

November 1, 2018

THIRD QUARTER 2018 INVESTOR PRESENTATION

Financing the Growth of Tomorrow's Companies Today™



HTGC
LISTED
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.

November 1, 2018

THIRD 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



Q3 2018 HIGHLIGHTS

Robust Earnings

- Net Investment Income (“NII”) of \$29.3M, up 22.2% Y-Y
- Total Investment Income of \$52.6M, up 14.7% Y-Y
- NII per share of \$0.31, DNOI per share of \$0.34
- 53 consecutive quarters of distributions since IPO
- Supplemental distribution of \$0.02

Strong Shareholder Returns

- 1YR/3YR/7YR Total Shareholder Returns⁽¹⁾: 11.6%/67.0%/150.4%
- ROAE^(1,2): 12.7%
- ROAA^(1,2): 6.9%
- Net Interest Margin (“NIM”): 10.8%

High-Yield Portfolio of Earning Assets

- Total Debt Investments (at cost): \$1.60B
- Effective Yield: 13.5%

Industry-Leading Originations Platform

- \$8.2B in total debt commitments since inception
- Cumulative Total Net Realized (Loss) since inception of (\$39.5M)
- Total debt & equity commitments: \$235.1M, up 52.3% Y-Y
- Gross debt & equity fundings: \$142.4M

Strong Liquidity and Balance Sheet

- \$137.3M available liquidity
- \$341.3M additional leverage capacity
- Regulatory leverage and net regulatory leverage: 66.0% and 61.7%⁽³⁾

Strong Capital Raising Position

- Price-to-NAV: 1.21x⁽⁴⁾
- “ATM” Equity Distribution Agreement
- Investment Grade Credit Ratings: DBRS: BBB | KBRA: BBB+

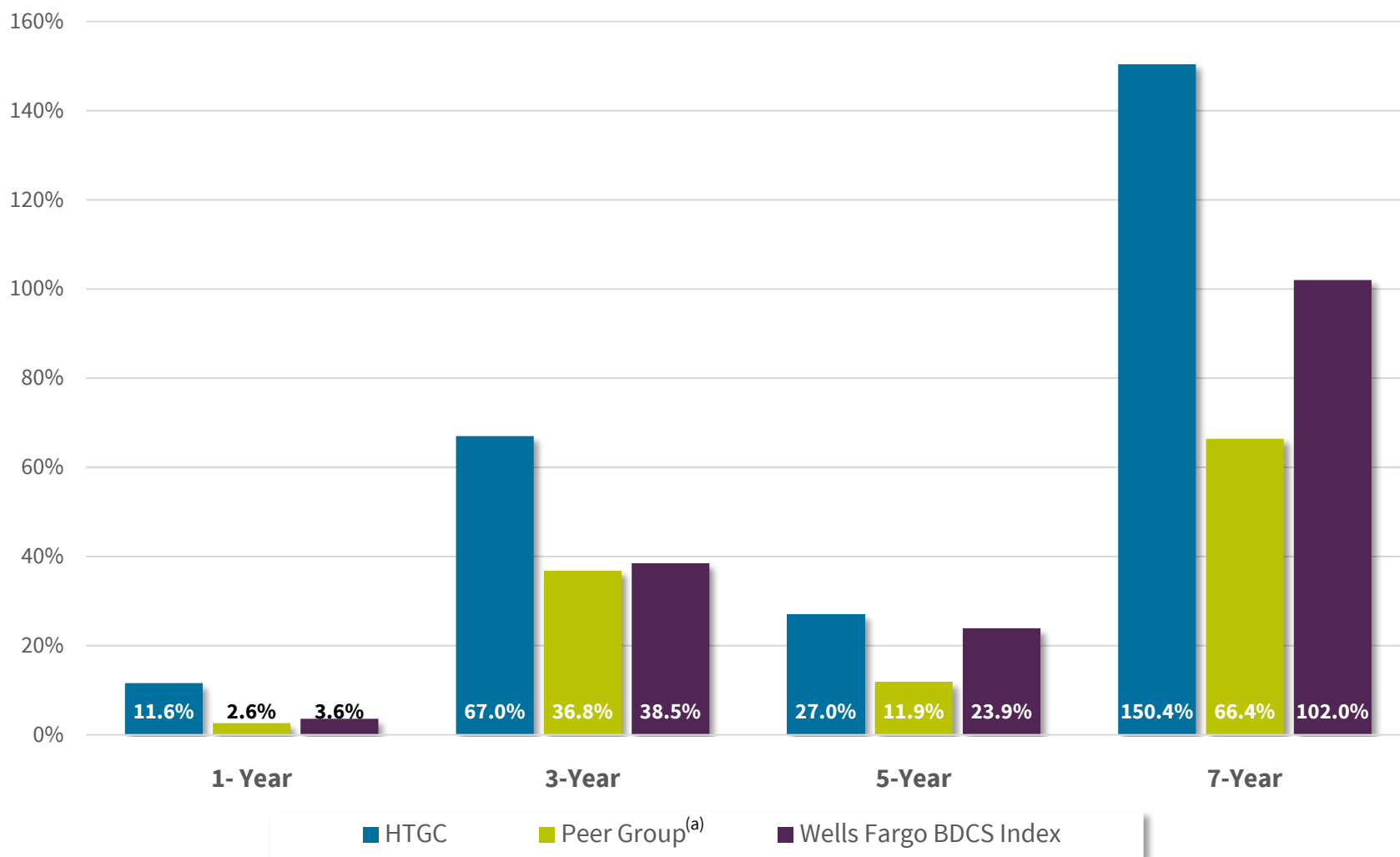
(1) Source: S&P CapIQ as of 9/30/18

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

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

(4) As of October 31, 2018

STRONG TOTAL SHAREHOLDER RETURN % (TSR)^(b) vs. BDCs & INDEXES



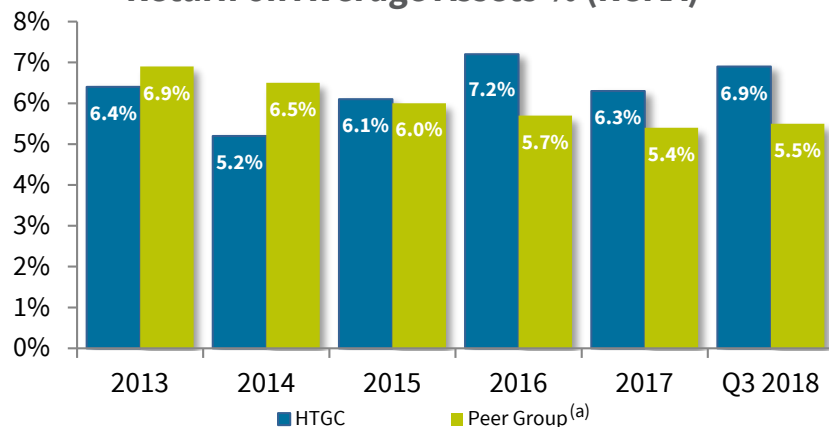
(a) Peer Group: AINV, ARCC, BKCC, OCSL, FSIC, GBDC, GSBD, KCAP, MAIN, MCC, NMFC, OXSQ, PNNT, PSEC, SLRC, BBDC, TCPC, TCRD, TSLX

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

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

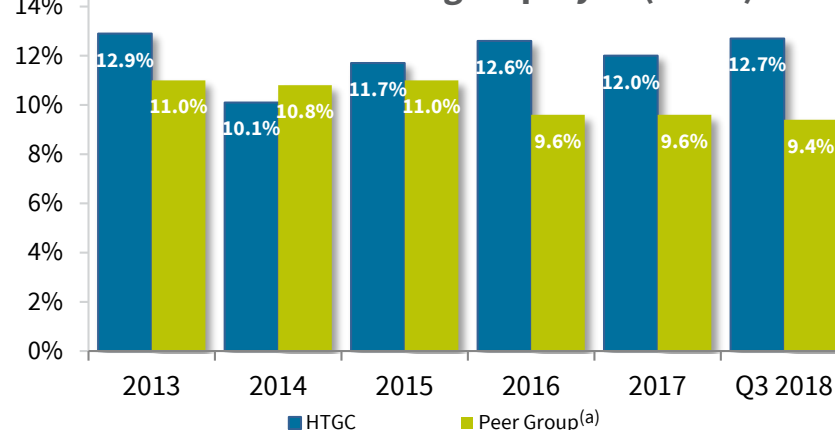
DELIVERING STRONG SHAREHOLDER RETURNS

Return on Average Assets % (ROAA)



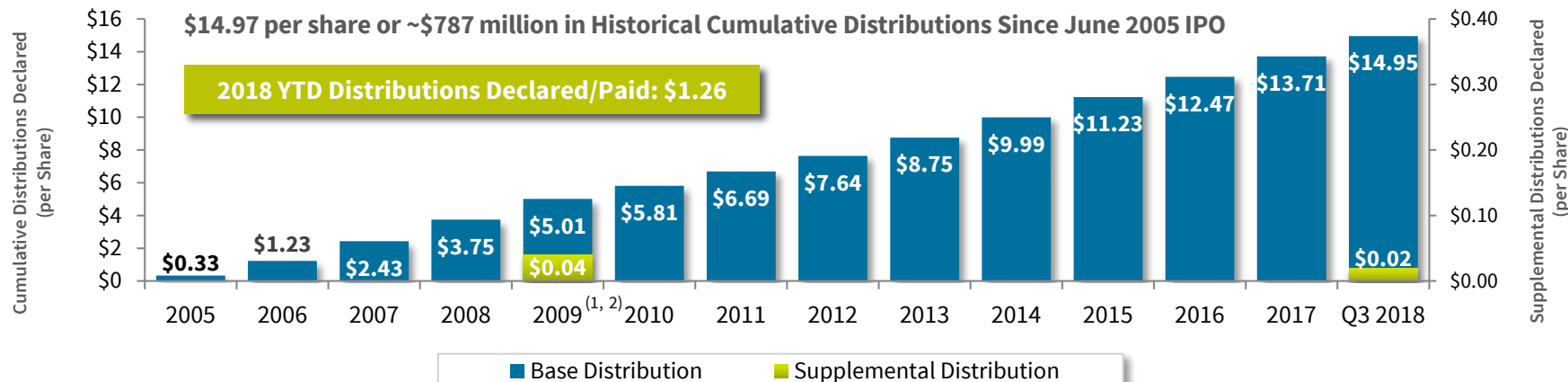
Source: S&P Capital IQ as of 9/30/18. Return on Average Assets excluding cash. NII divided by average of beginning of period total assets excluding cash and end of period total assets excluding cash.

Return on Average Equity % (ROAE)



Source: S&P Capital IQ as of 9/30/18. 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, BBDC, TCPC, TCRD, TSLX

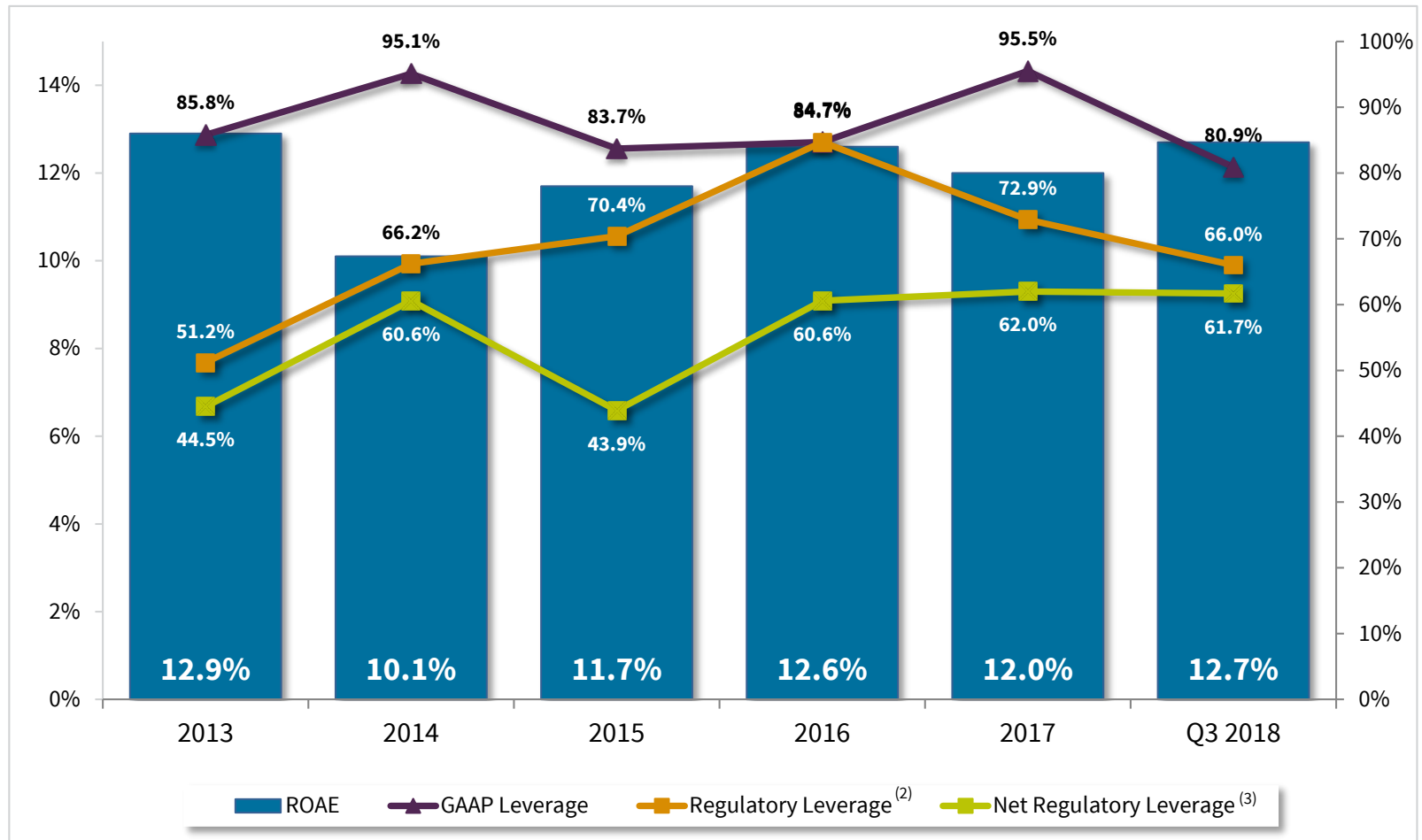


(1) Q1 09 distribution was paid in 10% cash and 90% stock; (2) Includes special \$0.04 distribution paid in December 2009

(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 September 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)⁽¹⁾



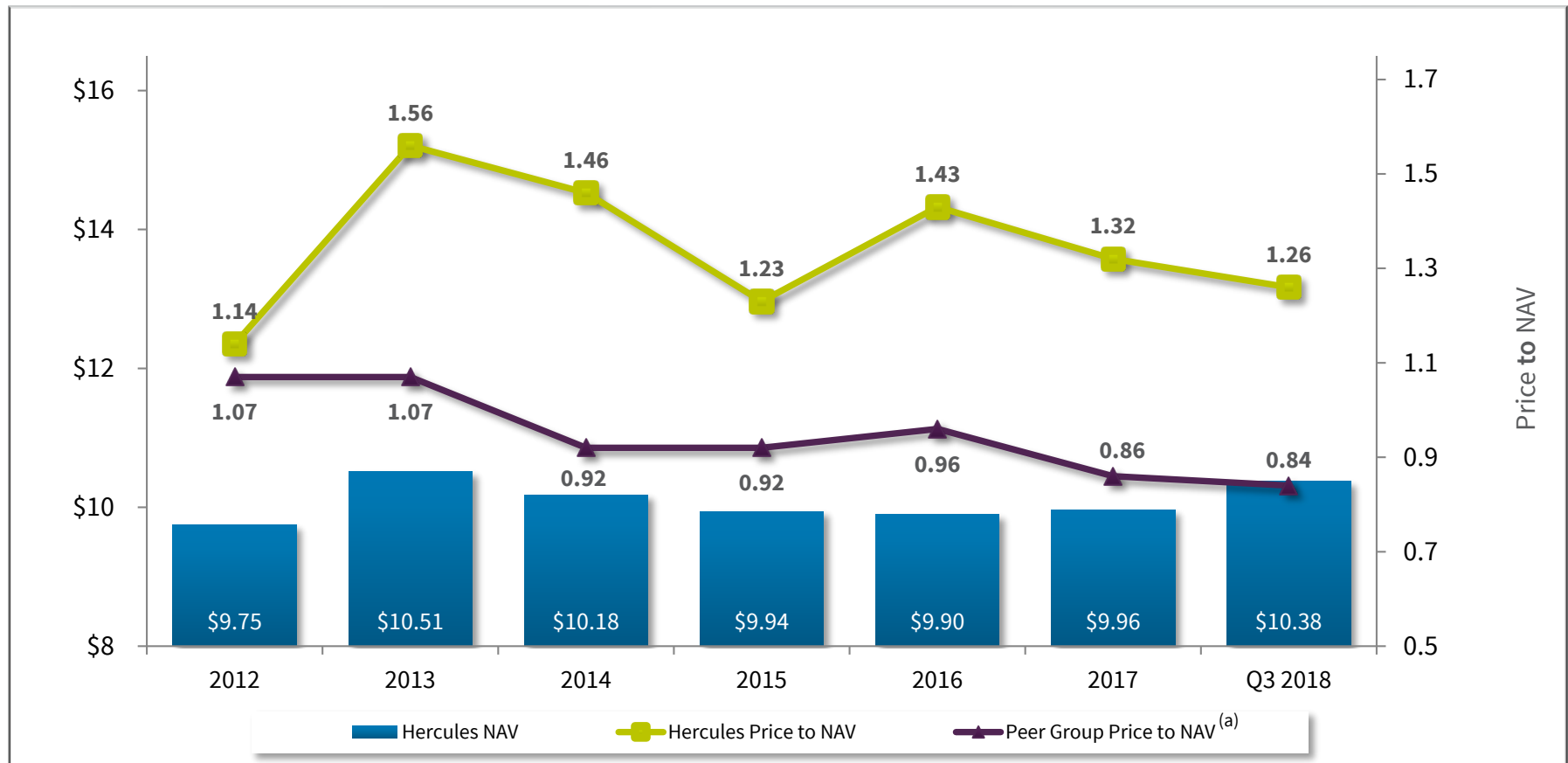
(1) Source: S&P Capital IQ as of 9/30/2018. Return on Average Equity based on NII. NII divided by average of beginning of period equity and end of period equity.

(2) Excludes SBA

(3) Excludes SBA and cash

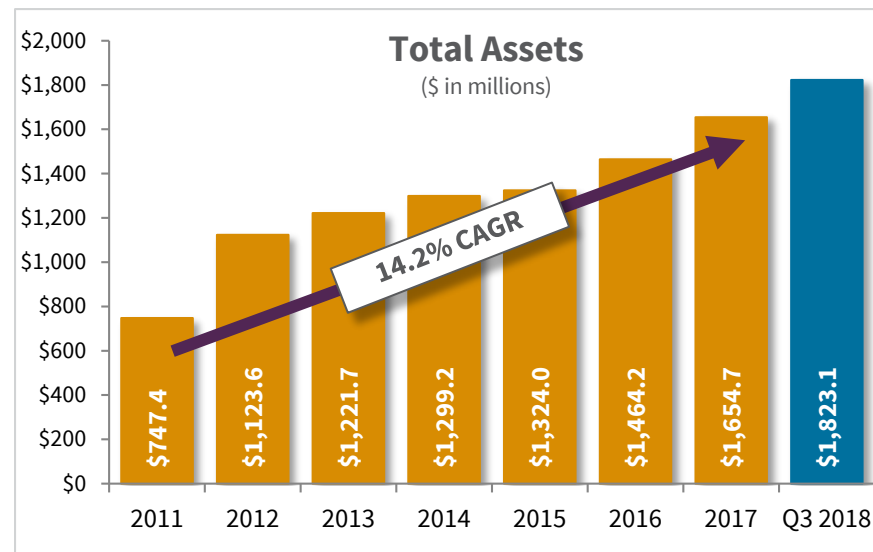
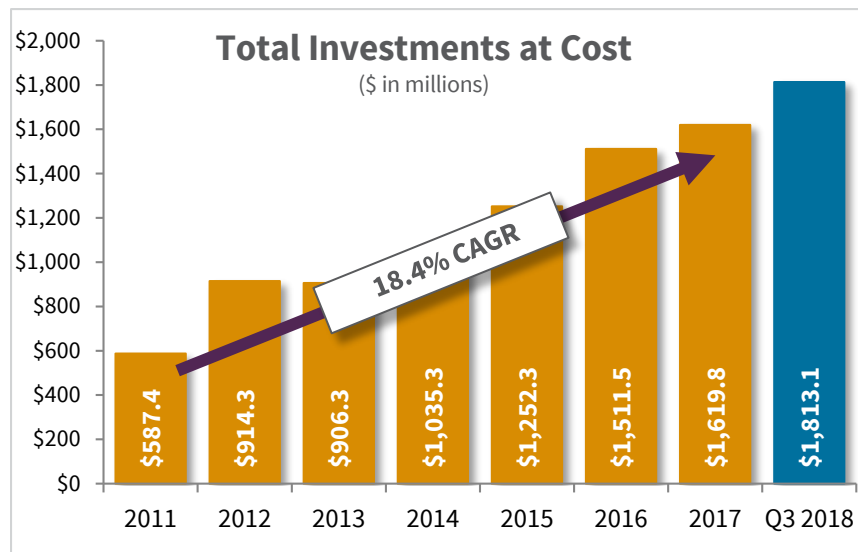
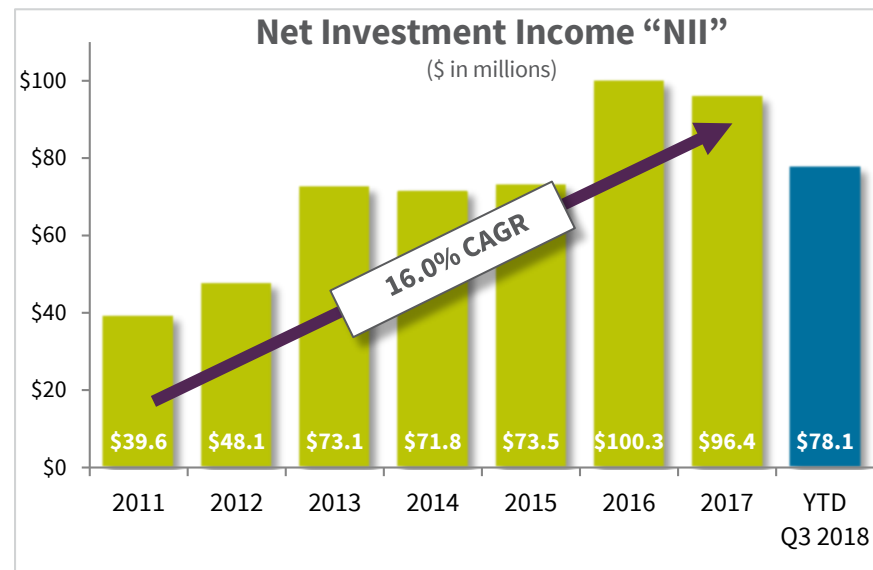
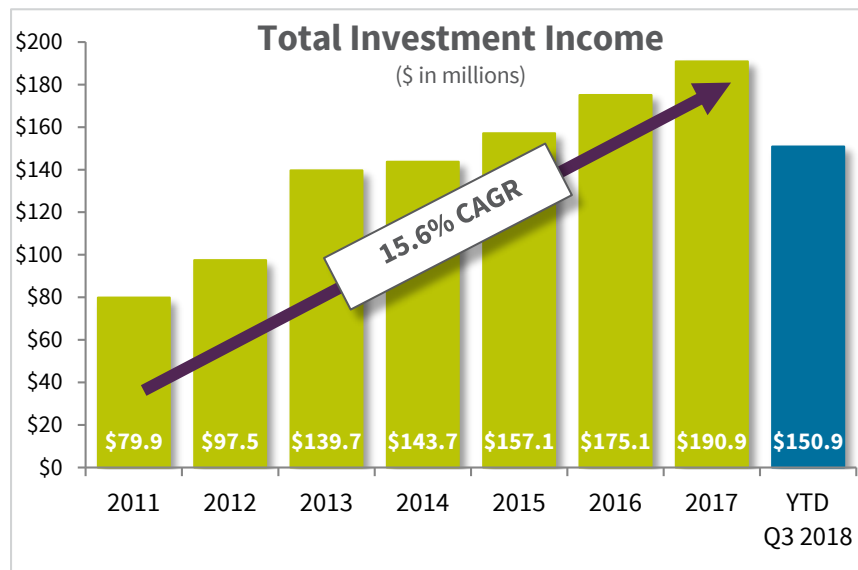
HERCULES CONSISTENTLY MAINTAINS A PREMIUM TO NAV

CREATES A STRONG CAPITAL RAISING POSITION TO SUPPORT GROWTH



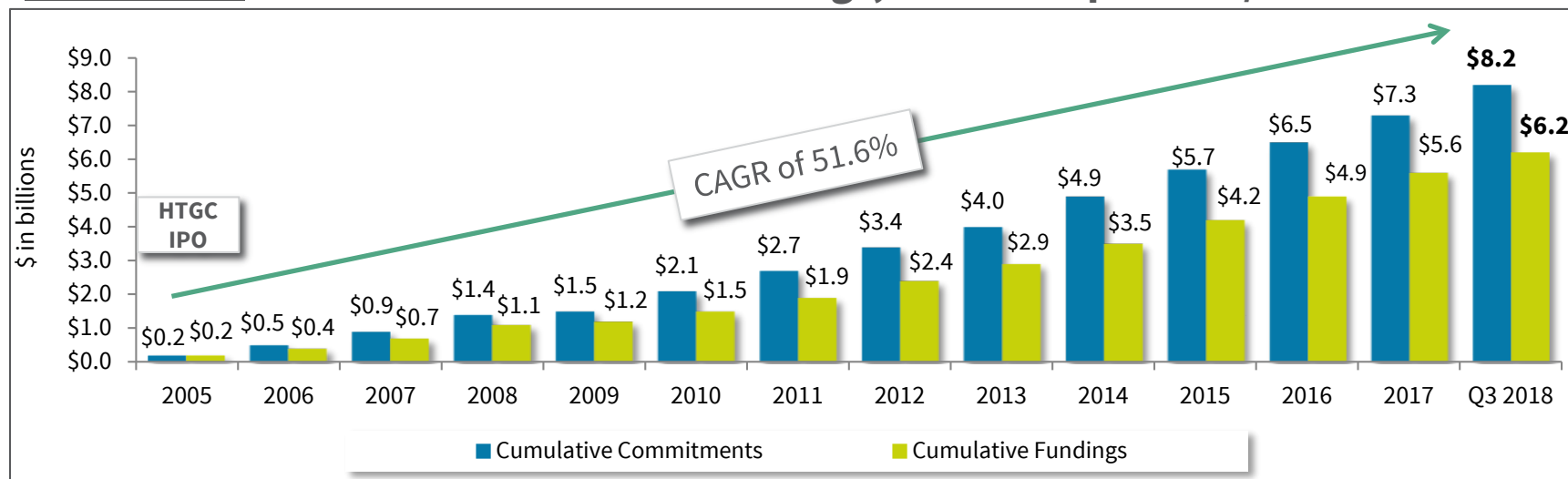
(a) Peer Group: AINV, ARCC, BKCC, OCSL, FSIC, GBDC, GSBD, KCAP, MAIN, MCC, NMFC, OXSQ, PNNT, PSEC, SLRC, BBDC, TCPC, TCRD, TSLX
Source: S&P CapIQ as of 9/30/18. Stock price based on closing price on last trading day of each calendar year or relative quarter.

HERCULES KEY PERFORMANCE HIGHLIGHTS

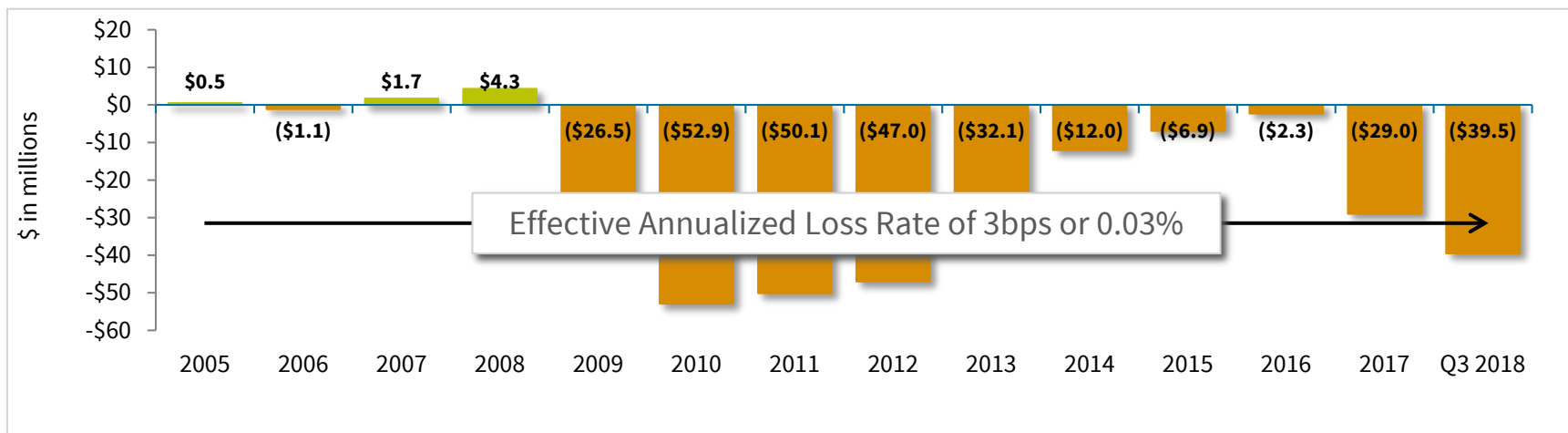


PORTFOLIO GROWTH WITH UNDERWRITING DISCIPLINE

Cumulative Debt Commitment and Fundings, Since Inception 12/03

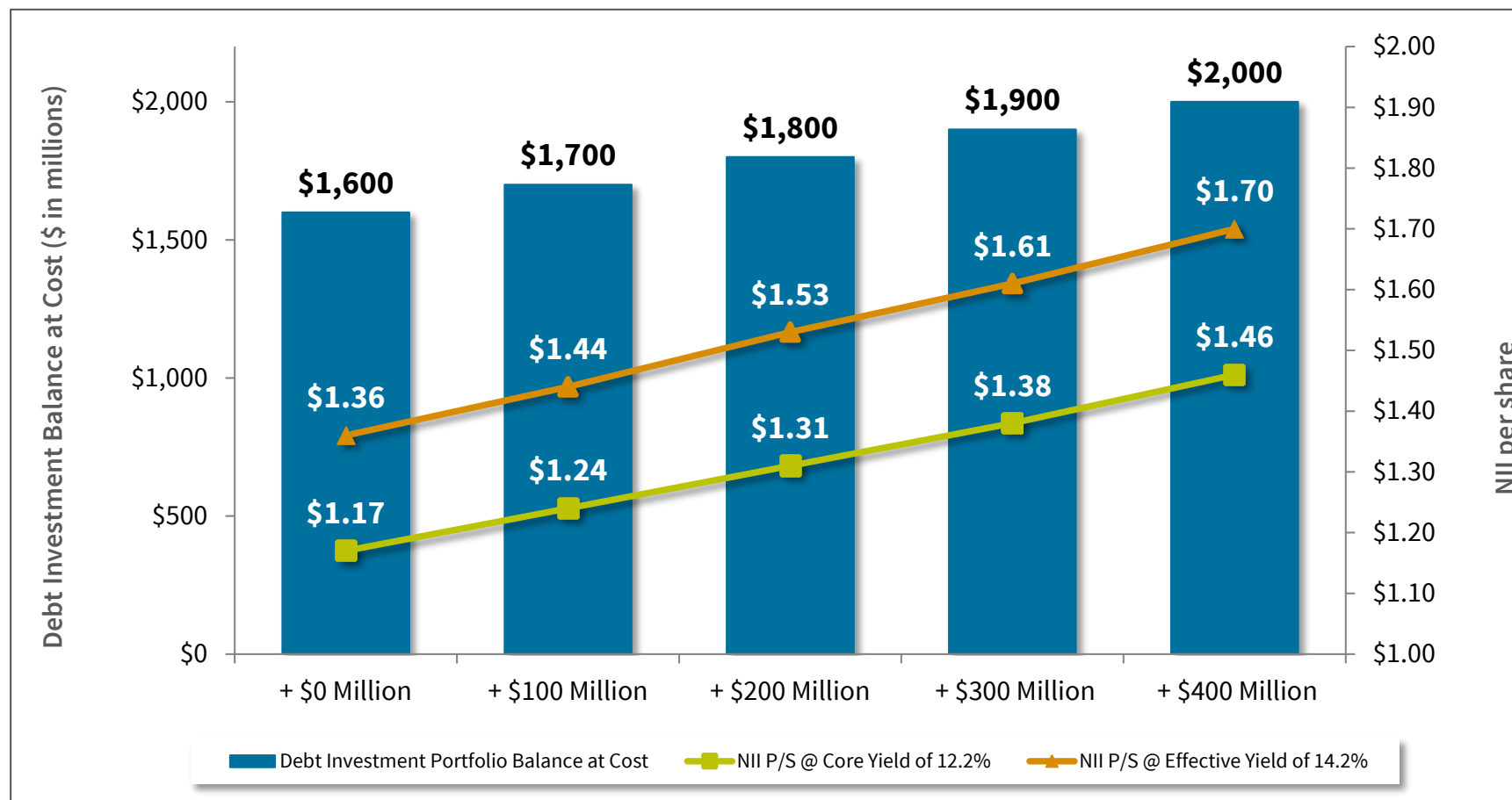


Cumulative Total Aggregate Net Realized Gains/(Losses), Since Inception 12/03



PORTFOLIO GROWTH LEADS TO DIVIDEND GROWTH THROUGH NII

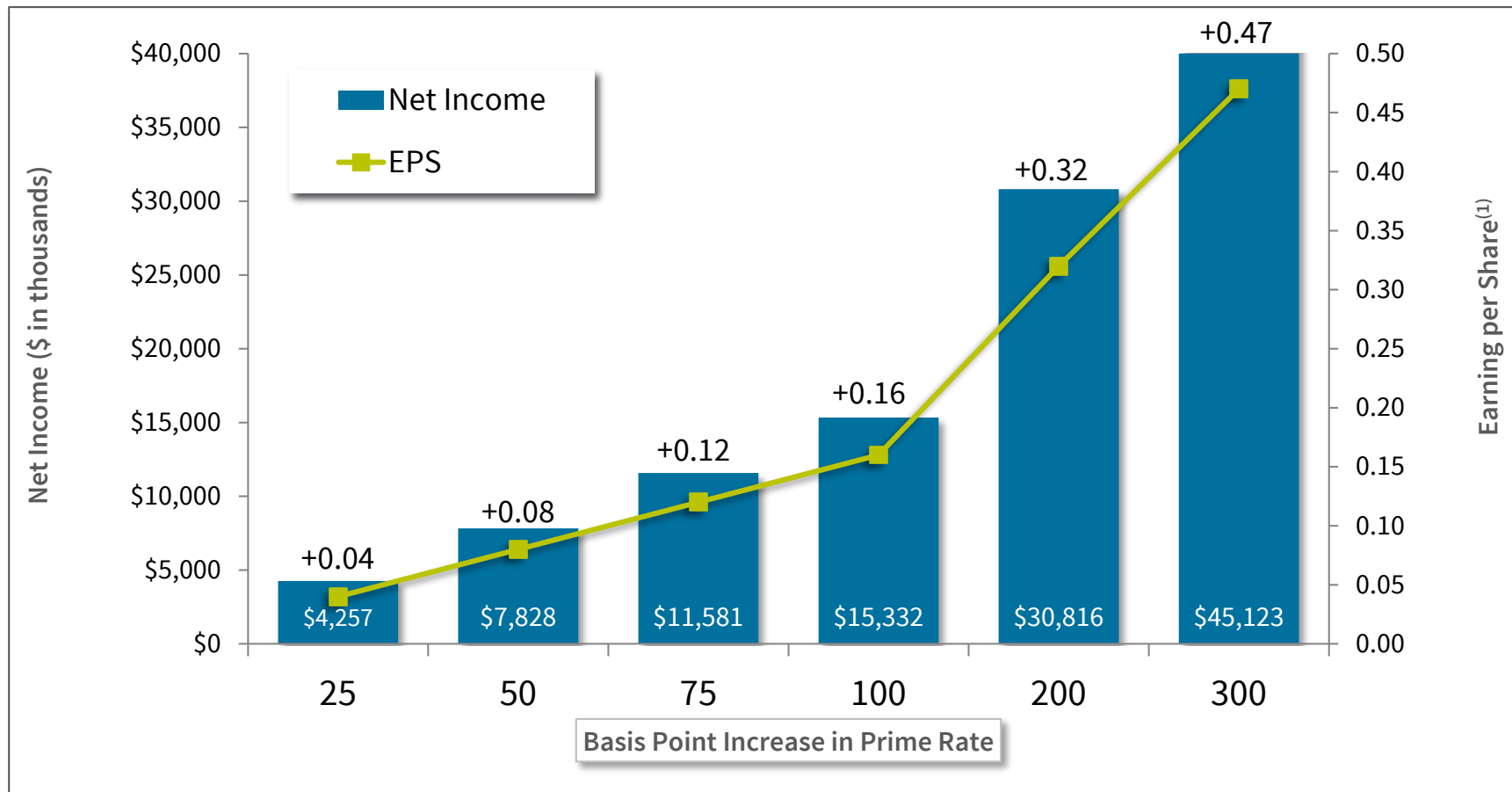
Illustration: A growing debt investment portfolio provides potential for future increased dividend payout⁽¹⁾



(1) Assumes Debt Investment portfolio of \$1.6 billion, at cost, constant effective yield, NII margin of 52.0% and constant weighted average shares of 95.5 million, as of September 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 ~\$4.3 million to Net Interest Income, or \$0.04 per share annually



(1) EPS calculated on basic weighted shares outstanding of 95.5 million and a static debt investment portfolio as of September 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

\$1.21
BILLION

MARKET
CAPITALIZATION

FOUNDED DECEMBER 2003
IPO: June 2005 “HTGC”

ENTERPRISE VALUE
\$1.93 billion⁽¹⁾

MARKET CAPITALIZATION
\$1.21 billion⁽¹⁾

NET ASSET VALUE PER SHARE
\$10.38 as of 9/30/18

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

CURRENT PRICE/NAV
1.21x⁽¹⁾

\$1.60
BILLION

DEBT INVESTMENT
PORTFOLIO

DEBT INVESTMENT COST BASIS
\$1.60 billion

DEBT INVESTMENT FAIR VALUE
\$1.60 billion

EFFECTIVE YIELD
13.5%

DEBT INVESTMENTS IN
89 companies

SHORT TERM MATURITIES
36-42 months

INVESTMENT SIZE
\$5 to \$100 million

130
COMPANIES

WARRANT & EQUITY
PORTFOLIO

WARRANT HOLDINGS IN
130 companies

WARRANT GAAP FAIR VALUE
\$29.8 million

WARRANT GAAP COST
\$36.5 million

EQUITY HOLDINGS IN
52 companies

EQUITY GAAP FAIR VALUE
\$127.4 million

EQUITY GAAP COST
\$168.6 million

\$137.3
MILLION

LIQUIDITY & BALANCE
SHEET

AVAILABLE LIQUIDITY TO
INVEST⁽²⁾
\$137.3 million

REGULATORY LEVERAGE
66.0% / 61.7% net of cash

ADDITIONAL DEBT CAPACITY
\$341.3 million

INVESTMENT GRADE RATINGS
DBRS: BBB
KBRA: BBB+

SECURITIZATION INVESTMENT
GRADE RATINGS
KBRA: A(sf)

(1) As of October 31, 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 – **97.0%** floating rate loans and with interest rate floors⁽¹⁾
- We are generally the only lender and **84.4%** are "true" first lien senior secured⁽¹⁾
- 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 nearly 15 years of strong credit performance history

(1) As of September 30, 2018

STRATEGIC ACCESS TO EQUITY AND DEBT CAPITAL MARKETS

HERCULES' SUCCESSFUL ATM DISTRIBUTION PROGRAM

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

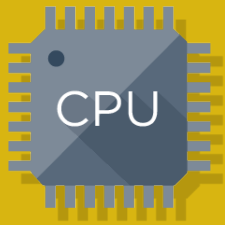
- "Just-in-Time" access provides control on the timing, pricing and amount of capital raised, with full control over leverage ratios
- Ideal for raising growth capital when needed, proceeds expeditiously invested in new investments
- Exceptionally low and cost effective access to capital markets
- Equity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

The Results

- Equity ATM Program Q3 2018: sold 2.4 million shares for total net proceeds of ~ \$30.9 million.
- Equity ATM Program thru September 30, 2018: sold 5.0 million shares for total net proceeds of ~ \$62.3 million

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 \$8.2 billion in total debt commitments to over 440 companies since inception

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

Over 1000 different VC & PE firms, financial investors

Over 150 portfolio companies completed/announced an IPO or M&A event since inception

FINANCIAL HIGHLIGHTS



INCOME STATEMENT: Q3 2018 VS. Q3 2017 SUMMARY RESULTS

	Three Months Ended September 30,		
	2018	2017	Year/Year
(\$ in 000's, except per share amounts)	(unaudited)	(unaudited)	Change
Interest Income	\$ 49,092	\$ 42,435	16%
Fee Income	3,510	3,430	2%
Total Investment Income	52,602	45,865	15%
Interest and Loan Fees	10,953	10,499	4%
General and Administrative	3,721	3,548	5%
Employee Compensation	8,626	7,845	10%
Total Operating Expenses	23,300	21,892	6%
Other Income			
Pre-Tax Net Investment Income-NII	29,302	23,973	22%
Net Realized and Unrealized Gain / (Loss)	6,327	9,099	-30%
Net Increase in Net Assets from Operations	35,629	33,072	8%
NII - Net Investment Income per Share (Basic)	\$ 0.31	\$ 0.29	7%
DNOI - Distributable Net Operating Income per Share	\$ 0.34	\$ 0.31	10%
Weighted Average Shares Outstanding - Basic	95,460	82,496	16%

CURRENT & HISTORICAL INCOME STATEMENTS

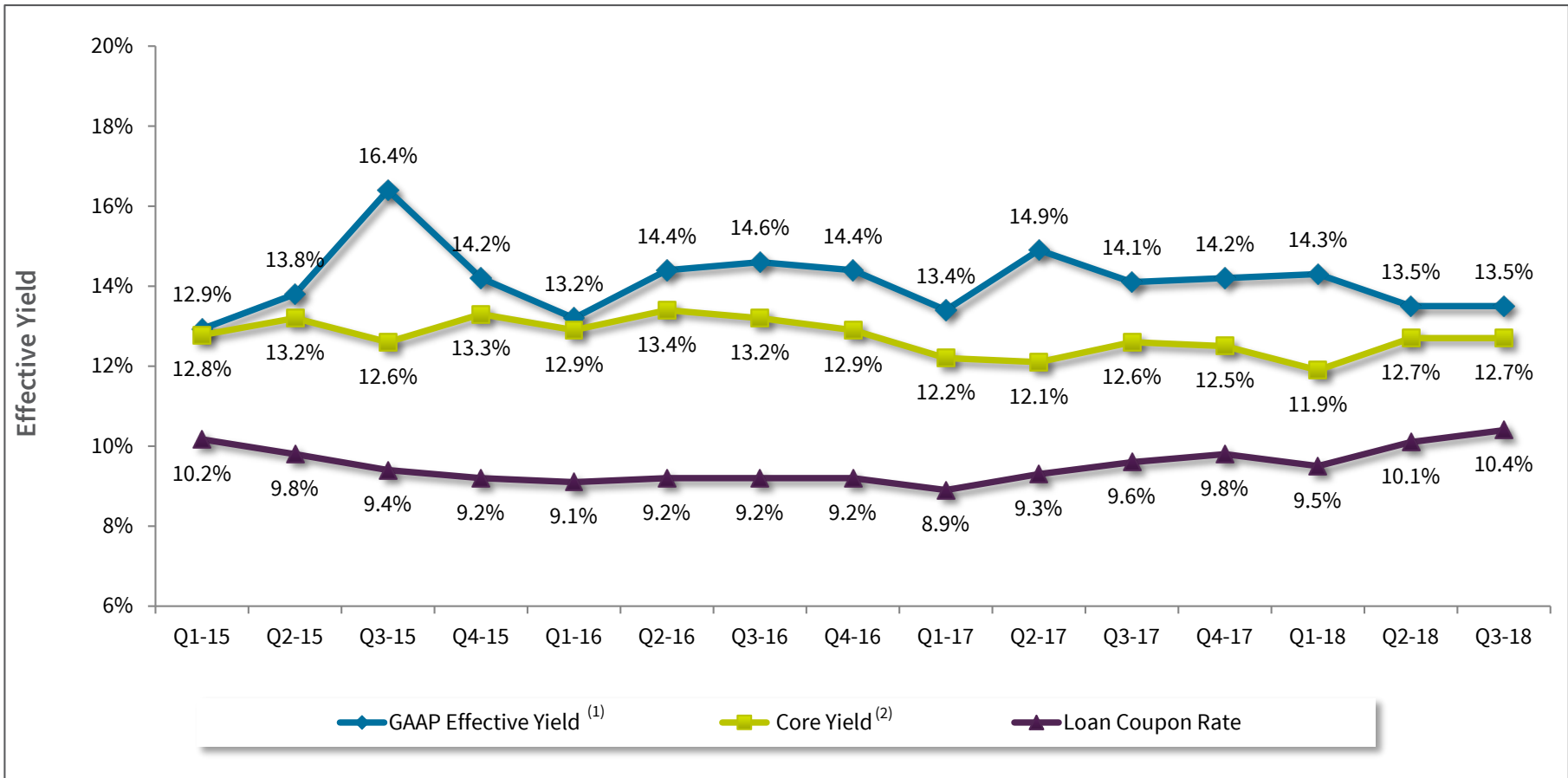
	Nine Months Ended Sept. 30,	Twelve Months Ended December 31,		
<i>(\$ in 000's, except per share amounts)</i>	2018	2017	2016	2015
Interest Income	\$ 137,949	\$ 172,196	\$ 158,727	\$ 140,266
Fee Income	12,915	18,684	16,324	16,866
Total Investment Income	150,864	190,880	175,051	157,132
Interest and Loan Fees	34,754	46,585	37,058	36,889
General and Administrative	11,404	16,105	16,106	16,658
Employee Compensation	26,567	31,746	29,543	30,083
Total Operating Expenses	72,725	94,436	82,707	83,630
Other Income	-	-	8,000	(1)
Pre-Tax Net Investment Income - NII	78,139	96,444	100,344	73,501
Net Realized and Unrealized Gain / (Loss)	15,495	(17,446)	(31,641)	(30,585)
Net Increase in Net Assets from Operations	\$ 93,634	\$ 78,998	\$ 68,703	\$ 42,916
NII - Net Investment Income per Share (Basic)	\$ 0.87	\$ 1.16	\$ 1.34	\$ 1.04
DNOI - Distributable Net Operating Income per Share	\$ 0.97	\$ 1.26	\$ 1.45	\$ 1.19
Weighted Average Shares Outstanding - Basic	89,100	82,519	73,753	69,479

CURRENT & HISTORICAL BALANCE SHEET

(\$ in 000's, except per share amounts)	September 30,	December 31,		
	2018	2017	2016	2015
ASSETS				
Investments	\$ 1,760,516	\$ 1,542,214	\$ 1,423,942	\$ 1,200,638
Cash and cash equivalents	43,212	91,309	13,044	95,196
Restricted cash	2,429	3,686	8,322	9,191
Interest receivable	15,722	12,262	11,614	9,239
Other assets	1,175	5,244	7,282	9,720
Total Assets	\$ 1,823,054	\$ 1,654,715	\$ 1,464,204	\$ 1,323,984
LIABILITIES				
Accounts Payable and Accrued Liabilities	21,473	26,896	21,463	17,241
Credit Facilities	80,894	-	5,016	50,000
2022 Convertible Notes	224,660	223,488	-	17,478
2021 Asset-Backed Notes	3,423	48,650	107,972	126,995
2033 Notes	38,752	-	-	-
2024 Notes	81,791	179,001	245,490	100,128
Long-term SBA Debentures	147,527	188,141	187,501	186,829
2025 Notes	72,495	-	-	-
2022 Notes	147,859	147,572	-	-
Total Liabilities	\$ 818,874	\$ 813,748	\$ 676,260	\$ 606,850
Net Assets	\$ 1,004,180	\$ 840,967	\$ 787,944	\$ 717,134
Shares Outstanding	96,751	84,424	79,555	72,118
Net Assets per Share	\$ 10.38	\$ 9.96	\$ 9.90	\$ 9.94

EFFECTIVE YIELD VS. CORE YIELD – LEADS TO STRONG EARNINGS

MEDIAN CORE YIELD FROM Q1 2015 TO Q3 2018: 12.7%

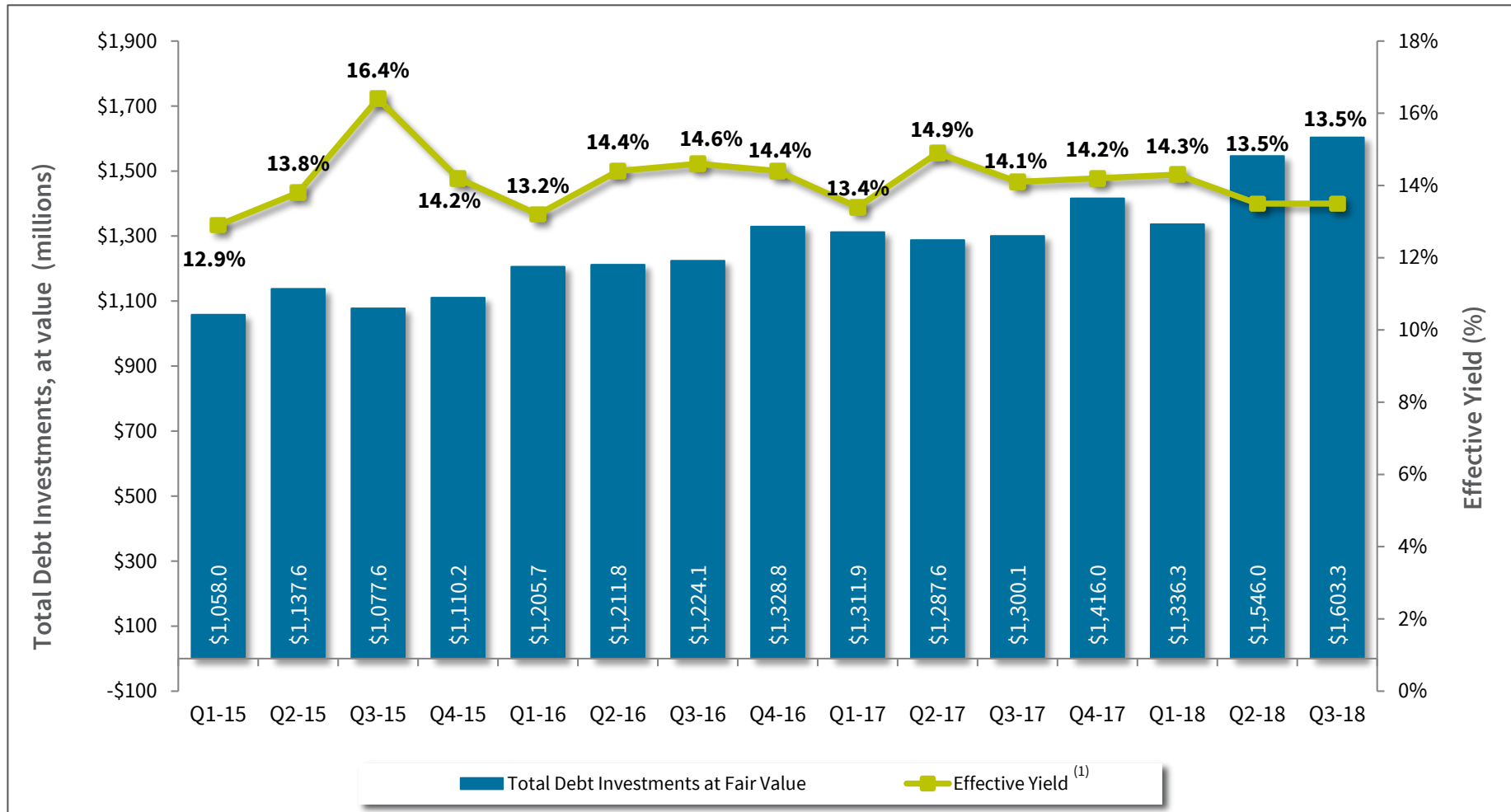


(1) Effective Yield is inclusive of all fees, including all realized unamortized fees and all realized transaction fees including but not limited to amendment fees and prepayment fees, and is calculated based on the weighted average principal balance of loans outstanding on a daily basis

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

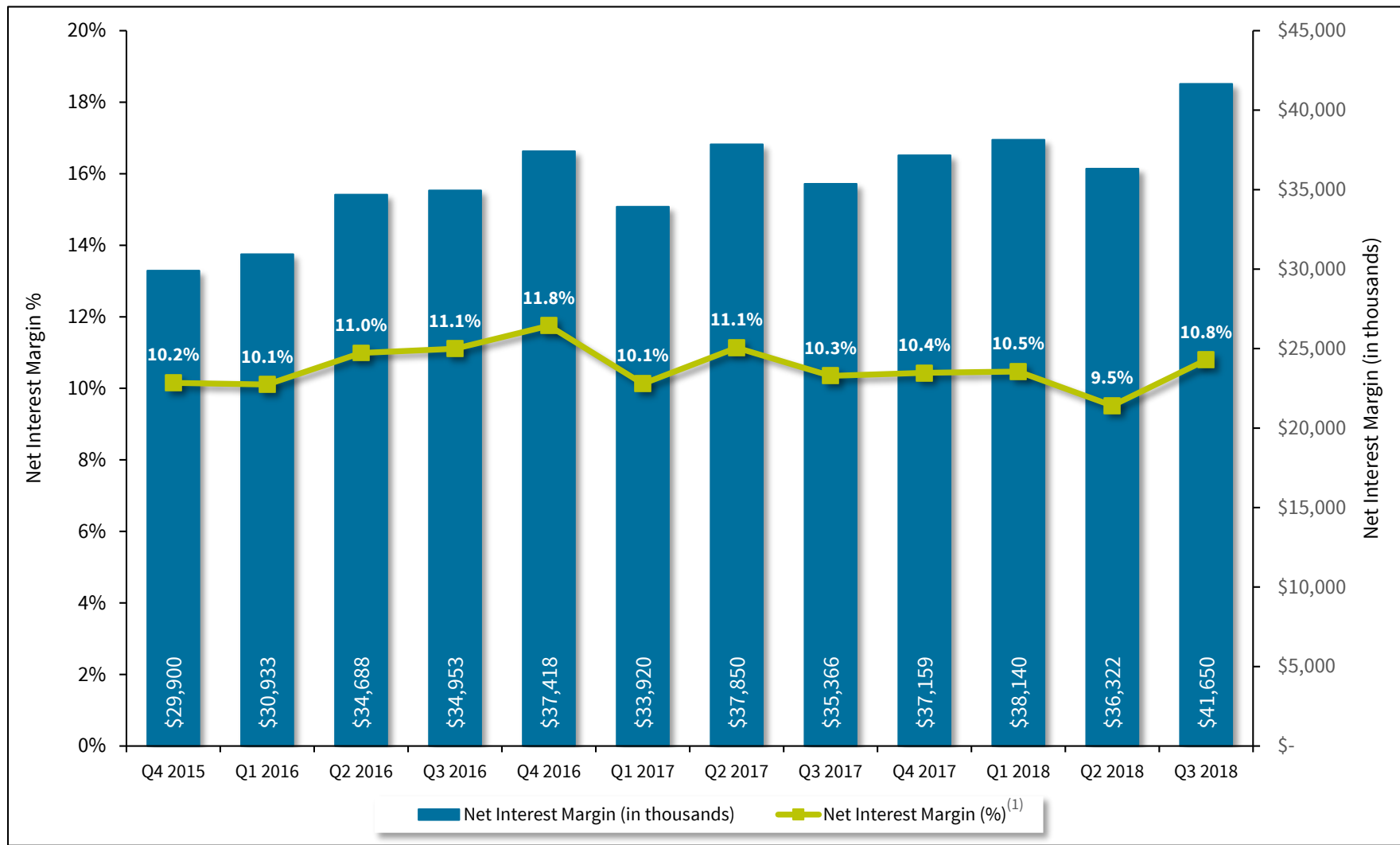
HIGH-YIELD PORTFOLIO OF EARNING ASSETS

MEDIAN EFFECTIVE YIELD FROM Q1 2015 TO Q3 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

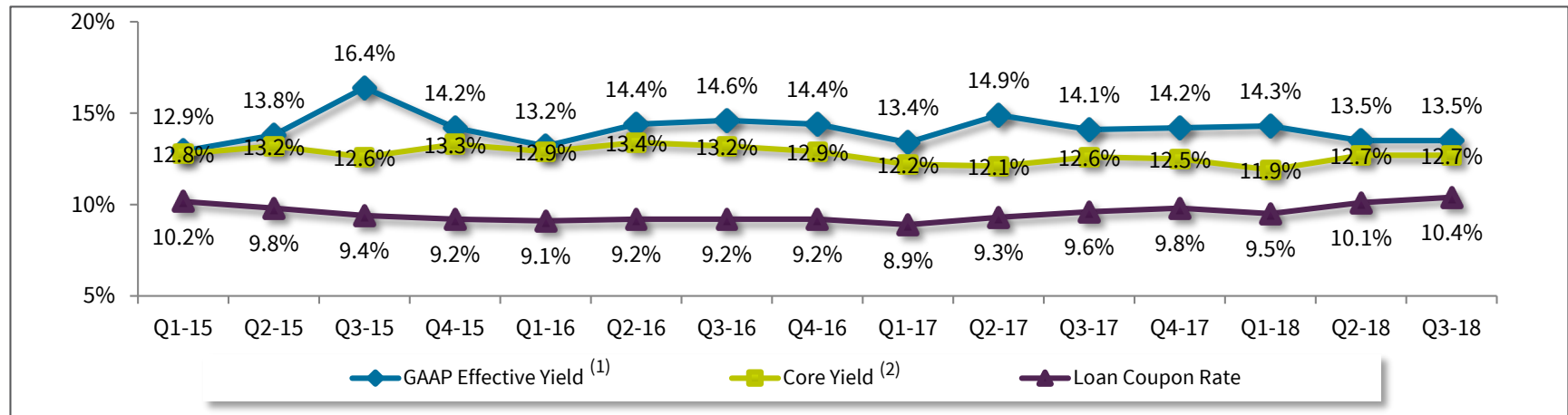
STRONG, CONSISTENT NET INTEREST MARGIN - NIM



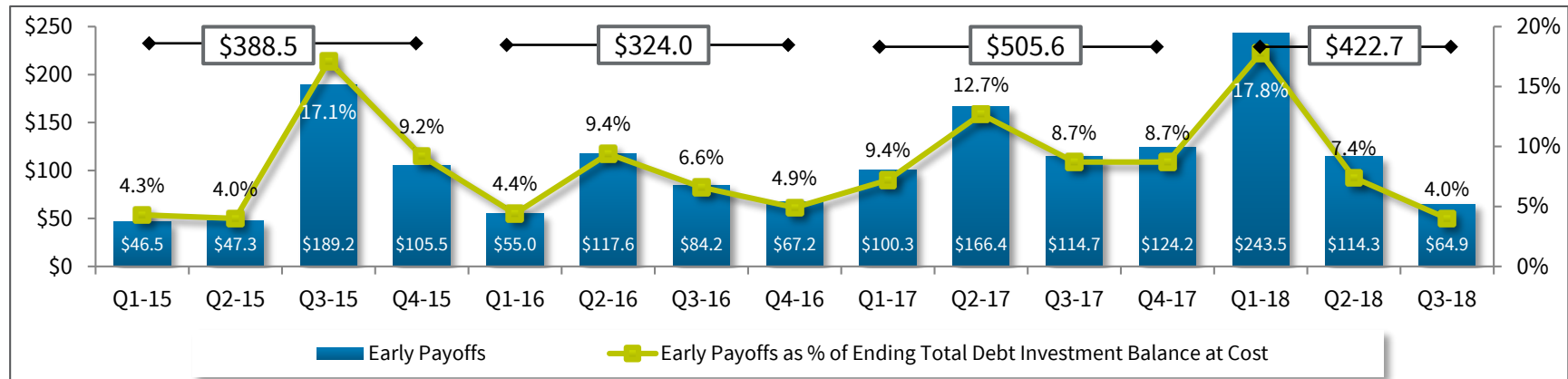
(1) Net Interest Margin = Net Interest Income/Average Yielding Assets excluding Equity Investments

IMPACT OF EARLY PAYOFFS ON EFFECTIVE YIELDS

Early Payoffs Lead to Higher Effective Yields and Earnings



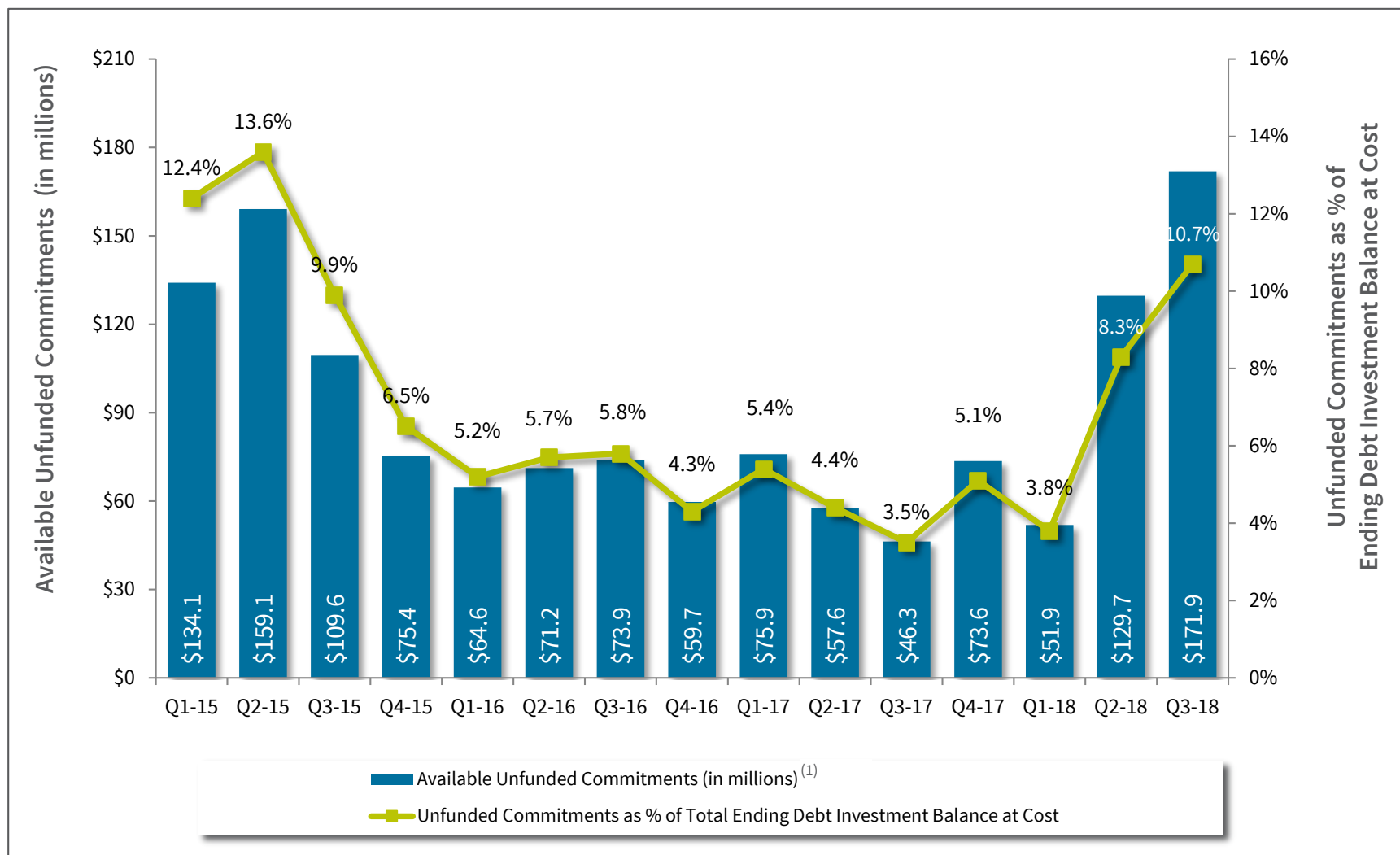
EFFECTIVE YIELDS



UNSCHEDULED EARLY PAYOFFS (\$ in millions)

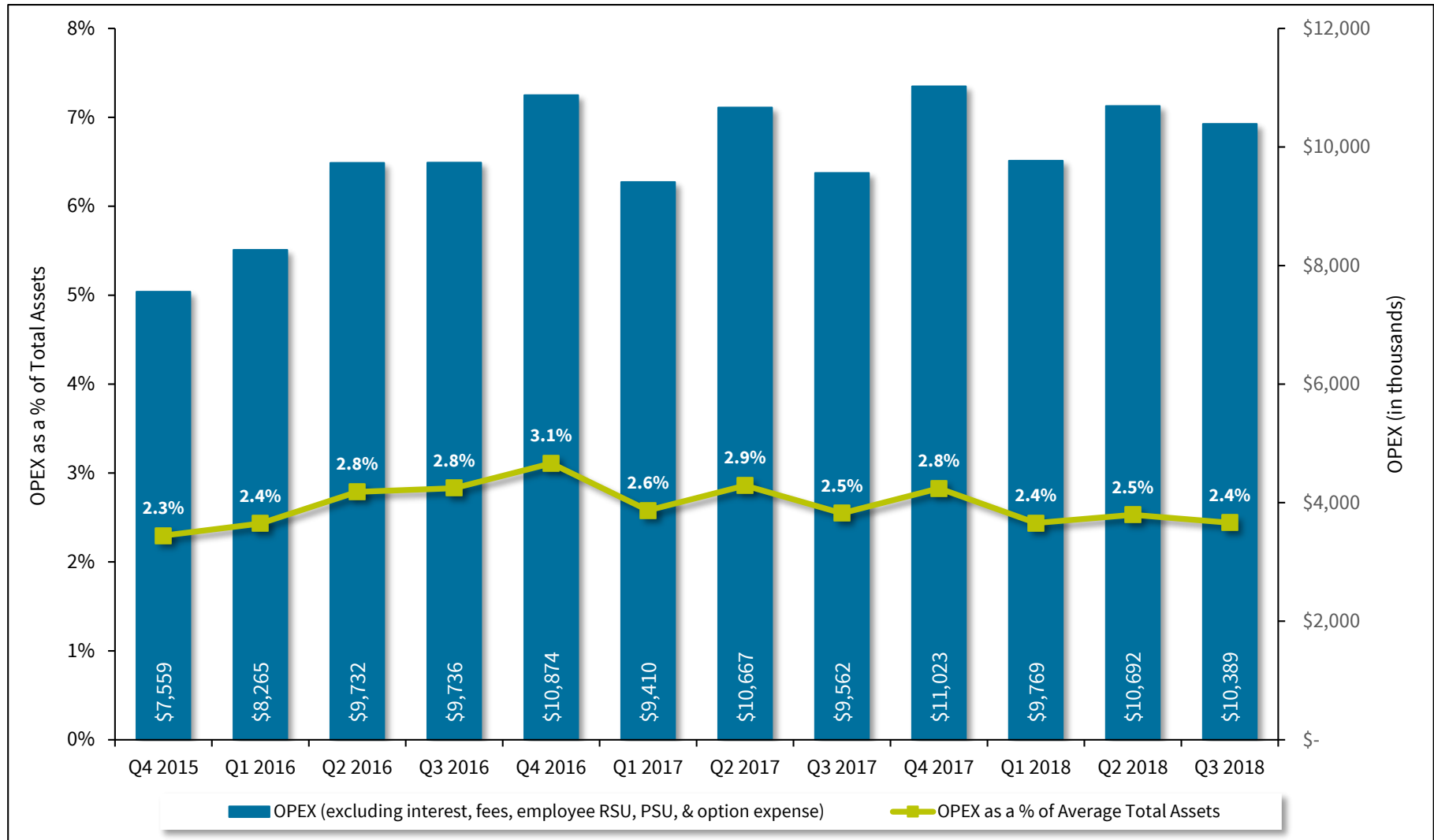
- (1) Effective Yield is inclusive of all fees, including all realized unamortized fees and all realized transaction fees including but not limited to amendment fees and prepayment fees, and is calculated based on the weighted average principal balance of loans outstanding on a daily basis
- (2) Core Yield excludes Early Repayments and One-Time Fees, and includes income and fees from expired commitments

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



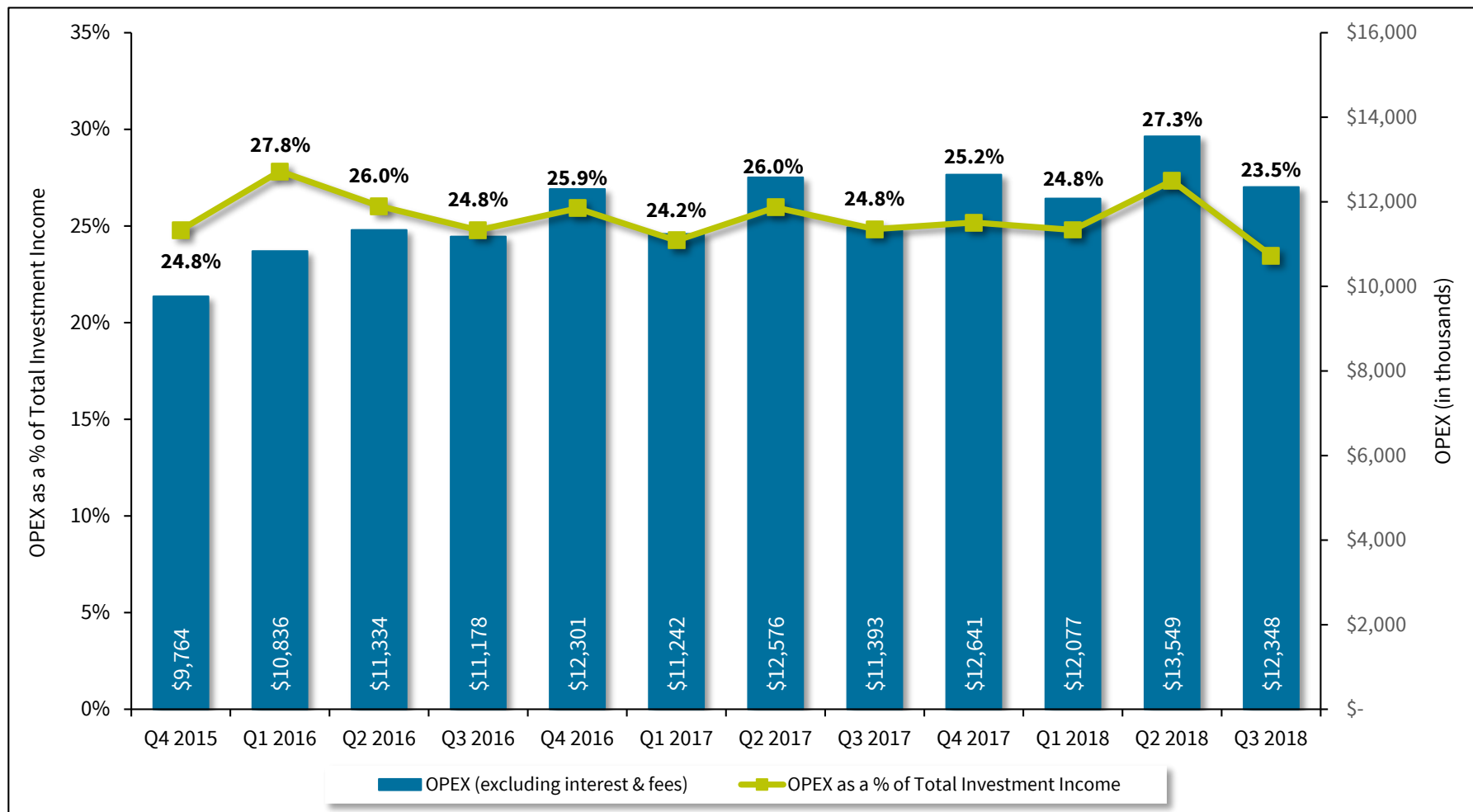
(1) Amount represents available unfunded commitments, including undrawn revolving facilities, which are available at the request by the portfolio company.

NON-INTEREST AND FEE EXPENSE TO AVERAGE TOTAL ASSETS



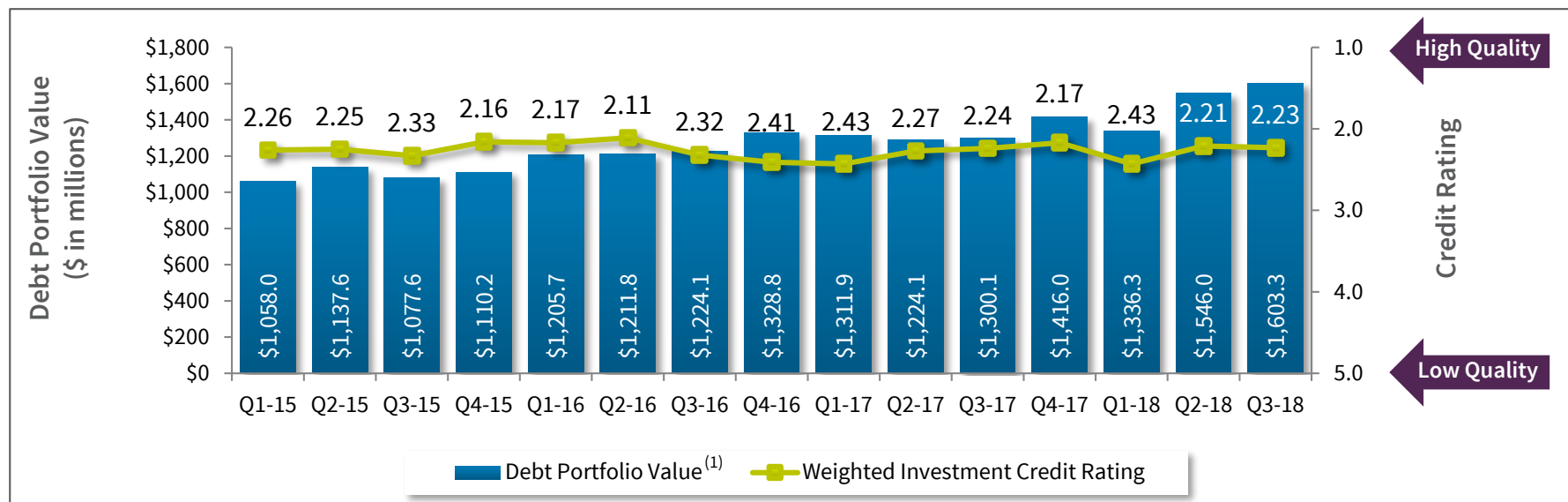
RSU = Restricted Stock Units
 PSU = Performance Stock Units

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, Q3 2018 - Q3 2017 (\$ in millions)

	Q3 2018		Q2 2018		Q1 2018		Q4 2017		Q3 2017	
Grade 1 - High	\$ 150.2	9.4%	\$ 247.5	16.0%	\$ 141.8	10.6%	\$ 345.2	24.4%	\$ 190.0	14.6%
Grade 2	\$ 987.5	61.6%	\$ 791.9	51.2%	\$ 599.8	44.9%	\$ 583.0	41.2%	\$ 696.2	53.6%
Grade 3	\$ 420.2	26.2%	\$ 463.7	30.0%	\$ 548.0	41.0%	\$ 443.8	31.3%	\$ 370.9	28.5%
Grade 4	\$ 44.5	2.7%	\$ 42.0	2.7%	\$ 33.6	2.5%	\$ 41.7	2.9%	\$ 43.0	3.3%
Grade 5 - Low	\$ 0.9	0.1%	\$ 0.9	0.1%	\$ 13.2	1.0%	\$ 2.3	0.2%	\$ -	0.0%
Weighted Avg.	2.23		2.21		2.43		2.17		2.24	

(1) Debt only; based on fair value

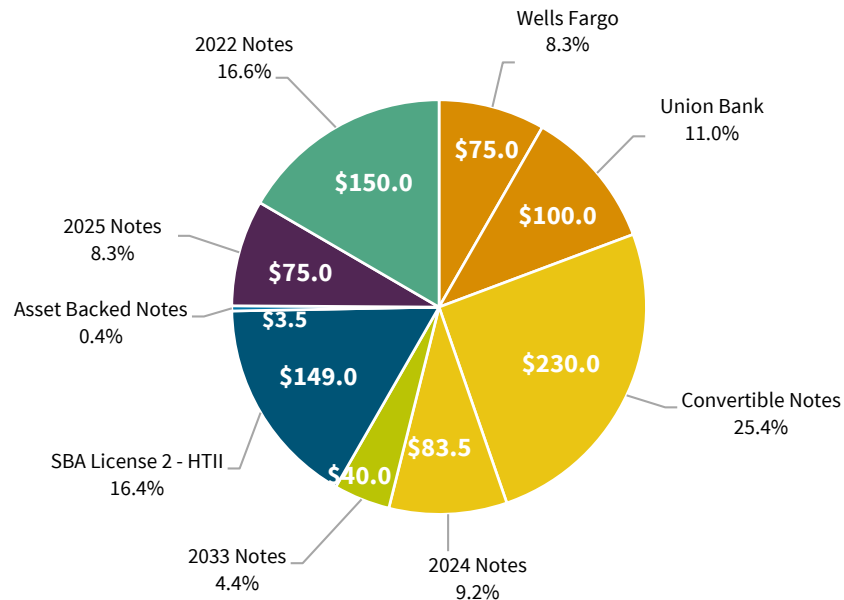
DIVERSIFIED SOURCES OF FUNDING: Q3 2018

Entity Capitalization

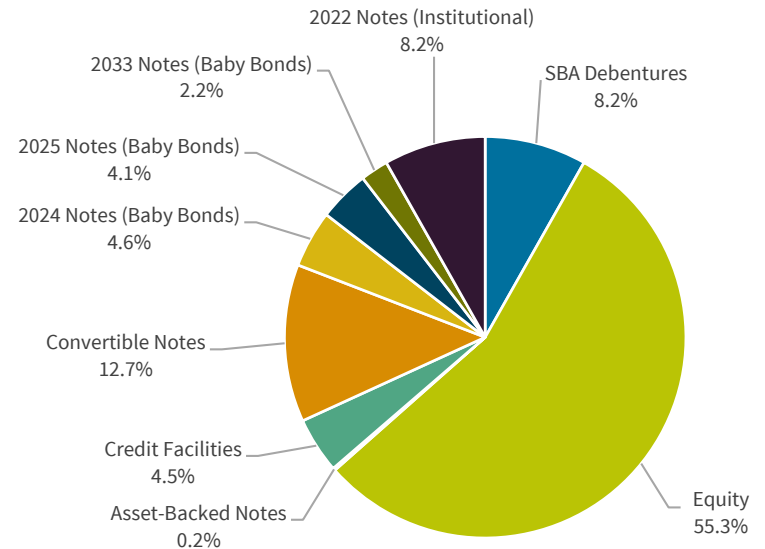
Capital Sources as of 9/30/18	\$ in Millions	% of Total
Equity	\$1,004.2	55.3%
SBA Debentures	\$149.0	8.2%
Asset-Backed Notes	\$3.5	0.2%
Convertible Notes	\$230.0	12.7%
2024 Notes (Baby Bonds)	\$83.5	4.6%
2022 Notes (Institutional)	\$150.0	8.2%
2025 Notes (Baby Bonds)	\$75.0	4.1%
2033 Notes (Baby Bonds)	\$40.0	2.2%
Credit Facilities	\$80.9	4.5%
Total Capital	\$1,816.1	100.0%

(\$ in millions)

Debt Capital Stack



Total Corporate Capitalization

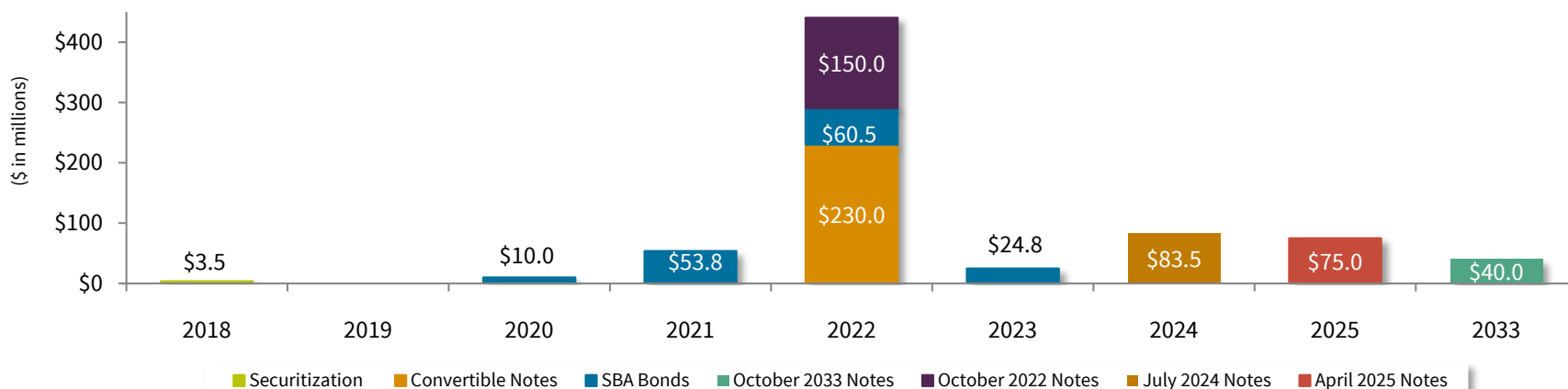


DIVERSIFIED SOURCES OF FUNDING (AS OF 9/30/18)

DATE ENTERED	Wells Fargo Credit Facility	Union Bank Credit Facility	Notes					SBA Debentures – Total debt of \$149.0M	
			January 2022 Conv. Notes	October 2022 Inst. Notes	July 2024 Notes	April 2025 Notes	October 2033 Notes	License 2 HTII	Securitization
	Aug. 2008	Feb. 2010	Jan. 2017	Oct. 2017	July 2014	April 2018	October 2018	May 2010	Nov. 2014
FACILITY SIZE (\$ in millions)	\$75.0	\$100.0	\$230.0	\$150.0	\$83.5	\$75.0	\$40.0	\$149.0	\$3.5
INTEREST RATE	LIBOR + 325bps	LIBOR + 325bps	4.375% unsecured	4.625% unsecured	6.25% unsecured	5.25% unsecured	6.25% unsecured	Range ⁽¹⁾ from 2.2% to 4.1%	3.524%
MATURITY	August 2020	May 2020	February 2022	October 2022	July 2024	April 2025	October 2033	Mature ten years after borrowing	April 2021
ADDITIONAL INFO	(Expandable up to \$300.0)	(Expandable up to \$200.0)	DBRS: BBB KBRA: BBB+	DBRS: BBB KBRA: BBB+	NYSE: HTGX DBRS: BBB KBRA: BBB+	NYSE: HCXZ DBRS: BBB KBRA: BBB+	NYSE: HCXY DBRS: BBB KBRA: BBB+	Set in March & Sept (range from 2.2% to 5.5%)	Rated A(sf) by Kroll
OUTSTANDING (\$ in millions)	\$38.5	\$42.4	\$230.0	\$150.0	\$83.5	\$75.0	\$40.0	\$149.0	\$3.5

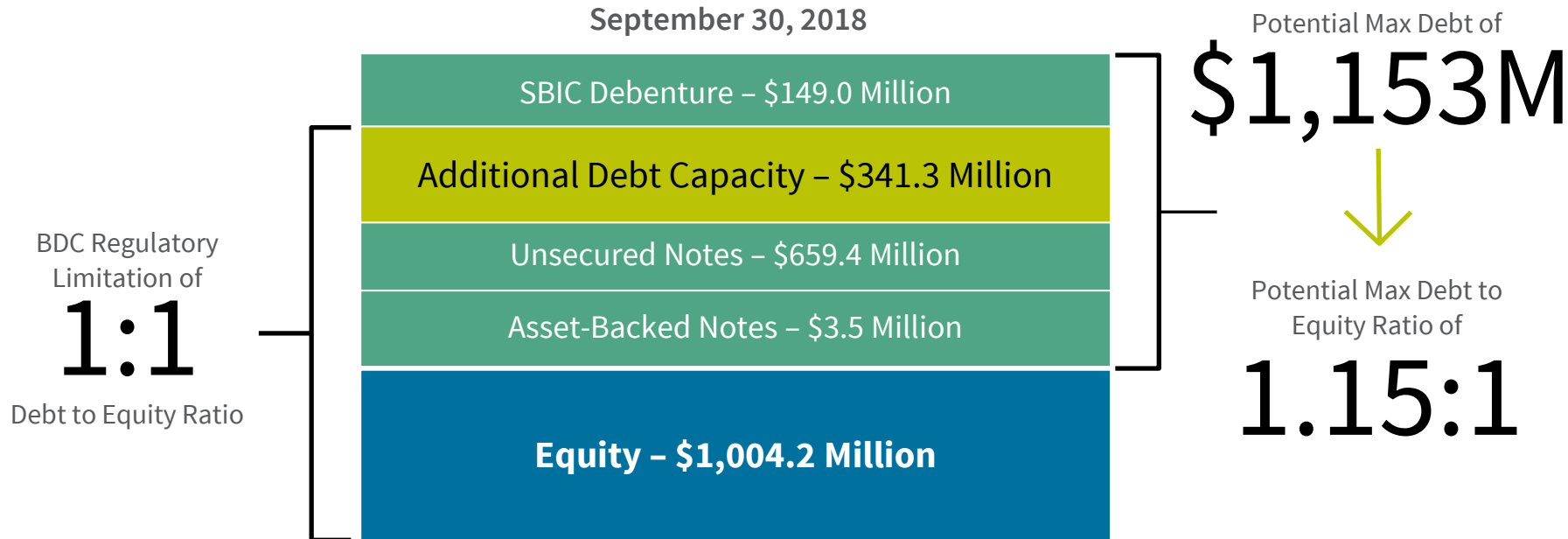
(1) Interest rate range for the SBA debentures does not include annual fees

Well Managed Debt Maturity Schedule



UNLEVERAGED BALANCE SHEET: PLENTY OF ROOM FOR GROWTH

September 30, 2018



61.7% Net Regulatory Leverage, excluding SBA and cash

66.0% Regulatory Leverage, excluding SBA

Credit Facilities 1) Revolving accordion credit facility for up to \$300.0 million with Wells Fargo Capital Finance, \$75.0 million initial 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 and retired September 2018, 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.

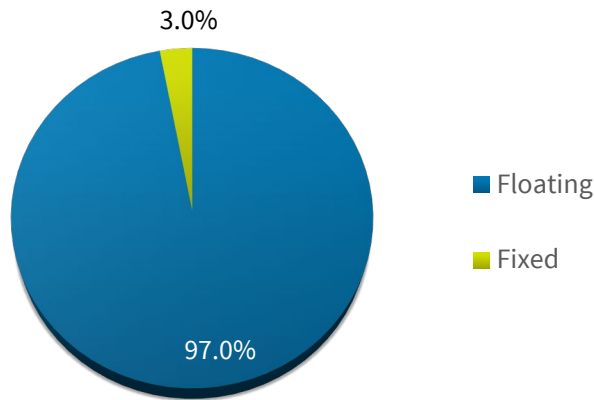
Leverage ratios determined using Principal Amount of Debt

PORTFOLIO HIGHLIGHTS

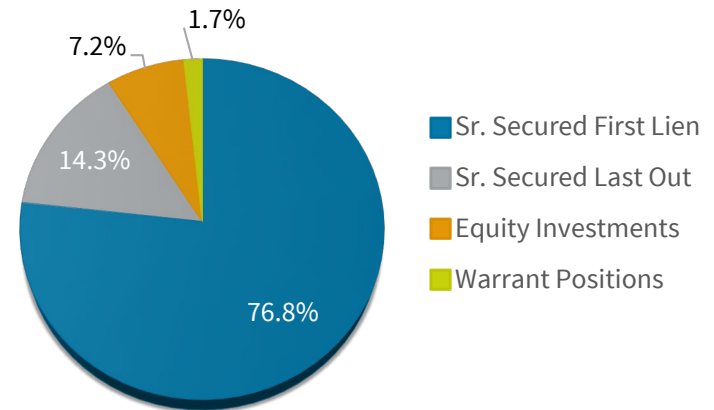


HERCULES' INVESTMENT PORTFOLIO: Q3 2018

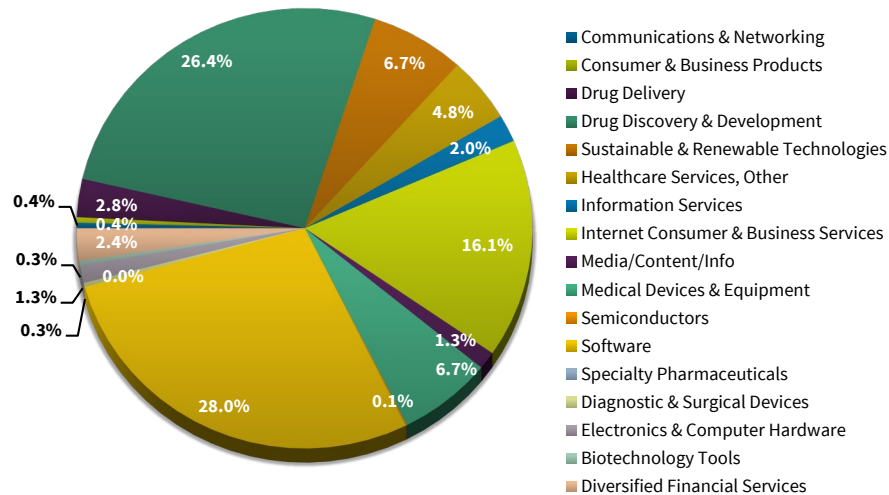
Floating vs. Fixed Rate



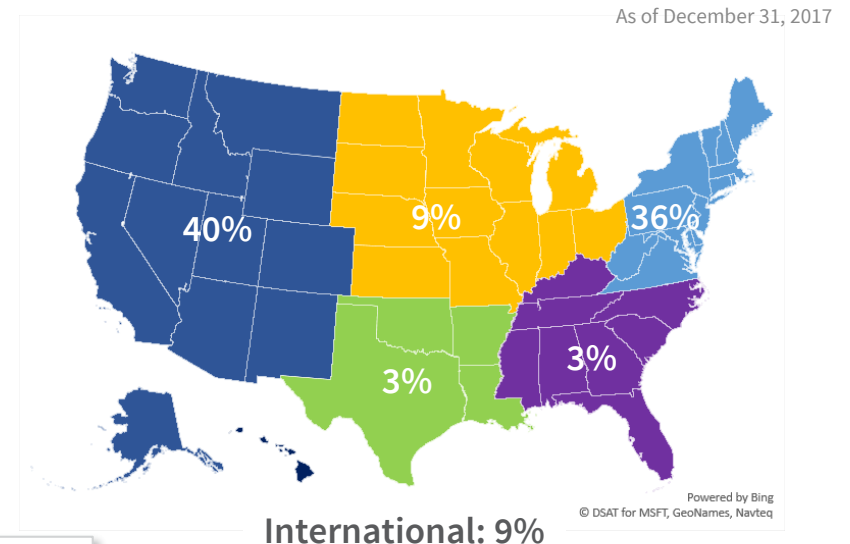
Investment Type Breakout



Industry Breakout



Hercules Investments by Geography



HERCULES WARRANT & EQUITY PORTFOLIO: POTENTIAL FUTURE UPSIDE FOR SHAREHOLDER'S TOTAL RETURN

Two (2) Existing Portfolio Companies in IPO Registration – Q3 2018

Five (5) Announced or Completed Portfolio Company M&A Liquidity Events – Q3 2018

- NuGEN Technologies, Avnera Corporation, INXPO, NewVoiceMedia Ltd. and Clustrix

Current Warrant and Equity Portfolio – Q3 2018

- 130 warrant holdings
 - GAAP fair value ~\$29.8 million
 - GAAP cost ~\$36.5 million
 - ~\$79.2 million in nominal Exercise Value (as of 9/30/18)
- 52 equity holdings
 - GAAP fair value ~\$127.4 million
 - GAAP cost ~\$168.6 million

-
- Illustrative models of potential warrant gains (as of 9/30/18)
 - Assumption: 50% of warrants will not monetize
 - GAAP cost ~\$36.5 million
 - Based on ~95.5 million weighted average shares

\$39.6M x 2X multiple:
\$79.2M - \$36.5M cost =
\$42.7M unrealized gain = **\$0.45/share**

\$39.6M x 3X multiple:
\$118.8M - \$36.5M cost =
\$82.3M unrealized gain = **\$0.86/share**

\$39.6M x 4X multiple:
\$158.4M - \$36.5M cost =
\$121.9 unrealized gain = **\$1.28/share**

SELECT LIST OF DIVERSIFIED PORTFOLIO COMPANIES

Technology

 Palantir*

 DocuSign*

 Pinterest*

 facebook*

 Couchbase

 Postmates

 FANDUEL

 ForeScout

 IRON
PLANET

 MZ
MACHINEZONE

 ancestry.com

 WageWorks

* Equity-only Investments

Life Sciences

 Quanterix

 Celator
Pharmaceuticals

 Intuity
MEDICAL

 TRICIDA

 MYOVANT
SCIENCES

 insmed

 TransMedics

 Stealth
BIOTHERAPEUTICS

 Bellicum
PHARMACEUTICALS

 AXOVANT
Dementia Solutions

 MERRIMACK
PHARMACEUTICALS

 revance*

 Melinta
THERAPEUTICS

 CHEMOCENTRYX

SaaS Financing

 box

 EVERNOTE

 onelogin

 Banker's
Toolbox

 fuze

 Wrike

 salsa

 CLARABRIDGE

 AppDirect

 C2FO

 Quid

 dashlane

 EVERFI

Sustainable & Renewable Technology

 PROTERRA

 IMPOSSIBLE

 -chargepoint+

 glo

 PLUG
POWER

 tpi COMPOSITES

 horizon
SOLAR POWER

 Trilliant

 fuelcellenergy

 Xometry

 AMYRIS

 BrightSource
Limitless

 FLUIDICENERGY

Special Situations

 Annie's

 zayo
GROUP

 HighJump
SOFTWARE

 Jab
broadband

 MD
everywhere

 Medsphere

 daegis

 InfoLogix

 intelligent
beauty

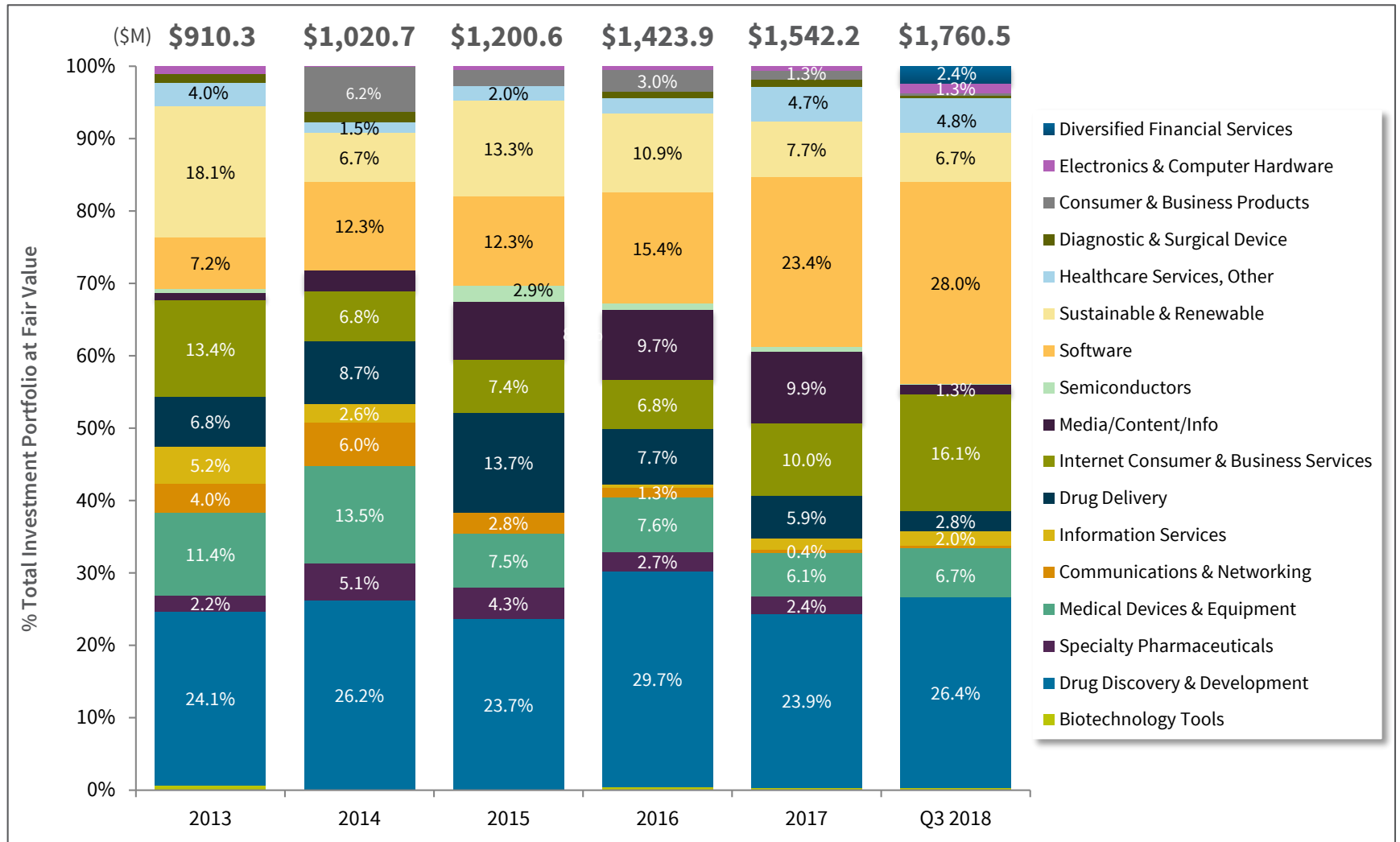
 Velocity

 VAULTLOGIX

 EducationDynamics

 SCRIPTSAVE

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

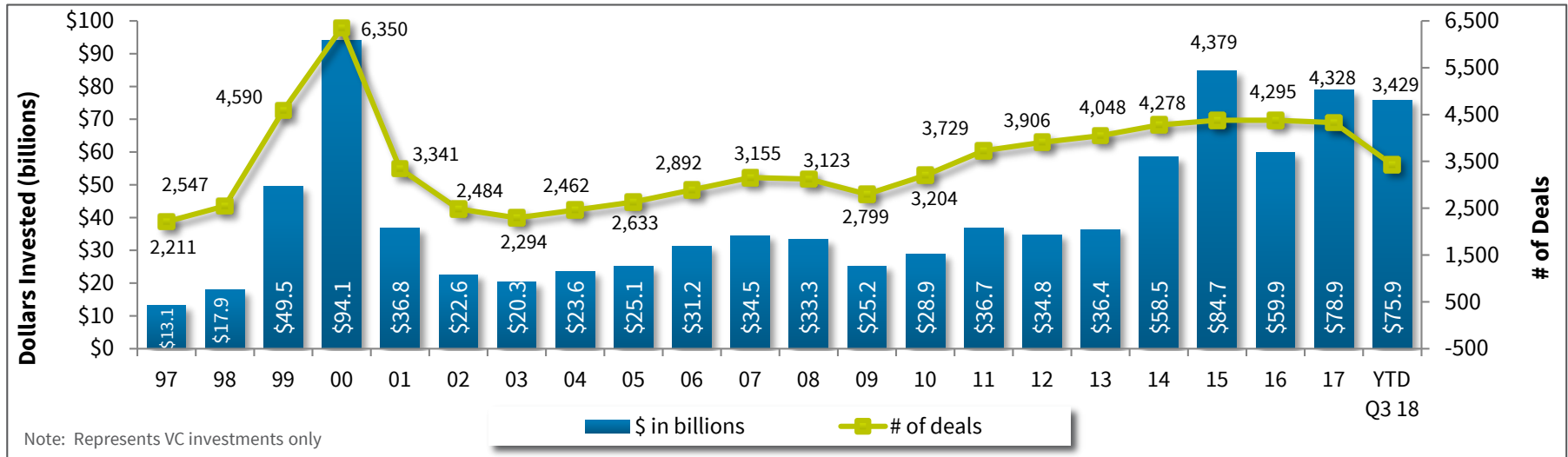
Key VC
Investment
Centers
Palo Alto
Boston
New York
Washington DC
Chicago
Hartford

VENTURE CAPITAL MARKET OPPORTUNITY



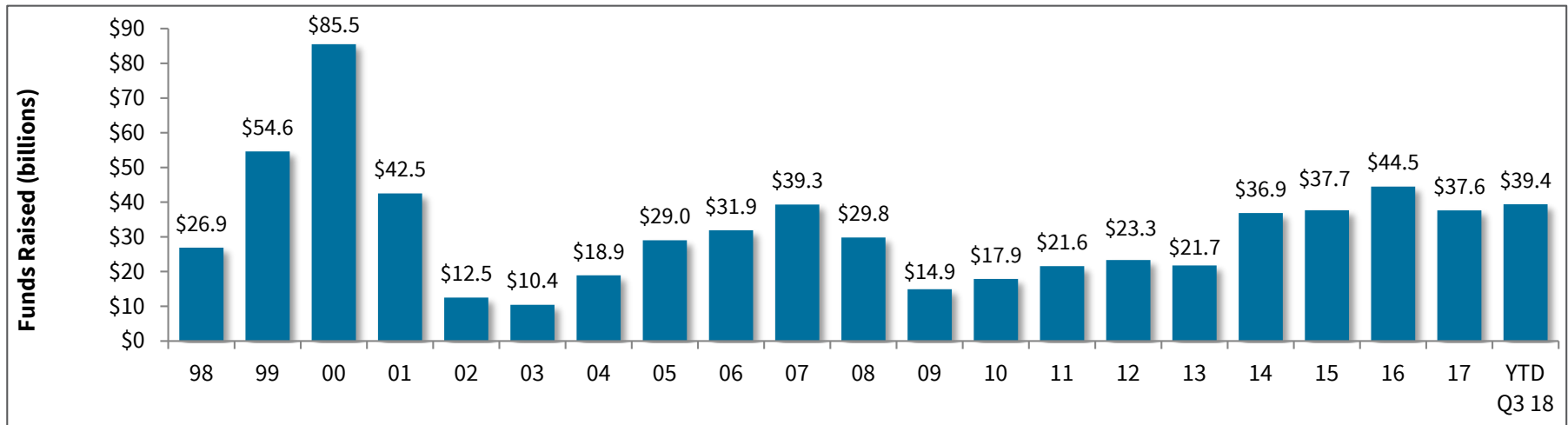
OVER \$921.9 BILLION VENTURE CAPITAL INVESTMENT

Venture Capital Investment Activity 1997 – Q3 2018



Source: Dow Jones VentureSource Q3 2018

Venture Capital Fundraising Activity 1997 – Q3 2018



Source: Dow Jones VentureSource Q3 2018

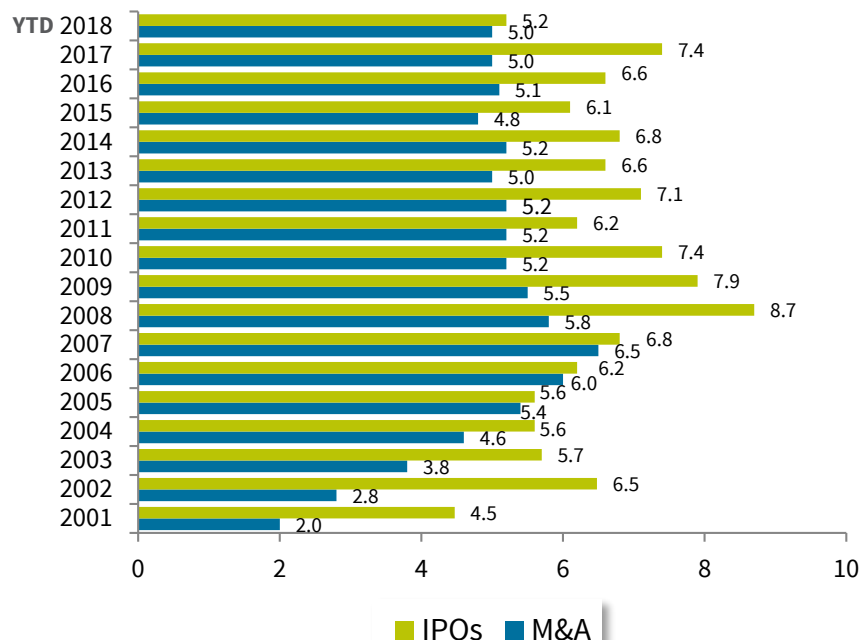
WHY VENTURE BACKED COMPANIES USE VENTURE DEBT?

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...

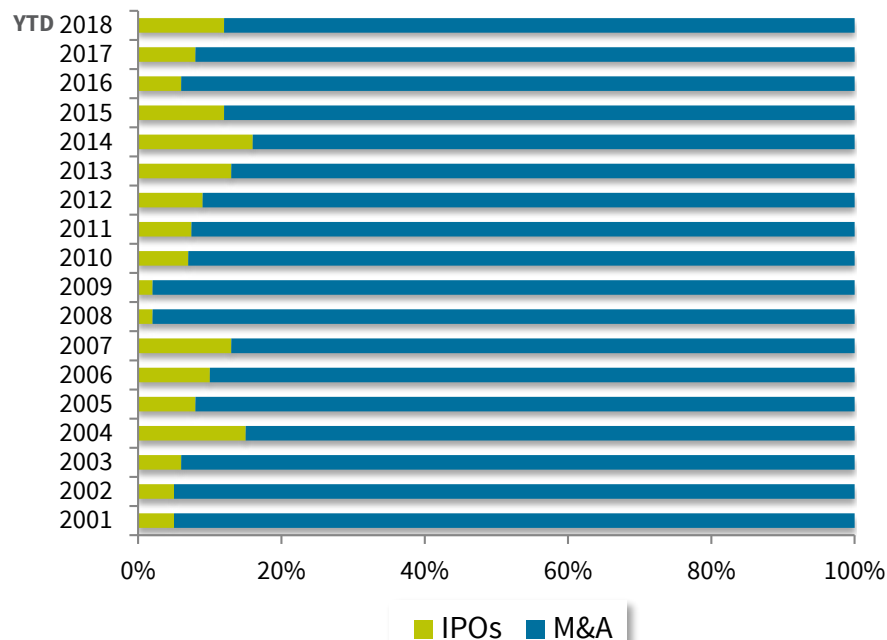
Median Time from Initial Equity Funding



Source: Dow Jones VentureSource Q3 2018

... M&A Remains the Exit of Choice

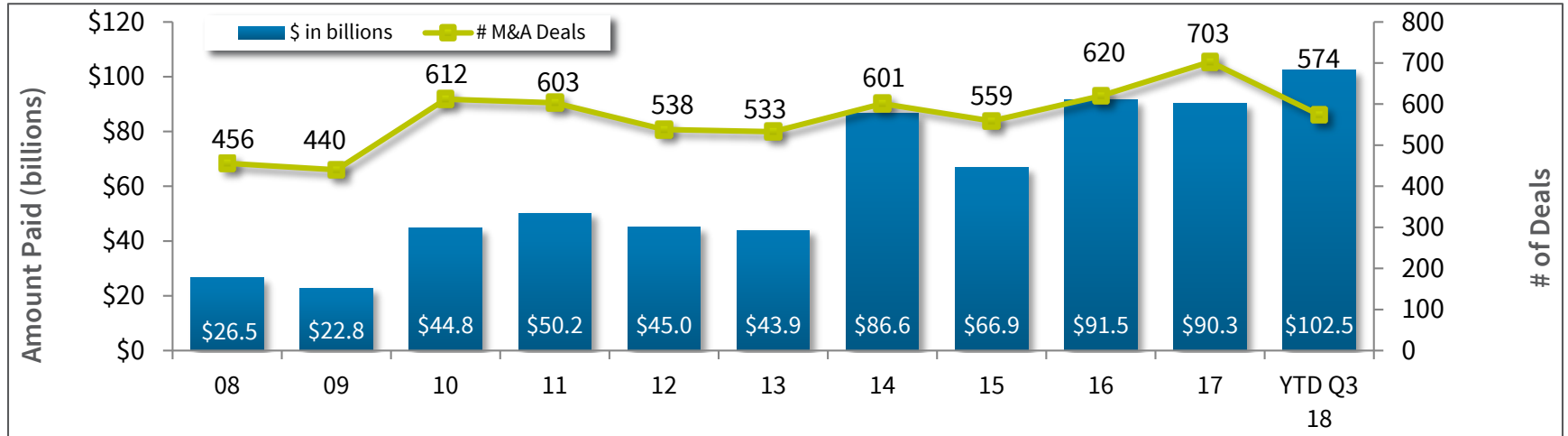
Breakdown of Venture Backed Liquidity Events



Source: Dow Jones VentureSource Q3 2018

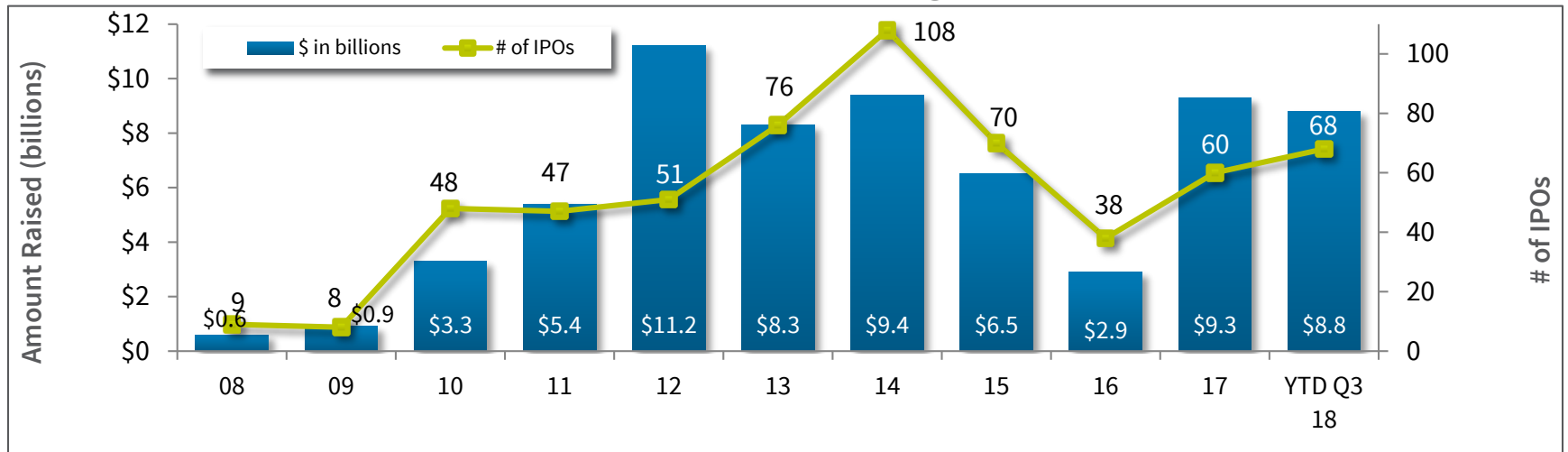
EXITS OF VENTURE CAPITAL-BACKED COMPANIES

Mergers & Acquisitions



Source: Dow Jones VentureSource Q3 2018

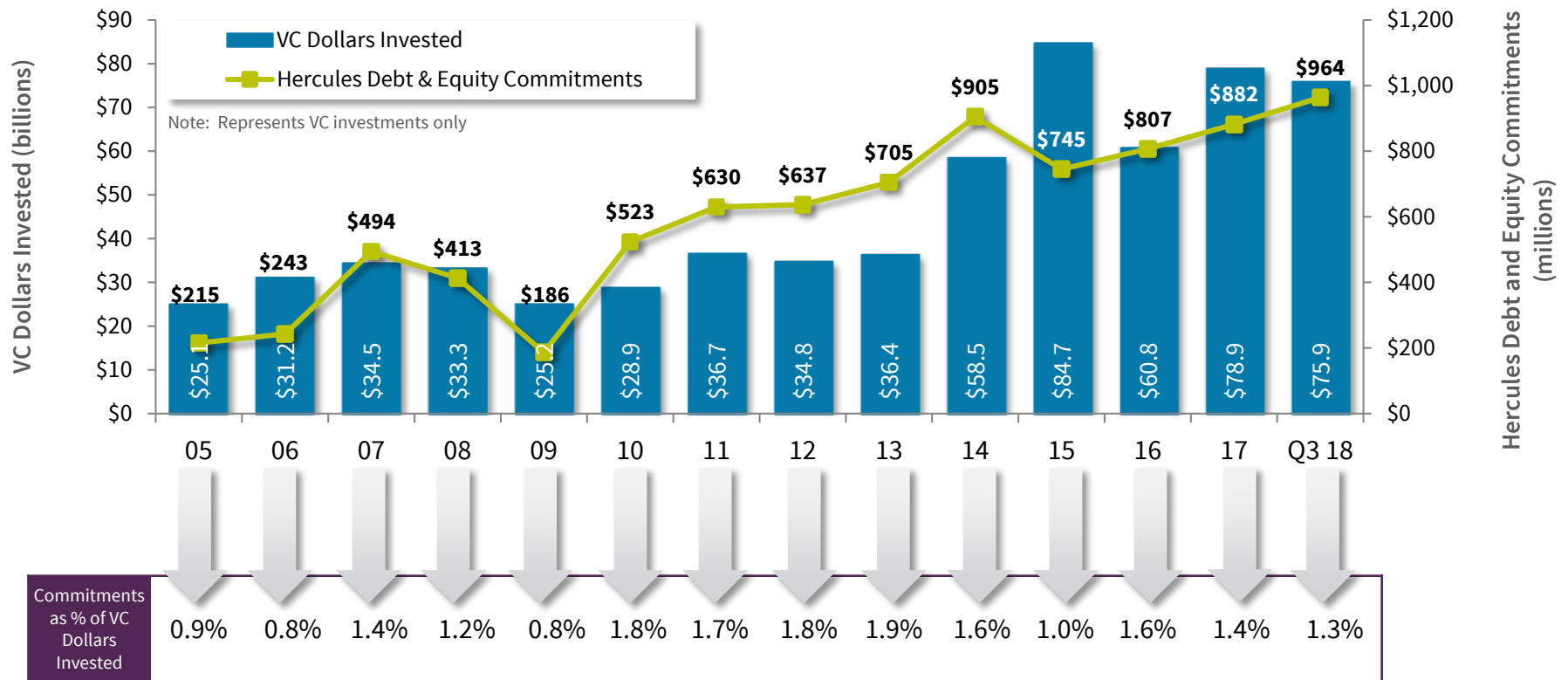
Initial Public Offerings



Source: Dow Jones VentureSource Q3 2018

HERCULES' TOTAL COMMITMENTS vs. VC DOLLARS INVESTED

VENTURE CAPITAL INVESTMENT ACTIVITY 2005 – Q3 2018

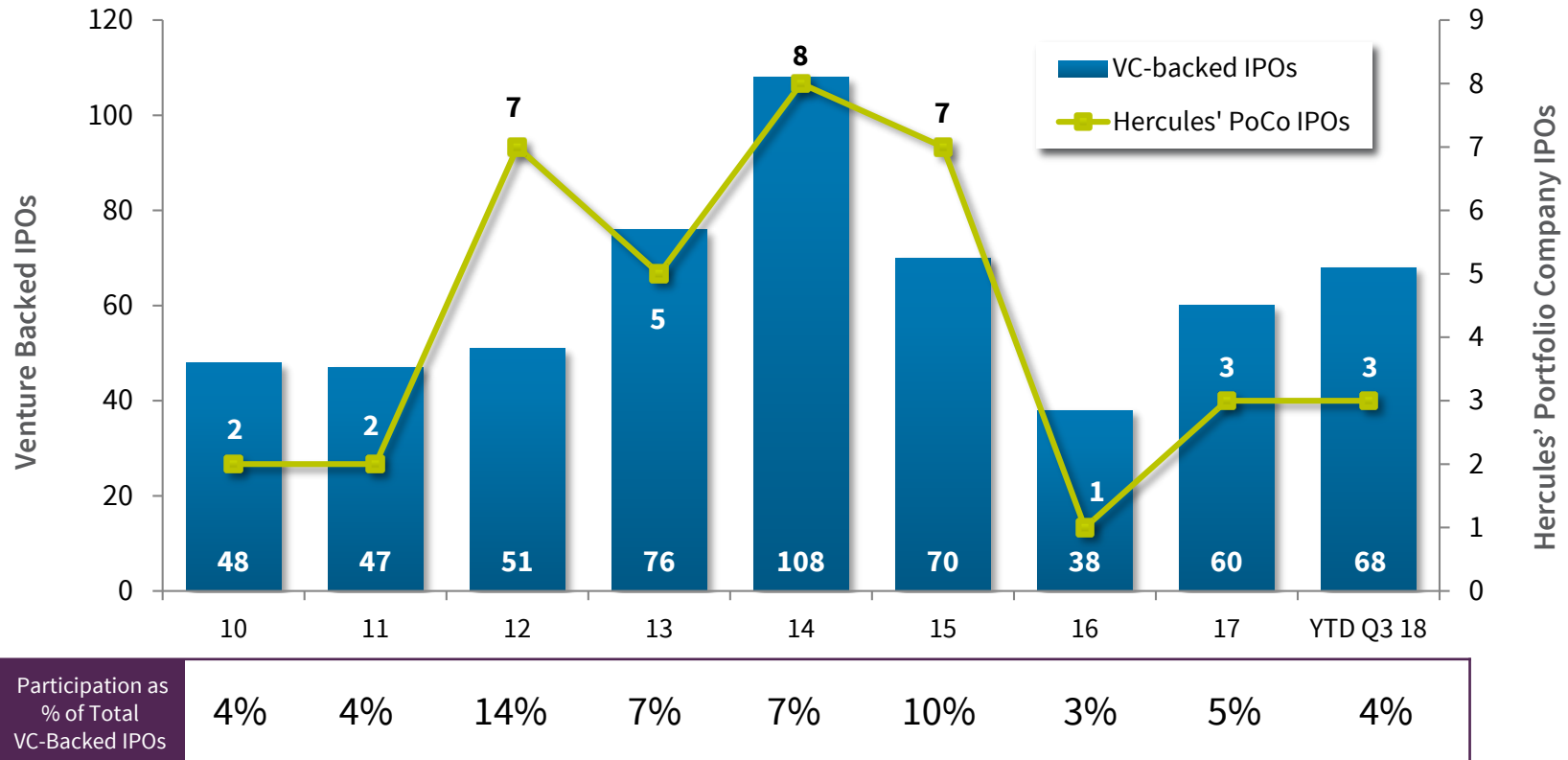


- Hercules' uncompromising yield and credit underwriting standards drives commitments
- Market conditions determine commitment activity more than pure VC investment activity
- Hercules' 14-year historical average: 1.4%

Source: Dow Jones VentureSource Q3 2018

HERCULES' PORTFOLIO COMPANY IPOs

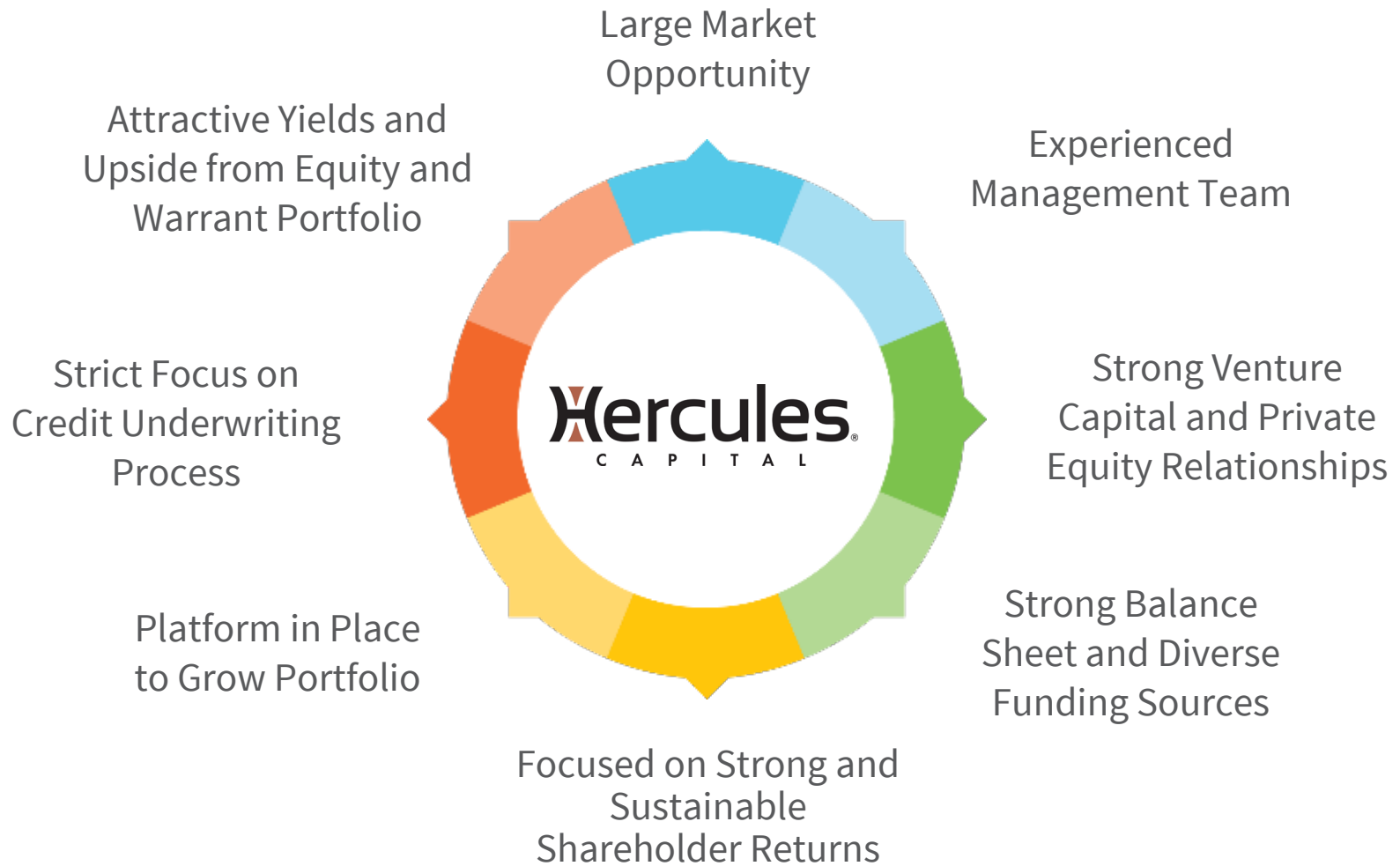
PROVIDING INVESTOR ACCESS TO SOME OF AMERICA'S MOST PROMISING COMPANIES



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

Source: Dow Jones VentureSource Q3 2018

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)

**SANDLER
O'NEILL
+ PARTNERS**

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



Robert Dodd
(Initiated Coverage 7/26/2012)

Hercules Capital is followed by the analysts listed above. Please note that any opinions, estimates or forecasts regarding Hercules Capital's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of Hercules Capital or its management. Hercules Capital does not by its reference above or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations.

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

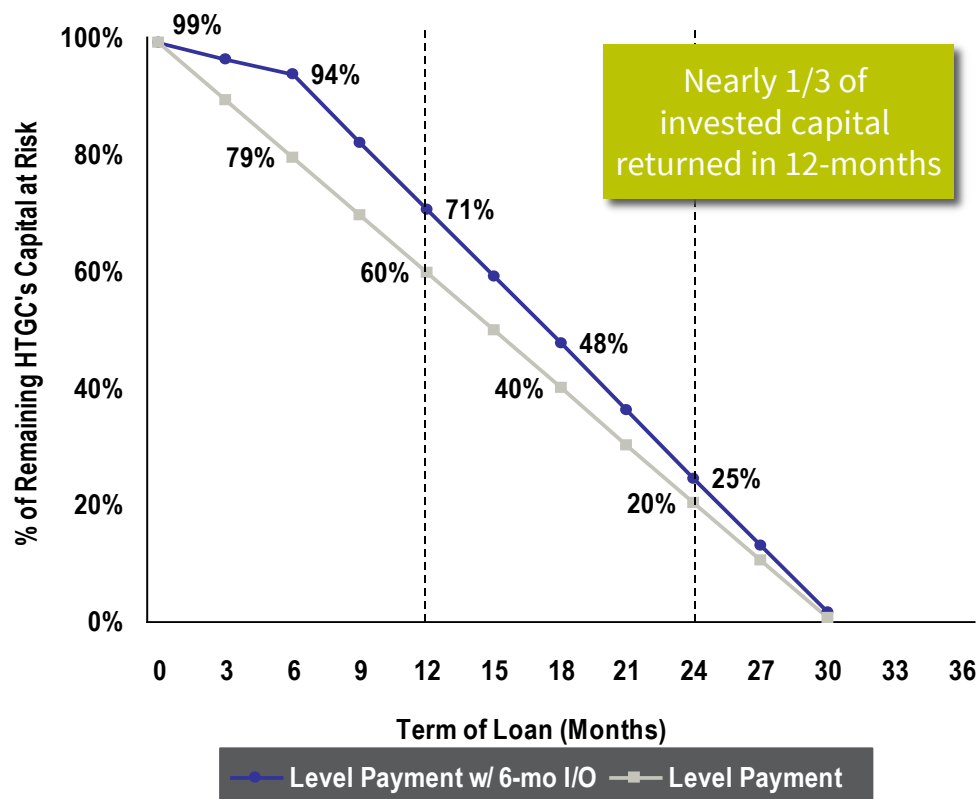
Small Business Investment Company (SBIC)

- One Small Business Investment Company (“SBIC”) license granted through the U.S. Small Business Administration (“SBA”)
- Currently, \$149.0 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