

JUNE 2016

Delivering the Complete Healthcare Solution



Digirad

(NASDAQ: DRAD)

Forward-looking Statements

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

Non-GAAP Financial Measures: The financial information included in this presentation includes Non-GAAP financial measures. Reconciliations can be found on slides 29-31 of this presentation. In addition, reconciling information and definitions can be found on the Securities and Exchange Commission website at www.sec.gov in Exhibits 99.1 and 99.2, respectively of our form 8-K filed on April 29, 2016.

Agenda

- Company Overview
- Mission and Strategy
- Healthcare Services
- Healthcare Products
- Recap
- Questions



What does Digirad do?

Digirad delivers
Healthcare solutions
expertise.

As Needed.

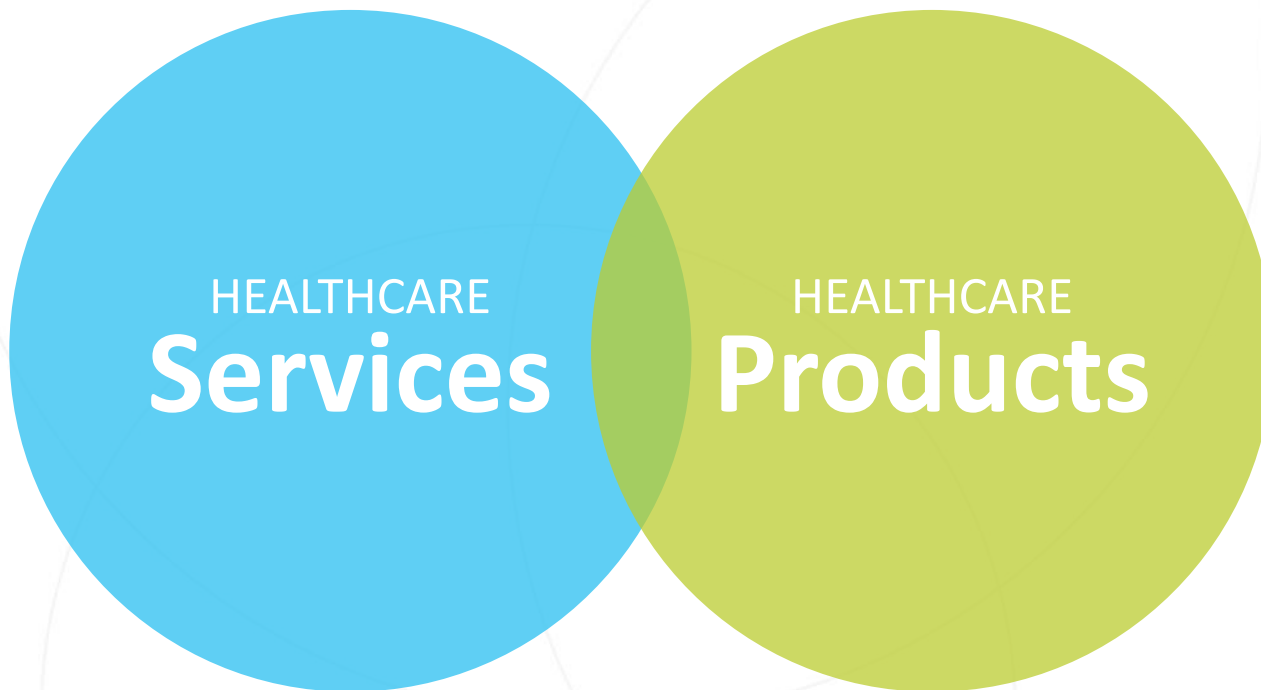
When Needed.

Where Needed.



The Digirad Difference

Digirad combines a mix of **healthcare services** and **healthcare products** to create a **complete solution** for physicians and hospital systems.





HEALTHCARE
Services

HEALTHCARE
Products

The Complete Solution

- Mobile Healthcare
 - Mobile Nuclear Imaging
 - Mobile CT, MRI and PET
 - Cardiac Monitoring
 - Other Customized Solutions
-
- Solid State Nuclear Gamma Cameras
 - Philips PET, CT, MRI and other Imaging Products
 - Philips Monitoring Products
 - Warranty and Post Warranty Support for Digirad and Philips Imaging Products

Healthcare Services and Products Overview

HEALTHCARE SERVICES

Diagnostic Services

Q1 FY16
\$12.0M

Nuclear medicine imaging, mobile services and cardiac monitoring.

2015 Revenues:
\$46.4M

Mobile Healthcare

Q1 FY16
\$12.0M

Mobile health and mobile imaging solutions for hospital and IDN systems.

Acquired
January 1, 2016

HEALTHCARE PRODUCTS

Diagnostic Imaging

Q1 FY16
\$3.6M

Solid state nuclear gamma cameras. Focused on sales and support.

2015 Revenues:
\$14.4M

Medical Device Sales & Service

Q1 FY16
\$3.6M

Exclusive sales and service of Philips Medical Equipment in the upper Midwest.

Acquired
January 1, 2016

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Mission and Strategy

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.

Strategy

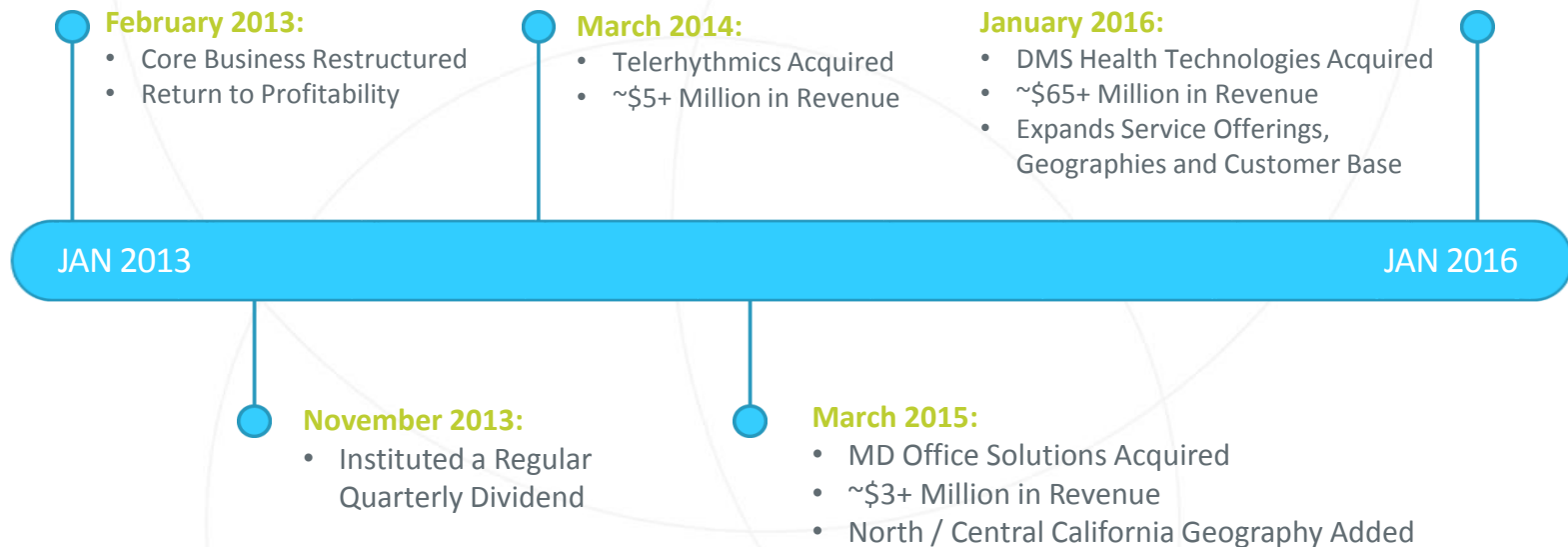
To drive **income** and **cash flow** from our business, which will grow and enhance shareholder value, for which that value will be **aggressively returned** to the shareholders.



Growth Strategy

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

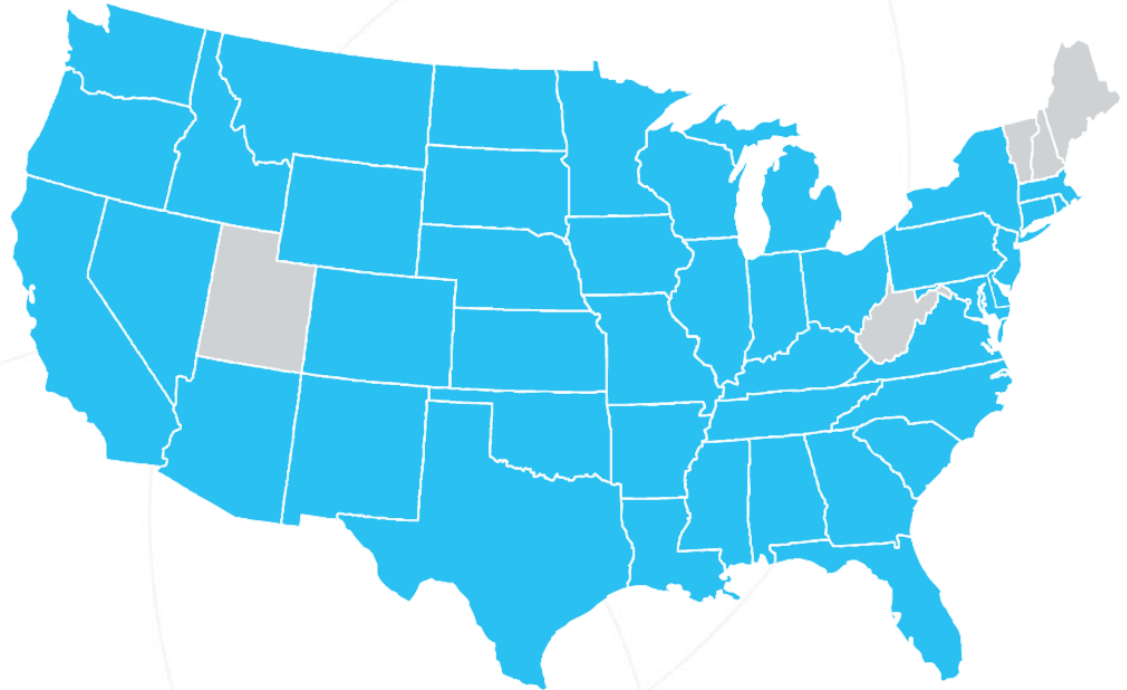
DIGIRAD STRATEGY IN ACTION



Geographic Coverage

COVERAGE HIGHLIGHTS

- Growth has occurred through organic means and acquisitions
- New array of modalities offered
- Expansion of services and products
- Ability to leverage cross-sales
- In 2016, Digirad now covers **42 states**



Financial Snapshot and Q1 Highlights

Overview

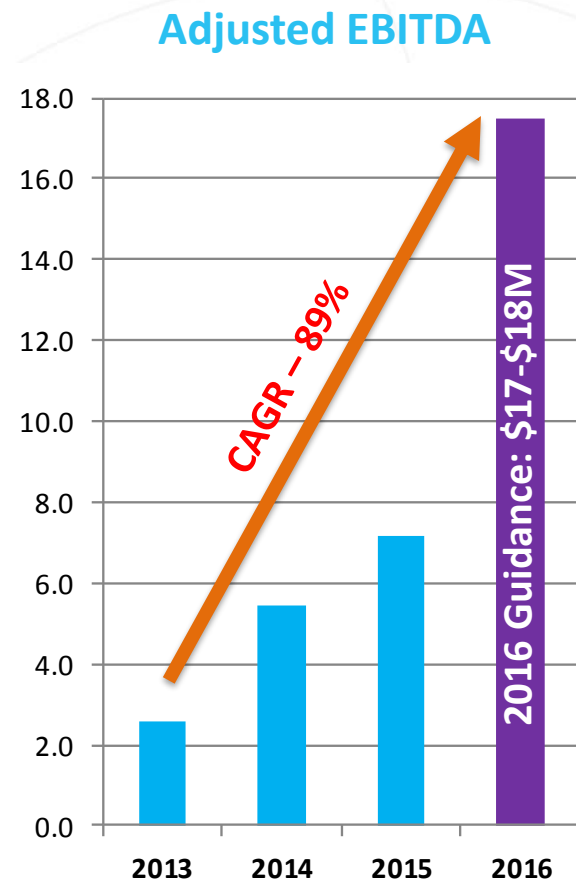
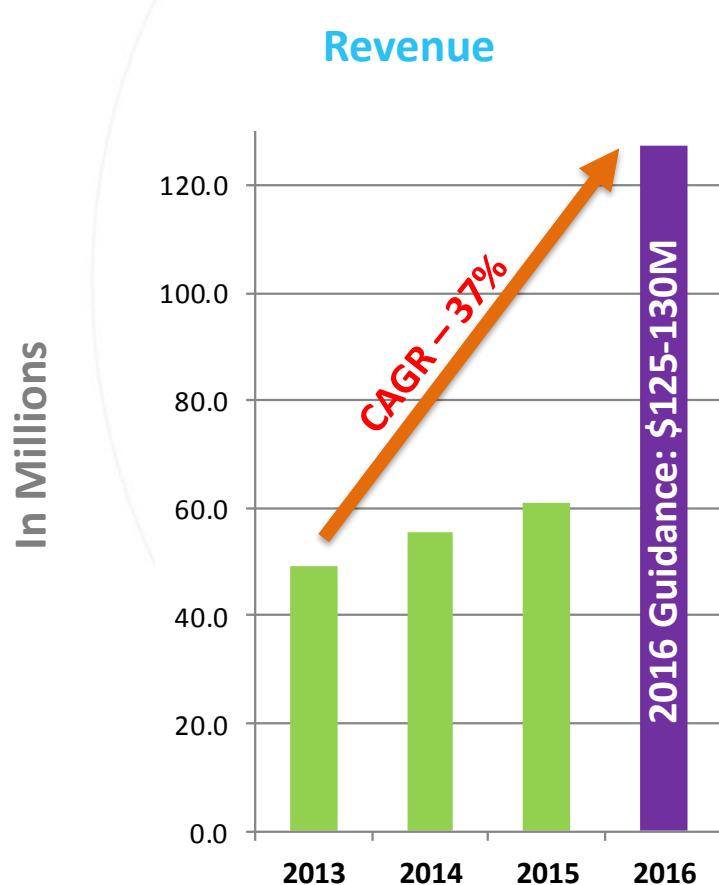
Share Price (6/21/2016)	\$ 5.29
Shares Outstanding (3/31/2016)	19.5M
Market Capitalization (6/21/2016)	\$ 103.2M
Dividend Yield (6/21/2016)	3.78%
FY16 Adjusted EBITDA Guidance	\$ 17M - 18M
Average Share Volume (3 months)	~61K

Q1 Results

Revenue totaled \$31.2M compared to \$13.8M in 2015	
Services Revenue Growth	127%
Product and Product-Related Revenue Growth	118%
Adjusted EBITDA ¹	\$3.7M
Earnings Per Share	\$0.58
Adjusted Earnings Per Share ¹	\$0.07

¹ See reconciliations on slides 29-31

Results and Guidance



2016 is based on the Company's 2016 guidance for revenue and adjusted EBITDA

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HEALTHCARE **Services**

HEALTHCARE SERVICES

Digirad Imaging Solutions

Delivering licensed staffing and imaging equipment to physicians without the burden or cost of full ownership.



STAFF



EQUIPMENT



SUPPORT

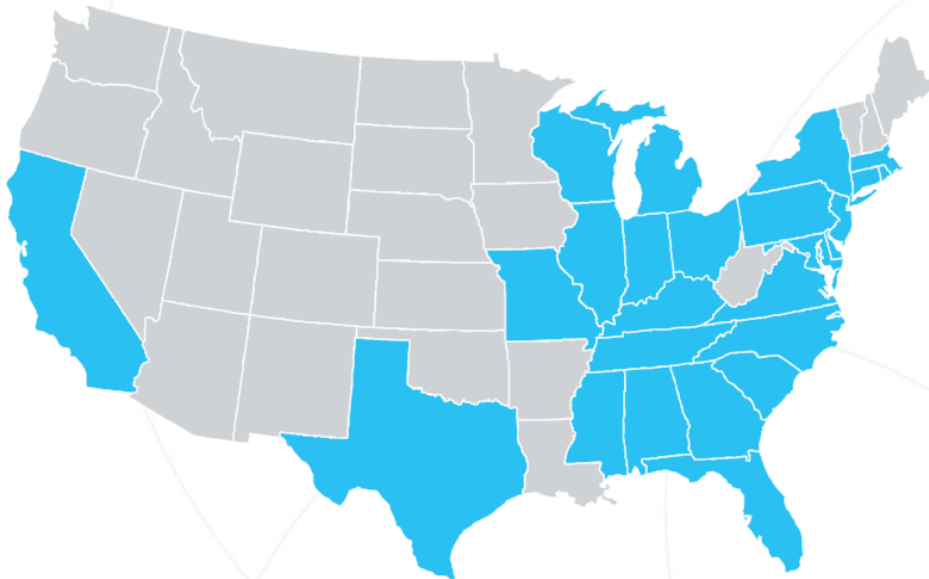
SERVICES INCLUDE:

- Nuclear Cardiology
- Ultrasound
- Cardiac Event Monitoring
- Staffing
- Outreach Programs
- Consulting Services



HEALTHCARE SERVICES

Digirad Imaging Solutions



Driving growth, increasing cash flow

Digirad Imaging Solutions provides outsourced nuclear and ultrasound services to over 30 locations.

ACQUISITIONS

- Tuck-in: Consolidation of smaller players
- Larger deep value opportunities
- Right opportunity at the right price

NEW REVENUE STREAMS

- New service lines
- Digirad Select: Array of tailored services to fit customer needs

GEOGRAPHIC OPTIMIZATION

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

HEALTHCARE SERVICES

Mobile Healthcare

Mobile Healthcare, through DMS Health provides a wide range of mobile, fixed-site, and provisional healthcare and imaging services.



SERVICES INCLUDE:

- Mobile Imaging
- PET/CT, MRI, CT, Nuclear Medicine, Mammography
- Fixed Site Imaging
- Provisional Imaging
- Ability to provide many other mobile healthcare services



HEALTHCARE SERVICES


Telerhythmics

Telerhythmics is a 24-hour cardiac event monitoring service serves hospitals and physician offices on an outsourced basis.



- Acquired in March 2014
- Patients are referred by hospitals, physicians, and medical care facilities
- Direct Medicare and Private Payer biller
- Superior Service through Superior Staffing



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HEALTHCARE **Products**

HEALTHCARE PRODUCTS

Nuclear Gamma Cameras

Digirad is the leader in the development and distribution of solid-state SPECT gamma cameras.

THE DIGIRAD ADVANTAGE

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



HEALTHCARE PRODUCTS

Nuclear Gamma Cameras

CARDIUS LINE

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



Cardius® x•act



Cardius® 2 XPO

ERGO

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



Cardius® 3 XPO



ergo™

HEALTHCARE PRODUCTS

Medical Device Sales & Service

- Upper Midwest service area
- Exclusive partner for Philips Imaging Systems in the region
- Service multiple imaging modalities
- Ability to sell multiple imaging modalities
- Diverse customer base



HEALTHCARE PRODUCTS

The Digirad Advantage

PRODUCT SALES & CUSTOMER SERVICE

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

CAMERA SUPPORT

- Nationwide Field Service Engineers
- Flexible to address customer needs
- Serves a significant installed base of cameras, plus ability to service non-Digirad models



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Recap

In Summary

Digirad has developed a strategy that **increases value** and **delivers value** for our shareholders. Shareholder value has been and will continue to be increased by following our formula for growth:

THE DIGIRAD FORMULA FOR INCREASING VALUE

- 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. \$90 million in Federal NOLs to offset income tax expense
- + Consistent and steady dividend distributions
- + Share repurchases (opportunistically)
- = **Increased Shareholder Value**

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Questions

The background of the slide is a solid light blue color. Overlaid on this background are three large, thin, white circles that overlap each other in a Venn diagram-like fashion. One circle is positioned towards the top left, another towards the top right, and the third towards the bottom center. Their intersections create various shades of blue.

Appendix: Financials

GAAP Financial Performance

	Q1 2016 GAAP ⁽¹⁾⁽²⁾	Q1 2015 GAAP ⁽¹⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)
Revenues	\$ 31.2	\$ 13.8
Gross Profit	9.1	3.6
Operating Expenses	9.6	3.5
Net Income	11.6	0.7
Net Income Per Share	\$ 0.58	\$ 0.04
Weighted Average Diluted Shares Outstanding	19.9	19.3

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

(2) Included within net income for Q1 2016 are release of previously reserved net operating loss carryforwards of approximately \$12.5 million

Appendix: Non-GAAP Reconciliations

	Q1 2016 ⁽⁴⁾	Q1 2015 ⁽⁴⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)
Net Income	\$ 11.6	\$ 0.7
Acquired intangible amortization ⁽¹⁾	0.6	0.1
Transaction and integration costs of DMS Health Technologies ⁽²⁾	1.5	-
Income tax items ⁽³⁾	(12.3)	(0.6)
Adjusted Net Income	\$ 1.3	\$ 0.3

(1) Reflects amortization of acquired intangibles

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

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

(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

Appendix: Non-GAAP Reconciliations

	Q1 2016 ⁽⁴⁾	Q1 2015 ⁽⁴⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)
Net Income per Common Share – Diluted	\$ 0.58	\$ 0.04
Acquired intangible amortization ⁽¹⁾	0.03	0.01
Transaction and integration costs of DMS Health Technologies ⁽²⁾	0.07	-
Income tax items ⁽³⁾	(0.62)	(0.03)
Adjusted Net Income per Common Share – Diluted	\$ 0.07	\$ 0.02

(1) Reflects amortization of acquired intangibles

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

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

(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

Appendix: Non-GAAP Reconciliations

	Q1 2016 ⁽²⁾	Q1 2015 ⁽²⁾
(in millions, except per share data)	(Unaudited)	(Unaudited)
Net Income	\$ 11.6	\$ 0.7
Transaction and integration costs of DMS Health Technologies ⁽¹⁾	1.5	-
Depreciation and amortization	2.5	0.5
Stock-based compensation	0.2	0.1
Interest expense	0.4	-
Income tax benefit	(12.5)	(0.6)
Adjusted EBITDA	\$ 3.7	\$ 0.8

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

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