

# Rand Capital Reports 20% Growth in Total Investment Income for the Second Quarter 2021

- **Total investment income grew 20% to \$811,000 compared with the prior-year period**
- **Net asset value per share (“NAV”) increased 8% to \$22.51 per share from \$20.87 per share at March 31, 2021; NAV increased 26% compared with \$17.86 at December 31, 2020**
- **Total investments in the quarter were \$4.6 million, including a new portfolio investment of \$3.9 million**
- **Exits and loan repayments totaled \$2.4 million in the quarter**
- **The third quarter cash distribution of \$0.10 per share was announced on July 29, 2021**
- **Cash and cash equivalents was \$12.9 million with an additional \$3 million of capacity available under the SBIC debenture program for total liquidity of \$15.9 million**

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 ended June 30, 2021.

Allen F. (“Pete”) Grum, President and Chief Executive Officer of Rand, commented, “We are executing on our strategy to position our portfolio to grow investment income. The portfolio continues to perform well supported by improving economic activity which is driving growth in total investment income. We believe our strong liquidity and pipeline of potential investments present further growth opportunities. We expect this to ultimately deliver sustained growth in net investment income and subsequently our quarterly cash distributions.”

## Second Quarter Highlights

- Total investment income in the quarter grew 20% to \$811,000 due to increased interest income from portfolio companies and increased dividend and other investment income.
- Total expenses in the quarter were \$1.6 million, up \$1.1 million from prior-year period, which was the result of \$1.1 million in capital gains incentive fees during the quarter compared with no similar fees in the prior-year period. The fee was primarily the result of realized gains from the sale of GiveGab and the increase in unrealized appreciation mostly related to Open Exchange, Inc. Operating expenses in the quarter, a non-GAAP financial measure which excludes the capital gains incentive fee accrual, increased \$84,000, or 18%, mostly because of an increase in the base management fee payable to Rand’s investment adviser resulting from increased asset values. *See the attached*

*description of this non-GAAP financial measure and reconciliation table for operating expenses.*

- Net investment loss was \$811,000, or \$0.31 per share, compared with net investment income of \$199,000, or \$0.08 per share, in the prior-year period.
- Adjusted net investment income per share, which excludes capital gains incentive fees, was \$0.10 for the second quarter of 2021. *See the attached description of this non-GAAP financial measure and reconciliation table for adjusted net investment income per share.*
- Net assets at June 30, 2021 were \$58.1 million, up 8% from March 31, 2021. The increase largely reflects unrealized appreciation on Rand's investment in Open Exchange following its new financing. Net assets were up 26% from December 31, 2020, mostly due to the increase in unrealized appreciation on Rand's investment in ACV Auctions resulting from ACV Auctions' initial public offering completed in March 2021.

## **Portfolio and Investment Activity**

As of June 30, 2021, Rand's portfolio consisted of 35 companies. At that date, the dollar value of the portfolio was comprised of approximately 55% in equity investments, 36% in fixed-rate debt investments and 9% in dividend paying, publicly traded BDCs. The annualized weighted average yield of debt investments was 11.9%.

- At June 30, 2021, portfolio fair value increased \$7.5 million, or 14%, to \$59.8 million compared with March 31, 2021, due primarily to valuation adjustments and new investments offset by sales and payoffs.
- There was one exit in the quarter and a partial repayment of \$15,000:
  - The Company sold its investment in GiveGab Inc. and recognized a gain of \$1.8 million.
- Rand made \$4.6 million in new and follow-on investments in the quarter:
  - Funded \$3.9 million to ITA Acquisition, LLC with both loan and equity components. ITA manufactures a broad variety of window covering components and finished window treatments including wood, faux wood and fabric shades, shutters and blinds for residential and commercial applications.
  - Follow-on debt financing of \$667,000 was provided to Mattison Avenue Holdings, LLC, a high-end salon suite business that provides customized, fully furnished salon and spa studio space for lease in prime locations for individual stylists, barbers, massage therapists, nail technicians and estheticians.

## **Liquidity and Capital Resources**

Cash and cash equivalents at the end of the quarter was \$12.9 million and represented 22.3% 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 SBIC debenture program. The earliest debenture maturity is in September 2022 when \$3 million in borrowings are due.

## **Dividend Distributions**

On July 29, 2021, the Board declared a regular quarterly cash dividend distribution of \$0.10 per share to be paid on or about September 16, 2021, to shareholders of record as of

September 2, 2021.

## **Webcast and Conference Call**

Rand will host a conference call and live webcast today, August 9, 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, August 16, 2021. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13721240. 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, and execution on, Rand's investment strategy, the success of increasing interest income with new investments, the capital return potential of Rand's equity investments, the strength of the pipeline of potential 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 regulated investment company (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**

	<b>June 30, 2021 (Unaudited)</b>	<b>December 31, 2020</b>
<b><u>ASSETS</u></b>		
Investments at fair value:		
Control investments (cost of \$1,753,590 and \$0, respectively)	<b>\$ 602,569</b>	\$ -
Affiliate investments (cost of \$21,817,833 and \$14,835,885, respectively)	<b>20,873,147</b>	13,891,199
Non-Control/Non-Affiliate investments (cost of \$23,525,430 and \$25,884,428, respectively)	<b><u>38,331,679</u></b>	<u>26,157,302</u>
Total investments, at fair value (cost of \$47,096,853 and \$40,720,313, respectively)	<b>59,807,395</b>	40,048,501
Cash and cash equivalents	<b>12,944,885</b>	20,365,415
Interest receivable (net of allowance of \$15,000)	<b>287,702</b>	258,186
Prepaid income taxes	<b>215,883</b>	220,740
Other assets	<b><u>182,563</u></b>	<u>74,100</u>
<b>Total assets</b>	<b><u>\$73,438,428</u></b>	<u>\$60,966,942</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)</u></b>		
<b>Liabilities:</b>		
Debentures guaranteed by the SBA (net of debt issuance costs)	<b>\$10,843,425</b>	\$10,824,587
Dividend payable	-	3,434,117
Accounts payable and accrued expenses	<b>161,093</b>	171,373

Due to investment adviser	<b>212,907</b>	156,999
Capital gains incentive fees	<b>3,660,000</b>	-
Deferred revenue	<b>332,126</b>	153,895
Deferred taxes	<b>109,056</b>	<u>121,141</u>
Total liabilities	<b>15,318,607</b>	14,862,112

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

Common stock, \$0.10 par; shares authorized 100,000,000; shares issued: 2,648,916; shares outstanding: 2,582,169	<b>264,892</b>	264,892
Capital in excess of par value	<b>52,003,545</b>	52,003,545
Treasury stock, at cost: 66,747 shares at 6/30/21 and 12/31/20	<b>(1,545,834)</b>	(1,545,834)
Total distributable earnings	<b><u>7,397,218</u></b>	<u>(4,617,773)</u>
Total stockholders' equity (net assets) (per share – 6/30/21: \$22.51, 12/31/20: \$17.86)	<b><u>58,119,821</u></b>	<u>46,104,830</u>

**Total liabilities and stockholders' equity (net assets)** **\$73,438,428** \$60,966,942

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

	<b>Three months ended June 30, 2021</b>	<b>Three months ended June 30, 2020</b>	<b>Six months ended June 30, 2021</b>	<b>Six months ended June 30, 2020</b>
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investment	\$ 2,867	\$ -	\$ 2,867	\$ -
Affiliate investments	295,085	170,262	614,501	309,108
Non-Control/Non-Affiliate investments	<b>344,254</b>	400,424	<b>735,600</b>	797,279
Total interest from portfolio companies	<b><u>642,206</u></b>	570,686	<b><u>1,352,968</u></b>	1,106,387
Interest from other investments:				
Non-Control/Non-Affiliate investments	<b>243</b>	2,754	<b>12,870</b>	86,004
Total interest from other investments	<b><u>243</u></b>	2,754	<b><u>12,870</u></b>	86,004
Dividend and other investment income:				
Affiliate investments	<b>13,125</b>	13,125	<b>108,051</b>	26,250

Non-Control/Non-Affiliate investments	<b>123,922</b>	81,313	<b>275,665</b>	81,313
Total dividend and other investment income	<b>137,047</b>	94,438	<b>383,716</b>	107,563
Fee income:				
Affiliate investments	<b>24,562</b>	4,167	<b>63,918</b>	5,417
Non-Control/Non-Affiliate investments	<b>6,979</b>	2,500	<b>13,957</b>	5,000
Total fee income	<b>31,541</b>	6,667	<b>77,875</b>	10,417
<b>Total investment income</b>	<b>811,037</b>	674,545	<b>1,827,429</b>	1,310,371
<b>Expenses:</b>				
Base management fee (see Note 8)	<b>212,907</b>	141,386	<b>388,516</b>	281,763
Capital gains incentive fees (see Note 8)	<b>1,060,000</b>	-	<b>3,660,000</b>	-
Interest on SBA obligations	<b>104,190</b>	104,190	<b>208,380</b>	208,380
Professional fees	<b>123,991</b>	77,917	<b>284,124</b>	257,036
Stockholders and office operating	<b>69,661</b>	116,299	<b>141,083</b>	167,844
Directors' fees	<b>38,900</b>	28,375	<b>75,400</b>	56,750
Insurance	<b>9,380</b>	7,400	<b>19,707</b>	18,068
Corporate development	<b>821</b>	132	<b>8,303</b>	2,006
Other operating	<b>108</b>	107	<b>108</b>	465
Total expenses	<b>1,619,958</b>	475,806	<b>4,785,621</b>	992,312
<b>Net investment (loss) income before income taxes</b>	<b>(808,921)</b>	198,739	<b>(2,958,192)</b>	318,059
Income tax expense (benefit)	<b>1,966</b>	-	<b>19,723</b>	(419,101)
<b>Net investment (loss) income</b>	<b>(810,887)</b>	198,739	<b>(2,977,915)</b>	737,160

**Rand Capital Corporation and Subsidiaries**  
**Consolidated Statements of Operations**  
*(continued, unaudited)*

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
<b>Net realized gain on sales and dispositions of investments:</b>				
Control investments	-	-	-	-
Affiliate investments	-	-	<b>135,430</b>	-
Non-Control/Non-Affiliate investments	<b>1,817,350</b>	18,595	<b>1,992,675</b>	2,412,046

Income tax benefit	-	-	-	-
Net realized gain on sales and dispositions of investments	<b>1,817,350</b>	18,595	<b>2,128,105</b>	2,412,046
<b>Net change in unrealized appreciation/ depreciation on investments:</b>				
Affiliate investments	-	(5,613)	-	(515,804)
Non-Control/Non-Affiliate investments	<b>3,495,322</b>	211,850	<b>13,382,354</b>	(6,282)
Change in unrealized appreciation/ depreciation before income taxes	<b>3,495,322</b>	206,237	<b>13,382,354</b>	(522,086)
Deferred income tax expense	<b>951</b>	-	<b>951</b>	1,773,412
Net change in unrealized appreciation/ depreciation on investments	<b>3,494,371</b>	206,237	<b>13,381,403</b>	(2,295,498)
<b>Net realized and unrealized gain on investments</b>	<b>5,311,721</b>	224,832	<b>15,509,508</b>	116,548
<b>Net increase in net assets from operations</b>	<b>\$4,500,834</b>	<b>\$ 423,571</b>	<b>\$ 12,531,593</b>	<b>\$ 853,708</b>
<b>Weighted average shares outstanding</b>	<b>2,582,169</b>	2,103,093	<b>2,582,169</b>	1,950,058
<b>Basic and diluted net increase in net assets from operations per share</b>	<b>\$ 1.74</b>	<b>\$ 0.20</b>	<b>\$ 4.85</b>	<b>\$ 0.44</b>

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net assets at beginning of period	<b>\$53,877,204</b>	\$54,058,653	<b>\$ 46,104,830</b>	\$ 53,628,516
	<b>(810,887)</b>	198,739	<b>(2,977,915)</b>	737,160
Net investment (loss) income				
Net realized gain on sales and dispositions of investments	<b>1,817,350</b>	18,595	<b>2,128,105</b>	2,412,046

Net change in unrealized appreciation/ depreciation on investments	<b>3,494,371</b>	206,237	<b>13,381,403</b>	(2,295,498)
Net increase in net assets from operations	<b>4,500,834</b>	423,571	<b>12,531,593</b>	853,708
Purchase of treasury shares	-	(14,304)	-	(14,304)
Declaration of dividend	<b>(258,217)</b>	(4,756,606)	<b>(516,602)</b>	(4,756,606)
<b>Net assets at end of period</b>	<b>\$58,119,821</b>	\$49,711,314	<b>\$ 58,119,821</b>	\$ 49,711,314

**Rand Capital Corporation and Subsidiaries**  
**Reconciliation of Operating 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 Operating Expenses, which is a non-GAAP financial measure. Operating expenses are defined as GAAP Total expenses less any expenses for capital gains incentive fees attributable to net change in unrealized appreciation (depreciation) on investments. GAAP Total expenses is the most directly comparable GAAP financial measure. Rand believes that Operating 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.

	<b>Three months ended June 30, 2021</b>	<b>Three months ended June 30, 2020</b>
Total expenses	<b>\$ 1,619,958</b>	\$ 475,806
Exclude capital gains incentive fees	<b>1,060,000</b>	-
Operating expenses	<b>\$ 559,958</b>	\$ 475,806

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

In addition to reporting Net Investment (Loss) Income per Share, which is a U.S. generally accepted accounting principle ("GAAP") financial measure, Rand 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 (Loss) Income per Share less any capital gains incentive fees attributable to net change in unrealized appreciation (depreciation) on investments. GAAP Net Investment (Loss) 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.

	<b>Three months ended June 30, 2021</b>	<b>Three months ended June 30, 2020</b>
Net Investment (Loss) Income per Share	\$ (0.31)	\$ 0.08
Capital gains incentive fees per share	<b>0.41</b>	-
Adjusted Net Investment Income per Share	<b>\$ 0.10</b>	<b>\$ 0.08</b>

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Source: Rand Capital Corporation