



# SECOND QUARTER 2023 FINANCIAL RESULTS

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# FORWARD LOOKING STATEMENTS

This presentation 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 expectations of Rand Capital Corporation (“Rand” or the “Company”) to continue to be taxed as a regulated investment company (“RIC”) for U.S. federal income tax purposes; the effectiveness of, and execution on, Rand’s investment strategy and 2023 objectives; the investment processes used by its external investment adviser, Rand Capital Management, LLC under the investment advisory and management agreement with Rand, the competitive ability and position of Rand, the amount of the Company’s dividend per share in future periods, 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) the risk that Rand may be unable to continue to fulfill the conditions required in order to be treated as a RIC for U.S. federal income tax purposes; (2) evolving legal, regulatory and tax regimes; (3) changes in general economic and/or industry specific conditions; and (4) 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, 2022, quarterly reports on Form 10-Q, the preliminary and definitive proxy statements 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 presentation.

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/>.

All information contained herein is for informational purposes and should not be construed as investment advice. It does not constitute an offer, solicitation or recommendation to purchase any security. Past performance does not guarantee future results. Diversification does not guarantee a profit or protect against a loss.

# SECOND QUARTER 2023 EXECUTION



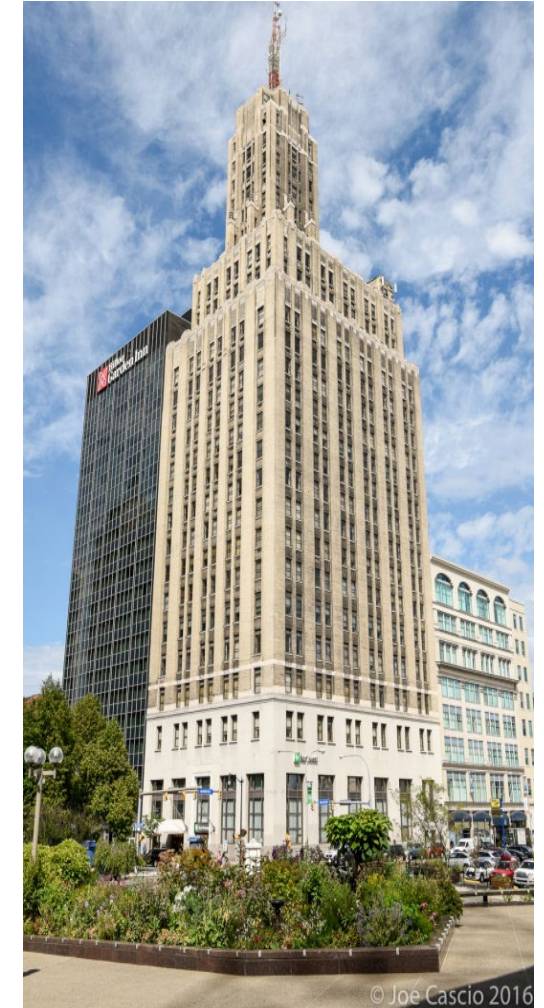
- ✓ Total investment income increased 34% to \$1.8 million over the 2022 second quarter
  - Driven by strong growth in interest and fee income
- ✓ Net investment income per share was \$0.19 compared with \$0.55 in the prior-year period; Adjusted net income per share was \$0.38, up from \$0.29 in the prior-year period<sup>1</sup>
- ✓ Net asset value per share was \$23.79<sup>2</sup>, up 3% sequentially
- ✓ Total investments were \$4.7 million in Q2 2023
- ✓ Received \$6.8 million in proceeds from single portfolio investment company sale

## Delivering Cash Dividends:

- ✓ Paid \$0.25 per share cash dividend for the second quarter in June 2023
- ✓ Announced quarterly dividend of \$0.25 per share for third quarter 2023

<sup>1</sup> See attached description of this Non-GAAP financial measure and reconciliation table for adjusted net investment income per share

<sup>2</sup> Net asset value per share amounts based on weighted average shares outstanding

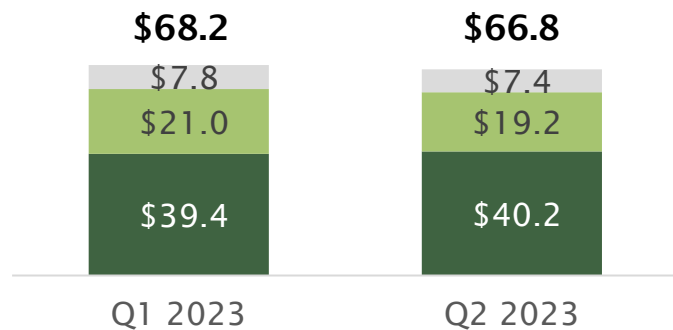


*The Rand Building, Buffalo, NY*

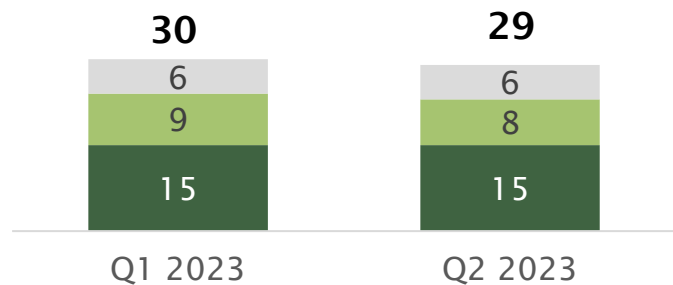


# PORTFOLIO MIX

### Fair Value Portfolio Mix (*\$ in millions*)



### Portfolio Mix (*# of Companies*)



■ Publicly Traded Stock ■ Equity ■ Debt

Fair value change reflects valuation adjustments on ACV Auctions and Open Exchange, as well as Dealer Solutions and Design (DSD) sale, partially offset by new investment in INEA

Mix at quarter-end, based on fair value:

- 60% Fixed-rate debt investments
- 29% Equity investments in private companies
- 11% Publicly traded equities (includes dividend paying BDCs and ACV Auctions stock)

Sold remaining small equity position in Somerset Gas

# Q2 2023 INVESTMENTS & EXITS



## Investments



*A stocking distributor of controlled expansion alloys, electronic grade nickels, refractory grade metals and alloys, and soft magnetic alloys*

*Funded \$4.3 million, consisting of \$3.3 million of senior subordinated debt and \$1.0 million of preferred equity*



*Blind and shade manufacturer*

*Follow on debt investment of \$390,000*

*Total debt and equity investment in ITA had a fair value of \$4.0 million at quarter-end*

## Exits During the Quarter



*DSD was sold in June 2023 - In total, RAND received \$6.8 million of proceeds, which included a net gain of \$2.5 million*



*Sold 125,000 shares for a realized gain of \$1.7 million*



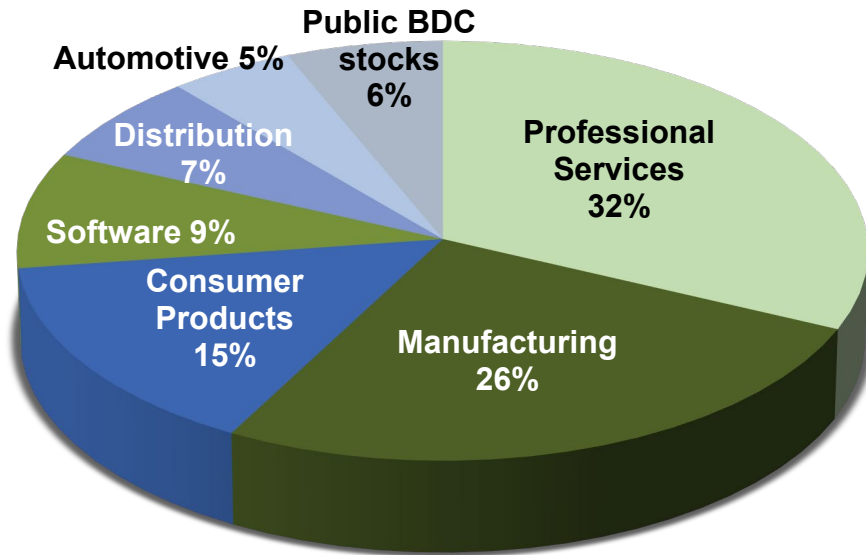
*Sold small equity position in Somerset Gas*



# DIVERSIFIED PORTFOLIO

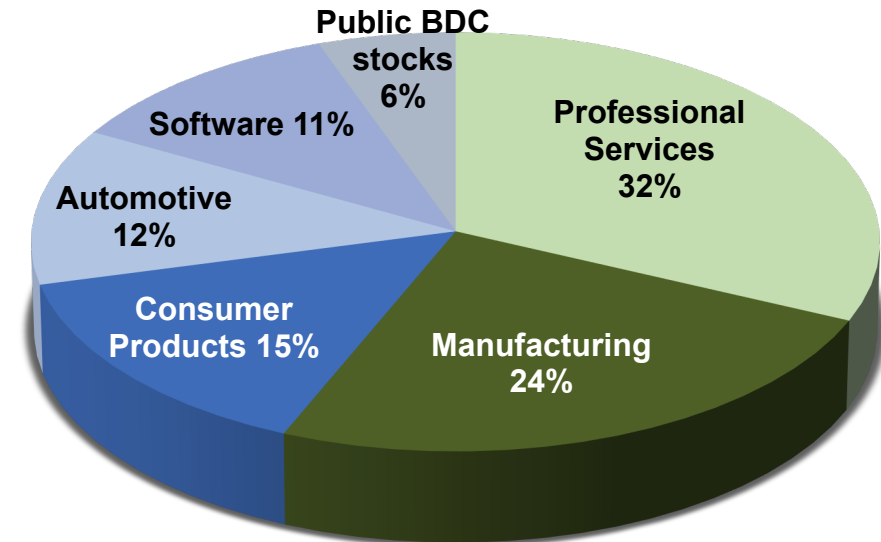
## Investments by Industry Classification

June 30, 2023



*Based on total investments at fair value of \$66.8 million*






March 31, 2023



*Based on total investments at fair value of \$68.2 million*

# TOP FIVE PORTFOLIO INVESTMENTS



(\$ in millions)						
Company	Investments at Fair Value	Year Acquired	Industry	% of Total Portfolio	Investment Type	
 Tilson	\$10.6	2015	Professional Services – Cellular info systems, construction, mgmt.	16%	Equity – paying dividend	
 Seybert's	\$5.9	2021	Consumer Product – Billiard supplies	9%	Term note (12% plus 2% PIK) Warrant	
 SciAps, Inc.	\$5.2	2013	Manufacturing – Portable analytical instruments	8%	Term note (12%) Equity	
 Food Service Supply	\$5.2	2022	Professional Services – Services for commercial kitchens and new builds	8%	Term note (12%) Equity	
 INEA	\$4.3	2023	Distribution – Stocking distributor of alloys and electronic grade nickels	7%	Term note (12% plus 2% PIK) Equity	
<b>Total Top 5</b>	<b>\$31.2</b>			<b>47%</b>		

All values as of June 30, 2023. Totals may not foot due to rounding.

**\$66.8 million portfolio fair value with 29 portfolio companies**





# FINANCIAL REVIEW



# SECOND QUARTER FINANCIAL SUMMARY



(\$ in thousands, except per share data)

	Q2 2023	Q2 2022
Total investment income	\$ 1,815	\$ 1,353
Total expenses	1,307	(96)
Net investment income <sup>1</sup>	493	1,418
Net investment income per share <sup>2</sup>	\$ 0.19	\$ 0.55
Adjusted net investment income per share <sup>3</sup>	\$ 0.38	\$ 0.29
Net realized and unrealized gain (loss) on investments	\$ 2,179	\$ (3,315)
Net increase (decrease) in net assets from operations	2,672	(1,896)
Net increase (decrease) in net assets from operations per share <sup>2</sup>	\$ 1.04	\$ (0.73)

Total investment income grew 34%

- Driven by a 47% increase in interest from portfolio companies

Total expenses in prior-year second quarter reflects credit of capital gains incentive fees expense

Excluding the capital gains incentive fees, adjusted expenses in Q2 23 were \$816,000 compared with \$567,000 in Q2 22<sup>3</sup>

- Increase reflects higher interest expense given use of senior revolving credit facility

<sup>1</sup> Net of income tax expense

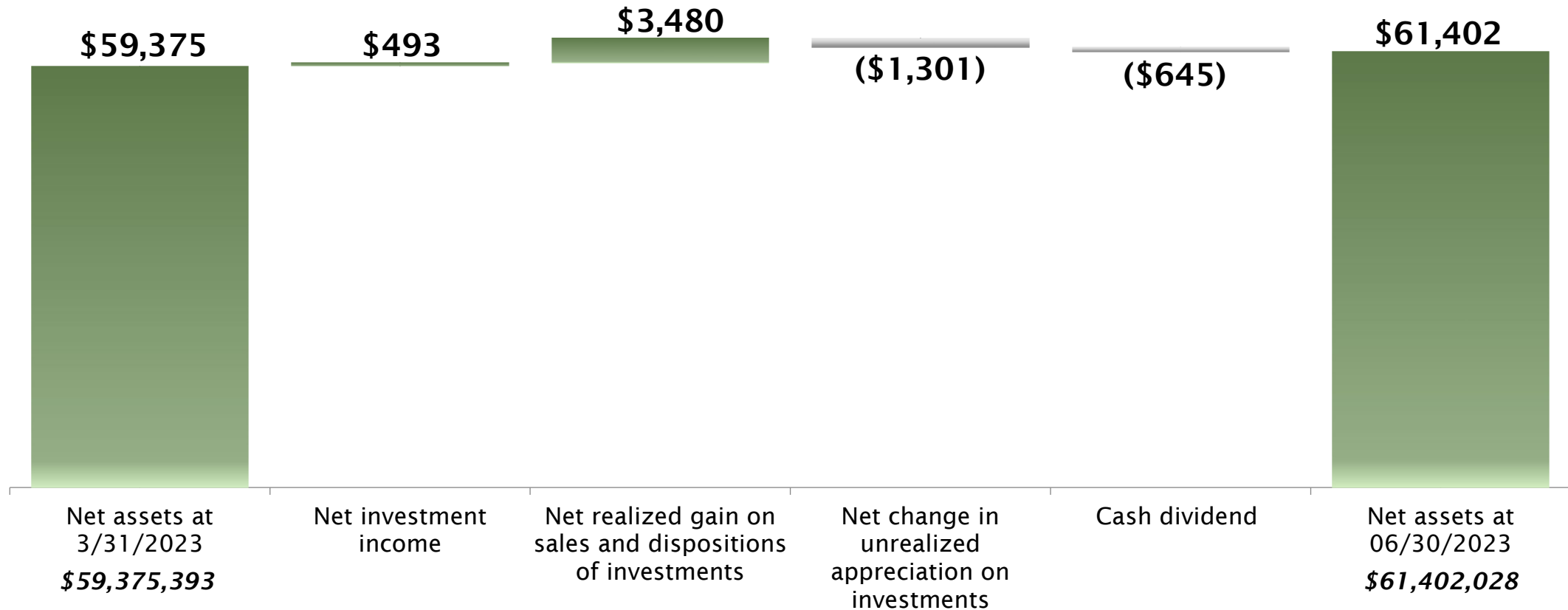
<sup>2</sup> Per share amounts based on weighted average shares outstanding of 2,581,021 in Q2 2023 and in Q2 2022.

<sup>3</sup> Adjusted Net Investment Income per share and Adjusted Expenses are non-GAAP financial measures. Please see supplemental slides for a description of these non-GAAP financial measures and reconciliation tables between GAAP and non-GAAP.



# NET ASSET VALUE CHANGE: Q2 2023

(\$ in thousands)



Totals may not sum due to rounding



# STRONG AND FLEXIBLE BALANCE SHEET

## Net Asset Value Composition

At June 30, 2023

Per Share	Assets and Liabilities
\$3.24	\$8.4 million consolidated cash
\$2.87	\$7.4 million in public equity investments “Liquid”*
\$23.01	\$59.4 million in private investments
\$(5.33)	\$(13.7) million other assets & liabilities, net
<b>\$23.79</b>	<b>Net Asset Value (NAV) per share</b>

Publicly-traded equity securities of \$7.4 million available for future liquidity opportunities

At June 30 2023, \$10.7 million in outstanding borrowings under the \$25 million senior secured revolving credit facility

- Subsequent to quarter-end, in July, paid down \$3.0 million of outstanding borrowings

The Company did not repurchase any outstanding common stock during the second quarter of 2023

Announced regular quarterly dividend of \$0.25 per share for third quarter 2023

\*\$66.8 million in total portfolio investments includes \$7.4 million of highly liquid BDC and ACV Auctions publicly traded stock



# 2023 OBJECTIVES

- ✓ Continue to grow and scale the business by focusing on debt and related equity investments in privately-held, lower middle market companies
- ✓ Put capital to work:
  - Leverage \$25 million senior secured revolving credit facility
  - Opportunistically use our publicly traded equity investments as available liquidity and capital for prospective opportunities that will provide higher yields
- ✓ Drive investment income growth to increase dividends paid to our shareholders



# SUPPLEMENTAL INFORMATION

# ADJUSTED EXPENSES (NON-GAAP\*)



	Three months ended June 30, 2023	Three months ended June 30, 2022
Total expenses/(credits)	\$ 1,306,741	\$ (96,198)
Exclude expenses/(credits) for capital gains incentive fees	491,000	(663,000)
Adjusted expenses	\$ 815,741	\$ 566,802

*\*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 is defined as GAAP total expenses removing the effect of any expenses/(credits) 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.*

*Totals may not sum due to rounding*

# ADJUSTED NET INVESTMENT INCOME PER SHARE (NON-GAAP\*)



	Three months ended June 30, 2023	Three months ended June 30, 2022
Net investment income per share	\$ 0.19	\$ 0.55
Exclude expenses/(credits) for capital gains incentive fees	0.19	(0.26)
Adjusted net investment income per share	\$ 0.38	\$ 0.29

*\*In addition to reporting Net Investment Income per Share, which is a U.S. generally accepted accounting principle ("GAAP") financial measure, the Company 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 per Share removing the effect of any expenses/(credits) for capital gains incentive fees. GAAP Net Investment Income 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.*