



**Rand Worldwide Inc. and Subsidiaries**  
**Consolidated Financial Statements**

**For the quarter ended December 31, 2023**

## **TABLE OF CONTENTS**

Consolidated Financial Statements.....	3
Notes to Consolidated Financial Statements .....	8

**Rand Worldwide, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**(unaudited)**

	<b>December 31, 2023</b>	<b>June 30, 2023</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 10,126,000	\$ 4,723,000
Accounts receivable, less allowance of \$365,000 as of December 31, 2023 and \$300,000 as of June 30, 2023	42,048,000	29,063,000
Other receivables	1,878,000	274,000
Income tax receivable	854,000	172,000
Prepaid expenses and other current assets	4,719,000	3,290,000
Current portion of contract assets	28,258,000	6,031,000
Total current assets	<u>87,883,000</u>	<u>43,553,000</u>
Property and equipment, net	1,201,000	1,295,000
Operating right-of-use assets	2,395,000	3,049,000
Goodwill	16,451,000	16,452,000
Other intangible assets	22,325,000	23,648,000
Contract assets, net of current portion	28,217,000	5,443,000
Deferred tax asset	253,000	440,000
Other assets	<u>567,000</u>	<u>845,000</u>
Total assets	<u><u>\$ 159,292,000</u></u>	<u><u>\$ 94,725,000</u></u>

**Rand Worldwide, Inc. and Subsidiaries**  
**Consolidated Balance Sheets (Continued)**  
**(unaudited)**

	<b>December 31, 2023</b>	<b>June 30, 2023</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of note payable, net	\$ 7,600,000	\$ 7,600,000
Accounts payable and accrued expenses	29,728,000	16,377,000
Accrued compensation and related benefits	3,641,000	5,565,000
Deferred revenue	10,916,000	11,973,000
Current portion of operating lease liabilities	1,128,000	1,270,000
Current portion of contract liabilities	29,594,000	6,553,000
Total current liabilities	<u>82,607,000</u>	<u>49,338,000</u>
Long-term liabilities:		
Note payable, net	11,971,000	15,125,000
Deferred revenue	3,247,000	3,247,000
Operating lease liabilities	1,407,000	1,912,000
Contract liabilities, net of current portion	29,566,000	6,553,000
Total liabilities	<u>128,798,000</u>	<u>76,175,000</u>
Stockholders' equity:		
Common stock, \$0.01 par value; 40,000,000 shares authorized; issued and outstanding shares of 33,578,100	336,000	336,000
Additional paid-in capital	6,757,000	6,557,000
Retained earnings	23,763,000	12,061,000
Accumulated other comprehensive loss	(362,000)	(404,000)
Total stockholders' equity	<u>30,494,000</u>	<u>18,550,000</u>
Total liabilities and stockholders' equity	<u>\$ 159,292,000</u>	<u>\$ 94,725,000</u>

*See accompanying notes.*

**Rand Worldwide, Inc. and Subsidiaries**  
**Consolidated Statement of Operations**  
**(unaudited)**

	<b>Three months ended December 31, 2023</b>
Revenues:	
Product sales	\$ 71,021,000
Service revenue	10,251,000
Commission revenue	7,735,000
Total revenues	<u>89,007,000</u>
Cost of revenues:	
Cost of product sales	50,234,000
Cost of service revenue	6,418,000
Total cost of revenues	<u>56,652,000</u>
Gross margin	<u>32,355,000</u>
Operating expenses:	
Selling, general and administrative	15,391,000
Depreciation and amortization	818,000
Total operating expenses	<u>16,209,000</u>
Operating income	<u>16,146,000</u>
Other (income) expense:	
Interest expense	217,000
Currency exchange loss	22,000
Loss on interest rate swap	200,000
Other income	(6,000)
Total other expense	<u>433,000</u>
Income before income taxes	15,713,000
Income tax expense	4,092,000
Net income	11,621,000
Preferred stock dividends	(1,000)
Net income available to common stockholders	<u>\$ 11,620,000</u>
Earnings per common share attributable to common shareholders – basic	<u>\$ 0.35</u>
Earnings per common share attributable to common shareholders – diluted	<u>\$ 0.34</u>
Shares used for computing income per common share:	
Weighted average shares used in computation - basic	33,578,100
Weighted average shares used in computation - diluted	33,972,440

*See accompanying notes.*

**Rand Worldwide, Inc. and Subsidiaries**  
**Consolidated Statement of Stockholders' Equity**  
(unaudited)

	<b>Convertible Preferred Stock</b>		<b>Common Stock</b>		<b>Additional</b>	<b>Retained</b>	<b>Accumulated Other Comprehensive</b>	
	<b>Number of</b>		<b>Number of</b>		<b>Paid-In</b>	<b>Earnings</b>	<b>Loss</b>	<b>Total</b>
	<b>Shares</b>	<b>Par Value</b>	<b>Shares</b>	<b>Par Value</b>	<b>Capital</b>			
<b>Balance at June 30, 2023</b>	<b>42,270</b>	<b>\$ —</b>	<b>33,578,100</b>	<b>\$ 336,000</b>	<b>\$ 6,557,000</b>	<b>\$ 12,061,000</b>	<b>\$ (404,000)</b>	<b>\$ 18,550,000</b>
Stock-based compensation	—	—	—	—	202,000	—	—	202,000
Common stock dividends	—	—	—	—	—	(8,395,000)	—	(8,395,000)
Preferred stock dividends	—	—	—	—	(2,000)	—	—	(2,000)
Foreign currency translation adjustment	—	—	—	—	—	—	42,000	42,000
Net income	—	—	—	—	—	20,097,000	—	20,097,000
<b>Balance at December 31, 2023</b>	<b>42,270</b>	<b>\$ —</b>	<b>33,578,100</b>	<b>\$ 336,000</b>	<b>\$ 6,757,000</b>	<b>\$ 23,763,000</b>	<b>\$ (362,000)</b>	<b>\$ 30,494,000</b>

*See accompanying notes.*

**Rand Worldwide, Inc. and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
(unaudited)

	<b>Three months ended December 31, 2023</b>
<b>Cash flows from operating activities</b>	
Net income	\$ 11,621,000
Adjustments to reconcile net income to net cash used in operating activities:	
Gain on disposal of fixed assets	(6,000)
Bad debt expense	59,000
Depreciation and amortization	818,000
Stock-based compensation	145,000
Deferred income taxes	137,000
Changes in operating assets and liabilities:	
Accounts receivable and other receivables	(11,040,000)
Income tax receivable	523,000
Prepaid expenses and other current assets	(717,000)
Contract assets	(28,643,000)
Other assets	199,000
Accounts payable and accrued expenses	10,941,000
Accrued compensation and related benefits	481,000
Deferred revenue	271,000
Contract liabilities	28,822,000
Net cash provided by operating activities	<u>13,611,000</u>
<b>Cash flows from investing activities</b>	
Purchases of property and equipment	(128,000)
Proceeds from sale of asset	6,000
Net cash used in investing activities	<u>(122,000)</u>
<b>Cash flows from financing activities</b>	
Repayment of borrowings under term note	(1,900,000)
Payment of common stock dividends	(8,395,000)
Payment of preferred stock dividends	(1,000)
Net cash used in financing activities	<u>(10,296,000)</u>
Effect of exchange rate changes on cash	101,000
Net increase in cash	3,294,000
Cash - beginning of period	6,832,000
Cash - end of period	<u><u>\$ 10,126,000</u></u>

*See accompanying notes.*

**Rand Worldwide, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(unaudited)**

**1. Organization and Basis of Presentation**

When used throughout these notes, the terms “Rand Worldwide”, “the Company”, “we”, “us” and “our” refer to Rand Worldwide, Inc. and, unless the context clearly indicates otherwise, its consolidated subsidiaries.

Rand Worldwide is a leading supplier in the design automation, facilities and data management software marketplace. Rand Worldwide also provides value-added services, such as training, technical support and other consulting and professional services to businesses, government agencies and educational institutions worldwide.

The Company is organized into five divisions: IMAGINiT Technologies (“IMAGINiT”), Rand Simulation, Facilities Management, ASCENT, and Rand 3D.

The IMAGINiT division operates in the United States and Canada and is one of the largest value-added resellers of Autodesk, Inc. (“Autodesk”) products in the world, providing Autodesk solutions and system integration and consulting services to customers in the manufacturing, infrastructure, building, and media and entertainment industries. As an authorized reseller for Leica Geosystems, IMAGINiT offers a range of 3D laser scanning equipment and related software along with the expertise to help architectural, engineering and construction firms benefit from such technology. Through its partnership with Epic Games, IMAGINiT resells Twinmotion visualization software which provides design professionals the ability to instantly transform architectural models and designs into a vivid experience with photorealistic images and immersive videos. IMAGINiT also sells its own proprietary software products and related services, enhancing its total client solution offerings.

The Rand Simulation division offers Ansys engineering simulation software to help organizations incorporate simulation technology into the product development process. Rand Simulation also provides simulation consulting services to enable organizations to achieve cost savings and design improvements through simulation technology.

The Facilities Management division offers ARCHIBUS products for facilities management software for space planning, strategic planning, and lease/property administration, and provides a full range of training, consulting and support services for the ARCHIBUS products.

ASCENT is the courseware division of Rand Worldwide and is a leading developer of professional training materials and knowledge products for engineering software tools.

The Rand 3D division specializes in training solutions for Dassault Systèmes and PTC products including Pro/ENGINEER, CREO, and Windchill.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all the information and notes required by GAAP for annual financial statements. The interim financial statements are unaudited and reflect all adjustments (consisting of normal recurring accruals) which are, in management’s opinion, necessary to present a fair statement of results of the interim periods presented. Operating results for the three months ended December 31, 2023 are not necessarily indicative of results for the full fiscal year or any future interim period.

**2. Supplemental Disclosure of Cash Flow Information**

The Company paid interest of approximately \$362,000 and federal and state taxes of approximately \$2.2 million for the three months ended December 31, 2023.



### 3. Borrowings Under Line of Credit and Note Payable

On June 11, 2021, the Company entered into an amended and restated credit agreement with JP Morgan Chase Bank (“Chase”) consisting of two credit facilities which replaced the Company’s previous credit agreements. The first facility is a five-year \$10 million line of credit, secured by all assets of the Company with borrowing levels subject to borrowing base limits. The second facility is a five-year, \$38 million term note loan (“note payable”) with scheduled principal payments of \$633,000 per month over the five-year term. Proceeds of the \$38 million term note were used to refinance the \$9 million of outstanding loans to Chase and to fund a common stock dividend paid on June 28, 2021. The Chase loans contain certain financial covenants including a maximum leverage ratio and a minimum fixed charge coverage ratio, as defined in the credit agreement. The Company was in compliance with all covenants as of December 31, 2023.

The Company amended its credit agreement with JP Morgan Chase Bank in October of 2022 to convert from LIBOR-based interest to interest based on the secured overnight financing rate (“SOFR”). The interest rate on both credit facilities, following this October 2022 amendment, is the daily simple SOFR rate plus a margin of 1.6%.

On December 9, 2021, the Company entered into an interest rate swap agreement for a notional amount of \$20 million related to its note payable. The purpose of the interest rate swap is to hedge against fluctuations in benchmark interest rates associated with variable rate debt. As a result of the swap, the Company’s interest rate on the notional amount of the swap is 2.63%, and the Company will pay the variable interest rate, described in the preceding paragraph, on the remaining amount of the note payable. The swap automatically converted to a SOFR basis when the LIBOR index was retired on June 30, 2023, and following that date is based on the daily simple SOFR rate plus a margin of 1.6%. Due to the swap, the Company received \$127,000 of interest income, net of interest expense, and recorded a \$200,000 loss due to the decrease in the fair value of the swap for the three months ended December 31, 2023. Since entering into the interest rate swap agreement, the Company has recorded \$657,000 of net interest income and a net gain of \$447,000 in the fair value of the swap.

The Company had no outstanding borrowings from Chase under its line of credit as of December 31, 2023 and June 30, 2023.

### 4. Preferred Stock

The Company’s preferred stock includes Series D and Series E Convertible Preferred Stock (“Convertible Preferred Stock”) and has the following terms:

Redemption Feature- The Convertible Preferred Stock are redeemable in the event that the Company is engaged in a business combination that is approved by the Board of Directors and subsequently submitted and approved by a vote of the Company’s stockholders. The redemption price for Series D Convertible Preferred Stock is \$0.30 (upon conversion) per share plus an amount equal to all declared and unpaid dividends accrued on such shares since the original issue date. The redemption price for Series E Convertible Preferred Stock is \$0.65 (upon conversion) per share plus an amount equal to all declared and unpaid dividends accrued on such shares since the original issue date.

Voting Rights- Each holder of the Convertible Preferred Stock shall vote together with all other classes and series of stock of the Company as a single class on all actions. Each share shall entitle the holder to one vote per share of common stock into which the preferred stock is then convertible on each such action. In addition, these holders have special voting rights in connection with certain matters, including the issuance of senior stock or debentures, certain mergers, the dissolution of the Company and any amendment to the charter or the terms of the securities that would impair their rights.

Dividend Rate- The holders of the Convertible Preferred Stock are entitled to receive cumulative dividends at a rate of 10% per annum when and as declared by the Board of Directors. Dividends are paid quarterly to preferred stockholders.

Conversion Feature- The Series D shares are convertible at any time beginning 120 days after the original issuance date at the option of the holder and automatically convert into common stock if the common stock is listed on the NASDAQ exchange and trades for more than \$2.25 per share for 60 consecutive trading days.

Each Series D share is convertible into shares of common stock by multiplying the appropriate conversion rate in effect by the number of shares of preferred stock being converted. As of December 31, 2023, the conversion rate would yield approximately two shares of common stock for each share of Series D share and 1,538 shares of common stock for each share of Series E; however, these rates may be adjusted due to stock splits, dividends, and other events defined in the stock purchase agreement between the Company and the holders of the Convertible Preferred Stock.

**Liquidation Preference-** In the event of a liquidation, dissolution or winding up of the Company, the holders of Series D and Series E shares are entitled to receive for each share, prior and in preference to any distribution of any of the assets or surplus funds to the holders of common stock, an amount equal to \$0.60 and \$0.65 per share, respectively, plus all accumulated but unpaid dividends. If upon the occurrence of such event, the assets and funds thus distributed among the holders are insufficient to permit the payment of the preferential amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the preferred stockholders.

## 5. Earnings Per Share

Basic earnings per common share is computed by dividing net earnings available to common stockholders by the weighted-average number of common shares outstanding for the period. Such outstanding shares include those issued through equity compensation plans and Board compensation. Diluted earnings per common share include the potential dilution that would occur from common shares issuable upon the conversion of restricted stock units and preferred stock. As of December 31, 2023 there were 279,000 and 115,340 shares of common stock issuable upon the conversion of restricted stock units and preferred stock, respectively. The following summarizes the computations of basic and diluted earnings per common share:

	<b>Three months ended December 31, 2023</b>
Numerator for basic and diluted earnings per share:	
Net income	\$ 11,621,000
Payment of preferred stock dividends	(1,000)
Net income available to common stockholders	<u>\$ 11,620,000</u>
Weighted average shares used in computing basic net earnings per share:	33,578,100
Assumed conversion of restricted stock units	279,000
Assumed conversion of preferred stock	115,340
Weighted average shares used in computing diluted net earnings per share:	<u>33,972,440</u>
Earnings per common share attributable to common shareholders – basic	<u>\$ 0.35</u>
Earnings per common share attributable to common shareholders – diluted	<u>\$ 0.34</u>

## 6. Director and Employee Stock Compensation Plans

### *Restricted Stock Unit Plan*

During the fiscal year ended June 30, 2022, the Company established the 2022 Restricted Stock Unit Plan (the “RSU Plan”) and on April 15, 2022, awarded 280,000 restricted stock units (“RSUs”) to certain members of its senior management. During the Company’s 2023 fiscal year, an additional 20,000 RSUs were awarded for a total of 300,000 units issued to date.

These awards are subject to service-based vesting as well as a performance-based settlement condition. Service-based vesting occurs ratably over five years on each anniversary of the grant date, or immediately upon a change in control. The performance-based settlement condition is met based upon the Company achieving at least 85% of a cumulative 3-year target for its earnings before interest, taxes, depreciation and amortization (“EBITDA”), based on a sliding scale in which 70% to 100% of the RSUs become eligible for settlement in a ratable manner when 85% to 100% of the EBITDA target is achieved, or immediately should a change in control occur prior to the close of

business on June 30, 2024. On June 28, 2023, the Company established the cumulative EBITDA target for the RSU Plan for the three-year period ending June 30, 2024. Therefore, the RSUs were considered granted on June 28, 2023, upon establishment of the performance condition, and the fair value of the grants was calculated as of that date.

The Company measures the fair value of the award on the grant date and recognizes stock-based compensation expense ratably over the requisite service period, which is generally the vesting period. To determine the grant-date fair value of the Company's stock-based payment awards for restricted stock units, the Company uses the capitalized earnings method. The capitalized earnings method consists of calculating the value of the company by discounting future profits with a capitalization rate adjusted to the valuation date. For the fair value of the RSUs granted during the year ended June 30, 2023, the Company estimated its future earnings by using a weighted average of the past 4 years of earnings, weighted primarily on the past two years of earnings, a capitalization rate of 8.5% and a marketability discount of 15%. The Company recognizes forfeitures as they occur.

Settlement of the RSUs occurs upon the earlier of i) the 10<sup>th</sup> anniversary of the grant date, and ii) the effective date of a change in control as defined by the grant agreements. Upon settlement, each vested RSU eligible for settlement is exchanged for one share of common stock. Upon termination of the holder's service, any unvested RSUs are automatically forfeited to the Company for no consideration.

A summary of restricted stock unit activity during the six months ended December 31, 2023, and related information is included in the table below:

	<b>Restricted Stock Units</b>	<b>Weighted- Average Grant Date Fair Value Per Share</b>
RSUs outstanding at July 1, 2023	295,000	\$ 10.50
Granted	—	—
Forfeited	(16,000)	\$ 10.50
RSUs outstanding at December 31, 2023	279,000	\$ 10.50
RSUs vested at December 31, 2023	59,000	\$ 10.50

Restricted stock units are not considered outstanding stock at the time of grant, as the holders of these units are not entitled to any of the rights of a stockholder, including voting rights.

The Company recorded stock-based compensation expense related to restricted stock units of \$145,000 during the three months ended December 31, 2023. As of December 31, 2023, total compensation cost not yet recognized of \$1,949,000 related to non-vested awards is expected to be recognized over a weighted average period of 3.3 years.

## 7. Fair Value Measurements

Our balance sheets include non-financial assets and liabilities that are measured at fair value on a non-recurring basis. Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. U.S. GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of observability of inputs used in measuring fair value. These tiers include:

Level 1 – defined as observable inputs such as quoted prices in active markets for identical assets;

Level 2 – defined as observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At each reporting period, the Company performs a detailed analysis of our assets and liabilities that are measured at fair value. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3.

#### *Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The interest rate swap related to the Company's note payable is measured at fair value on a recurring basis based on valuations performed by Chase. The fair value is derived by discounting future cash flows of the swap to arrive at a current value of the swap. Future cash flows that are not certain (estimated using forward curves and volatility levels), along with future cash flows that are known with certainty, are discounted to their present value using discount factors derived from relevant market inputs. The netted value of these discounted future cash flows is the fair value of the swap. Changes in the fair value of the swap are recorded to gain (loss) on interest rate swap on the accompanying Consolidated Statement of Operations.

The following table sets forth by level within the fair value hierarchy, the Company's fair value measurements:

	Level 1	Level 2	Level 3	Total
Interest rate swap	\$ —	\$ 447,000	\$ —	\$ 447,000

## **8. Income Taxes**

The Company uses the liability method to account for income taxes. Income tax expense includes income taxes currently payable and deferred taxes arising from temporary differences between financial reporting and income tax bases of assets and liabilities. Deferred income taxes are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when the realization of deferred tax assets are not considered more likely than not. The Company records liabilities from uncertain tax positions in accordance with ASC 740-10, Income Taxes.

The Company believes that its income tax filing positions taken or expected to be taken in its tax returns will more likely than not be sustained upon audit by the taxing authorities and does not anticipate any adjustments that will result in a material adverse impact on the Company's financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax position have been recorded.

Interest and penalties related to unrecognized tax benefits are recorded as part of income tax expense.

## **9. Leases**

The Company has operating leases for real estate and certain equipment. Leases have remaining lease terms of less than 1 year to 5 years, some of which include options to extend the lease with renewal terms from 2 years to 5 years, and some of which include options to terminate the leases. Options to extend the lease are included in the lease liability if they are reasonably certain of being exercised. Options to terminate are considered in determining the lease liability if they are reasonably certain of being exercised. Payments under the Company's lease arrangements are fixed. The Company's leases do not contain residual value guarantees or material restrictive covenants. Short-term leases are recognized in the consolidated statement of operations on a straight-line basis over the lease term. Short-term lease expense was not material for the periods presented.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. These assets represent the amount of

the lease liability, plus any lease payments made at or before the commencement date, less any lease incentives received.

The following table presents lease cost and other information for the three months ended December 31, 2023:

Lease cost:	
Operating lease cost	\$ 358,000
Sublease income	—
Total lease cost	<u>\$ 358,000</u>
Other information:	
Weighted-average remaining lease term	2.3 years
Weighted-average discount rate	5%

The following table presents a reconciliation of the total amount of lease payments, on an undiscounted basis, to the lease liability in the Consolidated Balance Sheet as of December 31, 2023:

Year ending December 31:	
2024	\$ 1,347,000
2025	867,000
2026	540,000
2027	183,000
2028	39,000
Total undiscounted cash flows	<u>\$ 2,976,000</u>
Present value:	
Current portion of lease liabilities	\$ 1,128,000
Long-term lease liabilities	1,407,000
Total lease liabilities	<u>\$ 2,535,000</u>
Difference between undiscounted cash flows and discounted cash flows	<u>\$ 441,000</u>

## 10. Recent Developments

### Effect of three-year Autodesk subscriptions

A significant portion of revenues from the Company's IMAGINiT division are from the resale of Autodesk software subscriptions. From December 2018 through March 27, 2023, Autodesk offered incentives which included pricing advantages and 0% financing offers to customers who purchased three-year subscriptions rather than annual subscriptions. Many of its customers took advantage of those incentives thus boosting levels of three-year deals. Since Rand Worldwide Inc. has no material post-sale obligation on these subscriptions, the Company recognizes revenues for the entire subscription term at the time of sale. Beginning on March 28<sup>th</sup>, 2023, the Company began offering annual installment billing arrangements to customers who purchase or renew licenses with multi-year terms. For the three months ended December 31, 2023, the Company's revenues from three-year deals were approximately \$27.3 million lower than in the same period in the prior fiscal year.