



# SECOND QUARTER 2020 FINANCIAL RESULTS

August 7, 2020

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# 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 Capital (“Rand,” “Rand Capital” or the “Company” ) 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 impact of the COVID-19 pandemic on Rand and our portfolio companies; the timing and completion of the contemplated reverse stock split; the number of shares of Rand’s common stock outstanding after the completion of the reverse stock split; the amount of Rand common stock that the Company plans to repurchase and the time period during which such repurchases are to occur; the competitive ability and position of Rand and the ability of Rand to execute on its investment strategy; 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 RIC for U.S. tax purposes; (2) the risk that the Company is unable to complete the reverse stock split; (3) uncertainty around the scope of the impact of the COVID-19 pandemic and its specific impact on our portfolio companies; (4) evolving legal, regulatory and tax regimes; (5) changes in general economic and/or industry specific conditions; and (6) 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.

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/>.

# TRANSFORMATION STRATEGY DRIVES NET INVESTMENT INCOME



**Total investment income increased 15.7%**

**Total expenses decreased 42%**

**Net investment income per share was \$0.08 up from loss of \$0.20 loss in Q2 2020**

**\$4.8 million cash dividend and stock dividend of 960,000 shares paid May 11, 2020**

**Reverse stock split 1-for-9 completed on May 21, 2020**

**Repurchased 1,300 shares in June 2020**

**Excellent liquidity with \$22 million in cash and cash equivalents at June 30, 2020**

# INVESTMENT STRATEGY SHIFTS TO INTEREST INCOME



*Investment objective: generate current income*

## Debt investment up from 35% at 6/30/19

\$1.5 M Senior Promissory Note Issued to SciAps, Inc.

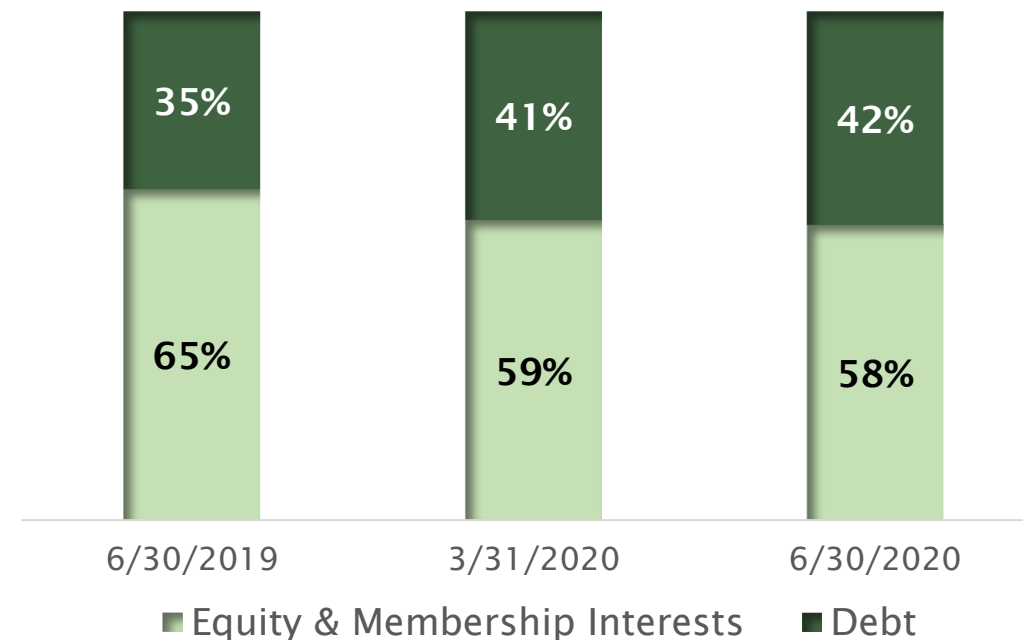
Interest from portfolio companies increased 81% to \$571,000 from Q2 2019

Net investment income was \$199,000 up from a loss of \$144,000 last year

## Increased equity position in dividend paying company

Purchased \$750 thousand Series F preferred of Tilson Technology increasing dividend income

Portfolio Asset Mix



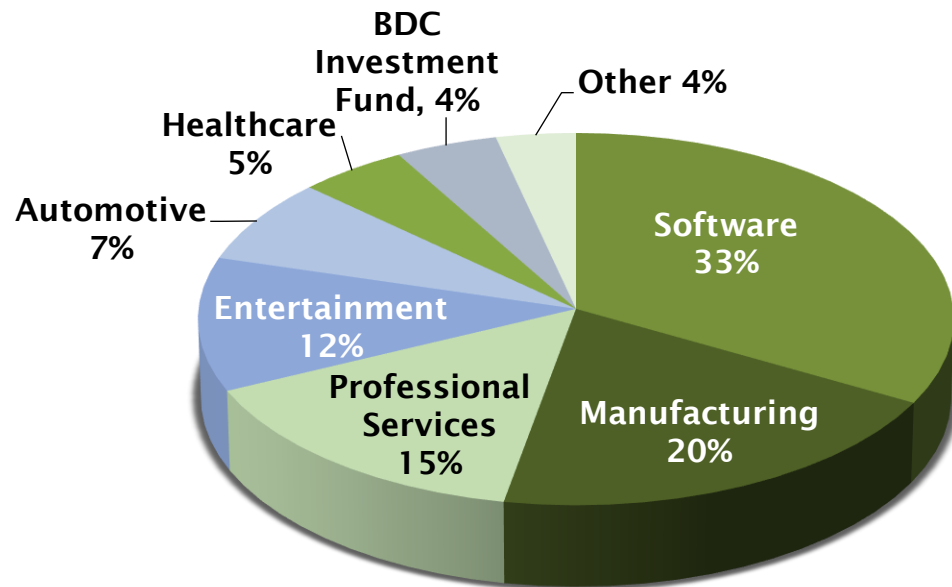
**Future investments: yield investments, debt and loan instruments; high yielding public equity instruments**

# INCREASINGLY DIVERSIFIED PORTFOLIO TO REDUCE RISK



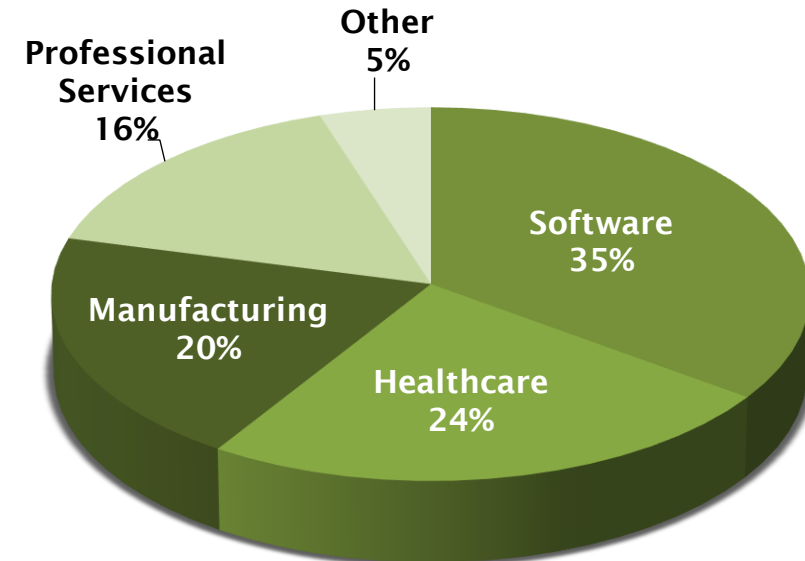
## *Investments by Industry Classification*

June 30, 2020



*Based on total investments at fair value of \$38.6 million*

June 30, 2019








*Based on total investments at fair value of \$31.2 million*

# TOP FIVE PORTFOLIO INVESTMENTS



***\$38.6 million portfolio value with 36 portfolio companies***

Company	Investments at Fair Value (in millions)	Year Acquired	Industry	% of Total Portfolio	Q2 FY20 Investment (in millions)	Investment Type
 ACV Auctions	\$6.5	2016	Software—Live Mobile Auctions for Automobile Dealers	17%		
 Tilson	\$4.7	2015	Professional Services—Cellular Info Systems, Construction, Mgmt.	12%	\$0.75	Series F preferred stock
 Andretti (AIKG LLC)	\$4.5	2019	Entertainment—Indoor karting, games and food	12%		
 Filterworks USA	\$2.9	2019	Automotive—Mechanical contractor	8%		
 SciAps, Inc.	\$2.6	2013	Manufacturing— Instrumentation company producing portable analytical devices	7%	\$1.5	Fixed rate sr. promissory Note
<b>TOTAL Top 5</b>	<b>\$21.2</b>			<b>56%</b>		

*All values as of June 30, 2020, may not foot due to rounding*

Invested \$2.3 million in three current portfolio companies



# Financial Review

Daniel P. Penberthy  
Executive Vice President & CFO

# FINANCIAL SUMMARY



(in thousands, except per share data)\*

	Q2 2020	Q2 2019	\$/% Δ
<b>Total investment income</b>	\$ 675	\$ 583	\$92/16%
<b>Total expenses</b>	476	824	(\$348)/(42%)
Net investment income (loss) before income taxes	199	(241)	\$440/NM
Net investment income (loss)	199	(143)	\$342/NM
Net investment Income per share	0.08	(0.20)	\$0.28/NM
Net realized and unrealized gain (loss) on investments	225	(1,204)	\$1429/NM
<b>Net increase (decrease) in net assets from operations</b>	\$ 424	(\$1,348)	\$1772/NM
<b>Per share</b>	\$ 0.20	(\$1.92)	\$2.12/NM

## Investment income increased due to higher interest income

- Changed portfolio profile to include more debt investments.

## Lower expenses reflect decrease in professional fees and stockholder costs

- Savings realized with the externalization of management

## Net investment income of \$199,000 driven by higher investment income and lower operating expenses

NM: Not Meaningful

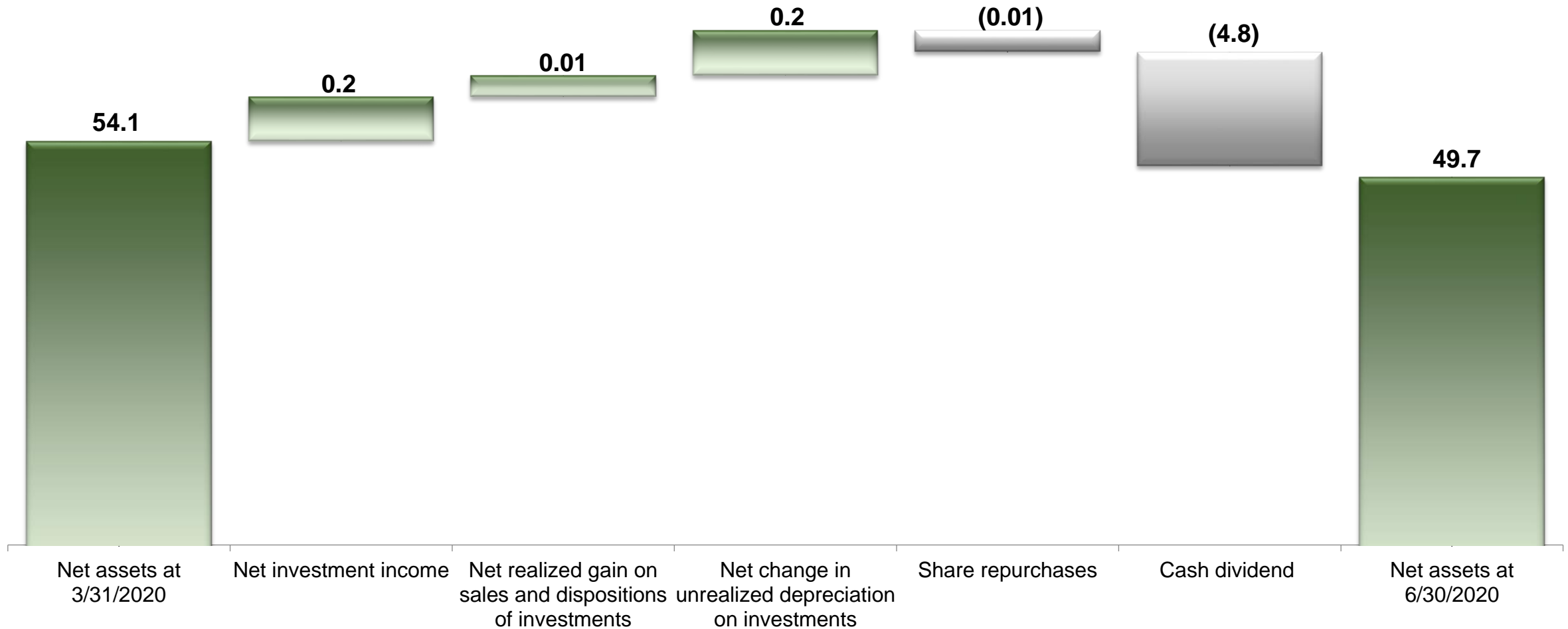
\*Totals may not sum due to rounding



# NET ASSET VALUE CHANGE - SECOND QUARTER 2020



(\$ in million)

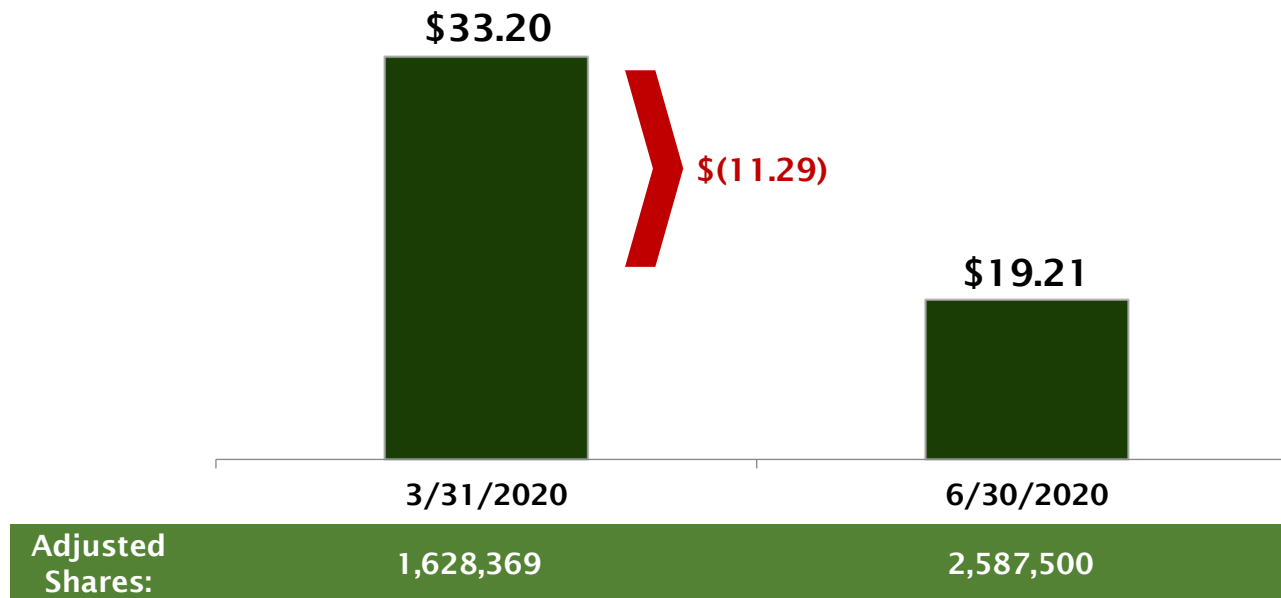


Totals may not sum due to rounding

# NET ASSET VALUE PER SHARE REFLECTS SPECIAL DIVIDEND



\$ in millions, except per share data \*



## NAV Per Share: Impact of additional shares from the dividend distribution

NAV 6/30/2020 pro forma per share with 3/31/2020 share count	\$ 30.50
Impact of the new shares issued (~960,000)	\$ (11.29)
<b>NAV per share at 6/30/2020</b>	<b>\$ 19.21</b>

\*Historical NAV per share is adjusted for the 1-9 reverse stock split

**Decline in NAV reflects 1.0 million additional shares distributed as part of the special dividend during the quarter**

# STRONG BALANCE SHEET, OPPORTUNITY FOR GROWTH



At June 30, 2020

*Strong liquidity position during economic disruption*

## Net Asset Value Composition

Per Share	Assets and Liabilities
\$8.52	\$22.1 million consolidated cash
\$14.92	\$38.6 million in portfolio investments
(\$4.18)	\$10.8 million in SBA borrowings
<u>(\$0.05)</u>	(\$0.15) million other assets & liabilities, net
<b><u>\$19.21</u></b>	<b>Net Asset Value (NAV) per share</b>

## Significant Liquidity

- \$22.1 million in cash
- \$3.0 million available in leverage
- (\$4.75) million dividend paid May 11, 2020
- Evaluating appropriate level and timing of regular distribution



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