RF CAPITAL GROUP

EARNINGS RELEASE

RF Capital Reports Record Second Quarter 2022 Results

- Highest quarterly Adjusted EBITDA since becoming a pure-play wealth management firm in late 2020
- AUA down amid challenging market conditions but revenue diversification helps fuel growth
- Continued recruiting momentum

Q2 2022 Highlights

Record Wealth Management Adjusted EBITDA[4]

- $18.3 million, up 18% y/y
- Adjusted EBITDA margin rose to 20.1%

Record Revenue

- $90.8 million, up 15% y/y
- Interest revenue up 83% y/y as a result of rising benchmark rates
- Record insurance revenue of $9.2 million reflecting investments in that business and a single sale

AUA[1] of $33.9 billion

- Down 8.7% from Q1 due to market conditions vs. 13.8% drop in the S&P/TSX Composite
- $540 million in net new and recruited assets

Advancing Digital Transformation

- Firm-wide launch of industry-leading Envestnet portfolio management platform
- Fidelity conversion on track for end of year

Normal Course Issuer Bid

- Purchased 16,426 common shares for cancellation

Recruiting Momentum

- $3 billion in AUA[1] added to recruiting pipeline[2]
- Three advisor teams joined and one departed

Toronto, July 28, 2022 - RF Capital Group Inc. (RF Capital or the Company) (TSX: RCG) today reported record quarterly revenue of $90.8 million; up 15% from Q2 a year ago. The increase in revenue was driven largely by record insurance revenue and higher interest income which was a function of rising benchmark rates. Consolidated Adjusted EBITDA[4] was $16.6 million this quarter compared with $13.3 million a year ago. Reported net income was $0.1 million, a $1.9 million improvement from the same period last year. Wealth Management Adjusted EBITDA was $18.3 million, up 18% from $15.5 million last year.

1. Assets under administration (AUA) is a measure of client assets and 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 fee revenue.
2. Represents conversations with advisors that have advanced beyond a certain probability threshold, with AUA measured as of the date the advisor was added to the recruiting pipeline and is not adjusted for market volatility. This measure is used by management to assess outside advisors' interest in Richardson Wealth. The Company expects to convert only a portion of this pipeline.
3. Calculated as fee revenue divided by commissionable revenue in our Wealth Management segment. For further information, please see the "Non-GAAP and Supplemental Financial Measures" section at the end of this press release.
4. Considered to be non-GAAP or supplemental financial measures, which 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 see the "Non-GAAP and Supplemental Financial Measures" section at the end of this press release.

Kish Kapoor, President and Chief Executive Officer, commented, "We were able to achieve record-breaking results this quarter in very difficult operating conditions, demonstrating our success in diversifying the firm's sources of revenue. We grew Wealth Management Adjusted EBITDA[1] by 18% over Q2 last year and by 40% over Q1 despite volatile markets. These increases were largely due to revenue tailwinds from increasing benchmark interest rates and insurance revenue as we continue expanding our in-house insurance capabilities. We should continue to benefit from higher interest rates throughout the year though expect insurance revenue to tail off from the record level in Q2. In the face of ongoing market volatility, we will manage our operating expenses prudently."

Q2 2022 – Consolidated Financial Performance

The following table presents the Company's consolidated financial results for Q2 2022 and 2021.

($000's, except as otherwise indicated)	Three months ended June 30, 2022	2021	Increase/(decrease) $	%	Six months ended June 30, 2022	2021	Increase/(decrease) $	%
Key Performance Drivers - Wealth Management Segment								
AUA - ending ($ millions)[1]	33,864	33,991	(127)	(0)	33,864	33,991	(127)	(0)
Fee revenue	62,312	58,911	3,401	6	130,202	116,545	13,657	12
Fee based revenue (%)[2]	81	86	(5)	(6)	85	83	2	2
Adjusted EBITDA[3]	18,274	15,465	2,809	18	31,354	30,010	1,344	4
Adjusted EBITDA margin (%)[3]	20.1	19.6		+50 bps	17.5	18.5		(100) bps
Asset yield (%)[4]	0.81	0.79		+2 bps	0.80	0.80		—
Operating Performance - Consolidated								
Reported Results:								
Revenue	90,753	79,064	11,689	15	179,513	162,726	16,787	10
Variable advisor compensation	39,078	34,138	4,940	14	79,917	69,612	10,305	15
Gross margin[5]	51,675	44,926	6,749	15	99,596	93,114	6,482	7
Operating expenses[3,6]	37,493	34,097	3,396	10	75,905	77,797	(1,892)	(2)
EBITDA[3]	14,182	10,829	3,353	31	23,691	15,317	8,374	55
Income (loss) before income taxes	851	(1,935)	2,786	144	(2,326)	(9,820)	7,494	76
Net income (loss)	58	(1,858)	1,916	103	(3,089)	(9,333)	6,244	67
Adjusting Items[7]:								
Transformation costs and other provisions, and amortization of acquired intangibles (pre-tax)	5,678	5,776	(98)	(2)	10,484	16,669	(6,185)	(37)
Transformation costs and other provisions, and amortization of acquired intangibles (after-tax)	3,952	4,261	(309)	(7)	7,492	12,803	(5,311)	(41)
Adjusted Results:								
Operating expenses[3,6]	35,078	31,584	3,494	11	71,947	67,654	4,293	6
EBITDA[3]	16,597	13,342	3,255	24	27,649	25,460	2,189	9
Income (loss) before income taxes[3]	6,529	3,841	2,688	70	8,158	6,849	1,309	19
Net income (loss)[3]	4,010	2,403	1,608	67	4,403	3,470	933	27

1. AUA is a measure of client assets and is common to the wealth management business. It represents the market value of client assets managed and administered by us from which we earn commissions and fee revenue.
2. Calculated as fee revenue divided by commissionable revenue in our Wealth Management segment. Commissionable revenue includes Wealth management revenue, commission revenue in connection with the placement of new issues and revenue earned on the sale of insurance products. The Company uses commissionable revenue to evaluate advisor compensation paid on that revenue.
3. Considered to be non-GAAP or supplemental financial measures, which 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 see the "Non-GAAP and Supplemental Financial Measures" section at the end of this press release.
4. Calculated as Wealth management revenue plus interest on cash divided by average AUA.
5. Gross margin is calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
6. Calculated as adjusted operating expenses divided by gross margin. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
7. For further information, please see "Q2 2022 – Items of Note" in this press release.

Commenting further, Mr. Kapoor said, “The wealth management industry is experiencing a confluence of market conditions that we haven’t seen for almost 50 years. In times of financial stress, we are reminded that the value of face-to-face advice cannot be underestimated. By focusing on the long-term and by emphasizing the importance of a holistic financial planning-led approach to wealth management, our advisors are stepping up to help their clients navigate the current uncertainty.”

Preferred Share Dividend

On July 28, 2022, the board of directors approved a quarterly cash dividend of $0.233313 per Cumulative 5-Year Rate Reset Preferred Share, Series B, payable on September 30, 2022, to preferred shareholders of record on September 15, 2022.

Q2 2022 Conference Call

A conference call and *live* audio webcast to discuss RF Capital’s second quarter 2022 results will be held tomorrow 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 6778239#, or via live audio webcast at *https://rfcapgroup.com/Investor-Relations/Quarterly-Information*. A recording of the conference call will be available until Monday, August 29, 2022, by dialing 905-694-9451 or 1-800-408-3053 (toll free) and entering access code 4104983#. The audio webcast will be archived at *https://rfcapgroup.com/Investor-Relations/Quarterly-Information*.

Q2 2022 – Items of Note

Pre-Tax Adjustments

The adjusted financial results presented in this press release exclude the impact of transformation program expenses and the amortization of acquired intangibles.

Q2 2022 included the following $5.7 million in adjusting items:

- $2.4 million of pre-tax charges related to our ongoing transformation ($1.6 million after-tax), reported in our Wealth Management segment. These charges relate largely to developing our growth strategy and outsourcing our carrying broker operations.

- $3.3 million of pre-tax amortization of intangible assets ($2.4 million after-tax), reported in our Corporate segment. The amortization arises from intangible assets created on the acquisition of Richardson Wealth. It will continue through 2035.

Q2 2021 included the following $5.8 million in adjusting items:

- $2.5 million in pre-tax transformation costs ($1.9 million after-tax) related to developing, implementing, and communicating our new strategy. The changes were reported in our Wealth Management segment.

- $3.3 million of pre-tax amortization of acquired intangible assets ($2.4 million after-tax), reported in our Corporate segment.

Non-GAAP and Supplemental Financial Measures

The Company uses a variety of measures to assess its performance. In addition to GAAP prescribed measures, the Company uses certain non-GAAP and supplementary financial measures (SFM) that it believes provides useful information to investors regarding its performance and results of operations. Readers are cautioned that non-GAAP and supplemental measures (including non-GAAP ratios) often do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Non-GAAP measures are reported in addition to and should not be considered alternatives to measures of performance according to IFRS.

Non-GAAP Measures

The primary non-GAAP financial measures (including non-GAAP ratios) used in this press release are:

EBITDA

The use of EBITDA is common in the wealth management industry. The Company believes it provides a more accurate measure of its core operating results, is a proxy for operating cash flow, and is a facilitator for enterprise valuation. EBITDA is used to evaluate core operating performance by adjusting net income/(loss) to exclude:

- Interest expense, which the Company records primarily in connection with term debt;
- Income tax expense/(benefit);
- Depreciation and amortization expense, which it records primarily in connection with intangible assets, leases, equipment, and leasehold improvements; and
- Amortization in connection with investment advisor transition and loan programs. The Company views these loans as an effective recruiting and retention tool for advisors, the cost of which is assessed by management upfront when the loan is provided rather than over its term.

Operating Expenses

Operating expenses include:

- Employee compensation and benefits; and
- Selling, general, and administrative expenses.

These are the expense categories that factor into the EBITDA calculation discussed above.

Commissionable Revenue

Commissionable revenue includes Wealth management revenue, commission revenue in connection with the placement of new issues and revenue earned on the sale of insurance products. The Company uses commissionable revenue to evaluate advisor compensation paid on that revenue.

Adjusted Results

In periods that the Company determines specified items have a significant impact on a user's assessment of ongoing business performance, it may present adjusted results in addition to reported results by removing these items from the reported results. Management considers the adjusting items to be outside of its core operating performance. The Company believes that adjusted results can to some extent enhance comparability between reporting periods or provide the reader with a better understanding of how management views core performance. Adjusted results are also intended to provide the user with results that have greater consistency and comparability to those of other issuers.

Adjusted EBITDA Margin

Adjusted EBITDA margin is a non-GAAP ratio calculated as Adjusted EBITDA as a percentage of revenue.

Adjusting items in this press release include the following, by reporting segment:

Wealth Management:

- *Transformation costs and other provisions:* charges in connection with the ongoing transformation of the Company's business and other matters. These charges have encompassed a range of transformation initiatives, including refining its ongoing operating model, outsourcing its carrying broker operations, realigning parts of its real estate footprint, and rolling out its new strategy across the Company.

Corporate:

- *Transformation costs:* incremental professional and advisory fees in connection with the acquisition of Richardson Wealth and the development of its go-forward strategy; and

- *Amortization of acquired intangible assets:* amortization of intangible assets created on the acquisition of Richardson Wealth.

All adjusting items affect reported expenses. The following table itemizes these adjustments and reconciles reported operating expenses to adjusted operating expenses:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Total consolidated expenses - reported	**50,824**	46,861	**101,922**	102,934
Interest	**2,348**	2,048	**4,488**	3,401
Advisor loan amortization	**4,240**	4,485	**8,252**	9,423
Depreciation and amortization	**6,743**	6,231	**13,277**	12,313
Operating expenses	**37,493**	34,097	**75,905**	77,797
Transformation costs and other provisions	**2,415**	2,513	**3,958**	10,143
Adjusted operating expenses	**35,078**	31,583	**71,947**	67,653

The following table provides a reconsolidation of the Company's reported net income/(loss) to adjusted net income/(loss):

	Three months ended June 30,		Six months ended June 30,	
($000's)	**2022**	2021	**2022**	2021
Net income (loss) - reported	**58**	(1,858)	**(3,089)**	(9,333)
After-tax adjusting items:				
Transformation costs and other provisions	**1,554**	1,863	**2,696**	8,006
Amortization of acquired intangibles	**2,398**	2,398	**4,797**	4,797
Adjusted net income (loss)	**4,010**	2,403	**4,403**	3,470

Supplemental Financial Measures

A supplementary financial measure is a financial measure that is not reported in our unaudited interim condensed consolidated financial statements as at and for the three and six months ended June 30, 2022, and is, or is intended to be, reported periodically to represent historical or expected future financial performance, financial position, or cash flows. The Company's key SFMs disclosed in this press release include AUA, recruiting pipeline, and net new and recruited assets. Management uses these measures to assess the operational performance of the Company's Wealth Management business segment. These measures do not have any definition prescribed under International Financial Reporting Standards and do not meet the definition of a non-GAAP measure or non-GAAP ratio and may differ from the methods used by other companies and therefore these measures may not be comparable to other companies. The composition and explanation of a SFM is provided in this press release where the measure is first disclosed if the SFM's labelling is not sufficiently descriptive.

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 and 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 NCIB and Consolidation, the nature of our growth strategy going forward and execution of any of our 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, our 2021 Annual MD&A, and 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. In addition, other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, and natural disasters, or other unanticipated events (including the novel coronavirus and variants thereof (COVID-19) pandemic) may also influence our results of operations. For a description of additional risks that could cause actual results to differ materially from current expectations, see the "Risk Management" and "Risk Factors" sections in our 2021 Annual MD&A.

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.

Certain statements included in this press release may be considered a "financial outlook" for purposes of applicable Canadian securities laws. The financial outlook may not be appropriate for purposes other than this press release.

Forward-looking information contained in this press release is:

- based on management's reliance on certain assumptions it considers reasonable; however, there can be no assurance that such expectations will prove correct. As such, 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;

- 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 Board undertake no obligation to update or revise any forward-looking information publicly, whether as a result of new information, future events or otherwise; and

- expressly qualified in its entirety by the foregoing cautionary statements.

About RF Capital Group Inc.

RF Capital Group Inc. (RF Capital) is a TSX-listed (TSX: RCG) wealth management-focused company. Operating under the Richardson Wealth brand, the Company is one of Canada's largest independent wealth management firms with $33.9 billion in assets under administration (as of June 30, 2022) and 20 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. The Company 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 Best Workplace for Women, a Best Workplace in Canada and Ontario, Best Workplaces for Mental Wellness, in Financial Services and Insurance, and for Hybrid Work. For further information, please visit our corporate website at *www.rfcapgroup.com* and *www.RichardsonWealth.com*.

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