

# RF CAPITAL GROUP

## EARNINGS RELEASE

### RF CAPITAL REPORTS RECORD FIRST QUARTER PERFORMANCE

Q1 2021 marked the first full quarter of RF Capital operating as a pure-play wealth management firm under the Richardson Wealth brand. This focus has already started to translate into results, with the company and its advisors setting several performance records during the quarter.

#### Richardson Wealth<sup>1</sup>:

##### Highest AUA Ever

- \$32.8 billion (\$33.2 billion as at April 30, 2021)
- Added \$4.8 billion in net new and recruited assets since transformation in October 2020

##### Highest Quarterly Fee-Income Ever

- \$57.6 million
- Many advisors achieving personal bests

##### Second Highest Ever Adjusted EBITDA<sup>2</sup>

- \$14.1 million compared with \$11.5 million last year

##### Improving adjusted EBITDA Margin

- 17.5% compared with 16.3% last year

##### Improving Efficiency

- 7 percentage point improvement in expense ratio<sup>2</sup> compared with Q1 2020

##### Highest Commission Revenue in Two Years

- Benefitting from successful partnerships with Cormark Securities and Bloom Burton & Co.

#### Other Business Highlights:

##### Entering execution phase of bold and ambitious growth strategy

- Defined strategy with a global consulting firm
- Set to announce at AGM on May 26<sup>th</sup>

##### Strong momentum in the business

- Record number of High Net Worth households
- Built largest ever recruiting pipeline

##### New Leaders and Board Directors

- Nathalie Bernier, Vincent Duhamel, David Leith, Jane Mowat, and Sandy Riley to Board
- Julie Burnham, Dean Manjuris, and Tim Wilson to leadership team

##### Unique and advisor-centric culture

- Named a Best Workplace in Canada and Great Place to Work for Women

Commenting on Q1 2021 highlights, Kish Kapoor, President and Chief Executive Officer, said “Our growth momentum since we completed the realignment of our ownership structure last fall is indisputable. This quarter we recorded the highest AUA in our firm’s 17-year history, our highest-ever fee-based revenue, and our second highest adjusted EBITDA ever. With each calculated and deliberate step, we are building and inspiring confidence. We are strengthening our foundation, attracting deep expertise to our board and leadership team, and actively soliciting the input of our core asset – our people – every step of the way. It is an exciting time to be at RF Capital and Richardson Wealth. We are truly beginning to realize the benefits of our bold multi-year transformation journey.”

<sup>1</sup> Richardson Wealth’s operating results pre-October 20, 2020 are for reference purposes and were not fully consolidated into RF Capital’s financial statements.

<sup>2</sup> Adjusted results are considered to be a non-GAAP financial measure. These measures do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information please read the “Presentation of Financial Information and Non-GAAP Measures” at the end of this press release.

Commenting further, Mr. Kapoor said, “The toughest part of our journey is behind us. More than ever, we are convinced that our carefully mapped-out growth strategy is the best path forward to meaningful long-term shareholder value creation. With speed and tremendous conviction, we have begun to execute against the many growth initiatives identified during our strategic review. Make no mistake, we are here for the long-term and we play to win.”

## First Quarter 2021 Select Financial Highlights

(\$000's, except as otherwise indicated)	Three months ended March 31,		Increase/ (decrease)	
	2021	2020	\$	%
<b>Operating Performance - Consolidated</b>				
<b>Reported Results:</b>				
Revenue	83,662	8,828	74,834	n.m.
Variable advisor compensation	35,474	-	35,474	n.m.
Gross margin <sup>1</sup>	48,188	8,828	39,360	n.m.
Operating expenses	56,073	11,377	44,696	n.m.
Consolidated EBITDA	4,488	(2,044)	3,269	n.m.
Net income (loss)	(7,475)	(2,917)	(4,558)	n.m.
<b>Adjusted Results<sup>2</sup>:</b>				
Adjusted operating expenses <sup>3</sup>	45,180	10,095	35,085	n.m.
Adjusted consolidated EBITDA	12,118	(762)	12,880	n.m.
Adjusted net income (loss)	1,066	(1,635)	2,701	n.m.
<b>Operating Performance - Richardson Wealth</b>				
Revenue	80,565	70,152	10,413	15
Gross Margin	45,091	40,099	4,992	12
Adjusted EBITDA - Richardson Wealth	14,068	11,462	2,606	23
AUA (\$millions) - ending balance	32,769	25,394	7,375	29
Asset Yield <sup>4</sup> (%)	0.89	0.90		
Adjusted EBITDA margin (%)	17.5	16.3	+112 bps	
Recurring fee-based revenue as a % of total revenue <sup>5</sup> (%)	71.5	76.0	-450 bps	
Adjusted operating expense ratio (%)	77.6	84.6	+702 bps	

- Commencing first quarter 2021 and going forward, we will present gross margin, which is calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue earned in our Wealth Management segment. Gross margin measures revenue that accrues to the company after making advisor payments that are directly linked to revenue. As a result, operating expenses will also be presented excluding variable advisor compensation. These presentation changes do not affect earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted EBITDA (which excludes transformation and other one-time costs), income before income taxes or net income. Prior to its acquisition, the results of Richardson Wealth were accounted for using the equity method and, as such, these presentation changes do not affect our prior year financial statement presentation for the period from January 1, 2020 to October 19, 2020.
- Adjusted results are considered to be a non-GAAP financial measure. These measures do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information please read the “Presentation of Financial Information and Non-GAAP Measures” at the end of this press release.
- Q1 2021 included \$10.9 million in adjusting items (\$8.5 million after-tax), including \$7.6 million (\$6.1 million after-tax) in transformations costs. For further information please read the “Presentation of Financial Information and Non-GAAP Measures” at the end of this press release.
- Calculated as annualized commission and fee income divided by average AUA.
- Calculated as fee income divided by revenues at Richardson Wealth.

**Toronto, May 10, 2021** - RF Capital Group Inc. (RF Capital or the Company) (TSX: RCG) today reported gross revenue of \$83.7 million, record assets under administration of \$32.8 billion for the three months ended March 31, 2021 in its Wealth Management segment, and adjusted consolidated EBITDA of \$12.1 million for the quarter ended March 31, 2021.

Richardson Wealth reported adjusted EBITDA of \$14.1 million and an adjusted EBITDA margin of 17.5%. Including these results, the Wealth Management segment reported adjusted EBITDA of \$14.5 million.

## Impact of Consolidation of Richardson Wealth on Operating Results

Q1 2021 was the first quarter in which Richardson Wealth's financial results were consolidated for a full reporting period. This change reflects the fact that we acquired 100% ownership of Richardson Wealth on October 20<sup>th</sup>, 2020.

Prior to its acquisition, the results of Richardson Wealth were accounted for using the equity method, and Richardson Wealth's results were included in our income statement under the line item "Net income of associate". As a result, the comparability of results across periods is reduced.

To assist readers in understanding the performance of our underlying business over time, we have included supplemental financial information for Richardson Wealth below.

### 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.

(\$000, except as otherwise indicated)	Three months ended March 31,		Increase/(decrease)	
	2021	2020	\$	%
Commissions	13,018	9,213	3,805	41
Investment management and fee income	57,634	53,301	4,333	8
Interest	3,298	5,842	(2,544)	(44)
Other	6,615	1,796	4,819	268
Revenue	80,565	70,152	10,413	15
Variable advisor compensation	35,474	30,053	5,421	18
Gross margin	45,091	40,099	4,992	12
Employee compensation and benefits	17,823	17,218	605	4
Non-compensation expenses	17,167	17,960	(793)	(4)
Transformation costs	5,750	—	5,750	100
Advisor loan amortization	4,938	2,370	2,568	108
Operating expense	45,678	37,548	8,130	22
(Loss) income before income tax	(587)	2,551	(3,138)	(123)
Net (loss) income - reported	(646)	1,460	(2,106)	(144)
Interest	1,481	1,979	(498)	(25)
Income tax	59	1,091	(1,032)	(95)
Depreciation and amortization	2,486	3,316	(830)	(25)
Advisor loan amortization	4,938	2,370	2,568	108
EBITDA	8,318	10,216	(1,898)	(19)
Transformation costs	5,750	—	5,750	100
Share-based compensation	—	1,246	(1,246)	(100)
Adjusted EBITDA - Richardson Wealth	14,068	11,462	2,606	23

### Attracting Top Talent

Since the completion of our transaction to acquire Richardson Wealth last October, we have attracted a number of talented individuals to the board and leadership team. With each addition to our roster of talented professionals, we have taken another important step towards executing our bold and ambitious growth agenda.

## Board

On May 5, 2021, the Company released its management information circular that highlights the 11 Board nominees, including three additional independent director nominees, to stand for election at its upcoming annual shareholder meeting. The three nominees include Vincent Duhamel, Jane Mowat, and Sandy Riley. All of the Company's director nominees are highly accomplished leaders and bring a depth of expertise, differing views, and a strong desire to be fully engaged in helping RF Capital to deliver meaningful value creation.

The three new director nominees are in addition to David Leith, former Head of CIBC World Markets Investment and Corporate Banking Division, and Nathalie Bernier, former Managing Partner of KPMG (Quebec) and CFO of The Public Sector Pension Investment Board, one of the largest pension funds in our country, who joined the Board in December 2020 and January 2021, respectively.

## Leadership Team

Each addition to the leadership team has been driven with strategic intent. Last month, we welcomed Tim Wilson, former CFO of EQ Bank and President of Visa Canada, as our new Chief Financial Officer, and Julie Burnham, former Senior Advisor at BMO Nesbitt Burns to the newly created role of Vice-President, Strategic Communications. And, just last week, we welcomed Dean Manjuris, former Vice-Chairman of BMO Nesbitt Burns as Vice Chair of Richardson Wealth.

With these additions and recent departures of Andrew Marsh, President and CEO of Richardson Wealth, Elliot Muchnik, CFO of Richardson Wealth, and Ben Scholten, Interim CFO of RF Capital Group, we realigned and streamlined our management team under a one-company governance structure.

On behalf of everyone at the Company we welcome the new leaders and express our gratitude to Andrew, Elliot, and Ben for their significant contributions to our success over the years.

## Transformational Strategy Update

The Board and management have spent the past several months defining a five-year action plan to drive shareholder value, informed by considerable input from our exceptional investment advisory teams and the many talented people who are eager to help them thrive here better than anywhere else. This plan was designed to unlock the full potential and value of our Richardson Wealth business by driving substantial AUA and EBITDA growth. To increase the likelihood of success, we hired a global consulting firm with deep expertise in wealth management and large-scale organizational transformation to support our strategy.

**We intend to communicate the full growth strategy at our upcoming virtual annual general meeting to be held on May 26, 2021.**

Our growth aspirations are bold and ambitious. Our AUA growth ambition is to take our current \$33 billion in AUA and grow that to \$100 billion. It is our vision and strategy that provides a clear and direct pathway to this significant yet achievable goal. The opportunities to capture a more lucrative share of the \$4.4 trillion dollar wealth management industry are real. In a recent survey, **94% of advisors and employees** indicated that they are excited to be part of this bold ambitious journey.

**We believe that our new strategy will make us the brand of choice for Canada's top advisors and their high-net worth clients.**

## Preferred Share Dividend

On May 7, 2021, the board of directors approved a quarterly cash dividend of \$0.233313 per Cumulative 5-Year Rate Reset Preferred Share, Series B, payable on June 30, 2021, to preferred shareholders of record on June 15, 2021.

## First Quarter Conference Call

A conference call and live audio webcast to discuss RF Capital's first quarter 2021 results will be held this morning at 10:00 a.m. (EST). 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 participant passcode 3214531#, or via live audio webcast at <https://rfcapgroup.com/Investor-Relations/Quarterly-Information>. A recording of the conference call will be available until Thursday, June 10, 2021, by dialing 905-694-9451 or 1-800-408-3053 (toll free) and entering access code 2283108#. The webcast will be archived at <https://rfcapgroup.com/Investor-Relations/Quarterly-Information>.

A replay of the conference call will be available until Thursday, June 10, 2021, by dialing 905-694-9451 or 1-800-408-3053 (toll free) and entering access code 2283108#. The webcast will be archived at <https://rfcapgroup.com/Investor-Relations/Quarterly-Information>.

## Presentation of Financial Information and Non-GAAP Measures

Unless otherwise specified herein, financial results, including related historical comparatives, contained in this press release, are based on our First Quarter 2021 Financial Statements, which have been prepared by management in accordance with International Financial Reporting Standards (IFRS).

### Non-GAAP Measures

We use and evaluate performance using a variety of measures. In addition to GAAP prescribed measures, we use certain non-GAAP measures that we believe provides useful information to investors regarding our performance and results of operations. These include Assets under Administration, EBITDA, and adjusted results. These measures often do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Additional information about Non-GAAP measures, including a reconciliation to its nearest IFRS measure, can be found under the "*Presentation of Financial Information and Non-GAAP Measures*" section of our Q1 2021 MD&A.

## 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 our 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 our 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 our 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 our 2020 MD&A and the “Risk Factors” section in our latest AIF.

Although we 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 our view as of any date subsequent to the date of this press release. Except as required by applicable law, our 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 \$33.2 billion in assets under administration (as at April 30, 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, a Great Place to Work for Women in 2021 and a Best Workplace in Canada. 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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