



Fourth Quarter 2019 Financial Results

March 9, 2020

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President & CEO

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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 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; the intention to pay a regular cash dividend; the expected benefits of the 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) 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; (2) uncertainty of the expected financial performance of Rand Capital; (3) failure to realize the anticipated benefits of the transactions; (4) the risk that the board of directors of Rand Capital is unable or unwilling to pay quarterly dividends on a going forward basis; (5) evolving legal, regulatory and tax regimes; (6) changes in general economic and/or industry specific conditions; and (7) 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, 2019, later filed quarterly reports on Form 10-Q, the definitive proxy statement 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.



East Transaction Highlights

- Closed on transaction with East Asset Management in November
 - \$25 million investment in Rand, in exchange for ~8.3 million shares
 - Consisted of ~\$9.5 million in portfolio assets and ~\$15.5 million in cash
 - Formed RCM, external investment adviser to Rand
 - Added two new Board members
- Continued process to become regulated investment company (RIC)
 - Last week, Board approved special dividend of \$1.62 per share
 - Payable in combination of cash and Rand common stock
 - Rand board, management and East intend to elect to receive all stock
 - Record date: April 2
 - Distribution date: ~May 11
- Board expects to effect reverse stock split thereafter
- Board anticipates adopting regular cash dividend policy going forward

2019 Operational Highlights



- Total assets grew by 60% to \$64.8 million
 - Benefiting from \$25 million East investment
- Ended year with \$25.8 million of cash
- Invested \$2.8 million of follow-on capital during 2019
- Sold equity interest in Microcision LLC for \$1.5 million
- Investment income increased 29% over 2018
- NAV per share of \$3.66 at 12/31/2019, down from \$4.39 at 9/30/2019 and \$4.99 at 12/31/2018
 - Impacted by \$0.83/share dilutive impact of ~8.3 million shares to East

2019 Investments








- Invested ~\$2.8 million of follow-on capital during 2019
 - GoNoodle, Inc. - \$1.5 million
 - Tilson Technology Management, Inc. - \$500k
 - Genicon, Inc. - \$250k
 - Lumious (Formerly Tech 2000, Inc.) - \$250k
 - OpenExchange, Inc. (Formerly KnowledgeVision) - \$150k
 - Advantage 24/7 LLC - \$140k
- ~\$9.5 million assets contributed by East
 - AIKG LLC - \$4.4 million
 - Filterworks Acquisition USA, LLC - \$2.9 million
 - HDI Acquisition LLC - \$1.2 million
 - Mattison Avenue Holdings LLC - \$1.0 million

Top Five Investments in Portfolio



\$37.0 million total portfolio, 32 active companies

	Company	Investments at Fair Value (in millions)	Year Acquired	Industry	% of Total Portfolio
	ACV Auctions	\$6.5	2016	Software—Live Mobile Auctions for Automobile Dealers	18%
	Andretti (AIKG LLC)	\$4.4	2019	Entertainment—Indoor karting, games and food	12%
	Tilson	\$4.0	2015	Professional Services—Cellular Info Systems, Construction, Mgmt.	11%
	Filterworks USA	\$2.9	2019	Automotive—Mechanical contractor	8%
	Outmatch Holdings	\$2.1	2010	Software—Predictive employee selection and reference checking	6%
	TOTAL Top 5	\$19.9			54%

All values as of December 31, 2019, may not foot due to rounding

Andretti (AIKG) – Entertainment



November 2019

Initial Investment by Rand⁽¹⁾

\$4.4 million⁽²⁾

Fair Value of Investment

Headquarters

Orlando, FL

Description

Family and corporate entertainment offering go karting, games, rides and excitement-filled activities. They also offer adventure activities including zip lining, rock climbing, and a rope obstacle course.

Type of Investment

\$4.3 million Term Notes at 12% (+4% PIK)
due December 28, 2023

(1) Investment acquired from East

(2) Based on Rand's fair value as of December 31, 2019

Learn more at <https://andrettikarting.com/>

Filterworks Acquisition USA – Automotive



November 2019

Initial Investment by Rand⁽¹⁾

\$2.9 million⁽²⁾

Fair Value of Investment

9%⁽²⁾

Equity Ownership

Headquarters

Deerfield Beach, FL

Description

A licensed Florida general and mechanical contractor, providing spray booth equipment, frame repair machines and paint booth filter services.

Type of Investment

- \$2.3 million Term Note at 12% (+2% PIK) due December 4, 2023
- 562.5 Class A Units

(1) Investment acquired from East

(2) Based on Rand's fair value as of December 31, 2019

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



HDI Acquisition – Manufacturing



November 2019

Initial Investment by Rand⁽¹⁾

\$1.2 million⁽²⁾

Fair Value of Investment

Headquarters

Greenville, NC

Description

An industry leader with emphasis on primary brand identification, architectural, retail interior, wayfinding, and digital display products.

Type of Investment

\$1.2 million Term Loan at 12% (+2% PIK) due June 20, 2023

(1) Investment acquired from East

(2) Based on Rand's fair value as of December 31, 2019

Learn more at <https://www.hiltondisplays.com/home/>



Mattison Avenue– Professional Services



November 2019

Initial Investment by Rand⁽¹⁾

\$1.0 million⁽²⁾

Fair Value of Investment

Headquarters

Dallas, TX

Description

Provides high-quality salon spaces for lease in an upscale, professional setting.

Type of Investment

\$1.0 Second Amended, Restated and Consolidated Promissory Note at 14% (2% PIK) due June 9, 2022

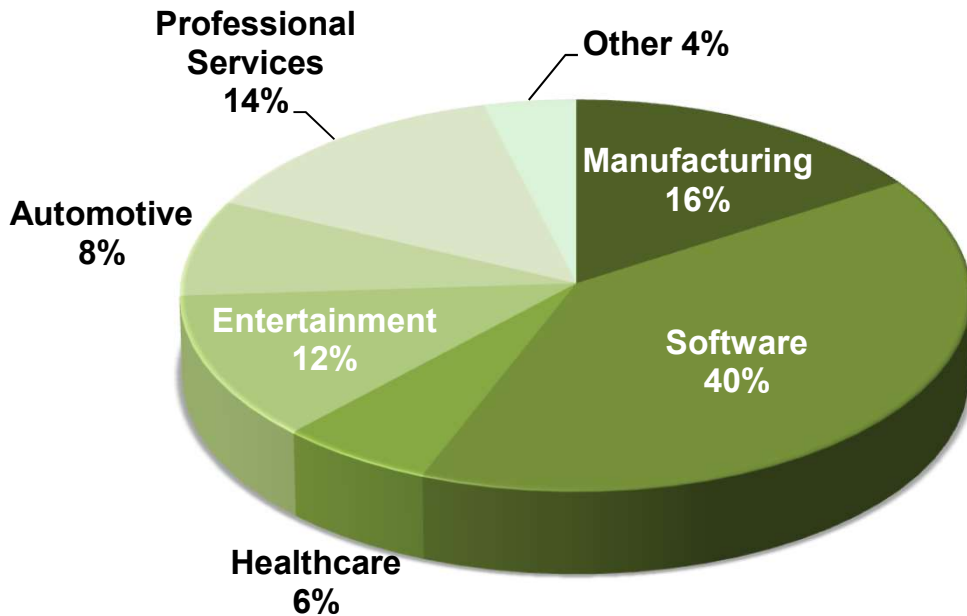
(1) Investment acquired from East

(2) Based on Rand's fair value as of December 31, 2019

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

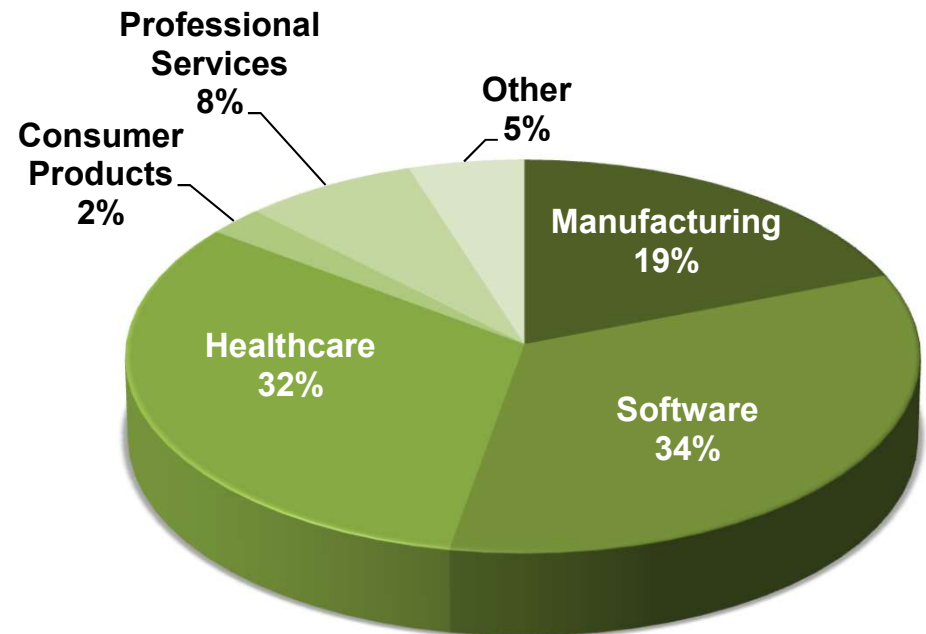
Investments by Industry Classification

December 31, 2019



Based on total investments at fair value of \$37.0 million as of December 31, 2019

December 31, 2018

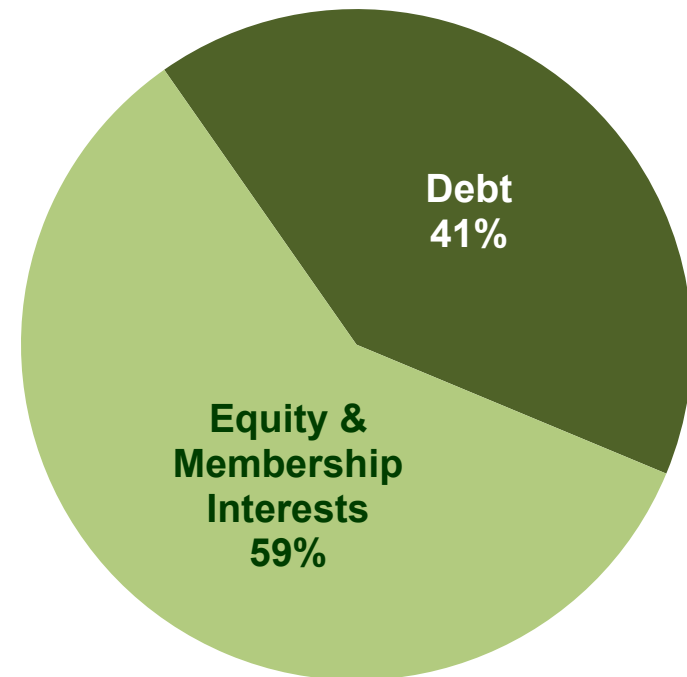


Based on total investments at fair value of \$34.7 million as of December 31, 2018

New targeted 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 equity interests

Portfolio Asset Mix



\$37.0 million
December 31, 2019

Updated Investment Criteria & Terms

New 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

New targeted investment terms:

- Initial target size of \$1.5 million
- Typically \$750k to \$5 million investments
- Require board observation, informational rights, or board seat
- 5- to 7-year hold period



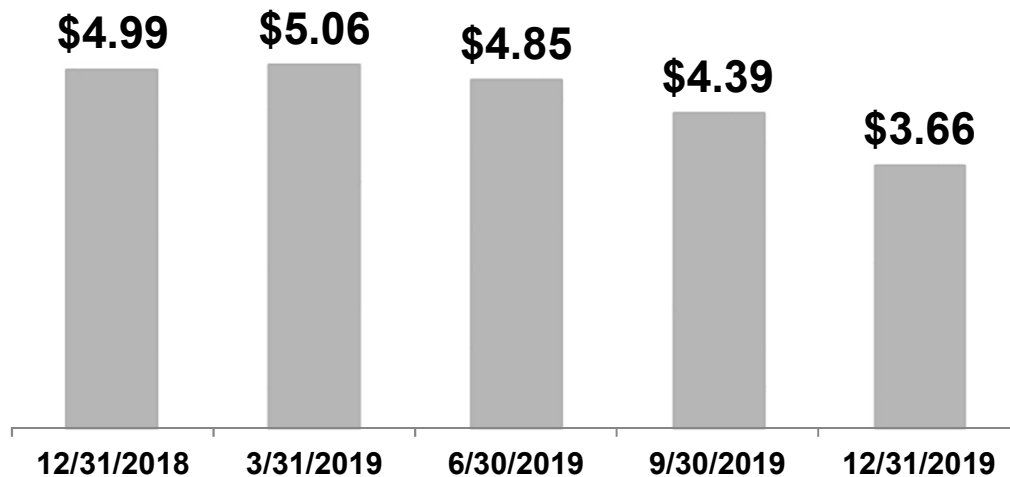
Financial Review

Daniel P. Penberthy
Executive Vice President & CFO

Net Asset Value Per Share Progression



(NAV per share, after tax)



- 12/31/19 NAV
 - Benefited from gain on sale of Microcision and net unrealized appreciation
 - Impacted by issuing ~ 8.3 million shares to East

Portfolio gains/losses drive changes in NAV

Financial Summary



(in thousands, except per share data)

	Q4 2019	Q4 2018	\$/% Δ	2019	2018	\$/% Δ
Investment income	\$ 985	\$ 668	\$317/47%	\$ 2,725	\$ 2,107	\$618/29%
Total expenses	726	684	\$42/6%	2,771	2,194	\$577/26%
Net investment gain (loss) before income taxes	259	(15)	\$274/NM	(46)	(87)	\$41/NM
Net realized and unrealized gain (loss) on investments	1,381	958	\$423/44%	(2,204)	(326)	\$(1,878)/NM
Net Increase (decrease) in net assets from operations	1,481	937	\$544/58%	(2,290)	(394)	\$(1,896)/NM
Per share	\$ 0.13	\$ 0.15	\$(0.02)/(13%)	\$ (0.30)	(\$0.06)	\$(0.24)/NM

- Investment income increased 47% and 29% over the prior-year fourth quarter and full year, respectively, due to the Company's investment focus on income-generating instruments as well as variations in nonrecurring investment income in each period.
- Higher expenses in both the quarter and full year 2019 were primarily due to fees associated with the East transaction
- The pre-tax realized gain was \$1.1 million for the year ended December 31, 2019, compared with a pre-tax realized loss of \$1.5 million in 2018
- The pre-tax net unrealized depreciation on investments was a decrease of \$4.0 million and an increase of \$780,000 for the years ended December 31, 2019 and 2018, respectively.

NM: Not Meaningful

Strong Balance Sheet, Opportunity for Growth



At December 31, 2019

Value/share

\$1.76	\$25.8 million consolidated cash
\$2.53	\$37.0 million in portfolio investments
(\$0.75)	\$11.0 million in SBA borrowings (maturity 2022-2029)
<u>\$0.12</u>	\$1.8 million other assets & liabilities, net
<u>\$3.66</u>	Net Asset Value (NAV) per share



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