



Third Quarter 2021 Supplemental Financial Data

October 28, 2021

NASDAQ: RILY

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

(Unaudited, dollars in thousands)

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Adj. EBITDA and Operating Adj. EBITDA Reconciliation					
Net income attributable to B. Riley Financial, Inc.	\$ 48,379	\$ 171,594	\$ 254,656	\$ 75,676	\$ 50,550
EBITDA Adjustments:					
Provision for income taxes	18,711	62,060	97,518	19,902	22,693
Interest expense	16,374	16,712	19,786	20,856	25,372
Interest income	(67)	(27)	(49)	(56)	(70)
Share based payments	4,778	4,321	5,526	8,608	9,374
Depreciation and amortization	4,886	4,604	6,759	6,165	6,142
Restructuring costs	1,557	—	—	—	—
Gain on extinguishment of loans	—	—	—	(6,509)	—
Impairment of tradenames	—	—	—	—	—
Transactions related costs and other	(485)	1,222	1,285	245	40
Total EBITDA Adjustments	<u>45,754</u>	<u>88,892</u>	<u>130,825</u>	<u>49,211</u>	<u>63,551</u>
Adjusted EBITDA	\$ 94,133	\$ 260,486	\$ 385,481	\$ 124,887	\$ 114,101
Operating EBITDA Adjustments:					
Trading income and fair value adjustments on loans	(31,753)	(140,160)	(266,942)	(32,679)	(18,197)
Other investment related expenses	4,842	6,461	4,178	(84)	5,187
Total Operating EBITDA Adjustments	<u>(26,911)</u>	<u>(133,699)</u>	<u>(262,764)</u>	<u>(32,763)</u>	<u>(13,010)</u>
Operating Adjusted EBITDA	\$ 67,222	\$ 126,787	\$ 122,717	\$ 92,124	\$ 101,091

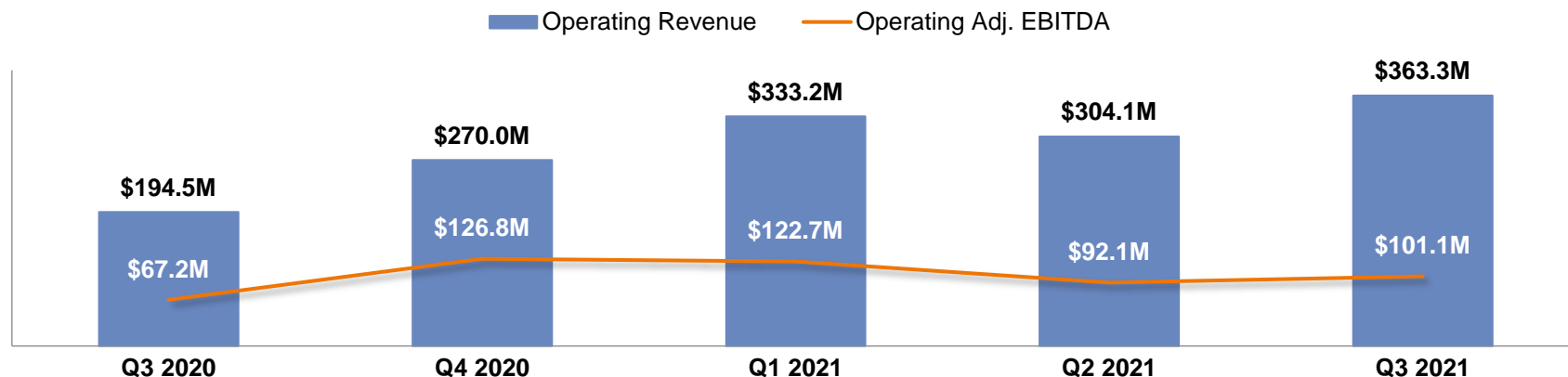
Operating Income Summary

	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Operating	Investment	Combined	Operating	Investment	Combined
<i>(Unaudited, dollars in thousands)</i>						
Revenues:						
Services and fees	\$ 301,497	-	\$ 301,497	\$ 144,823	-	\$ 144,823
Trading income and fair value adjustments on loans	-	18,197	18,197	-	31,753	31,753
Interest income – loans & securities lending	26,869	-	26,869	26,026	-	26,026
Sale of goods	34,959	-	34,959	23,651	-	23,651
Total revenues	\$ 363,325	\$ 18,197	\$ 381,522	\$ 194,500	\$ 31,753	\$ 226,253
Operating expenses:						
Direct cost of services	\$ 18,019	-	\$ 18,019	\$ 23,264	-	\$ 23,264
Cost of goods sold	12,442	-	12,442	9,813	-	9,813
Selling, general and administrative expenses	239,031	5,187 ⁽¹⁾	244,218	92,301	4,842 ⁽¹⁾	97,143
Restructuring charge	-	-	-	1,557	-	1,557
Interest expense – securities lending & loan participations sold	10,097	-	10,097	10,975	-	10,975
Total operating expenses	\$ 279,589	\$ 5,187	\$ 284,776	\$ 137,910	\$ 4,842	\$ 142,752
Operating income	\$ 83,736	\$ 13,010	\$ 96,746	\$ 56,590	\$ 26,911	\$ 83,501

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⁾

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Operating Revenue ⁽¹⁾	\$ 194,500	\$ 270,046	\$ 333,217	\$ 304,091	\$ 363,325
Investment Gains ⁽²⁾	31,753	140,160	266,942	32,679	18,197
Total Revenue	\$ 226,253	\$ 410,206	\$ 600,159	\$ 336,770	\$ 381,522
Operating Adjusted EBITDA ⁽³⁾	\$ 67,222	\$ 126,787	\$ 122,717	\$ 92,124	\$ 101,091
Investment Adjusted EBITDA ⁽⁴⁾	26,911	133,699	262,764	32,763	13,010
Adjusted EBITDA ⁽⁵⁾⁽⁶⁾	\$ 94,133	\$ 260,486	\$ 385,481	\$ 124,887	\$ 114,101

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

<i>(Dollars in thousands)</i>	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021
Cash and Cash Equivalents	\$ 169,676	\$ 103,602	\$ 237,590	\$ 297,396	\$ 378,205
Restricted Cash	1,410	1,235	8,532	1,335	927
Due from Clearing Brokers, net	19,589	(6,583)	416,925	424,949	599,715
Advances Against Customer Contracts	900	200	200	200	200
Securities and Other Investments Owned					
Equity Securities	392,674	697,288	1,006,019	1,129,217	1,276,191
Corporate Bonds	5,956	3,195	41,754	42,912	5,401
Other Fixed Income Securities	3,557	1,913	5,165	3,227	4,436
Partnership Interests and Other	57,293	74,923	113,766	103,417	66,072
Securities Sold Not Yet Purchased	(48,125)	(10,105)	(288,058)	(272,088)	(419,211)
Loans Receivable, net of Loan Participations Sold	330,420	373,373	282,855	265,851	350,762
Other investments and deposits ⁽¹⁾	58,389	59,612	48,881	53,510	43,369
Noncontrolling interest ⁽²⁾	—	—	(4,326)	(11,254)	(16,558)
Total Cash, Net Securities, and Other	<u>\$ 991,739</u>	<u>\$ 1,298,653</u>	<u>\$ 1,869,303</u>	<u>\$ 2,038,672</u>	<u>\$ 2,289,509</u>

Debt Summary

<i>(Dollars in thousands)</i>	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021
Term Loans, net	\$ 52,452	\$ 74,213	\$ 69,543	\$ 257,104	\$ 252,927
Revolving Credit Facility	—	—	—	—	80,000
Notes Payable	714	37,967	6,908	357	357
Senior Notes Payable	854,926	870,783	1,139,100	1,213,105	1,362,847
Total Debt	<u>908,092</u>	<u>982,963</u>	<u>1,215,551</u>	<u>1,470,566</u>	<u>1,696,131</u>
Total Cash and Investments, Net of Debt	<u>\$ 83,647</u>	<u>\$ 315,690</u>	<u>\$ 653,752</u>	<u>\$ 568,106</u>	<u>\$ 593,378</u>

1. Other investments and investment related deposits reported in prepaid and other assets.
2. Noncontrolling interest related to investments reported in Securities and Other Investments Owned.

Condensed Consolidated Balance Sheets

(Dollars in thousands)

	September 30, 2021 (Unaudited)	December 31, 2020
Cash and cash equivalents	\$ 378,205	\$ 103,602
Restricted cash	927	1,235
Due from clearing brokers	599,715	7,089
Securities and other investments owned, at fair value	1,352,100	777,319
Securities borrowed	1,347,656	765,457
Accounts receivable, net	54,790	46,518
Due from related parties	1,513	986
Loans receivable, at fair value	350,762	390,689
Prepaid expenses and other assets	448,985	87,462
Operating lease right-of-use assets	59,735	48,799
Property and equipment, net	13,720	11,685
Goodwill	237,961	227,046
Other intangible assets, net	196,697	190,745
Deferred tax assets, net	4,085	4,098
Total assets	\$ 5,046,851	\$ 2,662,730
Accounts payable	\$ 4,028	\$ 2,722
Accrued expenses and other liabilities	277,586	168,478
Deferred revenue	68,310	68,651
Deferred tax liabilities, net	67,023	34,248
Due to related parties and partners	176	327
Due to clearing brokers	—	13,672
Securities sold not yet purchased	419,211	10,105
Securities loaned	1,345,825	759,810
Mandatorily redeemable noncontrolling interests	4,196	4,700
Operating lease liabilities	72,158	60,778
Notes payable	357	37,967
Loan participations sold	—	17,316
Revolving credit facility	80,000	—
Term loans, net	252,927	74,213
Senior notes payable, net	1,362,847	870,783
Total liabilities	\$ 3,954,644	\$ 2,123,770
Redeemable noncontrolling interests in equity of subsidiaries	345,000	—
Total B. Riley Financial, Inc. stockholders' equity	706,695	512,586
Noncontrolling interests	40,512	26,374
Total equity	747,207	538,960
Total liabilities and equity	\$ 5,046,851	\$ 2,662,730

Condensed Consolidated Statements of Income

(Unaudited, dollars in thousands, except share data)

	Three Months Ended September 30,	
	2021	2020
Revenues:		
Services and fees	\$ 301,497	\$ 144,823
Trading income and fair value adjustments on loans	18,197	31,753
Interest income - Loans and securities lending	26,869	26,026
Sale of goods	34,959	23,651
Total revenues	381,522	226,253
Operating expenses:		
Direct cost of services	18,019	23,264
Cost of goods sold	12,442	9,813
Selling, general and administrative expenses	244,218	97,143
Restructuring charge	—	1,557
Interest expense - Securities lending and loan participations sold	10,097	10,975
Total operating expenses	284,776	142,752
Operating income	96,746	83,501
Other income (expense):		
Interest income	70	67
Gain on extinguishment of loans and other	1,758	—
Income from equity investments	1,149	409
Interest expense	(25,372)	(16,374)
Income before income taxes	74,351	67,603
Provision for income taxes	(22,693)	(18,711)
Net income	51,658	48,892
Net income attributable to noncontrolling interests	1,108	513
Net income attributable to B. Riley Financial, Inc.	\$ 50,550	\$ 48,379
Preferred stock dividends	1,929	1,088
Net income available to common shareholders	\$ 48,621	\$ 47,291
Basic income per common share	\$ 1.76	\$ 1.86
Diluted income per common share	\$ 1.69	\$ 1.75
Weighted average basic common shares outstanding	27,570,716	25,446,292
Weighted average diluted common shares outstanding	28,794,066	27,050,448

Segment Financial Information

(Unaudited, dollars in thousands)

	Three Months Ended September 30,			Three Months Ended September 30,	
	2021	2020		2021	2020
Capital Markets segment:					
Revenues - Services and fees	\$ 134,849	\$ 55,815		\$ 21,291	\$ 25,583
Trading income and fair value adjustments on loans	16,935	31,399		(18,436)	(17,759)
Interest income - Loans and securities lending	26,869	26,026		—	(500)
Total revenues	178,653	113,240		(86)	(76)
Selling, general and administrative expenses	(80,152)	(40,920)		2,769	7,248
Restructuring charge	—	(917)			
Interest expense - Securities lending and loan participations sold	(10,097)	(10,975)			
Depreciation and amortization	(514)	(673)			
Segment income	87,890	59,755			
Wealth Management segment					
Revenues - Services and fees	117,572	17,289		18,669	20,663
Trading income and fair value adjustments on loans	1,262	354		631	939
Total revenues	118,834	17,643		19,300	21,602
Selling, general and administrative expenses	(110,157)	(16,395)		(4,397)	(4,891)
Depreciation and amortization	(2,093)	(468)		(443)	(767)
Segment income	6,584	780		(5,458)	(4,840)
Auction and Liquidation segment:					
Revenues - Services and fees	2,745	21,473		(2,496)	(2,736)
Revenues - Sale of goods	34,327	22,712		6,506	8,368
Total revenues	37,072	44,185			
Direct cost of services	(13,622)	(18,373)			
Cost of goods sold	(11,999)	(9,046)			
Selling, general and administrative expenses	(5,153)	(4,625)			
Restructuring charges	—	(140)			
Depreciation and amortization	—	(1)			
Segment income	\$ 6,298	\$ 12,000			
Financial Consulting segment					
Principal Investments –					
United Online and magicJack segment:					
Revenues - Services and fees				18,669	20,663
Revenues - Sale of goods				631	939
Total revenues				19,300	21,602
Direct cost of services				(4,397)	(4,891)
Cost of goods sold				(443)	(767)
Selling, general and administrative expenses				(5,458)	(4,840)
Depreciation and amortization				(2,496)	(2,736)
Segment income				6,506	8,368
Brands segment:					
Revenues - Services and fees				6,372	4,000
Selling, general and administrative expenses				(972)	(994)
Depreciation and amortization				(714)	(714)
Segment income				4,686	2,292
Consolidated operating income from reportable segments				\$ 114,733	\$ 90,443

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.