RF CAPITAL GROUP

EARNINGS RELEASE

RF Capital Reports First Quarter 2023 Results

Q1 2023 Financial Highlights (vs. Q1 2022)

Revenue

- Total revenue was consistent at $88 million
- Fee revenue[1] decreased 8% to $63 million, reflecting a decrease in AUA[2] and performance fees
- Interest revenue increased 179% due to higher benchmark rates
- Insurance revenue increased 12% and represented 4% of total revenue
- Corporate finance revenue decreased 54%, which was attributable to slower new issue activity market-wide

Adjusted EBITDA[1]

- Increased 18% to $13 million, driven by an 8% increase in gross margin
- Adjusted EBITDA margin[1] was 14.9%, up from 12.5%
- Adjusted operating expenses[1] increased 5%, as Fidelity conversion cost savings were offset by inflationary increases and share-based compensation

AUA[1,2] of $36.0 billion

- Ending AUA was down 3% and average AUA was down 2% due to capital markets volatility
- S&P/TSX Composite and the S&P 500 indices were down 8% and 9%, respectively

Balance sheet

- Working capital[1] of $88 million
- $200 million revolving credit facility, $81 million drawn which is consistent with year-end 2022

Toronto, May 3, 2023 - RF Capital Group Inc. (RF Capital or the Company) (TSX: RCG) today reported Adjusted EBITDA[1] of $13 million for the first quarter of 2023, an increase of 18% over last year. While fee and corporate finance revenue declined due to capital market conditions, those factors were partly offset by interest and insurance revenue, which were up by 179% and 12% respectively. The 18% increase in Adjusted EBITDA[1] was the result of an 8% increase in gross margin relative to a 5% increase in Adjusted operating expenses[1]. While the Company is realizing inflationary increases to certain operating expenses, savings from the transition to the Fidelity platform have begun to take effect and management remains vigilant towards cost containment.

1. 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.
2. Assets under administration (AUA) is a measure of client assets and is common in 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.

Kish Kapoor, President and Chief Executive Officer, commented, "With most of the transformation of our digital and physical footprint behind us, we are now focused on creating a steady state for our advisors, so that they can provide exceptional service to their clients and build their practices. We are also now able to reinvigorate our recruiting efforts and aggressively pursue opportunities in our recruiting pipeline. We remain well positioned to achieve 10% growth in Adjusted EBITDA in 2023 as we benefit from resilient fee-based revenue, diversifying revenue streams and continued operating leverage."

Q1 2023 – Financial Performance

The following table presents the Company's financial results for Q1 2023, Q4 2022 and Q1 2022.

	As at or for the three months ended				
($000s, except as otherwise indicated)	March 31, 2023	December 31, 2022	Increase/ (decrease)	March 31, 2022	Increase/ (decrease)
Key Performance Drivers[1]:					
AUA - ending[2] ($ millions)	35,965	34,948	3%	37,084	(3%)
Fee revenue	62,532	62,625	(0%)	67,890	(8%)
Fee based revenue[3] (%)	90	90	(35) bps	89	+71 bps
Adjusted operating expense ratio[4] (%)	74.7	68.1	+664 bps	76.9	(225) bps
Adjusted EBITDA margin[5](%)	14.9	19.2	(432) bps	12.5	+244 bps
Asset yield[6] (%)	0.86	0.87	(0) bps	0.85	+1 bps
Operating Performance					
Reported Results:					
Revenue	87,700	88,531	(1%)	88,760	(1%)
Variable advisor compensation	36,095	35,276	2%	40,839	(12%)
Gross margin[7]	51,605	53,255	(3%)	47,921	8%
Operating expenses[1,8]	42,647	38,867	10%	38,412	11%
EBITDA[1]	8,958	14,388	(38%)	9,509	(6%)
Income (loss) before income taxes	(5,649)	(1,391)	306%	(3,177)	78%
Net income (loss)	(5,332)	(990)	439%	(3,147)	69%
Earnings per common share - diluted[9]	(0.51)	(0.21)	145%	(0.44)	17%
Adjusting Items[10]:					
Transformation costs and other provisions (pre-tax)	4,101	2,621	56%	1,543	166%
Amortization of acquired intangibles (pre-tax)	3,263	3,263	—	3,263	—
Transformation costs and other provisions (after-tax)	3,039	2,091	45%	1,142	166%
Amortization of acquired intangibles (after-tax)	2,398	2,398	—	2,398	—
Adjusted Results[1]:					
Operating expenses[8]	38,546	36,246	6%	36,869	5%
EBITDA	13,059	17,009	(23%)	11,052	18%
Income (loss) before income taxes	1,715	4,493	(62%)	1,629	5%
Net income (loss)	105	3,500	(97%)	393	(73%)
Adjusted earnings per common share - diluted[9]	(0.08)	0.15	(151%)	(0.07)	n/m

1. 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 of this MD&A.
2. AUA is a measure of client assets and is common in the wealth management business. It represents the market value of client assets managed and administered by us.
3. Calculated as fee revenue divided by commissionable revenue. Commissionable revenue includes Wealth management revenue and commissions earned in connection with the placement of new issues and the sale of insurance products.
4. Calculated as adjusted operating expenses divided by gross margin
5. Calculated as Adjusted EBITDA divided by revenue
6. Calculated as wealth management revenue plus interest on cash divided by average AUA
7. 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.
8. 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.
9. In 2022, we consolidated our common shares at a 10:1 ratio. Prior period common share information has been adjusted to reflect this consolidation.
10. For further information, please see "Items of Note" of this press release

Normal Course Issuer Bid

While the Company successfully executed its NCIB program throughout 2022 and early 2023, it chose to not renew the NCIB after March 8, 2023. While Management and the Board still believe that the market may misprice RF Capital's shares from time to time, they also believe that there are other higher return options for deploying the Company's capital.

Preferred Share Dividend

On May 3, 2023, 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, 2023, to preferred shareholders of record on June 15, 2023.

Annual General Meeting

The Company will hold its annual meeting of shareholders (the Meeting), in person, at the Toronto Region Board of Trade, on Thursday, May 4, at 11:00 a.m. (EST). The Chair of RF Capital's Board of Directors, Donald Wright, will host the Meeting. President and Chief Executive Officer, Kish Kapoor, will discuss the financial and strategic highlights of 2022 and provide an update on the financial results for first quarter 2023. A slide presentation and live audio webcast will be accessible at *https://richardsonwealth.com/investor-relations/shareholder-meetings/*.

Items of Note

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

Q1 2023 included the following $7.4 million of pre-tax adjusting items ($5.4 million after-tax):

- $4.1 million of pre-tax charges for our ongoing transformation ($3.0 million after-tax). These charges related largely to outsourcing our carrying broker operations to Fidelity.
- $3.3 million of pre-tax amortization of intangible assets ($2.4 million after-tax). The amortization arose from intangible assets created on the acquisition of Richardson Wealth. It will continue through 2035.

Q4 2022 included the following $5.9 million of pre-tax adjusting items ($4.5 million after-tax):

- $2.6 million of pre-tax charges for our ongoing transformation ($2.1 million after-tax). These charges related largely to outsourcing our carrying broker operations to Fidelity, revitalizing our real estate footprint, and realigning our workforce.
- $3.3 million of pre-tax amortization of intangible assets ($2.4 million after-tax).

Q1 2022 included the following $4.8 million of pre-tax adjusting items ($3.5 million after-tax):

- $1.5 million of pre-tax charges for our ongoing transformation ($1.1 million after-tax). These charges related largely to outsourcing our carrying broker operations to Fidelity.
- $3.3 million of pre-tax amortization of acquired intangible assets ($2.4 million after-tax).

Non-GAAP and Supplemental Financial Measures

In addition to GAAP prescribed measures, we use a variety of non-GAAP financial measures, non-GAAP ratios and supplemental financial measures to assess our performance. We use these non-GAAP financial measures and supplementary financial measures (SFM) because we believe that they provide useful information to investors regarding our performance and results of operations. Readers are cautioned that non-GAAP financial measures, including non-GAAP ratios, and supplemental financial measures 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 Financial Measures

A non-GAAP financial measure is a financial measure used to depict our historical or expected future financial performance, financial position or cash flow and, with respect to its composition, either excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in our 2022 Annual Financial Statements. A non-GAAP ratio is a financial measure disclosed in the form of a ratio, fraction, percentage, or similar representation and that has a non-GAAP financial measure as one or more of its components.

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

EBITDA

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

- Interest expense, which we record primarily in connection with term debt;
- Income tax expense/(benefit);
- Depreciation and amortization expense, which we record primarily in connection with intangible assets, leases, equipment, and leasehold improvements; and
- Amortization in connection with investment advisor transition and loan programs. We view 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.
- Selling, general, and administrative expenses.
- Transformation costs and other provisions.

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. We use commissionable revenue to evaluate advisor compensation paid on that revenue.

Adjusted Results

In periods that we determine adjusting items have a significant impact on a user's assessment of ongoing business performance, we 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 our core operating performance. We believe that adjusted results can enhance comparability across reporting periods and 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 defined as Adjusted EBITDA as a percentage of revenue.

Adjusting items in this document include the following:

- Transformation costs and other provisions: charges in connection with the ongoing transformation of our business and other matters. These charges have encompassed a range of transformation initiatives, including refining our ongoing operating model, outsourcing our carrying broker operations, realigning parts of our real estate footprint, and rolling out our new strategy across the Company.
- Amortization of acquired intangible assets: amortization of intangible assets created on the acquisition of Richardson Wealth.

All adjusting items affect reported expenses.

Adjusted Operating Expenses

The following table reconciles our reported operating expenses to adjusted operating expenses:

	For the three months ended		
($000s)	March 31, 2023	December 31, 2022	March 31, 2022
Total expenses - reported	57,254	54,646	51,098
Interest	3,511	3,294	2,140
Advisor loan amortization	4,201	4,634	4,012
Depreciation and amortization	6,895	7,851	6,534
Operating expenses	42,647	38,867	38,412
Transformation costs and other provisions[1]	4,101	2,621	1,543
Adjusted operating expenses	38,546	36,246	36,869

1. Excludes $3.3 million of amortization of acquired intangibles, which are categorized as transformation costs but do not factor into our definition of operating expenses

Adjusted Operating Expense Ratio

Adjusted operating expense ratio is a non-GAAP ratio defined as adjusted operating expenses divided by gross margin.

Adjusted Net Income

The following table provides a reconciliation of our reported net income/(loss) to adjusted net income/(loss):

	For the three months ended		
($000s)	March 31, 2023	December 31, 2022	March 31, 2022
Net income (loss) - reported	(5,332)	(990)	(3,147)
After-tax adjusting items:			
Transformation costs and other provisions	3,039	2,091	1,142
Amortization of acquired intangibles	2,398	2,398	2,398
Adjusted net income (loss)	105	3,500	393
Earnings per common share:			
Basic	(0.51)	(0.21)	(0.44)
Diluted	(0.51)	(0.21)	(0.44)
Adjusted earnings per common share:			
Basic	(0.08)	0.25	(0.07)
Diluted	(0.08)	0.15	(0.07)

Supplemental Financial Measures

A supplementary financial measure (SFM) is a financial measure that is not reported in our 2022 Annual Financial Statements, 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 document include AUA, recruiting pipeline, and net new and recruited assets. Management uses these measures to assess the operational performance of the Company. These measures do not have any definition prescribed under IFRS 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 document where the measure is first disclosed if the SFM's labelling is not sufficiently descriptive.

About RF Capital Group Inc.

RF Capital Group Inc. is a TSX-listed (TSX: RCG) wealth management-focused company. Operating under the Richardson Wealth brand, the Company is one of the largest independent wealth management firms in Canada with $36.3 billion in assets under administration (as of April 30, 2023) and 21 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™, a Best Workplace for Women, a Best Workplace in Canada and Ontario, a Best Workplace for Mental Wellness, for Financial Services and Insurance, and for Hybrid Work. For further information, please visit *www.rfcapgroup.com* and *www.RichardsonWealth.com*.

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