

*August 2, 2018*

## SECOND QUARTER 2018 INVESTOR PRESENTATION

*Financing the Growth of Tomorrow's Companies Today™*



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NYSE

# IMPORTANT NOTICE: FORWARD LOOKING STATEMENTS

This presentation may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. You should understand that under Section 27A(b)(2)(B) of the Securities Act of 1933, as amended, and Section 21E(b)(2)(B) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 do not apply to forward-looking statements made in periodic reports we file under the Exchange Act.

The information disclosed in this presentation is made as of the date hereof and reflects Hercules’ current assessment of its financial performance for the period reported. Actual financial results filed with the Securities and Exchange Commission in the future may differ from those contained herein in the event of additional adjustments recorded prior to the filing of its financial statements.

This presentation may contain “forward-looking statements.” These forward-looking statements include comments with respect to our financial objectives, loan portfolio growth, strategies and results of our operations.

However, by their nature, these forward-looking statements involve numerous assumptions, uncertainties and risks, both general and specific. The risk exists that these statements may not be fulfilled. We caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of factors could cause future Company results to differ materially from these statements.

Forward-looking statements may be influenced in particular by factors such as fluctuations in interest rates and stock indices, the effects of competition in the areas in which we operate, and changes in economic, political and regulatory conditions. We caution that the foregoing list is not exhaustive.

When relying on forward-looking statements to make decisions, investors should carefully consider the aforementioned factors as well as other uncertainties and events. Historical results discussed in this presentation are not indicative of future results. This presentation should be read in conjunction with our recent SEC filings.

*August 2, 2018*

## SECOND QUARTER 2018 INVESTOR PRESENTATION

- Key Performance Highlights
- Company & Strategic Overview
- Financial Highlights
- Portfolio Highlights
- Venture Capital Market Opportunity
- Analyst Coverage
- Supplemental Information

## KEY PERFORMANCE HIGHLIGHTS



**Hercules Capital is proud to celebrate over**  
**\$8.0 Billion**  
**in Total Debt Commitments since inception**

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We would like to thank our more than  
**430 Portfolio Companies**  
and  
**over 1000 Venture Capital Partners**  
for your trust, support and long-term partnership

# Q2 2018 HIGHLIGHTS

## Robust Earnings

- Net Investment Income (“NII”) of \$22.8M/Adj. NII of \$25.2M<sup>(1)</sup>
- Total Investment Income of \$49.6M, up 2.3% Y-Y
- NII per share of \$0.26/Adj. NII per share of \$0.29<sup>(1)</sup>
- 52 consecutive quarters of distributions since IPO

## Strong Shareholder Returns

- 1YR/3YR/7YR Total Shareholder Returns<sup>(2)</sup>: 4.9%/41.7%/97.1%
- ROAE<sup>(3)</sup>: 10.2%
- ROAA<sup>(3)</sup>: 5.4%
- Net Interest Margin (“NIM”): 9.5%

## High-Yield Portfolio of Earning Assets

- Total Debt Investments (at cost): \$1.55B
- Effective Yield: 13.5%

## Industry-Leading Originations Platform

- \$8.0B in total debt commitments since inception
- Cumulative Total Net Realized (Loss) since inception of (\$42.8M)
- Total debt & equity commitments: \$462.7M, up 124.6% Y-Y
- Gross debt & equity fundings: \$327.5M, up 74.8% Y-Y

## Strong Liquidity and Balance Sheet

- \$221.2M available liquidity
- \$335.8M additional leverage capacity
- Regulatory leverage and net regulatory leverage: 65.2% and 59.0%<sup>(4)</sup>

## Strong Capital Raising Position

- Price-to-NAV: 1.32x<sup>(5)</sup>
- “ATM” Equity and Debt Distribution Agreements
- Investment Grade Credit Ratings: S&P: BBB- | KBRA: BBB+

(1) Excludes the one-time impact of \$2.4 million, or \$0.03 per share, associated with the \$100.0 million partial redemption of the 2024 Notes

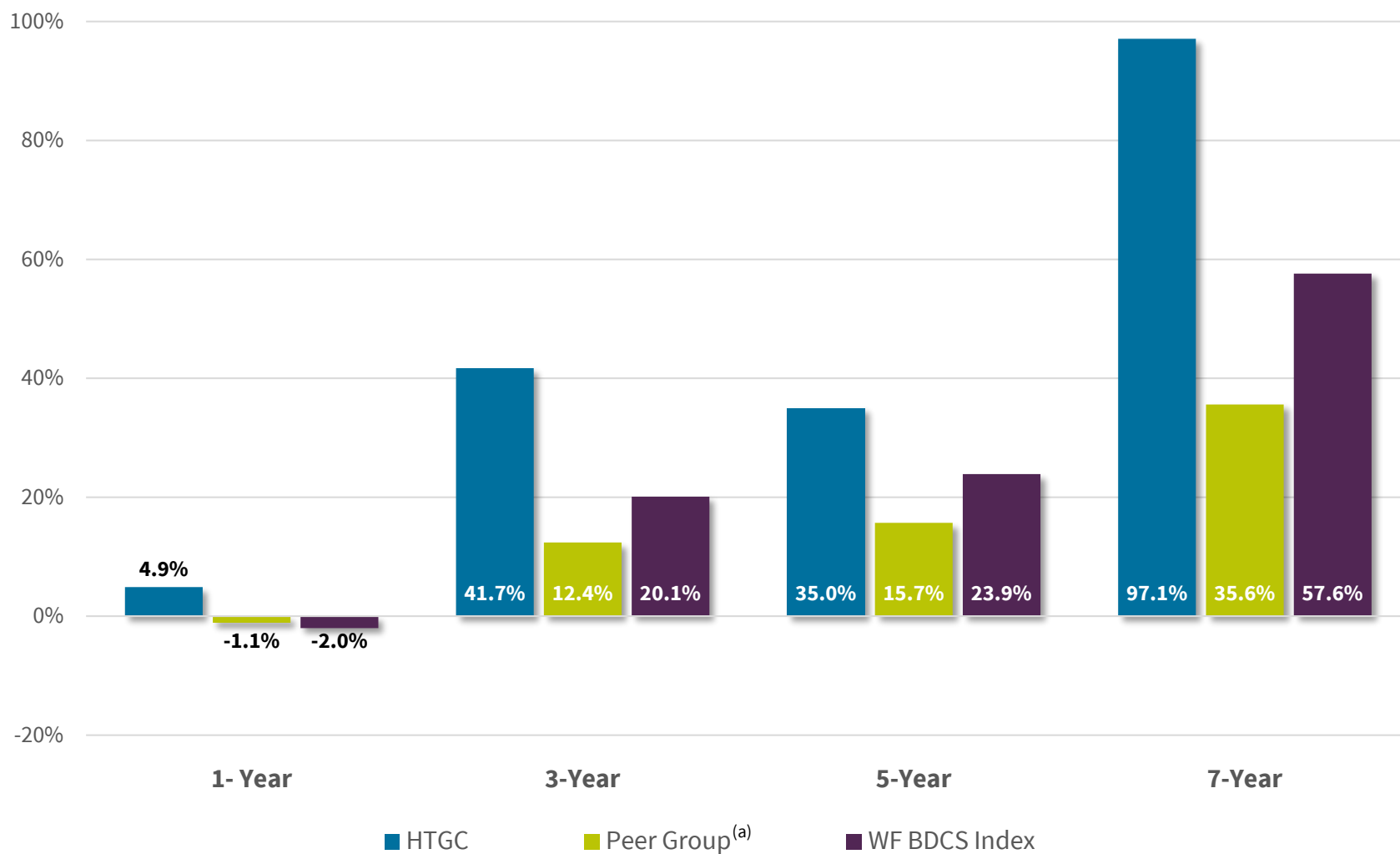
(2) Source: S&P CapIQ as of 6/30/18

(3) Based on NII, excludes realized and unrealized gains/losses

(4) Net regulatory leverage is defined as regulatory leverage less cash balance at period end

(5) As of July 30, 2018

# STRONG TOTAL SHAREHOLDER RETURN % (TSR)<sup>(b)</sup> vs. BDCs & INDEXES



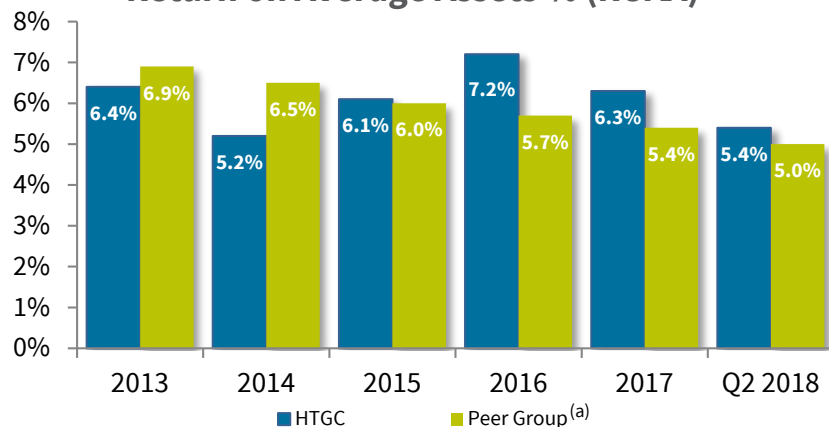
(a) Peer Group: AINV, ARCC, BKCC, OCSL, FSIC, GBDC, GSBD, KCAP, MAIN, MCC, NMFC, OXSQ, PNNT, PSEC, SLRC, TCAP, TCPC, TCRD, TSLX

(b) TSR is defined as stock appreciation plus distributed dividend distributions

Source: S&P Capital IQ as of June 30, 2018

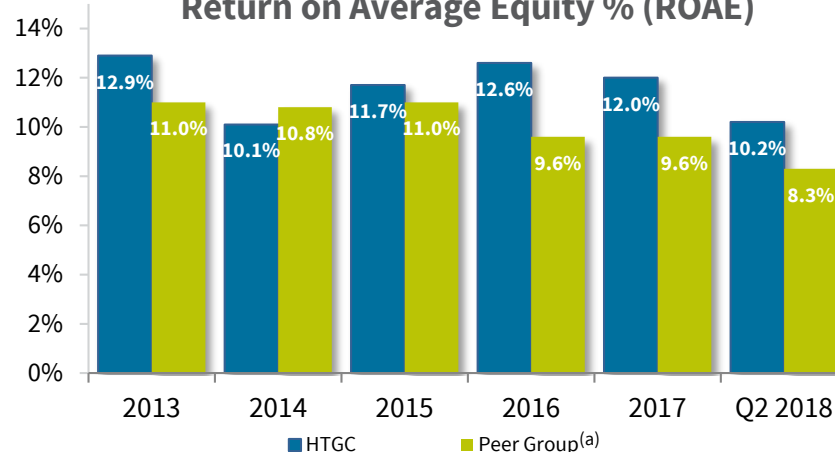
# DELIVERING STRONG SHAREHOLDER RETURNS

## Return on Average Assets % (ROAA)



Source: S&P Capital IQ as of 6/30/18. Return on Average Assets excluding cash. NII divided by average of beginning of period total assets excluding cash and end of period total assets excluding cash.

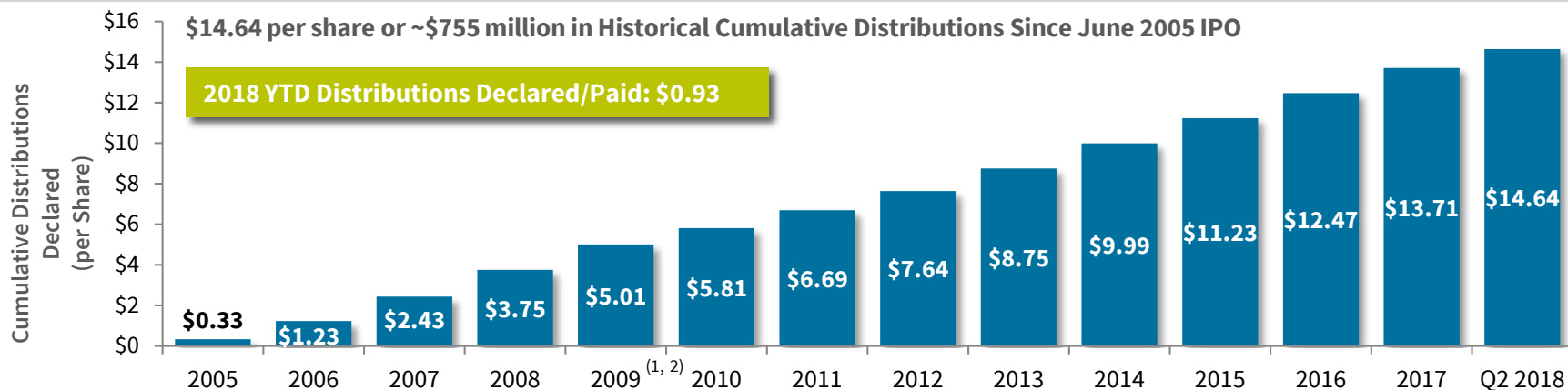
## Return on Average Equity % (ROAE)



Source: S&P Capital IQ as of 6/30/18. Return on Average Equity based on NII. NII divided by average of beginning of period equity and end of period equity.

(a) Peer Group: AINV, ARCC, BKCC, OCSL, FSIC, GBDC, GSBD, KCAP, MAIN, MCC, NMFC, OXSQ, PNNT, PSEC, SLRC, TCAP, TCPC, TCRD, TSLX

## \$14.64 per share or ~\$755 million in Historical Cumulative Distributions Since June 2005 IPO



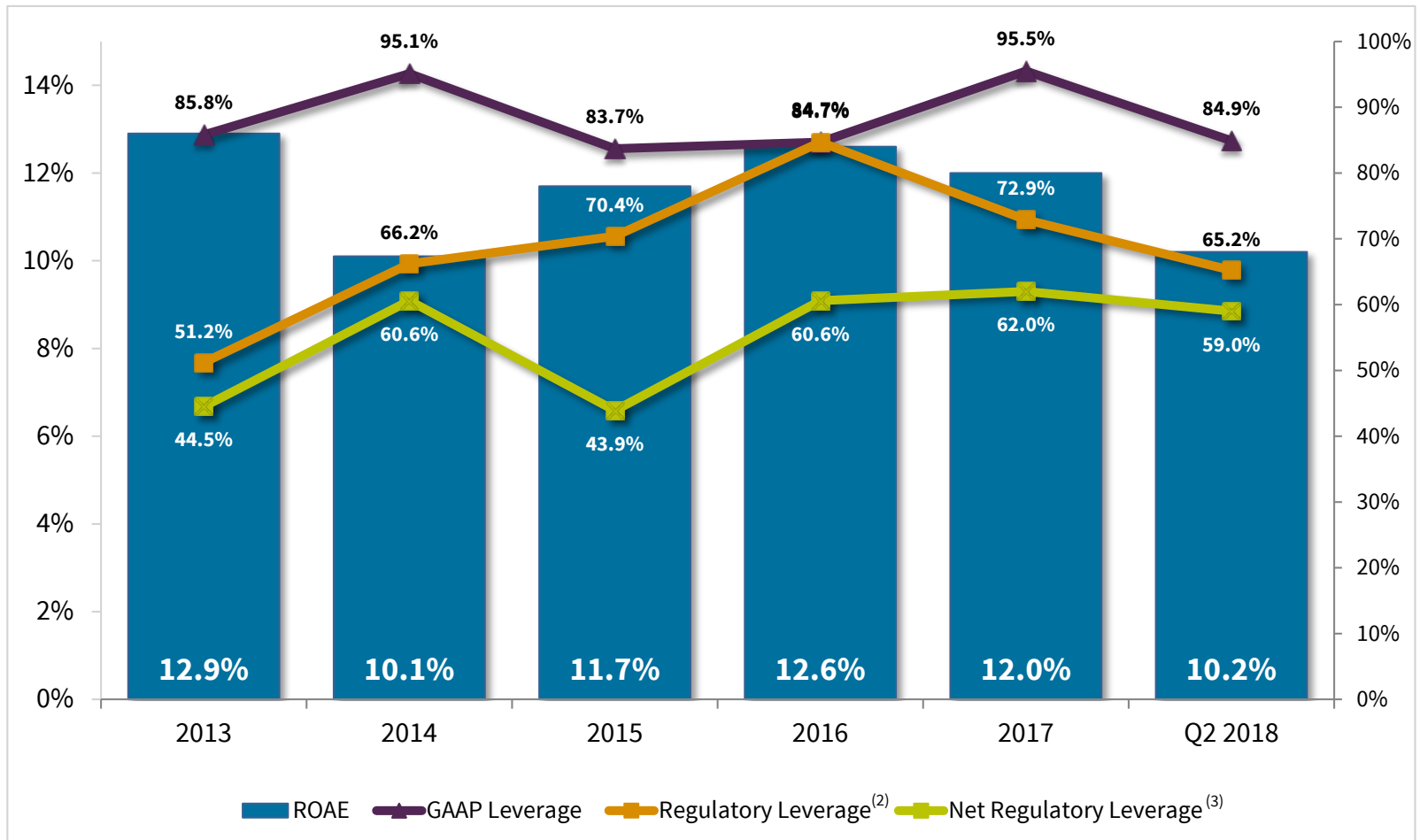
(1) Q1 09 distribution was paid in 10% cash and 90% stock; (2) Includes special \$0.04 distribution paid in December 2009

(2) Note: The Yield Calculation may include a potential tax return of capital. Any portion of a distribution that is ultimately deemed to be a tax return of capital should not be considered. The determination of the tax attributes of the Company's distributions is made annually as of the end of the Company's fiscal year based upon its taxable income for the full year and distributions paid for the full year. Therefore, a determination made on a quarterly basis may not be representative of the actual tax attributes of its distributions for a full year. The tax attributes of its distributions for the years ended December 31, 2008 through June 30, 2018 were paid 100% from earnings and profits; however, there can be no certainty to shareholders that this determination is representative of what the tax attributes of its 2018 distributions to shareholders will actually be.



# AVAILABLE LEVERAGE FOR POTENTIAL EARNINGS GROWTH

## Leverage to Return on Average Equity % (ROAE)<sup>(1)</sup>



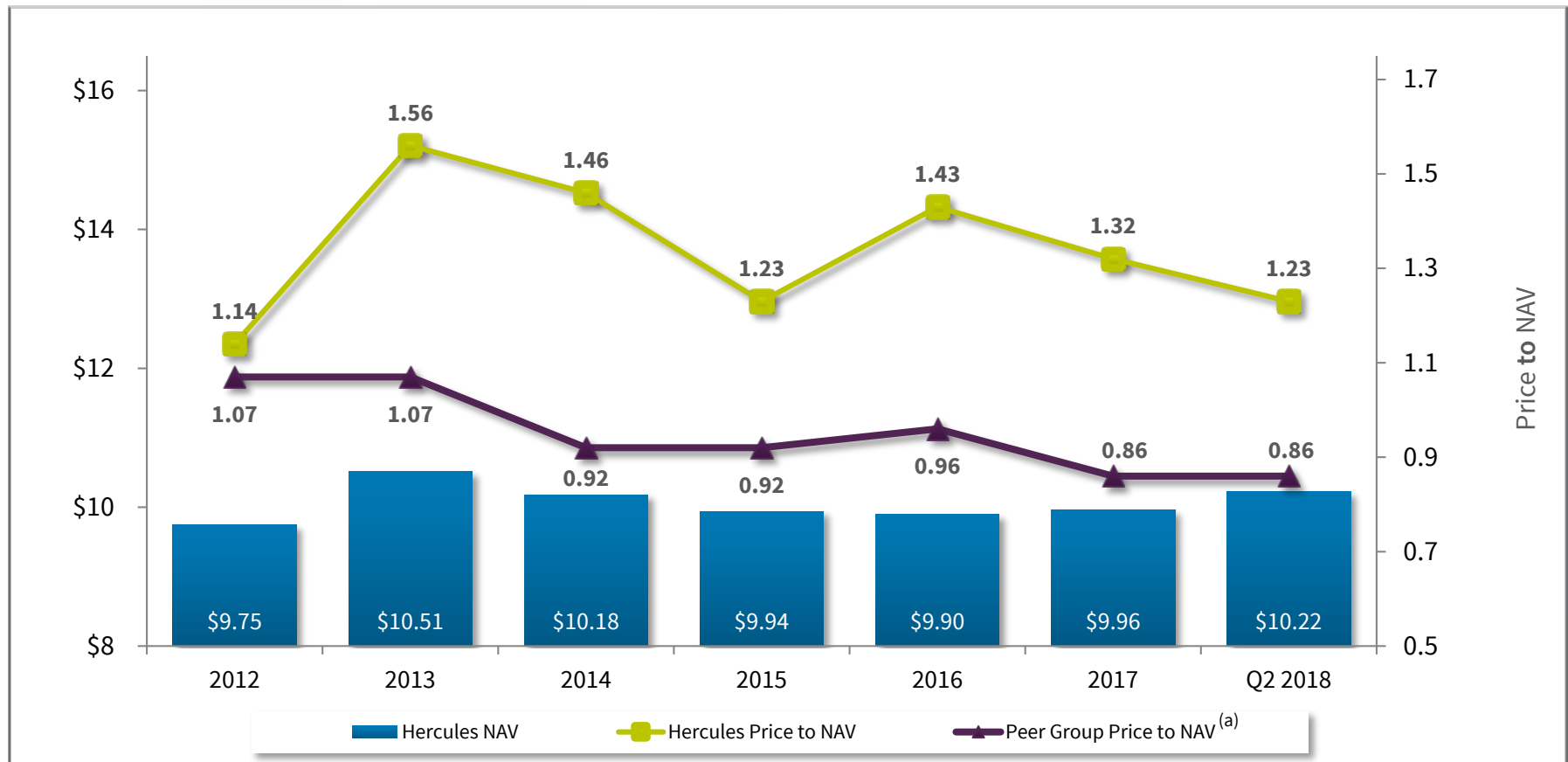
(1) Source: S&P Capital IQ as of 6/30/2018. Return on Average Equity based on NII. NII divided by average of beginning of period equity and end of period equity.

(2) Excludes SBA

(3) Excludes SBA and cash

# HERCULES CONSISTENTLY MAINTAINS A PREMIUM TO NAV

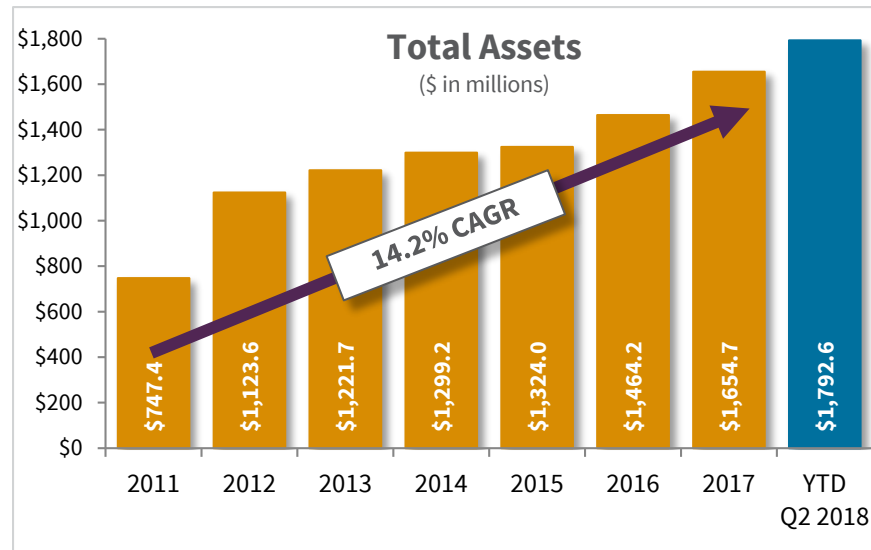
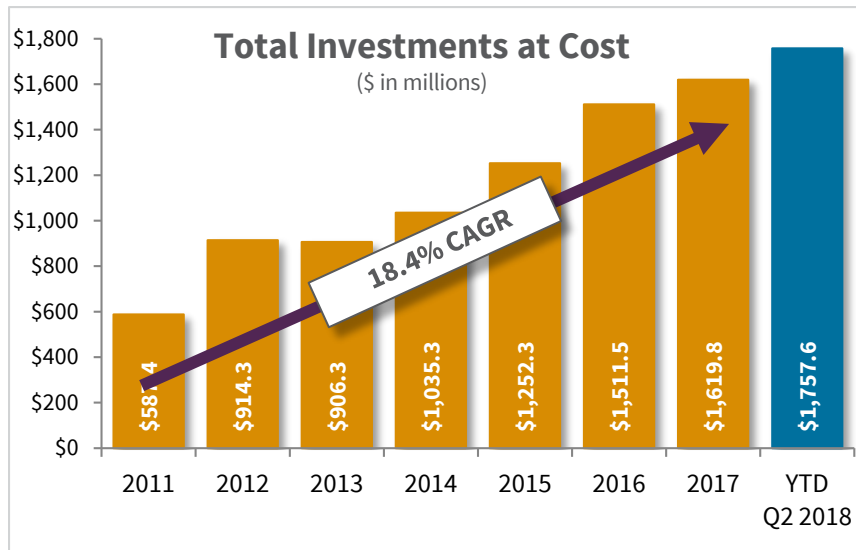
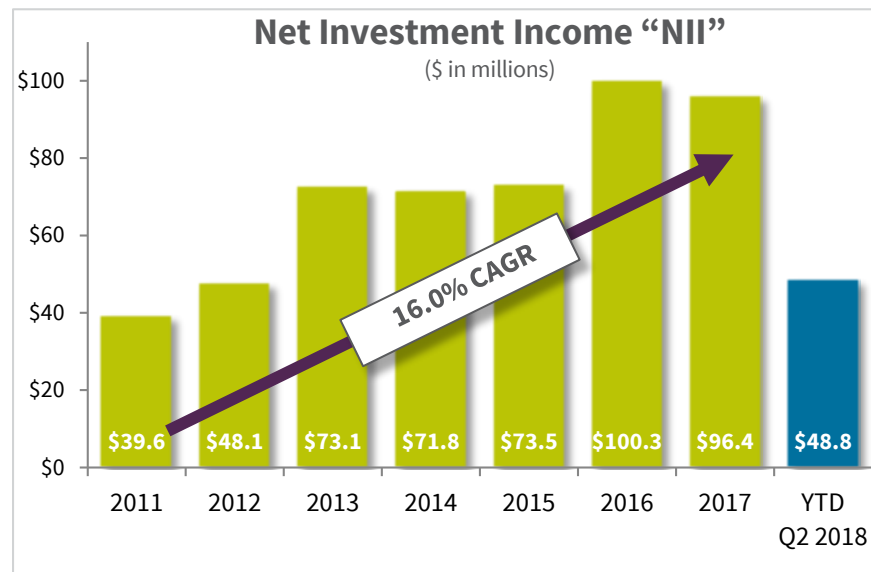
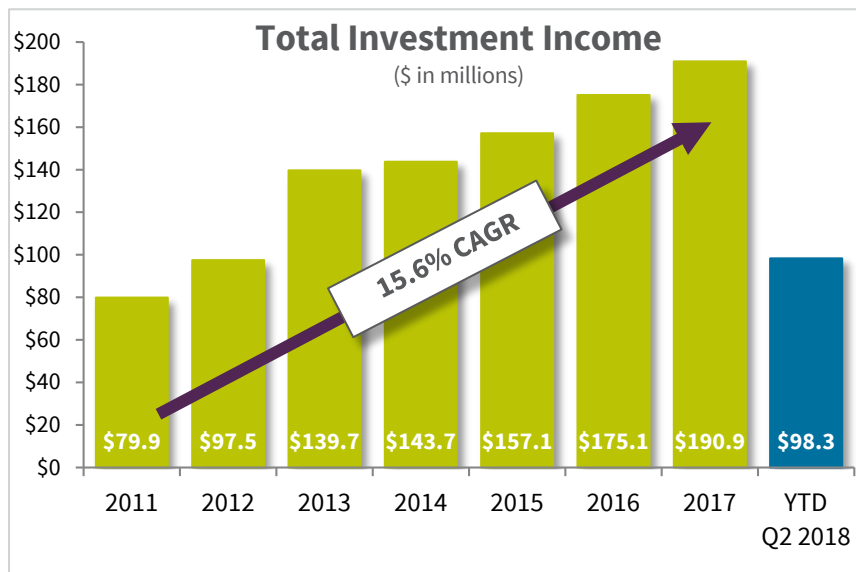
CREATES A STRONG CAPITAL RAISING POSITION TO SUPPORT GROWTH



(a) Peer Group: AINV, ARCC, BKCC, OCSL, FSIC, GBDC, GSBD, KCAP, MAIN, MCC, NMFC, OXSQ, PNNT, PSEC, SLRC, TCAP, TCPC, TCRD, TSLX

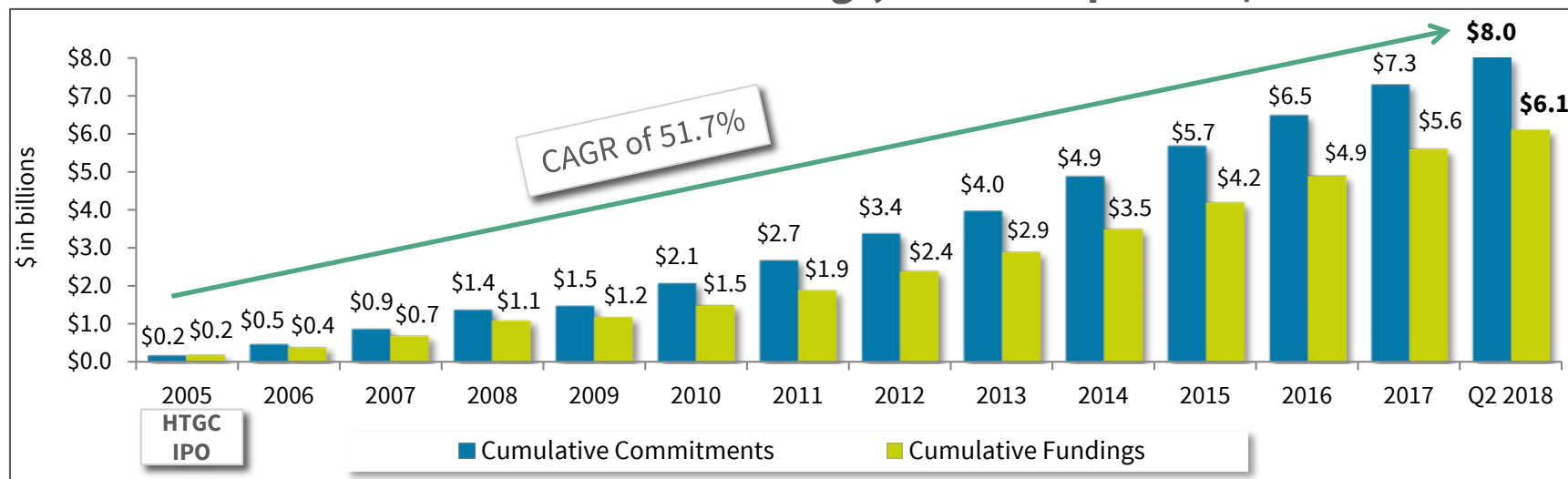
Note: Source S&P CapIQ as of 6/30/18. Stock price based on closing price on last trading day of each calendar year or relative quarter.

# HERCULES KEY PERFORMANCE HIGHLIGHTS

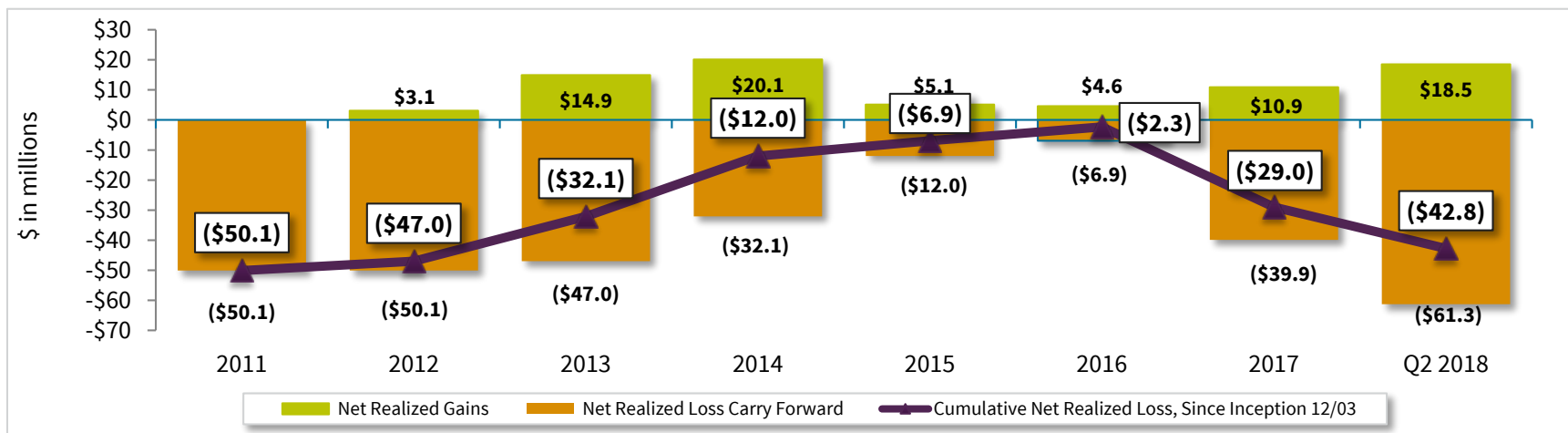


# PORTFOLIO GROWTH WITH UNDERWRITING DISCIPLINE

## Cumulative Debt Commitment and Fundings, Since Inception 12/03

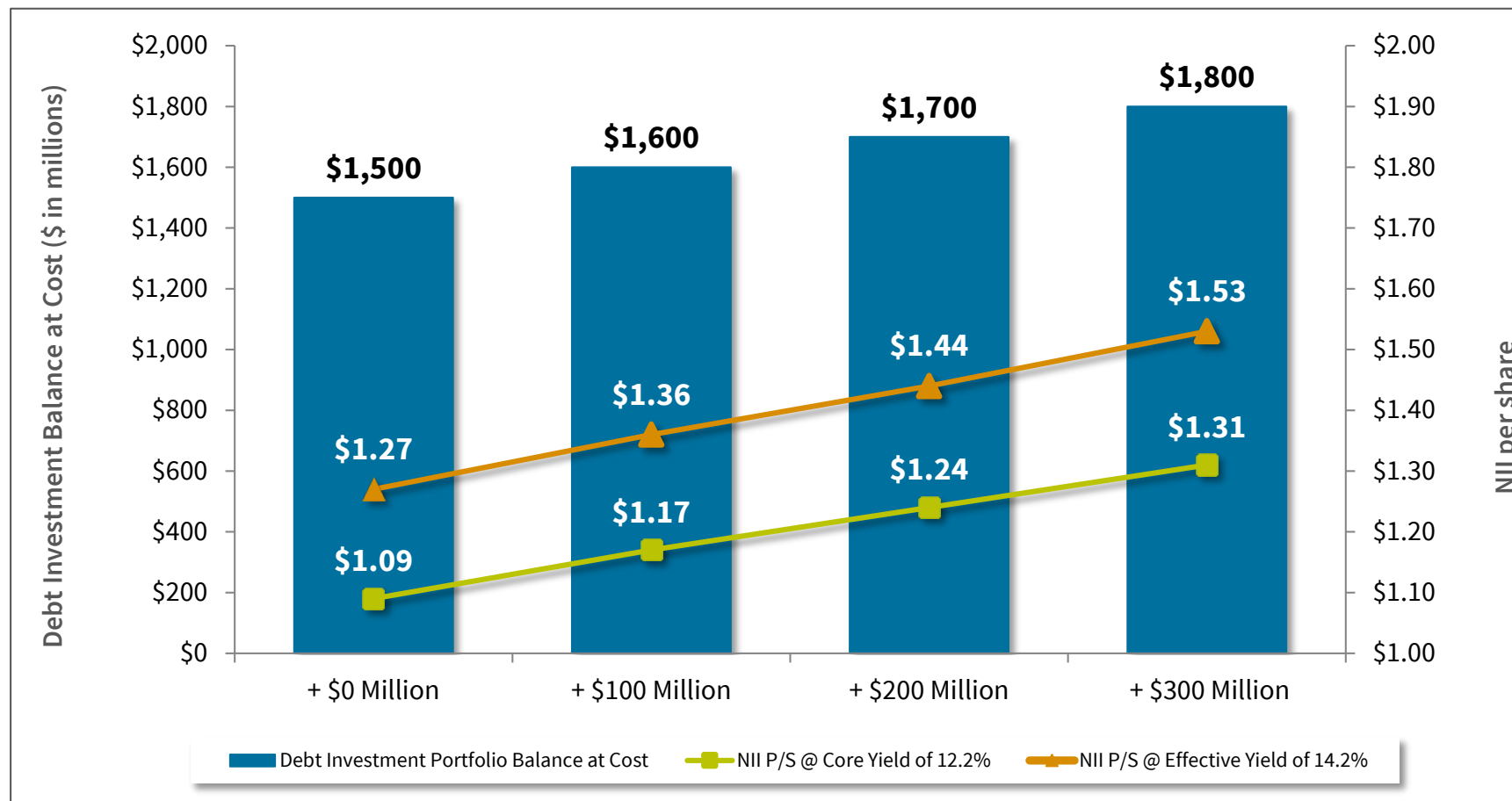


## Cumulative Total Aggregate Net Realized Gains/(Losses), Since Inception 12/03



# PORTFOLIO GROWTH LEADS TO DIVIDEND GROWTH THROUGH NII

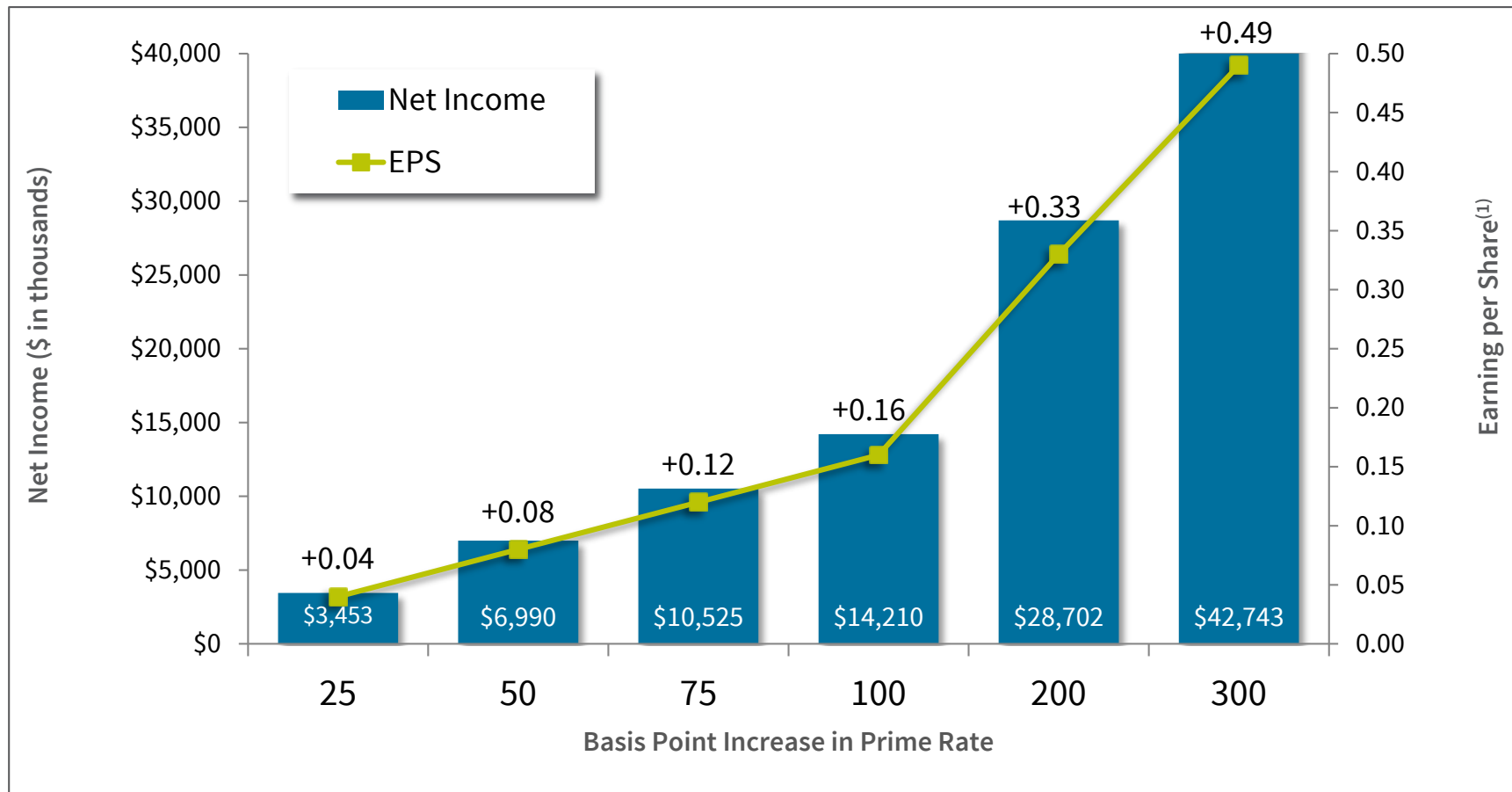
Illustration: A growing debt investment portfolio provides potential for future increased dividend payout<sup>(1)</sup>



(1) Assumes Debt Investment portfolio of \$1.5 billion, at cost, constant effective yield, NII margin of 52.0% and constant weighted average shares of 87.1 million, as of June 30, 2018. Projections are subject to change due to impact from active participation in the Company's equity ATM program and any future equity offerings.

# RIISING INTEREST RATES & HIGH ASSET SENSITIVITY BENEFITS HERCULES

We anticipate each 25 bps, or 0.25%, increase in the Prime Rate to contribute ~\$3.5 million to Net Interest Income, or \$0.04 per share annually



(1) EPS calculated on basic weighted shares outstanding of 87.1 million and a static debt investment portfolio as of June 30, 2018. Estimates are also subject to change due to impact from potential participation in the Company's equity ATM program and future equity offerings.

## COMPANY & STRATEGIC OVERVIEW



# HERCULES AT-A-GLANCE

LARGEST BUSINESS DEVELOPMENT COMPANY (BDC) FOCUSED ON PROVIDING FINANCING TO HIGH-GROWTH VENTURE CAPITAL-BACKED COMPANIES

**\$1.27**  
BILLION

MARKET  
CAPITALIZATION

FOUNDED DECEMBER 2003  
**IPO: June 2005 “HTGC”**

ENTERPRISE VALUE  
**\$1.92 billion<sup>(1)</sup>**

MARKET CAPITALIZATION  
**\$1.27 billion<sup>(1)</sup>**

NET ASSET VALUE PER SHARE  
**\$10.22 as of 6/30/18**

HISTORICAL PRICE/NAV  
**~1.3x to ~1.6x range**

CURRENT PRICE/NAV  
**1.32x<sup>(1)</sup>**

**\$1.55**  
BILLION

DEBT INVESTMENT  
PORTFOLIO

DEBT INVESTMENT COST BASIS  
**\$1.55 billion**

DEBT INVESTMENT FAIR VALUE  
**\$1.55 billion**

EFFECTIVE YIELD  
**13.5%**

DEBT INVESTMENTS IN  
**88 companies**

SHORT TERM MATURITIES  
**36-42 months**

INVESTMENT SIZE  
**\$5 to \$100 million**

**133**  
COMPANIES

WARRANT & EQUITY  
PORTFOLIO

WARRANT HOLDINGS IN  
**133 companies**

WARRANT GAAP FAIR VALUE  
**\$34.4 million**

WARRANT GAAP COST  
**\$39.2 million**

EQUITY HOLDINGS IN  
**53 companies**

EQUITY GAAP FAIR VALUE  
**\$121.5 million**

EQUITY GAAP COST  
**\$164.2 million**

**\$221.2**  
MILLION

LIQUIDITY & BALANCE  
SHEET

AVAILABLE LIQUIDITY TO  
INVEST<sup>(2)</sup>  
**\$221.2 million**

REGULATORY LEVERAGE  
**65.2% / 59.0%** net of cash

ADDITIONAL DEBT CAPACITY  
**\$335.8 million**

INVESTMENT GRADE RATINGS  
**S&P: BBB-**  
**KBRA: BBB+**

SECURITIZATION INVESTMENT  
GRADE RATINGS  
**KBRA: A(sf)**

(1) As of July 30, 2018

(2) Subject to existing terms and covenants



# WHY IS HERCULES DIFFERENT THAN OTHER BDCs

## WE INVEST IN INNOVATIVE VENTURE GROWTH-STAGE COMPANIES

### What We Don't Do and What We Are Not

- No oil and gas exposure
- No CLO exposure
- No CMBS or RMBS exposure
- No metals or minerals exposure

### What We Do

- We focus primarily on pre-IPO and M&A, innovative high-growth venture capital backed companies at their expansion (venture growth) and established stages in a broadly diversified variety of technology, life sciences and sustainable and renewable technology industries
- Highly asset sensitive debt investment portfolio – **97.2%** floating rate loans and with interest rate floors<sup>(1)</sup>
- We are generally the only lender and **85.9%** are "true" first lien senior secured<sup>(1)</sup>
- Substantially all of our debt investments include warrants for potential additional total return
- Substantially all of our debt investments have short term amortizing maturities (36-42 months)
- Focused on strong and sustainable shareholder returns
- Disciplined, proven investment philosophy with 14 years of strong credit performance history

(1) As of June 30, 2018

# STRATEGIC ACCESS TO EQUITY AND DEBT CAPITAL MARKETS

## HERCULES' SUCCESSFUL ATM DISTRIBUTION PROGRAMS

### Hercules' At-the-Market "ATM" Equity Distribution Agreement

- Equity Distribution Agreement: Up to a total of 12 million shares of common stock

### The Benefits and Competitive Advantages

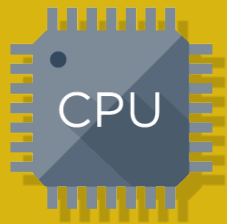
- "Just-in-Time" access provides control on the timing, pricing and amount of capital raised, with full control over leverage ratios
- Ideal for raising growth capital when needed, proceeds expeditiously invested in new investments
- Exceptionally low and cost effective access to capital markets
- Equity issuances are highly accretive to NAV; HTGC trades at a significant premium to NAV

### The Results

- Equity ATM Program Q2 2018: sold 2.1 million shares for total net proceeds of ~ \$25.4 million.
- Equity ATM Program thru June 30, 2018: sold 2.6 million shares for total net proceeds of ~ \$31.4 million
- Equity ATM Program QTD Q3 2018: sold 1.6 million shares for total net proceeds of ~ \$19.8 million; as of July 30, 2018, ~ 6.2 million shares remain available for issuance and sale

# WE ARE AT CENTER STAGE OF THE INNOVATION ECONOMY

HERCULES HAS DOMAIN EXPERTISE IN FIVE SPECIALIZED LENDING GROUPS  
“WE ARE NOT GENERALISTS”



**Technology**



**Life  
Sciences**



**SaaS  
Financing**



**Sustainable  
and Renewable  
Technology**



**Special  
Situations**

We Invest at the Expansion “Venture Growth” and Established Stage

Over \$8.0 billion in total debt commitments to over 430 companies since inception

Offices in key venture capital markets: CA | MA | NY | DC | IL | CT

Over 1000 different VC & PE firms, financial investors

Over 130 portfolio companies completed/announced an IPO or M&A event since inception

## FINANCIAL HIGHLIGHTS



# INCOME STATEMENT: Q2 2018 VS. Q2 2017 SUMMARY RESULTS

	Three Months Ended June 30,		
	2018	2017	Year/Year
(\$ in 000's, except per share amounts)	(unaudited)	(unaudited)	Change
Interest Income	\$ 45,876	\$ 40,506	13%
Fee Income	3,686	7,946	-54%
<b>Total Investment Income</b>	<b>49,562</b>	<b>48,452</b>	<b>2%</b>
Interest and Loan Fees	13,240	10,602	25%
General and Administrative	3,674	4,750	-23%
Employee Compensation	9,874	7,825	26%
<b>Total Operating Expenses</b>	<b>26,788</b>	<b>23,177</b>	<b>16%</b>
Other Income			
<b>Pre-Tax Net Investment Income-NII</b>	<b>22,774</b>	<b>25,275</b>	<b>-10%</b>
Net Realized and Unrealized Gain / (Loss)	29,286	7,874	272%
<b>Net Increase in Net Assets from Operations</b>	<b>52,060</b>	<b>33,149</b>	<b>57%</b>
NII - Net Investment Income per Share (Basic)	\$ 0.26	\$ 0.31	-16%
<b>Adjusted NII</b>	\$ 0.29 <sup>(1)</sup>		
DNOI - Distributable Net Operating Income per Share	\$ 0.29	\$ 0.33	-12%
<b>Adjusted DNOI</b>	\$ 0.32 <sup>(1)</sup>		
Weighted Average Shares Outstanding - Basic	87,125	82,292	6%

(1) Excludes the one-time impact of \$2.4 million, of \$0.03 per share associated with the \$100.0 million partial redemption of the 2024 Notes

# CURRENT & HISTORICAL INCOME STATEMENTS

	Six Months Ended June 30,	Twelve Months Ended December 31,		
(\$ in 000's, except per share amounts)	2018	2017	2016	2015
Interest Income	\$ 88,857	\$ 172,196	\$ 158,727	\$ 140,266
Fee Income	9,405	18,684	16,324	16,866
<b>Total Investment Income</b>	<b>98,262</b>	<b>190,880</b>	<b>175,051</b>	<b>157,132</b>
Interest and Loan Fees	23,801	46,585	37,058	36,889
General and Administrative	7,683	16,105	16,106	16,658
Employee Compensation	17,941	31,746	29,543	30,083
<b>Total Operating Expenses</b>	<b>49,425</b>	<b>94,436</b>	<b>82,707</b>	<b>83,630</b>
Other Income	-	-	8,000	(1)
<b>Pre-Tax Net Investment Income - NII</b>	<b>48,837</b>	<b>96,444</b>	<b>100,344</b>	<b>73,501</b>
Net Realized and Unrealized Gain / (Loss)	9,169	(17,446)	(31,641)	(30,585)
<b>Net Increase in Net Assets from Operations</b>	<b>\$ 58,006</b>	<b>\$ 78,998</b>	<b>\$ 68,703</b>	<b>\$ 42,916</b>
<b>NII - Net Investment Income per Share (Basic)</b>	<b>\$ 0.57</b>	<b>\$ 1.16</b>	<b>\$ 1.34</b>	<b>\$ 1.04</b>
Adjusted NII	0.60 <sup>(1)</sup>			
<b>DNOI - Distributable Net Operating Income per Share</b>	<b>\$ 0.63</b>	<b>\$ 1.26</b>	<b>\$ 1.45</b>	<b>\$ 1.19</b>
Adjusted DNOI	0.66 <sup>(1)</sup>			
<b>Weighted Average Shares Outstanding - Basic</b>	<b>85,868</b>	<b>82,519</b>	<b>73,753</b>	<b>69,479</b>

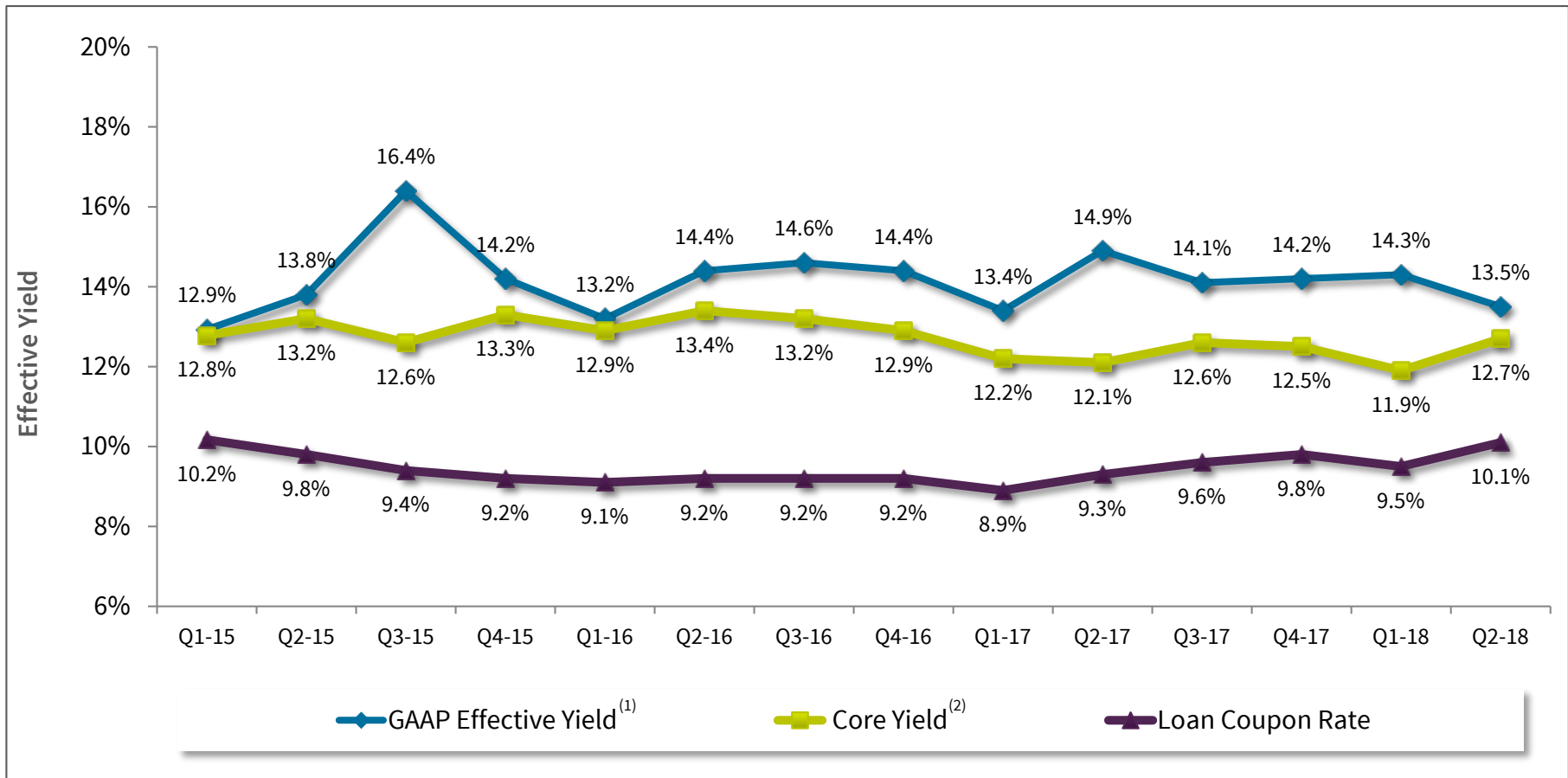
(1) Excludes the one-time impact of \$2.4 million, of \$0.03 per share associated with the \$100.0 million partial redemption of the 2024 Notes

# CURRENT & HISTORICAL BALANCE SHEET

	June 30,	December 31,		
(\$ in 000's, except per share amounts)	2018	2017	2016	2015
<b>ASSETS</b>				
Investments	\$ 1,701,936	\$ 1,542,214	\$ 1,423,942	\$ 1,200,638
Cash and cash equivalents	59,461	91,309	13,044	95,196
Restricted cash	15,886	3,686	8,322	9,191
Interest receivable	14,408	12,262	11,614	9,239
Other assets	906	5,244	7,282	9,720
<b>Total Assets</b>	<b>\$ 1,792,597</b>	<b>\$ 1,654,715</b>	<b>\$ 1,464,204</b>	<b>\$ 1,323,984</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	25,115	26,896	21,463	17,241
Credit Facilities	58,323	-	5,016	50,000
Convertible Note 2022	224,269	223,488	-	17,478
2021 Asset-Backed Notes	30,698	48,650	107,972	126,995
2019 Notes	-	-	108,818	108,179
2024 Notes	81,694	179,001	245,490	100,128
Long-term SBA Debentures	188,457	188,141	187,501	186,829
2025 Notes	72,616	-	-	-
2022 Notes	147,728	147,572	-	-
<b>Total Liabilities</b>	<b>\$ 828,900</b>	<b>\$ 813,748</b>	<b>\$ 676,260</b>	<b>\$ 606,850</b>
<b>Net Assets</b>	<b>\$ 963,697</b>	<b>\$ 840,967</b>	<b>\$ 787,944</b>	<b>\$ 717,134</b>
Shares Outstanding	<b>94,260</b>	84,424	79,555	72,118
<b>Net Assets per Share</b>	<b>\$ 10.22</b>	\$ 9.96	\$ 9.90	\$ 9.94

# EFFECTIVE YIELD VS. CORE YIELD – LEADS TO STRONG EARNINGS

MEDIAN CORE YIELD FROM Q1 2015 TO Q2 2018: 12.7%



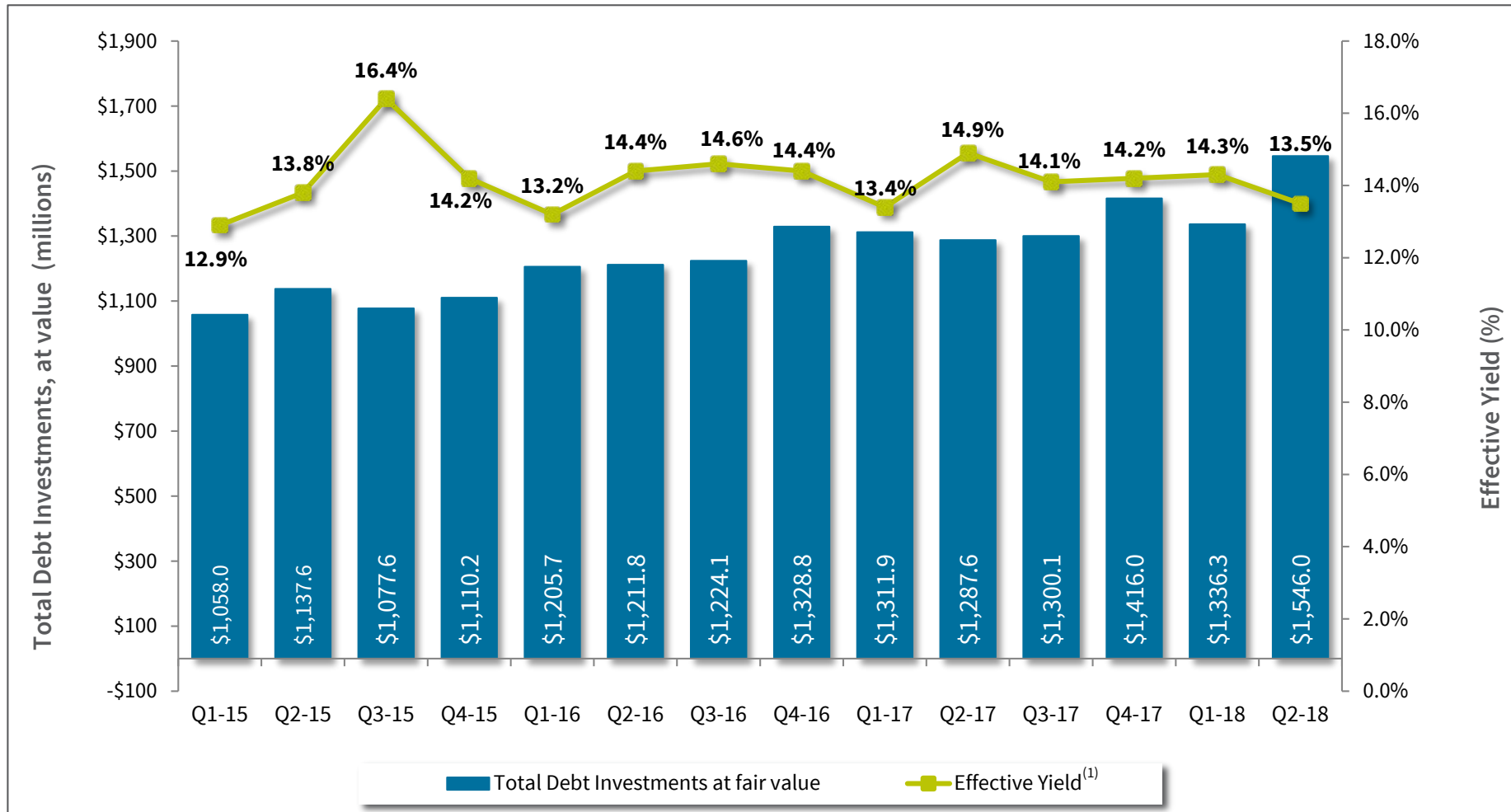
(1) Effective Yield is inclusive of all fees, including all realized unamortized fees and all realized transaction fees including but not limited to amendment fees and prepayment fees, and is calculated based on the weighted average principal balance of loans outstanding on a daily basis

(2) Core Yield excludes Early Repayments and One-Time Fees, and includes income and fees from expired commitments



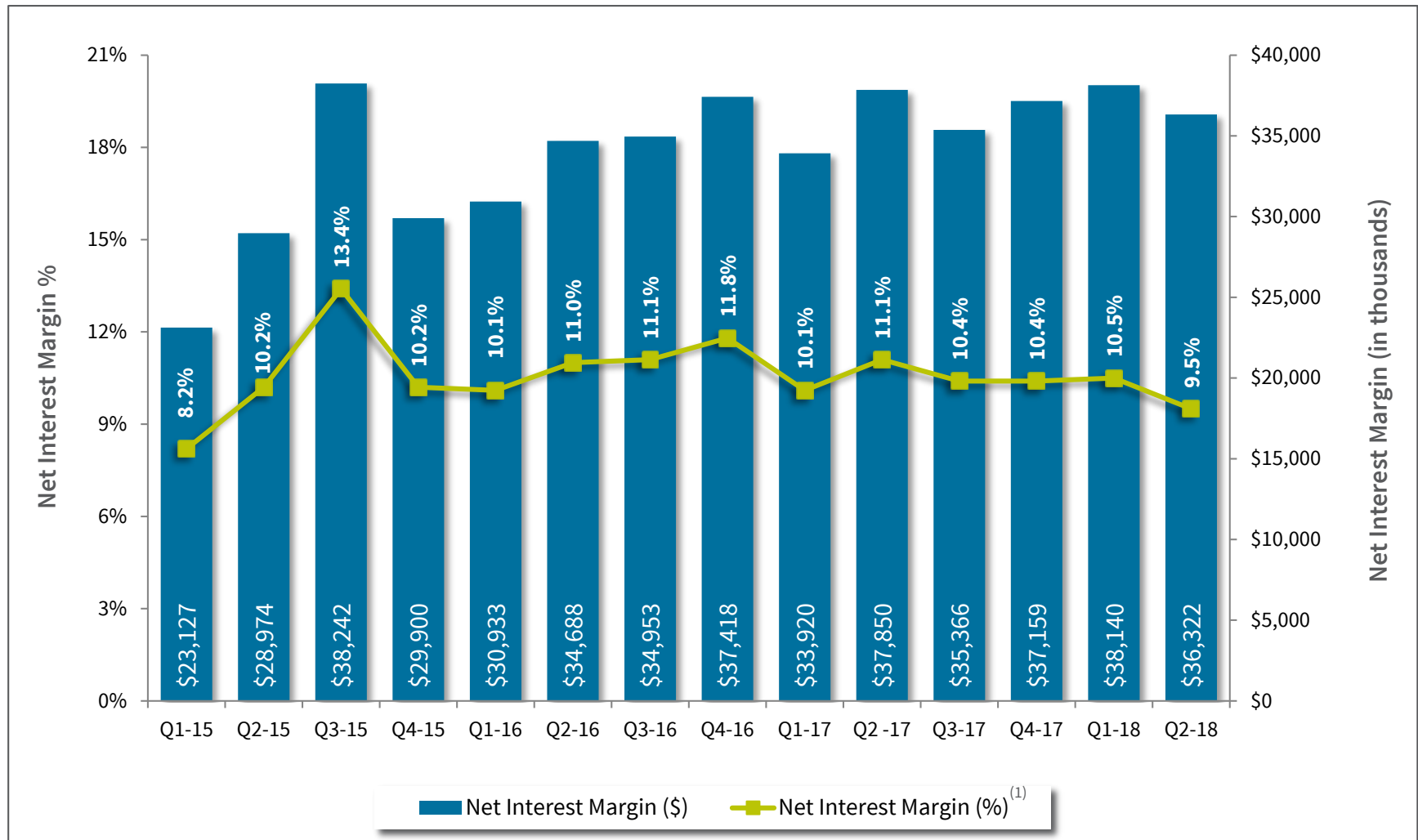
# HIGH-YIELD PORTFOLIO OF EARNING ASSETS

MEDIAN EFFECTIVE YIELD FROM Q1 2015 TO Q2 2018 OF 14.2%



(1) Effective Yield is inclusive of all fees, including all realized unamortized fees and all realized transaction fees including but not limited to amendment fees and prepayment fees, and is calculated based on the weighted average principal balance of loans outstanding on a daily basis

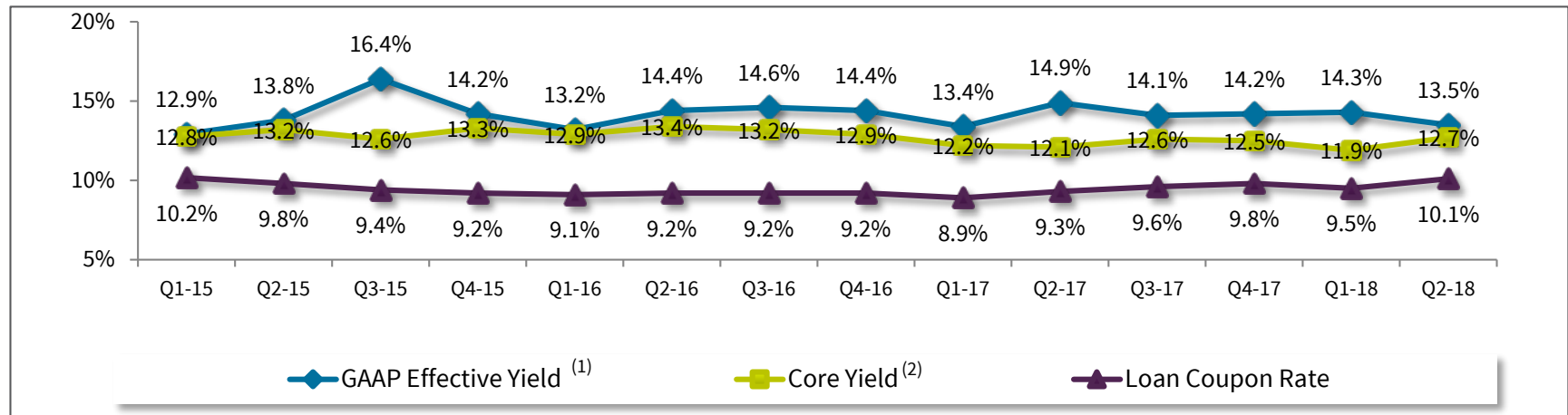
# STRONG, CONSISTENT NET INTEREST MARGIN - NIM



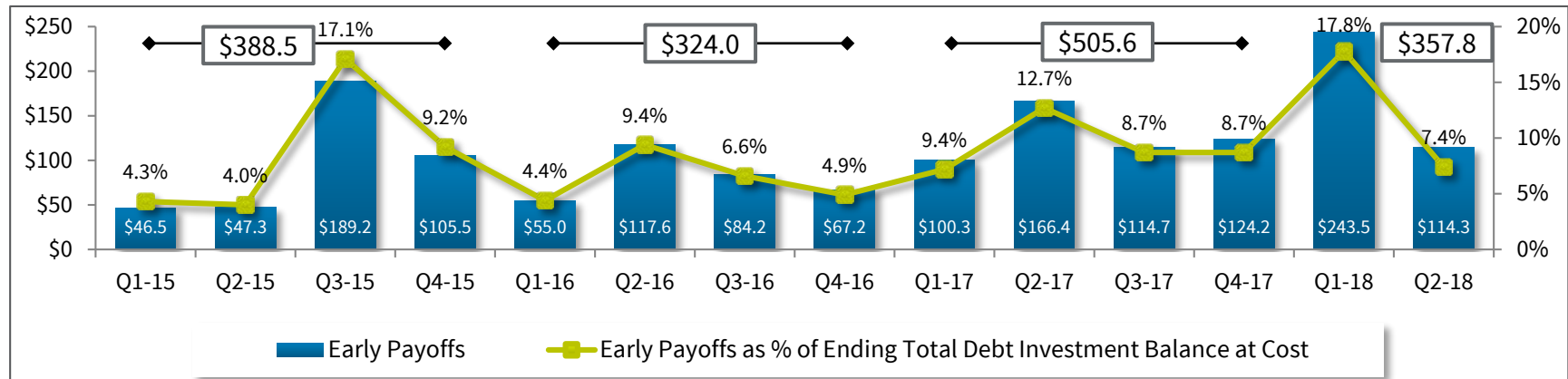
(1) Net Interest Margin = Net Interest Income/Average Yielding Assets excluding Equity Investments

# IMPACT OF EARLY PAYOFFS ON EFFECTIVE YIELDS

## Early Payoffs Lead to Higher Effective Yields and Earnings



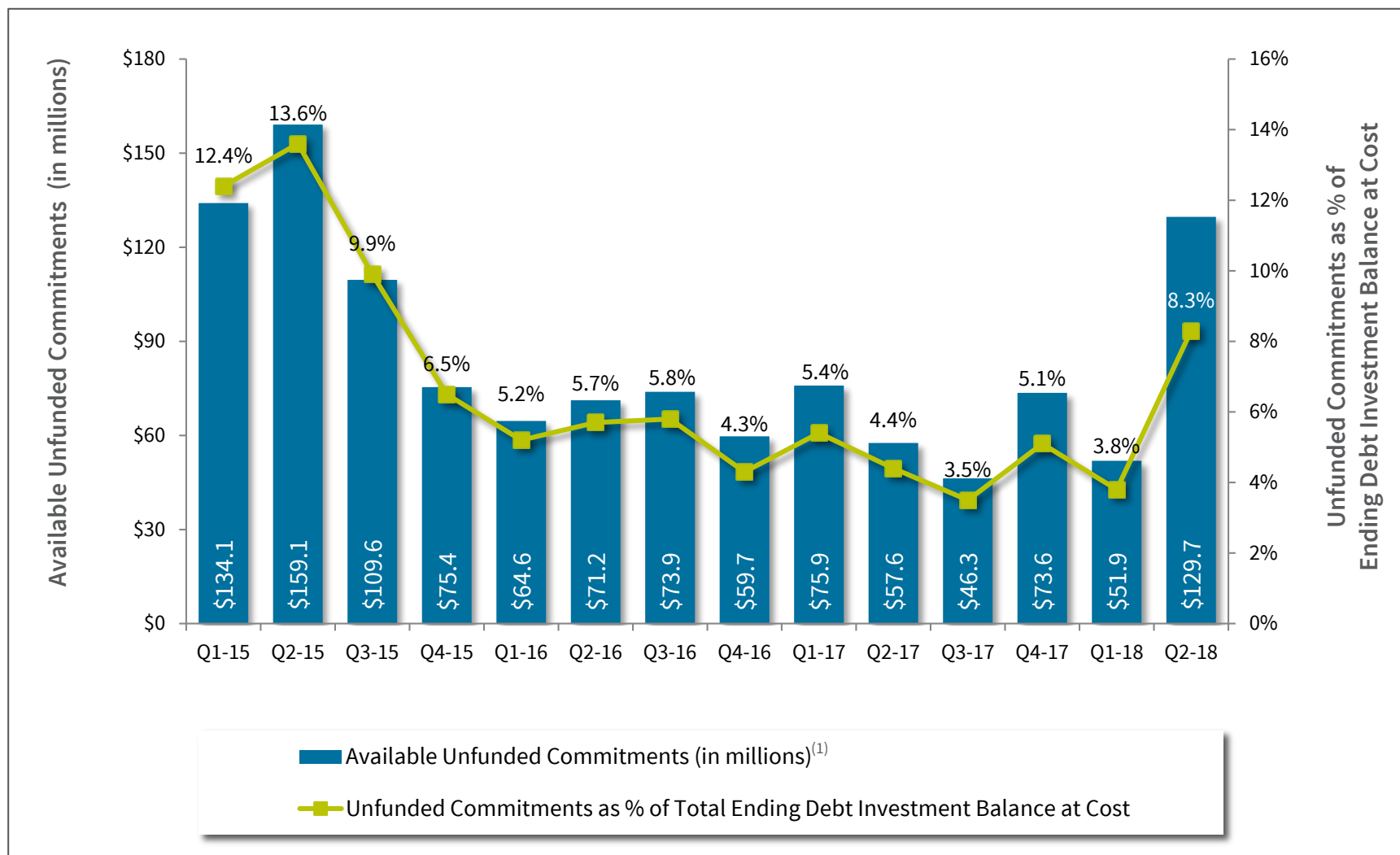
## EFFECTIVE YIELDS



## UNSCHEDULED EARLY PAYOFFS (\$ in millions)

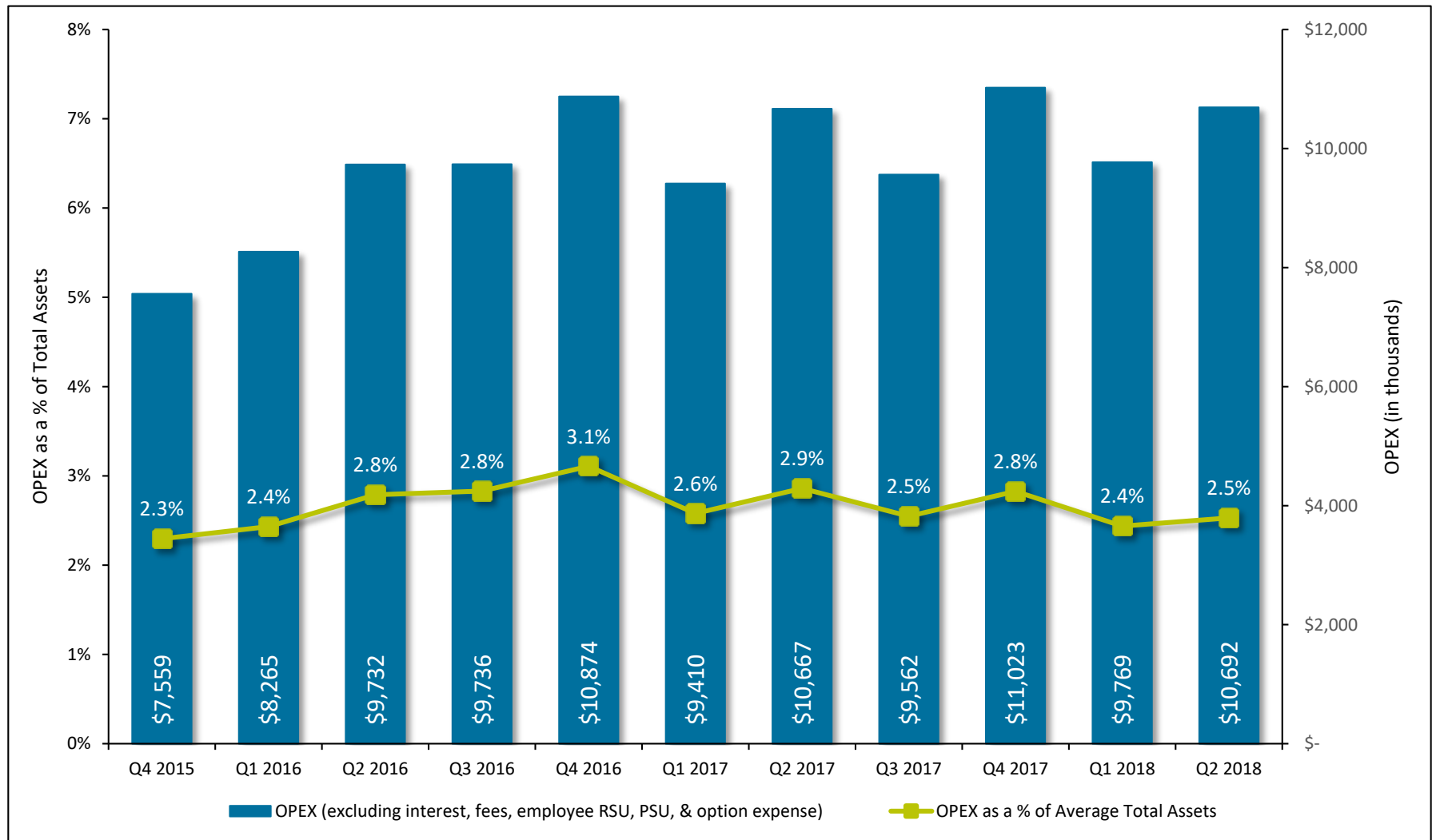
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- (2) Core Yield excludes Early Repayments and One-Time Fees, and includes income and fees from expired commitments

# EFFECTIVE MANAGEMENT OF UNFUNDED COMMITMENTS AS A PERCENTAGE OF ENDING DEBT INVESTMENT PORTFOLIO BALANCE



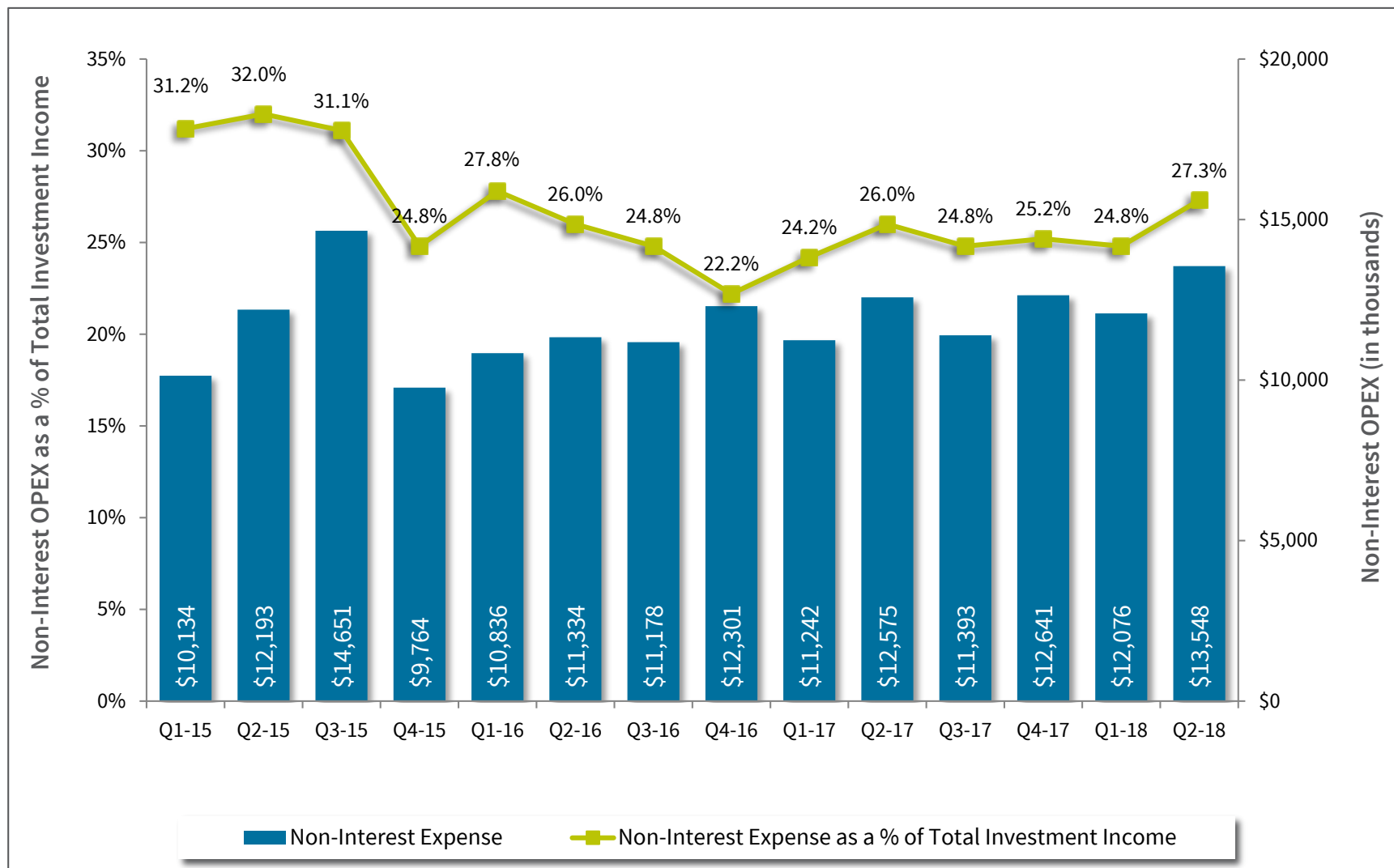
(1) Amount represents available unfunded commitments, including undrawn revolving facilities, which are available at the request by the portfolio company.

# NON-INTEREST AND FEE EXPENSE TO AVERAGE TOTAL ASSETS



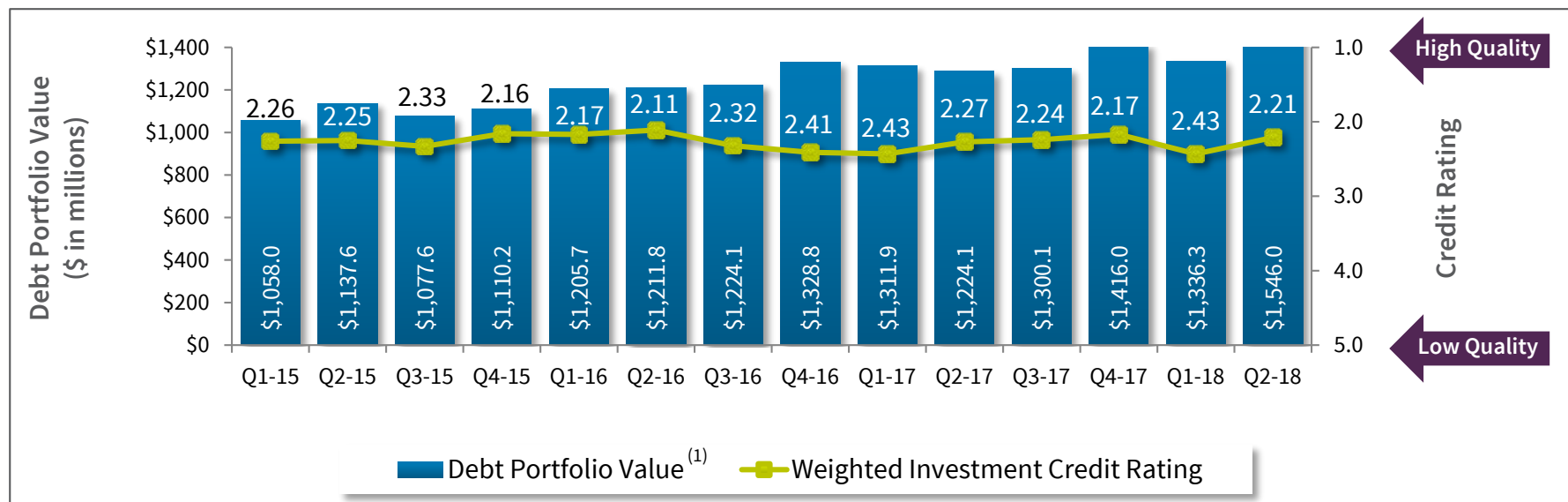
RSU = Restricted Stock Units  
PSU = Performance Stock Units

# NON-INTEREST EXPENSE / TOTAL INVESTMENT INCOME



# CREDIT DISCIPLINE AND CONSISTENT PORTFOLIO PERFORMANCE

Steady credit quality rating – no oil & gas or CLO exposure



Credit Grading at Fair Value, Q2 2018 - Q2 2017 (\$ in millions)

	Q2 2018		Q1 2018		Q4 2017		Q3 2017		Q2 2017	
<b>Grade 1 - High</b>	\$ 247.5	16.0%	\$ 141.8	10.6%	\$ 345.2	24.4%	\$ 190.0	14.6%	\$ 267.1	20.7%
<b>Grade 2</b>	\$ 791.9	51.2%	\$ 599.8	44.9%	\$ 583.0	41.2%	\$ 696.2	53.6%	\$ 613.7	47.6%
<b>Grade 3</b>	\$ 463.7	30.0%	\$ 548.0	41.0%	\$ 443.8	31.3%	\$ 370.9	28.5%	\$ 315.2	24.5%
<b>Grade 4</b>	\$ 42.0	2.7%	\$ 33.6	2.5%	\$ 41.7	2.9%	\$ 43.0	3.3%	\$ 87.0	6.8%
<b>Grade 5 - Low</b>	\$ 0.9	0.1%	\$ 13.2	1.0%	\$ 2.3	0.2%	\$ -	0.0%	\$ 4.6	0.4%
<b>Weighted Avg.</b>	<b>2.21</b>		<b>2.43</b>		<b>2.17</b>		<b>2.24</b>		<b>2.27</b>	

(1) Debt only; based on fair value

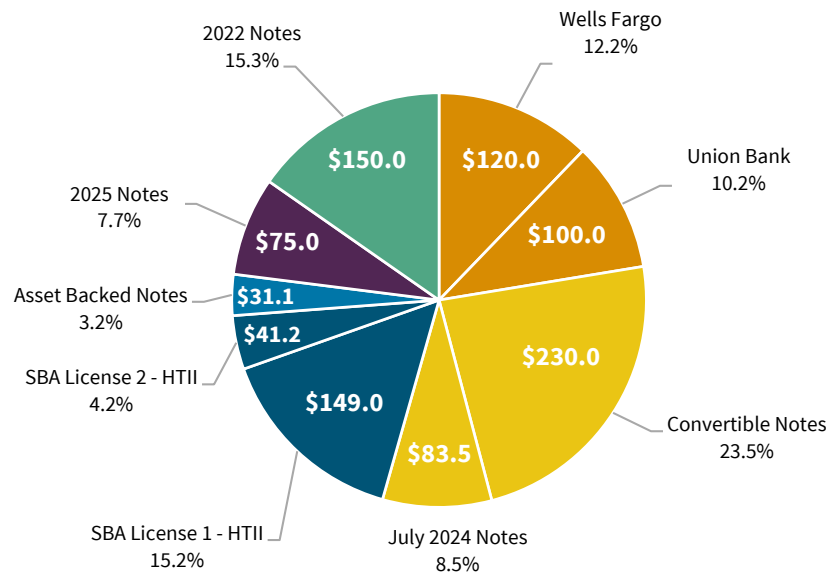
# DIVERSIFIED SOURCES OF FUNDING: Q2 2018

## Entity Capitalization

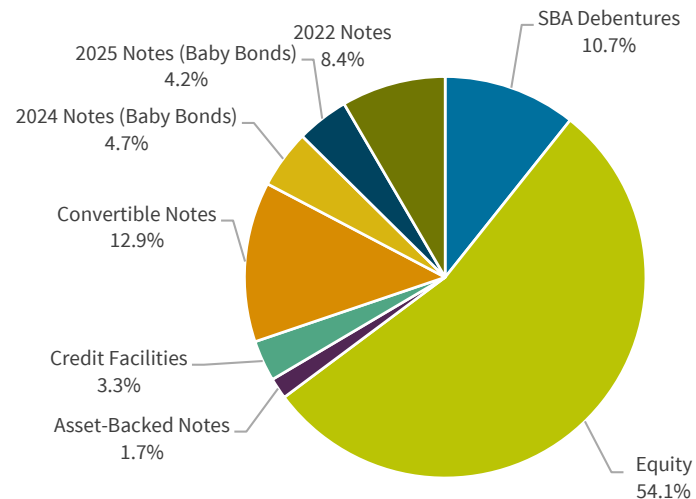
Capital Source as of 6/30/18	\$ in Millions	% of Total
Equity	\$963.7	54.1%
SBA Debentures	\$190.2	10.7%
Asset-Backed Notes	\$31.1	1.7%
Convertible Notes	\$230.0	12.9%
2024 Notes (Baby Bonds)	\$83.5	4.7%
2022 Notes	\$150.0	8.4%
2025 Notes (Baby Bonds)	\$75.0	4.2%
Credit Facilities	\$58.3	3.3%
<b>Total Capital</b>	<b>\$1,781.8</b>	<b>100.0%</b>

(\$ in millions)

## Debt Capital Stack



## Total Corporate Capitalization

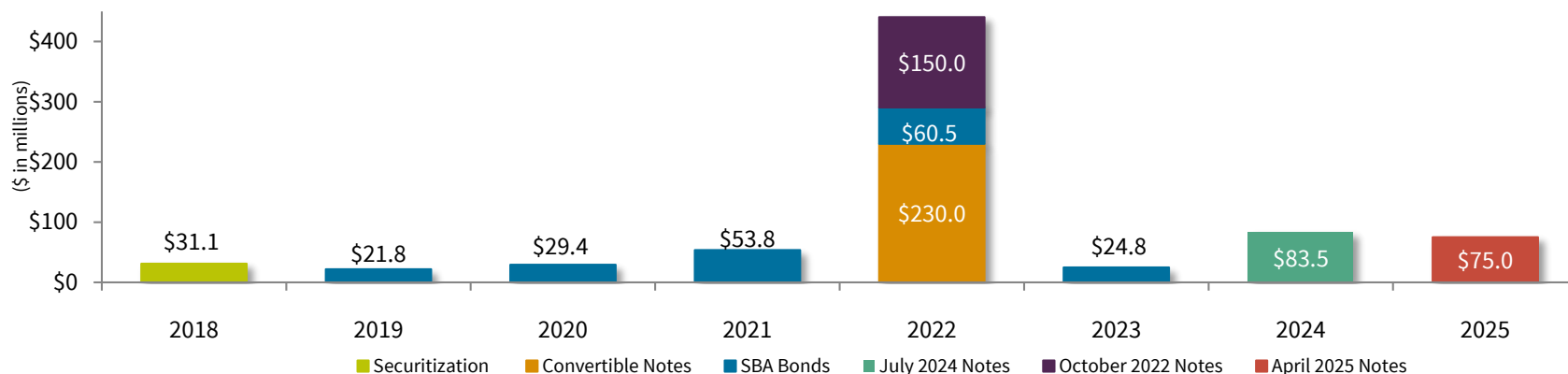




# DIVERSIFIED SOURCES OF FUNDING (AS OF 6/30/18)

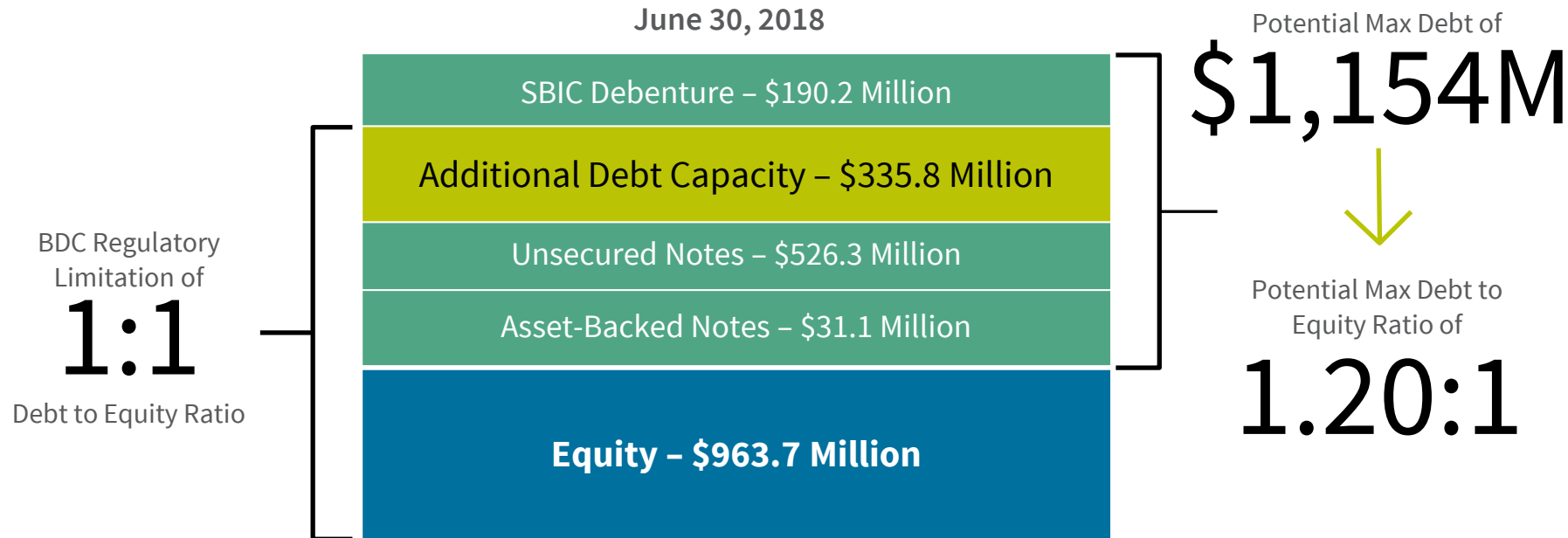
DATE ENTERED	Wells Fargo Credit Facility	Union Bank Credit Facility	Notes				SBA Debentures – Total debt of \$190.2 million		Securitization
			January 2022 Conv. Notes	October 2022 Inst. Notes	July 2024 Notes	April 2025 Notes	License 1 HTII	License 2 HTIII	
	Aug. 2008	Feb. 2010	Jan. 2017	Oct. 2017	July 2014	April 2018	Sept. 2006	May 2010	Nov. 2014
<b>FACILITY SIZE</b> (\$ in millions)	\$120.0	\$100.0	\$230.0	\$150.0	\$83.5	\$75.0	\$41.2	\$149.0	\$31.1
<b>INTEREST RATE</b>	LIBOR + 325bps	LIBOR + 325bps	4.375% unsecured	4.625% unsecured	6.25% unsecured	5.25% unsecured	Range <sup>(1)</sup> from 3.2% to 4.6%	Range <sup>(1)</sup> from 2.2% to 4.1%	3.524%
<b>MATURITY</b>	August 2019	May 2020	February 2022	October 2022	July 2024	April 2025	Mature ten years after borrowing		April 2021
<b>ADDITIONAL INFO</b>	(Expandable up to \$300.0)	(Expandable up to \$200.0)	S&P: BBB- KBRA: BBB+	S&P: BBB- KBRA: BBB+	NYSE: HTGX S&P: BBB- KBRA: BBB+	NYSE: HXCZ	Set in March and September (range from 2.2% to 5.5%)		Rated A(sf) by Kroll
<b>OUTSTANDING</b> (\$ in millions)	\$0.0	\$58.3	\$230.0	\$150.0	\$83.5	\$75.0	\$41.2	\$149.0	\$31.1

## Well Managed Debt Maturity Schedule



(1) Interest rate range for the SBA debentures does not include annual fees

# UNLEVERAGED BALANCE SHEET: PLENTY OF ROOM FOR GROWTH



59.0% Net Regulatory Leverage, excluding SBA and cash

65.2% Regulatory Leverage, excluding SBA

**Credit Facilities** 1) Revolving accordion credit facility for up to \$300.0 million with Wells Fargo Capital Finance, \$120.0 million expanded commitment. 2) Revolving accordion credit facility for up to \$200.0 million with Union Bank, \$100.0 million initial commitment.

**SBA Additional Leverage:** 1st SBIC license issued in September 2006 by the SBA, 2nd SBIC license issued in May 2010 by the SBA. SEC exemptive order approved on April 5, 2007 rendering SBA licensees not subject to BDC 1:1 leverage restrictions.

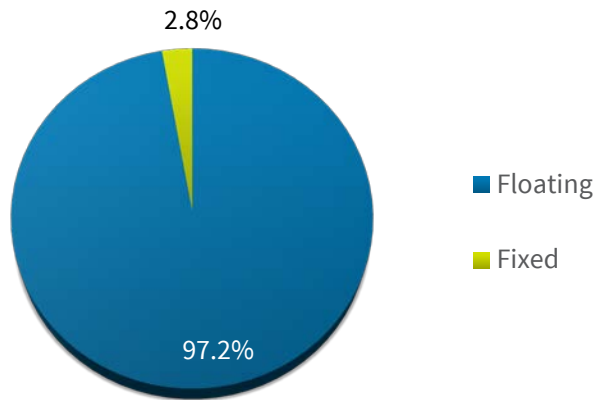
Leverage ratios determined using Principal Amount of Debt

## PORTFOLIO HIGHLIGHTS

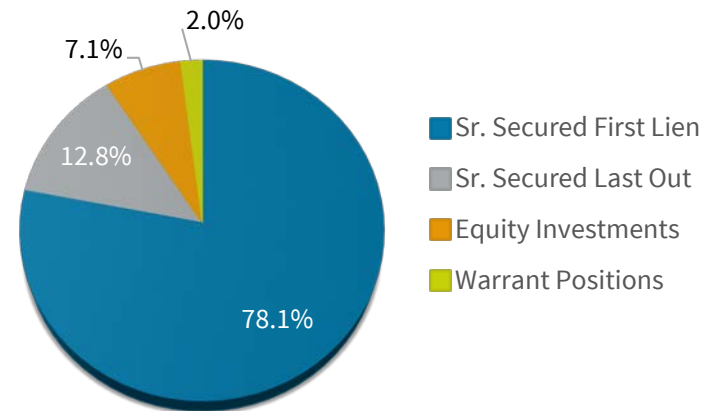


# HERCULES' INVESTMENT PORTFOLIO: Q2 2018

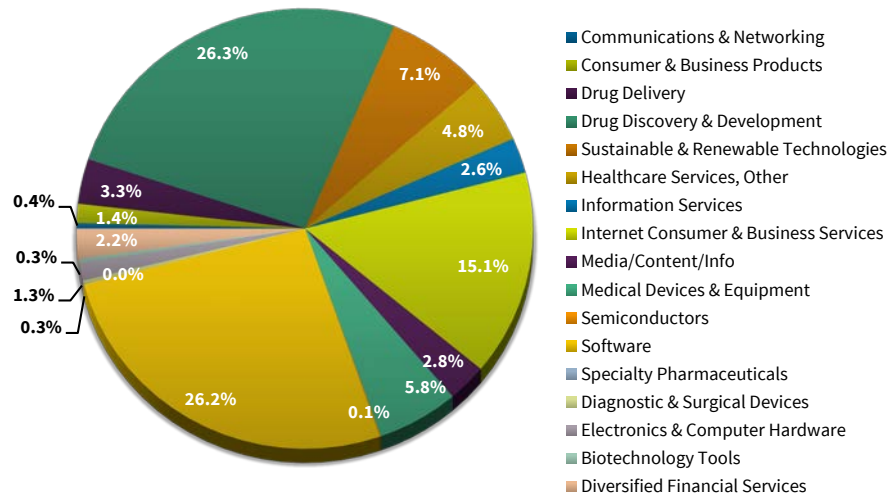
## Floating vs. Fixed Rate



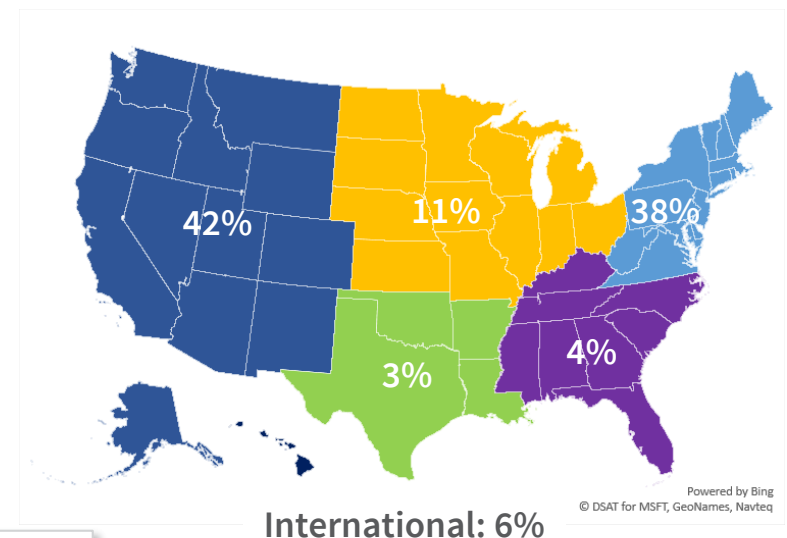
## Investment Type Breakout



## Industry Breakout



## Hercules Investments by Geography



# HERCULES WARRANT & EQUITY PORTFOLIO: POTENTIAL FUTURE UPSIDE FOR SHAREHOLDERS TOTAL RETURN

## Two (2) Existing Portfolio Companies in IPO Registration – Q2 2018

- DocuSign Inc., Tricida, Inc., and Eidos Therapeutics, Inc. completed IPOs in Q2 2018

## Five (5) ) Announced or Completed Portfolio Company M&A Liquidity Events – YTD Q2 2018

- Inotek Pharmaceuticals Corporation, Neothetics, Inc., IntegenX Inc., RazorGator Inc., FanDuel

## Current Warrant and Equity Portfolio – Q2 2018

- 133 warrant holdings
  - GAAP fair value ~\$34.4 million
  - GAAP cost ~\$39.2 million
  - ~\$79.6 million in nominal Exercise Value (as of 6/30/18)
- 53 equity holdings
  - GAAP fair value ~\$121.5 million
  - GAAP cost ~\$164.2 million
- Illustrative models of potential warrant gains (as of 6/30/18)
  - Assumption: 50% of warrants will not monetize
  - GAAP cost ~\$39.2 million
  - Based on 87.1 million weighted average shares

\$39.8M x 2X multiple:  
\$79.6M - \$39.2M cost =  
\$40.4M unrealized gain = **\$0.46/share**

\$39.8M x 3X multiple:  
\$119.4M - \$39.2M =  
\$80.2M unrealized gain = **\$0.92/share**

\$39.8M x 4X multiple:  
\$159.2M - \$39.2M =  
\$120.0 unrealized gain = **\$1.38/share**

# SELECT LIST OF DIVERSIFIED PORTFOLIO COMPANIES

## Technology



\* Equity-only Investments

## Life Sciences



## SaaS Financing



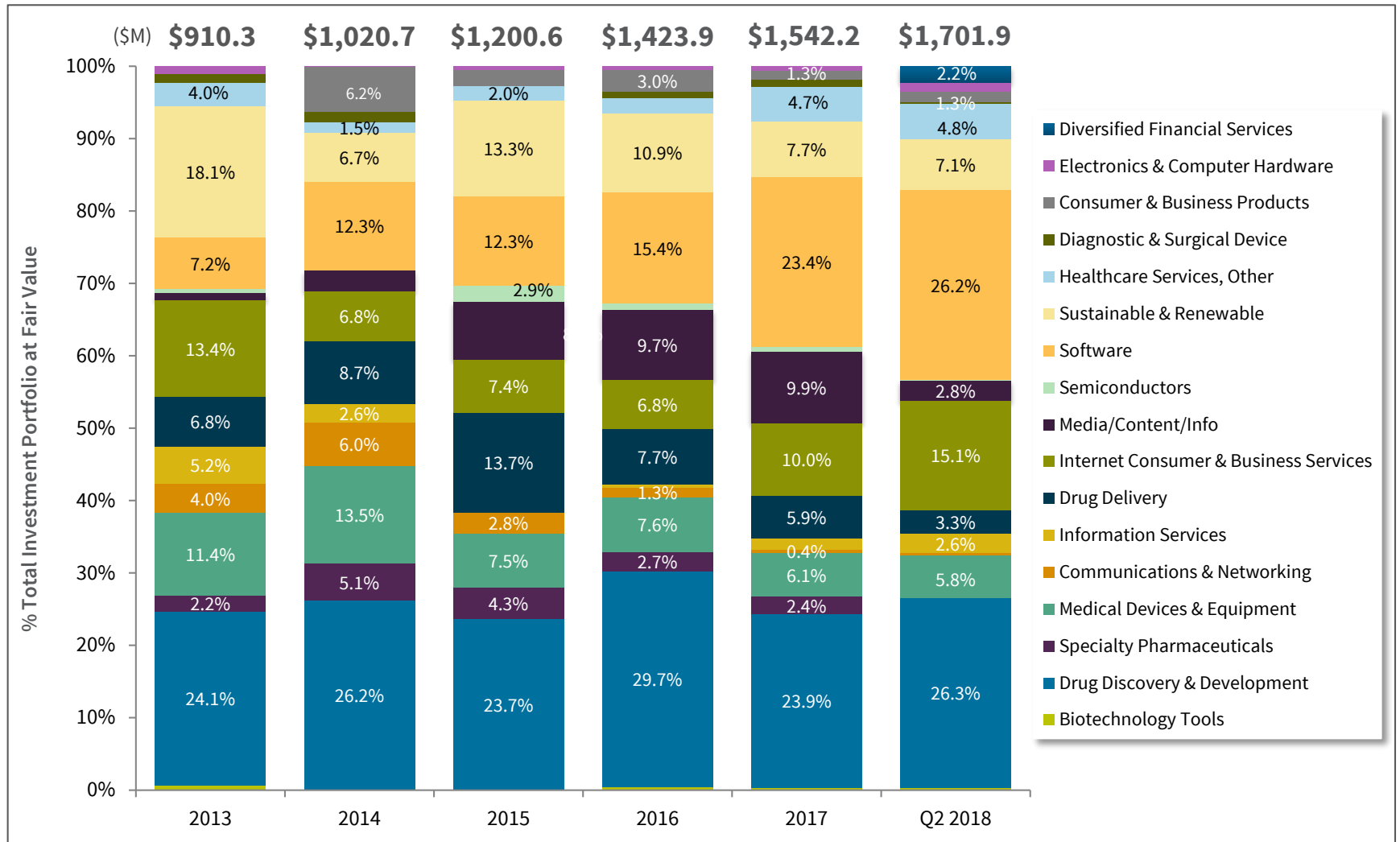
## Sustainable & Renewable Technology



## Special Situations



# A BROADLY DIVERSIFIED PORTFOLIO RE-BALANCED ACCORDING TO OUR ASSESSMENT OF ONGOING MARKET CONDITIONS MITIGATES RISK



# DIVERSIFIED INVESTMENT APPROACH MITIGATES RISK



## Four Key Diversification Strategies

### FINANCIAL SPONSORS

More than  
1000 Venture  
Capital Firms  
&  
Investors

### INDUSTRY SECTORS

Technology  
SaaS Financing  
Life Sciences  
Sustainable &  
Renewable  
Special  
Situations

### STAGES OF DEVELOPMENT

Expansion or  
“Venture Growth”  
&  
Established

### GEOGRAPHIC LOCATION

Key VC  
Investment  
Centers  
Palo Alto  
Boston  
New York  
Washington DC  
Chicago  
Hartford

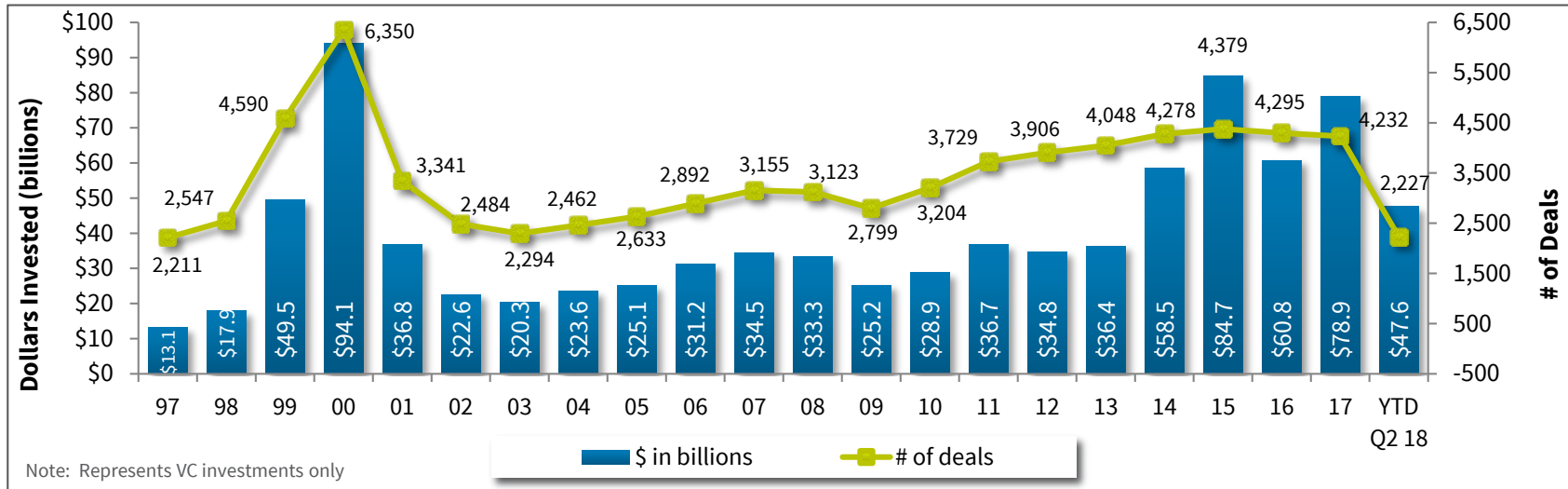


## VENTURE CAPITAL MARKET OPPORTUNITY

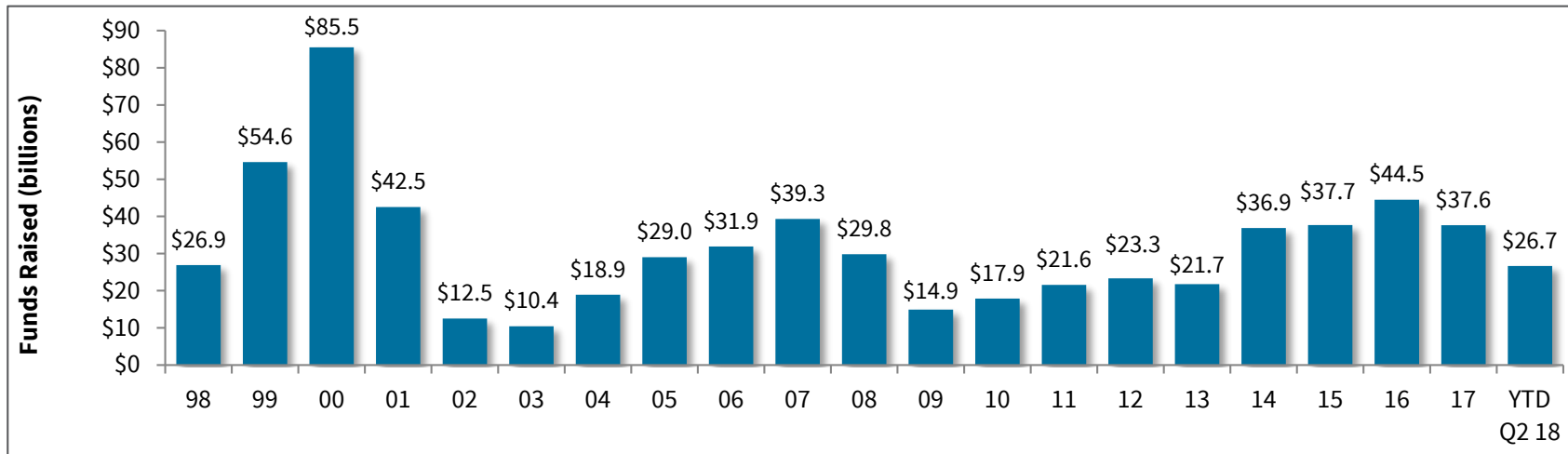


# OVER \$893.2 BILLION VENTURE CAPITAL INVESTMENT

## Venture Capital Investment Activity 1997 – Q2 2018



## Venture Capital Fundraising Activity 1997 – Q2 2018



Source: Dow Jones VentureSource Q2 2018

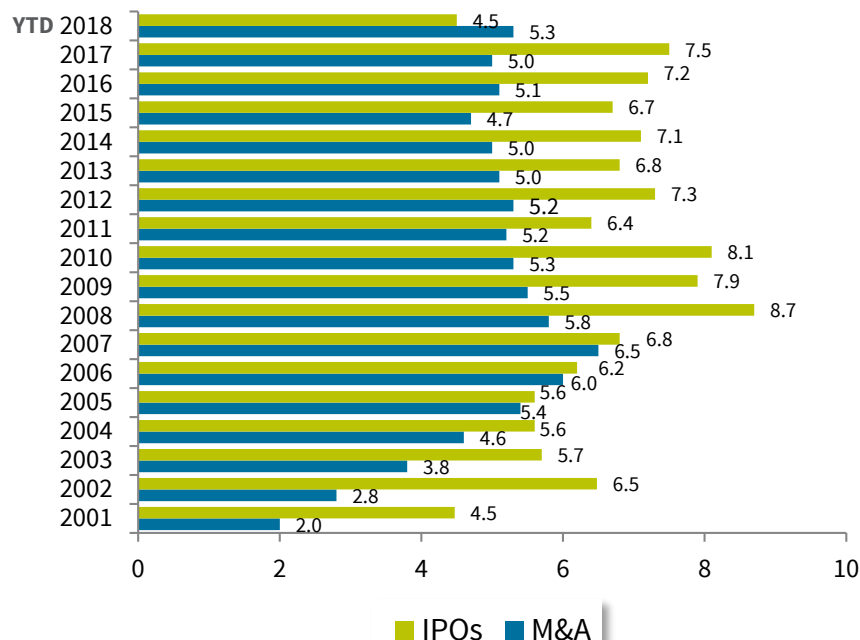
# WHY VENTURE BACKED COMPANIES USE VENTURE DEBT?

## Venture Debt Complements Equity Financing and Optimizes Capital Structure

- 1 Less dilutive than new VC round
- 2 Lengthens time before next equity round
- 3 Provides negotiating leverage for higher valuations
- 4 Leverages returns of equity investors

### As Time to Exit has Increased...

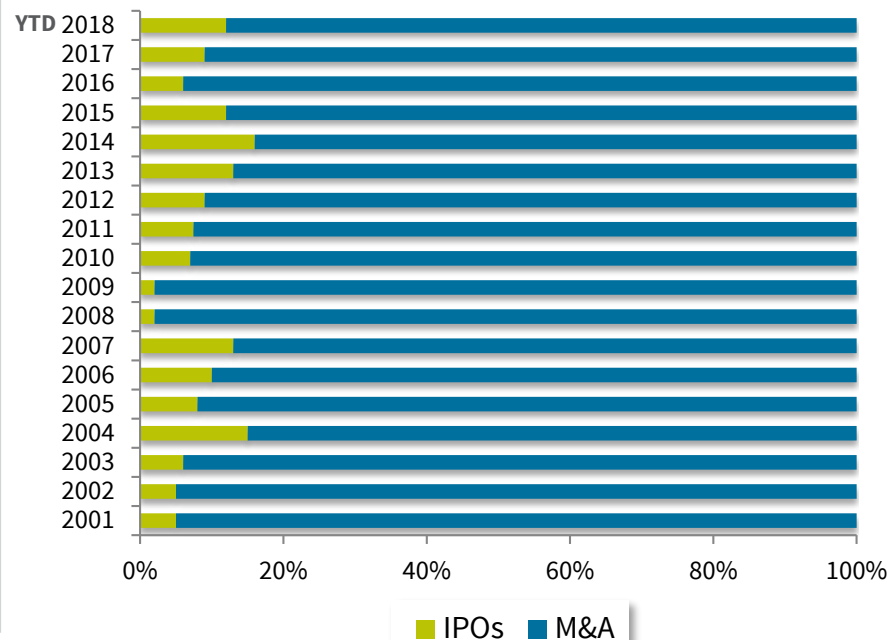
#### Median Time from Initial Equity Funding



Source: Dow Jones VentureSource Q2 2018

### ... M&A Remains the Exit of Choice

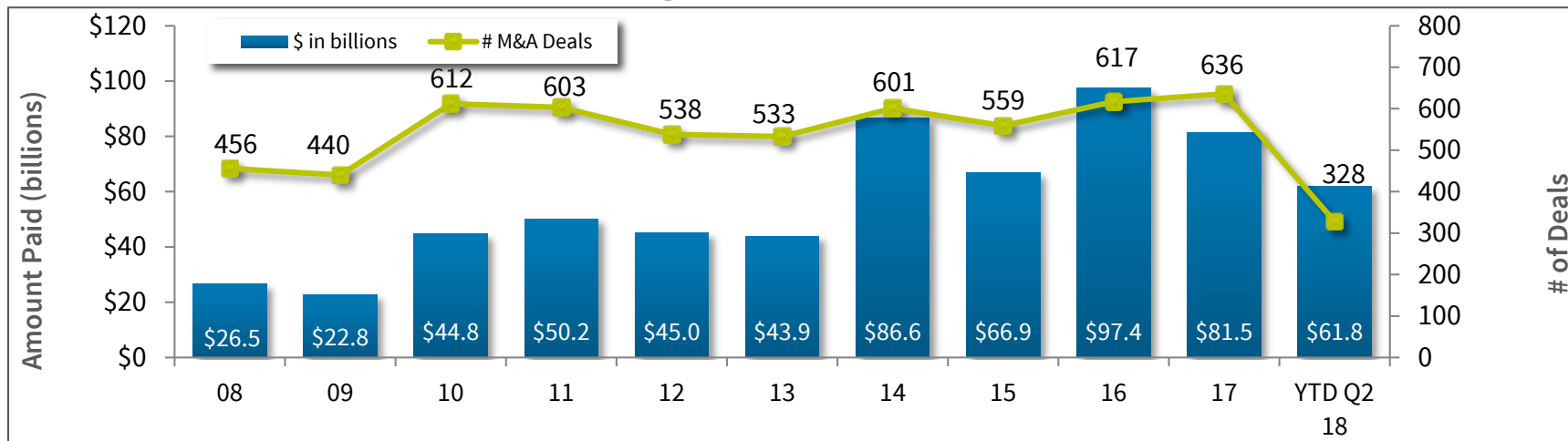
#### Breakdown of Venture Backed Liquidity Events



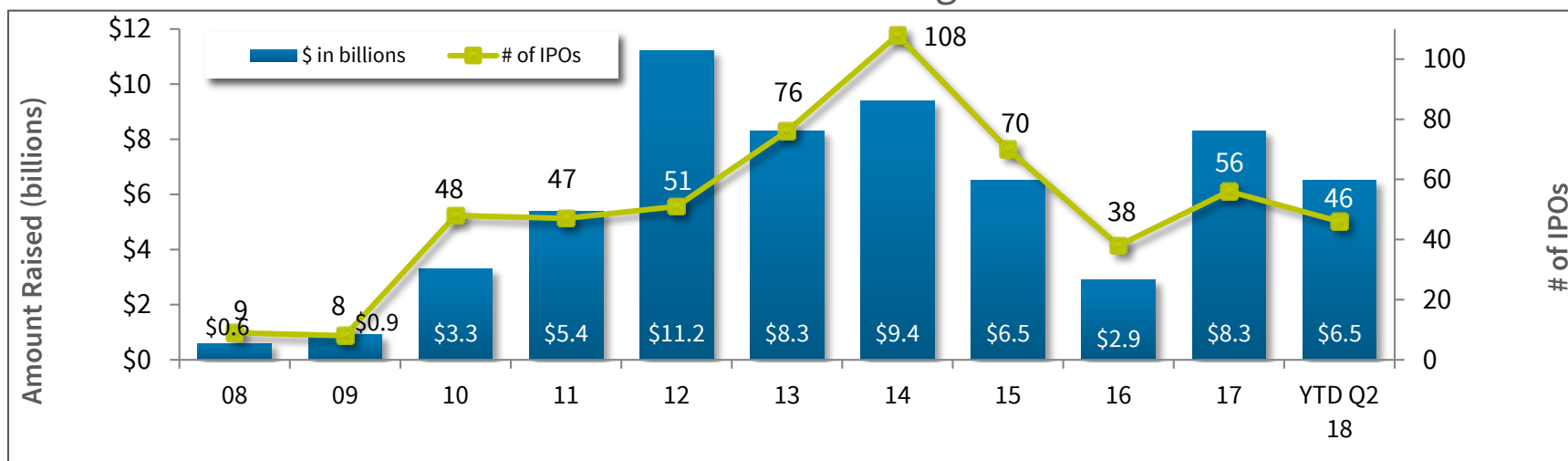
Source: Dow Jones VentureSource Q2 2018

# EXITS OF VENTURE CAPITAL-BACKED COMPANIES

## Mergers & Acquisitions



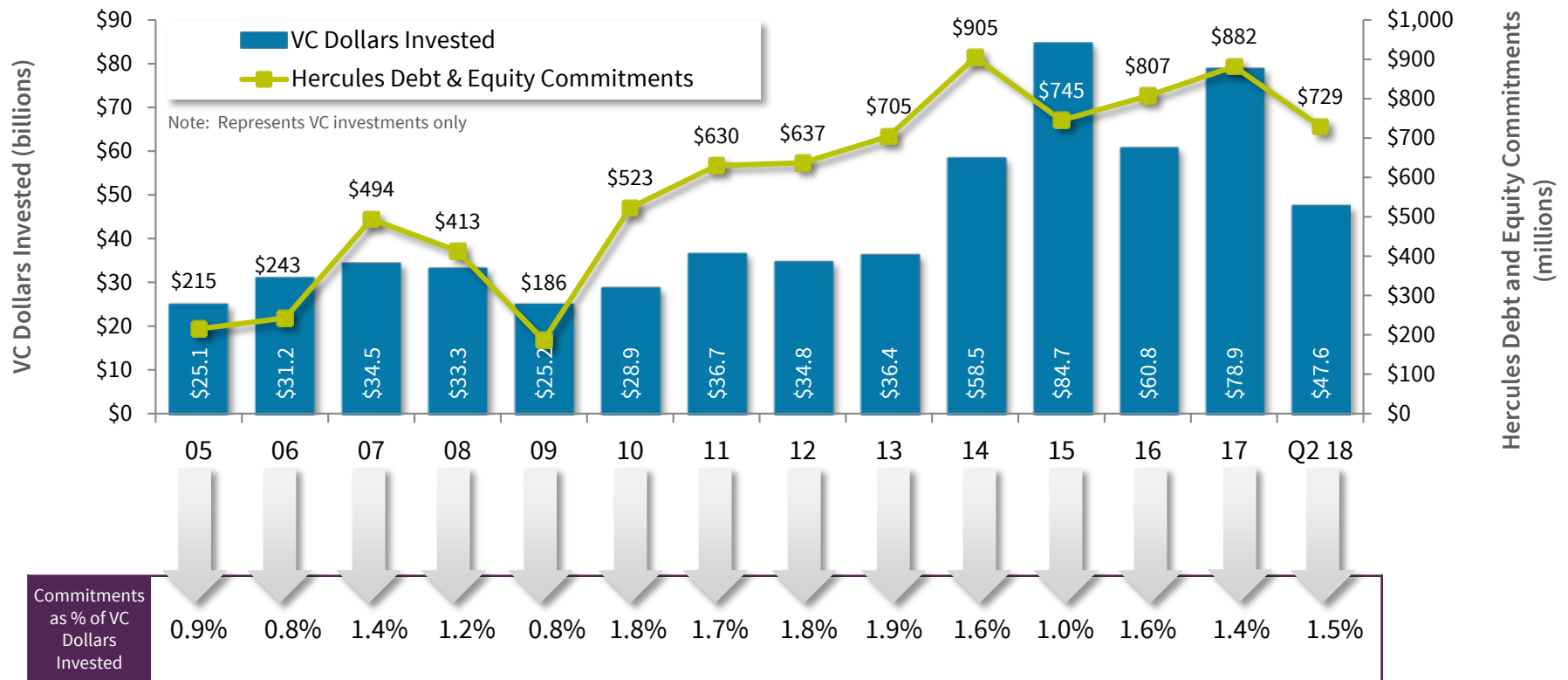
## Initial Public Offerings



Source: Dow Jones VentureSource Q2 2018

# HERCULES' TOTAL COMMITMENTS vs. VC DOLLARS INVESTED

## VENTURE CAPITAL INVESTMENT ACTIVITY 2005 – Q2 2018

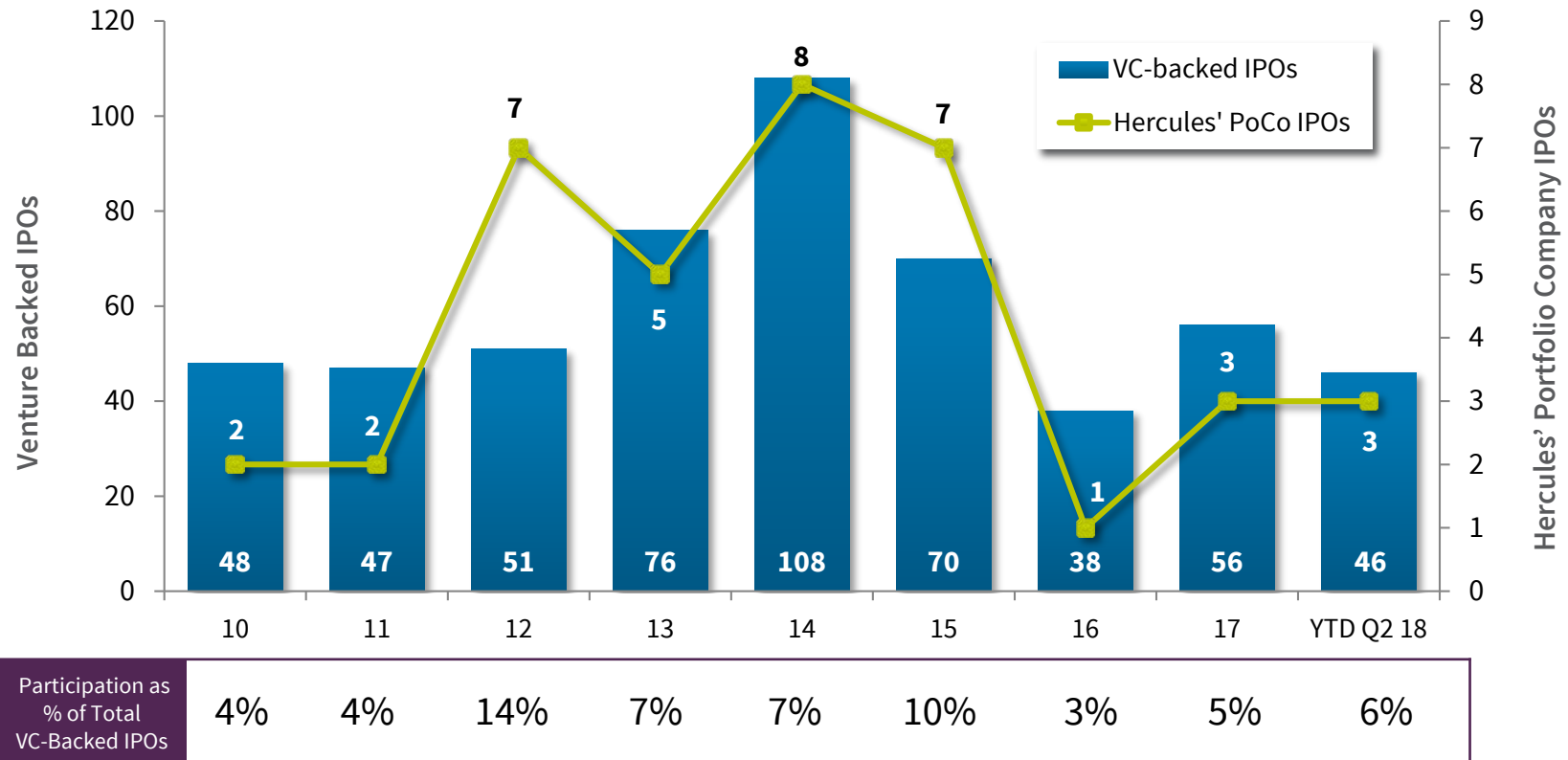


- Hercules' uncompromising yield and credit underwriting standards drives commitments
- Market conditions determine commitment activity more than pure VC investment activity
- Hercules' 14-year historical average: 1.4%

Source: Dow Jones VentureSource Q2 2018

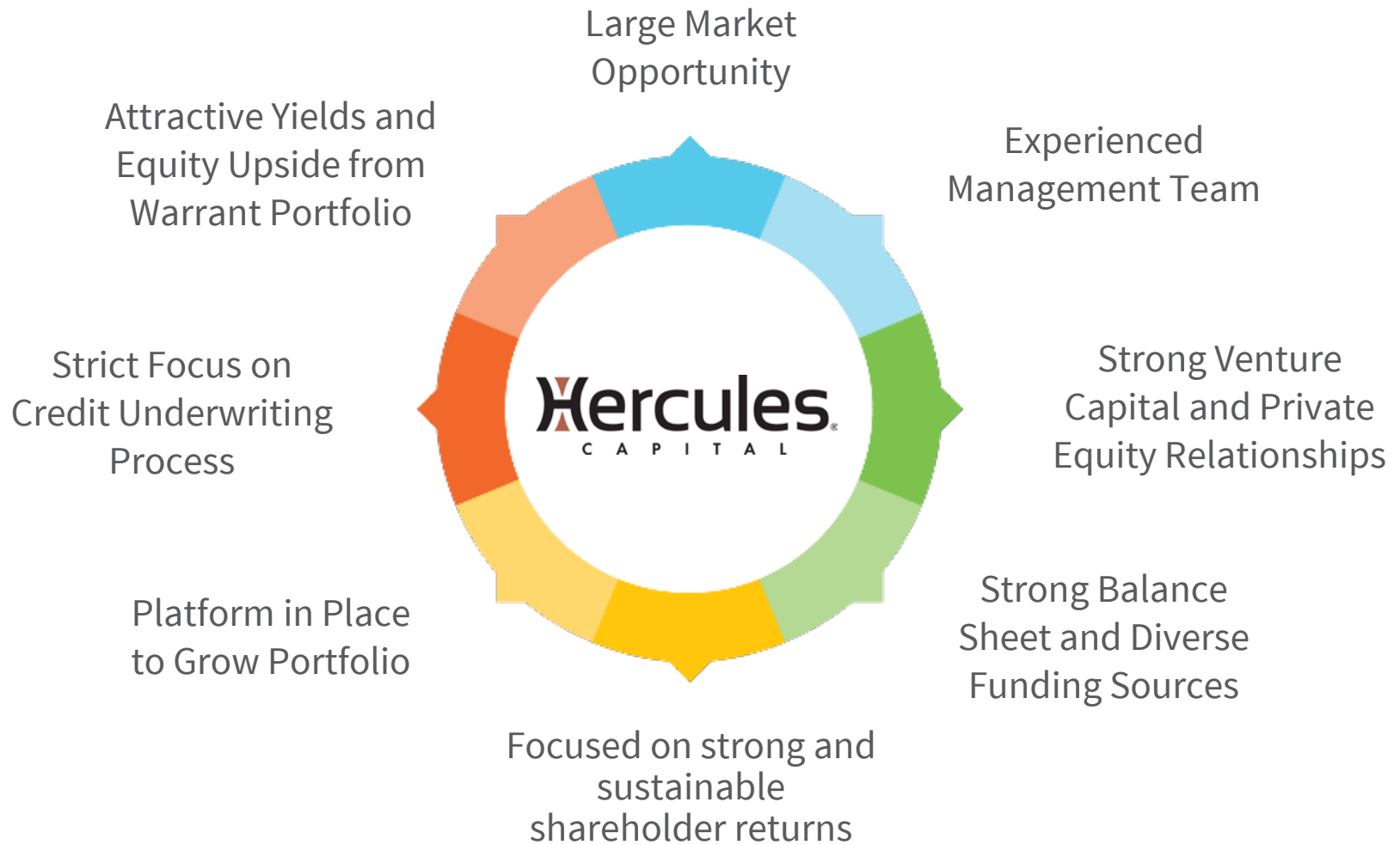
# HERCULES' PORTFOLIO COMPANY IPOs

PROVIDING INVESTOR ACCESS TO SOME OF AMERICA'S MOST PROMISING COMPANIES



- M&A represents on average **91%** of venture capital investment exits since 2010

# INVESTMENT HIGHLIGHTS



## ANALYST COVERAGE





# BROAD INDUSTRY ANALYST COVERAGE – 12 FIRMS



**Finian O'Shea**  
(Transferred Coverage 7/13/2018)

**Jefferies**

**John Hecht**  
(Initiated Coverage 6/30/2015)

**JMP**

**Chris York**  
(Initiated Coverage 10/24/2012)



*A Stifel Company*  
**Ryan Lynch**  
(Re-initiated Coverage 2/19/2013)



**Tim Hayes**  
(Re-initiated Coverage 10/2/2017)



**Jason Arnold**  
(Initiated Coverage 12/14/2007)



**Casey Alexander**  
(Initiated Coverage 6/23/15)



**Christopher Nolan**  
(Initiated Coverage 11/20/2017)



**Mitchel Penn**  
(Initiated Coverage 1/14/2015)



**Henry Coffey**  
(Initiated Coverage 10/24/17)



**Aaron James Deer**  
(Initiated Coverage 9/29/2011)



**Robert Dodd**  
(Initiated Coverage 7/26/2012)

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## SUPPLEMENTAL INFORMATION



# REGULATION AND STRUCTURE

Hercules is an Internally Managed BDC under the 1940 Act and a RIC for Tax Purposes

## Business Development Company (BDC)

- Regulated by the SEC under the Investment Company Act of 1940
- Leverage limited to approximately 1:1 debt/equity, unless an SEC exemptive order exists to exclude SBA debt
- Investments are required to be carried at fair value
- Majority of Board of Directors must be independent
- Offer managerial assistance to portfolio companies

## Regulated Investment Company (RIC)

- Distribute taxable income as dividends to shareholders
- Mandates asset diversification
- Eliminates corporate taxation
- Allows for the retention of capital gains and/or spillover of taxable income

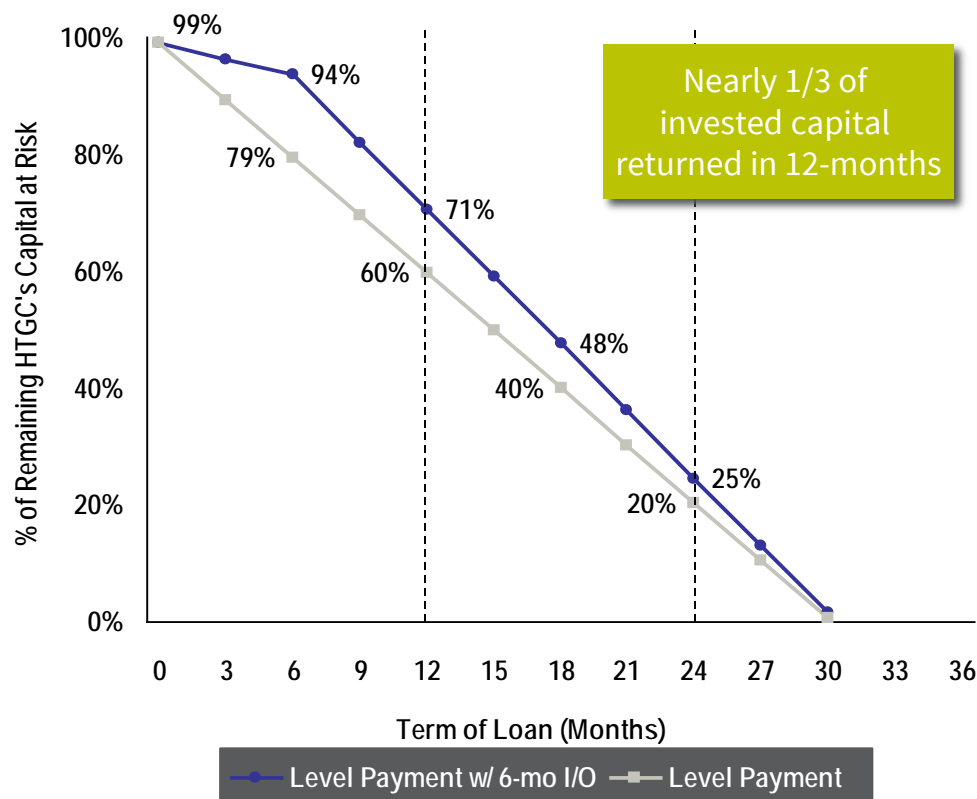
## Small Business Investment Company (SBIC)

- Two Small Business Investment Company (“SBIC”) licenses granted through the U.S. Small Business Administration (“SBA”)
- Currently, \$190.2 million exemption from SEC leverage restrictions for BDCs, excludes all SBIC debt from BDC 1:1 leverage test

# VENTURE GROWTH INVESTMENT STRUCTURE MITIGATES CAPITAL RISK

- Rapidly amortizing principal balance and current cash-pay interest
- “Security interest” – generally first security interest in all assets of borrower
- Simultaneous or recent equity round; in addition sponsor commitment for continued financial support
- Generally expect sufficient capital at time of investment to support operations and debt service for at least 9 -18 months
- Diversification across industry sub-sectors, development stages and financial sponsors

## Reduction of Invested Capital at Risk



Note: Capital at risk reduced by fees, principal payments and interest payments. Assumes 36 month term, 1% origination fee, 11% interest, and a level payment schedule.

# PRIMARILY INVEST AT STAGES OF HIGH GROWTH

	Expansion Stage	Established
Type of Company	Follow-on Rounds of Growth Capital (Series B-Liquidity Event)	Private Late Stage/ Select Public Companies
Equity Capital Provider	Venture Capital/ Private Equity	Public Markets/ Private Equity
Expectation for Additional Sponsor Support	1-3 Additional Rounds	0-2 Additional Rounds
Targeted Warrant Gain Potential	3-7 x	2-4 x
Potential Time to Liquidity	4-6 years	2-4 years