

RF Capital Reports Third Quarter 2023 Results**Q3 2023 Financial Highlights (vs. Q3 2022)****Revenue**

- Revenue increased 2% to \$88 million
- Wealth management revenue increased 5% to \$70 million
- Fee revenue¹ was 91% of commissionable revenue, unchanged from the comparative period
- Interest revenue contributed \$12 million to revenue, consistent with Q3 2022
- Insurance revenue increased to \$3.1 million, up 55%

Profitability and Cash Flow

- Adjusted EBITDA¹ was flat at \$17 million
- Free cash flow available for growth¹ decreased by \$1.1 million to \$11.3 million
- Free cash flow¹ was up by \$7.3 million to \$5.9 million

Assets Under Administration^{1,2} of \$34.7 billion

- Ending AUA^{1,2} and average AUA^{1,2} were both up 3%

Balance sheet

- Net working capital¹ of \$91 million
- \$200 million revolving credit facility; \$81 million drawn, which is unchanged

Toronto, November 2, 2023 - RF Capital Group Inc. (RF Capital or the Company) (TSX: RCG) today reported revenue of \$88 million, up \$1.9 million or 2% from Q3 2022 on 3% growth in AUA. Revenue has been consistent across each quarter of 2023, as AUA² has tracked closely with the TSX Index and has remained around \$35 to \$36 billion. Net income before taxes was up \$1.5 million from Q3 2022 and Adjusted EBITDA¹ of \$17 million was unchanged.

Kish Kapoor, President, and Chief Executive Officer, commented, “Our third quarter results are primarily attributable to the strength of our fee-based revenues amid challenging markets. AUA² increased year-over-year resulting in a bump in overall revenues. Since June and after extensive due diligence processes, we extended offers to several advisor teams to join Richardson Wealth, and believe that many of them will choose to join us in the coming months. This, along with Richardson Wealth being recognized as a Great Place to Work[®] for the sixth consecutive year, gives us confidence we are moving the business in the right direction.”

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.

Great Place to Work

Although the Company's digital transformation has proved to be more challenging than expected, the constructive feedback it has received from its people, both anecdotally and formally, through a Great Place to Work® survey is encouraging. This survey, conducted in September, captured the engagement levels of employees and advisors. Notably, 78% of employees participated, a very positive indicator.

80% of respondents agreed with the statement – *Taking everything into account, I would say this is a Great Place to Work* – and 84% agreed with the statement – *I am proud to tell others I work here*. This contributed to the Company being recognized as a Great Place to Work® for the sixth consecutive year. The survey results also indicated that management needs to continue working closely with Fidelity, Envestnet and advisor teams to identify and address gaps, improve service, and simplify processes to ensure an extraordinary experience.

New Performance Metrics

The Company introduced two new financial performance metrics in Q3, in part due to feedback from the investment community. These two metrics are Free cash flow available for growth and Free cash flow.

Free cash flow available for growth is the cash flow that the Company generates before any investments in growth or transformation initiatives. Free cash flow is the net cash flow that the Company generates from its continuing operations after considering its investments in growth and transformation.

In the third quarter we generated Free cash flow available for growth of \$11.3 million, down \$1.1 from last year primarily because of higher interest costs. Free cash flow was \$5.9 million, up \$7.3 million from Q3 2022 mainly due to lower capital expenditures for office build outs.

Outlook

We have reduced our 2023 outlook slightly based on recent equity market weakness, and now expect that full-year Adjusted EBITDA will be slightly below last year's level.

Release of Escrowed Shares

On October 20, 2023, we celebrated Richardson Wealth's third anniversary. In accordance with the terms of the Richardson Wealth share purchase and related escrow agreements, the final 30% of the RF Capital common shares subject to the original escrow have been released and were delivered to the vendor shareholders on November 11, 2023. Of the released escrowed shares, 1.5 million will be delivered to Richardson Financial Group Limited and its wholly owned affiliate, and 1.4 million will be released to Richardson Wealth advisors and employees and other shareholders. With this release, the Company's public float now represents 56% of its total common shares outstanding.

Preferred Share Dividend

On November 2, 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 December 29, 2023¹, to preferred shareholders of record on December 15, 2023.

¹ In the event that the payment date is not a business day, such dividend shall be paid on the next succeeding day that is a business day.

Q3 2023 – Select Financial Information

The following table presents the Company's financial results for Q3 2023, Q2 2023 and Q3 2022.

(\$000s, except as otherwise indicated)	As at or for the three months ended					As at or for the nine months ended		
	September 30, 2023	June 30, 2023	Increase/ (decrease)	September 30, 2022	Increase/ (decrease)	September 30, 2023	September 30, 2022	Increase/ (decrease)
Key Performance Drivers¹:								
AUA - ending ² (\$ millions)	34,726	35,788	(3%)	33,604	3%	34,726	33,604	3%
AUA - average ² (\$ millions)	35,630	35,880	(1%)	34,679	3%	35,793	35,631	0%
Fee revenue	65,505	64,047	2%	61,974	6%	192,084	192,176	(0%)
Fee revenue ³ (%)	91	90	+107 bps	92	(83) bps	90	87	+288 bps
Adjusted operating expense ratio ⁴ (%)	67.3	70.9	(357) bps	66.9	+40 bps	71.0	70.4	+54 bps
Adjusted EBITDA margin ⁵ (%)	19.3	16.9	+240 bps	19.8	(50) bps	17.0	16.8	+20 bps
Asset yield ⁶ (%)	0.87	0.86	+1 bps	0.86	+1 bps	0.86	0.84	+2 bps
Advisory teams ⁷ (#)	159	158	1	161	(2)	159	161	(2)
Operating Performance								
Reported Results:								
Revenue	87,836	88,832	(1%)	85,928	2%	264,366	265,441	(0%)
Operating expenses ^{1,8}	34,892	36,947	(6%)	36,435	(4%)	114,486	112,340	2%
EBITDA ¹	16,932	14,580	16%	14,938	13%	40,468	38,629	5%
Income (loss) before income taxes	2,092	217	863%	606	245%	(3,341)	(1,720)	94%
Net income (loss) from continuing operations	(189)	(1,425)	(87%)	(724)	n/m	(6,946)	(3,813)	82%
Net income (loss) from discontinued operations ⁹	—	(2,064)	(100%)	—	n/m	(2,064)	—	n/m
Earnings per common share from continuing operations - diluted ¹⁰	(0.10)	(0.20)	(49%)	(0.19)	(47%)	(0.82)	(0.73)	11%
Adjusted Results¹:								
Operating expenses ⁸	34,892	36,533	(4%)	34,380	1%	109,971	106,327	3%
EBITDA	16,932	14,993	13%	16,993	(0%)	44,983	44,642	1%
Income (loss) before income taxes	5,355	3,892	38%	5,924	(10%)	10,961	14,082	(22%)
Net income (loss)	2,388	1,279	n/m	3,197	(25%)	3,771	7,600	(50%)
Adjusted earnings per common share - diluted ¹⁰	0.08	0.01	541%	0.13	(38%)	0.03	0.28	(87%)
Select balance sheet information:								
Total assets	1,390,770	1,518,918	(8%)	2,050,638	(32%)	1,390,770	2,050,638	(32%)
Debt	110,922	110,922	—	110,922	—	110,922	110,922	—
Shareholders' equity	335,513	336,310	(0%)	348,866	(4%)	335,513	348,866	(4%)
Net working capital ¹	90,949	90,019	1%	101,980	(11%)	90,949	101,980	(11%)
Common share information:								
Book value per common share (\$)	14.15	14.20	(0%)	14.93	(5%)	14.15	14.92	(5%)
Closing share price (\$)	5.13	9.44	(46%)	14.46	(65%)	5.13	14.46	(65%)
Common shares outstanding (millions)	15.8	15.8	—	15.8	(0%)	15.8	15.9	(1%)
Common share market capitalization (\$ millions)	81	149	(46%)	229	(65%)	81	229	(65%)
Cash flow¹:								
Free cash flow available for growth	11,300	8,561	32%	12,357	(9%)	27,028	29,438	(8%)
Free cash flow	5,932	6,558	(10%)	(1,405)	(522%)	4,986	(7,008)	(171%)

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 press release.
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. Prior year has been revised to reflect the internal consolidation of certain teams
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 Q2 2023, we recorded a provision for a legacy employment litigation matter related to the 2019 sale of our capital markets business to Stifel Nicolaus Canada Inc. See Note 14 to the Third Quarter 2023 Financial Statements.
10. In 2022, we consolidated our common shares at a 10:1 ratio. Prior period common share information has been adjusted to reflect this consolidation.

Items of Note

The adjusted financial results presented in this MD&A exclude the impact of transformation program expenses, costs associated with legacy legal matters, and the amortization of acquired intangibles.

Q3 2023

The third quarter did not include any transformation costs and other provisions.

Q2 2023

The second quarter included \$0.4 million of pre-tax transformation costs and other provisions:

- \$0.8 million of pre-tax charges related to outsourcing our carrying broker operations to Fidelity (\$0.4 million after-tax).
- \$0.4 million of pre-tax recoveries related to legacy legal and other transformation matters (\$0.3 million after-tax).

Q3 2022

The third quarter of 2022 included \$2.1 million of pre-tax charges for our ongoing transformation (\$1.5 million after-tax). These charges are related largely to developing our growth strategy and outsourcing our carrying broker operations.

Each quarter noted above also included \$3.3 million of pre-tax amortization of acquired intangible assets (\$2.4 million after-tax). The amortization arose from intangible assets created on the acquisition of Richardson Wealth and will continue through 2035.

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 and preferred share liability;
- 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.

Fee Revenue

Fee revenue represents the fees that our advisors generate for providing wealth management services and investment advice to their clients. The fees are charged to clients as a percentage of AUA. We often refer to the fees as recurring fee revenue because of the fact that the revenue tends to be less volatile than other types of revenue such as trading commissions.

Commissionable Revenue

Commissionable revenue is revenue on which our advisors earn variable commissions and other performance incentive awards. It includes Wealth management revenue, commission revenue in connection with the placement of new issues and revenue earned on the sale of insurance products.

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:

(\$000s)	For the three months ended			For the nine months ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Total expenses - reported	49,732	51,310	50,767	158,295	152,689
Interest	3,527	3,675	3,015	10,712	7,503
Advisor loan amortization	4,457	3,884	4,381	12,542	12,633
Depreciation and amortization	6,856	6,805	6,936	20,555	20,213
Operating expenses	34,892	36,947	36,435	114,486	112,340
Transformation costs and other provisions	—	413	2,055	4,515	6,013
Adjusted operating expenses	34,892	36,533	34,380	109,971	106,327

Adjusted Operating Expense Ratio

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

Free Cash Flow Available for Growth

Free cash flow available for growth is the cash flow that the Company generates from its continuing operations before any investments in growth or transformation initiatives. It is calculated as cash provided by (used in) operating activities per the Consolidated Statement of Cash Flows *before* any changes in non-cash operating items, *less* lease payments and maintenance capital expenditures. It does not consider transformation charges, the income (loss) from discontinued operations, or dividends.

Free Cash Flow

Free cash flow is the net cash flow that the company generates from its operations after funding its growth and transformation initiatives, including building out new offices to accommodate its growth. It is calculated as Free cash flow available for growth *plus* the income (loss) from discontinued operations and leasehold inducements *less* cash outlays to recruit new advisors to the firm, capital expenditures on growth initiatives, transformation costs, and the net change in balance sheet provisions.

Adjusted Net Income

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

(\$000s)	For the three months ended			For the nine months ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net income (loss) from continuing operations - reported	(189)	(1,425)	(724)	(6,946)	(3,813)
After-tax adjusting items:					
Transformation costs and other provisions	179	306	1,522	3,523	4,219
Amortization of acquired intangibles	2,398	2,398	2,398	7,194	7,194
Adjusted net income (loss)	2,388	1,279	3,197	3,771	7,600
Earnings per common share from continuing operations:					
Basic	(0.10)	(0.20)	(0.19)	(0.82)	(0.73)
Diluted	(0.10)	(0.20)	(0.19)	(0.82)	(0.73)
Adjusted earnings per common share:					
Basic	0.11	0.02	0.22	0.04	0.46
Diluted	0.08	0.01	0.13	0.03	0.28

Supplemental Financial Measures

A supplementary financial measure (SFM) is a financial measure that is not reported in our 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.

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 \$34.4 billion in assets under administration (as of October 31, 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™ for the past three years, 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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