

# Rand Capital Reports 16.9% Increase in Net Asset Value for the First Quarter 2021

- **Total investment income grew 59.9% to \$1.0 million compared with the prior-year period**
- **Net asset value per share increased 16.9% to \$20.87 per share from \$17.86 per share at December 31, 2020**
- **Total investments made in quarter were \$6.7 million, of which \$4.6 million was for new portfolio companies**
- **Received \$4.5 million in exits and loan repayments during the quarter**
- **Paid first quarterly dividend of \$0.10 per share on March 29, 2021; Announced second quarter dividend of \$0.10 per share on April 29, 2021**
- **Board of Directors renews \$1.5 million share repurchase program**

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 March 31, 2021.

Allen F. (“Pete”) Grum, President and Chief Executive Officer of Rand, commented, “We had a very active quarter with our portfolio, making \$6.7 million in investments and receiving \$4.5 million in exits and loan repayments. We are executing well on our strategy to build a portfolio that contributes to growth in net investment income. Interest from portfolio companies was approximately 33% higher in the quarter compared with last year’s first quarter and the number of companies contributing to investment income nearly doubled. Net asset value also grew nearly 17% in the quarter. This growth was driven largely by the increase in fair value of our largest position, ACV Auctions Inc. (Nasdaq: ACVA) (“ACV”), resulting from ACV’s initial public offering (“IPO”). During the quarter, we recorded \$2.6 million in non-cash expenses related to capital gains incentive fees, primarily attributed to ACV’s unrealized appreciation. This reflects fees that would be payable if our entire investment portfolio was liquidated at its current value. Absent this expense, adjusted net investment income was \$0.16 per share, demonstrating the success of our transformation into an income producing, dividend paying BDC.”

He concluded, “We believe we have a strong income producing portfolio enhanced with equity investments that can provide potential capital gains. We also have excellent liquidity to continue to build our portfolio with almost \$18 million available in cash and our outstanding SBA leverage commitment. We expect to use our liquidity to continue to transform our portfolio from equity investments to income producing investments.”

## First Quarter Highlights

- Total investment income in the quarter grew 59.9% as a result of increased interest income from portfolio companies and increased dividend and other investment income.
- Total expenses in the quarter were \$3.2 million up \$2.6 million, which reflected the

addition of accrued capital gains incentive fees during the quarter, primarily attributed to ACV's unrealized appreciation. A capital gains incentive fee accrual under GAAP is calculated using the cumulative aggregate realized capital gains and losses and the aggregate net change in unrealized capital appreciation/depreciation at the close of the period.

- Net investment loss was \$2.2 million, or 0.84 per share, compared with income of \$538,000, or \$0.33 per share, in the prior-year period. Last year's first quarter included a \$419,000 income tax benefit due to Rand's conversion to a regulated investment company and a tax benefit received in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- Excluding the accrued capital gains incentive fees, adjusted net investment income per share was \$0.16 for the first 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 March 31, 2021 were \$53.9 million, a 16.9% increase compared with \$46.1 million at December 31, 2020, mostly due to the increase in unrealized appreciation on Rand's investment in ACV resulting from ACV's completed IPO in March 2021.

### **Portfolio and Investment Activity**

As of March 31, 2021, Rand's portfolio consisted of 35 companies. At that date, the dollar value of the portfolio was comprised of approximately 56% in equity investments, 34% in fixed-rate debt investments and 10% in dividend paying, publicly traded BDCs. The annualized weighted average yield of debt investments was 10.9%.

- At March 31, 2021, portfolio fair value increased \$12.3 million, or 31%, to \$52.3 million compared with December 31, 2020, due primarily to valuation adjustments and new investments offset by sales and payoffs.
- Rand made \$6.7 million in new and follow-on investment in the quarter, including two new portfolio companies with both loan and equity components.

### **Liquidity and Capital Resources**

Cash and cash equivalents at the end of the quarter was \$14.9 million and represented 28% 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.

### **Board Renews Share Repurchase Authorization**

Rand's Board of Directors renewed the share repurchase program authorizing the purchase of up to \$1.5 million in Rand common stock. The shares may be repurchased from time to time in the open market and in accordance with applicable regulations of the SEC. The stock repurchase program does not obligate the Company to purchase any shares, and the timing and exact amount of any repurchases will depend on various factors, including the performance of the Company's stock price, general market and other conditions, applicable legal requirements and other factors. The renewed stock repurchase program expires on April 22, 2022 and may be suspended, terminated or amended by the Board at any time prior to the expiration date.

## **Webcast and Conference Call**

Rand will host a conference call and live webcast today, May 10, 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, May 17, 2021. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13718353. 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 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 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>March 31, 2021 (Unaudited)</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
Investments at fair value:		
Affiliate investments (cost of \$17,883,764 and \$14,835,885 respectively)	<b>\$16,939,078</b>	\$13,891,199
Non- Control/Non-Affiliate investments (cost of \$25,209,001 and \$25,884,428, respectively)	<b><u>35,368,907</u></b>	<u>26,157,302</u>
Total investments, at fair value (cost of \$43,092,765 and \$40,720,313, respectively)	<b>52,307,985</b>	40,048,501
Cash and cash equivalents	<b>14,912,362</b>	20,365,415
Interest receivable (net of allowance of \$15,000)	<b>314,036</b>	258,186
Prepaid income taxes	<b>225,101</b>	220,740
Other assets	<b><u>209,672</u></b>	<u>74,100</u>
<b>Total assets</b>	<b><u>\$67,969,156</u></b>	<u>\$60,966,942</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)</b>		
<b>Liabilities:</b>		
Debentures guaranteed by the SBA (net of debt issuance costs)	<b>\$10,834,007</b>	\$10,824,587
Dividend payable	-	3,434,117
Accounts payable and accrued expenses	<b>99,476</b>	171,373
Due to investment adviser	<b>175,609</b>	156,999
Capital gains incentive fees payable	<b>2,600,000</b>	-
Deferred revenue	<b>258,227</b>	153,895
Deferred tax payable	<b><u>124,633</u></b>	<u>121,141</u>

Total liabilities	<b>14,091,952</b>	14,862,112
<b>Stockholders' equity (net assets):</b>		
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 3/31/21 and 12/31/20	<b>(1,545,834)</b>	(1,545,834)
Total distributable earnings	<b><u>3,154,601</u></b>	<u>(4,617,773)</u>
Total stockholders' equity (net assets) (per share – 3/31/21: \$20.87, 12/31/20: \$17.86)	<b><u>53,877,204</u></b>	<u>46,104,830</u>
<b>Total liabilities and stockholders' equity (net assets)</b>	<b><u>\$67,969,156</u></b>	<u>\$60,966,942</u>

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

	<b>Three months ended March 31, 2021</b>	<b>Three months ended March 31, 2020</b>
<b>Investment income:</b>		
Interest from portfolio companies:		
Affiliate investments	<b>\$319,416</b>	\$138,846
Non-Control/Non- Affiliate investments	<b>391,346</b>	396,855
Total interest from portfolio companies	<b><u>710,762</u></b>	<u>535,701</u>
Interest from other investments:		
Non-Control/Non- Affiliate investments	<b><u>12,627</u></b>	<u>83,250</u>
Total interest from other investments	<b><u>12,627</u></b>	<u>83,250</u>
Dividend and other investment income:		
Affiliate investments	<b>94,926</b>	13,125

Non-Control/Non-Affiliate investments	<u>151,743</u>	-
Total dividend and other investment income	<u>246,669</u>	13,125
Fee income:		
Affiliate investments	39,356	1,250
Non-Control/Non-Affiliate investments	<u>6,978</u>	2,500
Total fee income	<u>46,334</u>	3,750
<b>Total investment income</b>	<u><b>1,016,392</b></u>	635,826
<b>Expenses:</b>		
Base management fee	175,609	140,377
Capital gains incentive fees	2,600,000	-
Interest on SBA obligations	104,190	104,190
Professional fees	160,133	179,119
Stockholders and office operating	71,422	51,545
Directors' fees	36,500	28,375
Insurance	10,327	10,668
Corporate development	7,482	1,874
Other operating	-	358
Total expenses	<u>3,165,663</u>	516,506
		119,320
<b>Net investment (loss) income before income taxes</b>	<b>(2,149,271)</b>	
Income tax expense (benefit)	<u>17,757</u>	(419,101)
<b>Net investment (loss) income</b>	<u><b>(2,167,028)</b></u>	538,421

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

<b>Three months ended March 31, 2021</b>	<b>Three months ended March 31, 2020</b>
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**Net realized gain on sales and dispositions of investments:**

Affiliate investments	<b>135,430</b>	-
Non-Control/Non-Affiliate investments	<b>175,325</b>	2,393,451
Net realized gain on sales and dispositions of investments	<b>310,755</b>	2,393,451

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

Affiliate investments	-	(510,191)
Non-Control/Non-Affiliate investments	<b>9,887,032</b>	(218,132)

Change in unrealized depreciation before income taxes	<b>9,887,032</b>	(728,323)
Deferred income tax expense	-	<u>1,773,412</u>
Net change in unrealized appreciation (depreciation) on investments	<b>9,887,032</b>	<u>(2,501,735)</u>

<b>Net realized and unrealized gain (loss) on investments</b>	<b>10,197,787</b>	<u>(108,284)</u>
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<b>Net increase in net assets from operations</b>	<b>\$8,030,759</b>	<u>\$430,137</u>
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<b>Weighted average shares outstanding</b>	<b>2,582,169</b>	1,628,369
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<b>Basic and diluted net increase in net assets from operations per share</b>	<b>\$3.11</b>	\$0.26
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**Rand Capital Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Net Assets**  
*(unaudited)*

	<b>Three months ended March 31, 2021</b>	<b>Three months ended March 31, 2020</b>
Net assets at beginning of period	<b>\$46,104,830</b>	\$53,628,516
Net investment (loss) income	<b>(2,167,028)</b>	538,421
Net realized gain on sales and dispositions of investments	<b>310,755</b>	2,393,451
Net change in unrealized appreciation (depreciation) on investments	<b>9,887,032</b>	(2,501,735)
Net increase in net assets from operations	<b>8,030,759</b>	430,137
Declaration of dividends	<b>(258,385)</b>	-
<b>Net assets at end of period</b>	<b><u>\$53,877,204</u></b>	<b><u>\$54,058,653</u></b>

**Rand Capital Corporation and Subsidiaries**  
**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”) 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 one method Rand uses to measure its financial condition and 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 March 31, 2021</b>	<b>Three months ended March 31, 2020</b>
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Net Investment (Loss)		
Income per Share	\$ (0.84)	\$ 0.33
Capital gains incentive fees attributable to net change in unrealized appreciation (depreciation) on investments per share	1.00	-
Adjusted Net Investment Income per Share	<u>\$ 0.16</u>	<u>\$ 0.33</u>

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Source: Rand Capital Corporation