

# Investor Presentation

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JULY 2018

# Disclaimers

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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, 2018, 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.

## Non-GAAP Financial Measures

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Adjusted net income and adjusted operating expenses are presented and discussed in this investor presentation and are non-GAAP measures that management believes, when presented together with comparable GAAP measures, are useful to investors in understanding the Company’s operating results. Adjusted net income and adjusted operating expenses remove the significant accounting impact of one-time charges associated with the Company’s one-time/non-recurring matters, as set forth at the end of this presentation.

Adjusted net income as calculated by the Company is not necessarily comparable to similarly titled measures reported by other companies. Additionally, adjusted net income is not a measurement of financial performance or liquidity under GAAP and should not be considered as an alternative to the Company’s financial information determined under GAAP. For a description of the Company’s use of adjusted net income and a reconciliation with net income, as well as a reconciliation of the specific line items in adjusted operating expenses, see the end of this investor presentation. Please refer to our financial statements, prepared in accordance with GAAP, for purposes of evaluating our financial condition, results of operations, and cash flows.

# Our Culture

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## Employee DNA

- Analytically Driven
- Client Service and Solution Driven
- Entrepreneurially Motivated
- Desirous of a Winning Culture
- Strong Loyalty to the Firm
- High Integrity

## 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
- NYSE Listed
- Blue Chip Institutional Ownership

# 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

2013–2018  
Revenues CAGR<sup>1</sup> of 13%  
Unadjusted<sup>2</sup> Net Income CAGR<sup>1</sup> of 24%  
Adjusted Net Income CAGR<sup>1,3</sup> of 22%

**1972**

Established

**1,000+**

Clients Served Annually

**22**

Locations Worldwide<sup>4</sup>

**187**

Managing Directors<sup>5</sup>

**913**

Total Financial Professionals<sup>5</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> Adjusted Net Income is a non-GAAP financial measure. See page 20 for the most directly comparable GAAP measure for the period.

<sup>4</sup> As of June 30, 2018; locations include one joint venture office.

<sup>5</sup> As of June 30, 2018; excludes Corporate Managing Directors and MDs at joint ventures.

# Principal Investment Highlights

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- Strong Track Record of Growth and Profitability
- Low Revenues and Earnings Volatility Through Economic Cycles
- High Quality Earnings
- Long-Tenured Management Team
- Differentiated, Cyclically Balanced Business Model
- Market Fundamentals are Favorable 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>Core 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>	105	45	37
<b>LTM 6/30/18 Revenues/ % of Total</b>	\$537 / 56%	\$286 / 29%	\$143 / 15%
<b>LTM 6/30/18 Revenues per MD<sup>3</sup></b>	\$5.5	\$6.6	\$3.8
<b>LTM 6/30/18 Transactions Closed / Fee Events</b>	243	72	1,243

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.

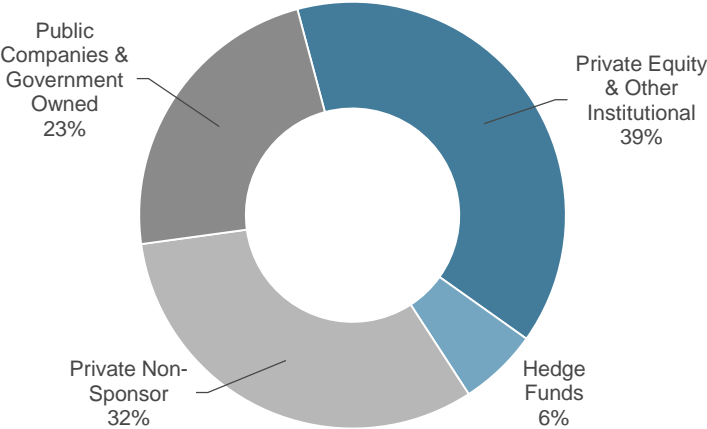
2. As of June 30, 2018; Managing Directors excludes Corporate Managing Directors, and MDs at joint ventures.

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

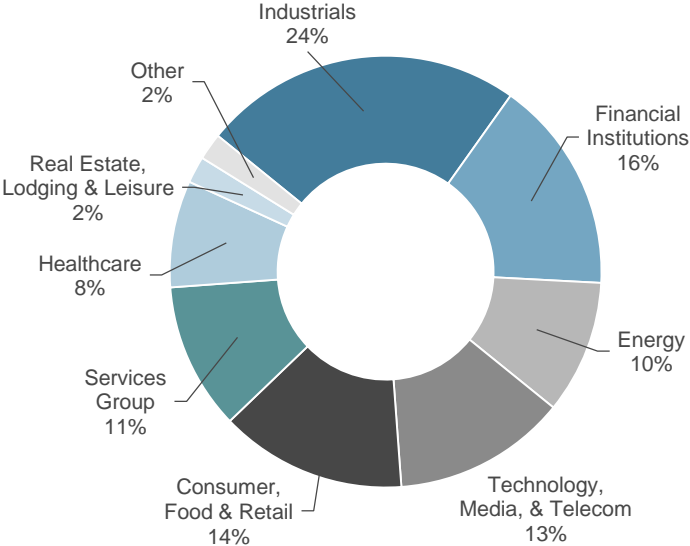
# Diversified Revenues Base

- More than 1,000 clients served annually
- For FY 2018:
  - No single transaction fee represented more than 3% 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

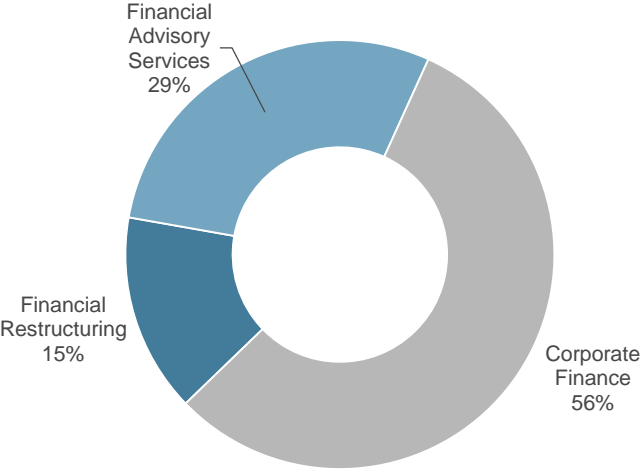
## Balanced Client Mix<sup>1</sup>



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



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

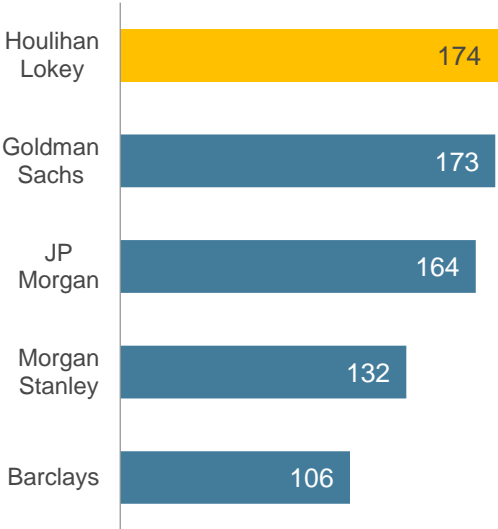


<sup>1</sup> Based on revenues for the LTM ended June 30, 2018.

# Market Leader in All Three Business Segments

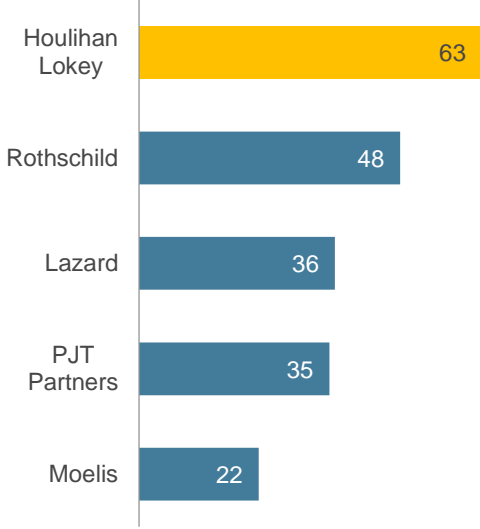
## Top U.S. M&A Advisor

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



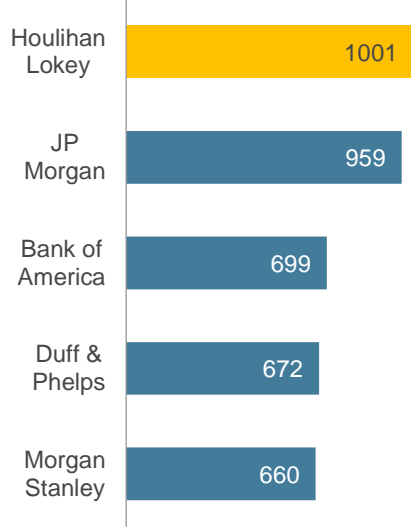
## Top Global Restructuring Advisor

CY 2017 Global Distressed Debt & Bankruptcy Restructuring Deals



## Top Global Fairness Opinion Advisor

U.S. M&A Fairness Advisors: Announced or Completed Deals (CY 1997 to CY 2017)



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

**#1 Global Restructuring Advisor**  
 Advised on 12 of the 15 Largest U.S. Bankruptcies Since 2000  
 1,000+ Transactions / Valued Over \$1.5 Trillion

**#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 Engagements

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

Source: Thomson Reuters.




# Organic Growth Strengthened by Strategic Acquisitions



Private Equity  
Fundraising Advisory  
Firm

May 2018



Data and Analytics,  
Content, Software and  
Services Advisory Firm

April 2018



Technology and IP  
Financial Advisory Firm

January 2017



Continental European  
Investment Banking Firm

November 2015



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



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
- Illiquid Financial Assets Intermediation
- Activist Advisory
- Due Diligence Services
- Strategic Consulting
- IP Valuation and Monetization Advisory
- Private fundraising for Institutional Clients
- Arranger of Leveraged Loans

# Comprehensive Coverage and Global Scale

**1,283** Global Employees<sup>1</sup>

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

**447** Corporate Finance

**197** Financial Restructuring

**269** Financial Advisory Services

**370** Corporate & Administrative

**21** Houlihan Lokey Offices

**1** Joint Venture Office

## North America

Atlanta  
Chicago  
Dallas  
Houston  
Los Angeles  
Miami  
Minneapolis  
New York  
San Francisco  
Washington, D.C.

## Europe & Middle East

Amsterdam  
Dubai  
Frankfurt  
London  
Madrid  
Milan (JV)  
Paris

## Asia-Pacific

Beijing  
Hong Kong  
Singapore  
Sydney  
Tokyo

<sup>1</sup> As of June 30, 2018.  
Houlihan Lokey holds an indirect minority stake in Leonardo & Co. S.p.A., an investment bank with an office in Milan.

# Strong Partnership Culture with Experienced Leadership

## Deep and Experienced Management Team



**Scott L. Beiser**

**CEO**

34 years with Houlihan Lokey



**Irwin N. Gold**

**Executive Chairman**

30 years with Houlihan Lokey



**Scott J. Adelson**

**Co-President**

31 years with Houlihan Lokey



**David A. Preiser**

**Co-President**

27 years with Houlihan Lokey



**J. Lindsey Alley**

**CFO**

23 years with Houlihan Lokey

## Long Tenure Results in Collaborative Culture

### Tenured Management Team

29-year average tenure of Management Team

### High Banker Retention

11-year average tenure of Managing Directors across all business 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, 2018.

<sup>2</sup> For the FY ended March 31, 2018.

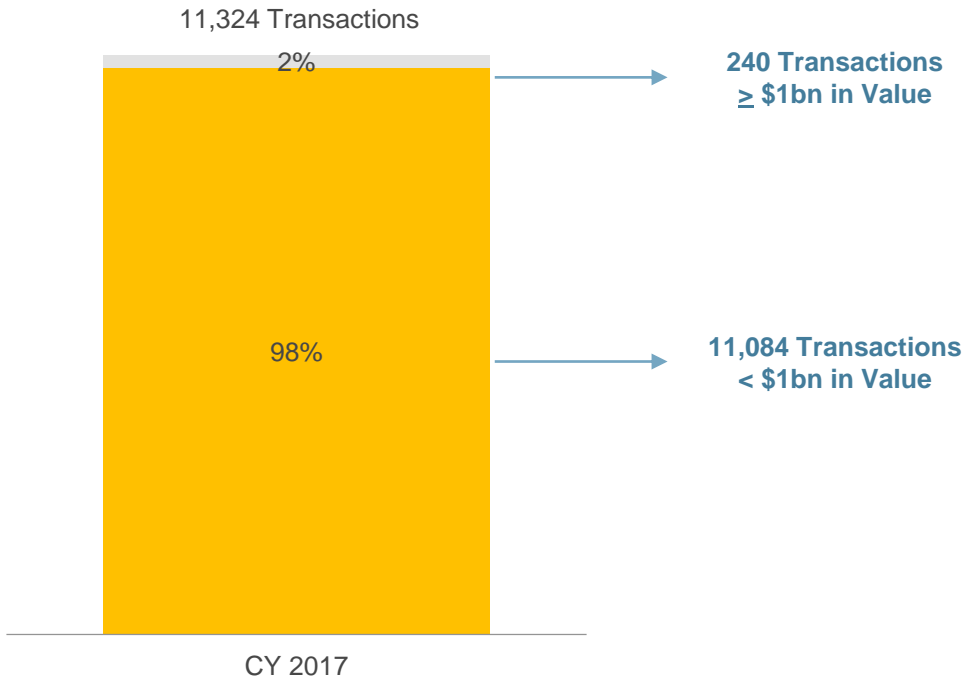
# Overview of Business Segments

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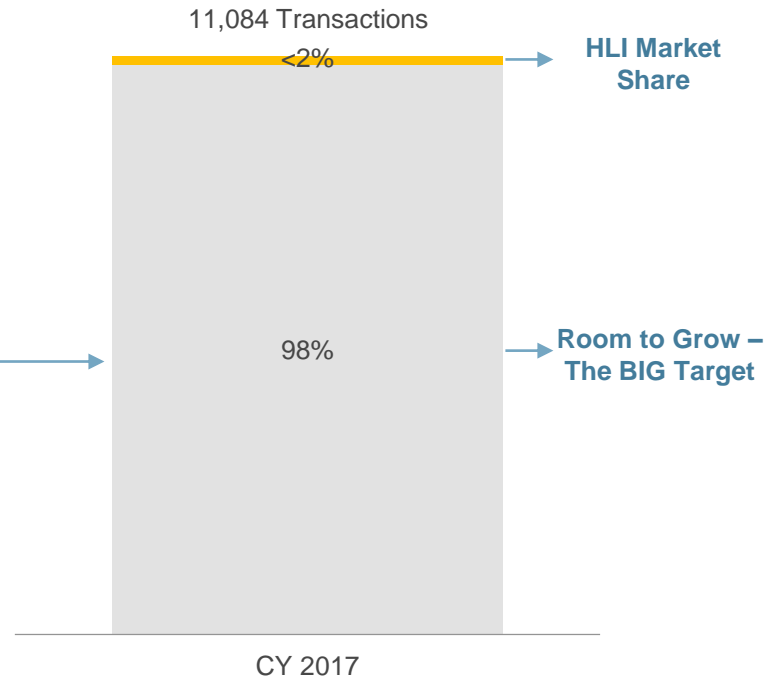
# Corporate Finance Business

- 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

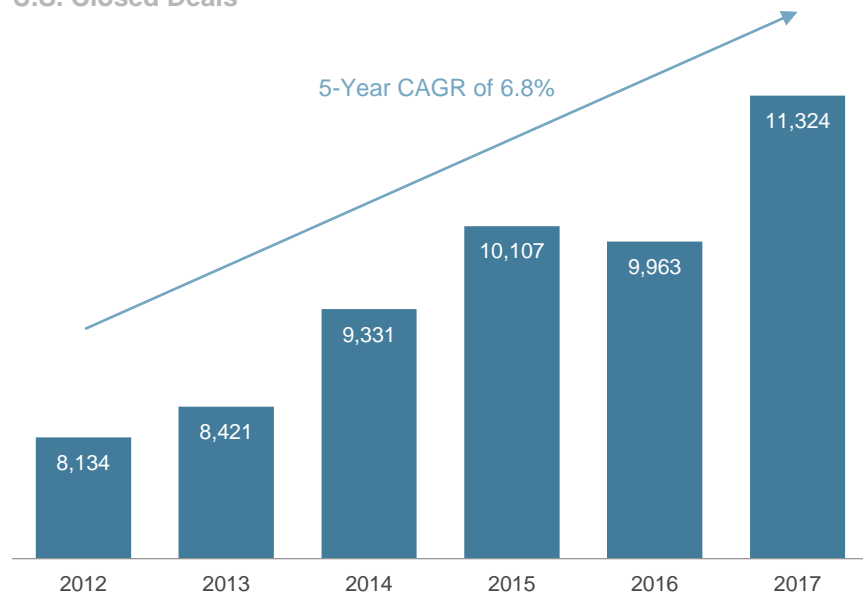


# Corporate Finance Business

- 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 and higher average transaction fees 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

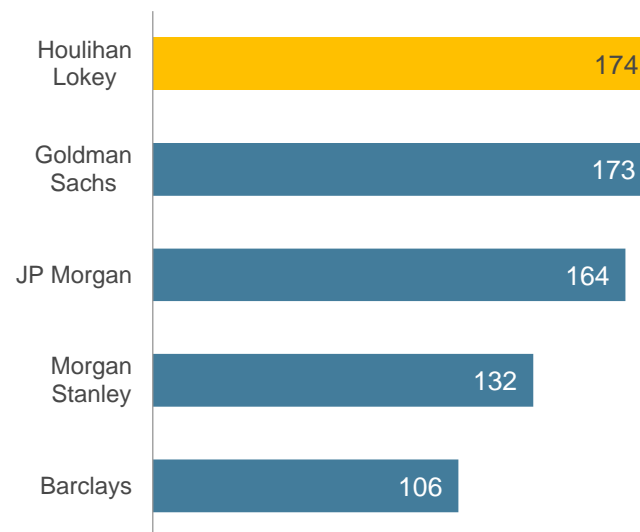
## M&A Volume Continues to Increase

### 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 45 MDs and 197 total finance professionals as of June 30, 2018
- 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

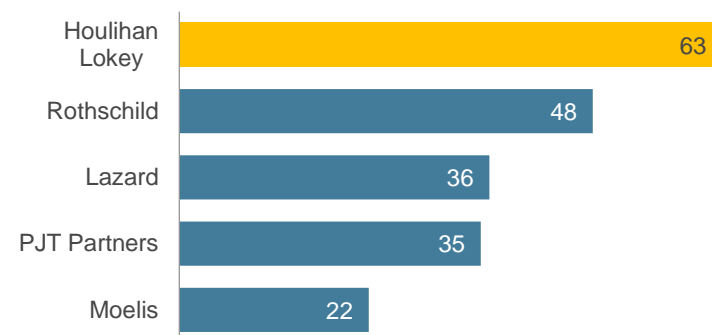
Advisor in 12 of the 15 Largest Bankruptcies 2000-2017

	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

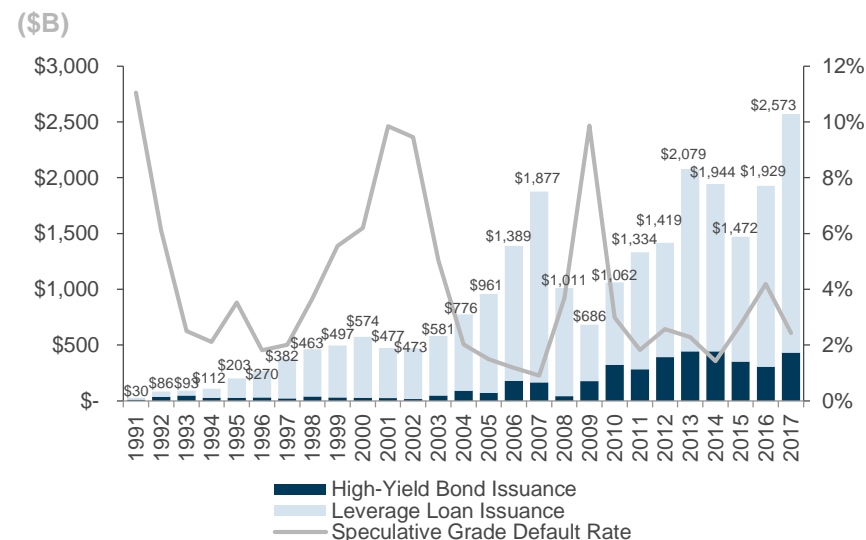
Source: BankruptcyData.com, January 2018.

## 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
- Portfolio Valuations
- Dispute Resolution
- Strategic and Financial Consulting
- IP Valuation and Monetization Advisory

## Diversified Revenues 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



# Broadest Dedicated Private Equity & Hedge Fund Coverage

Our senior officers dedicated to private equity and hedge fund coverage give us unique access to key partners and providers of private capital around the world.

## Private Equity

- 400+ covered private equity firms
- Proactively manage private equity firm's relationship and interaction with all Houlihan Lokey resources
- Provide relevant, high-quality deal flow, access to industry bankers who can impart proprietary ideas and product specialists to offer corporate finance, restructuring, and financial advisory services

## Hedge Funds

- 200+ covered hedge funds
- Provide creative, innovative advice and deliver consistent, high-quality deal flow and actionable ideas designed to help our clients maximize returns
- Provide advice on restructurings and special situations across the entire capital structure; assist hedge funds to value and monetize private and illiquid assets

## Capital Alliances

- Formal alliance agreements in place with six bulge bracket investment banks through their wealth management and middle market lending practices
- Manage inbound referral network of thousands of financial advisors and registered representatives
- Provide value-added, industry specific advice to owners of privately held businesses pursuing liquidity alternatives

# 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
- Continued expansion into Europe and Asia-Pacific
- Building out our Capital Markets and Fund Placement platforms
- Developing complementary products and services

### 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 revenues growth through various market cycles**

- 5-year (FY 2013 to FY 2018) Revenues CAGR of 13%
- Resilient business mix consisting of cyclical and countercyclical elements
- Leader in each of our three business segments, with ample growth opportunities

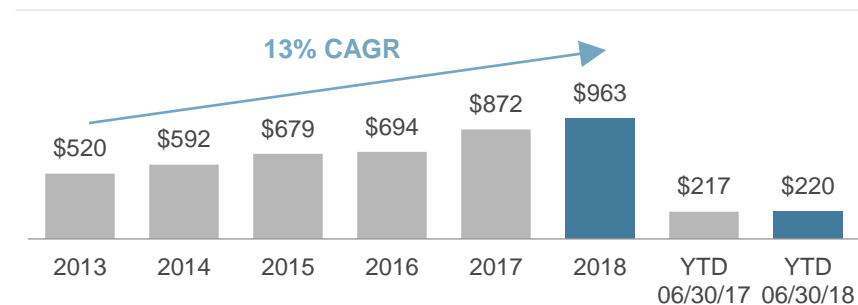
- **Consistent track record of profitability through market cycles**

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

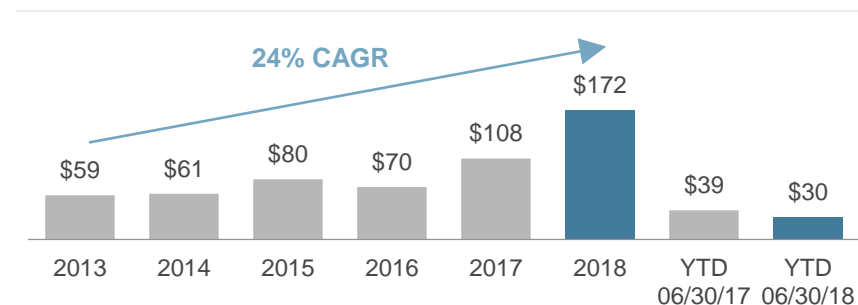
- **Scalable, capital-light model**

- 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

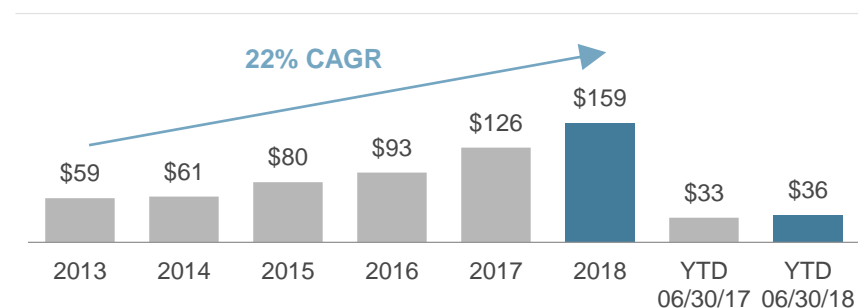
## Revenues



## GAAP Net Income



## Adjusted Net Income<sup>1</sup>

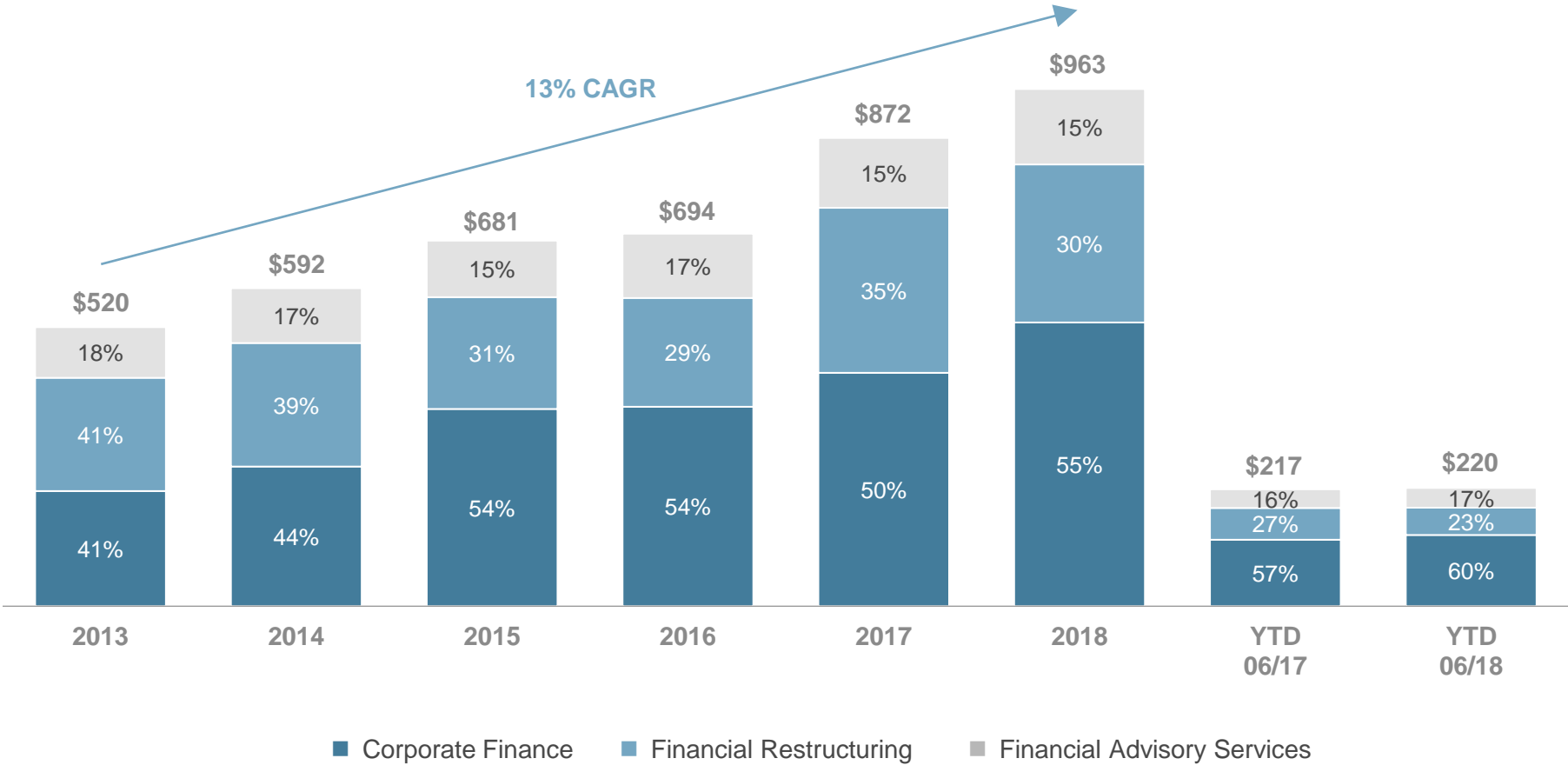


Note: Fiscal year ended March 31. All dollar amounts in millions unless otherwise noted.

1. Adjusted Net Income is a non-GAAP financial measure. See page 22 for a description and reconciliation to the most directly comparable GAAP measure for the YTD periods.

# Business Segment Financials

## Revenues by Business Segment



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

# 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>06/30/18</b>	<b>06/30/17</b>
Revenues	\$220,002	\$217,491
<b>Employee Compensation and Benefits</b>		
Employee Compensation and Benefits (GAAP)	\$139,181	\$145,509
Less/Plus: Adjustments <sup>1</sup>	(6,076)	(6,313)
Employee Compensation and Benefits (Adjusted)	133,105	139,196
<b>Non-Compensation Expenses</b>		
Non-Compensation Expenses (GAAP)	\$40,693	\$25,109
Less/Plus: Adjustments <sup>2</sup>	(3,747)	0
Non-Compensation Expenses (Adjusted)	36,946	25,109
<b>Operating Income</b>		
Operating Income (GAAP)	\$40,128	\$46,873
Less/Plus: Adjustments <sup>3</sup>	9,823	6,313
Operating Income (Adjusted)	49,951	53,186
<b>Other (Income) and Expenses</b>		
Other (Income) and Expenses (GAAP)	(\$1,606)	(\$1,506)
Less/Plus: Adjustments <sup>4</sup>	719	1,386
Other (Income) and Expenses (Adjusted)	(887)	(120)
<b>Provision for Income Taxes</b>		
Provision for Income Taxes (GAAP)	\$12,052	\$9,135
Add: Tax Adjustment <sup>5</sup>	2,629	11,294
Provision for Income Taxes (Adjusted)	14,681	20,429
<b>Net Income</b>		
Net Income (GAAP)	\$29,682	\$39,244
Less/Plus: Adjustments <sup>6</sup>	6,476	(6,367)
Net Income (Adjusted)	36,158	32,877
Diluted adjusted net income per share of common stock	\$0.55	\$0.50

Note: Figures may not sum due to rounding.

1. Consists of pre-IPO grant vesting, including grants re-awarded following forfeiture, if any.
2. Includes costs associated with Houlihan Lokey's secondary offering of stock ((\$498) in Q1 FY19), completed acquisitions ((\$1,929) in Q1 FY19), and acquisition-related amortization ((\$1,321) in Q1 FY19).
3. Includes adjustments from (1) and (2) above.
4. Includes the reduction of an earnout liability (\$719 in Q1 FY19 and \$1,386 in Q1 FY18).
5. Includes adjustments relating to the following: (i) 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 (\$9,406 in Q1 FY18) and (ii) the tax impact, using the adjusted effective tax rate, of the adjustments described in footnotes 1, 2, and 4 (\$2,629 for Q1 FY19 and \$1,888 in Q1 FY18).
6. Consists of the adjustments described above net of the tax impact of described adjustments.

# 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.

CORPORATE FINANCE  
FINANCIAL RESTRUCTURING  
FINANCIAL ADVISORY SERVICES  
STRATEGIC CONSULTING

[HL.com](https://www.hl.com)