



DIGIRAD CORPORATION

INVESTOR PRESENTATION
(NASDAQ: DRAD)
DECEMBER 2015

FORWARD-LOOKING STATEMENTS

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: The presentation and information contained herein present “forward-looking statements” addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. The matters discussed in these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these uncertainties are described in Digirad’s Form 10-K, Form 10-Q and Form 8-K reports (including all amendments to those reports) and exhibits to those reports, and include (but are not limited to) the following: changes in business conditions, technology, reimbursement, radiopharmaceutical shortages, economic outlook, statements about the Company’s revenues, expenses, margins, cash flow from operations, market conditions and trends, health care dynamics, demand for imaging leasing services and products, competitive advantages, utilization, cost control, and restructuring efforts. This presentation reflects management’s views as of the date presented. Except to the limited extent required by applicable law, Digirad undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures: The financial information included in this presentation includes Non-GAAP financial measures. Reconciliations can be found on slides 26-28 of this presentation. In addition, reconciling information and definitions can be found on the Securities and Exchange Commission website at www.sec.gov in Exhibits 99.1 and 99.2, respectively of our form 8-Ks filed on October 14, 2015 and October 30, 2015.



DIGIRAD AT A GLANCE

We are a publicly traded company delivering personalized healthcare solutions and technology focused on providing quality, flexibility and cost efficiency in Nuclear Medicine, Nuclear Cardiology, Ultrasound Imaging and Cardiac Event Monitoring on an **As Needed**, **When Needed**, **Where Needed** basis.

DIAGNOSTIC SERVICES Q3 FY15 REVENUE \$12.0M			
DIGIRAD IMAGING SOLUTIONS			Telerhythmics
Nuclear Medicine Imaging	Ultrasound Imaging	Other Mobile Services	Cardiac Monitoring



2014 Full Year Revenues: \$42.2M

DIAGNOSTIC IMAGING
Q3 FY15 Revenue \$3.9M

Camera Support

Focused Camera Sales



2014 Full Year Revenues: \$13.4M



FINANCIAL SNAPSHOT AND Q3 HIGHLIGHTS

Overview	
> Share Price (11/23/15)	\$ 5.22
> Shares Outstanding (9/30/2015)	19.4M
> Market Capitalization (11/23/15)	\$ 101.0M
> Enterprise Value (11/23/15)	\$ 81.2M
> Dividend Yield (11/23/15)	3.83%
> Cash & Investments (9/30/2015)	\$ 19.9M
> Outstanding Debt (9/30/2015)	\$ -
> FY15 Adjusted EBITDA Guidance	\$ 6.5M - 6.9M
> Average Share Volume (3 months)	~78K

Q3 Results	
> Revenue totaled \$15.9M compared to \$13.9M in Q3 2014	
> Adjusted EBITDA	\$ 2.2M
> Adjusted Earnings Per Share	\$ 0.08
> Diagnostic Services Revenue Growth	11%
> Diagnostic Imaging Revenue Growth	27%



MISSION AND STRATEGY

Our Mission

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

Our Strategy

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

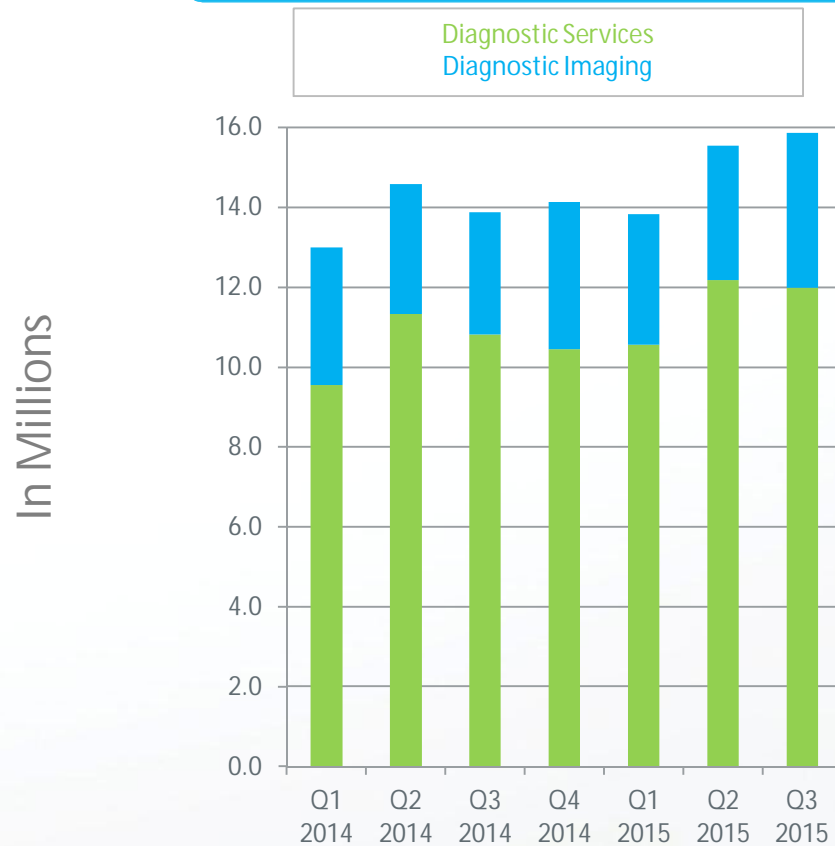
How we are Going to Achieve our Strategy

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

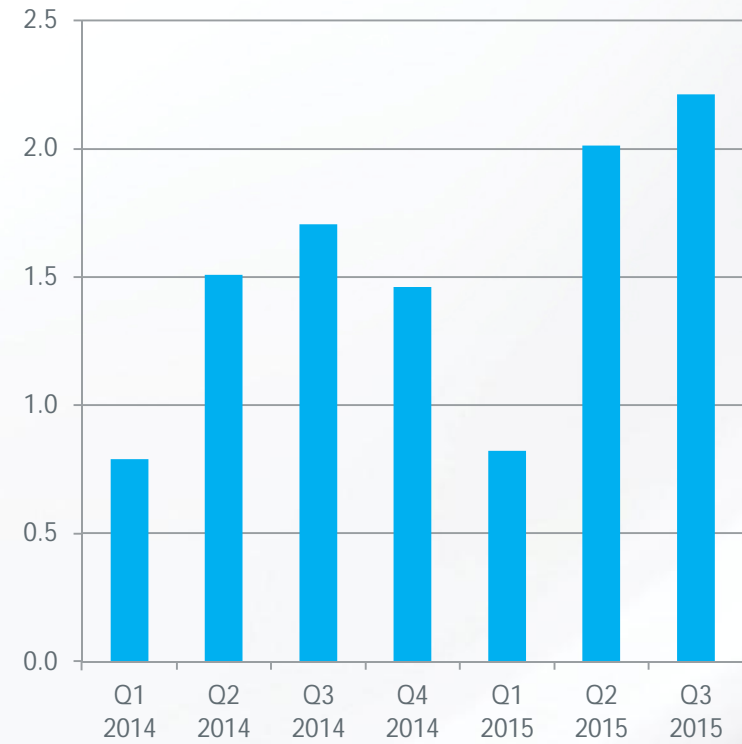


HISTORICAL RESULTS

Revenue



Adjusted EBITDA



DIGIRAD IMAGING SOLUTIONS



Cardius Mobile

DIGIRAD IMAGING SOLUTIONS:

NUCLEAR & ULTRASOUND IMAGING THAT MEETS HEALTHCARE NEEDS

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



Physician Issues

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

Value Proposition

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

DIGIRAD IMAGING SOLUTIONS:

WHAT WILL DRIVE GROWTH & CASH FLOW

Acquisitions

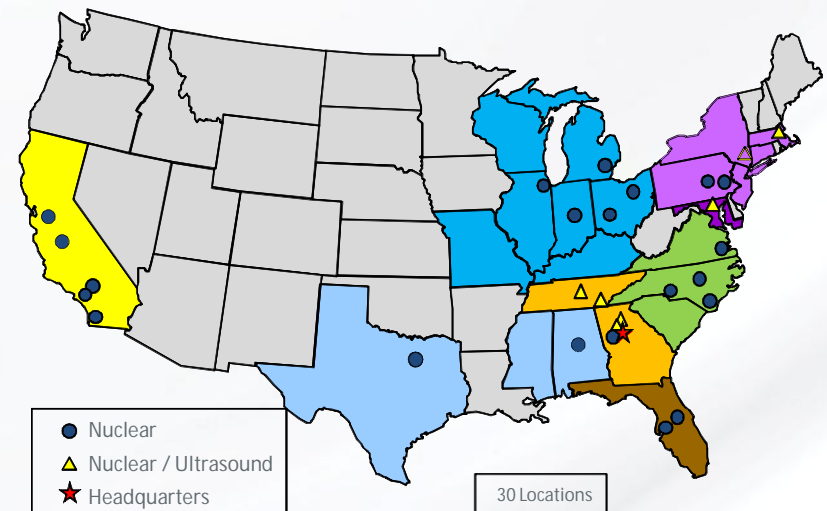
- > Tuck-in: Consolidation of smaller players, such as recent MD Office acquisition
- > Larger deep value opportunities
- > Will perform opportunistically – the right opportunity at the right price

New Revenue Streams from our Channels

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

Geographic Optimization

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



TELERHYTHMICS:

CARDIAC EVENT MONITORING

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



WWW.TELERHYTHMICS.COM

- > Digirad acquired Telerhythmics in March 2014
- > Telerhythmics utilizes owned as well as per-use leased equipment to provide monitoring services for individuals that have constant or periodic cardiac events
- > Patients are referred by hospitals, doctor offices, and other medical care facilities
- > Direct Medicare and Private Payer biller
- > Located in Memphis, Telerhythmics traditionally provided services in the southeast region of the USA



TELERHYTHMICS:

REMOTE CARDIAC EVENT MONITORING VALUE PROPOSITION



- > Telerhythmics and Digirad have very consistent customer base – but with very little overlap!
- > Opportunity to cross sell services; nuclear and ultrasound imaging as well as cardiac event monitoring
- > Competitively diversified: Staffed with critical care trained registered nurses vs. competitors with technicians – analysis and customer service is the key!
- > Device agnostic – we provide the best service with the devices that meet customer need



DIAGNOSTIC IMAGING CAMERAS



Cardius Mobile

Cardius
x●act



Cardius 2XPO®



Cardius Line

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



All Cameras

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

ergo

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

DIAGNOSTIC IMAGING:

VALUE PROPOSITION

Focused Product Sales & Customer Service

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

Camera Support

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



Digirad Strategy Update

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

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

February 2013:
• Core Business Restructured
• Return to Profitability

November 2013:
• Instituted a Regular Quarterly Dividend

March 2014:
• Telerhythmics Acquired
• ~\$5+ Million in Revenue
• Cardiac Monitoring Added to Digirad's Service Offerings

March 2015:
• MD Office Solutions Acquired
• ~\$3+ Million in Revenue
• North / Central California Geography Added

~ EOY 2015:
• Proposed Acquisition of DMS Health Technologies
• ~\$65+ Million in Revenue
• Expands Service Offerings, Geographies and Customer Base

Jan
2013

Dec
2015



DMS Health Technologies Overview

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

> DMS Health Mission:

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

> Founded in 1972

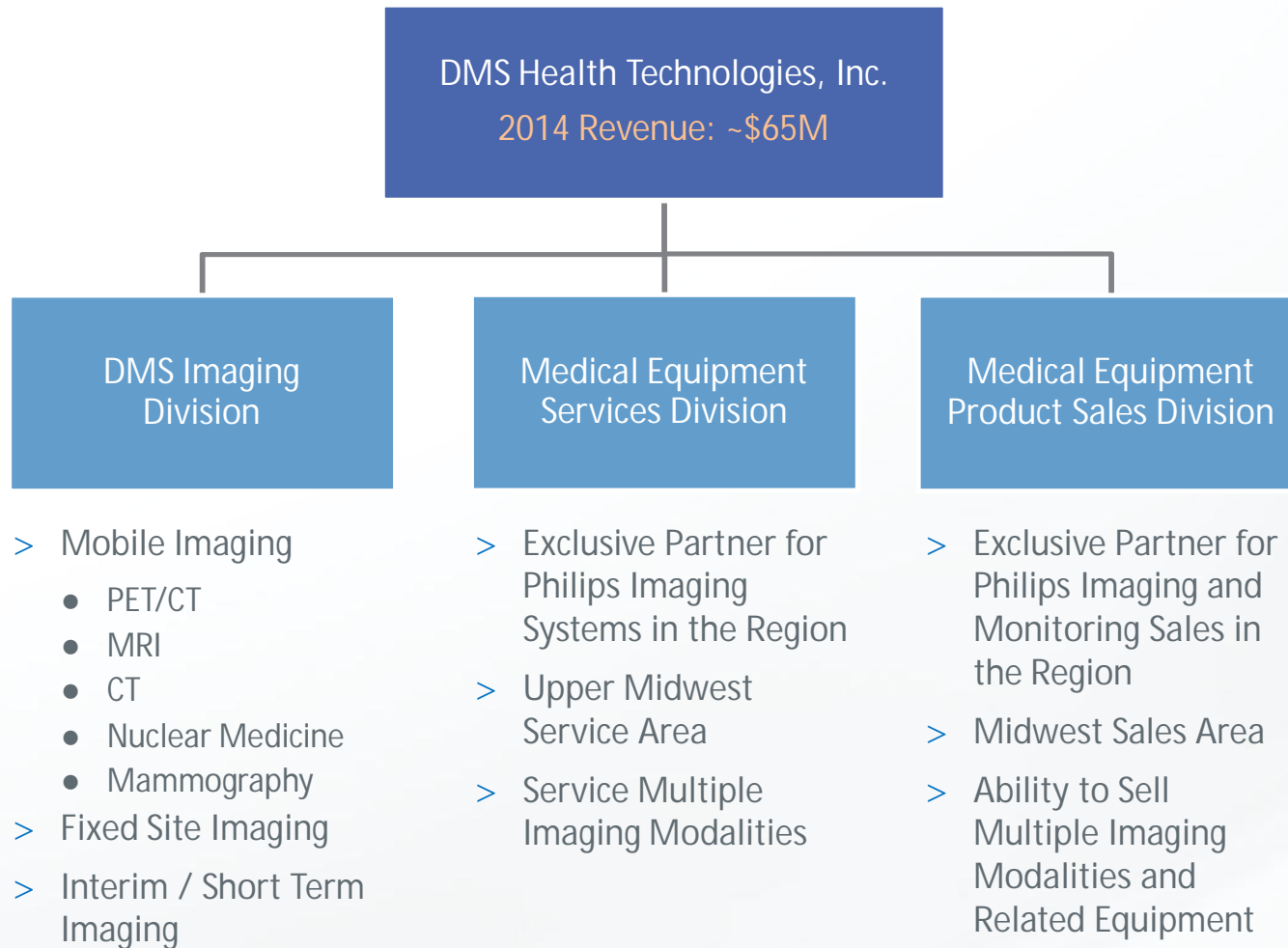
> Approximately 250 Employees

> Over \$65 million in revenues in 2014

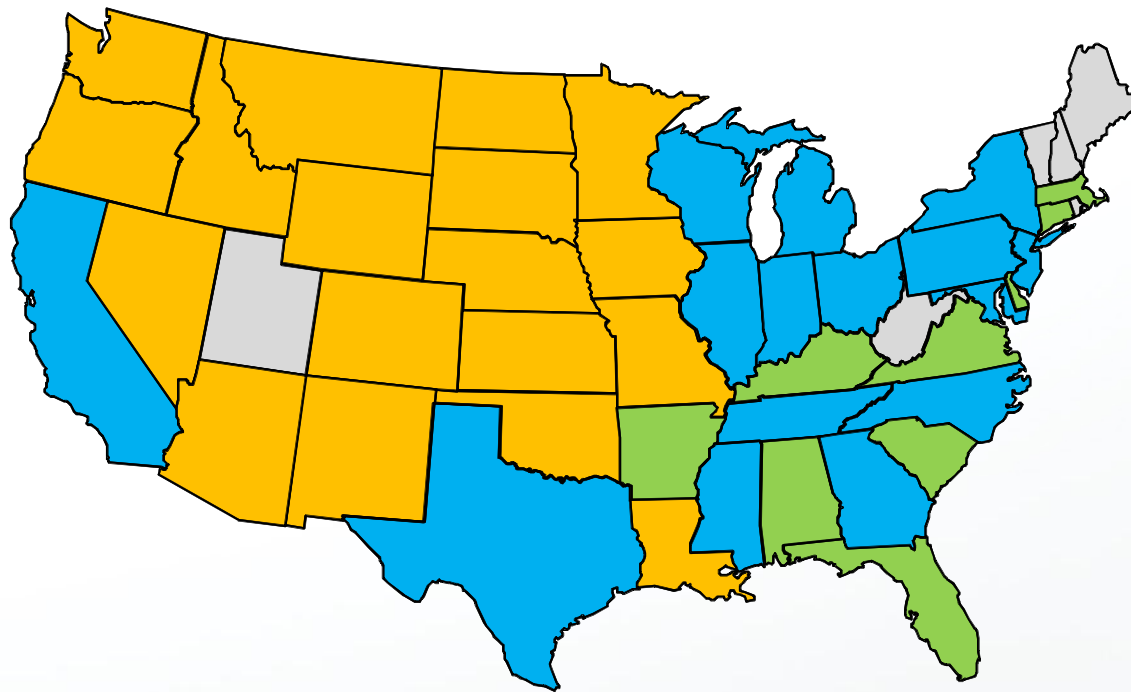
> Operations throughout the country, with a large concentration in the upper Midwest



DMS Health Technologies Overview



Pro Forma Customer Map



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

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



Pro Forma Combined Company

The combined Digirad entity is anticipated to have the following pro forma metrics once closed:

- > Annual Revenues: Over \$125 Million
- > Annual Adjusted EBITDA: Over \$17 Million
- > Employees: ~650
- > U.S. States Served: 42
- > Annual Dividend Rate Per Share: \$0.20



Key Deal Terms

Stock Purchase Agreement

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

Digirad Financing Arrangement

- > Total Commitment. \$40 million.
- > Financing Type. Commitment is spread among a revolving line and term loan tranches.
- > Asset Base. Accounts receivable, inventory, machinery and equipment, real property.
- > Covenants. Customary covenants on liquidity, maximum leverage, etc.
- > Financing Partner. Wells Fargo, N.A.



Key Benefits of DMS Health

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



RECAP:

HOW OUR STRATEGY INCREASES & DELIVERS VALUE TO OUR SHAREHOLDERS

Increase Value to Shareholders:

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

FINANCIALS

GAAP FINANCIAL PERFORMANCE

	Q3 2014 GAAP ⁽¹⁾⁽³⁾	Q4 2014 GAAP ⁽²⁾⁽³⁾	Q1 2015 GAAP ⁽³⁾	Q2 2015 GAAP ⁽³⁾	Q3 2015 GAAP ⁽³⁾⁽⁴⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 13.9	\$ 14.1	\$ 13.8	\$ 15.5	\$ 15.9
Gross Profit	4.4	4.3	3.6	4.8	4.8
Operating Expenses	3.4	3.5	3.5	3.6	3.9
Net Income	1.0	0.8	0.7	1.1	19.1
Net Income Per Share	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.06	\$ 0.97
Weighted Average Diluted Shares Outstanding	18.9	19.0	19.3	19.7	19.8

(1) Q3 2014 includes \$0.1 million of restructuring costs related to our January 27, 2014 restructuring announcement

(2) Q4 2014 includes \$0.03 million of restructuring costs related to our January 27, 2014 restructuring announcement

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

(4) Included within net income for Q3 2015 are release of previously reserved net operating loss carryforwards of approximately \$18.2 million

ADJUSTED FINANCIAL RESULTS

	Q3 2014 Adjusted (1)(2)(4)(5)	Q4 2014 Adjusted (1)(2)(4)(5)	Q1 2015 Adjusted (1)(2)(4)(5)	Q2 2015 Adjusted (1)(2)(4)(5)	Q3 2015 Adjusted (1)(2)(4)(5)
(in millions, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 13.9	\$ 14.1	\$ 13.8	\$ 15.5	\$ 15.9
Gross Profit	4.4	4.3	3.6	4.8	4.8
Operating Expenses	3.3	3.4	3.5	3.6	3.9
Net Income	1.2	0.9	0.3	1.4	1.5
Net Income Per Share	0.06	0.05	0.02	0.07	0.08
Adjusted EBITDA ⁽³⁾	\$ 1.7	\$ 1.5	\$ 0.8	\$ 2.0	\$ 2.2
Weighted Average Diluted Shares Outstanding	18.9	19.0	19.3	19.7	19.8

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

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

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

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

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



Q & A

APPENDIX:

NON-GAAP RECONCILIATIONS

	Q3 2014 ⁽⁶⁾	Q4 2014 ⁽⁶⁾	Q1 2015 ⁽⁶⁾	Q2 2015 ⁽⁶⁾	Q3 2015 ⁽⁶⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income	\$ 1.0	\$ 0.8	\$ 0.7	\$ 1.1	\$ 19.1
Restructuring charges ⁽¹⁾	0.1	-	-	-	-
Acquired intangible amortization ⁽²⁾	0.1	0.1	0.1	0.1	0.1
Acquisition related contingent consideration adjustment ⁽³⁾	-	-	-	(0.2)	-
Transaction and integration costs of DMS Health Technologies ⁽⁴⁾	-	-	-	0.3	0.4
Income tax items ⁽⁵⁾	-	-	(0.6)	-	(18.2)
Adjusted Net Income	\$ 1.2	\$ 0.9	\$ 0.3	\$ 1.4	\$ 1.5

(1) Reflects nonrecurring charges primarily related to restructuring of the Diagnostic Imaging camera operating activities

(2) Reflects amortization of acquired intangibles

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

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

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

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



APPENDIX:

NON-GAAP RECONCILIATIONS (CONT.)

	Q3 2014 ⁽⁵⁾	Q4 2014 ⁽⁵⁾	Q1 2015 ⁽⁵⁾	Q2 2015 ⁽⁵⁾	Q3 2015 ⁽⁵⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income per Common Share – Diluted	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.06	\$ 0.97
Restructuring charges ⁽¹⁾	-	-	-	-	-
Acquired intangible amortization	-	-	0.01	0.01	0.01
Acquisition related contingent consideration valuation adjustment ⁽²⁾	-	-	-	(0.01)	-
Transaction and integration costs of DMS Health Technologies ⁽³⁾	-	-	-	0.01	0.02
Income tax items ⁽⁴⁾	-	-	(0.03)	-	(0.92)
Adjusted Net Income per Common Share – Diluted	\$ 0.06	\$ 0.05	\$ 0.02	\$ 0.07	\$ 0.08

(1) Reflects nonrecurring charges primarily related to restructuring of the Diagnostic Imaging camera operating activities

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

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

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

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



APPENDIX:

NON-GAAP RECONCILIATIONS (CONT.)

	Q3 2014 ⁽⁴⁾	Q4 2014 ⁽⁴⁾	Q1 2015 ⁽⁴⁾	Q2 2015 ⁽⁴⁾	Q3 2015 ⁽⁴⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Income	\$ 1.0	\$ 0.8	\$ 0.7	\$ 1.1	\$ 19.1
Restructuring charges ⁽¹⁾	0.1	-	-	-	-
Acquisition related contingent consideration valuation ⁽²⁾	-	-	-	(0.2)	-
Transaction and integration costs of DMS Health Technologies ⁽³⁾	-	-	-	0.3	0.4
Depreciation and amortization	0.5	0.5	0.5	0.6	0.7
Stock-based compensation	0.1	0.1	0.1	0.1	0.2
Interest and other income, net	-	-	-	-	-
Interest expense	-	-	-	-	-
Income tax benefit (expense)	-	-	(0.6)	0.1	(18.2)
Adjusted EBITDA	\$ 1.7	\$ 1.5	\$ 0.8	\$ 2.0	\$ 2.2

(1) Reflects nonrecurring charges primarily related to restructuring of the Diagnostic Imaging camera operating activities

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

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

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