Great Elm Capital Group, Inc.

Investor Presentation – Quarter Ended September 30, 2020

November 16, 2020

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Disclaimer

Statements in this press release that are "forward-looking" statements, including statements regarding expected growth, profitability and outlook 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's assumptions and expectations in light of currently available information. 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. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are risks associated with the economic impact of the COVID-19 pandemic on Great Elm's businesses, including DME as well as GECC and its portfolio investments. 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 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 and 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") 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.

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

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A Note to Shareholders

- **We have good momentum in our key business segments: DME and Investment Management**
  - DME: fiscal Q1 revenue grew 10.4% year-over-year and 5.0% sequentially highlighting the business' ability to grow despite the negative impact from COVID-19 on new equipment rental set-ups
  - DME: fiscal Q1 net loss of $0.5 million improved from a net loss of $0.8 million year-over-year while adjusted EBITDA of $2.8 million decreased from $3.0 million primarily reflecting the incremental costs of operating during the pandemic
  - DME: after a period of significant investment in the platform to enhance its scalability, DME has resumed its search for attractive, add-on acquisitions
  - Investment Management: this segment is poised for growth in AUM, revenue and earnings following the successful completion of the $31.7 million GECC rights offering
  - Investment Management: GECC's investment in Prestige Capital Finance, LLC, has exceeded internal estimates. Building upon this success, GECC has an attractive pipeline of potential investments in the specialty finance sector

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Performance Overview

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Performance Overview: Quarter Ended June 30, 2020[1]

Revenue by Segment		
Segment	1Q21	1Q20
DME	$14.6	$13.2
Investment Management	$0.8	$0.9
Real Estate	$1.3	$1.3
General Corporate	$0.1	$0.0
Eliminations	($0.1)	$0.0
Consolidated	$16.7	$15.4

Net Income (Loss) by Segment		
Segment	1Q21	1Q20
DME	($0.5)	($0.8)
Investment Management	($0.1)	($0.1)
Real Estate	$0.1	$0.1
General Corporate	($3.4)	($2.5)
Consolidated	($3.9)	($3.3)

Adjusted EBITDA [3] by Segment		
Segment	1Q21	1Q20
DME	$2.8	$3.0
Investment Management [2]	$0.2	$0.4
Real Estate	$1.1	$1.1
General Corporate	($1.1)	($1.7)
Consolidated	$3.0	$2.8

(1) Numbers in millions.
(2) 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*.
(3) Please refer to the disclaimers on slide 2 and the Adjusted EBITDA reconciliation tables in the Appendix.

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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

- Manage the Fort Myers investment to 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 1.9 million shares of GEC, representing approximately 7% of GEC's outstanding shares[1]

+

Director Share Ownership

- The directors of GEC collectively own approximately 5.2 million shares of GEC, representing approximately 20% of GEC's outstanding shares[1]

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Significant Alignment of Interest

- When combined, **insider ownership totals approximately 27% 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: Growth at DME Amid Uncertainty

- **In fiscal 1Q21, Great Elm DME, Inc. ("DME") generated $14.6 million of revenue, $0.5 million of net loss and $2.8 million of adjusted EBITDA[1]**
  - Meaningful revenue growth in PAP supplies category, moderate decline in PAP rental
  - Having invested heavily in the platform, management is focused on driving organic growth, improving margins, and making add-on acquisitions

- **COVID-19 disrupted physician referrals and new PAP patient setups during the quarter**
  - New PAP patient setups declined 24.7% year over year, driven by reduced physician referrals during the quarter
  - Physician referrals and new PAP patient setups improved throughout the quarter, but have not yet achieved pre COVID-19 levels

- **Lowering our Cost of Capital**
  - Given our low level of leverage, we are focused on lowering our cost of capital
  - In addition, we are seeking incremental debt capital to fund our pipeline of attractive add-on acquisitions

- **Acquisitions**
  - After investing significant time and money into making its platform more scalable, DME has resumed its efforts to make attractive, add-on acquisitions
  - In the near term, DME is focused upon acquiring businesses with complementary products in existing or adjacent geographic markets.

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

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Operating Companies: DME Segment Financial Detail

DME Segment Financials - Quarter Ended 9/30/20		
Total revenues	$	14,610
(Total expenses)		(15,068)
GAAP net loss		(458)
Adj. EBITDA:		
Net loss		(458)
Interest expense		709
Depreciation and amortization		2,211
Transaction and integration related costs		139
Location closure		54
Management and monitoring fees		116
Other income / (expense)		3
Adj. EBITDA[1]	**$**	**2,774**
(Maintenance capex)		(41)
(Growth capex)		(1,484)
Unleveraged free cash flow	**$**	**1,249**
Interest expense paid		(677)
Scheduled debt amortization		(354)
Payments on equipment financing		(1,058)
Leveraged free cash flow	**$**	**(840)**

(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 Focus on Opportunity

- **In fiscal 1Q21, Investment Management generated $0.8 million of revenue, $0.1 million of net loss and $0.2 million of adjusted EBITDA[1]**
  - Revenue and profitability were stable
  - Net assets at GECC grew to approximately $60.5 million as of September 30, 2020, as compared to $53.2 million at June 30, 2020 and $50.8 million at March 31, 2020

- **We are seeking to capitalize upon our successful investments in the specialty finance sector**
  - GECC's investment in Prestige Capital has exceeded internal expectations
  - GECC has an attractive pipeline of potential investments in the specialty finance sector

- **On October 1, 2020, GECC closed a successful non-transferable rights offering in order to capitalize upon this attractive pipeline, raising $31.7 million in gross proceeds**
  - This was an important step in our plan to increase AUM at GECM
  - Increasing GECM's AUM should increase our revenue, earnings and cash flow

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

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Investment Management: A Scalable, High Margin Business

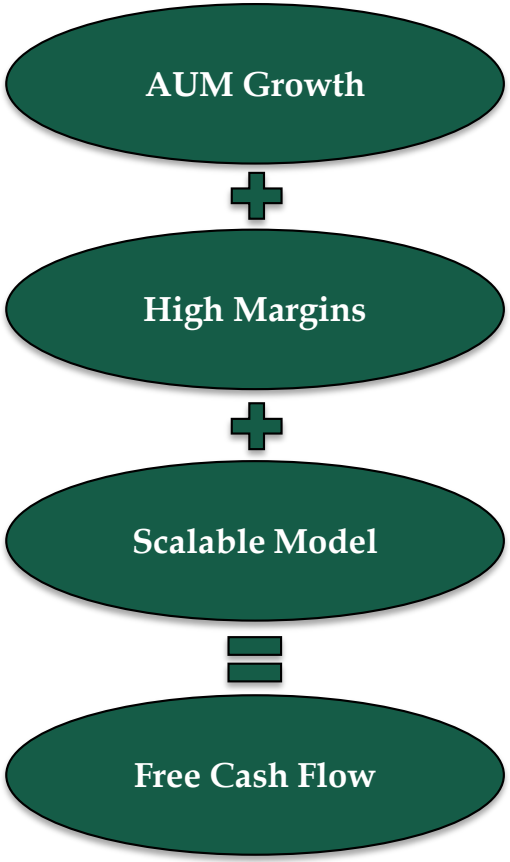
AUM GROWTH

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 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

FREE CASH FLOW

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

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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 9/30/20		
Total revenues	$	773
(Total expenses)		(880)
GAAP net loss		(107)
Adj. EBITDA:		
Stock based compensation		195
Interest expense, net		26
Depreciation and amortization expense		128
Adj. EBITDA[1]	**$**	**242**
Capital expenditures		-
Unleveraged free cash flow	**$**	**242**
Interest expense paid		-
Scheduled debt amorization		-
Unlevered free cash flow	**$**	**242**

(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

Our current Real Estate investment is attractive for the following reasons:

Limited Equity Capital Deployed

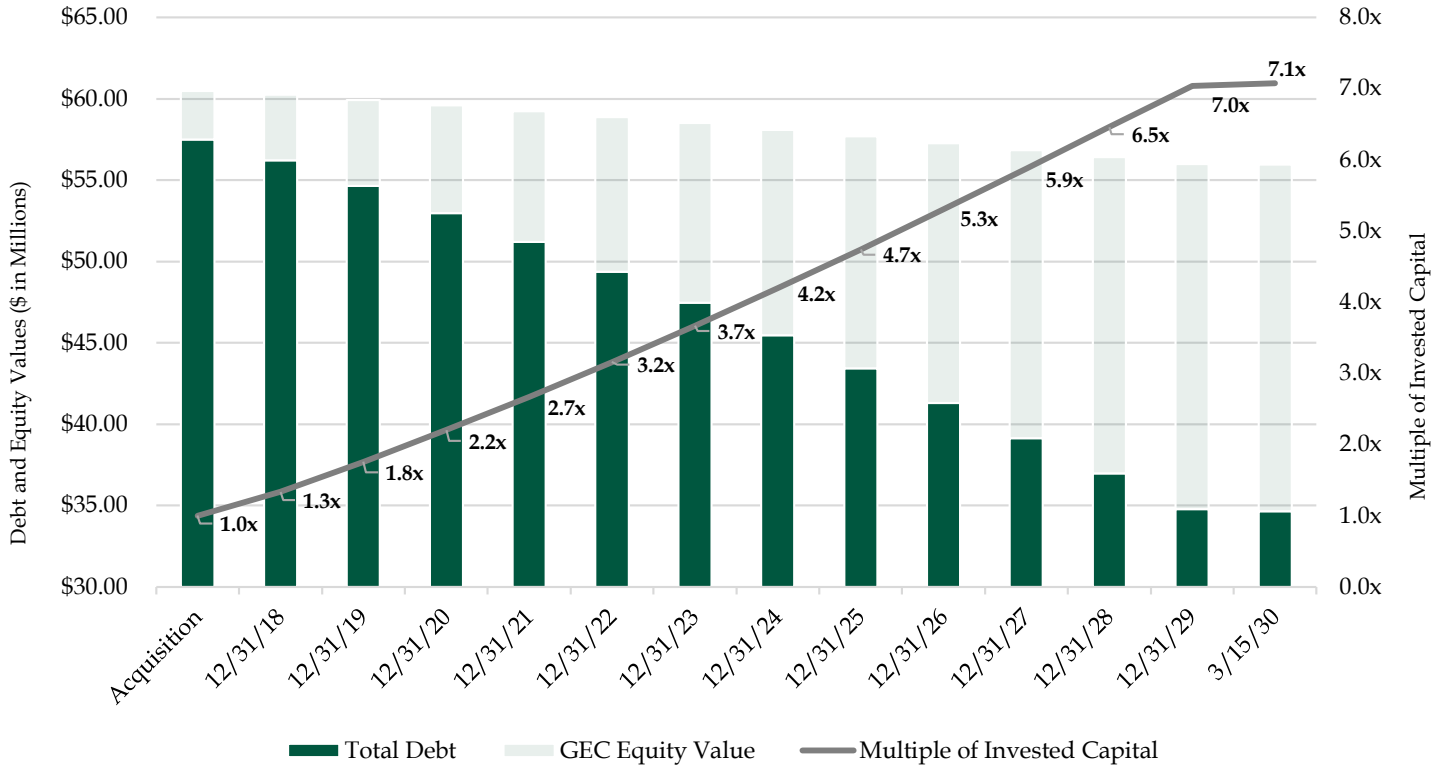
High Level of Non-Recourse Leverage

Monetization of Significant NOLs

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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

RE Segment Financials - Quarter Ended 9/30/20	
Total revenues	$ 1,272
(Total expenses)	(1,205)
GAAP Net Income	67
Adj. EBITDA:	
Interest expense, net	650
Depreciation and amortization expense	430
Adj. EBITDA[1]	**$ 1,147**
Non-cash rental income	(147)
Capital expenditures	-
Unleveraged free cash flow	**$ 1,000**
Interest expense paid	(435)
Scheduled debt amorization	(565)
Unlevered 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 9/30/20	
Revenue:	
Total revenue	91
Operating costs and expenses:	
Public company costs	(614)
Stock-based compensation	(235)
Other general and administrative	(564)
Operating loss	(1,413)
Other income (expense):	
Dividend and interest income	529
Unrealized gain on GECC investment	(1,902)
Interest expense, net	(571)
Income tax	(99)
Total other income (expense)	(2,043)
GAAP net loss	**(3,365)**

EBITDA and Free Cash Flow - Quarter Ended 9/30/20	
Adj. EBITDA:	
GAAP net loss	(3,365)
Management fee	(91)
Stock based compensation	235
Transaction costs and integration	32
GECC dividend income	(524)
Unrealized gain, interest, taxes, and depreciation	2,572
Adj. EBITDA	**(1,141)**
Capital expenditures	-
Transaction costs and integration costs paid	(32)
Unleveraged free cash flow	**(1,173)**
GECC dividends paid	78
Capital expenditures	-
Levered free cash flow	**(1,095)**

- **As of September 30, 2020, GEC's consolidated cash balance was $22.5 million**
- **GEC is actively looking for new investment opportunities**

(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: 1Q21 Consolidating Balance Sheets (Unaudited)

$ in thousands	Durable Medical Equipment	Investment Management	Real Estate	General Corporate	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents, including restricted cash	$ 1,988	$ 272	$ 909	$ 20,185	$ -	$ 23,354
Accounts receivable, net	7,771	945	-	179	-	8,895
Investments at fair value	-	-	-	7,241	-	7,241
Receivable for securities purchased	-	-	-	13,560	-	13,560
Inventory	1,127	-	-	-	-	1,127
Property and equipment, net	8,306	29	52,882	4	-	61,221
Identifiable intanglible assets, net	7,672	2,160	4,746	-	-	14,578
Goodwill	50,010	-	-	-	-	50,010
Right of use asset	3,912	1,081	-	-	-	4,993
Other assets	421	244	1,370	790	(136)	2,689
Total Assets	$ 81,207	$ 4,731	$ 59,907	$ 41,959	$ (136)	$ 187,668
LIABILITIES						
Accounts payable & accrued liabilities	$ 7,058	$ 242	$ 463	$ 1,410	$ (136)	$ 9,037
Deferred revenue	5,278	-	-	-	-	5,278
Lease and other liabilities	4,373	1,238	478	(65)	-	6,024
Long term debt	500	-	54,758	-	-	55,258
Related party notes payable	24,498	3,072	-	-	-	27,570
Convertible notes	-	-	-	17,635	-	17,635
Equipment financing	1,730	-	-	-	-	1,730
Intercompany, net [1]	31,510	7,680	2,976	(42,166)	-	-
Total Liabilities	74,947	12,232	58,675	(23,186)	(136)	122,532
EQUITY	6,260	(7,501)	1,232	65,145	-	65,136
Total Liabilities and Equity	$ 81,207	$ 4,731	$ 59,907	$ 41,959	$ (136)	$ 187,668

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

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Financial Review: 1Q21 Consolidating Income Statement (Unaudited)

$ in thousands	For the three months ended September 30, 2020				
	Durable Medical Equipment	Investment Management	Real Estate	General Corporate	Consolidated
Total Revenues	$ 14,610	$ 773	$ 1,272	$ 91	$ 16,746
Cost of revenue	(6,122)	-	-	-	(6,122)
Depreciation and amortization expense	(463)	(128)	(430)	-	(1,021)
Selling, general and administration	(7,771)	(726)	(125)	(1,413)	(10,035)
Total operating costs and expenses	(14,356)	(854)	(555)	(1,413)	(17,178)
Operating income (loss)	254	(81)	717	(1,322)	(432)
Dividends and interest income	-	-	-	529	529
Unrealized gain (loss) on investments	-	-	-	(1,902)	(1,902)
Interest expense, net	(709)	(26)	(650)	(572)	(1,957)
Other income (expense), net	(3)	-	-	1	(2)
Income (loss) before taxes	(458)	(107)	67	(3,266)	(3,764)
Income tax expense	-	-	-	(99)	(99)
Net income (loss), net of tax	**(458)**	**(107)**	**67**	**(3,365)**	**(3,863)**
Adjusted EBITDA [1]	**$ 2,774**	**$ 241**	**$ 1,147**	**$ (1,140)**	**3,022**

(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 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	Real Estate	General Corporate	Consolidated
	For the three months ended September 30, 2020				
EBITDA:					
Net income (loss) - GAAP	**$ (458)**	**$ (107)**	**$ 67**	**$ (3,365)**	**$ (3,863)**
Interest expense	709	26	650	572	1,957
Depreciation & Amortization	2,211	128	430	-	2,769
Tax expense	-	-	-	99	99
EBITDA	**$ 2,462**	**$ 47**	**$ 1,147**	**$ (2,694)**	**$ 962**
Adjusted EBITDA:					
Stock based compensation	-	194	-	235	429
GECC dividend income	-	-	-	(524)	(524)
GECC Unrealized (gains) / losses	-	-	-	1,902	1,902
Other (income) expense	3	-	-	(1)	2
Transaction and integration costs [2]	112	-	-	33	145
Severance	27	-	-	-	27
Location start up expense	54	-	-	-	54
DME management and monitoring fees	116	-	-	(91)	25
Adjusted EBITDA	**$ 2,774**	**$ 241**	**$ 1,147**	**$ (1,140)**	**$ 3,022**

(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) Transaction and integration related costs include costs to acquire and integrate acquired businesses. This also represents change in contingent consideration liability since the initial valuation at the acquisition date.

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Appendix: Non-GAAP Reconciliation (Continued)

$ in thousands	Durable Medical Equipment	Investment Management [1]	Real Estate	General Corporate	Consolidated
	For the three months ended September 30, 2019				
EBITDA:					
Net income (loss) - GAAP	**$ (819)**	**$ (45)**	**$ 60**	**$ (2,474)**	**$ (3,278)**
Interest expense	996	42	658	-	1,696
Depreciation & Amortization	2,508	179	431	-	3,118
Tax expense	-	-	-	242	242
EBITDA	**$ 2,685**	**$ 176**	**$ 1,149**	**$ (2,232)**	**$ 1,778**
Adjusted EBITDA:					
Stock based compensation	-	175	-	118	293
Change in contingent consideration [2]	-	-	-	(195)	(195)
GECC Unrealized (gains) / losses	-	-	-	983	983
Dividend income from GECC	-	-	-	(490)	(490)
Other (income) expense	(3)	-	-	-	(3)
Transaction and integration costs [2]	148	-	-	120	268
Severance	2	-	-	-	2
Location start up expense	135	-	-	-	135
DME management and monitoring fees	48	-	-	(23)	25
Adjusted EBITDA	**$ 3,015**	**$ 351**	**$ 1,149**	**$ (1,720)**	**$ 2,796**

(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) Transaction and integration related costs include costs to acquire and integrate acquired businesses. This also represents change in contingent consideration liability since the initial valuation at the acquisition date.

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