



Second Quarter 2021 Supplemental Financial Data

July 29, 2021

NASDAQ: RILY

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

(Unaudited, dollars in thousands)

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Adj. EBITDA and Operating Adj. EBITDA Reconciliation					
Net income attributable to B. Riley Financial, Inc.	\$83,840	\$48,379	\$171,594	\$254,656	\$75,676
EBITDA Adjustments:					
Provision for income taxes	32,208	18,711	62,060	97,518	19,902
Interest expense	16,509	16,374	16,712	19,786	20,856
Interest income	(224)	(67)	(27)	(49)	(56)
Share based payments	4,168	4,778	4,321	5,526	8,608
Depreciation and amortization	4,923	4,886	4,604	6,759	6,165
Restructuring costs	—	1,557	—	—	—
Gain on extinguishment of loans	—	—	—	—	(6,509)
Impairment of tradenames	8,500	—	—	—	—
Transactions related costs and other	(1,660)	(485)	1,222	1,285	245
Total EBITDA Adjustments	<u>64,424</u>	<u>45,754</u>	<u>88,892</u>	<u>130,825</u>	<u>49,211</u>
Adjusted EBITDA	\$148,264	\$94,133	\$260,486	\$385,481	\$124,887
Operating EBITDA Adjustments:					
Trading income and fair value adjustments on loans	(114,547)	(31,753)	(140,160)	(266,942)	(32,679)
Other investment related expenses	13,040	4,842	6,461	4,178	(84)
Total Operating EBITDA Adjustments	<u>(101,507)</u>	<u>(26,911)</u>	<u>(133,699)</u>	<u>(262,764)</u>	<u>(32,763)</u>
Operating Adjusted EBITDA	\$46,757	\$67,222	\$126,787	\$122,717	\$92,124

Operating Income Summary

(Unaudited, dollars in thousands)

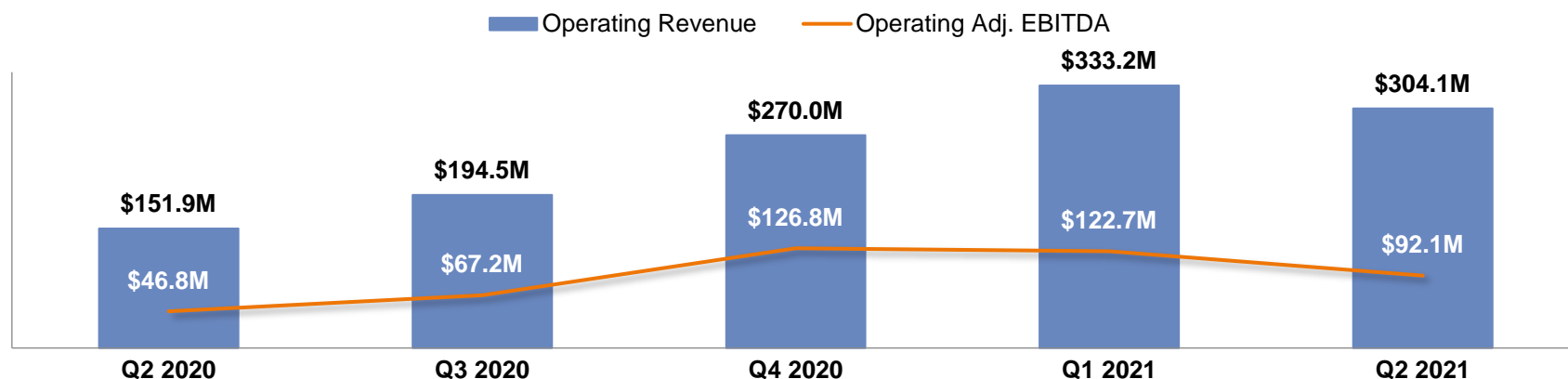
Revenues:

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Operating	Investment	Combined	Operating	Investment	Combined
Services and fees	\$ 266,143	-	\$ 266,143	\$ 125,595	-	\$ 125,595
Trading income and fair value adjustments on loans	-	32,679	32,679	-	114,547	114,547
Interest income – loans & securities lending	25,491	-	25,491	24,506	-	24,506
Sale of goods	12,457	-	12,457	1,820	-	1,820
Total revenues	\$304,091	\$ 32,679	\$ 336,770	\$ 151,921	\$ 114,547	\$ 266,468
Operating expenses:						
Direct cost of services	\$ 12,094	-	\$ 12,094	\$ 7,985	-	\$ 7,985
Cost of goods sold	3,626	-	3,626	860	-	860
Selling, general and administrative expenses	200,006	(84) ⁽¹⁾	199,922	93,522	13,040 ⁽¹⁾	106,562
Impairment of tradenames	-	-	-	8,500	-	8,500
Interest expense – securities lending & loan participations sold	10,983	-	10,983	11,221	-	11,221
Total operating expenses	\$ 226,709	\$ (84)	\$ 226,625	\$ 122,088	\$ 13,040	\$ 135,128
Operating income	\$ 77,382	\$ 32,763	\$ 110,145	\$ 29,833	\$ 101,507	\$ 131,340

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 ⁽²⁾

Total Revenue

Operating Adjusted EBITDA ⁽³⁾

Investment Adjusted EBITDA ⁽⁴⁾

Adjusted EBITDA ⁽⁵⁾⁽⁶⁾

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Operating Revenue ⁽¹⁾	\$ 151,921	\$ 194,500	\$ 270,046	\$ 333,217	\$ 304,091
Investment Gains ⁽²⁾	114,547	31,753	140,160	266,942	32,679
Total Revenue	\$ 266,468	\$ 226,253	\$ 410,206	\$ 600,159	\$ 336,770
Operating Adjusted EBITDA ⁽³⁾	\$46,757	\$67,222	\$126,787	\$122,717	\$92,124
Investment Adjusted EBITDA ⁽⁴⁾	101,507	26,911	133,699	262,764	32,763
Adjusted EBITDA ⁽⁵⁾⁽⁶⁾	\$148,264	\$94,133	\$260,486	\$385,481	\$124,887

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, gain on extinguishment of loans, 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)

	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021
Cash and Cash Equivalents	\$ 106,253	\$ 169,676	\$ 103,602	\$ 237,590	\$ 297,396
Restricted Cash	471	1,410	1,235	8,532	1,335
Due from Clearing Brokers, net	29,089	19,589	(6,583)	416,925	424,949
Advances Against Customer Contracts	1,413	900	200	200	200
Securities and Other Investments Owned					
Equity Securities	341,515	392,674	697,288	1,006,019	1,129,217
Corporate Bonds	5,375	5,956	3,195	41,754	42,912
Other Fixed Income Securities	2,768	3,557	1,913	5,165	3,227
Partnership Interests and Other	49,386	57,293	74,923	113,766	103,417
Securities Sold Not Yet Purchased	(9,804)	(48,125)	(10,105)	(288,058)	(272,088)
Loans Receivable, net of Loan Participations Sold	311,408	330,420	373,373	282,855	265,851
Other equity investments and deposits ⁽¹⁾	61,588	58,389	59,612	48,881	53,510
Other investment participations sold ⁽²⁾	—	—	—	(4,326)	(11,254)
Total Cash, Net Securities, and Other	<u>\$899,462</u>	<u>\$991,739</u>	<u>\$1,298,653</u>	<u>\$1,869,303</u>	<u>\$2,038,672</u>

Debt Summary

(Dollars in thousands)

	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021
Term Loans, net	\$ 57,195	\$ 52,452	\$ 74,213	\$ 69,543	\$ 257,104
Notes Payable	714	714	37,967	6,908	357
Senior Notes Payable	854,037	854,926	870,783	1,139,100	1,213,105
Total Debt	<u>911,946</u>	<u>908,092</u>	<u>982,963</u>	<u>1,215,551</u>	<u>1,470,566</u>
Total Cash and Investments, Net of Debt	<u>\$ (12,484)</u>	<u>\$ 83,647</u>	<u>\$ 315,690</u>	<u>\$ 653,752</u>	<u>\$ 568,106</u>

1. Other equity investments and investment related deposits reported in prepaid and other assets.
2. Other investment participations sold reported in noncontrolling interests.

Condensed Consolidated Balance Sheets

(Dollars in thousands)

	June 30, 2021 (Unaudited)	December 31, 2020
Cash and cash equivalents	\$297,396	\$103,602
Restricted cash	1,335	1,235
Due from clearing brokers	424,949	7,089
Securities and other investments owned, at fair value	1,278,773	777,319
Securities borrowed	1,140,023	765,457
Accounts receivable, net	57,853	46,518
Due from related parties	734	986
Advances against customer contracts	200	200
Loans receivable, at fair value	270,295	390,689
Prepaid expenses and other assets	119,400	87,262
Operating lease right-of-use assets	60,933	48,799
Property and equipment, net	14,447	11,685
Goodwill	236,005	227,046
Other intangible assets, net	200,304	190,745
Deferred tax assets, net	4,080	4,098
Total assets	\$4,106,727	\$2,662,730
Accounts payable	\$6,101	\$2,722
Accrued expenses and other liabilities	220,603	168,478
Deferred revenue	68,398	68,651
Deferred tax liabilities, net	90,325	34,248
Due to related parties and partners	230	327
Due to clearing brokers	—	13,672
Securities sold not yet purchased	272,088	10,105
Securities loaned	1,134,359	759,810
Mandatorily redeemable noncontrolling interests	4,105	4,700
Operating lease liabilities	73,761	60,778
Notes payable	357	37,967
Loan participations sold	4,444	17,316
Term loans, net	257,104	74,213
Senior notes payable, net	1,213,105	870,783
Total liabilities	\$3,344,980	\$2,123,770
Total B. Riley Financial, Inc. stockholders' equity	724,169	512,586
Noncontrolling interests	37,578	26,374
Total equity	761,747	538,960
Total liabilities and equity	\$4,106,727	\$2,662,730

Condensed Consolidated Statements of Income

(Unaudited, dollars in thousands, except share data)

	Three Months Ended	
	June 30,	
	2021	2020
Revenues:		
Services and fees	\$266,143	\$125,595
Trading income and fair value adjustments on loans	32,679	114,547
Interest income - Loans and securities lending	25,491	24,506
Sale of goods	12,457	1,820
Total revenues	336,770	266,468
Operating expenses:		
Direct cost of services	12,094	7,985
Cost of goods sold	3,626	860
Selling, general and administrative expenses	199,922	106,562
Impairment of tradenames	—	8,500
Interest expense - Securities lending and loan participations sold	10,983	11,221
Total operating expenses	226,625	135,128
Operating income	110,145	131,340
Other income (expense):		
Interest income	56	224
Gain on extinguishment of loans	6,509	—
Loss from equity investments	(852)	(318)
Interest expense	(20,856)	(16,509)
Income before income taxes	95,002	114,737
Provision for income taxes	(19,902)	(32,208)
Net income	75,100	82,529
Net loss attributable to noncontrolling interests	(576)	(1,311)
Net income attributable to B. Riley Financial, Inc.	\$75,676	\$83,840
Preferred stock dividends	1,789	1,087
Net income available to common shareholders	\$73,887	\$82,753
Basic income per common share	\$2.70	\$3.23
Diluted income per common share	\$2.58	\$3.07
Weighted average basic common shares outstanding	27,344,184	25,627,085
Weighted average diluted common shares outstanding	28,668,465	26,992,823

Condensed Consolidated Statements of Cash Flows

(Unaudited, dollars in thousands)

Cash flows from operating activities:

Net income (loss)

\$331,698 \$(16,720)

Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:

Depreciation and amortization

12,924 9,879

Provision for doubtful accounts

755 2,081

Share-based compensation

14,134 9,489

Fair value adjustments, non-cash

(10,046) 21,975

Non-cash interest and other

(9,091) (6,943)

Effect of foreign currency on operations

(1,486) (73)

(Income) loss from equity investments

(23) 554

Dividends from equity investments

610 797

Deferred income taxes

51,242 (14,340)

Impairment of intangibles and gain on disposal of fixed assets

— 12,550

Gain on extinguishment of loans

(6,509) —

Loss (gain) on extinguishment of debt

919 (1,556)

Gain on equity investment

(3,544) —

Income allocated for mandatorily redeemable noncontrolling interests

347 397

Change in operating assets and liabilities

(529,831) (3,861)

Net cash (used in) provided by operating activities

(147,901) 14,229

Cash flows from investing activities:

Net cash used in investing activities

(13,722) (83,354)

Cash flows from financing activities:

Net cash provided by financing activities

356,051 71,815

Effect of foreign currency on cash, cash equivalents and restricted cash

(534) (705)

Net increase in cash, cash equivalents and restricted cash

193,894 1,985

Cash, cash equivalents and restricted cash, beginning of year

104,837 104,739

Cash, cash equivalents and restricted cash, end of year

\$298,731 \$106,724

Segment Financial Information

(Unaudited, dollars in thousands)

Capital Markets segment:

	Three Months Ended June 30,	
	2021	2020
Revenues - Services and fees	\$125,997	\$60,364
Trading income and fair value adjustments on loans	29,897	114,080
Interest income - Loans and securities lending	25,491	24,506
Total revenues	181,385	198,950
Selling, general and administrative expenses	(65,473)	(56,623)
Interest expense - Securities lending and loan participations sold	(10,983)	(11,221)
Depreciation and amortization	(247)	(595)
Segment income	104,682	130,511

Wealth Management segment

Revenues - Services and fees	87,444	15,318
Trading income and fair value adjustments on loans	2,865	467
Total revenues	90,309	15,785
Selling, general and administrative expenses	(88,702)	(15,283)
Depreciation and amortization	(2,340)	(470)
Segment (loss) income	(733)	32

Auction and Liquidation segment:

Revenues - Services and fees	5,534	7,206
Revenues - Sale of goods	11,743	1,045
Total revenues	17,277	8,251
Direct cost of services	(7,540)	(3,217)
Cost of goods sold	(3,105)	(285)
Selling, general and administrative expenses	(3,077)	(2,729)
Segment income	3,555	2,020

Financial Consulting segment

	Three Months Ended June 30,	
	2021	2020
Revenues - Services and fees	23,735	18,845
Selling, general and administrative expenses	(19,471)	(15,268)
Depreciation and amortization	(89)	(73)
Segment income	4,175	3,504

Principal Investments –

United Online and magicJack segment:

Revenues - Services and fees	18,932	20,656
Revenues - Sale of goods	714	775
Total revenues	19,646	21,431
Direct cost of services	(4,554)	(4,768)
Cost of goods sold	(521)	(575)
Selling, general and administrative expenses	(4,768)	(4,049)
Depreciation and amortization	(2,528)	(2,851)
Segment income	7,275	9,188

Brands segment:

Revenues - Services and fees	4,501	3,206
Trading losses and fair value adjustments on loans	(83)	—
Total revenues	4,418	3,206
Selling, general and administrative expenses	(690)	(309)
Depreciation and amortization	(715)	(715)
Impairment of tradenames	—	(8,500)
Segment income (loss)	3,013	(6,318)

Consolidated operating income from reportable segments

\$121,967	\$138,937
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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, gain on extinguishment of loans, 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, as well as 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.