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, 2023

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	**51-0500737**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1271 Avenue of Americas New York, New York	**10020** (ZIP Code)
(Address of Principal Executive Offices)	

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, 2023, there were 18,815,295 shares of the registrant's common stock outstanding.

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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, 2023 *(unaudited)*	**December 31, 2022**
Assets		
Cash and cash equivalents ($5.9 million and $6.9 million restricted from use at September 30, 2023 and December 31, 2022, respectively)	$ 60,521	$ 104,336
Fees receivable, net of allowance for doubtful accounts of $0.0 million and $0.1 million at September 30, 2023 and December 31, 2022, respectively	20,748	40,322
Other receivables	14,354	2,886
Property and equipment, net of accumulated depreciation of $18.1 million and $15.6 million at September 30, 2023 and December 31, 2022, respectively	26,739	27,040
Operating lease right-of-use asset	84,625	88,333
Goodwill	197,408	202,708
Deferred tax asset, net	78,963	75,196
Other assets	15,915	11,968
Total assets	$ 499,273	$ 552,789
Liabilities and Equity		
Compensation payable	$ 27,495	$ 28,656
Accounts payable and accrued expenses	19,357	17,011
Current income taxes payable	3,734	12,134
Operating lease obligations	105,451	107,637
Secured promissory note	277,835	—
Secured term loan payable	—	269,633
Deferred tax liability	36,497	36,754
Total liabilities	470,369	471,825
Common stock, par value $0.01 per share; 100,000,000 shares authorized, 55,321,470 and 53,288,909 shares issued as of September 30, 2023 and December 31, 2022, respectively; 18,815,295 and 17,768,705 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	553	533
Restricted stock units	35,238	48,333
Additional paid-in capital	1,039,147	1,008,797
Retained earnings	71,831	125,994
Accumulated other comprehensive income (loss)	(43,268)	(38,856)
Treasury stock, at cost, par value $0.01 per share; 36,506,175 and 35,520,204 shares as of September 30, 2023 and December 31, 2022, respectively	(1,074,597)	(1,063,837)
Stockholders' equity	28,904	80,964
Total liabilities and equity	$ 499,273	$ 552,789

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,	
	2023	2022	2023	2022
Revenues	$ 30,689	$ 81,145	$ 151,802	$ 162,635
Operating Expenses				
Employee compensation and benefits	48,116	45,265	146,915	135,277
Occupancy and equipment rental	5,067	4,954	14,788	13,796
Depreciation and amortization	899	635	2,672	1,880
Information services	3,033	2,504	8,810	7,140
Professional fees	2,464	1,774	7,446	5,971
Travel related expenses	1,509	1,541	5,108	4,210
Other operating expenses	1,818	1,492	9,278	6,782
Total operating expenses	62,906	58,165	195,017	175,056
Total operating income (loss)	(32,217)	22,980	(43,215)	(12,421)
Interest expense	7,152	4,369	19,225	10,382
Income (loss) before taxes	(39,369)	18,611	(62,440)	(22,803)
Provision (benefit) for taxes	(11,226)	4,400	(15,416)	(6,176)
Net income (loss)	$ (28,143)	$ 14,211	$ (47,024)	$ (16,627)
Average shares outstanding:				
Basic	18,815,295	17,935,848	18,646,125	18,197,533
Diluted	18,815,295	21,095,880	18,646,125	18,197,533
Earnings (loss) per share:				
Basic	$ (1.50)	$ 0.79	$ (2.52)	$ (0.91)
Diluted	$ (1.50)	$ 0.67	$ (2.52)	$ (0.91)

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,	
	2023	2022	2023	2022
Net income (loss)	$ (28,143)	$ 14,211	$ (47,024)	$ (16,627)
Currency translation adjustment, net of tax	(4,764)	(10,326)	(4,412)	(16,128)
Comprehensive income (loss)	$ (32,907)	$ 3,885	$ (51,436)	$ (32,755)

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, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Common stock, par value $0.01 per share				
Common stock, beginning of the period	$ 553	$ 524	$ 533	$ 506
Common stock issued	—	1	20	19
Common stock, end of the period	553	525	553	525
Restricted stock units				
Restricted stock units, beginning of the period	29,128	48,702	48,333	56,495
Restricted stock units recognized, net of forfeitures	6,402	6,814	17,227	23,218
Restricted stock units delivered	(292)	(1,680)	(30,322)	(25,877)
Restricted stock units, end of the period	35,238	53,836	35,238	53,836
Additional paid-in capital				
Additional paid-in capital, beginning of the period	1,038,855	994,378	1,008,797	969,719
Common stock issued	292	1,943	30,350	26,602
Additional paid-in capital, end of the period	1,039,147	996,321	1,039,147	996,321
Retained earnings				
Retained earnings, beginning of the period,	102,318	96,581	125,994	132,559
Dividends	(2,344)	(2,427)	(7,139)	(7,567)
Net income (loss)	(28,143)	14,211	(47,024)	(16,627)
Retained earnings, end of the period	71,831	108,365	71,831	108,365
Accumulated other comprehensive income (loss)				
Accumulated other comprehensive income (loss), beginning of the period	(38,504)	(36,245)	(38,856)	(30,443)
Currency translation adjustment, net of tax	(4,764)	(10,326)	(4,412)	(16,128)
Accumulated other comprehensive income (loss), end of the period	(43,268)	(46,571)	(43,268)	(46,571)
Treasury stock, at cost, par value $0.01 per share				
Treasury stock, beginning of the period	(1,074,491)	(1,054,096)	(1,063,837)	(1,023,901)
Repurchased	(106)	(239)	(10,760)	(30,434)
Treasury stock, end of the period	(1,074,597)	(1,054,335)	(1,074,597)	(1,054,335)
Total stockholders' equity	$ 28,904	$ 58,141	$ 28,904	$ 58,141

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	
	2023	2022
Operating activities:		
Net income (loss)	$ (47,024)	$ (16,627)
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Non-cash items included in net income (loss):		
Depreciation and amortization	4,914	3,225
Net investment (gains) losses	(1)	18
Restricted stock units recognized, net	17,228	23,218
Deferred taxes, net	(2,230)	(1,470)
Non-cash interest expense	7,734	—
Allowance for doubtful accounts	222	(335)
Changes in operating assets and liabilities:		
Fees receivable	19,352	1,621
Other receivables and assets	(15,414)	(12,066)
Compensation payable	(61)	(19,686)
Accounts payable and accrued expenses	3,931	4,523
Current income taxes payable	(8,399)	(6,402)
Net cash provided (used) by operating activities	(19,748)	(23,981)
Investing activities:		
Purchases of property and equipment	(2,328)	(3,600)
Net cash used in investing activities	(2,328)	(3,600)
Financing activities:		
Proceeds from secured promissory note	270,079	—
Repayment of secured term loan	(271,875)	—
Dividends paid	(8,233)	(6,148)
Purchase of treasury stock	(10,760)	(30,434)
Net cash used in financing activities	(20,789)	(36,582)
Effect of exchange rate changes	(950)	(6,149)
Net decrease in cash and cash equivalents	(43,815)	(70,312)
Cash and cash equivalents, beginning of the period	104,336	134,624
Cash and cash equivalents, end of the period	$ 60,521	$ 64,312
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 9,173	$ 7,541
Cash paid for taxes, net of refunds	$ 5,511	$ 4,823

See accompanying 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 (other than the U.K.) 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.

Merger Agreement

On May 22, 2023, the Company, Mizuho Americas, LLC, a Delaware limited liability company ("Mizuho Americas"), and Blanc Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Mizuho Americas ("Merger Sub") entered into an Agreement and Plan of Merger (as it may be amended from time to time, "the Merger Agreement") pursuant to which, and subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger and as a wholly owned subsidiary of Mizuho Americas. Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of the Company's common stock outstanding as of immediately prior to the Effective Time (other than dissenting shares and certain shares held by us or Mizuho Americas, in each case as specified in the Merger Agreement) will be canceled and converted into the right to receive $15.00 in cash, without interest. The Merger was unanimously approved by the Company's Board of Directors and was also approved by the Company's shareholders on August 16, 2023. To date, the Company and Mizuho Americas have received regulatory approvals of the Merger from nearly all their regulators and the waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended, (HSR Act) has expired. The Merger is expected to close by year end and is subject to obtaining the remaining required regulatory approval and satisfaction of other customary closing conditions.

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, 2022 included in the Company's Annual

Report on Form 10-K filed with the SEC. The condensed consolidated financial information as of December 31, 2022 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 $10.7 million and $9.0 million as of September 30, 2023 and December 31, 2022, 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, 2023 and September 30, 2022, the Company recognized $5.9 million and $3.8 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 $0.9 million and $0.7 million for the three months ended September 30, 2023 and 2022, respectively, and $2.7 million and $1.9 million for the nine months ended September 30, 2023 and 2022, 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 $0.2 million and $0.1 million in the three months ended September 30, 2023 and 2022, respectively. The Company recorded bad debt expense of $0.2 million and a net reversal of bad debt expense of $0.3 million in the nine months ended September 30, 2023 and 2022, respectively.

Included in the fees receivable balances at September 30, 2023 and December 31, 2022 were $3.3 million and $4.1 million, respectively, of long term receivables related to primary capital advisory engagements which are generally paid in installments of up to three years.

Credit risk related to fees receivable is dispersed 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 four-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 statement of financial condition. 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.

Note 3 — Cash and Cash Equivalents

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

	As of September 30, 2023	As of December 31, 2022
	(in thousands)	
	(unaudited)	
Cash	$ 30,244	$ 49,789
Cash equivalents	24,396	47,609
Restricted cash - letters of credit	5,881	6,938
Total cash and cash equivalents	$ 60,521	$ 104,336

The Company's standby letter of credit for its New York headquarters' location was reduced to $4.7 million during the first quarter 2023 from $5.9 million as of December 31, 2022. The standby letter of credit for the New York space may be further reduced periodically under certain circumstances to approximately $3.5 million.

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, 2023 and December 31, 2022, 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, 2023

	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, 2023
	(in thousands, unaudited)			
Assets				
Cash equivalents	$ 24,396	$ —	$ —	$ 24,396
Total	$ 24,396	$ —	$ —	$ 24,396

Assets Measured at Fair Value on a Recurring Basis as of December 31, 2022

	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, 2022
	(in thousands)			
Assets				
Cash equivalents	$ 47,609	$ —	$ —	$ 47,609
Total	$ 47,609	$ —	$ —	$ 47,609

Note 5 — Secured Debt Facilities

On August 31, 2023, the Company entered into a secured promissory note ("Promissory Note") with Mizuho Bank Ltd., a Japanese banking corporation ("Mizuho Bank"), and used the proceeds to repay in full the outstanding principal balance and accrued interest payable under the Company's term loan facility ("Term Loan Facility"), which was entered into in October 2017 pursuant to the credit agreement, dated October 12, 2017, by and among the Company, the lenders party thereto and Goldman Sachs USA, as administrative agent (as amended on April 12, 2019 and June 30, 2023, the "Credit Agreement"). Prior to repayment in full, the Term Loan Facility had an outstanding principal balance of approximately $270.1 million. Mizuho Bank is an affiliate of Mizuho Americas, which entered into the Merger Agreement with the Company. See Note 1 – Organization – Merger Agreement.

Borrowings under the Term Loan Facility bore interest at either U.S. Prime plus 2.25% or LIBOR plus 3.25% at our option and required quarterly principal amortization payments of $4.7 million (or $18.8 million annually), from September 30, 2019 through March 31, 2024. As of August 31, 2023, the Company had repaid in advance all required quarterly amortization payments of the Term Loan Facility and no further amortization payments were due until maturity in April 2024. In addition to required amortization payments, the Company was required to make annual repayments of principal on the Term Loan Facility within ninety days of year-end of up to 50% of its annual excess cash flow as defined in the Credit Agreement based on a calculation of net leverage. In March 2023, the Company made a required excess cash payment of $1.8 million related to 2022. The Term Loan Facility permitted voluntary principal payments to be made in advance without penalty.

Deferred financing costs of $9.0 million related to the Term Loan Facility were 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 $0.3 million and $0.4 million related to the amortization of deferred financing costs for the three months ended September 30, 2023 and 2022, respectively, and incremental interest expense of $1.2 million and $1.3 million related to the amortization of such costs for the nine months ended September 30, 2023 and 2022, respectively. In conjunction with the repayment of the Term Loan Facility in August 2023, the remaining unamortized deferred financing costs of $1.0 million were charged to interest expense. There were no financing costs incurred with borrowings made under the Promissory Note.

The Promissory Note has a maturity date of April 12, 2024, subject to extension for 60 days in certain limited circumstances. Borrowings under the Promissory Note bear interest at one-month SOFR plus a Term SOFR Adjustment plus 2.25% or at an Alternative Base Rate (as defined in the Promissory Note,) which is 100 basis points less than the interest charged under the Credit Agreement, or at an Alternative Base Rate (as defined in the Promissory Note) plus 1.25% in certain limited circumstances. Under the terms of the Promissory Note interest accrues monthly and is added to the principal balance. Proceeds from borrowings under the Promissory Note of $6.1 million were used to pay accrued interest due upon repayment of the Term Loan Facility. In addition, during the three months ended September 30, 2023, an additional $1.8 million of interest expense related to borrowing under the Promissory Note was accrued and added to the principal balance. As of September 30, 2023, the Promissory Note had a principal balance, inclusive of its paid in-kind interest, of $277.8 million.

The Promissory Note does not include the restrictive covenants found in the Credit Agreement; however, the Company continues to be subject to the interim operating covenants under the Merger Agreement. The Promissory Note may be repaid in whole or in part without penalty. The Promissory Note 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 by 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 owned by a guarantor, subject to certain exclusions. Under the terms of the Promissory Note, acceleration may only occur upon the occurrence of an event of default related to the bankruptcy or insolvency of the Company or certain of its subsidiaries or certain events relating to the validity or perfection of the liens securing the Promissory Note or the enforceability of the Promissory Note and the related documents.

Consistent with the terms of the Merger Agreement, if the closing of the Merger has not occurred by March 12, 2024, Mizuho Bank remains obligated to refinance the Promissory Note with a replacement loan on the terms specified in the Merger Agreement. The parties continue to expect the Merger to be completed by December 31, 2023, subject to obtaining the remaining required regulatory approval and satisfaction of other customary closing conditions.

Note 6 — Equity

Total dividend payments of $0.30 per share were paid to common stockholders for each of the nine months ended September 30, 2023 and 2022. In addition, dividend equivalent payments of $1.5 million and $2.1 million were accrued for holders of restricted stock units for the nine months ended September 30, 2023 and 2022, respectively.

During the nine months ended September 30, 2023, the Company repurchased 69,112 common shares through open market transactions at an average price of $11.88, for a total cost of $0.8 million. Additionally, during the nine months ended September 30, 2023, 2,012,056 restricted stock units vested and were settled in shares of common stock of which the Company is deemed to have repurchased 916,859 shares at an average price of $10.84 per share for a total cost of $9.9 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, 2022, the Company repurchased 1,130,208 common shares through open market transactions at an average price of $14.84, for a total cost of $16.8 million. Additionally, during the nine months ended September 30, 2022, 1,790,070 restricted stock units vested and were settled in shares of common stock, of which the Company is deemed to have repurchased 812,094 shares at an average price of $16.83 per share for a total cost of $13.7 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,	
	2023	2022	2023	2022
	(in thousands, except per share amounts, unaudited)			
Numerator for basic and diluted EPS — net income (loss)	$ (28,143)	$ 14,211	$ (47,024)	$ (16,627)
Denominator for basic EPS — weighted average number of shares	18,815	17,936	18,646	18,198
Add — dilutive effect of:				
Restricted stock units	— (1)	3,160	— (1)	— (1)
Denominator for diluted EPS — weighted average number of shares and dilutive securities	18,815 (1)	21,096	18,646 (1)	18,198 (1)
Earnings (loss) per share:				
Basic EPS	$ (1.50)	$ 0.79	$ (2.52)	$ (0.91)
Diluted EPS	$ (1.50)	$ 0.67	$ (2.52)	$ (0.91)

(1) Excludes 4,007,731 unamortized restricted stock units that were antidilutive for the three months ended September 30, 2023, and 3,567,979 and 4,255,000 unamortized restricted stock units that were antidilutive for the nine months ended September 30, 2023, and September 30, 2022, respectively, 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			
	2023		2022	
	Units	Grant Date Weighted Average Fair Value	Units	Grant Date Weighted Average Fair Value
Outstanding, January 1,	6,589,995	$ 13.80	7,799,509	$ 13.78
Granted	2,239,390	10.10	1,810,570	16.10
Delivered	(2,092,161)	14.76	(1,836,150)	14.77
Forfeited	(574,745)	12.17	(251,177)	14.12
Outstanding, September 30,	6,162,479	$ 12.25	7,522,752	$ 13.91

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 may vary 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 provision for income taxes for the nine months ended September 30, 2023 and 2022 include a charge of $1.8 million and a net benefit of $0.8 million, respectively, related to the tax effect of the vesting of restricted stock units at a market value less than their grant price in 2023 and greater than their grant price in 2022.

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, 2023, 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 13 years.

The undiscounted aggregate minimum future rental payments are as follows:

	As of	
	September 30, 2023	December 31, 2022
	(in thousands)	
	(unaudited)	
2023 (remainder)	$ 1,761	$ 12,348
2024	13,102	12,732
2025	14,737	14,006
2026	13,026	12,200
2027	13,115	12,270
Thereafter	81,807	78,386
Total lease payments	$ 137,548	$ 141,942
Plus: tenant incentive allowance utilized to finance leasehold improvements	9,263	9,819
Less: Interest	(41,360)	(44,124)
Present value of operating lease liabilities	$ 105,451	$ 107,637

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

	As of	
	September 30, 2023	December 31, 2022
	(unaudited)	
Weighted average remaining lease term in years	10.3	10.8
Weighted average discount rate	7.0 %	6.9 %

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, 2023, G&Co's net capital was $7.1 million, which exceeded its requirement by $6.5 million. G&Co's aggregate indebtedness to net capital ratio was 1.2 to 1 at September 30, 2023. Certain distributions and other capital withdrawals of G&Co are subject to certain notifications and restrictive provisions of the Rule.

At September 30, 2023, 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, 2023, GCI, Greenhill Europe, Greenhill Australia, and our other regulated operations were in compliance with local capital adequacy requirements.

Note 11 - Legal Proceedings

Following the announcement of the Merger, five complaints (the “Complaints”) were filed by purported stockholders of the Company, captioned O’Neill v. Greenhill & Co, Inc. et al., No. 1:23-cv-00807 (D. Del.); Levy v. Bok et al., No. 611692/2023 (N.Y. Sup. Ct. Nassau Cnty.); Lambert v. Bok et al., No. 653497/2023 (N.Y. Sup. Ct. New York Cnty.); Finger v. Greenhill & Co, Inc., et al., No. 653570/2023 (N.Y. Sup. Ct. New York Cnty.); and O’Dell v. Greenhill & Co., Inc., et al., No. 1:23-cv-06020 (S.D.N.Y.). In addition, the Company received demand letters from counsel representing purported individual stockholders of the Company (the “Demand Letters” and, together with the “Complaints,” the “Matters”). The Matters allege, among other things, that the defendants caused a materially incomplete and misleading proxy statement relating to the Merger to be filed with the SEC in violation of Sections 14(a) and 20(a) of the Exchange Act and/or in breach of their obligations under state law. The Matters sought, among other remedies, an injunction barring the Merger, rescissory damages in the event the Merger had been consummated, and payment of plaintiff’s costs and disbursements, including attorneys’ fees and expenses. In addition, a purported stockholder of the Company has made a demand pursuant to Section 220 of the Delaware General Corporation Law to inspect certain books and records of the Company relating to the proposed Merger and brought suit to compel inspection (DiMauro v. Greenhill & Co., Inc., C.A. No. 2023-0832 (Del. Ch. Aug. 15, 2023)). The Company believes the claims asserted in the Matters are without merit and supplemental disclosures are not required or necessary under applicable laws. However, in order to avoid the risk that the Matters delay or otherwise adversely affect the Merger, and to minimize the costs, risks and uncertainties inherent in litigation, and without admitting any liability or wrongdoing, on August 7, 2023, the Company voluntarily made supplemental disclosures as described on Form 8-K to the definitive proxy statement filed by the Company on July 13, 2023. Since such disclosure three complaints were dismissed by plaintiffs (O’Dell v. Greenhill & Co., Inc., et al., No. 1:23-cv-06020 (S.D.N.Y.); O’Neill v. Greenhill & Co, Inc. et al., No. 1:23-cv-00807 (D. Del.) and; Levy v. Bok et al., No. 611692/2023 (N.Y. Sup. Ct. Nassau Cnty.)); and the plaintiff seeking an injunction barring the Merger voluntarily withdrew her application to the Court (Finger v. Greenhill & Co, Inc., et al., No. 653570/2023 (N.Y. Sup. Ct. New York Cnty.)). The Company is unable to predict the outcome of the ultimate resolution of the Matters, or the potential loss, if any, that may result, and additional lawsuits arising out of the Merger may also be filed in the future.

In addition, the Company is from time to time involved in legal proceedings incidental to the ordinary course of its business. The Company does not believe any such proceedings will have a material adverse effect on its results of operations.

Note 12 — Subsequent Events

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

On November 9, 2023, the Board of Directors of the Company declared a quarterly dividend of $0.10 per share. The dividend will be payable on December 27, 2023 to the common stockholders of record on December 13, 2023. If the merger with Mizuho Americas is consummated prior to the close of trading on December 13, 2023, no dividend will be paid to stockholders of Greenhill who hold common shares prior to the closing of the merger with Mizuho Americas.

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, 2022, 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, statements about the benefits of the proposed acquisition of Greenhill by Mizuho Americas, LLC ("Mizuho Americas") including future financial and operating results, our or Mizuho Americas' plans, objectives, expectations and intentions, the expected timing of completion of the proposed transaction with Mizuho Americas and other statements that are not historical facts. 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, the occurrence of any event, change, or other circumstance that could give rise to the right of Greenhill or Mizuho Americas to terminate the definitive merger agreement; the outcome of any legal proceedings that may be instituted against us or Mizuho Americas; the possibility that the proposed transaction with Mizuho Americas does not close when expected or at all because required regulatory, stockholder, or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all (and the risk that such approvals may result in the imposition of conditions that could adversely affect us or Mizuho Americas or the expected benefits of the proposed transaction); the risk that the benefits from the proposed transaction with Mizuho Americas may not be fully realized or may take longer to realize than expected, including as a result of changes in, or problems arising from, general economic, political and market conditions, interest and exchange rates, laws and regulations and their enforcement, and the degree of competition in the geographic and business areas in which we and Mizuho Americas operate; the ability to promptly and effectively integrate the businesses of Greenhill with those of Mizuho Americas; the possibility that the proposed transaction with Mizuho Americas may be more expensive to complete than anticipated, including as a result of unexpected factors or events; reputational risk and potential adverse reactions of our or Mizuho Americas' clients, employees or other business partners, including those resulting from the announcement or completion of the proposed transaction; the diversion of management's attention and time from ongoing business operations and opportunities on merger-related matters; and the impact of the global COVID-19 pandemic on our or Mizuho Americas' businesses, the ability to complete the proposed transaction or any of the other foregoing risk. You should consider the various risks outlined under "Risk Factors" in our 2022 Annual Report on Form 10-K, this Quarterly Report on Form 10-Q and our other filings with the United States Securities and Exchange Commission (the "SEC").

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, private equity sponsors, institutional investors, family offices 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 27 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. 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 2023, we have recruited 4 additional client facing managing directors. With these recruits we have expanded our teams focused on the energy, industrial and technology sectors and financing advisory and restructuring. We have many active recruiting dialogues in progress and continue to see opportunities to grow senior banker headcount. As of October 31, 2023, we had 77 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 2023, the pace of global transaction activity continues to be very slow. The number of $500 million plus deals announced globally is on pace to be the second lowest of the past 20 years. Higher interest rates and tighter credit markets have resulted in significantly lower private equity deal activity, greater government scrutiny of larger corporate deals has negatively impacted public company activity, and volatile stock prices caused by several macro-economic and geopolitical conditions including the outbreak of regional conflict in several parts of the world, are making it more difficult for buyers and sellers of all types to agree on valuations.

Our revenue for the quarter was $30.7 million, which was lower than expected due to difficult market conditions and the unpredictable timing of transaction completions. Year to date our revenue of $151.8 million was slightly lower than last year consistent with market activity. Our fourth quarter revenue is expected to return to a more normalized run rate. The U.S. market is anticipated to be the largest contributor to full year revenue due to some significant M&A transaction closings and growing strength in restructuring activity.

Globally, the number and volume of announced transactions decreased by 6% and 30%, respectively, in the nine months ended September 30, 2023 versus the same period in the prior year. The number and volume of completed transactions globally decreased by 7% and 37%, respectively, in the same period.[1]

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.

[1] Excludes transactions less than $100,000 and withdrawn/canceled deals. Source: Thomson Financial as of September 30, 2023.

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.

Recent Developments

On May 22, 2023, we and Mizuho Financial Group, Inc. ("Mizuho") announced that we entered into a definitive agreement under which Mizuho will acquire Greenhill. Pursuant to the terms and subject to the conditions set forth in the Agreement and Plan of Merger, dated as of May 22, 2023 (as it may be amended from time to time, "the Merger Agreement") among Greenhill, Mizuho Americas and Blanc Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Mizuho Americas ("Merger Sub"), Merger Sub will merge with and into Greenhill (the "Merger"), with Greenhill continuing as the surviving corporation in the Merger as a wholly owned subsidiary of Mizuho Americas. Pursuant to the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of Greenhill common stock (other than dissenting shares and certain shares held by us or Mizuho Americas, in each case as specified in the Merger Agreement) issued and outstanding immediately prior to the Effective Time will be canceled and converted into the right to receive $15.00 in cash, without interest. The Merger was unanimously approved by our Board of Directors and was also approved by our shareholders on August 16, 2023. As noted above, we and Mizuho Americas have received regulatory approvals from nearly all regulators and the waiting period under the HSR Act has expired. The Merger is expected to close by year end and is subject to obtaining the remaining required regulatory approval and satisfaction of other customary closing conditions.

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 where we act as private placement agents.

Revenues were $30.7 million in the third quarter of 2023 compared to $81.1 million in the third quarter of 2022, a decrease of $50.4 million, or 62%. The decrease principally resulted from fewer large M&A transaction completion fees.

For the nine months ended September 30, 2023, revenues were $151.8 million compared to $162.6 million in 2022, a decrease of $10.8 million, or 7%. The decrease principally resulted from a reduction in M&A transaction fees, offset by an increase in 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 2023 were $62.9 million, which compared to $58.2 million of total operating expenses for the third quarter of 2022. The increase in total operating expenses of $4.7 million or 8%, resulted from increases in both our compensation and benefits expenses and non-compensation operating expenses, each as described in more detail below.

For the nine months ended September 30, 2023, our total operating expenses were $195.0 million, which compared to $175.1 million of total operating expenses in the first half of 2022. The increase in total operating expenses of $19.9 million, or 11%, resulted from increases in both our 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,	
	2023	2022	2023	2022
	(in millions, unaudited)			
Employee compensation and benefits expenses	$48.1	$45.3	$146.9	$135.3
% of revenues	*157 %*	*56 %*	*97 %*	*83 %*
Non-compensation operating expenses	14.8	12.9	48.1	39.8
% of revenues	*48 %*	*16 %*	*32 %*	*24 %*
Total operating expenses	62.9	58.2	195.0	175.1
% of revenues	*205 %*	*72 %*	*128 %*	*108 %*
Total operating income (loss)	(32.2)	23.0	(43.2)	(12.4)
Operating profit margin	*NM*	*28 %*	*NM*	*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 for the third quarter of 2023 were $48.1 million as compared to $45.3 million for the third quarter of 2022. The increase in expense of $2.8 million, or 6%, was largely due to a greater amount of accrued incentive compensation. The ratio of compensation expense to revenues was elevated in the third quarter of 2023 due to lower than average quarterly revenues.

For the nine months ended September 30, 2023, our employee compensation and benefits expenses were $146.9 million compared to $135.3 million for the same period in 2022. The increase in expense of $11.6 million, or 9%, was largely a result of the timing of an accounting charge for incentive compensation. The ratio of compensation to revenues for the nine months ended September 30, 2023 increased to 97% as compared to 83% in the same period in 2022 due to the spreading of higher year to date compensation costs over lower year to date revenues.

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, 2023, our non-compensation operating expenses of $14.8 million increased $1.9 million, or 15%, as compared to $12.9 million in the same period in 2022. The increase principally resulted from an increase in professional fees and slightly higher information services costs.

For the nine months ended September 30, 2023, our non-compensation operating expenses of $48.1 million increased $8.3 million, or 21%, as compared to $39.8 million in the comparable period in 2022. The increase principally resulted from higher costs for our new London space, higher travel and information service costs, professional fees incurred related to our pending acquisition by Mizuho, and a reduction of foreign currency gains.

Non-compensation expenses as a percentage of revenues for the nine months ended September 30, 2023 were 32% compared to 24% for the same period in 2022. The increase in non-compensation expenses as a percentage of revenues resulted from the effect of spreading higher non-compensation costs over lower revenues in the nine months ended September 30, 2023, as compared to the same period in 2022.

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, 2023, we incurred interest expense of $7.2 million as compared to $4.4 million for the same period in 2022. The increase of $2.8 million resulted from both the impact of significantly higher market borrowing rates in the third quarter of 2023 compared to the same period in 2022 and a non-recurring charge of $1.0 million for the write off of unamortized deferred financing costs related to the refinancing of our term loan.

For the nine months ended September 30, 2023, we incurred interest expense of $19.2 million, an increase of $8.8 million as compared to $10.4 million for the same period in 2022. The increase related to both the impact of significantly higher market borrowing rates in the first nine months of 2023 as compared to the same period in 2022 and the write off of deferred financing costs described above.

The rate of interest on our borrowing was based on LIBOR through August 31, 2023 and beginning in September 2023 onwards is/will be based on SOFR. Our borrowing rate 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 using SOFR or another alternative rate.

Provision for Income Taxes

For the three months ended September 30, 2023, due to our pre-tax loss we recognized an income tax benefit of $11.2 million, which reflected an effective tax rate of 29%. This compared to an income tax expense of $4.4 million for the same period in 2022, which reflected an effective tax rate of 24%. The increase in our effective tax rate principally resulted from an increase in the U.K. statutory rate effective in April 2023.

For the nine months ended September 30, 2023, due to our pre-tax loss we recognized an income tax benefit of $15.4 million, which included a charge of $1.8 million related to the tax effect of the vesting of restricted stock units at a grant price higher than the market price. This compared to an income tax benefit for the nine month period ended September 30, 2022 of $6.2 million, which included a benefit of $0.8 million related to the tax effect of the vesting of restricted stock units at a market price higher than the grant price. Excluding these charges/benefits, the effective tax rates for the nine months ended September 30, 2023 and 2022 would have been 28% and 24%, respectively. The increase in our effective tax rate in 2023 principally resulted from the increase in the U.K. statutory rate described above.

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 our credit facility. It is our objective to retain a global cash balance adequate to service our forecast operating and financing needs. At October 31, 2023, we had cash and cash equivalents of approximately $62.0 million.

We generate substantially all of our cash from advisory fees. Since we are solely a financial advisory services firm and we do not underwrite, trade securities, lend or have asset management services, we do not need to retain a significant amount of regulatory capital. Our cash needs thus are primarily a function of working capital requirements. Historically, we have used 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. 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 fees generated through our primary capital advisory engagements, which are generally paid in installments over a period of up to three years, and certain restructuring transactions, where collections may take longer due to court-ordered holdbacks.

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").

On August 31, 2023, we entered into a secured promissory note ("Promissory Note") with Mizuho Bank Ltd., a Japanese banking corporation ("Mizuho Bank") to repay in full the outstanding principal balance and accrued interest payable under the TLB. Prior to repayment, the TLB had an outstanding principal balance of approximately $270.1 million. The Promissory Note has a maturity date of April 12, 2024, subject to extension for 60 days in certain limited circumstances. Borrowings under the Promissory Note bear interest at one-month SOFR plus a Term SOFR Adjustment plus 2.25%, which is 100 basis points less that the interest charged under the TLB, or at an Alternative Base Rate (as defined in the Promissory Note) plus 1.25% in certain limited circumstances. Under the terms of the Promissory Note interest accrues monthly and is added to the principal balance. The Promissory Note may be repaid in whole or in part without penalty. As of September 30, 2023, the Promissory Note had a principal balance, inclusive of paid in kind interest, of $277.8 million.

The Promissory Note does not include the restrictive covenants found in the TLB; however, we continue to be subject to the interim operating covenants under the Merger Agreement. The Promissory Note will be guaranteed by our existing and subsequently acquired or organized wholly-owned U.S. restricted subsidiaries (excluding any registered broker-dealers) and secured by 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 owned by a guarantor, subject to certain exclusions. Under the terms of the Promissory Note, acceleration may only occur upon the occurrence of an event of default related to the bankruptcy or insolvency of the Company or certain of its subsidiaries or certain events relating to the validity or perfection of the liens securing the Promissory Note or the enforceability of the Promissory Note and the related documents.

Consistent with the terms of the Merger Agreement, if the Closing has not occurred by March 12, 2024, Mizuho remains obligated to refinance the Promissory Note with a replacement loan on the terms specified in the Merger Agreement, which may include interest that is currently payable. The parties continue to expect the Merger to be completed by December 31, 2023, subject to obtaining the remaining required regulatory approval and satisfaction of other customary closing conditions.

For the period beginning February 1, 2023 through January 31, 2024 our Board of Directors has authorized $30.0 million in purchases of common stock and common stock equivalents (via tax withholding on vesting of restricted stock units). As of October 31, 2023, we had $19.8 million remaining and authorized for repurchase through January 2024.

In the first nine months of 2023, the Board of Directors declared quarterly dividend payments of $0.10 per share payable in March, June and September. In November 2023, the Board of Directors declared a quarterly dividend of $0.10 per share. The dividend will be payable on December 27, 2023 to the common stockholders of record on December 13, 2023. If the merger with Mizuho is consummated prior to the close of trading on December 13, 2023, no dividend will be paid to stockholders of Greenhill who hold common shares prior to the closing of the merger with Mizuho.

Under the terms of the Merger Agreement, we have agreed to customary covenants, subject in each case to certain exceptions, during the interim period between the execution of the Merger Agreement and the consummation of the Merger, including covenants that limit our ability to make dividend payments, other than our regular quarterly dividend of $0.10 per share, and our ability to repurchase shares of our common stock.

Future authorizations to repurchase our common stock and to pay dividends on our common stock are at the discretion of our Board of Directors and depend upon, among other things, general financial conditions, capital requirements and surplus, cash flows, debt service obligations, our recent and expected future operations and earnings, legal and contractual restrictions and other factors, such as limitations under the Merger Agreement, as the Board of Directors may deem relevant. In addition, 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 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 four-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, 2023, 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 $41.9 million (as calculated based upon the closing share price as of October 31, 2023 of $14.81 per share and assuming a withholding tax rate of 46% consistent with our recent experience) over the next four years, of which an additional $0.3 million remains payable in 2023, $12.9 million will be payable in 2024, $14.0 million will be payable in 2025, $9.9 million will be payable in 2026, and $4.8 million will be payable in 2027. 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 may be greater or less than the amounts calculated above.

Also, as part of our long-term incentive award program, we may 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 four 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, 2023, we estimate payments of $38.7 million over the next four years, of which $0.5 million remains payable in 2023, $13.6 million will be payable in 2024, $12.3 million will be payable in 2025, $8.5 million will be payable in 2026, and $3.8 million will be payable in 2027. 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. From time to time we incur leasehold improvements related to the build out of new space. With our build outs of New York and London complete there are no other large leasehold improvement expenditures currently planned in the near-term.

Under the 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 dependent upon our needs for cash in the U.S. The amount of foreign cash we repatriate is subject to our estimated foreign operating and regulatory needs as well as our global cash management needs. Based on recent regulatory pronouncements in the U.K. and Europe our regulatory capital amounts are expected to modestly increase over the next few years.

We operate in multiple countries in North America, Europe, Australia and Asia. As a financial services firm, we are subject to extensive regulation by governments, their respective agencies and/or various self-regulatory organizations or exchanges in each of the countries in which we operate. Each regulator imposes varying degrees of regulatory requirements which generally include net capital, customer protection and market conduct requirements. The amount of regulatory capital required by each regulatory authority varies and may change through the implementation of new regulations or a change in our business operations. Due to the enactment of regulatory standards in the U.K. and the relocation of our European headquarters to Germany, our regulatory capital requirements in the U.K. and Europe have increased moderately from historically very nominal levels. Elsewhere in the world we are also subject to varying capital requirements. To comply with these requirements, we may need to retain cash in certain jurisdictions in excess of our forecasted working capital needs. In the event we need additional capital in one or more locations we may be required to fund those needs by withdrawing capital from another jurisdiction.

While we believe that the cash generated from operations during the next twelve months and over the longer term will be sufficient to meet our expected operating needs, which include, among other things, our tax obligations, dividend payments, share repurchases related to the tax settlement payments upon the vesting of the restricted stock units, and deferred cash compensation payments, 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. A failure to maintain adequate regulatory capital in one or more jurisdictions could result in sanctions, a suspension of our regulatory license in such locations or limit or prohibit us from conducting operations. In addition, under the terms of the Promissory Note, acceleration may occur upon the occurrence of an event of default related to the bankruptcy or insolvency of the Company or certain of its subsidiaries or certain events relating to the validity or perfection of the liens securing the Promissory Note or the enforceability of the Promissory Note and other related documents.

Cash Flows

In the nine months ended September 30, 2023, our cash and cash equivalents decreased by $43.8 million from December 31, 2022, including a decrease of $1.0 million from the effect of the translation of foreign currency amounts into U.S. dollars at the quarter-end foreign currency conversion rates. We used $19.7 million for operating activities, which consisted of an operating loss of $19.2 million after giving effect to non-cash items and a net increase in working capital of $0.6 million. We used $2.3 million in investing activities to fund leasehold improvements and equipment purchases. We used $20.8 million in financing activities, including $271.9 million for the repayment of the term loan, $0.8 million for open market repurchases of our common stock, $9.9 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 $8.2 million for the payment of dividends, offset by proceeds from the Promissory Note of $270.1 million.

In the nine months ended September 30, 2022, our cash and cash equivalents decreased by $70.3 million from December 31, 2021, including a decrease of $6.1 million from the effect of the translation of foreign currency amounts into U.S. dollars at the quarter-end foreign currency conversion rates. We used $24.0 million for operating activities, which consisted of $8.0 million from operating income after giving effect to non-cash items and a net increase in working capital of $32.0 million, principally from the payment of annual bonuses. We used $3.6 million in investing activities to fund leasehold improvements and equipment purchases. We used $36.6 million in financing activities, including $16.8 million for open market repurchases of our common stock, $13.7 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 $6.1 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, 2022.

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 Company. 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, 2023, as compared to the same period in 2022, the average value of the U.S. dollar weakened relative to the pound sterling and euro. In aggregate, there was a slightly positive impact on our revenues in the nine months ended September 30, 2023 as compared to the same period in 2022 as a result of the movement of foreign currency rates. Although our global revenues may be impacted by movements in foreign exchange rates, 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 Promissory Note with Mizuho Bank bears interest at one-month SOFR plus a Term SOFR Adjustment plus 2.25%. 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, 2023, we had $277.8 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, 2023, a 100 basis point increase in SOFR would have increased our annual borrowing expense by $2.8 million.

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

See the discussion of legal proceedings in Note 11–Legal Proceedings in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Item 1 of Part II.

Item 1A. Risk Factors

The discussion of our business and operations should be read together with the risk factors disclosed in our 2022 Annual Report on Form 10-K, our other SEC filings and this Form 10-Q. There have been no material changes from such previously disclosed risk factors except as noted below.

Merger Risks

a. The consummation of the proposed Merger is subject to a number of conditions, which may not be satisfied or waived on a timely basis or at all.

b. Failure to complete the Merger could adversely affect our stock price and business, results of operations and financial condition.

c. While the Merger is pending, we are subject to business uncertainties and certain contractual restrictions that could adversely affect our business, results of operations and financial condition.

d. We expect to incur substantial transaction fees and Merger-related costs in connection with the Merger that could adversely affect our business and operations if the Merger is not completed.

e. The Merger Agreement may limit our ability to pursue alternatives to the Merger and may discourage other companies from trying to acquire Greenhill.

f. Litigation relating to the Merger could prevent or delay the completion of the Merger or otherwise negatively affect our business and operations.

g. The Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed, which could negatively affect us.

h. The remaining regulatory approval may not be received, may take longer than expected or may impose conditions that are not presently anticipated.

The consummation of the Merger is subject to a number of conditions, which may not be satisfied or waived on a timely basis or at all

The obligations of the parties to consummate the Merger are subject to the satisfaction or waiver of various conditions, including: (i) the adoption of the Merger Agreement by the affirmative vote of the holders of a majority of the issued and outstanding shares of Greenhill common stock entitled to vote thereon, (shareholder approval was obtained on August 16, 2023) (ii) the expiration or early termination of the applicable waiting period under the HSR Act (waiting period expired July 6, 2023) (iii) the receipt of all specified governmental consents and approvals, and the termination or expiration of all applicable waiting periods in respect thereof (the "Requisite Regulatory Approvals"), (iv) the absence of any law, injunction, order or other judgment, in any of the jurisdictions where there are Required Regulatory Approvals, that enjoins, prevents, prohibits or otherwise makes illegal the consummation of the Merger (a "Restraint"), (v) performance by Greenhill and Mizuho Americas in all material respects of their respective obligations under the Merger Agreement and (vi) subject in most cases to exceptions that do not rise to the level of a Material Adverse Effect or a Parent Material Adverse Effect (each as defined in the Merger Agreement), as applicable, the accuracy of representations and warranties made by Greenhill and Mizuho Americas, respectively. The obligation of Mizuho Americas to consummate the Merger is also subject to there not having occurred since the date of the Merger Agreement a Material Adverse Effect that is continuing. Any delay in completing the Merger could cause the parties to the Merger Agreement to not realize some or all of the benefits that are expected to be achieved if the Merger is successfully completed within the expected timeframe. There can be no assurance that the conditions to closing of the Merger will be satisfied or waived or that the Merger will be completed within the expected timeframe or at all.

Failure to complete the Merger could adversely affect our stock price and business, results of operations and financial condition.

There can be no assurance that the conditions to the closing of the Merger will be satisfied or waived or that the Merger will be completed on a timely basis or at all. If the Merger is not completed within the expected timeframe or at all, our ongoing business could be adversely affected and we will be subject to a variety of risks and possible consequences associated with the failure to complete the Merger, including the following: (i) we may experience negative reactions from the financial markets and from our customers and employees, which in turn could affect our ability to compete for business; (ii) we will incur certain transaction costs, including legal, accounting, financial advisor, filing, printing and mailing fees, regardless of whether the Merger closes; (iii) under the Merger Agreement, we are subject to certain restrictions on the conduct of our business prior to the closing of the Merger, which may adversely affect our ability to execute certain of our business strategies; (iv) current and prospective employees may experience uncertainty about their roles following the completion of the Merger, which may have an adverse effect on our ability to attract or retain key employees while the Merger is pending and may adversely affect us in the future if we are not able to hire and retain qualified personnel to replace departing employees; (v) the proposed Merger, whether or not it closes, will divert the attention of certain of our management and other key employees from ongoing business activities, including the pursuit of other opportunities that could be beneficial to us; and (vi) we may be required, under certain circumstances, to pay a termination fee of $15,380,000 to Mizuho Americas. If the Merger is not completed, these risks could materially affect our business, results of operations and financial condition and stock price, including to the extent that the current market price of our common stock is positively affected by a market assumption that the Merger will be completed.

While the Merger is pending, we are subject to business uncertainties and certain contractual restrictions that could adversely affect our business, results of operations and financial condition.

In connection with the pending Merger, some of our clients, vendors or other third parties may react unfavorably, including by delaying or deferring decisions concerning their business relationships or transactions with us, which could adversely affect our revenues, earnings, cash flows and expenses, regardless of whether the Merger is completed. In addition, we are subject to certain restrictions in the Merger Agreement on the conduct of our business prior to completing the Merger, which may affect our ability to execute certain of our business strategies, including the ability in certain cases to pursue certain strategic transactions, undertake significant capital projects or undertake certain significant financing transactions. Such limitations could adversely affect our business and operations prior to the completion of the Merger. In addition, the pendency of the Merger may make it more difficult for us to effectively retain and incentivize key personnel and may cause distractions from our strategy and day-to-day operations for our current employees and management.

We expect to incur substantial transaction fees and Merger-related costs in connection with the Merger that could adversely affect our business and operations if the Merger is not completed.

We expect to incur non-recurring transaction fees, which include legal and advisory fees and substantial Merger-related costs associated with completing the Merger, some of which are payable by us regardless of whether or not the Merger is completed, and which could adversely affect our business and operations if the Merger is not completed.

The Merger Agreement may limit our ability to pursue alternatives to the Merger and may discourage other companies from trying to acquire Greenhill.

The Merger Agreement contains covenants restricting us from, directly or indirectly, initiating, soliciting, proposing, knowingly encouraging, knowingly inducing or knowingly facilitating any competing acquisition proposals, engaging in any discussions or negotiations with any person relating to any competing acquisition proposal, or providing any confidential or nonpublic information or data to any person relating to any competing acquisition proposal, subject to certain limited exceptions. In addition, subject to certain exceptions, our Board of Directors was required to recommend that our stockholders adopt the Merger Agreement. Our shareholders approved the Merger on August 16, 2023. The Merger Agreement also provides that, if the Merger Agreement is terminated under certain circumstances, we will be required to pay Mizuho Americas a termination fee of $15,380,000 in cash. These provisions could discourage a potential third-party acquiror or merger partner that might have an interest in acquiring all or a significant portion of Greenhill or pursuing an alternative transaction from considering or proposing such a transaction.

Litigation relating to the Merger could prevent or delay the completion of the Merger or otherwise negatively affect our business and operations.

Following the announcement of the Merger, five complaints (the "Complaints") were filed by purported stockholders of Greenhill against Greenhill and the members of our Board of Directors, captioned *O'Neill* v. *Greenhill & Co, Inc. et al.*, No. 1:23-cv-00807 (D. Del.); *Levy* v. *Bok et al.*, No. 611692/2023 (N.Y. Sup. Ct. Nassau Cnty.); *Lambert* v. *Bok et al.*, No. 653497/2023 (N.Y. Sup. Ct. New York Cnty.); *Finger* v. *Greenhill & Co, Inc., et al.*, No. 653570/2023 (N.Y. Sup. Ct. New York Cnty.); and O'Dell v. Greenhill & Co., Inc., et al., No. 1:23-cv-06020 (S.D.N.Y.). In addition, we received demand letters from counsel representing purported individual stockholders of Greenhill (the "Demand Letters" and, together with the "Complaints," the "Matters"). The Matters allege, among other things, that the defendants caused a materially incomplete and misleading proxy statement relating to the Merger to be filed with the SEC in violation of Sections 14(a) and 20(a) of the Exchange Act and/or in breach of their obligations under state law. The Matters sought, among other remedies, an injunction barring the Merger, rescissory damages in the event the Merger had been consummated, and payment of the plaintiff's costs and disbursements, including attorneys' fees and expenses. In addition, a purported stockholder of Greenhill has made a demand pursuant to Section 220 of the Delaware General Corporation Law to inspect certain books and records of Greenhill relating to the proposed Merger. We believe the claims asserted in the Matters are without merit and supplemental disclosures are not required or necessary under applicable laws. However, in order to avoid the risk that the Matters delay or otherwise adversely affect the Merger, and to minimize the costs, risks and uncertainties inherent in litigation, and without admitting any liability or wrongdoing, on August 7, 2023, we voluntarily made supplemental disclosures as described on Form 8-K to the definitive proxy statement filed by the Company on July 13, 2023. Since such disclosure three complaints were dismissed by plaintiffs (O'Dell v. Greenhill & Co., Inc., et al., No. 1:23-cv-06020 (S.D.N.Y.); O'Neill v. Greenhill & Co, Inc. et al., No. 1:23-cv-00807 (D. Del.) and; Levy v. Bok et al., No. 611692/2023 (N.Y. Sup. Ct. Nassau Cnty.)); and the plaintiff seeking an injunction barring the Merger voluntarily withdrew her application to the Court (Finger v. Greenhill & Co, Inc., et al., No. 653570/2023 (N.Y. Sup. Ct. New York Cnty.)). We are unable to predict the outcome of the ultimate resolution of the Matters, or the potential loss, if any, that may result, and additional lawsuits arising out of the Merger may also be filed in the future.

It is a condition to the parties' obligations to complete the Merger that no Restraint is in effect. If a plaintiff is successful in obtaining an injunction prohibiting the parties from completing the Merger, such an injunction may delay the consummation of the Merger in the expected timeframe, or may prevent the Merger from being consummated at all.

The Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed, which could negatively affect us.

The Merger Agreement is subject to a number of conditions which must be satisfied or waived in order to complete the Merger. These conditions to the closing of the Merger may not be satisfied in a timely manner or at all, and, accordingly, the Merger may be delayed or may not be completed. In addition, if the Merger is not completed by on or before May 22, 2024, subject to one three-month automatic extension to August 22, 2024 if any Requisite Regulatory Approval (or a Restraint) remains outstanding and all other closing conditions are satisfied (or in the case of conditions that by their terms are to be satisfied at the closing, are capable of being satisfied if the closing were to occur on such date) at the extension date (the "Termination Date"), either Greenhill or Mizuho Americas may choose not to proceed with the Merger, and the parties can mutually decide to terminate the Merger Agreement at any time. In addition, Greenhill or Mizuho Americas may elect to terminate the Merger Agreement in certain other circumstances as set forth in the Merger Agreement.

In the event the Merger Agreement is terminated by either party due to the failure of the Merger to close by the Termination Date or for any other reason, we will have incurred significant costs and will have diverted significant management focus and resources from other strategic opportunities and ongoing business activities without realizing the anticipated benefits of the Merger. Additionally, if the Merger Agreement is terminated, the market price of our common stock could decline to the extent that the current market prices reflect a market assumption that the Merger will be completed. If the Merger Agreement is terminated under certain circumstances, we may also be required to pay a termination fee of $15,380,000 to Mizuho Americas.

Furthermore, under the terms of the Merger Agreement, Mizuho Americas has agreed to refinance our existing indebtedness if the Merger has not closed by March 12, 2024 on the terms specified in the Merger Agreement. If the Merger Agreement is terminated for any reason and Mizuho Americas has not refinanced our existing indebtedness, we may not be able to refinance our indebtedness on favorable terms, or at all, and our inability to refinance our indebtedness or to do so upon attractive terms could have a material adverse effect on our liquidity and result in our inability to meet our obligations, which could have a material adverse effect on our business operations and our stock price.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated.

Completion of the Merger is conditioned on, among other things, the receipt of all Required Regulatory Approvals. If all Required Regulatory Approvals are granted, they may impose terms and conditions, limitations, obligations or costs, or place restrictions on the conduct of our or Mizuho Americas' business following the completion of the Merger or require changes to the terms of the transactions contemplated by the Merger Agreement. There can be no assurance that regulators will not impose any such conditions, limitations, obligations or restrictions and that such conditions, limitations, obligations or restrictions will not have the effect of preventing or delaying the completion of any of the transactions contemplated by the Merger Agreement, or otherwise reduce the anticipated benefits of the Merger if the Merger were consummated successfully within the expected timeframe. In addition, there can be no assurance that any such conditions, limitations, obligations or restrictions will not result in the delay or abandonment of the Merger.

Under the Merger Agreement, each of Greenhill and Mizuho Americas has agreed to use its respective reasonable best efforts to obtain the Requisite Regulatory Approvals in order to consummate the Merger and the other transactions contemplated by the Merger Agreement as soon as practicable and in any event no later than the Termination Date, including an obligation to defend against any litigation challenging the Merger. However, Mizuho Americas is not obligated to agree to any structural or behavioral remedy required by any governmental authority.

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

Issuer Purchases of Equity Securities in the third quarter 2023:

Period	Total Number of Shares Repurchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (2)
July 1 - 31	—	$0.00	—	$ 19,869,062
August 1 - 31	—	$0.00	—	$ 19,763,863
September 1 - 30	—	$0.00	—	$ 19,763,863
Total	—		—	$ 19,763,863

(1) Excludes 7,137 common stock equivalents (e.g., vesting restricted stock units) we are deemed to have repurchased in August 2023 at an average price of $14.74 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 2023, the table excludes 916,859 shares we are deemed to have repurchased at an average price of $10.84 per share from employees in conjunction with payment of withholding tax liabilities in respect of stock delivered to employees in settlement of restricted stock units.

(2) In February 2023, our Board of Directors authorized repurchases of our common stock and common stock equivalents (e.g., vesting restricted stock units) of up to $30 million for the period ending January 31, 2024. 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
10.1	Secured Promissory Note, dated August 31, 2023, between Greenhill & Co. Inc. and Mizuho Bank, Ltd. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed by Greenhill & Co., Inc. on September 1, 2023)
31.1	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.
31.2	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.
32.1**	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.
32.2**	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.
101.INS	The following materials from Greenhill's Form 10-Q Report for the quarterly period ended September 30, 2023, 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, 2023, formatted in Inline XBRL (included within the Exhibit 101 attachments).

* Management contract or compensatory plan or arrangement

** 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 9, 2023

GREENHILL & CO., INC.

By: /s/ SCOTT L. BOK
Scott L. Bok
Chairman and Chief Executive Officer

By: /s/ MARK R. LASKY
Mark R. Lasky
Chief Financial Officer