

HOULIHAN LOKEY, INC.  
Form 10-Q  
August 09, 2018

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

Form 10-Q

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

For the quarterly period ended June 30, 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 (I.R.S. Employer incorporation or organization) Identification Number)

10250 Constellation Blvd.

5<sup>th</sup> 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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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  (Do not check if a smaller reporting company) 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.

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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 August 7, 2018, the registrant had 34,265,897 shares of Class A common stock, \$0.001 par value per share, and 31,667,565 shares of Class B common stock, \$0.001 par value per share, outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## HOULIHAN LOKEY, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

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

	June 30, 2018 (unaudited)	March 31, 2018
Assets:		
Cash and cash equivalents	\$144,244	\$206,723
Restricted cash (note 2)	366	93,500
Investment securities (fair value of \$15,663 and \$209,266 as of June 30 and March 31, 2018, respectively)	15,657	209,319
Accounts receivable, net of allowance for doubtful accounts of \$11,027 and \$11,391 as of June 30 and March 31, 2018, respectively	84,800	77,259
Unbilled work in process	32,890	45,862
Receivable from affiliates	8,762	8,732
Property and equipment, net of accumulated depreciation \$38,815 and \$37,078 as of June 30 and March 31, 2018, respectively	31,871	32,146
Goodwill and other intangibles, net	802,071	723,310
Other assets	26,616	21,990
Total assets	\$1,147,277	\$1,418,841
Liabilities and Stockholders' Equity		
Liabilities:		
Accrued salaries and bonuses	\$189,688	\$377,901
Accounts payable and accrued expenses	41,247	40,772
Deferred income	31,153	3,620
Income taxes payable	17,239	9,967
Deferred income taxes	16,112	22,180
Forward purchase liability	—	93,500
Loans payable to former shareholders	2,896	3,036
Loan payable to non-affiliate	8,862	8,825
Other liabilities	20,725	6,227
Total liabilities	327,922	566,028
Stockholders' equity:		
Class A common stock, \$0.001 par value. Authorized 1,000,000,000 shares; issued and outstanding 33,509,497 and 30,604,405 shares as of June 30 and March 31, 2018, respectively	34	31
Class B common stock, \$0.001 par value. Authorized 1,000,000,000 shares; issued and outstanding 32,678,476 and 37,187,932 shares as of June 30 and March 31, 2018, respectively	33	37
Treasury stock, at cost; 0 and 2,000,000 shares as of June 30 and March 31, 2018, respectively	—	(93,500 )
Additional paid-in capital	644,125	753,077
Retained earnings	201,702	207,124
Accumulated other comprehensive loss	(26,539 )	(13,956 )
Total stockholders' equity	819,355	852,813
Total liabilities and stockholders' equity	\$1,147,277	\$1,418,841

The accompanying notes are an integral part of these unaudited interim financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in thousands, except share and per share data)

(unaudited)

	Three Months Ended	
	June 30,	
	2018	2017
Revenues <sup>(a)</sup>	\$220,002	\$217,491
Operating expenses:		
Employee compensation and benefits	139,181	145,509
Travel, meals, and entertainment	9,587	5,678
Rent	8,188	7,190
Depreciation and amortization	3,468	1,974
Information technology and communications	5,589	4,276
Professional fees	6,277	2,387
Other operating expenses <sup>(b)</sup>	7,584	3,604
Total operating expenses	179,874	170,618
Operating income	40,128	46,873
Other (income) expenses, net <sup>(c)</sup>	(1,606 )	(1,506 )
Income before provision for income taxes	41,734	48,379
Provision for income taxes	12,052	9,135
Net income	\$29,682	\$39,244
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	(12,583 )	5,061
Comprehensive income	\$17,099	\$44,305

Attributable to Houlihan Lokey, Inc. common stockholders:

Weighted average shares of common stock outstanding:

Basic	62,985,084	62,343,589
Fully Diluted	66,154,212	66,370,249
Net income per share of common stock (note 13)		
Basic	\$0.47	\$0.63
Fully Diluted	\$0.45	\$0.59

(a) including related party fee revenue of \$2,297 and \$238 during the three months ended June 30, 2018 and 2017, respectively.

(b) including related party income of \$0 and \$172 during the three months ended June 30, 2018 and 2017, respectively.

(c) including related party interest expense of \$0 and \$62 during the three months ended June 30, 2018 and 2017, respectively. Also, including related party interest income of \$24 and \$32 during the three months ended June 30, 2018 and 2017, respectively. The Company recognized gain related to investments in unconsolidated entities of \$453 and \$170 for the three months ended June 30, 2018 and 2017, respectively.

The accompanying notes are an integral part of these unaudited interim financial statements.

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HOULIHAN LOKEY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
Three Months Ended June 30, 2018 and 2017

(\$ in thousands)  
(unaudited)

	HLI Class A common stock		HLI Class B common stock		Treasury Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Stock subscriptions receivable	Total stockholders' equity
	Shares	\$	Shares	\$	Shares	\$					
Balances – April 1, 2017	22,026,811	\$22	50,883,299	\$51	(6,900,000)	(\$193,552)	\$752,750	\$87,407	\$(21,917)	\$(124)	\$726,600
Shares issued	—	—	1,217,605	1	—	—	118	—	—	—	119
Stock compensation vesting (note 14)	—	—	—	—	—	—	10,556	—	—	—	10,556
Dividends	—	—	—	—	—	—	—	(13,144)	—	—	(13,144)
Stock subscriptions receivable redeemed	—	—	—	—	—	—	—	—	—	124	124
Retired shares upon settlement of forward purchase agreement	—	—	(6,900,000)	(7)	6,900,000	193,552	(592,565)	—	—	—	—
Conversion of Class B to Class A shares	1,516,590	1	(1,516,590)	(1)	—	—	—	—	—	—	—
Shares issued to non-employee directors (note 14)	5,589	—	—	—	—	—	—	—	—	—	—
Shares repurchase program (note 14)	(168,246)	—	—	—	—	—	(5,714)	—	—	—	(5,714)
Other shares repurchased/forfeited	—	—	(108,616)	—	—	—	(1,841)	—	—	—	(1,841)
Net income	—	—	—	—	—	—	—	39,244	—	—	39,244
Change in unrealized translation	—	—	—	—	—	—	—	—	5,061	—	5,061
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	44,305
Balances - June 30, 2017	23,380,744	\$23	43,575,698	\$44	—	—	\$664,304	\$113,507	\$(16,856)	\$—	\$761,000
	HLI Class A common stock		HLI Class B common stock		Treasury Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Stock subscriptions receivable	Total stockholders' equity
	Shares	\$	Shares	\$	Shares	\$					
Balances – April 1, 2018	30,604,405	\$31	37,187,932	\$37	(2,000,000)	(\$93,500)	\$753,077	\$207,124	\$(13,956)	\$—	(\$85,850)
Cumulative effect of the change in accounting principle	—	—	—	—	—	—	—	(17,687)	—	—	(17,687)

related to revenue  
recognition from  
contracts with clients,  
net of tax

Shares issued	—	—	1,152,675	2	—	—	6,007	—	—	—6,007
Stock compensation vesting (note 14)	—	—	—	—	—	—	14,537	—	—	—14,537
Dividends	—	—	—	—	—	—	—	(17,417)	—	(17,417)
Secondary offering	3,000,000	3	(3,000,000)	(3)	—	—	—	—	—	—
Retired shares upon settlement of forward purchase agreement	—	—	(2,000,000)	(2)	2,000,000	93,500	(93,498)	—	—	—
Conversion of Class B to Class A shares	597,880	1	(597,880)	(1)	—	—	—	—	—	—
Shares issued to non-employee directors (note 14)	4,212	—	—	—	—	—	—	—	—	—
Other shares repurchased/forfeited	(697,000)	(1)	(64,251)	—	—	—	(35,998)	—	—	—(35,998)
Net income	—	—	—	—	—	—	—	29,682	—	—29,682
Change in unrealized translation	—	—	—	—	—	—	—	—	(12,583)	—(12,583)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—17,000
Balances - June 30, 2018	33,509,497	\$34	32,678,476	\$33	—	\$—	\$644,125	\$201,702	\$(26,539)	\$—\$81,000

The accompanying notes are an integral part of these unaudited interim financial statements.



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HOULIHAN LOKEY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(\$ in thousands, except share data)  
(unaudited)

	Three Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$29,682	\$39,244
Adjustments to reconcile net income to net cash used in operating activities:		