

## ReachLocal Case Study

### VENTURE DEBT FINANCING ENABLES REACHLOCAL TO EXECUTE SUCCESSFUL TURNAROUND AND MAXIMIZE VALUE FOR ALL SHAREHOLDERS

Hercules Capital first began working with ReachLocal (NASDAQ: RLOC), a global leader in powering online marketing for small, local businesses, in April 2015.

The year before, the company had missed earnings expectations for several quarters in a row, following unexpected consequences from a sales force realignment. As a result of decreased revenues, ReachLocal profitability, share price, and ultimately their liquidity was adversely impacted.

While the turnaround was underway, the company required additional working capital and was reluctant to access the public markets given its stock price. The Hercules' Special Situations underwriting team recognized that despite recent setbacks, the company's fundamentals remained strong, and the company was led by a very talented management team. In April 2015, ReachLocal closed on a \$25 million long-term loan facility with Hercules Capital to meet those working capital needs and help complete another realignment of the sales force.

Following the news of the capital raise, ReachLocal's stock rebounded and management made some additional operating adjustments to return the focus to developing its product suite. With significant technology underwriting expertise and long-term capital, Hercules served as a patient and supportive partner to the company's senior management and Board; moreover, the improved liquidity position of the Company was instrumental in preserving and increasing value of ReachLocal.

In August 9, 2016, ReachLocal was acquired by Gannett Co., Inc., (NYSE: GCI), a next-generation media company, for \$4.60 per share in cash, via a tender offer. Following the transaction, Hercules Capital was repaid in full and received a premium on the value of its warrant position.

