

# Great Elm Capital Group, Inc.

## Investor Presentation – Quarter Ended September 30, 2018

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November 9, 2018

# Disclaimer

Statements in this presentation that are “forward-looking” statements, including, but not limited to, statements regarding potential or expected IRRs, cash-on-cash returns, collection of incentive fees and net operating loss utilization, 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 Capital Group, Inc.’s (“Great Elm” or “GEC”) assumptions and expectations in light of currently available information. Great Elms assumes no obligation to, and expressly disclaims any duty to, update any forward-looking statements contained in this presentation or to conform prior statements to actual results or revised expectations, except as required by law. 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 Securities and Exchange Commission (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, which are available for download at its website [www.greatelmcap.com](http://www.greatelmcap.com) or at the SEC website [www.sec.gov](http://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”). 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.

## **Valley Healthcare Group (“VHG”) and Northwest Medical (“NWM”) Financial Information**

As private entities, VHG’s and NWM’s historic financial information has not been prepared in accordance with Regulation S-X. When Regulation S-X compliant financial information is available and included in Great Elm’s SEC filings following the date hereof, the presentation of this financial information may change from that presented in this presentation, and any such changes may be material.

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

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# Organizational Overview



*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 \$3.3 million note<sup>1</sup>
- 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 \$53.7 million A note and a \$2.9 million B note<sup>1</sup>

### **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<sup>1</sup>

## 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 \$25 million of term debt<sup>1</sup>

### **Future OpCo Acquisition Subsidiaries**

- Issuer of debt<sup>1</sup>
- GEC to indirectly own at least 80.1% of equity

<sup>1</sup> All debt is non-recourse to GEC. The CRIC IT issued A and B note balances are as of 9/30/2018.

# 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

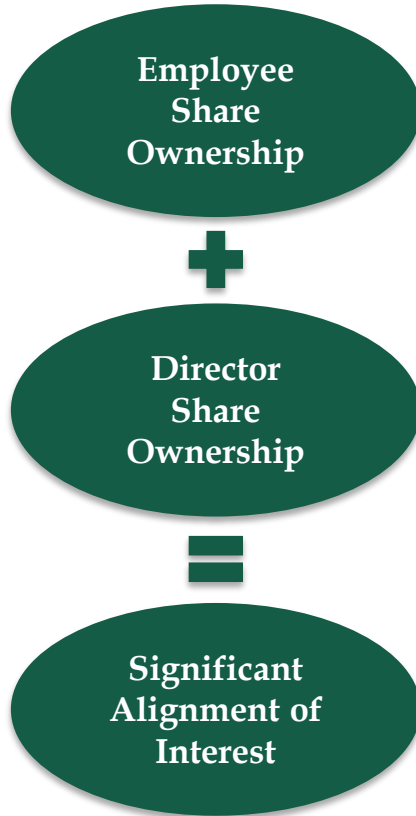
## Real Estate

- Seek opportunities, such as the Fort Myers transaction that closed in March 2018, 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

# Organizational Overview: Alignment of Interest



- Employees of GEC/GECM collectively own over 1.8 million shares in GEC, representing approximately 7.0% of the shares outstanding<sup>1</sup>

- The directors of GEC collectively own approximately 10.5% of GEC's outstanding shares<sup>1</sup>

- When combined, **insider ownership totals approximately 17.5% 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.

# Operating Companies: Valley Healthcare Group & Northwest Medical



# Operating Companies: Deal Summary

- **In September 2018, Great Elm announced that we partnered with the management team of Valley Healthcare Group (“VHG”) to acquire and combine VHG and Northwest Medical (“NWM”)**
- **VHG and NWM, which together serve approximately 70,000 patients annually across five states in the United States, are leading regional providers of sleep and respiratory-related durable medical equipment (“DME”) and services**
  - High quality care, education and customer service resulting in industry leading patient compliance rates
  - Well positioned for organic growth in attractive markets and to consolidate a fragmented DME industry
- **Great Elm acquired an 80.1% equity interest in the combined companies at an enterprise value of \$63.6 million<sup>1</sup>, which represents a 4.9x multiple of LTM Pro Forma Adjusted EBITDA<sup>2</sup> for the period ended June 30, 2018 and a 4.5x multiple of LTM Pro Forma Adjusted EBITDA<sup>2</sup> for the period ended September 30, 2018**
- **A strong and aligned management team will maintain a 9.9% minority stake in the combined business**
  - Ron Evans (CEO), Co-Founder of VHG, and Chad Vance (CFO) have a longstanding, successful record of both organic revenue growth and integrating roll-up acquisitions
  - NWM sellers are also retaining a 9.9% interest in the combined business
- **Represents Great Elm’s first operating company acquisition**
  - Fits with Great Elm’s value creation strategy of targeting operating companies with meaningful cash flow and earnings, which will be enhanced by Great Elm’s substantial tax assets

<sup>1</sup> Excludes financing, closing and professional fees and expenses and contingent consideration.

<sup>2</sup> Please refer to the Appendix for the Pro Forma Adjusted EBITDA reconciliation tables and the disclaimers on Slide 2.

# Operating Companies: Terms of the Capital Structure

## SOURCES & USES<sup>1</sup> (\$ in 000's)

### Sources

|                                    |                   |
|------------------------------------|-------------------|
| Revolving Credit Facility (Funded) | \$6,330.0         |
| Term Loan Facility                 | 25,000.0          |
| Qualified Preferred Stock          | 5,266.3           |
| Rollover Equity (VHG)              | 3,665.4           |
| Rollover Equity (Corbel)           | 3,665.4           |
| Cash from GEC Balance Sheet        | 19,673.0          |
| <b>Total Sources</b>               | <b>\$63,600.0</b> |

### Uses

|                         |                   |
|-------------------------|-------------------|
| Cash on Balance Sheet   | \$500.0           |
| Repay Existing Net Debt | 26,346.3          |
| Purchase Equity (80.1%) | 29,507.3          |
| Rollover Equity (19.9%) | 7,330.8           |
| <b>Total Uses</b>       | <b>\$63,600.0</b> |

- **Revolving Credit Facility (“DME Credit Facility”)**
  - Size: up to \$10.0 million, \$6.3 million currently drawn as of 9/30/2018
  - Rate: PRIME plus 0.40% (effective rate at 9/30/2018 was 5.65%)
  - Maturity: August 30, 2020
  - Other: monthly interest payments
- **Term Loan Facility (“DME Note”)**
  - Size: \$25.0 million note
  - Rate: three-month LIBOR plus 10.0% (effective rate at 9/30/2018 was 12.4%)
  - Maturity: August 31, 2023
  - Other: quarterly interest payments along with principal payment amortization of \$0.3 million plus 50% of excess cash flow on a quarterly basis
- **Qualified Preferred Stock**
  - Size: \$5.266 million
  - Rate: 10.0% annual dividend
  - Maturity: September 7, 2038
  - Other: semi-annual dividend payments

<sup>1</sup>Excludes financing, closing and professional fees and contingent consideration.

# Operating Companies: Summary of Progress Post-Closing

## Financial Update

- Growth in Adjusted EBITDA<sup>1</sup> of 9.3% for the LTM ended 9/30/2018 vs. 6/30/2018
- Growth in revenue of 1.3% for the LTM ended 9/30/2018 vs. 6/30/2018
- Significant levered free cash flow generation of \$587K for September 2018

## Operational Integration

Implementing best practices to:

- Improve patient experience to drive further referral growth
- Increase re-supply revenue
- Reduce equipment purchasing costs through re-negotiated vendor agreements

## Potential M&A

- In dialogue with previously identified acquisition targets
- Most targets generate between \$500K and \$3.0 million of EBITDA per year
- Seek to pay less than 5.0x seller's EBITDA, which, when combined with cost synergies, should result in meaningfully lower multiples of our synergized EBITDA

<sup>1</sup> Please refer to the Appendix for the Pro Forma Adjusted EBITDA reconciliation tables and the disclaimers on Slide 2.

# Operating Companies: Financial Update

- For the LTM ended September 30, 2018, VHG and NWM would have generated \$14.1 million in Pro Forma Adjusted EBITDA<sup>1</sup>, growth of 9.3% over the previously disclosed \$12.9 million of Pro Forma Adjusted EBITDA<sup>1</sup> for the LTM period ended June 30, 2018
- For the LTM ended September 30, 2018, VHG and NWM would have generated \$47.7 million in revenue, representing growth of 1.3% over the previously disclosed \$47.1 million of revenue for the LTM period ended June 30, 2018
- For the month of September 2018, VHG and NWM generated \$4.1 million in total revenue and \$1.3 million in Adjusted EBITDA<sup>1,2</sup> with approximately \$490,000 of capex. For this same period, VHG and NWM generated \$830,000 in unlevered free cash flow and \$587,000 in levered free cash flow
- Driving this growth are increases in active rentals and new patient set-ups at both VHG and NWM with referrals stable across all regions

<sup>1</sup> Please refer to the Appendix for the Pro Forma Adjusted EBITDA reconciliation tables and the disclaimers on Slide 2.

<sup>2</sup> September 2018 numbers were adjusted for one-time expenses and exclude cost synergies.

# Operating Companies: DME Segment Financial Detail

## DME Inc. Financials - Period Ended 09/30/2018

|                                |           |              |
|--------------------------------|-----------|--------------|
| Total revenues                 | \$        | 4,091        |
| (Total opex)                   |           | (3,798)      |
| Operating income               |           | 293          |
| Depreciation and amortization  |           | 422          |
| Other income                   |           | 45           |
| Transaction costs & mgmt fees  |           | 560          |
| <b>Adj. EBITDA<sup>1</sup></b> | <b>\$</b> | <b>1,320</b> |
| (Capex)                        |           | (490)        |
| (Interest expense - debt)      |           | (243)        |
| <b>Free Cash Flow</b>          | <b>\$</b> | <b>587</b>   |

<sup>1</sup> Please refer to the Appendix for the Pro Forma Adjusted EBITDA reconciliation tables and the disclaimers on Slide 2.

# Operating Companies: Potential M&A

- One of the compelling investment considerations for the DME platform was the opportunity to partner with a seasoned management team who has successfully integrated seven acquisitions (prior to the GEC transaction) to consolidate a fragmented industry of approximately 6,000 medical equipment providers
- The VHG and NWM management team is currently in preliminary dialogue with *several* potential acquisition targets that generate EBITDA ranging from \$500K to \$3 million, seeking to acquire businesses at less than 5x the seller's EBITDA. The team is evaluating acquisition targets in both existing geographies and new potential markets
- Importantly, if this dialogue comes to fruition, we believe we can drive cost synergies with most, if not all, of these targets, allowing our acquisition multiple to be lower than the seller's sale multiple, as we have seen many sub-scale providers achieving lower margins than those demonstrated by VHG and NWM. We also believe we can port best practices to improve patient compliance and referrals, thus ultimately driving revenue "synergies"

# Investment Management

# 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 raise additional vehicles

## HIGHLY SCALABLE MODEL

- Investment team and platform in place to support substantial growth in AUM and investment vehicles

AUM Growth



High Adjusted  
EBITDA Margins



Highly Scalable  
Model



Significant Free  
Cash Flow

## HIGH MARGINS

- Given the largely fixed cost nature of the asset management business, we expect Adjusted EBITDA margins to increase as our AUM increases and the business scales

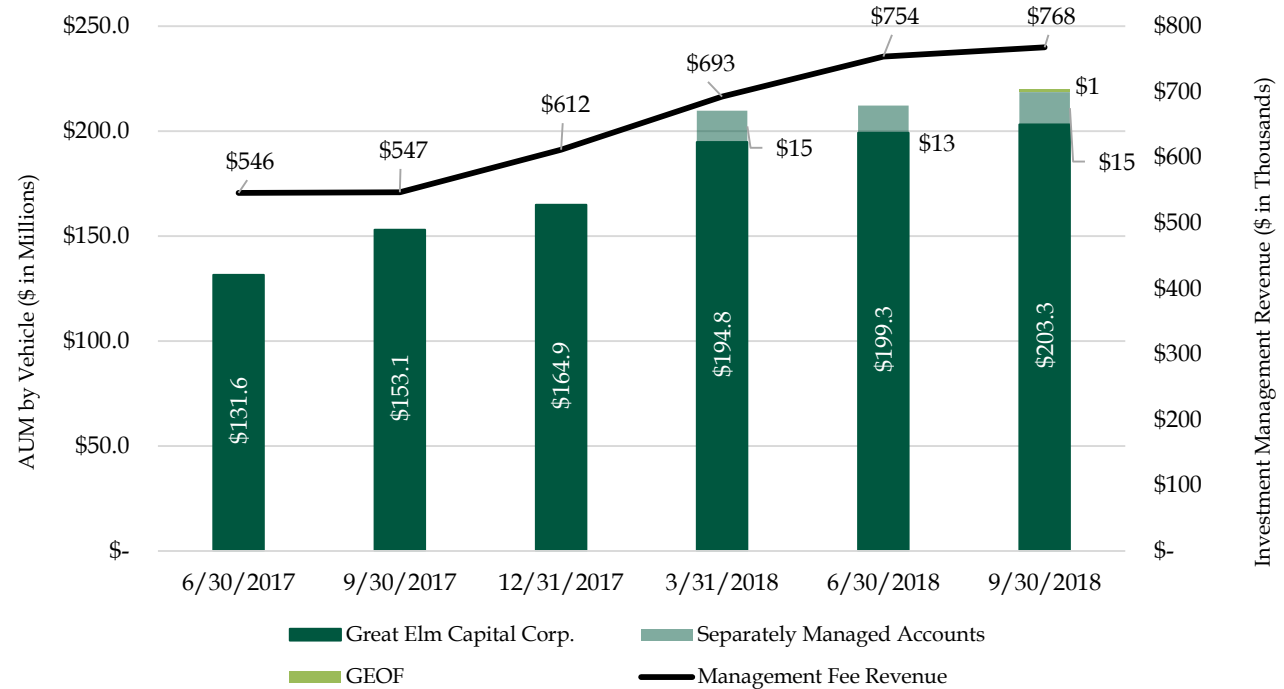
## SIGNIFICANT FREE CASH FLOW

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



# Investment Management: AUM by Vehicle (\$ in M) and Revenue Growth<sup>1</sup> (\$ in K)

- From September 2017 to September 2018, GECM grew GECC's investment portfolio by approximately 33% year-over-year and its management fee revenue from GECC by 40%
- Additionally, in July 2018, Great Elm launched the Great Elm Opportunities Fund I ("GEOF"), a fund focused on niche, small and middle market co-investment opportunities
- Lastly, we recently filed for an additional "baby bond" issuance, which, once effective, will allow us to grow our investment portfolio and thus management fees



# Investment Management: Segment Financial Detail

## Key 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 over \$800K in Q1
- We believe that we will collect Part I incentive fees from GECC in cash in FY2019, subject to satisfaction of the terms of the IMA. The annualized amount of unrecognized incentive fee income in Q1 was approximately \$2.2 million

## GECC Financials - Quarter Ended 09/30/2018

|                                    |               |
|------------------------------------|---------------|
| Total revenues                     | \$ 940        |
| (Full Circle consulting fee)       | (204)         |
| (Other opex)                       | (1,245)       |
| Operating income                   | (509)         |
| Stock based compensation           | 545           |
| Unrecognized incentive fees earned | 576           |
| <b>Adj. EBITDA<sup>1</sup></b>     | <b>\$ 612</b> |
| (Capex)                            | -             |
| (Non cash revenue)                 | (576)         |
| (Interest expense - debt)          | (44)          |
| <b>Free Cash Flow</b>              | <b>\$ (8)</b> |

<sup>1</sup> Please refer to the Appendix for the Pro Forma Adjusted EBITDA reconciliation tables and the disclaimers on Slide 2.

# Real Estate

*We view Credit Tenant Lease financings in Real Estate to high-quality tenants as an attractive business for GEC for the following reasons:*

**Limited Equity  
Capital  
Deployed**

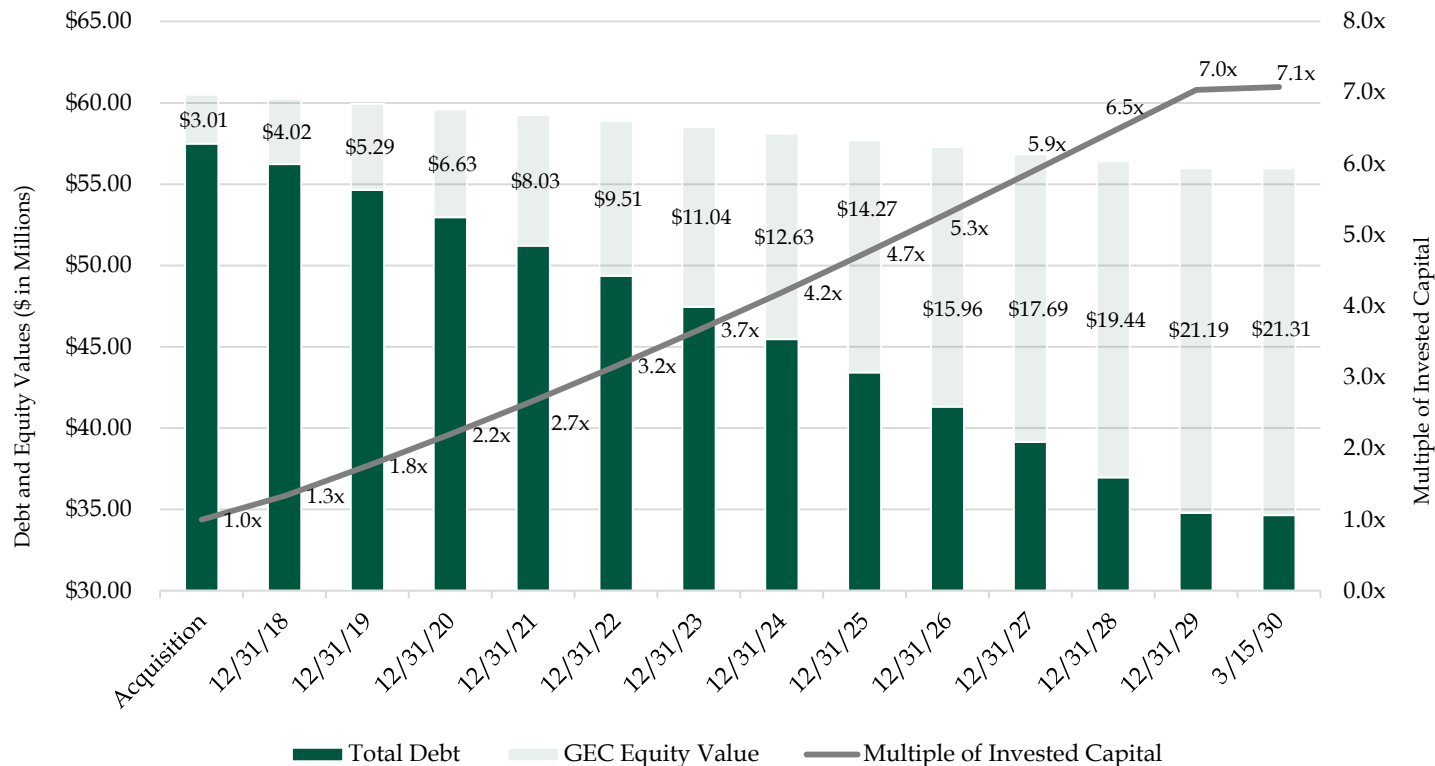
**High Level of  
Non-Recourse  
Leverage**

**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*

# 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<sup>1</sup> over time without any additional capital deployment



<sup>1</sup>Equity value is equal to the property value at acquisition minus the face value of the debt on a given date.

# Real Estate: Segment Financial Detail

| Real Estate Financials - Quarter Ended 09/30/2018 |              | EBITDA and Free Cash Flow - Quarter Ended 09/30/2018 |              |
|---|--------------|--|--------------|
| <b>Revenues:</b>                                  |              | GAAP Net Income                                      | \$ 51        |
| Rental income                                     | \$ 1,442     | <b>EBITDA:</b>                                       |              |
|   |              | GAAP net income                                      | 51           |
| <b>Operating costs and expenses:</b>              |              | Interest   | 665          |
| Insurance   | (39)         | Taxes  | -            |
| Real estate taxes                                 | (177)        | Depreciation and amortization                        | 431          |
| Sales tax on rent & management fee                | (58)         | <b>EBITDA</b>  | <b>1,147</b> |
| Management fee                                    | (18)         | <b>Adjusted EBITDA:</b>                              |              |
| Taxes and licenses                                | (2)          | EBITDA   | 1,147        |
| Other miscellaneous                               | (1)          | N/A  | -            |
| Total Operating Costs and Expenses                | (295)        | <b>Adjusted EBITDA<sup>1</sup></b>                   | <b>1,147</b> |
|   |              | <b>Free cash flow:</b>                               |              |
| Depreciation and amortization                     | (431)        | Adjusted EBITDA                                      | 1,147        |
| Interest expense                                  | (665)        | Less:  |              |
| <b>GAAP Net Income</b>                            | <b>\$ 51</b> | Interest expense paid                                | (471)        |
|   |              | Debt principal payments                              | (485)        |
|   |              | Non-cash rental income                               | (191)        |
|   |              | <b>Free Cash Flow</b>                                | <b>\$ -</b>  |

<sup>1</sup> Please refer to the Appendix for the Pro Forma Adjusted EBITDA reconciliation tables and the disclaimers on Slide 2.

# Financial Review

# Financial Review: Consolidating Balance Sheets

|  | Corporate | Investment Management | Real Estate | DME       | DME Holdco | Eliminations | Consolidated |
|--|-----------|-----------------------|-------------|-----------|------------|--------------|--------------|
| <b><u>ASSETS</u></b>                               |           |                       |             |           |            |              |              |
| Current assets:                                    |           |                       |             |           |            |              |              |
| Cash and cash equivalents                          | \$ 21,517 | \$ 305                | \$ 628      | \$ 960    | \$ -       | \$ -         | \$ 23,409    |
| Inventories  | -         | -                     | -           | 1,698     | -          | -            | 1,698        |
| Accounts receivable                                | -         | -                     | -           | 5,813     | -          | -            | 5,813        |
| Investments at fair value                          | 12,594    | -                     | -           | -         | 6,520      | -            | 19,114       |
| Other current assets                               | 721       | 941                   | 19          | 89        | -          | (18)         | 1,752        |
| Total current assets                               | 34,832    | 1,245                 | 647         | 8,560     | 6,520      | (18)         | 51,786       |
| Intercompany Receivable / Investment in Subsidiary | 41,168    | 1,799                 | -           | -         | 34,276     | (77,243)     | -            |
| Real estate assets, net                            | -         | -                     | 55,086      | -         | -          | -            | 55,086       |
| Property and equipment, net                        | -         | 39                    | -           | 9,426     | -          | -            | 9,465        |
| Identifiable intangible assets, net                | -         | 3,397                 | 5,744       | 8,565     | -          | -            | 17,706       |
| Goodwill   | -         | -                     | -           | 46,222    | -          | -            | 46,222       |
| Right of use asset, net                            | -         | 1,476                 | -           | 4,113     | -          | -            | 5,589        |
| Other assets, net                                  | 192       | 83                    | 541         | 671       | -          | -            | 1,486        |
| Total assets                                       | \$ 76,192 | \$ 8,039              | \$ 62,018   | \$ 77,557 | \$ 40,796  | \$ (77,261)  | \$ 187,341   |
| <b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b> |           |                       |             |           |            |              |              |
| Liabilities:                                       |           |                       |             |           |            |              |              |
| Accounts payable and accrued expenses              | \$ 2,549  | \$ 127                | \$ 6        | \$ 6,281  | \$ 25      | \$ (18)      | 8,971        |
| Lease liabilities                                  | -         | 1,598                 | -           | 4,195     | -          | -            | 5,793        |
| Liabilities related to discontinued operations     | 3,608     | -                     | -           | -         | -          | -            | 3,608        |
| Earn out liability at fair value                   | -         | -                     | -           | 1,253     | -          | -            | 1,253        |
| Real estate - Senior & Subordinated Notes          | -         | -                     | 57,340      | -         | -          | -            | 57,340       |
| Investment management - Mast Note                  | -         | 3,224                 | -           | -         | -          | -            | 3,224        |
| DME - Corbel Note & PMB revolver                   | -         | -                     | -           | 30,900    | -          | -            | 30,900       |
| Redeemable preferred stock of subsidiary           | -         | -                     | -           | -         | 5,266      | -            | 5,266        |
| Intercompany Payable                               | -         | 10,163                | -           | -         | 7,816      | (17,979)     | -            |
| Other liabilities                                  | 607       | 370                   | 1,162       | 26        | -          | -            | 2,164        |
| Total liabilities                                  | 6,764     | 15,482                | 58,507      | 42,655    | 13,107     | (17,996)     | 118,519      |
| Total stockholders' equity                         | 69,428    | (7,443)               | 3,511       | 34,902    | 27,689     | (59,265)     | 68,822       |
| Total liabilities and stockholders' equity         | \$ 76,192 | \$ 8,039              | \$ 62,018   | \$ 77,557 | \$ 40,796  | \$ (77,261)  | \$ 187,341   |



# Financial Review: Consolidating Income Statement

|   | Corporate  | Investment Management | Real Estate | DME      | DME Holdco | Eliminations | Consolidated |
|---|------------|-----------------------|-------------|----------|------------|--------------|--------------|
| Total revenue   | \$ -       | \$ 940                | \$ 1,442    | \$ 4,091 | \$ -       | \$ -         | \$ 6,473     |
| Operating costs and expenses:                                 |            |                       |             |          |            |              |              |
| Transaction costs expensed                                    | (1,324)    | -                     | -           | (542)    | -          | -            | (1,866)      |
| Depreciation and amortization                                 | -          | (136)                 | (431)       | (143)    | -          | -            | (710)        |
| Selling, general and administrative                           | (1,501)    | (1,449)               | (295)       | (3,113)  | -          | 18           | (6,340)      |
| Total operating costs and expenses                            | (2,826)    | (1,585)               | (726)       | (3,798)  | -          | 18           | (8,917)      |
| Operating income (loss)                                       | (2,826)    | (645)                 | 716         | 293      | -          | 18           | (2,444)      |
| Dividends and interest income                                 | 492        | -                     | -           | -        | 55         | -            | 547          |
| Unrealized gain (loss) on investment in GECC                  | 985        | -                     | -           | -        | (80)       | -            | 905          |
| Interest expense, net   | -          | (44)                  | (665)       | (243)    | (43)       | -            | (995)        |
| Other income (expense), net                                   | 18         | -                     | -           | 45       | -          | (18)         | 45           |
| Income (loss) from continuing operations, before income taxes | (1,330)    | (689)                 | 51          | 95       | (68)       | -            | (1,941)      |
| Provision for (benefit from) income taxes                     | -          | -                     | -           | -        | -          | -            | -            |
| Income / (loss) from continuing operations                    | (1,330)    | (689)                 | 51          | 95       | (68)       | -            | (1,941)      |
| Discontinued operations:                                      |            |                       |             |          |            |              |              |
| Income (loss) from discontinued operations, net of tax        | (68)       | -                     | -           | -        | -          | -            | (68)         |
| Net income (loss) from discontinued operations, net of tax    | (68)       | -                     | -           | -        | -          | -            | (68)         |
| Net income (loss) from discontinued operations, net of tax    | \$ (1,398) | \$ (689)              | \$ 51       | \$ 95    | \$ (68)    | \$ -         | \$ (2,009)   |
| Adjusted EBITDA <sup>1</sup>                                  | (1,383)    | 612                   | 1,147       | 1,320    | 55         | -            | 1,751        |
| Free Cash Flow  | (2,273)    | (8)                   | -           | 587      | 67         | -            | (1,627)      |

<sup>1</sup> Please refer to the Appendix for the Pro Forma Adjusted EBITDA reconciliation tables and the disclaimers on Slide 2.

# Financial Review: Corporate Segment Financial Detail

| Corporate Segment Financials - Quarter Ended 09/30/2018 |                   | EBITDA and Free Cash Flow - Quarter Ended 09/30/2018 |                   |
|---|-------------------|--|-------------------|
| <b>Operating costs and expenses:</b>                    |                   | GAAP Net Loss  | \$ (1,398)        |
| Public company costs                                    | \$ (1,115)        | <b>EBITDA:</b>                                       |                   |
| Transaction costs                                       | (1,324)           | GAAP net loss  | (1,398)           |
| <u>Other general and administrative</u>                 | <u>(387)</u>      | Interest   | -                 |
|   | (2,826)           | Taxes  | -                 |
| <b>Other income:</b>                                    |                   | <u>Depreciation and amortization</u>                 | <u>-</u>          |
| GECC dividends & interest                               | 492               | <b>EBITDA</b>  | <b>(1,398)</b>    |
| Unrealized gain on GECC investment                      | 985               | <b>Adjusted EBITDA:</b>                              |                   |
| <u>Other</u>  | <u>(49)</u>       | EBITDA   | (1,398)           |
| Total other income                                      | 1,428             | Stock based compensation                             | 128               |
| <b>GAAP Net Loss</b>                                    | <b>\$ (1,398)</b> | Unrealized gain - investment in GECC                 | (985)             |
|   |                   | Dividend income - investment in GECC                 | (434)             |
|   |                   | DME management fee                                   | (18)              |
|   |                   | <u>Transaction costs</u>                             | <u>1,324</u>      |
|   |                   | <b>Adjusted EBITDA<sup>1</sup></b>                   | <b>(1,383)</b>    |
|   |                   | <b>Free Cash Flow:</b>                               |                   |
|   |                   | Adjusted EBITDA                                      | (1,383)           |
|   |                   | <i>Less:</i>   |                   |
|   |                   | Transaction costs paid                               | (1,324)           |
|   |                   | <i>Add:</i>  |                   |
|   |                   | Dividends received - investment in GECC              | 434               |
|   |                   | <b>Free Cash Flow</b>                                | <b>\$ (2,273)</b> |

<sup>1</sup> Please refer to the Appendix for the Pro Forma Adjusted EBITDA reconciliation tables and the disclaimers on Slide 2.

# Summary

# Summary: Drivers of Shareholder Value

## Investment Management

- Focus on driving asset growth in GECC coupled with raising capital for SMAs / other investment vehicles. Through leveraging the existing team and infrastructure, we anticipate this growth could result in an improvement in cash flow generation

## Real Estate

- Capitalize on increased deal flow from the announcement of the Fort Myers transaction
- Seek to enhance value of existing and potential acquired properties through property enhancement 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

# Q&A

# Appendix

# Appendix: Non-GAAP Reconciliation

| <i>(Dollar amounts in thousands)</i>              | For the three months ended September 30, 2018 |                 |  |                                  |                 |
|---|---|-----------------|--|----------------------------------|-----------------|
|   | Investment Management                         | Real Estate     | Durable Medical Equipment <sup>(1)</sup> | General Corporate <sup>(2)</sup> | Total           |
| Net income (loss) - GAAP                          | \$ (689)                                      | \$ 51           | \$ 27                                    | \$ (1,398)                       | \$ (2,009)      |
| <b>EBITDA:</b>                                    |   |                 |  |                                  |                 |
| Net income (loss) - GAAP                          | \$ (689)                                      | \$ 51           | \$ 27                                    | \$ (1,398)                       | \$ (2,009)      |
| Interest  | 44  | 665             | 286                                      | -                                | 995             |
| Taxes   | -   | -               | -  | -                                | -               |
| Depreciation and amortization                     | 136   | 431             | 423                                      | -                                | 990             |
| <b>EBITDA</b>                                     | <b>\$ (509)</b>                               | <b>\$ 1,147</b> | <b>\$ 736</b>                            | <b>\$ (1,398)</b>                | <b>\$ (24)</b>  |
| <b>Adjusted EBITDA:</b>                           |   |                 |  |                                  |                 |
| EBITDA  | \$ (509)                                      | \$ 1,147        | \$ 736                                   | \$ (1,398)                       | \$ (24)         |
| Stock based compensation                          | 545   | -               | -  | 128                              | 673             |
| Dividend income from GECC                         | -   | -               | (56)                                     | (434)                            | (490)           |
| Unrealized (gain) loss on investment in GECC      | -   | -               | 80                                       | (985)                            | (905)           |
| Unrecognized incentive fees earned <sup>(3)</sup> | 576   | -               | -  | -                                | 576             |
| DME management and monitoring fees                | -   | -               | 18                                       | (18)                             | -               |
| Transaction costs                                 | -   | -               | 542                                      | 1,324                            | 1,866           |
| <b>Adjusted EBITDA</b>                            | <b>\$ 612</b>                                 | <b>\$ 1,147</b> | <b>\$ 1,320</b>                          | <b>\$ (1,383)</b>                | <b>\$ 1,696</b> |

<sup>(1)</sup> Our durable medical equipment business began in September 2018 and there was no related activity prior to that date.

<sup>(2)</sup> General Corporate net loss includes net loss attributable to discontinued operations.

<sup>(3)</sup> Unrecognized incentive fees earned include amounts earned under investment management agreements which are not recognized under US GAAP.

<sup>(4)</sup> Our real estate business began in March 2018 and there was no related activity prior to that date.

# Appendix: Non-GAAP Reconciliation

| (Dollar amounts in thousands)          | For the three months ended September 30, 2017 |                            |  |                   |                   |
|--|---|----------------------------|--|-------------------|-------------------|
|  | Investment Management                         | Real Estate <sup>(4)</sup> | Durable Medical Equipment <sup>(1)</sup> | General Corporate | Total             |
| Net loss - GAAP                        | \$ (1,626)                                    | \$ -                       | \$ -                                     | \$ (1,758)        | \$ (3,384)        |
| <b>EBITDA:</b>                         |   |                            |  |                   |                   |
| Net loss - GAAP                        | \$ (1,626)                                    | \$ -                       | \$ -                                     | \$ (1,758)        | \$ (3,384)        |
| Interest                               | 98  | -                          | -  | -                 | 98                |
| Taxes                                  | -   | -                          | -  | -                 | -                 |
| Depreciation and amortization          | 180   | -                          | -  | -                 | 180               |
| <b>EBITDA</b>                          | <b>\$ (1,348)</b>                             | <b>\$ -</b>                | <b>\$ -</b>                              | <b>\$ (1,758)</b> | <b>\$ (3,106)</b> |
| <b>Adjusted EBITDA:</b>                |   |                            |  |                   |                   |
| EBITDA                                 | \$ (1,348)                                    | \$ -                       | \$ -                                     | \$ (1,758)        | \$ (3,106)        |
| Stock based compensation               | 1,553   | -                          | -  | 204               | 1,757             |
| Dividend income from GECC              | -   | -                          | -  | (491)             | (491)             |
| Unrealized loss on investment in GECC  | -   | -                          | -  | 354               | 354               |
| Non-reimbursable MAST Capital expenses | 278   | -                          | -  | 88                | 366               |
| Re-measurement of warrant liability    | 8   | -                          | -  | -                 | 8                 |
| <b>Adjusted EBITDA</b>                 | <b>\$ 491</b>                                 | <b>\$ -</b>                | <b>\$ -</b>                              | <b>\$ (1,603)</b> | <b>\$ (1,112)</b> |

<sup>(1)</sup> Our durable medical equipment business began in September 2018 and there was no related activity prior to that date.

<sup>(2)</sup> General Corporate net loss includes net loss attributable to discontinued operations.

<sup>(3)</sup> Unrecognized incentive fees earned include amounts earned under investment management agreements which are not recognized under US GAAP.

<sup>(4)</sup> Our real estate business began in March 2018 and there was no related activity prior to that date.



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