

Rand Capital Announces Third Quarter 2018 Results

- *Net Asset Value per share was \$4.84 at September 30*
- *Several portfolio companies on pace for significant revenue growth*

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 nine months ended September 30, 2018.

Allen F. (“Pete”) Grum, President and Chief Executive Officer of Rand Capital, commented, “During the third quarter we invested \$140,000 in a convertible secured note supporting BeetNPath’s ongoing growth. As we previously reported, earlier this year the company updated its brand look and feel, and introduced new packaging for its frozen entrée product line.”

Third Quarter 2018 Financial Highlights

- Reported \$4.84 net asset value (NAV) per share at September 30, 2018, compared with \$4.87 at June 30, 2018. The decrease was primarily due to a realized loss upon the sale of a portfolio company, partially offset by a tax benefit.
- Supported an existing portfolio company, BeetNPath, LLC, by investing \$140,000 during the quarter.
- Investment income increased 66% and 34% over the prior-year third quarter and nine month periods, respectively, driven by nonrecurring loan restructuring income in the third quarter.
- At September 30, 2018, portfolio fair value was \$32.2 million and consolidated cash was \$4.4 million.

Total investment income in the third quarter of 2018 grew to \$662,000, up from \$397,000 in the third quarter of 2017. The \$265,000 increase included approximately \$233,000 of nonrecurring interest and debt modification fee income upon a portfolio company loan restructuring. The remaining \$32,000 increase represented an 8% increase over the third quarter of 2017. Total expenses in the 2018 and 2017 third quarters were \$448,000 and \$439,000, respectively. The 2% increase is primarily due to higher professional fees, partially offset by a bad debt recovery.

Total investment income was \$1.4 million and \$1.1 million for the first nine months ended September 30, 2018 and 2017, respectively. The growth was driven by the loan

restructuring income noted above as well as the Company's investment focus on income-generating instruments. Total expenses for the first nine months of 2018 and 2017 were \$1.5 million and \$1.6 million, respectively.

Selected Portfolio Highlights

- **[Genicon, Inc.](#)** is recognized as an emerging leader in the design, production, and distribution of patented surgical instrumentation focused exclusively on laparoscopic surgery. The company reports increasing market penetration, with revenue up 38% over the prior year. Recent new contract wins or expansions from [HealthTrust Purchase Group](#), [Vizient](#), and Germany-based [Helios](#) are expected to lead to further revenue and profit growth. Additionally, six new inventions, as well as registration and market approval in Saudi Arabia, are expected to be catalysts for further global market acceptance of Genicon's growing product offering. At September 30, 2018, Genicon was Rand's highest valued investment, at approximately \$4.2 million.
- **[Tilson Technology Management, Inc.](#)** provides network deployment and information system professional services to telecom, construction, utility and government clients, and successfully executes complex and challenging projects worldwide. Tilson was recently ranked eight consecutive years on the [Inc. 5000](#) list, the most prestigious ranking of the fastest-growing private companies in the U.S. Only a fraction of companies on the list have ranked more than once, and less than 2% have made the list eight or more times, according to Inc. Media. Additionally, Tilson projects 2018 revenue growth of over 50%, and a similar trajectory in 2019. The company's ongoing growth is being driven by its differentiated capability to lead technology advancement in support of expanding 5G infrastructure deployment. At September 30, 2018, Rand's investment in Tilson was valued at \$2.5 million.
- **[GiveGab, Inc.](#)** is the Nonprofit Giving Platform, providing a quick and easy way for fundraising professionals to raise money online. Synergies from GiveGab's acquisition of Kimbia earlier this year include adopting the best practices and platforms of each company to drive the growth of the combined organization. The company's 2018 giving transaction volume is on pace to grow at a rate of approximately 10x over 2017 – when it grew about 5x over 2016. Over the past three years, GiveGab has expanded to partner with more than 150 giving days annually, while helping tens of thousands of nonprofits raise approximately \$500 million on GiveGab's platforms in 2018 alone. At September 30, 2018, Rand's investment in GiveGab was valued at approximately \$616,000.

As of September 30, 2018, Rand's portfolio consisted of 29 active companies. At that date, the portfolio was comprised of approximately 57% in equity investments and 43% in debt investments, compared with 58% in equity investments and 42% in debt investments at September 30, 2017.

Webcast and Conference Call

Rand will host a conference call and live webcast today, November 7, 2018, at 1:30 p.m. Eastern Time to review its financial condition and results for the 2018 third quarter, 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 approximately 4:30 p.m. Eastern Time today through Wednesday, November 14, 2018. To listen to the archived call, dial (412) 317-6671, and enter conference ID number 13683885. A transcript of the call will be placed on Rand's website, 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 news release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning future net asset value growth, investment returns and opportunities as well as Rand's plans for utilizing proceeds from sales of portfolio companies when and if received. These statements involve known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the portfolio companies' markets, competitor responses, and market acceptance of their products and services and other factors disclosed in the Corporation's periodic reports filed with the Securities and Exchange Commission. Consequently, such forward-looking statements should be regarded as the Corporation's current plans, estimates and beliefs. The Corporation 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, 2018 (Unaudited) | December 31, 2017 |
|---|---|----------------------------|
| <u>ASSETS</u> | | |
| Investments at fair value: | | |
| Control investments (cost of \$99,500) | \$ 99,500 | \$ 99,500 |
| Affiliate investments (cost of \$20,413,709 and \$20,871,129, respectively) | 16,728,607 | 17,016,795 |
| Non-Control/Non-Affiliate investments (cost of \$16,796,433 and \$15,718,690, respectively) | 15,344,150 | 15,167,767 |
| Total investments, at fair value (cost of \$37,309,642 and \$36,689,319, respectively) | 32,172,257 | 32,284,062 |
| Cash | 4,404,574 | 6,262,039 |
| Interest receivable (net of allowance: \$211,342 at 9/30/18; \$161,000 at 12/31/17) | 147,934 | 231,048 |
| Deferred tax asset | 772,275 | 551,863 |
| Prepaid income taxes | 1,122,826 | 762,047 |
| Other assets | 38,360 | 42,854 |
| Total assets | <u>\$38,658,226</u> | <u>\$40,133,913</u> |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)</u> | | |
| Liabilities: | | |
| Debentures guaranteed by the SBA (net of debt issuance costs) | \$ 7,875,723 | \$ 7,855,173 |
| Profit sharing and bonus payable | - | 144,000 |
| Accounts payable and accrued expenses | 120,886 | 178,348 |
| Deferred revenue | 73,941 | 37,707 |
| Total liabilities | 8,070,550 | 8,215,228 |
| Stockholders' equity (net assets): | | |
| Common stock, \$.10 par; shares authorized 10,000,000; shares issued 6,863,034; shares outstanding of 6,321,988 | 686,304 | 686,304 |
| Capital in excess of par value | 10,581,789 | 10,581,789 |
| Accumulated net investment loss | (1,643,744) | (1,597,146) |
| Undistributed net realized gain on investments | 26,496,804 | 27,215,738 |
| Net unrealized depreciation on investments | (4,064,372) | (3,498,895) |
| Treasury stock, at cost; 541,046 shares | (1,469,105) | (1,469,105) |
| Total stockholders' equity (net assets) (per share \$4.84 at 9/30/18; \$5.05 at 12/31/17) | 30,587,676 | 31,918,685 |
| Total liabilities and stockholders' equity (net assets) | <u>\$38,658,226</u> | <u>\$40,133,913</u> |

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

| | For the Quarter Ended September 30, | | For the Nine Months Ended September 30, | |
|--|--|------------|--|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Investment income: | | | | |
| Interest from portfolio companies: | | | | |
| Affiliate investments | \$ 192,758 | \$ 142,247 | \$ 515,784 | \$ 416,247 |
| Non-Control/Non-Affiliate investments | 257,531 | 167,675 | 547,553 | 417,406 |
| Total interest from portfolio companies | 450,289 | 309,922 | 1,063,337 | 833,653 |
| Interest from other investments: | | | | |
| Non-Control/Non-Affiliate investments | 7,872 | 6,348 | 20,717 | 24,182 |
| Total interest from other investments | 7,872 | 6,348 | 20,717 | 24,182 |
| Dividend and other investment income: | | | | |
| Affiliate investments | 48,856 | 74,408 | 175,905 | 189,805 |
| Non-Control/Non-Affiliate investments | - | 2,405 | 6,058 | 7,598 |
| Total dividend and other investment income | 48,856 | 76,813 | 181,963 | 197,403 |
| Fee income: | | | | |
| Affiliate investments | 4,042 | 2,166 | 11,625 | 6,250 |
| Non-Control/Non-Affiliate investments | 151,243 | 1,770 | 160,987 | 13,307 |
| Total fee income | 155,285 | 3,936 | 172,612 | 19,557 |

| | | | | |
|---|--------------------|----------|--------------------|-----------|
| Total investment income | 662,302 | 397,019 | 1,438,629 | 1,074,795 |
| Expenses: | | | | |
| Salaries | 169,875 | 165,413 | 509,624 | 496,239 |
| Employee benefits | 39,845 | 38,454 | 148,841 | 138,523 |
| Directors' fees | 28,624 | 36,374 | 92,123 | 107,623 |
| Professional fees | 81,745 | 48,433 | 220,773 | 310,628 |
| Stockholders and office operating | 47,839 | 45,355 | 176,877 | 193,290 |
| Insurance | 8,700 | 8,058 | 27,588 | 25,618 |
| Corporate development | 15,028 | 16,621 | 41,470 | 49,938 |
| Other operating | 4,875 | 2,772 | 9,990 | 8,055 |
| | 396,531 | 361,480 | 1,227,286 | 1,329,914 |
| Interest on SBA obligations | 77,568 | 77,568 | 232,406 | 232,706 |
| Bad debt (recovery) expense | (26,299) | - | 50,342 | - |
| Total expenses | 447,800 | 439,048 | 1,510,034 | 1,562,620 |
| Net investment gain (loss) before income taxes | 214,502 | (42,029) | (71,405) | (487,825) |
| Income tax expense (benefit) | 50,003 | (17,050) | (24,807) | (188,961) |
| Net investment gain (loss) | 164,499 | (24,979) | (46,598) | (298,864) |
| Net realized loss on sales and dispositions of investments: | | | | |
| Affiliate investments | (1,125,673) | - | (1,125,673) | - |
| Net realized loss before income tax expense benefit | (1,125,673) | - | (1,125,673) | - |
| Income tax benefit | 406,739 | - | 406,739 | - |
| Net realized loss on investments | (718,934) | - | (718,934) | - |
| Net change in unrealized depreciation on investments: | | | | |
| Affiliate investments | 725,673 | - | 169,232 | (665,675) |
| Non-Control/Non-Affiliate investments | (249,871) | 111,000 | (901,360) | (322,308) |
| Change in unrealized depreciation before income tax expense (benefit) | 475,802 | 111,000 | (732,128) | (987,983) |
| Deferred income tax expense (benefit) | 100,669 | 28,090 | (166,651) | (349,960) |
| Net change in unrealized depreciation on investments | 375,133 | 82,910 | (565,477) | (638,023) |

| | | | | |
|--|---------------------|------------------|----------------------|---------------------|
| Net unrealized (loss) gain on investments | <u>(343,801)</u> | <u>82,910</u> | <u>(1,284,411)</u> | <u>(638,023)</u> |
| Net (decrease) increase in net assets from operations | <u>\$ (179,302)</u> | <u>\$ 57,931</u> | <u>\$(1,331,009)</u> | <u>\$ (936,887)</u> |
| Weighted average shares outstanding | 6,321,988 | 6,321,988 | 6,321,988 | 6,321,988 |
| Basic and diluted net (decrease) increase in net assets from operations per share | <u>\$ (0.03)</u> | <u>\$ 0.01</u> | <u>\$ (0.21)</u> | <u>\$ (0.15)</u> |

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