



HOULIHAN LOKEY

# INDUSTRIAL SERVICES

INDUSTRY UPDATE | Summer 2019



# Houlihan Lokey Industrial Services Update

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Industrial Services Summer 2019 Industry Update.

We have included important news stories, transaction announcements, a public markets overview, and industry insights to help you stay ahead in our dynamic and constantly evolving industry. We hope you find this quarterly update to be informative and that it serves as a valuable resource to you in staying abreast of the market. If there is additional content you would find useful for future updates, please don't hesitate to call or email us with your suggestions. We look forward to staying in touch with you.

Regards,



**Scott Kolbrenner**

Managing Director and Head of  
Engineering & Construction

[SKolbrenner@HL.com](mailto:SKolbrenner@HL.com)

310.712.6524



**Scott Sergeant**

Managing Director and Head  
of Environmental Services

[SSergeant@HL.com](mailto:SSergeant@HL.com)

212.497.4275



**Ranon Kent**

Managing Director and  
Head of TICC

[RKent@HL.com](mailto:RKent@HL.com)

310.712.6523



**Jon Harrison**

Managing Director  
Europe

[JHarrison@HL.com](mailto:JHarrison@HL.com)

+44 (0) 20 7747 7564

## Additional Team Members



**David Brock**

Managing Director  
Europe



**Chris Hebble**

Managing Director  
Capital Markets



**Chris Sweet**

Director  
Capital Markets



**Disha Mehta**

Senior Vice President



**Casey Schwartz**

Senior Vice President



**Jordan Mendel**

Vice President



**Geoffrey Tollett**

Vice President



**Leon Vayntraub**

Vice President

# Select Recent Houlihan Lokey Transactions

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## Sale of Alchemy Systems to Intertek Group

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- Alchemy is the market leader, and de facto standard, for providing people assurance/training solutions to the food industry
- Alchemy was acquired by Intertek Group (LSE:ITRK), a leading quality assurance provider in August 2018
- Houlihan Lokey served as the lead financial advisor and assisted in marketing, structuring, and negotiating the transaction on behalf of Alchemy and The Riverside Company

## Sale of Global Restoration to FirstService

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- Global Restoration Holdings (GRH) provides mitigation, restoration, and reconstruction services on behalf of blue-chip, national clients which include multilocation commercial customers, property owners, and insurance companies that have experienced water, wind, or fire damage to their properties
- GRH was acquired by FirstService Corporation, a Canadian property services provider in June 2019, for \$530 million in enterprise value
- Houlihan Lokey served as the exclusive financial advisor and assisted in negotiating the transaction on behalf of Global Restoration Holdings and its shareholders

## Sale of Kleinfelder to Wind Point

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- Kleinfelder is a leading provider of engineering, construction management, design, and environmental professional services
- Kleinfelder was acquired by Wind Point Partners, a Chicago-based private equity investment firm targeting investments in the consumer products, industrial products, and business services sectors
- Houlihan Lokey served as the lead financial advisor and assisted in marketing, structuring, and negotiating the transaction on behalf of Kleinfelder





Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

**Corporate Finance**

**2018 M&A Advisory Rankings All U.S. Transactions**

Advisor	Deals
<b>1 Houlihan Lokey</b>	<b>207</b>
2 Goldman Sachs & Co	197
3 JP Morgan	154
4 Morgan Stanley	135
5 Jefferies LLC	117

Source: Thomson Reuters

**Financial Restructuring**

**2018 Global Distressed Debt & Bankruptcy Restructuring Rankings**

Advisor	Deals
<b>1 Houlihan Lokey</b>	<b>63</b>
2 PJT Partners Inc.	45
3* Moelis & Co.	36
3* Lazard	36
3* Rothschild & Co.	36

Source: Thomson Reuters  
\* Denotes tie

**Financial Advisory**

**1999 to 2018 Global M&A Fairness Advisory Rankings**

Advisor	Deals
<b>1 Houlihan Lokey</b>	<b>1,073</b>
2 JP Morgan	971
3 Duff & Phelps	728
4 Bank of America Merrill Lynch	660
5 Morgan Stanley	659

Source: Thomson Reuters. Announced or completed transactions.

**No. 1 U.S. M&A Advisor**

**Top 10 Global M&A Advisor**

**Leading Capital Markets Advisor**

**No. 1 Global Investment Banking Restructuring Advisor**

**1,000+ Transactions Completed**  
Valued at More Than  
**\$2.5 Trillion Collectively**

**No. 1 Global M&A Fairness Opinion Advisor Over the Past 20 Years**

**1,000+ Annual Valuation Engagements**

**Selected Recent Transactions in the Industrial Services Sector**

<p>a portfolio company of</p> <p>has been acquired by</p> <p>Sellside Advisor</p>	<p>The Energy Services Division of</p> <p>has been acquired by</p> <p>Sellside Advisor</p>	<p>a subsidiary of</p> <p>has been acquired by</p> <p>Sellside Advisor</p>	<p>a portfolio company of</p> <p>has been acquired by</p> <p>Sellside Advisor</p>	<p>a portfolio company of</p> <p>has been acquired by</p> <p>Sellside Advisor</p>
<p>a portfolio company of</p> <p>has been acquired by</p> <p>Sellside Advisor</p>	<p><b>POWER SURVEY COMPANY</b></p> <p>has been acquired by</p> <p>a portfolio company of</p> <p>Sellside Advisor</p>	<p>a portfolio company of</p> <p>has been acquired by</p> <p>Sellside Co-Advisor</p>	<p>a portfolio company of</p> <p>has been acquired by</p> <p>Sellside Advisor</p>	<p>a portfolio company of</p> <p>has been acquired by</p> <p>Sellside Advisor</p>

# 2019 Business Services Conference

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**REGISTER HERE**

## **2019 Business Services Conference**

October 3, 2019

Lotte New York Palace – New York, NY

Houlihan Lokey is pleased to host its inaugural Business Services Conference on Thursday, October 3, 2019, at the Lotte New York Palace Hotel. This conference is an excellent opportunity to develop relationships and gain insights into market dynamics and strategies within a wide variety of sectors.



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**Lotte New York Palace**  
455 Madison Avenue  
New York, NY 10022



**Presentations**



**One-on-One Meetings**



**Lunch & Cocktail Parties**

# Significant News Stories as of July 31, 2019

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## **Osmoste Utilities Services, Inc., Acquires [Power Survey Company](#)** (*Markets Insider*, July 25, 2019)

“Osmoste Utilities Services, Inc. (Osmoste), the leading provider of critical inspection, maintenance, and restoration services for utility and telecom infrastructure in the U.S., today announced that it has acquired Power Survey Company (Power Survey), the industry leader in providing mobile contact voltage detection services to major utilities in North America and Europe.”

## **Kohlberg & Company Announces Agreement to Acquire [EN Engineering](#)** (*Business Wire*, July 18, 2019)

“EN Engineering (or the ‘Company’), a leading utility services firm, and Kohlberg & Company, LLC (Kohlberg), a private equity firm headquartered in New York, today announced that they have signed a definitive agreement whereby Kohlberg will acquire a majority stake in EN Engineering from General Atlantic.”

## **Pritzker Private Capital to Acquire [Valicor](#)** (*Business Wire*, July 10, 2019)

“Pritzker Private Capital today announced that it has signed a definitive agreement to acquire Valicor Environmental Services, a leading provider of nonhazardous wastewater treatment services in North America. Pritzker Private Capital is investing alongside Valicor’s management team, who will continue to lead the business.”

## **US Ecology and NRC Group Agree to Merge** (*GlobeNewswire*, June 24, 2019)

“US Ecology, Inc. (Nasdaq-GS:ECOL) today announced that it has entered into a definitive merger agreement with NRC Group Holdings Corp. (NYSE American:NRCG), a national leader in comprehensive environmental, compliance and waste management services to the marine and rail transportation, general industrial and energy industries, in an all-stock transaction with an enterprise value of \$966 million. The transaction will create a nationwide leader in industrial and hazardous waste management services and is projected to be mid-single digit accretive to US Ecology’s 2020 adjusted earnings per share, before synergies.”

## **FirstService Completes Acquisition of [Global Restoration Holdings](#)** (*GlobeNewswire*, June 21, 2019)

“FirstService Corporation (TSX and NASDAQ:FSV; FirstService) announced today that it has completed its previously announced acquisition of approximately 95% of Global Restoration Holdings, LLC (Global Restoration), the second largest commercial and large loss property restoration firm in North America, for a purchase price of approximately \$505 million. Global Restoration’s senior management team, including Jeff Johnson, Stacy Mazur, and Dave Demos, continue to lead Global Restoration’s day-to-day operations and have retained the balance of the equity.”

## **Starboard Urges [AECOM](#) to Explore Sale of Construction Unit** (*Reuters*, June 20, 2019)

“Activist investor Starboard Value on Thursday urged construction and engineering firm AECOM to consider a strategic review of its assets, saying that its businesses were deeply undervalued. Starboard, in a letter to the company’s chief executive officer and board, said AECOM should closely evaluate a sale of its construction services segment.”

# Significant News Stories as of July 31, 2019 (cont.)

## **AECOM** Announces Intent to Spin Off its Industry-leading Government Services Business

(*Business Wire*, June 17, 2019)

“AECOM (NYSE:ACM), a premier, fully integrated global infrastructure firm, today announced that its Board of Directors has unanimously approved a plan to pursue a spinoff of the company’s Management Services segment into a leading, standalone government services company. The transaction is currently expected to be completed in the second half of fiscal 2020. The new public company resulting from the spinoff of the Management Services segment will be a top 20 government services provider, as ranked by Bloomberg.”

## **Compass Diversified Holdings** Announces Sale of **Clean Earth** (*GlobeNewswire*, May 9, 2019)

“Compass Diversified Holdings (NYSE:CODI), an owner of leading middle-market businesses, announced today that Compass Group Diversified Holdings LLC (together with Compass Diversified Holdings, ‘CODI’ or the ‘Company’) has entered into a definitive agreement (the ‘Agreement’) to sell its majority owned subsidiary, CEHI Acquisition Corporation, the parent company of Clean Earth, Inc. (Clean Earth), to a wholly-owned subsidiary of Harsco Corporation (NYSE:HSC). Under the terms of the Agreement, Clean Earth will be sold to Harsco Corporation for approximately \$625 million in cash. The closing of this transaction is subject to customary terms and conditions, including regulatory approval, and is expected to occur within the next few months.”

## **Waste Management** to Acquire **Advanced Disposal** for **\$4.9 Billion** Adding Complementary Assets and Customer Base in the Eastern United States (*Business Wire*, April 15, 2019)

“Waste Management, Inc. (NYSE:WM) and Advanced Disposal Services, Inc. (NYSE:ADSW) announced today that they have entered into a definitive agreement under which a subsidiary of Waste Management will acquire all outstanding shares of Advanced Disposal for \$33.15 per share in cash, representing a total enterprise value of \$4.9 billion when including approximately \$1.9 billion of Advanced Disposal’s net debt. The per share price represents a premium of 22.1% to Advanced Disposal’s closing share price as of April 12, 2019, the last trading day prior to today’s announcement, and a premium of 20.9% to Advanced Disposal’s 30-day volume weighted average price as of the same date.”

## **Black & Veatch** Unveils **Cleantech Accelerator, Powered By LaunchKC** (*Business Wire*, April 11, 2019)

“Engineering and construction company Black & Veatch cemented its place in the Kansas City startup ecosystem Wednesday by introducing its IgniteX Cleantech Accelerator, powered by LaunchKC at a kickoff announcement event at Boulevard Beer Hall. Its IgniteX Cleantech Accelerator marks one of its boldest moves into the entrepreneurial arena of engineering services. The company recently created a segment of the company known as the Growth Accelerator, leveraging Black & Veatch’s core strengths to explore new and emerging markets.”

## **Spire Capital** Enters the Testing, Inspection, Certification, and Compliance Industry

(*PR Newswire*, January 24, 2019)

“Spire Capital (or ‘Spire’), a leading New York-based private equity firm specializing in technology-enabled business services, media, communications, and education sectors, today announced an undisclosed investment in ERI Solutions, Inc. (‘ERI’ or the ‘Company’). Headquartered in Wichita, KS, ERI is a leading provider of regulatory compliance and business risk solutions. Spire is partnering with Nathan Vander Griend, President and CEO of ERI, who will continue to lead the organization with his management team.”

# Recent M&A Transactions

Announced Date	Acquirer	Target	Target Description	Transaction Value (\$M)
Jul-19	Osmose Utilities Services	Power Survey	Provides unique mobile surveying technologies to detect contact voltage and identify faults in underlying utility infrastructure	NA
Jul-19	Kohlberg & Company	EN Engineering	Provides comprehensive design, engineering, and consulting services to gas and electric utilities, and other energy and industrial end markets	NA
Jun-19	FirstService Corporation	Global Restoration Holdings	Operates as a full-service contractor serving the disaster restoration and reconstruction markets	\$530
Jun-19	US Ecology, Inc. (NasdaqGS:ECOL)	NRC Group Holdings Corp. (AMEX:NRCG)	Provides various environmental, compliance, and waste management services	\$966
Jun-19	NV5 Global	Alta Environmental	Provides environmental consulting and compliance services in subsurface remediation, air quality, and building sciences	NA
Jun-19	NV5 Global	Page One Consultants	Provides engineering consulting services serving the infrastructure, energy, construction, real estate, and environmental markets	NA
Jun-19	Terracon Consultants	Environmental Services	Provides environmental consulting services in areas of soil science investigations, environmental contamination, and forest management	NA
May-19	Gold Medal Services	EarthTech Contracting	Provides waste disposal services including recycling, concrete crushing, trash collection, and demolition services	NA
May-19	Fremont-Wright	AM Engineering	Provides civil engineering and land surveying services	NA
May-19	FlexXray	Accu-ray Inspection Services	Provides inspection solutions intended for food, pharmaceutical, and automotive manufacturers	NA
May-19	Harsco	Clean Earth	Provides processing services for contaminated soil, dredge sediments, and other nonhazardous materials	\$625
May-19	Goodwyn Mills & Cawood	Hutchinson, Moore & Rauch	Provides architecture, engineering, surveying, and land planning across Alabama, Mississippi, and the Florida Gulf Coast	NA
May-19	SGS	Chemical Solutions Ltd.	Provides laboratory testing services specializing in heavy metal testing for food, nutraceuticals, pharma, and cosmetic products	NA
May-19	Casella Waste Systems	TAM	Provides waste management services, recycling, and composting solutions	NA
Apr-19	Synagro Technologies	Old Line Environmental	Provides environmental services such as biosolids management and industrial nonhazardous residuals management	NA
Apr-19	Waterline Renewal Technologies	Behrman Capital	Provides services and products for the repair of wastewater infrastructure	NA
Apr-19	Recycling and Waste Solutions	Sustainable Solutions Group	Provides commercial waste management services and programs	NA
Apr-19	Waste Management	Advanced Disposal	Offers nonhazardous solid waste collection, transfer, recycling, and disposal services	\$4,900
Apr-19	Mazzetti	BHEGroup	Provides engineering services specializing in sustainable mechanical, civil, and energy engineering consulting services	NA
Apr-19	SGS	TEC Services	Provides engineering consulting and construction material testing and inspection services	NA
Apr-19	Waste Connections	Mountain Waste & Recycling	Provides waste recycling services	NA
Apr-19	Integrated Project Services	The Cardinal Group	Provides construction and project management services to the healthcare industry	NA
Mar-19	Barton & Loguidice P.C.	Advanced Land and Water	Provides hydrogeological and environmental consulting services and offers water supply exploration and soil classification services	NA
Mar-19	Petro Waste Environmental	Waste Management, Inc. (NYSE:WM)	Leading North American oilfield solid waste disposal company focused on infrastructure in the most active U.S. oil and gas producing regions	NA
Mar-19	Ardurra Group	Design South Professionals	Provides engineering consulting services including planning, designing, and implementation of buildings, water, and wastewater infrastructure	NA
Mar-19	Beaver Oil Co. Inc.	Intergulf Corporation	Operates a centralized waste treatment plant for processing and recycling waste oil	NA

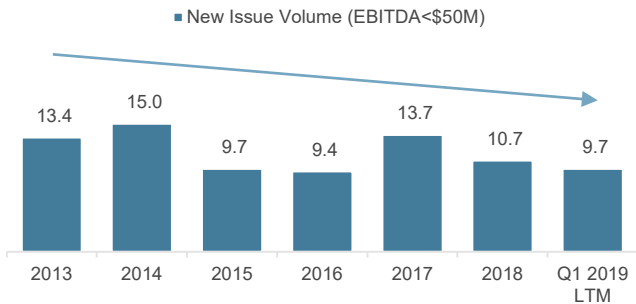


# Recent M&A Transactions (cont.)

Announced Date	Acquirer	Target	Target Description	Transaction Value (\$M)
Mar-19	Bureau Veritas	Owen Group	Provides building and infrastructure compliance services in Los Angeles, California	NA
Mar-19	Enthalpy Analytical	Golden Specialty	Provides environmental testing and consulting services including air testing and reporting, and consulting services	NA
Mar-19	CHA Consulting, First Reserve	Daedalus Projects	Provides project and construction management services for buildings	NA
Mar-19	Republic Services	Bend Garbage	Provides waste management services such as recycling, waste collection, and debris removal	NA
Mar-19	CrossBridge Compliance	XCEL NDT	Provides nondestructive testing services including pipeline integrity services, ultrasonic thickness testing, and magnetic particle testing	NA
Mar-19	Harley Ellis Devereaux	Integrated Design Group	Provides construction and civil engineering services for buildings, apartments, public centers, and hospitals	NA
Feb-19	EQT	Osmose Utilities Services	Provides structural integrity management services including structure, steel, and concrete inspection, and underground vault inspection	\$1,000
Feb-19	Ei Design	Wright Engineers (MEP Business)	Provides consulting engineering design services including mechanical, electrical, and plumbing (MEP) engineering services	NA
Feb-19	Tri-State Utilities Co.	Hoffman Southwest Corp.	Provides technical services to support the maintenance needs of municipal utility departments	NA
Feb-19	BELFOR Holdings, Inc.	American Securities LLC	Provides disaster recovery and property restoration services	NA
Feb-19	Labosport	Thomas Analytical Services	Provides chemical and physical soil testing services	NA
Feb-19	Macquarie Asset Management	Wheelabrator Technologies	Provides environmental services including waste disposal, metals recovery and recycling, and ash management services	NA
Feb-19	Half Associates	Genesis Half	Provides engineering and construction consulting services for highway, bridge, and road construction	NA
Feb-19	ASRC Industrial Services	National Environmental Group	Provides environmental remediation services specializing in asbestos and lead abatement, waste disposal, and site decontamination services	NA
Feb-19	CR&R Waste and Recycling Services	UPW Waste & Recycling Services	Provides waste collection and recycling services	NA
Jan-19	Sentry Energy Solutions	Himarc Environmental Solutions	Provides natural gas engine emissions testing and onsite gas leak detection services	NA
Jan-19	Alabama Waste Disposal Solutions LLC	Advanced Disposal Services South, LLC	Provides waste collection, transportation, and disposal services in Alabama	\$15
Jan-19	Covalent Metrology	SMT Analytical	Provides analytical services for materials testing and failure analysis	NA
Jan-19	HEPACO	PetroChem Recovery Services	Provides hazardous waste cleaning and disposal services	NA
Jan-19	Atwell	Texas Engineering Solutions	Provides consulting and civil engineering services specializing in land development, municipal consulting, and construction phase services	NA
Jan-19	McKim & Creed	Jehle-Halstead	Provides civil engineering and surveying services including planning, design, permitting, and construction administration	NA

# U.S. Middle-Market Financing and M&A Trends

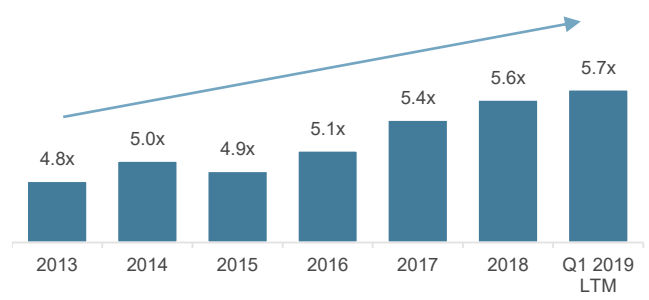
## Middle-Market Loan Volume (\$B)



- Loan volume in the middle market started off slowly in 2019 primarily owing to lower M&A activity in the first quarter.

Source: S&P Global Market Intelligence

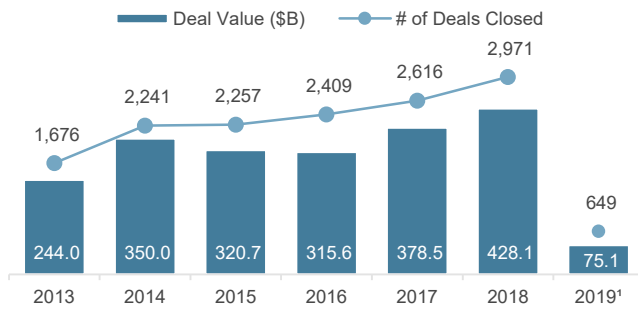
## Middle-Market Leverage Multiples



- Leverage multiples rose to an all-time high in Q1 2019, however expected to remain flat/down throughout 2019.

Source: S&P Global Market Intelligence

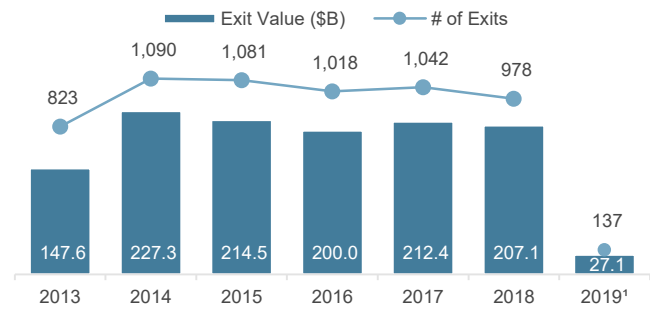
## Middle-Market PE Deal Activity



- GPs closed on 649 deals totaling \$75.1B, declines of 17.8% and 32.6%, respectively, from Q1 2018.

Source: PitchBook.com

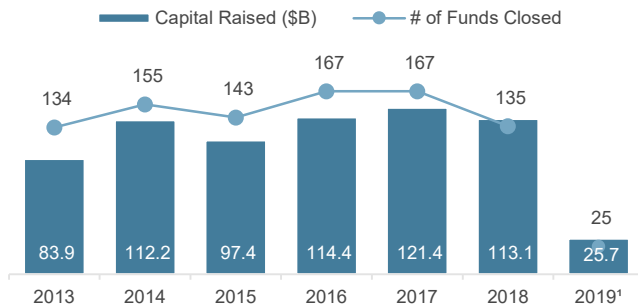
## Middle-Market PE-Backed Exits



- Exit activity witnessed a drop in Q1 2019, with declines of 41.9% in companies exited and 46.4% in exit value, from last year.

Source: PitchBook.com

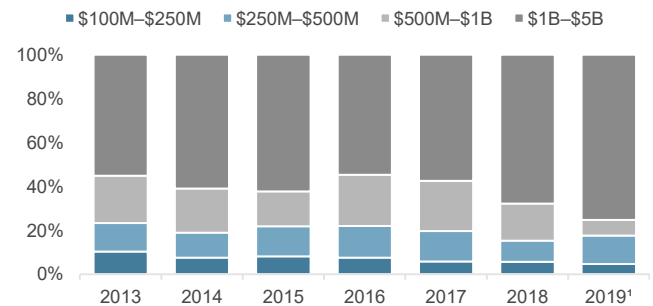
## Middle-Market PE Fundraise



- Fundraising kept pace at high levels, with 25 funds rounding up \$25.7B for the quarter.

Source: PitchBook.com

## Middle-Market Fundraising by Size (\$)



- Funds over \$1B accounted for the largest portion of middle-market funds—75.3% of all capital available in the space.

Source: PitchBook.com

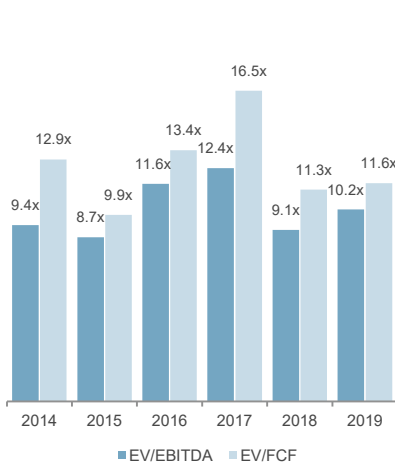
(1) As of 3/31/2019

# Public Markets Overview

## Engineering and Construction



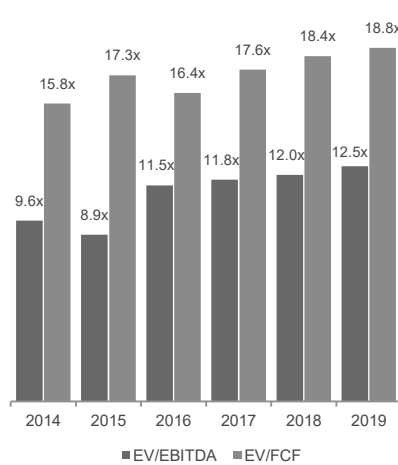
Mean EV/EBITDA: 10.9x  
Mean EV/FCF: 12.9x



## Environmental Services



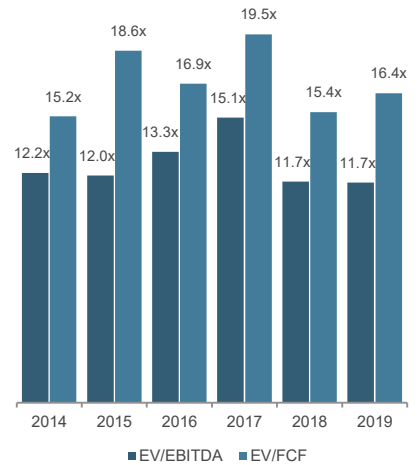
Mean EV/EBITDA: 13.0x  
Mean EV/FCF: 20.1x



## Testing, Inspection, Certification, and Compliance



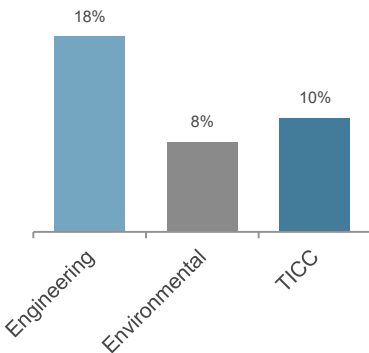
Mean EV/EBITDA: 12.4x  
Mean EV/FCF: 16.7x



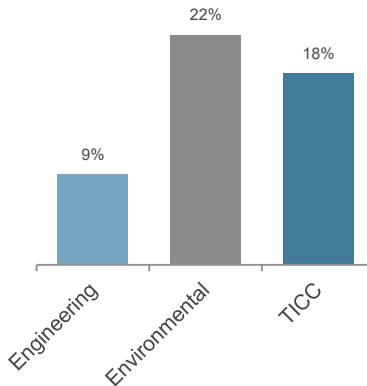
Note: Median multiples calculated using end-of-month data. 2019 multiples represent enterprise values calculated as of 07/31/19 and 2019 projections as of 07/31/19.

## Financial Metrics

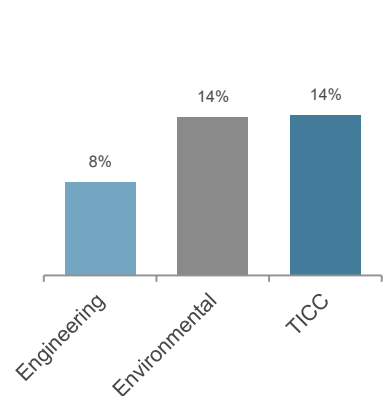
### '16-'18 EBITDA CAGR



### 2019E EBITDA Margin



### 2019E FCF Margin<sup>(1)</sup>



Note: All data as of 07/31/19.

(1) FCF defined as EBITDA less capital expenditures.

Source: S&P Capital IQ

# About Houlihan Lokey

Houlihan Lokey (NYSE:HLI) is a global investment bank with expertise in [mergers and acquisitions](#), [capital markets](#), [financial restructuring](#), and [valuation](#). The firm serves corporations, institutions, and governments worldwide with offices in the United States, Europe, the Middle East, and the Asia-Pacific region. Independent advice and intellectual rigor are hallmarks of the firm's commitment to client success across its advisory services. Houlihan Lokey is ranked as the No. 1 M&A advisor for all U.S. transactions, the No. 1 global restructuring advisor, and the No. 1 global M&A fairness opinion advisor over the past 20 years, according to Thomson Reuters.

## Locations



## Industry Expertise

### Product Expertise

- Mergers and Acquisitions
- Capital Markets
- Financial Restructuring
- Financial Advisory

### Dedicated Industry Groups

- Business Services
- Consumer, Food & Retail
- Data & Analytics
- Energy
- Financial Institutions
- Healthcare
- Industrials
- Real Estate, Lodging & Leisure
- Technology, Media & Telecom

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