

## B. Riley Financial Provides Fourth Quarter and FY 2022 Earnings Guidance

*Estimates Operating Adjusted EBITDA range of \$90-100 million for Q4 2022; and \$355-\$365 million for FY2022*

LOS ANGELES, Dec. 27, 2022 /PRNewswire/ -- B. Riley Financial, Inc. (NASDAQ: RILY) ("B. Riley" or the "Company") today released fourth quarter guidance for Operating Adjusted EBITDA in the range of \$90 million to \$100 million. For the full year 2022, the Company estimates Operating Adjusted EBITDA in the range of \$355 million to \$365 million.

The Company estimates investment losses in the range of (\$125 million) to (\$150 million) for the fourth quarter of 2022, and (\$405 million) to (\$430 million) for the full year 2022. Estimated mark-to-market investment losses reflect continued softness in small cap markets.

Bryant Riley, Chairman and Co-Chief Executive Officer of B. Riley Financial, commented: "It is important to put these numbers into perspective. Over the past two years, we will have delivered Operating Adjusted EBITDA in excess of \$775 million (at the lower end of our fourth quarter guidance). Meanwhile, returns from our investment portfolio over the past two years are close to flat despite an approximate 11% decline in the Russell 2000 for the same period. Institutional brokerage accounted for 68% of our Operating Adjusted EBITDA in 2021 compared to 15% year-to-date through September 30, 2022. Despite the year-over-year decline in brokerage, our diversified model has created a platform whereby we have been able to deliver our dividend to our shareholders and still maintain sufficient liquidity to take advantage of future opportunities."

Guidance for Operating Adjusted EBITDA includes contributions from Targus since its acquisition on October 19, 2022. The Company reported Operating Adjusted EBITDA of \$422.0 million for the full year 2021. Operating Adjusted EBITDA is Adjusted EBITDA (as defined below) excluding trading income (losses) and fair value adjustments on loans and other investment related expenses. Operating Adjusted EBITDA and Adjusted EBITDA are non-GAAP measures; see "Note Regarding Use of Non-GAAP Financial Measures" below.

The Company estimates total cash and investments to be approximately \$2.15 billion at year-end. Total debt is estimated to be approximately \$2.5 billion at year-end.

As disclosed in previous filings, the Company's investment portfolio comprises certain debt and equity securities and loans. Loans in the Company's investment portfolio were valued at approximately \$815 million at September 30, 2022, of which \$776 million comprised secured loans to borrowers and \$39 million were unsecured.

Investments related to digital asset mining and crypto service businesses were valued at approximately \$52 million at September 30, 2022, including \$49 million in loans receivable and \$3 million in equities and senior notes, representing approximately 2% of total cash and investments at quarter-end. Potential fourth quarter 2022 exposure of related investments is estimated to be approximately \$39 million, of which \$26 million represents a loan to a borrower that has since filed for bankruptcy.

### About B. Riley Financial

B. Riley Financial is a diversified financial services platform that delivers tailored solutions to meet the strategic, operational, and capital needs of its clients and partners. B. Riley leverages cross-platform expertise to provide clients with full service, collaborative solutions at every stage of the business life cycle. Through its affiliated subsidiaries, B. Riley provides end-to-end, collaborative financial services across investment banking, institutional brokerage, private wealth and investment management, financial consulting, corporate restructuring, operations management, risk and compliance, due diligence, forensic accounting, litigation support, appraisal and valuation, auction, and liquidation services. B. Riley opportunistically invests to benefit its shareholders, and certain registered affiliates originate and underwrite senior secured loans for asset-rich companies. B. Riley refers to B. Riley Financial, Inc. and/or one or more of its subsidiaries or affiliates. For more information, please visit [www.brileyfin.com](http://www.brileyfin.com).

### Note Regarding Use of Non-GAAP Financial Measures

Operating Adjusted EBITDA, Adjusted EBITDA and net debt 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 Adjusted EBITDA, net interest expense, provisions for or benefit from income taxes, depreciation, amortization, restructuring charge, gain on extinguishment of loans, impairment of tradenames, stock-based compensation and transactions related and other costs and (ii) excluding in the case of Operating Adjusted EBITDA, the aforementioned adjustments for Adjusted EBITDA as well as trading income

(losses) and fair value adjustments on loans, and 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, management compensation, 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.

The Company has not provided guidance for a comparable GAAP measure or a quantitative reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure because it is unable to determine with reasonable certainty the ultimate outcome of certain significant items necessary to calculate such measure without unreasonable effort. These items include, but are not limited to, final calculation of investment gains (losses), defined as trading income and fair value adjustments on loans. Notwithstanding this limitation, as noted above, the Company estimates Operating Adjusted EBITDA to be in the range of \$90 million to 100 million for the fourth quarter of 2022 and \$355 million to \$365 million for the full year of 2022; and investment losses in the range of (\$125 million) to (\$150 million) for the fourth quarter of 2022, and (\$405 million) to (\$430 million) for the full year 2022. These items are uncertain, depend on various factors, and could have a material impact on the GAAP reported results for the period.

### **Forward-Looking Statements**

The guidance presented is subject to completion of the applicable period and closing procedures. Actual results for such period may vary from these estimates. In addition, prospective financial information is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the prospective financial information described above will not materialize or will vary significantly from actual results. Accordingly, undue reliance should not be placed on this forecast. The preliminary forecast is not necessarily indicative of any future period and should be read together with the risks described from time to time in the Company's periodic filings with the SEC, including, without limitation, the risks described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 under the caption "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Risk factors that could cause actual results to differ from those contained in the forward-looking statements include but are not limited to risks related to: volatility in our revenues and results of operations; changing conditions in the financial markets; our ability to generate sufficient revenues to achieve and maintain profitability; our exposure to credit risk; the short term nature of our engagements; the accuracy of our estimates and valuations of inventory or assets in "guarantee" based engagements; competition in the asset management business; potential losses related to our auction or liquidation engagements; our dependence on communications, information and other systems and third parties; potential losses related to purchase transactions in our auction and liquidations business; the potential loss of financial institution clients; potential losses from or illiquidity of our proprietary investments; changing economic and market conditions, including increasing inflation and actions by the Federal Reserve to address inflation and the possibility of recession; the continuing effects of the COVID-19 pandemic, or other pandemics or severe public health crises, and other related impacts including supply chain disruptions, labor shortages and increased labor costs; potential liability and harm to our reputation if we were to provide an inaccurate appraisal or valuation; potential mark-downs in inventory in connection with purchase transactions; failure to successfully compete in any of our segments; loss of key personnel; our ability to borrow under our credit facilities or at-the-market offering as necessary; failure to comply with the terms of our credit agreements or senior notes; our ability to meet future capital requirements; our ability to realize the benefits of our completed acquisitions, including our ability to achieve anticipated opportunities and cost savings, and accretion to reported earnings estimated to result from completed and proposed acquisitions in the time frame expected by management or at all; the diversion of management time on acquisition-related issues; the failure of our brand investment portfolio licensees to pay us royalties; the intense competition to which our brand investment portfolio is subject; and the effect of geopolitical instability, including wars, conflicts and terrorist attacks, including the impacts of Russia's invasion of Ukraine. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. 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.

## **B. RILEY FINANCIAL, INC.**

### **Adjusted EBITDA and Operating Adjusted EBITDA Reconciliation**

**(Unaudited)**

**(Dollars in thousands)**

	<b>Nine Months Ended September 30, 2022</b>	<b>Twelve Months Ended December 31, 2021</b>
Net (loss) income attributable to B. Riley Financial, Inc.	\$ (102,384)	\$ 445,054
Adjustments:		
(Benefit from) provision for income taxes	(39,858)	163,960
Interest expense	96,787	92,455
Interest income	(1,253)	(229)
Share based payments	45,828	36,011
Depreciation and amortization	26,526	25,871
Restructuring charge	8,016	—
Gain on extinguishment of loans	(1,102)	(6,509)
Transactions related costs and other	13,762	5,881
Total EBITDA adjustments	148,706	317,440
Adjusted EBITDA	\$ 46,322	\$ 762,494
Operating EBITDA Adjustments:		
Trading losses (income) and fair value adjustments on loans	280,163	(386,676)
Other investment related expenses	(61,834)	46,211
Total Operating EBITDA Adjustments	218,329	(340,465)
Operating Adjusted EBITDA	\$ 264,651	\$ 422,029

Media  
Jo Anne McCusker  
[jmccusker@brileyfin.com](mailto:jmccusker@brileyfin.com)  
(646) 885-5425

Investors  
Mike Frank  
[ir@brileyfin.com](mailto:ir@brileyfin.com)  
(212) 409-2424

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