RICHARDSON
Wealth

RF Capital Group Inc.

Management's Discussion & Analysis

For the year ended December 31, 2023

A Message from our President & CEO

2023 marked the completion of our three-year journey to transform our business and position ourselves to seize the opportunity in front of us as our industry rapidly expands – a transformation that included many milestones.

One of the biggest was the transition of our back office to Fidelity. While it was unquestionably challenging, I am proud of how our advisor teams and all those who support them worked hard to adapt to change and helped to build a highly scalable platform for the future. Their commitment, engagement and feedback helped us implement strategies to address gaps, enhance the overall experience, and enable long-term growth in all areas of our business. We are seeing the benefits of these initiatives, including in the quality of people we are attracting.

Natalie Bisset and her corporate development team have built a robust pipeline of high-quality prospects and in 2023 they inspired advisor teams managing $1.7 billion of AUA to join us. In Victoria, B.C., Natalie's team helped open a new office and onboard three advisor teams who collectively manage $800 million in AUA. These teams cite our enhanced platform and our strong advisor-centric culture as key reasons for choosing our brand.

Natalie Bisset
SVP, Head of Corporate Development

Dave Kelly
Chief Operating Officer

After a search in 2023 for the right person to enhance the overall experience for advisors and drive profitable organic growth, Dave Kelly joined us as Chief Operating Officer of Richardson Wealth on January 15, 2024. Dave's career spans more than 25 years of progressively senior roles in financial services. Most recently, he was Head of Gluskin Sheff & Associates, a prominent independent Canadian advisory firm. Prior to that, Dave spent 14 years in wealth management at Toronto-Dominion Bank, culminating in the role of SVP & Head, Private Wealth Management & Financial Planning. In choosing us 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."

Financially, we finished the year with AUA up $288 million, $35 million of cash flow available for growth, and overall results in line with 2022. For a full analysis of our fourth-quarter and year-end results, please see the accompanying Management Discussion & Analysis. Included is a section entitled *2026 Recognition Payments* which details a commitment made in 2020 to reward advisors who remain with the company in November 2026.

As we conclude three years of fundamental transformation and embark upon a journey focused squarely on our three-pillar growth strategy – driving organic, recruiting, and inorganic growth – I am confident that we can begin to unlock the long-term value of the investments we have made to pursue opportunities in our industry, which is expected to double in size in the next decade.

I look forward to updating you on our progress over the coming year.

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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 year ended December 31, 2023.

This MD&A, dated February 29, 2024, should be read in conjunction with the audited consolidated financial statements and related notes as at and for the year ended December 31, 2023 (2023 Annual Financial Statements). This document as well as additional information relating to the Company, including our 2023 Annual Financial Statements, and our latest annual information form (AIF), can be accessed at *www.rfcapgroup.com* and under our profile at *www.sedarplus.com*, and are incorporated by reference herein.

This MD&A refers to certain non-Generally Accepted Accounting Principles (GAAP) and supplementary financial measures (SFMs), 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 IFRS Accounting 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 Supplementary 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 2023 Annual Financial Statements, which we have prepared in accordance with IFRS.

Certain prior period 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 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, strategic (including advisor retention and acquisitions), market, credit, liquidity, operational and legal and regulatory risks, and other risk factors, including variations in the market value of securities, dependence on key personnel and sustainability of fees.

Our results can also be influenced by other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, and natural disasters, or other unanticipated events (including the novel coronavirus and variants thereof (COVID-19 pandemic)). For a description of additional risks that could cause actual results to differ materially from current expectations, see the "Risk Management" section of this 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 assumptions we consider reasonable; however, there can be no assurance that such expectations will prove correct. As such, readers should not place undue reliance on the forward-looking statements and information contained in this MD&A. When relying on forward-looking statements to make decisions, readers should carefully consider the foregoing factors, the list of which is not exhaustive;
- made as of the date of this MD&A and should not be relied upon as representing our view as of any date subsequent to the date of this MD&A. Except as required by applicable law, our management and Board undertake no obligation to update or revise any forward-looking information publicly, whether as a result of new information, future events or otherwise; and
- expressly qualified in its entirety by the foregoing cautionary statements.

Select Annual Financial Information

($000s, except as otherwise indicated)	2023	2022	2021	2023 vs 2022 Increase/(decrease)	2022 vs 2021 Increase/(decrease)
Key performance drivers[1]:					
AUA - ending[2] ($ 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%
Select balance sheet information:					
Total assets	**1,379,983**	1,699,654	2,216,015	(19%)	(23%)
Debt	**110,922**	110,922	110,922	—	—
Shareholders' equity	**330,539**	346,921	354,890	(5%)	(2%)
Net working capital[1,11]	**81,208**	95,224	105,991	(15%)	(10%)
Common share information:					
Book value per common share ($)	**14.02**	14.80	15.25	(5%)	(3%)
Closing share price ($)	**7.52**	11.50	19.00	(35%)	(39%)
Common shares outstanding (millions)	**15.6**	15.9	15.9	(2%)	(0%)
Common share market capitalization ($ millions)	**117**	182	302	(36%)	(40%)
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%)

1. Considered to be non-GAAP or supplementary 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 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 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.
11. Calculated as current assets less current liabilities. For further information, please see the "Liquidity" section of this MD&A.

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)

1. Considered to be non-GAAP or supplementary 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 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.
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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.

Committed to ESG

We are guided by what we believe is right for our community, advisors and their clients, and our business

RF Capital is committed to integrating an environmental, social, and governance (ESG) lens into every aspect of our business.

We are committed to ESG principles that help us thrive in a socially responsible manner and operate with the highest standards of ethical behavior.

The Company is a member of the Responsible Investment Association (RIA).

Please refer to our 2023 Management Information Circular and Annual Information Form for more information on our ESG philosophy.

Our 2023 ESG milestones:

Environmental

- Relocated our Kitchener office to a new Gold LEED Platinum certified building

Social

- Expanded a Core Leadership Development program for all corporate executives, targeting change management
- Recognized as a Best Workplace in Financial Services and Insurance for the fifth straight year by Great Place to Work®
- Launched a DEI Council and introduced a new Employee Resource Group for women
- Based on Investment Executive's 2023 Brokerage Report Card, scored:
    - 8.9/10 overall, tied for 2nd out of 14 firms surveyed
    - 9.6/10 on our Diversity, Equity & Inclusion Policies
- Through our DEI efforts, we supported: National Day for Truth and Reconciliation, the Black Opportunity Fund, Pride at Work Canada, as well as Black, African & Caribbean and Pride Employee Resources Groups
- In support of women, we sponsored WXN Top 100 Women awards and Dress for Success
- In support of our communities, we sponsored the Kidney March, a Wine & Words event, and the Million Reasons Run
- Commenced our *Illumination* initiative with the intent of achieving gender parity among our Advisors
- Began a program to demonstrate enhanced cultural sensitivity towards French-speaking stakeholders and to comply with Quebec's French Language law, Bill 96

Governance

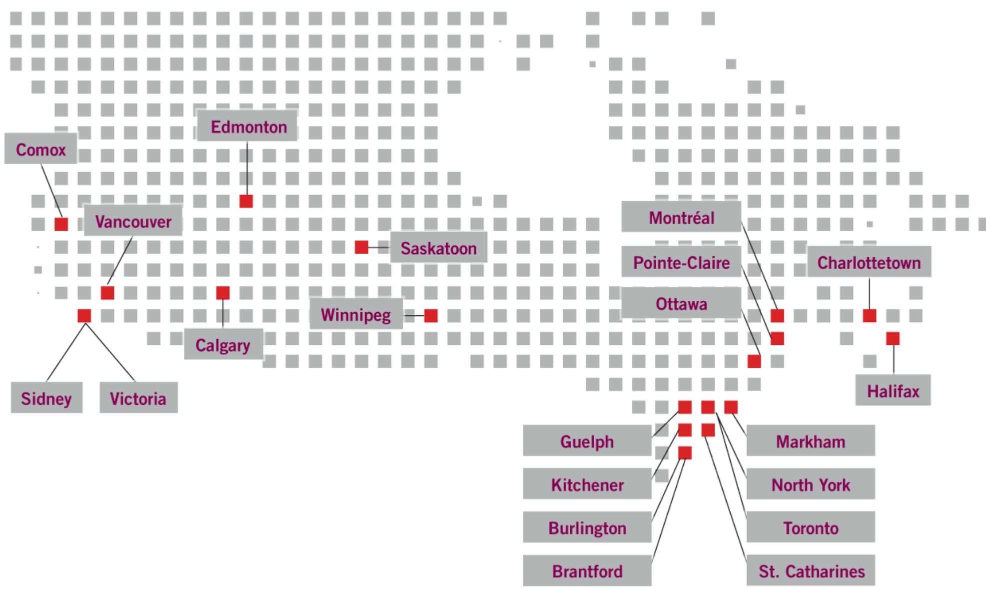
- Conducted a talent assessment and developed succession plans for company executives
- Updated our Code of Conduct and added a formal whistleblower policy
- Initiated an advisor succession program

Business Overview

Headquartered in Toronto, RF Capital is a public company listed on the Toronto Stock Exchange (TSX) and its common and preferred shares trade under the ticker symbols TSX: RCG and RCG.PR.B. Its wholly owned subsidiary, Richardson Wealth, is one of the largest independent wealth management firms in Canada with 157 investment advisor teams serving 31,000 households out of 22 offices. It operates as Patrimoine Richardson in the francophone market. Richardson Wealth advisors collectively manage $35.2 billion in client assets and provide a comprehensive suite of wealth management services including investment, financial planning, insurance, and tax and estate planning services.

Richardson Wealth consistently ranks amongst the top firms in Canada in Investment Executive's Brokerage Report Card. In 2023, it ranked third among six banks and eight independents with a Net Promoter Score of 74, which is considered exceptional. For the fifth year in a row, Richardson Wealth has also been named on the 2023 list of Best Workplaces™ in Financial Services & Insurance by Great Place to Work®, a global authority on workplace culture.

To read more about the Company please visit the Company's website at www.RichardsonWealth.com.



Vision

To be the brand of choice for Canada's top advisors and their high net-worth clients

Share Ownership

Richardson Financial Group	44%
Advisors & employees	30%
Public shareholders	26%

$35.2B	157	$224MM	89%	22
AUA	Number of advisory teams	Average AUA per team	Recurring fee-based revenue	Offices across Canada

Our Growth Strategy

Background

Independent wealth management firms across Canada are enjoying a renaissance of a bygone era when the name on the door mattered, capturing the imagination of a growing number of advisors and high-net-worth families opting to leave bank owned firms and other large financial institutions for the personal, high touch experience of a boutique firm like ours. To capitalize on this trend, we have invested in a number of initiatives to position ourselves for success, including:

- promoting the rich 90-year history of the Richardson brand in financial services;
- developing and securing buy-in to a clear three-pillar growth strategy;
- cultivating a strong advisor centric culture;
- building a highly scalable platform that offers advisors Fidelity's digital operating platform, and portfolio management solutions by Envestnet and Croesus;
- opening new offices across the country;
- investing in a variety of services to support advisors including in the areas of portfolio analytics, research, tax and estate planning, insurance, practice management, and marketing;
- attracting a board and management with deep expertise in the financial services industry;
- furthering our commitment to our communities, and to our diversity and inclusion initiatives; and
- building, and continuing to convert, a robust recruiting pipeline.

We expect a favourable long-term industry outlook to support our growth strategy. Retail financial wealth is projected to grow from approximately $5.6 trillion in 2021 to nearly $10 trillion by 2030[1]. Our market share is only 0.7%, so there is ample opportunity for us – as an independent wealth management firm with national scale – to gain share of this growing industry.

Three-Pillars of Growth

The growth strategy that we announced in 2021 includes three pillars: doubling down on advisor support, supercharging advisor recruitment, and acquiring or partnering with like-minded firms. Each pillar and our priorities for the upcoming year are discussed below.

There are risks associated with each pillar and with our ability to achieve our growth aspirations. For more details on these risks, please refer to the "Risk Management" section of this MD&A which begins on page 26.

Doubling-down on support for advisors: one-fifth of total expected long-term growth

The first pillar of our plan is about giving advisors the tools they require to exceed the expectations of their existing clients and to attract new ones. Going forward, our expectation is that this pillar will drive 6% average annual growth in our AUA. We anticipate that the market-driven component of this growth will average 4%, assuming a constant AUA mix. Further, we expect to boost organic earnings growth and our margins by uncovering efficiencies in our business.

[1] Investor Economics – Household Balance Sheet Report 2021

We have four priorities in support of organic growth for 2024:

- providing coaching and other support tools that enable our advisors to grow their practices;
- reinforcing our advisor-centric culture to increase retention levels;
- enhancing overall experience on our Envestnet and Fidelity platforms; and
- improving profitability through new revenue opportunities and operating efficiencies.

Supercharging recruitment: one-fifth of total expected long-term growth

We believe that our culture, in concert with the investments we have made in our platform, makes us attractive to entrepreneurial advisors from other institutions. With a dedicated and experienced five-person team focused on recruitment, our goal is to attract 12 to 14 new advisors (with an average book size of $200 million) to our brand every year.

In 2023, we recruited teams managing $1.7 billion in AUA. This was lower than our strategic target mainly due to a deliberate decision to defer recruiting to later in the year when our Fidelity and Envestnet platforms were more stable. Nonetheless, our recruiting team was still active in 2023 and grew our pipeline by $5 billion to approximately $28 billion[2].

In 2024, we intend to build on our recent momentum and the depth of our team's industry connections to recruit 12 to 14 new advisors. Based on the recent discussions with those who have expressed an interest in joining us in the upcoming quarters, we are optimistic that we will be able to achieve our goal.

Acquiring and partnering with like-minded firms: three-fifths of total expected long-term growth

An important part of our growth story involves acquiring like-minded wealth management firms aligned with our holistic approach to wealth management. We may choose to acquire similar firms that add scale or other organizations that can enhance the advisor value proposition in areas such as asset management. Our ability to execute on this pillar of our strategy depends on several factors including the availability of targets, the targets' price expectations, our share price, and our access to other forms of capital.

In 2023, after our foundation was built, we evaluated several acquisitions opportunities, and preliminary discussions continue with a few of those firms. In 2024, we intend to devote more time to this pillar of our growth strategy. The timing of any acquisitions is dependent on several factors including strategic and cultural fit, as well as relative valuations.

2026 Recognition Payments

As our success is dependent on retaining and attracting advisors, we are 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 here. To recognize them for their continued loyalty and pursuant to an agreement reached during our 2020 reorganization, we recently granted a second tranche of recognition awards – with a value of $15.2 million – to advisors who were with us in 2020 and are still with the firm. The awards will pay out in November 2026, to advisors who remain with us until that time.

[2] Represents conversations with advisors that have advanced beyond a certain probability threshold, with AUA measured as of the date the advisor was added to the recruiting pipeline and is not adjusted for market volatility. This measure is used by management to assess outside advisors' interest in our firm. We expect to convert only a portion of this pipeline.

Full Year 2023 Financial Performance Summary

Overall, our full year results were below what we expected at the beginning of the year but in-line with 2022. We achieved this result even in the face of continued weak capital markets activity, inflationary pressures, our ongoing transformation, and higher than anticipated advisor departures.

- AUA was up $288 million, with recruiting, market and net new asset gains being offset by losses from the departure of advisors who managed $2.5 billion of AUA;
- We recruited advisor teams representing an expected $1.7 billion of AUA and expect that recruiting momentum to carry into 2024;
- Net loss increased by $5.0 million primarily due to higher interest costs (rate driven) and advisor award and loan amortization;
- Adjusted EBITDA was $60 million, down 3% from last year as revenues were flat and adjusted operating expenses rose 3%;
- Revenues were largely consistent with 2022, because an $11 million increase in interest income was offset primarily by reductions in other income, performance fees, and corporate finance activity;
- Adjusted operating expenses were up as Fidelity-related savings and $2.6 million higher mark-to-market recoveries on share-based compensation were offset by the cost of new digital tools for our advisors, lower sales tax recoveries, general hiring, annual inflationary increases to compensation, and return to work and travel; and
- Transformation costs were down $4.1 million and were nil in both Q3 and Q4, signaling the end of our three-year transformation journey.

New Cash Flow Metrics

This year, we introduced two new financial metrics to enhance disclosure of our 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.

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 going forward. We believe that this approach is consistent with industry practice.

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

- AUA will be supported by growth in our existing advisors' client assets and by recruiting. AUA is also highly correlated with equity market movements;
- The 2023 departure of advisors who managed $2.5 billion of AUA will impact average AUA and revenue growth rates in 2024;
- Interest revenue is likely to follow prime rate trends, which economists expect 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.

Consolidated Financial Performance

($000s)	2023	2022	Increase/(decrease) $	%
Wealth management[1]	275,191	278,319	(3,128)	(1%)
Corporate finance	6,150	8,643	(2,493)	(29%)
Interest	48,833	37,581	11,252	30%
Insurance	15,381	17,807	(2,426)	(14%)
Other	5,564	11,622	(6,058)	(52%)
Revenue	351,119	353,972	(2,853)	(1%)
Variable advisor compensation	145,277	149,748	(4,471)	(3%)
Gross margin[2]	205,842	204,224	1,618	1%
Employee compensation and benefits	74,431	74,157	274	0%
Selling, general and administrative	63,802	60,449	3,353	6%
Corporate costs[3]	8,107	7,967	140	2%
Transformation costs and other provisions	4,514	8,634	(4,120)	(48%)
Operating expenses[4,5]	150,854	151,207	(353)	(0%)
EBITDA[4]	54,988	53,017	1,971	4%
Interest	14,706	10,797	3,910	36%
Depreciation and amortization	27,404	28,064	(661)	(2%)
Advisor award and loan amortization	18,387	17,267	1,120	6%
Income (loss) before income taxes	(5,509)	(3,111)	(2,398)	77%
Net income (loss) from continuing operations	(9,828)	(4,803)	(5,025)	105%
Adjusting items	4,514	8,634	(4,120)	(48%)
Adjusted results[4]:				
Operating expenses[5]	146,340	142,573	3,767	3%
EBITDA	59,502	61,651	(2,150)	(3%)
Income (loss) before income taxes	12,055	18,575	(6,520)	(35%)
Net income (loss)	3,108	11,100	(7,992)	(72%)
Cash flow:				
Cash provided by (used in) operating activities	(268,497)	(107,402)	(161,095)	150%
Free cash flow available for growth[4]	35,400	40,199	(4,799)	(12%)
Free cash flow[4]	(2,564)	(9,896)	7,332	(74%)

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 supplementary 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 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.

2023 vs 2022

Net income (loss) from continuing operations

Net loss from continuing operations was $5.0 million or 105% higher than last year. Adjusted net income, which excludes transformation costs and other provisions and amortization of acquired intangibles, was down $8.0 million or 72%. Both metrics weakened largely because of lower EBITDA, higher interest costs, and increased tax expenses.

Adjusted EBITDA

Adjusted EBITDA was down $2.1 million or 3%. The Adjusted EBITDA margin was 16.9%, down from 17.4% in 2022. The main reasons for the change in Adjusted EBITDA are discussed below.

Revenue

Revenue was down $2.9 million or 1%, primarily due to the following factors:

(all figures in $millions)

Categories of Revenue	Change	Explanation
Other revenue	(6.1)	Fell partly because we ceased operating our carrying broker platform in 2023 and relinquished some ancillary sources of revenue to achieve cost efficiencies and scalability. Lower foreign exchange revenues and the expected loss of a third-party carrying broker contract also contributed to the decline.
Wealth management	(3.1)	Decreased as a $4.4 million decline in performance fee revenue was partly offset by $1.3 million of higher other fees and trading commissions. Performance fees are charged by several of our advisors in Q1 of each year based on performance in the prior calendar year, and they declined because market performance in 2022 was weaker than in 2021. Fee revenue (other than performance fees) was up because there has been a shift in our AUA mix towards higher yielding fee-based AUA; a positive development that is consistent with our strategic objectives. Average AUA, which drives revenue, was essentially flat as market growth and net new assets offset the impact of advisor departures.
Corporate finance	(2.5)	Declined due to continued market-wide weakness in new issue activity that the industry has witnessed since early 2022.
Insurance	(2.4)	Was down due to a single large insurance commission we recorded last year and despite a broad increase in insurance sales across our network in 2023.
Interest	11.3	Increased as rates rose steadily throughout 2022 and the first half of 2023, and even though client cash balances and margin loans have declined. For further details on cash balance and margin loan trends, see the "Financial Condition" section of this MD&A.

The decrease in revenue was more than offset by a decline in variable advisor compensation, and as a result gross margin was up by $1.6 million or 1%. Variable advisor compensation was lower because of a change in the mix of our revenue.

Adjusted Operating Expenses

Adjusted operating expenses were up $3.8 million or 3% because:

(all figures in $millions)

Categories of Expense	Change	Explanation
SG&A	3.4	Increased due to return to work and travel, new technology platforms (Envestnet), and lower sales tax recoveries. These increases were partly counteracted by lower annual performance fees paid to third-party managers (an offset to performance fee revenue discussed above in the full year commentary) and a decrease in securities borrowing costs.
Compensation	0.3	Was consistent with 2022 as mark-to-market recoveries on RSUs were largely offset by higher expenses on those programs. The new RSU program that we launched in 2021 did not reach a steady-state level of expense until 2023 due to the three-year vesting period on the RSU grants. Although migrating our carrying broker functions to Fidelity helped reduce compensation expenses in 2023, those savings were offset by the effects of annual inflationary salary increases, hiring, and benefits program changes.

Cash Flow

Free cash flow available for growth was down $4.8 million or 12%, driven primarily by higher interest costs (lower earnings). *Free cash flow* increased by $7.3 million or 74%, as reduced expenditures on office build outs and our transformation were partly offset by advisor recruiting payments, legacy legal matter settlements ($2 million of which is reported in discontinued operations), and interest expenses. Please see the "Non-GAAP and Supplementary Financial Measures" section of this MD&A for more detail on our cash flow calculations.

Q4 2023 Financial Performance

	For the three months ended						
($000s)	**December 31, 2023**	September 30, 2023	Increase/(decrease) $	Increase/(decrease) %	December 31, 2022	Increase/(decrease) $	Increase/(decrease) %
Wealth management[1]	**68,254**	70,157	(1,903)	(3%)	67,481	774	1%
Corporate finance	**1,490**	1,314	175	13%	1,860	(371)	(20%)
Interest	**11,170**	11,901	(731)	(6%)	13,015	(1,845)	(14%)
Insurance	**4,853**	3,126	1,727	55%	3,357	1,495	45%
Other	**985**	1,338	(353)	(26%)	2,818	(1,833)	(65%)
Revenue	**86,752**	87,836	(1,084)	(1%)	88,531	(1,779)	(2%)
Variable advisor compensation	**35,866**	36,012	(146)	(0%)	35,276	590	2%
Gross margin[2]	**50,886**	51,824	(939)	(2%)	53,255	(2,369)	(4%)
Employee compensation and benefits	**18,860**	17,319	1,541	9%	18,257	603	3%
Selling, general and administrative	**14,761**	16,222	(1,461)	(9%)	16,068	(1,307)	(8%)
Corporate costs[3]	**2,747**	1,351	1,396	103%	1,921	826	43%
Transformation costs and other provisions	**—**	—	—	n/a	2,622	(2,622)	(100%)
Operating expenses[4,5]	**36,368**	34,892	1,476	4%	38,868	(2,499)	(6%)
EBITDA[4]	**14,518**	16,932	(2,414)	(14%)	14,387	131	1%
Interest	**3,994**	3,527	466	13%	3,293	701	21%
Depreciation and amortization	**6,849**	6,856	(7)	(0%)	7,851	(1,002)	(13%)
Advisor award and loan amortization	**5,844**	4,457	1,387	31%	4,634	1,210	26%
Income (loss) before income taxes	**(2,169)**	2,092	(4,261)	(204%)	(1,391)	(778)	56%
Net income (loss) from continuing operations	**(2,882)**	(189)	(2,693)	1425%	(991)	(1,891)	191%
Adjusting items	**—**	—	—	n/a	2,622	(2,622)	(100%)
Adjusted results[4]:							
Operating expenses[5]	**36,368**	34,892	1,476	4%	36,246	122	0%
EBITDA	**14,518**	16,932	(2,414)	(14%)	17,009	(2,491)	(15%)
Income (loss) before income taxes	**1,094**	5,355	(4,260)	(80%)	4,493	(3,398)	(76%)
Net income (loss)	**(483)**	2,209	(2,692)	(122%)	3,500	(3,983)	(114%)
Cash flow:							
Cash provided by (used in) operating activities	**2,834**	16,624	(13,790)	(83%)	(93,752)	96,586	(103%)
Free cash flow available for growth[4]	**8,312**	11,180	(2,868)	(26%)	10,761	(2,450)	(23%)
Free cash flow[4]	**(9,612)**	6,151	(15,764)	(256%)	(4,011)	(5,601)	140%

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 supplementary 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 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.

Q4 2023 vs Comparative Periods

Net income (loss) from continuing operations

Q4 2023 vs Q4 2022

Net loss from continuing operations was $1.9 million higher than last year. Adjusted net loss was $0.5 million, compared to adjusted net income of $3.5 million last year. These metrics worsened because of higher interest, advisor award and loan amortization, and tax expenses. Advisor award and loan amortization was up primarily because of recruiting loans granted in 2023.

Q4 2023 vs Q3 2023

Net loss from continuing operations was $2.7 million higher than last quarter. Adjusted net loss of $0.5 million compares to $2.2 million of adjusted net income last quarter. Our results weakened sequentially because of lower EBITDA (see discussion below), as well as higher advisor award and loan amortization.

Adjusted EBITDA

Adjusted EBITDA was down $2.5 million or 15% compared to last year and $2.4 million or 14% compared to last quarter. The main drivers of the change in Adjusted EBITDA are discussed below.

Revenue

Q4 2023 vs Q4 2022

Revenue was down $1.8 million or 2%, primarily due to:

(all figures in $millions)

Categories of Revenue	Change	Explanation
Interest	(1.8)	Decreased due to lower cash balances and margin loans and despite an increase in the prime rate.
Other revenue	(1.8)	Declined for the same reasons as cited above in the full year commentary.
Insurance	1.5	Increased due to higher sales activity. Insurance commissions are often sizable and as a result revenue can vary from quarter to quarter.
Wealth management	0.8	Grew because of higher average AUA and the AUA mix shift that we described in the full year commentary above.

Further to the decrease in revenue, variable advisor compensation was $0.6 million higher, and as a result gross margin was down $2.4 million or 4%. Variable advisor compensation was higher because of a change in the mix of our revenue.

Q4 2023 vs Q3 2023

Revenue was down $1.1 million or 1%, primarily due to:

(all figures in $millions)

Categories of Revenue	Change	Explanation
Wealth management	(1.9)	Decreased due to a decline in average AUA. The impact of advisor team departures outweighed positive market and recruiting trends.
Interest	(0.7)	Declined due to lower cash and margin loan balances
Insurance	1.7	Increased for the reasons cited above in the Q4 2023 vs Q4 2022 commentary

Adjusted Operating Expenses

Q4 2023 vs Q4 2022

Adjusted operating expenses were flat compared to last year:

(all figures in $millions)

Categories of Expense	Change	Explanation
SG&A	(1.3)	Decreased mainly as a result of lower costs incurred for our annual conference (costs were elevated in Q4 of last year due to timing). There were various other variances, including those related to the timing of sales tax recoveries, all of which were offsetting.
Corporate costs	0.8	Increased mainly because we recorded $0.4 million of mark-to-market *expenses* on DSUs this quarter compared to $0.6 million of mark-to-market *recoveries* on DSUs in Q4 2022. Our Board may elect to receive DSUs in lieu of cash compensation.
Compensation	0.6	Was up primarily because of $0.8 million of mark-to-market *recoveries* on RSUs that we recorded in Q4 2022

Q4 2023 vs Q3 2023

Adjusted operating expenses were up $1.5 million or 4% primarily because:

(all figures in $millions)

Categories of Expense	Change	Explanation
Compensation	1.5	Increased mainly due to $2.5 million of *lower* mark-to-market recoveries on RSUs, partly offset by RSU forfeitures of $0.6 million
Corporate costs	1.4	Rose as we recorded $0.4 million of mark-to-market *expenses* on DSUs this quarter compared to $1.0 million of mark-to-market *recoveries* on DSUs last quarter
SG&A	(1.5)	Declined primarily because of lower consulting and legal expenses

Cash Flow

Q4 2023 vs Q4 2022

Free cash flow available for growth of $8.3 million was down $2.4 million or 23% primarily due to lower adjusted earnings. *Free cash flow* was down $5.6 million as advisor recruiting payments, legacy legal matter settlements, and lower earnings outweighed reduced expenditures on office build outs and transformation costs.

Q4 2023 vs Q3 2023

Free cash flow available for growth was down $2.9 million or 26% primarily due to lower earnings. *Free cash flow* was negative $9.6 million compared to positive $6.2 million in the prior quarter. This $15.8 million change was driven by higher advisor recruiting payments and lower earnings.

Financial Condition

Capital and balance sheet strength are key priorities for us. We had conservative levels of working capital and debt on our balance sheet at the end of December 2023 and 2022.

($000s, except as otherwise indicated)	2023	2022	Increase/ (decrease)
Selected highlights:			
Total assets	1,379,983	1,699,654	(19%)
Shareholders' equity	330,539	346,921	(5%)
Debt	110,922	110,922	—
Net working capital[1]	81,208	95,224	(15%)
Debt:			
Revolving credit facility	80,500	80,500	—
Preferred share liability	30,422	30,422	—
	110,922	110,922	—
Ratios[1]:			
Total debt to Adjusted EBITDA	1.9	1.8	4%
Adjusted EBITDA to interest[2]	5.2	7.4	(29%)

1. Considered to be non-GAAP or supplementary 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 Supplementary Financial Measures" section of this MD&A.
2. Includes interest expense on debt, lease liabilities, and client accounts

2023 vs 2022

Total assets decreased by 19% from December 31, 2022, due to lower client cash balances and margin loans. 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[3] 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 reduced their credit exposure due to continued market volatility and rising interest rates.

Shareholders' equity decreased by 5% due to the $11.9 million net loss (including the $2.1 million net loss from discontinued operations) that we reported for the year ended December 31, 2023, and $4.3 million of preferred share dividends.

Revolving Credit Facility

We have a $200 million revolving credit facility with a syndicate of lenders. As of December 31, 2023, we had drawn $80.5 million against the facility, unchanged from the end of 2022. Combined with our strong current and expected future operating cash flows and our excess working capital, the facility provides us with funding and flexibility to accelerate our organic growth, recruiting and other strategic initiatives. For further information, see Note 21 to the 2023 Annual Financial Statements.

The facility contains clauses whereby we are required to meet four financial covenants. As at December 31, 2023 we complied with all four covenants.

[3] 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.

Liquidity

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

Working Capital and Cash Flow

We require liquidity to fund our day-to-day operations, growth initiatives, share repurchases under our Normal Course Issuer Bid, 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 December 31, 2023, we had working capital[4] of $81.2 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 $81.4 million of liquid assets[4] at December 31, 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 23 to the 2023 Annual 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 Q4 2023.

[4] Considered to be non-GAAP or supplementary 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 Supplementary Financial Measures" section of this MD&A.

Share Information

At the date of this report, February 29, 2024, we had 15.8 million common shares issued and outstanding (Common Shares). 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.

Release of Escrowed Shares

In Q4 2023, and in accordance with the terms of the Richardson Wealth share purchase agreement and related escrow agreement, the final 30% of common shares subject to escrow were released and delivered to the vendor shareholders.

Normal Course Issuer Bid

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

We chose to not renew our NCIB in 2023. While Management and the Board still believe that the market price of the Company's shares may not fully reflect the intrinsic value of the business from time to time, they also believe that there are other, higher return options for deploying the Company's capital.

Related-Party Transactions

Our related parties include the following persons and/or entities: (a) key management personnel, which are comprised of our directors and/or officers and entities that are controlled (directly or indirectly) by key management personnel; and (b) shareholders who can significantly influence our operations. For further information on Related-Party Transactions, please refer to Note 13 to the 2023 Annual Financial Statements.

Material Accounting Policies and Estimates

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

The most significant areas for which we must make estimates and judgments include: goodwill and intangible assets; income taxes and deferred tax assets and liabilities; provisions, including legal and restructuring charges; share-based compensation and financial instruments measured at fair value. We make judgments in assessing assets for impairment as well as assessing whether performance obligations have been fulfilled under revenue contracts. Please refer to Note 2 to the 2023 Annual Financial Statements for more information.

Financial Instruments

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

Please refer to Note 3 to the 2023 Annual Financial Statements for more information.

Future Changes in Accounting Policies or Estimates

We continuously monitor the changes proposed by the International Accounting Standards Board and analyze the effect that changes in the standards may have on the Company. For a summary of future changes in accounting policies or estimates refer to Note 3 to the 2023 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 December 31, 2023, management evaluated the effectiveness of disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective.

Internal Control over Financial Reporting

Internal control over financial reporting is a process designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. These controls include policies and procedures that:

- Pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of assets of the Company
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated statements in accordance with IFRS
- Are designed to provide reasonable assurance that any unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements is prevented or detected in a timely manner

Due to inherent limitations in any internal controls system, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all misstatements because of error or fraud.

Management has evaluated the effectiveness of internal control over financial reporting using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013 (2013 COSO Framework). Based on this evaluation, management has concluded that internal control over financial reporting was effective as at December 31, 2023.

Changes in Internal Control over Financial Reporting

As we outsourced our carrying broker operations to Fidelity on January 1, 2023, there were changes to certain processes and personnel resulting in changes in our internal control over financial reporting. We 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, 2022 to September 30, 2023, believe that those controls are operating effectively.

There were no other changes in our internal control over financial reporting during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the adequacy and effectiveness of our internal control over financial reporting.

Risk Management

The Company is exposed to risks that are similar to those facing other financial institutions, including the symptoms and effects of both domestic and global economic conditions and other factors that could adversely affect its business, financial condition, and operating results. These risks may occur independently or in combination and may evolve rapidly. In many cases, risks which are inherent to the Company's industry and its activities are beyond its control and are not easily detected or mitigated. If any such risks occur, the business, financial condition, or liquidity and results of operations of the Company could be materially adversely affected.

The Company has a fit-for-purpose risk governance structure under which the Board of Directors of RF Capital (The Board) is accountable for setting the strategic direction of the Public Company, including its risk appetite. The Board oversees the Company's key risks through dedicated Committees. It is supported by the Board of the Company's regulated entity (REB) and management-level risk committees. The Company's regulated entity is Richardson Wealth (the Regulated Entity or RE). Under the Company's risk management framework, senior management reports on key risk issues to at least one of the Board committees on a quarterly basis.

Risk Committee

The Risk Committee operates under a Board-mandated charter and fulfils its oversight and governance responsibilities related to existing and emerging segments of risks. The mandate of the Risk Committee is outlined in its Charter and includes reviewing the Company's Risk Appetite and recommending it for Board approval. At present, the Risk Committee is comprised of independent directors and meets with management, including the CEO, the Chief Risk Officer of the Company's regulated entity (RE CRO), and the CFO at least quarterly. The RE CRO also has a direct line into the Chair of the Risk Committee.

Audit Committee

The Audit Committee operates under a Board-mandated charter and assists the Board in fulfilling its oversight and governance responsibilities with respect to the quality and integrity of the Company's financial reporting processes. The Audit Committee is supported in fulfilling its mandate by the CFO and the Company's Finance department. At present, the Audit Committee is comprised of independent directors who meet at least quarterly with management, including the CEO and the CFO.

Governance Committee

The Governance Committee operates under a Board-mandated charter and maintains oversight over the Company's legal and regulatory affairs. The Committee is also responsible for overall corporate governance, which includes Board membership, Board effectiveness, and development of corporate governance guidelines, including the Company's Code of Conduct. At present, the Governance Committee is comprised of independent directors who meet at least quarterly with management, including the CEO and the General Counsel.

Management Resources and Compensation Committee

The Management Resources and Compensation Committee operates under a Board-mandated charter and assists the Board in ensuring that the Company's compensation policies and practices are aligned with its risk appetite and risk management frameworks. This ensures that the incentive for management to assume risks in the pursuit of business objectives is aligned with the Company's risk appetite. At present, the Management Resources and Compensation Committee is comprised of independent directors meeting at least quarterly with management, including the CEO and the RE Chief People Officer.

Regulated Entity Risk Management Framework

The Company's regulated entity faces risks in formulating its business strategy and business objectives, in carrying on its business activities in the pursuit of its growth strategy, and from external factors such as changes in the economic, business, competitive and regulatory environments. The regulated entity's risk management framework seeks to identify and manage these risks, which includes identifying significant areas of risk and capturing forward-looking risks (and, if required, mitigate them in a timely manner based on the likelihood and potential impact of adverse events).

The Company's REB, through the Executive Risk Management Committee (ERMC), is accountable for effectively managing the nine significant areas of risk in the Regulated Entity (as noted in chart below), ensuring that each risk segment and the overall business is operating within the Company's risk appetite. The RE's Board is chaired by the CEO of RF Capital, who is also the CEO and Ultimate Designated Person (UDP) of the RE. It includes the RE CROand the CFO of the RE, as well as the other owners of the entity's significant areas of risk. The RE ERMC is chaired by the RE CRO, and its members include the CEO of RF Capital, who is also the CEO and Ultimate Designated Person (UDP) of the RE, and the RE CFO and RE COO who are the Registered Officers. The risks the RE faces are actively managed and monitored and the ERMC meets regularly to review the significant risk areas, assessing core and emerging risks, risk trends, relevant policies, risk assessments, and associated risk management action plans.

Significant Areas of Risk at the Regulated Entity

At a management level, the RE's approach to enterprise-wide risk management aligns with the three lines of defense model: (i) Business Unit Leaders are the 'first line' and are primarily accountable for identifying, assessing, managing and reporting risk within their functional areas of responsibility, (ii) The Risk Oversight functions – which include the Finance, Risk, and Compliance departments – represent the 'second line' and are accountable for independent oversight of the Business Unit operations from a 'second line' perspective, and are also accountable for specific areas of risk relevant to their functions, and (iii) The Internal Assurance function is the 'third line', and conducts independent audits or reviews of both first and second line functions. The 'third line' is resourced internally but uses the support of external specialists to supplement internal capabilities where required.

The following sections highlight the key risks to which the Company, at a consolidated level, is exposed. This list is not exhaustive but includes the most material areas of risks and sub-risks for the Company.

Strategic Risk

The Company's growth is dependent on the successful execution of the identified organic, recruiting, and inorganic initiatives outlined in its five-year growth plan. There is no certainty that the Company will be successful in implementing its business strategies or that the identified strategic initiatives will achieve its aspirational growth objectives. If the Company's business strategies are not successful or are not executed effectively, it may not be able to achieve its growth objectives or react to market opportunities, which may have an adverse impact on its business and financial results.

Reliance on Attracting and Retaining Investment Advisors

The Company derives a large portion of its revenues from fees and commissions generated by its advisors. The Company's continued growth and success depends on its ability to attract and retain investment advisors with the desired qualifications on terms that are consistent with the Company's compensation structure. The investment advisor market is competitive and characterized by the movement of investment advisors across firms. The Company has put in place a strategy that involves significant focus on advisor retention and recruiting, but there can be no assurance that the Company will be successful in recruiting and retaining investment enough advisors to achieve its growth objectives.

Failure to Protect the Company's Reputation Could Adversely Affect its Business

The Company views its reputation for integrity and client service as one of its most important assets. The Company's ability to attract and retain customers, investors, employees, and advisors is highly dependent upon external perceptions of the Company. Damage to its reputation could cause significant harm to its business and prospects, as well as the trading price of its securities. Reputational damage may arise from numerous sources including: litigation or regulatory actions; failing to deliver minimum standards of service and quality; compliance, regulatory or governance failures; any perceived or actual weakness in the Company's financial strength or liquidity; clients' or potential clients' perceived failure of how the Company addresses certain political, social or environmental topics; technological, cybersecurity, or other security breaches (including attempted or inadvertent breaches) resulting in improper disclosure of client or employee personal information; and unethical or improper behavior or the misconduct or error of the Company's employees, advisors and counterparties.

Notwithstanding the measures taken by the Company to detect, deter and prevent misconduct or fraud, there can be no assurance that regulatory sanctions or reputational harm will not arise because of employee misconduct or errors. Misconduct or errors by its employees, advisors, or counterparties could result in violations of law, regulatory sanctions, or serious reputational or financial harm. The Company cannot always deter misconduct by its employees and advisors and the precautions it takes to prevent and detect this activity may not be effective in all cases.

The Company's Financial Results are Sensitive to Global Economic, Political and Market Conditions

The Company's business is, by its nature, subject to numerous and substantial risks, including changes in global economic, political and market conditions that are beyond the Company's control. These factors are inherently difficult to predict and any or all such factors may adversely impact the Company's AUA, revenues, operating margins, expense levels, EBITDA, or liquidity due to their potential negative impacts on market volumes and asset prices.

The Company May Not be Able to Achieve Performance Targets or Successfully Negotiate Acquisitions

As part of its growth strategy, the Company intends to diversify its revenues by expanding its product and service offerings and acquiring business operations related to or complementary to its wealth management business. Any such initiatives are accompanied by various risks, including: failure to retain or acquire key employees; failure to identify growth opportunities; failure to anticipate and respond to changes in the business environment; failure to maintain or develop key client relationships; the impact of economic growth or contraction and its potential negative effects on the initiative; exposure to unknown liabilities of the acquired business; increased regulatory scrutiny and related compliance efforts; higher than anticipated acquisition or expansion costs; increased investments in management and operational personnel; financial and management systems and facilities; the difficulty and expense of integrating operations and personnel of acquired companies; disruption of ongoing business; diversion of management's time and attention, and possible dilution to Shareholders. The Company may not have sufficient access to capital, or access on sufficiently favourable terms, to execute on the acquisition pillar of its growth strategy. Management may also not have the ability to source, close, or successfully integrate acquisitions and realize their intended benefits, on the expected timeline or at all. There is also the potential that any goodwill recorded in connection with acquisitions may be impaired if the economics of the transaction differ from expectations. The Company may not be able to successfully address all or some of these risks or other issues associated with acquisitions, divestitures, growth strategies, and competition, which could materially adversely affect Richardson Wealth's business, financial condition, or financial results.

Significant Industry Competition May Adversely Affect Results

The financial services industry is highly competitive. The Company competes with the wealth management divisions of major chartered banks in Canada, national independent wealth managers, insurance companies, mutual fund companies, private equity, investment management firms, and boutique wealth managers. Some of these competitors have, and potential future competitors may have, greater technical, financial, marketing, distribution, or other resources than the Company. Many of these competing entities have a greater number of personnel and better access to capital. Larger competitors may have a greater number and variety of distribution outlets for their products and services. Competition could have a material adverse effect on the Company's profitability, and there can be no assurance that the Company will maintain its competitive standing or market share, which may adversely affect its business, financial condition, or operating results.

Emergence of Non-Traditional Competitors

Competition from non-traditional channels has gained momentum in other jurisdictions and will likely become increasingly prevalent in the Canadian market. The wealth management industry has attracted several technology-based competitors, including emerging next-generation financial technology companies, given the industry's relatively low capital requirements and considerable growth outlook. The emergence of non-traditional competitors offering wealth management solutions could result in a reduction in product and service offerings from more traditional financial planning and advice providers. While the Company believes that the value proposition of face-to-face advice may not be materially disrupted by these non-traditional models, it may not be able to mitigate all these risks, which could have an adverse effect on its financial performance.

Richardson Financial Group Limited (RFGL) Control Risk Due to Common Share Ownership

On December 31, 2023, RFGL owned approximately 44% of the Company's issued and outstanding Common Shares. For so long as RFGL owns at least 33% of the Common Shares, it will have the ability to exercise certain influence with respect to the affairs of the Company and will have the ability to prevent certain fundamental transactions. Accordingly, the Common Shares may be less liquid and trade at a discount compared to circumstances where RFGL did not have the ability to influence or determine matters affecting the Company. Additionally, RFGL's significant interest in the Company and its voting rights afforded in respect of certain fundamental transactions undertaken by Company for so long as it maintains a certain threshold ownership may discourage transactions involving a change of control of the Company, including transactions in which a holder of the Common Shares might otherwise receive a premium for its Common Shares over the then-current market price.

Restrictions Under the Company's Revolving Credit Facility

The Company's Revolving Credit Facility contains customary financial covenants and other restrictions on its activities, which may make it more difficult for the Company to successfully execute its business strategy. The Company's ability to comply with these covenants may be affected by events beyond its control. If the Company violates any of these covenants and is unable to obtain waivers, the payment of the indebtedness could be accelerated by the Lenders, or the Company may be unable to draw down funds from the facility. Even if the Company can obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to the Company. If the Company's indebtedness is in default for any reason, its business could be materially and adversely affected.

Financial Risks

Risks Related to the Series B Preferred Shares

As the issuer of the preferred shares is a holding company, its ability to pay dividends, interest, operating expenses and meet other financial obligations depends to a significant extent upon receipt of sufficient funds from its principal subsidiaries, the returns generated by its investments, and its ability to raise additional capital. Accordingly, the likelihood that holders of Preferred Shares will receive dividends will depend to a significant extent upon the financial position and creditworthiness of the Company's principal subsidiaries and affiliates, the principal entities in which the Company invests and its underlying business and assets. The payment of interest and dividends to the Company by its regulated subsidiary is also subject to restrictions set forth in certain laws and regulations that require that solvency and capital standards be maintained by the subsidiary.

For further information please see Note 15 to the 2023 Annual Financial Statements.

Product Risks

The Company May Incur Losses as a Result of Ineffective Risk Management or Product Due Diligence Processes

The Company's clients' investment portfolios are comprised of a broad range of assets, including public and private equities and debt, ETFs, mutual funds, hedge funds, real estate, less liquid alternative assets, options, and structured notes. Generally, investment portfolios are exposed to the risk that their fair value will fluctuate.

The Company employs a comprehensive product governance and due diligence process in its selection of investments available to its advisors and their clients. The due diligence process can be more challenging for alternative investments strategies due to their complexity, conflict exposure and suitability for clients. Weaknesses in the Company's product governance or sales processes may expose it to litigation or regulatory risks and financial losses. The Company does not have a material or high-risk proprietary investment portfolio on which it could incur losses.

Operational Risks

The Company Relies on Third-Party Service Providers to Perform Technology, Processing and Support Functions

The Company relies on various third-party service providers that it does not control to perform certain technology, processing, and support functions. As of January 1, 2023, the Company outsourced clearing broker services to Fidelity Clearing Canada. The Company's utilization of third-party service providers may decrease its ability to control operating risks and information technology risks. Any significant failures by third-party service providers could cause the Company to sustain serious operational disruptions and incur losses and could harm its reputation. These third-party service providers are also susceptible to operational and technology vulnerabilities, including cyber-attacks, security breaches, fraud, phishing attacks, and computer viruses, which could result in unauthorized access, misuse, loss or destruction of data, an interruption in service or other similar events that may impact the Company's business. Because the Company relies on these intermediaries, it shares indirect exposure to these risks. If these risks were to materialize, or if there was a widespread perception that they could materialize, the Company's business and results of operations could be adversely affected.

Failure to Implement Effective and Efficient Cybersecurity Policies and Training May Lead to Losses

Secure processing, storage, and transmission of confidential and other information in the Company's internal and third-party computer systems and networks is critically important to its business. Maintaining the security and integrity of this information and these systems and networks, and appropriately responding to any cybersecurity or privacy incidents (including hacking or phishing attempts) is critical to the Company's success, including its reputation, the retention of its advisors and clients, and to the protection of its proprietary information and its clients' personal information. There have been several recent highly publicized cases involving financial services and consumer-based companies reporting the unauthorized disclosure of client or customer information, as well as cyber-attacks involving the dissemination, theft and destruction of corporate information or other assets, because of failure to follow procedures by employees or contractors or because of actions by third parties.

Cyber data breaches and cyber-attacks that result in the loss of personal information could result in considerable reputational harm, trading losses, lost revenues, or losses due to unauthorized transactions. Although the Company takes protective measures and updates procedures and policies as circumstances necessitate (including general liability and fraud insurance, policies and training for all staff, and an incident response plan with respect to cybersecurity potential breaches), the firm's computer systems, software and networks may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. The occurrence of such an event could jeopardize confidential and other information processed and stored in, and transmitted through, the Company's computer systems and networks, or otherwise cause interruptions to the operations of the Company, as well as its clients, counterparties and other third parties.

Operations are Dependent on Systems

The Company is highly dependent on communications and information systems. Any failure or interruption of such a system could cause delays or other problems, particularly for retail trading activities, and could have a material adverse effect on the Company's financial results and financial condition. There can be no assurance that such systems failure or interruptions will not occur, including those caused by an earthquake, fire, other natural disaster, power or telecommunications failure, act of God, act of war or terror or otherwise, or that back-up procedures and capabilities in the event of any such failure or interruption will be adequate.

Also, because many of the Company's employees and advisors often work remotely, additional risk management challenges may exist, including regarding remote office technology and information security practices.

Risk Management Policies and Procedures May Not Be Fully Effective

The Company has adopted policies, procedures, and controls to identify, monitor and manage its Enterprise Risks including operational risk. These policies and procedures and controls, however, may not be fully effective and may not respond quickly enough to changing circumstances and evolving business activities. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by the Company. This information may not in all cases be accurate, complete, up-to-date, or properly evaluated. Policies, procedures, and controls implemented to record and verify many transactions and events to manage operational, legal, regulatory, credit, market, interest rate and liquidity risks, among other things, may not be consistently effective.

If the Company's systems, policies, and procedures are not effective, or if the Company is not successful in capturing risks to which it is or may be exposed, the Company may suffer harm to its reputation or be subject to litigation or regulatory actions that could have a material adverse effect on its business and financial condition.

Pandemics May Disrupt the Company's Operations or Impair its Financial Performance

Pandemic risk is the risk that a large-scale outbreak of an infectious disease may cause widespread social and economic disruption. The global outbreak of COVID-19 and the declaration of a pandemic by the World Health Organization ("WHO") in March 2020 caused a significant disruption in economic activity and resulted in a sharp downturn in global equity markets which impacted the normal operation of the Company's business and its financial performance.

Although the Company has systems, processes, and procedures in place that would mitigate the impact of any pandemic, such an event could still disrupt the Company's operations and impair its financial performance. Any pandemic could also disrupt the business and operations of third-party service providers who perform critical services for the Company and adversely impact the Company's ability to deliver services to its advisors and clients.

Although the Company limited the harm associated with the COVID-19 pandemic, there is a risk that its systems, processes, and procedures may not be successful in the event of future pandemics.

Legal Risk

The Company and its subsidiaries are a party to a number of claims, proceedings, and investigations, including legal and regulatory matters, in the ordinary course of its business. See "Legal Proceedings" in our 2023 AIF for details of certain ongoing legal proceedings. While there is inherent difficulty in predicting the outcome of such matters, based on its current knowledge, the Company does not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated financial position or results of operations.

The Company May Be Exposed to Liability and Litigation

The legal risks facing the Company and its subsidiaries also include potential liability under securities laws or through civil litigation in the event that Richardson Wealth's investment advisors and investment professionals or employees violate investor suitability requirements or other obligations, including providing negligent advice, making materially false or misleading statements in relation to securities transactions, effecting unauthorized transactions, failing to properly implement instructions, failing to implement an effective investment strategy, committing fraud, misusing client funds, or breaching any other statute, regulatory rule or requirement. Any of these violations could have a material adverse effect on the Company's operating results or financial condition.

Moreover, new regulatory requirements regarding standards of care and other obligations may heighten this litigation risk.

The Company may also be subject to litigation arising from claims by former employees resulting from termination or other matters. In such actions, the Company may be obligated to bear legal, settlement and other costs. Additionally, recruitment of investment advisors may involve non-competition or non-solicitation agreements and other contractual or common law obligations. An investment advisor's former employer may claim damages or injunctive relief against the investment advisor or the Company, and the Company may incur expenses in awards, settlements, and legal expenses as a result.

A Failure to Appropriately Identify and Address Potential Conflicts of Interest Could Adversely Affect The Company

Due to the broad scope of the Company's products and services and its client base, the Company regularly addresses potential conflicts of interest, or perceived conflicts, in the interests of its clients.

The Company has procedures and controls designed to identify and address conflicts of interest at the Client Focused Reforms (CFR) standard, specifically relating to client interactions relating to conflicts of interest, suitability, know-your-products, and know-your client. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and the Company's reputation could be damaged if the Company i fails, or appear to fail, to identify, disclose and deal appropriately with conflicts of interest may include litigation or regulatory enforcement actions.

Compliance, Regulatory and Credit Risks

Compliance and Regulatory Risk

The Company's businesses are subject to extensive regulation. The Company takes an active leadership role in developing the rules and regulations governing its industry. The Company has been investing in its risk and compliance functions to monitor its adherence to the numerous legal and regulatory requirements applicable to its business. Compliance with many of the regulations applicable to the Company involves risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with applicable regulations, securities regulators and CIRO (Canadian Investment Regulatory Organization previously named the "New SRO" post IIROC/MFDA merger) and other authorities may institute administrative or judicial proceedings that may result in: the revocation or imposition of conditions on licenses to operate certain businesses; censure, fines, or civil penalties; issuance of cease-and-desist orders; deregistration or suspension; suspension or disqualification of investment advisors or employees; or other adverse consequences. The imposition of any such penalties or orders on the Company and its subsidiaries could have a material adverse effect on its operating results, financial condition, or profitability.

Additional regulations, changes in existing laws and rules, or changes in interpretations or enforcement of existing laws and rules often directly affect the method of operation and profitability of wealth management firms, as new regulations may require additional investment in personnel and/or systems. The Company cannot predict the effect any such changes might have. Furthermore, the Company's business may be materially affected not only by regulations applicable to the Company's businesses, but also by regulations of general application.

Operations may be materially adversely affected by changes in the securities regulatory framework and/or the interpretation or enforcement of existing laws and rules by securities regulatory authorities in Canada. Additionally, increased regulation in Canada may lead to even higher compliance costs, which may disproportionately impact smaller firms.

Furthermore, failure to maintain required regulatory capital may subject the Company to fines, suspension or revocation of registration or could prohibit expansion of its businesses.

Credit Risk and Exposure to Financial Losses

The Company is exposed to credit risk that third parties owing money, securities or other assets will not fulfill their obligations. These counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure, or other reasons.

A primary source of credit risk arises from the extension of credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. There is risk of financial loss in the event a client fails to meet a margin call if market prices for collateral declines, and it becomes impossible to recover sufficient value from the collateral held to cover the loan. Although the Company continually reviews its exposure to credit risk, default risk may arise from events or circumstances that are difficult to detect, such as fraud.

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 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 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 debt;
- Income tax expense/(benefit);
- Depreciation and amortization expense, which we record primarily in connection with intangible assets, leases, equipment, and leasehold improvements; and
- Amortization in connection with investment advisor transition and loan programs. We view these loans as an effective recruiting and retention tool for advisors, the cost of which is assessed by management upfront when the loan is provided rather than over its term.

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 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:

($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 award 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

An 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 MD&A include AUA, working capital, recruiting pipeline, and net new and recruited assets. Management uses these measures to assess the operational performance of the Company. These measures do not have any definition prescribed under IFRS and do not meet the definition of a non-GAAP measure or non-GAAP ratio and may differ from the methods used by other companies and therefore these measures may not be comparable to other companies. The composition and explanation of a SFM is provided in this MD&A where the measure is first disclosed if the SFM's labeling is not sufficiently descriptive.