

February 23, 2021

FOURTH 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

Structure	Internally Managed Business Development Company (BDC)
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IPO Date	June 9, 2005
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HTGC (NYSE) – Common Stock

Institutional Notes PAR \$1000.00

- 4.625% Notes due 2022
- 4.77% Notes due 2024
- 4.28% Notes due 2025
- 4.31% Notes due 2025
- 4.50% Notes due 2026

Investment Options

Retail Notes (Baby Bonds) PAR \$25.00

- HCXY (NYSE) 6.25% Notes due 2033
- HCXZ (NYSE) 5.25% Notes due 2025

Convertible Notes

- 4.375% Notes due 2022

Securitization Notes

- 4.605% Asset-backed Notes due 2027
- 4.703% Asset-backed Notes due 2028

Annualized Dividend Yield⁽¹⁾	8.9% as of December 31, 2020
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Distributions Declared	\$0.32 per share for Q4 2020 \$0.05 per share supplemental for Q4 2020
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Price to NAV	1.39x - February 19, 2021 ~1.1x to ~1.5x historical range
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(1) Annualized based on the \$0.32 distribution declared for Q4 2020 and a closing stock price of \$14.42 as of December 31, 2020

FOURTH 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



Q4 2020 HIGHLIGHTS

Robust Earnings

- Net Investment Income (“NII”) of \$42.2M, up 5.1% Y-Y
- Total Investment Income of \$75.3M, up 6.7% Y-Y
- NII per share of \$0.37 and 116% distribution coverage

Strong Shareholder Returns

- 1YR/3Yr/5YR Total Shareholder Returns⁽¹⁾: 12.0%/38.8%/69.7%
- ROAE^(1,2): 13.9%
- ROAA^(1,2): 6.6%
- Net Interest Margin (“NIM”): 10.3%

High-Yield Portfolio of Earning Assets

- Total Debt Investments (at cost): \$2.10B
- Total Investments (at cost): \$2.32B
- Effective Yield: 13.3%

Industry-Leading Originations Platform

- \$11.1B in total debt commitments since inception
- Cumulative Total Net Realized (Loss) since inception of (\$79.7M) or annualized loss rate of 4.5 basis points
- Total debt & equity commitments: \$150.8M
- Debt & equity fundings: \$129.8M

Strong Liquidity and Balance Sheet

- \$673.3M available liquidity (subject to existing terms and covenants)
- GAAP and regulatory leverage: 100.6% and 93.0%⁽³⁾

Strong Capital Raising Position

- Price-to-NAV: 1.39x⁽⁴⁾
- “ATM” Equity Distribution Agreement
- Investment Grade Credit Ratings: DBRS: BBB | KBRA: BBB+

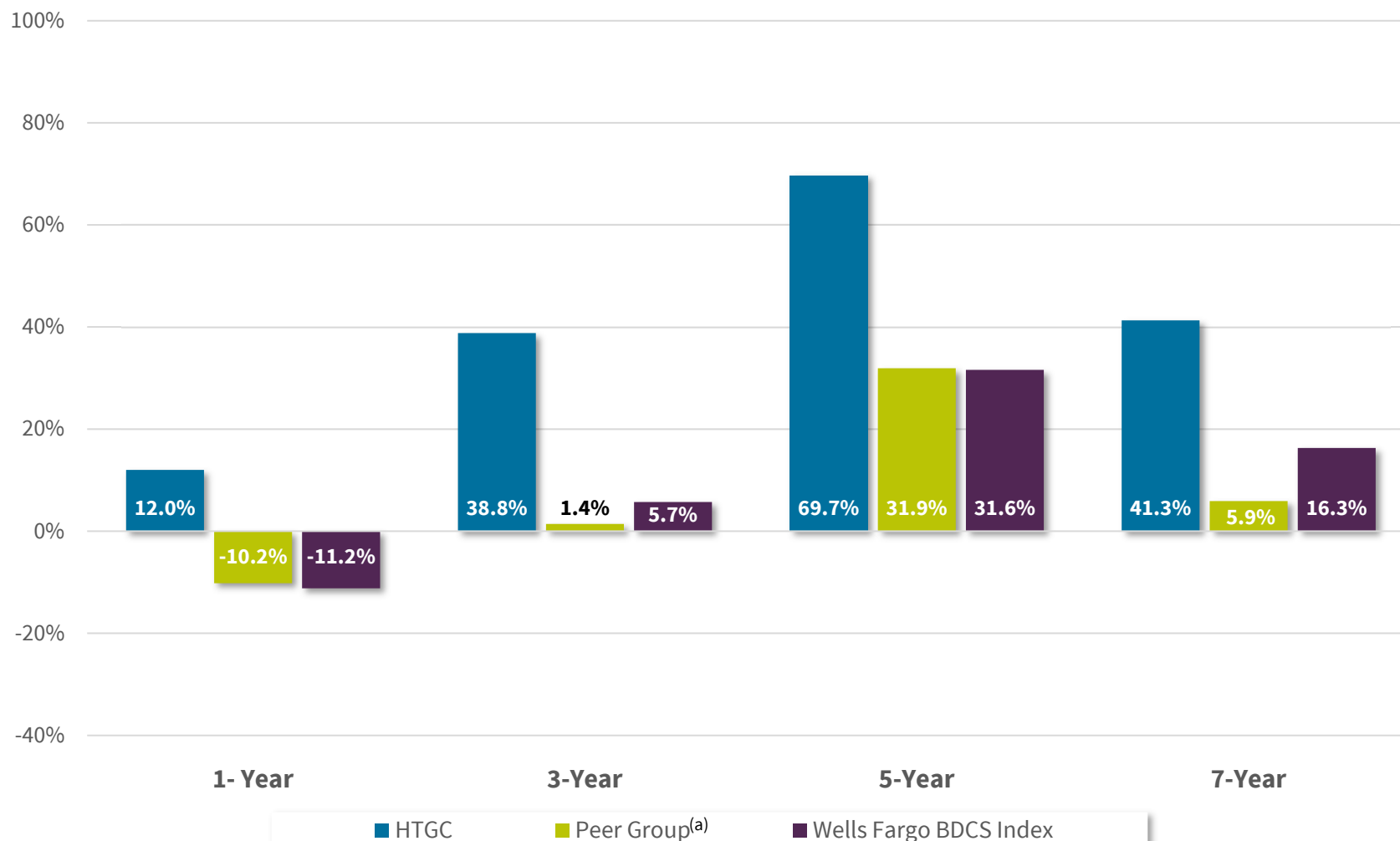
(1) Source: S&P CapIQ as of 12/31/20

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

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

(4) As of February 19, 2021

TOTAL SHAREHOLDER RETURN (TSR)^(b) vs. BDCs & WELLS FARGO INDEX

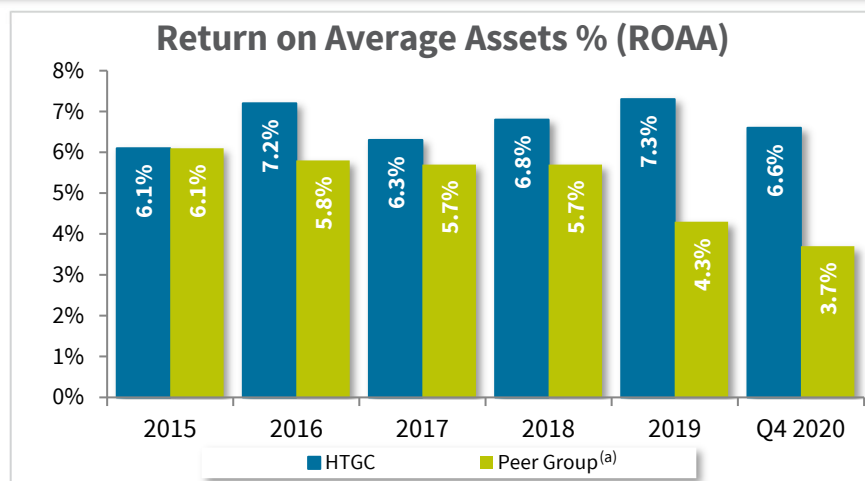


(a) Peer Group: AINV, ARCC, BKCC, OCSL, FSK, GBDC, GSBD, MAIN, NMFC, OXSQ, PNNT, PSEC, SLRC, BBDC, TCPC, FCRD, TSLX

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

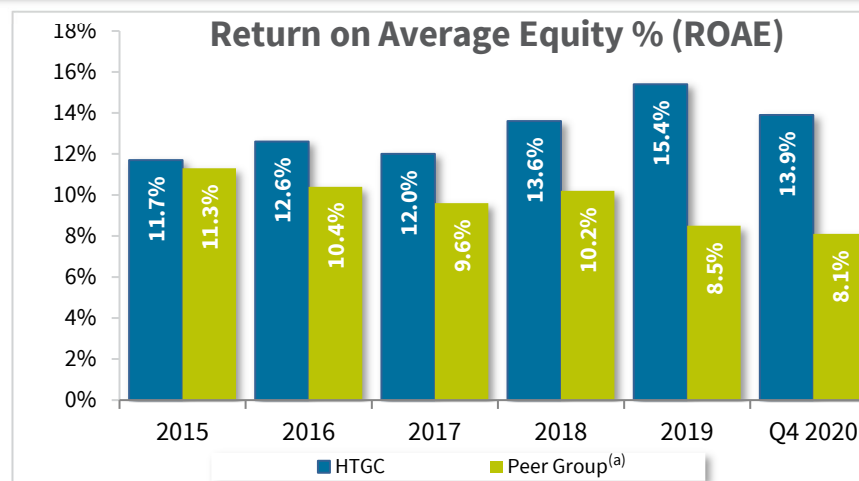
Source: S&P Capital IQ as of December 31, 2020

DELIVERING STRONG SUSTAINABLE SHAREHOLDER RETURNS

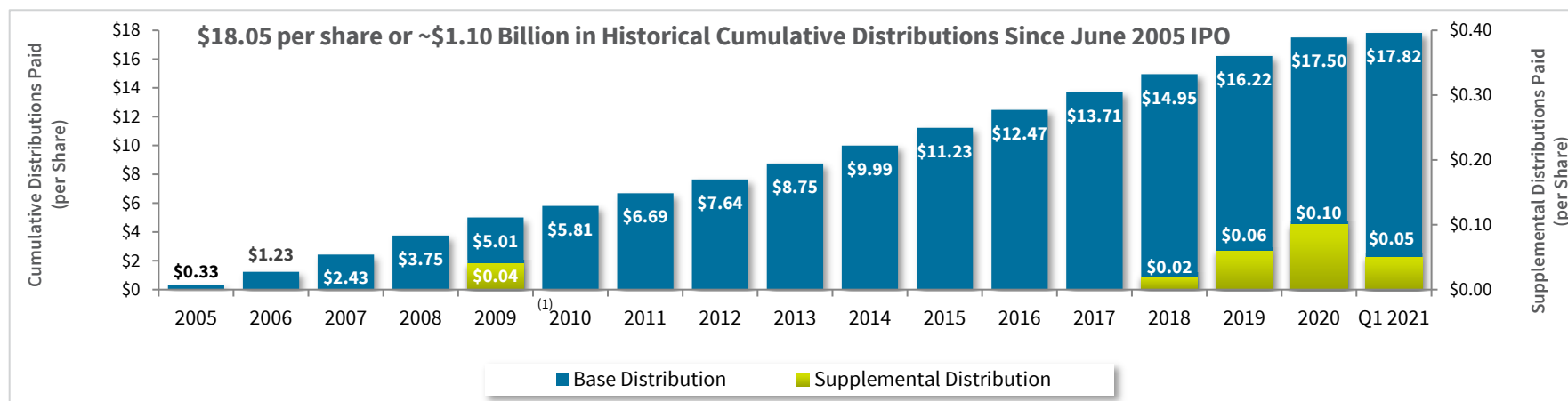


Source: S&P Capital IQ as of 12/31/20 for HTGC and Peer Group. Return on Average Assets excluding cash. NII divided by average of beginning of period total assets excluding cash and end of period total assets excluding cash.

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



Source: S&P Capital IQ as of 12/31/20 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.

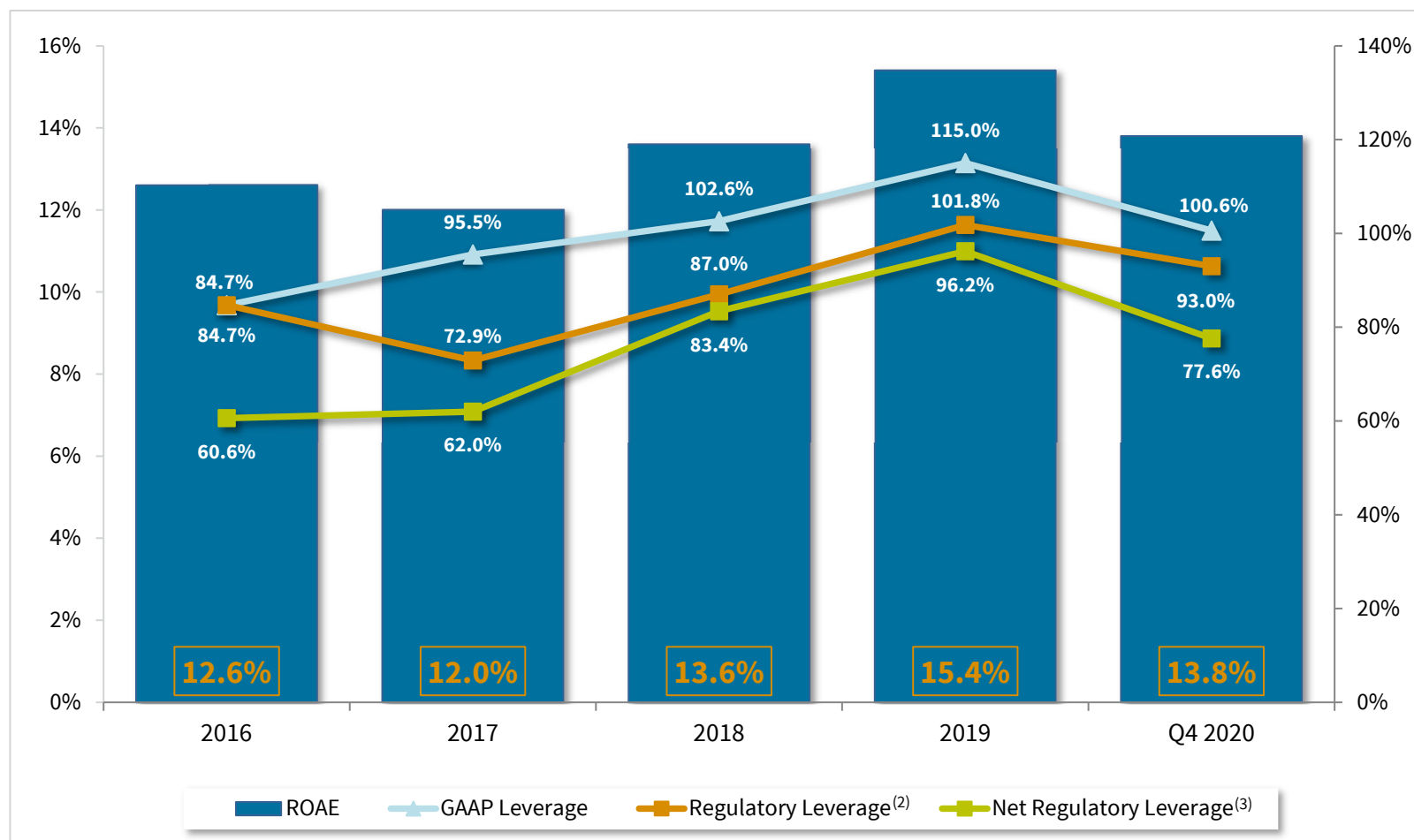


(1) Q1 09 distribution was paid in 10% cash and 90% stock

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 December 31, 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 2021 full year distributions to stockholders.

AVAILABLE LEVERAGE FOR POTENTIAL EARNINGS GROWTH

Leverage to Return on Average Equity % (ROAE)⁽¹⁾



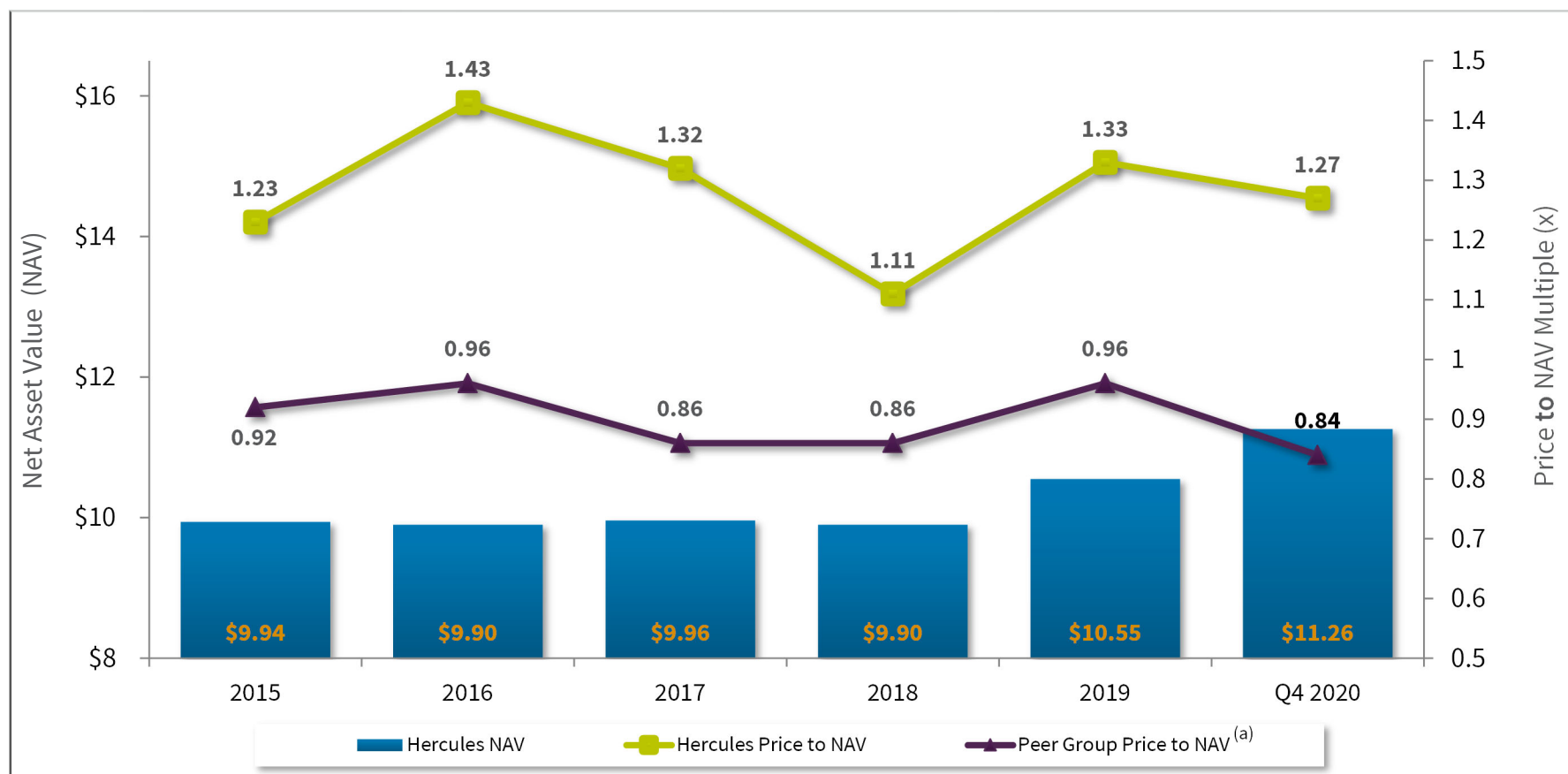
(1) Source: S&P Capital IQ as of 12/31/20. Return on Average Equity based on NII. NII divided by average of beginning of period equity and end of period equity.

(2) Excludes SBA

(3) Excludes SBA and cash

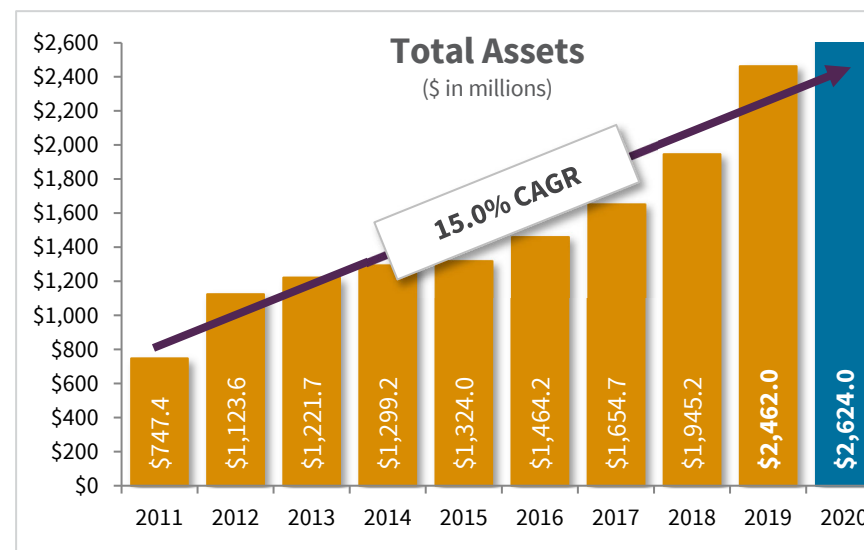
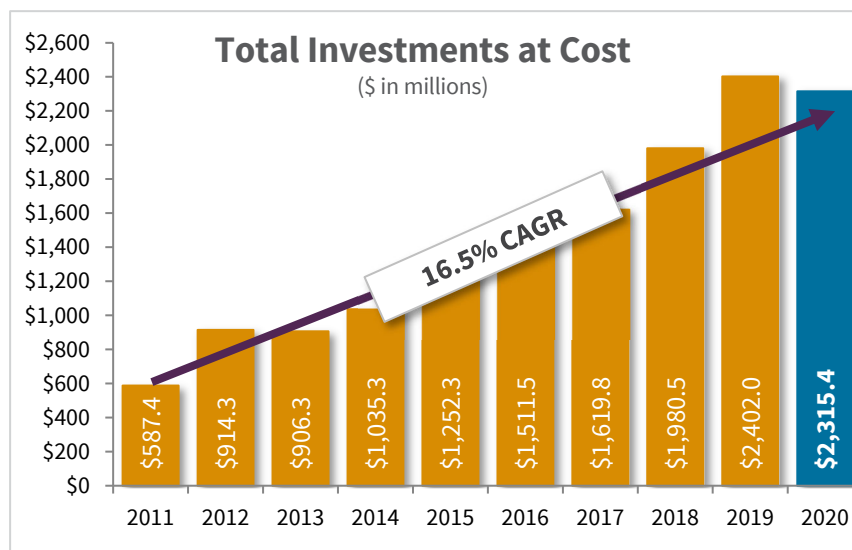
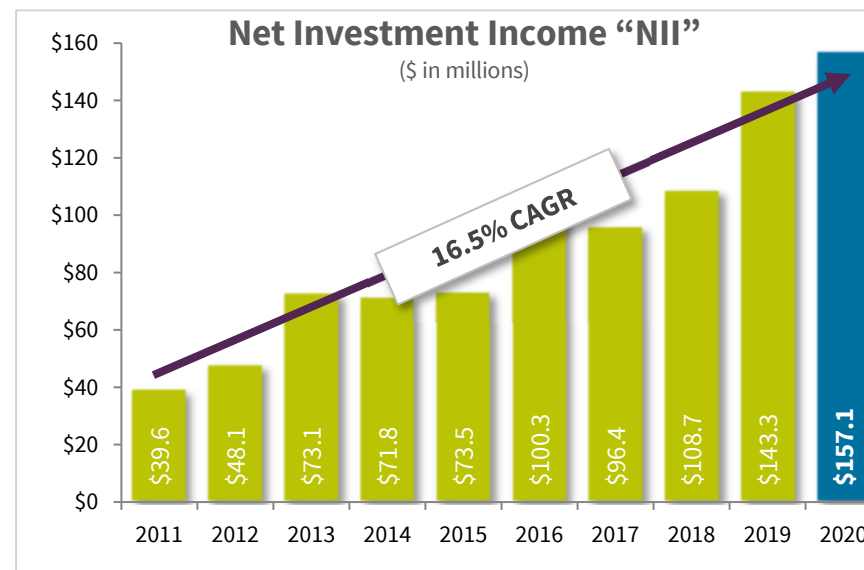
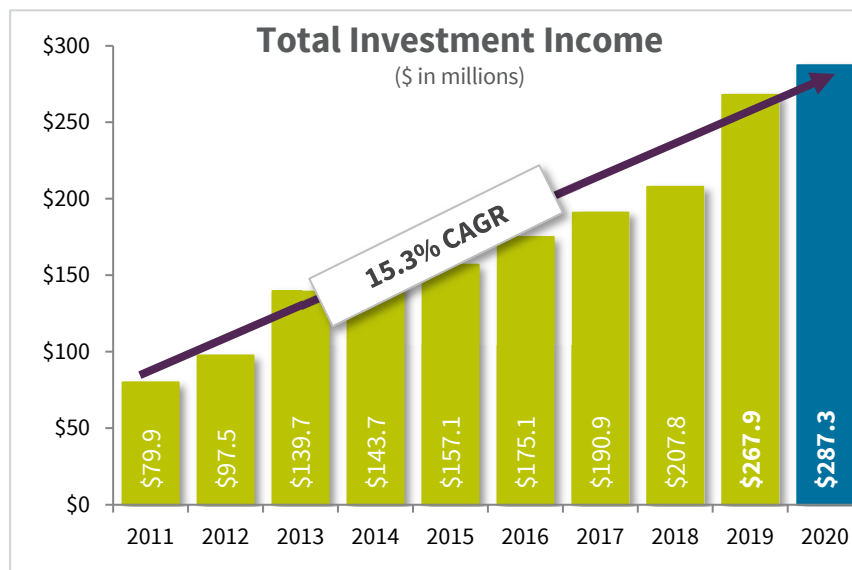
HERCULES CONSISTENTLY MAINTAINS A PREMIUM TO NAV

CREATES A STRONG CAPITAL RAISING POSITION TO SUPPORT GROWTH



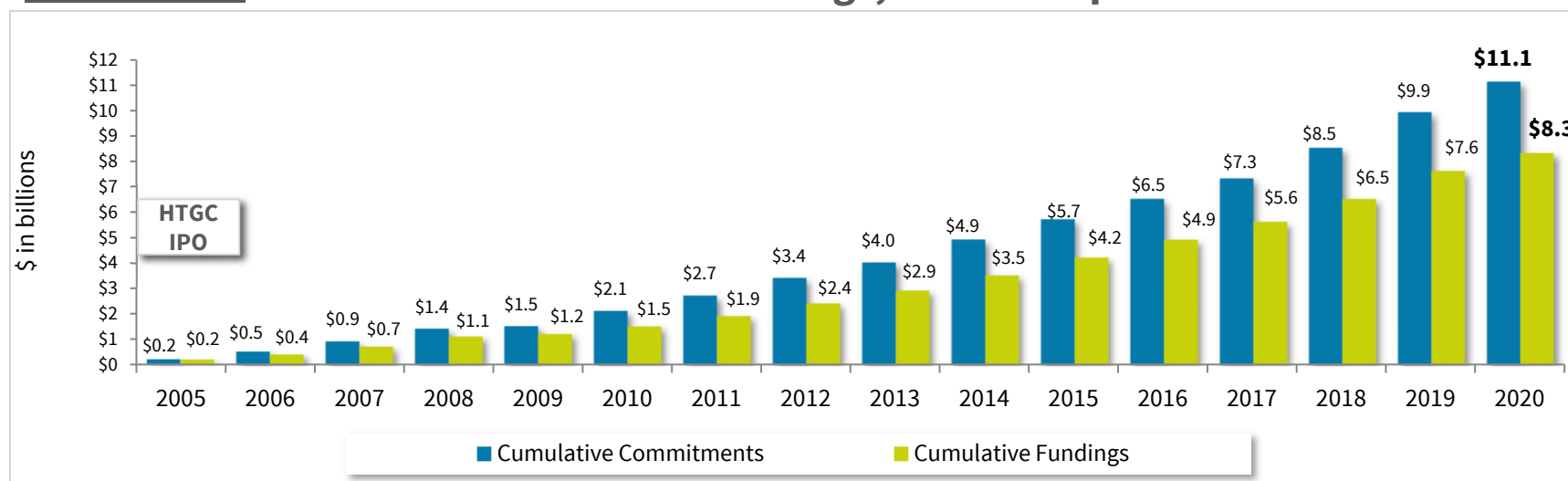
(a) Peer Group: AINV, ARCC, BKCC, OCSL, FSK, GBDC, GSBD, MAIN, NMFC, OXSQ, PNNT, PSEC, SLRC, BBDC, TCPC, FCRD, TSLX
Price to NAV Source: S&P CapIQ as of 12/31/20 for HTGC and Peer Group. Stock price based on closing price on last trading day of each calendar year or relative quarter.

HERCULES KEY PERFORMANCE HIGHLIGHTS

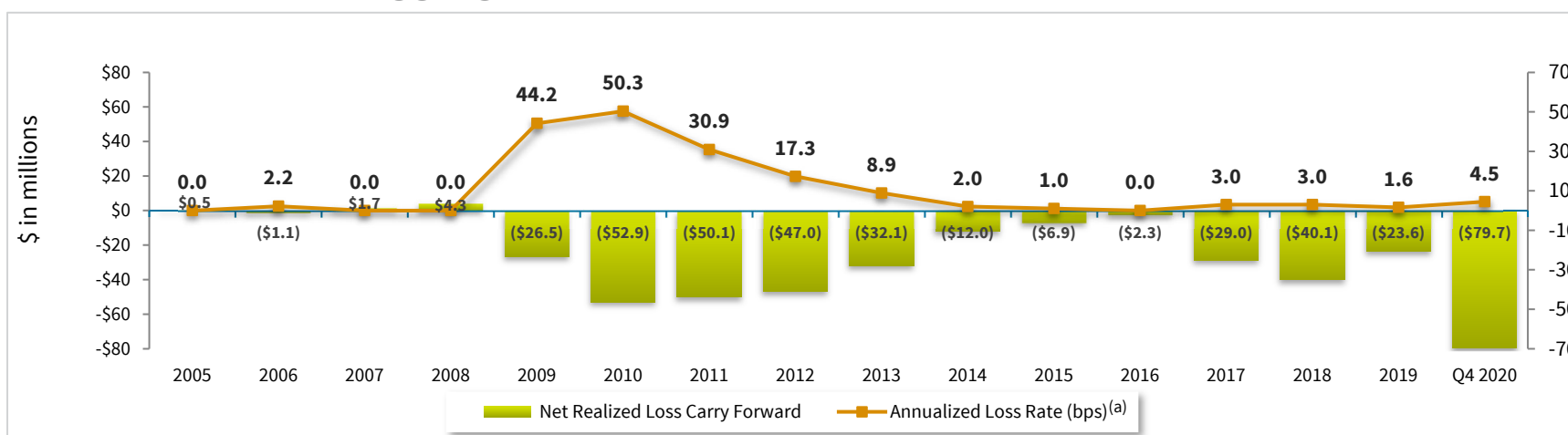


PORTFOLIO GROWTH WITH UNDERWRITING DISCIPLINE

Cumulative Debt Commitment and Fundings, Since Inception



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



(a) When compared to total new debt commitments during the same period

COMPANY & STRATEGIC OVERVIEW



HERCULES AT-A-GLANCE

LARGEST BDC FOCUSED ON PROVIDING FINANCING TO HIGH-GROWTH VENTURE CAPITAL-BACKED COMPANIES

\$1.78
BILLION

MARKET
CAPITALIZATION

FOUNDED DECEMBER 2003
IPO: June 2005 “HTGC”

ENTERPRISE VALUE
\$3.05 billion⁽¹⁾

MARKET CAPITALIZATION
\$1.78 billion⁽¹⁾

NET ASSET VALUE PER SHARE
\$11.26 as of 12/31/20

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

CURRENT PRICE/NAV
1.39x⁽¹⁾

\$2.10
BILLION

DEBT INVESTMENT
PORTFOLIO

DEBT INVESTMENT COST BASIS
\$2.10 billion

DEBT INVESTMENT FAIR VALUE
\$2.10 billion

EFFECTIVE YIELD
13.3%

DEBT INVESTMENTS IN
97 companies

SHORT TERM MATURITIES
36-42 months

INVESTMENT SIZE
\$5 to \$200 million

100
COMPANIES

WARRANT & EQUITY
PORTFOLIO

WARRANT HOLDINGS IN
100 companies

EQUITY HOLDINGS IN
59 companies

TOTAL WARRANT AND EQUITY
GAAP COST
\$215.6 million

TOTAL WARRANT AND EQUITY
FAIR VALUE
\$259.3 million

\$673.3
MILLION

LIQUIDITY & BALANCE
SHEET

AVAILABLE LIQUIDITY TO
INVEST⁽²⁾
\$673.3 million

GAAP LEVERAGE
100.6% / 93.0% ex. SBA

INVESTMENT GRADE RATINGS
Moody's: Baa3

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 February 19, 2021

(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

- 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 – **96.9%** floating rate loans and with interest rate floors⁽¹⁾
- We are generally the only lender and **84.2%** are "true" first lien senior secured⁽¹⁾
- 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 16 years of strong credit performance history

(1) As of December 31, 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

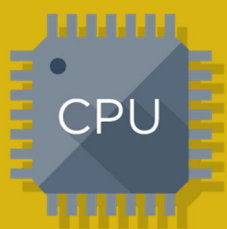
- "Just-in-Time" access provides control on the timing, pricing and amount of capital raised, with full control over leverage ratios
- Ideal for raising growth capital when needed, proceeds expeditiously invested in new investments
- Exceptionally low and cost-effective access to capital markets
- Equity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

The Results

- Equity ATM Program FY 2020: sold ~ 6.3 million shares for total net proceeds of ~ \$77.2 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

\$11.1 billion in total debt commitments to over 520 companies since inception

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

Over 1000 different VC & PE firms, financial investors

Over 190 portfolio companies completed/announced an IPO or M&A event since inception

FINANCIAL HIGHLIGHTS



INCOME STATEMENT: Q4 2020 VS. Q4 2019 SUMMARY RESULTS

	Three Months Ended December 31,		
	2020 (unaudited)	2019 (unaudited)	Year/Year Change
(\$ in 000's, except per share amounts)			
Interest Income	\$ 68,245	\$ 66,086	3%
Fee Income	7,087	4,491	58%
Total Investment Income	75,332	70,577	7%
Interest and Loan Fees	17,191	15,954	8%
General and Administrative	5,982	5,092	17%
Employee Compensation	9,997	9,432	6%
Total Operating Expenses	33,170	30,478	9%
Other Income			
Pre-Tax Net Investment Income-NII	42,162	40,099	5%
Total Net Realized and Unrealized Gain/Loss	109,010	4,512	
Net Increase(Decrease) in Net Assets from Operations	151,172	44,611	239%
NII - Net Investment Income per Share (Basic)	\$ 0.37	\$ 0.38	-3%
Weighted Average Shares Outstanding - Basic	113,898	105,634	8%

CURRENT AND HISTORICAL INCOME STATEMENTS

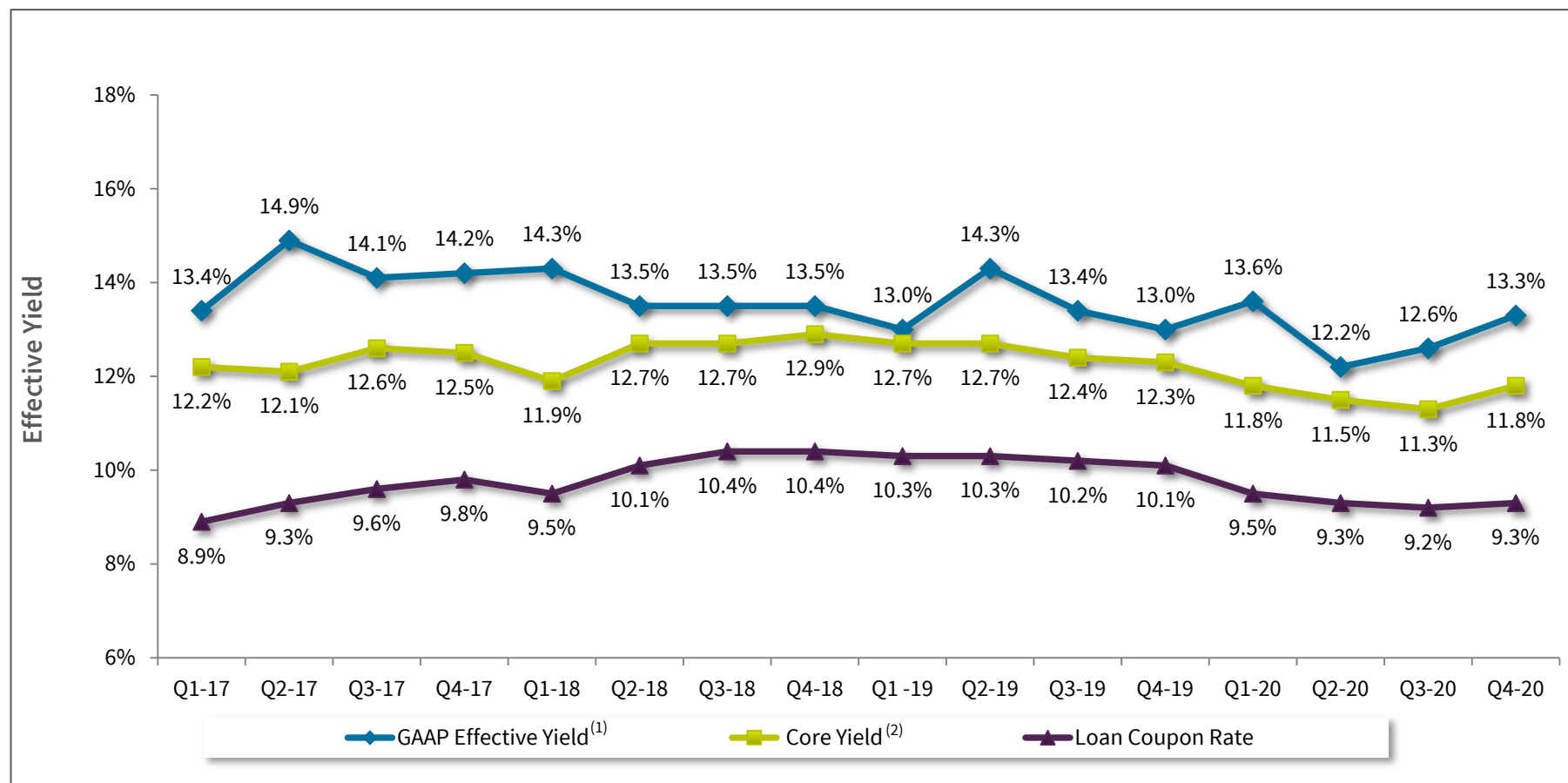
	Twelve Months Ended December 31,		
	2020	2019	Year/Year Change
(\$ in 000's, except per share amounts)			
Interest Income	\$ 263,379	\$ 247,513	6%
Fee Income	23,879	20,361	17%
Total Investment Income	287,258	267,874	7%
Interest and Loan Fees	66,874	61,674	8%
General and Administrative	23,195	19,183	21%
Employee Compensation	40,049	41,519	-4%
Total Operating Expenses	130,118	124,602	4%
Other Income			
Pre-Tax Net Investment Income-NII	157,140	143,272	10%
Total Net Realized and Unrealized Gain/Loss	70,121	30,326	
Net Increase(Decrease) in Net Assets from Operations	227,261	173,598	31%
NII - Net Investment Income per Share (Basic)	\$ 1.39	\$ 1.41	-1%
Weighted Average Shares Outstanding - Basic	111,985	101,132	11%

CURRENT & HISTORICAL BALANCE SHEET

(\$ in 000's, except per share amounts)	December 31,	December 31,
	2020	2019
ASSETS		
Total Investments	\$ 2,354,078	\$ 2,314,526
Cash and cash equivalents	198,282	64,393
Restricted cash	39,340	50,603
Interest receivable	19,077	20,207
Other assets	13,220	12,239
Total Assets	\$ 2,623,997	\$ 2,461,968
LIABILITIES		
Accounts Payable and Accrued Liabilities	45,655	41,844
Long-term SBA Debentures	98,176	148,165
2022 Notes	149,039	148,514
July 2024 Notes	103,942	103,685
February 2025 Notes	49,522	-
April 2025 Notes	73,351	72,970
June 2025 Notes	69,272	-
March 2026 A Notes	49,550	-
2033 Notes	38,610	38,501
2027 Asset-Backed Notes	178,812	197,312
2028 Asset-Backed Notes	247,647	247,395
2022 Convertible Notes	228,177	226,614
Credit Facilities	-	103,919
Total Liabilities	\$ 1,332,293	\$ 1,328,919
Net Assets	\$ 1,291,704	\$ 1,133,049
Shares Outstanding	114,726	107,364
Net Assets per Share	\$ 11.26	\$ 10.55

EFFECTIVE YIELD VS. CORE YIELD – LEADS TO STRONG EARNINGS

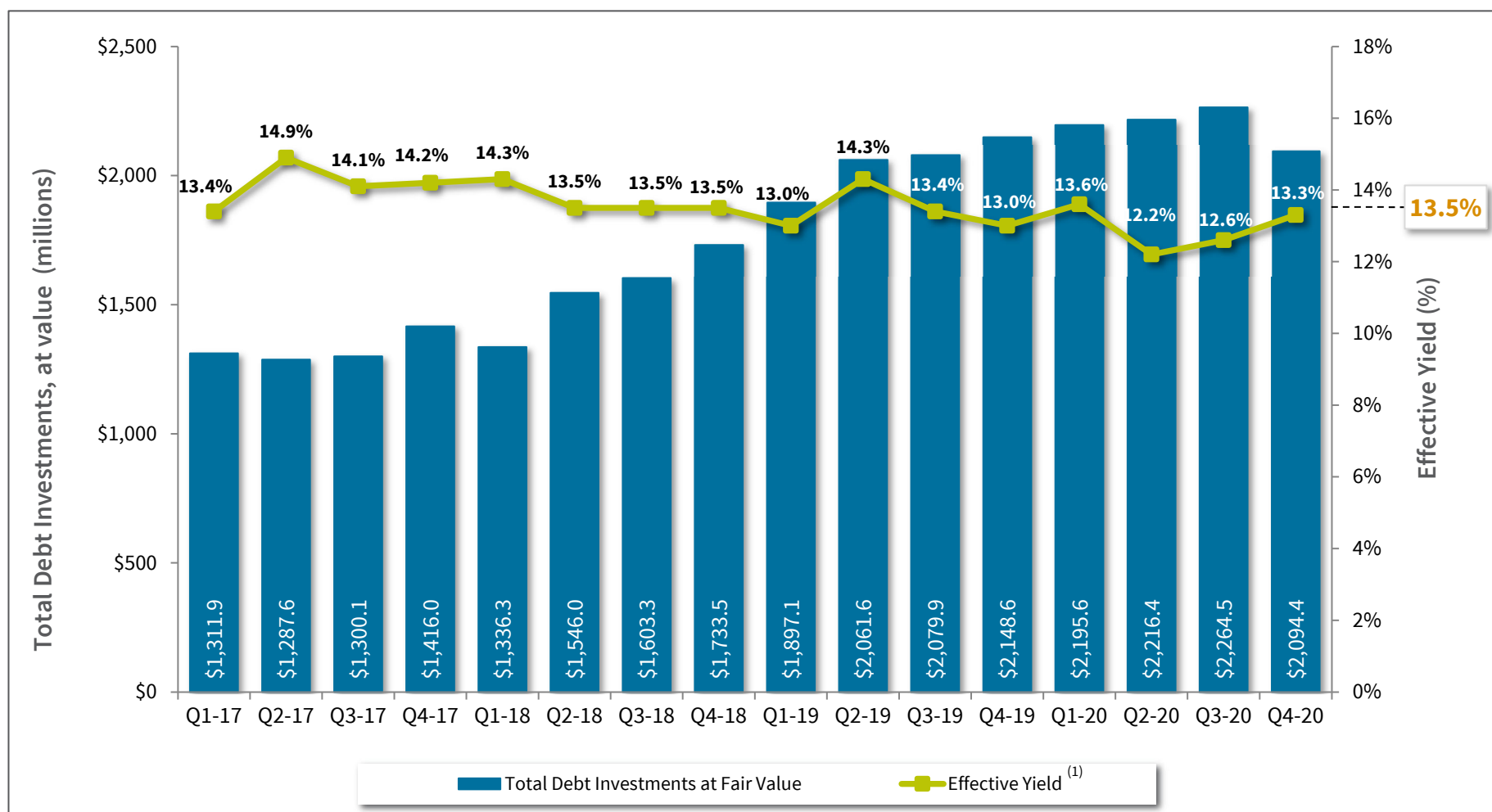
MEDIAN CORE YIELD FROM Q1 2017 TO Q4 2020: 12.4%



- (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

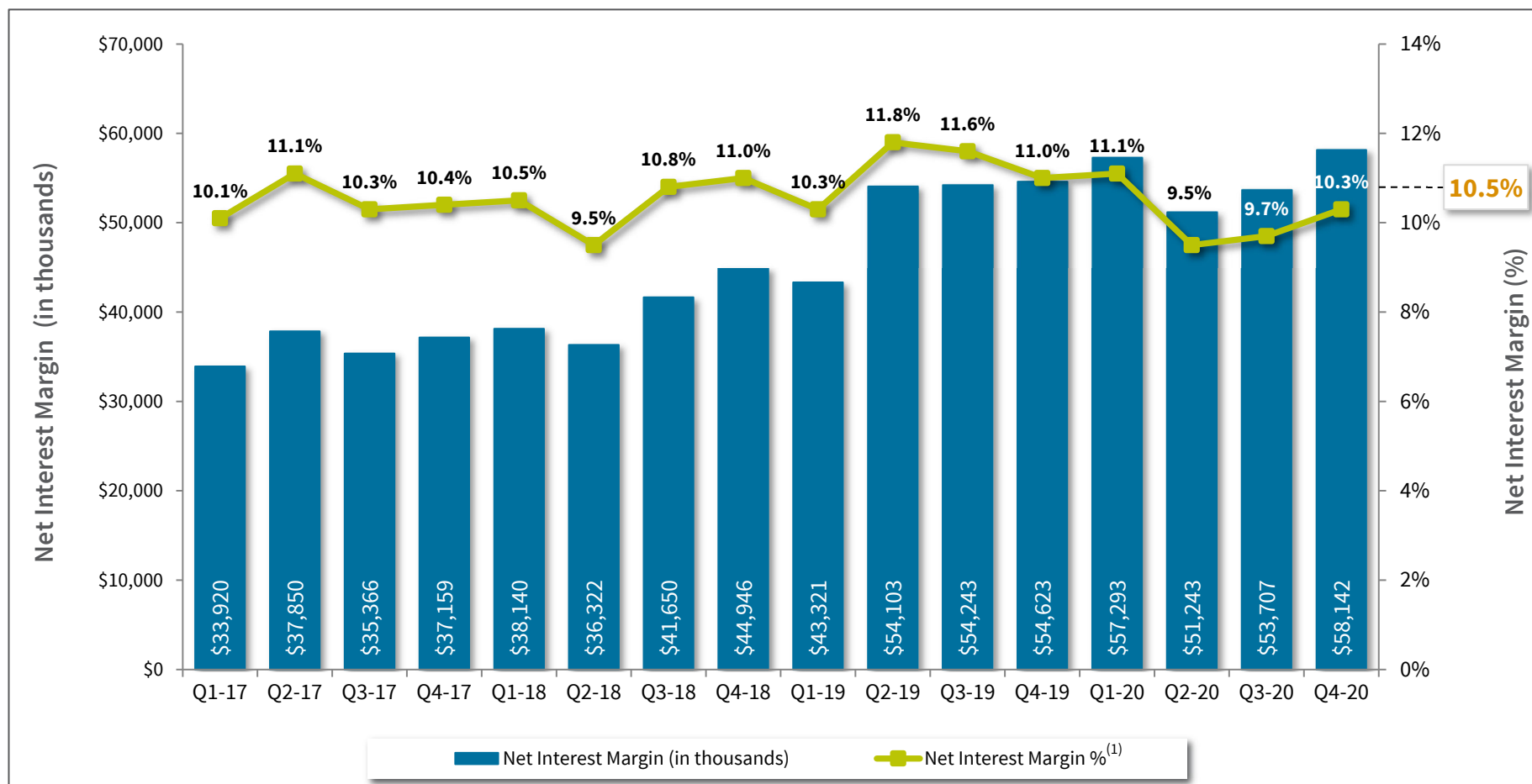
MEDIAN EFFECTIVE YIELD FROM Q1 2017 TO Q4 2020 OF 13.5%



(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

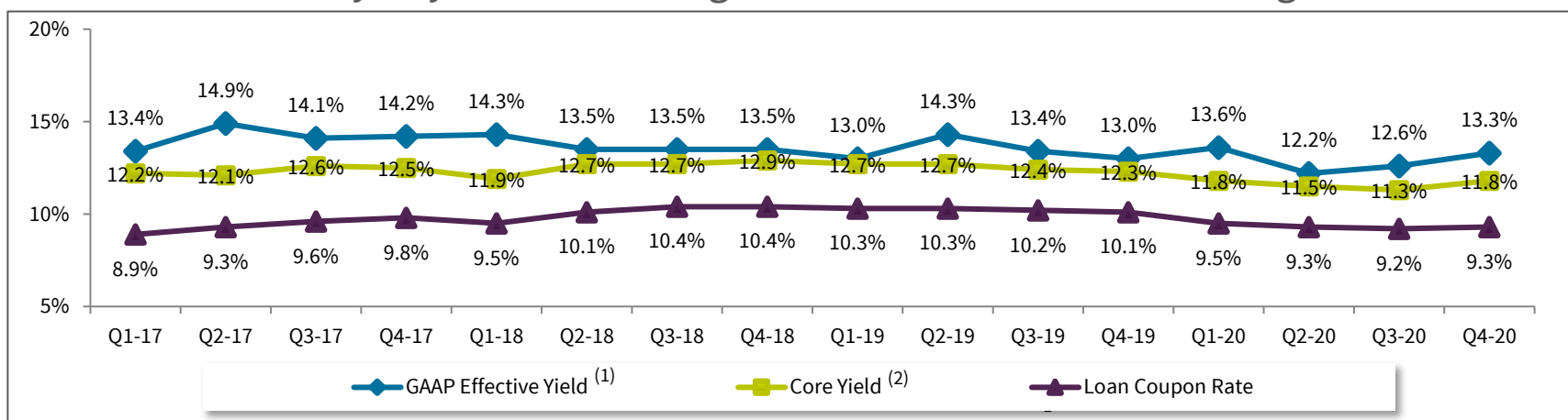
MEDIAN NIM FROM Q1 2017 TO Q4 2020 OF 10.5%



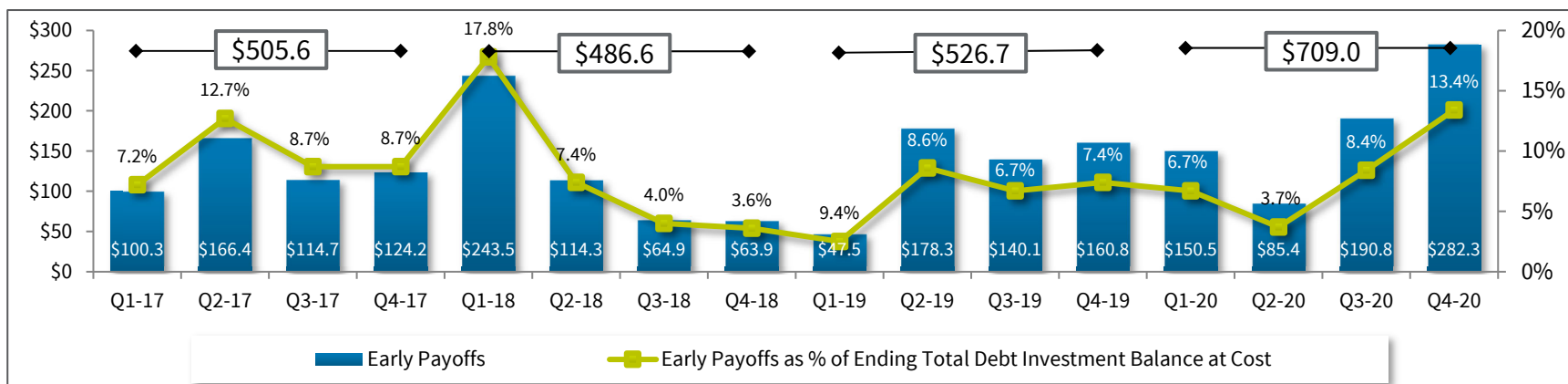
(1) Net Interest Margin = Net Interest Income/Average Yielding Assets excluding Equity Investments

IMPACT OF EARLY PAYOFFS ON EFFECTIVE YIELDS

Early Payoffs Lead to Higher Effective Yields and Earnings



EFFECTIVE YIELDS

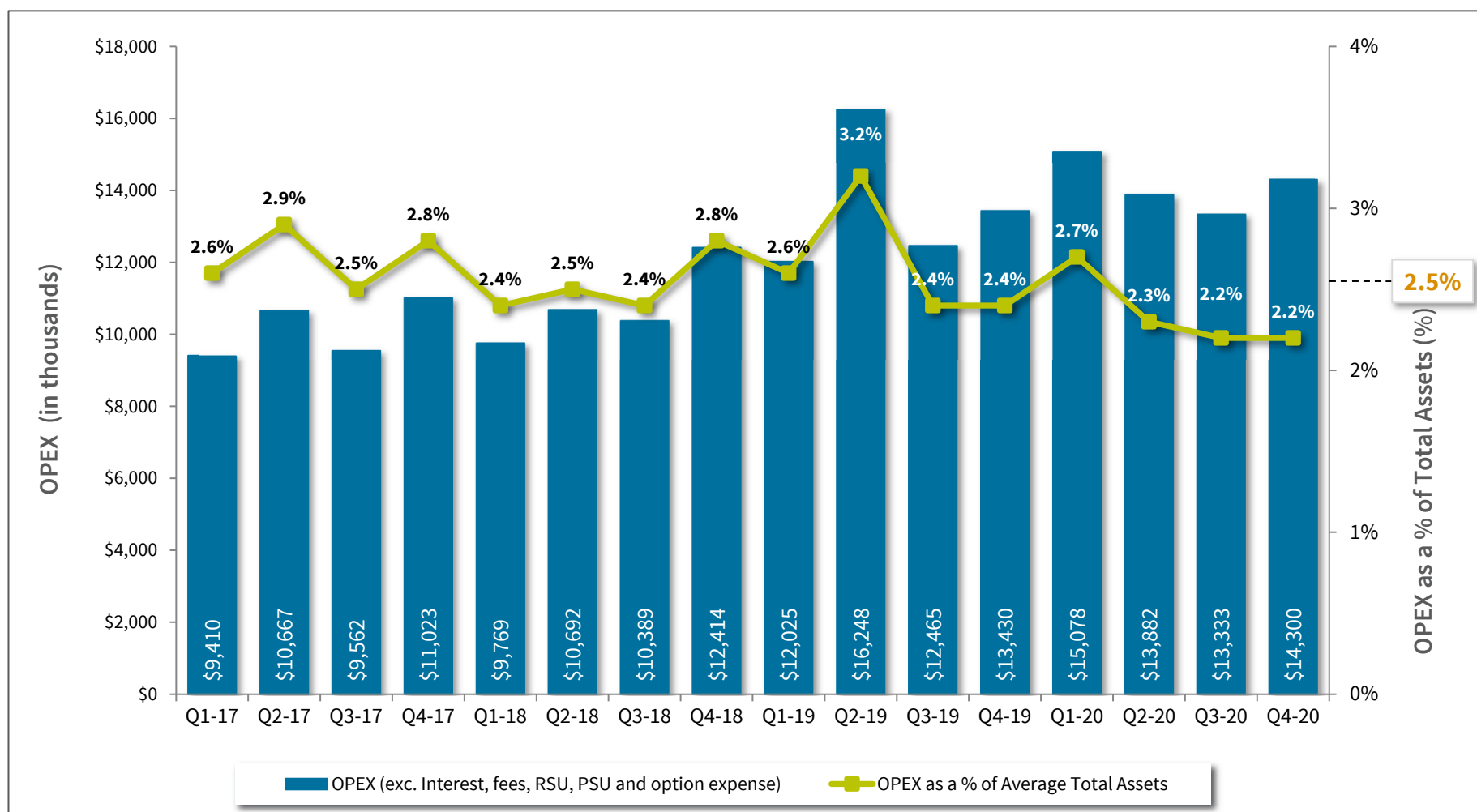


UNSCHEDULED EARLY PAYOFFS (\$ in millions)

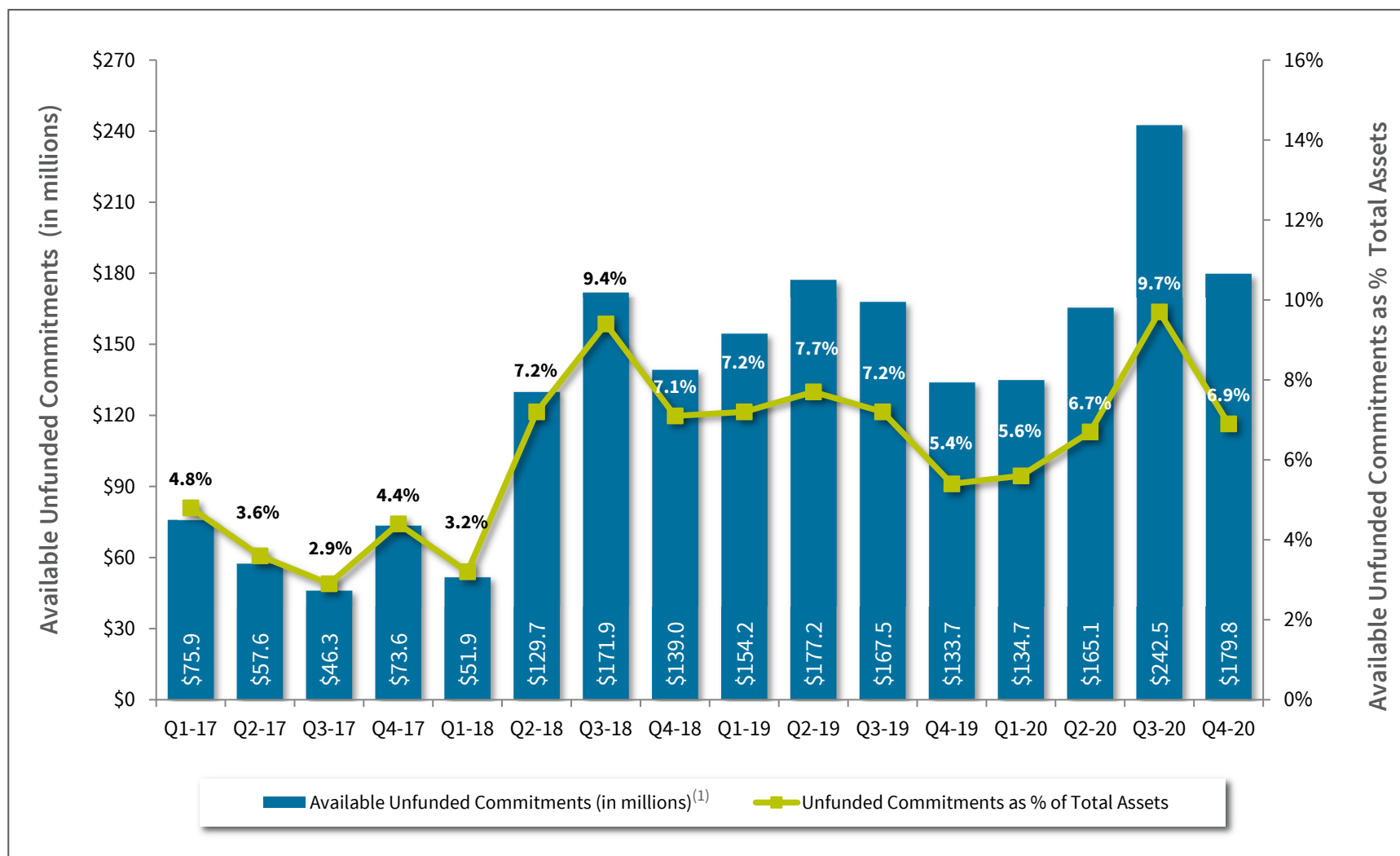
- (1) Effective Yield is inclusive of all fees, including all realized unamortized fees and all realized transaction fees including but not limited to amendment fees and prepayment fees, and is calculated based on the weighted average principal balance of loans outstanding on a daily basis
- (2) Core 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 Q4 2020 OF 2.5%



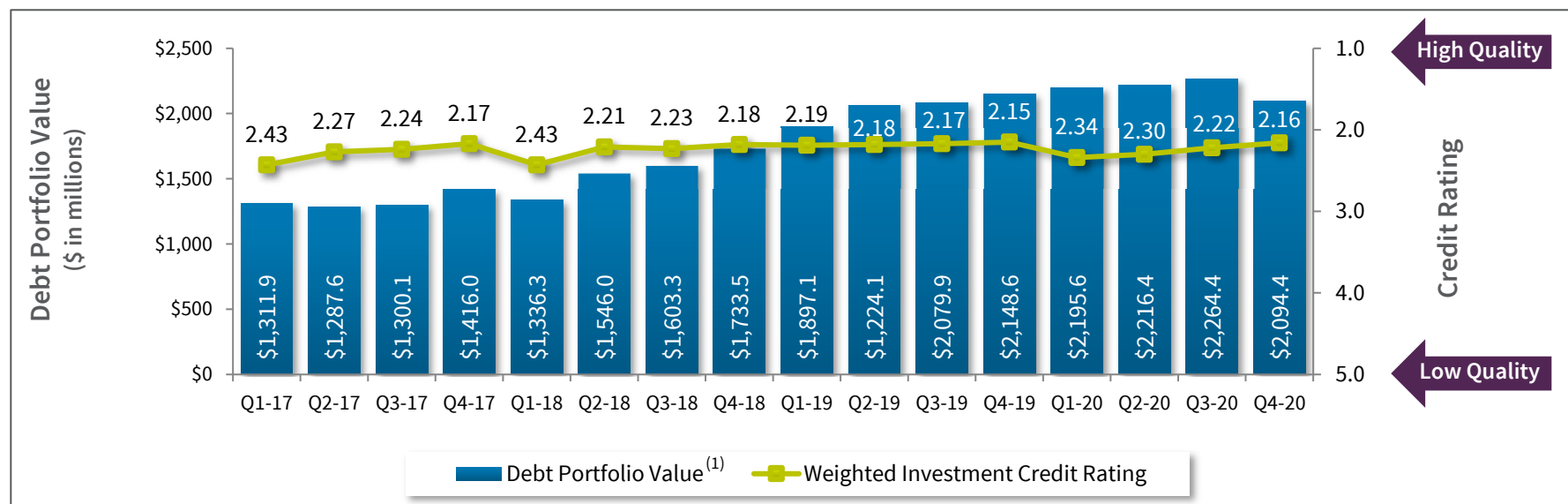
UNFUNDED COMMITMENTS AS A PERCENTAGE OF TOTAL ASSETS



(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, Q4 2020 - Q4 2019 (\$ in millions)

	Q4 2020		Q3 2020		Q2 2020		Q1 2020		Q4 2019	
Grade 1 - High	\$ 411.0	19.6%	\$ 406.5	17.9%	\$ 443.6	20.1%	\$ 390.4	17.7%	\$ 387.3	18.0%
Grade 2	\$ 1,027.9	49.1%	\$ 1,053.1	46.5%	\$ 877.9	39.6%	\$ 818.1	37.3%	\$ 1,180.5	55.0%
Grade 3	\$ 621.3	29.7%	\$ 772.3	34.1%	\$ 849.7	38.3%	\$ 917.2	41.8%	\$ 509.9	23.7%
Grade 4	\$ 25.3	1.2%	\$ 26.7	1.2%	\$ 25.0	1.1%	\$ 54.3	2.5%	\$ 69.0	3.2%
Grade 5 - Low	\$ 8.9	0.4%	\$ 5.9	0.3%	\$ 20.1	0.9%	\$ 15.5	0.7%	\$ 1.8	0.1%
Weighted Avg.	2.16		2.22		2.30		2.34		2.15	

(1) Debt only; based on fair value

DIVERSIFIED SOURCES OF FUNDING: Q4 2020

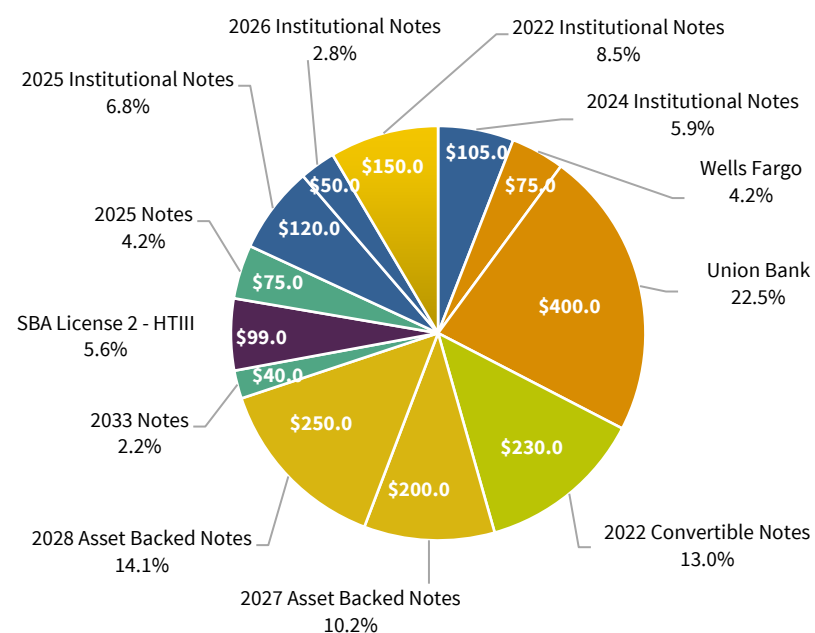
Entity Capitalization

Capital Sources as of 12/31/20

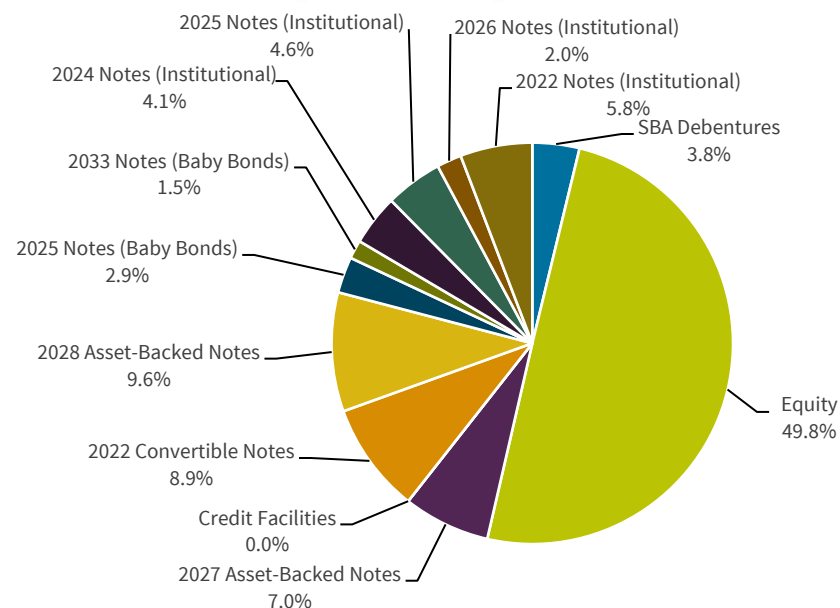
	\$ in Millions	% of Total
Equity	\$1,291.7	49.8%
SBA Debentures	\$99.0	3.8%
2027 Asset-Backed Notes	\$181.0	7.0%
2028 Asset-Backed Notes	\$250.0	9.6%
2022 Convertible Notes	\$230.0	8.9%
2022 Notes (Institutional)	\$150.0	5.8%
2024 Notes (Institutional)	\$105.0	4.1%
2025 Notes (Baby Bonds)	\$75.0	2.9%
2033 Notes (Baby Bonds)	\$40.0	1.5%
2025 Notes (Institutional)	\$120.0	4.6%
2026 Notes (Institutional)	50.0	2.0%
Credit Facilities	\$0.0	0.0%
Total Capital	\$2,591.7	100.0%

(\$ in millions)

Debt Capital Stack



Total Corporate Capitalization

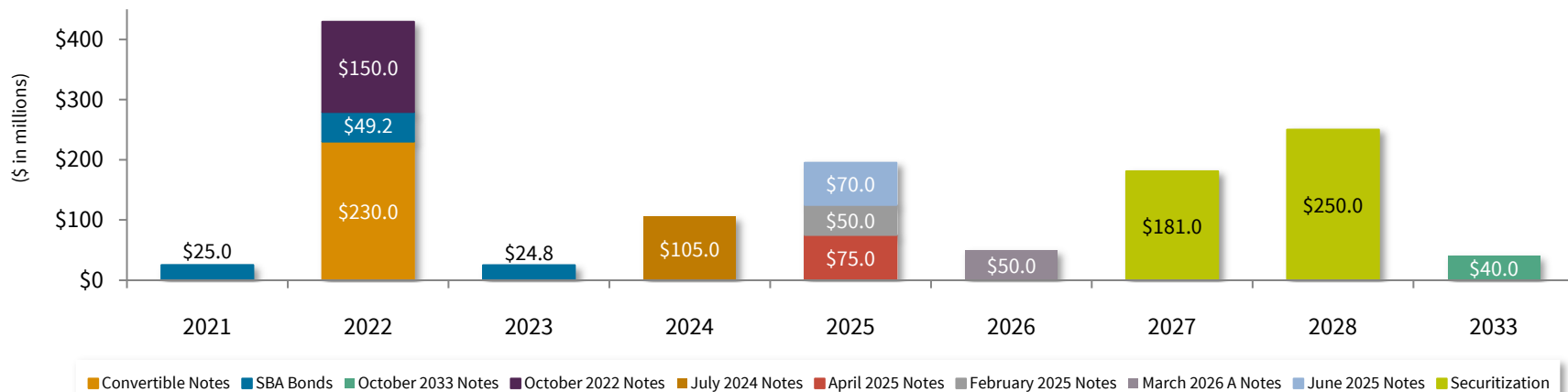


DIVERSIFIED SOURCES OF FUNDING (AS OF 12/31/20)

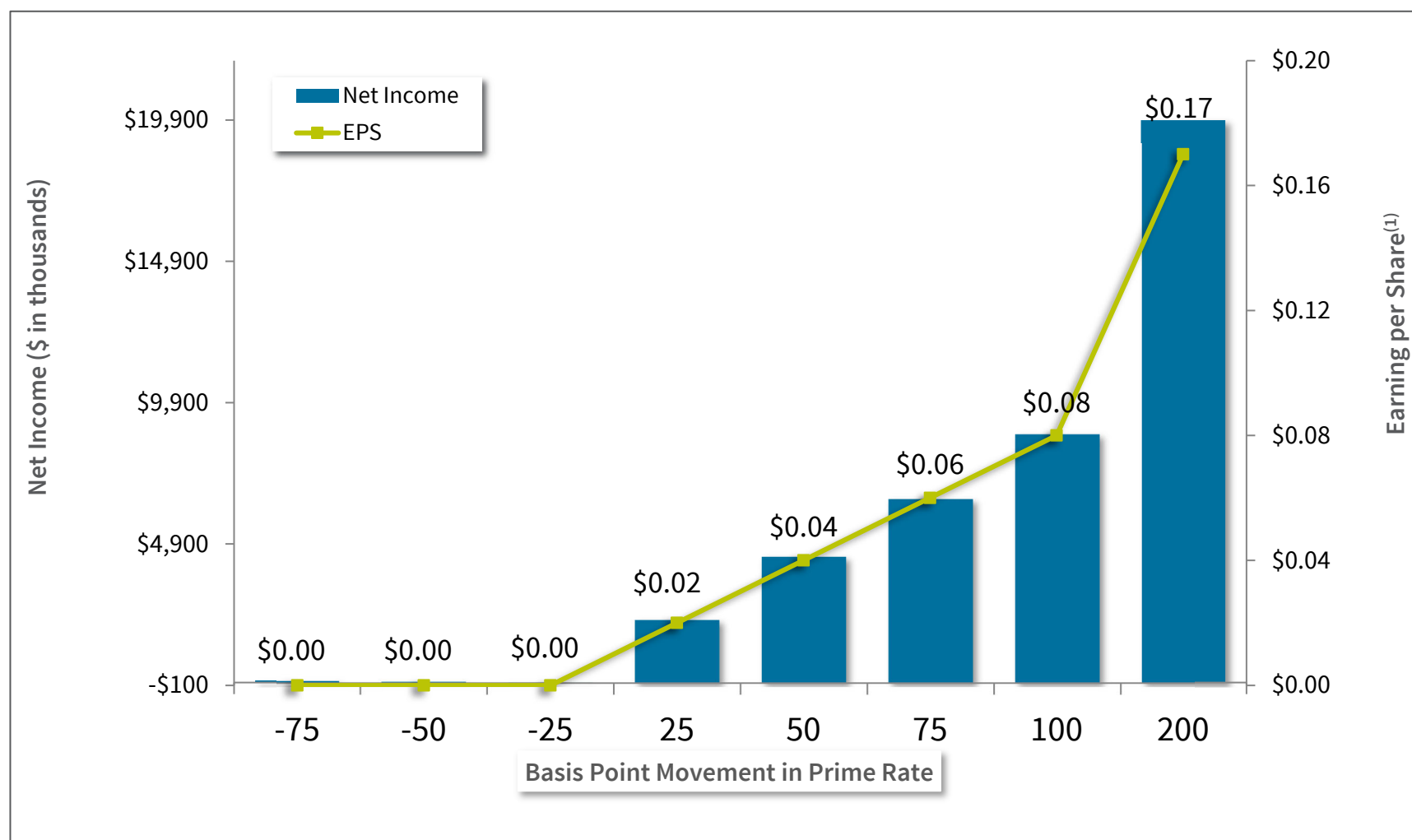
DATE ENTERED	Wells Fargo Credit Facility	Union Bank Credit Facility	Notes								SBA Debentures		
			January 2022 Conv. Notes	October 2022 Inst. Notes	April 2025 Notes	October 2033 Notes	July 2024 Inst. Notes	February 2025 Inst. Notes	June 2025 Inst. Notes	March 2026 A Inst. Notes	License 2 HTIII	Securitizations	
	Aug. 2008	Feb. 2020	Jan. 2017	Oct. 2017	April 2018	Oct. 2018	July 2019	Feb. 2020	June 2020	Nov. 2020	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	\$50.00	\$99.0	\$181.0	\$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	4.50% Unsecured	Range ⁽¹⁾ from 2.2% to 5.5%	4.605%	4.703%
MATURITY	January 2023	February 2024	February 2022	October 2022	April 2025	October 2033	July 2024	February 2025	June 2025	March 2026	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+	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	\$50.00	\$99.0	\$181.0	\$250.0

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

Well Managed Debt Maturity Schedule



INTEREST RATES & ASSET SENSITIVITY



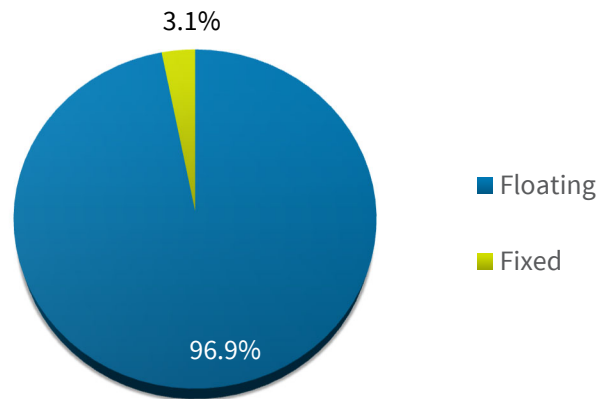
(1) EPS calculated on basic weighted shares outstanding of 113.9 million and a static debt investment portfolio as of December 31, 2020. Estimates are also subject to change due to impact from potential participation in the Company's equity ATM program and future equity offerings.

PORTFOLIO HIGHLIGHTS

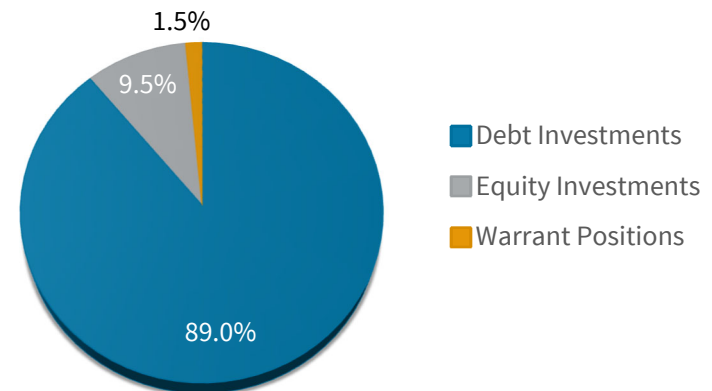


HERCULES' INVESTMENT PORTFOLIO: Q4 2020

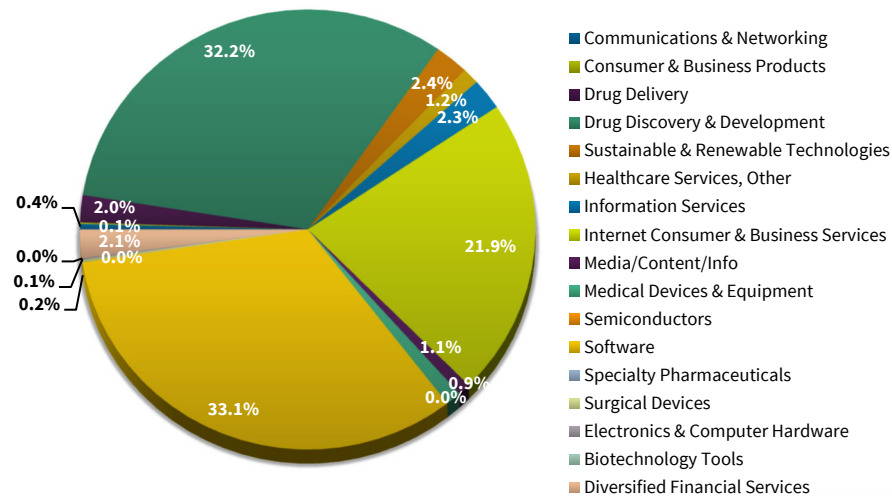
Floating vs. Fixed Rate



Investment Type Breakout

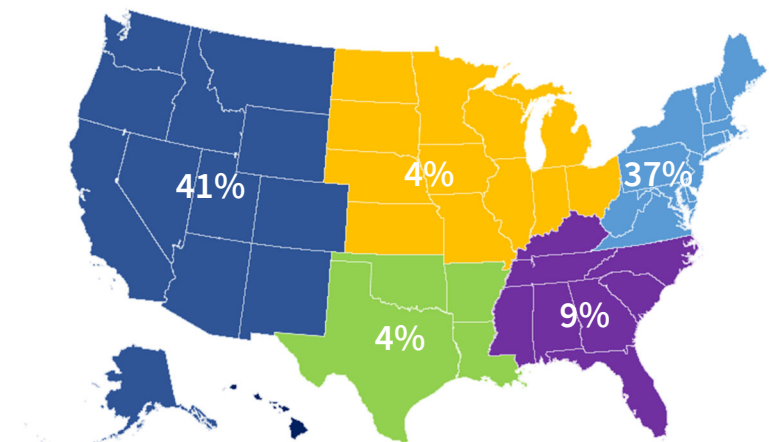


Industry Breakout



Percentage of Portfolio Companies by Region

(Portfolio Companies as of December 31, 2020)



International: 5%

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

9 Portfolio Companies completed IPOs or in Registration – 2020

- Oak Street Health, Outset Medical, Palantir, Codiak, DoorDash and 908 Devices completed
- Metuchen Pharma and Yumanity Therapeutics (reverse mergers) and 1 confidential JOBS Act filer

14 Portfolio Company M&A Liquidity Events – 2020

- Quid, CareCloud, Elenion Technologies, TAS Energy, Metuchen Pharma, Machine Zone, Lastline, Postmates, Yumanity Therapeutics, Patron Technology, Blurb, Actifio, Insurance Technologies and Neos Therapeutics

Current Warrant and Equity Portfolio – Q4 2020

- | | |
|--|---|
| <ul style="list-style-type: none">■ 100 warrant holdings<ul style="list-style-type: none">• GAAP fair value ~\$34.6 million• GAAP cost ~\$25.7 million• ~\$63.8 million in nominal Exercise Value (as of 12/31/20) | <ul style="list-style-type: none">■ 59 equity holdings<ul style="list-style-type: none">• GAAP fair value ~\$224.7 million• GAAP cost ~\$189.9 million |
|--|---|

- Illustrative models of potential warrant gains (as of 12/31/20)
 - Assumption: 50% of warrants will not monetize
 - GAAP cost ~\$12.8 million
 - Based on ~113.9 million weighted average shares

\$31.9M x 2X multiple:
\$63.8M - \$12.8M cost =
\$51.0M unrealized gain = **\$0.45/share**

\$31.9M x 3X multiple:
\$95.7M - \$12.8M cost =
\$82.9M unrealized gain = **\$0.73/share**

\$31.9M x 4X multiple:
\$127.6M - \$12.8M cost =
\$114.8 unrealized gain = **\$1.01/share**

SELECT LIST OF WARRANT AND EQUITY PORTFOLIO HOLDINGS

Technology

 Palantir

 DOORDASH

 docker

 contentful

 fuze

 908devices

 lyft

 dashlane

 IMPOSSIBLE™

 Couchbase

 Postmates

 lightspeed

 Nextdoor

 Thumbtack

 23andMe®

Life Sciences

 bridgebio

 TRICIDA

 insmed

 TransMedics

 uniQure

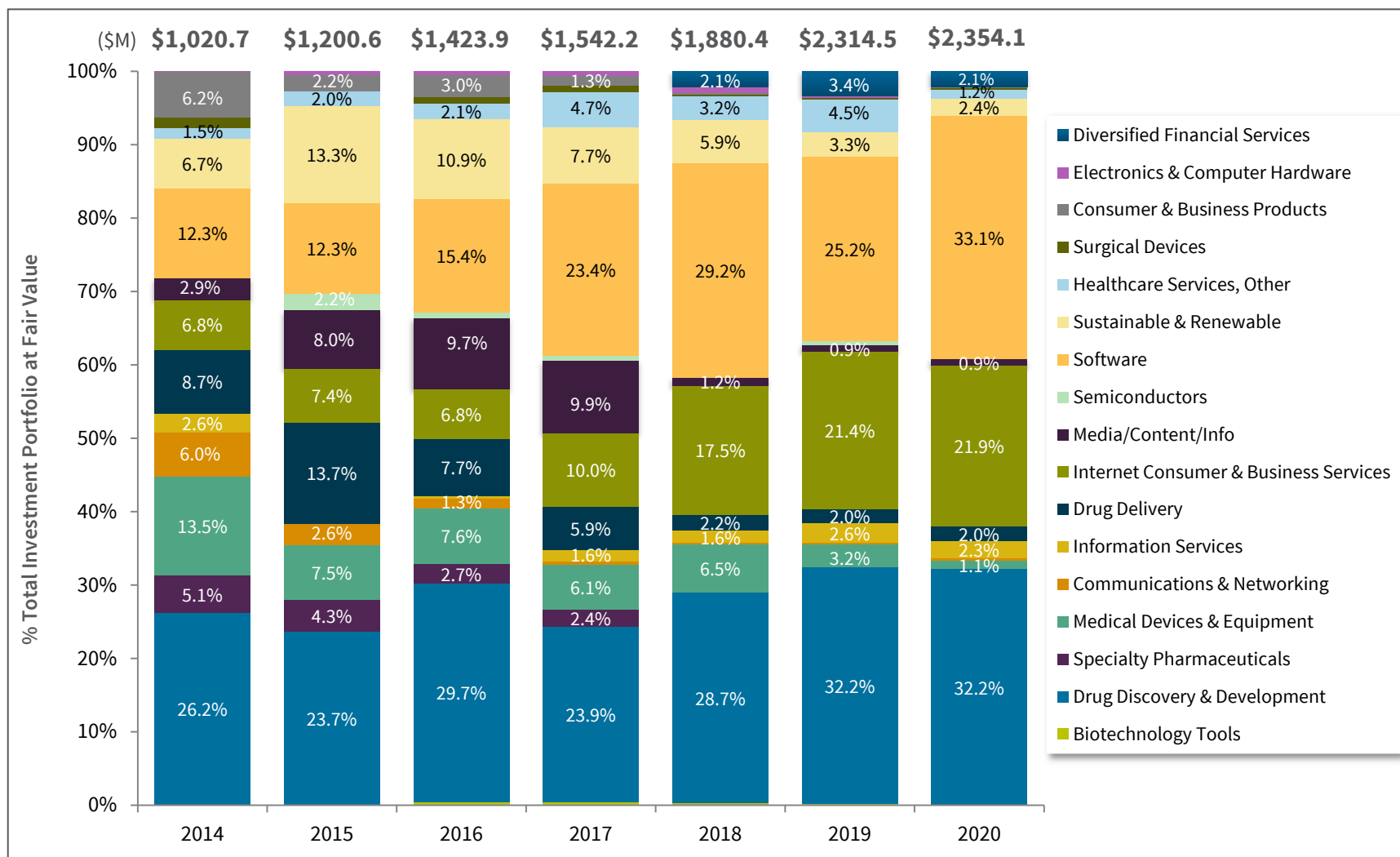
 avedro

 MYOVANT
SCIENCES

 Stealth
BIOTHERAPEUTICS

 CHEMOCENTRYX

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

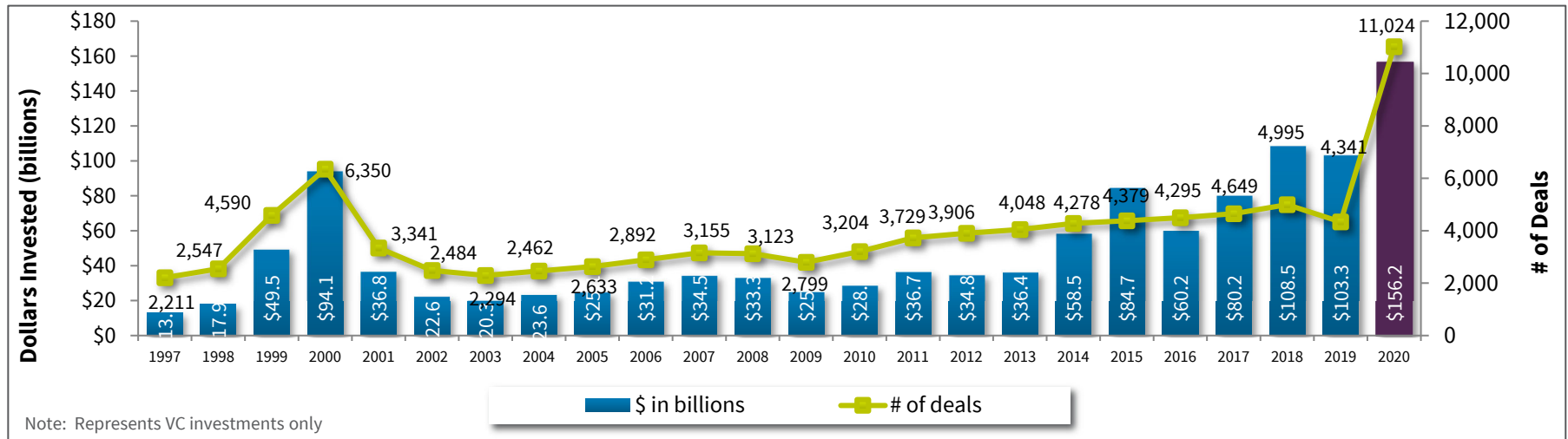
Key VC
Investment
Centers
Palo Alto
Boston
New York
Washington DC
Chicago
Hartford

VENTURE CAPITAL MARKET OPPORTUNITY



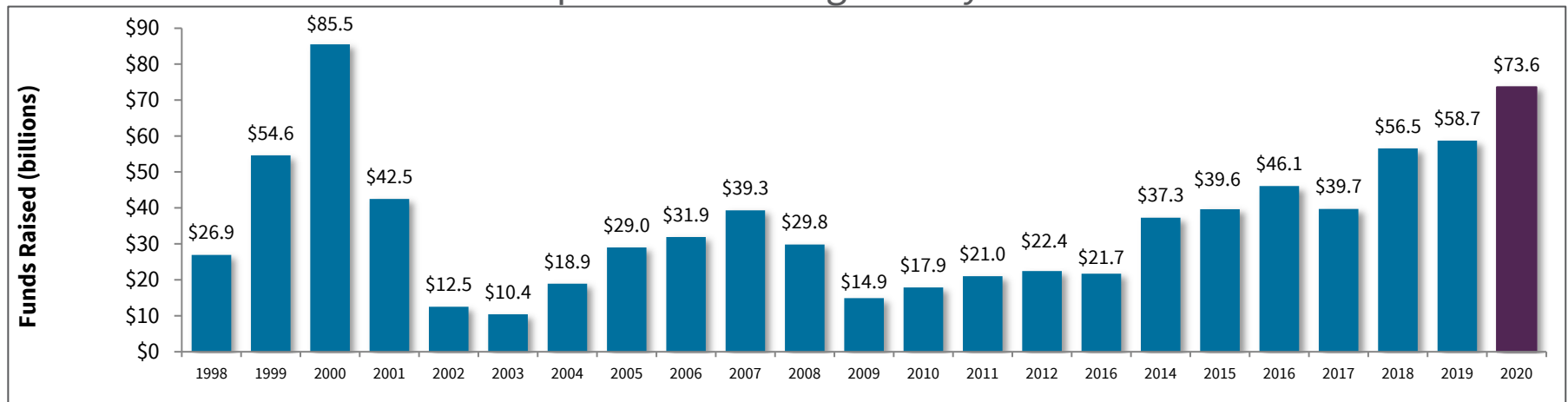
OVER \$1.1 TRILLION IN VENTURE CAPITAL INVESTMENTS

Venture Capital Investment Activity 1997 – 2020



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

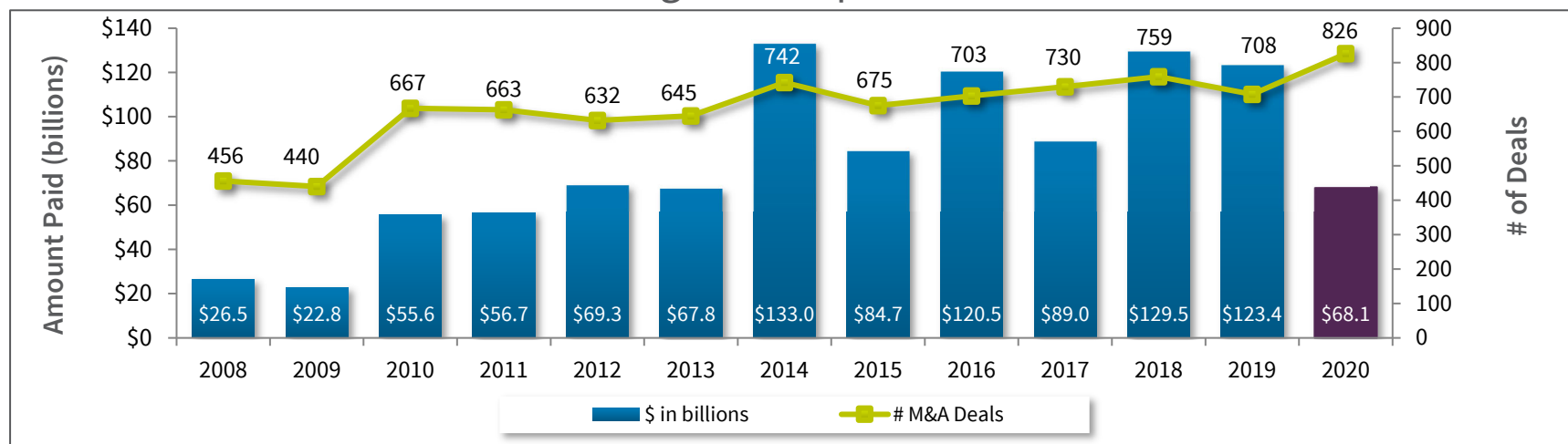
Venture Capital Fundraising Activity 1997 – 2020



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

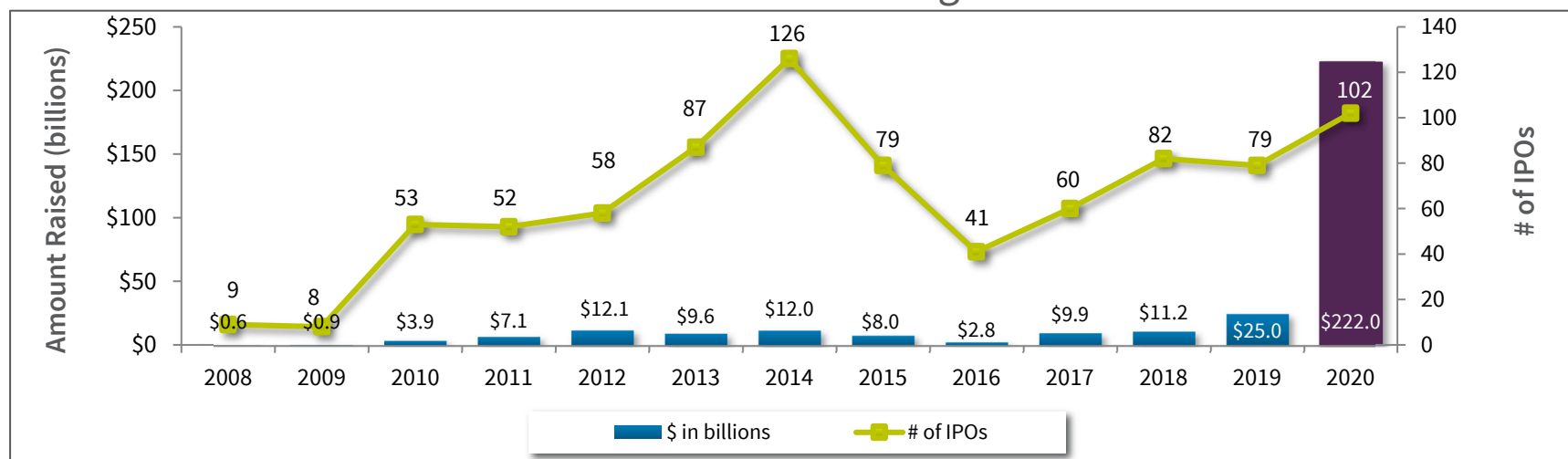
EXITS OF VENTURE CAPITAL-BACKED COMPANIES

Mergers & Acquisitions



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

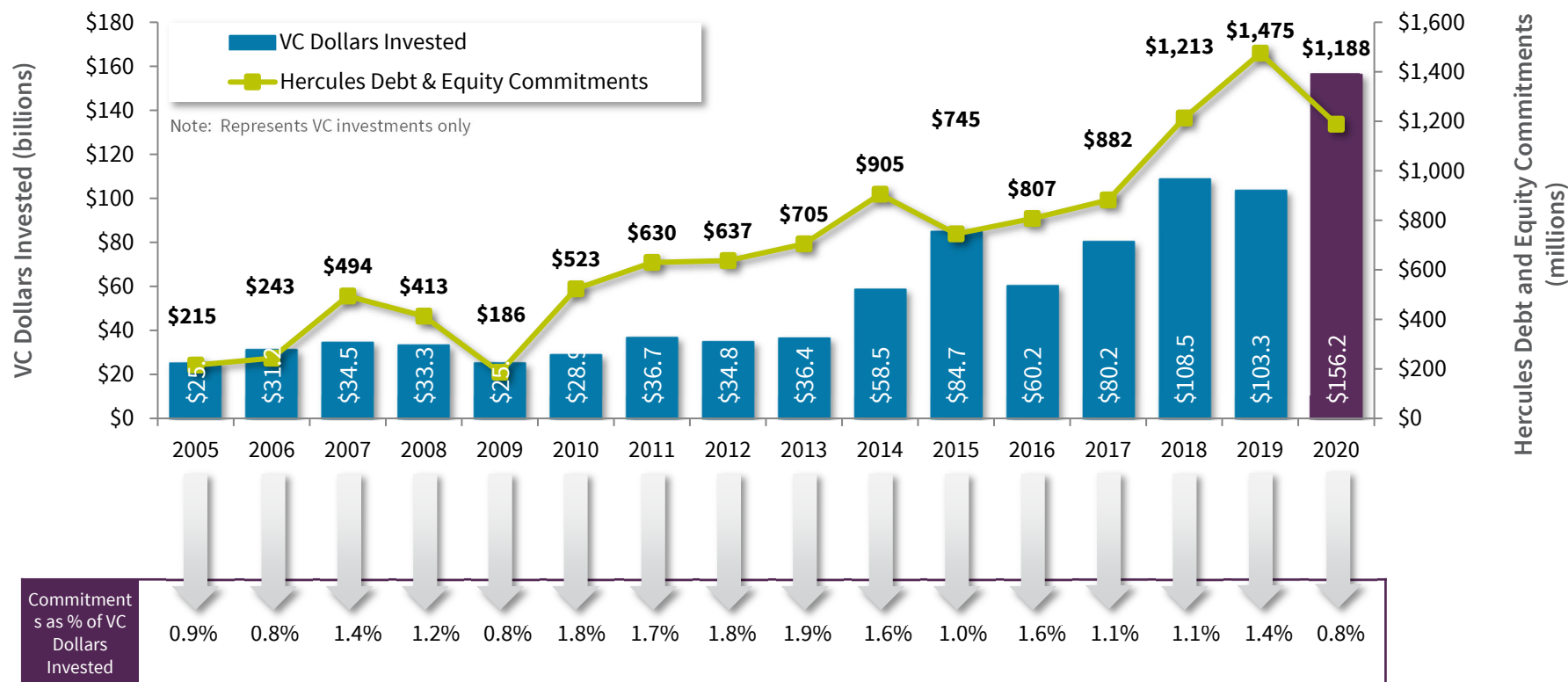
Initial Public Offerings



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

HERCULES' TOTAL COMMITMENTS vs. VC DOLLARS INVESTED

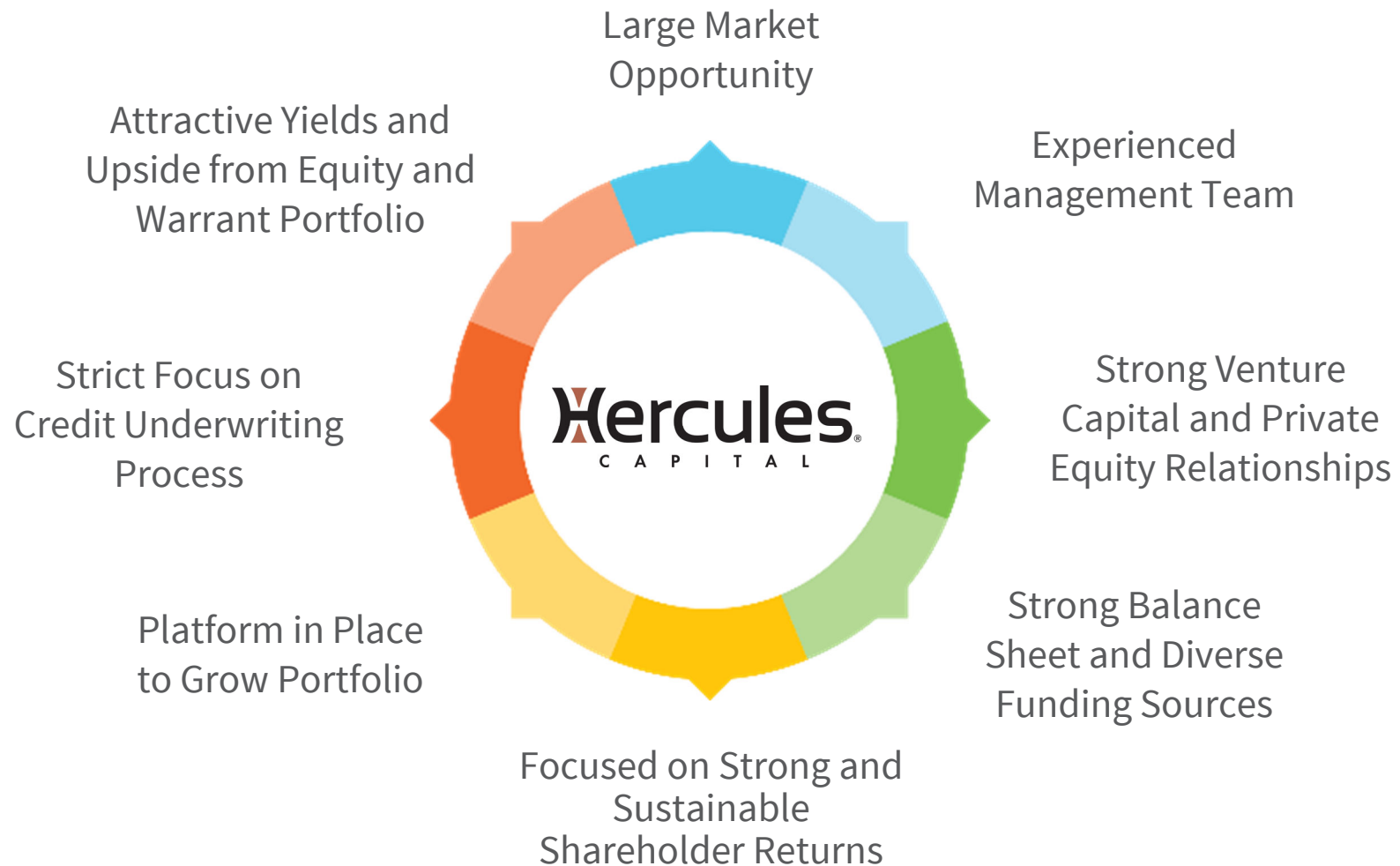
VENTURE CAPITAL INVESTMENT ACTIVITY 2005 – 2020



- Hercules' uncompromising yield and credit underwriting standards drives commitments
- Market conditions determine commitment activity more than pure VC investment activity
- Hercules' 16-year historical average: 1.3%

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

INVESTMENT HIGHLIGHTS



ANALYST COVERAGE



BROAD INDUSTRY ANALYST COVERAGE – 9 FIRMS



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

Jefferies

John Hecht
(Initiated Coverage 6/30/2015)



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



Sarkis Sherbetchyan
(Re-initiated Coverage 2/22/2021)

PIPER | SANDLER

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



Casey Alexander
(Initiated Coverage 6/23/15)

JMP

Devin Ryan
(Re-initiated Coverage 11/2/2020)



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, \$99.0 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