

# RF CAPITAL GROUP

## EARNINGS RELEASE

### **RF CAPITAL DELIVERING ON TRANSFORMATION AGENDA AND REPORTS FOURTH QUARTER AND YEAR-END 2020 RESULTS**

- Completed transformational acquisition of Richardson Wealth on October 20, 2020 (the RGMP Transaction), focused exclusively on opportunities in dynamic and fast-growing wealth management industry
- Returned \$79 million to shareholders since the beginning of 2019 via a substantial issuer bid, return of capital distribution and common and preferred share dividends
- Retained, inspired, and aligned the interests of Richardson Wealth’s advisors (owners of approximately 31% of the Company) with the Company’s go-forward wealth management focused strategy
- Strengthened the Board, senior leadership team, and undertook several other organizational initiatives that will help position the Company in the next phase of its transformation
- Richardson Wealth reported record quarterly and annual investment management and fee income, with this recurring revenue increasing to 78% of total revenue in 2020, up from 74% in 2019 (see supplemental information in this release)
- Grew assets under administration (AUA) by \$2.9 billion since the beginning of the transformation journey in 2019 to end of 2020 with \$30.3 billion

**Toronto, March 5, 2021** - RF Capital Group Inc. (RF Capital or the Company) (TSX: RCG) today reported net income from continuing operations of \$40.0 million in fourth quarter 2020 compared with a net loss of \$5.3 million in fourth quarter 2019, and net income from continuing operations of \$29.4 million for the full year 2020 compared to a loss of \$13.7 million in the prior year. Diluted earnings per share were \$0.52 in Q4 and \$0.26 for the year. Further details on the Company’s performance are contained in the Management’s Discussion and Analysis for the three and twelve months ended December 31, 2020.

This reported financial performance is not indicative of the earnings potential of the business going forward as the fourth quarter and full year 2020 results include material gains and losses associated with the acquisition of Richardson Wealth: namely a \$45.7 million gain on the Company’s investment and \$6.7 million in transaction costs. Further, the 2020 results only include 100% of the operating results of Richardson Wealth after the acquisition on October 20, 2020.

“Over the past several years, all of our actions have been driven with strategic intent. With our ownership changes complete, we are now one company and exclusively focused on the considerable opportunities in the dynamic and fast-growing wealth management industry. The new name on the door, our association with the powerful Richardson brand, the 160 exceptional advisory teams operating under that brand, and a framework that ensures our advisors continue to have a strong voice in the decision-making process will serve as catalysts for our future success. Everyone in the Company is squarely focused on accelerating our organic growth, and management is pursuing inorganic growth through the recruitment of new advisors and the acquisition of like-minded firms,” said Kish Kapoor, President and Chief Executive Officer.

Management and the Board, with considerable input from investment advisory teams and supported by a global consulting firm with deep expertise in wealth management, have begun to carefully map out a strategy to gain a greater share of the multi-trillion dollar wealth management industry. The strategy will leverage the Company’s single-minded focus on wealth management, best-in-class advisor teams, and national platform and scale. This exercise will encompass validating the Company’s view of the external market, assessing current capabilities, laying out the desired end-state vision and value proposition, and developing an execution roadmap. The Company intends to complete the review by the second quarter of 2021 and will communicate the key elements of its plan by mid-year.

## BOARD AND LEADERSHIP STRENGTH

The Company has strengthened its Board by adding two new independent directors, David Leith and Nathalie Bernier. Both Mr. Leith and Ms. Bernier are high calibre leaders with considerable financial and strategic acumen, as well as organization transformation expertise. With these additions, the Board is comprised of eight directors, six of whom are independent. The Board also intends to add two additional directors at its upcoming annual meeting.

The Company reinforced its senior leadership with the appointment of Kish Kapoor as President and Chief Executive Officer, removing his interim title, and Tim Wilson as Chief Financial Officer. It also announced that the Chief Executive Officer and Chief Financial Officer of the Company's wealth management brand, Richardson Wealth, will be leaving the Company effective March 31, 2021.

## 2020 FINANCIAL HIGHLIGHTS

### Selected Financial Information

(\$000's, except as otherwise indicated)	Q4 2020	Q4 2019	% increase/ (decrease)	2020	2019	% increase/ (decrease)
<b>Revenues</b>						
Investment management and fee income	42,427	—	n.m.	42,427	—	n.m.
Commissions	6,127	—	n.m.	6,127	—	n.m.
Investment banking and principal transactions	—	533	n.m.	1,742	3,985	(56)
Interest	4,271	4,575	(7)	12,550	18,683	(33)
Other	7,890	3,259	142	21,273	14,172	50
	<b>60,715</b>	<b>8,367</b>	<b>626</b>	<b>84,119</b>	<b>36,840</b>	<b>128</b>
<b>Expenses</b>						
Variable advisor compensation	23,726	—	n.m.	23,726	—	n.m.
Advisor loan amortization	3,490	—	n.m.	3,490	—	n.m.
Employee compensation and benefits	15,339	3,160	385	23,674	14,241	66
Non-compensation expenses	16,218	8,024	102	35,208	30,694	22
Acquisition Costs	1,201	64	1,777	6,664	1,077	n.m.
Amortization of acquired intangibles	2,589	—	n.m.	2,589	—	n.m.
	<b>62,563</b>	<b>11,248</b>	<b>456</b>	<b>95,351</b>	<b>46,012</b>	<b>107</b>
<b>Share of (loss) income of associate</b>	<b>(1,591)</b>	<b>603</b>	<b>(364)</b>	<b>(2,365)</b>	<b>2,272</b>	<b>(204)</b>
<b>Gain on investment in associate</b>	<b>45,734</b>	<b>—</b>	<b>n.m.</b>	<b>45,734</b>	<b>—</b>	<b>n.m.</b>
<b>Income/(loss) before income taxes</b>	<b>42,295</b>	<b>(2,278)</b>	<b>n.m.</b>	<b>32,137</b>	<b>(6,900)</b>	<b>n.m.</b>
<b>Net income (loss) from continuing operations</b>	<b>39,992</b>	<b>(5,288)</b>	<b>(856)</b>	<b>29,408</b>	<b>(13,710)</b>	<b>n.m.</b>
<b>Net loss from discontinued operation</b>	<b>—</b>	<b>(3,175)</b>	<b>(100)</b>	<b>(661)</b>	<b>(39,448)</b>	<b>n.m.</b>
<b>Net income (loss)</b>	<b>39,992</b>	<b>(8,463)</b>	<b>(573)</b>	<b>28,747</b>	<b>(53,158)</b>	<b>n.m.</b>
<b>Net income (loss) attributable to common shareholders from continuing operations</b>	<b>37,985</b>	<b>(6,388)</b>	<b>(695)</b>	<b>25,218</b>	<b>(18,111)</b>	<b>n.m.</b>
<b>Net income (loss) attributable to common shareholders</b>	<b>37,985</b>	<b>(9,563)</b>	<b>(497)</b>	<b>24,557</b>	<b>(57,559)</b>	<b>n.m.</b>
<b>Net income (loss) per Common Share from continuing operations (\$ dollars):</b>						
Basic	0.52	(0.09)	678	0.35	(0.26)	235
Diluted	0.26	(0.09)	389	0.27	(0.26)	204
<b>Net income (loss) per Common Share (\$ dollars):</b>						
Basic	0.52	(0.13)	500	0.34	(0.82)	141
Diluted	0.26	(0.13)	300	0.26	(0.82)	132
<b>Total assets</b>				<b>2,119,919</b>	<b>1,357,862</b>	<b>56</b>

n.m. = not meaningful

- On October 20, 2020, the Company concluded the consolidation of Richardson Wealth. The Company's financial performance, including its revenue, reflects the addition of this acquired business from October 20, 2020 to December 31, 2020, for which no comparable period exists.

## SUPPLEMENTAL FINANCIAL INFORMATION – RICHARDSON WEALTH

The following table sets forth an overview of the consolidated financial results of Richardson Wealth for the periods indicated, on a 100% basis; noting, however, that Richardson Wealth became a wholly owned subsidiary on October 20, 2020 and its financial results are included in the Company’s financial results commencing on that date.

(\$000, except as otherwise noted)	Q4 2020	Q4 2019	% increase / (decrease)	2020	2019	% increase / (decrease)
<b>Revenue</b>						
Commissions	7,242	7,806	(7)	30,552	30,402	—
Investment management and fee income	53,316	50,315	6	208,464	201,575	3
Interest	3,113	5,827	(47)	14,382	25,471	(44)
Other	4,791	4,134	16	13,845	14,486	(4)
Principal transactions	235	476	(51)	732	348	110
	<b>68,697</b>	68,558	—	<b>267,975</b>	272,282	(2)
<b>Expenses</b>						
Variable advisor compensation	29,705	29,110	2	117,206	113,007	4
Advisor loan amortization	3,975	2,083	91	11,263	8,132	39
Employee compensation and benefits	15,157	15,322	(1)	62,290	60,657	3
Non-compensation expenses	16,700	17,516	(5)	67,263	73,013	(8)
Accelerated RSU costs and retention payments	4,094	—	n.m.	7,094	—	n.m.
	<b>69,631</b>	64,031	9	<b>265,116</b>	254,809	4
<b>(Loss) income before income tax</b>	<b>(934)</b>	4,527	(121)	<b>2,859</b>	17,473	(84)
<b>Net (loss) income - reported</b>	<b>(4,108)</b>	2,719	(251)	<b>(3,263)</b>	11,294	(129)
Pre-tax impact of adjusting items						
Interest	1,590	2,095	(24)	6,137	8,095	(24)
Income tax	3,174	1,808	76	6,122	6,179	(1)
Depreciation and amortization	2,912	3,509	(17)	12,137	13,127	(8)
Advisor loan amortization	3,975	2,083	91	11,263	8,132	39
EBITDA <sup>1</sup>	7,543	12,214	(38)	32,396	46,827	(31)
Share-based compensation	393	1,237	(68)	3,999	3,431	17
Accelerated RSU costs and retention payments	4,094	—	n.m.	7,094	—	n.m.
<b>Adjusted EBITDA<sup>1</sup></b>	<b>12,030</b>	13,451	(11)	<b>43,489</b>	50,258	(13)
Number of advisory teams				162	162	—
AUA <sup>1</sup> at period-end (\$ millions)				30,320	28,564	6

n.m.= not meaningful

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. This data should be read in conjunction with the “Non-GAAP Measures” section at the end of this press release and the “Presentation of Financial Information and Non-GAAP Measures” section in the 2020 Annual MD&A

## DIVIDENDS

On March 4, 2021, the board of directors of the Company approved a quarterly cash dividend of \$0.2257 per Cumulative 5-Year Rate Reset Preferred Share, Series B, and \$0.181788 per Cumulative Floating Rate Preferred Share, Series C, each payable on March 31, 2021, to preferred shareholders of record on March 15, 2021.

## IMPACT AND RESPONSE TO COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic, which resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures caused material disruption to businesses globally and led to considerable stress in global equity markets in the early days of the pandemic. Equity markets recovered quickly and significantly from their initial lows in March and ended the year in positive territory. The duration and impact of the COVID-19 outbreak is currently unknown, and the strength of the ultimate economic recovery will depend on the speed at which a vaccine can be administered on a mass scale. It is not possible to reliably estimate the trajectory of the recovery or the impact on the financial results and condition of the Company in future periods.

The Company's response was to move quickly to protect the health and safety of its people and the well-being of the business by enabling everyone, except a handful of essential personnel, to work seamlessly from home. Powered by digital technology, and with minimal disruption, the Company's talented professionals continued to support fully and offer personal advice to their respective clients during this particularly trying period. As the country begins to re-open cautiously, the Company will continue along a thoughtfully planned process of helping employees return to the workplace, all while protecting their health and safety and that of others.

## CONFERENCE CALL

A conference call and live audio webcast to discuss the Company's fourth quarter and fiscal 2020 results will be held this morning at 10:00 a.m. (ET). 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 416-406-0743 or 1-800-898-3989 (toll free) and entering the participant passcode 8641223#. The conference call will also be accessible as a live audio webcast through the Investor Relations section of the Company's website, at <https://rfcapgroup.com/Investor-Relations/Quarterly-Information>.

A recording of the conference call will be available until Sunday, April 4, 2021, by dialing 905-694-9451 or 1-800-408-3053 (toll free) and entering access code 3500355#. The webcast will be archived, at <https://www.rfcapgroup.com/Investor-Relations/Quarterly-Information>.

## NON-GAAP MEASURES

The Company uses certain measures to assess its 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. The Company 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 its core performance. The Company also believes that securities analysts, investors, and other interested parties, frequently use these non-GAAP measures in the evaluation of companies, many of which present similar metrics when reporting their results. Non-GAAP measures are reported in addition to and should not be considered as alternatives or a substitute to net income or comparable metrics determined in accordance with IFRS as indicators of the Company's performance, liquidity, cash flows and profitability.

These non-GAAP financial measures include the following:

### *Assets Under Administration*

Assets under administration (AUA) is a non-GAAP financial measure of client assets that is common to the wealth management business. AUA represents the market value of client assets managed and administered by Richardson Wealth from which it earns commissions and fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. Richardson Wealth's method of calculating may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses these measures to assess Richardson Wealth's operational performance.

## ***EBITDA and Adjusted EBITDA***

EBITDA is the Company's primary non-GAAP measure that measures its core operating performance by adjusting net income to exclude:

- Interest expense recorded primarily in connection with subordinated loan financing arrangements;
- Income tax expense (benefit) recorded;
- Depreciation and amortization expense recorded primarily in connection with leases, equipment and leasehold improvements; and
- Transition assistance loan amortization in connection with investment advisor loan programs. The Company views these loans as an effective recruiting and retention tool for advisors in its wealth management business, the cost of which is assessed by management upfront when the loan is provided rather than over its term.

The Company also presents adjusted EBITDA<sup>1</sup> which excludes certain share-based compensation costs recorded in connection with certain awards granted to employees and investment advisors and one-time costs incurred in connection with the RGMP Transaction, including those noted below:

- *Acquisition Costs*: Fourth quarter and fiscal 2020 results were impacted by \$1.2 million and \$4.3 million, respectively, in incremental professional and advisory fees (the RGMP Transaction Costs) in connection with the RGMP Transaction compared with \$1.1 million recorded in fourth quarter and fiscal 2019, respectively. Fiscal 2020 also included \$2.4 million in incremental costs incurred in connection with the Company's contested annual and special meeting of common shareholders held on October 6, 2020 (the Proxy Contest Costs). Both the RGMP Transaction Costs and the Proxy Contest Costs (collectively, the Acquisition Costs) were recorded in the Corporate Segment.
- *Restricted Share Units (RSUs) and Retention Awards*: In connection with and prior to the closing of the RGMP Transaction, Richardson Wealth incurred a one-time expense of \$3.0 million and \$0.4 million related to the accelerated vesting of all outstanding RSUs (the Accelerated RSU Costs) in third quarter and fourth quarter 2020, respectively, totalling \$3.4 million. In connection with the Recognition Plan and other retention awards provided prior to the closing of the RGMP Transaction, Richardson Wealth incurred an additional \$3.7 million in costs in the fourth quarter of 2020.
- *Amortization of Acquired Intangible Assets*: Amortization expense for acquisition-related intangible assets was \$2.6 million in fourth quarter 2020. This non-cash item is considered by management to be outside of the Company's core operating performance. Intangible assets are amortized over their estimated useful lives on a straight-line basis.

## **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 objectives, 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 information contained herein is expressly qualified in its entirety by this cautionary statement.

The forward-looking statements included in this press release, including statements regarding the nature of the Company's growth strategy going forward and execution of any of its potential plans, are not guarantees of future results and involve numerous risks and uncertainties that may cause actual results to differ materially from the potential results discussed or anticipated in the

forward-looking statements, including those described in this press release and in the Company’s latest Annual Information Form (“AIF”). Such risks and uncertainties include, but are not limited to, market, credit, liquidity, operational and legal and regulatory risks, and other risk factors, including variations in the market value of securities, dependence on key personnel and sustainability of fees. Other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, may also influence the Company’s results of operations. For a description of additional risks that could cause actual results to materially differ from current expectations, see the “Risk Management” and “Risk Factors” sections in the 2020 Annual MD&A and the “Risk Factors” section in the Company’s latest AIF.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Although forward-looking information contained in this press release is provided based on management’s reliance on certain assumptions it considers reasonable, there can be no assurance that such expectations will prove to be correct. 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. Readers should not place undue reliance on the forward-looking statements and information contained in this press release. When relying on forward-looking statements to make decisions, readers should carefully consider the foregoing factors, the list of which is not exhaustive.

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 the Company’s view as of any date subsequent to the date of this press release. Except as required by applicable law, the Management and the Board of the Corporation undertake no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

All the forward-looking information contained in this press release is expressly qualified in its entirety by the foregoing cautionary statements.

## **ABOUT RF CAPITAL GROUP INC.**

RF Capital Group Inc. (RF Capital) currently operates through two business segments: Wealth Management and Operations Clearing; and a Corporate segment. Wealth Management consists of RF Capital’s wholly owned subsidiary Richardson Wealth. Richardson Wealth is one of the largest independent wealth management firms in Canada with \$31.4 billion in assets under administration (as at February 28, 2021) and 19 offices across the country. The firm’s Advisor teams are focused exclusively on providing strategic wealth advice and innovative investment solutions customized for high net worth or ultra-high net worth families and entrepreneurs. Richardson Wealth is committed to maintaining exceptional fiduciary standards and has earned certification – determined annually – from the Center for Fiduciary Excellence for its Separately Managed and Portfolio Management Account platforms. Richardson Wealth has also been recognized as a Great Place to Work™ for the past three years. Operations Clearing, through RF Securities Clearing LP, provides carrying broker services to Richardson Wealth and other third parties, including trade execution, clearing, settlement, custody, and certain other middle- and back-office services, and other expenses associated with providing such services. RF Capital is listed on the Toronto Stock Exchange under the symbol “RCG”. For further information, please visit our corporate website at [www.rfcapgroup.com](http://www.rfcapgroup.com) and [www.RichardsonWealth.com](http://www.RichardsonWealth.com).

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