



# LD Micro Virtual Conference

March 8, 2018

Allen F. “Pete” Grum  
President & CEO

Daniel P. Penberthy  
Executive Vice President & CFO

# Safe Harbor Statement

*Statements included in these slides that do not relate to present or historical conditions are “forward-looking statements” within the meaning of that term in Section 27A of the Securities Act of 1933, and in Section 21E of the Securities Exchange Act of 1934. Additional oral or written forward-looking statements may be made by us from time to time, and forward-looking statements may be included in documents that are filed with the Securities and Exchange Commission. Forward-looking statements involve risks and uncertainties that could cause results or outcomes to differ materially from those expressed in the forward-looking statements. Forward-looking statements may include, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions and are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as “believes,” “forecasts,” “intends,” “possible,” “expects,” “estimates,” “anticipates,” or “plans” and similar expressions are intended to identify forward-looking statements. Among the important factors on which such statements are based are assumptions concerning the state of the national economy and the markets in which our portfolio companies operate, the state of the securities markets and the national financial markets, and inflation. Forward-looking statements are also subject to the risks and uncertainties described under the caption “Risk Factors” contained in documents that we file with the SEC, including our 2017 Annual Report on Form 10-K filed on March 8, 2018. There may be other factors not identified that affect the accuracy of our forward-looking statements. Further, any forward-looking statement speaks only as of the date it is made and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time that may cause our business to not develop as we expect, and we cannot predict all of them.*



# Rand Capital Corporation

***Rand Capital is an internally managed  
Business Development Company  
that makes venture capital investments in  
promising companies with an emerging product,  
service or technology concept.***

Market capitalization	\$16.8 million	Total assets	\$40.1 million
Recent price	\$2.65	Net assets	\$31.9 million
52 week price range	\$2.54 - \$3.50	Net asset value CAGR (2012-2017)	5.3%
Shares outstanding	6.3 million	Net asset value per share	\$5.05
Average daily volume (3 mos.)	20k	Institutional / insider ownership	35% / 13%

**Founded: 1969**

**IPO: 1971**

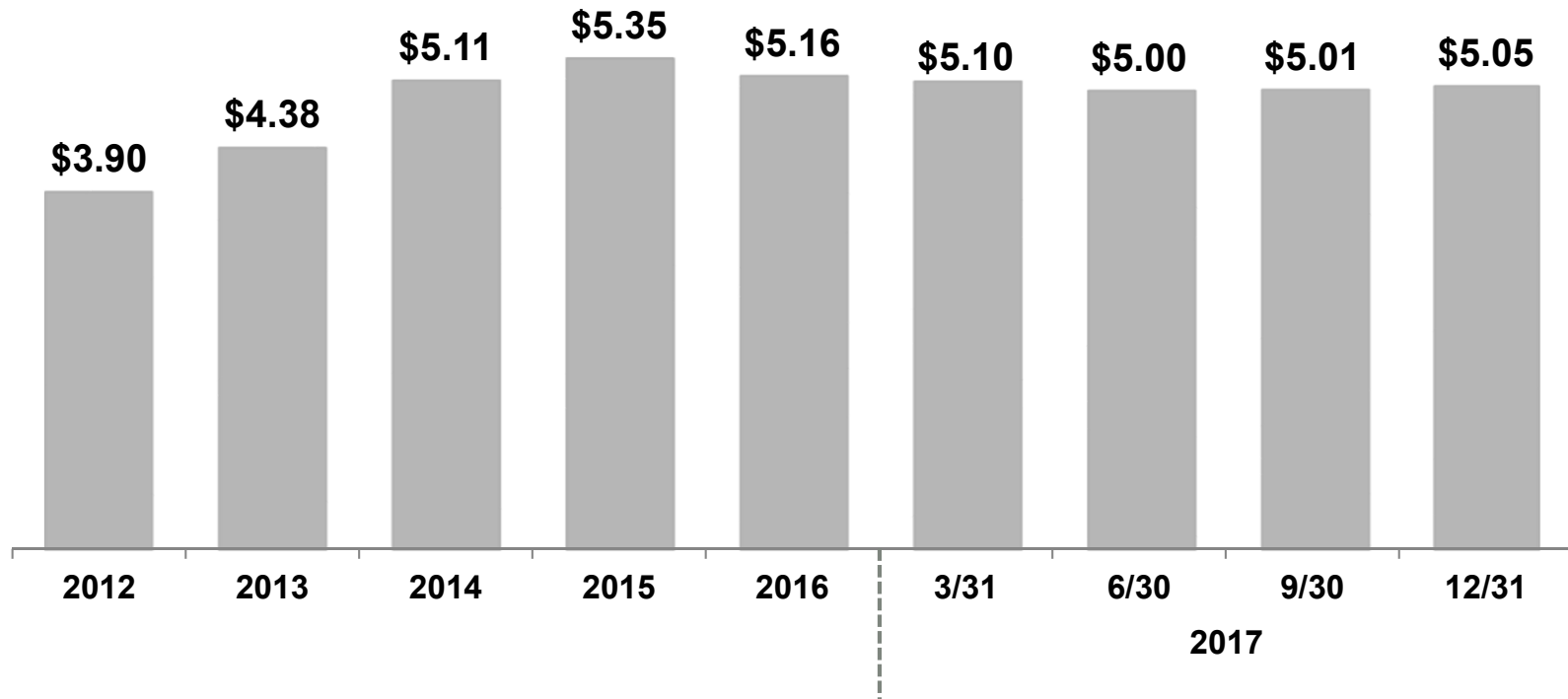
**NASDAQ: RAND**



*Note: Market data as of March 5, 2018 [Source: S&P Capital IQ]; ownership as of last filing date; asset data as of December 31, 2017*

# NAV Progression

(NAV per share, after tax)



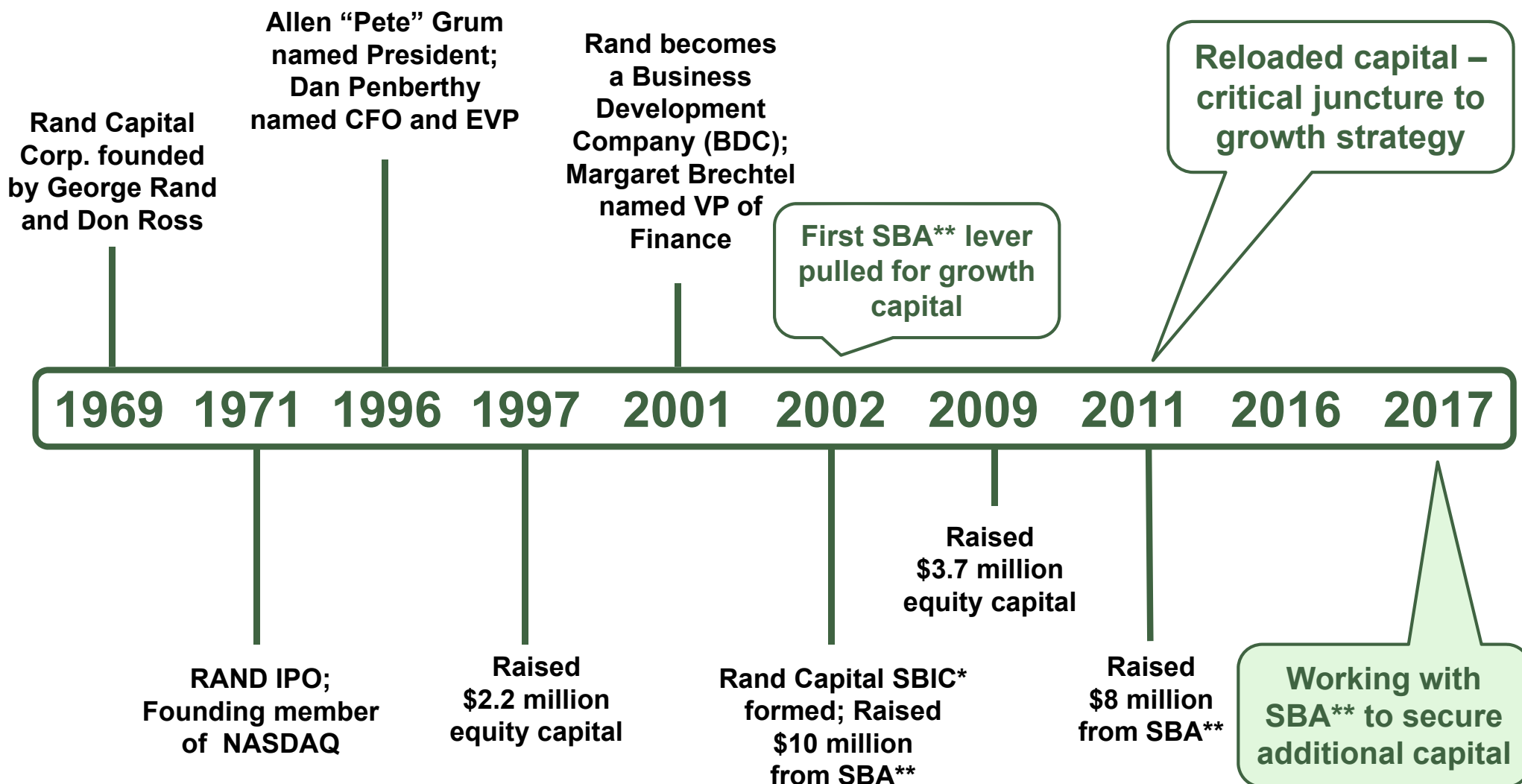
**Portfolio exits drive NAV growth\***



*\* Timing of exits cannot be predicted*

© 2018 Rand Capital Corporation

# Capital Levers Create Investment Potential



\*SBIC: Small Business Investment Company

\*\*SBA: U.S. Small Business Administration

# Reinvesting Cash Proceeds

## ***Growth Strategy***

### **Rand Capital Exits**

January 1, 2013 - December 31, 2017

<b>Full-Cycle Investments Exited</b>	<b>Average Holding Length (years)</b>	<b>Total Cash Invested</b>	<b>Gross Cash Generated (Income &amp; Gain)</b>	<b>Achieved Cash Multiple</b>	<b>IRR</b>
11	4.8	\$11.0mm	\$52.4mm	>4x	>40%

***Quintupled cash investment***

***Exits since SBIC inception in 2002 amounted to 29 companies which achieved a 3.0x cash multiple and 25% IRR***

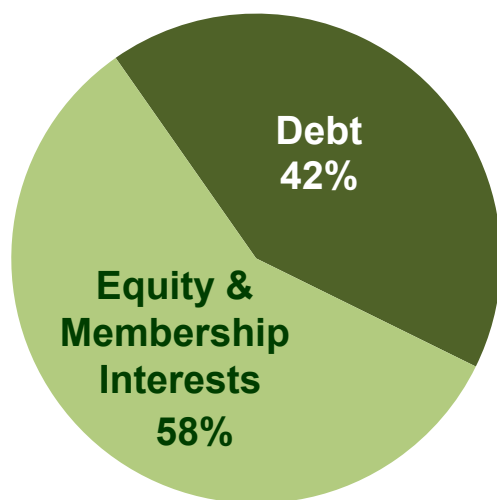
Note: Gross cash generated includes flow-through distributions from LLC-structured investments



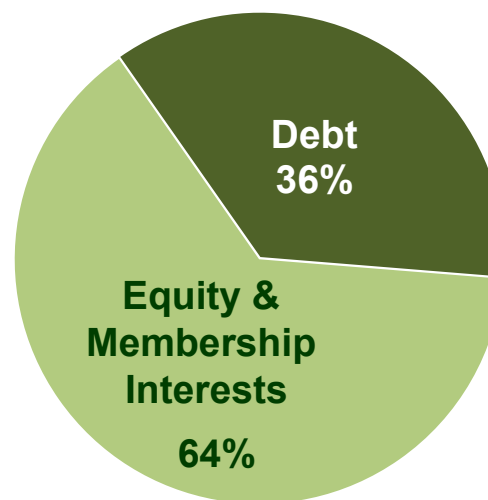
# Equity Investment Focused, But Flexible

## *Growth Strategy*

- Focused on capital appreciation and growing NAV
- Ongoing focus on building investment income



As of December 31, 2017



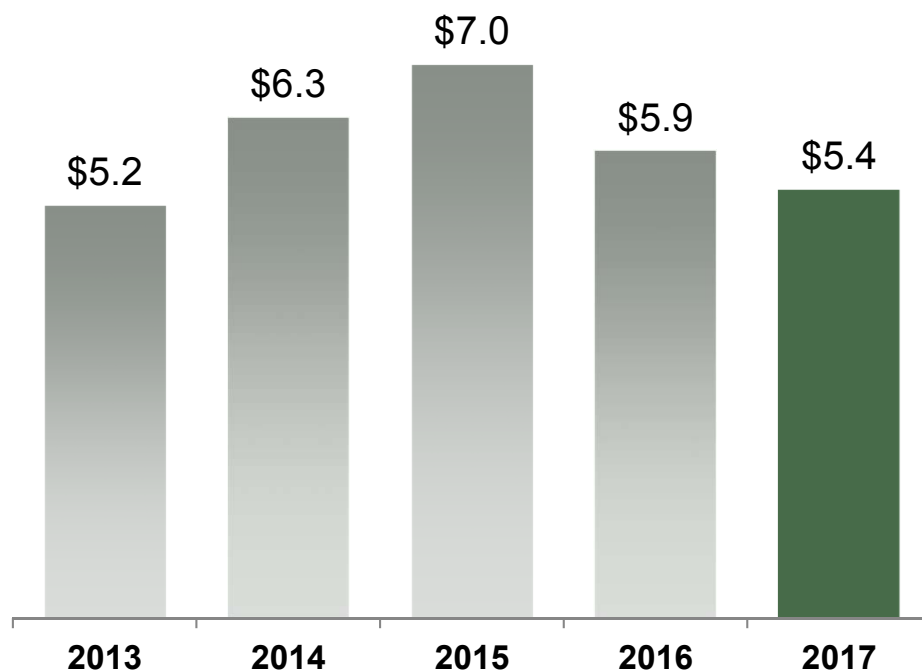
As of December 31, 2016



# Building Investment Portfolio

## Rand New & Follow-on Investments

(\$ in millions)



## 2017 Investments

CENTIVO

GENICON

eHealth  
TECHNOLOGIES

TILSON

SciAps  
ANALYZE YOUR WORLD

MERCANTILE  
Innovative Solutions, Exceptional Results

KNOWLEDGE VISION

Grainful

Initial and follow-on  
investments





# Portfolio Companies: By Revenue Stage








Several portfolio companies preparing to exit\*



# Top Five Investments in Portfolio

*\$32 million total portfolio, 30 active companies*

	Company	Investments at Fair Value (in millions)	Year Acquired	Industry	% of Total Portfolio
	Genicon	\$4.0	2015	Healthcare—Surgical Instrumentation	12%
	eHealth	\$3.5	2016	Healthcare—Clinical Record Imaging Systems	11%
	Rheonix	\$2.9	2009	Healthcare—Molecular Testing Devices	9%
	Tilson	\$2.5	2015	Professional Services	8%
	Outmatch	\$2.1	2010	Software—Predictive Talent Selection	7%
<b>TOTAL Top 5</b>		<b>\$15.0</b>			<b>46%</b>



*All values as of December 31, 2017, may not foot due to rounding*

# Featured Portfolio Companies\*



Portland, ME

- Network deployment firm for cellular carriers, utilities, and governments as well as consultant for IT service construction
- Initial investment: 2015
- 11% equity position and subordinated note
- Cost: \$2.5 million
- Fair value: \$2.5 million



Waycross, GA

- Leading manufacturer of high quality, customizable boats offering over 60 models across 94 dealers in 23 states.
- Initial investment: 2004
- 7% equity position
- Cost: \$15,000
- Fair value: \$1.75 million

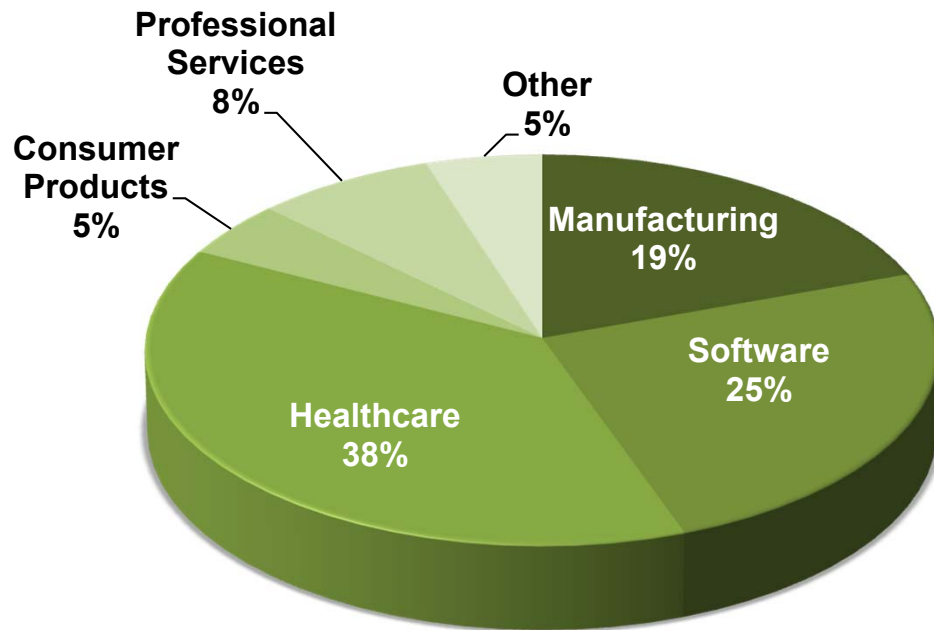


\* All values as of December 31, 2017

# Diverse Portfolio Reflects Strategy

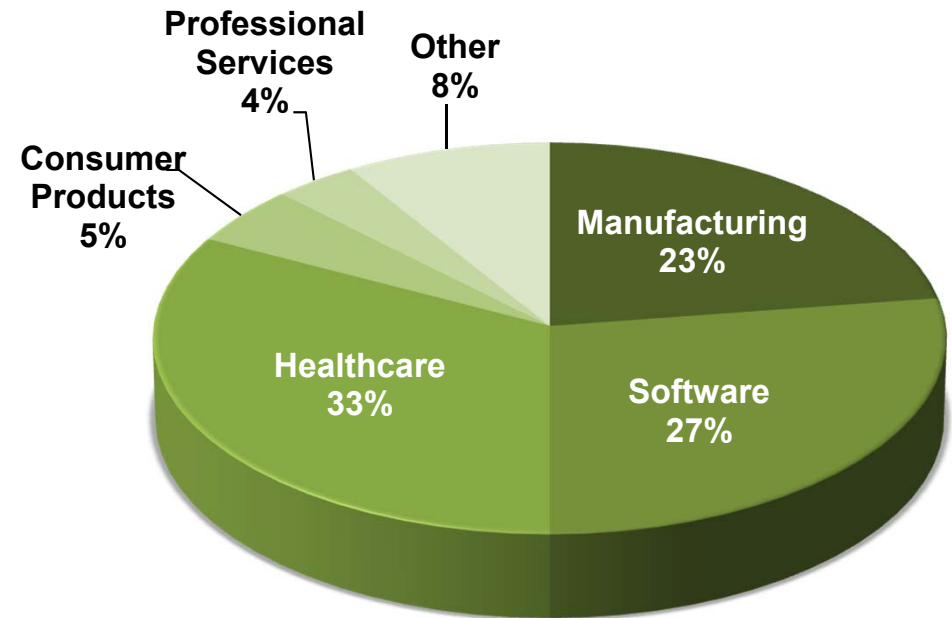
## Investments by Industry Classification

December 31, 2017



*Based on total investments  
at fair value of \$32.3 million  
as of December 31, 2017*

December 31, 2016



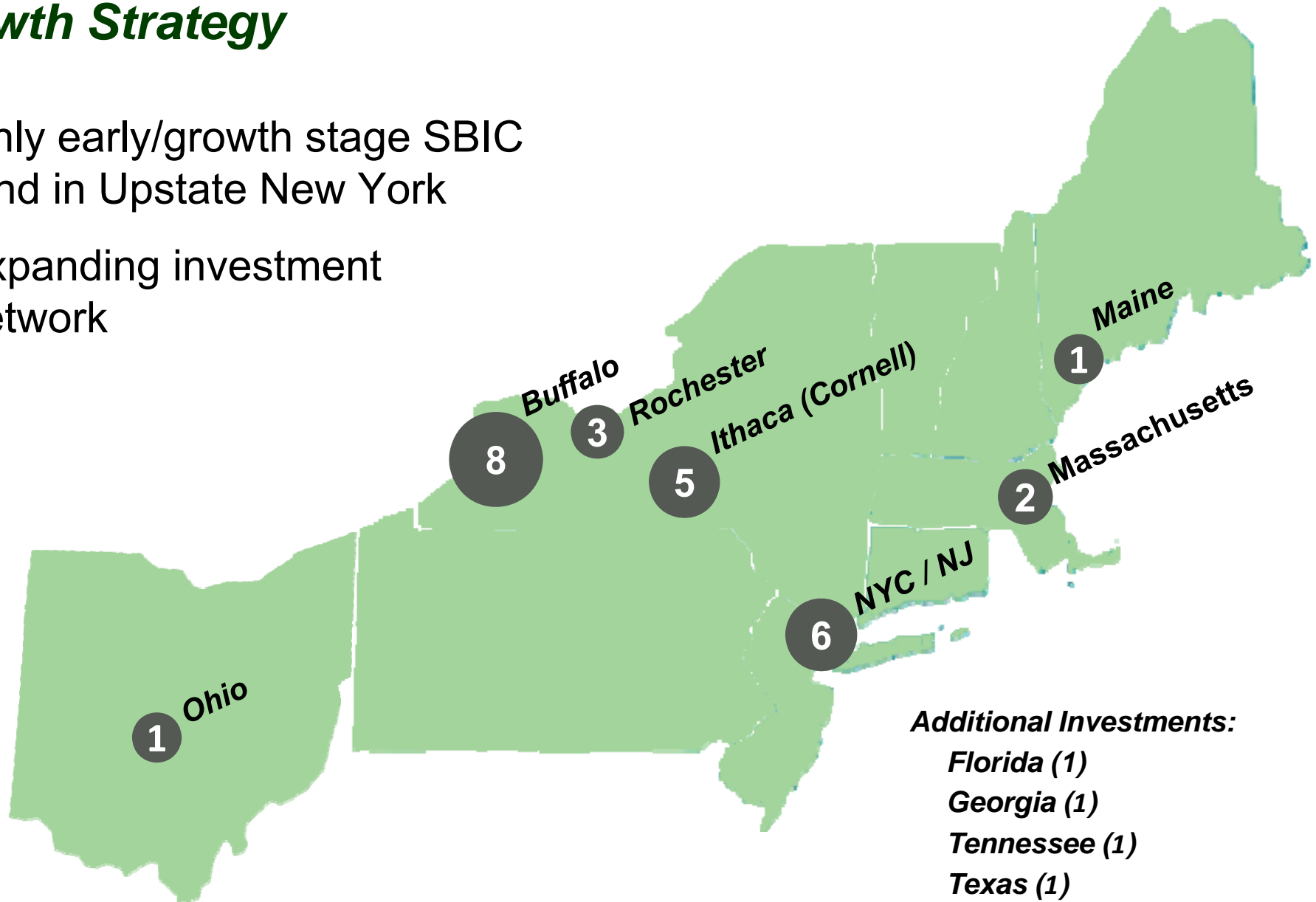
*Based on total investments  
at fair value of \$27.5 million  
as of December 31, 2016*



# Regional Investment Focus: Underserved Markets

## ***Growth Strategy***

- Only early/growth stage SBIC fund in Upstate New York
- Expanding investment network



*As of December 31, 2017*

# Efficient Internal Management of Assets

## *Internal management structure offers SG&A leverage*

- Internally-managed structure
- Greater transparency of fund manager compensation versus externally managed BDCs
- Shareholders may vote on compensation issues
- Strong operating leverage:
  - ◆ Expect assets to grow at a rate greater than expenses

**Rand Capital**  
**Operating Expenses\* to Total Assets**

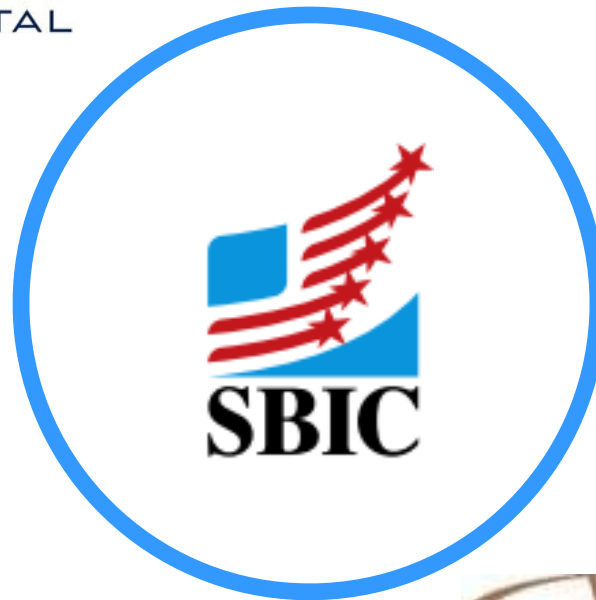


*\* Excludes bonus and profit sharing*





# Co-Investment Partners



# Strong Balance Sheet

*At December 31, 2017*

## Value/share

\$0.99	\$6.3 million in cash-on-hand*
\$5.11	\$32.3 million in portfolio investments
(\$1.27)	\$8.0 million in SBA borrowings (maturity 2022-2025)
<u>\$0.22</u>	\$1.3 million other assets & liabilities, net
<u><b>\$5.05</b></u>	Net Asset Value (NAV) per share

\* *Cash-on-hand as of December 31, consists of:  
\$1.94 million (\$0.31 per share) in Rand Capital Corporation  
\$4.32 million (\$0.68 per share) in Rand's SBICs*





# SBA Capital

## *Provides financial support and stability*

- Available to Small Business Investment Company (SBIC) subsidiaries, guaranteed by the SBA
  - ◆ \$8 million debentures outstanding at December 31, 2017
    - Maturity dates: 2022-2025
    - Weighted average interest rate 3.54%
  - ◆ Working with SBA to finalize an arrangement for additional capital



# Capital Allocation Priorities for Growth

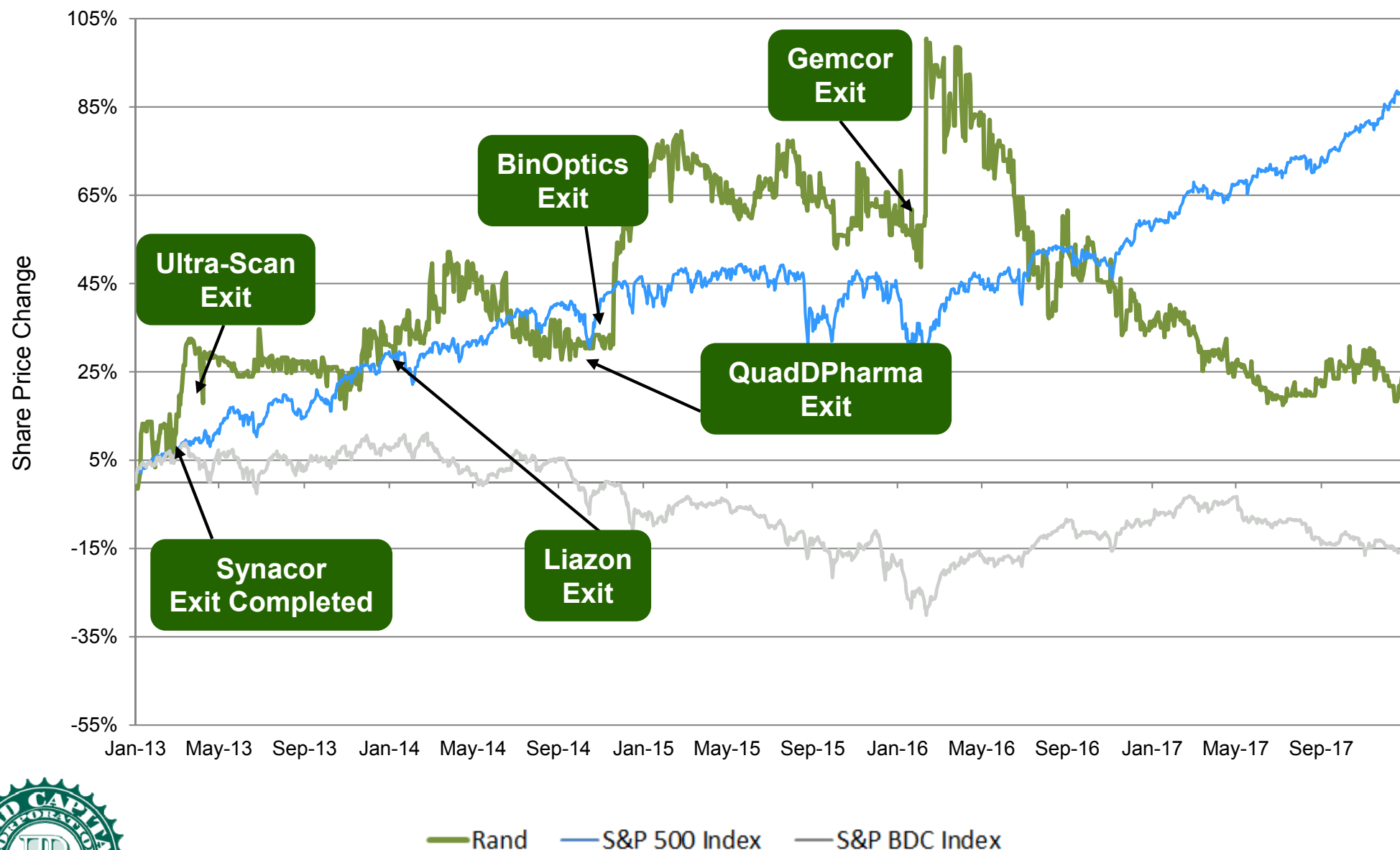
## *Growth Strategy*

- Cash flow and capital priorities
  - ◆ Investments to deliver returns and cash for reinvestment
    - Approximately \$4.3 million in SBICs available to invest
  - ◆ Cover operating expenses
    - Approximately \$1.6 million of annual operating expenses
  - ◆ Return capital to shareholders
    - Buybacks more tax efficient than dividends
- Share repurchase authorization: 458,954 shares remaining



# Exits Favorably Impact Stock Performance

## *Outperformed 5-year BDC Index*



# Why Rand?

- Strong performance, financially and operationally
- Proven management team
- Delivers shareholder returns
- Strategy for NAV growth
- Only early and expansion stage SBIC fund in Upstate NY
- Solid reputation among investment partners
  - ◆ Decisive and responsive
- Opportunistic share buy backs





# Portfolio Company Profiles

*(All values as of December 31, 2017)*

# Healthcare



- Initial investment: 2016
- Rochester, NY
- Electronic medical record developer
- Ownership - 0%
- Senior Subordinated Secured Loan

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Rand Cost: \$3.5 million

Rand Value: \$3.5 million



- Initial investment: 2017
- New York, NY
- Tech enabled health solutions
- Ownership - 0%
- Convertible Unsecured Loan

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Rand Cost: \$100,000

Rand Value: \$100,000

Encryption  
Data Security  
Confidentiality  
Deidentification  
Availability  
Application Security  
Authentication  
Anonymization  
Data Privacy  
Integrity  
Key Management  
Identification  
System Hardening  
Certification  
Penetration Testing  
Authorization  
Audit



Investment Partner: *Stonehenge*



# Healthcare



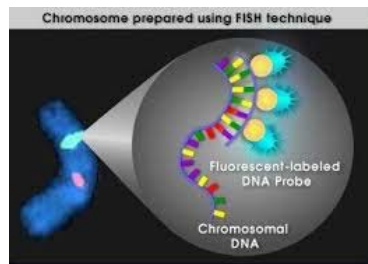
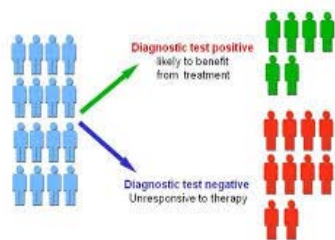
- Initial investment: 2014
- Buffalo, NY
- Proprietary assay testing  
Personalized medicine
- Ownership - 0%
- Convertible Note

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Rand Cost: \$1.4 million

Rand Value: \$1.4 million

Personalised medicine: future vision



Investment Partners: Z80 Labs, Enhanced Capital

## Rheonix

- Initial investment: 2009
- Ithaca, NY
- Develops micro fluidic  
chemical/biological testing cards  
using Cornell developed MEMS  
technology
- Ownership - 4%
- Series A and Series B Preferred

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Rand Cost: \$2.8 million

Rand Value: \$2.9 million

Investment Partners:  
Cayuga Ventures  
HUA NAN Ventures  
Onondaga



# Healthcare



- Initial investment: 2012
- Batavia, NY
- Medical device company
- Automated pill crusher
- Ownership - 7%
- Senior Subordinated Secured Loan

---

Rand Cost: \$1.0 million

Rand Value: \$250,000



Investment Partners:  
*Stonehenge Capital*  
*Excell Partners*



- Initial investment: 2015
- Orlando, FL
- Medical device manufacturing
- Surgical Instruments
- Ownership - 6%
- Series B Preferred, Senior Loans and warrants

---

Rand Cost: \$4.0 million

Rand Value: \$4.0 million



Investment Partner:  
*Advantage Capital*



# Software



- Initial investment: 2016
- Buffalo, NY
- BtoB auto auction
- Ownership - <1%
- Series A Preferred

Rand Cost: \$163,000

Rand Value: \$282,356



Investment Partners:  
*Tribeca Ventures*  
*Softbank*  
*Armory Square*



- Initial investment: 2015
- Nashville, TN
- Education software
- Ownership - <1%
- Senior Secured Note, Series C Preferred, warrants

Rand Cost: \$1.0 million

Rand Value: \$1.0 million



Investment Partner: *Gefinor*

# Software



- Initial investment: 2010
- Dallas, TX
- Employee screening tools
- Ownership - 4%
- P1 & C1 Preferred Units

Rand Cost: \$2.1 million

Rand Value: \$2.1 million



Investment Partners: Cayuga Ventures, Trident Capital



- Initial investment: 2013
- New York, NY
- Social media content monitoring and delivery
- Ownership - 4%
- Series B, B-1 & C Preferred

Rand Cost: \$1.8 million

Rand Value: \$2.1 million



Right Message. Right Audience. Right Time.  
**Get it Right with SocialFlow**  
 Stop guessing about getting maximum engagement on Twitter and Facebook. Stop patching together different analytics tools to see your impact across social networks. Stop settling for limited reports. Try the SocialFlow difference.

Investment Partners: Fairhaven, AOL Ventures, SoftBank



# Software



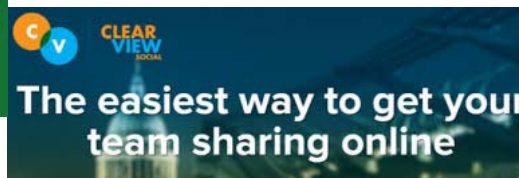
CLEAR  
VIEW  
SOCIAL

- Initial investment: 2016
- Buffalo, NY
- Social media publishing tool for professional industries (law-CPA)
- Ownership - 6%
- Series Seed Plus Preferred

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Rand Cost: \$200,000

Rand Value: \$200,000



Investment Partner: *Buffalo Angel Investors*



GiveGab

- Initial investment: 2013
- Ithaca, NY
- Non-profit giving platform
- Ownership - 6%
- Series Seed Preferred

---

Rand Cost: \$616,221

Rand Value: \$424,314



Investment Partners:  
*Cayuga Partners*  
*Great Oaks Ventures*

# Software



- Initial investment: 2012
- New York, NY
- SAP monitoring tool
- Ownership - 7%
- Series A-1 & B Preferred, Convertible Note

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Rand Cost: \$1.3 million

Rand Value: \$1.3 million



Investment Partners:  
*Advantage Capital, Gefinor, FA Tech,  
Ascent Ventures*



- Initial investment: 2013
- Lincoln, MA
- Online presentation & training software
- Ownership - 7%
- Series A-1, A-2 & A-3 Preferred, note, warrants

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Rand Cost: \$800,001

Rand Value: \$550,001



Investment Partner: *Grand Banks Capital*





# Manufacturing



- Initial investment: 2016
  - Buffalo, NY
  - Additive manufacturing for 3D printing
  - Ownership - 0%
  - Convertible Note
- 

Rand Cost: \$300,000

Rand Value: \$300,000



Investment Partner: *Buffalo Angel Investors*



- Initial investment: 2004
  - Waycross, GA
  - Freshwater, fishing & pleasure boats
  - Ownership - 7%
  - Common Equity
- 

Rand Cost: \$15,000

Rand Value: \$1.75 million



Investment Partner: *SIHI*



# Manufacturing



- Initial investment: 1999
- Buffalo, NY
- Natural gas boosters
- Ownership - 17%
- Class A Membership Interest

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Rand Cost: \$400,000

Rand Value: \$100,000



Investment Partner: *Angels*



- Initial investment: 2013
- Rochester, NY
- Nanomaterial copper printing technology
- Ownership - 12%
- Series A Preferred

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Rand Cost: \$1.1 million

Rand Value: \$400,000



Investment Partners: *Cayuga Ventures, Trillium Partners*



# Manufacturing

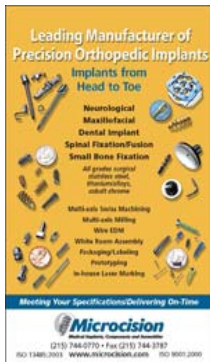


- Initial investment: 2009
- Pennsauken Township, NJ
- Manufacturer of medical screws and dental implants
- Ownership - 15%
- Subordinated Promissory Note & Common Equity

---

Rand Cost: \$1.9 million

Rand Value: \$1.9 million



Investment Partner: *SIHI*



- Initial investment: 2003
- Cortland, NY
- Horizontal/vertical machining centers
- Funded \$500k 2003, \$250k 2004 & \$303K 2006
- Ownership - 15%
- Common Equity

---

Rand Cost: \$22,841

Rand Value: \$22,841

Investment Partners:  
*Advantage Capital*  
*Cygnus*



# Manufacturing



- Initial investment: 2013
- Woburn, MA
- Portable material analysis
- Ownership - 8%
- Series A, A-1, B, C, C-1 Preferred

---

Rand Cost: \$2.8 million

Rand Value: \$1.8 million



Investment Partners:  
*Coastal Enterprises*  
*Gefinor Ventures*  
*Jolimont*



# Contact Center



- Initial investment: 2012
- Buffalo, NY
- Accounts receivable management and collections for retailers & financial institutions
- Ownership - 4%
- Subordinated Secured Note

---

Rand Cost: \$1.4 Million

Rand Value: \$949,040



Investment Partner:  
*Pine Street SBIC*



# Consumer Products



- Initial investment: 2014
- Ithaca, NY
- Steel cut oats food products
- Ownership - 9%
- Series A-2 & B Preferred

---

Rand Cost: \$620,000

Rand Value: \$650,000



Investment Partner: *Buffalo Angel Investors*



- Initial investment: 2014
- Buffalo, NY
- Hollow metal core golf ball
- Ownership – 9%
- Series AA Preferred & Convertible Note

---

Rand Cost: \$675,000

Rand Value: \$300,000



Investment Partner: *Angels*



# Consumer Products



- Initial investment: 2008
- Valhalla, NY
- MicroGreen extended performance oil filter for auto/truck use
- Ownership - 9%
- Series B Units

---

Rand Cost: \$472,632

Rand Value: \$528,348



Investment Partners: *Advantage Capital, Cape-Advisors*

# Professional Services

# Oil & Gas



- Initial investment: 2015
- Portland, ME
- Technology infrastructure services and network construction
- Ownership - 11%
- Series B, C & D Preferred, Promissory Notes

Rand Cost: \$2.5 million

Rand Value: \$2.5 million



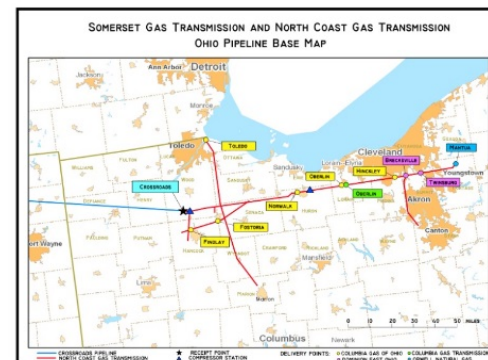
Investment Partner:  
*Coastal Enterprises*



- Initial investment: 2002
- Columbus, OH
- Natural gas pipeline transportation across OH and through PA state forest areas
- Ownership - 3%
- Series A Units

Rand Cost: \$719,097

Rand Value: \$500,000



# Electronics

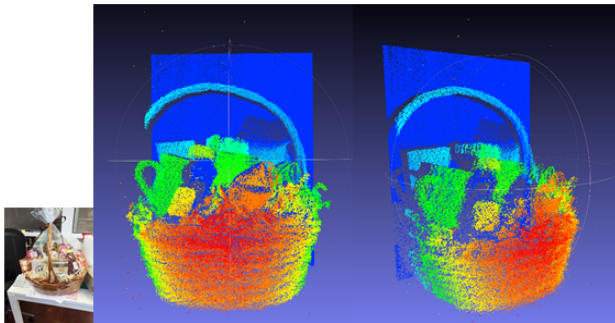


- Initial investment: 2008
- Ithaca, NY
- Developing 3D imaging MEMS/LIDAR for gesture recognition and 3D scanning
- Ownership - 14%
- Series Seed Preferred

---

Rand Cost: \$742,850

Rand Value: \$351,477



Investment Partners: Advantage Capital, Cayuga

# Marketing



- Initial investment: 2004
- Article 9A recovery of assets in 2010 & restart of 2004 Rand portfolio company
- Amherst, NY
- Wine & spirits-related marketing
- Ownership - 53%

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Rand Cost: \$99,500

Rand Value: \$99,500





# Supplemental Information

# Experienced Management Team



## **Allen F. “Pete” Grum – President and Chief Executive Officer**

Mr. Grum is a seasoned financial services executive with over 20 years of experience with financial services organizations. Mr. Grum oversees the Company’s investment activities and takes an active role in the investment process from deal sourcing to fund marketing. He earned his Master of Business Administration from Rochester Institute of Technology and his Bachelor of Arts in Economics from Eisenhower College.



## **Daniel P. Penberthy – Chief Financial Officer and EVP**

Mr. Penberthy is responsible for sourcing deals and administration of Rand’s investments and oversees the Corporation’s financial operations. He earned his Bachelor of Science from St. Bonaventure University and his Master of Business Administration from the State University of New York at Buffalo.



## **Margaret Brechtel – Vice President of Finance**

Ms. Brechtel is responsible for the Company's regulatory compliance and financial reporting. Ms. Brechtel has 20 years experience in the finance and accounting service industry. Prior to joining the Company, Ms. Brechtel was employed by Cellular One as the Operations and Finance Manager. Ms. Brechtel was also employed by KPMG LLP in the firm's audit practice. She earned her Bachelor of Science and her Master of Business Administration from the State University of New York at Buffalo and is a Certified Public Accountant in the State of New York.



**2200 Rand Building ♦ Buffalo, New York ♦ 716.853.0802**  
[www.randcapital.com](http://www.randcapital.com)



# What is a Business Development Company?

- BDCs are publicly traded closed-end funds that enable investors to participate in high yielding private market investing while maintaining daily liquidity
- BDCs are regulated under the Investment Company Act of 1940 and by the SEC and have the following characteristics
  - Diversification – BDCs must maintain certain asset diversification criteria
  - Transparency – Required annual and quarterly SEC filings
  - Fair Value – All investments are marked at fair value quarterly
  - Low Leverage – Maximum debt-to-equity ratio of 1:1



# For More Information, Contact:

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