RICHARDSON Wealth

RF Capital Group Inc.

Q3 2023 Report to Shareholders

Contents

A Message from our President & CEO

Throughout the third quarter, our focus remained squarely on executing our three-pillar growth strategy and enhancing the experience of our advisory teams. And even amidst challenging macroeconomic and geopolitical conditions that led to a 3% drop in the TSX index, our advisors helped their clients through the market volatility and delivered consistent year over year top line results.

Our AUA increased 3% year-over-year, which in turn resulted in a 2% increase in overall revenue and a 5% increase in wealth management revenue. Adjusted EBITDA of $16.9 million was flat compared to the same period last year. Free cash flow available for growth was $11.3 million during the quarter compared to $12.4 million in Q3 2022. After funding our growth, Free cash flow was $5.9 million, up $7.3 million from the same period last year.

Our corporate development team had a busy quarter, onboarding two teams and hosting promising diligence meetings across the country with many others who have expressed interest in joining us. As for the third pillar of our growth strategy – acquisition of similar businesses or partnerships that afford us additional capabilities in the wealth management industry – we have several opportunities we are evaluating for fit and long-term value creation.

Although our digital transformation has proved to be more challenging than expected, we are encouraged by the constructive feedback we are getting from our people, both anecdotally and formally, through a Great Place to Work® survey. This survey, conducted in September, captured the engagement levels of our employees and advisors. Notably, our participation rate was 78%, a very positive indicator. Along with their positive comments, advisor teams also told us we need to continue to work closely with Fidelity, Envestnet and our advisory teams to identify and address gaps, improve service, and simplify processes to ensure an extraordinary experience.

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 us being recognized as a Great Place to Work ®, for the sixth consecutive year.

Our financial story, recruiting momentum, and survey results indicate we are moving the business in the right direction, and that our people – our greatest assets – are committed to our long-term success and our shared vision. As we continue to drive growth, we remain confident that our efforts will be reflected in our share price.

I look forward to keeping you apprised over the coming quarters.

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 consolidated financial condition and results of the consolidated operations of RF Capital Group Inc. (the Company) as at and for the three and nine months ended September 30, 2023.

This MD&A, dated November 2, 2023, should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes as at and for the three and nine months ended September 30, 2023 (Third 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.sedarplus.ca* 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 Third 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. All numbers and discussion in this MD&A relate to continuing operations unless otherwise specified.

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 service organizations, 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.

Business Overview

RF Capital is one of Canada's largest independent wealth management firms, with total AUA of $34.7 billion (September 30, 2023). We conduct our business under the Richardson Wealth and Patrimoine Richardson brands. Our 159 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.

For more information on the Company's business and our three-pillar growth strategy please visit our website at www.richardsonwealth.com or refer to our 2022 Annual Report, *The Courage to Rebuild*.

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 or 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 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.

Select Financial Information

	As at or for the three months ended					As at or for the nine months ended		
($000s, except as otherwise indicated)	September 30, 2023	June 30, 2023	Increase/ (decrease)	September 30, 2022	Increase/ (decrease)	September 30, 2023	September 30, 2022	Increase/ (decrease)
Key Performance Drivers[1]:								
AUA - ending[2] ($ 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 Results[1]:								
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 flow[1]:								
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 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. 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.

Quarterly Results

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

			2023				2022	2021
($000s, except as otherwise indicated)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Key Performance Drivers[1]:								
AUA - ending[2] ($ millions)	34,726	35,788	35,965	34,948	33,604	33,841	37,084	36,847
AUA - average[2] ($ millions)	35,630	35,880	35,872	34,788	34,679	35,607	36,629	35,905
Fee revenue	65,505	64,047	62,532	62,625	61,974	62,312	67,890	64,414
Fee revenue[3] (%)	91	90	90	90	92	81	89	86
Adjusted operating expense ratio[4] (%)	67.3	70.9	74.7	68.1	66.9	67.9	76.9	74.3
Adjusted EBITDA margin[5] (%)	19.3	16.9	14.9	19.2	19.8	18.3	12.5	14.3
Asset yield[6] (%)	0.87	0.86	0.86	0.87	0.86	0.82	0.85	0.81
Advisory teams[7] (#)	159	158	158	161	161	162	159	162
Operating Performance:								
Reported Results:								
Revenue	87,836	88,832	87,700	88,531	85,928	90,753	88,760	86,111
Advisor variable compensation	36,012	37,305	36,095	35,276	34,555	39,078	40,839	38,285
Gross margin[9]	51,824	51,527	51,605	53,255	51,373	51,675	47,921	47,826
Operating expenses[1,10]	34,892	36,947	42,647	38,867	36,435	37,493	38,412	37,263
EBITDA[1]	16,932	14,580	8,958	14,388	14,938	14,182	9,509	10,564
Interest	3,527	3,675	3,511	3,294	3,015	2,348	2,140	1,543
Depreciation and amortization	6,856	6,805	6,895	7,851	6,936	6,743	6,534	6,510
Advisor loan amortization	4,457	3,884	4,201	4,634	4,381	4,240	4,012	4,054
Income (loss) before income taxes	2,092	217	(5,649)	(1,391)	606	851	(3,177)	(1,544)
Net income (loss) from continuing operations	(189)	(1,425)	(5,332)	(990)	(724)	58	(3,147)	(2,357)
Net income (loss) from discontinued operations[11]	—	(2,064)	—	—	—	—	—	—
Adjusting items[13]:								
Transformation costs and other provisions	—	413	4,101	2,621	2,055	2,415	1,543	1,730
Amortization of acquired intangibles	3,263	3,263	3,263	3,263	3,263	3,263	3,263	3,263
Total adjusting items	3,263	3,675	7,364	5,884	5,318	5,678	4,806	4,995
Adjusted Results[1]:								
Operating expenses[10]	34,892	36,533	38,546	36,246	34,380	35,078	36,869	35,534
EBITDA	16,932	14,993	13,059	17,009	16,993	16,597	11,052	12,294
Income (loss) before income taxes	5,355	3,892	1,715	4,493	5,924	6,529	1,629	3,451
Net income (loss)	2,388	1,279	105	3,500	3,197	4,010	393	1,395
Cash flow[1]:								
Free cash flow available for growth	11,300	8,561	7,168	10,761	12,357	11,511	5,569	8,618
Free cash flow	5,932	6,558	(7,504)	(4,276)	(1,405)	(3,878)	(1,725)	(377)

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. Prior year has been revised to reflect the internal consolidation of certain teams
8. Wealth management revenue includes both fee revenue and commissions earned for trading activity in client accounts
9. 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.
10. 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.
11. 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.
12. In 2022, we consolidated our common shares at a 10:1 ratio. Prior period common share information has been adjusted to reflect this consolidation.
13. For further information, please see "Items of Note" of this MD&A

Q3 Financial Performance Summary

Revenue was $88 million, up $1.9 million from the same period last year, driven by higher AUA[1,2] and steady revenue yields. AUA was up by $1.1 billion or 3% from a year ago, primarily due to market-driven gains during Q4 of 2022. AUA has been in the $35 to $36 billion range since the end of last year, with the movement tracking closely to that of the TSX, leading to steady revenues across each quarter of 2023. While recruiting has not contributed materially to AUA[1,2] growth in recent quarters, we are gaining recruiting momentum and expect it to help drive AUA and revenue growth in the coming quarters.

Q3 2023 Adjusted EBITDA[2] was $16.9 million, flat to Q3 of last year and $1.9 million above the previous quarter. It was up from these prior periods partly because of $3.5 million of mark-to-market recoveries on restricted and deferred share units (RSUs and DSUs). In comparison, RSU and DSU recoveries were $0.2 million in Q3 of last year and $1.9 million last quarter. Q3 2023 also contained $1.7 million of bonus true-ups and other adjustments, which reduced expenses in that period.

Excluding those mark-to-market recoveries, most other operating expense categories have experienced modest growth over the past year, even in this inflationary environment. While we have achieved the savings that we expected from outsourcing our carrying broker operations to Fidelity, those savings have been offset by investments that we have made in other parts of our business.

This quarter, we introduced two new financial metrics to enhance disclosure of our operating performance: Free cash flow available for growth[2] and Free cash flow[2]. These new cash flow disclosures were developed in part due to feedback we received from the investment community. Free cash flow available for growth[2] demonstrates the cash flow that we have available to invest in growth initiatives such as recruiting, and Free cash flow[2] highlights the residual after growth investments and transformation costs. In Q3, we generated Free cash flow available for growth[2] of $11.3 million and Free cash flow[2] of $5.9 million.

Outlook

We believe that the investments we have made in our operating platform and strategic initiatives will create long-term value for our shareholders. With respect to the near-term, recent equity market softness has caused us to revise our 2023 Adjusted EBITDA forecast downward. We now expect Adjusted EBITDA[2] to be slightly below 2022.

We expect that Free cash flow available for growth[2] will be ample enough to support our investments over the balance of 2023. As a result, we do not expect to draw on our credit facility throughout the remainder of the year but will likely do so in 2024 to finance recruiting and other growth initiatives.

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.

Financial Performance

($000s)	September 30, 2023	June 30, 2023	Increase/ (decrease)	September 30, 2022	Increase/ (decrease)	September 30, 2023	September 30, 2022	Increase/ (decrease)
	For the three months ended					For the nine months ended		
Wealth management[1]	70,157	68,972	2%	67,064	5%	206,936	210,837	(2%)
Corporate finance	1,314	2,366	(44%)	2,121	(38%)	4,661	6,783	(31%)
Interest	11,901	12,361	(4%)	12,082	(1%)	37,662	24,566	53%
Insurance	3,126	3,821	(18%)	2,013	55%	10,528	14,451	(27%)
Other	1,338	1,312	2%	2,648	(49%)	4,579	8,804	(48%)
Revenue	87,836	88,832	(1%)	85,928	2%	264,366	265,441	(0%)
Variable advisor compensation	36,012	37,305	(3%)	34,555	4%	109,412	114,472	(4%)
Gross margin[2]	51,824	51,527	1%	51,373	1%	154,954	150,969	3%
Employee compensation and benefits	17,319	18,107	(4%)	18,083	(4%)	55,571	55,901	(1%)
Selling, general and administrative	16,222	16,578	(2%)	13,982	16%	49,041	44,380	11%
Corporate costs[3]	1,351	1,849	(27%)	2,315	(42%)	5,359	6,046	(11%)
Transformation costs and other provisions	—	413	(100%)	2,055	(100%)	4,515	6,013	(25%)
Operating expenses[4,5]	34,892	36,947	(6%)	36,435	(4%)	114,486	112,340	2%
EBITDA[4]	16,932	14,580	16%	14,938	13%	40,468	38,629	5%
Interest	3,527	3,675	(4%)	3,015	17%	10,712	7,503	43%
Depreciation and amortization	6,856	6,805	1%	6,936	(1%)	20,555	20,213	2%
Advisor loan amortization	4,457	3,884	15%	4,381	2%	12,542	12,633	(1%)
Income (loss) before income taxes	2,092	217	863%	606	245%	(3,341)	(1,720)	94%
Adjusting items[6]:								
Transformation costs and other provisions	—	413	(100%)	2,055	(100%)	4,515	6,013	(25%)
Total adjusting items	—	413	(100%)	2,055	(100%)	4,515	6,013	(25%)
Adjusted results[4]:								
Operating expenses[5]	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%)
Cash flow[4]:								
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. Wealth management revenue includes both fee revenue and commissions earned for trading activity in client accounts.
2. 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.
3. Corporate costs refer to employee compensation and benefits and selling, general, and administrative expenses related to our corporate functions
4. Considered to be non-GAAP or supplemental financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplemental Financial Measures" section of this MD&A.
5. 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.
6. For further information, please see "Items of Note" of this MD&A

Income (Loss) Before Income Taxes

Income before taxes was $2.1 million for the quarter, up $1.5 million compared to last year and $1.9 million sequentially. For the nine months ended September 30, 2023, loss before taxes was $3.3 million, compared to $1.7 million last year.

Adjusted income before taxes, which excludes amortization on acquired intangibles, was $5.4 million, which compares to $5.9 million last year and $3.9 million last quarter.

Adjusted EBITDA

Adjusted EBITDA was flat compared to last year and up $1.9 million or 13% sequentially. For the nine months ended September 30, 2023, it was up $0.3 million or 1% compared to last year. The Adjusted EBITDA margin was 19.3% this quarter, up from 16.9% in Q2 and down from 19.8% in Q3 2022. The main drivers for the change in Adjusted EBITDA are discussed below.

Revenue

Q3 2023 vs Q3 2022

Revenue was up $1.9 million or 2% driven by higher wealth management and insurance revenues, partly offset by lower corporate finance and other revenues.

Wealth management revenue grew $3.1 million or 5%. This increase was primarily because of higher average AUA, which was fueled by equity market gains. There has also been a shift in the AUA mix towards higher yielding fee-based AUA since Q3 of last year, leading to a 1 basis point increase in asset yields; a positive development that is consistent with our strategic objectives.

Insurance revenue increased $1.1 million or 55%. While we expect insurance revenue to grow over a long-term horizon, commissions are often sizable and, as a result, revenue can vary from quarter to quarter.

Corporate finance revenue was down $0.8 million or 38% due to weak conditions in the new issue market.

Q3 2023 vs Q2 2023

Revenue was down $1.0 million or 1%, as lower corporate finance and insurance revenues outweighed higher wealth management revenue.

Wealth management revenue increased $1.2 million or 2% due to one more day in the quarter and the AUA mix shift described above, and despite a decline in average AUA. The decline in average AUA was a function of weaker equity markets.

YTD 2023 vs YTD 2022

Revenue was constant, as higher interest revenue offset lower wealth management, insurance, and corporate finance revenues.

Interest revenue increased $13.1 million or 53% primarily due to higher benchmark rates.

Wealth management revenue was down $3.9 million or 2% because of reduced performance fees. Performance fees are charged by several of our advisors in Q1 each year based on performance in the prior calendar year, and they declined because market performance in 2022 was weaker than in 2021.

Insurance revenue was down $3.9 million or 27% primarily because of one large insurance commission in Q2 of last year.

Adjusted Operating Expenses

Q3 2023 vs Q3 2022

Adjusted operating expenses were up $0.5 million or 1% as lower employee compensation and corporate costs were offset by higher selling, general and administrative expenses (SG&A).

Employee compensation was down $0.8 million or 4% due to $2.2 million of incremental mark-to-market recoveries on RSUs. Migrating our carrying broker functions to Fidelity reduced compensation expenses in 2023, though those savings were offset by the effects of annual inflationary salary increases, hiring, and benefits program changes. In addition, Q3 2022 contained a bonus pool true-up, which resulted in lower compensation expenses in that period.

The SG&A increase of $2.2 million or 16% was driven by costs associated with return to work and travel, new technology platforms, clearing, and professional services expenses, offset by declines across a number of other categories.

The $1.0 million or 42% decline in corporate costs was driven by $1.1 million of incremental mark-to-market recoveries on DSUs (which our Board received in lieu of cash compensation).

Q3 2023 vs Q2 2023

Adjusted operating expenses were down $1.6 million or 4% due to lower expenses across all major categories.

Employee compensation and corporate costs were down due to mark-to-market recoveries on RSUs and DSUs respectively.

The SG&A decrease of $0.4 million or 2% reflected lower conference costs. We held our annual conference for advisors and employees during Q2.

YTD 2023 vs YTD 2022

Adjusted operating expenses were up $3.6 million or 3% driven by higher SG&A. Variances across all categories were driven largely by the same reasons discussed above when comparing Q3 2023 to Q3 2022.

Cash Flow

Q3 2023 vs Q3 2022

Free cash flow available for growth was down $1.1 million or 9% primarily due to higher interest costs. Free cash flow was up $7.3 million mainly because of lower capital expenditures on new office build-outs, which were partly offset by payments to settle legacy legal matters.

Q3 2023 vs Q2 2023

Free cash flow available for growth was up $2.7 million or 32% primarily due to higher earnings. Free cash flow was down $0.6 million or 10% because of payments to settle legacy legal matter and despite higher earnings.

YTD 2023 vs YTD 2022

Free cash flow available for growth was down $2.4 million or 8%, driven primarily by higher interest costs. Free cash flow increased by $12.0 million as reduced capital expenditures and advisor recruiting payments were partly offset by higher interest costs and payments to settle legacy legal matters.

Financial Condition

	As at or for the three months ended			As at or for the year ended	
($000s, except as otherwise indicated)	September 30, 2023	June 30, 2023	Increase/ (decrease)	December 31, 2022	Increase/ (decrease)
Selected highlights:					
Total assets	1,390,770	1,518,918	(8%)	1,699,654	(18%)
Shareholders' equity	335,513	336,310	(0%)	346,921	(3%)
Debt	110,922	110,922	—	110,922	—
Net working capital[1]	90,949	90,019	1%	95,224	(4%)
Debt:					
Revolving credit facility	80,500	80,500	—	80,500	—
Preferred share liability	30,422	30,422	—	30,422	—
	110,922	110,922	—	110,922	—
Ratios[1]:					
Debt to Adjusted EBITDA[2]	1.6	1.8	(11%)	1.8	(9%)
Adjusted EBITDA to interest[3]	6.4	5.2	21%	7.4	(14%)

1. Considered to be non-GAAP or 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 September 30, 2023 and June 30, 2023 are Q3 and Q2 annualized respectively
3. Includes interest expense on term debt, lease liabilities, and client accounts

Q3 2023 vs Q2 2023

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 Q3 2023.

Total assets were down by 8% from last quarter. Assets decreased primarily because advisors moved their clients' cash into higher yielding fixed income and other instruments. Client cash is reported on our balance sheet[1] but other types of client investments (e.g. Guaranteed Investment Certificates or publicly traded equities) are not, so any shift in AUA away from cash into other instruments affects our reported assets. Margin loans declined as clients delevered due to continued market volatility and rising interest rates.

Q3 2023 vs Q4 2022

Total assets decreased by 18% from December 31, 2022 due to lower cash balances and margin loans. Cash balances and margin loan balances were down for the reasons cited above. Shareholders' equity decreased by 3% due to the $9.0 million net loss we reported for the nine months ended September 30, 2023 and $3.2 million of preferred share dividends.

[1] Client cash was reported as *cash and cash equivalents* on our balance sheet up to December 31, 2022. When we outsourced our carrying broker operations to Fidelity Clearing Canada on January 1, 2023, we began to report this cash in the *Receivable from Brokers* line on our balance sheet.

Revolving Credit Facility

We have a $200 million revolving credit facility with a syndicate of lenders. As at September 30, 2023, we had drawn $80.5 million against the facility, unchanged from the end of 2022. Combined with our 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 and Note 9 to the Third Quarter 2023 Financial Statements.

The facility contains clauses whereby we are required to meet four financial covenants. As at September 30, 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, 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 September 30, 2023, we had net working capital of $90.9 million.

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. We had $82.0 million of liquid assets[2] at September 30, 2023, down from $368.5 million at December 31, 2022. The decline in liquid assets is related to the outsourcing of our carrying broker operation. We previously reported the cash that we held on behalf of our clients as part of our liquid assets, but now that Fidelity Clearing Canada holds that cash we report it in our "Receivable from brokers" balance and that is not considered to be a liquid asset. For further information, see Note 12 to the Third Quarter 2023 Financial Statements.

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 Q3 2023.

[2] 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.

Share Information

At the date of this report, November 2, 2023, we had 15.8 million common shares issued and outstanding. In addition, there were 55,000 unexercised stock options outstanding, with a weighted average exercise price of $19.23 per share. We also had 4.6 million Series B non-cumulative 5-year rate reset preferred shares issued and outstanding.

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 and nine months ended September 30, 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 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. Please refer to Note 2 to the 2022 Annual Financial Statements for more information.

Risk Management

The Company is exposed to risks that are similar to those of other financial institutions, including the symptoms and effects of both domestic and global economic conditions and other factors that could adversely affect the business, financial condition, and operating results. For a complete description of risk factors, please see Note 19 "Fair Value of Financial Instruments" to the 2022 Annual Financial Statements and the "Risk Management" section of our 2022 Annual MD&A dated March 2, 2023. Both documents can be found on our website at www.richardsonwealth.com/investor-relations.

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 and nine months ended September 30, 2023.

Please refer to Note 3 and Note 4 to the 2022 Annual Financial Statements and Note 8 to the Third Quarter 2023 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 September 30, 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.

There were no changes in our internal control over financial reporting during the current quarter that have materially affected, or are reasonably likely to materially affect, the adequacy and effectiveness of our internal control over financial reporting.

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 (SFM) to assess our performance. We use these non-GAAP financial measures and 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 SFM 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 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 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; and
- 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 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			For the nine months ended	
($000s)	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):

	For the three months ended			For the nine months ended	
($000s)	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.

Consolidated Balance Sheet

($ thousands) As at	Note	September 30, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents	12	80,968	367,848
Securities owned	8, 12	1,061	673
Receivable from:	8, 12		
Clients		249,373	377,096
Brokers		577,846	61,204
Client funds held in trust	8, 12	—	367,316
Employee and other loans receivable	8	36,274	45,410
Equipment and leasehold improvements		38,946	37,452
Right-of-use assets		48,532	52,809
Other assets	8	16,789	34,895
Deferred tax assets		12,684	17,370
Goodwill and intangible assets	4	328,297	337,581
		1,390,770	1,699,654
LIABILITIES			
Payable to:	8, 12		
Clients		767,186	1,034,808
Brokers		61	24,650
Issuers		163	—
Accounts payable and accrued liabilities	6,8	58,219	50,966
Debt	8,9,13	110,922	110,922
Provisions	10	17,937	24,734
Lease liabilities		59,158	62,448
Deferred tax liability		41,611	44,205
		1,055,257	1,352,733
EQUITY			
Common shares	5	461,872	462,935
Preferred shares	5	112,263	112,263
Contributed surplus		47,395	46,151
Accumulated other comprehensive income		20,293	19,652
Accumulated deficit		(306,310)	(294,080)
Shareholders' equity		335,513	346,921
		1,390,770	1,699,654

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

"Kishore Kapoor"

Kishore Kapoor
President and Chief Executive Officer

"Donald Wright"

Donald Wright
Chair of the Board

Consolidated Statement of Income / (Loss)

($ thousands)		Three months ended September 30,		Nine months ended September 30,	
	Note	**2023**	2022	**2023**	2022
REVENUE					
Wealth management		**70,157**	67,064	**206,936**	210,837
Corporate finance		**1,314**	2,121	**4,661**	6,783
Interest		**11,901**	12,082	**37,662**	24,566
Other		**4,464**	4,661	**15,107**	23,255
Total Revenue	3	**87,836**	85,928	**264,366**	265,441
Variable advisor compensation		**36,012**	34,555	**109,412**	114,472
Gross Margin		**51,824**	51,373	**154,954**	150,969
EXPENSES					
Employee compensation and benefits		**18,545**	19,468	**59,634**	60,365
Selling, general and administrative		**16,347**	16,967	**54,852**	51,975
Advisor loan amortization		**4,457**	4,381	**12,542**	12,633
Interest		**3,527**	3,015	**10,712**	7,503
Depreciation and amortization	4	**6,856**	6,936	**20,555**	20,213
		49,732	50,767	**158,295**	152,689
Income/(loss) before income taxes		**2,092**	606	**(3,341)**	(1,720)
Income tax expense/(recovery)					
Current		**530**	558	**1,512**	1,453
Deferred		**1,751**	772	**2,093**	640
		2,281	1,330	**3,605**	2,093
Net income/(loss) from continuing operations		**(189)**	(724)	**(6,946)**	(3,813)
Net income/(loss) from discontinued operations	14	**—**	—	**(2,064)**	—
Net income/(loss)		**(189)**	(724)	**(9,010)**	(3,813)
Weighted-average number of common shares outstanding: (in thousands)					
Basic	7	**12,449**	9,581	**12,453**	9,596
Diluted		**15,773**	15,848	**15,778**	15,863
Net loss per common share (dollars) from continuing operations:					
Basic	7	**(0.10)**	(0.19)	**(0.82)**	(0.73)
Diluted		**(0.10)**	(0.19)	**(0.82)**	(0.73)
Net loss per common share (dollars):					
Basic	7	**(0.10)**	(0.19)	**(0.99)**	(0.73)
Diluted		**(0.10)**	(0.19)	**(0.99)**	(0.73)

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

Consolidated Statement of Comprehensive Income (Loss)

($ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Net income/(loss)	**(189)**	(724)	**(9,010)**	(3,813)
Other comprehensive income/(loss)				
Item that may be subsequently reclassified to net income/(loss):				
Foreign currency translation gain/(loss) from continuing operations	—	—	—	(4)
Total other comprehensive income/(loss)	—	—	—	(4)
Total comprehensive income/(loss) attributable to shareholders	**(189)**	(724)	**(9,010)**	(3,817)

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

Consolidated Statement 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 and for the period ended 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
Net foreign currency translation gain		—	—	—	—	—	(7)	—	(7)
Common shares purchased and cancelled		—	—	(16)	(171)	—	86	—	(85)
Share-based compensation		—	—	—	—	497	—	—	497
Preferred share dividends		—	—	—	—	—	—	(1,073)	(1,073)
Net loss		—	—	—	—	—	—	58	58
As at and for the period ended June 30, 2022		4,600	112,263	15,624	464,496	45,058	18,924	(290,220)	350,521
Net foreign currency translation gain		—	—	—	—	—	3	—	3
Common shares purchased and cancelled		—	—	(13)	(858)	—	359	—	(499)
Share-based compensation		—	—	—	—	467	—	—	467
Preferred share dividends		—	—	—	—	—	—	(1,073)	(1,073)
Net loss		—	—	—	—	—	—	(724)	(724)
As at and for the period ended September 30, 2022		4,600	112,263	15,611	463,638	45,525	19,286	(292,017)	348,695
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	5	—	—	(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
Share-based compensation		—	—	—	—	430	—	(1)	429
Preferred share dividends	5	—	—	—	—	—	—	(1,073)	(1,073)
Net loss		—	—	—	—	—	—	(3,489)	(3,489)
As at and for the period ended June 30, 2023		4,600	112,263	15,543	461,872	46,930	20,293	(305,048)	336,310
Share-based compensation		—	—	—	—	465	—	—	465
Preferred share dividends	5	—	—	—	—	—	—	(1,073)	(1,073)
Net loss		—	—	—	—	—	—	(189)	(189)
As at and for the period ended September 30, 2023		4,600	112,263	15,543	461,872	47,395	20,293	(306,310)	335,513

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

Consolidated Statement of Cash Flows

($ thousands)	Note	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
OPERATING ACTIVITIES					
Net income/(loss)		**(189)**	(724)	**(9,010)**	(3,813)
Add/(deduct) items not involving cash:					
Depreciation and amortization	4	**6,856**	6,936	**20,555**	20,213
Advisor loan amortization		**4,457**	4,381	**12,542**	12,633
Accretion of lease liability expense		**697**	1,047	**2,431**	2,740
Deferred income taxes		**1,751**	772	**2,093**	640
		13,572	12,412	**28,611**	32,413
Net change in non-cash operating items	11, 12	**6,587**	(296,031)	**(296,410)**	(46,063)
Cash provided by (used in) operating activities		**20,159**	(283,619)	**(267,799)**	(13,650)
FINANCING ACTIVITIES					
Dividends paid on preferred shares	5	**(1,073)**	(1,073)	**(3,219)**	(3,219)
Purchase of shares for cancellation	5	**—**	(325)	**(422)**	(410)
Repayment of lease payments		**(1,904)**	(2,110)	**(6,440)**	(6,587)
Cash provided by (used in) financing activities		**(2,977)**	(3,508)	**(10,081)**	(10,216)
INVESTING ACTIVITIES					
Intangibles	4	**(333)**	(367)	**(954)**	(2,276)
Equipment and leasehold improvements		**(1,604)**	(9,147)	**(8,046)**	(16,783)
Cash provided by (used in) investing activities		**(1,937)**	(9,514)	**(9,000)**	(19,059)
Effect of foreign exchange on cash balances		**—**	—	**—**	(4)
Net change in cash and cash equivalents		**15,245**	(296,641)	**(286,880)**	(42,929)
Cash and cash equivalents, beginning of period		**65,723**	771,811	**367,848**	518,099
Cash and cash equivalents, end of period		**80,968**	475,170	**80,968**	475,170
Supplemental cash flow information					
Interest paid		**2,720**	1,523	**7,966**	4,190
Interest received		**12,180**	11,042	**38,236**	22,028
Taxes paid		**(429)**	(429)	**(1,287)**	(1,287)

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). Richardson Wealth is a member of the Canadian Investment Regulatory Organization (CIRO) and 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).

On December 6, 2019, the Company completed the sale of substantially all of its capital markets business. In the second quarter of 2023, the results of this discontinued operation were presented separately in the consolidated statements of income (loss) and consolidated statements of comprehensive income (loss). For further details, refer to Note 14.

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 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. 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.

These Interim Financial Statements were authorized for issuance by the Company's Board of Directors on November 2, 2023, and include all subsequent events up to that date.

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 Annual Financial Statements.

($ Thousands, except share and per share amounts)

Note 3 – Revenue

The following table presents disaggregated revenue information for the Company for the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Commissions	4,652	5,090	14,852	18,660
Fee revenue	65,505	61,974	192,084	192,176
Corporate finance	1,314	2,121	4,661	6,783
Other customer revenue	3,719	10,430	12,441	16,743
Revenue - contracts with customers	75,190	79,615	224,038	234,362
Other revenue	12,646	6,313	40,328	31,078
Total revenue	87,836	85,928	264,366	265,440
Timing of revenue recognition				
Point in time	5,425	8,207	17,927	6,762
Over time	69,765	71,408	206,111	227,600
Revenue - contracts with customers	75,190	79,615	224,038	234,362
Other revenue	12,646	6,313	40,328	31,078
Total revenue	87,836	85,928	264,366	265,440

Other Income

The following table presents a breakdown of the Company's other income for the three and nine months ended September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Insurance commissions	3,126	2,013	10,528	14,451
Foreign exchange	1,615	1,543	3,609	5,141
Brokerage services[1]	—	704	—	2,153
Unrealized gain/loss on broker warrants	(332)	(614)	453	(695)
Other	55	1,015	517	2,205
	4,464	4,661	15,107	23,255

[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 September 30, 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	—	—	**897**	**57**	**954**
As at September 30, 2023	**164,957**	**197,132**	**4,626**	**649**	**367,364**
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		**9,831**	**358**	**49**	**10,238**
As at September 30, 2023		**38,535**	**358**	**174**	**39,067**
Net book value					
As at December 31, 2022	164,957	168,428	3,729	467	337,581
As at September 30, 2023	**164,957**	**158,597**	**4,268**	**475**	**328,297**

As at September 30, 2023, there was no impairment relating to the Company's goodwill or finite life intangible assets.

Note 5 – Share Capital

Preferred Share Dividends

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, 2023, to preferred shareholders of record on December 15, 2023.

On August 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 September 30, 2023, to preferred shareholders of record on September 15, 2023.

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 nine month period ended September 30, 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 year 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 Options

On May 12, 2023, the Company granted options to purchase 5,500 common shares at a price of $12.26.

Share Incentive Plan

On March 10, 2023, the Company granted 578,604 Restricted Share Units (RSUs) and 91,103 Performance Share Units (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 $3,587 at the end of the reporting period.

Deferred Share Unit Plan (DSUs)

On August 10, 2023, the Company granted 33,130 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 $7.94, based on the weighted average closing price of the Company's common shares on the TSX for the five consecutive trading days immediately prior to the grant date and had a value of $263. The fair value of the DSUs at September 30, 2023 is $177 and is included in Accounts payable and accrued liabilities.

On May 10, 2023, the Company granted 19,829 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 $11.68, based on the weighted average closing price of the Company's common shares on the TSX for the five consecutive trading days immediately prior to the grant date and had a value of $232. The fair value of the DSUs at September 30, 2023 is $106 and is included in Accounts payable and accrued liabilities.

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 five consecutive trading days immediately prior to the grant date and had a value of $166. The fair value of the DSUs at September 30, 2023 is $70 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 September 30,		Nine months ended September 30,	
($ thousands)	**2023**	2022	**2023**	2022
Net income/(loss) from continuing operations	**(189)**	(724)	**(6,946)**	(3,813)
Less: dividends on preferred shares	**(1,073)**	(1,073)	**(3,219)**	(3,219)
Net income/(loss) attributable to common shareholders from continuing operations	**(1,262)**	(1,797)	**(10,165)**	(7,032)
Net income/(loss) from discontinued operations	**—**	—	**(2,064)**	—
Net income/(loss) attributable to common shareholders	**(1,262)**	(1,797)	**(12,229)**	(7,032)
Weighted-average number of common shares outstanding (in thousands):				
Basic				
Common shares	**15,773**	15,848	**15,778**	15,863
Common shares held by the SIP Trust[1]	**(230)**	(231)	**(230)**	(231)
Contingently returnable common shares held in escrow	**(3,094)**	(6,036)	**(3,095)**	(6,036)
	12,449	9,581	**12,453**	9,596
Diluted				
Dilutive effect of shares held by the SIP Trust[1]	**230**	231	**230**	231
Dilutive effect of contingently returnable common shares held in escrow	**3,094**	6,036	**3,095**	6,036
	15,773	15,848	**15,778**	15,863
Net income/(loss) per common share - Basic				
Continuing operations	**(0.10)**	(0.19)	**(0.82)**	(0.73)
Discontinued operations	**—**	—	**(0.17)**	—
Total	**(0.10)**	(0.19)	**(0.99)**	(0.73)
Net income/(loss) per common share - Diluted[2]				
Continuing operations	**(0.10)**	(0.19)	**(0.82)**	(0.73)
Discontinued operations	**—**	—	**(0.17)**	—
Total	**(0.10)**	(0.19)	**(0.99)**	(0.73)

[1]The Company has a Share Incentive Plan trust (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 and debt, 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 September 30, 2023 and December 31, 2022 are as follows:

As at September 30, 2023	FVTPL	FVOCI	Amortized cost	Total
Financial assets				
Securities owned	1,061	—	—	1,061
Receivable from clients	—	—	249,373	249,373
Receivable from brokers	—	—	577,846	577,846
Employee and other loans receivable	—	—	36,274	36,274
Other assets	—	—	16,789	16,789
Total financial assets	1,061	—	880,282	881,343
Financial liabilities				
Payable to clients	—	—	767,186	767,186
Payable to brokers	—	—	61	61
Payable to issuers			163	163
Accounts payable and accrual liabilities			58,219	58,219
Debt	—	—	110,922	110,922
Total financial liabilities	—	—	936,551	936,551

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
Accounts payable and accrual liabilities	—	—	50,966	50,966
Debt	—	—	110,922	110,922
Total financial liabilities	—	—	1,221,346	1,221,346

($ Thousands, except share and per share amounts)

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 assets are broker warrants that are valued based on observable data of the underlying security. Some inputs used in the model for valuing the asset or liability are based on unobservable 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.

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

As at September 30, 2023	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Equity securities	945	—	—	945
Derivative financial assets	—	—	116	116
Financial assets carried at fair value	945	—	116	1,061

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

($ Thousands, except share and per share amounts)

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy.

	Level 3 fair value
As at December 31, 2021	347
Net unrealized gain (loss) before income taxes	(320)
Disposals/expiries	(3)
As at December 31, 2022	24
Net unrealized gain (loss) before income taxes	**76**
Additions	**30**
Disposals/expiries	**(14)**
As at September 30, 2023	**116**

There were no transfers to or from all levels for the nine months ended September 30, 2023 or the year ended December 31, 2022.

Note 9 – Debt and Capital Management

The following table presents a breakdown of the Company's debt obligations as at September 30, 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 September 30, 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.

On May 4, 2023, the Company amended the credit facility to extend the maturity date to May 4, 2025. The facility will bear interest at a spread over prescribed benchmark rates, with the spread depending on our leverage at the time that the Company draws on the Facility.

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 $63.8 million at September 30, 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.

($ Thousands, except share and per share amounts)

The Company had no amounts outstanding under any of these facilities as at September 30, 2023 and December 31, 2022. During 2023, the Company closed various credit facilities related to its carry broker business. (See note 12)

Note 10 - Provisions

The following table presents a breakdown of the Company's provisions as at September 30, 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
Additions	**3,319**
Payments[1]	**(9,716)**
Recoveries	**(400)**
As at September 30, 2023	**17,937**

[1]Includes $400 and $1,200 relating to key management personnel in September 30, 2023 and December 31, 2022 respectively.

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 and nine months ending September 30, 2023 and 2022.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Securities owned	**262**	(8,233)	**(388)**	(2,751)
Receivable from clients and brokers	**118,207**	56,005	**(388,919)**	142,372
Client funds held in trust	**—**	83,188	**367,316**	27,522
Employee and other loans receivable	**(1,132)**	(1,134)	**(3,406)**	(9,006)
Other assets	**13,679**	(6,031)	**18,106**	(8,698)
Lease inducement	**—**	—	**1,910**	—
Obligations related to securities sold short	**—**	3,998	**—**	13,278
Payable to clients, brokers and issuers	**(123,607)**	(431,054)	**(292,048)**	(210,372)
Accounts payable and accrued liabilities	**3,875**	8,210	**7,816**	4,286
Provisions	**(4,697)**	(980)	**(6,797)**	(2,694)
	6,587	(296,031)	**(296,410)**	(46,063)

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 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 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.

Note 13 – Cessation of CDOR

On May 16, 2022, Refinitiv Benchmark Services Limited (RBSL) published a Canadian Dollar Offered Rate (CDOR) cessation notice stating that the calculation and publication for all tenors of CDOR will cease following a final publication on June 28, 2024. Canadian Alternative Reference Rate Working Group (CARR) has recommended retiring CDOR over two phases through 2023 and 2024, and expects that CDOR-based contracts will be transitioned to the Canadian Overnight Repo Rate Average (CORRA). RWL has determined that this would affect the discounting of the Company's leases and debt. As the effects of the change will not be reflected until 2024, RWL will continue to use the CDOR rate until the end of the 2023 fiscal year.

Note 14 – Discontinued Operations

On December 6, 2019, the Company completed the sale of substantially all of its capital markets business in an all-cash transaction to Stifel Nicolaus Canada Inc. In the second quarter of 2023, the Company recorded a $2,064 increase in legal provisions associated with this discontinued operation. The provision relates to a legacy employment litigation matter.