Avantax, Inc.

(NASDAQ: AVTA)

Earnings Presentation

Q1 2023

Forward-Looking Statements and Non-GAAP Financial Measures

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; and 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. 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.

First Quarter 2023 Highlights

Key Q1 2023 Highlights
➢ Total Revenue of $178.0 million **(New Record)**, up 7% year-over-year and up 3% from fourth quarter 2022
➢ Delivered net positive asset flows (5th straight Qtr) of ~$932 million during Q1 '23 (**New Record)**
➢ Advisory assets ended Q1 '23 at $40.6 billion, or 50.3% of total client assets **(New Record)**
➢ Total client assets of $80.6 billion at March 31, 2023 – an improvement of ~5% from Q4 '22 due to improving market conditions and new asset inflows
➢ Quarterly Production Retention Rate** of 99.8% during Q1 '23 – considered best in class
➢ Newly recruited assets of $228 million during Q1 '23 vs. $401 million in Q4 '22. This decrease largely due to timing as the recruitment pipeline remains strong
➢ Ended Q1 '23 with $145.0 million in cash and cash equivalents and $170.0 million in outstanding credit facility indebtedness, compared to $263.9 million in cash and cash equivalents and no outstanding indebtedness under our credit facility at December 31, 2022

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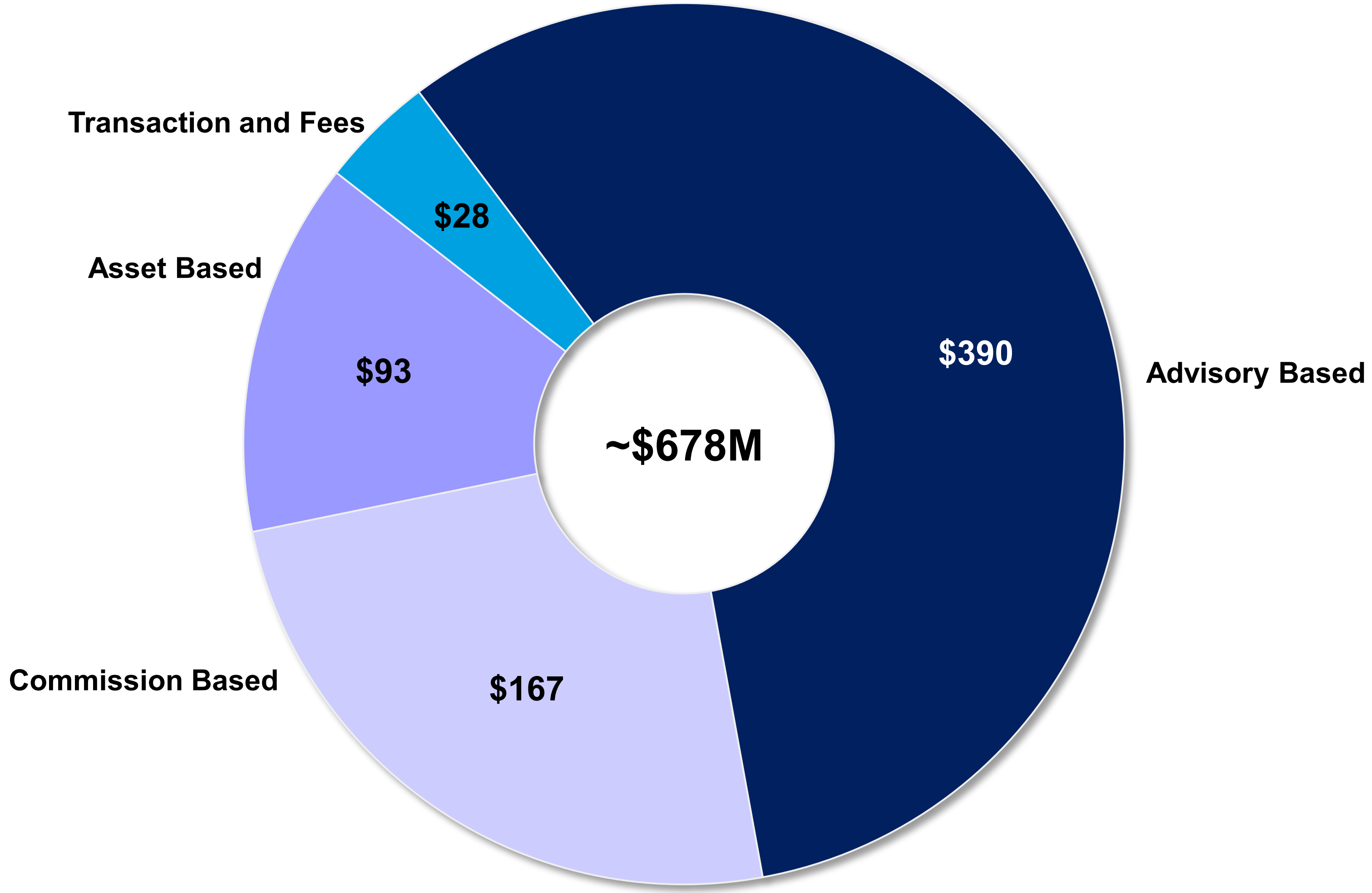
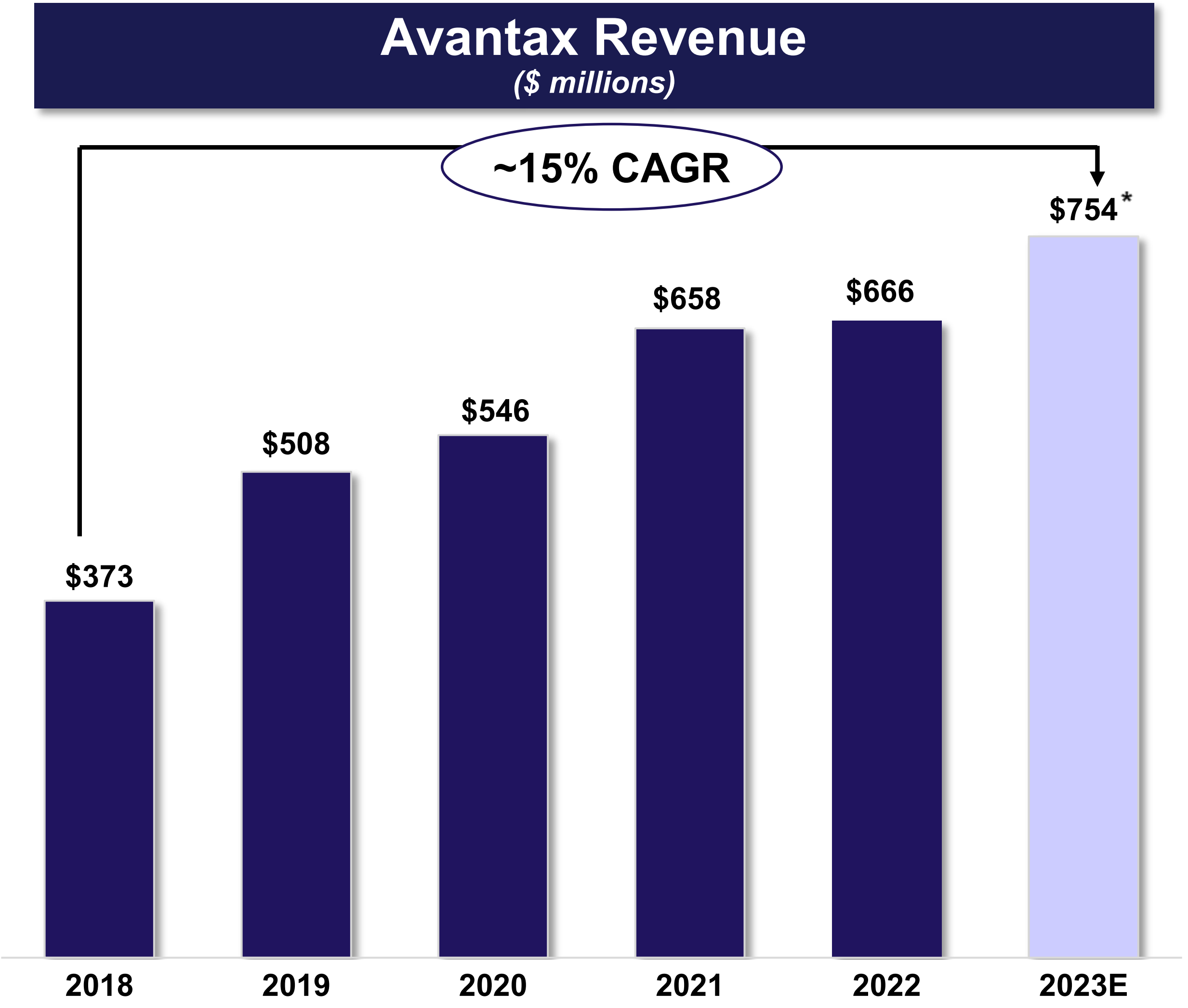
** See the definition of Quarterly Production Retention Rate, a non-GAAP number, and reconciliations of all non-GAAP to GAAP measures presented in this presentation in the tables in the appendix.

Total Revenue Breakdown

Total Revenue Breakdown – LTM Q1 2023
($ in millions)



Track Record of Growth and Expected Future Growth

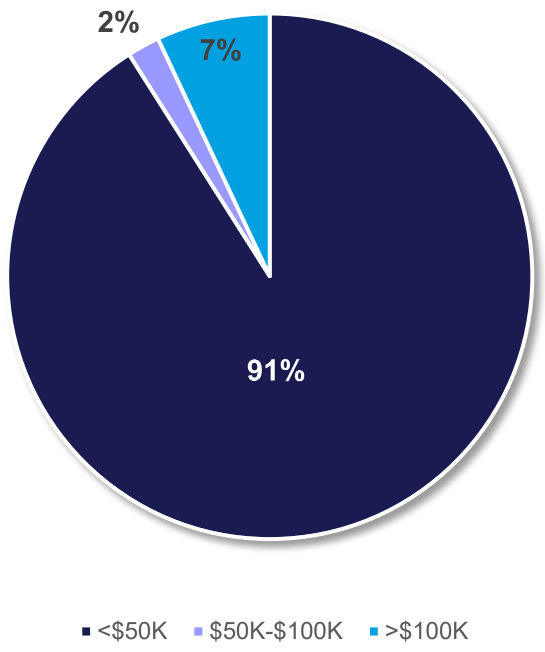


*Mid-point of Company guidance issued on May 8, 2023

Financial Professional Retention

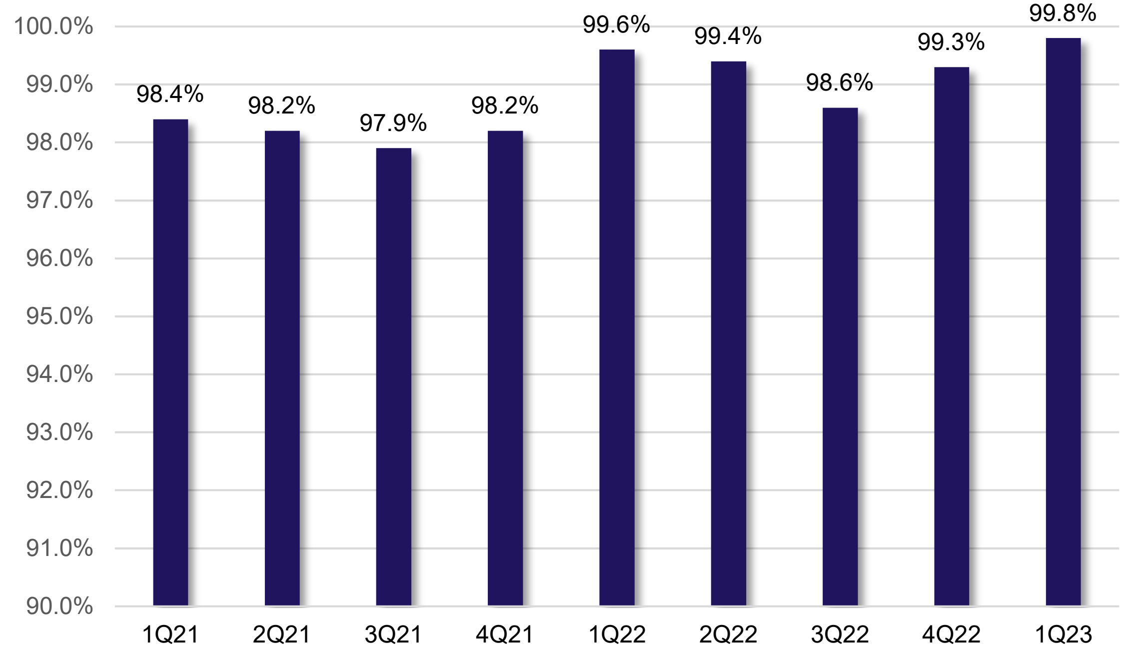
RETENTION OF HIGH-PRODUCING FINANCIAL PROFESSIONALS

ATTRITION OF FPs BY REVENUE PRODUCTION – Q1 2023



HIGH PORTION OF REVENUES ARE RETAINED

QUARTERLY PRODUCTION RETENTION RATE*



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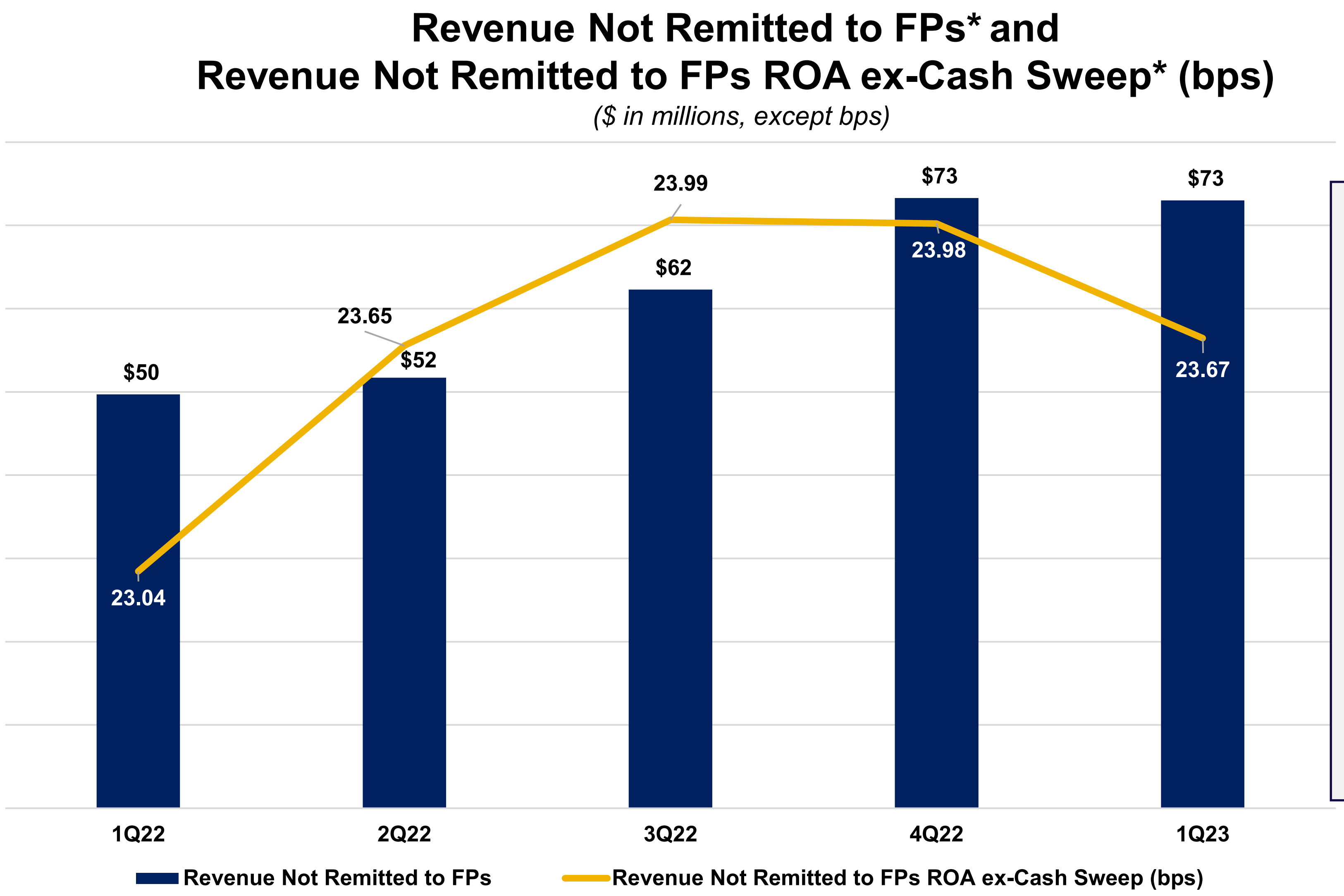
* See the definition of Quarterly Production Retention Rate, a non-GAAP number, and reconciliations of all non-GAAP to GAAP measures presented in this presentation in the tables in the appendix.

Revenue Not Remitted to Financial Professionals



The sequential decline in Q1 ’23 ROA ex-cash Sweep bps vs Q4 ’22 was driven by higher payout rates on advisory fees, as well as lower transactional sales on certain products.

* 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.

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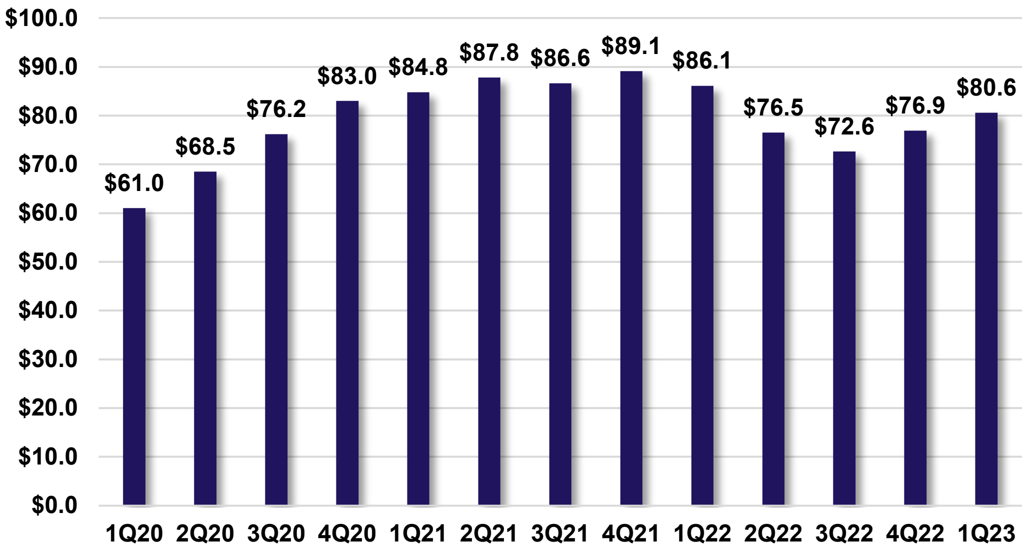
Total Client Assets – Shift to Advisory Platforms

Continued shift of client assets moving to advisory platforms

LONG-TERM ASSET GROWTH

Strong growth in total client assets

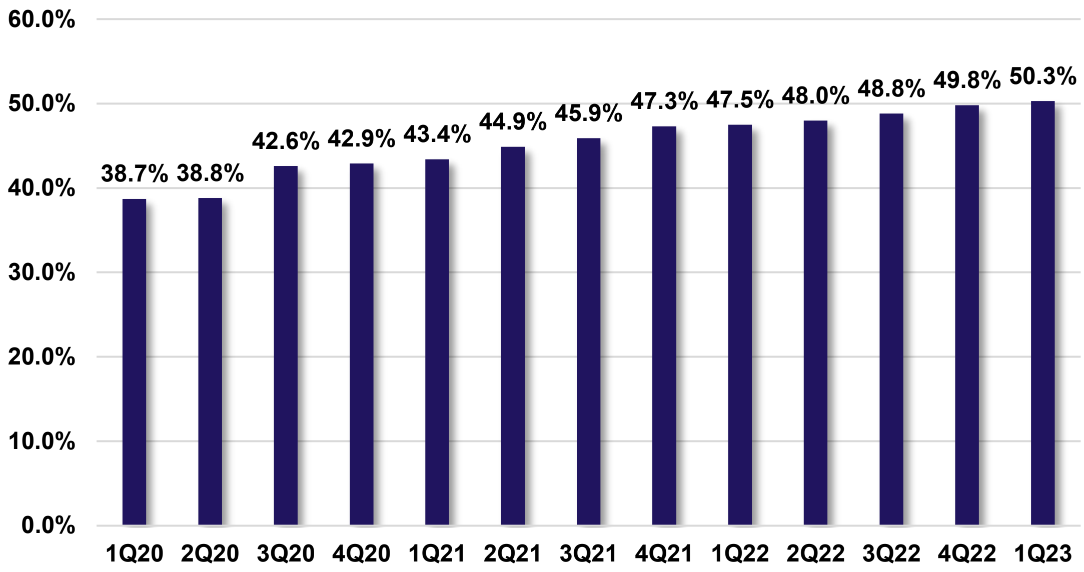
TOTAL CLIENT ASSETS
($ in billions)



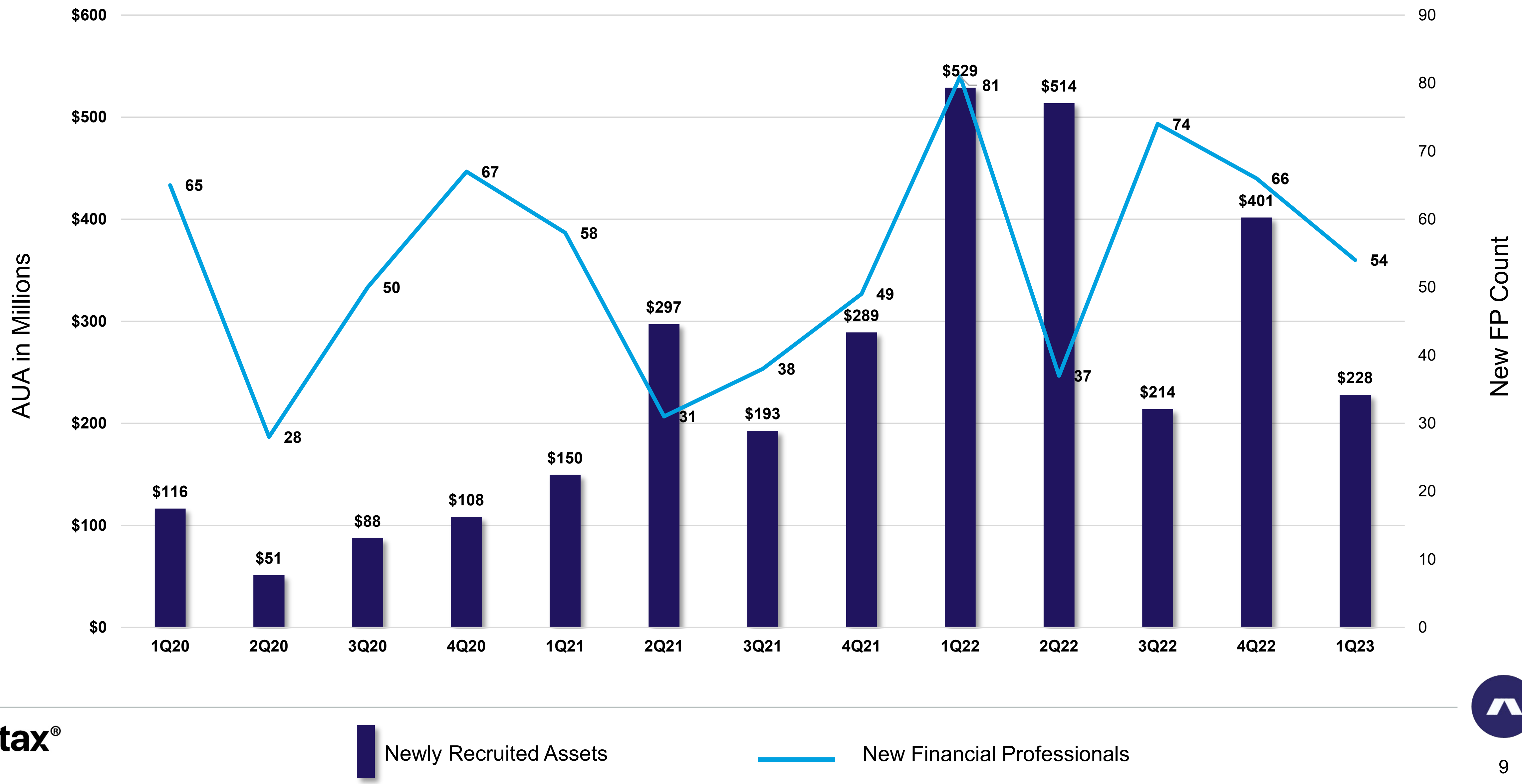
SHIFT TO MORE DURABLE ADVISORY PLATFORMS

Organic asset inflows continued to shift toward more durable advisory platforms

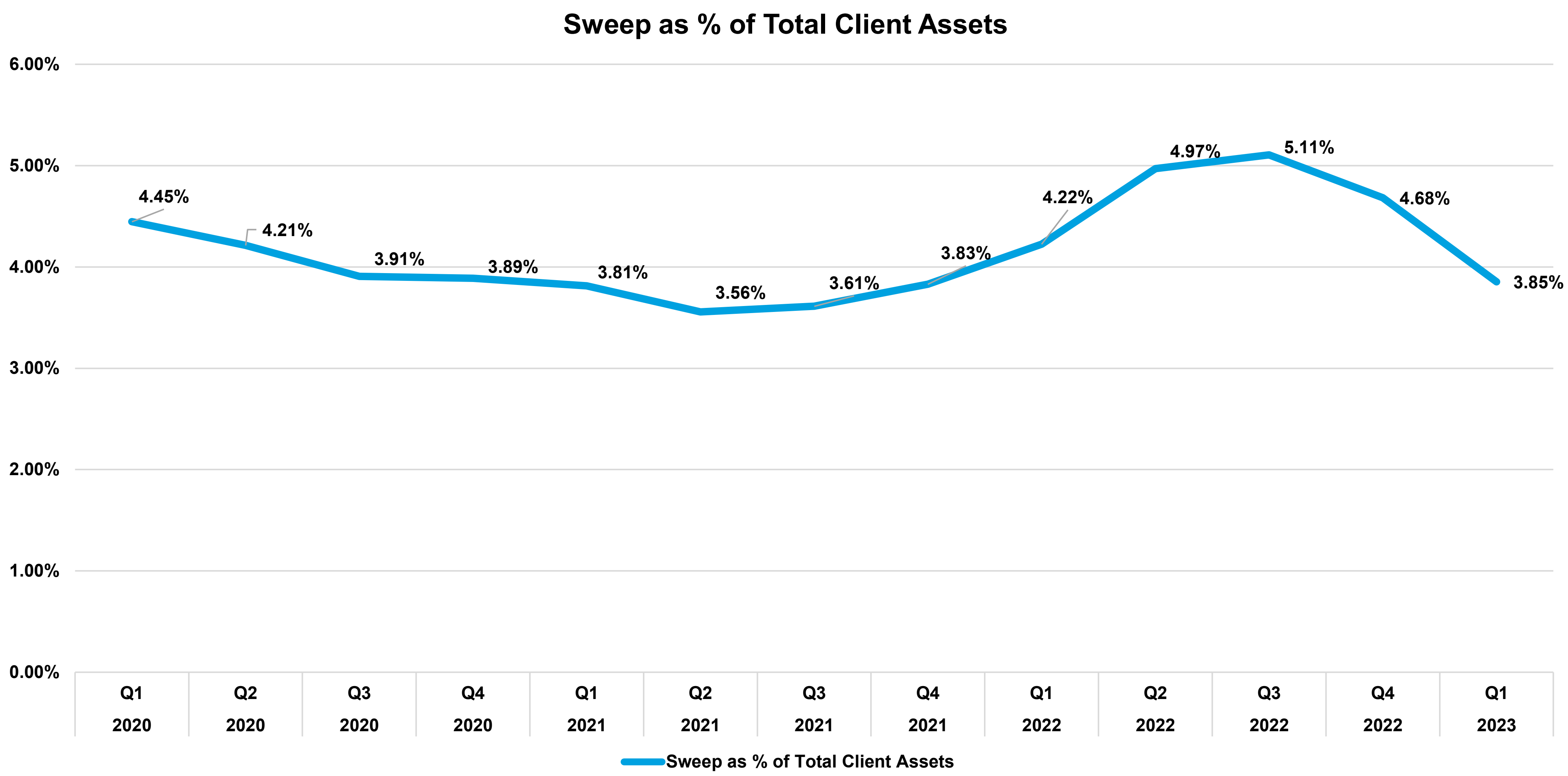
ADVISORY ASSETS AS A % OF TOTAL CLIENT ASSETS



Newly Recruited Assets



Sweep Balances* as a Percentage of Total Client Assets



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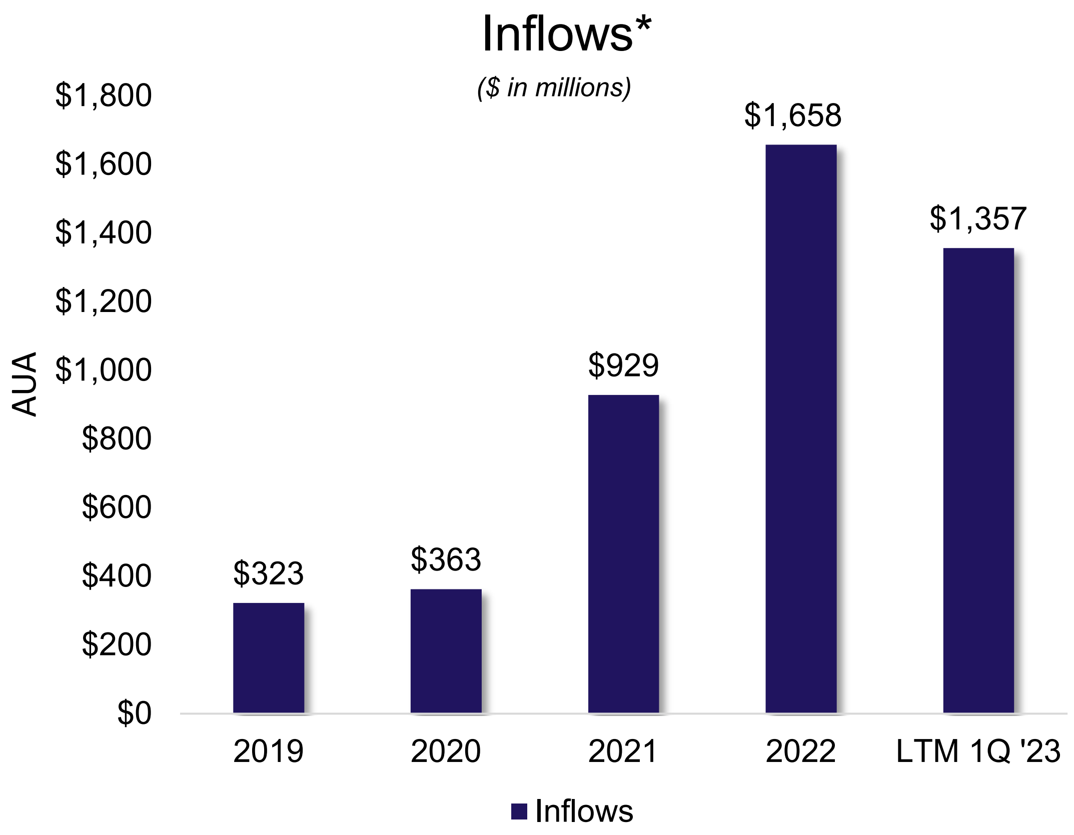
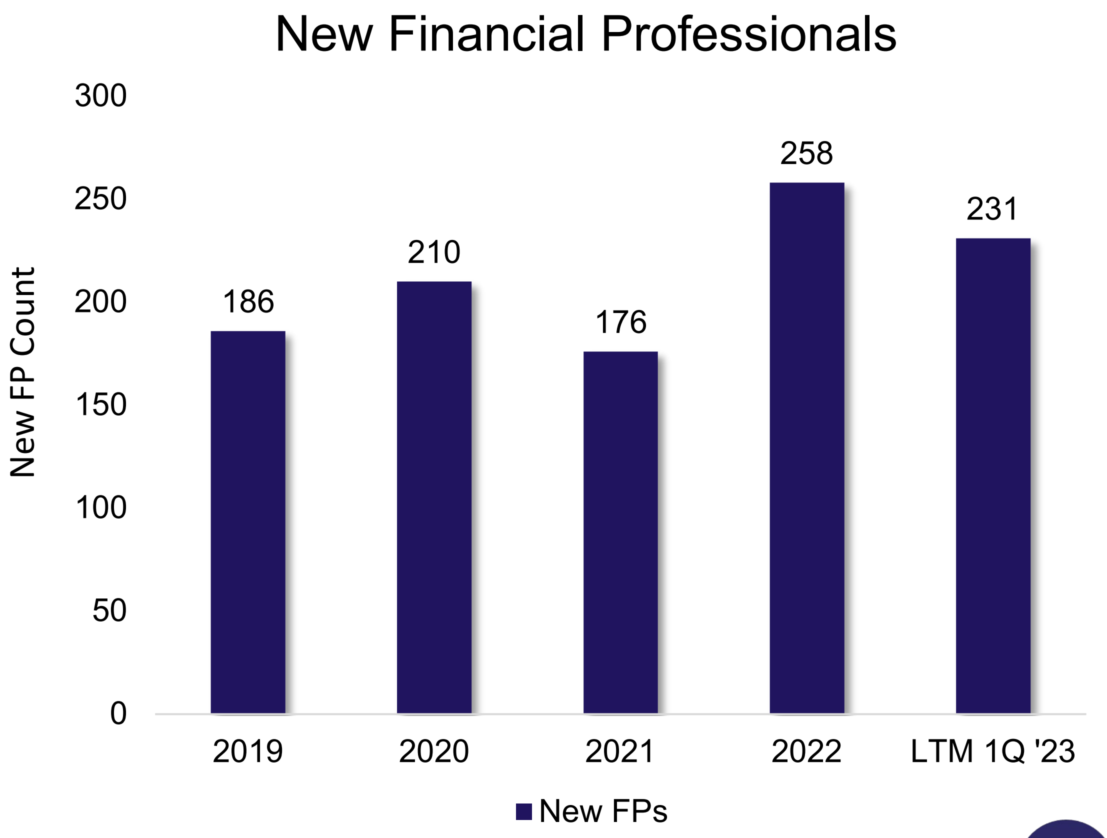
* Includes outflows on a quarterly basis for payment of client account fees.

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



* Inflows of client assets from independent FPs that have affiliated with Avantax.

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Roadmap for Avantax Success

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.

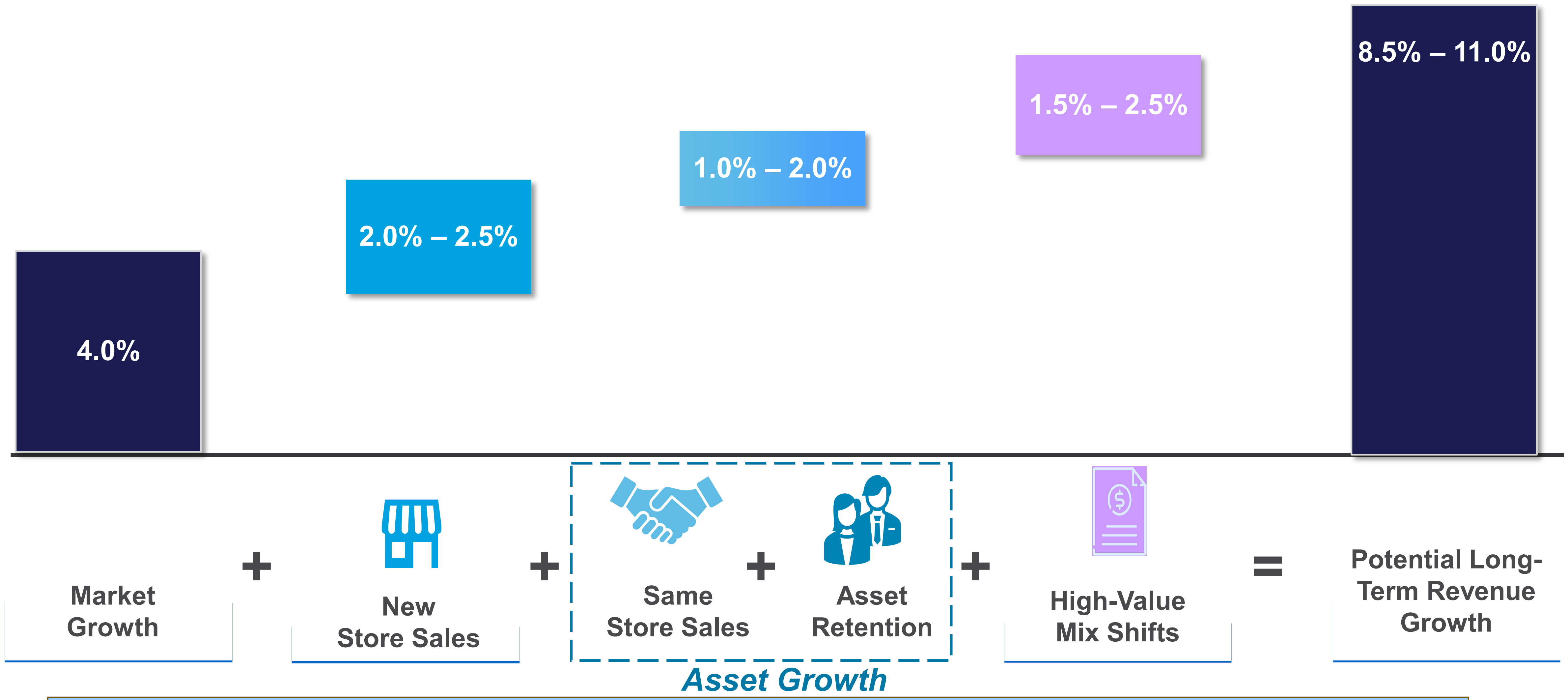
Asset Retention

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(3), of 16-18%(2)

(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

$ in millions, except per share amounts	**Full Year 2023 Guidance**
Total Revenue	**$750.0 - $758.0**
Adjusted EBITDA*	**$124.5 - $135.5**
Net Income	**$25.5 - $40.1**
Net Income per share (Diluted)	**$0.63 - $0.96**

* See the definition of Adjusted EBITDA and the reconciliations of all non-GAAP to GAAP measures presented in this presentation in the tables in the appendix

Appendix

Avantax Reconciliation of Quarterly Production Retention Rate (1)

(Unaudited, in thousands, except percentages)	2021				2022				2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Financial professional-driven revenue [5]	$ 514,268	$ 556,339	$ 585,307	$ 606,477	$ 617,648	$ 616,428	$ 596,785	$ 572,270	$ 556,443
Financial professional-driven revenue related to independent financial professionals who departed in the quarter [5]	8,127	9,881	12,157	11,079	2,201	3,836	8,356	4,122	943
Financial professional-driven revenue, less that related to independent financial professionals who departed in the quarter	$ 506,141	$ 546,458	$ 573,150	$ 595,398	$ 615,447	$ 612,592	$ 588,429	$ 568,148	$ 555,500
Quarterly Production Retention Rate [1]	98.4%	98.2%	97.9%	98.2%	99.6%	99.4%	98.6%	99.3%	99.8%

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

(Unaudited, in thousands, except basis points)	2022				2023
	Q1	Q2	Q3	Q4	Q1
Revenue	$ 166,403	$ 162,669	$ 165,032	$ 172,392	$ 177,980
Less: Financial professional commission payout	(116,704)	(110,958)	(102,760)	(99,118)	(104,493)
Revenue Not Remitted to Financial Professionals (2)	49,699	51,711	62,272	73,274	73,487
Less: Cash sweep revenue	(929)	(3,251)	(17,792)	(27,829)	(30,383)
Revenue Not Remitted to Financial Professionals, Excluding Cash Sweep Revenue (3)	48,770	48,460	44,480	45,445	43,104
TTM Revenue Not Remitted to Financial Professionals, Excluding Cash Sweep Revenue (3) (5)	$ 201,387	$ 200,079	$ 194,544	$ 187,155	$ 181,489
TTM Revenue Not Remitted to Financial Professionals, Excluding Cash Sweep, Return on Assets (ROA) (4) (5)	23.04 bps	23.65 bps	23.99 bps	23.98 bps	23.67 bps

Avantax Reconciliation of Adjusted EBITDA for Forward-Looking Guidance (6)

(Unaudited, in thousands)	Ranges for the year ending December 31, 2023			
	Low		High	
Net income	$	25,500	$	40,050
Stock-based compensation		22,500		21,500
Depreciation and amortization of acquired intangible assets		39,500		39,000
Interest expense and other, net		13,500		12,700
Restructuring		13,000		7,000
Acquisition, integration, and contested proxy and other legal and consulting costs (7)		1,500		750
Income tax expense		9,000		14,500
Adjusted EBITDA (6)	$	124,500	$	135,500

Avantax Reconciliation of Adjusted EBITDA (6)

(Unaudited, in thousands)	Three Months Ended March 31, 2023
Adjusted EBITDA	
Net income (8)	$ 1,673
Less: Income from discontinued operations, net of income taxes	1,921
Income (loss) from continuing operations, net of income taxes	(248)
Stock-based compensation	7,802
Depreciation and amortization of acquired intangible assets	9,926
Interest expense and other, net	709
Acquisition and integration costs—Excluding change in the fair value of HKFS Contingent Consideration	122
Acquisition and integration costs—Change in the fair value of HKFS Contingent Consideration	-
Contested proxy and other legal and consulting costs	646
Executive transition costs	5,227
TaxAct transaction related costs	2,631
Reorganization costs	1,739
Income tax (benefit) expense	(481)
Adjusted EBITDA (6)	$ 28,073

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

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, and income tax (benefit) expense. Interest expense and other, net primarily consists of interest expense, net, 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. Acquisition and integration costs primarily relate to the acquisitions of Avantax Planning Partners and 1st Global.

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.

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

8) As presented within the condensed consolidated statements of operations.