

# Investor Presentation

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JANUARY 2018

# 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

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## 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>

**174**

Managing Directors<sup>4</sup>

**873**

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 December 31, 2017; locations include three joint venture offices.

<sup>4</sup> As of December 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>	95	42	37
<b>LTM 12/31/17 Revenue/ % of Total</b>	\$514 / 53%	\$321 / 33%	\$141 / 14%
<b>LTM 12/31/17 Revenue per MD<sup>3</sup></b>	\$5.6	\$7.6	\$4.0
<b>LTM 12/31/17 Transactions Closed / Fee Events</b>	232	81	1,350

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.

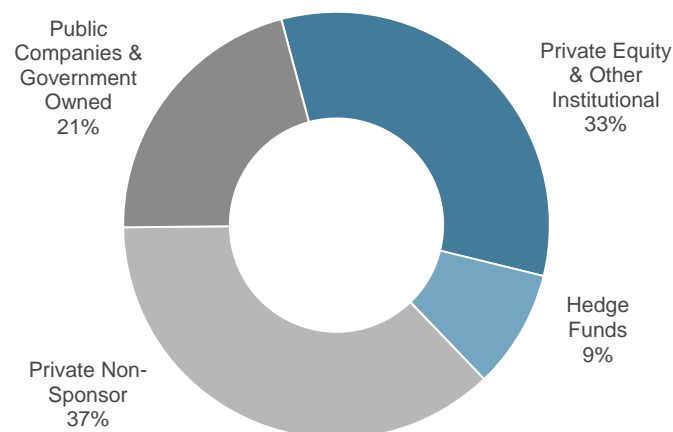
2. As of December 31, 2017; Managing Directors excludes Corporate Managing Directors, and MDs at joint ventures.

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

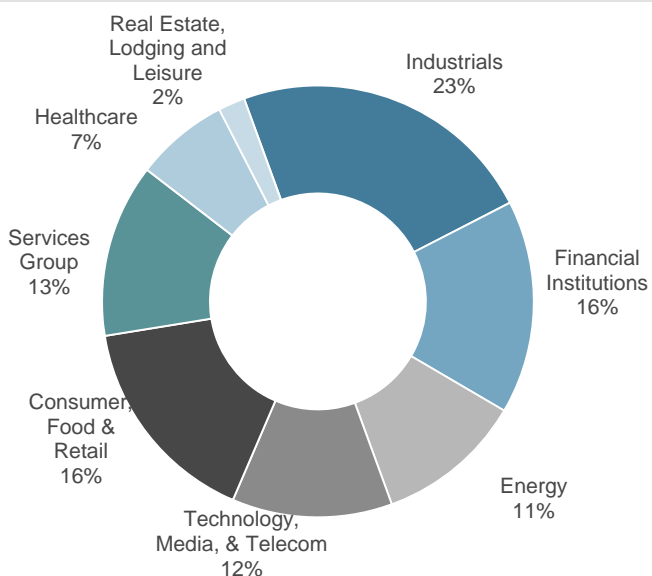
# Diversified Revenue Base

- 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

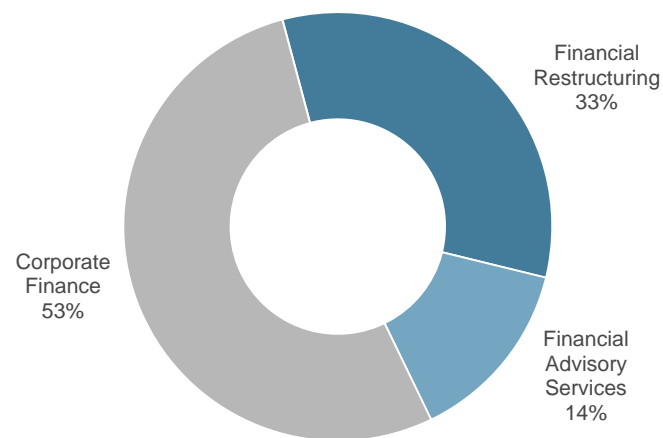
## Balanced Client Mix<sup>1</sup>



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



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

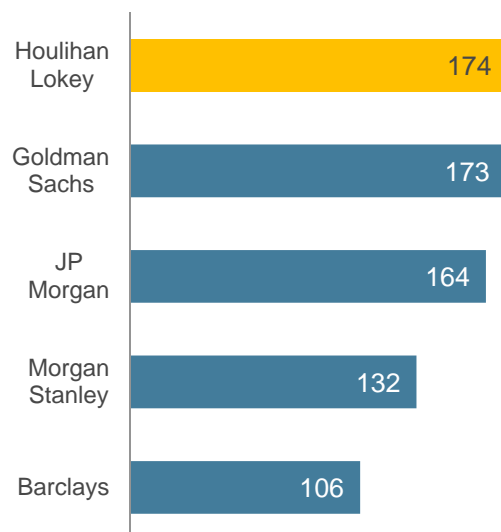


<sup>1</sup> Based on revenues for the LTM ended December 31, 2017.

# Market Leader in All Three Business Segments

## Top U.S. M&A Advisor

CY 2017 Financial Advisors by Number of U.S. M&A Deals



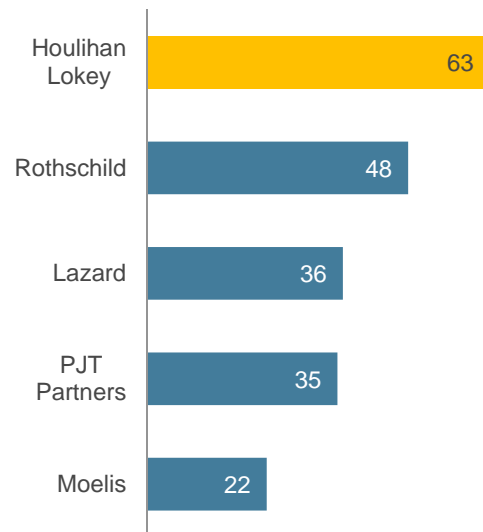
**#1 U.S. M&A Advisor**

Top 10 Global M&A Advisor

Leading Capital Markets Advisor

## Top Global Restructuring Advisor

CY 2017 Global Distressed Debt & Bankruptcy Restructuring Deals



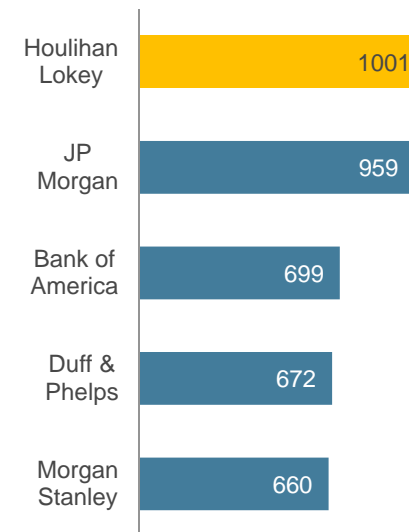
**#1 Global Restructuring Advisor**

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 1997 to CY 2017)



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


**#1 M&A Fairness Opinion Advisor** in the U.S. Over the Past 20 Years

1,000+ Annual Valuation Engagements

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



# Organic Growth Strengthened by Strategic Acquisitions



Data and Analytics,  
Content, Software and  
Services Advisory Firm

Pending



BLACK STONE IP

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



MESA

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



MILESTONE

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

## 1972-1979

- Business Valuations
- Tax Valuations
- ESOP Valuations

## 1980-1989

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

## 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

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**1,214** Global Employees<sup>1</sup>

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

**407** Corporate Finance

**201** Financial Restructuring

**266** Financial Advisory Services

**340** Corporate & Administrative

**21** Houlihan Lokey Offices

**3** Joint Venture Offices

## 2010-Present

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- Mumbai (JV)
- Miami
- Madrid
- Sydney
- Amsterdam
- Milan (JV)
- Rome (JV)
- Houston
- Singapore
- Dubai

## 2000-2009

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

## 1990-1999

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

## 1980-1989

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- San Francisco
- Chicago
- New York

## 1972-1979

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- Los Angeles

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

# 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 December 31, 2017.

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

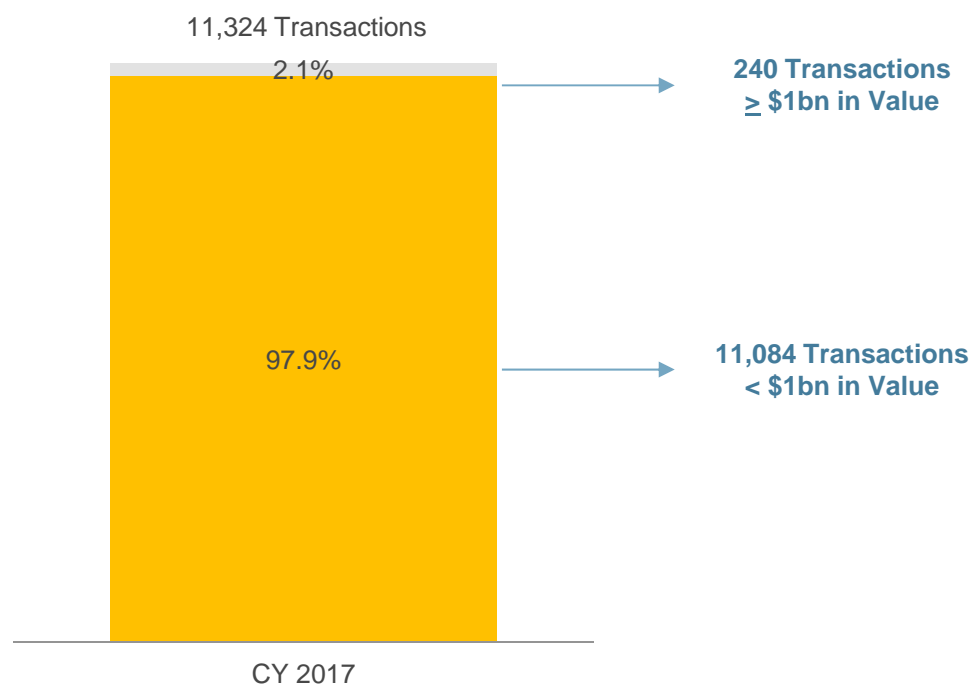
# Overview of Product Lines

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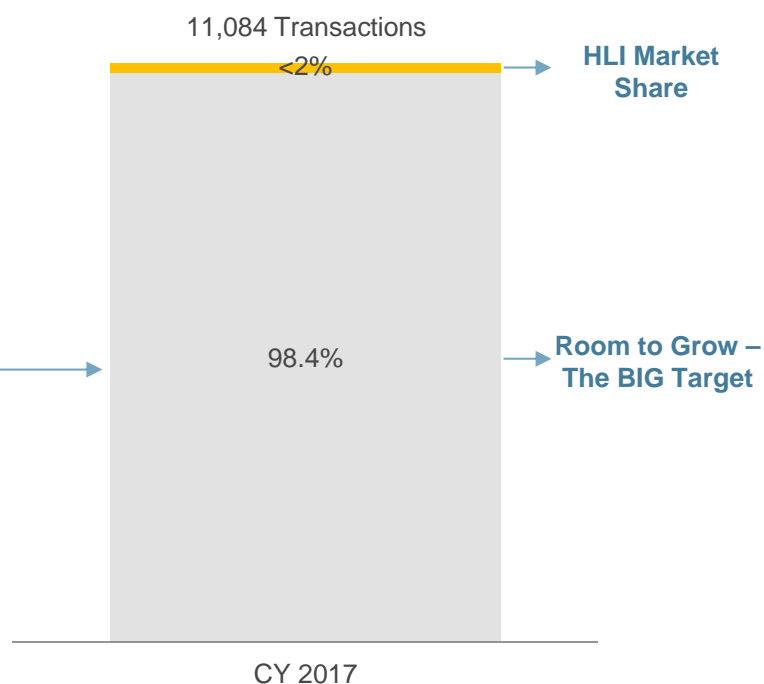
# Corporate Finance Business

- Corporate Finance is a leader in the U.S. mid-cap space, which represented approximately 98% of M&A volume in CY 2017
- Our market share in the U.S. mid-cap space is less than 2%, based on the number of closed M&A transactions we completed in CY 2017
- 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. Closed M&A Transactions CY 2017



## Mid-Cap Transactions

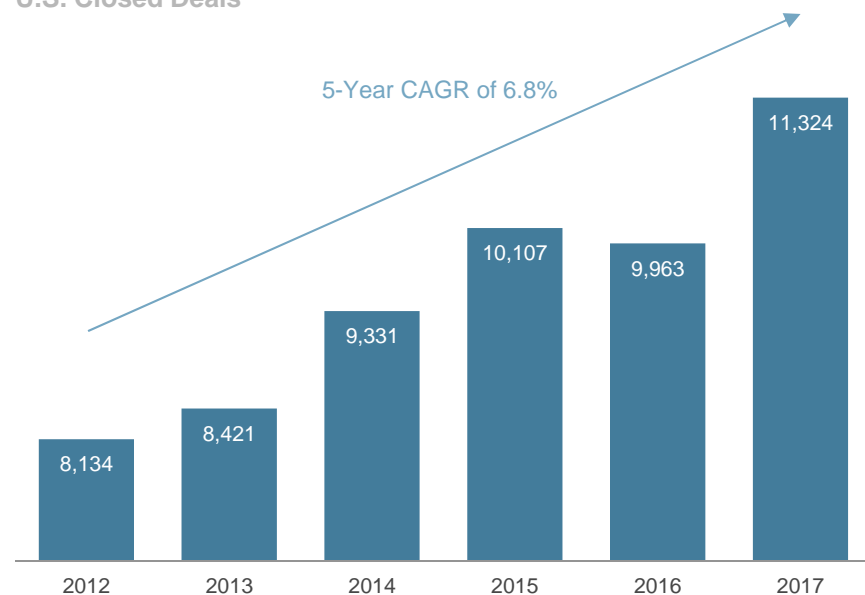


# Corporate Finance Business

- Announced U.S. M&A volume has a 5-year (2012-2017) CAGR of 6.8%
- U.S. M&A revenues in our corporate finance business have a 5-year (2012-2017) CAGR in excess of 18%, 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

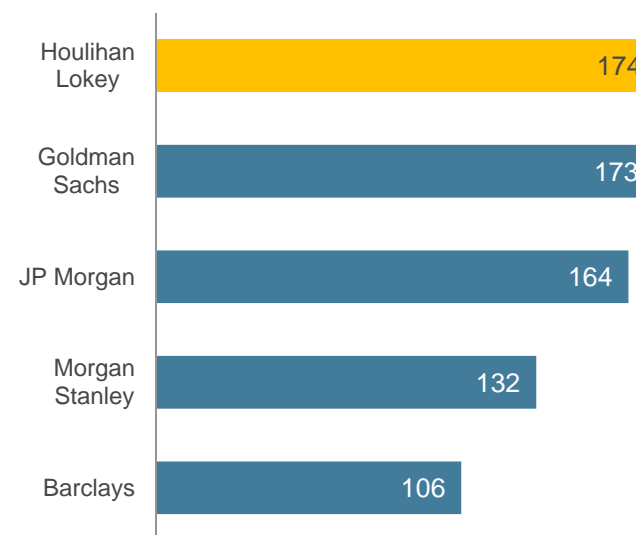
## M&A Volume Continues to Increase

U.S. Closed Deals



## Top 2017 Financial Advisors

By Number of U.S. M&A Deals



# Financial Restructuring Business

- Deepest bench in the industry, with 42 MDs and 201 total finance professionals as of December 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

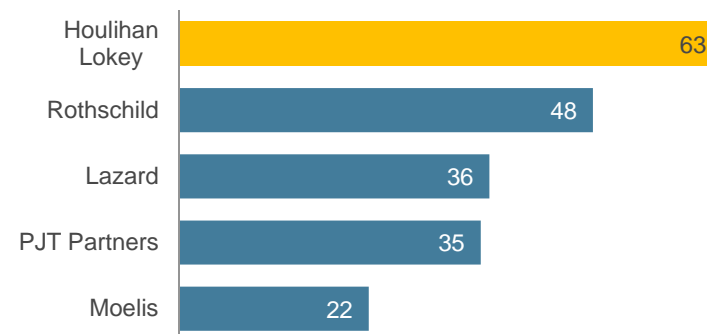
Advisor in 12 of the 15 Largest Bankruptcies 2000-2017

	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

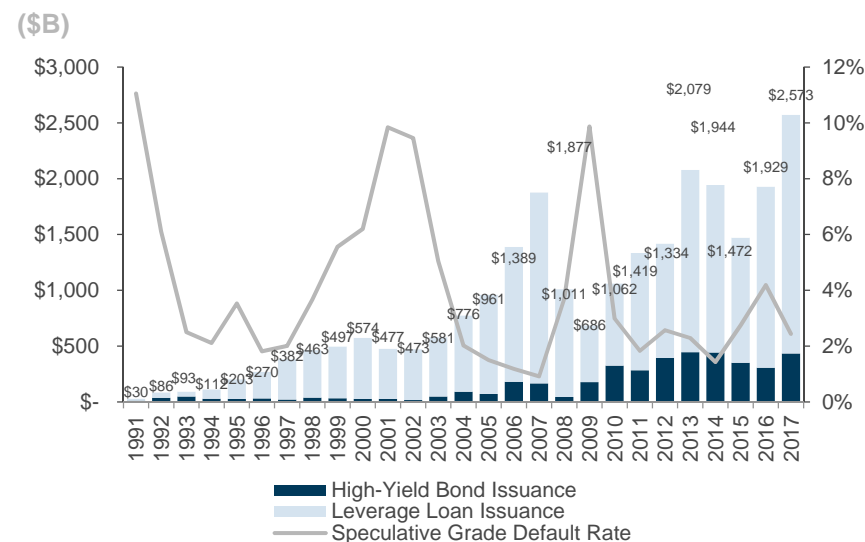
Source: BankruptcyData.com, January 2018.

## Top Global Restructuring Advisor

2017 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 1,300 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

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

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

## Growth will be driven by:

### Corporate Finance

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- Continued market share gains
- Increasing deal size and deal fees
- Expanding into Europe and Asia-Pacific (replicating U.S. model)
- Leveraging complementary products and services
- Building out our Private Financing platform

### Financial Restructuring

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- Growing availability and use of leverage
- Increasingly complex balance sheets
- Continued globalization of Financial Restructuring
- Increasing restructuring of different asset classes

### Financial Advisory Services / Strategic Consulting

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- Increasingly complex regulatory and tax environments
- Increasingly litigious environment
- Greater transparency requirements
- Expansion of financial and strategic consulting
- Utilization of Industry Expertise

**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

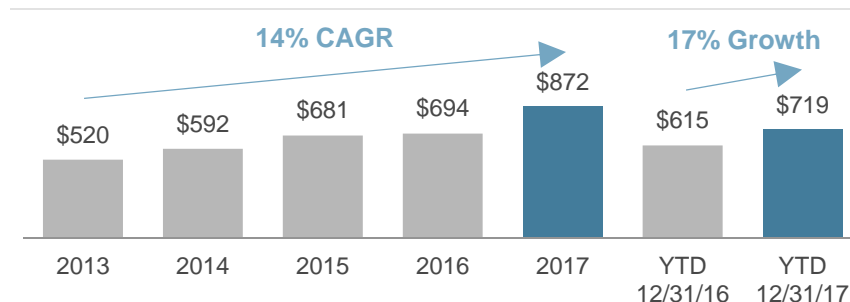
- **Consistent track record of profitability through market cycles**

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

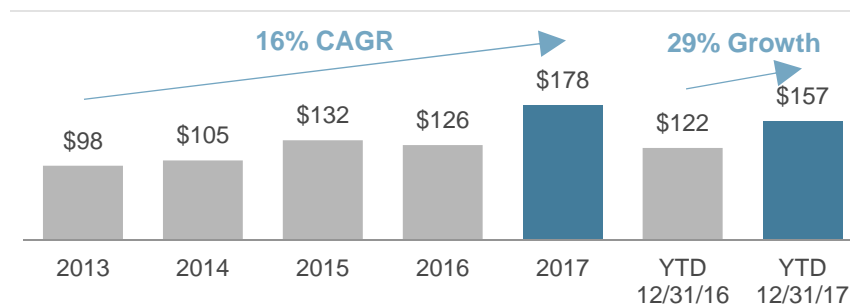
- **Scalable, capital-light model**

- 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

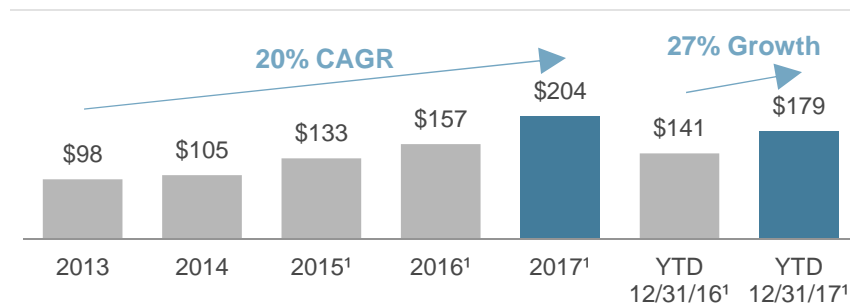
## Revenue



## GAAP Pre-Tax Income



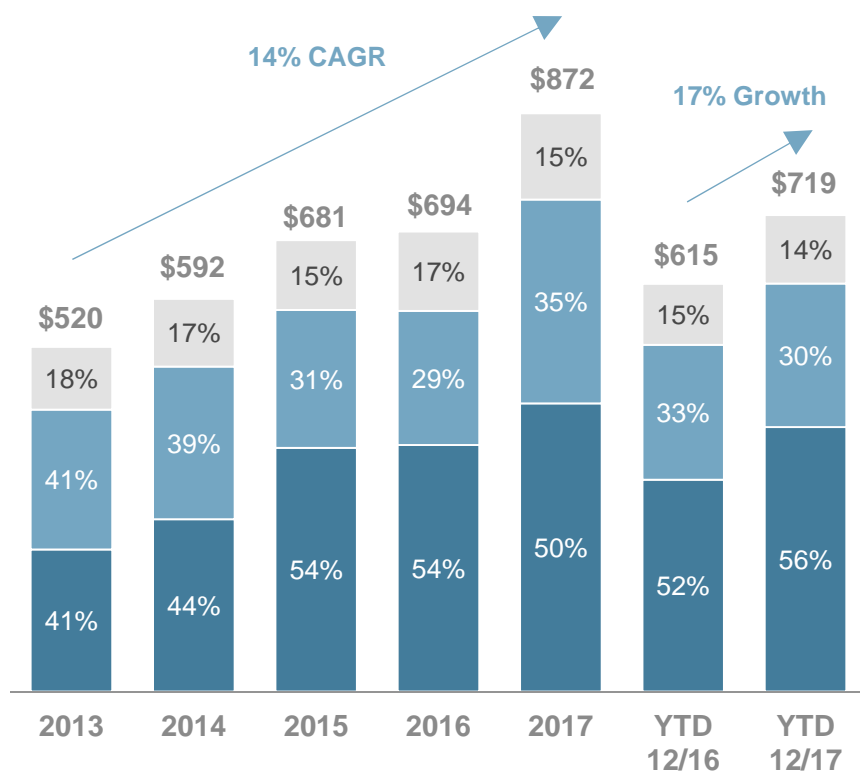
## Adjusted Pre-Tax Income



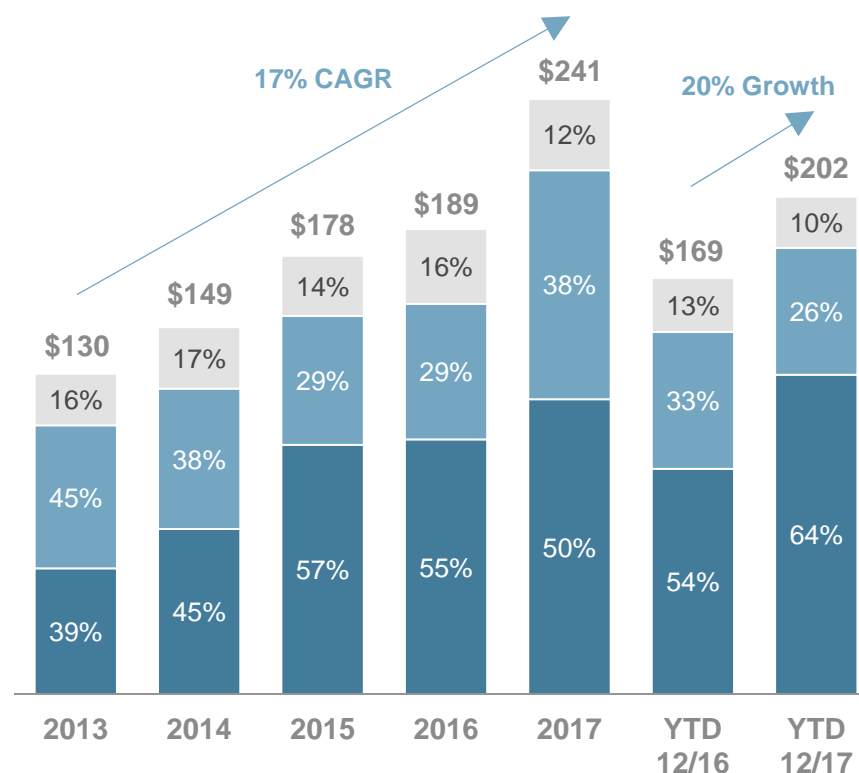
Note: Fiscal year ended March 31. All dollar amounts in millions unless otherwise noted.  
 1. Adjustments include Pre-IPO Stock Grant Vesting and reduction of an earnout liability.

# 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 residing in one business segment is performing work in another business segment where the revenues are accrued. We account for the compensation expense in the business segment where the employee resides.

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)

	For the Three-Months Ended		For the Nine-Months Ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Fee revenue	\$258,937	\$247,680	\$718,611	\$614,991
<b>Employee Compensation and Benefits</b>				
Employee Compensation and Benefits (GAAP)	\$174,308	\$164,971	\$481,112	\$411,677
Less/Plus: Adjustments <sup>1</sup>	(9,885)	(6,455)	(22,497)	(19,461)
Employee Compensation and Benefits (Adjusted)	164,423	158,516	458,615	392,216
Less/Plus: Adjustments <sup>2</sup>	3,884	3,717	10,778	9,684
Employee Compensation and Benefits (Adjusted Awarded)	168,307	162,233	469,393	401,900
<b>Non-Compensation Expenses</b>				
Non-Compensation Expenses (GAAP)	\$30,144	\$25,886	\$82,815	\$78,653
Less/Plus: Adjustments <sup>3</sup>	(1,275)	0	(1,275)	0
Non-Compensation Expenses (Adjusted)	28,869	25,886	81,540	78,653
<b>Operating Income</b>				
Operating Income (GAAP)	\$54,485	\$56,823	\$154,684	\$124,661
Less/Plus: Adjustments <sup>4</sup>	11,160	6,455	23,772	19,461
Operating Income (Adjusted)	65,645	63,278	178,456	144,122
<b>Other (Income) and Expenses</b>				
Other (Income) and Expenses (GAAP)	(\$632)	\$1,084	(\$2,338)	\$2,741
Less/Plus: Adjustments <sup>5</sup>	0	0	1,552	0
Other (Income) and Expenses (Adjusted)	(632)	1,084	(786)	2,741
<b>Provision/(benefit) for Income Taxes</b>				
Provision/(benefit) for Income Taxes (GAAP)	(\$6,466)	\$21,759	\$22,838	\$47,653
Add: Tax Adjustment <sup>6</sup>	27,163	2,520	40,767	7,631
Provision for Income Taxes (Adjusted)	20,697	24,279	63,605	55,284
<b>Net Income</b>				
Net Income (GAAP)	\$61,583	\$33,980	\$134,184	\$74,267
Less/Plus: Adjustments <sup>7</sup>	(16,003)	3,935	(18,547)	11,830
Net Income (Adjusted)	45,580	37,915	115,637	86,097
Diluted adjusted net income per share of common stock	\$0.69	\$0.57	\$1.74	\$1.29

Note: Figures may not sum due to rounding.

1. Consists of pre-IPO grant vesting, including grants re-awarded following forfeiture, if any ((\$9,885) in Q3 FY18; (\$6,455) in Q3 FY17; (\$22,497) in YTD FY18; (\$19,461) in YTD 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 ((\$14,557) in Q3 FY18; (\$6,091) in Q3 FY17; (\$30,503) in YTD FY18; (\$18,585) in YTD FY17), and (ii) estimated normal year-end grants of deferred stock during the period (\$18,441 in Q3 FY18; \$9,808 in Q3 FY17; \$41,281 in YTD FY18; \$28,269 in YTD FY17).
3. Includes costs associated with Houlihan Lokey's secondary offering of stock ((\$1,275) in Q3 FY18).
4. Includes pre-IPO grant vesting, including grants re-awarded following forfeiture, if any, plus costs associated with Houlihan Lokey's secondary offering of stock.
5. Includes (i) the net gain from the acquisition of the remaining outstanding equity stake of the Australia joint venture (\$166 in YTD FY18), and (ii) the reduction of an earnout liability (\$1,386 in YTD FY18).
6. Includes adjustments relating to the following: (i) the tax impact of the Tax Act (\$14,230 in Q3 FY18 and YTD FY18); (ii) the tax impact as a result of the adoption of ASU No. 2016-09, Compensation - Stock Compensation due to the acceleration of vesting of share awards in February and October 2017 (\$9,448 Q3 FY18 and \$18,853 in YTD FY18), and (iii) the tax impact, using the adjusted effective tax rate, of the adjustments described in footnotes 1 and 3 (\$3,485 for Q3 FY18 and \$2,520 in Q3 FY17; \$7,684 in YTD FY18 and \$7,631 in YTD FY17).
7. Consists of the adjustments described above net of the tax impact of described adjustments.

