



CAPSTONE HOLDING CORP.

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

May 2025

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

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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Agenda



Executive Summary



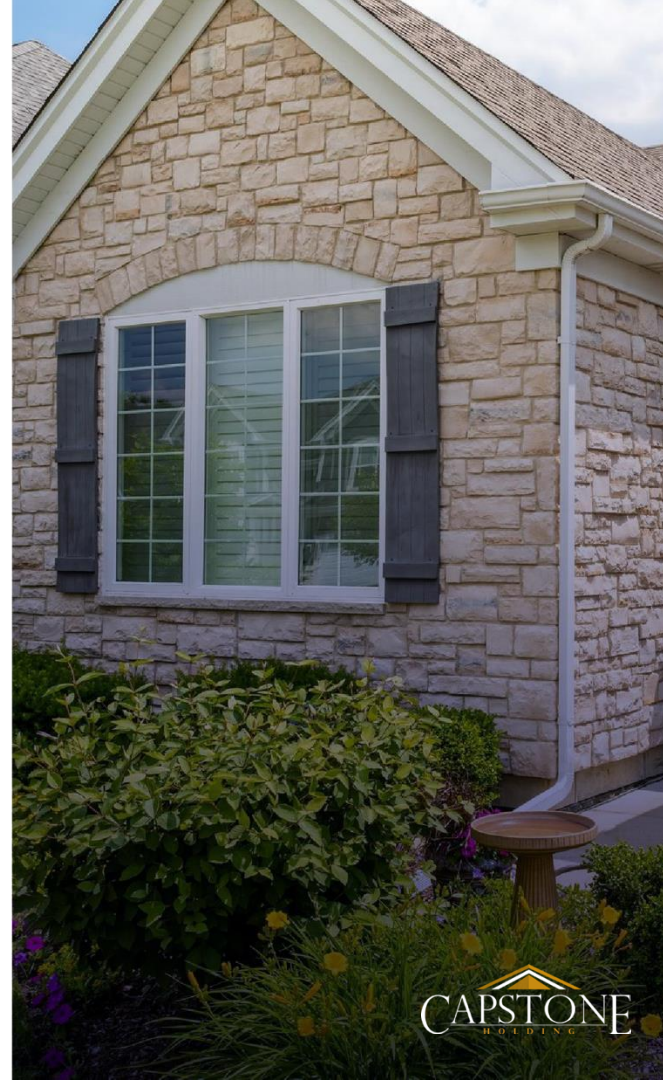
Capstone Goals for 2025



Performance of Instone in 2024



Earnings Power of Instone Standalone for 2025

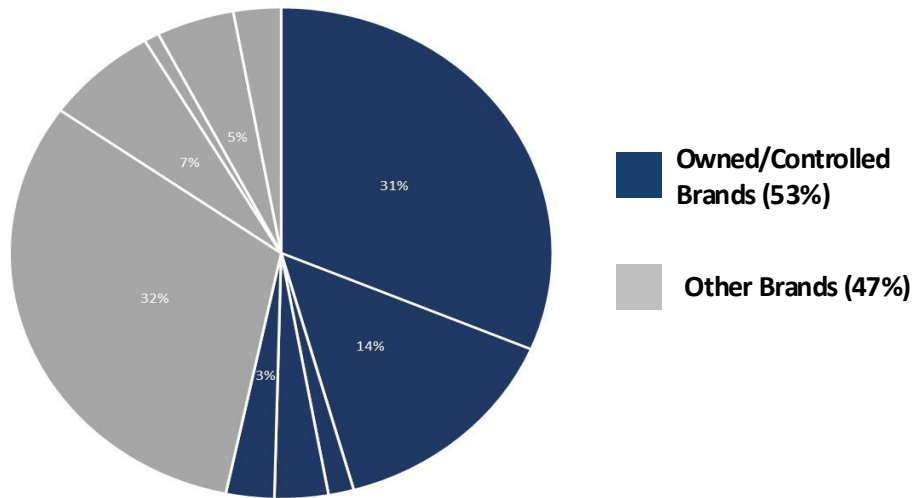




Executive Summary

Capstone Holding Corp

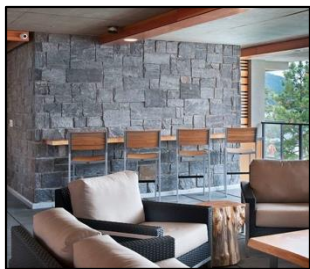
- Capstone is a **building products acquisition vehicle**
- Its current operating subsidiary, Instone, is distributing thin veneer stone and related masonry products to over **30 states**
- Product portfolio of **owned or controlled** brands is about **53% of volume**



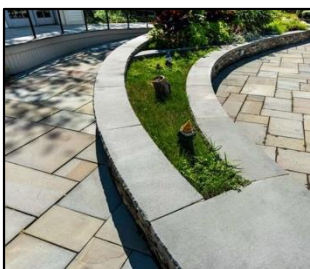
Toro Stone
(Stone Veneer)



Interloc
(Stone Veneer)



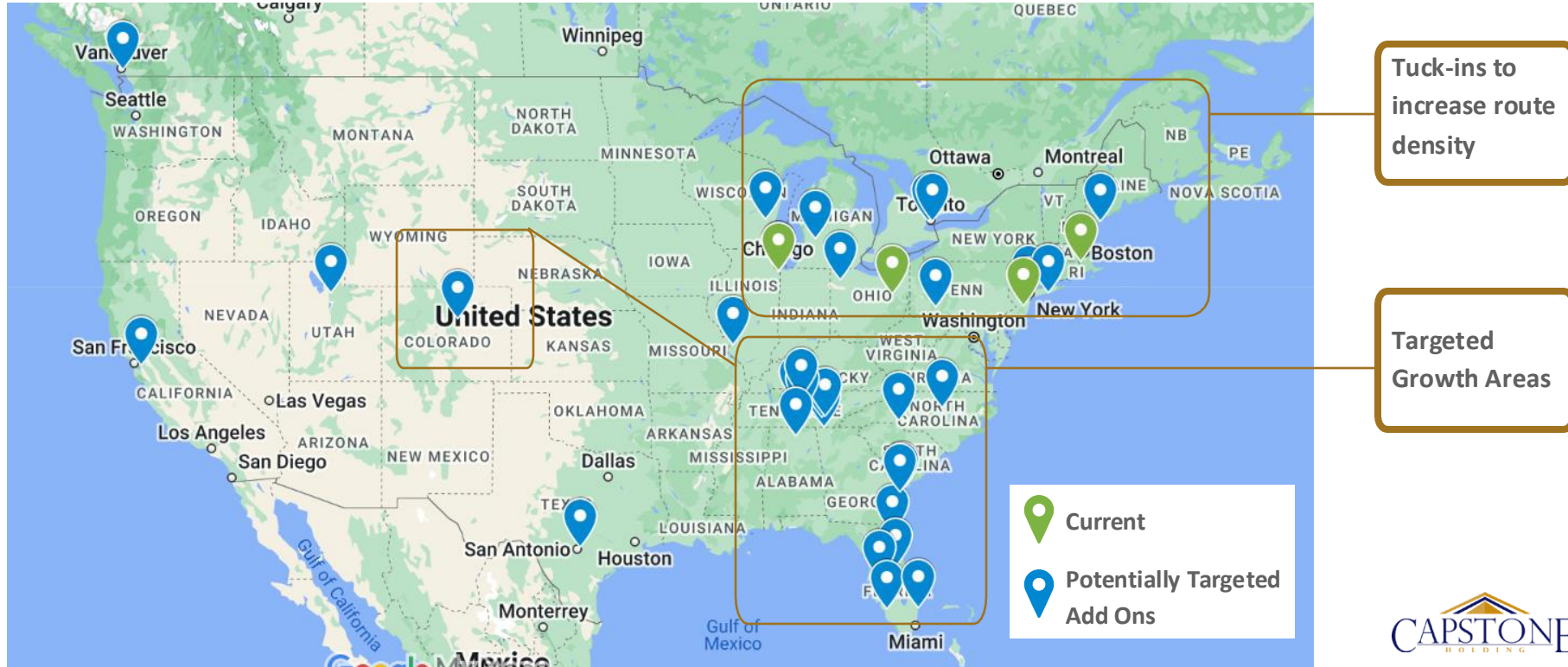
Pangea
(Stone Veneer)



Aura
(Landscape Stone)

Acquisition Strategy for Instone: Potential Target Areas

- Expand geography served
- Increased route density



Key Investment Highlights



Right Team

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



Right Time

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



Right Platform

- Current operating Company touches over 40% of US households in its distribution platform
- Plugging in other distributors or manufacturers can provide solid path to revenue growth
- Acquisition platform has proven successful at integrating targets



Premium For Size

- As the company grows to 10, 20, 100 million in 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)

Frequent
(one or more
deals per year)

Acquisition
frequency

Infrequent
(less than one
deal per year)

Inactive
companies
2.7%

Serial acquirers
9.1%

Selected fill-ins
5.3%

Mountain climbers
9.6%

Selective large bets
6.5%

50% or less of
buyer's market cap

Cumulative relative
deal value

Greater than 50% of
buyer's market cap

Average total
shareholder
return – all
companies
5.7%

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



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 to 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

A large, two-story house with a stone exterior and a dark metal roof, illuminated at dusk. The house features a prominent chimney, multiple windows with dark frames, and a covered entryway. The interior lights are on, and the exterior is lit with warm, low-lying garden lights. The sky is a deep blue with some light clouds.

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.

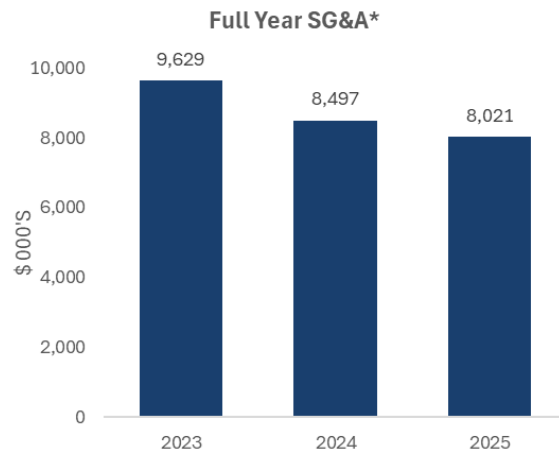
2024 Profitability **Adjustments**

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.**



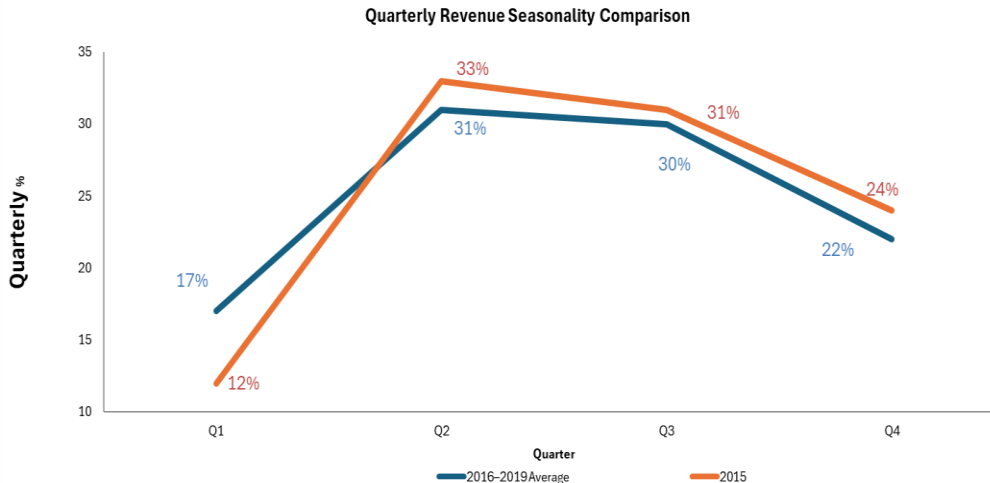
* Excludes i) Capstone management fees, 2) Brookstone management fees, 3) Totalstone Board Fees, and 4) Depreciation and amortization.

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





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 |
| Gross Profit % | 23.5% | 23.5% |
| SG&A* | 8,021 | 8,021 |
| Operating Income (Loss) / Adjusted EBITDA | 3,142 | 3,494 |
| Adjusted EBITDA % | 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



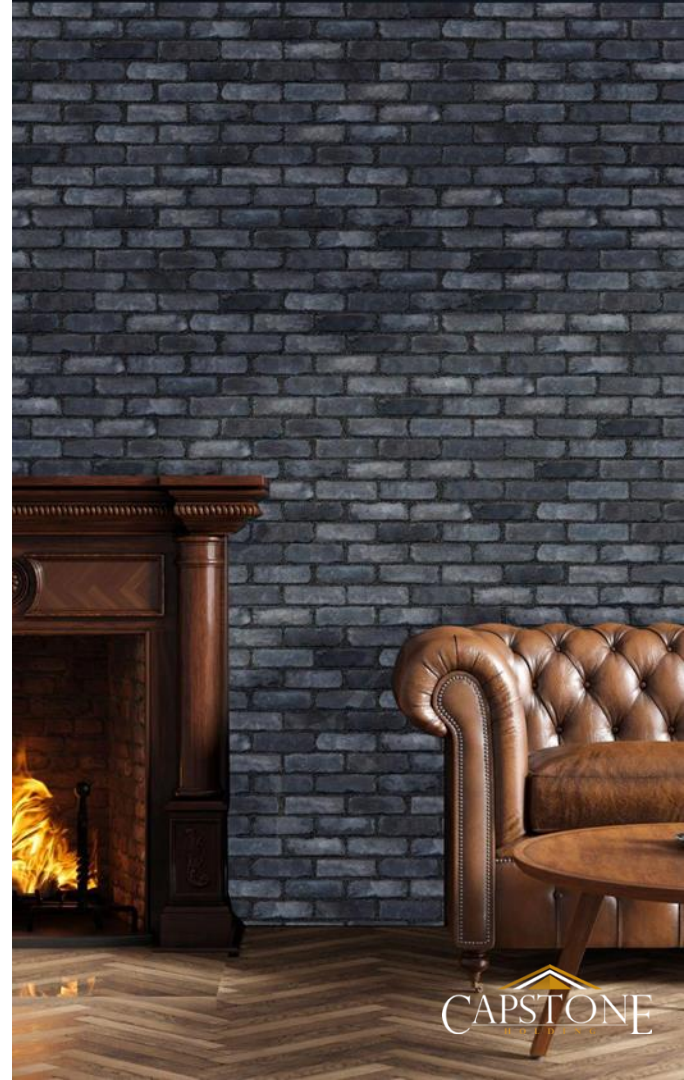
GENERAL FACTORS

- 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



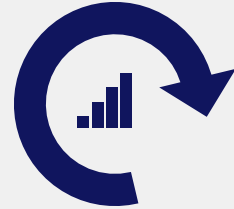
TRANSPARENCY

Clear View Into
Performance Builds Trust



ACCOUNTABILITY

Enables Performance
Management And Ownership



ADAPTABILITY

Expect to Update Range Every
Quarter As Year Moves Forward



Appendix I

Team

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)
Chairman

- 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.



Appendix II

Non-GAAP Reconciliations

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.





**GROWTH IS JUST
GETTING STARTED.**

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