



DIGIRAD CORPORATION

INVESTOR PRESENTATION
(NASDAQ: DRAD)
MARCH 2016

FORWARD-LOOKING STATEMENTS

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: The presentation and information contained herein present “forward-looking statements” addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. The matters discussed in these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these uncertainties are described in Digirad’s Form 10-K, Form 10-Q and Form 8-K reports (including all amendments to those reports) and exhibits to those reports, and include (but are not limited to) the following: changes in business conditions, technology, reimbursement, economic outlook, acquisitions and related integration. This presentation reflects management’s views as of the date presented. Except to the limited extent required by applicable law, Digirad undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures: The financial information included in this presentation includes Non-GAAP financial measures. Reconciliations can be found on slides 30-32 of this presentation. In addition, reconciling information and definitions can be found on the Securities and Exchange Commission website at www.sec.gov in Exhibits 99.1 and 99.2, respectively of our form 8-K filed on February 26, 2016.

DIGIRAD CORPORATION

Agenda for Today

- > Company Overview
- > Mission and Strategy
- > Diagnostic Services – Digirad Imaging Solutions
- > Diagnostic Services – Telerhythmics
- > Diagnostic Imaging
- > DMS Health Technologies Overview
- > Recap
- > Questions

COMPANY OVERVIEW

Digirad delivers **convenient, effective, and efficient healthcare solutions**. Digirad's diverse portfolio of mobile health care solutions and medical equipment and services, including diagnostic imaging and patient monitoring, provides hospitals, physician practices, and imaging centers throughout the United States access to technology and services necessary to provide exceptional patient care in the rapidly changing healthcare environment. **As Needed, When Needed, Where Needed.**

LEGACY DIGIRAD BUSINESSES

DIAGNOSTIC SERVICES
Q4 FY15 REVENUE \$11.7M

DIGIRAD IMAGING
SOLUTIONS

Nuclear Medicine
Imaging & Other
Mobile Services

Telerhythmics

Cardiac
Monitoring

DIAGNOSTIC IMAGING
Q4 FY15 Revenue \$3.9M

Camera
Support

Focused
Camera Sales

DMS HEALTH TECHNOLOGIES – ACQUIRED JAN 1, 2016

MOBILE HEALTHCARE

Healthcare Solutions for Hospital
and IDN Systems

**MEDICAL EQUIPMENT
SALES & SERVICE**

Exclusive Sales and Service of
Philips Medical Equipment in the
Upper Midwest Region



2015 Full Year
Revenues: \$46.4M

2015 Full Year
Revenues: \$14.4M

DMS HEALTH
A Digirad Company

DMS HEALTH
A Digirad Company

DIGIRAD CORPORATION

- > Company Overview
- > **Mission and Strategy**
- > Diagnostic Services – Digirad Imaging Solutions
- > Diagnostic Services – Telerhythmics
- > Diagnostic Imaging
- > DMS Health Technologies Overview
- > Recap
- > Questions

MISSION AND STRATEGY

Our Mission

To **create value** by being the market leader in **delivering** effective and efficient healthcare **solutions** on an **As Needed**, **When Needed** and **Where Needed** basis

Our Strategy

To drive **income** and **cash flow** from our business, which will grow and enhance shareholder value, for which that value will be **aggressively returned** to the shareholders

How we are Going to Achieve our Strategy

- > We will grow our business both organically and via financially-disciplined acquisitions aligned to our health care solutions Mission Statement
- > Add new solutions that that will augment and compliment our current solution offerings to grow and diversify our business
- > Continue our return of value to shareholders, through value-creating business building and through our ongoing dividend

DIGIRAD STRATEGY IN ACTION

Since Digirad initiated a restructuring in early 2013, we have focused on value creation, growth, and cash flow generation. We have stated our growth will come from:

- **Acquisitions**
- **Organic Growth**
- **New Services** (Acquisitions or Organic)
 - > Since early 2013, we have been delivering on this commitment – returning to consistent profitability, paying a dividend, growing our core revenue base, and executing on key acquisitions that diversify our service offerings while growing revenue
 - > The DMS Health Technologies acquisition, Completed on January 1, is the next step in this overall strategy

February 2013:

- Core Business Restructured
- Return to Profitability

November 2013:

- Instituted a Regular Quarterly Dividend

March 2014:

- Telerhythmics Acquired
- ~\$5+ Million in Revenue
- Cardiac Monitoring Added to Digirad's Service Offerings

March 2015:

- MD Office Solutions Acquired
- ~\$3+ Million in Revenue
- North / Central California Geography Added

~ January 2016:

- DMS Health Technologies Acquired
- ~\$65+ Million in Revenue
- Expands Service Offerings, Geographies and Customer Base

Jan
2013

Jan
2016

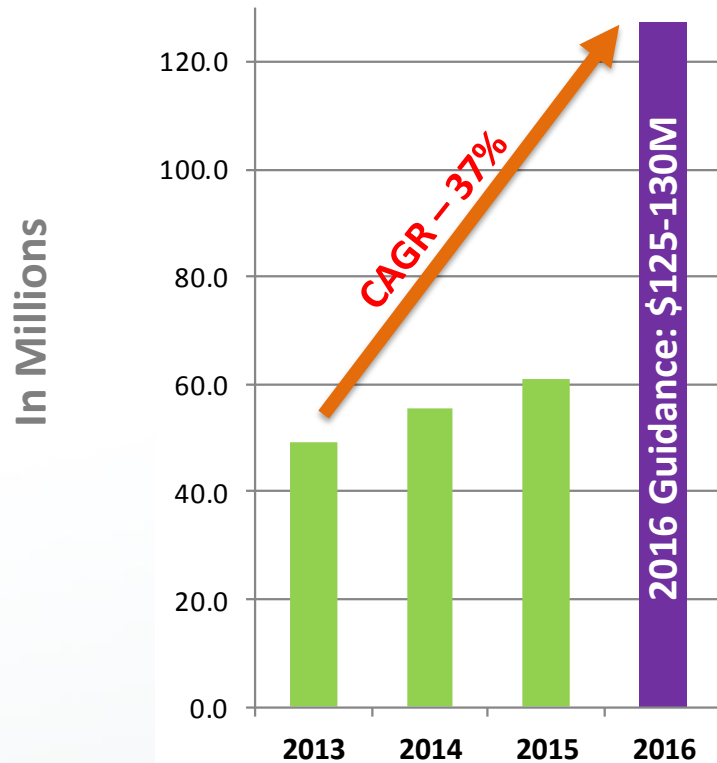


FINANCIAL SNAPSHOT AND FULL YEAR 2015 HIGHLIGHTS

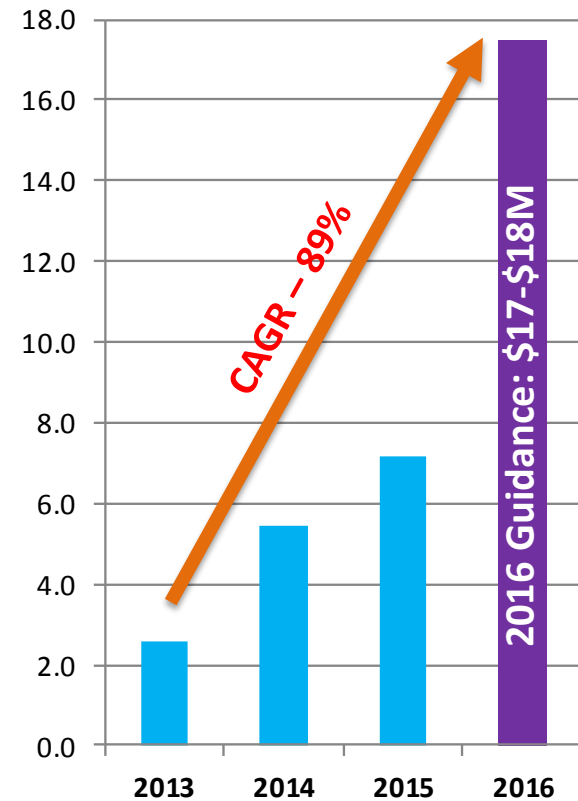
Overview		Full Year 2015 Results	
> Share Price (3/1/2016)	\$ 5.17	> Revenue totaled \$60.8M compared to \$55.6M in 2014	
> Shares Outstanding (12/31/2015)	19.4M	> Adjusted EBITDA	\$7.2M
> Market Capitalization (3/1/2016)	\$ 100.4M	> Adjusted Earnings Per Share	\$0.23
> Dividend Yield (3/1/2016)	3.87%	> Diagnostic Services Revenue Growth	10%
> FY16 Adjusted EBITDA Guidance	\$ 17M - 18M	> Diagnostic Imaging Revenue Growth	7%
> Average Share Volume (3 months)	~75K		

RESULTS AND GUIDANCE

Revenue



Adjusted EBITDA



- > 2015 ended the most profitable year in Digirad's history. We achieved ABOVE our guidance range for adjusted EPS and adjusted EBITDA

DIGIRAD CORPORATION

- > Company Overview
- > Mission and Strategy
- > **Diagnostic Services – Digirad Imaging Solutions**
- > Diagnostic Services – Telerhythmics
- > Diagnostic Imaging
- > DMS Health Technologies Overview
- > Recap
- > Questions

DIGIRAD IMAGING SOLUTIONS:

NUCLEAR & ULTRASOUND IMAGING THAT MEETS HEALTHCARE NEEDS

Delivering licensed staffing and imaging equipment to physicians without the burden or cost of full ownership on an as needed, when needed and where needed basis



Physician Issues

- > Diagnostic needs
- > Space constraints
- > Capital requirements
- > Complicated logistics
- > Specialized personnel
- > Scale



Value Proposition

- > Maintain control of patient/increased practice revenues
- > Optimized availability – in-office, flexible and scalable
- > Compact and patient friendly
- > No up-front capital requirements
- > Handling of all logistics, personnel and regulatory requirements

DIGIRAD IMAGING SOLUTIONS:

WHAT WILL DRIVE GROWTH & CASH FLOW

Acquisitions

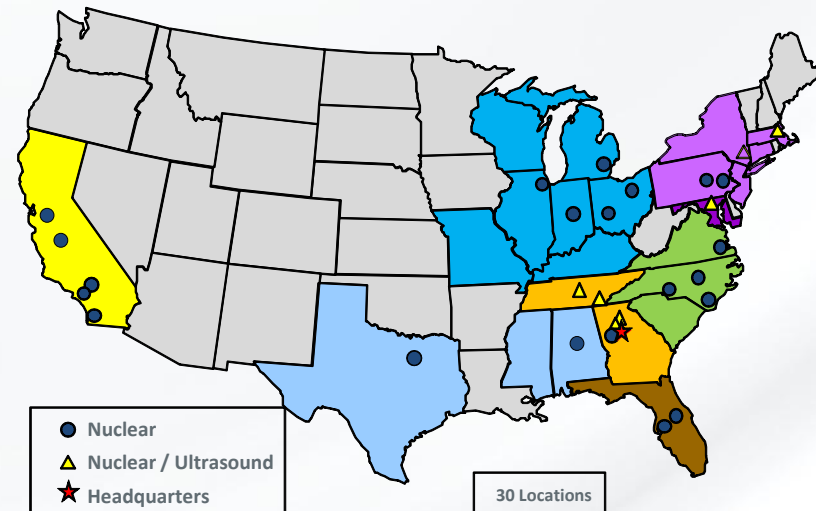
- > Tuck-in: Consolidation of smaller players, such as recent MD Office acquisition (March 2015)
- > Larger deep value opportunities
- > Will perform opportunistically – the right opportunity at the right price

New Revenue Streams from our Channels

- > New service lines that can be strategically deployed
- > Digirad Select: Array of tailored services to fit customer needs

Geographic Optimization

- > Drive density in existing markets
- > Expand in other concentrated population markets



DIGIRAD CORPORATION

- > Company Overview
- > Mission and Strategy
- > Diagnostic Services – Digirad Imaging Solutions
- > **Diagnostic Services – Telerhythmics**
- > Diagnostic Imaging
- > DMS Health Technologies Overview
- > Recap
- > Questions



TELERHYTHMICS:

CARDIAC EVENT MONITORING

Telerhythmics is a 24-hour cardiac event monitoring service that is utilized on an outsourced basis by hospitals and physician offices



WWW.TELERHYTHMICS.COM

- > Acquired in March 2014
- > Telerhythmics utilizes owned as well as per-use leased equipment to provide monitoring services for individuals that have constant or periodic cardiac events
- > Patients are referred by hospitals, doctor offices, and other medical care facilities
- > Direct Medicare and Private Payer biller



DIGIRAD CORPORATION

- > Company Overview
- > Mission and Strategy
- > Diagnostic Services – Digirad Imaging Solutions
- > Diagnostic Services – Telerhythmics
- > **Diagnostic Imaging**
- > DMS Health Technologies Overview
- > Recap
- > Questions



DIAGNOSTIC IMAGING: CAMERAS



Cardius Mobile



Cardius 2xPO[®]

Cardius
x●act



Cardius Line

- > Open design, seated image
- > Up to 500lb patients
- > Superior Cardiac Images



All Cameras

- > Solid State, Superior Image Quality
- > Greater Flexibility, Small Footprint
- > Fast Imaging Acquisition Time

ergo

- > Excellent value general nuclear imaging
- > Multiple collimators for multiple applications

DIAGNOSTIC IMAGING:

VALUE PROPOSITION

Focused Product Sales & Customer Service

- > Dedicated and mobile nuclear imaging cameras with solid-state technology
- > Focused sales approach to maximize margins and cash flow
- > Expanding opportunities by developing relationships outside the United States
- > Outsourced manufacturing to for efficiency and savings

Camera Support

- > Includes approximately 20 Field Service Engineers located throughout the U.S.
- > Flexible and nimble to address customer needs
- > Actively managed to enhance cash flows
- > Serves a significant installed base of cameras, plus ability to service non-Digirad models

DIGIRAD CORPORATION

- > Company Overview
- > Mission and Strategy
- > Diagnostic Services – Digirad Imaging Solutions
- > Diagnostic Services – Telerhythmics
- > Diagnostic Imaging
- > **DMS Health Technologies Overview**
- > Recap
- > Questions



DMS HEALTH TECHNOLOGIES OVERVIEW

DMS Health Technologies (DMS Health) is an integrated health care services company headquartered in Fargo, ND providing mobile, fixed-site, and interim healthcare and imaging services, as well as imaging and related equipment product sales and support.

> DMS Health Mission:

- Improve healthcare delivery by overcoming capacity and access challenges
- Provide unparalleled mobile healthcare solutions to its customers
- Become a trusted advisor and partner of choice

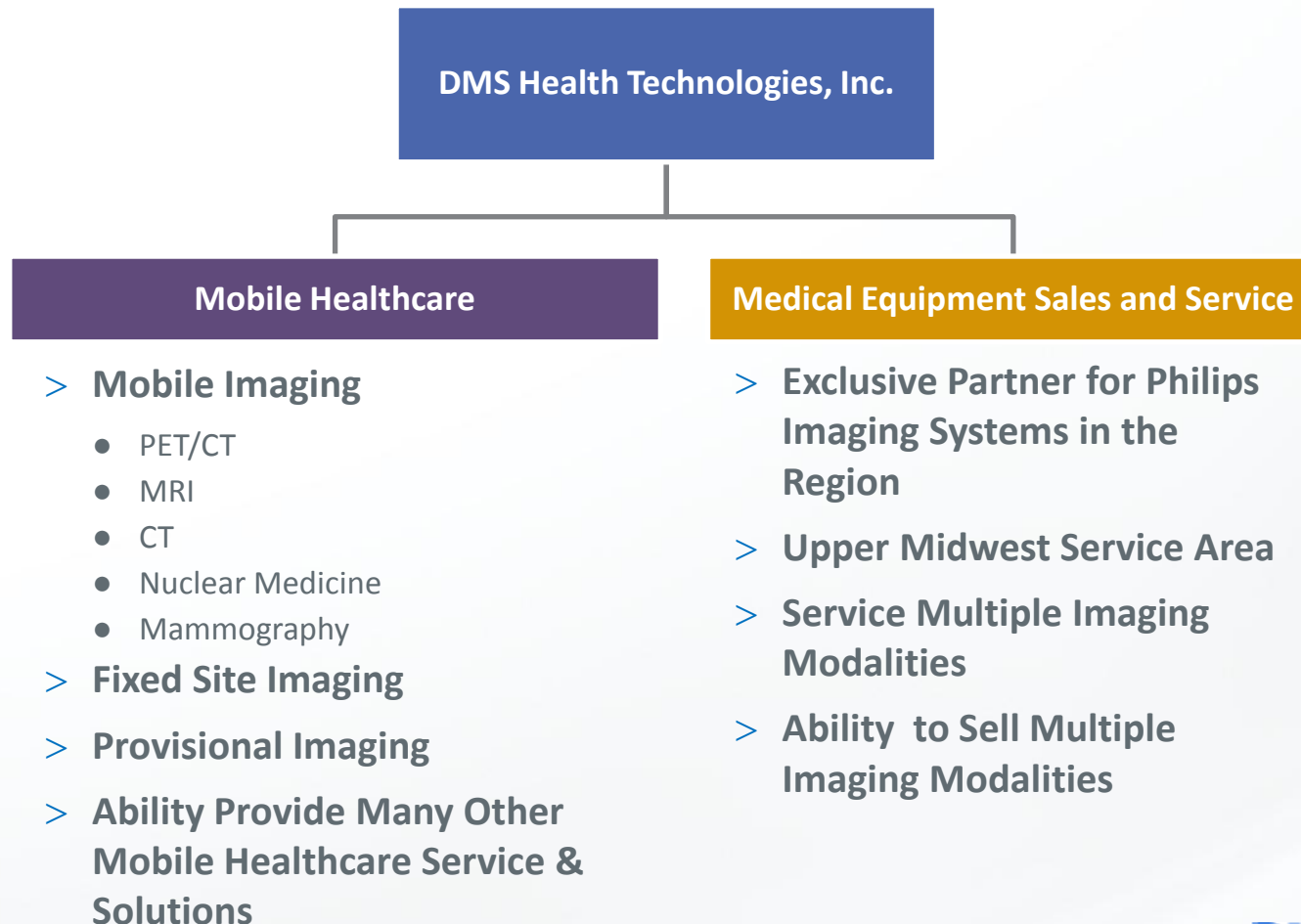
> Founded in 1972

> Approximately 250 Employees

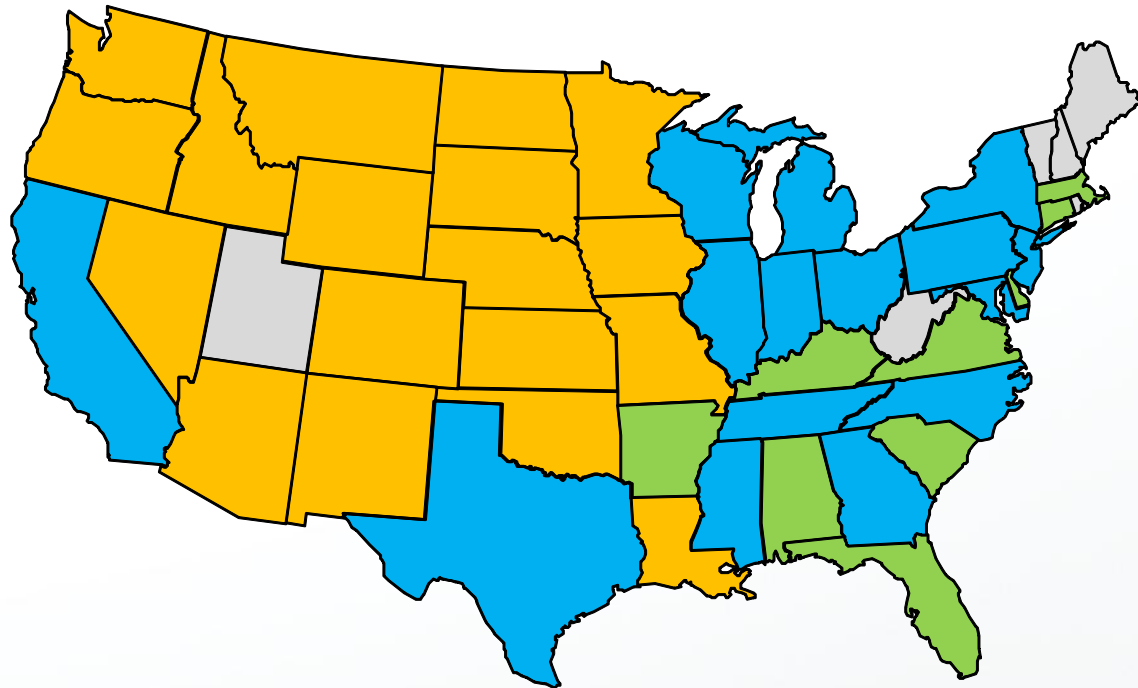
> Operations throughout the country, with a large concentration in the upper Midwest



DMS HEALTH TECHNOLOGIES OVERVIEW



NEW DIGIRAD: CUSTOMER MAP



- Existing Digirad Customer Territory
- Existing DMS Customer Territory
- Combined DMS / Digirad Territories

- > The new Digirad supports customers in 42 states
- > Though there is some minor overlap in some states, DMS Health's highest customer concentrations are in the upper Midwest – all new territory for Digirad
- > The long-term benefit will be the ability to leverage existing customer relationships in the respective territories for the new array of modalities offered

DMS HEALTH: KEY DEAL TERMS

Stock Purchase Agreement

- > **Purchase Price.** \$36 Million, all cash
- > **Acquisition Funding.** Combination of cash on hand and financing arrangement

Digirad Financing Arrangement

- > **Total Commitment.** \$40 million.
- > **Financing Type.** Commitment is spread among a revolving line and term loan tranches
- > **Financing Partner.** Wells Fargo, N.A.



KEY BENEFITS OF DMS HEALTH

- > **Geography.** DMS Health has a strong presence in the upper Midwest – which overlays very well with Digirad, with no current services in the area; expanding geographic opportunities for both companies
- > **Modalities.** PET/CT, MRI, and CT make up the majority of DMS Health's imaging operations – all modalities that Digirad did not previously offer. These new modalities introduce diversification and service revenue expansion opportunities
- > **Customers.** DMS Health mainly services hospitals, while Digirad's core customer class is physician offices. This customer mix addition further diversifies our combined company and provides opportunities to cross sell services
- > **Philips Relationship.** With a key partner in Philips, Digirad and DMS Health will have the opportunity to expand their combined product sales and service operations present at both companies
- > **Management Depth.** The current DMS management team is very seasoned in healthcare. Their experience and industry knowledge complements Digirad's existing strong management team
- > **Immediately Accretive and Strategic.** This acquisition will be immediately accretive on an adjusted net income and EBITDA basis. In addition, it will allow Digirad to take further advantage of existing tax net operating loss (NOL) carry forwards



DIGIRAD CORPORATION

- > Company Overview
- > Mission and Strategy
- > Diagnostic Services – Digirad Imaging Solutions
- > Diagnostic Services – Telerhythmics
- > Diagnostic Imaging
- > DMS Health Technologies Overview
- > **Recap**
- > Questions



RECAP:

HOW OUR STRATEGY INCREASES & DELIVERS VALUE TO OUR SHAREHOLDERS

Increase Value to Shareholders:

- > Shareholder value has been and will continue to be increased by:
 - Organic growth with focused sales efforts
 - + Acquiring financially-disciplined, cash generating businesses
 - + Introducing and acquiring new services to grow and diversify our business
 - + Realizing the approx. \$93 million in Federal NOLs to offset income tax expense
 - + Consistent and steady dividend distributions
 - + Share repurchases (opportunistically)
 - = Increased Shareholder Value

QUESTIONS

APPENDIX: FINANCIALS

GAAP FINANCIAL PERFORMANCE

	2013 GAAP ⁽²⁾	2014 GAAP ⁽¹⁾⁽²⁾	2015 GAAP ⁽²⁾⁽³⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 49.4	\$ 55.6	\$ 60.8
Gross Profit	14.1	16.6	17.9
Operating Expenses	13.9	14.1	15.1
Net Income	0.3	2.5	21.6
Net Income Per Share	\$ 0.01	\$ 0.13	\$ 1.10
Weighted Average Diluted Shares Outstanding	19.2	18.9	19.7

(1) 2014 includes \$0.7 million of restructuring costs related to our January 27, 2014 restructuring announcement

(2) Amounts are computed independently for each discrete item presented and, therefore, the sum of individual items may not equal the total due to rounding

(3) Included within net income for 2015 are release of previously reserved net operating loss carryforwards of approximately \$18.2 million

ADJUSTED FINANCIAL RESULTS

	2013 Adjusted (1)(2)(5)	2014 Adjusted (1)(2)(5)	2015 Adjusted (1)(2)(4)(5)
(in millions, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 49.4	\$ 55.6	\$ 60.8
Gross Profit	14.1	16.6	17.9
Operating Expenses	13.8	13.4	15.1
Net Income	0.6	3.5	4.5
Net Income Per Share	0.03	0.18	0.23
Adjusted EBITDA⁽³⁾	\$ 2.6	\$ 5.5	\$ 7.2
Weighted Average Diluted Shares Outstanding	19.2	18.9	19.7

(1) Reflects removal of nonrecurring charges primarily related to restructuring of the Diagnostic Imaging operating activities announced on February 28, 2013

(2) Reflects removal of nonrecurring charges primarily related to restructuring of the Diagnostic Imaging operating activities announced on January 27, 2014 and removal of amortization on acquired intangibles

(3) Amounts are reflective of the removal of any effects from depreciation and amortization, stock-based compensation, interest and income taxes

(4) Reflects removal of nonrecurring charges related to the diligence, transaction, and integration costs related to the acquisition of DMS Health Technologies

(5) Amounts are computed independently for each discrete item presented and, therefore, the sum of individual items may not equal the total due to rounding

APPENDIX:

NON-GAAP RECONCILIATIONS

	2013 ⁽⁶⁾	2014 ⁽⁶⁾	2015 ⁽⁶⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income	\$ 0.3	\$ 2.5	\$ 21.6
Restructuring charges	1.7	0.7	-
Gain on sale of assets and license agreement	(1.6)	-	-
Acquired intangible amortization ⁽¹⁾	0.2	0.3	0.5
Acquisition related contingent consideration adjustment ⁽²⁾	-	-	(0.1)
Investment impairment loss ⁽³⁾	-	-	0.3
Transaction and integration costs of DMS Health Technologies ⁽⁴⁾	-	-	1.3
Income tax items ⁽⁵⁾	-	-	(19.1)
Adjusted Net Income	\$ 0.6	\$ 3.5	\$ 4.5

(1) Reflects amortization of acquired intangibles

(2) Reflects fair value adjustment to estimate of contingent consideration related to acquisitions

(3) Reflects impairment loss related to investment in Perma-Fix Medical; impairment of a Supply Agreement and a loss related to initial excess of transaction price over fair value

(4) Reflects diligence, transaction, and integration costs related to the acquisition of DMS Health Technologies

(5) Reflects income tax effect for adjusted financial data, acquisition related income tax adjustments, and release of previously reserved net operating loss carryforwards

(6) Amounts are computed independently for each discrete item presented and, therefore, the sum of individual items may not equal the total due to rounding

APPENDIX:

NON-GAAP RECONCILIATIONS (CONT.)

	2013 ⁽⁵⁾	2014 ⁽⁵⁾	2015 ⁽⁵⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income per Common Share – Diluted	\$ 0.01	\$ 0.13	\$ 1.10
Restructuring charges	0.09	0.04	-
Gain on sale of assets and licensing agreement	(0.08)	-	-
Acquired intangible amortization	0.01	0.02	0.03
Acquisition related contingent consideration valuation adjustment ⁽¹⁾	-	-	-
Investment impairment loss ⁽²⁾	-	-	0.01
Transaction and integration costs of DMS Health Technologies ⁽³⁾	-	-	0.07
Income tax items ⁽⁴⁾	-	-	(0.97)
Adjusted Net Income per Common Share – Diluted	\$ 0.03	\$ 0.18	\$ 0.23

(1) Reflects fair value adjustment to estimate of contingent consideration related to acquisitions

(2) Reflects impairment loss related to investment in Perma-Fix Medical; impairment of a Supply Agreement and a loss related to initial excess of transaction price over fair value

(3) Reflects diligence, transaction, and integration costs related to the acquisition of DMS Health Technologies

(4) Reflects income tax effect for adjusted financial data, acquisition related income tax adjustments, and release of previously reserved net operating loss carryforwards

(5) Amounts are computed independently for each discrete item presented and, therefore, the sum of individual items may not equal the total due to rounding

APPENDIX:

NON-GAAP RECONCILIATIONS (CONT.)

	2013 ⁽⁴⁾	2014 ⁽⁴⁾	2015 ⁽⁴⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income	\$ 0.3	\$ 2.5	\$ 21.6
Restructuring charges	1.7	0.7	-
Gain on sale of assets and license agreement	(1.6)	-	-
Acquisition related contingent consideration valuation ⁽¹⁾	-	-	(0.1)
Investment impairment loss ⁽²⁾	-	-	0.3
Transaction and integration costs of DMS Health Technologies ⁽³⁾	-	-	1.3
Depreciation and amortization	1.9	1.9	2.4
Stock-based compensation	0.3	0.3	0.6
Interest and other income, net	(0.1)	(0.1)	-
Interest expense	-	-	0.1
Income tax benefit (expense)	-	0.1	(19.1)
Adjusted EBITDA	\$ 2.6	\$ 5.5	\$ 7.2

(1) Reflects fair value adjustment to estimate of contingent consideration related to acquisitions

(2) Reflects impairment loss related to investment in Perma-Fix Medical; impairment of a Supply Agreement and a loss related to initial excess of transaction price over fair value

(3) Reflects diligence, transaction, and integration costs related to the acquisition of DMS Health Technologies

(4) Amounts are computed independently for each discrete item presented and, therefore, the sum of individual items may not equal the total due to rounding