



Third Quarter 2019 Financial Results

November 7, 2019

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Important Information



Cautionary Statement Regarding 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 expected timing of the closing of the pending transactions; the ability of the parties to complete the pending transactions considering the various closing conditions; the intention of Rand Capital Corporation (“Rand Capital”, “Rand” or the “Company”) and Rand Capital SBIC, Inc. (“Rand SBIC”) to elect to be taxed as regulated investment companies for U.S. federal tax purposes; the intention to declare and pay a special cash and stock dividend after the closing of the pending transactions; the intention to pay a regular cash dividend after the completion of the pending transactions; the expected benefits of the pending transactions such as a lower expense-to-asset ratio for Rand Capital, increased net investment income, availability of additional resources, expanded access to and sourcing platform for new investments and streamlining of operations under the external management structure; the business strategy of originating additional income-producing investments; the competitive ability and position of Rand Capital following completion of the proposed transactions; 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) that one or more closing conditions to the stock purchase may not be satisfied or waived, on a timely basis or otherwise; (2) the risk that the pending transactions may not be completed in the time frame expected by parties, or at all; (3) the risk that Rand Capital and/or Rand SBIC may be unable to fulfill the conditions required in order to elect to be treated as a regulated investment company for U.S. tax purposes; (4) uncertainty of the expected financial performance of Rand Capital following completion of the pending transactions; (5) failure to realize the anticipated benefits of the pending transactions, including as a result of delay in completing the pending transactions; (6) the risk that the board of directors of Rand Capital is unable or unwilling to declare and pay the special cash and stock dividend or pay quarterly dividends on a going forward basis; (7) the occurrence of any event that could give rise to termination of the stock purchase agreement; (8) the risk that shareholder litigation in connection with the pending transactions may affect the timing or occurrence of the contemplated transactions or result in significant costs of defense, indemnification and liability; (9) evolving legal, regulatory and tax regimes; (10) changes in general economic and/or industry specific conditions; and (11) other risk factors as detailed from time to time in Rand Capital’s reports filed with the Securities and Exchange Commission (“SEC”), including Rand Capital’s annual report on Form 10-K for the year ended December 31, 2018, later filed quarterly reports on Form 10-Q, the definitive proxy statement for the pending transactions and other documents filed with the SEC. Consequently, such forward-looking statements should be regarded as Rand Capital’s current plans, estimates and beliefs. Except as required by applicable law, Rand Capital assumes no obligation to update the forward-looking information contained in this presentation.



Scheduled Closing of East Transaction

- November – Scheduled to close on pending transaction with East Asset Management (“East”)
 - Rand will issue ~8.3 million shares to East and receive ~\$25 million of assets
 - Rand to receive ~\$10 million in investments and ~\$15 million in cash*
 - Investments generate current cash flow
 - Cash available for dividends and new investments
 - Rand Capital Management (“RCM”) will become adviser to Rand Capital effective immediately after the transaction
 - Rand employees become employees of RCM
- Intend to proceed with process to transform Rand into a Regulated Investment Company (“RIC”)**
 - Requires distribution of accumulated excess earnings and profits; amount to be determined (\$17 million – subject to change)**
 - Anticipate resulting special dividend in Q1 2020**
 - Intend ongoing regular cash dividend policy going forward**

* Subject to final balances

** Subject to Board approval

Third Quarter 2019 Key Developments








- NAV of \$4.39 per share at 9/30/2019, down from \$4.85 at 6/30/2019
 - Decrease primarily due to unrealized depreciation in five portfolio investments
- No investments during third quarter
 - Activity deferred pending closing of East transaction
- Portfolio value \$26.8 million, cash \$9.3 million
 - Portfolio will increase by ~\$10 million and cash will increase by ~\$15 million upon closing of East transaction*
- Board of Directors renewed and increased share buyback authorization to additional 1,000,000 shares

* Subject to final balances

Top Five Investments in Portfolio



\$26.8 million total portfolio, 28 active companies

Company	Investments at Fair Value (in millions)	Year Acquired	Industry	% of Total Portfolio
 Tilson	\$4.0	2015	Professional Services—Cellular Info Systems, Construction, Mgmt	15%
 ACV Auctions	\$2.8	2016	Software—Live Mobile Auctions for Automobile Dealers	10%
 Genicon	\$2.8	2015	Healthcare—Surgical Instrumentation	10%
 Microcision	\$2.6	2009	Manufacturer—Machined Medical Implants	10%
 Outmatch	\$2.1	2010	Software—Predictive Employee Selection	8%
TOTAL Top 5	\$14.2			53%

All values as of September 30, 2019, may not foot due to rounding

ACV Auctions – Online Auto Auctions



August 2016

Initial Investment

\$2.8 million

Fair Value of Investment*

<1%

Equity Ownership*

Headquarters

Buffalo, NY

Description

The leading dealer-to-dealer, online automotive marketplace that strives to be the trusted way that dealers source their wholesale vehicles

Recent Business Activity

- Recently launched new tools and features to further increase efficiency for dealers buying and selling on the online ACV platform:
 - Run List provides access to certain auctions before they go live, enabling dealers to bid in a way that fits their schedule
 - Enhancements to filters optimize time dealers spend on the platform to facilitate finding the exact dealer they want quickly and easily
 - Proxy bids have been enhanced, allowing for both standard and persistent proxy bids
 - Virtual Lift™, the industry's first mobile vehicle undercarriage imaging tool

* Based on Rand's investment as of September 30, 2019

Learn more at <http://acvauctions.com/>



Carolina Skiff – Manufacturer of Outboard Boats



Headquarters

Waycross, GA

January 2004

Initial Investment

\$1.8 million

Fair Value of Investment*

7%

Equity Ownership*

Description

Leading manufacturer of high quality, versatile outboard boats offering over 60 models across 94 dealers in 23 states

Recent Business Activity

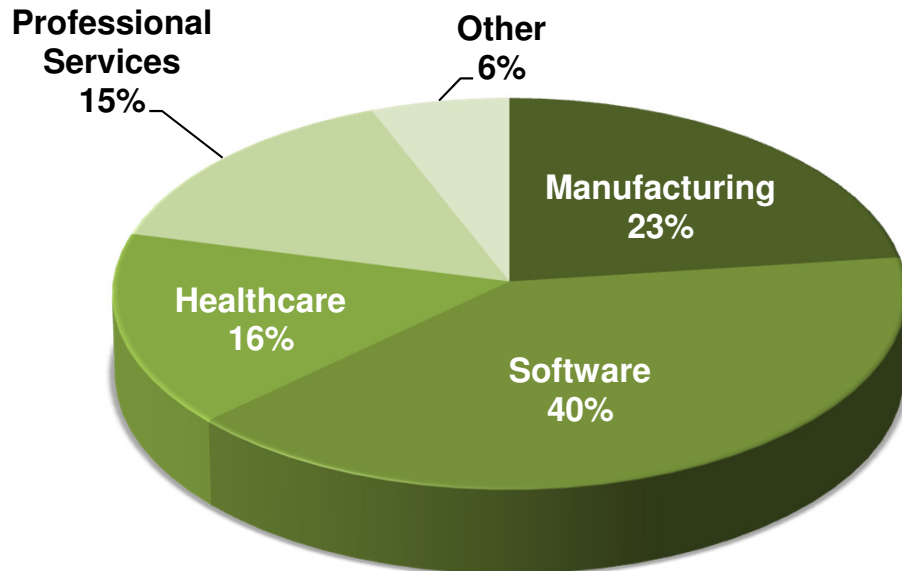
- Recently undertook a comprehensive refresh of its product line, developing a more linear series of boats with advanced features and functionality in response to evolving consumer preferences
 - Launched an industry-leading 18 new models for the 2020 model year
 - In alignment with their slogan – Family. Fishing. Fun. – new models provide boat enthusiasts with turnkey options to simplify the buying process while delivering reduced lead times

* Based on Rand's investment as of September 30, 2019

Learn more at <https://www.carolinaskiff.com/>

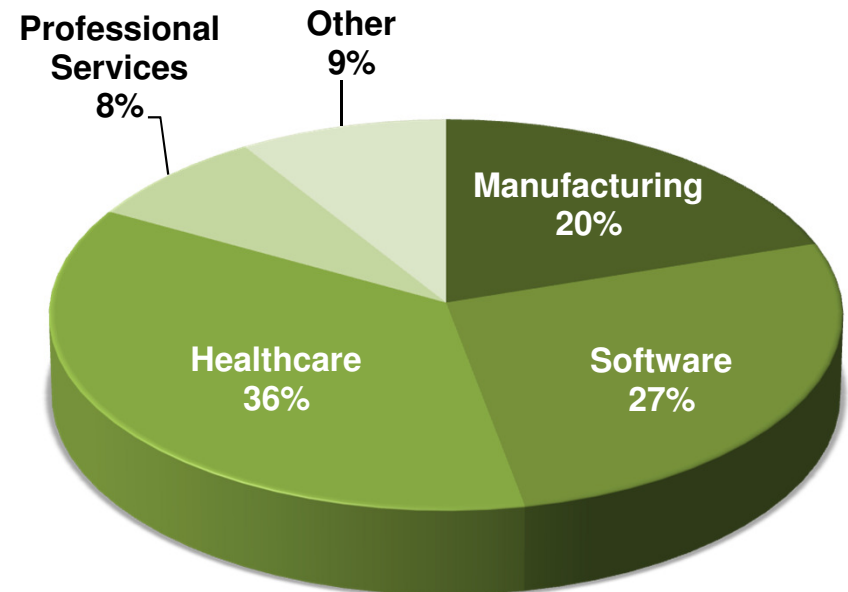
Investments by Industry Classification

September 30, 2019



Based on total investments at fair value of \$26.8 million as of September 30, 2019

September 30, 2018



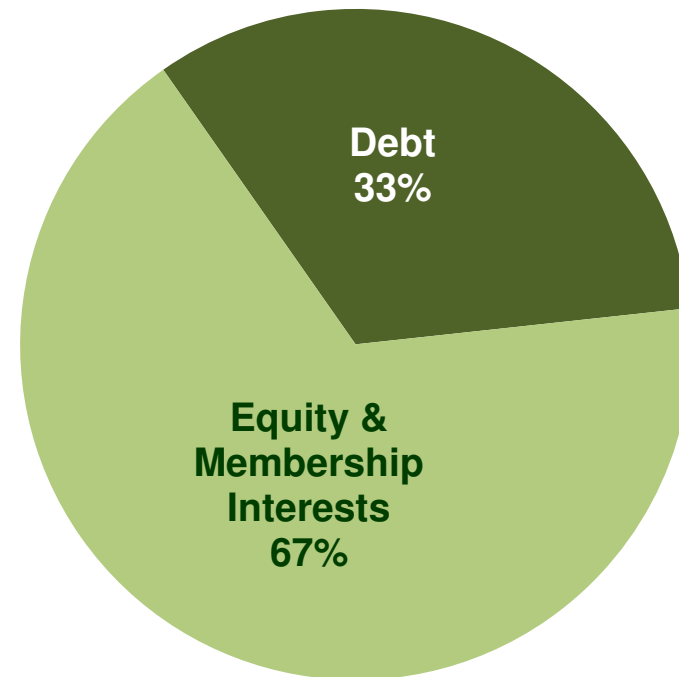
Based on total investments at fair value of \$32.3 million as of September 30, 2018

Building Balanced Portfolio



Portfolio Asset Mix

- Flexibility: adjust investments to meet needs
- Building investment income to cover operating expenses
- Include equity for upside potential



\$26.8 million
September 30, 2019



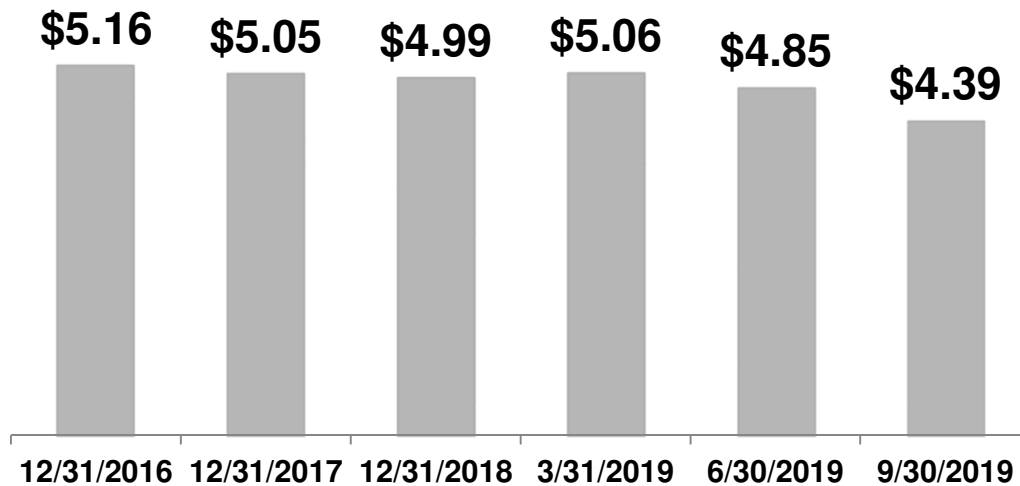
Financial Review

Daniel P. Penberthy
Executive Vice President & CFO

Net Asset Value Per Share



(NAV per share, after tax)



NAV decline in the third quarter driven primarily by fair value reductions for Rheonix, Genicon, Empire Genomics, KnowledgeVision and SciAps

Portfolio gains/losses drive changes in NAV

Financial Summary



(in thousands, except per share data)

	Q3 2019	Q3 2018	\$/% Δ	YTD 2019	YTD 2018	\$/% Δ
Investment income	\$ 437	\$ 662	\$(225)/(34)%	\$ 1,740	\$ 1,439	\$301/21%
Total expenses	531	448	\$83/19%	2,044	1,510	\$534/35%
Net investment (loss) gain before income taxes	(93)	215	\$(308)/NM	(305)	(71)	\$(234)/NM
Net realized and unrealized loss on investments	(2,813)	(344)	\$(2,469)/NM	(3,585)	(1,284)	\$(2,301)/NM
Net decrease in net assets from operations	(2,879)	(179)	\$(2,700)/NM	(3,771)	(1,331)	\$(2,440)/NM
Per share	\$ (0.46)	(\$0.03)	\$(0.43)/NM	\$ (0.60)	(\$0.21)	\$(0.39)/NM

- Investment income decrease in Q3 2019 due to nonrecurring \$233,000 interest and debt modification fee income in the prior year quarter; year-to-date increase includes nonrecurring \$194,000 dividend income in Q2 and \$225,000 fee income associated with the eHealth loan repayment in Q1, partially offset by Q3 decrease previously noted
- Higher expenses in both the quarter and year-to-date periods of 2019 were primarily due to fees associated with the East transaction
- The Q3 2019 net depreciation of investments was primarily driven by decreases in the valuations of Rheonix, Genicon, Empire Genomics, KnowledgeVision and SciAps; Q3 2019 and YTD 2019 net realized and unrealized loss on investments had an unfavorable \$0.45 and \$0.57 per share impact, respectively

Strong Balance Sheet



At September 30, 2019

Value/share

\$0.19	\$1.2 million cash at Corporate
\$1.28	\$8.1 million cash in SBIC
\$4.24	\$26.8 million in portfolio investments
(\$1.74)	\$11.0 million in SBA borrowings (maturity 2022-2029)
<u>\$0.42</u>	\$2.7 million other assets & liabilities, net
<u>\$4.39</u>	Net Asset Value (NAV) per share



Third Quarter 2019 Earnings Call

November 7, 2019