THE OWL FUND | HOULIHAN LOKEY

Initiation of Coverage
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Houlihan Lokey Inc.

Exchange: NYSE | Ticker: HLI | Target Price: $51.17

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INVESTMENT THESIS

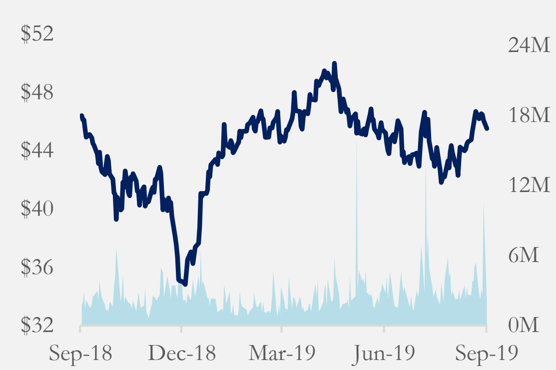
- The financial sector has seen a strong bifurcation between companies that thrive in a low interest rate environment, and those which do not. Between the fears of an economic slowdown and lower interest rates, investors have been driven away from the financial sector as a whole. We believe that HLI's business model was built to thrive in such an environment.
- HLI currently trades at 14.5x NTM P/E, representing a 15% discount to its 3-year average P/E of 17.0x. Like HLI, many of the boutique investment banks' multiples have compressed following the market volatility and fears of an M&A slowdown. Despite market volatility, middle-market (MM) C-suite confidence has remained high. According to a survey from Grant Thornton and the University of Ohio published in August of 2019, 27% of MM companies expect to make an acquisition in the NTM, which is up from 22% during the same period last year. Although M&A has remained strong, HLI's traditionally countercyclical restructuring (RX) business has done tremendously well over the past year. HLI has the largest RX business in the world, both in terms of deal flow and revenue.
- We believe that between HLIs countercyclical RX business, its exposure to the steady MM M&A space, and the company's independence from interest rates, HLI is an ideal holding in our current macroeconomic environment. Based on HLI's upside potential, we feel that the stock is undervalued at its current levels. Our group is recommending a BUY on HLI with a target price of $51.17/share, representing a ~13% return from its current price.

COMPANY OVERVIEW

Houlihan Lokey, Inc (NYSE: HLI) is a global premier investment bank and financial advisory services firm that operates primarily within the U.S. and is headquartered in CA. Although a majority of HLI's work is in the M&A advisory market, it is also the #1 RX bank in the world based on FY'18 volume and quantity of deals. Being an advisory business, HLI's most significant asset is its staff, specifically its MDs. Aside from HLI's M&A and RX advisory businesses, it offers a variety of capital structure advisory services, and valuation services; it reports its revenue under the following three segments Corporate Finance, Financial Restructuring, and Financial Advisory Services.

Key Statistics (US$ in M, except per share data)			
Price	$45.45	**52-Week Low**	$46.02
Exp. Return	~13%	**52-Week High**	$50.00
Shares O/S	65.6	**Div. Yield**	2.73%
Market Cap	$3,006	**Ent. Value**	$2,976

One-Year Price Graph



Earnings (Adj.) / Revenue Surprise History

Quarters	EPS	Revenue	Δ Price
1Q'19	20.50%	9.40%	5.50%
4Q'18	24.64%	7.85%	4.04%
3Q'18	9.53%	10.85%	3.15%
2Q'18	8.36%	10.17%	0.82%

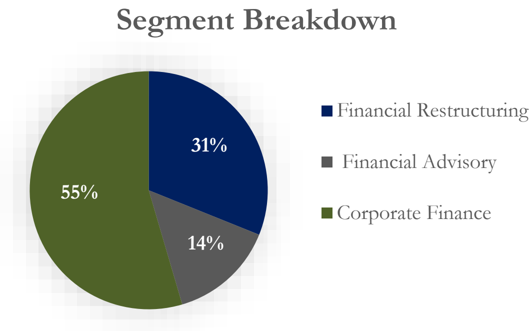
Earnings Projections (Adj.)

	Q1	Q2	Q3	Q4	FY
2017A	$0.65	$0.56	$0.71	$0.54	$2.46
2018A	0.51	0.65	0.65	0.78	2.59
2019E	0.65	0.70	0.83	0.69	2.87
2020E	0.76	0.91	0.93	0.73	3.33

Source: Bloomberg, FactSet, Thomson Reuters

SEGMENT OVERVIEW

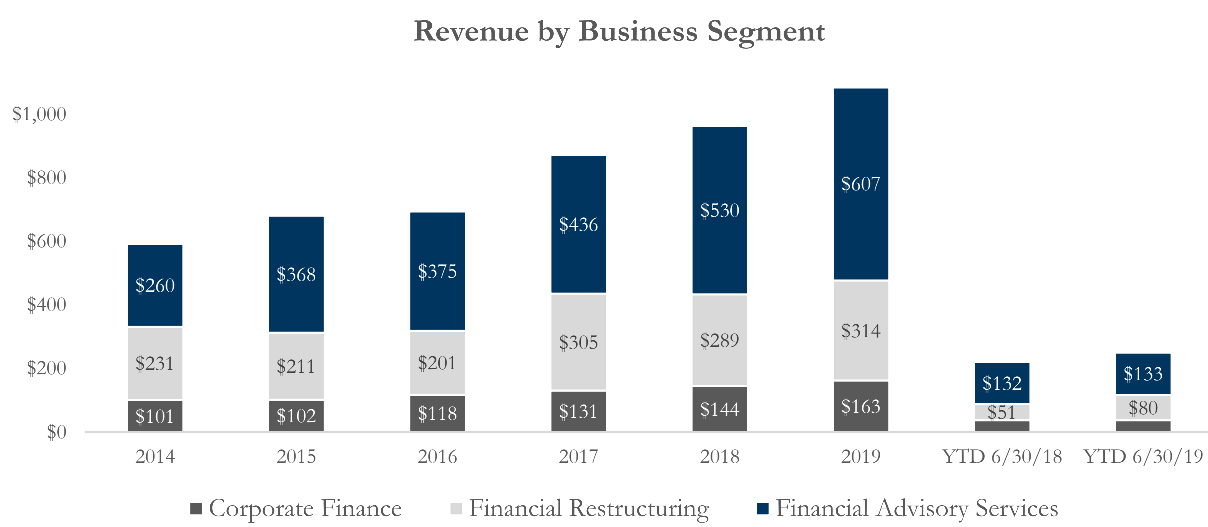
Corporate Finance (55% of 1Q'19 Revenue):



Corporate Advisory is HLI's largest business segment and is divided into two significant categories: Mergers & Acquisitions and Capital Markets Advisory. With 115 Managing Directors (MDs) and coverage groups for every major industry, as well as groups designated to financial sponsors and certain geographies, HLI has the capability to serve clients in any business vertical around the globe. Despite its already-expansive collection of areas of expertise, HLI continues to expand and refine its capabilities in specific industries and geographies through internal development, external hires, and acquisitions. HLI's corporate advisory business is in competition with other boutique investment banks as well as global independent investment banks and bulge-bracket firms. A majority of its engagements are with MM companies, which is an industry often overlooked by bulge-bracket banks.

- *The M&A advisory business* focuses on sell- and buy-side engagements, divestitures, joint ventures, asset sales, and other related advisory services. HLI's M&A business has historically been focused on MM firms, demonstrated through its consistent track record of selling more sub-$1B companies than any of its competitors. Client-type is non-discriminatory, as HLI serves public and private company executives, special committees, and financial sponsors. HLI's combination of industry-specific expertise, +20 years of experience, and developed relationships with firms across the globe supports its value proposition that other firms struggle to match.

- *The capital markets advisory business* offers its clients assistance in raising capital through a number of traditional routes and non-traditional direct capital providers; HLI does not underwrite any of the debt or equity that it structures for clients. Examples of non-traditional providers include credit funds, commercial finance companies, insurance companies, pension funds, mutual funds, and structured equity providers, as well as others. HLI offers value to its clients through a dual-offering: access to a universe of direct capital providers that spans private and public markets through its long-term relationships with those providers, and the advisory expertise to combine multiple types of capital into the ideal capital structure.



Financial Restructuring (31% of 1Q'19 Revenue):

HLI's RX business may be smaller than its corporate finance segment, but it is larger than any other banks' restructuring business by a landslide.

- In FY'18, HLI was the number one RX bank by transaction value and quantity of deals, leading its closest competitor by +40% in quantity. Its dominance in the RX business during FY'18 was no anomaly; ***HLI was an advisor in 12 of the 15 largest bankruptcies from 2000-2018*** (Deals highlighted on the right).
- HLI advises companies in both in- and out-of-court negotiations and in formal bankruptcy proceedings as they undergo financial restructuring and creditor constituencies. HLI leverages the international experience and in-depth industry expertise of its 45 MDs to offer top-tier advisory capabilities for the most complex situations.
- Its industry-leading knowledge and creativity in RX situations stem from the firm's experience across all seven continents and with companies of any and all capital structures, including extremely leveraged ones like Lehman Brothers (NYSE: LEH).

Largest U.S. Bankruptcies (2000-2018)

Company	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**

Corporate Advisory (14% of 1Q'19 Revenue):

Operating with 32 Managing Directors, HLI's smallest segment focuses on valuation and fairness opinions in the U.S. In line with its reputation in other business segments, HLI is considered a thought-leader in the valuation industry, with its professionals producing and publishing meaningful studies. Its team of professionals build valuations for public and private companies, security interests, intellectual property, and other intangibles that are referenced in M&A activity, court hearings, and internal revaluations.

INDUSTRY OVERVIEW

Not 2018 or 2008, Somewhere in Between:

The MM business environment is a tale of two stories: On the one hand it is experiencing growing sales and employment, increasing M&A activity, increasing plans to expand into new markets, and elevating confidence in the local and national markets. On the other hand, June 2019 data shows that C-Suite executives have turned more pessimistic, as some have become more conservative with cash due to decreasing confidence in the global markets and decelerating growth. This has created a disparity between the strong MM business fundamentals and a weakening outlook from MM C-suite executives.

As many MM executives fear "decelerating growth" it is important to remember that the market is coming off of some of its strongest years in history. 2017 and 2018 were arguably some of the best years to be in business, with unemployment levels depressed and PMI and GDP growth the strongest the market has seen in years. As 2019 begins to revert to the historical mean, both investors and C-Suite executives are getting spooked. That being said, deceleration is not indicative of a collapse, it is just a return to "normal." Data from June 2019 shows that 68% of MM companies still expect sales growth of 5.4%, albeit down from 5.9% this time last year. Almost 40% of MM companies expect to see +10% growth over the NTM.

Over the past several years, MM M&A activity has been driving extraordinary growth in the industry, which will in turn drive more demand for M&A. Over the past 9 years, companies that engaged in M&A activity have, on average, seen 80 bps more growth than companies that did not partake in M&A activity. In the upper-MM, M&A activity was responsible for 130 bps of extra growth. As the market moves into the late innings of the market cycle, many companies are struggling to find the organic growth that they became used to in 2017-2018, which will continue to push many companies towards the M&A market.

Revenue Growth

Middle Market

	Past 12 Mo.	Next 12 Mo.
2Q'19	8.5%	5.4%
1Q'19	8.7%	5.4%
2Q'18	7.4%	5.9%

S&P 500

	Past 12 Mo.
2Q'19	2.2%
1Q'19	3.3%
2Q'18	8.3%

Even as C-Suites executives answer surveys with dim confidence in global growth, according to the National Center for The Middle Market's (NCMM) the percent of MM companies planning on increasing capex and M&A activity in 2020 is up to 27%, from 23% last year.

Restructure Your Thoughts on RX

That's right, the RX market is not only relevant in a high default rate environment. As industry disruption, price competition, and changing consumer preferences thrive in the marketplace, some companies do not. Industry disruption has largely affected the retail sector. Many retailers including Payless Shoes, Toy's R Us, Sears, Charlotte Russe, and Diesel have all declared bankruptcy in 2019 due to increased competition from Amazon and other online retailers. In the Oil & Gas space, the low oil prices over the past several years have driven many companies to file for chapter 11 bankruptcy. Although 2019 has seen higher oil prices, according to the Houston Chronicle, the aggregate debt of Oil & Gas bankruptcies through August 2019 has totaled over $20B YTD, surpassing the CY'18 total of $17B. Beyond these two sectors, markets have seen companies such as PG&E, Purdue Pharma, and, more recently, European airlines file for bankruptcy due to one-time events and extraordinary situations.

While default rates have remained low, that may not be the case in the near future. In a business environment where there is a significant amount of capital (sky-high corporate profits and a record-amount of dry powder in PE) chasing too few deals, valuations continue to be pushed past pre-crash levels. High valuations are not intrinsically bad, however they do pose a serious problem in the event of a slowdown. Companies that stretch themselves too thin to make an acquisition, faced with high interest payments post-transaction, have less cushion to weather a slowdown in business before the decrease in cash flows forces a default on their interest payments.

Recent Bankruptcies

sears — Advisor: Houlihan Lokey & Lazard	Toys R Us — Take Private: KKR
charlotte russe — Advisor: Guggenheim	Payless ShoeSource — Advisor: PJ Solomon
DIESEL — Advisor: Greenhill & Co.	PG&E — Advisor: Lazard

UNDERVALUATION

- HLI currently trades at 14.5x NTM P/E, representing a 15% discount to its 3-year average P/E of 17.0x. HLI's undervaluation story begins in May of 2019 after reporting 4Q'18 earnings. It reported a top- and bottom-line beat ($0.86 & $291M reported vs $0.69 & $266.3M expected). Despite having a great quarter, fear of a macroeconomic slowdown, global market uncertainty, and the trade war caused the stock to fall ~15% heading into June. HLI remains ~8% below its May highs.

- Despite strong numbers in both 4Q'18 and 1Q'19, investors have continued to focus on the potential economic slowdown and have overlooked HLI's ability to thrive in the current market environment, as well as the forever-dreaded slowdown. HLI has minimal sensitivity to interest rates, the top RX group in the world, and one of the best positioned MM M&A businesses in the space. HLI is poised to continue to deliver solid results as its business was built to thrive in the current macroeconomic environment, regardless of what the next 12-18 months hold in store for the economy.

- Our group feels that, at its current level, HLI is undervalued and that the market will begin to reward the company with a premium multiple moving forward. HLI already trades at a premium to its peers, a valuation we believe is justified given that it is best positioned for a transition through the M&A cycle and into the RX cycle. Moving forward, HLI's best in class RX and MM M&A will translate into less volatile earnings compared to its comps and will act as a safe-haven for investors given the counter cyclical nature of its business. We feel that the market is currently overlooking HLI's prime position to thrive in this uncertain environment. Driven by our catalysts, we are confident that HLI will reach our target NTM P/E multiple of 17.0x and a fair value of $51.17/share, representing a ~13% return from its current price.

CATALYSTS & DRIVERS

Middle-Market - Slow and Steady

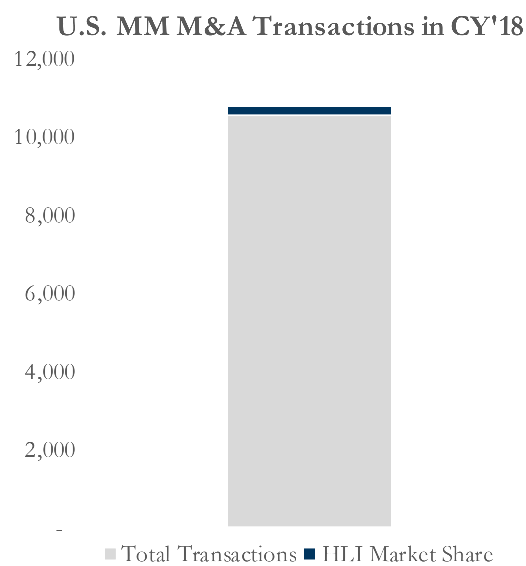
- We believe HLI's business model is built to thrive in the current market environment given its strong position in the steady MM M&A space, as well as its counter-cyclical best-in-class RX business.

- As global markets have come to terms with central banks lowering rates to zero and a geopolitical trade war, the financial sector has seen a strong bifurcation between companies that thrive in low-interest-rate environments and those which do not. ***HLI is fundamentally different than many companies in the financial sector, given that it has virtually zero direct sensitivity to changes in interest rates***. HLI is the leader in MM M&A, and its business model of high volume M&A transactions creates stability during uncertain markets.

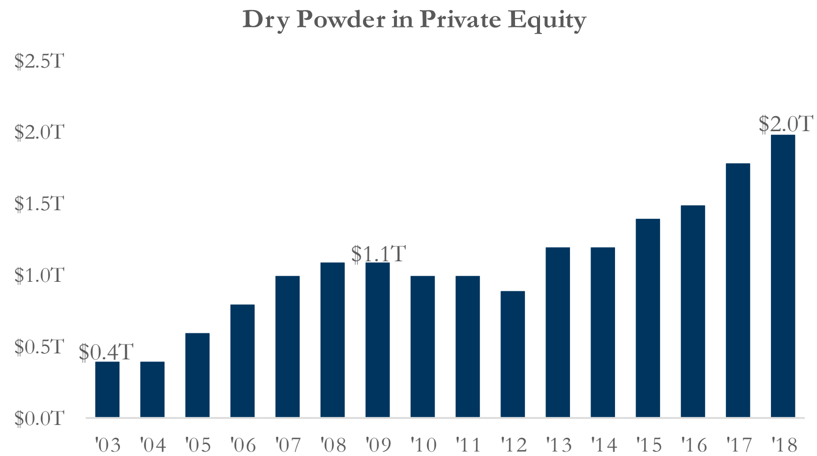
- Currently, there are ~200k MM companies in the U.S. that generate a combined $10T in revenue each year. MM M&A is substantially less volatile than the large-cap M&A markets. Leo Greenberg, an M&A lawyer at Kirkland & Ellis, stated "Whenever you see volatile markets and uncertainty, debt financing sources start to dry up, and it's always large-cap deals that go away first. The middle market is less volatile." ***This was evident following the 2008 financial crisis, in which the number of deals greater than $1B fell 27% from 2008-2009, while the number of deals below $1B fell only 8% during the same period.***

Year Announced	Greater than $1B Value $B	Deals #	Under $1B Value $B	Deals #
2006	$1,161	240	$380	3,540
2007	$1,160	291	$407	3,296
2008	$741	133	$289	3,478
2009	$615	97	$187	3,206
2010	$572	159	$324	5,018

- The MM M&A space is extremely fragmented. From a volume perspective, HLI is the largest player in the space and was only responsible for 2% of total CY'18 transactions. Despite all of the uncertainty in markets, the 2020 MM M&A market continues to look promising. The National Center for The Middle Market's (NCMM) Market Outlook published in August of 2019 showed that 27% of MM companies expect to make an acquisition in the NTM. This is up from 22% during the same period last year. NCMM's data showed that C-Suite executives are more bullish than last year when asked about plans to expand into new markets, add a new plant or facility, or introduce a new product or service. MM executives' resilient confidence remains a tailwind that bodes well for HLI's Corporate Finance segment.



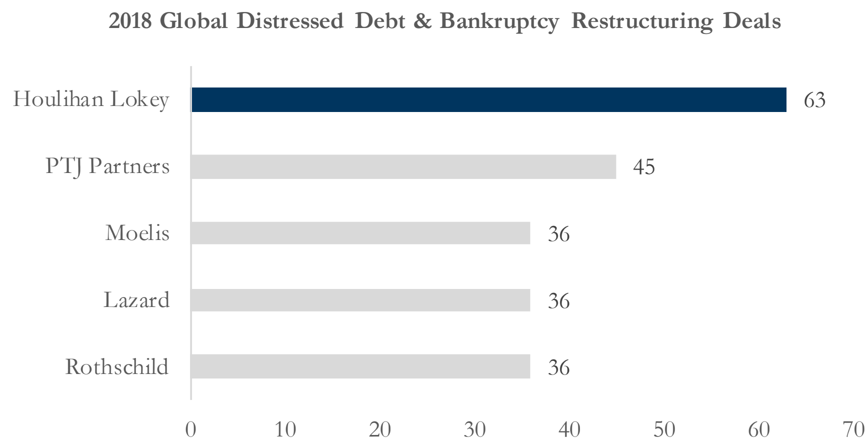
- The proliferation of private equity (PE) will also help drive stability in MM M&A. Nearly 75% of PE funds target MM companies as their main area of focus. According to Bain & Company's 2019 Global Private Equity Report, PE firms were sitting on a record high $2T in "Dry Powder" or uncalled capital, as of December 2018. All of this cash chasing too few deals has led to an expansion in EBITDA multiples. Bain reported that in 2018, the average multiple of U.S. leveraged buy-outs was 10.9x EV/EBITDA, which is much higher than the 2007 pre-recession high of 9.9x. If the market were to slow, multiples would contract, representing an opportunity for these PE funds to utilize their dry power on deals at more attractive prices. Furthermore, the company's relationships with PE firms will continue to bear fruit years after a completed sale. PE firms that purchased companies from HLI in the past have begun to use HLI when they are exiting their position. This has resulted in higher transaction fees as the companies are generally larger when being resold. This is evident in HLI's 1Q'19 results where the company grew revenue in its Corporate Finance segment by 1% YoY, despite doing 8 fewer deals during the quarter. The involvement of PE in MM M&A was not nearly as prolific in 2008, and is a factor which we believe will add stability to the market. The rise of PE has created a sustainable customer base for HLI that is always looking to do deals.



- We believe that HLI is positioned to thrive over the next several years as its business model should deliver less volatile results than its peers in the M&A space. The MM M&A market remains up for grabs as no single player controls more than 2% of the market. To grow its share in the MM M&A space, especially in the European market, HLI has engaged in several bolt-on acquisitions over the past years. In 2015 HLI acquired a minority stake in Leonardo & Co., an Italian investment bank. In 1Q'19 it acquired the remaining equity stake and will be consolidating next quarter. Management indicated that it is continuing to look at potential targets for bolt-ons, accelerating HLIs growth through consolidation. The company's MD headcount growth remains strong with 2 MDs hired and 12 promoted during 1Q'19, which is substantially higher than the historical average of 1 MD hired per-month. HLI continues to grow its global footprint, hire additional MDs, and reap the benefits of its relationships with PE firms. The MM space is meaningfully less volatile than the large-cap space, which, when combined with HLI's opportunities to increase its relatively low market share, will result in less revenue downside in a weaker M&A market. This, paired with our stable outlook for MM M&A, gives us confidence that HLI has positioned its business to continue to thrive throughout the next several years regardless of the macroeconomic environment.

Merchant of Death:

- HLI is the top global RX advisor in the world. From 2000 to 2018, HLI was the advisor in 12 of the 15 largest bankruptcies in the world, including Lehman Brothers, WorldCom Inc., and Enron. HLI has the deepest RX group in the world, with 45 MDs and 216 total finance professionals. RX serves as a countercyclical hedge across macroeconomic cycles, with increasing levels of RX opportunities often occurring during periods when demand for M&A and capital markets advisory services has fallen. That being said, HLI's RX team is active throughout the business cycle. In healthy macro-economic environments, demand for RX remains steady due to opportunities arising from secular and cyclical disruptions in certain industries. This was evident last quarter, during which HLI grew RX revenue 57% YoY despite the absence of big-ticket defaults and a low rate environment.



- Despite the lack of mega bankruptcies and a low default environment, HLI's RX bankers have remained very busy; we believe this trend will continue over the next several years. HLI's geographic diversity and global market leadership allow its RX group to maintain significant levels of activity even when the U.S. capital markets are flourishing. The counter-cyclicality of this segment will add stability to HLI's top-line during times of uncertainty. HLI's RX business is firing on all cylinders, closing 25 transactions this quarter compared to 13 over the same period last year, proving its ability to drive revenue in a low default rate environment.

- RX is the ultimate countercyclical hedge. Although HLI was not public in 2008, Lazard, its comp in the RX space, was public. LAZ experienced a 35% YoY drop in its Advisory revenue, but RX was there to steady the ship. LAZ's RX revenue exploded 115% YoY in 2009, which resulted in total revenue falling a mere 1.7%. Before 2009, RX made up ~10% of LAZ's total revenue, while HLI currently derives 31% of its total revenue from RX. In the event of an economic slowdown, HLI's RX business will not only clot revenue loss, but actually drive top-line growth while the rest of the financial sector struggles***. We are convinced that HLI's RX business is the best in the world, and we believe that it will drive HLI to superior performance during times of uncertainty and volatile markets compared to its peers.***

Portfolio Management

- From a portfolio management point of view, it is important to highlight our mindset on how HLI fits in with our current holdings. As it stands, The Owl Fund's financial portfolio is highly sensitive to changes in interest rates. The nature of PNC and MS is that their performance is heavily tied to the U.S. macroeconomic and interest rate environment. ***We believe a name in our financials holdings that has little to no direct sensitivity to interest rates would be extremely beneficial to the stability of our portfolio. If HLI is purchased, we would not like to allocate additional funds from ETFs to purchase the stock. Rather, we would like to reduce our positions in MS and PNC to raise the capital needed to purchase HLI. We believe adding HLI to our financial portfolio would reduce our sensitivity to interest rates, while also adding a countercyclical name to our holdings.*** We believe this would ultimately better position our portfolio for an economic slowdown or the continuation of a falling rate environment, without foregoing any upside that the bull market gods have left to offer.

Correlation Matrix

	HLI	PNC	MS	SPX	XLF
MS	55%	76%	100%	75%	89%
XLF	56%	85%	89%	84%	100%
PNC	49%	100%	76%	62%	85%
SPX	63%	62%	75%	100%	84%
HLI	100%	49%	55%	63%	60%
ICE	37%	45%	51%	59%	61%

PEER GROUP ANALYSIS

Lazard Ltd (NYSE: LAZ) is an elite boutique investment bank with a large asset management business. Founded in 1848, LAZ has provided advisory and asset management services to partnerships, governments, corporations, sovereign wealth funds, and individuals for over a century and a half. The company currently has a market cap of $4.6B. Its advisory business works with clients on mergers and acquisitions, capital raisings, capital structuring and restructuring, and valuations. LAZ no longer breaks down its revenue make-up in its advisory business, but in FY'17 restructuring made up 9.9% of its total revenue. In FY'18, financial advisory made up 55% of its total revenues.

PJT Partners Inc. (NYSE: PJT) is a relatively new investment bank, having been spun off of Blackstone and PJT Capital LP in a merger agreement in 2015 and turned into its own holding company. PJT specializes in strategic advisory, shareholder engagement, restructuring advisory, private fund advisory, and placement solutions for corporations, governments, institutional investors, and financial sponsors. In FY'18, PJT was second to HLI both in volume and quantity of restructuring deals, although it still completed 45% less transactions that HLI did. Being such a new and small ($1.56B market cap) company, PJT is going through a period of high growth. It has grown its employee headcount by over 80% since 2015 and its LTM revenue growth blew past competition to +27%.

Moelis & Company (NYSE: MC) is a holding company that has provided financial advisory, capital raising, and asset management services since its inception in 2007. MC does a vast majority of its business within the U.S. (82% FY'18) and Europe (12% FY'18), and its clientele ranges from governments and massive corporations to MM companies and entrepreneurs. MC was third to HLI and PJT in restructuring deal volume ($147.2B FY'18), and tied for third in RX deal quantity with LAZ and MC (36 completed in FY'18). MC has experienced a rocky 2019, with its stock price getting a 38% haircut and its LTM revenue is down (30.4%) in 2Q'19. MC has a history of returning capital to investors through dividends, having issued $11.68 per share over the past three years, representing a dividend yield of 5.9%.

Evercore Inc. (NYSE: EVR) is the leading boutique M&A investment bank, ranking 6th among all banks with $579B in FY'18 deal volume. EVR operates under two separate business segments: investment banking and investment management. Its investment banking segment offers Strategic Corporate Advisory, under which it's M&A business falls, Capital Markets Advisory, and Institutional Equities services. In its Capital Markets business, EVR operates as an independent advisor or underwriter for equity, but solely as an independent advisor for debt. Its Institutional Equities business offers S&T services and was recognized as a top independent provider of equity research in 2018.

Greenhill & Co., Inc. (NYSE: GHL) is an independent investment bank, which has been providing financial advice on mergers & acquisitions, restructurings, financings, and capital raising for corporations, partnerships, institutions and governments globally since 1996. With a market cap of only $277M, GHL is the smallest comp to HLI and the only comp with a credit rating (Moody's: Ba2 and S&P: BB).

Company		Market Statistics		Growth Analysis				Margin Analysis				Valuation Analysis					
												Enterprise Value /					
		Market	Enterprise	Sales		EPS		EBITDA Margin		Profit Margin		EBITDA		Sales		Price / Earnings	
	Ticker	Cap	Value	LTM	2020E	LTM	2020E	LTM	2020E	LTM	2020E	LTM	2020E	LTM	2020E	LTM	2020E
Houlihan Lokey Inc	**HLI**	**$3,029**	**$3,000**	**15.4%**	**4.4%**	**46.8%**	**16.7%**	**22.3%**	**25.5%**	**15.5%**	**17.7%**	**10.3x**	**9.8x**	**2.7x**	**2.7x**	**16.8x**	**14.6x**
Evercore Inc.	EVR	3,375	3,657	12.7%	1.9%	19.5%	19.8%	29.3%	26.2%	17.1%	19.4%	6.3x	6.6x	1.7x	1.6x	10.3x	10.1x
Moelis & Co.	MC	2,294	2,183	(30.4)%	(13.6)%	(30.6)%	(21.0)%	23.4%	25.9%	15.6%	20.2%	8.5x	11.0x	3.0x	2.9x	16.2x	15.1x
PJT Partners Inc.	PJT	1,625	2,198	27.6%	21.9%	(33.3)%	(7.9)%	10.0%	18.1%	3.4%	13.9%	15.2x	17.2x	3.6x	3.1x	19.0x	17.9x
Lazard Ltd.	LAZ	4,582	5,995	(15.7)%	(4.4)%	(53.3)%	(16.3)%	22.9%	21.3%	14.4%	15.7%	9.4x	6.5x	2.3x	2.3x	11.0x	10.1x
Greenhill & Co Inc.	GHL	227	568	(36.6)%	(15.2)%	26.6%	(86.2)%	9.4%	12.5%	(2.0)%	2.0%	6.2x	15.3x	2.0x	1.9x	22.4x	9.7x
High		**$4,582**	**$5,995**	**27.6%**	**21.9%**	**46.8%**	**19.8%**	**29.3%**	**26.2%**	**17.1%**	**20.2%**	**15.2x**	**17.2x**	**3.6x**	**3.1x**	**22.4x**	**17.9x**
Mean		**2,522**	**2,934**	**(4.5)%**	**(0.9)%**	**(4.0)%**	**(15.8)%**	**19.6%**	**21.6%**	**10.7%**	**14.8%**	**9.3**	**11.1x**	**2.5x**	**2.4x**	**15.9x**	**12.9x**
Median		**2,661**	**2,599**	**(1.5)%**	**(1.3)%**	**(5.5)%**	**(12.1)%**	**22.6%**	**23.4%**	**14.9%**	**16.7%**	**8.9**	**10.4x**	**2.5x**	**2.5x**	**16.5x**	**12.3x**
Low		**227**	**568**	**(36.6)%**	**(15.2)%**	**(53.3)%**	**(86.2)%**	**9.4%**	**12.5%**	**(2.0)%**	**2.0%**	**6.2**	**6.5x**	**1.7x**	**1.6x**	**10.3x**	**9.7x**

Company		General Statistics			Returns Analysis			2019A Leverage Analysis			2019A Coverage Analysis			Liquidity Profile		Credit Profile	
								Total Debt /									
	Ticker	Tax Rate	Beta	Dividend Yield	ROIC	ROE	ROA	Cap	EBITDA	Equity	EBITDA / Int. Exp.	(EBITDA -Cpx)/Int.	EBIT / Int. Exp.	Quick Ratio	Current Ratio	Moody's	S&P
Houlihan Lokey Inc	**HLI**	**13.5%**	**1.11**	**2.7%**	**17.4%**	**20.1%**	**13.6%**	**0.1x**	**0.7x**	**20.4x**	**0.0x**	**0.0x**	**0.0x**	**0.91**	**1.26**	**NR**	**NR**
Evercore Inc.	EVR	24.8%	1.36	2.7%	43.3%	53.1%	20.4%	0.1x	0.6x	42.3x	33.8x	30.9x	30.1x	-	-	NR	NR
Moelis & Co.	MC	3.2%	1.10	5.9%	38.6%	30.7%	15.9%	0.0x	0.3x	17.4x	0.0x	0.0x	0.0x	-	-	NR	NR
PJT Partners Inc.	PJT	19.0%	1.11	0.5%	7.3%	-	3.1%	0.1x	2.0x	30.0x	0.0x	0.0x	0.0x	-	-	NR	NR
Lazard Ltd.	LAZ	27.7%	1.26	5.3%	19.4%	45.8%	7.6%	0.5x	3.7x	311.1x	8.8x	8.2x	8.4x	-	-	NR	NR
Greenhill & Co Inc.	GHL	0.0%	1.04	1.5%	(1.5)%	(9.2)%	(11.5)%	1.5x	15.0x	1755.6x	0.9x	0.9x	0.8x	-	-	Ba2	BB
High		**27.7%**	**1.36**	**5.9%**	**43.3%**	**53.1%**	**20.4%**	**1.5x**	**15.0x**	**1755.6x**	**33.8x**	**30.9x**	**30.1x**	**0.91**	**1.26**		
Mean		**14.7%**	**1.16**	**3.1%**	**20.7%**	**28.1%**	**8.2%**	**0.4x**	**3.7x**	**362.8x**	**7.2x**	**6.7x**	**6.6x**	**0.91**	**1.26**		
Median		**16.2%**	**1.11**	**2.7%**	**18.4%**	**30.7%**	**10.6%**	**0.1x**	**1.4x**	**36.2x**	**0.5x**	**0.5x**	**0.4x**	**0.91**	**1.26**		
Low		**0.0%**	**1.04**	**0.5%**	**(1.5)%**	**(9.2)%**	**(11.5)%**	**0.0x**	**0.3x**	**17.4x**	**0.0x**	**0.0x**	**0.0x**	**0.91**	**1.26**		

MOATS AND RISKS

Economic Moats

MD stands for More Depth

- With 45 MDs and with 216 RX professionals in total, HLI has the deepest RX bench on The Street, and nearly triples the size of its closest competitor PJT's. This massive size advantage is three-fold: More MDs to source deals, which keeps deal volume up throughout good and bad times; more staffing power to work deals during influx periods (a surge of defaults); and more expertise in a field with high barriers to entry.

- With 45 MDs to source deals and manage relationships internationally, it's no wonder that HLI had 45% more deal flow last year in its RX business than its closest competitor, PJT. Furthermore, while a 45% lead shows that the extra MDs are obviously significant during a period of low defaults, the extra sourcing power will ensure that HLI remains the number one RX shop when there are more deals up for grabs, albeit by a larger margin.

- While the past 10 years have been relatively calm in terms of corporate default rates, down to 2-4% from '09 levels of 10%, the same may not be true over the next five years. With a typical RX team being 5-8 people, HLI has over 20 groups to handle a flood of RX deals without putting strain on its business model.

- RX is a technical heavy, legal mess of a business that requires precedent transaction experience and an in-depth understanding of the process, especially with multi-national companies. That being said, other banks cannot simply "bulk up" their RX businesses by hiring extra analysts from an intern class. HLI's size shields it from being truly competed against by other banks.

Economic Risk

2008, but like, smaller

- Half-way through the 11th year of this bull market, the risk of an economic slowdown becomes more and more relevant, especially with some concerning numbers in mind: U.S. PMI has flirted with 50 over the past few months, which is the inflection point between contraction and expansion; MM confidence index continues to slide past 70, with more and more management teams guiding that they will save an extra dollar rather than reinvest it. If the market slows and the M&A market falters, it could significantly hamper 50% of HLI's revenue stream. For reference, Lazard's M&A advisory revenues were down (~35%) from 2007-2008. While we don't see the end of this bull market being as dramatic as in '08, we do see a slowdown as possible, which, using LAZ's performance as a proxy, would lead to a contraction of 10%-40% of M&A revenues.

Poachers no Poaching!

- Going hand-in-hand with HLI's moat, MDs are one of the biggest risks to the business. Given HLI's elite standing as the top RX bank, its MD lineup is an obvious target for banks that are trying to grow their RX offerings. If a significant number of HLI's RX staff left to go with other banks, HLI would lose its size moat and likely lose the business associated with those MDs. ***Fortunately, HLI has partially protected itself from this risk by operating without a "rock-star" culture; no MD is responsible for more than 2% of revenue.***

Bull Case Assumptions for $56 PT

- Our bull case for HLI is based on the assumption that there are no disruptions to the bull market and business continues to proceed as it did in 2017 and 2018. Corporate Finance is projected to continue at its LDD growth while RX levels off to LSD growth, representing a strong M&A market but RX market only supported by industry disruption. Its Corporate Advisory segment is projected to continue its MSD growth from the past three years. All in all, the top-line growth assumptions are based on the excellent business conditions of 2017 and 2018. Dividend growth is muted compared to historicals, but biased towards the upper-end of Street projections, and the share buyback program is in-line with management's announcement. ***All of these factors boil down to imply a 22.2% return using the PGR Method.***

Bear Case Assumptions for $41 PT

- Our bear case for HLI is modeled to mirror LAZ's performance during the financial crisis. Corporate Finance growth slows to LSD growth for a year before it turns negative and drops (~45%) over two years, and finally coming out of the dip with HSD growth in FY'23 and FY'24. On the flipside, Restructuring revenue grows by 116% over the same two years that Corporate Finance falls off, before dipping by (10%) in FY'23 and (5%) in FY'24 as the economy recovers and defaults decrease again. Corporate Advisory revenue growth follows the same pattern as Corporate Finance, but with half of the volatility in either direction. In contrast to LAZ during the crisis, HLI's topline actually grows through the first year and only falls by LSD in the second and third years before leveling off in FY'24. We also modeled in a decrease in dividend yield to below Street projections and negated the management-guided buyback hike***. All of these factors boil down to imply a (10.7%) return using the PGR Method.***

+22.2%

2:1 Risk-Return Ratio

(10.7%)

Perpetuity Growth (PGR) Method	
Terminal Year FCF:	$270
PGR:	1.5%
Terminal Value:	3,877
PV of Terminal Value:	2,619
PV of Stage 1 Cash Flows:	945
Implied Enterprise Value:	**$3,564**
(+) Cash & Equivalents:	245
(-) Preferred Stock:	0
(-) Total Debt:	(165)
(-) Pension Obligations:	0
(-) Non-Controlling Interests:	0
(-) Capital Leases:	0
Implied Equity Value:	**$3,644**
Diluted Shares O/S:	65.6
Implied Share Price:	$55.54
% Return:	*22.2%*

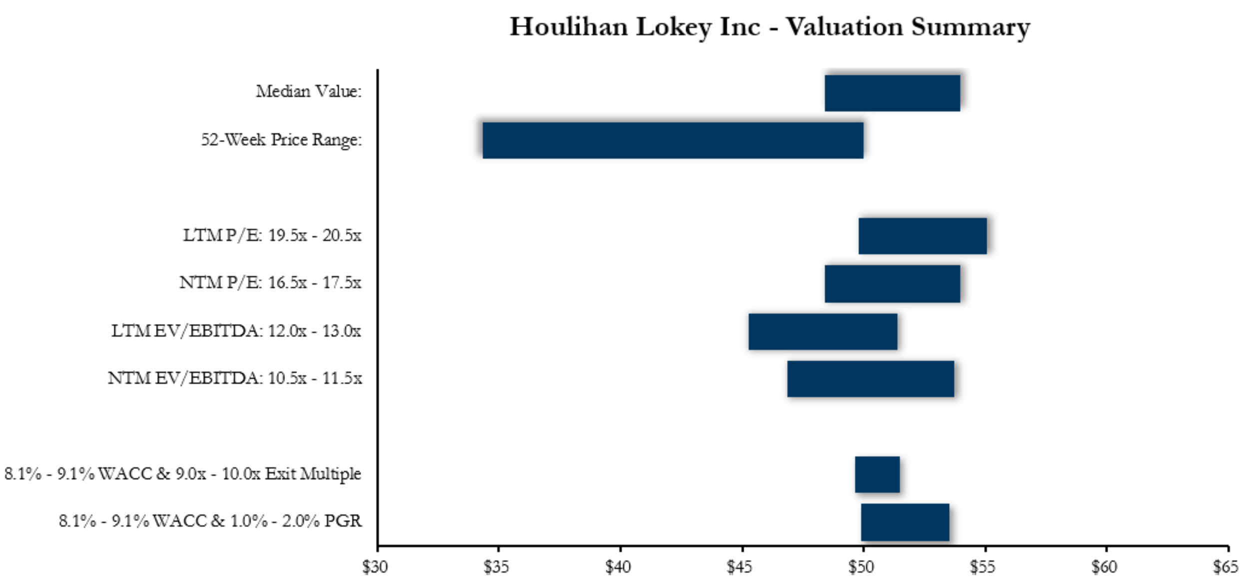
Perpetuity Growth (PGR) Method	
Terminal Year FCF:	$186
PGR:	1.5%
Terminal Value:	2,674
PV of Terminal Value:	1,806
PV of Stage 1 Cash Flows:	776
Implied Enterprise Value:	**$2,582**
(+) Cash & Equivalents:	245
(-) Preferred Stock:	0
(-) Total Debt:	(165)
(-) Pension Obligations:	0
(-) Non-Controlling Interests:	0
(-) Capital Leases:	0
Implied Equity Value:	**$2,662**
Diluted Shares O/S:	65.6
Implied Share Price:	$40.57
% Return:	*(10.7%)*

VALUATION ANALYSIS

DCF Assumptions:

Our base case assumptions are relatively modest compared to The Street's. Over the next 5 years, Corporate Finance growth recedes from MDD to HSD, RX growth normalizes to LSD after its year of exuberant growth in FY'18, and Financial Advisory growth returns to historical averages of LSD. We modeled Corporate Finance growth remaining in HSD due to the consistency of the MM M&A market. Dividend growth is in line with Street projects at 12% moving forward, and shareholder returns are consistent with management guidance*. **Our base case DCF implies a 13.5% return.***

	Historical			Projected				
DCF Analysis:	**2017A**	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
Revenue:	$908.8	$965.9	$1,114.7	$1,196.0	$1,277.0	$1,358.9	$1,444.6	$1,522.6
% Growth:		*6.3%*	*15.4%*	*7.3%*	*6.8%*	*6.4%*	*6.3%*	*5.4%*
EBITDA:	$204.6	$217.1	$242.3	$287.0	$306.5	$326.1	$346.7	$365.4
% Margin:	*22.5%*	*22.5%*	*21.7%*	*24.0%*	*24.0%*	*24.0%*	*24.0%*	*24.0%*
EBIT:	$196.0	$207.7	$227.3	$269.5	$292.9	$312.4	$332.3	$350.2
% Margin:	*21.6%*	*21.5%*	*20.4%*	*22.5%*	*22.9%*	*23.0%*	*23.0%*	*23.0%*
(-) Taxes:	($66.7)	($48.5)	($59.8)	($74.6)	($81.1)	($86.5)	($92.0)	($97.0)
NOPAT (EBIAT):	$129.3	$159.2	$167.5	$194.9	$211.8	$225.9	$240.2	$253.2
(+) Depreciation:				12.0	12.8	13.6	14.4	15.2
(+) Amortization:				5.5	0.8	0.2	0.0	0.0
(+) Stock-Based Compensation:				0.0	0.0	0.0	0.0	0.0
(-) Capital Expenditures:				(23.9)	(25.5)	(27.2)	(28.9)	(30.5)
(+) Goodwill Impairment:				0.0	0.0	0.0	0.0	0.0
(+/-) Changes in Net Working Capital:				16.6	12.4	12.5	13.1	12.0
(+/-) Changes in Other Assets & Liabilities:				(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Unlevered Free Cash Flow:				**$203.4**	**$210.5**	**$223.3**	**$237.2**	**$248.2**
Full-Year Discount Period:				*1.27*	*2.27*	*3.27*	*4.27*	*5.27*
Mid-Year Discount Period:				*0.64*	*1.77*	*2.77*	*3.77*	*4.77*
Discount Factor:				*0.95*	*0.86*	*0.80*	*0.73*	*0.68*
Present Value of Free Cash Flow:				**$193.1**	**$182.0**	**$177.8**	**$174.0**	**$167.7**
% Growth:					*(5.7%)*	*(2.3%)*	*(2.1%)*	*(3.6%)*



DCF Sensitivity Analysis (Returns of 10%-20% in Green)

Implied Share Price

		Perpetuity Growth Rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	7.6%	$ 48.49	$ 50.87	$ 53.58	$ 56.71	$ 60.35
	8.1%	$ 47.59	$ 49.91	$ 52.57	$ 55.63	$ 59.19
	8.6%	$ 46.71	$ 48.98	$ 51.58	$ 54.57	$ 58.06
	9.1%	$ 45.85	$ 48.08	$ 50.62	$ 53.54	$ 56.95
	9.6%	$ 45.01	$ 47.19	$ 49.68	$ 52.54	$ 55.88

Implied % Return

		Perpetuity Growth Rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	7.6%	6.7%	11.9%	17.9%	24.8%	32.8%
	8.1%	4.7%	9.8%	15.7%	22.4%	30.2%
	8.6%	2.8%	7.8%	13.5%	20.1%	27.7%
	9.1%	0.9%	5.8%	11.4%	17.8%	25.3%
	9.6%	(1.0%)	3.8%	9.3%	15.6%	22.9%

Valuation Multiple Sensitivity Analysis (Returns of 10%-20% in Green)

Implied Share Price

		NTM P/E Multiple				
		16.0x	16.5x	17.0x	17.5x	18.0x
FY EPS	$2.86	$45.75	$47.18	$48.61	$50.04	$51.47
	$2.93	$46.96	$ 48.42	$ 49.89	$ 51.36	$52.83
	$3.01	$48.16	$ 49.67	$ 51.17	$ 52.68	$54.18
	$3.09	$49.36	$ 50.91	$ 52.45	$ 53.99	$55.53
	$3.16	$50.57	$52.15	$53.73	$55.31	$56.89

Implied % Return

		NTM P/E Multiple				
		16.0x	16.5x	17.0x	17.5x	18.0x
FY EPS	$2.86	0.7%	3.8%	7.0%	10.1%	13.2%
	$2.93	3.3%	6.5%	9.8%	13.0%	16.2%
	$3.01	6.0%	9.3%	12.6%	15.9%	19.2%
	$3.09	8.6%	12.0%	15.4%	18.8%	22.2%
	$3.16	11.3%	14.7%	18.2%	21.7%	25.2%

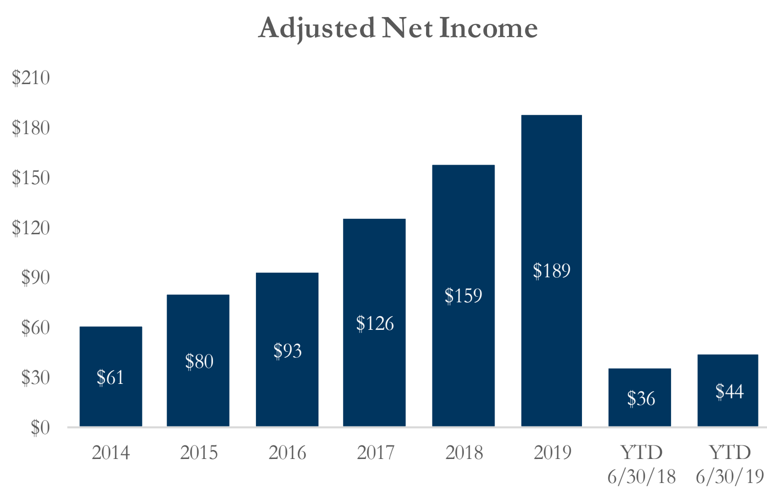
FINANCIAL ANALYSIS

Revenue:

- $ In 1Q'19, HLI grew its top-line by 13.8% YoY. This was largely driven by a 57% YoY increase in revenue from its Restructuring Segment. The jump in RX revenue was helped by several deals closing late in the quarter, as well as new business drummed up during the quarter, and driven by industry disruption across various sectors.
- In 1Q'19, HLI's RX bankers closed 25 transactions in the quarter, up from 13 in the same period last year. Management highlighted this quarter as an example of Restructuring's ability to drive revenues from a variety of sources, even in a low default rate environment.
- The Corporate Finance segment produced $134M in revenue this quarter, representing a 1.0% YoY increase. HLI's bankers closed 61 transactions in 1Q'19, down from 69 in 1Q'18. Management stated that the increase in deal size has been driven by relationships with PE firms, in which HLI originally sells the business to a PE firm and later advises the same PE firms as it sells the now-larger business.
- The Financial Advisory Services segment reported $37M in sales, representing a 2% YoY increase. This segment continues to experience revenue growth despite a lower MD headcount, exemplifying is "no rock-star" culture.
- Throughout FY'18, HLI recorded an all-time-high $1.1B in revenue, representing a 12% YoY increase. The strong results were driven by its Corporate Finance Segment. Since 2014, HLI has grown topline at a 13% CAGR.

Margins:

- The 1Q'19 profit margin for the Corporate Finance Segment was 28.0%, representing a 2.2% YoY contraction. The average profit per deal rose from $1.926M in 1Q'18 to $2.190M in 1'Q19.
- The Restructuring Segment reported 1Q'19 profit margin of 30.2%, representing a 5.7% YoY increase. The average profit per deal in 1Q'19 was $3.174M opposed to $3.883M for the same period last year.



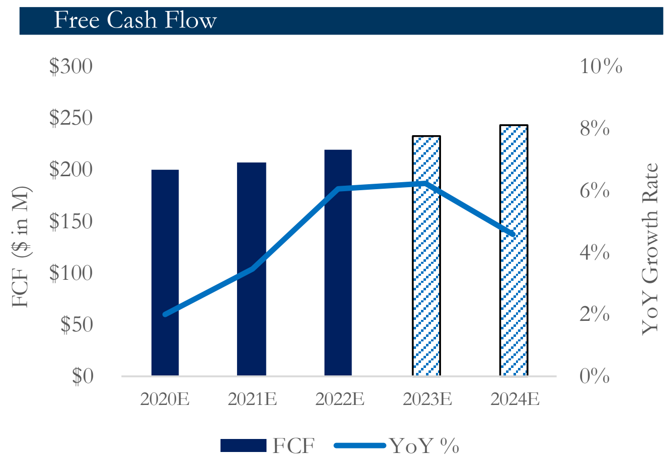
- The Financial Advisory Services segment grew 1Q'19 profit margins by 1.9% YoY. HLI worked on 509 fee events this quarter, compared to 504 in the same period last year.
- Rent expense jumped 22% YoY as HLI works on consolidating its European offices to a single location in London. Management explained that rent expense was slightly elevated in 1Q'19 due to this transition and guided that it would normalize in 2Q'19.
- Driven by lower tax expense, HLI improved net income margin from 13.5% in 1Q'18 to 17.1% in 1Q'19, despite an increase in employee compensation.
- In FY'18, HLI's net income margin was 17.44%, resulting in a record-high net income of $189M. Since 2014, HLI has grown adjusted net income at a 25% CAGR.

Staffing:

- Adjusted compensation expense was $153M in 1Q'19, up from $133M in the previous year. HLIs compensation ratio stood at 61% in 1Q'19 which is in line with management's target range of60.5% to 61.5%. FY'18 compensation ratio stood at 60.9%.
- In 1Q'19, HLI had 192 managing directors (MDs). The Corporate Finance Segment had 115 MDs (+10 YoY), Restructuring 45 MDs (Flat YoY), and Financial Advisory Services 32 MDs (-5 YoY).
- In 1Q'19, HLI hired 2 external MDs and promoted 12 employees to MD during the quarter. Management guided that it plans to externally hire on average 12 MDs per year.
- The company plans to bolster its new London office with new MD hires in the coming months. Management stated that the London office is a high priority as HLI continues to grow its European presence.

Shareholder Returns:

- In July of 2019, the board of directors authorized an additional $100M buyback program. This is on top of the current $50M buyback program underway. During the twelve months ended March 31st, 2019, HLI repurchased ~$70M of its stock at an aggregate price of $46.97.
- HLI currently pays $1.08 DPS, representing a dividend yield of 2.75%. HLI grew DPS 35% YoY, from $0.80 per share in FY'17 to $1.08 in FY'18. The company has grown DPS at a 5-year CAGR of 48% since its IPO in 2015.
- Employees own 38% of HLI's total equity with no single employee owning more than 3% of the company. We believe that the high level of employee ownership will help solidify the dividend and reduce management incentive to cut the shareholder returns during a business slowdown.



Analyst Outlook:

- Of the seven analysts covering the stock, five recommend buys on HLI, and two recommend a hold.
- The average current price target is $53.17, representing an average upside of 14%.
- The most bearish analyst on the Street is Jeffery Harte at Sandler O'Neill Partners. Mr. Harte has a price target of $48.00, representing 3% upside from current levels.
- The most bullish analyst is Kenneth Worthington at J.P. Morgan. Mr. Worthington has a $60.00 price target, representing a 28% upside, which he reaffirmed on September 12th, 2019.

Analyst	Firm	Recommendation	Target Price	Date Reaffirmed
Kenneth Worthington	J.P. Morgan	Overweight	$60.00	12-Sep-19
Michael Brown	Keefe, Bruyette & Woods	Outperform	$52.00	29-Jul-19
Richard Ramsden	Goldman Sachs	Buy	$51.00	14-Aug-19
James Mitchell	Buckingham Research	Buy	$51.00	25-Jul-19
Jeffery Harte	Sandler O'Neil & Partners, LP	Hold	$48.00	26-Jul-19
Devin Ryan	JMP Securities	Market Perform		25-Jul-19

APPENDIX

Exhibit I: Consolidated Financial Statements

	Historical			Projected					CAGR	CAGR
Consolidated Income Statement:	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	Historical	Projected
Revenue:	**$909**	**$966**	**$1,115**	**$1,196**	**$1,277**	**$1,359**	**$1,445**	**$1,523**	*10.8%*	*6.2%*
% Growth YoY:		*6.3%*	*15.4%*	*7.3%*	*6.8%*	*6.4%*	*6.3%*	*5.4%*		
Operating Income (EBIT):	**$196**	**$208**	**$227**	**$270**	**$293**	**$312**	**$332**	**$350**	*7.7%*	*6.8%*
% Growth YoY:		*6.0%*	*9.5%*	*18.6%*	*8.7%*	*6.6%*	*6.4%*	*5.4%*		
Margin:	*21.6%*	*21.5%*	*20.4%*	*22.5%*	*22.9%*	*23.0%*	*23.0%*	*23.0%*		
Net Income:	**$128**	**$163**	**$172**	**$192**	**$209**	**$222**	**$237**	**$249**	*15.9%*	*6.8%*
% Growth YoY:		*27.0%*	*5.8%*	*11.5%*	*8.7%*	*6.6%*	*6.4%*	*5.4%*		
Margin:	*14.1%*	*16.8%*	*15.4%*	*16.0%*	*16.3%*	*16.4%*	*16.4%*	*16.4%*		
Diluted Earnings Per Share (EPS) - Adj:	**$1.93**	**$2.46**	**$2.62**	**$2.95**	**$3.23**	**$3.47**	**$3.72**	**$3.95**	*16.6%*	*7.6%*
% Growth YoY:		*27.6%*	*6.5%*	*12.3%*	*9.5%*	*7.5%*	*7.2%*	*6.2%*		
EBITDA:	**$205**	**$217**	**$242**	**$287**	**$306**	**$326**	**$347**	**$365**	*8.8%*	*6.2%*
% Growth YoY:		*6.1%*	*11.6%*	*18.5%*	*6.8%*	*6.4%*	*6.3%*	*5.4%*		
Margin:	*22.5%*	*22.5%*	*21.7%*	*24.0%*	*24.0%*	*24.0%*	*24.0%*	*24.0%*		

	Historical			Projected				
Consolidated Balance Sheet:	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Cash & Cash Equivalents:	$183	$160	$245	$336	$422	$508	$593	$675
Accounts Receivable:	62	85	68	66	70	74	79	83
Unbilled Work in Progress:	36	33	72	60	64	68	72	76
Prepaid & Other Current Assets:	31	9	0	18	19	20	22	23
Total Current Assets:	312	287	385	479	575	670	766	858
PP&E, Net:	32	32	36	48	61	75	89	104
Intangible Assets, Net:	718	802	804	798	798	797	797	797
Other Non-Current Assets:	18	27	168	169	171	173	174	176
Total Non-Current Assets:	768	861	1,008	1,016	1,030	1,045	1,061	1,078
Total Assets:	**1,080**	**1,147**	**1,393**	**1,495**	**1,604**	**1,715**	**1,827**	**1,935**
Accounts Payable:	0	0	0	0	0	0	0	0
Accrued Liabilities:	56	90	265	289	308	328	349	367
Other Current Liabilities:	200	190	41	38	41	43	46	48
Total Current Liabilities (Excl. Debt):	255	279	307	327	349	371	394	416
Revolver:	0	0	0	0	0	0	0	0
Total Debt (Current + LT, Excl. Rev.):	18	12	165	165	165	165	165	165
Deferred Income Taxes:	34	16	6	6	6	6	6	6
Other Non-Current Liabilities:	9	21	22	22	22	22	22	22
Total Non-Current Liabilities:	60	49	193	193	193	193	193	193
Total Liabilities:	**316**	**328**	**500**	**520**	**542**	**564**	**587**	**609**
Common Stock & APIC:	664	644	631	631	631	631	631	631
Retained Earnings:	114	202	299	406	521	639	759	879
Treasury Stock:	0	0	(3)	(28)	(55)	(84)	(116)	(150)
Accumulated Other Comprehensive Income (AOCI):	(17)	(27)	(34)	(34)	(34)	(34)	(34)	(34)
Total Shareholder's Equity:	**761**	**819**	**893**	**976**	**1,063**	**1,151**	**1,240**	**1,327**
Noncontrolling Interests:	(4)	0	0	0	0	0	0	0
Total Equity:	**765**	**819**	**893**	**976**	**1,063**	**1,151**	**1,240**	**1,327**
Total Liabilities & Shareholder's Equity:	**$1,080**	**$1,147**	**$1,393**	**$1,495**	**$1,604**	**$1,715**	**$1,827**	**$1,935**

Exhibit I (Cont'd): Consolidated Financial Statements

Ratio Analysis	Historical			Projected				
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Profitability:								
EBITDA Margin:	22.5%	22.5%	21.7%	24.0%	24.0%	24.0%	24.0%	24.0%
EBIT Margin:	21.6%	21.5%	20.4%	22.5%	22.9%	23.0%	23.0%	23.0%
Net Profit Margin:	14.1%	16.8%	15.4%	16.0%	16.3%	16.4%	16.4%	16.4%
Return on Assets (ROA):	11.9%	14.2%	12.4%	12.8%	13.0%	13.0%	12.9%	12.9%
Return on Equity (ROE):	16.8%	19.9%	19.3%	19.7%	19.6%	19.3%	19.1%	18.8%
Return on Invested Capital (ROIC):	16.4%	19.6%	16.3%	16.8%	17.0%	16.9%	16.8%	16.7%
Leverage:								
Total Debt / EBITDA:	0.1x	0.1x	0.7x	0.6x	0.5x	0.5x	0.5x	0.5x
Total Debt / Equity:	2.3%	1.4%	18.5%	16.9%	15.5%	14.3%	13.3%	12.4%
Total Debt / Total Assets:	1.6%	1.0%	11.8%	11.0%	10.3%	9.6%	9.0%	8.5%
Efficiency:								
Asset Turnover:	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x
Days Receivable Outstanding (DSO):	25.1	32.0	22.2	20.0	20.0	20.0	20.0	20.0
Liquidity:								
Current Ratio:	1.2x	1.0x	1.3x	1.5x	1.6x	1.8x	1.9x	2.1x
Quick Ratio:	1.0x	0.9x	1.0x	1.2x	1.4x	1.6x	1.7x	1.8x
Cash Ratio:	0.7x	0.6x	0.8x	1.0x	1.2x	1.4x	1.5x	1.6x

Exhibit II: Base Case Revenue Build

Annual Revenue Model	Historical			Projected				
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Corporate Finance	$462.5	$537.5	$608.1	$665.8	$725.7	$787.4	$846.5	$901.5
% Growth		*16.2%*	*13.1%*	*9.5%*	*9.0%*	*8.5%*	*7.5%*	*6.5%*
% Total Revenue	*50.9%*	*55.7%*	*54.5%*	*55.7%*	*56.8%*	*57.9%*	*58.6%*	*59.2%*
Financial Restructuring	310.3	285.6	346.7	360.5	373.1	386.2	405.5	421.7
% Growth		*(8.0%)*	*21.4%*	*4.0%*	*3.5%*	*3.5%*	*5.0%*	*4.0%*
% Total Revenue	*34.1%*	*29.6%*	*31.1%*	*30.1%*	*29.2%*	*28.4%*	*28.1%*	*27.7%*
Financial Advisory	136.0	142.8	160.0	169.6	178.1	185.2	192.6	199.4
% Growth		*5.0%*	*12.1%*	*6.0%*	*5.0%*	*4.0%*	*4.0%*	*3.5%*
% Total Revenue	*15.0%*	*14.8%*	*14.4%*	*14.2%*	*13.9%*	*13.6%*	*13.3%*	*13.1%*
Total Revenue	**$908.8**	**$965.9**	**$1,114.7**	**$1,196.0**	**$1,277.0**	**$1,358.9**	**$1,444.6**	**$1,522.6**
% Growth		***6.3%***	***15.4%***	***7.3%***	***6.8%***	***6.4%***	***6.3%***	***5.4%***

Exhibit III: Bear Case Revenue Build

Annual Revenue Model	Historical			Projected				
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Corporate Finance	$462.5	$537.5	$608.1	$626.3	$407.1	$346.0	$377.2	$414.9
% Growth		*16.2%*	*13.1%*	*3.0%*	*(35.0%)*	*(15.0%)*	*9.0%*	*10.0%*
% Total Revenue	*50.9%*	*55.7%*	*54.5%*	*54.6%*	*32.1%*	*27.5%*	*31.0%*	*33.9%*
Financial Restructuring	310.3	285.6	346.7	357.1	714.1	771.2	694.1	659.4
% Growth		*(8.0%)*	*21.4%*	*3.0%*	*100.0%*	*8.0%*	*(10.0%)*	*(5.0%)*
% Total Revenue	*34.1%*	*29.6%*	*31.1%*	*31.1%*	*56.3%*	*61.3%*	*57.1%*	*53.9%*
Financial Advisory	136.0	142.8	160.0	164.0	147.6	140.2	144.5	148.8
% Growth		*5.0%*	*12.1%*	*2.5%*	*(10.0%)*	*(5.0%)*	*3.0%*	*3.0%*
% Total Revenue	*15.0%*	*14.8%*	*14.4%*	*14.3%*	*11.6%*	*11.2%*	*11.9%*	*12.2%*
Total Revenue	**$908.8**	**$965.9**	**$1,114.7**	**$1,147.4**	**$1,268.8**	**$1,257.5**	**$1,215.7**	**$1,223.1**
% Growth		***6.3%***	***15.4%***	***2.9%***	***10.6%***	***(0.9%)***	***(3.3%)***	***0.6%***

DISCLAIMER

This report is prepared strictly for educational purposes and should not be used as an actual investment guide. The forward-looking statements contained herein are simply the author's opinions. The writer does not own any Houlihan Lokey (HLI) stock.

TUIA STATEMENT

Established in honor of Professor William C. Dunkelberg, former Dean of the Fox School of Business, for his tireless dedication to educating students in "real-world" principles of economics and business, the William C. Dunkelberg (WCD) Owl Fund will ensure that future generations of students have exposure to a challenging, practical learning experience. Managed by Fox School of Business graduate and undergraduate students with oversight from its Board of Directors, the WCD Owl Fund's goals are threefold:

- Provide students with hands-on investment management experience
- Enable students to work in a team-based setting in consultation with investment professionals.
- Connect student participants with nationally recognized money managers and financial institutions

Earnings from the fund will be reinvested net of fund expenses, which are primarily trading and auditing costs and partial scholarships for student participants.