



# Runway Growth Finance Corp.

First Quarter 2023 Investor Presentation

NASDAQ Listed | [RWAY](#) | [RWAYL](#) | [RWAYZ](#)



May 2023

# Forward-looking Statements

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This presentation contains "forward looking statements" that are subject to risks and uncertainties. Forward-looking statements can be identified by terminology such as "anticipate," "believe," "could," "could increase the likelihood," "estimate," "expect," "intend," "is planned," "may," "should," "will," "will enable," "would be expected," "look forward," "may provide," "would" or similar terms, variations of such terms or the negative of those terms. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those in such statements. As a result of such risks, uncertainties and factors, actual results may differ materially from those expressed or implied in the Company's forward-looking statements and reflect numerous assumptions, which may or may not materialize as projected. The Company makes no express or implied representation of warranty with respect to such projections, and expressly disclaims any and all liability for representations, expressed or implied, contained in, or omissions from, this presentation.

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Strategies described involve special risks that should be evaluated carefully before a decision is made to invest. Not all of the risks and other significant aspects of these strategies are discussed herein. Please see a more detailed discussion of these risk factors and other related risks in the Company's most recent annual Form 10-K report in the section entitled "Risk Factors", which may be obtained on the Company's website [www.runwaygrowth.com](http://www.runwaygrowth.com) or the SEC's website [www.sec.gov](http://www.sec.gov).

# Overview Of Runway Growth Finance Corp.

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Our investment objective is to maximize total return to stockholders by providing financing solutions to late and growth-stage companies that are more flexible than traditional credit and less dilutive than equity.

Committed Capital  
Since Inception<sup>1</sup>

**\$2.3B**

Across 71 investments  
As of 3/31/23

Weighted Average  
Borrower LTV<sup>2</sup>

**17.4%**

At origination

Annualized Dollar-  
Weighted Yield<sup>3</sup>

**15.2%**

As of 3/31/23

Debt Portfolio with  
Floating Rates

**100%**

As of 3/31/23

Loss Rate<sup>1,4</sup>

**Gross / Net**  
**0.34%/0.12%**

Cumulative since inception

Net Asset Value Per Share

**\$14.07**

As of 3/31/23

Past performance is not an indication of future results

1. Cumulative debt only losses since date of first investor commitment—December 2016 to March 2023 - Calculated as % of \$2.3B of total commitments since inception

2. Weighted average LTV at origination for unrealized current/active investments as of 3/31/23 (based on funded)

3. Dollar-weighted yield for debt investments for annualized three months ended 3/31/23

4. Calculated as % of \$2.3B of total commitments since inception

# Overview Of Runway Growth Finance Corp.<sup>1</sup>

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## First Quarter 2023 Investment Activity

Runway completed seven investments in existing portfolio companies, representing \$12.9 million in funded loans

Received \$10.2 million from principal repayments

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## Total Investment Income

\$39.3 million

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## Net Investment Income

\$18.2 million or \$0.45 per share

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## Net Asset Value

\$14.07 per share

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## Net Realized Loss

\$1.2 million realized loss and \$0 credit losses in 2023 YTD

Past performance is not an indication of future results  
1. As of the quarter ended March 31, 2023

# The Runway Difference



## Public, pure-play late- and growth-stage lending platform

Decreasing market valuations coupled with a pullback in VC funding will likely keep private companies from going public and/or seeking to be acquired through a sale via M&A—leading to an increased demand for private capital to fuel continued growth

Late- and growth-stage companies can provide risk mitigation across economic and market cycles, seeking to generate consistent portfolio yield with industry leading low credit losses



## Disciplined approach to underwriting sponsored and non-sponsored deals

Strategic focus on late- and growth-stage companies with strong equity sponsorship or insider ownership

Non-sponsored deals provide unique portfolio expansion opportunity, facing less competition and favorable terms



## Sophisticated financing solutions meet the borrowers' needs as they scale

Proprietary loan solutions prioritize optionality, flexibility and customization for borrowers:

- EAGLE™ loan facility offers borrowers adjustable terms that can reflect improved credit
- ROSE™ loan facility blends longer-term and short-term financing to optimize pricing for borrowers



## Seasoned management team with distinguished track record

David Spreng, Runway's Chairman, CEO, CIO, & Founder, named to Forbes Magazine's Midas List four times

Senior executive team has average of 30+ years of experience

Entered the public markets in 2021 with an established 5-year track record in the growth lending space

- Demonstrated by 21 consecutive quarterly distributions since inception

**An established, differentiated growth lending platform with a clear path to help create further value in any macro-economic environment.**



# Investment Highlights

# Key Investment Highlights

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Large and Growing Market for Debt Financing to Late and Growth Stage Companies



Diversified Portfolio Across Sponsored/Non-sponsored, VC/PE-backed, Industries & Geographies



Experienced, Proven Management Team Supported by a Deep Bench of Dedicated Investment Professionals



Attractive Financial Profile Seeks To Generate Sustainable and Growing Earnings with Risk Mitigation



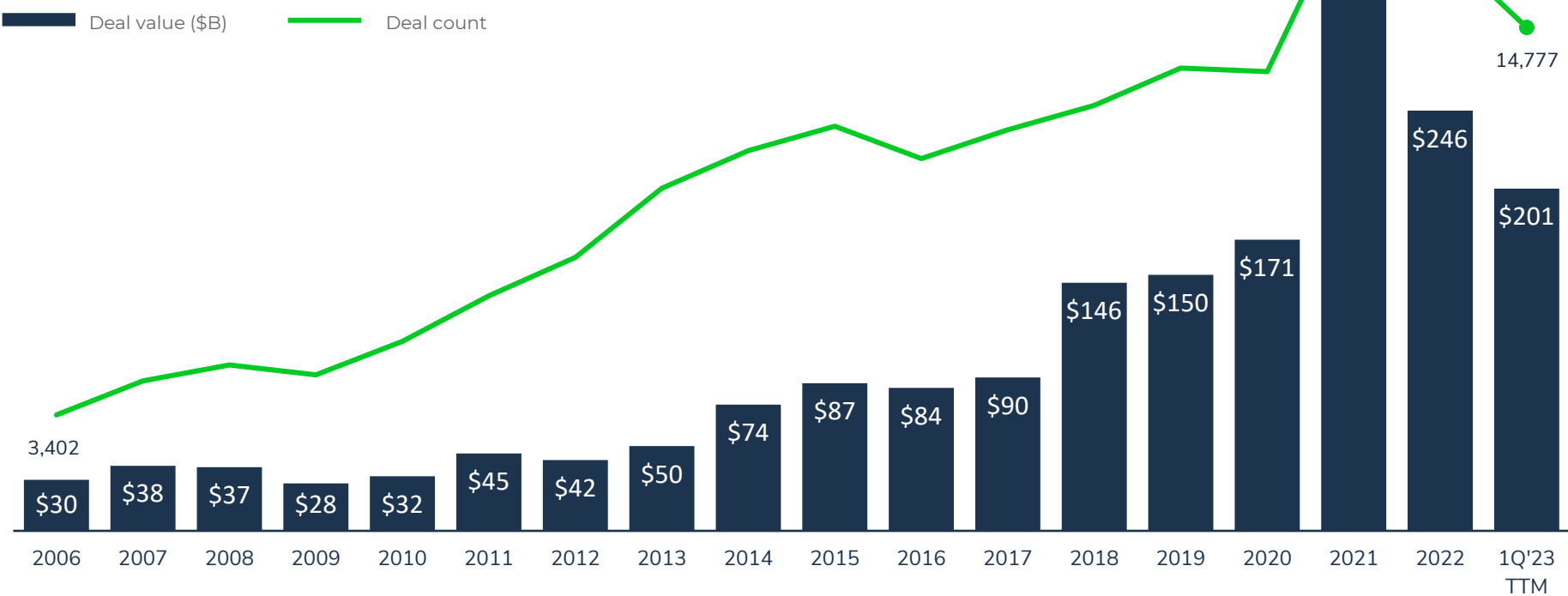
Rigorous Disciplined Investment Process and Proprietary Risk Analytics



Leveraging Multiple Paths to Return Value to Shareholders

# Venture Capital Activity

## Venture Capital Deal Volume Trends<sup>1</sup> Across All Sectors



**Large Addressable Market of Venture-Backed Companies seeking non-dilutive Growth Capital**

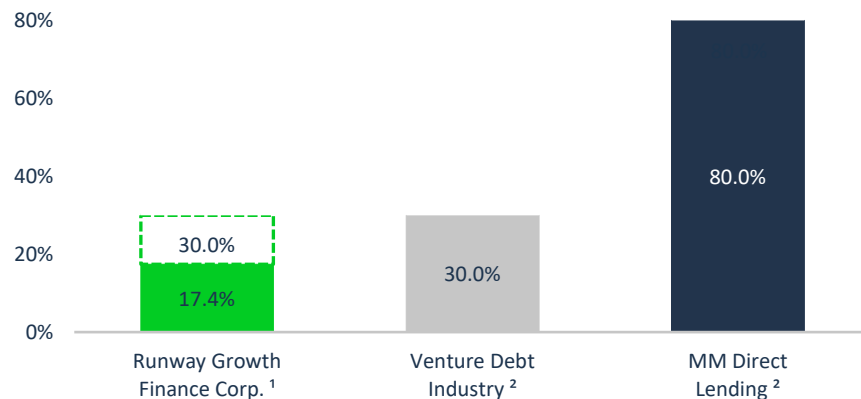
1. Pitchbook-NVCA Venture Monitor data, Q1 2023  
\* Trailing twelve months deal value and count for the period ended 3/31/23



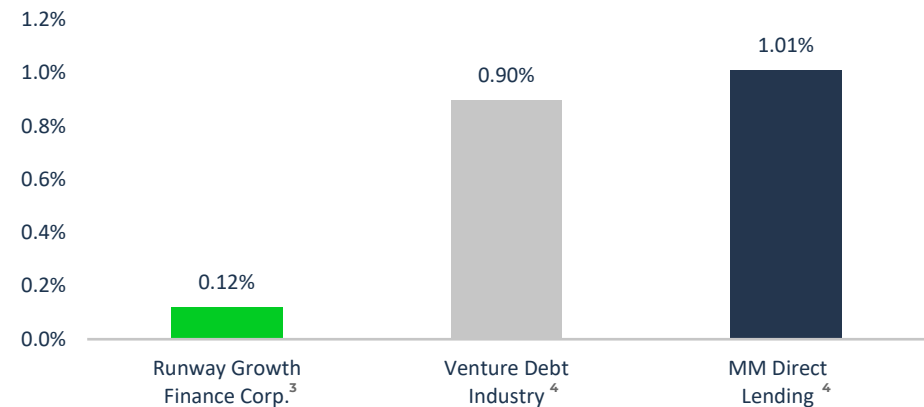
# Venture Lending in Perspective: Comparison to Middle Market Lending (as of 3/31/23)



## Loan To Value (LTV) Comparison, Current Versus Max Level



## Realized Loss Rates (Net)



**Low loan to value ratios provide insulation against economic impairment when valuation multiples decline**

Past performance is not an indication of future results

1. Average LTV at Origination based on funded for active portfolio as of 3/31/23

2. Reuters—*Venture lending BDCs Tap Opportunities In Pandemic*; 15 JUNE 2020

3. Net (debt + equity) realized loss rate as a percentage of committed loans since inception (DEC 2016)

4. Cliffwater Q3 2022 Report on Middle Market Direct Lending

# Strong And Experienced Team

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Investment manager's senior executive team has experience across multiple economic cycles



**David Spreng**

Chairman, CEO, CIO, Founder

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**Prior Experiences**

- Co-Founder of Decathlon Capital Partners and Crescendo Ventures
- Served on the board of 11 public companies



**Tom Raterman**

CFO, COO

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**Prior Experiences**

- Co-Founder and EVP LKQ Corporation
- Several C-Suite roles at financial service and other operating companies



**Greg Greifeld**

Managing Director, Deputy CIO,  
Head of Credit

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**Prior Experiences**

- HPS Investment Partners
- J.P. Morgan

# Our Credit-first, Weatherproof Approach

## Runway Is Built For All Economic Environments With Differentiated Experience To Judiciously Deploy Capital

<b>Underwriting Rigor</b>	<ul style="list-style-type: none"><li>• Credit-first philosophy</li><li>• Loan portfolio is 100% floating rate assets</li><li>• 99% of underlying investments are first lien senior secured loans (1% is “second-lien” behind only a revolver which we have the ability to “buy out”)</li><li>• Low “loan to our value”</li><li>• Minimal downstream financing risk</li></ul>
<b>Origination Momentum</b>	<ul style="list-style-type: none"><li>• Activity reflects extremely selective evaluation criteria</li><li>• Accomplished and growing origination team</li></ul>
<b>Conservative Balance Sheet</b>	<ul style="list-style-type: none"><li>• Thoughtfully utilizing secured and unsecured leverage</li><li>• Remained in target leverage ratio (0.8x to 1.1x) with capacity in 2023</li></ul>
<b>Long-term Partnerships</b>	<ul style="list-style-type: none"><li>• Experience navigating challenging situations</li><li>• Continued partnerships with companies well into their life as a public company</li></ul>
<b>Portfolio Risk Mitigation</b>	<ul style="list-style-type: none"><li>• Active portfolio monitoring and borrower engagement</li><li>• Ability to support portfolio companies when it makes sense and be opportunistic / aggressive when circumstances necessitate</li></ul>

# Origination Model

## Sponsored Growth Lending

- Loans to late- and growth-stage companies backed by venture capital and private equity firms
- Loans typically have higher yields relative to larger, mature companies and usually include equity upside potential
- Provides access to many high-quality companies backed by top tier venture capital & private equity investors
- Ability to participate in equity upside through acquisition of warrants

## Non-Sponsored Growth Lending

- Loans to late and growth-stage, private companies that are funded directly by entrepreneurs and founders, or no longer require institutional equity
- Financing available to these companies is typically based on the underlying value assets and/or the entrepreneur's resources
- We are frequently the only senior lender to these companies
- Underwriting approach focuses on business fundamentals, commitment of the entrepreneur and sources of repayment
- Higher underwriting bar in absence of deep-pocketed sponsor

## Sample of Origination Channels

### VC & PE Funds

Our origination team has deep experience in both venture capital and venture debt and maintains strong industry relationships.

### Direct-Lead Generation

We have been successful generating leads for companies without private equity sponsorship through email outreach, conferences, events, and market research.

### Venture Banks

We maintain relationships with all major venture banks who routinely refer deals that exceed their credit capacity.

### Advisors & Brokers

We have relationships with the major venture debt advisory firms, investment banks, lawyers and other advisors.

# Why Do Borrowers Choose Runway?



## Steady Hand

- We work with companies to navigate choppy waters, while others may take punitive measures at the earliest signs of trouble
- Our underwriting, deep credit analysis, and understanding of borrower enterprise value, give us the confidence to protect our investors' capital



## Experience

- Senior investment professionals have average of 30+ years of experience
- Can speak the same language as the borrowers



## Disciplined and Sophisticated Loan Structures

- While competitive on price, we are rarely the cheapest option
- Diligent and creative with loan structures, balancing flexibility and risk mitigation



## Ability to Scale

- Bespoke solutions allow us to create new loan structures for our borrowers as they continue to grow
- 30% of commitments are related to upsizes<sup>1</sup> from existing borrowers



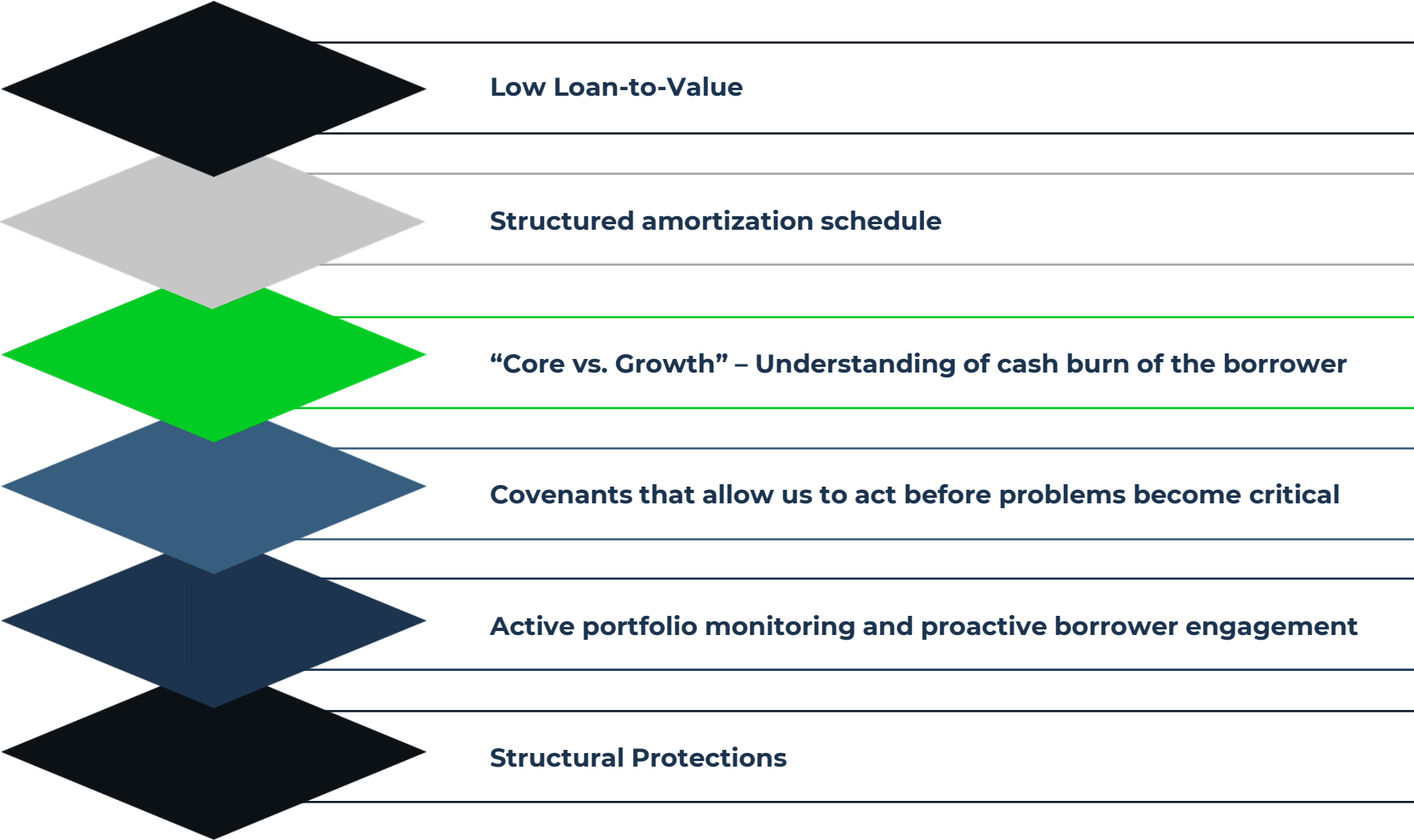
## Robust Network

- Expansive network of contacts within the venture capital industry across equity providers, lenders, advisers, etc.
- Useful advantage for many of our borrowers
- Gives us credibility among other venture equity providers

<sup>1</sup>. Includes upsizes to existing portfolio companies and refinances

# Runway Has an Edge in Pricing Risk and Ascribing Company Value

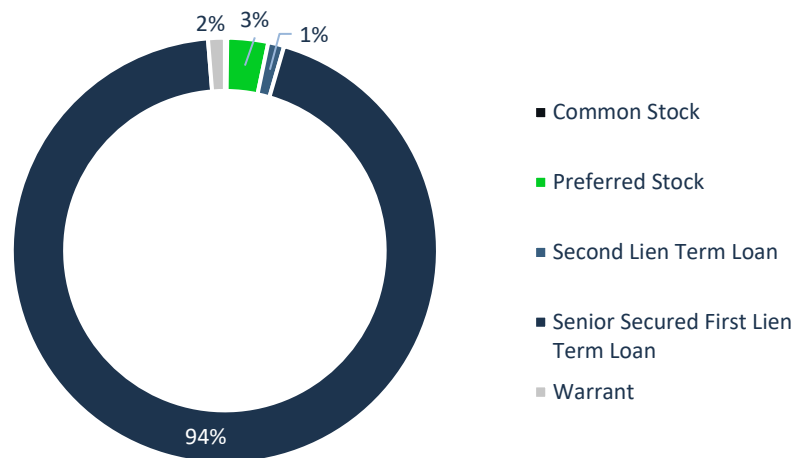
## APPROACH TO UNDERWRITING



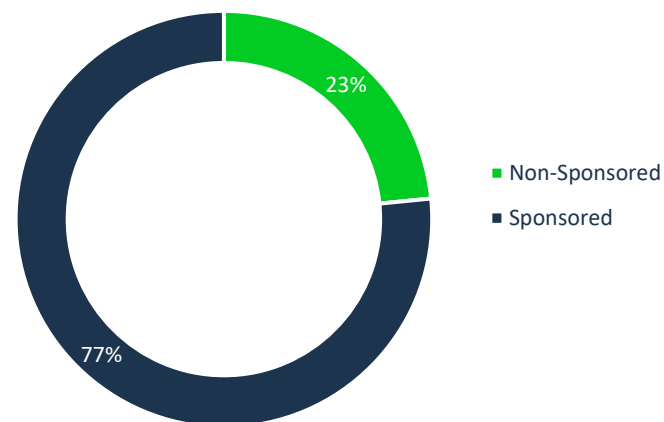
# Portfolio Overview

Portfolio at Fair Value<sup>1</sup>: **\$1,125 million**

## Current Investments by Security Type (by FMV)



## Current Investments by Origination Channel (by FMV)



## Cumulative since inception<sup>2</sup>

Total Loan Commitments	\$2.3B
Average Loan Size	\$26.4M
Number of Investments Made	71
Number of Realized Investments <sup>4</sup>	28
Cumulative Gross/Net Loss Rate	0.34%/0.12%

## Current portfolio at origination

Average Operating History <sup>3</sup>	16 Years
Average Enterprise Value <sup>3</sup>	\$251.8M
Average Revenue <sup>3</sup>	\$51.6M
Average LTV <sup>3</sup>	17.4%
Loan Structure	99% First Lien

Past performance is not an indication of future results

1. Excludes investments in treasury bills

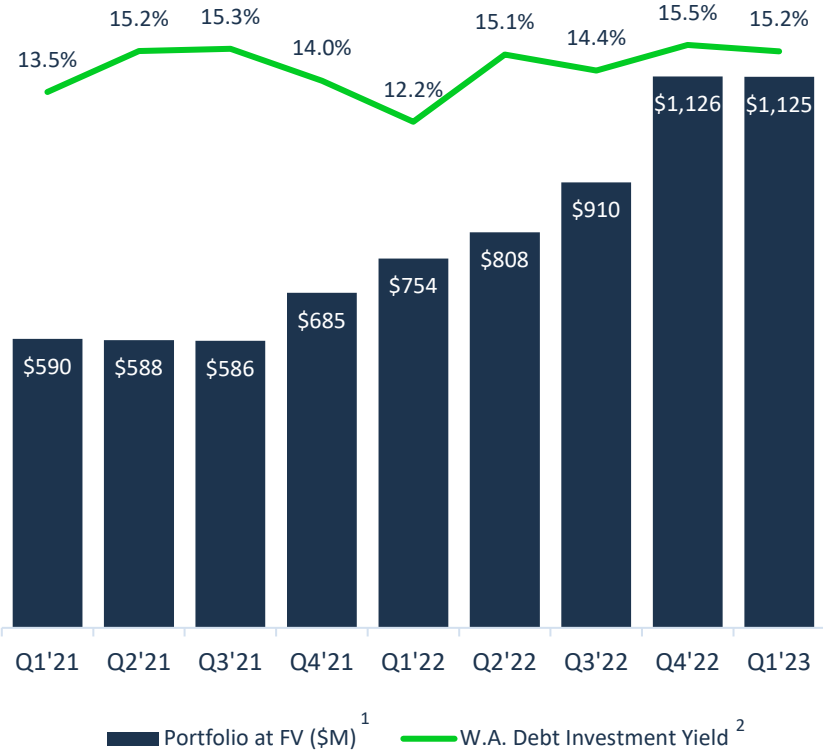
2. Cumulative since inception – from December 2016 to March 2023

3. Weighted average on funded at origination for current investment portfolio as of March 31, 2023

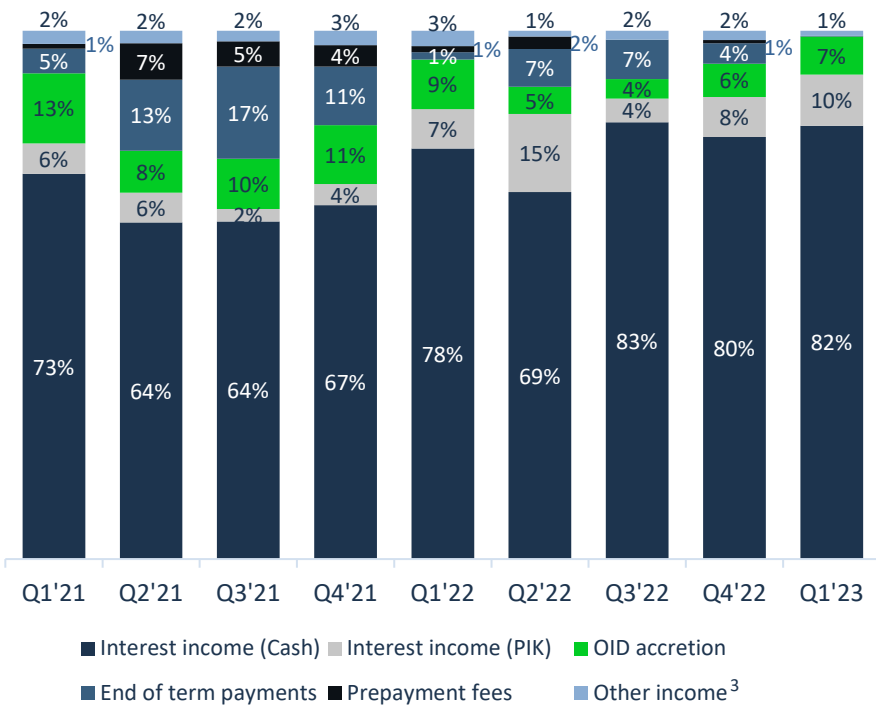
4. Excludes six active investments that have refinanced with Runway Growth and TRACON Pharmaceuticals, Inc. which was fully exited subsequent to quarter end.

# Key Portfolio Metrics

### Investment Yield



### Sources of Investment Income



**34 debt and 56 equity investments to 49 portfolio companies as of 3/31/2023**

Past performance is not an indication of future results  
 1. Excludes investments in treasury bills  
 2. Calculated by taking total debt-related income during the quarter divided by the average fair value of debt investments outstanding during the period, annualized; Includes prepayments  
 3. "Other" consists of U.S. Treasury Bills, Non-investment Sources and Other Income



# Key Portfolio Metrics

Committed Capital (\$M)



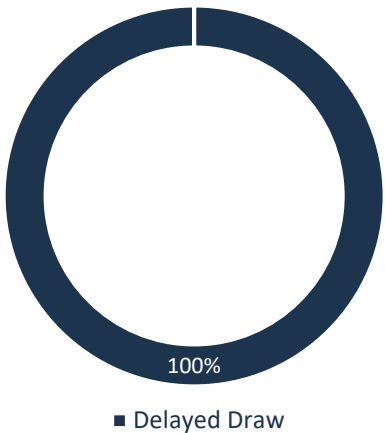
**Inception-to-Date:**

- 30% Portfolio Companies Upsized (19 Portfolio Companies, 29 Upsize Transactions)
- 8 Refinances or 11% of Portfolio Companies

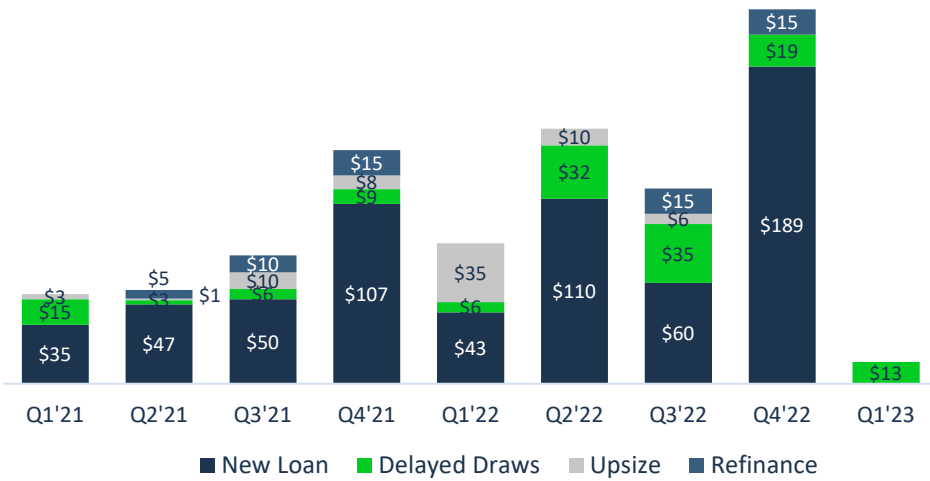
**Trailing 12 Month:**

- \$39.0M average new deal commitment
- \$24.5 M average funding at origination

Q1'23 Gross Fundings by Type (%)

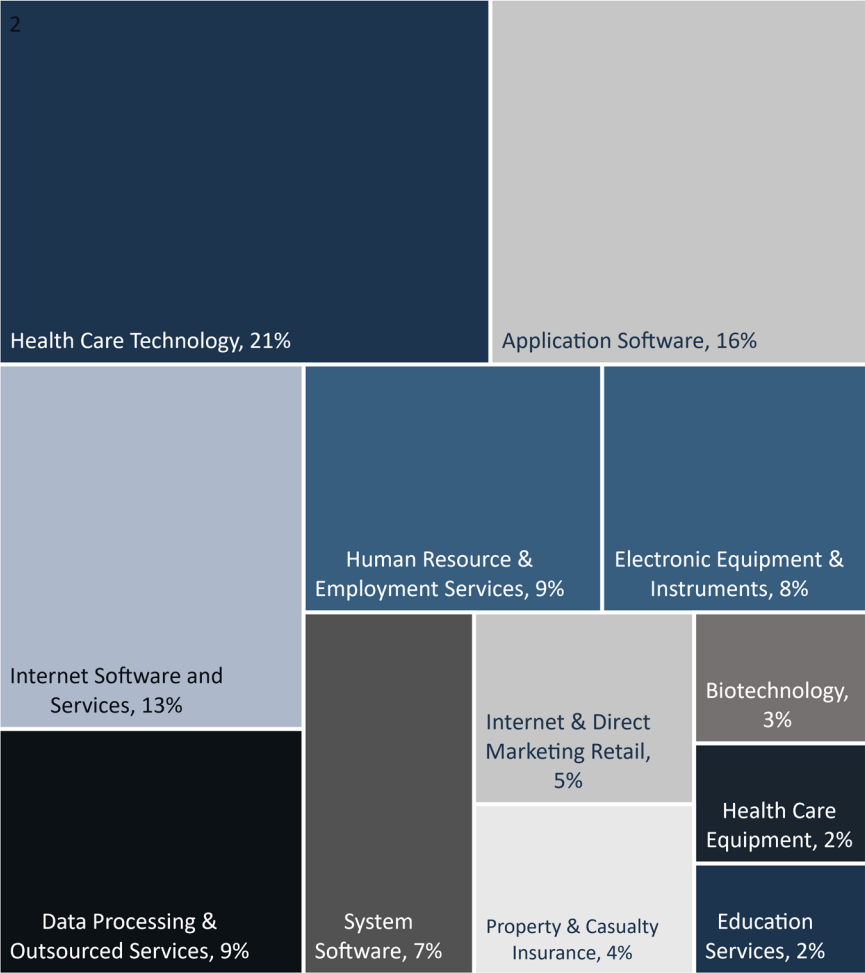


Net Quarterly Fundings by Type (\$M)

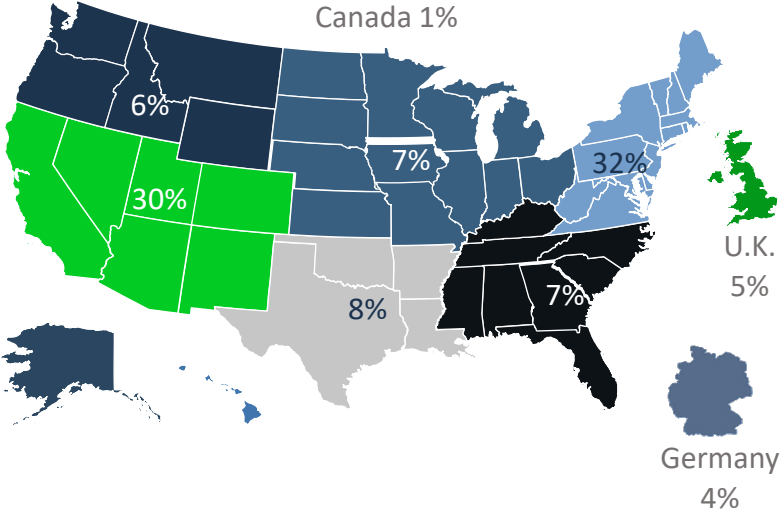


# Highly Diversified Portfolio

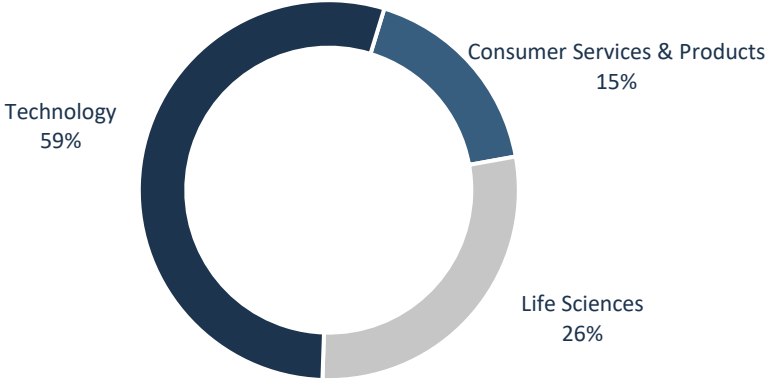
Portfolio at Fair Value by Industry



Portfolio Fair Value by Geography as a % of Net Assets



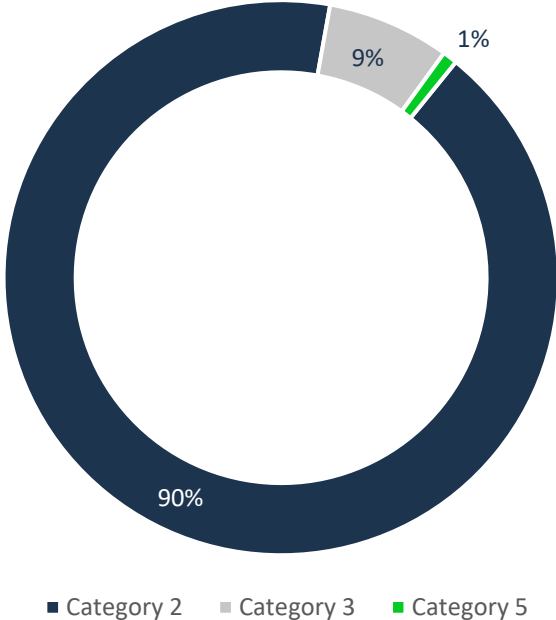
Breakout Across Verticals



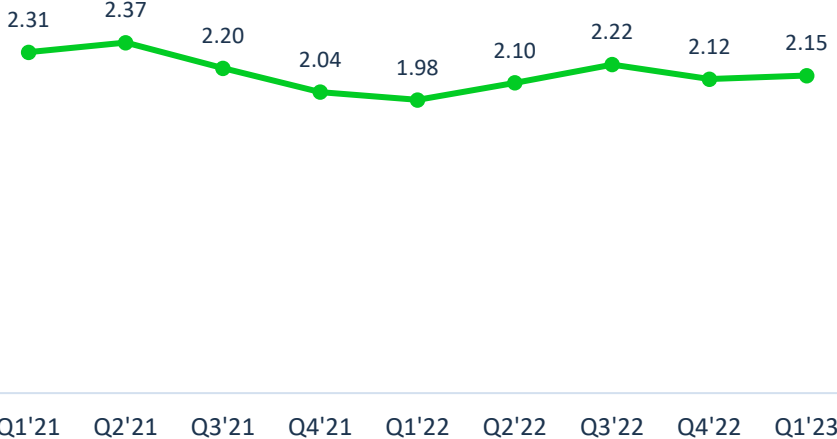
**We currently have no exposure to the Web3.0 and crypto spaces  
No second lien loans behind recently failed banks, co-lending arrangements or other direct exposure to failed banks**

# Portfolio Risk Ratings

**Investments at Fair Value by Risk Rating Category<sup>1</sup>**



**Weighted Average Risk Rating<sup>1</sup>**

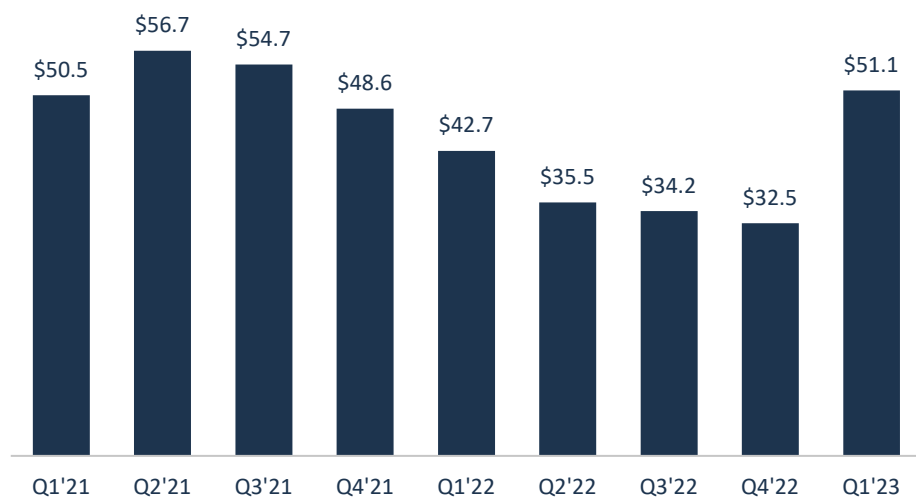


**Stable Q4-2022 to Q1-2023 Weighted Average Risk Rating**

1. 1-5 rating scale with a lower number reflecting a higher credit quality rating.

# Warrants & Equity Portfolio

## Warrants and Other Equity (\$M)



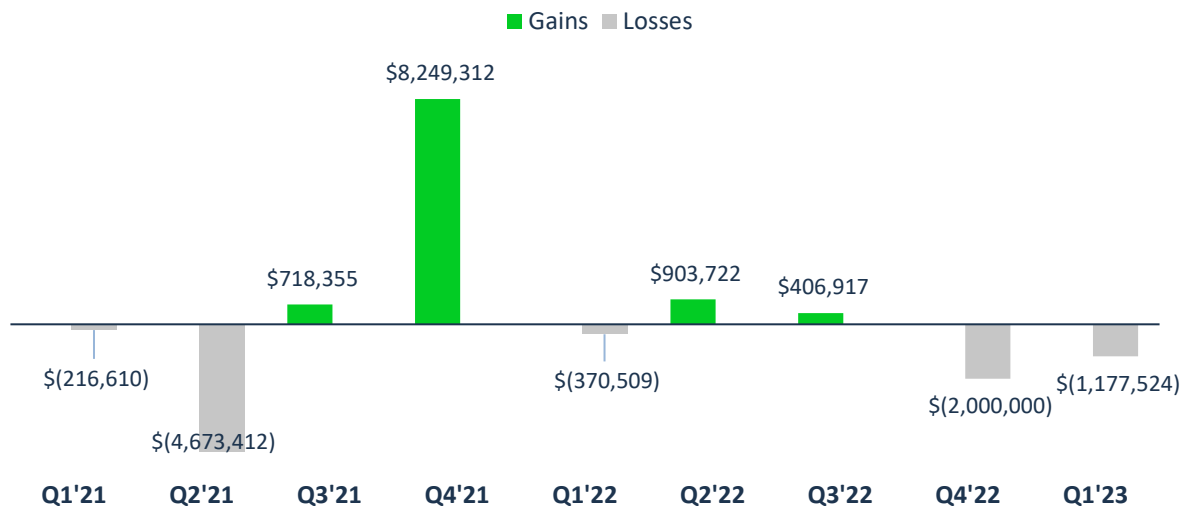
## Warrant and Other Equity Holdings

- 26 Companies with both loan and warrant investments
- 10 Companies with warrant investments only
- 5 Companies with shares of common or preferred stock only or a combination with warrants
- 2 Companies with a loan, warrant, and shares of common or preferred stock

**56 WARRANTS AND/OR EQUITY INVESTMENTS IN 43 COMPANIES**

## Net Realized Gains (Losses) on Equity Investments

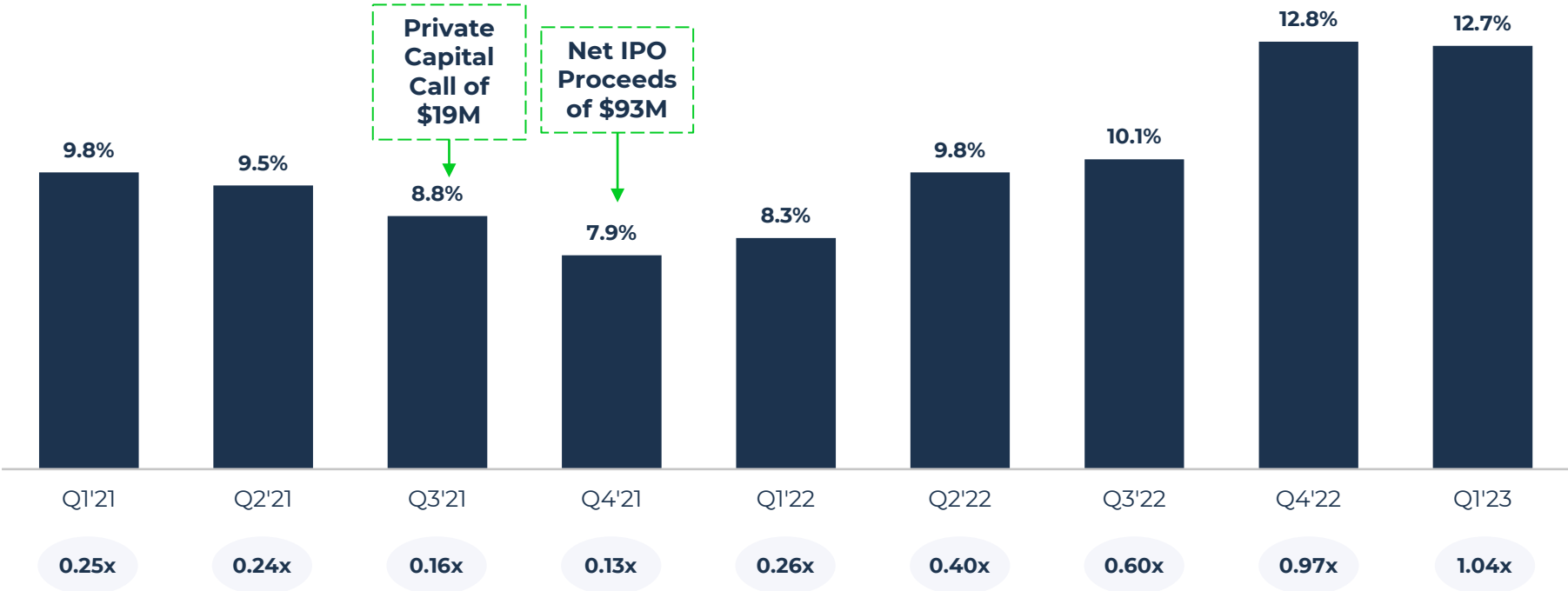
**Inception-to-date:**  
Net equity gains of \$5.0M offsetting \$7.8M in credit losses



Past performance is not an indication of future results

# Strong Balance Sheet Provides For Flexibility & Growth

Historical ROE<sup>1</sup> and Leverage

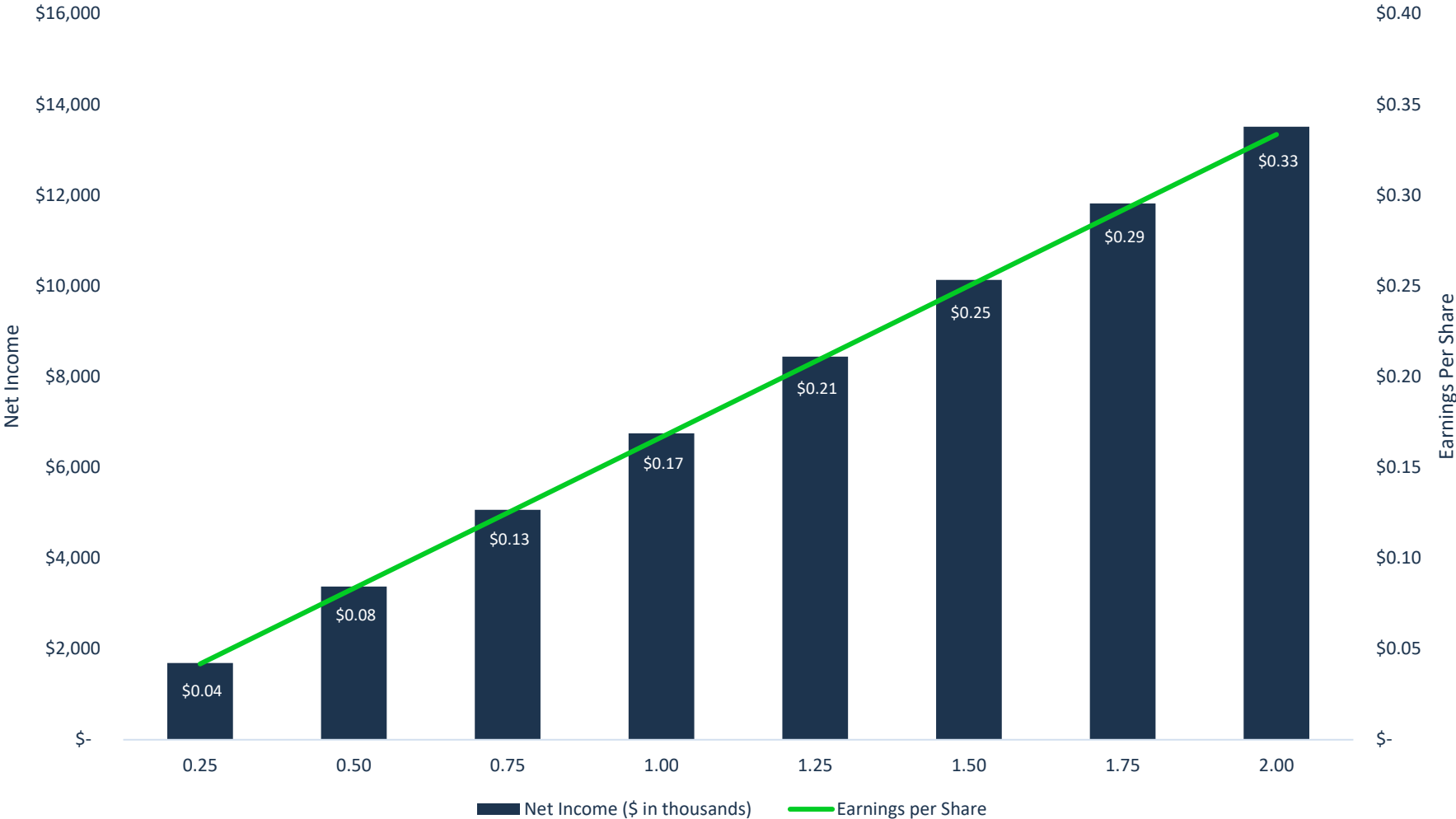


**Industry low leverage ratio within our D/E target of 0.8-1.1x.**

Past performance is not an indication of future results  
 1. ROE calculated by dividing NII for the quarter by average of EOP and BOP equity balance for the period and annualizing

# Interest Rates & Asset Sensitivity

**Rising Interest Rate Impacts on Net Income and EPS<sup>1</sup>**  
 Basis Point Movement in SOFR Rate



1. EPS calculated on basic weighted shares outstanding of 40,509,269 and a static debt investment portfolio as of March 31, 2023.

# Leverage & Liquidity

## Liquidity

	2021				2022				2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Cash & Equivalents	\$1.8	\$0.9	\$0.9	\$4.7	\$3.5	\$6.8	\$5.8	\$5.8	\$3.3
Credit Facility Availability	\$98.0	\$98.0	\$135.0	\$154.0	\$129.0	\$117.7	\$250.0	\$88.0	\$128.0
Net Assets	<b>\$473.5</b>	<b>\$477.7</b>	<b>\$504.2</b>	<b>\$606.2</b>	<b>\$597.5</b>	<b>\$579.4</b>	<b>\$573.7</b>	<b>\$576.1</b>	<b>\$569.8</b>

## Debt Capital Structure<sup>1, 2</sup>

<b>KeyBank Credit Facility</b>	<b>\$128M</b> Revolver availability	<b>\$500M</b> Revolving Credit Facility	<b>\$500M</b> Maximum accordion commitment
<b>2026 4.25% Notes</b>	<b>\$70M</b> Aggregate principal	<b>4.25%</b> Interest Rate	<b>December 10, 2026</b> Stated Maturity
<b>2027 7.50% Notes</b>	<b>\$80.5M</b> Aggregate principal	<b>7.50%</b> Interest Rate	<b>July 21, 2027</b> Stated Maturity
<b>2027 7.00% Notes</b>	<b>\$20M</b> Aggregate principal	<b>7.00%</b> Interest Rate	<b>August 31, 2027</b> Stated Maturity
<b>2027 8.00% Notes</b>	<b>\$51.8M</b> Aggregate principal	<b>8.00%</b> Interest Rate	<b>December 28, 2027</b> Stated Maturity



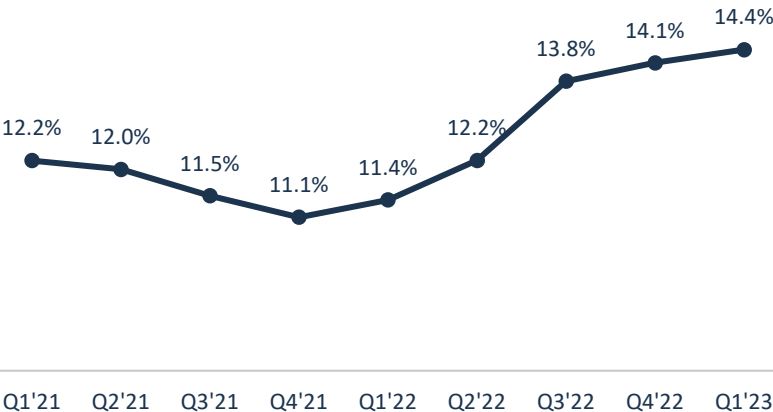
FIRST QUARTER 2023

# Portfolio & Financial Highlights

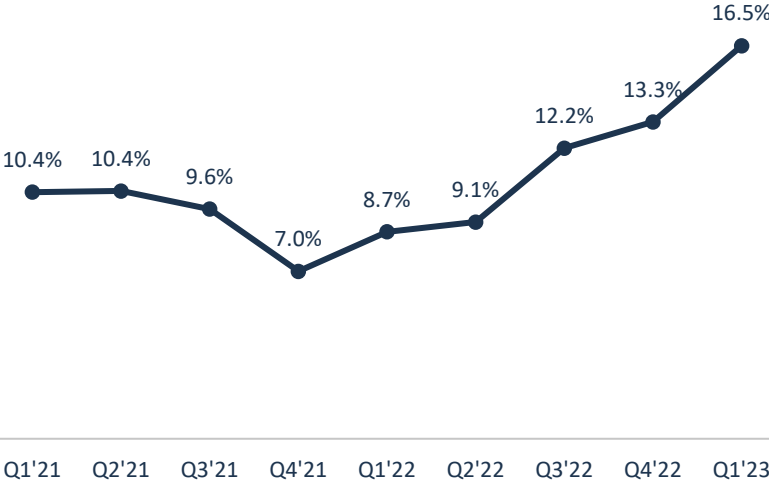


# Portfolio Highlights

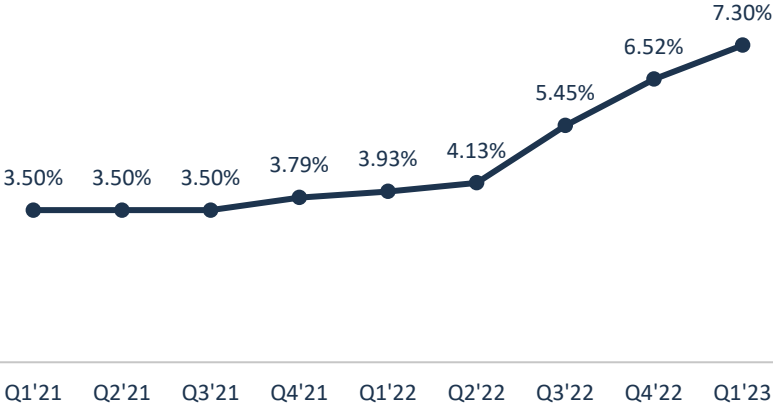
## Accounting Yield<sup>1</sup>



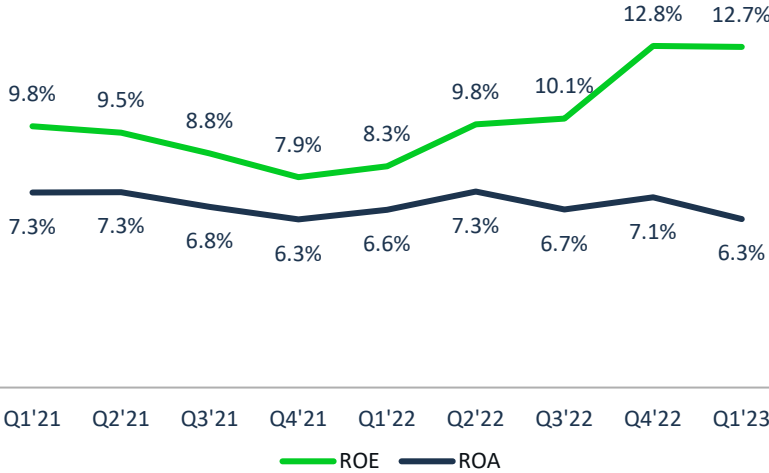
## Annualized Dividend Yield<sup>2</sup>



## Weighted Average Interest Expense



## Annualized Return on Equity and Assets<sup>3</sup>



# Financial Highlights

STATEMENT OF ASSETS & LIABILITIES <sup>1</sup>	March 31, 2023	December 31, 2022
Total investments at fair value <sup>2</sup>	1,160,316	1,126,309
Cash and cash equivalents	3,271	5,761
<b>Total assets</b>	<b>1,173,453</b>	<b>1,141,766</b>
Debt	583,923	548,957
<b>Total liabilities</b>	<b>603,646</b>	<b>565,714</b>
<b>Total net assets</b>	<b>569,807</b>	<b>576,052</b>
<b>Net asset value per share</b>	<b>14.07</b>	<b>14.22</b>

STATEMENT OF OPERATIONS <sup>1</sup>	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Total investment income	39,310	19,232
Total operating expenses	21,064	6,773
<b>Net investment income</b>	<b>18,246</b>	<b>12,459</b>
<b>Net realized and unrealized gain</b>	<b>(6,262)</b>	<b>(9,606)</b>
<b>Net increase in net assets from operations</b>	<b>11,984</b>	<b>2,853</b>

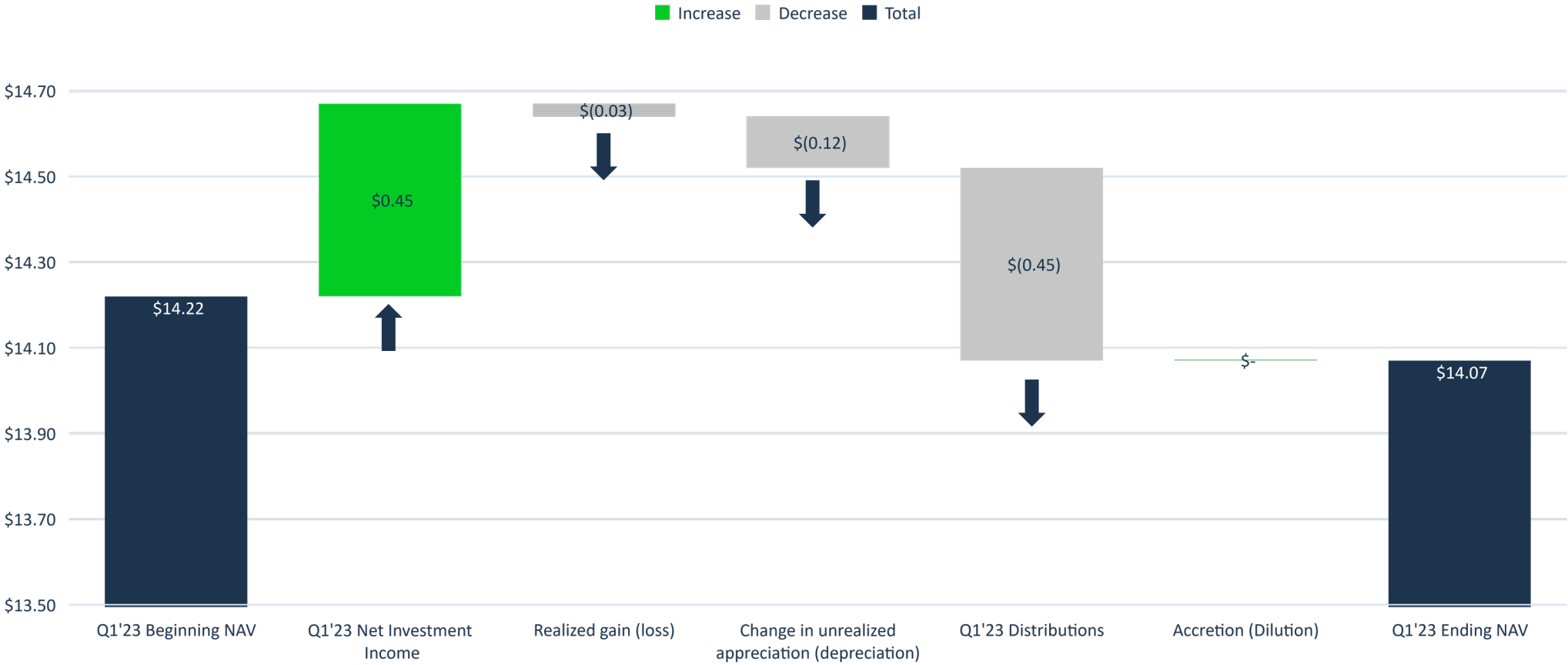
Note: Past performance is not an indication of future results. Shown in thousands except per share data.

1. In thousands, except per share data

2. Total investments at fair value balance are comprised of Treasury Bills as of 3/31/23 of \$35M and 12/31/22 of \$0.

# NAV/Share Bridge

## Reconciliation of Quarterly Nav per Share<sup>1</sup>



**\$0 Credit Losses in 2023**

1. NAV/share calculated using weighted average share outstanding during Q1 2023 of 40,509,269



# Analyst Coverage

# Robust Industry Analyst Coverage

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Bryce Rowe, CFA



Casey Alexander



Erik Zwick, CFA



John Rowan



Melissa Wedel, CFA



Mickey Schleien, CFA



Mitchel Penn, CFA



Vilas Abraham



Finian O'Shea, CFA





# Supplemental Information

# Regulation and Structure

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Runway Growth is an externally managed, non-diversified closed-end management investment company that has elected to be regulated as a BDC and treated as a RIC for tax purposes.

## Business Development Company (BDC)

- Regulated by the SEC under the Investment Company Act of 1940 (the “1940 Act”)
- Externally-managed by Runway Growth Capital
- Leverage limited to 2:1 debt/equity
- Investments are required to be carried at fair value
- Required to offer managerial assistance to portfolio companies

## Regulated Investment Company (RIC)

- Must distribute at least 90% of income to shareholders as dividend distributions, subject to approval by Runway Growth’s Board of Directors
- Mandates asset diversification
- Eliminates corporate taxation
- Allows for retention of capital gains and/or spillover taxable income



**Contact us with any  
questions or comments.**

[investors@runwaygrowth.com](mailto:investors@runwaygrowth.com)