

# Section 1: 8-K (FORM 8-K)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

May 1, 2020

**Hercules Capital, Inc.**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction  
of incorporation)

400 Hamilton Ave., Suite 310  
Palo Alto, CA

(Address of principal executive offices)

**814-00702**

(Commission File No.)

**74-3113410**

(I.R.S. Employer  
Identification No.)

94301

(Zip Code)

Registrant's telephone number, including area code: **(650) 289-3060**

Not Applicable

(Former name or address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.001 per share	HTGC	New York Stock Exchange
5.25% Notes due 2025	HCXZ	New York Stock Exchange
6.25% Notes due 2033	HXCX	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.



## Item 2.02 Results of Operation and Financial Condition

On May 4, 2020, Hercules Capital, Inc. (the “*Company*”) issued a press release announcing its earnings for the quarter ended March 31, 2020 and that it had declared a dividend. The text of the press release is included as an exhibit to this Form 8-K.

This information disclosed under this Item 2.02 including Exhibit 99.1 hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

### 8.01 Other Events

On May 1, 2020, the Company announced that its Board of Directors has declared a quarterly dividend of \$0.32 per share payable in such amount and on such date to stockholders, as forth below. The text of the press release is included as an exhibit to this Form 8-K.

Quarterly Dividend Payable in March 2020			
<u>Ex-Dividend Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount Per Share</u>
May 13, 2020	May 14, 2020	May 21, 2020	\$0.32

### Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 [Press Release dated May 4, 2020](#)

99.2 [Press Release dated May 1, 2020](#)

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

May 4, 2020

HERCULES CAPITAL, INC.

By: /s/ Melanie Grace

Melanie Grace

General Counsel and Secretary

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## Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1



## Hercules Capital Reports First Quarter 2020 Financial Results

*Record Net Investment Income of \$40.6 Million, or \$0.37 per Share, provides 116% Coverage of Base Distribution Payout*

*Available Liquidity of \$438.2 Million*

*Record Total Investment Income of \$73.6 Million*

*Record Total Debt Investments of \$2.24 Billion, at Cost*

*New Debt and Equity Commitments of \$256.8 Million*

*Undistributed Earnings Spillover of \$73.2 Million, or \$0.66<sup>(1)</sup> per Ending Shares Outstanding*

### Q1 2020 Financial Achievements and Highlights

- *Record Net Investment Income "NII" of \$40.6 million, or \$0.37 per share, an increase of 39.8% year-over-year*
  - *Provides 116% coverage of base distribution payout*
- *Record Total Investment Income of \$73.6 million, an increase of 25.2% year-over-year*
- *\$438.2 million of available liquidity, subject to existing terms and covenants*
- *New debt and equity commitments of \$256.8 million*
  - *Total gross fundings of \$233.6 million*
- *Unscheduled early principal repayments or "early loan repayments" of \$150.5 million*
- *15.6% Return on Average Equity "ROAE" (NII/Average Equity)*
- *7.2% Return on Average Assets "ROAA" (NII/Average Assets)*
- *GAAP leverage of 116.8% and regulatory leverage of 106.7%<sup>(2)</sup>*
- *Net Asset Value "NAV" decreased to \$9.92 from \$10.55, down 6.0% from Q4 2019*
- *13.6% GAAP Effective Yield and 11.8% Core Yield<sup>(3)</sup>, a non-GAAP measure*

### Footnotes:

(1) *\$0.67 per Weighted Average Shares Outstanding*

(2) *Regulatory leverage represents debt-to-equity ratio, excluding our Small Business Administration "SBA" debenture*

(3) *Core Yield excludes early loan repayments and one-time fees, and includes income and fees from expired commitments*

**PALO ALTO, Calif., May 4, 2020** - Hercules Capital, Inc. (NYSE: HTGC) (“Hercules” or the “Company”), the largest and leading specialty financing provider to innovative venture, growth and established stage companies backed by some of the leading and top-tier venture capital and select private equity firms, today announced its financial results for the first quarter ended March 31, 2020.

“Our Q1 2020 earnings generated significant NII which covers 116% of our base shareholder distribution,” stated Scott Bluestein, chief executive officer and chief investment officer of Hercules. “During the quarter, we continued to support new and existing portfolio companies through total commitments of \$256.8 million and completed several strategic balance sheet activities which strengthened our liquidity to \$438.2 million. In addition, we generated core yields within management’s targeted range of 11.5 to 12.5 percent—reflecting the 150 basis points of Fed Funds cuts—maintained solid credit quality combined with prudent portfolio management, and modestly grew the debt investment portfolio to \$2.24 billion at cost. Fortunately, our performance during the quarter puts us in a favorable position as we enter Q2 and the ongoing uncertainty brought about by the coronavirus situation.”

Bluestein added, “As we vigilantly monitor the evolving health situation and economic impact associated with the COVID-19 pandemic, our priorities remain squarely focused on keeping our employees safe, supporting our portfolio companies, and protecting the interests of all our stakeholders, all while managing the continuity of our business. Our seasoned group of investment and credit professionals will continue to communicate frequently with our portfolio companies which are highly diversified and backed by some of the most well-established venture capital and private equity sponsors in U.S. With an enhanced financial position, record undistributed earnings spillover and no near-term maturities, we will adhere to our strict credit-centric investment discipline with a focus on long-term shareholder value.”

## **Q1 2020 Review and Operating Results**

### **Debt Investment Portfolio**

Hercules delivered new debt and equity commitments totaling \$256.8 million and gross fundings totaling \$233.6 million.

During the first quarter, Hercules realized early loan repayments of \$150.5 million, which along with normal scheduled amortization of \$17.0 million, resulted in total debt repayments of \$167.5 million.

The new debt investment origination and funding activities lead to net debt investment portfolio growth of \$72.8 million during the first quarter, on a cost basis.

The Company's total investment portfolio, (at cost and fair value) by category, quarter-over-quarter is highlighted below:

**Total Investment Portfolio: Q1 2020 to Q4 2019**

(in millions)	Debt	Equity	Warrants	Total Portfolio
<b>Balances at Cost at 12/31/19</b>	<b>\$ 2,170.1</b>	<b>\$ 196.9</b>	<b>\$ 35.0</b>	<b>\$ 2,402.0</b>
New fundings <sup>(a)</sup>	232.0	—	1.6	233.6
Warrants not related to Q1 2020 fundings	—	—	—	—
Early payoffs <sup>(b)</sup>	(150.5)	—	—	(150.5)
Principal payments received on investments	(17.0)	—	—	(17.0)
Net changes attributed to conversions, liquidations, and fees	8.3	(6.6)	(3.5)	(1.8)
Net activity during Q1 2020	72.8	(6.6)	(1.9)	64.3
<b>Balances at Cost at 3/31/20</b>	<b>\$ 2,242.9</b>	<b>\$ 190.3</b>	<b>\$ 33.1</b>	<b>\$ 2,466.3</b>
<b>Balances at Value at 12/31/19</b>	<b>\$ 2,148.6</b>	<b>\$ 145.0</b>	<b>\$ 20.9</b>	<b>\$ 2,314.5</b>
Net activity during Q1 2020	72.8	(6.6)	(1.9)	64.3
Net change in unrealized appreciation (depreciation)	(25.8)	(43.9)	(6.6)	(76.3)
Total net activity during Q1 2020	47.0	(50.5)	(8.5)	(12.0)
<b>Balances at Value at 3/31/20</b>	<b>\$ 2,195.6</b>	<b>\$ 94.5</b>	<b>\$ 12.4</b>	<b>\$ 2,302.5</b>

<sup>(a)</sup>New fundings amount includes \$3.1 fundings associated with revolver loans during Q1 2020.

<sup>(b)</sup>Early payoffs include \$5.5M paydown on revolvers during Q1 2020.

**Debt Investment Portfolio Balances by Quarter**

(in millions)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>Ending Balance at Cost</b>	\$ 2,242.9	\$ 2,170.1	\$ 2,101.3	\$ 2,077.2	\$ 1,913.4
<b>Weighted Average Balance</b>	\$ 2,178.0	\$ 2,164.0	\$ 2,061.0	\$ 1,939.0	\$ 1,806.0

**Debt Investment Portfolio Composition by Quarter**

(% of debt investment portfolio)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>First Lien Senior Secured</b>	83.0%	84.0%	84.8%	81.8%	82.0%
<b>Floating Rate w/Floors</b>	97.8%	97.4%	97.6%	97.7%	97.5%

**Effective Portfolio Yield and Core Portfolio Yield ("Core Yield")**

The effective yield on Hercules' debt investment portfolio was 13.6% during Q1 2020, as compared to 13.0% for Q4 2019. The Company realized \$150.5 million of early loan repayments in Q1 2020 compared to \$160.8 million in Q4 2019, or a decrease of 6.4%. Effective yields generally include the effects of fees and income accelerations attributed to early loan repayments, and other one-time events. Effective yields are materially impacted by the elevated or reduced levels of early loan repayments and derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the quarter, which excludes non-interest earning assets such as warrants and equity investments.

Core yield, a non-GAAP measure, was 11.8% during Q1 2020, within the Company's expected range of 11.5% to 12.5%, and decreased compared to 12.3% in Q4 2019. Hercules defines core yield as yields that generally exclude any benefit from income related to early repayments attributed to the acceleration of unamortized income and prepayment fees and includes income from expired commitments.

### **Income Statement**

Total investment income increased to \$73.6 million for Q1 2020, compared to \$58.8 million in Q1 2019, an increase of 25.2% year-over-year. The increase is primarily attributable to a higher average debt investment balance and increased income from acceleration due a higher level of early loan repayments between periods.

Non-interest and fee expenses were \$16.7 million in Q1 2020 versus \$14.2 million for Q1 2019. The increase was due to higher general and administrative expenses and compensation and benefits, offset by a decrease in stock-based compensation expenses.

Interest expense and fees were \$16.3 million in Q1 2020, compared to \$15.6 million in Q1 2019. The increase was due to higher weighted-average borrowings as well as increased average borrowing under our credit facilities.

The Company had a weighted average cost of borrowings comprised of interest and fees, of 5.2% in Q1 2020, as compared to 5.8% for Q1 2019.

### **NII – Net Investment Income**

NII for Q1 2020 was \$40.6 million, or \$0.37 per share, based on 109.0 million basic weighted average shares outstanding, compared to \$29.0 million, or \$0.30 per share, based on 96.2 million basic weighted average shares outstanding in Q1 2019, an increase of 39.8% year-over-year. The increase is primarily attributable to a higher average debt investment balance and increased income from acceleration due to a higher level of early loan repayments between periods.

### **Continued Credit Discipline and Strong Credit Performance**

Hercules' net cumulative realized gain/(loss) position, since its first origination activities in October 2004 through March 31, 2020, (including net loan, warrant and equity activity) on investments, totaled (\$16.6) million, on a GAAP basis, spanning over 15 years of investment activities.

When compared to total new debt investment commitments during the same period of over \$10.2 billion, the total realized gain/(loss) since inception of (\$16.6) million represents approximately 16 basis points "bps," or 0.16%, of cumulative debt commitments, or an effective annualized loss rate of 1.0 bps, or 0.01%.

### **Realized Gains/(Losses)**

During Q1 2020, Hercules had net realized gains/(losses) of \$7.0 million primarily from gross realized gains of \$12.2 million from the sale of our public equity holdings, partially offset by the gross realized losses of (\$5.2) million primarily from the liquidation or write-off of certain of our equity and warrant positions during the quarter.

## Unrealized Appreciation/(Depreciation)

During Q1 2020, Hercules recorded (\$76.3) million of net unrealized depreciation primarily related to the mark-to-market impact of our public equity and warrant investments, as well as our private equity investments and debt investments, due to the economic disruption caused by the COVID-19 pandemic.

## Portfolio Asset Quality

As of March 31, 2020, the weighted average grade of the debt investment portfolio, at fair value, declined to 2.34, compared to 2.15 as of December 31, 2019, based on a scale of 1 to 5, with 1 being the highest quality. Hercules' policy is to generally adjust the credit grading down on its portfolio companies as they approach their expected need for additional growth equity capital to fund their respective operations for the next 9-14 months. Various companies in the Company's portfolio will require additional rounds of funding from time to time to maintain their operations.

Additionally, Hercules may selectively downgrade portfolio companies, from time to time, if they are not meeting the Company's financing criteria, or underperforming relative to their respective business plans.

As of March 31, 2020, grading of the debt investment portfolio at fair value, excluding warrants and equity investments, was as follows:

### Credit Grading at Fair Value, Q1 2020 - Q1 2019 (\$ in millions)

	Q1 2020		Q4 2019		Q3 2019		Q2 2019		Q1 2019	
<b>Grade 1 - High</b>	\$ 390.4	17.7%	\$ 387.3	18.0%	\$ 237.9	11.4%	\$ 256.2	12.4%	\$ 299.2	15.8%
<b>Grade 2</b>	\$ 818.1	37.3%	\$ 1,180.5	55.0%	\$ 1,331.2	64.0%	\$ 1,317.7	63.9%	\$ 1,056.4	55.7%
<b>Grade 3</b>	\$ 917.2	41.8%	\$ 509.9	23.7%	\$ 479.0	23.1%	\$ 413.0	20.1%	\$ 469.7	24.7%
<b>Grade 4</b>	\$ 54.3	2.5%	\$ 69.0	3.2%	\$ 29.7	1.4%	\$ 67.8	3.3%	\$ 66.5	3.5%
<b>Grade 5 - Low</b>	\$ 15.5	0.7%	\$ 1.8	0.1%	\$ 2.1	0.1%	\$ 6.9	0.3%	\$ 5.3	0.3%
<b>Weighted Avg.</b>	<b>2.34</b>		<b>2.15</b>		<b>2.17</b>		<b>2.18</b>		<b>2.19</b>	

## Non-Accruals

Non-accruals increased slightly as a percentage of the overall investment portfolio in the first quarter of 2020. As of March 31, 2020, the Company had four (4) debt investments on non-accrual with an investment cost and fair value of approximately \$20.4 million and \$0.4 million, respectively, or 0.8% and 0.0% as a percentage of the Company's total investment portfolio at cost and value, respectively.

Compared to December 31, 2019, the Company had three (3) debt investments on non-accrual with an investment cost and fair value of approximately \$9.0 million and \$1.0 million, respectively, or 0.4% and 0.0% as a percentage of the total investment portfolio at cost and value, respectively.

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>Total Investments at Cost</b>	\$ 2,466.3	\$ 2,402.0	\$ 2,336.3	\$ 2,315.7	\$ 2,153.3
<b>Loans on non-accrual as a % of Total Investments at Value</b>	0.0%	0.0%	0.1%	0.2%	0.02%
<b>Loans on non-accrual as a % of Total Investments at Cost</b>	0.8%	0.4%	0.4%	0.4%	0.1%

### Liquidity and Capital Resources

In February 2020, the Company announced a private offering totaling \$120.0 million in aggregate principal amount of \$50.0 million 4.28% Notes due February 2025 (the “February Notes”) and \$70.0 million 4.31% Notes due June 2025 (the “June Notes”). The issuance of \$50.0 million of the February Notes occurred on February 5, 2020 and the issuance of \$70.0 million of the June Notes is expected to occur in June 2020.

The Company ended Q1 2020 with \$438.2 million in available liquidity, including \$34.3 million in unrestricted cash and cash equivalents, and \$403.9 million in available credit facilities, subject to existing terms and advance rates and regulatory and covenant requirements.

During the three months ending March 31, 2020, the Company sold 2.4 million shares of common stock under the equity ATM program, for total accumulated net proceeds of approximately \$35.1 million, including \$362,000 of offering expenses. As of March 31, 2020, approximately 5.6 million shares remain available for issuance and sale under the Equity Distribution Agreement.

### Bank Facilities

As of March 31, 2020, there were \$71.1 million in outstanding borrowings under the Hercules’ \$400.0 million committed credit facility with Union Bank as Agent and no outstanding borrowings under the Hercules’ \$75.0 million committed credit facility with Wells Fargo Capital Finance, for a total of \$71.1 million.

### Leverage

As of March 31, 2020, Hercules’ GAAP leverage ratio, including its Small Business Administration “SBA” debentures, was 116.8%. Hercules’ regulatory leverage, or debt-to-equity ratio, excluding our SBA debentures, was 106.7% and net regulatory leverage, a non-GAAP measure (excluding cash of approximately \$34.3 million), was 103.6%. Hercules’ net leverage ratio, including its SBA debentures, was 113.7%.

### Available Unfunded Commitments – Representing 5.6% of Total Assets

The Company’s unfunded commitments and contingencies consist primarily of unused commitments to extend credit in the form of loans to select portfolio companies. A portion of these unfunded contractual commitments are dependent upon the portfolio company reaching certain milestones in order to gain access to additional funding. Furthermore, our credit agreements contain customary lending provisions that allow us relief from funding obligations for previously made commitments. In addition, since a portion of these commitments may also expire without being drawn, unfunded contractual commitments do not necessarily represent future cash requirements.

As of March 31, 2020, the Company had \$134.7 million of available unfunded commitments at the request of the portfolio company and unencumbered by any milestones, including undrawn revolving facilities, representing 5.6% of Hercules' total assets. This increased slightly from the previous quarter of \$133.7 million of available unfunded commitments or 5.4% of Hercules' total assets.

### **Existing Pipeline and Signed Term Sheets**

After closing \$256.8 million in new debt and equity commitments in Q1 2020, Hercules has pending commitments of \$105.0 million in signed non-binding term sheets outstanding as of April 30, 2020. Since the close of Q1 2020 and as of April 30, 2020, Hercules has closed new debt and equity commitments of \$58.8 million and funded \$34.9 million.

Signed non-binding term sheets are subject to satisfactory completion of Hercules' due diligence and final investment committee approval process as well as negotiations of definitive documentation with the prospective portfolio companies. These non-binding term sheets generally convert to contractual commitments in approximately 90 days from signing. It is important to note that not all signed non-binding term sheets are expected to close and do not necessarily represent future cash requirements or investments.

### **Net Asset Value**

As of March 31, 2020, the Company's net assets were \$1.10 billion, compared to \$1.13 billion at the end of Q4 2019. NAV per share decreased 6.0% to \$9.92 on 110.6 million outstanding shares of common stock as of March 31, 2020, compared to \$10.55 on 107.4 million outstanding shares of common stock as of December 31, 2019. The decrease in NAV per share was primarily attributed to the unrealized depreciation due to the mark-to-market impact on our public equity and warrant investments, as well as our private equity, warrant and debt investments, due to the economic disruption caused by the COVID-19 pandemic, offset by earnings exceeding the distribution paid in Q1 of \$0.03 per share (including realized gains) and net accretion to NAV on ATM offering, offset by stock-based compensation, by \$0.04 per share.

### **Interest Rate Sensitivity**

Hercules has an asset sensitive debt investment portfolio with 97.8% of our debt investment portfolio being priced at floating interest rates as of March 31, 2020, with a Prime or LIBOR-based interest rate floor, combined with 94.4% of our outstanding debt borrowings bearing fixed interest rates, leading to higher net investment income sensitivity.

Based on Hercules' Consolidated Statement of Assets and Liabilities as of March 31, 2020, the following table shows the approximate annualized increase/(decrease) in components of net income resulting from operations of hypothetical base rate changes in interest rates, such as Prime Rate, assuming no changes in Hercules' debt investments and borrowings. These estimates are subject to change due to the impact from active participation in the Company's equity ATM program and any future equity offerings.

(in thousands) Basis Point Change	Interest Income <sup>(1)</sup>	Interest Expense	Net Income	EPS <sup>(2)</sup>
(75)	\$ (2,067)	\$ (84)	\$ (1,983)	\$ (0.02)
(50)	\$ (1,444)	\$ (56)	\$ (1,388)	\$ (0.01)
(25)	\$ (728)	\$ (28)	\$ (700)	\$ (0.01)
25	\$ 1,224	\$ 28	\$ 1,196	\$ 0.01
50	\$ 2,509	\$ 56	\$ 2,453	\$ 0.02
75	\$ 3,912	\$ 84	\$ 3,828	\$ 0.04
100	\$ 5,553	\$ 112	\$ 5,441	\$ 0.05
200	\$ 15,442	\$ 224	\$ 15,218	\$ 0.14

<sup>(1)</sup>Source: Hercules Capital Form 10-Q for Q1 2020

<sup>(2)</sup>EPS calculated on basic weighted shares outstanding of 108,955. Estimates are subject to change due to impact from active participation in the Company's equity ATM program and any future equity offerings.

### Existing Equity and Warrant Portfolio

#### Equity Portfolio

Hercules held equity positions in 50 portfolio companies with a fair value of \$94.6 million and a cost basis of \$190.3 million as of March 31, 2020. On a fair value basis, 20.0% or \$18.6 million is related to existing public equity positions.

#### Warrant Portfolio

Hercules held warrant positions in 110 portfolio companies with a fair value of \$12.4 million and a cost basis of \$33.0 million as of March 31, 2020. On a fair value basis, 33.0% or \$4.1 million is related to existing public warrant positions.

### Portfolio Company IPO and M&A Activity in Q1 2020

#### IPO Activity

As of April 30, 2020, Hercules held warrant and equity positions in four (4) portfolio companies that had filed Registration Statements in contemplation of a potential IPO, including:

1. Four (4) portfolio companies filed confidentially under the JOBS Act.

There can be no assurances that companies that have yet to complete their IPOs will do so.

#### M&A Activity

- In January 2020, Hercules' portfolio company **Quid**, a leader in AI driven text analytics, announced a joint merger with NetBase, the industry leader in social media analytics. The combined company is the next generation consumer and market intelligence platform. The platform will deliver contextual insights that reveal business trends from across all forms of structured and unstructured data. The two companies will join forces under their new collective name, NetBase Quid. Hercules initially committed \$17.5 million in venture debt financing in April 2016.

- In January 2020, Hercules' portfolio company **CareCloud Corporation**, a healthcare technology company specializing in software and services, was acquired by MTBC, Inc., a leading provider of cloud-based healthcare IT and revenue cycle management solutions. Hercules initially committed \$19.5 million in venture debt financing in May 2014.
- In March 2020, Hercules' portfolio company **Elenion Technologies, LLC**, a semiconductor company that designs and develops highly integrated system-on-chip optical engines for telecom, data center and networking applications, was acquired by Nokia, a global technology provider of network equipment, software and services. The planned acquisition was originally announced February 19, 2020. Terms of the acquisition were not disclosed. Hercules initially committed \$16.5 million in venture debt financing in February 2019.
- In March 2020, Hercules' portfolio company **TAS Energy Inc.**, a leading engineering, design and construction provider of modular construction systems serving the technology, power and industrial sectors, announced that it has entered into a definitive agreement to be acquired by Comfort Systems USA, Inc. (NYSE: FIX), a leading provider of commercial, industrial and institutional heating, ventilation, air conditioning and electrical contracting services. The acquisition was completed in April 2020. Terms of the acquisition were not disclosed. Hercules initially committed \$45.0 million in venture debt financing in January 2013.

### Subsequent Events

1. As of April 30, 2020, Hercules has:
  - a. Funded \$34.9 million to new and existing commitments since the close of the first quarter 2020.
  - b. Pending commitments (signed non-binding term sheets) of \$105.0 million.

The table below summarizes our year-to-date closed and pending commitments as follows:

<b>Closed Commitments and Pending Commitments (in millions)</b>	
Q1 2020 Closed Commitments <sup>(a)</sup>	\$256.8
Q2 2020 Closed Commitments (as of April 30, 2020) <sup>(a)</sup>	\$58.8
<b>Year-to-Date 2020 Closed Commitments</b>	<b>\$315.6</b>
Q2 2020 Pending Commitments (as of April 30, 2020) <sup>(b)</sup>	\$105.0
<b>Year-to-Date 2020 Closed and Pending Commitments</b>	<b>\$420.6</b>

Notes:

- a. Closed Commitments may include renewals of existing credit facilities. Not all Closed Commitments result in future cash requirements. Commitments generally fund over the two succeeding quarters from close.
- b. Not all pending commitments (signed non-binding term sheets) are expected to close and do not necessarily represent any future cash requirements.

## Conference Call

Hercules has scheduled its first quarter 2020 financial results conference call for May 4, 2020 at 2:00 p.m. PT (5:00 p.m. ET). To listen to the call, please dial (877) 304-8957 (or (408) 427-3709 internationally) and reference Conference ID: 1048257 if asked, approximately 10 minutes prior to the start of the call. A taped replay will be made available approximately three hours after the conclusion of the call and will remain available for seven days. To access the replay, please dial (855) 859-2056 or (404) 537-3406 and enter the passcode 1048257.

## About Hercules Capital, Inc.

Hercules Capital, Inc. (NYSE: HTGC) is the leading and largest specialty finance company focused on providing senior secured venture growth loans to high-growth, innovative venture capital-backed companies in a broad variety of technology, life sciences and sustainable and renewable technology industries. Since inception (December 2003), Hercules has committed more than \$10.2 billion to over 500 companies and is the lender of choice for entrepreneurs and venture capital firms seeking growth capital financing. Companies interested in learning more about financing opportunities should contact [info@htgc.com](mailto:info@htgc.com), or call 650.289.3060.

Hercules' common stock trades on the New York Stock Exchange (NYSE) under ticker symbol HTGC. In addition, Hercules has two retail bond issuances of 5.25% Notes due 2025 (NYSE: HCXZ) and 6.25% Notes due 2033 (NYSE: HCXY).

## Forward-Looking Statements

This press release 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 press release is made as of the date hereof and reflects Hercules' most current assessment of its historical financial performance. Actual financial results filed with the SEC may differ from those contained herein due to timing delays between the date of this release and confirmation of final audit results. These forward-looking statements are not guarantees of future performance and are subject to uncertainties and other factors that could cause actual results to differ materially from those expressed in the forward-looking statements including, without limitation, the risks, uncertainties, including the uncertainties surrounding the current market volatility, and other factors the Company identifies from time to time in its filings with the SEC. Although Hercules believes that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions also could be incorrect. You should not place undue reliance on these forward-looking statements. The forward-looking statements contained in this release are made as of the date hereof, and Hercules assumes no obligation to update the forward-looking statements for subsequent events.

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**HERCULES CAPITAL, INC.**  
**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**  
(dollars in thousands, except per share data)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
<b>Assets</b>		
Investments:		
Non-control/Non-affiliate investments (cost of \$2,312,460 and \$2,248,524, respectively)	\$ 2,238,479	\$ 2,232,972
Control investments (cost of \$65,213 and \$65,333, respectively)	51,775	59,746
Affiliate investments (cost of \$88,584 and \$88,175, respectively)	12,226	21,808
Total investments in securities, at value (cost of \$2,466,256 and \$2,402,032, respectively)	2,302,480	2,314,526
Cash and cash equivalents	34,282	64,393
Restricted cash	22,060	50,603
Interest receivable	19,137	20,207
Other assets	18,792	12,239
<b>Total assets</b>	<u>\$ 2,396,751</u>	<u>\$ 2,461,968</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 33,594	\$ 41,844
SBA Debentures, net (principal of \$110,250 and \$149,000, respectively) <sup>(1)</sup>	109,725	148,165
2022 Notes, net (principal of \$150,000 and \$150,000, respectively) <sup>(1)</sup>	148,645	148,514
July 2024 Notes, net (principal of \$105,000 and \$105,000, respectively) <sup>(1)</sup>	103,721	103,685
February 2025 Notes, net (principal of \$50,000 and \$0, respectively) <sup>(1)</sup>	49,442	—
2025 Notes, net (principal of \$75,000 and \$75,000, respectively) <sup>(1)</sup>	73,066	72,970
2033 Notes, net (principal of \$40,000 and \$40,000, respectively) <sup>(1)</sup>	38,528	38,501
2027 Asset-Backed Notes, net (principal of \$200,000 and \$200,000 respectively) <sup>(1)</sup>	197,377	197,312
2028 Asset-Backed Notes, net (principal of \$250,000 and \$250,000, respectively) <sup>(1)</sup>	247,444	247,395
2022 Convertible Notes, net (principal of \$230,000 and \$230,000, respectively) <sup>(1)</sup>	227,004	226,614
Credit Facilities	71,125	103,919
<b>Total liabilities</b>	<u>\$ 1,299,671</u>	<u>\$ 1,328,919</u>
<b>Net assets consist of:</b>		
Common stock, par value	111	108
Capital in excess of par value	1,182,080	1,145,106
Total distributable earnings (loss)	(85,111)	(12,165)
<b>Total net assets</b>	<u>\$ 1,097,080</u>	<u>\$ 1,133,049</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,396,752</u>	<u>\$ 2,461,968</u>
<b>Shares of common stock outstanding (\$0.001 par value, 200,000,000 authorized)</b>	110,601	107,364
<b>Net asset value per share</b>	\$ 9.92	\$ 10.55

(1) The Company's SBA Debentures, February 2025 Notes, 2033 Notes, 2025 Notes, 2022 Notes, 2027 Asset-Backed Notes, 2028 Asset-Backed Notes, 2022 Convertible Notes, and July 2024 Notes, as each term is defined herein, are presented net of the associated debt issuance costs for each instrument.

**HERCULES CAPITAL, INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
(in thousands, except per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Investment income:</b>		
Interest income		
Non-control/Non-affiliate investments	\$ 65,338	\$ 53,941
Control investments	646	1,024
Affiliate investments	220	508
Total interest income	66,204	55,473
Fee income		
Commitment, facility and loan fee income		
Non-control/Non-affiliate investments	4,196	2,450
Control investments	5	4
Affiliate investments	—	88
Total commitment, facility and loan fee income	4,201	2,542
One-time fee income		
Non-control/Non-affiliate investments	3,214	780
Total one-time fee income	3,214	780
Total fee income	7,415	3,322
<b>Total investment income</b>	<b>73,619</b>	<b>58,795</b>
<b>Operating expenses:</b>		
Interest	14,532	12,555
Loan fees	1,794	3,009
General and administrative		
Legal expenses	899	663
Tax expenses	1,135	298
Other expenses	4,025	3,192
Total general and administrative	6,059	4,153
Employee compensation		
Compensation and benefits	8,214	6,623
Stock-based compensation	2,440	3,422
Total employee compensation	10,654	10,045
<b>Total operating expenses</b>	<b>33,039</b>	<b>29,762</b>
<b>Net investment income</b>	<b>40,580</b>	<b>29,033</b>
<b>Net realized gain (loss) on investments</b>		
Non-control/Non-affiliate investments	6,967	4,555
Total net realized gain (loss) on investments	6,967	4,555
<b>Net change in unrealized appreciation (depreciation) on investments</b>		
Non-control/Non-affiliate investments	(58,430)	32,091
Control investments	(7,851)	(2,875)
Affiliate investments	(9,989)	(1,219)
Total net unrealized appreciation (depreciation) on investments	(76,270)	27,997
<b>Total net realized and unrealized gain(loss)</b>	<b>(69,303)</b>	<b>32,552</b>
<b>Net increase(decrease) in net assets resulting from operations</b>	<b>\$ (28,723)</b>	<b>\$ 61,585</b>
Net investment income before investment gains and losses per common share:		
Basic	\$ 0.37	\$ 0.30
Change in net assets resulting from operations per common share:		
Basic	\$ (0.27)	\$ 0.64
Diluted	\$ (0.27)	\$ 0.64
Weighted average shares outstanding:		
Basic	108,955	96,218
Diluted	108,955	96,508
Distributions paid per common share:		
Basic	\$ 0.40	\$ 0.31



## Hercules Capital Declares Cash Distribution of \$0.32 per Share for the First Quarter of 2020

*59<sup>th</sup> Consecutive Quarterly Distribution Bringing Cumulative Distributions to \$17.02 per Share since IPO in June 2005*

**PALO ALTO, Calif., May 1, 2020** – Hercules Capital, Inc. (NYSE: HTGC) (“Hercules” or the “Company”), the largest and leading specialty finance provider to innovative, venture, growth and established stage companies backed by some of the leading and top-tier venture capital and select private equity firms, is pleased to announce that its Board of Directors has declared a first quarter 2020 cash distribution of \$0.32 per share. The following shows the key dates of the first quarter 2020 distribution payment:

Record Date	May 14, 2020
Payment Date	May 21, 2020

Hercules' Board of Directors maintains a variable distribution policy with the objective of distributing four quarterly distributions in an amount that approximates 90% to 100% of the Company's taxable quarterly income or potential annual income for a particular year. In addition, during the year, the Company's Board of Directors may choose to pay additional supplemental distributions, so that the Company may distribute approximately all its annual taxable income in the year it was earned, or it can elect to maintain the option to spill over the excess taxable income into the coming year for future distribution payments.

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. Of the distributions declared during the quarter ended March 31, 2020, 100% were distributions derived from the Company's current and accumulated earnings and profits. There can be no certainty to stockholders that this determination is representative of the tax attributes of the Company's 2020 full year distributions to stockholders.

### **About Hercules Capital, Inc.**

Hercules Capital, Inc. (NYSE: HTGC) is the leading and largest specialty finance company focused on providing senior secured venture growth loans to high-growth, innovative venture capital-backed companies in a broad variety of technology, life sciences and sustainable and renewable technology industries. Since inception (December 2003), Hercules has committed more than \$10.0 billion to over 490 companies and is the lender of choice for entrepreneurs and venture capital firms seeking growth capital financing. Companies interested in learning more about financing opportunities should contact [info@htgc.com](mailto:info@htgc.com), or call (650) 289-3060.

Hercules' common stock trades on the New York Stock Exchange (NYSE) under ticker symbol HTGC. In addition, Hercules has two retail bond issuances of 5.25% Notes due 2025 (NYSE: HCXZ) and 6.25% Notes due 2033 (NYSE: HCXY).

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