



# Fourth Quarter 2017 Earnings Call

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.*



# Fourth Quarter 2017 Highlights

- NAV of \$5.05 per share at December 31, 2017
  - Up from \$5.01 at September 30, 2017
  - Sequential improvement driven by higher investment income, realized gains and unrealized appreciation
    - Operating results drove \$0.09 per share increase
    - Partially offset by \$0.05 per share for reduction in federal tax rates, which reduced deferred tax assets
- Invested \$1.5 million in Tilson Technology Management, Inc.
- Sold position in Athenex, Inc., generating \$781,000 of gross proceeds, realizing \$638,000 pretax gain
- Continued progress with SBA on pursuing additional leverage



# 2017 Highlights

- Invested \$5.4 million in one new portfolio company and eight follow-on transactions:

• Genicon, Inc.	\$ 300,000	}	<b>Q1</b>
• Mercantile Adjustment Bureau, LLC	100,000		
• KnowledgeVision Systems, Inc.	50,000		
• eHealth Global Technologies, Inc.	2,000,000	}	<b>Q2</b>
• Genicon, Inc.	1,000,000		
• SciAps, Inc.	250,000		
• BeetNPath, LLC	100,000		
• Centivo Corporation	100,000	—	<b>Q3</b>
• Tilson Technology Management, Inc.	1,500,000	—	<b>Q4</b>

- Investment income increased 41%
- Portfolio valued at \$32.3 million at year end



# 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

# Portfolio Companies: By Revenue Stage



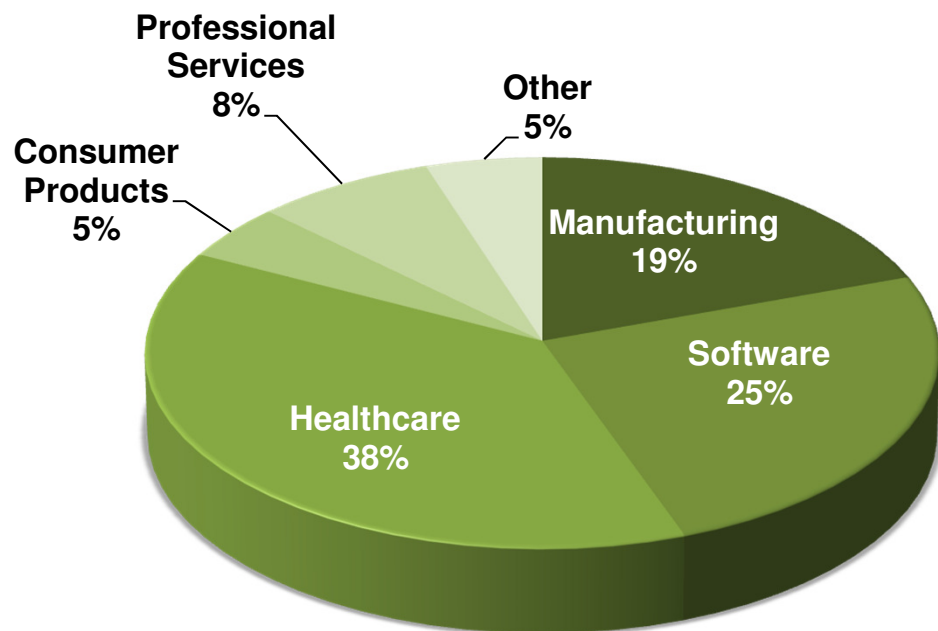
Several portfolio companies preparing to exit\*



# Diverse Portfolio Reflects Strategy

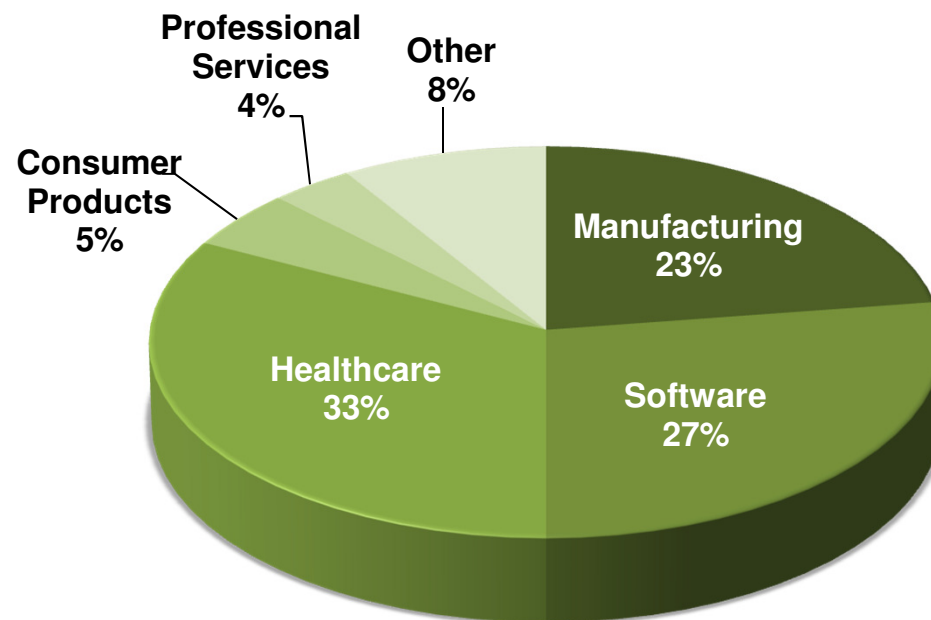
## Investments by Industry Classification

December 31, 2017



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

December 31, 2016



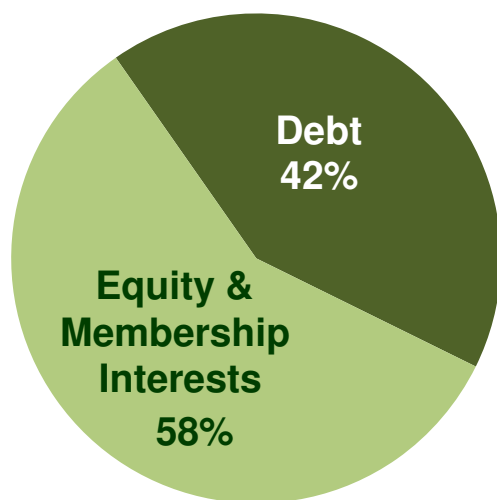
*Based on total investments at fair value of \$27.5 million as of December 31, 2016*



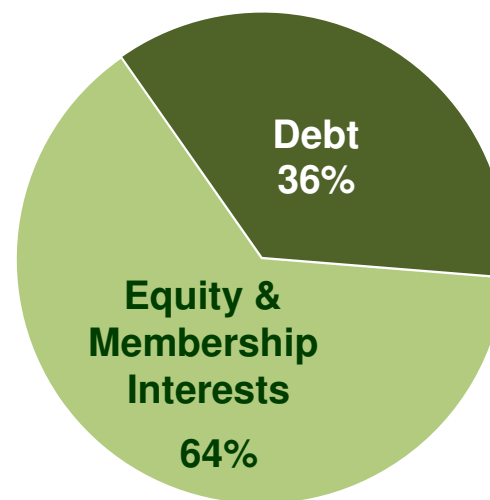
# Equity Investment Focused, But Flexible

## *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





# 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*

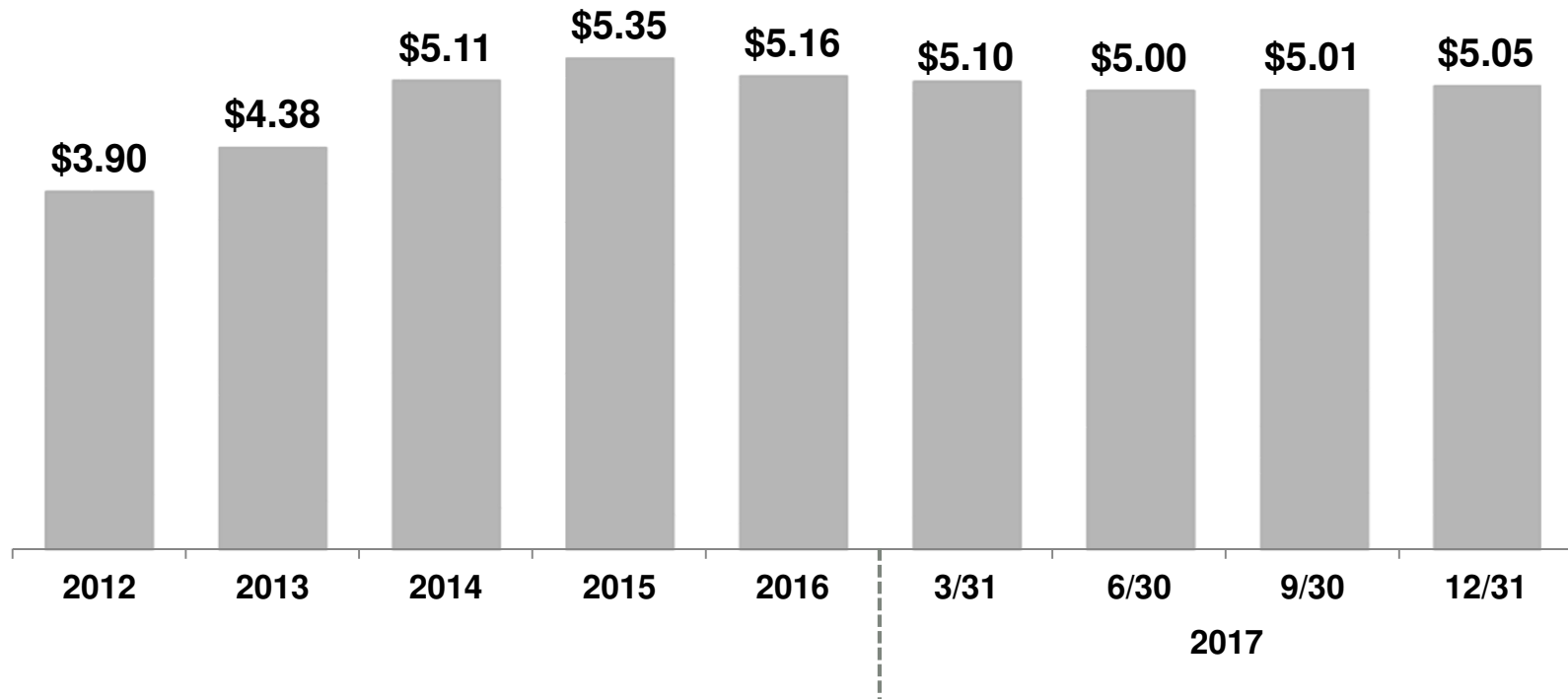


# Financial Review

Daniel P. Penberthy  
Executive Vice President & CFO

# NAV Progression

(NAV per share, after tax)



**Portfolio exits drive NAV growth\***

\* Timing of exits cannot be predicted

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# Financial Summary

(in thousands, except per share data)

	Q4 2017	Q4 2016	\$/% Δ	YTD 2017	YTD 2016	\$/% Δ
Investment income	\$ 379	\$ 301	\$79/26%	\$ 1,455	\$ 1,032	\$423/41%
Total expenses	448	486	(38)/(8%)	2,011	3,401	(1,390)/(41%)
Net realized and unrealized (loss) gain on investments	(53)	(14)	(39)/NM	(691)	351	(1,042)/NM
Net increase (decrease) in net assets from operations	226	(215)	442/NM	(711)	(1,203)	492/41%
Per share	\$0.04	\$(0.03)	\$0.07/NM	\$(0.11)	\$(0.19)	\$0.08/42%

- Debt investments over past year drove Q4 and 2017 investment income increases
- 2017 expenses include \$133,000 for SBIC application process
  - 2016 incentive compensation impacted by Gemcor exit
- 2017 taxes include one-time \$347,000 to implement Tax Cuts and Jobs Act
- Net realized and unrealized change in investment value impacted by fluctuations in portfolio company operating conditions



NM: Not Meaningful

# 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*





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