

## EARNINGS RELEASE

### **GMP CAPITAL INC. REPORTS THIRD QUARTER 2019 RESULTS**

- Focused on closing the sale of capital markets business to Stifel Financial Corp., which remains on track to close in fourth quarter 2019
- Focused on transforming GMP into a pure-play wealth management firm
- Board of Directors approved a quarterly cash dividend of \$0.025 per common share

For further information about GMP Capital Inc., our results for third quarter 2019 and the meaning of certain references, this earnings release should be read in conjunction with our unaudited interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2019 (Third Quarter 2019 Financial Statements) and our management's discussion and analysis for the three and nine months ended September 30, 2019 (Third Quarter 2019 MD&A) and our annual information form, which can be accessed on our website at [gmpcapital.com](http://gmpcapital.com) and on SEDAR at [sedar.com](http://sedar.com). Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and have been taken from our Third Quarter 2019 Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS).

**Toronto, November 8, 2019** - GMP Capital Inc. (GMP) (TSX: GMP) today reported a net loss of \$25.4 million in third quarter 2019 compared with net income of \$2.9 million in third quarter 2018. The decline of \$28.3 million was primarily due to an \$18.0 million net loss from discontinued operations, which comprise substantially all of GMP's capital markets business. As previously announced, in August 2019 shareholders voted overwhelmingly in favor of the sale of substantially all of its capital markets business to Stifel Financial Corp. (Stifel) in an all cash transaction (the Sale Transaction).

The Sale Transaction is expected to close in fourth quarter 2019, conditional on receipt of regulatory approvals and satisfaction of certain other closing conditions. In connection with the Sale Transaction, Harris Fricker stepped down from his role as President and CEO of the public company effective August 9, 2019, and remains President and CEO of the Capital Markets business until closing of the Sale Transaction. Harris Fricker and other key personnel have entered into employment agreements and, effective at the closing of the Sale Transaction, will be joining Stifel.

### **FINANCIAL HIGHLIGHTS**

#### *Discontinued Operations*

Discontinued operations include substantially all of GMP's capital markets business.

Net loss from discontinued operations was \$18.0 million in third quarter 2019; down \$27.3 million from the same period a year ago, is largely the result of:

- \$42.6 million decline in capital markets revenues compared with the same period last year as a result of lower investment banking and advisory activities;
- \$8.1 million (\$6.0 million after-tax) in contractual remuneration payments and other professional and advisory costs related to the Sale Transaction incurred in third quarter 2019; and
- \$4.7 million (\$3.5 million after-tax) restructuring provision in third quarter 2019.

For further information relating to discontinued operations, please refer to Note 5 to the Third Quarter 2019 Financial Statements.

#### *Continuing Operations*

Continuing operations are comprised of the new Operations Clearing segment, and the Wealth Management and Corporate segments. Prior period results have been re-stated to conform to new reporting segments.

Net loss from continuing operations was \$7.4 million in third quarter 2019; down \$0.9 million compared with the same period a year ago. The decline was primarily due to:

- Non-cash deferred tax expense of \$8.0 million relating to a write-down of deferred tax assets; and
- Lower other revenue and expense relating to lower carrying broker and other administrative support services provided to Richardson GMP amid lower retail client activity.
- Partly offset by:

- Higher interest revenue (net of interest expense) in Operations Clearing in connection with improved stock borrowing and lending activity;
- Reversal of previously accrued annual compensation amounts in connection with the Sale Transaction announcement; and
- Lower Transaction Share costs of \$2.9 million (\$2.1 million after-tax) relating to the FirstEnergy acquisition.

GMP recorded a net loss of \$44.7 million in first nine months 2019 compared with net income of \$7.5 million in first nine months 2018. The decline of \$52.2 million was primarily due to a \$32.4 million net loss from discontinued operations, an increase of \$53.6 million compared with the \$21.2 million net income reported in first nine months 2018.

## **FOCUS ON ACCELERATING WEALTH MANAGEMENT**

As previously disclosed, upon closing of the Sale Transaction, GMP intends to redeploy considerable capital toward accelerating the growth of its wealth management business and GMP intends to make wealth management the centerpiece of the Company's growth strategy going forward. The Sale Transaction is the first step in a wider strategy to transform the Company into a pure-play wealth management firm that can provide Common Shareholders the greatest potential for long term value creation through ownership in a business that is focused exclusively on serving the wealth management needs of a growing number of investment advisors and their high and ultra-high net worth clients looking for independent, non-bank points of access for advice. To lead this transformation, on August 9, 2019, the Board of Directors appointed Kish Kapoor as interim President and CEO of GMP Capital Inc.

The strategy envisions the Company consolidating the approximately two thirds of Richardson GMP not owned by GMP and making wealth management the core business for future growth in the value of the Company. Richardson GMP is one of Canada's leading wealth management firms. Since 2010, Richardson GMP has been awarded top ranking in the Investment Executive Brokerage Report Card for products and services dedicated to high net worth and ultra-high net worth investors. Most recently, Richardson GMP was recognized as one of Canada's Best Workplaces™ for 2019. Richardson GMP has approximately \$28.6 billion in client assets (as at September 30, 2019) administered by 160 advisory teams. In 2018, Richardson GMP generated approximately \$290 million in revenues (with approximately 70% in fee based recurring revenues) and adjusted EBITDA of \$45 million.

A special committee of the Board (the Vend-In Special Committee), comprised entirely of independent directors (excluding any directors affiliated with Richardson Financial Group Limited ("RFGL")), has been formed to pursue the acquisition of RFGL's approximately 34.4 percent interest in Richardson GMP as well as the approximately remaining 31.2 percent held largely by Richardson GMP's investment advisors, and management team. The Vend-In Special Committee has retained RBC Capital Markets as financial advisor and as an independent valuator to prepare a formal valuation of the common shares of Richardson GMP in accordance with Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.

The Company believes that consolidating 100% of Richardson GMP, with its proven and scalable wealth management platform, will allow it to:

- partner with the Richardson family, through RFGL (GMP's largest shareholder (24.1%) and owner of approximately 34.4% of Richardson GMP), to bring to the Company a powerful brand, reputation/expertise and rich history in creating wealth in a variety of industries including financial services over more than five generations;
- accelerate its vision to continue building and growing a top-tier wealth management business that becomes a fully integrated financial services firm able to provide a comprehensive suite of client solutions across the entire family household balance sheet; and
- deploy its excess net working capital and public company currency to prudently and aggressively grow the business through recruitment of financial advisors, acquisition of complimentary wealth management businesses and capabilities, development and introduction of new product and service offerings and investing in a variety of operating and revenue initiatives to improve the service offering to investment advisors and their clients, and expand margins.

Any consolidation of 100% of Richardson GMP would be completed after the Sale Transaction, subject to approval of the Common Shareholders, required regulatory approvals and other customary closing conditions. If completed, such acquisition will result in

Richardson Financial Group Limited continuing to be the largest shareholder of GMP with its current holdings increasing by the amount received in GMP shares in exchange for its 34.4% interest in Richardson GMP.

With \$4.4 trillion in retail financial wealth in Canada, the growth opportunities in the market for an independent with scale are significant. Demographic trends support the growth of independent players that have expertise in providing face-to-face advice across the entire household balance sheet. An ageing population and growing complexity and sophistication of wealth solutions, we believe, supports the long-term value proposition of face-to-face advice. Richardson GMP, with its high concentration of fee-based assets and strong presence in the high and ultra-high net worth markets is the ideal platform for GMP to accelerate its long-term wealth management strategy.

**There is no assurance that any transaction involving Richardson GMP will result from the discussions with RFG or on what terms or structure any transaction may occur.**

## **RETURN OF CAPITAL**

As previously disclosed and following shareholder approval at a special meeting held on August 6, 2019, the Company intends to pay to holders of its common shares (Common Shareholders) a one-time return of capital distribution in the amount of \$0.275 per common share, conditional upon successful closing of the Sale Transaction. We continue to expect to close the Sale Transaction in fourth quarter 2019, conditional on receipt of regulatory approvals and satisfaction of certain other closing conditions, at which time GMP will announce details including the record and payment dates associated with the one-time return of capital distribution in the amount of \$0.275 per common share to its Common Shareholders.

## **THIRD QUARTER 2019 BUSINESS SEGMENT HIGHLIGHTS FROM CONTINUING OPERATIONS**

### **Change in Business Segment Reporting**

As at September 30, 2019, in connection with the Sale Transaction, GMP reorganized the composition of its business segment disclosure to better reflect its current organizational structure and provide readers with an enhanced understanding of how management views GMP's core performance. Commencing third quarter 2019, the provision of Type 2 carrying broker and other administrative services provided to Richardson GMP (formerly provided by GMP Securities), will no longer form part of the Corporate and Capital Markets reporting segments, and will be presented as a new business segment named Operations Clearing. Certain previously reported figures have been retrospectively restated to reflect the new organizational structure.

Following the completion of the Sale Transaction, the Operations Clearing business segment will also include the provision of Type 3 carrying broker services to Stifel's Canadian capital markets business.

As at September 30, 2019, GMP has two reportable business segments: (i) Operations Clearing; and (ii) Wealth Management, and a Corporate segment.

### **Operations Clearing**

*Third quarter 2019 vs Third quarter 2018*

#### **Revenue**

Operations Clearing revenue increased 52% in third quarter 2019 compared with third quarter 2018 primarily driven by higher interest revenue compared with third quarter 2018. Partly offsetting this increase was lower other revenue in third quarter 2019 reflecting reduced carrying broker and other administrative service fee charges to Richardson GMP amid lower retail client activity compared with the same period a year ago.

- Interest revenue increased 142% to \$5.6 million in connection with increased stock borrowing and lending activity.

## *Expenses*

Expenses of \$7.4 million increased 62% in third quarter 2019 compared with third quarter 2018 led largely by higher interest expenses, which rose 181% compared with third quarter 2018 in connection with increased stock borrowing and lending activity. Partly offsetting this increase was lower selling, general and administrative expense, lower employee compensation and benefits expense and lower selling, general and administrative expense.

- Interest expense increased 181% in third quarter 2019 compared with third quarter 2018 in connection with increased stock borrowing and lending activity this quarter.
- Selling, general and administrative costs decreased 28% in third quarter 2019 compared with third quarter 2018 largely due to lower clearing and settlement costs in connection with reduced retail client trading volumes at Richardson GMP.

## *Income (loss) before income taxes*

Operations Clearing reported net income before income taxes of \$0.5 million in third quarter 2019 compared with net income before income taxes of \$0.7 million in third quarter 2018.

## **Wealth Management**

### *Third quarter 2019 vs Third quarter 2018*

- Wealth Management reported income before income taxes of \$1.2 million in third quarter 2019 compared with income before income taxes of \$1.0 million in third quarter 2018 largely reflecting an increase in GMP's share of Richardson GMP's net income, which was \$0.6 million and \$0.5 million in third quarter 2019 and third quarter 2018, respectively.

## **Richardson GMP Highlights**

The following information sets forth an overview of the consolidated financial results of Richardson GMP, on a 100% basis; noting, however, that GMP owns an approximate 34.4% non-controlling interest of Richardson GMP as at September 30, 2019.

- Revenue decreased 6% to \$66.9 million, primarily due to lower commission and lower interest revenue. Investment management fees rose third quarter 2019 compared with the same period a year ago.
- Total expenses decreased 7% in third quarter 2019 compared with third quarter 2018, largely reflecting lower variable compensation expense commensurate with weaker revenue generation, lower investment advisor transition assistance, and lower selling, general and administrative expense resulting from reduced carrying broker and other administrative service fee charged to Richardson GMP by GMP in the provision of Type 2 carrying broker services.
- Adjusted EBITDA<sup>2</sup> was \$12.2 million, up from \$10.4 million in third quarter 2018.
- AUA was \$28.6 billion as at September 30, 2019.

2. Considered to be a non-GAAP financial measure. This data should be read in conjunction with the "Supplemental Information" section at the end of this press release and in the Third Quarter 2019 MD&A.

## **DIVIDENDS**

On November 7, 2019, the board of directors of GMP (the Board) approved a quarterly cash dividend of \$0.025 per common share, payable on December 31, 2019, to common shareholders of record on December 16, 2019.

On November 7, 2019, the Board also approved a quarterly cash dividend of \$0.2257 per Cumulative 5-Year Rate Reset Preferred Share, Series B, and \$0.285326 per Cumulative Floating Rate Preferred Shares, Series C, payable on December 31, 2019, to preferred shareholders of record on December 16, 2019.

## **CONFERENCE CALL**

A conference call and live audio webcast to discuss GMP's third quarter 2019 results and outlook will be held this morning at 10:00 a.m. (EST). The call will be open to the public. Interested parties are invited to access the quarterly conference call on a listen-only basis by dialing 416-340-2216 or 1-800-273-9672 (toll free).

The conference call will also be accessible as an audio webcast through the Investor Relations section of our website, at <http://gmpcapital.com/Investor-Relations/Quarterly-Information>. A recording of the conference call will be available until Sunday,

December 8, 2019, by dialing 905-694-9451 or 1-800-408-3053 (toll free) and entering access code 1643392#. The webcast will be archived, at <http://gmppcapital.com/Investor-Relations/Quarterly-Information>.

## **NON-GAAP MEASURES**

We use certain measures to assess our financial performance that are not generally accepted accounting principles (GAAP) measures under IFRS. These measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of GMP's performance, liquidity, cash flows and profitability.

### ***Annualized Return on Common Equity***

We evaluate the performance of our consolidated operations using annualized return on common equity (ROE) which we calculate based on net income attributable to common shareholders divided by total average common shareholder equity for the period, which are measures derived from information contained in our Third Quarter 2019 Financial Statements.

## SUPPLEMENTAL INFORMATION - RICHARDSON GMP

The following supplemental information reflects how management of Richardson GMP assesses the financial performance of Richardson GMP.

Richardson GMP's management assesses performance on both a reported and an adjusted basis and considers both bases to be useful in assessing underlying, ongoing business performance. Presenting results on both bases also permits readers to assess the impact of specified items on financial results. Richardson GMP's management uses certain measures to assess the financial performance of Richardson GMP that are not GAAP measures under IFRS. EBITDA and adjusted EBITDA do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These Non-GAAP measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of Richardson GMP's performance, liquidity, cash flows and profitability. Richardson GMP's management believes adjusting results by excluding the impact of the specified items is more reflective of ongoing financial performance and cash generating capabilities and provides readers with an enhanced understanding of how management views Richardson GMP's core performance. For further information, refer to the "Supplemental Information" section in the Third Quarter 2019 MD&A.

The following table sets forth an overview of the consolidated financial results of Richardson GMP for the periods indicated, on a 100% basis; noting, however, that GMP owns an approximate 34.4% non-controlling interest of Richardson GMP as at September 30, 2019.

The following table shows the consolidated financial results of Richardson GMP for the periods indicated.

(\$000, except as otherwise noted)	Three months ended September 30,		% increase/ (decrease)	Nine months ended September 30,		% increase/ (decrease)
	2019	2018		2019	2018	
<b>Revenue</b>	<b>66,941</b>	70,915	(6)	<b>203,724</b>	220,962	(8)
<b>Expenses</b>	<b>62,577</b>	67,011	(7)	<b>190,778</b>	205,494	(7)
Employee compensation and benefits	<b>44,706</b>	47,131	(5)	<b>135,281</b>	146,054	(7)
Non-compensation expenses	<b>17,871</b>	19,880	(10)	<b>55,497</b>	59,440	(7)
<b>Income before income tax</b>	<b>4,364</b>	3,904	12	<b>12,946</b>	15,468	(16)
<b>Net income - reported</b>	<b>2,925</b>	2,615	12	<b>8,575</b>	10,818	(21)
Pre-tax impact of adjusting items						
Interest	<b>1,962</b>	1,661	18	<b>6,000</b>	5,379	12
Income tax	<b>1,439</b>	1,258	14	<b>4,371</b>	4,568	(4)
Depreciation and amortization	<b>3,115</b>	1,307	138	<b>9,618</b>	3,936	144
Transition assistance loan amortization	<b>2,065</b>	2,647	(22)	<b>6,049</b>	8,025	(25)
EBITDA <sup>1</sup>	<b>11,506</b>	9,519	21	<b>34,613</b>	32,808	6
Share-based compensation	<b>653</b>	871	(25)	<b>2,194</b>	1,925	14
<b>Adjusted EBITDA<sup>1</sup></b>	<b>12,159</b>	10,390	17	<b>36,807</b>	34,734	6
Number of advisory teams	<b>160</b>	169	(5)			
AUA at period-end (\$ millions)	<b>28,634</b>	30,194	(5)			

1. Considered to be a non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers.

## FORWARD-LOOKING INFORMATION

This press release contains “forward-looking information” as defined under applicable Canadian securities laws. This information includes, but is not limited to, statements concerning our objectives, our strategies to achieve those objectives, as well as statements made with respect to management’s beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans” or “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking information reflects management’s current beliefs and is based on information currently available to management.

The forward-looking statements included in this press release, including statements regarding the Sale Transaction, the receipt of necessary shareholder approvals and satisfaction of other closing conditions, completing the Sale Transaction, the nature of GMP’s growth strategy going forward and execution on any of the potential plans (including the potential acquisition of 100% of Richardson GMP) are not guarantees of future results and involve risks and uncertainties that may cause actual results to differ materially from the potential results discussed in the forward-looking statements. In respect of the forward-looking statements and information concerning the completion of the Sale Transaction and the other conditions to the closing of the Sale Transaction, and the Company’s strategy going forward, including in respect of the Richardson GMP business. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this press release.

Forward-looking information is not a guarantee of future performance and is subject to numerous risks and uncertainties, including those described in this press release. GMP’s primary business activities are both competitive and subject to various risks. These risks include market, credit, liquidity, operational, legal, cyber and regulatory risks and other risk factors including, without limitation: variation in the market value of securities, volatility and liquidity of equity and debt trading markets, volume of new financings and mergers and acquisitions (M&A), dependence on key personnel, and sustainability of fees. Other factors, such as general economic conditions, including interest rate and exchange rate fluctuations and resource commodity prices, may also have an effect on GMP’s results of operations. Many of these risks and uncertainties can affect GMP’s actual results and could cause its actual results to differ materially from those expressed or implied in any forward-looking information disclosed by management or on its behalf.

Risks and uncertainties that may cause such differences include but are not limited to: the risk that the Sale Transaction may not be completed on a timely basis, if at all; the conditions to the consummation of the Sale Transaction may not be satisfied; the risk that the Sale Transaction may involve unexpected costs, liabilities or delays; the risk that, prior to the completion of the Sale Transaction, GMP’s business may experience significant disruptions, including loss of clients or employees, due to transaction related uncertainty or other factors; the possibility that legal proceedings may be instituted against GMP and/or others relating to the Sale Transaction and the outcome of such proceedings; the possible occurrence of an event, change or other circumstance that could result in termination of the Sale Transaction; risks that the purchase price under the Sale Transaction may be adversely affected by a reduction in GMP’s tangible book value, or a \$5.0 million reduction under specific circumstances, risks related to the diversion of management’s attention from GMP’s ongoing business operations; risks relating to the failure to obtain necessary regulatory approvals; risks related to the Company’s strategy going forward; including the risk that no transaction will occur for the acquisition by GMP of 100% of Richardson GMP; risks related to the failure to satisfy the conditions to complete the Sale Transaction; other risks inherent in the financial industry. Failure to obtain the requisite approvals, or the failure of the parties to otherwise satisfy the conditions to or complete the Sale Transaction, may result in the Sale Transaction not being completed on the proposed terms, or at all. In addition, if the Sale Transaction is not completed, and GMP continues in its current form, the announcement of the Sale Transaction and the dedication of substantial resources of GMP to the completion of the Sale Transaction could have a material adverse impact on GMP’s share price, its current business relationships (including with future and prospective employees, clients and partners) and on the current and future operations, financial condition and prospects of GMP and Richardson GMP. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect GMP’s operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). For a description of additional risks that could cause our actual results to differ materially from our current expectations, see “Risk Management” and “Risk Factors” in the Third Quarter 2019 MD&A; “Risk Factors” in GMP’s AIF and “Risk Factors” in GMP’s management information circular dated July 8, 2019. These risks and uncertainties are not the only ones facing the GMP Group. Additional risks and uncertainties not currently known to us or that we currently consider immaterial, may also impair the operations of the GMP Group. Although forward-looking information contained in this press release is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with this forward-looking information. Certain statements included in this press release may be considered a “financial outlook” for purposes of applicable Canadian securities laws and, as such, the financial outlook may not be appropriate for purposes other than this press release. The forward-looking information contained in this press release is made as of the date of this press release, and should not be relied upon as representing GMP’s views as of any date subsequent to the date of this press release.

Except as required by applicable law, management and the Board of Directors undertake no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

## ABOUT GMP CAPITAL INC.

GMP is a leading independent diversified financial services firm headquartered in Toronto, Canada, providing a wide range of financial products and services to a global client base that includes corporate clients, institutional investors and high-net-worth individuals. Operations Clearing provides Type 2 carrying broker services to Richardson GMP, including trade execution, clearing, settlement, custody, and other middle- and back-office services, and other expenses associated with providing such services. Wealth Management consists of GMP’s non-controlling ownership interest in Richardson GMP Limited. Richardson GMP Limited, one of Canada’s largest independent wealth management firm, is focused on providing exclusive and comprehensive wealth management and investment services delivered by an experienced team of investment professionals. GMP is listed on the Toronto Stock Exchange under the symbol “GMP”. For further information, please visit our corporate website at [gmppcapital.com](http://gmppcapital.com).

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