RF CAPITAL GROUP

EARNINGS RELEASE

RF Capital Reports Fourth Quarter and Fiscal 2023 Results

2023 Financial Highlights
(as compared with 2022)

AUA[1,2] and Revenue

- Ending AUA[1,2] increased to $35.2 billion, up 1% or $288 million
- Total revenue was consistent with 2022, declining 1% to $351 million

Profitability and Cash Flow

- Gross margin increased 1% to $206 million, partly due to revenue mix
- Net income from continuing operations declined to $(9.8) million, due to higher interest expense
- Adjusted EBITDA[1] decreased 3% to $59.5 million, reflecting 2.6% growth in adjusted operating expenses
- Cash used in operating activities was $268 million, reflecting the fact that Fidelity now custodies our clients' cash and it is no longer reported as cash on our balance sheet
- Free cash flow available for growth[1] decreased 12% to $35.4 million, mainly because of higher interest expense
- Free cash flow[1] was up by $7.3 million to $(2.6) million, due to lower capital expenditures for office build outs

Balance sheet

- Net working capital[1] was $81.2 million, down $14.0 million

Toronto, February 29, 2024 - RF Capital Group Inc. (RF Capital or the Company) (TSX: RCG) today reported revenue of $351 million in fiscal year 2023, consistent with the prior year. Revenue was supported by AUA of $35.2 billion at December 31, 2023, which was up $288 million from the prior year. AUA increased as recruiting, net new assets, and strong markets in the fourth quarter offset the departure of advisor teams that managed $2.5 billion in AUA. Adjusted EBITDA [1] decreased 3% to $59.5 million, because of the revenue change and a 2.6% increase in adjusted operating expenses.

In the fourth quarter of 2023, the Company generated revenue of $86.7 million, down $1.8 million or 2% from the prior year. Revenue benefited from a 1% increase in wealth management fees, but interest income declined by $1.8 million due to lower client cash and margin balances. Although adjusted operating expenses were flat, the decrease in revenue led to a $2.5 million decline in Adjusted EBITDA[1] to $14.5 million. Similarly, Adjusted EBITDA was down $2.4 million quarter-over-quarter, primarily as a result of $3.5 million of RSU and DSU mark-to-market recoveries recorded in Q3 2023.

There were no adjusting items to EBITDA in Q3 or Q4 of 2023, reflecting the end of our transformation journey.

For more detail on our results, please refer to our 2023 MD&A.

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 Supplementary Financial Measures" section of this 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.

Kish Kapoor, President and Chief Executive Officer, commented, "Our results reflect the challenges of transforming our business during a period of uncertainty. But with the hard work of building the foundation largely behind us, we finished the year strongly with AUA increasing $800 million in the last two months of the year. That trend, together with three advisor teams that manage $800 million of AUA joining our Victoria office in November, position us for a good start to 2024."

Mr. Kapoor continued, "Looking forward, we are embarking on a journey focused squarely on our three-pillar growth strategy – driving organic, recruiting, and inorganic growth – and we are doing so with modern digital tools and a platform built for scale. I am confident that we can now begin to unlock the long-term value of the investments we have made to pursue opportunities in an industry that is expected to double in size in the next decade."

Deepening Our Capabilities

Dave Kelly joined the Company as Chief Operating Officer of our operating subsidiary, Richardson Wealth. Mr. Kelly's career spans more than 25 years of progressively senior roles in financial services. Most recently, he was Head, Gluskin Sheff & Associates, a prominent independent Canadian advisory firm. Prior to that, he spent 14 years in wealth management at Toronto-Dominion Bank, culminating in the role of SVP & Head, Private Wealth Management & Financial Planning. In choosing Richardson Wealth after interviewing 50 industry professionals, he said "with the significant investments Richardson Wealth made to dramatically scale the business now in place, I am drawn to the firm's advisor-centric culture, the rich history of the name on the door, and the vision to become the brand of choice for Canada's top advisors and their clients." Alongside Neil Bosch and James King, the recently appointed Regional Heads of Advisor Experience & Growth, Dave will have primary responsibility for enhancing the overall experience for advisors and driving profitable organic growth.

2026 Recognition Payments

As the Company's success is dependent on retaining and attracting advisors, management was encouraged that in a recent Great Place to Work® survey 85% of advisors who responded to the survey said they are proud to tell others that they work at Richardson Wealth. To recognize them for their continued loyalty and pursuant to an agreement reached during our 2020 reorganization, advisors who were with the firm in 2020 and are still here were granted a second tranche of recognition awards with a value of $15.2 million. The awards will pay out in November 2026, to advisors who remain with Richardson Wealth until that time.

New Cash Flow Metrics

In Q3 2023, the Company introduced two new financial metrics to enhance disclosure of its operating performance: free cash flow available for growth and free cash flow. These new cash flow disclosures were developed in part due to feedback we received from the investment community. Free cash flow available for growth demonstrates the cash flow that we have available to invest in growth initiatives such as recruiting, and free cash flow highlights the residual after growth investments and transformation costs. In 2023, we generated free cash flow available for growth of $35.4 million. Free cash flow improved from 2022 but was still negative $2.6 million. It was negative primarily because of $18.8 million of recruiting payments and transformation related costs, including payments to resolve legacy legal matters. For a definition of these non-GAAP terms and a reconciliation against cash provided by / (used in) operating activities (the most comparable GAAP measure), please see the "Non-GAAP and Supplementary Financial Measures" section of this press release and our 2023 MD&A.

Outlook and Key Performance Drivers

Due to the wide range of viewpoints on market growth next year, we will not be communicating our expectations for EBITDA[1] going forward. We believe that this approach is consistent with industry practice.

With respect to the drivers of our financial performance and profitability:

- AUA[1,2] will be supported by growth in our existing advisors' client assets and recruiting. AUA[1,2] is also highly correlated with equity market movements;
- The 2023 departure of advisors who managed $2.5 billion of AUA[1,2] will impact average AUA[1,2] and revenue growth rates in 2024;
- Interest revenue is likely to follow prime rate trends, which are expected to decline from current levels;
- Transaction activity underlying our corporate finance revenue could rebound but is likely to remain subdued through the first half of the year;
- Although we expect inflation to continue at elevated rates, we are committed to finding operating cost savings and efficiencies in our business as a partial offset; and
- The $4.9 million of RSU and DSU mark-to-market recoveries that reduced our operating expenses in 2023 (compared to $2.3 million in 2022) may not repeat in the future.

Preferred Share Dividend

On February 29, 2024, the board of directors approved a cash dividend of $0.233313 per Series B Preferred Share for a total of $1,073, payable on March 29, 2024[3], to preferred shareholders of record on March 15, 2024.

Q4 and Fiscal 2023 Conference Call

A conference call and live audio webcast to discuss RF Capital's fourth quarter and fiscal 2023 financial results will be held on Friday, March 1, 2024 at 10:00 a.m. (EST). Interested parties are invited to access the conference call on a listen-only basis by dialing 416-406-0743 or 1-800-898-3989 (toll free) and entering participant passcode 8122652#, or via live audio webcast at https://www.richardsonwealth.com/investor-relations/financial-information. A recording of the conference call will be available until Thursday, April 4, 2024, by dialing 905-694-9451 or 1-800-408-3053 and entering access code 5042186#. The audio webcast will be archived at https://www.richardsonwealth.com/investor-relations/financial-information

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 Supplementary Financial Measures" section of this 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. 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.

Fiscal 2023 – Select Financial Information

The following table presents the Company's financial results for fiscal 2023 and the two preceding periods.

($000s, except as otherwise indicated)	2023	2022	2021	2023 vs 2022 Increase/(decrease)	2022 vs 2021 Increase/(decrease)
Key performance drivers[1]:					
AUA - ending[2] ($ millions)	35,236	34,948	36,847	1%	(5%)
AUA - average[2] ($ millions)	35,574	35,419	33,925	0%	4%
Fee revenue	255,707	254,802	242,916	0%	5%
Fee revenue[3] (%)	89	88	86	+177 bps	+178 bps
Adjusted operating expense ratio[4] (%)	71.1	69.8	72.7	+128 bps	(289) bps
Adjusted EBITDA margin[5] (%)	16.9	17.4	15.4	(47) bps	+197 bps
Asset yield[6] (%)	0.86	0.85	0.82	+1 bps	+3 bps
Advisory teams[7] (#)	157	162	162	(3%)	—
Operating Performance					
Reported results:					
Revenue	351,119	353,972	328,519	(1%)	8%
Operating expenses[1,8]	150,854	151,207	156,543	(0%)	(3%)
EBITDA[1]	54,988	53,017	29,365	4%	81%
Income (loss) before income taxes	(5,509)	(3,111)	(19,805)	77%	(84%)
Net income (loss) from continuing operations	(9,828)	(4,803)	(20,152)	105%	(76%)
Net income (loss) from discontinued operations[9]	(2,064)	—	—	n/a	n/a
Net loss per common share from continuing operations - diluted[10]	(0.93)	(0.95)	(3.33)	(2%)	(72%)
Adjusted results[1]:					
Operating expenses[8]	146,340	142,573	135,153	3%	5%
EBITDA	59,502	61,651	50,755	(3%)	21%
Income (loss) before income taxes	12,055	18,575	14,637	(35%)	27%
Net income (loss)	3,108	11,100	7,356	(72%)	51%
Adjusted earnings (loss) per common share - diluted[10]	(0.08)	0.43	0.20	(118%)	112%
Cash flow:					
Cash provided by (used in) operating activities	(268,497)	(107,402)	(18,811)	150%	471%
Free cash flow available for growth[1]	35,400	40,199	27,421	(12%)	47%
Free cash flow[1]	(2,564)	(9,896)	4,555	(74%)	(317%)

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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 25 to the 2023 Annual 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.

Select Quarterly Financial Information

The following table presents selected quarterly financial information for our eight most recently completed financial quarters.

				2023				2022
($000s, except as otherwise indicated)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Key performance drivers[1]:								
AUA - ending[2] ($ millions)	35,236	34,726	35,788	35,965	34,948	33,604	33,841	37,084
AUA - average[2] ($ millions)	34,926	35,630	35,880	35,872	34,788	34,679	35,607	36,629
Fee revenue	63,623	65,505	64,047	62,532	62,625	61,974	62,312	67,890
Fee revenue[3] (%)	89	91	90	89	90	92	81	89
Adjusted operating expense ratio[4] (%)	71.5	67.3	70.9	74.7	68.1	66.9	67.9	76.9
Adjusted EBITDA margin[5] (%)	16.7	19.3	16.9	14.9	19.2	19.8	18.3	12.5
Asset yield[6] (%)	0.86	0.87	0.86	0.86	0.87	0.86	0.82	0.85
Advisory teams[7] (#)	157	159	158	159	163	162	162	160
Operating Performance:								
Reported results:								
Revenue	86,752	87,836	88,832	87,700	88,531	85,928	90,753	88,760
Advisor variable compensation	35,866	36,012	37,305	36,095	35,276	34,555	39,078	40,839
Gross margin[8]	50,886	51,824	51,527	51,605	53,255	51,373	51,675	47,921
Operating expenses[1,9]	36,368	34,892	36,947	42,647	38,868	36,435	37,493	38,412
EBITDA[1]	14,518	16,932	14,580	8,958	14,387	14,938	14,182	9,509
Interest	3,994	3,527	3,675	3,511	3,293	3,015	2,348	2,140
Depreciation and amortization	6,849	6,856	6,805	6,895	7,851	6,936	6,743	6,534
Advisor award and loan amortization	5,844	4,457	3,884	4,201	4,634	4,381	4,240	4,012
Income (loss) before income taxes	(2,169)	2,092	217	(5,649)	(1,391)	606	851	(3,177)
Net income (loss) from continuing operations	(2,882)	(189)	(1,425)	(5,332)	(991)	(724)	58	(3,147)
Net income (loss) from discontinued operations[10]	—	—	(2,064)	—	—	—	—	—
Adjusted results[1]:								
Operating expenses[9]	36,368	34,892	36,533	38,546	36,246	34,380	35,078	36,869
EBITDA	14,518	16,932	14,993	13,059	17,009	16,993	16,597	11,052
Income (loss) before income taxes	1,094	5,355	3,892	1,715	4,493	5,924	6,529	1,629
Net income (loss)	(483)	2,209	1,279	105	3,500	3,197	4,010	393
Cash flow:								
Cash provided by (used in) operating activities	2,834	16,624	25,741	(313,698)	(93,752)	(283,619)	213,248	56,721
Free cash flow available for growth[1]	8,312	11,180	8,746	7,162	10,761	12,357	11,511	5,569
Free cash flow[1]	(9,612)	6,151	7,206	(6,309)	(4,011)	(1,148)	(3,591)	(1,146)

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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. 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.
9. 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.
10. 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 25 to the 2023 Annual Financial Statements.

Non-GAAP and Supplementary Financial Measures

In addition to GAAP prescribed measures, we use a variety of non-GAAP financial measures, non-GAAP ratios and Supplementary Financial Measures (SFMs) to assess our performance. We use these non-GAAP financial measures and SFMs 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 SFMs 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 2023 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.

The following table reconciles our reported net income/(loss) to adjusted EBITDA:

($000s)	2023	2022
Net income (loss) from continuing operations - reported	(9,828)	(4,803)
Income tax expense (recovery)	4,319	1,692
Income (loss) before income taxes - reported	(5,509)	(3,111)
Interest	14,706	10,797
Advisor award and loan amortization	18,387	17,267
Depreciation and amortization	27,404	28,064
EBITDA	54,988	53,017
Transformation costs and other provisions	4,514	8,634
Adjusted EBITDA	59,502	61,651

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 majority of fee revenue is fees charged to clients as a percentage of AUA, which we often refer to 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. Fee revenue also includes performance fees, which are charged by several of our advisors in the first quarter of each year based on performance in the prior calendar year and therefore experience more volatility.

Commissionable Revenue

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

Adjusted Results

In periods that we determine adjusting items have a significant impact on a user's assessment of ongoing business performance, we may present adjusted results in addition to reported results by removing these items from the reported results. Management considers the adjusting items to be outside of our core operating performance. We believe that adjusted results can enhance comparability across reporting periods and provide the reader with a better understanding of how management views core performance. Adjusted results are also intended to provide the user with results that have greater consistency and comparability to those of other issuers.

Adjusted EBITDA Margin

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

Adjusting items in this document include the following:

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

All adjusting items affect reported expenses.

Adjusted Operating Expenses

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

($000s)	2023	2022
Net income (loss) from continuing operations - reported	(9,828)	(4,803)
Total expenses - reported	211,351	207,335
Interest	14,706	10,797
Advisor recognition and loan amortization	18,387	17,267
Depreciation and amortization	27,404	28,064
Operating expenses	150,854	151,207
Transformation costs and other provisions	4,514	8,634
Adjusted operating expenses	146,340	142,573

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.

The following table reconciles our reported cash provided by (used in) operating activities to free cash flow available for growth and free cash flow:

($000s)	2023	2022
Cash provided by (used in) operating activities - reported	(268,497)	(107,402)
Net change in non-cash operating items	308,259	151,394
Capital expenditures - maintenance	(2,319)	(3,649)
Lease payments	(8,621)	(8,779)
Net loss from discontinued operations	2,064	—
Transformation costs and other provisions (pre-tax)	4,514	8,635
Free cash flow available for growth	35,400	40,199
Advisor loans net of repayments	(16,085)	(13,477)
Capital expenditures - office build outs (net of lease inducements)	(2,868)	(25,394)
Net loss from discontinued operations	(2,064)	—
Transformation costs and other provisions (pre-tax)	(4,514)	(8,635)
Net change in provisions	(12,433)	(2,589)
Free cash flow	(2,564)	(9,896)

Adjusted Net Income

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

($000s)	2023	2022
Net income (loss) from continuing operations - reported	(9,828)	(4,803)
After-tax adjusting items:		
Transformation costs and other provisions	3,344	6,309
Amortization of acquired intangibles	9,592	9,594
Adjusted net income (loss)	3,108	11,100
Earnings per common share from continuing operations:		
Basic	(0.93)	(0.95)
Diluted	(0.93)	(0.95)
Adjusted earnings per common share:		
Basic	(0.08)	0.71
Diluted	(0.08)	0.43

Supplementary Financial Measures

A supplementary financial measure (SFM) is a financial measure that is not reported in our 2023 Annual Financial Statements, and is, or is intended to be, reported periodically to represent historical or expected future financial performance, financial position, or cash flows. The Company's key SFMs disclosed in this document include AUA, working capital, recruiting pipeline, net new and recruited assets. Management uses these measures to assess the operational performance of the Company. These measures do not have any definition prescribed under IFRS and do not meet the definition of a non-GAAP measure or non-GAAP ratio and may differ from the methods used by other companies and therefore these measures may not be comparable to other companies. The composition and explanation of a SFM is provided in this document where the measure is first disclosed if the SFM's labeling 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 $35.8 billion in assets under administration (as of January 31, 2024) and 22 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 Centre for Fiduciary Excellence for its Separately Managed and Portfolio Management Account platforms. Richardson Wealth has also been recognized as a Great Place to Work®, a Best Workplace for Women, a Best Workplace in Canada and Ontario, a Best Workplace for Mental Wellness, for Financial Services an Insurance, and for Hybrid Work. For further information, please visit *www.rfcapgroup.com* and *www.RichardsonWealth.com*.

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