

Rand Capital Reports 27% Increase in Total Investment Income for Third Quarter 2024, Supported by Strategic Debt Portfolio Growth

- *Total investment income rose 27% to \$2.2 million for the quarter compared with the third quarter last year, driven by strong growth in interest income from an expanded portfolio of debt investments*
- *Net asset value per share ("NAV") increased to \$27.29, up 3% from June 30, 2024 and 16% higher than year-end 2023*
- *\$13.1 million received from the sale of portfolio company SciAps, Inc. with proceeds used to reduce debt balance*
- *Paid a quarterly dividend of \$0.29 per share for third quarter 2024*

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, 2024.

"Our third quarter results reflect the strength of our investment strategy, highlighted by a 27% increase in total investment income, driven by the growth in our debt portfolio," commented Daniel P. Penberthy, President and Chief Executive Officer of Rand. "The sale of SciAps, which netted us \$13.1 million in total proceeds, and the sale of our remaining BDC holdings, which generated a realized gain, not only delivered substantial returns but also allowed us to reduce debt and improve liquidity. With over \$24 million in total liquidity, we are well-positioned to capitalize on future opportunities. Following the closing of the SciAps transaction, we have further transitioned the portfolio closer to a targeted debt-focused portfolio, and will continue to focus on mezzanine debt investments, which we believe will help in delivering strong returns and supporting consistent shareholder dividends."

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

- Total investment income grew \$477,000, or 27%, to \$2.2 million, which reflected strong growth of interest from portfolio companies given the origination of five new debt instruments over the last year. Also contributing to the total investment income growth was an increase in fee income.
- Total expenses were \$1.3 million compared with \$810,000 in last year's third quarter. The change largely reflects a \$354,000 increase in capital gains incentive fee expense and a \$178,000 increase in the income based incentive fee expense payable to the Company's external investment advisor. The Company had lower interest expense of \$46,000 given the debt pay down during the quarter.

- Adjusted expenses, which exclude capital gains incentive fees and is a non-GAAP financial measure, were \$1.0 million compared with \$851,000 in the third quarter of 2023. *See the attached description of this non-GAAP financial measure and reconciliation table for adjusted expenses.*
- Net investment income was \$887,000, or \$0.34 per share, compared with \$799,000, or \$0.31 per share, in the third quarter of 2023. Adjusted net investment income per share, a non-GAAP financial measure, which excludes the capital gains incentive fee accrual expense, was \$0.46 per share, up 59% from \$0.29 per share 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, 2024, Rand's portfolio included investments with a fair value of \$75.0 million across 22 portfolio businesses. This was a decrease of \$2.1 million, or 3%, from December 31, 2023, and reflected new and follow-on investments and valuation adjustments in multiple portfolio companies, offset by the SciAps exit, stock sales and other portfolio company loan repayments. At September 30, 2024, Rand's portfolio was comprised of approximately 74% in debt investments and 26% in equity investments in private companies. The annualized weighted average yield of debt investments, which includes PIK interest, was 13.8% at September 30, 2024, compared with 13.6% at the end of 2023.

Third quarter 2024:

- Funded a follow-on debt investment of \$125,000 in ITA Acquisition, LLC. Rand's total debt and equity investment in ITA Acquisition, LLC had a fair value of \$4.9 million at quarter-end.
- Received \$13.1 million from the previously announced sale of portfolio company SciAps, Inc., which included a realized gain of \$7.7 million. The proceeds from the sale payable at closing to Rand consisted of \$2.1 million in debt repayment, \$165,000 in interest income and loan-related fees, and \$10.8 million in equity return. These totals reflect \$244,000 held in transaction-related escrows.
- Sold remaining shares in two publicly traded BDCs for total proceeds of \$1.3 million, which netted a realized gain of \$249,000.
- Exited investment in Mezmeriz, realizing a tax loss on an equity investment having a fair value of zero.

Liquidity and Capital Resources

Cash was \$3.4 million at September 30, 2024. During the quarter, Rand utilized the proceeds from the portfolio company sale and cash on hand to reduce its outstanding borrowings by \$13.3 million, leaving a principal balance of \$3.9 million on its existing \$25.0 million senior secured revolving credit facility at September 30, 2024. The outstanding borrowings carried an interest rate of 8.46% at quarter-end.

The Company did not repurchase any outstanding common stock during the third quarter of 2024.

Dividends

On July 31, 2024, Rand declared its regular quarterly cash dividend distribution of \$0.29 per share. The cash dividend was paid during the third quarter to shareholders of record as of August 30, 2024. Rand's fourth quarter dividend announcement is expected in early December.

Webcast and Conference Call

Rand will host a conference call and webcast on Wednesday November 6, 2024, 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 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 under "Investors" 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 Wednesday, November 20, 2024. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13749407. 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 primarily invests in businesses that have sustainable, differentiated and market-proven products, revenue of more than \$10 million and EBITDA in excess of \$1.5 million. 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: 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 the growth of its dividend and the timing for the Company's fourth quarter dividend announcement; 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, 2023, 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, 2024 (Unaudited)	December 31, 2023
ASSETS		
Investments at fair value:		
Control investments (cost of \$6,043,779 and \$5,272,770, respectively)	\$ 4,919,969	\$ 4,148,960
Affiliate investments (cost of \$39,484,404 and \$45,720,974, respectively)	50,859,581	53,499,372
Non-Control/Non-Affiliate investments (cost of \$21,524,089 and \$17,371,862, respectively)	19,256,017	19,477,380
Total investments, at fair value (cost of \$67,052,272 and \$68,365,606, respectively)	75,035,567	77,125,712
Cash	3,352,734	3,295,321
Interest receivable	408,247	244,600
Prepaid income taxes	185,602	127,869
Deferred tax asset, net	367,765	39,179
Other assets	448,204	189,301
Total assets	\$79,798,119	\$81,021,982
LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)		
Liabilities:		
Due to investment adviser	\$ 487,483	\$ 979,297
Accounts payable and accrued expenses	104,381	145,516
Line of credit	3,900,000	16,250,000
Capital gains incentive fees	4,346,000	2,279,700
Deferred revenue	513,619	552,256
Total liabilities	9,351,483	20,206,769

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
9/30/24 and 12/31/23

264,892 264,892

Capital in excess of par value

55,801,170 55,801,170

Treasury stock, at cost: 67,895 shares at 9/30/24 and
12/31/23

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

Total distributable earnings

15,947,179 6,315,756

Total stockholders' equity (net assets) (per share –
9/30/24: \$27.29;
12/31/23: \$23.56)

70,446,636 60,815,213

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

\$79,798,119 \$81,021,982

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Investment income:				
Interest from portfolio companies:				
Control investments	\$ 164,167	\$ 175,962	\$ 550,535	\$ 506,800
Affiliate investments	1,164,525	1,002,553	3,522,726	2,731,575
Non-Control/Non-Affiliate investments	616,903	357,162	1,681,209	1,067,745
Total interest from portfolio companies	1,945,595	1,535,677	5,754,470	4,306,120
Interest from other investments:				
Non-Control/Non-Affiliate investments	113	456	2,171	692
Total interest from other investments	113	456	2,171	692
Dividend and other investment income:				
Affiliate investments	13,125	13,126	39,375	419,951
Non-Control/Non-Affiliate investments	44,000	141,290	242,760	401,805
Total dividend and other investment income	57,125	154,416	282,135	821,756
Fee income:				

Control investments	4,515	4,515	13,547	12,726
Affiliate investments	202,834	40,072	331,369	246,816
Non-Control/Non-Affiliate investments	8,272	5,978	38,130	19,934
Total fee income	215,621	50,565	383,046	279,476
Total investment income	2,218,454	1,741,114	6,421,822	5,408,044
Expenses:				
Base management fee	309,265	268,609	934,532	769,869
Income based incentive fees	178,218	—	178,218	—
Capital gains incentive fees	313,000	(41,300)	2,066,300	740,700
Interest expense	245,006	290,522	1,028,198	707,834
Professional fees	113,168	120,828	436,935	392,110
Stockholders and office operating	57,869	57,097	209,564	206,481
Directors' fees	66,550	66,550	196,950	197,791
Administrative fees	40,000	37,250	118,167	111,750
Insurance	10,467	10,380	33,891	33,720
Corporate development	387	—	10,813	4,267
Total expenses	1,333,930	809,936	5,213,568	3,164,522
Net investment income before income taxes:	884,524	931,178	1,208,254	2,243,522
Income tax (benefit) expense, including excise tax expense	(2,511)	132,595	(1,171)	237,393
Net investment income	887,035	798,583	1,209,425	2,006,129
Net realized gain (loss) on sales and dispositions of investments:				
Affiliate investments	6,980,728	—	6,148,837	2,596,094
Non-Control/Non-Affiliate investments	249,354	(2,802,731)	4,959,445	(1,527,190)
Net realized gain (loss) on sales and dispositions of investments, before income taxes	7,230,082	(2,802,731)	11,108,282	1,068,904
Income tax expense	—	—	—	338,158
Net realized gain (loss) on sales and dispositions of investments	7,230,082	(2,802,731)	11,108,282	730,746
Net change in unrealized appreciation/depreciation on investments:				
Affiliate investments	(5,153,166)	—	3,596,779	(886,698)

Non-Control/Non-Affiliate investments	(512,375)	2,599,652	(4,373,590)	3,521,053
Change in unrealized appreciation/depreciation before income taxes	(5,665,541)	2,599,652	(776,811)	2,634,355
Deferred income tax benefit	(184,940)	—	(232,774)	(66,441)
Net change in unrealized appreciation/depreciation on investments	(5,480,601)	2,599,652	(544,037)	2,700,796
Net realized and unrealized gain (loss) on investments	1,749,481	(203,079)	10,564,245	3,431,542
Net increase in net assets from operations	\$ 2,636,516	\$ 595,504	\$11,773,670	\$ 5,437,671
Weighted average shares outstanding	2,581,021	2,581,021	2,581,021	2,581,021
Basic and diluted net increase in net assets from operations per share	\$ 1.02	\$ 0.23	\$ 4.56	\$ 2.11

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net assets at beginning of period	\$68,558,616	\$61,402,028	\$60,815,213	\$57,721,320
Net investment income	887,035	798,583	1,209,425	2,006,129
Net realized gain (loss) on sales and dispositions of investments	7,230,082	(2,802,731)	11,108,282	730,746
Net change in unrealized appreciation/depreciation on investments	(5,480,601)	2,599,652	(544,037)	2,700,796
Net increase in net assets from operations	2,636,516	595,504	11,773,670	5,437,671
Declaration of dividend	(748,496)	(645,255)	(2,142,247)	(1,806,714)
Net assets at end of period	\$70,446,636	\$61,352,277	\$70,446,636	\$61,352,277

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 expenses/(credits) for capital gains incentive fees accrual. 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, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Total expenses	\$ 1,333,930	\$ 809,936	\$ 5,213,568	\$ 3,164,522
Exclude expenses/(credits) for capital gains incentive fees	313,000	(41,300)	2,066,300	740,700
Adjusted total expenses	<u>\$ 1,020,930</u>	<u>\$ 851,236</u>	<u>\$ 3,147,268</u>	<u>\$ 2,423,822</u>

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

In addition to reporting Net Investment Income per Share, which is a 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/(credits) 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, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net investment income per share	\$ 0.34	\$ 0.31	\$ 0.47	\$ 0.78
Exclude expenses/(credits) for capital gains incentive fees per share	0.12	(0.02)	0.80	0.28
Adjusted net investment income per share	\$ 0.46	\$ 0.29	\$ 1.27	\$ 1.06

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Source: Rand Capital Corporation