

*July 30, 2020*

## SECOND QUARTER 2020 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.

# HERCULES CAPITAL

<b>Structure</b>	<b>Internally Managed</b> Business Development Company (BDC)
<b>IPO Date</b>	<b>June 9, 2005</b>
<b>Investment Options</b>	<b>HTGC (NYSE) – Common Stock</b>
	<b>Institutional Notes PAR \$1000.00</b> <ul style="list-style-type: none"><li>• 4.625% Notes due 2022</li><li>• 4.77% Notes due 2024</li><li>• 4.28% Notes due 2025</li><li>• 4.31% Notes due 2025</li></ul>
	<b>Retail Notes (Baby Bonds) PAR \$25.00</b> <ul style="list-style-type: none"><li>• HCXY (NYSE) 6.25% Notes due 2033</li><li>• HCXZ (NYSE) 5.25% Notes due 2025</li></ul>
	<b>Convertible Notes</b> <ul style="list-style-type: none"><li>• 4.375% Notes due 2022</li></ul>
	<b>Securitization Notes</b> <ul style="list-style-type: none"><li>• 4.605% Asset-backed Notes due 2027</li><li>• 4.703% Asset-backed Notes due 2028</li></ul>
<b>Annualized Dividend Yield<sup>(1)</sup></b>	<b>12.2% as of June 30, 2020</b>
<b>Distributions Declared</b>	<b>\$0.32 per share for Q2 2020</b>
<b>Price to NAV</b>	<b>1.08x - July 22, 2020</b> <b>~1.1x to ~1.5x historical range</b>

(1) Annualized based on the \$0.32 distribution declared for Q2 2020 and a closing stock price of \$10.47 as of June 30, 2020

## SECOND QUARTER 2020 INVESTOR PRESENTATION

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

## KEY PERFORMANCE HIGHLIGHTS



# Q2 2020 HIGHLIGHTS

## Robust Earnings

- Net Investment Income (“NII”) of \$35.7M, up 1.2% Y-Y
- Total Investment Income of \$68.0M, down 1.9% Y-Y
- NII per share of \$0.32 and 100% distribution coverage

## Strong Shareholder Returns

- 1YR/3Yr/7YR Total Shareholder Returns<sup>(1)</sup>: -8.3%/7.6%/37.5%
- ROAE<sup>(1,2)</sup>: 12.7%
- ROAA<sup>(1,2)</sup>: 6.0%
- Net Interest Margin (“NIM”): 9.5%

## High-Yield Portfolio of Earning Assets

- Total Debt Investments (at cost): \$2.28B
- Total Investments (at cost): \$2.50B
- Effective Yield: 12.2%

## Industry-Leading Originations Platform

- \$10.5B in total debt commitments since inception
- Cumulative Total Net Realized (Loss) since inception of (\$16.5M)
- Total debt & equity commitments: \$266.2M
- Debt & equity fundings: \$132.3M

## Strong Liquidity and Balance Sheet

- \$510.9M available liquidity (subject to existing terms and covenants)
- GAAP and regulatory leverage: 110.0% and 100.5%<sup>(3)</sup>

## Strong Capital Raising Position

- Price-to-NAV: 1.08x<sup>(4)</sup>
- “ATM” Equity Distribution Agreement
- Investment Grade Credit Ratings: DBRS: BBB | KBRA: BBB+

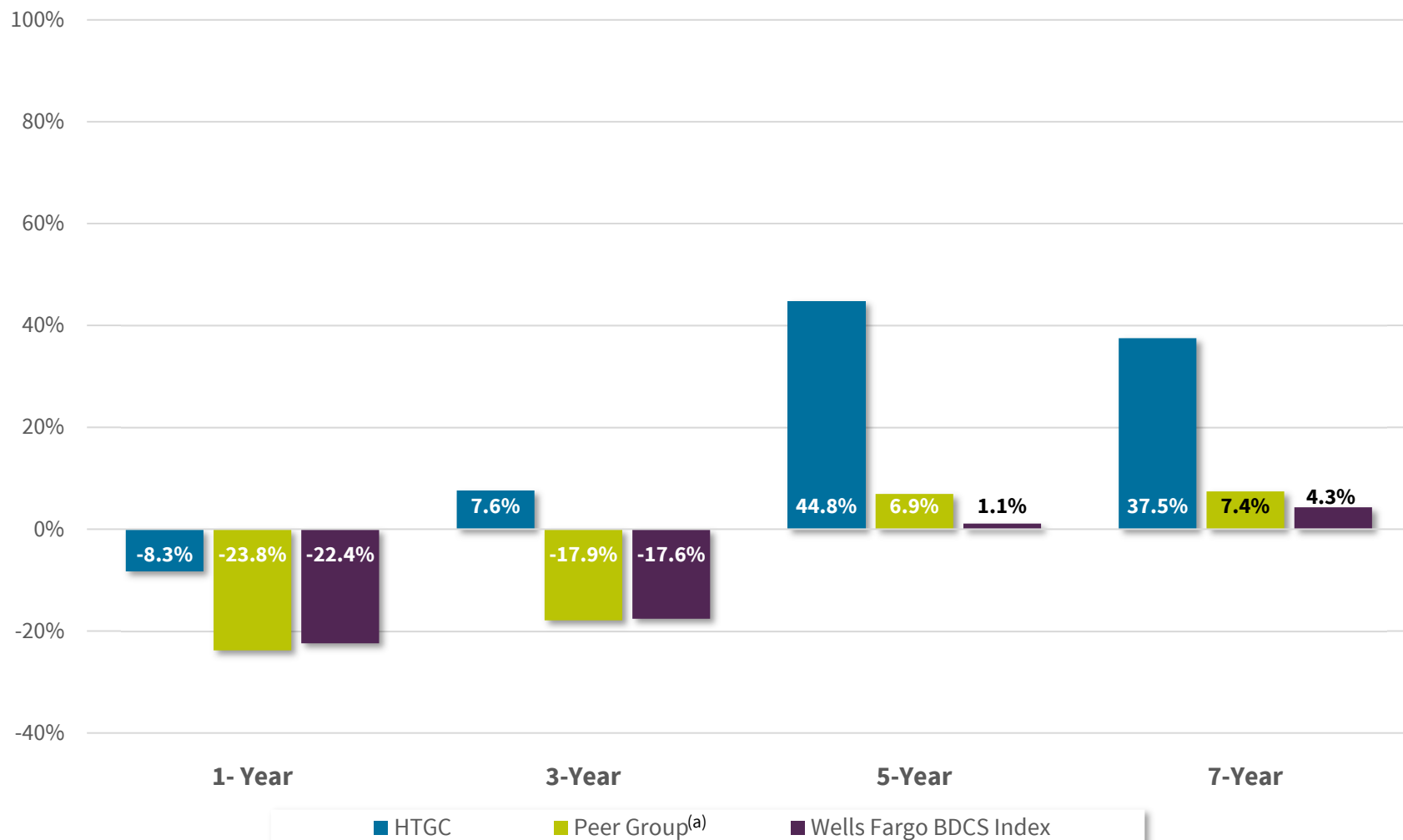
(1) Source: S&P CapIQ as of 6/30/20

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

(3) Regulatory leverage is defined as GAAP leverage excluding SBA debentures

(4) As of July 22, 2020

# TOTAL SHAREHOLDER RETURN (TSR)<sup>(b)</sup> vs. BDCs & WELLS FARGO INDEX



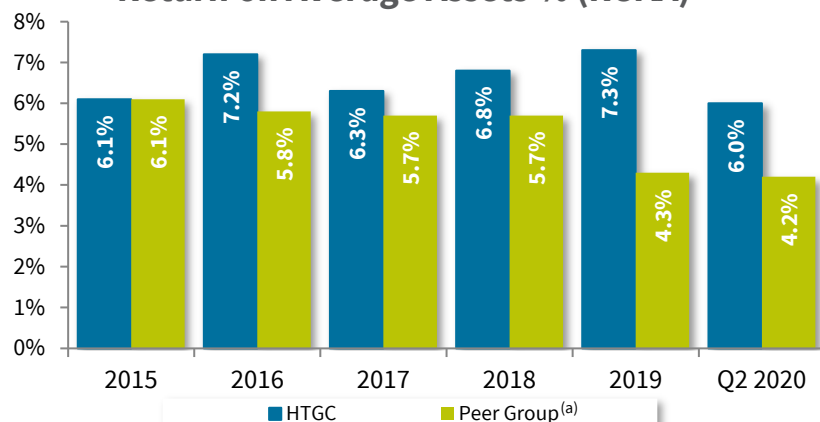
(a) Peer Group: AINV, ARCC, BKCC, OCSL, FSK, GBDC, GSB, MAIN, NMFC, OXSQ, PNNT, PSEC, SLRC, BBDC, TCPC, FCRD, TSLX

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

Source: S&P Capital IQ as of June 30, 2020

# DELIVERING STRONG SHAREHOLDER RETURNS

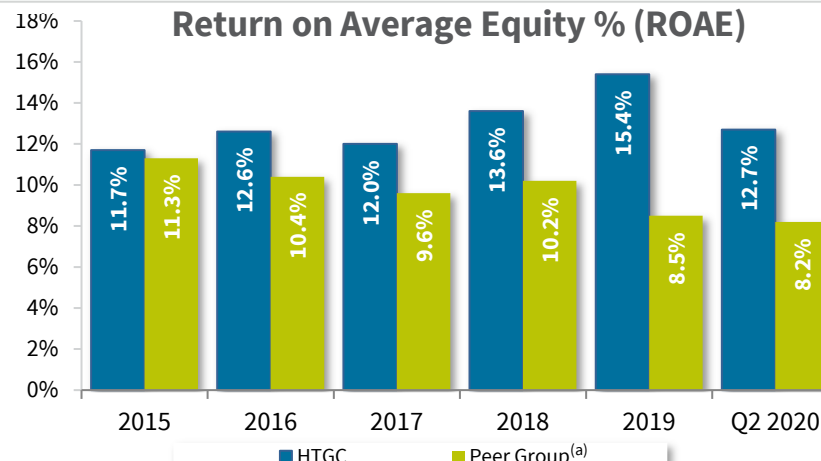
## Return on Average Assets % (ROAA)



Source: S&P Capital IQ as of 6/30/20 for HTGC and Peer Group. 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.

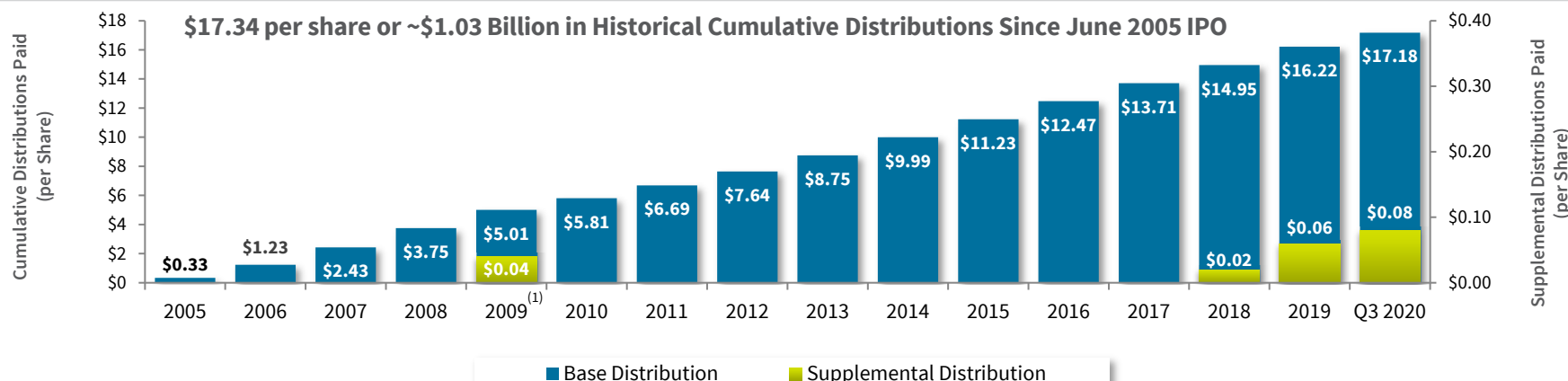
(a) Peer Group: AINV, ARCC, BKCC, OCSL, FSK, GBDC, GSBD, MAIN, NMFC, OXSQ, PNNT, PSEC, SLRC, BBDC, TCPC, FCRD, TSLX

## Return on Average Equity % (ROAE)



Source: S&P Capital IQ as of 6/30/20 for HTGC and Peer Group. Return on Average Equity based on NII. NII divided by average of beginning of period equity and end of period equity.

## \$17.34 per share or ~\$1.03 Billion in Historical Cumulative Distributions Since June 2005 IPO



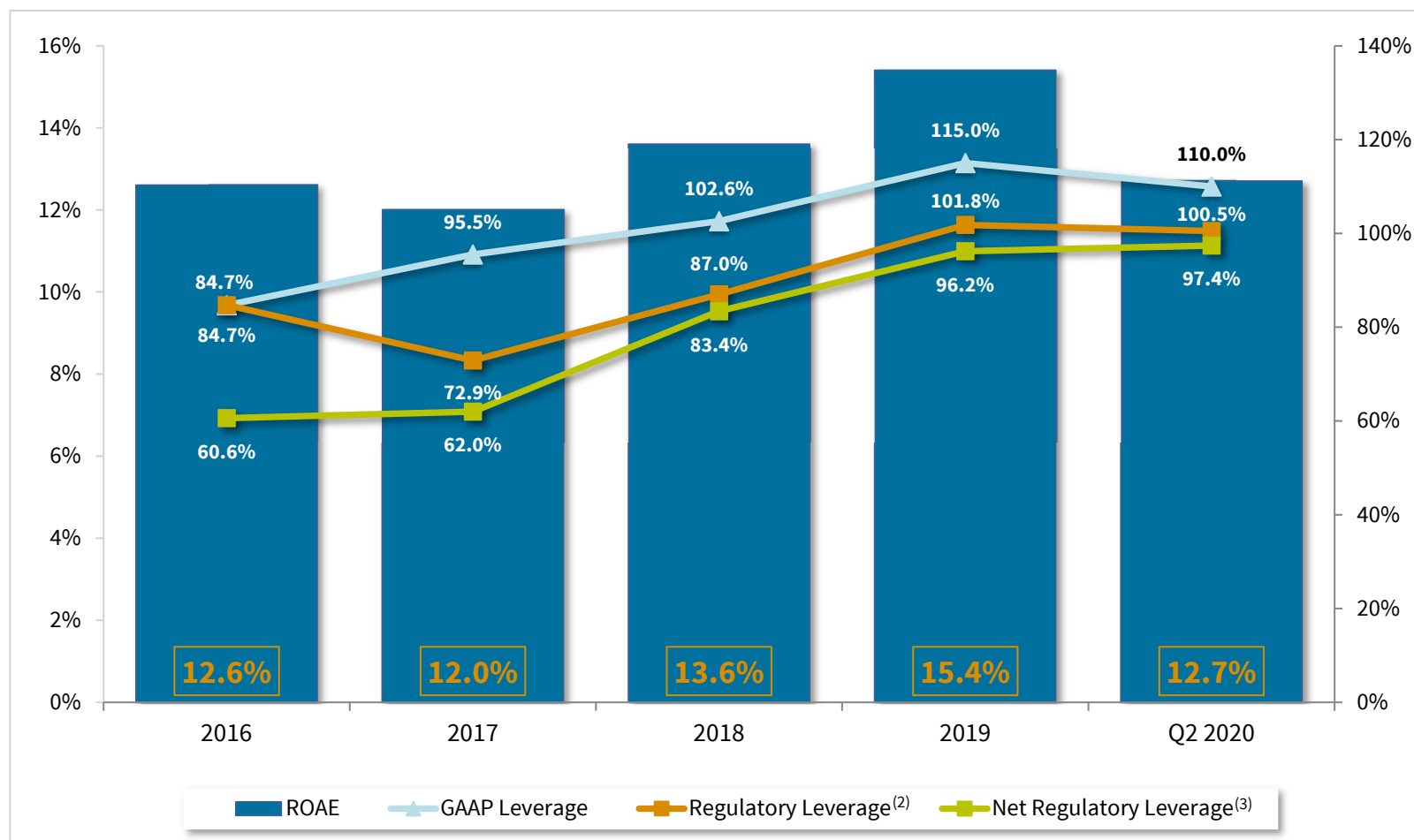
(1) Q1 09 distribution was paid in 10% cash and 90% stock

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, 2020 were paid 100% from earnings and profits; however, there can be no certainty to shareholders that this determination is representative of the tax attributes of the Company's 2020 full year distributions to stockholders.



# AVAILABLE LEVERAGE FOR POTENTIAL EARNINGS GROWTH

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



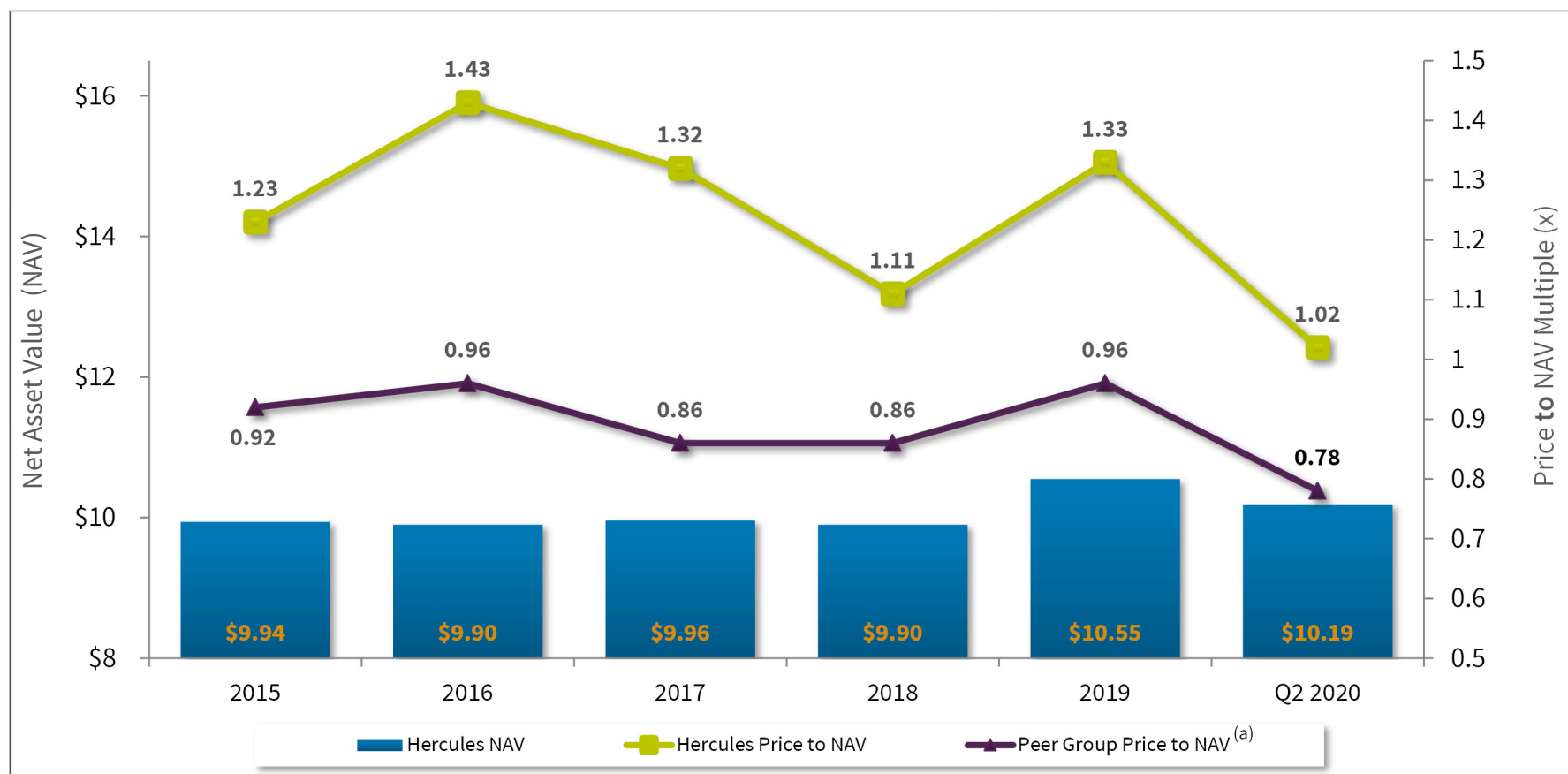
(1) Source: S&P Capital IQ as of 6/30/20. Return on Average Equity based on NII. NII divided by average of beginning of period equity and end of period equity.

(2) Excludes SBA

(3) Excludes SBA and cash

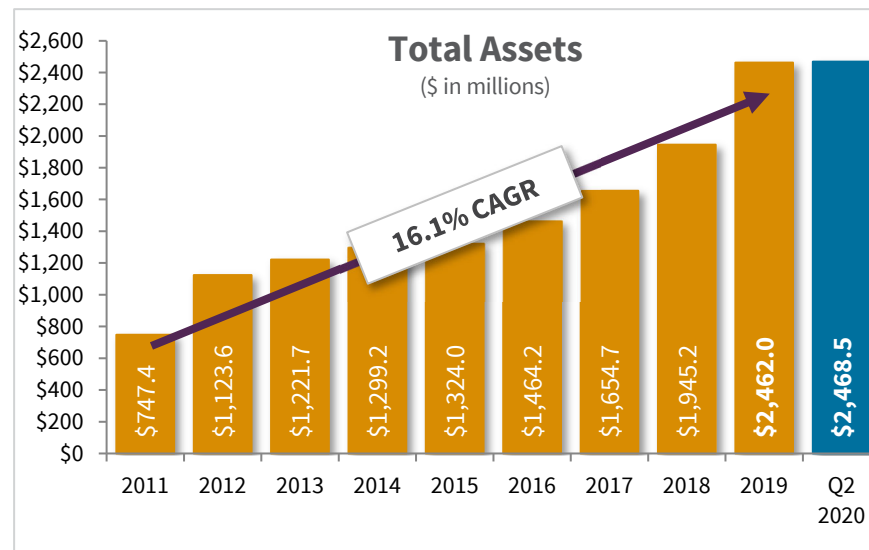
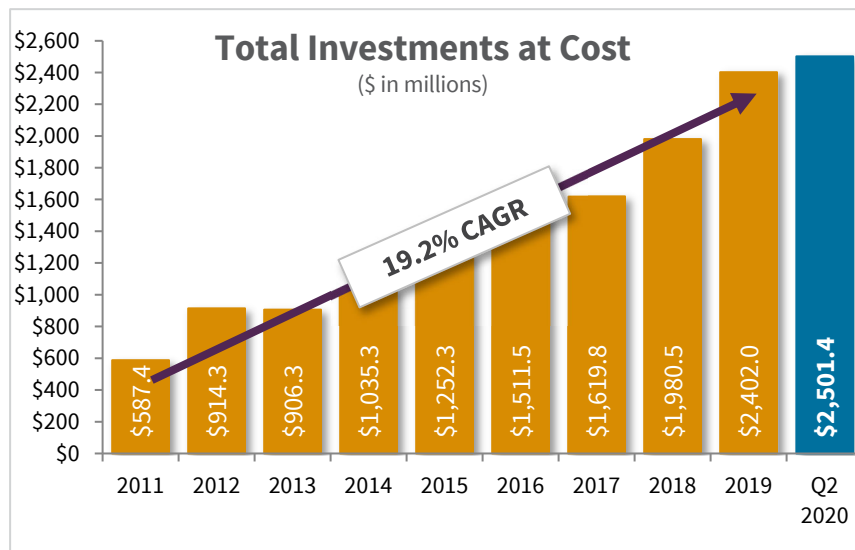
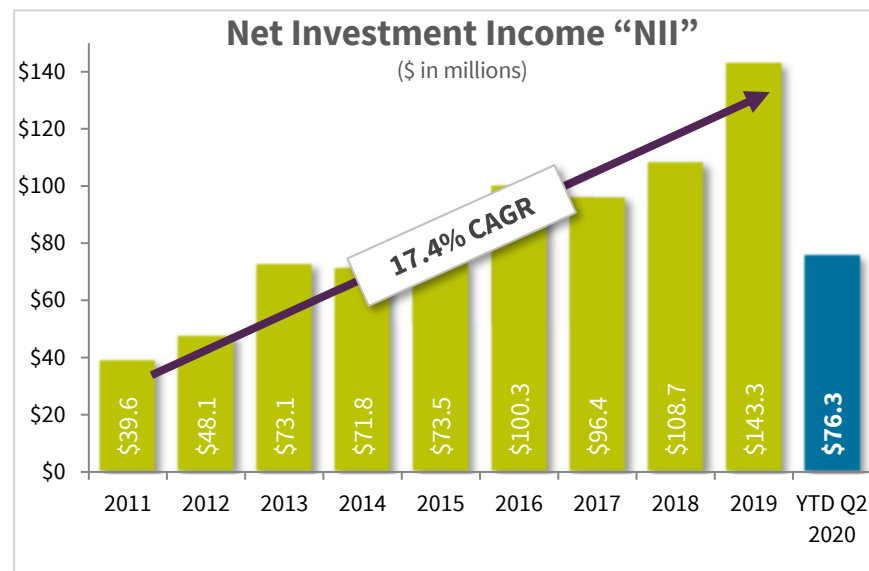
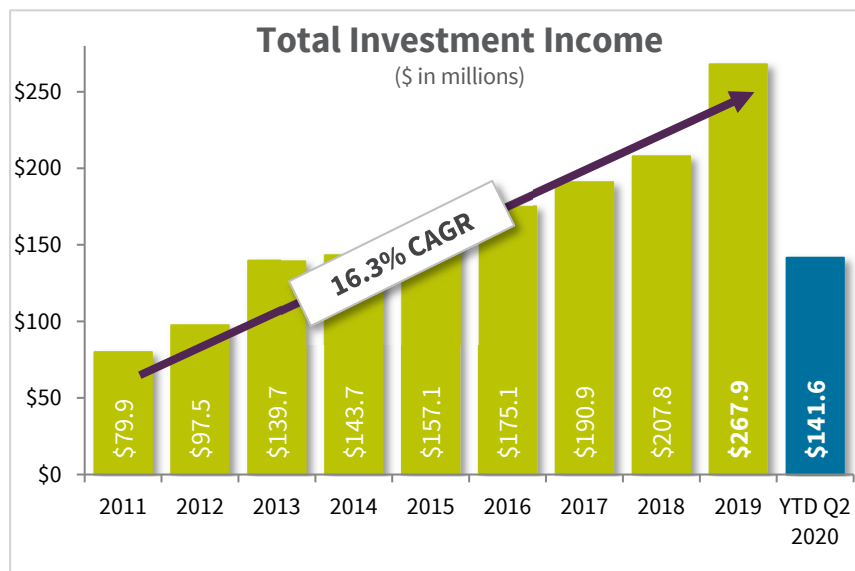
# HERCULES CONSISTENTLY MAINTAINS A PREMIUM TO NAV

CREATES A STRONG CAPITAL RAISING POSITION TO SUPPORT GROWTH



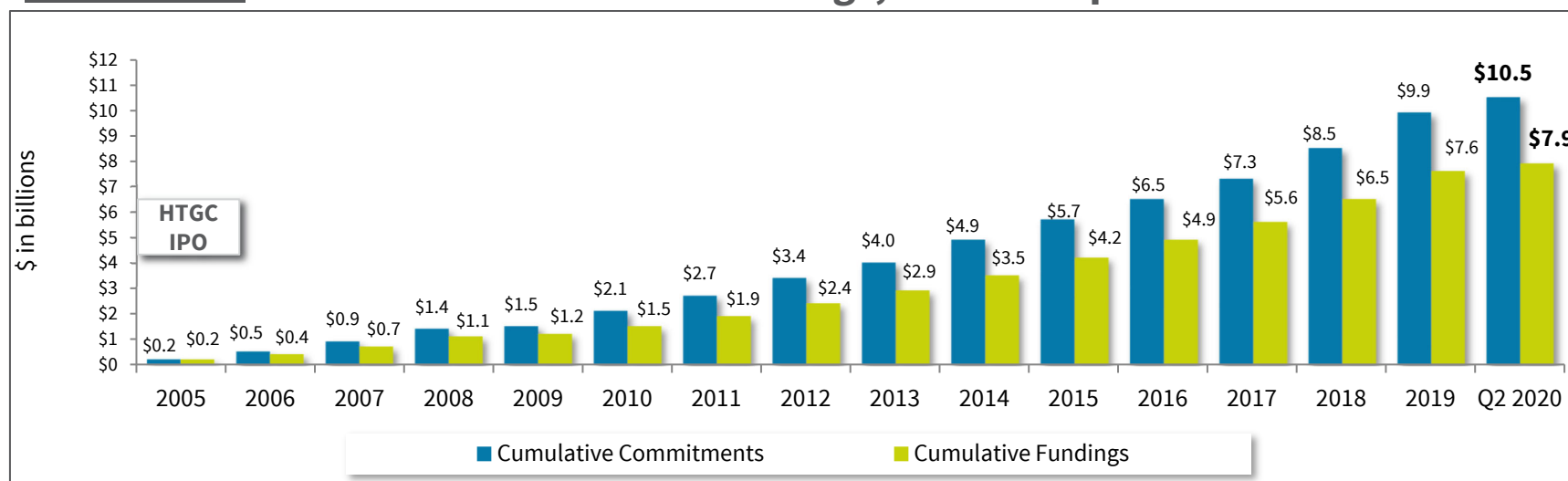
(a) Peer Group: AINV, ARCC, BKCC, OCSL, FSK, GBDC, GSD, MAIN, NMFC, OXSQ, PNNT, PSEC, SLRC, BBDC, TCPC, FCRD, TSLX  
Price to NAV Source: S&P CapIQ as of 6/30/20 for HTGC and for Peer Group. Stock price based on closing price on last trading day of each calendar year or relative quarter.

# HERCULES KEY PERFORMANCE HIGHLIGHTS

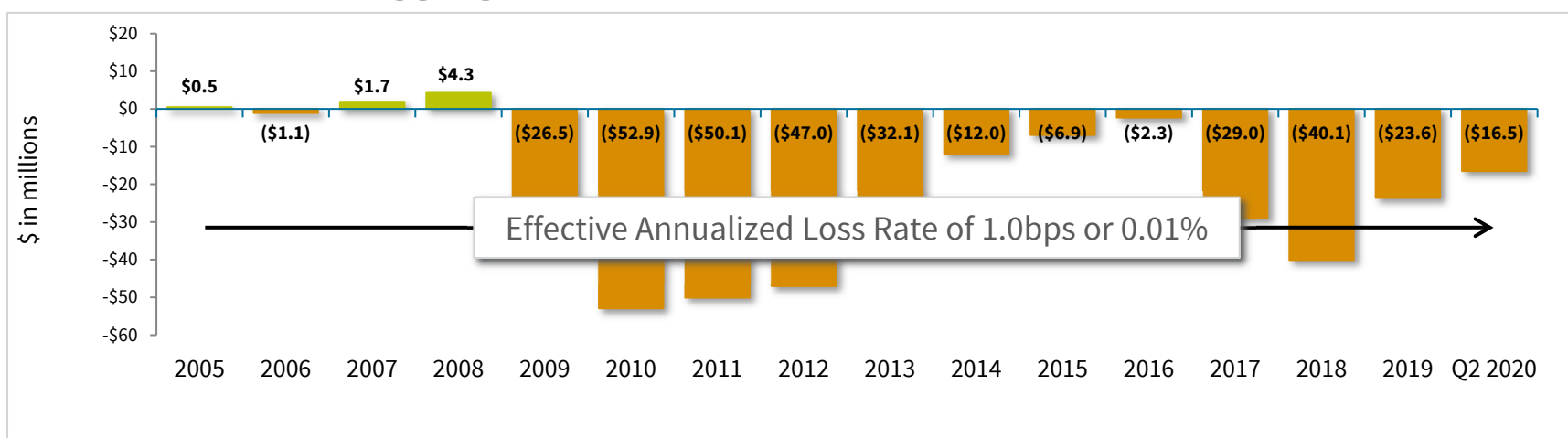


# PORTFOLIO GROWTH WITH UNDERWRITING DISCIPLINE

## Cumulative Debt Commitment and Fundings, Since Inception



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



## COMPANY & STRATEGIC OVERVIEW



# HERCULES AT-A-GLANCE

LARGEST 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  
**\$2.46 billion<sup>(1)</sup>**

MARKET CAPITALIZATION  
**\$1.21 billion<sup>(1)</sup>**

NET ASSET VALUE PER SHARE  
**\$10.19 as of 6/30/20**

HISTORICAL PRICE/NAV  
**~1.1x to ~1.5x range**

CURRENT PRICE/NAV  
**1.08x<sup>(1)</sup>**

**\$2.28**  
BILLION

DEBT INVESTMENT  
PORTFOLIO

DEBT INVESTMENT COST BASIS  
**\$2.28 billion**

DEBT INVESTMENT FAIR VALUE  
**\$2.22 billion**

EFFECTIVE YIELD  
**12.2%**

DEBT INVESTMENTS IN  
**102 companies**

SHORT TERM MATURITIES  
**36-42 months**

INVESTMENT SIZE  
**\$5 to \$200 million**

**103**  
COMPANIES

WARRANT & EQUITY  
PORTFOLIO

WARRANT HOLDINGS IN  
**103 companies**

EQUITY HOLDINGS IN  
**53 companies**

TOTAL WARRANT AND EQUITY  
GAAP COST  
**\$222.4 million**

TOTAL WARRANT AND EQUITY  
FAIR VALUE  
**\$147.2 million**

**\$510.9**  
MILLION

LIQUIDITY & BALANCE  
SHEET

AVAILABLE LIQUIDITY TO  
INVEST<sup>(2)</sup>  
**\$510.9 million**

GAAP LEVERAGE  
**110.0% / 100.5% ex. SBA**

INVESTMENT GRADE RATINGS  
**DBRS: BBB**  
**KBRA: BBB+**

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

(1) Source for Enterprise Value and Market Capitalization is S&P Capital IQ as of July 22, 2020

(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 direct 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 – **97.9%** floating rate loans and with interest rate floors<sup>(1)</sup>
- We are generally the only lender and **83.5%** are "true" first lien senior secured<sup>(1)</sup>
- The majority 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 over 15 years of strong credit performance history

(1) As of June 30, 2020

# 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 16.5 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 can be highly accretive to NAV when HTGC trades at a premium to NAV

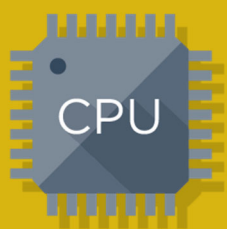
### The Results

- Equity ATM Program YTD 2020: sold ~ 5.97 million shares for total net proceeds of ~ \$73.9 million
- Equity ATM Program FY 2019: sold ~ 4.6 million shares for total net proceeds of ~ \$62.7 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

\$10.5 billion in total debt commitments to over 500 companies since inception

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

Over 1000 different VC & PE firms, financial investors

Over 170 portfolio companies completed/announced an IPO or M&A event since inception

## FINANCIAL HIGHLIGHTS



# INCOME STATEMENT: Q2 2020 VS. Q2 2019 SUMMARY RESULTS

	Three Months Ended June 30,		
	2020	2019	Year/Year
<i>(\$ in 000's, except per share amounts)</i>	(unaudited)	(unaudited)	Change
Interest Income	\$ 63,555	\$ 61,710	3%
Fee Income	4,413	7,554	-42%
<b>Total Investment Income</b>	<b>67,968</b>	<b>69,264</b>	<b>-2%</b>
Interest and Loan Fees	16,726	15,161	10%
General and Administrative	5,863	5,795	1%
Employee Compensation	9,695	13,041	-26%
<b>Total Operating Expenses</b>	<b>32,284</b>	<b>33,997</b>	<b>-5%</b>
Other Income			
<b>Pre-Tax Net Investment Income-NII</b>	<b>35,684</b>	<b>35,267</b>	<b>1%</b>
Total Net Realized and Unrealized Gain/Loss	26,081	12,864	
<b>Net Increase(Decrease) in Net Assets from Operations</b>	<b>61,765</b>	<b>48,131</b>	<b>28%</b>
NII - Net Investment Income per Share (Basic)	\$ 0.32	\$ 0.36	-11%
Weighted Average Shares Outstanding - Basic	111,558	98,223	14%

# CURRENT & HISTORICAL INCOME STATEMENTS

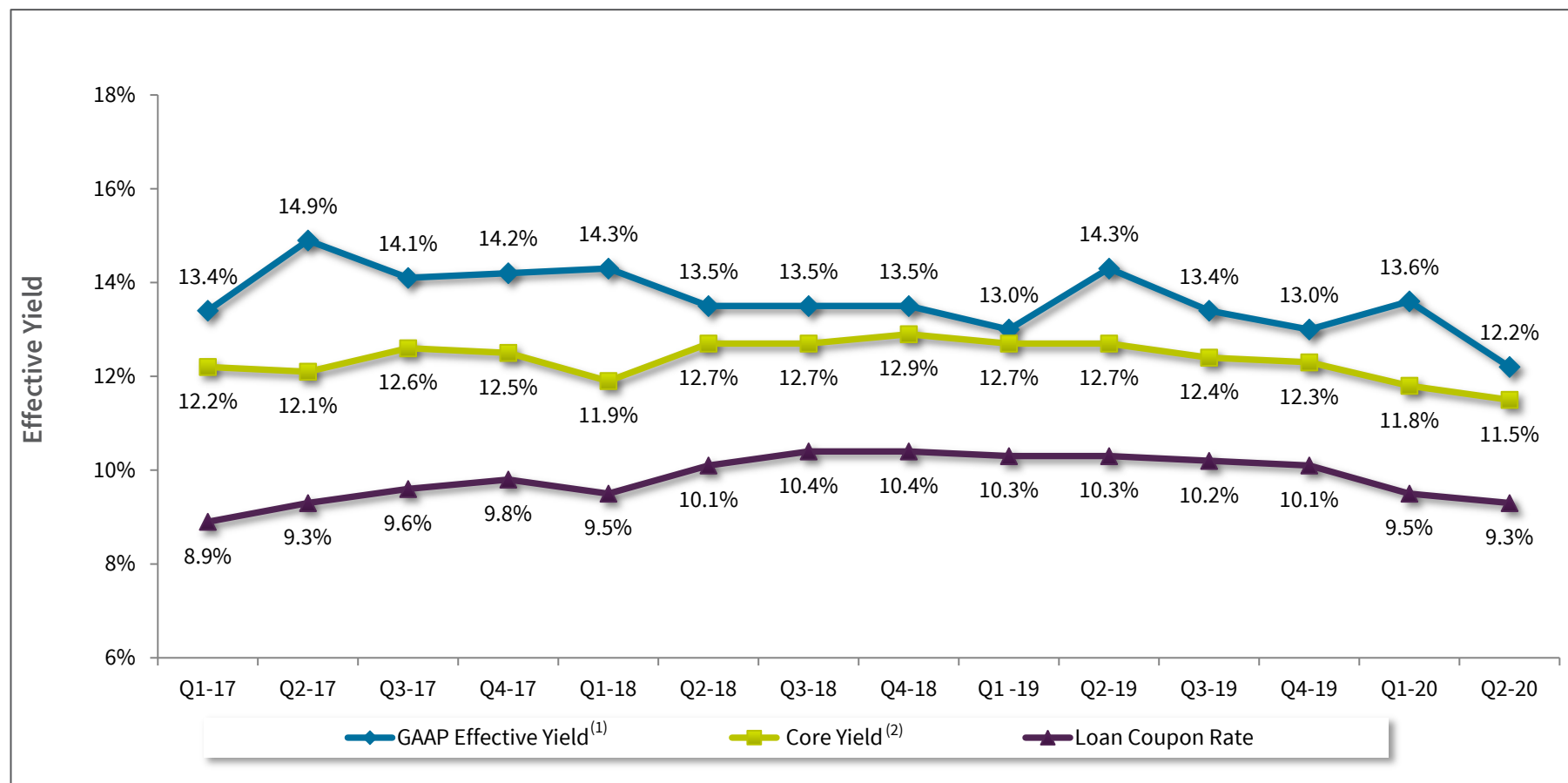
	Six Months Ended June 30,	Twelve Months Ended December 31,
<i>(\$ in 000's, except per share amounts)</i>	2020	2019
Interest Income	\$ 129,759	\$ 247,513
Fee Income	11,828	20,361
<b>Total Investment Income</b>	<b>141,587</b>	<b>267,874</b>
Interest and Loan Fees	33,052	61,674
General and Administrative	11,922	19,183
Employee Compensation	20,349	41,519
<b>Total Operating Expenses</b>	<b>65,323</b>	<b>124,602</b>
Other Income	-	-
<b>Pre-Tax Net Investment Income - NII</b>	<b>76,264</b>	<b>143,272</b>
Net Realized and Unrealized Gain / (Loss)	(43,222)	30,326
<b>Net Increase(Decrease) in Net Assets from Operations</b>	<b>\$ 33,042</b>	<b>\$ 173,598</b>
<b>NII - Net Investment Income per Share (Basic)</b>	<b>\$ 0.69</b>	<b>\$ 1.41</b>
<b>Weighted Average Shares Outstanding - Basic</b>	<b>110,256</b>	<b>101,132</b>

# CURRENT & HISTORICAL BALANCE SHEET

	June 30,	December 31,
(\$ in 000's, except per share amounts)	2020	2019
<b>ASSETS</b>		
Total Investments	\$ 2,363,521	\$ 2,314,526
Cash and cash equivalents	35,884	64,393
Restricted cash	33,599	50,603
Interest receivable	19,458	20,207
Other assets	16,039	12,239
<b>Total Assets</b>	<b>\$ 2,468,501</b>	<b>\$ 2,461,968</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	39,340	41,844
Credit Facilities	-	103,919
2022 Convertible Notes	227,395	226,614
2027 Asset-Backed Notes	197,448	197,312
2028 Asset-Backed Notes	247,511	247,395
2033 Notes	38,555	38,501
February 2025 Notes	49,465	-
June 2025 Notes	69,217	-
Long-term SBA Debentures	109,808	148,165
2025 Notes	73,161	72,970
July 2024 Notes	103,795	103,685
2022 Notes	148,776	148,514
<b>Total Liabilities</b>	<b>\$ 1,304,471</b>	<b>\$ 1,328,919</b>
<b>Net Assets</b>	<b>\$ 1,164,030</b>	<b>\$ 1,133,049</b>
Shares Outstanding	<b>114,230</b>	107,364
<b>Net Assets per Share</b>	<b>\$ 10.19</b>	<b>\$ 10.55</b>

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

MEDIAN CORE YIELD FROM Q1 2017 TO Q2 2020: 12.5%

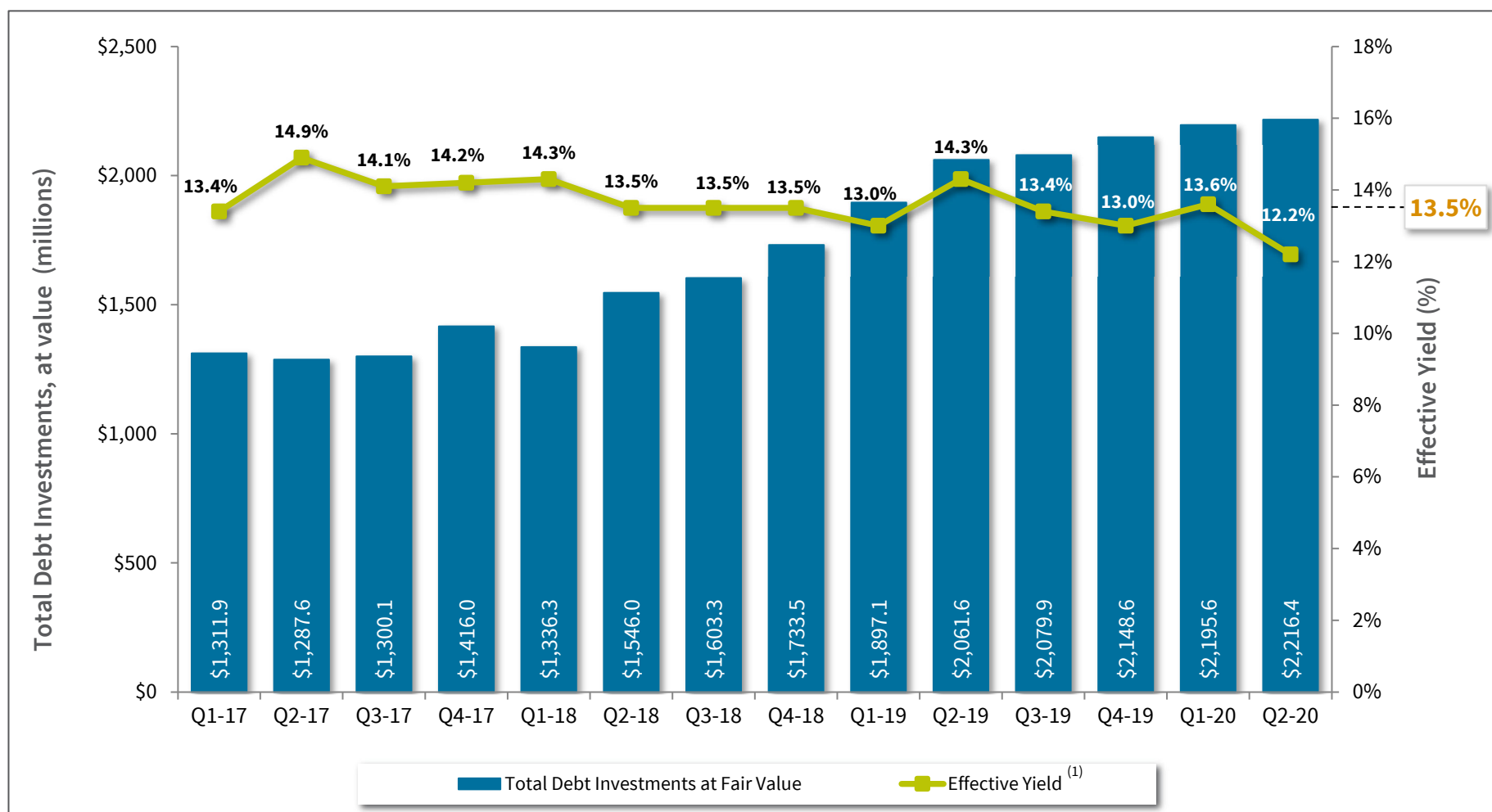


(1) Effective Yield is inclusive of all fees, including all realized unamortized fees and all realized transaction fees including but not limited to amendment fees and prepayment fees, and is calculated based on the weighted average principal balance of loans outstanding on a daily basis

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

# HIGH-YIELD PORTFOLIO OF EARNING ASSETS

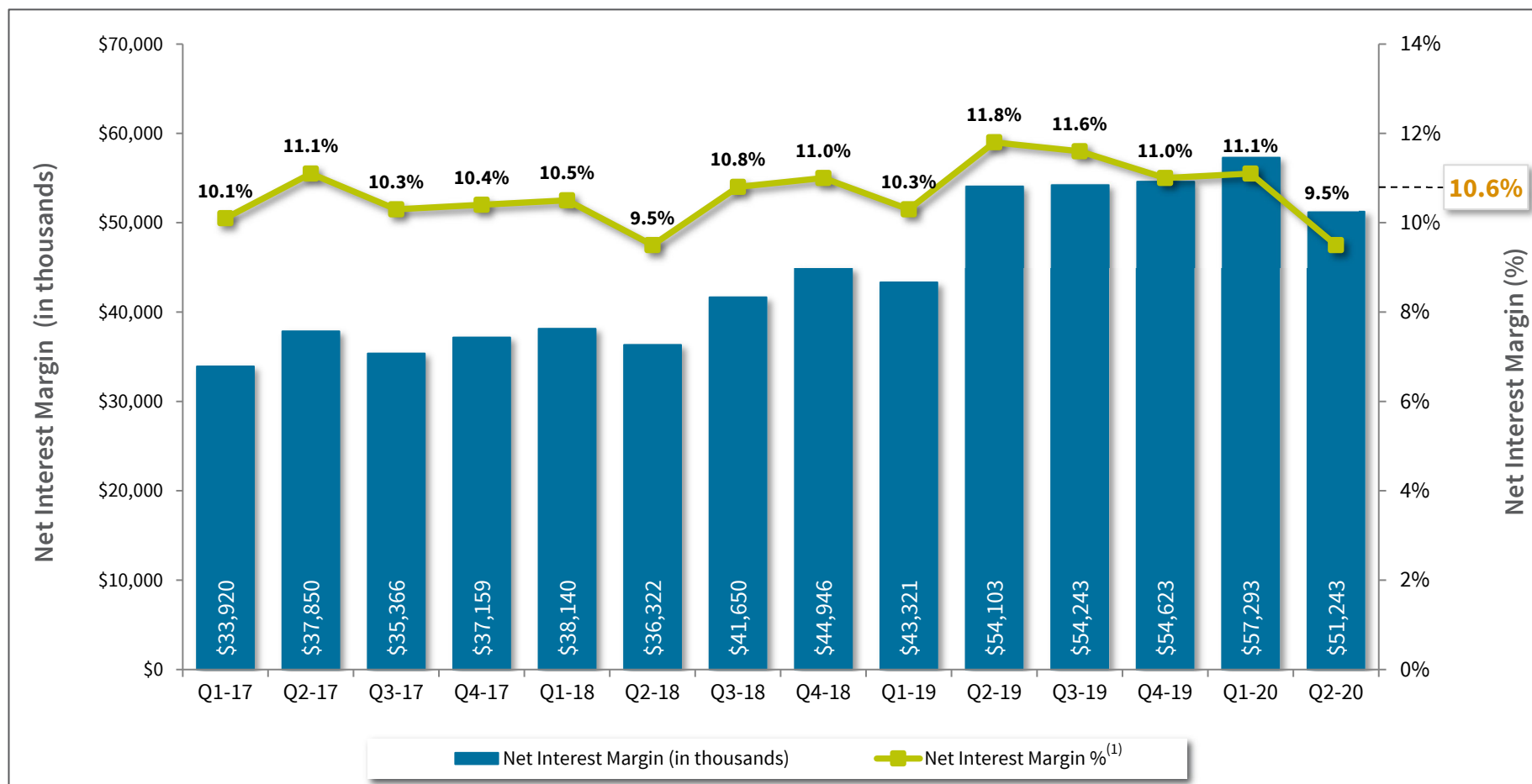
MEDIAN EFFECTIVE YIELD FROM Q1 2017 TO Q2 2020 OF 13.5%



(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

MEDIAN NIM FROM Q1 2017 TO Q2 2020 OF 10.6%

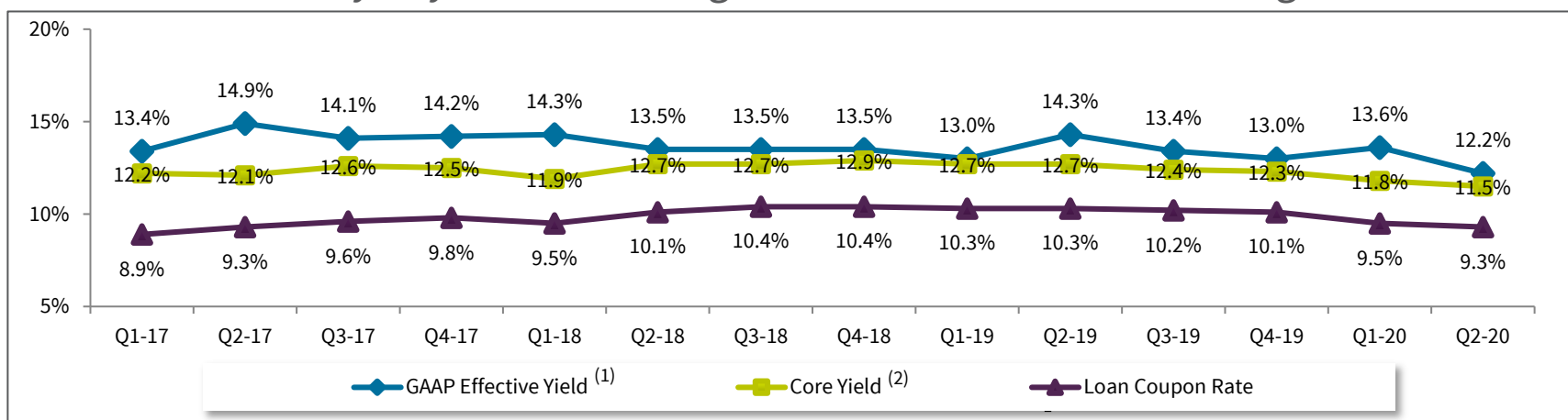


(1) Net Interest Margin = Net Interest Income/Average Yielding Assets excluding Equity Investments

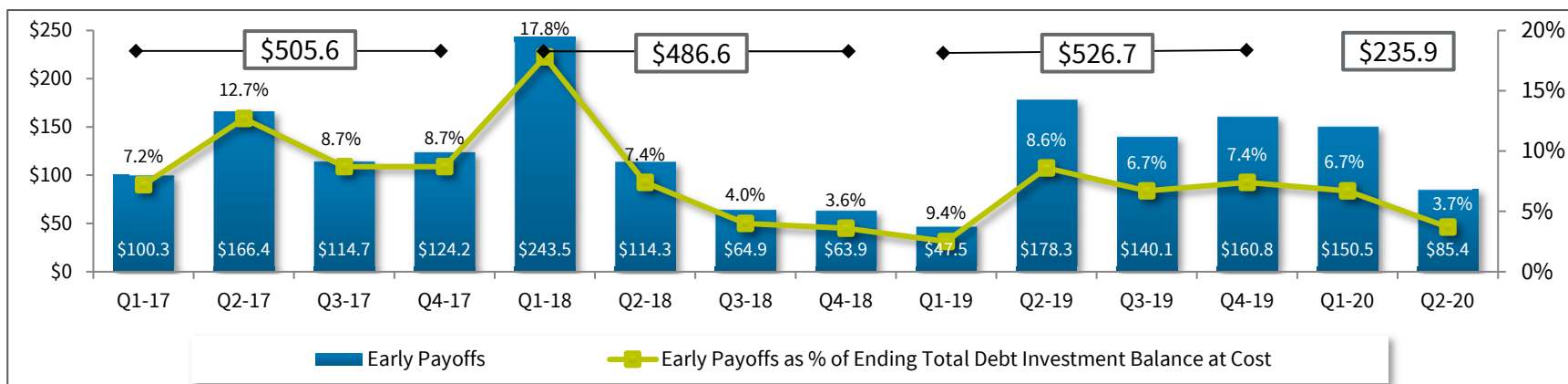


# IMPACT OF EARLY PAYOFFS ON EFFECTIVE YIELDS

## Early Payoffs Lead to Higher Effective Yields and Earnings



## EFFECTIVE YIELDS

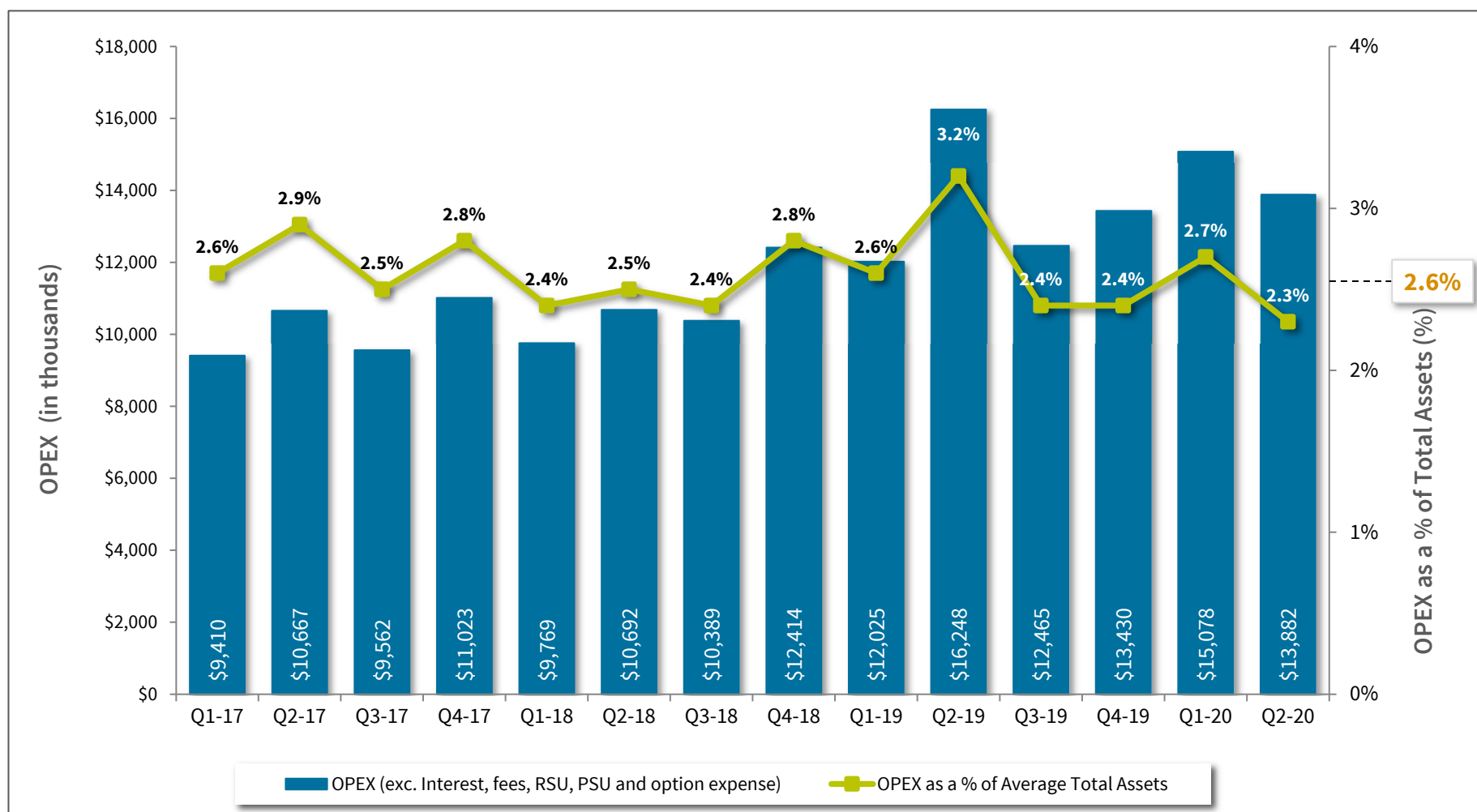


## UNSCHEDULED EARLY PAYOFFS (\$ in millions)

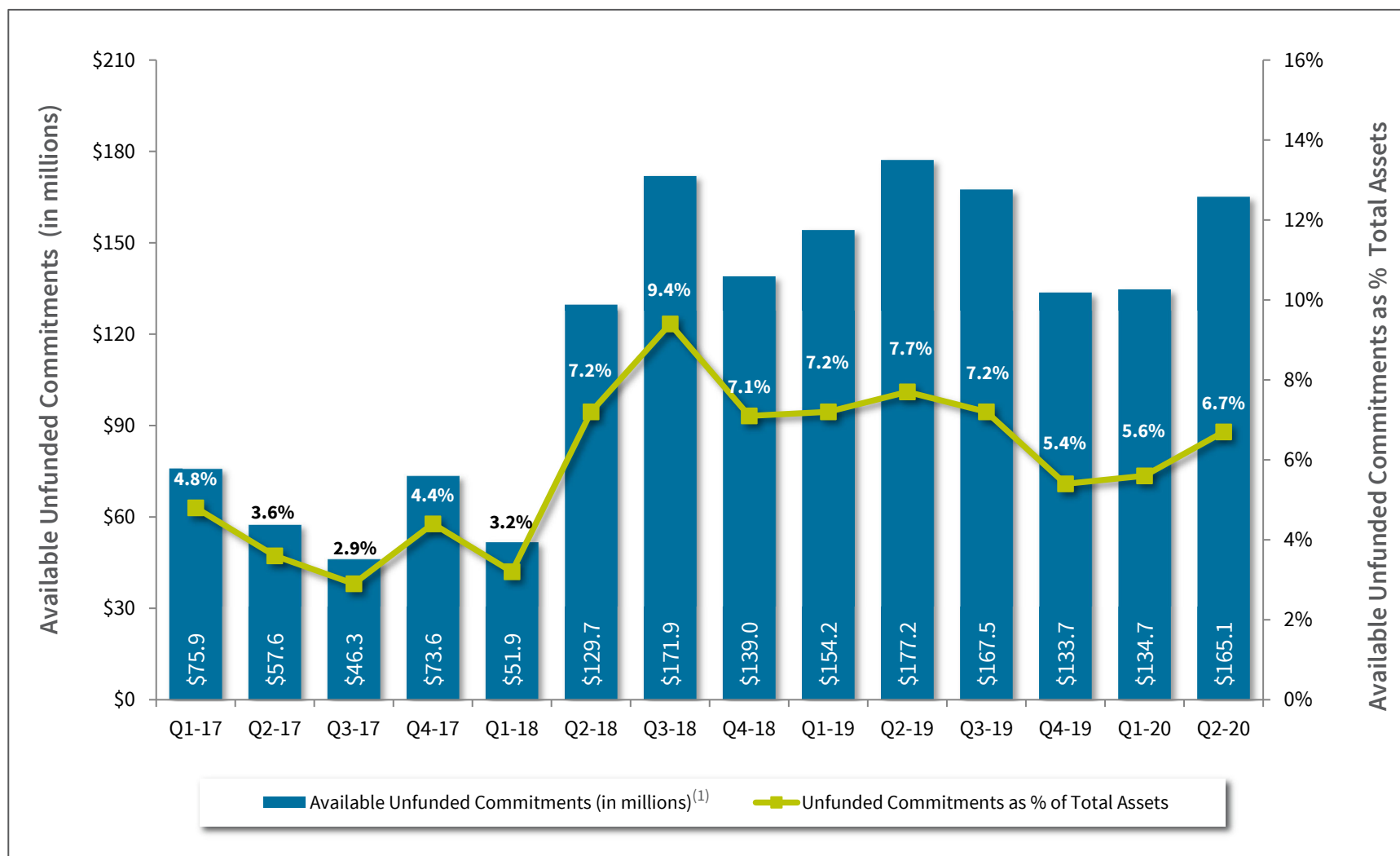
- (1) Effective Yield is inclusive of all fees, including all realized unamortized fees and all realized transaction fees including but not limited to amendment fees and prepayment fees, and is calculated based on the weighted average principal balance of loans outstanding on a daily basis
- (2) Core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

# NON-INTEREST AND FEE EXPENSE TO AVERAGE TOTAL ASSETS

MEDIAN ADJ. OPEX TO AVERAGE TOTAL ASSETS FROM Q1 2017 TO Q2 2020 OF 2.6%



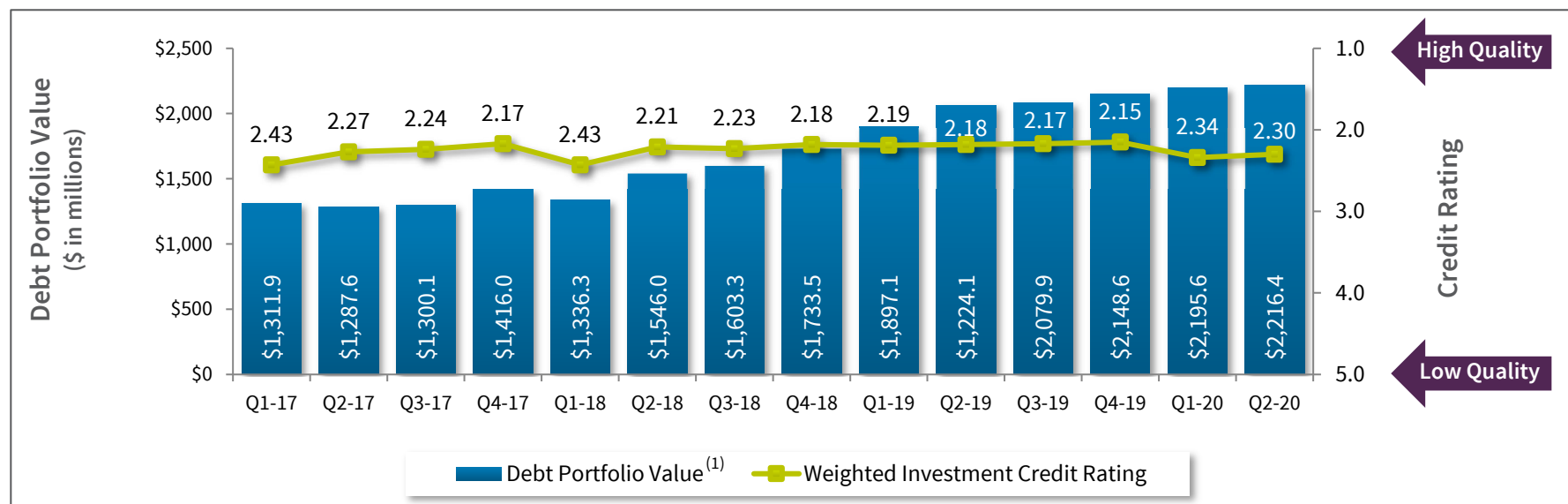
# UNFUNDED COMMITMENTS AS A PERCENTAGE OF TOTAL ASSETS



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

# CONSISTENT AND DISCIPLINED UNDERWRITING STANDARDS

Disciplined credit underwriting standards deliver consistent long-term results



Credit Grading at Fair Value, Q2 2020 - Q2 2019 (\$ in millions)

	Q2 2020		Q1 2020		Q4 2019		Q3 2019		Q2 2019	
<b>Grade 1 - High</b>	\$ 443.6	20.1%	\$ 390.4	17.7%	\$ 387.3	18.0%	\$ 237.9	11.4%	\$ 256.2	12.4%
<b>Grade 2</b>	\$ 877.9	39.6%	\$ 818.1	37.3%	\$1,180.5	55.0%	\$1,331.2	64.0%	\$1,317.7	63.9%
<b>Grade 3</b>	\$ 849.7	38.3%	\$ 917.2	41.8%	\$ 509.9	23.7%	\$ 479.0	23.1%	\$ 413.0	20.1%
<b>Grade 4</b>	\$ 25.0	1.1%	\$ 54.3	2.5%	\$ 69.0	3.2%	\$ 29.7	1.4%	\$ 67.8	3.3%
<b>Grade 5 - Low</b>	\$ 20.1	0.9%	\$ 15.5	0.7%	\$ 1.8	0.1%	\$ 2.1	0.1%	\$ 6.9	0.3%
<b>Weighted Avg.</b>	<b>2.30</b>		<b>2.34</b>		<b>2.15</b>		<b>2.17</b>		<b>2.18</b>	

(1) Debt only; based on fair value

# DIVERSIFIED SOURCES OF FUNDING: Q2 2020

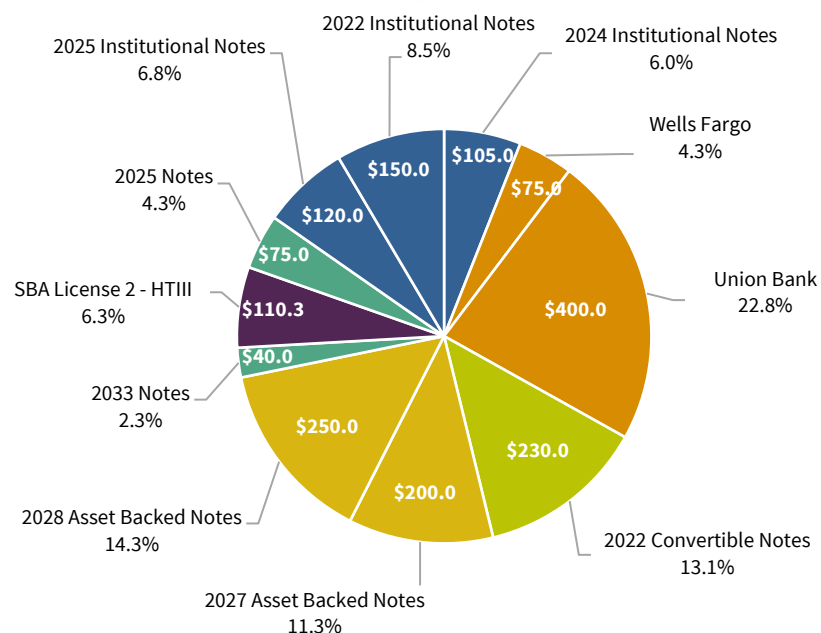
## Entity Capitalization

### Capital Sources as of 6/30/20

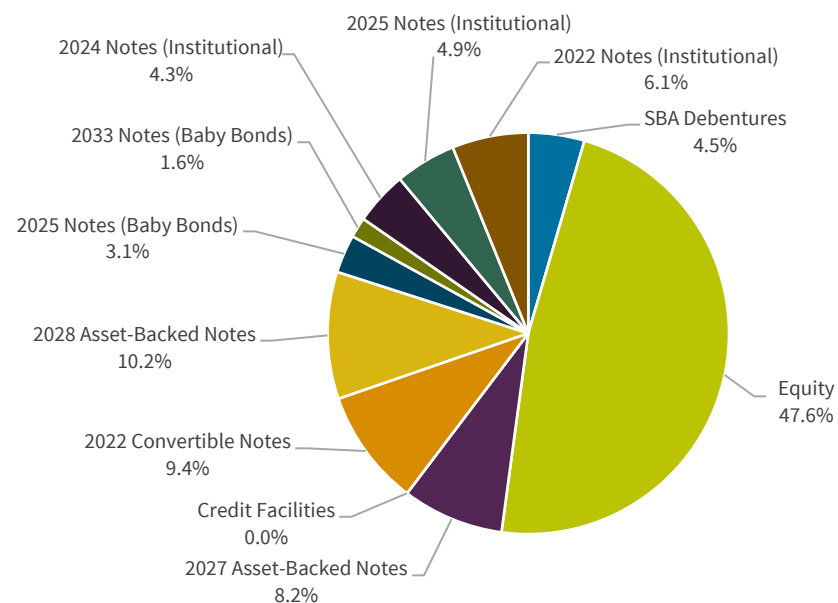
	\$ in Millions	% of Total
Equity	\$1,164.0	47.6%
SBA Debentures	\$110.3	4.5%
2027 Asset-Backed Notes	\$200.0	8.2%
2028 Asset-Backed Notes	\$250.0	10.2%
2022 Convertible Notes	\$230.0	9.4%
2022 Notes (Institutional)	\$150.0	6.2%
2024 Notes (Institutional)	\$105.0	4.3%
2025 Notes (Baby Bonds)	\$75.0	3.1%
2033 Notes (Baby Bonds)	\$40.0	1.6%
2025 Notes (Institutional)	\$120.0	4.9%
Credit Facilities	\$0.0	0.0%
<b>Total Capital</b>	<b>\$2,444.3</b>	<b>100.0%</b>

(\$ in millions)

## Debt Capital Stack



## Total Corporate Capitalization

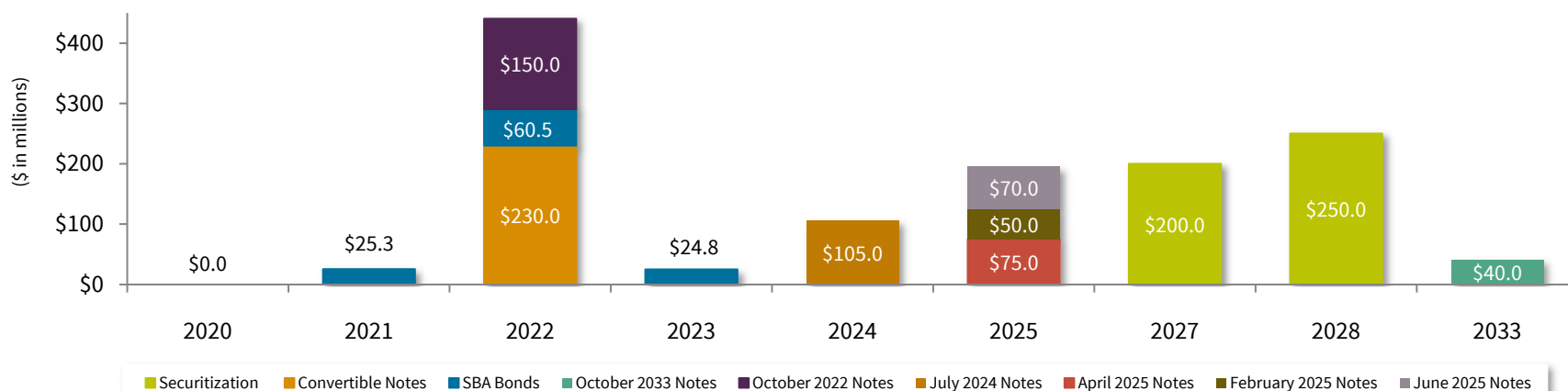


# DIVERSIFIED SOURCES OF FUNDING (AS OF 6/30/20)

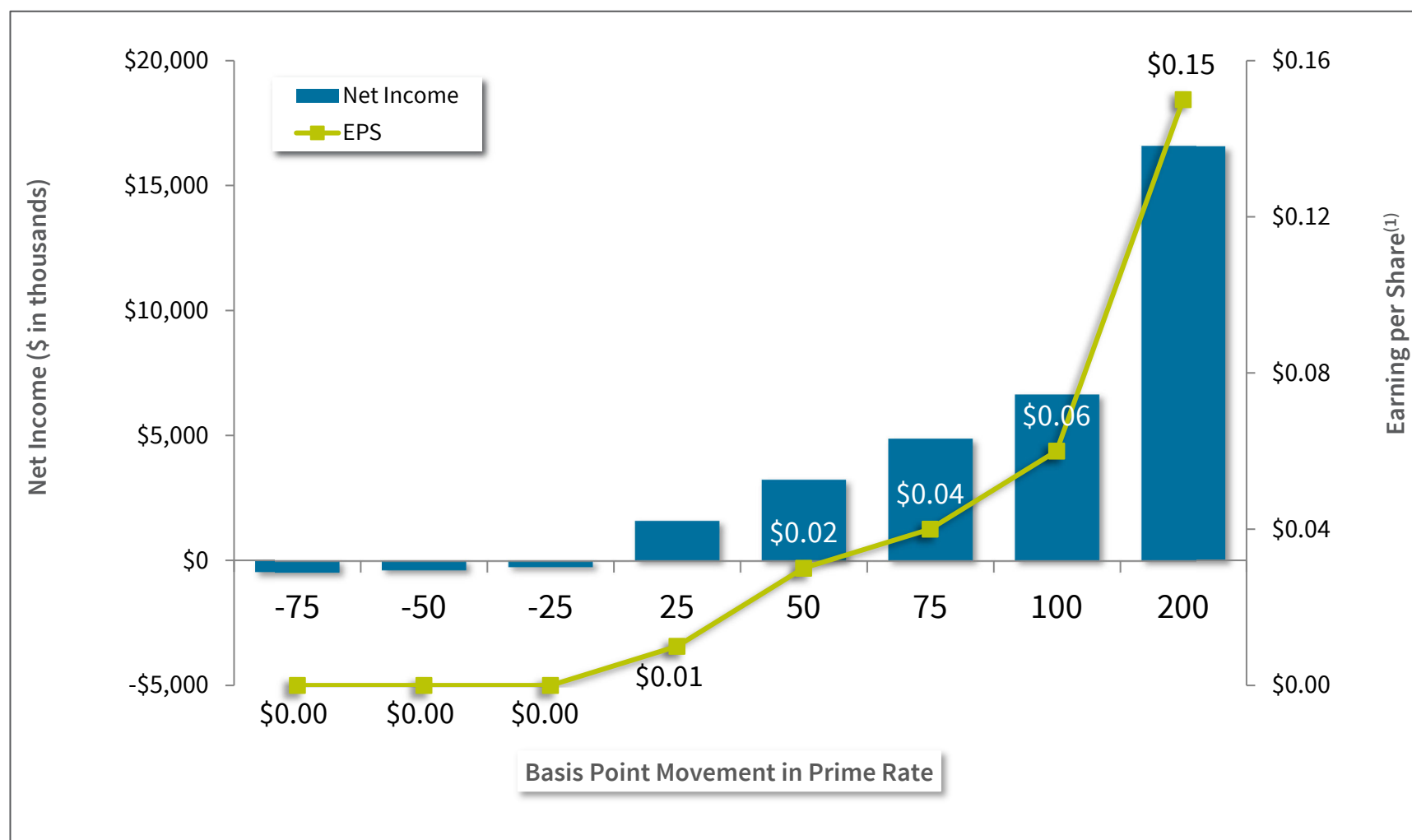
DATE ENTERED	Wells Fargo Credit Facility	Union Bank Credit Facility	Notes							SBA Debentures		
			January 2022 Conv. Notes	October 2022 Inst. Notes	April 2025 Notes	October 2033 Notes	July 2024 Inst. Notes	February 2025 Inst. Notes	June 2025 Inst. Notes	License 2 HTIII	Securitizations	
	Aug. 2008	Feb. 2020	Jan. 2017	Oct. 2017	April 2018	Oct. 2018	July 2019	Feb. 2025	June 2025	May 2010	Nov. 2018	Jan. 2019
FACILITY SIZE (\$ in millions)	\$75.0	\$400.0	\$230.0	\$150.0	\$75.0	\$40.0	\$105.0	\$50.0	\$70.0	\$110.3	\$200.0	\$250.0
INTEREST RATE	LIBOR + 300bps	LIBOR + 250bps	4.375% unsecured	4.625% unsecured	5.25% unsecured	6.25% unsecured	4.77% unsecured	4.28% Unsecured	4.31% Unsecured	Range <sup>(1)</sup> from 2.2% to 5.5%	4.605%	4.703%
MATURITY	January 2022	February 2023	February 2022	October 2022	April 2025	October 2033	July 2024	February 2025	June 2025	Mature 10 years after borrowing	November 2027	February 2028
ADDITIONAL INFO	(Expandable up to \$125.0)	(Expandable up to \$600.0)	DBRS: BBB KBRA: BBB+	DBRS: BBB KBRA: BBB+	NYSE: HCXZ DBRS: BBB KBRA: BBB+	NYSE: HCXY DBRS: BBB KBRA: BBB+	KBRA: BBB+	KBRA: BBB+	KBRA: BBB+	Set in March & Sept. (range: 2.2% to 5.5%)	KBRA: A(sf)	KBRA: A(sf)
OUTSTANDING (\$ in millions)	\$0.0	\$0.0	\$230.0	\$150.0	\$75.0	\$40.0	\$105.0	\$50.0	\$70.0	\$110.3	\$200.0	\$250.0

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

## Well Managed Debt Maturity Schedule



## INTEREST RATES & ASSET SENSITIVITY



(1) EPS calculated on basic weighted shares outstanding of 111.6 million and a static debt investment portfolio as of June 30, 2020. Estimates are also subject to change due to impact from potential participation in the Company's equity ATM program and future equity offerings.

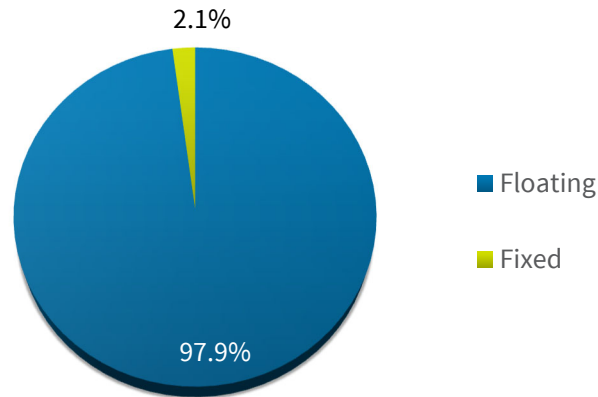
## PORTFOLIO HIGHLIGHTS



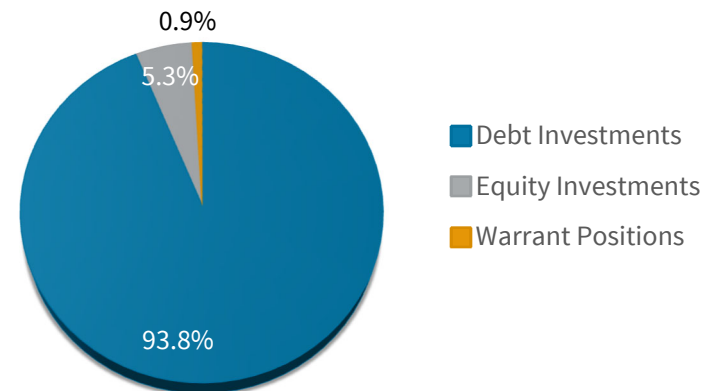


# HERCULES' INVESTMENT PORTFOLIO: Q2 2020

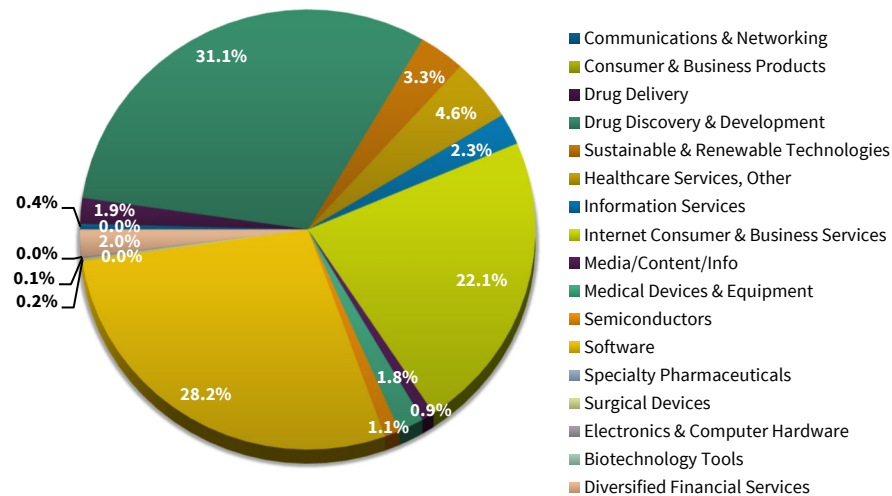
## Floating vs. Fixed Rate



## Investment Type Breakout

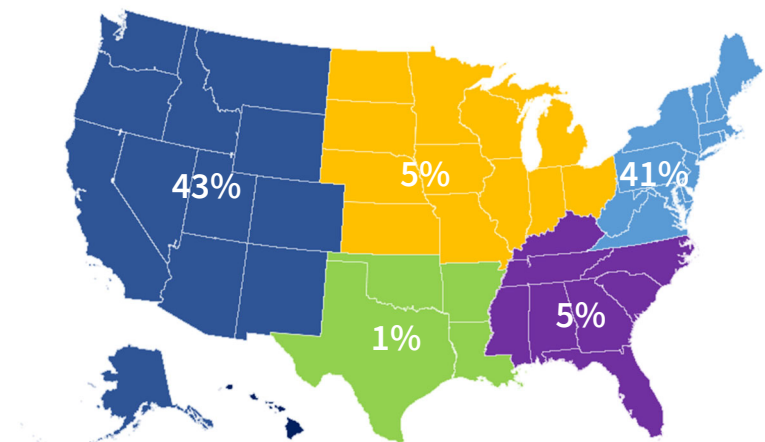


## Industry Breakout



## Hercules' Investments by Geography

(Portfolio Companies as of December 31, 2019)



International: 5%

Powered by Bing  
© DSAT for MSFT, GeoNames, Navteq

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

## 6 Portfolio Companies completed IPOs or in Registration – YTD Q2 2020

- Metuchen Pharmaceuticals (reverse merger)
- Oak Street Health and 4 confidential JOBS Act filers

## 8 Portfolio Company M&A Liquidity Events – YTD Q2 2020

- Quid, CareCloud, Elenion Technologies, TAS Energy, Metuchen Pharma, Machine Zone, Lastline, Postmates

## Current Warrant and Equity Portfolio – Q2 2020

- |   |                                    |
|---|------------------------------------|
| ■ 103 warrant holdings                                      | ■ 53 equity holdings               |
| • GAAP fair value ~\$21.5 million                           | • GAAP fair value ~\$125.7 million |
| • GAAP cost ~\$30.8 million                                 | • GAAP cost ~\$191.6 million       |
| • ~\$70.3 million in nominal Exercise Value (as of 6/30/20) |                                    |

## ■ Illustrative models of potential warrant gains (as of 6/30/20)

- Assumption: 50% of warrants will not monetize
- GAAP cost ~\$15.4 million
- Based on ~111.5 million weighted average shares

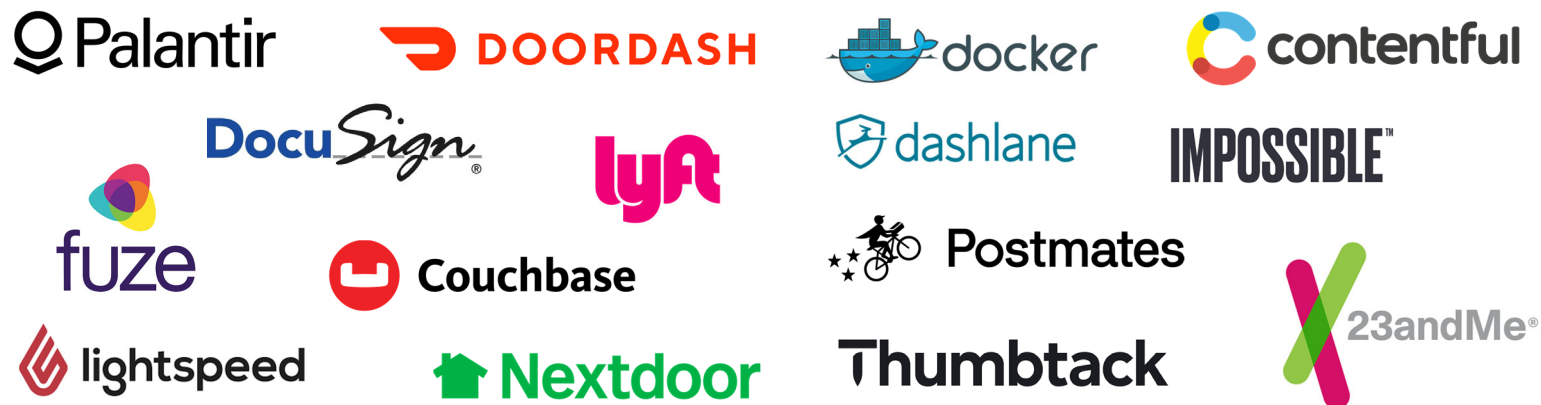
\$35.2M x 2X multiple:  
\$70.4M - \$15.4M cost =  
\$55.0M unrealized gain = **\$0.49/share**

\$35.2M x 3X multiple:  
\$105.6M - \$15.4M cost =  
\$90.2M unrealized gain = **\$0.81/share**

\$35.2M x 4X multiple:  
\$140.8M - \$15.4M cost =  
\$125.4M unrealized gain = **\$1.12/share**

## SELECT LIST OF WARRANT AND EQUITY PORTFOLIO HOLDINGS

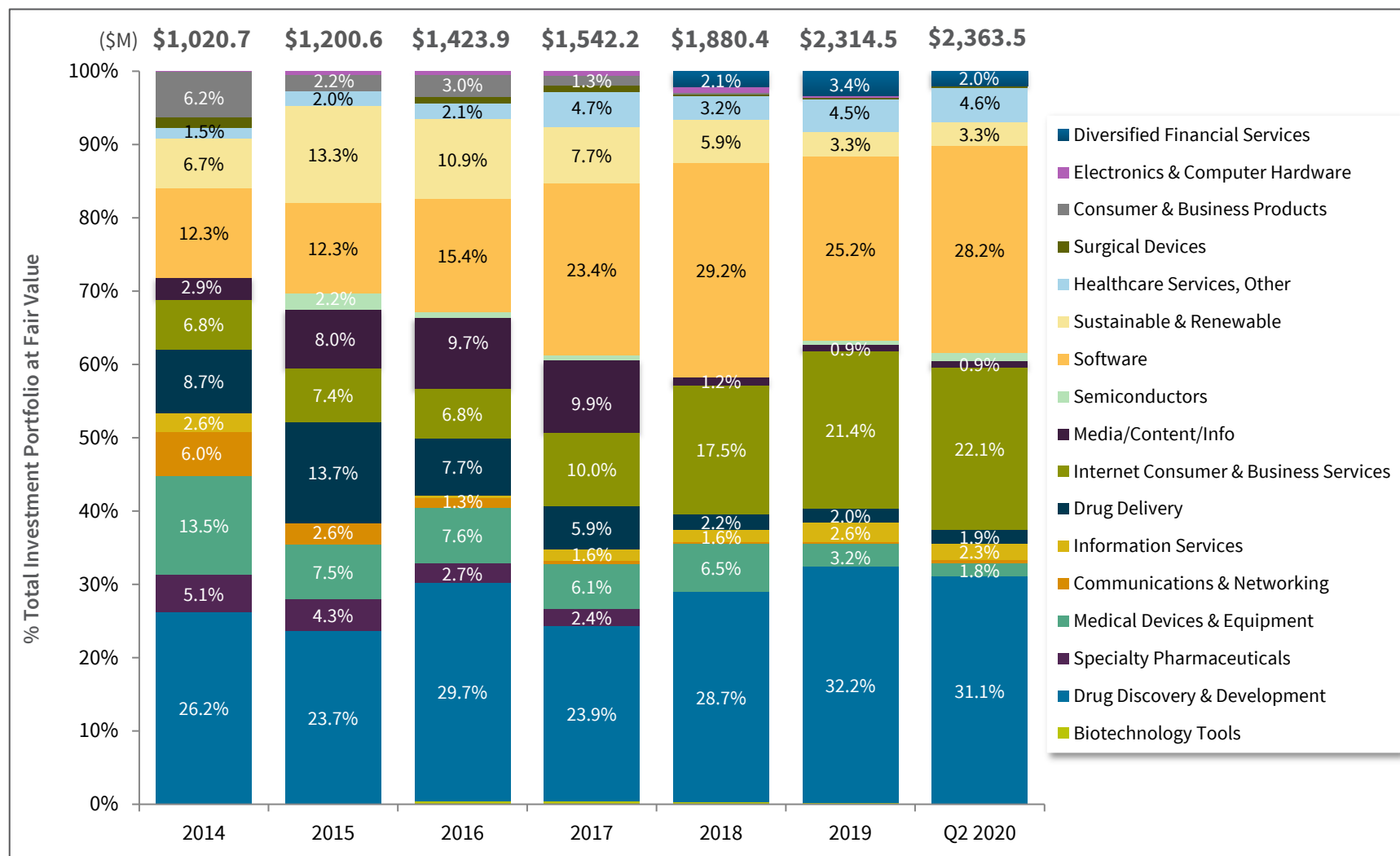
### Technology



### Life Sciences



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



# SELECT LIST OF DIVERSIFIED PORTFOLIO COMPANIES

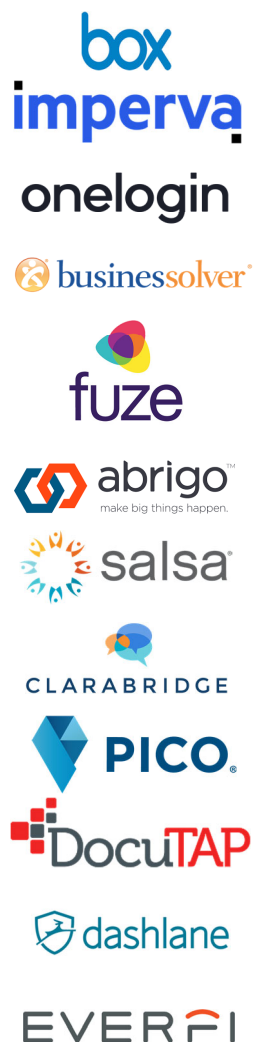
## Technology



## Life Sciences



## SaaS Financing



## Sustainable & Renewable Technology



## Special Situations



# 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

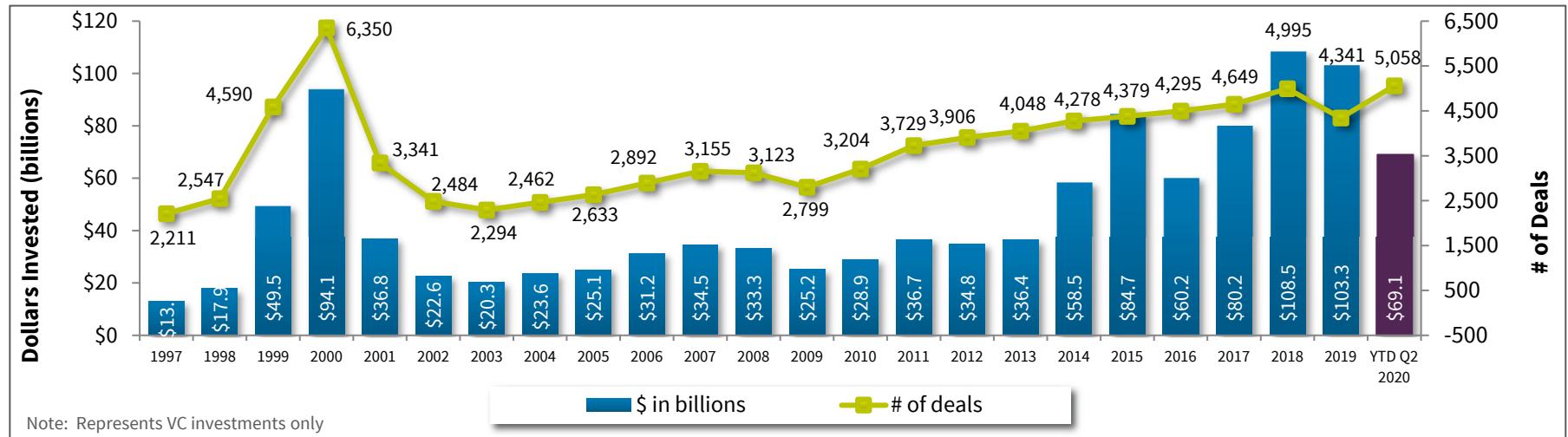
Key VC  
Investment  
Centers  
Palo Alto  
Boston  
New York  
Washington DC  
Chicago  
Hartford

## VENTURE CAPITAL MARKET OPPORTUNITY



# OVER \$1.0 TRILLION IN VENTURE CAPITAL INVESTMENTS

## Venture Capital Investment Activity 1997 – Q2 2020



Source: Dow Jones VentureSource Q4 2019 PitchBook-NVCA Venture Monitor Q2 2020

## Venture Capital Fundraising Activity 1997 – Q2 2020

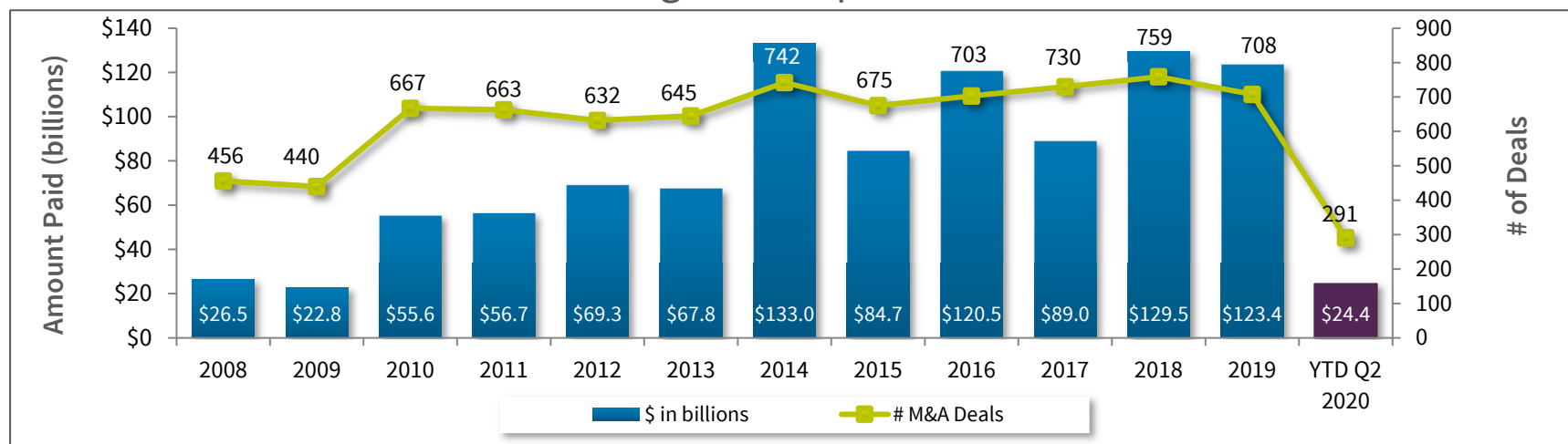


Source: Dow Jones VentureSource Q4 2019 PitchBook-NVCA Venture Monitor Q2 2020



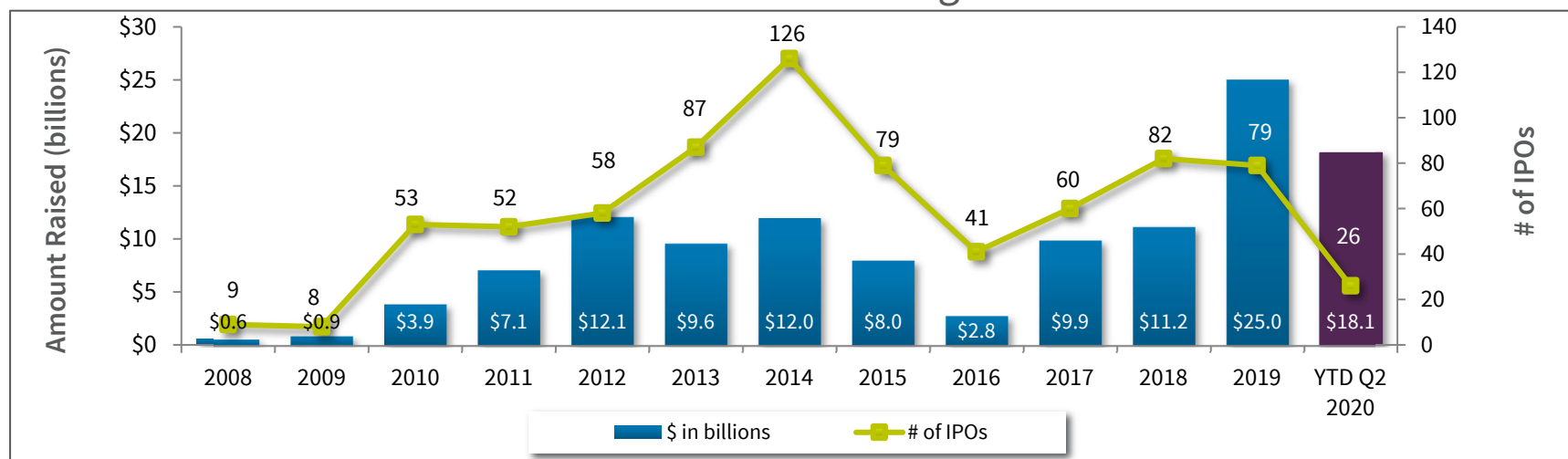
# EXITS OF VENTURE CAPITAL-BACKED COMPANIES

## Mergers & Acquisitions



Source: Dow Jones VentureSource Q4 2019 PitchBook-NVCA Venture Monitor Q2 2020

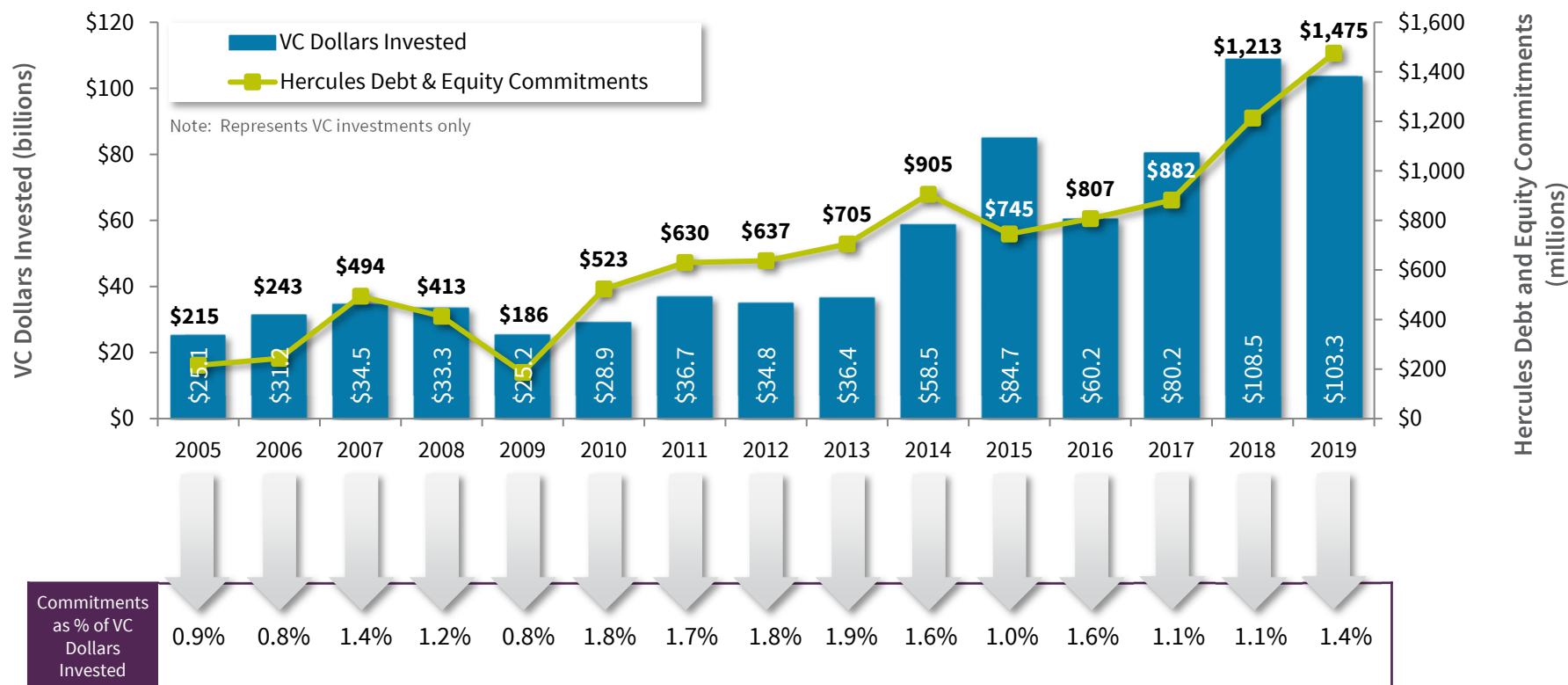
## Initial Public Offerings



Source: Dow Jones VentureSource Q4 2019 PitchBook-NVCA Venture Monitor Q2 2020

# HERCULES' TOTAL COMMITMENTS vs. VC DOLLARS INVESTED

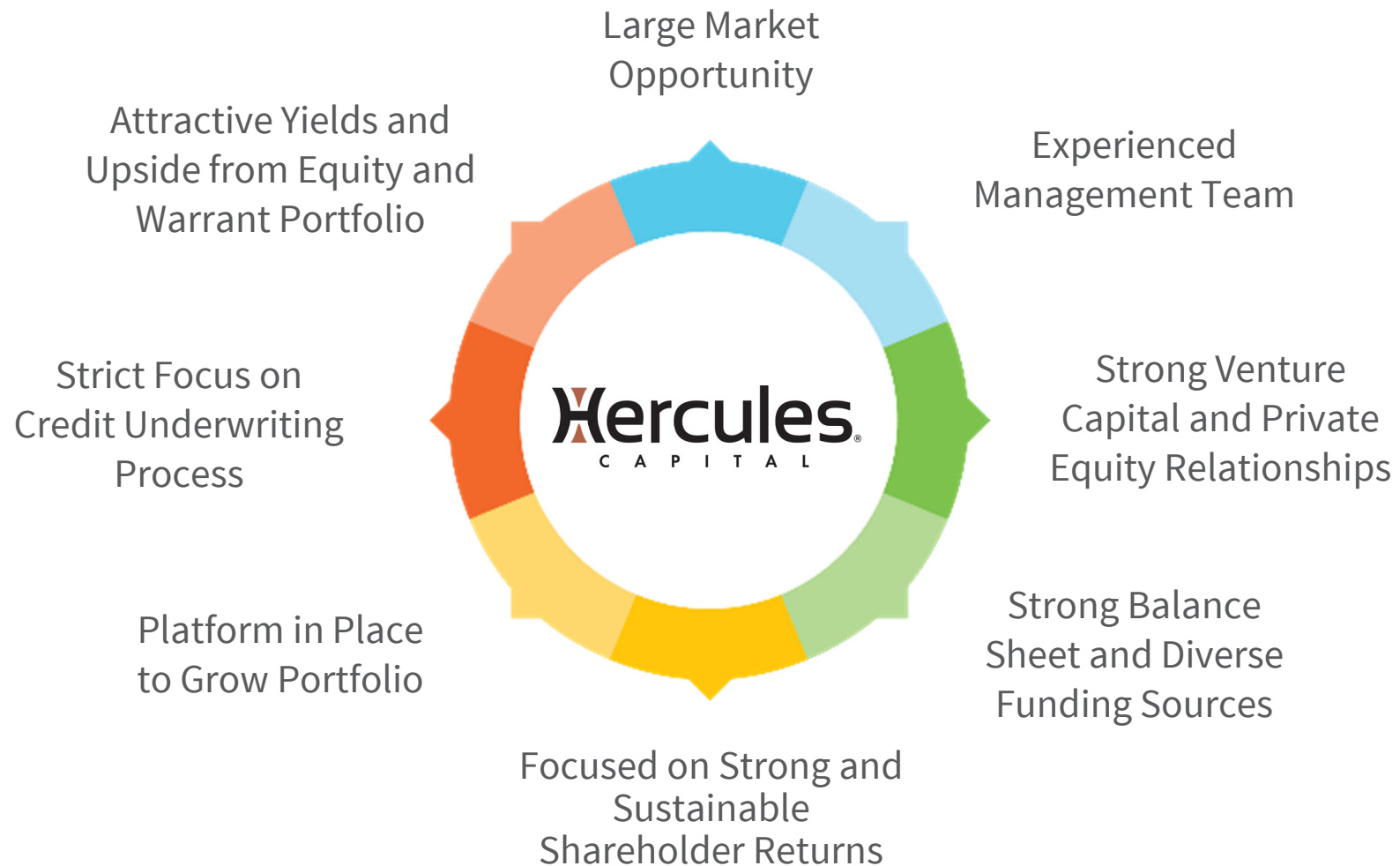
## VENTURE CAPITAL INVESTMENT ACTIVITY 2005 – 2019



- Hercules' uncompromising yield and credit underwriting standards drives commitments
- Market conditions determine commitment activity more than pure VC investment activity
- Hercules' 15-year historical average: 1.3%

Source: Dow Jones VentureSource Q4 2019

# INVESTMENT HIGHLIGHTS



## ANALYST COVERAGE



## BROAD INDUSTRY ANALYST COVERAGE – 10 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)

**PIPER | SANDLER**

**Crispin Love**  
(Re-initiated Coverage 7/20/2020)



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



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



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



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

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 2:1 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, \$110.3 million exemption from SEC leverage restrictions for BDCs, excludes all SBIC debt from BDC 2:1 leverage test

## 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