



# FOURTH QUARTER AND FULL YEAR 2020 FINANCIAL RESULTS

*March 8, 2020*

Allen F. “Pete” Grum  
President & CEO

Daniel P. Penberthy  
Executive Vice President & CFO



# 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 intention of Rand and Rand Capital SBIC, Inc. (“Rand SBIC”) to elect to be taxed as a regulated investment company (“RIC”) for U.S. federal tax purposes; the effectiveness of Rand’s new investment strategy, the impact of the change in ownership of Rand Capital Management, scope of services to be provided by Rand Capital Management and the investment processes to be used by Rand Capital Management each under the new investment advisory and management agreement with Rand; the competitive ability and position of Rand; 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 and/or Rand SBIC may be unable to fulfill the conditions required in order to elect to be treated as a RIC for U.S. 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, 2020, 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/>.



# CONTINUED TRANSFORMATION OF RAND CAPITAL

*Successful shift in strategy to become an income producing, dividend paying BDC*

Building interest-yielding debt securities holdings and purchased securities of several other publicly traded BDCs

## Growing Net Investment Income\*:

Q4: \$0.29 per share, up from \$0.08 in prior-year period

2020: \$1.8 million ,or \$0.77 per share

## Delivering Dividends:

Paid a special dividend of \$23.7 million, or \$1.62 per share, in a combination of cash and stock to shareholders

Executed a 1:9 reverse stock split in May

Declared the 2020 dividend of \$1.33 per share in December, which was paid in January 2021

Declared first regular dividend of \$0.10 per share for first quarter 2021

*\*Per share amounts based on weighted average shares outstanding*

*The Rand Building, Buffalo, NY*

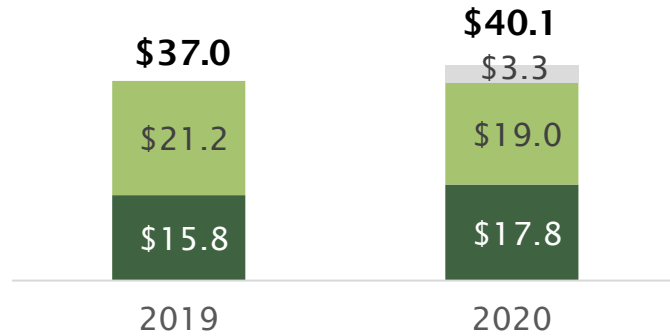


© Joe Cascio 2016

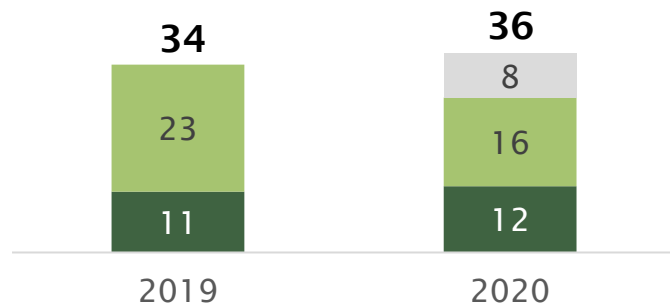


# EVOLVED PORTFOLIO

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



### Portfolio Mix (# of Investments)



■ Debt   ■ Equity   ■ Public BDC

Equity portfolio reduced to 47% compared with 57% in prior year *(based on fair value)*

- Decreased equity investments by seven (7) portfolio companies through liquidations or exits

Invested \$7.2 in new debt securities

- Providing \$900K+ annualized (12+% yield)

Added 8 publicly traded BDC dividend yielding stocks

- Providing \$300k+ annualized (>10% yield)

**2021 Objective: Continue debt investment focus and exiting equity positions**

# 2020 INVESTMENTS



*Pet toy distributor: \$3.8 million debt and equity investment*

*Wireless Infrastructure: \$750K equity investment*



**TILSON**



*Scientific research & publication: \$1.9 million senior debt*

*Health IT: \$500K equity investment*



**CENTIVO®**



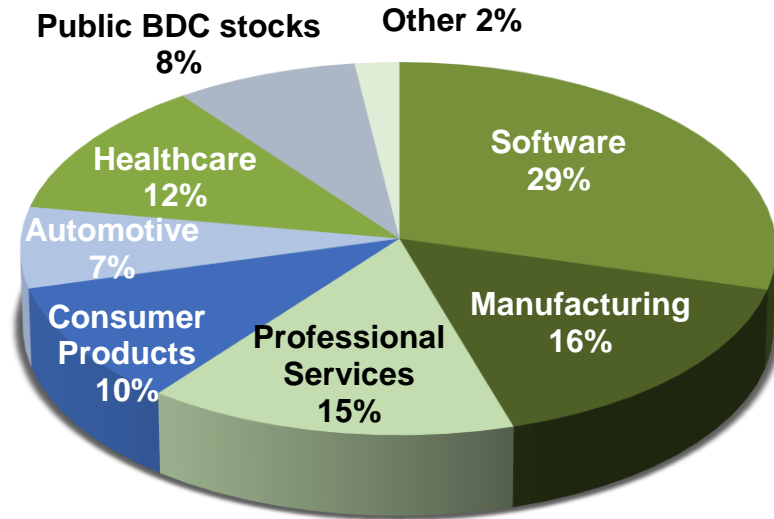
*Industrial & Scientific testing: \$1.5 million senior debt*



# DIVERSIFIED PORTFOLIO

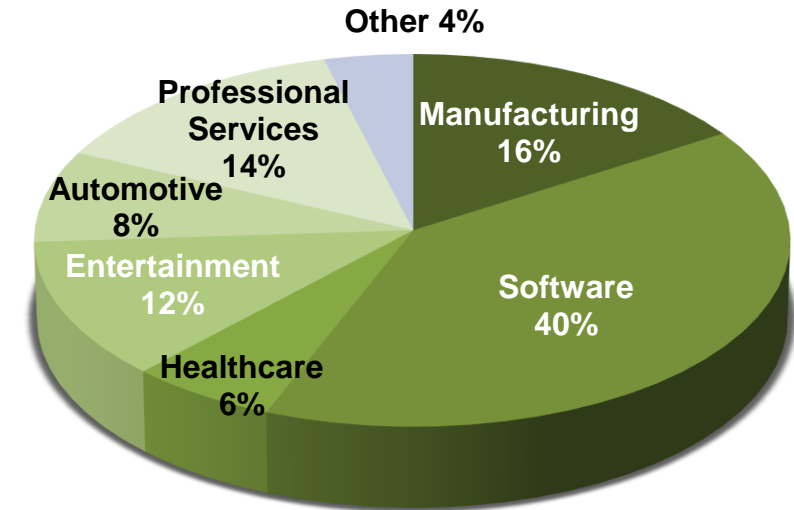
## Investments by Industry Classification

December 31, 2020



*Based on total investments at fair value of \$40.1 million*






December 31, 2019



*Based on total investments at fair value of \$37.0 million*

# TOP FIVE PORTFOLIO INVESTMENTS



Company	Investments at Fair Value	Year Acquired	Industry	% of Total Portfolio	Investment Type
 ACV Auctions	\$6.5	2016	Software—Live Mobile Auctions for Automobile Dealers - S-1 Filed	11%	Equity - Registered for IPO
 Tilson	\$4.7	2015	Professional Services—Cellular Info Systems, Construction, Mgmt.	8%	Equity - paying dividend
 Caitec	\$3.8	2020	Manufacturing - Pet Product Manufacturer and Distributor	6%	Mezzanine debt (12% plus 2% PIK) & Equity
 Filterworks USA	\$2.9	2019	Automotive—Mechanical contractor	5%	Term note (12% plus 2% PIK) Equity
 SMG	\$1.9	2020	Healthcare - Research and Advisory Firm	3%	Term note (12%)
<b>Total Top 5</b>	<b>\$19.8</b>			<b>33%</b>	

(\$ in millions)

**\$40.1 million portfolio value with 36 portfolio companies**

All values as of December 31, 2020. Totals may not foot due to rounding.



# Financial Review

Daniel P. Penberthy  
Executive Vice President & CFO





# 2020 OPERATIONAL HIGHLIGHTS

- ✓ Expenses decreased \$800 thousand compared with prior year
- ✓ Ended year with \$20+ million of cash
- ✓ \$8 million in dividends declared
- ✓ Invested \$11.3 million of capital during 2020
- ✓ Net Investment Income of \$1.8 million or \$0.77 per share
- ✓ Sold equity interest in Outmatch LLC for \$2.3 million gain
- ✓ Investment income increased 14% over 2019
- ✓ NAV per share was \$17.86



# FINANCIAL SUMMARY

(in thousands, except per share data)

	2020	2019
<b>Total investment income</b>	\$ 3,103	\$ 2,725
<b>Total expenses</b>	1,975	2,771
Net investment income (loss)	1,756	(86)
<i>Per share*</i>	\$ 0.77	\$ (0.10)
Net realized and unrealized loss on investments	\$ (1,012)	\$ (2,204)
<b>Net increase (decrease) in net assets from operations</b>	744	(2,290)
<i>Per share*</i>	\$ 0.33	\$ (2.74)

Totals may not sum due to rounding

Investment income grew 14%

- Changing portfolio profile includes more income producing debt investments and dividend paying public securities

Total expenses declined 28%

- Driven by externalization of management and reduced stockholder' expenses

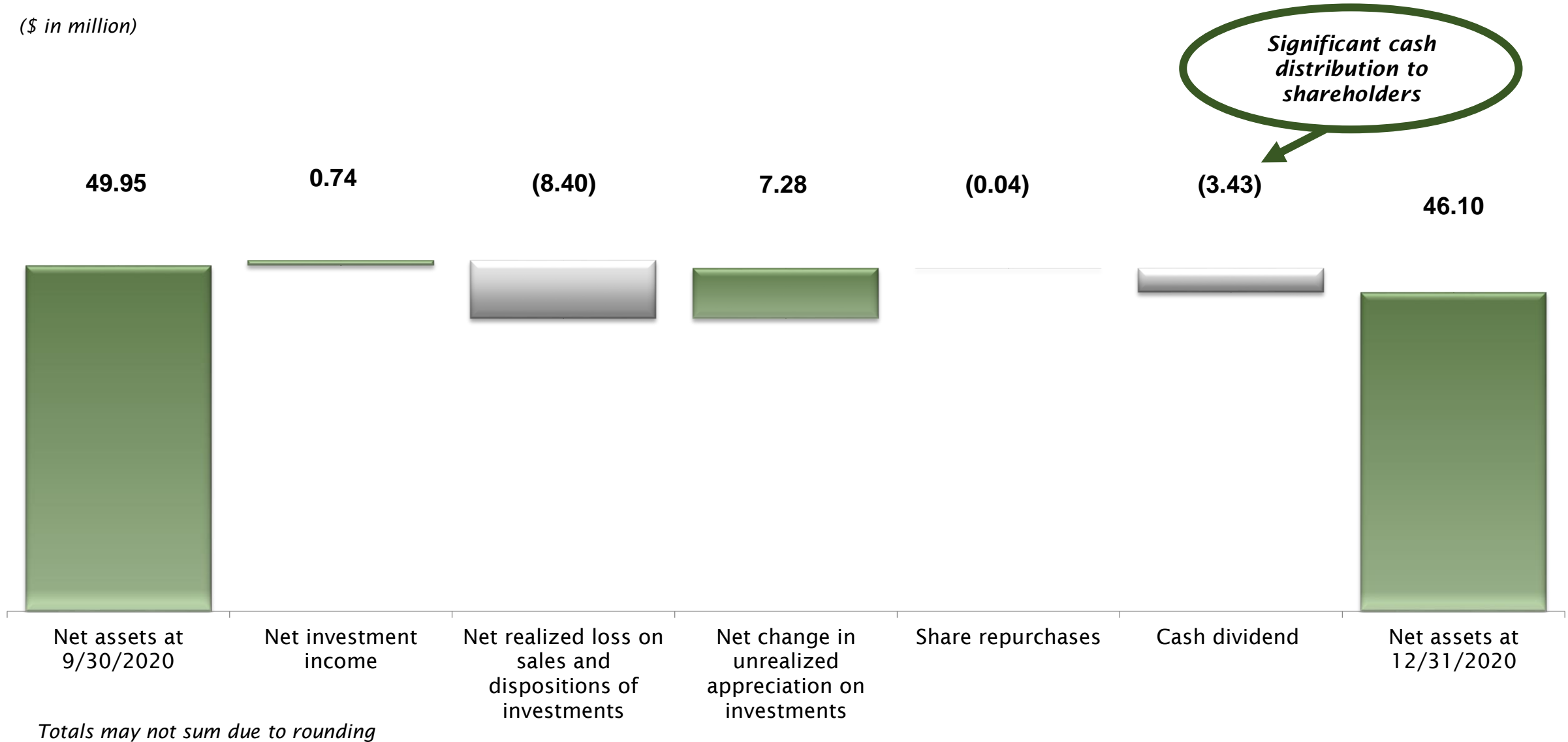
Results delivered net investment income of \$1.8 million, or \$0.77 per share

\*Per share amounts based on weighted average shares outstanding of 2,268,356 in 2020 and 836,893 in 2019



# NET ASSET VALUE CHANGE: FOURTH QUARTER 2020

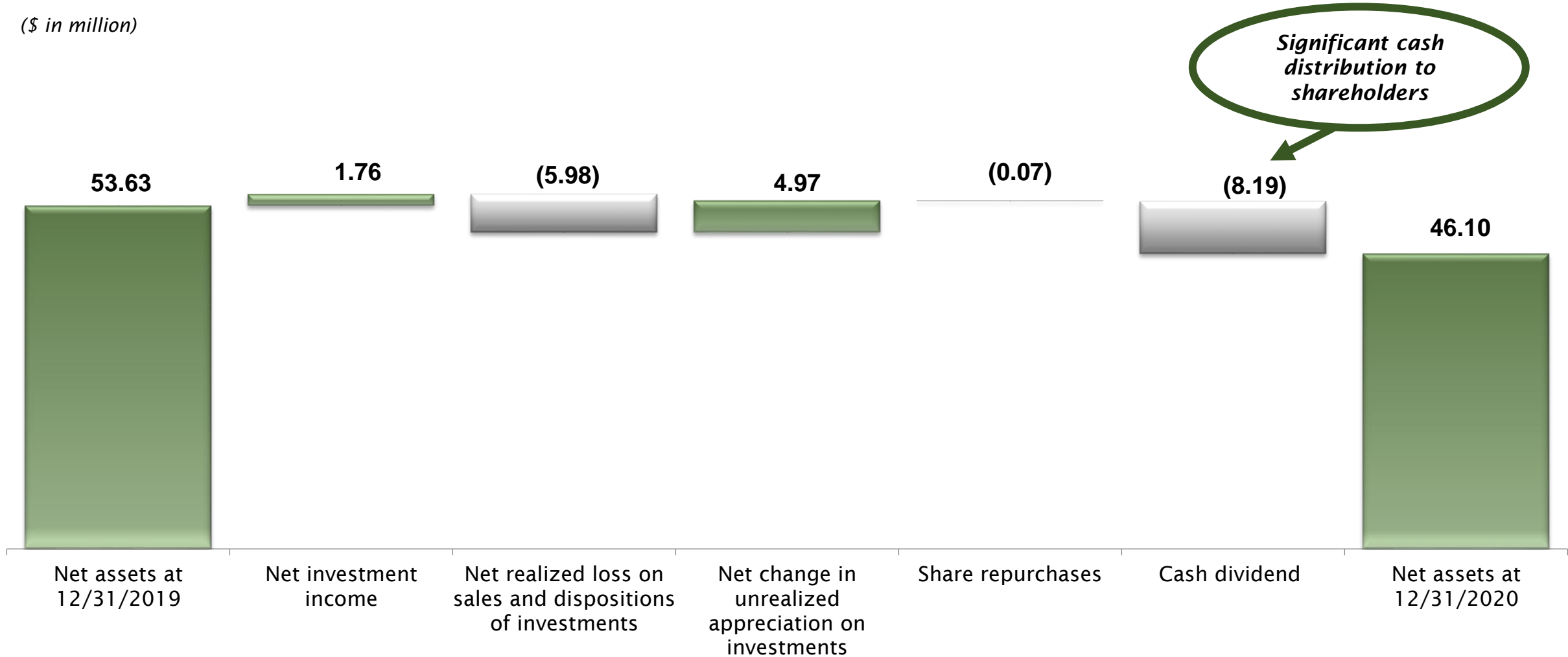
(\$ in million)





# NET ASSET VALUE CHANGE: FULL YEAR 2020

(\$ in million)



Totals may not sum due to rounding

# STRONG BALANCE SHEET, OPPORTUNITY FOR GROWTH



## Net Asset Value Composition

At December 31, 2020

Per Share	Assets and Liabilities
\$7.88	\$20.4 million consolidated cash
\$15.51	\$40.0 million in portfolio investments
(\$4.19)	\$10.8 million in SBA borrowings
<u>(\$1.34)</u>	(\$3.5) million other assets & liabilities, net
<b>\$17.86</b>	<b>Net Asset Value (NAV) per share</b>

## Significant Liquidity

\$20.4 million in cash plus \$3.0 million available in SBA leverage

Repurchased 3,234 shares in Q4 2020 at average price of \$11.98

In 2020, repurchased 6,631 shares at an average price of \$11.57

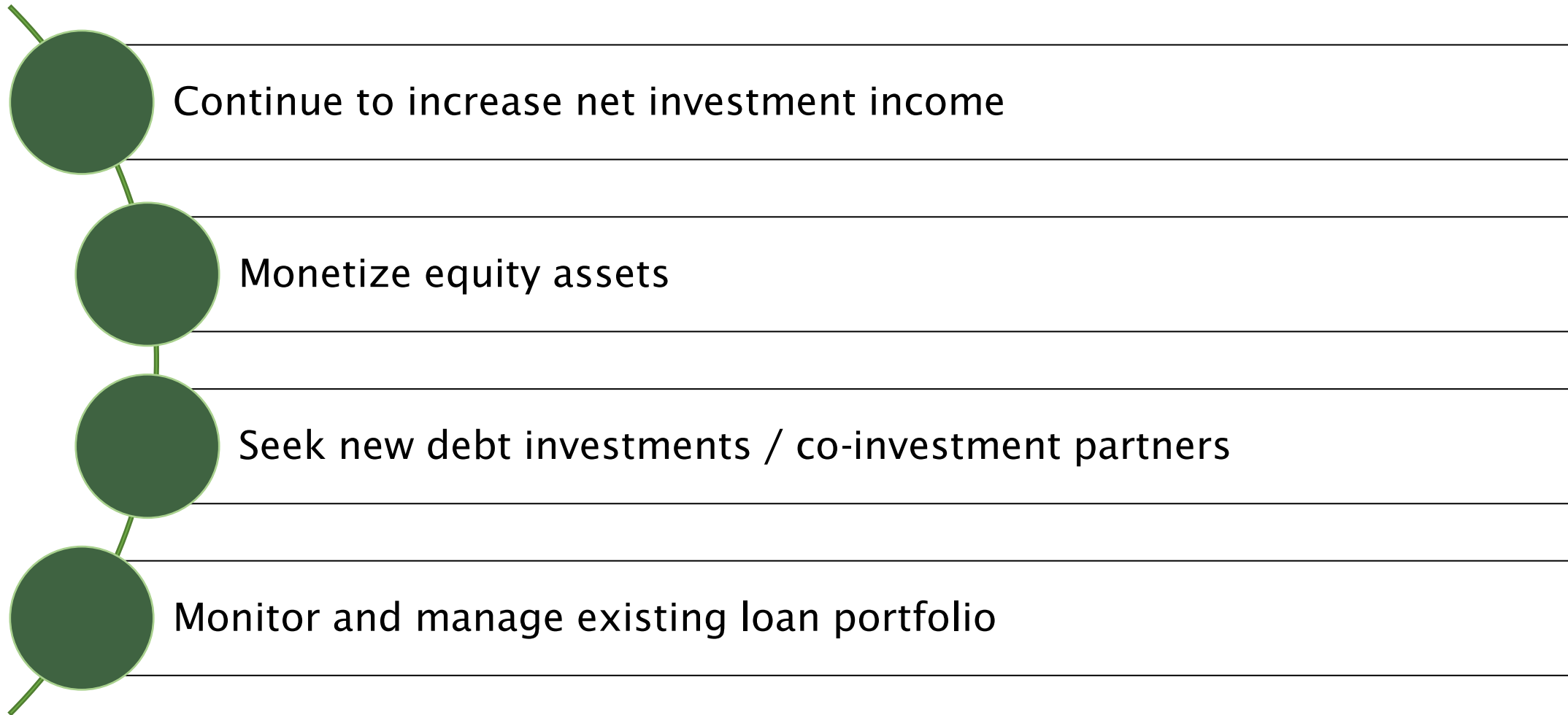
Announced first regular dividend of \$0.10 per share for first quarter 2021

- Annualized rate of \$0.40 up from \$0.39 net investment income dividend distribution for 2020
- Does not include capital gains potential

**Strong liquidity position during economic disruption**



# MOVING TO FINAL PHASE OF TRANSFORMATION





# FOURTH QUARTER AND FULL YEAR 2020 FINANCIAL RESULTS

*March 8, 2020*