



Rand Worldwide Inc. and Subsidiaries
Consolidated Financial Statements

For the quarter ended September 30, 2024

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

	September 30, 2024	June 30, 2024
Assets		
Current assets:		
Cash	\$ 2,134,000	\$ 14,443,000
Accounts receivable, less allowance of \$525,000 as of September 30, 2024 and \$482,000 as of June 30, 2024 (See Note 1)	25,864,000	51,167,000
Other receivables	589,000	789,000
Income tax receivable	2,979,000	—
Prepaid expenses and other current assets	5,407,000	4,567,000
Current portion of contract assets	75,008,000	64,296,000
Deferred tax asset	855,000	—
Total current assets	<u>112,836,000</u>	<u>135,262,000</u>
Property and equipment, net	1,201,000	1,209,000
Operating right-of-use assets	1,890,000	2,208,000
Goodwill	16,427,000	16,412,000
Other intangible assets	20,338,000	21,000,000
Contract assets, net of current portion	70,007,000	81,007,000
Other assets	<u>310,000</u>	<u>456,000</u>
Total assets	<u>\$ 223,009,000</u>	<u>\$ 257,554,000</u>

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

	September 30, 2024	June 30, 2024
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of note payable, net	\$ 8,234,000	\$ 8,234,000
Accounts payable and accrued expenses (See Note 1)	17,255,000	34,656,000
Accrued compensation and related benefits	4,326,000	6,814,000
Deferred revenue	11,487,000	12,701,000
Income tax payable	—	218,000
Current portion of operating lease liabilities	914,000	1,038,000
Current portion of contract-related liabilities	71,145,000	65,894,000
Total current liabilities	113,361,000	129,555,000
Long-term liabilities:		
Note payable, net	5,023,000	7,551,000
Deferred revenue	2,732,000	2,731,000
Operating lease liabilities, net of current portion	1,069,000	1,279,000
Deferred tax liability	711,000	80,000
Contract-related liabilities, net of current portion	64,749,000	78,645,000
Total liabilities	187,645,000	219,841,000
Stockholders' equity:		
Common stock, \$0.01 par value; 40,000,000 shares authorized; issued and outstanding shares of 33,593,485 at September 30, 2024 and June 30, 2024	336,000	336,000
Additional paid-in capital	7,187,000	7,043,000
Retained earnings	28,286,000	30,905,000
Accumulated other comprehensive loss	(445,000)	(571,000)
Total stockholders' equity	35,364,000	37,713,000
Total liabilities and stockholders' equity	<u>\$ 223,009,000</u>	<u>\$ 257,554,000</u>

See accompanying notes.

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

	Three months ended September 30, 2024
Revenues:	
Product sales	\$ 6,424,000
Service revenue	9,597,000
Commission revenue (see Note 1)	17,347,000
Total revenues	<u>33,368,000</u>
Cost of revenues:	
Cost of product sales	4,349,000
Cost of service revenue	6,337,000
Total cost of revenues	<u>10,686,000</u>
Gross margin	<u>22,682,000</u>
Operating expenses:	
Selling, general and administrative	14,011,000
Depreciation and amortization	821,000
Total operating expenses	<u>14,832,000</u>
Operating income	<u>7,850,000</u>
Other (income) expense:	
Interest expense, net	94,000
Currency exchange loss	54,000
Loss on interest rate swap	146,000
Other income	(6,000)
Total other expense	<u>288,000</u>
Income before income taxes	7,562,000
Income tax expense	1,783,000
Net income	5,779,000
Preferred stock dividends	(1,000)
Net income available to common stockholders	<u>\$ 5,778,000</u>
Earnings per common share attributable to common shareholders – basic	<u>\$ 0.17</u>
Earnings per common share attributable to common shareholders – diluted	<u>\$ 0.17</u>
Shares used for computing income per common share:	
Weighted average shares used in computation - basic	33,593,285
Weighted average shares used in computation - diluted	33,972,240

See accompanying notes.

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

	Convertible Preferred Stock		Common Stock		Additional	Retained	Accumulated Other Comprehensive	
	Number of		Number of		Paid-In	Earnings	Loss	Total
	Shares	Par Value	Shares	Par Value	Capital			
Balance at June 30, 2024	42,260	\$ —	33,593,485	\$ 336,000	\$ 7,043,000	\$ 30,905,000	\$ (571,000)	\$ 37,713,000
Stock-based compensation	—	—	—	—	145,000	—	—	145,000
Common stock dividends	—	—	—	—	—	(8,398,000)	—	(8,398,000)
Preferred stock dividends	—	—	—	—	(1,000)	—	—	(1,000)
Foreign currency translation adjustment	—	—	—	—	—	—	126,000	126,000
Net income	—	—	—	—	—	5,779,000	—	5,779,000
Balance at September 30, 2024	42,260	\$ —	33,593,485	\$ 336,000	\$ 7,187,000	\$ 28,286,000	\$ (445,000)	\$ 35,364,000

See accompanying notes.

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

	Three months ended September 30, 2024
Cash flows from operating activities	
Net income	\$ 5,779,000
Adjustments to reconcile net income to net cash used in operating activities:	
Loss on disposal of fixed assets	41,000
Credit loss expense	122,000
Depreciation and amortization	821,000
Reduction in the carrying amount of operating right-of-use assets	318,000
Stock-based compensation	145,000
Deferred income taxes	(224,000)
Changes in operating assets and liabilities:	
Accounts receivable and other receivables (See Note 1)	25,381,000
Income tax receivable	(2,979,000)
Prepaid expenses and other current assets	(840,000)
Contract assets	288,000
Other assets	146,000
Accounts payable and accrued expenses (See Note 1)	(17,401,000)
Accrued compensation and related benefits	(2,488,000)
Deferred revenue	(1,213,000)
Income tax payable	(218,000)
Operating lease liabilities	(334,000)
Contract-related liabilities	(8,645,000)
Net cash used in operating activities	<u>(1,301,000)</u>
Cash flows from investing activities	
Purchases of property and equipment	(196,000)
Proceeds from sale of asset	6,000
Net cash used in investing activities	<u>(190,000)</u>
Cash flows from financing activities	
Repayment of borrowings under term note	(2,528,000)
Payment of common stock dividends	(8,398,000)
Payment of preferred stock dividends	(1,000)
Net cash used in financing activities	<u>(10,927,000)</u>
Effect of exchange rate changes on cash	109,000
Net decrease in cash	(12,309,000)
Cash - beginning of period	14,443,000
Cash - end of period	<u>\$ 2,134,000</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 offers BlueBeam construction software for PDF markups, digital workflows and project collaboration and 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 Company’s Consolidated Statements of Operation includes Product sales, which is comprised of software and hardware sales transacted on a resale basis, Service revenue and Commission revenue on certain software subscription sales.

Autodesk transition to an agency model

On June 10, 2024, changed the way it processes and distributes most of its software products. Prior to June 10, 2024, Autodesk’s channel partners, including IMAGINiT, were responsible for all elements of the sales process including the development and presentation of the sales proposal to the customer, the coordination of the fulfillment of the order with the distributor, the billing and collection of the order and the payment to Autodesk for the cost of the software. On June 10, 2024, Autodesk transitioned to an agency model for most of their software offerings. Under the agency model, we maintain our relationships with our customers, and when the sale of new software or a renewal of existing software subscription is made, we present to Autodesk the information required for the creation of a sales proposal whereon our responsibility for that sale ends. Autodesk then fulfills the order directly with the

customer and is responsible for the billing and collection processes and pays us a commission based on the amount and types of software sold.

Prior to the June 10th adoption of the agency model, for most of the Autodesk software sold, we recorded the full sales price of software and the corresponding cost of that software in the accompanying Consolidated Statement of Operations. Beginning on June 11, 2024, because our responsibilities have changed, in accordance with GAAP, we no longer report the full amount of the revenue and cost of revenue for the sale. For those products sold under the agency model, we report the commission that we received from Autodesk as Commission revenue, with no corresponding cost of revenue. Autodesk has indicated that this change will not have any material impact on the amount of the overall compensation that we receive as a channel partner for a sale of new software or a renewal of an existing software subscription.

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 September 30, 2024 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 \$265,000 and federal and state taxes of approximately \$5.1 million for the three months ended September 30, 2024.

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 September 30, 2024.

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 \$94,000 of interest income, net of interest expense, and recorded a \$146,000 loss due to the decrease in the fair value of the swap for the three months ended September 30, 2024.

The Company had no outstanding borrowings from Chase under its line of credit as of September 30, 2024 and June 30, 2024.

4. Preferred Stock

The Company's preferred stock includes Series D and Series E Convertible Preferred Stock (collectively with Series D Convertible Preferred Stock, the "Convertible Preferred Stock"). Convertible Preferred Stock include 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 June 30, 2024, 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 including those issued through equity compensation plans. Diluted earnings per common share include the potential dilution that would occur from common shares issuable upon the conversion of preferred stock and restricted stock units. As of September 30, 2024, 378,955 shares of common stock were issuable upon the conversion of preferred stock and restricted stock units. The following summarizes the computations of basic and diluted earnings per common share:

	Three months ended September 30, 2024
Numerator for basic and diluted earnings per share:	
Net income	\$ 5,779,000
Payment of preferred stock dividends	(1,000)
Net income available to common stockholders	<u>\$ 5,778,000</u>
Weighted average shares used in computing basic net earnings per share:	33,593,285
Assumed conversion of restricted stock units	279,000
Assumed conversion of preferred stock	99,955
Weighted average shares used in computing diluted net earnings per share:	<u>33,972,240</u>
Earnings per common share attributable to common shareholders – basic	<u>\$ 0.17</u>
Earnings per common share attributable to common shareholders – diluted	<u>\$ 0.17</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 fiscal year ended June 30, 2023, the Company awarded an additional 20,000 RSUs for a total of 300,000 units issued and 21,000 units have been forfeited.

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”). 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 performance-based settlement condition was met during the three months ended September 30, 2024.

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 10th 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 three months ended September 30, 2024, and related information is included in the table below:

	Restricted Stock Units	Weighted- Average Grant Date Fair Value Per Share
Outstanding RSUs at July 1, 2024	279,000	\$ 10.50
Granted	—	—
Forfeited	—	—
Outstanding RSUs at September 30, 2024	279,000	\$ 10.50
Vested RSUs at September 30, 2024	114,000	\$ 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 September 30, 2024. As of September 30, 2024, total compensation cost not yet recognized of \$1,516,000 related to non-vested awards is expected to be recognized over a weighted average period of 2.5 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, we perform 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 interest rate swap is reported within other assets on the accompanying Consolidated Balance Sheets.

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

	<u>September 30, 2024</u>			
	Level 1	Level 2	Level 3	Total
Interest rate swap asset	\$ —	\$ 191,000	\$ —	\$ 191,000

	<u>June 30, 2024</u>			
	Level 1	Level 2	Level 3	Total
Interest rate swap asset	\$ —	\$ 337,000	\$ —	\$ 337,000

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 primarily fixed, however, certain lease agreements contain variable payments, which are expensed as incurred and not included in the operating lease right-of-use assets and operating lease liabilities. 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 September 30, 2024:

Lease cost:	
Operating lease cost	\$ 350,000
Sublease income	—
Total lease cost	<u>\$ 350,000</u>

Other information:	
Weighted-average remaining lease term	4.0 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 September 30, 2024:

Year ending September 30:	
2025	\$ 1,005,000
2026	690,000
2027	305,000
2028	127,000
2029	38,000
Total undiscounted cash flows	<u>\$ 2,165,000</u>

Present value:	
Current portion of lease liabilities	\$ 914,000
Long-term lease liabilities	1,069,000
Total lease liabilities	<u>\$ 1,983,000</u>

Difference between undiscounted cash flows and discounted cash flows	<u>\$ 182,000</u>
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