



CAPSTONE HOLDING CORP.

**BUILT TO DELIVER.
POSITIONED TO ACQUIRE.
READY TO SCALE.**

March 2025

Preamble Disclosure & Disclaimer

The following content is completely qualified by the legal disclosures on the following two slides.

Our goal is to share with you some of our strategic thinking and financial analysis we are using to guide the growth of our business.

The content is in line with our principles of being accountable and transparent with shareholders.

We operate in a hyper dynamic economic environment. That's a fancy way of saying things change quickly. What we are telling you here is based on our estimates and assumptions which are our best guess. We reserve the right to revise our point of view based on new information and changes in the business environment.

Despite an uncertain, dynamic environment, we must plan and make operating and investment decisions. This presentation lays some of that out for your review.



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This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act that reflect our current views with respect to, among other things, our operations, business strategy, interpretation of prior development activities, plans to develop and commercialize our products and services, potential market opportunity, financial performance and needs for additional financing. We have used words like "anticipate," "believe," "could," "estimate," "expect," "future," "intend," "may," "plan," "potential," "project," "will," and similar terms and phrases to identify forward-looking statements in this presentation.

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Contd...

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Agenda



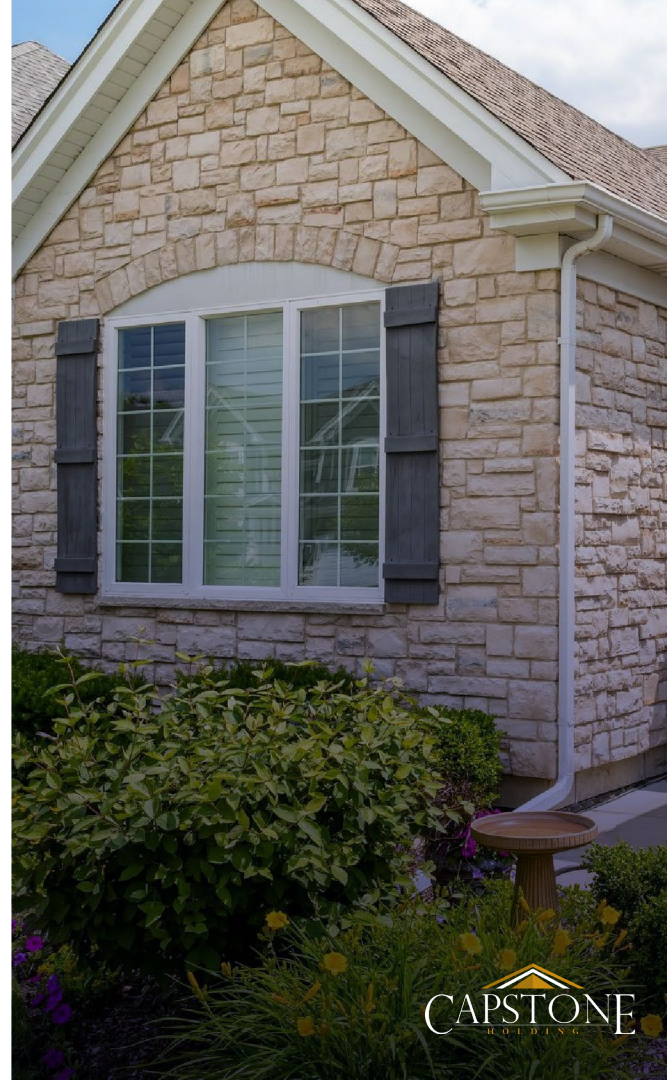
Capstone Goals for **2025**



Performance of Instone in **2024**



Earnings Power of Instone Standalone for **2025**





Capstone Goals for 2025

Capstone Key Milestones 2025

\$100 million Revenue, \$10 million Adjusted EBITDA*

- By end of the year, targeting run-rate **Revenue of \$100 million and Adjusted Operating Income / EBITDA of \$10 million** for operating subsidiaries
- We anticipate announcing a **series of acquisitions** throughout the year to accelerate our growth and achieve our growth objectives

Targets

- Focused on **Tuck-In** Acquisitions, **Sister** Companies, and **Platform** Acquisitions
- Current environment offers **favorable purchase multiples** and structures
Acquisition multiples of **4-6x EBITDA**
20% - 45% consideration non-cash
- Current **focus on strategic Tuck-In** Acquisitions to accelerate earnings growth

* The \$100 million revenue and \$10 million adjusted EBITDA are targets for 2025 that include anticipated acquisitions. As these targets are dependent on closing acquisitions during 2025, the Company is unable to include a reconciliation of forward-looking non-GAAP results to the corresponding GAAP measures as they are not available without unreasonable efforts due the uncertainties regarding the future identification and closing of acquisition targets.

Acquisition Strategy

THREE-PRONGED ACQUISITION STRATEGY



Tuck In Acquisitions

Grow Instone's presence beyond the Northeast and Midwest into the South, Southeast, and Mountain States



Sister Companies

Invest in businesses with strong product or channel synergies that operate independently but align with existing operations



Platform Acquisitions

Acquire companies with strong fundamentals and growth potential in the broader building products and services sector



Performance of Instone in 2024

Instone Trends: 2024



Rapid interest rate increases key factor affecting 2024 environment

- From March 2022 to August 2023, 18 months, saw short term rates rise from near 0.0% to over 5.0%.
- Existing home sales fail to keep up with household formation and are at near 30 year lows.



By mid-year market tone improves

- Third quarter revenue grew slightly, fourth quarter revenue relative to last year grew by over 8%.
- Weather played a role, but market tone improved



Traction with new products set to drive growth

- The combination of Toro and Pangea continues to resonate with dealers. Roll out to new customers and territories continues.

Analysis of 2024 Profitability



Illustration of 2024 Earnings adjusted for margins and costs

- Instone reported a 2024 net loss of \$1.7 million
- With the current cost structure and 2024 revenue, Instone would have produced \$2.5 million in Adjusted EBITDA
- Gross Profit margins are normalized
- SG&A is expected to decline due to implemented cost reductions

(in USD \$ 000s)	Full Year 2024			Instone Adjusted at 23.5% GP (Non GAAP)
	Instone (GAAP)	GP Adjustment at 23.5%	Run rated SG&A	
Revenue	44,876	-	-	44,876
COGS	35,306	(976)	-	34,330
Gross Profit	9,569	976	-	10,546
<i>Gross Profit %</i>	21.3%			23.5%
SG&A *	8,497	-	(476)	8,021
Operating Income (Loss) / Adjusted EBITDA	1,073	976	476	2,525
<i>EBITDA %</i>	2.4%			5.6%
D&A	517	-	-	517
Interest	1,410	-	-	1,410
Taxes	-	-	-	-
Net Income	(854)	976	476	598

* Excludes i) Capstone management fees, 2) Brookstone management fees, 3) Totalstone Board Fees, and 4) Depreciation and amortization.

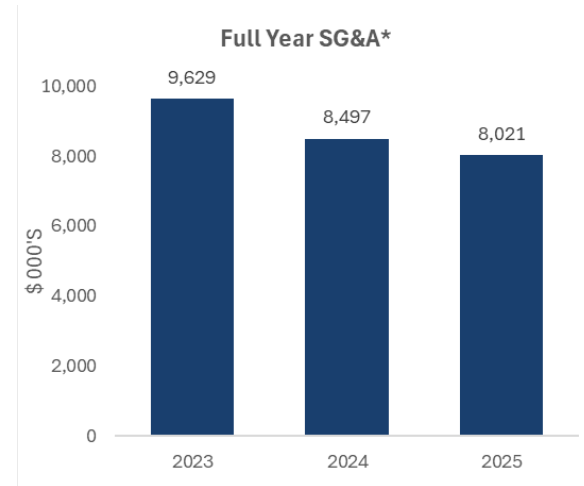
2024 Profitability Adjustments

Gross Margin: normalized

- Gross Profit margin was affected **by increased freight costs during Covid years** which resulted in **higher cost inventory** on the balance sheet
- Freight costs and have since normalized and **by the end of 2024 costs returned to historical levels**

SG&A: run rate applied to the year

- Throughout 2023 and 2024 with the market softness, the team continued to reduce overhead costs
- Changes in **process** and adoption of **technologies** ensure that **reductions are sustainable and scalable.**
- **Sustainable reductions**, reduced SG&A run rate to about **\$8M.**



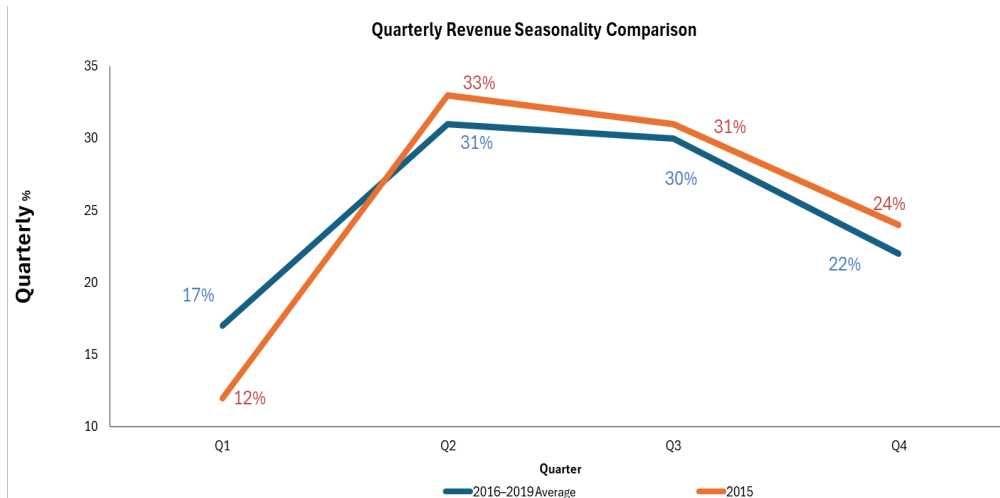
* Excludes 1) Capstone management fees, 2) Brookstone management fees, 3) Totalstone Board Fees, and 4) Depreciation and amortization.

Instone: Seasonality Explained



Seasonal temperatures impact the timing of Instone's revenue throughout the year

- Cold winters tend to yield lower revenue in the first Quarter, followed by stronger months
- Warmer winters tend to yield a stronger first Quarter followed by slightly softer months



A large, modern stone house at dusk. The house features a prominent chimney on the left side, a two-car garage, and a large stone facade. The interior lights are on, and the sky is a deep blue with some light clouds. The text "Earnings Plan for 2025" is overlaid in white on the left side of the image.

Earnings Plan for 2025

2025 - Instone Earnings Power

2025 Plan: Focused On **Organic Revenue Growth**, **Margin Expansion** & **Cost Control**

(in USD 000)	Low Case 2025	Upside Case 2025
Revenue	47,500	49,000
COGS	36,337	37,483
Gross Profit	11,163	11,515
<i>Gross Profit %</i>	23.5%	23.5%
SG&A*	8,021	8,021
Operating Income (Loss) / Adjusted EBITDA	3,142	3,494
<i>Adjusted EBITDA %</i>	6.6%	6.8%
D&A	472	472
Interest	1,067	1,067
Taxes	-	-
Adjusted Instone Net Income*	1,602	1,954
Capstone Management Fees	240	240
Brookstone Management Fees	400	400
Instone Board Fees	186	186
Instone Net Income(GAAP)	776	1,128

* Excludes 1) Capstone management fees, 2) Brookstone management fees, 3) Totalstone Board Fees, and 4) Depreciation and amortization.



Factors Affecting Performance



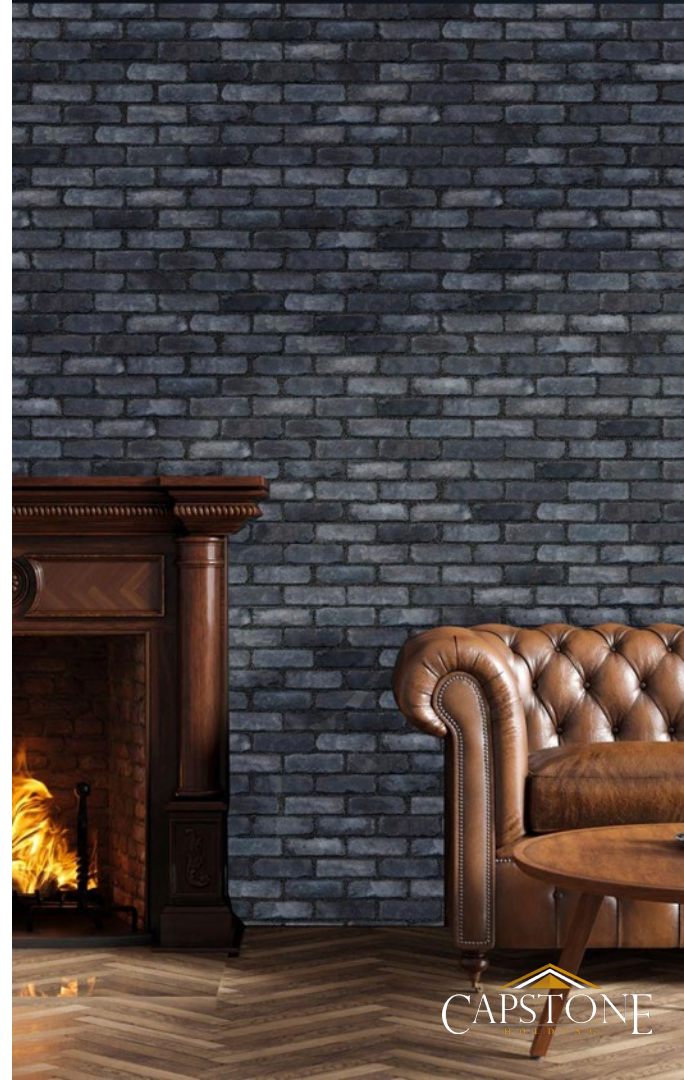
GENERAL FACTORS

- Weather variability
- Housing shortage relative to household formation
- Interest rates
- Personal income and unemployment



COMPANY FACTORS

- Product launches
- Territory expansion to Southeast and Mountain states
- Market share gains
- Operational excellence



Capstone Corporate Costs



Relatively Fixed:

- Capstone CEO, Capstone CFO, corporate acquisition search costs, legal & insurance costs, board fees, other public company / financing costs



Variable:

- Investor Relations, IR/PR, marketing. These costs can be adjusted as required



When valuing the business or asset:

- Corporate overhead, Capstone and Brookstone management fees and board fees are non-essential to Instone's operations and are excluded when valuing Capstone's core asset, Instone



Key Principals Of Capstone



TRANSPARENCY

Clear View Into
Performance Builds Trust



ACCOUNTABILITY

Enables Performance
Management And Ownership



ADAPTABILITY

Expect to Update Range Every
Quarter As Year Moves Forward

Appendix

Reconciliation of Non-GAAP Results

(in USD \$000)

	2024				
	Q1	Q2	Q3	Q4	FY
Capstone Consolidated Net Income (loss)	(1,109)	(373)	27	(1,107)	(2,562)
<u>Reconciliation to Instone Net Income (loss)</u>					
Remove Capstone Expenses					
Taxes	6	6	6	425	442
Interest Expense	21	21	9	21	73
Total SG&A Expenses	87	71	328	117	604
Total COGS	-	-	-	-	-
Total Revenue	(60)	(60)	(60)	(60)	(240)
Instone Net Income (loss)	(1,054)	(335)	310	(604)	(1,683)
<u>Instone Adjustments</u>					
Capstone Management Fees	60	60	60	60	240
Brookstone Management Fees	100	100	100	100	400
Instone Board Fees	46	47	45	50	189
Adjusted Instone Net Income (loss)	(848)	(128)	515	(394)	(854)
Taxes	-	-	-	-	-
Interest Expense	363	382	353	312	1,410
Adjusted Instone Operating Income (loss)	(485)	254	868	(82)	556
Depreciation & Amortization	117	134	136	130	517
Adjusted Instone EBITDA (loss)	(368)	388	1,004	48	1,073
Gross Profit Normalization	455	265	(98)	355	976
Run Rate SG&A Adjustment	119	119	119	119	476
Adjusted Instone EBITDA @ 23.5% Gross Profit (loss)	206	772	1,025	522	2,525

In addition to figures prepared in accordance with GAAP, Capstone from time to time presents alternative non-GAAP performance measures, e.g., EBITDA, adjusted EBITDA, adjusted net profit/loss, adjusted earnings per share, free cash flow. These measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. Alternative performance measures are not subject to GAAP or any other generally accepted accounting principle. Other companies may define these terms in different ways.



Reconciliation of Non- GAAP Budget

(in USD \$000)

Full Year 2025

Low Case

Upside Case

Instone 2025 Net Income / (loss) Budget (GAAP)

776

1,128

Reconciliation to Instone Net Income (loss)

Capstone Management Fees

240

240

Brookstone Management Fees

400

400

Instone Board Fees

186

186

Instone Adjusted Net Income (loss)

1,602

1,954

In addition to figures prepared in accordance with GAAP, Capstone from time to time presents alternative non-GAAP performance measures, e.g., EBITDA, adjusted EBITDA, adjusted net profit/loss, adjusted earnings per share, free cash flow. These measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. Alternative performance measures are not subject to GAAP or any other generally accepted accounting principle. Other companies may define these terms in different ways.



Financial Measures - Non-GAAP

Capstone uses non-GAAP Adjusted EBITDA as a supplemental measure of our performance that is not required by, or presented in accordance with, accounting principles generally accepted in the United States (GAAP). A non-GAAP financial measure is a numerical measure of a company's financial performance that excludes or includes amounts so as to be different from the most directly comparable measure calculated and presented in accordance with GAAP in the statement of operations, balance sheet or statement of cash flows of a company.

Adjusted Instone EBITDA and Adjusted Instone EBITDA @ 23.5% Gross Profit (Loss) are not measurements of financial performance under GAAP and should not be considered as an alternative to net income (loss), operating income (loss), or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or a measure of our liquidity. Capstone urges investors to review the reconciliation of non-GAAP Adjusted EBITDA to the comparable GAAP Net Income (Loss), which is included in this presentation, and not to rely on any single financial measure to evaluate Capstone's financial performance.

We believe that Adjusted Instone EBITDA is a useful performance measure and is used by us to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business than measures under GAAP can provide alone. We define "Adjusted Instone EBITDA" as earnings (loss) before interest expense, any income taxes, depreciation and amortization expense, management fees incurred by Instone payable to Capstone and Brookstone, Instone board fees, share - based compensation, change in fair value of contingent consideration, and transaction costs.

We believe that Adjusted Instone EBITDA @ 23.5% Gross Profit (Loss) is a useful performance measure and is used by us to measure Instone's adjusted EBITDA on a current run rate basis. We define "Adjusted EBITDA @ 23.5% Gross Profit (Loss)" as Adjusted EBITDA plus adjustments to derive gross profit at our estimated next twelve month gross profit percentage and reflect SGA expenses based on our SGA costs incurred in our last historical quarter.





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