



February 14, 2024

Fiscal Second Quarter
Ended December 31, 2023
NASDAQ: GEG



GEG Highlights

- On February 8, 2024, GECC raised \$24 million of capital from a special purpose vehicle (“SPV”) that acquired GECC common stock at net asset value (“NAV”), supported by a GEG investment of \$6 million into the SPV, further growing recurring revenue streams and which we believe will deliver a strong return
- Great Elm launched Great Elm Credit Income Fund, LLC (“GECIF”), a managed credit fund, during the quarter, focused on direct lending, syndicated credit and special situations and supported by \$6 million seed investment from GEG
- GECC had a strong quarter, declaring a special dividend, growing NAV and paying \$1.7 million in fees to GEG
- Great Elm’s momentum in real estate continued with three property acquisitions at Monomoy REIT and continued ramp of build-to-suit development at Monomoy BTS
- GEG ended the quarter with ~\$69¹ million of cash and marketable securities to deploy across its growing alternative asset management platform
- GEG’s Board of Directors approved a share repurchase program of up to \$10 million during the quarter; GEG has repurchased a modest number of shares to date in the open market



¹ Amounts exclude Consolidated Funds

About GEG

Great Elm Group, Inc. (GEG) is a publicly-traded, alternative asset manager focused on:

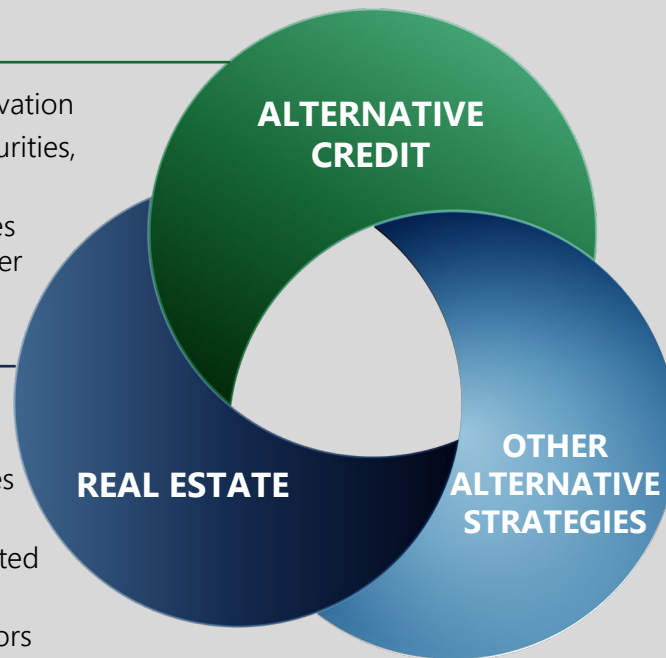
- Growing a scalable and diversified portfolio of long-duration and permanent capital vehicles
- Investing in credit, real estate, specialty finance and other alternative strategies

Alternative Credit

- Focus on income generation and capital preservation
- Investment in debt and income-generating securities, direct lending and special situations
- Active investment in specialty finance businesses including Factoring, Asset Based Lending, Lender Finance and Healthcare

Real Estate

- Full service, tenant-focused holder of industrial real estate across the United States
- Focus on single tenant light industrial properties with building footprints on significant acreage
- Build-to-Suit “BTS” division provides differentiated design-build solutions
- Actively seeking growth through other subsectors



Other Alternative Strategies

- Active pursuit of new strategic businesses
- Focus on long duration “sticky” capital
- Alignment through GEG investment in funds
- Durable fee structure
- Operational leverage supported by existing GEG infrastructure

Our Goals

Improve Profitability



- Recent capital raising initiatives in GEG's alternative credit platforms are positioned to drive growth of recurring revenue streams with high contribution margins
 - GEG's supportive investments in the GECC capital raise and seed investment in GECIF are believed to deliver stable returns
- GECC had another strong quarter, and GEG will collect \$0.7 million incentive fees again, with total fees of \$1.7 million for the quarter from GECC

Expand Platform



- Launched GECIF, a managed credit fund focused on direct lending, syndicated credit and special situations, supported by \$6 million investment from GEG
- Monomoy BTS is positioned to grow, executing upon existing projects and significantly growing its pipeline of new projects

Grow AUM



- Grew FPAUM and AUM by 5% and 6% year-over-year, respectively, in fiscal 2Q24
- GECC raised \$24 million of capital from an SPV that acquired GECC common stock at NAV, supported by a GEG investment of \$6 million into the SPV
- Positioned to expand the platform to create future AUM growth

GEG Managed Vehicles



GECC

- Public BDC with ~\$270¹ million AUM
- 16%¹ of common stock held by GEG
- Base management fee of 1.5% on gross assets
- Income incentive fee of 20% after 7% hurdle on net assets

Private Funds

- Great Elm Credit Income Fund focuses on direct lending, syndicated credit and special situations
- Great Elm Opportunities Fund I participates in unique investment opportunities presented to the Great Elm investment team

Monomoy

- Private Industrial REIT with \$380+ million AUM
 - ~8% direct investment held by GEG
 - Base management fee of 1% on net assets
 - Property management fee of 4% on rents
 - 20% performance fee charged upon liquidity event after 8% hurdle
- Build-to-suit division provides design-build solution and utilizes exclusive vendor relationships to offer cost savings and expedited timelines

¹ Pro Forma for the \$24 million equity capital raise on February 8, 2024. GECC AUM was approximately \$245mm as of December 31, 2023. All other amounts approximate as of December 31, 2023

Summary Financial Position¹

GEG December 31, 2023 condensed balance sheet, excluding Consolidated Funds



\$ Million			12/31/2023
Cash & Marketable Securities ²	\$ 68.8	Current Liabilities	\$ 5.9
Investments	45.4	Long-Term Debt	25.9
Other Current and Long-Term Assets	24.1	Convertible Notes	38.1
		Other Liabilities	0.7
		Total Liabilities	\$ 70.7
		Total Equity	\$ 67.6
Total Assets	\$ 138.3	Total Liabilities & Equity	\$ 138.3
		Book Value per Share	~ \$2.25

¹ Condensed balance sheet excludes the impact of consolidation of Consolidated Funds. Amounts related to Consolidated Funds include Cash of \$10.0mm, Investments of \$4.7mm, Other Assets of \$0.1mm, Current Liabilities of \$0.9mm, and Equity related to Non-Controlling Interests of \$7.0mm, resulting in GEG's Investment and related Current Assets of \$6.8mm.

² At December 31, 2023, marketable securities are comprised of 6-month treasuries maturing on or before May 31, 2024.

GECC & Monomoy Highlights



- Positioned to pay cash incentive fees to GEG for third consecutive quarter
- Reported strong NII of \$0.43 per share, covering the \$0.35 distribution
- Grew NAV to \$12.99 per share at December 31¹, from \$12.88 in prior quarter and \$11.16 from prior year period
- Declared a special distribution in December of \$0.10 per share
- Generated ROE of ~30% for the calendar year ended December 31

- Monomoy REIT maintained strong quarterly activity:
 - Closed on three properties with in-place leases, totaling ~\$4mm
 - Amended nine existing tenant leases for meaningful term extensions and facilities expansions
 - Executed 5-year renewal options at two properties
- Monomoy BTS continued development of first two build-to-suit projects in Florida and Mississippi, expecting completion within the current fiscal year

¹NAV as of February 8, 2024 was \$12.97 per share.

Fiscal 2024 Second Quarter Highlights



Fiscal 2Q24 Financial Highlights



Revenue

- Fiscal 2Q24 revenue up 50% to \$2.8 million vs. Fiscal 2Q23 revenue of \$1.9 million
- Growth primarily driven by an increase in incentive fees earned from GECC

Net Income

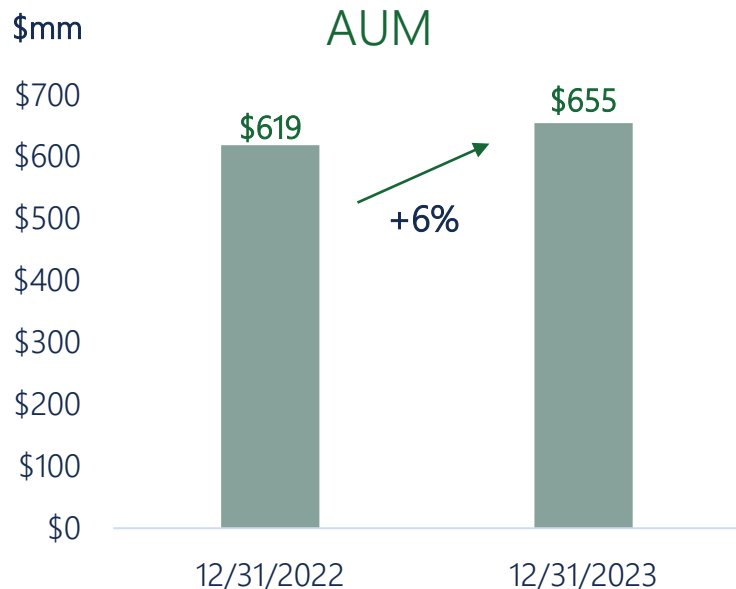
- Net loss from continuing operations of (\$0.2) million for Fiscal 2Q24, compared to net income from continuing operations of \$29.7 million in the prior-year period
- Prior-year period net income was inclusive of \$22.2 million of net realized and unrealized gain on investments and a \$10.5 million gain related to the Forest transaction

Adjusted EBITDA¹

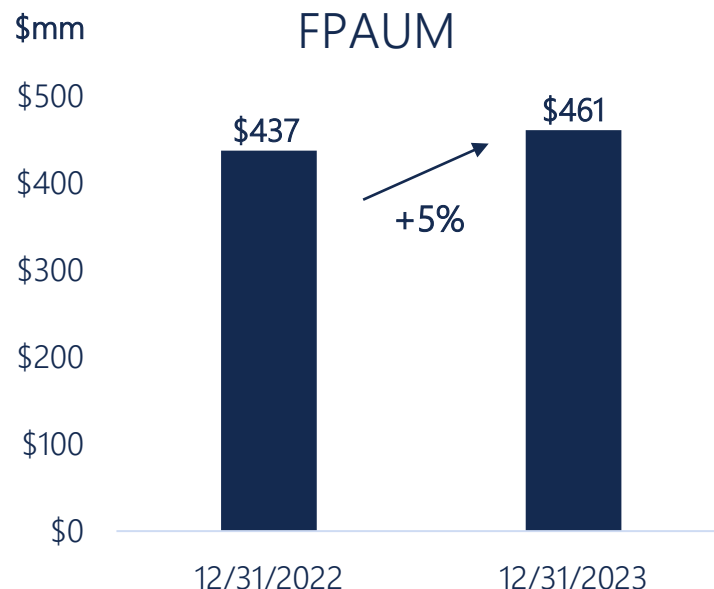
- Fiscal 2Q24 Adjusted EBITDA of \$0.6 million, compared to \$0.1 million in Fiscal 2Q23

¹ Please refer to the disclaimers on slide 16 and the Adjusted EBITDA reconciliation table on page 13

Assets Under Management



\$655 million of Assets Under Management ("AUM"), up 6% since December 31, 2022



\$461 million of Fee-Paying AUM ("FPAUM"), up 5% since December 31, 2022

Financial Review: Fiscal 2Q24 Balance Sheet



(in thousands)

	December 31, 2023	June 30, 2023
ASSETS		
Cash and cash equivalents	\$ 39,068	\$ 60,165
Receivables from managed funds	3,492	3,308
Investments in marketable securities	29,698	24,595
Investments at fair value	39,312	32,611
Prepaid and other current assets	2,982	717
Identifiable intangible assets, net	11,563	12,115
Real estate under development	4,905	1,742
Other assets	376	640
Assets of consolidated funds	14,827	-
Total assets	\$ 146,223	\$ 135,893
LIABILITIES		
Accounts payable and accrued expenses	\$ 4,515	\$ 5,609
Related party payables	1,154	2,335
Long-term debt	25,948	25,808
Convertible notes	38,135	37,129
Other liabilities	920	1,170
Liabilities of consolidated funds	944	-
Total liabilities	\$ 71,616	\$ 72,051
Stockholders' equity and non-controlling interest	\$ 74,607	\$ 63,842
Total liabilities, non-controlling interest and stockholders' equity	\$ 146,223	\$ 135,893

Financial Review: Fiscal 2Q24 Income Statement



(in thousands)

	Three months ended December 31,		Six months ended December 31,	
	2023	2022	2023	2022
Revenues	\$ 2,819	\$ 1,879	\$ 6,129	\$ 3,739
Operating costs and expenses:				
Investment management expenses	2,839	2,311	5,601	4,300
Depreciation and amortization	283	295	566	589
Selling, general and administrative	2,393	2,061	4,108	3,548
Expenses of Consolidated Funds	-	-	-	46
Total operating costs and expenses	5,515	4,667	10,275	8,483
Operating loss	(2,696)	(2,788)	(4,146)	(4,744)
Dividends and interest income	2,072	1,439	4,058	2,912
Net realized and unrealized gain on investments	1,204	22,242	4,488	15,445
Net realized and unrealized loss on investments of Consolidated Funds	114	-	114	(16)
Interest and other income of Consolidated Funds	128	-	128	-
Gain on sale of Forest	-	10,524	-	10,524
Interest expense	(1,061)	(1,955)	(2,123)	(3,929)
(Loss) income before income taxes from continuing operations	(239)	29,462	2,519	20,192
Income tax benefit (expense)	-	231	-	(2)
Net (loss) income from continuing operations	\$ (239)	\$ 29,693	\$ 2,519	\$ 20,190
Net income (loss) from discontinued operations	-	35	16	999
Net (loss) income	\$ (239)	\$ 29,728	\$ 2,535	\$ 21,189

Results By Quarter



(in thousands)

	Three Months Ended				
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
NON-GAAP RECONCILIATION					
Net income (loss) from continuing operations - GAAP	\$ (239)	\$ 2,758	\$ (5,256)	\$ (455)	\$ 29,693
Interest expense	1,061	1,062	1,050	1,095	1,955
Income tax expense (benefit)	-	-	198	-	(231)
Depreciation and amortization	283	283	282	281	295
Non-cash compensation	839	887	702	660	645
(Gain) loss on investments, excluding investment in Forest	(1,318)	(3,284)	2,187	(1,964)	2,131
Gains related to sale of Forest	-	-	-	(25)	(34,897)
Transaction and integration related costs	-	-	634	-	425
Change in contingent consideration	18	18	603	120	130
Adj. EBITDA¹	\$ 644	\$ 1,724	\$ 400	\$ (288)	\$ 146
CASH FLOW					
Adj. EBITDA¹	\$ 644	\$ 1,724	\$ 400	\$ (288)	\$ 146
Capital expenditures	(340)	(118)	(16)	(7)	(19)
Unleveraged free cash flow	304	1,606	384	(295)	127
Interest expense paid	(494)	(488)	(483)	(597)	(1,406)
Leveraged free cash flow¹	\$ (190)	\$ 1,118	\$ (99)	\$ (892)	\$ (1,279)

¹ Adjusted EBITDA for prior periods has been adjusted to include dividend income earned during such periods, consistent with the methodology for December 31, 2023. Please refer to the disclaimers on slide 16.

Results Year-Over-Year



(in thousands)

	Three months ended December 31,		Six months ended December 31,	
	2023	2022	2023	2022
NON-GAAP RECONCILIATION				
Net income (loss) from continuing operations - GAAP	\$ (239)	\$ 29,693	\$ 2,519	\$ 20,190
Interest expense	1,061	1,955	2,123	3,929
Income tax expense (benefit)	-	(231)	-	2
Depreciation and amortization	283	295	566	589
Non-cash compensation	839	645	1,726	1,586
(Gain) loss on investments	(1,318)	2,131	(4,602)	8,944
Gains related to sale of Forest	-	(34,897)	-	(34,897)
Transaction and integration related costs	-	425	-	471
Change in contingent consideration	18	130	36	60
Adj. EBITDA¹	\$ 644	\$ 146	\$ 2,368	\$ 874
CASH FLOW				
Adj. EBITDA¹	\$ 644	\$ 146	\$ 2,368	\$ 874
Capital expenditures	(340)	(19)	(458)	(30)
Unleveraged free cash flow	\$ 304	\$ 127	\$ 1,910	\$ 844
Interest expense paid	(494)	(1,406)	(982)	(2,751)
Leveraged free cash flow¹	\$ (190)	\$ (1,279)	\$ 928	\$ (1,907)

¹ Adjusted EBITDA for prior periods has been adjusted to include dividend income earned during such periods, consistent with the methodology for December 31, 2023. Please refer to the disclaimers on slide 16.

Contact Information

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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 slides 13 & 14 for reconciliations of non-GAAP measures to their most directly comparable GAAP measures.

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