



HOULIHAN LOKEY

ENGINEERING, INDUSTRIAL, AND INFRASTRUCTURE SERVICES

INDUSTRY UPDATE | SUMMER 2020



Houlihan Lokey EI&I Services Update

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Engineering, Industrial, and Infrastructure (EI&I) Services Industry Update for summer 2020.

We have included important news stories, transaction announcements, a public markets overview, and other industry insights to help you stay ahead in our dynamic and constantly evolving industry. We have also included in this issue special commentary focused on the impact of COVID-19 and post-COVID-19 growth strategies, as well as information about our 2020 Virtual Business Services Conference, for which we welcome your participation.

We are available to discuss our perspectives on the state of the market and opportunities for your business. Please feel free to reach out to us at our contact information listed below. We look forward to staying in touch.

Regards,



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Vice President



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

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)

Financial Restructuring

2019 Global Distressed Debt & Bankruptcy Restructuring Rankings

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)

Financial and Valuation Advisory

2000 to 2019 Global M&A Fairness Advisory Rankings

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 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

Recent Houlihan Lokey Developments and Headlines

While M&A Declines During the COVID-19 Pandemic, Boutique Investment Banks Are Faced With a Challenge

"Scott Beiser, Houlihan Lokey's CEO, recently spoke to the *Financial Times* about how the firm is adapting to challenges caused by the coronavirus."
Financial Times (July 7, 2020)

Houlihan Lokey to Acquire MVP Capital

"Houlihan Lokey, Inc. (NYSE:HLI), the global investment bank, has agreed to acquire MVP Capital (MVP), an independent advisory firm that provides a range of advisory services to clients in the technology, media, and telecom (TMT) sector."
Business Wire (June 25, 2020)

Houlihan Lokey—The Californian Investment Bank Built for Hard Times

"Houlihan Lokey was made for times like these. Speaking to *Bloomberg*, Co-President Scott Adelson and Co-Head of EMEA Restructuring Joseph Swanson explain how the firm's balanced business model has proved resilient for decades—and continues to do so during the current COVID-19 pandemic."
Bloomberg (May 29, 2020)

Houlihan Lokey Sees European Expansion Continuing

"David Preiser, Houlihan Lokey's Co-President, talks to *The Deal* about the growth of the firm in Europe and additional opportunities he sees for the firm in the region."
The Deal (March 13, 2020)

Houlihan Lokey Named Best Loan Restructuring House by GlobalCapital

"At its annual Syndicated Loan and Leveraged Finance Awards dinner earlier this month, GlobalCapital once again recognized Houlihan Lokey for its expertise, excellence, and long track record of success in loan restructuring, naming the firm Best Loan Restructuring House for the fifth year in a row."
GlobalCapital (February 19, 2020)

Houlihan Lokey Maintains Top Rankings in 2019

"In our continued commitment to achieving superior results for our clients, we have once again earned No. 1 rankings across multiple U.S. and global categories in 2019, based on annual year-end league table data from Refinitiv (formerly known as Thomson Reuters)."
Thomson Reuters (January 22, 2020)

Houlihan Lokey Acquires Fidentiis Capital to Continue European Expansion

"Houlihan Lokey (NYSE:HLI), the global investment bank, announced today that it has acquired Fidentiis Capital as the firm continues to grow its European Corporate Finance business."
Bloomberg (November 5, 2019)

Houlihan Lokey to Acquire Freeman & Co.

"Acquisition Bolsters Firm's Capabilities in Investment Banking to the Broker-Dealer, Asset Management, and Wealth Management Sectors."
Nasdaq (October 23, 2019)

Select Recent Houlihan Lokey Transactions



Sale of GPRS to Kohlberg & Company: GPRS is the leading national provider of advanced utility and structural scanning to accurately map subsurface infrastructure. Kohlberg is a leading private equity firm headquartered in Mount Kisco, New York, targeting investments in the industrial manufacturing, consumer, business services, healthcare services, and financial services sectors. Houlihan Lokey served as the lead financial advisor and assisted in marketing, structuring, and negotiating the transaction on behalf of GPRS and CIVC, successfully navigating the transaction during the global COVID-19 pandemic.



Recapitalization of STV Group by The Pritzker Organization: Founded more than 100 years ago, STV is a leader in providing architectural, engineering, planning, environmental, and construction management services for transportation systems, infrastructure, buildings, energy, and other facilities. The Pritzker Organization is the merchant bank for the business interests of the Tom Pritzker family and recapitalized the ownership of STV through a purchase of shares owned by the company's employee stock ownership plan (ESOP). Houlihan Lokey served as the sole financial advisor to STV and assisted in marketing, structuring, and negotiating the transaction; additionally, Houlihan Lokey rendered a fairness opinion with respect to the transaction.



Financial Restructuring of McDermott International: McDermott International is a fully integrated provider of engineering, procurement, construction and installation and technology solutions to the energy industry. It designs and builds end-to-end infrastructure and technology solutions to transport and transform oil and gas into a variety of products. Following the company's acquisition of Chicago Bridge & Iron Company in May 2018, McDermott experienced significant cost overruns and delays associated with projects within its onshore business segment. In conjunction with underperformance by its offshore operations, the incremental cash needs of the troubled onshore projects drained McDermott of liquidity and pushed it toward a Chapter 11 filing. Houlihan Lokey advised an ad hoc group of unsecured noteholders.



Sale of Plateau Excavation to Sterling Construction Company: Plateau Excavation is a leading provider of complex, large-scale site infrastructure services in the Southeastern U.S. and is the largest excavating contractor in that region. Houlihan Lokey served as the financial advisor to Plateau in its sale to Sterling Construction Company and provided guidance, assisted in diligence efforts, and helped structure and negotiate the transaction. Houlihan Lokey ran a broad and comprehensive process, pursuing both strategic and financial buyers. Ultimately, Sterling agreed to acquire Plateau for \$400 million: \$375 million in cash and \$25 million in Sterling common stock and seller notes.



Sale of Power Survey Company to Osmose: Founded in 2006, Power Survey leverages unique mobile surveying technologies to detect contact voltage and identify faults in underlying utility infrastructure. Power Survey was acquired by Osmose Utilities Services, a portfolio company of EQT Infrastructure. Founded in 1934, Osmose is the market-leading provider of critical inspection, maintenance, and restoration services for utility and telecom infrastructure in North America. Houlihan Lokey served as the exclusive financial advisor and assisted in marketing, structuring, and negotiating the transaction on behalf of Power Survey.

2020 Virtual Business Services Conference



WE'LL BE THERE!

2020 Virtual Business Services Conference

Virtual Presentations: September 29, 2020

Virtual One-on-One Meetings: September 30 and October 1, 2020

Conference Overview

Houlihan Lokey is pleased to host its 2020 Virtual Business Services Conference on Tuesday, September 29, 2020. This conference is an excellent opportunity to develop relationships and gain insights into the market dynamics and strategies within a wide variety of sectors.

Conference Format

Executives from high-performing services companies will showcase their businesses to an audience of prospective strategic, financial, and institutional investors and other capital providers. Conference activities include:

Detailed Company Presentations

One-on-One Discussions (upon request, if available, on September 30 and October 1)

Conference Attendees

- Senior executives from leading companies
- Private equity and hedge fund investors with relevant industry experience and knowledge
- Mezzanine and senior debt providers

Participation Benefits

- Network with prospective financial, institutional, and strategic investors and other capital providers
- Interact and develop new relationships with industry experts and thought leaders
- Discuss strategies for creating value for stakeholders
- Get a time-efficient pulse check on the state of the market and other current issues

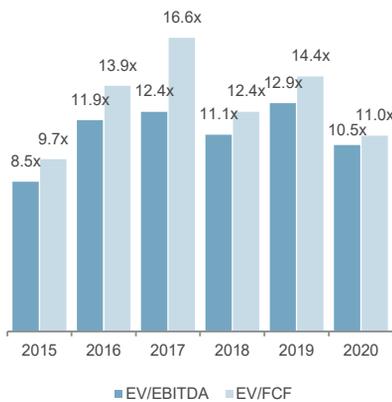
Email BUSConference@HL.com to reserve your place at the conference.

EI&I Public Companies Operations, Markets, and Valuation Overview

Engineering Services



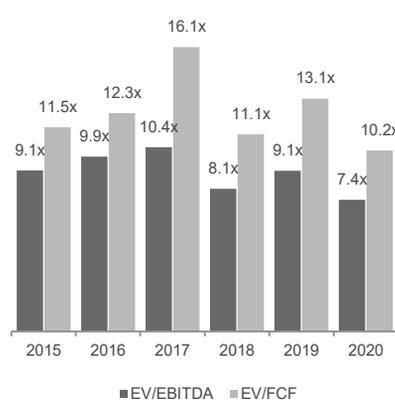
Mean LTM EV/EBITDA: 10.5x
Mean LTM EV/FCF: 11.0x



Industrial Services



Mean LTM EV/EBITDA: 7.4x
Mean LTM EV/FCF: 10.2x



Infrastructure Services



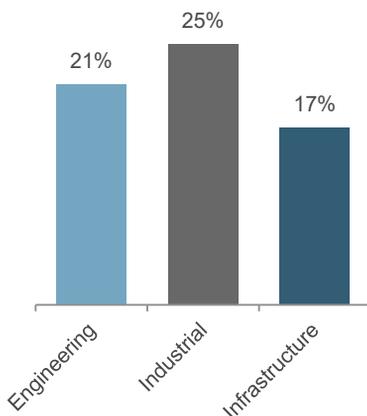
Mean LTM EV/EBITDA: 7.4x
Mean LTM EV/FCF: 10.7x



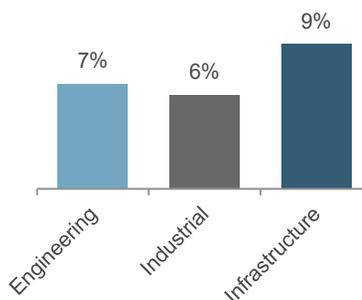
Note: Multiples from 2015 to 2019 calculated as of year-end (December 31) of each respective year. Multiples from 2020 are calculated as of LTM 06/30/20.

Financial Metrics

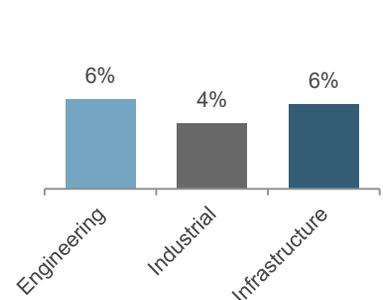
Average '17-'19 EBITDA CAGR



Average LTM EBITDA Margin



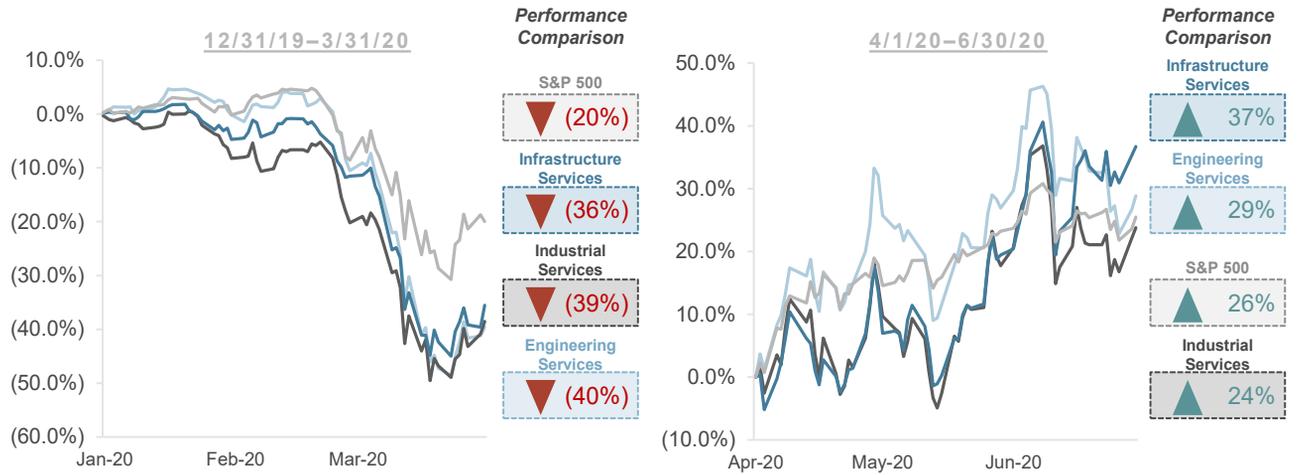
Average LTM FCF Margin⁽¹⁾



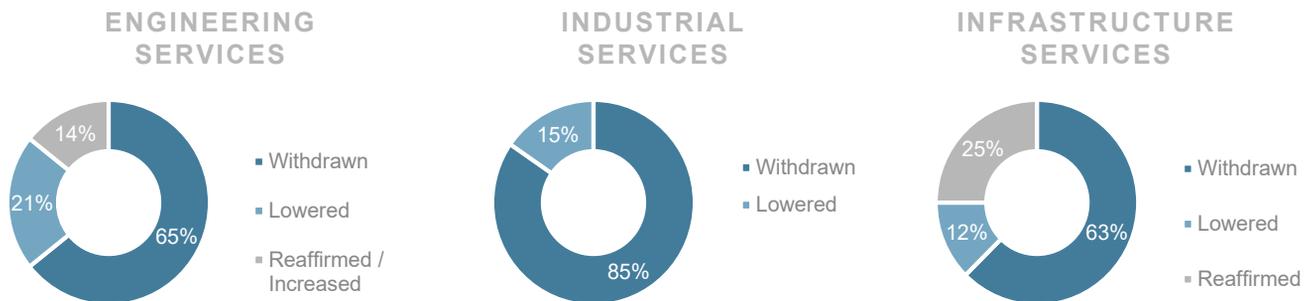
Note: All LTM data is calculated as of 06/30/20.
(1) FCF defined as EBITDA less capital expenditures.
Source: S&P Capital IQ.

EI&I Public Companies Operations, Markets, and Valuation Overview (cont.)

Index Performance⁽¹⁾



FY 2020 Financial Guidance: COVID-19 Impact



~90% of the companies in Houlihan Lokey's EI&I universe have either withdrawn or lowered their FY 2020 guidance

<p>AECOM</p> <p>"Based on the strong financial performance delivered in the first half of the fiscal year and continued momentum through May, the Company <u>has reaffirmed its full year financial guidance.</u>" (May 2020)</p>	<p>AEGION</p> <p>"As a result of the significant uncertainty regarding current market conditions and difficulty in estimating the ultimate financial impact to the organization, Aegion <u>is withdrawing 2020 financial guidance issued on February 28, 2020.</u>" (March 2020)</p>	<p>AECOM</p> <p>"Aecon is <u>withdrawing its outlook for 2020</u> as the Company evaluates the impact of the temporary slowing or suspension of work ... in light of the COVID-19 pandemic." (March 2020)</p>
<p>KBR</p> <p>"We did recognize early that COVID-19 would have an impact on sales, particularly in China. And we prudently <u>reduced our forecast for 2020</u> with our initial guidance in February." (May 2020)</p>	<p>EMCOR</p> <p>"EMCOR is <u>withdrawing its previously announced guidance for the full year 2020</u> due to the economic uncertainty caused by COVID-19." (April 2020)</p>	<p>SUMMIT</p> <p>"We believe that it is prudent to <u>withdraw guidance at this time</u>, pending better visibility into the extent of economic disruption related to COVID-19 and the ultimate resumption of normal business conditions." (April 2020)</p>
<p>TETRA TECH</p> <p>"Due to the uncertainties related to COVID-19, the Company is <u>withdrawing its previously provided fiscal 2020 guidance.</u> The company may update its outlook if there is improved clarity prior to the end of Q3." (April 2020)</p>	<p>MISTRAS</p> <p>"The Company experienced a weakening oil and gas market... additional macro concerns have since surfaced, most prominently the impact of COVID-19... Given the uncertainty at this time, we will not provide full-year guidance." (March 2020)</p>	<p>Tutor Perini</p> <p>"Accordingly, based on the Company's results to date in 2020 and its current outlook for the remainder of the year, the Company is <u>affirming its EPS guidance.</u>" (May 2020)</p>

(1) Performance for the EI&I indices is based on equally weighted stock price declines (Source: S&P Capital IQ).

Significant Infrastructure-Related News Stories

Senate Sleeps on House Democrats' \$1.5 Trillion Infrastructure Bill (*Forbes*, July 3, 2020)

"Although House Democrats passed a massive \$1.5 trillion infrastructure proposal earlier this week, the Senate didn't take it up before the weekend—and the bill is now facing near certain death as both top Republicans and the White House have said they will oppose the legislation."

House Passes \$1.5 Trillion Infrastructure Bill (*Wall Street Journal*, July 1, 2020)

"Democratic plan to rebuild roads and rails doesn't have Republican support, and bipartisan efforts have faltered for years. The House passed a broad, \$1.5 trillion effort to rebuild the nation's roads, railways, and schools, as Democrats pursued their own infrastructure legislation without the bipartisan deal discussed for years during the Trump administration."

New Data Shows Construction Activity Returning to Pre-Coronavirus Levels in Many Parts of the Country as Some Firms Begin to Add Workers (*AGC*, June 18, 2020)

"[New data] shows that construction activity is returning to pre-coronavirus levels in many parts of the country, and some firms are adding workers. The new economic data, however, also shows some future projects are being canceled and many others are being delayed by supply chain issues and labor shortages, underscoring the need for additional federal recovery measures, association officials noted."

Trump's Push for Major Infrastructure Bill Faces GOP Opposition (*The Hill*, June 17, 2020)

"President Trump's election-year push for a \$1 trillion infrastructure spending bill to boost the struggling economy faces strong opposition from Senate Republicans. GOP senators are warning that Trump's expected proposal is too 'rich' and would be a 'heavy lift' in Congress, especially considering significant policy differences between Senate Majority Leader Mitch McConnell (R-Ky.) and Speaker Nancy Pelosi (D-Calif.)."

As Utilities Tackle Immediate COVID-19 Impacts, Analysts Stress Need to Focus Beyond the Pandemic (*Utility Dive*, May 20, 2020)

"Data now verifies a pandemic-driven collapsing commercial-industrial electricity load is only partially offset by sheltering-at-home customers' spiking residential usage. Because of the economic turmoil, a sharp recovery to previous 'normal' daily load shapes is unlikely without new stimulus efforts. Utilities are safer equities than most in this storm, so it could be a moment for CEOs to pursue new electrification revenues and expenditures for system flexibility they will need going forward."

IDC: Telecommunications Services Sector Resilient in Face of COVID-19 (*Fierce Telecom*, May 15, 2020)

"Due to its ability to provide critical services, COVID-19 is having a limited impact on the worldwide telecommunications sector. The telecommunications sector has benefited from the global shelter in place and quarantine policies, which has led to millions of employees working from home as well as more online learning and gaming usage. On the flipside, the economic impact of businesses closing, higher unemployment, reduced consumer spending, and frozen tourist activities will have a negative impact on the telecommunications market."

U.S. Industrials Lead Way as Nearly Half of S&P 500 Has Altered Guidance (*S&P Global*, May 8, 2020)

"Following another week of mass guidance suspensions, S&P 500 industrials overtook the consumer discretionary sector with the highest number of financial outlook withdrawals or revisions over COVID-19 concerns since the advent of the crisis. Fifty companies in the S&P 500 abandoned guidance from April 30 to May 6....the most recorded in a one-week period during the pandemic."

Construction Activity in the COVID-19 Era: Essential Activity or Non-Essential Activity? (*Duane Morris LLP*, March 27, 2020)

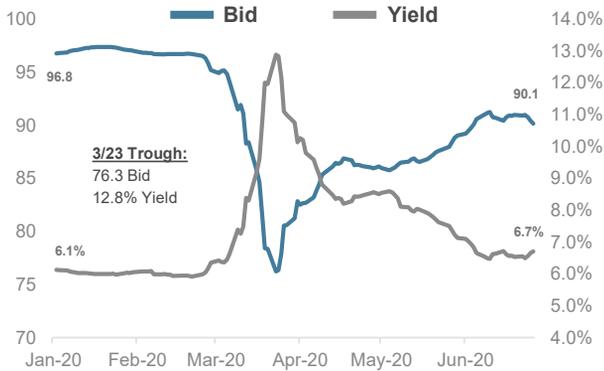
"Under CISA [Cybersecurity and Infrastructure Security Agency], many construction activities have been deemed to be 'essential.' This means that, for States that are following CISA, in general, construction and construction supply companies may continue operations. However, not all executive orders are created equal. Governors and mayors have created a patchwork of mandates to attempt to flatten the coronavirus curve, and not all sectors of the construction industry have a green light to stay open and running."

Recent M&A Transactions

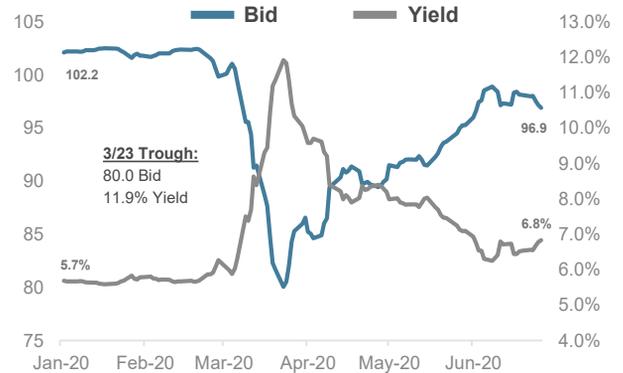
Announced Date	Acquirer	Target	Target Description	Transaction Value (\$M)
Jul-20	Worley Ltd.	TW Power Services (remaining 50% stake)	Offers operations and maintenance services to the power generation sector in Australia and New Zealand	\$14
Jul-20	NV5 Global	Mediatech Design Group	Provides award-winning independent consulting services and specializes in technology design for the built environment	NA
Jun-20	Kohlberg & Company	GPRS	Provides subsurface detection services to the construction industry, including detection of underground utilities and the scanning of concrete structures	NA
Mar-20	Comfort Systems USA	TAS Energy Inc.	Designs, develops, manufactures, installs, and services thermodynamic solutions	\$120
Feb-20	Tetra Tech, Inc.	Segue Technologies, Inc.	Provides information technology solutions and services to government, commercial, and healthcare industries	\$50
Feb-20	Aecon Group	Voltage Power Ltd.	Provides power line construction services across Canada	\$22
Oct-19	Willdan Group	Energy & Environmental Economics, Inc.	Provides advisory services related to various critical issues in the electricity and natural gas industries in North America	\$45
Oct-19	Worley Ltd.	3sun Ltd.	Provides hydraulic, control, and instrumentation products and services to the oil and gas sector worldwide	\$25
Oct-19	The Pritzker Organization	STV Group	Provides engineering and architectural consulting and design services on a variety of projects for the federal, local, state, and foreign governments and private industry	NA
Oct-19	WSP Global	Lievensse Holding B.V.	Provides engineering consulting services in the Netherlands	NA
Oct-19	EMCOR Group	Batchelor & Kimball, Inc.	Provides plumbing, heating, air conditioning, and other specialty contracting services	NA
Oct-19	RPS Group	Reservoir Imaging Ltd.	Software consultancy firm that provides design, survey, and quality control management services to oil and gas industries	\$5
Oct-19	Construction Partners	Mancil's Tractor Service, Inc.	Offers sitework contract services for municipal, commercial, and residential projects	NA
Sep-19	MasTec, Inc.	QuadGen Wireless Solutions Inc.	Provides managed and staff augmentation services to Tier 1 telecommunications operators and vendors in the United States	NA
Sep-19	Quanta Services	The Hallen Construction Co.	Provides distribution contracting and construction services to the utilities sector	NA
Aug-19	WSP Global	Ecology and Environment, Inc.	Provides environmental consulting professional services to companies and governments worldwide	NA
Aug-19	Jacobs Engineering	Nuclear Business of John Wood Group	Provides nuclear technology and engineering services	\$275
Aug-19	Sterling Construction	Plateau Excavation, Inc.	Operates as an excavation contractor, which offers site infrastructure improvement and construction services	\$420
Jul-19	Osmose Utilities Services	Power Survey Co.	Provides unique mobile surveying technologies to detect contact voltage and identify faults in underlying utility infrastructure	NA

Debt Capital Markets in 2020

U.S. Leveraged Loans: Average S&P/LSTA Leveraged Loan Index Bid and Yield⁽¹⁾



U.S. High Yield: Average S&P Corporate Bond Index Average Bid and Yield⁽¹⁾



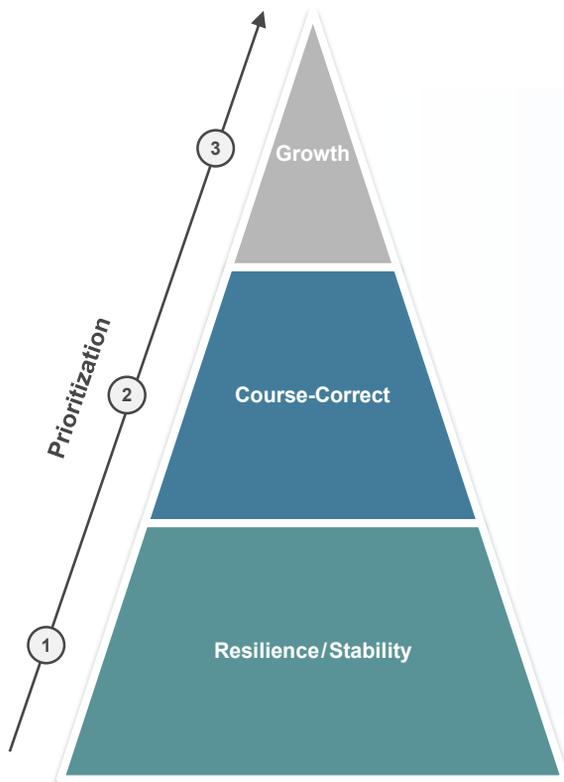
- Bank debt is becoming more costly and hard to access, and demand for the asset class has dropped throughout the summer.

Source: S&P LCD, S&P Capital IQ, Reuters.

- Borrowers are shifting from the U.S. leveraged loan market and are now using high-yield bonds to refinance existing loans.

Source: S&P LCD, S&P Capital IQ, Reuters.

Value-Enhancing Strategies Post-COVID-19



What Will Stakeholders Ask?

- How do backlog and prospects look today vs. pre-pandemic?
 - Did you attract and/or retain the people you need to position the company for growth?
 - Did you execute on and/or build the M&A pipeline?
-
- If necessary, were you able to manage your balance sheet (e.g., aggressive working capital tactics)?
 - What leadership actions were taken to shore up existing operations?
 - How was the employee base managed? How variable is the cost structure?
 - What are implications on continued investment in the growth plan?
-
- Did jobs stop or start (by end-market, geography, service, and job type)?
 - Which customers continued or stopped work? Was work canceled or pushed?
 - How did recurring/reoccurring work perform vs. new opportunities?
 - Was there margin preservation at gross, EBITDA, and FCF levels?

Houlihan Lokey's EI&I team has engaged in and welcomes ongoing dialogue regarding best practices for protecting and enhancing value.

(1) Daily data, as of 6/30/20.
Sources: S&P LCD, LFI Weekly, S&P Capital IQ, Bloomberg.

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 the No. 1 M&A advisor for the past five consecutive years in the U.S., the No. 1 global restructuring advisor for the past six consecutive years, and the No. 1 global M&A fairness opinion advisor over the past 20 years, all based on number of transactions and according to data provided by Refinitiv (formerly Thomson Reuters).

Locations



Industry Expertise

Product Expertise

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

Dedicated Industry Groups

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

Financial Sponsors

- Active Dialogue
With a Diverse Group of
1,000+ Sponsors
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- Capital Alliances

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