

# Investor Presentation

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AUGUST 2016

# 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

2000–2016  
Revenue CAGR<sup>1</sup> of 10%  
Unadjusted<sup>2</sup> Net Income CAGR<sup>1</sup> of 10%  
Adjusted Net Income CAGR<sup>1</sup> of 12%

**1972**

Established

**1,000+**

Clients Served Annually

**24**

Locations Worldwide<sup>3</sup>

**170**

Managing Directors<sup>4</sup>

**806**

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, 2016; locations include five joint venture offices.

<sup>4</sup> As of June 30, 2016; 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>	89	42	34
<b>FY 2016 Revenue / % of Total</b>	\$372 / 54%	\$202 / 29%	\$120 / 17%
<b>Revenue per MD<sup>3</sup></b>	\$4.8	\$4.9	\$3.6
<b>FY 2016 Transactions Closed / Fee Events</b>	162	58	1,179

Note: All dollar amounts in millions unless otherwise noted.

1. Defined as transactions under \$1 billion in value.

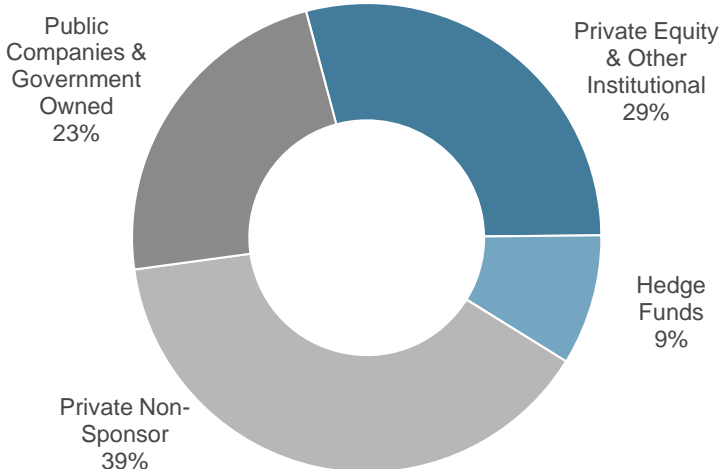
2. As of March 31, 2016. Managing Directors do not include Corporate Managing Directors.

3. Represents average of beginning-of-FY16 and end-of-FY16 MD count.

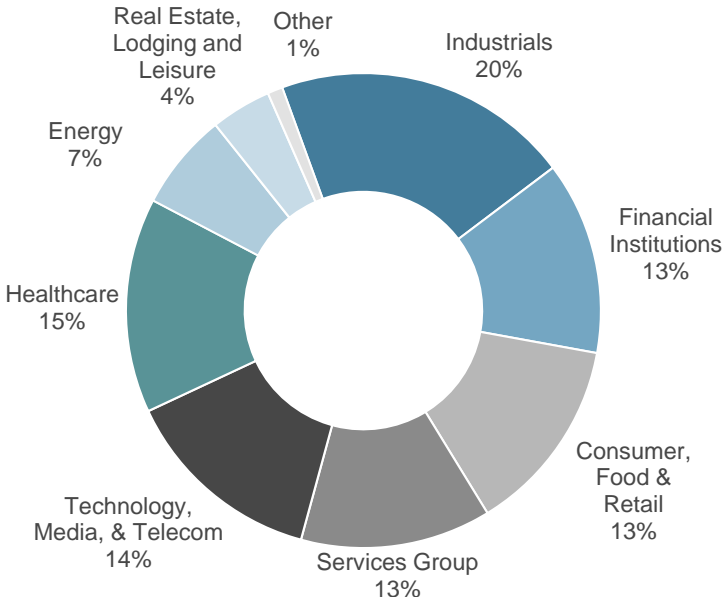
# Diversified Revenue Base

- More than 1,000 clients served annually
- 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

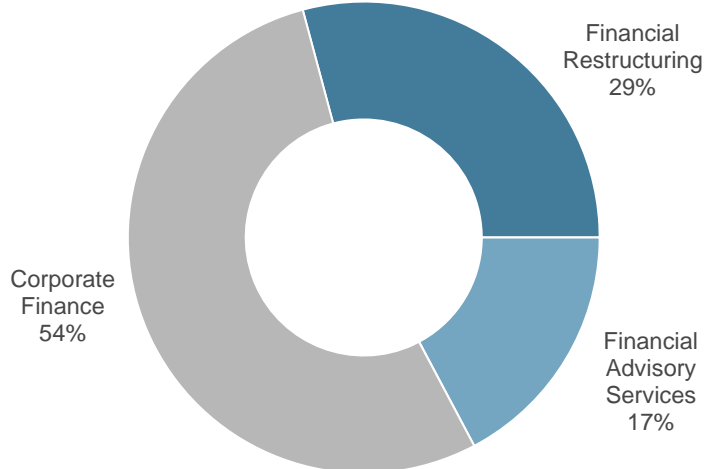
## Balanced Client Mix<sup>1</sup>



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



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

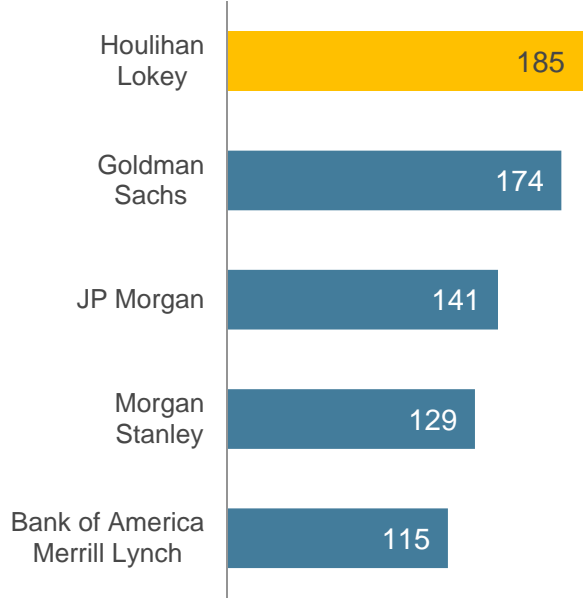


<sup>1</sup> Based on revenues for the FY ended March 31, 2016.

# Market Leader in All Three Business Segments

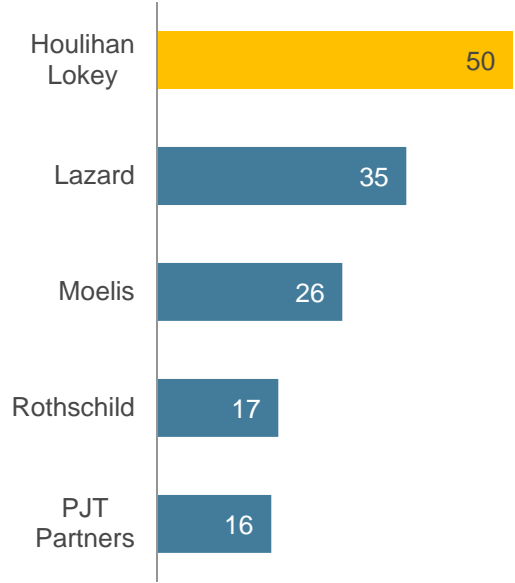
## Top U.S. M&A Advisor

CY 2015 Financial Advisors by Number of U.S. M&A Deals



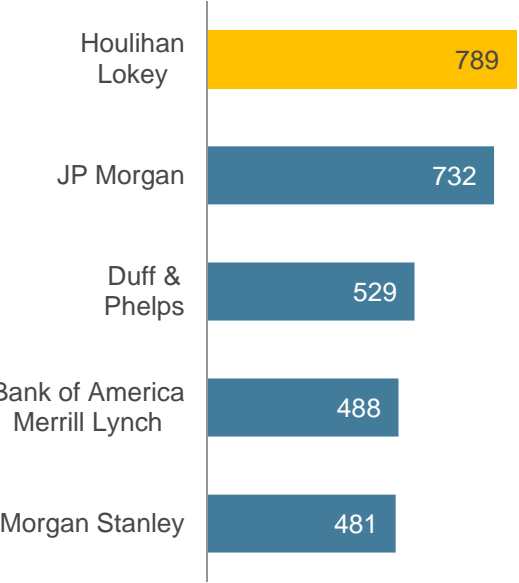
## Top Global Restructuring Advisor

CY 2015 Global Distressed Debt & Bankruptcy Restructuring Deals



## Top Global Fairness Opinion Advisor

U.S. M&A Fairness Advisors: Announced or Completed Deals (CY 2001 to CY 2015)



**#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 11 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



**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

## 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

# Comprehensive Coverage and Global Scale

**1,143** Global Employees<sup>1</sup>

- 405 Corporate Finance
- 200 Financial Restructuring
- 201 Financial Advisory Services
- 337 Corporate & Administrative

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

- 19 Houlihan Lokey Offices
- 5 Joint Venture Offices

## 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

## 2010-Present

<sup>1</sup> As of June 30, 2016.

# Strong Partnership Culture with Experienced Leadership

## Deep and Experienced Management Team



**Scott L. Beiser**

**CEO**

32+ years with Houlihan Lokey



**Irwin N. Gold**

**Executive Chairman**

28+ years with Houlihan Lokey



**Scott J. Adelson**

**Co-President**

29+ years with Houlihan Lokey



**David A. Preiser**

**Co-President**

25+ years with Houlihan Lokey



**J. Lindsey Alley**

**CFO**

21+ years with Houlihan Lokey

## Long Tenure Results in Collaborative Culture

### Tenured Management Team

27-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, 2016.

<sup>2</sup> For the FY ended March 31, 2016.

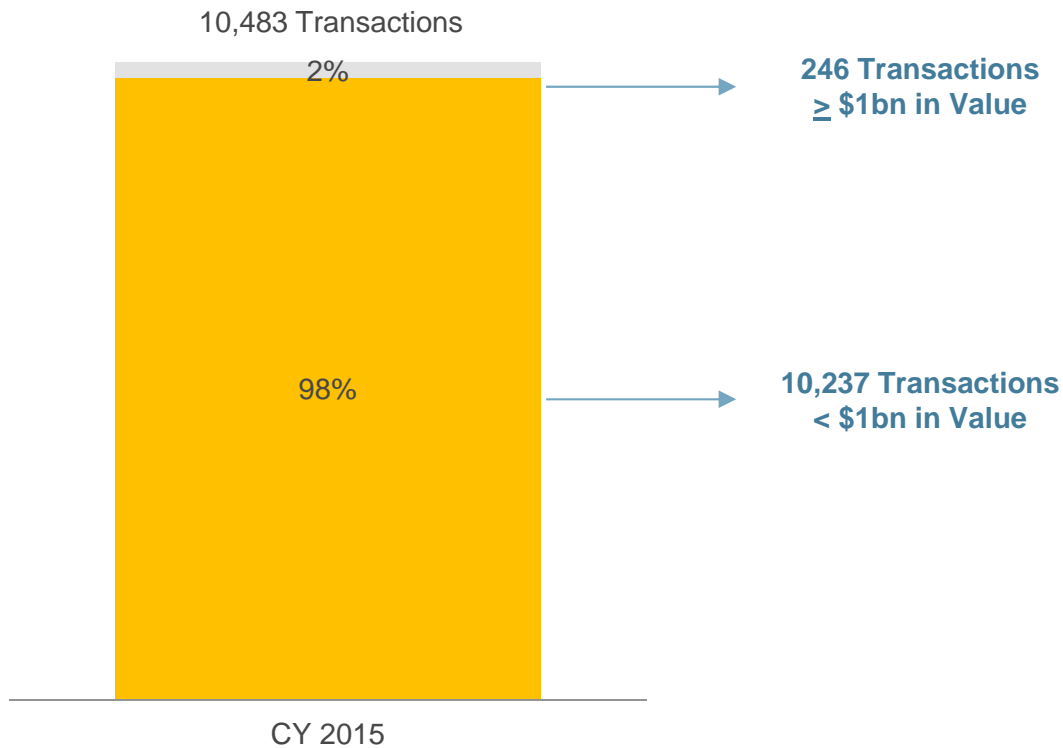
# Overview of Product Lines

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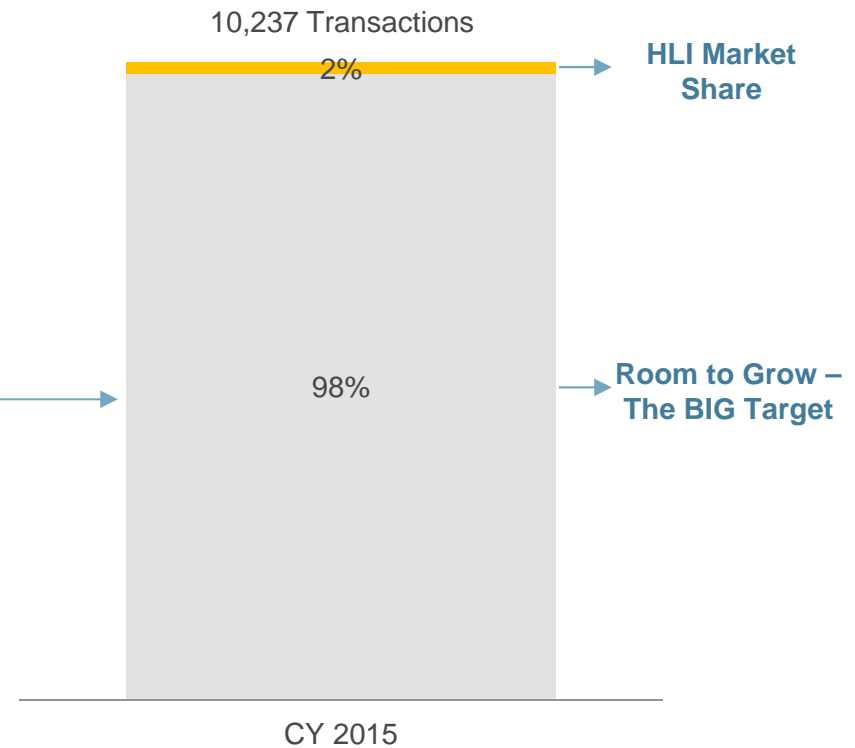
# Corporate Finance Business

- Corporate Finance is a leader in the U.S. mid-cap space, which represented approximately 98% of M&A volume in CY 2015
- 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 2015
- 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 2015



## Mid-Cap Transactions

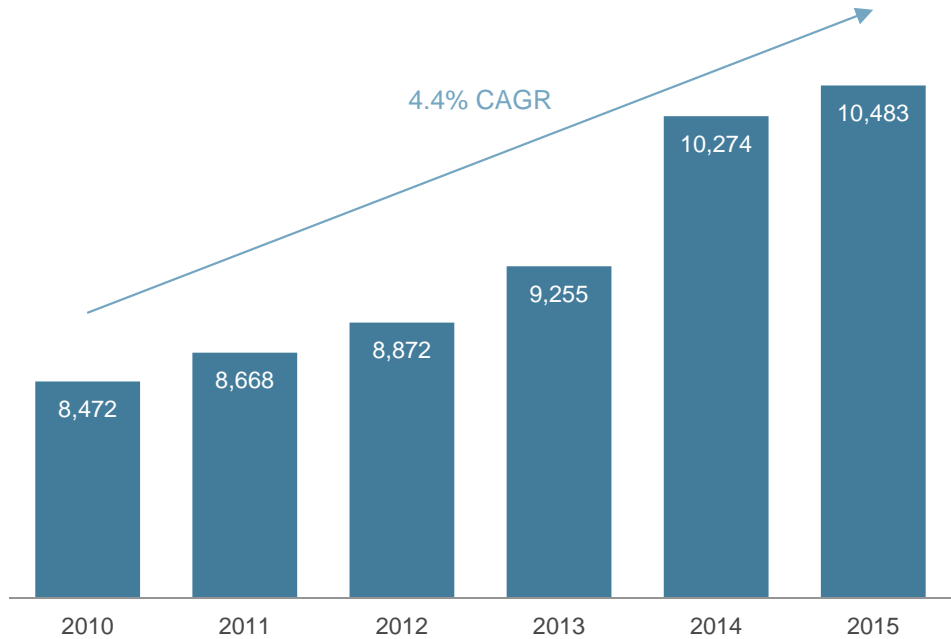


# Corporate Finance Business

- Announced U.S. M&A volume has a 5-year CAGR of 4.4%
- U.S. M&A revenues in our corporate finance business have a 5-year 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

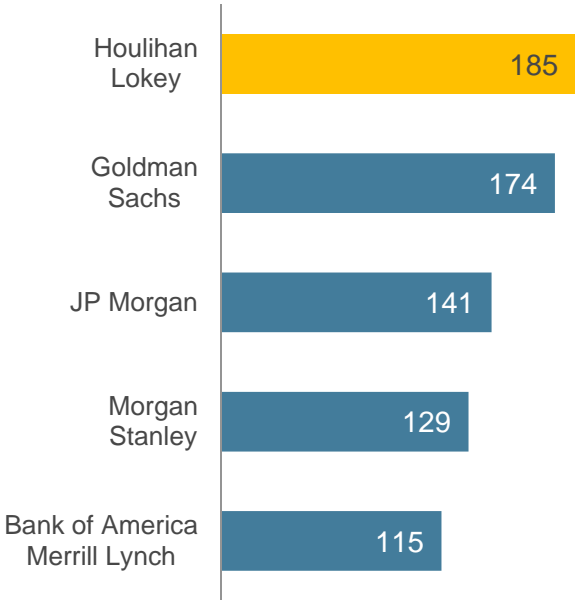
## M&A Volume Continues to Increase

U.S. Announced Deals



## Top 2015 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 45 MDs and 200 total finance professionals as of June 30, 2016
- 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

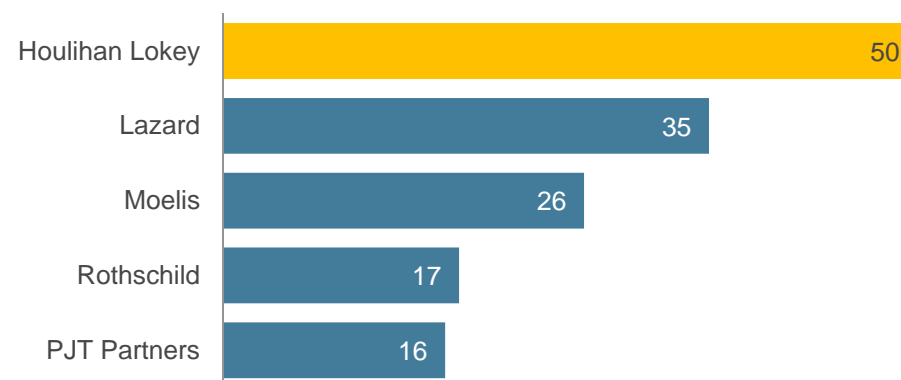
Advisor in 12 of the 15 Largest Bankruptcies 2000-2015

	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 2016.

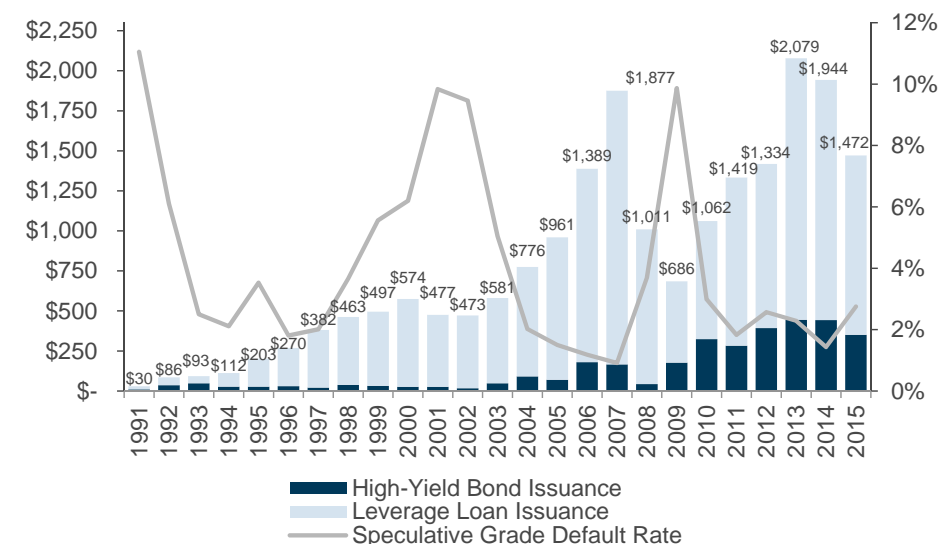
## Top Global Restructuring Advisor

2015 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

## Diversified Revenue Stream

- More than 1,000 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

- Revenue CAGR of 10% from FY 2000 to FY 2016 and 10% from FY 2013 to FY 2016
- Resilient business mix consisting of cyclical and countercyclical elements
- Leader in each of our three segments, with ample growth opportunities

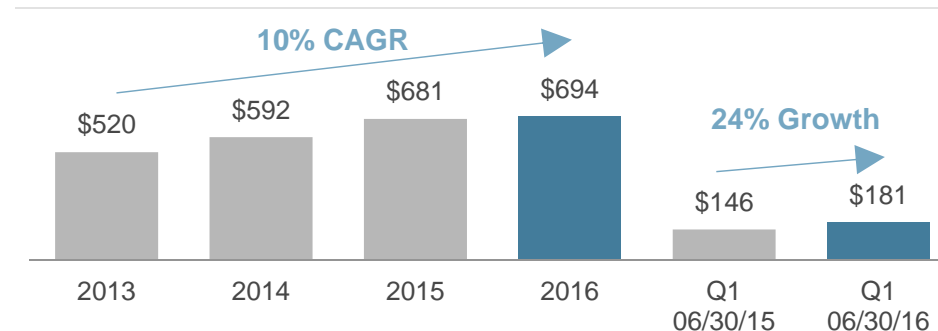
## ■ Consistent track record of profitability through market cycles

- Maintained double-digit margins through the recession
- Each business segment is profitable
- As a result of higher revenues and corresponding economies of scale, we have improved our adjusted non-compensation expense ratio, from 14% in FY 2013 to 13% in FY 2016

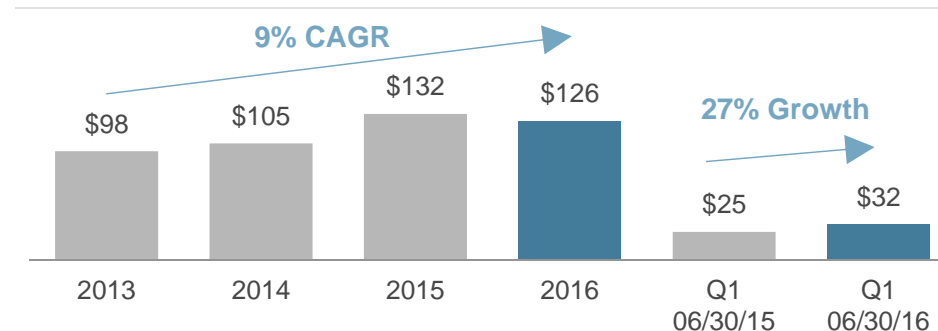
## ■ Scalable, capital-light model

- 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

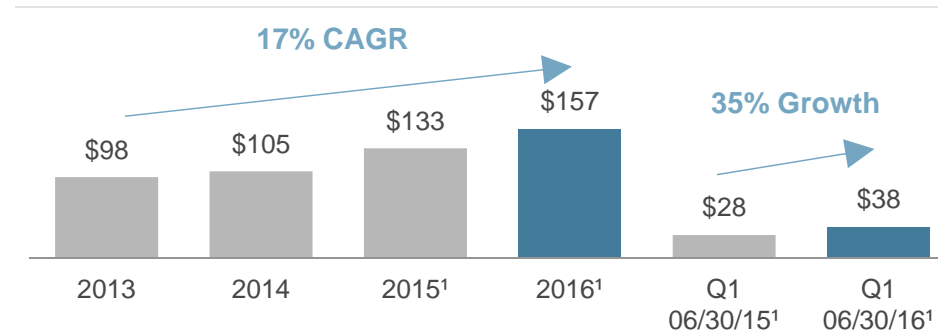
## Revenue



## GAAP Pre-Tax Income



## Adjusted Pre-Tax Income

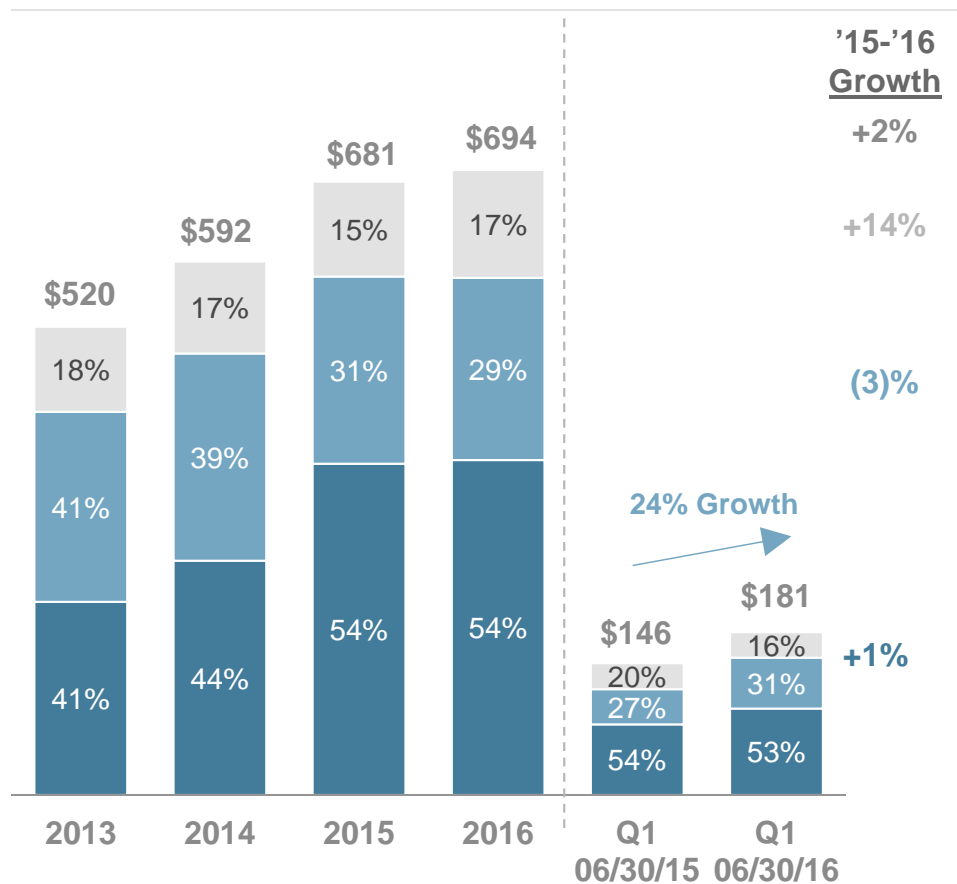


Note: Fiscal year ended March 31. All dollar amounts in millions unless otherwise noted.

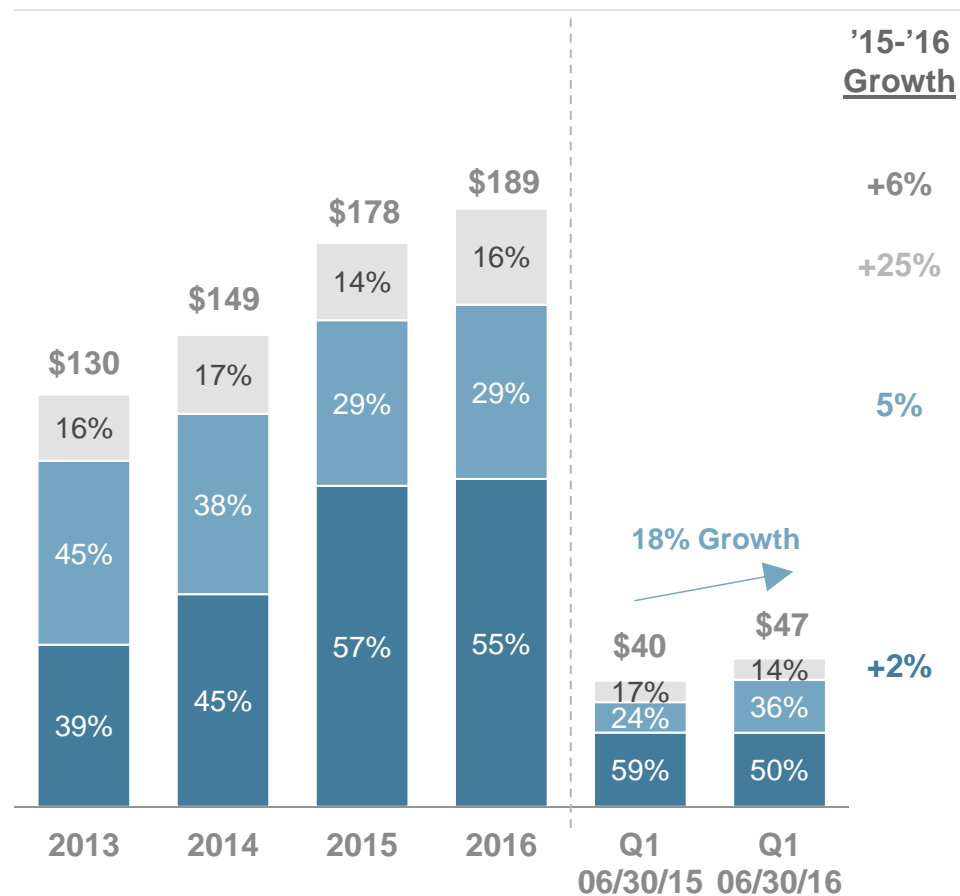
1. Adjustments include IPO-Related Costs, Acquisition-Related Costs, Pre-IPO Stock Grant Vesting, and Adjustments Relating to Previous Ownership Agreements.

# 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)

	For the Three-Months Ended	
	06/30/16	06/30/15
	Actual	Actual
Fee revenue	\$180,774	\$146,266
<b>Employee Compensation and Benefits</b>		
Employee Compensation and Benefits (GAAP)	\$121,804	\$93,689
Less/Plus: Adjustments <sup>1</sup>	(6,530)	3,398
Employee Compensation and Benefits (Adjusted)	115,274	97,087
Less/Plus: Adjustments <sup>2</sup>	3,134	2,671
Employee Compensation and Benefits (Adjusted Awarded)	118,408	99,758
<b>Non-Compensation Expenses</b>		
Non-Compensation Expenses (GAAP)	\$26,109	\$28,797
Less/Plus: Adjustments <sup>3</sup>	0	(6,883)
Non-Compensation Expenses (Adjusted)	26,109	21,914
<b>Operating Income</b>		
Operating Income (GAAP)	\$32,861	\$23,780
Less/Plus: Adjustments <sup>4</sup>	6,530	3,485
Operating Income (Adjusted)	39,391	27,265
<b>Other Income and (Expenses)</b>		
Other Income and (Expenses) (GAAP)	(\$908)	\$1,321
Less/Plus: Adjustments <sup>5</sup>	0	(179)
Other Income and (Expenses) (Adjusted)	(908)	1,142
<b>Provision for Income Taxes</b>		
Provision for Income Taxes (GAAP)	\$12,542	\$10,030
Less/Plus: Adjustments <sup>6</sup>	2,563	1,616
Provision for Income Taxes (Adjusted)	15,104	11,646
<b>Net Income</b>		
Net Income (GAAP)	\$19,411	\$15,045
Less/Plus: Adjustments <sup>7</sup>	3,967	1,715
Net Income (Adjusted)	23,378	16,760
Diluted adjusted net income per share of common stock	\$0.35	\$0.28

Note: Figures may not sum due to rounding.

1. Consists of pre-IPO grant vesting of (\$6,530), including grants re-awarded following forfeiture, if any; and adjustments relating to previous ownership agreements of \$3,398.
2. Reflects (i) the expected vesting of grants that were made in prior year periods that were expensed during Q1 FY17 and Q1 FY16 of (\$6,281) and (\$5,629), respectively, and (ii) estimated normal year-end grants of deferred stock during Q1 FY17 and Q1 FY16 of \$9,415 and \$8,300, respectively.
3. Includes costs associated with (i) Houlihan Lokey's initial public offering, corporate reorganization, spin-out of non-operating assets, shareholder solicitation process and other related activities of (\$6,015), (ii) costs incurred from completed acquisitions of (\$132), and (iii) adjustments relating to previous ownership agreements of (\$736).
4. Q1 FY17 consists of pre-IPO grant vesting of \$6,530, including grants re-awarded following forfeiture, if any. Q1 FY16 includes costs associated with (i) Houlihan Lokey's initial public offering, corporate reorganization, spin-out of non-operating assets, shareholder solicitation process and other related activities of \$6,015, (ii) costs incurred from completed acquisitions of \$132, and (iii) adjustments relating to previous ownership agreements of (\$2,662).
5. Includes adjustments relating to previous ownership agreements of (\$179).
6. Reflects the tax impact of described adjustments.
7. Q1 FY17 consists of pre-IPO grant vesting of \$6,530, including grants re-awarded following forfeiture, if any, net of the tax impact of described adjustments. Q1 FY16 includes costs associated with (i) Houlihan Lokey's initial public offering, corporate reorganization, spin-out of non-operating assets, shareholder solicitation process and other related activities of \$6,015, (ii) costs incurred from completed acquisitions of \$132, (iii) adjustments relating to previous ownership agreements of (\$2,841), (iv) the tax impact of described adjustments, and (v) net income/loss attributable to noncontrolling interests of \$26.

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