

# Rand Capital Announces Fourth Quarter and Full Year 2017 Results

- ***Invested \$5.4 million in one new portfolio company and eight follow-on transactions during the year***
- ***Net Asset Value per share increased sequentially to \$5.05 at December 31***
  - ***Improved \$0.09 per share on portfolio and operating performance***
  - ***Unfavorably impacted by \$0.05 per share due to reduction in federal tax rates***

BUFFALO, NY--(BUSINESS WIRE)-- [Rand Capital Corporation](#) (NASDAQ: RAND) (“Rand”), a venture capital company which invests in growth businesses with unique product, service or technology concepts, announced its results for the quarter and year ended December 31, 2017.

Allen F. (“Pete”) Grum, President and Chief Executive Officer of Rand Capital, commented, “We finished 2017 with a strong year of investments, totaling \$5.4 million. We made great progress in structuring those investments to increase our investment income. Our net investment income, along with net increases in realized gains and unrealized appreciation on certain investments favorably impacted net asset value per share during the third and fourth quarters of 2017.”

He continued, “As a result of the Tax Cuts and Jobs Act, federal tax rates decreased to 21% from 35%. During the fourth quarter, we were required to revalue our deferred tax assets based on the new, lower rates, resulting in a write-down amounting to \$0.05 per share. As we monetize and exit portfolio companies in the future, we will significantly benefit from the lower tax rates beginning in 2018.”

Mr. Grum added, “We continue to work with the U.S. Small Business Administration (SBA) to finalize an arrangement for additional SBA capital.”

## **Fourth Quarter and Full Year 2017 Financial Highlights**

- Reported \$5.05 net asset value (NAV) per share at December 31, 2017, compared with \$5.01 at September 30, 2017. The sequential improvement was driven by higher investment income, realized gains and unrealized appreciation on investments. These were partially offset by \$0.05 per share to revalue the Company’s deferred tax assets at new, lower federal tax rates.
- For the full year, completed nine investment transactions totaling \$5.4 million.
  - The fourth quarter included \$1.5 million invested as a follow-on in Tilson Technology Management, Inc.
- During the fourth quarter, Rand sold its position in Athenex, Inc., generating

approximately \$781,000 of gross proceeds and realizing a \$638,000 pretax gain.

- Investment income increased 26% and 41% over the prior-year fourth quarter and full year, respectively.
- At December 31, 2017, portfolio fair value was \$32.3 million and consolidated cash was \$6.3 million.

Total investment income in the fourth quarter of 2017 grew to approximately \$380,000, up from approximately \$301,000 in the fourth quarter of 2016. The \$79,000 increase was driven by the Company's success with focusing investments in income producing instruments. Total expenses in the 2017 and 2016 fourth quarters were approximately \$448,000 and \$486,000, respectively.

Total investment income was approximately \$1.5 million and \$1.0 million for the years ended December 31, 2017 and 2016, respectively. Similar to the fourth quarter, the growth was driven by the Company's recent investment focus on income-generating instruments. Total expenses for the year were approximately \$2.0 million in 2017, down from \$3.4 million in 2016. The 2017 expenses included approximately \$133,000 associated with the Company's application process for its second SBIC. The 2016 expenses included higher incentive compensation expenses related to the Company's Gemcor exit.

### **Selected Portfolio Highlights**

- [\*\*Tilson Technology Management, Inc.\*\*](#) is an award-winning, veteran owned IT professional services and network deployment firm. The company primarily operates in two fast growing markets: 1) network deployment for cellular carriers, utilities, and governments; and 2) consulting for construction IT, broadband and energy, and government institutional markets. Recognized for its sustained high growth, Tilson has been on the prestigious *Inc. 5000* list of fastest-growing private U.S. companies for seven consecutive years, from 2011 through 2017. As a result of this distinction, Tilson joins a select group of firms on the *Inc. 5000* 'Honor Roll,' a milestone which just two percent of the *Inc. 5000* companies ever achieve, according to the publisher. Tilson has grown more than 410% to become one of the top 25 telecommunications firms on the list as of 2016. During the fourth quarter of 2017, Rand invested \$1.5 million in both debt and equity capital, to support Tilson's ongoing growth. This represents Rand's third investment in Tilson since its initial investment in January 2015. At December 31, 2017 Rand's investment in Tilson was valued at \$2.5 million.
- [\*\*Carolina Skiff, LLC\*\*](#) is a leading manufacturer of high quality, versatile outboard boats, including the #1 fiberglass outboard brand within their size range. Offering more than 60 models, Carolina Skiff boats provide the most features and the best functionality available. The company has an established footprint with 94 dealers across 23 states. Since 2014, revenue and EBITDA have grown at compound annual growth rates exceeding 9% and 27%, respectively. Rand initially invested in Carolina Skiff in 2004. The company's recent strong financial performance has driven Rand to increase its carrying value by \$650,000 during the fourth quarter, resulting in a carrying value of \$1.75 million in Rand's portfolio as of December 31, 2017.
- [\*\*GiveGab, Inc.\*\*](#) provides a user-friendly social platform that cultivates long-term giving

relationships by connecting donors and volunteers with nonprofits. The GiveGab team helps nonprofits thrive, providing an affordable, secure and customized way to engage with supporters, raise funds online, and manage data. In January 2018, GiveGab announced that they acquired Austin, Texas-based [Kimbria](#). This synergistic acquisition results in significant growth for GiveGab, especially driven by Kimbria's Everyday Giving solution. The combination of these two organizations allows them to benefit from each other's knowledge and experience, resources, and customer base. At December 31, 2017 Rand's investment in GiveGab was valued at approximately \$424,000.

As of December 31, 2017, Rand's portfolio consisted of 30 active companies. At that date, the portfolio was comprised of approximately 58% in equity investments and 42% in debt investments, compared with 64% in equity investments and 36% in debt investments at December 31, 2016. The change in investment mix reflects Rand's strategy to generate sufficient investment income to cover operating expenses.

### **Webcast and Conference Call**

Rand will host a conference call and live webcast today, March 8, 2018, at 1:30 p.m. Eastern Time to review its financial condition and results for the 2017 fourth quarter and full year, 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 heading "Investor Relations." 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 the heading "Investor Relations."

A telephonic replay will be available from approximately 4:30 p.m. Eastern Time today through Thursday, March 15, 2018. To listen to the archived call, dial (412) 317-6671, and enter conference ID number 13675501. A transcript of the call will be placed on Rand's website, once available.

### **ABOUT RAND CAPITAL**

Rand Capital (NASDAQ: RAND) provides investors the ability to participate in venture capital opportunities through an investment in the Company's stock. Rand is a 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). Rand focuses its equity investments in early or expansion stage companies and generally lends to more mature companies. The Company seeks investment opportunities in businesses with strong leaders who are bringing to market new or unique products, technologies or services that have a high potential for growth. Additional information can be found at the Company's website where it regularly posts information: <http://www.randcapital.com/>.

### **Safe Harbor Statement**

*This news release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning future net asset value growth, investment returns and opportunities*

as well as Rand's plans for utilizing proceeds from sales of portfolio companies when and if received. These statements involve known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the portfolio companies' markets, competitor responses, and market acceptance of their products and services and other factors disclosed in the Corporation's periodic reports filed with the Securities and Exchange Commission. Consequently, such forward-looking statements should be regarded as the Corporation's current plans, estimates and beliefs. The Corporation 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**

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b><u>ASSETS</u></b>		
Investments at fair value:		
Control investments (cost of \$99,500)	\$ 99,500	\$ 99,500
Affiliate investments (cost of \$20,871,129 and \$17,589,623, respectively)	17,016,795	13,605,974
Non-Control/Non-Affiliate investments (cost of \$15,718,690 and \$13,941,907, respectively)	15,167,767	13,795,007
Total investments, at fair value (cost of \$36,689,319 and \$31,631,030, respectively)	32,284,062	27,500,481
Cash	6,262,039	12,280,140
Interest receivable (net of allowance: \$161,000)	231,048	324,237
Deferred tax asset	551,863	1,165,164
Prepaid income taxes	762,047	-
Other assets	42,854	1,148,508
<b>Total assets</b>	<b>\$ 40,133,913</b>	<b>\$ 42,418,530</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)</u></b>		
<b>Liabilities:</b>		
Debentures guaranteed by the SBA (net of debt issuance costs)	\$ 7,855,173	\$ 7,827,773
Profit sharing and bonus payable	144,000	1,270,052
Income tax payable	-	320,008
Accounts payable and accrued expenses	178,348	324,537
Deferred revenue	37,707	46,797
<b>Total liabilities</b>	<b>8,215,228</b>	<b>9,789,167</b>

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

Common stock, \$.10 par; shares authorized 10,000,000;  
shares issued 6,863,034;

shares outstanding of 6,321,988 at 12/31/17 and 12/31/16	<b>686,304</b>	686,304
Capital in excess of par value	<b>10,581,789</b>	10,581,789
Accumulated net investment loss	<b>(1,597,146)</b>	(1,577,848)
Undistributed net realized gain on investments	<b>27,215,738</b>	27,127,054
Net unrealized depreciation on investments	<b>(3,498,895)</b>	(2,718,831)
Treasury stock, at cost; 541,046 shares	<b>(1,469,105)</b>	(1,469,105)
Total stockholders' equity (net assets) (per share \$5.05 at 12/31/17; \$5.16 at 12/31/16)	<b>31,918,685</b>	32,629,363
<b>Total liabilities and stockholders' equity (net assets)</b>	<b>\$ 40,133,913</b>	<b>\$ 42,418,530</b>

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

	<u>For the Quarter Ended December 31,</u>		<u>For the Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investments	\$ -	\$ -	\$ -	\$ 11,828
Affiliate investments	<b>147,461</b>	130,632	<b>563,708</b>	403,850
Non-Control/Non-Affiliate investments	<b>174,202</b>	111,448	<b>591,608</b>	351,475
Total interest from portfolio companies	<b>321,663</b>	242,080	<b>1,155,316</b>	767,153
Interest from other investments:				
Non-Control/Non-Affiliate investments	<b>6,579</b>	11,456	<b>30,761</b>	45,139
Total interest from other investments	<b>6,579</b>	11,456	<b>30,761</b>	45,139
Dividend and other investment income:				
Affiliate investments	<b>43,739</b>	39,101	<b>233,544</b>	188,908
Non-Control/Non-Affiliate investments	<b>2,472</b>	1,013	<b>10,070</b>	4,024
Total dividend and other investment income	<b>46,211</b>	40,114	<b>243,614</b>	192,932

Fee income:				
Control investments	-	-	-	2,000
Affiliate investments	<b>2,166</b>	1,917	<b>8,416</b>	5,862
Non-Control/Non-Affiliate investments	<b>3,368</b>	5,768	<b>16,675</b>	18,772
Total fee income	<b>5,534</b>	7,685	<b>25,091</b>	26,634
<b>Total investment income</b>	<b>379,987</b>	301,335	<b>1,454,782</b>	1,031,858
<b>Expenses:</b>				
Salaries	<b>165,411</b>	155,437	<b>661,650</b>	621,749
Bonus and profit sharing	<b>12,000</b>	(26,607)	<b>12,000</b>	1,385,052
Employee benefits	<b>22,256</b>	9,844	<b>160,779</b>	174,796
Directors' fees	<b>34,876</b>	42,615	<b>142,499</b>	184,750
Professional fees	<b>46,308</b>	101,837	<b>356,936</b>	339,823
Stockholders and office operating	<b>55,795</b>	52,749	<b>249,085</b>	227,631
Insurance	<b>6,258</b>	6,258	<b>31,876</b>	32,134
Corporate development	<b>15,264</b>	15,093	<b>65,202</b>	64,412
Other operating	<b>12,620</b>	11,944	<b>20,675</b>	21,414
	<b>370,788</b>	369,170	<b>1,700,702</b>	3,051,761
Interest on SBA obligations	<b>77,569</b>	77,567	<b>310,275</b>	310,276
Bad debt expense	-	39,000	-	39,000
Total expenses	<b>448,357</b>	485,737	<b>2,010,977</b>	3,401,037
<b>Net investment loss before income taxes</b>	<b>(68,370)</b>	(184,402)	<b>(556,195)</b>	(2,369,179)
Income tax (benefit) expense	<b>(347,936)</b>	17,614	<b>(536,897)</b>	(815,911)
<b>Net investment income (loss)</b>	<b>279,566</b>	(202,016)	<b>(19,298)</b>	(1,553,268)
<b>Net realized gain (loss) on sales and dispositions of investments:</b>				
Control investments	-	31,250	-	14,620,063
Affiliate investments	-	(650,000)	-	(650,000)
Non-Control/Non-Affiliate investments	<b>138,240</b>	-	<b>138,240</b>	168,140
Net realized gain (loss) before income tax expense (benefit)	<b>138,240</b>	(618,750)	<b>138,240</b>	14,138,203
Income tax expense (benefit)	<b>49,556</b>	(230,793)	<b>49,556</b>	5,273,550
Net realized gain (loss) on investments	<b>88,684</b>	(387,957)	<b>88,684</b>	8,864,653
<b>Net change in unrealized depreciation on investments:</b>				
Control investments	-	-	-	(12,775,000)
Affiliate investments	<b>794,990</b>	567,160	<b>129,315</b>	(846,651)

Non-Control/Non-Affiliate investments	<u>(81,715)</u>	-	<u>(404,023)</u>	69,444
Change in unrealized depreciation before income tax expense (benefit)	713,275	567,160	(274,708)	(13,552,207)
Deferred income tax expense (benefit)	855,316	192,958	505,356	(5,038,139)
Net change in unrealized depreciation on investments	<u>(142,041)</u>	374,202	<u>(780,064)</u>	(8,514,068)
<b>Net realized and unrealized (loss) gain on investments</b>	<u>(53,357)</u>	(13,755)	<u>(691,380)</u>	350,585
<b>Net increase (decrease) in net assets from operations</b>	<u>\$ 226,209</u>	<u>\$ (215,771)</u>	<u>\$ (710,678)</u>	<u>\$ (1,202,683)</u>
<b>Weighted average shares outstanding</b>	6,321,988	6,321,988	6,321,988	6,325,792
<b>Basic and diluted net increase (decrease) in net assets from operations per share</b>	<u>\$ 0.04</u>	<u>\$ (0.03)</u>	<u>\$ (0.11)</u>	<u>\$ (0.19)</u>

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Source: Rand Capital Corporation