

Third Quarter 2020 Supplemental Financial Data

October 29, 2020

Reconciliation of U.S. GAAP to Non-GAAP Measures

<i>(Unaudited, dollars in thousands)</i>	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Adj. EBITDA and Operating Adj. EBITDA Reconciliation					
Net income (loss) attributable to B. Riley Financial, Inc.	\$34,302	\$17,129	\$(98,665)	\$83,840	\$48,379
EBITDA Adjustments:					
Provision (benefit) for income taxes	14,409	7,842	(37,539)	32,208	18,711
Interest expense	12,772	15,075	15,654	16,509	16,374
Interest income	(361)	(248)	(246)	(224)	(67)
Share based payments	4,728	5,640	5,322	4,167	4,778
Depreciation and amortization	4,473	4,831	4,956	4,923	4,886
Restructuring costs	—	—	—	—	1,557
Impairment of tradenames	—	—	4,000	8,500	—
Transactions related costs and other	7	—	10,454	(1,660)	(485)
Total EBITDA Adjustments	<u>36,028</u>	<u>33,140</u>	<u>2,601</u>	<u>64,423</u>	<u>45,754</u>
Adjusted EBITDA	\$70,330	\$50,269	\$(96,064)	\$148,263	\$94,133
Operating EBITDA Adjustments:					
Trading (income) losses and fair value adjustments on loans	(40,268)	(34,733)	182,442	(114,547)	(31,753)
Other investment related expenses	5,138	858	(15,470)	13,040	4,842
Total Operating EBITDA Adjustments	<u>(35,130)</u>	<u>(33,875)</u>	<u>166,972</u>	<u>(101,507)</u>	<u>(26,911)</u>
Operating Adjusted EBITDA	\$35,200	\$16,394	\$70,908	\$46,756	\$67,222

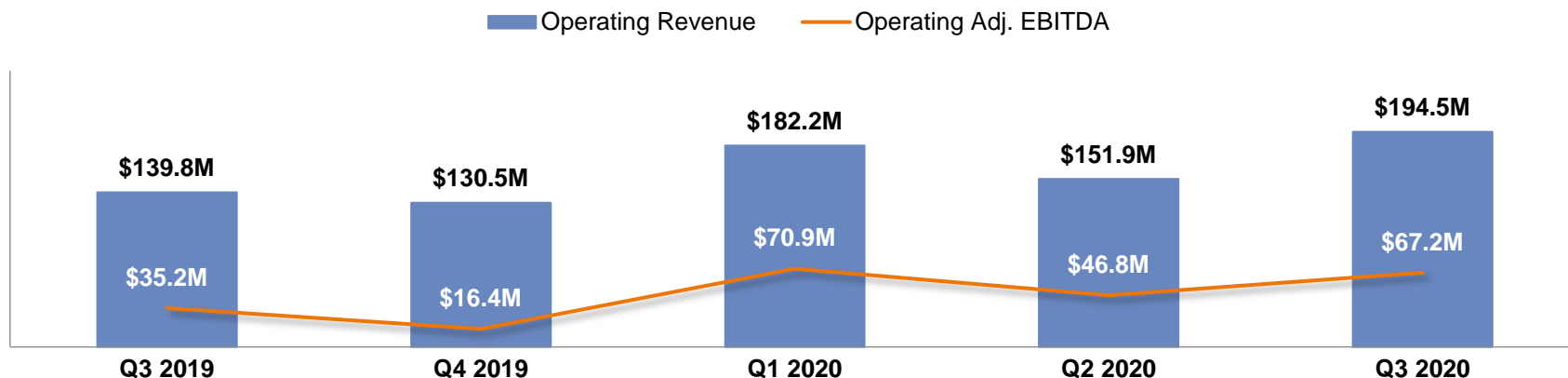
Operating Income Summary – Q3 2020 and September 2020 YTD

	Q3 2020			September 2020 YTD		
	Operating	Investment	Combined	Operating	Investment	Combined
<i>(Unaudited)</i>						
<i>(Dollars in thousands)</i>						
Revenues:						
Services and fees	\$ 144,823	-	\$ 144,823	\$ 429,799	-	\$ 429,799
Trading income (losses) and fair value adjustments on loans	-	31,753	31,753	-	(36,142)	(36,142)
Interest income – loans & securities lending	26,026	-	26,026	72,383	-	72,383
Sale of goods	23,651	-	23,651	26,475	-	26,475
Total revenues	\$ 194,500	\$ 31,753	\$ 226,253	\$ 528,657	\$ (36,142)	\$ 492,515
Operating expenses:						
Direct cost of services	\$ 23,264	-	\$ 23,264	\$ 51,201	-	\$ 51,201
Cost of goods sold	9,813	-	9,813	11,442	-	11,442
Selling, general and administrative expenses	92,301	4,842 ⁽¹⁾	97,143	289,037	2,412 ⁽¹⁾	291,449
Restructuring charges	1,557	-	1,557	1,557	-	1,557
Impairment of tradenames	-	-	-	12,500	-	12,500
Interest expense – securities lending & loan participation sold	10,975	-	10,975	30,669	-	30,669
Total operating expenses	\$ 137,910	\$ 4,842	\$ 142,752	\$ 396,406	\$ 2,412	\$ 398,818
Operating income (loss)	\$ 56,590	\$ 26,911	\$ 83,501	\$ 132,251	\$ (38,554)	\$ 93,697

1. Other investment related expenses.

Quarterly Operating Revenue and Operating Adjusted EBITDA

Operating Revenue and Operating Adjusted EBITDA ⁽¹⁾⁽³⁾⁽⁵⁾⁽⁶⁾



Quarterly Revenue and Adjusted EBITDA

(Dollars in thousands)

Operating Revenue ⁽¹⁾

Investment Gains (Loss) ⁽²⁾

Total Revenue

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Operating Revenue ⁽¹⁾	\$139,795	\$130,504	\$182,236	\$151,921	\$194,500
Investment Gains (Loss) ⁽²⁾	40,268	34,733	(182,442)	114,547	31,753
Total Revenue	\$180,063	\$165,237	\$(206)	\$266,468	\$226,253

Operating Adjusted EBITDA ⁽³⁾

Investment Adjusted EBITDA ⁽⁴⁾

Adjusted EBITDA ⁽⁵⁾⁽⁶⁾

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Operating Adjusted EBITDA ⁽³⁾	\$35,200	\$16,394	\$70,908	\$46,756	\$67,222
Investment Adjusted EBITDA ⁽⁴⁾	35,130	33,875	(166,972)	101,507	26,911
Adjusted EBITDA ⁽⁵⁾⁽⁶⁾	\$70,330	\$50,269	\$(96,064)	\$148,263	\$94,133

1. Operating Revenue is defined as the sum of revenues from (i) Service and Fees, (ii) Interest Income - Loans and Securities Lending and (iii) Sales of Goods.

2. Investment Gains (Loss) is defined as Trading Income (Losses) and Fair Value Adjustments on Loans.

3. Operating Adjusted EBITDA is defined as Adjusted EBITDA excluding (i) Trading Income (Losses) and Fair Value Adjustments on Loans and (ii) other investment related expenses.

4. Investment Adjusted EBITDA is defined as Trading Income (Losses) and Fair Value Adjustments on Loans, less other investment related expenses.

5. Adjusted EBITDA includes earnings before interest, taxes, depreciation, amortization, restructuring costs, share-based payments, impairment of tradenames, and transaction related and other costs.

6. For a reconciliation to GAAP financial measures, please see slide 2.

Cash and Investments Summary

(Dollars in thousands)

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Cash and Cash Equivalents	\$170,587	\$104,268	\$124,231	\$ 106,253	\$ 169,676
Restricted Cash	471	471	471	471	1,410
Due from Clearing Brokers, net	27,791	23,818	5,753	29,089	19,589
Advances Against Customer Contracts	-	27,347	11,121	1,413	900
Securities and Other Investments Owned					
Equity Securities	244,556	353,162	234,867	341,515	392,674
Corporate bonds	21,580	19,020	18,429	5,375	5,956
Other fixed income securities	4,816	8,414	5,243	2,768	3,557
Partnership interests and other	20,153	27,617	29,247	49,386	57,293
Securities Sold Not Yet Purchased	(29,092)	(41,820)	(14,298)	(9,804)	(48,125)
Loans Receivable, net of Loan Participation Sold	302,537	256,708	313,894	311,408	330,420
Other equity investments and deposits ⁽¹⁾	81,194	54,855	48,765	61,588	58,389
Total Cash, Net Securities, and Other	<u>\$844,593</u>	<u>\$833,860</u>	<u>\$777,723</u>	<u>\$899,462</u>	<u>\$991,739</u>

Debt Summary

(Dollars in thousands)

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Term Loan	\$71,393	\$66,666	\$61,932	\$ 57,195	\$ 52,452
Notes Payable	1,193	38,167	714	714	714
Senior Notes Payable	701,278	688,112	853,523	854,037	854,926
Total Debt	<u>773,864</u>	<u>792,945</u>	<u>916,169</u>	<u>911,946</u>	<u>908,092</u>
Total Cash and Investments, Net of Debt	<u>\$70,729</u>	<u>\$40,915</u>	<u>\$(138,446)</u>	<u>\$(12,484)</u>	<u>\$83,647</u>

1. Other equity investments and investment related deposits reported in prepaid and other assets.

Condensed Consolidated Balance Sheets

<i>(Dollars in thousands)</i>	September 30, 2020 (Unaudited)	December 31, 2019
Cash and cash equivalents	\$169,676	\$104,268
Restricted cash	1,410	471
Due from clearing brokers	19,589	23,818
Securities and other investments owned, at fair value	459,480	408,213
Securities borrowed	676,423	814,331
Accounts receivable, net	45,654	46,624
Due from related parties	3,766	5,832
Advances against customer contracts	900	27,347
Loans receivable, at fair value	344,339	43,338
Loans receivable, at cost	—	225,848
Prepaid expenses and other assets	87,560	81,808
Operating lease right-of-use assets	43,514	47,809
Property and equipment, net	11,986	12,727
Goodwill	227,046	223,697
Other intangible assets, net	194,516	220,525
Deferred income taxes	14,223	31,522
Total assets	\$2,300,082	\$2,318,178
Accounts payable	\$4,226	\$4,477
Accrued expenses and other liabilities	127,036	130,714
Deferred revenue	70,565	67,121
Due to related parties and partners	777	1,750
Securities sold not yet purchased	48,125	41,820
Securities loaned	667,109	810,495
Mandatorily redeemable noncontrolling interests	4,462	4,616
Operating lease liabilities	55,790	61,511
Notes payable	714	38,167
Loan participations sold	13,919	12,478
Term loan	52,452	66,666
Senior notes payable	854,926	688,112
Total liabilities	\$1,900,101	\$1,927,927
Total B. Riley Financial, Inc. stockholders' equity	373,859	360,660
Noncontrolling interests	26,122	29,591
Total equity	399,981	390,251
Total liabilities and equity	\$2,300,082	\$2,318,178

Condensed Consolidated Statements of Income

(Unaudited)
(Dollars in thousands)

	Three Months Ended September 30,	
	2020	2019
Revenues:		
Services and fees	\$144,823	\$113,111
Trading income and fair value adjustments on loans	31,753	40,268
Interest income - Loans and securities lending	26,026	25,766
Sale of goods	23,651	918
Total revenues	226,253	180,063
Operating expenses:		
Direct cost of services	23,264	7,936
Cost of goods sold	9,813	911
Selling, general and administrative expenses	97,143	101,092
Restructuring charge	1,557	—
Impairment of tradenames	—	—
Interest expense - Securities lending and loan participations sold	10,975	10,273
Total operating expenses	142,752	120,212
Operating income	83,501	59,851
Other income (expense):		
Interest income	67	361
Income from equity investments	409	1,113
Interest expense	(16,374)	(12,722)
Income before income taxes	67,603	48,553
Provision for income taxes	(18,711)	(14,409)
Net income	48,892	34,144
Net income (loss) attributable to noncontrolling interests	513	(158)
Net income attributable to B. Riley Financial, Inc.	\$48,379	\$34,302
Preferred stock dividends	1,088	—
Net income available to common shareholders	\$47,291	\$34,302
Basic income per common share	\$1.86	\$1.29
Diluted income per common share	\$1.75	\$1.21
Weighted average basic common shares outstanding	25,446,292	26,556,223
Weighted average diluted common shares outstanding	27,050,448	28,233,423

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in thousands)

Cash flows from operating activities:

	Nine Months Ended September 30,	
	2020	2019
Net income	\$32,172	\$64,432
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,765	14,217
Provision for doubtful accounts	2,438	1,646
Share-based compensation	14,267	10,276
Fair value adjustments, non-cash	21,755	(13,343)
Non-cash interest and other	(12,901)	(14,941)
Effect of foreign currency on operations	(602)	8
Loss from equity investments	145	4,049
Deferred income taxes	17,312	6,358
Impairment of intangibles and loss on disposal of fixed assets	14,057	(327)
Gain on extinguishment of debt	(1,556)	—
Income allocated for mandatorily redeemable noncontrolling interests	779	857
Change in operating assets and liabilities	(15,734)	(27,009)
Net cash provided by operating activities	<u>86,897</u>	<u>46,223</u>
Cash flows from investing activities:		
Purchases of loans receivable	(169,100)	(350,695)
Repayments of loans receivable	75,982	98,742
Sale of loan receivable to related party	1,800	—
Proceeds from loan participations sold net of repayment of loan participations sold	1,269	28,631
Purchases of property, equipment and other	(1,517)	(2,885)
Proceeds from sale of property, equipment and intangible assets	1	504
Purchase of equity investments	(6,486)	(33,391)
Proceeds from sale of division of magicJack	—	6,196
Dividends and distributions from equity investments	1,005	1,454
Acquisition of other businesses	(1,500)	—
Net cash used in investing activities	<u>(98,546)</u>	<u>(251,444)</u>
Cash flows from financing activities:		
Net cash provided by financing activities	<u>77,589</u>	<u>196,184</u>
Effect of foreign currency on cash, cash equivalents and restricted cash	407	(183)
Net increase (decrease) in cash, cash equivalents and restricted cash	66,347	(9,220)
Cash, cash equivalents and restricted cash, beginning of period	<u>104,739</u>	<u>180,278</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$171,086</u>	<u>\$171,058</u>

Segment Financial Information

(Unaudited)
(Dollars in thousands)

	Three Months Ended September 30,	
	2020	2019
Capital Markets segment:		
Revenues - Services and fees	\$89,032	\$68,062
Trading income and fair value adjustments on loans	31,753	40,268
Interest income - Loans and securities lending	26,026	25,766
Total revenues	146,811	134,096
Selling, general and administrative expenses	(68,442)	(70,140)
Restructuring charge	(1,417)	—
Interest expense - Securities lending and loan participations sold	(10,975)	(10,273)
Depreciation and amortization	(1,166)	(1,281)
Segment income	64,811	52,402
Auction and Liquidation segment:		
Revenues - Services and fees	21,473	11,232
Revenues - Sale of goods	22,712	54
Total revenues	44,185	11,286
Direct cost of services	(18,373)	(2,371)
Cost of goods sold	(9,046)	(126)
Selling, general and administrative expenses	(4,625)	(2,835)
Restructuring charge	(140)	—
Depreciation and amortization	(1)	(1)
Segment income	12,000	5,953
Valuation and Appraisal segment:		
Revenues - Services and fees	9,655	10,818
Selling, general and administrative expenses	(6,632)	(7,331)
Depreciation and amortization	(51)	(36)
Segment income	2,972	3,451

	Three Months Ended September 30,	
	2020	2019
Principal Investments –		
United Online and magicJack segment:		
Revenues - Services and fees	20,663	22,999
Revenues - Sale of goods	939	864
Total revenues	21,602	23,863
Direct cost of services	(4,891)	(5,565)
Cost of goods sold	(767)	(785)
Selling, general and administrative expenses	(4,840)	(5,895)
Depreciation and amortization	(2,736)	(2,956)
Restructuring charge	—	—
Segment income	8,368	8,662
Brands segment:		
Revenues - Services and fees	4,000	—
Selling, general and administrative expenses	(994)	—
Depreciation and amortization	(714)	—
Segment income	2,292	—
Consolidated operating income from reportable segments	\$90,443	\$70,468

Definition of US GAAP to Non-GAAP Financial Measures

Certain of the information set forth herein, including operating revenue, adjusted EBITDA, operating adjusted EBITDA, and investment adjusted EBITDA may be considered non-GAAP financial measures. B. Riley Financial believes this information is useful to investors because it provides a basis for measuring the Company's available capital resources, the operating performance of its business and its revenues and cash flow, (i) excluding in the case of operating revenues, trading income (losses) and fair value adjustments on loans, (ii) excluding in the case of adjusted EBITDA, net interest expense, provisions for or benefit from income taxes, depreciation, amortization, fair value adjustment, restructuring costs, impairment of trade names, stock-based compensation and transaction and other expenses, (iii) excluding in the case of operating adjusted EBITDA, aforementioned adjustments for adjusted EBITDA, trading income (losses) and fair value adjustments on loans, and other investment related expenses, and (iv) in the case of investment adjusted EBITDA this includes trading income (losses) and fair value adjustments on loans, net of other investment related expenses, that would normally be included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP"). In addition, the Company's management uses these non-GAAP financial measures along with the most directly comparable GAAP financial measures in evaluating the Company's operating performance, capital resources and cash flow. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-financial measures as reported by the Company may not be comparable to similarly titled amounts reported by other companies.