UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

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

For the fiscal year ended March 31, 2018

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)

N/A

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

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

Title of Each Class	Name of each exchange on which registered
Class A Common Stock, par value $.001	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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of September 30, 2017, the aggregate market value of the voting and non-voting common equity held by non-affiliates was approximately $874 million.

As of May 21, 2018, the registrant had 31,171,497 shares of Class A common stock, $0.001 par value per share, and 35,709,520 shares of Class B common stock, $0.001 par value per share, outstanding.

Table of Contents

EXPLANATORY NOTE

This Amendment No. 2 on Form 10-K/A (this Amendment) amends the Annual Report on Form 10-K of Houlihan Lokey, Inc. for the fiscal year ended March 31, 2018, as filed with the Securities and Exchange Commission (SEC) on May 25, 2018 and as amended on May 30, 2018 (the Form 10-K). In the Form 10-K we inadvertently omitted /s/ KPMG LLP on the signature line in each of the documents titled Report of Independent Registered Public Accounting Firm (the Audit Reports). The Audit Reports were signed by KPMG LLP and delivered to us prior to the original filing of the Form 10-K, but the conformed signature line was inadvertently omitted from the versions of the Audit Reports included in the filing.

This Form 10-K/A is being filed solely to include the inadvertently omitted conformed signature of KPMG LLP in the Audit Reports relating to the consolidated financial statements and the effectiveness of internal control over financial reporting. No other changes were made to the Audit Reports or to the Form 10-K. The consolidated financial statements and notes to consolidated financial statements have remained the same as that previously filed in the Form 10-K.

This Amendment reflects information as of the filing date of the Form 10-K, does not reflect events occurring after that date and does not modify or update in any way disclosures made in the Form 10-K, except as specifically noted above.

In accordance with Rule 12b-15 of the Securities Exchange Act of 1934, as amended, this Amendment includes new certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as amended, dated as of the filing date of this Amendment.

Table of Contents

Item 8. Financial Statements and Supplementary Data

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Index to Consolidated Financial Statements

Table of Contents

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, 2018 and 2017, the related consolidated statements of comprehensive income, stockholders equity, and cash flows for each of the years in the three-year period ended March 31, 2018, and the related notes and financial statement Schedule II (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, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2018, 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, 2018, 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 25, 2018 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

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.

We have served as the Company s auditor since 2006.

/s/ KPMG LLP

Los Angeles, California

May 25, 2018

Table of Contents

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. s and subsidiaries (the Company) internal control over financial reporting as of March 31, 2018, 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, 2018, 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, 2018 and 2017, the related consolidated statements of comprehensive income, stockholders equity, and cash flows for each of the years in the three-year period ended March 31, 2018, and the related notes and financial statement Schedule II (collectively, the consolidated financial statements), and our report dated May 25, 2018 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 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 25, 2018

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

($ in thousands, except share data and par value)

	As of March 31, 2018	As of March 31, 2017
Assets:		
Cash and cash equivalents	$ 206,723	$ 300,314
Restricted cash (note 2)	93,500	192,372
Investment securities (fair value of $209,266 as of March 31, 2018)	209,319	
Accounts receivable, net of allowance for doubtful accounts of $11,391 and $11,199 as of March 31, 2018, and March 31, 2017, respectively	77,259	60,718
Unbilled work in process	45,862	57,682
Receivable from affiliates	8,732	10,913
Property and equipment, net of accumulated depreciation $37,078 and $32,193 as of March 31, 2018, and March 31, 2017, respectively	32,146	30,416
Goodwill and other intangibles, net	723,310	715,343
Other assets	21,990	17,949
Total assets	$ 1,418,841	$ 1,385,707
Liabilities and Stockholders Equity		
Liabilities:		
Accrued salaries and bonuses	$ 377,901	$ 336,465
Accounts payable and accrued expenses	40,772	41,655
Deferred income	3,620	3,717
Income taxes payable	9,967	4,937
Deferred income taxes	22,180	31,196
Forward purchase liability	93,500	192,372
Loan payable to affiliate		15,000
Loans payable to former shareholders	3,036	5,482
Loan payable to non-affiliate	8,825	12,080
Other liabilities	6,227	12,348
Total liabilities	$ 566,028	$ 655,252
Redeemable noncontrolling interest		3,838
Commitments and contingencies (note 15)		
Stockholders equity:		
Class A common stock, $0.001 par value. Authorized 1,000,000,000 shares; issued and outstanding 30,604,405 and 22,026,811 shares as of March 31, 2018 and March 31, 2017, respectively	31	22
Class B common stock, $0.001 par value. Authorized 1,000,000,000 shares; issued and outstanding 37,187,932 and 50,883,299 shares as of March 31, 2018 and March 31,	37	51

2017, respectively		
Treasury stock, at cost; 2,000,000 and 6,900,000 shares as of March 31, 2018, and March 31, 2017, respectively	(93,500)	(193,572)
Additional paid-in capital	753,077	854,750
Retained earnings	207,124	87,407
Accumulated other comprehensive loss	(13,956)	(21,917)
Stock subscription receivable		(124)
Total stockholders equity	852,813	726,617
Total liabilities and stockholders equity	$ 1,418,841	$ 1,385,707

See accompanying notes to consolidated financial statements.

48

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ in thousands, except per share data)

	Year Ended March 31, 2018	2017	2016
Fee revenue (a)	$ 963,364	$ 872,091	$ 693,765
Operating expenses:			
Employee compensation and benefits	636,631	582,244	461,609
Travel, meals, and entertainment	26,445	21,707	20,955
Rent	28,560	27,094	26,459
Depreciation and amortization	7,905	8,853	7,499
Information technology and communications	18,481	17,628	16,017
Professional fees (b)	17,117	13,073	20,687
Other operating expenses, net (c)	13,779	19,497	14,139
Total operating expenses	748,918	690,096	567,365
Operating income	214,446	181,995	126,400
Other (income) expense, net (d)	(3,390)	3,508	770
Income before provision for income taxes	217,836	178,487	125,630
Provision for income taxes	45,553	70,144	55,863
Net income	172,283	108,343	69,767
Net income attributable to noncontrolling interests			(26)
Net income attributable to Houlihan Lokey, Inc.	$ 172,283	$ 108,343	$ 69,741
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	7,961	(7,304)	(3,275)
Comprehensive income attributable to Houlihan Lokey, Inc.	$ 180,244	$ 101,039	$ 66,466
Attributable to Houlihan Lokey, Inc. common stockholders: (e)			
Weighted average shares of common stock outstanding:			
Basic	62,494,275	61,100,497	59,044,981
Diluted	66,324,093	66,579,130	63,475,903
Net income per share of common stock			
Basic	$ 2.76	$ 1.77	$ 1.18
Diluted	$ 2.60	$ 1.63	$ 1.10

(a) including related party fee revenue of $3,006, $7,504, and $504 during the years ended March 31, 2018, 2017, and 2016 respectively.

(b) including related party professional fees of $0, $269, and $214 during the years ended March 31, 2018, 2017, and 2016 respectively.

(c) including related party expenses of $0, $0, and $874 during the years ended March 31, 2018, 2017, and 2016 respectively; including related party income of $286, $461, and $205 during the years ended March 31, 2018, 2017, and 2016 respectively; and including realized foreign currency translation gain of $5,123, $309, and $2,239 during the years ended March 31, 2018, 2017, and 2016 respectively.

(d) including related party interest income of $110, $33, and $1,954 during the years ended March 31, 2018, 2017, and 2016, respectively, and related party interest expense of $62, $806, and $922 during years ended March 31, 2018, 2017, and 2016, respectively. The Company recognized (gain) loss related to investments in unconsolidated entities of $(3,210), $3,839, and $1,604 during years ended March 31, 2018, 2017, and 2016, respectively.

(e) the number of shares and per share amounts presented for FY16 have been retroactively restated to reflect the conversion of Fram shares to HLI shares at a ratio of 10.425 shares to each share of Fram stock (note 1).

See accompanying notes to consolidated financial statements.

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

Years ended March 31, 2018 , 2017 and 2016

($ in thousands)

	Common - shares		Class A - shares		Class B - shares							
	Shares	$	Shares	$	Shares	$	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Stock Subscriptions Receivable	Equity attributable to Houlihan Lokey, Inc.	Noncontro interes
1,	587,866	$ 59		$		$	$ 670,182	$ 170,929	$ (11,338)	$ (7,135)	$ 822,697	$ 1,80
ed					31,414		13,320				13,320	
esting							28,765				28,765	
te 14)					(64,285)		(2,295)				(2,295)	
							(74,432)	(211,034)		4,168	(281,298)	(1,83
ons d, net										2,720	2,720	
ram	(587,866)	(59)	12,075,000	12	53,321,893	53	(6)					
			9,524									
eited					(69,719)							
fits							1,798				1,798	
mable								(1,013)			(1,013)	
								69,741			69,741	2
lized									(3,275)		(3,275)	
								69,741	(3,275)		66,466	2

nsive

31,	$	12,084,524	$	12	53,219,303	$	53	$	637,332	$	28,623	$	(14,613)	$	(247)	$	651,160	$

See accompanying notes to consolidated financial statements.

Table of Contents

	Common - shares		Class A - shares		Class B - shares		Treasury Stock						
	Shares	$	Shares	$	Shares	$	Shares	$	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Stock Subscriptions Receivable	Equity attributab to Houlihan Lokey, Inc.
		$	12,084,524	$ 12	53,219,303	$ 53	$	$	$ 637,332	$ 28,623	$ (14,613)	$ (247)	$ 651,16
)					1,858,864	2			5,152				5,15
									39,357				39,35
					(71,913)				(330)				(33
										(47,883)			(47,88
												123	12
			9,200,000	9	(9,200,000)	(9)			193,572				193,57
					6,900,000	7	(6,900,000)	(193,572)	(7)				(193,57
			733,150	1	(733,150)	(1)							
			9,137										
1					(1,089,805)	(1)			(27,308)				(27,30
									6,982				6,98
e										(1,676)			(1,67
										108,343			108,34
1											(7,304)		(7,30
										108,343	(7,304)		101,03
		$	22,026,811	$ 22	50,883,299	$ 51	(6,900,000)	$ (193,572)	$ 854,750	$ 87,407	$ (21,917)	$ (124)	$ 726,61

See accompanying notes to consolidated financial statements.

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

Years ended March 31, 2018 , 2017 and 2016

($ in thousands)

	Common - shares		Class A - shares		Class B - shares		Treasury Stock							
	Shares	$	Shares	$	Shares	$	Shares	$	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Stock Subscriptions Receivable	Equity attributa to Houliha Lokey Inc.	N
		$	22,026,811	$ 22	50,883,299	$ 51	(6,900,000)	$ (193,572)	$ 854,750	$ 87,407	$ (21,917)	$ (124)	$ 726,61	
					1,331,370	1			7,984				7,98	
									41,900				41,90	
										(51,305)			(51,30	
												124	12	
			7,750,000	8	(7,750,000)	(8)			93,500				93,50	
					(6,900,000)	(7)	6,900,000	193,572	(193,565)					
					2,000,000	2	(2,000,000)	(93,500)	(2)				(93,50	
			1,252,242	1	(1,252,242)	(1)								
			5,589											
d			(430,237)						(15,139)				(15,13	
d					(1,124,495)	(1)			(36,351)				(36,35	
										(1,261)			(1,26	

e													
										172,283			172,28
d											7,961		7,96
e										172,283	7,961		180,24
	$	30,604,405	$ 31	37,187,932	$ 37	(2,000,000)	$	(93,500)	$ 753,077	$ 207,124	$ (13,956)	$	$ 852,81

See accompanying notes to consolidated financial statements.

52

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in thousands)

	Year Ended March 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	$ 172,283	$ 108,343	$ 69,767
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred tax benefit	(6,569)	(6,093)	(4,165)
Provision for bad debts	1,983	4,008	2,538
Depreciation and amortization	7,905	8,853	7,499
Contingent consideration valuation	(1,536)		
Compensation expense restricted share grants (note 13)	47,111	39,357	35,057
Changes in operating assets and liabilities:			
Accounts receivable	(18,202)	(5,527)	(1,387)
Unbilled work in process	11,875	(6,382)	(8,360)
Other assets	(1,703)	3,745	(643)
Accrued salaries and bonuses	34,556	82,046	(56,184)
Accounts payable and accrued expenses	392	13,499	(13,959)
Deferred income	(31)	(1,970)	2,475
Income taxes receivable (payable)	2,583	12,141	(20,917)
Net cash provided by operating activities	250,647	252,020	11,721
Cash flows from investing activities:			
Purchase of investment securities	(209,319)		
Receivables from affiliates	1,155	16,495	225,792
Acquisition of business, net of cash acquired	(2,701)	(3,725)	(36,854)
Purchase of property and equipment, net	(7,719)	(14,423)	(9,385)
Net cash (used in) provided by investing activities	(218,584)	(1,653)	179,553
Cash flows from financing activities:			
Dividends paid	(52,081)	(55,293)	(114,297)
Settlement of forward purchase contract	(192,372)		
Proceeds from issuance of Class A shares placed in escrow	93,500	193,565	
Earnouts paid		(964)	(1,417)
Stock subscriptions receivable redeemed	124	123	2,720
Shares purchased and retired under stock repurchase program	(15,139)		
Other share repurchases	(2,936)		
Payments to settle employee tax obligations on share-based awards	(33,419)	(22,756)	
Loans payable to former shareholders redeemed	(2,446)	(11,256)	(3,047)
Repayments of loans to affiliates	(15,000)	(30,000)	

Borrowings from non-affiliates		65,000	
Repayments of loans to non-affiliates	(1,661)	(65,000)	
Excess tax benefits		6,982	1,798
Other financing activities, net	(3,881)	(233)	33
Net cash used in financing activities	(225,311)	80,168	(114,210)
Effects of exchange rate changes on cash and cash equivalents	785	(4,018)	443
Increase (decrease) in cash, cash equivalents, and restricted cash	(192,463)	326,517	77,507
Cash, cash equivalents, and restricted cash beginning of period	492,686	166,169	88,662
Cash, cash equivalents, and restricted cash end of period	$ 300,223	$ 492,686	$ 166,169
Supplemental disclosures of noncash activities:			
Dividends paid via settlement of receivable from affiliate (note 3)			94,520
Dividends paid via distribution of non-cash assets			22,800
Dividends paid via loan payable to affiliate			45,000
Dividends paid via settlement of employee loans			4,168
Taxes paid via settlement of receivable from affiliate			901
Shares redeemed via settlement of receivable from affiliate (note 3)			(763)
Shares issued via vesting of liability classified awards		4,754	
Shares issued as consideration for acquisitions	7,797	457	11,306
Debt forgiven as consideration for acquisitions	1,894		
Fully depreciated assets written off	38	829	443
Cash acquired through acquisitions			14,688
Cash paid during the year:			
Interest	656	1,621	1,314
Taxes	47,629	57,286	75,365

See accompanying notes to consolidated financial statements.

53

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

(1) BACKGROUND

Houlihan Lokey, Inc. (Houlihan Lokey, or HL, Inc. also referred to as the Company, we, our, or us) is a Dela 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 the Financial Industry Regulatory Authority, Inc.

Houlihan Lokey Financial Advisors, Inc., a California corporation (HL FA, Inc.), is a wholly owned direct subsidiary of HL, Inc.

Houlihan Lokey 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.

Prior to a corporate reorganization that was consummated immediately prior to the closing of the IPO, the Company was incorporated in California as Houlihan Lokey, Inc., a California corporation (HL CA), and was a wholly owned indirect subsidiary of Fram Holdings, Inc., a Delaware corporation (Fram), which, in turn, was a majority owned subsidiary of ORIX USA Corporation, a Delaware corporation (ORIX USA), with the remaining minority interest being held by Company employees (HL Holders). ORIX USA and the HL Holders held their interests in HL CA indirectly through their ownership of Fram. On July 24, 2015, HL CA merged with and into HL, Inc., with HL, Inc. as the surviving entity. 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. Houlihan Lokey has separated from Fram and as a result, HL, Inc. common stock is held directly by ORIX USA (through ORIX HLHZ Holding, LLC, its wholly owned subsidiary), the HL Voting Trust, for the benefit of the HL Holders, non-employee directors, and public shareholders.

In addition, prior to the consummation of the IPO, the Company distributed to its existing owners a dividend of $270.0 million , consisting of (i) a short-term note in the aggregate amount of $197.2 million , which was repaid immediately after the consummation of the IPO, and was allocated $94.5 million to ORIX USA and $102.7 million to the HL Holders, (ii) a note to ORIX USA in the amount of $45.0 million (see Note 9), and (iii) certain of our non-operating assets to certain of the HL Holders (consisting of non-marketable minority equity interests in four separate businesses that ranged in carrying value from $2.5 million to $11.0 million , and were valued in the aggregate at approximately $22.8 million as of June 30, 2015), together with $5.0 million in cash to be used to complete a potential additional investment and in the administration of these assets in the future. All issued and outstanding Fram shares were converted to HL, Inc. common stock at a ratio of 10.425 shares for each share of Fram stock. Immediately following the IPO, there were two classes of authorized HL, 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. As of March 31, 2018 (without giving effect to the transaction provided for in the January 2018 Forward Share Purchase Agreement (defined below)), there were 30,141,915 Class A shares held by the public, 24,250 Class A shares held by non-employee directors, and 438,240 Class A shares held by ORIX USA. In addition, there were 25,477,601 Class B shares held by the HL Voting Trust, and 11,710,331 Class B shares held by ORIX USA.

The Company did not receive any proceeds from the sale of its Class A common stock in the IPO.

Expenses related to the corporate reorganization and IPO recorded in the consolidated statements of comprehensive income include the following:

$12,783 of professional service and other third-party fees and expenses associated with Houlihan Lokey s IPO, corporate reorganization, spin-out of non-operating assets, shareholder solicitation process and other related activities for the year ended March 31, 2016;

54

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

$14,153 , $14,330 and $7,420 of compensation expenses associated with the amortization of restricted stock granted in connection with the IPO for the years ended March 31, 2018, 2017 and 2016, 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

$10,764 , $11,873 and $7,855 of compensation expenses associated with the accrual of certain deferred cash payments granted in connection with the IPO for the years ended March 31, 2018, 2017 and 2016, 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.

On February 14, 2017, pursuant to a registered underwritten public offering, we issued and sold 6,000,000 shares of our Class A common stock and certain of our former and current employees and members of our management (the Selling Stockholders) sold 2,000,000 shares of our Class A common stock, in each case, at a price to the public of $29.25 per share (the February 2017 Follow-on Offering). On March 15, 2017, we issued and sold an additional 900,000 shares of Class A common stock and the Selling Stockholders sold an additional 300,000 shares of Class A common stock in connection with the underwriters exercise in full of their option to purchase additional shares in the February 2017 Follow-on Offering.

In connection with, and prior to, the February 2017 Follow-on Offering, on February 6, 2017, we entered into a Forward Share Purchase Agreement (the February 2017 Forward Share Purchase Agreement), with an indirect wholly owned subsidiary of ORIX USA pursuant to which we agreed to repurchase from ORIX USA on April 5, 2017 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 February 2017 Follow-on Offering (including any shares sold upon the exercise by the underwriters of their option to purchase additional shares of our Class A common stock) for a purchase price per share equal to the public offering price in the February 2017 Follow-on Offering less underwriting discounts and commissions. The cash proceeds from the February 2017 Follow-on Offering that were used to consummate the purchase pursuant to the February 2017 Forward Share Purchase Agreement were held in an escrow account as of March 31, 2017 and presented as restricted cash as discussed in note 2. On April 5, 2017 we settled the transaction provided for in the February 2017 Forward Share Purchase Agreement and acquired 6,900,000 shares of Class B common stock from ORIX USA using the net proceeds we received from the February 2017 Follow-on Offering. In accordance with the terms of the February 2017 Forward Share Purchase Agreement, the purchase price per share 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 February 2017 Forward Share Purchase Agreement prior to the settlement of such transaction. As the February 2017 Forward Share Purchase Agreement required physical settlement by purchase of a fixed number of shares in exchange for cash, the 6,900,000 shares that were purchased are excluded from the Company s calculation of basic and diluted earnings per share in the Company s financial statements for the years ended March 31, 2018 and 2017. In addition, as the agreement provides for the refund of any dividends paid during the term on the underlying Class A common stock, such shares are not classified as participating securities and the Company does not apply the two-class method for calculating its earnings per share.

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 (the Selling Stockholders) 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).

55

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

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. 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. In January 2018 and April 2017 Forward Share Purchase Agreements required physical settlement by purchase of a fixed number of shares in exchange for cash, the 2,000,000 and 6,900,000 shares that were purchased are excluded from the Company s calculation of basic and diluted earnings per share in the Company s financial statements for the years ended March 31, 2018 and 2017. In addition, as the agreement provides for the refund of any dividends paid during the term on the underlying Class A common stock, such shares are not classified as participating securities and the Company does not apply the two-class method for calculating its earnings per share.

Expenses related to the February 2017 Follow-on Offering and the February 2017 Forward Share Purchase Agreement included in the consolidated statements of comprehensive income include $1,633 of professional service and other third-party fees and expenses during the year ended March 31, 2017.

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 $2,084 of professional service and other third-party fees and expenses during the year ended March 31, 2018.

The Company offers financial services and financial advice to a broad clientele located throughout the United States of America, Europe, 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, 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 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 Corporate Finance revenues consists of fees paid upon the successful completion of the transaction or engagement (Completion Fees). A Corporate Finance 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 earned.

Financial Restructuring 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 Financial Restructuring 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 Financial Restructuring 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 initial Retainer Fees and/or Progress Fees.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

Financial Advisory Services 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 Financial Advisory Services 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 Financial Advisory Services business segment provides dispute resolution services to clients where fees are usually based on the hourly rates of our financial professionals. Lastly, our Financial Advisory Services business segment provides strategic consulting services to clients where fees are either fixed or based on the hourly rates of our consulting professionals. Unlike our Corporate Finance or Financial Restructuring segments, the fees generated in our Financial Advisory Services segment are generally not contingent on the successful completion of a transaction.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC) and include all information and footnotes required for financial statement presentation, and include all disclosures required under GAAP in the United States for annual financial statements.

(b) 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.

(c) 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 and reserves for income tax uncertainties and other contingencies.

(d) Recognition of Revenue

Revenues consist primarily of professional service fees.

The Company and its clients enter into agreements that outline the general terms and conditions of the specific engagements. The Company performs professional services in accordance with the engagement terms on both a fixed and contingent fee basis.

57

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

Revenues are recognized when earned and realizable. Revenues under fixed fee contracts are 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. The recognition of revenues under contingent fee contracts depends on whether the revenues relate to monthly retainers or success fees. Monthly retainers are generally recognized on a monthly basis, except in situations where there is uncertainty as to the timing of collection of the amount due. Success fees are recognized only upon substantial completion of the contingencies stipulated by the engagement agreement. In some cases, approval of the Company s fees is required from the courts or other regulatory authority; in these circumstances, the recognition of revenue is often deferred until approval is granted; however, if the fee that is going to be collected from the client is fixed and determinable, and the collectability of the fee is reasonably assured, there are instances when revenue recognition prior to such approval is appropriate.

Engagements related to Financial Advisory Services are most often structured as fixed fee contracts, and engagements related to Corporate Finance and Financial Restructuring are most often structured as contingent fee contracts. Further, Financial Restructuring contracts are commonly subject to the applicable court s approval.

In those instances when the revenue recognized on a specific engagement exceeds both the amounts billed and the amounts collected, unbilled work-in-process is recorded. Billed receivables are recorded as accounts receivable in the accompanying consolidated balance sheets. Deferred income results when cash is received in advance of dates when revenues are recognized.

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.

(e) 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 13). Other examples of operating expenses include: travel, meals and entertainment; rent; depreciation and amortization; information technology and communication; professional fees and other operating expenses, which include such items as office expenses, business license and registration fees, non-income-related taxes, legal expenses, related-party support services, and charitable contributions. During the years ended March 31, 2018 , 2017 , and 2016 , the Company recognized reimbursements of $30,200 , $33,015 , and $28,183 respectively, from customers for out-of-pocket expenses incurred by the Company that are presented net against the related expenses in the accompanying consolidated statements of comprehensive income.

(f) 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. The Company s operating expenses includes realized foreign currency translation gains and (losses) of $5,123 , $309 , and $2,239 during the years ended March 31, 2018 , 2017 , and 2016 , respectively.

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. As of March 31, 2018, 2017 and 2016, we have foreign currency forward contracts between the euro and pound sterling outstanding with aggregate notional value of approximately EUR 9 million , 5 million , and 1 million . Gains (losses) in relation to the fair value of the foreign currency forward contracts have been included in other operating expenses of $90 , $58 , and $(62) during the twelve months ended March 31, 2018 , 2017 , and 2016 , respectively.

(g) 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.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

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 depreciated over the lesser of the lease term or estimated useful life.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash held at banks and highly liquid investments with original maturities of three months or less. At March 31, 2018 and 2017 , the Company had cash balances with banks in excess of insured limits. The Company has not experienced any losses in its cash accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

(i) Restricted cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same amounts shown in the statement of cash flows.

	March 31, 2018	March 31, 2017
Cash and cash equivalents	$ 206,723	$ 300,314
Restricted cash	93,500	192,372
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 300,223	$ 492,686

Amounts in restricted cash include cash received from the issuance of shares in the February 2017 Follow-on Offering and the March 2018 Follow-on Offering and required to be set aside pursuant to the February 2017 Forward Share Purchase Agreement and January 2018 Forward Share Purchase Agreement (notes 1 and 3). The restriction lapsed when the related forward purchase liability was paid off.

(j) Investment Securities

Investment securities consists of corporate debt, certificates of deposit, and U.S. treasury securities with maturities less than one year. The Company classifies its investment securities as held to maturity which are recorded at amortized cost based on the Company s positive intent and ability to hold these securities to maturity. Management evaluates whether securities held to maturity are other-than-temporarily impaired on a quarterly basis.

(k) Accounts Receivable

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 in the accompanying consolidated statements of comprehensive income. Amounts deemed to be uncollectible are written off against the allowance for doubtful accounts.

(l) Income Taxes

Prior to the IPO, ORIX USA and its subsidiaries, including the Company, filed consolidated federal income tax returns and separate returns in state and local jurisdictions and did so for fiscal 2016 through the date of the IPO. The Company reported income tax expense as if it filed separate returns in all jurisdictions. 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, and the Company reports income tax expense on this basis.

We account for income taxes in accordance with Accounting Standards Codification 740 (ASC 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.

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

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.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118) which provides guidance on accounting for the tax effects of the Tax Cuts and Jobs Act (Tax Act). The Tax Act, enacted on December 22, 2017, is comprehensive tax legislation which makes broad and complex changes to the U.S. tax code that will affect the year ended March 31, 2018 as well as future years. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company s accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the consolidated financial statements.

The impacts of the Tax Act, including both the adjustment to the deferred tax accounts and a one-time toll charge on deemed repatriated earnings of foreign subsidiaries (toll charge), are the Company s best estimates based on the information that is available at the time of these consolidated financial statements and may change as additional information becomes available. As for the Tax Act s one-time repatriation tax, the calculation involves a number of variables and assumptions, including state tax impacts, which will continue to be refined by the Company through the filing date of the Company s federal and state tax returns.

In addition, the Tax Act is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the Treasury Department and the Internal Revenue Service (IRS), any of which could affect the estimates included in the provision. Furthermore, it is 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. If an adjustment related to the Tax Act is required, it will be reflected as a discrete expense or benefit in the quarter that it is identified, as allowed by SAB 118, not to exceed the permissible one year measurement period.

(m) 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.

When HL CA was acquired by Fram in January 2006, approximately $392,600 of goodwill and $192,210 of indefinite-lived intangible assets were generated and recognized. In accordance with ASC Topic 805, *Business Combinations* , since HL CA was wholly owned by Fram, this goodwill and all other purchase accounting-related adjustments were pushed down to the Company s reporting level. Through both foreign and domestic acquisitions made directly by HL CA and the Company since 2006, additional goodwill of approximately $136,289 , inclusive of foreign currency translations has been recognized.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

We assign goodwill to reporting units. Our reporting units include Corporate Finance, Financial Restructuring and Financial Advisory Services. For each reporting unit we performed a qualitative assessment and determined whether it was more likely than not that the carrying value of the reporting unit, including the recorded goodwill, was in excess of the fair value of the reporting unit. In any instance in which we are unable to qualitatively conclude that it is more likely than not that the fair value of the reporting unit exceeds the reporting unit carrying value including goodwill, a quantitative analysis of the fair value of the reporting unit would be performed. Based upon the outcome of our qualitative assessments, we determined that no quantitative analysis of the fair value of any of the reporting units was required, and we concluded that none of the goodwill allocated to any of those reporting units was impaired. No events have occurred since our assessment that would cause us to update this impairment testing.

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. During the years ended March 31, 2018, 2017, and 2016, 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. During the years ended March 31, 2018, 2017, and 2016, no events or changes in circumstances were identified that indicated that the carrying amount of the finite-lived intangible assets were not recoverable.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

(n) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* , 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. An entity should also disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* , *Deferral of Effective Date* which deferred the effective date of the new standard to annual and interim periods within that reporting period beginning after December 15, 2017 (year ending March 31, 2019 for the Company). The new standard is to be applied using either the retrospective or cumulative-effective transition method. The Company adopted the standard effective April 1, 2018 using the modified retrospective method which requires the recognition of a cumulative-effect adjustment as of that date. The Company evaluated the potential impact of the new guidance including (i) the timing of revenue recognition for Corporate Finance, Financial Restructuring, and Financial Advisory fees and (ii) the presentation of reimbursable out-of-pocket expenses. With respect to revenue recognition, the Company assessed the potential impact of the new guidance on the Company s recognition of advisory fees (e.g., transaction success and retainer fees), including whether the Company s fulfillment of its performance obligations under Corporate Finance, Financial Restructuring, and Financial Advisory engagement contracts would be deemed to occur over time, or at specific points in time, under the new guidance. The Company considered the proposed guidance which includes an assessment of whether the client receives and consumes benefits from the services as the services are being performed to achieve over-time recognition, and has concluded that the vast majority of Financial Restructuring advisory contracts would be recognized over time as performance occurs, subject to constraints, using an appropriate measure of progress. Corporate Finance contracts will be a mix of over-time and point-in-time based on terms of the specific contract. The vast majority of Financial Advisory contracts will be recognized point-in-time as the performance obligation will be satisfied upon the delivery of a report at the completion of the engagement. Interpretive guidance on over-time or point-in-time recognition continues to be issued and interpreted, in particular by the AICPA industry task force on Broker-Dealers, the AICPA s Revenue Recognition Working Group and the AICPA s Financial Reporting Executive Committee. The Company will continue to monitor and evaluate any additional guidance. The Company is still in the process of evaluating its contracts to determine whether point-in-time or over time recognition is appropriate. The result of adoption is expected to result in a cumulative effect adjustment decrease to opening retained earnings and an increase to deferred income. With respect to contract costs, certain reimbursable out-of-pocket expenses incurred by the Company are currently presented net against the related expenses in the accompanying consolidated statements of comprehensive income (amounts for each of the three years ended March 31, 2018 are included in note 2e); however under the new standard these will be reported on a gross basis resulting in an increase to both fee revenue and operating expenses.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* . The amendments in this ASU requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize a right-of-use asset and lease liability. Additionally, when measuring assets and liabilities arising from a lease, optional payments should be included only if the lessee is reasonable certain to exercise an option to extend the lease, exercise a purchase option, or not exercise an option to terminate the lease. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018 (year ending March 31, 2020 for the Company). Early application is permitted. The Company is currently in the process of determining the impact that the updated accounting guidance will have on our consolidated financial statements. See Note 15 for a summary of our undiscounted minimum rental commitments under operating leases as of March 31, 2018.

62

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* . The amendments in this ASU include eight specific guidance measures for cash flow classification issues for (1) debt prepayment or debt extinguishment costs, (2) debt instruments with coupon interest rates, (3) contingent consideration payments made after a business combination, (4) settlement proceeds from insurance claims, (5) settlement proceeds from corporate-owned life insurance policies, (6) distributions received from equity method investees, (7) beneficial interests in securitization transactions, and (8) classification of cash receipts and payments that have aspects of more than one class of cash flows. ASU 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017 (year ending March 31, 2019 for the Company). This new accounting guidance will result in some changes in classification in the consolidated statement of cash flows, which the Company does not expect will be significant, and will not have a material impact on its consolidated financial position or results of operations.

In January 2017, the FASB issued ASU No. 2017-04, *Intangible Goodwill and Other: Simplifying the Test for Goodwill Impairment* . The amendments in this ASU do not change the guidance on Step 1 of the goodwill impairment test but eliminates the requirement to calculate an implied goodwill value using Step 2. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit s fair value but should not exceed the total amount of goodwill allocated to that reporting unit. Also, an entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU No. 2017-04 is effective for interim and annual reporting periods beginning after December 15, 2019 (year ending March 31, 2021 for the Company) with early adoption permitted. Management does not believe this guidance will have a material impact on the Company s consolidated financial statements and related disclosures.

In May 2017, the FASB issued amended guidance that clarifies when changes to the terms or conditions of share-based payment awards require an entity to apply modification accounting (ASU 2017-09). 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 guidance is first effective for our fiscal year beginning October 1, 2019 on a prospective basis; however, early adoption is permitted. Given that this guidance applies to specific transactions and would only become relevant in certain circumstances, we are unable to estimate the impact, if any, this new guidance may have on our financial position.

(o) Reclassifications
Certain prior year amounts have been reclassified to conform with current year presentation.

(3) RELATED-PARTY TRANSACTIONS

The Company provides financial advisory services to ORIX USA, Infrastructure Holdings, and their affiliates and received fees for these services totaling approximately $3,006 , $7,504 , and $504 during the years ended March 31, 2018 , 2017 , and 2016 , respectively.

The Company provides certain management and administrative services for the Company s unconsolidated entities and receive fees for these services. These fees are offset with the compensation costs related to the administrative staffs. As a result, the Company received fees of $286 , $461 , and $205 during the years ended March 31, 2018 , 2017 , and 2016 , respectively.

In connection with the IPO, ORIX USA and the Company entered into a Transition Services Agreement, pursuant to which ORIX USA provided services for Sarbanes-Oxley compliance, internal audit, and other services for specified fees. Expenses incurred by the Company related to these services were $0 , $269 , and $214 for the years ended March 31, 2018 , 2017 , and 2016 , respectively, which are included in professional fees in the accompanying consolidated statements of comprehensive income. To the extent that ORIX USA and its affiliates pay for expenses of the Company, ORIX USA is reimbursed for such payments by the Company.

Interest income earned by the Company related to cash balances held by the affiliate of ORIX USA was $0 , $33 and $1,954 for the years ended March 31, 2018 , 2017 and 2016 , respectively.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

In November 2015, the Company entered into a joint venture arrangement with Leonardo & Co. NV, a European-based investment banking firm (Leonardo), in relation to Leonardo s Italian business by means of acquisition of a minority (49%) interest. In conjunction with this transaction, a subsidiary of the Company loaned the joint venture EUR 5,500 ($6,034 as of March 31, 2018) which is included in receivables from affiliates and which bears interest at 1.5% and matures no later than November 2025. Interest income earned by the Company related to this receivable from affiliate was approximately $97 , $90 , and $34 during the years ended March 31, 2018 , 2017 , and 2016 , respectively. Included in receivables from affiliates is also reimbursable third party costs incurred on behalf of Leonardo totaling approximately $2,698 and $1,424 as of March 31, 2018, and 2017, respectively.

As described in note 1 above, in connection with, and prior to, the February 2017 Follow-on Offering, on February 6, 2017, the Company entered into the February 2017 Forward Share Purchase Agreement, pursuant to which the Company agreed to repurchase from ORIX USA on April 5, 2017 the number of shares of our Class B common stock equal to the number of shares of our Class A common stock sold by the Company in the February 2017 Follow-on Offering (including any shares sold upon the exercise by the underwriters of their option to purchase additional shares of our Class A common stock) for a purchase price per share equal to the public offering price in the February 2017 Follow-on Offering less underwriting discounts and commissions. On April 5, 2017, the Company settled the transaction provided for in the February 2017 Forward Share Purchase Agreement and acquired 6,900,000 shares of Class B common stock from ORIX USA using the net proceeds we received from the February 2017 Follow-on Offering and the shares were retired. In accordance with the terms of the February 2017 Forward Share Purchase Agreement, the purchase price per share under the February 2017 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 February 2017 Forward Share Purchase Agreement prior to the settlement of the transaction.

In July 2017, the Company purchased the remaining interest of Houlihan Lokey (Australia) Pty Limited (HL Australia), which was historically operating as our joint venture in Australia. As part of the consideration paid, a loan receivable from certain principals of the joint venture was forgiven. In addition, as a result of the acquisition we eliminated from our consolidated financial statements as of December 31, 2017 a loan agreement entered into with HL Australia in February 2017 for AUD 2,500 ($2,001 as of July 31, 2017) which bore interest at 2.0% and was previously included in receivables from affiliates. Interest income earned by the Company related to this receivable from affiliate was approximately $13 and $19 during the years ended March 31, 2018 and 2017 , respectively.

In connection with, and prior to, the March 2018 Follow-on Offering, on January 26, 2018, the Company entered into the January 2018 Forward Share Purchase Agreement, pursuant to which the Company agreed to repurchase 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 the Company 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.

In the accompanying consolidated balance sheet, the Company carried accounts receivable and unbilled work in progress from related parties totaling approximately $21 and $455 as of March 31, 2018 and 2017, respectively. The Company also deferred income from related parties for service fees totaling $25 and $0 as of March 31, 2018 and 2017, respectively.

Other assets in the accompanying consolidated balance sheets includes loans receivable from certain employees of $7,489 and $5,865 as of March 31, 2018 and 2017 , respectively.

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

(4) FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

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:

Certificates of deposit : Fair values for certificates of deposit are based upon a discounted cash flow approach.

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.

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, 2018			
	Level I	Level II	Level III	Total
Certificates of deposit	$	$ 10,106	$	$ 10,106
Corporate debt securities		183,578		183,578
U.S. Treasury Securities		15,582		15,582
Total asset measured at fair value	$	$ 209,266	$	$ 209,266

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

The Company had no transfers between fair value levels for the year ended March 31, 2018 .

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.

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, unbilled work in process, receivables from affiliates, accounts payable, and deferred income approximates fair value due to the short maturity of these instruments.

The carrying value of the loan payable to affiliate, 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.

(5) INVESTMENT SECURITIES

The amortized cost, gross unrealized gains (losses), and fair value of securities held to maturity as of March 31, 2018 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Corporate debt securities	$ 183,632	$ 13	$ (67)	$ 183,578
Certificate of deposit	10,106			10,106
U.S. Treasury Securities	15,581	11	(10)	15,582
Total securities with unrealized gains	$ 209,319	$ 24	$ (77)	$ 209,266

Scheduled maturities of the Company s debt securities within the investment securities portfolio as of March 31, 2018 were as follows:

	Amortized Cost	Estimated Fair Value
Due within one year	$ 209,319	$ 209,266

The Company has the ability and intent to hold the corporate debt securities to maturity until a recovery of fair value is equal to an amount approximating its amortized cost, which may be at maturity, and has not incurred credit losses on such debt securities. The Company does not consider such unrealized loss positions to be other-than-temporarily impaired as of March 31, 2018 .

(6) ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS RECEIVABLE

	Year Ended March 31,	
	2018	2017
Balance-beginning	$ 11,199	$ 7,844
Provision for bad debt	1,983	4,008
Write-off of uncollectible accounts	(1,791)	(653)
Balance-ending	$ 11,391	$ 11,199

66

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

(7) PROPERTY AND EQUIPMENT

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

	Useful Lives	2018	2017
Equipment	5 Years	$ 6,653	$ 6,731
Furniture and fixtures	5 Years	19,189	18,171
Leasehold improvements	10 Years	31,916	26,298
Computers and software	3 Years	10,346	10,319
Other	N/A	1,120	1,090
Total cost		69,224	62,609
Less: accumulated depreciation		(37,078)	(32,193)
Total net book value		$ 32,146	$ 30,416

Additions to property and equipment during the years ended March 31, 2018 and 2017 were primarily related to costs incurred to furnish new leased office space and refurbish existing space.

Depreciation expense of $6,195 , $5,708 , and $4,588 was recognized during the years ended March 31, 2018 , 2017 , and 2016 , respectively.

(8) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangibles consist of the following.

	Useful Lives	March 31, 2018	March 31, 2017
Goodwill	Indefinite	$ 528,889	$ 519,487
Tradename-Houlihan Lokey	Indefinite	192,210	192,210
Other intangible assets	1-30 Years	15,464	14,829
Total cost		736,563	726,526
Less: accumulated amortization		(13,253)	(11,183)
Total net book value (before taxes)		723,310	715,343

Deferred tax liability		(50,541)		(77,184)
Total net book value	$	672,769	$	638,159

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

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

Business Segments	April 1, 2017	Changes	March 31, 2018
Corporate Finance	$ 265,260	$ 8,552	$ 273,812
Financial Restructuring	162,512	850	163,362
Financial Advisory Services	91,715		91,715
Total	$ 519,487	$ 9,402	$ 528,889

In July 2017, the Company purchased the remaining interest of HL Australia, which was historically operating as our joint venture in Australia. Changes also include foreign currency translation adjustments of $6,902 for the year ended March 31, 2018 .

Amortization expense of approximately $1,710 , $3,145 , and $2,911 was recognized for the years ended March 31, 2018 , 2017 , and 2016 , respectively. The estimated future amortization for amortizable intangible assets for each of the next five years are as follows:

Year Ended March 31,	
2019	$ 677
2020	583
2021	373
2022	157
2023	7

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

(9) LOANS PAYABLE

In August 2015, prior to the IPO, the Company paid a dividend to its shareholders, a portion of which was paid to ORIX USA in the form of a $45.0 million note that bore interest at a rate of LIBOR plus 165 basis points or 4.31% and 3.45% as of March 31, 2018 and 2017 , respectively. The Company paid interest on the note of $62 and $806 for the years ended March 31, 2018 and 2017 , respectively. Beginning on June 30, 2016, the Company was required to make quarterly repayments of principal in the amount of $7.5 million , with the remaining principal amount due on the second anniversary of the completion of the IPO. The loan was repaid in full in May 2017.

In August 2015, the Company entered into a revolving line of credit with Bank of America, N.A., which allows 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 revolving credit facility to August 18, 2019 (or if such date is not a business day, the immediately preceding business day). 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. As of March 31, 2018 , no principal was outstanding under the line of credit. The Company paid interest and unused commitment fees of $228 and $400 for the years ended March 31, 2018 and 2017 , respectively, under the 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 3.10% and 2.55% per annum for the years ended March 31, 2018 and 2017 , respectively, and the maturity dates range from 2018 to 2027. The Company incurred interest expense on these notes of $124 and $203 for the years ended March 31, 2018 and 2017 , respectively.

In November 2015, the Company acquired the investment banking operations of 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, which is included in loan payable to non-affiliates in the accompanying consolidated balance sheets. Under certain circumstances, the note may be paid in part or in whole over a five year period in equal annual installments. This loan bears interest at an annual rate of 1.50% . In January 2017 and December 2017, we paid a portion of this loan in the amount of EUR 2.9 million and 2.9 million , respectively. The Company incurred interest expense on this loan of $179 , $213 and $91 for the years ended March 31, 2018 , 2017 , and 2016 , respectively.

See note 15 for aggregated 5-year maturity table on loans payable.

(10) OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

The only component of other comprehensive income relates to foreign currency translation adjustments of $7,961 , $(7,304) , and $(3,275) for the years ended March 31, 2018 , 2017 , and 2016 , respectively. The change in foreign currency translation was impacted by the vote in the U.K. to withdraw from the European Union. We are currently in a two-year time period in which the terms of withdrawal will be negotiated and there may be impacts 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 at March 31, 2018 , 2017 , and 2016 was comprised of the following:

Balance, April 1, 2015	$ (11,338)
Foreign currency translation adjustments	(3,275)
Balance, March 31, 2016	$ (14,613)
Foreign currency translation adjustments	(7,304)
Balance, March 31, 2017	$ (21,917)
Foreign currency translation adjustments	7,961
Balance, March 31, 2018	$ (13,956)

69

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

(11) INCOME TAXES

The Company s provision for income taxes was $45,553 , $70,144 , and $55,863 for the years ended March 31, 2018 , 2017 , and 2016 , respectively. This represents effective tax rates of 20.9% , 39.3% , and 44.5% for the years ended March 31, 2018 , 2017 , and 2016 , respectively. The decrease in the Company s tax rate during the year ended March 31, 2018 relative to fiscal 2017 which was a result of the Tax Act and the adoption of ASU 2016-09, Compensation Stock Compensation which resulted in a decrease to the provision for income taxes in the amount of $16,173 due to the vesting of share awards that were accelerated.

The Tax Act reduced the U.S. federal corporate tax rate from 35.0% to 21.0% for all corporations effective January 1, 2018. 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 . Thereafter, the applicable statutory rate is 21.0% .

ASC 740 requires all companies to reflect the effects of the new law in the period in which the law was enacted. Accordingly, the Company reduced the statutory rate that applies to its year-to-date earnings from 35.0% to 31.5% . In addition, the Company remeasured its deferred tax assets and liabilities based on the new rate, as well as recorded a one-time deemed repatriation tax (a toll charge) on its foreign earnings. The combined result of the Tax Act resulted in a tax benefit of $(10,731) for the year ended March 31, 2018 .

This net income tax benefit is primarily the result of the revaluation of our net deferred tax liability as a result of the reduction of the corporate income tax rate from 35.0% to 21.0% for a benefit of $(13,211) plus the toll charge of $2,480 . This tax is based on previously untaxed accumulated and current earnings and profits of certain of the Company s non-U.S. subsidiaries. To determine the amount of the Transition Tax, the Company estimated, in addition to other factors, the amount of post-1986 earnings and profits of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. The available foreign tax credits were not fully utilized against the toll charge, leaving the Company with excess foreign tax credit carryforwards of approximately $3,865 . The Company does not expect to utilize the excess foreign tax credits in the future as the Company does not currently project future foreign source income. Accordingly, the Company believes it is appropriate to apply a valuation allowance against the excess foreign tax credits of $3,865 in full. The Company was able to make a reasonable estimate of the toll charge and has recorded this provisional amount; however, the Company may continue to refine its estimate as allowed by SAB 118.

The provision (benefit) for income taxes on operations for the years ended March 31, 2018 , 2017 , and 2016 comprises the following approximate values:

	March 31, 2018	March 31, 2017	March 31, 2016
Current:			

Federal	$ 34,638	$ 60,024	$ 43,252
State and local	9,768	12,686	10,895
Foreign	7,716	3,527	5,881
Subtotal	52,122	76,237	60,028
Deferred:			
Federal	(2,398)	(7,262)	(3,867)
State and local	(646)	(962)	(93)
Foreign	(3,525)	2,131	(205)
Subtotal	(6,569)	(6,093)	(4,165)
Total	$ 45,553	$ 70,144	$ 55,863

70

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

The provision for income taxes on operations for the years ended March 31, 2018 , 2017 , and 2016 is reconciled to the income taxes computed at the statutory federal income tax rate (computed by applying the federal corporate rate of 31.5% for fiscal 2018 and 35% for fiscal 2017 and 2016 to consolidated operating income before provision for income taxes) as follows:

	March 31, 2018		March 31, 2017		March 31, 2016	
Federal income tax provision computed at statutory rate	$ 68,618	31.5%	$ 62,470	35.0%	$ 43,963	35.0%
State and local taxes, net of federal tax effect	7,600	3.5%	8,139	4.6%	7,108	5.7%
Foreign taxes, rate differential	(3,972)	(1.8)%	(1,741)	(1.0)%	(453)	(0.4)%
Nondeductible expenses	1,414	0.6%	1,422	0.8%	1,475	1.2%
Nondeductible public offering-related expenses		%	562	0.3%	3,930	3.1%
Stock Compensation	(16,173)	(7.4)%		%		%
Uncertain tax positions, true-up items & other	(1,203)	(0.6)%	(708)	(0.4)%	(160)	(0.1)%
Enactment of the Tax Act	(10,731)	(4.9)%		%		%
Total	$ 45,553	20.9%	$ 70,144	39.3%	$ 55,863	44.5%

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, 2018 , 2017 , and 2016 comprise the following:

	March 31, 2018	March 31, 2017	March 31, 2016
Deferred tax assets:			
Deferred compensation expense/accrued bonus	$ 32,358	$ 57,379	$ 43,348
Allowance for doubtful accounts	2,347	4,920	3,195
US Foreign Tax Credits Toll Charge	3,865		
Other, net	11,271	11,235	13,127
Total deferred tax assets	49,841	73,534	59,670
Deferred tax asset valuation allowance	(13,334)	(10,984)	(11,728)
Total deferred tax assets	36,507	62,550	47,942
Deferred tax liabilities:			
Intangibles	(50,541)	(77,184)	(77,184)

Accounts receivable and work in process		(8,146)		(16,562)		(8,046)
Total deferred tax liabilities		(58,687)		(93,746)		(85,230)
Net deferred tax liabilities	$	(22,180)	$	(31,196)	$	(37,288)

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. After the toll charge calculation, there were excess foreign tax credits of approximately $3,865 that were not fully utilized against the toll charge. The Company does not expect to utilize the excess foreign tax credits in the future as the Company does not currently project future foreign source income. Accordingly, the Company believes it is appropriate to apply a valuation allowance against the excess foreign tax credits of $3,865 in full. In addition, certain deferred tax assets related to tax goodwill from previous acquisitions were not more likely than not realizable and therefore the Company maintained valuation allowances for March 31, 2018, 2017 and 2016 of $9,469, $10,984 and $11,728, respectively.

As of March 31, 2018 , 2017 , and 2016 , the Company had recorded liabilities for interest and penalties related to uncertain tax positions in the amounts of $934 , $816 , and $313 net of any future tax benefit of such interest, respectively. Unrecognized tax positions totaled $4,563 , $3,694 and $1,024 as of March 31, 2018 , 2017 , and 2016 , 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.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

A reconciliation of the unrecognized tax position for the years ended March 31, 2018 , 2017 , and 2016 is as follows:

	March 31, 2018	March 31, 2017	March 31, 2016
Unrecognized tax position at the beginning of the year	$ 3,694	$ 1,024	$ 133
Increases related to prior year tax positions	1,033	2,670	891
Decreases related to prior year tax positions	(164)		
Unrecognized tax position at the end of the year	$ 4,563	$ 3,694	$ 1,024

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 for fiscal 2016 through the date of the IPO. 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, 2018, all of the federal income tax returns filed since 2015 by ORIX USA which include the Company as a subsidiary or filed by the Company are still subject to adjustment upon audit. The Company is currently under federal income tax audit by the Internal Revenue Service for the year ended March 31, 2016. The Company also files combined and separate income tax returns in many states which are also open to adjustment. Additionally, ORIX USA is currently under California audit for the years ended March 31, 2012, March 31, 2013 and March 31, 2014, Illinois audit for the years ended March 31, 2013, March 31, 2014, and March 31, 2015, as well as under Minnesota audit for the years ended March 31, 2013, March 31, 2014, March 31, 2015 and March 31, 2016.

(12) NET INCOME PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS

The calculations of basic and diluted net income per share attributable to holders of shares of common stock for the years ended March 31, 2018 , 2017 , and 2016 are presented below.

	Twelve Months Ended March 31,		
	2018	2017	2016
Numerator:			
	$ 172,283	$ 108,343	$ 69,741

Net income attributable to holders of shares of common stock basic			
Net income attributable to holders of shares of common stock diluted	$ 172,283	$ 108,343	$ 69,741
Denominator:			
Weighted average shares of common stock outstanding basic	62,494,275	61,100,497	59,044,981
Weighted average number of incremental shares issuable from unvested restricted stock and restricted stock units, as calculated using the treasury stock method	3,829,818	5,478,633	4,430,922
Weighted average shares of common stock outstanding diluted	66,324,093	66,579,130	63,475,903
Net income per share attributable to holders of shares of common stock			
Basic	$ 2.76	$ 1.77	$ 1.18
Diluted	$ 2.60	$ 1.63	$ 1.10

72

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

(13) EMPLOYEE BENEFIT PLANS

(a) 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 $2,018 , $2,321 and $2,060 during the years ended March 31, 2018 , 2017 and 2016 , respectively, to these defined contribution plans.

(b) Share-Based Incentive Plans
During the period it was a subsidiary of Fram, certain employees of HL CA were granted restricted shares of Fram. Compensation expense related to these shares was recorded at the HL CA level as it was related to services provided by its employees. Under its 2006 incentive plan (the 2006 Incentive Plan), Fram granted restricted share awards to employees of the Company as a component of annual incentive pay and occasionally in conjunction with new hire employment. Under the 2006 Incentive Plan, awards typically vested after three years of service from the date of grant. Forfeitures of unvested share awards are recognized as they occur. Prior to the IPO, the grant-date fair value of each award was determined by Fram s board of directors as discussed further below. In addition, the stock grants to employees of the Company in connection with the IPO were made under the 2006 Incentive Plan.

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 24,250 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, and (vi) three independent directors in the first quarter of fiscal 2018 at $33.54 per share.

In March 2016, the FASB issued ASU No. 2016-09 which simplified several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification in the statement of cash flows. The Company adopted ASU 2016-09 in the first quarter of fiscal 2018. The changes that impacted the Company included a requirement that excess tax benefits and deficiencies be recognized as a component of provision for income taxes on the consolidated statements of comprehensive income rather than additional paid-in capital on the consolidated statements of changes in stockholders equity as required in the previous guidance. Under the transition provisions, we have applied this new guidance prospectively with respect to excess tax benefits arising from vesting of share awards and are no longer presented within financing activities in the Consolidated Statements of Cash Flows and are included the change in income taxes receivable (payable) as an operating activity in the Consolidated Statements of Cash Flows for the year ended March 31, 2018. During the year ended March 31, 2018 excess tax benefits of $16,173 were recorded as as a component of the provision for income taxes and an operating activity on the Consolidated Statements of Cash Flows. The adoption of ASU 2016-09 resulted in a decrease to the provision for income taxes due to the vesting of share awards that were accelerated on February 14, 2017. The decrease to the provision occurred in the first quarter of fiscal 2018 because the Company s tax deduction is delayed to its tax year that corresponds to the tax year that the employees report the taxable income. In addition, there was an additional decrease to the provision due to the vesting of share awards that were accelerated on October 21, 2017. As required under the transition provisions, we reclassified, on a retrospective basis, a cash outflow of $22,756 related to the settlement of share-based awards in satisfaction of withholding tax requirements from operating activities to financing activities for the year ended March 31, 2017.

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

The share awards are classified as equity awards at the time of grant unless the number of shares granted is unknown. Award offers 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 2006 Incentive Plan and the 2016 Incentive Plan during the years ended March 31, 2018 and 2017 is as follows:

Nonvested share awards	Shares	Weighted average grant date fair value
Balance at April 1, 2016	5,903,168	$ 18.80
Granted	1,604,120	25.24
Vested	(2,791,213)	18.33
Forfeited	(1,089,805)	18.77
Balance at March 31, 2017	3,626,270	$ 22.35
Granted	1,235,779	34.86
Vested	(1,023,078)	24.03
Shares repurchased/forfeited	(984,078)	24.60
Balance at March 31, 2018	2,854,893	$ 26.39

Activity in liability classified share awards during the years ended March 31, 2018 and 2017 is as follows:

Awards settleable in shares	Fair value
Balance at April 1, 2016	$ 13,982
Offer to grant	5,625
Share price determined-converted to cash payments	(1,687)
Share price determined-transferred to equity grants 1	(4,752)
Forfeited	(425)
Balance at March 31, 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 at March 31, 2018	$ 15,493

[1] 0 and 183,570 shares for the years ended March 31, 2018 and 2017, respectively.
Compensation expenses for the Company associated with both equity and liability classified awards totaled $47,111 , $45,059 , and $35,057 for the years ended March 31, 2018 , 2017 , and 2016 , respectively. At March 31, 2018 , there was $74,950 of total unrecognized compensation cost related to unvested share awards granted under both the 2006 Incentive Plan and 2016 Incentive Plan. That cost is expected to be recognized over a weighted average period of 1.6 years .

On February 14, 2017, in connection with the February 2017 Follow-on Offering discussed in notes 1 and 3, the Company accelerated the vesting of certain awards that were due to vest in April and May 2017. On October 30, 2017, in connection with the October 2017 Follow-on Offering discussed in notes 1 and 3, the Company accelerated the vesting of certain awards that were due to vest in April and May 2018. Under the terms of both the 2006 Incentive Plan and 2016 Incentive Plan, upon the vesting of awards, shares may be withheld to meet the minimum statutory tax withholding requirements. The Company satisfied such obligations upon vesting by retiring 704,528 shares upon the accelerated vesting of 1,907,890 shares and 806,248 shares upon the accelerated vesting of 1,737,461 shares in February 2017 and October 2017, respectively.

74

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

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.

Prior to the IPO, the Fram board of directors determined the fair value of the shares using input from a third party, which used a combination of historical and forecasted results and market data. The methods used to estimate the fair value of Fram shares included the market approach and the income approach. Under the market approach, fair value was determined by multiplying revenues of comparable public companies by the relevant valuation multiple, adjusted for any differences with the referenced comparable. Under the income approach, fair value was determined by converting future cash flows to a single present amount (discounted) using current expectations about those future amounts. The significant assumptions used to develop the fair value estimates included the discount rate (11.5% for 2015) used under the income approach and revenue multiples (0.9 x - 4.4 x for 2015) used under the market approach.

(14) STOCKHOLDERS EQUITY

(a) Class A Common Stock

In conjunction with the Company s IPO, 12,075,000 Class A shares were sold to the public by existing shareholders and 9,524 Class A shares were issued to non-employee directors. During the year ended March 31, 2017, an additional 9,200,000 Class A shares were sold to the public in the February 2017 Follow-on Offering as discussed in note 1, 9,137 shares were issued to non-employee directors, and 733,150 shares were converted from Class B to Class A. Each share of Class A common stock is entitled to one vote per share. During the year ended March 31, 2018 , 5,589 shares were issued to non-employee directors, and 1,252,242 shares were converted from Class B to Class A, in

October and November 2017 an additional 3,750,000 Class A shares and in March 2018 an additional 4,000,000 shares were sold to the public in the October 2017 and March 2018 Follow-on Offerings as discussed in note 1. As of March 31, 2018 , there were 438,240 shares of Class A common stock held by ORIX USA. Each share of Class A common stock is entitled to one vote per share.

(b) Class B Common Stock

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. In April 2017, the Company settled its $192,372 forward purchase obligation with a related party and the funds held in escrow were released and the related 6,900,000 Class B shares were retired. In April 2017 and March 2018, the Company repurchased 71,913 and 68,504 shares, respectively of Class B common stock from employees received pursuant to contractual arrangements entered into in connection with a prior acquisition. As of March 31, 2018 (before giving effect to the transaction under the January 2018 Forward Share Purchase Agreement), there were 25,477,601 Class B shares held by the HL Voting Trust and 11,710,331 Class B shares held by ORIX USA.

(c) Dividends

Unpaid dividend of $3,983 and $3,284 were declared previously related to unvested shares as of March 31, 2018 and 2017 , respectively.

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

(d) Noncontrolling interests
Net income (loss) attributable to noncontrolling interests primarily represents the income (loss) associated with persons other than Houlihan Lokey that are its co-investors in a consolidated subsidiary that holds an equity method investment in an unconsolidated entity. As described in note 1, the assets associated with certain noncontrolling interests were distributed to shareholders in conjunction with a pre-IPO dividend in August 2015.

(e) 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.

(f) Share repurchase program
In February 2017, the board of directors authorized the repurchase of up to $50.0 million of the Company s Class A common stock. In May 2017, the Company entered into a stock buyback program with a third-party financial institution to purchase shares of common stock. During the twelve months ended March 31, 2018, the Company repurchased and retired 430,237 shares of its outstanding common stock at a weighted average price of $35.17 per share, excluding commissions, for an aggregate purchase price of $15,131 .

(15) 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.

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 of the loan payable to affiliate, the loans payable to former shareholders, and the loan payable to non-affiliates are as follows:

Year ended March 31:		
2019	$	989
2020		654
2021		575
2022		280
2023		201
2024 and thereafter		9,162

Total	$ 11,861

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, 2018 or 2017 .

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

In addition, an acquisition made in January 2015 included contingent consideration with a carrying value of $0 and $2,619 , respectively, as of March 31, 2018 and 2017 , and non-contingent consideration with a carrying value of $226 and $3,181 , respectively, as of March 31, 2018 and 2017 , which are included in other liabilities in the accompanying consolidated balance sheets. An acquisition made in January 2017 included contingent consideration with a carrying value of $4,085 and non-contingent consideration with a carrying value of $1,918 as of March 31, 2018 , which are included in other liabilities in the accompanying consolidated balance sheets.

Straight-line rent expense under noncancelable operating lease arrangements and the related operating expenses were approximately $27,799 , $26,205 , and $25,645 for the years ended March 31, 2018 , 2017 , and 2016 , respectively. The approximate future minimum annual noncancelable rental commitments required under these agreements with initial terms in excess of one year are as follows:

Year ended March 31:	
2019	$ 22,186
2020	21,795
2021	20,277
2022	17,236
2023	12,804
2024 and thereafter	28,471
Total	$ 122,769

(16) 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 represents each segment s profit, which consists of segment revenues, less (1) direct expenses including compensation, employee recruitment, 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 Resources, Human Capital Management, Marketing, Information Technology, and Compliance and Legal. The following tables present information about revenues, profit and assets by segment and geography.

77

Table of Contents

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

	Year ended March 31, 2018	2017	2016
Revenues by segment:			
Corporate Finance	$ 528,643	$ 434,558	$ 371,790
Financial Restructuring	294,142	307,595	202,343
Financial Advisory Services	140,579	129,938	119,632
Total segment revenues	$ 963,364	$ 872,091	$ 693,765
Segment profit			
Corporate Finance	$ 177,575	$ 119,739	$ 103,447
Financial Restructuring	73,691	92,831	54,950
Financial Advisory Services	26,334	28,905	30,313
Total segment profit	277,600	241,475	188,710
Corporate expenses	63,154	59,480	62,310
Other income (expense), net	(3,390)	3,508	770
Income before provision for income taxes	$ 217,836	$ 178,487	$ 125,630

	March 31, 2018	March 31, 2017	March 31, 2016
Assets by segment:			
Corporate Finance	$ 337,584	$ 316,561	$ 309,605
Financial Restructuring	185,486	193,275	196,473
Financial Advisory Services	126,034	121,640	111,637
Total segment assets	649,104	631,476	617,715
Corporate assets	769,737	754,231	453,169
Total assets	$ 1,418,841	$ 1,385,707	$ 1,070,884

	March 31, 2018	2017	2016
Revenues by geography:			
United States	$ 830,079	$ 760,450	$ 601,197
International	133,285	111,641	92,568
Total revenues	$ 963,364	$ 872,091	$ 693,765

	March 31, 2018	2017	2016
Income before provision for income taxes by geography:			
United States	$ 185,380	$ 154,268	$ 108,221
International	32,456	24,219	17,409
Total income before provision for income taxes	$ 217,836	$ 178,487	$ 125,630

78

HOULIHAN LOKEY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(All tables and balance disclosures are in thousands, except share data or otherwise stated)

	March 31, 2018	March 31, 2017	March 31, 2016
Assets by geography:			
United States	$ 957,897	$ 964,273	$ 721,937
International	460,944	421,434	348,947
Total assets	$ 1,418,841	$ 1,385,707	$ 1,070,884

(17) SUBSEQUENT EVENTS

On May 4, 2018, the Board of Directors of the Company declared a regular quarterly cash dividend of $0.27 per share for holders of record as of June 4, 2018 and payable on June 15, 2018.

On April 4, 2018, the Company completed it s acquisition of Quayle Munro Limited (Quayle Munro), an independent advisory firm that provides corporate finance advisory services to companies underpinned by data & analytics, content, software, and services.

On April 5, 2018, the Company settled its $93,500 forward purchase obligation with a related party and the funds held in escrow were released and the related 2,000,000 Class B shares were retired.

On May 22, 2018 the Company completed it s acquisition of BearTooth Advisors (BearTooth), an independent advisory firm that provides strategic advisory and placement agency services to alternative investment managers.

The Company has evaluated subsequent events from the consolidated balance sheet date through the date at which the consolidated financial statements were available to be issued. As a result of that evaluation, we have determined that there were no additional subsequent events requiring disclosure in the financial statements.

Table of Contents

SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results of Operations (Unaudited)

($ in thousands, except per share data)

	For the Three Months Ended			
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
Revenues	$ 217,491	$ 242,183	$ 258,937	$ 244,753
Total operating expenses	170,618	188,857	204,452	184,991
Operating income	46,873	53,326	54,485	59,762
Net income attributable to Houlihan Lokey, Inc.	$ 39,244	$ 33,357	$ 61,583	$ 38,099
Net income per share of common stock:				
Basic	$ 0.63	$ 0.54	$ 0.98	$ 0.61
Diluted	$ 0.59	$ 0.50	$ 0.93	$ 0.58
Dividends declared per share of common stock	$ 0.20	$ 0.20	$ 0.20	$ 0.20

	For the Three Months Ended			
	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017
Revenues	$ 180,774	$ 186,537	$ 247,680	$ 257,100
Total operating expenses	147,913	151,560	190,857	199,766
Operating income	32,861	34,977	56,823	57,334
Net income attributable to Houlihan Lokey, Inc.	$ 19,411	$ 20,876	$ 33,980	$ 34,076
Net income per share of common stock:				
Basic	$ 0.32	$ 0.34	$ 0.56	$ 0.55
Diluted	$ 0.29	$ 0.31	$ 0.51	$ 0.51
Dividends declared per share of common stock	$ 0.17	$ 0.17	$ 0.17	$ 0.20

Table of Contents

Schedule II Valuation and Qualifying Accounts

March 31, 2018, 2017 and 2016

($ in thousands)

Allowance for Uncollectible Accounts

Balance April 1, 2015	$ 6,786
Provision for bad debts	2,538
Write-off of uncollectible accounts	(1,480)
Balance March 31, 2016	$ 7,844
Provision for bad debts	4,008
Write-off of uncollectible accounts	(653)
Balance March 31, 2017	$ 11,199
Provision for bad debts	1,983
Write-off of uncollectible accounts	(1,791)
Balance March 31, 2018	$ 11,391

Table of Contents

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.

Table of Contents

Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference 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	
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	
10.1	Stockholders Agreement, dated as of August 18, 2015, by and among the Company and the holders identified therein	8-K	333-205610	10.1	8/21/15	
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	Registration Rights Agreement, dated as of August 18, 2015, by and between the Company and ORIX HLHZ Holding, LLC	8-K	333-205610	10.2	8/21/15	
10.6	Form of HL Lock- up Agreement	S-1	333-205610	10.2	7/10/15	
10.7	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	
10.8	Transition Services Agreement, dated as of August 18, 2015, by and between ORIX USA, LP and the Company	8-K	333-205610	10.4	8/21/15	
10.9		8-K	333-205610	10.5	8/21/15	

	Amended and Restated Subordinated Promissory Note, effective as of August 18, 2015, issued by the Company to ORIX USA Corporation				
10.10	Credit Agreement, dated as of August 18, 2015, by and among the Company, certain domestic subsidiaries of the Company party thereto and Bank of America, N.A.	8-K	333-205610	10.6	8/21/15
10.11	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
10.12	Cash Management Agreement, entered into on August 18, 2015, by and between Houlihan Lokey Capital (Holdings) Ltd. And ORIX Global Capital, Ltd	8-K	333-205610	10.8	8/21/15
10.13	Form of Indemnification Agreement between Houlihan Lokey, Inc. and its directors and executive officers	S-1/A	333-205610	10.8	7/27/15

Table of Contents

10.14	Guarantee Agreement, dated as of August 18, 2015, by and between Houlihan Lokey Capital (Holdings) Ltd. and ORIX USA Corporation	8-K	333-205610	10.9	8/21/15	
10.15	Houlihan Lokey, Inc. Second Amended and Restated 2006 Incentive Compensation Plan	S-1/A	333-205610	10.9	8/3/15	
10.16	Letter Agreement, dated as of August 18, 2015, by and among the Company, ORIX USA Corporation and Fram Holdings, LLC	8-K	333-205610	10.10	8/21/15	
10.17	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	
10.18	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	
10.19	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	
10.20	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	
10.21	Houlihan Lokey, Inc. Director Compensation Program	10-K	001-37537	10.21	5/25/18	
10.22	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	10-K	001-37537	21.1	5/25/18	
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					**
101.INS	XBRL Instance Document					**
101.SCH	XBRL Taxonomy Extension Schema Document					**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					**

101.LAB	XBRL Taxonomy Extension Label Linkbase Document	**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	**

* Filed herewith.

** Furnished herewith.

In accordance with Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections

Indicates a management contract or compensation plan or arrangement.

Table of Contents

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: February 20, 2019	By: /s/ Scott L. Beiser
	Name: Scott L. Beiser
	Title: Chief Executive Officer

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: February 20, 2019	/s/ Scott L. Beiser Scott L. Beiser *Chief Executive Officer* *(Principal Executive Officer)*
Date: February 20, 2019	* J. Lindsey Alley *Chief Financial Officer* *(Principal Financial and Accounting Officer)*
Date: February 20, 2019	* Irwin N. Gold *Executive Chairman and Director*
Date: February 20, 2019	* Scott J. Adelson *Co-President and Director*
Date: February 20, 2019	* David A. Preiser *Co-President and Director*

Date: February 20, 2019	* Hideto Nishitani *Director*
Date: February 20, 2019	* Jacqueline B. Kosecoff *Director*
Date: February 20, 2019	* Robert A. Schriesheim *Director*
Date: February 20, 2019	* Bennet Van de Bunt *Director*

*By: /s/ Scott L. Beiser
Scott L. Beiser
Attorney-in-Fact