

Rand Capital Announces Fourth Quarter and Full Year 2018 Results

- ***Received \$6 million SBIC funding commitment***
- ***Invested \$2.5 million in eight companies during the year; included one addition to the Rand portfolio***
- ***Net Asset Value per share grew to \$4.99 at December 31, up \$0.15 in fourth quarter driven by investment appreciation***
- ***Announced proposed investment of \$25 million by East Asset Management***

BUFFALO, N.Y.--(BUSINESS WIRE)-- [Rand Capital Corporation](#) (Nasdaq: RAND) (“Rand”), a venture capital company which invests in growth businesses with unique product, service or technology concepts, announced its results for the quarter and year ended December 31, 2018.

Allen F. (“Pete”) Grum, President and Chief Executive Officer of Rand Capital, commented, “We are diligently working with East Asset Management on the proposed \$25 million investment in Rand, announced in late January. This will be an exciting and transformational event for Rand and our shareholders.”

He added, “As previously announced, we were pleased to receive a \$6 million funding commitment from the U.S. Small Business Administration in December. Our investing activity increased to a more normal level in the fourth quarter, as we provided capital to five companies in support of their growth plans.”

Fourth Quarter and Full Year 2018 Financial Highlights

- Reported \$4.99 net asset value (NAV) per share at December 31, 2018, compared with \$4.84 at September 30, 2018 and \$5.05 at December 31, 2017
 - Sequential improvement was primarily driven by net appreciation in certain portfolio investments, in accordance with the Company’s valuation policy.
 - Decline compared with the year-ago value was primarily due to net realized losses on dispositions of certain portfolio investments.
- For the full year, invested in eight companies totaling \$2.5 million
- During the fourth quarter, invested \$1.1 million
 - Included \$600,000 in a new portfolio company, Tech 2000, Inc.
 - Supported four existing portfolio companies with follow-on investments:
 - Genicon Inc., \$250,000
 - BeetNPath, LLC, \$122,628
 - Tilson Technology Management, Inc., \$100,000

- Empire Genomics, LLC, \$50,000
- Investment income increased 76% and 45% over the prior-year fourth quarter and full year, respectively, driven by higher interest and dividends as well as nonrecurring distribution income and nonrecurring loan restructuring income
- At December 31, 2018, portfolio fair value was \$34.7 million and consolidated cash was \$4.0 million
- During the fourth quarter, received a \$6 million SBIC funding commitment, and drew down \$750,000 to fund investment activity and operations

Total investment income in the fourth quarter of 2018 grew 76% to \$668,000, up from \$380,000 in the fourth quarter of 2017. The \$288,000 increase included approximately \$114,000 of incremental interest and \$156,000 of incremental dividends and other distributions, as well as increases in other income. Total expenses in the 2018 and 2017 fourth quarters were \$684,000 and \$448,000, respectively. Excluding bonuses, 2018 fourth quarter expenses were \$559,000, compared with \$436,000 last year. The increase was driven by higher professional fees primarily due to the pending strategic investment that was announced on January 25, 2019.

Total investment income was \$2.1 million and \$1.5 million for the years ended December 31, 2018 and 2017, respectively. The growth was driven by higher interest and dividend income as well as loan restructuring income in the third quarter. Total expenses for the year were approximately

\$2.2 million in 2018, up from \$2.0 million in 2017.

Selected Portfolio Highlights

- [**Tech 2000, Inc.**](#) is a Cisco Training Partner offering a variety of training courses and certifications. For more than 25 years, the company has worked with Fortune 500 companies to develop and deliver solutions to support their IT training needs. From traditional classroom and computer-based training, to virtual delivery and today's enhanced eLearning, Tech 2000 is a leader in the delivery of knowledge and skills. They are on the forefront of providing next generation learning and training solutions to meet the individual needs of their clients. Their recent financing provides the company with capital to continue to expand and leverage ongoing industry advancements to better serve its customers. Tech 2000 is the newest addition to the Rand portfolio, with a debt investment valued at approximately \$611,000 at December 31, 2018.
- [**Knoa Software, Inc.**](#) is a leading provider of user experience management software. They deliver solutions that generate unique insights for the optimization of the end-user experience and improved efficiencies for enterprise applications from vendors including SAP, Oracle and others. Knoa's patented software provides CIOs and business executives the actionable metrics needed to ensure that organizations and end-users realize the full value of their software investment. SAP resells Knoa's solution under the name SAP User Experience Management by Knoa. As evidence of their market penetration, in 2018, Knoa's cloud revenue accelerated by more than 250% and its total number of cloud customers doubled. Additionally, they closed on

their largest cloud deal in their history in 2018. At December 31, 2018 Rand's investment in Knoa Software was valued at approximately \$1.2 million.

- **[Microcision, LLC](#)** is a leading manufacturer of medical device implants and instrumentation. From product development through production, Microcision capabilities include complex turning, drilling, cross-drilling, threading and milling of small parts made from all medical grade metals and plastics. The company has invested millions of dollars in state-of-the-art CNC technology, training, information and tracking systems, allowing Microcision to produce the most complex configurations in the most cost-effective manner. The company's financial results led to Rand increasing the fair value of its investment in the fourth quarter. At December 31, 2018 Rand's investment in Microcision was valued at approximately \$2.5 million.

As of December 31, 2018, Rand's portfolio consisted of 30 active companies. At that date, the portfolio was comprised of approximately 59% in equity investments and 41% in debt investments, compared with 57% in equity investments and 43% in debt investments at December 31, 2017.

Webcast and Conference Call

Rand will host a conference call and live webcast today, March 7, 2019, at 4:30 p.m. Eastern Time to review its financial condition and results for the 2018 fourth quarter and full year, 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 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 under the "Investor Relations" heading.

A telephonic replay will be available from 7:30 p.m. ET on the day of the call through Thursday, March 14, 2019. To listen to the archived call, dial (412) 317-6671 and enter replay pin number 13687508. The webcast replay will be available in the Investors section at www.randcapital.com, where a transcript will also be posted once available.

ABOUT RAND CAPITAL

Rand Capital (Nasdaq: RAND) provides investors the ability to participate in venture capital opportunities through an investment in the Company's stock. Rand is a 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). Rand focuses its equity investments in early

or expansion stage companies and generally lends to more mature companies. The Company seeks investment opportunities in businesses with strong leaders who are bringing to market new or unique products, technologies or services that have a high potential for growth. Additional information can be found at the Company's website where it regularly posts information: <http://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 expected timing of the closing of the proposed transactions; the ability of the parties to complete the proposed transactions considering the various closing conditions, including receipt of necessary shareholder approvals and approval from the Small Business Administration; the intention of Rand Capital to elect to be become a regulated investment company for U.S. federal tax purposes; the intention to declare and pay a special cash and stock dividend upon the closing of the proposed transactions; the intention to pay a regular cash dividend after the completion of the proposed transactions; the expected benefits of the proposed transactions such as a lower expense-to-asset ratio for Rand Capital, increased net investment income, availability of additional resources, expanded access to and sourcing platform for new investments and streamlining of operations under the external management structure; the business strategy of originating additional income producing investments; the competitive ability and position of Rand Capital following completion of the proposed transactions; 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) that one or more closing conditions to the transactions may not be satisfied or waived, on a timely basis or otherwise, including that the SBA may not approve the proposed transactions or that the required approvals by the shareholders of Rand Capital may not be obtained; (2) the risk that the proposed transactions may not be completed in the time frame expected by parties, or at all; (3) the risk that Rand Capital may be unable to fulfill the conditions required in order to elect to be treated as a regulated investment company for U.S. federal tax purposes; (4) uncertainty of the expected financial performance of Rand Capital following completion of the proposed transactions; (5) failure to realize the anticipated benefits of the proposed transactions, including as a result of delay in completing the proposed transactions; (6) the risk that Rand Capital is unable to declare the special cash and stock dividend or pay regular dividends on a going forward basis; (7) the occurrence of any event that could give rise to termination of the stock purchase agreement; (8) the risk that shareholder litigation in connection with the proposed transactions may affect the timing or occurrence of the contemplated transactions or result in significant costs of defense, indemnification and liability; (9) evolving legal, regulatory and tax regimes; (10) changes in general economic and/or industry specific conditions; and (11) other risk factors as detailed from time to time in Rand Capital’s reports filed with the Securities and Exchange Commission (“SEC”), including Rand Capital’s annual report on Form 10-K for the year ended December 31, 2018, quarterly reports on Form 10-Q, current reports on Form 8-K and other documents filed with the SEC. Consequently, such forward-looking statements should be regarded as Rand Capital’s current plans, estimates and beliefs. Except as required by applicable law, Rand Capital 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**

	December 31,	
	2018	2017
<u>ASSETS</u>		
Investments at fair value:		
Control investments (cost of \$99,500)	\$ 99,500	\$ 99,500
Affiliate investments (cost of \$20,708,659 and \$20,871,129, respectively)	17,026,091	17,016,795
Non-Control/Non-Affiliate investments (cost of \$17,483,984 and \$15,718,690, respectively)	17,541,213	15,167,767
Total investments, at fair value (cost of \$38,292,143 and \$36,689,319, respectively)	34,666,804	32,284,062
Cash and cash equivalents	4,033,792	6,262,039
Interest receivable (net of allowance: \$161,000)	145,532	231,048
Deferred tax asset	525,198	551,863
Prepaid income taxes	1,138,708	762,047
Other assets	11,690	42,854
Total assets	\$40,521,724	\$40,133,913
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)</u>		
Liabilities:		
Debentures guaranteed by the SBA (net of debt issuance costs)	\$ 8,554,443	\$ 7,855,173
Profit sharing and bonus payable	125,000	144,000
Accounts payable and accrued expenses	245,758	178,348
Deferred revenue	72,336	37,707
Total liabilities	8,997,537	8,215,228
Stockholders' equity (net assets):		
Common stock, \$0.10 par; shares authorized 10,000,000; shares issued 6,863,034;		
shares outstanding of 6,321,988 at 12/31/18 and 12/31/17	686,304	686,304
Capital in excess of par value	10,581,789	10,581,789
Accumulated net investment loss	(1,665,552)	(1,597,146)
Undistributed net realized gain on investments	26,221,443	27,215,738
Net unrealized depreciation on investments	(2,830,692)	(3,498,895)
Treasury stock, at cost: 541,046 shares	(1,469,105)	(1,469,105)
Total stockholders' equity (net assets) (per share 2018: \$4.99; 2017: \$5.05)	31,524,187	31,918,685

Total liabilities and stockholders' equity (net assets) **\$40,521,724** **\$40,133,913**

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

	<u>For the Quarter Ended December 31,</u>		<u>For the Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Investment income:				
Interest from portfolio companies:				
Affiliate investments	\$ 225,648	\$ 147,461	\$ 741,432	\$ 563,708
Non-Control/Non-Affiliate investments	209,755	174,202	757,308	591,608
Total interest from portfolio companies	435,403	321,663	1,498,740	1,155,316
Interest from other investments:				
Non-Control/Non-Affiliate investments	16,897	6,579	37,614	30,761
Total interest from other investments	16,897	6,579	37,614	30,761
Dividend and other investment income:				
Control investments	60,000	-	60,000	-
Affiliate investments	142,419	43,739	318,324	233,544
Non-Control/Non-Affiliate investments	-	2,472	6,058	10,070
Total dividend and other investment income	202,419	46,211	384,382	243,614
Fee income:				
Affiliate investments	4,042	2,166	15,667	8,416
Non-Control/Non-Affiliate investments	9,564	3,368	170,551	16,675
Total fee income	13,606	5,534	186,218	25,091
Total investment income	668,325	379,987	2,106,954	1,454,782
Expenses:				
Salaries	169,875	165,411	679,499	661,650
Bonus and profit sharing	125,000	12,000	125,000	12,000
Employee benefits	45,977	22,256	194,818	160,779

Directors' fees	36,627	34,876	128,750	142,499
Professional fees	186,386	46,308	407,159	356,936
Stockholders and office operating	53,173	55,795	230,050	249,085
Insurance	6,599	6,258	34,187	31,876
Corporate development	20,647	15,264	62,117	65,202
Other operating	11,102	12,620	21,092	20,675
	655,386	370,788	1,882,672	1,700,702
Interest on SBA obligations	78,594	77,569	311,000	310,275
Bad debt recovery	(50,342)	-	-	-
Total expenses	683,638	448,357	2,193,672	2,010,977
Net investment loss before income taxes	(15,313)	(68,370)	(86,718)	(556,195)
Income tax expense (benefit)	6,495	(347,936)	(18,312)	(536,897)
Net investment (loss) gain	(21,808)	279,566	(68,406)	(19,298)
Net realized (loss) gain on sales and dispositions of investments:				
Affiliate investments	(338,469)	-	(1,464,142)	-
Non-Control/Non-Affiliate investments	-	138,240	-	138,240
Net realized (loss) gain on sales and dispositions before income tax (benefit) expense	(338,469)	138,240	(1,464,142)	138,240
Income tax (benefit) expense	(63,108)	49,556	(469,847)	49,556
Net realized (loss) gain on sales and dispositions of investments	(275,361)	88,684	(994,295)	88,684
Net change in unrealized depreciation or appreciation on investments:				
Affiliate investments	438,975	794,990	608,207	129,315
Non-Control/Non-Affiliate investments	1,073,071	(81,715)	171,711	(404,023)
Change in unrealized depreciation or appreciation before income tax expense (benefit)	1,512,046	713,275	779,918	(274,708)
Deferred income tax expense	278,366	855,316	111,715	505,356
Net change in unrealized depreciation or appreciation on investments	1,233,680	(142,041)	668,203	(780,064)

Net realized and unrealized gain (loss) on investments	<u>958,319</u>	<u>(53,357)</u>	<u>(326,092)</u>	<u>(691,380)</u>
Net increase (decrease) in net assets from operations	<u>\$ 936,511</u>	<u>\$ 226,209</u>	<u>\$ (394,498)</u>	<u>\$ (710,678)</u>
Weighted average shares outstanding	6,321,988	6,321,988	6,321,988	6,321,988
Basic and diluted net increase (decrease) in net assets from operations per share	<u>\$ 0.15</u>	<u>\$ 0.04</u>	<u>\$ (0.06)</u>	<u>\$ (0.11)</u>

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