



Fiscal Year 2019 Fourth Quarter and Full Year Results

Earnings Presentation - May 29, 2019

Today's Speakers



Mario Giannini
Chief Executive Officer

Erik Hirsch
Vice Chairman

Randy Stilman
Chief Financial Officer

Jackie Rantanen
Head of Product Management

Business Performance

- Total asset footprint (assets under management/advisement) reached approximately \$484 billion, growing 7% compared to March 31, 2018
- Assets under management and fee-earning assets under management were approximately \$61 billion and \$34 billion, respectively, as of March, 2019, increases of 14% and 9%, respectively, compared to March 31, 2018

Financial Results

<i>USD in millions except per share amounts</i>	Q4 FY19	FY19	vs. FY18
Management and advisory fees	\$57.9	\$217.8	12%
GAAP net income	\$8.0	\$33.6	94%
GAAP EPS	\$0.31	\$1.40	50%
Non-GAAP EPS ¹	\$0.36	\$1.91	16%
Fee Related Earnings ¹	\$24.1	\$89.9	11%
Adjusted EBITDA ¹	\$31.3	\$117.7	(11)%

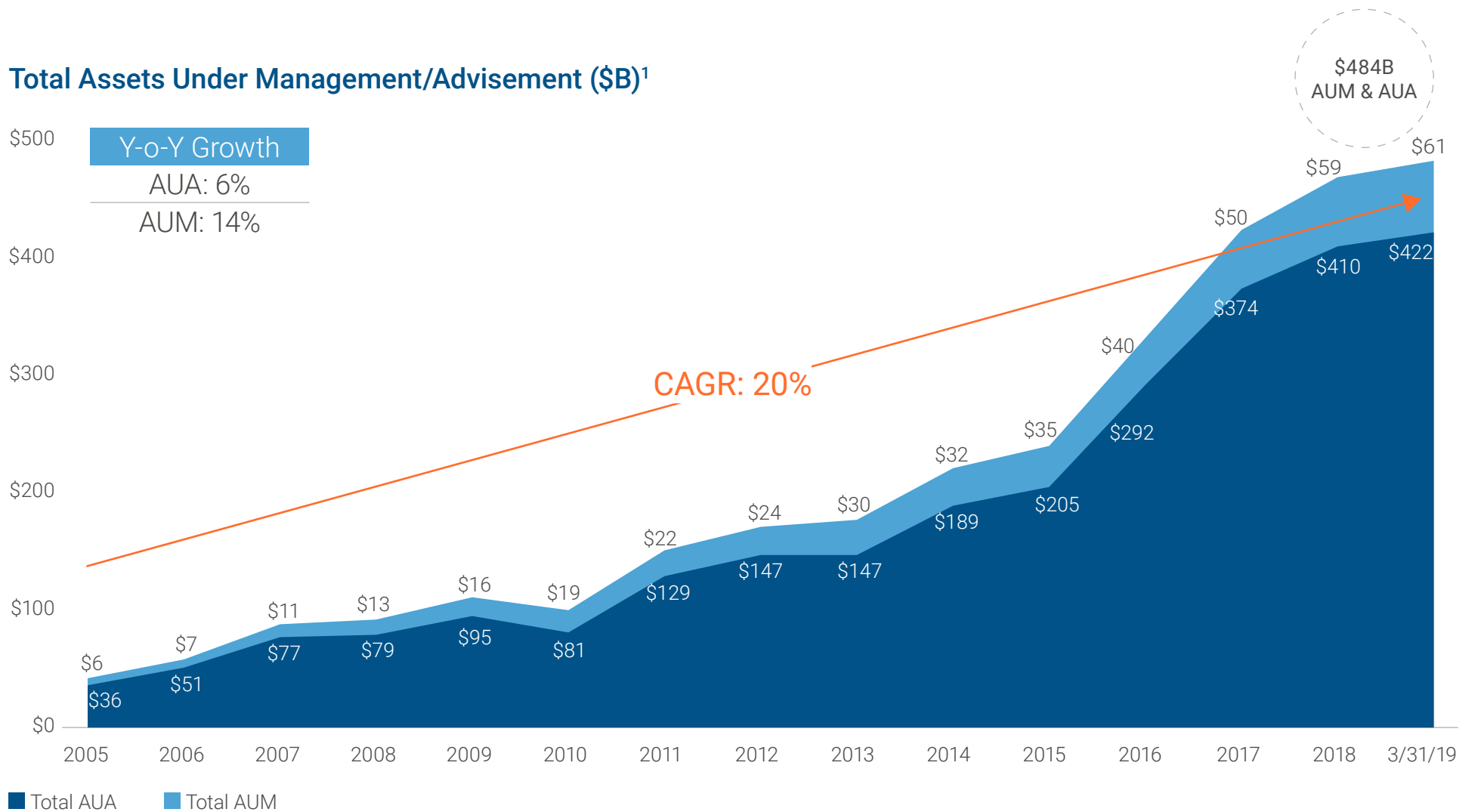
Dividend

- Declared a quarterly dividend of \$0.275 per share of Class A common stock to record holders at the close of business on June 14, 2019, which represents a 29% increase from the prior dividend

¹ Non-GAAP earnings per share, Fee Related Earnings and Adjusted EBITDA are non-GAAP financial measures. For the reconciliations of our non-GAAP financial measures to the most directly comparable GAAP financial measures, see pages 15 and 21 of this presentation.

Growing Asset Footprint & Influence

Total Assets Under Management/Advisement (\$B)¹

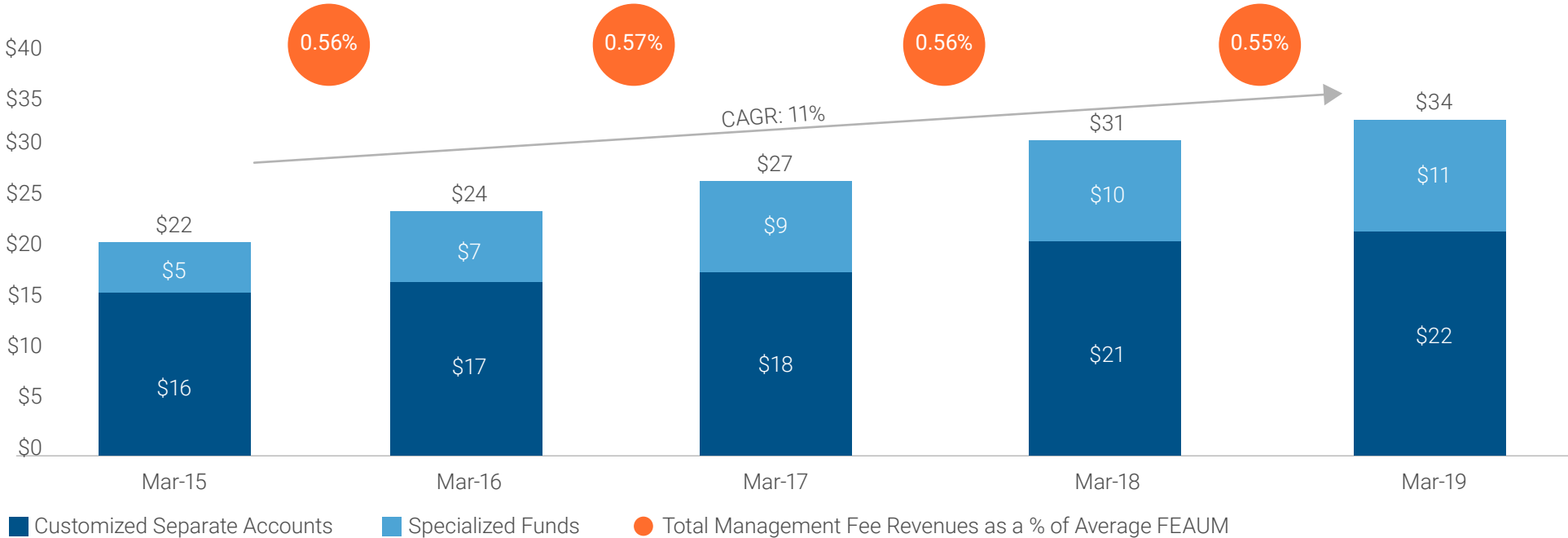


¹ Data as of calendar year end 12/31. Numbers may not tie due to rounding.

Fee-Earning AUM Driving Revenues

Fee-Earning AUM growth continues...

Total Fee-Earning Assets Under Management (\$B)



* Numbers may not tie due to rounding

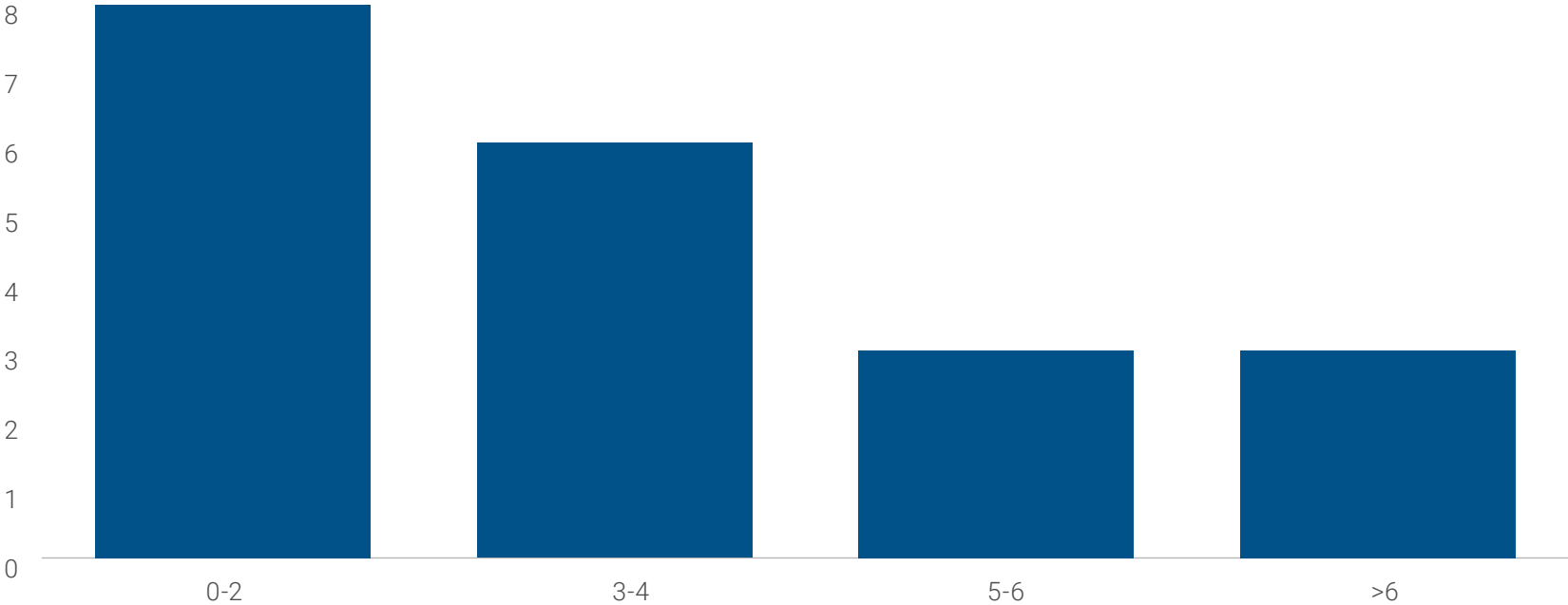
...and annual fee rates are stable

Y-o-Y Drivers of Growth	
<p>Customized Separate Accounts:</p> <ul style="list-style-type: none"> • New client wins • Client re-ups 	<p>Specialized Funds:</p> <ul style="list-style-type: none"> • Closed credit-oriented fund (2018) • Fundraising co-investment, credit-oriented (2019) and fund-of-funds products

Separate Account Re-ups

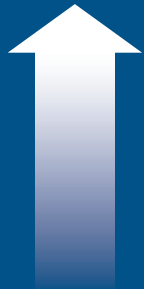
- A total of 20 existing clients elected to allocate an additional tranche of capital in FY19 (a “re-up”)
- The average size of those re-ups was over \$130 million and the average age of clients re-upping was 6 years
- Re-upping clients represented 9 different countries and included pensions, sovereign wealth funds, insurance companies, endowments, and white labels

Number of Times FY19 Allocations Have Re-Upped



AUM

Customized Separate Accounts



Diverse mix of existing and prospective clients seeking to further or establish relationship with Hamilton Lane

Specialized Funds



Select funds in market:

- Co-investment fund
- Secondary fund
- Credit-oriented fund

AUA

Advisory Services



Typically larger clients with wide-ranging mandates which include technology-driven reporting, monitoring and analytics services, and consulting services; opportunity set continues to be robust

- +70% of our gross contributions during the last 12 months came from existing clients

- FEAUM added during Q4 FY19:
 - Co-Investment fund: \$269M
 - Credit-oriented fund (2018): \$159M
 - Private equity fund-of-funds: \$81M
- Fund closing subsequent to 3/31/19:
 - Co-Investment fund: \$126M
 - Secondary fund: \$699M

- \$26B in AUA added compared to prior year period

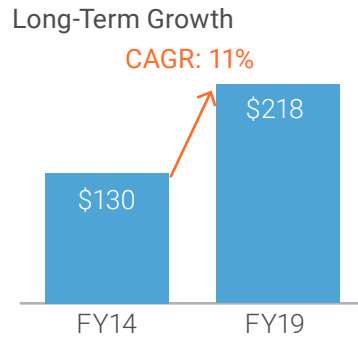
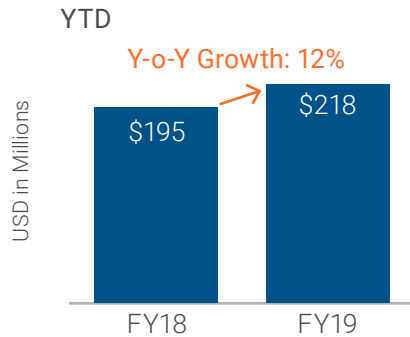


Financial Highlights

Consolidated Revenue

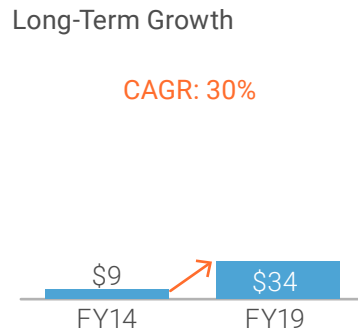
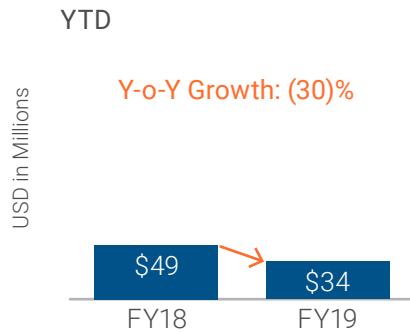
Strong revenue growth across management and advisory fees and incentive fees

Management and Advisory Fees



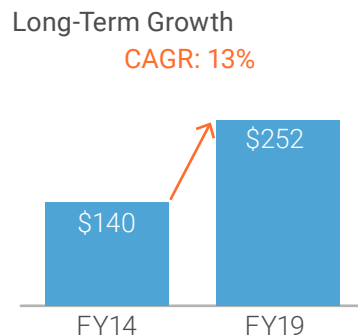
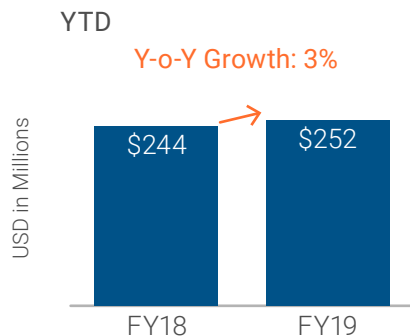
- Represented an average of just under 90% of total revenues over the past five fiscal years
- Y-o-Y increase of 12%
- \$2.6M in retroactive fees from our latest co-investment fund in the quarter

Incentive Fees



- Incentive fees derived from a highly diversified pool of assets and funds
- Allocated carried interest of \$326M as of 3/31/19 diversified across +3,000 assets and +50 funds
- \$38.9M and \$2.5M recognition of deferred carried interest from Coinvestment Fund II in FY18 and FY19, respectively

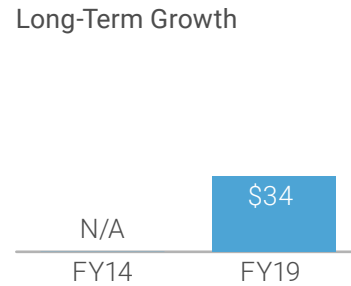
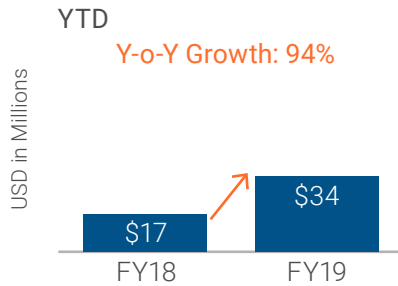
Total Revenues



- Total revenues increased by 3%, driven by recurring management and advisory fee growth across core offerings

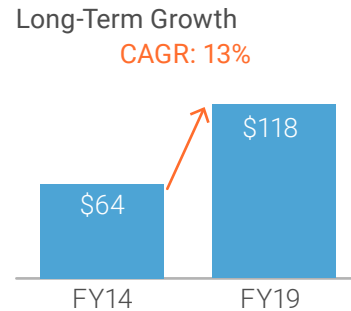
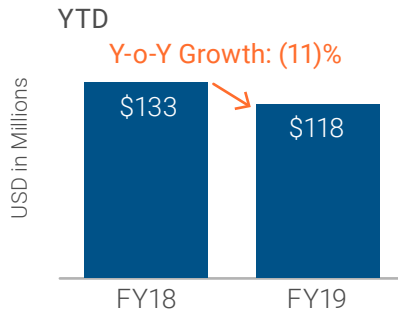
Profitability stable and growing

Net Income Attributable to HLI



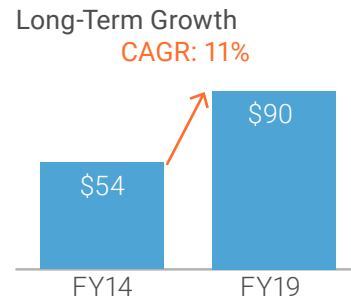
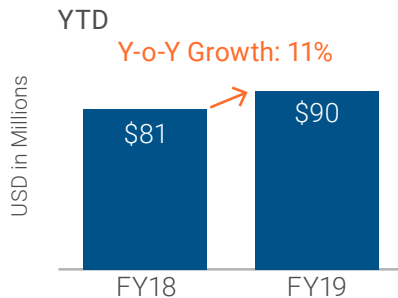
- \$8M in net income attributable to HLI for the quarter

Adjusted EBITDA¹



- Y-o-Y decrease of 11% driven by \$38.9M recognition of deferred carried interest from Co-investment Fund II in FY18
- Margins decreased Y-o-Y due to deferred carry recognition without corresponding expense in the prior year period

Fee Related Earnings¹

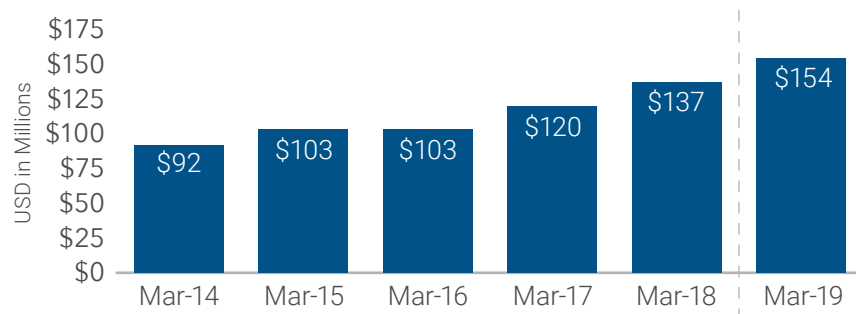


- Y-o-Y growth of 11%
- Long-term double digit growth in Fee Related Earnings

¹ Adjusted EBITDA and Fee Related-Earnings are non-GAAP financial measures. For a reconciliation from GAAP financial measures to non-GAAP financial measures, see pages 15 and 21 of this presentation.

Strong balance sheet with investments in our own products and a modest amount of leverage...

Investments



- For 3/31/19, the total investment balance consisted of ~\$134M in equity method investments in our funds and ~\$20M in technology related and other investments

Gross Leverage Profile¹



- Principal amount of debt outstanding of \$71.3M as of 3/31/19

¹ Ratio of principal amount of debt outstanding to trailing twelve months Adjusted EBITDA. See page 22 for additional detail on calculation of gross leverage ratio.



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Appendix

Condensed Consolidated Statements of Income (Unaudited)

(Dollars in thousands except share and per share amounts)	Three Months Ended March 31,			Year Ended March 31,		
	2018	2019	% Change	2018	2019	% Change
Revenues						
Management and advisory fees	48,704	57,929	19%	195,030	217,773	12%
Incentive fees	28,905	9,059	(69)%	49,003	34,406	(30)%
Total revenues	77,609	66,988	(14)%	244,033	252,179	3%
Expenses						
Compensation and benefits	22,621	24,483	8%	82,868	97,719	18%
General, administrative and other	10,626	13,577	28%	38,212	50,236	31%
Total expenses	33,247	38,060	14%	121,080	147,955	22%
Other income (expense)						
Equity in income (loss) of investees	4,036	(2,894)	(172)%	17,102	7,202	(58)%
Interest expense	(707)	(779)	10%	(5,989)	(3,039)	(49)%
Interest income	56	88	57%	528	255	(52)%
Non-operating income (loss)	867	(36)	(104)%	5,036	20,915	315%
Total other income (expense)	4,252	(3,621)	(185)%	16,677	25,333	52%
Income before income taxes	48,614	25,307	(48)%	139,630	129,557	(7)%
Income tax expense	3,996	4,900	23%	33,333	30,560	(8)%
Net income	44,618	20,407	(54)%	106,297	98,997	(7)%
Less: Income (loss) attributable to non-controlling interests in general partnerships	698	(511)	(173)%	2,448	564	(77)%
Less: Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C.	30,422	12,870	(58)%	86,508	64,860	(25)%
Net income attributable to Hamilton Lane Incorporated	\$13,498	\$8,048	(40)%	\$17,341	\$33,573	94%
Basic earnings per share of Class A common stock	\$0.69	\$0.32		\$0.94	\$1.41	
Diluted earnings per share of Class A common stock	\$0.68	\$0.31		\$0.93	\$1.40	
Weighted-average shares of Class A common stock outstanding - basic	19,504,124	25,386,382		18,414,715	23,836,401	
Weighted-average shares of Class A common stock outstanding - diluted	20,216,258	25,852,163		18,990,369	24,298,795	

Non-GAAP Financial Measures

(Dollars in thousands except share and per share amounts)	Three Months Ended March 31,			Year Ended March 31,		
	2018	2019	% Change	2018	2019	% Change
Adjusted EBITDA						
Management and advisory fees	\$48,704	\$57,929	19%	\$195,030	\$217,773	12%
Total expenses	33,247	38,060	14%	121,080	147,955	22%
Less:						
Incentive fee related compensation ¹	(1,165)	(4,267)	266%	(3,874)	(14,983)	287%
Contingent compensation related to acquisition	(2,201)	-	(100)%	(3,399)	(5,100)	50%
Management fee related expenses	29,881	33,793	13%	113,807	127,872	12%
Fee Related Earnings	\$18,823	\$24,136	28%	\$81,223	\$89,901	11%
Incentive fees ²	28,905	9,059	(69)%	49,003	34,406	(30)%
Incentive fees attributable to non-controlling interests ²	(895)	(74)	(92)%	(1,729)	(725)	(58)%
Incentive fee related compensation ¹	(1,165)	(4,267)	266%	(3,874)	(14,983)	287%
Interest income	56	88	57%	528	255	(52)%
Equity-based compensation	1,272	1,604	26%	5,544	6,382	15%
Depreciation and amortization	495	741	50%	1,891	2,500	32%
Adjusted EBITDA	\$47,491	\$31,287	(34)%	\$132,586	\$117,736	(11)%
Adjusted EBITDA margin	61%	47%		54%	47%	
Non-GAAP earnings per share reconciliation						
Net income attributable to Hamilton Lane Incorporated	\$13,498	\$8,048	(40)%	\$17,341	\$33,573	94%
Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C.	30,422	12,870	(58)%	86,508	64,860	(25)%
Income tax expense	3,996	4,900	23%	33,333	30,560	(8)%
Write-off of deferred financing costs ³	-	-	0%	2,544	-	(100)%
Impact of Tax Act on TRA liability ⁴	(778)	-	(100)%	(4,964)	-	(100)%
Impact of Tax Act on IPO related compensation ⁵	-	-	0%	(669)	-	(100)%
Contingent compensation related to acquisition	2,201	-	(100)%	3,399	5,100	50%
Adjusted pre-tax net income	\$49,339	\$25,818	(48)%	\$137,492	\$134,093	(2)%
Adjusted income taxes ⁶	(18,247)	(6,387)	(65)%	(50,432)	(32,048)	(36)%
Adjusted net income	\$31,092	\$19,431	(38)%	\$87,060	\$102,045	17%
Adjusted shares outstanding⁷	53,334,091	53,392,233		53,103,352	53,339,000	
Non-GAAP earnings per share	\$0.58	\$0.36	(38)%	\$1.64	\$1.91	16%

¹ Incentive fee related compensation includes incentive fee compensation expense, bonus and other revenue sharing related to carried interest that is classified as base compensation. Incentive fee related compensation for the years ended March 31, 2019 and 2018 excludes compensation expense related to the recognition of incentive fees included in net income from one of our co-investment funds of \$2.5 million and \$38.9 million, respectively, as the related incentive fee compensation was recognized in fiscal 2016.

² Incentive fees for the year ended March 31, 2019 included \$3.2 million of non-cash carried interest. Of the \$3.2 million, \$2.5 million is included in net income and \$0.7 million is attributable to non-controlling interests. Incentive fees for the year ended March 31, 2018 included \$40.6 million of non-cash carried interest. Of the \$40.6 million, \$38.9 million is included in net income and \$1.7 million is attributable to non-controlling interests.

³ Represents write-off of debt issuance costs and realized loss on interest rate caps related to the payoff of our predecessor credit facility in the prior year period.

⁴ Represents gain recorded as a result of re-measurement due to lower federal tax rates. The gain was recorded to other non-operating income in the Condensed Consolidated Statements of Income.

⁵ Represents reduction in expense due to the impact of tax rate changes on the \$1.9 million expense accrued in fiscal 2017 to induce members of HLA to exchange their HLA units for HLI common stock in connection with the corporate reorganization effected at the time of our initial public offering.

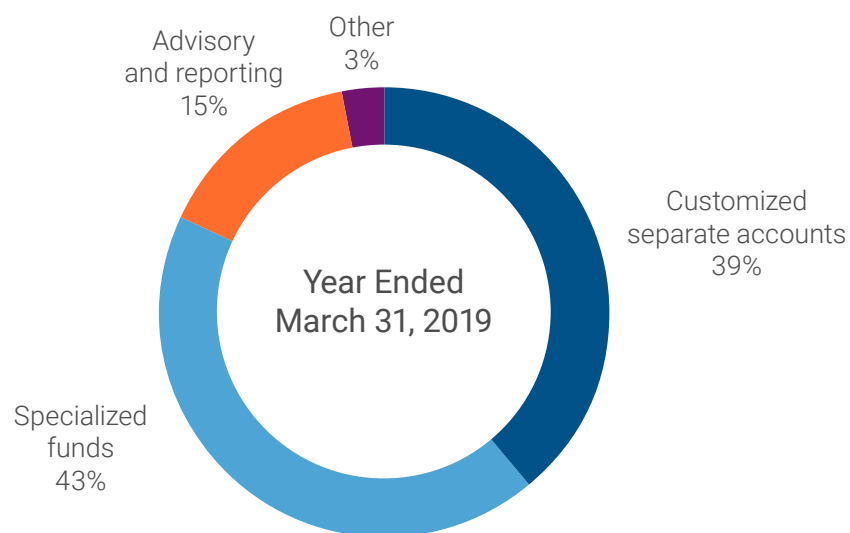
⁶ Represents corporate income taxes at our estimated statutory tax rate of 23.9% for the year ended March 31, 2019 applied to adjusted pre-tax net income. The 23.9% is based on a blended federal tax statutory rate of 21.0% and a combined state income tax rate net of federal benefits of 2.9%. Represents corporate income taxes at assumed effective tax rate of 36.7% for the year ended March 31, 2018. The 36.7% is based on a blended federal tax statutory rate of 35.0% for 275 days and 21.0% for 90 days and a combined state income tax rate net of federal benefits of 5.1%.

⁷ Assumes the full exchange of Class B and Class C units in HLA for Class A common stock of HLI pursuant to the exchange agreement

Management and Advisory Fees

(Dollars in thousands)

	Three Months Ended March 31,			Year Ended March 31,		
	2018	2019	% Change	2018	2019	% Change
Management and advisory fees						
Customized separate accounts	\$20,891	\$22,158	6%	\$79,144	\$85,245	8%
Specialized funds	19,569	25,892	32%	83,151	93,056	12%
Advisory and reporting	7,401	8,275	12%	28,359	32,935	16%
Distribution management	843	752	(11)%	4,376	4,525	3%
Fund reimbursement revenue	-	852	N/A	-	2,012	N/A
Total management and advisory fees	\$48,704	\$57,929	19%	\$195,030	\$217,773	12%



Incentive Fees

<i>(Dollars in thousands)</i>	Three Months Ended March 31,			Year Ended March 31,		
	2018	2019	% Change	2018	2019	% Change
Incentive fees						
Secondary Fund II	\$-	\$204	N/A	\$2,239	\$1,529	(32)%
Co-investment Fund II	26,072	1,790	(93)%	40,650	16,748	(59)%
Other specialized funds	150	5,657	3667%	1,012	7,410	632%
Customized separate accounts	2,683	1,408	(48)%	5,101	8,719	71%
Incentive fees	\$28,905	\$9,059	(69)%	\$49,003	\$34,406	(30)%

	As of				
	March 31, 2018	December 31, 2018	March 31, 2019	YoY % Change	QoQ % Change
Allocated carried interest					
Secondary Fund II	\$6,305	\$4,838	\$3,874	(39)%	(20)%
Secondary Fund III	36,335	39,066	36,697	1%	(6)%
Secondary Fund IV	16,818	31,033	30,587	82%	(1)%
Co-investment Fund II	68,431	62,361	54,374	(21)%	(13)%
Co-investment Fund III	35,635	49,520	39,435	11%	(20)%
Co-investment Fund IV	-	-	746	N/A	N/A
Other specialized funds	32,520	47,375	40,204	24%	(15)%
Customized separate accounts	107,722	121,275	120,549	12%	(1)%
Total allocated carried interest	\$303,766	\$355,468	\$326,466	7%	(8)%

Assets Under Management

<i>(Dollars in millions)</i>	March 31, 2018	December 31, 2018	March 31, 2019	YoY % Change	QoQ % Change
Assets under management / advisement					
Assets under management	\$53,679	\$58,840	\$61,130	14%	4%
Assets under advisement	396,837	409,924	422,475	6%	3%
Total assets under management / advisement	\$450,516	\$468,764	\$483,605	7%	3%
Fee-earning assets under management					
Customized separate accounts					
Balance, beginning of period	\$20,383	\$20,832	\$21,211	4%	2%
Contributions	2,267	933	1,987	(12)%	113%
Distributions	(1,691)	(536)	(977)	(42)%	82%
Foreign exchange, market value and other	(28)	(18)	(61)	118%	239%
Balance, end of period	\$20,931	\$21,211	\$22,160	6%	4%
Specialized funds					
Balance, beginning of period	\$9,274	\$10,773	\$11,023	19%	2%
Contributions	925	359	587	(37)%	64%
Distributions	(443)	(110)	(177)	(60)%	61%
Foreign exchange, market value and other	2	1	1	(50)%	0%
Balance, end of period	\$9,758	\$11,023	\$11,434	17%	4%
Total					
Balance, beginning of period	\$29,657	\$31,605	\$32,234	9%	2%
Contributions	3,192	1,292	2,574	(19)%	99%
Distributions	(2,134)	(646)	(1,154)	(46)%	79%
Foreign exchange, market value and other	(26)	(17)	(60)	131%	253%
Balance, end of period	\$30,689	\$32,234	\$33,594	9%	4%

Condensed Consolidated Balance Sheets (Unaudited)

(Dollars in thousands except share and per share amounts)

	March 31, 2018	March 31, 2019
Assets		
Cash and cash equivalents	\$47,596	\$49,357
Restricted cash	1,787	2,233
Fees receivable	14,924	20,320
Prepaid expenses	2,301	4,714
Due from related parties	3,236	2,628
Furniture, fixtures and equipment, net	4,782	8,108
Investments	137,253	154,491
Deferred income taxes	73,381	107,726
Other assets	8,535	11,014
Total assets	\$293,795	\$360,591
Liabilities and Equity		
Accounts payable	\$1,700	\$2,619
Accrued compensation and benefits	8,092	12,216
Deferred incentive fee revenue	6,245	3,704
Debt	84,162	70,954
Accrued members' distributions	11,837	17,081
Payable to related parties pursuant to tax receivable agreement	34,133	69,636
Accrued dividend	3,893	5,673
Other liabilities	7,659	8,986
Total liabilities	157,721	190,869
Class A common stock, \$0.001 par value, 300,000,000 authorized; 27,367,477 and 23,139,476 issued and outstanding as of March 31, 2019 and 2018, respectively	22	27
Class B common stock, \$0.001 par value, 50,000,000 authorized; 23,516,439 and 25,700,068 issued and outstanding as of March 31, 2019 and 2018, respectively	26	24
Accumulated other comprehensive income	-	7
Additional paid-in-capital	73,829	92,482
Retained earnings	4,549	17,686
Total Hamilton Lane Incorporated stockholders' equity	78,426	110,226
Non-controlling interests in general partnerships	7,266	5,716
Non-controlling interests in Hamilton Lane Advisors, L.L.C.	50,382	53,780
Total equity	136,074	169,722
Total liabilities and equity	\$293,795	\$360,591

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Year Ended March 31,		
	2017	2018	2019
<i>(Dollars in thousands)</i>			
Operating activities			
Net income	\$74,438	\$106,297	\$98,997
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,915	1,891	2,979
Change in deferred income taxes	26	22,983	21,665
Change in payable to related parties pursuant to tax receivable agreement	-	(5,076)	(9,778)
Write-off of deferred financing costs	3,359	1,657	-
Equity-based compensation	4,681	5,544	6,382
Equity in income of investees	(12,801)	(17,102)	(7,202)
Gain on sale of investments valued at the measurement alternative	-	-	(11,133)
Proceeds received from investments	10,843	14,391	14,077
Other	922	1,411	190
Changes in operating assets and liabilities	(1,704)	(35,304)	(4,555)
Net cash provided by operating activities	\$81,679	\$96,692	\$111,622
Investing activities			
Purchase of furniture, fixtures and equipment	\$(1,275)	\$(2,254)	\$(5,366)
Proceeds from sales of investments valued at the measurement alternative	-	-	22,531
Cash paid for acquisition of business	-	(5,228)	-
Loan to investee	-	-	(944)
Distributions received from investments	8,782	16,055	10,614
Contributions to investments	(24,222)	(30,346)	(46,048)
Net cash used in investing activities	\$(16,715)	\$(21,773)	\$(19,213)
Financing activities			
Proceeds from offerings	\$-	\$125,200	\$193,504
Purchase of membership interests	(55,983)	(125,200)	(193,504)
Repayments of debt	(162,600)	(87,038)	(13,263)
Borrowings of debt, net of deferred financing costs	-	85,066	-
Contributions from non-controlling interest in Partnerships	532	276	81
Distributions to non-controlling interest in Partnerships	(3,191)	(5,359)	(2,195)
Proceeds from IPO, net of underwriting discount	203,205	-	-
Payment of deferred offering costs	(5,844)	-	-
Sale of membership interests	4,669	-	-
(Repurchase) issuance of Class B common stock	28	(2)	(2)
Purchase of restricted stock for tax withholding	(2,151)	(6,473)	(5,387)
Proceeds received from issuance of shares under employee stock plans	1,192	313	264
Dividends paid	-	(9,511)	(18,676)
Members' distributions paid	(80,457)	(36,943)	(50,649)
Other	(611)	-	(383)
Net cash used in financing activities	\$(101,211)	\$(59,671)	\$(90,210)
Effect of exchange rate changes on cash and cash equivalents	-	-	8
Increase (decrease) in cash, cash equivalents, and restricted cash	(36,247)	15,248	2,207
Cash, cash equivalents, and restricted cash at beginning of the year	70,382	34,135	49,383
Cash, cash equivalents, and restricted cash at end of the year	\$34,135	\$49,383	\$51,590

Non-GAAP Reconciliation

Reconciliation from Net Income

(Dollars in thousands)

	Three Months Ended March 31,		Year Ended March 31,	
	2018	2019	2018	2019
Net income attributable to Hamilton Lane Incorporated	\$13,498	\$8,048	\$17,341	\$33,573
Income (loss) attributable to non-controlling interests in general partnerships	698	(511)	2,448	564
Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C.	30,422	12,870	86,508	64,860
Incentive fees ¹	(28,905)	(9,059)	(49,003)	(34,406)
Incentive fee related compensation ²	1,165	4,267	3,874	14,983
Interest income	(56)	(88)	(528)	(255)
Interest expense	707	779	5,989	3,039
Income tax expense	3,996	4,900	33,333	30,560
Equity in income (loss) of investees	(4,036)	2,894	(17,102)	(7,202)
Contingent compensation related to acquisition	2,201	-	3,399	5,100
Non-operating (loss) income	(867)	36	(5,036)	(20,915)
Fee Related Earnings	\$18,823	\$24,136	\$81,223	\$89,901
Depreciation and amortization	495	741	1,891	2,500
Equity-based compensation	1,272	1,604	5,544	6,382
Incentive fees ¹	28,905	9,059	49,003	34,406
Incentive fees attributable to non-controlling interests ¹	(895)	(74)	(1,729)	(725)
Incentive fee related compensation ²	(1,165)	(4,267)	(3,874)	(14,983)
Interest income	56	88	528	255
Adjusted EBITDA	\$47,491	\$31,287	\$132,586	\$117,736
Non-GAAP earnings per share reconciliation				
Net income attributable to Hamilton Lane Incorporated	\$13,498	\$8,048	\$17,341	\$33,573
Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C.	30,422	12,870	86,508	64,860
Income tax expense	3,996	4,900	33,333	30,560
Write-off of deferred financing costs ³	-	-	2,544	-
Impact of Tax Act on TRA liability ⁴	(778)	-	(4,964)	-
Impact of Tax Act on IPO related compensation ⁵	-	-	(669)	-
Contingent compensation related to acquisition	2,201	-	3,399	5,100
Adjusted pre-tax net income	49,339	25,818	137,492	134,093
Adjusted income taxes ⁶	(18,247)	(6,387)	(50,432)	(32,048)
Adjusted net income	\$31,092	\$19,431	\$87,060	\$102,045
Weighted-average shares of Class A common stock outstanding - diluted	20,216,258	25,852,163	18,990,369	24,298,795
Exchange of Class B and Class C units in HLA ⁷	33,117,833	27,540,069	34,112,983	29,040,205
Adjusted shares outstanding	53,334,091	53,392,233	53,103,352	53,339,000
Non-GAAP earnings per share	\$0.58	\$0.36	\$1.64	\$1.91

¹ Incentive fees for the year ended March 31, 2019 included \$3.2 million of non-cash carried interest. Of the \$3.2 million, \$2.5 million is included in net income and \$0.7 million is attributable to non-controlling interests. Incentive fees for the year ended March 31, 2018 included \$40.6 million of non-cash carried interest. Of the \$40.6 million, \$38.9 million is included in net income and \$1.7 million is attributable to non-controlling interests.

² Incentive fee related compensation includes incentive fee compensation expense, bonus and other revenue sharing related to carried interest that is classified as base compensation. Incentive fee related compensation for the years ended March 31, 2019 and 2018 excludes compensation expense related to the recognition of incentive fees included in net income from one of our co-investment funds of \$2.5 million and \$38.9 million, respectively, as the related incentive fee compensation was recognized in fiscal 2016.

³ Represents write-off of debt issuance costs and realized loss on interest rate caps related to the payoff of our predecessor credit facility in the prior year period.

⁴ Represents gain recorded as a result of re-measurement due to lower federal tax rates. The gain was recorded to other non-operating income in the Condensed Consolidated Statements of Income.

⁵ Represents reduction in expense due to the impact of tax rate changes on the \$1.9 million expense accrued in fiscal 2017 to induce members of HLA to exchange their HLA units for HLI common stock in connection with the corporate reorganization effected at the time of our initial public offering.

⁶ Represents corporate income taxes at our estimated statutory tax rate of 23.9% for the year ended March 31, 2019 applied to adjusted pre-tax net income. The 23.9% is based on a blended federal tax statutory rate of 21.0% and a combined state income tax rate net of federal benefits of 2.9%. Represents corporate income taxes at assumed effective tax rate of 36.7% for the year ended March 31, 2018. The 36.7% is based on a blended federal tax statutory rate of 35.0% for 275 days and 21.0% for 90 days and a combined state income tax rate net of federal benefits of 5.1%.

⁷ Assumes the full exchange of Class B and Class C units in HLA for Class A common stock of HLI pursuant to the exchange agreement.

Gross Leverage Ratio

<i>(Dollars in thousands)</i>	Twelve Months Ended	
	March 31, 2018	March 31, 2019
Principal amount of debt outstanding	\$84,513	\$71,250
Adjusted EBITDA	132,586	117,736
Gross leverage ratio	0.6x	0.6x

Adjusted EBITDA is our primary internal measure of profitability. We believe Adjusted EBITDA is useful to investors because it enables them to better evaluate the performance of our core business across reporting periods. Adjusted EBITDA represents net income excluding (a) interest expense on our outstanding debt, (b) income tax expense, (c) depreciation and amortization expense, (d) equity-based compensation expense, (e) other non-operating income and (f) certain other significant items that we believe are not indicative of our core performance.

Fee Related Earnings ("FRE") is used to highlight earnings of the Company from recurring management fees. FRE represents net income excluding (a) incentive fees and related compensation, (b) interest income and expense, (c) income tax expense, (d) equity in income of investees, (e) other non-operating income and (f) certain other significant items that we believe are not indicative of our core performance. We believe FRE is useful to investors because it provides additional insight into the operating profitability of our business. FRE is presented before income taxes.

Non-GAAP earnings per share measures our per-share earnings excluding certain items that we believe are not indicative of our core performance and assuming all Class B and Class C units in HLA were exchanged for Class A common stock in HLI. Non-GAAP earnings per share is calculated as adjusted net income divided by adjusted shares outstanding. **Adjusted net income** is income before taxes fully taxed at our estimated statutory tax rate. We believe Non-GAAP earnings per share is useful to investors because it enables them to better evaluate per-share operating performance across reporting periods.

Our **assets under management ("AUM")** comprise primarily the assets associated with our customized separate accounts and specialized funds. We classify assets as AUM if we have full discretion over the investment decisions in an account. We calculate our AUM as the sum of:

- (1) the net asset value of our clients' and funds' underlying investments;
- (2) the unfunded commitments to our clients' and funds' underlying investments; and
- (3) the amounts authorized for us to invest on behalf of our clients and fund investors but not committed to an underlying investment.

Management fee revenue is based on a variety of factors and is not linearly correlated with AUM. However, we believe AUM is a useful metric for assessing the relative size and scope of our asset management business.

Our **assets under advisement ("AUA")** comprise assets from clients for which we do not have full discretion to make investments in their account. We generally earn revenue on a fixed fee basis on our AUA client accounts for services including asset allocation, strategic planning, development of investment policies and guidelines, screening and recommending investments, legal negotiations, monitoring and reporting on investments and investment manager review and due diligence. Advisory fees vary by client based on the amount of annual commitments, services provided and other factors. Since we earn annual fixed fees from the majority of our AUA clients, the growth in AUA from existing accounts does not have a material impact on our revenues. However, we view AUA growth as a meaningful benefit in terms of the amount of data we are able to collect and the degree of influence we have with fund managers.

Fee-earning assets under management (Fee-earning "AUM" or "FEAUM"), is a metric we use to measure the assets from which we earn management fees. Our fee-earning AUM comprise assets in our customized separate accounts and specialized funds from which we derive management fees. We classify customized separate account revenue as management fees if the client is charged an asset-based fee, which includes the majority of our discretionary AUM accounts but also includes certain non-discretionary AUA accounts. Our fee-earning AUM is equal to the amount of capital commitments, net invested capital and net asset value of our customized separate accounts and specialized funds depending on the fee terms. Substantially all of our customized separate accounts and specialized funds earn fees based on commitments or net invested capital, which are not affected by market appreciation or depreciation. Therefore, revenues and fee-earning AUM are not significantly affected by changes in market value. Our calculations of fee-earning AUM may differ from the calculations of other asset managers, and as a result, this measure may not be comparable to similar measures presented by other asset managers. Our definition of fee-earning AUM is not based on any definition that is set forth in the agreements governing the customized separate accounts or specialized funds that we manage.

Hamilton Lane Incorporated (or "**HLI**") was incorporated in the State of Delaware on December 31, 2007. HLI was formed for the purpose of completing an initial public offering ("**IPO**") and related transactions ("**Reorganization**") in order to carry on the business of Hamilton Lane Advisors, L.L.C. ("**HLA**") as a publicly-traded entity. As of March 6, 2017, HLI became the sole managing member of HLA.

Some of the statements in this presentation may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Words such as “will,” “expect,” “believe,” “estimate,” “continue,” “anticipate,” “intend,” “plan,” and similar expressions are intended to identify these forward-looking statements. Forward-looking statements discuss management’s current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business. All forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different, including risks relating to our ability to manage growth, fund performance, risk, changes in our regulatory environment and tax status; market conditions generally; our ability to access suitable investment opportunities for our clients; our ability to maintain our fee structure; our ability to attract and retain key employees; our ability to manage our obligations under our debt agreements; defaults by clients and third-party investors on their obligations to us; our ability to comply with investment guidelines set by our clients; and our ability to receive distributions from Hamilton Lane Advisors, L.L.C. to fund our payment of dividends, taxes and other expenses.

The foregoing list of factors is not exhaustive. For more information regarding these risks and uncertainties as well as additional risks that we face, you should refer to the “Risk Factors” detailed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2018, and in our subsequent reports filed from time to time with the Securities and Exchange Commission. The forward-looking statements included in this presentation are made only as of the date presented. We undertake no obligation to update or revise any forward-looking statement as a result of new information or future events, except as otherwise required by law.