



INVESTOR PRESENTATION

September 2021

Allen F. “Pete” Grum
President & CEO

Daniel P. Penberthy
Executive Vice President & CFO

SAFE HARBOR STATEMENT



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/>.

NASDAQ: RAND



An externally-managed Business Development Company (BDC), focusing its debt and related equity investments in privately-held, lower middle market companies with committed and experienced management teams in a broad variety of industries



Market Capitalization \$43.6 Million

52-Week Low/High \$10.90 / \$26.98

Recent Price \$16.88

Average Daily Volume (3 mo.) 7,250

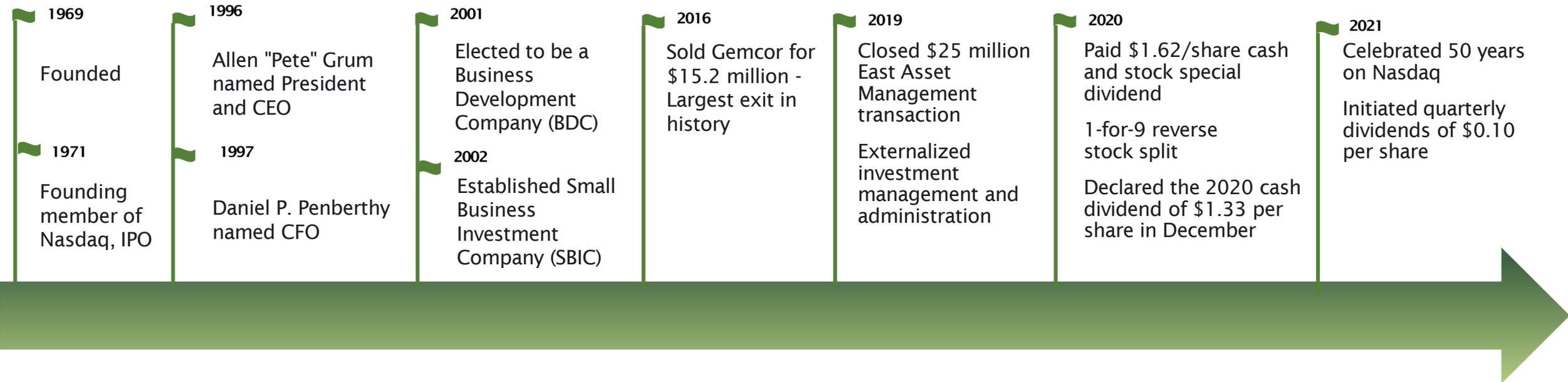
Common Shares Outstanding 2.6 Million

Ownership: Institutions 9%

Insiders 67%

Market data as of September 16, 2021 [Source: S&P Capital IQ]; ownership as of most recent filing

TRANSFORMATION OF RAND CAPITAL



Internally-managed, venture capital-oriented BDC

Externally-managed, dividend paying BDC that lends to lower middle market companies

PORTFOLIO DISCIPLINE



Investment Criteria

- ✓ Revenue >\$2 million and EBITDA \$0 to \$5 million
- ✓ Early to late-stage private businesses
- ✓ Sustainable, differentiated market-accepted product
- ✓ Skilled, motivated and invested management
- ✓ Broad, diverse industries with East or Midwest U.S. operations

Investment Structure

- ✓ Subordinated debt with warrants or preferred equity
- ✓ For expansion capital, growth or ownership transition
- ✓ Co-investor with institutional funds; minority owner
- ✓ Current interest combined with payment in kind instruments

Investment Terms

- ✓ Initial target size of \$1.5 million
- ✓ Typically \$750,000 to \$5 million investments
- ✓ Require board observation, informational rights or board seat
- ✓ Typically 5-year hold period

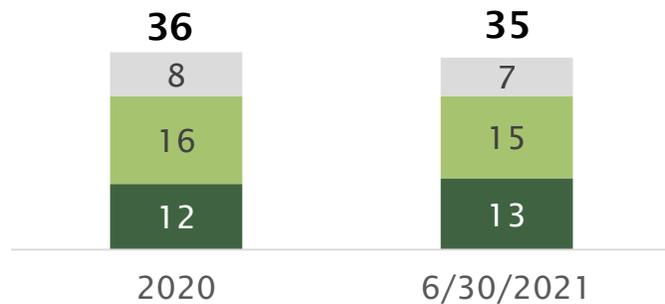
EVOLVED PORTFOLIO



Fair Value Portfolio Mix
(\$ in millions)



Portfolio Mix
(# of Investments)



■ Debt ■ Equity ■ Public BDC

Portfolio fair value increased \$19.7 million, or 49%

Primarily due to an increase in fair value of ACV Auctions Inc. and Open Exchange, Inc. as well as new investments offset by exits and payoffs

Mix at quarter-end, based on fair value:

55% Equity investments

36% Fixed-rate debt investments

9% Dividend paying, publicly traded BDCs

Made \$11.3 million in new and follow-on investments YTD

\$8.5 was in new portfolio companies

Received \$6.9 million from exits and loan repayments YTD

2021 Objective: Continue debt investment focus and exiting equity positions

RECENT INVESTMENTS & EXIT



Total Q2 2021 Investments: \$4,567,130



*Blind and Shade Manufacturing:
\$3.9 million debt investment and equity investment*



*Provides customized, fully furnished salon and spa studio space:
\$667 thousand follow-on debt investment*

Total Q2 2021 Exit Proceeds: \$2,433,571



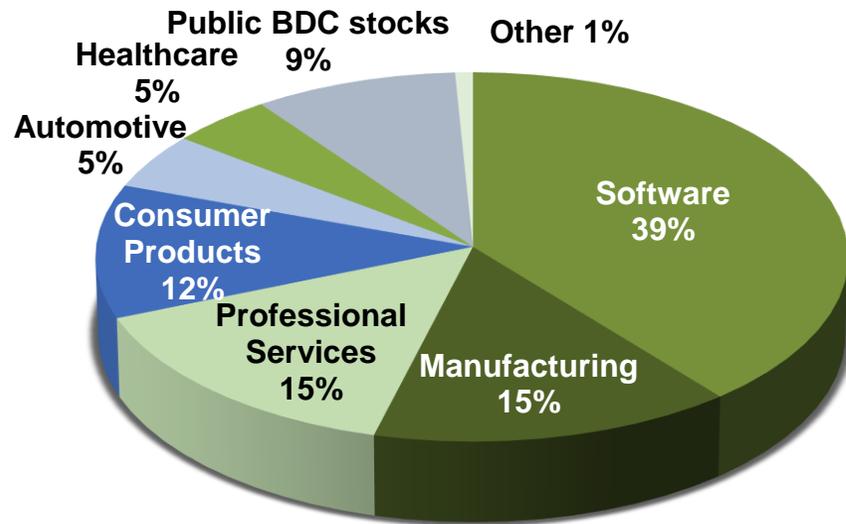
*Software company providing platform for nonprofit fundraising
Original equity investment Jan 2015
\$1.8 million gain on exit*



DIVERSIFIED PORTFOLIO

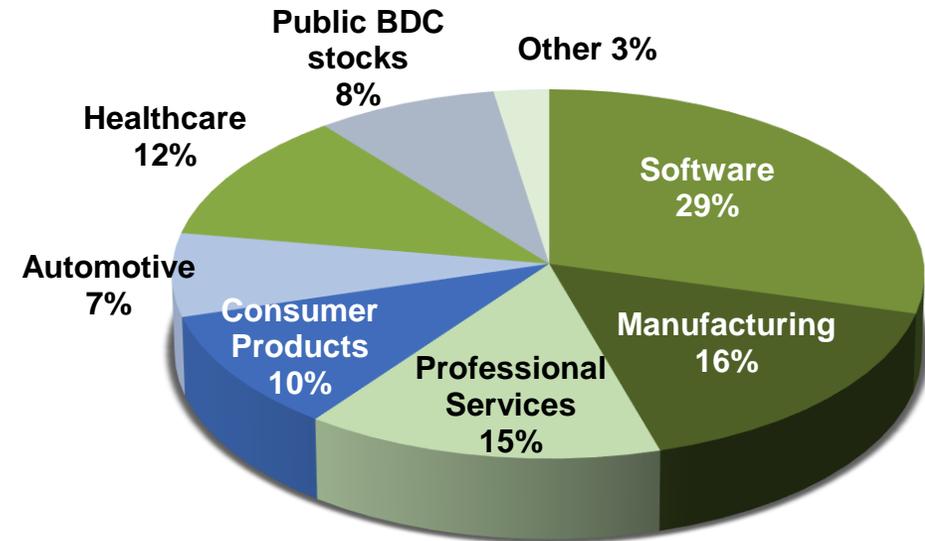
Investments by Industry Classification

June 30, 2021



Based on total investments at fair value of \$59.8 million

December 31, 2020



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

TOP FIVE PORTFOLIO INVESTMENTS



(\$ in millions)						
Company	Investments at Fair Value	Year Acquired	Industry	% of Total Portfolio	Investment Type	
 ACV Auctions	\$14.1	2016	Software—Live Mobile Auctions for Automobile Dealers (Nasdaq: ACVA)	24%	Public equity	
 Open Exchange	\$5.6	2013	Software—Online presentation and training software	9%	Equity	
 Tilson	\$4.7	2015	Professional Services—Cellular Info Systems, Construction, Mgmt.	8%	Equity – paying dividend	
 ITA Inc. The Primary Resource For the Window Fashion Business	\$3.9	2021	Manufacturing—Blind and shade manufacturing	7%	Term note (12% plus 2% PIK) Equity	
 Caitec	\$3.8	2020	Consumer Goods – Pet Product Manufacturer and Distributor	6%	Mezzanine debt (12% plus 2% PIK) Equity	
Total Top 5	\$32.1			54%		

All values as of June 30, 2021. Totals may not foot due to rounding.

\$59.8 million portfolio fair value with 35 portfolio companies

FINANCIAL SUMMARY



(in thousands, except per share data)

	Q2 2021	Q2 2020
Total investment income	\$ 811	\$ 675
Total expenses	1,620	476
Net investment (loss) income	(811)	199
<i>Net investment (loss) income per share*</i>	\$ (0.31)	\$ 0.08
<i>Adjusted net investment income per share**</i>	\$ 0.10	\$ 0.08
Net realized and unrealized gain on investments	\$ 5,312	\$ 225
Net increase in net assets from operations	4,501	424
<i>Per share*</i>	\$ 1.74	\$ 0.20

Totals may not sum due to rounding

Investment income grew 20%

- Driven by increased interest income from portfolio companies and higher dividend and other income

Total expenses up \$1.1 million

- Included capital gains incentive fees of \$1.1 million
- Operating Expenses up \$84 thousand** (excludes capital gains incentive fees)
 - Increase reflects higher base management fees payable to Rand's investment advisor related to the increase in assets under management

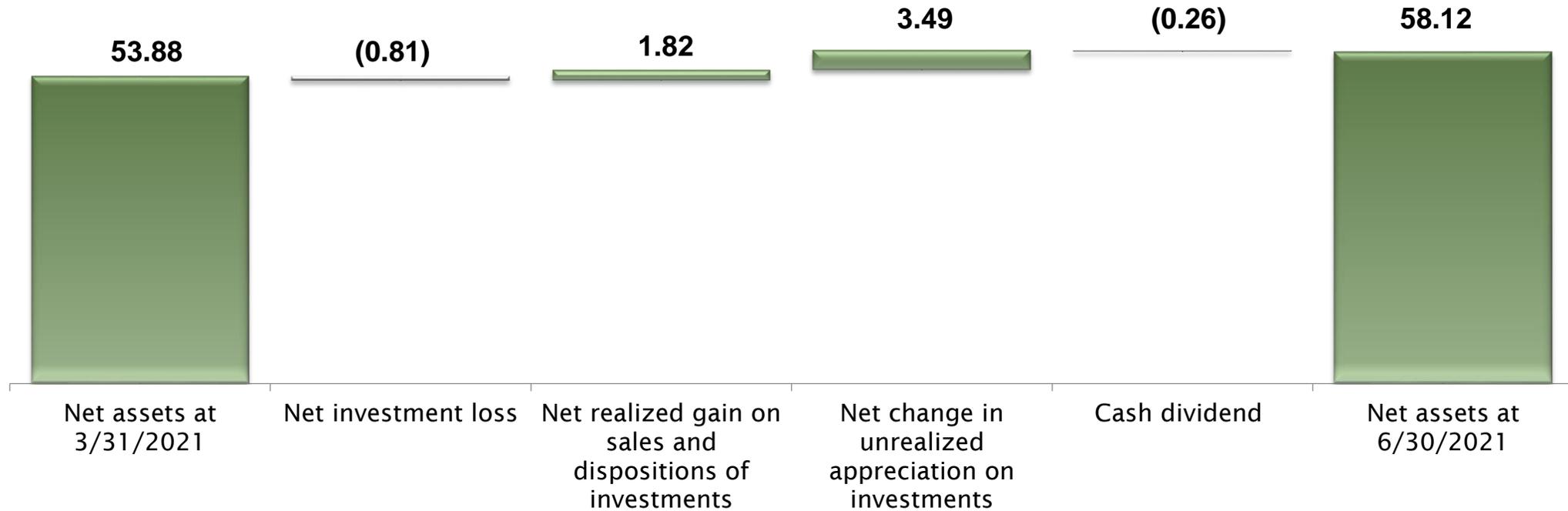
*Per share amounts based on weighted average shares outstanding of 2,582,169 in Q2 2021 and 2,103,093 in Q2 2020.

** Adjusted Net Investment Income per share and Operating 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 2021

(\$ in million)



Totals may not sum due to rounding

STRONG BALANCE SHEET, OPPORTUNITY FOR GROWTH



Net Asset Value Composition

At June 30, 2021

Per Share	Assets and Liabilities
\$5.00	\$12.9 million consolidated cash
\$23.16	\$59.8 million in portfolio investments
(\$4.18)	\$10.8 million in SBA borrowings
<u>(\$1.47)</u>	(\$3.79) million other assets & liabilities, net
\$22.51	Net Asset Value (NAV) per share

Significant Liquidity

Nearly \$16 million in available liquidity

- \$12.9 million in cash plus \$3.0 million available for borrowing under SBIC debenture program

Announced dividend of \$0.10 per share for third quarter 2021

Share repurchase program authorizing the purchase of up to \$1.5 million in stock

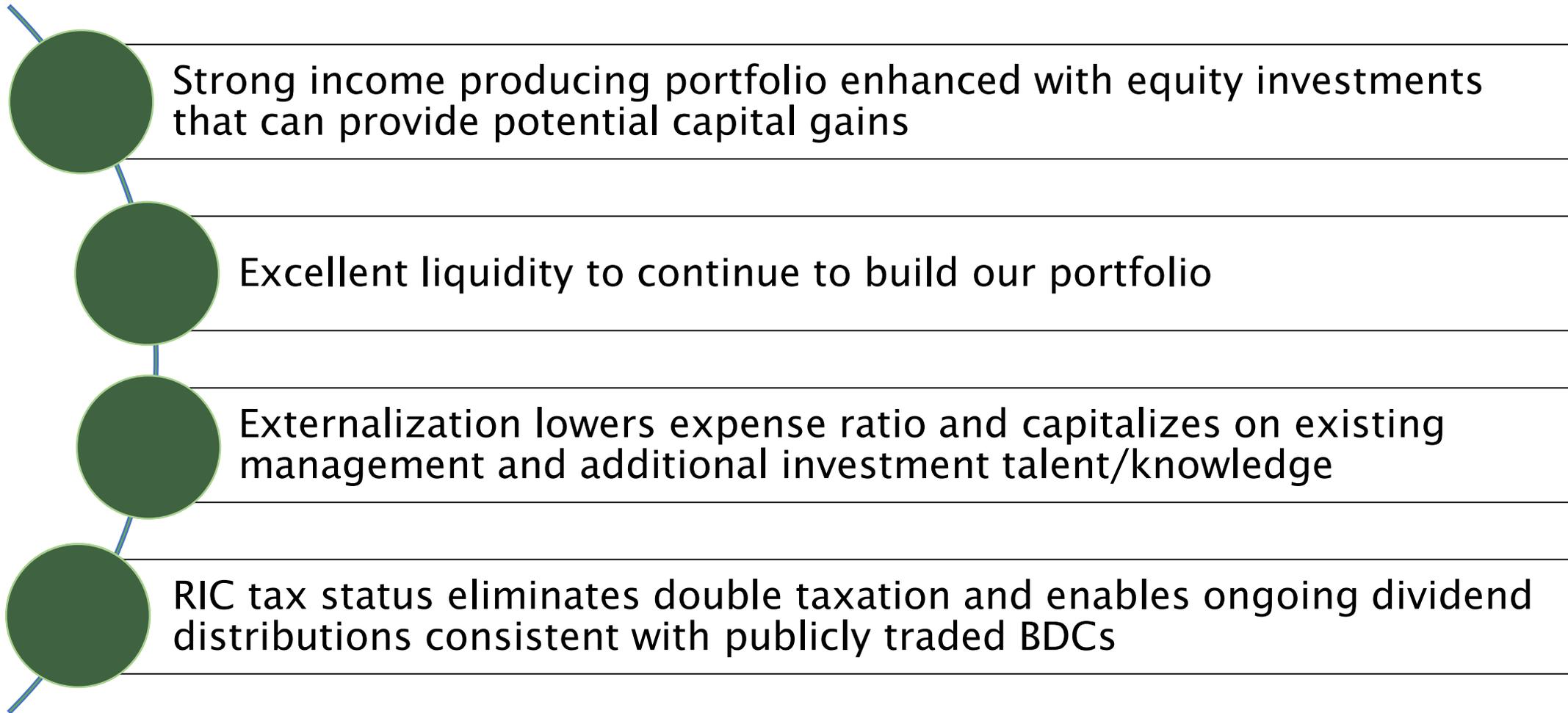
- Expires April 22, 2022

Strong liquidity position and pipeline of potential investments



POSITIONED FOR GROWTH

Focused on Shareholder Returns





SUPPLEMENTAL INFORMATION

ADJUSTED NET INVESTMENT INCOME PER SHARE



(in thousands, except per share data)

	Three Months Ended	
	June 30, 2021	June 30, 2020
Net investment (loss) income per share*	\$ (0.31)	\$ 0.08
Capital gains incentive fees per share	0.41	-
Adjusted net investment income per share*	\$ 0.10	\$ 0.08

*Per share amounts based on weighted average shares outstanding of 2,582,169 in Q2 2021 and 2,103,093 in Q2 2020

In addition to reporting Net Investment (Loss) Income per Share, which is a U.S. generally accepted accounting principle (“GAAP”) financial measure, Rand 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 (Loss) Income per Share less any capital gains incentive fees attributable to net change in unrealized appreciation (depreciation) on investments. GAAP Net Investment (Loss) 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.

OPERATING EXPENSES



	Three Months Ended	
	June 30, 2021	June 30, 2020
Total expenses	\$ 1,619,958	\$ 475,806
Exclude capital gains incentive fees	1,060,000	-
Operating expenses	\$ 559,958	\$ 475,806

In addition to reporting Total Expenses, which is a U.S. generally accepted accounting principle (“GAAP”) financial measure, Rand presents Operating Expenses, which is a non-GAAP financial measure. Operating expenses are defined as GAAP Total expenses less any expenses for capital gains incentive fees attributable to net change in unrealized appreciation (depreciation) on investments. GAAP Total expenses is the most directly comparable GAAP financial measure. Rand believes that Operating 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.



RAND CAPITAL CORPORATION