

Issuer Free Writing Prospectus
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Capstone Holding Corp.

Investor Presentation

Building Products Consolidation
Distribution Augmented by Select Vertical Integration

February 2025



Legal Disclosure & Disclaimer

Capstone Holding Corp. ("Capstone") is offering shares of common stock (the "Securities") in a public offering (the "Offering"). The proceeds of the Offering, if completed, are intended primarily to be used for the repayment of a term loan and general corporate purposes.

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Free Writing Prospectus Statement

Capstone has filed a registration statement (including a prospectus) with the SEC for the Offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, we or any underwriter participating in the offering will arrange to send you the prospectus if you request it by contacting Joseph Gunnar & Co., LLC, telephone: 212-440-9600.

Special Note Regarding Forward-Looking Statements and Industry Data

This presentation includes forward-looking statements within the meaning of Section 27A of the Act and Section 21E of the Exchange Act. Except for statements of historical fact, any information contained in this presentation may be a forward-looking statement that reflects, Capstone's current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or results to differ significantly from those expressed in any forward-looking statement. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "could", "would", "should", "plan", "predict", "potential", "project", "expect", "estimate", "anticipate", "intend", "goal", "strategy", "believe", and similar expressions and variations thereof. Forward-looking statements may include statements regarding the Offering, the effect of the Offering on Capstone's business strategy, the market size, and potential growth opportunities of Capstone, capital requirements, and use of proceeds. Although Capstone believes that the expectations reflected in such forward-looking statements are reasonable, such statements are based upon numerous estimates and assumptions with respect to industry performance and competition, general business, economic, market and financial conditions and matters specific to the business of Capstone, all of which are difficult to predict and many of which are beyond the control of Capstone. Capstone cannot guarantee future events, results, actions, levels of activity, performance, or achievements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the heading "Risk Factors" in Capstone's filings with the SEC as well as risks, uncertainties, and assumptions relating to or arising from: (1) the structure, timing and ability to satisfy the conditions to closing the Offering; (2) Capstone's ability to have its initial listing application approved by Nasdaq; (3) the ability to realize the benefits of the Offering, including the impact on future financial and operating results of Capstone; (4) the cooperation of those involved in the development of our current and future products; (5) costs related to the Offering, known and unknown, including costs of any potential litigation or regulatory actions relating to the Offering; and (6) changes in applicable laws or regulations. Actual results and the timing of events could differ from those anticipated in such forward-looking statement as a result of these risks.

These forward-looking statements speak only as of the date of this presentation and Capstone undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date hereof.

This presentation also contains estimates and other statistical data made by independent parties and by Capstone relating to the building products industry. This data involves a number of assumptions and limitations and you are cautioned not to give undue weight to such estimates.

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Transaction Overview

Issuer:	<ul style="list-style-type: none">▪ Capstone Holding Corp.
Listing Symbol:	<ul style="list-style-type: none">▪ NASDAQ: CAPS (Common Stock)
Offering Type:	<ul style="list-style-type: none">▪ Follow-on Offering
Base Offering Size:	<ul style="list-style-type: none">▪ \$5,000,000 at \$4.00 per share
Over-Allotment Option:	<ul style="list-style-type: none">▪ 15.0% of base offering size
IPO Shares Offered:	<ul style="list-style-type: none">▪ 1,250,000▪ 1,437,500 with full exercise of over-allotment
Common Shares Outstanding Immediately After Offering:	<ul style="list-style-type: none">▪ 5,190,251 (or 5,377,751)
Use of Proceeds:	<ul style="list-style-type: none">▪ Repayment of term loan▪ Grow organically by expanding the breadth of our distribution by both geography and new products▪ Grow via a rapid acquisition program of building products distributors and manufacturers
Lockup:	<ul style="list-style-type: none">▪ 6 months
Expected Pricing Date:	<ul style="list-style-type: none">▪ February 2025
Sole Bookrunner:	

Experienced Management Team To Drive Growth



Michael Toporek
Chairman

- Founder and Managing General Partner of Brookstone Partners (the ultimate beneficial owner of the majority interest in Capstone) for over 20 years
- Actively works with entrepreneurial management teams to build companies and help to **execute their strategic vision**.
- Former investment banker, at firms including Chemical Bank, Dillon Read, UBS, and SG Cowen & Co.
- He serves on the Board of Advanced Disaster Recovery, **Virginia Abrasives**, and Soluna Holdings Inc.
- Michael has a B.A. in Economics and an M.B.A. in Finance and Accounting from the University of Chicago



Matthew Lipman
Capstone CEO

- Matthew joined Brookstone in 2004. He actively works with portfolio companies on organizational transformation, **market expansion**, implementing financial discipline and strengthening operations.
- His strength is working with companies to manage their capital structures, **executing add-on acquisitions** and other portfolio company related strategic projects.
- Prior to joining Brookstone, Matthew was a member of the M&A group at UBS responsible for formulating and executing on complex merger, acquisition and financing strategies for Fortune 500 companies in various sectors.
- Matthew received his B.S. from Babson College in Business Administration.



Kevin Grotke
Instone CEO

- Kevin is the President and CEO of Capstone's **Instone business unit** where he oversees the daily sales, operations and financial performance of the company.
- Kevin joined Instone in 2010, when Instone acquired the Building Materials Distribution Business from Hearth and Home Technologies (Division of HON Industries).
- Prior to joining Instone, Kevin held various leadership and line level positions over his 15-year career at Owens Corning, with most recent being Director of North American Sales.

Experienced Management Team To Drive Growth



Charles ("Chuck") E. Dana
*Director Nominee
(Lead Independent Director)*

- Chuck has **40+ years** of financial and general management experience.
- He started his career at GE and eventually became the President of GE Locomotives Indonesia.
- Chuck joined Owens Corning in 1995, where as President of the Composite Solutions Business, he grew sales from \$1.2 to \$2.4 billion over seven years, **through both organic growth and acquisitions**
- Mr. Dana eventually ran every business unit at Owens Corning (roofing, insulation and composites), producing **18 consecutive quarters of net income** growth under his leadership
- He retired from Owens Corning and served as Executive Vice President of the Molded Fiber Glass Companies.
- In 2016, he joined Brookstone Partners as an operating partner.
- Chuck received a B.A. from Dartmouth College in Economics.



Gordon Strout
Director Nominee

- Gordon founded Instone and then partnered with Brookstone Partners in 2006, and was President & CEO through April 2021.
- Gordon has **35+ years** of experience in the Building Products distribution industry.
- Gordon has played an integral role in the growth trajectory of Instone since its inception.
- Gordon received a B.A. from the University of Miami.

Key Investment Highlights



Right Team

- Private equity sponsor with 25 years of deep building products investment experience has a significant stake and is driving strategy.
- Current platform company has executed acquisitions and integrations .
- Chuck Dana, a long-time operating partner is a director nominee.



Right Time

- Historically acquiring companies in the building product sector at interest rate peaks has provided excellent returns and strategic investment points.



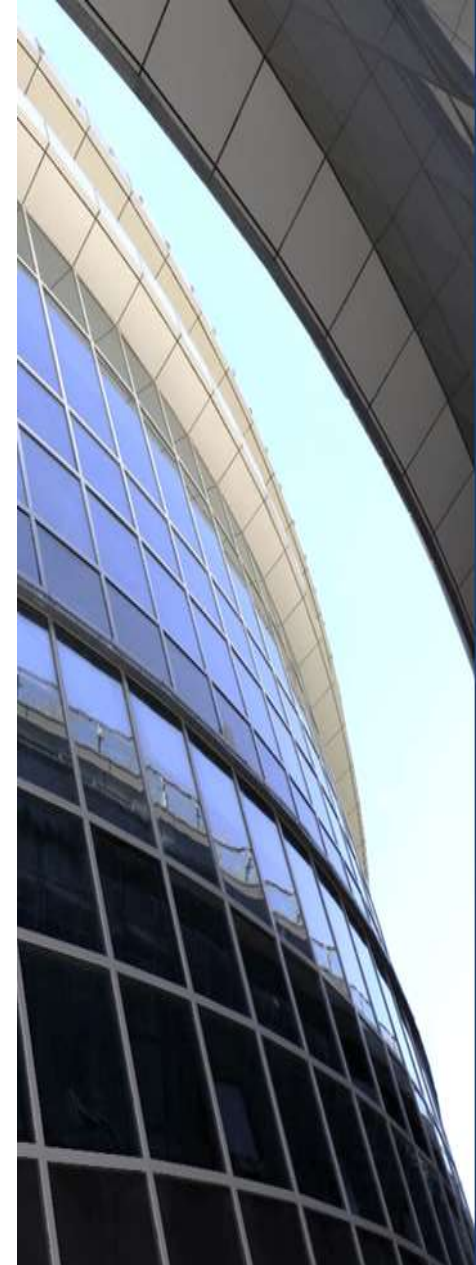
Right Platform

- Current operating Company services 31 US states in its distribution area.
- Plugging in other distributors or manufacturers can provide solid path to revenue growth.



Premium For Size

- As the company grows EBITDA the valuation premium for size coupled with earning growth drives the share price.



M&A Performance: Right Timing, Right Strategy



M&A Results

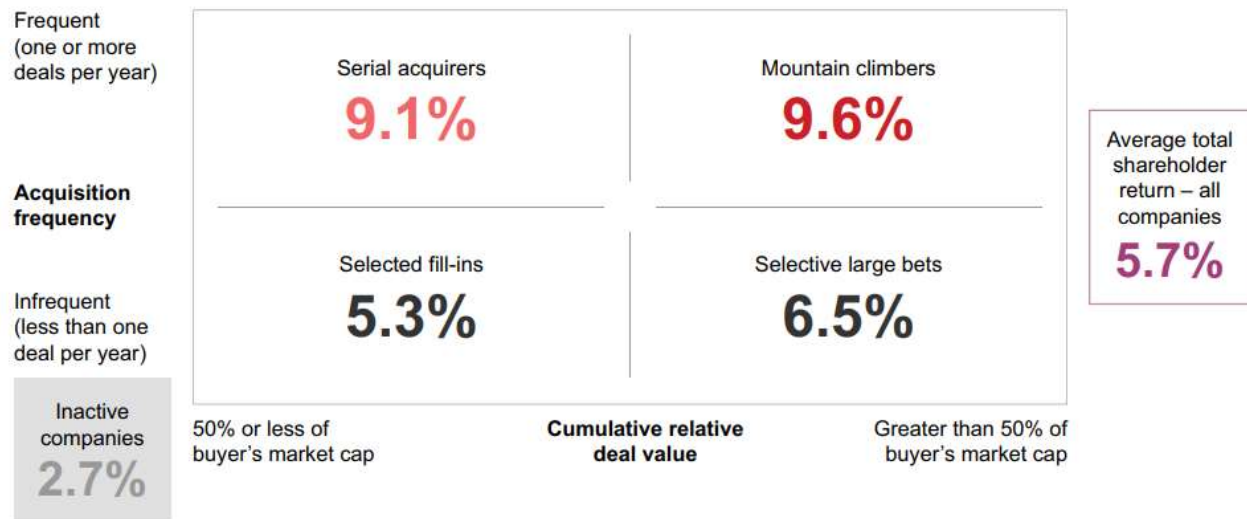
- “Building products companies that make frequent and material acquisitions substantially outpace inactive companies in total shareholder returns, 9.6% vs 2.7%”, according to Bain & Co.⁽¹⁾
- “Successful companies will pursue scope M&A to build product, geography, and capability adjacencies”⁽¹⁾



Ideal Time for M&A Activity

- “Financial investors have taken a step back, especially in North America, removing a potentially formidable layer of competition”⁽¹⁾
- “Just the type of environment that has proved to offer opportunities to companies willing to make bold moves”⁽¹⁾

**Annual total shareholder returns for building products companies
(Compound annual growth rate 2012–2022)**



(1) Source: Bain & Company Global M&A Report 2024

Building Products Distribution Consolidation

Investment Thesis:

Well Timed, Attractive Opportunity Set



- Key differentiator: The company owns or controls five of the eight brands it sells through:
 - Contract
 - Joint Ventures
 - Acquiring selected manufacturers and ramping up their distribution



Market Environment

- Most distributors privately held
- Over 7,000 distributors
- Most manufacturers fail to leverage distribution
- Over cycles sector has grown 5-7%



Capstone Holdings/Instone

- Acquisition platform: Proven history of success
- Improving Logistics through Technology
- Controlled by Brookstone Partners with over 77% of the common equity

Business Growth Strategy



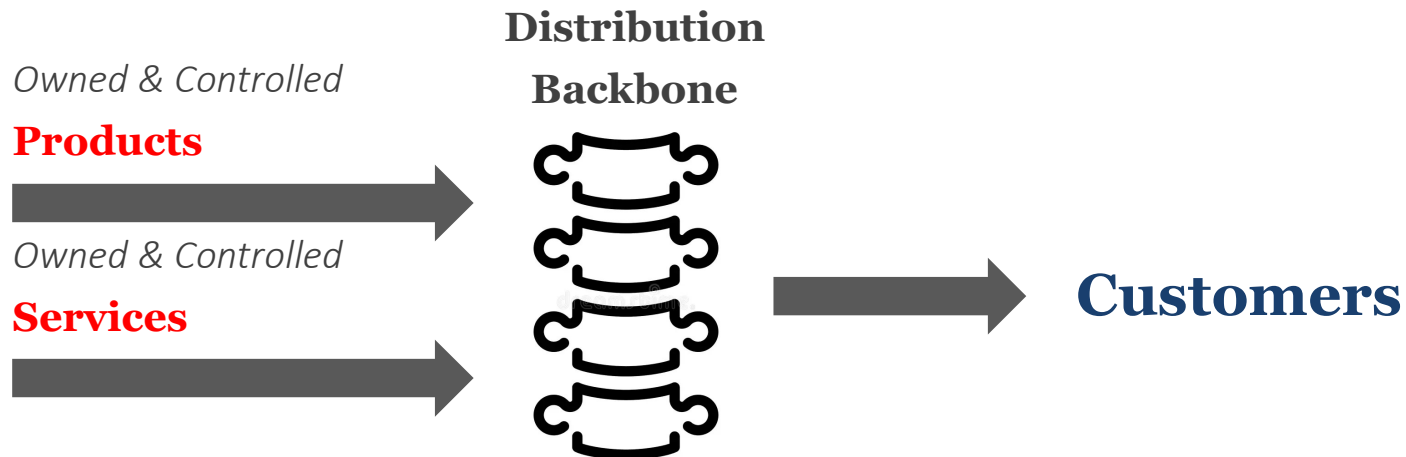
Reach Further, Offer More

- Expand **geography** and **product** breadth of distribution platform
- Own/outsouce manufacturing with owned brands
- Contractual relationship with unowned brands



Buy Manufacturers, Fortify Distribution Core

- Identify and **acquire** under distributed manufacturing company.
- Seamlessly **integrate** acquired **manufacturers** into the **distribution** infrastructure.
- Strengthen the **supply chain**, diversify **product offerings**, and expand market reach.



Product Overview: Owned & Controlled Product Offerings



Product Portfolio Control

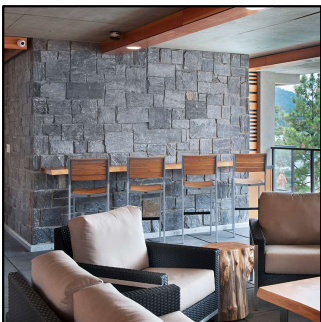
- Key strategy is to own or control brands and products that the Company sells
- Five of the eight brands we sell are under the Company's own brands or brands for which it holds exclusive distribution rights in its trade territory.



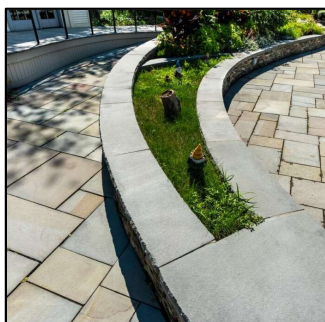
Toro Stone
(Stone Veneer)



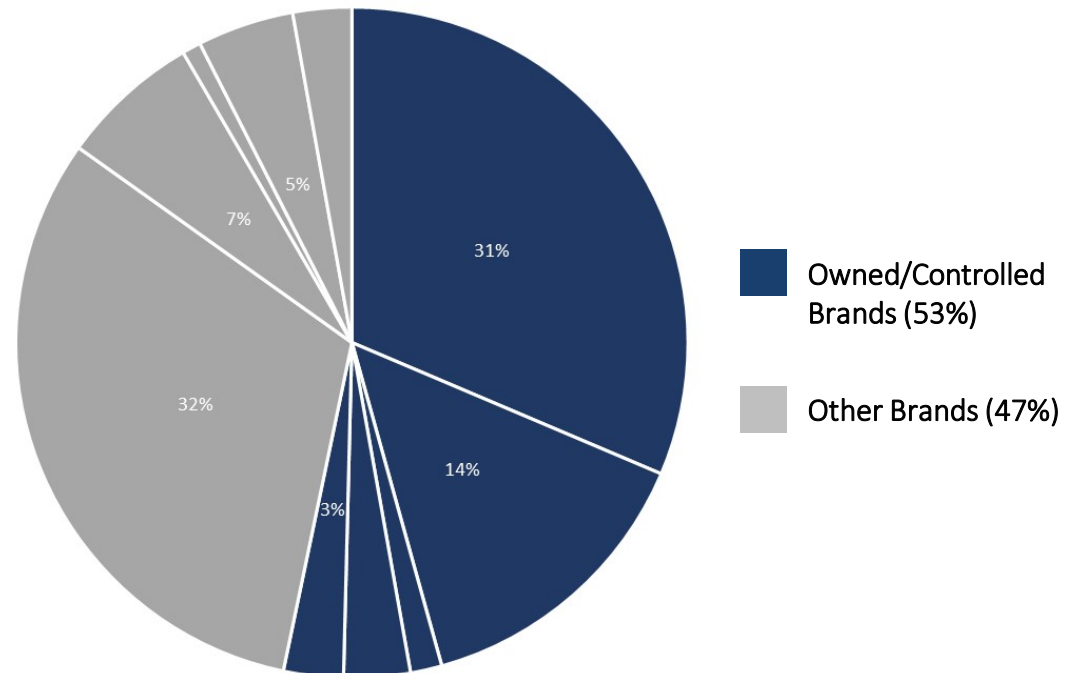
Interloc
(Stone Veneer)



Pangea
(Stone Veneer)



Aura
(Landscape Stone)



New Product Driving Growth: Toro

National brand of man-made stone



Quality Product

- Jointly developed with a manufacturer in Mexico.
- Optimal quality vs. price value relationship engineered into popular SKU's.
- 30 SKUs offered currently, further product development in progress.



Smart Packaging

- Distributor and mason-friendly packaging/stacking design allowing 3x more storage space in the warehouse.



User-Friendly Design & Purchase Tools

- Product visualizer and stone calculator help design and implement projects.



Market Timing and Opportunity

- **Market Context:** During and post-Covid, leading market incumbents faced significant supply and quality issues.
- **Current Situation:** Natural Stone is highly fragmented due to regionality and logistics. Our products and services provide a unique offering to the market.
- **Opportunity:** It is our belief that Toro is ideally positioned as the "Fill In" supplier, offering a reliable and manageable alternative to address the weaknesses in current market leaders.



New Product Driving Growth: Pangaea

National brand of Natural Stone



Quality Product

- Natural Stone priced competitively against premium manufactured stone options.
- Each stone is tooled, trimmed, fitted with GripSet® technology.



Smart Packaging

- Each layer is formulated to achieve optimal yield for mason.



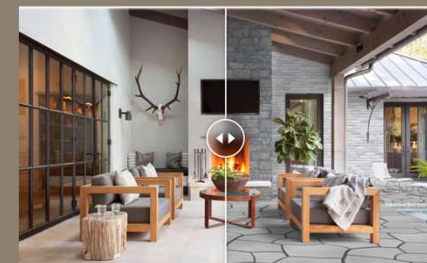
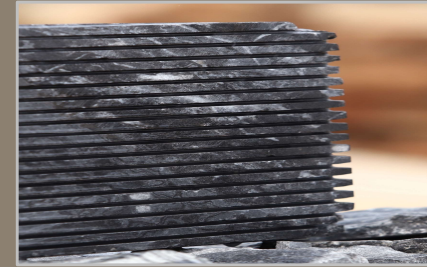
User-Friendly Design & Purchase Tools

- Product visualizer helps design and implement projects.

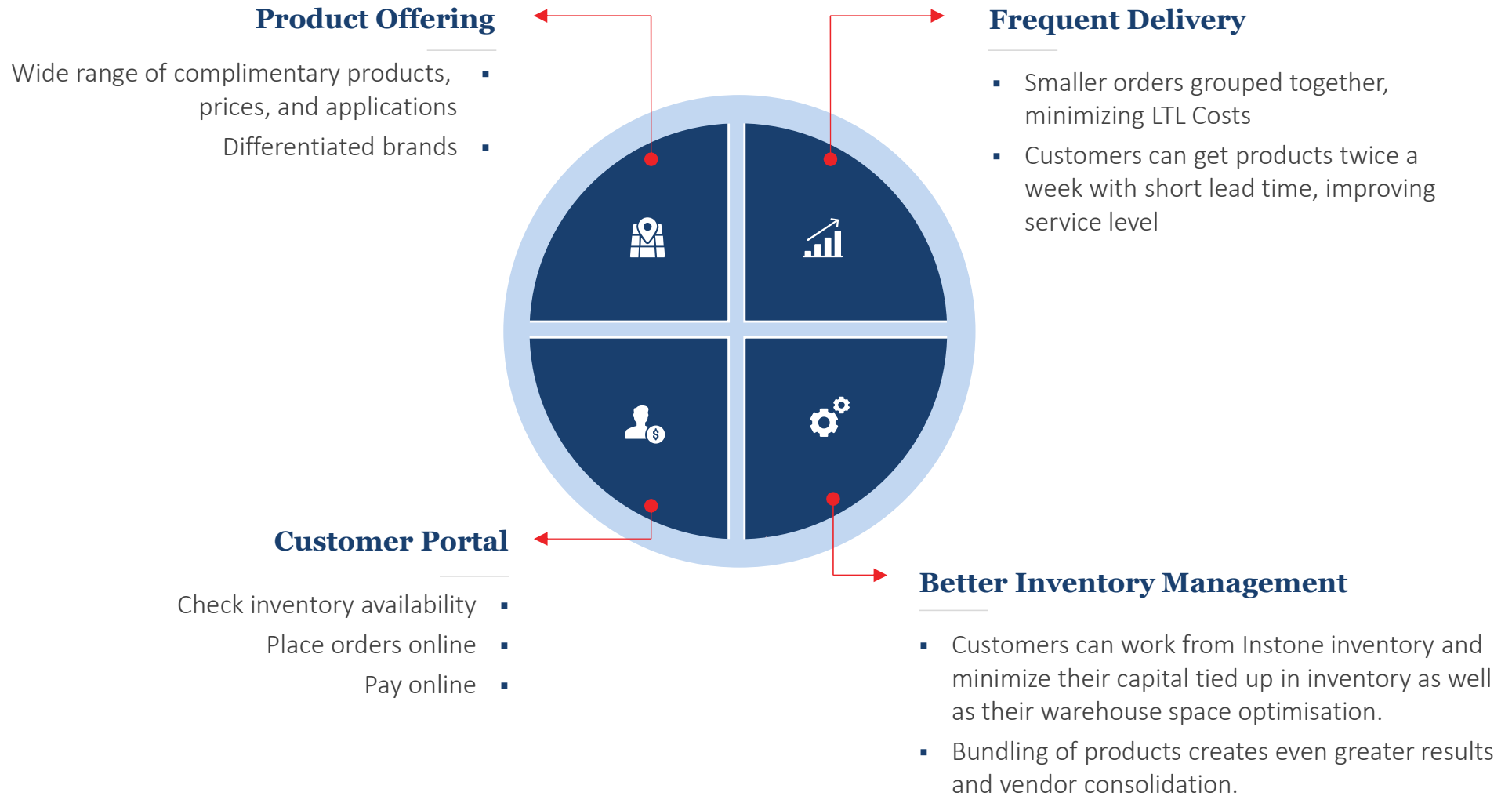


Market Timing and Opportunity

- **Market Context:** During and post-Covid, leading market incumbents faced significant supply and quality issues.
- **Current Situation:** Natural Stone is highly fragmented due to regionality and logistics. Our products and services provide a unique offering to the market.
- **Opportunity:** It is our belief that Pangaea is ideally positioned as the premium Thin Veneer product for the market. It delivers enhanced value over any other Thin Veneer in the market at a competitive price point.



Value Driver: Service Platform



Customer Overview:

Instone's wide dealer network can be grouped into three main customer types:

- **Masonry Dealers:**
Focus: Brick, block, stone, and other masonry products.
Customers: Contractors, builders, general contractors, architects, and retail.

- **Landscape Dealers:**
Focus: Hardscape and landscape products.
Customers: Landscapers, hardscapers, design firms, and retail.

- **Building Materials Dealers:**
Focus: Roofing and siding products.
Customers: Contractors, builders, general contractors, architects, and consumers.

Platform Profile: Instone



 **Building products distribution platform that owns or controls over 50% of the products it distributes in 31 states in the US will:**

- Grow its distribution footprint
- Expand product lines
- Continue to drive density growth organically and through acquisition

 **Successful transaction history:**

- 2006 – Opened warehouse in Virginia
- 2007 – Acquisition of Nutmeg Masonry – warehouse in CT
- 2010 – Acquired HHTs Stone business
- 2015 – Acquired Heller’s Stone business
- 2019 – Acquired Northeast Masonry (NEM)
- 2019 – Acquired warehouse in Ohio

 **Strong accretive acquisition pipeline**

Closing Thoughts



Platform run by industry veterans that understand the business cycle and buying patterns of customers



Conservative capital structure



Solid cash flow generation and anticipated share price appreciation





For More Information:

Matthew Lipman
Chief Executive Officer and Director
+1 (212) 302-0699
matt.lipman@capstoneholding.net

Appendix - Company History

2017

Brookstone Investment

- CAPS had an NOL in excess of \$150 million

2017
2020

Ownership Increase

- Brookstone expanded its ownership as a portion of debt was repaid with equity but did not trigger NOL constraints. Currently at about 77% of common.

2019

Delisting

- Brookstone de-registered the common stock of Capstone under the Exchange Act to save costs and the common stock of Capstone was delisted by Nasdaq on July 21, 2011.

2020

TotalStone – Instone Transaction

- April 2020, Capstone bought ownership of about 89% of TotalStone LLC (a Brookstone Portfolio Company) in exchange for newly issued shares of preferred stock.

2024

Regulatory and shareholder status

- CAPS posts its annual report and quarterly reports to OTCmarkets.com site.