



INVESTOR PRESENTATION

September 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 and Rand Capital SBIC, Inc. (“Rand SBIC”) to elect to be taxed as a RIC for U.S. federal tax purposes; the plan to increase net investment income, the intent to pay a regular dividend, 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, 2019, 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’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 \$29.5 Million

52-Week Low/High \$10.25 / \$37.08

Recent Price \$11.40

Average Daily Volume (3 mo.) 4,220

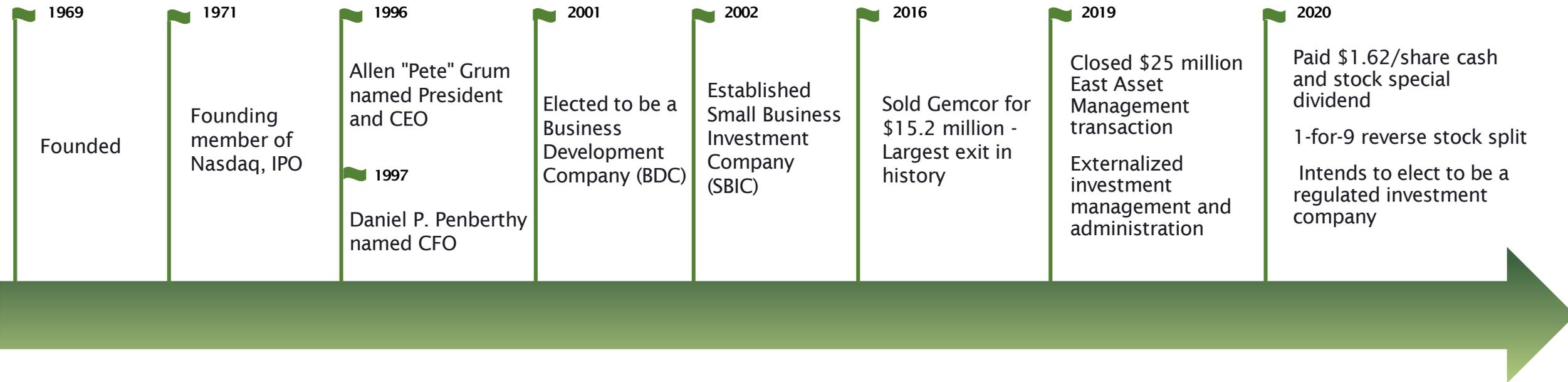
Common Shares Outstanding 2.6 Million

Ownership: Institutions 10%

Insiders 67%

Market data as of September 15, 2020 [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

INVESTMENT STRATEGY

Increase net investment income by focusing on higher yielding debt investments

Weighted average yield of debt investments of 8.79% as of June 30, 2020

Reduce expenses by externalizing investment management and administration costs

Creates opportunity for leverage as portfolio grows

Reduce tax exposure by opting to elect Regulated Investment Company (RIC) status

\$4.8 million cash dividend and 960,000 share stock dividend paid May 11, 2020

1-for-9 reverse stock split completed May 21, 2020

** Adjusted for the 1-9 reverse stock split*

PORTFOLIO DISCIPLINE

Investment Criteria

- ✓ Revenue >\$2 million and EBITDA \$0 to \$5 million
- ✓ Early to late stage private businesses
- ✓ Sustainable, differentiated market-accepted product
- ✓ 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

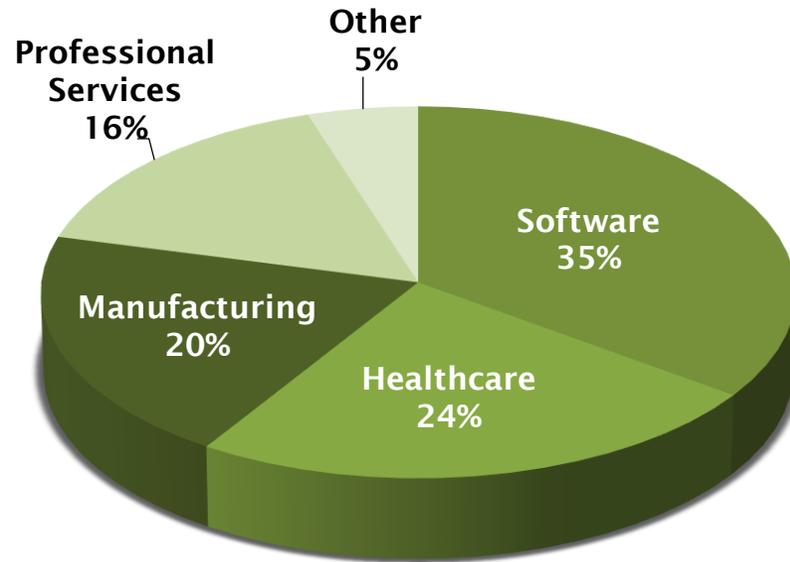
Investment Terms

- ✓ Typically \$750,000 to \$5 million investments
- ✓ Require board observation, informational rights, or board seat
- ✓ 5- to 7- year hold period

INCREASINGLY DIVERSIFIED PORTFOLIO REDUCES RISK

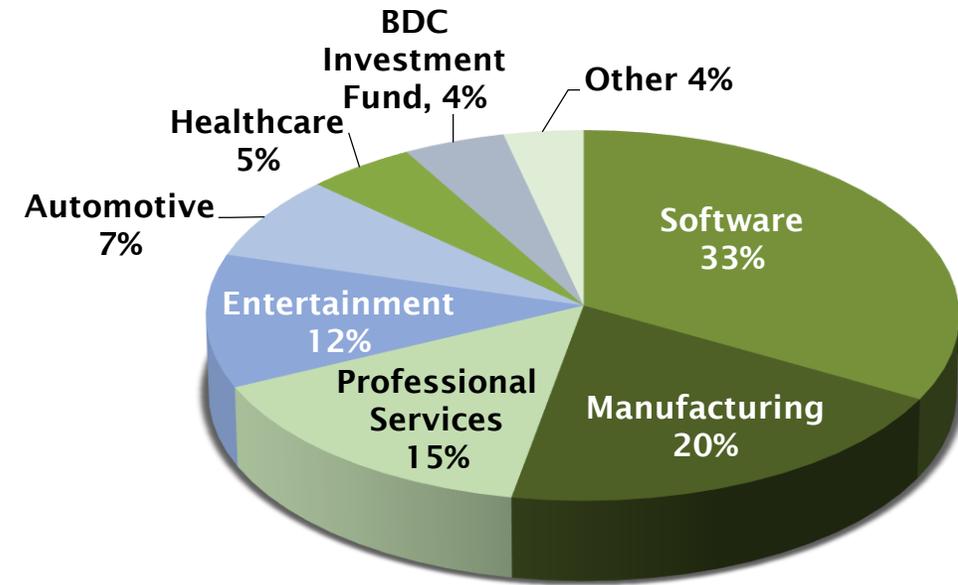
Investments by Industry Classification

June 30, 2019



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

June 30, 2020



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

TOP FIVE PORTFOLIO INVESTMENTS

\$38.6 million portfolio value with 38 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%		Series A preferred stock
 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%		Term Note
 Filterworks USA	\$2.9	2019	Automotive—Mechanical contractor	8%		Term Note Class A Units
 SciAps, Inc.	\$2.6	2013	Manufacturing— Instrumentation company producing portable analytical devices	7%	\$1.5	Various Debt and Equity
TOTAL Top 5	\$21.2			56%		

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

Invested \$2.3 million in three current portfolio companies

INVESTMENT STRATEGY SHIFT GROWS 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.

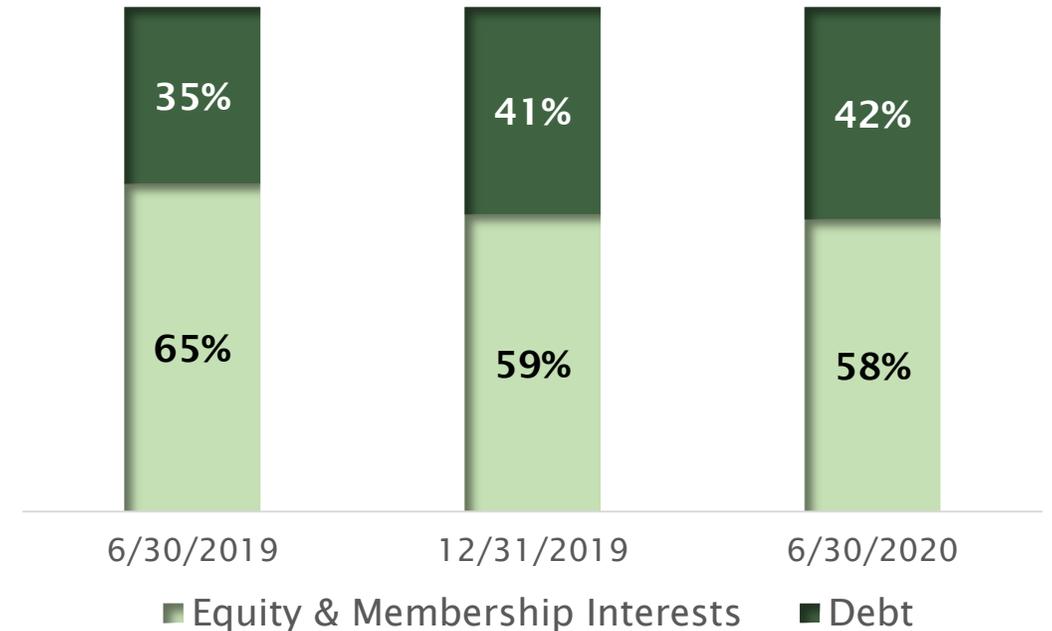
Interest from portfolio companies increased 81% to \$571,000 from Q2 2019

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

Increased equity position in dividend paying companies

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

FINANCIAL SUMMARY

(in thousands, except per share data)*

	Q2 2020	Q2 2019	\$/% Δ
Total investment income	\$ 675	\$ 583	\$92/16%
Total expenses	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
Net increase (decrease) in net assets from operations	\$ 424	(\$1,348)	\$1772/NM
Per share	\$ 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

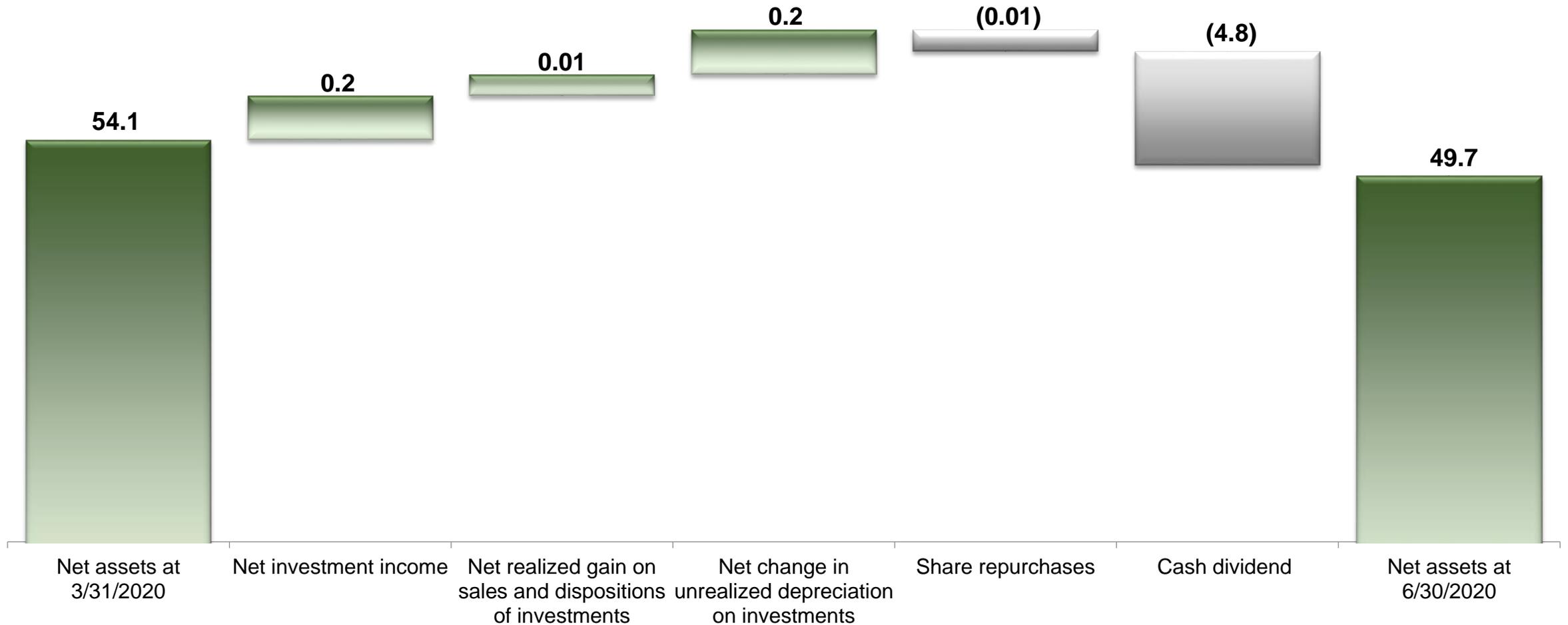
Net investment income of \$199,000 driven by higher investment income and lower operating expenses

NM: Not Meaningful

*Totals may not sum due to rounding

NET ASSET VALUE CHANGE - SECOND QUARTER 2020

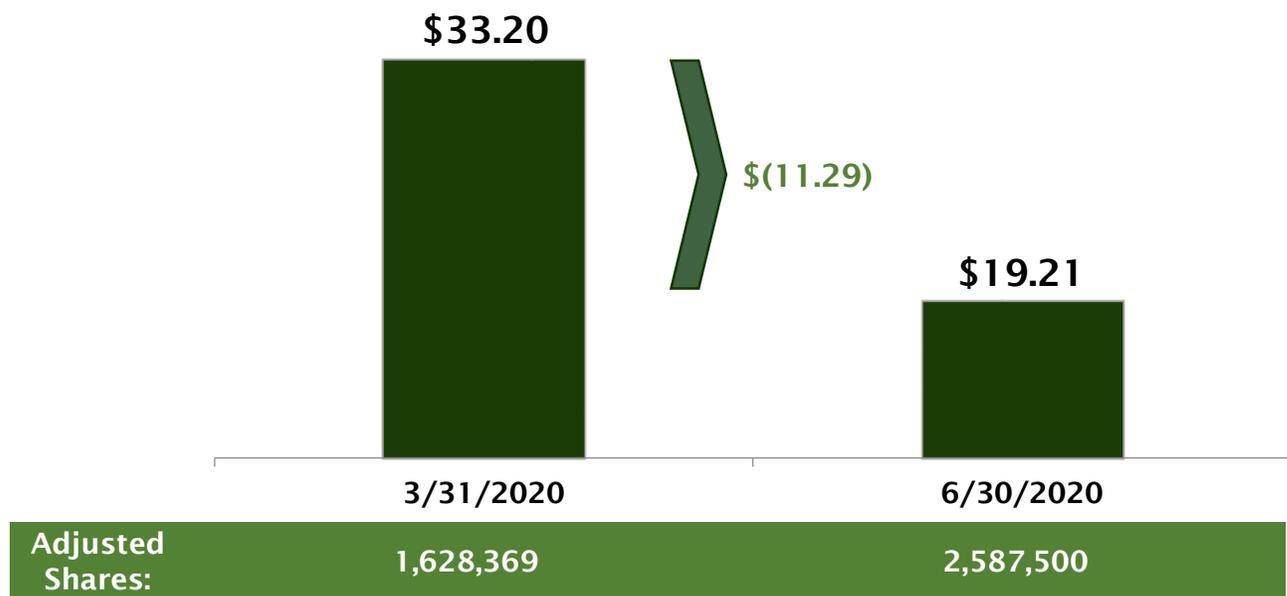
(\$ in million)



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)
NAV per share at 6/30/2020	\$	19.21

*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

SIGNIFICANT LIQUIDITY TO INVEST IN 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
<u>\$19.21</u>	Net Asset Value (NAV) per share

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



RAND CAPITAL CORPORATION