

# Rand Capital Reports 11% Increase in Total Investment Income for First Quarter 2022

- *Improved mix of interest yielding debt instruments drove 11% total investment income growth to \$1.1 million for the quarter compared with the prior-year period*
- *Net asset value per share (“NAV”) of \$23.23 at March 31, 2022, declined 1% from December 31, 2021 primarily due to changes in market value of portfolio holdings in publicly traded securities*
- *Total follow-on investments of \$542,000 to support portfolio companies’ growth*
- *Announced regular quarterly dividend of \$0.15 per share for second quarter 2022*
- *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 providing alternative financing for lower middle market companies, announced its results for the first quarter ended March 31, 2022.

Daniel P. Penberthy, President and Chief Executive Officer of Rand, commented, “The strong pace of investments made in 2021, which was comprised of over \$20 million in portfolio additions, drove a strong start to 2022. We delivered 11% growth in total investment income, paid a regular quarterly cash dividend of \$0.15 per share, which represented an increase over the quarterly dividends in 2021, and demonstrated solid operating leverage. We sold our investment in Social Flow, a non-strategic, long-held equity investment, and benefited from an exit value in excess of our fair value. Also, during the quarter we sold liquid public equity investments, including ACVA and BDC stock holdings, to generate cash and continue to fund new debt instrument investments.”

## First Quarter Highlights

- Total investment income grew 11% to \$1.1 million primarily due to increased interest income from portfolio companies.
- Total expenses were \$345,000 compared with \$3.2 million in the prior-year period. Capital gain incentive fees for the external investment adviser was a credit of \$240,000 compared with a \$2.6 million expense in the prior-year period. Excluding capital gains incentive fees, adjusted expenses, which is a non-GAAP financial measure, were \$585,000, up \$19,500, or 3%. Higher expenses included a \$65,000, or 37%, increase in the base management fee payable to Rand’s investment adviser due to the increase in asset values, as well as higher professional fees and directors’ fees. These increases were partially 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 \$772,000, or \$0.30 per share, compared with a loss of \$2.2 million, or \$0.84 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 \$0.21 for the first quarter of 2022 compared with \$0.17 in 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.*

## **Portfolio and Investment Activity**

As of March 31, 2022, Rand's portfolio included investments with a fair value of \$62.4 million across

33 portfolio businesses. This was down \$1.7 million, or 3%, from December 31, 2021, due primarily to the change in ACV Auctions' market value, net new investments and payoffs. At March 31, 2022, the portfolio was comprised of approximately 48% in debt investments, 33% in equity investments in private companies, and 19% in publicly traded equities consisting of other BDCs and ACV Auctions. The annualized weighted average yield of debt investments was 12.3%.

### ***First quarter 2022:***

- Follow on debt investment of \$318,000 in DSD Operating, LLC.
- Follow on equity investment of \$224,000 in ITA Acquisitions LLC.
- Received \$268,000 in proceeds for sale of Social Flow in February 2022.
- Sold 37,000 shares of ACV Auctions at an average price of \$13.82 per share. Rand held 405,934 shares at quarter-end, which represented approximately 10% of the portfolio's fair value.

## **Liquidity and Capital Resources**

Cash and cash equivalents at the end of the first quarter of 2022 were \$597,000 versus \$834,000 at the end of 2021. As of March 31, 2022, the Company held approximately \$5.6 million in public equities of other BDCs and \$6.1 million of ACV Auctions shares, all of which are available for future liquidity requirements including both RIC dividends and new portfolio investments.

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

## **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 additional Rand common stock. The shares may be repurchased from time to time in the open market and in accordance with applicable regulations of the Securities and Exchange Commission. 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 21, 2023, and may be suspended, terminated or

amended by the Board at any time prior to the expiration date.

## **Dividends**

On April 28, 2022, Rand declared its regular quarterly cash dividend distribution of \$0.15 per share. The cash dividend will be distributed on or about June 15, 2022, to shareholders of record as of June 1, 2022.

## **Webcast and Conference Call**

Rand will host a conference call and webcast on Monday, May 9, 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, May 16, 2022. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13729045. A transcript of the 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>March 31, 2022 (Unaudited)</b>	<b>December 31, 2021</b>
<b><u>ASSETS</u></b>		
Investments at fair value:		
Affiliate investments (cost of \$28,016,127 and \$27,357,797, respectively)	<b>\$30,938,203</b>	\$30,279,873
Non-Control/Non-Affiliate investments (cost of \$23,028,790 and \$25,012,871, respectively)	<b><u>31,473,439</u></b>	<u>33,788,589</u>
Total investments, at fair value (cost of \$51,044,917 and \$52,370,668, respectively)	<b>62,411,642</b>	64,068,462
Cash	<b>596,793</b>	833,875
Interest receivable	<b>195,797</b>	128,047
Prepaid income taxes	<b>234,567</b>	252,010
Deferred tax asset	<b>191,319</b>	181,003
Other assets	<b><u>295,103</u></b>	<u>181,457</u>
<b>Total assets</b>	<b><u>\$63,925,221</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>\$240,275</b>	\$891,102
Accounts payable and accrued expenses	<b>49,952</b>	51,689
Capital gains incentive fees	<b>3,308,000</b>	3,547,760
Deferred revenue	<b><u>379,268</u></b>	<u>408,887</u>
<b>Total liabilities</b>	<b>3,977,495</b>	4,899,438

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

Common stock, \$0.10 par; shares authorized 100,000,000;  
 shares issued:  
 2,648,916; shares outstanding: 2,581,021 at 3/31/22 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 3/31/22 and 12/31/21	<b>(1,566,605)</b>	(1,566,605)
Total distributable earnings	<b><u>9,569,630</u></b>	<u>10,367,320</u>
Total stockholders' equity (net assets) (per share – 3/31/22: \$23.23; 12/31/21: \$23.54)	<b><u>59,947,726</u></b>	<u>60,745,416</u>
<b>Total liabilities and stockholders' equity (net assets)</b>	<b><u>\$63,925,221</u></b>	<u>\$65,644,854</u>

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

	<b>Three months ended March 31, 2022</b>	<b>Three months ended March 31, 2021</b>
<b>Investment income:</b>		
Interest from portfolio companies:		
Affiliate investments	<b>\$570,116</b>	\$319,416
Non-Control/Non-Affiliate investments	<b>342,023</b>	391,346
Total interest from portfolio companies	<b><u>912,139</u></b>	<u>710,762</u>
Interest from other investments:		
Non-Control/Non-Affiliate investments	-	12,627
Total interest from other investments	-	<u>12,627</u>
Dividend and other investment income:		
Affiliate investments	<b>43,725</b>	94,926
Non-Control/Non-Affiliate investments	<b>129,265</b>	151,743
Total dividend and other investment income	<b><u>172,990</u></b>	<u>246,669</u>
Fee income:		
Affiliate investments	<b>30,305</b>	39,356
Non-Control/Non-Affiliate investments	<b>9,314</b>	6,978
Total fee income	<b><u>39,619</u></b>	<u>46,334</u>
<b>Total investment income</b>	<b><u>1,124,748</u></b>	<u>1,016,392</u>
<b>Expenses:</b>		
Base management fee	<b>240,275</b>	175,609
Capital gains incentive fees	<b>(239,760)</b>	2,600,000
Interest on SBA obligations	-	104,190

Professional fees	231,083	160,133
Stockholders and office operating	56,698	71,422
Directors' fees	45,100	36,500
Insurance	8,910	10,327
Corporate development	3,027	7,482
Other operating	45	-
Total expenses	345,378	3,165,663
<b>Net investment income (loss) before income taxes</b>	<b>779,370</b>	<b>(2,149,271)</b>
Income tax expense	7,367	17,757
<b>Net investment income (loss)</b>	<b>772,003</b>	<b>(2,167,028)</b>

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

Affiliate investments	-	135,430
Non-Control/Non-Affiliate investments	(851,471)	175,325
Net realized (loss) gain on sales and dispositions of investments	(851,471)	310,755

**Net change in unrealized appreciation (depreciation) on investments:**

Non-Control/Non-Affiliate investments	(331,069)	9,887,032
Net change in unrealized appreciation (depreciation) on investments	(331,069)	9,887,032

<b>Net realized and unrealized (loss) gain on investments</b>	<b>(1,182,540)</b>	<b>10,197,787</b>
<b>Net (decrease) increase in net assets from operations</b>	<b>(\$410,537)</b>	<b>\$8,030,759</b>
<b>Weighted average shares outstanding</b>	<b>2,581,021</b>	<b>2,582,169</b>
<b>Basic and diluted net (decrease) increase in net assets from operations per share</b>	<b>(\$0.16)</b>	<b>\$3.11</b>

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net assets at beginning of period	\$60,745,416	\$46,104,830
Net investment income (loss)	772,003	(2,167,028)

Net realized (loss) gain on sales and dispositions of investments	(851,471)	310,755
Net change in unrealized appreciation (depreciation) on investments	(331,069)	9,887,032
Net (decrease) increase in net assets from operations	(410,537)	8,030,759
Declaration of dividends	(387,153)	(258,385)
<b>Net assets at end of period</b>	<b>\$59,947,726</b>	<b>\$53,877,204</b>

**Rand Capital Corporation and Subsidiaries**  
**Reconciliation of Non-GAAP Adjusted 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 adjusted expenses, which is a non-GAAP financial measure. Adjusted expenses is defined as GAAP total expenses removing the effect of any expenses/(credits) for capital gains incentive fees. GAAP total 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 March 31, 2022</b>	<b>Three months ended March 31, 2021</b>
Total expenses	\$ 345,378	\$ 3,165,663
Exclude capital gains incentive fees	(239,760)	2,600,000
Adjusted expenses	<u>\$ 585,138</u>	<u>\$ 565,663</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.

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net investment income (loss) per share	\$ 0.30	\$ (0.84)
Capital gains incentive fees per share	(0.09)	1.01
Adjusted net investment income per share	\$ 0.21	\$ 0.17

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<https://www.businesswire.com/news/home/20220509005087/en/>

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Source: Rand Capital Corporation