



**Avantax, Inc.**  
(NASDAQ: AVTA)

Earnings Presentation  
Q2 2023

**Avantax<sup>®</sup>**

# Forward-Looking Statements and Non-GAAP Financial Measures

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## Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including without limitation, statements regarding the outlook of Avantax, Inc. (the “**Company**”), the anticipated business strategy and corporate focus of the Company following consummation of the sale of our tax software business (the “**TaxAct Sale**”) and the intended use of proceeds from the TaxAct Sale. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as “anticipates,” “believes,” “plans,” “expects,” “future,” “intends,” “may,” “will,” “would,” “could,” “should,” “estimates,” “predicts,” “potential,” “continues,” “target,” “outlook,” and similar terms and expressions, but the absence of these words does not mean that the statement is not forward-looking. Actual results may differ significantly from management’s expectations due to various risks and uncertainties including, but not limited to: our ability to effectively compete within our industry; our ability to generate strong performance for our clients and the impact of the financial markets on our clients’ portfolios; our expectations concerning the revenues we generate from fees associated with the financial products that we distribute; our ability to attract and retain financial professionals, employees, and clients, as well as our ability to provide strong client service; the impact of significant interest rate changes; our ability to maintain our relationships with third-party partners, providers, suppliers, vendors, distributors, contractors, financial institutions, industry associations, and licensing partners, and our expectations regarding and reliance on the products, tools, platforms, systems, and services provided by these third parties; political and economic conditions and events that directly or indirectly impact the wealth management industry; our ability to respond to rapid technological changes, including our ability to successfully release new products and services or improve upon existing products and services; our future capital requirements and the availability of financing, if necessary; the impact of new or changing legislation and regulations (or interpretations thereof) on our business, including our ability to successfully address and comply with such legislation and regulations (or interpretations thereof) and increased costs, reductions of revenue, and potential fines, penalties, or disgorgement to which we may be subject as a result thereof; risks, burdens, and costs, including fines, penalties, or disgorgement, associated with our business being subjected to regulatory inquiries, investigations, or initiatives, including those of the Financial Industry Regulatory Authority, Inc. and the Securities and Exchange Commission (the “**SEC**”); any compromise of confidentiality, availability, or integrity of information, including cyberattacks; risks associated with legal proceedings, including litigation and regulatory proceedings; our ability to close, finance, and realize all of the anticipated benefits of acquisitions, as well as our ability to integrate the operations of recently acquired businesses, and the potential impact of such acquisitions on our existing indebtedness and leverage; our ability to retain employees and acquired client assets following acquisitions; our ability to manage leadership and employee transitions, including costs and time burdens on management and our board of directors related thereto; our ability to develop, establish, and maintain strong brands; our ability to comply with laws and regulations regarding privacy and protection of user data; our assessments and estimates that determine our effective tax rate; our ability to protect our intellectual property and the impact of any claim that we infringed on the intellectual property rights of others; risks related to goodwill and acquired intangible asset impairment; our failure to realize the expected benefits of the TaxAct Sale; disruptions to our business and operations resulting from our compliance with the terms of the transition services agreement entered into in connection with the TaxAct Sale; and our ability to mitigate and manage risks caused by yield curve, duration and interest rate fluctuations, and other macroeconomic factors upon our business and financing arrangements through derivative transactions pursuant to our recently implemented hedging policy. A more detailed description of these and certain other factors that could affect actual results is included in the Company’s most recent Annual Report on Form 10-K and most recent Quarterly Report on Form 10-Q filed with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date hereof, except as may be required by law.

## Non-GAAP Financial Information

This presentation contains certain non-GAAP financial measures relating to our performance. You can find the reconciliation of these measures to the most directly comparable GAAP financial measure in the Appendix at the end of this presentation. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, the financial measures prepared in accordance with GAAP.



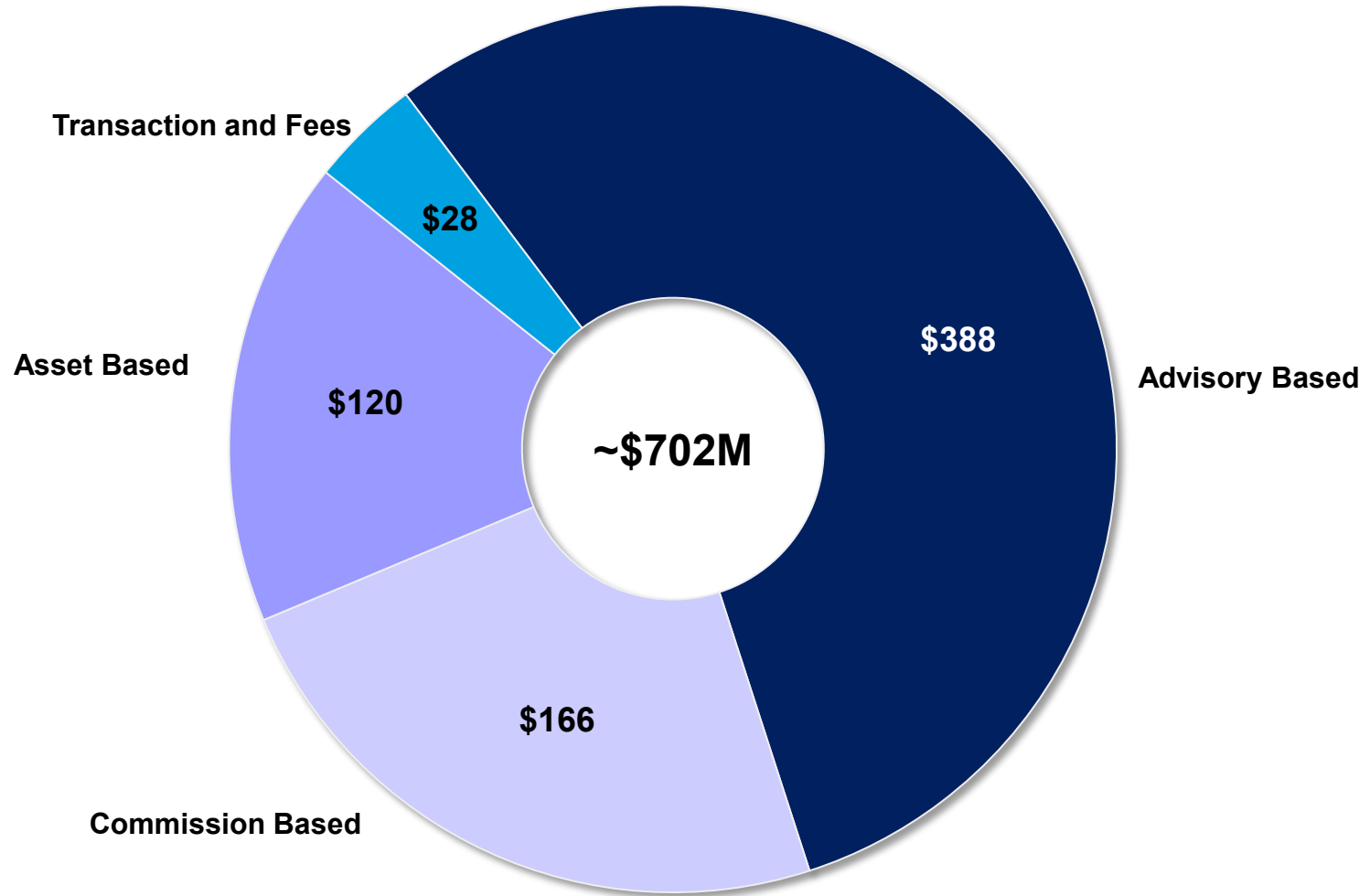
# Second Quarter 2023 Highlights

## Key 2Q 2023 Highlights

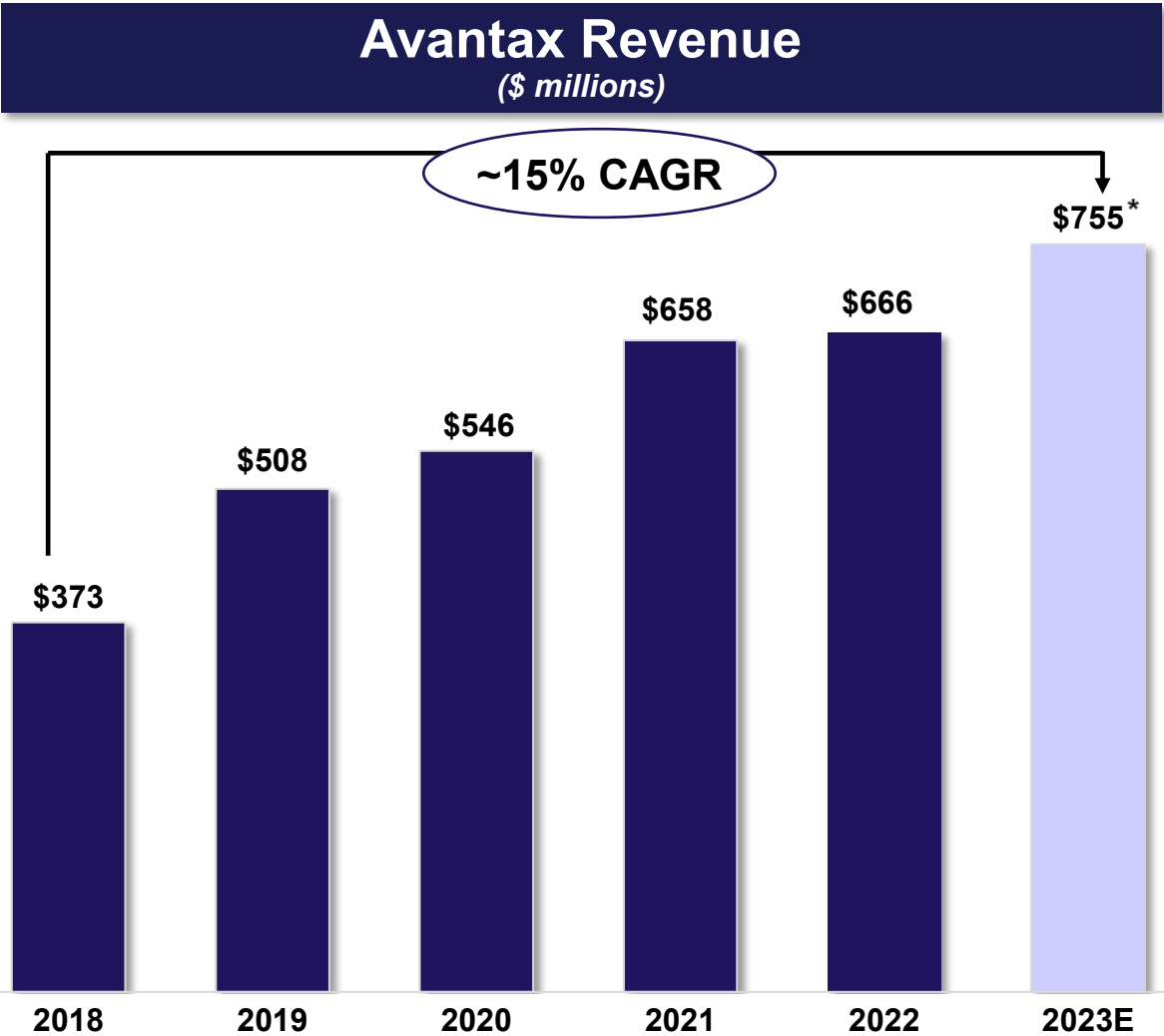
- Total Revenue of \$186.9 million (**New Record**), up approximately 15% year-over-year and up approximately 5% sequentially from the first quarter 2023
- Net positive asset flows (6<sup>th</sup> straight Qtr) of ~\$390 million during 2Q '23
- Advisory assets ended 2Q '23 at \$42.6 billion, or 50.9% of total client assets (**New Record for both**)
- Total client assets of \$83.8 billion at June 30, 2023 – an improvement of ~4% from 1Q '23 due to improving market conditions and net new asset inflows
- Quarterly Production Retention Rate\* of 99.6% during 2Q '23 – considered best in class
- Newly recruited assets of approximately \$141 million during 2Q '23 vs. approximately \$228 million in 1Q '23. The decrease is largely due to timing as the recruitment pipeline remains strong
- Ended 2Q '23 with \$109.8 million in cash and cash equivalents and \$268.3 million in outstanding credit facility indebtedness
- Between April 1 and August 4, 2023, we repurchased approximately 2.6 million shares of our common stock for an aggregate purchase price of approximately \$60.3 million

# Total Revenue Breakdown

Total Revenue Breakdown – LTM 2Q 2023  
(\$ in millions)



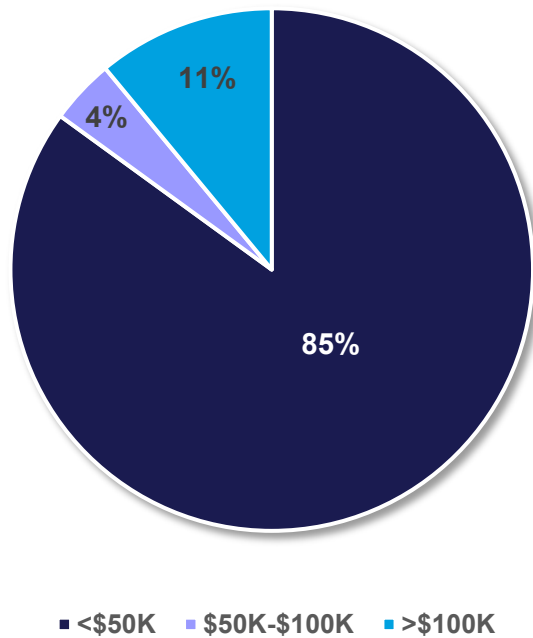
# Track Record of Growth and Expected Future Growth



# Financial Professional Retention

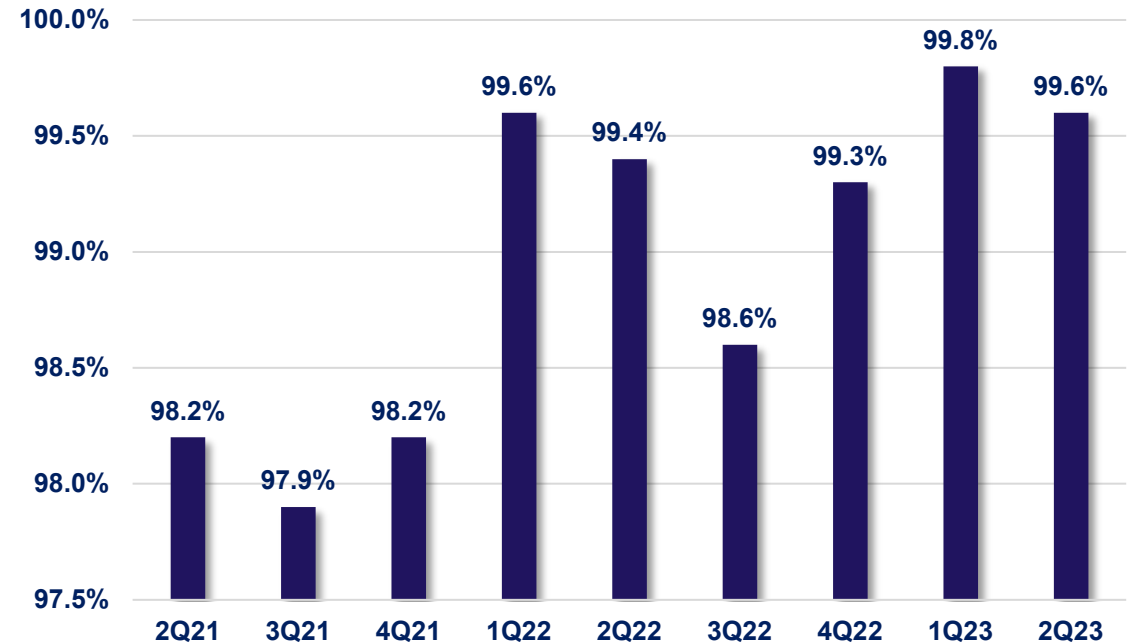
## RETENTION OF HIGH-PRODUCING FINANCIAL PROFESSIONALS

ATTRITION OF FPs BY REVENUE PRODUCTION – 2Q 2023



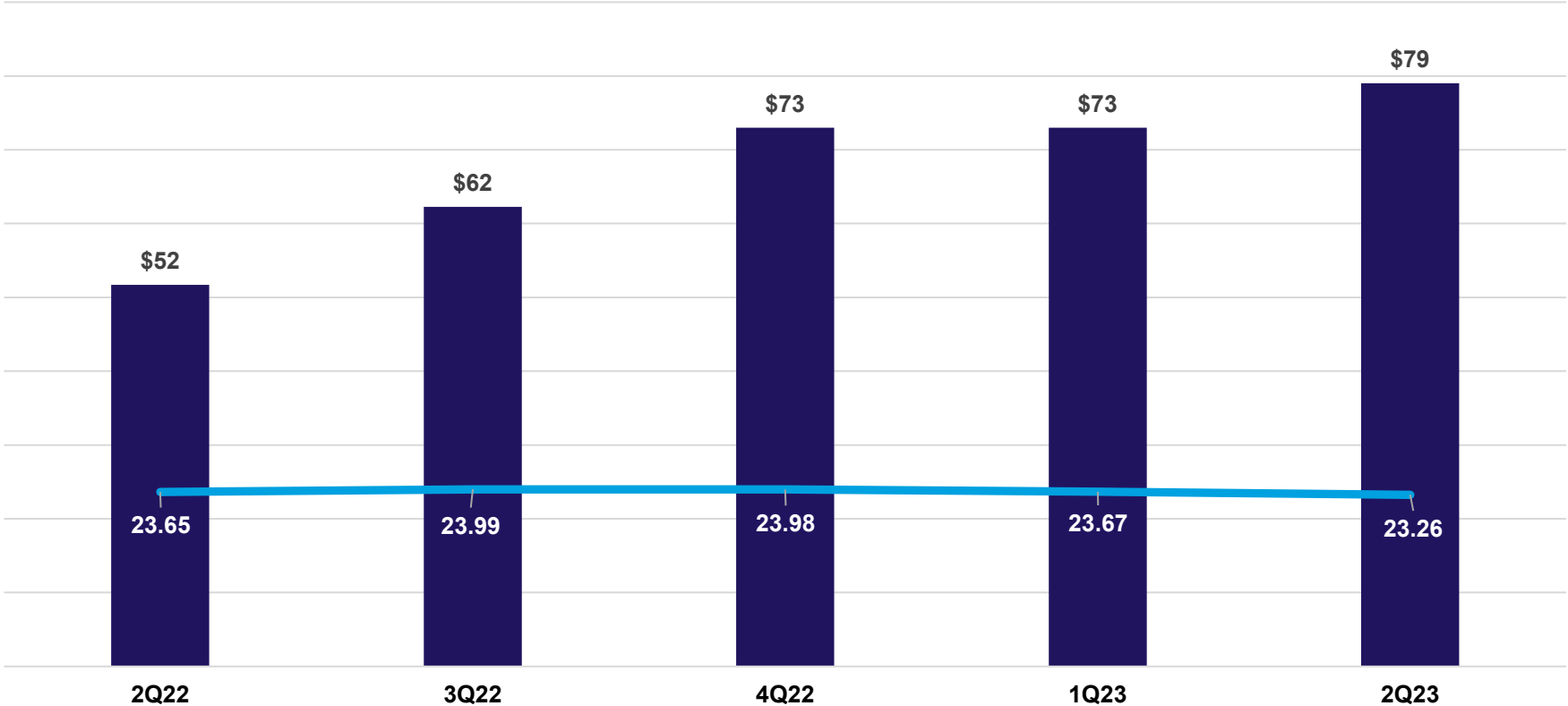
## HIGH PORTION OF REVENUES ARE RETAINED

QUARTERLY PRODUCTION RETENTION RATE\*



# Revenue Not Remitted to Financial Professionals

**Revenue Not Remitted to FPs\* and  
Revenue Not Remitted to FPs ROA ex-Cash Sweep\* (bps)**  
*(\$ in millions, except bps)*



**The sequential decline in Q2 '23 ROA ex-cash Sweep bps vs Q1 '23 was driven by an increase in AUA levels during Q2, which should drive revenue in subsequent quarters. This is due to our advisory programs, which bill in advance.**

\* See the definitions of Revenue not Remitted to Financial Professionals and Revenue Not Remitted to Financial Professionals, Excluding Cash Sweep, Return on Assets, both non-GAAP measures and reconciliations of all non-GAAP to GAAP measures presented in this presentation in the tables in the appendix.



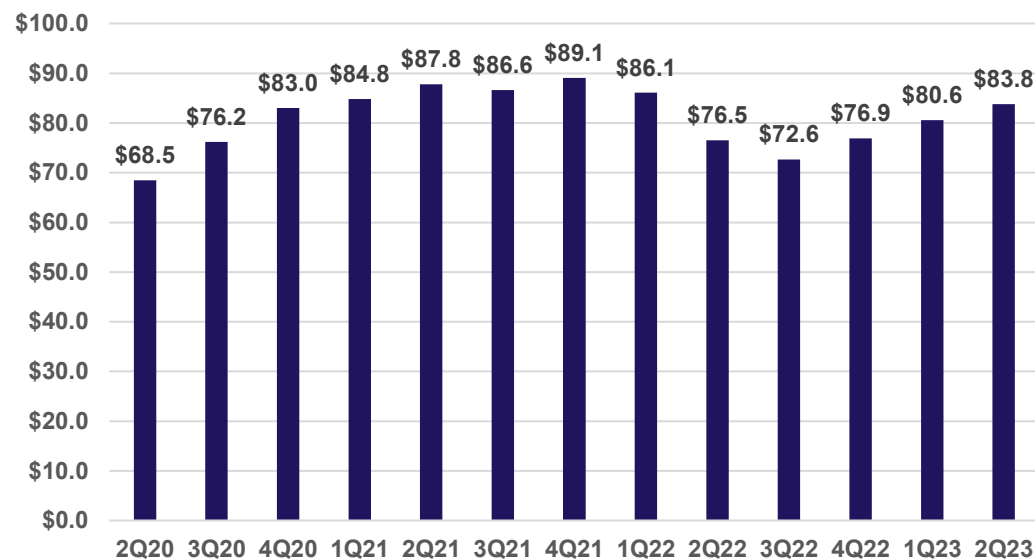
# Total Client Assets – Shift to Advisory Platforms

## Continued shift of client assets moving to advisory platforms

### LONG-TERM ASSET GROWTH

Strong growth in total client assets

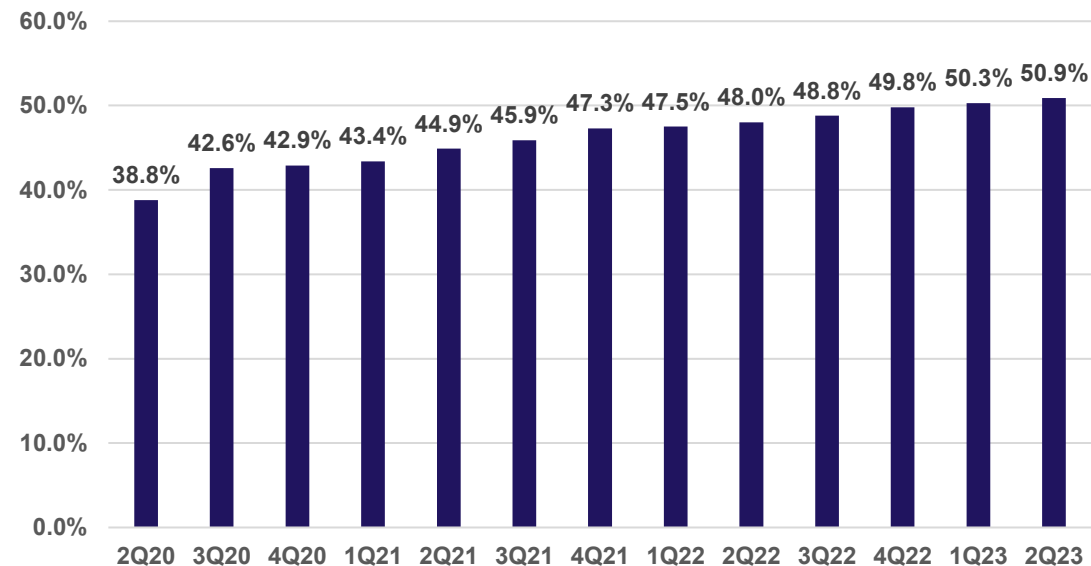
**TOTAL CLIENT ASSETS**  
(\$ in billions)



### SHIFT TO MORE DURABLE ADVISORY PLATFORMS

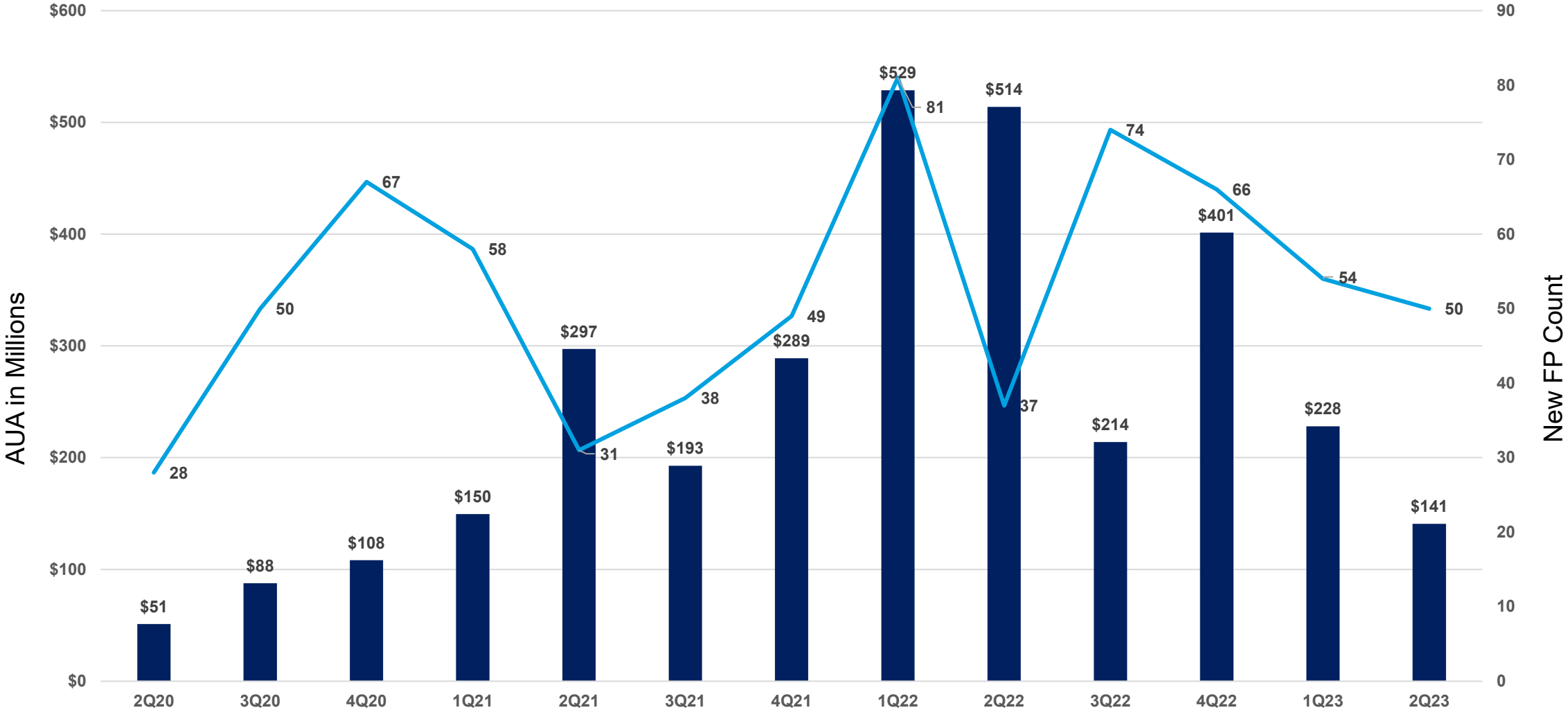
Organic asset inflows continued to shift toward more durable advisory platforms

**ADVISORY ASSETS AS A % OF TOTAL CLIENT ASSETS**

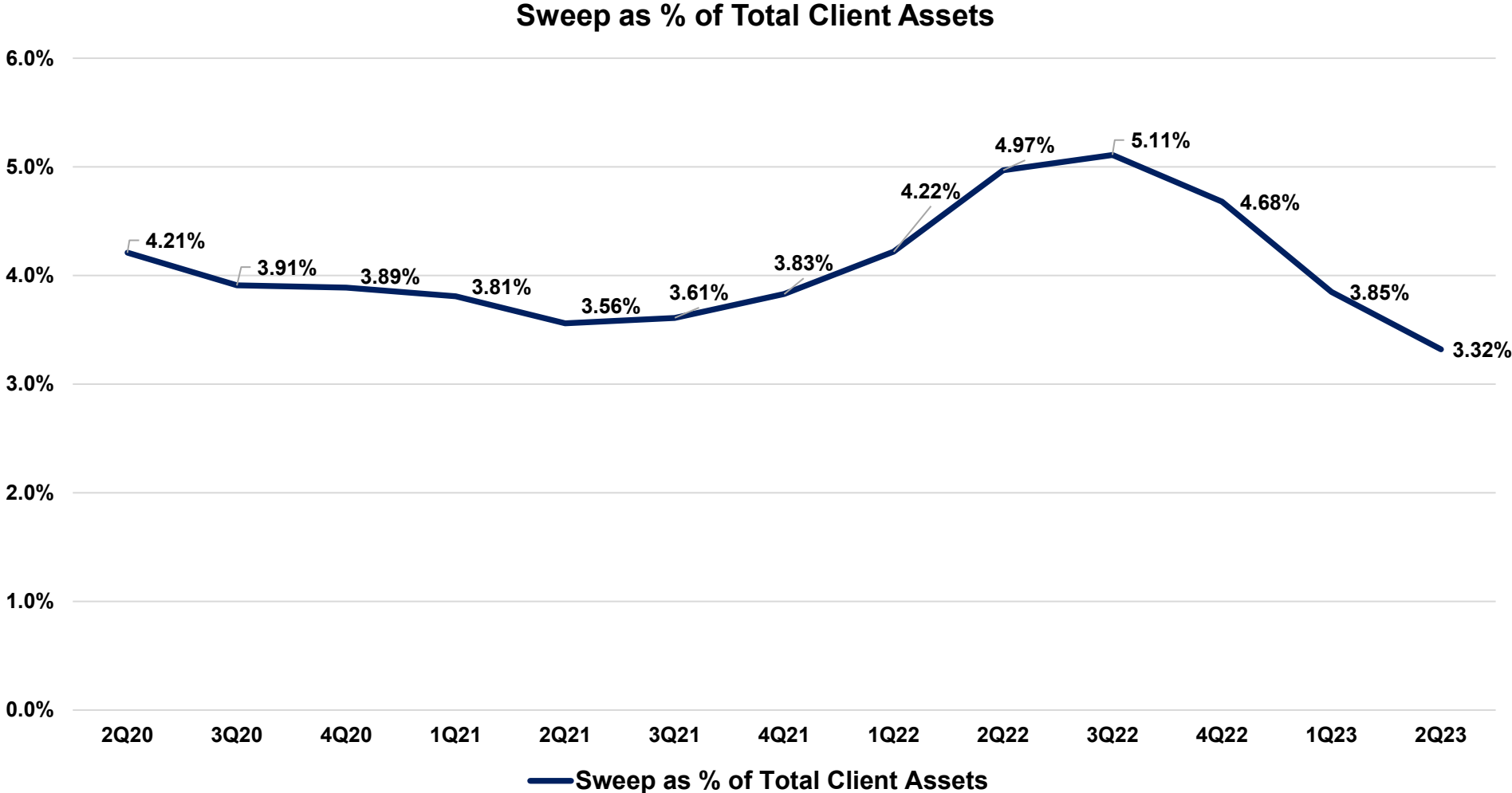




# Newly Recruited Assets



# Sweep Balances\* as a Percentage of Total Client Assets



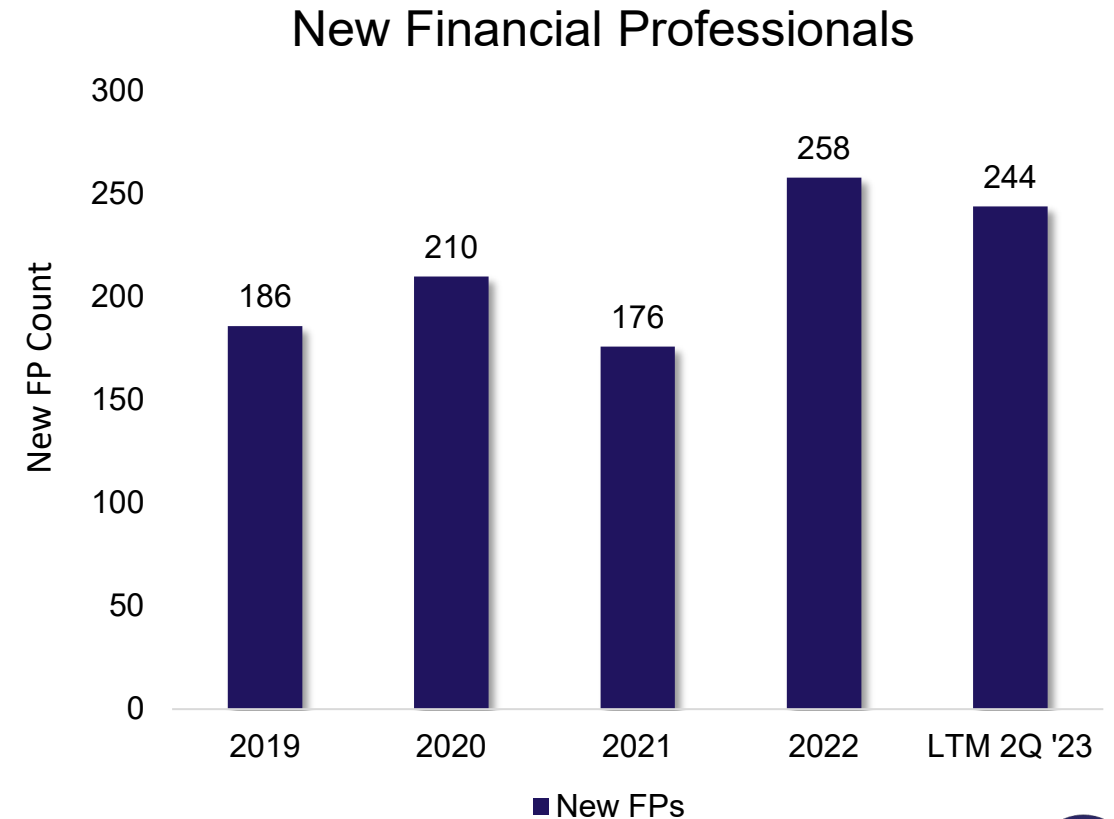
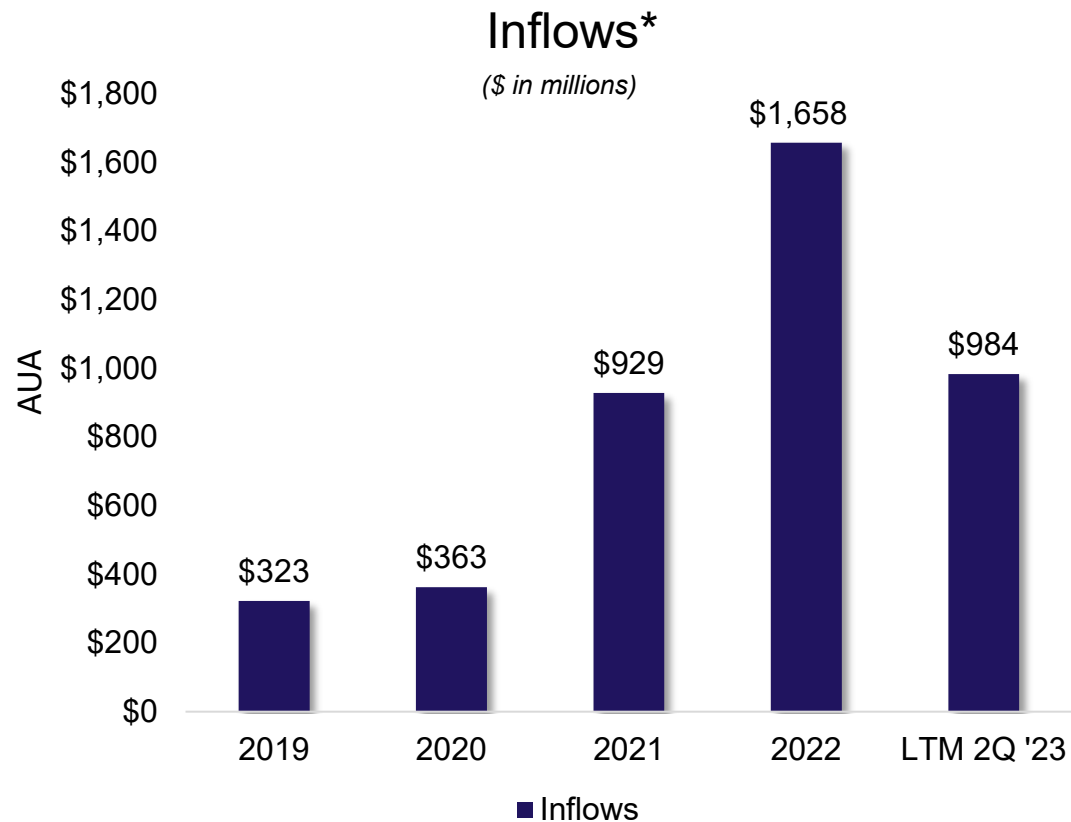
\* Includes outflows on a quarterly basis for payment of client account fees.



# Successful Shift Toward Established FPs to Drive Asset Growth

Continued increase in recruited assets, aligned to recruiting more established FPs

A purposeful shift toward more productive FPs



# Roadmap for Avantax Success

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## New Store Sales

Build out our marquee strategic partners, strategic alliance programs and large referral partnerships; emphasize the unique culture and size characteristics that make Avantax special.



## Same Store Sales

Boost same store sales by driving more tax-focused financial planning, practice management expertise and technology tools.



## Asset Retention

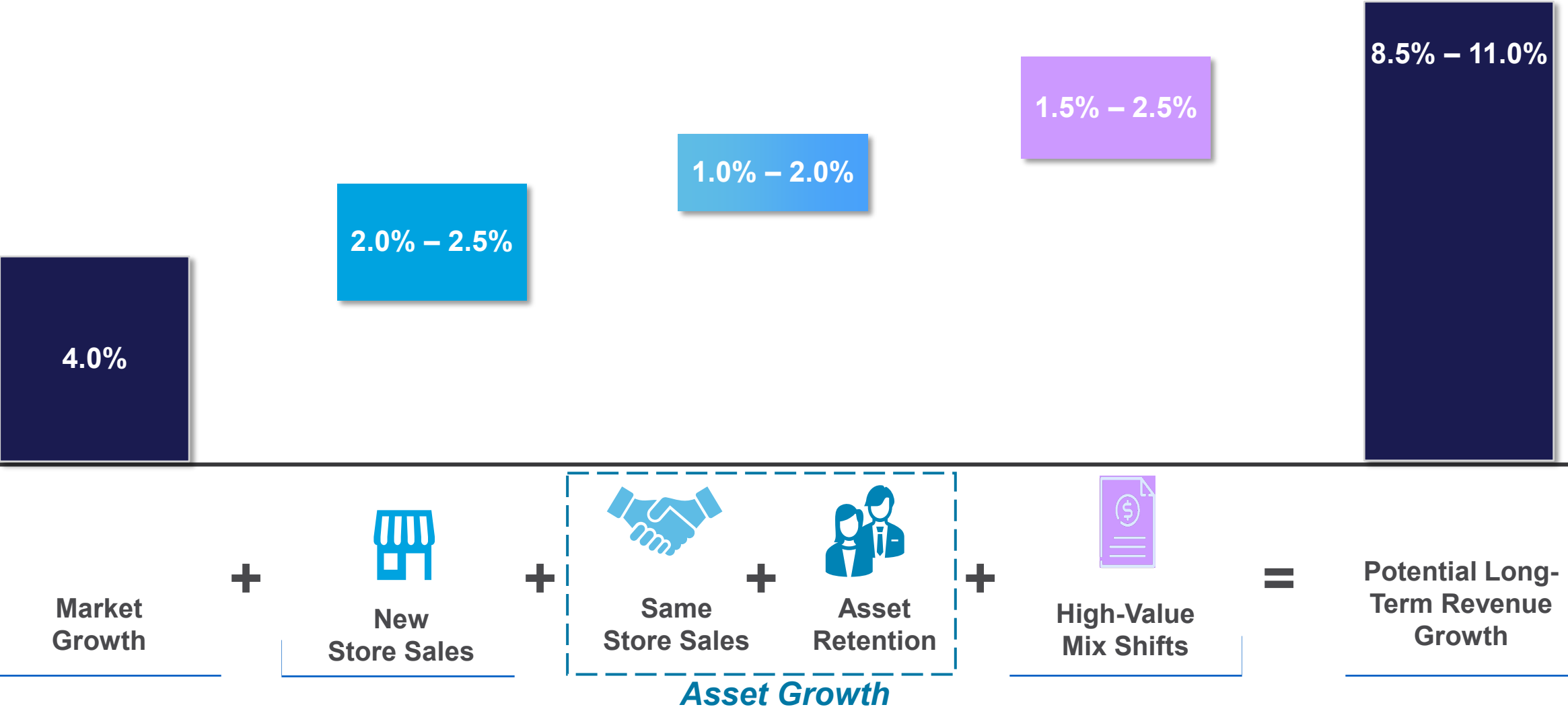
Grow financial professional and client satisfaction scores by continuing to improve support to financial professionals. Maintain strong community spirit around chapters, support groups, national events and continuing education.



## High-Value Mix Shifts

Continue to shift assets to high-value Advisory relationships for clients for whom such relationships are in their best interest and accelerate growth of employee-based RIA.

# Poised to Deliver a Compelling Long-Term Return (1)



**Expected Adjusted EBITDA Margins, post Transition Services Agreement<sup>(3)</sup>, of 16-18%<sup>(2)</sup>**

(1) Excludes impact of interest rates.  
 (2) Range dependent on magnitude of interest rates. Adjusted EBITDA margins are non-GAAP financial measures. The breakout of the components that would be included in a non-GAAP reconciliation for these measures cannot be determined on a forward-looking basis without unreasonable efforts.  
 (3) In connection with the TaxAct Sale, we entered into a Transition Services Agreement pursuant to which the buyer and seller will provide the other with certain transition services. Such services are expected to be mostly completed by the end of third quarter 2023.



# Full Year 2023 Guidance

<i>\$ in millions, except per share amounts</i>	<b>Full Year 2023 Guidance</b>
<b>Total Revenue</b>	<b>\$753.0 - \$756.0</b>
<b>Adjusted EBITDA*</b>	<b>\$124.5 - \$126.5</b>
<b>Net Income</b>	<b>\$16.0 - \$18.0</b>
<b>Net Income per share (Diluted)</b>	<b>\$0.40 - \$0.45</b>
<b>Non-GAAP Net Income*</b>	<b>\$49.0 - \$52.3</b>
<b>Non-GAAP Net Income per share* (Diluted)</b>	<b>\$1.22 - \$1.30</b>

# Appendix



# Avantax Reconciliation of Quarterly Production Retention Rate <sup>(1)</sup>

<i>(Unaudited, in thousands, except percentages)</i>	2021			2022				2023	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Financial professional-driven revenue <sup>(5)</sup>	\$ 556,339	\$ 585,307	\$ 606,477	\$ 617,648	\$ 616,428	\$ 596,785	\$ 572,270	\$ 556,443	\$ 554,608
Financial professional-driven revenue related to independent financial professionals who departed in the quarter <sup>(5)</sup>	9,881	12,157	11,079	2,201	3,836	8,356	4,122	943	2,010
Financial professional-driven revenue, less that related to independent financial professionals who departed in the quarter	\$ 546,458	\$ 573,150	\$ 595,398	\$ 615,447	\$ 612,592	\$ 588,429	\$ 568,148	\$ 555,500	\$ 552,598
Quarterly Production Retention Rate <sup>(1)</sup>	98.2%	97.9%	98.2%	99.6%	99.4%	98.6%	99.3%	99.8%	99.6%



# Avantax Reconciliation of Revenue Not Remitted to Financial Professionals and Revenue Not Remitted to Financial Professionals, Excl. Cash Sweep Revenue, ROA <sup>(2)</sup> <sup>(3)</sup> <sup>(4)</sup>

<i>(Unaudited, in thousands, except percentages)</i>	2022			2023	
	2Q	3Q	4Q	1Q	2Q
Revenue	\$ 162,669	\$ 165,032	\$ 172,392	\$ 177,980	\$ 186,928
Less: Financial professional commission payout	(110,958)	(102,760)	(99,118)	(104,493)	(108,108)
Revenue Not Remitted to Financial Professionals <sup>(2)</sup>	51,711	62,272	73,274	73,487	78,820
Less: Cash sweep revenue	(3,251)	(17,792)	(27,829)	(30,383)	(29,288)
Revenue Not Remitted to Financial Professionals, Excluding Cash Sweep Revenue <sup>(3)</sup>	48,460	44,480	45,445	43,104	49,532
TTM Revenue Not Remitted to Financial Professionals, Excluding Cash Sweep Revenue <sup>(3)</sup> <sup>(5)</sup>	\$ 200,079	\$ 194,544	\$ 187,155	\$ 181,489	\$ 182,561
TTM Revenue Not Remitted to Financial Professionals, Excluding Cash Sweep, Return on Assets (ROA) <sup>(4)</sup> <sup>(5)</sup>	23.65 bps	23.99 bps	23.98 bps	23.67 bps	23.26 bps

## Avantax Reconciliation of Adjusted EBITDA for Forward-Looking Guidance <sup>(6)</sup>

<i>(Unaudited, in thousands)</i>	Ranges for the year ending	
	December 31, 2023	
	Low	High
Net income	\$ 16,000	\$ 18,000
Less: Income from discontinued operations, net of income taxes	(2,000)	(2,000)
Stock-based compensation	20,500	20,500
Depreciation and amortization of acquired intangible assets	39,000	39,000
Interest expense and other, net	17,000	16,500
Acquisition and integration, contested proxy, and other legal and consulting costs	1,000	1,000
Reorganization, executive transition, and TaxtAct transaction related costs <sup>(7)</sup>	18,400	18,400
Hedging program start-up costs	600	600
Income tax expense	14,000	14,500
Adjusted EBITDA <sup>(6)</sup>	\$ 124,500	\$ 126,500

## Avantax Reconciliation of Non-GAAP Net Income for Forward-Looking Guidance <sup>(6)</sup>

<i>(Unaudited, in thousands, except per share amounts)</i>	Ranges for the year ending			
	December 31, 2023			
	Low		High	
Net income	\$	16,000	\$	18,000
Less: Income from discontinued operations, net of income taxes		(2,000)	\$	(2,000)
Amortization of acquired intangible assets		25,000		25,000
Acquisition and integration, contested proxy, and other legal and consulting costs		1,000		1,000
Reorganization, executive transition, and TaxtAct transaction related costs <sup>(7)</sup>		18,400		18,400
Hedging program start-up costs		600		600
Unrealized MTM derivative losses		1,000		1,000
Tax impact of adjustments to GAAP net income		(11,000)		(9,750)
Non-GAAP Net Income <sup>(6)</sup>	\$	49,000	\$	52,250
<u>Per diluted share</u>				
Net income	\$	0.40	\$	0.45
Less: Income from discontinued operations, net of income taxes		(0.05)		(0.05)
Amortization of acquired intangible assets		0.62		0.62
Acquisition and integration, contested proxy, and other legal and consulting costs		0.02		0.02
Reorganization, executive transition, and TaxtAct transaction related costs <sup>(7)</sup>		0.46		0.46
Hedging program start-up costs		0.01		0.01
Unrealized MTM derivative losses		0.02		0.02
Tax impact of adjustments to GAAP net income		(0.26)		(0.23)
Non-GAAP Net Income per share - Diluted <sup>(6)</sup>	\$	1.22	\$	1.30
Diluted weighted average shares outstanding		40,264		40,264

## Avantax Reconciliation of Adjusted EBITDA <sup>(6)</sup>

<i>(Unaudited, in thousands)</i>	Three Months Ended	
	June 30, 2023	
<b>Adjusted EBITDA</b>		
Net income <sup>(8)</sup>	\$	3,581
Less: Income from discontinued operations, net of income taxes		-
Income (loss) from continuing operations, net of income taxes		3,581
Stock-based compensation		3,291
Depreciation and amortization of acquired intangible assets		9,819
Interest expense and other, net		5,774
Acquisition and integration costs—Excluding change in the fair value of HKFS Contingent Consideration		(39)
Acquisition and integration costs—Change in the fair value of HKFS Contingent		-
Contested proxy and other legal and consulting costs		48
Executive transition costs		1,185
TaxAct transaction related costs		1,528
Reorganization costs		3,227
Hedging program start-up costs		583
Income tax (benefit) expense		2,073
Adjusted EBITDA <sup>(6)</sup>	\$	31,070

# Notes to Reconciliations of Non-GAAP Financial Measures to the Nearest Comparable GAAP Measures

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- 1) Quarterly Production Retention Rate is a non-GAAP financial measure. We believe Quarterly Production Retention Rate is an important measure of our quarterly retention of financial professional-driven revenue (which consists of advisory revenue and commission revenue). We use Quarterly Production Retention Rate to measure the impact of financial professional departures on our business. Quarterly Production Retention Rate is calculated by dividing (x) the difference of (i) total financial professional-driven revenue for the trailing twelve-month period then ended minus (ii) financial professional-driven revenue for the trailing twelve-month period then ended related to independent financial professionals that departed in the quarter by (y) total financial professional-driven revenue for the trailing twelve-month period then ended. As Quarterly Production Retention Rate is a measure of retention during a quarter, it also includes quarterly production from independent financial professionals who departed in prior quarters in the trailing twelve-month period, and therefore does not show production retention rate over longer periods of time.
- 2) We define Revenue Not Remitted to Financial Professionals, a non-GAAP financial measure, as GAAP revenue less financial professional commission payout. Financial professional commission payout represents commissions owed to financial professionals based on their advisory and commission revenues generated during the respective period. Financial professional commission payout does not include charges associated with financial professional stock-based compensation or the amortization of financial professional forgivable loans. We believe that the presentation of this non-GAAP financial measure provides useful information to investors because it reflects the portion of our segment revenue that is not remitted to financial professionals in the form of cash. We and investors utilize this non-GAAP financial measure when evaluating our performance relative to total client assets.
- 3) We define Revenue Not Remitted to Financial Professionals, Excluding Cash Sweep Revenue, a non-GAAP measure, as Revenue Not Remitted to Financial Professionals (as discussed in footnote 2) less cash sweep revenue. We believe that excluding cash sweep revenue, which is impacted by changes in the Federal Funds rate, provides meaningful supplemental information when evaluating the performance of our assets over time (as further discussed in footnote 4).
- 4) Revenue Not Remitted to Financial Professionals, Excluding Cash Sweep Revenue, Return on Assets (ROA) is a non-GAAP financial measure that represents Revenue Not Remitted to Financial Professionals, Excluding Cash Sweep Revenue, for the trailing twelve-month period, divided by average quarter-end total client assets for the trailing twelve-month period. We believe that the presentation of this non-GAAP financial measure provides useful information to investors because it measures our performance for the period relative to total client assets.
- 5) For the trailing twelve-month period then ended.

# Notes to Reconciliations of Non-GAAP Financial Measures to the Nearest Comparable GAAP Measures

6) We define Adjusted EBITDA as net income (loss), determined in accordance with GAAP, excluding the effects of discontinued operations, stock-based compensation, depreciation and amortization of acquired intangible assets, interest expense and other, net, acquisition and integration costs, contested proxy and other legal and consulting costs, executive transition costs, TaxAct transaction related costs, reorganization costs, hedging program start-up costs, and income tax (benefit) expense. Interest expense and other, net primarily consists of interest expense, net, unrealized mark-to-market (“MTM”) derivative losses (gains) for our interest rate cap derivative instruments, and other non-operating income. It does not include the income associated with the transition services agreement signed in connection with the TaxAct Sale as this income offsets costs included within income from continuing operations, or realized income or loss associated with our interest rate cap derivative instruments. Acquisition and integration costs primarily relate to the acquisitions of Avantax Planning Partners and 1st Global. Hedging program start-up costs include consulting and accounting costs incurred for the implementation of our cash sweep interest rate hedging program.

We believe that Adjusted EBITDA provides meaningful supplemental information regarding our performance. We use this non-GAAP financial measure for internal management and compensation purposes, when publicly providing guidance on possible future results, and as a means to evaluate period-to-period comparisons. We believe that Adjusted EBITDA is a common measure used by investors and analysts to evaluate our performance, that it provides a more complete understanding of the results of operations and trends affecting our business when viewed together with GAAP results, and that management and investors benefit from referring to this non-GAAP financial measure. Items excluded from Adjusted EBITDA are significant and necessary components to the operations of our business and, therefore, Adjusted EBITDA should be considered as a supplement to, and not as a substitute for or superior to, GAAP net income (loss). Other companies may calculate Adjusted EBITDA differently and, therefore, our Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

We define Non-GAAP Net Income (Loss) as net income (loss), determined in accordance with GAAP, excluding the effects of discontinued operations, amortization of acquired intangible assets, acquisition and integration costs, contested proxy and other legal and consulting costs, executive transition costs, TaxAct transaction related costs, reorganization costs, hedging program start-up costs, unrealized MTM derivative losses (gains) for our interest rate cap derivative instruments, and the related tax impact of those adjustments. Unrealized MTM derivative losses (gains) include the unrealized portion of gains and losses that are caused by changes in the fair values of derivatives which do not qualify for hedge accounting treatment under GAAP. It does not include realized income or loss associated with these instruments. The tax impact of these adjustments is determined using the income tax rates in effect for the applicable period, adjusted for any potentially non-deductible amounts. For periods in which Non-GAAP Net Income is generated, Non-GAAP Net Income per share is calculated using diluted weighted average shares outstanding. For periods in which Non-GAAP Net (Loss) is generated, diluted weighted average shares outstanding is the same as basic weighted average shares outstanding.

We believe that Non-GAAP Net Income (Loss) and Non-GAAP Net Income (Loss) per share provide meaningful supplemental information to management, investors, and analysts regarding our performance and the valuation of our business by excluding items in the statement of comprehensive income (loss) that we do not consider part of our ongoing operations or that have not been, or are not expected to be, settled in cash. Additionally, we believe that Non-GAAP Net Income (Loss) and Non-GAAP Net Income (Loss) per share are common measures used by investors and analysts to evaluate our performance and the valuation of our business. Non-GAAP Net Income (Loss) and Non-GAAP Net Income (Loss) per share should be evaluated in light of our financial results prepared in accordance with GAAP and should be considered as a supplement to, and not as a substitute for or superior to, GAAP net income (loss) and GAAP net income (loss) per share. Other companies may calculate Non-GAAP Net Income (Loss) and Non-GAAP Net Income (Loss) per share differently, and, therefore, these measures may not be comparable to similarly titled measures of other companies.

7) The breakout of components cannot be determined on a forward-looking basis without unreasonable efforts.

8) As presented within the unaudited condensed consolidated statements of comprehensive income (loss).