

# Rand Capital Reports Net Investment Income per Share of \$0.08 for the Second Quarter 2020

- *Total investment income grew 15.7%*
- *Excellent liquidity available to drive portfolio growth, repurchase shares and weather economic cycle*
- *Deployed \$2.3 million into 3 portfolio companies during the quarter*
- *Repurchased 1,300 shares in June 2020*
- *Net asset value at June 30, 2020 was \$19.21 per share*

BUFFALO, N.Y.--(BUSINESS WIRE)-- [Rand Capital Corporation](#) (Nasdaq: RAND) ("Rand"), a business development company ("BDC"), announced its results for the quarter ended June 30, 2020. All per share values for prior periods are adjusted for the 1 for 9 reverse stock split that was effective May 21, 2020.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand, commented, "Our second quarter results demonstrate the effectiveness of our strategy to transform Rand. To accomplish this, we externalized our management, distributed a \$23.7 million dividend and have redirected our investment priorities to yielding instruments. With \$22 million of cash available to invest, of which the majority will be for lending to lower middle market companies, we believe we have the resources to continue to grow net investment income. Our objective is to elect regulated investment company tax status for 2020, which will require us to distribute 90% of our qualified net investment income in the form of a dividend. During the third quarter, we will evaluate the appropriate level of a dividend and the timing of a regular distribution to our shareholders."

## Second Quarter 2020 Highlights

- Net asset value ("NAV") at June 30, 2020 was \$49.7 million, down \$4.4 million compared with \$54.1 million at March 31, 2020. The decline in NAV was primarily the result of the \$4.75 million cash dividend issued on May 11, 2020, which was somewhat offset by the \$0.4 million increase in net assets from operations.
- On a per share basis, NAV declined to \$19.21 per share compared with \$33.20 at March 31, 2020. The per share decline was primarily the result of the approximately 960,000 additional shares distributed as part of the dividend.
- At June 30, 2020, portfolio fair value increased \$2.6 million, or 7%, to \$38.6 million from \$36.0 million on March 31, 2020
- Net investment income grew to \$0.08 per share in the second quarter compared with a loss of \$0.20 per share in the prior-year period.

## Second Quarter 2020 Operating Results

Total investment income of \$675,000 for the second quarter of 2020 increased 16%, or

\$91,000, over the prior-year period. The increase was primarily attributable to an 81%, or \$255,000, increase in total interest from portfolio companies reflecting the changed portfolio profile to include more debt investments.

Total expenses declined 42% to \$476,000 primarily because of \$237,000 lower professional fees and stockholder costs and \$80,000 in savings realized with the externalization of investment management and administration. Last year's second quarter included higher professional fees and stockholder costs to address a proxy contest. Stockholders and office operating costs were still elevated in the 2020 second quarter at \$116,000 as a result of the special dividend and reverse split activities.

Higher investment income and lower operating expenses drove net investment income growth to \$199,000 compared with a loss of \$143,000 in the prior-year period.

### **Portfolio and Investment Activity**

As of June 30, 2020, Rand's portfolio consisted of 38 companies. At that date, the portfolio was comprised of approximately 58% in equity investments and 42% in fixed-rate debt investments. The weighted average yield of debt investments was 8.79%.

During the quarter, Rand invested \$2.3 million in three current portfolio companies.

- SciAps, Inc.: \$1.5 million invested in a fixed rate senior promissory note
- Tilson Technology Management, Inc.: \$750,000 invested in Series F preferred stock
- Golub Capital BDC, Inc.: \$57,000 invested through a rights offering

### **Shareholder Actions, Liquidity and Capital Resources**

There were several major events during the quarter that impacted shareholders.

- On May 11, 2020, Rand provided shareholders a \$23.7 million dividend that was distributed in 20% cash and 80% stock. As a result, the Company distributed \$4.75 million of cash and issued 960,000 shares of stock (adjusted for the following 1:9 reverse split) to shareholders.
- The Company authorized a 1-for-9 reverse stock split that was effective after the market closed on May 21, 2020. As a result, at June 30, 2020, Rand had 2,587,500 shares outstanding.
- During the quarter, the Company repurchased 1,300 shares of outstanding common stock under its \$1.5 million share repurchase authorization at an average price of \$10.99 per share.
- Subsequent to the end of the quarter, the Board authorized management to enter into a trading plan in accordance with Rule 10b5-1 of the Exchange Act to facilitate repurchases of its common stock pursuant to its previously approved stock repurchase program (the "Rule 10b5-1 plan"). The Rule 10b5-1 plan will allow the Company to repurchase shares at times when they might otherwise be prevented from doing so by securities laws or because of self-imposed trading blackout periods. Any such repurchases would be made under the Company's previously announced share repurchase authorization.

Cash and cash equivalents at the end of the quarter was \$22.1 million and represented 44%

of net assets. Approximately \$10.6 million of cash was available for corporate purposes and \$11.4 million is restricted to investments by the SBIC. Outstanding debt was \$11.0 million, and there was \$3 million available to draw on the SBA loan program.

Debt to equity at June 30, 2020 was 23% and cost of debt was 3.45% at June 30, 2020.

### **Webcast and Conference Call**

Rand will host a conference call and live webcast today, August 7, 2020, at 10:30 a.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 the "Investor Relations" heading.

A telephonic replay will be available from 1:30 p.m. ET on the day of the call through Friday, August 14, 2020. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13705874. 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 intention of Rand and Rand Capital SBIC, Inc. ("Rand SBIC") to elect to be taxed as a RIC for U.S. federal tax purposes; 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 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, 2019, 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.

## Rand Capital Corporation and Subsidiaries Consolidated Statements of Financial Position

### **ASSETS**

Investments at fair value:

Affiliate investments (cost of \$22,838,093 and \$19,035,446, respectively).....

Non- Control/Non-Affiliate investments (cost of \$23,888,277 and \$25,584,017, respectively).....

Total investments, at fair value (cost of \$46,726,370 and \$44,619,463, respectively).....

Cash and cash equivalents.....

Interest receivable (net of allowance of \$166,413).....

Deferred tax

asset.....

Prepaid income

taxes.....

Other

assets.....

**Total**

**assets.....**

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

### **Liabilities:**

Debentures guaranteed by the SBA (net of debt issuance costs)

Accounts payable and accrued  
expenses.....

Deferred tax  
payable.....

Profit sharing and bonus  
payable.....

Deferred  
revenue.....

Total

liabilities.....

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

Common stock, \$0.10 par; shares authorized 100,000,000; shares issued: 2,648,916 at 6/30/20 and 1,688,485 at 12/31/19; shares outstanding: 2,587,500 at 6/30/20 and 1,628,369 at 12/31/19.....

Capital in excess of par  
value.....

Treasury stock, at cost: shares: 61,416 at 6/30/20 and 60,116 at  
12/31/19.....

Total distributable (losses) earnings

Total stockholders' equity (net assets) (per share – 6/30/20: \$19.21, 12/31/19:  
\$32.93).....

**Total liabilities and stockholders' equity (net  
assets).....**

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

### **Investment income:**

Interest from portfolio companies:

Affiliate investments.....

Non-Control/Non-Affiliate  
investments.....

Total interest from portfolio companies.....

Interest from other investments:

Non-Control/Non-Affiliate  
investments.....

Total interest from other investments.....

Dividend and other investment income:

Affiliate investments.....

Non-Control/Non-Affiliate  
investments.....

Total dividend and other investment income.....

Fee income:

Affiliate investments.....

Non-Control/Non-Affiliate  
investments.....

Total fee income.....

**Total investment  
income.....**

**Expenses:**

Base management  
fee.....

Interest on SBA  
obligations.....

Professional  
fees.....

Stockholders and office operating  
.....

Directors' fees.....

Insurance.....

Corporate  
development.....

Other operating  
.....

Salaries.....

Employee  
benefits.....

Bad Debt  
Expense.....

Total  
expenses.....

**Net investment income (loss) before income  
taxes.....**

Income tax benefit  
.....

**Net investment income  
(loss).....**

**Net realized gain (loss) on sales and dispositions of investments:**

Control  
investments.....

Affiliate  
investments.....

Non-Control/Non-Affiliate  
investments.....

Income tax  
benefit.....

Net realized gain (loss) on sales and dispositions of  
investments.....

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

Affiliate  
investments.....

Non-Control/Non-Affiliate  
investments.....

Change in unrealized depreciation before income  
taxes.....

Deferred income tax (benefit) expense  
.....

Net change in unrealized depreciation on  
investments.....

**Net realized and unrealized gain (loss) on  
investments.....**

**Net increase (decrease) in net assets from  
operations.....**

**Weighted average shares  
outstanding.....**

**Basic and diluted net increase (decrease) in net assets from operations per share**

.....

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

	<b>For the Quarter Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Net assets at beginning of period</b>	<b>\$54,058,653</b>	<b>\$31,979,602</b>	<b>\$53,628,516</b>	<b>\$31,524,187</b>
Net investment income (loss)	<b>198,739</b>	(143,300)	737,160	(120,533)
Net realized gain (loss) on sales and dispositions of investments	<b>18,595</b>	(332,509)	2,412,046	(301,378)
Net change in unrealized depreciation on investments	<b>206,237</b>	(871,740)	(2,295,498)	(470,223)
Net increase (decrease) in net assets from operations	<b>423,571</b>	(1,347,549)	853,708	(892,134)
Purchase of treasury shares	<b>(14,304)</b>	-	(14,304)	-
Payment of cash dividend	<b>(4,756,606)</b>	-	(4,756,606)	-
<b>Net assets at end of period</b>	<b>\$49,711,314</b>	<b>\$30,632,053</b>	<b>\$49,711,314</b>	<b>\$30,632,053</b>



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Source: Rand Capital Corporation