



Great Elm Group, Inc.
Conference Call Presentation
Fiscal First Quarter
Ended September 30, 2022

November 14, 2022
NASDAQ: GEG

Statements in this press release that are “forward-looking” statements, including statements regarding expected growth, profitability, acquisition opportunities 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. 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.greatelmgroup.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.

Growth Strategy

- Acquire management rights to permanent capital vehicles that utilize the expertise of our Board, management, and financial resources, including our NOLs
- Focus on driving asset growth in GECC and Monomoy REIT
- Increase AUM through new fund launches, capital market financings and private fundraising initiative
- Leverage the existing team and infrastructure to generate incremental free cash flow

Business Operating Units

Investment Management

Great Elm Capital Management, Inc. (“GECM”)

- SEC Registered Investment Advisor
- Investment Manager to Great Elm Capital Corp., a publicly traded BDC
- Investment Manager and Property Manager to Monomoy Properties REIT, LLC, a privately traded REIT

Operating Companies

Great Elm Durable Medical Equipment (“DME”) Business

- Distributor of respiratory care equipment (CPAP, ventilators, oxygen) and sleep study services
- Services a large and growing segment of the population who suffer from sleep disorders
- Aging population, rising obesity rates and the prevalence of smoking are causative factors
- Operates in AK, AZ, KS, IA, MO, NE, OR, WA
- Approximately 350 employees

Fiscal 2023 First Quarter Highlights

Consolidated

- Consolidated revenue of \$18.6 million was up 12% compared to the prior-year quarter
- Adjusted EBITDA up 45% year-over-year after removing the government stimulus recognized in the prior year

IM

- Fee paying AUM grew 4.8% quarter-over-quarter
- IM revenue up nearly 90% year-over-year
- On November 14, 2022, GECC launched Great Elm Healthcare Finance in partnership with an affiliate of Berkadia Commercial Mortgage, LLC

Operating Companies

- DME grew revenue by 7% year-over-year
- Strong growth in resupply sales
- Adjusted EBITDA up 19% year-over-year after removing the government stimulus recognized in the prior year

Strong Year-over-Year Revenue Growth

As of June 30, 2022, approximately \$821 million of net operating loss (NOL) carryforwards for Federal income tax purposes

Consolidated Summary Financials: By Quarter

(in millions)

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Revenue by Segment					
DME	\$ 16.7	\$ 16.5	\$ 15.6	\$ 15.7	\$ 15.6
Investment Management	1.9	1.5	1.0	1.0	1.0
General Corporate	0.2	0.2	0.2	0.2	0.2
Eliminations	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Consolidated	\$ 18.6	\$ 18.1	\$ 16.6	\$ 16.7	\$ 16.5
Net income (loss) by Segment					
DME	\$ 6.8	\$ (0.2)	\$ (6.6)	\$ 0.9	\$ 2.1
Investment Management	(6.0)	(1.8)	(4.0)	(2.6)	(0.1)
General Corporate	(9.3)	(2.8)	4.5	(2.5)	(1.8)
Consolidated	\$ (8.5)	\$ (4.8)	\$ (6.1)	\$ (4.2)	\$ 0.1
Adj. EBITDA¹ by Segment					
DME	\$ 3.4	\$ 3.6	\$ 2.5	\$ 2.6	\$ 5.1
Investment Management	0.3	(0.1)	(0.4)	(0.0)	0.1
General Corporate	(0.9)	(0.8)	(1.2)	(1.2)	(1.0)
Consolidated	\$ 2.7	\$ 2.7	\$ 1.0	\$ 1.4	\$ 4.3

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

Consolidated Summary Financials: Year-Over-Year

(in millions)

	Three Months Ended	
	September 30, 2022	September 30, 2021
Revenue by Segment		
DME	\$ 16.7	\$ 15.6
Investment Management	\$ 1.9	\$ 1.0
General Corporate	\$ 0.2	\$ 0.2
Eliminations	\$ (0.2)	\$ (0.2)
Consolidated	\$ 18.6	\$ 16.5
Net (Loss) Income by Segment		
DME	\$ 6.8	\$ 2.1
Investment Management	\$ (6.0)	\$ (0.1)
General Corporate	\$ (9.3)	\$ (1.8)
Consolidated	\$ (8.5)	\$ 0.1
Adj. EBITDA¹ by Segment		
DME	\$ 3.4	\$ 5.1
Investment Management	\$ 0.3	\$ 0.1
General Corporate	\$ (0.9)	\$ (1.0)
Consolidated	\$ 2.7	\$ 4.3

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

Investment Management: A Scalable, High Margin Business

AUM GROWTH

Grow GECC's and Monomoy's AUM through issuances of additional debt and equity, resulting in an increase in fee revenue

Grow the Investment Management business by leveraging the existing team to launch additional vehicles

SCALABLE MODEL

Infrastructure in place to support growth in AUM and new investment vehicles

Investment team in place to support growth in AUM

AUM Growth



High Margins



Scalable Model



Free Cash Flow

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

Revenue

- FY 1Q'23 revenue up 89% vs. FY 1Q'22 to \$1.9 million
 - Growth driven by an increase in management fees related to the recently acquired Monomoy REIT management agreement

Net Income

- Net loss of \$6.0 million for F1Q'23, compared to a net loss of \$0.1 million in FY 1Q'22
 - Variance primarily a function of higher losses on GECC shares in FY 1Q'23

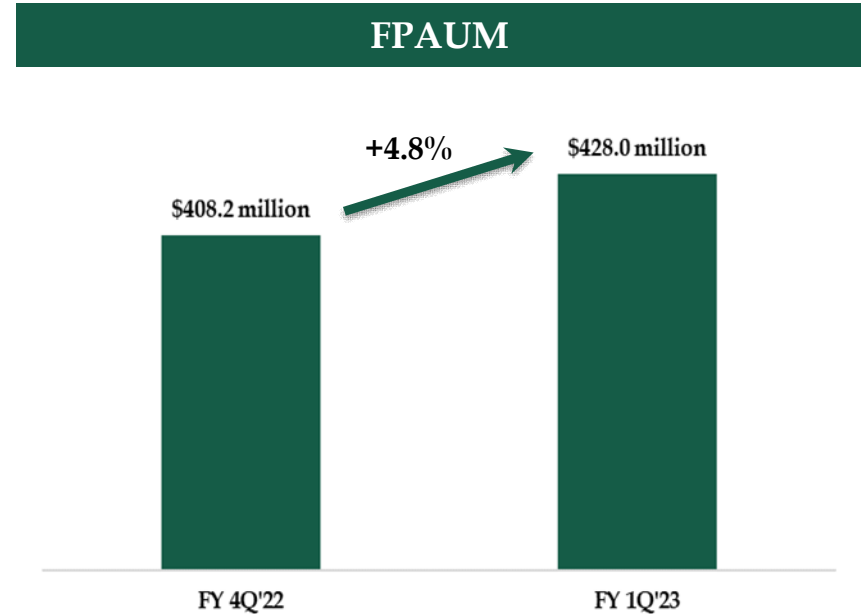
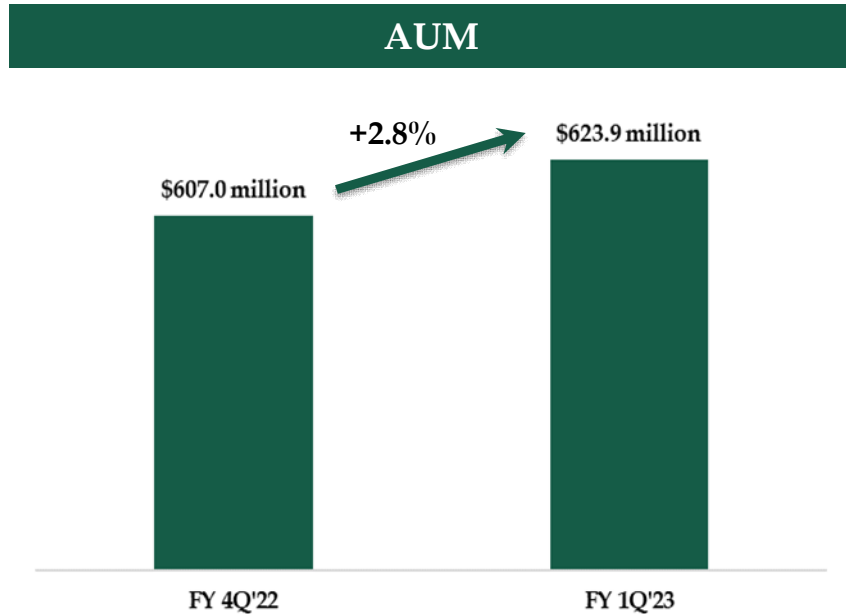
Adjusted EBITDA ⁽¹⁾

- FY 1Q'23 Adjusted EBITDA up 97% vs. FY 1Q'22 to \$0.3 million
 - Growth driven by higher revenue partially offset by higher operating expenses related to ongoing investments in talent and infrastructure

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

Investment Management: Strong Asset Growth

- \$624 million of Assets Under Management (“AUM”), up 2.8% quarter-over-quarter
- \$428 million of Fee Paying Assets Under Management (“FPAUM”), up 4.8% quarter-over-quarter



Investment Management: By Quarter

(in thousands)

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Total revenues	\$ 1,860	\$ 1,524	\$ 988	\$ 1,021	\$ 983
Net Loss - GAAP	\$ (6,031)	\$ (1,800)	\$ (3,981)	\$ (2,631)	\$ (140)
Non-cash compensation	477	268	262	946	396
Interest expense, net	136	89	24	24	24
Dividend income on managed products	(1,386)	(1,158)	(548)	(549)	(554)
Loss on managed products	6,813	2,312	3,770	2,055	305
Depreciation and amortization expense	294	217	89	108	109
Transaction and integration related costs	46	-	-	-	-
Change in contingent consideration	(70)	-	-	-	-
Adj. EBITDA¹	\$ 279	\$ (72)	\$ (384)	\$ (47)	\$ 140
Capital expenditures	(11)	-	-	(3)	-
Interest expense paid	(70)	-	-	-	-
Dividend income received in cash on managed products	1,386	1,158	548	1,103	554
Leveraged free cash flow¹	\$ 1,584	\$ 1,086	\$ 164	\$ 1,053	\$ 694

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

Investment Management: Year-Over-Year

(in thousands)

	Three Months Ended	
	September 30, 2022	September 30, 2021
Total revenues	\$ 1,860	\$ 983
Net loss - GAAP	\$ (6,031)	\$ (140)
Non-cash compensation	477	396
Interest expense, net	136	24
Dividend income on managed products	(1,386)	(554)
Loss on managed products	6,813	305
Depreciation and amortization expense	294	109
Transaction and integration related costs	46	-
Change in contingent consideration	(70)	-
Adj. EBITDA¹	\$ 279	\$ 140
Capital expenditures	(11)	-
Interest expense paid	(70)	-
Dividend income received in cash on managed products	1,386	554
Leveraged free cash flow¹	\$ 1,584	\$ 694

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

Revenue

- F1Q23 revenue up 7% vs. F1Q22 to \$16.7 million
 - Growth driven by continued organic growth in resupply sales, a full quarter of contributions from the MedOne acquisition in August 2021, and improved revenue reserves

Net Income

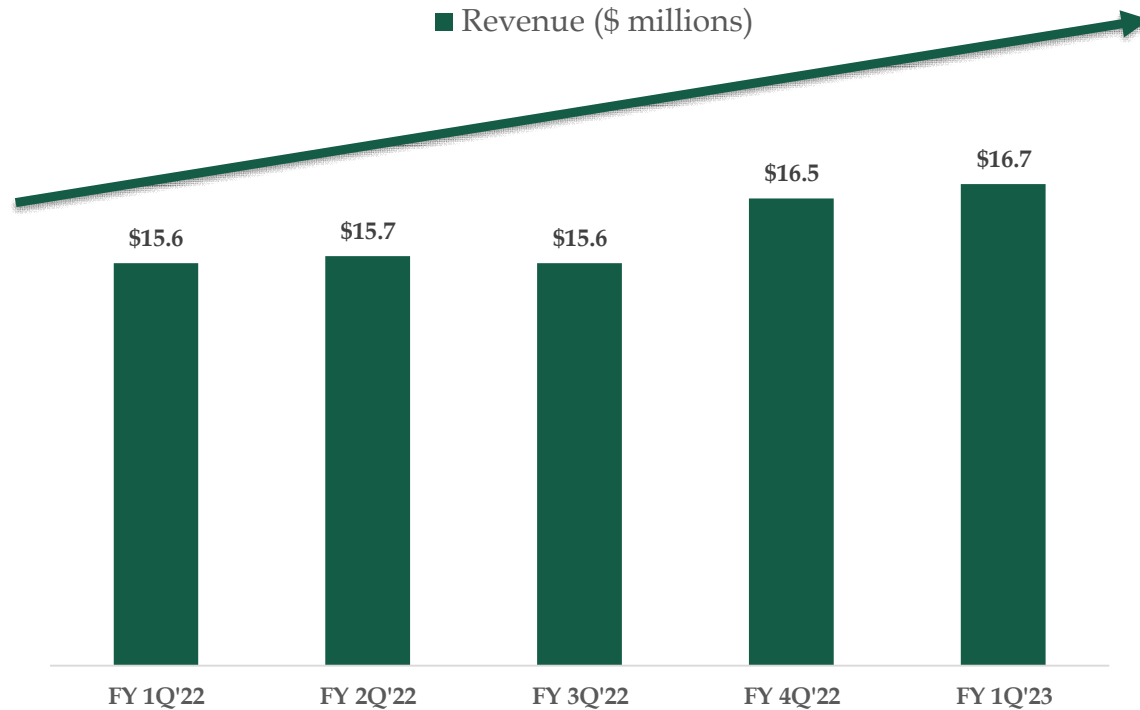
- Net income of \$6.8 million for F1Q23, compared to \$2.1 million in F1Q22
 - The increase primarily reflected higher revenue and a \$7.0 million benefit related to the fair value adjustment of an embedded derivative that was eliminated in consolidation

Adjusted EBITDA ⁽¹⁾

- Adjusted EBITDA of \$3.4 million compared to \$5.1 million in F1Q22
 - The three months ended September 30, 2022 did not include any benefit related to government stimulus, which totaled \$2.3 million in the prior-year quarter

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

Operating Companies: Consistent Revenue Growth



Operating Companies: DME – By Quarter

(in thousands)

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Total net revenue					
Sales and services revenue - medical equipment	\$ 9,634	\$ 9,487	\$ 8,976	\$ 8,968	\$ 8,730
Sales and services revenue - sleep studies	1,394	1,521	1,383	1,309	1,346
Total sales and services revenue	11,028	11,008	10,359	10,277	10,076
Rental income	5,691	5,533	5,275	5,451	5,479
Total net revenue	\$ 16,719	\$ 16,541	\$ 15,634	\$ 15,728	\$ 15,555
Net income (loss) - GAAP	\$ 6,758	\$ (244)	\$ (6,620)	\$ 937	\$ 2,082
Interest expense	1,106	1,142	1,269	1,289	1,287
Depreciation and amortization	2,275	2,079	2,003	2,040	2,142
Transaction and integration related costs, including ext of debt	130	1,573	63	176	219
Change in contingent consideration	12	259	68	(285)	(163)
Location closure	-	-	-	-	-
Mgmt fees	90	119	117	60	130
Other (income) / expense	(7,007)	(1,361)	5,612	(1,584)	(560)
Adj. EBITDA¹	\$ 3,364	\$ 3,567	\$ 2,512	\$ 2,633	\$ 5,137
Cash Flow:					
Adj. EBITDA¹	\$ 3,364	\$ 3,567	\$ 2,512	\$ 2,633	\$ 5,137
(Maintenance capex)	(63)	(51)	(28)	(17)	(48)
(Growth capex)	(2,535)	(843)	(2,149)	(1,464)	(1,948)
Transaction costs and integration costs paid, including ext of debt	(66)	(614)	(63)	(176)	(219)
Unleveraged free cash flow	\$ 700	\$ 2,059	\$ 272	\$ 976	\$ 2,922
Interest expense paid	(855)	(855)	(979)	(1,000)	(1,000)
Leveraged free cash flow¹	\$ (155)	\$ 1,204	\$ (707)	\$ (24)	\$ 1,922

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

Operating Companies: DME – Year-Over-Year

(in thousands)

	Three Months Ended	
	September 30, 2022	September 30, 2021
Total Net Revenue:		
Sales and Services Revenue - Medical Equipment	\$ 9,634	\$ 8,730
Sales and Services Revenue - Sleep Studies	1,394	1,346
Total Sales and Services Revenue	11,028	10,076
Rental Income	5,691	5,479
Total Net Revenue	\$ 16,719	\$ 15,555
Adj. EBITDA¹:		
Net income - GAAP	\$ 6,758	\$ 2,082
Interest expense	1,106	1,287
Depreciation and amortization	2,275	2,142
Transaction and integration related costs, including ext of debt	130	219
Change in contingent consideration	12	(163)
Location closure	-	-
Mgmt fees	90	130
Other income	(7,007)	(560)
Adj. EBITDA¹	\$ 3,364	\$ 5,137
(Maintenance capex)	(63)	(48)
(Growth capex)	(2,535)	(1,948)
Transaction costs and integration costs paid, including ext of debt	(66)	(219)
Unleveraged free cash flow	\$ 700	\$ 2,922
Interest expense paid	(855)	(1,000)
Leveraged free cash flow¹	\$ (155)	\$ 1,922

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

General Corporate: By Quarter

(in thousands)

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Total revenue	\$ 203	\$ 231	\$ 230	\$ 172	\$ 243
Operating costs and expenses:					
Public company costs	(870)	(578)	(893)	(878)	(993)
Non-cash compensation	(13)	(21)	(21)	(22)	(29)
Other general and administrative	(717)	(875)	(781)	(677)	(664)
Operating loss	\$ (1,397)	\$ (1,243)	\$ (1,465)	\$ (1,405)	\$ (1,443)
Depreciation & amortization	-	-	-	(1)	-
Dividend and interest income	1,172	1,168	1,296	1,315	1,317
Interest expense, net	(1,839)	(1,583)	(1,263)	(1,269)	(1,269)
Income tax	(196)	(107)	20	65	1
Gains / losses on passive investments	-	(450)	266	428	102
Other income (expense), net	(7,006)	(590)	5,612	(1,598)	(544)
GAAP net income (loss)	\$ (9,266)	\$ (2,805)	\$ 4,466	\$ (2,465)	\$ (1,836)
Management fee	(90)	(119)	(117)	(60)	(130)
Non-cash compensation	464	371	316	280	372
Transaction and integration related costs	-	(581)	92	35	184
Interest, taxes, and depreciation	2,035	1,690	1,243	1,205	1,268
Interest income from preferred stock	(1,085)	(1,106)	(1,202)	(1,220)	(1,218)
Dividend income	-	(62)	(96)	(95)	(99)
Gain (loss) on passive investments	-	450	(266)	(428)	(102)
Change in value of embedded derivative	7,006	1,361	(5,612)	1,598	544
Adj. EBITDA¹	\$ (936)	\$ (801)	\$ (1,176)	\$ (1,150)	\$ (1,017)
Capital expenditures	(11)	-	-	-	-
Interest expense paid, net	(428)	(54)	140	161	169
Transaction costs and integration costs paid	-	(188)	(92)	(35)	(184)
Leveraged free cash flow¹	\$ (1,375)	\$ (1,043)	\$ (1,128)	\$ (1,024)	\$ (1,032)

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

General Corporate: Year-Over-Year

(in thousands)

	Three Months Ended	
	September 30, 2022	September 30, 2021
Total revenue	\$ 203	\$ 243
Operating costs and expenses:		
Public company costs	(870)	(993)
Non-cash compensation	(13)	(29)
Other general and administrative	(717)	(664)
Operating loss	\$ (1,397)	\$ (1,443)
Depreciation and amortization	-	-
Dividend and interest income	1,172	1,317
Interest expense, net	(1,839)	(1,269)
Income tax	(196)	1
Gain on passive investments	-	102
Other expense, net	(7,006)	(544)
Net loss - GAAP	\$ (9,266)	\$ (1,836)
Management fee	(90)	(130)
Non-cash compensation	464	372
Transaction and integration related costs	-	184
Interest, taxes, and depreciation	2,035	1,268
Interest income on preferred stock	(1,085)	(1,218)
Dividend income	-	(99)
Gain on investments	-	(102)
Change in value of embedded derivative	7,006	544
Adj. EBITDA¹	\$ (936)	\$ (1,017)
Capital expenditures	(11)	-
Interest expense paid	(428)	169
Transaction costs and integration costs paid	-	(184)
Leveraged free cash flow¹	\$ (1,375)	\$ (1,032)

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

Financial Review: FY 1Q'23 Consolidating Balance Sheets (Unaudited)

<i>\$ in thousands</i>	<u>Durable Medical Equipment</u>	<u>Investment Management</u>	<u>Corporate</u>	<u>Consolidated</u>
ASSETS				
Cash and cash equivalents	\$ 733	\$ 1,163	\$ 21,369	\$ 23,265
Accounts receivable, net	5,854	2,578	-	8,432
Investments at fair value	-	40,471	153	40,624
Investments at fair value, consolidated fund NAV	-	-	-	-
Inventory	\$ 1,017	-	-	1,017
Property and equipment, net	8,397	29	-	8,426
Identifiable intangible assets, net	5,633	12,959	-	18,592
Goodwill	52,463	-	-	52,463
Right of use asset	3,062	753	-	3,815
Other assets	561	292	791	1,644
Total Assets	\$ 77,720	\$ 58,245	\$ 22,313	\$ 158,278
LIABILITIES				
Accounts payable & accrued liabilities	\$ 9,162	\$ 2,456	\$ 1,659	\$ 13,277
Deferred revenue	1,250	-	-	1,250
Lease and other liabilities	3,198	838	967	5,003
Long term debt	-	-	25,597	25,597
Related party notes payable	-	5,661	-	5,661
Convertible notes	-	-	35,216	35,216
Preferred stock - HC LLC	33,044	-	(32,734)	310
Preferred stock - Forest	-	-	34,140	34,140
Equipment financing	3,909	-	-	3,909
Intercompany, net ⁽¹⁾	27,352	60,445	(87,797)	-
Total Liabilities	77,915	69,400	(22,952)	124,363
EQUITY				
	(195)	(11,155)	45,265	33,915
Total Liabilities and Equity	\$ 77,720	\$ 58,245	\$ 22,313	\$ 158,278

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

Financial Review: FY 1Q'23 Consolidating Income Statement (Unaudited)



For the three months ended September 30, 2022

\$ in thousands

	Durable Medical Equipment	Investment Management	Corporate	Elimination	Consolidated
Total Revenues	\$ 16,719	\$ 1,860	\$ 203	\$ (203)	18,579
Cost of revenue	(6,390)	-	-	-	(6,390)
Depreciation and amortization expense	(387)	(294)	-	-	(681)
Selling, general and administration	(9,062)	(2,034)	(1,600)	203	(12,493)
Total operating costs and expenses	(15,839)	(2,328)	(1,600)	203	(19,564)
Operating income (loss)	880	(468)	(1,397)	-	(985)
Dividends and interest income	-	1,386	1,172	(1,085)	1,473
Loss on investments	-	(6,813)	-	-	(6,813)
Interest expense, net	(1,106)	(136)	(1,839)	1,085	(1,996)
Extinguishment of debt	(23)	-	-	-	(23)
Other income (expense), net	7,007	-	(7,006)	-	1
Income (loss) before taxes	6,758	(6,031)	(9,070)	-	(8,343)
Income tax expense	-	-	(196)	-	(196)
Net income (loss), net of tax	6,758	(6,031)	(9,266)	-	(8,539)
Adjusted EBITDA	\$ 3,364	\$ 279	\$ (936)	\$ -	2,707

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

Strong Shareholder Alignment

Employee Share
Ownership



Director
Share Ownership



Significant
Alignment of
Interest

- Employees of GEG collectively own approximately 2.1 million shares of GEG, representing approximately 7% of GEG's outstanding shares
- The directors of GEG beneficially own approximately 10.5 million shares of GEG in the aggregate, representing approximately 35% (including funds under management) of GEG's outstanding shares
- When combined, **insider ownership totals approximately 42% 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 GEG

(1) This includes shares issued under restricted stock awards that are subject to service vesting and is based on the share count pro forma for the vesting of said restricted shares.

Appendix

Appendix: Non-GAAP Reconciliation

For the three months ended September 30, 2022

\$ in thousands

	Durable Medical Equipment	Investment Management	Corporate	Consolidated
EBITDA:				
Net income (loss) - GAAP	\$ 6,758	\$ (6,031)	\$ (9,266)	\$ (8,539)
Interest expense	1,106	136	1,839	3,081
Interest income from preferred stock	-	-	(1,085)	(1,085)
Depreciation & amortization	2,275	294	-	2,569
Tax expense	-	-	196	196
EBITDA	10,139	(5,601)	(8,316)	(3,778)
Adjusted EBITDA				
Non-cash compensation	-	477	464	941
Dividend income	-	(1,386)	-	(1,386)
Losses on investments	-	6,813	-	6,813
Other (income) expense	(7,007)	-	7,006	(1)
Transaction and integration related costs, including ext of debt ⁽¹⁾	130	46	-	176
Change in contingent consideration	12	(70)	-	(58)
DME management and monitoring fees	90	-	(90)	-
Adjusted EBITDA	\$ 3,364	\$ 279	\$ (936)	\$ 2,707

(1) Transaction and integration related costs include costs to acquire and integrate acquired businesses.

Appendix: Non-GAAP Reconciliation (cont.): Prior Year Period

	For the three months ended September 30, 2021			
	Durable Medical Equipment	Investment Management	Corporate	Consolidated
<i>\$ in thousands</i>				
EBITDA:				
Net income (loss) - GAAP	\$ 2,082	\$ (140)	\$ (1,836)	\$ 106
Interest expense	1,287	24	1,269	2,580
Interest income from preferred stock	-	-	(1,218)	(1,218)
Depreciation & Amortization	2,142	109	-	2,251
Tax expense	-	-	(1)	(1)
EBITDA	5,511	(7)	(1,786)	3,718
Adjusted EBITDA				
Non-cash compensation	-	396	372	768
Dividend income	-	(554)	(99)	(653)
(Gains) / Losses on investments	-	305	(102)	203
Other (income) expense	(560)	-	544	(16)
Transaction and integration related costs, including ext of debt ⁽¹⁾	219	-	184	403
Change in contingent consideration	(163)	-	-	(163)
DME management and monitoring fees	130	-	(130)	-
Adjusted EBITDA	\$ 5,137	\$ 140	\$ (1,017)	\$ 4,260

(1) Transaction and integration related costs include costs to acquire and integrate acquired businesses.



Investor Relations Contact:
Michael Kim
investorrelations@greatelmcap.com