

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report:
July 17, 2023
(Date of earliest event reported)

Star Equity Holdings, Inc.
(Exact name of registrant as specified in its charter)
001-35947
(Commission File Number)
33-0145723
(IRS Employer Identification No.)
Delaware
(State or other jurisdiction of incorporation)

53 Forest Ave, Suite 101
Old Greenwich, CT 06870
(Address of principal executive offices, including zip code)
(203) 489-9500
(Registrant's telephone number, including area code)
Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	STRR	NASDAQ Global Market
Series A Cumulative Perpetual Preferred Stock, par value \$0.0001 per share	STRRP	NASDAQ Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§232.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01. Regulation FD Disclosure.

Pursuant to Regulation FD, Star Equity Holdings, Inc. (the “Company”) hereby furnishes the corrected and amended presentation and investor fact sheet (the “Presentation” and “Fact Sheet”) that the Company made available on August 11, 2023, relating to the Company’s business and operations. The Presentation and Fact Sheet can be accessed by visiting the Investor Relations section of the Company’s website: www.starequity.com.

The information furnished by the Company pursuant to this Item 7.01, including Exhibit 99.1 and Exhibit 99.2, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any Company filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits:

Exhibit No.	Description
99.1	Presentation made available on August 11, 2023.
99.2	Fact Sheet made available August 11, 2023.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Star Equity Holdings, Inc.

By: /s/ Richard K. Coleman, Jr.
Richard K. Coleman, Jr.
Chief Executive Officer

Date: August 11, 2023



A Diversified Holding Company

Common Stock:
Nasdaq: STRR

Series A 10% Preferred Stock:
Nasdaq: STRRP

**Creating shareholder value through
operational excellence and
disciplined capital allocation**



www.starequity.com

Forward Looking Statement

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this presentation that are not statements of historical fact are hereby identified as “forward-looking statements” for the purpose of the safe harbor provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking Statements include, without limitation, statements regarding (i) the plans and objectives of management for future operations, including plans or objectives relating to acquisitions and related integration, development of commercially viable products, novel technologies, and modern applicable services, (ii) projections of income (including income/loss), EBITDA, earnings (including earnings/loss) per share, capital expenditures, cost reductions, capital structure or other financial items, (iii) the future financial performance of the Company or acquisition targets and (iv) the assumptions underlying or relating to any statement described above. Moreover, forward-looking statements necessarily involve assumptions on the Company’s part. These forward-looking statements generally are identified by the words “believe”, “expect”, “anticipate”, “estimate”, “project”, “intend”, “plan”, “should”, “may”, “will”, “would”, “will be”, “will continue” or similar expressions. Such forward-looking statements are not meant to predict or guarantee actual results, performance, events or circumstances and may not be realized because they are based upon the Company’s current projections, plans, objectives, beliefs, expectations, estimates and assumptions and are subject to a number of risks and uncertainties and other influences, many of which the Company has no control over. Actual results and the timing of certain events and circumstances may differ materially from those described above as a result of these risks and uncertainties. Factors that may influence or contribute to the inaccuracy of forward-looking statements or cause actual results to differ materially from expected or desired results may include, without limitation, the substantial amount of debt of the Company and the Company’s ability to repay or refinance it or incur additional debt in the future; the Company’s need for a significant amount of cash to service and repay the debt and to pay dividends on the Company’s preferred stock; the restrictions contained in the debt agreements that limit the discretion of management in operating the business; legal, regulatory, political and economic risks in markets and public health crises that reduce economic activity and cause restrictions on operations (including the recent coronavirus COVID-19 outbreak); the length of time associated with servicing customers; losses of significant contracts or failure to get potential contracts being discussed; disruptions in the relationship with third party vendors; accounts receivable turnover; insufficient cash flows and resulting lack of liquidity; the Company’s inability to expand the Company’s business; unfavorable changes in the extensive governmental legislation and regulations governing healthcare providers and the provision of healthcare services and the competitive impact of such changes (including unfavorable changes to reimbursement policies); high costs of regulatory compliance; the liability and compliance costs regarding environmental regulations; the underlying condition of the technology support industry; the lack of product diversification; development and introduction of new technologies and intense competition in the healthcare industry; existing or increased competition; risks to the price and volatility of the Company’s common stock and preferred stock; stock volatility and in liquidity; risks to preferred stockholders of not receiving dividends and risks to the Company’s ability to pursue growth opportunities if the Company continues to pay dividends according to the terms of the Company’s preferred stock; the Company’s ability to execute on its business strategy (including any cost reduction plans); the Company’s failure to realize expected benefits of restructuring and cost-cutting actions; the Company’s ability to preserve and monetize its net operating losses; risks associated with the Company’s possible pursuit of acquisitions; the Company’s ability to consummate successful acquisitions and execute related integration, as well as factors related to the Company’s business including economic and financial market conditions generally and economic conditions in the Company’s markets; failure to keep pace with evolving technologies and difficulties integrating technologies; system failures; losses of key management personnel and the inability to attract and retain highly qualified management and personnel in the future; and the continued demand for and market acceptance of the Company’s services. For a detailed discussion of cautionary statements and risks that may affect the Company’s future results of operations and financial results, please refer to the Company’s filings with the Securities and Exchange Commission, including, but not limited to, the risk factors in the Company’s most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. This presentation reflects management’s views as of the date presented. All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Non-GAAP Financial Measures: The information provided herein includes certain non-GAAP financial measures. These non-GAAP financial measures are intended to supplement the GAAP financial information by providing additional insight regarding results of operations of the Company. The non-GAAP financial measures used by the Company are intended to provide an enhanced understanding of our underlying operational measures to manage the Company’s business, to evaluate performance compared to prior periods and the marketplace, and to establish operational goals. Certain items are excluded from these non-GAAP financial measures to provide additional comparability measures from period to period. These non-GAAP financial measures will not be defined in the same manner by all companies and may not be comparable to other companies. Specifically, this presentation presents the non-GAAP financial measures “Adjusted EBITDA” (defined as “earnings before interest, taxes, depreciation, amortization adjusted for stock-based compensation and other one-time transaction costs such as merger and acquisitions, financing and etc.”). The most directly comparable measures for these non-GAAP financial measures are net income and diluted net income per share. All future figures based on guidance after conversion into a diversified holding company.

About Star Equity Holdings

A Diversified Holding Company with Two Divisions ⁽¹⁾

Common Stock (Nasdaq: STRR):
Stock Price ⁽²⁾: \$1.05
15.5 million shares outstanding ⁽³⁾

Series A Preferred Stock (Nasdaq: STRRP):
Stock Price ⁽²⁾: \$9.15
1.92 million shares outstanding ⁽³⁾
10% annual cash dividend ⁽²⁾
6/30/23 closing price.
(3) 8/07/2023 share count.

Construction

KBS

Maine / New England

- Designs and manufactures modular housing units for commercial and residential projects
- Owns, manages, and finances operating company real estate assets

EBGL

Minneapolis-St Paul Area

- Designs and manufactures wall panels and engineered wood products for commercial and residential projects
- Distributes building materials and operates a lumber yard and showroom

Investments

Real Estate

- Owns, manages, and finances operating company real estate assets

Public Investments

- Star Equity Fund is a portfolio of public equities managed by STRR
- Makes strategic investments in undervalued public companies, potential acquisition targets, or JVs

Private Investments

- Holds private company debt and equity interests
- Makes strategic investments in potential acquisition targets or JVs

Corporate HQ

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
- Manage Investments Division

⁽¹⁾ Effective May 4, 2023, Star Equity sold its Healthcare division for \$40 million. See slide 6 for more information.



Investment & Financial Highlights

Benefits of our Holding Company Structure

- Stronger growth in revenue, cash flow, and earnings due to focus on operational excellence, cost savings, better funding, and other efficiencies
- Optimized and disciplined capital allocation maximizes returns over the long term
- Operating managers focused on operations and growth, not distracted by corporate functions
- Platform for future bolt-on acquisitions for existing operating companies, acquisitions of new verticals, and other growth opportunities
- Businesses and assets can be sold for intrinsic value versus publicly-traded pure plays which are capped by stock price and typical deal premium



FY 2022 Pro Forma ⁽¹⁾

\$57.1M

Revenue

\$12.4M

Gross Profit

\$21.4M ⁽²⁾

Cash Balance

Currently Debt Free⁽²⁾

\$24.3M ⁽³⁾

Investments

⁽¹⁾ FY 2022 pro forma financials filed as an 8-K/A on May 10, 2023, reflect December 31, 2022 financials absent Digirad Health, Inc.

⁽²⁾ As of June 30, 2023.

⁽³⁾ See slides 16-19; As of June 30, 2023, public investments portfolio value was \$4.8M.

Differentiated Corporate Strategy and Structure



Similar to Private Equity, but 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⁽¹⁾

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

Case Study: Healthcare Division

→ \$63.2 million of value realized through portfolio optimization



Case Study: Construction Division

→ Improved operating performance and strong growth has created significant value since 2019 purchase

September 2019

April 2023

Long-Term Goal



- Approx. 145k sq. ft. of production capacity / two facilities
- Approx. 230 modules/year
- \$55k/module average selling price
- Primarily in single-family residential housing market

- Approx. 235k sq. ft. of production capacity / three facilities
- Approx. 350 modules/year
- \$90k/module average selling price
- Expanded into commercial market, larger projects and multi-family buildings 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, commodity price risk mitigation via hedging program, and project risk mitigation via protective contract language
- Stronger market presence and reputation

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

Turnaround In Numbers

FY 2020

Revenue **\$28.9M**
Gross Profit **\$4.1M**
Adj. EBITDA **\$0.7M**



FY 2021

Revenue **\$48.0M**
Gross Profit **\$3.0M***
Adj. EBITDA **\$(2.7)M***



FY 2022

Revenue **\$57.1M**
Gross Profit **\$12.7M**
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.



Construction Division

Two Business Units

KBS Builders ("KBS")

EdgeBuilder-Glenbrook ("EBGL")

Construction Division



Maine / New England

- Designs and manufactures custom, modular housing units for single-family and multi-family projects
- Rapidly expanding presence in commercial-scale projects throughout New England including the Greater Boston area
- Largest known modular manufacturing capacity in the markets we serve



Minneapolis-St. Paul Area

- Designs and manufactures structural wall panels for commercial-scale, multi-family projects
- Designs and manufactures engineered wood products for single family homes and residential developments
- Distributes building materials and operates a professional lumber yard and showroom



KBS Builders Business Unit

Maine-based designer and manufacturer of modular housing units serving the New England Market



MODULAR UNITS

- Residential homes and town houses
- Apartment buildings and condos
- Multi-story commercial/office buildings
- Other commercial applications, hospitals, schools, dormitories, etc.



MODULAR CONSTRUCTION BENEFITS

- Shorter construction period
- Significantly lower labor costs
- Design flexibility
- High quality control



2 MANUFACTURING FACILITIES

- South Paris, Maine: approx. 85,000 sq. ft.; primary manufacturing facility
- Oxford, Maine: approx. 90,000 sq. ft.; currently idle



GEOGRAPHIC FOOTPRINT

- Expanding universe of single and multi-family homebuilders and commercial contractors and developers across New England

- ❖ Average selling price now exceeds \$90,000/module⁽¹⁾
- ❖ Sales pipeline of approximately \$45 million⁽¹⁾

- ❖ Long-Term Goal: mid-teens annual organic growth rate (CAGR from 2019 through 2022 = 33%)

(1) As of 6/30/2023.

KBS Builders Commercial Project Evolution



Pursuing larger, more profitable projects in select market segments

Completed Contracts	\$2.0M	\$6.7M	\$2.0M	\$2.0-2.5M	\$9.2M	\$4.2M	In Production \$2.2M
Client	Martin Realty	Tocci Building Corporation	Real Estate Developer	Non-Profit Affordable Housing Developer	College in New England	Real Estate Developer	South Burlington School District, VT
Scope	Manufacture building modules to renovate and expand an existing mixed-use building for military veterans	3-phase contract to manufacture building modules for a U.S. Government project	Manufacture of building modules for multifamily buildings	Manufacture building modules for workforce housing	Manufacture building modules for dormitories	Manufacture building modules for multifamily buildings	Manufacture modules for the construction of classrooms
Units	58 modules	124 modules (28 single-family and townhouse units)	36 modules (2 multifamily buildings)	40 modules (20 housing units)	72 modules (4 dormitories)	60 modules (8 multifamily buildings)	24 modules (2 schools)
Location	Downtown Quincy, MA	Natick, MA	NH	Cape Cod and the Islands	New England	Nantucket, MA	Burlington, VT
Delivery	September 2021	December 2021	December 2021	March 2022	Spring & Summer 2022	Winter 2022/2023	Spring & Summer 2023

EBGL Business Unit

Complementary manufacturing and distribution businesses managed together



EDGEBUILDER

- Operates a wall panel and wood products manufacturing plant in Prescott, WI
- Services the Midwest Area
- Clients: commercial contractors
- Facilities: approx. 34,000 leased sq. ft.



PRODUCTS

- Wall panels, permanent wood foundations, and other engineered wood products

SERVICES

- Sustainable green building practices, quality structural components, advanced design solutions

BENEFITS

- Reduced building time, overhead & labor costs, defects, site thefts, and delays; customization and environmentally



GLENBROOK

- Operates a lumber yard and showroom in Oakdale, MN and a warehouse in Hudson, WI
- Services the upper Midwest states of WI, IA, MN, ND, and SD
- Clients: commercial and residential contractors
- Facilities: approx. 33,000 leased sq. ft.



PRODUCTS

- Raw lumber, drywall, doors, windows, kitchen and bathroom cabinets, and utility sheds

SERVICES

- Roofing, millwork, and customized design

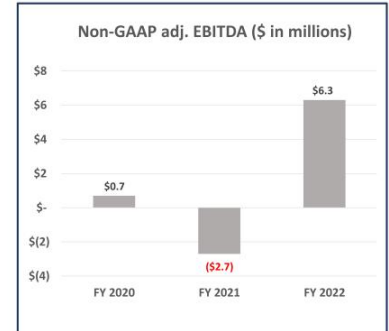
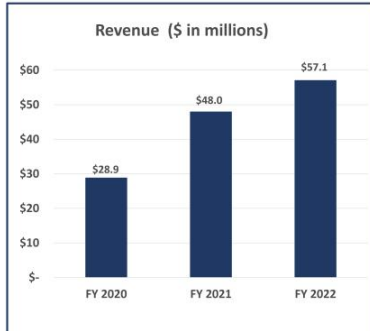
❖ Long-Term Goal: high single-digit annual organic growth rate (CAGR from 2019 through 2022 = 16%) and strategic growth through bolt-on acquisitions

Construction Division Financial Highlights



Steady revenue growth and profit improvement

- During 2021, to offset COVID-related rapid and historic rise in raw materials costs, the division significantly increased pricing, improved operations and implemented commodity price risk mitigation, which significantly improved gross margins starting in Q4 2021
- In 2022, margins further benefited from these increases; going forward we expect annual Construction gross margin to remain above 20%



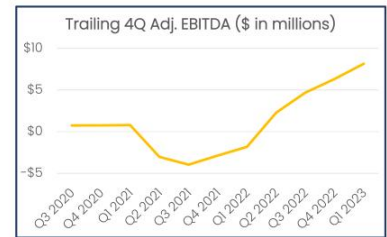
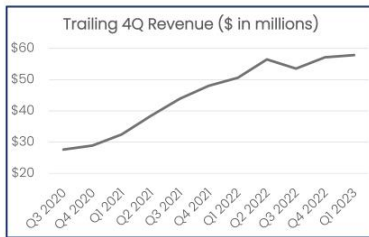
Gross Margin:

FY 2020: 14.0% FY 2021: 6.3% FY 2022: 22.2%

Construction Division Financial Highlights



Business value has grown substantially higher today than our acquisition cost



Construction top- and bottom-line financials have improved significantly since being acquired by Star Equity in Q3 2019



Investments Division

Three Asset Classes

- Real Estate
- Public Investments
- Private Investments

Investments Division



Real Estate

- Owns, manages, and finances operating company real estate assets
- Negotiates standalone financing to optimize financial leverage and cost of capital

Public Investments

- Star Equity Fund manages public equity portfolio
- Focuses on impact investments to unlock latent value
- Could use activist approach in certain situations
- Makes strategic investments including potential acquisition targets or JVs

Private Investments

- Holds private company debt and equity interests
- Makes strategic investments including potential acquisition targets or JVs



Investments Division: Real Estate



Owns Real Estate assets used by operating divisions

Overview	Significant Strategic Value & Upside	Strategy
<ul style="list-style-type: none">Star Real Estate ("SRE") owns, manages, and finances operating company real estate assetsTwo plants in Maine; one plant was purchased from KBS and another from a private company; recently sold a third plant for its appraised valuePurpose-built for the construction of modular buildings for residential, multi-family, and commercial projects	<ul style="list-style-type: none">Two plants are within 10 miles of each other – the largest known modular manufacturing footprint in New England<ul style="list-style-type: none">Primary manufacturing facility can be expandedOther two plants are idleCapacity available to handle increased demand and enter new lines of business	<ul style="list-style-type: none">Future acquisition targets could have underappreciated real estate assets that could be placed into SREHistorically, SRE has raised its own debt and is self-fundedSRE's separate financing optimizes financial leverage and cost of capital for STRR

Real Estate Portfolio Value	
2 Factories	\$5.0 Million ⁽¹⁾

⁽¹⁾ Based on 2019 third-party appraisals.

Investments Division: Public Investments



Makes strategic investments in potential acquisition targets or JVs

Star Equity Fund, LP: investment fund managed by Star Investment Management, LLC

- Portfolio companies can be:
 - Potential acquisition targets for Star Equity Holdings
 - Activist investments; pushing for change to create value or
 - Undervalued equity portfolio investments with attractive attributes
- Potential acquisition targets could be accretive bolt-ons and/or new verticals for Star Equity Holdings; actions include:
 - Improving operating and financial performance
 - Eliminating duplicate public company and corporate overhead costs or
 - Selling non-core assets
- Significant positions in select undervalued microcap stocks that need change
➡ For more information, visit: www.starequityfund.com

Activist Strategy

- Creates value for our stockholders
- Opens up many more opportunities than a “friendly – only” approach
 - There are over 3,500 public companies with less than \$30 million of EBITDA ⁽¹⁾
- Public nature of being an activist leads strong idea flow from frustrated shareholders and helps achieve our Vision

Public Investments Portfolio Value

Public Equities	\$4.8 Million ⁽²⁾
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Investments Division: **Private Investments**



Holds private company debt and equity interests

Debt or equity interests retained in dispositions:

- TTG Imaging Solutions, LLC ("TTG") Rollover Common Equity → \$6 million stake
- TTG Seller Note → \$7 million principal amount, 10% annual compound interest rate (steps up to 12% after 36 months), matures May 2029
 - Website: www.ttgimagingolutions.com
- MDOS Promissory Note → \$1.5M principal amount, 5% annual interest rate, amortizes over next 5 years

Additional strategic investments in potential acquisition targets or JVs

Private Investments Portfolio Value

TTG Note	\$7.0 Million
TTG Equity	\$6.0 Million
MDOS Note	\$1.5 Million
Total	\$14.5 Million



Growth Strategy

Organic Growth + Acquisitions

Growth Strategy



Organic growth opportunities

Construction

- Increase KBS's modular manufacturing output by expanding South Paris, Maine plant and eventually re-opening Oxford, Maine plant
- Long-term goal of mid-teens annual organic growth at KBS (CAGR from 2019 through 2022 = 33%)
- Long-term goal of high single-digit annual organic growth at EBGL (CAGR from 2019 through 2022 = 16%)
- KBS and EBGL can expand presence in their markets by expanding output and adding new products and services

Long-Term Goal for Construction: 10%+ revenue growth with gross margins above 20%

Investments

- Drive growth + returns across the three asset classes

Disciplined Acquisition Strategy

Seeking attractive acquisition opportunities to:

- Expand existing business divisions through bolt-on acquisitions
- Create new business divisions

Acquisition Strategy



Target: Private or Public Companies

- Bolt-ons for existing platform businesses
- Creation of new divisions through acquisitions
- Market cap of \$5-50M are likely more valuable inside our holding company structure
- Existing assets, earnings, and cash flows (no start-ups or venture capital-type situations)
- High SG&A and public company costs that can be significantly reduced as part of Star Equity
- Opportunities for improved operating and financial performance inside of Star Equity
- Businesses with growth potential and strong operating management teams

Acquisition Synergy

Objectives:

- Free management teams to maximize operations and pursue growth opportunities
- Share certain corporate functions to reduce corporate overhead
- Improve access to capital at a lower cost
- Support acquisition diligence and execution

Corporate Management Team



Jeffrey Eberwein
Executive Chairman

- Over 25 years of Wall Street experience; Founder and CEO of Lone Star Value Management
- Portfolio Manager at Soros Fund Management and Viking Global
- CEO of Hudson Global, Inc., a global recruitment company; extensive public company board experience
- Holds an MBA from The Wharton School and a BBA from The University of Texas



Richard Coleman
Chief Executive Officer

- Over 30 years of executive leadership experience including as CEO of 2 other public companies
- Extensive experience in technology management, operational excellence, acquisitions, and as a public company board member
- Holds an MBA from Golden Gate University and a BS in Management from the US Air Force Academy



David Noble
Chief Financial Officer

- Joined Digirad in late 2018 after 20+ years of Wall Street experience in investment banking and capital markets; Lived and worked in NY and Asia, with extensive business travel to LatAm and Europe, prior to transitioning to the corporate sector
- 8+ years at Lehman Brothers and 12+ years at HSBC as Head of Equity Capital Markets for the Americas
- Holds an MBA in Finance from MIT's Sloan School of Management and a BA from Yale University



Hannah Bible
Chief Legal Officer & Corporate Secretary

- Over 20 years of combined legal and accounting experience across a variety of industries, including CFO and in-house counsel to Lone Star Value Management; VP Finance and Corporate Secretary to ATRM; legal advisor to RRMS Advisors; diplomatic advisor within the U.N. General Assembly to the Asian-African Legal Consultative Organization; and served on the board of several public companies
- Taught as Adjunct Professor within the International Tax and Financial Services program at Thomas Jefferson School of Law
- LL.M. in Tax from NYU School of Law, a JD from St. Thomas University School of Law; BBA in Accounting from Middle Tennessee State University



Shawn Miles
Senior Vice President, Finance & Strategy

- Joined in 2016
- Previously served as Star Equity's VP, Finance and Strategy, and prior to that worked as a research analyst at Lone Star Value Management; responsible for securities analysis spanning a variety of sectors and investment strategies
- Holds a master's degree in Behavioral Economics and a BS in Applied Economics & Management from Cornell University



Appendix

Historical Financial Data: Statements of Operations

(\$ in 000s)



	Twelve Months Ended December 31,	
	2022	2021
Revenues:		
Healthcare	\$ 55,002	\$ 58,556
Construction	57,149	46,003
Investments	—	—
Total revenues	112,151	106,559
Cost of revenues:		
Healthcare	41,493	46,097
Construction	44,489	44,995
Investments	290	227
Total cost of revenues	86,272	91,319
Gross profit	25,879	15,240
Operating expenses:		
Selling, general and administrative	27,264	22,595
Amortization of intangible assets	1,720	1,728
Goodwill impairment	—	3,359
Gain on sale of MD Office Solutions	—	(947)
Total operating expenses	29,984	26,835
Net income (loss) from continuing operations	(3,105)	(11,595)
Other income (expense):		
Other (expense) income, net	(998)	(550)
Interest expense, net	(975)	(905)
Gain on forgiveness of PPP loans	—	4,179
Total other income (expense)	(1,973)	2,724
Income (loss) from continuing operations before income taxes	(5,078)	(8,871)
Income tax provision	(174)	(60)
Income (loss) from continuing operations, net of tax	\$ (5,252)	\$ (8,931)
Income (loss) from discontinued operations, net of tax	—	5,948
Net income (loss)	\$ (5,252)	\$ (2,983)
Deemed dividend on Series A redeemable preferred stock	\$ (1,916)	\$ (1,909)
Net income (loss) attributable to common shareholders	\$ (7,168)	\$ (4,892)
Net income (loss) per share – basic and diluted		
Net income (loss) per share, continuing operations	(0.36)	(1.76)
Net income (loss) per share, discontinued operations	—	1.17
Net income (loss) per share – basic and diluted*	(0.36)	(0.59)
Deemed dividend on Series A redeemable preferred stock per share	(0.13)	(0.37)
Net income (loss) income per share, attributable to common shareholders – basic	(0.49)	(0.96)
Net income (loss) per share, attributable to common stockholders – diluted	(0.48)	(0.96)
Weighted-average common shares outstanding – basic	14,751	5,095
Weighted-average common shares outstanding – diluted	14,629	5,095
Dividends declared per share of Series A perpetual preferred stock	\$ 1.00	\$ 2.31

*Earnings per share may not add due to rounding.

Historical Financial Data: Pro Forma Statements of Operations

(\$ in 000s)



	For the Year Ended December 31, 2022		
	Star Equity Holdings, Inc. Historical (See note below)	Transaction Accounting Adjustments	Star Equity Holdings, Inc. Pro Forma
Revenues:			
Healthcare	\$ 55,002	\$ (55,002)	\$ —
Construction	57,149	—	57,149
Investments	—	—	—
Total revenues	112,151	(55,002)	57,149
Cost of revenues:			
Healthcare	41,493	(41,493)	—
Construction	44,489	—	44,489
Investments	290	—	290
Total cost of revenues	86,272	(41,493)	44,779
Gross profit	25,879	(13,509)	12,370
Operating expenses:			
Selling, general and administrative	27,264	(13,068)	14,196
Amortization of intangible assets	1,720	(1)	1,719
Total operating expenses	28,984	(13,069)	15,915
Net Income (loss) from continuing operations	(3,105)	(440)	(3,545)
Other income (expense):			
Other income (expense), net	(998)	(338)	(1,336)
Interest expense, net	(975)	411	(564)
Total other income (expense), net	(1,973)	73	(1,900)
Income (loss) from continuing operations before income taxes	(5,078)	(367)	(5,445)
Income tax benefit (provision)	(174)	262	88
Net income (loss) from continuing operations, net of tax	\$ (5,252)	\$ (105)	\$ (5,357)
Deemed dividend on Series A redeemable preferred stock	(1,916)	—	(1,916)
Net income (loss) attributable to common shareholders	\$ (7,168)	\$ (105)	\$ (7,273)
Net income (loss) per share			
Basic*	\$ (0.36)	\$ (0.01)	\$ (0.36)
Net income (loss) per share, attributable to common shareholders			
Basic*	\$ (0.49)	\$ (0.01)	\$ (0.49)
Weighted-average common shares outstanding			
Basic*	14,751	14,751	14,751

*Earnings per share may not add due to rounding.

Financial Data: Q2 2023 Statements of Operations

(\$ in 000s)



	Three Months Ended	
	2023	2022
Revenues:		
Healthcare Imaging	\$ —	\$ —
Building and Construction	6,880	16,806
Real estate and Investments	—	—
Total revenues	6,880	16,806
Cost of revenues:		
Healthcare Imaging	—	—
Building and Construction	6,229	14,321
Real estate and Investments	61	84
Total cost of revenues	6,290	14,385
Gross profit	2,600	2,421
Healthcare Imaging	—	—
Building and Construction	2,664	2,485
Real estate and Investments	(61)	(64)
	2,603	2,421
Operating expenses:		
Marketing, sales and general and administrative expenses	4,206	3,195
Amortization of intangible assets	430	430
Goodwill impairment	—	—
Gain on sale of MTD Office Solutions	—	—
Total operating expenses	4,636	3,625
Loss from operations	(2,036)	(1,204)
Other income (expense):		
Other (expense) income, net	568	(442)
Interest expense, net	353	(154)
Gain on forgiveness of PPP loans	—	—
Total other income (expense)	721	(596)
Loss from continuing operations before income taxes	(1,365)	(1,800)
Income taxes benefit (expense)	(61)	100
Net loss from continuing operations	\$ (1,366)	\$ (1,700)
Net income from discontinued operations	26,987	(289)
Net (loss) income	\$ 25,621	\$ (1,679)
Dividend declared on Series A redeemable preferred stock	(4,770)	(4,770)
Net (loss) income attributable to common shareholders	\$ 20,851	\$ (2,059)
Net earnings (loss) per share - basic and diluted		
Continuing operations	\$ (0.08)	\$ (0.09)
Discontinued operations	\$ 1.74	\$ (0.02)
Net earnings (loss) per share - basic	\$ 1.66	\$ (0.11)
Net income (loss) per common share - basic	\$ 1.62	\$ (0.13)
Net income (loss) per common share - diluted	\$ 1.59	\$ (0.13)
Weighted average shares outstanding - basic	15,520	15,379
Weighted average shares outstanding - diluted	15,746	15,426
Dividends declared	\$ 0.25	\$ 0.25

Financial Data: Q2 2023 Statements of Operations

(\$ in 000s)



	Six Months Ended	
	6/30	2022
	2023	2022
Revenues:		
Healthcare Imaging	\$ —	\$ —
Building and Construction	21,239	26,437
Real estate and Investments	—	—
Total revenues	21,239	26,437
Cost of revenues:		
Healthcare Imaging	—	—
Building and Construction	14,246	24,366
Real estate and Investments	124	163
Total cost of revenues	14,370	24,529
Gross profit	6,869	1,908
Healthcare Imaging		
Building and Construction	6,869	4,071
Real estate and Investments	(124)	(163)
	6,869	3,908
Operating expenses:		
Marketing, sales and general and administrative expenses	7,893	6,885
Amortization of intangible assets	800	800
Goodwill impairment	—	—
Gain on sale of MD Office Solutions	—	—
Total operating expenses	8,793	7,745
Loss from operations	(1,924)	(5,837)
Other income (expense):		
Other (expense) income, net	459	(845)
Interest expense, net	136	(285)
Gain on forgiveness of PPP loans	—	—
Total other income (expense)	595	(725)
Loss from continuing operations before income taxes	(1,329)	(6,562)
Income taxes benefit (expense)	(81)	(1,185)
Net loss from continuing operations	\$ (1,390)	\$ (7,722)
Net income from discontinued operations	27,274	444
Net (loss) income	\$ 25,884	\$ (7,277)
Deemed dividend on Series A redeemable preferred stock	(958)	(958)
Net (loss) income attributable to common shareholders	\$ 24,926	\$ (8,235)
Net earnings (loss) per share - basic and diluted		
Continuing operations	\$ (0.10)	\$ (0.43)
Discontinued operations	\$ 1.76	\$ 0.03
Net earnings (loss) per share - basic	\$ 1.66	\$ (0.39)
Net income (loss) per common share - basic	\$ 1.62	\$ (0.44)
Net income (loss) per common share - diluted	\$ 1.60	\$ (0.44)
Weighted average shares outstanding - basic	15,528	14,021
Weighted average shares outstanding - diluted	15,706	14,130
Dividends declared	\$ 0.30	\$ 0.30

Historical Financial Data: Balance Sheet

(\$ in 000s)



	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,665	\$ 4,538
Restricted cash	142	278
Investments in equity securities	3,490	47
Lumber derivative contracts	17,756	15,811
Accounts receivable, net of allowances of \$714 and \$843, respectively	10,627	8,525
Inventories, net	2,587	1,998
Other current assets	39,267	31,863
Total current assets	83,445	83,118
Property and equipment, net	4,482	4,494
Operating lease right-of-use assets, net	13,352	15,072
Intangible assets, net	6,046	6,046
Goodwill	1,807	1,659
Other assets	73,302	68,052
Total assets	\$ 132,932	\$ 178,392
Liabilities, Mezzanine Equity and Stockholders' Equity		
Current liabilities:		
Accounts payable	3,430	4,277
Accrued liabilities	3,137	2,445
Accrued compensation	3,701	3,051
Accrued warranty	291	569
Lumber derivative contracts	104	—
Billings in excess of costs and estimated profit	—	312
Deferred revenue	3,376	2,457
Short-term debt	11,682	12,869
Operating lease liabilities	1,427	1,253
Finance lease liabilities	397	588
Total current liabilities	27,545	27,821
Deferred tax liabilities	176	72
Operating lease liabilities, net of current portion	3,141	3,299
Finance lease liabilities, net of current portion	386	706
Other liabilities	299	412
Total liabilities	31,547	32,310
Preferred stock, \$0.0001 par value: 10,000,000 shares authorized; Series A Preferred Stock, \$8,000,000 shares authorized, liquidation preference (\$10.00 per share), 1,915,637 shares issued and outstanding at December 31, 2021. (Liquidation preference: \$18,988,390 as of December 31, 2021.)	—	18,988
Stockholders' equity:		
Preferred stock, \$0.0001 par value: 10,000,000 shares authorized; Series A Preferred Stock, 8,000,000 shares authorized, liquidation preference (\$10.00 per share), 1,915,637 shares issued and outstanding at December 31, 2022. (Liquidation preference \$18,988,390 as of December 31, 2022.)	18,988	—
Preferred stock, \$0.0001 par value: 25,000 shares authorized; Series C Preferred stock, no shares issued or outstanding	—	—
Common stock, \$0.0001 par value: 50,000,000 and 30,000,000 shares authorized; 15,177,919 and 5,695,916 shares issued and outstanding (net of treasury shares) at December 31, 2022 and 2021, respectively	1	—
Treasury stock, at cost; 258,849 shares at December 31, 2022 and 2021, respectively	(5,728)	(5,728)
Additional paid-in capital	161,715	150,451
Accumulated deficit	(133,221)	(127,869)
Total stockholders' equity	41,755	15,754
Total liabilities, mezzanine equity and stockholders' equity	\$ 73,302	\$ 68,052

Historical Financial Data: Pro Forma Balance Sheet

(\$ in 000s)



	As of December 31, 2022		
	Star Equity Holdings, Inc. Historical	Transaction Accounting Adjustments	Star Equity Holdings, Inc. Pro Forma
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,965	\$ 18,455	\$ 23,120
Restricted cash	142	—	142
Securities available-for-sale	3,490	—	3,490
Accounts receivable, net	17,796	(9,782)	8,014
Inventories, net	10,627	(5,949)	4,678
Other current assets	2,587	5,598	7,985
Total current assets	39,207	8,122	47,329
Property and equipment, net	8,348	(2,834)	5,714
Operating lease right-of-use assets	4,482	(2,628)	1,854
Intangible assets, net	13,352	—	13,352
Goodwill	6,046	(1,608)	4,438
Other assets	1,887	5,569	7,266
Total assets	\$ 73,302	\$ 6,813	\$ 80,115
Liabilities and stockholders' equity			
Accounts payable	3,430	(1,968)	1,462
Other accrued liabilities	3,137	(1,713)	1,424
Accrued compensation	3,701	(1,095)	2,606
Accrued warranty	291	(253)	38
Derivative instruments	104	—	104
Deferred revenue	3,376	(1,703)	1,673
Short-term debt and current portion of long-term debt	11,682	(8,299)	3,383
Operating lease liabilities, current portion	1,427	(1,129)	298
Finance lease liabilities, current portion	397	(315)	82
Total current liabilities	27,546	(17,070)	10,476
Deferred tax liabilities	176	—	176
Operating lease liabilities, net of current portion	3,141	(1,558)	1,583
Finance lease liabilities, net of current portion	386	(293)	93
Other liabilities	299	(299)	—
Total liabilities	31,547	(18,217)	12,330
Stockholders' equity:			
Preferred stock, \$0.0001 par value: 10,000,000 shares authorized: Series A Preferred Stock, 8,000,000 shares authorized, liquidation preference (10.00 per share), 1,915,637 shares issued and outstanding at December 31, 2022. (Liquidation preference: \$18,968,390 as of December 31, 2022.)	18,968	—	18,968
Preferred stock, \$0.0001 par value: 25,000 shares authorized: Series C Preferred stock, no shares issued or outstanding	—	—	—
Common stock, \$0.0001 par value: 50,000,000 and 30,000,000 shares authorized: 15,177,819 and 5,805,816 shares issued and outstanding (net of treasury shares) at December 31, 2022 and 2021, respectively	1	—	1
Treasury stock, at cost: 256,849 shares at December 31, 2022 and 2021, respectively	(5,728)	—	(5,728)
Additional paid-in capital	161,715	(182,293)	99,422
Accumulated deficit	(133,221)	128,323	(4,898)
Total stockholders' equity	41,755	26,030	67,785
Total liabilities and stockholders' equity	\$ 73,302	\$ 6,813	\$ 80,115

Financial Data: Q2 2023 Balance Sheet

(\$ in 000s)



	June 30, 2023 (unaudited)	December 31, 2022
Assets:		
Current assets:		
Cash and cash equivalents	\$21,368	\$4,377
Restricted cash	53	142
Investments in equity securities	4,793	5,490
Lumber derivative contracts	43	—
Accounts receivable, net of allowances of \$100 and \$270, respectively	4,180	7,975
Inventories, net	4,437	4,678
Other current assets	1,744	755
Current assets - discontinued operations	—	17,851
Total current assets	36,618	33,268
Property and equipment, net	4,995	5,665
Operating lease right-of-use assets, net	1,666	1,856
Intangible assets, net	12,482	13,292
Goodwill	4,438	4,438
Investment in private company	6,000	—
Note receivable	7,000	—
Other assets	1,270	1,295
Non-current assets - discontinued operations	—	7,438
Total assets	\$74,479	\$77,932
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$1,261	\$1,447
Accrued liabilities	993	462
Accrued compensation	1,318	1,838
Accrued warranty	41	36
Lumber derivative contracts	—	104
Deferred revenue	1,791	1,673
Short-term debt	—	3,393
Operating lease liabilities	387	372
Finance lease liabilities	80	82
Current liabilities - discontinued operations	—	18,146
Total current liabilities	5,841	27,540
Deferred tax liabilities	237	—
Operating lease liabilities, net of current portion	1,319	1,510
Finance lease liabilities, net of current portion	42	96
Non-current liabilities - discontinued operations	—	2,396
Total liabilities	7,439	31,547
Stockholders' Equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; Series A Preferred Stock, 8,000,000 shares authorized, liquidation preference (\$10.00 per share), 1,915,637 shares issued and outstanding at June 30, 2023. (Liquidation preference: \$18,988,360 as of June 30, 2023.)	18,988	18,988
Series C Preferred stock, \$0.001 par value; 25,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.001 par value; 50,000,000 shares authorized; 15,186,459 and 15,177,919 shares issued and outstanding (net of treasury shares) at June 30, 2023 and December 31, 2022, respectively	1	1
Treasury stock, at cost, 258,849 shares at June 30, 2023 and December 31, 2022, respectively	(5,728)	(5,728)
Additional paid-in capital	160,963	161,715
Accumulated other comprehensive loss	—	—
Accumulated deficit	(307,595)	(133,221)
Total stockholders' equity	67,029	46,755
Total liabilities and stockholders' equity	\$74,479	\$77,932

Historical Reconciliation of Net Income to Adjusted EBITDA

(\$ in 000s)

For the Twelve Months Ended December 31, 2022

	Healthcare	Construction	Investments	Star Equity Corporate	Total
Net income (loss) from continuing operations	\$ 105	\$ 2,875	\$ (970)	\$ (7,262)	\$ (5,252)
Depreciation and amortization	1,262	1,974	290	9	3,535
Interest expense	411	416	182	(34)	975
Income tax expense	262	(89)	—	—	174
EBITDA from continuing operations	2,040	5,177	(498)	(7,287)	(568)
Unrealized (gain) loss on equity securities ⁽¹⁾	—	—	893	—	893
Unrealized (gain) loss on lumber derivatives ⁽²⁾	—	768	—	—	768
Litigation costs ⁽³⁾	3,016	—	—	—	3,016
Restructuring costs ⁽⁴⁾	163	—	—	—	163
Stock-based compensation	6	21	—	411	438
Severance and retention costs ⁽⁵⁾	769	—	—	5	774
Financing cost ⁽⁶⁾	89	355	91	—	535
Non-GAAP adjusted EBITDA from continuing operations ⁽¹⁴⁾	\$ 6,074	\$ 6,321	\$ 486	\$ (6,871)	\$ 6,010

For the Twelve Months Ended December 31, 2021

	Healthcare	Construction	Investments	Star Equity Corporate	Total
Net income (loss) from continuing operations	\$ 4,629	\$ (7,488)	\$ (443)	\$ (5,629)	\$ (8,931)
Depreciation and amortization	1,315	1,931	226	—	3,472
Interest expense	258	509	138	—	905
Income tax expense	60	—	—	—	60
EBITDA from continuing operations	6,262	(5,048)	(79)	(5,629)	(4,494)
Unrealized (gain) loss on equity securities ⁽¹⁾	—	—	52	(17)	35
Unrealized (gain) loss on lumber derivatives ⁽²⁾	—	(664)	—	—	(664)
Litigation costs ⁽³⁾	122	—	—	322	444
Stock-based compensation	143	6	—	376	525
Gain on disposal of MD Office Solutions ⁽⁴⁾	(847)	—	—	—	(847)
Goodwill impairment ⁽⁵⁾	—	3,359	—	—	3,359
Allowance / Write off of tenant receivable ⁽⁷⁾	—	323	—	—	323
Write off of software implementation costs	1,302	70	—	—	1,372
Financing cost ⁽⁶⁾	111	449	8	—	568
COVID-19 Protection Equipment ⁽⁸⁾	110	—	—	—	110
SBA PPP Loan forgiveness ⁽⁹⁾	(2,959)	(1,220)	—	—	(4,179)
Non-GAAP adjusted EBITDA from continuing operations ⁽¹⁴⁾	\$ 4,244	\$ (2,725)	\$ (19)	\$ (4,948)	\$ (3,448)

- 1) Reflects adjustments for any unrealized gains or losses in lumber derivatives value and change in fair value of investments in equity securities.
- 2) Reflects one-time litigation costs.
- 3) Reflects impairment of goodwill related to the Construction division.
- 4) Reflects the gain from the sale of MDOS.
- 5) Reflects the costs incurred for our vein and chronic care product line that was discontinued during the year.
- 6) Reflects the severance expense for our former Healthcare division CEO and other employees.
- 7) Reflects one-time write off in uncollectible tenant receivable.
- 8) Reflects financing costs from our credit facilities.
- 9) Reflects purchases related to COVID-19 personal protection equipment.
- 10) Reflects the forgiveness of the Paycheck Protection Program.
- 11) Per share amounts are computed independently for each discrete item presented. Therefore, the sum of the quarterly per share amounts will not necessarily equal to the total for the year, and the sum of individual items may not equal the total.

Reconciliation of Net Income to Adjusted EBITDA– Q2 2023

(\$ in 000s)

Three Months Q2 2023

	Construction	Investments	Star Equity Corporate	Total
Net income (loss) from continuing operations	200	992	(2,558)	(1,366)
Depreciation and amortization	510	61	8	579
Interest expense	16	(105)	(74)	(163)
Income tax items (benefit)/expense	—	—	61	61
EBITDA from continuing operations	726	948	(2,563)	(889)
Unrealized (gain) loss on equity securities	—	(945)	—	(945)
Unrealized (gain) loss on derivatives	(104)	—	—	(104)
Interest income	—	246	—	246
Litigation costs	—	—	—	—
Restructuring Costs	—	—	—	—
Stock-based compensation	4	—	98	102
Healthcare (Gain) Loss	—	—	—	—
Transaction costs	—	—	1,158	1,158
Goodwill impairment	—	—	—	—
(Gain) Loss on sale of assets	—	(424)	—	(424)
Severance and retention costs	—	—	—	—
Write off of Software costs	—	—	—	—
Financing cost	48	6	—	54
Non-GAAP adjusted EBITDA from continuing operations	674	(169)	(1,307)	(802)

Three Months Q2 2022

	Construction	Investments	Star Equity Corporate	Total
Net income (loss) from continuing operations	94	(321)	(1,063)	(1,290)
Depreciation and amortization	495	64	—	559
Interest expense	113	93	—	206
Income tax items (benefit)/expense	—	—	(510)	(510)
EBITDA from continuing operations	702	(164)	(1,573)	(1,035)
Unrealized (gain) loss on equity securities	—	—	—	—
Unrealized (gain) loss on derivatives	469	—	—	469
Interest income	—	—	—	—
Litigation costs	—	—	—	—
Stock-based compensation	5	—	78	83
Healthcare (Gain) Loss	—	—	—	—
Transaction costs	—	—	—	—
Goodwill impairment	—	—	—	—
(Gain) Loss on sale of assets	—	—	—	—
Severance and retention costs	—	—	—	—
Write off of Software costs	—	—	—	—
Financing cost	83	31	—	114
Non-GAAP adjusted EBITDA from continuing operations	1,259	(133)	(1,495)	(369)

- (i) Reflects adjustments for any unrealized gains or losses on equity securities.
- (ii) Reflects adjustments for any unrealized gains or losses in lumber derivatives value.
- (iii) We allocate all corporate interest income to the Investments Division.
- (iv) Reflects one time transaction costs related to the sale of the Healthcare Division.
- (v) Reflects financing costs from our credit facilities.

Reconciliation of Net Income to Adjusted EBITDA- 1H 2023

(\$ in 000s)

For the Six Months Ended June 30, 2023

	Building and Construction	Real Estate and Investments	Star Equity Corporate	Total
Net income (loss) from continuing operations	1,854	941	(4,145)	(1,350)
Depreciation and amortization	1,015	124	12	1,151
Interest expense	45	(83)	(86)	(124)
Income tax items (benefit)/expense	—	—	61	61
EBITDA from continuing operations	2,914	962	(4,179)	(274)
Unrealized (gain) loss on equity securities	—	(947)	—	(947)
Unrealized (gain) loss on derivatives	(147)	—	—	(147)
Interest income	—	246	—	246
Litigation costs	—	—	—	—
Restructuring Costs	—	—	—	—
Stock-based compensation	9	—	194	203
Healthcare (Gain) Loss	—	—	1,158	1,158
Transaction costs	—	—	—	—
Goodwill impairment	—	—	—	—
(Gain) Loss on sale of buildings	—	(424)	—	(424)
Severance and retention costs	—	—	—	—
Write off of Software costs	0	0	—	0
Financing cost	132	17	—	149
Non-GAAP adjusted EBITDA from continuing operations	2,909	(129)	(2,819)	(39)

For the Six Months Ended June 30, 2022

	Building and Construction	Real Estate and Investments	Star Equity Corporate	Total
Net income (loss) from continuing operations	(822)	(233)	(4,666)	(5,721)
Depreciation and amortization	982	163	—	1,145
Interest expense	192	140	—	332
Income tax items (benefit)/expense	—	—	1,190	1,190
EBITDA from continuing operations	352	70	(3,506)	(3,084)
Unrealized (gain) loss on equity securities	—	—	—	—
Unrealized (gain) loss on derivatives	1,145	—	—	1,145
Interest income	—	—	—	—
Litigation costs	—	—	—	—
Stock-based compensation	—	—	—	—
Healthcare (Gain) Loss	11	—	201	212
Transaction costs	—	—	—	—
(Gain) Loss on sale of buildings	—	—	—	—
Goodwill impairment	—	—	—	—
Severance and retention costs	—	—	—	—
Write off of software costs	—	—	—	—
Financing cost	161	48	—	209
Non-GAAP adjusted EBITDA from continuing operations	1,669	118	(3,305)	(,518)

- (1) Reflects adjustments for any unrealized gains or losses on equity securities.
- (2) Reflects adjustments for any unrealized gains or losses in lumber derivatives value.
- (3) We allocate all corporate interest income to the Investments Division.
- (4) Reflects one time transaction costs related to the sale of the Healthcare Division.
- (5) Reflects financing costs from our credit facilities.

Capitalization Table

Fully Diluted Capital Structure				
(in thousands except price per share)	Shares	Price	Market Value	
Common Shares ¹	15,521	\$ 1.05	\$	16,297
Warrants (May 2020) ²	702	\$ -	\$	-
Warrants (January 2022) ³	11,163	\$ -	\$	-
Pre-Funded Warrants (January 2022) ⁴	325	\$ 1.04	\$	338
10% Series A Preferred ⁵	1,916	\$ 10.00	\$	19,156
Net Debt/(Cash) ⁶			\$	(21,421)
Enterprise Value			\$	14,371
(Public Equities) ⁷			\$	(4,752)
Enterprise Value less Public Equities			\$	9,618

Net Debt Schedule				
(\$ in thousands)	As of Dec 31, 2022		As of June 30, 2023	
	Amount	Rate	Amount	Rate
Sub-Level Debt:				
Digirad	\$ 8,299	6.89%	\$ -	-
KBS	\$ -	-	\$ -	-
EBGL	\$ 2,592	10.25%	\$ -	-
Star Real Estate	\$ 791	10.50%	\$ -	-
Corporate-Level Debt	\$ -	-	\$ -	-
Total Debt	\$ 11,682	7.88% ⁸	\$ -	-
Cash ⁹	\$ (4,807)		\$ (21,421)	
Net Debt/(Cash)	\$ 6,875		\$ (21,421)	
(Public Equities)	\$ (3,490)		\$ (4,752)	
Net Debt/(Cash + Public Equities)	\$ 3,385		\$ (26,173)	

¹ Price based on June 30, 2023 closing market price. Share count as of August 7, 2023.

² In terms of share equivalents. Expire May 28, 2025. Strike price of \$2.25 per share. Price is the difference between June 30, 2023 closing common stock price and the strike price.

³ In terms of share equivalents. Expire Jan 24, 2027. Strike price of \$1.50 per share. Price is the difference between the June 30, 2023 closing common stock price and the strike price. Includes warrants privately held by underwriter.

⁴ In terms of share equivalents. Expire Jan 24, 2027. Strike price of \$0.01. Price is the difference between the June 30, 2023 closing common stock price and the strike price.

⁵ Preferred stock shown at liquidation preference of \$10/share.

⁶ Reference debt schedule below.

⁷ Investments in equity securities balance as of June 30, 2023.

⁸ Weighted average cost of debt.

⁹ Includes \$0.1M and \$0.1M of restricted cash as of December 31, 2022 and June 30, 2023, respectively.

Other Publicly Traded Holding Companies

Small Cap:	Ticker	Market Cap ⁽¹⁾	5 Year TSR	Business Highlights
Great Elm Group Inc.	GEG	63	-43%	• Investment management and Real estate
ALJ Regional Holdings Inc. ⁽²⁾	ALJJ	74	1%	• Business process outsourcing services
Crawford United Corp	CRAWA	81	172%	• Aerospace manufacturing & metal, silicone, and hydraulic hoses • Marketing technology • Air handling and energy efficient solutions
BBX Capital Corp ⁽³⁾	BBXIA	115		• Vacation ownership interests and real estate • Chocolate and confectionary products
INNOVATE Corp	VATE	138	-70%	• Infrastructure, life sciences and broadcasting
Aimia Inc.	AIMFF	210	39%	• Holding Company • Communications Services
SWK Holdings Corp	SWKH	215	67%	• Financial services for life science companies, including royalty-related financing
Boston Omaha Corp ⁽⁴⁾	BOC	589	-11%	• Insurance and outdoor advertising services
Steel Partners Holdings LP ^{(4),(5)}	SPLP	1029	182%	• Diversified industrial manufacturing & oil drilling and production services • Financial services
B. Riley Financial Inc.	RILY	1,294	223%	• Financial services • Internet access and related subscription services • Telecom and VOIP services
Compass Diversified Holdings	CODI	1,561	79%	• Consumer goods manufacturing and environmental services
Peer Group Average			71%	
iShares Russell 2000 ETF	IWM		22%	• US small-cap index

- The performance of Publicly Traded Holding Companies is **highly dependent** on company-specific execution
- The Peer Group average has **outperformed** the benchmark over previous 5 years

⁽¹⁾ Based on data as of 6/30/23 - \$ in millions

⁽²⁾ Market cap as of 05/25/2023. ALJJ was subsequently delisted. TSR for 06/29/18 - 06/30/23 listed.

⁽³⁾ BBXIA began trading on 10/01/2020. TSR 10/01/20 - 6/30/23 was 186.3%.

⁽⁴⁾ Incentive fees paid to management teams.

⁽⁵⁾ SPLP is a publicly-traded partnership as opposed to a C-corp structure.

Contact Us



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EQUITY GROUP

INVESTOR RELATIONS

A Diversified Holding Company with a Private Equity Strategy

Investment Highlights

Common Stock (Nasdaq: STRR):
Stock Price ⁽¹⁾: \$1.05
15.5 million shares outstanding ⁽²⁾

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

(1) 6/30/23 closing price. (2) 8/7/23 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 \$21.4 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 ⁽⁴⁾

\$57.1M Revenue	\$12.4M Gross Profit
\$21.4M ⁽⁵⁾ Cash Balance Currently Debt Free ⁽⁵⁾	\$24.3M ⁽⁶⁾ Investments

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

⁽⁵⁾ As of June 30, 2023.

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

Star Equity currently has two divisions ⁽³⁾:

Construction		Investments	
KBS	EBGL	Real Estate	Public Investments
Maine / New England <ul style="list-style-type: none"> • Designs and manufactures modular housing units 	Minneapolis-St Paul Area <ul style="list-style-type: none"> • Designs and manufactures wall panels and engineered wood products • Distributes building materials and operates a lumber yard and showroom 	<ul style="list-style-type: none"> • Owns, manages, and finances operating company real estate assets 	<ul style="list-style-type: none"> • Star Equity Fund manages public equity portfolio • Strategic investments in undervalued public companies, potential acquisitions or JVs
			Private Investments <ul style="list-style-type: none"> • Holds private company debt and equity interests • Strategic investments in potential acquisitions or JVs
⁽³⁾ Effective May 4, 2023, Star Equity sold its Healthcare division for \$40 million.			
Differentiated Corporate Strategy and Structure		Corporate HQ	
<p>Similar to Private Equity with Key Distinctions</p> <ol style="list-style-type: none"> 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 		<p>Functions like a private equity firm and is responsible for:</p> <ul style="list-style-type: none"> • 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



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



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

- 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
- 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	Telerhythmics Sale	MDOS Sale	DMS Sale	Reorganization	DHI Sale
\$1 Million	\$2 Million	\$1.4 Million	\$18.8 Million	Margins ↑	\$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

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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 ⁽¹⁾

⁽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 ⁽²⁾

⁽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

