

# ★ Star Equity Holdings

*A Diversified Holding Company*

Common Stock:  
*Nasdaq: STRR*

Series A 10% Preferred Stock:  
*Nasdaq: STRRP*

**Growing shareholder value through excellence in  
operations and disciplined capital allocation**

Investor Presentation  
June 2022



Healthcare



Construction



Investments

# Forward-looking Statements

**“Safe Harbor” Statement** under the Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this release 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 release 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 adjusted EBITDA 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 (Nasdaq: STRR; STRRP)



- Diversified holding company with three divisions
- Operating divisions are led by local management; corporate HQ functions like a private equity firm and manages Investments division
- In 2021, closed sale of non-continuing healthcare businesses for over \$20 million
- 3/31/22 cash & cash equivalents balance of \$15.0 million; well-positioned to pursue acquisitions
- Tax-efficient Series A 10% Preferred Stock (non-convertible) issued Sept. 2019 in an acquisition

**Common Stock (Nasdaq: STRR):**  
**Stock Price <sup>1</sup>: \$1.03**  
*15.1 million shares outstanding <sup>2</sup>*

**Series A Preferred Stock (Nasdaq: STRRP):**  
**Stock Price <sup>1</sup>: \$9.89**  
*1.92 million shares outstanding <sup>2</sup>*  
*10% annual cash dividend*

(1) 5/31/22 closing price.  
(2) As of 5/31/22.

## Star Equity currently has three divisions:

### HEALTHCARE

*Across the USA*

#### Diagnostic Imaging

Designs, manufactures, and sells proprietary mobile imaging cameras for hospitals and physicians

Services existing installed base

#### Diagnostic Services

Offers mobile imaging services to medical providers in their facilities

### CONSTRUCTION

*Maine/New England*

#### KBS

Designs and manufactures modular housing units

Commercial and residential projects

*Minneapolis-area*

#### EBGL

Designs and manufactures wall panels and engineered wood products

Distributes building materials and operates a professional lumber yard and showroom

Commercial and residential projects

### INVESTMENTS

#### Real Estate

Owns, manages, and finances real estate assets of Star Equity's operating companies

#### Investments

Strategic investments in potential acquisition targets or JVs for Star Equity

# Investment Highlights

## Benefits of Our Holding Company Structure

- Enhanced revenue, cash flow, and earnings **growth** due to stronger operations, cost savings, better funding, and other efficiencies
- Optimized and disciplined capital allocation will **maximize returns** over the long term
- **Operating CEOs 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**

## Financial Highlights

**(FY 2021 vs. FY 2020) <sup>(1)</sup>**

**\$106.6M**

Consolidated Revenue  
+36.3%

**\$6.9M**

Consolidated Gross Profit  
+77.6%

**\$4.5M**

Cash & cash equivalents  
As of 12/31/21

**(Q1 2022 vs. Q1 2021) <sup>(1)</sup>**

**\$25.1M**

Consolidated Revenue  
+12.1%

**\$4.7M**

Consolidated Gross Profit  
+51.5%

**\$15.0M**

Cash & cash equivalents  
As of 3/31/22

(1) During the fourth quarter of 2020, Star Equity entered into a Stock Purchase Agreement to sell DMS Health Technologies, Inc. ("DMS Health"), a portion of our healthcare business which operated the Company's Mobile Healthcare segment, for \$18.75 million. The sale of DMS Health closed on March 31, 2021. Related financial and operational data for the Mobile Healthcare business were classified as discontinued operations for all reporting periods ending of December 31, 2021 and 2020. The results presented here relate to continuing operations, which encompass Digirad Health (Diagnostic Services and Diagnostic Imaging), Star Modular Construction, and Star Investments and discontinued operations, which consists of Mobile Healthcare. Mobile Healthcare's assets and liabilities were reported as "Assets held for sale" and "Liabilities held for sale" on the balance sheet as of December 31, 2020.

## OPERATING CEOs

- Manage Operating Businesses
- Develop Organic Growth Opportunities
- Pursue Bolt-on Acquisitions

## CURRENT OPERATING BUSINESSES

**Healthcare**

**Construction**

*(bolt-on acquisitions to expand existing divisions)*

## FUTURE OPERATING BUSINESSES

**Future  
Acquisition 1**

**Future  
Acquisition 2**

**Future  
Acquisition 3**

*(future acquisitions to create new business divisions)*

## CORP-LEVEL MANAGEMENT

- Capital Allocation
- Strategic Leadership & Oversight
- Assist Operating Management Teams
- Restructurings & Turnarounds
- Mergers, Acquisitions, & Dispositions
- Bank Relationships
- Capital Markets
- Investor Relations
- Financial Reporting, FP&A
- Compliance & Legal
- Manage Investments Division

**Investments**



## Similar to Private Equity, but with Key Distinctions

1

Looking for accretive bolt-ons and/or new verticals

2

Willing and able to pursue both private and public acquisition targets, including through activism

3

Flexible deal structuring: able to use mix of cash, debt, common, preferred

4

Open-ended investment time horizon allows for flexible holding periods

5

Long-term relationship/partnership mentality rather than transactional

6

Investment partners — Star Equity shareholders — do not pay any fees and have instant liquidity



## Digirad Health

## Digirad Health

*Across the USA*

### Diagnostic Imaging

Designs, manufactures, and sells proprietary solid-state imaging cameras for hospitals and physicians

Services existing installed base

### Diagnostic Services

Offers mobile imaging services to medical providers in their facilities

Making Healthcare Convenient. **As Needed. When Needed. Where Needed.**



Designs, manufactures, and sells proprietary solid-state cameras under the Digirad brand name with unmatched imaging and flexibility; services the existing installed base \*

## *Digirad cameras*



### **SUPERIOR**

- Image quality
- Greater flexibility
- Smaller footprint
- Fast imaging acquisition times



### **FLEXIBLE SOLUTION**

**Customers:** Physicians and Hospitals

**Location:** their offices, satellite clinics, healthcare facilities, and hospitals

**Convenient:** As needed, where needed, when needed



### **NATION-WIDE FIELD SERVICE**

Engineers provide flexible support for Digirad and non-Digirad models

- Remote Support
- Onsite Service
- Applications Support
- Preventative Maintenance
- Parts Support



Ergo™



Cardius® X-ACT+



Cardius® 2 XPO



Cardius® 3 XPO

Website: <https://www.digirad.com/cameras/>

\* Over the last 20 years, Digirad has manufactured approximately 1,000 imaging cameras

# Digirad Health: Diagnostic Services

Offers mobile imaging services to medical providers on-site at their facilities as an alternative to purchasing equipment themselves or outsourcing procedures to other providers

*Mainly Digirad cameras*



## **SOLUTIONS / EQUIPMENT**

Provides turnkey, diagnostic solutions to hospitals and healthcare systems; offers a variety of solid-state imaging cameras (fixed-site and mobile systems)



## **STAFF**

Offers highly-skilled, trained, and certified nuclear medicine technologists and cardiac stress technicians



## **MAINTENANCE**

Services all major brands of nuclear gamma cameras



## **LICENSING**

Extensive portfolio of existing licenses and certifications



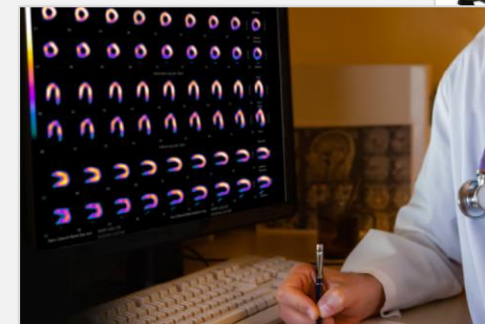
## **SUPPLIES**

Wide range of nuclear imaging supplies and radiopharmaceuticals



## **ACCREDITATION**

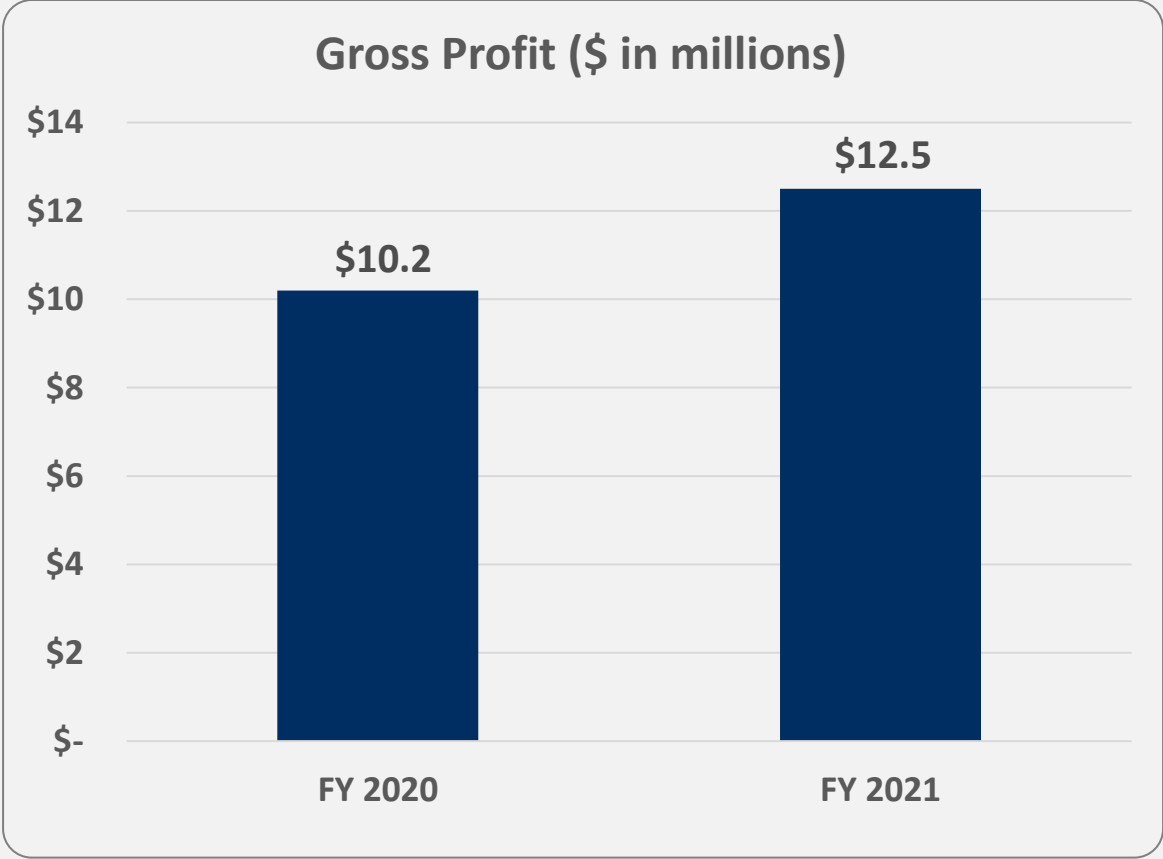
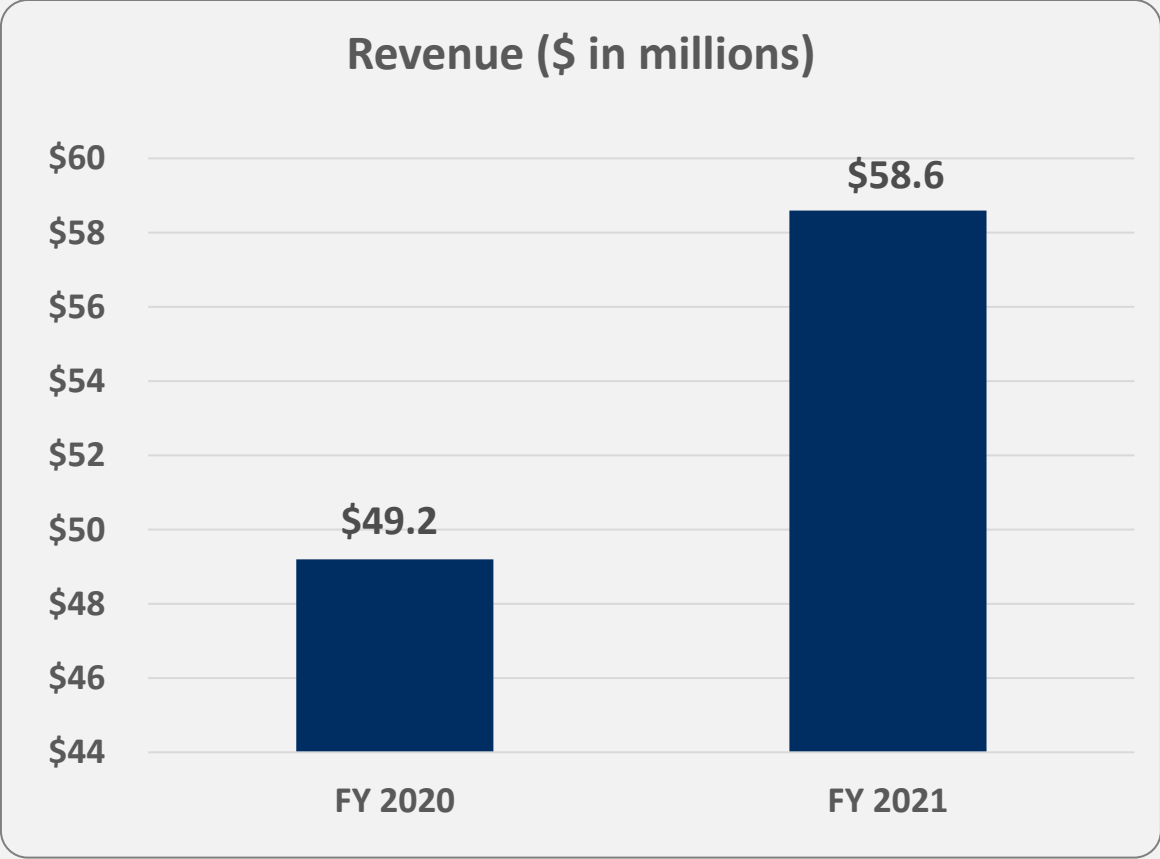
Assists clients with accreditation process



Website: <https://www.digirad.com/diagnostic-services/>

# Healthcare: Financial Summary \*

Healthcare division continued to rebound to more normal levels following a COVID-slowdown, with healthcare providers returning to normal operations and onsite visits.



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## Star Modular Construction

## Star Modular Construction

### *Maine/New England*

#### **KBS Builders**

- Designs and manufactures custom, modular housing units for single-family and multi-family projects
- Rapidly expanding presence in commercial-scale projects in the Greater Boston Area
- Owns largest production capacity of any modular manufacturer in New England

### *Minneapolis-area*

#### **EBGL**

- 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



# Construction: KBS Builders

## Maine-based designer and manufacturer of modular housing units



### MODULAR UNITS

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



Website: [www.kbsbuildersinc.com/](http://www.kbsbuildersinc.com/)



### 3 MANUFACTURING PLANTS

*Two operated by KBS*

**South Paris, Maine:** approx. 85,000 sq. ft.; capacity of 500-600 modular units per year

**Oxford, Maine:** approx. 90,000 sq. ft.; currently idle; partially re-opened in Sept. 2020 to manufacture wall panels; capacity of 400-500 modular units per year

*One sub-leased to 3<sup>rd</sup> party*

**Waterford, Maine:** approx. 60,000 sq. ft.



### GEOGRAPHIC FOOTPRINT

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

- ❖ Average selling price now exceeds \$70,000/unit
- ❖ Potential sales pipeline of approximately \$50 million

- ❖ Long-Term Goal: Produce 15 to 20 units per week (750-1000 modular units per year) in the medium term, up from recent run rate of 7 to 8 per week (pre-acquisition run rate was 3 to 4 per week)

# Construction: KBS Builders – Progress on Multifamily Initiative

	<i>PROJECT COMPLETED</i>	<i>PROJECT COMPLETED</i>	<i>PROJECT COMPLETED</i>	<i>PROJECT COMPLETED</i>	<i>CONTRACT SIGNED</i>	<i>CONTRACT PENDING</i>
Contract Size	\$2.0M	\$6.7M	\$2.0M	\$2.0-2.5M	~\$9.0M	\$4.0-4.5M
Client	Martin Realty	Tocci Building Corporation	Real Estate Developer	Non-Profit Affordable Housing Developer	College in New England	Real Estate Developer
Scope	Manufacture of 58 building modules to be used for the construction of 32 housing units to renovate and expand an existing mixed-use building for military veterans	3-phase contract to manufacture 124 building modules creating 28 single-family and townhouse units for the U.S. Army Natick Soldier Systems Center	Manufacture of 36 building modules for the construction of 2 multifamily buildings	Manufacture of 40 building modules for the construction of 20 housing units for workforce housing	Pursuing a project to manufacture 72 building modules to be used for the construction of 4 dormitories	Pursuing a project to manufacture 58 building modules for the construction of 8 multifamily buildings
Location	Downtown Quincy, MA	Natick, MA	NH	Cape Cod and the Islands	New England	Cape Cod and the Islands
Delivery	September 2021	December 2021	December 2021	March 2022	Spring & Summer 2022	Summer & Fall 2022

## Two facilities, but managed together

### EDGEBUILDER:

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



#### PRODUCTS

Wall panels, permanent wood foundations, and engineered wood products



#### SERVICES

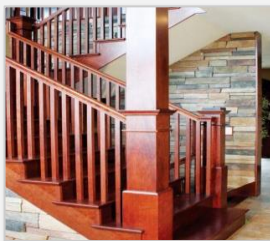
Sustainable green building practices, quality structural components, advanced design solutions



#### BENEFITS

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

Website: <https://edgebuilderwallpanels.com/>



### GLENBROOK:

- Operates **33,000 sq. ft.** comprising a leased professional 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



#### PRODUCTS

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



#### SERVICES

Roofing, millwork, and customized design



#### SYNERGIES

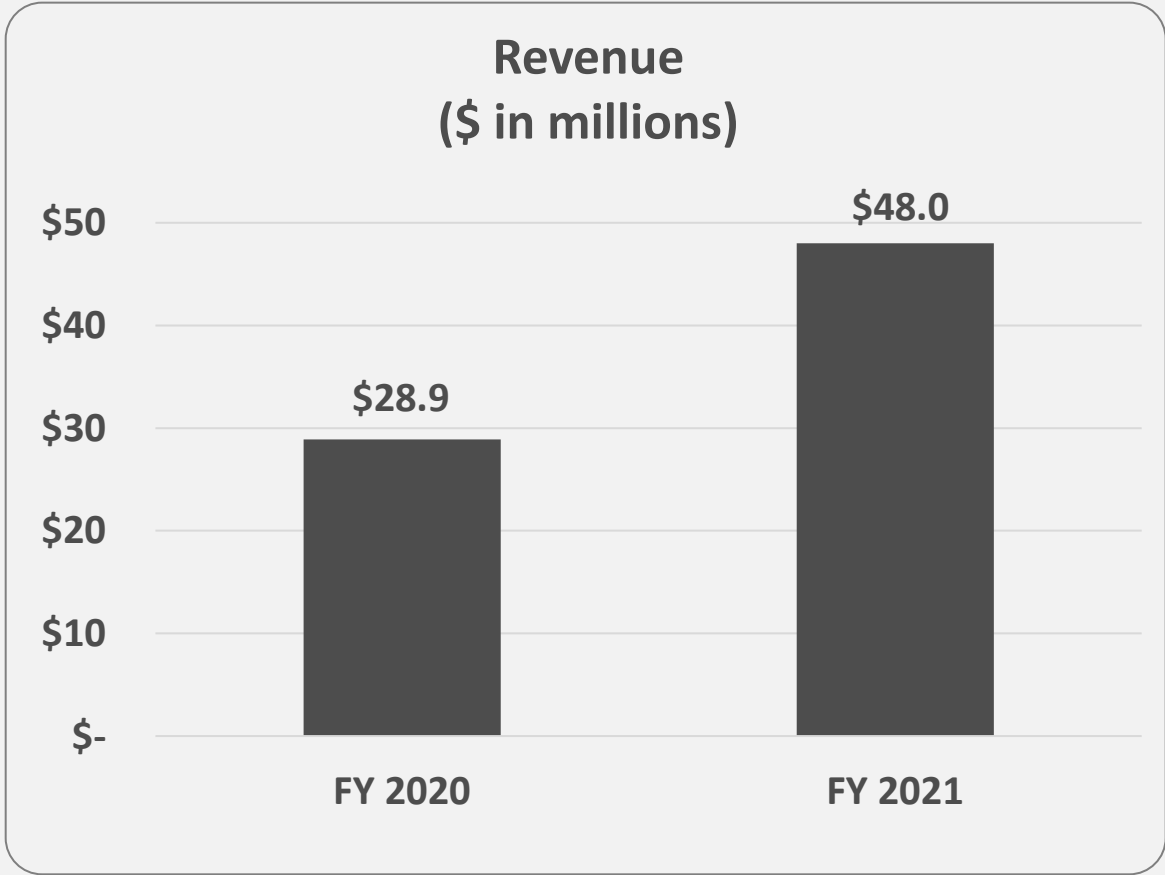
Have used excess capacity at KBS for wall panel manufacturing needs based on EdgeBuilder's expertise and experience



Website: <https://glenbrooklumber.com/>

# Construction: Financial Summary\*

- FY 2021 Construction margins were affected by COVID-related rapid and historic rise in raw materials costs.
- Starting in early 2021, to offset these higher costs, the Company significantly increased Construction pricing, improved operations, and commodity price risk mitigation, which significantly improved gross margin in Q4 2021. Margins are expected to benefit further from these increases in 2022.





## Star Investments



## Star Investments

### Real Estate

- Owns and manages the real estate assets of Star Equity's operating companies
- Negotiates standalone financing to optimize financial leverage and cost of capital

### Investments

- Strategic investments in potential acquisition targets or JVs for Star Equity
- Could use activist approach in certain situations

Formed in April 2019 with two purchase and leased back transactions:

## Star Real Estate Holdings USA, Inc. ("SRE")

- Acquired and manages three manufacturing plants in Maine; two plants were purchased from KBS and a third from a private company
- All involved in the construction of modular buildings for residential, multi-family, and commercial projects



## SIGNIFICANT STRATEGIC VALUE & UPSIDE POTENTIAL

- Three plants are within 15 miles of each other – the **largest modular manufacturing footprint in New England**
  - One plant is running at full capacity, but could be debottlenecked / expanded
  - One is sublet to a local company
- Plenty of **available capacity to handle increased demand**



## STRATEGY

- Future **acquisition targets could have underappreciated** real estate assets that could be placed into SRE
- SRE has raised its own debt and is self-funded
- Optimizes financial leverage and cost of capital

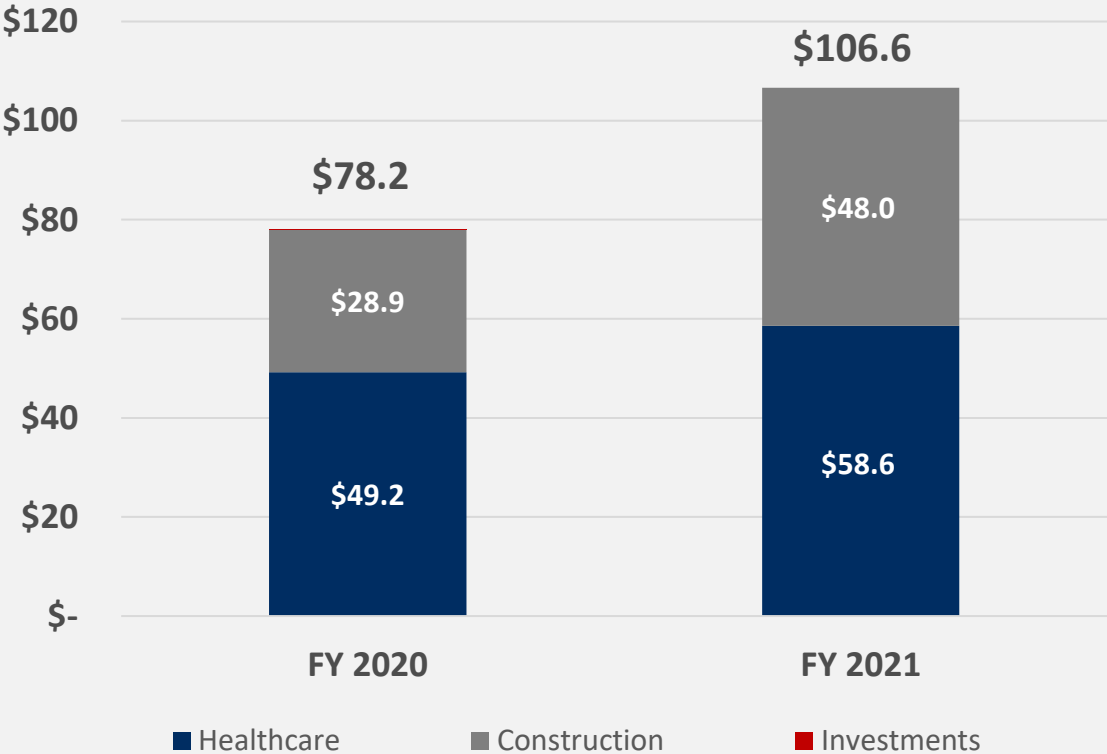
Growing  
**SHAREHOLDER VALUE**

through  
**EXCELLENCE IN OPERATIONS AND  
DISCIPLINED CAPITAL ALLOCATION**

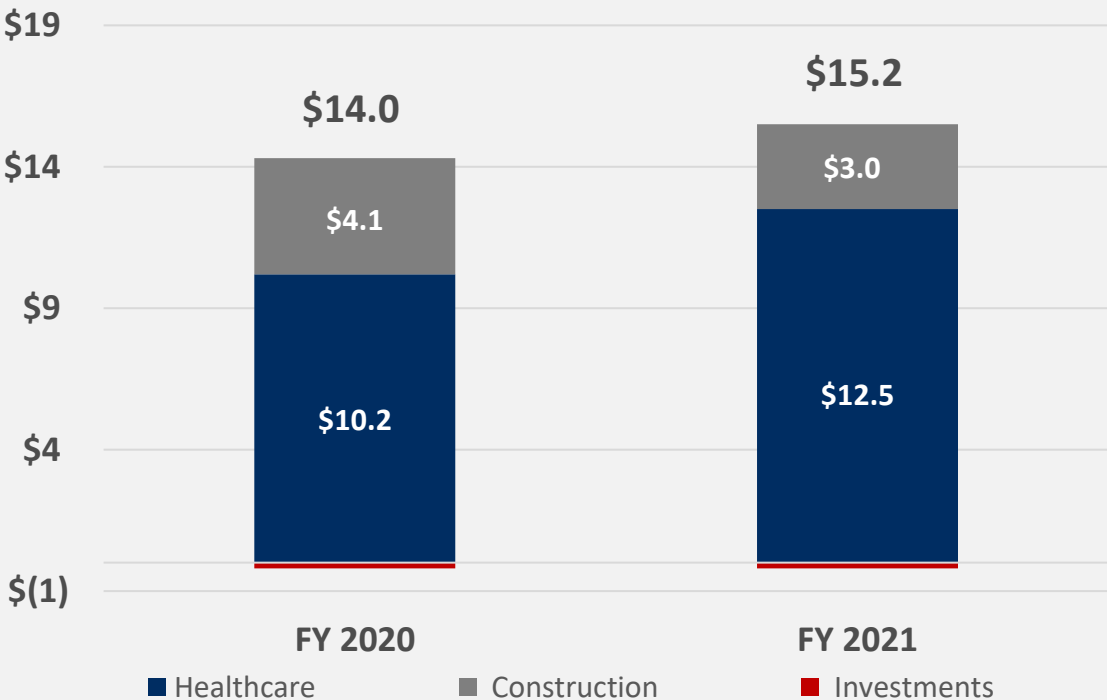


# Financial Highlights \*

Revenue by Business Division  
(\$ in millions)



Gross Profit by Business Division  
(\$ in millions)



\* During the fourth quarter of 2020, Star Equity entered into a Stock Purchase Agreement to sell DMS Health, a portion of our healthcare business which operated the Company's Mobile Healthcare segment, for \$18.75 million. The sale of DMS Health closed on March 31, 2021. Related financial and operational data for the Mobile Healthcare business were classified as discontinued operations for all reporting periods ending of December 31, 2021 and 2020. The results presented here relate to continuing operations, The results presented here relate to continuing operations, which include the Healthcare (Diagnostic Services and Diagnostic Imaging), Construction, and Investments divisions, and discontinued operations, which consists of Mobile Healthcare. Mobile Healthcare's assets and liabilities were reported as "Assets held for sale" and "Liabilities held for sale" on the balance sheet as of December 31, 2020.

## ORGANIC GROWTH OPPORTUNITIES

### Healthcare

- Increase sales of proprietary, high-margin portable nuclear imaging cameras through continued advances in hardware design and upgrades
- Extend and grow high-margin, post-warranty camera support contracts through increased sales efforts
- Increase camera utilization and customer density at all points of service thereby increasing overall revenue and gross margin
- Expand geographic footprint through new and innovative product and service offerings

### Construction

- Increase KBS's modular manufacturing output by debottlenecking / expanding South Paris plant and fully re-opening Oxford plant
- Long-term goal of reaching output capability of 750-1000 modular units per year; KBS's actual production in 2021 was approximately 350 modular units versus 280 in 2020 and 230 in 2019
- KBS and EBGL can expand presence in their markets by growing output and adding new products and services

### Investments

- Three owned plants have separate credit facility, lowering the cost of capital, with proceeds used to grow Construction division

## DISCIPLINED ACQUISITION STRATEGY

Seeking attractive acquisition opportunities to:

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



# Fully Funded and Positioned for Growth

## RECENT ACTIONS TAKEN TO STRENGTHEN BALANCE SHEET

- Sold **DMS Health Technologies, Inc.** business unit for **\$18.8 million**; transaction closed on March 31, 2021
- **MD Office Solutions (“MDOS”)**, a small regional operation in Northern California, was sold on February 1, 2021 for **\$1.4 million**
- Completed a **\$2.1 million private placement** in December 2021 to help remove overhang of accumulated and unpaid preferred stock dividends
- Completed a **\$14.3 million public offering** in January 2022 to support working capital needs, fund growth in Construction division, and target acquisition opportunities

## PROCEEDS TO FUND:

- Organic Growth Opportunities
- Acquisitions

# Our Acquisition Strategy

## TARGETS: PUBLIC OR PRIVATE COMPANIES

- **Market cap of \$5-50M** and 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** as a percentage of revenue that can be significantly reduced as part of Star Equity
- **Opportunities for improved operating and financial performance**
- **Bolt-ons** for existing platform businesses or **create new divisions**
- Businesses with **growth potential and strong operating management teams**

## ACQUISITION SYNERGIES:

- Operating management teams freed up to **maximize operations and pursue growth opportunities**
- Sharing certain corporate functions will **reduce corporate overhead costs**
- **Lower cost of capital**
- **Better access to capital**
- **Better capital allocation**



# 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 15 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
- Adjunct Professor within the International Tax and Financial Services program at Thomas Jefferson School of Law
- Earned an LLM in Tax from NYU School of Law, a JD from St. Thomas University School of Law, and a BBA in Accounting from Middle Tennessee State University



## **SHAWN MILES** **VP, FINANCE & STRATEGY**

- Joined in 2016
- Previously worked as a research analyst at Lone Star Value Management; responsible for securities analysis spanning a variety of sectors and investment strategies
- Earned a master's degree in Behavioral Economics from Cornell University; holds a BS in Applied Economics & Management from Cornell University

# Operating Companies Management Team



**MARTY SHIRLEY**  
**INTERIM PRESIDENT**  
**DIGIRAD HEALTH, INC.**

- Appointed Interim President of DHI in May 2022; joined Digirad in 2006; formerly President of DHI's Services business
- Over 35 years of clinical and industrial experience in medical imaging industry
- Holds an Associates Degree in Liberal Arts from Santa Fe Community College and an Associates Degree in Nuclear Medicine Technology from Hillsborough Community College



**THATCHER BUTCHER**  
**PRESIDENT**  
**KBS BUILDERS, INC.**

- Joined KBS as President in May 2022
- Extensive construction industry experience, most recently as General Manager of the Mid Atlantic Division of Anthony Sylvan Pools in Jessup, MD and as General Manager of the Truss & Engineered Lumber Division of TW Perry in Gaithersburg, MD
- Studied Architectural Design & Building Technology at State University of New York and completed coursework in Architecture at Clemson University; also completed General Management and Leadership Development training at George Mason University



**RON SCHUMACHER**  
**EXECUTIVE CHAIRMAN**  
**EDGEBUILDER, INC.**

- Joined EBGL in 2021 as Executive Chairman with over 40 years of experience in the construction and lumber industries
- Formerly President & CEO of Consolidated Lumber Company, where he oversaw the integration of multiple bolt-on acquisitions
- Graduated from the Building Material Marketing and Management program at Minnesota West Community & Technical College





# Historical Financial Data: Statements of Operations *(\$ in 000s)*

	Three Months Ended March 31,	
	2022	2021
Revenues:		
Healthcare	\$ 13,418	\$ 13,307
Construction	11,631	9,047
Total revenues	25,049	22,354
Cost of revenues:		
Healthcare	10,242	10,709
Construction	10,045	8,503
Investments	99	65
Total cost of revenues	20,386	19,277
Gross profit	4,663	3,077
Operating expenses:		
Selling, general and administrative	6,788	5,055
Amortization of intangible assets	430	438
Gain on sale of MD Office Solutions	—	(847)
Total operating expenses	7,218	4,646
Loss from operations	(2,555)	(1,569)
Other income (expense):		
Other (expense) income, net	(6)	35
Interest expense, net	(190)	(272)
Gain on forgiveness of PPP loans	—	1,220
Total other (expense) income	(196)	983
Loss from continuing operations before income taxes	(2,751)	(586)
Income tax provision	(950)	(2)
Loss from continuing operations, net of tax	(3,701)	(588)
Income from discontinued operations, net of tax	—	6,020
Net (loss) income	(3,701)	5,432
Deemed dividend on Series A perpetual preferred stock	(479)	(479)
Net (loss) income attributable to common shareholders	\$ (4,180)	\$ 4,953
Net income (loss) per share—basic and diluted		
Net loss per share, continuing operations	\$ (0.29)	\$ (0.12)
Net income per share, discontinued operations	\$ —	\$ 1.22
Net (loss) income per share—basic and diluted*	\$ (0.29)	\$ 1.10
Deemed dividend on Series A cumulative perpetual preferred stock per share	\$ (0.04)	\$ (0.10)
Net (loss) income per share, attributable to common shareholders—basic and diluted*	\$ (0.33)	\$ 1.01
Weighted-average shares outstanding—basic and diluted	12,669	4,916
Dividends declared per Series A perpetual preferred stock	\$ 0.25	\$ —

During the fourth quarter of 2020, Star Equity entered into a Stock Purchase Agreement to sell DMS Health, a portion of our healthcare business which operated the Company's Mobile Healthcare segment, for \$18.75 million. The sale of DMS Health closed on March 31, 2021. Related financial and operational data for the Mobile Healthcare business were classified as discontinued operations for the reporting period ending December 31, 2020. The results presented here relate to continuing operations, which include the Healthcare (Diagnostic Services and Diagnostic Imaging), Construction, and Investments divisions and discontinued operations, which consists of Mobile Healthcare.

# Historical Financial Data – Balance Sheets *(\$ in 000s)*

	March 31, 2022 (unaudited)	December 31, 2021
Assets:		
Current assets:		
Cash and cash equivalents	\$ 15,035	\$ 4,538
Restricted cash	385	278
Investments	1,182	713
Accounts receivable, net of allowances of \$1.2 million and \$0.8 million, respectively	15,910	15,811
Inventories, net	10,287	8,525
Other current assets	1,977	1,998
Total current assets	44,776	31,863
Property and equipment, net	8,853	8,918
Operating lease right-of-use assets, net	5,346	4,494
Intangible assets, net	14,642	15,072
Goodwill	6,046	6,046
Other assets	1,528	1,659
Total assets	\$ 81,191	\$ 68,052
Liabilities, Mezzanine Equity and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 5,196	\$ 4,277
Accrued liabilities	3,608	2,445
Accrued compensation	3,192	3,051
Accrued warranty	420	569
Billings in excess of costs and estimated profit	15	312
Deferred revenue	2,975	2,457
Short-term debt	13,334	12,869
Operating lease liabilities	1,422	1,253
Finance lease liabilities	559	588
Total current liabilities	30,721	27,821
Deferred tax liabilities	998	72
Operating lease liabilities, net of current portion	3,996	3,299
Finance lease liabilities, net of current portion	639	706
Other liabilities	386	412
Total liabilities	36,740	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 March 31, 2022 and December 31, 2021, respectively	18,988	18,988
Stockholders' equity:		
Preferred stock, \$0.0001 par value: 25,000 shares authorized; Series C Participating Preferred stock, no shares issued or outstanding	—	—
Common stock, \$0.0001 par value: 30,000,000 shares authorized; 15,029,410 and 5,805,916 shares issued and outstanding (net of treasury shares) at March 31, 2022 and December 31, 2021, respectively	1	—
Treasury stock, at cost; 258,849 shares at March 31, 2022 and December 31, 2021, respectively	(5,728)	(5,728)
Additional paid-in capital	162,860	150,451
Accumulated deficit	(131,670)	(127,969)
Total stockholders' equity	25,463	16,754
Total liabilities, mezzanine equity and stockholders' equity	\$ 81,191	\$ 68,052

During the fourth quarter of 2020, Star Equity entered into a Stock Purchase Agreement to sell DMS Health, a portion of our healthcare business which operated the Company's Mobile Healthcare segment, for \$18.75 million. The sale of DMS Health closed on March 31, 2021. Related financial and operational data for the Mobile Healthcare business were classified as discontinued operations for the reporting period ending December 31, 2020. The results presented here relate to continuing operations, which include the Healthcare (Diagnostic Services and Diagnostic Imaging), Construction, and Investments divisions and discontinued operations, which consists of Mobile Healthcare.

# Reconciliation of Net Income to Adjusted EBITDA *(\$ in 000s)*

For The Three Months Ended March 31, 2022	Healthcare	Construction	Investments	Star Equity Corporate	Total
Net income (loss) from continuing operations	\$ (940)	\$ (916)	\$ 88	\$ (1,933)	\$ (3,701)
Depreciation and amortization	315	487	99	—	901
Interest expense	64	79	47	—	190
Income tax provision	950	—	—	—	950
EBITDA from continuing operations	389	(350)	234	(1,933)	(1,660)
Unrealized loss on derivatives <sup>(1)</sup>	—	676	—	—	676
Litigation costs <sup>(2)</sup>	868	—	—	—	868
Stock-based compensation	15	6	—	123	144
Financing cost <sup>(4)</sup>	5	78	17	—	100
Non-GAAP adjusted EBITDA from continuing operations	\$ 1,277	\$ 410	\$ 251	\$ (1,810)	\$ 128

(1) Reflects adjustments for any unrealized gains or losses in derivatives value and change in fair value of investments in equity securities.

(2) Reflects one time litigation costs.

(3) Reflects the gain from the sale of MDOS.

(4) Reflects financing costs from our credit facilities.

(5) Reflects purchases related to COVID-19 personal protection equipment.

(6) Reflects the forgiveness of the Paycheck Protection Program.

(7) Reflects the reclassification of prior year Diagnostic Services and Diagnostic Imaging net income into Healthcare segment and intercompany elimination from Construction and Investments segment.

For The Three Months Ended March 31, 2021	Healthcare	Construction	Investments	Star Equity Corporate	Total
Net income (loss) from continuing operations <sup>(7)</sup>	\$ 645	\$ (512)	\$ 75	\$ (796)	\$ (588)
Depreciation and amortization	357	479	65	—	901
Interest expense	75	197	—	—	272
Income tax provision	2	—	—	—	2
EBITDA from continuing operations	1,079	164	140	(796)	587
Unrealized gain on equity securities <sup>(1)</sup>	—	—	—	(23)	(23)
Litigation costs <sup>(2)</sup>	—	—	—	2	2
Stock-based compensation	78	—	—	51	129
Gain on disposal of MD Office Solutions <sup>(3)</sup>	(847)	—	—	—	(847)
Tenant receivable	—	323	—	—	323
Financing cost <sup>(4)</sup>	42	90	—	—	132
COVID-19 Protection Equipment <sup>(5)</sup>	38	—	—	—	38
SBA PPP Loan forgiveness <sup>(6)</sup>	—	(1,220)	—	—	(1,220)
Non-GAAP adjusted EBITDA from continuing operations	\$ 390	\$ (643)	\$ 140	\$ (766)	\$ (879)

# Supplemental Debt Information (\$ in 000s)

	March 31, 2022		December 31, 2021	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Revolving Credit Facility - Gerber KBS	\$ 2,921	6.25%	\$ 3,131	6.00%
Revolving Credit Facility - Gerber EBGL	2,081	6.25%	1,652	6.00%
Revolving Credit Facility - SNB	7,334	2.95%	7,016	2.60%
<b>Total Short-term Revolving Credit Facilities</b>	<b>\$ 12,336</b>	<b>4.29%</b>	<b>\$ 11,799</b>	<b>3.98%</b>
Gerber - Star Loan Principal, net	\$ 998	6.50%	\$ 1,070	6.25%
<b>Short Term Loan</b>	<b>\$ 998</b>	<b>6.50%</b>	<b>\$ 1,070</b>	<b>6.25%</b>
<b>Total Short-term debt</b>	<b>\$ 13,334</b>	<b>4.45%</b>	<b>\$ 12,869</b>	<b>4.17%</b>



# Capitalization Table

Fully Diluted Capital Structure			
<i>(in thousands except price per share)</i>	Shares	Price	Market Value
Common Shares <sup>1</sup>	15,082 \$	1.03 \$	15,535
Warrants (May 2020) <sup>2</sup>	702 \$	- \$	-
Warrants (January 2022) <sup>3</sup>	10,925 \$	- \$	-
10% Series A Preferred <sup>4</sup>	1,916 \$	10.00 \$	19,156
Net Debt/(Cash) <sup>5</sup>		\$	(2,086)
Enterprise Value		\$	32,605

<sup>1</sup> Price based on May 31, 2022 closing market price. Share count as of May 31, 2022.

<sup>2</sup> In terms of share equivalents. Expire May 28, 2025. Strike price of \$2.25 per share. Price is the difference between the 5/31/22 closing common stock price and the strike price.

<sup>3</sup> In terms of share equivalents. Expire Jan 24, 2027. Strike price of \$1.50 per share. Price is the difference between the 5/31/22 closing common stock price and the strike price.

<sup>4</sup> Preferred stock shown at liquidation preference of \$10/share.

<sup>5</sup> Reference debt schedule below.

March 31, 2022 Net Debt Schedule		
<i>(\$ in thousands)</i>	Amount	Rate
Sub-Level Debt:		
Digirad Health	7,334	2.95%
KBS	2,921	6.25%
EGBL	2,081	6.25%
Star Real Estate	998	6.50%
Corporate-Level Debt	-	-
Total Debt <sup>6</sup>	13,334	4.45% <sup>7</sup>
Cash <sup>8</sup>	(15,420)	
Net Debt/(Cash)	(2,086)	

<sup>6</sup> Debt balances as of March 31, 2022.

<sup>7</sup> Weighted Average Cost of Debt.

<sup>8</sup> Includes restricted cash balance of \$0.4 million.

# Other Publicly-Traded Holding Companies

Small Cap:	Ticker	Market Cap <sup>(1)</sup>	Business Highlights
Elah Holdings Inc.	ELLH	50	<ul style="list-style-type: none"> <li>Recently reorganized holding company</li> <li>Co-sponsored by funds managed by 210 Capital and Goldman Sachs Asset Management</li> </ul>
Great Elm Group Inc.	GEG	67	<ul style="list-style-type: none"> <li>Durable medical equipment</li> <li>Real estate</li> <li>Investment management</li> </ul>
Crawford United Corp	CRAWA	85	<ul style="list-style-type: none"> <li>Aerospace manufacturing</li> <li>Marketing technology</li> <li>Metal, silicone, and hydraulic hoses</li> <li>Air handling and energy efficient solutions</li> </ul>
ALJ Regional Holdings Inc.	ALJJ	86	<ul style="list-style-type: none"> <li>Business process outsourcing services</li> <li>Printing services</li> <li>Finished home products manufacturing</li> </ul>
BBX Capital Corp	BBXIA	91	<ul style="list-style-type: none"> <li>Vacation ownership interests</li> <li>Real estate</li> <li>Chocolate and confectionary products</li> </ul>
BitNile Holdings Inc.	NILE	119	<ul style="list-style-type: none"> <li>Defense and aerospace</li> <li>Financial services</li> </ul>
INNOVATE Corp.	VATE	191	<ul style="list-style-type: none"> <li>Infrastructure</li> <li>Life sciences</li> <li>Broadcasting</li> </ul>
SWK Holdings Corp	SWKH	246	<ul style="list-style-type: none"> <li>Financial services for life science companies, including royalty-related financing</li> </ul>
Boston Omaha Corp <sup>(2)</sup>	BOC	649	<ul style="list-style-type: none"> <li>Insurance services</li> <li>Outdoor advertising services</li> </ul>
Steel Partners Holdings LP <sup>(2),(3)</sup>	SPLP	868	<ul style="list-style-type: none"> <li>Diversified industrial manufacturing</li> <li>Oil drilling and production services</li> <li>Financial services</li> </ul>
B. Riley Financial Inc.	RILY	1,518	<ul style="list-style-type: none"> <li>Financial services</li> <li>Internet access and related subscription services</li> <li>Telecom and VOIP services</li> </ul>
Compass Diversified Holdings	CODI	1,592	<ul style="list-style-type: none"> <li>Consumer goods manufacturing</li> <li>Environmental services</li> </ul>

(1) Based on data as of 05/31/22 - \$ in millions.

(2) Incentive fees paid to management teams.

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



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CEO

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