

# Rand Capital Reports 12% Increase in Total Investment Income for Third Quarter 2023

- **Total investment income increased 12% to \$1.7 million for the quarter compared with the third quarter last year driven by strong growth in interest income**
- **Net asset value per share (“NAV”) was \$23.77 at September 30, 2023, up 6% from year-end 2022**
- **Invested \$7.8 million in new investments during 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, 2023.

Daniel P. Penberthy, President and Chief Executive Officer of Rand, commented, “We delivered another quarter of strong performance. Our results have been supported by the sustained growth in interest income, primarily attributed to the continued deployment of capital as part of our investment strategy, which is centered on high-quality debt investments.

“Looking forward, we remain focused on generating strong, consistent returns for our shareholders. During the quarter, we completed two new investments that fit well within our investment objectives and demonstrate our ability to attract opportunities in the current market environment. The expansion of the portion of our portfolio invested into debt investments has proven to be a cornerstone of our success, and we expect to continue this trajectory of growth well into the future.”

## **Third Quarter Highlights** *(compared with the prior-year period unless otherwise noted)*

- Total investment income grew \$187,000, or 12%, to \$1.7 million, which reflected a 40% increase in interest from portfolio companies, partially offset by lower dividend income. The decrease in dividend income was largely due to a large prior-year dividend from a portfolio company, which did not repeat in the third quarter of 2023, and the sale of the Company’s investment in Dealer Solutions and Design (DSD) during the second quarter of 2023.
- Total expenses were \$810,000 compared with \$499,000 in the prior-year third quarter. The increase largely reflects a \$264,000 increase in interest expense on borrowings under the senior revolving credit facility entered into in June 2022 to fund growth. Partially offsetting was a change in accrued capital gains incentive fees to the Company’s external investment adviser. The current period included a credit of \$41,000 in capital gains incentive fees compared with an expense of \$22,000 for the third quarter of 2022.

- Adjusted expenses, which exclude capital gains incentive fees and is a non-GAAP financial measure, were \$851,000 compared with \$477,000 in the third quarter of 2022. *See the attached description of this non-GAAP financial measure and reconciliation table for adjusted expenses.*
- Net investment income was \$799,000, or \$0.31 per share, compared with \$1.0 million, or \$0.39 per share, in the third quarter of 2022. Adjusted net investment income per share, a non-GAAP financial measure, which excludes the capital gains incentive fee accrual expense, was \$0.29 per share, compared with \$0.40 in last year's third quarter. *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, 2023, Rand's portfolio included investments with a fair value of \$74.7 million across 30 portfolio businesses. This was up \$13.2 million, or 21%, from December 31, 2022, and reflects new and follow on investments and valuation adjustments in multiple portfolio companies. This was partially offset by equity sales and loan repayments. At September 30, 2023, the portfolio was comprised of approximately 63% in debt investments, 27% 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 13.45%.

### *Third quarter 2023:*

- Funded \$4.0 million total investment in All About People, which included \$3.0 million of senior debt at 16%, and a \$1.0 million preferred equity investment, which will carry a 12% dividend. All About People is a full-service staffing and executive search firm, with a growing focus on the healthcare industry.
- Funded \$3.8 million to First Coast Mulch, consisting of a \$3.4 million subordinate note at 13% and an interest earning convertible note of \$420,000. First Coast Mulch is a commercial mulch installation company that covers the north and central Florida market.

## **Liquidity and Capital Resources**

Cash at the end of the third quarter of 2023 was \$3.5 million, up from \$1.4 million at year-end 2022, reflecting the proceeds received from exiting DSD and ACV Auctions share sales in the second quarter of 2023. As of September 30, 2023, the Company held shares valued at approximately \$4.2 million in other publicly traded BDCs and \$3.0 million in ACV Auctions, all of which are available for future liquidity needs including dividends and portfolio investments.

At September 30, 2023, Rand had outstanding borrowings of \$13.8 million on its existing \$25.0 million senior secured revolving credit facility. The outstanding borrowings carried an interest rate of 8.8% at quarter-end.

The Company did not repurchase any outstanding common stock during the third quarter of 2023.

## Dividends

On July 25, 2023, Rand declared its regular quarterly cash dividend distribution of \$0.25 per share, which was paid during the third quarter to shareholders of record as of August 31, 2023.

## Webcast and Conference Call

Rand will host a conference call and webcast on Monday, November 6, 2023, 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 5:30 p.m. ET on the day of the call through Monday,

November 20, 2023. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13741203. 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; statements regarding the implementation of the Company's strategy and its growth trajectory; 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, 2022, 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

	September 30, 2023 (Unaudited)	December 31, 2022
<b>ASSETS</b>		
Investments at fair value:		
Control investments (cost of \$5,207,299 and \$4,660,017, respectively)	\$ 4,083,489	\$ 3,536,207
Affiliate investments (cost of \$43,946,584 and \$30,204,160, respectively)	51,097,315	38,241,589
Non-Control/Non-Affiliate investments (cost of \$17,108,025 and \$20,852,060, respectively)	19,503,481	19,726,463
Total investments, at fair value (cost of \$66,261,908 and \$55,716,237, respectively)	74,684,285	61,504,259
Cash	3,479,772	1,368,996
Interest receivable	237,193	208,338
Prepaid income taxes	—	76,396
Deferred tax asset, net	134,087	28,160
Other assets	504,345	295,043
<b>Total assets</b>	<b>\$ 79,039,682</b>	<b>\$ 63,481,192</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)</b>		
<b>Liabilities:</b>		
Due to investment adviser	\$ 268,609	\$ 562,221
Accounts payable and accrued expenses	169,995	66,680
Income taxes payable	29,577	—
Line of credit	13,750,000	2,550,000
Capital gains incentive fees	2,907,700	2,167,000
Deferred revenue	561,524	413,971
<b>Total liabilities</b>	<b>17,687,405</b>	<b>5,759,872</b>

**Stockholders' equity (net assets):**

Common stock, \$0.10 par; shares authorized  
100,000,000; shares issued: 2,648,916; shares  
outstanding: 2,581,021 at 9/30/23 and 12/31/22

**264,892** 264,892

Capital in excess of par value

**51,464,267** 51,464,267

Treasury stock, at cost: 67,895 shares at 9/30/23 and  
12/31/22

**(1,566,605)** (1,566,605)

Total distributable earnings

**11,189,723** 7,558,766

Total stockholders' equity (net assets) (per share –  
9/30/23: \$23.77; 12/31/22: \$22.36)

**61,352,277** 57,721,320

**Total liabilities and stockholders' equity (net  
assets)**

**\$ 79,039,682** \$ 63,481,192

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

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investments	\$ 175,962	\$ 124,408	\$ 506,800	\$ 124,408
Affiliate investments	1,002,553	581,911	2,731,575	1,767,024
Non-Control/Non-Affiliate investments	<b>357,162</b>	393,686	<b>1,067,745</b>	1,125,544
Total interest from portfolio companies	<b>1,535,677</b>	1,100,005	<b>4,306,120</b>	3,016,976
Interest from other investments:				
Non-Control/Non-Affiliate investments	<b>456</b>	48	<b>692</b>	49
Total interest from other investments	<b>456</b>	48	<b>692</b>	49
Dividend and other investment income:				
Affiliate investments	<b>13,126</b>	305,959	<b>419,951</b>	552,469
Non-Control/Non-Affiliate investments	<b>141,290</b>	115,700	<b>401,805</b>	358,700
Total dividend and other investment income	<b>154,416</b>	421,659	<b>821,756</b>	911,169
Fee income:				

Control investments	4,515	3,900	12,726	3,900
Affiliate investments	40,072	19,340	246,816	72,160
Non-Control/Non-Affiliate investments	5,978	9,313	19,934	27,941
Total fee income	50,565	32,553	279,476	104,001
<b>Total investment income</b>	<b>1,741,114</b>	<b>1,554,265</b>	<b>5,408,044</b>	<b>4,032,195</b>
<b>Expenses:</b>				
Base management fee	268,609	225,730	769,869	696,772
Capital gains incentive fees	(41,300)	22,000	740,700	(880,760)
Interest expense	290,522	26,042	707,834	26,042
Professional fees	120,828	126,089	392,110	569,310
Stockholders and office operating	57,097	41,739	206,481	163,327
Directors' fees	66,550	47,800	197,791	137,783
Administrative fees	37,250	—	111,750	—
Insurance	10,380	9,525	33,720	31,788
Corporate development	—	—	4,267	3,753
Other operating	—	34	—	124
Total expenses	809,936	498,959	3,164,522	748,139
<b>Net investment income before income taxes:</b>	<b>931,178</b>	<b>1,055,306</b>	<b>2,243,522</b>	<b>3,284,056</b>
Income taxes, including excise tax expense	132,595	45,140	237,393	83,750
<b>Net investment income</b>	<b>798,583</b>	<b>1,010,166</b>	<b>2,006,129</b>	<b>3,200,306</b>
<b>Net realized (loss) gain on sales and dispositions of investments:</b>				
Affiliate investments	—	—	2,596,094	167,159
Non-Control/Non-Affiliate investments	(2,802,731)	1,919	(1,527,190)	523,432
Net realized (loss) gain on sales and dispositions of investments, before income taxes	(2,802,731)	1,919	1,068,904	690,591
Income tax expense	—	—	338,158	—
Net realized (loss) gain on sales and dispositions of investments	(2,802,731)	1,919	730,746	690,591
<b>Net change in unrealized appreciation/depreciation on investments:</b>				
Affiliate investments	—	—	(886,698)	47,841
Non-Control/Non-Affiliate investments	2,599,652	92,817	3,521,053	(5,140,762)

Change in unrealized appreciation/depreciation before income taxes	2,599,652	92,817	2,634,355	(5,092,921)
Deferred income tax benefit	—	—	(66,441)	—
Net change in unrealized appreciation/depreciation on investments	2,599,652	92,817	2,700,796	(5,092,921)
<b>Net realized and unrealized (loss) gain on investments</b>	<b>(203,079)</b>	<b>94,736</b>	<b>3,431,542</b>	<b>(4,402,330)</b>
<b>Net increase (decrease) in net assets from operations</b>	<b>\$ 595,504</b>	<b>\$ 1,104,902</b>	<b>\$ 5,437,671</b>	<b>\$ (1,202,024)</b>
<b>Weighted average shares outstanding</b>	<b>2,581,021</b>	<b>2,581,021</b>	<b>2,581,021</b>	<b>2,581,021</b>
<b>Basic and diluted net increase (decrease) in net assets from operations per share</b>	<b>\$ 0.23</b>	<b>\$ 0.43</b>	<b>\$ 2.11</b>	<b>\$ (0.47)</b>

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

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Net assets at beginning of period</b>	<b>\$61,402,028</b>	<b>\$57,664,184</b>	<b>\$57,721,320</b>	<b>\$60,745,416</b>
Net investment income	798,583	1,010,166	2,006,129	3,200,306
Net realized (loss) gain on sales and dispositions of investments	(2,802,731)	1,919	730,746	690,591
Net change in unrealized appreciation/depreciation on investments	2,599,652	92,817	2,700,796	(5,092,921)
Net increase (decrease) in net assets from operations	595,504	1,104,902	5,437,671	(1,202,024)
Declaration of dividend	(645,255)	(387,153)	(1,806,714)	(1,161,459)
<b>Net assets at end of period</b>	<b>\$61,352,277</b>	<b>\$58,381,933</b>	<b>\$61,352,277</b>	<b>\$58,381,933</b>

**Rand Capital Corporation and Subsidiaries**  
**Reconciliation of GAAP Total Expense to Non-GAAP Adjusted Expenses**  
*(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 (credits)/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, 2023	Three months ended September 30, 2022
Total expenses	\$ 809,936	\$ 498,959
Exclude (credits)/expenses for capital gains incentive fees	(41,300)	22,000
Adjusted expenses	<u>\$ 851,236</u>	<u>\$ 476,959</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 (credits)/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, 2023	Three months ended September 30, 2022
Net investment income per share	\$ 0.31	\$ 0.39
Exclude (credits)/expenses for capital gains incentive fees	(0.02)	0.01
Adjusted net investment income per share	<u>\$ 0.29</u>	<u>\$ 0.40</u>



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Source: Rand Capital Corporation