

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-37537

Houlihan Lokey, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-2770395

(I.R.S. Employer
Identification Number)

10250 Constellation Blvd.

5th Floor

Los Angeles, California 90067

(Address of principal executive offices) (Zip Code)

(310) 553-8871

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.001	HLI	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 1, 2024, the registrant had 53,481,054 shares of Class A common stock, \$0.001 par value per share, and 16,019,340 shares of Class B common stock, \$0.001 par value per share, outstanding.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

	Page	
<u>PART I. FINANCIAL INFORMATION</u>		
Item 1.	Financial Statements	1
	Consolidated Balance Sheets	1
	Consolidated Statements of Comprehensive Income	2
	Consolidated Statements of Changes in Stockholders' Equity	3
	Consolidated Statements of Cash Flows	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	34
Item 4.	Controls and Procedures	35
<u>PART II. OTHER INFORMATION</u>		
Item 1.	Legal Proceedings	35
Item 1A.	Risk Factors	35
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3.	Defaults Upon Senior Securities	36
Item 4.	Mine Safety Disclosures	36
Item 5.	Other Information	36
Item 6.	Exhibits	37
	Signatures	38

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**HOULIHAN LOKEY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

(In thousands, except share data and par value)

	September 30, 2024	March 31, 2024
Assets		
Cash and cash equivalents	\$ 691,410	\$ 721,235
Restricted cash	1,452	619
Investment securities	56,829	38,005
Accounts receivable, net of allowance for credit losses of \$13,039 and \$8,767, respectively	219,133	199,630
Unbilled work in progress, net of allowance for credit losses of \$4,993 and \$6,132, respectively	138,293	192,012
Income taxes receivable	21,832	32,856
Deferred income taxes	87,020	90,064
Property and equipment, net	148,729	136,701
Operating lease right-of-use assets	359,739	344,024
Goodwill	1,177,757	1,127,497
Other intangible assets, net	196,641	197,439
Other assets	113,916	90,677
Total assets	<u>\$ 3,212,751</u>	<u>\$ 3,170,759</u>
Liabilities and stockholders' equity		
Liabilities:		
Accrued salaries and bonuses	\$ 641,370	\$ 726,031
Accounts payable and accrued expenses	104,661	114,171
Deferred income	37,956	33,139
Deferred income taxes	7,575	7,505
Operating lease liabilities	431,222	415,412
Other liabilities	32,880	37,751
Total liabilities	<u>1,255,664</u>	<u>1,334,009</u>
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Class A common stock, \$0.001 par value. Authorized 1,000,000,000 shares; issued and outstanding 53,403,939 and 52,348,511 shares, respectively	53	52
Class B common stock, \$0.001 par value. Authorized 1,000,000,000 shares; issued and outstanding 16,082,738 and 16,746,676 shares, respectively	16	17
Additional paid-in capital	735,277	739,870
Retained earnings	1,259,950	1,163,419
Accumulated other comprehensive loss	(38,209)	(66,608)
Total stockholders' equity	<u>1,957,087</u>	<u>1,836,750</u>
Total liabilities and stockholders' equity	<u>\$ 3,212,751</u>	<u>\$ 3,170,759</u>

See accompanying Notes to Consolidated Financial Statements

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

<i>(In thousands, except share and per share data)</i>	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Revenues	\$ 574,957	\$ 466,989	\$ 1,088,566	\$ 882,818
Operating expenses:				
Employee compensation and benefits	353,599	287,200	669,468	542,933
Acquisition related compensation and benefits	7,038	9,342	21,285	17,092
Travel, meals, and entertainment	13,570	14,151	32,082	30,169
Rent	15,174	19,013	34,458	36,416
Depreciation and amortization	7,444	7,086	16,300	13,618
Information technology and communications	17,755	14,328	33,944	27,876
Professional fees	9,677	10,859	18,154	20,416
Other operating expenses	20,031	14,733	36,638	30,674
Total operating expenses	444,288	376,712	862,329	719,194
Operating income	130,669	90,277	226,237	163,624
Other income, net	(5,419)	(3,296)	(9,725)	(6,301)
Income before provision for income taxes	136,088	93,573	235,962	169,925
Provision for income taxes	42,539	26,542	53,473	41,504
Net income	93,549	67,031	182,489	128,421
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	31,361	(19,883)	28,399	(16,909)
Comprehensive income attributable to Houlihan Lokey, Inc.	\$ 124,910	\$ 47,148	\$ 210,888	\$ 111,512
Attributable to Houlihan Lokey, Inc. common stockholders:				
Weighted average shares of common stock outstanding:				
Basic	65,822,690	64,551,353	65,429,115	64,180,642
Fully diluted	68,422,600	67,867,381	68,450,866	67,881,623
Earnings per share (Note 13)				
Basic	\$ 1.42	\$ 1.04	\$ 2.79	\$ 2.00
Fully diluted	\$ 1.37	\$ 0.99	\$ 2.67	\$ 1.89

See accompanying Notes to Consolidated Financial Statements

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	\$	Shares	\$	\$	\$	\$	\$
<i>(In thousands, except share data)</i>								
Balances – July 1, 2024	<u>53,053,499</u>	<u>\$ 53</u>	<u>16,456,793</u>	<u>\$ 16</u>	<u>\$ 691,651</u>	<u>\$1,207,328</u>	<u>\$ (69,570)</u>	<u>\$ 1,829,478</u>
Shares issued	—	—	29,576	—	—	—	—	—
Stock compensation vesting (Note 14)	—	—	—	—	44,349	—	—	44,349
Dividends	—	—	—	—	—	(40,927)	—	(40,927)
Conversion of Class B to Class A shares	350,440	—	(350,440)	—	—	—	—	—
Other shares repurchased/forfeited	—	—	(53,191)	—	(723)	—	—	(723)
Net income	—	—	—	—	—	93,549	—	93,549
Change in unrealized translation	—	—	—	—	—	—	31,361	31,361
Total comprehensive income	—	—	—	—	—	93,549	31,361	124,910
Balances – September 30, 2024	<u>53,403,939</u>	<u>\$ 53</u>	<u>16,082,738</u>	<u>\$ 16</u>	<u>\$ 735,277</u>	<u>\$1,259,950</u>	<u>\$ (38,209)</u>	<u>\$ 1,957,087</u>

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	\$	Shares	\$	\$	\$	\$	\$
<i>(In thousands, except share data)</i>								
Balances – July 1, 2023	<u>51,296,601</u>	<u>\$ 51</u>	<u>18,035,565</u>	<u>\$ 18</u>	<u>\$ 616,315</u>	<u>\$1,058,509</u>	<u>\$ (59,840)</u>	<u>\$ 1,615,053</u>
Shares issued	—	—	55,907	—	5,635	—	—	5,635
Stock compensation vesting (Note 14)	—	—	—	—	41,662	—	—	41,662
Dividends	—	—	—	—	—	(38,214)	—	(38,214)
Conversion of Class B to Class A shares	508,491	1	(508,491)	(1)	—	—	—	—
Other shares repurchased/forfeited	(239,100)	—	(155,356)	—	(25,208)	—	—	(25,208)
Net income	—	—	—	—	—	67,031	—	67,031
Change in unrealized translation	—	—	—	—	—	—	(19,883)	(19,883)
Total comprehensive income	—	—	—	—	—	67,031	(19,883)	47,148
Balances – September 30, 2023	<u>51,565,992</u>	<u>\$ 52</u>	<u>17,427,625</u>	<u>\$ 17</u>	<u>\$ 638,404</u>	<u>\$1,087,326</u>	<u>\$ (79,723)</u>	<u>\$ 1,646,076</u>

See accompanying Notes to Consolidated Financial Statements

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	\$	Shares	\$	\$	\$	\$	\$
<i>(In thousands, except share data)</i>								
Balances – April 1, 2024	52,348,511	\$ 52	16,746,676	\$ 17	\$ 739,870	\$1,163,419	\$ (66,608)	\$ 1,836,750
Shares issued	91,656	—	1,248,217	1	21,522	—	—	21,523
Stock compensation vesting (Note 14)	—	—	—	—	75,131	—	—	75,131
Dividends	—	—	—	—	—	(85,958)	—	(85,958)
Conversion of Class B to Class A shares	958,524	1	(958,524)	(1)	—	—	—	—
Shares issued to non-employee directors (Note 14)	5,248	—	—	—	710	—	—	710
Other shares repurchased/forfeited	—	—	(953,631)	(1)	(101,956)	—	—	(101,957)
Net income	—	—	—	—	—	182,489	—	182,489
Change in unrealized translation	—	—	—	—	—	—	28,399	28,399
Total comprehensive income	—	—	—	—	—	182,489	28,399	210,888
Balances – September 30, 2024	53,403,939	\$ 53	16,082,738	\$ 16	\$ 735,277	\$1,259,950	\$ (38,209)	\$ 1,957,087

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	\$	Shares	\$	\$	\$	\$	\$
<i>(In thousands, except share data)</i>								
Balances – April 1, 2023	50,638,924	\$ 51	18,048,345	\$ 18	\$ 642,970	\$1,033,072	\$ (62,814)	\$ 1,613,297
Shares issued	—	—	1,612,192	1	10,811	—	—	10,812
Stock compensation vesting (Note 14)	—	—	—	—	79,010	—	—	79,010
Dividends	—	—	—	—	—	(74,167)	—	(74,167)
Conversion of Class B to Class A shares	1,159,559	1	(1,159,559)	(1)	—	—	—	—
Shares issued to non-employee directors (Note 14)	6,609	—	—	—	587	—	—	587
Other shares repurchased/forfeited	(239,100)	—	(1,073,353)	(1)	(94,974)	—	—	(94,975)
Net income	—	—	—	—	—	128,421	—	128,421
Change in unrealized translation	—	—	—	—	—	—	(16,909)	(16,909)
Total comprehensive income	—	—	—	—	—	128,421	(16,909)	111,512
Balances – September 30, 2023	51,565,992	\$ 52	17,427,625	\$ 17	\$ 638,404	\$1,087,326	\$ (79,723)	\$ 1,646,076

See accompanying Notes to Consolidated Financial Statements

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<i>(In thousands)</i>	Six Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 182,489	\$ 128,421
Adjustments to reconcile net income to net cash used in operating activities:		
Deferred income taxes	4,699	(2,633)
Provision for bad debts, net	5,234	4,058
Unrealized (gains)/losses on investment securities	(939)	142
Non-cash lease expense	15,222	16,691
Depreciation and amortization	16,300	13,618
Contingent consideration valuation	804	(816)
Compensation expense – equity and liability classified share awards (Note 14)	78,396	82,149
Changes in operating assets and liabilities:		
Accounts receivable	(15,106)	26,569
Unbilled work in progress	55,786	(19,582)
Other assets	(21,743)	8,697
Accrued salaries and bonuses	(84,213)	(211,229)
Accounts payable and accrued expenses and other	(28,619)	(36,234)
Deferred income	4,817	(3,325)
Income taxes receivable	11,584	(4,274)
Net cash provided by operating activities	224,711	2,252
Cash flows from investing activities:		
Purchases of investment securities	(23,496)	(35)
Sales or maturities of investment securities	5,611	5,988
Acquisition of business, net of cash acquired	(32,058)	—
Purchase of property and equipment, net	(21,368)	(38,927)
Net cash used in investing activities	(71,311)	(32,974)
Cash flows from financing activities:		
Dividends paid	(89,674)	(77,390)
Share repurchases	(240)	(24,952)
Payments to settle employee tax obligations on share-based awards	(101,716)	(70,025)
Earnouts paid	(9,706)	(7,053)
Other financing activities	710	587
Net cash used in financing activities	(200,626)	(178,833)
Effects of exchange rate changes on cash, cash equivalents, and restricted cash		
Net decrease in cash, cash equivalents, and restricted cash	18,234	(10,955)
Cash, cash equivalents, and restricted cash – beginning of period	721,854	714,812
Cash, cash equivalents, and restricted cash – end of period	\$ 692,862	\$ 494,302
Supplemental disclosures of non-cash activities:		
Shares issued via vesting of liability classified awards	\$ 5,953	\$ 5,114
Shares issued as consideration for acquisition	12,489	—
Cash acquired through acquisitions	\$ 2,207	\$ —
Cash paid during the period:		
Interest	\$ 557	\$ 200
Taxes, net of refunds	37,211	48,410
Regulatory fines and penalties	—	15,000

See accompanying Notes to Consolidated Financial Statements

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Note 1 — Background

Houlihan Lokey, Inc. ("Houlihan Lokey," or "HL, Inc." also referred to as the "Company," "we," "our," or "us") is a Delaware corporation that controls the following primary subsidiaries:

- Houlihan Lokey Capital, Inc., a California corporation ("HL Capital, Inc."), is a wholly owned direct subsidiary of HL, Inc. HL Capital, Inc. is registered as a broker-dealer under Section 15(b) of the Securities Exchange Act of 1934 and a member of Financial Industry Regulatory Authority, Inc.
- Houlihan Lokey Financial Advisors, Inc., a California corporation ("HL FA, Inc."), is a wholly owned direct subsidiary of HL, Inc.
- Houlihan Lokey UK Limited, a private limited company registered in England ("HL UK Ltd."), is an indirect subsidiary of HL, Inc. HL UK Ltd. is regulated by the Financial Conduct Authority in the United Kingdom ("U.K.).

The Company offers financial services and financial advice to a broad clientele through more than thirty offices in the United States of America, South America, Europe, the Middle East, and the Asia-Pacific region. The Company earns professional fees by providing focused services across the following three business segments:

- Corporate Finance ("CF") provides general financial advisory services and advice on mergers and acquisitions and capital markets offerings. We advise public and private institutions, including financial sponsors, on a wide variety of matters, including buy-side and sell-side M&A transactions, debt and equity financings in both the private and public markets, and other corporate finance transactions. The majority of our CF revenues consists of fees paid upon the successful completion of the transaction or engagement ("Completion Fees"). A CF transaction can fail to be completed for many reasons that are outside of our control. In these instances, our fees are generally limited to the fees paid at the time an engagement letter is signed ("Retainer Fees") and in some cases fees paid during the course of the engagement ("Progress Fees") that may have been received.
- Financial Restructuring ("FR") provides advice to debtors, creditors and other parties-in-interest in connection with recapitalization/deleveraging transactions implemented through bankruptcy proceedings and out-of-court exchanges, consent solicitations or other mechanisms, as well as in distressed mergers and acquisitions and capital markets activities. As part of these engagements, our FR business segment offers a wide range of advisory services to our clients, including: the structuring, negotiation, and confirmation of plans of reorganization; structuring and analysis of exchange offers; liability management transactions; corporate viability assessment; dispute resolution and expert testimony; and procuring debtor-in-possession financing. Although atypical, FR transactions can fail to be completed for many reasons that are outside of our control. In these instances, our fees are generally limited to the Retainer Fees and/or Progress Fees.
- Financial and Valuation Advisory ("FVA") primarily provides financial advisory and valuation services with respect to companies, debt and equity interests (including complex illiquid investments), and other types of assets and liabilities; fairness opinions in connection with mergers and acquisitions and other transactions, solvency opinions in connection with corporate spin-offs and dividend recapitalizations, and other types of financial opinions in connection with other transactions; as well as diligence, tax, transaction accounting, and other financial advisory services to companies, boards of directors, special committees, retained counsel, financial and strategic investors, trustees, and other parties. Also, our FVA business segment provides dispute resolution services to clients where fees are usually based on the hourly rates of our financial professionals. Unlike our CF or FR segments, the fees generated in our FVA segment are generally not contingent on the successful completion of a transaction.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP"), pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), and include all information and footnotes required for consolidated financial statement presentation. The results of operations for the six months ended September 30, 2024 are not necessarily indicative of the results of operations to be expected for the fiscal year ending March 31, 2025. The unaudited interim consolidated financial statements and notes to consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2024 (the "2024 Annual Report").

In connection with certain acquisitions, select employees may be entitled to deferred consideration, primarily in the form of retention payments, contingent upon the fulfillment of specific service and/or performance conditions in the future. Accordingly, such deferred consideration is expensed as Acquisition related compensation and benefits in current and future periods. Historically, such Acquisition related compensation and benefits were included as a component of Employee compensation and benefits within our Consolidated Statements of Comprehensive Income. Beginning with this Quarterly Report on Form 10-Q, management has deemed it beneficial for stakeholders to separately disclose Acquisition related compensation and benefits and Employee compensation and benefits within our Consolidated Statements of Comprehensive Income. Reclassifications have been made to prior year financial statements to conform to this new presentation. These reclassifications had no impact on net income, stockholders' equity, or cash flows as previously reported.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries where it has a controlling financial interest. All intercompany balances and transactions have been eliminated.

The Company carries its investments in unconsolidated entities over which it has significant influence but does not control using the equity method, and includes its ownership share of the income and losses in Other income, net in the Consolidated Statements of Comprehensive Income.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Management estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period, and disclosure of contingent assets and liabilities at the reporting date. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Items subject to such estimates and assumptions include, but are not limited to: the allowance for credit losses; the valuation of deferred tax assets, valuation of acquired intangibles and goodwill, accrued expenses, and share based compensation; the allocation of goodwill and other assets across the reporting units (segments); and reserves for income tax uncertainties and other contingencies.

Revenues

Revenues consist of fee revenues from advisory services and reimbursed costs incurred in fulfilling the contracts. Revenues reflect fees generated from our CF, FR, and FVA business segments.

The Company generates revenues from contractual advisory services and reimbursed costs incurred in fulfilling the contracts for such services. Revenues for all three business segments (CF, FR, and FVA) are recognized upon satisfaction of the performance obligation, which may be satisfied over time or at a point in time. The amount and timing of the fees paid vary by the type of engagement.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for those promised services (i.e., the “transaction price”). In determining the transaction price, we consider multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, we consider the range of possible outcomes, the predictive value of our past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of our influence, such as market volatility or the judgment and actions of third parties. The substantial majority of the Company’s advisory fees (i.e., the success-related Completion Fees) are considered variable and constrained as they are contingent upon a future event which includes factors outside of our control (e.g., completion of a transaction or third-party emergence from bankruptcy or approval by the court).

Revenues from CF engagements primarily consist of fees generated in connection with advisory services related to mergers and acquisitions, capital markets, and other corporate finance transactions. Completion Fees from these engagements are recognized at a point in time when the related transaction has been effectively closed. At that time, the Company has transferred control of the promised service and the customer obtains control. CF contracts generally contain a variety of promised services that may be capable of being distinct, but they are not distinct within the context of the engagement as the various services are inputs to the combined output of successfully brokering a specific transaction. Completion Fees, Retainer Fees, and Progress Fees from these engagements are considered variable and constrained until the corresponding transaction has been effectively closed as they are contingent upon a future event, which includes factors outside of our control (e.g., completion of a transaction or regulatory approval).

Revenues from FR engagements primarily consist of fees generated in connection with advisory services to debtors, creditors and other parties-in-interest involving recapitalization or deleveraging transactions implemented both through bankruptcy proceedings and out-of-court exchanges, consent solicitations or other mechanisms, as well as in distressed mergers and acquisitions and capital markets activities. Retainer Fees and Progress Fees from restructuring engagements are recognized over time using a time elapsed measure of progress as our clients simultaneously receive and consume the benefits of those services as they are provided. Completion Fees from these engagements are recognized at a point in time when the related transaction has been effectively closed. At that time, the Company has transferred control of the promised service and the customer obtains control. Completion Fees from these engagements are considered variable and constrained until the related transaction has been effectively closed as they are contingent upon a future event, which includes factors outside of our control (e.g., completion of a transaction or third party emergence from bankruptcy or approval by the court).

Revenues from FVA engagements primarily consist of fees generated in connection with valuation, diligence, tax transaction accounting, and other financial advisory services and rendering fairness, solvency and other financial opinions. Revenues are recognized at a point in time as these engagements include a singular objective that does not transfer any notable value to the Company’s clients until the opinions or reports have been rendered and delivered to the client. However, certain engagements consist of advisory services where fees are usually based on the hourly rates of our financial professionals. Such revenues are recognized over time as the benefits of these advisory services are transferred to the Company’s clients throughout the course of the engagement, and, as a practical expedient, the Company has elected to use the ‘as-invoiced’ approach to recognize revenue.

Taxes, including value added taxes, collected from customers and remitted to governmental authorities are accounted for on a net basis, and therefore, are excluded from revenue in the Consolidated Statements of Comprehensive Income.

Operating Expenses

The majority of the Company’s operating expenses are related to compensation for employees, which includes the amortization of the relevant portion of the Company’s share-based incentive plans (Note 14). Other types of operating expenses include: Travel, meals, and entertainment; Rent; Depreciation and amortization; Information technology and communications; Professional fees; and Other operating expenses.

Translation of Foreign Currency Transactions

The reporting currency for the consolidated financial statements of the Company is the U.S. dollar. The assets and liabilities of subsidiaries whose functional currency is other than the U.S. dollar are included in the consolidation by translating the assets and liabilities at the reporting period-end exchange rates; however, revenues and expenses are translated using the applicable exchange rates determined on a monthly basis throughout the fiscal year. Resulting translation adjustments are reported as a separate component of Accumulated other comprehensive loss, net of applicable taxes.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

From time to time, we enter into transactions to hedge our exposure to certain foreign currency fluctuations through the use of derivative instruments or other methods. As of September 30, 2024, we had two foreign currency forward contracts outstanding between the U.S. dollar and the pound sterling with an aggregate notional value of \$37.0 million. As of September 30, 2023, we had three foreign currency forward contracts outstanding between the U.S. dollar and the pound sterling with an aggregate notional value of \$35.2 million and two foreign currency forward contracts outstanding between the euro and the pound sterling with an aggregate notional value of €9.4 million. The change in fair value of these contracts represented a net gain/(loss) included in Other operating expenses of \$2,410 and \$(1,217) during the three months ended September 30, 2024 and September 30, 2023, respectively.

Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels in accordance with Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

For Level 3 investments in which pricing inputs are unobservable and limited market activity exists, management's determination of fair value is based upon the best information available, and may incorporate management's own assumptions or involve a significant degree of judgment.

The following methods and assumptions were used by the Company in estimating fair value disclosures:

- Corporate debt securities: All fair value measurements are obtained from a third-party pricing service and are not adjusted by management.
- U.S. treasury securities: Fair values for U.S. treasury securities are based on quoted prices from recent trading activity of identical or similar securities. All fair value measurements are obtained from a third-party pricing service and are not adjusted by management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the instrument.

The fair values of the financial instruments represent the amounts that would be received to sell assets or that would be paid to transfer liabilities in an orderly transaction between market participants as of a specified date. Fair value measurements maximize the use of observable inputs; however, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, as well as available observable and unobservable inputs.

The carrying value of Cash and cash equivalents, Restricted cash, Accounts receivable, Unbilled work in progress, Accounts payable and accrued expenses, and Deferred income approximates fair value due to the short maturity of these instruments.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

The carrying value of the loans to employees included in Other assets, Loans payable to former shareholders, and an unsecured loan which is included in Loan payable to non-affiliate approximates fair value due to the variable interest rate borne by those instruments.

Cash and Cash Equivalents, and Restricted Cash

Cash and cash equivalents include cash held at banks and highly liquid investments with original maturities of three months or less. As of September 30, 2024 and March 31, 2024, the Company had cash balances with banks in excess of insured limits. The Company believes it is not exposed to any significant credit risk with respect to Cash and cash equivalents.

The following table provides a reconciliation of Cash and cash equivalents, and Restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows.

	<u>September 30, 2024</u>	<u>March 31, 2024</u>
Cash and cash equivalents	\$ 691,410	\$ 721,235
Restricted cash ⁽¹⁾	1,452	619
Total cash, cash equivalents, and restricted cash	\$ 692,862	\$ 721,854

(1) Restricted cash as of September 30, 2024 and March 31, 2024 consisted of cash deposits in support of two letters of credit for our Frankfurt office. Restricted cash as of September 30, 2024 also includes cash held in escrow accounts.

Investment Securities

Investment securities consist primarily of corporate debt and U.S. treasury securities with original maturities over 90 days. The Company classifies its corporate debt and U.S. treasury securities as trading and measures them at fair value in the Consolidated Balance Sheets. Unrealized holding gains and losses for trading securities are included in Other operating expenses in the accompanying Consolidated Statements of Comprehensive Income.

Allowance for Credit Losses

The allowance for credit losses on accounts receivable and unbilled work in progress reflects management's best estimate of expected losses using the Company's internal current expected credit losses model. This model analyzes expected losses based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that could potentially affect the collectability of the reported amounts. This is recorded through provision for bad debts, which is included in Other operating expenses in the accompanying Consolidated Statements of Comprehensive Income. Amounts deemed to be uncollectible are written off against the allowance for credit losses.

Property and Equipment

Property and equipment are stated at cost. Repair and maintenance charges are expensed as incurred and costs of renewals or improvements are capitalized at cost. Depreciation on furniture and office equipment is recognized on a straight-line basis over the estimated useful lives of the respective assets.

Income Taxes

The Company files consolidated federal income tax returns, as well as consolidated and separate returns in state and local jurisdictions, and the Company reports income tax expense on this basis.

We account for income taxes in accordance with ASC Topic 740, Income Taxes, which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax basis of our assets and liabilities. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The measurement of the deferred items is based on enacted tax laws and applicable tax rates. A valuation allowance related to a deferred tax asset is recorded if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company utilized a comprehensive model to recognize, measure, present, and disclose in its financial statements any uncertain tax positions that have been taken or are expected to be taken on a tax return. The impact of an uncertain tax position that is more likely than not of being sustained upon audit by the relevant taxing authority must be recognized at the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

less than a 50% likelihood of being sustained. Interest expense and penalties related to income taxes are included in the provision for income taxes in the accompanying Consolidated Statements of Comprehensive Income.

The Global Intangible Low-Taxed Income tax ("GILTI inclusion") can be recognized in the financial statements through an accounting policy election by either recording a period cost (permanent item) or providing deferred income taxes stemming from certain basis differences that are expected to result in GILTI inclusion. The Company has elected to account for the tax impacts of the GILTI inclusion as a period cost.

In 2021, the Organization for Economic Co-operation and Development ("OECD") reached agreement among various countries to establish a 15% minimum tax on certain multinational enterprises, commonly referred to as Pillar Two. The EU effective dates are January 1, 2024 and January 1, 2025, for different aspects of the directive. A significant number of other countries are expected to also implement similar legislation with varying effective dates in the future. The Company is continuing to evaluate the potential impact on future periods of Pillar Two, pending legislative adoption by individual countries.

Leases

We assess whether an arrangement is or contains a lease at the inception of the agreement. Right-of-use ("ROU") assets represent our right to use underlying assets for the lease term, and lease liabilities represent our obligation to make lease payments arising from leases. ROU assets and lease liabilities are recognized at the commencement date based on the present value of future lease payments over the lease terms utilizing the discount rate implicit in the leases. If the discount rate implicit in the leases is not readily determinable, the present value of future lease payments is calculated utilizing the Company's incremental borrowing rate, which approximates the interest that the Company would have to pay on a secured loan. The Company elected to utilize a portfolio approach and applies the rates to a portfolio of leases with similar terms and economic environments. The terms of our leases used to determine the ROU asset and lease liability account for options to extend when it is reasonably certain that we will exercise those options, if applicable. ROU assets and lease liabilities are subject to adjustment in the event of modification to lease terms, changes in probability that an option to extend or terminate a lease would be exercised and other factors. In addition, ROU assets are periodically reviewed for impairment.

Lease expense is recognized on a straight-line basis over the lease terms. Lease expense includes amortization of the ROU assets and accretion of the lease liabilities. Amortization of ROU assets is calculated as the periodic lease cost less accretion of the lease liability. The amortized period for ROU assets is limited to the expected lease term.

The Company has elected a practical expedient to combine the lease and non-lease components into a single lease component. The Company also elected the short-term lease measurement and recognition exemption and does not establish ROU assets or lease liabilities for operating leases with terms of 12 months or less.

Goodwill and Intangible Assets

Goodwill represents an acquired company's acquisition cost over the fair value of acquired net tangible and intangible assets. Goodwill is the net asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Intangible assets identified and accounted for include tradenames and marks, backlog, developed technologies, and customer relationships. Those intangible assets with finite lives, including backlog and customer relationships, are amortized over their estimated useful lives.

Goodwill is reviewed annually during the fourth quarter for impairment and more frequently if potential impairment indicators exist. Goodwill is reviewed for impairment in accordance with ASC Topic 350, Intangibles – Goodwill and Other, as amended by Accounting Standards Update ("ASU") No. 2017-04, Simplifying the Test for Goodwill Impairment, which permits management to perform a qualitative analysis to determine whether it is more likely than not that the fair value of a reporting unit is less than its corresponding carrying value. If management determines the reporting unit's fair value is more likely than not less than its carrying value, a quantitative analysis will be performed to compare the fair value of the reporting unit with its corresponding carrying value. If the conclusion of the quantitative analysis is that the fair value is in fact less than the carrying value, management will recognize a goodwill impairment charge for the amount by which the reporting unit's carrying value exceeds its fair value. Impairment testing of goodwill requires a significant amount of judgment in assessing both qualitative factors and if necessary, quantitative factors used to estimate the fair value of the reporting unit. As of September 30, 2024, management concluded that it was not more likely than not that the Company's reporting units' fair value was less than their carrying amount, and no further quantitative impairment testing had been considered necessary.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Indefinite-lived intangible assets are reviewed annually for impairment in accordance with ASU 2012-02, Testing Indefinite-lived Intangible Assets for Impairment, which provides management the option to perform a qualitative assessment. If it is more likely than not that the asset is impaired, the amount that the carrying value exceeds the fair value is recorded as an impairment expense. As of September 30, 2024, management concluded that it was not more likely than not that the fair values were less than the carrying values.

Intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group (inclusive of other long-lived assets) be tested for possible impairment, management first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. As of September 30, 2024, no events or changes in circumstances were identified that indicated that the carrying amount of the finite-lived intangible assets were not recoverable.

Business Combinations

Accounting for business combinations requires management to make significant estimates and assumptions. We allocate the purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair value as of the acquisition date, with the consideration in excess recorded as goodwill. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows, expected asset lives, geographic risk premiums, discount rates, and more. The amounts and useful lives assigned to acquisition-related intangible assets impact the amount and timing of future amortization expense.

Note 3 — Revenue Recognition

Disaggregation of Revenues

The Company has disclosed disaggregated revenues based on its business segment and geographical area, which provides a reasonable representation of how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See Note 18 for additional information.

Contract Balances

The timing of revenue recognition may differ from the timing of payment by customers. The Company records a receivable when revenue is recognized prior to payment and there is an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred income (contract liability) until the performance obligations are satisfied.

Costs incurred in fulfilling advisory contracts with point-in-time revenue recognition are recorded as a contract asset when the costs (i) relate directly to a contract, (ii) generate or enhance resources of the Company that will be used in satisfying performance obligations, and (iii) are expected to be recovered. The Company amortizes the contract asset costs related to fulfilling a contract based on recognition of fee revenues for the corresponding contract.

Costs incurred in fulfilling an advisory contract with over-time revenue recognition are expensed as incurred.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

The change in the Company's contract assets and liabilities during the period primarily reflects the timing difference between the Company's performance and the customer's payment. The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers:

	April 1, 2024	Increase/(Decrease)	September 30, 2024
Receivables ⁽¹⁾	\$ 192,952	\$ 19,046	\$ 211,998
Unbilled work in progress, net of allowance for credit losses	192,012	(53,719)	138,293
Contract Assets ⁽¹⁾	6,678	457	7,135
Contract Liabilities ⁽²⁾	33,139	4,817	37,956

(1) Included within Accounts receivable, net of allowance for credit losses in the September 30, 2024 Consolidated Balance Sheets.

(2) Included within Deferred income in the September 30, 2024 Consolidated Balance Sheets.

During the three and six months ended September 30, 2024, \$4.3 million and \$15.3 million of Revenues, respectively, were recognized that were included in the Deferred income balance at the beginning of the period.

As a practical expedient, the Company does not disclose information about remaining performance obligations pertaining to (i) contracts that have an original expected duration of one year or less, and/or (ii) contracts where the variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a distinct service that is or forms part of a single performance obligation. The transaction price allocated to remaining unsatisfied or partially unsatisfied performance obligations with an original expected duration exceeding one year was not material as of September 30, 2024.

Note 4 — Related Party Transactions

The Company provides financial advisory services to certain related parties, and received fees for these services totaling approximately \$1,379 and \$2 for the three months ended September 30, 2024 and 2023, respectively, and \$1,421 and \$1,537 for the six months ended September 30, 2024 and 2023, respectively. Accounts receivable and Unbilled work in progress in the accompanying Consolidated Balance Sheets include amounts pertaining to these services of \$412 and \$7,228 as of September 30, 2024 and March 31, 2024, respectively.

Other assets in the accompanying Consolidated Balance Sheets includes loans receivable from certain employees of \$40,531 and \$32,937 as of September 30, 2024 and March 31, 2024, respectively.

Note 5 — Fair Value Measurements

The following table presents information about the Company's financial assets, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair values:

	September 30, 2024			
	Level I	Level II	Level III	Total
Corporate debt securities	\$ —	\$ 38,875	\$ —	\$ 38,875
U.S. treasury securities	—	17,412	—	17,412
Certificates of deposit	—	542	—	542
Total assets measured at fair value	\$ —	\$ 56,829	\$ —	\$ 56,829

	March 31, 2024			
	Level I	Level II	Level III	Total
Corporate debt securities	\$ —	\$ 21,641	\$ —	\$ 21,641
U.S. treasury securities	—	15,833	—	15,833
Certificates of deposit	—	531	—	531
Total assets measured at fair value	\$ —	\$ 38,005	\$ —	\$ 38,005

The Company had no transfers between fair value levels during the six months ended September 30, 2024.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Note 6 — Investment Securities

The amortized cost and gross unrealized gains (losses) of marketable investment securities accounted under the fair value method were as follows:

	September 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Corporate debt securities	\$ 39,088	\$ 100	\$ (313)	\$ 38,875
U.S. treasury securities	17,385	219	(192)	17,412
Certificates of deposit	542	—	—	542
Total securities with unrealized gains/(losses)	<u>\$ 57,015</u>	<u>\$ 319</u>	<u>\$ (505)</u>	<u>\$ 56,829</u>

	March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Corporate debt securities	\$ 22,318	\$ 8	\$ (685)	\$ 21,641
U.S. treasury securities	16,071	110	(348)	15,833
Certificates of deposit	531	—	—	531
Total securities with unrealized gains/(losses)	<u>\$ 38,920</u>	<u>\$ 118</u>	<u>\$ (1,033)</u>	<u>\$ 38,005</u>

Scheduled maturities of the debt securities held by the Company included within the investment securities portfolio were as follows:

	September 30, 2024		March 31, 2024	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due within one year	\$ 30,473	\$ 30,427	\$ 7,592	\$ 7,566
Due within years two through five	26,542	26,402	31,328	30,439
Total debt within the investment securities portfolio	<u>\$ 57,015</u>	<u>\$ 56,829</u>	<u>\$ 38,920</u>	<u>\$ 38,005</u>

Note 7 — Allowance for Credit Losses

The following table presents information about the Company's allowance for credit losses:

	September 30, 2024
Beginning balance	\$ 14,899
Provision for bad debt, net	5,234
Recovery/(write-off) of uncollectible accounts, net	(2,101)
Ending balance	<u>\$ 18,032</u>

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Note 8 — Property and Equipment

Property and equipment, net of accumulated depreciation consists of the following:

	September 30, 2024	March 31, 2024
Equipment	\$ 11,011	\$ 9,972
Furniture and fixtures	34,145	29,672
Leasehold improvements	155,973	144,996
Computers and software	14,825	12,282
Other	8,095	8,088
Total cost	224,049	205,010
Less: accumulated depreciation	(75,320)	(68,309)
Total net book value	\$ 148,729	\$ 136,701

Additions to property and equipment during the six months ended September 30, 2024 were primarily related to leasehold improvement costs incurred.

Depreciation expense of \$5,377 and \$3,727 was recognized for the three months ended September 30, 2024 and 2023, respectively, and \$10,692 and \$6,903 for the six months ended September 30, 2024 and 2023, respectively.

Note 9 — Goodwill and Other Intangible Assets

The following table provides a reconciliation of Goodwill and other intangibles, net reported on the Consolidated Balance Sheets.

	Useful Lives	September 30, 2024	March 31, 2024
Goodwill	Indefinite	\$ 1,177,757	\$ 1,127,497
Tradename-Houlihan Lokey	Indefinite	192,210	192,210
Other intangible assets	Varies	104,475	98,897
Total cost		1,474,442	1,418,604
Less: accumulated amortization		(100,044)	(93,668)
Goodwill and other intangibles, net		\$ 1,374,398	\$ 1,324,936

Goodwill attributable to the Company's business segments is as follows:

	April 1, 2024	Change ⁽¹⁾	September 30, 2024
Corporate Finance	\$ 872,967	\$ 50,260	\$ 923,227
Financial Restructuring	162,815	—	162,815
Financial and Valuation Advisory	91,715	—	91,715
Goodwill	\$ 1,127,497	\$ 50,260	\$ 1,177,757

(1) Changes pertain primarily to the acquisition of Triago Advisors.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Amortization expense of approximately \$2,067 and \$3,360 was recognized for the three months ended September 30, 2024 and 2023, respectively, and \$5,608 and \$6,715 for the six months ended September 30, 2024 and 2023, respectively.

The estimated future amortization for finite-lived intangible assets for each of the next five fiscal years and thereafter are as follows:

	Year Ending March 31,
Remainder of 2025	\$ 2,254
2026	1,873
2027	—
2028	—
2029 and thereafter	—

Note 10 — Loans Payable

On August 23, 2019, the Company entered into a syndicated revolving line of credit with Bank of America, N.A. and certain other financial institutions party thereto, which was amended by the First Amendment to Credit Agreement dated as of August 2, 2022 (the "HLI Line of Credit"), which allows for borrowings of up to \$100.0 million (and, subject to certain conditions, provides the Company with an uncommitted expansion option, which, if exercised in full, would provide for a total credit facility of \$200.0 million) and matures on August 23, 2025 (or if such date is not a business day, the immediately preceding business day). Borrowings under the HLI Line of Credit bear interest at a floating rate, which can be either, at the Company's option, (i) Term Secured Overnight Financing Rate ("SOFR") plus a 0.10% SOFR adjustment plus a 1.00% margin or (ii) base rate, which is the highest of (a) the Federal Funds Rate plus one-half of one percent (0.50%), (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate," and (c) Term SOFR plus a 0.10% SOFR adjustment. Commitment fees apply to unused amounts, and the HLI Line of Credit contains debt covenants which require that the Company maintain certain financial ratios. As of September 30, 2024 and March 31, 2024, no principal was outstanding under the HLI Line of Credit.

In July 2021, the Company acquired Baylor Klein, Ltd ("BK"). Contingent consideration was issued in connection with the acquisition of BK, which had a carrying value of \$0.0 million and \$9.0 million as of September 30, 2024 and March 31, 2024, respectively, which is included in Other liabilities in our Consolidated Balance Sheets.

In December 2023, the Company acquired 7 Mile Advisors, LLC ("7MA"). Total consideration included an unsecured note of \$14.5 million bearing interest at an annual rate of 2.00% and payable on December 11, 2053. The note was issued by the Company to the former principals and sellers of 7MA (who became employees of the Company). Under certain circumstances, the note will be pre-paid to each seller for Company stock over a three-year period in equal annual installments starting in December 2024. The Company incurred interest expense of \$73 and \$145 for the three and six months ended September 30, 2024, respectively. Contingent consideration was also issued in connection with the acquisition of 7MA, which had a carrying value of \$4.0 million as of September 30, 2024, and is included in Other liabilities in our Consolidated Balance Sheets.

Note 11 — Accumulated Other Comprehensive (Loss)

Accumulated other comprehensive (loss) is comprised of Foreign currency translation adjustments of \$31,361 and \$(19,883) for the three months ended September 30, 2024 and 2023, respectively, and \$28,399 and \$(16,909) for the six months ended September 30, 2024 and 2023, respectively.

Accumulated other comprehensive (loss) as of September 30, 2024 was comprised of the following:

Balance, April 1, 2024	\$ (66,608)
Foreign currency translation adjustment	28,399
Balance, September 30, 2024	<u>\$ (38,209)</u>

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Note 12 — Income Taxes

The Company's provision for income taxes was \$42,539 and \$26,542 for the three months ended September 30, 2024 and 2023, respectively, and \$53,473 and \$41,504 for the six months ended September 30, 2024 and 2023, respectively. These represent effective tax rates of 31.3% and 28.4% for the three months ended September 30, 2024 and 2023, respectively, and 22.7% and 24.4% for the six months ended September 30, 2024 and 2023, respectively.

Note 13 — Earnings Per Share

The calculations of basic and diluted earnings per share attributable to holders of shares of common stock are presented below. The determination of weighted average shares of common stock outstanding includes both the Company's Class A common stock and Class B common stock. Please refer to Note 15 for further detail on our two classes of authorized Company common stock.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
<i>Numerator:</i>				
Net income attributable Houlihan Lokey, Inc.	\$ 93,549	\$ 67,031	\$ 182,489	\$ 128,421
<i>Denominator:</i>				
Weighted average shares of common stock outstanding — basic	65,822,690	64,551,353	65,429,115	64,180,642
Weighted average number of incremental shares pertaining to unvested restricted stock and issuable in respect of unvested restricted stock units, as calculated using the treasury stock method	2,599,910	3,316,028	3,021,751	3,700,981
Weighted average shares of common stock outstanding — diluted	68,422,600	67,867,381	68,450,866	67,881,623
Basic earnings per share	\$ 1.42	\$ 1.04	\$ 2.79	\$ 2.00
Diluted earnings per share	\$ 1.37	\$ 0.99	\$ 2.67	\$ 1.89

Note 14 — Employee Benefit Plans

Defined Contribution Plans

The Company sponsors a 401(k) defined contribution savings plan for its domestic employees and defined contribution retirement plans for its international employees. The Company contributed approximately \$3,361 and \$3,083 to these plans during the three months ended September 30, 2024 and 2023, respectively, and \$6,406 and \$6,112 during the six months ended September 30, 2024 and 2023, respectively.

Share-Based Incentive Plans

Awards of restricted shares and restricted stock units have been and will be made under the Amended and Restated Houlihan Lokey, Inc. 2016 Incentive Award Plan (the "2016 Incentive Plan"), which became effective in August 2015 and was amended in October 2017. Under the 2016 Incentive Plan, it is anticipated that the Company will continue to grant cash and equity-based incentive awards to eligible service providers in order to attract, motivate and retain the talent necessary to operate the Company's business. Equity-based incentive awards issued under the 2016 Incentive Plan generally vest over a four-year period. Restricted shares of Class A common stock were granted under the 2016 Incentive Plan to (i) six independent directors in the first quarter of the fiscal year ended March 31, 2024, at \$87.60 per share and (ii) six independent directors in the first quarter of the fiscal year ending March 31, 2025, at \$134.08 per share.

No excess tax benefit was recognized during the three months ended September 30, 2024 and 2023. An excess tax benefit of \$21,921 and \$7,299 was recognized during the six months ended September 30, 2024 and 2023, respectively, as a component of the provision for income taxes and an operating activity on the Consolidated Statements of Cash Flows. The excess tax benefits recognized during the six months ended September 30, 2024 and 2023 were related to shares vested in May 2024 and May 2023, respectively.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

The share awards are classified as equity awards at the time of grant unless the number of shares granted is unknown. Awards that are settleable in shares based upon a future determinable stock price are classified as liabilities until the price is established and the resulting number of shares is known, at which time they are re-classified from liabilities to equity awards. Activity in equity-classified share awards which relate to the 2016 Incentive Plan during the six months ended September 30, 2024 and 2023 was as follows:

Unvested Share Awards	Shares	Weighted Average Grant Date Fair Value
Balance, April 1, 2024	4,519,024	\$ 83.37
Granted	940,701	134.20
Vested	(1,614,779)	80.24
Forfeited/Repurchased	(181,369)	88.78
Balance, September 30, 2024	<u>3,663,577</u>	<u>\$ 97.54</u>
Balance, April 1, 2023	5,281,779	\$ 79.57
Granted	1,244,902	87.60
Vested	(1,636,778)	74.23
Forfeited/Repurchased	(306,521)	84.30
Balance, September 30, 2023	<u>4,583,382</u>	<u>\$ 83.34</u>

Activity in liability-classified share awards during the six months ended September 30, 2024 and 2023 was as follows:

Awards Settleable in Shares	Fair Value
Balance, April 1, 2024	\$ 17,184
Offer to grant	1,659
Share price determined-converted to cash payments	(5)
Share price determined-transferred to equity grants	(7,265)
Forfeited	(317)
Balance, September 30, 2024	<u>\$ 11,256</u>
Balance, April 1, 2023	\$ 11,971
Offer to grant	9,112
Share price determined-converted to cash payments	(3)
Share price determined-transferred to equity grants	(6,172)
Forfeited	—
Balance, September 30, 2023	<u>\$ 14,908</u>

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Activity in Restricted Stock Unit awards during the six months ended September 30, 2024 and 2023 was as follows:

Restricted Stock Units	RSUs	Weighted Average Grant Date Fair Value
RSUs as of April 1, 2024	843,730	\$ 95.09
Issued	68,601	134.08
Forfeitures	(24,453)	94.62
Vested	(269,614)	94.71
RSUs as of September 30, 2024	618,264	\$ 99.60
RSUs as of April 1, 2023	1,050,646	\$ 95.46
Issued	94,286	87.60
Forfeitures	(19,070)	90.91
Vested	(266,883)	94.38
RSUs as of September 30, 2023	858,979	\$ 95.02

Compensation expenses for the Company associated with both equity-classified and liability-classified awards totaled \$45,325 and \$42,740 for the three months ended September 30, 2024 and 2023, respectively, and \$78,396 and \$82,149 for the six months ended September 30, 2024 and 2023, respectively.

As of September 30, 2024 and 2023, there was \$418,918 and \$463,603, respectively, of total unrecognized compensation cost related to unvested share awards granted under the 2016 Incentive Plan. These costs are recognized over a weighted average period of 1.4 years and 3.4 years, as of September 30, 2024 and 2023, respectively.

On October 19, 2017, our board of directors approved an amendment (the “Amendment”) to the 2016 Incentive Plan reducing the number of shares of common stock available for issuance under the 2016 Incentive 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 2016 Incentive Plan is equal to the sum of (i) 8.0 million and (ii) any shares of our Class B common stock that are subject to awards under our 2006 Incentive Plan that terminate, expire or lapse for any reason after October 19, 2017.

The number of shares available for issuance increases 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.

Note 15 — Stockholders' Equity

There are two classes of authorized Company 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, and each share of Class B common stock is entitled to ten votes per share. Each share of Class B common stock may be converted into one share of Class A common stock at the option of its holder and will be automatically converted into one share of Class A common stock upon transfer thereof, subject to certain exceptions.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Class A Common Stock

During the three months ended September 30, 2024 and 2023, there were no shares issued to non-employee directors and 350,440 and 508,491 shares were converted from Class B to Class A, respectively. During the six months ended September 30, 2024 and 2023, 5,248 and 6,609 shares were issued to non-employee directors, respectively, and 958,524 and 1,159,559 shares were converted from Class B to Class A, respectively.

As of September 30, 2024, there were 53,334,156 Class A shares held by the public and 69,783 Class A shares held by non-employee directors. As of September 30, 2023, there were 51,501,057 Class A shares held by the public and 64,935 Class A shares held by non-employee directors.

Class B Common Stock

As of September 30, 2024 and 2023, there were 16,082,738 and 17,427,625 Class B shares held by the HL Voting Trust, respectively.

Dividends

Previously declared dividends related to unvested shares of \$15,803 and \$17,236 were unpaid as of September 30, 2024 and 2023, respectively.

Share Repurchases

In April 2022, the board of directors authorized an increase to the existing July 2021 share repurchase program, which provides for share repurchases of a new aggregate amount of up to \$500.0 million of the Company's Class A common stock and Class B common stock. As of September 30, 2024, shares with a value of \$457.7 million remained available for purchase under the program.

During the three months ended September 30, 2024 and 2023, the Company repurchased 2,814 and 4,235 shares, respectively, of Class B common stock, to satisfy \$723 and \$259, respectively, of required withholding taxes in connection with the vesting of restricted awards. During the three months ended September 30, 2024, there were no regular share repurchases made under the existing share repurchase program. During the three months ended September 30, 2023, the Company repurchased 239,100 shares of its outstanding Class A common stock at a weighted average price of \$104.36 per share, excluding commissions, for an aggregate purchase price of \$24,952.

During the six months ended September 30, 2024 and 2023, the Company repurchased 675,395 and 766,832 shares, respectively, of Class B common stock, to satisfy \$101,716 and \$70,025 of required withholding taxes in connection with the vesting of restricted awards, respectively. During the six months ended September 30, 2024, there were no regular share repurchases made under the existing share repurchase program. During the six months ended September 30, 2023, the Company repurchased 239,100 shares of its outstanding Class A common stock at a weighted average price of \$104.36 per share, excluding commissions, for an aggregate purchase price of \$24,952.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Note 16 — Leases

Lessee Arrangements

Operating Leases

We lease real estate and equipment used in operations from third parties. As of September 30, 2024, the remaining term of our operating leases ranged from 1 to 15 years with various automatic extensions.

The following table outlines the maturity of our existing operating lease liabilities on a fiscal year-end basis as of September 30, 2024.

Maturity of Operating Leases

	Operating Leases
Remaining 2025	\$ 17,523
2026	54,348
2027	54,118
2028	53,482
2029	53,581
Thereafter	344,913
Total	577,965
Less: present value discount	(146,743)
Operating lease liabilities	<u>\$ 431,222</u>

As of September 30, 2024, the Company has entered into an operating lease for additional office space that has not yet commenced for approximately \$0.2 million. This operating lease will commence during fiscal year 2025 with a lease term of 2 years.

Lease costs

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Operating lease expense	\$ 11,458	\$ 13,385	\$ 26,491	\$ 25,808
Variable lease expense ⁽¹⁾	4,589	5,476	9,211	10,713
Short-term lease expense	46	62	100	108
Less: Sublease income	(919)	90	(1,344)	(213)
Total lease costs	<u>\$ 15,174</u>	<u>\$ 19,013</u>	<u>\$ 34,458</u>	<u>\$ 36,416</u>

(1) Primarily consists of payments for property taxes, common area maintenance and usage based operating costs.

Weighted-average details

	September 30,	
	2024	2023
Weighted-average remaining lease term (years)	11	12
Weighted-average discount rate	5.4 %	5.1 %

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Supplemental cash flow information related to leases:

	Six Months Ended September 30,	
	2024	2023
Operating cash flows:		
Cash paid for amounts included in the measurement of Operating lease liabilities	\$ 27,567	\$ 17,562
Non-cash activity:		
Operating lease right-of-use assets obtained in exchange of Operating lease liabilities	\$ 27,494	\$ 13,735
Change in Operating lease right-of-use assets due to remeasurement	(2,073)	32,655

Note 17 — Commitments and Contingencies

The Company has been named in various legal actions arising in the normal course of business. In the opinion of the Company, in consultation with legal counsel, the final resolutions of these matters are not expected to have a material adverse effect on the Company's financial condition, operations and cash flows.

The Company also provides routine indemnifications relating to certain real estate (office) lease agreements under which it may be required to indemnify property owners for claims and other liabilities arising from the Company's use of the applicable premises. In addition, the Company guarantees the performance of its subsidiaries under certain office lease agreements. The terms of these obligations vary, and because a maximum obligation is not explicitly stated, the Company has determined that it is not possible to make an estimate of the maximum amount that it could be obligated to pay under such contracts. Based on historical experience and evaluation of specific indemnities, management believes that judgments, if any, against the Company related to such matters are not likely to have a material effect on the consolidated financial statements. Accordingly, the Company has not recorded any liability for these obligations as of September 30, 2024 or March 31, 2024.

There have been no material changes outside of the ordinary course of business to our known contractual obligations, which are included in Item 7 of our 2024 Annual Report.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

Note 18 — Segment and Geographical Information

The Company's reportable segments are described in Note 1 and each are individually managed and provide separate services that require specialized expertise for the provision of those services. Revenues by segment represent fees earned on the various services offered within each segment. Segment profit consists of segment revenues, less (1) direct expenses including compensation, travel, meals and entertainment, professional fees, and bad debt and (2) expenses allocated by headcount such as communications, rent, depreciation and amortization, and office expense. The corporate expense category includes costs not allocated to individual segments, including charges related to incentive compensation and share-based payments to corporate employees, as well as expenses of senior management and corporate departmental functions managed on a worldwide basis, including office of the executives, accounting, human capital, marketing, information technology, and legal and compliance. The following tables present information about revenues, profit and assets by segment and geography.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Revenues by segment				
Corporate Finance	\$ 364,028	\$ 281,684	\$ 692,445	\$ 508,735
Financial Restructuring	131,568	114,670	248,990	238,038
Financial and Valuation Advisory	79,361	70,635	147,131	136,045
Revenues	<u>\$ 574,957</u>	<u>\$ 466,989</u>	<u>\$ 1,088,566</u>	<u>\$ 882,818</u>
Segment profit ⁽¹⁾				
Corporate Finance	\$ 109,655	\$ 90,517	\$ 210,077	\$ 152,139
Financial Restructuring	60,919	32,499	100,068	76,093
Financial and Valuation Advisory	19,389	19,593	37,030	34,492
Total segment profit	<u>189,963</u>	<u>142,609</u>	<u>347,175</u>	<u>262,724</u>
Corporate expenses ⁽²⁾	59,294	52,332	120,938	99,100
Other income, net	(5,419)	(3,296)	(9,725)	(6,301)
Income before provision for income taxes	<u>\$ 136,088</u>	<u>\$ 93,573</u>	<u>\$ 235,962</u>	<u>\$ 169,925</u>

(1) We adjust the compensation expense for a business segment in situations where an employee residing in one business segment is performing work in another business segment where the revenues are accrued. Segment profit may vary significantly between periods depending on the levels of collaboration among the different segments.

(2) Corporate expenses represent expenses that are not allocated to individual business segments such as office of the executives, accounting, information technology, legal and compliance, marketing, and human capital.

	September 30, 2024	March 31, 2024
Assets by segment		
Corporate Finance	\$ 1,142,652	\$ 1,147,432
Financial Restructuring	206,187	192,185
Financial and Valuation Advisory	172,666	170,627
Total segment assets	<u>1,521,505</u>	<u>1,510,244</u>
Corporate assets	1,691,246	1,660,515
Total assets	<u>\$ 3,212,751</u>	<u>\$ 3,170,759</u>

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Income before provision for income taxes by geography				
United States	\$ 90,506	\$ 61,280	\$ 151,564	\$ 113,682
International	45,582	32,293	84,398	56,243
Income before provision for income taxes	<u>\$ 136,088</u>	<u>\$ 93,573</u>	<u>\$ 235,962</u>	<u>\$ 169,925</u>

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

(In thousands, except share data or as otherwise stated)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Revenues by geography				
United States	\$ 435,322	\$ 328,958	\$ 801,881	\$ 656,694
International	139,635	138,031	286,685	226,124
Revenues	<u>\$ 574,957</u>	<u>\$ 466,989</u>	<u>\$ 1,088,566</u>	<u>\$ 882,818</u>

	September 30, 2024	March 31, 2024
Assets by geography		
United States	\$ 2,098,984	\$ 1,957,454
International	1,113,767	1,213,305
Total assets	<u>\$ 3,212,751</u>	<u>\$ 3,170,759</u>

Note 19 — Subsequent Events

On October 24, 2024, the Company's board of directors declared a quarterly cash dividend of \$0.57 per share of Class A and Class B common stock, payable on December 15, 2024, to shareholders of record on December 2, 2024.

On October 24, 2024, the Company's board of directors approved an amendment (the "Second Amendment") to the 2016 Incentive Plan reducing the number of shares of common stock available for issuance under the 2016 Incentive Plan. Under the Second Amendment, the aggregate number of shares of common stock that are available for issuance under awards granted pursuant to the 2016 Incentive Plan made on or after October 24, 2024 is equal to the sum of (i) 8,000,000 shares and (ii) an increase on April 1, 2025 equal to the lesser of (a) 6,540,659 shares, (b) 6% of the shares of Class A common stock and Class B common stock outstanding on March 31, 2025, assuming the conversion of any shares of preferred stock, and including shares issuable upon the exercise or payment of stock options, warrants and other equity securities with respect to which shares have not actually been issued and (c) such smaller number of shares as may be determined by the Board, which may be issued as shares of Class A common stock or shares of Class B common stock, as determined by the Administrator of the 2016 Incentive Plan in its sole discretion and to the extent such class of common stock exists from time to time.

A copy of the Second Amendment is filed as Exhibit 10.1 hereto and is incorporated by reference.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion should be read together with our consolidated financial statements and the related notes that appear elsewhere in this Quarterly Report on Form 10-Q. We make statements in this discussion that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “intends,” “predicts,” “potential” or “continue,” the negative of these terms or other similar expressions. These forward-looking statements, which are subject to risks, uncertainties, and assumptions about us, may include projections of our future financial performance, based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including but not limited to, the factors listed under the heading “Cautionary Note Regarding Forward-Looking Statements” in our Annual Report on Form 10-K for the year ended March 31, 2024 (the “2024 Annual Report”). Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements speak only as of the date of this filing. You should not rely upon forward-looking statements as a prediction of future events. We are under no duty to and we do not undertake any obligation to update or review any of these forward-looking statements after the date of this filing to conform our prior statements to actual results or revised expectations whether as a result of new information, future developments or otherwise.

Key Financial Measures

Revenues

Revenues include fee revenues and reimbursements of expenses (see Note 2 and Note 3 to our unaudited consolidated financial statements in this Form 10-Q for additional information). Revenues reflect revenues from our Corporate Finance (“CF”), Financial Restructuring (“FR”), and Financial and Valuation Advisory (“FVA”) business segments that substantially consist of fees for advisory services.

Revenues for all three business segments are recognized upon satisfaction of the performance obligation and may be satisfied over time or at a point in time. The amount and timing of the fees paid vary by the type of engagement. In general, advisory fees are paid at the time an engagement letter is signed (“Retainer Fees”), during the course of the engagement (“Progress Fees”), or upon the successful completion of a transaction or engagement (“Completion Fees”).

CF provides general financial advisory services and advice on mergers and acquisitions and capital markets offerings. We advise public and private institutions, including financial sponsors, on a wide variety of matters, including buy-side and sell-side M&A transactions, debt and equity financings in both the private and public markets, and other corporate finance transactions. The majority of our CF revenues consists of Completion Fees. A CF transaction can fail to be completed for many reasons that are outside of our control. In these instances, our fees are generally limited to Retainer Fees and in some cases Progress Fees that may have been received.

FR provides advice to debtors, creditors and other parties-in-interest in connection with recapitalization/deleveraging transactions implemented through bankruptcy proceedings and out-of-court exchanges, consent solicitations or other mechanisms, as well as in distressed mergers and acquisitions and capital markets activities. As part of these engagements, our FR business segment offers a wide range of advisory services to our clients, including: the structuring, negotiation, and confirmation of plans of reorganization; structuring and analysis of exchange offers; liability management transactions; corporate viability assessment; dispute resolution and expert testimony; and procuring debtor-in-possession financing. Although atypical, FR transactions can fail to be completed for many reasons that are outside of our control. In these instances, our fees are generally limited to the Retainer Fees and/or Progress Fees.

FVA primarily provides financial advisory and valuation services with respect to companies, debt and equity interests (including complex illiquid investments), and other types of assets and liabilities; fairness opinions in connection with mergers and acquisitions and other transactions, solvency opinions in connection with corporate spin-offs and dividend recapitalizations, and other types of financial opinions in connection with other transactions; as well as diligence, tax, transaction accounting, and other financial advisory services to companies, boards of directors, special committees, retained counsel, financial and strategic investors, trustees, and other parties. Also, our FVA business segment provides dispute resolution services to clients where fees are usually based on the hourly rates of our financial professionals. Unlike our CF or FR segments, the fees generated in our FVA segment are generally not contingent on the successful completion of a transaction.

Operating Expenses

Our operating expenses are classified as employee compensation and benefits expense and non-compensation expense; revenue and headcount are the primary drivers of our operating expenses. Reimbursements of certain out-of-pocket deal expenses are recorded on a gross basis and are therefore included in both Revenues and Operating expenses on the Consolidated Statements of Comprehensive Income.

Employee Compensation and Benefits Expense. Our employee compensation and benefits expense, which accounts for the majority of our operating expenses, is determined by management based on revenues earned, headcount, the competitiveness of the prevailing labor market, and anticipated compensation expectations of our employees. These factors may fluctuate, and as a result, our employee compensation and benefits expense may fluctuate materially in any particular period. Accordingly, the amount of employee compensation and benefits expense recognized in any particular period may not be consistent with prior periods or indicative of future periods.

Our employee compensation and benefits expense consists of base salary, payroll taxes, benefits, annual incentive compensation payable as cash bonus awards, deferred cash bonus awards, and the amortization of equity-based bonus awards. Base salary and benefits are paid ratably throughout the year. Our annual equity-based bonus awards include fixed share compensation awards and liability classified fixed dollar awards as a component of the annual bonus awards for certain employees. These equity awards are generally subject to annual vesting requirements over a four-year period beginning at the date of grant, which typically occurs in the first quarter of each fiscal year; accordingly, expenses are amortized over the stated vesting period. In most circumstances, the unvested portion of these awards is subject to forfeiture should the employee depart from the Company, and in certain cases if certain financial metrics are not met. Cash bonuses, which are accrued monthly, are discretionary and dependent upon a number of factors including the Company's performance and are generally paid in the first quarter of each fiscal year with respect to prior year performance. Generally, a portion of the cash bonus is deferred and paid in the third quarter of the fiscal year in which the bonus is awarded. We refer to the ratio of our employee compensation and benefits expenses to our revenues as our "Compensation Ratio."

Non-Compensation Expense. The balance of our operating expenses includes costs for travel, meals and entertainment, rent, depreciation and amortization, information technology and communications, professional fees, and other operating expenses. We refer to all of these expenses as non-compensation expenses. A portion of our non-compensation expenses fluctuates in response to changes in headcount.

Other Income, Net

Other income, net includes (i) interest income earned on non-marketable and investment securities, cash and cash equivalents, loans receivable from affiliates, employee loans, and commercial paper, (ii) interest expense and fees on our HLI Line of Credit (defined herein), (iii) equity income and/or gains or losses from funds and partnership interests where we have had more than a minor ownership interest or more than minor influence over operations, but do not have a controlling interest and are not the primary beneficiary, (iv) gains and/or losses associated with the reduction/increase of earnout liabilities, and (v) other miscellaneous non-operating expenses.

Results of Consolidated Operations

The following is a discussion of our results of operations for the three and six months ended September 30, 2024 and 2023. For a more detailed discussion of the factors that affected the revenues and the operating expenses of our CF, FR, and FVA business segments in these periods, see Part I, Item 2 of this Form 10-Q under the heading “Business Segments” below.

(\$ in thousands)	Three Months Ended September 30,			Six Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Revenues	\$ 574,957	\$ 466,989	23 %	\$ 1,088,566	\$ 882,818	23 %
Operating expenses:						
Employee compensation and benefits	360,637	296,542	22 %	690,753	560,025	23 %
Non-compensation	83,651	80,170	4 %	171,576	159,169	8 %
Total operating expenses	444,288	376,712	18 %	862,329	719,194	20 %
Operating income	130,669	90,277	45 %	226,237	163,624	38 %
Other income, net	(5,419)	(3,296)	64 %	(9,725)	(6,301)	54 %
Income before provision for income taxes	136,088	93,573	45 %	235,962	169,925	39 %
Provision for income taxes	42,539	26,542	60 %	53,473	41,504	29 %
Net income attributable to Houlihan Lokey, Inc.	\$ 93,549	\$ 67,031	40 %	\$ 182,489	\$ 128,421	42 %

Three Months Ended September 30, 2024 versus September 30, 2023

Revenues were \$575.0 million for the three months ended September 30, 2024, compared with \$467.0 million for the three months ended September 30, 2023, representing an increase of 23%.

Operating expenses were \$444.3 million for the three months ended September 30, 2024, compared with \$376.7 million for the three months ended September 30, 2023, representing an increase of 18%. Employee compensation and benefits expense, as a component of operating expenses, was \$360.6 million for the three months ended September 30, 2024, compared with \$296.5 million for the three months ended September 30, 2023, representing an increase of 22%. The increase in employee compensation and benefits expense was primarily a result of an increase in revenues for the quarter when compared with the same quarter last year. The Compensation Ratio was 62.7% for the three months ended September 30, 2024, compared with 63.5% for the three months ended September 30, 2023. Non-compensation expense, as a component of operating expenses, was \$83.7 million for the three months ended September 30, 2024, compared with \$80.2 million for the three months ended September 30, 2023, representing an increase of 4%. The increase in non-compensation expense was primarily a result of an increase in other operating expenses and information technology and communication expenses for the quarter when compared with the same quarter last year.

Other income, net was \$(5.4) million for the three months ended September 30, 2024, compared with \$(3.3) million for the three months ended September 30, 2023. Other income, net increased primarily due to a net increase in interest income.

The provision for income taxes for the three months ended September 30, 2024 was \$42.5 million, which reflected an effective tax rate of 31.3%. The provision for income taxes for the three months ended September 30, 2023 was \$26.5 million which reflected an effective tax rate of 28.4%. The increase in the Company’s tax rate was primarily a result of increased state taxes and increased taxes due to foreign operations.

Six Months Ended September 30, 2024 versus September 30, 2023

Revenues were \$1.09 billion for the six months ended September 30, 2024, compared with \$882.8 million for the six months ended September 30, 2023, representing an increase of 23%.

Operating expenses were \$862.3 million for the six months ended September 30, 2024, compared with \$719.2 million for the six months ended September 30, 2023, an increase of 20%. Employee compensation and benefits expense, as a component of operating expenses, was \$690.8 million for the six months ended September 30, 2024, compared with \$560.0 million for the six months ended September 30, 2023, an increase of 23%. The increase in employee compensation and benefits expense was primarily a result of higher revenues when compared with the same period last year. The Compensation Ratio was 63.5% for the six months ended September 30, 2024, compared with 63.4% for the six months ended September 30, 2023. Non-compensation expense, as a component of operating expenses, was \$171.6 million for the six months ended September 30, 2024, compared with \$159.2 million for the six months ended September 30, 2023, representing an increase of 8%. The increase in non-compensation expense was primarily a result of an increase in information technology and communication expenses and other operating expenses when compared with the same period last year.

Other income, net was \$(9.7) million for the six months ended September 30, 2024, compared with \$(6.3) million for the six months ended September 30, 2023. Other income, net increased primarily due to a net increase in interest income.

The provision for income taxes for the six months ended September 30, 2024 was \$53.5 million, which reflected an effective tax rate of 22.7%. The provision for income taxes for the six months ended September 30, 2023 was \$41.5 million, which reflected an effective tax rate of 24.4%. The decrease in the Company's tax rate was primarily a result of increased stock compensation deductions.

Business Segments

The following table presents revenues, expenses and contributions from our continuing operations by business segment. The revenues by segment represent each segment's revenues, and the profit by segment represents profit for each segment before corporate expenses, other income, net, and income taxes.

(\$ in thousands)	Three Months Ended September 30,			Six Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Revenues by segment						
Corporate Finance	\$ 364,028	\$ 281,684	29 %	\$ 692,445	\$ 508,735	36 %
Financial Restructuring	131,568	114,670	15 %	248,990	238,038	5 %
Financial and Valuation Advisory	79,361	70,635	12 %	147,131	136,045	8 %
Revenues	\$ 574,957	\$ 466,989	23 %	\$ 1,088,566	\$ 882,818	23 %
Segment profit ⁽¹⁾						
Corporate Finance	\$ 109,655	\$ 90,517	21 %	\$ 210,077	\$ 152,139	38 %
Financial Restructuring	60,919	32,499	87 %	100,068	76,093	32 %
Financial and Valuation Advisory	19,389	19,593	(1)%	37,030	34,492	7 %
Total segment profit	189,963	142,609	33 %	347,175	262,724	32 %
Corporate expenses ⁽²⁾	59,294	52,332	13 %	120,938	99,100	22 %
Other income, net	(5,419)	(3,296)	64 %	(9,725)	(6,301)	54 %
Income before provision for income taxes	\$ 136,088	\$ 93,573	45 %	\$ 235,962	\$ 169,925	39 %

Segment metrics

Number of Managing Directors						
Corporate Finance	224	211	6 %	224	211	6 %
Financial Restructuring	58	60	(3)%	58	60	(3)%
Financial and Valuation Advisory	41	40	2 %	41	40	2 %
Number of closed transactions/Fee Events ⁽³⁾						
Corporate Finance	131	117	12 %	247	212	17 %
Financial Restructuring	33	31	6 %	66	61	8 %
Financial and Valuation Advisory	903	852	6 %	1,316	1,255	5 %

(1) We adjust the compensation expense for a business segment in situations where an employee residing in one business segment is performing work in another business segment where the revenues are accrued. Segment Profit may vary significantly between periods depending on the levels of collaboration among the different segments.

(2) Corporate expenses represent expenses that are not allocated to individual business segments such as office of the executives, accounting, information technology, legal and compliance, marketing, and human capital.

(3) Fee Events applicable to FVA only; a Fee Event includes any engagement that involves revenue activity during the measurement period with a revenue minimum of \$1,000. References to closed transactions should be understood to be the same as transactions that are "effectively closed" as described in Note 3 of our Consolidated Financial Statements.

Corporate Finance

Three Months Ended September 30, 2024 versus September 30, 2023

Revenues for CF were \$364.0 million for the three months ended September 30, 2024, compared with \$281.7 million for the three months ended September 30, 2023, representing an increase of 29%. Revenues increased primarily due to an increase in the average transaction fee on closed transactions, which was driven by transaction mix, and does not represent a trend in the average transaction fee on closed transactions.

Segment profit for CF was \$109.7 million for the three months ended September 30, 2024, compared with \$90.5 million for the three months ended September 30, 2023, an increase of 21%. Profitability increased primarily as a result of an increase in revenues when compared to the same quarter last year.

Six Months Ended September 30, 2024 versus September 30, 2023

Revenues for CF were \$692.4 million for the six months ended September 30, 2024, compared with \$508.7 million for the six months ended September 30, 2023, representing an increase of 36%. Revenues increased primarily due to an increase in the average transaction fee on closed transactions, which was driven by transaction mix, and does not represent a trend in the average transaction fee on closed transactions.

Segment profit for CF was \$210.1 million for the six months ended September 30, 2024, compared with \$152.1 million for the six months ended September 30, 2023, an increase of 38%. Profitability increased primarily as a result of an increase in revenues when compared to the same period last year.

Financial Restructuring

Three Months Ended September 30, 2024 versus September 30, 2023

Revenues for FR were \$131.6 million for the three months ended September 30, 2024, compared with \$114.7 million for the three months ended September 30, 2023, representing an increase of 15%. Revenues increased primarily due to an increase in the average transaction fee on closed transactions, which was driven by transaction mix, and does not represent a trend in the average transaction fee on closed transactions.

Segment profit for FR was \$60.9 million for the three months ended September 30, 2024, compared with \$32.5 million for the three months ended September 30, 2023, an increase of 87%. Profitability increased primarily as a result of higher revenues and lower compensation expenses when compared to the same quarter last year.

Six Months Ended September 30, 2024 versus September 30, 2023

Revenues for FR were \$249.0 million for the six months ended September 30, 2024, compared with \$238.0 million for the six months ended September 30, 2023, representing an increase of 5%. The increase in revenues was a result of an increase in the number of closed transactions, which was driven by favorable market conditions for restructuring transactions.

Segment profit for FR was \$100.1 million for the six months ended September 30, 2024, compared with \$76.1 million for the six months ended September 30, 2023, an increase of 32%. Profitability increased primarily as a result of lower compensation expenses and higher revenues when compared to the same period last year.

Financial and Valuation Advisory

Three Months Ended September 30, 2024 versus September 30, 2023

Revenues for FVA were \$79.4 million for the three months ended September 30, 2024, compared with \$70.6 million for the three months ended September 30, 2023, representing an increase of 12%. Revenues increased due to an increase in the number of Fee Events and an increase in the average fee per Fee Event, driven by improvements in the M&A markets, which impacted one or more of the service lines within our FVA business.

Segment profit for FVA remained relatively flat at \$19.4 million for the three months ended September 30, 2024, compared with \$19.6 million for the three months ended September 30, 2023.

Six Months Ended September 30, 2024 versus September 30, 2023

Revenues for FVA were \$147.1 million for the six months ended September 30, 2024, compared with \$136.0 million for the six months ended September 30, 2023, representing an increase of 8%. The increase in revenues was primarily due to an increase in the number of Fee Events, driven by improvements in the M&A markets, which impacted one or more of the service lines within our FVA business.

Segment profit for FVA was \$37.0 million for the six months ended September 30, 2024, compared with \$34.5 million for the six months ended September 30, 2023, an increase of 7%. Profitability increased primarily as a result of increased revenues, partially offset by higher compensation expenses when compared to the same period last year.

Corporate Expenses

Three Months Ended September 30, 2024 versus September 30, 2023

Corporate expenses were \$59.3 million for the three months ended September 30, 2024, compared with \$52.3 million for the three months ended September 30, 2023. This 13% increase was driven primarily by increased compensation expenses and other operating expenses, partially offset by a reduction in professional fees when compared to the same quarter last year.

Six Months Ended September 30, 2024 versus September 30, 2023

Corporate expenses were \$120.9 million for the six months ended September 30, 2024, compared with \$99.1 million for the six months ended September 30, 2023. This 22% increase was driven primarily by increased compensation expense and rent expense, partially offset by a reduction in professional fees when compared to the same period last year.

Liquidity and Capital Resources

Our current assets comprise cash and cash equivalents, investment securities, accounts receivable, and unbilled work in progress related to fees earned from providing advisory services. Our current liabilities include deferred income, accounts payable and accrued expenses, accrued salaries and bonuses, income taxes payable, and current portion of loan obligations.

Our cash and cash equivalents include cash held at banks. We maintain moderate levels of cash on hand in support of regulatory requirements for our registered broker-dealer. As of September 30, 2024 and March 31, 2024, we had \$457.0 million and \$545.0 million of cash in foreign subsidiaries, respectively. Our excess cash may be invested from time to time in short-term investments, including treasury securities, commercial paper, certificates of deposit, and investment grade corporate and government debt securities. Please refer to Note 6 for further detail.

As of September 30, 2024 and March 31, 2024, our restricted cash, cash and cash equivalents, and investment securities were as follows:

<i>(In thousands)</i>	September 30, 2024	March 31, 2024
Cash and cash equivalents	\$ 691,410	\$ 721,235
Investment securities	56,829	38,005
Total unrestricted cash and cash equivalents, including investment securities	748,239	759,240
Restricted cash ⁽¹⁾	1,452	619
Total cash, cash equivalents, and restricted cash, including investment securities	<u>\$ 749,691</u>	<u>\$ 759,859</u>

(1) Restricted cash as of September 30, 2024 and March 31, 2024 consisted of cash deposits in support of two letters of credit for our Frankfurt office. Restricted cash as of September 30, 2024 also includes cash held in escrow accounts.

Our liquidity is highly dependent upon cash receipts from clients that are generally dependent upon the successful completion of transactions, as well as the timing of receivables collections, which typically occur within 60 days of billing. As of September 30, 2024, accounts receivable, net of credit losses was \$219.1 million. As of September 30, 2024, unbilled work in progress, net of credit losses was \$138.3 million.

On August 23, 2019, the Company entered into a syndicated revolving line of credit with the Bank of America, N.A. and certain other financial institutions party thereto, which was amended by a First Amendment to Credit Agreement dated as of August 2, 2022 (the "HLI Line of Credit"), which allows for borrowings of up to \$100 million (and, subject to certain conditions, provides the Company with an uncommitted expansion option, which, if exercised in full, would provide for a total credit facility of \$200 million), and matures on August 23, 2025 (or if such date is not a business day, the immediately preceding business day). Borrowings under the HLI Line of Credit bear interest at a floating rate, which can be either, at the Company's option, (i) Term Secured Overnight Financing Rate ("SOFR") plus a 0.10% SOFR adjustment plus a 1.00% margin or (ii) base rate, which is the highest of (a) the Federal Funds Rate plus one-half of one percent (0.50%), (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate," and (c) Term SOFR plus a 0.10% SOFR adjustment. Commitment fees apply to unused amounts, and the HLI Line of Credit contains debt covenants which require that the Company maintain certain financial ratios. The loan agreement requires compliance with certain loan covenants including but not limited to the maintenance of minimum consolidated earnings before interest, taxes, depreciation and amortization of no less than \$150 million as of the end of any quarterly 12-month period and certain leverage ratios including a consolidated leverage ratio of less than 2.00 to 1.00. As of September 30, 2024, we were, and expect to continue to be, in compliance with such covenants. As of September 30, 2024 and March 31, 2024, no principal was outstanding under the HLI Line of Credit.

The majority of the Company's payment obligations and commitments pertain to routine operating leases. The Company also has various obligations relating to notes payable and contingent consideration issued in connection with businesses previously acquired (see Note 10 included in Part I, Item 1 of this Form 10-Q).

In connection with certain acquisitions, certain employees may be entitled to deferred consideration, primarily in the form of retention payments, should certain service and/or performance conditions be met in the future. As a result of these conditions, such deferred consideration would be expensed as compensation in current and future periods and has been accrued as liabilities on the Consolidated Balance Sheets as of September 30, 2024 and March 31, 2024.

Cash Flows

Our operating cash flows are primarily influenced by the amount and timing of receipt of advisory fees and the payment of operating expenses, including payments of incentive compensation to our employees. We pay a significant portion of our incentive compensation during the first and third quarters of each fiscal year. A summary of our operating, investing, and financing cash flows is as follows:

<i>(In thousands)</i>	Six Months Ended September 30,		
	2024	2023	Change
Operating activities:			
Net income	\$ 182,489	\$ 128,421	42 %
Non-cash charges	119,716	113,209	6 %
Other operating activities	(77,494)	(239,378)	(68)%
Net cash provided by operating activities	224,711	2,252	9,878 %
Net cash used in investing activities	(71,311)	(32,974)	116 %
Net cash used in financing activities	(200,626)	(178,833)	12 %
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	18,234	(10,955)	(266)%
Net decrease in cash, cash equivalents, and restricted cash	(28,992)	(220,510)	(87)%
Cash, cash equivalents, and restricted cash — beginning of period	721,854	714,812	1 %
Cash, cash equivalents, and restricted cash — end of period	<u>\$ 692,862</u>	<u>\$ 494,302</u>	<u>40 %</u>

Six Months Ended September 30, 2024

Operating activities resulted in a net inflow of \$224.7 million, primarily attributable to net income plus equity and liability classified share awards issued, partially offset by cash bonus payments paid in May, 2024. Investing activities resulted in a net outflow of \$(71.3) million, primarily attributable to the acquisition of Triago during the three months ended June 30, 2024, and the purchase of investment securities and property and equipment, net. Financing activities resulted in a net outflow of \$(200.6) million, primarily attributable to payments made to settle employee tax obligations on share-based awards and dividends paid.

Six Months Ended September 30, 2023

Operating activities resulted in a net inflow of \$2.3 million, primarily attributable to net income plus equity and liability classified share awards issued, almost entirely offset by cash bonus payments paid in May, 2023. Investing activities resulted in a net outflow of \$(33.0) million, primarily attributable to purchases of property and equipment, net. Financing activities resulted in a net outflow of \$(178.8) million, primarily attributable to dividends paid and payments made to settle employee tax obligations on share-based awards.

Contractual Obligations

There have been no material changes outside of the ordinary course of business to our known contractual obligations, which are included in Item 7 of our 2024 Annual Report.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period for which they are determined to be necessary.

Business Combinations

Accounting for business combinations requires management to make significant estimates and assumptions. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows, expected asset lives, geographic risk premiums, discount rates, and more. The amounts and useful lives assigned to acquisition-related intangible assets impact the amount and timing of future amortization expense.

Recent Accounting Developments

For information on recently issued accounting developments and their impact or potential impact on our consolidated financial statements, see Note 2 to our unaudited consolidated financial statements in this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk and Credit Risk

Our business is not capital intensive and we generally do not issue debt or invest in derivative instruments. As a result, we are not subject to significant market risk (including interest rate risk) or credit risk (except in relation to receivables). We maintain our cash and cash equivalents with financial institutions with high credit ratings. Although these deposits are generally not insured, management believes we are not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Our cash and cash equivalents are denominated primarily in U.S. dollars, pound sterling and euros, and we face foreign currency risk in our cash balances and other assets and liabilities held in accounts outside the U.S. due to potential currency movements and the associated foreign currency translation accounting requirements.

We regularly review our accounts receivable and allowance for credit losses by considering factors such as historical experience, credit quality, age of the accounts receivable and recoverable expense balances, and the current economic conditions that may affect a customer's ability to pay such amounts owed to us. We maintain an allowance for credit losses that, in our opinion, provides for an adequate reserve to cover losses that may be incurred.

Risks Related to Cash and Short-Term Investments

Our cash is maintained in U.S. and non-U.S. bank accounts. We have exposure to foreign exchange risks through all of our international affiliates and through some of our investments. However, we believe our cash is not subject to any material interest rate risk, equity price risk, credit risk or other market risk. Consistent with our past practice, we expect to maintain our cash in bank accounts or highly liquid securities.

Exchange Rate Risk

The exchange rate of the U.S. dollar relative to the currencies in the non-U.S. countries in which we operate may have an effect on the reported value of our non-U.S. dollar denominated or based assets and liabilities and, therefore, be reflected as a change in other comprehensive income, net of tax. Our non-U.S. assets and liabilities that are sensitive to exchange rates consist primarily of trade payables and receivables, work in progress, and cash. For the three months ended September 30, 2024 and 2023, the net impact of the fluctuation of foreign currencies in other comprehensive income within the Consolidated Statements of Comprehensive Income was \$31,361 and \$(19,883), respectively. For the six months ended September 30, 2024 and 2023, the net impact of the fluctuation of foreign currencies in other comprehensive income within the Consolidated Statements of Comprehensive Income was \$28,399 and \$(16,909), respectively.

In addition, the reported amounts of our revenues and expenses may be affected by movements in the rate of exchange between the currencies in the non-U.S. countries in which we operate and the United States dollar, affecting our operating results. We have analyzed our potential exposure to changes in the value of the U.S. dollar relative to the pound sterling and euro, the primary currencies of our European operations, by performing a sensitivity analysis on our net income, and determined that while our earnings are subject to fluctuations from changes in foreign currency rates, at this time we do not believe we face any material risk in this respect.

From time to time, we enter into transactions to hedge our exposure to certain foreign currency fluctuations through the use of derivative instruments or other methods. As of September 30, 2024, we had two foreign currency forward contracts outstanding between the U.S. dollar and the pound sterling with an aggregate notional value of \$37.0 million. As of September 30, 2023, we had three foreign currency forward contracts outstanding between the U.S. dollar and the pound sterling with an aggregate notional value of \$35.2 million and two foreign currency forward contracts outstanding between the euro and the pound sterling with an aggregate notional value of €9.4 million. The change in fair value of these contracts represented a net gain/(loss) included in Other operating expenses of \$2,410 and \$(1,217) during the three months ended September 30, 2024 and September 30, 2023, respectively.

In summary, we have been impacted by changes in exchange rates and the potential impact of future currency fluctuation will increase as our international expansion continues. The magnitude of this impact will depend on the timing and volume of revenues and expenses of, and the amounts of assets and liabilities in, our foreign subsidiaries along with the timing of changes in the relative value of the U.S. dollar to the currencies of the non-U.S. countries in which we operate.

Item 4. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management, including the chief executive officer and chief financial officer, recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2024.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control over financial reporting performed during the fiscal quarter ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. There has been no material change in the nature of our legal proceedings from the descriptions contained in our 2024 Annual Report.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our 2024 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities

The following table summarizes all of the repurchases of Houlihan Lokey, Inc. equity securities during the quarter ended September 30, 2024:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
July 1, 2024 - July 30, 2024 ⁽²⁾	3,104	\$ 139.74	—	\$ 457,712,992
August 1, 2024 - August 31, 2024 ⁽³⁾	336	147.05	—	457,712,992
September 1, 2024 - September 30, 2024	—	—	—	457,712,992
Total	3,440	\$ 140.46	—	\$ 457,712,992

(1) The shares of Class A common stock repurchased through this program have been retired. On May 12, 2022, the Company announced that the Company's board of directors had authorized a replacement program to the previous July 2021 share repurchase program, which provides for share repurchases of a new aggregate amount of up to \$500 million of the Company's Class A common stock and Class B common stock. This share repurchase program does not expire.

(2) Total Number of Shares Purchased consists of 3,104 unvested shares of Class B common stock at an average price per share of \$139.74, which were withheld from employees to satisfy tax withholding obligations resulting from the vesting of certain restricted stock awards.

(3) Total Number of Shares Purchased consists of 336 unvested shares of Class B common stock at an average price per share of \$147.05, which were withheld from employees to satisfy tax withholding obligations resulting from the vesting of certain restricted stock awards.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) During the fiscal quarter ended September 30, 2024 no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (in each case, as defined in Item 408 of Regulation S-K).

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed / Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.1	Second Amendment to Amended and Restated Houlihan Lokey, Inc. 2016 Incentive Award Plan	8-K	001-37537	10.1	10/28/24	
3.1	Second Amended and Restated Certificate of Incorporation of Houlihan Lokey, Inc., dated September 21, 2023.	8-K	001-37537	3.1	9/22/23	
3.2	Amended and Restated Bylaws of the Company, dated July 26, 2023.	8-K	001-37537	3.1	8/1/23	
31.1	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer.					*
31.2	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer.					*
32.1	Section 1350 Certification of Chief Executive Officer.					**
32.2	Section 1350 Certification of Chief Financial Officer.					**
101.INS	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					*
104.1	Cover Page Interactive Data File - The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.					*
*	Filed herewith.					
**	Furnished herewith.					

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HOULIHAN LOKEY, INC.

Date: November 5, 2024

/s/ SCOTT J. ADELSON

Scott J. Adelson
Chief Executive Officer
(Principal Executive Officer)

Date: November 5, 2024

/s/ J. LINDSEY ALLEY

J. Lindsey Alley
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATIONS

I, Scott J. Adelson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ending September 30, 2024 of Houlihan Lokey, Inc. as filed with the Securities and Exchange Commission on the date hereof;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2024

/s/ SCOTT J. ADELSON

Scott J. Adelson

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATIONS

I, J. Lindsey Alley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ending September 30, 2024 of Houlihan Lokey, Inc. as filed with the Securities and Exchange Commission on the date hereof;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2024

/s/ J. LINDSEY ALLEY

J. Lindsey Alley

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott J. Adelson, Chief Executive Officer and Director of Houlihan Lokey, Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2024

/s/ SCOTT J. ADELSON

Scott J. Adelson

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, J. Lindsey Alley, Chief Financial Officer of Houlihan Lokey, Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2024

/s/ J. LINDSEY ALLEY

J. Lindsey Alley

Chief Financial Officer

(Principal Financial and Accounting Officer)