

# Investor Presentation

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JULY 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, 2017, 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>

**172**

Managing Directors<sup>4</sup>

**808**

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 June 30, 2017; locations include five joint venture offices.

<sup>4</sup> As of June 30, 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>	92	41	39
<b>LTM 06/30/17 Revenue/ % of Total</b>	\$463 / 51%	\$310 / 34%	\$136 / 15%
<b>LTM 06/30/17 Revenue per MD<sup>3</sup></b>	\$5.0	\$7.2	\$3.8
<b>LTM 06/30/17 Transactions Closed / Fee Events</b>	220	83	1,342

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.

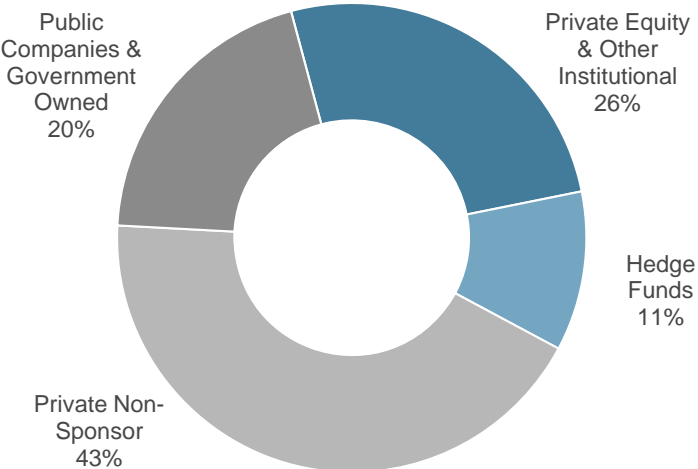
2. As of June 30, 2017; Managing Directors excludes Corporate Managing Directors, and MDs at joint ventures.

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

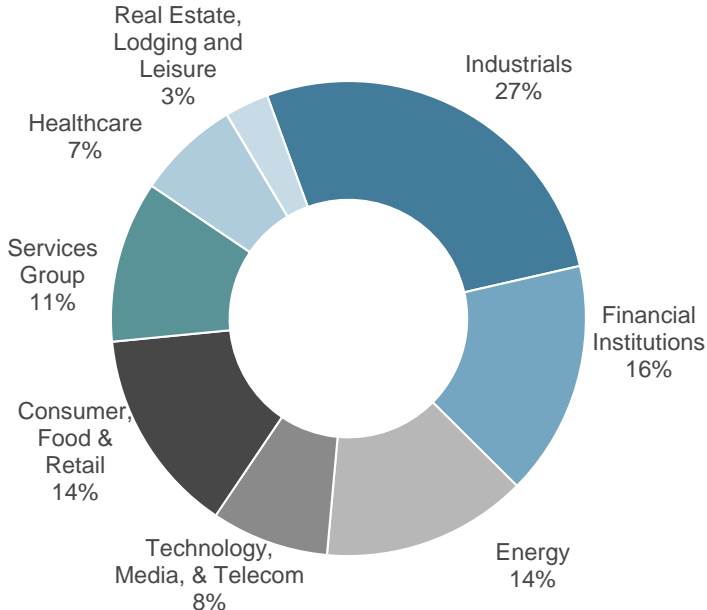
# Diversified Revenue Base

- 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

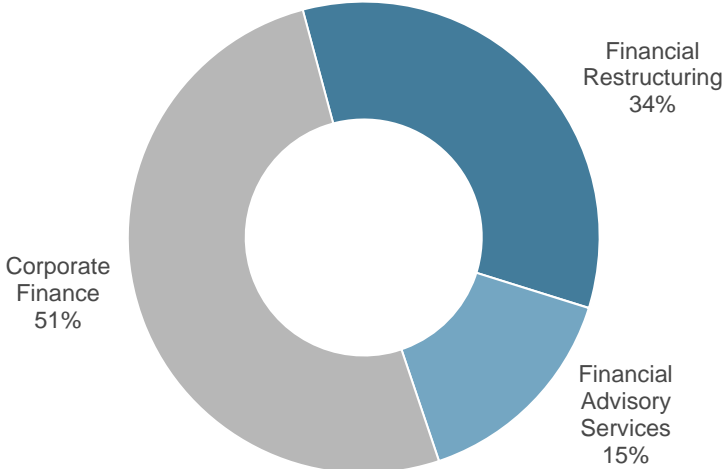
## Balanced Client Mix<sup>1</sup>



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



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

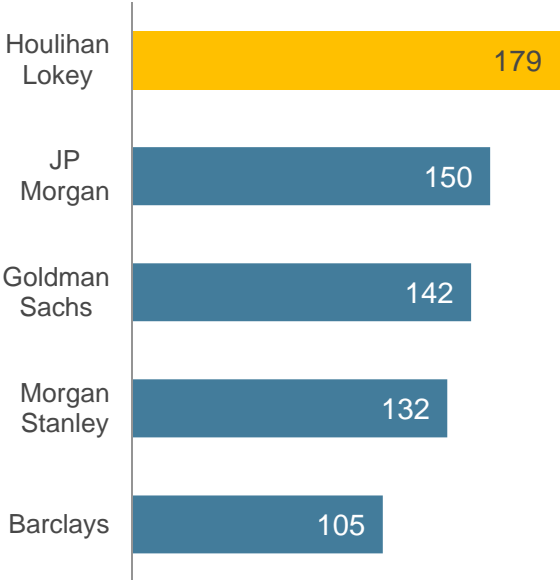


<sup>1</sup> Based on revenues for the LTM ended June 30, 2017.

# Market Leader in All Three Business Segments

## Top U.S. M&A Advisor

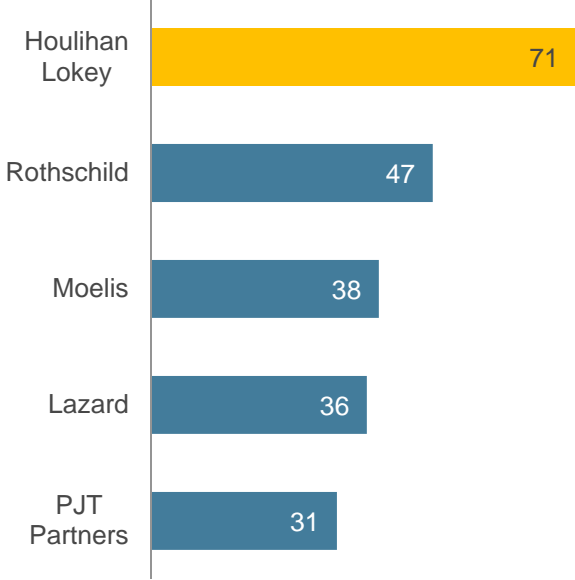
CY 2016 Financial Advisors by Number of U.S. M&A Deals



**#1 U.S. M&A Advisor**  
 Top 10 Global M&A Advisor  
 Leading Capital Markets Advisor

## Top Global Restructuring Advisor

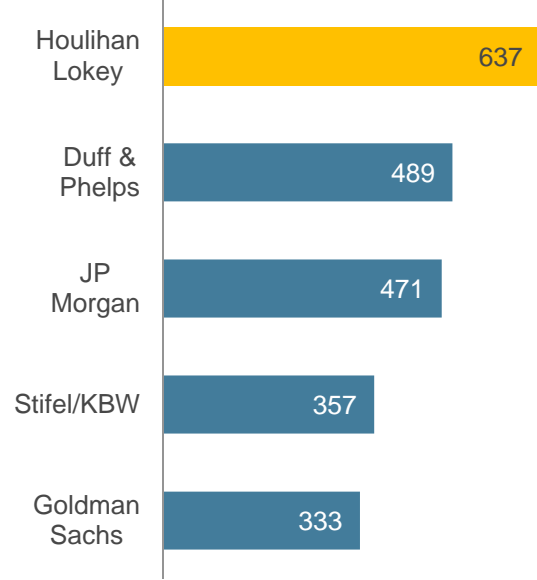
CY 2016 Global Distressed Debt & Bankruptcy Restructuring Deals



**#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**

Source: Thomson Reuters.



# Organic Growth Strengthened by Strategic Acquisitions



Technology and IP  
Financial Advisory Firm

January 2017



Continental European  
Investment Banking Firm

November 2015

McQueen

Consumer, Food & Retail  
Focused Investment  
Banking Firm

September 2015



Media-Focused  
Investment Banking Firm

June 2015



Joint Venture Expanding  
Presence in Australia

May 2015



Adds Strategic  
Consulting Capabilities to  
C-Suite Relationships

January 2015



Technology-Focused  
Investment Bank

March 2014



Specialty Finance  
Focused Investment  
Bank

December 2012



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

**1,144** Global Employees<sup>1</sup>

- 385** Corporate Finance
- 183** Financial Restructuring
- 240** Financial Advisory Services
- 336** 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

12-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 June 30, 2017.

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

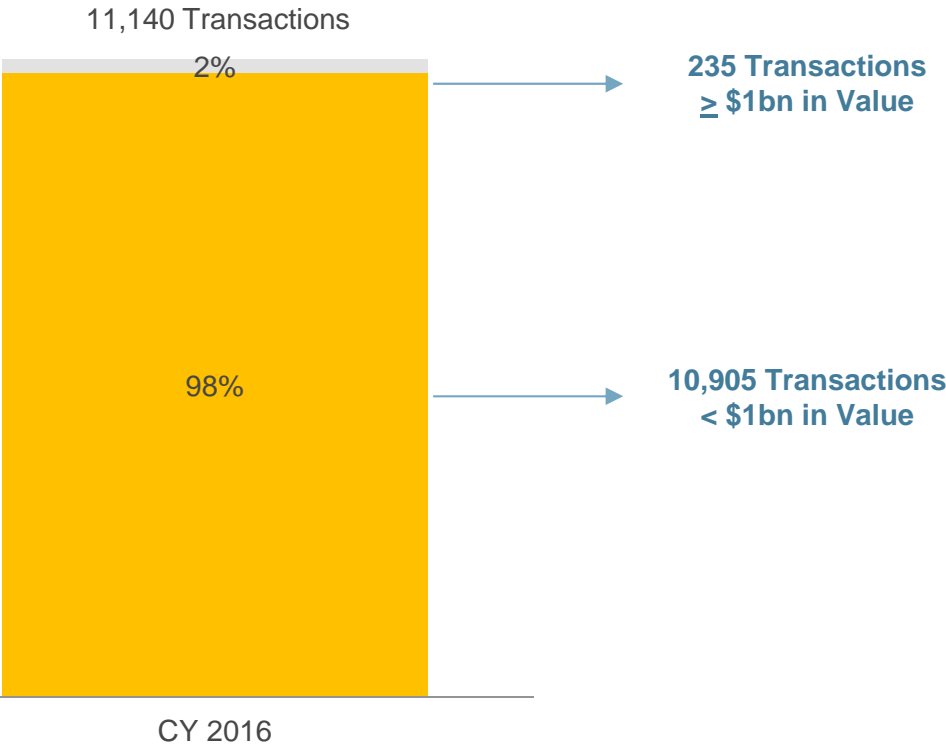
# Overview of Product Lines

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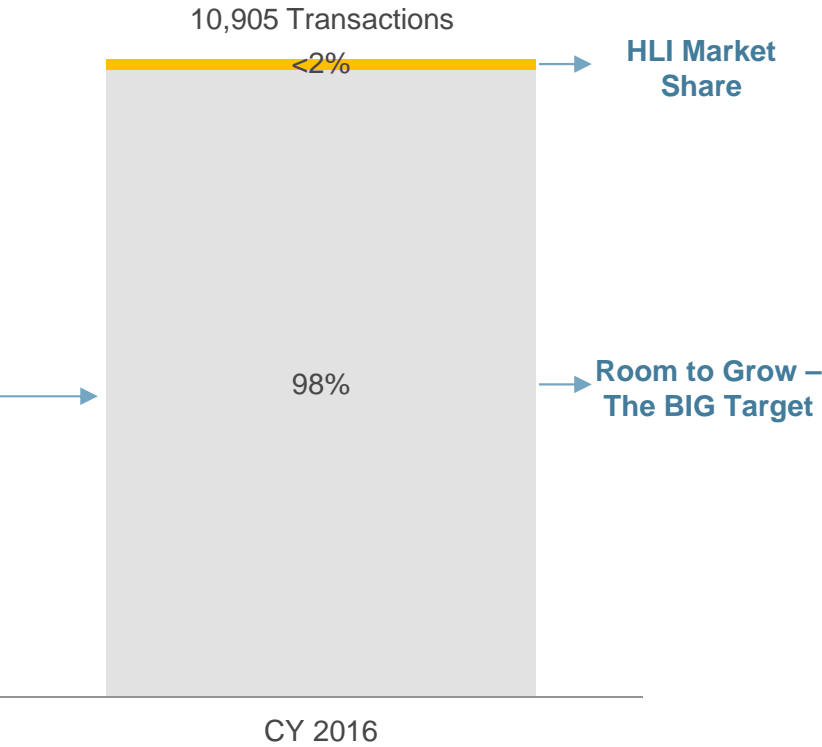
# Corporate Finance Business

- 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



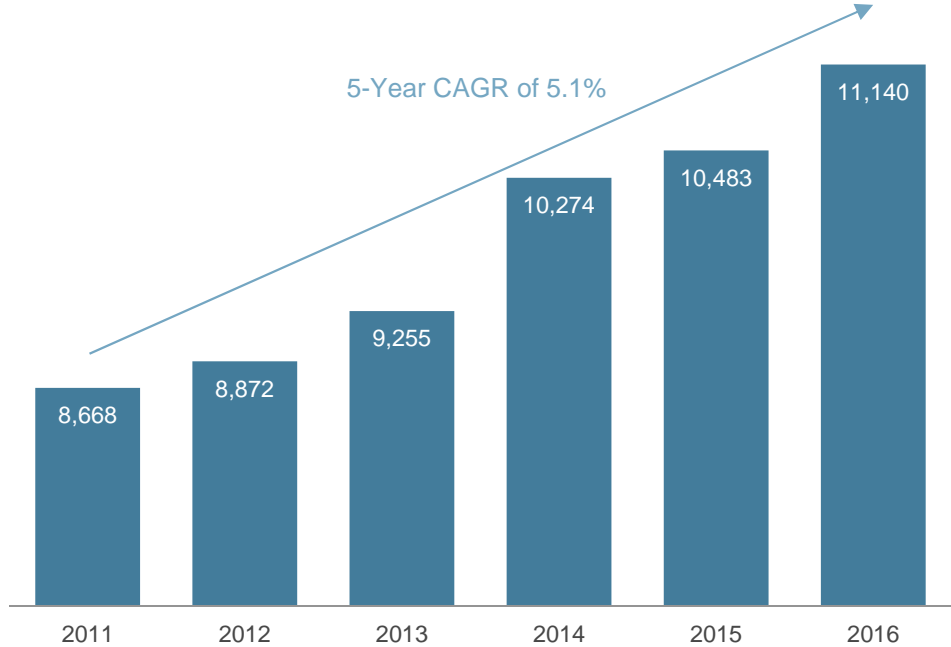
Source: Thomson Reuters.

# 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

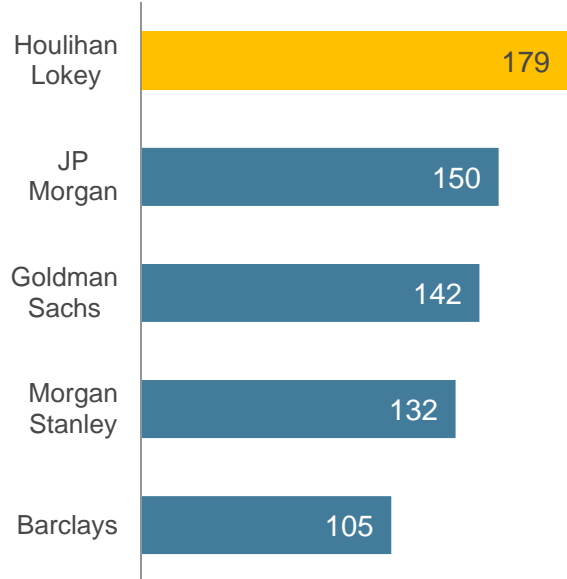
## M&A Volume Continues to Increase

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 41 MDs and 183 total finance professionals as of June 30, 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

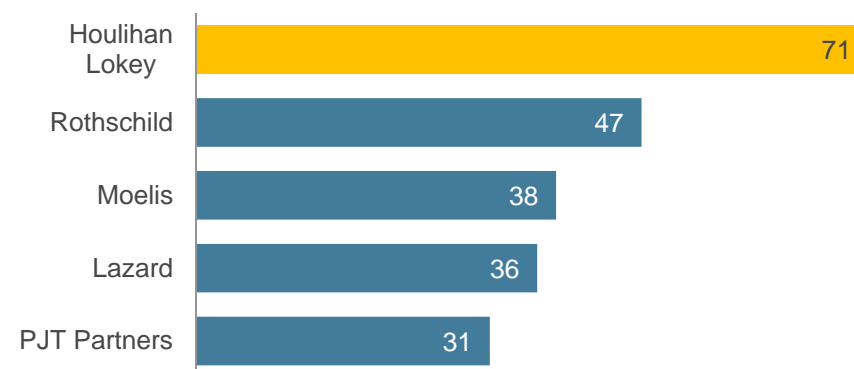
Advisor in 12 of the 15 Largest Bankruptcies 2000-2016

	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.

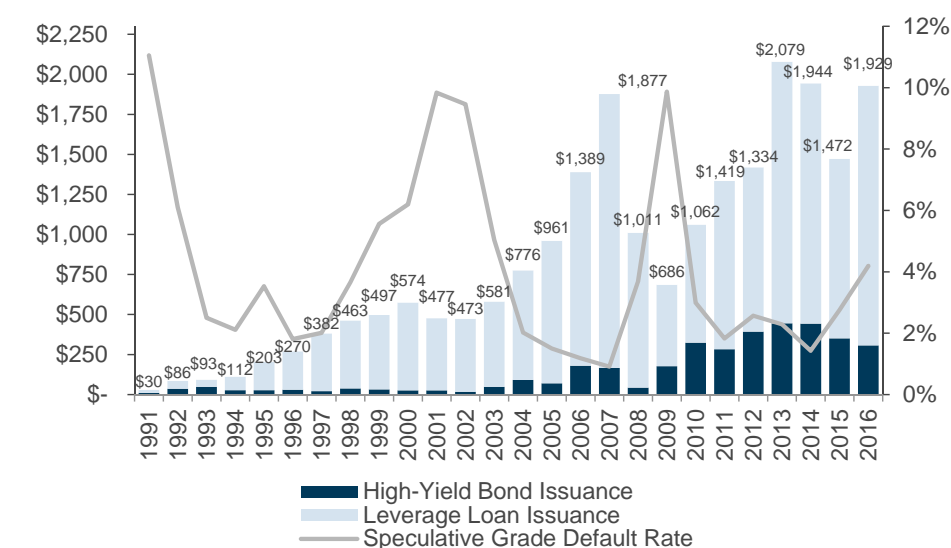
## Top Global Restructuring Advisor

2016 Global Distressed Debt & Bankruptcy Restructuring Deals



## Global Leveraged Loan and High Yield Issuance

(\$B)



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

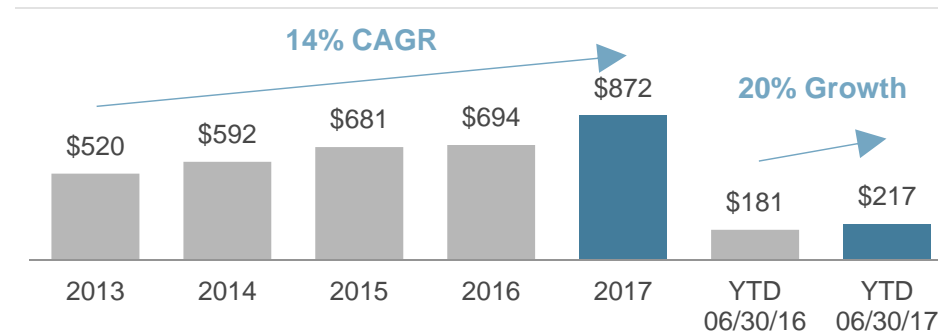
## ■ Consistent track record of profitability through market cycles

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

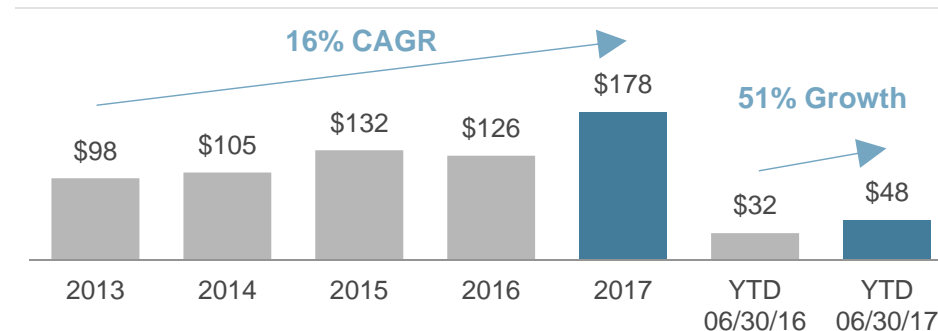
## ■ Scalable, capital-light model

- 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

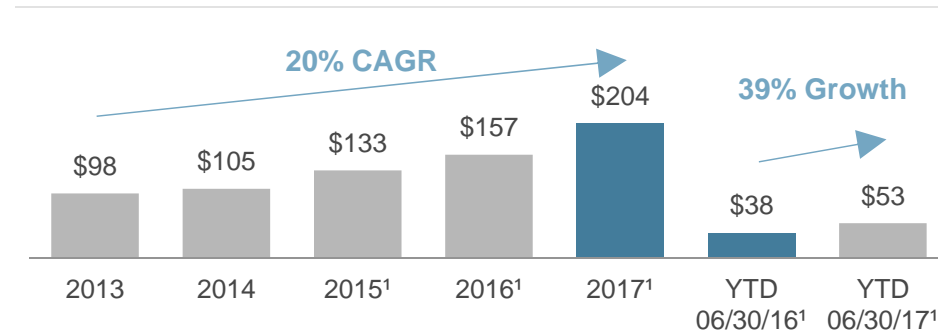
## Revenue



## GAAP Pre-Tax Income



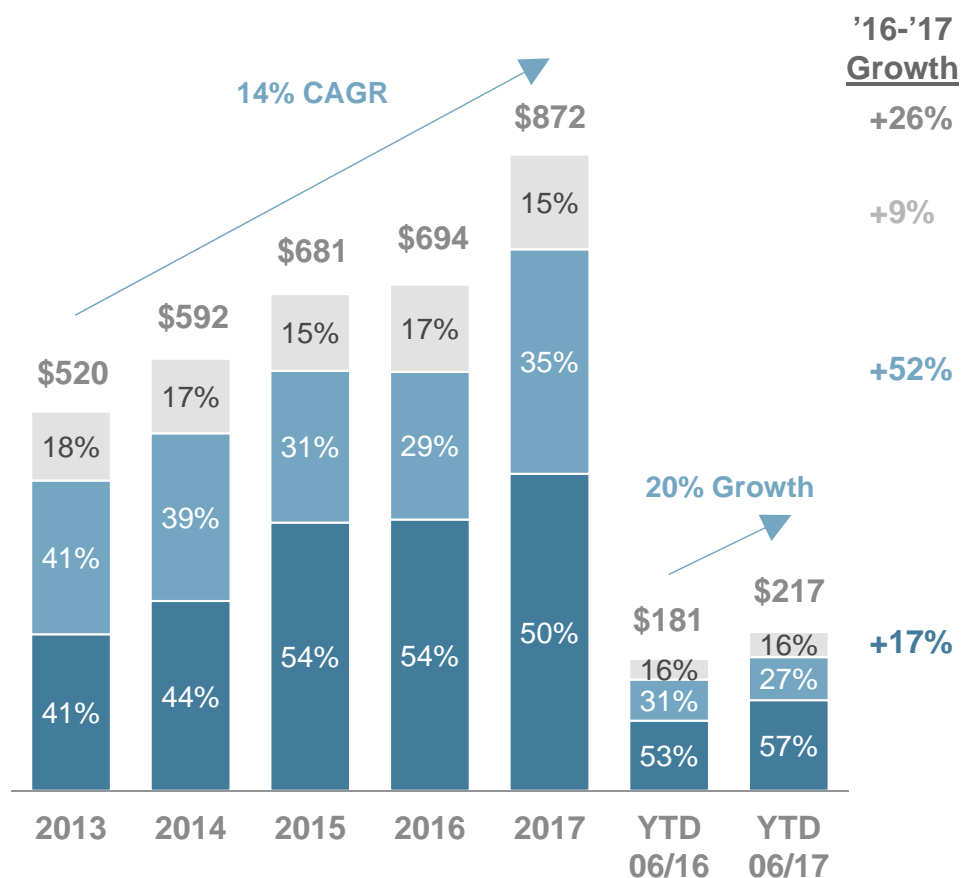
## Adjusted Pre-Tax Income



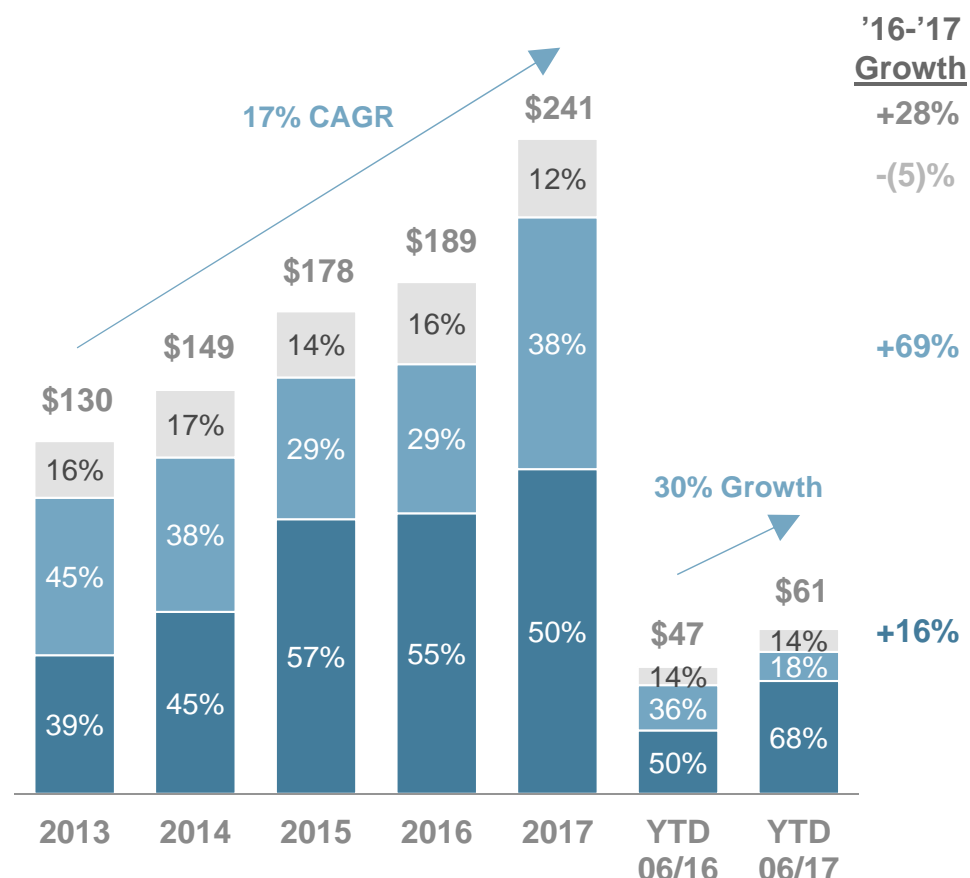
Note: Fiscal year ended March 31. All dollar amounts in millions unless otherwise noted.  
 1. Adjustments include Pre-IPO Stock Grant Vesting and reduction of an earnout liability.

# 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)

	<b>For the Three-Months Ended</b>	
	<b>06/30/17</b>	<b>06/30/16</b>
Fee revenue	\$217,491	\$180,774
<b>Employee Compensation and Benefits</b>		
Employee Compensation and Benefits (GAAP)	\$145,509	\$121,804
Less/Plus: Adjustments <sup>1</sup>	<u>(6,313)</u>	<u>(6,530)</u>
Employee Compensation and Benefits (Adjusted)	139,196	115,274
Less/Plus: Adjustments <sup>2</sup>	<u>3,261</u>	<u>3,134</u>
Employee Compensation and Benefits (Adjusted Awarded)	142,457	118,408
<b>Non-Compensation Expenses</b>		
Non-Compensation Expenses (GAAP)	\$25,109	\$26,109
Less/Plus: Adjustments	<u>0</u>	<u>0</u>
Non-Compensation Expenses (Adjusted)	25,109	26,109
<b>Operating Income</b>		
Operating Income (GAAP)	\$46,873	\$32,861
Less/Plus: Adjustments <sup>3</sup>	<u>6,313</u>	<u>6,530</u>
Operating Income (Adjusted)	53,186	39,391
<b>Other Income and (Expenses)</b>		
Other Income and (Expenses) (GAAP)	\$1,506	(\$908)
Less/Plus: Adjustments <sup>4</sup>	<u>(1,386)</u>	<u>0</u>
Other Income and (Expenses) (Adjusted)	120	(908)
<b>Provision for Income Taxes</b>		
Provision for Income Taxes (GAAP)	\$9,135	\$12,542
Add: Tax Adjustment <sup>5</sup>	<u>11,294</u>	<u>0</u>
Provision for Income Taxes (Adjusted)	20,429	12,542
<b>Net Income</b>		
Net Income (GAAP)	\$39,244	\$19,411
Less/Plus: Adjustments <sup>6</sup>	<u>(6,366)</u>	<u>3,967</u>
Net Income (Adjusted)	32,878	23,378
Diluted adjusted net income per share of common stock	\$0.50	\$0.35

Note: Figures may not sum due to rounding.

1. Consists of pre-IPO grant vesting, including grants re-awarded following forfeiture, if any ((\$6,313) in Q1 FY18; (\$6,530) in Q1 FY17).
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 period ((\$7,387) in Q1 FY18 and (\$6,281) in Q1 FY17), and (ii) estimated normal year-end grants of deferred stock during the period (\$10,648 in Q1 FY18 and \$9,415 in Q1 FY17).
3. Includes pre-IPO grant vesting, including grants re-awarded following forfeiture, if any.
4. Includes the reduction of an earnout liability in Q1 FY18 of (\$1,386).
5. Includes (i) the tax impact as a result of the adoption of ASU No. 2016-09, Compensation - Stock Compensation which resulted in a decrease to the provision for income taxes due to the vesting of share awards that were accelerated on February 14, 2017, and (ii) the tax impact of described adjustments.
6. Consists of the adjustments described above net of the tax impact of described adjustments.

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