

B. Riley Financial Releases Guidance for Fourth Quarter and Full Year 2020

Q4 2020 net income guidance range of \$109 to \$112 million, or \$4.15 to \$4.27 per diluted share; Adjusted EBITDA of \$175 to \$180 million, and Operating adjusted EBITDA of \$100 to \$105 million
FY 2020 net income guidance range of \$143 to \$146 million, up over 75% from FY 2019, Adjusted EBITDA of \$321 to \$326 million, up over 55%, and Operating adjusted EBITDA of \$285 to \$290 million, up over 150%
Announces strategic investment in Lingo Communications

LOS ANGELES, Dec. 17, 2020 /PRNewswire/ -- [B. Riley Financial, Inc.](#) (NASDAQ: RILY) today released guidance for the fourth quarter and full year 2020 ending December 31, 2020.

Forecasted Fourth Quarter 2020 Results

- Net income guidance range of \$109 to \$112 million, or \$4.15 to \$4.27 per diluted share
- Adjusted EBITDA⁽¹⁾ in the range of \$175 to \$180 million
- Operating adjusted EBITDA⁽²⁾ in the range of \$100 to \$105 million

Forecasted Full Year 2020 Results

- Net income of \$143 to \$146 million, or \$5.19 to \$5.31 per diluted share, up over 75% from FY 2019
- Adjusted EBITDA⁽¹⁾ of \$321 to \$326 million, up over 55% from FY 2019
- Operating adjusted EBITDA⁽²⁾ of \$285 to \$290 million, up over 150% from FY 2019

"Our financial forecast for the fourth quarter and full year demonstrate the increasing value of our diversified platform as we continue to optimize our recurring and episodic EBITDA. Our guidance reflects the combined strength of our operating businesses which include our core investment banking, advisory services, retail liquidation, wealth management and principal investments divisions," said Bryant Riley, Chairman and Co-Chief Executive Officer of B. Riley Financial.

"We are providing guidance in connection with recent strategic investments. This includes our investment in Lingo Communications and our recently announced investment in the Justice clothing brand – both of which we expect will result in steady cash flow generation for our platform," added Riley.

"Our expanding platform capabilities, combined with our balance sheet flexibility, continue to provide compelling, differentiated solutions for our growing client base. We are more excited than ever about these proprietary opportunities, and we look forward to building on this year's momentum," said Riley.

Fourth Quarter and Full Year 2020 Guidance

For the fourth quarter of 2020, B. Riley forecasts net income to be in the range of \$109 to \$112 million, or \$4.15 to \$4.27 per diluted share. The Company's guidance for adjusted EBITDA⁽¹⁾ for the quarter is in the range of \$175 to \$180 million, with operating adjusted EBITDA⁽²⁾ in the range of \$100 to \$105 million. The Company forecasts investment gains of \$80 million for the fourth quarter. The Company's forecast for investment gains is dependent on financial market conditions for the remainder of the year. Investment gains include trading income and fair value adjustments on loans.

For full year 2020, the Company forecasts net income in the range of \$143 to \$146 million, or \$5.19 to \$5.31 per diluted share, with the lower end of the range up over 75% from 2019. Guidance for adjusted EBITDA⁽¹⁾ for the year is forecasted to be in the range of \$321 to \$326 million, up over 55% from 2019. Operating adjusted EBITDA⁽²⁾ for the full year is expected to be in the range of \$285 to \$290 million, up over 150% from 2019. The Company estimates investment gains of \$44 million for the full year. The Company's forecast for investment gains for the fourth quarter and full year 2020 is dependent on financial market conditions for the remainder of the year.

Actual results for the fourth quarter and full year of 2020 may differ from these forecasts.

Summary of Recent Strategic Investments

The Company's above guidance includes the results of the following investments only from the respective date of each such investment in the fourth quarter.

- **Justice Brand Investment:** The Company recently announced it has acquired significant interest in the Justice clothing brand through an investment in Bluestar Alliance's purchase from ascena retail group. Results for this investment will be realized in future quarters under the Brands segment, which comprises licensing revenue related to B. Riley's interest in the intellectual property and related assets of various fashion brands.
- **Lingo Recapitalization:** B. Riley Principal Investments acquired the outstanding debt of Lingo Communications ("Lingo"), converting a portion of that debt into a 40% equity ownership held by B. Riley. The first tranche of the transaction closed on November 30, 2020. The second tranche, under which B. Riley can convert additional debt for an additional 40% equity ownership stake, is expected to close in 2021, subject to receiving customary regulatory approvals. Lingo is a global Cloud/UC and managed service provider to small- and medium-sized businesses, and carrier and consumer markets around the globe. The Lingo investment aligns with the Company's telecom and cloud vertical principal investment companies, magicJack and United Online. Lingo's debt restructuring supports the acceleration of its strategy in the business and carrier markets, while also utilizing the Company's financial and operational expertise to generate cash flow for the B. Riley platform. As part of the transaction, Lingo has also granted B. Riley representation on its Board.

About B. Riley Financial, Inc. (NASDAQ: RILY)

B. Riley Financial, Inc. provides collaborative financial services solutions tailored to fit the capital raising, business, operational, and financial advisory needs of its clients and partners. B. Riley operates through several subsidiaries which offer a diverse range of complementary end-to-end capabilities spanning investment banking and institutional brokerage, private wealth and investment management, corporate advisory, restructuring, due diligence, forensic accounting, litigation support, appraisal and valuation, and auction and liquidation services. Certain registered affiliates of B. Riley originate and underwrite senior secured loans for asset-rich companies. B. Riley also makes proprietary investments in companies and assets with attractive return profiles. For the latest Company news and developments, follow B. Riley on Twitter [@BRileyFinancial](#) and on [LinkedIn](#). For more information about B. Riley and our affiliated companies, visit our website at [www.brileyfin.com](#).

Footnotes (See "Note Regarding Use of Non-GAAP Financial Measures" for further discussion of these non-GAAP terms.)

(1) Adjusted EBITDA includes earnings before interest, taxes, depreciation, amortization, restructuring costs, share-based payments, impairment of tradenames, and transaction related and other costs. For a definition of adjusted EBITDA and a reconciliation to GAAP financial measures, please see the Appendix.

(2) Operating adjusted EBITDA is defined as adjusted EBITDA excluding trading income (losses) and fair value adjustments on loans and other investment related expenses.

Forward-Looking Statements

Statements in this press release that are not descriptions of historical facts are forward-looking statements that are based on management's current expectations and assumptions and are subject to risks and uncertainties. If such risks or uncertainties materialize or such assumptions prove incorrect, our business, operating results, financial condition and stock price could be materially negatively affected. You should not place undue reliance on such forward-looking statements, which are based on the information currently available to us and speak only as of the date of this press release. Such forward looking statements include, but are not limited to, statements regarding the Company's anticipated results of operations for 2020, as well as statements regarding our excitement and the expected growth of our business segments. Factors that could cause such actual results to differ materially from those contemplated or implied by such forward-looking statements include, without limitation, the risks associated with the unpredictable and ongoing impact of the COVID-19 pandemic and other risks described from time to time in B. Riley Financial, Inc.'s periodic filings with the SEC, including, without limitation, the risks described in B. Riley Financial, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2019 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020, June 30, 2020 and September 30, 2020 under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" (as applicable). These factors should be considered carefully, and readers are cautioned not to place undue reliance on such forward-looking statements. All information is current as of the date this press release is issued, and B. Riley Financial, Inc. undertakes no duty to update this information.

Note Regarding Use of 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.

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B. RILEY FINANCIAL, INC.

Reconciliation of Net Income Guidance to Adjusted EBITDA and Operating Adjusted EBITDA Guidance (Unaudited) (Dollars in thousands)

	Guidance		Prior Period	Guidance		Prior Period
	3 Months Ended		3 Months Ended	12 Months Ended		12 Months Ended
	12/31/2020		12/31/2019	12/31/2020		12/31/2019
	Low	High	Actual	Low	High	Actual
Net income attributable to B. Riley Financial, Inc.	\$ 109,000	\$ 112,200	\$ 17,129	\$ 142,554	\$ 145,754	\$ 8
Adjustments:						
Provision for income taxes	40,800	42,200	7,842	54,180	55,580	3
Interest expense	16,200	16,400	15,075	64,737	64,937	5
Interest income	(100)	(100)	(248)	(637)	(637)	(1)
Share based payments	4,300	4,500	5,640	18,567	18,767	1
Depreciation and amortization	4,700	4,700	4,831	19,465	19,465	1
Restructuring costs	—	—	—	1,557	1,557	—
Impairment of tradenames	—	—	—	12,500	12,500	—
Transactions related costs and other	300	300	—	8,609	8,609	—
Total EBITDA adjustments	66,200	68,000	33,140	178,978	180,778	12
Adjusted EBITDA	\$ 175,200	\$ 180,200	\$ 50,269	\$ 321,532	\$ 326,532	\$ 20
Operating EBITDA Adjustments:						
Trading (income) losses and fair value adjustments on loans	(80,000)	(80,000)	(34,733)	(43,858)	(43,858)	(106)
Other investment related expenses	4,800	4,800	858	7,212	7,212	1
Total Operating EBITDA Adjustments	(75,200)	(75,200)	(33,875)	(36,646)	(36,646)	(95)
Operating Adjusted EBITDA	\$ 100,000	\$ 105,000	\$ 16,394	\$ 284,886	\$ 289,886	\$ 11

SOURCE B. Riley Financial

<https://ir.brileyfin.com/2020-12-17-B-Riley-Financial-Releases-Guidance-for-Fourth-Quarter-and-Full-Year-2020>