



# Rand Capital Reports 37% Growth in Total Investment Income for the Third Quarter 2021

- *Continuing strategic shift to income producing portfolio drives total investment income of \$1.0 million in the quarter, up 37% over the prior-year period*
- *Net asset value per share ("NAV") increased 4% to \$23.31 per share from \$22.51 per share at June 30, 2021; NAV increased 31% compared with \$17.86 per share at December 31, 2020*
- *Total investments in the quarter were \$3.8 million in a new portfolio company*
- *Exits and loan repayments totaled \$3.8 million in the quarter*
- *1,148 shares repurchased in the third quarter*
- *Subsequent to quarter-end, Rand paid off \$11 million of SBA obligations*

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 September 30, 2021.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand, commented, "Our results continue to validate the success of our strategy to transform Rand into an income producing business development company that provides a dividend for its shareholders. We continue to liquidate our equity positions and reinvest in income producing vehicles."

He added, "As we transform Rand, we are also transitioning our leadership team. I have been honored over these last 25 years to serve as CEO and am excited to support Dan Penberthy and Margaret Brechtel as they take Rand to the next level."

## Third Quarter Highlights

- Total investment income in the quarter grew 37% to \$1.0 million due to increased interest income from portfolio companies, increased dividend and other investment income, and higher fee income.
- Total expenses were \$962,000 compared with \$456,000 in the third quarter of 2020. The change was largely due to the accrual of \$454,000 of capital gains incentive fees during the quarter compared with no similar accrual of fees in the prior-year period. The capital gains incentive fee accrual reflects realized gains from the sale of Rand's investment in Centivo Corporation and the increase in unrealized appreciation mostly related to Tilson Technologies. Operating expenses in the quarter, a non-GAAP financial measure which excludes the capital gains incentive fee accrual, increased \$52,000, or 11%, 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 income was \$53,000, or \$0.02 per share, compared with \$280,000, or \$0.11 per share, in the prior-year period.
- Adjusted net investment income per share, a non-GAAP financial measure, which excludes the capital gains incentive fee accrual, was \$0.20 for the third quarter of 2021, compared with \$0.11 per share in the prior-year period. *See the attached description of this non-GAAP financial measure and reconciliation table for adjusted net investment income per share.*
- Net assets at September 30, 2021 were \$60.2 million, up 4% from June 30, 2021. The increase largely reflects the realized gains from the sale of Rand's investment in Centivo Corporation and increase in unrealized appreciation of Tilson Technologies, offset by a reduction in value of ACV Auctions from the prior quarter. Net assets were up 30% from December 31, 2020, mostly due to the increase in the fair market values of Rand's investment in Open Exchange, Tilson Technologies and ACV Auctions.

## Portfolio and Investment Activity

As of September 30, 2021, Rand's portfolio consisted of 34 companies. At that date, the dollar value of the portfolio was comprised of approximately 51% in equity investments, 40% 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 September 30, 2021, portfolio fair value increased \$2.3 million, or 4%, to \$62.1 million compared with June 30, 2021, due primarily to a new investment partially offset by sales, debt repayments and valuation changes.
- There was one exit in the quarter, as well as debt repayments and one stock sale:
  - Sold the investment in Centivo Corporation for \$2.4 million, which resulted in recognized gain of \$1.6 million.
  - Sold 50,000 shares of ACV Auctions at an average price of \$19.44 per share. Rand still held 540,580 shares at quarter-end.
  - Received \$418,000 partial debt repayment from Mercantile Adjustment Bureau.
  - Advantage 24/7 made a final loan repayment of \$40,000.
- Rand made one new investment in the quarter:
  - Funded \$3.8 million to DSD Operating, LLC, which consisted of a \$2.7 million loan and \$1.1 million equity investment. DSD is headquartered in Georgia and outfits fixed operations facilities with shop equipment for auto dealers.

## Liquidity and Capital Resources

Cash and cash equivalents at the end of the quarter was \$13.3 million and represented 22.1% of net assets. On November 2, 2021, Rand repaid its \$11 million of outstanding SBA leverage using cash on hand and submitted a request to surrender its SBIC license to the SBA.

Daniel P. Penberthy, Executive Vice President and CFO, noted, "We are using our excess liquidity to repay our SBA obligations and believe we can measurably simplify our lending processes by eliminating the requirements of an SBIC."

During the quarter, the Company repurchased 1,148 shares of outstanding common stock for \$20,770 under a \$1.5 million share repurchase authorization. The average purchase price

was \$18.09 per share.

## **Dividend Distributions**

On July 29, 2021, the Board declared a regular quarterly cash dividend distribution of \$0.10 per share, which was paid during the quarter, to shareholders of record as of September 2, 2021.

## **Webcast and Conference Call**

Rand will host a conference call and live webcast today, November 5, 2021, at 12:30 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 3:30 p.m. ET on the day of the call through Friday, November 12, 2021. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13723741. 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). 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, the effectiveness of changes in leadership; 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, 2020, 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**

	<b>September 30, 2021 (Unaudited)</b>	<b>December 31, 2020</b>
<b><u>ASSETS</u></b>		
Investments at fair value:		
Control investments (cost of \$1,753,591 and \$0, respectively)	<b>\$602,570</b>	\$ -
Affiliate investments (cost of \$24,929,546 and \$14,835,885, respectively)	<b>28,084,871</b>	13,891,199
Non-Control/Non-Affiliate investments (cost of \$23,042,003 and \$25,884,428, respectively)	<b>33,414,928</b>	26,157,302
Total investments, at fair value (cost of \$49,725,140 and \$40,720,313, respectively)	<b>62,102,369</b>	40,048,501
Cash and cash equivalents	<b>13,299,834</b>	20,365,415
Interest receivable (net of allowance of \$0 and \$15,000, respectively)	<b>111,213</b>	258,186
Prepaid income taxes	<b>200,281</b>	220,740
Other assets	<b>167,961</b>	74,100
<b>Total assets</b>	<b><u>\$75,881,658</u></b>	<b><u>\$60,966,942</u></b>

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

**Liabilities:**

Debentures guaranteed by the SBA (net of debt issuance costs)	<b>\$10,852,844</b>	\$10,824,587
Dividend payable	-	3,434,117

Accounts payable and accrued expenses	82,309	171,373
Due to investment adviser	233,438	156,999
Capital gains incentive fees	4,114,000	-
Deferred revenue	384,196	153,895
Deferred taxes	52,746	121,141
Total liabilities	15,719,533	14,862,112

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

Common stock, \$0.10 par; shares authorized 100,000,000; shares issued: 2,648,916; shares outstanding: 2,581,021	264,892	264,892
Capital in excess of par value	52,003,545	52,003,545
Treasury stock, at cost: 67,895 shares and 66,747 shares, respectively	(1,566,605)	(1,545,834)
Total distributable earnings	9,460,293	(4,617,773)
Total stockholders' equity (net assets) (per share – \$23.31 and \$17.86, respectively)	60,162,125	46,104,830
<b>Total liabilities and stockholders' equity (net assets)</b>	<b>\$75,881,658</b>	<b>\$60,966,942</b>

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investment	\$8,898	\$ -	\$11,765	\$ -
Affiliate investments	409,467	178,714	1,023,968	487,822
Non-Control/Non-Affiliate investments	339,416	456,160	1,075,016	1,253,439
Total interest from portfolio companies	757,781	634,874	2,110,749	1,741,261
Interest from other investments:				
Non-Control/Non-Affiliate investments	473	1,157	13,343	87,161
Total interest from other investments	473	1,157	13,343	87,161

Dividend and other investment income:				
Affiliate investments	100,896	13,125	208,947	39,375
Non-Control/Non-Affiliate investments	129,013	80,212	404,678	161,525
Total dividend and other investment income	229,909	93,337	613,625	200,900
Fee income:				
Affiliate investments	13,867	5,000	77,785	10,417
Non-Control/Non-Affiliate investments	10,313	2,500	24,270	7,500
Total fee income	24,180	7,500	102,055	17,917
<b>Total investment income</b>	<b>1,012,343</b>	<b>736,868</b>	<b>2,839,772</b>	<b>2,047,239</b>
<b>Expenses:</b>				
Base management fee	230,724	152,438	619,240	434,201
Capital gains incentive fees	454,000	-	4,114,000	-
Interest on SBA obligations	104,190	104,190	312,570	312,570
Professional fees	94,258	126,759	378,382	383,795
Stockholders and office operating	43,420	50,022	184,503	217,866
Directors' fees	39,050	28,375	114,450	85,125
Insurance	9,230	8,033	28,937	26,101
Corporate development	2,027	10,474	10,330	12,480
Bad debt recovery	(15,000)	(24,000)	(15,000)	(24,000)
Other operating	-	107	108	572
Total expenses	961,899	456,398	5,747,520	1,448,710
<b>Net investment income (loss) before income taxes</b>	<b>50,444</b>	<b>280,470</b>	<b>(2,907,748)</b>	<b>598,529</b>
Income tax (benefit) expense	(2,708)	-	17,015	(419,101)
<b>Net investment income (loss)</b>	<b>53,152</b>	<b>280,470</b>	<b>(2,924,763)</b>	<b>1,017,630</b>

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

Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
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**Net realized gain on sales  
and dispositions of  
investments:**

Affiliate investments	-	-	135,430	56,916
Non-Control/Non-Affiliate investments	2,601,361	-	4,594,036	2,355,130
Net realized gain on sales and dispositions of investments	2,601,361	-	4,729,466	2,412,046

**Net change in unrealized  
appreciation/  
depreciation on  
investments:**

Affiliate investments	3,647,299	-	3,647,299	(515,804)
Non-Control/Non-Affiliate investments	(3,980,612)	(17,947)	9,401,742	(24,229)
Change in unrealized appreciation/ depreciation before income taxes	(333,313)	(17,947)	13,049,041	(540,033)
Deferred income tax expense	-	-	951	1,773,412
Net change in unrealized appreciation/ depreciation on investments	(333,313)	(17,947)	13,048,090	(2,313,445)

**Net realized and  
unrealized gains (losses)  
on investments**

2,268,048	(17,947)	17,777,556	98,601
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**Net increase in net assets  
from operations**

\$2,321,200	\$262,523	\$14,852,793	\$1,116,231
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**Weighted average shares  
outstanding**

2,581,679	2,587,155	2,581,942	2,162,308
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**Basic and diluted net  
increase in net assets  
from operations per  
share**

\$0.90	\$0.10	\$5.75	\$0.52
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**Rand Capital Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Net Assets**  
*(unaudited)*

Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
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Net assets at beginning of period	<b>\$58,119,821</b>	\$49,711,314	<b>\$46,104,830</b>	\$53,628,516
Net investment income (loss)	<b>53,152</b>	280,470	<b>(2,924,763)</b>	1,017,630
Net realized gain on sales and dispositions of investments	<b>2,601,361</b>	-	<b>4,729,466</b>	2,412,046
Net change in unrealized appreciation/depreciation on investments	<b>(333,313)</b>	(17,947)	<b>13,048,090</b>	(2,313,445)
Net increase in net assets from operations	<b>2,321,200</b>	262,523	<b>14,852,793</b>	1,116,231
Purchase of treasury shares	<b>(20,771)</b>	(23,684)	<b>(20,771)</b>	(37,988)
Declaration of dividend	<b>(258,125)</b>	-	<b>(774,727)</b>	(4,756,606)
<b>Net assets at end of period</b>	<b>\$60,162,125</b>	\$49,950,153	<b>\$60,162,125</b>	\$49,950,153

**Rand Capital Corporation and Subsidiaries**  
**Reconciliation of Non-GAAP 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. 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 September 30, 2021</b>	<b>Three months ended September 30, 2020</b>
Total expenses	<b>\$ 961,899</b>	\$ 456,398
Exclude capital gains incentive fees	<b>454,000</b>	-
Operating expenses	<b>\$ 507,899</b>	\$ 456,398

**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 plus any capital gains incentive fees. 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.

	Three months ended September 30, 2021	Three months ended September 30, 2020
Net Investment Income per Share	\$ 0.02	\$ 0.11
Capital gains incentive fees per share	0.18	-
Adjusted Net Investment Income per Share	<u>\$ 0.20</u>	<u>\$ 0.11</u>

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Source: Rand Capital Corporation