company of its obligations to indemnify policyholders with respect to the underlying insurance contracts.

Oil and Gas Production Costs

Oil and gas production costs are costs incurred to operate and maintain wells and related equipment and facilities, including lease operating expenses and production taxes.

Marketing Expense

Advertising costs are charged to expense at the later of the date the expenditure is incurred or the date the promotional item is first communicated. Marketing expense is included in selling, general and administrative expenses in the consolidated statement of earnings.

Savings Plans

Several of our subsidiaries also sponsor defined contribution retirement plans, such as 401(k) or profit-sharing plans. Employee contributions to the plans are subject to regulatory limitations and the specific plan provisions. Some of the plans allow for discretionary contributions as determined by management. Employer contributions expensed with respect to these plans were not material.

Foreign Currency Translation

The Company has certain subsidiaries located in foreign jurisdictions. For subsidiaries whose functional currency is other than the U.S. dollar, the translation of functional currency statements to U.S. dollar statements uses end-of-period exchange rates for assets and liabilities, weighted-average exchange rates for revenue and expenses, and historical rates for equity. The resulting currency translation adjustment is recorded in accumulated other comprehensive income, as a component of equity.

Use of Estimates

Preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from the estimates.

New Accounting Standards

In November 2023, the Financial Accounting Standards Board ("FASB") issued authoritative guidance to improve reportable segment disclosure requirements. The new guidance requires that public entities disclose additional information related to significant segment expenses regularly provided to the chief operating decision maker and other segment items. The guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. We are evaluating the impact of the new guidance on our disclosures.

In December 2023, the FASB issued authoritative guidance modifying the disclosure requirements for income tax. Notable changes in the new guidance include disaggregation of income tax information by jurisdiction and changes to the presentation of information for the reconciliation of effective tax rates. The guidance is effective for fiscal years beginning after December 15, 2024. We are evaluating the impact of the new guidance on our disclosures.

Note 2. Business Acquisitions

On September 14, 2022, the Company purchased Preferred Shares of Abraxas Petroleum for $80,000. On October 26, 2022, the Company converted the Preferred Shares to 90% of the outstanding common stock of Abraxas Petroleum. On June 14, 2023, the remaining 10% of the outstanding common stock of Abraxas Petroleum was acquired for $5,387. We have concluded that Abraxas Petroleum is a consolidated entity and recorded noncontrolling interests attributable to the interest held by other shareholders. The Company used working capital including its line of credit to fund the purchase of the Preferred Shares. Abraxas Petroleum operates oil and natural gas properties in the Permian Basin. The Company's financial results include the results of Abraxas Petroleum from the acquisition date.

The purchase price allocation is as follows.

	September 14, 2022
Cash and cash equivalents	$ 21,726
Receivables and other assets	6,518
Property and equipment	75,400
Total identifiable assets acquired	103,644
Accounts payable and accrued expenses	(10,719)
Asset retirement obligations	(3,587)
Deferred taxes	(449)
Total liabilities assumed	(14,755)
Noncontrolling interest	(8,889)
Total consideration	$ 80,000

Note 3. Investments

Investments were $91,879 and $69,466 as of December 31, 2023 and 2022, respectively. We classify investments in fixed maturity securities at the acquisition date as available-for-sale. Realized gains and losses on disposals of investments are determined on a specific identification basis. Dividends earned on investments held by our insurance companies are reported as investment income. We consider investment income as a component of our aggregate insurance operating results. However, we consider investment gains and losses, whether realized or unrealized, as non-operating.

Investment gains in 2023 were $2,211. Investment losses in 2022 were $3,393. Investment gains were $6,401 in 2021, which includes a $5,047 gain on the sale of real estate.

Note 4. Investment Partnerships

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

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

Note 4. Investment Partnerships *(continued)*

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

	Fair Value	Company Common Stock	Carrying Value
Partnership interest at December 31, 2020	$ 590,926	$ 171,376	$ 419,550
Investment partnership gains (losses)	51,145	40,192	10,953
Distributions (net of contributions)	(167,870)		(167,870)
Increase in proportionate share of Company stock held		12,234	(12,234)
Partnership interest at December 31, 2021	$ 474,201	$ 223,802	$ 250,399
Investment partnership gains (losses)	(80,374)	(4,421)	(75,953)
Distributions (net of contributions)	(10,823)		(10,823)
Increase in proportionate share of Company stock held		7,829	(7,829)
Partnership interest at December 31, 2022	$ 383,004	$ 227,210	$ 155,794
Investment partnership gains (losses)	59,238	39,797	19,441
Contributions (net of distributions)	30,530		30,530
Increase in proportionate share of Company stock held		6,662	(6,662)
Partnership interest at December 31, 2023	$ 472,772	$ 273,669	$ 199,103

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

	December 31, 2023	December 31, 2022
Carrying value of investment partnerships	$ 199,103	$ 155,794
Deferred tax liability related to investment partnerships	(27,896)	(23,643)
Carrying value of investment partnerships net of deferred taxes	$ 171,207	$ 132,151

Because of a transaction that occurred between The Lion Fund, L.P., and The Lion Fund II, L.P., in 2022, we expect that a majority of the $27,896 deferred tax liability enumerated above will not become due until the dissolution of the investment partnerships. In effect, the tax-basis cost increased for the common stock of certain unaffiliated securities held by the investment partnerships.

The Company's proportionate share of Company stock held by the investment partnerships at cost was $416,342 and $409,680 at December 31, 2023 and 2022, respectively.

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

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

	2023	2022	2021
Gains (losses) from investment partnerships	$ 19,440	$ (75,953)	$ 10,953
Tax expense (benefit)	4,794	(18,992)	2,054
Contribution to net earnings	$ 14,646	$ (56,961)	$ 8,899

Note 4. Investment Partnerships *(continued)*

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

There were no incentive reallocations from Biglari Holdings to Biglari Capital during 2023, 2022, or 2021.

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

	Equity in Investment Partnerships	
	Lion Fund	Lion Fund II
Total assets as of December 31, 2023	$ 371,365	$ 373,302
Total liabilities as of December 31, 2023	$ 26,594	$ 185,024
Revenue for the year ended December 31, 2023	$ 48,242	$ 31,157
Earnings for the year ended December 31, 2023	$ 47,154	$ 21,135
Biglari Holdings' ownership interest	89.7 %	86.8 %
Total assets as of December 31, 2022	$ 285,071	$ 330,832
Total liabilities as of December 31, 2022	$ 10,517	$ 167,847
Revenue for the year ended December 31, 2022	$ (8,353)	$ (79,397)
Earnings for the year ended December 31, 2022	$ (8,690)	$ (82,534)
Biglari Holdings' ownership interest	88.5 %	86.0 %
Total assets as of December 31, 2021	$ 114,749	$ 564,022
Total liabilities as of December 31, 2021	$ 7,763	$ 130,417
Revenue for the year ended December 31, 2021	$ 20,068	$ 41,486
Earnings for the year ended December 31, 2021	$ 19,994	$ 40,621
Biglari Holdings' ownership interest	62.7 %	93.9 %

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

Note 5. Other Current Assets

Other current assets include the following.

	December 31,	
	2023	2022
Deferred commissions on gift cards sold by third parties	$ 1,019	$ 1,454
Assets held for sale	773	4,700
Prepaid contractual obligations	5,593	4,341
Other current assets	$ 7,385	$ 10,495

The assets classified as held for sale at December 31, 2023, include properties owned by Steak n Shake, which were previously company-operated restaurants. The asset held for sale at December 31, 2022, is Abraxas Petroleum's office building in San Antonio, Texas. Abraxas Petroleum sold its office building for $4,719 with no gain or loss recorded.

Note 6. Property and Equipment

Property and equipment are composed of the following.

	December 31,	
	2023	2022
Land	$ 139,897	$ 143,313
Buildings	151,716	151,627
Land and leasehold improvements	149,795	151,496
Equipment	212,424	222,661
Oil and gas properties	145,065	144,888
Construction in progress	1,629	2,238
	800,526	816,223
Less accumulated depreciation, depletion, and amortization	(420,035)	(415,498)
Property and equipment, net	$ 380,491	$ 400,725

The depreciation and amortization expense for property and equipment for 2023, 2022, and 2021 was $28,751, $28,879, and $22,012, respectively. The depletion expense related to oil and gas properties was $9,533, $7,024, and $7,600 during 2023, 2022, and 2021, respectively. The accretion expense of the Company's asset retirement obligations was $695, $540, and $438 during 2023, 2022, and 2021, respectively. Depletion and accretion expense are included in depreciation, depletion, and amortization expense within the consolidated statement of earnings. Accumulated depreciation, depletion, and accretion on oil and gas properties was $44,716 and $35,072 as of December 31, 2023 and 2022, respectively.

The Company recorded impairments to restaurant long-lived assets of $3,947, $3,520, and $4,635 during 2023, 2022, and 2021, respectively. The fair value of the long-lived assets was determined based on Level 3 inputs using a discounted cash flow model and quoted prices for the properties.

During 2023, Abraxas Petroleum entered into a royalty-based arrangement with an unaffiliated party to conduct development activities that will establish proved undeveloped reserves on its proportional share; however, Abraxas Petroleum will not be required to fund any exploration expenditures on its undeveloped properties. As a result of the transaction, a gain of $13,563 was recorded in 2023. Also during 2023, Steak n Shake recognized a net gain of $7,918 in connection with property sales, lease terminations, and asset disposals.

The property and equipment cost related to finance obligations as of December 31, 2023, is as follows: $45,658 of buildings, $44,180 of land, $26,690 of land and leasehold improvements, and $59,985 of accumulated depreciation.

Note 7. Asset Retirement Obligations

A reconciliation of the ending aggregate carrying amount of asset retirement obligations is as follows.

	December 31	
	2023	2022
Beginning balance	$ 14,645	$ 10,624
Acquired balance	—	3,587
Liabilities settled	(294)	(106)
Accretion expense	695	540
Asset retirement obligation	$ 15,046	$ 14,645

As of December 31, 2023 and 2022, $730 and $577, respectively, is classified as current and is included in accounts payable and accrued expenses in the consolidated balance sheets.

Note 8. Goodwill and Other Intangible Assets

Goodwill

Goodwill consists of the excess of the purchase price over the fair value of the net assets acquired in connection with business acquisitions. No goodwill was recorded with the acquisition of Southern Oil or Abraxas Petroleum.

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

	Restaurants	Insurance	Total
Balance as of December 31, 2021			
Goodwill	$ 28,134	$ 25,713	$ 53,847
Accumulated impairment losses	(300)	—	(300)
	$ 27,834	$ 25,713	$ 53,547
Change in foreign exchange rates during 2022	(34)	—	(34)
Balance as of December 31, 2022	$ 27,800	$ 25,713	$ 53,513
Change in foreign exchange rates during 2023	17	—	17
Balance as of December 31, 2023	$ 27,817	$ 25,713	$ 53,530

We evaluate goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. Goodwill and indefinite-lived intangible asset impairment evaluations include determining the estimated fair values of our reporting units and indefinite-lived intangible assets. The key assumptions and inputs used in such determinations may include forecasting revenue and expenses, cash flows, and capital expenditures, as well as an appropriate discount rate and other inputs. Significant judgment by management is required in estimating the fair value of a reporting unit and in performing impairment reviews. Due to the inherent subjectivity and uncertainty in forecasting future cash flows and earnings over long periods of time, actual results may differ materially from the forecasts. If the carrying value of the indefinite-lived intangible asset exceeds fair value, the excess is charged to earnings as an impairment loss. If the carrying value of a reporting unit exceeds the estimated fair value of the reporting unit, then the excess, limited to the carrying amount of goodwill, will be charged to earnings as an impairment loss. GAAP allows entities testing for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit for the goodwill impairment test. For our 2023 annual goodwill impairment testing, we elected to perform qualitative assessments for our reporting units. No indicators of impairment were noted. No impairment was recorded for our reporting units in 2023 or 2022.

Other Intangible Assets

Intangible assets with indefinite lives are composed of the following.

	Trade Names	Lease Rights	Total
Balance as of December 31, 2021			
Intangibles	$ 15,876	$ 11,315	$ 27,191
Accumulated impairment losses	—	(3,728)	(3,728)
	$ 15,876	$ 7,587	$ 23,463
Change in foreign exchange rates during 2022	—	(426)	(426)
Balance as of December 31, 2022	$ 15,876	$ 7,161	$ 23,037
Impairment	—	(20)	(20)
Change in foreign exchange rates during 2023	—	213	213
Balance as of December 31, 2023	$ 15,876	$ 7,354	$ 23,230

Intangible assets with indefinite lives consist of trade names and lease rights. During 2023, $20 of impairment was recorded. No impairment was recorded in 2022 or 2021.

Note 9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include the following.

	December 31, 2023	December 31, 2022
Accounts payable	$ 22,448	$ 28,431
Gift cards and other marketing	7,089	12,028
Insurance accruals	2,565	6,012
Compensation	12,821	4,400
Deferred revenue	5,314	4,445
Taxes payable	11,050	14,896
Oil and gas payable	3,560	3,877
Other	1,896	4,527
Accounts payable and accrued expenses	$ 66,743	$ 78,616

Note 10. Unpaid Loss and Loss Adjustment Expenses

Other liabilities for unpaid losses and loss adjustment expenses (also referred to as “claim liabilities”) under insurance contracts are based upon estimates of the ultimate claim costs associated with claim occurrences as of the balance sheet date and include estimates for incurred-but-not-reported (“IBNR”) claims. A reconciliation of the changes in claim liabilities, net of reinsurance, for each of the years ended December 31, 2023 and 2022 follows.

	2023	2022
Balances at beginning of year:		
Gross liabilities	$ 17,520	$ 14,993
Reinsurance recoverable on unpaid losses	(715)	(1,892)
Net liabilities	16,805	13,101
Incurred losses and loss adjustment expenses:		
Current accident year	39,303	37,837
Prior accident years	(3,634)	(652)
Total	35,669	37,185
Paid losses and loss adjustment expenses:		
Current accident year	30,554	27,415
Prior accident years	6,752	6,066
Total	37,306	33,481
Balances at December 31:		
Net liabilities	15,168	16,805
Reinsurance recoverable on unpaid losses	937	715
Gross liabilities	$ 16,105	$ 17,520

We recorded net reductions of estimated ultimate liabilities for prior accident years of $3,634 in 2023 and $652 in 2022. These reductions, as a percentage of net liabilities at the beginning of each year, were 21.6% in 2023 and 5.0% in 2022.

Note 10. Unpaid Loss and Loss Adjustment Expenses *(continued)*

Our net incurred and paid liability losses and loss adjustment expenses are summarized by accident year below. IBNR and case development liabilities are as of December 31, 2023.

Incurred Losses and Loss Adjustment Expenses through December 31,

Accident Year	2017*	2018*	2019*	2020*	2021*	2022*	2023	IBNR and Case Development Liabilities	Cumulative Number of Reported Claims
2017	$ 29,627	$ 28,778	$ 28,895	$ 28,537	$ 28,189	$ 28,213	$ 28,171	$ 179	4,343
2018		26,576	26,650	26,455	26,385	26,328	26,194	145	3,762
2019			27,331	26,746	26,444	26,325	25,972	141	3,681
2020				26,415	25,118	24,305	23,804	323	3,662
2021					26,555	26,527	26,267	1,874	3,685
2022						34,356	32,137	3,399	3,876
2023							35,450	8,198	3,611
							$197,995		

Cumulative Paid Losses and Loss Adjustment Expenses through December 31,

Accident Year	2017*	2018*	2019*	2020*	2021*	2022*	2023
2017	$ 22,293	$ 25,491	$ 26,991	$ 27,584	$ 27,815	$ 27,990	$ 27,992
2018		20,246	23,796	24,844	25,589	25,974	26,049
2019			20,755	23,787	24,647	25,357	25,831
2020				20,481	22,614	23,386	23,481
2021					19,649	22,800	24,393
2022						24,775	28,738
2023							27,252
Paid losses and loss adjustment expenses							183,736
Incurred less paid losses and loss adjustment expenses							14,259
Unpaid loss adjustment expenses							909
Net unpaid losses and loss adjustment expenses							$ 15,168

**Unaudited required supplemental information*

Loss and loss adjustment expense reserves include an amount for reported losses and an amount for losses incurred but not reported. We establish average liabilities based on expected severities for newly reported claims prior to establishing individual case reserves when insufficient time or information is available for specific claim estimates and for large volumes of minor physical damage claims that, once reported, are quickly settled. We establish case loss estimates for claims, including estimates for loss adjustment expenses, as the facts and merits of the claim are evaluated. Such reserves are necessarily based upon estimates, and while management, based on past experience, believes that the amount is adequate, the ultimate liability may be more or less than the amounts provided. We may record supplemental IBNR liabilities in certain situations when actuarial techniques are difficult to apply. The methods for making such estimates and for establishing the resulting reserves are continually reviewed, and any adjustments are reflected in operations annually.

Note 10. Unpaid Loss and Loss Adjustment Expenses *(continued)*

First Guard

First Guard's claim liabilities predominately relate to commercial truck claims. For such claims, we establish and evaluate unpaid claim liabilities using historical claims data and other data as necessary to determine our best estimate, with an annual review by certified actuaries and certified public accountants. Claim liabilities include average case, case development, and IBNR estimates.

Southern Pioneer

Southern Pioneer's claim liabilities predominately relate to liquor liability, garage liability, and commercial property as well as homeowners and dwelling fire claims. For such claims, we establish and evaluate unpaid claim liabilities using standard actuarial methods and techniques. The actuarial methods utilize historical claims data, adjusted when deemed appropriate to reflect perceived changes in loss patterns. Claim liabilities include average case, case development, and IBNR estimates.

Note 11. Income Taxes

The components of the provision for income taxes consist of the following.

	2023	2022	2021
Current:			
Federal	$ 2,197	$ 1,935	$ 1,053
State	544	2,925	467
Deferred	6,567	(15,582)	5,269
Income tax expense (benefit)	$ 9,308	$ (10,722)	$ 6,789
Reconciliation of effective income tax:			
Tax at U.S. statutory rates	$ 13,618	$ (9,036)	$ 8,875
State income taxes, net of federal benefit	1,572	(555)	192
Federal income tax credits	(1,309)	(106)	(864)
Dividends received deduction	(1,169)	(1,183)	(468)
Valuation allowance	709	614	(723)
162(m) compensation limitation	1,506	—	—
Foreign tax rate differences	(97)	(124)	(78)
Abraxas tax attributes	(5,660)	—	—
Other	138	(332)	(145)
Income tax expense (benefit)	$ 9,308	$ (10,722)	$ 6,789

The Company did not have a net tax expense or benefit on income from international operations. Earnings before income taxes derived from domestic operations during 2023 were $67,736, losses before income taxes derived from domestic operations during 2022 were $40,624, and earnings before income taxes derived from domestic operations during 2021 were $43,886. Losses before income taxes derived from international operations during 2023, 2022, and 2021 were $2,889, $2,403, and $1,619, respectively.

During 2023, the Company recognized tax benefits associated with the tax attributes of Abraxas Petroleum's oil and gas properties.

Note 11. Income Taxes *(continued)*

As of December 31, 2023, we had $348 of unrecognized tax benefits, including $48 of interest and penalties, which are included in other long-term liabilities in the consolidated balance sheet. As of December 31, 2022, we had $99 of unrecognized tax benefits, including $13 of interest and penalties, which is included in other long-term liabilities in the consolidated balance sheet. Our continuing practice is to recognize interest expense and penalties related to income tax matters in income tax expense. The unrecognized tax benefits of $348 would impact the effective income tax rate if recognized. Adjustments to the Company's unrecognized tax benefit for gross increases for the current period tax position, gross decreases for prior period tax positions, and the lapse of statutes of limitations during 2023, 2022, and 2021 were not significant.

We file income tax returns which are periodically audited by various foreign, federal, state, and local jurisdictions. With few exceptions, we are no longer subject to federal, state, and local tax examinations for fiscal years prior to 2020. We believe we have certain state income tax exposures related to fiscal years 2019 through 2023.

Deferred tax assets and liabilities are determined based on differences between financial reporting and the tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Our deferred tax assets and liabilities consist of the following.

	December 31,	
	2023	2022
Deferred tax assets:		
Insurance reserves	$ 1,734	$ 1,490
Compensation accruals	653	373
Gift card accruals	749	1,159
Net operating loss credit carryforward	19,840	12,597
Valuation allowance on net operating losses	(14,643)	(6,043)
Deferred income	351	830
Bad debt reserve	667	1,104
Other	313	487
Total deferred tax assets	9,664	11,997
Deferred tax liabilities:		
Investment partnerships	27,896	23,643
Investments	288	(197)
Goodwill and intangibles	16,350	16,027
Fixed assets and depletable assets basis difference	3,069	3,867
Total deferred tax liabilities	47,603	43,340
Net deferred tax liability	$ (37,939)	$ (31,343)

Accounts payable and accrued expenses include income taxes payable of $980 as of December 31, 2023, and $3,881 as of December 31, 2022.

Note 12. Lines of Credit

Biglari Holdings Line of Credit
On September 13, 2022, Biglari Holdings entered into a line of credit in an aggregate principal amount of up to $30,000. The line of credit will be available on a revolving basis until September 13, 2024. The line of credit includes customary covenants, as well as financial maintenance covenants. There was no balance of the line of credit on December 31, 2023. The balance of the line of credit was $10,000 on December 31, 2022. Our interest rate was 8.06% and 6.53% on December 31, 2023 and 2022, respectively, which is based on the 30-day Secured Overnight Financing Rate plus 2.73%.

Western Sizzlin Revolver
Western Sizzlin's available line of credit is $500. As of December 31, 2023 and 2022, Western Sizzlin had no debt outstanding under its revolver.

Note 13. Lease Assets and Obligations

Lease obligations include the following.

	December 31, 2023	December 31, 2022
Current portion of lease obligations		
Finance lease liabilities	$ 1,258	$ 1,237
Finance obligations	4,826	5,161
Operating lease liabilities	8,771	10,583
Total current portion of lease obligations	$ 14,855	$ 16,981
Long-term lease obligations		
Finance lease liabilities	$ 3,581	$ 4,129
Finance obligations	56,471	58,868
Operating lease liabilities	26,337	28,847
Total long-term lease obligations	$ 86,389	$ 91,844

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

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

Total lease costs consist of the following.

	2023	2022	2021
Finance lease costs:			
Amortization of right-of-use assets	$ 949	$ 1,290	$ 1,576
Interest on lease liabilities	345	422	521
Operating lease costs*	284	2,736	1,119
Total lease costs	$ 1,578	$ 4,448	$ 3,216

**Includes short-term leases, variable lease costs, and sublease income.*

Note 13. Lease Assets and Obligations *(continued)*

Supplemental cash flow information related to leases is as follows.

	Year Ended December 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	$ 1,220	$ 1,396
Operating cash flows from finance leases	$ 345	$ 421
Operating cash flows from operating leases	$ 12,469	$ 12,946

Supplemental balance sheet information related to leases is as follows.

	December 31,	
	2023	2022
Finance leases:		
Property and equipment, net	$ 3,574	$ 4,352

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

	2023
Weighted-average remaining lease terms:	
Finance leases	4.73 years
Operating leases	5.41 years
Weighted-average discount rates:	
Finance leases	7.0%
Operating leases	7.0%

Maturities of lease liabilities as of December 31, 2023, are as follows.

Year	Operating Leases	Finance Leases
2024	$ 10,863	$ 1,552
2025	9,070	1,403
2026	6,551	1,063
2027	4,272	728
2028	3,451	337
After 2028	7,792	613
Total lease payments	41,999	5,696
Less interest	6,891	857
Total lease liabilities	$ 35,108	$ 4,839

Rent expense is presented below.

	2023	2022	2021
Minimum rent	$ 12,712	$ 14,333	$ 14,926
Contingent rent	73	105	137
Rent expense	$ 12,785	$ 14,438	$ 15,063

Note 13. Lease Assets and Obligations *(continued)*

Lease Income

The components of lease income are as follows.

	2023	2022	2021
Operating lease income	$ 16,343	$ 15,698	$ 13,173
Variable lease income	7,349	5,875	3,479
Total lease income	$ 23,692	$ 21,573	$ 16,652

The following table displays the Company's future minimum rental receipts for non-cancelable leases and subleases as of December 31, 2023. Franchise partner leases and subleases are short-term leases and have been excluded from the table.

	Operating Leases	
Year	Subleases	Owned Properties
2024	$ 622	$ 396
2025	544	404
2026	225	407
2027	206	415
2028	86	423
After 2028	—	2,435
Total future minimum receipts	$ 1,683	$ 4,480

Note 14. Related Party Transactions

Services Agreement

During 2017, the Company entered into a services agreement with Biglari Enterprises LLC and Biglari Capital Corp. (collectively, the "Biglari Entities") under which the Biglari Entities provide business and administrative related services to the Company. The Biglari Entities are owned by Mr. Biglari. The services agreement has a rolling five-year term, with annual adjustments to the fixed fee. The fixed fee increased from $700 per month to $800 per month in December 2023. The fixed fee had not been adjusted since its inception in October 2017.

The Company paid Biglari Enterprises $8,500 in service fees during 2023 and $8,400 during 2022. The services agreement does not alter the Company's hurdle rate connected with the incentive reallocation paid to Biglari Capital Corp.

Investments in The Lion Fund, L.P., and The Lion Fund II, L.P.

As of December 31, 2023, the Company's investments in The Lion Fund, L.P., and The Lion Fund II, L.P., had a fair value of $472,772.

Contributions to and distributions from The Lion Fund, L.P., and The Lion Fund II, L.P., were as follows.

	2023	2022	2021
Contributions	$ 45,030	$ 59,877	$ 12,300
Distributions	(14,500)	(70,700)	(180,170)
	$ 30,530	$ (10,823)	$ (167,870)

As the general partner of the investment partnerships, Biglari Capital will earn an incentive reallocation fee, on December 31 of each year, for the Company's investments equal to 25% of the net profits above a hurdle rate of 6% over the previous high-water mark. There were no incentive reallocations in 2023, 2022, or 2021. Gains on the Company's common stock and the related incentive reallocations are eliminated in our financial statements.

Note 14. Related Party Transactions *(continued)*

Incentive Agreement
The Incentive Agreement establishes a performance-based annual incentive payment for Mr. Biglari contingent upon the growth in adjusted equity in each year attributable to our operating businesses. In order for Mr. Biglari to receive any incentive, our operating businesses must achieve an annual increase in shareholders' equity in excess of 6% (the "hurdle rate") above the previous highest level (the "high-water mark"). Mr. Biglari will receive 25% of any incremental book value created above the high-water mark plus the hurdle rate. In 2023, Mr. Biglari earned an incentive fee of $7,271. The incentive fee will be paid in 2024 and is recorded as accrued compensation within accounts payable and accrued expenses as of December 31, 2023. No incentive fees were earned during 2022 or 2021.

Note 15. Commitments and Contingencies

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

Note 16. Fair Value of Financial Assets

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

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

- Level 1 – Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets.

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

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

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

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

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

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

Note 16. Fair Value of Financial Assets *(continued)*

Non-qualified deferred compensation plan investments: The assets of the non-qualified plan are set up in a rabbi trust. They represent mutual funds and publicly traded securities, each of which are classified within Level 1 of the fair value hierarchy.

As of December 31, 2023 and 2022, the fair values of financial assets were as follows.

	December 31,							
	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents	$ 2,374	$ —	$ —	$ 2,374	$ 17,608	$ —	$ —	$ 17,608
Equity securities:								
Consumer goods	26,660	—	—	26,660	17,274	—	—	17,274
Other	3,171	—	—	3,171	2,031	—	—	2,031
Bonds:								
Government	61,536	—	—	61,536	48,456	—	—	48,456
Corporate	3,199	—	—	3,199	2,199	—	—	2,199
Non-qualified deferred compensation plan investments	—	—	—	—	699	—	—	699
Total assets at fair value	$ 96,940	$ —	$ —	$ 96,940	$ 88,267	$ —	$ —	$ 88,267

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

Note 17. Business Segment Reporting

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

Note 17. Business Segment Reporting *(continued)*

A disaggregation of our consolidated data for each of the three most recent years is presented in the tables which follow.

	Revenue		
	2023	2022	2021
Operating Businesses:			
Restaurant Operations:			
Steak n Shake	$ 239,956	$ 231,820	$ 263,135
Western Sizzlin	10,901	9,748	8,155
Total Restaurant Operations	250,857	241,568	271,290
Insurance Operations:			
Underwriting:			
First Guard	36,917	35,914	33,521
Southern Pioneer	24,308	24,035	21,890
Investment income and other	6,047	4,591	3,198
Total Insurance Operations	67,272	64,540	58,609
Oil and Gas Operations:			
Abraxas Petroleum	27,576	11,455	—
Southern Oil	17,495	46,091	33,004
Total Oil and Gas Operations	45,071	57,546	33,004
Maxim	2,118	4,577	3,203
	$ 365,318	$ 368,231	$ 366,106

Note 17. Business Segment Reporting *(continued)*

	Earnings (Loss) Before Income Taxes		
	2023	2022	2021
Operating Businesses:			
Restaurant Operations:			
Steak n Shake	$ 26,170	$ 11,478	$ 13,524
Western Sizzlin	1,793	1,484	931
Total Restaurant Operations	27,963	12,962	14,455
Insurance Operations:			
Underwriting:			
First Guard	9,492	6,578	10,573
Southern Pioneer	(1,038)	(1,277)	1,744
Investment income and other	4,629	4,603	2,118
Total Insurance Operations	13,083	9,904	14,435
Oil and Gas Operations:			
Abraxas Petroleum	22,410	652	—
Southern Oil	3,356	24,539	9,713
Total Oil and Gas Operations	25,766	25,191	9,713
Maxim	11	1,760	814
Interest expense not allocated to segments	(681)	(399)	(1,121)
Operating Businesses	66,142	49,418	38,296
Corporate and other	(22,946)	(13,099)	(13,383)
Investment gains (losses)	2,211	(3,393)	6,401
Investment partnership gains (losses)	19,440	(75,953)	10,953
	$ 64,847	$ (43,027)	$ 42,267

	Capital Expenditures		
	2023	2022	2021
Operating Businesses:			
Restaurant	$ 21,294	$ 24,470	$ 60,296
Insurance	309	1,558	1,451
Oil and Gas	544	906	996
Operating Businesses	22,147	26,934	62,743
Corporate and other	1,258	2,812	1,806
	$ 23,405	$ 29,746	$ 64,549

Note 17. Business Segment Reporting *(continued)*

	Depreciation, Depletion, and Amortization		
	2023	2022	2021
Operating Businesses:			
Restaurant	$ 27,031	$ 27,496	$ 21,484
Insurance	339	193	176
Oil and Gas	10,339	8,013	8,073
Operating Businesses	37,709	35,702	29,733
Corporate and other	1,270	741	317
	$ 38,979	$ 36,443	$ 30,050

A disaggregation of our consolidated assets is presented in the table that follows.

	Identifiable Assets	
	December 31,	
	2023	2022
Reportable segments:		
Restaurant Operations:		
Steak n Shake	$ 325,229	$ 341,199
Western Sizzlin	20,296	19,431
Total Restaurant Operations	345,525	360,630
Insurance Operations:		
First Guard	67,204	58,997
Southern Pioneer	76,324	75,373
Total Insurance Operations	143,528	134,370
Oil and Gas Operations:		
Abraxas Petroleum	66,155	81,339
Southern Oil	43,644	49,416
Total Oil and Gas Operations	109,799	130,755
Maxim	16,056	16,093
Corporate	35,411	30,832
Investment partnerships	199,103	155,794
	$ 849,422	$ 828,474

Note 18. Supplemental Disclosures of Cash Flow Information

A summary of supplemental cash flow information for each of the three years ending December 31, 2023, 2022, and 2021 is presented in the following table.

	2023	2022	2021
Cash paid during the year for:			
Interest on debt	$ 710	$ 359	$ 994
Interest on obligations under leases	5,114	5,493	6,039
Income taxes	5,677	1,092	4,532
Non-cash investing and financing activities			
Capital expenditures in accounts payable	2,077	1,897	8,733
Finance lease additions	694	—	733
Finance lease retirements	—	—	1,216

Note 19. Supplemental Oil and Gas Disclosures (Unaudited)

The Company has determined it had significant oil and gas producing activities during the years ended December 31, 2023, December 31, 2022, and December 31, 2021, in accordance with ASC 932 "*Extractive Activities — Oil and Gas.*"

Estimated Quantities of Proved Oil and Natural Gas Reserves

The Company classifies recoverable hydrocarbons based on their status at the time of reporting. Within the commercial classification are proved reserves and two categories of unproved reserves: probable and possible. The potentially recoverable categories are also referred to as contingent resources. For reserve estimates to be classified as proved, they must meet all SEC and Company standards.

Proved oil and gas reserves are the estimated quantities that geoscience and engineering data demonstrate with reasonable certainty to be economically producible from known reservoirs under existing economic conditions, operating methods, and government regulations. Net proved reserves exclude royalties and interests owned by others and reflect contractual arrangements and royalty obligations in effect at the time of the estimate. Proved reserves are classified as either developed or undeveloped. Proved developed reserves are the quantities expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are the quantities expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of reserves are subject to change as additional information becomes available.

We engaged Netherland, Sewell & Associates, Inc. ("NSAI"), to prepare our reserve estimates for all of our estimated proved reserves at December 31, 2023. All proved oil and natural gas reserves are located in the United States, primarily offshore in the shallow waters of the Gulf of Mexico and in the Permian Basin.

Note 19. Supplemental Oil and Gas Disclosures (Unaudited) *(continued)*

The following table sets forth our estimate of the net proved oil and gas reserves for the years ended December 31, 2023 and 2022.

	Oil (MBbl)	Gas (MMcf)	Liquids (MBbl)	MBOE
Total proved reserves at December 31, 2021	2,361	26,544	—	6,785
Revisions	(355)	(3,288)	—	(903)
Extensions	—	—	—	—
Acquisition of reserves	3,415	19,334	1,550	8,188
Production	(450)	(2,341)	(42)	(882)
Total proved reserves at December 31, 2022	4,971	40,249	1,508	13,188
Revisions	(512)	(14,934)	(42)	(3,043)
Extensions	219	470	66	362
Acquisition of reserves	—	—	—	—
Production	(542)	(2,181)	(111)	(1,016)
Total proved reserves at December 31, 2023	4,136	23,604	1,421	9,491
Proved developed reserves				
December 31, 2023	3,534	21,395	1,355	8,455
December 31, 2022	4,507	32,132	1,508	11,371
Proved undeveloped reserves				
December 31, 2023	602	2,209	66	1,036
December 31, 2022	464	8,117	—	1,817

Revisions are affected by commodity prices as well as changes to previous proved reserve estimates based on the evaluation of production and operating performance data.

Bbl — One stock tank barrel, or 42 United States gallons liquid volume.
MBbl — Thousand barrels.
MMcf — Million cubic feet of natural gas.
MBOE — Thousand barrels of oil equivalent.

Natural gas is converted to an oil equivalent basis at six thousand cubic feet per one barrel of oil.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Natural Gas Reserves

The standardized measure of discounted future net cash flows presented in the following table was computed using the 12-month unweighted average of the first-day-of-the-month commodity prices, the costs in effect at December 31, 2023 and 2022, and a 10 percent discount factor. The Company cautions that actual future net cash flows may vary considerably from these estimates. Although the Company's estimates of total proved reserves, development costs, and production rates were based on the best available information, the development and production of the crude oil and natural gas reserves may not occur in the periods assumed. Actual prices realized, costs incurred, and production quantities may vary significantly from those used. Therefore, the estimated future net cash flow computations should not be considered to represent the Company's estimate of the expected revenues or the current value of proved reserves.

Note 19. Supplemental Oil and Gas Disclosures (Unaudited) *(continued)*

The following table sets forth the standardized measure of discounted future net cash flows attributable to proved crude oil and natural gas reserves as of December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
Future cash inflows	$ 367,867	$ 728,382
Future production costs	(172,239)	(288,816)
Future development and abandonment costs	(28,533)	(36,719)
Future income tax expense	(22,919)	(69,999)
Future net cash flows	144,176	332,848
10% annual discount for estimated timing of cash flows	(51,727)	(122,781)
Standardized measure of discounted future net cash flows	$ 92,449	$ 210,067

Changes in Standardized Measure of Discounted Future Net Cash Flows

Principle changes in the standardized measure of discounted future net cash flows attributable to the Company's proved oil and natural gas reserves are as follows.

Standardized measure at December 31, 2021	$ 77,759
Net change in prices and production costs	58,439
Net change in future development costs	104
Sales of oil and natural gas, net of production expenses	(41,859)
Acquisition of reserves	141,051
Revisions of previous quantity estimates	(9,072)
Net change in taxes	(26,456)
Accretion of discount	9,862
Changes in timing and other	239
Standardized measure at December 31, 2022	$ 210,067
Net change in prices and production costs	(86,323)
Net change in future development costs	(101)
Sales of oil and natural gas, net of production expenses	(27,706)
Extensions	8,836
Revisions of previous quantity estimates	(59,164)
Net change in taxes	30,792
Accretion of discount	22,641
Changes in timing and other	(6,593)
Standardized measure at December 31, 2023	$ 92,449

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Based on an evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), our Chief Executive Officer and Controller have concluded that our disclosure controls and procedures were effective as of December 31, 2023.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2023, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The management of Biglari Holdings Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision of our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth in the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of our internal control over financial reporting as of December 31, 2023, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Biglari Holdings Inc.
February 24, 2024

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 13. Certain Relationships and Related Transactions, and Director Independence

Item 14. Principal Accountant Fees and Services

The information required by Part III Items 10, 11, 12, 13 and 14 will be contained in the Company's definitive proxy statement for its 2024 Annual Meeting of Shareholders, to be filed on or before April 17, 2024, and such information is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 24, 2024.

BIGLARI HOLDINGS INC.

By: /s/ BRUCE LEWIS

Bruce Lewis
Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on February 24, 2024.

Signature	Title
/s/ SARDAR BIGLARI **Sardar Biglari**	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ BRUCE LEWIS **Bruce Lewis**	Controller (Principal Financial and Accounting Officer)
/s/ JOHN G. CARDWELL **John G. Cardwell**	Director
/s/ PHILIP COOLEY **Philip Cooley**	Director - Vice Chairman
/s/ KENNETH R. COOPER **Kenneth R. Cooper**	Director
/s/ RUTH J. PERSON **Ruth J. Person**	Director
/s/ EDMUND B. CAMPBELL, III **Edmund B. Campbell, III**	Director