



Houlihan
Lokey

Joint Ventures in European Defence

How Valuation Drives Successful Partnerships

Financial and Valuation Advisory—June 2026



From Sentiment to Structure

Europe's defence sector is undergoing its most significant structural transformation in a generation.

Triggered by the war in Ukraine, NATO burden-sharing pressure, and the operational lessons of recent conflicts, governments across the continent have committed to sustained, large-scale defence investment. The EU's Readiness 2030 initiative and its €150 billion SAFE loan instrument signal a decisive policy shift: European defence is now a strategic priority, not a discretionary budget line. Public markets are reflecting this: Between January 2025 and June 2026, the FTSE 350 Aerospace & Defence Index rose by more than 85%, while the STOXX Europe Total Market Aerospace & Defense Index increased by over 50%.⁽¹⁾

Private markets are moving in the same direction. Venture funding for European defence and security startups reached €7.4 billion in 2025, a 55% year-on-year increase, with more than 200 active investors now participating in the sector.⁽²⁾ Yet this capital is concentrated at the early stage. As the 2024 Draghi Report⁽³⁾ identified, the sector faces a severe scale-up funding gap: As companies grow into the SME and mid-cap range, access to traditional financing diminishes, ESG-related banking restrictions create friction, and the compliance burden designed for larger corporations bears disproportionately on smaller innovators. The critical bottleneck is not a shortage of ideas; it is the structural difficulty of translating early-stage technology into industrial-scale delivery.

This is precisely the problem that well-structured joint ventures (JVs) are designed to solve. By combining the innovation velocity of agile technology disruptors with the industrial depth, procurement relationships, and balance-sheet strength of established partners, JVs bridge the gap that neither party can close alone. The central challenge is not finding the right partner; it is ensuring that each party's contribution is properly valued, fairly priced, and contractually protected from the outset.

This paper examines the core valuation challenge in every successful joint venture: ensuring each party's contribution is properly recognised, fairly valued, and protected throughout the partnership. Valuation is not just a closing formality; it is a strategic tool that helps deliver a genuinely win-win outcome for all parties.

→ €800B⁽⁴⁾
EU Defence Funding (Readiness 2030)

→ €7.4B+⁽⁵⁾
European Defence Venture Capital Funding (2025)

→ 40%⁽⁶⁾
Collaborative Procurement Target by 2030

Sources: S&P Capital IQ, Nato Innovation Fund, European Commission.

(1) FTSE 350 Aerospace & Defence Index and STOXX Europe Total Market Aerospace & Defense Index data relating to period from 2 January 2025 to 12 June 2026. (2) USD/EUR FX as of 30 December 2025. (3) The Draghi Report, formally titled The Future of European Competitiveness, was commissioned by the EU and presented by Mario Draghi in 2024. (4) European Commission. (5) USD/EUR FX as of 30 December 2025. (6) European Commission.



Knowing what each party is worth, ensuring those values are properly reflected in the structure, and maintaining mechanisms to rebalance as circumstances change are what separate durable partnerships from those that unravel under commercial tension.

Partners by Design, Not Default

The European defence transaction market is active across all deal types.

From January 2025 to mid-2026, almost 150 transactions were completed involving European defence targets, spanning all value segments, geographies, and buyer groups. Approximately 90% of buyers were European, with strategic corporate buyers dominating, and financial sponsors accounting for around 20% of total acquirers. This activity demonstrates that European defence assets are increasingly investable and liquid.

In this active market, joint ventures serve a specific and distinct purpose. They are the right structure when a particular set of strategic conditions applies: when barriers to entry are too high for stand-alone expansion, when the timing or conditions for a fuller commitment are not yet right, or when both parties want to build operational and commercial alignment before committing permanent capital. A JV is not a compromise; it is a deliberate strategic instrument that solves problems no other structure addresses as efficiently.

When a JV Is the Right Starting Point

Management teams should consider a JV as the primary structure when one or more of the following conditions apply:

The Strategic Challenge

- Full acquisition is constrained by national security rules, FDI restrictions, or political sensitivity
- Target market requires local licences, approvals, or procurement relationships
- Technology integration is needed before a full acquisition can be properly valued
- Capital is not yet available for full acquisition, but partnership access is urgent
- Both parties wish to manage downside risk before committing permanent capital

How a JV Addresses It

- Structures collaboration around ownership without triggering full change-of-control reviews
- Partner brings access without requiring full consolidation
- Provides a structured, lower-risk proof-of-concept phase
- Pools investment and shares risk while preserving strategic optionality
- Losses and liabilities remain contained within the JV perimeter

In some cases, a successful JV also creates the foundation for deeper strategic integration between partners over time. This is one possible outcome among many, and not a requirement or a measure of success. What matters is that the JV delivers value for both parties on its own terms, and that each party's position is properly protected throughout.

Sources: Company websites, press releases, Mergermarket.

From Market Access to Mass-Scale Delivery

The examples below span the breadth of European defence partnership activity, from production JVs between industrials to technology integration alliances between disruptors and established primes.

With the rapid rise of defence technology, these strategic alliances are increasingly orientated towards operational impact.

The focus has shifted from merely forming partnerships to effectively operationalising them for delivery at scale. By integrating R&D efforts more deeply than ever, disruptors and industrial partners are leveraging JVs not only for market access, but also to pool the significant resources required to meet the ambitious volume and capability demands of the evolving defence landscape.

SELECTED EXAMPLES OF STRATEGIC ALLIANCES AND JOINT VENTURES

	Party 1		Party 2		Focus
2026	 RHEINMETALL 		 OHB 		Secure satellite communications architecture for the Bundeswehr (SATCOMBw Level 4). OHB leads space/ground segment; Rheinmetall Digital leads user and network segments.
2026	 CSG Czechoslovak Group 		 4G 		4iG Group acquired a controlling stake in Rába, a Hungarian manufacturer of heavy vehicles and components, and formed a partnership with CSG Defence, which will give CSG an indirect minority stake (37%) in Rába.
2026	 CSG Czechoslovak Group 		 EBS HELLENIC DEFENCE SYSTEMS S.A. 		Production of large-calibre ammunition in Greece.
2026	 em&e group 		 EDGE 		Agreement to establish UAE-based JV for remote weapon station technology and advanced defence systems co-development.
2026	 ZVS holding 		 EURENCO 		Construction of a new manufacturing facility for Modular Artillery Charge Systems (MACS) for artillery systems. ZVS Holding is a JV of the Slovak Republic and MSM Group, part of the CSG Group.
2026	 RHEINMETALL 		 Destinus* 		Agreement to establish the Rheinmetall Destinus Strike Systems joint venture for the manufacture, marketing, and delivery of advanced missile systems.
2026	 QUANTUM SYSTEMS 		 Destinus* 		Integration of reconnaissance, engagement coordination, and strike capabilities within a single, unified operational framework.
2026	 Delivering Today DRONAMICS 		 HENSOLDT 		Development of a European-made drone-based defence platform designed to detect and monitor air, land, and maritime threats.
2026	 Helsing 		 OHB 		Development of a space-based tactical surveillance, reconnaissance and targeting system.
2026	 CSG Czechoslovak Group 		 Reunert 		Production of electronic fuzes for large-calibre ammunition in Slovakia.
2025	 LEONARDO 		 BAYKAR 		LBA Systems (50:50, est. June 2025, HQ Italy): design, development, production and maintenance of UAS, including Bayraktar TB3 and Akinci.
2025	 LEONARDO 		 EDGE 		Announced collaboration agreement in February 2025.
2025	 RENK 		 ARX ROBOTICS 		Development of modular unmanned ground vehicles (UGVs) for logistics and reconnaissance.
2025	 RHEINMETALL 		 ICEYE 		Rheinmetall ICEYE Space Solutions GmbH (60:40, est. 2025): SAR satellite production, with first locally manufactured satellite planned for 2026.

Sources: Company websites, press releases.

From Market Access to Mass-Scale Delivery (cont.)



SELECTED EXAMPLES OF STRATEGIC ALLIANCES AND JOINT VENTURES

	Party 1		Party 2		Focus
2025	RHEINMETALL		ANDURIL		Development of a suite of software-defined autonomous air systems and advanced propulsion capabilities.
2025	THALES		KONGSBERG		Development of secure communications systems.
2025	RHEINMETALL				Production of gunpowder and 155-mm artillery shells in Bulgaria.
2025	RHEINMETALL				Construction of a munitions ignition powder factory in Romania. Production of propellant powder and modular propellants.
2025	BAE SYSTEMS		PGZ		Construction of a new 155mm artillery ammunition facility in Poland.
2025	RHEINMETALL		PGZ		Establishment of European Support Vehicles Centre.
2025	PGZ		EURENCO		Mesko S.A.(part of PGZ Group) established a JV to produce modular ammunition in Poland and to secure the supply of raw materials for production.
2025	AIRBUS		THALES		Airbus, Leonardo, and Thales to create a leading European player in space by combining space activities.
2025	INDRA GROUP		EDGE		Development, production and maintenance of loitering munitions and smart weapons.
2024	BAE SYSTEMS		LEONARDO		Sixth-generation fighter jet (Tempest) under the Global Combat Air Programme (GCAP).
2024	INDRA GROUP		em&e group		C-UAS platform development for the Spanish Armed Forces. JV between Indra and EM&E Group (Escribano), with TRC as additional partner alongside Indra.
2024	MBDA MISSILE SYSTEMS		SAAB		Co-development of hypersonic missile interceptors and sensors.
2024	RHEINMETALL		KNDS		Development of the Main ARMoured Tank of Europe (MARTE), a next-generation main battle tank system.
2024	RHEINMETALL		LEONARDO		Production of military armoured vehicles, including main battle tanks and infantry fighting vehicles.
2024	SAFRAN		MTU Aero Engines		Development of a 100% European engine for future military rotorcraft (EURA JV).

Sources: Company websites, press releases.

High Walls, New Gates: The Rules of Engagement

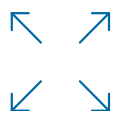
Five structural conditions make partnership a practical necessity for any company seeking to scale across European defence markets.

Barriers to Entry That Collaboration Is Designed to Solve



Regulatory Fragmentation

Each EU member state runs its own procurement process. Market entry without a local partner is slow, expensive, and often unsuccessful.



The Scale-Up Funding Gap

ESG banking restrictions and a compliance burden designed for large corporations cut mid-sized firms off from traditional financing. A JV partner provides access to capital structures unavailable to a stand-alone.



Political Sensitivity

Foreign ownership of defence assets attracts intense scrutiny. JVs allow market and capability access while preserving national ownership optics.



Confidentiality Constraints

National security rules limit due diligence access. JVs allow operational trust to develop before full financial transparency is required.



The EU-Made Criteria (EDIP)

The 65% EU-sourcing rule and mandatory multinational co-procurement conditions mean JVs are not just sensible; they are increasingly the entry ticket for major programme access.

Choosing the Right Structure

Not all collaborative structures carry equal weight.



An Equity JV (new jointly owned entity) offers the strongest basis for governance and valuation discipline but requires the most upfront negotiation.



A Strategic Alliance (contractual, no new entity) is the preferred starting point, allowing technology integration and market access without permanent IP entanglement.



A Consortia/Commercial Agreement is project-specific and useful for testing a partner before committing to deeper engagement.

Navigating Asymmetric Partnerships

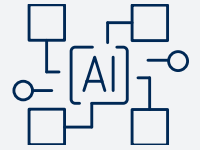
This paper focuses specifically on JVs between two types of corporate partners: high-growth disruptors and established industrial partners. By definition, such JVs are inherently asymmetric.

The two parties differ not only in scale but also in operating tempo, organisational culture, risk appetite, and strategic horizon. Recognising and actively managing this asymmetry is the central operational challenge in executing defence JVs, and the factor most likely to determine whether the partnership can evolve into a deeper, more durable relationship.



Value-creating partnerships are those in which each party contributes something the other cannot easily replicate. The valuation challenge is ensuring that both contributions are properly recognised, not just at formation but throughout the life of the relationship.

The Core Tension



The Disruptor

Agile, high-growth technology company developing AI, autonomous systems, counter-drone platforms, and dual-use capabilities.

- Optimised for rapid iteration and compressed product cycles
- Real-time battlefield adaptation as a core capability
- Commercial revenues often subsidise defence R&D
- Values speed of execution above process compliance
- Risk tolerance: high on technology, low on timeline slippage

BRINGS TO THE JV

- Innovation velocity
- Proprietary IP
- Commercial agility

NEEDS FROM PARTNER

- Industrial scale
- Procurement access
- Balance sheet depth



The Industrial Partner

Established prime contractor with manufacturing capacity, long-term programme relationships, regulatory approvals, and government credibility.

- Structured for high-volume, capital-intensive manufacturing
- Multi-decade government programme management
- Complex supply chain coordination and compliance
- Values process integrity and contractual certainty
- Risk tolerance: low on technology novelty, high on schedule

BRINGS TO THE JV

- Scale and capital
- Market access
- Government credibility

NEEDS FROM PARTNER

- Innovation speed
- Software-defined capability



What Makes a Strong JV Partner?



Speed of Execution

The industrial partner must recognise that time is the disruptor's most valuable asset. Bureaucratic processes that are routine for a large prime can materially impair a startup's runway and competitive position.



Genuine Complementarity

The partnership must be genuinely synergistic, with each party contributing capabilities that the other cannot easily replicate. A JV structured around access alone, without true capability integration, rarely delivers lasting value.



Respect for Commercial Roots

For dual-use technology companies, commercial revenues often subsidise defence R&D. A strong partner structures the JV in a way that preserves, rather than constrains, the disruptor's ability to compete in commercial markets.



Cultural Alignment

Shared decision-making philosophies, compatible governance expectations, and aligned views on risk are prerequisites for a functional long-term partnership. These qualities cannot be contracted for; they have to be assessed during partner selection.



Six Critical Questions Before You Sign

To protect long-term value, ensure fair allocation of economics, and preserve the option of eventual deeper combination, management teams should resolve six structural questions before finalising any JV:



Ownership

Who owns which assets? What is the precise scope of each party's contribution?



Dilution

What equity is being issued at what implied valuation? Does the dilution fairly reflect the value received?



Control

Who governs day-to-day operations? Where do veto rights sit on material decisions?



IP Segregation

How is the core IP ring-fenced to prevent implicit exclusivity that could limit strategic independence and cap future valuation?



IP Value

How is the value of the disruptor's IP recognised over time, and what mechanisms allow for rebalancing as that value grows?



Optionality

What exit mechanisms are agreed on up front? How are drag-along rights, buyout triggers, and IP clawback provisions structured to protect both parties?

Valuation as a Strategic Tool

In contemporary JVs, valuation is not a transaction-closing formality; it is a continuous risk-management tool.

01 | At Formation

When a disruptor partners with an established industrial partner, valuation is the primary mechanism for resolving the asymmetry between immediate industrial capacity and forward-looking technological potential. Misalignment at inception leads directly to structural deadlock, excessive founder dilution, or asymmetric value capture by the better-capitalised party. In the worst cases, it undermines the JV before it has begun.

02 | At Material Events

Post-formation events, including IP appreciation or obsolescence, additional capital contributions, major programme wins, or third-party investment, can materially alter the value contributed by each party. Pre-agreed mechanisms to reassess and rebalance economic interests are essential. Without them, misalignment compounds silently and can destabilise the partnership years after formation.

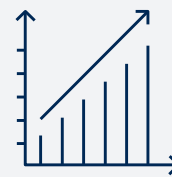
03 | At Exit/End-of-JV Scenarios

Partners should plan for the evolution or conclusion of the JV from the outset. Whether the JV winds down, one party acquires the other's stake, or the partners choose to deepen their relationship in other ways, pre-agreed exit mechanisms, including valuation multiples, drag-along rights, buyout triggers, and IP clawback provisions, ensure a clean, value-maximising outcome rather than a contested unwinding. The exit structure should be negotiated at formation, when incentives are aligned, not when they have diverged.



If the disruptor's IP is decisive in winning a major programme, the economic structure of the JV must reflect that contribution; it should not be diluted within a framework designed for a different kind of business.

Sources: Company websites, press releases.
Company valuations as per: Helsing (Series D, June 2025), Quantum Systems (Series C Extension, November 2025), ICEYE (Series F, June 2026).



Valuing High-Growth Potential and Dual-Use IP

Traditional defence valuation frameworks rely heavily on discounted cash flow analysis tied to long-established programmes with predictable revenue. Disruptors derive the majority of their value from intangible assets and forward-looking potential: proprietary algorithms, novel platform architectures, and dual-use technology with both commercial and defence applications.

The scale of value at stake is significant. Recent funding rounds demonstrate the scale of stand-alone value at stake: Helsing raised at a post-money valuation above €12 billion, Quantum Systems above €3 billion, and ICEYE above €10 billion. Market participants are clearly willing to ascribe substantial value to these businesses.

The most common error in JV negotiations is applying a hardware-centric, revenue-based valuation framework to a software-defined, IP-driven business. This systematically undervalues the disruptor and creates incentive misalignment from the outset, potentially undermining the very partnership that both parties are trying to build.

The 'Has/Gets' Framework: Quantifying Asymmetric Value

The "Has/Gets" framework is a structured methodology for aligning incentives in asymmetric JVs. The disruptor must clearly articulate and quantify the stand-alone value it contributes (the "Has") and rigorously assess the market access, scale, and capabilities it derives from the industrial partner (the "Gets"). The goal is a structure in which both parties extract more value than they contribute: a partnership that is multiplicative rather than merely additive.

01 Deconstructing the 'Has': What the Disruptor Contributes

Disruptors are frequently undervalued in JV negotiations because they lack a significant defence revenue history. The following categories capture the key value drivers and how each should be quantified:

Software-Defined Defence

Advanced AI, machine learning, and quantum-enabled sensing as decisive drivers of battlefield advantage.

Valuation Approach

Bespoke intellectual property valuation methodologies, such as relief-from-royalty models, to determine the exact premium an industrial partner would otherwise pay to license this capability on the open market.

Rapid Innovation Cycles

The ability to iterate on software in weeks rather than the multi-year upgrade cycles of legacy platforms.

Valuation Approach

Real options analysis to capture the "speed premium": the economic value of earlier deployment relative to competitors.

Dual-Use Technology

The ability to adapt proven commercial technologies for defence applications.

Valuation Approach

Commercial traction as a de-risking factor, establishing a robust valuation floor entirely independent of defence procurement timelines.



02 Scrutinising the 'Gets': What the Disruptor Receives

In exchange for its technology, the disruptor receives scale, access, and market credibility. Management must quantify these benefits rigorously to avoid unnecessary dilution.

Bridging the Valley of Death

A pathway through multi-year procurement cycles that often exhaust a disruptor's capital before contracts are secured.

Valuation Approach

Quantify the cost-of-capital savings and the financial value of accelerated procurement timelines.

Platform Integration

Immediate deployment by integrating onto certified platforms such as armoured vehicles, aircraft, or weapons systems.

Valuation Approach

Assess the market value of leveraging the industrial partner's existing investment in certification and manufacturing.

Distribution and Influence

Access to established government relationships, sales channels, lifecycle support networks, and export licences.

Valuation Approach

Scenario-based modelling to isolate incremental revenue attributable specifically to the industrial partner's network.

Bridging the Valuation Gap

The core tension in asymmetric JVs stems from fundamentally different valuation perspectives. The industrial partner anchors to current revenues and tangible assets; the disruptor's value is principally forward-looking and intangible. Bridging this gap requires moving beyond static valuation approaches.

Effective structures typically incorporate:

Probability-Weighted Expected Return Models

Weight outcomes by scenario probability to bridge the gap between optimistic and conservative assumptions on technology maturation and market timing.

Milestone-Based Valuation Frameworks

Tie equity dilution events to operational milestones rather than time-based schedules, protecting the disruptor until value is demonstrated.

Dynamic Equity Adjustment Mechanisms

Allow equity proportions to shift as actual performance confirms or challenges initial valuation assumptions, providing the fairness that sustains long-term partnership.

These tools allow disruptors to protect near-term equity while retaining exposure to the significant long-term value their technology enables.

Financial and Valuation Advisory:

Providing Unbiased Advice to Boards of Directors,
Management Teams, and Investors



JV Strategy and Partner Assessment

- Assessing whether a JV is the right structure for your strategic objectives at this stage
- Mapping the partner universe and benchmarking the implied value of each candidate
- Quantifying the value of complementary capabilities each party contributes
- Quantifying what a potential partner brings, and at what cost to your equity position



Ongoing Value Management

- Post-formation valuation reviews at material events
- Fairness opinions on additional contributions or dilution events
- Rebalancing mechanisms when IP value or commercial performance shifts
- Independent valuation support when commercial tensions arise between partners



Financial Modelling and Valuation

- Stand-alone valuation of each party's contributions
- IP valuation: relief-from-royalty, real options, scenario analysis
- Has/Gets framework: quantifying what each party brings and receives
- Dynamic equity adjustment and milestone-based structures



Valuation is not a one-time exercise at formation; it is the ongoing mechanism that keeps a JV commercially fair and strategically durable.

HOULIHAN LOKEY CONTACTS



Milko Pavlov
Managing Director
Financial and Valuation Advisory
+44 20 7747 2788
MPavlov@HL.com



Anita Bucanac
Director
Financial and Valuation Advisory
+44 20 7747 2786
ABucanac@HL.com



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Advisor	Deals
1 Houlihan Lokey	1,170
2 Duff & Phelps, A Kroll Business	1,069
3 JP Morgan	1,034
4 UBS	769
5 Morgan Stanley	716

Source: LSEG. Announced or completed transactions.

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Advisor	Deals
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2 Goldman Sachs	441
3 Rothschild	400
4 JP Morgan	364
5 Morgan Stanley	357

Source: LSEG. Excludes accounting firms and brokers.

(1) As of May 29, 2026.

(2) As of March 31, 2026.

(3) LTM ended March 31, 2026.

Key Facts and Figures

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Locations
Worldwide

2,000+

Clients Served
Annually

~2,000

Total Financial
Professionals

\$9.78B⁽¹⁾

Market Capitalisation

354⁽²⁾

Managing Directors

\$2.6B⁽³⁾

Revenue



FINANCIAL RESTRUCTURING

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1,900+

Transactions Completed Valued at
More Than \$4 Trillion Collectively

2025 Global Distressed Debt & Bankruptcy
Restructuring Rankings

Advisor	Deals
1 Houlihan Lokey	83
2 PJT Partners	55
3 Lazard	50
4 Rothschild	44
5 Evercore	33

Source: LSEG.



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