



HOULIHAN LOKEY



Options for Illiquid Portfolio Investors in the New Normal

PORTFOLIO ACQUISITION AND DIVESTITURE SERVICES

MAY 2020

Motivated Buyers and Sellers of Portfolios of Illiquid Securities

The current market environment creates opportunities to acquire, divest, or lever illiquid portfolios. Houlihan Lokey’s PADS team is well positioned as a supplement to or in lieu of a sellside or buy-side advisor to assist with underwriting support or valuation to get deals over the finish line.

Alternative asset managers are looking to utilize leverage or amend certain facilities at the fund level, and lenders need to gain a thorough understanding of the underlying collateral base.

Direct lenders (e.g., BDCs) are looking to shed non-core portfolios and may require external support to maximize sale proceeds (including managing relationships with existing lenders).

Regulated institutions are seeking to free up regulatory capital and participate in synthetic risk transfer trades. Exposures remain with the financial institutions, while capital relief is achieved through an external provider.

GPs are looking to monetize end-of-life and orphaned portfolios to return capital and reduce the day-to-day management burden.

Corporations are rationalizing their non-core investment portfolios, and the natural purchasers (and partners) are alternative asset managers.



Sophisticated asset managers are purchasing portfolios of private investments, driven by sellers reacting to regulatory developments, liquidity requirements, or portfolio rationalization.

Fund finance providers are lending against portfolios of private investments (also known as NAV facilities).

Investment committees need an experienced and highly commercial advisor able to support the investment diligence process for single asset purchases.

Institutional investors are purchasing stakes in fund managers that hold private investments.

Co-invest opportunities require investors to perform timely diligence, develop a quick understanding of the transaction, and have the ability to articulate key investment considerations to their investment committees.

Value Proposition and Select Qualifications

Houlihan Lokey's PADS team supports investment committees and deal teams contemplating transactions involving portfolios of illiquid securities so that the firm's clients can make quicker, more informed investment decisions by knowing the impact of market and transaction dynamics.

ENHANCING YOUR PROCESS
























































- We develop creative approaches and custom advice/deliverables based on the characteristics of each transaction.
- We accelerate and enhance the investment diligence process for buyers, which informs deal pricing/structure and provides a competitive advantage relative to peers.
- We help minimize sale time and maximize deal pricing for sellers.
- We provide valuable industry and asset class expertise to bolster investment committee materials.
- The Houlihan Lokey brand brings credibility when going through the investment committee process.
- We function as an extension of our client's deal team and provide access to our vast pool of resources.
- We have the ability to leverage the broader Houlihan Lokey platform and bring all of the firm's services to bear, which provides continuity throughout the transaction lifecycle from the original transaction, to ongoing monitoring, to an ultimate exit.

SELECT QUALIFICATIONS

Alternative Asset Manager	<ul style="list-style-type: none"> ■ Houlihan Lokey was engaged to provide acquisition support in relation to buy-to-let loans, owner occupied loans, commercial mortgages, lifetime mortgages, and reverse mortgages. 	\$6B+
Pension Investor	<ul style="list-style-type: none"> ■ Houlihan Lokey was engaged to provide pre-transaction investment diligence on multiple warehouse facilities backed by 61 underlying portfolio companies and 64 securities. 	\$3.1B
Insurance Company	<ul style="list-style-type: none"> ■ Houlihan Lokey was engaged to develop an underwriting template for the client's loan underwriting activities and provide additional analytics around ~100 credits across ~50 issuers. 	\$450M+
Special Situations Fund	<ul style="list-style-type: none"> ■ Houlihan Lokey was engaged to provide certain pre-transaction investment diligence and valuation services for ~40 portfolio companies covering 60 securities. 	\$1.3B
NAV Lender	<ul style="list-style-type: none"> ■ Houlihan Lokey was engaged to provide investment diligence and underwriting support for a loan backed by quick service restaurant brands operating across Southeast Asia. 	\$200M+
Special Situations Fund	<ul style="list-style-type: none"> ■ Houlihan Lokey was engaged to provide underwriting support in the form of credit screening/underwriting memorandums for certain publicly traded securities. 	Undisclosed

Extensive Asset Manager Relationships

Houlihan Lokey has extensive relationships and has worked with some of the world's leading asset managers. Selected recent clients include:

 Allianz	Allianz SE	 FARALLON*	Farallon Capital Management, LLC	 PERRY CAPITAL	Perry Capital
 ANCHORAGE CAPITAL GROUP	Anchorage Capital Group, LLC	 FORTELUS	Fortelus Capital Management	 PERSHING SQUARE CAPITAL MANAGEMENT, LP	Pershing Square Capital Management, LP
 ANGELO, GORDON & CO.	Angelo, Gordon & Company	 FORTRESS	Fortress Investment Group, LLC	 PINEBRIDGE INVESTMENTS	PineBridge Investments
 Arcmont ASSET MANAGEMENT	Arcmont Asset Management Limited	 GLENVIEW CAPITAL	Glenview Capital	 PROSPECT CAPITAL	Prospect Capital
 ARES	Ares	 GlobeOp	GlobeOp Financial Services	 RAMIUS	Ramius
 BlueBay ASSET MANAGEMENT	BlueBay Asset Management plc	 GoldenTree ASSET MANAGEMENT	GoldenTree Asset Management, LP	 SANDELL ASSET MANAGEMENT	Sandell Asset Management Corp.
 BlueCrest	BlueCrest Capital Management (UK) LLP	 Goldman Sachs	Goldman Sachs & Co. (Private Equity Group)	 Sculptor CAPITAL MANAGEMENT	Sculptor Capital Management (formerly Och-Ziff Capital Management)
 CAMBRIDGE PLACE INVESTMENT MANAGEMENT	Cambridge Place Investment Management	 HALCYON	Halcyon Asset Management	 SILVERLAKE	Silver Lake Partners
 CANYON CAPITAL REALTY ADVISORS	Canyon Capital Realty Advisors	 Harbert Management Corporation	Harbert Management Corporation	 SILVER POINT	Silver Point Capital, LP
 CARVAL INVESTORS	Carval Investors	 HERCULES TECHNOLOGY GROWTH CAPITAL	Hercules Technology Growth Capital	 SOLUS ALTERNATIVE ASSET MANAGEMENT	Solus Alternative Asset Management
Centerbridge	Centerbridge Partners, LP	 h b k	HBK	 THE BAUPOST GROUP	The Baupost Group, LLC
 CERBERUS CAPITAL MANAGEMENT, L.P.	Cerberus	 HIGHLAND CAPITAL MANAGEMENT	Highland Capital Management	 TIC	Technology Investment Capital Corp.
 中国投资有限公司 CHINA INVESTMENT CORPORATION	China Investment Corporation	 LL	Levine Leichtman Capital Partners	 terra firma	Terra Firma Capital Partners
 CITCO	Citco Fund Services	 LIM Advisors	LIM Advisors	 TPG	TPG Capital
 ColonyCapital	Colony Capital, LLC	 MARATHON ASSET MANAGEMENT	Marathon Asset Management, LLC	 TUDOR	Tudor
DavidsonKempner	Davidson Kempner Capital Management	 NWQ	NWQ Investment Management Company, LLC	 VISION CAPITAL	Vision Capital Group Ltd.
 DDJ CAPITAL MANAGEMENT, LLC	DDJ Capital Management, LLC	 OAKTREE CAPITAL MANAGEMENT, LLC	Oaktree Capital Management, LLC	 WAYZATA CAPITAL MANAGEMENT, INC.	Wayzata Capital Management Inc.
 DE Shaw & Co.	DE Shaw	 OCTAVIAN	Octavian Advisors, LP	 YORK CAPITAL MANAGEMENT	York Capital Management
 Deutsche Bank	Deutsche Bank AG	 Palladium EQUITY PARTNERS	Palladium Equity Partners LLC	 Yorkville advisors	Yorkville Advisors

Scope of Services



Pre-Acquisition Investment Diligence

PORTFOLIO INVESTMENT DILIGENCE

- Review of available information and documentation
- Conduct diligence meetings/calls with the seller/buyer
- Develop an understanding of security-specific terms/features and capital structure
- Analyze asset level:
 - Collateral performance history, quality, and recoverability relative to similar assets
 - Liquidity profile, earnings quality, and volatility
 - Financial trends
- Construct macroeconomic and industry-specific overviews

ASSET MANAGEMENT AND EXIT CONSIDERATIONS

- Assess/identify ongoing asset management requirements and strategies
- Evaluate monetization scenarios
- Examine aggregated portfolio-level statistics to understand both qualitative and quantitative factors

VALUATION, PRICING, AND RETURNS

- Determine intrinsic asset/portfolio value
- Present asset/portfolio-specific factors to inform pricing decisions
- Sensitize returns and address risk management concerns through scenario analyses

-
- Portfolio valuation for fair value reporting and monitoring purposes
 - Ongoing refinement of asset management strategies
 - Market intelligence and advisory support focused on helping to maximize terminal value

Monetization Support

-
- Evaluate liquidity options in conjunction with our Corporate Finance teams
 - Identify, screen, and initiate discussions with potential counterparties
 - Provide pricing intelligence to help establish reserve levels
 - Advise on structure and terms
 - Rendering fairness opinions to the board

Advisory Services Throughout the Transaction Lifecycle

An integrated, market-driven approach to helping clients realize value and manage risk throughout the transaction lifecycle.



SOURCING

- Financial Sponsors Group and Corporate Finance business have access to deal flow to identify potential opportunities

PRE-LOI

- Provide valuation analysis to assist in investment decision making
- Provide preliminary thoughts on EBITDA, working capital, and cash flows
- Identify potential tax exposures
- Evaluate and provide guidance on optimal deal structure

EXCLUSIVITY

- Evaluate quality of earnings and cash flows
- Identify potential risks and opportunities associated with the transaction
- Assist your deal team and other advisors by sharing information and providing support where needed
- Assist with providing lenders access to our report and relevant supporting documentation
- Provide solvency opinion

CLOSING SUPPORT

- Assist with purchase price allocation and open balance sheet accounting
- Review closing schedules and closing balance sheet accounts
- Provide fair value reporting for determination of NAV
- Provide fund manager valuation
- Provide assistance with post-merger integration
- Provide litigation support and financial expert opinions for dispute resolution and arbitration
- Provide goodwill impairment testing

MONETIZATION

- Corporate Finance business provides sellside advisory services and assist with buyer identification
- Provide seller due diligence services
- Identify tax structuring opportunities and post-close structure tax efficiencies
- Provide fairness opinion
- Advise on fund-level strategic options, including recapitalization



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

Corporate Finance

2019 M&A Advisory Rankings All U.S. Transactions

Rank	Advisor	Deals
1	Houlihan Lokey	184
2	Goldman Sachs & Co	167
3	JP Morgan	141
4	Morgan Stanley	122
5	Evercore Partners	112

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 U.S. M&A Advisor

Top 10 Global M&A Advisor

Leading Capital Markets Advisor

Financial Restructuring

2019 Global Distressed Debt & Bankruptcy Restructuring Rankings

Rank	Advisor	Deals
1	Houlihan Lokey	76
2	PJT Partners Inc	43
3	Moelis & Co	36
4	Lazard	29
5	AlixPartners	19

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 Global Restructuring Advisor

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

Financial and Valuation Advisory

2000 to 2019 Global M&A Fairness Advisory Rankings

Rank	Advisor	Deals
1	Houlihan Lokey	1,057
2	JP Morgan	929
3	Duff & Phelps	734
4	Morgan Stanley	621
5	Bank of America Merrill Lynch	612

Refinitiv (formerly known as Thomson Reuters). Announced or completed transactions.

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

1000+ Annual Valuation Engagements



Houlihan Lokey Contacts

North America



Blair Richardson
Director
San Francisco
415.273.3605
BWRichardson@HL.com
[Bio](#)



Richard Saltzman
Head of Secondary Advisory
New York
212.497.4270
RSaltzman@HL.com
[Bio](#)



Mark Goldman
Managing Director
Los Angeles
310.712.6514
MGoldman@HL.com
[Bio](#)

Europe



Milko Pavlov
Director
London
+44 (0) 20 7747 2788
MPavlov@HL.com
[Bio](#)



Johnny Colville
Managing Director
London
+44 (0) 20 7747 7589
JColville@HL.com
[Bio](#)



Ann Sharkey
Managing Director
London
+44 (0) 20 7747 2743
ASharkey@HL.com
[Bio](#)

Our clients benefit from our local presence and global reach.

North America

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

Europe and Middle East

Amsterdam
Dubai
Frankfurt
London
Madrid
Milan
Paris

Asia-Pacific

Beijing
Hong Kong
Singapore
Sydney
Tokyo

Disclaimer

© 2020 Houlihan Lokey. All rights reserved. This material may not be reproduced in any format by any means or redistributed without the prior written consent of Houlihan Lokey.

Houlihan Lokey is a trade name for Houlihan Lokey, Inc., and its subsidiaries and affiliates, which include those in (i) the United States: Houlihan Lokey Capital, Inc., an SEC-registered broker-dealer and member of FINRA (www.finra.org) and SIPC (www.sipc.org) (investment banking services); Houlihan Lokey Financial Advisors, Inc. (financial advisory services); HL Finance, LLC (syndicated leveraged finance platform); and Houlihan Lokey Real Estate Group, Inc. (real estate advisory services); (ii) Europe: Houlihan Lokey EMEA, LLP, and Houlihan Lokey (Corporate Finance) Limited, authorized and regulated by the U.K. Financial Conduct Authority; Houlihan Lokey S.p.A.; Houlihan Lokey GmbH; Houlihan Lokey (Netherlands) B.V.; Houlihan Lokey (España), S.A.; and Houlihan Lokey (Corporate Finance), S.A.; (iii) the United Arab Emirates, Dubai International Financial Centre (Dubai): Houlihan Lokey (MEA Financial Advisory) Limited, regulated by the Dubai Financial Services Authority for the provision of advising on financial products, arranging deals in investments, and arranging credit and advising on credit to professional clients only; (iv) Singapore: Houlihan Lokey (Singapore) Private Limited, an “exempt corporate finance adviser” able to provide exempt corporate finance advisory services to accredited investors only; (v) Hong Kong SAR: Houlihan Lokey (China) Limited, licensed in Hong Kong by the Securities and Futures Commission to conduct Type 1, 4, and 6 regulated activities to professional investors only; (vi) China: Houlihan Lokey Howard & Zukin Investment Consulting (Beijing) Co., Limited (financial advisory services); (vii) Japan: Houlihan Lokey K.K. (financial advisory services); and (viii) Australia: Houlihan Lokey (Australia) Pty Limited (ABN 74 601 825 227), a company incorporated in Australia and licensed by the [Australian Securities and Investments Commission](http://www.asic.gov.au) (AFSL number 474953) in respect of financial services provided to wholesale clients only. In the European Economic Area (EEA), Dubai, Singapore, Hong Kong, and Australia, this communication is directed to intended recipients, including actual or potential professional clients (EEA and Dubai), accredited investors (Singapore), professional investors (Hong Kong), and wholesale clients (Australia), respectively. Other persons, such as retail clients, are NOT the intended recipients of our communications or services and should not act upon this communication.

Houlihan Lokey gathers its data from sources it considers reliable; however, it does not guarantee the accuracy or completeness of the information provided within this presentation. The material presented reflects information known to the authors at the time this presentation was written, and this information is subject to change. Houlihan Lokey makes no representations or warranties, expressed or implied, regarding the accuracy of this material. The views expressed in this material accurately reflect the personal views of the authors regarding the subject securities and issuers and do not necessarily coincide with those of Houlihan Lokey. Officers, directors, and partners in the Houlihan Lokey group of companies may have positions in the securities of the companies discussed. This presentation does not constitute advice or a recommendation, offer, or solicitation with respect to the securities of any company discussed herein, is not intended to provide information upon which to base an investment decision, and should not be construed as such. Houlihan Lokey or its affiliates may from time to time provide investment banking or related services to these companies. Like all Houlihan Lokey employees, the authors of this presentation receive compensation that is affected by overall firm profitability.