

## A Diversified Holding Company with a Private Equity Strategy

### Investment Highlights

**Common Stock (Nasdaq: STRR):**  
**Stock Price <sup>(1)</sup>: \$1.05**  
 15.2 million shares outstanding <sup>(2)</sup>

**Series A Preferred Stock (Nasdaq: STRRP):**  
**Stock Price <sup>(1)</sup>: \$9.15**  
 1.92 million shares outstanding <sup>(2)</sup>  
 10% annual cash dividend

*(1) 6/30/23 closing price. (2) 5/7/23 share count.*

- Diversified holding company with two divisions
- Operating divisions led by local management. Corporate HQ functions like a private equity firm and manages Investments division
- Q2 cash & cash equivalents of \$23.7 million; well-positioned to pursue acquisitions
- Tax-efficient Series A 10% Preferred Stock (non-convertible) issued Sept. 2019 in an acquisition

### 2022 Pro Forma Financial Highlights <sup>(4)</sup>

**\$57.1M**

Revenue

**\$12.4M**

Gross Profit

**\$23.7M <sup>(6)</sup>**

Cash Balance  
 Currently Debt Free <sup>(5)</sup>

**\$24.3M <sup>(6)</sup>**

Investments

<sup>(4)</sup> FY 2022 pro forma financials filed as an 8-K/A on May 10, 2023 reflect December 31, 2022 financials absent Digirad Health, Inc.

<sup>(5)</sup> As disclosed in the Company's 10-Q filed on May 15, 2023.

<sup>(6)</sup> As of June 30, 2023, public investments portfolio value was \$4.8M.

### Star Equity currently has two divisions <sup>(3)</sup>:

Construction		Investments		
KBS	EBGL	Real Estate	Public Investments	Private Investments
<b>Maine / New England</b> <ul style="list-style-type: none"> <li>• Designs and manufactures modular housing units</li> </ul>	<b>Minneapolis-St Paul Area</b> <ul style="list-style-type: none"> <li>• Designs and manufactures wall panels and engineered wood products</li> <li>• Distributes building materials and operates a lumber yard and showroom</li> </ul>	<ul style="list-style-type: none"> <li>• Owns, manages, and finances operating company real estate assets</li> </ul>	<ul style="list-style-type: none"> <li>• Star Equity Fund manages public equity portfolio</li> <li>• Strategic investments in undervalued public companies, potential acquisitions or JVs</li> </ul>	<ul style="list-style-type: none"> <li>• Holds private company debt and equity interests</li> <li>• Strategic investments in potential acquisitions or JVs</li> </ul>

<sup>(3)</sup> Effective May 4, 2023, Star Equity sold its Healthcare division for \$40 million.

### Differentiated Corporate Strategy and Structure

### Corporate HQ

Similar to Private Equity with Key Distinctions

- 1 | Looking for accretive bolt-ons and new verticals
- 2 | Able to pursue both private and public acquisition targets, sometimes through activism
- 3 | Flexible deal structuring given ability to use mix of cash, debt, common, preferred
- 4 | Open-ended investment time horizon allows for flexible holding periods
- 5 | Long-term partnership approach rather than short-term transactional mentality
- 6 | Star Equity shareholders do not pay any fees and have public market liquidity

Functions like a private equity firm and is responsible for:

- Oversight of Operating Management Teams
- Capital Allocation
- Strategic Leadership
- Restructurings & Turnarounds
- M&A
- Bank Relationships
- Capital Markets
- Investor Relations
- Financial Reporting, FP&A
- Compliance & Legal
- Investments Division Management

# Case Study: Construction Division

→ Improved operating performance & strong growth has unlocked value

September 2019

April 2023

Long-Term Goal



- Approx. 145k sq. ft. of production capacity / two facilities
- Primarily in single-family residential housing market

- Approx. 235k sq. ft. of production capacity / three facilities
- Expanded into new markets with a sales pipeline of approximately \$50 million

- Mid-teens annual organic growth
- Reputation for quality and reliability



- Profitability hampered by swings in commodity prices and sub-optimal contract language

- Improved operational efficiencies and risk mitigation
- Stronger market presence and reputation

- High single-digit annual organic growth
- Reputation for quality and reliability



FY 2020		FY 2021		FY 2022	
Revenue	\$28.9M	Revenue	\$48.0M	Revenue	\$57.1M
Gross Profit	\$4.1M	Gross Profit	\$3.0M*	Gross Profit	\$12.7M
Adj. EBITDA	\$0.7M	Adj. EBITDA	\$(2.7)M*	Adj. EBITDA	\$6.3M

Construction division significantly more valuable today than its 2019 purchase price

\* FY 2021 Construction margins were affected by COVID-related raw materials price increases.

# Case Study: Healthcare Division

→ \$63.2 million of value realized through portfolio optimization

Sept 2018

Sept 2018

Feb 2021

Mar 2021

May 2022

May 2023



Real Estate Sales

\$1 Million



Telerhythmics Sale

\$2 Million



MDOS Sale

\$1.4 Million



DMS Sale

\$18.8 Million



Reorganization

Margins ↑



DHI Sale

\$40 Million

Over 5 years, Star Equity streamlined its Healthcare division through non-core asset sales and improved performance, culminating in the \$40 million sale of Digirad Health in May 2023 despite STRR market cap being \$10 million at the time

## Contacts

Star Equity Holdings  
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# Star Equity Acquisition Strategy

Targets: public or private companies

- Market cap of \$5-50M and more valuable inside Star Equity
- Assets, earnings, and cash flows (no start-ups or VC situations)
- SG&A and public company cost reduction opportunities
- Opportunities for improved operating and financial performance
- Bolt-ons for existing platform businesses or create new divisions
- Businesses with growth potential and strong operating teams

## Investments Division

Three asset classes: Real Estate, Public, and Private Investments

### Real Estate:

- Formed in April 2019 with two sale-leaseback transactions
- Owns, manages, and finances operating company real estate assets

### Real Estate Portfolio Value

2 Factories      \$5.0 Million <sup>(1)</sup>

(1) Based on 2019 third-party appraisals. Recently sold a third factory for its appraised value.

### Public Investments:

- Strategic investments including potential acquisition targets or JVs
- Seeks to unlock shareholder value and improve corporate governance at its portfolio companies

### Public Investments Portfolio Value

Public Equities      \$4.8 Million <sup>(2)</sup>

(2) As of 6/30/2023 based on price at close.

### Private Investments:

- Private company debt and equity interests shown below:

### Private Investments Portfolio Value

TTG Note      \$7.0 Million

TTG Equity      \$6.0 Million

MDOS Note      \$1.5 Million

**Total**      **\$14.5 Million**