



Fourth Quarter 2021 Supplemental Financial Data

February 23, 2022

NASDAQ: RILY

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

<i>(Unaudited, dollars in thousands)</i>	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Adj. EBITDA and Operating Adj. EBITDA Reconciliation					
Net income attributable to B. Riley Financial, Inc.	\$ 171,594	\$ 254,656	\$ 75,676	\$ 50,550	\$ 64,172
EBITDA Adjustments:					
Provision for income taxes	62,060	97,518	19,902	22,693	23,847
Interest expense	16,712	19,786	20,856	25,372	26,441
Interest income	(27)	(49)	(56)	(70)	(54)
Share based payments	4,321	5,526	8,608	9,374	12,503
Depreciation and amortization	4,604	6,759	6,165	6,142	6,805
Gain on extinguishment of loans	—	—	(6,509)	—	—
Transactions related costs and other	1,222	1,285	245	40	4,311
Total EBITDA Adjustments	<u>88,892</u>	<u>130,825</u>	<u>49,211</u>	<u>63,551</u>	<u>73,853</u>
Adjusted EBITDA	\$ 260,486	\$ 385,481	\$ 124,887	\$ 114,101	\$ 138,025
Operating EBITDA Adjustments:					
Trading income and fair value adjustments on loans	(140,160)	(266,942)	(32,679)	(18,197)	(68,858)
Other investment related expenses	6,461	4,178	(84)	5,187	36,930
Total Operating EBITDA Adjustments	<u>(133,699)</u>	<u>(262,764)</u>	<u>(32,763)</u>	<u>(13,010)</u>	<u>(31,928)</u>
Operating Adjusted EBITDA	\$ 126,787	\$ 122,717	\$ 92,124	\$ 101,091	\$ 106,097

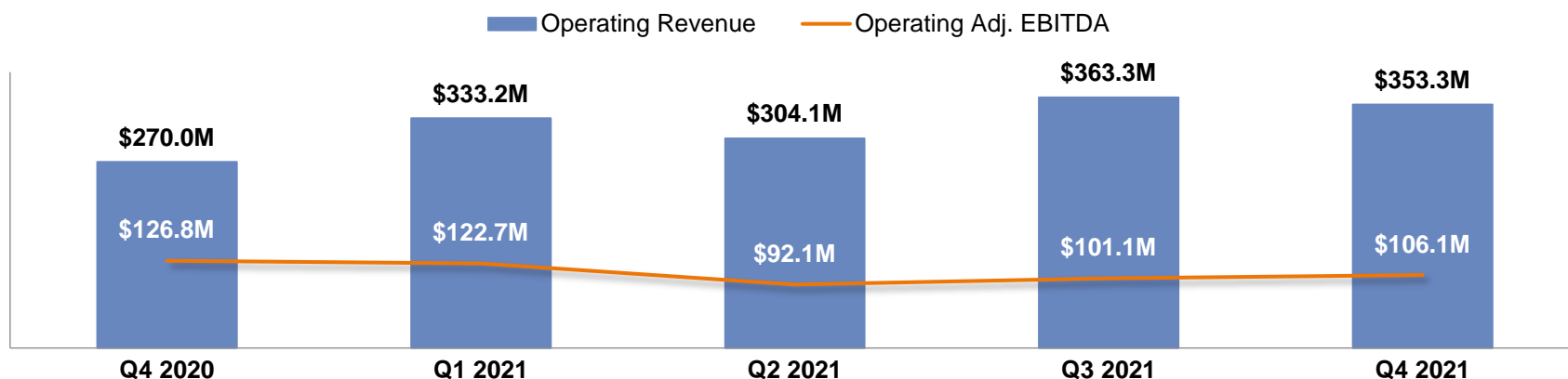
Operating Income Summary

	Three Months Ended December 31, 2021			Three Months Ended December 31, 2020		
	Operating	Investment	Combined	Operating	Investment	Combined
<i>(Unaudited, dollars in thousands)</i>						
Revenues:						
Services and fees	\$ 315,848	-	\$ 315,848	\$ 237,270	-	\$ 237,270
Trading income and fair value adjustments on loans	-	68,858	68,858	-	140,160	140,160
Interest income – loans & securities lending	33,443	-	33,443	30,116	-	30,116
Sale of goods	3,961	-	3,961	2,660	-	2,660
Total revenues	<u>\$ 353,252</u>	<u>\$ 68,858</u>	<u>\$ 422,110</u>	<u>\$ 270,046</u>	<u>\$ 140,160</u>	<u>\$ 410,206</u>
Operating expenses:						
Direct cost of services	\$ 12,955	-	\$ 12,955	\$ 9,250	-	\$ 9,250
Cost of goods sold	5,559	-	5,559	1,018	-	1,018
Selling, general and administrative expenses	233,782	36,930 ⁽¹⁾	270,712	130,627	6,461 ⁽¹⁾	137,088
Interest expense – securities lending & loan participations sold	12,362	-	12,362	11,782	-	11,782
Total operating expenses	<u>\$ 264,658</u>	<u>\$ 36,930</u>	<u>\$ 301,588</u>	<u>\$ 152,677</u>	<u>\$ 6,461</u>	<u>\$ 159,138</u>
Operating income	<u>\$ 88,594</u>	<u>\$ 31,928</u>	<u>\$ 120,522</u>	<u>\$ 117,369</u>	<u>\$ 133,699</u>	<u>\$ 251,068</u>

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

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Operating Revenue ⁽¹⁾	\$ 270,046	\$ 333,217	\$ 304,091	\$ 363,325	\$ 353,252
Investment Gains ⁽²⁾	140,160	266,942	32,679	18,197	68,858
Total Revenue	\$ 410,206	\$ 600,159	\$ 336,770	\$ 381,522	\$ 422,110

Operating Adjusted EBITDA ⁽³⁾

Investment Adjusted EBITDA ⁽⁴⁾

Adjusted EBITDA ⁽⁵⁾⁽⁶⁾

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Operating Adjusted EBITDA ⁽³⁾	\$ 126,787	\$ 122,717	\$ 92,124	\$ 101,091	\$ 106,097
Investment Adjusted EBITDA ⁽⁴⁾	133,699	262,764	32,763	13,010	31,928
Adjusted EBITDA ⁽⁵⁾⁽⁶⁾	\$ 260,486	\$ 385,481	\$ 124,887	\$ 114,101	\$ 138,025

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>	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021
Cash and Cash Equivalents	\$ 103,602	\$ 237,590	\$ 297,396	\$ 378,205	\$ 278,933
Restricted Cash	1,235	8,532	1,335	927	927
Due (to)/from Clearing Brokers, net	(6,583)	416,925	424,949	599,715	(39,741)
Advances Against Customer Contracts	200	200	200	200	200
Securities and Other Investments Owned					
Equity Securities	697,288	1,006,019	1,129,217	1,276,191	1,444,474
Corporate Bonds	3,195	41,754	42,912	5,401	7,632
Other Fixed Income Securities	1,913	5,165	3,227	4,436	2,606
Partnership Interests and Other	74,923	113,766	103,417	66,072	77,383
Securities Sold Not Yet Purchased	(10,105)	(288,058)	(272,088)	(419,211)	(28,623)
Loans Receivable, net of Loan Participations Sold	373,373	282,855	265,851	350,762	873,186
Other investments and deposits ⁽¹⁾	59,612	48,881	53,510	43,369	40,187
Noncontrolling interest ⁽²⁾	—	(4,326)	(11,254)	(16,558)	(17,785)
Total Cash, Net Securities, and Other	<u>\$1,298,653</u>	<u>\$1,869,303</u>	<u>\$2,038,672</u>	<u>\$2,289,509</u>	<u>\$2,639,379</u>

Debt Summary

<i>(Dollars in thousands)</i>	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021
Term Loans	\$ 74,213	\$ 69,543	\$ 257,104	\$ 252,927	\$ 346,385
Revolving Credit Facility	—	—	—	80,000	80,000
Notes Payable	37,967	6,908	357	357	357
Senior Notes Payable, net	870,783	1,139,100	1,213,105	1,362,847	1,606,560
Total Debt	<u>982,963</u>	<u>1,215,551</u>	<u>1,470,566</u>	<u>1,696,131</u>	<u>2,033,302</u>
Total Cash and Investments, Net of Debt	<u>\$ 315,690</u>	<u>\$ 653,752</u>	<u>\$ 568,106</u>	<u>\$ 593,378</u>	<u>\$ 606,077</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)

	December 31, 2021 (Unaudited)	December 31, 2020
Cash and cash equivalents	\$ 278,933	\$ 103,602
Restricted cash	927	1,235
Due from clearing brokers	29,657	7,089
Securities and other investments owned, at fair value	1,532,095	777,319
Securities borrowed	2,090,966	765,457
Accounts receivable, net	49,673	40,806
Due from related parties	2,074	986
Loans receivable, at fair value	873,186	390,689
Prepaid expenses and other assets	463,502	93,174
Operating lease right-of-use assets	56,969	48,799
Property and equipment, net	12,870	11,685
Goodwill	250,568	227,046
Other intangible assets, net	207,651	190,745
Deferred tax assets, net	2,848	4,098
Total assets	\$ 5,851,919	\$ 2,662,730
Accounts payable	\$ 6,326	\$ 2,722
Accrued expenses and other liabilities	343,750	173,178
Deferred revenue	69,507	68,651
Deferred tax liabilities, net	93,055	34,248
Due to related parties and partners	—	327
Due to clearing brokers	69,398	13,672
Securities sold not yet purchased	28,623	10,105
Securities loaned	2,088,685	759,810
Operating lease liabilities	69,072	60,778
Notes payable	357	37,967
Loan participations sold	—	17,316
Revolving credit facility	80,000	—
Term loans	346,385	74,213
Senior notes payable, net	1,606,560	870,783
Total liabilities	\$ 4,801,718	\$ 2,123,770
Redeemable noncontrolling interests in equity of subsidiaries	345,000	—
Total B. Riley Financial, Inc. stockholders' equity	661,271	512,586
Noncontrolling interests	43,930	26,374
Total equity	705,201	538,960
Total liabilities and equity	\$ 5,851,919	\$ 2,662,730

Consolidated Statements of Income

(Dollars in thousands, except share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021 Unaudited	2020 Unaudited	2021 Unaudited	2020
Revenues:				
Services and fees	\$ 315,848	\$ 237,270	\$ 1,172,957	\$ 667,069
Trading income and fair value adjustments on loans	68,858	140,160	386,676	104,018
Interest income - Loans and securities lending	33,443	30,116	122,723	102,499
Sale of goods	3,961	2,660	58,205	29,135
Total revenues	422,110	410,206	1,740,561	902,721
Operating expenses:				
Direct cost of services	12,955	9,250	54,390	60,451
Cost of goods sold	5,559	1,018	26,953	12,460
Selling, general and administrative expenses	270,712	137,088	906,196	428,537
Restructuring charge	—	—	—	1,557
Impairment of tradenames	—	—	—	12,500
Interest expense - Securities lending and loan participations sold	12,362	11,782	52,631	42,451
Total operating expenses	301,588	159,138	1,040,170	557,956
Operating income	120,522	251,068	700,391	344,765
Other income (expense):				
Interest income	54	27	229	564
(Loss) gain on extinguishment of loans and other	(4,471)	—	3,796	—
Income (loss) from equity investments	1,629	(478)	2,801	(623)
Interest expense	(26,441)	(16,712)	(92,455)	(65,249)
Income before income taxes	91,293	233,905	614,762	279,457
Provision for income taxes	(23,847)	(62,060)	(163,960)	(75,440)
Net income	67,446	171,845	450,802	204,017
Net income (loss) attributable to noncontrolling interests	3,274	251	5,748	(1,131)
Net income attributable to B. Riley Financial, Inc.	\$ 64,172	\$ 171,594	\$ 445,054	\$ 205,148
Preferred stock dividends	1,990	1,480	7,457	4,710
Net income available to common shareholders	\$ 62,182	\$ 170,114	\$ 437,597	\$ 200,438
Basic income per common share	\$ 2.26	\$ 6.72	\$ 15.99	\$ 7.83
Diluted income per common share	\$ 2.08	\$ 6.55	\$ 15.09	\$ 7.56
Weighted average basic common shares outstanding	27,569,188	25,331,918	27,366,292	25,607,278
Weighted average diluted common shares outstanding	29,840,704	25,966,501	29,005,602	26,508,397

Segment Financial Information

(Unaudited, dollars in thousands)

	Three Months Ended December 31,	
	2021	2020
Capital Markets segment:		
Revenues - Services and fees	\$ 143,492	\$ 150,098
Trading income and fair value adjustments on loans	67,718	139,750
Interest income - Loans and securities lending	33,443	30,116
Total revenues	244,653	319,964
Selling, general and administrative expenses	(113,690)	(73,118)
Interest expense - Securities lending and loan participations sold	(12,362)	(11,782)
Depreciation and amortization	(610)	(522)
Segment income	117,991	234,542
Wealth Management segment		
Revenues - Services and fees	103,803	20,851
Trading income and fair value adjustments on loans	1,140	410
Total revenues	104,943	21,261
Selling, general and administrative expenses	(96,799)	(19,142)
Depreciation and amortization	(2,088)	(459)
Segment income	6,056	1,660
Auction and Liquidation segment:		
Revenues - Services and fees	4,532	13,761
Revenues - Sale of goods	1,186	1,906
Total revenues	5,718	15,667
Direct cost of services	(2,977)	(4,324)
Cost of goods sold	(1,097)	(406)
Selling, general and administrative expenses	(4,350)	(3,477)
Segment (loss) income	\$ (2,706)	\$ 7,460

	Three Months Ended December 31,	
	2021	2020
Financial Consulting segment		
Revenues - Services and fees	\$ 27,877	\$ 26,480
Selling, general and administrative expenses	(21,166)	(19,476)
Depreciation and amortization	(83)	(131)
Segment income	6,628	6,873
Principal Investments – Communications segment:		
Revenues - Services and fees	31,096	20,629
Revenues - Sale of goods	2,776	754
Total revenues	33,872	21,383
Direct cost of services	(9,978)	(4,926)
Cost of goods sold	(4,462)	(612)
Selling, general and administrative expenses	(10,397)	(6,000)
Depreciation and amortization	(3,189)	(2,545)
Segment income	5,846	7,300
Brands segment:		
Revenues - Services and fees	5,047	5,451
Selling, general and administrative expenses	(840)	(682)
Depreciation and amortization	(602)	(715)
Segment income	3,605	4,054
Consolidated operating income from reportable segments	\$ 137,420	\$ 261,889

Segment Financial Information

(Unaudited, dollars in thousands)

	Twelve Months Ended December 31,			Twelve Months Ended December 31,	
	2021	2020		2021	2020
Capital Markets segment:			Financial Consulting segment		
Revenues - Services and fees	\$ 575,317	\$ 339,877	Revenues - Services and fees	\$ 94,312	\$ 91,622
Trading income and fair value adjustments on loans	379,053	103,214	Selling, general and administrative expenses	(77,062)	(68,232)
Interest income - Loans and securities lending	122,723	102,499	Restructuring charge	—	(500)
Total revenues	1,077,093	545,590	Depreciation and amortization	(356)	(347)
Selling, general and administrative expenses	(345,455)	(198,962)	Segment income	16,894	22,543
Restructuring charge	—	(917)			
Interest expense - Securities lending and loan participations sold	(52,631)	(42,451)	Principal Investments –		
Depreciation and amortization	(2,136)	(2,386)	Communications segment:		
Segment income	676,871	300,874	Revenues - Services and fees	88,490	83,666
			Revenues - Sale of goods	4,857	3,472
			Total revenues	93,347	87,138
			Direct cost of services	(23,671)	(19,721)
			Cost of goods sold	(6,278)	(2,694)
			Selling, general and administrative expenses	(25,493)	(20,352)
			Depreciation and amortization	(10,747)	(11,011)
			Segment income	27,158	33,360
Wealth Management segment					
Revenues - Services and fees	374,361	72,345	Brands segment:		
Trading income and fair value adjustments on loans	7,623	804	Revenues - Services and fees	20,308	16,458
Total revenues	381,984	73,149	Selling, general and administrative expenses	(3,178)	(2,889)
Selling, general and administrative expenses	(357,130)	(68,368)	Depreciation and amortization	(2,745)	(2,858)
Depreciation and amortization	(8,920)	(1,880)	Impairment of tradenames	—	(12,500)
Segment income	15,934	2,901	Segment income (loss)	14,385	(1,789)
Auction and Liquidation segment:			Consolidated operating income from reportable segments	\$ 759,296	\$ 383,658
Revenues - Services and fees	20,169	63,101			
Revenues - Sale of goods	53,348	25,663			
Total revenues	73,517	88,764			
Direct cost of services	(30,719)	(40,730)			
Cost of goods sold	(20,675)	(9,766)			
Selling, general and administrative expenses	(14,069)	(12,357)			
Restructuring charges	—	(140)			
Depreciation and amortization	—	(2)			
Segment income	\$ 8,054	\$ 25,769			

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.