



Capstone Reports Q1 2026 Results: Revenue Up 60%, Gross Profit Up 124%, Best Q1 Gross Margin in Four Years

Gross margin expanded 670 bps to 23.5% against one of the harshest winters in recent memory for seasonal businesses

NEW YORK—(BUSINESS WIRE)—Capstone Holding Corp. (NASDAQ: CAPS), a tech-enabled building products distribution platform, today reported financial and operating results for the first quarter of 2026. **Q1 revenue grew 60% year-over-year to \$12.6 million, gross profit grew 124% to \$3.0 million, and gross margin expanded 670 basis points to 23.5%—the strongest first-quarter gross margin Capstone has reported in four years.** Results reflect the first full quarter of contribution from Carolina Stone and Canadian Stone Industries (CSI).

On a pro-forma basis, giving effect to the Carolina Stone and CSI acquisitions as if they had been owned for all of FY2025, platform revenue would have been approximately \$68 million, compared with \$46.9 million as reported. Business momentum in April and May indicates that end-market conditions have improved materially, and Capstone reaffirms FY2026 guidance of **\$72.1 million in revenue (+54%), \$18.7 million in gross profit (+73%), and approximately \$3.8 million in Adjusted EBITDA, an approximate 4x increase year-over-year,** with positive Adjusted EBITDA expected in Q2.

Financial Summary

	Q1 2025	Q1 2026	YoY Growth	FY26 Guidance
Revenue	\$7.9M	\$12.6M	+60%	\$72.1M
Gross Profit	\$1.3M	\$3.0M	+124%	\$18.7M
Gross Margin	16.8%	23.5%	+670 bps	26.0%
Adj. EBITDA	(\$0.6M)	(\$0.9M)	N/A	\$3.8M
Adj. EBITDA Margin	-7.5%	-6.9%	+60 bps	5.2%

Note: Q1 is seasonally the weakest quarter for stone demand. 2026 delivered colder-than-normal temperatures and elevated precipitation across every region.

“It was a historically challenging winter for seasonal businesses, but **our results reinforce the resilience of the platform we’ve built,**” said Matthew Lipman, Chief Executive Officer of Capstone. “Gross profit grew more than twice as fast as revenue, reflecting the pricing discipline and margin expansion we’ve prioritized across the business. We’ve seen strong project and customer momentum in April and May, and we remain firmly on track to achieve our FY2026 targets and to **turn Adjusted EBITDA positive in Q2.**”

First Quarter 2026 Highlights:

- **Revenue Growth (+60%):** Q1 revenue increased to \$12.6 million from \$7.9 million in Q1 2025, driven by the first full-quarter contribution from Carolina Stone and CSI and continued organic momentum across the legacy Instone business.
- **Gross Profit Growth (+124%):** Gross profit more than doubled to \$3.0 million from \$1.3 million, growing approximately 2x faster than revenue and reflecting accretive contribution from acquired subsidiaries and a higher-margin product mix.
- **Gross Margin Expansion (+670 bps—Best Q1 in Four Years):** Gross margin expanded to 23.5% from 16.8%, pacing toward the FY2026 target of 26.0%. Expansion reflects pricing discipline; a higher mix of owned brands, architectural stone, and installation services; and sourcing and freight efficiencies.
- **Pro-Forma FY2025 Revenue of Approximately \$68 Million:** Giving effect to the Carolina Stone and CSI acquisitions as if they had been owned for all of FY2025, pro-forma platform revenue would have been approximately \$68 million versus \$46.9 million as reported, with more than 1,000 active customers across eight locations spanning 38 U.S. states and Canada.
- **EBITDA Margin Improvement Despite Larger Revenue Base:** Adjusted EBITDA margin improved 60 basis points year-over-year to -6.9% from -7.5%, even as the revenue base expanded 60%.
- **Corporate Cost Discipline:** Standalone Capstone operating loss narrowed 54% year-over-year to (\$258K) from (\$564K), reflecting non-recurring IR and IPO-related costs rolling off as integration completes.
- **Strengthened Capital Structure:** Approximately 72% of the original convertible-note principal has been converted, with \$4.92 million of the original \$6.82 million retired and approximately \$1.90 million remaining outstanding as of May 1, 2026. Management continues to prioritize retiring the remaining convertible notes while minimizing dilution where possible.
- **Strategic Initiatives Compounding:** Eldorado Stone distribution launched in April with H2 2026 revenue impact expected; Alsip-to-Navarre warehouse consolidation underway, with \$240K of \$480K annualized savings flowing in H2 2026 and the full \$480K from 2027 onward; and the Company is reducing corporate overhead and sourcing costs while deploying AI-enabled tools across procurement, inventory, and routing that are expected to support further operating efficiencies over time.

“End-market conditions are improving, and our platform now has the scale to drive accelerating earnings growth in the quarters ahead,” Lipman added. “We believe the platform we have built positions Capstone to grow toward \$100 million in revenue over time.”

Access to Full Materials

Following the filing of Capstone’s Quarterly Report on Form 10-Q, the Company will post an investor presentation discussing Q1 results, strategic priorities, and detailed financial outlook. These materials will be available in the Investor Relations section of www.capstoneholdingcorp.com. The Company’s

Form 10-Q and related filings with the Securities and Exchange Commission are available at [sec.gov](https://www.sec.gov). Investors are encouraged to review the Form 10-Q in full, including the disclosures regarding liquidity, debt maturities, financial covenants, and the Company's evaluation of its ability to continue as a going concern.

About Capstone Holding Corp.

Capstone Holding Corp. (NASDAQ: CAPS) is a national, technology-enabled building products distribution platform optimizing supply chains across 38 U.S. states and Canada. Through its Instone operating platform and inventory portal, the Company aggregates and delivers proprietary stone veneer, hardscape materials, and modular masonry systems. Capstone's model combines digital infrastructure, owned-inventory logistics, and disciplined acquisitions to drive scalable margin expansion and operating leverage across its growing platform.

Non-GAAP Financial Measures

This press release references Adjusted EBITDA, a non-GAAP financial measure. Adjusted EBITDA is not a measure of financial performance under GAAP and should not be considered an alternative to net income (loss) or any other performance measure derived in accordance with GAAP. Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

The Company defines "Adjusted EBITDA" as earnings (loss) before interest expense, 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, loss on extinguishment of debt, and transaction costs.

A reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP measure, for the three months ended March 31, 2026 and 2025 is included in the Company's first quarter 2026 investor presentation, available in the Investor Relations section of www.capstoneholdingcorp.com.

The Company has not provided a quantitative reconciliation of forward-looking Adjusted EBITDA guidance to forward-looking GAAP net income (loss) because the individual reconciling items — including interest expense, income taxes, depreciation and amortization, share-based compensation, change in fair value of contingent consideration, loss on extinguishment of debt, and transaction costs — cannot be predicted with reasonable certainty without unreasonable effort. The unavailable reconciling items could have a significant impact on the Company's GAAP results.

Forward-Looking Statements

This press release contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These statements relate to future events and performance, including guidance regarding revenue and Adjusted EBITDA targets, M&A strategy, use of capital, and operating outlook. Actual results may differ materially from those projected due to a range of factors, including but not limited to the Company's liquidity and access to capital; its ability to comply with, or obtain waivers of, financial covenants; the refinancing or repayment of indebtedness as it matures; conditions that may raise substantial doubt about the Company's ability to continue as a going concern; acquisition timing and integration; macroeconomic conditions; and other execution risks. Please review the Company's filings with the SEC, including the Quarterly Report on Form 10-Q for the quarter ended March 31, 2026,

for a full discussion of these and other risk factors. Capstone undertakes no obligation to revise forward-looking statements except as required by law.

Investor Contact

Investor Relations

Capstone Holding Corp.

investors@capstoneholdingcorp.com

www.capstoneholdingcorp.com