



First Quarter 2020 Supplemental Financial Data

May 11, 2020

NASDAQ: RILY

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

(Unaudited) (Dollars in thousands)	Three Months Ended				
	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Adjusted EBITDA and Operating Adjusted EBITDA Reconciliation:					
Net (loss) income	\$(98,665)	\$17,129	\$34,302	\$22,157	\$8,023
EBITDA Adjustments:					
(Benefit) provision for income taxes	(37,539)	7,842	14,409	9,289	3,104
Interest expense	15,654	15,075	12,772	11,588	10,770
Interest income	(246)	(248)	(361)	(331)	(637)
Share based payments	5,322	5,640	4,728	2,934	2,614
Depreciation and amortization	4,956	4,831	4,473	4,831	4,913
Restructuring costs	—	—	—	1,552	147
Impairment of tradenames	4,000	—	—	—	—
Transactions related costs and other	10,454	—	7	836	5,496
Total EBITDA Adjustments	2,601	33,140	36,028	30,699	26,407
Adjusted EBITDA	\$(96,064)	\$50,269	\$70,330	\$52,856	\$34,430
Operating EBITDA Adjustments:					
Trading losses (income) and fair value adjustments on loans	182,442	(34,733)	(40,268)	(5,595)	(25,867)
Other investment related expenses	(15,470)	858	5,138	(4,110)	10,295
Total Operating EBITDA Adjustments	166,972	(33,875)	(35,130)	(9,705)	(15,572)
Operating Adjusted EBITDA	\$70,908	\$16,394	\$35,200	\$43,151	\$18,858

Operating Income Summary – Q1 2020 and Q1 2019

Unaudited (Dollars in thousands)	Q1 2020			Q1 2019		
	Operating Results	Investment Results	Combined Results	Operating Results	Investment Results	Combined Results
Revenues:						
Services and fees	\$159,381	-	\$159,381	\$103,896	-	\$103,896
Trading income (losses) and fair value adjustments on loans	-	(182,442)	(182,442)	-	25,867	25,867
Interest income - loans & securities lending	21,851	-	21,851	11,420	-	11,420
Sale of goods	1,004	-	1,004	945	-	945
Total revenues	182,236	(182,442)	(206)	116,261	25,867	142,128
Operating expenses:						
Direct cost of services	19,952	-	19,952	14,116	-	14,116
Cost of goods sold	769	-	769	1,119	-	1,119
Selling, general and administrative expenses	103,214	(15,470) ⁽¹⁾	87,744	84,669	10,295 ⁽¹⁾	94,964
Restructuring charges	-	-	-	147	-	147
Impairment of tradenames	4,000	-	4,000	-	-	-
Interest expense - securities lending & loan participation sold	8,473	-	8,473	6,804	-	6,804
Total operating expenses	136,408	(15,470)	120,938	106,855	10,295	117,150
Operating income (loss)	\$45,828	\$(166,972)	\$(121,144)	\$9,406	\$15,572	\$24,978

1. Other investment related expenses.

Operating Income Summary – Q1 2019 to Q4 2019

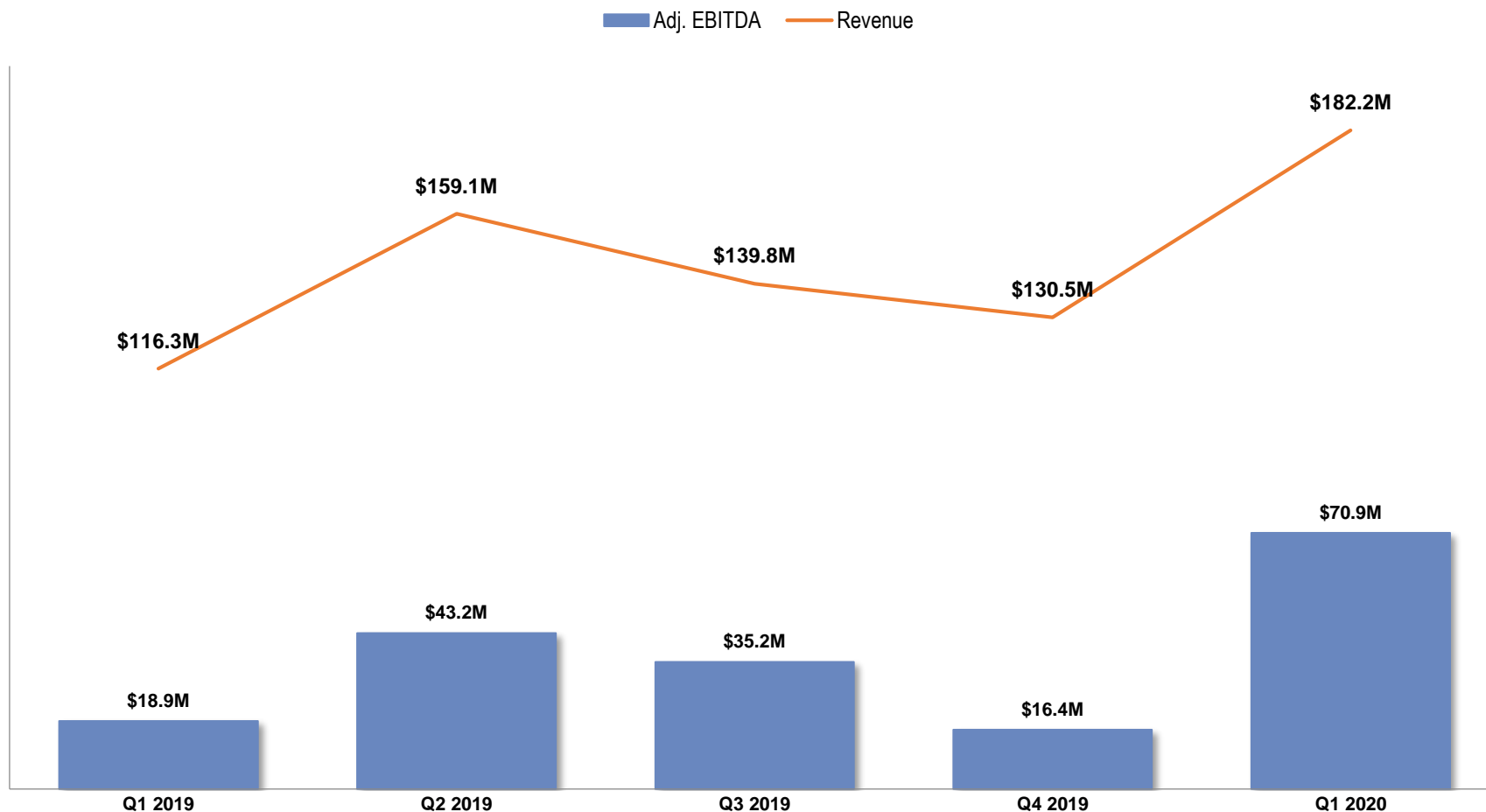
Unaudited (Dollars in thousands)	Q1 2019			Q2 2019		
	Operating Results	Investment Results	Combined Results	Operating Results	Investment Results	Combined Results
Revenues:						
Services and fees	\$103,896	-	\$103,896	\$139,968	-	\$139,968
Trading income and fair value adjustments on loans	-	25,867	25,867	-	5,595	5,595
Interest income - loans & securities lending	11,420	-	11,420	16,961	-	16,961
Sale of goods	945	-	945	2,160	-	2,160
Total revenues	116,261	25,867	142,128	159,089	5,595	164,684
Operating expenses	106,855	10,295 ⁽¹⁾	117,150	124,539	(4,110) ⁽¹⁾	120,429
Operating income	\$9,406	\$15,572	\$24,978	\$34,550	\$9,705	\$44,255

Unaudited (Dollars in thousands)	Q3 2019			Q4 2019		
	Operating Results	Investment Results	Combined Results	Operating Results	Investment Results	Combined Results
Revenues:						
Services and fees	\$113,111	-	\$113,111	\$103,518	-	\$103,518
Trading income and fair value adjustments on loans	-	40,268	40,268	-	34,733	34,733
Interest income - loans & securities lending	25,766	-	25,766	23,074	-	23,074
Sale of goods	918	-	918	3,912	-	3,912
Total revenues	139,795	40,268	180,063	130,504	34,733	165,237
Operating expenses	115,074	5,138 ⁽¹⁾	120,212	126,812	858 ⁽¹⁾	127,670
Operating income	\$24,721	\$35,130	\$59,851	\$3,692	\$33,875	\$37,567

1. Other investment related expenses.

Quarterly Operating Revenue and Operating Adjusted EBITDA

Operating Business Revenue and Adjusted EBITDA ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾



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. 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.
3. Adjusted EBITDA includes earnings before interest, taxes, depreciation, amortization, restructuring costs, share-based payments, impairment of tradenames, and transaction related and other costs.
4. For a reconciliation to GAAP financial measures, please see slide 2.

Quarterly Revenue and Adjusted EBITDA

(Dollars in thousands)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Operating Revenue ⁽¹⁾	\$182,236	\$130,504	\$139,795	\$159,089	\$116,261
Investment (Loss) Gains ⁽²⁾	(182,442)	34,733	40,268	5,595	25,867
Total Revenue	\$(206)	\$165,237	\$180,063	\$164,684	\$142,128

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Operating Adjusted EBITDA ⁽³⁾	\$70,908	\$16,394	\$35,200	\$43,151	\$18,858
Investment Adjusted EBITDA ⁽⁴⁾	(166,972)	33,875	35,130	9,705	15,572
Adjusted EBITDA⁽⁵⁾⁽⁶⁾	\$(96,064)	\$50,269	\$70,330	\$52,856	\$34,430

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 (Loss) Gains 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, 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

Cash and Investment	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
(Dollars in thousands)					
Cash and Cash Equivalents	\$124,231	\$104,268	\$170,587	\$55,609	\$163,462
Restricted Cash	471	471	471	2,635	7,491
Due from Clearing Brokers, net	5,753	23,818	27,791	29,245	22,418
Advances Against Customer Contracts	11,121	27,347	-	5,322	-
Securities and Other Investments Owned:					
Equity Securities	234,867	353,162	244,556	180,089	189,165
Corporate bonds	18,429	19,020	21,580	23,170	28,740
Other fixed income securities	5,243	8,414	4,816	5,767	13,365
Partnership interests and other	29,247	27,617	20,153	19,417	23,491
Securities Sold Not Yet Purchased	(14,298)	(41,820)	(29,092)	(42,754)	(35,948)
Loans Receivable, net of Loan Participation Sold	313,894	256,708	302,537	292,368	87,489
Other equity investments and deposits ⁽¹⁾	48,765	54,855	81,194	106,904	52,161
Total Cash, Net Securities, and Other	\$777,723	\$833,860	\$844,593	\$677,772	\$551,834
Debt	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Term Loan	\$61,932	\$66,666	\$71,393	\$80,916	\$89,138
Notes Payable	714	38,167	1,193	1,193	1,193
Senior Notes Payable	853,523	688,112	701,278	582,482	465,040
Total Debt	916,169	792,945	773,864	664,591	555,371
Total Cash and Investments, Net of Debt	\$(138,446)	\$40,915	\$70,729	\$13,181	\$(3,537)

1. Other equity investments and investment related deposits reported in prepaid and other assets.

U.S. GAAP – Consolidated Balance Sheets

(Dollars in thousands)	March 31, 2020 (Unaudited)	December 31, 2019
Cash and cash equivalents	\$124,231	\$104,268
Restricted cash	471	471
Due from clearing brokers	10,879	23,818
Securities and other investments owned, at fair value	287,786	408,213
Securities borrowed	674,163	814,331
Accounts receivable, net	46,450	46,624
Due from related parties	4,391	5,832
Advances against customer contracts	11,121	27,347
Loans receivable, at fair value	326,299	43,338
Loans receivable, at cost	—	225,848
Prepaid expenses and other assets	114,686	81,808
Operating lease right-of-use assets	46,213	47,809
Property and equipment, net	12,223	12,727
Goodwill	223,697	223,697
Other intangible assets, net	212,500	220,525
Deferred income taxes	35,786	31,522
Total assets	\$2,130,896	\$2,318,178
Accounts payable	\$6,858	\$4,477
Accrued expenses and other liabilities	103,452	130,714
Deferred revenue	73,709	67,121
Due to related parties and partners	1,061	1,750
Due to clearing brokers	5,126	—
Securities sold not yet purchased	14,298	41,820
Securities loaned	670,859	810,495
Mandatorily redeemable noncontrolling interests	4,508	4,616
Operating lease liabilities	59,430	61,511
Notes payable	714	38,167
Loan participations sold	12,405	12,478
Term loan	61,932	66,666
Senior notes payable	853,523	688,112
Total liabilities	\$1,867,875	\$1,927,927
Total B. Riley Financial, Inc. stockholders' equity	235,035	360,660
Noncontrolling interests	27,986	29,591
Total equity	263,021	390,251
Total liabilities and equity	\$2,130,896	\$2,318,178

U.S. GAAP – Consolidated Statements of Income

Unaudited (Dollars in thousands)	Three Months Ended - March 31,	
	2020	2019
Revenues:		
Services and fees	\$159,381	\$103,896
Trading (losses) income and fair value adjustments on loans	(182,442)	25,867
Interest income - Loans and securities lending	21,851	11,420
Sale of goods	1,004	945
Total revenues	(206)	142,128
Operating expenses:		
Direct cost of services	19,952	14,116
Cost of goods sold	769	1,119
Selling, general and administrative expenses	87,744	94,964
Restructuring charge	—	147
Impairment of tradenames	4,000	—
Interest expense - Securities lending and loan participations sold	8,473	6,804
Total operating expenses	120,938	117,150
Operating (loss) income	(121,144)	24,978
Other income (expense):		
Interest income	246	637
Loss from equity investments	(236)	(3,762)
Interest expense	(15,654)	(10,770)
(Loss) income before income taxes	(136,788)	11,083
Benefit (provision) for income taxes	37,539	(3,104)
Net (loss) income	(99,249)	7,979
Net loss attributable to noncontrolling interests	(584)	(44)
Net (loss) income attributable to B. Riley Financial, Inc.	\$(98,665)	\$8,023
Preferred stock dividends	1,055	—
Net (loss) income available to common shareholders	\$(99,720)	\$8,023
Basic (loss) income per common share	\$(3.83)	\$0.31
Diluted (loss) income per common share	\$(3.83)	\$0.30
Weighted average basic common shares outstanding	26,028,613	26,217,215
Weighted average diluted common shares outstanding	26,028,613	26,687,531

U.S. GAAP – Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in thousands)

Cash flows from operating activities:

	Three Months Ended - March 31,	
	2020	2019
Net (loss) income	\$(99,249)	\$7,979
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,956	4,913
Provision for doubtful accounts	724	233
Share-based compensation	5,322	2,614
Fair value adjustments, non-cash	17,926	49
Non-cash interest and other	(2,827)	736
Effect of foreign currency on operations	179	130
Loss from equity investments	236	3,762
Deferred income taxes	(4,254)	(390)
Impairment of intangibles and loss on disposal of fixed assets	4,046	88
Gain on extinguishment of debt	(1,556)	—
Income allocated for mandatorily redeemable noncontrolling interests	175	169
Change in operating assets and liabilities	74,777	(11,359)
Net cash provided by operating activities	455	8,924
Cash flows from investing activities:		
Purchases of loans receivable	(115,328)	(20,154)
Repayments of loans receivable	42,128	5,500
Sale of loan receivable to related party	1,800	—
Repayment of loan participations sold	(244)	—
Purchases of property, equipment and other	(438)	(1,746)
Proceeds from sale of property, equipment and intangible assets	1	12
Purchase of equity investments	—	(10,558)
Dividends and distributions from equity investments	589	433
Net cash used in investing activities	(71,492)	(26,513)
Cash flows from financing activities:		
Net cash provided by financing activities	92,332	8,241
Increase (decrease) in cash, cash equivalents and restricted cash	21,295	(9,348)
Effect of foreign currency on cash, cash equivalents and restricted cash	(1,332)	23
Net increase (decrease) in cash, cash equivalents and restricted cash	19,963	(9,325)
Cash, cash equivalents and restricted cash, beginning of period	104,739	180,278
Cash, cash equivalents and restricted cash, end of period	\$124,702	\$170,953

U.S. GAAP – Segment Financial Information

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,		Three Months Ended March 31,	
	2020	2019	2020	2019
Capital Markets segment:				
Revenues - Services and fees	\$104,413	48,014		
Trading (losses) income and fair value adjustments on loans	(182,442)	25,867		
Interest income - Loans and securities lending	21,851	11,420		
Total revenues	(56,178)	85,301		
Selling, general and administrative expenses	(54,711)	(63,389)		
Restructuring recovery	—	29		
Interest expense - Securities lending and loan participations sold	(8,473)	(6,804)		
Depreciation and amortization	(1,105)	(1,276)		
Segment (loss) income	(120,467)	13,861		
Auction and Liquidation segment:				
Revenues - Services and fees	20,661	20,709		
Direct cost of services	(14,816)	(6,274)		
Cost of goods sold	(29)	(14)		
Selling, general and administrative expenses	(1,526)	(2,915)		
Depreciation and amortization	(1)	(2)		
Segment income	4,289	11,504		
Valuation and Appraisal segment:				
Revenues - Services and fees	8,788	8,583		
Selling, general and administrative expenses	(6,867)	(7,187)		
Depreciation and amortization	(41)	(33)		
Segment income	1,880	1,363		
Principal Investments – United Online and magicJack segment:				
Revenues - Services and fees			21,718	26,590
Revenues - Sale of goods			1,004	945
Total revenues			22,722	27,535
Direct cost of services			(5,136)	(7,842)
Cost of goods sold			(740)	(1,105)
Selling, general and administrative expenses			(5,463)	(7,020)
Depreciation and amortization			(2,879)	(3,463)
Restructuring charge			—	(176)
Segment income			8,504	7,929
Brands segment:				
Revenues - Services and fees			3,801	—
Selling, general and administrative expenses			(904)	—
Depreciation and amortization			(714)	—
Impairment of tradenames			(4,000)	—
Segment loss			(1,817)	—
Consolidated operating (loss) income from reportable segments			\$(107,611)	\$34,657

Definition of US GAAP to Non-GAAP Financial Measures

Certain of the information set forth herein, including adjusted net income and 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 cash flow, excluding net interest expense, provisions for or benefit from income taxes, depreciation, amortization, fair value adjustment, transaction and other expenses, restructuring costs, and stock-based compensation 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.