Great Elm Capital Group, Inc.

Investor Presentation – Quarter Ended December 31, 2019

February 10, 2020

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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") and free cash flow. 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.

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Table of Contents

Slide	Section
4	Performance Overview
6	Organizational Overview
9	Operating Companies: Great Elm DME
13	Investment Management
17	Real Estate
21	General Corporate
23	Financial Review
26	Summary
28	Q&A
29	Appendix

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Performance Overview

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Performance Overview: Quarter Ended December 31, 2019 [1]

Revenue by Segment		
Segment	2Q20	2Q19
DME	$14.4	$13.2
Investment Management	$0.9	$0.9
Real Estate [2]	$1.3	$1.5
General Corporate	$0.0	$0.0
Consolidated	$16.6	$15.6

Net Income (Loss) by Segment		
Segment	2Q20	2Q19
DME	($0.7)	$0.4
Investment Management	$0.0	$0.0
Real Estate [2]	$0.1	$0.0
General Corporate	($1.4)	($4.7)
Consolidated	($2.0)	($4.3)

Adjusted EBITDA [3] by Segment		
Segment	2Q20	2Q19
DME	$3.5	$3.6
Investment Management [4]	$0.3	$0.2
Real Estate [2]	$1.1	$1.1
General Corporate	($1.6)	($1.8)
Consolidated	$3.4	$3.2

(1) Numbers in millions.
(2) Per changes in US GAAP, real estate taxes were included in Real Estate revenue in the second fiscal quarter of 2019 but are not included in the second fiscal quarter of 2020.
(3) Please refer to the disclaimers on slide 2 and the Adjusted EBITDA reconciliation tables in the Appendix.
(4) Prior year non-GAAP adjustments have been updated to conform to current year presentation by removing adjustments associated with the adoption of ASC 606 *Contracts with Customers*.

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Organizational Overview

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Organizational Overview: Drivers of Shareholder Value

Operating Companies

- Target undercapitalized small and mid-sized companies where we can partner with management to accelerate earnings and cash flow growth
- Focus on companies that offer a platform for follow-on acquisitions and investment, particularly with respect to DME and adjacent industries

Investment Management

- Grow Great Elm Capital Corp. ("GECC") through capital raises and potential BDC acquisitions
- 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")

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Organizational Overview: Alignment of Interest

Employee Share Ownership

- Employees of GEC/Great Elm Capital Management, Inc. ("GECM") collectively own approximately 2.0 million shares of GEC, representing approximately 8% of GEC's outstanding shares[1]

Director Share Ownership

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

Significant Alignment of Interest

- When combined, **insider ownership totals approximately 19% 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.

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Operating Companies: Great Elm DME

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Operating Companies: Rapid Growth at DME

- **In FY 2Q20, Great Elm DME, Inc. ("DME") generated $14.4 million of revenue, $0.7 million of net loss and $3.5 million of adjusted EBITDA[1]**
  - Meaningful revenue growth in major product categories
  - Management is investing heavily in people, processes and technology to enhance DME's scalable infrastructure, capable of supporting multiple acquisitions per year

- **DME has continued to generate rapid year-over-year patient growth in its PAP product category**
  - New patient setups continue to grow in key PAP and ventilator segments, each hitting new highs in the quarter ending December 31, 2019

- **We expect continued organic growth from DME**
  - Fundamental demand for respiratory products and services, combined with the company's focus on patient service and business expansion, provides a path to revenue and adjusted EBITDA growth in fiscal year 2020

(1) Please refer to the disclaimers on slide 2 and the Adjusted EBITDA reconciliation tables in the Appendix

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Operating Companies: M&A

- **In addition to driving organic revenue, EBITDA and volume growth, DME will seek to acquire complementary, patient-focused businesses**
  - DME is pursuing an expansion strategy that targets businesses in tangential or overlapping markets
  - These acquisition opportunities can help to further diversify DME's payor and product mix

- The respiratory-focused, durable medical equipment industry is characterized by a fragmented landscape that we believe offers a significant opportunity for additional consolidation
  - DME's patient-centric service model differentiates it from the competition

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

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Operating Companies: DME Segment Financial Detail

DME Segment Financials - Quarter Ended 12/31/19		
Total revenues	$	14,391
Total expenses		(15,067)
GAAP Net income		(676)
Adjusted EBITDA:		
GAAP Net income		(676)
Interest expense, net		937
Depreciation and amortization expense		2,483
Transaction and integration related costs		586
Location build out		120
Mgmt fees		82
Adj. EBITDA[1]	**$**	**3,532**
Maintenance capex		(508)
Cash interest		(945)
Levered free cash flow	**$**	**2,079**
Uses of free cash flow:		
Revenue generating capex		(1,513)
Net revolver paydowns		(750)
Scheduled debt amortization		(354)
Payments on Equipment financing		(665)
Net free cash flow	**$**	**(1,203)**

- Maintenance capex includes approximately $311 thousand related to upgrades of our sleep equipment
- We anticipate a similar investment every 5 – 7 years

(1) Please refer to the disclaimers on slide 2 and the Adjusted EBITDA reconciliation tables in the Appendix

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Investment Management

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Investment Management: A Scalable, High Margin Business

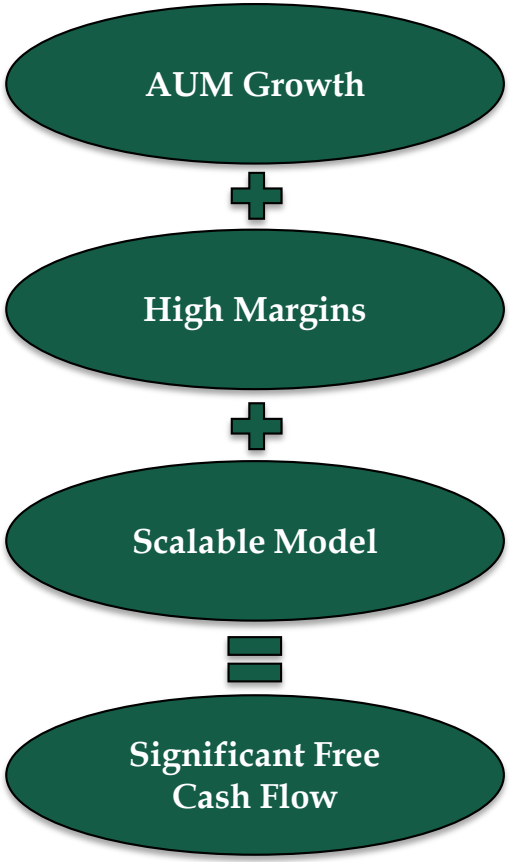
AUM GROWTH

Grow GECC's AUM through the issuance of additional debt and equity, supplemented by 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 and free cash flow

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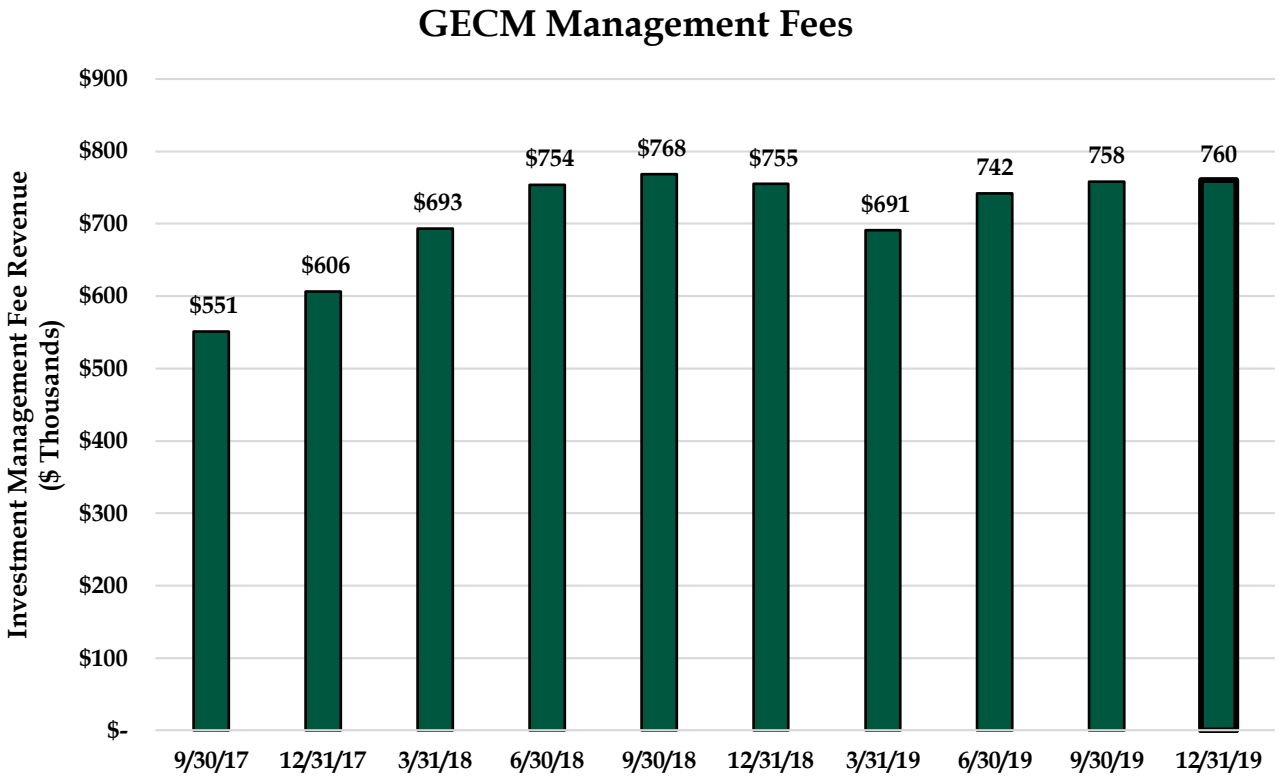
Investment Management: Management Fee Growth



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Investment Management: Segment Financial Detail

Near-Term Drivers of Incremental Free Cash Flow:

- We believe GECC will continue to grow its investment portfolio, including via incremental capital raises, which will drive incremental management fee revenue
- The Full Circle consulting agreement terminated on November 3, 2019. The FY19 expense associated with this agreement was $763 thousand

IM Segment Financials - Quarter Ended 12/31/19		
Total revenues	$	889
Full Circle consulting fee		(73)
Total other expenses		(811)
GAAP Net Income		5
Adjusted EBITDA:		
GAAP Net Income		5
Stock based compensation		98
Interest expense, net		41
Depreciation and amortization expense		179
Adj. EBITDA[1]	**$**	**323**
Interest expense - debt		(45)
Levered free cash flow	**$**	**278**

(1) Please refer to the disclaimers on slide 2 and the Adjusted EBITDA reconciliation tables in the Appendix

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Real Estate

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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

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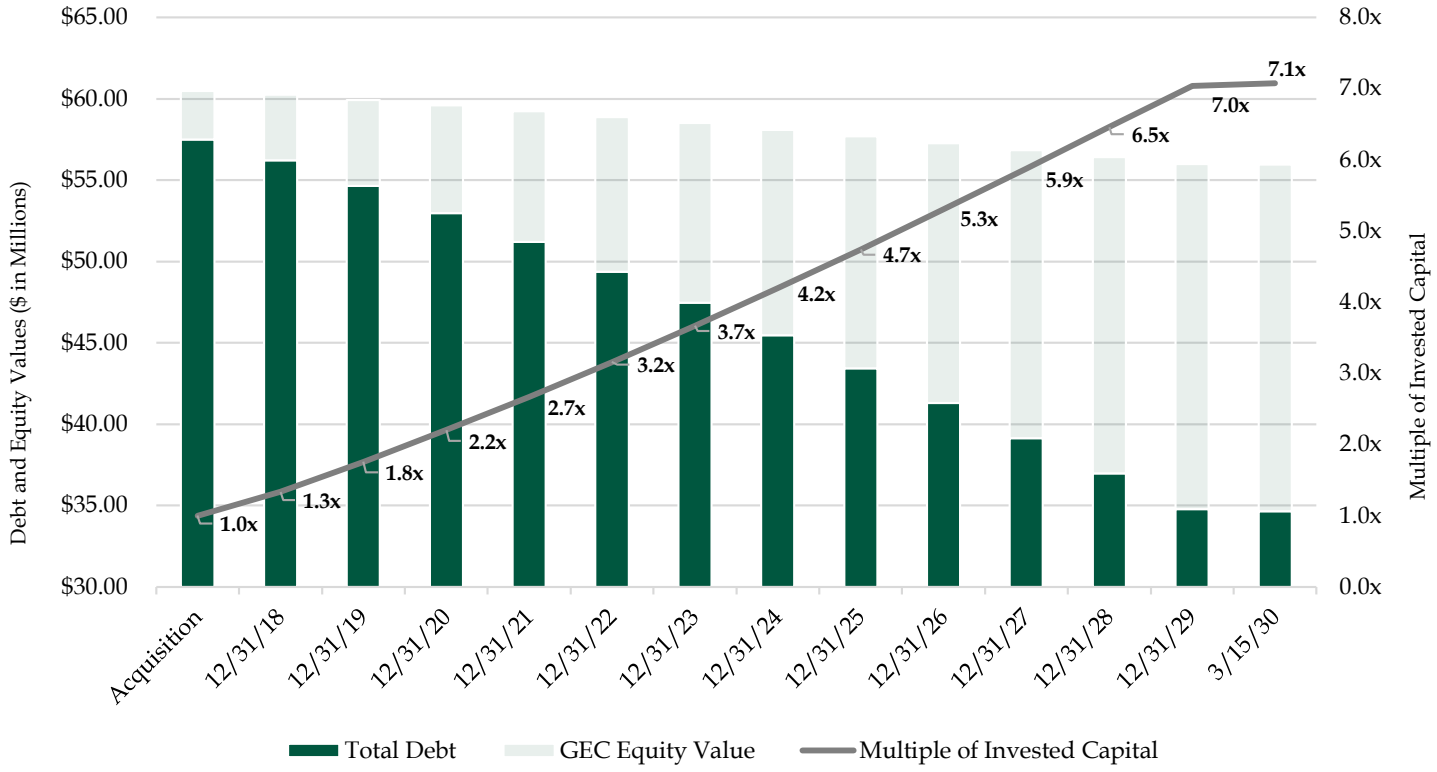
Real Estate: Fort Myers – Organic Equity Growth

- *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.

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Real Estate: Segment Financial Detail

Real Estate Financials - Quarter Ended 12/31/19	
Revenues:	
Rental income	$1,271
Operating costs and expenses:	
Insurance	(30)
Sales tax on rent & management fee	(77)
Management fee	(17)
Taxes and licenses	(1)
Other miscellaneous	(1)
Total Operating Costs and Expenses	(126)
Depreciation and amortization expense	(430)
Interest expense, net	(655)
GAAP Net income	**60**

GAAP Net income	60
EBITDA:	
GAAP Net income	60
Interest expense	655
Depreciation and amortization	430
EBITDA[1]	**1,145**
Levered free cash flow:	
EBITDA	1,145
Less:	
Interest expense paid	(449)
Non-cash rental income	(167)
Levered free cash flow	**529**
Uses of free cash flow:	
Debt principal payments	(529)
Net free cash flow	-

(1) Please refer to the disclaimers on slide 2 and the Adjusted EBITDA reconciliation tables in the Appendix

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General Corporate

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General Corporate: Segment Financial Detail

General Corporate Financials - Quarter Ended 12/31/19	
Revenue:	
Total revenue	$ 57
Operating costs and expenses:	
Public company costs	(1,175)
Stock-based compensation	(110)
Depreciation and amortization expense	(1)
Other general and administrative	(63)
	(1,349)
Other income (expense):	
Dividend and interest income	603
Income tax benefit	99
Unrealized loss on GECC investment	(826)
Total other income (expense)	(124)
GAAP Net Loss	**(1,416)**

EBITDA and Free Cash Flow - Quarter Ended 12/31/19	
GAAP Net Loss	(1,416)
Adjusted EBITDA:	
GAAP net loss	(1,416)
Management fee	(57)
Stock based compensation	110
Change in Contingent Consideration	(940)
Transaction costs and integration	515
GECC Dividends	(588)
Unrealized loss, taxes, and depreciation	728
Adjusted EBITDA[1]	**(1,648)**
Levered free cash flow:	
Adjusted EBITDA	(1,648)
Transaction costs and integration paid	(515)
GECC Dividends	490
Capital expenditures	-
Levered free cash flow	**(1,673)**

(1) Please refer to the disclaimers on slide 2 and the Adjusted EBITDA reconciliation tables in the Appendix

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Financial Review

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Financial Review: 2Q20 Consolidating Balance Sheets (Unaudited)

$ in thousands	DME	Investment Management	Real Estate	Corporate	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents, including restricted cash	$ 548	$ 67	$ 967	$ 7,802	$ -	$ 9,384
Accounts receivable, net	8,164	1,110	-	262	-	9,536
Investments at fair value	-	-	-	15,301	-	15,301
Inventory	1,753	-	-	-	-	1,753
Property and equipment, net	10,194	38	53,799	4	-	64,035
Identifiable intanglible assets, net	8,577	2,557	5,120	-	-	16,254
Goodwill	50,433	-	-	-	-	50,433
Right of use asset	4,580	1,239	-	-	-	5,819
Other assets	358	186	1,158	707	(253)	2,156
Total Assets	$ 84,607	$ 5,197	$ 61,044	$ 24,076	$ (253)	$ 174,671
LIABILITIES						
Accounts payable & accrued liabilities	$ 9,441	$ 330	$ 587	$ 1,232	$ (253)	$ 11,337
Lease liabilities	4,744	1,359	-	-	-	6,103
Related party payables	-	-	-	-	-	-
Long term debt	6,129	-	55,790	-	-	61,919
Related party notes payable	25,946	3,148	-	-	-	29,094
Equipment financing	1,493	-	-	-	-	1,493
Intercompany, net **(a)**	31,526	8,229	3,124	(42,880)	-	-
Other liabilities	-	-	478	57	-	535
Total Liabilities	79,279	13,066	59,979	(41,591)	(253)	110,481
EQUITY	5,328	(7,869)	1,065	65,667	-	64,190
Total Liabilities and Equity	$ 84,607	$ 5,197	$ 61,044	$ 24,076	$ (253)	$ 174,671

(a) Intercompany balances, including intercompany borrowings and GEC investments in subsidiaries. All intercompany balances eliminate in consolidation.

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Financial Review: 2Q20 Consolidating Income Statement (Unaudited)

$ in thousands	DME	Investment Management	Real Estate	Corporate	Eliminations	Consolidated
Total Revenues	$ 14,391	$ 889	$ 1,271	$ 57	$ (57)	$ 16,551
Cost of revenue	(5,874)	-	-	-		(5,874)
Depreciation and amortization expense	(520)	(179)	(430)	(1)		(1,130)
Selling, general and administration	(7,736)	(664)	(126)	(1,348)	57	(9,817)
Total operating costs and expenses	(14,130)	(843)	(556)	(1,349)	57	(16,821)
Operating income (loss)	261	46	715	(1,292)	-	(270)
Dividends and interest income	-	-	-	603		603
Unrealized gain (loss) on investments	-	-	-	(826)		(826)
Interest expense, net	(937)	(41)	(655)	-		(1,633)
Other income (expense), net	-	-	-	-		-
Income (loss) before taxes	(676)	5	60	(1,515)	-	(2,126)
Income tax expense benefit	-	-	-	99		99
Net income (loss), net of tax	**(676)**	**5**	**60**	**(1,416)**	**-**	**(2,027)**
Adjusted EBITDA [1]	**$ 3,532**	**$ 323**	**$ 1,145**	**$ (1,648)**	**$ -**	**$ 3,352**

(1) Please refer to the disclaimers on slide 2 and the Adjusted EBITDA reconciliation tables in the Appendix

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Summary

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Summary: Drivers of Shareholder Value

Operating Companies

- **Focus on growing Great Elm DME, Inc. both organically and via an expansion strategy that targets existing and adjacent markets**
- **Continue to strengthen Great Elm DME, Inc.'s scalable infrastructure, investing in people, processes and technology to support multiple acquisitions per year**

Investment Management

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

Real Estate

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

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Q&A

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Appendix

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Appendix: Non-GAAP Reconciliation

$ in thousands	Durable Medical Equipment	Investment Management [1]	Real Estate	General Corporate	Consolidated
	For the three months ended December 31, 2019				
EBITDA:					
Net income (loss) - GAAP	**$ (676)**	**$ 5**	**$ 60**	**$ (1,416)**	**$ (2,027)**
Interest expense	937	41	655	-	1,633
Depreciation & amortization	2,483	179	430	1	3,093
Income tax expense (benefit)	-	-	-	(99)	(99)
EBITDA	**$ 2,744**	**$ 225**	**$ 1,145**	**$ (1,514)**	**$ 2,600**
Adjusted EBITDA:					
Stock based compensation	-	98	-	110	208
Change in contingent consideration [2]	-	-	-	(940)	(940)
GECC Unrealized (gains) / losses	-	-	-	826	826
Dividend income from GECC	-	-	-	(588)	(588)
Transaction and integration costs [2]	586	-	-	515	1,101
Pharmacy buildout	120	-	-	-	120
DME management and Monitoring fees	82	-	-	(57)	25
Adjusted EBITDA	**$ 3,532**	**$ 323**	**$ 1,145**	**$ (1,648)**	**$ 3,352**

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Appendix: Non-GAAP Reconciliation (Continued)

$ in thousands	Durable Medical Equipment	Investment Management [1]	Real Estate	General Corporate	Consolidated
	For the six months ended December 31, 2019				
EBITDA:					
Net income (loss) - GAAP	**$ (1,495)**	**$ (40)**	**$ 120**	**$ (3,890)**	**$ (5,305)**
Interest expense	1,933	83	1,313	-	3,329
Depreciation & amortization	4,991	358	862	1	6,212
Income tax expense (benefit)	-	-	-	143	143
EBITDA	**$ 5,429**	**$ 401**	**$ 2,295**	**$ (3,746)**	**$ 4,379**
Adjusted EBITDA:					
Stock based compensation	-	274	-	228	502
Change in contingent consideration [2]	-	-	-	(1,135)	(1,135)
GECC Unrealized (gains) / losses	-	-	-	1,809	1,809
Dividend income from GECC	-	-	-	(1,078)	(1,078)
Other (income) expense	(3)	-	-	-	(3)
Transaction and integration costs [2]	736	-	-	635	1,371
Pharmacy buildout	254	-	-	-	254
DME management and Monitoring fees	130	-	-	(80)	50
Adjusted EBITDA	**$ 6,546**	**$ 674**	**$ 2,295**	**$ (3,367)**	**$ 6,149**

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Appendix: Non-GAAP Reconciliation (Continued)

$ in thousands	Durable Medical Equipment	Investment Management [1]	Real Estate	General Corporate [4]	Consolidated
	For the three months ended December 31, 2018				
EBITDA:					
Net income (loss) - GAAP	**$ 399**	**$ (7)**	**$ 38**	**$ (4,706)**	**$ (4,276)**
Interest expense	1,081	44	663	-	1,788
Depreciation & amortization	2,142	137	431	-	2,710
Income tax expense (benefit)	-	-	-	-	-
EBITDA	**$ 3,622**	**$ 174**	**$ 1,132**	**$ (4,706)**	**$ 222**
Adjusted EBITDA:					
Stock based compensation	-	37	-	132	169
GECC Unrealized (gains) / losses	331	-	-	3,308	3,639
Dividend income from GECC	(375)	-	-	(586)	(961)
Transaction and integration costs [2]	2	-	-	135	137
DME management and monitoring fees	52	-	-	(52)	-
Adjusted EBITDA	**$ 3,632**	**$ 211**	**$ 1,132**	**$ (1,769)**	**$ 3,206**

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Appendix: Non-GAAP Reconciliation (Continued)

$ in thousands	Durable Medical Equipment [3]	Investment Management [1]	Real Estate	General Corporate [4]	Consolidated
	For the six months ended December 31, 2018				
EBITDA:					
Net income (loss) - GAAP	**$ 426**	**$ (696)**	**$ 89**	**$ (6,104)**	**$ (6,285)**
Interest expense	1,367	88	1,328	-	2,783
Depreciation & amortization	2,565	273	862	-	3,700
Income tax expense (benefit)	-	-	-	-	-
EBITDA	**$ 4,358**	**$ (335)**	**$ 2,279**	**$ (6,104)**	**$ 198**
Adjusted EBITDA:					
Stock based compensation	-	582	-	260	842
GECC Unrealized (gains) / losses	411	-	-	2,323	2,734
Dividend income from GECC	(431)	-	-	(1,020)	(1,451)
Transaction and integration costs [2]	544	-	-	1,459	2,003
DME management and Monitoring fees	70	-	-	(70)	-
Adjusted EBITDA	**$ 4,952**	**$ 247**	**$ 2,279**	**$ (3,152)**	**$ 4,326**

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Appendix: Non-GAAP Reconciliation (Continued)

(1) Prior year non-GAAP adjustments have been updated to conform to current year presentation by removing adjustments associated with the adoption of ASC 606 *Contracts with Customers.*
(2) Acquisition and integration related costs include transaction costs, costs to integrate acquired businesses and changes in the fair value of the contingent consideration liability since the initial valuation at the acquisition date.
(3) Our durable medical equipment business began in September 2018 and there was no related activity prior to that date.
(4) General Corporate net loss includes net loss attributable to discontinued operations.

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