HOULIHAN LOKEY, INC.
Form 424B7
October 25, 2017
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Registration No. 333-221057

The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement filed with the Securities and Exchange Commission related to the securities has been declared effective. This preliminary prospectus supplement is not an offer to sell these securities and we and the selling stockholders are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 25, 2017

PRELIMINARY PROSPECTUS SUPPLEMENT

3,500,000 Shares

Class A Common Stock

The selling stockholders named in this prospectus supplement are offering 3,500,000 shares of Class A common stock, $0.001 par value per share. We will not receive any proceeds from the sale of the shares of Class A common stock by the selling stockholders in this offering.

We have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion rights. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to ten votes per share and is convertible into one share of Class A common stock. Outstanding shares of Class B common stock will represent approximately 93.84% of the voting power of our outstanding capital stock immediately following the completion of this offering.

Our Class A common stock is listed on the New York Stock Exchange (NYSE) under the symbol HLI . The last reported sale price of our Class A common stock on the NYSE on October 24, 2017 was $41.92 per share.

We are an emerging growth company under applicable Securities and Exchange Commission rules and are subject to reduced public company reporting requirements.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page S-7.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts(1)	$	$
Proceeds to the selling stockholders (before expenses)	$	$

(1) See Underwriting for a description of the compensation payable to the underwriters.

The underwriters expect to deliver the shares of Class A common stock to purchasers on or about , 2017.

Morgan Stanley

The date of this prospectus supplement is , 2017.

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Prospectus Supplement

Prospectus

You should rely only on the information contained in this prospectus supplement along with the accompanying prospectus, as well as the information incorporated by reference herein and therein, or in any free writing prospectus we may authorize to be delivered or made available to you. These documents contain important information that you should consider before making your investment decision. This prospectus supplement and the accompanying prospectus contain the terms of this offering of Class A common stock. This prospectus supplement may add, update or change information contained in or incorporated by reference in the accompanying prospectus. If the information in this prospectus supplement is inconsistent with any information contained in or incorporated by reference in the accompanying prospectus, the information in this prospectus supplement will apply and will supersede the inconsistent information contained in or incorporated by reference in the accompanying prospectus.

We, the selling stockholders and the underwriters have not authorized anyone to provide you with different information. This prospectus supplement and the accompanying prospectus constitute an offer to sell shares of our Class A common stock only in jurisdictions where such an offer and sale are permitted. The information in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or any sale of shares of our Class A common stock.

For investors outside the United States: We, the selling stockholders and the underwriters have not done anything that would permit this offering or possession or distribution of this prospectus supplement along with the accompanying prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of Class A common stock and the distribution of this prospectus supplement outside the United States. See the section entitled Underwriting.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information appearing elsewhere in this prospectus supplement. This summary is not complete and does not contain all of the information that you should consider before making your investment decision. Before investing in our Class A common stock, you should carefully read this entire prospectus supplement, the accompanying prospectus, as well as the information incorporated by reference herein and therein, including the financial data and related notes and the section entitled Risk Factors. Some of the statements in this prospectus supplement constitute forward-looking statements. Unless the context otherwise requires, the terms the Company, Houlihan Lokey, Inc. Houlihan Lokey, HL, we, us and our refer to Houlihan Lokey, Inc., a Delaware corporation, and, unless otherwise stated, all of its subsidiaries. We use the term ORIX USA to refer to ORIX USA Corporation, a Delaware corporation and a wholly owned subsidiary of ORIX Corporation, a Japanese corporation. References to ORIX USA as a holder of our shares mean ORIX USA acting through its indirect wholly owned subsidiary, ORIX HLHZ Holding LLC, a Delaware limited liability company. We use the term HL Holders to refer to employees and members of our management that hold our Class B common stock through the Houlihan Lokey Voting Trust (the HL Voting Trust).

Overview

Established in 1972, Houlihan Lokey, Inc., is a leading global independent investment bank with expertise in mergers and acquisitions (M&A), financings, financial restructurings and financial advisory services. Through our offices in the United States, Europe, Asia and Australia, we serve a diverse set of clients worldwide including corporations, financial sponsors and government agencies. We provide our financial professionals with an integrated platform that enables them to deliver meaningful and differentiated advice to our clients. We advise our clients on critical strategic and financial decisions, employing a rigorous analytical approach coupled with deep product and industry expertise. We market our services through our product areas, our industry groups and our Financial Sponsors group, serving our clients in three primary business practices: Corporate Finance (encompassing M&A and capital markets advisory), Financial Restructuring (both out-of-court and in formal bankruptcy or insolvency proceedings) and Financial Advisory Services (including financial opinions, and a variety of valuation, financial and strategic consulting services).

Houlihan Lokey, Inc. was incorporated in Delaware on July 24, 2015. Our principal executive offices are located at 10250 Constellation Blvd., 5th Floor, Los Angeles CA 90067 and our phone number is (310) 788-5200.

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Recent Developments

Second Quarter Fiscal 2018 Preliminary Financial Results

On October 24, 2017, we announced the following preliminary financial results for the three and six months ended September 30, 2017:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Fee revenue	**$ 242,183**	**$ 186,537**	**$ 459,674**	**$ 367,311**
Operating expenses:				
Employee compensation and benefits	161,295	124,902	306,804	246,706
Non-compensation expenses	27,562	26,658	52,671	52,767
Total operating expenses	188,857	151,560	359,475	299,473
Operating income	53,326	34,977	100,199	67,838
Other (income) expense, net	(200)	749	(1,706)	1,657
Income before provision for income taxes	53,526	34,228	101,905	66,181
Provision for income taxes	20,169	13,352	29,304	25,894
Net income attributable to Houlihan Lokey, Inc.	**$ 33,357**	**$ 20,876**	**$ 72,601**	**$ 40,287**
Diluted net income per share of common stock	$ 0.50	$ 0.31	$ 1.09	$ 0.61

	September 30, 2017
Consolidated balance sheet data:	
Cash and cash equivalents	$ 245,356
Total assets	1,168,681
Total liabilities	378,516
Total stockholders equity	785,698

The preliminary financial results presented above are subject to the completion of our financial closing procedures and related review. Those procedures have not been completed. Accordingly, these results may change and those changes may be material. The preliminary financial results included in this prospectus supplement have been prepared by, and are the responsibility of, our management. KPMG LLP has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial results. Accordingly, KPMG LLP does not express an opinion or any other form of assurance with respect thereto.

Accelerated Vesting of Restricted Stock Awards

On October 19, 2017, our board of directors approved the acceleration of the vesting of restricted stock awards covering approximately 1.7 million shares of our Class B common stock granted under our 2006 Incentive Compensation Plan and 2016 Incentive Award Plan. The vesting of such awards will be accelerated such that the portion of each such award that originally was scheduled to vest on April 30, 2018, May 15, 2018 or May 31, 2018 instead shall vest on the closing date of this offering. In connection with such accelerated vesting, our board of directors also approved the net settlement of such awards to satisfy tax withholding obligations. Certain of the shares of Class A common stock to be sold by the selling stockholders in this offering will be shares granted pursuant to the awards for which the vesting is being accelerated, as described above.

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Amendment to the Amended and Restated Houlihan Lokey, Inc. 2016 Incentive Award Plan

On October 19, 2017, our board of directors approved an amendment (the Amendment) to the Amended and Restated Houlihan Lokey, Inc. 2016 Incentive Award Plan (the Plan) reducing the number of shares of common stock available for issuance under the Plan by approximately 12.2 million shares. Under the Amendment, the aggregate number of shares of common stock that are available for issuance under awards granted pursuant to the Plan is equal to the sum of (i) 8,000,000 and (ii) any shares of our Class B common stock that are subject to awards under our Amended and Restated 2006 Incentive Compensation Plan that terminate, expire or lapse for any reason after October 19, 2017.

The number of shares available for issuance will be increased annually beginning on April 1, 2018 and ending on April 1, 2025, by an amount equal to the lowest of:

- 6,540,659 shares of our Class A common stock and Class B common stock;
- six percent of the shares of Class A common stock and Class B common stock outstanding on the final day of the immediately preceding fiscal year; and
- such smaller number of shares as determined by our board of directors.

Common Stock Dividend

On October 19, 2017, our board of directors declared a regular quarterly cash dividend of $0.20 per share of Class A and Class B common stock. The dividend will be paid on December 15, 2017 to stockholders of record as of the close of business on December 4, 2017.

Common Stock Repurchases

During the quarter ended September 30, 2017, we repurchased 261,991 shares of our Class A common stock in open market purchases at an average price of $35.75 per share, for a total cost of $9.4 million, pursuant to our previously announced $50.0 million Class A common stock share repurchase program. As of September 30, 2017, approximately $34.87 million of Class A common stock remained available for repurchase under such program.

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The Offering

Class A common stock offered by the selling stockholders	3,500,000 shares.
Class A common stock to be outstanding immediately after this offering	26,420,320 shares.
Class B common stock to be outstanding immediately after this offering	40,249,016 shares.
Total Class A common stock and Class B common stock to be outstanding after this offering	66,669,336 shares.
Use of Proceeds	We will not receive any of the proceeds from the sale of the shares of our Class A common stock by the selling stockholders.
Risk Factors	Investing in shares of our Class A common stock involves a high degree of risk. See Risk Factors beginning on page S-4 of this prospectus supplement for a discussion of factors you should carefully consider before investing in shares of our Class A common stock.
New York Stock Exchange Symbol	HLI.

The number of shares of common stock to be outstanding immediately after this offering is based on 24,670,320 shares of Class A common stock and 41,999,016 shares of Class B common stock outstanding as of October 23, 2017. Certain selling stockholders may convert existing shares of Class B common stock into Class A common stock and sell such Class A common stock in this offering.

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Summary Consolidated Financial Data

The following tables present the summary historical consolidated financial and other data for Houlihan Lokey, Inc. and its subsidiaries.

The summary consolidated statements of operations data for each of the fiscal years in the two-year period ended March 31, 2017 are derived from the audited consolidated financial statements of Houlihan Lokey, Inc. and its subsidiaries incorporated by reference in this prospectus supplement and the accompanying prospectus. The summary consolidated statements of operations data for the three months ended June 30, 2017 and June 30, 2016 and the summary consolidated balance sheet data as of June 30, 2017 are derived from the unaudited consolidated financial statements of Houlihan Lokey, Inc. and its subsidiaries incorporated by reference in this prospectus supplement and the accompanying prospectus. In the opinion of our management, such unaudited financial statements reflect all adjustments consisting of normal recurring adjustments, necessary for a fair presentation of the results for those periods.

You should read the following summary consolidated financial data in conjunction with our consolidated historical financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations, included in our Quarterly Report on Form 10-Q for the three months ended June 30, 2017 and Annual Report on Form 10-K for the fiscal year ended March 31, 2017, each of which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

The results of operations for the periods presented below are not necessarily indicative of the results to be expected for any future period and the results for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year or any future reporting period.

($ in thousands)	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016	Three months ended June 30, 2017 (unaudited)	Three months ended June 30, 2016 (unaudited)
Consolidated statements of operations data:				
Fee revenue:				
Corporate Finance	$ 434,558	$ 371,790	$ 123,999	$ 96,036
Financial Restructuring	307,595	202,343	59,029	56,330
Financial Advisory Services	129,938	119,632	34,463	28,408
Total segment revenues	872,091	693,765	217,491	180,774
Corporate revenues				
Fee revenue	$ 872,091	$ 693,765	$ 217,491	$ 180,774
Operating expenses:				
Employee compensation and benefits	582,244	461,609	145,509	121,804
Non-compensation expenses	107,852	105,756	25,109	26,109
Total operating expenses	690,096	567,365	170,618	147,913
Operating income	181,995	126,400	46,873	32,861
Other income and expenses	(3,508)	(770)	1,506	(908)

Income before provision for income taxes	178,487	125,630	48,379	31,953
Provision for income taxes	70,144	55,863	9,135	12,542
Net income	$ 108,343	$ 69,767	$ 39,244	$ 19,411
Net (income) loss attributable to noncontrolling interest		(26)		
Net income attributable to Houlihan Lokey, Inc.	$ 108,343	$ 69,741	$ 39,244	$ 19,411

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	June 30, 2017
Consolidated balance sheet data:	
Cash and cash equivalents	$ 183,221
Total assets	1,080,476
Total liabilities	315,541
Total stockholders equity	761,022

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RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the following risks and all other information contained in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein, including our financial statements and the related notes thereto, before investing in our Class A common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks materialize, our business, financial condition and results of operations could be materially adversely affected. In that case, the trading price of our Class A common stock could decline, and you may lose some or all of your investment.

Risks Related to Our Class A Common Stock and this Offering

The dual class structure of our common stock and the existing ownership of our Class B common stock by ORIX USA and the HL Holders through the HL Voting Trust have the effect of concentrating voting control with ORIX USA and the HL Voting Trust for the foreseeable future, which will limit your ability to influence corporate matters. We are controlled by ORIX USA and the HL Voting Trust, whose interests may differ from those of our public stockholders.

Each share of our Class B common stock is entitled to ten votes per share, and each share of our Class A common stock, which is the stock the selling stockholders are offering in this offering, is entitled to one vote per share. Given the greater number of votes per share attributed to our Class B common stock, following this offering, ORIX USA and the HL Holders through the HL Voting Trust, which each hold shares of Class B common stock, will collectively beneficially own shares of Class A common stock and Class B common stock representing approximately 61.22% of the economic interest and 93.97% of the voting power of our outstanding capital stock. ORIX USA and the HL Voting Trust will, for the foreseeable future, have significant influence over our corporate management and affairs, and will be able to control virtually all matters requiring stockholder approval. ORIX USA and the HL Voting Trust are collectively able to, subject to applicable law and to the voting arrangements described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017 under Directors, Executive Officers and Corporate Governance Corporate Governance, elect a majority of the members of our board of directors and control actions to be taken by us and our board of directors, including amendments to our amended and restated certificate of incorporation and bylaws and approval of significant corporate transactions, including mergers and sales of substantially all of our assets. The directors so elected will have the authority, subject to the terms of our indebtedness and applicable rules and regulations, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions. The Stockholders Agreement, dated August 18, 2015, among us, ORIX USA and the HL Voting Trust (the Stockholders Agreement), provides that approval of two-thirds of the board will be required for certain corporate actions for a period of time based on ORIX USA s ownership level, which, prior to the completion of this offering, essentially gave the ORIX USA directors veto authority over those actions.

Following the completion of this offering, ORIX USA s ownership level will be such that the corporate actions that previously required the approval of two-thirds of the board will require the approval of only a majority of the board, meaning that the ORIX USA directors will no longer have effective veto authority over such matters. In addition, the number of directors that ORIX USA is entitled to appoint pursuant to the Stockholders Agreement will be reduced from four to three, one of the directors appointed by ORIX USA will be required to promptly tender such director s resignation and the number of directors that the trustees of the HL Voting Trust will be entitled to appoint will be increased from four to five. The continued concentrated control of the HL Voting Trust and ORIX USA will limit your ability to influence corporate matters for the foreseeable future and may materially adversely affect the market price of our Class A common stock. It is possible that the interests of ORIX USA and the HL Voting Trust may in some circumstances conflict with our interests and the interests of our other stockholders, including you. For example, ORIX USA and the HL Voting Trust may have different tax positions or other differing incentives from other stockholders that could influence their decisions regarding whether and when to cause us to dispose of assets, incur new or refinance existing indebtedness or take other actions. Additionally, the holders of our Class B common stock may cause us to make strategic decisions or pursue acquisitions that could involve risks to you or may not be aligned with your interests.

The holders of our Class B common stock are also entitled to a separate vote in the event we seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of our common stock or alter or change the powers, preferences or special rights of the Class B common stock in a manner that affects its holders adversely. Future transfers by holders of Class B common stock will generally result in those shares converting on a one-for-one basis to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long-term.

The trading price of our Class A common stock may be affected by limited trading volume and may fluctuate significantly, which may affect stockholders ability to sell shares of our Class A common stock.

There has been a limited public market for our Class A common stock and a more active trading market for our Class A common stock may not develop. A substantial majority of our common stock is Class B common stock that is not freely tradeable unless and until converted into Class A common stock. Following this offering, there can be no assurance that the selling stockholders will convert any additional shares of their existing Class B common stock into Class A common stock and sell any such shares, or that the HL Holders will convert any additional shares of Class B common stock into shares of Class A common stock and sell such shares in the future. These factors may result in different prices for our Class A common stock than might otherwise be obtained in a more liquid market and could also result in a significant spread between the bid and ask prices for our Class A common stock. In addition, without a larger public float, our Class A common stock may be less liquid than the stock of companies with broader public ownership, and, as a result, the trading prices of our Class A common stock may be more volatile. In the absence of an active public trading market, an investor may be unable to liquidate its investment in our Class A common stock. Trading of a relatively small volume of our common stock may have a greater impact on the trading price of our Class A common stock than would be the case if our public float were larger. We cannot predict the prices at which our Class A common stock will trade in the future, if at all.

We are a controlled company within the meaning of the New York Stock Exchange listing standards and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

We are a controlled company within the meaning of the corporate governance standards of the New York Stock Exchange. Under these rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including the requirement that a majority of the board of directors consist of independent directors, the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors and the requirement that we have a compensation committee that is composed entirely of independent directors. We intend to continue to rely on some or all of these exemptions. As a result, we do not and, for the foreseeable future, will not have a majority of independent directors and our compensation and nominating and corporate governance committees will not consist entirely of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange.

The trading price of our Class A common stock may be volatile or may decline regardless of our operating performance and you may not be able to resell your shares at or above the offering price.

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The market price of our Class A common stock may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

our operating and financial performance and prospects;

our quarterly or annual earnings or those of other companies in our industry;

the public s reaction to our press releases, our other public announcements and our filings with the SEC;

quarterly variations in our operating results compared to market expectations;

changes in, or failure to meet, earnings estimates or recommendations by research analysts who track our common shares or the stock of other companies in our industry;

adverse publicity about us, the industries we participate in or individual scandals;

announcements of new offerings by us or our competitors;

stock price performance of our competitors;

the limited trading market for our Class A common stock;

the failure of research analysts to cover our common shares;

fluctuations in stock market prices and volumes;

default on our indebtedness;

actions by competitors;

changes in senior management or key personnel;

- changes in financial estimates by securities analysts;
- our reduced disclosure obligations as a result of being an emerging growth company under the JOBS Act and our increased costs upon the loss of emerging growth company status;
- our status as a controlled company ;
- negative earnings or other announcements by us or other financial services companies;
- downgrades in our credit ratings or the credit ratings of our competitors;
- incurrence of indebtedness or issuances of capital stock;
- global economic, legal and regulatory factors unrelated to our performance; and
- the other factors listed in this Risk Factors section.

Volatility in the market price of our common stock may prevent investors from being able to sell their Class A common stock at or above the offering price. As a result, you may suffer a loss on your investment. In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies in our industry. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

Our share price may decline due to the large number of shares eligible for future sale.

The market price of our Class A common stock could decline as a result of sales of a large number of shares of Class A common stock in the market after this offering or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Shares of common stock held by HL Holders indirectly through the HL Voting Trust are subject to lock-up agreements that restrict their ability to transfer shares of our capital stock until at least August 18, 2018, subject to acceleration in certain circumstances. After this period, shares of common stock held by HL Holders indirectly through the HL Voting Trust will become transferable in three equal installments on each of August 18, 2018, 2019 and 2020; provided that the shares sold by the selling stockholders in this offering will reduce the number of shares that become transferable on August 18, 2018. In addition, shares of our common stock held by managing directors and certain senior corporate officers of the Company whose employment with the Company or a subsidiary thereof terminates (other than due to a death or disability) before August 18, 2018 will be subject to transfer restrictions until August 2022. As of October 23, 2017, 30,288,685 shares of our common stock were held through the HL Voting Trust and subject to the lock-up agreements described above.

As of the date of this prospectus supplement, subject to the restrictions under the lock-up agreements described above and subject to certain restrictions under the Securities Act, the 41,999,016 shares of our Class A common stock issuable upon conversion of outstanding Class B common stock and the 48,370 vested shares of Class A common stock issued under our 2016 Incentive Award Plan to our non-employee directors are eligible for sale. Stockholders who are subject to any of the lock-up agreements described above may be permitted to sell shares prior to the expiration of the applicable lock-up agreement in certain circumstances, including as the result of the waiver or termination of such lock-up agreement.

While we currently pay a quarterly cash dividend to our stockholders, we may change our dividend policy at any time and we may not continue to declare cash dividends.

Although we currently pay a quarterly cash dividend to our stockholders, we have no obligation to do so, and our dividend policy may change at any time. Returns on stockholders investments will primarily depend on the appreciation, if any, in the price of our Class A common stock. The amount and timing of dividends, if any, are subject to capital availability and periodic determinations by our board of directors that cash dividends are in the best interest of our stockholders and are in compliance with all applicable laws and any other contractual agreements limiting our ability to pay dividends. Under our Revolving Credit Facility with Bank of America, N.A., we are restricted from paying cash dividends in certain circumstances, and we expect these restrictions to continue in the future. Our ability to pay dividends may also be restricted by the terms of any future credit agreement or any future debt or preferred equity securities of ours or of our subsidiaries. Future dividends, including their timing and amount, may be affected by, among other factors: general economic and business conditions; our financial condition and operating results; our available cash and current anticipated cash needs; capital requirements; contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders; and such other factors as our board of directors may deem relevant.

Our dividend payments may change from time to time, and we may not continue to declare dividends in any particular amounts or at all. The reduction in or elimination of our dividend payments could have a negative effect on our stock price.

If securities analysts do not publish research or reports about our business or if they downgrade our Company or our sector, the price of our Class A common stock could decline.

The trading market for our Class A common stock depends in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrades our Company or our industry, or the stock of any of our competitors, the price of our Class A common stock could decline. If one or more of these analysts ceases coverage of our Company, we could lose visibility in the market, which in turn could cause the price of our Class A common stock to decline.

Taking advantage of the reduced disclosure requirements applicable to emerging growth companies may make our Class A common stock less attractive to investors. Loss of emerging growth company status will increase our legal and financial costs.

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The JOBS Act provides that, so long as a company qualifies as an "emerging growth company," it will, among other things:

- be exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act of 2002 requiring that its independent registered public accounting firm provide an attestation report on the effectiveness of its internal control over financial reporting;
- be exempt from the "say on pay" and "say on golden parachute" advisory vote requirements of the Dodd-Frank Act;
- be exempt from certain disclosure requirements of the Dodd-Frank Act relating to compensation of its executive officers and be permitted to omit the detailed compensation discussion and analysis from proxy statements and reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
- be exempt from any rules that may be adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotations or a supplement to the auditor's report on the financial statements.

We currently take advantage of each of the exemptions described above. We have irrevocably elected not to take advantage of the extension of time to comply with new or revised financial accounting standards available under Section 107(b) of the JOBS Act. We could be an emerging growth company for up to five years from the date of our IPO in August 2015. We cannot predict if investors will find our Class A common stock less attractive if we continue to elect to rely on these exemptions, or if taking advantage of these exemptions would result in less active trading or more volatility in the price of our Class A common stock.

The market value of our common stock held by non-affiliates as of June 30, 2017, was approximately $762 million and may exceed $700 million as of September 30, 2017, which would result in us no longer being an emerging growth company as of March 31, 2018. When the emerging growth company exemptions cease to apply to us, compliance with additional public company requirements will significantly increase our legal and financial costs and place additional significant demands on our management.

Our anti-takeover provisions could prevent or delay a change in control of our Company, even if such change in control would be beneficial to our stockholders.