

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

(Mark one)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended **September 30, 2021**
- 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 001-32147

**GREENHILL & CO., INC.**

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction  
of Incorporation or Organization)

51-0500737

(I.R.S. Employer  
Identification No.)

1271 Avenue of Americas  
New York, New York

(Address of Principal Executive Offices)

10020  
(ZIP Code)

Registrant's telephone number, including area code: (212) 389-1500

Securities registered pursuant to Section 12(b) of the Act		
Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, par value \$0.01 per share	GHL	The New York Stock Exchange

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

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

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

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 October 31, 2021, there were 18,493,925 shares of the registrant's common stock outstanding.

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>PART I. Financial Information</u></b>	
1. <u>Financial Statements</u>	
<u>Condensed Consolidated Statements of Financial Condition as of September 30, 2021 (unaudited) and December 31, 2020</u>	<u>4</u>
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2021 and 2020 (unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2021 and 2020 (unaudited)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2021 and 2020 (unaudited)</u>	<u>7</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2021 and 2020 (unaudited)</u>	<u>8</u>
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>9</u>
2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
4. <u>Controls and Procedures</u>	<u>27</u>
<b><u>PART II. Other Information</u></b>	
1. <u>Legal Proceedings</u>	<u>27</u>
1A. <u>Risk Factors</u>	<u>27</u>
2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>27</u>
3. <u>Defaults Upon Senior Securities</u>	<u>28</u>
4. <u>Mine Safety Disclosures</u>	<u>28</u>
5. <u>Other Information</u>	<u>28</u>
6. <u>Exhibits</u>	<u>E-1</u>
<u>Signatures</u>	<u>1</u>
Exhibits	

## AVAILABLE INFORMATION

Greenhill & Co., Inc. files current, annual and quarterly reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with the United States Securities and Exchange Commission (the “SEC”). Our SEC filings are also available to the public from the SEC’s internet site at <http://www.sec.gov>.

Our public internet site is <http://www.greenhill.com>. We make available free of charge through our internet site, via a link to the SEC’s internet site at <http://www.sec.gov>, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website in the “Corporate Governance” section, and available in print upon request of any stockholder to our Investor Relations Department, are the charters for our Audit Committee, Compensation Committee and Nominating & Corporate Governance Committee, our Corporate Governance Guidelines, Related Party Transaction Policy and Code of Business Conduct & Ethics governing our directors, officers and employees. The information on our website is not, and shall not be deemed to be, a part hereof or incorporated into this or any of our other filings with the SEC.

**Part I. Financial Information**  
**Item 1. Financial Statements**

**Greenhill & Co., Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Financial Condition**  
*(in thousands except share and per share data)*

	As of	
	September 30, 2021	December 31, 2020
	<i>(unaudited)</i>	
<b>Assets</b>		
Cash and cash equivalents (\$6.9 million and \$7.2 million restricted from use at September 30, 2021 and December 31, 2020, respectively)	\$ 100,435	\$ 112,703
Fees receivable, net of allowance for doubtful accounts of \$0.2 million and \$0.5 million at September 30, 2021 and December 31, 2020, respectively	42,532	80,919
Other receivables	6,777	5,285
Property and equipment, net of accumulated depreciation of \$19.4 million and \$17.5 million at September 30, 2021 and December 31, 2020, respectively	23,204	21,242
Operating lease right-of-use asset	76,041	76,440
Goodwill	209,483	215,936
Deferred tax asset, net	60,430	65,033
Other assets	15,961	8,241
Total assets	<u>\$ 534,863</u>	<u>\$ 585,799</u>
<b>Liabilities and Equity</b>		
Compensation payable	\$ 19,078	\$ 34,061
Accounts payable and accrued expenses	16,990	15,424
Current income taxes payable	8,612	6,031
Operating lease obligations	94,647	95,097
Secured term loan payable	287,391	321,046
Deferred tax liability	27,425	26,073
Total liabilities	<u>454,143</u>	<u>497,732</u>
Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 50,559,104 and 48,701,743 shares issued as of September 30, 2021 and December 31, 2020, respectively; 18,681,618 and 19,001,605 shares outstanding as of September 30, 2021 and December 31, 2020, respectively	506	487
Restricted stock units	49,446	59,412
Additional paid-in capital	968,649	937,025
Retained earnings	104,958	95,424
Accumulated other comprehensive income (loss)	(30,689)	(25,501)
Treasury stock, at cost, par value \$0.01 per share; 31,877,486 and 29,700,138 shares as of September 30, 2021 and December 31, 2020, respectively	(1,012,150)	(978,780)
Stockholders' equity	<u>80,720</u>	<u>88,067</u>
Total liabilities and equity	<u>\$ 534,863</u>	<u>\$ 585,799</u>

*See accompanying notes to condensed consolidated financial statements (unaudited).*

**Greenhill & Co., Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations (unaudited)**  
*(in thousands except share and per share data)*

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Revenues</b>	\$ 88,646	\$ 56,045	\$ 200,807	\$ 170,930
<b>Operating Expenses</b>				
Employee compensation and benefits .....	44,390	46,754	131,473	147,590
Occupancy and equipment rental .....	4,628	7,539	13,625	20,296
Depreciation and amortization .....	722	551	2,302	1,719
Information services .....	2,476	2,650	7,161	7,706
Professional fees .....	2,431	3,149	6,331	7,370
Travel related expenses .....	815	19	1,523	2,525
Other operating expenses .....	2,822	2,464	9,994	8,586
Total operating expenses .....	58,284	63,126	172,409	195,792
Total operating income (loss) .....	30,362	(7,081)	28,398	(24,862)
Interest expense .....	2,985	3,519	9,271	12,030
Income (loss) before taxes .....	27,377	(10,600)	19,127	(36,892)
Provision (benefit) for taxes .....	7,233	(1,225)	5,724	(4,976)
Net income (loss) .....	\$ 20,144	\$ (9,375)	\$ 13,403	\$ (31,916)
<b>Average shares outstanding:</b>				
Basic .....	19,046,407	18,962,834	19,387,582	18,918,291
Diluted .....	23,751,697	18,962,834	24,192,080	18,918,291
<b>Earnings (loss) per share:</b>				
Basic .....	\$ 1.06	\$ (0.49)	\$ 0.69	\$ (1.69)
Diluted .....	\$ 0.85	\$ (0.49)	\$ 0.55	\$ (1.69)

*See accompanying notes to condensed consolidated financial statements (unaudited).*

**Greenhill & Co., Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Comprehensive Income (unaudited)**  
*(in thousands)*

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss) .....	\$ 20,144	\$ (9,375)	\$ 13,403	\$ (31,916)
Currency translation adjustment, net of tax .....	(4,035)	4,160	(5,188)	(50)
Comprehensive income (loss) .....	\$ 16,109	\$ (5,215)	\$ 8,215	\$ (31,966)

*See accompanying notes to condensed consolidated financial statements (unaudited).*

**Greenhill & Co., Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited)**  
*(in thousands, except per share data)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Common stock, par value \$0.01 per share</b>				
Common stock, beginning of the period .....	\$ 505	\$ 485	\$ 487	\$ 468
Common stock issued .....	1	1	19	18
Common stock, end of the period .....	<u>506</u>	<u>486</u>	<u>506</u>	<u>486</u>
<b>Restricted stock units</b>				
Restricted stock units, beginning of the period .....	44,131	52,257	59,412	77,657
Restricted stock units recognized, net of forfeitures .....	7,496	7,180	22,535	28,013
Restricted stock units delivered .....	(2,181)	(2,866)	(32,501)	(49,099)
Restricted stock units, end of the period .....	<u>49,446</u>	<u>56,571</u>	<u>49,446</u>	<u>56,571</u>
<b>Additional paid-in capital</b>				
Additional paid-in capital, beginning of the period .....	966,483	933,315	937,025	887,095
Common stock issued .....	2,166	2,585	31,624	48,805
Additional paid-in capital, end of the period .....	<u>968,649</u>	<u>935,900</u>	<u>968,649</u>	<u>935,900</u>
<b>Retained earnings</b>				
Retained earnings, beginning of the period, as previously reported .....	86,114	43,881	95,424	69,093
Cumulative effect of the change in accounting principle related to credit losses .....	—	—	—	(123)
Retained earnings, beginning of the period, as adjusted .....	86,114	43,881	95,424	68,970
Dividends .....	(1,300)	(1,311)	(3,869)	(3,859)
Net income (loss) .....	20,144	(9,375)	13,403	(31,916)
Retained earnings, end of the period .....	<u>104,958</u>	<u>33,195</u>	<u>104,958</u>	<u>33,195</u>
<b>Accumulated other comprehensive income (loss)</b>				
Accumulated other comprehensive income (loss), beginning of the period ..	(26,654)	(38,325)	(25,501)	(34,115)
Currency translation adjustment, net of tax .....	(4,035)	4,160	(5,188)	(50)
Accumulated other comprehensive income (loss), end of the period .....	<u>(30,689)</u>	<u>(34,165)</u>	<u>(30,689)</u>	<u>(34,165)</u>
<b>Treasury stock, at cost, par value \$0.01 per share</b>				
Treasury stock, beginning of the period .....	(1,002,623)	(978,145)	(978,780)	(955,523)
Repurchased .....	(9,527)	(422)	(33,370)	(23,044)
Treasury stock, end of the period .....	<u>(1,012,150)</u>	<u>(978,567)</u>	<u>(1,012,150)</u>	<u>(978,567)</u>
<b>Total stockholders' equity</b> .....	<u>\$ 80,720</u>	<u>\$ 13,420</u>	<u>\$ 80,720</u>	<u>\$ 13,420</u>

*See accompanying notes to condensed consolidated financial statements (unaudited).*

**Greenhill & Co., Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (unaudited)**  
*(in thousands)*

	For the Nine Months Ended September 30,	
	2021	2020
<b>Operating activities:</b>		
Net income (loss) .....	\$ 13,403	\$ (31,916)
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Non-cash items included in net income (loss):		
Depreciation and amortization .....	3,647	3,054
Net investment (gains) losses .....	(373)	239
Restricted stock units recognized, net .....	22,535	28,013
Deferred taxes, net .....	8,089	5,938
Allowance for doubtful accounts .....	94	(77)
Loss (gain) on sales of property and equipment .....	—	127
Changes in operating assets and liabilities:		
Fees receivable .....	38,294	51,865
Other receivables and assets .....	(10,061)	(16,150)
Compensation payable .....	(14,680)	(11,577)
Accounts payable and accrued expenses .....	655	6,434
Current income taxes payable .....	2,581	(4,798)
Net cash provided by operating activities .....	64,184	31,152
<b>Investing activities:</b>		
Purchases of investments .....	—	(2,050)
Proceeds from sales of investments .....	1,190	847
Distributions from investments .....	32	27
Purchases of property and equipment .....	(4,335)	(5,418)
Net cash used in investing activities .....	(3,113)	(6,594)
<b>Financing activities:</b>		
Repayment of secured term loan .....	(35,000)	(18,750)
Dividends paid .....	(4,171)	(3,145)
Purchase of treasury stock .....	(33,370)	(23,044)
Net cash used in financing activities .....	(72,541)	(44,939)
Effect of exchange rate changes .....	(798)	(2,856)
Net decrease in cash and cash equivalents .....	(12,268)	(23,237)
Cash and cash equivalents, beginning of the period .....	112,703	113,975
Cash and cash equivalents, end of the period .....	<u>\$ 100,435</u>	<u>\$ 90,738</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest .....	\$ 7,989	\$ 11,241
Cash paid for taxes, net of refunds .....	\$ (1,471)	\$ 9,316

*See accompanying notes to condensed consolidated financial statements (unaudited).*



**Greenhill & Co., Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements (unaudited)**

**Note 1 — Organization**

Greenhill & Co., Inc. and subsidiaries (the “Company” or “Greenhill”) is a leading independent investment bank that provides financial and strategic advice on significant domestic and cross-border mergers and acquisitions, restructurings, financings, capital raisings and other strategic transactions to a diverse client base, including corporations, partnerships, institutions and governments globally. The Company acts for clients located throughout the world from our global offices in the United States, Australia, Canada, France, Germany, Hong Kong, Japan, Singapore, Spain, Sweden, and the United Kingdom.

The Company’s wholly-owned subsidiaries provide advisory services in various jurisdictions. Our most significant operating entities include: Greenhill & Co., LLC (“G&Co”), Greenhill & Co. International LLP (“GCI”), Greenhill & Co. Europe GmbH & Co. KG (“Greenhill Europe”) and Greenhill & Co. Australia Pty Limited (“Greenhill Australia”).

G&Co is engaged in investment banking activities principally in the United States. G&Co is registered as a broker-dealer with the Securities and Exchange Commission (“SEC”) and the Financial Industry Regulatory Authority (“FINRA”), and is licensed in all 50 states and the District of Columbia. GCI is engaged in investment banking activities in the United Kingdom and Europe, and is subject to regulation by the U.K. Financial Conduct Authority (“FCA”). Greenhill Europe engages in investment banking activities in Europe and is subject to regulation by Bundesanstalt für Finanzdienstleistungsaufsicht (“Bafin”), Greenhill Australia engages in investment banking activities in Australia and New Zealand and is licensed and subject to regulation by the Australian Securities and Investment Commission (“ASIC”).

The Company also operates in other locations throughout the world, which are subject to regulation by other governmental and regulatory bodies and self-regulatory authorities.

**Note 2 — Summary of Significant Accounting Policies**

***Basis of Financial Information***

These condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP), which require management to make estimates and assumptions regarding future events that affect the amounts reported in our financial statements and these footnotes, including compensation accruals and other matters. Management believes that it has made all necessary adjustments so that the condensed consolidated financial statements are presented fairly and that the estimates used in preparing the condensed consolidated financial statements are reasonable and prudent. Actual results could differ materially from those estimates. Certain reclassifications have been made to prior year information to conform to current year presentation.

The condensed consolidated financial statements of the Company include all consolidated accounts of Greenhill & Co., Inc. and all other entities in which the Company has a controlling interest after eliminations of all significant inter-company accounts and transactions.

These condensed consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2020 included in the Company’s Annual Report on Form 10-K filed with the SEC. The condensed consolidated financial information as of December 31, 2020 has been derived from audited consolidated financial statements not included herein. The results of operations for interim periods are not necessarily indicative of results for the entire year.

***Revenue Recognition***

The Company recognizes revenue when (or as) services are transferred to clients. Revenue is recognized based on the amount of consideration that management expects to receive in exchange for these services in accordance with the terms of the contract with the client. To determine the amount and timing of revenue recognition, the Company must (1) identify the contract with the client, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company generally recognizes revenues for mergers and acquisitions engagements at the earlier of the announcement date or transaction date, as the performance obligation is typically satisfied at such time. Upfront fees and certain retainer fees are generally deferred until the announcement or transaction date as they are considered constrained (subject to significant reversal) prior to the announcement or transaction date. Fairness opinion fees are recognized when the opinion is delivered.

The Company recognizes revenues for financing advisory and restructuring engagements as the services are provided to the client, based on the terms of the engagement letter. In such arrangements, the Company's performance obligations are to provide financial and strategic advice throughout an engagement.

The Company recognizes revenues for private capital advisory fees when (1) the commitment of capital is secured (primary capital raising transactions) or the sale or transfer of the capital interest occurs (secondary market transactions) and (2) the fees are earned from the client in accordance with terms of the engagement letter. Upfront fees and certain retainer fees are deferred until the commitment is secured or the sale or transfer of the capital interest occurs, as the fees are considered constrained (subject to significant reversal) prior to such time.

As a result of the deferral of certain fees, deferred revenue (also known as contract liabilities) was \$9.2 million and \$7.1 million as of September 30, 2021 and December 31, 2020, respectively. Deferred revenue is included in accounts payable and accrued expenses in the condensed consolidated statements of financial condition. During the nine months ended September 30, 2021 and September 30, 2020, the Company recognized \$3.7 million and \$2.2 million of revenues, respectively, that were included in the deferred revenue (contract liabilities) balance at the beginning of each respective period.

The Company's clients reimburse certain expenses incurred by the Company in the conduct of advisory engagements. Client reimbursements totaled \$0.6 million and \$0.5 million for the three months ended September 30, 2021 and 2020, respectively and \$1.7 million and \$2.4 million for the nine months ended September 30, 2021 and 2020, respectively. Such reimbursements are reported as revenues and operating expenses with no impact to operating income.

### ***Cash and Cash Equivalents***

The Company's cash and cash equivalents consist of (i) cash held on deposit with financial institutions, (ii) cash equivalents and (iii) restricted cash. The Company maintains its cash and cash equivalents with financial institutions with high credit ratings. The Company considers all highly liquid investments with an original maturity date of three months or less, when purchased, to be cash equivalents. Cash equivalents primarily consist of money market funds and other short-term highly liquid investments with original maturities of three months or less and are carried at cost, plus accrued interest, which approximates the fair value due to the short-term nature of these investments.

Management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held. See "Note 3 — Cash and Cash Equivalents".

### ***Fees Receivable***

Receivables are stated net of an allowance for doubtful accounts. The estimate for the allowance for doubtful accounts is derived by the Company by utilizing past client transaction history and an assessment of the client's creditworthiness. The Company recorded bad debt expense of less than \$0.1 million and no bad debt expense in the three months ended September 30, 2021 and 2020, respectively. The Company recorded bad debt expense of \$0.1 million in the nine months ended September 30, 2021 and a net reversal of bad debt expense of \$0.1 million in the nine months ended September 30, 2020.

Included in the fees receivable balances at September 30, 2021 and December 31, 2020 were \$1.5 million and \$3.4 million, respectively, of long term receivables related to primary private capital advisory engagements which are generally paid in installments over a period of three years.

Credit risk related to fees receivable is disbursed across a large number of clients located in various geographic areas. The Company controls credit risk through credit approvals and monitoring procedures but does not require collateral to support accounts receivable.

### ***Goodwill***

Goodwill is the cost in excess of the fair value of identifiable net assets at the acquisition date. The Company tests its goodwill for impairment at least annually or more frequently where certain events or changes in circumstances indicate that goodwill may more likely than not be impaired. An impairment loss is triggered if the estimated fair value of an operating unit is less than the estimated net book value. Such loss is calculated as the difference between the estimated fair value of goodwill and its carrying value.

Goodwill is translated at the rate of exchange prevailing at the end of the periods presented in accordance with the accounting guidance for foreign currency translation. Any translation gain or loss is included in the foreign currency translation adjustment, which is included as a component of other comprehensive income (loss) in the condensed consolidated statements of changes in stockholders' equity.

### ***Compensation Payable***

Included in compensation payable are discretionary compensation awards comprised of accrued cash bonuses and long-term incentive compensation, consisting of deferred cash retention awards, which are non-interest bearing, and generally amortized ratably over a three to five-year service period after the date of grant.

### ***Restricted Stock Units***

The Company accounts for its share-based compensation payments by recording the fair value of restricted stock units (RSUs) granted to employees as compensation expense. The restricted stock units are generally amortized ratably over a three to five-year service period following the date of grant. Compensation expense is determined based upon the fair value of the Company's common stock at the date of grant. In certain circumstances the Company issues share-based compensation, which is contingent on achievement of certain performance targets. Compensation expense for performance-based awards begins at the time it is deemed probable that the performance target will be achieved and is amortized into expense over the remaining service period. The Company includes a forfeiture estimate in the aggregate compensation cost to be amortized.

As the Company expenses the awards, the restricted stock units recognized are recorded within stockholders' equity. The restricted stock units are reclassified into common stock and additional paid-in capital upon vesting. The Company records as treasury stock the repurchase of stock delivered to its employees in settlement of tax liabilities incurred upon the vesting of restricted stock units. The Company records dividend equivalent payments on outstanding restricted stock units eligible for such payment as a dividend payment and a charge to stockholders' equity.

### ***Earnings per Share***

The Company calculates basic earnings per share ("EPS") by dividing net income by the weighted average number of shares outstanding for the period. The Company calculates diluted EPS by dividing net income by the sum of (i) the weighted average number of shares outstanding for the period and (ii) the dilutive effect of the common stock deliverable pursuant to restricted stock units for which future service is required as calculated using the treasury stock method. See "Note 7 — Earnings per Share".

### ***Provision for Taxes***

The Company accounts for taxes in accordance with the accounting guidance for income taxes which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax bases of its assets and liabilities.

The Company follows the guidance for income taxes in recognizing, measuring, presenting and disclosing in its financial statements uncertain tax positions taken or expected to be taken on its income tax returns. Income tax expense is based on pre-tax accounting income, including adjustments made for the recognition or derecognition related to uncertain tax positions. The recognition or derecognition of income tax expense related to uncertain tax positions is determined under the guidance, and the Company's policy is to treat interest and penalties related to uncertain tax positions as part of pre-tax income.

Deferred tax assets and liabilities are recognized for the future tax attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period of change. Management applies the "more-likely-than-not criteria" when determining tax benefits.

The realization of deferred tax assets arising from timing differences and net operating losses requires taxable income in future years in order to deduct the reversing timing differences and absorb the net operating losses. We assess positive and negative evidence in determining whether to record a valuation allowance with respect to deferred tax assets. This assessment is performed separately for each taxing jurisdiction.

### ***Foreign Currency Translation***

Assets and liabilities denominated in foreign currencies have been translated at rates of exchange prevailing at the end of the periods presented in accordance with the accounting guidance for foreign currency translation. Income and expenses transacted in foreign currency have been translated at average monthly exchange rates during the period. Translation gains and losses are included in the foreign currency translation adjustment, which is included as a component of other comprehensive income (loss) in the condensed consolidated statements of changes in stockholders' equity. Foreign currency transaction gains and losses are included in the condensed consolidated statements of operations in other operating expenses.

## ***Financial Instruments and Fair Value***

The Company accounts for financial instruments measured at fair value in accordance with accounting guidance for fair value measurements and disclosures which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the pronouncement are described below:

### ***Basis of Fair Value Measurement***

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining the appropriate levels, the Company performs an analysis of the assets and liabilities that are subject to these disclosures. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3. Transfers between levels are recognized as of the end of the period in which they occur. See "Note 4 — Fair Value of Financial Instruments".

## ***Leases***

The Company leases office space for its operations around the globe. Certain leases include options to renew, which can be exercised at the Company's sole discretion. The Company determines if a contract contains a lease at contract inception. Operating lease assets represent the Company's right to use the underlying asset and operating lease liabilities represent the Company's obligation to make lease payments. Operating lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When determining the lease term, the Company generally does not include options to renew as it is not reasonably certain at contract inception that the Company will exercise the option(s). The Company uses the implicit rate when readily determinable and its incremental borrowing rate when the implicit rate is not readily determinable. The Company's incremental borrowing rate is determined using its secured borrowing rate and giving consideration to the currency and term of the associated lease as appropriate.

The lease payments used to determine the Company's operating lease assets may include lease incentives, stated rent increases and escalation clauses linked to rates of inflation when determinable and are recognized in operating lease assets in the condensed consolidated balance sheets. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The straight-lining of rent expense results in differences in the operating lease right-of-use asset and operating lease obligations on the condensed consolidated statement of financial condition. Temporary differences are recognized for tax purposes and reflected separately in the condensed consolidated statement of financial condition as deferred lease assets and lease liabilities within deferred tax assets and deferred tax liabilities.

## ***Property and Equipment***

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the life of the assets. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the life of the asset or the remaining term of the lease. Estimated useful lives of the Company's fixed assets are generally as follows:

Equipment – 5 years

Furniture and fixtures – 7 years

Leasehold improvements – the lesser of 15 years or the remaining lease term

## Business Information

The Company's activities as an investment banking firm constitute a single business segment, with substantially all revenues generated from advisory services, which includes engagements relating to mergers and acquisitions, financing advisory and restructuring, and private capital advisory services.

### Recently Adopted Accounting Pronouncements

On January 1, 2020, the Company adopted ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") under the modified retrospective approach. ASU 2016-13 replaces the incurred loss impairment methodology for financial instruments with the current expected credit loss (CECL) model which requires an estimate of future credit losses. Upon adoption, a cumulative adjustment was recorded which decreased retained earnings by \$0.1 million.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. Under the new guidance, companies will reflect the effect of an enacted change in tax law or rates in the period that includes the enactment date of the new legislation, among other changes. This will align the timing of recognizing the effects of new tax law or rates on the effective tax rate with the effect on the deferred tax assets and liabilities. The Company adopted this standard on January 1, 2021 under a prospective approach. The impact could be material to the Company's consolidated financial statements in future periods of enactment of new tax laws or rates.

### Note 3 — Cash and Cash Equivalents

The carrying values of the Company's cash and cash equivalents are as follows:

	As of September 30, 2021	As of December 31, 2020
	(in thousands)	
	(unaudited)	
Cash.....	\$ 63,753	\$ 52,335
Cash equivalents.....	29,761	53,198
Restricted cash - letters of credit.....	6,921	7,170
Total cash and cash equivalents.....	<u>\$ 100,435</u>	<u>\$ 112,703</u>

The carrying value of the Company's cash equivalents approximates fair value. See "Note 4 — Fair Value of Financial Instruments".

Letters of credit are secured by cash held on deposit.

### Note 4 — Fair Value of Financial Instruments

Assets and liabilities are classified in their entirety based on their lowest level of input that is significant to the fair value measurement. As of September 30, 2021 and December 31, 2020, the Company had Level 1 assets measured at fair value.

#### Assets Measured at Fair Value on a Recurring Basis

The following tables set forth the measurement at fair value on a recurring basis of the investments in money market funds, short-term cash instruments and U.S. government securities. The securities are categorized as a Level 1 asset, as their valuation is based on quoted prices for identical assets in active markets. See "Note 3 — Cash and Cash Equivalents".

#### Assets Measured at Fair Value on a Recurring Basis as of September 30, 2021

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2021
	(in thousands, unaudited)			
<b>Assets</b>				
Cash equivalents.....	\$ 29,761	\$ —	\$ —	\$ 29,761
Total.....	<u>\$ 29,761</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 29,761</u>

## Assets Measured at Fair Value on a Recurring Basis as of December 31, 2020

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2020
(in thousands)				
<b>Assets</b>				
Cash equivalents .....	\$ 53,198	\$ —	\$ —	\$ 53,198
<b>Total</b> .....	<b>\$ 53,198</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 53,198</b>

### Note 5 — Loan Facilities

In April 2019, the Company refinanced borrowings made under its 2017 recapitalization plan with borrowings of \$375.0 million from a new five-year secured term loan facility (“Term Loan Facility”). Borrowings under the Term Loan Facility bear interest at either U.S. Prime plus 2.25% or LIBOR plus 3.25% and had a weighted average interest rate for the nine months ended September 30, 2021 and September 30, 2020 of 3.4% and 4.0%, respectively.

The Term Loan Facility requires quarterly principal amortization payments of \$4.7 million (or \$18.8 million annually), from September 30, 2019 through March 31, 2024, with the remaining outstanding balance due at maturity on April 12, 2024. The Term Loan Facility permits voluntary principal payments to be made in advance without penalty and such payments are applied to the next successive quarterly installments. During the nine month period ended September 30, 2021, the Company made voluntary principal payments on the Term Loan Facility of \$35.0 million and, in October 2021, the Company made an additional voluntary principal payment of \$10.0 million. As of October 31, 2021, the Company has repaid in advance all required quarterly amortization payments of the Term Loan Facility and the remaining outstanding principal balance of \$281.9 million is due at maturity. Under the terms of the credit agreement, the Company may also be required to repay certain amounts in advance of maturity in connection with an annual excess cash flow calculation, the non-ordinary course sale of assets, receipt of insurance proceeds, and the issuance of debt obligations, subject to certain exceptions.

The Term Loan Facility is guaranteed by the Company’s existing and subsequently acquired or organized wholly-owned U.S. restricted subsidiaries (excluding any registered broker-dealers) and secured with a first priority perfected security interest in certain domestic assets and 100% of the capital stock of each U.S. subsidiary and 65% of the capital stock of each non-U.S. subsidiary, subject to certain exclusions which, for the avoidance of doubt, such security interest shall not include any assets of regulated subsidiaries that are not permitted to be pledged by law, statute or regulation, including cash held by regulated subsidiaries and any other capital required to meet and maintain regulatory capital requirements. The credit facility contains certain covenants that limit the Company’s ability above certain permitted amounts to incur additional indebtedness, make certain acquisitions, pay dividends and repurchase shares. The Term Loan Facility does not have financial covenants but is subject to certain other non-financial covenants. At September 30, 2021, the Company was compliant with all loan covenants.

As of September 30, 2021, the Term Loan Facility had a principal balance of \$291.9 million and its carrying value was \$287.4 million. Deferred financing costs of \$9.0 million are being amortized into interest expense over the remaining life of the obligation and recorded as a reduction in the carrying value of the Term Loan Facility in the condensed consolidated statement of financial condition. The Company incurred incremental interest expense of \$0.4 million related to the amortization of deferred financing costs for each of the three months ended September 30, 2021 and 2020, and incremental interest expense of \$1.3 million related to the amortization of such costs for each of the nine months ended September 30, 2021 and 2020. At September 30, 2021, the fair value of the Term Loan Facility approximated its outstanding principal balance. Since the borrowing is not accounted for at fair value, the fair value is not included in the Company’s fair value hierarchy in “Note 4 - Fair Value of Financial Instruments,” however, had the borrowing been included, it would have been classified in Level 2.

### Note 6 — Equity

On September 15, 2021, a dividend of \$0.05 per share was paid to stockholders of record on September 1, 2021. For both the nine months ended September 30, 2021 and 2020, total dividend payments of \$0.15 per share were paid to stockholders. Dividend equivalent payments of \$1.0 million were paid to or accrued for holders of restricted stock units for each of the nine months ended September 30, 2021 and 2020, respectively.

During the nine months ended September 30, 2021, the Company repurchased 1,390,374 common shares through open market transactions at an average price of \$15.47, for a total cost of \$21.5 million. Additionally, during the nine months ended September 30, 2021, 1,835,216 restricted stock units vested and were settled in shares of common stock of which the Company

is deemed to have repurchased 786,974 shares at an average price of \$15.08 per share for a total cost of \$11.9 million in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units.

During the nine months ended September 30, 2020, the Company repurchased 489,704 common shares through open market transactions at an average price of \$17.18, for a total cost of \$8.4 million. Additionally, during the nine months ended September 30, 2020, 1,813,253 restricted stock units vested and were settled in shares of common stock, of which the Company is deemed to have repurchased 743,344 shares at an average price of \$19.69 per share for a total cost of \$14.6 million in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units.

## Note 7 — Earnings per Share

The computations of basic and diluted EPS are set forth below:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(in thousands, except per share amounts, unaudited)				
Numerator for basic and diluted EPS — net income (loss) .....	\$ 20,144	\$ (9,375)	\$ 13,403	\$(31,916)
Denominator for basic EPS — weighted average number of shares .....	19,046	18,963	19,388	18,918
Add — dilutive effect of:				
Restricted stock units .....	4,705	— (1)	4,804	— (1)
Denominator for diluted EPS — weighted average number of shares and dilutive securities .....	23,752	18,963 (1)	24,192	18,918 (1)
Earnings (loss) per share:				
Basic EPS .....	\$ 1.06	\$ (0.49)	\$ 0.69	\$ (1.69)
Diluted EPS .....	\$ 0.85	\$ (0.49)	\$ 0.55	\$ (1.69)

(1) Excludes 3,321,000 unamortized restricted stock units that were antidilutive for the three months ended September 30, 2020, and 3,589,000 for the nine months ended September 30, 2020, and thus were not included in the above calculation. The incremental shares that could be included in the diluted EPS calculation in future periods will vary based on a variety of factors, including the future share price and the amount of unrecognized compensation cost. The incremental shares included, if any, would be less than the number of outstanding restricted stock units.

The activity related to the restricted stock units is set forth below:

	Restricted Stock Units Outstanding			
	2021		2020	
	Units	Grant Date Weighted Average Fair Value	Units	Grant Date Weighted Average Fair Value
Outstanding, January 1, .....	7,587,078	\$ 14.68	6,781,475	\$ 21.60
Granted .....	2,461,261	13.07	3,915,997	8.79
Delivered .....	(1,911,209)	16.99	(1,844,617)	26.61
Forfeited .....	(407,930)	13.87	(240,334)	15.42
Outstanding, September 30, .....	7,729,200	\$ 13.71	8,612,521	\$ 14.83

## Note 8 — Income Taxes

The Company is subject to U.S. federal, state and local, as well as foreign, corporate income taxes and its effective tax rate varies depending on the jurisdiction in which the income is earned.

The Company is required to record a charge or benefit in its income tax provision for the tax effect of the difference between the grant date value of restricted stock units and the market value of such awards at the time of vesting. The provisions for income taxes for the nine months ended September 30, 2021 and 2020 include net charges of \$0.7 million and \$3.0 million, respectively, related to the tax effect of the vesting of restricted stock units at a market value below their grant price.

Based on the Company's historical taxable income and its expectation for taxable income in the future, management expects that its largest deferred tax asset, which relates principally to compensation expense deducted for book purposes but not yet deducted for tax purposes, will be realized as offsets to future taxable income.

Any gain or loss resulting from the translation of deferred taxes for foreign affiliates is included in the foreign currency translation adjustment incorporated as a component of other comprehensive income (loss), net of tax, in the condensed consolidated statements of changes in stockholders' equity and the condensed consolidated statements of comprehensive income.

The income tax laws in the jurisdictions in which the Company operates are complex, and the manner in which they apply to the taxpayer's facts is sometimes open to interpretation. Management must make judgments in assessing the likelihood that a tax position will be sustained upon examination by the taxing authorities based on the technical merits of the tax position. In the normal course of business, the Company may be under audit in one or more of its jurisdictions in an open tax year for that particular jurisdiction. As of September 30, 2021, the Company does not expect any material changes in its tax provision related to any current or future audits.

#### Note 9 — Leases

The Company leases office space for its operations around the globe. All of the Company's leases are operating leases and have remaining lease terms ranging from less than 1 year to 15 years.

The undiscounted aggregate minimum future rental payments are as follows:

	As of	
	September 30, 2021	December 31, 2020
	(in thousands)	
	(unaudited)	
2021 (remainder) .....	\$ 2,787	\$ 11,671
2022 .....	13,606	11,190
2023 .....	11,778	10,171
2024 .....	10,142	9,329
2025 .....	8,993	8,756
Thereafter .....	76,876	76,875
Total lease payments .....	\$ 124,182	\$ 127,992
Plus: tenant incentive allowance utilized to finance leasehold improvements .....	10,988	11,302
Less: Interest .....	(40,523)	(44,197)
Present value of operating lease liabilities .....	\$ 94,647	\$ 95,097

The weighted average remaining lease term and weighted average discount rate of our operating leases are as follows:

	As of	
	September 30, 2021	December 31, 2020
	(unaudited)	
Weighted average remaining lease term in years .....	11.9	12.7
Weighted average discount rate .....	6.8 %	6.8 %

#### Note 10 — Regulatory Requirements

Certain subsidiaries of the Company are subject to various regulatory requirements in the United States, United Kingdom, Germany, Australia and certain other jurisdictions, which specify, among other requirements, minimum net capital requirements for registered broker-dealers.

G&Co is subject to the SEC's Uniform Net Capital requirements under Rule 15c3-1 (the "Rule"), which specifies, among other requirements, minimum net capital requirements for registered broker-dealers. The Rule requires G&Co to maintain a minimum net capital of the greater of \$5,000 or 1/15 of aggregate indebtedness, as defined in the Rule. As of September 30,



2021, G&Co's net capital was \$25.2 million, which exceeded its requirement by \$24.3 million. G&Co's aggregate indebtedness to net capital ratio was 0.6 to 1 at September 30, 2021. Certain distributions and other capital withdrawals of G&Co are subject to certain notifications and restrictive provisions of the Rule.

At September 30, 2021, GCI is subject to capital requirements of the FCA. Greenhill Europe is subject to capital requirements of Bafin. Greenhill Australia is subject to capital requirements of the ASIC. We are also subject to certain capital regulatory requirements in other jurisdictions. As of September 30, 2021, GCI, Greenhill Europe, Greenhill Australia, and our other regulated operations were in compliance with local capital adequacy requirements.

#### **Note 11 — Subsequent Events**

The Company evaluates subsequent events through the date on which the financial statements are issued.

On November 3, 2021, the Board of Directors of the Company declared a quarterly dividend of \$0.05 per share. The dividend will be payable on December 15, 2021 to the common stockholders of record on December 1, 2021.

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

*In this Management’s Discussion and Analysis of Financial Condition and Results of Operations, “Greenhill”, “we”, “our”, “Firm” and “us” refer to Greenhill & Co., Inc.*

*This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, the risk factors in item 1A of this Quarterly Report on Form 10-Q and subsequent Current Reports on Form 8-K.*

### **Cautionary Statement Concerning Forward-Looking Statements**

*The following discussion should be read in conjunction with our condensed consolidated financial statements and the related notes that appear elsewhere in this report. We have made statements in this discussion that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may”, “might”, “will”, “should”, “could”, “expect”, “plan”, “outlook”, “anticipate”, “believe”, “estimate”, “intend”, “predict”, “potential” or “continue”, the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include current views and projections of our operations and future financial performance, growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. These factors include, among other things, uncertainties associated with catastrophes such as the coronavirus (“COVID-19”) pandemic and macroeconomic events. You should consider the various risks outlined under “Risk Factors” in our 2020 Annual Report on Form 10-K and this Quarterly Report on Form 10-Q.*

*Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot give assurances that these expectations will be achieved, nor can we guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update or review any of these forward-looking statements after the date of this filing to conform our prior statements to actual results or revised expectations, whether as a result of new information, future developments or otherwise.*

### **Overview**

Greenhill is a leading independent investment bank that provides financial and strategic advice on significant domestic and cross-border mergers and acquisitions, divestitures, restructurings, financings, capital raising and other transactions to a diverse client base, including corporations, partnerships, institutions and governments globally. We serve as a trusted advisor to our clients throughout the world on a collaborative, globally integrated basis from our offices in the United States, Australia, Canada, France, Germany, Hong Kong, Japan, Singapore, Spain, Sweden, and the United Kingdom.

We were established in 1996 by Robert F. Greenhill, the former President of Morgan Stanley and former Chairman and Chief Executive Officer of Smith Barney. Since our founding, Greenhill has grown significantly, by recruiting talented managing directors and other senior professionals, acquiring complementary advisory businesses and training, developing and promoting professionals internally. We have expanded beyond merger and acquisition advisory services to include financing, restructuring, and private capital advisory services, and we have expanded the breadth of our sector expertise to cover substantially all major industries. Since the opening of our original office in New York, we have expanded globally to 15 offices across four continents.

Over our 25 years as an independent investment banking firm, we have sought to opportunistically recruit new managing directors with a range of industry and transaction specialties, as well as high-level corporate and other relationships, from major investment banks, independent financial advisory firms and other institutions. We also have sought to expand our geographic reach both through recruiting managing directors in new locations and through strategic acquisitions, such as our acquisition of Caliburn Partnership Pty Limited (now Greenhill Australia) in Australia in 2010. Additionally, we expanded the breadth of our advisory services through our acquisition in 2015 of Cogent, which extended our services to private capital advisory related to the secondary fund placement market. More recently, we have recruited a number of managing directors focused on financing and restructuring advisory services. Through our recruiting and acquisition activity, we have significantly increased our geographic reach by adding offices in the United States, United Kingdom, Germany, Canada, Japan, Australia, Sweden, Hong Kong, Spain, Singapore and France.

During 2021, we have recruited 11 additional client facing managing directors. With these recruits we have expanded our global M&A regional experience in Australia, Germany and Latin America and sector efforts in telecom and communications

infrastructure, media and software. Additionally, we have made good progress rebuilding our private capital advisory team and, as part of that we have taken steps to build a primary fund raising business. We remain focused on adding more senior talent in the months to come. As of October 31, 2021, we had 72 client facing managing directors, including those whose recruitment we have announced to date.

## **Business Environment and Outlook /Factors Affecting Our Results**

*Global and Regional Transaction Activity.* Economic conditions and global financial markets can materially affect our financial performance. We are solely an advisory firm and our revenues are derived from fees we earn on advisory services related to M&A, financing advisory and restructuring, and private capital advisory transactions. In the first nine months of 2021, market conditions were favorable for M&A and activity is stronger than it has been in recent years. We see this in the fact that we are winning a significantly larger number of assignments than we did last year (during the COVID-19 pandemic) or the year before (which benefited from a good economy and more normal operating conditions). We also see the results of a more active market in the number of deal announcements we are associated with. On a trailing four quarter basis, the number of deal announcements with which we were associated is at an all-time high. While many of those transactions have been for major companies, for the year to date the size of deals that have been completed has skewed toward the smaller end of the scale, resulting in a year to date revenue increase which is smaller than that of our peer firms. We expect a strong finish to the year, and that the size of completed deals and commensurate fees will increase in future revenue periods.

On a regional basis we expect to show a stronger year than last year in the U.S. and Canada and a much stronger year in Australia, offset by reduced revenue in Europe, where we had a particularly strong revenue year in 2020. By type of advice we are seeing the greatest opportunities in M&A. Restructuring activity is relatively low given the strength of the credit markets, but we are making progress in our strategic initiative to be more active in financing advisory assignments of various kinds. In our private capital advisory business, we have made meaningful progress in building our global team for both primary fund raising and secondary sale transactions and now have strong assignment backlogs. In all our businesses, we are making progress on our strategic initiative to do more business with financial sponsors.

Globally, the number and volume of announced transactions increased by 28% and 78%, respectively, in the nine months ended September 30, 2021 versus the same period in the prior year. The number and volume of completed transactions globally increased by 31% and 46%, respectively, in the same period.

We believe our business performance is best measured over longer periods of time, as we generally experience significant variations in revenues and profits from quarter to quarter. These variations can generally be attributed to the fact that our revenues are typically earned in large amounts upon the successful completion of a transaction or restructuring, the timing of which is uncertain and is not subject to our control. Accordingly, revenues, operating income and net income in any period may not be indicative of full year results or the results of any other period and may vary significantly from year to year and quarter to quarter.

*Competition.* We operate in a highly competitive environment where there are no long-term contracted sources of revenue. Each revenue-generating engagement is separately awarded and negotiated. Our list of clients with whom there are active engagements changes continually. To develop new client relationships, and to develop new engagements from historic client relationships, we maintain, on an ongoing basis, active business dialogues with a large number of clients and potential clients. We gain new clients each year through our business development initiatives, through recruiting additional senior investment banking professionals who bring with them client relationships and expertise in certain industry sectors or geographies, and through referrals from members of boards of directors, attorneys and other parties with whom we have relationships. At the same time, we lose clients each year as a result of the sale or merger of a client, bankruptcy, a change in a client's senior management team, turnover of our senior banking professionals, competition from other investment banks and other similar reasons.

<sup>1</sup> Excludes transactions less than \$100,000 and withdrawn/canceled deals. Source: Thomson Financial as of October 31, 2021.

## Results of Operations

### Revenues

Our revenues are derived from both corporate advisory services related to M&A, financings and restructurings, and private capital advisory services related to sales or capital raises pertaining to alternative assets. A majority of our revenue is contingent upon the closing of a merger, acquisition, financing, restructuring, or other advisory transaction. While fees payable upon the successful conclusion of a transaction generally represent the largest portion of our corporate advisory fees, we also earn other fees, including on-going retainer fees, substantially all of which relate to non-success-based strategic advisory, financing advisory and restructuring assignments, and fees payable upon the commencement of an engagement or upon the achievement of certain milestones (such as the announcement of a transaction or the rendering of a fairness opinion). Additionally, we generate private capital advisory revenues from sales of alternative assets in the secondary market and from capital raises.

Revenues were \$88.6 million in the third quarter of 2021 compared to \$56.0 million in the third quarter of 2020, an increase of \$32.6 million, or 58%. The increase principally resulted from a significant increase in the number of mergers and acquisition transaction completion fees across most of the jurisdictions in which we operate.

For the nine months ended September 30, 2021, revenues were \$200.8 million compared to \$170.9 million in 2020, an increase of \$29.9 million, or 17%. The increase principally resulted from increases in merger and acquisition transaction completion fees and financing advisory fees, particularly in North America and Australia, offset by a reduction in restructuring retainer fees.

*We generally experience significant variations in revenues during each quarterly period. These variations can generally be attributed to the fact that a majority of our revenues is usually earned in large amounts throughout the year upon the successful completion of transactions, the timing of which are uncertain and are not subject to our control. Accordingly, the revenues earned in any particular period may not be indicative of revenues earned in future periods.*

### Operating Expenses

We classify operating expenses as employee compensation and benefits expenses and non-compensation operating expenses. Non-compensation operating expenses include the costs for occupancy and equipment rental, communications, information services, professional fees, recruiting, travel and entertainment, insurance, depreciation and amortization, and other operating expenses.

Our total operating expenses for the third quarter of 2021 were \$58.3 million, which compared to \$63.1 million of total operating expenses for the third quarter of 2020. The decrease in total operating expenses of \$4.8 million, or 8%, resulted from both lower compensation and benefits expenses and non-compensation operating expenses, each as described in more detail below.

For the nine months ended September 30, 2021, our total operating expenses were \$172.4 million, which compared to \$195.8 million of total operating expenses for the same period in 2020. The decrease in total operating expenses of \$23.4 million, or 12%, resulted from both lower compensation and benefits expenses and non-compensation operating expenses, each as described in more detail below.

The following table sets forth information relating to our operating expenses.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in millions, unaudited)			
Employee compensation and benefits expenses .....	\$44.4	\$46.8	\$131.5	\$147.6
% of revenues .....	50 %	83 %	65 %	86 %
Non-compensation operating expenses .....	13.9	16.4	40.9	48.2
% of revenues .....	16 %	29 %	20 %	28 %
Total operating expenses .....	58.3	63.1	172.4	195.8
% of revenues .....	66 %	113 %	86 %	115 %
Total operating income (loss) .....	30.4	(7.1)	28.4	(24.9)
Operating profit margin .....	34 %	NM	14 %	NM

### **Compensation and Benefits Expenses**

The largest component of our operating expenses is employee compensation and benefits expenses, which we determine annually based on a percentage of revenues. The actual percentage of revenues, which we refer to as our compensation ratio, is determined by management in consultation with the Compensation Committee at each year end and is based on factors such as the relative level of revenues, anticipated compensation requirements to retain and reward our employees, the cost to recruit and exit employees, the charge for amortization of restricted stock and deferred cash compensation awards and related forfeitures, among others.

Our employee compensation and benefits expenses of \$44.4 million in the third quarter of 2021 decreased slightly as compared to \$46.8 million for the third quarter of 2020. The ratio of compensation to revenues was 50% for the third quarter of 2021 as compared to 83% for the same period in the prior year. The ratio of compensation to revenues in the third quarter of 2021 was adjusted lower than our annual target ratio in order to reduce the year to date ratio toward our target year end ratio.

For the nine months ended September 30, 2021, our employee compensation and benefits expenses were \$131.5 million compared to \$147.6 million for the same period in 2020. The decrease in expense of \$16.1 million, or 11%, was principally attributable to lower charges for incentive compensation and a decrease in the charge for amortization of restricted stock units. The ratio of compensation to revenues for the nine month period in 2021 was 65% as compared to 86% for the same period in 2020.

*Our compensation expense is generally based upon revenues and can fluctuate materially in any particular period depending upon changes in headcount, amount of revenues recognized, as well as other factors. Accordingly, the amount of compensation expense recognized in any particular period may not be indicative of compensation expense in future periods.*

### **Non-Compensation Operating Expenses**

Our non-compensation operating expenses such as occupancy, depreciation, and information services are relatively fixed year to year although they may vary depending upon changes in headcount, geographic locations and other factors. Other expenses such as travel, professional fees and other operating expenses vary dependent on the level of business development, recruitment, foreign currency movements and the amount of reimbursable client expenses, which are reported in full in both our revenues and our operating expenses. It is management's objective to maintain comparable non-compensation costs year over year for each jurisdiction in which we operate. We monitor costs based on actual costs incurred in prior periods and on headcount and seek to gain operating efficiencies when possible.

For the three months ended September 30, 2021, our non-compensation operating expenses of \$13.9 million decreased \$2.5 million, or 15%, as compared to \$16.4 million in the same period in 2020. The decrease principally resulted from the elimination of a double rent charge incurred in 2020 during the build out of our new headquarters space, partially offset by a modest increase in travel costs as business travel began to return.

Non-compensation expenses as a percentage of revenues for the three months ended September 30, 2021 were 16% compared to 29% for the same period in 2020. The decrease in non-compensation expenses as a percentage of revenues resulted from the effect of spreading moderately lower non-compensation costs over much higher revenues in the third quarter of 2021 as compared to the same period in 2020.

For the nine months ended September 30, 2021, our non-compensation operating expenses of \$40.9 million decreased \$7.3 million, or 15%, as compared to \$48.2 million in the comparable period in 2020. The decrease principally resulted from the elimination of the double rent charge as discussed above, lower year to date travel costs due to the impact of the global pandemic and lower professional fees, partially offset by the recognition of a foreign exchange loss in the first nine months of 2021 as compared to a foreign exchange gain in the same period last year.

Non-compensation expenses as a percentage of revenues for the nine months ended September 30, 2021 were 20% compared to 28% for the same period in 2020. The decrease in non-compensation expenses as a percentage of revenues resulted from the effect of spreading lower non-compensation costs over higher revenues for the nine months ended September 30, 2021 as compared to the same period in 2020.

*Our non-compensation operating expenses can vary as a result of a variety of factors such as changes in headcount, the amount of recruiting and business development activity, the amount of office expansion, the amount of client reimbursed expenses, the impact of currency movements and other factors. Accordingly, the non-compensation operating expenses in any particular period may not be indicative of the non-compensation operating expenses in future periods.*

### **Interest Expense**

For the three months ended September 30, 2021, we incurred interest expense of \$3.0 million as compared to \$3.5 million for the same period in 2020. The decrease of \$0.5 million principally related to lower borrowings outstanding as a result of accelerated debt repayments.

For the nine months ended September 30, 2021, we incurred interest expense of \$9.3 million, as compared to \$12.0 million for the same period in 2020. The decrease of \$2.7 million related to both lower market borrowing rates and lower borrowings outstanding.

*The rate of interest on our borrowing is based on LIBOR and can vary from period to period. Accordingly, the amount of interest expense in any particular period may not be indicative of the amount of interest expense in future periods. There can be no certainty that our borrowing rate will not increase in future periods as a result of the transition from LIBOR to SOFR or another alternative rate.*

### **Provision for Income Taxes**

For the three months ended September 30, 2021, we recognized income tax expense of \$7.2 million, reflecting an effective tax rate of 26%, as compared to a benefit of \$1.2 million for the same period in 2020, which reflected an effective tax rate of 12%. The effective tax rate for the third quarter of 2021 was negatively impacted by an increase in Australian earnings, which are taxed at a higher rate than the U.S.

For the nine months ended September 30, 2021, the provision for income taxes was \$5.7 million, which reflected an effective tax rate of 30%. This compared to an income tax benefit for the same period in 2020 of \$5.0 million. During the first nine months of 2021 and 2020 we recognized charges of \$0.7 million and \$3.0 million, respectively, related to the tax effect of the difference between the grant price value and the market price value of restricted stock awards at the time of the vesting. Excluding these charges, the effective tax rate for the nine month period ended September 30, 2021 as compared to the same period in 2020 would have been 26% and 22%, respectively. The higher effective rate for the nine months ended September 30, 2021 principally resulted from lower U.K. earnings in 2021 as compared to 2020. The U.K. has a lower tax rate than the U.S.

*The effective tax rate can fluctuate as a result of variations in the amount of income earned and the tax rate imposed in the tax jurisdictions in which we operate. Accordingly, the effective tax rate in any particular period may not be indicative of the effective tax rate in future periods.*

### **Liquidity and Capital Resources**

Our liquidity position, which consists of cash and cash equivalents, other significant working capital assets and liabilities, debt and other matters relating to liquidity requirements and current market conditions, is monitored by management on a regular basis. We retain our cash in financial institutions with high credit ratings and/or invest in short-term investments that are expected to provide liquidity and as permitted under the credit agreement. It is our objective to retain a global cash balance adequate to service our forecast operating and financing needs. At September 30, 2021, we had cash and cash equivalents of \$100.4 million.

We generate substantially all of our cash from advisory fees. We use our cash primarily for recurring operating expenses, the repayment and service of our debt, the repurchase of our common shares and other capital needs. Our recurring monthly operating disbursements principally consist of base compensation expense, occupancy, travel and entertainment, and other operating expenses. In addition, we generally make interest payments on our debt on a monthly basis. Our recurring quarterly and annual disbursements consist of cash bonus payments, tax payments, debt service payments, dividend payments, and repurchases of our common stock from our employees in conjunction with the payment of tax liabilities incurred on vesting of restricted stock units. These amounts vary depending upon our profitability and other factors.

Because a portion of the compensation we pay to our employees is distributed in annual cash bonus awards (usually in the first quarter of each year), our net cash balance is typically at its lowest level during the first quarter of each year and generally accumulates from our operating activities throughout the remainder of the year. Our current liabilities primarily consist of accounts payable, which are generally paid monthly, accrued compensation, which includes accrued cash bonuses that are generally paid in the first quarter of the following year to the large majority of our employees, and current taxes payable. Our current assets include accounts receivable, which we generally collect within 60 days, except for certain restructuring transactions, where collections may take longer due to court-ordered holdbacks. At September 30, 2021, we had fees receivable of \$42.5 million.

In 2017, we announced a leveraged recapitalization to put in place a capital structure designed to enhance long term shareholder value. In 2019, we refinanced the credit facility that was put in place at the time of the recapitalization and entered into a new \$375.0 million five-year term loan B facility (“TLB”).

Borrowings under the TLB bear interest at either the U.S. Prime Rate plus 2.25% or LIBOR plus 3.25%. The FCA, which regulates LIBOR, has announced that it will not compel panel banks to contribute to LIBOR after 2021. In November 2020, the ICE Benchmark Administration Limited announced a plan to extend the date as of which most U.S. LIBOR values would cease being computed from December 31, 2021 to June 30, 2023. On July 29, 2021, the Alternative Reference Rates Committee announced that it is formally recommending the forward-looking Secured Overnight Financing Rate (“SOFR”) term rate. Our credit agreement includes alternative rate fallback provisions, which provides for use of a broadly accepted market convention to replace LIBOR as the rate of interest and are triggered by a notification from the Administrative Agent. We have not yet received such notification, but expect that when we do the TLB will likely be converted to a SOFR term rate based facility. However, there can be no assurance the LIBOR phase out will not increase our cost of capital.

The TLB requires quarterly principal amortization payments of \$4.7 million (or \$18.8 million annually), which began on September 30, 2019 and continue through March 31, 2024, with the remaining balance due at maturity on April 12, 2024. The TLB permits voluntary principal payments to be made in advance without penalty and such payments are applied to the next successive quarterly installments. In 2021, we made advance payments of \$45.0 million, including a \$10.0 million payment in October 2021, on the TLB. As a result of these payments we have repaid all required quarterly amortization payments due in advance of maturity. As of October 31, 2021, the outstanding principal balance is \$281.9 million and is due in April 2024. Subject to the terms of the credit agreement, we may also be required to repay certain amounts in advance of maturity in connection with an annual excess cash flow calculation, the non-ordinary course sale of assets, receipt of insurance proceeds, and the issuance of debt obligations, subject to certain exceptions. In future periods, we may make further advance payments on the TLB, which will be applied without penalty or premium, subject to our cash flow, general financial conditions and other capital deployment. Additionally, subject to market conditions and other relevant factors, we may seek to reprice, modify and/or amend the loan facility to further reduce our borrowing rate, modify restricted payment covenants, extend the maturity date and take other actions to increase our flexibility with respect to our uses of free cash flow.

The TLB is guaranteed by our existing and subsequently acquired or organized wholly-owned U.S. restricted subsidiaries (excluding any registered broker-dealers) and secured with a first priority perfected security interest in certain domestic assets, 100% of the capital stock of each U.S. subsidiary and 65% of the capital stock of each non-U.S. subsidiary, subject to certain exclusions which, for the avoidance of doubt, such security interest shall not include any assets of regulated subsidiaries that are not permitted to be pledged by law, statute or regulation, including cash held by regulated subsidiaries and any other capital required to meet and maintain regulatory capital requirements. The credit facility contains certain covenants that limit our ability above certain permitted amounts to incur additional indebtedness, make certain acquisitions, pay dividends and repurchase shares. The TLB does not have financial covenants, however, we are subject to certain non-financial covenants such as repayment obligations, restricted payment limitations, financial reporting requirements and others. Our failure to comply with the terms of these covenants may adversely affect our operations and could permit lenders to accelerate the maturity of the debt and to foreclose upon any collateral securing the debt. At September 30, 2021, we were compliant with all loan covenants under the credit agreement and we expect to continue to be compliant with all loan covenants in future periods.

Since we announced our recapitalization in 2017, through the period ended October 31, 2021, we have repurchased 16,624,908 common shares through open market purchases (including pursuant to 10b5-1 plans) and tender offers at an average

price of \$20.50 per share, for a total cost of \$340.9 million. This includes 1,390,374 shares of our common stock we repurchased in the open market during the nine month period ended September 30, 2021 for \$21.5 million and an additional 194,006 shares we repurchased in October 2021 for \$3.1 million. In addition to open market purchases, we also repurchase common stock equivalents from employees at the time of vesting of RSUs to settle withholding tax liabilities subject to limits imposed by our credit agreement. During the nine month period ended September 30, 2021, we are deemed to have repurchased 786,974 shares of common stock equivalents in conjunction with the payment of tax liabilities in respect of stock delivered to our employees in settlement of restricted stock units that vested for \$11.9 million.

In February 2021, our Board of Directors authorized the repurchase of our common stock and common stock equivalents of up to \$50 million for the period ended January 31, 2022. Since the Board authorization, as of October 31, 2021, we have repurchased in aggregate 2,371,354 shares of common stock and common stock equivalents for \$36.4 million at an average price of \$15.37 and have \$13.6 million remaining and authorized for repurchase through January 2022. Future share repurchases are subject to market conditions and other factors, such as our results of operations, financial position and capital requirements, general business conditions, legal, tax and regulatory constraints or restrictions, any contractual restrictions and other factors deemed relevant. There can be no assurances of the price at which we may be able to repurchase our shares or that we will repurchase the full amount authorized for the period ending January 31, 2022 or the amount authorized in any future period.

Since the recapitalization in October 2017, we have made quarterly dividend payments of \$0.05 per share. Under the credit agreement we are permitted to make aggregate annual dividend distributions of up to \$10.0 million, with any amounts not distributed in any particular year available for carryover to future years. We intend to continue to pay quarterly dividends, subject to capital availability and periodic determinations that cash dividends are in the best interest of our stockholders. Future declaration and payment of dividends on our common stock is at the discretion of our Board of Directors and depends upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, restrictions under the credit agreement, and other factors as our Board of Directors may deem relevant.

Under our credit agreement, we are restricted in the amount of cash we may use to repurchase our common stock and common stock equivalents and/or to make dividend distributions. As we generate cash from operations and subject to our expected operating needs, our principal focus is on deleveraging, but we also intend to continue to repurchase our common shares in a prudent manner and make dividend distributions.

As part of our long term incentive award program, we may award restricted stock units to managing directors and other employees at the time of hire and/or as part of annual compensation. Awards of restricted stock units generally vest over a three to five-year service period, subject to continued employment on the vesting date. Each restricted stock unit represents the holder's right to receive one share of our common stock (or at our election, a cash payment equal to the fair value thereof) on the vesting date. Under the terms of our equity incentive plan, we generally repurchase from our employees that portion of restricted stock unit awards used to fund income tax withholding due at the time the restricted stock unit awards vest and pay the remainder of the award in shares of our common stock. Based upon the number of restricted stock unit grants outstanding at October 31, 2021, we estimate repurchases of our common stock from our employees in conjunction with the cash settlement of tax liabilities incurred on vesting of restricted stock units of approximately \$52.2 million (as calculated based upon the closing share price as of October 31, 2021 of \$15.72 per share and assuming a withholding tax rate of 43% consistent with our recent experience) over the next five years, of which an additional \$0.9 million remains payable in 2021, \$18.6 million will be payable in 2022, \$13.3 million will be payable in 2023, \$8.7 million will be payable in 2024, \$8.3 million will be payable in 2025, and \$2.4 million will be payable in 2026. We will realize a corporate income tax deduction concurrently with the vesting of the restricted stock units. While we expect to fund future repurchases of our common stock equivalents (if any) with operating cash flow, we are unable to predict the price of our common stock, and as a result, the timing or magnitude of our share repurchases, which may be limited under the credit agreement. To the extent future repurchases are expected to exceed the amount permitted under the credit agreement, we may seek to modify the credit agreement to increase the amount or seek other means to settle the withholding tax liability incurred on the vesting of the restricted stock units.

Also, as part of our long-term incentive award program, we may also award deferred cash compensation to managing directors and other employees at the time of hire and/or as part of annual compensation. Awards of deferred cash compensation generally vest over a three to five year service period, subject to continued employment. Each award provides the employee with the right to receive future cash compensation payments, which are non-interest bearing, on the vesting date. Based upon the value of the deferred cash awards outstanding at October 31, 2021, we estimate payments of \$25.3 million over the next five years, of which less than \$0.1 remains payable in 2021, \$8.7 million will be payable in 2022, \$6.8 million will be payable in 2023, \$5.5 million will be payable in 2024, and \$4.3 million will be payable in 2025. We will realize a corporate income tax deduction at the time of payment.



Our capital expenditures relate primarily to technology systems and periodic refurbishment of our leased premises, which generally range from \$2.0 million to \$3.0 million annually. In early 2021, we completed our relocation to our new headquarters and we incurred additional leasehold improvement costs, net of tenant improvement allowance, of approximately \$2.0 million.

Under current U.S. federal tax law, we can repatriate foreign cash with minimal or no incremental tax burden. Subject to any limitations imposed by the Treasury Department and any future changes made to current tax law, we intend to repatriate our foreign cash subject to our estimated operating needs in our foreign jurisdictions, our needs for additional cash in the U.S. and other global cash management purposes.

While we believe that the cash generated from operations will be sufficient to meet our expected operating needs, which include, among other things, our tax obligations, interest and principal payments on our loan facilities, dividend payments, share repurchases related to the tax settlement payments upon the vesting of the restricted stock units, deferred cash compensation payments and build-out costs of new office space, we may adjust our variable expenses and other disbursements, if necessary, to meet our liquidity needs. However, there is no assurance that our cash flow will be sufficient to allow us to meet our operating obligations and make timely principal and interest payments under the credit agreement. If we are unable to fund our operating and debt obligations, we may need to consider taking other actions, including issuing additional securities, seeking strategic investments, reducing operating costs or a combination of these actions, in each case on terms which may not be favorable to us. Further, failure to make timely principal and interest payments under the credit agreement could result in a default. A default of our credit agreement would permit lenders to accelerate the maturity for the debt and to foreclose upon any collateral securing the debt. In addition, the limitations imposed by the financing agreements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing.

### ***Cash Flows***

In the nine months ended September 30, 2021, our cash and cash equivalents decreased by \$12.3 million from December 31, 2020, including a decrease of \$0.8 million from the effect of the translation of foreign currency amounts into U.S. dollars at the quarter-end foreign currency conversion rates. We generated \$64.2 million from operating activities, which consisted of \$47.4 million from operating earnings after giving effect to non-cash items and a net decrease in working capital of \$16.8 million, principally from the collection of fees receivables. We used \$3.1 million in investing activities to fund leasehold improvements and equipment purchases. We used \$72.5 million in financing activities, including \$35.0 million for the repayment of the term loan, \$21.5 million for open market repurchases of our common stock, \$11.9 million for the repurchase of our common stock from employees in conjunction with the payment of tax liabilities in settlement of restricted stock units, and \$4.2 million for the payment of dividends.

In the nine months ended September 30, 2020, our cash and cash equivalents decreased by \$23.2 million from December 31, 2019, including a decrease of \$2.9 million from the effect of the translation of foreign currency amounts into U.S. dollars at the quarter-end foreign currency conversion rates. We generated \$31.2 million from operating activities, which consisted of \$5.4 million from operating earnings after giving effect to non-cash items and a net decrease in working capital of \$25.8 million, principally from the collection of fees receivable. We used \$6.6 million in investing activities to fund investments, equipment purchases and leasehold improvements. We used \$44.9 million in financing activities, including \$18.8 million for the quarterly principal term loan payments due for each of the four calendar quarters in 2020, \$8.4 million for open market repurchases of our common stock, \$14.6 million for the repurchase of our common stock from employees in conjunction with the payment of tax liabilities in settlement of restricted stock units, and \$3.1 million for the payment of dividends.

### **Off-Balance Sheet Arrangements**

We do not invest in off-balance sheet vehicles that provide financing, liquidity, market risk or credit risk support, or engage in any leasing or hedging activities that expose us to any liability that is not reflected in our condensed consolidated financial statements.

### **Contractual Obligations**

There have been no material changes in our contractual obligations from those disclosed in the Firm's Annual Report on Form 10-K for the year ended December 31, 2020.

## Market Risk

Our business is not capital-intensive and as such, is not subject to significant market or credit risks.

### *Risks Related to Cash and Short-Term Investments*

Our cash and cash equivalents are principally held in depository accounts and money market funds and other short-term highly liquid investments with original maturities of three months or less. We maintain our depository accounts with financial institutions with high credit ratings. Although these deposits are generally not insured, management believes we are not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held. Further, we do not believe our cash equivalent investments are exposed to significant credit risk or interest rate risk due to the short-term nature and high quality of the underlying investments in which the funds are invested.

### *Credit Risk*

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

### *Exchange Rate Risk*

We are exposed to the risk that the exchange rate of the U.S. dollar relative to other currencies may have an adverse effect on the reported value of our non-U.S. dollar denominated assets and liabilities. Non-functional currency related transaction gains and losses are recorded in the condensed consolidated statements of operations.

In addition, the reported amounts of our revenues may be affected by movements in the rate of exchange between the currency in which an invoice is issued and paid and the U.S. dollar, in which our financial statements are denominated. We do not currently hedge against movements in these exchange rates through the use of derivative instruments or other methods. We analyze our potential exposure to a decline in exchange rates by performing a sensitivity analysis on our net income in those jurisdictions in which we have generated a significant portion of our foreign earnings, which generally include the United Kingdom, Europe, and Australia. During the nine months ended September 30, 2021, as compared to the same period in 2020, the average value of the U.S. dollar weakened relative to the pound sterling, euro and Australian dollar. In aggregate, there was minimal impact on our revenues in the nine months ended September 30, 2021 as compared to the same period in 2020 as a result of the timing of recognition of foreign revenues. Even if the currency rates had changed more materially, the impact would not have had been significant to our foreign operations because our operating costs in foreign jurisdictions are denominated in local currency and consequently we are effectively internally hedged to some extent against the impact in the movements of foreign currency relative to the U.S. dollar. While our earnings are subject to volatility from changes in foreign currency rates, we do not believe we face any material risk in this respect.

### *Interest Rate Risk*

Our TLB bears interest at the U.S. Prime Rate plus 2.25% or LIBOR plus 3.25%. Because we have indebtedness which bears interest at variable rates, our financial results will be sensitive to changes in prevailing market rates of interest. As of September 30, 2021, we had \$291.9 million of indebtedness outstanding, all of which bears interest at floating rates. The rate of interest varies from period to period and our interest rate exposure is not currently hedged to mitigate the effect of interest rate fluctuations. Depending upon future market conditions and our level of outstanding variable rate debt, we may enter into interest rate swap or other hedge arrangements (with counterparties that, in our judgment, have sufficient creditworthiness) to hedge our exposure against interest rate volatility. As of September 30, 2021, a 100 basis point increase in LIBOR would have increased our annual borrowing expense by \$2.9 million.

The FCA, which regulates LIBOR, has announced that it will not compel panel banks to contribute to LIBOR after 2021. In November 2020, the ICE Benchmark Administration Limited announced a plan to extend the date as of which most U.S. LIBOR values would cease being computed from December 31, 2021 to June 30, 2023. On July 29, 2021, the Alternative Reference Rates Committee announced that it is formally recommending the forward-looking SOFR term rate. Our credit agreement includes alternative rate fallback provisions, which provides for use of a broadly accepted market convention to replace LIBOR as the rate of interest and are triggered by a notification from the Administrative Agent. We have not yet received such notification, but expect that when we do the TLB will likely be converted to a SOFR term rate based facility. However, there can be no assurance the LIBOR phase out will not increase our cost of capital.

## Critical Accounting Policies and Estimates

Descriptions of our critical accounting policies and estimates, which are those that are most important to the presentation of our financial condition and results of operations and require management's most difficult, subjective and complex judgments, are set forth above in "Item 1 — Notes to Condensed Consolidated Financial Statements (unaudited), Note 2 — Summary of Significant Accounting Policies" and are incorporated by reference herein.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk are set forth above in "Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk".

### Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the Firm's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II -- Other Information

### Item 1. Legal Proceedings

The Firm is from time to time involved in legal proceedings incidental to the ordinary course of its business. We do not believe any such proceedings will have a material adverse effect on our results of operations.

### Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our 2020 Annual Report on Form 10-K.

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

Issuer Purchases of Equity Securities in the third quarter 2021:

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
	(1)		(1)	(2)
July 1 - 31	102,256	\$15.75	102,256	\$ 24,546,418
August 1 - 31	237,033	\$15.35	237,033	20,385,163
September 1 - 30	263,548	\$14.25	263,548	16,629,331
Total	602,837		602,837	\$ 16,629,331

(1) Excludes 34,390 common stock equivalents (e.g., vesting restricted stock units) we are deemed to have repurchased in the third quarter of 2021 at an average price of \$15.19 per share from employees in conjunction with the payment of withholding tax liabilities in respect of stock delivered to employees in settlement of restricted stock units. For the first nine months of 2021, the table excludes 786,974 shares we are deemed to have repurchased at an average price of \$15.08 per share from employees in conjunction with the payment of withholding tax liabilities in respect of stock delivered to employees in settlement of restricted stock units.

(2) On February 3, 2021, our Board of Directors authorized repurchases of our common stock and common stock equivalents (e.g., vesting restricted stock units) of up to \$50 million for the period ending January 31, 2022. The dollar value of shares that may yet be repurchased is calculated based on the repurchases of equity securities disclosed in the table as well as the deemed repurchases of common stock equivalents discussed in note (1) above.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

## Item 6. Exhibits

### EXHIBIT INDEX

Exhibit Number	Description
31.1	<a href="#"><u>Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1*	<a href="#"><u>Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2*	<a href="#"><u>Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	The following materials from Greenhill's Form 10-Q Report for the quarterly period ended September 30, 2021, formatted in Inline XBRL: (i) the Condensed Consolidated Statements of Financial Condition; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Comprehensive Income; (iv) the Condensed Consolidated Statements of Changes in Stockholders' Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) the Notes to the Condensed Consolidated Financial Statements.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	The cover page of Greenhill's Form 10-Q Report for the quarter ended September 30, 2021, formatted in Inline XBRL (included within the Exhibit 101 attachments).
*	This information is furnished and not filed herewith for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Securities Exchange Act of 1934.

**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.

Dated: November 8, 2021

GREENHILL & CO., INC.

By: /s/ SCOTT L. BOK

Scott L. Bok

Chairman and Chief Executive Officer

By: /s/ HAROLD J. RODRIGUEZ, JR.

Harold J. Rodriguez, Jr.

Chief Financial Officer