



Second Quarter 2020 Supplemental Financial Data

July 30, 2020

NASDAQ: RILY

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

<i>(Unaudited, dollars in thousands)</i>	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Adj. EBITDA and Operating Adj. EBITDA Reconciliation					
Net income (loss) attributable to B. Riley Financial, Inc.	\$22,157	\$34,302	\$17,129	\$(98,665)	\$83,840
EBITDA Adjustments:					
Provision (benefit) for income taxes	9,289	14,409	7,842	(37,539)	32,208
Interest expense	11,588	12,772	15,075	15,654	16,509
Interest income	(331)	(361)	(248)	(246)	(224)
Share based payments	2,934	4,728	5,640	5,322	4,167
Depreciation and amortization	4,831	4,473	4,831	4,956	4,923
Restructuring costs	1,552	—	—	—	—
Impairment of tradenames	—	—	—	4,000	8,500
Transactions related costs and other	836	7	—	10,454	(1,660)
Total EBITDA Adjustments	<u>30,699</u>	<u>36,028</u>	<u>33,140</u>	<u>2,601</u>	<u>64,423</u>
Adjusted EBITDA	\$52,856	\$70,330	\$50,269	\$(96,064)	\$148,263
Operating EBITDA Adjustments:					
Trading (income) losses and fair value adjustments on loans	(5,595)	(40,268)	(34,733)	182,442	(114,547)
Other investment related expenses	(4,110)	5,138	858	(15,470)	13,040
Total Operating EBITDA Adjustments	<u>(9,705)</u>	<u>(35,130)</u>	<u>(33,875)</u>	<u>166,972</u>	<u>(101,507)</u>
Operating Adjusted EBITDA	\$43,151	\$35,200	\$16,394	\$70,908	\$46,756

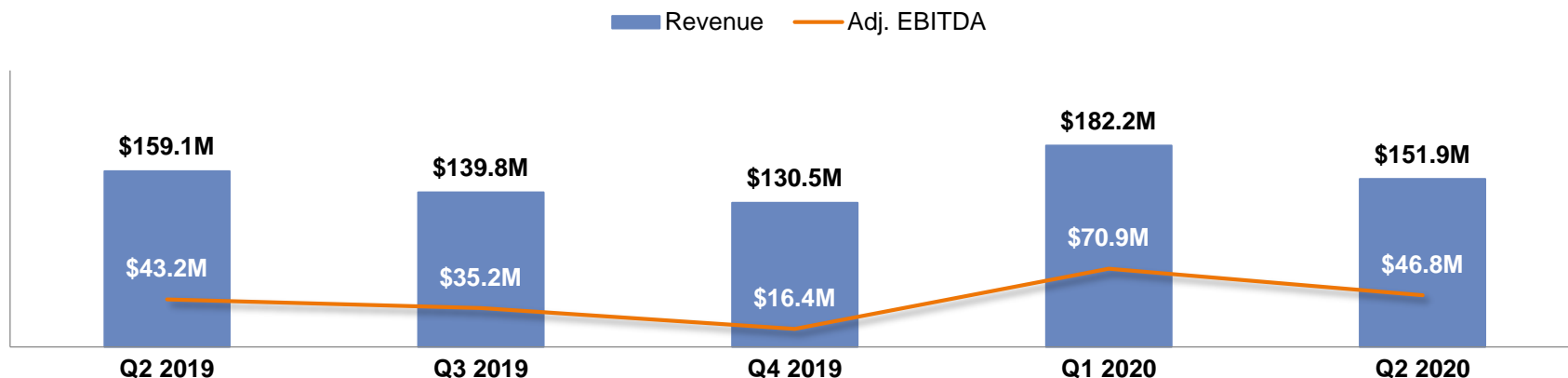
Operating Income Summary – Q2 2020 and June YTD 2020

	Q2 2020			YTD June 2020		
	Operating	Investment	Combined	Operating	Investment	Combined
<i>(Unaudited)</i>						
<i>(Dollars in thousands)</i>						
Revenues:						
Services and fees	\$ 125,595	-	\$ 125,595	\$ 284,976	-	\$ 284,976
Trading income (losses) and fair value adjustments on loans	-	114,547	114,547	-	(67,895)	(67,895)
Interest income – loans & securities lending	24,506	-	24,506	46,357	-	46,357
Sale of goods	1,820	-	1,820	2,824	-	2,824
Total revenues	<u>\$ 151,921</u>	<u>\$ 114,547</u>	<u>\$ 266,468</u>	<u>\$ 334,157</u>	<u>\$ (67,895)</u>	<u>\$ 266,262</u>
Operating expenses:						
Direct cost of services	\$ 7,985	-	\$ 7,985	\$ 27,937	-	\$ 27,937
Cost of goods sold	860	-	860	1,629	-	1,629
Selling, general and administrative expenses	93,522	13,040 ⁽¹⁾	106,562	196,736	(2,430) ⁽¹⁾	194,306
Restructuring charges	-	-	-	-	-	-
Impairment of tradenames	8,500	-	8,500	12,500	-	12,500
Interest expense – securities lending & loan participation sold	11,221	-	11,221	19,694	-	19,694
Total operating expenses	<u>\$ 122,088</u>	<u>\$ 13,040</u>	<u>\$ 135,128</u>	<u>\$ 258,496</u>	<u>\$ (2,430)</u>	<u>\$ 256,066</u>
Operating income (loss)	<u>\$ 29,833</u>	<u>\$ 101,507</u>	<u>\$ 131,340</u>	<u>\$ 75,661</u>	<u>\$ (65,465)</u>	<u>\$ 10,196</u>

1. Other investment related expenses.

Quarterly Operating Revenue and Operating Adjusted EBITDA

Operating Revenue and Adjusted EBITDA ⁽¹⁾⁽³⁾⁽⁵⁾⁽⁶⁾



Quarterly Revenue and Adjusted EBITDA

(Dollars in thousands)

Operating Revenue ⁽¹⁾

Investment Gains (Loss) ⁽²⁾

Total Revenue

Operating Adjusted EBITDA ⁽³⁾

Investment Adjusted EBITDA ⁽⁴⁾

Adjusted EBITDA ⁽⁵⁾⁽⁶⁾

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Operating Revenue ⁽¹⁾	\$159,089	\$139,795	\$130,504	\$182,236	\$151,921
Investment Gains (Loss) ⁽²⁾	5,595	40,268	34,733	(182,442)	114,547
Total Revenue	\$164,684	\$180,063	\$165,237	\$(206)	\$266,468
Operating Adjusted EBITDA ⁽³⁾	\$43,151	\$35,200	\$16,394	\$70,908	\$46,756
Investment Adjusted EBITDA ⁽⁴⁾	9,705	35,130	33,875	(166,972)	101,507
Adjusted EBITDA ⁽⁵⁾⁽⁶⁾	\$52,856	\$70,330	\$50,269	\$(96,064)	\$148,263

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, 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

(Dollars in thousands)

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Cash and Cash Equivalents	\$55,609	\$170,587	\$104,268	\$124,231	\$ 106,253
Restricted Cash	2,635	471	471	471	471
Due from Clearing Brokers, net	29,245	27,791	23,818	5,753	29,089
Advances Against Customer Contracts	5,322	-	27,347	11,121	1,413
Securities and Other Investments Owned					
Equity Securities	180,089	244,556	353,162	234,867	341,515
Corporate bonds	23,170	21,580	19,020	18,429	5,375
Other fixed income securities	5,767	4,816	8,414	5,243	2,768
Partnership interests and other	19,417	20,153	27,617	29,247	49,386
Securities Sold Not Yet Purchased	(42,754)	(29,092)	(41,820)	(14,298)	(9,804)
Loans Receivable, net of Loan Participation Sold	292,368	302,537	256,708	313,894	311,408
Other equity investments and deposits ⁽¹⁾	106,904	81,194	54,855	48,765	61,588
Total Cash, Net Securities, and Other	<u>\$677,772</u>	<u>\$844,593</u>	<u>\$833,860</u>	<u>\$777,723</u>	<u>\$899,462</u>

Debt Summary

(Dollars in thousands)

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Term Loan	\$80,916	\$71,393	\$66,666	\$61,932	\$ 57,195
Notes Payable	1,193	1,193	38,167	714	714
Senior Notes Payable	582,482	701,278	688,112	853,523	854,037
Total Debt	<u>664,591</u>	<u>773,864</u>	<u>792,945</u>	<u>916,169</u>	<u>911,946</u>
Total Cash and Investments, Net of Debt	<u>\$13,181</u>	<u>\$70,729</u>	<u>\$40,915</u>	<u>\$(138,446)</u>	<u>\$(12,484)</u>

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

Condensed Consolidated Balance Sheets

<i>(Dollars in thousands)</i>	June 30, 2020 (Unaudited)	December 31, 2019
Cash and cash equivalents	\$106,253	\$104,268
Restricted cash	471	471
Due from clearing brokers	29,089	23,818
Securities and other investments owned, at fair value	399,044	408,213
Securities borrowed	786,363	814,331
Accounts receivable, net	43,226	46,624
Due from related parties	295	5,832
Advances against customer contracts	1,413	27,347
Loans receivable, at fair value	325,517	43,338
Loans receivable, at cost	—	225,848
Prepaid expenses and other assets	105,312	81,808
Operating lease right-of-use assets	44,636	47,809
Property and equipment, net	12,287	12,727
Goodwill	227,046	223,697
Other intangible assets, net	199,991	220,525
Deferred income taxes	14,329	31,522
Total assets	\$2,295,272	\$2,318,178
Accounts payable	\$4,301	\$4,477
Accrued expenses and other liabilities	106,531	130,714
Deferred revenue	71,017	67,121
Due to related parties and partners	617	1,750
Securities sold not yet purchased	9,804	41,820
Securities loaned	779,013	810,495
Mandatorily redeemable noncontrolling interests	4,351	4,616
Operating lease liabilities	57,364	61,511
Notes payable	714	38,167
Loan participations sold	14,109	12,478
Term loan	57,195	66,666
Senior notes payable	854,037	688,112
Total liabilities	\$1,959,053	\$1,927,927
Total B. Riley Financial, Inc. stockholders' equity	310,009	360,660
Noncontrolling interests	26,210	29,591
Total equity	336,219	390,251
Total liabilities and equity	\$2,295,272	\$2,318,178

Condensed Consolidated Statements of Income

(Unaudited)
(Dollars in thousands)

	Three Months Ended June 30,	
	2020	2019
Revenues:		
Services and fees	\$125,595	\$139,968
Trading income and fair value adjustments on loans	114,547	5,595
Interest income - Loans and securities lending	24,506	16,961
Sale of goods	1,820	2,160
Total revenues	266,468	164,684
Operating expenses:		
Direct cost of services	7,985	19,663
Cost of goods sold	860	1,805
Selling, general and administrative expenses	106,562	91,907
Restructuring charge	—	1,552
Impairment of tradenames	8,500	—
Interest expense - Securities lending and loan participations sold	11,221	5,502
Total operating expenses	135,128	120,429
Operating income	131,340	44,255
Other income (expense):		
Interest income	224	331
Loss from equity investments	(318)	(1,400)
Interest expense	(16,509)	(11,588)
Income before income taxes	114,737	31,598
Provision for income taxes	(32,208)	(9,289)
Net income	82,529	22,309
Net (loss) income attributable to noncontrolling interests	(1,311)	152
Net income attributable to B. Riley Financial, Inc.	\$83,840	\$22,157
Preferred stock dividends	1,087	—
Net income available to common shareholders	\$82,753	\$22,157
Basic income per common share	\$3.23	\$0.84
Diluted income per common share	\$3.07	\$0.82
Weighted average basic common shares outstanding	25,627,085	26,278,352
Weighted average diluted common shares outstanding	26,992,823	26,896,573

Condensed Consolidated Statements of Cash Flows

(Unaudited)
(Dollars in thousands)

Cash flows from operating activities:

	Six Months Ended June 30,	
	2020	2019
Net (loss) income	\$(16,720)	\$30,288
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,879	9,744
Provision for doubtful accounts	2,081	1,067
Share-based compensation	9,489	5,548
Fair value adjustments, non-cash	21,975	(5,639)
Non-cash interest and other	(6,943)	(3,144)
Effect of foreign currency on operations	(73)	339
Loss from equity investments	554	5,162
Deferred income taxes	(14,340)	6,430
Impairment of intangibles and loss on disposal of fixed assets	12,550	(344)
Gain on extinguishment of debt	(1,556)	—
Income allocated for mandatorily redeemable noncontrolling interests	397	446
Change in operating assets and liabilities	(3,861)	(48,459)
Net cash provided by operating activities	<u>13,432</u>	<u>1,438</u>
Cash flows from investing activities:		
Purchases of loans receivable	(152,228)	(225,072)
Repayments of loans receivable	74,450	17,640
Sale of loan receivable to related party	1,800	—
Proceeds from loan participations sold net of repayment of loan participations sold	1,460	—
Purchases of property, equipment and other	(851)	(2,514)
Proceeds from sale of property, equipment and intangible assets	1	503
Purchase of equity investments	(6,486)	(25,183)
Proceeds from sale of division of magicJack	—	6,196
Dividends and distributions from equity investments	797	854
Acquisition of other businesses	(1,500)	—
Net cash used in investing activities	<u>(82,557)</u>	<u>(227,576)</u>
Cash flows from financing activities:		
Net cash provided by financing activities	<u>71,815</u>	<u>104,067</u>
Effect of foreign currency on cash, cash equivalents and restricted cash	(705)	37
Net increase (decrease) in cash, cash equivalents and restricted cash	1,985	(122,034)
Cash, cash equivalents and restricted cash, beginning of period	<u>104,739</u>	<u>180,278</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$106,724</u>	<u>\$58,244</u>

Segment Financial Information

(Unaudited)
(Dollars in thousands)

	Three Months Ended June 30,	
	2020	2019
Capital Markets segment:		
Revenues - Services and fees	\$86,858	\$71,692
Trading income and fair value adjustments on loans	114,547	5,595
Interest income - Loans and securities lending	24,506	16,961
Total revenues	225,911	94,248
Selling, general and administrative expenses	(81,030)	(63,041)
Restructuring charge	—	(25)
Interest expense - Securities lending and loan participations sold	(11,221)	(5,502)
Depreciation and amortization	(1,091)	(1,287)
Segment income	132,569	24,393
Auction and Liquidation segment:		
Revenues - Services and fees	7,206	33,740
Revenues - Sale of goods	1,045	1,176
Total revenues	8,251	34,916
Direct cost of services	(3,217)	(12,939)
Cost of goods sold	(285)	(852)
Selling, general and administrative expenses	(2,729)	(3,295)
Depreciation and amortization	—	(2)
Segment income	2,020	17,828
Valuation and Appraisal segment:		
Revenues - Services and fees	7,669	9,742
Selling, general and administrative expenses	(6,144)	(6,974)
Depreciation and amortization	(47)	(31)
Segment income	1,478	2,737

	Three Months Ended June 30,	
	2020	2019
Principal Investments –		
United Online and magicJack segment:		
Revenues - Services and fees	20,656	24,794
Revenues - Sale of goods	775	984
Total revenues	21,431	25,778
Direct cost of services	(4,768)	(6,724)
Cost of goods sold	(575)	(953)
Selling, general and administrative expenses	(4,049)	(5,495)
Depreciation and amortization	(2,851)	(3,300)
Restructuring charge	—	(1,527)
Segment income	9,188	7,779
Brands segment:		
Revenues - Services and fees	3,206	—
Selling, general and administrative expenses	(309)	—
Depreciation and amortization	(715)	—
Impairment of tradenames	(8,500)	—
Segment loss	(6,318)	—
Consolidated operating income from reportable segments	\$138,937	\$52,737

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, 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.