

# Rand Capital Reports Net Investment Income per Share of \$0.29 for the Fourth Quarter 2020 and \$0.77 for the Full Year

- *Fourth quarter investment income grew 7% to \$1.1 million and net investment income grew measurably to \$0.7 million compared with the fourth quarter of 2019*
- *Investment income for the year grew 14% to \$3.1 million compared with 2019; net investment income was measurably higher at \$1.8 million*
- *Net asset value was \$17.86 per share at year end*
- *Made largest initial funding of \$3.8 million in new portfolio company in the fourth quarter*
- *Declared \$1.33 per share for 2020 dividend; consisted of \$0.39 per share from net investment income and \$0.94 per share from capital gains*
- *3,234 shares repurchased in the fourth quarter; 6,631 total shares purchased in 2020*
- *Announced first regular dividend of \$0.10 per share for first quarter 2021*

BUFFALO, N.Y.--(BUSINESS WIRE)-- [Rand Capital Corporation](#) (Nasdaq: RAND) ("Rand" or the "Company"), a business development company ("BDC"), announced its results for the quarter and year ended December 31, 2020.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand, commented, "We made measurable progress in 2020 with the transformation of Rand Capital. We declared a special dividend of \$23.7 million, or \$1.62 per share in March; executed a 1:9 reverse stock split in May; declared the 2020 dividend of \$1.33 per share in December and continued to evolve our portfolio. Importantly, we have now structured a path for regularly quarterly dividend payments."

He added, "The evolution of our portfolio to align with our strategy to be a dividend paying BDC is apparent in the 14% growth in investment income for the year. We focused on more interest-yielding debt securities to increase our investment income in support of our planned regular quarterly cash dividends. We also purchased the securities of several other publicly traded BDCs. This put capital to work earning dividends while providing for ready liquidity as our lending pipeline builds. Through liquidations or exits, we also reduced equity investments by seven portfolio companies. Our equity holdings at the end of 2020 comprised 50% of our portfolio, down from 59% when we entered the year, excluding the investments made in other BDCs. Importantly, we believe most of the remaining portfolio equity investments have strong capital return potential."

## Fourth Quarter Highlights

- Investment income in the quarter grew 7% as a result of the shift in portfolio mix.

- Total expenses in the quarter were down 28%, or \$200,000, mostly due to the externalization of management and reduced stockholders' expenses.
- Net investment income grew to \$738,000 compared with \$100,000 in the prior-year period.

## **2020 Highlights**

- Expenses in 2020 were \$2.0 million, down from \$2.8 million in the prior year for similar reasons as in the fourth quarter.
- Net investment income per share was \$0.77 for the year and reflected the successful shift in strategy to become an income producing, dividend paying BDC. Net investment income also benefited from a \$628,000 tax benefit related to the intent to elect status as a regulated investment company for U.S. federal income tax purposes.
- Net asset value ("NAV") at December 31, 2020 was \$46.1 million compared with \$53.6 million at the end of 2019 and compared with \$50.0 million at September 30, 2020. The change in net asset value was primarily the result of \$8.2 million in dividends.
- At December 31, 2020, portfolio fair value decreased \$1.6 million to \$40.0 million compared with September 30, 2020, primarily due to valuation adjustments.

## **Portfolio and Investment Activity**

As of December 31, 2020, Rand's portfolio consisted of 36 companies. At that date, the portfolio was comprised of approximately 50% in equity investments, 41% in fixed-rate debt investments and 8% in dividend paying, publicly traded BDCs. The annualized weighted average yield of debt investments was 12.7%.

Rand made \$4.3 million in new and follow-on investment in the quarter. These included:

- The Company made its largest initial investment in a new portfolio company, Caitec Inc. Rand invested \$3.8 million in total, which was comprised of a \$3.5 million, 14% subordinated secured note and \$300,000 in Class A Preferred stock.
- Rand participated in the \$34 million Series B funding for portfolio company, Centivo Corporation, by purchasing \$500,000 in preferred stock bringing Rand's total investment in Centivo to approximately \$800,000. Centivo's fair value was \$1.4 million at December 31, 2020.

## **Liquidity and Capital Resources**

During the quarter, the Company repurchased 3,234 shares of outstanding common stock for \$39,000 under a \$1.5 million share repurchase authorization. The average purchase price was \$11.98 per share. For the year, Rand has repurchased 6,631 shares of outstanding common stock for \$77,000 at an average purchase price of \$11.57 per share. Total shares outstanding at year-end were 2,582,169.

Cash and cash equivalents at the end of the quarter was \$20.4 million and represented 44% of net assets. Outstanding SBA leverage was \$11 million at the end of the quarter and there was \$3 million remaining available to draw on the SBA loan program. The earliest debenture maturity is in 2022 when \$3 million in borrowings are due.

## **Webcast and Conference Call**

Rand will host a conference call and live webcast today, March 8, 2021, at 1:30 p.m. Eastern Time to review its financial condition and results as well as its strategy and outlook. 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) under the "Investor Relations" heading. A question-and-answer session will follow the formal presentation.

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".

A telephonic replay will be available from 4:30 p.m. ET on the day of the call through Monday, March 15, 2021. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13715235. The webcast replay will be available in the Investors section at [www.randcapital.com](http://www.randcapital.com), where a transcript will also be posted once available.

## **ABOUT RAND CAPITAL**

Rand Capital (Nasdaq: RAND) is an externally managed Business Development Company (BDC) with a wholly owned subsidiary licensed by the U.S. Small Business Administration (SBA) as a Small Business Investment Company (SBIC). 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 effectiveness of Rand's new investment strategy, the success of increasing interest income with new investments, the capital return potential of Rand's equity investments, the competitive ability and position of Rand; 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) the risk that Rand and/or Rand SBIC may be unable to fulfill the conditions required in order to elect to be treated as a RIC for*

U.S. tax purposes; (2) evolving legal, regulatory and tax regimes; (3) changes in general economic and/or industry specific conditions; and (4) 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, 2020, quarterly reports on Form 10-Q, the definitive proxy statement 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**  
*(Audited)*

|                                                                                              | <b>December 31,</b>        |                     |
|----------------------------------------------------------------------------------------------|----------------------------|---------------------|
|                                                                                              | <b>2020</b>                | <b>2019</b>         |
| <b><u>ASSETS</u></b>                                                                         |                            |                     |
| Investments at fair value:                                                                   |                            |                     |
| Affiliate investments (cost of \$14,835,885 and \$19,035,446, respectively)                  | <b>\$13,891,199</b>        | \$12,151,435        |
| Non- Control/Non-Affiliate investments (cost of \$25,884,428 and \$25,584,017, respectively) | <b>26,157,302</b>          | 24,869,357          |
| Total investments, at fair value (cost of \$40,720,313 and \$44,619,463, respectively)       | <b>40,048,501</b>          | 37,020,792          |
| Cash and cash equivalents                                                                    | <b>20,365,415</b>          | 25,815,720          |
| Interest receivable (net of allowance of \$15,000 and \$166,413, respectively)               | <b>258,186</b>             | 142,265             |
| Deferred tax asset                                                                           | -                          | 1,204,198           |
| Prepaid income taxes                                                                         | <b>220,740</b>             | 343,096             |
| Other assets                                                                                 | <b>74,100</b>              | 265,378             |
| <b>Total assets</b>                                                                          | <b><u>\$60,966,942</u></b> | <u>\$64,791,449</u> |

**LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)**

**Liabilities:**

|                                                               |                          |                   |
|---------------------------------------------------------------|--------------------------|-------------------|
| Debentures guaranteed by the SBA (net of debt issuance costs) | <b>\$10,824,587</b>      | \$10,786,913      |
| Dividend payable                                              | <b>3,434,117</b>         | -                 |
| Accounts payable and accrued expenses                         | <b>171,373</b>           | 207,873           |
| Due to investment adviser                                     | <b>156,999</b>           | 50,564            |
| Deferred revenue                                              | <b>153,895</b>           | 37,583            |
| Deferred tax payable                                          | <b>121,141</b>           | -                 |
| Bonus payable                                                 | -                        | 80,000            |
| <b>Total liabilities</b>                                      | <b><u>14,862,112</u></b> | <u>11,162,933</u> |

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

Common stock, \$0.10 par; shares authorized 100,000,000;  
 shares issued: 2,648,916 at 12/31/20 and 1,688,485 at  
 12/31/19; shares outstanding: 2,582,169 at 12/31/20 and  
 1,628,369 at 12/31/19

Capital in excess of par value

Treasury stock, at cost: 66,747 shares at 12/31/20 and  
 60,116 shares at 12/31/19

Total distributable earnings

Total stockholders' equity (net assets) (per share -  
 2020: \$17.86, 2019: \$32.93)

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

|                     |                     |
|---------------------|---------------------|
| <b>2,384,547</b>    | 1,519,637           |
| <b>49,883,890</b>   | 34,142,455          |
| <b>(1,545,834)</b>  | (1,469,105)         |
| <b>(4,617,773)</b>  | 19,435,529          |
| <b>46,104,830</b>   | 53,628,516          |
| <b>\$60,966,942</b> | <b>\$64,791,449</b> |

**Rand Capital Corporation and Subsidiaries  
 Consolidated Statements of Operations**

|                                               | <i>(Unaudited)</i><br><b>For the Quarter Ended<br/>December 31,</b> |             | <i>(Audited)</i><br><b>For the Year Ended<br/>December 31,</b> |             |
|-----------------------------------------------|---------------------------------------------------------------------|-------------|----------------------------------------------------------------|-------------|
|                                               | <b>2020</b>                                                         | <b>2019</b> | <b>2020</b>                                                    | <b>2019</b> |
| <b>Investment income:</b>                     |                                                                     |             |                                                                |             |
| Interest from portfolio companies:            |                                                                     |             |                                                                |             |
| Affiliate investments                         | \$ 179,147                                                          | \$ 190,861  | \$ 666,969                                                     | \$ 823,565  |
| Non-Control/Non-Affiliate<br>investments      | \$ 541,535                                                          | 280,122     | 1,794,974                                                      | 696,975     |
| Total interest from portfolio<br>companies    | <b>720,682</b>                                                      | 470,983     | <b>2,461,943</b>                                               | 1,520,540   |
| Interest from other investments:              |                                                                     |             |                                                                |             |
| Non-Control/Non-Affiliate<br>investments      | <b>623</b>                                                          | 58,410      | <b>87,784</b>                                                  | 166,556     |
| Total interest from other<br>investments      | <b>623</b>                                                          | 58,410      | <b>87,784</b>                                                  | 166,556     |
| Dividend and other investment<br>income:      |                                                                     |             |                                                                |             |
| Affiliate investments                         | <b>79,355</b>                                                       | 13,125      | <b>118,730</b>                                                 | 320,806     |
| Non-Control/Non-Affiliate<br>investments      | <b>147,826</b>                                                      | 259,042     | <b>309,351</b>                                                 | 259,042     |
| Total dividend and other<br>investment income | <b>227,181</b>                                                      | 272,167     | <b>428,081</b>                                                 | 579,848     |

|                                                                           |                  |                |                  |                  |
|---------------------------------------------------------------------------|------------------|----------------|------------------|------------------|
| Fee income:                                                               |                  |                |                  |                  |
| Affiliate investments                                                     | 5,000            | 16,179         | 15,417           | 27,639           |
| Non-Control/Non-Affiliate investments                                     | 102,194          | 167,186        | 109,694          | 430,113          |
| Total fee income                                                          | 107,194          | 183,365        | 125,111          | 457,752          |
| <b>Total investment income</b>                                            | <b>1,055,680</b> | <b>984,925</b> | <b>3,102,919</b> | <b>2,724,696</b> |
| <b>Expenses:</b>                                                          |                  |                |                  |                  |
| Base management fee                                                       | 155,318          | 85,483         | 589,519          | 85,483           |
| Interest on SBA obligations                                               | 104,190          | 104,190        | 416,760          | 408,039          |
| Professional fees                                                         | 185,062          | 141,182        | 568,857          | 548,041          |
| Shareholders and office operating                                         | 40,400           | 91,003         | 258,266          | 557,546          |
| Directors' fees                                                           | 31,375           | 30,128         | 116,500          | 117,500          |
| Insurance                                                                 | 7,767            | 7,232          | 33,868           | 38,302           |
| Corporate development                                                     | 2,066            | 15,814         | 14,546           | 67,441           |
| Other operating                                                           | 90               | 14,091         | 662              | 17,504           |
| Salaries                                                                  | -                | 76,790         | -                | 621,290          |
| Bonuses                                                                   | -                | 115,000        | -                | 115,000          |
| Employee benefits                                                         | -                | 45,452         | -                | 189,157          |
| Bad debt (recovery) expense                                               | -                | -              | (24,000)         | 5,413            |
| Total expenses                                                            | 526,268          | 726,365        | 1,974,978        | 2,770,716        |
| <b>Net investment income (loss) before income taxes</b>                   | <b>529,412</b>   | <b>258,560</b> | <b>1,127,941</b> | <b>(46,020)</b>  |
| Income tax (benefit) expense                                              | (209,086)        | 158,175        | (628,187)        | 39,677           |
| <b>Net investment income (loss)</b>                                       | <b>738,498</b>   | <b>100,385</b> | <b>1,756,128</b> | <b>(85,697)</b>  |
| <b>Net realized (loss) gain on sales and dispositions of investments:</b> |                  |                |                  |                  |
| Control investments                                                       | -                | -              | -                | 80,393           |
| Affiliate investments                                                     | (7,984,468)      | -              | (7,927,552)      | (472,632)        |
| Non-Control/Non-Affiliate investments                                     | (410,857)        | 1,510,000      | 1,944,273        | 1,510,000        |
| Net realized (loss) gain on sales and dispositions, before income taxes   | (8,395,325)      | 1,510,000      | (5,983,279)      | 1,117,761        |
| Income tax expense                                                        | -                | 346,784        | -                | 255,923          |
| Net realized (loss) gain on sales and dispositions of investments         | (8,395,325)      | 1,163,216      | (5,983,279)      | 861,838          |
| <b>Net change in unrealized depreciation on investments:</b>              |                  |                |                  |                  |
| Affiliate investments                                                     | 6,455,129        | (2,793,687)    | 5,939,325        | (3,970,007)      |
| Non-Control/Non-Affiliate investments                                     | 1,011,763        | 3,017,636      | 987,534          | (3,325)          |

|                                                                                          |                     |                     |                    |                      |
|------------------------------------------------------------------------------------------|---------------------|---------------------|--------------------|----------------------|
| Change in unrealized depreciation before income taxes                                    | <b>7,466,892</b>    | 223,949             | <b>6,926,859</b>   | (3,973,332)          |
| Deferred income tax expense (benefit)                                                    | <b>182,530</b>      | 6,198               | <b>1,955,942</b>   | (907,521)            |
| Net change in unrealized depreciation on investments                                     | <b>7,284,362</b>    | 217,751             | <b>4,970,917</b>   | (3,065,811)          |
| <b>Net realized and unrealized (loss) gain on investments</b>                            | <b>(1,110,963)</b>  | 1,380,967           | <b>(1,012,362)</b> | (2,203,973)          |
| <b>Net increase (decrease) in net assets from operations</b>                             | <b>\$ (372,465)</b> | <b>\$ 1,481,352</b> | <b>\$ 743,766</b>  | <b>\$(2,289,670)</b> |
| <b>Weighted average shares outstanding</b>                                               | <b>2,583,622</b>    | 1,241,719           | <b>2,268,356</b>   | 836,893              |
| <b>Basic and diluted net increase (decrease) in net assets from operations per share</b> | <b>\$ (0.14)</b>    | <b>\$ 1.19</b>      | <b>\$ 0.33</b>     | <b>\$ (2.74)</b>     |

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

|                                                                   | <b>2020</b>         | <b>2019</b>         |
|-------------------------------------------------------------------|---------------------|---------------------|
| <b>Net assets at beginning of year</b>                            | <b>\$53,628,516</b> | <b>\$31,524,187</b> |
| Net investment income (loss)                                      | <b>1,756,128</b>    | (85,697)            |
| Net realized (loss) gain on sales and dispositions of investments | <b>(5,983,279)</b>  | 861,838             |
| Net change in unrealized depreciation on investments              | <b>4,970,917</b>    | (3,065,811)         |
| Net increase (decrease) in net assets from operations             | <b>743,766</b>      | (2,289,670)         |
| Declaration of dividends                                          | <b>(8,190,723)</b>  | -                   |
| Issuance of capital stock, net                                    | -                   | 24,393,999          |
| Purchase of treasury shares                                       | <b>(76,729)</b>     | -                   |
| <b>Net assets at end of year</b>                                  | <b>\$46,104,830</b> | <b>\$53,628,516</b> |

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Source: Rand Capital Corporation