



Third Quarter 2022 Supplemental Financial Data

November 3, 2022

NASDAQ: RILY

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

(Unaudited, dollars in thousands)

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Adj. EBITDA and Operating Adj. EBITDA Reconciliation					
Net income (loss) attributable to B. Riley Financial, Inc.	\$ 50,550	\$ 64,172	\$ (10,062)	\$ (140,159)	\$ 47,837
EBITDA Adjustments:					
Provision for (benefit from) income taxes	22,693	23,847	(3,695)	(52,513)	16,350
Interest expense	25,372	26,441	30,436	31,764	34,587
Interest income	(70)	(54)	(67)	(500)	(686)
Share based payments	9,374	12,503	17,013	14,202	14,613
Depreciation and amortization	6,142	6,805	7,848	7,961	10,717
Restructuring charge	—	—	—	—	8,016
Gain on extinguishment of loans	—	—	(1,102)	—	—
Transactions related costs and other	40	4,311	291	3,468	10,003
Total EBITDA Adjustments	<u>63,551</u>	<u>73,853</u>	<u>50,724</u>	<u>4,382</u>	<u>93,600</u>
Adjusted EBITDA	\$ 114,101	\$ 138,025	\$ 40,662	\$ (135,777)	\$ 141,437
Operating EBITDA Adjustments:					
Trading (income) losses and fair value adjustments on loans	(18,197)	(68,858)	68,390	223,927	(12,154)
Other investment related expenses	5,187	36,930	(24,865)	(13,930)	(23,039)
Total Operating EBITDA Adjustments	<u>(13,010)</u>	<u>(31,928)</u>	<u>43,525</u>	<u>209,997</u>	<u>(35,193)</u>
Operating Adjusted EBITDA	\$ 101,091	\$ 106,097	\$ 84,187	\$ 74,220	\$ 106,244

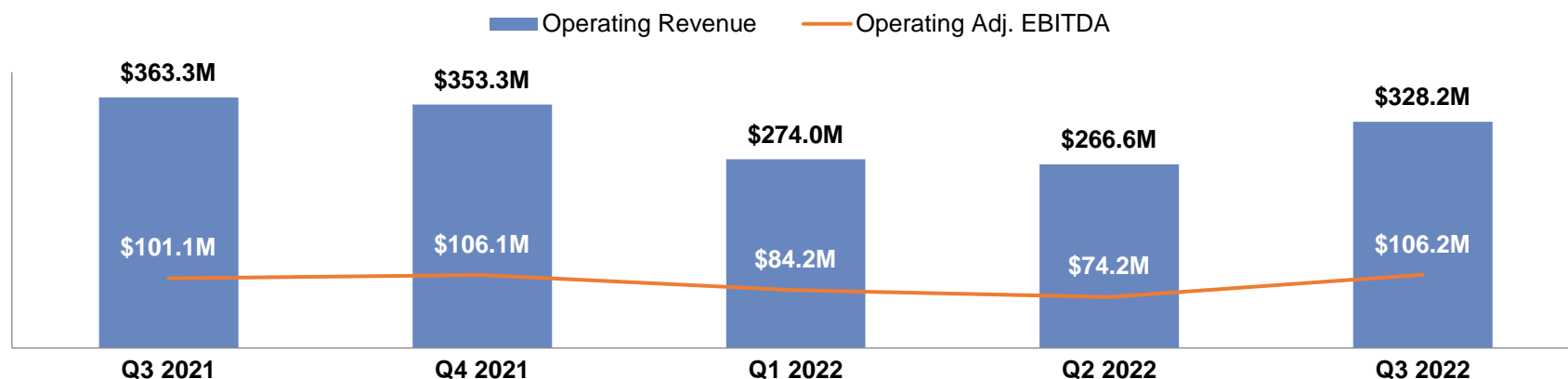
Operating Income Summary

	Three Months Ended September 30, 2021			Three Months Ended September 30, 2022		
	Operating	Investment	Combined	Operating	Investment	Combined
<i>(Unaudited, dollars in thousands)</i>						
Revenues:						
Services and fees	\$ 301,497	\$ —	\$ 301,497	\$ 266,485	\$ —	\$ 266,485
Trading income and fair value adjustments on loans	—	18,197	18,197	—	12,154	12,154
Interest income – loans & securities lending	26,869	—	26,869	57,594	—	57,594
Sale of goods	34,959	—	34,959	4,130	—	4,130
Total revenues	\$ 363,325	\$ 18,197	\$ 381,522	\$ 328,209	\$ 12,154	\$ 340,363
Operating expenses:						
Direct cost of services	\$ 18,019	—	\$ 18,019	\$ 44,523	—	\$ 44,523
Cost of goods sold	12,442	—	12,442	3,089	—	3,089
Selling, general and administrative expenses	239,031	5,187 ⁽¹⁾	244,218	185,937	(22,210) ⁽¹⁾	163,727
Restructuring charge	—	—	—	8,016	—	8,016
Interest expense – securities lending & loan participations sold	10,097	—	10,097	17,447	—	17,447
Total operating expenses	\$ 279,589	\$ 5,187	\$ 284,776	\$ 259,012	\$ (22,210)	\$ 236,802
Operating income	\$ 83,736	\$ 13,010	\$ 96,746	\$ 69,197	\$ 34,364	\$ 103,561

1. Other investment related operating 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 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Operating Revenue ⁽¹⁾	\$ 363,325	\$ 353,252	\$ 273,979	\$ 266,627	\$ 328,209
Investment Gains (Loss) ⁽²⁾	18,197	68,858	(68,390)	(223,927)	12,154
Total Revenue	<u>\$ 381,522</u>	<u>\$ 422,110</u>	<u>\$ 205,589</u>	<u>\$ 42,700</u>	<u>\$ 340,363</u>

Operating Adjusted EBITDA ⁽³⁾

Investment Adjusted EBITDA ⁽⁴⁾

Adjusted EBITDA ⁽⁵⁾⁽⁶⁾

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Operating Adjusted EBITDA ⁽³⁾	\$ 101,091	\$ 106,097	\$ 84,187	\$ 74,220	\$ 106,244
Investment Adjusted EBITDA ⁽⁴⁾	13,010	31,928	(43,525)	(209,997)	35,193
Adjusted EBITDA ⁽⁵⁾⁽⁶⁾	<u>\$ 114,101</u>	<u>\$ 138,025</u>	<u>\$ 40,662</u>	<u>\$ (135,777)</u>	<u>\$ 141,437</u>

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 charge, 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, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022
Cash and Cash Equivalents	\$ 378,205	\$ 278,933	\$ 213,584	\$ 216,098	\$ 231,805
Restricted Cash	927	927	928	928	1,578
Due from/(to) Clearing Brokers, net	599,715	(39,741)	40,350	25,902	49,530
Advances Against Customer Contracts	200	200	200	200	200
Securities and Other Investments Owned					
Equity Securities	1,276,191	1,444,474	1,228,690	1,055,379	1,140,728
Corporate Bonds	5,401	7,632	10,508	8,231	6,761
Other Fixed Income Securities	4,436	2,606	3,681	2,321	8,649
Partnership Interests and Other	66,072	77,383	74,222	78,965	82,475
Securities Sold Not Yet Purchased	(419,211)	(28,623)	(7,498)	(5,403)	(17,751)
Loans Receivable, net of Loan Participations Sold	350,762	873,186	882,391	770,840	814,715
Other investments and deposits ⁽¹⁾	43,369	40,187	49,391	49,156	45,947
Noncontrolling interest ⁽²⁾	(16,558)	(17,785)	(17,135)	(25,317)	(32,038)
Total Cash, Net Securities, and Other	<u>\$ 2,289,509</u>	<u>\$ 2,639,379</u>	<u>\$ 2,479,312</u>	<u>\$ 2,177,300</u>	<u>\$ 2,332,599</u>

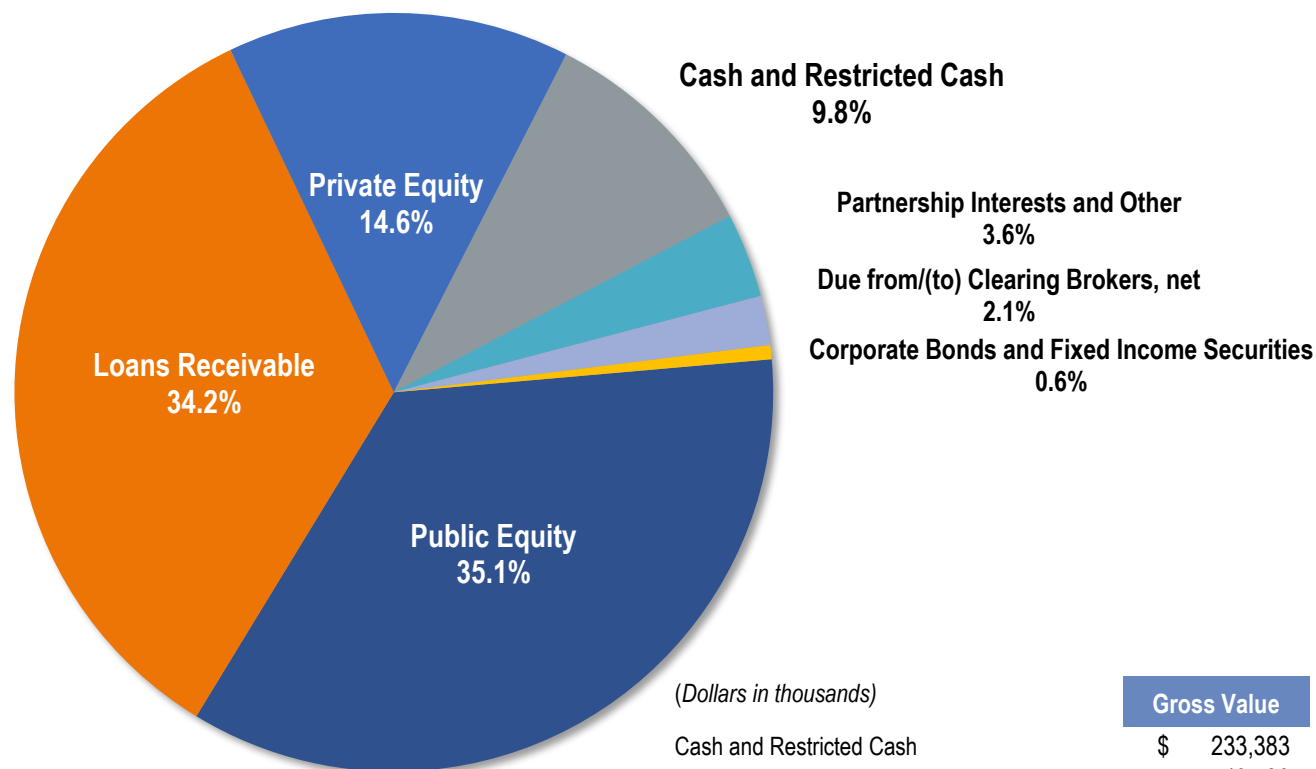
Debt Summary

<i>(Dollars in thousands)</i>	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022
Term Loans, net	\$ 252,927	\$ 346,385	\$ 342,851	\$ 367,815	\$ 558,035
Revolving Credit Facility	80,000	80,000	80,000	80,000	74,700
Notes Payable	357	357	22,891	23,186	25,075
Senior Notes Payable, net	1,362,847	1,606,560	1,627,649	1,644,778	1,661,191
Total Debt	<u>1,696,131</u>	<u>2,033,302</u>	<u>2,073,391</u>	<u>2,115,779</u>	<u>2,319,001</u>
Total Cash and Investments, Net of Debt	<u>\$ 593,378</u>	<u>\$ 606,077</u>	<u>\$ 405,921</u>	<u>\$ 61,521</u>	<u>\$ 13,598</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.

Composition of Cash and Investments

Percentage by Asset Type – September 30, 2022



(Dollars in thousands)

	Gross Value	% of Total
Cash and Restricted Cash	\$ 233,383	9.8%
Due from/(to) Clearing Brokers, net	49,530	2.1%
Public Equity ⁽¹⁾⁽²⁾	835,888	35.1%
Private Equity ⁽¹⁾	346,903	14.6%
Loans Receivable	814,715	34.2%
Corporate Bonds and Fixed Income Securities	15,410	0.6%
Partnership Interests and Other ⁽¹⁾	86,559	3.6%
Total	\$ 2,382,388	100.0%

1. Includes investments reported in prepaid and other assets.

2. Includes \$52 million equity positions held by B. Riley in managed account with gains and losses for client benefit

Condensed Consolidated Balance Sheets

<i>(Dollars in thousands)</i>	September 30, 2022 (Unaudited)	December 31, 2021
Cash and cash equivalents	\$ 231,805	\$ 278,933
Restricted cash	1,578	927
Due from clearing brokers	53,472	29,657
Securities and other investments owned, at fair value	1,238,613	1,532,095
Securities borrowed	2,243,306	2,090,966
Accounts receivable, net	64,707	49,673
Due from related parties	814	2,074
Loans receivable, at fair value	814,715	873,186
Prepaid expenses and other assets	355,875	463,502
Operating lease right-of-use assets	84,550	56,969
Property and equipment, net	16,174	12,870
Goodwill	429,187	250,568
Other intangible assets, net	296,346	207,651
Deferred tax assets, net	2,845	2,848
Total assets	\$ 5,833,987	\$ 5,851,919
Accounts payable	\$ 22,167	\$ 6,326
Accrued expenses and other liabilities	278,889	343,750
Deferred revenue	89,157	69,507
Deferred tax liabilities, net	10,932	93,055
Due to related parties and partners	396	—
Due to clearing brokers	3,942	69,398
Securities sold not yet purchased	17,751	28,623
Securities loaned	2,239,250	2,088,685
Operating lease liabilities	96,049	69,072
Notes payable	25,075	357
Revolving credit facility	74,700	80,000
Term loans, net	558,035	346,385
Senior notes payable, net	1,661,191	1,606,560
Total liabilities	\$ 5,077,534	\$ 4,801,718
Redeemable noncontrolling interests in equity of subsidiaries	178,759	345,000
Total B. Riley Financial, Inc. stockholders' equity	513,613	661,271
Noncontrolling interests	64,081	43,930
Total equity	577,694	705,201
Total liabilities and equity	\$ 5,833,987	\$ 5,851,919

Consolidated Statements of Operations

(Unaudited, dollars in thousands, except share data)

	Three Months Ended September 30,	
	2022	2021
Revenues:		
Services and fees	\$ 266,485	\$ 301,497
Trading income and fair value adjustments on loans	12,154	18,197
Interest income - Loans and securities lending	57,594	26,869
Sale of goods	4,130	34,959
Total revenues	340,363	381,522
Operating expenses:		
Direct cost of services	44,523	18,019
Cost of goods sold	3,089	12,442
Selling, general and administrative expenses	163,727	244,218
Restructuring charge	8,016	—
Interest expense - Securities lending and loan participations sold	17,447	10,097
Total operating expenses	236,802	284,776
Operating income	103,561	96,746
Other income (expense):		
Interest income	686	70
Change in fair value of financial instruments and other	(574)	1,758
(Loss) income from equity investments	(91)	1,149
Interest expense	(34,587)	(25,372)
Income before income taxes	68,995	74,351
Provision for income taxes	(16,350)	(22,693)
Net income	52,645	51,658
Net income attributable to noncontrolling interests and redeemable noncontrolling interests	4,808	1,108
Net income attributable to B. Riley Financial, Inc.	47,837	50,550
Preferred stock dividends	2,002	1,929
Net income available to common shareholders	\$ 45,835	\$ 48,621
Basic income per common share	\$ 1.62	\$ 1.76
Diluted income per common share	\$ 1.53	\$ 1.69
Weighted average basic common shares outstanding	28,293,064	27,570,716
Weighted average diluted common shares outstanding	29,968,417	28,794,066

Segment Financial Information

(Unaudited, dollars in thousands)

	Three Months Ended September 30,			Three Months Ended September 30,	
	2022	2021		2022	2021
Capital Markets segment:					
Revenues - Services and fees	\$ 113,217	\$ 134,849	Revenues - Services and fees	\$ 22,835	\$ 21,291
Trading income and fair value adjustments on loans	11,127	16,935	Selling, general and administrative expenses	(20,056)	(18,436)
Interest income - Loans and securities lending	55,054	26,869	Depreciation and amortization	(75)	(86)
Total revenues	179,398	178,653	Segment income	2,704	2,769
Selling, general and administrative expenses	(35,673)	(80,152)	Principal Investments –		
Interest expense - Securities lending and loan participations sold	(17,447)	(10,097)	Communications and Other segment:		
Depreciation and amortization	(2,174)	(514)	Revenues - Services and fees	76,316	18,669
Segment income	124,104	87,890	Revenues - Sale of goods	1,580	631
Wealth Management segment:					
Revenues - Services and fees	47,145	117,572	Total revenues	77,896	19,300
Trading income and fair value adjustments on loans	1,027	1,262	Direct cost of services	(41,524)	(4,397)
Total revenues	48,172	118,834	Cost of goods sold	(1,854)	(443)
Selling, general and administrative expenses	(52,302)	(110,157)	Selling, general and administrative expenses	(22,267)	(5,458)
Restructuring charge	(4,106)	—	Restructuring charge	(3,910)	—
Depreciation and amortization	(1,261)	(2,093)	Depreciation and amortization	(6,435)	(2,496)
Segment (loss) income	(9,497)	6,584	Segment income	1,906	6,506
Auction and Liquidation segment:					
Revenues - Services and fees	1,949	2,745	Brands segment:		
Revenues - Sale of goods	2,550	34,327	Revenues - Services and fees	5,023	6,372
Interest income - Loans and securities lending	2,540	—	Selling, general and administrative expenses	(845)	(972)
Total revenues	7,039	37,072	Depreciation and amortization	(579)	(714)
Direct cost of services	(2,999)	(13,622)	Segment income	3,599	4,686
Cost of goods sold	(1,235)	(11,999)	Consolidated operating income from reportable segments		
Selling, general and administrative expenses	(2,228)	(5,153)	\$ 123,393	\$ 114,733	
Segment income	\$ 577	\$ 6,298			

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 charge, 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.