

Newcastle University Investment Fund

Biglari Holdings Inc – (NYSE: BH.A)

Long: Target Price \$2607 – (47% Upside)



Head Analyst:

Benjamin Moore

Analysts:

Emy Chen

Amy Morrish

Louis Hart

BIGLARI HOLDINGS INC.

Table of Contents

1. Industry Overview
2. Company Overview
3. Company Structure 1 & 2
4. Sardar Biglari, Chairman and CEO
5. Insurance
6. Restaurants
7. Valuation
8. Risks and Catalysts



Conglomerates,

- A conglomerate is a type of multi-industry company that consists of several different and unrelated business entities that operate in various industries.
- One advantage of a conglomerate is the ability to allocate capital across industries depending on their relative attractiveness.
- Some of the best performing companies have followed the conglomerate structure, with growth often fuelled by cheap leverage in the form of insurance float.

BERKSHIRE HATHAWAY INC.

MARKEL GROUP

TELEDYNE, INC.

Insurance Float, nuclear energy or nuclear weapon?

- Insurance is one of the only industry where the cost of sales is unknown.
- P/C insurers receive premiums upfront and pay claims later. In extreme cases, such as claims arising from exposure to asbestos, or severe workplace accidents, payments can stretch over many decades.
- This collect-now, pay-later model leaves P/C companies holding large sums – money we call “float” – that will eventually go to others.
- Meanwhile, insurers get to invest this float for their own benefit.
- For the P/C industry, the financial value of float is now far less than it was for many years. That’s because the standard investment strategy for almost all P/C companies is heavily – and properly – skewed toward high-grade bonds. Changes in interest rates therefore matter enormously to these companies, and during the last decade the bond market has offered pathetically low rates.
- This float has been the rocket fuel which has powered the likes of Berkshire Hathaway. However, should insurance policies be written unwisely (think AIG in 2008) the cost of unknown liabilities can wipe a firm out.
- *The major components of float are unpaid losses and loss adjustment expenses, including liabilities under retroactive reinsurance contracts, life, annuity and health benefit liabilities, unearned premiums and other liabilities due to policyholders, which are reduced by insurance premiums receivable, reinsurance receivables, deferred charges assumed under retroactive reinsurance contracts and deferred policy acquisition costs.*

A disciplined capital allocator compounding long-term value.

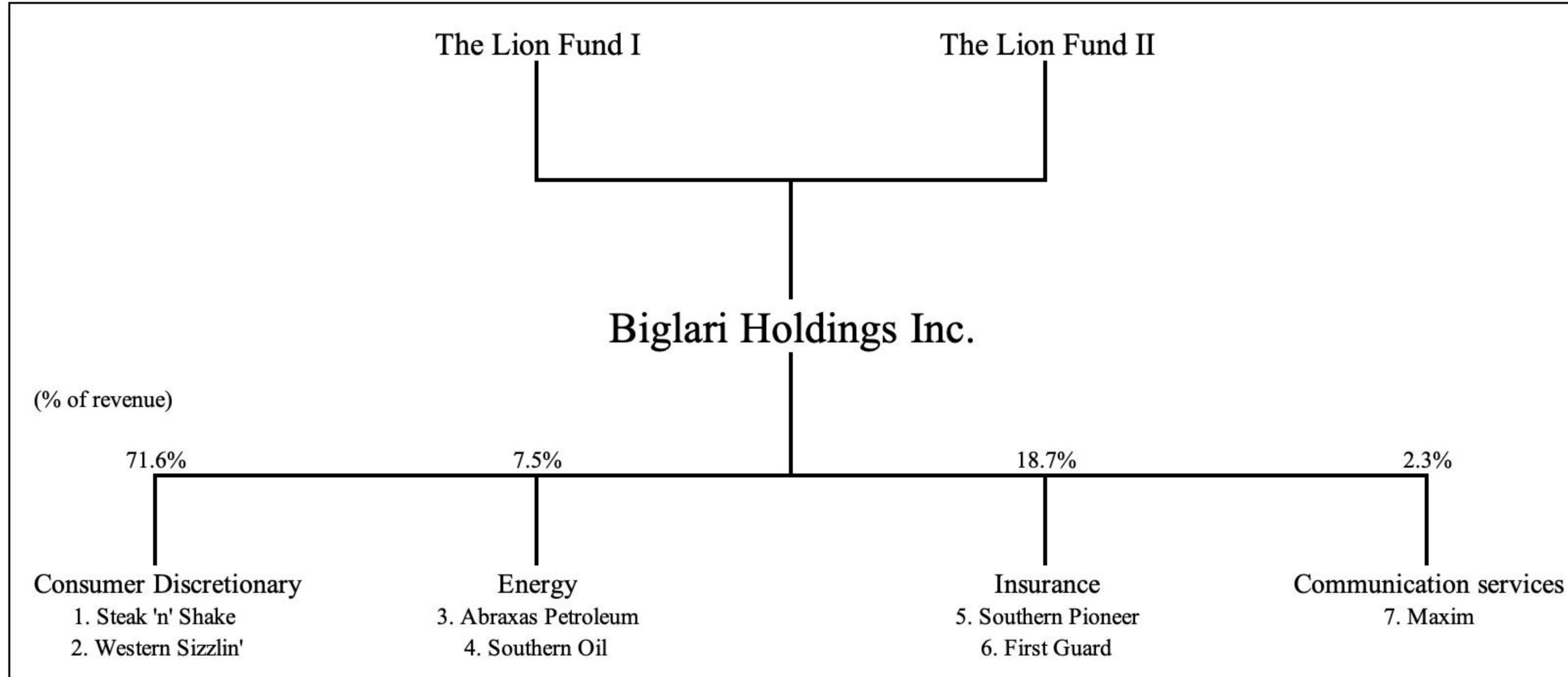
- **Founder-led diversified holding company:** Sardar Biglari serves as Chairman and CEO with substantial insider ownership
- **Mission:** Deploy capital to the highest-return opportunities across industries
- **Structure:** Centralized capital allocation and decentralized operations
- Proven track record of value creation through acquisitions (notably the 2008 **Steak ‘n’ Shake** acquisition turnaround)
- Diversified across 7 subsidiaries, across 4 sectors; restaurants, insurance and reinsurance, energy, and media
- **Consistent portfolio strength:** >\$360million combined revenues annually over the past 3 years
- Strategic flexibility supported by resilient balance sheet and marketable securities portfolio
- **Long-term objective:** Maximize shareholder wealth through a “compounding machine” business model

Headquarters: San Antonio, Texas | Public since 2010 (rebranded Biglari Holdings)



Company Structure

BIGLARI HOLDINGS INC.



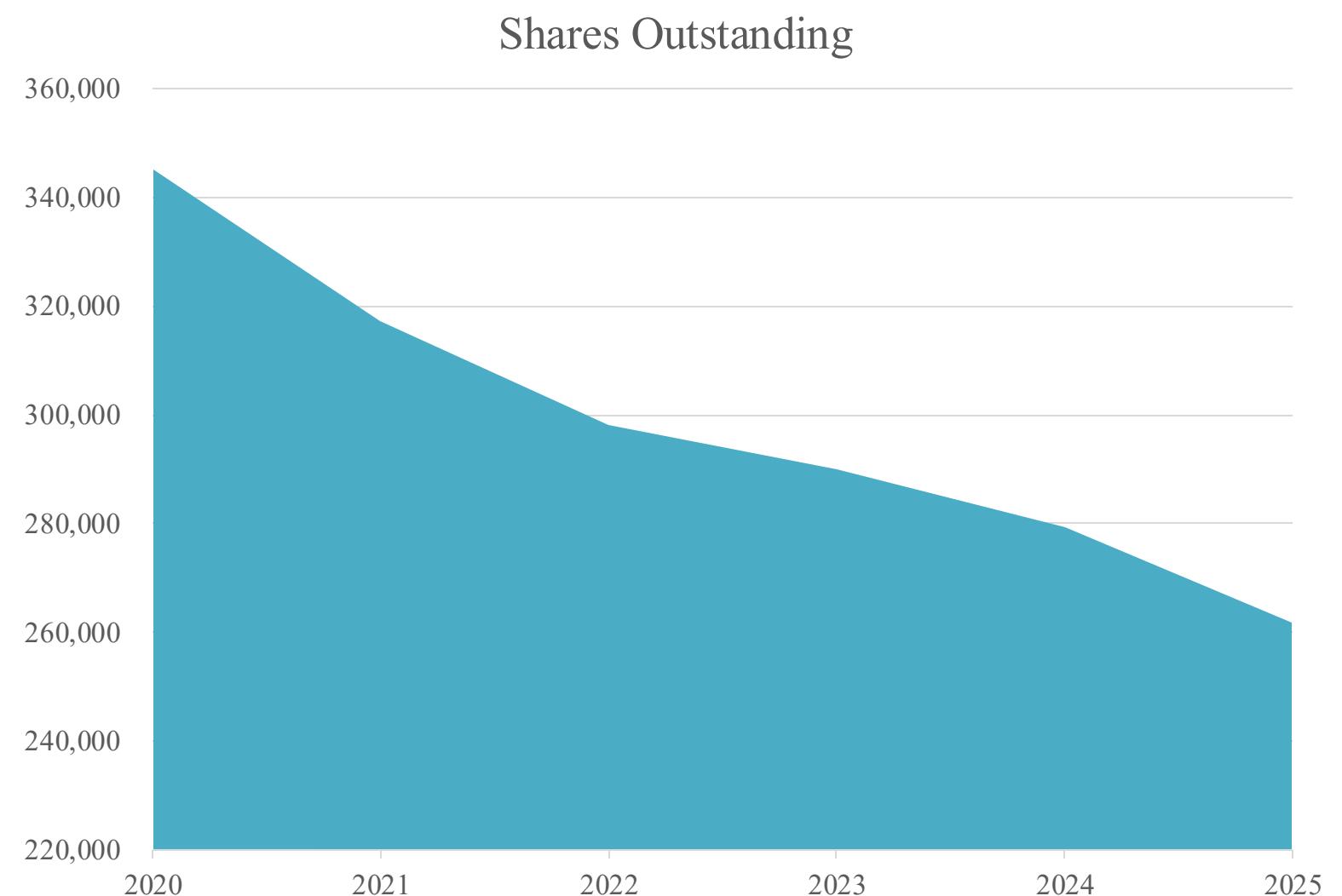
Company Structure, Our Non-Consensus Idea...

BIGLARI HOLDINGS INC.

- Company structure obscures intrinsic value.
- This has allowed BH to repurchase shares at a substantial discount to intrinsic value.
- As BH continues to attract media attention, we expect the market to close the gap between intrinsic value and market value.
- Share Count is down 25% since 2021.
- Methodology deemed appropriate by Deloitte & Touche LLP

Investment Partnerships	Market Value	Company Common Stock Carrying Value
Partnership interest at December 31, 2023	472,772	273,669
Investment partnership gains (losses)	117,556	158,614
Contributions (net of distributions)	65,938	65,938
Increase in proportionate share of Company stock held		22,256
Partnership interest at December 31, 2024	656,266	454,539
		201,727

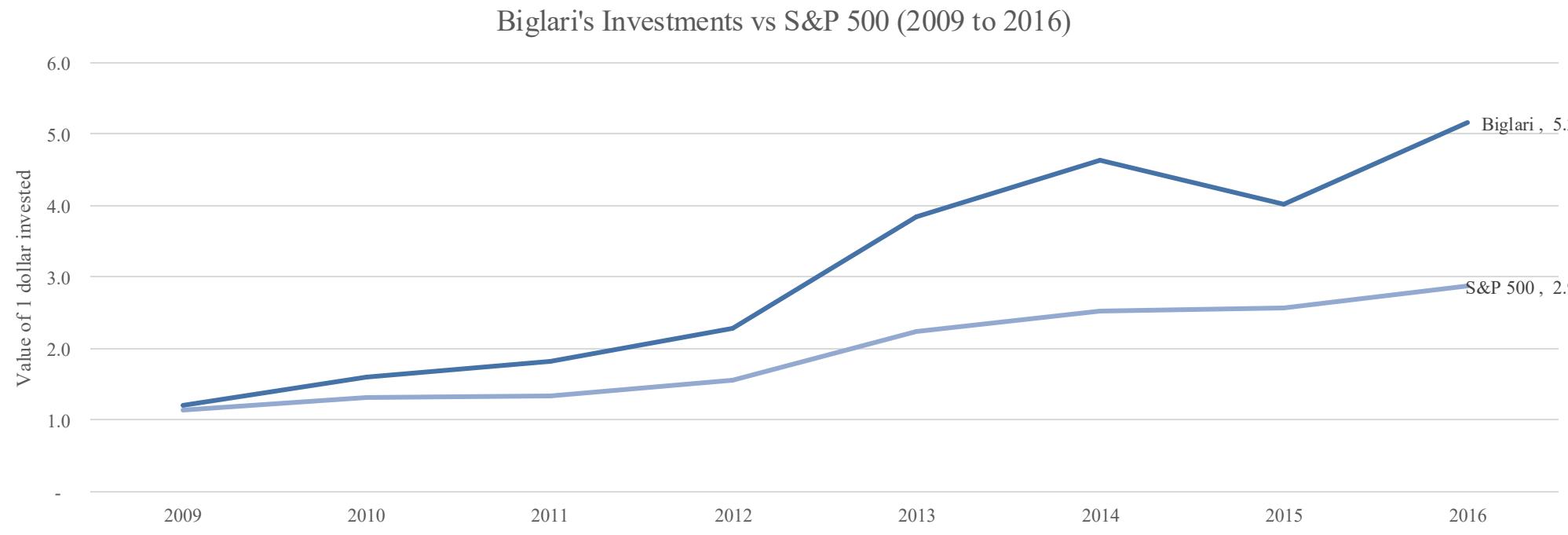
As of latest filings: (30/06/2024)	30/06/2025
Equivalent Class A common stock outstanding	620,592
Proportional ownership of Company stock held by investment partnerships	358,832
Equivalent Class A common stock for earnings per share	261,760



About Sadar Biglari

BIGLARI HOLDINGS INC.

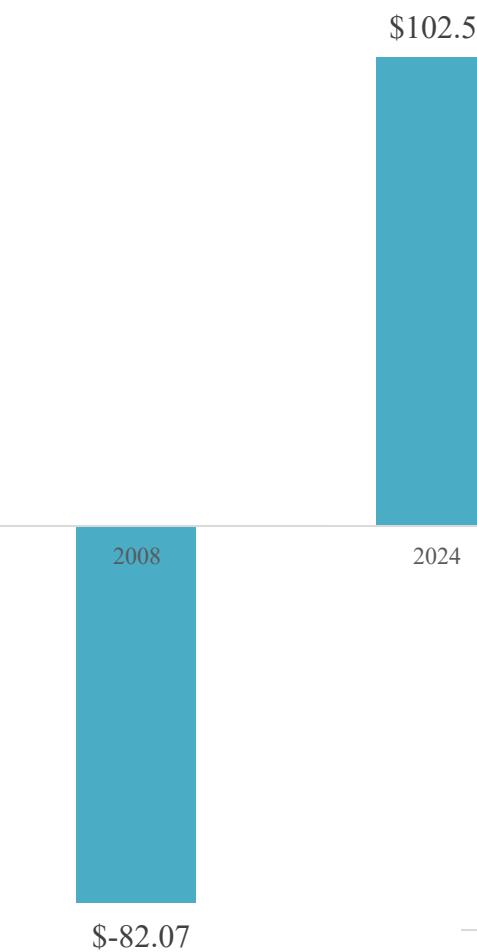
- **Background:**
 - Sardar Biglari, Iranian refugee who settled in the USA.
- **Career:**
 - Early Career: INTX Networking. The Lion Fund
 - Steak n' Shake takeover.
 - Cracker Barrel Campaign, generated \$835m from \$247m
- **Character:**
 - Avoids media coverage, not a promotional CEO.
- **Strengths:**
 - Combination of investing talent and operational ability.



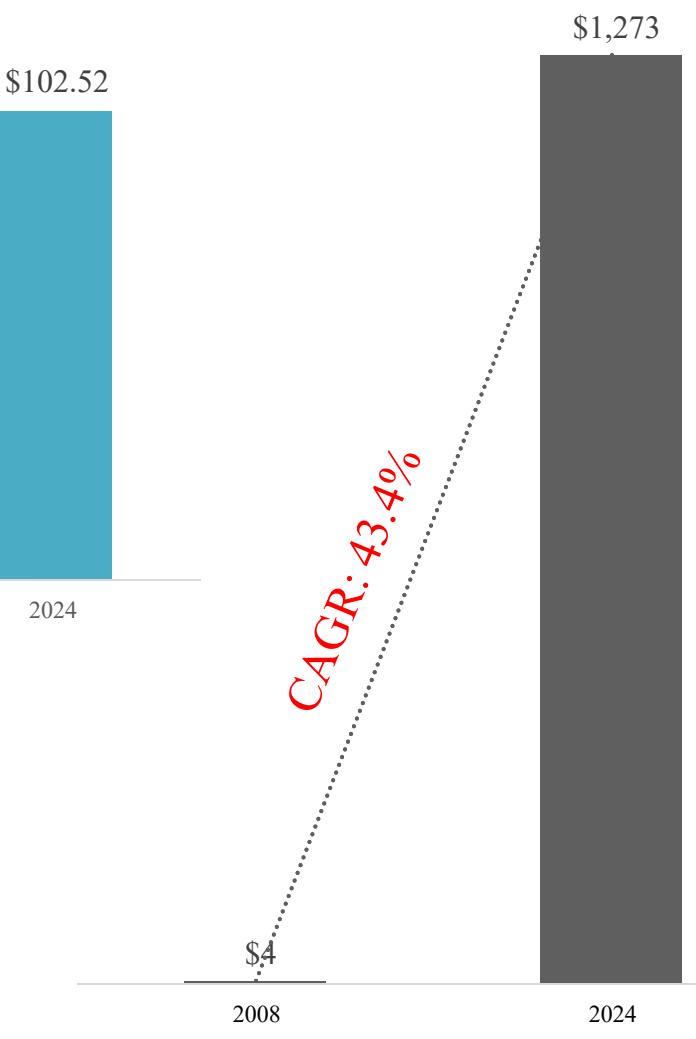
Exceptional Track Record

Pre-tax Operating
Earnings Per Share

Investments per Share



CAGR: 43.4%



Insurance Businesses— Biglari Holdings Inc. (NYSE: BH.A)



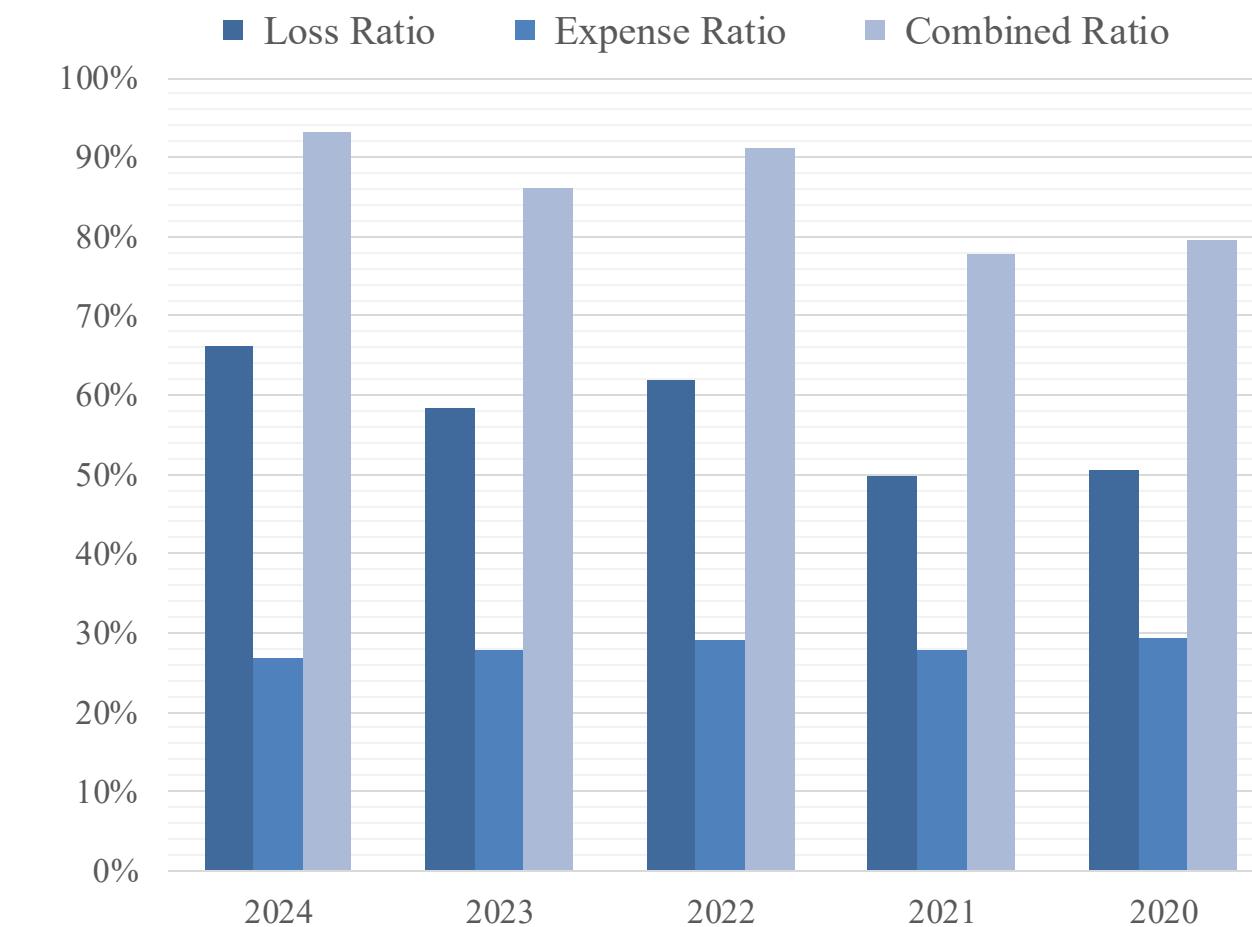
The Trucker's Insurance Company™

First Guard

Direct underwriter of commercial truck insurance.

- First Guard does not use agents and therefore acts as a low-cost operator, creating a durable competitive advantage.
- First Guard has produced an average underwriting profitability of **22.0%** since it commenced operations in 1997 and has never reported a loss, unheard of in the insurance business.
- We estimate the intrinsic value of First Guard's underwriting profits to be worth in excess of \$100m.

	2024	2023	2022	2021	2020	CAGR(24-20)
Premiums earned	37,691	36,917	35,914	33,512	30,210	6%
Insurance losses	27,236	20,861	22,299	16,338	14,031	18%
Underwriting expenses	6,417	6,564	7,037	6,610	6,800	-1%
Pre-tax underwriting gain	4,038	9,492	6,578	10,564	9,379	-19%
Loss Ratio	72%	57%	62%	49%	46%	
Expense Ratio	17%	18%	20%	20%	23%	
Combined Ratio	89%	74%	82%	68%	69%	



Insurance Businesses— Biglari Holdings Inc. (NYSE: BH.A)

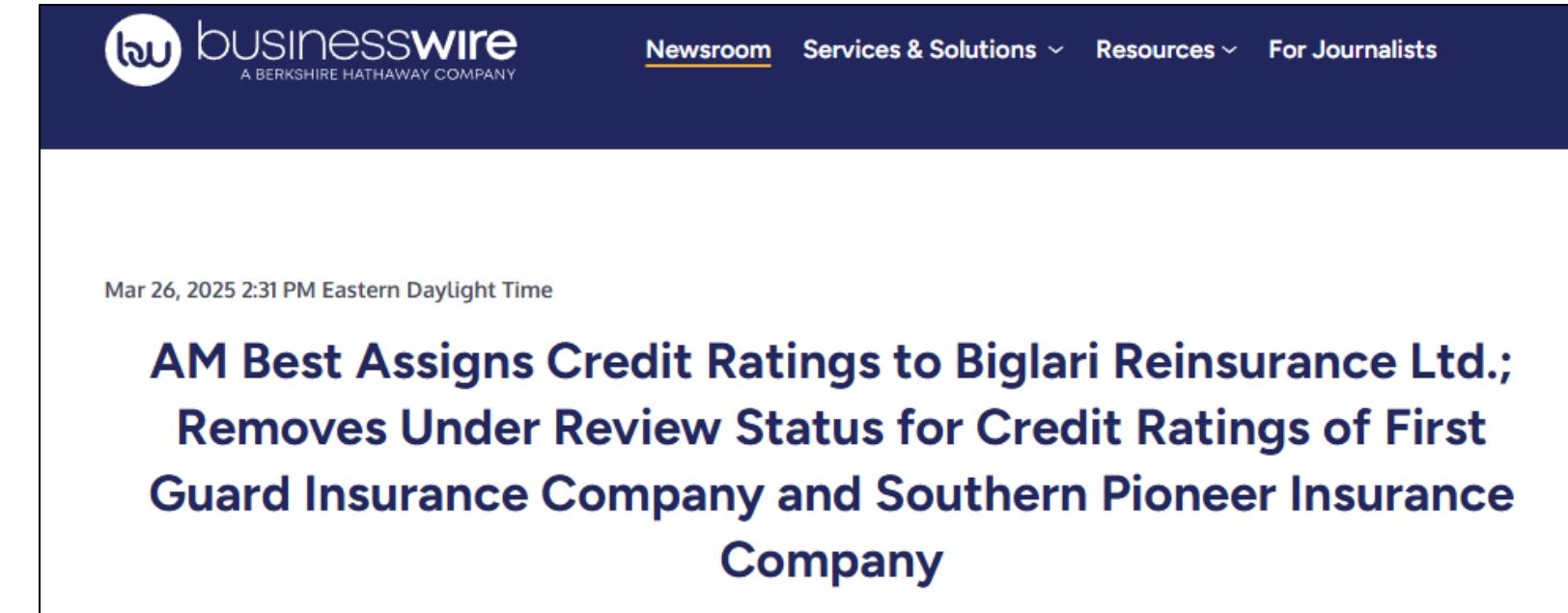
Southern Pioneer

- Underwrites garage liability and commercial property insurance, as well as homeowners and dwelling fire insurance
- After weather-related losses in 2022–23, the company returned to profitability in 2024 (combined ratio 98.6), while weaker competitors exited the market, creating an opportunity for growth in premium volume and market share.
- The launch of Biglari Reinsurance Ltd. is expected to lift Southern Pioneer's A.M. Best rating from **B++ to A**, expanding its access to higher-quality business and institutional clients while enhancing its competitive credibility.



Southern Pioneer:

	2024	2023	2022	2021	2020	CAGR(24-20)
Premiums earned	28,118	24,308	24,035	21,890	19,010	10%
Insurance losses	16,407	14,807	14,888	11,311	10,797	11%
Underwriting expenses	11,311	10,539	10,424	8,835	7,593	10%
Pre-tax underwriting gain	400	- 1,038	- 1,277	1,744	620	-10%
<i>Loss Ratio</i>	58%	61%	62%	52%	57%	
<i>Expense Ratio</i>	40%	43%	43%	40%	40%	
<i>Combined Ratio</i>	99%	104%	105%	92%	97%	



A screenshot of a Business Wire news article. The header includes the Business Wire logo, "businesswire", "A BERKSHIRE HATHAWAY COMPANY", and navigation links for "Newsroom", "Services & Solutions", "Resources", and "For Journalists". The date "Mar 26, 2025 2:31 PM Eastern Daylight Time" is shown. The main headline reads: "AM Best Assigns Credit Ratings to Biglari Reinsurance Ltd.; Removes Under Review Status for Credit Ratings of First Guard Insurance Company and Southern Pioneer Insurance Company".

Insurance Businesses— Biglari Holdings Inc. (NYSE: BH.A)

BIGLARI HOLDINGS INC.

Investments & Reinsurance

- Sardar Biglari's track record has been stellar in the field of equity investing.
- Per share investments have compounded at 42% annually since 2008.
- Biglari Reinsurance will create further insurance float for Biglari to reinvest at high rates.
- Biglari's investment style is active and concentrated.

QSR

FOOD GROWTH OPERATIONS FRANCHISING EVENTS

Jack in the Box Adopts Poison Pill to Fend Off Activist Investor Sardar Biglari

The controversial investor acquired 9.9 percent of shares and said he wanted more.

RESTAURANT DIVE Deep Dive Opinion Library Events Press Releases Topics ▾

DIVE BRIEF

El Pollo Loco faces acquisition bid by Sardar Biglari

The activist investor has already bought up almost 15% of the chicken chain and is now making a play for the whole company.

Published April 8, 2025



THE WALL STREET JOURNAL

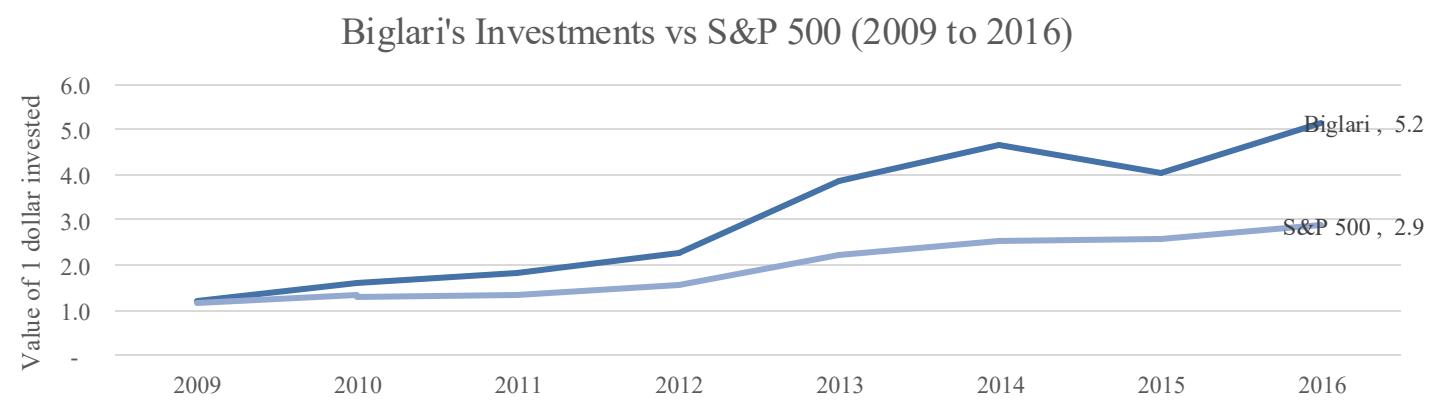
Politics Economy Tech Markets & Finance Opinion Arts Lifestyle Real Estate Person

Activist Investor Sardar Biglari Urges Cracker Barrel Changes

By WSJ Staff

Investments Per Share	
2008.....	\$ 4
2021.....	1,236
2022.....	899
2023.....	1,121
2024.....	1,273
Annual Growth Rate, 2008-2024.....	41.8%
One-Year Growth Rate, 2023-2024.....	13.6%

Financial Position:	30/06/2025	% of Market Cap
Cash	32,776	6.8%
Line of Credit debt	-	-4.0%
Investments	104,541	21.8%
Fair value of interest in investment partnerships (less shares in BH)	202,893	42.3%
Deferred Taxes (investment partnerships)	-	-6.3%
	<u>291,180</u>	<u>60.8%</u>



N
J

Restaurant business— Biglari Holdings Inc. (NYSE: BH.A)

- Biglari acquired the financially distressed Steak 'n' Shake amidst the financial crisis in 2008, when it was losing \$100,000 a day with a debt-to-capital ratio of 94%.
- He became the CEO and made major operational and capital allocation changes, including cost-cutting initiatives and a strategic shift toward franchising.
- Within two years the company had reversed its losses, generating \$100,000 in daily profit while eliminating leverage entirely.
- To-date, Steak 'n' Shake have generally maintained strong operating margins (averaging 9.8% annually), besides a small dip in performance between 2018-2020.
- After suffering three annual losses in a row, Biglari transformed the operational structure of the company once again from a full-service to self-service format.
- As a result, the company's BEP declined by approximately 40% (largely by cutting labour costs), thereby restoring profitability and reaffirming Biglari's disciplined approach to operational restructuring.



SNS are switching to a kiosk self service model.

STEAKBURGER COMBOS	
Served with fries and a drink	
1	ORIGINAL DOUBLE STEAKBURGER WITH CHEESE
2	SINGLE STEAKBURGER WITH CHEESE
3	FRISCO MELT
4	BACON 'N CHEESE DOUBLE STEAKBURGER
5	GARLIC DOUBLE STEAKBURGER
6	WESTERN BBQ 'N BACON STEAKBURGER

MILKSHAKES	
Irresistible and thick, made with real ice cream topped with whipped cream and a cherry.	
CHOCOLATE	
VANILLA	
STRAWBERRY	
BANANA	
OREO® AND M&M'S	
OREO® COOKIE COOKIES 'N CREAM	
OREO® MINT COOKIE CHOCOLATE CHIP COOKIE DOUGH	
M&M'S® BUTTERFINGER®	
KIT KAT® SNICKERS® BIRTHDAY CAKE	
COTTON CANDY	
NUTELLA® REESE'S® CHOCOLATE PEANUT BUTTER	
REESE'S® PEANUT BUTTER CUP	

4 MEAL DEALS	
7	DOUBLE STEAKBURGER WITH CHEESE 'N FRIES
8	BUTTER SINGLE STEAKBURGER 'N FRIES
9	BACON 'N CHEESE SINGLE STEAKBURGER 'N FRIES
10	GARLIC SINGLE STEAKBURGER 'N FRIES

SPECIALTIES	
BUTTER DOUBLE STEAKBURGER	
DOUBLE STEAKBURGER DOUBLE CHEESE	
TRIPLE STEAKBURGER (3X CHEESE)	
STEAK FRANK	
3 PC CHICKEN FINGERS	
ADD AN ADDITIONAL SAUCE	
MAKE IT A COMBO	
Small Fries & Regular Soft Drink	

CHILI & SIDES	
CHILI MAC	BEEF TALLOW FRIES™
CHILI 5-WAY	BEEF TALLOW ONION RINGS™
GENUINE CHILI®	CHEESE FRIES
	CHILI CHEESE FRIES

KIDS' MENU 12 AND UNDER	
Includes: Soft Drink or Apple Juice and Fries or Applesauce	
STEAKBURGER	HOT DOG
STEAKBURGER WITH CHEESE	KIDS' CLASSIC MILKSHAKE
2 PC CHICKEN FINGERS	KIDS' SPECIALTY MILKSHAKE
GRILLED CHEESE	

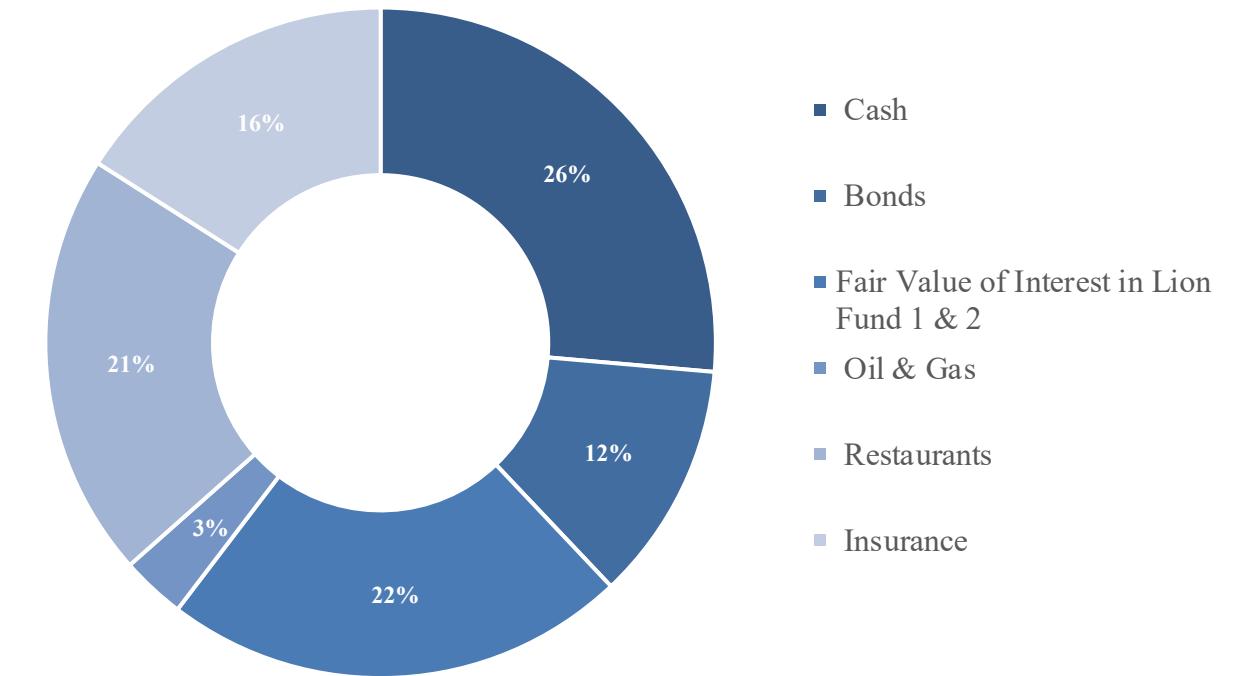
BEVERAGES	
SOFT DRINKS	
Coca-Cola	Diet Coke
Dr Pepper	Mountain Dew
Fanta	Sprite
Hi-C	
RED BULL	
Red Bull Energy Drink or Red Bull Sugarfree	
ICED TEA Unsweetened or Sweet	
MILK Plain or Chocolate	
DASANI® BOTTLED WATER	
COFFEE	

Part of the recent restructuring at SNS has been to reduce menu items to core specialties, the menu now occupies just one page.

Valuation– Biglari Holdings Inc. (NYSE: BH.A)

Methodology:

- We have valued each operating unit individually using a detailed DCF model, with conservative assumptions.
- We have valued the liquid securities portfolio, mainly comprising of high-grade corporate bond held in insurance subsidiaries, at market value.
- We have accounted for corporate overheads, mainly comprising of executive compensation and accounting costs, at a 10% capitalisation rate (in line with the cost of equity capital).
- The Intrinsic Value is the sum of these parts.



Estimated Investments as of 30/09/2025		% of Market Cap	Operating businesses:		% of Market Cap
Cash	32,776	7.0%			
Debt	- 19,000	-4.0%			
Investments (Bonds)	104,541	22.2%			
Fair Value of Interest in Lion Fund	202,893	43.1%			
Deferred Taxes (investment partner -	30,030	-6.4%			
Cash generated from SnS Debt Is	225,000	47.8%			
	<u>516,180</u>	<u>109.6%</u>			
			Oil & Gas	28,051	6.0%
			Restaurants	153,235	32.5%
			Insurance Underwriting Valuation	144,686	30.7%
			Less corporate overheads*	- 159,560	-33.9%
				<u>166,412</u>	<u>35.3%</u>

*BH currently trades at a discount to its cash and investments.
Meaning the market is valuing the operating subsidiaries at less than 0.*

**Capitalised at 10%*

Risks and Catalysts— Biglari Holdings Inc. (NYSE: BH.A)

Risks:

- Sardar Biglari is the largest shareholder and has complete control over the company's direction.
- Biglari's compensation – board independence.
- Significant exposure to economic downturns through Steak n Shake

Item 7.01. Regulation FD Disclosure

In a presentation to potential franchisees, Steak n Shake Inc., a wholly owned subsidiary of Biglari Holdings Inc. (the “Company”), is disclosing that it achieved same-store sales growth of approximately 15% for its U.S. operations (company-operated and franchise partner-operated stores) for its third fiscal quarter.

Recently filed with the SEC via an 8K form.



AM Best Assigns Credit Ratings to Biglari Reinsurance Ltd.; Removes Under Review Status for Credit Ratings of First Guard Insurance Company and Southern Pioneer Insurance Company

Catalysts:

- Strong Q3 and Q4 Earnings from Steak n Shake.
- Share repurchases.
- Insurance returning to normalised underwriting ratios.
- Improved credit rating will allow for insurance business to grow.



Appendix— Insurance DCF

Statement of Profit or Loss for First Guard																
Free Cash Flow Valuation					Projected											
	Projected					000's \$	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
000's \$																
EBIT(1-T)						Premiums earned	30,210	33,512	35,914	36,917	37,691	38,445	39,214	39,998	40,798	41,614
EBIT	10,660	11,098	11,540	11,987	12,438	Insurance losses	14,031	16,338	22,299	20,861	27,236	21,995	22,435	22,883	23,341	23,808
Tax rate	21.1%	21.1%	21.1%	21.1%	21.1%	Underwriting expenses	6,800	6,610	7,037	6,564	6,417	6,332	6,248	6,166	6,084	6,003
NOPAT	8,411	8,756	9,105	9,458	9,813	Pre-tax underwriting gains	9,379	10,564	6,578	9,492	4,038	10,118	10,531	10,949	11,373	11,803
FCF						YoY %△										
	8,411	8,756	9,105	9,458	9,813											
FCF	8,411	8,756	9,105	9,458	9,813	Premiums earned	-	10.9%	7.2%	2.8%	2.1%	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate	1.09	1.19	1.30	1.41	1.54	Insurance losses	-	16.4%	36.5%	-6.4%	30.6%	19.3%	19.3%	19.3%	19.3%	19.3%
Terminal value	-	-	-	-	-	Underwriting expenses	-	-2.8%	6.5%	-6.7%	-2.2%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%
Present value						Pre-tax underwriting gains	-	12.6%	-37.7%	44.3%	-57.5%	-9.6%	-9.6%	-9.6%	-9.6%	-9.6%
Equity Value	144,685,611					Margins										
						P-T underwriting gain margin	31.0%	31.5%	18.3%	25.7%	10.7%	23.5%	23.5%	23.5%	23.5%	23.5%
						Loss ratio	46.4%	48.8%	62.1%	56.5%	72.3%	57.2%	57.2%	57.2%	57.2%	57.2%
						Expense ratio	22.5%	19.7%	19.6%	17.8%	17.0%	16.5%	15.9%	15.4%	14.9%	14.4%
						Combined Ratio	69.0%	68.5%	81.7%	74.3%	89.3%	73.7%	73.1%	72.6%	72.1%	71.6%

Assumptions:

- (Historic underwriting margins maintained)
 - (Premium growth in line with inflation)
 - 3% (inflation) perpetual growth rate
 - 9% discount rate, in line with equity capital cost of other insurers



Appendix—Restaurant DCF

Free Cash Flow Valuation

	Projected				
000's \$	2025	2026	2027	2028	2029 Perpetuity
EBIT(1 - T) + depreciation - Δ WC - CAPEX	44,290	45,855	47,582	48,131	49,224
EBIT	21%	21%	21%	21%	21%
Tax rate					
NOPAT	34,989	36,225	37,589	38,023	38,887
Depreciation	29,253	33,803	38,444	43,178	48,006
Change in working capital	116	116	115	115	114
CAPEX	-22,525	-22,976	-23,435	-23,904	-24,382
FCF	41,833	47,168	52,713	57,412	62,625
FCF	41,833	47,168	52,713	57,412	62,625
Discount rate	1.15	1.32	1.52	1.75	2.01
Terminal value	-	-	-	-	417,502
Incremental present value	36,376	35,666	34,660	32,825	31,136
Enterprise value	378,234,853				
Equity Value	153,234,853				

	2024	2025	2026	2027
EV/EBITDA	7.01	5.14	4.75	4.40
EV/EBIT	14.02	8.54	8.25	7.95

Assumptions:

- (0% annual growth in revenue assumed, post 2025 short term boost)
- (2% annual increase in gross margin assumed from switch to franchise model)
- (Flat sales and admin costs from unperforming store closures and automation)
- Discount rate 15%
- Perpetual growth rate 0%

Statement of Profit or Loss

000's \$	Projected					2025	2026	2027	2028	2029
	2020	2021	2022	2023	2024					
Revenue	350,666	271,290	241,458	250,857	251,447	289,164	289,164	289,164	289,164	289,164
COGS	(246,665)	(167,491)	(140,264)	(137,986)	(143,449)	159,183	153,400	147,617	141,833	136,050
Gross Profit	104,001	103,799	101,194	112,871	107,998	129,981	135,764	141,548	147,331	153,114
SG&A	(60,401)	(57,186)	(51,833)	(48,816)	(53,914)	(53,914)	(53,914)	(53,914)	(53,914)	(53,914)
D&A	(19,042)	(21,484)	(27,496)	(27,031)	(27,002)	(29,253)	(33,803)	(38,444)	(43,178)	(48,006)
Impairments	(23,646)	(4,635)	(3,520)	(3,947)	(107)	(2,525)	(2,193)	(1,608)	(2,109)	(1,970)
EBIT	912	20,494	18,345	33,077	26,975	44,290	45,855	47,582	48,131	49,224
Interest (Finance Leases)	(6,374)	(6,039)	(5,493)	(5,114)	(5,361)	(3,300)	(19,701)	(19,110)	(18,537)	(17,981)
EBT	(5,462)	14,455	12,852	27,963	21,614	40,990	26,154	28,472	29,594	31,243
Tax	(391)	(3,320)	(3,579)	(6,132)	(6,144)	(8,608)	(5,492)	(5,979)	(6,215)	(6,561)
Net Earnings	(5,853)	11,135	9,273	21,831	15,470	49,598	31,646	34,451	35,809	37,804

Effective Tax Rate	7.16%	22.97%	27.85%	21.93%	28.43%	21%	21%	21%	21%	21%
CAPEX	17,858	60,296	24,470	21,294	21,812	22,525	22,976	23,435	23,904	24,382
Gross Profit Margin	29.7%	38.3%	41.9%	45.0%	43.0%	45.0%	47.0%	49.0%	51.0%	53.0%
EBIT	0.3%	7.6%	7.6%	13.2%	10.7%	15.3%	15.9%	16.5%	16.6%	17.0%
Net Profit Margin	-1.7%	4.1%	3.8%	8.7%	6.2%	17.2%	10.9%	11.9%	12.4%	13.1%

Disclaimer

Analyst Disclaimer

This communication is prepared by students at the Newcastle University for the sole and educational purpose of the Newcastle University Investment Fund. The Newcastle University Investment Fund is not authorised, supervised, nor regulated by any financial authority in the world to provide financial services or advisory. The Newcastle University Investment Fund may hold a position in any security mentioned and may change that position at any time, without public announcement.

General Disclaimer

The information in this pitch is not intended to be and does not constitute investment or financial advice. You should not make any decision based on the information provided without conducting independent due diligence. This communication may contain an investment recommendation, however, the Newcastle University Investment Fund and all members disclaim all liability for providing this investment recommendation and accept no liability whatsoever for any direct, indirect or consequential loss arising from its use. Not all investment strategies are appropriate at all times, and past performance is not necessarily a guide to future performance. You should consider yourself warned that following the investment recommendations of untrained University students is unlikely to be a profitable investment strategy.

Any opinions or estimates expressed herein reflect the judgment of the author(s) as of the date the presentation was prepared and are subject to change at any time without notice. Unless otherwise stated, the information or opinions presented, or the research or analysis upon which they are based, are valid at the point of publication, as they are not updated in real time to take account of changes in the financial markets or new news about the issuer or financial instruments. The author(s) may provide hyperlinks to websites of entities mentioned in this investment recommendation, however the inclusion of a link does not imply that the Newcastle University Investment Fund endorses, recommends or approves any material on the linked page or accessible from it.