Great Elm Capital Group, Inc.

Investor Presentation – Quarter and Year Ended June 30, 2019

September 13, 2019

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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"). 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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Performance Overview

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Performance Overview: Fourth Quarter 2019

- **For the quarter ended June 30, 2019, Great Elm reported:**
  - **Consolidated Revenue of $15.1 million** vs. $2.1 million during the same period the prior year
    - DME: $12.9 million
    - Investment Management: $0.9 million
    - Real Estate: $1.3 million
    - General Corporate: $0.1 million
  - **Consolidated adjusted EBITDA[1] of $3.2 million** vs. $(0.04) million of adjusted EBITDA during the same period the prior year
    - DME: $2.8 million
    - Investment Management: $0.8 million
    - Real Estate: $1.2 million
    - General Corporate: $(1.6) million

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

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Performance Overview: Full Year 2019

- **For the full year ended June 30, 2019, Great Elm reported:**
  - **Consolidated Revenue of $51.2 million** vs. $5.9 million during the same period the prior year
    - DME: $41.9 million
    - Investment Management: $3.8 million
    - Real Estate: $5.5 million
    - General Corporate: $0.1 million
  - **Consolidated adjusted EBITDA[1] of $12.0 million** vs. $(2.0) million during the same period the prior year
    - DME: $10.4 million[2]
    - Investment Management: $3.2 million
    - Real Estate: $4.6 million
    - General Corporate: $(6.1) million

(1) Please refer to the disclaimers on slide 2 and the Adjusted EBITDA reconciliation tables in the Appendix
(2) Partial period of approximately 10 months

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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

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 4Q19, Great Elm DME, Inc. ("DME") generated $12.9 million of revenue and $2.8 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 set-ups grew by 19.8% quarter-over-quarter

- **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, should lead to revenue, adjusted EBITDA and free cash flow 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

- In June 2019, a subsidiary of DME acquired the respiratory assets of Midwest Respiratory Care, Inc. ("MRC") for approximately $6.3 million or 4.6x MRC's EBITDA less capital expenditures for the twelve months ended April 30, 2019
  - The acquired assets represent approximately $3.5 million of TTM revenue and $1.4 million of TTM unleveraged free cash flow

- 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 6/30/19		
Total revenues	$	12,885
(Total opex)		(13,055)
Operating income		(170)
Adjusted EBITDA:		
Operating income		(170)
Depreciation and amortization		2,033
Transaction related costs		226
Location build out		103
Changes in revenue reserve estimates related to system conversions		231
Equipment sold outside of predominent use		354
Finalization of purchase accounting valuations		(43)
Mgmt fees		94
Adj. EBITDA[1]	**$**	**2,828**
(Maintenance capex)		(51)
(Interest expense - debt)		(963)
(Interest expense - preferred stock)		(87)
Levered free cash flow	**$**	**1,727**
(Revenue generating capex)		*(2,404)*
(New location build capex)		*(103)*

[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

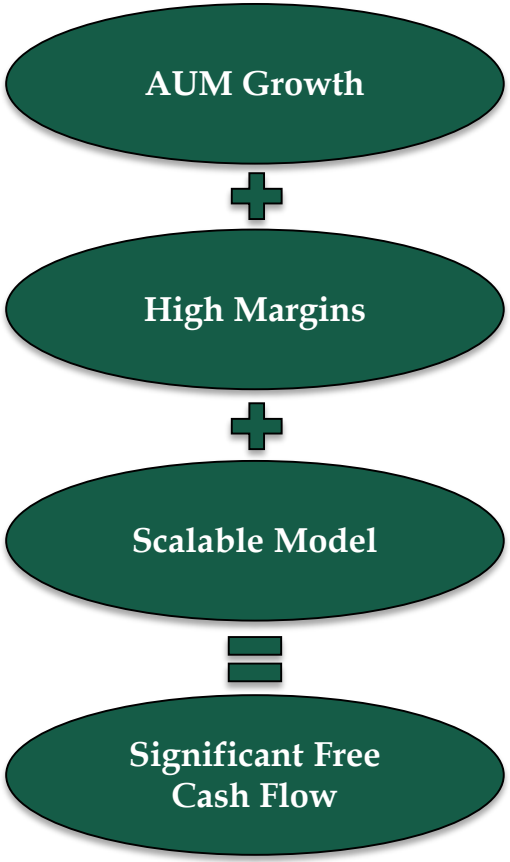
AUM GROWTH

Grow GECC's AUM through the issuance of additional debt and equity, 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

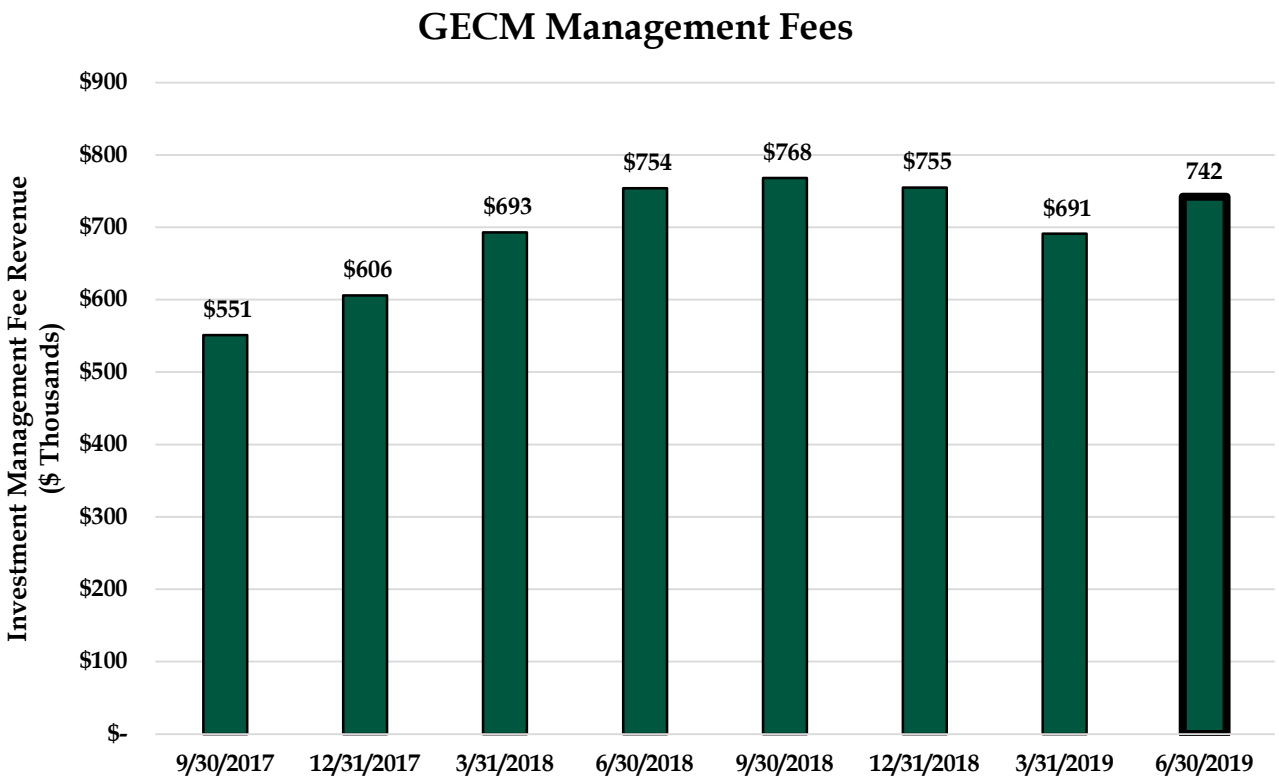
Given the largely fixed cost nature of the Investment Management business, we expect adjusted EBITDA margins to increase as our AUM increases and the business scales

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 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 terminates on November 3, 2019. The FY19 expense associated with this agreement was $763 thousand

IM Segment Financials - Quarter Ended 6/30/19		
Total revenues	$	926
(Full Circle consulting fee)		(183)
(Total opex)		(834)
Operating income		(91)
Adjusted EBITDA:		
Operating income		(91)
Stock based compensation		(80)
Unrecognized incentive fees earned		749
Depreciation & amortization		178
Adj. EBITDA[1]	**$**	**756**
(Capex)		-
(Unrecognized incentive fees earned)		(749)
(Principal payments - debt)		(76)
(Interest expense - debt)		(45)
Levered free cash flow	**$**	**(114)**

[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

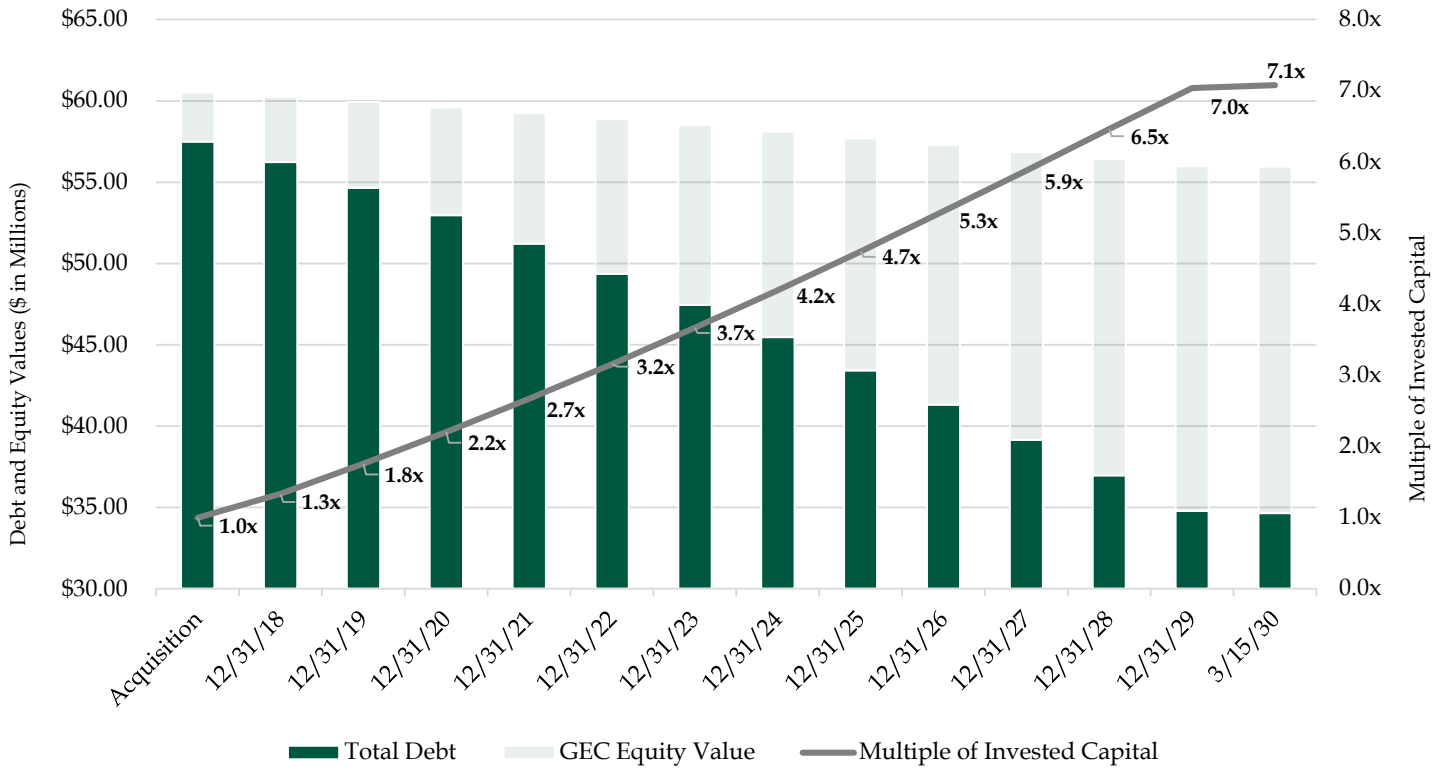
Monetization of Significant NOLs

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 6/30/19			
Revenues:		GAAP Net income	64
Rental income	$1,271	**EBITDA:**	
		GAAP Net income	64
Operating costs and expenses:		Interest	660
Insurance	(38)	Taxes	-
Real estate taxes	-	Depreciation and amortization	431
Sales tax on rent & management fee	(66)	**EBITDA**[1]	**1,155**
Management fee	(12)		
Taxes and licenses	-	**Levered free cash flow:**	
Other miscellaneous	-	EBITDA	1,155
Total Operating Costs and Expenses	(116)	*Less:*	
		Interest expense paid	(458)
Depreciation and amortization	(431)	Debt principal payments	(520)
Interest expense	(660)	Non-cash rental income	(177)
GAAP Net income	**64**	**Levered 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 6/30/19	
Revenue:	
Total revenue	58
Operating costs and expenses:	
Public company costs	(1,013)
Stock-based compensation	(114)
Other general and administrative	(972)
	(2,099)
Other income:	
GECC dividends	402
Unrealized gain on GECC investment	749
Other	28
Total other income	1,179
Net loss from continuing operations	**(862)**
Net loss from discontinued operations	(50)
Benefit from income taxes	953
GAAP Net income	**41**

EBITDA and Free Cash Flow - Quarter Ended 6/30/19	
GAAP Net income	41
EBITDA:	
GAAP net income	41
Net loss from discontinued operations	50
Interest, taxes, depreciation and amortization	(953)
EBITDA	**(862)**
Adjusted EBITDA:	
EBITDA	(862)
Stock based compensation	114
Dividend income - investment in GECC	(402)
Unrealized gain - investment in GECC	(749)
Severance costs	3
DME management fee	(69)
Acquisition related costs	401
Adjusted EBITDA[1]	**(1,564)**
Levered free cash flow:	
Adjusted EBITDA	(1,564)
Transaction costs paid	(48)
Dividends received - investment in GECC	340
Levered free cash flow	**(1,272)**

[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: 4Q19 Consolidating Balance Sheets (Unaudited)

	Durable Medical Equipment	Investment Management	Real Estate	General Corporate	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents, including restricted cash	$ 1,435	$ 288	$ 719	$ 10,388	$ -	$ 12,830
Inventories	1,336	-	-	-	-	1,336
Accounts receivable	8,876	1,214	-	163	-	10,253
Investments at fair value	-	-	-	17,110	-	17,110
Other current assets	593	143	43	92	-	871
Intercompany Receivable / Investment in Subsidiary	-	-	-	40,780	(40,780)	-
Real estate assets, net	-	-	54,411	-	-	54,411
Property and equipment, net	10,463	42	-	2	-	10,507
Identifiable intangible assets, net	9,296	2,910	5,370	-	-	17,576
Goodwill	50,398	-	-	-	-	50,398
Right of use asset, net	4,902	1,337	-	-	-	6,239
Other assets, net	160	83	771	182	-	1,196
Total assets	$ 87,459	$ 6,017	$ 61,314	$ 68,717	$ (40,780)	$ 182,727
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Accounts payable & accrued expenses	$ 6,893	$ 894	$ 497	$ 825	$ -	$ 9,109
Lease liabilities	5,073	1,460	-	-	-	6,533
Related party payables	1,940	-	-	-	-	1,940
Long term debt	7,364	-	56,430	-	-	63,794
Related party notes payable	27,220	3,148	-	-	-	30,368
Equipment financing	1,475	-	-	-	-	1,475
Intercompany Payable	29,552	8,264	2,964		(40,780)	-
Other liabilities	-	-	478	35	-	513
Total liabilities	79,517	13,766	60,369	860	(40,780)	113,732
Total stockholders' equity and contingently redeemable NCI	7,942	(7,749)	945	67,857		68,995
Total liabilities and stockholders' equity	$ 87,459	$ 6,017	$ 61,314	$ 68,717	$ (40,780)	$ 182,727

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Financial Review: FY19 Consolidating Income Statement (Unaudited)

	Durable Medical Equipment	Investment Management	Real Estate	General Corporate	Eliminations	Consolidated
Total revenue	$ 41,880	$ 3,841	$ 5,459	$ 123	$ (123)	$ 51,180
Operating costs and expenses:						
Cost of revenue	(17,261)	-	-	-	-	(17,261)
Depreciation and amortization	(1,323)	(631)	(1,729)	-	-	(3,683)
Selling, general and administrative	(20,811)	(4,025)	(884)	(8,943)	123	(34,540)
Total operating costs and expenses	(39,395)	(4,656)	(2,613)	(8,943)	123	(55,484)
Operating income (loss)	2,485	(815)	2,846	(8,820)	-	(4,304)
Dividends and interest income	717	-	-	1,714	-	2,431
Unrealized gain (loss) on investment in GECC	(894)	-	-	(168)	-	(1,062)
Interest expense, net	(3,415)	(180)	(2,655)	-	-	(6,250)
Other income (expense), net	-	-	-	136	-	136
Income (loss) from continuing operations, before income taxes	(1,107)	(995)	191	(7,138)	-	(9,049)
Benefit from income taxes	-	-	-	2,182	-	2,182
Income / (loss) from continuing operations	(1,107)	(995)	191	(4,956)	-	(6,867)
Discontinued operations:						
Income (loss) from discontinued operations, net of tax	-	-	-	3,736	-	3,736
Net income (loss) from discontinued operations, net of tax	-	-	-	3,736	-	3,736
Net income (loss), net of tax	$ (1,107)	$ (995)	$ 191	$ (1,220)	$ -	(3,131)
Adjusted EBITDA[1]	**$ 10,370**	**$ 3,176**	**$ 4,575**	**$ (6,102)**	**$ -**	**$ 12,019**
Levered free cash flow	**$ 6,174**	**$ 127**	**$ -**	**$ (4,605)**	**$ -**	**$ 1,696**

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

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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

(Dollar amounts in thousands)	For the three months ended June 30, 2019				
	Durable Medical Equipment[1]	Investment Management	Real Estate	General Corporate[2]	Total
Net income (loss) - GAAP	**$ (1,016)**	**$ (136)**	**$ 64**	**$ 41**	**$ (1,047)**
EBITDA:					
Net income (loss) - GAAP	$ (1,016)	$ (136)	$ 64	$ 41	$ (1,047)
Net income from discountinued operations	-	-	-	50	50
Interest	1,050	45	660	-	1,755
Taxes	-	-	-	(953)	(953)
Depreciation and amortization	2,033	178	431	-	2,642
EBITDA	**$ 2,067**	**$ 87**	**$ 1,155**	**$ (862)**	**$ 2,447**
Adjusted EBITDA:					
EBITDA	$ 2,067	$ 87	$ 1,155	$ (862)	$ 2,447
Stock based compensation	-	(80)	-	114	34
Dividend income from GECC	(88)	-	-	(402)	(490)
Unrealized (gain) loss on investment in GECC	(116)	-	-	(749)	(865)
Unrecognized incentive fees earned[3]	-	749	-	-	749
Severance costs	8	-	-	3	11
Location start up expense	103	-	-	-	103
Durable medical equipment management and monitoring fees	94	-	-	(69)	25
Changes in revenue reserve estimates related to system conversions[4]	231	-	-	-	231
Equipment sold outside of predominant use[4]	354	-	-	-	354
Finalization of purchase accounting valuations[4]	(43)	-	-	-	(43)
Acquisition and integration related costs[5]	218	-	-	401	619
Adjusted EBITDA	**$ 2,828**	**$ 756**	**$ 1,155**	**$ (1,564)**	**$ 3,175**

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Appendix: Non-GAAP Reconciliation

(Dollar amounts in thousands)	For the year ended June 30, 2019				
	Durable Medical Equipment[1]	Investment Management	Real Estate	General Corporate	Total
Net income (loss) - GAAP	**$ (1,107)**	**$ (995)**	**$ 191**	**$ (1,220)**	**$ (3,131)**
EBITDA:					
Net loss - GAAP	$ (1,107)	$ (995)	$ 191	$ (1,220)	$ (3,131)
Net income from discountinued operations	-	-	-	(3,736)	(3,736)
Interest	3,415	180	2,655	-	6,250
Taxes	-	-	-	(2,182)	(2,182)
Depreciation and amortization	6,873	631	1,729	-	9,233
EBITDA	**$ 9,181**	**$ (184)**	**$ 4,575**	**$ (7,138)**	**$ 6,434**
Adjusted EBITDA:					
EBITDA	$ 9,181	$ (184)	$ 4,575	$ (7,138)	$ 6,434
Stock based compensation	-	521	-	457	978
Dividend income from GECC	(717)	-	-	(1,714)	(2,431)
Unrealized (gain) loss on investment in GECC	894	-	-	168	1,062
Unrecognized incentive fees earned[3]	-	2,793	-	-	2,793
Severance costs	8	46	-	208	262
Location start up expense	161	-	-	-	161
Durable medical equipment management and monitoring fees	217	-	-	(134)	83
Changes in revenue reserve estimates related to system conversions[4]	-	-	-	-	-
Equipment sold outside of predominant use[4]	-	-	-	-	-
Finalization of purchase accounting valuations[4]	(143)	-	-	-	(143)
Acquisition and integration related costs[5]	769	-	-	2,051	2,820
Adjusted EBITDA	**$ 10,370**	**$ 3,176**	**$ 4,575**	**$ (6,102)**	**$ 12,019**

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Appendix: Non-GAAP Reconciliation

(Dollar amounts in thousands)	Durable Medical Equipment[1]	Investment Management	Real Estate	General Corporate[2]	Total
	For the three months ended June 30, 2018				
Net income (loss) - GAAP	**$ -**	**$ (1,378)**	**$ 60**	**$ (1,214)**	**$ (2,532)**
EBITDA:					
Net income (loss) - GAAP	$ -	$ (1,378)	$ 60	$ (1,214)	$ (2,532)
Net loss from discontinued operations	-	-	-	10	10
Interest	-	43	668	-	711
Taxes	-	-	-	(147)	(147)
Depreciation and amortization	-	136	425	1	562
EBITDA	**$ -**	**$ (1,199)**	**$ 1,153**	**$ (1,350)**	**$ (1,396)**
Adjusted EBITDA:					
EBITDA	$ -	$ (1,199)	$ 1,153	$ (1,350)	$ (1,396)
Stock based compensation	-	598	-	225	823
Dividend income from GECC	-	-	-	(490)	(490)
Unrealized loss on investment in GECC	-	-	-	(39)	(39)
Unrecognized incentive fees earned[3]	-	1,060	-	-	1,060
Non-reimbursable MAST Capital expenses	-	-	-	-	-
Broken deal expenses[6]	-	-	-	413	-
Re-measurement of warrant liability	-	-	-	-	-
Adjusted EBITDA	**$ -**	**$ 459**	**$ 1,153**	**$ (1,241)**	**$ (42)**

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Appendix: Non-GAAP Reconciliation

(Dollar amounts in thousands)	For the year ended June 30, 2018				
	Durable Medical Equipment[1]	Investment Management	Real Estate[7]	General Corporate	Total
Net loss - GAAP	**$ -**	**$ (4,910)**	**$ 83**	**$ (6,679)**	**$ (11,506)**
EBITDA:					
Net loss - GAAP	$ -	$ (4,910)	$ 83	$ (6,679)	$ (11,506)
Net loss from discontinued operations	-	-	-	165	165
Interest	-	217	854	-	1,071
Taxes	-	-	-	(329)	(329)
Depreciation and amortization	-	585	538	1	1,124
EBITDA	**$ -**	**$ (4,108)**	**$ 1,475**	**$ (6,842)**	**$ (9,475)**
Adjusted EBITDA:					
EBITDA	$ -	$ (4,108)	$ 1,475	$ (6,842)	$ (9,475)
Stock based compensation	-	3,487	-	938	4,425
Dividend income from GECC	-	-	-	(2,352)	(2,352)
Unrealized loss on investment in GECC	-	-	-	2,714	2,714
Unrecognized incentive fees earned[3]	-	1,155	-	-	1,155
Non-reimbursable MAST Capital expenses	-	281	-	128	409
Broken deal expenses[6]	-	-	-	1,141	1,141
Re-measurement of warrant liability	-	8	-	-	8
Adjusted EBITDA	**$ -**	**$ 823**	**$ 1,475**	**$ (4,273)**	**$ (1,975)**

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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) Represents approximately $0.5 million of aggregate adjustments which negatively impact adjusted EBITDA by the same amount for the period beginning with the acquisition of DME on September 7, 2018 and ending March 31, 2019. There is no material impact on the US GAAP numbers reported for this period.
(5) 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.
(6) Broken deal expenses include non-recurring expenses incurred in relation to transactions that were not consummated.
(7) Our real estate business began in March 2018 and there was no related activity prior to that date.

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Appendix: Contact Information

Investor Relations

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