

# Rand Capital Reports 54% Increase in Total Investment Income for Third Quarter 2022

- *Expanded debt portfolio and portfolio dividends drove total investment income to \$1.6 million in the third quarter, up 54% over prior-year period*
- *Net investment income per share increased to \$0.39 compared with \$0.02 in the prior-year period; Adjusted net investment income per share doubled to \$0.40*
- *Net asset value per share (“NAV”) was \$22.62 at September 30, 2022, up 1% from June 30, 2022 largely due to changes in market value of portfolio holdings and investment income*
- *Completed portfolio company follow-on equity investment of \$400,000 in the quarter*

BUFFALO, N.Y.--(BUSINESS WIRE)-- [Rand Capital Corporation](#) (Nasdaq: RAND) (“Rand” or the “Company”), a business development company providing alternative financing for lower middle market companies, announced its results for the third quarter ended September 30, 2022.

“We have made great strides building out our portfolio that is delivering strong total investment income growth. Combined with prudent expense management, we achieved net investment income per share of \$0.39 for the quarter, a measurable improvement over last year,” commented Daniel P. Penberthy, President and Chief Executive Officer of Rand. “We are excited about our future. With a flexible balance sheet that is supported by multiple sources of capital, we believe we can continue to evolve our portfolio company mix, scale our business to drive investment income and further grow our distributable dividends, as we continue to seek additional portfolio investments to drive higher earnings.”

## Third Quarter Highlights

- Total investment income grew \$542,000, or 54%, to \$1.6 million primarily due to increased interest income from portfolio companies and higher portfolio dividend income.
- Total expenses were \$499,000 compared with \$962,000 in the prior-year period. The decrease largely was due to lower accrued capital gain incentive fees. The current quarter accrual was \$22,000 compared with \$454,000 during the third quarter of 2021. Excluding capital gains incentive fees, adjusted expenses, which is a non-GAAP financial measure, were \$477,000, down \$31,000, or 6%, from the prior-year period. The decrease reflects lower interest expense given the Company’s SBA indebtedness was paid off in full in December 2021, partially offset by higher professional fees resulting from the new senior secured revolving credit facility completed in the second quarter of 2022. *See the attached description of this non-GAAP financial measure and*

*reconciliation table for adjusted expenses.*

- Net investment income was \$1.0 million, or \$0.39 per share, compared with \$53,000, or \$0.02 per share, in the prior-year period. Adjusted net investment income per share, a non-GAAP financial measure, which excludes the capital gains incentive fee accrual, was \$0.40 for the third quarter of 2022 compared with \$0.20 in the third quarter of 2021. *See the attached description of this non-GAAP financial measure and reconciliation table for adjusted net investment income per share.*

## **Portfolio and Investment Activity**

As of September 30, 2022, Rand's portfolio included investments with a fair value of \$59.7 million across 29 portfolio businesses. This was up \$725,000, or 1%, from June 30, 2022, due primarily to the change in ACV Auctions' (Nasdaq: ACVA) market value and a follow-on investment in ITA Acquisitions LLC ("ITA"). At September 30, 2022, the portfolio was comprised of approximately 54% in debt investments, 36% in equity investments in private companies, and 10% in publicly traded equities consisting of other BDCs and ACV Auctions. The annualized weighted average yield of debt investments was 12.1%.

*Third quarter 2022:*

- Follow on equity investment of \$400,000 in ITA, a blind and shade manufacturer. Rand's total equity investment in ITA had a fair value of \$749,000 at quarter-end. Rand also has a \$3.5 million debt investment in ITA.

## **Liquidity and Capital Resources**

Cash at the end of the third quarter of 2022 was \$1.0 million compared with \$834,000 at the end of 2021. As of September 30, 2022, the Company held approximately \$3.6 million in publicly traded equities of other BDCs and \$2.5 million of ACV Auctions shares, all of which are available for future liquidity requirements including dividends and portfolio investments.

There were no borrowings under the Company's \$25 million senior secured revolving credit facility at quarter-end. Subsequent to the end of the quarter, the Company made a small initial funding drawdown.

The Company did not repurchase any outstanding common stock during the third quarter of 2022.

## **Dividends**

On July 28, 2022, Rand declared a quarterly cash dividend of \$0.15 per share, which was paid during the third quarter to shareholders of record as of September 1, 2022.

## **Webcast and Conference Call**

Rand will host a conference call and webcast on Monday, November 7, 2022, at 1:30 p.m. Eastern Time to review its financial results. The review will be accompanied by a slide presentation, which will be available on Rand's website at [www.randcapital.com](http://www.randcapital.com) in the "Investor Relations" section. Rand's conference call can be accessed by calling (201) 689-8263. Alternatively, the webcast can be monitored on Rand's website at [www.randcapital.com](http://www.randcapital.com) under "Investor Relations" where the replay will also be available.

A telephonic replay will be available from 4:30 p.m. ET on the day of the call through Monday, November 14, 2022. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13733278. A transcript of the call will also be posted once available.

## **ABOUT RAND CAPITAL**

Rand Capital (Nasdaq: RAND) is an externally managed business development company (BDC). The Company's investment objective is to maximize total return to its shareholders with current income and capital appreciation by focusing its debt and related equity investments in privately-held, lower middle market companies with committed and experienced managements in a broad variety of industries. Rand invests in early to later stage businesses that have sustainable, differentiated and market-proven products, revenue of more than \$2 million and a path to free cash flow or up to \$5 million in EBITDA. The Company's investment activities are managed by its external investment adviser, Rand Capital Management, LLC. Additional information can be found at the Company's website where it regularly posts information: <https://www.randcapital.com/>.

## **Safe Harbor Statement**

*This press release 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. All statements, other than historical facts, including but not limited to statements regarding the strategy of the Company and its outlook; and any assumptions underlying any of the foregoing, are forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue," "target" or other similar words or expressions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, (1) evolving legal, regulatory and tax regimes; (2) changes in general economic and/or industry specific conditions; and (3) other risk factors as detailed from time to time in Rand's reports filed with the Securities and Exchange Commission ("SEC"), including Rand's annual report on Form 10-K for the year ended December 31, 2021, quarterly reports on Form 10-Q, and other documents filed with the SEC. Consequently, such forward-looking statements should be regarded as Rand's current plans, estimates and beliefs. Except as required by applicable law, Rand assumes no obligation to update the forward-looking information contained in this release.*

## **FINANCIAL TABLES FOLLOW.**

**Rand Capital Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**

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	September 30, 2022 (Unaudited)	December 31, 2021
<b><u>ASSETS</u></b>		
Investments at fair value:		
Control investments (cost of \$4,612,896 and \$0, respectively)	<b>\$4,237,896</b>	\$-
Affiliate investments (cost of \$26,176,398 and \$27,357,797, respectively)	<b>29,521,315</b>	30,279,873
Non-Control/Non-Affiliate investments (cost of \$22,329,474 and \$25,012,871, respectively)	<b><u>25,964,429</u></b>	<u>33,788,589</u>
Total investments, at fair value (cost of \$53,118,768 and \$52,370,668, respectively)	<b>59,723,640</b>	64,068,462
Cash	<b>1,035,455</b>	833,875
Interest receivable	<b>220,664</b>	128,047
Prepaid income taxes	<b>51,136</b>	252,010
Deferred tax asset	<b>229,398</b>	181,003
Other assets	<b><u>447,317</u></b>	<u>181,457</u>
<b>Total assets</b>	<b><u>\$61,707,610</u></b>	<u>\$65,644,854</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)</u></b>		
<b>Liabilities:</b>		
Due to investment adviser	<b>\$225,649</b>	\$891,102
Accounts payable and accrued expenses	<b>74,142</b>	51,689
Capital gains incentive fees	<b>2,667,000</b>	3,547,760
Deferred revenue	<b><u>358,886</u></b>	<u>408,887</u>
Total liabilities	<b>3,325,677</b>	4,899,438
<b>Stockholders' equity (net assets):</b>		
Common stock, \$0.10 par; shares authorized 100,000,000; shares issued: 2,648,916; shares outstanding: 2,581,021 at 9/30/22 and 12/31/21	<b>264,892</b>	264,892
Capital in excess of par value	<b>51,679,809</b>	51,679,809
Treasury stock, at cost: 67,895 shares at 9/30/22 and 12/31/21	<b>(1,566,605)</b>	(1,566,605)
Total distributable earnings	<b><u>8,003,837</u></b>	<u>10,367,320</u>
Total stockholders' equity (net assets) (per share – 9/30/22: \$22.62; 12/31/21: \$23.54)	<b><u>58,381,933</u></b>	<u>60,745,416</u>
<b>Total liabilities and stockholders' equity (net assets)</b>	<b><u>\$61,707,610</u></b>	<u>\$65,644,854</u>

**Rand Capital Corporation and Subsidiaries**  
**Consolidated Statements of Operations**  
*(Unaudited)*

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investment	\$ 124,408	\$ 8,898	\$ 124,408	\$ 11,765
Affiliate investments	581,911	409,467	1,767,024	1,023,968
Non-Control/Non-Affiliate investments	393,686	339,416	1,125,544	1,075,016
Total interest from portfolio companies	1,100,005	757,781	3,016,976	2,110,749
Interest from other investments:				
Non-Control/Non-Affiliate investments	48	473	49	13,343
Total interest from other investments	48	473	49	13,343
Dividend and other investment income:				
Affiliate investments	305,959	100,896	552,469	208,947
Non-Control/Non-Affiliate investments	115,700	129,013	358,700	404,678
Total dividend and other investment income	421,659	229,909	911,169	613,625
Fee income:				
Control investments	3,900	-	3,900	-
Affiliate investments	19,340	13,867	72,160	77,785
Non-Control/Non-Affiliate investments	9,313	10,313	27,941	24,270
Total fee income	32,553	24,180	104,001	102,055
<b>Total investment income</b>	<b>1,554,265</b>	<b>1,012,343</b>	<b>4,032,195</b>	<b>2,839,772</b>
<b>Expenses:</b>				
Base management fee	225,730	230,724	696,772	619,240
Capital gains incentive fees	22,000	454,000	(880,760)	4,114,000
Interest expense	26,042	104,190	26,042	312,570
Professional fees	126,089	94,258	569,310	378,382
Stockholders and office operating	41,739	43,420	163,327	184,503

Directors' fees	<b>47,800</b>	39,050	<b>137,783</b>	114,450
Insurance	<b>9,525</b>	9,230	<b>31,788</b>	28,937
Corporate development	-	2,027	<b>3,753</b>	10,330
Bad debt recovery	-	(15,000)	-	(15,000)
Other operating	<b>34</b>	-	<b>124</b>	108
Total expenses	<b>498,959</b>	961,899	<b>748,139</b>	5,747,520
<b>Net investment income (loss) before income taxes:</b>	<b>1,055,306</b>	50,444	<b>3,284,056</b>	(2,907,748)
Income tax expense	<b>45,140</b>	(2,708)	<b>83,750</b>	17,015
<b>Net investment income (loss)</b>	<b>1,010,166</b>	53,152	<b>3,200,306</b>	(2,924,763)

**Rand Capital Corporation and Subsidiaries**  
**Consolidated Statements of Operations Continued**  
*(Unaudited)*

	<b>Three months ended September 30, 2022</b>	<b>Three months ended September 30, 2021</b>	<b>Nine months ended September 30, 2022</b>	<b>Nine months ended September 30, 2021</b>
<b>Net realized gain on sales and dispositions of investments:</b>				
Affiliate investments	-	-	<b>167,159</b>	135,430
Non-Control/Non-Affiliate investments	<b>1,919</b>	2,601,361	<b>523,432</b>	4,594,036
Net realized gain on sales and dispositions of investments	<b>1,919</b>	2,601,361	<b>690,591</b>	4,729,466
<b>Net change in unrealized appreciation/ depreciation on investments:</b>				
Affiliate investments	-	3,647,299	<b>47,841</b>	3,647,299
Non-Control/Non-Affiliate investments	<b>92,817</b>	(3,980,612)	<b>(5,140,762)</b>	9,401,742
Change in unrealized appreciation/ depreciation before income taxes	<b>92,817</b>	(333,313)	<b>(5,092,921)</b>	13,049,041
Deferred income tax expense	-	-	-	951
Net change in unrealized appreciation/ depreciation on investments	<b>92,817</b>	(333,313)	<b>(5,092,921)</b>	13,048,090
<b>Net realized and unrealized gain (loss) on investments</b>	<b>94,736</b>	2,268,048	<b>(4,402,330)</b>	17,777,556
<b>Net increase (decrease) in net assets from operations</b>	<b>\$1,104,902</b>	\$2,321,200	<b>(\$1,202,024)</b>	\$14,852,793

<b>Weighted average shares outstanding</b>	<b>2,581,021</b>	2,581,679	<b>2,581,021</b>	2,581,942
<b>Basic and diluted net increase (decrease) in net assets from operations per share</b>	<b>\$0.43</b>	\$0.90	<b>(\$0.47)</b>	\$5.75

**Rand Capital Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Net Assets**  
*(Unaudited)*

	<b>Three months ended September 30, 2022</b>	<b>Three months ended September 30, 2021</b>	<b>Nine months ended September 30, 2022</b>	<b>Nine months ended September 30, 2021</b>
Net assets at beginning of period	<b>\$57,664,184</b>	\$58,119,821	<b>\$60,745,416</b>	\$46,104,830
Net investment income (loss)	<b>1,010,166</b>	53,152	<b>3,200,306</b>	(2,924,763)
Net realized gain on sales and dispositions of investments	<b>1,919</b>	2,601,361	<b>690,591</b>	4,729,466
Net change in unrealized appreciation/depreciation on investments	<b>92,817</b>	(333,313)	<b>(5,092,921)</b>	13,048,090
Net increase (decrease) in net assets from operations	<b>1,104,902</b>	2,321,200	<b>(1,202,024)</b>	14,852,793
Purchase of treasury shares	-	(20,771)	-	(20,771)
Declaration of dividend	<b>(387,153)</b>	(258,125)	<b>(1,161,459)</b>	(774,727)
<b>Net assets at end of period</b>	<b><u>\$58,381,933</u></b>	<u>\$60,162,125</u>	<b><u>\$58,381,933</u></b>	<u>\$60,162,125</u>

**Rand Capital Corporation and Subsidiaries**  
**Reconciliation of Non-GAAP Adjusted Expenses to**  
**GAAP Total Expense**  
*(Unaudited)*

In addition to reporting total expenses, which is a U.S. generally accepted accounting principle ("GAAP") financial measure, Rand presents adjusted expenses, which is a non-GAAP financial measure. Adjusted expenses is defined as GAAP total expenses removing the effect of any expenses for capital gains incentive fees. GAAP total expenses is the most directly comparable GAAP financial measure. Rand believes that adjusted expenses provides useful information to investors regarding financial performance because it is a method the Company uses to measure its financial and business trends related to its results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP.

	Three months ended September 30, 2022	Three months ended September 30, 2021
Total expenses	\$ 498,959	\$ 961,899
Exclude expenses for capital gains incentive fees	22,000	454,000
Adjusted expenses	<u>\$ 476,959</u>	<u>\$ 507,899</u>

**Reconciliation of Adjusted Net Investment Income per Share to  
GAAP Net Investment Income per Share**  
(Unaudited)

In addition to reporting Net Investment Income per Share, which is a U.S. generally accepted accounting principle ("GAAP") financial measure, the Company presents Adjusted Net Investment Income per Share, which is a non-GAAP financial measure. Adjusted Net Investment Income per Share is defined as GAAP Net Investment Income per Share removing the effect of any expenses for capital gains incentive fees. GAAP Net Investment Income per Share is the most directly comparable GAAP financial measure. Rand believes that Adjusted Net Investment Income per Share provides useful information to investors regarding financial performance because it is a method the Company uses to measure its financial and business trends related to its results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP.

	Three months ended September 30, 2022	Three months ended September 30, 2021
Net investment income per share	\$ 0.39	\$ 0.02
Exclude expenses for capital gains incentive fees per share	0.01	0.18
Adjusted net investment income per share	<u>\$ 0.40</u>	<u>\$ 0.20</u>

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<https://www.businesswire.com/news/home/20221107005225/en/>

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Source: Rand Capital Corporation