UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended March 31, 2020

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	**95-2770395**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

10250 Constellation Blvd.
5th Floor
Los Angeles, California 90067
(Address of principal executive offices) (Zip Code)

(310) 788-5200
(Registrant's telephone number, including area code)

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 $.001	HLI	New York Stock Exchange

Securities Registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 September 30, 2019, the aggregate market value of the voting and non-voting common equity held by non-affiliates was approximately $1,871 million.

As of May 13, 2020, the registrant had 46,417,820 shares of Class A common stock, $0.001 par value per share, and 18,897,832 shares of Class B common stock, $0.001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s definitive proxy statement for its 2020 annual meeting of stockholders, which the Registrant anticipates will be filed no later than 120 days after the end of its fiscal year, are incorporated by reference in Part III of this Form 10-K.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
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PART I

Unless the context otherwise requires, as used in this Annual Report on Form 10-K ("Form 10-K"), the terms the "Company," "Houlihan Lokey, Inc.," "Houlihan Lokey," "HL," "our firm," "we," "us" and "our" refer to (i) prior to the corporate reorganization described under "Organizational Structure," Houlihan Lokey, Inc., a California corporation ("HL CA"), and (ii) following such corporate reorganization, Houlihan Lokey, Inc., a Delaware corporation ("HL DE"), and, in each case, unless otherwise stated, all of its subsidiaries. We use the term "ORIX USA" to refer to ORIX Corporation USA, a Delaware corporation and a wholly owned subsidiary of ORIX Corporation, a Japanese corporation. References to ORIX USA as a holder of our shares mean ORIX USA acting through its indirect wholly owned subsidiary, ORIX HLHZ Holding LLC, a Delaware limited liability company. We use the term "HL Holders" to refer to our current and former employees and members of our management who hold our Class B common stock through the Houlihan Lokey Voting Trust (the "HL Voting Trust"). We use the term "Fram" to refer to Fram Holdings, Inc., a Delaware corporation and formerly our indirect parent. References to the "IPO" mean our initial public offering in August 2015 of 12,075,000 shares of Houlihan Lokey, Inc. Class A common stock in connection with which HL CA reorganized its business. Our fiscal year ends on March 31st; references to fiscal 2020, fiscal 2019, and fiscal 2018 are to the fiscal years ended March 31, 2020, 2019, and 2018, respectively; references in this Form 10-K to years are to calendar years unless otherwise noted.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements. All statements other than statements of historical fact contained in this Form 10-K may be forward-looking statements. Statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "should," "expects," "plans," "anticipates," "could," "targets," "projects," "contemplates," "believes," "estimates," "intends," "predicts," "potential" or "continue," or the negative of these terms or other similar expressions.

Forward-looking statements involve known and unknown risks, uncertainties and other important factors (including the significant effect that the COVID-19 pandemic has had on our business and is suspected to continue to have) that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We believe that these factors include, but are not limited to, the following:

- our ability to retain our Managing Directors and our other senior professionals;
- our ability to successfully identify, recruit and develop talent;
- changing market conditions;
- reputational risk;
- our volatile revenue and profits on a quarterly basis;
- risks associated with our acquisitions, joint ventures and strategic investments;
- strong competition from other financial advisory and investment banking firms;
- potential impairment of goodwill and other intangible assets, which represent a significant portion of our assets;
- our ability to execute on our growth initiatives, business strategies or operating plans;
- risks associated with the U.S. tax law changes;
- risks associated with our international operations;
- fluctuations in foreign currency exchange rates;
- costs of compliance associated with broker-dealer, employment, labor, benefits and tax regulations;
- our potential to offer new products within our existing lines of business or enter into new lines of business, which may result in additional risks and uncertainties in our business;
- operational risks;
- extensive and evolving regulation of our business and the business of our clients;
- substantial litigation risks;
- cybersecurity and other security risks;
- continuing contingent tax liabilities;
- our dependence on fee-paying clients;
- our clients' ability to pay us for our services;
- our ability to generate sufficient cash in the future to service our indebtedness;

- an epidemic or pandemic (such as the outbreak and worldwide spread of COVID-19), and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities may implement to address it, which may (as with COVID-19) cause a severe and prolonged disruption and instability in the global financial markets and may precipitate or exacerbate one or more of the above-mentioned factors and/or other risks, and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period; and
- other factors beyond our control.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. Specifically, the scale, scope and duration of the impact of the COVID-19 pandemic on our business, revenues and operating results are unpredictable and depend on many factors outside of our control. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. For information about other important factors that could adversely affect our future results, see “Risk Factors” in this Form 10-K.

These forward-looking statements speak only as of the date of this filing. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Form 10-K after we file this Form 10-K, whether as a result of any new information, future events or otherwise.

Item 1. Business

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

We are committed to a set of principles that serve as the backbone of our success. Independent advice and intellectual rigor, combined with consistent senior-level involvement, are hallmarks of our commitment to client service. Our entrepreneurial culture engenders our flexibility to collaborate across our business practices to provide world-class solutions for our clients. Our broad-based employee ownership serves to align the interests of employees and shareholders and further encourages a collaborative environment where our CF, FR and FVA business practices work together productively and creatively to solve our clients’ most critical financial issues. We enter into businesses or offer services where we believe we can excel based on our expertise, analytical sophistication, industry focus and competitive dynamics. Finally, we remain independent and specialized, focusing on advisory products and market segments where our expertise is both differentiating and less subject to conflicts of interest arising from non-advisory products and services, and where we believe we can be a market leader in a particular segment. We do not lend or engage in any securities sales and trading operations or research which might conflict with our clients’ interests.

As of March 31, 2020, we had a team of 1,068 financial professionals across 22 offices globally, serving more than 1,000 clients annually over the past several years, ranging from closely held companies to Fortune Global 500 corporations. Information on our segments is set forth in "Management’s Discussion and Analysis of Financial Condition and Results of Operations."

Our Advisory Services

We provide our financial professionals with an integrated platform that enables them to deliver meaningful and differentiated advice to our clients. We market our services through our three business practices described below, our industry groups and our Financial Sponsors group, who work collaboratively to deliver comprehensive solutions and seamless execution for our clients. This marketing effort is combined with an extensive network of referral relationships with law firms, consulting firms, accounting firms and other professional services firms that have been developed by our financial professionals who maintain those relationships as potential referral sources and direct clients across all of our business practices.

Corporate Finance

As of March 31, 2020, we had 123 CF Managing Directors utilizing a collaborative, interdisciplinary approach to provide our clients with extensive industry and product expertise and global reach in a wide variety of M&A and capital markets transactions. We compete with boutique firms focused on particular industries or geographies as well as other global independent investment banks and bulge-bracket firms. A majority of our engagements relate to mid-cap transactions, which we believe is an attractive segment that is underserved by bulge-bracket investment banks. We believe that our deep sector expertise, significant senior banker involvement and attention, strong financial sponsor relationships and global platform provide a compelling value for our clients, engendering long-term relationships and providing a competitive advantage against our peers in this segment of the market.

We believe that through our industry groups we have a meaningful presence in every major industry segment, including: business services; consumer, food & retail; data & analytics; energy; financial institutions; healthcare; industrials; real estate, lodging & leisure; technology: and media & telecommunications. We continue to expand and deepen our specialized industry capabilities through a combination of internal promotion, external hires and acquisitions. While the majority of our engagements are in the United States, we continue to enhance our presence in other geographies, including Europe, Asia, Australia and Dubai and we believe there will be continued opportunities to grow in regions outside the United States.

Our CF activities are comprised of two significant categories:

Mergers & Acquisitions: We have extensive expertise in mergers, acquisitions, divestitures, and other related advisory services for a broad range of United States and international clients. Our CF professionals have relationships with thousands of companies and financial sponsors, providing us with valuable insights into a wide variety of relevant markets.

Our M&A business consists primarily of sell-side and buy-side engagements. In particular, we believe we have developed a reputation in the marketplace as one of the most prolific sell-side advisors, consistently selling more companies under $1 billion than any competitor. We provide advice and services to a diverse set of parties, including public and private company executives, boards of directors, special committees and financial sponsors.

We believe our team of experienced and talented financial professionals is well positioned to provide advice across a wide range of M&A advisory services globally, including sell-side, buy-side, joint ventures, asset sales and divestitures that are less subject to conflicts of interest arising from non-advisory services. Our global industry group model with embedded M&A capabilities brings sector-specific knowledge, experience and relationships to our clients, allowing us to provide differentiated expert advice and connect buyers on a global basis.

Capital Markets Advisory: We provide global financing solutions and capital-raising advisory services for a broad range of corporate and private equity clients across most industry sectors, from large, publicly-held, multinational corporations to financial sponsors to privately-held companies founded and run by entrepreneurs.

Our Capital Markets Advisory professionals leverage a wide array of longstanding, senior-level lender and investor relationships, including with traditional and non-traditional direct capital providers (such as institutional credit funds, commercial finance companies, business development companies, insurance companies, pension funds, mutual funds, global asset managers, special situations investors and structured equity providers). As the traditional syndicated capital markets have become increasingly complex and more regulated, the private capital markets have developed to provide an alternative source of flexible capital that can be tailored to meet clients' needs.

We believe we excel in providing our clients with sophisticated and thoughtful advice and access to traditional and non-traditional capital providers in the private and public capital markets. Our objective is to help clients create a capital structure that enables them to achieve their strategic priorities on the best terms available in the market, which often involves raising more than one type of capital.

Financial Restructuring

As of March 31, 2020, we had 45 FR Managing Directors working around the globe, which we believe constitutes one of the largest restructuring groups in the investment banking industry. Our FR group has earned a reputation for being the advisor of choice for many of the largest and most complex restructurings, offering knowledge, experience, and creativity to address challenging situations. We operate in all major worldwide markets as debt issuances have increased around the world. Our FR professionals bring to bear deep expertise and experience in restructurings in the United States, Canada, Europe, Asia, Australia, the Middle East, Latin America and Africa. Given the depth and breadth of the team's expertise and the high barriers to entry for this expertise and experience, international and multi-jurisdictional restructurings represent an attractive opportunity for our FR group.

The group employs an interdisciplinary approach to engagements, calling upon the expertise of our industry groups, Capital Markets Advisory group and Financial Sponsors group, and drawing on the worldwide resources of the FR team as each situation may require. The FR group has deep experience evaluating complex, highly leveraged situations. In addition to comprehensive financial restructurings, we work with distressed companies on changes of control, asset sales and other M&A and capital markets activities, many times involving the sale of a company or its assets quickly, and in contested or litigious settings on expedited timeframes. We advise companies undergoing financial restructuring and creditor constituencies at all levels of the capital structure, in both out-of-court negotiations and in formal bankruptcy or insolvency proceedings. Our experience, geographic diversity and size allow us to provide the immediate attention and staffing required for time-sensitive and mission-critical restructuring assignments, making us a valued partner for our clients.

Our dedicated team is active throughout business cycles. Our FR practice serves as a countercyclical hedge across macroeconomic cycles, with increasing levels of restructuring opportunities often occurring during periods when demand for M&A and capital markets advisory services may be reduced. In robust macroeconomic environments, demand for the services of our FR team generally continues due to opportunities arising from secular and cyclical disruptions in certain industries. Our geographic diversity and global market leadership allow our FR group to maintain significant levels of activity even when the U.S. capital markets are vibrant.

Our broad base of clients and our extensive experience allow us to understand the dynamics of each restructuring situation and strengthen our negotiating strategies by providing us insight into the needs, attitudes and positions of all parties-in-interest. Our clients include companies, bondholder groups, financial institutions, banks and other secured creditor groups, trade creditors, official Chapter 11 creditors' committees, equity holders, acquirers, equity sponsors, and other parties-in-interest involved with financially challenged companies.

Our FR professionals work closely with our CF and FVA professionals to provide holistic advice and services. In financial restructuring assignments, our team may represent the company, the creditors, or other stakeholders.

Financial and Valuation Advisory

As of March 31, 2020, we had 30 Managing Directors in our FVA group, which we believe represents one of the largest and most respected valuation and financial opinion practices in the United States. We have developed a reputation as a thought-leader in the field of valuation, and our professionals produce influential studies and publications, which are recognized and valued throughout the financial industry. We believe our extensive transaction expertise and leadership in these fields inspire the confidence of the financial executives, boards of directors, special committees, retained counsel, investors and business owners that we serve. We believe that our reputation for delivering an outstanding analytical product that will withstand legal or regulatory scrutiny coupled with our independence makes us the advisor of choice for clients seeking to obtain a complex valuation or transaction opinion.

Our core competencies in our FVA practice are our ability to analyze and value companies, security interests, and different types of assets, including intellectual property and liabilities, as well as our ability to analyze the financial aspects of transactions. We are organized around different service areas as each area has different regulatory or compliance specializations, different valuation guidelines as well as different marketing channels.

Our People

Our goal is to attract, develop and retain the best talent in our industry across all levels. We believe our compensation programs are competitive, offering a portion of compensation in deferred cash and a portion in deferred stock awards to provide incentives for our employees to remain with us. In addition, we strive to foster a collaborative environment to attract and retain employees, and we seek individuals who fit our culture of entrepreneurship, integrity, creativity, and commitment to our clients. For over 20 years, we have emphasized broad employee ownership as a way to align the incentives of our employees and shareholders. As of March 31, 2020, we had approximately 626 present and former employee shareholders that collectively owned approximately 30% of our equity with no single employee owning more than 2% of our equity. We believe that a strong emphasis on cultural fit during our recruiting process combined with broad employee ownership results in high retention rates.

Our Managing Directors (other than our executive officers) are compensated based on their ability to deliver profitable revenues on a consistent basis to our firm, the quality of advice and execution provided to our clients, and their collaboration with their colleagues across industries, products, and regions. We do not compensate on a commission-based pay model. Our compensation structure for junior financial professionals is based on a system of meritocracy whereby bankers are rewarded for past performance and expectation of future development, and compensation levels are tested against prevailing market compensation for bankers at similar levels.

The primary sources of recruitment for our junior financial professionals are leading undergraduate and graduate programs around the world. Our consistent hiring practices year after year have created partnerships with these institutions and resulted in a steady and high-quality pipeline of junior financial professionals. To supplement this annual class of new hires, we opportunistically and strategically hire professionals with experience and backgrounds relevant to our various businesses. Regardless of title, we place a high degree of emphasis on cultural fit, technical capability and individual character. When we hire junior financial professionals, we hire them directly into one of our business practices to enable them to begin to develop their relevant skill set from day one.

Across our firm, we devote significant time and resources to training and mentoring our employees to ensure every person achieves their highest possible potential. We strive to identify and cultivate future leaders within our firm and are committed to developing our brightest and most ambitious junior professionals into Managing Directors. This philosophy of investing in our people has been and will continue to be core to our culture and organization. As of March 31, 2020, 2019, and 2018, we employed 1,491, 1,354, and 1,228 people, respectively, worldwide.

Competition

Our competitors are other investment banking and financial advisory firms. We compete on both a global and a regional basis, and on the basis of a number of factors, including industry knowledge, transaction execution skills, strength of client relationships, reputation, and price. We believe our primary competitors vary by product and industry expertise and would include the following: for our CF practice, Jefferies LLC, Lazard Ltd, Moelis & Company, N M Rothschild & Sons Limited, Piper Sandler Companies, Robert W. Baird & Co. Incorporated, Stifel Financial Corp., William Blair & Company, L.L.C., and the bulge-bracket investment banking firms; for our FR practice, Evercore Partners, Lazard Ltd, Moelis & Company, N M Rothschild & Sons Limited and PJT Partners; and for our FVA practice, Duff & Phelps Corp., the "big four" accounting firms, and various global financial advisory firms.

We compete with all of the above as well as with regional and industry-focused boutique firms to attract and retain qualified employees. Our ability to continue to compete effectively in our business will depend upon our ability to attract new employees and retain our existing employees. We may be at a competitive disadvantage in certain situations with regard to certain of our competitors who are able to, and regularly do, provide financing or market making services that are often instrumental in effecting transactions.

Regulation

United States

Our business, as well as the financial services industry generally, is subject to extensive regulation in the United States and across the globe. As a matter of public policy, regulatory bodies in the United States and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. In the United States, the Securities and Exchange Commission (the "SEC") is the federal agency responsible for the administration of the federal securities laws. Houlihan Lokey Capital, Inc. ("Houlihan Lokey Capital"), our wholly owned subsidiary, through which we conduct our CF, FR and transaction opinion businesses in the United States, is registered as a broker-dealer with the SEC. Houlihan Lokey Capital is subject to regulation and oversight by the SEC. In addition, the Financial Industry Regulatory Authority, Inc. ("FINRA"), a self-regulatory organization that is subject to oversight by the SEC, adopts and enforces rules governing the conduct, and examines the activities, of its broker-dealer member firms, including Houlihan Lokey Capital. State securities regulators also have regulatory or oversight authority over Houlihan Lokey Capital in those states in which it does business.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices, the financing of customers' purchases, capital structure, record-keeping and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of a self-regulatory organization, we are subject to the SEC's uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and FINRA impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital.

Houlihan Lokey Financial Advisors, Inc. ("HLFA"), our wholly owned subsidiary, provides valuation services and related financial analyses of various businesses and types of assets which are used by clients in connection with mergers and acquisitions, divestitures, recapitalizations, dispute analysis, and estate, gift, and income tax support. In rendering such analyses, HLFA does not: (i) make recommendations or provide advice with respect to the merits of any security or transaction, the suitability of transacting in any security, or any investment decision with respect to any security, or (ii) manage or hold client accounts, securities or funds. In addition to valuation and financial consulting and analytic services, HLFA provides dispute resolution services.

The USA PATRIOT Act of 2001 and the Treasury Department's implementing federal regulations require us, as a "financial institution," to establish and maintain an anti-money-laundering program. The Financial Crimes Enforcement Network ("FinCEN''), a part of the United States Department of the Treasury, is charged with protecting the financial system from illicit use, combating money laundering, and promoting national security through financial intelligence. FinCEN's customer due diligence rule requires certain financial institutions, including broker-dealers, to obtain, verify, and record certain client information, including, in some cases, beneficial ownership, as well as to maintain adequate internal controls to prevent and detect possible violations of anti-money laundering rules. In addition, in connection with its administration and enforcement of economic and trade sanctions based on United States foreign policy and national security goals, the Treasury Department's Office of Foreign Assets Control ("OFAC") publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers, designated under programs that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals" ("SDNs"). Assets of SDNs are blocked, and we are generally prohibited from dealing with them. In addition, OFAC administers a number of comprehensive sanctions and embargoes that target certain countries, governments and geographic regions. We are generally prohibited from engaging in transactions involving any country, government, entity, or person that is subject to such comprehensive sanctions.

Certain parts of our business are subject to compliance with laws and regulations of United States federal and state governments, non-United States governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage.

Europe

Our European advisory business is conducted primarily through our subsidiary, Houlihan Lokey EMEA, LLP ("HL EMEA, LLP"), a limited liability partnership organized under the laws of England and Wales, with its main office in the United Kingdom and branches in France, Germany and Spain.

HL EMEA, LLP is authorized and regulated by the United Kingdom’s Financial Conduct Authority. The current U.K. regulatory regime is based upon the Financial Services and Markets Act 2000 (“FSMA”), together with secondary legislation and other rules made under FSMA. These rules govern our financial advisory business in the United Kingdom, including regulated activities, record keeping, approval standards for individuals, anti-money laundering and periodic reporting.

HL EMEA, LLP has exercised the appropriate European financial services passport rights to provide cross-border services into all other members of the European Economic Area (the “EEA”) from the United Kingdom and to establish branches in France, Germany and Spain. These “passport” rights derive from the pan-European regime established by the EU Markets in Financial Instruments Directive, which regulates the provision of investment services and activities throughout the EEA.

The United Kingdom ceased being a member of the EU on January 31, 2020 (“Brexit”), which then triggered a transition period that is currently scheduled to end on December 31, 2020, allowing time for the United Kingdom and the EU to negotiate and ratify a trade deal. In order to mitigate the effects of Brexit on our European business, we have incorporated a new European hub entity in Germany, Houlihan Lokey (Europe) GmbH, from which we plan to conduct our regulated business in the EU should it no longer be practicable to provide such services cross-border from the United Kingdom following the end of the transition period. We have filed an application with the relevant German regulatory authorities to conduct this business from the new German entity, which application was approved on February 3, 2020 by the Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”). During the course of 2020, we intend to move the business of the Frankfurt branch of HL EMEA, LLP into the new German entity (together with such of its other businesses as we may deem appropriate). Brexit may further impact our European business in ways that are unknown at this time and/or may result in costs that are indeterminate at this time.

Since the acquisition of our subsidiary Quayle Munro Limited (now renamed "Houlihan Lokey (Corporate Finance) Limited"), we have continued to operate its business through that entity. It is also authorized and regulated by the United Kingdom's Financial Conduct Authority and has exercised passport rights as referred to above to provide cross-border services from its London office into other EEA states where it provides services time to time. In addition to Houlihan Lokey (Corporate Finance) Limited, we provide corporate finance advisory services through other subsidiaries in Germany, Italy, the Netherlands and Spain.

Hong Kong

In Hong Kong, the Securities and Futures Commission (the “SFC”) regulates our subsidiary, Houlihan Lokey (China) Limited. The compliance requirements of the SFC include, among other things, various codes of conduct and certain capital requirements. The SFC licenses the activities of the officers, directors, employees of Houlihan Lokey (China) Limited, and requires the registration of such individuals as licensed representatives.

Australia

In July 2017, the Company purchased the remaining interest of Houlihan Lokey (Australia) Pty Limited ("HL Australia") that we did not previously own, which was historically operated as our joint venture in Australia. HL Australia is licensed and subject to regulation by the Australian Securities & Investments Commission and must also comply with applicable provisions of the Corporations Act 2001 and other Australian legal and regulatory requirements, including capital adequacy rules, customer protection rules, and compliance with other applicable trading and investment banking regulations.

Singapore

On April 26, 2017, the Monetary Authority of Singapore (“MAS”) acknowledged receipt of the lodgment by our subsidiary, Houlihan Lokey (Singapore) Private Limited, of the relevant form notifying MAS of its commencement of business as a person exempted from the requirement to hold a capital markets services license to carry on business in advising on corporate finance activities, with effect from March 6, 2017. As a result of such lodgment, Houlihan Lokey (Singapore) Private Limited is able to conduct business in Singapore as an “exempt corporate finance adviser,” subject to compliance with regulation governing such status as applicable from time to time in Singapore.

Dubai

Effective September 25, 2017, the Dubai Financial Services Authority ("DFSA") granted a license under Article 48 of the Regulatory Law 2004 to Houlihan Lokey (MEA Financial Advisory) Ltd. to carry on business providing certain regulated financial services from its office in the Dubai International Financial Centre. Such entity is subject to DFSA administered law and regulation (most notably certain applicable modules of the DFSA Rulebook), and individuals within it carrying out "licensed functions" (essentially senior management roles) are required to be approved by DFSA to so act.

Other

The United States and non-United States government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct periodic examinations and initiate administrative proceedings that can result in censure, fines, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees.

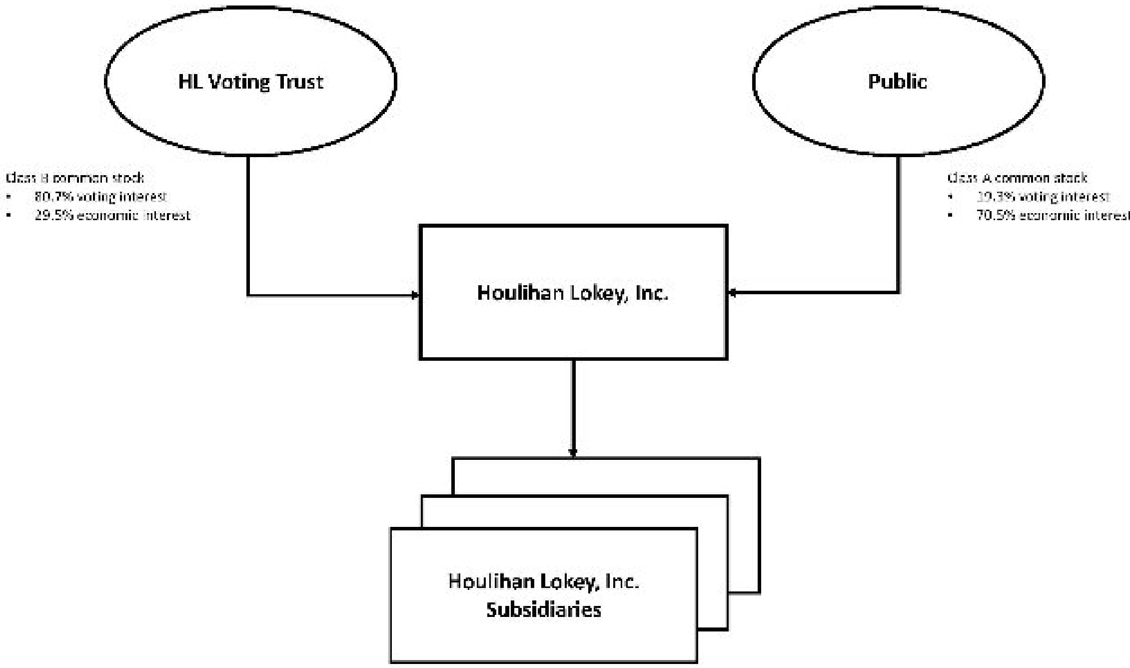
The United States Foreign Corrupt Practices Act of 1977 (the “FCPA”), the U.K. 2010 Bribery Act and similar laws to which we may be subject prohibit the payment of bribes to foreign government officials and political figures. The FCPA has a broad reach, covering all United States companies and citizens doing business abroad, and defining a foreign official to include not only those holding public office but also local citizens acting in an official capacity for or on behalf of foreign government-run or -owned organizations or public international organizations. The FCPA also requires maintenance of appropriate books and records and maintenance of adequate internal controls to prevent and detect possible FCPA violations. Similarly, the U.K. 2010 Bribery Act prohibits us from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage.

Organizational Structure

Overview

Houlihan Lokey, Inc. is a holding company that operates our business through its subsidiaries, the primary subsidiaries being Houlihan Lokey Capital, HLFA and HL EMEA LLP, each of which is described above under "Regulation."

The diagram below depicts our current organizational structure and the percentages are as of March 31, 2020:



HL Voting Trust Agreement

In connection with the corporate reorganization and the IPO, we entered into the Voting Trust Agreement (the "HL Voting Trust Agreement") dated as of August 18, 2015 with the HL Holders and the trustees of the HL Voting Trust. Pursuant to the HL Voting Trust Agreement, the trustees have the right to vote the shares of our common stock deposited by any HL Holder, together with any shares of Class B common stock acquired by such HL Holder, in their sole and absolute discretion on any matter, without fiduciary duties of any kind to the HL Holders. As of March 31, 2020, the HL Voting Trust controlled approximately 80.7% of the total voting power of the Company.

Lock-Up Agreements

In connection with the corporate reorganization and subsequent grants of Class B common stock, each HL Holder depositing shares of our common stock into the HL Voting Trust also entered into an individual lock-up agreement with the Company. Under these lock-up agreements, shares of our common stock deposited into the HL Voting Trust and beneficially owned by the HL Holders generally were locked up for a period of three years following the effective date of the IPO, after which these shares become transferable in three equal installments on each of the third, fourth and fifth anniversaries of the IPO; provided that shares of our common stock held by managing directors and certain senior corporate officers of the Company whose employment with us or any of our subsidiaries terminated prior to the third anniversary of the IPO for reasons other than death or disability generally are subject to transfer restrictions, and are ineligible to participate in any follow-on offerings, in each case, through the seventh anniversary of the IPO. The fifth anniversary of the IPO will occur on August 18, 2020, meaning that, except with respect to shares held by thirteen managing directors and senior corporate officers whose employment terminated prior to the third anniversary of the IPO and whose shares will remain subject to the lock-up until the seventh anniversary of the IPO, all shares of Class B common stock held by the HL Holders will no longer be subject to the IPO lock-up agreements as of such date. Notwithstanding the foregoing, the lock-up agreements provide that:

- up to 10% of each HL Holder’s shares held through the HL Voting Trust may be transferred for the purpose of charitable gifts and transfers to various family trusts for estate planning purposes, with any shares transferred under this exception reducing the number of shares that become transferable on the next transferability date; and
- our board of directors may authorize sales in underwritten offerings in accordance with the terms of the registration rights agreement entered into between HL and the HL Holders; provided that any shares sold under this exception will reduce the number of shares that become transferable on the next transferability date.

Under the lock-up agreements, our board of directors may consent to exceptions to those transfer restrictions, subject to any limitations or conditions imposed by it.

Controlled Company

The HL Voting Trust controls a majority of the voting power of our outstanding common stock. As a result, we are a “controlled company” under the rules of the New York Stock Exchange. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance standards, including the requirements that (i) a majority of our board of directors consist of independent directors and (ii) that our board of directors have compensation and nominating and corporate governance committees composed entirely of independent directors, as independence is defined in Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and under the New York Stock Exchange listing standards. We utilize, and intend to continue to utilize, these exemptions. As a result, although we have a fully independent audit committee as required by the New York Stock Exchange, we do not expect that the majority of our directors will be independent for some time. See “Risk Factors—Risks Related to Our Class A Common Stock—We are a “controlled company” within the meaning of the New York Stock Exchange listing standards and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements. Holders of Class A common stock do not have the same protections afforded to stockholders of companies that are subject to such requirements.” In the event that we cease to be a “controlled company” and our shares continue to be listed on the New York Stock Exchange, we will be required to comply with these provisions by the expiration of the applicable transition periods.

Market and Industry Data

The industry, market and competitive position data referenced throughout this Form 10-K are based on research, industry and general publications, including surveys and studies conducted by third parties. Industry rankings are based on data provided by Refinitiv (formerly Thomson Reuters) unless otherwise noted. Information from Refinitiv relating to industry rankings are sourced through direct deal submissions from financial institutions coupled with research performed by Refinitiv analysts. Industry publications, surveys and studies generally state that they have been obtained from sources believed to be reliable. We have not independently verified such third party information. While we are not aware of any misstatements regarding any industry, market or similar data presented herein, such data involve uncertainties and are subject to change based on various factors, including those discussed under the headings “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors” in this Form 10-K.

In this Form 10-K, we use the term “independent investment banks” or “independent advisors” when referring to ourselves and other investment banks or financial advisors that are primarily focused on advisory services and that conduct no or limited commercial banking, lending, or securities sales and trading activities, which we believe are well positioned to provide uncompromised advice that is less subject to conflicts of interest arising from non-advisory services. In this Form 10-K, we use the term “mid-cap” when referring to transactions with a value below $1 billion and “large-cap” when referring to transactions with a value equal to or in excess of $1 billion.

Other Information

Our website address is www.hl.com. We make available free of charge in the Investor Relations section of our website (http://investors.hl.com) this Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed or furnished with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act. We also make available through our website other reports filed with or furnished to the SEC under the Exchange Act, including our Proxy Statements and reports filed by officers and directors under Section 16(a) of that Act, as well as various governance documents. From time to time, we may use our website as a channel of distribution of material company information. Financial and other material information regarding the Company is routinely posted on and accessible at http://investors.hl.com. We do not intend for information contained in our website to be part of this Form 10-K. The inclusion of our website address in this Form 10-K does not include or incorporate by reference the information on our website into this Form 10-K or any other document into which this Form 10-K is incorporated by reference.

The SEC maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC. The address of the site is http://www.sec.gov.

Item 1A. Risk Factors

Risks Related to Our Business

The scale, scope, and duration of the impact of the COVID-19 pandemic on our business are unpredictable and depend on a number of factors outside of our control. We cannot reasonably predict the magnitude of the ultimate impact that COVID-19 will have on us and the impact may have a sustained adverse effect on our business, revenues, operating results and financial condition.

The rapid, worldwide spread of a novel strain of coronavirus and the pandemic caused thereby (collectively, "COVID-19") has created global economic disruption and uncertainty. COVID-19 has adversely impacted our business and is expected to continue to have a significant and adverse effect on our business, revenues and operating results in the short term. The scale, scope, and duration of the impact of the COVID-19 pandemic are unpredictable. The negative impact of COVID-19 on our business may be sustained, increase in significance and affect us in ways we cannot foresee at this time.

As a financial services firm, we are materially affected by conditions in the global financial markets and economic conditions throughout the world. During periods of unfavorable market or economic conditions, including current market conditions, the volume and value of M&A and capital markets transactions decreases, thereby reducing the demand for our M&A and capital markets advisory services and increasing price competition among financial services companies seeking such engagements. Starting in March 2020, M&A and capital markets transactions have generally been put on hiatus and fewer new transactions are launching due to market volatility and uncertainty caused by COVID-19. Our Corporate Finance revenues have been and are expected to continue to be adversely affected by such reduction in the volume or value of such advisory transactions. Further, in the period following an economic downturn, the volume and value of M&A and capital markets transactions typically takes time to recover and lags a recovery in market and economic conditions. While we anticipate that our Financial Restructuring advisory business will see increased activity due to the substantial impairment of global financial markets and economic conditions, it is uncertain as to whether this increase will produce revenues equal to those lost in our Corporate Finance advisory business. In addition, historically, the transition from an environment in which there is strong M&A and capital markets activity to one in which there is strong Financial Restructuring activity does not happen at once. Therefore, our overall revenues are likely to be reduced for some period before (if it occurs at all) we realize substantial revenues from our Financial Restructuring business segment. As such, our profitability is expected to be adversely affected in the short term due to COVID-19 and may be impacted for a sustained period if we determine not to, or are unable to, scale back fixed and other costs within a time frame sufficient to match decreases in revenue relating to changes in market and economic conditions. We believe COVID-19's adverse impact will also be significantly driven by other factors that are beyond our control, including, for example: the timing, scope, and effectiveness of additional governmental responses to the pandemic; medical advancements providing vaccinations for the novel coronavirus and treatments for the medical conditions caused by the virus, the timing and speed of economic recovery; and the impact on our clients' willingness to transact in a sustained uncertain environment.

Our business (from both a marketing and execution perspective) depends to a large degree on our financial staff meeting in person with potential and engaged clients, potential and actual counterparties to our clients involved in transactions, and other parties in interest. The travel restrictions and social distancing requirements that have been put in place as a result of COVID-19 have for the short-term eliminated, and may over a long-term greatly diminish, our ability to travel and attend events and meetings in person. While, during the COVID-19 pandemic, our financial staff members have successfully conducted meetings using technology, our ability to generate and conduct business likely has been adversely impacted. These technology based meetings may become normalized and the impact will diminish over time, but we believe that we are best able to conduct our business if we are not constrained by the current travel restrictions and social distancing requirements.

We have implemented various initiatives to reduce the impact of COVID-19 on our firm, such as employees working remotely from home, while also seeking to maintain business continuity. We face various cybersecurity and other operational risks related to our business on a day to day basis, which are heightened by COVID-19. We rely heavily on financial, accounting, communication, and other information technology systems, including, without limitation, cloud based storage systems, and the people who operate them. These systems, including the systems of third parties on whom we rely, may experience a disruption as a result of COVID-19 or increased cybersecurity threats. If we were unable to timely and successfully recover from such a disruption, our business could be materially impacted and could cause material financial loss, regulatory actions, reputational harm or legal liability. An extended period of remote working by our employees could strain our technology resources and introduce operational risks, including heightened cybersecurity risk. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID-19 pandemic. COVID-19 presents a threat to our employees' well-being. While we have implemented a business continuity plan to protect the health of our employees, such plans cannot anticipate all scenarios, and we may experience a potential loss of productivity.

Our ability to retain our Managing Directors and our other senior professionals is critical to the success of our business.

We depend on the efforts and reputations of our senior management and financial professionals. Our Managing Directors' and other senior professionals' reputations and relationships with clients and potential clients are critical elements in the success of our business. Our future success depends to a substantial degree on our ability to retain qualified management and financial professionals within our organization, including our Managing Directors. However, we may not be successful in our efforts to retain the required personnel as the market for qualified investment bankers is extremely competitive. Our investment bankers possess substantial experience and expertise and have strong relationships with our advisory clients. As a result, the loss of these financial professionals could jeopardize our relationships with clients and result in the loss of client engagements. For example, if our Managing Directors or other senior professionals, including our executive officers, or groups of professionals, were to join or form a competing firm, some of our current clients could choose to use the services of that competitor rather than our services. Managing Directors and other senior professionals have left Houlihan Lokey in the past and others may do so in the future, and the departure of any of these senior professionals may have an adverse impact on our business. Our compensation arrangements and post-employment restriction agreements with our Managing Directors and other professionals may not provide sufficient incentives or protections to prevent these professionals from resigning to join our competitors. In addition, some of our competitors have more resources than we do, which may allow them to attract some of our existing employees by offering superior compensation and benefits or otherwise. The departure of a number of Managing Directors or groups of senior professionals could have a material adverse effect on our business, financial condition and results of operations.

Our future growth will depend on, among other things, our ability to successfully identify, recruit, and develop talent and will require us to commit additional resources.

Our business involves the delivery of professional services and is largely dependent on the talents and efforts of highly skilled individuals. Our future growth will depend on, among other things, our ability to successfully identify and recruit individuals and teams to join our firm. It typically takes time for these financial professionals to become profitable and effective. During that time, we may incur significant expenses and expend significant time and resources toward training, integration and business development aimed at developing this new talent. If we are unable to recruit and develop profitable financial professionals, we will not be able to implement our growth strategy, which ultimately could materially adversely affect our financial results.

In addition, sustaining growth will require us to commit additional management, operational and financial resources and to maintain appropriate operational and financial systems to adequately support expansion, especially in instances where we open new offices that may require additional resources before they become profitable. We may not be able to recruit and develop talent and manage our expanding operations effectively, and any failure to do so could materially adversely affect our ability to grow revenue and control our expenses.

Changing market conditions can adversely affect our business in many ways, including by reducing the volume of the transactions involving our business, which could materially reduce our revenue.

As a financial services firm, we are materially affected by conditions in the global financial markets and economic conditions throughout the world. Unfavorable market or economic conditions may adversely affect our businesses; in particular, where revenue generated is directly related to the volume and size of the transactions in which we are involved. For example, weak market or economic conditions may adversely affect our CF and FVA groups because, in an economic downturn, the volume and size of transactions may decrease, thereby reducing the demand for our M&A, capital raising and opinion advisory services and increasing price competition among financial services companies seeking such engagements. Moreover, in the period following an economic downturn, the volume and size of transactions typically takes time to recover and lags a recovery in market and economic conditions. On the other hand, strong market or economic conditions may adversely affect our FR group. In a strong economic environment, the volume and size of recapitalization and restructuring transactions may decrease, thereby reducing the demand for the services provided by our FR business segment and increasing price competition among financial services companies seeking such engagements. Changes in market and economic conditions are expected to impact our businesses in different ways, and we may not be able to benefit from such changes. Further, our business, financial condition and results of operations could be adversely affected by changing market or economic conditions.

Our profitability may also be adversely affected by changes in market and economic conditions because we may not be able to reduce certain fixed costs within a time frame sufficient to match any decreases in revenue. The future market and economic climate may deteriorate because of many factors beyond our control, including rising interest rates or inflation, terrorism or political uncertainty.

We are subject to reputational and legal risk arising from, among other things, actual or alleged employee misconduct, conflicts of interest, failure to meet client expectations or cybersecurity breaches, or other operational failures.

As a professional services firm, our ability to secure new engagements is substantially dependent on our reputation and the individual reputations of our financial professionals. Any factor that diminishes our reputation or that of our financial professionals, including not meeting client expectations or actual or alleged misconduct by our financial professionals, including misuse of confidential information, could make it substantially more difficult for us to attract new engagements and clients.

In addition, we face the possibility of an actual, potential or perceived conflict of interest where we represent a client on a transaction in which an existing client is a party. We may be asked by two potential clients to act on their behalf on the same transaction, including by two clients as potential buyers in the same acquisition transaction. In each of these situations, we face the risk that our current policies, controls and procedures may not timely identify or appropriately manage such conflicts of interest. Conflicts may also arise from investments or activities of employees outside their business activities on behalf of the Company. It is possible that actual, potential or perceived conflicts could give rise to client dissatisfaction, litigation or regulatory enforcement actions. Appropriately identifying and managing actual or perceived conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation which could materially adversely affect our business in a number of ways, including a reluctance of some potential clients and counterparties to do business with us.

Further, because we provide our services primarily in connection with significant or complex transactions, disputes or other matters that usually involve confidential and sensitive information or are adversarial, and because our work is the product of myriad judgments of our financial professionals and other staff operating under significant time and other pressures, we may not always perform to the standards expected by our clients. In addition, we may face reputational damage from, among other things, litigation against us, our failure to protect confidential information and/or breaches of our cybersecurity protections or other inappropriate disclosure of confidential information, including inadvertent disclosures.There is also a risk that our employees could engage in misconduct that could adversely affect our business. If our employees were to improperly use or disclose confidential information provided by our clients, we could be subject to regulatory sanctions and legal liability and suffer serious harm to our reputation, financial position, current client relationships and ability to attract future clients. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent misconduct may not be effective in all cases. In addition, our financial professionals and other employees are responsible for the security of the information in our systems or under our control and for ensuring that non-public information is kept confidential. Should any employee not follow appropriate security measures, the improper release or use of confidential information could result. If our employees engage in misconduct or fail to follow appropriate security measures, we could be subject to legal liability and reputational harm, which could impair our ability to attract and retain clients and in turn materially adversely affect our business.

A substantial portion of our revenue is derived from advisory engagements in our CF and FR business segments, including engagements under which our fees include a significant component based upon goals, such as the completion of a transaction. As a result, our revenue and profits are highly volatile on a quarterly basis and may cause the price of our Class A common stock to fluctuate and decline.

Revenue and profits derived from our CF and FR business segments can be highly volatile. We derive a substantial portion of our revenue from advisory fees, which are mainly generated at key transaction milestones, such as closing, the timing of which is outside of our control. From time to time, we enter into engagement agreements under which our fees include a significant component based upon goals, such as the completion of a transaction. In many cases, for advisory engagements that do not result in the successful consummation of a transaction, we are not paid a fee other than the reimbursement of certain out-of-pocket expenses and, in some cases, a modest retainer, despite having devoted considerable resources to these transactions. The achievement of these contractually-defined goals is often impacted by factors outside of our control, such as market conditions and the decisions and actions of our clients and interested third parties. For example, a client could delay or terminate an acquisition transaction because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or shareholder approvals, failure to secure necessary financing, adverse market conditions or because the target's business is experiencing unexpected financial problems. In addition, as a result of the COVID-19 pandemic, the closing of transactions is currently taking longer than in prior periods, which in turn delays our recognition of revenue. Anticipated bidders for client assets during a restructuring transaction may not materialize or our client may not be able to restructure its operations or indebtedness due to a failure to reach agreement with its principal creditors. Because these fees are contingent, revenue on such engagements, which is recognized when all revenue recognition criteria are met, is not certain and the timing of receipt is difficult to predict and may not occur evenly throughout the year.

We expect that we will continue to rely on advisory fees, including fees based upon goals, such as the completion of a transaction, for a substantial portion of our revenue for the foreseeable future. Accordingly, a decline in our advisory engagements or the market for advisory services would adversely affect our business. In addition, our financial results will likely fluctuate from quarter to quarter based on when fees are earned, and high levels of revenue in one quarter will not necessarily be predictive of continued high levels of revenue in future periods. Should these contingent fee arrangements represent a greater percentage of our business in the future, we may experience increased volatility in our working capital requirements and greater variations in our quarter-to-quarter results, which could affect the price of our Class A common stock. Because advisory revenue can be volatile and represents a significant portion of our total revenue, we may experience greater variations in our revenue and profits than other larger, more diversified competitors in the financial services industry. Fluctuations in our quarterly financial results could, in turn, lead to large adverse movements in the price of our Class A common stock or increased volatility in our stock price generally.

Our acquisitions, joint ventures, and strategic investments may result in additional risks and uncertainties in our businesses.

In addition to recruiting and organic expansion, we have grown, and intend to continue to grow, our core businesses through acquisitions, joint ventures and strategic investments.

We regularly evaluate opportunities to acquire other businesses. Unless and until acquisitions of other businesses generate meaningful revenues, the purchase prices we pay to acquire such businesses could have a material adverse effect on our business, financial condition and results of operations. If we acquire a business, we may be unable to manage it profitably or successfully integrate its operations with our own. Moreover, we may be unable to realize the financial, operational, and other benefits we anticipate from acquisitions. Competition for future acquisition opportunities in our markets could increase the price we pay for businesses we acquire and could reduce the number of potential acquisition targets. Further, acquisitions may involve a number of special financial and business risks, including expenses related to any potential acquisition from which we may withdraw, diversion of our management's time, attention, and resources, decreased utilization during the integration process, loss of key acquired personnel, difficulties in integrating diverse corporate cultures, increased costs to improve or integrate personnel and financial, accounting, technology and other systems, including compliance with the Sarbanes-Oxley Act, dilutive issuances of equity securities, including convertible debt securities, incurrence of debt, the assumption of legal liabilities, amortization of acquired intangible assets, potential write-offs related to the impairment of goodwill, and additional conflicts of interest. If we are unable to successfully manage these risks, we will not be able to implement our growth strategy, which ultimately could materially adversely affect our business, financial condition and results of operations.

In the case of joint ventures, we are subject to additional risks and uncertainties relating to governance and controls. For example, we may be dependent upon, and subject to, liability, losses or reputational damage relating to personnel, controls and systems that are not fully under our control. In addition, disagreements between us and our joint venture partners may negatively impact our business and profitability.

We face strong competition from other financial advisory firms, many of which have the ability to offer clients a wider range of products and services than those we offer, which could cause us to lose engagements to competitors and subject us to pricing pressures that could materially adversely affect our revenue and profitability.

The financial services industry is intensely competitive, highly fragmented and subject to rapid change, and we expect it to remain so. Our competitors are other investment banking and financial advisory firms. We compete on both a global and a regional basis, and on the basis of a number of factors, including depth of client relationships, industry knowledge, transaction execution skills, our range of products and services, innovation, reputation and price. In addition, in our business, there are usually no long-term contracted sources of revenue. Each revenue-generating engagement typically is separately solicited, awarded and negotiated. If we are unable to compete successfully with our existing competitors or with any new competitors, we will not be able to implement our growth strategy, which ultimately could materially adversely affect our business, financial condition and results of operations.

Our primary competitors include bulge-bracket institutions, many of which have far greater financial and other resources and greater name recognition than we do and have a greater range of products and services, more extensive marketing resources, larger customer bases, more managing directors to serve their clients' needs, as well as greater global reach and more established relationships with their customers than we have. These larger and better capitalized competitors may be better able to respond to changes in the investment banking market, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally, which puts us at a competitive disadvantage and could result in pricing pressures or loss of opportunities, which could materially adversely affect our revenue and profitability. In particular, we may be at a competitive disadvantage with regard to certain of our competitors who are able to, and often do, provide financing or market making services that are often a crucial component of the types of transactions on which we advise.

In addition to our larger competitors, over the last few years, a number of independent investment banks that offer independent advisory services have emerged, with several showing rapid growth. As these independent firms or new entrants into the market seek to gain market share there could be pricing pressures, which would adversely affect our revenue and earnings. We have experienced intense competition over obtaining advisory engagements in recent years, and we may experience further pricing pressures in our business in the future as some of our competitors may seek to obtain increased market share by reducing fees. In particular, when making proposals for fixed-fee engagements, we estimate the costs and timing for completing the engagements. These estimates reflect our best judgment regarding the efficiencies of our methodologies and financial professionals as we plan to deploy them on engagements. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-fee engagements, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable, which would have an adverse effect on our profit margin.

Goodwill and other intangible assets represent a significant portion of our assets, and an impairment of these assets could have a material adverse effect on our financial condition and results of operations.

Goodwill and other intangible assets represent a significant portion of our assets, and totaled $812.8 million as of March 31, 2020. Goodwill is the excess of cost over the fair market value of net assets acquired in business combinations. We review goodwill and intangible assets at least annually for impairment. We may need to perform impairment tests more frequently if events occur or circumstances indicate that the carrying amount of these assets may not be recoverable. These events or circumstances could include a significant change in the business climate, attrition of key personnel, a prolonged decline in our stock price and market capitalization, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of one of our businesses and other factors. Although we determined that it is not more likely than not that the fair values of our goodwill and intangible assets were less than their carrying values during our fiscal 2020 and fiscal 2019, annual impairment reviews of indefinite-lived intangible assets or any future impairment of goodwill or other intangible assets would result in a non-cash charge against earnings, which would adversely affect our results of operations. The valuation of the reporting units requires judgment in estimating future cash flows, discount rates and other factors. In making these judgments, we evaluate the financial health of our reporting units, including such factors as market performance, changes in our client base and projected growth rates. Because these factors are ever changing, due to market and general business conditions, our goodwill and indefinite-lived intangible assets may be impaired in future periods.

We may be unable to execute on our growth initiatives, business strategies, or operating plans.

We are executing on a number of growth initiatives, strategies and operating plans designed to enhance our business. For example, we intend to continue to expand our platform into new industry and product sectors, both organically and through acquisitions, and to expand our existing expertise into new geographies. The anticipated benefits from these efforts are based on several assumptions that may prove to be inaccurate. Moreover, we may not be able to complete successfully these growth initiatives, strategies and operating plans and realize all of the benefits, including growth targets and cost savings, we expect to achieve or it may be more costly to do so than we anticipate. A variety of factors could cause us not to realize some or all of the expected benefits. These factors include, among others: delays in the anticipated timing of activities related to such growth initiatives, strategies and operating plans; difficulty in competing in certain industries, product areas and geographies in which we have less experience than others; negative attention from any failed initiatives; and increased or unexpected costs in implementing these efforts.

Moreover, our continued implementation of these programs may disrupt our operations and performance. As a result, we may not realize the expected benefits from these plans. If, for any reason, the benefits we realize are less than our estimates or the implementation of these growth initiatives, strategies and operating plans adversely affect our operations or cost more or take longer to effectuate than we expect, or if our assumptions prove inaccurate, we will not be able to implement our growth strategy, which ultimately could materially adversely affect our business, financial condition and results of operations.

U.S. tax legislation may materially adversely affect our financial condition, results of operations, and cash flows.

The Tax Cuts and Jobs Act that was signed into law on December 22, 2017 (the “Tax Act”), has significantly changed the U.S. federal income taxation of U.S. corporations, including by reducing the U.S. corporate income tax rate, limiting interest deductions, permitting immediate expensing of certain capital expenditures, adopting elements of a territorial tax system, imposing a one-time transition tax (or “repatriation tax”) on all undistributed earnings and profits of certain U.S.-owned foreign corporations, revising the rules governing net operating losses and the rules governing foreign tax credits, and introducing new anti-base erosion provisions. In some instances, the legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the Department of the Treasury and Internal Revenue Service (“IRS”), any of which could lessen or increase certain adverse impacts of the legislation. Furthermore, in some instances, it is still unclear how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities. Changes in tax law (including future Treasury notices or regulations related to the Tax Act) could adversely affect the Company’s tax expense or its effective income tax rate. We urge our investors to consult with their legal and tax advisors with respect to such legislation and the potential tax consequences of investing in our Class A common stock.

Our international operations are subject to certain risks, which may affect our revenue.

In fiscal 2020, we earned approximately 16.0% of our revenue from our international operations. We intend to grow our non-United States business, including growth into new regions with which we have less familiarity and experience, and this growth is important to our overall success. In addition, many of our larger clients are non-United States entities. Our international operations carry special financial and business risks, which could include the following:

- greater difficulties in managing and staffing foreign operations;
- fluctuations in foreign currency exchange rates that could adversely affect our results;
- unexpected changes in trading policies, regulatory requirements, tariffs and other barriers;
- cultural and language barriers and the need to adopt different business practices in different geographic areas;
- longer transaction cycles;
- higher operating costs;
- local labor conditions and regulations;
- adverse consequences or restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses;
- potentially less stable political and economic environments;
- terrorism, political hostilities, war and other civil disturbances or other catastrophic events that reduce business activity; and
- difficulty collecting fees.

As part of our day-to-day operations outside the United States, we are required to create compensation programs, employment policies, compliance policies and procedures and other administrative programs that comply with the laws of multiple countries. We also must communicate and monitor standards and directives across our global operations. Our failure to successfully manage and grow our geographically diverse operations could impair our ability to react quickly to changing business and market conditions and to enforce compliance with non-United States standards and procedures.

Any payment of distributions, loans or advances to and from our subsidiaries could be subject to restrictions on or taxation of, dividends or repatriation of earnings under applicable local law, monetary transfer restrictions, foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate or other restrictions imposed by current or future agreements, including debt instruments, to which our non-United States subsidiaries may be a party. Our business, financial condition and/or results of operations could be adversely impacted, possibly materially, if we are unable to successfully manage these and other risks of international operations in a volatile environment. If our international business increases relative to our total business, these factors could have a more pronounced effect on our operating results or growth prospects.

In recent years, the United States Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA and other anti-corruption laws, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA or other applicable anti-corruption laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects, financial condition, results of operations or the market value of our Class A common stock.

Fluctuations in foreign currency exchange rates could adversely affect our results.

Because our financial statements are denominated in United States dollars and we receive a portion of our net revenue in other currencies, we are exposed to fluctuations in foreign currencies. In addition, we pay certain of our expenses in such currencies. Fluctuations in foreign currency exchange rates led to a net loss in cash of $7.8 million for fiscal 2020, compared to a net loss in cash of $8.7 million for fiscal 2019. In particular, we are exposed to the Euro and the pound sterling, and the weakening of the Euro and other currencies relative to the United States dollar has had, and may continue to have, an adverse effect on our revenue. From time to time, we have entered into transactions to hedge our exposure to certain foreign currency fluctuations through the use of derivative instruments or other methods. Notwithstanding our entry into such hedge transactions, a depreciation of any of the currencies to which we are exposed relative to the United States dollar could result in an adverse impact to our business, financial condition, results of operations and/or cash flows.

The cost of compliance with international broker-dealer, employment, labor, benefits, and tax regulations may adversely affect our business and hamper our ability to expand internationally.

Because we operate our business both in the United States and internationally, we are subject to many distinct securities, employment, labor, benefits and tax laws in each country in which we operate, including regulations affecting our employment practices and our relations with our employees and service providers. If we are required to comply with new regulations or new interpretations of existing regulations, or if we are unable to comply with these regulations or interpretations, our business could be adversely affected or the cost of compliance may make it difficult to expand into new international markets. Additionally, our competitiveness in international markets may be adversely affected by regulations requiring, among other things, the awarding of contracts to local contractors, the employment of local citizens and/or the purchase of services from local businesses or favoring or requiring local ownership.

We may enter into new lines of business, which may result in additional risks and uncertainties in our business.

We currently generate substantially all of our revenue from advisory services. However, while we have no current plans to do so, we may grow our business by entering into new lines of business other than advisory services. To the extent we enter into new lines of business, we will face numerous risks and uncertainties, including risks associated with actual or perceived conflicts of interest because we would no longer be limited to the advisory business, the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, the required investment of capital and other resources and the loss of clients due to the perception that we are no longer focusing on a core business.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. In addition, certain aspects of our cost structure, such as costs for compensation, occupancy and equipment rentals, communication and information technology services, and depreciation and amortization will be largely fixed, and we may not be able to timely adjust these costs to match fluctuations in revenue related to our entering into new lines of business. If a new business generates insufficient revenue or if we are unable to efficiently manage our expanded operations, our business, financial condition and results of operations could be materially adversely affected.

We are subject to risks relating to our operations, including our information and technology, that could harm our business.

We operate a business that is highly dependent on information systems and technology. Any failure to keep accurate books and records can render us liable to disciplinary action by governmental and self-regulatory authorities, as well as to claims by our clients. We rely on third-party service providers for certain aspects of our business. Although we have yet to suffer any significant losses or other damages as a result of operational risks, any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair our operations, affect our reputation and adversely affect our business.

In addition, a disaster or other business continuity problem, such as a pandemic, other man-made or natural disaster or disruption involving electronic communications or other services used by us or third parties with whom we conduct business, could lead us to experience operational challenges. The incidence and severity of catastrophes and other disasters are inherently unpredictable, and our inability to timely and successfully recover could materially disrupt our business and cause material financial loss, regulatory actions, reputational harm or legal liability.

Extensive and evolving regulation of our business and the business of our clients exposes us to the potential for significant penalties and fines due to compliance failures, increases our costs and may result in limitations on the manner in which our business is conducted.

As a participant in the financial services industry, we are subject to extensive regulation in the United States and internationally. We are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate. As a result of market volatility and disruption in recent years, the United States and other governments have taken unprecedented steps to try to stabilize the financial system, including providing assistance to financial institutions and taking certain regulatory actions. The full extent of the effects of these actions and of legislative and regulatory initiatives (including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”)) implemented in connection with, and as a result of, such extraordinary disruption and volatility is uncertain, both as to the financial markets and participants in general, and as to us in particular.

Our ability to conduct business and our operating results, including compliance costs, may be adversely affected as a result of any new requirements imposed by the SEC, FINRA or other United States or foreign governmental regulatory authorities or self-regulatory organizations that regulate financial services firms or supervise financial markets. We may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. In addition, some of our clients or prospective clients may adopt policies that exceed regulatory requirements and impose additional restrictions affecting their dealings with us. Accordingly, we may incur significant costs to comply with United States and international regulations. Our expenses incurred in complying with these regulatory requirements, including legal fees and fees paid to the SEC, FINRA and United States or foreign governmental regulatory authorities or self-regulatory organizations, have increased in recent years. We maintain an internal team that works full-time to develop and implement regulatory compliance policies and procedures, monitor business activities to ensure compliance with such policies and procedures and reports to senior management. This team also uses various software tracking and reporting systems and confers regularly with internal and outside legal counsel in the performance of its responsibilities. In addition, new laws or regulations or changes in enforcement of existing laws or regulations applicable to our clients may adversely affect our business. For example, changes in antitrust enforcement could affect the level of M&A activity and changes in applicable regulations could restrict the activities of our clients and their need for the types of advisory services that we provide to them.

Our failure to comply with applicable laws or regulations could result in adverse publicity and reputational harm as well as fines, suspensions of personnel or other sanctions, including revocation of any required registration of us or any of our subsidiaries and could impair executive retention or recruitment. In addition, any changes in the regulatory framework under which we operate could impose additional expenses or capital requirements on us, result in limitations on the manner in which our business is conducted, have an adverse impact upon our business, financial condition and results of operations and require substantial attention by senior management. In addition, our business is subject to periodic examination by various regulatory authorities, and we cannot predict the outcome of any such examinations.

New accounting standards could adversely affect future reported results.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. The Financial Accounting Standards Board (the “FASB”) and the SEC have at times revised the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards may change or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. For further discussion of some of our significant accounting policies and standards, see the “Critical Accounting Estimates” discussion within Item 7 in this report, and Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K.

We face substantial litigation risks.

Our role as advisor to our clients involves complex analysis and the exercise of professional judgment, including rendering fairness opinions in connection with mergers and other transactions. Our activities, and particularly those of our FVA group, may subject us to the risk of significant legal liabilities to our clients and affected third parties, including shareholders of our clients who could bring securities class actions against us. In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against financial services companies have been increasing. Litigation alleging that we performed below our agreed standard of care or breached any other obligations to a client or other parties could expose us to significant legal liabilities, particularly with respect to our FVA group, and, regardless of outcome, is often very costly, could distract our management and could damage our reputation. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Our engagements typically include broad indemnities from our clients and provisions to limit our exposure to legal claims relating to our services, but these provisions may not protect us in all cases, including when we perform below our agreed standard of care or a client does not have the financial capacity to pay under the indemnity. As a result, we may incur significant legal expenses in defending against or settling litigation. In addition, we may have to spend a significant amount to adequately insure against these potential claims, or insurance coverage may not be available on commercial terms or at all. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which could seriously harm our business prospects, financial condition and results of operations.

Cyber-attacks or other security breaches could have a material adverse effect on our business.

Our clients typically provide us with sensitive and confidential information. We are dependent on information technology networks and systems to securely process, transmit and store such information and to communicate among our locations around the world and with our professional staff, clients, alliance partners and vendors. We may be subject to attempted security breaches and cyber-attacks and, while none have had a material impact to date, a successful breach could lead to shutdowns or disruptions of our systems or third-party systems on which we rely and potential unauthorized disclosure of sensitive or confidential information. Breaches of our security systems or third-party network security systems on which we rely could involve attacks that are intended to obtain unauthorized access to our proprietary information, client and third party information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer viruses, cyber-attacks and other means and could originate from a wide variety of sources, including unknown third parties outside the Company. If our systems or third-party systems on which we rely are compromised, do not operate properly or are disabled, we could suffer a disruption of our business, financial losses, liability to clients, regulatory sanctions and damage to our reputation.

We are subject to continuing contingent tax liabilities of ORIX USA.

As a result of the corporate reorganization prior to our IPO, certain tax liabilities of ORIX USA may have become our obligations. Under the Internal Revenue Code of 1986, as amended (the "Code"), and the related rules and regulations, each corporation that was a member of the ORIX USA consolidated United States federal income tax reporting group during any taxable period or portion of any taxable period ending on or before the completion of the corporate reorganization is jointly and severally liable for the United States federal income tax liability of the entire ORIX USA consolidated tax reporting group for that taxable period. As part of the corporate reorganization, we agreed with ORIX USA to allocate the responsibility for prior period taxes of the ORIX USA consolidated tax reporting group between us and ORIX USA. Thus, in the event that ORIX USA were to be assessed for taxes attributable to our business for any period, we would be required to compensate ORIX USA for such liability. In addition, if ORIX USA is unable to pay any prior period taxes for which it is responsible, we could be required to pay the entire amount of such taxes.

Our revenue in any given period is dependent on the number of fee-paying clients in such period and the size of transactions on which we are advising, and a significant reduction in the number of fee-paying clients in any given period could reduce our revenue and adversely affect our operating results in such period.

Our revenue in any given period is dependent on the number of fee-paying clients in such period and the size of transactions on which we are advising. We may lose clients as a result of the sale or merger of a client, a change in a client's senior management, competition from other financial advisors and financial institutions and other causes. A significant reduction in the number of fee-paying clients and/or the size of transactions on which we are advising in any given period could reduce our revenue and adversely affect our operating results in such period.

Our clients may be unable to pay us for our services.

We face the risk that certain clients may not have the financial resources to pay our agreed-upon advisory fees, including in the bankruptcy or insolvency context. Our clients include some companies that may from time to time encounter financial difficulties. If a client's financial difficulties become severe, the client may be unwilling or unable to pay our invoices in the ordinary course of business, which could adversely affect collections of both our accounts receivable and unbilled services. On occasion, some of our clients have entered bankruptcy, which has prevented us from collecting amounts owed to us. The bankruptcy of a number of our clients that, in the aggregate, owe us substantial accounts receivable could have a material adverse effect on our business, financial condition and results of operations. In addition, if a number of clients declare bankruptcy after paying us certain invoices, courts may determine that we are not properly entitled to those payments and may require repayment of some or all of the amounts we received, which could adversely affect our business, financial condition and results of operations. In addition, some fees earned from certain activities in our FR business segment are subject to approval by the United States Bankruptcy Courts and other interested parties, including United States Trustees, which have the ability to challenge the payment of those fees. Fees earned and reflected in our revenue may from time to time be subject to successful challenges, which could result in a reduction of revenue. Finally, certain clients may also be unwilling to pay our advisory fees in whole or in part, in which case we may have to incur significant costs to bring legal action to enforce our engagement agreements to obtain our advisory fees. We accrued bad debt expense of $4.9 million in fiscal 2020 and $1.7 million in fiscal 2019, related to uncollectible or doubtful accounts receivable.

We may not be able to generate sufficient cash in the future to service any future indebtedness.

As of March 31, 2020, we only had $36.7 million of debt and other liabilities, but may incur additional debt in the future. Our ability to make scheduled payments on or to refinance our debt obligations will depend on our business, financial condition and results of operations. We cannot provide assurance that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal of, and interest on, our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance such indebtedness.

Our businesses, profitability and future prospects may be adversely affected by Brexit.

As discussed in “Business - Regulation” in Part I, Item 1 of this Form 10-K, as a result of the process spawned by Brexit, there is considerable uncertainty as to the regulatory framework that will govern transactions and business undertaken by our U.K.-based subsidiaries in the EU, both in the near term and the long term. As a result, we face numerous risks that could adversely affect how we conduct our businesses or our profitability and liquidity.

Our U.K.-based operating subsidiaries currently benefit from non-discriminatory access to EEA based clients through arrangements for cross-border “passporting” and the establishment of EU branches. It is uncertain whether these subsidiaries will continue to benefit from the existing access arrangements for financial services following December 31, 2020, the date on which the transition period between the United Kingdom and the EU is currently scheduled to terminate. Further, whether or not a ratified trade deal is agreed between the parties, there is uncertainty regarding the terms of the long-term trading relationship between the EU and the U.K., including the terms of access to each other’s financial markets.

Operating in the EU through our new European hub entity in Germany in order to address the loss of passporting benefits accruing to our U.K. based subsidiaries could materially adversely affect the manner in which we operate certain businesses in Europe, require us to restructure certain of our operations and expose us to higher operational, regulatory and compliance costs, higher taxes, higher subsidiary-level capital and liquidity requirements, additional restrictions on intercompany transactions, and new restrictions on the ability of our subsidiaries to share personal data, including client data, all of which could adversely affect our liquidity and profitability.

Although we have invested significant resources to plan for and address Brexit and its consequences, there can be no assurance that we will be able to successfully execute our strategy. In addition, even if we are able to successfully execute our strategy, we face the risk that Brexit could have a disproportionately adverse effect on our EU operations compared to some of our competitors who have more extensive pre-existing operations in the EU outside of the U.K. In addition, Brexit has created an uncertain political and economic environment in the U.K., and may create such environments in other EU-member states. Political and economic uncertainty has in the past led to, and the outcome of Brexit could lead to, declines in market liquidity and activity levels, volatile market conditions, a contraction of available credit, changes in interest rates or exchange rates, weaker economic growth and reduced business confidence all of which could adversely impact our business.

Risks Related to Our Class A Common Stock

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

Each share of our Class B common stock is entitled to ten votes per share, and each share of our Class A common stock is entitled to one vote per share. As a result of the greater number of votes per share attributed to our Class B common stock, as of March 31, 2020, the HL Holders through the HL Voting Trust beneficially owned 19,345,277 shares of common stock representing approximately 29.5% of the economic interest, and controlled 80.7% of the voting power of our outstanding capital stock. The HL Voting Trust will, for the foreseeable future, have significant influence over our corporate management and affairs, and will be able to control virtually all matters requiring stockholder approval. The HL Voting Trust is able to elect a majority of the members of our board of directors and control actions to be taken by us and our board of directors, including amendments to our amended and restated certificate of incorporation and bylaws and approval of significant corporate transactions, including mergers and sales of substantially all of our assets. The directors so elected will have the authority, subject to the terms of our indebtedness and applicable rules and regulations, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions. This concentrated control will limit the ability of holders of our Class A common stock to influence corporate matters for the foreseeable future and may materially adversely affect the market price of our Class A common stock. It is possible that the interests of the HL Voting Trust may in some circumstances conflict with our interests and the interests of our other stockholders. For example, the HL Voting Trust may have different tax positions or other differing incentives from other stockholders that could influence their decisions regarding whether and when to cause us to dispose of assets, incur new or refinance existing indebtedness or take other actions. Additionally, the holders of our Class B common stock may cause us to make strategic decisions or pursue acquisitions that could involve risks to holders of our Class A common stock or may not be in the best interests of holders of our Class A common stock.

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

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

The HL Voting Trust controls a majority of the voting power of our outstanding common stock. As a result, we qualify as a "controlled company" within the meaning of the corporate governance standards of the New York Stock Exchange. Under these rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including the requirement that a majority of the board of directors consist of independent directors, the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors, and the requirement that we have a compensation committee that is composed entirely of independent directors.

We intend to continue to rely on some or all of these exemptions. As a result, we do not have a majority of independent directors and our compensation and nominating and corporate governance committees do not consist entirely of independent directors. Accordingly, our stockholders do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange.

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

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

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

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

The trading market for our Class A common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. If one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our Class A common stock could decline. If one or more of these analysts cease to cover our Class A common stock, we could lose visibility in the market for our stock, which in turn could cause our Class A common stock price to decline.

The trading price of our Class A common stock may be volatile or may decline regardless of our operating performance, which could cause the value of our Class A common stock to decline.

The market price for our Class A common stock is volatile, in part because of the limited number of shares of Class A common stock outstanding, and the limited trading history of the Class A common stock. In addition, the market price of our Class A common stock may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;
- the public’s reaction to our press releases, our other public announcements and our filings with the SEC;
- quarterly variations in our operating results compared to market expectations;
- changes in, or failure to meet, earnings estimates or recommendations by research analysts who track our common shares or the stock of other companies in our industry;
- adverse publicity about us, the industries we participate in or individual scandals;
- announcements of new offerings by us or our competitors;
- stock price performance of our competitors;
- changes in the evaluations of our Class A common stock by research analysts
- fluctuations in stock market prices and volumes;
- default on our indebtedness;
- actions by competitors;
- changes in senior management or key personnel;
- changes in financial estimates by securities analysts;
- our status as a “controlled company”;
- negative earnings or other announcements by us or other financial services companies;
- downgrades in our credit ratings or the credit ratings of our competitors;
- incurrence of indebtedness or issuances of capital stock;
- global economic, legal and regulatory factors unrelated to our performance; and
- the other factors listed in this “Risk Factors” section.

In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies in our industry. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

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

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

All of our executive officers and the other HL Holders who have deposited their shares into the HL Voting Trust are subject to lock-up agreements that restrict their ability to transfer shares of our capital stock. These agreements restricted these holders' ability to transfer shares of our capital stock until August 2018, subject to acceleration in certain circumstances. In August 2018, approximately 3.9 million shares were released from these restrictions, and in August 2019 approximately 10.1 million additional shares were also released from these restrictions. Substantially all of the shares of common stock held by HL Holders indirectly through the HL Voting Trust which remain subject to these restrictions will become transferable on August 18, 2020. As of March 31, 2020, 19,367,230 shares of our Class A common stock issuable upon conversion of outstanding Class B common stock are eligible for sale, subject to the restrictions under the lock-up agreements described above, and subject to certain restrictions under the Securities Act of 1933, as amended (the "Securities Act"). Stockholders who are subject to any of the lock-up agreements described above may be permitted to sell shares prior to the expiration of the applicable lock-up agreement in certain circumstances, including a secondary offering, or as a result of a waiver approved by the Board of Directors.

We will continue to incur increasing costs as a public company and in the administration of our organizational structure.

As a public company, we incur significant legal, accounting, insurance and other expenses including costs associated with public company reporting requirements. We will continue to incur costs associated with the Sarbanes-Oxley Act and related rules implemented by the SEC. We also incur ongoing periodic expenses in connection with the administration of our organizational structure. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing as a result of additional rules and regulations. We expect this to continue which will likely make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

We are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Our independent registered public accounting firm is now required to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

To comply with the requirements of being a public company, we have undertaken various actions, and may need to take additional actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business. A material weakness is a deficiency, or combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Although we have not identified a material weakness in the past two fiscal years, in the future when evaluating our internal controls over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal controls over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal controls over financial reporting is ineffective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting once, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are be listed, the SEC or other regulatory authorities, which could require additional financial and management resources and could lead to a decline in our stock price.

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

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law could discourage, delay or prevent a merger, acquisition or other change in control of our company, even if such change in control would be beneficial to our stockholders. Certain provisions of our amended and restated certificate of incorporation and our amended and restated bylaws that could prevent or delay a change in control of our company include:

- the ability to issue “blank check” preferred stock, which could increase the number of outstanding shares and thwart a takeover attempt;
- a classified board of directors so that not all members of our board of directors are elected at one time;
- the ability to remove directors only for cause;
- no use of cumulative voting for the election of directors;
- no ability of stockholders to call special meetings;
- supermajority voting provisions for stockholder approval of amendments to our certificate of incorporation and by-laws;
- the requirement that, to the fullest extent permitted by law and unless we agree otherwise, certain proceedings against or involving us or our directors, officers or employees be brought exclusively in the Court of Chancery in the State of Delaware;
- the ability of stockholders to take action by written consent; and
- advance notice and duration of ownership requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors of their choosing and cause us to take other corporate actions they desire. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team.

In addition, the General Corporation Law of the State of Delaware (the “DGCL”), to which we are subject, prohibits us, except under specified circumstances, from engaging in any mergers, significant sales of stock or assets or business combinations with any stockholder or group of stockholders who owns at least 15% of our common stock.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the price of our Class A common stock.

Our amended and restated certificate of incorporation authorizes us to issue one or more series of preferred stock. Our board of directors has the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discourage bids for our Class A common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our Class A common stock.

The provision of our amended and restated certificate of incorporation requiring exclusive venue in the Court of Chancery in the State of Delaware for certain types of lawsuits may have the effect of discouraging lawsuits against our directors, officers and stockholders.

Our amended and restated certificate of incorporation requires, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or stockholders to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or as to which the DGCL confers jurisdiction in the Court of Chancery of the State of Delaware or (iv) any action asserting a claim governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware, unless we agree otherwise. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors, officers and stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our headquarters is located in leased office space at 10250 Constellation Boulevard, Los Angeles, California 90067. We lease the space in the United States for our offices in Atlanta, Chicago, Dallas, Houston, Minneapolis, Miami, New York, San Francisco and Washington D.C.; and internationally in Amsterdam, Beijing, Dubai, Frankfurt, Hong Kong, London, Madrid, Milan, Paris, Singapore, Sydney and Tokyo.

We do not own any real property. We consider these arrangements to be adequate for our present and future needs.

Item 3. Legal Proceedings

In the ordinary course of business, from time to time the Company and its affiliates are involved in judicial or regulatory proceedings, arbitrations or mediations concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, government agencies and self-regulatory organizations conduct periodic examinations and initiate administrative proceedings regarding the Company's business, including, among other matters, compliance, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees. In view of the inherent difficulty of determining whether any loss in connection with such matters is probable and whether the amount of such loss can be reasonably estimated, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, the Company cannot estimate the amount of such loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, the Company believes, based on current knowledge and after consultation with counsel, that it is not currently party to any material pending proceedings, individually or in the aggregate, the resolution of which would have a material effect on the Company. Where appropriate, provisions for losses are established in accordance with Accounting Standards Codification (ASC) 450, "Contingencies" when warranted. Once established, such provisions are adjusted when there is more information available or when an event occurs requiring a change.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock is traded on the New York Stock Exchange under the symbol "HLI." There is no publicly traded market for our Class B common stock. 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 converted automatically into one share of Class A common stock upon transfer thereof, subject to certain exceptions. Our fiscal year ends on March 31 of each year.

As of May 13, 2020, there were approximately fourteen holders of record of our Class A common stock and one holder of record of our Class B common stock. This does not include the number of shareholders that hold shares in "street-name" through banks or broker-dealers or through the HL Voting Trust.

Dividend Payments and Dividend Policy

The Company has regularly declared and paid quarterly dividends and plans to continue paying regularly quarterly dividends.

The declaration and payment of any future dividends will be at the sole discretion of our board of directors. Our board of directors will take into account: general economic and business conditions; our financial condition and operating results; our available cash and anticipated cash needs; capital requirements; contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders; and such other factors as our board of directors may deem relevant.

Unregistered Sales of Equity Securities and Use of Proceeds

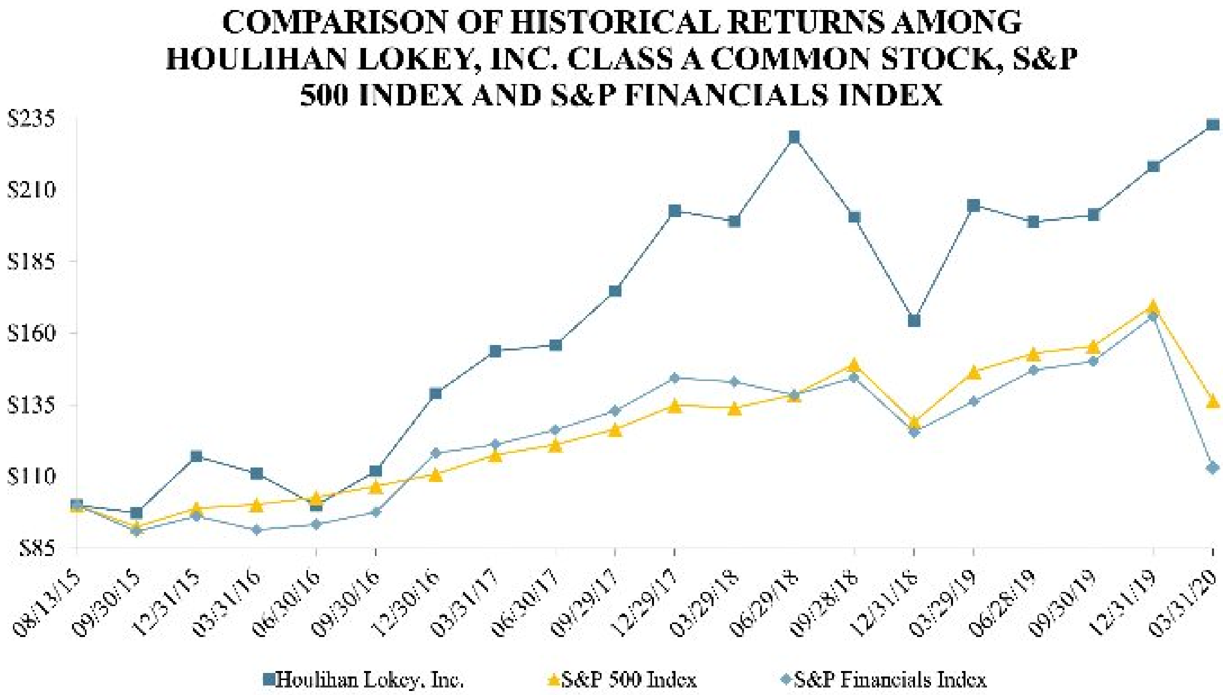
On December 20, 2019, the Company issued 34,694 shares of Class B common stock to certain former employees of a business acquired in 2015. The Company relied upon the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, for transactions not involving a public offering and received no proceeds in connection with this issuance.

In February 2020, the Company issued an aggregate of 9,343 shares of Class B common stock at a price of $53.23 per share to certain former employees of a business acquired in 2017.

The foregoing issuance of unregistered equity securities did not involve any underwriters, underwriting discounts or commissions, or any public offering, and, to the extent any such issuances constituted a sale of unregistered equity securities, we believe that such transaction was originally exempt from the registration requirements of the Securities Act in reliance on Rule 701 promulgated under the Securities Act as a transaction pursuant to a compensatory benefit plan approved by our board of directors, or Section 4(a)(2) of the Securities Act and/or Rule 506(b) of Regulation D promulgated thereunder, as transactions by an issuer not involving a public offering, based in part on representations from the recipients regarding their investment intention, sophistication, net worth and access to information concerning us.

Stock Performance

The stock performance graph below compares the performance of an investment in our Class A common stock, from August 13, 2015 through March 31, 2020, with that of the S&P 500 Index and the S&P Financial Index. The graph assumes $100 was invested in each of our Class A common stock on August 13, 2015 (at the closing price on the first trading day following our initial public offering), the S&P 500 Index and the S&P Financial Index. It also assumes that dividends were reinvested on the date of payment without payment of any commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance.



Purchases of Equity Securities

The following table summarizes all of the repurchases of Houlihan Lokey, Inc. equity securities during the quarter ended March 31, 2020:

Period	Total Number of Shares Purchased	Average Price Paid Per Share		Total Number of Shares Purchased and Retired As Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)	
January 1, 2020 - January 31, 2020	3,123	$	48.49	3,123		—
February 1, 2020 - February 29, 2020	—		—	—		—
March 1, 2020 - March 31, 2020 (2)	35,875		46.51	35,875		—
Total	38,998	$	46.66	38,998	$	35,428,568

(1) In July 2018, the board of directors authorized the repurchase of up to an additional $100 million of the Company's common stock (incremental to the $50 million repurchase program that was approved by our board in February 2017). The shares of Class A common stock repurchased through this program have been retired.

(2) Includes 164 unvested shares of Class B common stock at an average price per share of $46.40, which were withheld from employees to satisfy tax withholding obligations resulting from the vesting of certain restricted stock awards.

Item 6. Selected Financial Data

The following selected financial and other data are derived from our audited consolidated financial statements. The selected financial and other data should be read together with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this Form 10-K.

(In thousands, except share data and per share amounts)	Year Ended March 31, 2020	2019	2018	2017	2016
Consolidated Operating Data					
Revenues [1]	$ 1,159,368	$ 1,084,385	$ 963,364	$ 872,091	$ 693,765
Operating expenses:					
Employee compensation and benefits	737,762	692,073	636,631	582,244	461,609
Non-compensation expenses [1]	192,005	173,215	112,320	107,852	105,756
Total operating expenses	929,767	865,288	748,951	690,096	567,365
Operating income	229,601	219,097	214,413	181,995	126,400
Other (income)/expense, net	(6,046)	(5,223)	(3,423)	3,508	770
Income before provision for income taxes	235,647	224,320	217,836	178,487	125,630
Provision for income taxes	51,854	65,214	45,553	70,144	55,863
Net income	183,793	159,106	172,283	108,343	69,767
Net income attributable to noncontrolling interest	—	—	—	—	(26)
Net income attributable to Houlihan Lokey, Inc.	$ 183,793	$ 159,106	$ 172,283	$ 108,343	$ 69,741
Weighted average shares of common stock outstanding:					
Basic	62,152,870	62,213,414	62,494,275	61,100,497	59,044,891
Diluted	65,725,516	65,846,132	66,324,093	66,579,130	63,475,903
Earnings per share					
Basic	$ 2.96	$ 2.56	$ 2.76	$ 1.77	$ 1.18
Diluted	$ 2.80	$ 2.42	$ 2.60	$ 1.63	$ 1.10
Cash dividends per share	$ 1.24	$ 1.08	$ 0.80	$ 0.71	$ 0.30
Consolidated Balance Sheets Data					
Cash and cash equivalents	$ 380,373	$ 285,746	$ 206,723	$ 300,314	$ 166,169
Investment securities [2]	135,389	125,258	209,319	—	—
Total assets [3]	1,677,003	1,425,912	1,418,841	1,385,707	1,070,884
Long-term obligations [4]	4,101	8,004	10,872	15,112	76,620
Total liabilities [3]	692,621	534,583	566,028	655,252	417,329
Total stockholders' equity	984,382	891,329	852,813	726,617	651,160

(1) The Company adopted ASU No. 2014-09, Revenue from Contracts with Customers, on April 1, 2018. The Company used the modified retrospective method that resulted in the Company prospectively changing the presentation of reimbursements of certain out-of-pocket expenses from a net presentation within non-compensation expenses to a gross basis in revenues. This resulted in an increase in both revenues and related out-of-pocket expenses of approximately $33.8 million and $33.6 million for the years ended March 31, 2020 and 2019, respectively.

(2) Investment securities consists of corporate debt and U.S. treasury securities with maturities less than one year. Investment securities as of March 31, 2018, 2017, and 2016, also include certificates of deposit.

(3) The Company adopted ASU No. 2016-02, Leases, on April 1, 2019. On adoption, the Company recognized the present value of its existing minimum lease payments as an ROU asset and a lease liability. As of March 31, 2020, this ROU asset and lease liability was $135,240 and $154,218, respectively.

(4) For further detail, please see Contractual Obligations included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with our historical financial statements and related notes included elsewhere in this Form 10-K. Actual results and the timing of events may differ significantly from those expressed or implied in any forward-looking statements due to a number of factors, including those set forth in the sections entitled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" and elsewhere in this Form 10-K. For discussion related to changes in financial condition and the results of operations for fiscal year 2018-related items, refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for fiscal year 2019, which was filed with the Securities and Exchange Commission on May 25, 2019.

Executive Overview

Established in 1972, Houlihan Lokey is a leading global independent investment bank with expertise in mergers and acquisitions, capital markets, financial restructurings, and financial and valuation advisory. With offices the United States, Europe, the Middle East, and the Asia-Pacific region, the Company serves a diverse set of clients including corporations, financial sponsors and government agencies worldwide. Houlihan Lokey's financial professionals deliver meaningful and differentiated advice to clients on strategy and financial decisions employing a rigorous analytical approach coupled with deep product and industry expertise.

We operate in three segments: Corporate Finance ("CF"), Financial Restructuring ("FR") and Financial and Valuation Advisory ("FVA"). In our CF business segment, we believe we are an established leader in M&A and capital markets advisory services. Through our FR business segment, we advise on some of the largest and most complex restructurings around the world. Our FVA business segment is one of the largest and most respected valuation, financial opinion and financial consulting practices in the United States.

As of March 31, 2020, we served our clients globally with 1,068 financial professionals, including 198 Managing Directors. We plan to continue to grow our firm across industry sectors, geographies and products to deliver quality advice and innovative solutions to our clients, both organically and through acquisitions. Acquisitions over the last several years include: Leonardo & Co. NV in November 2015 in Germany, the Netherlands and Spain, and Leonardo's investment banking operations in Italy in June 2019 (collectively, "Leonardo"), which enable us to provide a much greater breadth of services and coverage to our clients both in continental Europe and across the globe; Quayle Munro Limited in April 2018, which expanded our capabilities in the data and analytics sector; BearTooth Advisors in May 2018, which provided us with a private equity fundraising advisory platform; Fidentiis Capital in November 2019, an independent advisory business providing independent corporate finance advisory services relating to mergers and acquisitions, capital raising, and financing; and Freeman & Co. in December 2019, an independent advisory business providing mergers and acquisitions advisory, capital raising, and other investment banking advisory services for the financial services sector.

We generate revenues primarily from providing advisory services on transactions that are subject to individually negotiated engagement letters that set forth our fees. A significant portion of our engagements include Progress Fees (as defined herein) consisting of both periodic and milestone-related payments. The occurrence and timing of milestone-related payments, such as upon the closing of a transaction, are generally not within our control. Accordingly, revenue and net income in any period may not be indicative of full year results or the results of any other period and may vary significantly from year to year and quarter to quarter.

Corporate expenses represent expenses that are not allocated to individual business segments such as office of the executives, accounting, information technology, compliance and legal, marketing, human capital, including related compensation expense for corporate employees.

Business Environment and Outlook

Economic and global financial conditions can materially affect our operational and financial performance. See "Risk Factors" for a discussion of some of the factors that can affect our performance.

Our fiscal year ends on March 31 of each year. Beginning in the fiscal year ended March 31, 2019, the Company prospectively changed the presentation of reimbursements of certain out-of-pocket expenses from a net presentation within operating expenses to a gross basis in revenues. For the fiscal year ended March 31, 2020, we earned revenues of $1,159.4 million, an increase of 7% from the $1,084.4 million earned during the fiscal year ended March 31, 2019. For our fiscal year ended March 31, 2019, revenues increased 13% over fiscal year ended March 31, 2018 revenues of $963.4 million.

For the fiscal years ended March 31, 2020, 2019, and 2018, we earned revenues of $184.3 million, $205.5 million, and $133.3 million, respectively, from our international operations.

While our team of investment banking professionals continues to be very active, we caution that given the uncertainty and volatility in the world caused by COVID-19, the closing of some CF transactions on which we are advising has been delayed, which may temporarily have a negative impact on the timing of revenues. On a global basis, in the first quarter of calendar 2020, M&A transaction completions were down 23% versus the prior year period. At the same time, companies across the economy are experiencing severe financial distress as a result of the business cessation caused by COVID-19, and accordingly, our FR activity has increased as companies, creditor groups, and other constituencies across most sectors are seeking our advice. We believe that our FR business will, in the longer-term, continue to contribute revenue; however, there may be a period where M&A and capital markets transactions remain on hiatus and restructuring completions lag, which would cause our revenues to decrease in the short term. In addition, we believe we have a strong market presence, but we cannot control or predict the ultimate magnitude of the pandemic, the timing and speed of the economic recovery, and the ultimate impact that it may have on our revenues. In this uncertain environment, we also believe we are well-positioned to weather the COVID-19 pandemic, with a strong balance sheet with substantial liquidity.

Key Financial Measures

Revenues

Revenues include fee revenues and reimbursements of expenses (see Note 3 included in Part II, Item 8 of this Form 10-K). Revenues reflect revenues from our CF, FR, and 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”).

Prior to April 1, 2018, the timing of the recognition of these various fees were generally recognized on a monthly basis, except in situations where there was uncertainty as to the timing of collection of the amount due. Progress Fees were recognized based on management’s estimates of the relative proportion of services provided through the financial reporting date to the total services required to be performed. Completion Fees were recognized only upon substantial completion of the contingencies stipulated by the engagement agreement. In some cases, approval of our fees is required from the courts or other regulatory authority; in these circumstances, the recognition of revenue was often deferred until approval was granted. However, if the fee that was going to be collected from the client was fixed and determinable, and the collectability of the fee was reasonably assured, there were instances when revenue recognition prior to such approval was appropriate under accounting principles generally accepted in the United States ("GAAP"). In instances when the revenue recognized on a specific engagement exceeded the amounts billed, unbilled work-in-process was recorded. Billed receivables were recorded as accounts receivable in the consolidated balance sheets.

On April 1, 2018, we adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize revenue as contractual services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. The Company used the modified retrospective method that also resulted in the Company prospectively changing the presentation of reimbursements of certain out-of-pocket expenses from a net presentation within non-compensation expenses to a gross basis in revenues. See Note 3 included in Part II, Item 8 of this Form 10-K for a more detailed discussion.

CF provides general financial advisory services in addition to advice on mergers and acquisitions and capital markets offerings. We advise public and private institutions on a wide variety of situations, including buy-side and sell-side transactions, as well as leveraged loans, private mezzanine debt, high-yield debt, initial public offerings, follow-ons, convertibles, equity private placements, private equity, and liability management transactions, and advise financial sponsors on all types of transactions. The majority of our CF revenues consists of Completion Fees. CF transactions 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 earned.

FR provides advice to debtors, creditors and other parties-in-interest in connection with recapitalization/deleveraging transactions implemented both through bankruptcy proceedings and though 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; corporate viability assessment; dispute resolution and expert testimony; and procuring debtor-in-possession financing. Although atypical, a FR 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 Retainer Fees and/or Progress Fees.

FVA primarily provides valuations of various assets, including: companies; illiquid debt and equity securities; and intellectual property (among other assets and liabilities). These valuations are used for financial reporting, tax reporting, and other purposes. In addition, our FVA business segment renders fairness opinions in connection with mergers and acquisitions and other transactions, and solvency opinions in connection with corporate spin-offs and dividend recapitalizations, and other types of financial opinions in connection with other transactions. 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. Subsequent to the April 1, 2018 adoption of ASU No. 2014-09, Revenue from Contracts with Customers, the Company prospectively changed the presentation of reimbursements of certain out-of-pocket deal expenses from a net presentation within non-compensation expenses to a gross basis in Revenues. Therefore, for the years ended March 31, 2020 and 2019, reimbursements of certain out-of-pocket deal expenses are 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 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 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. 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 fiscal quarter of each 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. The ratio of employee compensation and benefits to revenues is referred to as the "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)/Expense, net

Other (income)/expense, 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 2015 Line of Credit or 2019 Line of Credit (each defined herein), (iii) interest expense on the loan payable to affiliate, Loans payable to former shareholders, and the Loan payable to non-affiliates, (iv) equity income and/or gains or losses from funds and partnership interests where we have 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, and (v) gains and/or losses associated with the reduction/increase of earnout liabilities.

Results of Consolidated Operations

The following is a discussion of our results of operations for the years ended March 31, 2020 and 2019. 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 "Business Segments" below.

	Year Ended March 31,			Change	
($ in thousands)	**2020**	**2019**	**2018**	**'19-'20**	**'18-'19**
Revenues	$ 1,159,368	$ 1,084,385	$ 963,364	7 %	13 %
Operating expenses:					
Employee compensation and benefits	737,762	692,073	636,631	7 %	9 %
Non-compensation expenses	192,005	173,215	112,320	11 %	54 %
Total operating expenses	929,767	865,288	748,951	7 %	16 %
Operating income	229,601	219,097	214,413	5 %	2 %
Other (income)/expense, net	(6,046)	(5,223)	(3,423)	16 %	53 %
Income before provision for income taxes	235,647	224,320	217,836	5 %	3 %
Provision for income taxes	51,854	65,214	45,553	(20)%	43 %
Net income attributable to Houlihan Lokey, Inc.	183,793	159,106	172,283	16 %	(8)%

Year Ended March 31, 2020 versus March 31, 2019

Revenues were $1,159.4 million for the year ended March 31, 2020, compared with $1,084.4 million for the year ended March 31, 2019, representing an increase of 7%. For the year ended March 31, 2020, CF revenues increased 6%, FR revenues increased 11%, and FVA revenues remained relatively flat, compared with the year ended March 31, 2019.

Operating expenses were $929.8 million for the year ended March 31, 2020, compared with $865.3 million for the year ended March 31, 2019, an increase of 7%. Employee compensation and benefits expense, as a component of operating expenses, was $737.8 million for the year ended March 31, 2020, compared with $692.1 million for the year ended March 31, 2019, an increase of 7%. The increase in employee compensation and benefits expense was primarily due to the increase in revenues for the fiscal year. The Compensation Ratio was 64% for both the years ended March 31, 2020 and 2019. Non-compensation expenses, as a component of operating expenses, were $192.0 million for the year ended March 31, 2020, compared with $173.2 million for the year ended March 31, 2019, an increase of 11%. The increase in non-compensation expenses was primarily a result of higher general operating expenses (including technology expenses) associated with the growth of the Company.

Other (income)/expense, net was $(6.0) million for the year ended March 31, 2020, compared with $(5.2) million for the year ended March 31, 2019. The increase in other (income)/expense, net was primarily a result of higher interest (income) generated by our investment securities and a gain recognized from the reduction in the fair value of earnout liabilities associated with two of our acquisitions. These were partially offset by an equity method investment loss for the year ended March 31, 2020, compared to a gain for the year ended March 31, 2019.

The provision for income taxes for the year ended March 31, 2020 was $51.9 million, which reflected an effective tax rate of 22%. The provision for income taxes for the year ended March 31, 2019 was $65.2 million, which reflected an effective tax rate of 29%. The decrease in the Company's tax rate during the year ended March 31, 2020 relative to the year ended March 31, 2019 was primarily a result of the vesting of stock that occurred in April and May 2019, as well as decreased state tax expense.

Business Segments

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

	Year Ended March 31,			Change	
($ in thousands)	2020	2019	2018	'19-'20	'18-'19
Revenues by segment					
Corporate Finance	$ 646,788	$ 607,333	$ 528,643	6 %	15 %
Financial Restructuring	352,517	317,774	294,142	11 %	8 %
Financial and Valuation Advisory	160,063	159,278	140,579	— %	13 %
Revenues	$ 1,159,368	$ 1,084,385	$ 963,364	7 %	13 %
Segment profit (1)					
Corporate Finance	$ 179,660	$ 193,603	$ 177,575	(7)%	9 %
Financial Restructuring	107,714	83,607	73,691	29 %	13 %
Financial and Valuation Advisory	35,172	28,776	26,334	22 %	9 %
Total segment profit	322,546	305,986	277,600	5 %	10 %
Corporate expenses (2)	92,945	86,889	63,187	7 %	38 %
Other (income)/expense, net	(6,046)	(5,223)	(3,423)	16 %	53 %
Income before provision for income taxes	$ 235,647	$ 224,320	$ 217,836	5 %	3 %
Segment Metrics:					
Number of Managing Directors					
Corporate Finance	123	108	92	14 %	17 %
Financial Restructuring	45	44	42	2 %	5 %
Financial and Valuation Advisory	30	33	35	(9)%	(6)%
Number of closed transactions/Fee Events (3)					
Corporate Finance	309	284	226	9 %	26 %
Financial Restructuring	99	81	76	22 %	7 %
Financial and Valuation Advisory	1,385	1,377	1,339	1 %	3 %

(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, compliance, legal, 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 2 of our Consolidated Financial Statements.

Corporate Finance

Year Ended March 31, 2020 versus March 31, 2019

Revenues for CF were $646.8 million for the year ended March 31, 2020, compared with $607.3 million for the year ended March 31, 2019, representing an increase of 6%. The increase in revenues was primarily a result of an increase in the number of transactions that closed for the year ended March 31, 2020, compared with the year ended March 31, 2019. Notwithstanding the annual increase in CF revenues, toward the end of the fiscal 2020, CF experienced a reduction of transaction closings due to the COVID-19 pandemic, and we expect this slowdown to continue for some time.

Segment profit for CF was $179.7 million for the year ended March 31, 2020, compared with $193.6 million for the year ended March 31, 2019, representing a decrease of (7)%. The decrease in segment profit was a result of higher compensation and non-compensation expenses as a percentage of revenues for the year ended March 31, 2020, compared with the year ended March 31, 2019.

Financial Restructuring

Year Ended March 31, 2020 versus March 31, 2019

Revenues for FR were $352.5 million for the year ended March 31, 2020, compared with $317.8 million for the year ended March 31, 2019, representing an increase of 11%. The increase in revenues was primarily driven by higher average transaction fees and an increase in the number of closed transactions for the year ended March 31, 2020, compared with the year ended March 31, 2019. Beginning in March 2020, FR experienced a significant level of new business opportunities, principally as a result of the COVID-19 pandemic, as well as the global collapse of oil and gas prices.

Segment profit for FR was $107.7 million for the year ended March 31, 2020, compared with $83.6 million for the year ended March 31, 2019, an increase of 29%. The increase in segment profit was a result of the increase in revenues and lower compensation and non-compensation expenses as a percentage of revenues for the year ended March 31, 2020, compared with the year ended March 31, 2019.

Financial and Valuation Advisory

Year Ended March 31, 2020 versus March 31, 2019

Revenues for FVA remained relatively flat year over year, with $160.1 million for the year ended March 31, 2020, compared with $159.3 million for the year ended March 31, 2019. This was due to an increase in Fee Events, partially offset by a decrease in the average fee per Fee Event for the year ended March 31, 2020, compared with the year ended March 31, 2019. Toward the end of fiscal 2020, FVA experienced a reduction of transaction closings due to the COVID-19 pandemic, and we expect this slowdown to continue for some time.

Segment profit for FVA was $35.2 million for the year ended March 31, 2020, compared with $28.8 million for the year ended March 31, 2019, representing an increase of 22%. The increase in segment profit was a result of the increase in revenues and lower compensation and non-compensation expenses as a percentage of revenues for the year ended March 31, 2020, compared with the year ended March 31, 2019.

Corporate Expenses

Year Ended March 31, 2020 versus March 31, 2019

Corporate expenses were $92.9 million for the year ended March 31, 2020, compared with $86.9 million for the year ended March 31, 2019, representing an increase of 7%. This 7% increase was driven by increased non-compensation expenses for the year ended March 31, 2020, compared with the year ended March 31, 2019.

Liquidity and Capital Resources

Our current assets comprise cash and cash equivalents, investment securities, receivables from affiliates, accounts receivable, and unbilled work in process 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 March 31, 2020 and 2019, we had $173.7 million and $168.4 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 debt securities. Please refer to Note 6 for further detail.

On November 16, 2015, we issued the loan payable to non-affiliates in connection with the Leonardo transaction, which is a EUR 14.0 million note bearing interest at an annual rate of 1.50% and is payable on November 16, 2040. Under certain circumstances, the note may be paid in part or in whole over a five-year period in equal annual installments. In each of January 2017, December 2017, December 2018, and December 2019, we paid a portion of this loan in the amount of EUR 2.9 million. The remaining principal balance of the loan as of March 31, 2020 was $3.3 million, which included foreign currency translation adjustments and unpaid interest. See Note 1 and Note 10 for additional information.

As of March 31, 2020 and 2019, our Cash and cash equivalents, Investment securities, and Restricted cash were as follows:

(In thousands)	March 31, 2020	March 31, 2019
Cash and cash equivalents	$ 380,373	$ 285,746
Investment securities	135,389	125,258
Total unrestricted cash and cash equivalents, including investment securities	515,762	411,004
Restricted cash [(1)]	373	369
Total cash, cash equivalents, and restricted cash, including investment securities	$ 516,135	$ 411,373

(1) Represents a deposit in support of a letter of credit issued for our Frankfurt office.

Our liquidity is highly dependent upon cash receipts from clients which in turn 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 March 31, 2020 and 2019, we had $80.9 million and $70.8 million of Accounts receivable, net of doubtful accounts, respectively. As of March 31, 2020 and 2019, we had $39.8 million and $71.9 million of Unbilled work in process, net of doubtful accounts, respectively.

Subsequent to the end of fiscal 2020, our Board of Directors declared a quarterly cash dividend of $0.31 per share of common stock, payable on June 15, 2020 to shareholders of record as of the close of business on June 5, 2020.

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 allows for borrowings of up to $100.0 million (and, subject to certain conditions, provides the Company with an expansion option, which, if exercised in full, would provide for a total credit facility of $200 million) and matures on August 23, 2022 (the "2019 Line of Credit"). As of March 31, 2020, no principal was outstanding under the 2019 Line of Credit. The agreement governing this facility provides that borrowings bear interest at an annual rate of LIBOR plus 1.00%, commitment fees apply to unused amounts, and contains debt covenants which require that the Company maintain certain financial ratios. The loan agreement requires compliance with certain financial covenants including but not limited to the maintenance of minimum consolidated earnings before interest, taxes, depreciation and amortization of no less than $150.0 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 March 31, 2020, we were, and expect to continue to be, in compliance with such covenants.

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:

	Year Ended March 31,		
(In thousands)	2020	2019	2018
Operating activities:			
Net income	$ 183,793	$ 159,106	$ 172,283
Non-cash charges	100,214	60,918	48,894
Other operating activities	3,662	4,250	29,470
Net cash provided by operating activities	287,669	224,274	250,647
Net cash (used in)/provided by investing activities	(33,144)	6,459	(218,584)
Net cash (used in) financing activities	(152,139)	(236,138)	(225,311)
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	(7,755)	(8,703)	785
Net increase/(decrease) in cash, cash equivalents, and restricted cash	94,631	(14,108)	(192,463)
Cash, cash equivalents, and restricted cash—beginning of year	286,115	300,223	492,686
Cash, cash equivalents, and restricted cash—end of year	$ 380,746	$ 286,115	$ 300,223

Year Ended March 31, 2020

Operating activities resulted in a net inflow of $287.7 million for fiscal 2020, which was greater than the prior year due primarily to higher net income for the year and a reduction in unbilled work in process. Investing activities resulted in a net outflow of $33.1 million primarily due to purchases of new investment securities, partially offset by an increase in the sale or maturity of existing investment securities and acquisitions of property and equipment. Financing activities resulted in a net outflow of $152.1 million primarily related to (i) dividend distributions, (ii) payments to settle employee tax obligations on share-based awards, and (iii) share repurchases.

Year Ended March 31, 2019

Operating activities resulted in a net inflow of $224.3 million for fiscal 2019, which was lower than the prior year due primarily to lower net income for the year. Investing activities resulted in a net outflow of $6.5 million primarily attributable to sale or maturities of investment securities. Financing activities resulted in a net outflow of $236.1 million primarily related to (i) dividend distributions, (ii) settlement of forward purchase contracts, and (iii) share repurchases.

Contractual Obligations

The following table summarizes our payment obligations and commitments as of March 31, 2020.

	Payment Due by Period				
(In thousands)	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Operating Leases	$ 184,830	$ 28,887	$ 46,987	$ 33,162	$ 75,794
Loans payable to former shareholders	1,393	575	480	31	307
Loan payable to non-affiliate (1)	3,283	—	—	—	3,283
Other liabilities	32,024	4,779	17,866	—	9,379

(1) Under certain circumstances, the note may be paid in part or in whole over a five year period in equal annual installments.

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 March 31, 2020 and 2019.

The following table shows the expected future deferred consideration payable under these agreements assuming the applicable service and/or performance conditions are met:

	Year Ended March 31,					
(In thousands)	2021	2022	2023	2024	2025	Total
Service condition only [1]	$ 6,675	$ 4,542	$ 4,542	$ —	$ —	$ 15,759
Performance and service condition [2]	3,038	2,958	14,539	4,386	5,100	30,021

(1) Assumes full payment of service condition deferred consideration. Payment to any individual is not required if they are not an employee on a certain measurement date in each fiscal year.

(2) Assumes full payment or accrual of performance and service condition deferred consideration. In certain cases, payment to an individual is contingent on the receipt of cash associated with certain assignments that were completed prior to the acquisition, and that individual being employed on the performance measurement date. In certain cases, payment to an individual is contingent on the performance of the acquired company operating within Houlihan Lokey, Inc., and that individual being employed on the performance measurement date.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any activities that expose us to any liability that is not reflected in our consolidated financial statements except for certain stand-by letters of credit and bank guarantees in support of various office leases totaling approximately $0.6 million.

Critical Accounting Policies and Estimates

We believe that the critical accounting policies and practices included below are both most important to the portrayal of the Company's financial condition and results, and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. For a discussion of these and other significant accounting policies and their impact on our consolidated financial statements, see Note 2 included in part II, Item 8 of this Form 10-K.

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.

Recognition of Revenue

The Company adopted ASU 2014-09, *Revenue from Contracts with Customers,* on April 1, 2018, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company used the modified retrospective method that resulted in the Company prospectively changing the presentation of reimbursements of certain out-of-pocket expenses from a net presentation within non-compensation expenses to a gross basis in revenues.

Revenues from CF engagements primarily consist of fees generated in connection with advisory services related to corporate finance, mergers and acquisitions, and capital markets offerings. 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 contract as the various services are inputs to the combined output of successfully brokering a specific transaction. Effective April 1, 2018, fees received prior to the completion of the transaction, including Retainer Fees and Progress Fees, are deferred within deferred income in the consolidated balance sheets and not recognized until the performance obligation is satisfied, or when the transaction is deemed by management to be terminated. Management's judgment is required in determining when a transaction is considered to be terminated. Prior to April 1, 2018, these various fees were generally recognized on a monthly basis, except in situations where there was uncertainty as to the timing of collection of the amount due. Progress Fees were recognized based on management's estimates of the relative proportion of services provided through the financial reporting date to the total services required to be performed.

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 through 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 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 and diligence 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 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.

See Note 2 and Note 3 included in Part II, Item 8 of this Form 10-K for additional information.

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 our share-based incentive awards. We account for share-based payments in accordance with Financial Accounting Standards Board ASC 718, "*Compensation—Stock Compensation*". We grant employees awards that vest subject to continued employment in good standing. Employee compensation and benefits expense is accrued if it is probable that the condition will be achieved and is not accrued if it is not probable that the condition will be achieved. The fair value of awards that vest from one to five years are amortized over the vesting period or requisite substantive service period, as required by ASC 718.

See Note 14 included in Part II, Item 8 of this Form 10-K for additional information.

Other types of operating expenses include: Travel, meals, and entertainment; Rent; Depreciation and amortization; Information technology and communications; Professional fees; and Other operating expenses.

Allowance for Doubtful Accounts

The allowance for doubtful accounts on accounts receivables reflects management's best estimate of probable inherent losses determined principally on the basis of historical experience and review of uncollected revenues and is recorded through a provision for bad debts in the accompanying consolidated statements of comprehensive income. Amounts deemed to be uncollectible are written off against the allowance for doubtful accounts.

See Note 7 included in Part II, Item 8 of this Form 10-K for additional information.

Provision for Income Taxes

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

See Note 12 included in Part II, Item 8 of this Form 10-K for additional information.

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 trade names 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. We have a deferred tax liability related to trade names of $49.2 million and $51.7 million as of March 31, 2020 and 2019, respectively.

During fiscal 2020, 2019, and 2018, goodwill was reviewed for impairment in accordance with ASU No. 2011-08, *Testing Goodwill for Impairment*, which permits us to make a qualitative assessment of whether it is more likely than not that one of our reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If we conclude that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then we would not be required to perform the two-step impairment test for that reporting unit. If the assessment indicates that it is more likely than not that the reporting unit's fair value is less than its carrying value, we must test further for impairment utilizing a two-step process. Step 1 compares the estimated fair value of the reporting unit with its carrying value, including goodwill. If the carrying value of the reporting unit exceeds the estimated fair value, an impairment exists and is measured in Step 2 as the excess of the recorded amount of goodwill over the implied fair value of goodwill resulting from the valuation of the reporting unit. Impairment testing of goodwill requires a significant amount of judgment in assessing qualitative factors and estimating the fair value of the reporting unit, if necessary. The fair value is determined using an estimated market value approach, which considers estimates of future after-tax cash flows, including a terminal value based on market earnings multiples, discounted at an appropriate market rate. During the annual impairment reviews, management concluded that it is not more likely than not that our fair value is less than its carrying amount and no further impairment testing was considered necessary.

During fiscal 2020, 2019, and 2018, indefinite-lived intangible assets were reviewed for impairment in accordance with ASU 2012-02, *Testing Indefinite-lived Intangible Assets for Impairment*, which provides us 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. During the annual impairment review of indefinite-lived intangible assets, we determined that it is 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, we first compare 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. To date, no events or changes in circumstances were identified that indicated that the carrying amount of the finite-lived intangible assets were not recoverable.

Recent Accounting Developments

For additional information on recently issued accounting developments and their impact or potential impact on our consolidated financial statements, see Note 2 included in Part II, Item 8 of this Form 10-K.

Item 7A. 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 doubtful accounts 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 doubtful accounts 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. 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. 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 years ended March 31, 2020, 2019, and 2018, the net impact of the fluctuation of foreign currencies in other comprehensive income within the Consolidated Statements of Comprehensive Income was $(12.8) million, $(16.3) million, and $8.0 million, 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 March 31, 2020, we had no foreign currency forward contracts. As of March 31, 2019 and 2018, we entered into a foreign currency forward contract between the euro and pound sterling with an aggregate notional value of approximately EUR 1.5 million and 9.0 million, respectively. The fair value of these forward contracts represent a (loss)/gain included in Other operating expenses of $(1) and $90 for the years ended 2019 and 2018, 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 8. Financial Statements and Supplementary Data

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Houlihan Lokey, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Houlihan Lokey, Inc. and subsidiaries (the Company) as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 15, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases as of April 1, 2019, due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Recognition of Revenue

As disclosed in Notes 2 and 18 to the consolidated financial statements, the Company has recorded revenue of $1.16 billion for the year ended March 31, 2020. The Company recognizes revenue from contracts with customers upon satisfaction of the performance obligation by transferring the promised services to the customers. A service is transferred to a customer when the customer obtains control of and derives benefit from that service. Revenues from Corporate Finance engagements primarily consist of fees generated in connection with advisory services related to mergers and acquisitions, capital markets, and other corporate finance transactions. Revenues from Financial Restructuring 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 through out-of-court exchanges, consent solicitations or other mechanisms, as well as in distressed mergers and acquisitions and capital markets activities. Fees earned upon the successful completion of a Corporate Finance or Financial Restructuring transaction or engagement ("Completion Fees") are recognized when the related transaction has been effectively closed. Effective closure of the transaction occurs when the Company has transferred control of the promised service and the customer obtains control, and the variable consideration constraint has been resolved.

We identified the evaluation of the revenue recognition related to uncollected Completion Fees of Corporate Finance and Financial Restructuring engagements as a critical audit matter because a high degree of auditor judgment was required in evaluating the effective closure of the transactions.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's Completion Fees of Corporate Finance and Financial Restructuring revenue recognition process, including controls related to the evaluation of the effective closure of the transaction and resolution of the variable consideration constraint. We tested the effective closure of transactions by comparing the engagement completion status to contract terms, using a combination of executed third party contracts and other relevant and reliable third-party information. In addition, we examined confirmations with third parties for uncollected Corporate Finance and Financial Restructuring Completion Fees as of March 31, 2020.

/s/ KPMG LLP

We have served as the Company's auditor since 2006.

Los Angeles, California
May 15, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Houlihan Lokey, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Houlihan Lokey, Inc. and subsidiaries' (the Company) internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated May 15, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP
Los Angeles, California
May 15, 2020

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data and par value)	As of March 31, 2020	2019
Assets		
Cash and cash equivalents	$ 380,373	$ 285,746
Restricted cash	373	369
Investment securities	135,389	125,258
Accounts receivable, net of allowance for doubtful accounts of $5,587 and $4,255, respectively	80,912	70,830
Unbilled work in process, net of allowance for doubtful accounts of $1,302 and $1,341, respectively	39,821	71,891
Income taxes receivable	4,282	—
Deferred income taxes	6,507	2,854
Receivable from affiliates	—	8,631
Property and equipment, net	42,372	31,034
Operating lease right-of-use asset	135,240	—
Goodwill and other intangibles, net	812,844	794,604
Other assets	38,890	34,695
Total assets	$ 1,677,003	$ 1,425,912
Liabilities and Stockholders' Equity		
Liabilities:		
Accrued salaries and bonuses	$ 420,376	$ 404,717
Accounts payable and accrued expenses	53,883	55,048
Deferred income	26,780	27,812
Income taxes payable	—	7,759
Deferred income taxes	664	8,058
Loans payable to former shareholders	1,393	2,047
Loan payable to non-affiliate	3,283	6,610
Operating lease liabilities	154,218	—
Other liabilities	32,024	22,532
Total liabilities	692,621	534,583
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Class A common stock, $0.001 par value. Authorized 1,000,000,000 shares; issued and outstanding 46,178,633 and 38,200,802 shares, respectively	46	38
Class B common stock, $0.001 par value. Authorized 1,000,000,000 shares; issued and outstanding 19,345,277 and 27,197,734 shares, respectively	19	27
Additional paid-in capital	649,954	645,090
Retained earnings	377,471	276,468
Accumulated other comprehensive (loss)	(43,108)	(30,294)
Total stockholders' equity	984,382	891,329
Total liabilities and stockholders' equity	$ 1,677,003	$ 1,425,912

See accompanying Notes to Consolidated Financial Statements

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

(In thousands, except share and per share data)	Year Ended March 31, 2020	2019	2018
Revenues	$ 1,159,368	$ 1,084,385	$ 963,364
Operating expenses:			
Employee compensation and benefits	737,762	692,073	636,631
Travel, meals, and entertainment	41,945	42,862	26,445
Rent	44,693	38,672	28,560
Depreciation and amortization	17,291	14,475	7,905
Information technology and communications	26,904	21,512	18,481
Professional fees	21,704	23,035	17,117
Other operating expenses	39,468	32,659	13,812
Total operating expenses	929,767	865,288	748,951
Operating income	229,601	219,097	214,413
Other (income)/expense, net	(6,046)	(5,223)	(3,423)
Income before provision for income taxes	235,647	224,320	217,836
Provision for income taxes	51,854	65,214	45,553
Net income	183,793	159,106	172,283
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	(12,814)	(16,338)	7,961
Comprehensive income	$ 170,979	$ 142,768	$ 180,244
Attributable to Houlihan Lokey, Inc. common stockholders:			
Weighted average shares of common stock outstanding:			
Basic	62,152,870	62,213,414	62,494,275
Fully diluted	65,725,516	65,846,132	66,324,093
Earnings per share (Note 13)			
Basic	$ 2.96	$ 2.56	$ 2.76
Fully diluted	$ 2.80	$ 2.42	$ 2.60

See accompanying Notes to Consolidated Financial Statements

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

	Class A common stock		Class B common stock		Treasury Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Stock subscriptions receivable	Total stockholders' equity
(In thousands, except share data)	**Shares**	**$**	**Shares**	**$**	**Shares**	**$**	**$**	**$**	**$**	**$**	**$**
Balances – April 1, 2017	22,026,811	$22	50,883,299	$51	(6,900,000)	$(193,572)	$ 854,750	$ 87,407	$ (21,917)	$ (124)	$ 726,617
Shares issued	—	—	1,331,370	1	—	—	7,984	—	—	—	7,985
Stock compensation vesting (Note 14)	—	—	—	—	—	—	41,900	—	—	—	41,900
Dividends	—	—	—	—	—	—	—	(51,305)	—	—	(51,305)
Stock subscriptions receivable redeemed	—	—	—	—	—	—	—	—	—	124	124
Secondary offerings	7,750,000	8	(7,750,000)	(8)	—	—	93,500	—	—	—	93,500
Retirement of shares upon settlement of forward purchase agreement	—	—	(6,900,000)	(7)	6,900,000	193,572	(193,565)	—	—	—	—
Shares subject to forward purchase agreement	—	—	2,000,000	2	(2,000,000)	(93,500)	(2)	—	—	—	(93,500)
Conversion of Class B to Class A shares	1,252,242	1	(1,252,242)	(1)	—	—	—	—	—	—	—
Shares issued to non-employee directors (Note 14)	5,589	—	—	—	—	—	—	—	—	—	—
Shares purchased and retired under repurchase program	(430,237)	—	—	—	—	—	(15,139)	—	—	—	(15,139)
Other shares repurchased/forfeited	—	—	(1,124,495)	(1)	—	—	(36,351)	—	—	—	(36,352)
Adjustment of noncontrolling interest to redeemable value	—	—	—	—	—	—	—	(1,261)	—	—	(1,261)
Net income	—	—	—	—	—	—	—	172,283	—	—	172,283
Change in unrealized foreign currency translation	—	—	—	—	—	—	—	—	7,961	—	7,961
Total comprehensive income	—	—	—	—	—	—	—	172,283	7,961	—	180,244
Balances – March 31, 2018	30,604,405	$31	37,187,932	$37	(2,000,000)	$ (93,500)	$ 753,077	$207,124	$ (13,956)	$ —	$ 852,813

See accompanying Notes to Consolidated Financial Statements

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

	Class A common stock		Class B common stock		Treasury Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity
(In thousands, except share data)	**Shares**	**$**	**Shares**	**$**	**Shares**	**$**	**$**	**$**	**$**	**$**
Balances – April 1, 2018	30,604,405	$31	37,187,932	$37	(2,000,000)	$(93,500)	$ 753,077	$207,124	$ (13,956)	$ 852,813
Cumulative effect of the change in accounting principle related to revenue recognition from contracts with clients, net of tax	—	—	—	—	—	—	—	(19,347)	—	(19,347)
Shares issued	—	—	1,208,074	1	—	—	9,257	—	—	9,258
Stock compensation vesting (Note 14)	—	—	—	—	—	—	47,575	—	—	47,575
Class B shares sold	525,217	—	(525,217)	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—	(70,415)	—	(70,415)
Secondary offering	3,000,000	3	(3,000,000)	(3)	—	—	—	—	—	—
Retired shares upon settlement of forward purchase agreement	—	—	(2,000,000)	(2)	2,000,000	93,500	(93,498)	—	—	—
Conversion of Class B to Class A shares	5,545,724	6	(5,545,724)	(6)	—	—	—	—	—	—
Shares issued to non-employee directors (Note 14)	6,570	—	—	—	—	—	187	—	—	187
Shares purchased and retired under repurchase program	(784,114)	(1)	—				(34,974)	—		(34,975)
Other shares repurchased/forfeited	(697,000)	(1)	(127,331)	—	—	—	(36,534)	—	—	(36,535)
Net income	—	—	—	—	—	—	—	159,106	—	159,106
Change in unrealized translation	—	—	—	—	—	—	—	—	(16,338)	(16,338)
Total comprehensive income	—		—				—	159,106	(16,338)	142,768
Balances – March 31, 2019	38,200,802	$38	27,197,734	$27	—	$ —	$ 645,090	$276,468	$ (30,294)	$ 891,329

See accompanying Notes to Consolidated Financial Statements

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

	Class A common stock		Class B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity
(In thousands, except share data)	**Shares**	**$**	**Shares**	**$**	**$**	**$**	**$**	**$**
Balances – April 1, 2019	38,200,802	$38	27,197,734	$27	$ 645,090	$276,468	$ (30,294)	$ 891,329
Shares issued	—	—	1,546,486	1	8,712	—	—	8,713
Stock compensation vesting (Note 14)	—	—	—	—	56,901	—	—	56,901
Class B shares sold	6,287,412	6	(6,287,412)	(6)	—	—	—	—
Dividends	—	—	—	—	—	(82,790)	—	(82,790)
Conversion of Class B to Class A shares	2,352,461	2	(2,352,461)	(2)	—	—	—	—
Shares issued to non-employee directors (Note 14)	9,145	—	—	—	369	—	—	369
Other shares repurchased/forfeited	(671,187)	—	(759,070)	(1)	(61,118)	—	—	(61,119)
Net income	—	—	—	—	—	183,793	—	183,793
Change in unrealized translation	—	—	—	—	—	—	(12,814)	(12,814)
Total comprehensive income	—	—	—	—	—	183,793	(12,814)	170,979
Balances – March 31, 2020	46,178,633	$46	19,345,277	$19	$ 649,954	$377,471	$ (43,108)	$ 984,382

See accompanying Notes to Consolidated Financial Statements

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

	Year Ended March 31,		
(In thousands)	2020	2019	2018
Cash flows from operating activities:			
Net income	$ 183,793	$ 159,106	$ 172,283
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred tax benefit	(9,654)	(10,687)	(6,569)
Provision for bad debts	4,873	1,707	1,983
Unrealized gains on investment securities	(75)	(430)	—
Non-cash lease expense	24,654	—	—
Depreciation and amortization	17,291	14,475	7,905
Contingent consideration valuation	(1,220)	(708)	(1,536)
Compensation expense – restricted share grants (Note 14)	64,345	56,561	47,111
Changes in operating assets and liabilities:			
Accounts receivable	(13,387)	21,611	(18,202)
Unbilled work in process	32,423	(26,029)	11,875
Other assets	(4,515)	(12,706)	(1,703)
Accrued salaries and bonuses	11,351	18,868	34,556
Accounts payable and accrued expenses	(8,709)	11,542	392
Deferred income	(1,058)	(6,661)	(31)
Income taxes receivable/payable	(12,443)	(2,375)	2,583
Net cash provided by operating activities	287,669	224,274	250,647
Cash flows from investing activities:			
Purchases of investment securities	(350,679)	(146,969)	(209,319)
Sales or maturities of investment securities	340,624	231,460	—
Acquisition of business, net of cash acquired	(2,197)	(71,407)	(2,701)
Receivables from affiliates	(170)	101	1,155
Purchase of property and equipment	(20,722)	(6,726)	(7,719)
Net cash (used in)/provided by investing activities	(33,144)	6,459	(218,584)
Cash flows from financing activities:			
Dividends paid	(80,655)	(66,928)	(52,081)
Settlement of forward purchase contract	—	(93,500)	(192,372)
Share Repurchases	(29,641)	(69,563)	(18,075)
Payments to settle employee tax obligations on share-based awards	(31,477)	(1,947)	(33,419)
Proceeds from issuance of Class A shares placed in escrow	—	—	93,500
Earnouts paid	—	(1,923)	—
Stock subscriptions receivable redeemed	—	—	124
Loans payable to former shareholders redeemed	(654)	(989)	(2,446)
Repayments of loans to affiliates	—	—	(15,000)
Repayments of loans to non-affiliates	(10,081)	(1,475)	(1,661)
Other financing activities	369	187	(3,881)
Net cash (used in) financing activities	(152,139)	(236,138)	(225,311)
Effects of exchange rate changes on cash and cash equivalents	(7,755)	(8,703)	785
Net increase/(decrease) in cash, cash equivalents, and restricted cash	94,631	(14,108)	(192,463)
Cash, cash equivalents and restricted cash – beginning of period	286,115	300,223	492,686
Cash, cash equivalents and restricted cash – end of period	$ 380,746	$ 286,115	$ 300,223
Supplemental disclosures of non-cash activities:			
Shares issued via vesting of liability classified awards	$ 6,555	$ 5,005	$ —
Shares issued as consideration for acquisitions	—	1,744	7,797
Debt forgiven as consideration of acquisitions	—	—	1,894
Fully depreciated assets written off	—	—	38

Cash acquired through acquisitions	$	15,755	$	16,141	$	—
Cash paid during the year:						
Interest	$	1,049	$	977	$	656
Taxes		74,507		82,464		47,629

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

- HL Finance, LLC ("HL Finance"), a syndicated leveraged finance platform established to arrange senior secured leveraged loans for financial sponsor-backed, privately-held, and public corporate entities. HL Finance acts as an arranger on syndicated loan transactions and has entered into an agreement with an unaffiliated third party investor that may provide commitments with respect to certain syndicated loans arranged by HL Finance.

- Houlihan Lokey EMEA, LLP, a limited liability partnership registered in England ("HL EMEA, LLP"), is an indirect subsidiary of HL, Inc. HL EMEA, LLP is regulated by the Financial Conduct Authority in the United Kingdom ("U.K.").

On August 18, 2015, the Company successfully completed an initial public offering ("IPO") of its Class A common stock. Expenses related to the corporate reorganization and IPO recorded in the consolidated statements of comprehensive income include the following:

- $14,289, $14,045 and $14,153 of compensation expenses associated with the amortization of restricted stock granted in connection with the IPO for the years ended March 31, 2020, 2019, and 2018, respectively; amortization expense of restricted stock granted in connection with the IPO is being recognized over a four and one-half year vesting period; and

- $10,035, $10,273 and $10,764 of compensation expenses associated with the accrual of certain deferred cash payments granted in connection with the IPO for the years ended March 31, 2020, 2019, and 2018, respectively; accrual expense of deferred cash payments granted in connection with the IPO is being recognized over a four and one-half year vesting period.

In connection with the IPO, the HL Holders deposited their shares of HL, Inc. Class B common stock into a voting trust (the "HL Voting Trust") and own such common stock through the HL Voting Trust.

In April 2018, the Company completed the acquisition of Quayle Munro Limited, an independent advisory firm that provides corporate finance advisory services to companies underpinned by data & analytics, content, software, and services.

In May 2018, the Company completed the acquisition of BearTooth Advisors, an independent advisory business providing strategic advisory and placement agency services to alternative investment managers.

In June 2019, the Company exercised its option to acquire the remaining 51% of the shares of Lara (Italy Holdco) Limited ("Lara"). Lara's only operating subsidiary, Houlihan Lokey S.p.A., is an Italian-based company that provides corporate finance advisory services.

In November 2019, the Company completed the acquisition of Fidentiis Capital, an independent advisory business providing independent corporate finance advisory services relating to mergers and acquisitions, capital raising, and financing.

In December 2019, the Company completed the acquisition of Freeman & Co., an independent advisory business providing mergers and acquisitions advisory, capital raising, and other investment banking advisory services for the financial services sector.

The Company offers financial services and financial advice to a broad clientele located throughout the United States of America, Europe, the Middle East, and the Asia-Pacific region. The Company has U.S. offices in Los Angeles, San Francisco, Chicago, New York City, Minneapolis, McLean (Virginia), Dallas, Houston, Miami, and Atlanta as well as foreign offices in London, Paris, Frankfurt, Milan, Madrid, Amsterdam, Dubai, Sydney, Tokyo, Hong Kong, Beijing and Singapore. Together, the Company and its subsidiaries form an organization that provides financial services to meet a wide variety of client needs. The Company concentrates its efforts toward the earning of professional fees with focused services across the following three business segments:

- Corporate Finance ("CF") provides general financial advisory services in addition to advice on mergers and acquisitions and capital markets offerings. We advise public and private institutions on a wide variety of situations, including buy-side and sell-side transactions, as well as leveraged loans, private mezzanine debt, high-yield debt, initial public offerings, follow-ons, convertibles, equity private placements, private equity, and liability management transactions, and advise financial sponsors on all types of 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 both through bankruptcy proceedings and through 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; 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 valuations of various assets, including: companies; illiquid debt and equity securities; and intellectual property (among other assets and liabilities). These valuations are used for financial reporting, tax reporting, and other purposes. In addition, our FVA business segment renders fairness opinions in connection with mergers and acquisitions and other transactions, and solvency opinions in connection with corporate spin-offs and dividend recapitalizations, and other types of financial opinions in connection with other transactions. 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.

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, and include all disclosures required under GAAP for annual financial statements.

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net income, shareholders' 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 significant intercompany balances and transactions have been eliminated in consolidation.

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)/expense, 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: the allowance for doubtful accounts; the valuation of deferred tax assets, 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 contract. Revenues reflect fees generated from our CF, FR, and FVA business segments.

The Company adopted ASU 2014-09, *Revenue from Contracts with Customers,* on April 1, 2018, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company used the modified retrospective method that resulted in the Company prospectively changing the presentation of reimbursements of certain out-of-pocket expenses from a net presentation within non-compensation expenses to a gross basis in revenues. This resulted in an increase in both revenues and related out-of-pocket expenses of approximately $33.8 million and $33.6 million for the years ended March 31, 2020 and 2019, respectively.

The Company generates revenues from contractual advisory services and reimbursed costs incurred in fulfilling those contracts. 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.

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 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.

Revenues from CF engagements primarily consist of fees generated in connection with advisory services related to corporate finance, mergers and acquisitions, and capital markets offerings. 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 contract as the various services are inputs to the combined output of successfully brokering a specific transaction. Effective April 1, 2018, fees received prior to the completion of the transaction, including Retainer Fees and Progress Fees, are deferred within deferred income in the consolidated balance sheets and not recognized until the performance obligation is satisfied, or when the transaction is deemed by management to be terminated. Management's judgment is required in determining when a transaction is considered to be terminated. Prior to April 1, 2018, these various fees were generally recognized on a monthly basis, except in situations where there was uncertainty as to the timing of collection of the amount due. Progress Fees were recognized based on management's estimates of the relative proportion of services provided through the financial reporting date to the total services required to be performed.

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 through 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 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 and diligence 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 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 year. Resulting translation adjustments are reported as a separate component of accumulated other comprehensive loss, net of applicable taxes.

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 March 31, 2020, we had no foreign currency forward contracts. As of March 31, 2019 and 2018, we entered into a foreign currency forward contract between the euro and pound sterling with an aggregate notional value of approximately EUR 1.5 million and EUR 9.0 million. The fair value representing a (loss)/gain included in Other operating expenses of $(1) and $90 during the years ended 2019 and 2018, respectively.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data or as otherwise stated)

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 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 on the best information available, may incorporate management's own assumptions and involves 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.

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 provided on a straight-line basis over the estimated useful lives of the respective assets. Leasehold improvements are recorded as prepaid assets and included within fixed lease payments.

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. At March 31, 2020 and 2019, 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.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data or as otherwise stated)

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.

	As of March 31,	
	2020	2019
Cash and cash equivalents	$ 380,373	$ 285,746
Restricted cash [(1)]	373	369
Total cash, cash equivalents, and restricted cash	$ 380,746	$ 286,115

(1) Restricted cash as of March 31, 2020 and March 31, 2019 consisted of a cash secured letter of credit issued for our Frankfurt office.

Investment Securities

Investment securities consist of corporate debt and U.S. Treasury securities with original maturities over 90 days. The Company classifies its investment 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 Doubtful Accounts

The allowance for doubtful accounts on receivables reflects management's best estimate of probable inherent losses determined principally on the basis of historical experience and review of uncollected revenues and is recorded through provision for bad debts which is included in other operating expenses, net in the accompanying consolidated statements of comprehensive income. Amounts deemed to be uncollectible are written off against the allowance for doubtful accounts.

Income Taxes

The Company files a consolidated federal income tax return, 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 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.

On March 27, 2020 the United States passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. The legislation is meant to address the economic uncertainty as a result of the 2020 coronavirus pandemic. The Company is currently evaluating the impact that all of the provisions of the CARES Act may have on its income tax provision based on the current filing positions.

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 for impairment and more frequently if potential impairment indicators exist. Goodwill is reviewed for impairment in accordance with Accounting Standards Update ("ASU") No. 2011-08, *Testing Goodwill for Impairment*, which permits management to make a qualitative assessment of whether it is more likely than not that one of its reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If management concludes that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then management would not be required to perform the two-step impairment test for that reporting unit. If the assessment indicates that it is more likely than not that the reporting unit's fair value is less than its carrying value, management must test further for impairment utilizing a two-step process. Step 1 compares the estimated fair value of the reporting unit with its carrying value, including goodwill. If the carrying value of the reporting unit exceeds the estimated fair value, an impairment exists and is measured in Step 2 as the excess of the recorded amount of goodwill over the implied fair value of goodwill resulting from the valuation of the reporting unit. Impairment testing of goodwill requires a significant amount of judgment in assessing qualitative factors and estimating the fair value of the reporting unit, if necessary. The fair value is determined using an estimated market value approach, which considers estimates of future after tax cash flows, including a terminal value based on market earnings multiples, discounted at an appropriate market rate. As of March 31, 2020, 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 impairment testing had been considered necessary.

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 March 31, 2020, 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 March 31, 2020, no events or changes in circumstances were identified that indicated that the carrying amount of the finite-lived intangible assets were not recoverable.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (the "FASB") issued the following authoritative guidance amending the FASB Accounting Standards Codification ("ASC").

Effective April 1, 2019, we adopted Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, and all related amendments. See Note 16 for additional information.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting,* which clarifies when changes to the terms or conditions of share-based payment awards require an entity to apply modification accounting. The amended guidance states an entity should account for the effects of a modification unless certain criteria are met, which include that the modified award has the same fair value, vesting conditions and classification as the original award. The Company adopted guidance effective April 1, 2019 and its application did not have a material impact on the consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13 *Financial Instruments-Credit Losses - Measurement of Credit Losses on Financial Instruments.* The amended guidance involves several aspects of the accounting for credit losses related to certain financial assets that are not accounted for at fair value through net income and includes trade receivables and net investments in leases. The new guidance and subsequent updates, broadens the information that an entity must consider in developing its estimated credit losses expected to occur over the remaining life of assets measured either collectively or individually to include historical experience, current conditions and reasonable and supportable forecasts, replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses ("CECL") model. The new guidance expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating credit losses and requires new disclosures of the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. This new guidance is first effective for our fiscal year beginning on April 1, 2020 and will be adopted under a modified retrospective approach. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations, which will depend on, among other things, the current and expected macroeconomic conditions and the nature and characteristics of financial assets held by us on the date of adoption. We do not anticipate any material changes to our consolidated financial statements.

Note 3 — Revenue Recognition

Disaggregation of Revenue

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. As the Company changed the presentation of costs incurred in fulfilling advisory contracts from a net presentation within non-compensation expenses to a gross basis in revenues, the Company records a contract liability for the reimbursable costs incurred until the fee revenue is recognized.

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

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:

(In thousands)	April 1, 2019	Increase/(Decrease)	March 31, 2020
Receivables, net (1)	$ 64,797	$ 8,923	$ 73,720
Unbilled work in process, net of allowance for doubtful accounts	71,891	(32,070)	39,821
Contract Assets (1)	6,033	1,159	7,192
Contract Liabilities (2)	27,812	(1,032)	26,780

(1) Included within Accounts receivable, net of allowance for doubtful accounts in the Consolidated Balance Sheets.
(2) Included within Deferred income in the Consolidated Balance Sheets.

During the years ended March 31, 2020 and March 31, 2019, $19.9 million and $22.5 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 at March 31, 2020.

Note 4 — Related Party Transactions

On June 4, 2018, pursuant to a registered underwritten public offering (the "June 2018 Follow-on Offering"), ORIX USA sold 1,985,983 shares of our Class A common stock and certain of our former and current employees and members of our management sold 1,014,017 shares, in each case, at a price to the public of $49.15 per share. Concurrently with the closing of the offering, the Company repurchased from ORIX USA 697,000 shares of Class A Common Stock at a purchase price per share of $49.11. Expenses related to the June 2018 Follow-on Offering included in the Consolidated Statements of Comprehensive Income include $0 and $498 of professional service and other third-party fees and expenses during the years ended March 31, 2020 and 2019, respectively.

On May 30, 2019, pursuant to a registered underwritten public offering, ORIX USA sold 3,000,000 shares of our Class A common stock to the public at a price of $45.80.

On August 1, 2019, pursuant to a registered underwritten public offering, ORIX USA sold its remaining ownership of 3,377,935 shares of our Class A common stock to the public at a price of $45.62.

The Company provided financial advisory services to ORIX USA and its affiliates and certain other related parties, and received fees for these services totaling approximately $828, $8,819, and $3,006 during the years ended March 31, 2020, 2019, and 2018, respectively.

The Company provided certain management and administrative services for the Company's unconsolidated entities and received fees for these services. The Company received fees of $126, $482, and $286 during the years ended March 31, 2020, 2019, and 2018, respectively.

On October 25, 2017, pursuant to a registered underwritten public offering, ORIX USA sold 1,750,000 shares of our Class A common stock and certain of our former and current employees and members of our management sold 1,750,000 shares of our Class A common stock, in each case, at a price to the public of $42.00 per share, and such transaction closed on October 30, 2017 (the "October 2017 Follow-on Offering"). On November 3, 2017, ORIX USA sold an additional 125,000 shares of Class A common stock and our former and current employees and members of our management sold an additional 125,000 shares of Class A common stock in connection with the underwriters' partial exercise of their option to purchase additional shares in the offering.

On March 12, 2018, pursuant to a registered underwritten public offering, we issued and sold 2,000,000 shares of our Class A common stock and certain of our former and current employees and members of our management sold 2,000,000 shares of our Class A common stock, in each case, at a price to the public of $47.25 per share (the "March 2018 Follow-on Offering"). In connection with, and prior to, the March 2018 Follow-on Offering, on January 26, 2018, we entered into a Forward Share Purchase Agreement (the "January 2018 Forward Share Purchase Agreement"), with an indirect wholly owned subsidiary of ORIX USA pursuant to which we agreed to purchase from ORIX USA on April 5, 2018 the number of shares of our Class B common stock equal to the number of shares of our Class A common stock sold by us in the March 2018 Follow-on Offering for a purchase price per share equal to the public offering price in the March 2018 Follow-on Offering less underwriting discounts and commissions. On April 5, 2018, the Company settled the transaction provided for in the January 2018 Forward Share Purchase Agreement and acquired 2,000,000 shares of Class B common stock from ORIX USA using the net proceeds we received from the March 2018 Follow-on Offering and the shares were retired. In accordance with the terms of the January 2018 Forward Share Purchase Agreement, the purchase price per share under the January 2018 Forward Share Purchase Agreement was reduced by the per share amount of the dividend paid to ORIX USA on the shares of our Class B common stock subject to the January 2018 Forward Share Purchase Agreement prior to the settlement of the transaction.

Expenses related to the October 2017 Follow-on Offering and the March 2018 Follow-on Offering and the January 2018 Forward Share Purchase Agreement included in the Consolidated Statements of Comprehensive Income include $0, $0, and $2,084 of professional service and other third-party fees and expenses during the years ended March 31, 2020, 2019, and 2018, respectively.

In the accompanying Consolidated Balance Sheets, the Company carried accounts receivable and unbilled work in progress from related parties totaling approximately $0 and $3 as of March 31, 2020 and 2019, respectively. The Company also deferred income from related parties for service fees totaling $0 and $34 as of March 31, 2020 and 2019, respectively.

Other assets in the accompanying consolidated balance sheets includes loans receivable from certain employees of $17,857 and $15,228 and as of March 31, 2020 and 2019, respectively.

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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:

	March 31, 2020			
(In thousands)	Level I	Level II	Level III	Total
Corporate debt securities	$ —	$ 43,027	$ —	$ 43,027
U.S. treasury securities	—	92,362	—	92,362
Total asset measured at fair value	$ —	$ 135,389	$ —	$ 135,389

	March 31, 2019			
(In thousands)	Level I	Level II	Level III	Total
Corporate debt securities	$ —	$ 116,577	$ —	$ 116,577
U.S. treasury securities	—	8,681	—	8,681
Total asset measured at fair value	$ —	$ 125,258	$ —	$ 125,258

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 level of input that is most 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 Company had no transfers between fair value levels for the years ended March 31, 2020 and March 31, 2019.

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 process, receivables from affiliates, accounts payable and accrued expenses, deferred income and other liabilities approximates fair value due to the short maturity of these instruments.

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-affiliates, approximates fair value due to the variable interest rate borne by those instruments.

Note 6 — Investment Securities

The amortized cost, gross unrealized gains (losses), and fair value of securities were as follows:

	March 31, 2020			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Corporate debt securities	$ 43,166	$ 210	$ (349)	$ 43,027
U.S. Treasury Securities	91,722	691	(51)	92,362
Total securities with unrealized gains/(losses)	$ 134,888	$ 901	$ (400)	$ 135,389

(In thousands)	March 31, 2019 Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Corporate debt securities	$ 116,220	$ 372	$ (15)	$ 116,577
U.S. Treasury Securities	8,608	73	—	8,681
Total securities with unrealized gains/(losses)	$ 124,828	$ 445	$ (15)	$ 125,258

Scheduled maturities of the Company's debt securities within the investment securities portfolio were as follows:

	March 31, 2020		March 31, 2019	
(In thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due within one year	$ 105,349	$ 105,302	$ 96,109	$ 96,175
Due within years two through five	29,539	30,087	28,719	29,083
Total debt within the investment securities portfolio	$ 134,888	$ 135,389	$ 124,828	$ 125,258

Note 7 — Allowance for Doubtful Accounts

The allowance for doubtful accounts on receivables reflects management's best estimate of probable inherent losses determined principally on the basis of historical experience and review of uncollected revenues and is recorded through provision for bad debts which is included in other operating expenses, net in the accompanying consolidated statements of comprehensive income. Amounts deemed to be uncollectible are written off against the allowance for doubtful accounts.

	As of March 31,		
(In thousands)	2020	2019	2018
Beginning balance	$ 5,596	$ 11,391	$ 11,199
Provision for bad debts	4,873	1,707	1,983
Recovery or write-off of uncollectible accounts	(3,580)	(7,502)	(1,791)
Ending balance	$ 6,889	$ 5,596	$ 11,391

Note 8 — Property and Equipment

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

		As of March 31,	
(In thousands)	Useful Lives	2020	2019
Equipment	5 Years	$ 8,788	$ 7,916
Furniture and fixtures	5 Years	20,942	19,445
Leasehold improvements	10 Years	41,643	34,370
Computers and software	3 Years	17,941	11,499
Other	N/A	1,113	1,117
Total cost		90,427	74,347
Less: accumulated depreciation		(48,055)	(43,313)
Total net book value		$ 42,372	$ 31,034

Additions to property and equipment during the years ended March 31, 2020 and 2019 were primarily related to leasehold improvement costs incurred and computer and software purchases.

Depreciation expense of $9,842, $8,434, and $6,195 was recognized during the years ended March 31, 2020, 2019, and 2018, 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.

(In thousands)	Useful Lives	As of March 31, 2020	As of March 31, 2019
Goodwill	Indefinite	$ 618,455	$ 594,812
Tradename-Houlihan Lokey	Indefinite	192,210	192,210
Other intangible assets	Varies	10,732	18,614
Total cost		821,397	805,636
Less: accumulated amortization		(8,553)	(11,032)
Goodwill and other intangibles, net		$ 812,844	$ 794,604

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

(In thousands)	As of April 1, 2019	Change [1]	As of March 31, 2020
Corporate Finance	$ 340,282	$ 23,643	$ 363,925
Financial Restructuring	162,815	—	162,815
Financial and Valuation Advisory	91,715	—	91,715
Goodwill	$ 594,812	$ 23,643	$ 618,455

(1) Changes pertain to the acquisitions discussed in Note 1 and foreign currency translation adjustments.

Amortization expense of approximately $7,449, $6,041, and $1,710 was recognized for the years ended March 31, 2020, 2019, and 2018, respectively.

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

(In thousands)	Year Ended March 31,
2021	$ 1,601
2022	157
2023	7
2024	7
2025	7

Note 10 — Loans Payable

In August 2015, the Company entered into a revolving line of credit with Bank of America, N.A. (the "2015 Line of Credit"), which allowed for borrowings of up to $75.0 million and originally matured in August 2017. On July 28, 2017, the Company extended the maturity date of the 2015 Line of Credit to August 18, 2019, and, on August 15, 2019, the parties further extended the maturity date of the 2015 Line of Credit to September 18, 2019 (or if such date is not a business day, the immediately preceding business day). On August 23, 2019, the Company refinanced the 2015 Line of Credit by entering into a new syndicated revolving line of credit with Bank of America, N.A. and certain other financial institutions party thereto (the "2019 Line of Credit"), which allows for borrowings of up to $100.0 million (and, subject to certain conditions, provides the Company with an expansion option, which, if exercised in full, would provide for a total credit facility of $200.0 million) and matures on August 23, 2022 (or if such date is not a business day, the immediately preceding business day). The agreement governing the 2019 Line of Credit provides that borrowings bear interest at an annual rate of LIBOR plus 1.00%, commitment fees apply to unused amounts, and contains debt covenants which require that the Company maintain certain financial ratios. As of March 31, 2020, no principal was outstanding under the 2019 Line of Credit. The Company paid interest and unused commitment fees of $278, $228 and $228 for the years ended March 31, 2020, 2019, and 2018, respectively, under the 2015 Line of Credit and the 2019 Line of Credit.

Prior to the IPO, Fram maintained certain loans payable to former shareholders consisting of unsecured notes payable, which were transferred to the Company in conjunction with the IPO. The interest rate on the individual notes was 2.94%, 3.92%, and 3.10% as of the years ended March 31, 2020, 2019, and 2018, respectively, and the maturity dates range from 2020 to 2027. The Company incurred interest expense on these notes of $63, $96 and $124 for the years ended March 31, 2020, 2019, and 2018, respectively.

In November 2015, the Company acquired the investment banking operations of Leonardo & Co. NV ("Leonardo") in Germany, the Netherlands, and Spain, and made a 49% investment in Leonardo's operations in Italy. Total consideration included an unsecured loan of EUR 14.0 million payable on November 16, 2040, the remaining balance of which is included in Loan payable to non-affiliates on our Consolidated Balance Sheets. The loan bears interest at an annual rate of 1.50%. In each of January 2017, December 2017, December 2018, and December 2019, we paid a portion of this loan in the amount of EUR 2.9 million. The Company incurred interest expense on this loan of $76, $131, and $179, during the years ended March 31, 2020, 2019, and 2018, respectively.

As described in Note 1, in June 2019, the Company acquired the remaining 51% of Lara, which is the holding company for Leonardo's operations in Italy. During the quarter ended September 30, 2019, the Company completed the redemption of the loans that were assumed upon the acquisition of the remaining 51% of Lara and that had been included in the Loan payable to non-affiliates on our Consolidated Balance Sheets.

An acquisition made in January 2017 included non-contingent consideration with a carrying value of $999 and $1,983 as of March 31, 2020 and 2019, respectively, which is included in Other liabilities in the accompanying Consolidated Balance Sheets.

In April 2018, the Company acquired Quayle Munro Limited. Total consideration included non-interest bearing unsecured convertible loans totaling GBP 10.5 million payable on May 31, 2022, which is included in Other liabilities in the accompanying Consolidated Balance Sheets. Under certain circumstances, the notes may be exchanged for Company stock over a three year period in equal annual installments starting on May 31, 2020. The Company incurred imputed interest expense on these notes of $327 and $325 for the years ended March 31, 2020 and 2019, respectively.

In May 2018, the Company acquired BearTooth Advisors. Total consideration included an unsecured note of $2.8 million bearing interest at an annual rate of 2.88% and payable on May 21, 2048, which is included in Other liabilities in the accompanying Consolidated Balance Sheets. The Company incurred interest expense on this note of $105 and $88 for the years ended March 31, 2020 and 2019, respectively.

In November 2019, the Company acquired Fidentiis Capital, S.A. Total consideration included non-interest bearing unsecured convertible loans totaling EUR 0.5 million payable on November 5, 2049, which is included in Other Liabilities in the accompanying Consolidated Balance Sheets. Under certain circumstances, the notes may be exchanged for Company stock over a three year period in equal annual installments starting on November 5, 2021.

In December 2019, the Company acquired Freeman & Co. Total consideration included an unsecured note of $4.0 million bearing interest at an annual rate of 2.75% and payable on December 16, 2049, which is included in Other liabilities in the accompanying Consolidated Balance Sheets. On December 16, 2023, the notes become non-interest bearing until their maturity date. Under certain circumstances, the notes may be exchanged for Company stock over a four year period in equal annual installments commencing December 16, 2020. The Company incurred interest expense on this note of $32 for the year ended March 31, 2020.

See Note 17 for our aggregated 5-year maturity table on loans payable.

Note 11 — Accumulated Other Comprehensive (Loss)

Accumulated other comprehensive (loss) is comprised of Foreign currency translation adjustments of $(12,814), $(16,338), and $7,961 for the years ended March 31, 2020, 2019, and 2018, respectively. The change in foreign currency translation was impacted by the vote in the U.K. to withdraw from the European Union. The U.K. ceased being a member of the EU on January 31, 2020 and is currently in a period in which the terms of withdrawal are being negotiated and there may be impact on our European business that are unknown at this time. We believe the change in foreign currency translation will become more volatile, but we do not expect this to have a material impact on our operating results and financial position.

Accumulated other comprehensive (loss) as of March 31, 2020, 2019, and 2018 was comprised of the following:

(In thousands)		Total
Balance, April 1, 2017	$	(21,917)
Foreign currency translation adjustments		7,961
Balance, March 31, 2018		(13,956)
Foreign currency translation adjustments		(16,338)
Balance, March 31, 2019		(30,294)
Foreign currency translation adjustments		(12,814)
Balance, March 31, 2020	$	(43,108)

Note 12 — Income Taxes

The Company’s provision for income taxes was $51,854, $65,214, and $45,553, for the years ended March 31, 2020, 2019, and 2018, respectively. This represents effective tax rates of 22.0%, 29.1%, and 20.9% for the years ended March 31, 2020, 2019, and 2018, respectively.

The primary drivers of the Company’s effective tax rate being higher than the federal statutory rate of 21.0% for the year ended March 31, 2020 were the provision for state taxes, certain non-deductible expenses including limits on deductibility of executive compensation under IRC Section 162(m) and limits on the deductibility of certain meal and entertainment expense items. The decrease in the Company’s tax rate during the year ended March 31, 2020 relative to the year ended March 31, 2019 was primarily as a result of vesting of stock that occurred in April and May, 2019, as well as decreased state tax expense.

The Tax Act reduced the U.S. federal corporate tax rate from 35.0% to 21.0% for all corporations effective for tax years beginning after December 31, 2017. For fiscal year companies, the change in law requires the application of a blended rate, which in the Company’s case is approximately 31.5% for the fiscal year ending March 31, 2018. Beginning with the fiscal year ended March 31, 2019, the applicable statutory rate is 21.0%.

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The provision (benefit) for income taxes on operations for the years ended March 31, 2020, 2019, and 2018 is comprised of the following approximate values:

	Year Ended March 31,		
(In thousands)	2020	2019	2018
Current:			
Federal	$ 39,796	$ 47,101	$ 34,638
State and local	10,217	22,094	9,768
Foreign	11,495	6,706	7,716
Subtotal	61,508	75,901	52,122
Deferred:			
Federal	(6,317)	(10,665)	(2,398)
State and local	(2,104)	(1,997)	(646)
Foreign	(1,233)	1,975	(3,525)
Subtotal	(9,654)	(10,687)	(6,569)
Total	$ 51,854	$ 65,214	$ 45,553

The provision for income taxes on operations for the years ended March 31, 2020, 2019, and 2018 is reconciled to the income taxes computed at the statutory federal income tax rate (computed by applying the federal corporate rate of 21% for 2020 and 2019, and 31.5% for 2018 to consolidated operating income before provision for income taxes) as follows:

	Year Ended March 31,					
(In thousands)	2020		2019		2018	
Federal income tax provision computed at statutory rate	$ 49,486	21.0 %	$ 47,107	21.0 %	$ 68,618	31.5 %
State and local taxes, net of federal tax effect	10,819	4.6 %	12,944	5.8 %	7,600	3.5 %
Tax impact from foreign operations	(1,083)	(0.5)%	(2,098)	(0.9)%	(3,972)	(1.8)%
Nondeductible expenses	4,721	2.0 %	3,797	1.7 %	1,414	0.6 %
Stock compensation	(7,269)	(3.1)%	(8)	— %	(16,173)	(7.4)%
Uncertain tax positions, true-up items, and other	(4,820)	(2.0)%	2,159	0.9 %	(1,203)	(0.6)%
Enactment of the Tax Act	—	— %	1,313	0.6 %	(10,731)	(4.9)%
Total	$ 51,854	22.0 %	$ 65,214	29.1 %	$ 45,553	20.9 %

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Deferred income taxes arise principally from temporary differences between book and tax recognition of income, expenses, and losses relating to financing and other transactions. The deferred income taxes on the accompanying consolidated balance sheets at March 31, 2020 and 2019, comprise the following:

	As of March 31,	
(In thousands)	**2020**	**2019**
Deferred tax assets:		
Deferred compensation expense/accrued bonus	$ 53,397	$ 48,501
Allowance for doubtful accounts	1,078	675
US foreign tax credits	2,478	2,523
Operating lease liabilities	27,977	—
Other, net	15,497	16,396
Total deferred tax assets	100,427	68,095
Deferred tax asset valuation allowance	(11,097)	(11,369)
Total deferred tax assets	89,330	56,726
Deferred tax liabilities:		
Intangibles	(49,166)	(51,676)
Accounts receivable and work in process	(561)	(1,647)
Operating lease right-of-use assets	(25,131)	—
Other, net	(8,629)	(8,607)
Total deferred tax liabilities	(83,487)	(61,930)
Net deferred tax assets/(liabilities)	$ 5,843	$ (5,204)

The Company has various foreign net operating losses totaling $9,936 that do not expire. A valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. The Company has determined that deferred tax assets related to US foreign tax credits and certain foreign deferred tax assets are not likely to be realized. The Company's credit carryforwards as of March 31, 2020 were primarily driven as a result of U.S. Tax Reform. The Company assessed the realizability of these foreign tax credits based on currently enacted and proposed legislation issued by the U.S. Department of Treasury and the Internal Revenue Service, and recorded a full valuation allowance of $2,478 and $2,523 against these assets for March 31, 2020 and 2019, respectively. The Company does not expect to utilize these foreign tax credits in the future as the Company does not currently project future foreign source income.These foreign tax credits will expire in various years through 2030. In addition, certain deferred tax assets related to tax deductible goodwill from previous acquisitions and net operating losses generated from these deductions were not more likely than not realizable; therefore, the Company maintained valuation allowances for March 31, 2020 and 2019 of $8,619 and $8,846, respectively. The change in the total valuation allowance was a decrease of $272 and a decrease of $1,965 during the years ended March 31, 2020 and March 31, 2019, respectively.

As of March 31, 2020 and 2019 the Company had recorded liabilities for interest and penalties related to uncertain tax positions in the amounts of $1,845 and $1,093, net of any future tax benefit of such interest, respectively. Unrecognized tax positions totaled $9,947 and $4,960 as of March 31, 2020 and 2019, respectively. If the income tax impacts from these tax positions are ultimately realized, such realization would affect the income tax provision and effective tax rate.

A reconciliation of the unrecognized tax position as of March 31, 2020 and 2019 is as follows:

	As of March 31,	
(In thousands)	**2020**	**2019**
Unrecognized tax position at the beginning of the year	$ 4,960	$ 4,563
(Decrease)/increase related to prior year tax positions	(230)	397
Increases related to tax positions taken in the current year	5,217	—
Unrecognized tax position at the end of the year	$ 9,947	$ 4,960

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In the next 12 months, certain uncertain tax positions may reverse as the related statutes expire, but the Company does not anticipate a material change.

Prior to the IPO, the Company filed as a member of the ORIX USA consolidated federal income tax group and did so through the date of the IPO for fiscal 2016. Following the IPO, the Company files a consolidated federal income tax return separate from ORIX USA, as well as consolidated and separate returns in state and local jurisdictions. As of March 31, 2020, all of the federal income tax returns filed since 2017 by the Company are still subject to adjustment upon audit. The Company also files combined and separate income tax returns in many states, which are also open to adjustment. The Company is currently under New York City audit for the years ended March 31, 2016, March 31, 2017, and March 31, 2018, and Minnesota audit for the years ended March 31, 2016, March 31, 2017 and March 31, 2018. Additionally, ORIX USA is currently under Illinois audit for the years ended March 31, 2013, March 31, 2014, and March 31, 2015, Minnesota audit for the years ended March 31, 2013, March 31, 2014, March 31, 2015 and March 31, 2016, and Wisconsin audit for the years ended March 31, 2013, March 31, 2014, March 31, 2015, and March 31, 2016.

Note 13 — Earnings Per Share

The calculations of basic and diluted net income per share attributable to holders of shares of common stock are presented below.

	Years Ended March 31,		
(In thousands, except share and per share data)	**2020**	**2019**	**2018**
Numerator:			
Net income attributable to holders of shares of common stock—basic	$ 183,793	$ 159,106	$ 172,283
Net income attributable to holders of shares of common stock—diluted	$ 183,793	$ 159,106	$ 172,283
Denominator:			
Weighted average shares of common stock outstanding—basic	62,152,870	62,213,414	62,494,275
Weighted average number of incremental shares issuable from unvested restricted stock and restricted stock units, as calculated using the treasury stock method	3,572,646	3,632,718	3,829,818
Weighted average shares of common stock outstanding—diluted	65,725,516	65,846,132	66,324,093
Basic earnings per share	$ 2.96	$ 2.56	$ 2.76
Diluted earnings per share	$ 2.80	$ 2.42	$ 2.60

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 $3,751, $2,765, and $2,018 during the years ended March 31, 2020, 2019, and 2018, respectively, to these defined contribution plans.

Share-Based Incentive Plans

Following the IPO, additional awards of restricted shares 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. An aggregate of 37,847 restricted shares of Class A common stock were granted under the 2016 Incentive Plan to (i) two independent directors in August 2015 at $21.00 per share, (ii) two independent directors in the first quarter of fiscal 2017 at $25.21 per share, (iii) one independent director in the first quarter of fiscal 2017 at $23.93 per share, (iv) three independent directors in the first quarters of fiscal 2018 and 2019 at $33.54 and $44.50 per share, respectively, and (v) one independent director in the third quarter of fiscal 2019 at $42.41 per share, (vi) four independent directors in the first quarter of fiscal 2020 at $47.22 per share, and (vii) one independent director in the third quarter of fiscal 2020 at $47.21 per share.

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An excess tax benefit of $7,269 and $8 was recognized during the years ended March 31, 2020 and 2019, respectively, as a component of the provision for income taxes and an operating activity on the Consolidated Statements of Cash Flows. The excess tax benefit recognized during the year ended March 31, 2020 was related to shares vested in April and May 2019. For the comparable fiscal 2019 period, vesting of shares scheduled to vest in April and May 2018 was accelerated on October 21, 2017 and the corresponding excess tax benefit was recognized in the fiscal year ended March 31, 2018. The Company recorded cash outflows of $(31,477) and $(1,947) related to the settlement of share-based awards in satisfaction of withholding tax requirements in financing activities on the Consolidated Statements of Cash Flows for the years ended March 31, 2020 and 2019, respectively,

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 a liability 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 Company's 2006 Incentive Award Plan (the "2006 Incentive Plan") and the 2016 Incentive Plan during the years ended March 31, 2020, 2019, and 2018 is as follows:

Equity Classified Unvested Share Awards	**Shares**	**Weighted average grant date fair value**
Balance, April 1, 2017	3,626,270	$ 22.35
Granted	1,235,779	34.86
Vested	(1,023,078)	24.03
Forfeited	(984,078)	24.60
Balance, March 31, 2018	2,854,893	26.39
Granted	1,069,436	49.32
Vested	(76,702)	48.78
Forfeited	(83,643)	33.91
Balance, March 31, 2019	3,763,984	32.29
Granted	1,368,079	47.04
Vested	(1,496,643)	29.30
Shares repurchased/forfeited	(96,373)	38.63
Balance, March 31, 2020	3,539,047	$ 39.13

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Activity in liability classified share awards during the years ended March 31, 2020, 2019, and 2018 is as follows:

Liability Classified Awards Settleable in Shares

(In thousands)	Fair value
Balance, April 1, 2017	$ 12,743
Offer to grant	9,637
Share price determined-converted to cash payments	(6,040)
Share price determined-transferred to equity grants (1)	—
Forfeited	(847)
Balance, March 31, 2018	15,493
Offer to grant	12,432
Share price determined-converted to cash payments	(300)
Share price determined-transferred to equity grants (1)	(4,705)
Forfeited	(1,244)
Balance, March 31, 2019	21,676
Offer to grant	6,410
Share price determined-converted to cash payments	(100)
Share price determined-transferred to equity grants (1)	(6,457)
Forfeited	(540)
Balance, March 31, 2020	$ 20,989

(1) 134,370, 96,778, and 0 shares for the years ended March 31, 2020, 2019, and 2018, respectively.

Compensation expenses for the Company associated with both equity and liability classified awards totaled $64,345, $56,561, and $47,111, for the years ended March 31, 2020, 2019, and 2018, respectively. As of March 31, 2020 and 2019 there was $80,648 and $77,348, respectively, of total unrecognized compensation cost related to unvested share awards granted under both the 2006 Incentive Plan and 2016 Incentive Plan. These costs are recognized over a weighted average period of 1.9 years and 1.4 years, as of March 31, 2020 and 2019, 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 will be increased annually beginning on April 1, 2018 and ending on April 1, 2025, by an amount equal to the lowest of:

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

Note 15 — Stockholders' Equity

As described in Note 4, On March 12, 2018, pursuant to a registered underwritten public offering, we issued and sold 2,000,000 shares of our Class A common stock and certain of our former and current employees and members of our management sold 2,000,000 shares of our Class A common stock, in each case, at a price to the public of $47.25 per share.

In connection with, and prior to, the March 2018 Follow-on Offering, on January 26, 2018, we entered into the January 2018 Forward Share Purchase Agreement, pursuant to which we agreed to purchase from ORIX USA on April 5, 2018 the number of shares of our Class B common stock equal to the number of shares of our Class A common stock sold by us in the March 2018 Follow-on Offering for a purchase price per share equal to the public offering price in the March 2018 Follow-on Offering less underwriting discounts and commissions. The cash proceeds from the March 2018 Follow-on Offering that were used to consummate the purchase pursuant to the January 2018 Forward Share Purchase Agreement were held in an escrow account as of March 31, 2018 and presented as restricted cash as discussed in Note 2. On April 5, 2018, we settled the transaction provided for in the January 2018 Forward Share Purchase Agreement and acquired 2,000,000 shares of Class B common stock from ORIX USA using the net proceeds we received from the March 2018 Follow-on Offering. As the January 2018 Forward Share Purchase Agreement required physical settlement by purchase of a fixed number of shares in exchange for cash, the 2,000,000 shares that were purchased were excluded from the Company's calculation of basic and diluted earnings per share in the Company's financial statements for the year ended March 31, 2018. In addition, as the agreement provided for the refund of any dividends paid during the term on the underlying Class A common stock, such shares were not classified as participating securities and the Company did not apply the two-class method for calculating its earnings per share.

As described in Note 4 above, in the June 2018 Follow-on Offering, ORIX USA sold 1,985,983 shares of our Class A common stock and certain of our former and current employees and members of our management sold 1,014,017 shares, in each case, at a price to the public of $49.15 per share. Concurrently with the closing of the offering, the Company repurchased from ORIX USA 697,000 shares of Class A common stock at a price per share of $49.11.

On May 30, 2019, pursuant to a registered underwritten public offering, ORIX USA sold 3,000,000 shares of our Class A common stock to the public at a price of $45.80.

On August 1, 2019, pursuant to a registered underwritten public offering, ORIX USA sold its remaining ownership of 3,377,935 shares of our Class A common stock to the public at a price of $45.62.

There are two classes of authorized Houlihan Lokey, Inc. 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.

Class A Common Stock

During the year ended March 31, 2020, 9,145 shares were issued to non-employee directors, and 8,639,873 shares were converted from Class B to Class A. During the year ended March 31, 2019, 6,570 shares were issued to non-employee directors, and 6,070,941 shares were converted from Class B to Class A. As of March 31, 2020, there were 46,141,909 Class A shares held by the public and 36,724 Class A shares held by non-employee directors. As of March 31, 2019, there were 34,036,141 Class A shares held by the public, 54,940 Class A shares held by non-employee directors, and 4,109,721 Class A shares held by ORIX USA.

Class B Common Stock

As of March 31, 2020, there were 19,345,277 Class B shares held by the HL Voting Trust. As of March 31, 2019, there were 24,929,520 Class B shares held by the HL Voting Trust, and 2,268,214 Class B shares held by ORIX USA.

Dividends

Previously declared dividends related to unvested shares of $8,780 and $8,006 were unpaid as of March 31, 2020 and 2019, respectively.

Stock subscriptions receivable

Employees of the Company periodically issued notes receivable to the Company documenting loans made by the Company to such employees for the purchase of restricted shares of the Company.

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Share repurchase program

In July 2018, the board of directors authorized the repurchase of up to $100 million of the Company's common stock.

During the years ended March 31, 2020, 2019, and 2018, the Company repurchased 654,994, 36,958, and 811,635 shares, respectively, of Class B common stock, to satisfy $31,451, $1,700, and $33,332 of required withholding taxes in connection with the vesting of restricted awards, respectively. During the years ended March 31, 2020, 2019, and 2018, the Company repurchased an additional 671,187, 1,481,114, and 430,237 shares of its outstanding common stock, respectively, at a weighted average price of $44.13, $46.71, and $35.17 per share, excluding commissions, for an aggregate purchase price of $29,621, $69,180 and $15,131, respectively.

Note 16 — Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. We adopted the standard effective April 1, 2019, using the modified retrospective approach applied as of the beginning of the period of adoption. The Company elected to utilize transition guidance within the new standard that permits us to (i) continue to report under ASC 840 guidance for comparative periods consistent with previously issued financial statements; and (ii) carryforward our prior conclusions about lease identification, classification, and initial direct costs. The most significant impact of this adoption relates to the recognition of right-of-use ("ROU") assets and liabilities for all leases classified operating leases when the Company is the lessee in the arrangement. Currently, the Company does not have any lessor arrangements; therefore, adoption of the standard did not impact our accounting.

We assess whether an arrangement is or contains a lease at the inception of the agreement. 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.

On adoption, the Company recognized the present value of its existing minimum lease payments as a $136.9 million ROU asset and a $152.3 million lease liability. The difference between the ROU asset and the lease liability on adoption primarily arises from previously recorded deferred rent, which was effectively reclassified to the ROU asset on adoption. As a result, there was no impact to retained earnings in the Consolidated Balance Sheets.

Lessee Arrangements

Operating Leases

We lease real estate and equipment used in operations from third parties. As of March 31, 2020, the remaining term of our operating leases ranged from 1 to 17 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 March 31, 2020.

(In thousands)	Operating Leases
2021	$ 28,887
2022	25,701
2023	21,286
2024	16,051
2025	17,111
Thereafter	75,794
Total	184,830
Less: present value discount	(30,612)
Operating lease liabilities	$ 154,218

As of March 31, 2020, the Company entered into one additional office space operating lease that has not yet commenced, for approximately $23 million. This operating lease will commence in the fiscal year 2021 with a lease term of 16 years.

Lease costs

(In thousands)	March 31, 2020
Operating lease expense	$ 28,489
Variable lease expense (1)	16,027
Short-term lease expense	370
Less: Sublease income	(193)
Total lease costs	$ 44,693

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

Weighted-average details

	March 31, 2020
Weighted-average remaining lease term (years)	9
Weighted-average discount rate	4%

Supplemental cash flow information related to leases:

(In thousands)	March 31, 2020
Operating cash flows:	
Cash paid for amounts included in the measurement of operating lease liabilities	$ 25,558
Non-cash activity:	
Operating lease right-of-use assets obtained in exchange of operating lease liabilities	$ 13,714
Change in Operating lease right-of-use assets due to remeasurement	5,883

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.

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Our obligation under the loan payable to affiliate is subordinated to our obligations under the revolving credit facility with Bank of America, N.A. The scheduled aggregate repayments on a fiscal year-end basis as of March 31, 2020 of our Loan payable to former shareholders, Other liabilities, and the Loan payable to non-affiliates in the accompanying Consolidated Balance Sheet is as follows:

(In thousands)	Scheduled Repayments
2021	$ 5,353
2022	16,114
2023	2,232
2024	31
2025	—
2026 and thereafter	12,970
Total	$ 36,700

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 March 31, 2020 or 2019.

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 which 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 compliance and legal. The following tables present information about revenues, profit and assets by segment and geography.

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	Year Ended March 31,		
(In thousands)	2020	2019	2018
Revenues by segment:			
Corporate Finance	$ 646,788	$ 607,333	$ 528,643
Financial Restructuring	352,517	317,774	294,142
Financial and Valuation Advisory	160,063	159,278	140,579
Revenues	$ 1,159,368	$ 1,084,385	$ 963,364
Segment profit (1)			
Corporate Finance	$ 179,660	$ 193,603	$ 177,575
Financial Restructuring	107,714	83,607	73,691
Financial and Valuation Advisory	35,172	28,776	26,334
Total segment profit	322,546	305,986	277,600
Corporate expenses (2)	92,945	86,889	63,187
Other (income)/expense, net	(6,046)	(5,223)	(3,423)
Income before provision for income taxes	$ 235,647	$ 224,320	$ 217,836

(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, compliance, legal, marketing, and human capital.

	As of March 31,		
(In thousands)	2020	2019	2018
Assets by segment			
Corporate Finance	$ 403,147	$ 403,928	$ 338,772
Financial Restructuring	186,418	184,364	185,486
Financial and Valuation Advisory	127,440	127,744	127,056
Total segment assets	717,005	716,036	651,314
Corporate assets	959,998	709,876	772,567
Total assets	$ 1,677,003	$ 1,425,912	$ 1,423,881

	Year Ended March 31,		
(In thousands)	2020	2019	2018
Income before provision for income taxes by geography			
United States	$ 184,883	$ 176,850	$ 185,380
International	50,764	47,470	32,456
Income before provision for income taxes	$ 235,647	$ 224,320	$ 217,836

	Year Ended March 31,		
(In thousands)	2020	2019	2018
Revenues by geography:			
United States	$ 975,075	$ 878,840	$ 830,079
International	184,293	205,545	133,285
Revenues	$ 1,159,368	$ 1,084,385	$ 963,364

	As of March 31,		
(In thousands)	2020	2019	2018
Assets by geography			
United States	$ 1,135,871	$ 1,021,975	$ 957,897
International	541,132	403,937	465,984
Total assets	$ 1,677,003	$ 1,425,912	$ 1,423,881

Note 19 — Subsequent Events

On May 8, 2020, the board of directors of the Company declared a regular quarterly cash dividend of $0.31 per share for holders of record as of June 5, 2020 and payable on June 15, 2020.

SUPPLEMENTAL FINANCIAL INFORMATION

CONSOLIDATED QUARTERLY RESULTS OF OPERATIONS
(UNAUDITED)

(In thousands, except share data and par value)	For the Three Months Ended June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Revenues	$ 250,349	$ 272,810	$ 333,515	$ 302,694
Total operating expenses	202,572	227,657	265,499	234,039
Operating income	47,777	45,153	68,016	68,655
Net income attributable to Houlihan Lokey, Inc.	$ 42,775	$ 33,110	$ 48,894	$ 59,014
Earnings per share				
Basic	$ 0.69	$ 0.53	$ 0.79	$ 0.95
Diluted	$ 0.65	$ 0.50	$ 0.75	$ 0.90
Dividends declared per share of common stock	$ 0.31	$ 0.31	$ 0.31	$ 0.31

(In thousands, except share data and par value)	For the Three Months Ended June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019
Revenues	$ 220,002	$ 274,992	$ 298,013	$ 291,378
Total operating expenses	179,874	218,817	235,770	230,827
Operating income	40,128	56,175	62,243	60,551
Net income attributable to Houlihan Lokey, Inc.	$ 29,682	$ 40,119	$ 43,957	$ 45,348
Earnings per share				
Basic	$ 0.47	$ 0.64	$ 0.71	$ 0.74
Diluted	$ 0.45	$ 0.61	$ 0.67	$ 0.69
Dividends declared per share of common stock	$ 0.27	$ 0.27	$ 0.27	$ 0.31

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

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 Annual Report on Form 10-K, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under 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 March 31, 2020.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

The Company's system of internal control is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements for external reporting purposes in accordance with GAAP. The Company's management, including the chief executive officer and chief financial officer, assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2020. In conducting its assessment, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control-Integrated Framework (2013 Framework). Based on this assessment, management concluded that, as of March 31, 2020, the Company's internal control over financial reporting was effective based on those criteria.

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.

The Company’s management assessed the effectiveness of the Company’s internal control over financial reporting as of March 31, 2020. In making this assessment, the Company’s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission's *2013 Internal Control - Integrated Framework*. Based on its assessment, management believes that, as of March 31, 2020, the Company’s internal control over financial reporting is effective based on those criteria.

The Company’s independent registered public accounting firm, KPMG LLP, has issued an audit report on the Company’s internal control over financial reporting. This report appears on page 47 of this report.

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 March 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Our discussion of federal income tax considerations in Exhibit 99.1 attached hereto, which is incorporated herein by reference, supersedes and replaces, in its entirety, the disclosure under the heading “Material United States Federal Income Tax Considerations for Non-United States Holders of Class A Common Stock” in the prospectus dated October 20, 2017, which is a part of our Registration Statement on Form S-3 (File No. 333-221057). Our updated discussion addresses subsequently enacted tax law changes.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information relating to this Item 10 is incorporated by reference to the Company's definitive proxy statement to be filed with the SEC no later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 11. Executive Compensation

Information relating to this Item 11 is incorporated by reference to the Company's definitive proxy statement to be filed with the SEC no later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to this Item 12 is incorporated by reference to the Company's definitive proxy statement to be filed with the SEC no later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information relating to this Item 13 is incorporated by reference to the Company's definitive proxy statement to be filed with the SEC no later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 14. Principal Accounting Fees and Services

Information relating to this Item 14 is incorporated by reference to the Company's definitive proxy statement to be filed with the SEC no later than 120 days after the end of the fiscal year covered by this Form 10-K.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

Financial Statements

The consolidated financial statements required to be filed in the Form 10-K are listed in Part II, Item 8 hereof.

Financial Statement Schedules

See "Index to Consolidated Financial Statements" in this Form 10-K listed in Part II, Item 8 hereof.

Exhibits

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

		Incorporated by Reference				
Exhibit Number	**Exhibit Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed / Furnished Herewith**
3.1	Amended and Restated Certificate of Incorporation of the Company, dated August 18, 2015	8-K	333-205610	3.1	8/21/15	
3.2	Amended and Restated Bylaws of the Company, dated August 18, 2015	8-K	333-205610	3.2	8/21/15	
4.1	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934					*
9.1	Voting Trust Agreement, dated as of August 18, 2015, by and among the Company, the holders of shares of Class B common stock party thereto, and each trustee named therein	8-K	333-205610	9.1	8/21/15	
9.2	Amendment No. 1 to the Voting Trust Agreement, dated as of August 28, 2015, by and among the Company and the Trustees	8-K	333-205610	9.1	8/28/15	
9.3	Amendment No. 2 to the Voting Trust Agreement, dated as of October 18, 2018, by and among the Company and the Trustees	8-K	001-37537	9.1	10/19/18	
10.2	First Amendment to Credit Agreement, dated as of July 28, 2017, among Houlihan Lokey, Inc., the Guarantors party thereto and Bank of America, N.A.	8-K	001-37537	10.1	8/2/17	
10.3	Amended and Restated Houlihan Lokey, Inc. 2016 Incentive Award Plan	8-K	001-37537	10.1	9/25/17	
10.4	Amendment to Amended and Restated Houlihan Lokey, Inc. 2016 Incentive Award Plan	8-K	001-37537	10.1	10/20/17	
10.5	Form of HL Lock- up Agreement	S-1	333-205610	10.2	7/10/15	
10.6	Registration Rights Agreement, dated as of August 18, 2015, by and among the Company and the stockholders party thereto	8-K	333-205610	10.3	8/21/15	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed / Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.7	Credit Agreement, dated as of August 23, 2019, by and among Houlihan Lokey, Inc., certain domestic subsidiaries of the borrower party thereto as guarantors, Bank of America, N.A., as the administrative agent and the L/C issuer, the lenders party thereto.	8-K	001-37537	10.1	8/26/19	
10.8	Amended and Restated Tax Sharing Agreement, dated as of August 18, 2015, by and among ORIX USA Corporation, HL Transitory Merger Company, Inc., the Company, and all corporations that are as of this date eligible to file a consolidated return as a member of the affiliated group of ORIX USA Corporation within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended, including ORIX Commercial Alliance Corporation, ORIX Real Estate Capital, Inc., and ORIX Capital Markets, LLC	8-K	333-205610	10.7	8/21/15	
10.9	Form of Indemnification Agreement between Houlihan Lokey, Inc. and its directors and executive officers	S-1/A	333-205610	10.8	7/27/15	
10.10†	Houlihan Lokey, Inc. Second Amended and Restated 2006 Incentive Compensation Plan	S-1/A	333-205610	10.9	8/3/15	
10.11†	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement under the Houlihan Lokey, Inc. Second Amended and Restated 2006 Incentive Compensation Plan	S-1/A	333-205610	10.10	8/3/15	
10.12†	Form of Deferred Restricted Stock Award Grant Notice and Agreement under the Houlihan Lokey, Inc. Second Amended and Restated 2006 Incentive Compensation Plan	S-1/A	333-205610	10.11	8/3/15	
10.13†	Form of Restricted Stock Award Agreement under the Houlihan Lokey, Inc. 2016 Incentive Award Plan	S-1/A	333-206337	10.13	8/3/15	
10.14†	Form of Restricted Stock Unit Award Agreement under the Houlihan Lokey, Inc. 2016 Incentive Award Plan	S-1/A	333-206337	10.14	8/3/15	
10.15†	Houlihan Lokey, Inc. Director Compensation Program	10-Q	001-37537	10.1	8/9/18	
10.16†	Notice to Fram Holdings, Inc. Second Amended and Restated 2006 Incentive Compensation Plan Equity Award Holders	S-1/A	333-205610	10.19	8/3/15	
21.1	Subsidiaries of Registrant					*
23.1	Consent of Independent Public Accountants					*
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					**
99.1	Material United States Federal Income Tax Considerations for Non-United States Holders of Class A Common Stock					*
101.INS	XBRL Instance Document					**
101.SCH	XBRL Taxonomy Extension Schema Document					**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					**

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed / Furnished Herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					**
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					**

* Filed herewith.

** Furnished herewith.

† Indicates a management contract or compensation plan or arrangement.

Item 16. Form 10-K Summary

None.

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: May 15, 2020	By:	/s/ SCOTT L. BEISER
	Name:	Scott L. Beiser
	Title:	Chief Executive Officer

Each of the officers and directors of Houlihan Lokey, Inc. whose signature appears below, in so signing, also makes, constitutes and appoints each of Scott L. Beiser, J. Lindsey Alley, Christopher M. Crain and Charles A. Yamarone, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power to act separately and full power of substitution, for him or her in any and all capacities, to execute and cause to be filed with the SEC any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K, with all exhibits thereto and all other documents in connection therewith and to perform any acts necessary to be done in order to file such documents, and hereby ratifies and confirms all that said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities on the dates indicated.

HOULIHAN LOKEY, INC.

Date: May 15, 2020	/s/ SCOTT L. BEISER Scott L. Beiser *Chief Executive Officer* *(Principal Executive Officer)*
Date: May 15, 2020	/s/ J. LINDSEY ALLEY J. Lindsey Alley *Chief Financial Officer* *(Principal Financial and Accounting Officer)*
Date: May 15, 2020	/s/ IRWIN N. GOLD Irwin N. Gold *Executive Chairman and Director*
Date: May 15, 2020	/s/ SCOTT J. ADELSON Scott J. Adelson *Co-President and Director*
Date: May 15, 2020	/s/ DAVID A. PREISER David A. Preiser *Co-President and Director*
Date: May 15, 2020	/s/ JACQUELINE B. KOSECOFF Jacqueline B. Kosecoff *Director*
Date: May 15, 2020	/s/ HIDETO NISHITANI *Hideto Nishitani* *Director*
Date: May 15, 2020	/s/ ROBERT A. SCHRIESHEIM Robert A. Schriesheim *Director*
Date: May 15, 2020	/s/ PAUL A. ZUBER Paul A. Zuber *Director*
Date: May 15, 2020	/s/ GILLIAN B. ZUCKER Gillian B. Zucker *Director*

Exhibit 4.1

DESCRIPTION OF REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a brief description of the common stock, par value $0.001 per share ("Common Stock"), of Houlihan Lokey, Inc. (the "Company") registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This description of the terms of the Common Stock does not purport to be complete and is subject to and qualified in its entirety by reference to the applicable provisions of the Delaware General Corporation Law ("DGCL"), and the full text of the Company's amended and restated certificate of incorporation (the "Certificate of Incorporation"), and the Company's amended and restated bylaws ("bylaws"), copies of which are incorporated by reference to this Annual Report on Form 10-K.

General

The Certificate of Incorporation provides that the capital stock consists of 2,000,000,000 shares of Common Stock and 5,000,000 shares of preferred stock, par value $0.001 per share. The Common Stock is divided into two classes, Class A common stock and Class B common stock. The authorized Class A common stock consists of 1,000,000,000 shares and the authorized Class B common stock consists of 1,000,000,000 shares.

Class A Common Stock and Class B Common Stock

As of May 13, 2020, there were 46,417,820 shares of the Class A common stock outstanding and 18,897,832 shares of Class B common stock outstanding.

Voting Rights

The holders of the Company's Class A common stock and Class B common stock have identical rights, provided that, except as otherwise described below with respect to the right to vote on any amendment to the Company's Certificate of Incorporation relating to any series of preferred stock or as required by applicable law, on any matter that is submitted to a vote of the Company's stockholders, holders of the Class A common stock are entitled to one vote per share of Class A common stock and holders of the Class B common stock are entitled to ten votes per share of Class B common stock. Holders of shares of Class A common stock and Class B common stock vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, except as otherwise expressly provided in the Certificate of Incorporation or required by applicable law.

Under the Certificate of Incorporation, the Company may not increase or decrease the authorized number of shares of Class A common stock or Class B common stock without the affirmative vote of the holders of a majority of the voting power of the outstanding shares of the capital stock entitled to vote, voting together as a single class. Under the Certificate of Incorporation, holders of the Class A common stock and Class B common stock are not entitled to vote on any amendment to the Certificate of Incorporation that relates solely to the terms of one or more outstanding series of preferred stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Certificate of Incorporation or pursuant to the DGCL.

The Company has not provided for cumulative voting for the election of directors in its Certificate of Incorporation.

Economic Rights

Except as otherwise expressly provided in the Certificate of Incorporation or required by applicable law, shares of Class A common stock and Class B common stock have the same rights and privileges and rank equally, share ratably and are identical in all respects as to all matters, including, without limitation, those described below.

Dividends. Any dividends or distributions paid or payable to the holders of shares of Class A common stock and Class B common stock shall be paid equally, identically and ratably, on a per share basis, unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class; provided, however, that if a dividend or distribution is paid in the form of Class A common stock or Class B common stock (or rights to acquire shares of Class A common stock or Class B common stock), then the holders of the Class A common stock will receive Class A common stock (or rights to acquire shares of Class A common stock) and holders of Class B common stock will receive Class B common stock (or rights to acquire shares of Class B common stock) with holders of Class A common stock and Class B common stock receiving an identical number of shares of Class A common stock or Class B common stock (or rights to acquire such stock, as the case may be).

Liquidation. In the event of the Company's dissolution, liquidation or winding-up of its affairs, whether voluntary or involuntary, after payment or provision for payment of its debts and other liabilities and after making provision for the entitlements of holders of any series of preferred stock, the Company's remaining assets and funds, if any, shall be divided among and paid ratably to the holders of the shares of Class A common stock and Class B common stock, treated as a single class, unless different treatment of the shares of each such class is approved by the affirmative votes of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

Subdivisions, Combinations and Reclassifications. If the Company subdivides, combines or reclassifies in any manner outstanding shares of Class A common stock or Class B common stock, then the outstanding shares of all common stock will be subdivided, combined or reclassified in the same proportion and manner, unless different treatment of the shares of each such class is approved by the affirmative votes of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

Change of Control Transaction. In connection with any change of control transaction (as defined below), the holders of Class A common stock and Class B common stock will be treated equally, identically and ratably, on a per share basis, with respect to any consideration into which such shares are converted or any consideration paid or otherwise distributed to stockholders, unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

A change of control transaction is defined as (i) the sale, lease, exchange, or other disposition (other than liens and encumbrances created in the ordinary course of business, including liens or encumbrances to secure indebtedness for borrowed money that are approved by the Company’s board of directors, so long as no foreclosure occurs in respect of any such lien or encumbrance) of all or substantially all of the Company's property and assets (which shall for such purpose include the property and assets of any direct or indirect wholly owned subsidiary of the Company); *provided* that any sale, lease, exchange or other disposition of property or assets exclusively between or among the Company and any direct or indirect wholly owned subsidiary or subsidiaries of the Company shall not be deemed a "change of control transaction"; or (ii) the merger, consolidation, business combination, or other similar transaction of the Company with any other entity, other than a merger, consolidation, business combination, or other similar transaction that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than 50% of the total voting power represented by the voting securities of the Company (or the surviving entity or its parent) and more than 50% of the total number of outstanding shares of the Company's capital stock (or the surviving entity or its parent), in each case as outstanding immediately after such merger, consolidation, business combination, or other similar transaction own voting securities of the Company (or the surviving entity or its parent) immediately following the merger, consolidation, business combination, or other similar transaction in substantially the same proportions (vis a vis each other) as such stockholders owned the voting securities of the Company immediately prior to the transaction.

Conversion

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, whether or not for value and whether voluntary or involuntary or by operation of law, except for certain transfers described in the Company’s Certificate of Incorporation. In addition, upon the date on which (x) the aggregate outstanding shares of common stock owned by (i) the Houlihan Lokey Voting Trust (the "HL Voting Trust") and (ii) the beneficiaries of the HL Voting Trust or certain of their transferees, together with (y) the outstanding shares of Common Stock (A) received by a holder of Common Stock in connection with the grant, vesting and/or payment of an equity compensatory award and (B) with respect to which such holder has given the right to vote, pursuant to an irrevocable proxy, to the person or persons as may be designated by us from time to time, collectively represent less than 20% of the then aggregate outstanding shares of Common Stock, or on a date specified by the holders of at least 66 2⁄3% of the outstanding shares of Class B common stock (the "Final Conversion Date"), all outstanding shares of Class B common stock shall convert automatically into Class A common stock.

Preferred Stock

Under the terms of the Certificate of Incorporation, the Company’s board of directors is authorized to direct the Company to issue shares of preferred stock in one or more series without stockholder approval. The Company’s board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, powers, privileges, preferences and relative, participating, optional or other special rights, and any qualifications, limitations or restrictions, of each series of preferred stock. Subject to the rights of the holders of any series of preferred stock, the number of authorized shares of preferred stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all the outstanding shares of stock of the Company entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of the preferred stock voting separately as a class shall be required therefor.

The purpose of authorizing the Company's board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock could adversely affect the voting power of holders of Common Stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of the outstanding voting stock. There are currently no shares of preferred stock outstanding, and the Company has no present plans to issue any shares of preferred stock.

Registration Rights

We have entered into a Registration Rights Agreement with the employees and members of our management that hold our Class B common stock through the HL Voting Trust (collectively, the "HL Holders") pursuant to which the HL Holders can demand that we file a registration statement relating to shares of Common Stock, including shares of Class A common stock issuable upon conversion of the shares of Class B common stock, which common stock is referred to herein as "registrable shares," and can request that their registrable shares be covered by a registration statement that the Company is otherwise filing. In the case of the HL Holders, these rights are subject to the lock-up provisions discussed in our Form 10-K under "Part I. Item 1. Business-Organizational Structure-Lock-Up Agreements."

Demand Registration Rights. Under the terms of the Registration Rights Agreement, the holders of registrable shares entitled to demand registration rights may request that the Company register all or a portion of their registrable shares for sale under the Securities Act. The Company will effect the registration as requested unless, in the good faith and reasonable judgment of the Company’s board of directors, such registration should be delayed. The Company may be required to effect three of these registrations per year. In addition, at times when the Company is eligible for the use of Form S-3, or any successor form, holders of registrable shares entitled to demand registration rights may make unlimited requests that the Company register all or a portion of their registrable shares for sale under the Securities Act on Form S-3, or any successor form.

Incidental Registration Rights. In addition, if at any time the Company registers any shares of our Class A common stock, the holders of all registrable shares are entitled to notice of the registration and to have all or a portion of their registrable shares included in the registration.

Other Provisions. In the event that any registration in which the holders of registrable shares participate pursuant to the Registration Rights Agreement is an underwritten public offering, the number of registrable shares to be included may, in specified circumstances, be limited due to market conditions.

The Company will pay all registration expenses related to any demand or incidental registration, other than underwriting discounts, selling commissions and transfer taxes. The Registration Rights Agreement contains cross- indemnification provisions, pursuant to which the Company is obligated to indemnify the selling stockholders in the event of material misstatements or omissions in the registration statement attributable to the Company, and they are obligated to indemnify the Company for material misstatements or omissions in the registration statement attributable to them.

Anti-Takeover Provisions

The Company is not governed by Section 203 of the DGCL ("Section 203"), and the restrictions contained in Section 203 will not apply to the Company, until the moment in time immediately following the time at which both of the following conditions exist (if ever): (i) Section 203 by its terms would, but for the provisions of the Company's Certificate of Incorporation, apply to the Company; and (ii) the Final Conversion Date has occurred, and The Company will thereafter be governed by Section 203 if and for so long as Section 203 by its terms shall apply to it. Subject to certain exceptions, Section 203 prevents a publicly-held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of the Company's board of directors or unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger or consolidation involving us and the "interested stockholder" and the sale of more than 10% of the Company's assets. In general, an "interested stockholder" is any entity or person beneficially owning 15% or more of the Company's outstanding voting stock and any entity or person will be an "interested stockholder" subject to any such prohibition on engaging in business combinations with us.

Classified Board of Directors and Removal of Directors

The Certificate of Incorporation and bylaws provide for the division of the Company's board of directors into three classes, with the classes as nearly equal in number as possible and each class serving three-year staggered terms. The Certificate of Incorporation and bylaws also provide that, from and after the Final Conversion Date, a director may be removed only for cause and only by the affirmative vote of the holders of at least 66 ⅔% of the votes that all of the stockholders would be entitled to cast in an annual election of directors. Subject to any rights of the holders of any series of preferred stock to elect directors, any vacancy on the Company's board of directors, including a vacancy resulting from an enlargement of the Company's board of directors, may be filled only by vote of a majority of the directors then in office. The limitations on the removal of directors and filling of vacancies could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of the Company.

Super-Majority Voting

The bylaws may be amended or repealed by a majority vote of the Company's board of directors or the affirmative vote of the holders of at least 66 ⅔% of the votes that all of the stockholders would be entitled to cast in an annual election of directors. In addition, the affirmative vote of the holders of at least 66 ⅔% of the votes of the then-outstanding shares of the Company's capital stock, which all the stockholders would be entitled to cast in an election of directors, voting together as a single class, is required to amend or repeal or to adopt any provisions inconsistent with any of the provisions of the Company's Certificate of Incorporation described in this paragraph and under "-Classified Board of Directors and Removal of Directors" above.

Stockholder Action by Written Consent

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our amended and restated certificate of incorporation provides otherwise. From and after the Final Conversion Date, any action required or permitted to be taken by the stockholders of the Company must be effected at a duly called annual or special meeting of stockholders of the Company and may not be effected by any consent in writing by such stockholders in lieu of a meeting.

Special Meeting of Stockholders

The Certificate of Incorporation and bylaws provide that, except as otherwise required by law, special meetings of the Company's stockholders can only be called by the Company's board of directors pursuant to a resolution adopted by the majority of the Company's board of directors, the chairman of the board of directors (or in the event of co-chairmen, either chairman), the Company's chief executive officer, the Company's president or either of the Company's co-presidents (in the event there is no chief executive officer).

Authorized But Unissued Shares

The authorized but unissued shares of Common Stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of the New York Stock Exchange. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

Transfer Agent and Registrar

The transfer agent and registrar for the Class A common stock is Computershare Trust Company, N.A.

Exhibit 21.1

Subsidiaries of Registrant

Legal Name	Jurisdiction of Incorporation
Houlihan Lokey Capital (Holdings) Limited	England
Houlihan Lokey Capital, Inc.	California
Houlihan Lokey Financial Advisors, Inc.	California
Houlihan Lokey EMEA, LLP	England

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Houlihan Lokey, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-206337) on Form S-8 and the registration statements (No. 333-214358, 333-215801 and 333-221057) on Form S-3 of Houlihan Lokey, Inc. of our reports dated May 15, 2020, with respect to the consolidated balance sheets of Houlihan Lokey, Inc. as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2020, and the related notes, and the effectiveness of internal control over financial reporting as of March 31, 2020, which reports appear in the March 31, 2020 annual report on Form 10-K of Houlihan Lokey, Inc.

/s/ KPMG LLP
Los Angeles, California
May 15, 2020

Exhibit 31.1

CERTIFICATIONS

I, Scott L. Beiser, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ending March 31, 2020 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: May 15, 2020

/s/ SCOTT L. BEISER

Scott L. Beiser
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, J. Lindsey Alley, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ending March 31, 2020 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: May 15, 2020

/s/ J. LINDSEY ALLEY

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

Exhibit 32.1

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

I, Scott L. Beiser, 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 Annual Report on Form 10-K of the Company for the period ended March 31, 2020 (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: May 15, 2020

/s/ SCOTT L. BEISER

Scott L. Beiser
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 Annual Report on Form 10-K of the Company for the period ended March 31, 2020 (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: May 15, 2020

/s/ J. LINDSEY ALLEY

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

Exhibit 99.1

The following discussion supersedes and replaces, in its entirety, the discussion under the heading "Material United States Federal Income Tax Considerations for Non-United States Holders of Class A Common Stock" in the prospectus dated October 20, 2017, which is a part of Houlihan Lokey, Inc.'s Registration Statement on Form S-3 (File No. 333-221057) filed with the Securities and Exchange Commission on October 20, 2017.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS FOR NON-UNITED STATES HOLDERS OF CLASS A COMMON STOCK

The following discussion is a summary of the material United States federal income tax consequences to Non-United States Holders (as defined below) of the purchase, ownership and disposition of our Class A common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other United States federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-United States tax laws are not discussed. This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-United States Holder of our Class A common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our Class A common stock.

This discussion is limited to Non-United States Holders that hold our Class A common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all United States federal income tax consequences relevant to a Non-United States Holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-United States Holders subject to special rules, including, without limitation:

- United States expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our Class A common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid United States federal income tax;
- partnerships or other entities or arrangements treated as partnerships for United States federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our Class A common stock under the constructive sale provisions of the Code;
- persons who hold or receive our Class A common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- tax-qualified retirement plans;
- "qualified foreign pension funds" as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds; and
- persons subject to U.S. federal income special tax accounting rules as a result of any item of gross income with respect to the Class A common stock being taken into account in an applicable financial statement.

If an entity treated as a partnership for United States federal income tax purposes holds our Class A common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our Class A common stock and the partners in such partnerships should consult their tax advisors regarding the United States federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR CLASS A COMMON STOCK ARISING UNDER THE UNITED STATES FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-UNITED STATES TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-United States Holder

For purposes of this discussion, a "Non-United States Holder" is any beneficial owner of our Class A common stock that is neither a "United States person" nor an entity treated as a partnership for United States federal income tax purposes. A United States person is any person that, for United States federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to United States federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a United States court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for United States federal income tax purposes.

Distributions

If we make distributions of cash or property on our Class A common stock, such distributions will constitute dividends for United States federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under United States federal income tax principles. Amounts not treated as dividends for United States federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-United States Holder's adjusted tax basis in its Class A common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under "-Sale or Other Taxable Disposition."

Subject to the discussion below on effectively connected income, dividends paid to a Non-United States Holder of our Class A common stock will be subject to United States federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-United States Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). If a Non-United States Holder holds the stock through a financial institution or other intermediary, the Non-United States Holder will be required to provide appropriate documentation to the intermediary, which then will be required to provide certification to the applicable withholding agent, either directly or through other intermediaries. A Non-United States Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-United States Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

If dividends paid to a Non-United States Holder are effectively connected with the Non-United States Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-United States Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-United States Holder will be exempt from the United States federal withholding tax described above. To claim the exemption, the Non-United States Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-United States Holder's conduct of a trade or business within the United States.

Any such effectively connected dividends will be subject to United States federal income tax on a net income basis at the regular graduated rates. A Non-United States Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-United States Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

A Non-United States Holder will not be subject to United States federal income tax on any gain realized upon the sale or other taxable disposition of our Class A common stock unless:

- the gain is effectively connected with the Non-United States Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-United States Holder maintains a permanent establishment in the United States to which such gain is attributable);
- the Non-United States Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our Class A common stock constitutes a United States real property interest ("USRPI") by reason of our status as a United States real property holding corporation ("USRPHC") for United States federal income tax purposes.

Gain described in the first bullet point above generally will be subject to United States federal income tax on a net income basis at the regular graduated rates. A Non-United States Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items. Gain described in the second bullet point above will be subject to United States federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by United States source capital losses of the Non-United States Holder (even though the individual is not considered a resident of the United States), provided the Non-United States Holder has timely filed United States federal income tax returns with respect to such losses. With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC.

Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-United States real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-United States Holder of our Class A common stock will not be subject to United States federal income tax if our Class A common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such Non-United States Holder owned, actually and constructively, 5% or less of our Class A common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-United States Holder's holding period.

Non-United States Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on our Class A common stock will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-United States status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our Class A common stock paid to the Non-United States Holder, regardless of whether any tax was actually withheld.

In addition, proceeds of the sale or other taxable disposition of our Class A common stock within the United States or conducted through certain United States-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of our Class A common stock conducted through a non-United States office of a non-United States broker generally will not be subject to backup withholding or information reporting. Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-United States Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-United States Holder's United States federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or "FATCA") on certain types of payments made to non-United States financial institutions and certain other non-United States entities. Specifically, a 30% withholding tax may be imposed on dividends on, or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our Class A common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the United States Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our Class A common stock. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of stock on or after January 1, 2019, recently proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our Class A common stock.