RICHARDSON Wealth

RF Capital Group Inc.

Q1 2023 Report to Shareholders

RF CAPITAL GROUP

Contents

A Message from our President & CEO

The first quarter is always a busy time for us. This year, it was even more intense due to the scale and complexity of our back-office transition to Fidelity Clearing Canada ULC (Fidelity). The capital markets often seem to add their own level of stress as well. Our advisory teams, and those who support them, endured significant disruption throughout the quarter but worked tirelessly to adjust to what will be the best long-term solution to serve them and their clients.

With the completion of this, and other major transformational initiatives, we are now focused on creating a steady state so that our advisor teams can devote their full energy towards providing exceptional service to their clients. Not only is that good news for them, it is great news for us. It allows us to reinvigorate our recruiting efforts and aggressively pursue opportunities in our $26 billion recruiting pipeline. The interest in our firm from advisors across the country is strong and growing. As an example, this quarter, we hosted over 50 recruiting meetings with advisors managing over $21 billion in AUA. And we were delighted to announce that four new advisors - Rick Shrum, Scott Warnez, Karim Mohamed, and Christopher Puma - joined our Kitchener office. More will follow right across the country. Later this year, we expect to begin pursuing acquisition opportunities that will allow us to deepen our existing capabilities and bring new services to our advisors.

This quarter, there was significant activity in the wealth management sector. A go-private transaction by one of our Canadian peers has had an independent valuation on its Canadian wealth management business indicating an Enterprise Value (EV) to AUA valuation range between 2.3% and 2.7% of AUA. Today, RCG trades at an EV/AUA ratio of 0.9%. Yet another transaction in April 2023 indicated an EV/EBITDA multiple in the mid-teens. Today, RCG trades at 5.1x. We believe our scale, largely fee-based revenue streams, industry-leading infrastructure, and growth levers should reasonably garner a valuation within those ranges over the long-term.

Financially, even with the TSX and S&P down 8% and 9%, respectively, over the last year our AUA decreased only 3% to $36 billion. The decrease in our AUA was driven by market volatility and offset in part by strong organic growth. In the first quarter of 2023, we reported revenue of $88 million, a decrease of 1% from Q1 last year. While fee-based revenue was down 8% and exceptionally low new issue flow caused corporate finance revenue to decline 54%, interest revenue was up 179%. Adjusted EBITDA was $13 million and 18% higher than Q1 last year. We believe we remain positioned to achieve 10% growth in Adjusted EBITDA in 2023 as we benefit from the stability of resilient fee-based revenue, diversifying revenue streams, and continued operating leverage.

As always, I extend my sincere gratitude to our advisor teams, clients, employees, and shareholders for their continued trust and confidence in us. We have spent the last few years making investments in strengthening the foundation of our company and in taking continuous, incremental steps towards our goals. I strongly believe that these strategic initiatives will position RF Capital for long-term sustainable growth and drive future shareholder value creation.

Sincerely,

Kish Kapoor

About this Management's Discussion and Analysis

The purpose of this management's discussion and analysis (MD&A) is to help readers understand the financial condition and results of the consolidated operations of RF Capital Group Inc. (the Company) as at and for the three months ended March 31, 2023.

This MD&A, dated May 3, 2023, should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes as at and for the three months ended March 31, 2023 (First Quarter 2023 Financial Statements). This document as well as additional information relating to the Company, including our annual MD&A (2022 Annual MD&A), our audited consolidated financial statements and related notes as at and for the year ended December 31, 2022 (2022 Annual Financial Statements), and our latest annual information form (AIF), can be accessed at *www.rfcapgroup.com* and under our profile at *www.sedar.com* and are incorporated by reference herein.

This MD&A refers to certain non-GAAP and supplemental financial measures (including non-GAAP ratios), which we believe are useful in assessing our financial performance. Readers are cautioned that these measures do not have any standard meaning prescribed by GAAP under International Financial Reporting Standards (IFRS) and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information related to adjusted results and a reconciliation to their nearest IFRS measures, please read the "Non-GAAP and Supplemental Financial Measures" section at the end of this MD&A.

Unless otherwise specified herein, financial results contained in this MD&A, including related historical comparatives, are based on our First Quarter 2023 Financial Statements, which we have prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

Certain prior year amounts have been reclassified to correspond to the current period presentation.

Our Board of Directors (Board) has approved this document.

Forward-Looking Information

This MD&A 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 MD&A, including statements regarding our normal course issuer bid (NCIB), our recruiting pipeline, the nature of our growth strategy, 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 MD&A and our AIF. Such risks and uncertainties include, but are not limited to, market, credit, liquidity, operational, legal and regulatory risks, and other risk factors, including variations in the market value of securities, dependence on key personnel, and sustainability of fees.

Our results can also be influenced by other factors such as general economic conditions, including interest rate and exchange rate fluctuations, natural disasters, or other unanticipated events. For a description of additional risks that could cause actual results to differ materially from current expectations, see the "Risk Management" section in our 2022 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 MD&A 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 MD&A.

Forward-looking information contained in this MD&A is:

- based on our reliance on certain assumptions we consider 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 MD&A. 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 MD&A and should not be relied upon as representing our view as of any date subsequent to the date of this MD&A. 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.

Select Financial Information

($000s, except as otherwise indicated)	March 31, 2023	December 31, 2022	Increase/ (decrease)	March 31, 2022	Increase/ (decrease)
			As at or for the three months ended		
Key Performance Drivers[1]:					
AUA - ending[2] ($ 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
Select balance sheet information:					
Total assets	1,640,757	1,699,654	(3%)	2,447,197	(33%)
Term debt	110,922	110,922	—	110,922	—
Shareholders' equity	340,443	346,921	(2%)	354,890	(4%)
Net working capital[1]	88,407	95,224	(7%)	105,991	(17%)
Common share information:					
Book value per common share ($)	14.45	14.80	(2%)	15.29	(5%)
Closing share price ($)	12.33	11.50	7%	17.30	(29%)
Common shares outstanding[9] (millions)	15.8	15.9	(0%)	15.9	(1%)
Common share market capitalization ($ millions)	195	182	7%	275	(29%)

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 MD&A

Quarterly Results

The following table presents select financial information for the eight most recently completed financial quarters.

	2023				2022			2021
($000s, except as otherwise indicated)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Key Performance Drivers[1]**:**								
AUA - ending[2] ($ millions)	35,965	34,948	33,604	33,841	37,084	36,847	34,360	33,991
AUA - average[2] ($ millions)	35,872	34,788	34,679	35,607	36,629	35,905	34,311	33,477
Fee revenue	62,532	62,625	61,974	62,312	67,890	64,414	61,957	58,911
Fee based revenue[3] (%)	90	90	92	81	89	86	91	87
Adjusted operating expense ratio[4] (%)	74.7	68.1	66.9	67.9	76.9	74.3	71.1	70.3
Adjusted EBITDA margin[5](%)	14.9	19.2	19.8	18.3	12.5	14.3	16.3	16.9
Asset yield[6] (%)	0.86	0.87	0.86	0.82	0.85	0.81	0.80	0.81
Operating Performance:								
Reported Results:								
Wealth management	67,808	67,481	67,064	68,493	75,280	71,873	67,869	65,976
Corporate finance	981	1,860	2,121	2,529	2,133	5,467	3,933	6,146
Interest	13,400	13,015	12,082	7,683	4,801	4,272	4,016	3,828
Other income	5,511	6,175	4,661	12,047	6,546	4,499	3,864	3,114
Revenue	87,700	88,531	85,928	90,753	88,760	86,111	79,682	79,064
Advisor variable compensation	36,095	35,276	34,555	39,078	40,839	38,285	34,714	34,138
Gross margin[7]	51,605	53,255	51,373	51,675	47,921	47,826	44,968	44,926
Operating expenses[1,8]	42,647	38,867	36,435	37,493	38,412	37,263	41,482	34,096
EBITDA[1]	8,958	14,388	14,938	14,182	9,509	10,564	3,486	10,829
Interest	3,511	3,294	3,015	2,348	2,140	1,543	1,687	2,048
Depreciation and amortization	6,895	7,851	6,936	6,743	6,534	6,510	5,982	6,231
Advisor loan amortization	4,201	4,634	4,381	4,240	4,012	4,054	4,257	4,485
Income (loss) before income taxes	(5,649)	(1,391)	606	851	(3,177)	(1,544)	(8,441)	(1,935)
Net income (loss)	(5,332)	(990)	(724)	58	(3,147)	(2,357)	(8,462)	(1,857)
Earnings per common share[9]:								
Basic	(0.51)	(0.21)	(0.19)	(0.11)	(0.44)	(0.38)	(1.42)	(0.43)
Diluted	(0.51)	(0.21)	(0.19)	(0.11)	(0.44)	(0.38)	(1.42)	(0.43)
Adjusting items[10]:								
Transformation costs and other provisions	4,101	2,621	2,055	2,415	1,543	1,730	9,517	2,513
Amortization of acquired intangibles	3,263	3,263	3,263	3,263	3,263	3,263	3,263	3,263
Total adjusting items	7,364	5,884	5,318	5,678	4,806	4,995	12,780	5,776
Adjusted Results[1]:								
Operating expenses[8]	38,546	36,246	34,380	35,078	36,869	35,534	31,966	31,583
EBITDA	13,059	17,009	16,993	16,597	11,052	12,294	13,003	13,342
Income (loss) before income taxes	1,715	4,493	5,924	6,529	1,629	3,451	4,339	3,841
Net income (loss)	105	3,500	3,197	4,010	393	1,395	2,491	2,403

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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.
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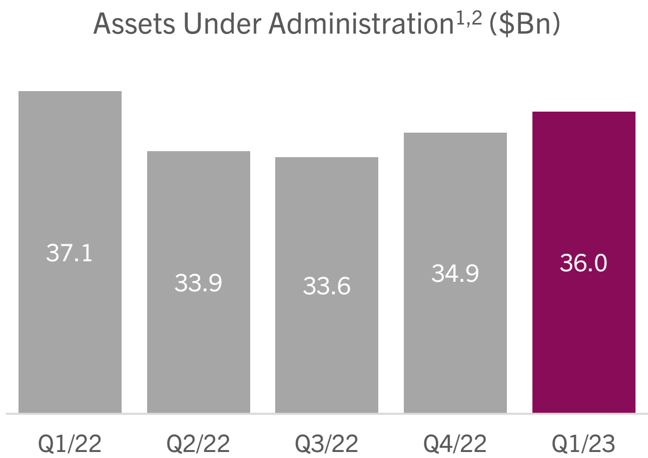
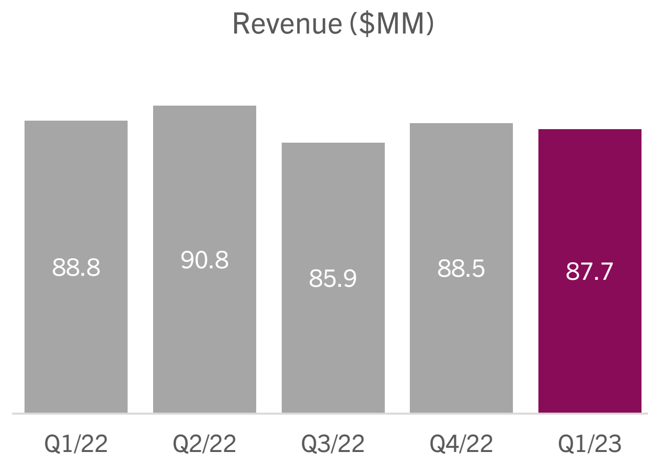
Operating Highlights





Q1 2023 Select Financial Highlights

Adjusted EBITDA[2] Growth

Increased by 18% vs Q1 of last year

High Recurring Fee Revenue[2]

90% of commissionable revenue, up from 89% last year

Increased Profitability

Adjusted EBITDA margin[2] increased to 14.9%, from 12.5% in Q1 2022

Insurance Penetration

4% of total revenue, more than triple the level in the period before we brought our sales operations in house

Interest Revenue

179% growth in interest revenue over Q1 2022

Cost Savings

We successfully converted our back-office to Fidelity in Q1, which will deliver an Adjusted EBITDA benefit of ~$9MM over the next year

225 bps

Year-over-year improvement in our adjusted operating expense ratio[2]

1. 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 from which we earn commissions and fee revenue.
2. Considered to be non-GAAP or supplemental financial measures, which do not have any standardized meaning prescribed 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 MD&A.

Business Overview

RF Capital is one of Canada's largest independent wealth management firms, with total AUA of $36.0 billion (March 31, 2023). We conduct our business under the Richardson Wealth and Patrimoine Richardson brands. Our 158 advisor teams operate out of 21 offices and serve over 31,000 clients across Canada. The Company's common and preferred shares trade on the Toronto Stock Exchange (TSX) under the ticker symbols RCG and RCG.PR.B.

Richardson Wealth was founded almost two decades ago based on a belief that Canadians wanted an alternative to the banks for their wealth management needs. Many of the nation's top advisors have joined our firm because their voices are heard, their diverse perspectives are valued, our open architecture and advisor-centric culture supports their success, and the name on the door is synonymous with integrity and excellence.

2023 Strategic Priorities

Our focus in 2023 is delivering on the promises that we have made to our advisors, recruits, and other stakeholders, including our shareholders. Most importantly, we are committed to ensuring the successful adoption of the Fidelity and Envestnet platforms across our organization. Our key priorities in 2023 are:

1. Ensure a smooth adoption of the Envestnet and Fidelity platforms
2. Apply a renewed focus and more resources to recruiting new advisors
3. Continue to reinforce our advisor-centric culture to maintain high levels of retention
4. Enhance profitability through new revenue opportunities, cost management, and operating efficiencies
5. Increase interest in our Company and demand for our shares through a systematic investor relations program
6. Begin laying the groundwork for acquisitions in early 2024

Outlook

We believe that our team will continue to grow our business and profitability in 2023.

Adjusted EBITDA

We expect full-year 2023 Adjusted EBITDA to increase at a rate of approximately 10% compared with 2022 as a result of continued growth in our AUA, a high level of interest income, and financial benefits from outsourcing our back-office to Fidelity.

Revenue

We believe that AUA will increase as we recruit new advisors and as our existing advisors attract new assets to the firm. Recruiting activity should accelerate now that we have converted to the Fidelity platform and heightened our focus on this growth pillar. Our assumption is that equity and debt markets will remain flat over the year so will not contribute to AUA growth.

The market expects a pause on interest rate hikes in the near-term and a decrease later this year. Our interest revenue should follow a similar pattern, assuming that cash and margin loan balances stay consistent with Q1. Interest revenue will be up on a full year basis from 2022 since it was low in the early part of last year.

Growing insurance revenue remains a strategic focus for us as we continue to expand our in-house capabilities. However, insurance revenue will likely decrease from 2022 because of a single large insurance sale we recorded in Q2 2022. Insurance represented 4% of our total revenue in Q1 2023, and we believe it could increase to 7%-8% over the next five years.

Also of note, until September of last year we had an arrangement to provide carrying broker services to a third party. That relationship contributed nearly $3 million of revenue that we will not realize in 2023.

Operating Expenses

Adjusted operating expenses will increase in 2023 as we invest to support revenue generation and our key strategic initiatives, including smoothly implementing our Fidelity conversion, but even so we expect our adjusted operating expense ratio to decrease relative to 2022. A competitive job market has been putting some pressure on costs, and we forecast that it will continue. Newly recruited advisors also add to our expense base since we incur the compensation and benefits costs for their team members.

Fidelity Strategic Agreement

The Fidelity relationship should deliver almost $9 million of annualized Adjusted EBITDA benefit, in addition to converting a portion of our costs from fixed to variable, reducing future technology investments, and making our Company more scalable. This benefit consists of two components: over $5 million of Adjusted EBITDA uplift related to annualized run-rate expense savings net of revenue sharing and $4 million of avoided expenses (i.e., we do not have to incur $4 million in expenses we would have incurred if we had kept the operations in-house). Our estimates have decreased slightly in recent months, partly because of changes in the interest rate environment and the effect on our revenue sharing with Fidelity.

We began to realize this benefit throughout 2022, as some employees left the firm in advance of the January 1st conversion date. Our estimate is that by the end of 2022, we had already achieved over $2 million of cost reductions. We expect to realize further run-rate expense savings of $7 million partly offset by interest revenue sharing of $4 million, which have already begun this quarter.

Adjusting Items

Adjusting items related to our transformation will decline from the level we experienced in Q1. Q2 adjusting items should be about half of Q1 levels and continue to decline throughout the year as our Fidelity implementation reaches a steady-state level.

Balance Sheet

We have a $200 million revolving credit facility that, together with operating cash flow and our excess working capital, provides us with ample funding to accelerate our key growth initiatives. These initiatives, as well as advisor recruitment, all require up-front outlays of cash but should generate significant EBITDA contributions over a multi-year horizon.

Items of Note

The adjusted financial results presented in this MD&A 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).

Financial Performance

($000s)	March 31, 2023	December 31, 2022	Increase/ (decrease)	March 31, 2022	Increase/ (decrease)
				For the three months ended	
Wealth management	67,808	67,481	0%	75,280	(10%)
Corporate finance	981	1,860	(47%)	2,133	(54%)
Interest	13,400	13,015	3%	4,801	179%
Other income	5,511	6,175	(11%)	6,546	(16%)
Revenue	87,700	88,531	(1%)	88,760	(1%)
Variable advisor compensation	36,095	35,276	2%	40,839	(12%)
Gross margin[1]	51,605	53,255	(3%)	47,921	8%
Employee compensation and benefits	20,145	18,257	10%	18,877	7%
Selling, general and administrative	16,241	16,068	1%	15,957	2%
Corporate costs[2]	2,160	1,921	12%	2,035	6%
Transformation costs and other provisions	4,101	2,621	56%	1,543	166%
Operating expenses[3,4]	42,647	38,867	10%	38,412	11%
EBITDA[3]	8,958	14,388	(38%)	9,509	(6%)
Interest	3,511	3,294	7%	2,140	64%
Depreciation and amortization	6,895	7,851	(12%)	6,534	6%
Advisor loan amortization	4,201	4,634	(9%)	4,012	5%
Income (loss) before income taxes	(5,649)	(1,391)	306%	(3,177)	78%
Adjusting items[5]:					
Transformation costs and other provisions	4,101	2,621	56%	1,543	166%
Total adjusting items	4,101	2,621	56%	1,543	166%
Adjusted results[3]:					
Operating expenses[4]	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%

1. 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.
2. Corporate costs refer to employee compensation and benefits and selling, general, and administrative expenses related to our corporate functions
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 of this MD&A.
4. 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.
5. For further information, please see "Items of Note" of this MD&A

Q1 2023 vs. Q1 2022

Income (Loss) Before Income Taxes

The Company's reported loss of $5.6 million for Q1 2023 represents a $2.5 million increase in losses compared to last year. Loss before taxes increased as improved Adjusted EBITDA was more than offset by higher interest expenses (rate driven) and transformation costs.

Adjusted EBITDA

Adjusted EBITDA was up in Q1 2023 due to higher gross margin, which was partly offset by operating expense growth. The Adjusted EBITDA margin was 14.9% compared to 12.5% last year.

Revenue

Revenue of $87.7 million was down $1.1 million or 1% for the quarter despite 179% growth in interest income. Revenue decreased compared to last year primarily because of ongoing weak capital market conditions.

($000s, except as otherwise indicated)	March 31, 2023	March 31, 2022	As at or for the three months ended Increase/(decrease)	
AUA[1] - average ($ millions)	35,872	36,629	(757)	(2%)
Fee revenue[2]	62,532	67,890	(5,358)	(8%)
Insurance revenue	3,581	3,199	383	12%
New issue participation (# of deals)	50	89	(39)	(44%)
Asset yield[3] (%)	0.86	0.85	n/a	+1 bps
Adjusted EBITDA margin[2,4] (%)	14.9	12.5	n/a	+244 bps
Adjusted operating expense ratio[5] (%)	74.7	76.9	n/a	(225) bps
Advisory teams[6] (#)	158	159	(1)	(1%)

1. 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 from which we earn commissions and fee revenue.
2. 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.
3. Calculated as wealth management revenue and interest on cash balances divided by average AUA
4. Calculated as adjusted EBITDA divided by revenue
5. Calculated as adjusted operating expenses divided by gross margin
6. Prior year has been revised to reflect the internal consolidation of certain teams

Fee revenue decreased $5.4 million or 8% compared to last year, driven by a decline in average AUA, trading commissions, and performance fees. Average AUA decreased 2% and trading commissions were down 31% due to ongoing market volatility. Performance fees are charged by several of our advisors in February of each year and declined primarily due to the impact of market performance on client returns in 2021.

Corporate finance revenue decreased by $1.2 million or 54% from last year due to weak conditions in the new issue market.

Partly offsetting the decreases above was interest revenue. It increased $8.6 million or 179% as a result of rising benchmark rates, even as cash and margin loan balances declined and as we began to share a portion of this revenue with Fidelity. As benchmark rates rise, so does the yield we generate on cash balances and margin loans.

Operating Expenses

Adjusted operating expenses were $1.7 million or 5% higher than last year. Employee compensation and benefits were up 7% due to share based compensation and annual inflationary increases, partly offset by savings related to outsourcing our carrying broker to Fidelity. Those outsourcing savings are being realized in the amount, and approximately within the timeframe, that we had expected. SG&A increased 2% primarily as a result of travel and office-related expenses returning to pre-pandemic levels, partly counterbalanced by lower annual performance fees paid to third-party managers (an offset to the revenue decline discussed above). Corporate costs, those that support our public company operations in addition to our core business, were up 6% because of mark-to-market expenses on deferred share units. Despite the growth in total operating expenses, our adjusted operating expense ratio decreased to 74.7% from 76.9% last year.

Q1 2023 vs. Q4 2022

Income (Loss) Before Income Taxes

The Company's reported loss grew by $4.3 million compared to last quarter. The higher loss resulted from a decline in Adjusted EBITDA and elevated transformation costs, partly offset by lower amortization. Amortization decreased primarily because we consolidated two of our previous Toronto office spaces into our new flagship office and because of an adjustment in Q4.

Adjusted EBITDA

Adjusted EBITDA was down due to both a lower gross margin and higher operating expenses. The Adjusted EBITDA margin was 14.9% in Q1 2023 compared to 19.2% last quarter.

Revenue

Revenue of $87.7 million was down $0.8 million or 1% from the previous quarter, driven by a combination of slower market conditions and an expected decrease in revenue related to outsourcing our carrying broker.

	As at or for the three months ended			
($000s, except as otherwise indicated)	March 31, 2023	December 31, 2022	Increase/(decrease)	
AUA[1] - average ($ millions)	35,872	34,788	1,084	3%
Fee revenue[2]	62,532	62,625	(93)	(0%)
Insurance revenue	3,581	3,356	225	7%
New issue participation (# of deals)	50	41	9	22%
Asset yield[3] (%)	0.86	0.87	n/a	(0) bps
Adjusted EBITDA margin[2,4] (%)	14.9	19.2	n/a	(432) bps
Adjusted operating expense ratio[5] (%)	74.7	68.1	n/a	+664 bps
Advisory teams[6] (#)	158	161	(3)	(2%)

1. 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 from which we earn commissions and fee revenue.
2. 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.
3. Calculated as wealth management revenue and interest on cash balances divided by average AUA
4. Calculated as adjusted EBITDA divided by revenue
5. Calculated as adjusted operating expenses divided by gross margin
6. Prior year has been revised to reflect the internal consolidation of certain teams

Fee revenue was in line with last quarter despite an increase in average AUA. Fees were negatively impacted by the fact that there are 2% fewer days in Q1 than in Q4.

Corporate finance revenue decreased $0.9 million or 47% from last quarter due to weak new issue flows market-wide.

Interest revenue increased $0.4 million or 3% from last quarter as benchmark rates were higher, partly offset by lower cash and margin loan balances and the effect of our interest sharing agreement with Fidelity.

Operating Expenses

Adjusted operating expenses were $2.3 million or 6% higher than last quarter. Employee compensation and benefits were up 10% due to seasonality in our statutory benefits costs (a $2 million effect) and mark-to-market expenses on restricted share awards, partly offset by savings related to the Fidelity conversion. SG&A increased 1% as a result of lower sales tax recoveries, which were partly offset by reduced conference expenses. Corporate costs, those that support our public company operations in addition to our core business, were up 12% because of mark-to-market expenses on deferred share units this quarter. With the seasonal benefits spike and mark-to-market expenses, our adjusted operating expense ratio increased to 74.7% from 68.1% last quarter.

Compensation expenses should decrease from Q1 to Q2 as benefits costs revert to normal levels.

Financial Condition

Capital and balance sheet strength are key priorities for us. We had conservative levels of working capital and debt on our balance sheet at the end of Q1 2023.

($000's)	March 31, 2023	December 31, 2022	Increase/(decrease)	As at
Selected highlights:				
Total assets	1,640,757	1,699,654	(58,897)	(3%)
Goodwill and intangible assets	334,489	337,581	(3,092)	(1%)
Shareholders' equity	340,443	346,921	(6,478)	(2%)
Term debt[1]	110,922	110,922	—	—
Net working capital[2]	88,407	95,224	(6,817)	(7%)

1. Includes revolving credit facility and preferred share liabilities
2. Considered to be a supplemental financial measure, which 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. For further information, please see the "Non-GAAP and Supplemental Financial Measures" section of this MD&A.

Total assets decreased by 3% from December 31, 2022 largely due to lower cash balances and margin loans. Cash balances were lower as advisors deployed their clients' cash into higher yielding fixed income and other investments. Margin loans declined as clients delevered due to continued market volatility and rising interest rates. Shareholders' equity decreased by $6.5 million or 2% due to the $5.3 million net loss we reported for the period ended March 31, 2023 and $1.1 million of preferred share dividends.

Term Debt

($000s, except as otherwise indicated)	March 31, 2023	As at December 31, 2022
Revolving credit facility	80,500	80,500
Preferred share liability	30,422	30,422
	110,922	110,922
Ratios:		
Total debt to Adjusted EBITDA[1,2]	2.1	1.8
Adjusted EBITDA[1] to interest[3]	4.8	7.4

1. Considered to be a supplemental financial measure, which 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. For further information, please see the "Non-GAAP and Supplemental Financial Measures" section of this MD&A.
2. Adjusted EBITDA for March 31, 2023 is Q1 annualized
3. Includes interest expense on term debt, lease liabilities, and client accounts. Prior periods have been restated to conform to current period presentation.

Revolving Credit Facility

In September 2021, we secured a $200 million revolving credit facility with a syndicate of lenders. As at March 31, 2023, we had drawn $80.5 million against the facility, unchanged from the end of 2022. Combined with our strong current and expected future operating cash flows and our excess working capital, the facility provides us with ample funding and flexibility to accelerate our organic growth, recruiting, and other strategic initiatives. For further information, see Note 20 to the 2022 Annual Financial Statements.

The facility contains clauses whereby we are required to meet four financial covenants. As at March 31, 2023, we were in compliance with all four covenants.

Liquidity

Management and the Board continually assess the Company's dividend policy, expense structure, and capital spending plans in the context of our overall financial and liquidity positions. Our intent is to ensure that our business and financial strategies will not expose us to excessive financial risk.

Working Capital and Cash Flow

We require liquidity to fund our day-to-day operations, growth initiatives, share repurchases under our NCIB, and cash distributions, as well as to manage the financial risks inherent in our business. Management believes that our current working capital, positive cash flow, and the undrawn amounts under our credit facilities provide us with more than enough liquidity to manage through periods of financial stress. If equity markets or other business conditions deteriorate to a level that adversely impacts our expected cash flow, we will take swift action to preserve our liquidity position.

As at March 31, 2023, we had net working capital of $88.4 million.

Operating Credit Facilities

We supplement the day-to-day liquidity provided by our cash flow and working capital with access to a variety of other cost-effective, short-term funding sources. These credit facilities are available solely to facilitate the securities settlement process, primarily for client transactions. Available credit facilities with Schedule I Canadian chartered banks were $209.8 million at March 31, 2023, compared with $389.6 million at December 31, 2022. Management considers the current level of credit availability to be sufficient. We had had no amounts outstanding under any of these operating facilities at March 31, 2023 or December 31, 2022.

The majority of these credit facilities were in place to support our carrying broker business. In light of the outsourcing of that business to Fidelity, we intend to scale back the aggregate size of these facilities in Q2 2023. There are no standby fees on the facilities, so this reduction will not lead to any cost savings for the Company.

Liquid Assets

Liquid assets are comprised of cash, cash equivalents, and certain government securities. We hold our cash across several financial institutions, all of which have high credit ratings. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Certain government securities factor into our liquid asset and working capital balances and form an important part of our overall liquidity risk management framework. These government securities are classified as securities owned on our balance sheet. We had $48.0 million of liquid assets[1] at March 31, 2023 ($368.5 million at December 31, 2022). The significant decline in liquid assets is related to the Company outsourcing our carrying broker operation; Fidelity now holds our clients' cash on its balance sheet instead of RF Capital. For further information, see Note 12 to our First Quarter 2023 Financial Statements.

[1] Considered to be non-GAAP or supplemental financial measures, which does 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.

Capital Requirements of Subsidiaries

Certain of our subsidiaries are subject to regulatory capital requirements. These requirements are designed to assess the sufficiency of their liquidity position and to provide indications to the relevant regulatory authority of possible concerns. Our capital levels complied with all regulatory requirements during Q1 2023.

Share Information

At the date of this report, May 3, 2023, we had 15.8 million common shares issued and outstanding (Common Shares). In addition, there were 50 thousand unexercised stock options outstanding, with a weighted average exercise price of $20.00 per share. We also had 4.6 million Series B non-cumulative 5-year rate reset preferred shares issued and outstanding.

Normal Course Issuer Bid

On March 4, 2022, we announced that the TSX approved our notice of intention to make an NCIB to purchase up to a maximum of 548,571 Common Shares during the period from March 9, 2022, to March 8, 2023, or such earlier time as we completed our purchases pursuant to the bid or provide notice of termination. During 2022, we repurchased 61,102 Common Shares for cancellation under our NCIB and, in Q1 2023, we repurchased a further 23,692 shares.

We chose to not renew our NCIB in 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.

Related-Party Transactions

Our related parties include the following persons and/or entities: (a) key management personnel, which are comprised of our directors and/or officers and entities that are controlled (directly or indirectly) by key management personnel; and (b) shareholders who can significantly influence our operations. For further information on Related-Party Transactions, please refer to Note 12 to the 2022 Annual Financial Statements.

Significant Accounting Policies and Estimates

Our significant accounting policies are essential to an understanding of our reported results of operations and financial position. Except as explained in Note 3 to the 2022 Annual Financial Statements, the accounting policies applied by us as at and for the three months ended March 31, 2023, are the same as those applied by us as at and for the year ended December 31, 2022. Please refer to Note 3 to the 2022 Annual Financial Statements for further information.

The most significant areas for which we must make estimates and judgments include goodwill and intangible assets, income taxes and deferred tax assets and liabilities, provisions including legal and restructuring charges, share based compensation, and financial instruments measured at fair value. We make judgments in assessing assets for impairment as well as assessing whether performance obligations have been fulfilled under revenue contracts. Please refer to Note 2 to the 2022 Annual Financial Statements for more information.

Financial Instruments

A significant portion of our assets and liabilities are composed of financial instruments. There were no material changes in our use of financial instruments or the types of financial instruments employed in our trading and non-trading activities during the three months ended March 31, 2023.

Please refer to Note 3 and Note 4 to the 2022 Annual Financial Statements for more information.

Future Changes in Accounting Policies or Estimates

We continuously monitor the changes proposed by the International Accounting Standards Board and analyze the effect that changes in the standards may have on the Company. For a summary of future changes in accounting policies or estimates refer to Note 3 to the 2022 Annual Financial Statements.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is accumulated and communicated to our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on a timely basis to enable appropriate decisions regarding required public disclosure. As of March 31, 2023, management evaluated the design of disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the CEO and CFO concluded that the design of disclosure controls and procedures was effective.

Changes in Internal Control over Financial Reporting

As we outsourced our carrying broker operations to Fidelity on January 1, 2023, there have been changes to certain processes and personnel resulting in changes in our internal control over financial reporting. We have modified or established new internal controls, where appropriate, to address the change in operations and organizational structure including, but not limited to, ensuring user entity complementary controls are in place where we rely on our service provider for processes such as custody, clearing, and settlement. We are now reliant on certain controls at Fidelity, and, based on its CSAE 3416 report for the period from October 1, 2021 to September 30, 2022, believe that those controls are designed effectively.

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 MD&A 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; and
- 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 MD&A 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 MD&A include AUA, recruiting pipeline, net new and recruited assets, and working capital. 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 MD&A where the measure is first disclosed if the SFM's labelling is not sufficiently descriptive.

Consolidated Balance Sheets

($ thousands)

As at	Note	March 31, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents	12	46,662	367,848
Securities owned	8, 12	1,345	673
Receivable from:	8, 12		
Clients		347,241	377,096
Brokers		726,830	61,204
Client funds held in trust	8, 12	—	367,316
Employee and other loans receivable	8	44,056	45,410
Equipment and leasehold improvements		39,370	37,452
Right-of-use assets		51,990	52,809
Other assets	8	31,449	34,895
Deferred tax assets		17,325	17,370
Goodwill and intangible assets	4	334,489	337,581
		1,640,757	1,699,654
LIABILITIES			
Payable to:	8, 12		
Clients		1,008,628	1,034,808
Brokers		355	24,650
Accounts payable and accrued liabilities	6	53,329	50,966
Debt	8,9	110,922	110,922
Provisions	10	21,500	24,734
Lease liabilities		62,240	62,448
Deferred tax liability		43,340	44,205
		1,300,314	1,352,733
EQUITY			
Common shares	5	461,872	462,935
Preferred shares	5	112,263	112,263
Contributed surplus		46,500	46,151
Accumulated other comprehensive income		20,293	19,652
Accumulated deficit		(300,485)	(294,080)
Shareholders' equity		340,443	346,921
		1,640,757	1,699,654

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

"Kishore Kapoor" "Donald Wright"

Kishore Kapoor
President and Chief Executive Officer

Donald Wright
Chair of the Board

Consolidated Statements of Income / (Loss)

($ thousands)

Three months ended March 31,	Note	2023	2022
REVENUE			
Wealth management		67,808	75,280
Corporate finance		981	2,133
Interest		13,400	4,801
Other		5,511	6,546
Total Revenue	3	87,700	88,760
Variable advisor compensation		36,095	40,839
Gross Margin		51,605	47,921
EXPENSES			
Employee compensation and benefits		20,998	19,948
Selling, general and administrative		17,548	16,921
Advisor loan amortization		4,201	4,012
Transformation costs and other provisions		4,101	1,543
Interest		3,511	2,140
Depreciation and amortization	4	6,895	6,534
		57,254	51,098
Income/(loss) before income taxes		(5,649)	(3,177)
Income tax expense/(recovery)			
Current		502	413
Deferred		(819)	(443)
		(317)	(30)
Net income/(loss)		(5,332)	(3,147)
Weighted-average number of common shares outstanding: (in thousands)			
Basic	7	12,461	9,604
Diluted	7	15,788	15,871
Net loss per common share (dollars):			
Basic	7	(0.51)	(0.44)
Diluted	7	(0.51)	(0.44)

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

($ thousands)

Three months ended March 31,	2023	2022
Net income/(loss)	(5,332)	(3,147)
Other comprehensive income/(loss)		
Item that may be subsequently reclassified to net income/(loss):		
Foreign currency translation gain/(loss)	—	3
Total other comprehensive income/(loss)	—	3
Total comprehensive income/(loss) attributable to shareholders	(5,332)	(3,144)

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

Consolidated Statements of Changes in Equity

(thousands)	Note	Preferred shares #	Preferred shares $	Common shares #	Common shares $	Contributed surplus $	Accumulated other comprehensive income $	Accumulated deficit $	Shareholders' equity $
As at December 31, 2021		4,600	112,263	156,400	464,667	44,103	18,842	(284,985)	354,890
Net foreign currency translation gain		—	—	—	—	—	3	—	3
Share consolidation		—	—	(140,760)	—	—	—	—	—
Share-based compensation		—	—	—	—	458	—	—	458
Preferred share dividends		—	—	—	—	—	—	(1,073)	(1,073)
Net loss		—	—	—	—	—	—	(3,147)	(3,147)
As at and for the period ended March 31, 2022		4,600	112,263	15,640	464,667	44,561	18,845	(289,205)	351,131
As at December 31, 2022		4,600	112,263	15,570	462,935	46,151	19,652	(294,080)	346,921
Common shares purchased, cancelled and forfeited	6	—	—	(27)	(1,063)	—	641	—	(422)
Share-based compensation		—	—	—	—	349	—	—	349
Preferred share dividends	5	—	—	—	—	—	—	(1,073)	(1,073)
Net loss		—	—	—	—	—	—	(5,332)	(5,332)
As at and for the period ended March 31, 2023		4,600	112,263	15,543	461,872	46,500	20,293	(300,485)	340,443

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

Consolidated Statements of Cash Flows

($ thousands)

Three months ended March 31,	Note	2023	2022
OPERATING ACTIVITIES			
Net income/(loss)		(5,332)	(3,147)
Add/(deduct) items not involving cash:			
Depreciation and amortization	4	6,895	6,534
Advisor loan amortization		4,201	4,012
Accretion of lease liability expense		934	826
Deferred income taxes		(819)	(443)
		5,879	7,782
Net change in non-cash operating items	11, 12	(319,577)	48,939
Cash provided by (used in) operating activities		(313,698)	56,721
FINANCING ACTIVITIES			
Dividends paid on preferred shares	5	(1,073)	(1,073)
Purchase of shares for cancellation	5	(422)	—
Principal elements of lease payments		(2,263)	(2,245)
Cash used in financing activities		(3,758)	(3,318)
INVESTING ACTIVITIES			
Intangibles	4	(255)	(1,164)
Equipment and leasehold improvements		(3,475)	(1,344)
Cash used in investing activities		(3,730)	(2,508)
Effect of foreign exchange on cash balances		—	3
Net change in cash and cash equivalents		(321,186)	50,898
Cash and cash equivalents, beginning of period		367,848	518,099
Cash and cash equivalents, end of period		46,662	568,997
Supplemental cash flow information			
Interest paid		3,511	2,106
Interest received		13,848	4,840
Taxes paid		—	(429)

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

Note 1 – Corporate Information

RF Capital Group Inc. (RF Capital or the Company), is incorporated under the laws of the Province of Ontario, Canada and has its registered office and principal place of business located at 100 Queens Quay East, Suite 2500, Toronto, Ontario, M5E 1Y3. The Company's common shares and Series B preferred shares are listed on the Toronto Stock Exchange (TSX) under the symbols RCG and RCG.PR.B respectively. The Company is the parent company of its wholly owned operating subsidiary Richardson Wealth Limited (Richardson Wealth) and RF Securities Clearing LP (RF Securities). Richardson Wealth and RF Securities are members of the New Self-Regulatory Organization of Canada, a consolidation of the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada (New SRO). Richardson Wealth is also a member of the Canadian Investor Protection Fund.

On January 1, 2023, the Company transitioned from a self-clearing to a Type 3 Introducing Broker with the transfer of its carrying broker operations to Fidelity Clearing Canada ULC.

Note 2 – Basis of Preparation

Basis of Presentation

These interim condensed consolidated financial statements, (Interim Financial Statements) of RF Capital, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies as disclosed in the notes to the Company's audited annual consolidated financial statements for the year ended December 31, 2022 (Annual Financial Statements).

These Interim Financial Statements should be read in conjunction with the notes to the Company's Annual Financial Statements.

Unless otherwise indicated, all amounts are expressed in thousands of Canadian dollars and rounded to the nearest thousands except share and per share amounts.

Commencing the third quarter 2022, due to a change in revenue classification, certain prior period comparatives have been realigned to conform to current period presentation.

These Interim Financial Statements were authorized for issuance by the Company's Board of Directors on May 3, 2023 and include all subsequent events up to that date.

The Interim Financial Statements include the assets, liabilities, and results of operations of our wholly owned subsidiaries, after the elimination of intercompany transactions and balances.

($ Thousands, except share and per share amounts)

Critical Accounting Estimates and Use of Judgment

The preparation of these Interim Financial Statements requires management to make estimates and exercise judgment that affect reported amounts of certain assets and liabilities, certain revenue and expenses and other related disclosures.

The areas of significant judgment, estimates and assumptions are revenue recognition, impairment of goodwill and intangible assets, income taxes and valuation of deferred taxes, share-based compensation, provisions and the fair value of financial instruments as detailed in Note 2 of the 2022 Annual Financial Statements.

Note 3 – Revenue

The following table presents disaggregated revenue information for the Company for the three months ended March 31, 2023 and 2022.

	2023	2022
Wealth management	67,808	75,280
Corporate finance	981	2,133
Other customer revenue	4,198	4,457
Revenue - contracts with customers	72,987	81,870
Other revenue	14,713	6,890
Total revenue	87,700	88,760
Timing of revenue recognition		
Point in time	5,745	8,992
Over time	67,242	72,878
Revenue - contracts with customers	72,987	81,870
Other revenue	14,713	6,890
Total revenue	87,700	88,760

Other Income

The following table presents a breakdown of the Company's other income for the three months ended March 31, 2023 and 2022.

	2023	2022
Insurance commissions	3,581	3,199
Foreign exchange	1,052	1,718
Brokerage services[1]	—	722
Other	878	907
Total other income	5,511	6,546

[1] Effective January 1, 2023, the Company no longer provides brokerage services.

($ Thousands, except share and per share amounts)

Note 4 – Goodwill and Intangible Assets

The following table presents a breakdown of the Company's goodwill and finite life intangible assets as at March 31, 2023 and December 31, 2022.

		Intangible Assets			
	Goodwill	Customer relationships	Portfolio management platform	Brand and other	Total
Cost					
As at January 1, 2022	164,957	197,086	1,206	564	363,813
Additions	—	46	2,523	87	2,656
Disposals	—	—	—	(59)	(59)
As at December 31, 2022	164,957	197,132	3,729	592	366,410
Additions	—	—	234	21	255
As at March 31, 2023	164,957	197,132	3,963	613	366,665
Accumulated amortization					
As at January 1, 2022		15,595	—	66	15,661
Amortization		13,109	—	118	13,227
Disposals		—	—	(59)	(59)
As at December 31, 2022		28,704	—	125	28,829
Amortization		3,277	47	23	3,347
As at March 31, 2023		31,981	47	148	32,176
Net book value					
As at December 31, 2022	164,957	168,428	3,729	467	337,581
As at March 31, 2023	164,957	165,151	3,916	465	334,489

As at March 31, 2023, there were no indicators of impairment relating to the Company's goodwill or finite life intangible assets.

Note 5 – Share Capital

Preferred Share Dividends

On May 3, 2023, the Board of Directors approved a cash dividend of $0.233313 per Series B Preferred Share for a total of $1,073, payable on June 30, 2023, to preferred shareholders of record on June 15, 2023.

Share Repurchases, Cancellations and Forfeitures

During the three month period ended March 31, 2023, 23,692 common shares, with an aggregate cost of $704, were repurchased under the Company's normal course issuer bid (NCIB) and cancelled. The Company cancelled 9,096 common shares purchased in the previous quarter under the NCIB for an aggregate cost of $270. The Company's NCIB ended on March 8, 2023 and has not been renewed.

On March 17, 2023, 3,000 common shares were forfeited and cancelled in satisfaction of an employee loan, resulting in a share capital reduction of $89.

Note 6 – Share Based Compensation

Share Incentive Plan

On March 10, 2023, the Company granted 578,604 RSUs and 91,103 PSUs to employees that entitle them to cash payments on December 1, 2025 and March 7, 2026, respectively. The RSUs and PSUs were granted at a price of $13.31, based on the weighted average closing price of the Company's common shares on the TSX for the 30 consecutive trading days immediately prior to the grant date. The fair value of the RSUs and PSUs granted in March 2023 was $8,261 at the end of the reporting period.

Deferred Share Unit Plan

On March 9, 2023, the Company granted 12,792 DSUs to directors that entitle them to cash payments when they leave the Company or its Board. The DSUs were issued at a grant price of $12.79, based on the weighted average closing price of the Company's common shares on the TSX for the 5 consecutive trading days immediately prior to the grant date and had a value of $166. The fair value of the DSUs at March 31, 2023 is $160 and is included in Accounts payable and accrued liabilities.

Note 7 – Net Income (Loss) Per Common Share

Net income (loss) per common share consists of the following:

Three months ended March 31,	2023	2022
Net income/(loss)	(5,332)	(3,147)
Less: dividends on preferred shares	(1,073)	(1,073)
Net income/(loss) attributable to common shareholders	(6,405)	(4,220)
Weighted-average number of common shares outstanding: (in thousands)		
Basic		
Common shares	15,788	15,871
Common shares held by the SIP Trust[1]	(231)	(231)
Contingently returnable common shares held in escrow	(3,096)	(6,036)
	12,461	9,604
Diluted		
Dilutive effect of shares held by the SIP Trust[1]	231	231
Dilutive effect of contingently returnable common shares held in escrow	3,096	6,036
	15,788	15,871
Net income/(loss) per common share - Basic	(0.51)	(0.44)
Net income/(loss) per common share - Diluted[2]	(0.51)	(0.44)

[1]The Company has the SIP Trust for the purposes of purchasing the Company's common shares in the open market and delivering the common shares to the eligible participants upon vesting, for RSUs that were granted before 2022.

[2]In the case of a net loss, the impact of the shares pledged and other common shares subject to vesting conditions under share-based compensation programs on diluted net loss per common share is not considered to be dilutive for accounting purposes, therefore basic and diluted net loss per common share are the same.

Note 8 – Fair Value of Financial Instruments

The Company records assets and liabilities held for trading, assets and liabilities designated at fair value, derivatives, certain equity and debt securities and securities sold short but not yet purchased at fair value, with changes in fair value recorded through the Statement of Income (FVTPL) or through other comprehensive income (FVOCI). Other non-trading assets and liabilities are carried at amortized cost less allowances or write-downs for impairment.

For traded securities, quoted market value is considered to be fair value. Securities for which no active market exists are valued using all reasonably available market information.

The carrying value of certain financial assets and liabilities, such as receivables and payables due from or to clients and brokers, client funds held in trust, employee and other loans receivable, other assets and liabilities, debt and provisions, is a reasonable estimate of fair value due to their short-term nature or because they are frequently repriced to current market rates.

($ Thousands, except share and per share amounts)

Financial Instruments – Measurement

The categories of measurement of financial instruments, excluding cash and cash equivalents held by the Company at March 31, 2023 and December 31, 2022 are as follows:

As at March 31, 2023	FVTPL	FVOCI	Amortized cost	Total
Financial assets				
Securities owned	1,345	—	—	1,345
Receivable from clients	—	—	347,241	347,241
Receivable from brokers	—	—	726,830	726,830
Employee and other loans receivable	—	—	44,056	44,056
Other assets	—	—	31,449	31,449
Total financial assets	1,345	—	1,149,576	1,150,921
Financial liabilities				
Payable to clients	—	—	1,008,628	1,008,628
Payable to brokers	—	—	355	355
Debt	—	—	110,922	110,922
Total financial liabilities	—	—	1,119,905	1,119,905

As at December 31, 2022	FVTPL	FVOCI	Amortized cost	Total
Financial assets				
Securities owned	673	—	—	673
Receivable from clients	—	—	377,096	377,096
Receivable from brokers	—	—	61,204	61,204
Client funds held in trust	—	—	367,316	367,316
Employee and other loans receivable	—	—	45,410	45,410
Other assets	—	—	34,895	34,895
Total financial assets	673	—	885,921	886,594
Financial liabilities				
Payable to clients	—	—	1,034,808	1,034,808
Payable to brokers	—	—	24,650	24,650
Debt	—	—	110,922	110,922
Total financial liabilities	—	—	1,170,380	1,170,380

Financial Instruments – Fair Value Hierarchy

IFRS 13, Fair Value Measurement, as issued by the IASB requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs into the valuation of a financial asset or financial liability as of the measurement date.

The fair value hierarchy has the following levels:

Level 1. The Company's Level 1 assets and liabilities generally include debt and equity securities that are traded on an active exchange. They are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. The Company's Level 2 assets and liabilities include equity and debt securities that are not listed on an active exchange. They also include debt and money market securities that are priced using aggregated trade data or reference prices based on yield, maturity and risk rating. The fair value is based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3. The Company's Level 3 equities are broker warrants that are valued based on observable data of the underlying security. The inputs for valuing the asset or liability are not based on observable market data associated with the broker warrants themselves.

The objective of these valuation techniques is to arrive at a fair value determination that reflects the value of the financial instrument at the reporting date that would have been determined by arm's length market participants.

($ Thousands, except share and per share amounts)

The following tables present the fair value hierarchy of the Company's financial assets that are carried at fair value:

As at March 31, 2023	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal governments	23	—	—	23
Provincial and municipal governments	—	3	—	3
Corporate and other	—	73	—	73
Equity securities	829	—	—	829
Derivative financial assets	—	—	417	417
Financial assets carried at fair value	852	76	417	1,345

As at December 31, 2022	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal governments	23	—	—	23
Provincial and municipal governments	—	173	—	173
Corporate and other	—	107	—	107
Equity securities	346	—	—	346
Derivative financial assets	—	—	24	24
Financial assets carried at fair value	369	280	24	673

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy for the years ended March 31, 2023 and December 31, 2022.

	Level 3 fair value
As at December 31, 2021	347
Net unrealized gain (loss) before income taxes	(326)
Proceeds from disposition	3
As at December 31, 2022	24
Net unrealized gain (loss) before income taxes	393
As at March 31, 2023	417

There were no transfers to or from all levels for the three months ended March 31, 2023 or the year ended December 31, 2022.

($ Thousands, except share and per share amounts)

Note 9 – Debt and Capital Management

The following table presents a breakdown of the Company's debt obligations as at March 31, 2023 and December 31, 2022.

	2023	2022
Revolving credit facility	80,500	80,500
Preferred shares	30,422	30,422
	110,922	110,922

Revolving Credit Facility

The Facility contains clauses whereby the Company is required to meet certain financial covenants. As at March 31, 2023, the Company was compliant with the covenants associated with the Facility. As at December 31, 2022 the Company had met three covenants but did not meet the fourth, its fixed charge coverage ratio. The loan syndicate agreed, subsequent to December 31, 2022, to waive the fixed charge coverage ratio covenant until March 30, 2023. On March 15, 2023, the Company amended the credit agreement with the syndicate to exclude certain capital expenditures in connection with the Company's new head office for the purpose of calculating its fixed charge coverage ratio.

Other Credit Facilities

The Company maintains access to certain credit facilities to facilitate the securities settlement process for both client and proprietary transactions. Available credit facilities with Schedule I Canadian chartered banks were $209.8 million at March 31, 2023, compared to $389.6 million at December 31, 2022. The facilities consist of call loans, letters of credit, daylight overdraft, and demand and foreign exchange facilities. Interest on these facilities is based on floating rate benchmarks. The Company had no amounts outstanding under any of these facilities as at March 31, 2023 and December 31, 2022.

Note 10 - Provisions

The following table presents a breakdown of the Company's provisions as at March 31, 2023 and December 31, 2022.

Balance, December 31, 2021	27,323
Additions	575
Payments[1]	(2,314)
Recoveries	(850)
As at December 31, 2022	24,734
Payments[1]	(3,234)
As at March 31, 2023	21,500

[1]Includes $300 and $1,200 relating to key management personnel in March 31, 2023 and December 31, 2022 respectively.

($ Thousands, except share and per share amounts)

Note 11 – Net Change in Non-Cash Operating Items

The following table presents a breakdown of the change in the Company's non-cash operating items for the three month period ending March 31, 2023 and 2022.

	2023	2022
Securities owned	(672)	5,419
Receivable from clients and brokers	(635,771)	(93,673)
Client funds held in trust	367,316	(63,275)
Employee and other loans receivable	(2,847)	(1,852)
Other assets	3,446	1,013
Obligations related to securities sold short	—	(399)
Payable to clients, brokers and issuers	(50,475)	215,047
Accounts payable and accrued liabilities	2,660	(11,974)
Provisions	(3,234)	(1,367)
	(319,577)	48,939

Note 12 – Change in Operations

On January 1, 2023, the Company outsourced its carrying broker operations, which led to a change in the composition of its balance sheet. Client cash held in unregistered accounts that was previously reported as Cash and Cash equivalents on the Company's balance sheet is now reported as a Receivable from Brokers. Similarly, client cash held in registered accounts that was previously reported as Client Funds Held in Trust on the Company's balance sheet is now reported as a Receivable from Brokers. This change also impacted the Statement of Cash Flows as it caused the Company to report a reduction in its Cash and Cash equivalents and non-cash operating items. It did not affect the Company's Statement of Income.