



**Houlihan Lokey**

# Portfolio Acquisition and Divestiture Services

Maximizing Returns and Using Resources Effectively





# The Landscape

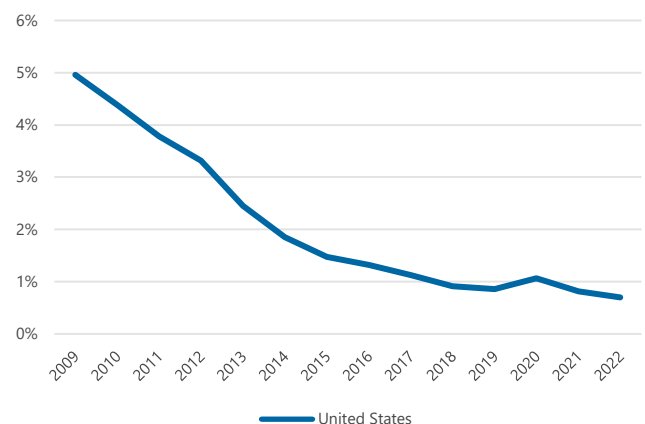
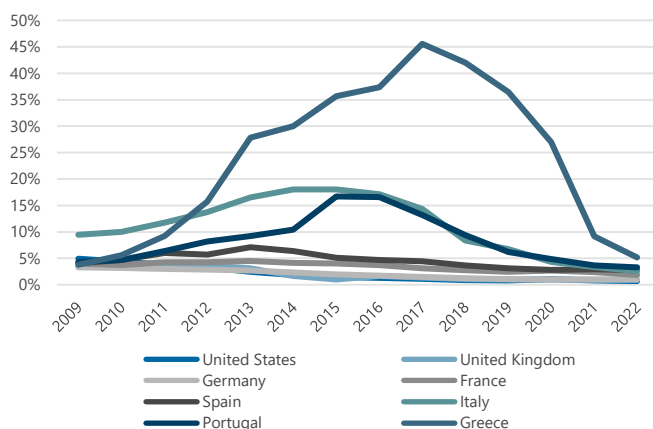
Over the past few years, market and regulatory dynamics have driven several illiquid portfolios to change hands. This trend continues to grow as banks, insurance companies, and other regulated institutions seek to right-size their balance sheets and free up regulatory capital while asset managers seek opportunities to generate higher returns in a challenging market environment. The natural buyers of these portfolios are hedge funds and other institutional investors with matching investment mandates and broader discretion in their strategies. The sale process, from initial marketing to closing, can be both competitive and time constrained, requiring buyers to dedicate meaningful amounts of their limited resources to due diligence efforts, often leading to internal disruptions and potentially high opportunity costs. Similarly, sellers face pressure to maximize value within a meaningful time frame and ensure their shareholders and investors receive a fair price for the transacted securities. Financial advisors provide valuable support in portfolio transactions, as they can deploy the right industry expertise with sufficient resources to assist either side throughout the process.

## Market Overview

- North American and European private equity firms fundraising fell by more than \$100 billion in 2022.
  - 1,520 new funds were closed throughout the year, which raised a total of around \$730 billion.
- According to Private Equity International, a smaller number of funds commanded more of the capital raised in 2022, as the number of vehicles that closed during the year was at its lowest since 2016.
- The secondary market delivered a second consecutive year of estimated volumes of over \$100 billion in 2022 globally.
  - The secondary market is a highly relevant component of the private capital markets irrespective of the macroeconomic environment.
  - Twenty-four secondary transactions were closed in Europe in 2022 for a total gross book value (GBV) of c. €28 billion, of which 13 were portfolios of non-performing loans for a total GBV of c. €19 billion, four were portfolios of performing loans for a total GBV of c. €4 billion, and six were unlikely-to-pay loan portfolios for a total GBV of c. €5 billion.
- The current market dynamics described are forcing asset management firms to find creative ways to generate returns for investors—one of which is portfolio transactions.
- The European non-performing loan (NPL) portfolio market continues to be larger than the North American NPL market and has seen a challenging environment for deal flow over the past three years, with transaction volumes of around €30 billion in 2022 compared to more than €100 billion in 2021 and around €70 billion in 2020. Spain, Italy, and the U.K. have been at the forefront of the European portfolio trades over the past years.
- The current high interest rate environment encourages investors to look for distressed and well-diversified loan portfolio acquisitions. In addition, high inflation has forced banks to sell non-core assets and corporate borrowers to restructure their debt obligations.

Sources: Lazard, Debtwire, and Private Equity International.

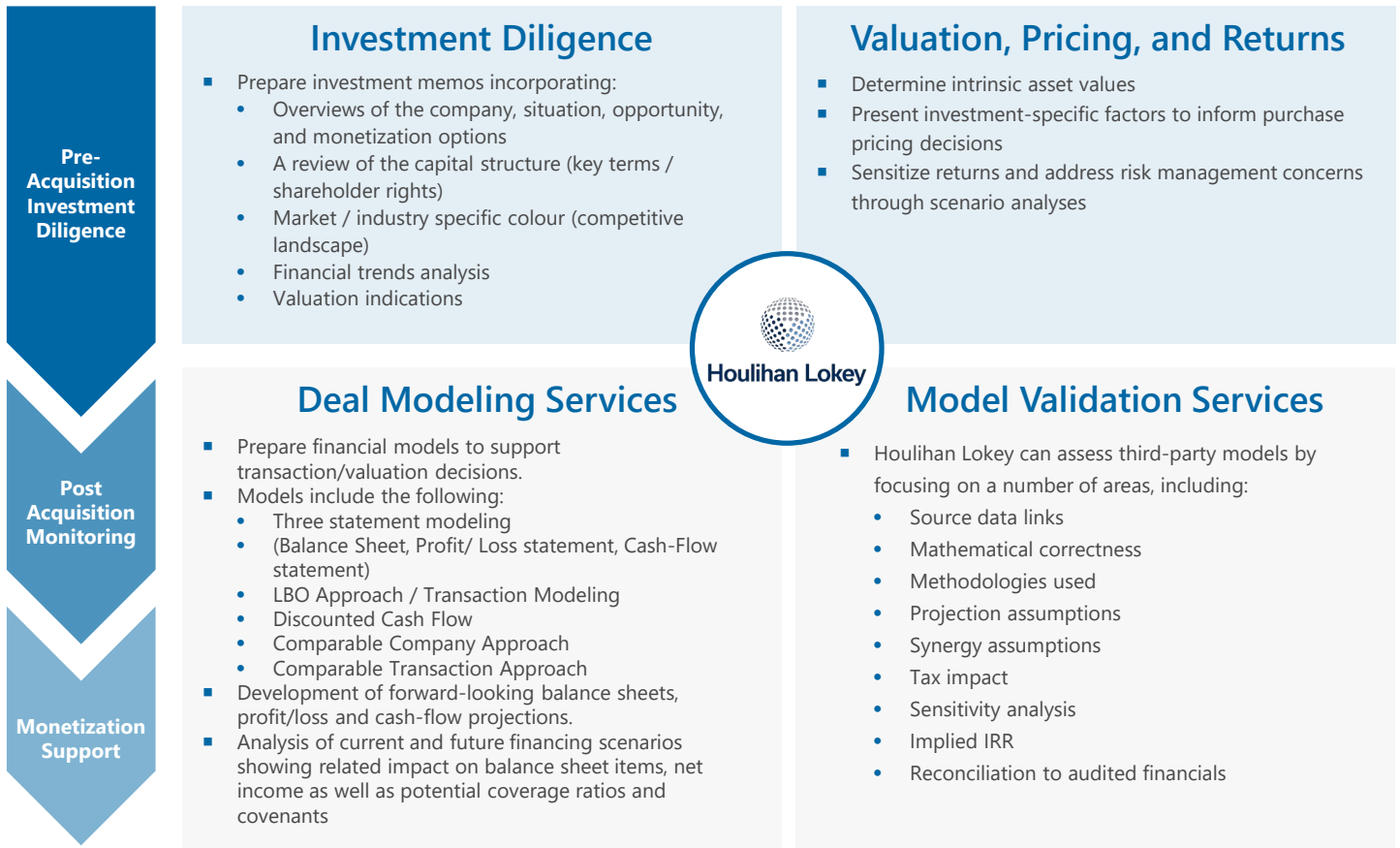
## NPLs to Total Gross Loans (%)



Note: Due to lack of data, the 2020-2021 NPL ratios for Germany are interpolated. Sources: World Bank (for 2009-2021) and Statista (for 2022, for all countries except the U.K.), and CEIC (for 2022, for the U.K. only).

# Houlihan Lokey's Customized Service Solutions

Houlihan Lokey is uniquely positioned to add value at any point in the transaction cycle. Our involvement throughout the holding period creates significant synergies for our clients as securities move from diligence to monitoring and, ultimately, to monetization.



## Benefits of Leveraging the Houlihan Lokey Platform



# Featured Relevant Experience



Project Name	Project Description	Transaction Value
<b>Project Sigma</b>	<ul style="list-style-type: none"> <li>Project Sigma was related to a multinational investment bank based in the U.S. (the Bank) offering a product to its high-net-worth clients to co-invest alongside the Bank's funds in certain opportunistic private company transactions. The Bank sourced an opportunity to make a co-investment alongside a private equity firm (the Sponsor) in a European-based private company operating in the packaged foods and meats industry (the Target).</li> <li>Houlihan Lokey was engaged by the Bank to provide pre-transaction investment diligence and valuation services related to the investment in the Target.</li> </ul>	<b>\$7.0B</b>
<b>Project Charles</b>	<ul style="list-style-type: none"> <li>Project Charles was related to a U.K. pension plan's (the Buyer) purchase of the majority of a \$3.1 billion portfolio of loans to asset managers from a European bank (the Seller). The Seller, which retained a small portion of the original lending, continued to manage the pool of loans and arranged new financing for the Buyer on the same basis.</li> <li>Houlihan Lokey performed certain pre-transaction investment diligence on 61 underlying portfolio companies and 64 securities.</li> </ul>	<b>\$3.1B</b>
<b>Project Dolphin</b>	<ul style="list-style-type: none"> <li>Project Dolphin was a buy-side pre-acquisition valuation analysis where an asset management firm was in the process of bidding for a bank with assets exceeding \$25 billion, including \$10 billion+ of residential whole loans and \$300 million of mortgage servicing rights.</li> <li>Houlihan Lokey conducted a valuation analysis of the residential whole loans and mortgage servicing rights, which was utilized by the asset management firm to gain comfort with the value of c. 61,000 whole loans and the mortgage servicing rights on 183,000 loans.</li> </ul>	<b>\$2.5B</b>
<b>Project North</b>	<ul style="list-style-type: none"> <li>Houlihan Lokey was engaged to develop an underwriting template for the client's loan underwriting activities.</li> <li>The project scope was subsequently expanded. Houlihan Lokey was asked to provide additional analytical support for c. 100+ credits held by two of the client's insurance subsidiaries across its 50+ portfolio companies.</li> </ul>	<b>\$1.7B</b>
<b>Project Bills</b>	<ul style="list-style-type: none"> <li>Project Bills was related to a transaction in which the special situations platform of a U.S.-based global private investment firm purchased a portfolio comprising c. 300 instruments across various asset classes in more than 150 portfolio companies that spanned multiple industries and geographies.</li> <li>Houlihan Lokey was retained by the investment firm to provide certain pre-transaction investment diligence and valuation services for c. 40 portfolio companies covering 60 instruments.</li> </ul>	<b>\$1.3B</b>
<b>Project Pint I</b>	<ul style="list-style-type: none"> <li>Project Pint I was related to a Bermuda-based holding company that owned more than 10 insurance businesses and was raising debt capital collateralized by the underlying businesses.</li> <li>Houlihan Lokey was engaged by the holding company to provide independent valuations to allow the potential lenders to understand the underlying portfolio better and be able to deploy capital on an expedited timeline.</li> </ul>	<b>\$0.5B+</b>
<b>Project Pint II</b>	<ul style="list-style-type: none"> <li>Project Pint II was related to a Bermuda-based holding company that owned more than 10 insurance businesses. The company was in the process of securing \$75 million in equity capital from the International Finance Corporation as venture funding to finance future growth.</li> <li>Houlihan Lokey was engaged by the holding company to provide independent valuations to allow the potential investors to understand the underlying portfolio better and be able to deploy capital on an expedited timeline.</li> </ul>	<b>\$0.5B+</b>
<b>Project Frontier</b>	<ul style="list-style-type: none"> <li>Project Frontier was related to a transaction in which a hedge fund (the Buyer) had exclusivity to purchase a portfolio of more than 30 securities that spanned the capital structure of 16 early-stage portfolio companies from a venture capital fund.</li> <li>Houlihan Lokey was retained by the Buyer to provide a range of valuation, due diligence, and advisory services for multiple portfolio companies. These analyses were used to inform and support the Buyer's proposed pricing for the transaction as well as provide a road map for monetization for certain portfolio companies.</li> </ul>	<b>Not Disclosed</b>
<b>Project Giant</b>	<ul style="list-style-type: none"> <li>Project Giant was related to a globally diversified healthcare and financial services holding company's (the Buyer) purchase of an insurance company.</li> <li>Houlihan Lokey was engaged to develop credit memoranda and provide analytical support for more than 100 debt securities held by two of the Buyer's insurance subsidiaries across c. 50 portfolio companies. Houlihan Lokey also provided underwriting support in connection with the sale of the mortgage origination and services platform.</li> </ul>	<b>Not Disclosed</b>
<b>Project CSAM</b>	<ul style="list-style-type: none"> <li>Project CSAM was related to a global asset manager involved in the management of four supply chain funds, with an aggregate NAV of c. \$10 billion that had exposure to receivables and irrevocable payment.</li> <li>Houlihan Lokey was engaged as a financial advisor to assist in formulating a view on valuation and NAV estimates.</li> </ul>	<b>Not Disclosed</b>
<b>Project Timber</b>	<ul style="list-style-type: none"> <li>Project Timber was related to a U.S.-based global private investment firm's special situations platform that was seeking to capitalize on attractive investment opportunities across the fixed-income universe given market dislocation.</li> <li>Houlihan Lokey was retained to provide pre-investment diligence and underwriting support in the form of credit screening/underwriting memorandums for certain issuers and securities as identified by the investment firm. Houlihan Lokey produced two tiers of credit screening/underwriting memorandums based on the level of diligence requested by the client.</li> </ul>	<b>Not Disclosed</b>
<b>Project Blossom</b>	<ul style="list-style-type: none"> <li>Project Blossom was related to an alternative investment manager that was valuing the opportunity to gain exposure to the debt instruments issued by a U.K.-based software provider.</li> <li>Houlihan Lokey was retained by the investment manager to provide pre-investment diligence and an independent valuation of the investment opportunity to support and facilitate the client's internal decision process.</li> </ul>	<b>Not Disclosed</b>
<b>Project Fries</b>	<ul style="list-style-type: none"> <li>Project Fries was related to a multinational institutional alternative investment management firm based in the U.S. specializing in credit and opportunistic investments.</li> <li>Houlihan Lokey was engaged by the investment manager to render certain financial advisory and portfolio analysis services regarding the four largest equity portfolio investments.</li> </ul>	<b>Not Disclosed</b>
<b>Project Armstrong</b>	<ul style="list-style-type: none"> <li>Project Armstrong was related to a multinational investment bank based in the U.S. (the Bank) offering a product to its high-net-worth clients to co-invest alongside the Bank's funds in certain opportunistic private company transactions. The Bank sourced an opportunity to make an investment in a ~\$500 million special purpose vehicle (SPV) managed by a private equity firm.</li> <li>Houlihan Lokey was engaged by the Bank to provide pre-transaction investment diligence and valuation services related to the investment in the SPV.</li> </ul>	<b>Not Disclosed</b>



# Houlihan Lokey Global Coverage



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# Leading Global Independent Investment Bank



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