



HOULIHAN LOKEY

PORTFOLIO VALUATION & FUND ADVISORY SERVICES

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# A VALUE-ADDED PARTNERSHIP: PORTFOLIO ACQUISITION DILIGENCE SERVICES



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## A VALUE-ADDED PARTNERSHIP: PORTFOLIO ACQUISITION DILIGENCE SERVICES

Over the past few years, a number of large illiquid portfolios of both distressed and performing financial assets have changed hands. This trend is growing as banks, insurance companies, and other regulated institutions seek to clean up their balance sheets and free up regulatory capital. The natural buyers of these portfolios are often hedge funds and other institutional investors with matching investment mandates and broader discretion in their strategies. The sales process for these portfolios, from initial marketing to closing, can be both competitive and time constrained, requiring buyers to dedicate meaningful amounts of their limited resources to these efforts, often leading to internal disruptions and potentially high opportunity costs. The case study below outlines one recent example of how Houlihan Lokey added value in connection with the pre-acquisition due diligence of a portfolio of illiquid securities.

### CASE STUDY

#### **The Situation**

Houlihan Lokey was approached by the special situations platform of a U.S.-based global private investment firm (the “Buyer”) in connection with a \$1.2+ billion purchase of a portfolio of distressed assets (the “Portfolio”) from a global bank (the “Seller”). The Portfolio was composed of hundreds of instruments spanning North America and Europe, as well as sectors such as energy, real estate, healthcare, and financials, among others.

The Buyer had a short window of exclusivity in which to perform due diligence on the Portfolio and submit bids for both the Portfolio and the individual assets. In order to accomplish this quickly, they required a trusted partner that could be a seamless extension of their internal deal teams in order to analyze all of the underlying investments in the Portfolio.

#### **The Partnership**

This is when Houlihan Lokey stepped in. We were retained by the Buyer to provide certain pre-transaction portfolio diligence and valuation services for a portion of the Portfolio.

The portfolio diligence services included reviewing available qualitative and quantitative information, identifying key data and information gaps, leading in-depth discussions with the Seller on each of the securities, and performing independent research. Houlihan Lokey also constructed portfolio-company-specific investment memoranda for review by the Buyer’s senior management and performed independent valuation analyses.



We were able to leverage our asset-class and industry expertise across the Houlihan Lokey platform to provide the Buyer with an enhanced level of insight.

We provided valuation schedules that detailed our independent valuation analyses for the subject securities of each portfolio company. Houlihan Lokey presented each investment memoranda and corresponding valuation schedules to the Buyer, providing a real-time overview of each investment opportunity as well as additional rationale and support for our value conclusions. Most importantly, we were able to leverage our asset-class and industry expertise across the Houlihan Lokey platform to provide the Buyer with an enhanced level of insight. This aspect of the partnership was particularly valuable to the client given the distressed nature of the assets within the Portfolio.

### The Outcome

Houlihan Lokey immediately mobilized a deep bench of resources in order to meet the three-week turnaround time required by the Buyer to maintain exclusivity. We operated seamlessly with the Buyer's internal deal teams to create deliverables for senior management that were indistinguishable from those created internally. Ultimately, the Buyer submitted its bids within the window of exclusivity, agreed on pricing with the Seller, and the transaction was announced shortly thereafter. This situation highlights what we deliver to all of our clients: strong project management skills, timely execution, quality work product, and insightful analysis.

### Houlihan Lokey's Services

Houlihan Lokey assists buyers in assessing the value of the underlying positions in these portfolios and plays a critical role in a more streamlined and efficient pre-acquisition process for the buyer, allowing for more timely and well-considered decisions and bid responses. Along with our expertise in a wide variety of asset classes and industries and our real-world transaction experience and market knowledge, we rapidly mobilize the right team for the job from our dedicated global Financial Advisory Services business.

#### INDUSTRY EXPERTISE

- Aerospace
- Defense
- Government
- Business Services
- Consumer, Food, & Retail
- Energy
- Financial Institutions
- Healthcare
- Industrials
- Real Estate, Lodging & Leisure
- Technology
- Media
- Telecom
- Transportation & Logistics

#### ASSET CLASS EXPERTISE

- Illiquid debt & equity securities
- Complex derivative instruments
- Mortgage-backed securities
- Collateralized debt obligations
- Collateralized loan obligations
- Infrastructure & marketplace lending
- PIPE investments
- Leveraged loans
- Convertible arbitrage strategies
- Joint venture investments
- Trade & bankruptcy claims
- Real estate investments

Houlihan Lokey is the ideal partner for any sponsor considering the purchase of a portfolio of illiquid securities.

We leverage our knowledge and experience in pre-acquisition due diligence to advise clients on fundamental value, pricing across securities, and value maximization within the portfolio being purchased.

## PORTFOLIO VALUATION & FUND ADVISORY SERVICES

Houlihan Lokey's Portfolio Valuation & Fund Advisory Services practice is a leading advisor to many of the world's largest asset managers due to our strong reputation with regulators, auditors, and investors; private company, structured product, and derivative valuation experience; and independent voice. We have valued illiquid assets on behalf of hundreds of hedge funds, private equity firms, financial institutions, corporations, and investors.

- Fair Valuation for Financial Reporting
- Valuation Governance and Best Practices
- Portfolio Acquisition Diligence Services
- Fund Manager Valuation
- Securitization and Regulatory Compliance
- Fund Recapitalization and Transaction Opinions

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### ABOUT HOULIHAN LOKEY

Houlihan Lokey (NYSE: HLI) is a global investment bank with expertise in mergers and acquisitions, capital markets, valuation, financial restructuring, and strategic consulting. The firm serves corporations, institutions, and governments worldwide with offices in the United States, Europe, and the Asia-Pacific region. Independent advice and intellectual rigor are hallmarks of our commitment to client success across our advisory services. Houlihan Lokey is ranked as the No. 1 M&A advisor for all U.S. transactions, the No. 1 global M&A fairness opinion advisor over the past 15 years, and the No. 1 global restructuring advisor, according to Thomson Reuters.