Great Elm Capital Group, Inc.

Investor Presentation – Quarter Ended December 31, 2018

February 11, 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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Organizational Overview

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Organizational Overview

GREAT ELM CAPITAL®

Objective: to create long-term shareholder value by building a business across the following three verticals

Investment Management

Great Elm Capital Management, Inc. ("GECM")
- SEC Registered Investment Advisor
- Investment Management Agreement ("IMA") with Great Elm Capital Corp. ("GECC"), a business development company ("BDC")
- Three IMAs with a leading institutional investor
- Manager of the Great Elm Opportunities Fund, a fund structured for a series of co-investment opportunities
- Manager of future funds, co-investments and separately managed accounts ("SMAs")

GECC GP Corp.
- Receives profits solely from GECC IMA
- Issuer of $3.2 million note[1]
- 80.1% owned by GEC, 19.9% owned by employees / former employees

Real Estate

Great Elm FM Acquisition, Inc.
- Great Elm FM Acquisition, Inc. indirectly owns 80.1% of CRIC IT Fort Myers LLC ("CRIC IT"), which owns the properties that are leased on a long-term and triple net basis to Gartner, Inc.
- CRIC IT is the issuer of a $53.2 million A note and a $3.0 million B note[1]

Future Real Estate Acquisition Subsidiaries
- GEC to indirectly own at least 80.1% of equity in property owner
- Property owner issues debt to finance acquisition of real property[1]

Operating Companies

Great Elm DME Holdings, Inc.
- Issuer of $5.3 million of Qualified Preferred Stock
- Owns 80.1% of the equity in Great Elm DME, Inc.

Great Elm DME, Inc.
- Owns 100% of the equity in each of the Northwest Medical and Valley Healthcare Group operating subsidiaries
- Issuer of $10 million revolver commitment and $24.7 million of term debt[1]

Future OpCo Acquisition Subsidiaries
- Issuer of debt[1]
- GEC to indirectly own at least 80.1% of equity

[1] All debt is non-recourse to GEC.

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Organizational Overview: Drivers of Shareholder Value

Investment Management

- Grow 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")

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

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Organizational Overview: Alignment of Interest

Employee Share Ownership

- Employees of GEC/GECM collectively own over 1.8 million shares in GEC, representing greater than 7% of the shares outstanding[1]

Director Share Ownership

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

Significant Alignment of Interest

- When combined, **insider ownership totals approximately 18% of the shares outstanding**
- 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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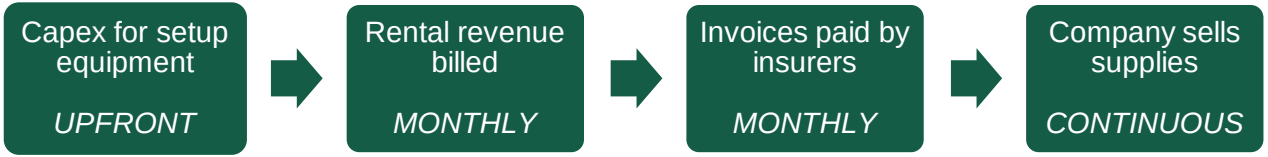
Operating Companies: Rapid Growth at DME

- In 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 2Q19, the combined businesses ("DME") generated $13.2 million of revenue and $3.6 million of adjusted EBITDA**
- Year-to-date DME revenue and adjusted EBITDA growth exceed internal expectations
- Since acquisition, **DME has experienced rapid patient growth**
  - New patient setups for CPAP / BiPAP and ventilators increased greater than 25% and almost 50% year-over-year, respectively
  - Number of active rentals for CPAP / BiPAP, oxygen and ventilators increased approximately 50%, 12% and 35% year-over-year, respectively

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Operating Companies: The Timing of DME Cash Flows

- **DME is characterized by upfront capex requirements that potentially generate durable, long-term free cash flow**
- DME's patient-service oriented model necessitates that it stock product in inventory for quick delivery following a patient order
- Respiratory products such as CPAP and ventilators represent upfront capital expenditures in advance of the recognition of rental revenue



- After the initial patient setup, patient-specific operating expense declines
- DME supplies replacements components, such as masks, hoses and cushions over a prolonged period
  - Resupply products represent high margin, recurring revenue that leverages the operating platform

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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 CPAP / BiPAP and Ventilators**

Limited "Maintenance" Capex

- $2.1 million of capital expenditures was recorded in the quarter
  - Approximately $1.9 million classified as "revenue generating capex"
- Growth revenue will be recognized over the upcoming year, not contemporaneously with spend

Conclusion

- 2Q19 adjusted EBITDA of $3.6 million does not reflect the full impact of operating growth
- Great Elm intends to invest to support both organic and inorganic growth

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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 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 robust pipeline of identified acquisition targets, including two actionable targets under LOI**

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Operating Companies: DME Segment Financial Detail

DME Segment Financials - Quarter Ended 12/31/18		
Total revenues	$	13,152
(Total opex)		(11,672)
Operating income		1,480
Adjusted EBITDA:		
Operating income		1,480
Depreciation and amortization		2,142
Other income / (expense)		(42)
Transaction costs & mgmt fees		52
Adj. EBITDA[1]	**$**	**3,632**
(Maintenance capex)		(195)
(Interest expense - debt)		(948)
(Interest expense - preferred stock)		(133)
Levered Free Cash Flow	**$**	**2,356**
Revenue Generating Capex		(1,939)

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

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Investment Management

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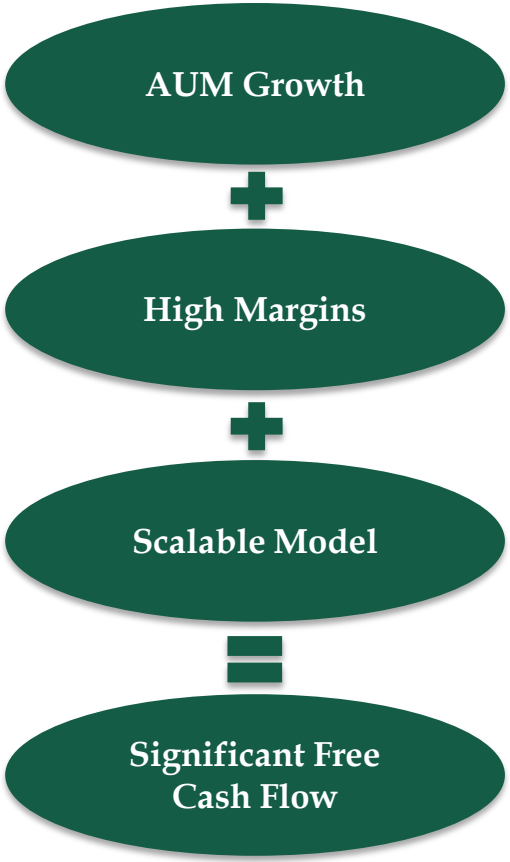
Investment Management: A Scalable, High Margin Business

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

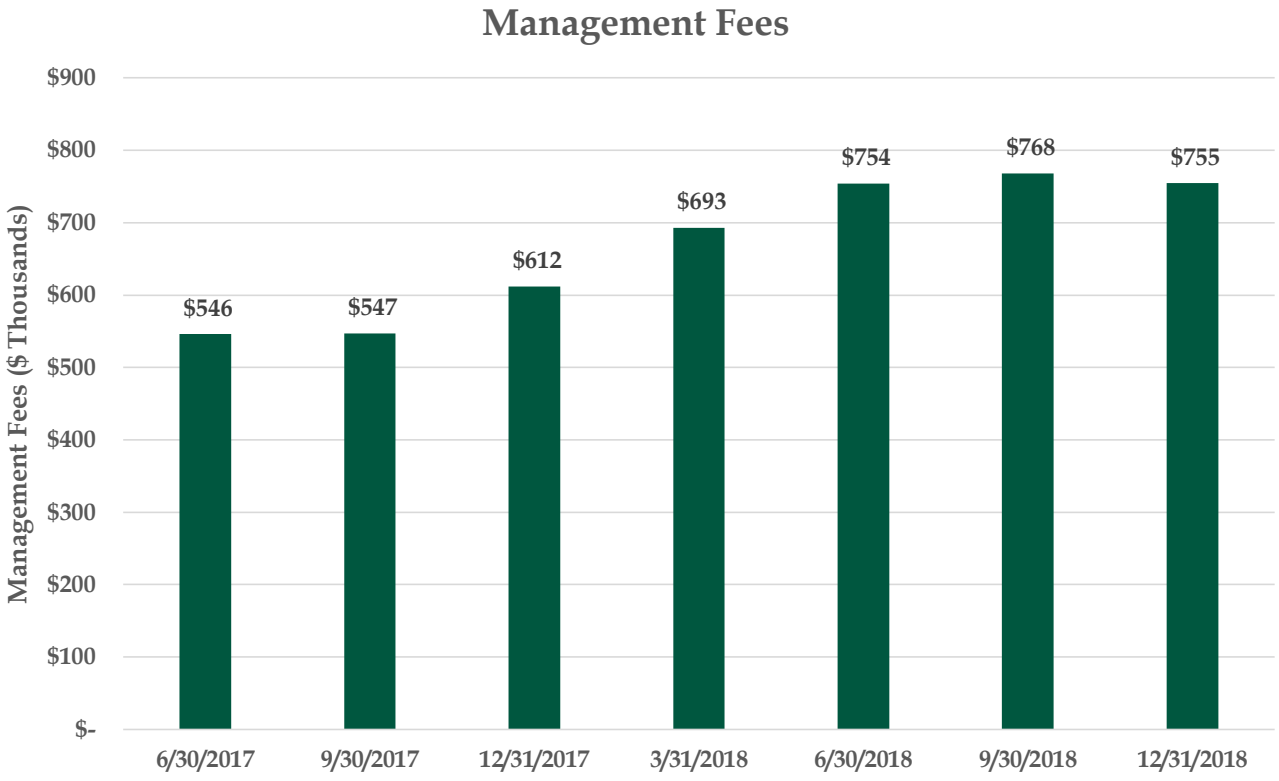
- Given the largely fixed cost nature of the Investment Management business, we expect adjusted EBITDA margins to increase as our AUM increases and the business scales

SIGNIFICANT FREE CASH FLOW

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

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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 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 annualized expense associated with this agreement was approximately $800K through Q2.

IM Segment Financials - Quarter Ended 12/31/18		
Total revenues	$	915
(Full Circle consulting fee)		(198)
(Total opex)		(680)
Operating income		37
Adjusted EBITDA:		
Operating income		37
Stock based compensation		37
Unrecognized incentive fees earned		772
Other income / (expense)		137
Adj. EBITDA[1]	**$**	**983**
(Capex)		-
(Non cash revenue)		(772)
(Interest expense - debt)		(44)
Free Cash Flow	**$**	**167**

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

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Real Estate

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Real Estate: A Refresher

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

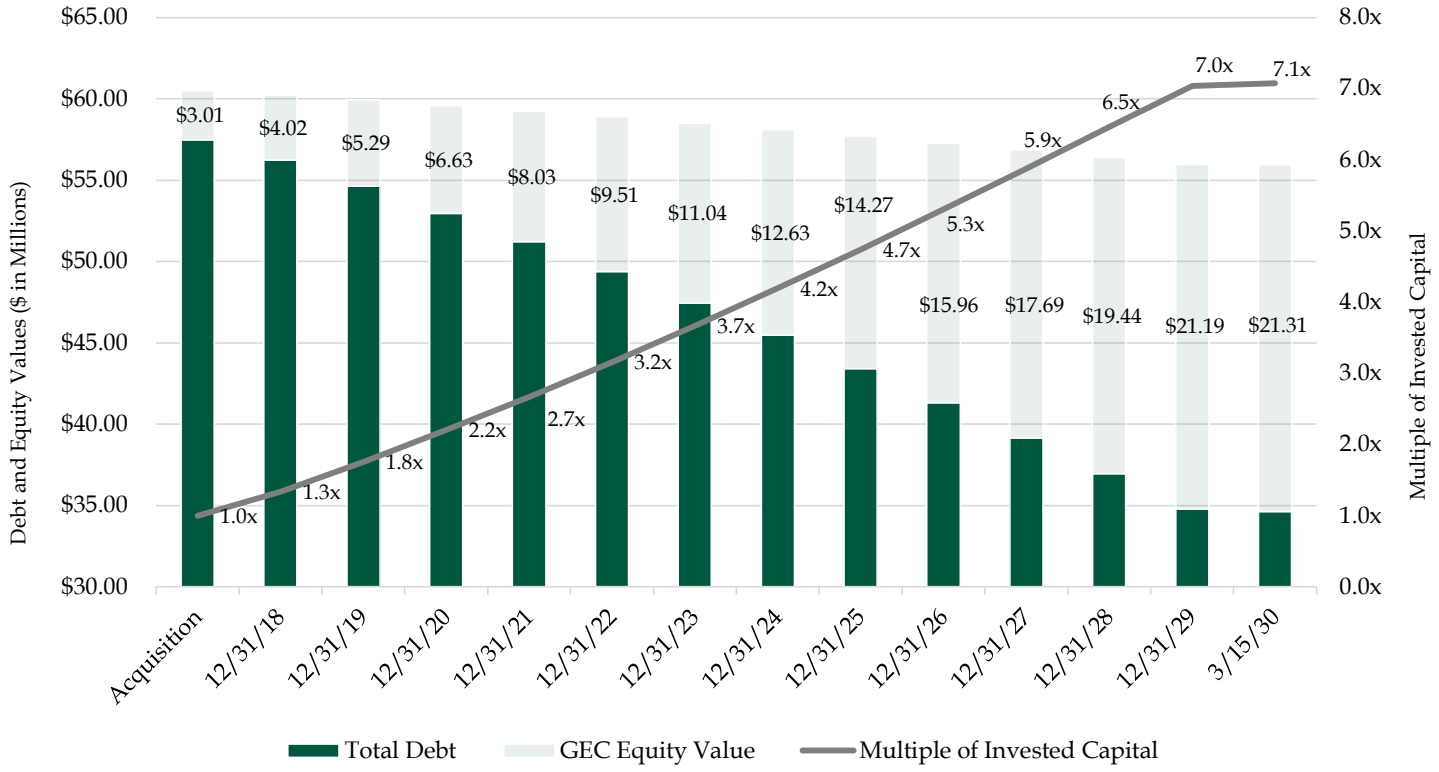
Monetization of Significant NOLs

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 12/31/2018	
Revenues:	
Rental income	$1,474
Operating costs and expenses:	
Insurance	(40)
Real estate taxes	(159)
Sales tax on rent & management fee	(104)
Management fee	(17)
Taxes and licenses	(1)
Other miscellaneous	(21)
Total Operating Costs and Expenses	(342)
Depreciation and amortization	(431)
Interest expense	(663)
GAAP Net Income	**38**

EBITDA and Free Cash Flow - Quarter Ended	
GAAP Net Income	38
EBITDA:	
GAAP net income	38
Interest	663
Taxes	-
Depreciation and amortization	431
EBITDA	**1,132**
Free cash flow:	
EBITDA	1,132
Less:	
Interest expense paid	(467)
Debt principal payments	(489)
Non-cash rental income	(176)
Free Cash Flow	**-**

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

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Financial Review

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Financial Review: 2Q19 Consolidating Balance Sheets

	General Corporate	Investment Management	Real Estate	DME	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 19,214	$ 97	$ 705	$ 2,047	$ -	$ 22,063
Inventories	-	-	-	1,587	-	1,587
Accounts receivable	390	967	-	7,232	-	8,589
Investments at fair value	9,287	-	-	6,152	-	15,439
Other current assets	248	124	133	130	-	635
Total current assets	29,139	1,188	838	17,148	-	48,313
Intercompany Receivable / Investment in Subsidiary	$ 48,074	$ 2,300	$ -	$ 6,519	$ (56,893)	-
Real estate assets, net	-	-	55,029	-	-	55,029
Property and equipment, net	-	48	-	9,735	-	9,783
Identifiable intangible assets, net	-	3,264	5,618	8,023	-	16,905
Goodwill	-	-	-	45,336	-	45,336
Right of use asset, net	-	1,431	-	4,209	-	5,640
Other assets, net	192	83	500	159	-	934
Total assets	$ 77,405	$ 8,314	$ 61,985	$ 91,129	$ (56,893)	$ 181,940
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Accounts payable & accrued expenses	$ 1,244	$ 358	$ 626	$ 7,674	$ -	$ 9,902
Lease liabilities	-	1,553	-	4,356	-	5,909
Liabilities related to discontinued operations	3,608	-	-	-	-	3,608
Earn out liability at fair value	-	-	-	845	-	845
Real estate - Senior & Subordinated Notes	-	-	57,048	-	-	57,048
Investment management - Mast Note	-	3,224	-	-	-	3,224
DME - Corbel Note & PMB revolver	-	-	-	30,909	-	30,909
Redeemable preferred stock of subsidiary	-	-	-	5,266	-	5,266
Intercompany Payable	8,820	10,866	38	6,563	(26,287)	-
Other liabilities	(147)	-	478	-	-	331
Total liabilities	13,525	16,001	58,190	55,613	(26,287)	117,042
Total stockholders' equity	63,880	(7,689)	3,797	35,517	(30,607)	64,898
Total liabilities and stockholders' equity	$ 77,405	$ 8,312	$ 61,987	$ 91,130	$ (56,894)	$ 181,940

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Financial Review: 2Q19 Consolidating Income Statement

	General Corporate	Investment Management	Real Estate	DME	Eliminations	Consolidated
Total revenue	$ 52	$ 915	$ 1,474	$ 13,152	$ (52)	$ 15,541
Operating costs and expenses:						
Transaction costs expensed	(135)	-	-	(2)	-	(137)
Depreciation and amortization	-	(137)	(431)	(260)	-	(828)
Selling, general and administrative	(1,902)	(741)	(342)	(11,410)	52	(14,343)
Total operating costs and expenses	(2,037)	(878)	(773)	(11,672)	52	(15,308)
Operating income (loss)	(1,985)	37	701	1,480	-	233
Dividends and interest income	612	-	-	376	-	988
Unrealized gain (loss) on investment in GECC	(3,308)	-	-	(331)	-	(3,639)
Interest expense, net	-	(44)	(663)	(1,081)	-	(1,788)
Other income (expense), net	-	-	-	(45)	-	(45)
Income (loss) from continuing operations, before income taxes	(4,681)	(7)	38	399	-	(4,251)
Provision for (benefit from) income taxes	-	-	-	-	-	-
Income / (loss) from continuing operations	(4,681)	(7)	38	399	-	(4,251)
Discontinued operations:						
Income (loss) from discontinued operations, net of tax	(25)	-	-	-	-	(25)
Net income (loss) from discontinued operations, net of tax	(25)	-	-	-	-	(25)
Net income (loss), net of tax	$ (4,706)	$ (7)	$ 38	$ 399	$ -	(4,276)
Adjusted EBITDA[1]	$ (1,769)	$ 983	$ 1,132	$ 3,632	$ -	$ 3,978
Free Cash Flow	$ (1,593)	$ 167	$ -	$ 2,356	$ -	$ 930

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

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Financial Review: 2Q19 Corporate Segment Financial Detail

General Corporate Financials - Quarter Ended 12/31/18	
Revenue:	
Total revenue	52
Operating costs and expenses:	
Public company costs	(1,192)
Transaction costs	(135)
Other general and administrative	(710)
	(2,037)
Other income:	
GECC dividends	586
Unrealized loss on GECC investment	(3,308)
Other	26
Total other income	(2,696)
Net loss from continuing operations	**(4,681)**
Net loss from discontinued operations	(25)
GAAP Net Loss	**(4,706)**

EBITDA and Free Cash Flow - Quarter Ended 12/31/18	
GAAP Net Loss	(4,706)
EBITDA:	
GAAP net loss	(4,706)
Interest, taxes, depreciation and amortization	-
EBITDA	**(4,706)**
Adjusted EBITDA:	
EBITDA	(4,706)
Stock based compensation	132
Dividend income - investment in GECC	(586)
Unrealized gain - investment in GECC	3,308
DME management fee	(52)
Acquisition related costs	135
Adjusted EBITDA[1]	**(1,769)**
Free Cash Flow:	
Adjusted EBITDA	(1,769)
Transaction costs paid	(135)
Dividends received - investment in GECC	311
Free Cash Flow	**(1,593)**

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

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Summary

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Summary: Drivers of Shareholder Value

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 existing and potentially acquired properties through property improvement and lease modification

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

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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 December 31, 2018				
	Investment Management	Real Estate	Durable Medical Equipment	General Corporate[2]	Total
Net income (loss) - GAAP	**$ (7)**	**$ 38**	**$ 399**	**$ (4,706)**	**$ (4,276)**
EBITDA:					
Net income (loss) - GAAP	$ (7)	$ 38	$ 399	$ (4,706)	$ (4,276)
Interest	44	663	1,081	-	1,788
Taxes	-	-	-	-	-
Depreciation and amortization	137	431	2,142	-	2,710
EBITDA	**$ 174**	**$ 1,132**	**$ 3,622**	**$ (4,706)**	**$ 222**
Adjusted EBITDA:					
EBITDA	$ 174	$ 1,132	$ 3,622	$ (4,706)	$ 222
Stock based compensation	37	-	-	132	169
Dividend income from GECC	-	-	(375)	(586)	(961)
Unrealized (gain) loss on investment in GECC	-	-	331	3,308	3,639
Unrecognized incentive fees earned[3]	772	-	-	-	772
Durable medical equipment management and monitoring fees	-	-	52	(52)	-
Acquisition related costs[4]	-	-	2	135	137
Adjusted EBITDA	**$ 983**	**$ 1,132**	**$ 3,632**	**$ (1,769)**	**$ 3,978**

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Appendix: Non-GAAP Reconciliation

(Dollar amounts in thousands)	For the six months ended December 31, 2018				
	Investment Management	Real Estate[5]	Durable Medical Equipment[1]	General Corporate	Total
Net income (loss) - GAAP	**$ (696)**	**$ 89**	**$ 426**	**$ (6,104)**	**$ (6,285)**
EBITDA:					
Net loss - GAAP	$ (696)	$ 89	$ 426	$ (6,104)	$ (6,285)
Interest	88	1,328	1,367	-	2,783
Taxes	-	-	-	-	-
Depreciation and amortization	273	862	2,565	-	3,700
EBITDA	**$ (335)**	**$ 2,279**	**$ 4,358**	**$ (6,104)**	**$ 198**
Adjusted EBITDA:					
EBITDA	$ (335)	$ 2,279	$ 4,358	$ (6,104)	$ 198
Stock based compensation	582	-	-	260	842
Dividend income from GECC	-	-	(431)	(1,020)	(1,451)
Unrealized (gain) loss on investment in GECC	-	-	411	2,323	2,734
Unrecognized incentive fees earned[3]	1,348	-	-	-	1,348
Durable medical equipment management and monitoring fees	-	-	70	(70)	-
Acquisition related costs[4]	-	-	544	1,459	2,003
Adjusted EBITDA	**$ 1,595**	**$ 2,279**	**$ 4,952**	**$ (3,152)**	**$ 5,674**

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Appendix: Non-GAAP Reconciliation

(Dollar amounts in thousands)	For the three months ended December 31, 2017				
	Investment Management	Real Estate	Durable Medical Equipment[1]	General Corporate[2]	Total
Net income (loss) - GAAP	**$ 150**	**$ -**	**$ -**	**$ (1,352)**	**$ (1,202)**
EBITDA:					
Net income (loss) - GAAP	$ 150	$ -	$ -	$ (1,352)	$ (1,202)
Interest	37	-	-	-	37
Taxes	-	-	-	-	-
Depreciation and amortization	133	-	-	-	133
EBITDA	**$ 320**	**$ -**	**$ -**	**$ (1,352)**	**$ (1,032)**
Adjusted EBITDA:					
EBITDA	$ 320	$ -	$ -	$ (1,352)	$ (1,032)
Stock based compensation	719	-	-	208	927
Dividend income from GECC	-	-	-	(883)	(883)
Unrealized loss on investment in GECC	-	-	-	1,180	1,180
Non-reimbursable MAST Capital expenses	4	-	-	39	43
Re-measurement of warrant liability	-	-	-	-	-
Adjusted EBITDA	**$ 1,043**	**$ -**	**$ -**	**$ (808)**	**$ 235**

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Appendix: Non-GAAP Reconciliation

(Dollar amounts in thousands)	For the six months ended December 31, 2017				
	Investment Management	Real Estate[4]	Durable Medical Equipment[1]	General Corporate	Total
Net loss - GAAP	**$ (1,477)**	**$ -**	**$ -**	**$ (3,109)**	**$ (4,586)**
EBITDA:					
Net loss - GAAP	$ (1,477)	$ -	$ -	$ (3,109)	$ (4,586)
Interest	135	-	-	-	135
Taxes	-	-	-	-	-
Depreciation and amortization	313	-	-	-	313
EBITDA	**$ (1,029)**	**$ -**	**$ -**	**$ (3,109)**	**$ (4,138)**
Adjusted EBITDA:					
EBITDA	$ (1,029)	$ -	$ -	$ (3,109)	$ (4,138)
Stock based compensation	2,271	-	-	413	2,684
Dividend income from GECC	-	-	-	(1,373)	(1,373)
Unrealized loss on investment in GECC	-	-	-	1,534	1,534
Non-reimbursable MAST Capital expenses	281	-	-	128	409
Re-measurement of warrant liability	8	-	-	-	8
Adjusted EBITDA	**$ 1,531**	**$ -**	**$ -**	**$ (2,407)**	**$ (876)**

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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 net loss includes net 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.

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Appendix: Contact Information

Investor Relations

800 South Street, Suite 230
Waltham, MA 02453

Phone: +1 (617) 375-3006

investorrelations@greatelmcap.com

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