



Fourth Quarter 2020 Supplemental Financial Data

February 25, 2021

NASDAQ: RILY

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

<i>(Unaudited, dollars in thousands)</i>	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Adj. EBITDA and Operating Adj. EBITDA Reconciliation					
Net income (loss) attributable to B. Riley Financial, Inc.	\$17,129	\$(98,665)	\$83,840	\$48,379	\$171,594
EBITDA Adjustments:					
Provision (benefit) for income taxes	7,842	(37,539)	32,208	18,711	62,060
Interest expense	15,075	15,654	16,509	16,374	16,712
Interest income	(248)	(246)	(224)	(67)	(27)
Share based payments	5,640	5,322	4,167	4,778	4,321
Depreciation and amortization	4,831	4,956	4,923	4,886	4,604
Restructuring costs	—	—	—	1,557	—
Impairment of tradenames	—	4,000	8,500	—	—
Transactions related costs and other	—	10,454	(1,660)	(485)	1,222
Total EBITDA Adjustments	<u>33,140</u>	<u>2,601</u>	<u>64,423</u>	<u>45,754</u>	<u>88,892</u>
Adjusted EBITDA	\$50,269	\$(96,064)	\$148,263	\$94,133	\$260,486
Operating EBITDA Adjustments:					
Trading (income) losses and fair value adjustments on loans	(34,733)	182,442	(114,547)	(31,753)	(140,160)
Other investment related expenses	858	(15,470)	13,040	4,842	6,461
Total Operating EBITDA Adjustments	<u>(33,875)</u>	<u>166,972</u>	<u>(101,507)</u>	<u>(26,911)</u>	<u>(133,699)</u>
Operating Adjusted EBITDA	\$16,394	\$70,908	\$46,756	\$67,222	\$126,787

Operating Income Summary

(Unaudited, dollars in thousands)

Revenues:

	Three Months Ended December 31, 2020			Year Ended December 31, 2020		
	Operating	Investment	Combined	Operating	Investment	Combined
Services and fees	\$ 237,270	-	\$ 237,270	\$ 667,069	-	\$ 667,069
Trading income and fair value adjustments on loans	-	140,160	140,160	-	104,018	104,018
Interest income – loans & securities lending	30,116	-	30,116	102,499	-	102,499
Sale of goods	2,660	-	2,660	29,135	-	29,135
Total revenues	\$ 270,046	\$ 140,160	\$ 410,206	\$ 798,703	\$ 104,018	\$ 902,721

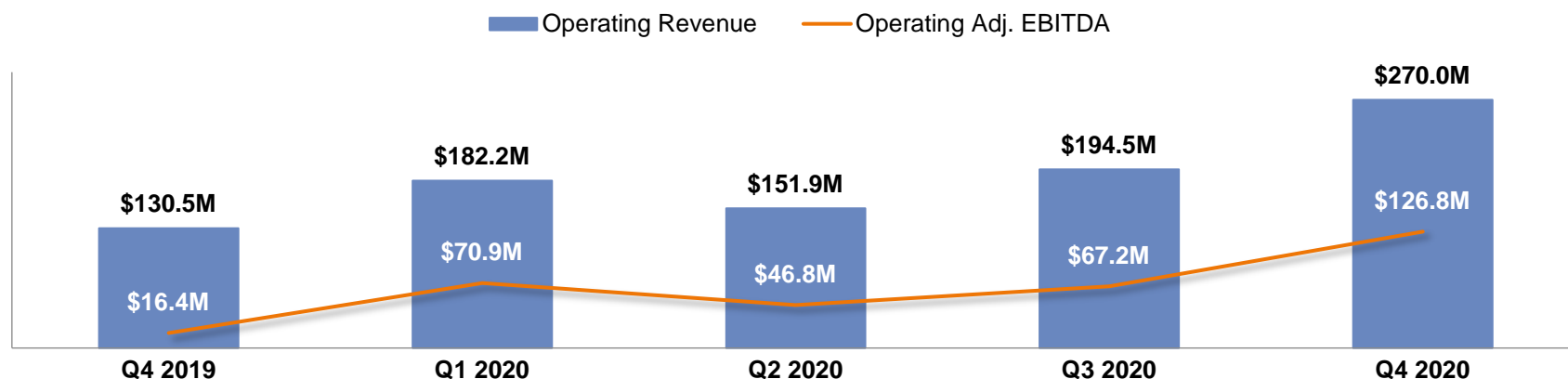
Operating expenses:

Direct cost of services	\$ 9,250	-	\$ 9,250	\$ 60,451	-	\$ 60,451
Cost of goods sold	1,018	-	1,018	12,460	-	12,460
Selling, general and administrative expenses	130,627	6,461 ⁽¹⁾	137,088	419,664	8,873 ⁽¹⁾	428,537
Restructuring charges	-	-	-	1,557	-	1,557
Impairment of tradenames	-	-	-	12,500	-	12,500
Interest expense – securities lending & loan participation sold	11,782	-	11,782	42,451	-	42,451
Total operating expenses	\$ 152,677	\$ 6,461	\$ 159,138	\$ 549,083	\$ 8,873	\$ 557,956
Operating income	\$ 117,369	\$ 133,699	\$ 251,068	\$ 249,620	\$ 95,145	\$ 344,765

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

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Operating Revenue ⁽¹⁾	\$130,504	\$182,236	\$151,921	\$194,500	\$270,046
Investment Gains (Loss) ⁽²⁾	34,733	(182,442)	114,547	31,753	140,160
Total Revenue	\$165,237	\$(206)	\$266,468	\$226,253	\$410,206

Operating Adjusted EBITDA ⁽³⁾

Investment Adjusted EBITDA ⁽⁴⁾

Adjusted EBITDA ⁽⁵⁾⁽⁶⁾

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Operating Adjusted EBITDA ⁽³⁾	\$16,394	\$70,908	\$46,756	\$67,222	\$126,787
Investment Adjusted EBITDA ⁽⁴⁾	33,875	(166,972)	101,507	26,911	133,699
Adjusted EBITDA ⁽⁵⁾⁽⁶⁾	\$50,269	\$(96,064)	\$148,263	\$94,133	\$260,486

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

<i>(Dollars in thousands)</i>	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Cash and Cash Equivalents	\$104,268	\$124,231	\$ 106,253	\$ 169,676	\$ 103,602
Restricted Cash	471	471	471	1,410	1,235
Due from Clearing Brokers, net	23,818	5,753	29,089	19,589	(6,583)
Advances Against Customer Contracts	27,347	11,121	1,413	900	200
Securities and Other Investments Owned					
Equity Securities	353,162	234,867	341,515	392,674	697,288
Corporate Bonds	19,020	18,429	5,375	5,956	3,195
Other Fixed Income Securities	8,414	5,243	2,768	3,557	1,913
Partnership Interests and Other	27,617	29,247	49,386	57,293	74,923
Securities Sold Not Yet Purchased	(41,820)	(14,298)	(9,804)	(48,125)	(10,105)
Loans Receivable, net of Loan Participation Sold	256,708	313,894	311,408	330,420	373,373
Other Equity Investments and Deposits ⁽¹⁾	54,855	48,765	61,588	58,389	59,612
Total Cash, Net Securities, and Other	<u>\$833,860</u>	<u>\$777,723</u>	<u>\$899,462</u>	<u>\$991,739</u>	<u>\$1,298,653</u>

Debt Summary

<i>(Dollars in thousands)</i>	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Term Loan	\$66,666	\$61,932	\$ 57,195	\$ 52,452	\$ 74,213
Notes Payable	38,167	714	714	714	37,967
Senior Notes Payable, net	688,112	853,523	854,037	854,926	870,783
Total Debt	<u>792,945</u>	<u>916,169</u>	<u>911,946</u>	<u>908,092</u>	<u>982,963</u>
Total Cash and Investments, Net of Debt	<u>\$40,915</u>	<u>\$(138,446)</u>	<u>\$(12,484)</u>	<u>\$83,647</u>	<u>\$315,690</u>

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

Condensed Consolidated Balance Sheets

<i>(Dollars in thousands)</i>	December 31, 2020 (Unaudited)	December 31, 2019
Cash and cash equivalents	\$103,602	\$104,268
Restricted cash	1,235	471
Due from clearing brokers	7,089	23,818
Securities and other investments owned, at fair value	777,319	408,213
Securities borrowed	765,457	814,331
Accounts receivable, net	46,518	46,624
Due from related parties	986	5,832
Advances against customer contracts	200	27,347
Loans receivable, at fair value	390,689	43,338
Loans receivable, at cost	—	225,848
Prepaid expenses and other assets	87,262	81,808
Operating lease right-of-use assets	48,799	47,809
Property and equipment, net	11,685	12,727
Goodwill	227,046	223,697
Other intangible assets, net	190,745	220,525
Deferred tax assets, net	4,098	31,522
Total assets	<u>\$2,662,730</u>	<u>\$2,318,178</u>
Accounts payable	\$2,722	\$4,477
Accrued expenses and other liabilities	168,478	130,714
Deferred revenue	68,651	67,121
Deferred tax liabilities, net	34,248	—
Due to related parties and partners	327	1,750
Due to clearing brokers	13,672	—
Securities sold not yet purchased	10,105	41,820
Securities loaned	759,810	810,495
Mandatorily redeemable noncontrolling interests	4,700	4,616
Operating lease liabilities	60,778	61,511
Notes payable	37,967	38,167
Loan participations sold	17,316	12,478
Term loan	74,213	66,666
Senior notes payable, net	870,783	688,112
Total liabilities	<u>\$2,123,770</u>	<u>\$1,927,927</u>
Total B. Riley Financial, Inc. stockholders' equity	512,586	360,660
Noncontrolling interests	26,374	29,591
Total equity	<u>538,960</u>	<u>390,251</u>
Total liabilities and equity	<u>\$2,662,730</u>	<u>\$2,318,178</u>

Condensed Consolidated Statements of Income

(Dollars in thousands, except share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019
Revenues:				
Services and fees	\$237,270	\$103,518	\$667,069	\$460,493
Trading income and fair value adjustments on loans	140,160	34,733	104,018	106,463
Interest income - Loans and securities lending	30,116	23,074	102,499	77,221
Sale of goods	2,660	3,912	29,135	7,935
Total revenues	410,206	165,237	902,721	652,112
Operating expenses:				
Direct cost of services	9,250	17,109	60,451	58,824
Cost of goods sold	1,018	3,740	12,460	7,575
Selling, general and administrative expenses	137,088	97,256	428,537	385,219
Restructuring charge	—	—	1,557	1,699
Impairment of tradenames	—	—	12,500	—
Interest expense - Securities lending and loan participations sold	11,782	9,565	42,451	32,144
Total operating expenses	159,138	127,670	557,956	485,461
Operating income	251,068	37,567	344,765	166,651
Other income (expense):				
Interest income	27	248	564	1,577
(Loss) income from equity investments	(478)	2,618	(623)	(1,431)
Interest expense	(16,712)	(15,075)	(65,249)	(50,205)
Income before income taxes	233,905	25,358	279,457	116,592
Provision for income taxes	(62,060)	(7,842)	(75,440)	(34,644)
Net income	171,845	17,516	204,017	81,948
Net income (loss) attributable to noncontrolling interests	251	387	(1,131)	337
Net income attributable to B. Riley Financial, Inc.	\$171,594	\$17,129	\$205,148	\$81,611
Preferred stock dividends	1,480	264	4,710	264
Net income available to common shareholders	\$170,114	\$16,865	\$200,438	\$81,347
Basic income per common share	\$6.72	\$0.64	\$7.83	\$3.08
Diluted income per common share	\$6.55	\$0.59	\$7.56	\$2.95
Weighted average basic common shares outstanding	25,331,918	26,547,023	25,607,278	26,401,036
Weighted average diluted common shares outstanding	25,966,501	28,412,871	26,508,397	27,529,157

Condensed Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31,	
	2020	2019
	<i>(Unaudited)</i>	
Cash flows from operating activities:		
Net income	\$204,017	\$81,948
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,369	19,048
Provision for doubtful accounts	3,385	2,126
Share-based compensation	18,588	15,916
Fair value adjustments, non-cash	21,954	12,258
Non-cash interest and other	(16,810)	(12,267)
Effect of foreign currency on operations	(460)	(78)
Loss from equity investments	623	1,431
Dividends from equity investments	1,343	3,194
Deferred income taxes	61,619	10,874
Impairment of leaseholds and intangibles, lease loss accrual and gain on disposal of fixed assets	14,107	(286)
Gain on extinguishment of debt	(1,556)	—
Income allocated and fair value adjustment for mandatorily redeemable noncontrolling interests	1,230	1,220
Change in operating assets and liabilities	(269,720)	(162,582)
Net cash provided by (used in) operating activities	57,689	(27,198)
Cash flows from investing activities:		
Net cash used in investing activities	(128,446)	(298,590)
Cash flows from financing activities:		
Net cash provided by financing activities	69,544	250,176
Effect of foreign currency on cash, cash equivalents and restricted cash	1,311	73
Net increase (decrease) in cash, cash equivalents and restricted cash	98	(75,539)
Cash, cash equivalents and restricted cash, beginning of year	104,739	180,278
Cash, cash equivalents and restricted cash, end of year	\$104,837	\$104,739

Segment Financial Information

(Unaudited, dollars in thousands)

	Three Months Ended December 31,	
	2020	2019
Capital Markets segment:		
Revenues - Services and fees	\$170,949	\$103,975
Trading income and fair value adjustments on loans	140,160	34,733
Interest income - Loans and securities lending	30,116	23,074
Total revenues	341,225	161,782
Selling, general and administrative expenses	(92,260)	(64,501)
Interest expense - Securities lending and loan participations sold	(11,782)	(9,565)
Depreciation and amortization	(981)	(1,100)
Segment income	236,202	86,616
Auction and Liquidation segment:		
Revenues - Services and fees	13,761	(47,385)
Revenues - Sale of goods	1,906	2,990
Total revenues	15,667	(44,395)
Direct cost of services	(4,324)	(11,712)
Cost of goods sold	(406)	(3,024)
Selling, general and administrative expenses	(3,477)	(1,685)
Depreciation and amortization	—	(2)
Segment income (loss)	7,460	(60,818)
Financial Consulting segment:		
Revenues - Services and fees	26,480	20,109
Selling, general and administrative expenses	(19,476)	(15,379)
Depreciation and amortization	(131)	(66)
Segment income	6,873	4,664

	Three Months Ended December 31,	
	2020	2019
Principal Investments –		
United Online and magicJack segment:		
Revenues - Services and fees	20,629	22,764
Revenues - Sale of goods	754	922
Total revenues	21,383	23,686
Direct cost of services	(4,926)	(5,398)
Cost of goods sold	(612)	(716)
Selling, general and administrative expenses	(6,000)	(5,846)
Depreciation and amortization	(2,545)	(2,939)
Segment income	7,300	8,787
Brands segment:		
Revenues - Services and fees	5,451	4,055
Selling, general and administrative expenses	(682)	(881)
Depreciation and amortization	(715)	(507)
Segment income	4,054	2,667
Consolidated operating income from reportable segments	\$261,889	\$41,916

Segment Financial Information

(Unaudited, dollars in thousands)

	Year Ended December 31,	
	2020	2019
Capital Markets segment:		
Revenues - Services and fees	\$412,222	\$264,703
Trading income and fair value adjustments on loans	104,018	106,463
Interest income - Loans and securities lending	102,499	77,221
Total revenues	618,739	448,387
Selling, general and administrative expenses	(267,330)	(239,716)
Restructuring (charge) recovery	(917)	4
Interest expense - Securities lending and loan participations sold	(42,451)	(32,144)
Depreciation and amortization	(4,266)	(4,858)
Segment income	303,775	171,673
Auction and Liquidation segment:		
Revenues - Services and fees	63,101	18,296
Revenues - Sale of goods	25,663	4,220
Total revenues	88,764	22,516
Direct cost of services	(40,730)	(33,295)
Cost of goods sold	(9,766)	(4,016)
Selling, general and administrative expenses	(12,357)	(10,731)
Restructuring charge	(140)	—
Depreciation and amortization	(2)	(7)
Segment income (loss)	25,769	(25,533)
Financial Consulting segment:		
Revenues - Services and fees	91,622	76,292
Selling, general and administrative expenses	(68,232)	(58,226)
Restructuring charge	(500)	—
Depreciation and amortization	(347)	(252)
Segment income	22,543	17,814

	Year Ended December 31,	
	2020	2019
Principal Investments –		
United Online and magicJack segment:		
Revenues - Services and fees	83,666	97,147
Revenues - Sale of goods	3,472	3,715
Total revenues	87,138	100,862
Direct cost of services	(19,721)	(25,529)
Cost of goods sold	(2,694)	(3,559)
Selling, general and administrative expenses	(20,352)	(24,256)
Restructuring charge	—	(1,703)
Depreciation and amortization	(11,011)	(12,658)
Segment income	33,360	33,157
Brands segment:		
Revenues - Services and fees	16,458	4,055
Selling, general and administrative expenses	(2,889)	(881)
Impairment of Tradenames	(12,500)	—
Depreciation and amortization	(2,858)	(507)
Segment (loss) income	(1,789)	2,667
Consolidated operating income from reportable segments	\$383,658	\$199,778

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.