# Runway Growth Finance Corp. Reports Second Quarter 2022 Financial Results

August 4, 2022

Achieves Record Total and Net Investment Income of $25.2 and $14.5 Million, Respectively

Increases Core Leverage Ratio of Portfolio to 40%

Grows Investment Portfolio to Record $807.7 Million

Conference Call Today, Thursday, August 4 at 6:00 p.m. ET

WOODSIDE, Calif., Aug. 04, 2022 (GLOBE NEWSWIRE) -- Runway Growth Finance Corp. (Nasdaq: RWAY) ("Runway Growth" or the "Company"), a leading provider of flexible capital solutions to late and growth-stage companies seeking an alternative to raising equity, today announced its financial results for the second quarter ended June 30, 2022.

**Second Quarter 2022 Highlights**

- Total investment income of $25.2 million
- Net investment income of $14.5 million, or $0.35 per share
- Total investment portfolio of $807.7 million at fair value
- Net asset value of $14.14 per share
- Dollar-weighted annualized yield on debt investments of 15.1% for the quarter
- Nine investments completed totaling $200.0 million in new commitments including $151.7 million in funded loans
- Aggregate proceeds of $86.8 million received from principal repayments inclusive of interest, fees and proceeds from the exercise and sale of warrants
- Declared third quarter dividend of $0.33 per share, up 10% quarter over quarter
- Subsequent to quarter end, priced an offering of 7.50% notes due 2027 resulting in net proceeds of $78.1 million

"Runway Growth had another record quarter in which we grew our portfolio by executing against our credit-first, long-term strategy," said David Spreng, Founder and CEO of Runway Growth. "We are well positioned to continue to prudently scale our portfolio in the second half of the year."

Spreng continued, "We have the opportunity to capitalize on broader market dynamics and partner with best-in-class companies that are seeking non-dilutive capital. Runway is building a platform at the intersection of later-stage companies and lower-risk underwriting rigor. In volatile times, this focus on risk mitigation is our differentiator. We will continue to strategically deploy leverage and expand ROE to create value for both our shareholders and portfolio companies."

**Second Quarter 2022 Operating Results**

Total investment income for the quarter ended June 30, 2022 was $25.2 million, compared to $18.7 million for the quarter ended June 30, 2021. The year-over-year improvement is primarily due to an increase in interest income on investments resulting from the new loans originated.

Net investment income for the quarter ended June 30, 2022 was $14.5 million, or $0.35 per share, compared to $11.3 million, or $0.35 per share, for the quarter ended June 30, 2021.

The Company's dollar-weighted annualized yield on average debt investments for the quarter ended June 30, 2022 was 15.1%. The Company calculates the yield on dollar-weighted debt investments for any period measured as (1) total investment-related income during the period divided by (2) the daily average of the fair value of debt investments outstanding during the period.

Total operating expenses for the quarter ended June 30, 2022 were $10.7 million, compared to $7.4 million for the quarter ended June 30, 2021. The increase was driven by an increase in management fees, incentive fees and interest expense, as well as expenses related to being a public company.

Net realized gain on investments for the quarter ended June 30, 2022 was $0.9 million, compared to a net realized loss of $4.6 million for the quarter ended June 30, 2021.

For the quarter ended June 30, 2022, net change in unrealized depreciation on investments was $16.2 million, compared to a net change in unrealized depreciation on investments of $0.03 million for the prior year period, due to the decline in value of our equity portfolio.

**Portfolio and Investment Activity**

As of June 30, 2022, Runway Growth's investment portfolio had an aggregate fair value of approximately $807.7 million and was comprised of approximately $772.2 million in term loans, 98% senior secured, and $35.5 million in warrants and equity-related investments in 43 portfolio companies.

During the second quarter of 2022, Runway Growth originated nine investments totaling $200.0 million in commitments and $151.7 million in funded loans, including four investments in new portfolio companies and five new investments in existing portfolio companies.

Total portfolio investment activity for the three and six months ended June 30, 2022 and 2021 was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Beginning Investment Portfolio | $ 754,289,370 | $ 615,147,590 | $ 729,516,274 | $ 621,826,650 |
| Purchases of Investments[1] | 151,745,980 | 80,826,530 | 238,602,649 | 135,670,562 |
| Purchases of U.S. Treasury Bills | — | 29,999,885 | — | 54,999,849 |
| Amortization of Fixed Income Premiums or Accretion of Discounts | 746,463 | 1,489,265 | 3,571,075 | 3,660,438 |
| Sales or Repayments of Investments | (76,915,188) | (80,217,114) | (86,793,259) | (94,717,114) |
| Scheduled Principal Payments of Investments | (6,842,105) | — | (7,265,675) | (2,066,437) |
| Sales and Maturities of U.S. Treasury Bills | — | (24,999,979) | (44,999,747) | (94,999,162) |
| Realized Gain (Loss) on Investments | 903,722 | (4,595,853) | 532,461 | (4,813,280) |
| Net Change in Unrealized Appreciation (Depreciation) on Investments | (16,199,638) | (33,281) | (25,435,174) | (1,944,463) |
| **Ending Investment Portfolio** | **$ 807,728,604** | **$ 617,617,043** | **$ 807,728,604** | **$ 617,617,043** |

1. Includes PIK interest.

**Net Asset Value**

As of June 30, 2022, NAV per share was $14.14, compared to $14.45 as of March 31, 2021. Total net assets at the end of the second quarter of 2022 were $579.4 million, compared to $597.5 million at the end of the prior period.

For the quarter ended June 30, 2022, net decrease in net assets resulting from operations was $0.8 million, or $0.02 per share, compared to a net increase of $6.7 million, or $0.21 per share, for the quarter ended June 30, 2021.

**Liquidity and Capital Resources**

As of June 30, 2022, the Company had approximately $123.8 million in available liquidity, including unrestricted cash and cash equivalents, and $117.0 million in available borrowing capacity under the Company's credit facility, subject to existing terms, advance rates and regulatory and covenant requirements.

The Company ended the quarter with a core leverage ratio of approximately 40.2%, compared to 26.1% for the quarter ended March 31, 2022.

**Distributions**

On July 28, 2022, the Company's board of directors declared a regular quarterly distribution of $0.33 per share for the third quarter of 2022, payable on August 23, 2022 to stockholders of record as of August 9, 2022. This dividend represents an increase of 10% over the dividend declared in the prior quarter.

**Recent Developments**

On April 20, 2022, the Company announced that it priced an underwritten public offering of $70 million aggregate principal amount of notes due 2027 (the "Notes"). The full overallotment option was exercised by underwriters and resulted in net proceeds to the Company of approximately $78.1 million after payment of underwriting discounts and commissions but before deducting expenses payable by the Company related to this offering. The Company used the net proceeds from this offering to repay outstanding indebtedness under its Credit Agreement with KeyBank National Association (the "Credit Facility"). However, through re-borrowing of the initial repayments under the Credit Facility, the Company intends to use the net proceeds from this offering to make investments in accordance with its investment objective and strategies described in the prospectus supplement and the accompanying prospectus, to pay operating expenses and other cash obligations, and for general corporate purposes.

**Conference Call**

Runway Growth will hold a conference call to discuss its second quarter 2022 financial results at 3:00 p.m. PT (6:00 p.m. ET) on Thursday, August 4, 2022. To participate in the conference call or webcast, participants should register online at the Runway Investor Relations website. The earnings call can also be accessed through the following links:

- Conference Call
- Webcast

A live webcast will be available in the investor section of the Company's website , and will be archived for 90 days following the call.

**About Runway Growth Finance Corp.**

Runway Growth is a growing specialty finance company focused on providing flexible capital solutions to late- and growth-stage companies seeking an alternative to raising equity. Runway Growth is a closed-end investment fund that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended. Runway Growth is externally managed by Runway Growth Capital LLC, an established registered investment advisor that was formed in 2015 and led by industry veteran David Spreng. For more information, please visit www.runwaygrowth.com.

**Forward-Looking Statements**

Statements included herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements other than statements of historical facts included in this press release may constitute forward-looking statements and are not guarantees of future performance, condition or results and involve a number of risks and uncertainties, including the impact of COVID-19 and related changes in base interest rates and significant market volatility on our business, our portfolio companies, our industry and the global economy, as well as market volatility resulting from the conflict between Russia and Ukraine and the sanctions and other restrictive actions taken by the U.S. and other countries against Russia. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in Runway Growth's filings with the Securities and Exchange Commission. Runway Growth undertakes no duty to update any forward-looking statement made herein. All forward-looking statements speak only as of the date of this press release.

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**Runway Growth Finance Corp.**
**Statements of Assets and Liabilities**

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| | (unaudited) | |
| **Assets** | | |
| Investments at fair value: | | |
| Non-control/non-affiliate investments at fair value (cost of $805,247,907 and $647,448,895, respectively) | $ 799,855,284 | $ 655,384,403 |
| Affiliate investments at fair value (cost of $4,551,235 and $0, respectively) | 2,352,019 | — |
| Control investments at fair value (cost of $21,172,353 and $34,873,847, respectively) | 5,521,301 | 29,130,371 |
| Investment in U.S. Treasury Bills at fair value (cost of $0 and $45,001,250, respectively) | — | 45,001,500 |
| Total investments at fair value (cost of $830,971,495 and $727,323,992, respectively) | 807,728,604 | 729,516,274 |
| Cash and cash equivalents | 6,809,818 | 4,696,693 |
| Accrued interest receivable | 3,419,067 | 2,368,680 |
| Other accounts receivable | 81,018 | 816,065 |
| Prepaid and deferred expenses | 401,909 | 949,768 |
| **Total assets** | **818,440,416** | **738,347,480** |
| **Liabilities** | | |
| Debt: | | |
| Credit facilities | 163,000,000 | 61,000,000 |

| | | |
|---|---|---|
| 2026 Senior Notes | 70,000,000 | 20,000,000 |
| Deferred debt costs (net of accumulated amortization of $1,249,583 and $855,295, respectively) | (4,394,010) | (1,511,540) |
| Total debt, less unamortized deferred debt costs | 228,605,990 | 79,488,460 |
| Reverse repurchase agreement | — | 44,774,963 |
| Accrued incentive fees | 7,415,334 | 6,010,250 |
| Due to affiliate | 184,759 | 221,243 |
| Interest payable | 1,030,660 | 249,247 |
| Accrued expenses and other liabilities | 1,791,669 | 1,408,826 |
| **Total liabilities** | **239,028,412** | **132,152,989** |
| | | |
| **Net assets** | | |
| Common stock, par value | 413,806 | 413,806 |
| Additional paid-in capital | 606,063,671 | 606,047,671 |
| Distributable (losses) | (21,786,236) | (266,986) |
| Treasury stock | (5,279,237) | — |
| **Total net assets** | **$ 579,412,004** | **$ 606,194,491** |
| | | |
| Shares of common stock outstanding ($0.01 par value, 100,000,000 shares authorized) | 40,967,122 | 41,380,614 |
| Net asset value per share | $ 14.14 | $ 14.65 |

**Runway Growth Finance Corp.**
**Statements of Operations**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **Investment income** | | | | |
| From non-control/non-affiliate investments: | | | | |
| Interest income | $ 20,430,136 | $ 17,229,488 | $ 37,192,810 | $ 32,250,053 |
| Payment in-kind interest income | 1,042,832 | 1,045,527 | 2,049,065 | 1,989,558 |
| Other income | 75,448 | 126,678 | 265,433 | 240,970 |
| Interest income from U.S. Treasury Bills | — | 15 | — | 25 |
| Dividend income | 317,674 | 343,755 | 703,092 | 687,510 |
| From affiliate investments: | | | | |
| Interest income | 4,654 | — | 4,654 | — |
| Payment in-kind interest income | 6,689 | — | 96,291 | — |
| Other income | 8,311 | — | 8,311 | — |
| From control investments: | | | | |
| Interest income | 618,099 | — | 1,112,421 | — |
| Payment in-kind interest income | 2,654,039 | — | 2,984,450 | — |
| Other income from non-investment sources | 208 | 139 | 463 | 260 |
| **Total investment income** | **25,158,090** | **18,745,602** | **44,416,990** | **35,168,376** |
| **Operating expenses** | | | | |
| Management fees | 2,862,303 | 2,276,341 | 5,422,239 | 4,345,550 |
| Incentive fees | 3,621,139 | 2,836,303 | 4,965,135 | 3,812,007 |
| Interest expense | 1,609,132 | 761,815 | 2,482,617 | 1,489,730 |
| Professional fees | 888,114 | 498,913 | 1,247,921 | 820,505 |
| Overhead allocation expense | 218,294 | 208,736 | 455,266 | 406,119 |
| Insurance expense | 268,618 | 23,275 | 537,236 | 46,551 |
| Administration fee | 168,078 | 92,760 | 336,651 | 240,860 |
| Debt financing fees | 726,568 | 419,216 | 1,432,534 | 709,201 |

| | | | | |
|---|---|---|---|---|
| Directors' fees | 82,500 | 69,250 | 171,000 | 134,000 |
| Tax expense | 823 | 41 | 1,073 | 41 |
| Other expenses | 233,939 | 218,475 | 426,848 | 341,601 |
| Total operating expenses | 10,679,508 | 7,405,125 | 17,478,520 | 12,346,165 |
| **Net investment income** | **14,478,582** | **11,340,477** | **26,938,470** | **22,822,211** |
| **Realized and unrealized gain (loss) on investments** | | | | |
| Realized gain (loss) on non-control/non-affiliate investments, including U.S. Treasury Bills | 903,787 | (4,595,853) | 532,526 | (4,795,077) |
| Realized gain (loss) on control investments | (65) | — | (65) | — |
| Net change in unrealized appreciation (depreciation) on non-control/non-affiliate investments, including U.S. Treasury Bills | (8,164,496) | (1,683,287) | (12,319,165) | (4,121,553) |
| Net change in unrealized appreciation (depreciation) on affiliate investments | (42,674) | — | (3,208,433) | — |
| Net change in unrealized appreciation (depreciation) on control investments | (7,992,468) | 1,650,006 | (9,907,576) | 2,177,090 |
| **Net realized and unrealized gain (loss) on investments** | **(15,295,916)** | **(4,629,134)** | **(24,902,713)** | **(6,739,540)** |
| **Net increase in net assets resulting from operations** | **$ (817,334)** | **$ 6,711,343** | **$ 2,035,757** | **$ 16,082,671** |
| Net increase in net assets resulting from operations per common share | $ (0.02) | $ 0.21 | $ 0.05 | $ 0.50 |
| Net investment income per common share | $ 0.35 | $ 0.35 | $ 0.65 | $ 0.71 |
| Weighted-average shares outstanding | 41,215,664 | 32,396,396 | 41,294,985 | 31,953,287 |