

Initiated 2026-09-25 · Price \$129.35 (close 2026-09-25, stockanalysis.com) · Mkt cap \$9.04bn · Financials / investment banking & advisory · Model: verified

Rating: Hold — Conviction: Medium

Houlihan Lokey is the highest-volume independent M&A adviser and the largest restructuring adviser, and it carries no funded debt. It has also just had its weakest quarter in three years: Corporate Finance revenue fell 24% as large-fee deals slipped. Management calls the slowdown a timing issue and points to a record pipeline. After a 37% fall over the past year, the price sits almost exactly on the model's base case, and the bull and bear cases are roughly equal distances away. That is a Hold. The next two quarters of CF closings decide which way it breaks.

MODEL VALUE RANGE VS PRICE



Business overview

HLI sells advice rather than balance sheet. FY2026 (year to March 2026) revenue was \$2.62bn:

- **Corporate Finance: 67%.** Mostly mid-market M&A for private-equity sponsors and corporates.
- **Financial Restructuring: 20%.** Debtor and creditor mandates.
- **Financial and Valuation Advisory: 13%.** Fairness opinions and portfolio valuation.

Three variables drive earnings:

- **CF deal completions and average fee.** Deal count was flat in Q1 FY2027 at 127, but revenue fell because larger fees slipped.
- **The restructuring cycle.** It partly hedges CF in a downturn.
- **The comp ratio.** Management holds it at 61.5% adjusted as a long-term target, so margins move mostly with non-comp leverage. Stock compensation (~\$201mm in FY2026) is a real cost and is inside the EBITDA used here.

Competition

- **In mid-market M&A,** HLI competes with Rothschild, the bulge brackets moving down-market, and independents such as Evercore, Moelis and PJT Partners. By count it leads: 415 deals in the 2024 rankings, against 406 for Rothschild and 371 for Goldman Sachs. LSEG ranked it No. 1 for global M&A deal count and for global restructuring in 2025 (company-cited). Both datapoints measure volume, not fees.

- **Where pressure shows first.** Management described a "K-shaped" market in Q1 FY2027: large-cap strong, mid-market soft, Europe softest. So pressure is showing in deal timing and fee size before it shows in share.
- **In restructuring,** Evercore and PJT are the main rivals. Q1 FR revenue fell 8% on 34% fewer closings.
- **Valuation.** On forward P/E (stockanalysis, 2026-09-25), HLI trades at 16.8x, against 13.6x for Evercore, 18.1x for PJT and 16.5x for Moelis.

Bull case

1. **The CF backlog converts.** Management cites a "record pipeline, backlog and new-business activity" and says Q1 deals were delayed, not lost. FY2025 revenue rose 25% off the FY2024 trough. Plays out if sponsor exits and consumer and software deals resume in H2 FY2027. *Model: rev_growth*
2. **Operating leverage returns.** With comp pinned at 61.5% adjusted, margin comes from non-comp: 13.9% of revenue in FY2026, 19.5% in Q1 FY2027. A revenue recovery on a fixed cost base pushes EBITDA margin back toward the mid-20s. Plays out if quarterly revenue gets back above \$650mm. *Model: ebitda_margin*
3. **The multiple recovers.** At 14.5x FY2026 EBITDA, HLI is below the level its franchise and net cash have usually earned. Plays out if two quarters of CF growth restore confidence. *Model: exit_ev_ebitda*

Bear case

1. **This is a cycle, not a delay.** Q1 CF revenue fell 24% as closings slowed in consumer, software (AI-driven valuation resets) and European mid-market deals. FY2023's precedent was -20% total revenue with restructuring only partly offsetting. Plays out if the 10Y stays above 5% and sponsor financing stays expensive. *Model: rev_growth*
2. **Margins stay squeezed.** The Q1 EBITDA margin was 16.8%, against 21.8% in FY2026. A sticky comp ratio and adjusted non-comp up 6% on lower revenue mean a slow recovery barely helps margin. Plays out if HLI keeps hiring MDs and making acquisitions (Intrepid, 32 staff) into a soft tape. *Model: ebitda_margin*
3. **A de-rating toward Evercore.** If growth stays flat, the market could stop paying a premium to Evercore's 13.6x forward P/E. Plays out if FY2027 revenue lands below the \$2.63bn consensus. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
Forward P/E (consensus adjusted EPS)	16.8x	n/a (unverified)	Evercore 13.6x · PJT 18.1x · Moelis 16.5x	stockanalysis.com, 2026-09-25
EV/EBITDA, model basis (EV \$8,243mm = market cap – \$797mm cash and investments; no funded debt; leases excluded)	14.5x FY2026 · 15.0x TTM	EBITDA margin FY2022–FY2026 20.4–29.1%	n/a (peers show no EBITDA on this source)	model-inputs.json ; Q1 FY2027 release
EV/Sales (TTM, aggregator EV)	3.45x	n/a (unverified)	Evercore 2.25x · PJT 3.38x · Moelis 3.04x	stockanalysis.com, 2026-09-25
P/FCF (TTM)	18.5x (5.4% yield)	FCF \$86mm (FY2023) to \$809mm (FY2025)	Evercore 6.6x · PJT 9.4x · Moelis 10.9x (bonus-timing sensitive)	stockanalysis.com, 2026-09-25

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$73.02 · Base \$123.82 · Bull \$185.34 per share, i.e. implied returns of -43.5% / -4.3% / +43.3% vs \$129.35. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- **What the price implies.** It sits just above the base case and almost exactly midway between bear and bull. The market is pricing the Q1 slowdown as neither temporary nor lasting.
- **Re-rating.** None. The base exit multiple is 13.5x, a ~7% de-rating from 14.5x on the same basis. The two methods agree within 8% (Gordon \$119.36, exit \$128.28), and the exit method is the higher one.
- **No tail sensitivity was run.** No client is concentrated, and the bear case is a cyclical break, not a plateau.

Balance sheet:

- Leverage: not meaningful. There is no funded debt, so net leverage is -1.4x on the model basis.
- Cash and investments: \$797mm at June 30, 2026, which is seasonally low after the annual bonus payout (\$1,360mm at March 31).
- Leases: \$493mm of lease liabilities, excluded from EV.
- Nearest maturity: none.
- Ratings: n/a (unverified).

Model note: tier `full`, status `built`, verification `verified` (3,206 formula cells matched in LibreOffice). No assumptions without basis. Scenario consistency is `OK` on all 14 rows.

- **Unverified input:** `market.other_claims`, set to zero (est.). Deferred and contingent acquisition consideration were not checked.
- **Share count.** The model uses 69.89mm shares outstanding, not the 67.6mm diluted weighted average, which is conservative by ~3%.
- **Cash** uses the post-bonus June balance, which understates year-end cash by ~\$6 per share.
- **EPS.** Base Y1 EPS of \$5.56 is GAAP. It sits 21% below the \$7.08 FY2027 consensus because consensus is adjusted EPS, which excludes acquisition-related compensation and amortization (adjusted \$7.56 against GAAP \$6.22 in FY2026), and because the model's share count is higher.

Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

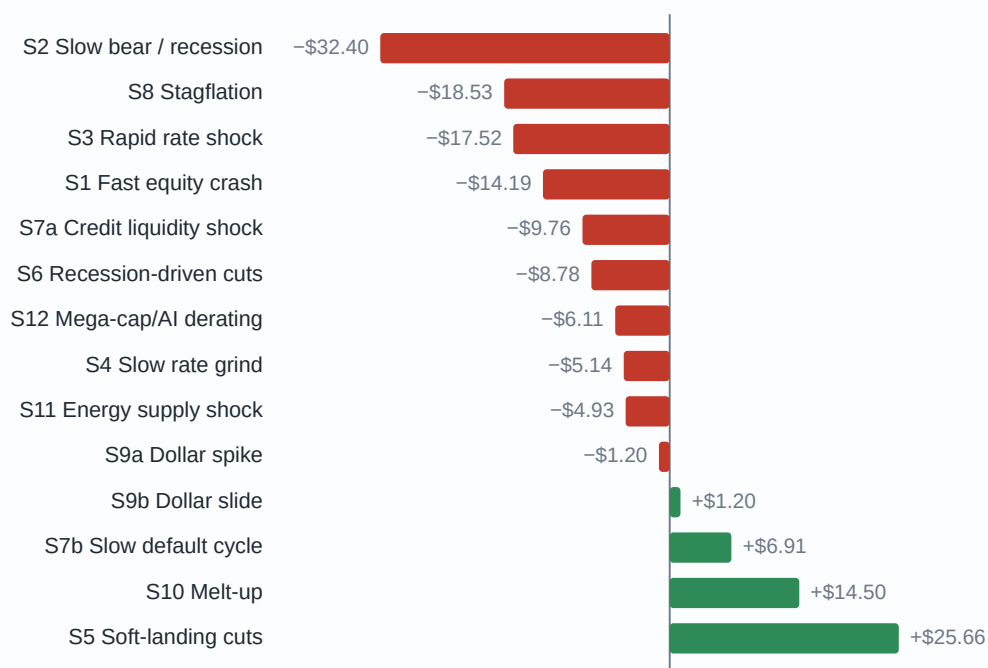
Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	Signings pause while valuations reset; financials de-rate	Med	-\$14.19
S2 Slow bear / recession	-	CF falls as in FY2023 and restructuring offsets only part. Milder than Base – Bear (\$50.80) because it lasts two years, while the bear case compounds a lower base	High	-\$32.40
S3 Rapid rate shock	-	Costlier acquisition financing slows sponsor M&A and the discount rate rises; restructuring demand comes later	Med	-\$17.52
S4 Slow rate grind	-	Higher discount rate; the sponsor drag is roughly offset by liability-management work	Low	-\$5.14
S5 Soft-landing cuts	+	Cheaper financing reopens sponsor exits; the backlog converts	High	+\$25.66
S6 Recession-driven cuts	-	CF falls and restructuring mandates cushion it; lower discount rate	Low	-\$8.78
S7a Credit liquidity shock	-	Financing markets shut and closings slip; restructuring fees bill later	Low	-\$9.76
S7b Slow default cycle	+	Largest restructuring practice adds fees without a CF collapse	Low	+\$6.91
S8 Stagflation	-	Uncertainty delays M&A over three years; higher discount rate	Med	-\$18.53
S9a Dollar spike	-	Europe and Asia-Pacific fees translate lower	Low	-\$1.20
S9b Dollar slide	+	Mirror of S9a	Low	+\$1.20
S10 Melt-up	+	Rising valuations and tight spreads drive exits; financials re-rate	Med	+\$14.50

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S11 Energy supply shock	-	Middle East instability was already a Q1 CF headwind	Low	-\$4.93
S12 Mega-cap/AI derating	-	Software valuation resets (a Q1 headwind) delay tech M&A	Low	-\$6.11

Currently active/on watch per the playbook:

- S3 is partially active per `state.md` ; the 2026-09-24 macro log flags all three legs as met. S3 costs HLI \$17.52 in the model and is the live risk for sponsor M&A.
- S8, S10 and S11 are on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- CF revenue grows year on year in Q2 or Q3 FY2027 with deal count holding at ≥ 125 ; or
- The adjusted non-comp ratio returns below 16%; or
- The price falls toward the bear case with no change in the pipeline commentary.

Downgrades if:

- CF revenue falls again in Q2 FY2027 and management drops the "temporary" framing; or
- The adjusted comp ratio moves above 62% on falling revenue; or
- FR closings keep falling while defaults rise, which would mean a loss of restructuring share.

Watch items

- **W1:** CF revenue in Q2 FY2027, against \$398mm a year earlier: growth or decline year on year. Source: Q2 FY2027 release (late October 2026). *Model: rev_growth*
- **W2:** Adjusted non-comp ratio and comp ratio, against 19.5% and 61.5% in Q1. Source: the same release. *Model: ebitda_margin*
- **W3:** FR revenue and closed transactions, against \$119mm and 23 in Q1 FY2027. Source: Q2 and Q3 FY2027 releases. *Model: rev_growth*
- **W4:** FY2027 revenue against the \$2.63bn consensus, on a TTM run-rate after Q3. Source: Q3 FY2027 release (late January 2027). *Model: rev_growth*

Sources

- Houlihan Lokey Q1 fiscal 2027 results (8-K ex. 99.1) — <https://www.sec.gov/Archives/edgar/data/1302215/000130221526000063/a1q27-ex991.htm> — accessed 2026-09-25
- Houlihan Lokey fiscal year and Q4 2026 results (8-K ex. 99.1) — <https://www.sec.gov/Archives/edgar/data/1302215/000130221526000014/q4fy26-ex991.htm> — accessed 2026-09-25
- SEC EDGAR XBRL companyconcept, CIK 0001302215 (OperatingIncomeLoss, DepreciationDepletionAndAmortization; FY2022–FY2026) — <https://data.sec.gov/api/xbrl/companyconcept/CIK0001302215/us-gaap/OperatingIncomeLoss.json> · <https://data.sec.gov/api/xbrl/companyconcept/CIK0001302215/us-gaap/DepreciationDepletionAndAmortization.json> — accessed 2026-09-25
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- Houlihan Lokey Q1 earnings call highlights — <https://finance.yahoo.com/markets/stocks/articles/houlihan-lokey-q1-earnings-call-040355268.html> — accessed 2026-09-25
- Peer statistics: Evercore <https://stockanalysis.com/stocks/evr/statistics/> · PJT Partners <https://stockanalysis.com/stocks/pjt/statistics/> · Moelis <https://stockanalysis.com/stocks/mc/statistics/> — accessed 2026-09-25
- Houlihan Lokey M&A advisory rankings (company-cited LSEG and PitchBook rankings) — <https://hl.com/services/corporate-finance/mergers-and-acquisitions/> — accessed 2026-09-25
- Daily macro log, 2026-09-24 (10Y 5.18%, S3 legs) — `logs/macro-2026-09.md`

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.