



CAPSTONE HOLDING CORP.



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

August 2025

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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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Agenda



Executive Summary

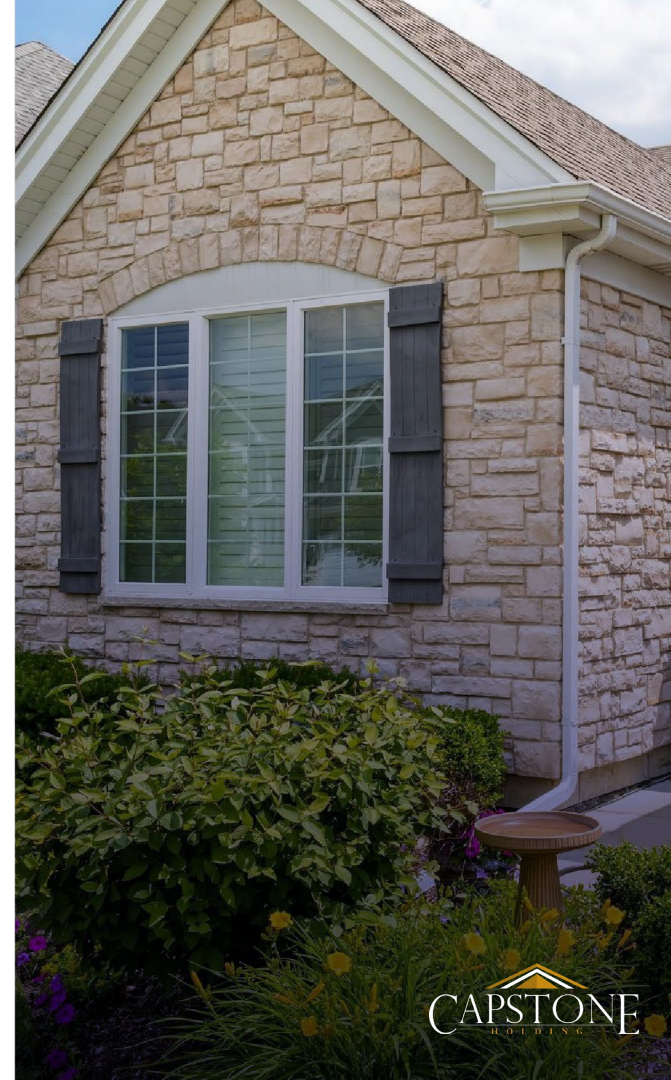


Capstone 2025 Goals & Strategic Progress

- Acquisition Announcement
- M&A pipeline update



Instone Q2 2025 Performance Review



Executive Summary: **Second Quarter**



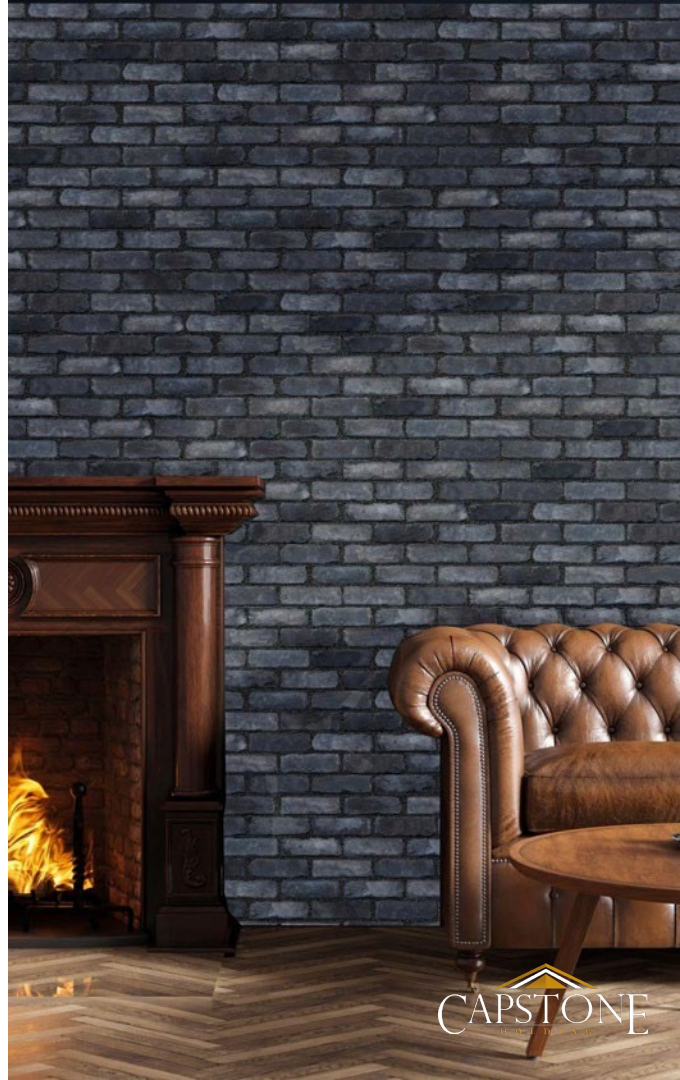
Brand Strategy Drives Profit Expansion

- Q2 **Revenue** was virtually flat year-over-year
- Gross Profit **increased 13.2%**
- Growth in revenue of owned, higher-margin brands drove gross margin improvement from 21.4% to 24.4% of revenue
- **EBITDA** of Instone increased from \$374K to \$839K, an increase of over 120%
- Higher margins and reduced SG&A drove the increase
- Instone Adjusted **Net Income** improved from (\$129K) to \$308K



Instone Second Quarter Overview

(In USD 000)	2025 Q2	2024 Q2	\$ Change	% Change
Revenue	12,852	12,886	(34)	-0.3%
Gross Profit	3,130	2,764	366	13.2%
Gross Profit Margin	24.4%	21.4%	-	13.5%
Adjusted EBITDA	839	374	465	124.3%
Adjusted Net Income	308	(129)	437	N/A
Instone Net Income GAAP	168	(336)	504	N/A



Executive Summary: Acquisition Strategy



Acquisition Plan on Track

Carolina Based Stone Company **acquisition agreement executed today and expected to close within 10 days**

- Deal price and structure in target zone
- Revenue of ~11 million; trailing EBITDA of ~\$750K
- Expected to contribute ~\$1 million EBITDA in 2026



Key Accomplishments



- Entry into the Southeast market
- Establishes platform to expand presence of owned/controlled brands
- Opportunity to leverage operating synergies



Funnel Remains Active

- We believe another deal may come out of the pipeline within ~60 days —
- Working hard to stay disciplined and hit the \$100 million run rate
- Funnel remains active, with potential to sign a third deal by year-end



Executive Summary: Outlook

▶▶ Initial anticipated economic backdrop for 2025

In November and December of 2024 as we were looking forward to 2025, we had expected 100bp of interest rate decrease.

- No interest rate cuts affects sales momentum
- Continued focus on costs and margin creates operating leverage

📊 Rate cuts in late 2025 to spark demand

Current expectation is 50bp cut in late 2025.

- Should provide a benign-positive backdrop for demand
- We expect to benefit from the Company's sales efforts in the second half

🏗️ Completing platform

Going into second half of the year we expect to complete assembly of our business to hit \$100 million revenue run rate for 2026.



Introduction



2025 Target

- Targeting \$100M run-rate revenue and \$10M Adjusted EBITDA for 2026.



M&A-Driven Growth Acceleration

- First deal closing within 10 days to drive earnings momentum.
- Strong active funnel.
- Valuations remain favorable: 4-6x EBITDA, with 20-45% non-cash consideration.



Operational Discipline

- Q2 margins improved on higher sales of owned brands.
- Profitability beginning to offset the Q1 weather impact.
- SG&A continues to track to target.



Instone Positioned for Second-Half Upside

- Late-2025 rate cuts should improve demand; stronger margins and position Instone for accelerated earnings growth.
- Strong momentum in product rollout and territory expansion.



Flexible Capital to Fuel Growth

- Equity Line of Credit (ELOC) secured to fund acquisitions on demand.
- Convertible Note ensures transaction close.
- Both support accretive acquisitions and scale up of the business.

* The \$100 million revenue and \$10 million adjusted EBITDA are targets for 2026 that include anticipated acquisitions. As these targets are dependent on closing acquisitions during 2025 and 2026, 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.



Capstone Goals for 2025

PROGRESS UPDATE

Acquisition Profile: Carolina Base Stone Company

Acquisition Advances Entry into Southeast Growth Corridor



Business Description

A top-rated, first-choice **supplier and installer** of manufactured and natural stone veneer for commercial, residential, and multi-family projects.

- Known for premium brands, expert masonry installation, and dedicated project management.
- Warehouses and showrooms in NC, ensuring strong coverage of the Triangle and Charlotte metros.



Strategic Rationale



Market Entry: Immediate presence in NC, gateway to Southeast.

- **Growth Platform:** Expand distribution, sales, and product lines.
- **Margin Upside:** Introduce higher-margin products

Transaction Profile: Carolina Base Stone Company



Revenue and EBITDA

- EBITDA of \$750 thousand on about \$11 million in revenue. Expected to be about \$1 million EBITDA in 2026.



Deal structure

- **Purchase Price:** \$3.9M upside to \$4.7M at multiple range of **4.7x - 5.2x**
- **Conclusion:** First acquisition is a perfect fit with our acquisition strategy, reinforcing our disciplined approach to **growth**.

Purchase Price	LTM	2026
EBITDA	\$750K	\$1M
Cash - \$2.62M	3.50x	2.63x
Seller Note - \$1.25M	1.67x	1.25x
CVN up to - \$0.82M	N/A	0.83x

Capstone: Acquisition Funnel Insight



Strong Outlook

Capstone reaffirms its 2025 financial targets:

- Expecting an additional transaction from the active pipeline by the end of 2025.
- Transaction structure likely to be similar and close by end of year.
- Multiple acquisition targets are under review at attractive valuations which could result in signing a third acquisition by year-end 2025, further supporting Capstone's growth pipeline.



M&A Strategy: Environment Continues to be Target Rich

- Market conditions are producing realistic seller expectations and limited competitive pressure.
- Some of the better targets are choosing to wait it out. Capstone is nurturing those relationships.

Acquisition Strategy

THREE-PRONGED ACQUISITION STRATEGY

Focus on Tuck-In Acquisitions, Sister Companies, Platform Acquisitions



Capstone is capitalizing on a favorable deal environment



Attractive Valuations

4-6x EBITDA multiple



Flexible Consideration

20-45% non-cash
structure



Execution Confidence

Pricing and structure in
line with expectations



Performance of Instone in Q2 & H1 2025

Instone Performance: Q2 2025



Margin Improvement & Cost Control

- Gross margin increased from 21.4% in Q2 2024 to 24.4% in Q2 2025, reflecting a significant year-over-year improvement.
- SG&A stabilizing at ~\$8.5M annual run-rate, **reflecting sustainable 2024 reductions**.
- **Higher profitability** - Gross profit improvement combined with efficient cost control drove nearly \$0.5M higher operating income this quarter versus the same period last year.



Product Momentum to Drive Growth



- Toro + Pangea gaining strong traction with dealers.
- Rollout continuing into new geographies and customers.



Macroeconomic & Political Uncertainty

- Political uncertainty adds near-term challenges for the building industry.
- Rate cuts, now expected by late 2025, should improve **market demand**.
- With **stronger margins**, Instone is poised to capture this growth and **accelerate earnings**.

Instone Second Quarter

Overview of Results

(in USD 000) (GAAP)	2024 Q2	2025 Q2
Revenue	12,886	12,852
COGS	10,122	9,722
Gross Profit	2,764	3,130
Gross Profit %	21.4%	24.4%
SG&A*	2,390	2,291
Operating Income (Loss) / Adjusted EBITDA	374	839
Adjusted EBITDA %	2.9%	6.5%
D&A	121	114
Interest	382	417
Taxes	-	-
Adjusted Instone Net Income*	(129)	308
Capstone Management Fees	60	-
Brookstone Management Fees	100	100
Instone Board Fees	47	40
Instone Net Income (GAAP)*	(336)	168

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



Instone H1 Overview of Results

(in USD 000) (GAAP)	2024 H1	2025 H1
Revenue	22,245	20,751
COGS	17,737	16,296
Gross Profit	4,508	4,455
<i>Gross Profit %</i>	<i>20.3%</i>	<i>21.5%</i>
SG&A*	4,497	4,220
Operating Income (Loss) / Adjusted EBITDA	11	235
<i>Adjusted EBITDA %</i>	<i>0.0%</i>	<i>1.1%</i>
D&A	242	230
Interest	745	695
Taxes	-	-
Adjusted Instone Net Income*	(976)	(690)
Capstone Management Fees	120	60
Brookstone Management Fees	200	200
Instone Board Fees	94	84
Instone Net Income (GAAP)*	(1,390)	(1,034)

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



Factors Affecting Performance



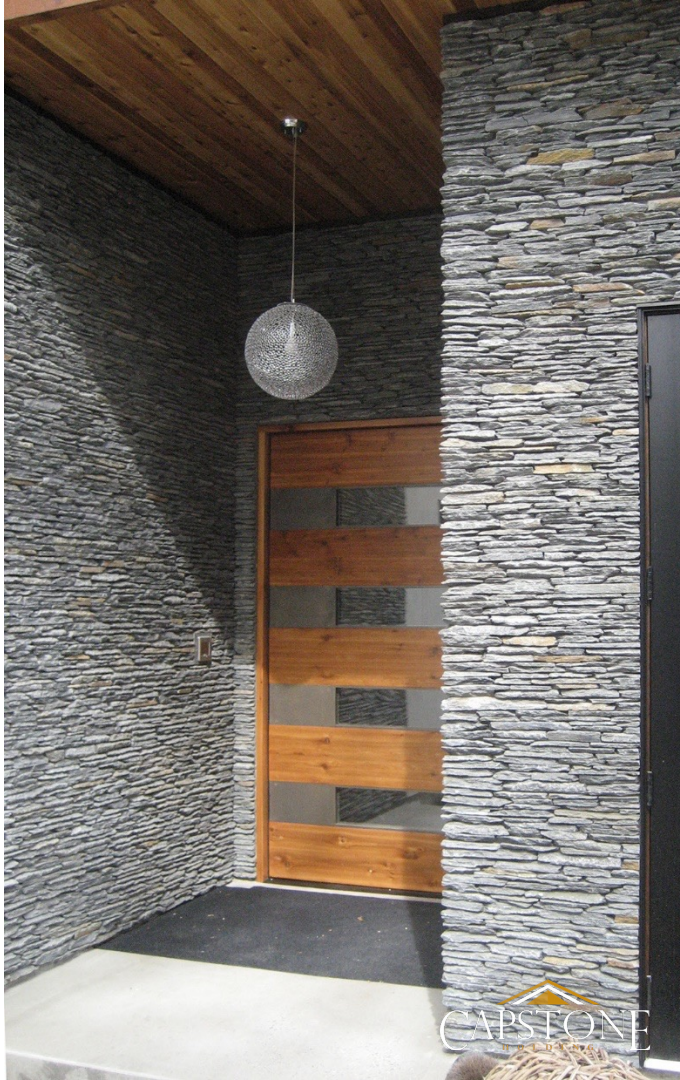
EXTERNAL FACTORS

- Structural Tailwind from Housing Demand Outpacing Supply
- Interest Rate & Policy Uncertainty Expected to Normalize
- Labor Market & Consumer Health Remain Supportive
- Seasonal Weather Variability Affects Timing, not Trajectory



COMPANY FACTORS

- New Product Launches
- Territory Expansion into Southeast and Mountain West
- Market Share Gains
- Operational Excellence



Capstone Corporate Costs



Relatively Fixed:

- FTE, Corporate Acquisition Costs, Legal & Insurance, Board Fees, Other Public Company / Financing Costs.



Variable:

- Investor Relations, IR/PR, Marketing. Costs can be adjusted as required.
- Investor relations expenses of \$180K in Q2 and \$245K in H1 are expected to be nonrecurring.



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.



Capstone Standalone Second Quarter **Overview of Results**

(in USD 000) (GAAP)	2024 Q2	2025 Q2
Revenue	-	-
COGS	-	-
Gross Profit	-	-
Variable:		
Investor Relations	19	340
Investor Relations - Nonrecurring*	-	180
Instone Fee - IPO Related Costs	-	-
Relatively Fixed:		
Board Fees	36	30
Compensation	-	142
Financial Services	26	86
Other	11	67
SG&A	92	845
Operating Income (Loss) / Adjusted EBITDA	(92)	(845)
Interest	(12)	(23)
Other income (expense)	60	-
Taxes	(1)	-
Capstone Standalone Net Income	(45)	(868)

Note: Investor relations expenses of \$180K in Q2 were nonrecurring.
 Operating Income excluding nonrecurring was (\$665K).
 Net Income excluding nonrecurring was (\$688K)



Capstone Standalone H1

Overview of Results

(in USD 000) (GAAP)	2024 H1	2025 H1
Revenue	-	-
COGS	-	-
Gross Profit	-	-
Variable:		
Investor Relations	19	455
Investor Relations - Nonrecurring*	-	245
Instone Fee - IPO Related Costs	-	150
Relatively Fixed:		
Board Fees	72	64
Compensation	-	220
Financial Services	59	181
Other	28	94
SG&A	178	1,409
Operating Income (Loss) / Adjusted EBITDA	(178)	(1,409)
Interest	(29)	(45)
Other income (expense)	120	60
Taxes	(17)	-
Capstone Standalone Net Income	(104)	(1,394)

Note: Investor relations expenses of \$245K in H1 were nonrecurring.

Operating Income excluding nonrecurring was (\$1,164K).

Net Income excluding nonrecurring was (\$1,149K)



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

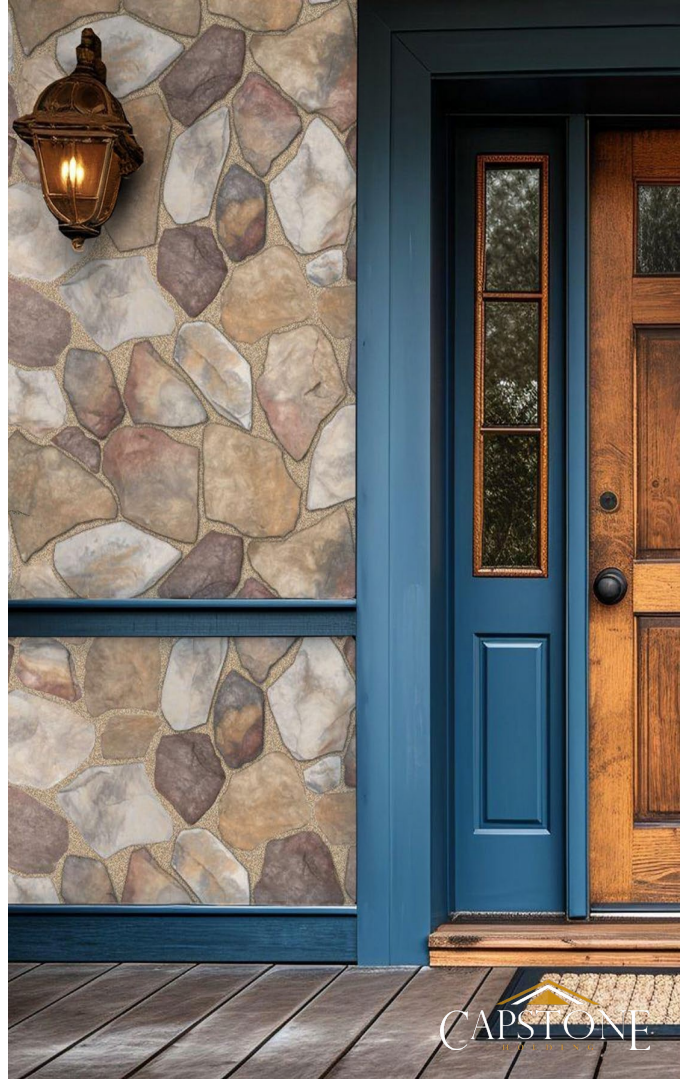


Reconciliation of Non-GAAP Results

(in USD \$000)

	2024 Q2	2025 Q2	2024 1H	2025 1H
Capstone Consolidated Net Income (loss)	(381)	(700)	(1,494)	(2,428)
<u>Reconciliation to Instone Net Income (loss)</u>				
Remove Capstone Expenses				
Taxes	1	-	17	-
Interest Expense	12	23	29	45
Total SG&A Expenses	92	845	178	1,409
Total COGS	-	-	-	-
Total Revenue	(60)	-	(120)	(60)
Instone Net Income (loss)	(336)	168	(1,390)	(1,034)
<u>Instone Adjustments</u>				
Capstone Management Fees	60	-	120	60
Brookstone Management Fees	100	100	200	200
Instone Board Fees	47	40	94	84
Adjusted Instone Net Income (loss)	(129)	308	(976)	(690)
Taxes	-	-	-	-
Interest Expense	382	417	745	695
Adjusted Instone Operating Income (loss)	253	725	(231)	5
Depreciation & Amortization	121	114	242	230
Adjusted Instone EBITDA (loss)	374	839	11	235

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.

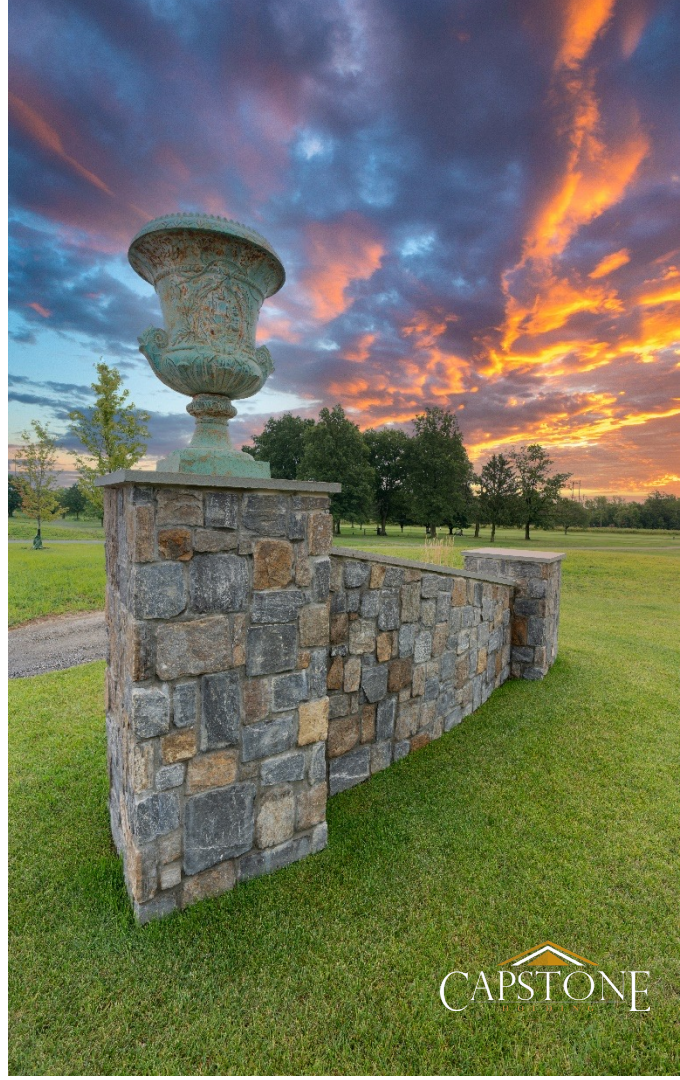


Financial Measures - Non-GAAP

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 is not a 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.





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GETTING STARTED.**

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