

# Rand Capital Reports 67% Increase in Total Investment Income for Second Quarter 2022

- ***Portfolio expansion focused on income producing assets drove 67% total investment income growth to \$1.4 million for the quarter***
- ***Net asset value per share (“NAV”) was \$22.34 at June 30, 2022, which reflected a decline in market value of portfolio holdings in publicly traded securities***
- ***Follow-on debt investment of \$2.2 million to support portfolio company growth***
- ***Announced a quarterly dividend of \$0.15 per share for third quarter 2022***
- ***Secured new \$25 million senior secured revolving credit facility to support future portfolio investments***

BUFFALO, N.Y.--(BUSINESS WIRE)-- [Rand Capital Corporation](#) (Nasdaq: RAND) (“Rand” or the “Company”), a business development company providing alternative financing for lower middle market companies, announced its results for the second quarter ended June 30, 2022.

Daniel P. Penberthy, President, and Chief Executive Officer of Rand, commented, “We delivered another solid quarter of total investment income growth, which reflected our focused investment strategy and significant debt portfolio expansion over the past year. During the recent quarter, we took a number of steps to position Rand for our next phase of growth. Most importantly, we added a new source of capital to support this strategy by securing a \$25 million credit facility, which provides not only increased liquidity, but also greater flexibility. We also exited some of our publicly traded securities, which we in turn utilized to fund our follow-on debt investment in Seybert’s Billiard Corporation, making Seybert’s the largest Rand interest yielding debt holding with an approximately \$5.6 million cost basis.”

## Second Quarter Highlights

- Total investment income grew \$542,000, or 67%, to \$1.4 million primarily due to increased interest income from portfolio companies and higher dividend income.
- Total expenses were a credit of \$96,000 compared with an expense of \$1.6 million in the prior-year period. A reduction in value of Rand’s publicly held securities impacted accrued capital gain incentive fees to the external investment adviser, resulting in a credit of \$663,000 for the second quarter of 2022 compared with \$1.1 million of expense for the second quarter of 2021. Excluding capital gains incentive fees, adjusted expenses, which is a non-GAAP financial measure, were \$567,000, up \$7,000, or 1%, from the prior-year period. Higher professional fees resulting from the new debt financing were largely offset with the elimination of interest expense payments for the SBA obligations that were paid off in full in December 2021. *See the attached description of this non-GAAP financial measure and reconciliation table for*

*adjusted expenses.*

- Net investment income was \$1.4 million, or \$0.55 per share, compared with a net investment loss of \$811,000, or \$0.31 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 \$0.29 for the second quarter of 2022 compared with \$0.10 in 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.

## **Portfolio and Investment Activity**

As of June 30, 2022, Rand's portfolio included investments with a fair value of \$59.0 million across

29 portfolio businesses. This was down \$3.4 million, or 6%, from March 31, 2022, due primarily to the change in ACV Auctions' market value and stock sales, net of the follow-on Seybert's investment. At

June 30, 2022, the portfolio was comprised of approximately 55% in debt investments, 35% in equity investments in private companies, and 10% in publicly traded equities consisting of other BDCs and ACV Auctions. The annualized weighted average yield of debt investments was 12.1%.

*Second quarter 2022:*

- Follow on debt investment of \$2.2 million in Seybert's Billiard Corporation.
- Sold 86,000 shares of ACV Auctions at an average price of \$14.24 per share for a realized gain of \$1.2 million. Rand held 319,934 shares at quarter-end, which represented approximately 4% of the portfolio's fair value.
- Sold holdings in two publicly traded BDCs – Golub Capital and Owl Rock Capital – generating total proceeds of \$922,000 and a gain of \$171,000.
- Sold remaining interest in Microcision, which netted a gain of \$190,000.

## **Liquidity and Capital Resources**

Cash and cash equivalents at the end of the second quarter of 2022 were \$1.2 million compared with \$834,000 at 2021 year-end. As of June 30, 2022, the Company held approximately \$4.0 million in public equities of other BDCs and \$2.1 million of ACV Auctions shares, all of which are available for future liquidity requirements including both RIC dividends and new portfolio investments.

On June 27, 2022, Rand closed on a \$25 million senior secured revolving credit facility with M&T Bank. The new facility provides for a 5-year term through 2027, at an interest rate calculated using SOFR plus 3.5%. There were no borrowings under the facility at quarter-end.

The Company did not repurchase any outstanding common stock during the second quarter of 2022.

## **Dividends**

On July 28, 2022, Rand declared a quarterly cash dividend of \$0.15 per share. The cash dividend will be distributed on or about September 15, 2022, to shareholders of record as of September 1, 2022.

## **Webcast and Conference Call**

Rand will host a conference call and webcast on Monday, August 8, 2022, at 1:30 p.m. Eastern Time to review its financial results. 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) in the "Investor Relations" section. 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" where the replay will also be available. A telephonic replay will be available from 4:30 p.m. ET on the day of the call through Monday, August 15, 2022. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13731266. A transcript of the call 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; 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, 2021, 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>June 30, 2022 (Unaudited)</b>	<b>December 31, 2021</b>
<b><u>ASSETS</u></b>		
Investments at fair value:		
Affiliate investments (cost of \$30,195,392 and \$27,357,797, respectively)	<b>\$33,165,309</b>	\$30,279,873
Non-Control/Non-Affiliate investments (cost of \$22,291,325 and \$25,012,871, respectively)	<b><u>25,833,464</u></b>	<u>33,788,589</u>
Total investments, at fair value (cost of \$52,486,717 and \$52,370,668, respectively)	<b>58,998,773</b>	64,068,462
Cash	<b>1,189,146</b>	833,875
Interest receivable	<b>193,807</b>	128,047
Prepaid income taxes	<b>6,360</b>	252,010
Deferred tax asset	<b>239,158</b>	181,003
Other assets	<b><u>360,091</u></b>	<u>181,457</u>
<b>Total assets</b>	<b><u>\$60,987,335</u></b>	<u>\$65,644,854</u>
 <b><u>LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)</u></b>		
<b>Liabilities:</b>		
Due to investment adviser	<b>\$230,781</b>	\$891,102
Accounts payable and accrued expenses	<b>55,933</b>	51,689
Capital gains incentive fees	<b>2,645,000</b>	3,547,760
Deferred revenue	<b><u>391,437</u></b>	<u>408,887</u>
Total liabilities	<b>3,323,151</b>	4,899,438
 <b>Stockholders' equity (net assets):</b>		

Common stock, \$0.10 par; shares authorized 100,000,000; shares issued: 2,648,916; shares outstanding: 2,581,021 at 6/30/22 and 12/31/21	<b>264,892</b>	264,892
Capital in excess of par value	<b>51,679,809</b>	51,679,809
Treasury stock, at cost: 67,895 shares at 6/30/22 and 12/31/21	<b>(1,566,605)</b>	(1,566,605)
Total distributable earnings	<b><u>7,286,088</u></b>	<u>10,367,320</u>
Total stockholders' equity (net assets) (per share – 6/30/22: \$22.34; 12/31/21: \$23.54)	<b><u>57,664,184</u></b>	<u>60,745,416</u>
<b>Total liabilities and stockholders' equity (net assets)</b>	<b><u>\$60,987,335</u></b>	<u>\$65,644,854</u>

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

	<b>Three months ended June 30, 2022</b>	<b>Three months ended June 30, 2021</b>	<b>Six months ended June 30, 2022</b>	<b>Six months ended June 30, 2021</b>
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investment	\$-	\$2,867	\$-	\$2,867
Affiliate investments	<b>614,997</b>	295,085	<b>1,185,113</b>	614,501
Non-Control/Non-Affiliate investments	<b>389,835</b>	344,254	<b>731,858</b>	735,600
Total interest from portfolio companies	<b><u>1,004,832</u></b>	642,206	<b><u>1,916,971</u></b>	1,352,968
Interest from other investments:				

Non-Control/Non-Affiliate investments	1	243	1	12,870
Total interest from other investments	1	243	1	12,870
Dividend and other investment income:				
Affiliate investments	202,785	13,125	246,510	108,051
Non-Control/Non-Affiliate investments	113,735	123,922	243,000	275,665
Total dividend and other investment income	316,520	137,047	489,510	383,716
Fee income:				
Affiliate investments	22,515	24,562	52,820	63,918
Non-Control/Non-Affiliate investments	9,314	6,979	18,628	13,957
Total fee income	31,829	31,541	71,448	77,875
<b>Total investment income</b>	<b>1,353,182</b>	<b>811,037</b>	<b>2,477,930</b>	<b>1,827,429</b>
<b>Expenses:</b>				
Base management fee	230,767	212,907	471,042	388,516
Capital gains incentive fees	(663,000)	1,060,000	(902,760)	3,660,000
Interest on SBA obligations	-	104,190	-	208,380

Professional fees	<b>212,138</b>	123,991	<b>443,221</b>	284,124
Stockholders and office operating	<b>64,890</b>	69,661	<b>121,588</b>	141,083
Directors' fees	<b>44,883</b>	38,900	<b>89,983</b>	75,400
Insurance	<b>13,353</b>	9,380	<b>22,263</b>	19,707
Corporate development	<b>726</b>	821	<b>3,753</b>	8,303
Other operating	<b>45</b>	108	<b>90</b>	108
Total expenses	<b>(96,198)</b>	1,619,958	<b>249,180</b>	4,785,621
<b>Net investment income (loss) before income taxes</b>	<b>1,449,380</b>	(808,921)	<b>2,228,750</b>	(2,958,192)
Income tax expense	<b>31,243</b>	1,966	<b>38,610</b>	19,723
<b>Net investment income (loss)</b>	<b>1,418,137</b>	(810,887)	<b>2,190,140</b>	(2,977,915)
<b>Net realized gain on sales and dispositions of investments:</b>				
Affiliate investments	<b>167,159</b>	-	<b>167,159</b>	135,430
Non-Control/Non-Affiliate investments	<b>1,372,984</b>	1,817,350	<b>521,513</b>	1,992,675
Net realized gain on sales and dispositions of investments	<b>1,540,143</b>	1,817,350	<b>688,672</b>	2,128,105
<b>Net change in unrealized appreciation/depreciation on investments:</b>				
Affiliate investments	<b>47,841</b>	-	<b>47,841</b>	-

Non- Control/Non- Affiliate investments	<b>(4,902,510)</b>	3,495,322	<b>(5,233,579)</b>	13,382,354
Change in unrealized appreciation/ depreciation before income taxes	<b>(4,854,669)</b>	3,495,322	<b>(5,185,738)</b>	13,382,354
Deferred income tax expense	-	951	-	951
Net change in unrealized appreciation/ depreciation on investments	<b>(4,854,669)</b>	3,494,371	<b>(5,185,738)</b>	13,381,403
<b>Net realized and unrealized (loss) gain on investments</b>	<b>(3,314,526)</b>	5,311,721	<b>(4,497,066)</b>	15,509,508
<b>Net (decrease) increase in net assets from operations</b>	<b>(\$1,896,389)</b>	\$4,500,834	<b>(\$2,306,926)</b>	\$12,531,593
<b>Weighted average shares outstanding</b>	<b>2,581,021</b>	2,582,169	<b>2,581,021</b>	2,582,169
<b>Basic and diluted net (decrease) increase in net assets from operations per share</b>	<b>(\$0.73)</b>	\$1.74	<b>(\$0.89)</b>	\$4.85

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



	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Net assets at beginning of period	<b>\$59,947,726</b>	\$53,877,204	<b>\$60,745,416</b>	\$46,104,830
Net investment income (loss)	<b>1,418,137</b>	(810,887)	<b>2,190,140</b>	(2,977,915)
Net realized gain on sales and dispositions of investments	<b>1,540,143</b>	1,817,350	<b>688,672</b>	2,128,105
Net change in unrealized appreciation/depreciation on investments	<b>(4,854,669)</b>	3,494,371	<b>(5,185,738)</b>	13,381,403
Net (decrease) increase in net assets from operations	<b>(1,896,389)</b>	4,500,834	<b>(2,306,926)</b>	12,531,593
Declaration of dividend	<b>(387,153)</b>	(258,217)	<b>(774,306)</b>	(516,602)
<b>Net assets at end of period</b>	<b><u>\$57,664,184</u></b>	<u>\$58,119,821</u>	<b><u>\$57,664,184</u></b>	<u>\$58,119,821</u>

**Rand Capital Corporation and Subsidiaries**  
**Reconciliation of Non-GAAP Adjusted Expenses to**  
**GAAP Total (Credits)/Expense**  
*(Unaudited)*

In addition to reporting total expenses, which is a U.S. generally accepted accounting principle ("GAAP") financial measure, Rand presents adjusted expenses, which is a non-GAAP financial measure. Adjusted expenses is defined as GAAP total (credits)/expenses removing the effect of any expenses/(credits) for capital gains incentive fees. GAAP total (credits)/expenses is the most directly comparable GAAP financial measure. Rand believes that adjusted 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, 2022</b>	<b>Three months ended June 30, 2021</b>
Total (credits)/expenses	\$ (96,198)	\$ 1,619,958
Exclude (credits)/expenses for capital gains incentive fees	(663,000)	1,060,000
Adjusted expenses	<u>\$ 566,802</u>	<u>\$ 559,958</u>

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

In addition to reporting Net Investment Income (Loss) per Share, which is a U.S. generally accepted accounting principle (“GAAP”) financial measure, the Company 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 Income (Loss) per Share removing the effect of any expenses/ (credits) for capital gains incentive fees. GAAP Net Investment Income (Loss) 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, 2022</b>	<b>Three months ended June 30, 2021</b>
Net investment income (loss) per share	\$ 0.55	\$ (0.31)
Exclude (credits)/expenses for capital gains incentive fees per share	(0.26)	0.41
Adjusted net investment income per share	<u>\$ 0.29</u>	<u>\$ 0.10</u>

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Source: Rand Capital Corporation