

# Investor Presentation

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MAY 2017

# Disclaimer

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## Forward-Looking Information

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This presentation contains forward-looking statements. All statements other than statements of historical facts contained in this presentation may be forward-looking statements. The words “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results to differ materially from expectations are disclosed under the “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” sections of our annual report on Form 10-K for the year ended March 31, 2016, as amended, and subsequent filings with the Securities and Exchange Commission (the “SEC”). All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. You should evaluate all forward-looking statements made in this presentation in the context of these risks and uncertainties. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur, and actual results could differ materially from those projected in the forward-looking statements. The forward-looking statements in this presentation are made only as of the date hereof. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

# Our Culture

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## Employee DNA

- Analytically Driven
- Client Service and Solution Driven
- Entrepreneurial
- Desirous of a Winning Home

## Firm's DNA

- Partnership Culture
- Not a “Star” Culture
- Consensual Decision Making
- Measured Risk Taking

## Ownership and Controls

- Broad-Based, Long-Term Employee Ownership
- Sophisticated Corporate Procedures and Financial Systems

# A Leading Independent Global Investment Bank

## Expertise

Mergers & Acquisitions  
Capital Markets Advisory  
Financial Restructuring  
Financial Advisory Services  
Strategic Consulting

## Global Integrated Platform

Seamlessly Combining  
Product and Industry Expertise  
worldwide

## Growth

2013–2017  
Revenue CAGR<sup>1</sup> of 14%  
Unadjusted<sup>2</sup> Net Income CAGR<sup>1</sup> of 16%  
Adjusted Net Income CAGR<sup>1</sup> of 21%

**1972**

Established

**1,000+**

Clients Served Annually

**24**

Locations Worldwide<sup>3</sup>

**165**

Managing Directors<sup>4</sup>

**832**

Total Financial Professionals<sup>4</sup>

<sup>1</sup> CAGR based on the fiscal year ended March 31.

<sup>2</sup> Unadjusted based on historical unaudited financials, not adjusted for any one-time, non-recurring items.

<sup>3</sup> As of March 31, 2017; locations include five joint venture offices.

<sup>4</sup> As of March 31, 2017; Managing Directors excludes Corporate Managing Directors, and MDs at joint ventures.

# Principal Investment Highlights

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- Strong Track Record of Growth and Profitability
- Low Revenue and Earnings Volatility Through Economic Cycles
- High Quality Earnings
- Long-Tenured Management Team
- Differentiated, Cyclically Balanced Business Model
- Strong Sector Fundamentals for Independent Advisors

# Our Three Primary Business Segments

Our business is diversified across clients, services, industries and geographies, as well as cyclically balanced, allowing us to succeed in both bull and bear markets.

	<b>Corporate Finance</b>	<b>Financial Restructuring</b>	<b>Financial Advisory Services</b>
<b>Services</b>	M&A Capital Markets Advisory Illiquid Financial Assets	Out-of-Court and Formal Bankruptcy / Insolvency Proceedings	Financial Opinions Valuation Services Financial Consulting Services
<b>Strengths</b>	Superior Platform Drives Success in Attractive Mid-Cap Market <sup>1</sup>	Global Market Leader with Strong Reputation	High-Margin Provider with Strong Reputation
<b>Managing Directors<sup>2</sup></b>	87	43	35
<b>FY 2017 Revenue / % of Total</b>	\$435 / 50%	\$308 / 35%	\$130 / 15%
<b>Revenue per MD<sup>3</sup></b>	\$4.9	\$7.2	\$3.7
<b>FY 2017 Transactions Closed / Fee Events</b>	216	75	1,236

Note: All dollar amounts in millions unless otherwise noted. Figures may not tie due to rounding.

1. Defined as transactions \$1 billion or less in value.

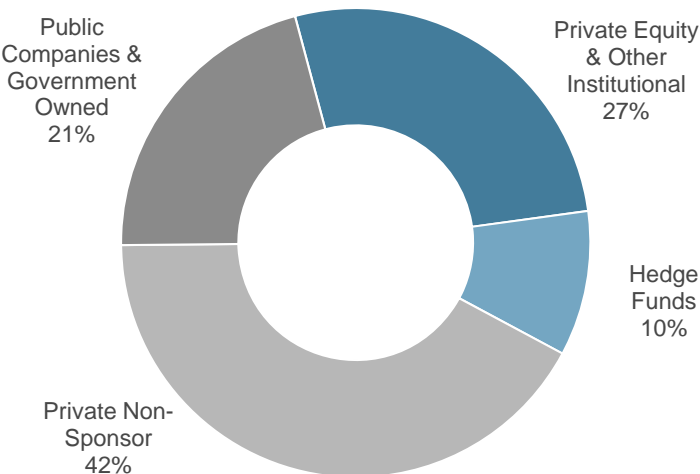
2. As of March 31, 2017; Managing Directors excludes Corporate Managing Directors, and MDs at joint ventures.

3. Based on average of beginning-of-FY17 and end-of-FY17 MD count.

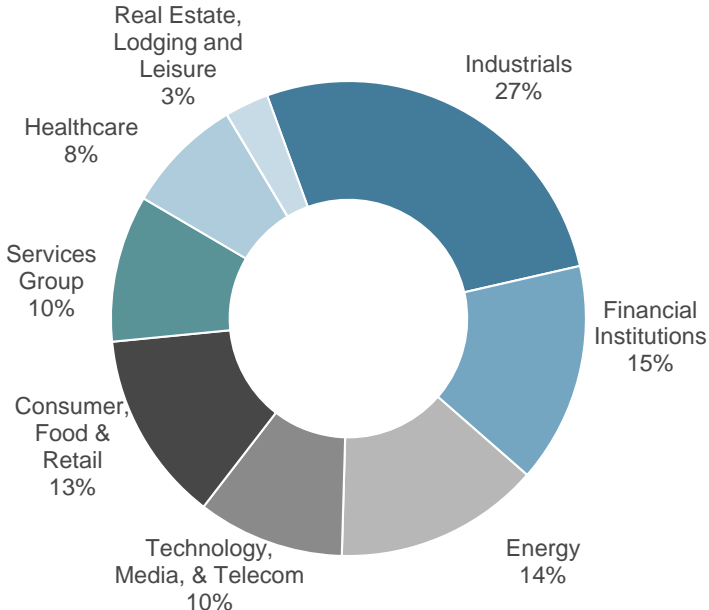
# Diversified Revenue Base

- More than 1,000 clients served annually
- For FY 2017:
  - No single transaction fee represented more than 2% of our revenues
  - No individual banker was responsible for more than 3% of our revenues
  - No single employee shareholder owns more than 3% of shares outstanding
- Together, our CF and FR businesses provide a natural hedge

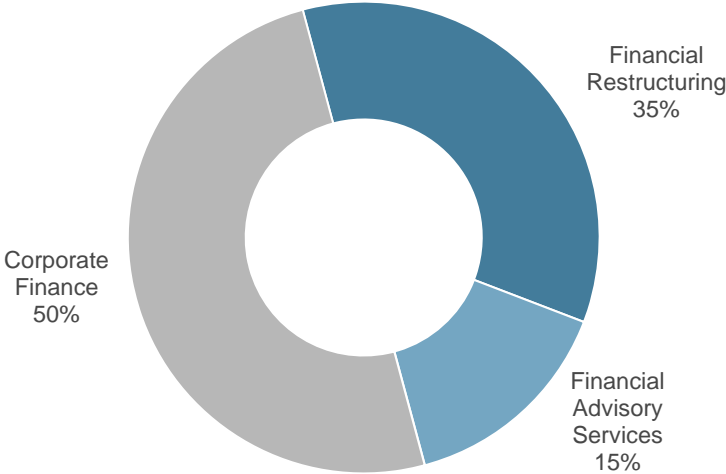
## Balanced Client Mix<sup>1</sup>



## Diversified Industry Mix<sup>1</sup>



## Diversified Product Mix<sup>1</sup>

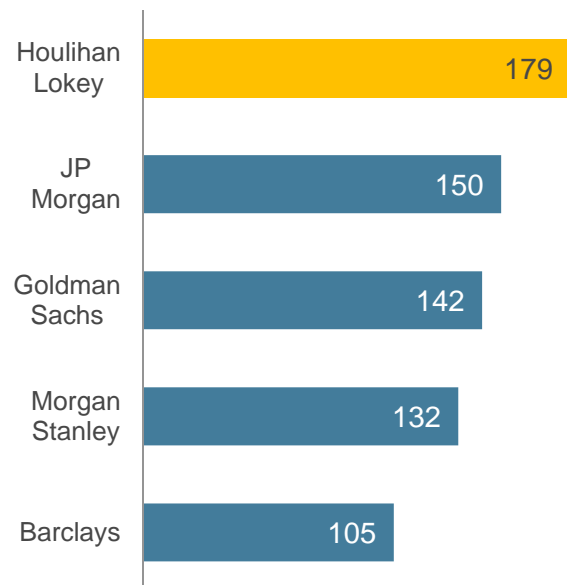


<sup>1</sup> Based on revenues for the CY ended March 31, 2017.

# Market Leader in All Three Business Segments

## Top U.S. M&A Advisor

CY 2016 Financial Advisors by Number of U.S. M&A Deals



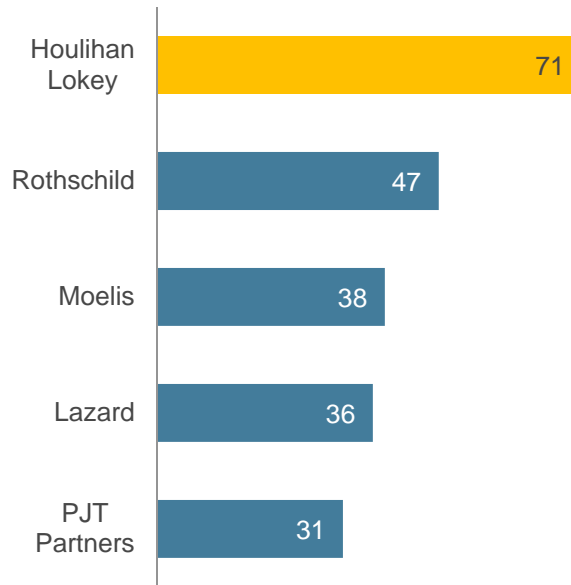
**#1** U.S. M&A Advisor

Top 10 Global M&A Advisor

Leading Capital Markets Advisor

## Top Global Restructuring Advisor

CY 2016 Global Distressed Debt & Bankruptcy Restructuring Deals



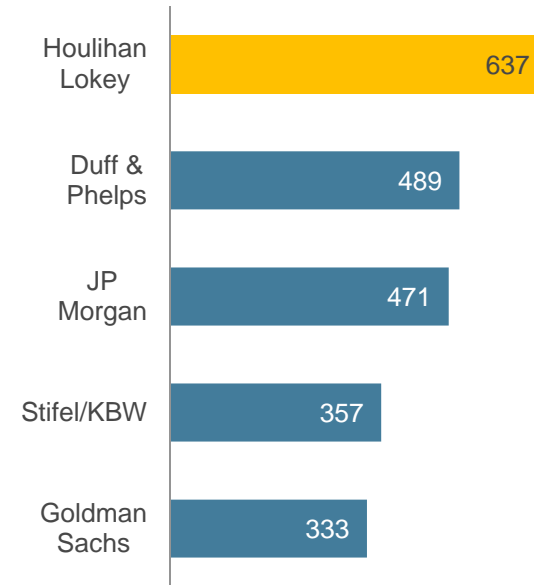
**#1** Global Restructuring Advisor

Advised on 12 of the 15 Largest U.S. Bankruptcies Since 2000

1,000+ Transactions / Valued Over \$1.5 Trillion

## Top Global Fairness Opinion Advisor

U.S. M&A Fairness Advisors: Announced or Completed Deals (CY 2002 to CY 2016)



**#1** Global M&A Fairness Opinion Advisor

**#1** M&A Fairness Opinion Advisor in the U.S. Over the Past 12 Years

1,000+ Annual Valuation Engagements

**We invest in areas where we believe we can excel**



# Organic Growth Strengthened by Strategic Acquisitions



Technology and IP  
Financial Advisory Firm

January 2017



LEONARDO & CO.  
Continental European  
Investment Banking Firm

November 2015

McQueen

Consumer, Food & Retail  
Focused Investment  
Banking Firm

September 2015



Media-Focused  
Investment Banking Firm

June 2015



HOULIHAN LOKEY  
Joint Venture Expanding  
Presence in Australia

May 2015



BRIDGE STRATEGY GROUP LLC  
AN AFFILIATE OF HOULIHAN LOKEY  
Adds Strategic  
Consulting Capabilities to  
C-Suite Relationships

January 2015



ArchPoint Partners  
INVESTMENT BANKING  
Technology-Focused  
Investment Bank

March 2014



Specialty Finance  
Focused Investment  
Bank

December 2012



RED PINE  
ADVISORS LLC  
Adds Capabilities in  
Valuation of Complex,  
Illiquid Securities

August 2010

AVISTA

Strategic Partnership  
Expanding Presence in  
India and Singapore

July 2010

## 1980-1989

- Corporate Finance
- Financial Restructuring
- Fairness & Capital Adequacy Opinions

## 1972-1979

- Business Valuations
- Tax Valuations
- ESOP Valuations

## 1990-1999

- Industry Specialization
- Derivative Security Valuations
- Sovereign Debt Restructuring

## 2000-2009

- Private Equity Coverage
- Distressed M&A
- Industry Build-Out & Expansion
- Secondary Advisory Services
- Tax & Financial Reporting Valuations
- Portfolio Valuations

## 2010-Present

- Debt & Equity Capital Markets Advisory
- Hedge Fund Coverage
- Structured Product Valuation
- Private Growth Equity Capital
- Illiquid Financial Assets Intermediation
- Activist Advisory
- Due Diligence Services
- Strategic Consulting
- IP Valuation and Monetization Advisory

# Comprehensive Coverage and Global Scale

**1,171** Global Employees<sup>1</sup>

- 402 Corporate Finance
- 197 Financial Restructuring
- 234 Financial Advisory Services
- 338 Corporate & Administrative

**24** Global Locations<sup>1</sup>

- 19 Houlihan Lokey Offices
- 5 Joint Venture Offices

## 1972-1979

### 1972-1979

- Los Angeles

- San Francisco
- Chicago
- New York

## 1980-1989

- Atlanta
- Minneapolis
- Washington D.C.
- Dallas

## 1990-1999

- London
- Paris
- Frankfurt
- Hong Kong
- Tokyo
- Beijing

## 2000-2009

- Mumbai
- Singapore
- Miami
- Newport Beach
- Madrid
- Sydney
- Amsterdam
- Milan
- Rome
- Houston

# Strong Partnership Culture with Experienced Leadership

## Deep and Experienced Management Team



**Scott L. Beiser**

**CEO**

33 years with Houlihan Lokey



**Irwin N. Gold**

**Executive Chairman**

29 years with Houlihan Lokey



**Scott J. Adelson**

**Co-President**

30 years with Houlihan Lokey



**David A. Preiser**

**Co-President**

26 years with Houlihan Lokey



**J. Lindsey Alley**

**CFO**

22 years with Houlihan Lokey

## Long Tenure Results in Collaborative Culture

### Tenured Management Team

28-year average tenure of Management Team

### High Banker Retention

13-year average tenure of Managing Directors across all segments<sup>1</sup>

### Strong Loyalty

More than 50% of MDs reached their respective positions through internal promotions<sup>1</sup>

### No “Star” Culture

No single individual generated more than 3% of revenues<sup>2</sup>

<sup>1</sup> As of March 31, 2017.

<sup>2</sup> For the FY ended March 31, 2017.

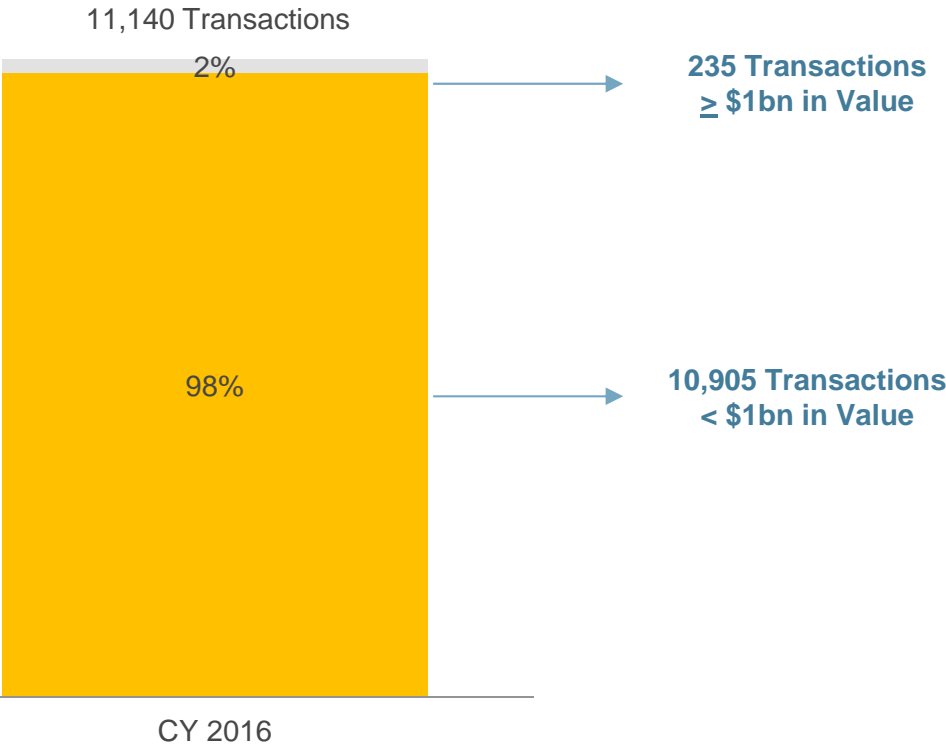
# Overview of Product Lines

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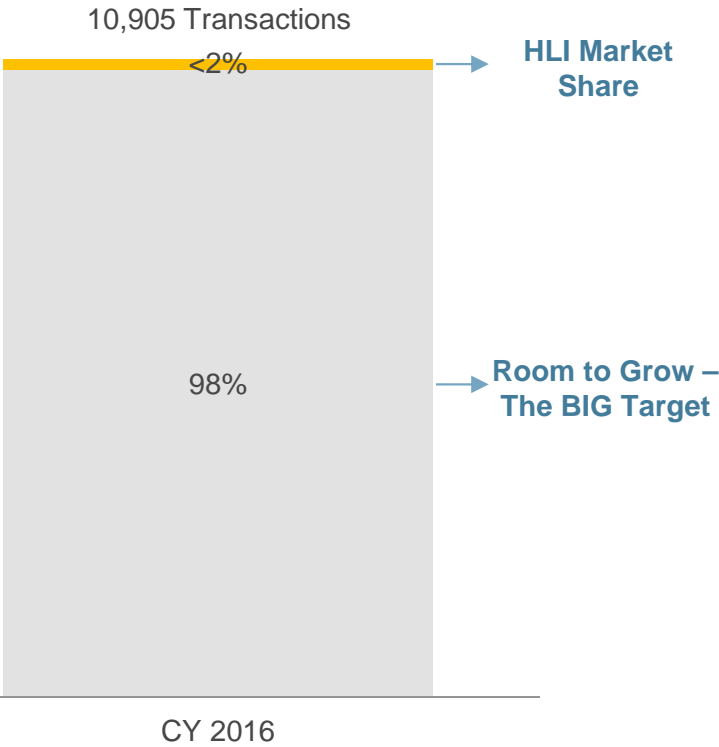
# Corporate Finance Business

- Corporate Finance is a leader in the U.S. mid-cap space, which represented approximately 98% of M&A volume in CY 2016
- Our market share in the U.S. mid-cap space is less than 2%, based on the number of M&A transactions we completed in CY 2016
- The mid-cap space is meaningfully less volatile than the large-cap space, which when combined with HLI’s ongoing opportunities to increase its relatively low market share, generally results in less revenue “downside” in weaker M&A markets

## U.S. Announced M&A Transactions CY 2016



## Mid-Cap Transactions



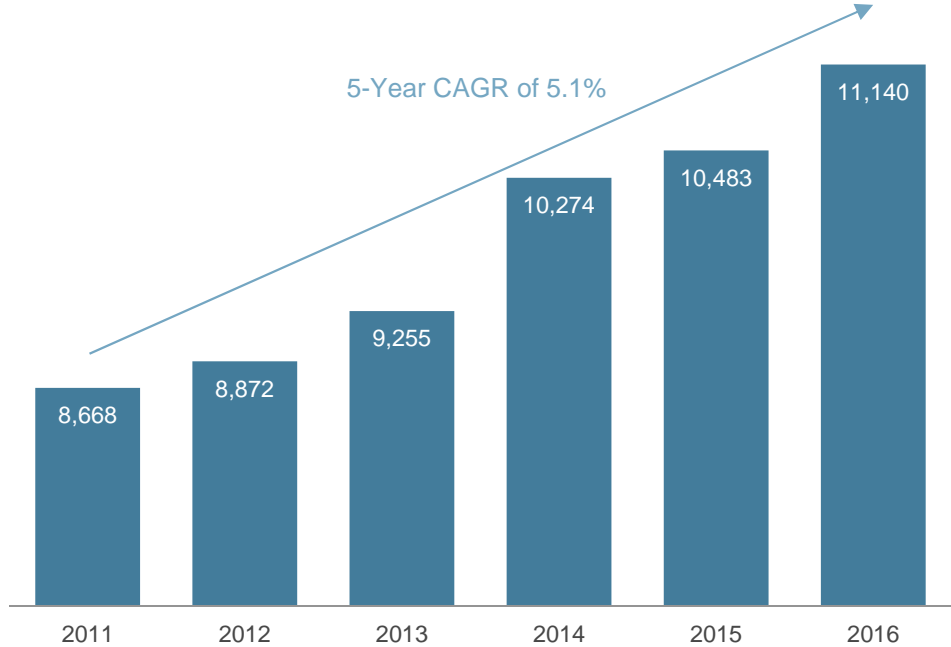
Source: Thomson Reuters.

# Corporate Finance Business

- Announced U.S. M&A volume has a 5-year (2011-2016) CAGR of 5.1%
- U.S. M&A revenues in our corporate finance business have a 5-year (2011-2016) CAGR in excess of 15%, reflecting continued market share gains during the measurement period
- We continue to increase market share as a result of companies choosing to use an advisor, as well as taking market share from firms that don't have the same depth and breadth as the HLI platform

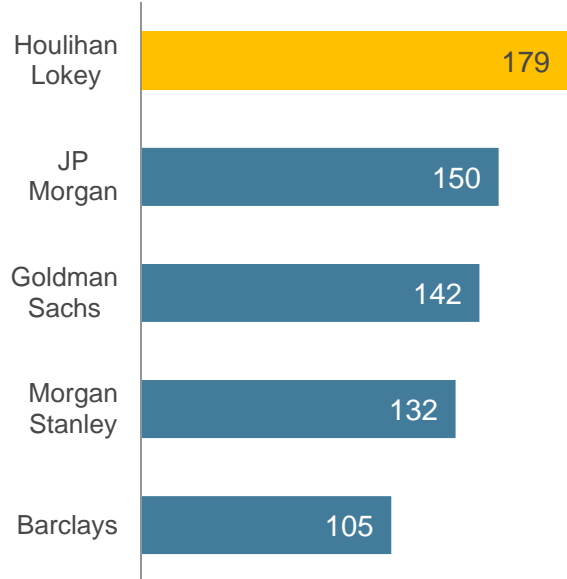
## M&A Volume Continues to Increase

U.S. Announced Deals



## Top 2016 Financial Advisors

By Number of U.S. M&A Deals



Source: Thomson Reuters, based on calendar year.

# Financial Restructuring Business

- Deepest bench in the industry, with 43 MDs and 197 total finance professionals as of March 31, 2017
- A true global player, having closed transactions in more than 60 countries around the world since 2000
- Flexibility to work on large global restructurings as well as mid-cap restructurings
- With strong performance in a historically low interest rate and default rate environment and consolidating market share, we are poised to take advantage when interest rates and/or default rates begin to rise

## 15 Largest Bankruptcies

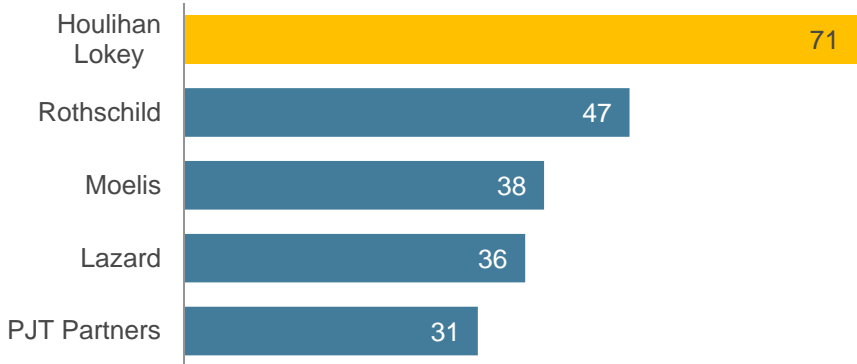
Advisor in 12 of the 15 Largest Bankruptcies 2000-2016

	ASSETS (\$B)
Lehman Brothers Holdings Inc.	691.1
Washington Mutual Inc.	327.9
WorldCom Inc.	103.9
General Motors Corporation	91.0
CIT Group Inc.	80.4
Enron Corp.	65.5
Conseco Inc.	61.4
Energy Future Holdings Corp.	41.0
MF Global Holdings Ltd.	40.5
Chrysler LLC	39.3
Thornburg Mortgage Inc.	36.5
Pacific Gas & Electric	36.2
Refco Inc.	33.3
IndyMac Bancorp	32.7
Global Crossing Ltd.	30.2

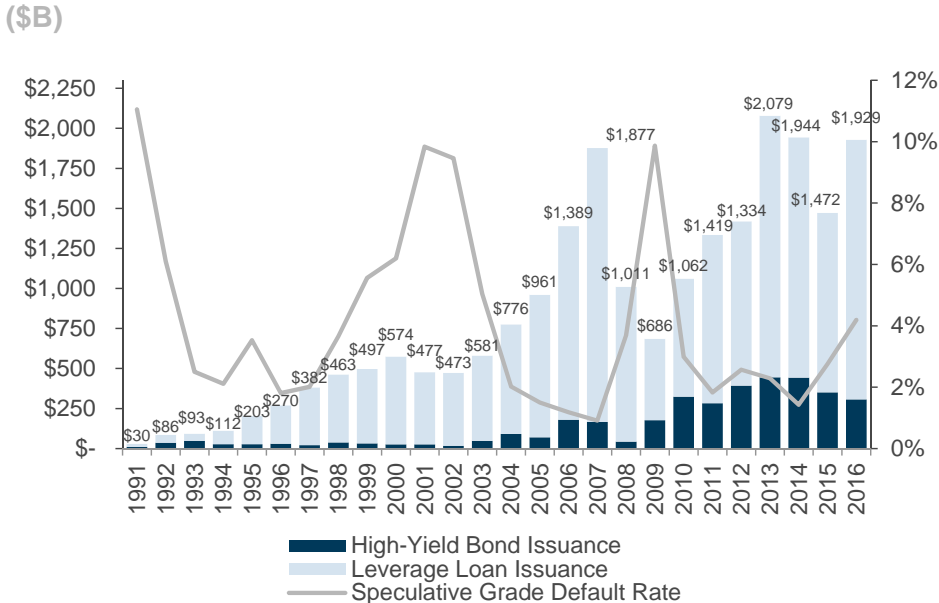
Source: BankruptcyData.com, January 2017.

## Top Global Restructuring Advisor

2016 Global Distressed Debt & Bankruptcy Restructuring Deals



## Global Leveraged Loan and High Yield Issuance



Source: Thomson Reuters, based on calendar year.  
Note: All dollar amounts in billions unless otherwise noted.

# Financial Advisory Services Business

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## Services Offered

- Transaction Opinions
- Financial Reporting Opinions
- Dispute Resolution
- Portfolio Valuations
- Strategic and Financial Consulting
- IP Valuation and Monetization Advisory

## Diversified Revenue Stream

- More than 1,200 fee events each year
- Approximately one-third of our FAS business is recurring in nature
- Diverse client base made up of corporate clients, sponsors, hedge funds, government agencies and entrepreneurially held companies

## Operating Philosophy

- Have chosen to focus on high value-added advice as opposed to commodity services
- Business model developed to mitigate volatility in M&A markets
- Margin targets result in strong profitability for our FAS business



# Robust Growth Opportunities

## We will continue to grow our talent pool through:

- The development and maturation of bankers
- Opportunistic hires
- Acquisitions and joint ventures



## In order to effectuate our growth drivers:

### Corporate Finance

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- Continued market share gains
- Increasing deal size and deal fees
- Expansion into Europe and Asia-Pacific (replicating the U.S. model)
- Complementary products and services

### Financial Restructuring

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- Increasing availability and use of leverage
- Increasing complexity of balance sheets
- Globalization of Financial Restructuring

### Financial Advisory Services

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- Increasing regulatory environment and tax complexity
- Increasingly litigious environment
- Transparency requirements
- Financial and strategic consulting

**While maintaining the integrity of our culture**

# Financial Overview

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# Strong Top-Line Growth and Disciplined Expense Management

## ■ Long history of revenue growth through various market cycles

- 4-year (FY 2013 to FY 2017) Revenue CAGR of 14%
- 15-year (FY 2002 to FY 2017) Revenue CAGR of 8%
- Resilient business mix consisting of cyclical and countercyclical elements
- Leader in each of our three segments, with ample growth opportunities

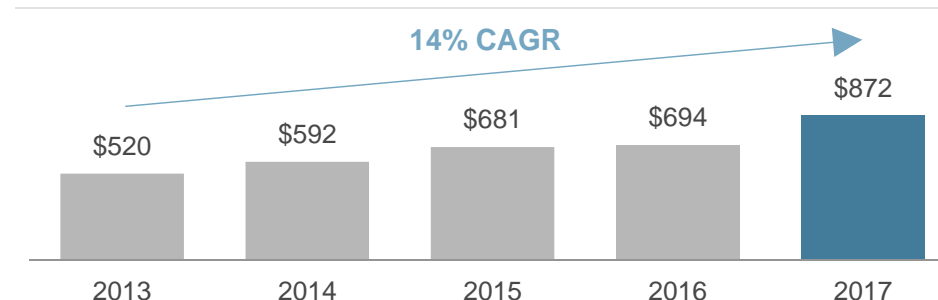
## ■ Consistent track record of profitability through market cycles

- Maintained double-digit margins through the recession
- Each business segment is profitable

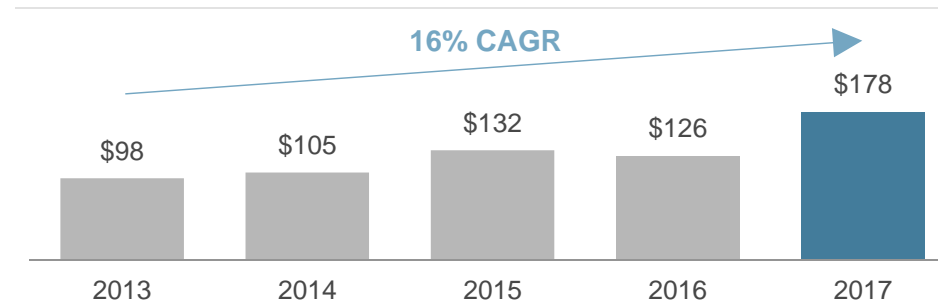
## ■ Scalable, capital-light model

- Minimal capital balance sheet requirements
- Low leverage levels
- Scalable model that can be further leveraged to support top-line growth
- Broad-based employee shareholder ownership

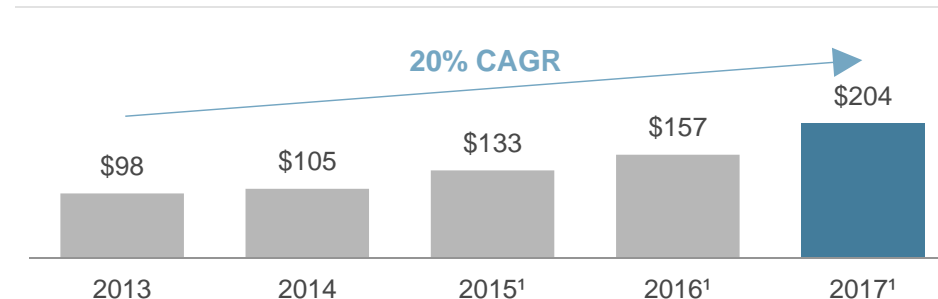
## Revenue



## GAAP Pre-Tax Income



## Adjusted Pre-Tax Income

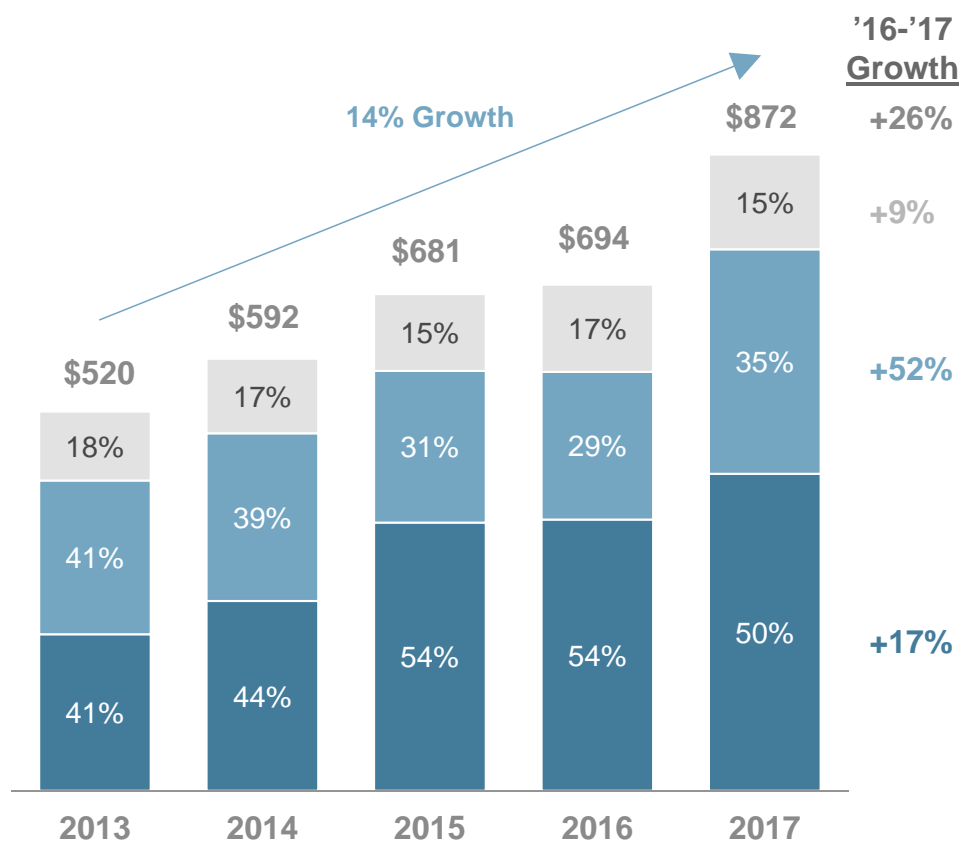


Note: Fiscal year ended March 31. All dollar amounts in millions unless otherwise noted.

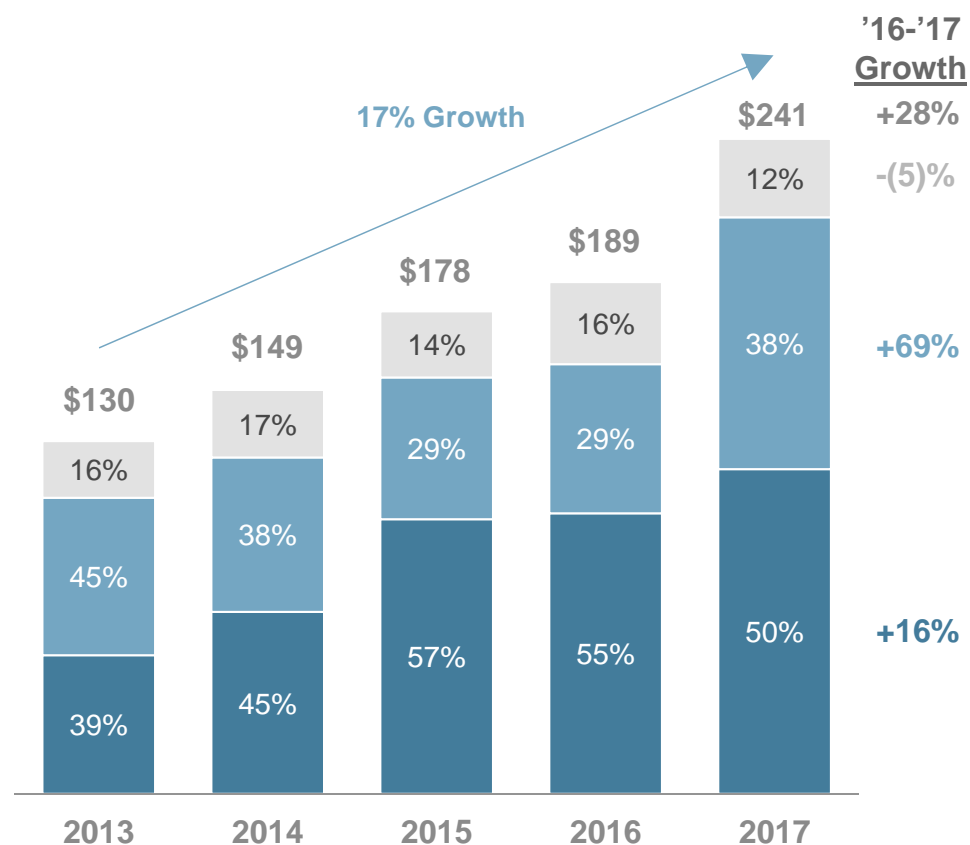
1. Adjustments include IPO- and Secondary-Related Costs, Acquisition-Related Costs, Pre-IPO Stock Grant Vesting, and Adjustments Relating to Previous Ownership Agreements.

# Segment Financials

## Total Revenue by Segment



## Segment Profit<sup>1,2</sup>



■ Corporate Finance   ■ Financial Restructuring   ■ Financial Advisory Services

Note: Fiscal year ended March 31. All dollar amounts in millions unless otherwise noted.

1. Segment-level percentages and CAGRs exclude corporate revenues and expenses. We adjust the compensation expense for a business segment in situations where an employee assigned to one business segment is performing work in another business segment and we want to adequately reflect the compensation expense in the business segment where the revenue is being booked.

2. Excludes corporate expenses that are not allocated to the product lines and excludes other income and expenses.

# HOULIHAN LOKEY

## **Our Mission**

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We help our clients achieve superior outcomes by providing thoughtful, caring advice while acting with honor and integrity. We are strategic in our approach to growth and are committed to creating lasting value for our shareholders. We maintain an intellectually stimulating, fair, and fun place to work. We seek to improve our local and global communities through the responsible and direct actions of our firm and its people.

## **Our Vision**

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We will be recognized globally for providing the finest financial advice and service to our clients and the best place to work for our colleagues.

# Appendix

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# Reconciliation of GAAP to Adjusted Financial Information

(Unaudited and in thousands, except share and per share data)

	Three Months Ended		Twelve-Month Ended	
	03/31/17	03/31/16	03/31/17	03/31/16
Fee revenue	\$257,100	\$183,596	\$872,091	\$693,765
<b>Employee Compensation and Benefits</b>				
Employee Compensation and Benefits (GAAP)	\$170,567	\$120,683	\$582,244	\$461,609
Less/Plus: Adjustments <sup>1</sup>	(6,742)	(6,020)	(26,203)	(14,500)
Employee Compensation and Benefits (Adjusted)	163,825	114,663	556,041	447,109
Less/Plus: Adjustments <sup>2</sup>	4,575	5,831	14,259	17,257
Employee Compensation and Benefits (Adjusted Awarded)	168,400	120,494	570,300	464,366
<b>Non-Compensation Expenses</b>				
Non-Compensation Expenses (GAAP)	\$29,199	\$21,416	\$107,852	\$105,756
Less/Plus: Adjustments <sup>3</sup>	(2,233)	0	(2,233)	(16,426)
Non-Compensation Expenses (Adjusted)	26,966	21,416	105,619	89,330
<b>Operating Income</b>				
Operating Income (GAAP)	\$57,334	\$41,497	\$181,995	\$126,400
Less/Plus: Adjustments <sup>4</sup>	8,975	6,020	28,436	30,926
Operating Income (Adjusted)	66,309	47,517	210,431	157,326
<b>Other Income (Expenses), net</b>				
Other Income (Expenses), net (GAAP)	(\$767)	(\$664)	(\$3,508)	(\$770)
Less/Plus: Adjustments <sup>5</sup>	0	0	0	282
Other Income (Expenses), net (Adjusted)	(767)	(664)	(3,508)	(488)
<b>Provision for Income Taxes</b>				
Provision for Income Taxes (GAAP)	\$22,491	\$18,053	\$70,144	\$55,863
Less/Plus: Adjustments <sup>6</sup>	3,568	1,016	11,177	8,149
Provision for Income Taxes (Adjusted)	26,059	19,069	81,321	64,012
<b>Net Income</b>				
Net Income (GAAP)	\$34,076	\$22,780	\$108,343	\$69,741
Less/Plus: Adjustments <sup>7</sup>	5,407	5,004	17,259	23,085
Net Income (Adjusted)	39,483	27,784	125,602	92,826
Diluted adjusted net income per share of common stock	\$0.59	\$0.43	\$1.89	\$1.46

Note: Figures may not sum due to rounding.

1. Consists of pre-IPO grant vesting, including grants re-awarded following forfeiture, if any ((\$6,742) in Q4 FY17; (\$6,020) in Q4 FY16; (\$26,203) in FY17; (\$15,275) in FY16); and adjustments relating to previous ownership agreements (\$775 in FY16).
2. Reflects (i) the expected vesting of grants that were made in prior year periods that were expensed during the period plus any unvested grants that were forfeited during the fiscal year ((\$9,209) in Q4 FY17; (\$4,624) in Q4 FY16; (\$27,794) in FY17; (\$21,345) in FY16), and (ii) estimated normal year-end grants of deferred stock during the period (\$13,784 in Q4 FY17; \$10,455 in Q4 FY16; \$42,053 in FY17; \$38,602 in FY16).
3. Includes costs associated with (i) Houlihan Lokey's public offering of stock ((\$1,633) in Q4 FY17 and FY17, (ii) Houlihan Lokey's initial public offering, corporate reorganization, spin-out of non-operating assets, shareholder solicitation process and other related activities ((\$12,783) in FY16), (iii) costs incurred from completed acquisitions ((\$600) in Q4 FY17 and FY17; (\$2,637) in FY16), and (iv) adjustments relating to previous ownership agreements ((\$1,006) in FY16).
4. Includes pre-IPO grant vesting, including grants re-awarded following forfeiture, if any; and costs associated with (i) Houlihan Lokey's secondary offering; (ii) Houlihan Lokey's initial public offering, corporate reorganization, spin-out of non-operating assets, shareholder solicitation process and other related activities, (iii) costs incurred from completed acquisitions, and (iv) adjustments relating to previous ownership agreements.
5. Includes adjustments relating to previous ownership agreements (\$282 in FY16).
6. Reflects the tax impact of described adjustments.
7. Includes pre-IPO grant vesting, including grants re-awarded following forfeiture, if any; and costs associated with (i) Houlihan Lokey's public offering of stock completed in February 2017; (ii) Houlihan Lokey's initial public offering, corporate reorganization, spin-out of non-operating assets, shareholder solicitation process and other related activities in FY 16, (iii) costs incurred from completed acquisitions, (iv) adjustments relating to previous ownership agreements, (v) the tax impact of described adjustments, and (vi) net income/loss attributable to noncontrolling interests (\$26 in FY16).

CORPORATE FINANCE  
FINANCIAL RESTRUCTURING  
FINANCIAL ADVISORY SERVICES  
STRATEGIC CONSULTING

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