

# Rand Capital Reports 31% Growth in Total Investment Income for 2021

- ***Strengthened debt portfolio, transaction fees and portfolio dividends drove total investment income of \$4.1 million in 2021, up 31% over 2020; Fourth quarter total investment income grew 17% to \$1.2 million***
- ***Net asset value per share (“NAV”) was \$23.54 at year-end, up 1% from September 30, 2021 and up 32% compared with \$17.86 per share at December 31, 2020***
- ***Total investments in the quarter were \$4.6 million and for the year totaled \$19.7 million***
- ***Rand repaid \$11 million of SBA obligations during the fourth quarter***
- ***Declared total dividends of \$0.44 per share in 2021***
- ***Announced regular quarterly dividend of \$0.15 per share for first quarter 2022, up 50% compared with quarterly dividends in 2021***

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 fourth quarter and year ended December 31, 2021.

Daniel P. Penberthy, President and Chief Executive Officer of Rand, commented, “We had an exceptional year in 2021 as we successfully advanced our portfolio transformation. Our exits generated strong capital gains, we invested \$19.7 million primarily in income yielding investments, and we distributed \$4.6 million in dividends. We continued to evolve our portfolio into an income producing debt portfolio. In fact, the portfolio is now comprised of 55% of income producing assets, which includes debt investments as well as dividend paying equity investments.”

Mr. Penberthy continued, “Beyond our portfolio, there were many other changes that occurred at Rand in the last quarter. We had a change in leadership, we paid off our SBA obligations and surrendered our SBIC license. We have positioned the Company for financial flexibility that will enable us to continue to grow investment income, expand our portfolio and provide total return to our shareholders.”

## Fourth Quarter Highlights

- Total investment income grew 17% to \$1.2 million due to increased interest income from portfolio companies and higher dividend income.
- Total expenses were \$923,000 compared with \$526,000 in the prior-year period. The Company accrued capital gains incentive fees of \$86,000 during the quarter resulting from portfolio valuation changes and their related impact to the gains calculation. There was no similar accrual of fees in the prior-year period. Excluding the capital gains

incentive fee accrual, adjusted expenses, which is a non-GAAP financial measure, were \$837,000, up \$311,000, or 59%. This increase was mostly due to an increase in the base management fee payable to Rand's investment adviser resulting from higher asset values year-over-year, and an increase in interest expense as the Company pre-paid two additional months of interest and expensed prior capitalized loan fees as part of the SBA payoff. *See the attached description of this non-GAAP financial measure and reconciliation table for adjusted expenses.*

- Net investment income was \$320,000, or \$0.12 per share, compared with \$738,000, or \$0.29 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 \$0.16 for the fourth quarter of 2021. *See the attached description of this non-GAAP financial measure and reconciliation table for adjusted net investment income per share.*

## 2021 Highlights

- Total investment income of \$4.1 million increased \$973,000, or 31%, due to similar reasons as the fourth quarter.
- Total expenses were \$6.7 million compared with \$2.0 million in the prior year. The change was largely due to the accrual of \$4.2 million of capital gains incentive fees during the year compared with no similar accrual of fees in the prior-year period. The capital gains incentive fee accrual reflects realized gains from the sale of Rand's investment in GiveGab and Centivo Corporation and the increase in unrealized appreciation mostly related to ACV Auctions (Nasdaq: ACVA), Open Exchange and Tilson Technologies.
- Excluding the capital gains incentive fee accrual, adjusted expenses, which is a non-GAAP financial measure, increased \$495,000, or 25%, to \$2.5 million due to similar reasons as in the fourth quarter. *See the attached description of this non-GAAP financial measure and reconciliation table for adjusted expenses.*
- Net investment loss per share was \$1.01 for the year compared with net investment income of \$0.68 per share in the prior year. Excluding the capital gains incentive fee accrual, adjusted net investment income per share was \$0.62 for 2021 compared with \$0.68 for 2020. The prior-year period did reflect a tax benefit related to the intent to elect status as a regulated investment company for U.S. federal income tax purposes. *See the attached description of this non-GAAP financial measure and reconciliation table for adjusted net investment income per share.*
- Net assets at December 31, 2021 were \$60.7 million, up 1% from September 30, 2021. The increase reflects higher fair market values of Rand's investments in Empire Genomics and SciAps; the sale of ACV stock and increase in its share price; and a loan payoff from Mercantile Adjustment Bureau. These increases were somewhat offset by valuation adjustments to several portfolio companies. Net assets were up 32% from December 31, 2020, mostly due to the changes from the fourth quarter and higher fair market values of Rand's investment in Open Exchange and Tilson Technologies.

## Portfolio and Investment Activity

As of December 31, 2021, Rand's portfolio consisted of 34 companies with a fair value of \$64.1 million. This was up \$2.0 million, or 3%, from September 30, 2021 and up \$24.1

million, or 60%, from

December 31, 2020 due primarily to investments and valuation changes. At December 31, 2021, the portfolio was comprised of approximately 46% in debt investments, 32% in equity investments in private companies, and 22% in publicly traded equities including other BDCs and ACV Auctions. The annualized weighted average yield of debt investments was 12.3%.

#### ***Fourth quarter 2021:***

- Funded \$2.25 million to Nailbiter, Inc., a Reston, VA, based company providing behavioral videometrics on a consumer research platform that captures and converts real shopping behavior in-store and online into actionable metrics for global CPG (consumer packaged goods) companies. This equity investment has the economic traits of a 10% subordinated secured promissory note and warrants for preferred stock.
- Funded \$1.75 million to Applied Image, Inc., which consisted of a senior secured subordinated note at 10% and equity warrants. Applied Image is headquartered in Rochester, NY, and is a global supplier of precision imaged optical components and calibration standards for a wide range of industries and applications.
- Follow on debt investment of \$500,000 in Seyberts Billiard Corporation.
- Follow on equity investment of \$64,000 in Filterworks Acquisition USA.
- Sold 97,646 shares of ACV Auctions at an average price of \$20.43 per share. Rand still held 442,934 shares at quarter-end.
- Received final \$1.0 million loan and warrant repayment from Mercantile Adjustment Bureau.
- Exchanged 100% of equity holdings in Empire Genomics into a \$1.0 million secured promissory note at 8%.
- Exited equity investment in First Wave Technologies.

#### ***Full year 2021:***

- Invested a total of \$19.7 million across eight transactions, which largely consisted of interest yielding assets and included \$2.1 million in publicly traded BDCs.
- Exited five equity holdings in private companies netting realized gains of \$2.7 million.
- Sold Apollo Investment Corporation (Nasdaq: AINV) and ACV Auctions public securities for \$3.1 million in gains.
- Received \$4.9 million from repaid loans.

### **Liquidity and Capital Resources**

Cash and cash equivalents at year-end was \$834,000, which reflected the \$11 million in SBA debt that was repaid during the fourth quarter as well as new investments and dividend payments during the year. The Company holds approximately \$5.6 million in public equities of BDCs and 442,934 shares of ACV Auctions, which are available for future liquidity requirements.

The Company repurchased 1,148 shares of its outstanding common stock for \$20,771 in 2021. The average purchase price was \$18.09 per share.

### **Dividends**

On December 10, 2021, the Board declared a \$0.14 per share dividend distribution, which was paid during the quarter, to shareholders of record as of December 20, 2021. The dividend consisted of a regular quarterly dividend of \$0.10 per share and a net supplemental dividend of \$0.04 per share that included the spill over from additional taxable income generated in 2020 and short-term gains in 2021, offset by increased expenses related to Rand's surrender of its SBIC license and fees payable for capital gains.

During 2021, Rand paid a total of \$4.6 million in dividends, which included the four regular quarterly dividends, the year-end 2021 supplemental dividend and the \$1.33 per share dividend for 2020 that was paid in January 2021.

On February 28, 2022, Rand declared its regular quarterly cash dividend distribution of \$0.15 per share, which represented a \$0.05, or 50%, increase from the regular quarterly dividends paid in 2021. The cash dividend will be distributed on or about March 28, 2022, to shareholders of record as of March 14, 2022.

### **Webcast and Conference Call**

Rand will host a conference call and webcast on Friday, March 11, 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) under the "Investor Relations" heading. 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 Friday, March 18, 2022. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13725928. 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). 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, the effectiveness of changes in leadership; 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**  
*(Audited)*

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b><u>ASSETS</u></b>		
Investments at fair value:		
Affiliate investments (cost of \$27,357,797 and \$14,835,885, respectively)	<b>\$30,279,873</b>	\$13,891,199
Non-Control/Non-Affiliate investments (cost of \$25,012,871 and \$25,884,428, respectively)	<b>33,788,589</b>	26,157,302
Total investments, at fair value (cost of \$52,370,668 and \$40,720,313, respectively)	<b>64,068,462</b>	40,048,501
Cash and cash equivalents	<b>833,875</b>	20,365,415
Interest receivable (net of allowance of \$0 and \$15,000, respectively)	<b>128,047</b>	258,186
Prepaid income taxes	<b>252,010</b>	220,740
Deferred tax asset	<b>181,003</b>	-
Other assets	<b>181,457</b>	74,100
	<b>\$65,644,854</b>	\$60,966,942
<b>Total assets</b>		

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

<b>Liabilities:</b>			
Due to investment adviser	\$	891,102	\$ 156,999
Accounts payable and accrued expenses		51,689	171,373
Capital gains incentive fees		3,547,760	-
Deferred revenue		408,887	153,895
Deferred tax payable		-	121,141
Debentures guaranteed by the SBA (net of debt issuance costs)		-	10,824,587
Dividend payable		-	3,434,117
Total liabilities		<u>4,899,438</u>	<u>14,862,112</u>
<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 12/31/21 and 2,582,169 at 12/31/20			
		264,892	264,892
Capital in excess of par value		51,679,809	52,003,545
Treasury stock, at cost: 67,895 shares at 12/31/21 and 66,747 shares at 12/31/20		(1,566,605)	(1,545,834)
Total distributable earnings		<u>10,367,320</u>	<u>(4,617,773)</u>
Total stockholders' equity (net assets) (per share - 2021: \$23.54, 2020: \$17.86)		<u>60,745,416</u>	<u>46,104,830</u>
<b>Total liabilities and stockholders' equity (net assets)</b>		<u><b>\$65,644,854</b></u>	<u><b>\$60,966,942</b></u>

**Rand Capital Corporation and Subsidiaries  
Consolidated Statements of Operations**

	<i>(Unaudited)</i>		<i>(Audited)</i>	
	<b>For the Quarter Ended December 31,</b>		<b>For the Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Investment income:</b>				
Interest from portfolio companies:				
Control investments	\$ 11,303	\$ -	\$ 23,068	\$ -
Affiliate investments	517,539	179,147	1,541,507	666,969
Non-Control/Non-Affiliate investments	378,043	541,535	1,453,059	1,794,974
Total interest from portfolio companies	<u>906,885</u>	<u>720,682</u>	<u>\$ 3,017,634</u>	<u>2,461,943</u>
Interest from other investments:				

Non-Control/Non-Affiliate investments	533	623	13,876	87,784
Total interest from other investments	533	623	13,876	87,784
Dividend and other investment income:				
Affiliate investments	145,589	79,355	354,536	118,730
Non-Control/Non-Affiliate investments	128,965	147,826	533,643	309,351
Total dividend and other investment income	274,554	227,181	888,179	428,081
Fee income:				
Affiliate investments	36,912	5,000	114,697	15,417
Non-Control/Non-Affiliate investments	17,647	102,194	41,917	109,694
Total fee income	54,559	107,194	156,614	125,111
<b>Total investment income</b>	<b>1,236,531</b>	<b>1,055,680</b>	<b>4,076,303</b>	<b>3,102,919</b>
<b>Expenses:</b>				
Base management fee	238,904	155,318	858,144	589,519
Capital gains incentive fees	86,000	-	4,200,000	-
Interest on SBA obligations	304,700	104,190	617,270	416,760
Professional fees	200,195	185,062	578,577	568,857
Shareholders and office operating	38,878	40,400	223,381	258,266
Directors' fees	39,050	31,375	153,500	116,500
Insurance	9,698	7,767	38,635	33,868
Corporate development	4,372	2,066	14,702	14,546
Bad debt (recovery)	-	-	(15,000)	(24,000)
Other operating	998	90	1,106	662
Total expenses	922,795	526,268	6,670,315	1,974,978
<b>Net investment income (loss) before income taxes</b>	<b>313,736</b>	<b>529,412</b>	<b>(2,594,012)</b>	<b>1,127,941</b>
Income tax (benefit) expense	(6,119)	(209,086)	10,896	(628,187)
<b>Net investment income (loss)</b>	<b>319,855</b>	<b>738,498</b>	<b>(2,604,908)</b>	<b>1,756,128</b>
<b>Net realized gain (loss) on sales and dispositions of investments:</b>				
Control investments	(308,676)	-	(308,676)	-
Affiliate investments	57,215	(7,984,468)	192,645	(7,927,552)
Non-Control/Non-Affiliate investments	1,342,349	(410,857)	5,936,385	1,944,273

Net realized gain (loss) on sales and dispositions of investments	<b>1,090,888</b>	(8,395,325)	<b>5,820,354</b>	(5,983,279)
<b>Net change in unrealized depreciation or appreciation on investments:</b>				
Control investments	<b>1,151,021</b>	-	<b>1,151,021</b>	-
Affiliate investments	<b>(233,249)</b>	6,455,129	<b>3,414,050</b>	5,939,325
Non-Control/Non-Affiliate investments	<b>(1,597,207)</b>	1,011,763	<b>7,804,535</b>	987,534
Change in unrealized depreciation or appreciation before income taxes	<b>(679,435)</b>	7,466,892	<b>12,369,606</b>	6,926,859
Deferred income tax (benefit) expense	<b>(213,327)</b>	182,530	<b>(212,376)</b>	1,955,942
Net change in unrealized depreciation or appreciation on investments	<b>(466,108)</b>	7,284,362	<b>12,581,982</b>	4,970,917
<b>Net realized and unrealized gain (loss) on investments</b>	<b>624,780</b>	(1,110,963)	<b>18,402,336</b>	(1,012,362)
<b>Net increase (decrease) in net assets from operations</b>	<b>\$ 944,635</b>	<b>\$ (372,465)</b>	<b>\$15,797,428</b>	<b>\$ 743,766</b>
<b>Weighted average shares outstanding</b>	<b>2,581,021</b>	2,583,622	<b>2,581,707</b>	2,268,356
<b>Basic and diluted net increase (decrease) in net assets from operations per share</b>	<b>\$ 0.37</b>	<b>\$ (0.14)</b>	<b>\$ 6.12</b>	<b>\$ 0.33</b>

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

	<u>2021</u>	<u>2020</u>
Net assets at beginning of year	<b>\$46,104,830</b>	\$53,628,516
Net investment (loss) income	<b>(2,604,908)</b>	1,756,128
Net realized gain (loss) on sales and dispositions of investments	<b>5,820,354</b>	(5,983,279)
Net change in unrealized appreciation/depreciation on investments	<b>12,581,982</b>	4,970,917
Net increase in net assets from operations	<b>15,797,428</b>	743,766
Declaration of dividends	<b>(1,136,071)</b>	(8,190,723)
Purchase of treasury shares	<b>(20,771)</b>	(76,729)
Net assets at end of year	<b>\$60,745,416</b>	\$46,104,830

**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 are defined as GAAP Total expenses less any expenses 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 December 31, 2021</b>	<b>Three months ended December 31, 2020</b>	<b>Year ended December 31, 2021</b>	<b>Year ended December 31, 2020</b>
Total expenses	\$ 922,795	\$ 526,268	\$ 6,670,315	\$ 1,974,978
Exclude capital gains incentive fees	<b>86,000</b>	-	<b>4,200,000</b>	-
Adjusted expenses	<b>\$ 836,795</b>	\$ 526,268	<b>\$ 2,470,315</b>	\$ 1,974,978

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

In addition to reporting Net Investment (Loss) Income per Share, which is a U.S. generally accepted accounting principle (“GAAP”) financial 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 Income (Loss) per Share plus any capital gains incentive fees per share. 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 December 31, 2021</b>	<b>Three months ended December 31, 2020</b>	<b>Year ended December 31, 2021</b>	<b>Year ended December 31, 2020</b>
Net Investment Income (Loss) per Share	\$ 0.12	\$ 0.29	\$ (1.01)	\$ 0.68
Capital gains incentive fees per share	<b>0.04</b>	-	<b>1.63</b>	-
Adjusted Net Investment Income per Share	<b>\$ 0.16</b>	\$ 0.29	<b>\$ 0.62</b>	\$ 0.68

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**Company:**

Daniel P. Penberthy

President and CEO

Phone: 716.853.0802

Email: [dpenberthy@randcapital.com](mailto:dpenberthy@randcapital.com)

**Investors:**

Deborah K. Pawlowski

Kei Advisors LLC

Phone: 716.843.3908

Email: [dpawlowski@keiadvisors.com](mailto:dpawlowski@keiadvisors.com)

Source: Rand Capital Corporation