Great Elm Capital Group, Inc.

Investor Presentation – Quarter Ended March 31, 2019

May 10, 2019

© 2019 Great Elm Capital Group, Inc.

Disclaimer

Statements in this presentation that are "forward-looking" statements, including, but not limited to, statements regarding potential or expected IRRs, cash-on-cash returns, collection of incentive fees and net operating loss utilization involve risks and uncertainties that may individually or collectively impact the matters described herein. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made and represent Great Elm Capital Group, Inc.'s ("Great Elm" or "GEC") assumptions and expectations in light of currently available information. Great Elm assumes no obligation to, and expressly disclaims any duty to, update any forward-looking statements contained in this presentation or to conform prior statements to actual results or revised expectations, except as required by law. These statements involve risks, variables and uncertainties, and Great Elm's actual performance results may differ from those projected, and any such differences may be material. For information on certain factors that could cause actual events or results to differ materially from Great Elm's expectations, please see Great Elm's filings with the Securities and Exchange Commission (the "SEC"), including its most recent annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Additional information relating to Great Elm's financial position and results of operations is also contained in Great Elm's annual and quarterly reports filed with the SEC, which are available for download at its website www.greatelmcap.com or at the SEC website www.sec.gov.

Non-GAAP Financial Measures

The SEC has adopted rules to regulate the use in filings with the SEC, and in public disclosures, of financial measures that are not in accordance with US GAAP, such as adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). See the Appendix for important information regarding the use of non-GAAP financial measures and reconciliations of non-GAAP measures to their most directly comparable GAAP measures.

This presentation does not constitute an offer of any securities for sale.

© 2019 Great Elm Capital Group, Inc.

Table of Contents

Slide	Section
4	Performance Overview
6	Organizational Overview
9	Operating Companies: Great Elm DME
14	Investment Management
18	Real Estate
22	General Corporate
24	Financial Review
27	Summary
29	Q&A
30	Appendix

© 2019 Great Elm Capital Group, Inc.

Performance Overview

© 2019 Great Elm Capital Group, Inc.

Performance Overview

- **For the quarter ended March 31, 2019, Great Elm reported:**
  - **Consolidated Revenue of $14.1 million** vs. ($0.5) million during the same period the prior year
    - DME: $11.8 million
    - Investment Management: $1.1 million
    - Real Estate: $1.3 million
    - General Corporate: -
  - **Consolidated adjusted EBITDA of $3.9 million** vs. ($0.3) million during the same period the prior year
    - DME: $3.2 million
    - Investment Management: $1.0 million
    - Real Estate: $1.1 million
    - General Corporate: ($1.5) million

© 2019 Great Elm Capital Group, Inc.

Organizational Overview

© 2019 Great Elm Capital Group, Inc.

Organizational Overview: Drivers of Shareholder Value

Operating Companies

- Target undercapitalized small and mid-sized companies where we can partner with management to accelerate earnings growth
- Focus on companies that offer a platform for follow-on acquisitions and investment

Investment Management

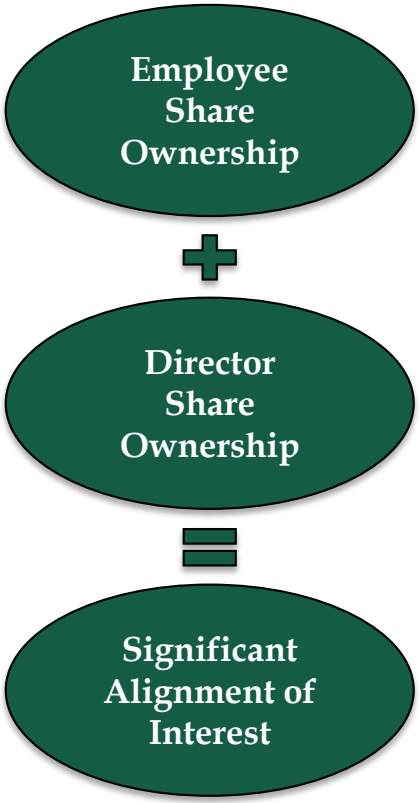
- Grow Great Elm Capital Corp. ("GECC") through capital raises, as well as by acquiring other BDCs
- Increase assets under management ("AUM") via new fund launches, SMAs and co-investments

Real Estate

- Seek opportunities, such as the Fort Myers transaction, that utilize modest equity capital and monetize significant net operating loss carryforwards ("NOLs")

© 2019 Great Elm Capital Group, Inc.

Organizational Overview: Alignment of Interest



- Employees of GEC/Great Elm Capital Management, Inc. ("GECM") collectively own over 1.8 million shares of GEC, representing greater than 7% of GEC's outstanding shares[1]

- The directors of GEC collectively own greater than 11% of GEC's outstanding shares[1]

- When combined, **insider ownership totals greater than 18% of the outstanding shares**
- We believe this level of insider ownership results in a **significant and long-term alignment of interest** between the shareholders and the insiders of GEC

(1) This includes restricted shares that are subject to both performance and service vesting and is based on the share count pro forma for the vesting of said restricted shares.

© 2019 Great Elm Capital Group, Inc.

Operating Companies: Great Elm DME

© 2019 Great Elm Capital Group, Inc.

Operating Companies: Rapid Growth at DME

- In September 2018, Great Elm acquired Valley Healthcare Group and combined it with Northwest Medical Group for $63.6 million
  - The purchase price corresponded to 4.9x June 30 LTM pro forma adjusted EBITDA of $12.9 million, which included anticipated cost synergies

- **In FY 3Q19, the combined businesses ("DME") generated $11.8 million of revenue and $3.2 million of adjusted EBITDA**
  - Performance in the quarter was negatively impacted by approximately $382 thousand due to temporary delays in filling prescriptions related to the integration of Valley Healthcare Group and Northwest Medical

- **DME has continued to generate rapid year-over-year patient growth in its PAP and ventilator businesses**
  - New patient set-ups and active rental patients exhibited double digit year-over-year growth

- **We expect continued organic growth from DME**

© 2019 Great Elm Capital Group, Inc.

Operating Companies: Foundation for Long-Term Profitability

Strong Operating Growth

- **Double-digit growth year-over-year in referrals, new patient setups and active rentals in PAP and Ventilators**

Limited "Maintenance" Capex

- $2.5 million of capital expenditures was recorded in the quarter
  - Approximately $2.1 million classified as "revenue generating capex"
- Growth revenue will be recognized over the upcoming year, not contemporaneously with spend

Conclusion

- 3Q19 adjusted EBITDA of $3.2 million does not reflect the full impact of operating growth
- Great Elm intends to invest to support both organic and inorganic growth

© 2019 Great Elm Capital Group, Inc.

Operating Companies: M&A

- **In addition to driving organic revenue, EBITDA and volume growth, DME intends to acquire complementary, patient-focused businesses**
  - The respiratory-focused, durable medical equipment industry is characterized by a fragmented landscape that we believe offers a significant opportunity for consolidation
  - DME's patient-centric service model differentiates it from the competition
  - Add-on acquisitions could enhance Great Elm's DME business as a "buy-and-build" growth platform, driving free cash flow generation

- DME intends to pursue a "hub-and-spoke" expansion strategy that targets businesses in tangential or overlapping locations
  - Current operations are in Arizona, Midwest and the Pacific Northwest

- DME intends to explore complementary product lines and services that can leverage the company's valuable contracts, referral sources, customer bases and infrastructure

- **We currently have a potential acquisition candidate under LOI**

© 2019 Great Elm Capital Group, Inc.

Operating Companies: DME Segment Financial Detail

DME Segment Financials - Quarter Ended 3/31/19		
Total revenues	$	11,752
(Total opex)		(10,871)
Operating income		881
Adjusted EBITDA:		
Operating income		881
Depreciation and amortization		2,275
Location start up expense		58
Transaction costs & mgmt fees		3
Other income / (expense)		-
Adj. EBITDA[1]	**$**	**3,217**
(Maintenance capex)		(209)
(Interest expense - debt)		(883)
(Interest expense - preferred stock)		(115)
Levered free cash flow	**$**	**2,010**
Revenue generating capex		*(2,083)*
New location build capex		*(214)*

[1] Please refer to the Appendix for the Adjusted EBITDA reconciliation tables and disclaimers on slide 2.

© 2019 Great Elm Capital Group, Inc.

Investment Management

© 2019 Great Elm Capital Group, Inc.

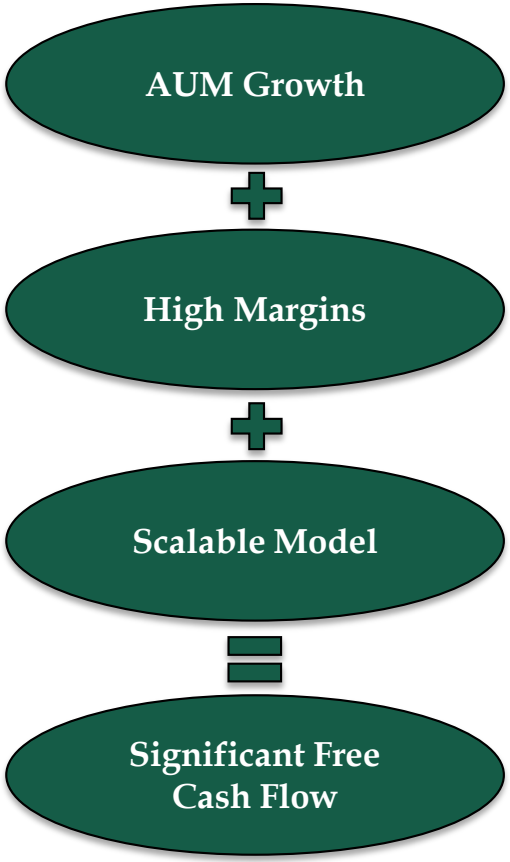
Investment Management: A Scalable, High Margin Business

AUM GROWTH

- Grow GECC's AUM through the issuance of additional debt and equity, complemented with accretive acquisitions of other BDCs, resulting in an increase in fee revenue
- Grow the Investment Management business by leveraging the existing team to launch additional vehicles

SCALABLE MODEL

- Investment team and infrastructure in place to support substantial growth in AUM and new investment vehicles



HIGH MARGINS

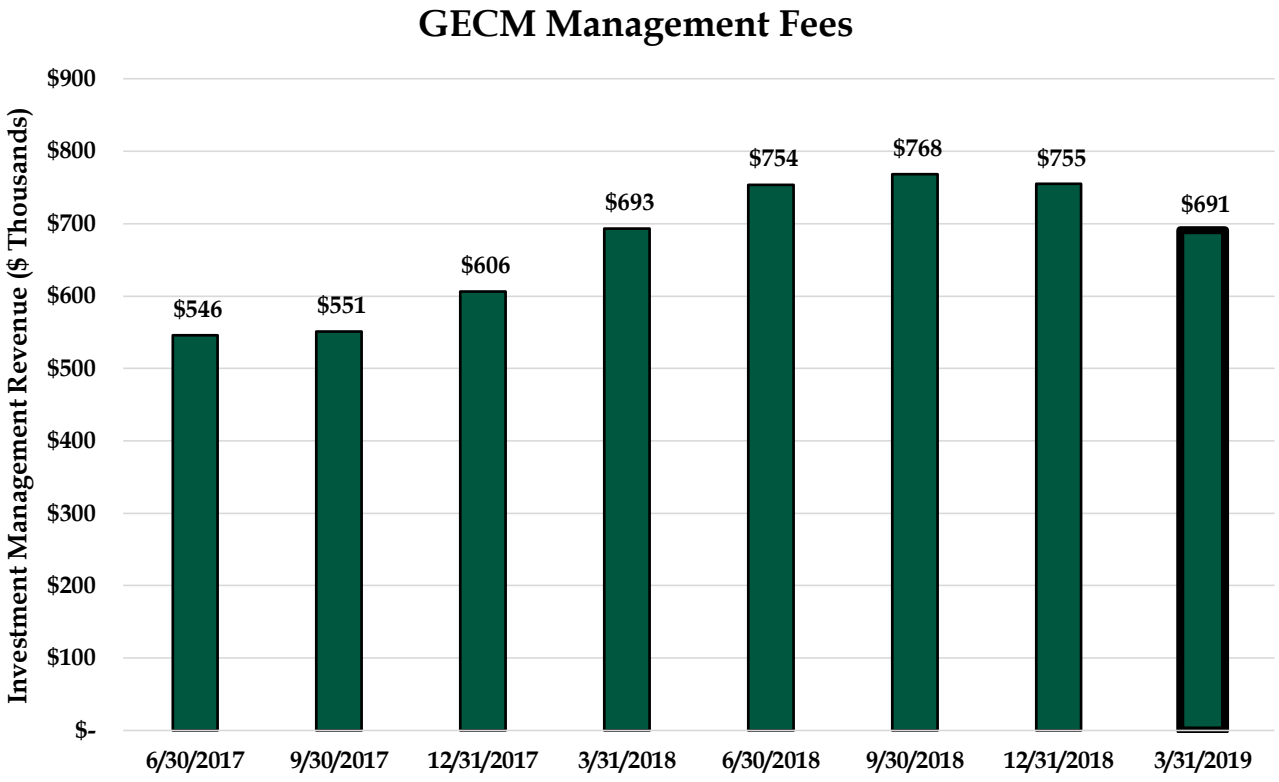
- Given the largely fixed cost nature of the Investment Management business, we expect adjusted EBITDA margins to increase as our AUM increases and the business scales

SIGNIFICANT FREE CASH FLOW

- Growth in AUM in the Investment Management business coupled with its high margins and scalable business model could result in significant operating leverage and, thus, the potential for growth in adjusted EBITDA

© 2019 Great Elm Capital Group, Inc.

Investment Management: Management Fee Growth



© 2019 Great Elm Capital Group, Inc.

Investment Management: Segment Financial Detail

Near-Term Drivers of Incremental Free Cash Flow:

- We believe GECC will grow its investment portfolio, including via incremental capital raises, which will drive incremental management fee revenue
- The Full Circle consulting agreement terminates on November 3, 2019. The 3Q19 annualized expense associated with this agreement was approximately $712 thousand

IM Segment Financials - Quarter Ended 3/31/19		
Total revenues	$	1,060
(Full Circle consulting fee)		(178)
(Total opex)		(998)
Operating income		(116)
Adjusted EBITDA:		
Operating income		(116)
Stock based compensation		19
Severance Costs		219
Unrecognized incentive fees earned		696
Depreciation & amortization		180
Adj. EBITDA[1]	**$**	**998**
(Capex)		-
(Non cash revenue)		(696)
(Interest expense - debt)		(47)
Levered free cash flow	**$**	**255**

[1] Please refer to the Appendix for the Adjusted EBITDA reconciliation tables and disclaimers on slide 2.

© 2019 Great Elm Capital Group, Inc.

Real Estate

© 2019 Great Elm Capital Group, Inc.

Real Estate: Overview

We view Credit Tenant Lease financings to high quality tenants as an attractive business for GEC for the following reasons:

Limited Equity Capital Deployed

High Level of Non-Recourse Leverage

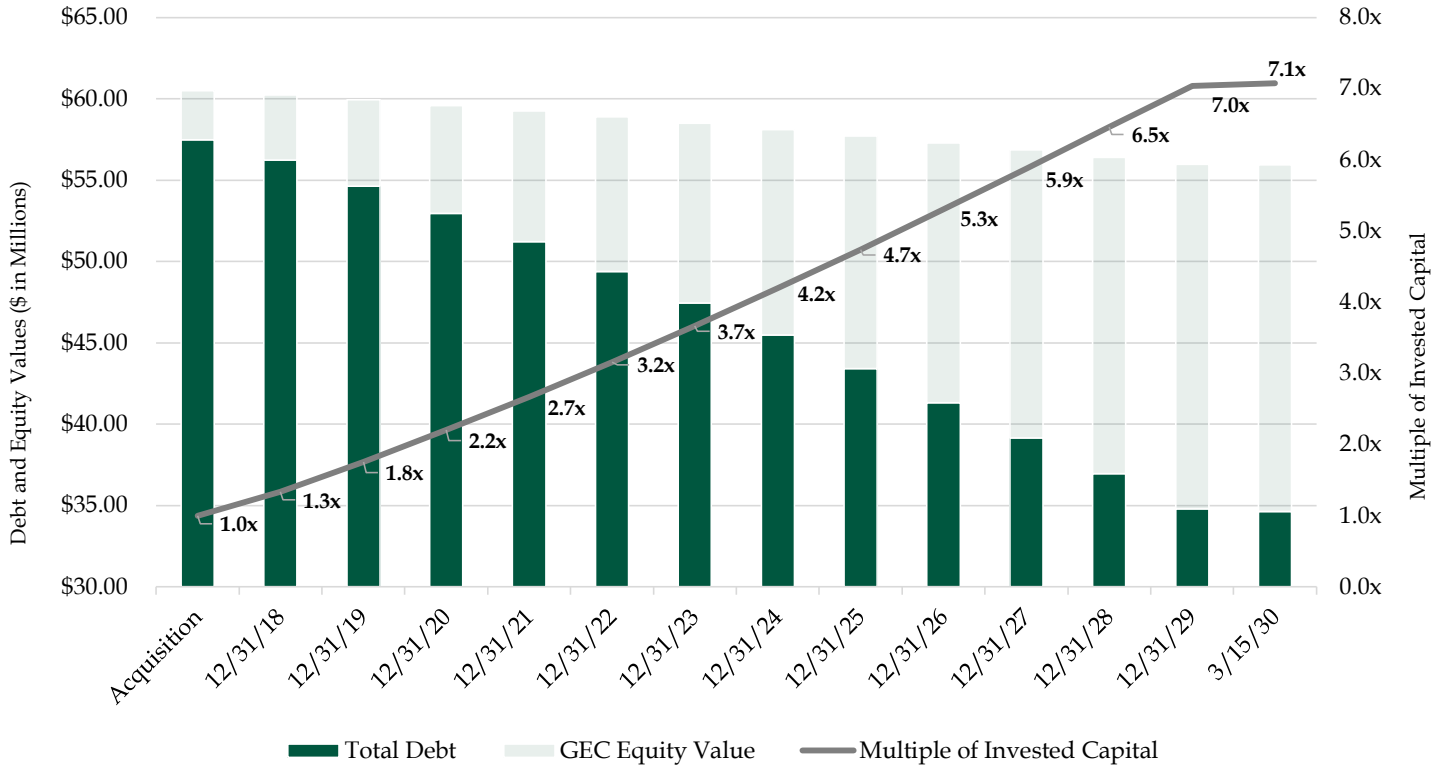
Monetization of Significant NOLs

We believe we are uniquely positioned to be a preferred partner to a sub-set of real estate investors because of our ability to absorb phantom income

© 2019 Great Elm Capital Group, Inc.

Real Estate: Fort Myers – Organic Equity Growth

- *Assuming a constant property value of $61.2 million, the chart at the right depicts the **growth in GEC's equity value** as cash flows from the rental stream are utilized to amortize debt over the lease term*
- *As you can see, GEC builds significant equity value[1] over time without any additional capital deployment*



[1] Equity value is equal to the property value at acquisition minus the face value of the debt on a given date.

© 2019 Great Elm Capital Group, Inc.

Real Estate: Segment Financial Detail

Real Estate Financials - Quarter Ended 3/31/19			
Revenues:		GAAP Net Income	38
Rental income	$1,272	**EBITDA:**	
		GAAP net income	38
Operating costs and expenses:		Interest	667
Insurance	(38)	Taxes	-
Real estate taxes	-	Depreciation and amortization	436
Sales tax on rent & management fee	(64)	**EBITDA**	**1,141**
Management fee	(23)		
Taxes and licenses	(1)	**Levered free cash flow:**	
Other miscellaneous	(5)	EBITDA	1,141
Total Operating Costs and Expenses	(131)	*Less:*	
		Interest expense paid	(463)
Depreciation and amortization	(436)	Debt principal payments	(505)
Interest expense	(667)	Non-cash rental income	(173)
GAAP Net Income	**38**	**Levered free cash flow**	**-**

[1] Please refer to the Appendix for the Adjusted EBITDA reconciliation tables and disclaimers on slide 2.

© 2019 Great Elm Capital Group, Inc.

General Corporate

© 2019 Great Elm Capital Group, Inc.

General Corporate: Segment Financial Detail

General Corporate Financials - Quarter Ended 3/31/19	
Revenue:	
Total revenue	(5)
Operating costs and expenses:	
Public company costs	(1,065)
Transaction costs	(75)
Other general and administrative	(842)
	(1,982)
Other income:	
GECC dividends	292
Unrealized gain on GECC investment	1,406
Other	24
Total other income	1,722
Net loss from continuing operations	**(265)**
Net income from discontinued operations	3,879
Benefit from income taxes	1,229
GAAP Net Income	**4,843**

EBITDA and Free Cash Flow - Quarter Ended 3/31/19	
GAAP Net Income	4,843
EBITDA:	
GAAP net income	4,843
Net income from discontinued operations	(3,879)
Interest, taxes, depreciation and amortization	(1,229)
EBITDA	**(265)**
Adjusted EBITDA:	
EBITDA	(265)
Stock based compensation	83
Dividend income - investment in GECC	(292)
Unrealized gain - investment in GECC	(1,406)
Severance costs	205
DME management fee	5
Acquisition related costs	191
Adjusted EBITDA[1]	**(1,479)**
Levered free cash flow:	
Adjusted EBITDA	(1,479)
Transaction costs paid	(75)
Dividends received - investment in GECC	292
PanOptis settlement	1,500
Levered free cash flow	**238**

[1] Please refer to the Appendix for the Adjusted EBITDA reconciliation tables and disclaimers on slide 2.

© 2019 Great Elm Capital Group, Inc.

Financial Review

© 2019 Great Elm Capital Group, Inc.

Financial Review: 3Q19 Consolidating Balance Sheets

	DME	Investment Management	Real Estate	General Corporate	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents, including restricted cash	$ 334	$ 872	$ 735	$ 17,368	$ -	$ 19,309
Inventories	1,781	-	-	-	-	1,781
Accounts receivable	8,019	1,145	-	101	-	9,265
Investments at fair value	6,195	-	-	10,050	-	16,245
Other current assets	135	100	83	179	-	497
Intercompany Receivable / Investment in Subsidiary	-	-	-	43,154	(43,154)	-
Real estate assets, net	-	-	54,479	238	-	54,717
Property and equipment, net	10,085	44	-	2	-	10,131
Identifiable intangible assets, net	7,778	3,086	5,495	-	-	16,359
Goodwill	45,440	-	-	-	-	45,440
Right of use asset, net	4,152	1,385	-	-	-	5,537
Other assets, net	160	83	640	182	-	1,065
Total assets	$ 84,079	$ 6,715	$ 61,432	$ 71,274	$ (43,154)	$ 180,346
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Accounts payable & accrued expenses	$ 6,336	$ 622	$ 609	$ 2,099	$ -	$ 9,666
Lease liabilities	4,303	1,507	-	-	-	5,810
Earn out liability at fair value	961	-	-	-	-	961
Long term debt	6,956	-	56,748	-	-	63,704
Related party notes payable	23,890	3,224	-	-	-	27,114
Redeemable preferred stock of subsidiary	3,552	-	-	-	-	3,552
Intercompany Payable	30,905	9,549	2,700		(43,154)	-
Other liabilities	-	-	479	(147)	-	332
Total liabilities	76,903	14,902	60,536	1,952	(43,154)	111,139
Total stockholders' equity and contingently redeemable NCI	7,176	(8,187)	896	69,322		69,207
Total liabilities and stockholders' equity	$ 84,079	$ 6,715	$ 61,432	$ 71,274	$ (43,154)	$ 180,346

© 2019 Great Elm Capital Group, Inc.

Financial Review: 3Q19 Consolidating Income Statement

	DME	Investment Management	Real Estate	General Corporate	Eliminations	Consolidated
Total revenue	$ 11,752	$ 1,060	$ 1,272	$ (5)	$ 5	$ 14,084
Operating costs and expenses:						
Cost of revenue	(4,602)	-	-	-	-	(4,602)
Depreciation and amortization	(371)	(180)	(436)	-	-	(987)
Selling, general and administrative	(5,898)	(996)	(131)	(1,982)	(5)	(9,012)
Total operating costs and expenses	(10,871)	(1,176)	(567)	(1,982)	(5)	(14,601)
Operating income (loss)	881	(116)	705	(1,987)	-	(517)
Dividends and interest income	199	-	-	317	-	516
Unrealized gain (loss) on investment in GECC	(599)	-	-	1,405	-	806
Interest expense, net	(998)	(47)	(667)	-	-	(1,712)
Other income (expense), net	-	-	-	-	-	-
Income (loss) from continuing operations, before income taxes	(517)	(163)	38	(265)	-	(907)
Benefit from income taxes	-	-	-	1,229	-	1,229
Income / (loss) from continuing operations	(517)	(163)	38	964	-	322
Discontinued operations:						
Income (loss) from discontinued operations, net of tax	-	-	-	3,879	-	3,879
Net income (loss) from discontinued operations, net of tax	-	-	-	3,879	-	3,879
Net income (loss), net of tax	$ (517)	$ (163)	$ 38	$ 4,843	$ -	4,201
Adjusted EBITDA[1]	**$ 3,217**	**$ 998**	**$ 1,141**	**$ (1,479)**	**$ -**	**$ 3,877**
Levered free cash flow	**$ 2,010**	**$ 255**	**$ -**	**$ 238**	**$ -**	**$ 2,503**

[1] Please refer to the Appendix for the Adjusted EBITDA reconciliation tables and disclaimers on slide 2.

© 2019 Great Elm Capital Group, Inc.

Summary

© 2019 Great Elm Capital Group, Inc.

Summary: Drivers of Shareholder Value

Operating Companies

- **Target undercapitalized small and mid-sized companies where we can partner with management to accelerate earnings growth**
- Focus on companies that offer a platform for follow-on acquisitions and investment

Investment Management

- **Focus on driving asset growth in GECC and raising capital for SMAs / other investment vehicles**
- Leverage the existing team and infrastructure to improve free cash flow generation

Real Estate

- Seek to enhance the value of our existing property through property improvement and lease modification

© 2019 Great Elm Capital Group, Inc.

Q&A

© 2019 Great Elm Capital Group, Inc.

Appendix

© 2019 Great Elm Capital Group, Inc.

Appendix: Non-GAAP Reconciliation

(Dollar amounts in thousands)	For the three months ended March 31, 2019				
	Durable Medical Equipment[1]	Investment Management	Real Estate	General Corporate[2]	Total
Net income (loss) - GAAP	**$ (517)**	**$ (163)**	**$ 38**	**$ 4,843**	**$ 4,201**
EBITDA:					
Net income (loss) - GAAP	$ (517)	$ (163)	$ 38	$ 4,843	$ 4,201
Net income from discountinued operations	-	-	-	(3,879)	(3,879)
Interest	998	47	667	-	1,712
Taxes	-	-	-	(1,229)	(1,229)
Depreciation and amortization	2,275	180	436	-	2,891
EBITDA	**$ 2,756**	**$ 64**	**$ 1,141**	**$ (265)**	**$ 3,696**
Adjusted EBITDA:					
EBITDA	$ 2,756	$ 64	$ 1,141	$ (265)	$ 3,696
Stock based compensation	-	19	-	83	102
Dividend income from GECC	(198)	-	-	(292)	(490)
Unrealized (gain) loss on investment in GECC	599	-	-	(1,406)	(807)
Unrecognized incentive fees earned[3]	-	696	-	-	696
Severance costs	-	219	-	205	424
Location start up expense	58	-	-	-	58
Durable medical equipment management and monitoring fees	(5)	-	-	5	-
Acquisition related costs[4]	7	-	-	191	198
Adjusted EBITDA	**$ 3,217**	**$ 998**	**$ 1,141**	**$ (1,479)**	**$ 3,877**

© 2019 Great Elm Capital Group, Inc.

Appendix: Non-GAAP Reconciliation

(Dollar amounts in thousands)	For the nine months ended March 31, 2019				
	Durable Medical Equipment[1]	Investment Management	Real Estate	General Corporate[2]	Total
Net income (loss) - GAAP	**$ (91)**	**$ (859)**	**$ 127**	**$ (1,261)**	**$ (2,084)**
EBITDA:					
Net loss - GAAP	$ (91)	$ (859)	$ 127	$ (1,261)	$ (2,084)
Net income from discountinued operations	-	-	-	(3,786)	(3,786)
Interest	2,365	135	1,995	-	4,495
Taxes	-	-	-	(1,229)	(1,229)
Depreciation and amortization	4,840	453	1,298	-	6,591
EBITDA	**$ 7,114**	**$ (271)**	**$ 3,420**	**$ (6,276)**	**$ 3,987**
Adjusted EBITDA:					
EBITDA	$ 7,114	$ (271)	$ 3,420	$ (6,276)	$ 3,987
Stock based compensation	-	601	-	343	944
Dividend income from GECC	(629)	-	-	(1,312)	(1,941)
Unrealized (gain) loss on investment in GECC	1,010	-	-	917	1,927
Unrecognized incentive fees earned[3]	-	2,044	-	-	2,044
Severance costs	-	219	-	205	424
Location start up expense	58	-	-	-	58
Durable medical equipment management and monitoring fees	65	-	-	(65)	-
Acquisition related costs[4]	551	-	-	1,650	2,201
Adjusted EBITDA	**$ 8,169**	**$ 2,593**	**$ 3,420**	**$ (4,538)**	**$ 9,644**

© 2019 Great Elm Capital Group, Inc.

Appendix: Non-GAAP Reconciliation

(Dollar amounts in thousands)	Durable Medical Equipment[1]	Investment Management	Real Estate[5]	General Corporate[2]	Total
	For the three months ended March 31, 2018				
Net income (loss) - GAAP	**$ -**	**$ (2,056)**	**$ 23**	**$ (2,356)**	**$ (4,389)**
EBITDA:					
Net income (loss) - GAAP	$ -	$ (2,056)	$ 23	$ (2,356)	$ (4,389)
Net loss from discountinued operations	-	-	-	155	155
Interest	-	39	186	-	225
Taxes	-	-	-	(182)	(182)
Depreciation and amortization	-	136	113	-	249
EBITDA	**$ -**	**$ (1,881)**	**$ 322**	**$ (2,383)**	**$ (3,942)**
Adjusted EBITDA:					
EBITDA	$ -	$ (1,881)	$ 322	$ (2,383)	$ (3,942)
Stock based compensation	-	618	-	300	918
Dividend income from GECC	-	-	-	(490)	(490)
Unrealized loss on investment in GECC	-	-	-	1,219	1,219
Unrecognized incentive fees earned, net of releated cost adjustments[6]	-	1,879	-	-	1,879
Non-reimbursable MAST Capital expenses	-	-	-	-	-
Re-measurement of warrant liability	-	-	-	-	-
Adjusted EBITDA	**$ -**	**$ 616**	**$ 322**	**$ (1,354)**	**$ (416)**

© 2019 Great Elm Capital Group, Inc.

Appendix: Non-GAAP Reconciliation

(Dollar amounts in thousands)	Durable Medical Equipment[1]	Investment Management	Real Estate[5]	General Corporate[2]	Total
	For the nine months ended March 31, 2018				
Net loss - GAAP	**$ -**	**$ (3,532)**	**$ 23**	**$ (5,465)**	**$ (8,974)**
EBITDA:					
Net loss - GAAP	$ -	$ (3,532)	$ 23	$ (5,465)	$ (8,974)
Net loss from discontinued operations	-	-	-	155	155
Interest	-	174	186	-	360
Taxes	-	-	-	(182)	(182)
Depreciation and amortization	-	449	113	-	562
EBITDA	**$ -**	**$ (2,909)**	**$ 322**	**$ (5,492)**	**$ (8,079)**
Adjusted EBITDA:					
EBITDA	$ -	$ (2,909)	$ 322	$ (5,492)	$ (8,079)
Stock based compensation	-	2,889	-	713	3,602
Dividend income from GECC	-	-	-	(1,862)	(1,862)
Unrealized loss on investment in GECC	-	-	-	2,753	2,753
Unrecognized incentive fees earned, net of releated cost adjustments[6]	-	1,879	-	-	1,879
Non-reimbursable MAST Capital expenses	-	281	-	128	409
Re-measurement of warrant liability	-	8	-	-	8
Adjusted EBITDA	**$ -**	**$ 2,148**	**$ 322**	**$ (3,760)**	**$ (1,290)**

© 2019 Great Elm Capital Group, Inc.

Appendix: Non-GAAP Reconciliation

(1) Our durable medical equipment business began in September 2018 and there was no related activity prior to that date.
(2) General Corporate includes net income (loss) attributable to discontinued operations.
(3) Unrecognized incentive fees earned include amounts earned under investment management agreements which are not recognized under US GAAP.
(4) Acquisition related costs include transaction costs and changes in the fair value of the contingent consideration liability since the initial valuation at the acquisition date.
(5) Our real estate business began in March 2018 and there was no related activity prior to that date.
(6) Amount represents $2.7 million of unrecognized incentive fees earned, net of $0.8 million of unrecognized related bonus compensation expense.

© 2019 Great Elm Capital Group, Inc.

Appendix: Contact Information

Investor Relations

800 South Street, Suite 230
Waltham, MA 02453

Phone: +1 (617) 375-3006

investorrelations@greatelmcap.com

© 2019 Great Elm Capital Group, Inc.