

Mar 04, 2026

Healthcare

**STRR**

NGS

Rating

**Outperform**

Initiation

Current Price

**\$9.90**

Target Price

**\$16.00**

Market Capitalization

**34.02m**

Shares Outstanding

**3.44m**

Float

**2.32**

Institutional Holdings

**29.43%**

12-Month Low/High

**\$8.26/\$11.99**

Average 90-Day Volume

**7442**

Fiscal Year End

**12/31/2026**

## Star Equity Holdings, Inc.

### A Mini Berkshire In the Making

**Initiation.** We are initiating equity research coverage on Star Equity Holdings, Inc. with an Outperform rating and \$16 price target. A diversified holding company, Star is seeking to replicate the Berkshire Hathaway playbook in the micro-cap space. The Company currently operates through 3 operating divisions, growing both organically and through acquisitions, and a fourth investment division, which makes strategic investments in public companies.

**Multi-Pronged Growth Strategy.** Management is pursuing a multi-pronged growth strategy. First and foremost is organic growth in the existing operating verticals. The second strategy is growth via acquisitions, with both the public and private arenas targeted. Lastly, through the Investments division, Star will make targeted investments in select microcaps. These could be potential acquisition targets or just strategic investments in companies that management has determined are trading at a discount to fair value.

**Differentiated Corporate Structure.** We view Star as a mini Berkshire Hathaway in the making, but with a focus on the micro-cap space. The Company brings a differentiated corporate strategy and structure. The Company's corporate team functions similarly to a private equity firm, with the operating company management teams focused on their respective businesses.

**Capital Structure.** At the end of September, cash and equivalents totaled \$15.3 million, or nearly \$4.50 per outstanding common share. Working capital was \$35.0 million. Short-term debt totaled \$6.4 million, and long-term debt was \$6.5 million. In addition, Star had \$23.7 million Series A Preferred stock outstanding. The preferred shares are non-convertible, non-voting, and pay a perpetual annual dividend of \$1.00 per share, paid quarterly at \$0.25 per share.

**Projections.** With all the moving parts, including recent acquisitions, we have yet to see a string of comp quarters. We expect this to continue and believe the direction of performance will be as significant as the actual numbers. For the fourth quarter of 2025, we are projecting revenue of \$58 million, driven by a full quarter of contribution from the Building Solutions segment, and adjusted EBITDA of \$2.23 million.

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**Refer to the last two pages for Analyst Certification & Disclosures**

#### Revenues (\$ MIL)

Period	2025E	2026E	2027E
Q1	31.9A	56.0E	
Q2	35.5A	62.5E	
Q3	48.0A	63.0E	
Q4	58.0E	58.5E	
	173.4E	240.0E	265.0E

#### EPS (\$)

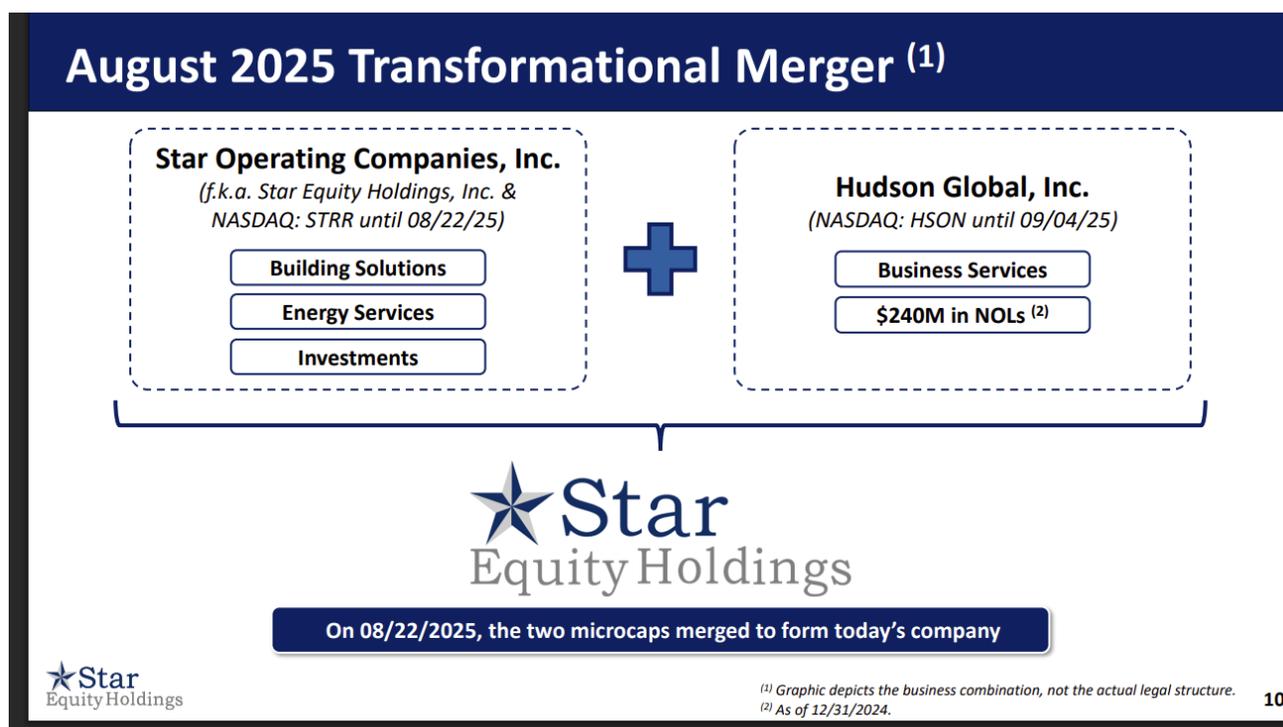
Period	2025E	2026E	2027E
Q1	(0.59)A	(0.09)E	
Q2	(0.23)A	0.17E	
Q3	(0.56)A	0.16E	
Q4	(0.25)E	0.02E	
	(1.60)E	0.25E	0.74E

**Initiation**

We are initiating research coverage of Star Equity Holdings, Inc. (NASDAQ:STRR) with an Outperform rating and a \$16 price target. Star Equity is a diversified holding company with four divisions at present: Building Solutions, Business Services, Energy Services, and Investments. We view the Company as a Berkshire Hathaway for the microcap space. Management seeks to build long-term shareholder value by acquiring, managing, and growing operating businesses with the added kicker of an Investment division that makes strategic investments in public companies and holds private company debt and minority equity interests. The operating businesses typically have strong fundamentals and market opportunities.

**Company Overview**

Star Equity Holdings, Inc. is the product of an August 22, 2025, merger between Star Equity Holdings and Hudson Global, Inc. As seen in the following chart, Star brought two operating divisions, along with an Investments division, to the table, while Hudson contributed its leading Recruitment Processing Outsourcing (RPO) and global talent solutions businesses and a significant NOL to the combined entity. Today, Star operates through four divisions: Building Solutions, Business Services, Energy Services, and Investments.



Source: Company February 2026 presentation

The Building Solutions division operates in three businesses: (i) modular building manufacturing; (ii) structural wall panel and wood foundation manufacturing, including building supply distribution operations; and (iii) glue-laminated timber (glulam) column, beam, and truss manufacturing, for the New England and Midwest markets. Subsidiaries include: KBS Builders, Inc., EdgeBuilder, Inc., Glenbrook Building Supply, Inc., and Timber Technologies, LLC.

The Business Services division provides flexible and scalable recruitment solutions to a global list of clients. It services all levels of client organizations, from entry-level to the C-suite, focusing on mid-market and enterprise-level organizations worldwide. Taking a consultative and collaborative approach, it partners with talent acquisition, HR, and procurement leaders to build diverse, high-impact teams and drive business success. Hudson Talent Solutions (formerly Hudson RPO) is a global leader in talent acquisition and workforce strategy. With operations across the Americas, EMEA, and APAC, the company delivers customized, scalable talent solutions that combine data, technology, employer branding, and advisory expertise.

The Energy Services division, through its Alliance Drilling Tools subsidiary, engages in the rental, sale, and repair of downhole tools used in the oil and gas, geothermal, mining, and water-well industries.

The Investments division manages and finances the Company's real estate assets as well as its investment positions in private and public companies. Star Equity Fund, LP is an investment fund wholly owned by Star Equity Holdings, Inc., and seeks to unlock shareholder value and improve corporate governance at its portfolio companies.

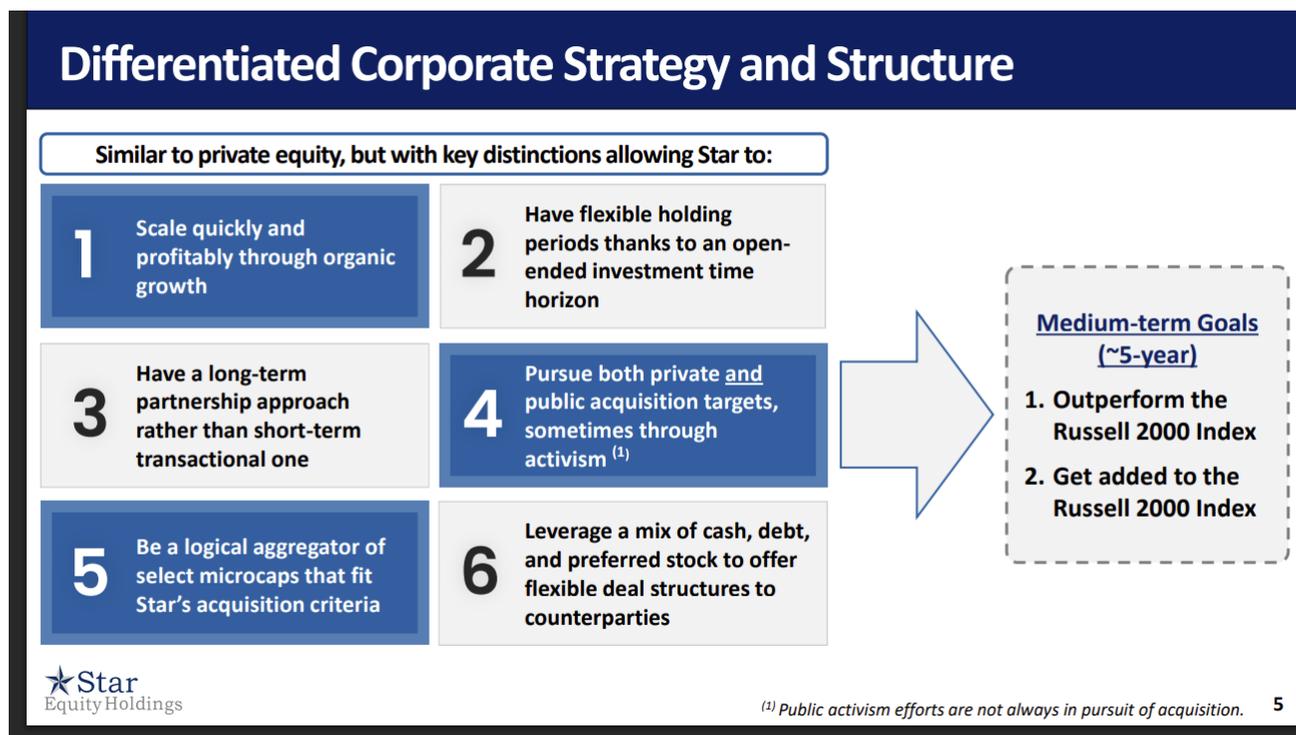
**Investment Case**

*Diversified Strategy & Structure*

We view Star as a mini Berkshire Hathaway in the making, but with a focus on the micro-cap space. The Company brings a differentiated corporate strategy and structure. The Company's corporate team functions similarly to a private equity firm, focused on:

- M&A,
- Strategy and vision,
- Capital allocation,
- Capital markets and bank relationships,
- Management of the Investments division,
- Public company duties, and
- Compliance and legal.

This structure frees up operating company management teams to focus on their respective businesses, look for organic and bolt-on growth opportunities, and improve operations with less distraction and administrative burden associated with running a public company.



Source: Company February 2026 presentation

As we highlight below, we believe Star's operating companies are well positioned for growth in large addressable markets. The

key elements of the Company's growth strategy include the following:

- Organic growth — We believe Star operates in markets and geographies that will allow continued growth in the core businesses, enabling Star to benefit from scale and strengths. Management plans to focus efforts on markets in which the Company already has a presence to leverage the personnel, infrastructure, and brand recognition already evident in these areas.
- Introduction of new services — In the Building Solutions division, management will consider opportunities to augment current service offerings to better serve the customer base. This has been done already in the New England market with the entry into the commercial multi-family segment. Other areas might include logistics, on-site installation, and manufacturing of sub-components.
- Acquisition of complementary businesses — Star plans to continue to look at complementary businesses that meet management's acquisition growth criteria. We believe there are many potential small public and private targets that can be acquired over time and integrated into the Company's platform. Management would also consider larger, more transformational mergers and acquisitions if the appropriate mix of value, risk, and return is present.

### *Current Operating Segments*

#### **Building Solutions**

The Building Solutions division is currently made up of the following operating businesses: KBS Builders, Inc. ("KBS"); EdgeBuilder, Inc., and Glenbrook Building Supply, Inc., with the latter two managed together and referred to jointly as "EBGL," and Timber Technologies Solutions, Inc. ("TT"). KBS is based in Maine and manufactures modular buildings, typically in the single and multi-family residential segments, servicing principally the New England market. EBGL is based in the Minneapolis-Saint Paul area and principally serves the Upper Midwest region. Together, the EBGL businesses manufacture and deliver structural wall panels, primarily for multi-family residential buildings, and other engineered wood-based products. EBGL also distributes building materials from two lumberyard locations, primarily focused on professional builder customers. TT is based outside the Minneapolis-St. Paul area and manufactures glue-laminated timber products ("glulam") for various end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential). In fiscal 2024, Building Solutions generated \$53.4 million of revenue and \$3.1 million of adjusted EBITDA. Annualizing September 2025 YTD results would result in revenue for fiscal 2025 of \$71.9 million and adjusted EBITDA of \$7.0 million.

The following chart provides a high-level view of management's goals for the Building Solutions business and its component parts, with a goal of achieving 2030 revenue of at least \$100 million and adjusted EBITDA in the \$15-\$20 million range.

## Building Solutions: Future Goals

### Near-Term Financial Goals:

- ✓ Increase KBS's modular manufacturing capacity and output
- ✓ Explore opportunities to re-open idle Oxford, Maine plant
- ✓ Expand presence in each of KBS, EBGL, and TT's markets by increasing output and adding new products and services

### Long-term Financial Goals by Company:



**Mid-teens** annual revenue growth  
(exceeding 2019 - 2024 CAGR of 6.3%)



**High single-digit** annual revenue growth  
(exceeding 2019 - 2024 CAGR of 8.0%)



**High single-digit** annual revenue growth

**Division-wide** goal of **10%+** annual revenue growth with gross margins of **25%+**

Implies 2030E Revenue of \$100M+, Gross Profit of \$25 - \$30M, and Adj. EBITDA of \$15 - \$20M <sup>(1)</sup>



<sup>(1)</sup> We are unable to reconcile our 2026 and long-term reported net income estimate to our 2026 and long-term adjusted EBITDA estimate because we are unable to predict the long-term impact of foreign exchange or the mark-to-market net impact on commodity derivatives due to the unpredictability of future changes in foreign exchange rates and commodity prices. Therefore, we are unable to provide a reconciliation of these measures.

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Source: Company February 2026 presentation

A driver of the expected future growth will be ongoing expansion of the modular and prefabricated construction market. The global modular and prefabricated construction market was estimated at roughly \$171.1 billion in 2025 and is forecast to grow to about \$307 billion by 2035, likely at a compound annual growth rate (CAGR) of around ~6–7% over the decade. In the U.S., the modular construction segment was valued at around \$10.5 billion in 2022 and is expected to grow at ~7.8% CAGR through 2030.

Drivers of the growth include:

- **Speed & Efficiency** — Off-site modular fabrication shortens the overall construction timeline because components are built in parallel with site work, reducing traditional build time by up to 30–50%.
- **Cost & Labor Benefits** — Modular methods reduce labor requirements, mitigate onsite workforce constraints, and lower waste — critical where labor shortages and high labor costs are persistent.
- **Urbanization & Housing Demand** — Rapid population growth and urban migration drive demand for affordable, fast-deployed housing — a major use case for modular construction, especially in densely populated regions.
- **Sustainability & Quality** — Modular construction supports sustainability goals by reducing onsite material waste, improving quality control via factory conditions, and enabling integration of energy-efficient systems and green materials.

### Business Services

In the Business Services segment, Hudson Talent Solutions (HTS) is a leading total talent solutions provider formerly operating under the brand name Hudson RPO. HTS delivers innovative, customized recruitment outsourcing and total talent solutions to organizations worldwide. Through its consultative approach, HTS develops tailored talent solutions designed to meet its clients'

strategic growth initiatives. In 2024, Business Services generated \$70.1 million of gross profit (effectively net revenue) and \$4.3 million of adjusted EBITDA. Based on September YTD results, annualized 2025 gross profit would be \$71.6 million and adjusted EBITDA would be \$7.7 million, excluding growth investment expenses.

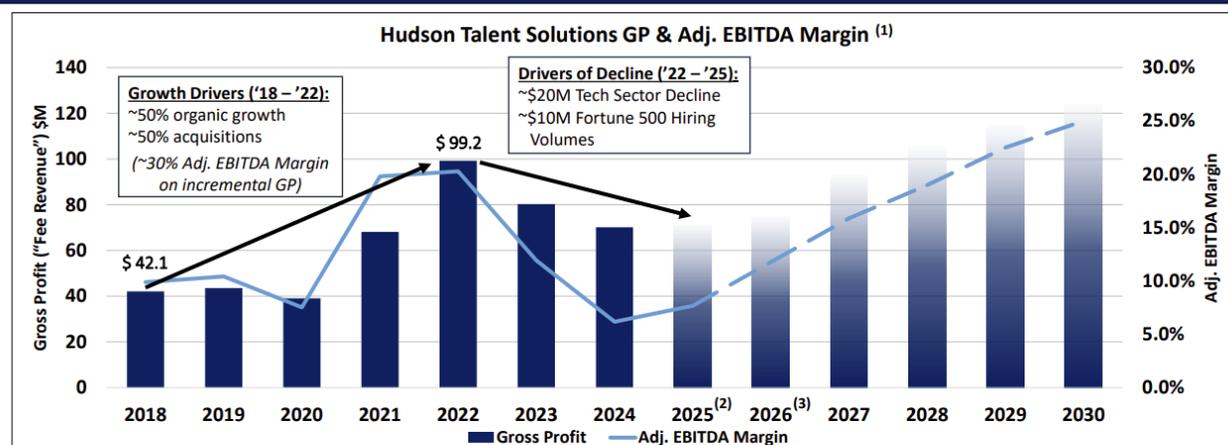
HTS delivers Recruitment Process Outsourcing (“RPO”) services, consisting of recruitment and contracting solutions tailored to the individual needs of primarily mid-to-large multinational companies. HTS’s RPO delivery teams utilize recruitment process methodologies and project management expertise to meet clients’ ongoing business needs. HTS’s RPO services include complete recruitment outsourcing, project-based outsourcing, contingent workforce solutions, and recruitment consulting for clients’ permanent staff hires. HTS’s RPO services leverage its consultants, supported by HTS’s specialists, in the delivery of its proprietary methods to identify, select, and engage the best-fit talent for critical client roles. In addition, HTS provides RPO clients with a range of outsourced professional contract staffing services and managed service provider services offered sometimes on a standalone basis and sometimes as part of a blended total talent solution. HTS operates directly in fifteen countries in three primary geographies: the Americas, Asia Pacific, and Europe, the Middle East, and Africa (“EMEA”).

In October 2024, HTS made a focused investment in Latin America to help drive support and growth within the region by hiring a seasoned leader to spearhead efforts there. Further, in 2024, the Company enhanced its growth trajectory in North America, making investments in both its talent and geographic presence. It hired professionals to lead efforts in several areas, including executive search, finance, and communications, and increased its investment in the Tampa, Florida, talent hub. On March 12, 2024, and April 15, 2024, the Company announced that it had entered into strategic agreements with Executive Solutions and Striver, respectively, both of which are Dubai-based talent solutions companies. These agreements allowed the Company to expand its global footprint and client base in the Middle East market.

The Talent Acquisition industry has recognized HTS’s progress with several recent awards, including the SEEK Sara award in 2021, 2023 and 2024, inclusion in HRO Today’s Baker’s Dozen (recognized for the last 16 consecutive years, and named as the No. 1 RPO provider in APAC in 2023 and 2024), the Everest PEAK Matrix (recognized in all categories as a Major Contender or Star Performer in 2024), and NelsonHall (named a Leader in NelsonHall’s Vendor Evaluation & Assessment Tool (NEAT) Matrix in 2024).

We believe there is substantial opportunity to see operational improvement in the Business Services segment. As seen below, in 2022, HTS generated nearly \$100 million of gross profit with a 20% adjusted EBITDA margin. Due to a weak industry-wide operating environment, gross profit has since contracted. Reduced gross profit combined with additional investments in the business to position HTS to capitalize on a future upturn has constrained adjusted EBITDA margin over the past couple of years. We believe the business can return to, and eventually exceed, its 2022 operating performance. Management’s goal for this segment is to hit the 2022 high water mark in the next few years with a longer-term goal of doubling gross profit to \$200 million, which could then generate \$50 million of adjusted EBITDA.

## Business Services: Historical Trends & Future Goals



We believe HTS can return to and exceed its 2022 performance in the coming years

<sup>(1)</sup> Adjusted EBITDA is a non-GAAP number. For more information and reconciliations of non-GAAP measures, see slide 39.

<sup>(2)</sup> YTD Sept. 2025 results annualized; <sup>(3)</sup> Based on Bloomberg consensus estimates. The Company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, including Bloomberg consensus estimates, whether as a result of new information, future events or otherwise. See slide 2 for more information.

Source: Company February 2026 presentation

The global RPO market represents a structurally growing segment of the broader HR services and talent acquisition ecosystem. Demand is being driven by increasing hiring complexity, global labor shortages, cost optimization pressures, and the integration of AI-enabled recruitment technologies. Consensus forecasts imply sustained double-digit growth through 2030, positioning RPO as one of the faster-growing segments within outsourced business services.

The global RPO market is estimated to be in the \$8-\$12 billion range, depending upon the definition of the market, i.e., full ARPO versus selective/project RPO. The market is projected to grow to the \$16-\$24 billion range by 2030, or a 14-16% CAGR.

Growth drivers include:

- Cost optimization — companies are increasingly outsourcing recruitment to reduce cost per hire and improve time to fill. Using RPO converts fixed HR overhead into a variable cost structure.
- Talent Scarcity and Skills Mismatch — persistent shortages of talent in verticals such as technology, healthcare, and finance results in an increased reliance on specialized sourcing expertise, while RPO firm's globalization of hiring expands the addressable market for talent.
- AI & Automation — AI-powered sourcing, screening, and candidate engagement improves hiring efficiency, while data analytics enhances quality of hire tracking and workforce planning.
- Flexibility and Hybrid Models — there is increased demand for scalable hiring models, such as on-demand RPO.

### Energy Services

The Energy Services division currently consists of Alliance Drilling Tools (ADT), a Wyoming, Utah, and Texas-based provider of drilling tools and services to the Energy industry. ADT is a full-service downhole drilling tool company which provides sale and rental tools in the Oil & Gas, Geothermal, Mining, and Waterwells sectors. ADT is strategically located near premier oilfields in the Rockies, a geothermal and mining hub, and in Midland, TX, within the Permian Basin. ADT's business model allows for the majority of costs, such as freight, repairs, and damages, to be passed directly to customers. For the twelve months ended September 30, 2025, the Oil & Gas vertical accounted for roughly 68% of revenue, with the remaining verticals comprising the rest of revenue. Rentals drove 64% of revenue across the same period. For full year 2024, ADT generated revenue of

approximately \$10.5 million, gross margin of 48%, and adjusted EBITDA of \$2.4 million.

## Energy Services: Overview

Alliance Drilling Tools ("ADT") is a drilling equipment company engaged in the rental, sale, and repair of downhole tools

- Unique business model providing mission-critical products and high-margin sales
- Operates in highly specialized industry with high barriers to entry
- Diversified revenue streams, client base, and geographic footprint

ADT serves the following end-markets:

**Oil & Gas**



**Mining**



ADT's facilities are located in two key markets:

**Rocky Mountain Region**



~60% of 2024 Revenue

**Texas**

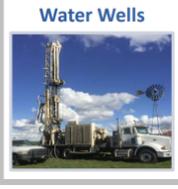


~40% of 2024 Revenue

**Geothermal**



**Water Wells**




35

Source: Company February 2026 Presentation

Given the split nature of the end markets and differing definitions, it is more nuanced trying to estimate the size and growth rates for the drilling tools market. Nonetheless, the global oilfield equipment rental market is estimated at \$24 billion and is expected to grow to \$31 billion by 2030. Geothermal is estimated at over \$3 billion, water-well at \$3.7 billion, and mining at some \$3.3 billion. The key takeaway, in our view, is that these are larger growing markets, providing ADT with the opportunity to grow its business just by participating in the organic growth.

### Investments

The Investments division holds and manages certain corporate-owned real estate, including a manufacturing facility in Maine that is leased to KBS and a manufacturing facility in Wisconsin that is leased to TT. The Investments division manages internally funded, concentrated minority investments in a number of public companies. It also holds and manages a promissory note and a private equity stake in Catalyst MedTech, which were acquired in May 2023 as a result of the sale of Digirad Health.

## Investments: \$20 - \$30M of Potential Value to Be Unlocked

<b>Real Estate</b> Estimated Value \$10 - \$12M <sup>(1)</sup>	<b>Private Investments</b> Estimated Value \$8 - \$13M <sup>(1) (2)</sup>	<b>Public Investments</b> Portfolio Value \$2.7M <sup>(1)</sup>
<ul style="list-style-type: none"> <li>Owns, manages, and finances real estate assets of operating companies</li> <li>Negotiates standalone financing to optimize financial leverage and cost of capital</li> <li>Executes sale-leaseback transactions on owned real estate when attractive to do so</li> </ul> 	<ul style="list-style-type: none"> <li>Star Equity Investment Holdings retains private company debt and minority equity interests</li> <li>Makes strategic investments including potential acquisition targets or JV partners</li> </ul> 	<ul style="list-style-type: none"> <li>Star Equity Fund ("SEF") manages public equity portfolio</li> <li>Focuses on impact investments to unlock latent value</li> <li>Could use activist approach in certain situations</li> <li>Makes strategic investments including potential acquisition targets or JV partners</li> </ul> 
<p><sup>(1)</sup> As of 9/30/2025, and evaluated quarterly.</p> <p><sup>(2)</sup> Lower end of valuation is book value as of 9/30/2025; higher end includes original (unimpaired) value of Catalyst Equity.</p>		

Source: Company February 2026 presentation

Significantly, there is an estimated \$20-\$30 million of potential value in the Investments division, which could supply additional capital and/or liquidity for Star to further implement its growth plans. Management continues to evaluate opportunities to unlock this value.

Specific to investments in public equities, in 2024 the Company generated a 35% return when its investment in Superior Drilling was acquired by Drilling Tools International and, in 2025, Star generated a 340% return when Servotronics, Inc. (SVT) was acquired by TransDigm Group. Star originally invested in SVT in 2022, eventually accumulating an approximate 6% stake and pushing for change. We believe there is substantial opportunity for management to derive additional gains from current and future investments. Importantly, these investments also could be potential acquisition targets for Star.

### Growth Strategy

Management is following a three-pronged growth playbook, as seen in the following table. First and foremost is organic growth in the existing operating verticals with a goal of achieving \$40 million of adjusted EBITDA in 2030. The second strategy is growth via acquisitions, with both the public and private arenas targeted. We expect the acquisitions to be focused on one of the three current verticals, although we believe management will be opportunistic in adding additional verticals. Any acquisitions are likely to be made with some combination of cash, debt, preferred stock, and seller notes. Lastly, through the Investments division, Star will make targeted investments in select microcaps. These could be potential acquisition targets or just strategic investments in companies that management has determined are trading at a discount to fair value.

## Grow Our Business Via a Three-Pronged Growth Strategy

### Grow Organically

Invest in growth ideas and operational improvements

Adj. EBITDA Goals:

- \$13M 2026E <sup>(1)</sup>
- \$40M by 2030 <sup>(2)</sup>

### Grow Via Acquisitions

Acquire private and / or public companies



Use cash, debt, and/or preferred stock for M&A

### Make Targeted Investments

Select **microcaps** that could be:

- Acquisition targets
- Strategic investments

<sup>(1)</sup> Based on Bloomberg consensus estimates. Star assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, including Bloomberg consensus estimates, whether as a result of new information, future events or otherwise. See slide 2 for more information.

<sup>(2)</sup> We expect our revenue to grow 10-15% per year on average over the next 5 years and Adj. EBITDA to grow faster than that rate, excluding acquisitions. See slide 23 for more detail.

Source: Company February 2026 presentation

Most recently, on January 22nd, Star disclosed the ownership of 5.4% of the common stock of GEE Group, Inc. (NYSE American: JOB) and made public a letter sent to GEE Group suggesting the two companies begin discussions on a potential merger. According to Star, a combination of the two companies would create significant value for both JOB and STRR stockholders through:

- reduction of duplicative public company and corporate overhead costs,
- sharpened operational focus and efficiency for the operating management team,
- Star Equity management's significant experience in overseeing and investing in professional services businesses, and
- ample opportunities for collaboration with Star Equity's experienced business leaders.

Star invested \$1.17 million to accumulate 5,969,762 GEE shares at an average cost of \$0.196 per share. GEE shares currently trade at \$0.24 per share, or 22% above Star's average cost.

Jacksonville, FL-based GEE Group is a multi-brand national staffing and recruiting firm serving the IT, Legal, Engineering, Finance, Accounting, and Healthcare segments by providing professional and commercial staffing services. For the fiscal year ended September 30th, GEE revenue was \$96.5 million with adjusted EBITDA of a negative \$1.2 million. In addition to any potential synergies, GEE Group's focus on the IT vertical would broaden Star's service offering, in our view. The GEE investment fits into either the growth by acquisitions vertical or, if the company declines Star's merger overtures, the target investment vertical, in our opinion.

In regard to M&A, Star is expected to actively seek out both public and private acquisition opportunities to complement organic growth. The playing field is substantial, with an estimated 3,000+ public companies with less than \$30 million of annual EBITDA in the U.S. and some 12 million private businesses owned by "Baby Boomers" in the U.S., with about one-third of that number having revenue in the \$5-\$100 million range. Notably, an estimated 45% of family-owned businesses lack a succession plan, according to the Kreisler Miller Family Business Survey, making the eventual sale of such businesses a logical outcome.

# Characteristics - What We Are Looking For (M&A)

## Characteristics of Star's operating businesses and acquisition targets:

1. Low maintenance capex / asset-lite business models
2. Significant organic growth opportunities / growing industries
3. Focus on B2B
4. Fragmented markets / availability of bolt-on acquisition targets
5. Excellent local operating management teams
6. Owner mentality (insiders own approx. 35% of shares) <sup>(1)</sup>

**We are looking to acquire businesses generating \$10-\$50M in Revenue with >\$2M of EBITDA in the following industries:**

### Existing Star Verticals (highest priority):

- Building Solutions / Housing / Building Materials
- Staffing / Business Services
- Energy Services

### Potential New Verticals for Star:

- Transportation / Logistics
- Industrials / Manufacturing
- Materials
- NO start-ups or VC-type situations



<sup>(1)</sup> Excluding warrants. 15

Source: Company February 2026 presentation

## Capital Structure

At the end of September, cash and equivalents totaled \$15.3 million, or nearly \$4.50 per outstanding common share. Working capital was \$35.0 million. Short-term debt totaled \$6.4 million, and long-term debt was \$6.5 million. In addition, Star had 2,691 shares of Series A Preferred stock outstanding. The preferred shares are non-convertible, non-voting, and pay a perpetual annual dividend of \$1.00 per share, paid quarterly at \$0.25 per share.

## Share Repurchases

Share repurchases are another potential use of cash flow. During the third quarter of 2025, Star repurchased 274,922 shares or about 8% of the outstanding shares. Furthermore, in September 2025, the Board of Directors authorized a new \$3 million share repurchase program upon completion of the existing \$5 million program, underscoring the Board's confidence in the long-term growth prospects of the Company, in our opinion.

Through the first three quarters of 2025, Star repurchased 274,922 shares at a cost of \$2.57 million. Of this total, 261,052 shares were repurchased on September 25, 2025, in connection with a transaction with a certain shareholder totaling \$ 2.44 million, and the remaining 13,870 shares were repurchased on the open market for a cost of \$ 131,000. As of September 30, 2025, the Company had \$ 2.547 million available for purchase under the September 10, 2025, authorization.

## Operating Results

Third quarter results for the period ended September 30, 2025, reflect the impact of the August merger, with revenue, gross profit, and Adjusted EBITDA all increasing year-over-year, largely due to the inclusion of the acquired company's results beginning August 22, 2025.

Revenue of \$48.0 million increased 30.1% from the third quarter of 2024. On a constant currency basis, the Company's revenue increased \$11.2 million, or 30.5%, primarily due to the impact of revenue from the Star Operating Companies, which contributed 30 percentage points to the revenue growth. Gross profit of \$20.6 million increased 10.9% from the third quarter of 2024. On a constant currency basis, gross profit increased \$1.9 million, or 10.4%, due to the impact of the Star Operating

Companies, which contributed 11 percentage points to the gross profit growth.

Selling, general and administrative expenses (including salaries and related expenses) and other non-operating income (expense) was \$21.8 million for the three months ended September 30, 2025, compared to \$18.9 million for the same period in 2024, an increase of \$2.9 million, or 15.5%. The acquisition of Star Operating Companies increased SG&A and Non-Op by \$2.2 million, which contributed 11 percentage points to the increase. On a constant currency basis, SG&A and Non-Op increased \$2.9 million, or 15.2%, as compared to the same period in 2024. SG&A and Non-Op as a percentage of revenue was 45.5% for the three months ended September 30, 2025, compared to 51.5% for the same period in 2024.

Star reported a net loss of \$1.8 million, or \$0.54 per diluted share, compared to a net loss of \$0.8 million, or \$0.28 per diluted share, for the third quarter of 2024. Adjusted net income per diluted share was \$0.02 compared to adjusted net loss per diluted share of \$0.13 in the third quarter of 2024. Adjusted EBITDA increased to \$1.3 million versus adjusted EBITDA of \$0.8 million in the same period last year.

Importantly, on a pro forma basis, which includes the full third quarter's results from Star Operating Companies, adjusted earnings per share were positive \$0.19 versus negative \$0.54 in the third quarter a year ago. Adjusted EBITDA increased to \$1.3 million from \$800,000 in the same period last year, reflecting improved operating leverage following the merger. Pro forma adjusted EBITDA was \$3.1 million versus \$600,000 in the third quarter of last year.

Pro-forma	Three Months Ended September 30,				Nine Months Ended September 30,			
	2025		2024		2025		2024	
Revenue	\$	62,136	\$	50,516	\$	166,174	\$	142,720
Gross Profit	\$	25,356	\$	21,420	\$	69,786	\$	59,155
Net loss	\$	(1,852)	\$	(2,816)	\$	(2,022)	\$	(12,166)

Source: Company 10Q

### Segment Performance

The Building Solutions segment delivered strong performance in the third quarter of 2025, capitalizing on the rebound in commercial construction demand while navigating continued softness in residential markets. The segment's focus on higher margin projects and ensuring rigorous project management has enabled the segment to maintain healthy profit margins and strengthen existing client relationships.

Third quarter 2025 Building Solutions revenue was \$9.4 million, and gross profit was \$1.7 million. Adjusted EBITDA was \$0.6 million. On a pro forma basis, Building Solutions revenue was \$21.4 million, up from \$13.7 million in the third quarter of 2024, and pro forma gross profit was \$5.3 million versus \$2.8 million in the prior year quarter. Pro Forma adjusted EBITDA was \$2.6 million in the third quarter of 2025, up from adjusted EBITDA of \$0.7 million a year ago.

Building Solutions quarter-end backlog was \$20.0 million, and the trailing 12-month book-to-bill ratio was 1.01.

The Business Services segment continued to perform well despite a challenging macroeconomic backdrop. Both third quarter and year-to-date gross profit increased slightly compared to last year, even as the broader talent acquisition industry has contracted in 2025 versus 2024. The segment's performance reflects management's ability to effectively manage costs and sustain margins, while continuing to deliver value to clients in a difficult market environment.

Third quarter 2025 Business Services revenue was \$37 million, up from \$36.9 million in the prior year quarter, while gross profit of \$18.6 million was flat versus a year ago. Regionally, APAC and Americas gross profit grew 9% and 5%, respectively. This growth was offset by EMEA, where gross profit declined by 25%. Business Services adjusted EBITDA was \$1.7 million, which was flat versus last year's third quarter.

Building on momentum from the first half of the year, in the third quarter, Star continued to execute its land and expand strategy. This strategy, which emphasizes expanding Hudson's geographical footprint and broadening its service offerings to both existing and prospective clients, has proven to be highly effective. As a result, Hudson secured approximately \$39.8 million in gross profit from renewals and extensions at existing clients, reflecting the strong relationships cultivated by the firm's ability to deliver ongoing value. Additionally, the Company has secured approximately \$11.1 million from new logo wins over the past four quarters.

The Energy Services segment achieved particularly strong results despite a broader slowdown across the energy sector. The strong performance was driven by exceptional sales execution, disciplined cost management, and strategic capital investments in ADT's drilling tool inventory and service capabilities. These initiatives not only increased sales and utilization rates but also enhanced the unit's market positioning and customer satisfaction. Third quarter 2025 Energy Services revenue was \$1.3 million. Gross profit was \$0.3 million. Energy Services third quarter 2025 adjusted EBITDA was \$0.1 million.

On a pro forma basis, Energy Services revenue for the third quarter of 2025 was \$3.7 million, and pro forma gross profit was \$1.5 million. Third quarter 2025 pro forma adjusted EBITDA was \$1.0 million.

## Projections

With all the moving parts, including recent acquisitions, we have yet to see a string of comparable quarters. We expect this to continue and believe the direction of performance will be as significant as the actual numbers. For the fourth quarter of 2025, we are projecting revenue of \$58 million, driven by a full quarter of contribution from the Building Solutions segment, and adjusted EBITDA of \$2.23 million. Our fourth quarter projected net loss is \$355,000, or a loss of \$0.09 per share. After subtracting preferred dividends, net loss to common shareholders is projected at \$945,000, or a loss of \$0.25 per share. On an adjusted basis for non-recurring costs, we project fourth quarter net income of \$645,000, or EPS of \$0.17 per share.

Looking towards 2026, we are projecting revenue of \$240 million and adjusted EBITDA of \$12.3 million. Net income is projected at \$3.35 million or \$0.86 per share. After subtracting out preferred dividends, net income available to common shareholders is projected at \$990,000, or \$0.25 per share. On an adjusted basis for non-recurring costs, we project full year 2026 net income of \$3.75 million, or EPS of \$0.96 per share.

## Key Officers and Directors

**Jeffrey Eberwein** – Chief Executive Officer - Mr. Eberwein has over 25 years of Wall Street experience and is the Founder and CEO of Lone Star Value Management (“LSVM”), a U.S. investment advisory firm. Prior to founding LSVM in January 2013, Mr. Eberwein was a Portfolio Manager at Soros Fund Management from January 2009 to December 2011 and at Viking Global Investors from March 2005 to September 2008. In April 2018, Mr. Eberwein became CEO of Hudson Global, Inc., a global recruitment company, and has been on the Board since May 2014. Previously, Mr. Eberwein served as Chairman of the Board for AMERI Holdings, Inc., an IT services company, from May 2015 until August 2018, ATRM Holdings, Inc., a modular building company, from January 2013 until September 2019, and Crossroads Systems, Inc., from April 2013 until May 2016. Mr. Eberwein also served as a director of The Goldfield Corporation from May 2012 until May 2013, On Track Innovations Ltd. from

December 2012 until March 2014, and NTS, Inc. from December 2012 until its sale to a private equity firm was completed in June 2014.

**Richard Coleman** – President and COO: Mr. Coleman has more than 30 years of executive leadership experience, with extensive expertise in business development, operational excellence, and acquisitions. He joined Star Equity Holdings, Inc. as Chief Operating Officer in January 2022, became Chief Executive Officer in April 2022, and served on the Board of Directors from May 2022 until October 2024. As CEO, he is responsible for leading the Company's business growth and overseeing its overall operations. Prior to joining the Company, Mr. Coleman served in a variety of senior executive roles, including President, CEO, and director of Command Center Inc., a provider of flexible on-demand employment solutions; President, CEO, and director of Crossroads Systems, Inc., a global provider of data archive solutions; CEO of Vroom Technologies Inc.; Chief Operating Officer of MetroNet Communications; and President of US West Long Distance. He also has held significant officer-level positions with Frontier Communications, Centex Telemanagement, and Sprint Communications. Mr. Coleman began his career as an Air Force Telecommunications Officer, managing Department of Defense R&D projects.

**Matthew Diamond** – Chief Accounting Officer - Prior to being appointed as our Chief Accounting Officer, Matthew K. Diamond served as Chief Financial Officer of the Company since January 2020, with overall responsibility for the Company's global accounting and finance functions. Mr. Diamond will no longer hold the title of Chief Financial Officer, but will continue to serve as the Company's Principal Financial Officer. Prior to serving as Chief Financial Officer, Mr. Diamond served as the Company's Vice President of Finance since January 2019 and was appointed Principal Financial Officer in June 2019. Prior to joining the Company, Mr. Diamond served in a variety of finance and control roles at PepsiCo, Inc. from 2001 to 2018, including director roles in Financial Reporting, Financial Analysis, and Technical Accounting and Policy. Mr. Diamond is a CPA and began his career as a Supervisory Senior Auditor with Arthur Andersen LLP.

**Mimi Drake** – Director and Board Chair - Ms. Drake is a Partner and Practice Leader in the Pennsylvania office at Cerity Partners, one of the largest independent wealth management firms in the country. Ms. Drake works with executives, entrepreneurs, and families to strategically manage their wealth. She is also involved in several of the firm's growth initiatives. Prior to joining Cerity Partners, Ms. Drake served as Co-Chief Executive Officer and Co-Founder of Permit Capital Advisors, LLC. Ms. Drake has worked in the investment industry since 1995. Earlier in her career, she spent several years at Miller Anderson & Sherrerd/ Morgan Stanley Institutional Asset Management, where she worked on both the marketing/client service and portfolio management sides of the business.

**Connia Nelson** – Director - Connia M. Nelson has served as a director since February 2019. Ms. Nelson is the Chief Human Resources Officer for LifeWay Christian Resources, a position that she has held since September 2018, where she is responsible for human capital management, including talent acquisition, employee experience, performance excellence, compensation, value-based culture, diversity, and employee engagement. Ms. Nelson previously served as Vice President – Human Resources of Lifeway Christian Resources from September 2016 until September 2018. Prior to that, Ms. Nelson worked for Verizon Communications from May 2000 until June 2016, creating talent management strategies to acquire and retain top talent globally, improve succession, increase the employer brand, enhance diversity, deliver total rewards, accelerate employee engagement, manage employee relations, and lead the Office of Business Ethics.

**Robert Pearse** – Director - Robert G. Pearse is a leader in corporate strategy and governance in the technology industry. Mr. Pearse currently serves as Managing Partner at Yucatan Rock Ventures, an investment and consulting firm he co-founded. Mr. Pearse has served on the boards of numerous publicly traded companies in the technology sector, including as Board Chairperson and as Chairperson of Audit and Compensation committees. Previously, Mr. Pearse served as Vice President of Strategy at NetApp, where he developed and led the hyper-growth plan that placed the company in the Fortune 500. Before that, Mr. Pearse held leadership positions at Hewlett-Packard, including Vice President of Strategy and Corporate Development. Mr. Pearse's professional experience also includes positions at PricewaterhouseCoopers, Eastman Chemical Company, and General Motors Company.

**Todd Fruhbeis** – Director - Mr. Fruhbeis has over 25 years of capital markets experience. Most recently, for over 15 years, he served as HBSC's Head of Structured Product Sales and Equity Derivatives Sales, Americas. Prior to that, he was a Managing Director at Bear Stearns and Vice President at Deutsche Bank, specializing in equity derivative sales.

**Jennifer Palmer** – Director - Ms. Palmer has over 15 years of small-to-mid-size company banking experience. She is the Founder and CEO of JPalmer Collective, a firm specializing in funding high-growth companies, including women-led companies and consumer brands, with a special focus on sustainability and inclusivity. She was also recently President of the Secured Finance Network (SFNet), the leading trade organization in the commercial finance industry. Ms. Palmer was previously CEO of Gerber Finance, where she grew the firm's asset-based lending portfolio by more than 140% and achieved the firm's second most profitable year in its 25-year history amid the COVID-19 pandemic.

**Louis Parks** – Director - Mr. Parks has over 35 years of investment management and board experience. Mr. Parks is currently Managing Member, COO & CFO at Tyro Capital Management LLC, an equity hedge fund with over \$200 million in assets under management and a value-based investment approach. He is also a partner at Metropolitan Business Funding LLC, a firm that provides merchant cash advances for small businesses throughout the United States. Previously, he was COO and CCO of Krensavage Asset Management LLC, Senior Managing Director & Head of Equities at CL King & Associates, and Senior Managing Director & Head of Equity Trading at Raymond James Financial.

## Company Profile

Star Equity Holdings, Inc. is a diversified holding company that seeks to build long-term shareholder value by acquiring, managing, and growing businesses with strong fundamentals and market opportunities. Its current structure comprises four divisions: Building Solutions, Business Services, Energy Services, and Investments. Star Equity was formed in August 2025 through the merger of Star Equity and Hudson Global.

## Fundamental Analysis 3.5/5.0 checks

Our fundamental assessment rating, separate from our investment rating and valuation, is based on five attributes. We assign 3.5 checks out of 5.0 checks, which falls within our "Above Average" range. The Board currently consists of seven members, six of whom are independent. The Chairman and CEO positions are separated. Directors are required to own common stock with a market value equal to at least three times the Director's then-current annual cash retainer. Insiders own approximately 35% of the outstanding common, aligning their interests with common shareholders.

From a business perspective, we believe Star Equity is well positioned to capitalize on its growth strategy. There remains significant whitespace for growth to expand revenue and net income on an organic basis, and we would expect acquisitions to further boost growth. The Company has the ability to expand margins as top line grows, in our view, and the balance sheet is solid. These positives are somewhat offset by the novel approach management has undertaken and the competitive nature of its current end markets. Star remains a relatively small company.

## Valuation Summary

We are initiating equity research coverage on Star Equity Holdings, Inc. with an Outperform rating and \$16 price target. At our price target STRR shares would trade at 0.36x our projected 2026 revenue on an EV/Revenue basis, 7.0x our projected 2026 adjusted EBITDA, and 16.7x our projected 2026 adjusted EPS.

Given the holding company nature of the Company and the lack of "clean" financials given the recent merger and acquisitions, valuing Star is more art than science at the present time, in our view. We also looked at the Company's assets. For example, at the end of the third quarter, there was \$15 million of cash on the balance sheet and an estimated \$20 million of real estate and investments. The Big Lake business was acquired in October 2023 for \$2.8 million, Timber Tech in May 2025 for \$23.7 million, and Alliance in March 2025, for \$12.6 million. Hudson is valued at north of \$50 million based on peer trading multiples. That still leaves the KBS Builders business. Against this is \$12 million of outstanding debt and \$23.7 million of preferred stock, providing a net value of approximately \$88 million, or roughly \$22 per share, providing investors a margin of safety based on our \$16 price target.

We also would note as of December 31, 2024, Star had \$240 million of usable net operating losses ("NOL") in the U.S., which could be a valuable asset. In order to protect the value of the NOL for all stockholders, the Company has a rights agreement and charter amendment in place that limit beneficial ownership of Star common stock to 4.99%. Stockholders who wish to own more than 4.99% of Star common stock, or who already own more than 4.99% of Star common stock and wish to buy more, may only acquire additional shares with the Board's prior written approval.

## Investment Risks include, but are not limited to:

1. Limited Float. There are only 3.9 million shares outstanding with insiders controlling some 39% of the outstanding shares.
2. Complexity. Star operates in three distinct verticals, with more potentially coming. Synergies could be limited and the economic cycles of the verticals could offset each other.
3. Acquisition Growth. A key strategy for Star is growth by acquisition. Every acquisition brings risk, such as overpaying, an inability to integrate, or other issues unforeseen at the time of the acquisition.

4. Star may sustain losses in the investment portfolio, which could have an adverse effect on the results of operations, financial condition and liquidity.
5. Trade tariffs or other factors affecting the commodities and materials Star uses in its business could have a material and adverse impact on the results of operations, financial condition, and cash flows.
6. Due to the nature of the building solutions business segment, many of expenses are fixed costs and if there are decreases in demand for products, it may adversely affect operating results.
7. Star's stockholder rights plan, or "poison pill," includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable.

## Star Equity Income Statement

(in thousands)

	2024	1Q25	2Q25	3Q25	4Q25E	2025E	1Q26E	2Q26E	3Q26E	4Q26E	2026E	2027E
<b>Revenues</b>												
Building Solutions	0			9,603	19,000	28,603	16,000	21,000	22,000	19,000	78,000	90,000
Business Services	140,056	31,866	35,541	37,038	36,000	140,445	37,000	38,000	37,500	36,000	148,500	160,000
Energy Services	0			1,318	3,000	4,318	3,000	3,500	3,500	3,500	13,500	15,000
Investments	0			0	0	0					0	0
<b>Total Revenue</b>	<b>140,056</b>	<b>31,866</b>	<b>35,541</b>	<b>47,959</b>	<b>58,000</b>	<b>173,366</b>	<b>56,000</b>	<b>62,500</b>	<b>63,000</b>	<b>58,500</b>	<b>240,000</b>	<b>265,000</b>
<b>Cost of Revenues</b>												
Building Solutions	0	0	0	7,919	15,000	22,919	12,650	16,500	17,250	14,750	61,150	68,400
<i>% of segment revenue</i>				82.46%	78.95%	80.13%	79.06%	78.57%	78.41%	77.63%	78.40%	76.00%
Business Services	69,904	15,468	16,906	18,408	18,000	68,782	18,000	18,500	18,250	17,000	71,750	77,600
<i>% of segment revenue</i>	49.91%	48.54%	47.57%	49.70%	50.00%	48.97%	48.65%	48.68%	48.67%	47.22%	48.32%	48.50%
Energy Services	0	0	0	972	2,100	3,072	2,100	2,300	2,400	2,400	9,200	9,750
<i>% of segment revenue</i>				73.75%	70.00%	71.14%	70.00%	65.71%	68.57%	68.57%	68.15%	65.00%
Investments	0	0	0	33	35	68	50	50	50	50	200	300
<i>% of segment revenue</i>												
<b>Total Cost of Revenue</b>	<b>69,904</b>	<b>15,468</b>	<b>16,906</b>	<b>27,332</b>	<b>35,135</b>	<b>94,841</b>	<b>32,800</b>	<b>37,350</b>	<b>37,950</b>	<b>34,200</b>	<b>142,300</b>	<b>156,050</b>
<b>Gross Profit</b>	<b>70,152</b>	<b>16,398</b>	<b>18,635</b>	<b>20,627</b>	<b>22,865</b>	<b>78,525</b>	<b>23,200</b>	<b>25,150</b>	<b>25,050</b>	<b>24,300</b>	<b>97,700</b>	<b>108,950</b>
<i>gross margin</i>	50.09%	51.46%	52.43%	43.01%	39.42%	45.29%	41.43%	40.24%	39.76%	41.54%	40.71%	41.11%
<b>Operating Expenses</b>												
Salaries and Related	58,309	17,839	18,601	16,135	16,500	69,075	16,000	16,500	16,500	16,500	65,500	70,000
<i>% of revenue</i>	41.63%	55.98%	52.34%	33.64%	28.45%	39.84%	28.57%	26.40%	26.19%	28.21%	27.29%	26.42%
Office & General	10,703	0	0	4,819	4,800	9,619	5,000	5,000	5,000	5,000	20,000	22,000
<i>% of revenue</i>	7.64%	0.00%	0.00%	10.05%	8.28%	5.55%	8.93%	8.00%	7.94%	8.55%	8.33%	8.30%
Marketing & Promotion	3,588	0	0	913	900	1,813	900	900	900	900	3,600	4,000
<i>% of revenue</i>	2.56%	0.00%	0.00%	1.90%	1.55%	1.05%	1.61%	1.44%	1.43%	1.54%	1.50%	1.51%
D&A	1,361	283	245	404	800	1,732	1,000	1,000	1,000	1,000	4,000	4,000
<i>% of revenue</i>	0.97%	0.89%	0.69%	0.84%	1.38%	1.00%	1.79%	1.60%	1.59%	1.71%	1.67%	1.51%
<b>Total Operating Expenses</b>	<b>73,961</b>	<b>18,122</b>	<b>18,846</b>	<b>22,271</b>	<b>23,000</b>	<b>82,239</b>	<b>22,900</b>	<b>23,400</b>	<b>23,400</b>	<b>23,400</b>	<b>93,100</b>	<b>100,000</b>
<b>Operating Profit (loss)</b>	<b>(3,809)</b>	<b>(1,724)</b>	<b>(211)</b>	<b>(1,644)</b>	<b>(135)</b>	<b>(3,714)</b>	<b>300</b>	<b>1,750</b>	<b>1,650</b>	<b>900</b>	<b>4,600</b>	<b>8,950</b>
<i>operating margin</i>	-2.72%	-5.41%	-0.59%	-3.43%	-0.23%	-2.14%	0.54%	2.80%	2.62%	1.54%	1.92%	3.38%
<b>Non-operating Income (expense)</b>												
Interest Income (expense), net	360	71	54	81	80	286	100	100	100	100	400	(500)
Other Income (expense), net	(21)	(71)	(186)	48	(100)	(309)	(100)	(100)	(100)	(100)	(400)	(500)
<b>Pre-tax Income (loss)</b>	<b>(3,470)</b>	<b>(1,724)</b>	<b>(343)</b>	<b>(1,515)</b>	<b>(155)</b>	<b>(3,737)</b>	<b>300</b>	<b>1,750</b>	<b>1,650</b>	<b>900</b>	<b>4,600</b>	<b>7,950</b>
<b>Taxes</b>	<b>1,300</b>	<b>32</b>	<b>345</b>	<b>249</b>	<b>200</b>	<b>826</b>	<b>50</b>	<b>500</b>	<b>450</b>	<b>250</b>	<b>1,250</b>	<b>2,500</b>
<i>tax rate</i>	-37.46%	-1.86%	-100.58%	-16.44%	-129.03%	-22.10%	16.67%	28.57%	27.27%	27.78%	27.17%	31.45%
<b>Net Income (loss)</b>	<b>(4,770)</b>	<b>(1,756)</b>	<b>(688)</b>	<b>(1,764)</b>	<b>(355)</b>	<b>(4,563)</b>	<b>250</b>	<b>1,250</b>	<b>1,200</b>	<b>650</b>	<b>3,350</b>	<b>5,450</b>
<i>net margin</i>	-3.41%	-5.51%	-1.94%	-3.68%	-0.61%	-2.63%	0.45%	2.00%	1.90%	1.11%	1.40%	2.06%
<b>Preferred Dividend</b>	<b>0</b>			<b>(67)</b>	<b>(590)</b>	<b>(657)</b>	<b>(590)</b>	<b>(590)</b>	<b>(590)</b>	<b>(590)</b>	<b>(2,360)</b>	<b>(2,500)</b>
<b>Net Income (loss) to Shareholders</b>	<b>(4,770)</b>	<b>(1,756)</b>	<b>(688)</b>	<b>(1,831)</b>	<b>(945)</b>	<b>(5,220)</b>	<b>(340)</b>	<b>660</b>	<b>610</b>	<b>60</b>	<b>990</b>	<b>2,950</b>
<b>EPS</b>												
Basic	(\$1.59)	(\$0.59)	(\$0.23)	(\$0.54)	(\$0.09)	(\$1.40)	\$0.07	\$0.32	\$0.31	\$0.16	\$0.86	\$1.36
Diluted	(\$1.59)	(\$0.59)	(\$0.23)	(\$0.54)	(\$0.09)	(\$1.40)	\$0.07	\$0.32	\$0.31	\$0.16	\$0.86	\$1.36
<b>EPS to Shareholders</b>												
Basic	(\$1.59)	(\$0.59)	(\$0.23)	(\$0.56)	(\$0.25)	(\$1.60)	(\$0.09)	\$0.17	\$0.16	\$0.02	\$0.25	\$0.74
Diluted	(\$1.59)	(\$0.59)	(\$0.23)	(\$0.56)	(\$0.25)	(\$1.60)	(\$0.09)	\$0.17	\$0.16	\$0.02	\$0.25	\$0.74
<b>Weighted Shares</b>												
Basic	3,000	2,985	2,995	3,263	3,800	3,260	3,800	3,900	3,900	4,000	3,900	4,000
Diluted	3,000	2,985	2,995	3,263	3,800	3,260	3,800	3,900	3,900	4,000	3,900	4,000

Source: Company reports and Noble Capital estimates

### Adjusted EBITDA

Operating Income	(3,809)	(1,724)	(211)	(1,644)	(135)	(3,714)	300	1,750	1,650	900	4,600	8,950
D&A	1,361	283	245	666	800	1,732	1,000	1,000	1,000	1,000	4,000	4,000
Stock comp	1,280	386	243	361	400	1,390	350	350	350	350	1,400	1,500
Other	2,071	387	1,039	1,952	1,200	4,578	200	100	1,000	1,000	2,300	1,500
Total	903	(668)	1,316	1,335	2,265	3,986	1,850	3,200	4,000	3,250	12,300	15,950
Margin	0.64%	-2.10%	3.70%	2.78%	3.91%	2.30%	3.30%	5.12%	6.35%	5.56%	5.13%	6.02%

### Adjusted EPS

Net Loss	(4,770)	(1,756)	(688)	(1,764)	(355)	(4,563)	250	1,250	1,200	650	3,350	5,450
Non-recurring expenses	2,178	387	1,039	1,833	1,000	4,259	100	100	100	100	400	400
Adjusted Net Income	(2,592)	(1,369)	351	69	645	(304)	350	1,350	1,300	750	3,750	5,850
Adjusted EPS	(\$0.86)	(\$0.46)	\$0.12	\$0.02	\$0.17	(\$0.09)	\$0.09	\$0.35	\$0.33	\$0.19	\$0.96	\$1.46

Source: Company reports and Noble Capital estimates

**Star Equity Balance Sheet**

(in thousands)

	<b>12/31/2024</b>	<b>3/31/2025</b>	<b>6/30/2025</b>	<b>9/30/2025</b>
<b>Current Assets</b>				
Cash	17,011	16,553	16,837	15,368
Restricted Cash	476	487	497	1,209
Investments in Equity Securities		0	0	2,721
A/R	20,093	21,281	23,549	36,239
Inventories, net		0	0	7,746
Other	<u>2,560</u>	<u>2,885</u>	<u>2,410</u>	<u>4,562</u>
Total Current Assets	40,140	41,206	43,293	67,845
<b>P,P&amp;E</b>	242	213	241	18,374
Operating Leases	1,024	828	931	9,953
Goodwill	5,703	5,717	5,760	5,969
Intangible Assets	2,491	2,256	2,026	1,871
Long-term Investments	0	0	0	953
Notes Receivable	0	0	0	6,787
Deferred Tax Assets	2,648	2,677	3,053	3,406
Other	335	288	273	1,982
Total Assets	52,583	53,185	55,577	117,140
<b>Current Liabilities</b>				
Accounts Payable	1,789	3,064	2,344	5,515
Accrued Expenses	8,681	9,249	11,591	16,875
Short-term Debt	0	0	0	6,431
Deferred Revenue	129	0	0	3,425
Operating Leases	623	471	321	564
Other				
Total Current Liabilities	11,222	12,784	14,256	32,810
Income Tax Payable	93	94	96	97
Operating Leases	441	401	650	9,473
Long-term Debt	0	0	0	6,522
Other	399	432	445	467
Total Liabilities	12,155	13,711	15,447	49,369
Series A Pfd Stock	0	0	0	3
Common Stock	4	4	4	8
Additional Paid-in Capital	494,209	494,595	494,838	527,311
Accumulated Deficit	(430,017)	(431,773)	(432,461)	(434,225)
ACOL	(2,717)	(2,293)	(1,169)	(1,397)
Treasury Stock	(21,051)	(21,059)	(21,082)	(23,926)
Total Stockholders' Equity	40,428	39,474	40,130	67,774
Total Liabilities and Satockholders' equity	52,583	53,185	55,577	117,143

Source: Company reports

**Star Equity Cash Flows**
*(In thousands)*

	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25	3Q25
Net Income (loss)	(2,898)	(441)	(846)	(585)	(4,770)	(1,756)	(688)	(1,764)
D&A	397	287	358	319	1,361	283	245	666
Credit Losses	(8)	11	0	21	24	6	13	45
Deferred Income Taxes	(287)	37	47	735	532	31	(197)	(395)
Stock Comp	378	187	481	234	1,280	386	243	369
Non-cash Interest	0	0	0	0	0	0	0	(93)
Unrealized Loss	0	0	0	0	0	0	0	64
Gross Profit from Sale	0	0	0	12	12	0	0	(128)
Changes in W/C	633	(4,354)	1,211	1,284	(1,226)	248	523	(1,502)
Cash From Operating Activities	(1,785)	(4,273)	1,251	2,020	(2,787)	(802)	139	(2,738)
CapEx	(9)	(14)	1	4	(18)	(6)	(37)	(615)
Benefit Proceeds	1,076	0	0	0	1,076	0	0	0
Cash Paid in Acquisition	0	0	0	0	0	0	0	(132)
Cash Acquired	0	0	0	0	0	0	0	6,967
Proceeds from Sale	0	0	0	0	0	0	0	143
Purchases of Equity Securities	0	0	0	0	0	0	0	(395)
Proceeds from Sale of Equities	0	0	0	0	0	0	0	226
Cash From Investing Activities	1,067	(14)	1	4	1,058	(6)	(37)	6,194
Proceeds from Borrowings	0	0	0	0	0	0	0	3,689
Repayment of Debt	0	0	0	0	0	0	0	(3,431)
Repayment of Note	0	0	0	0	0	0	0	74
Preferred Stock Dividends	0	0	0	0	0	0	0	(67)
Purchases of Treasury Stock	(936)	(1,446)	(393)	0	(2,775)	0	0	(2,572)
Cash Paid for RSUs	(159)	(39)	(6)	(123)	(327)	(8)	(23)	(272)
Cash From Financing Activities	(1,095)	(1,485)	(399)	(123)	(3,102)	(8)	(23)	(2,579)
Effect of Exchange Rates	(358)	52	361	(727)	(672)	363	230	126
Net Increase In Cash	(2,171)	(5,720)	1,214	1,174	(5,503)	(453)	309	1,003
Beginning Period Cash	23,170	23,170	23,170	23,170	23,170	17,667	17,667	17,667
End Period Cash	20,999	(5,720)	1,214	1,174	17,667	17,214	309	1,003

<b>Free Cash Flow</b>								
Net Income	(2,898)	(441)	(846)	(585)	(4,770)	(1,756)	(688)	(1,764)
Depreciation and Amortization	397	287	358	319	1,361	283	245	666
Other Non Cash Gains and Losses	83	235	528	1,002	1,848	423	59	(138)
Changes in Assets and Liabilities	633	(4,354)	1,211	1,284	(1,226)	248	523	(1,502)
Net Operating Cash Flow	(1,785)	(4,273)	1,251	2,020	(2,787)	(802)	139	(2,738)
Capital Expenditures	(9)	(14)	1	4	(18)	(6)	(37)	(615)
<b>Free Cash Flow</b>	(1,794)	(4,287)	1,250	2,016	(2,769)	(808)	176	(3,353)
Free Cash Flow Per Diluted Share	(\$0.59)	(\$1.42)	\$0.42	\$0.68	(\$0.92)	(\$0.27)	\$0.06	(\$1.03)

Source: Company reports



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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

### Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

### The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

### Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

### Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

### Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclical, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

### ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Senior Generalist Equity Analyst. Chartered Financial Analyst®. Over 25 years experience as a Generalist Analyst focused in the small to mid-cap space. MBA in Finance from Pace University and a BS in Agricultural Economics from Cornell University.

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<b>NOBLE RATINGS DEFINITIONS</b>	<b>% OF SECURITIES COVERED</b>	<b>% IB CLIENTS</b>
Outperform: potential return is >15% above the current price	86%	15%
Market Perform: potential return is -15% to 15% of the current price	14%	4%
Underperform: potential return is >15% below the current price	0%	0%

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Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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Report ID: 28032