

# Rand Capital Reports Net Investment Income Per Share of \$0.11 for the Third Quarter 2020

- *Total investment income grew 68.5% over prior-year period to \$737 thousand*
- *Net investment income grew to \$280 thousand, or \$0.11 per share*
- *Invested \$3.0 million in yielding assets including \$1.9 million for a 12% note*
- *Net asset value of \$19.32 per share compared with \$19.21 per share as of June 30, 2020*
- *2,097 shares repurchased in September 2020 subsequent to adoption of 10b5-1 plan*

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, 2020.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand, commented, "We delivered solid results in the third quarter as we continue to advance the transformation of Rand. Since refocusing our business to become a regular dividend paying business development company, we have effectively increased our yielding assets and reduced our operating expenses. With our intention to elect regulated investment company tax status for 2020, we will be required to distribute at least 90% of our qualified net investment income in the form of a dividend. We expect to announce the plans for the distribution of this year's earnings and capital gains before year end and to establish a regular quarterly dividend for 2021."

## Third Quarter 2020 Highlights

- Net investment income grew to \$0.11 per share in the third quarter compared with a loss of \$0.09 per share in the prior-year period.
- Net asset value ("NAV") at September 30, 2020 was \$49.95 million, up \$0.24 million compared with \$49.71 million at June 30, 2020. The increase in NAV was primarily the result of the \$0.26 million increase in net assets from operations driven by the growth in net investment income.
- On a per share basis, NAV increased to \$19.32 per share compared with \$19.21 at June 30, 2020. The per share increase was primarily the result of the increase in net assets from operations, which contributed \$0.10 per share, and approximately \$0.01 of the increase was related to the repurchase of 2,097 shares in the quarter.
- At September 30, 2020, portfolio fair value increased \$3.1 million, or 8.0%, to \$41.7 million from \$38.6 million on June 30, 2020, primarily due to new investments made during the quarter.

## Third Quarter 2020 Operating Results

Total investment income of \$737 thousand for the third quarter of 2020 increased 68%, or \$300 thousand, over the prior-year period. The increase was primarily attributable to a 93%, or \$307 thousand, increase in total interest from portfolio companies reflecting the changed portfolio profile to include more interest and dividend yielding assets.

Total expenses declined 14% to \$456 thousand primarily due to \$74 thousand in savings realized with the externalization of investment management and administration.

Higher investment income and lower operating expenses drove net investment income growth to \$280 thousand compared with a net investment loss of \$66 thousand in the prior-year period.

### **Portfolio and Investment Activity**

As of September 30, 2020, Rand's portfolio consisted of 42 companies. At that date, the portfolio was comprised of approximately 56% in equity investments and 44% in fixed-rate debt investments. The annualized weighted average yield of debt investments was 10.5%.

During the quarter, Rand committed \$3.0 million in new investments which included:

- \$1.9 million in Science and Medicine Group through a 12% promissory note
- \$1.1 million in the public equity of three business development companies

### **Liquidity and Capital Resources**

During the quarter, the Company repurchased 2,097 shares of outstanding common stock for \$24 thousand under a \$1.5 million share repurchase authorization through a 10b5-1 plan that was effective in September 2020. The average purchase price per share was \$11.29 per share. Year to date, Rand has repurchased 3,397 shares of outstanding common stock for \$38 thousand.

Cash and cash equivalents at the end of the quarter was \$19.1 million and represented 38% of net assets. Approximately \$9.7 million of cash was available for corporate purposes and \$9.4 million was restricted to investments by the SBIC. Outstanding SBA leverage was \$11.0 million at the end of the quarter and there was \$3.0 million remaining available to draw on the SBA loan program. The earliest debenture maturity is in 2022 when \$3.0 million in borrowings are due.

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

### **Special Meeting of Shareholders**

Rand has filed a preliminary proxy statement with the Securities and Exchange Commission (SEC) for a special meeting of shareholders, scheduled for December 16, 2020, to approve new investment advisory and management agreements in response to the pending change in ownership of Rand's investment advisor, Rand Capital Management (RCM). The terms of the agreement are not changing from those contained in the Company's current agreements and the services provided by RCM and its investment processes are not expected to change, but the transfer of ownership of RCM requires shareholder approval of the new agreements. Details of the change of ownership of RCM are more fully described in the

preliminary proxy statement filed with the SEC.

## **Webcast and Conference Call**

Rand will host a conference call and live webcast today, November 6, 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, November 13, 2020. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13711508. 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 regulated investment company ("RIC") for U.S. federal tax purposes; the intention to make a distribution of the company's earnings and profits for 2020; the intention to establish a regular quarterly dividend in 2021; the effectiveness of Rand's new investment strategy, the impact of the change in ownership of Rand Capital Management, scope of services to be provided by Rand Capital Management and the investment processes to be used by Rand Capital Management each under the new investment advisory and management agreement with Rand; 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.*

FINANCIAL TABLES FOLLOW.

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

	September 30, 2020 (Unaudited)	December 31, 2019
<b><u>ASSETS</u></b>		
Investments at fair value:		
Affiliate investments (cost of \$22,859,230 and \$19,035,446, respectively)	<b>15,459,415</b>	12,151,435
Non- Control/Non-Affiliate investments (cost of \$26,961,995 and \$25,584,017, respectively)	<b>26,223,106</b>	24,869,357
Total investments, at fair value (cost of \$49,821,225 and \$44,619,463, respectively)	<b>41,682,521</b>	37,020,792
Cash and cash equivalents	<b>19,074,372</b>	25,815,720
Interest receivable (net of allowance: \$142,413 at 9/30/20 and \$166,413 at 12/31/19)	<b>457,501</b>	142,265
Deferred tax asset	-	1,204,198
Prepaid income taxes	<b>40,789</b>	343,096
Other assets	<b>53,732</b>	265,378
<b>Total assets</b>	<b>\$61,308,915</b>	<b>\$64,791,449</b>

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

**Liabilities:**

Debentures guaranteed by the SBA (net of debt issuance costs)	<b>\$10,815,169</b>	\$10,786,913
Amounts due to investment adviser	<b>\$ 152,447</b>	\$ 50,564
Accounts payable and accrued expenses	<b>82,785</b>	207,873
Deferred tax payable	<b>228,695</b>	-
Bonus payable	-	80,000
Deferred revenue	<b>79,666</b>	37,583
Total liabilities	<b>11,358,762</b>	11,162,933

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

Common stock, \$0.10 par; shares authorized 100,000,000; shares issued: 2,648,916 at 9/30/20 and 1,688,485 at 12/31/19; shares outstanding: 2,585,403 at 9/30/20 and 1,628,369 at 12/31/19	<b>2,384,547</b>	1,519,637
Capital in excess of par value	<b>34,142,455</b>	34,142,455
Treasury stock, at cost: shares: 63,513 at 9/30/20 and 60,116 at 12/31/19	<b>(1,507,093)</b>	(1,469,105)
Total distributable earnings	<b>14,930,244</b>	19,435,529
Total stockholders' equity (net assets) (per share – 9/30/20: \$19.32, 12/31/19: \$32.93)	<b>49,950,153</b>	53,628,516
<b>Total liabilities and stockholders' equity (net assets)</b>	<b>\$61,308,915</b>	\$64,791,449

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

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Investment income:</b>				
Interest from portfolio companies:				
Affiliate investments	<b>\$ 178,714</b>	\$ 217,953	<b>\$ 487,822</b>	\$ 632,705
Non-Control/Non-Affiliate investments	<b>456,160</b>	110,150	<b>1,253,439</b>	416,852
Total interest from portfolio companies	<b>634,874</b>	328,103	<b>1,741,261</b>	1,049,557
Interest from other investments:				
Non-Control/Non-Affiliate investments	<b>1,157</b>	36,797	<b>87,161</b>	108,146
Total interest from other investments	<b>1,157</b>	36,797	<b>87,161</b>	108,146
Dividend and other investment income:				
Affiliate investments	<b>13,125</b>	65,996	<b>39,375</b>	307,681

Non-Control/Non-Affiliate investments	80,212	-	161,525	-
Total dividend and other investment income	93,337	65,996	200,900	307,681
Fee income:				
Affiliate investments	5,000	3,607	10,417	11,460
Non-Control/Non-Affiliate investments	2,500	2,852	7,500	262,927
Total fee income	7,500	6,459	17,917	274,387
<b>Total investment income</b>	<b>736,868</b>	<b>437,355</b>	<b>2,047,239</b>	<b>1,739,771</b>
<b>Expenses:</b>				
Base management fee	152,438	-	434,201	-
Interest on SBA obligations	104,190	94,191	312,570	303,849
Professional fees	126,759	68,931	383,795	406,859
Stockholders and office operating	50,022	85,782	217,866	466,543
Directors' fees	28,375	30,124	85,125	87,372
Insurance	8,033	10,500	26,101	31,070
Corporate development	10,474	18,301	12,480	51,627
Other operating	107	604	572	3,413
Salaries	-	181,500	-	544,500
Employee benefits	-	40,606	-	143,705
Bad debt (recovery) expense	(24,000)	-	(24,000)	5,413
Total expenses	456,398	530,539	1,448,710	2,044,351
<b>Net investment income (loss) before income taxes</b>	<b>280,470</b>	<b>(93,184)</b>	<b>598,529</b>	<b>(304,580)</b>
Income tax benefit	-	(27,635)	(419,101)	(118,498)
<b>Net investment income (loss)</b>	<b>280,470</b>	<b>(65,549)</b>	<b>1,017,630</b>	<b>(186,082)</b>
<b>Net realized gain (loss) on sales and dispositions of investments:</b>				
Control investments	-	-	-	80,393
Affiliate investments	-	-	56,916	(472,632)
Non-Control/Non-Affiliate investments	-	-	2,355,130	-
Income tax benefit	-	-	-	(90,861)
Net realized gain (loss) on sales and dispositions of investments	-	-	2,412,046	(301,378)
<b>Net change in unrealized depreciation on investments:</b>				
Affiliate investments	-	(1,847,468)	(515,804)	(1,176,320)
Non-Control/Non-Affiliate investments	(17,947)	(1,749,661)	(24,229)	(3,020,961)
Change in unrealized depreciation before income taxes	(17,947)	(3,597,129)	(540,033)	(4,197,281)
Deferred income tax (benefit) expense	-	(783,790)	1,773,412	(913,719)

Net change in unrealized depreciation on investments	(17,947)	(2,813,339)	(2,313,445)	(3,283,562)
<b>Net realized and unrealized (loss) gain on investments</b>	<b>(17,947)</b>	<b>(2,813,339)</b>	<b>98,601</b>	<b>(3,584,940)</b>
<b>Net increase (decrease) in net assets from operations</b>	<b>\$ 262,523</b>	<b>\$(2,878,888)</b>	<b>\$ 1,116,231</b>	<b>\$(3,771,022)</b>
<b>Weighted average shares outstanding</b>	<b>2,587,155</b>	<b>702,443</b>	<b>2,162,308</b>	<b>702,443</b>
<b>Basic and diluted net increase (decrease) in net assets from operations per share</b>	<b>\$ 0.10</b>	<b>\$ (4.10)</b>	<b>\$ 0.52</b>	<b>\$ (5.37)</b>

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

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Net assets at beginning of period</b>	<b>\$ 49,711,314</b>	<b>\$ 30,632,053</b>	<b>\$53,628,516</b>	<b>\$ 31,524,187</b>
Net investment income (loss)	280,470	(65,549)	1,017,630	(186,082)
Net realized gain (loss) on sales and dispositions of investments	-	-	2,412,046	(301,378)
Net change in unrealized depreciation on investments	(17,947)	(2,813,339)	(2,313,445)	(3,283,562)
Net increase (decrease) in net assets from operations	262,523	(2,878,888)	1,116,231	(3,771,022)
Purchase of treasury shares	(23,684)	-	(37,988)	-
Payment of cash dividend	-	-	(4,756,606)	-
<b>Net assets at end of period</b>	<b>\$ 49,950,153</b>	<b>\$ 27,753,165</b>	<b>\$49,950,153</b>	<b>\$ 27,753,165</b>

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Source: Rand Capital Corporation