



HOULIHAN LOKEY

Portfolio Acquisition & Divestiture Services

MAXIMIZING RETURNS & USING RESOURCES EFFECTIVELY



The Landscape










Over the past few years, market and regulatory dynamics have driven a number of illiquid portfolios to change hands. This trend continues to grow as banks, insurance companies, and other regulated institutions seek to right-size their balance sheets and free up regulatory capital while asset managers seek opportunities to generate higher returns in a competitive market environment. The natural buyers of these portfolios are hedge funds and other institutional investors with matching investment mandates and broader discretion in their strategies. The sale process, from initial marketing to closing, can be both competitive and time constrained, requiring buyers to dedicate meaningful amounts of their limited resources to due diligence efforts, often leading to internal disruptions and potentially high opportunity costs. Similarly, sellers face pressure to maximize value within a meaningful time frame and ensure their shareholders and investors receive a fair price for the transacted securities. Financial advisors provide valuable support in portfolio transactions, as they are able to deploy the right industry expertise with sufficient manpower to assist both sides in the process.

Recent Portfolio Transactions

U.S. Transactions

Country	Size (\$B)	Buyer	Seller
	3.4	DLJ Mortgage Capital, Inc.	HSBC Finance Corporation
	3.4	Ares Capital Management LLC	American Capital, Ltd.
	3.0	Mizuho Bank, Ltd.	The Royal Bank of Scotland Group plc, North American Loan Portfolio
	2.4	GSO Capital Partners LP	NewStar Financial, Inc.
	1.4	Canada Pension Plan Investment Board	Parkway, Inc.
	1.3	Western Alliance Bank	GE Capital US Holdings Inc.
	1.3	TPG Special Situations Partners	Credit Suisse AG
	1.0	Benefit Street Partners L.L.C.	Triangle Capital Corporation
	0.5	American Midstream Partners, LP	JP Energy Partners LP

European Transactions

Country	Size (€B)	Buyer	Seller
	30.0	Blackstone	Banco Santander
	12.0	Cerberus	BBVA
	27.0	Italian Recovery Fund	Monte Paschi di Siena
	1.8	J Invest & Hoist	Banco BPM
	17.5	Prudential & Blackstone	UK Asset Resolution
	3.1 ¹	Universities Superannuation Scheme	Credit Suisse
	2.0	Macquarie & BAML	HSB Nordbank
	1.8	PIMCO/Goldman Sachs	Danske Bank
	1.5	Intrum	Eurobank
	0.5	Bain Capital	CGD
	0.5	APS	UniCredit

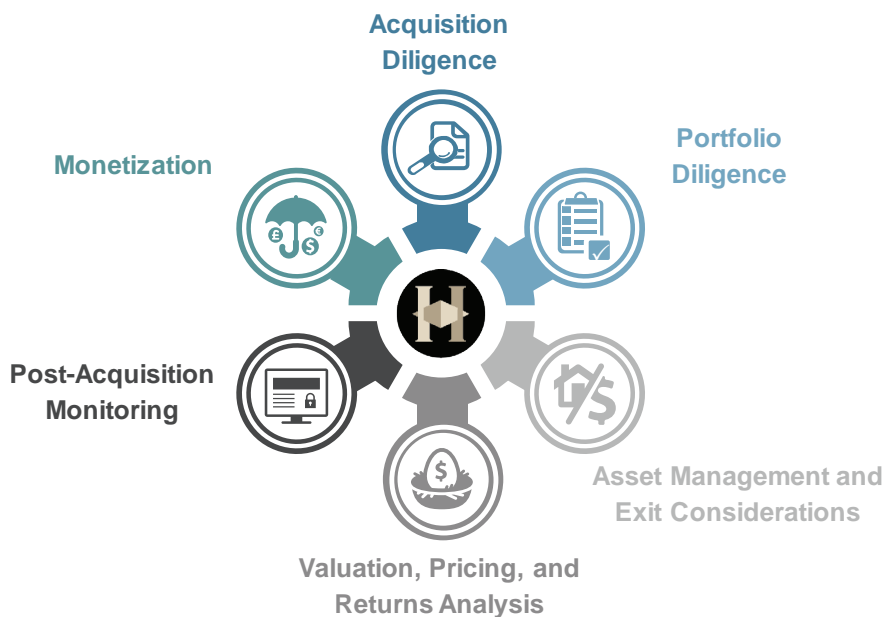
¹ In dollars.

Market Overview²

- North American and European private equity firms raised more capital in 2017 than in any year since 2007, with \$325.9 billion closed across 372 funds. More than 76% of follow-on funds were larger than the previous fund, and record amounts of uncalled capital continue to accumulate in North American and European private equity funds, with managers sitting on \$848.3 billion through Q2 2017.
- The European NPL portfolio market has seen strong deal flow over the past three years, with transaction volumes surpassing €100 billion in three consecutive years between 2015 and 2017. Spain, Italy, and the U.K. have been at the forefront of the European portfolio trades over the past years.
- The current low interest rate environment encourages investors to look for higher yields and diversify in loan portfolio acquisitions. In addition, tighter regulations have forced banks to sell non-core assets, which were estimated to be approximately €2 trillion as of Q4 2017.
- The amount of dry powder coupled with the competitive nature of the private markets has kept acquisition multiples elevated. In the United States private equity market, the median value/EBITDA multiple was 10.4x, and the median debt/EBITDA multiple rose to a decade high of 5.6x in 2017. In the European private equity market, purchase multiples were near historical highs, with median value/EBITDA multiples of 7.5x and 8.4x for privately held and publicly held companies, respectively, through Q3 2017.
- The current market dynamics described are forcing asset management firms to find creative ways to generate returns for investors—one of which is portfolio transactions.

Houlihan Lokey's Customized Service Solutions

Houlihan Lokey is uniquely positioned to add value at any point in the transaction cycle. Our involvement throughout the holding period creates significant synergies for our clients as securities move from diligence to monitoring, and ultimately to monetization.



Benefits of Using the HL Platform
Deep bench of highly qualified resources with unparalleled asset class and industry expertise
Real-time insight into the capital markets
Significant base of resources that can be mobilized quickly to capitalize on opportunities with short execution windows
Understanding of value maximization to provide a competitive edge in the bidding/sale process

² PitchBook
Deloitte

Recent Relevant Experience

Project Bills

\$1.3B



- **Project Bills** was related to a transaction in which the special situations platform of a U.S.-based global private investment firm (the Buyer) purchased a portfolio of distressed assets (the Portfolio) from a Europe-based global private bank
- The Portfolio comprised approximately 300 instruments, across various asset classes, in more than 150 portfolio companies that spanned multiple industries and geographies
- Houlihan Lokey was retained by the Buyer to provide certain pre-transaction due diligence and valuation services for approximately 40 portfolio companies covering 60 instruments

Project Charles

\$3.1B



- **Project Charles** was related to a U.K. pension plan's (the Buyer) purchase of the majority of a \$3.1 billion portfolio of loans to asset managers from a European global private bank (the Seller)
- The Seller offloaded most of a portfolio of loans and loan commitments made in 2014 and 2015. The Seller, which retained a small portion of the original lending, continued to manage the pool of loans and arranged new financing for the Buyer on the same basis
- Houlihan Lokey was retained by the Buyer of the facilities to perform certain pre-transaction due diligence on 61 underlying portfolio companies and 64 securities

Project Dolphin

\$2.5B



- **Project Dolphin** was a buyside pre-acquisition valuation analysis where an asset management firm (the Buyer) was in the process of constructing a bid for a bank with total assets exceeding \$25 billion, including more than \$10 billion in book value of residential whole loans and \$300 million in book value of mortgage servicing rights
- Houlihan Lokey was retained to conduct a valuation analysis of the residential whole loans and mortgage servicing rights, which was utilized by the Buyer to gain comfort with the book value of approximately 61,000 whole loans as well as the mortgage servicing rights on 183,000 loans

Project Pint

Not Disclosed



- **Project Pint** was related to a Bermuda-based holding company that owned more than 10 insurance businesses and was raising debt capital collateralized by the underlying businesses
- HL was engaged by the holding company to provide independent valuations in order to allow the potential lenders to better understand the underlying portfolio and be able to deploy capital on an expedited timeline

Project Frontier

Not Disclosed



- **Project Frontier** was related to a transaction in which a U.S.-based hedge fund (the Buyer) had exclusivity to purchase a portfolio of more than 30 securities that spanned the capital structure of 16 early-stage portfolio companies from a venture capital fund
- Houlihan Lokey was retained by the Buyer to provide a range of valuation, diligence, and advisory services for multiple portfolio companies. These analyses were used to inform and support the Buyer's proposed pricing for the transaction as well as provide a road map for monetization for certain portfolio companies

Project Giant

Not Disclosed



- **Project Giant** was related to a globally diversified healthcare and financial services holding company's (the Buyer) purchase of an insurance company
- Houlihan Lokey was engaged to develop credit memoranda and provide analytical support for more than 100 debt securities held by two of the Buyer's insurance subsidiaries across approximately 50 portfolio companies in connection with a regulatory review of the transaction
- Additionally, a subsidiary of the Buyer was in the process of acquiring a mortgage origination and servicing platform and requested that Houlihan Lokey provide underwriting documentation and analysis to support its presentation to the investment committee in connection with the acquisition

HL Global Coverage

Please contact one of our representatives listed below for more information about our capabilities, as well as sample analyses and deliverables.

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 Paris

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 Hong Kong
 Singapore
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Houlihan Lokey holds an indirect minority stake in Leonardo & Co. S.p.A., an investment bank with an office in Milan.

Leading global independent investment bank



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