

GREENHILL & CO INC  
Form 10-Q  
August 08, 2016

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 June 30, 2016

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 (I.R.S. Employer  
of Incorporation or Organization) Identification No.)

300 Park Avenue 10022  
New York, New York (ZIP Code)  
(Address of Principal Executive Offices)

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 1, 2016, there were 29,615,265 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"). You may read and copy any document the company files at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The company's SEC filings are also available to the public from the SEC's internet site at <http://www.sec.gov>. Copies of these reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, U.S.A. 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 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. You may need to have Adobe Acrobat Reader software installed on your computer to view these documents, which are in PDF format.

## Part I. Financial Information

## Item 1. Financial Statements

## Greenhill &amp; Co., Inc. and Subsidiaries

## Condensed Consolidated Statements of Financial Condition

(in thousands except share and per share data)

	As of	
	June 30, 2016 (unaudited)	December 31, 2015
<b>Assets</b>		
Cash and cash equivalents (\$4.9 million and \$4.7 million restricted from use at June 30, 2016 and December 31, 2015, respectively)	\$63,785	\$69,962
Advisory fees receivable, net of allowance for doubtful accounts of \$0.7 million and \$0.3 million at June 30, 2016 and December 31, 2015, respectively	66,934	64,430
Other receivables	3,370	5,470
Property and equipment, net of accumulated depreciation of \$59.6 million at June 30, 2016 and \$58.5 million at December 31, 2015	9,593	9,783
Investments in merchant banking funds	3,540	3,575
Goodwill	212,317	209,024
Deferred tax asset, net	52,220	56,072
Other assets	6,958	5,522
<b>Total assets</b>	<b>\$418,717</b>	<b>\$423,838</b>
<b>Liabilities and Equity</b>		
Compensation payable	\$18,521	\$22,133
Accounts payable and accrued expenses	11,766	9,858
Current income taxes payable	13,737	19,020
Bank revolving loan payable	54,900	39,800
Bank term loans payable	22,500	33,750
Contingent obligation due selling unitholders of Cogent	15,104	13,647
Deferred tax liability	2,405	1,580
<b>Total liabilities</b>	<b>138,933</b>	<b>139,788</b>
Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 41,322,880 and 40,511,209 shares issued as of June 30, 2016 and December 31, 2015, respectively; 29,578,743 and 29,325,374 shares outstanding as of June 30, 2016 and December 31, 2015, respectively	413	405
Restricted stock units	62,584	84,969
Additional paid-in capital	732,874	697,607
Exchangeable shares of subsidiary; 257,156 shares issued as of June 30, 2016 and December 31, 2015; 32,804 shares outstanding as of June 30, 2016 and December 31, 2015	1,958	1,958
Retained earnings	104,497	109,860
Accumulated other comprehensive income (loss)	(27,445 )	(28,405 )
Treasury stock, at cost, par value \$0.01 per share; 11,744,137 and 11,185,835 shares as of June 30, 2016 and December 31, 2015, respectively	(595,791 )	(583,038 )
<b>Stockholders' equity</b>	<b>279,090</b>	<b>283,356</b>
Noncontrolling interests	694	694
<b>Total equity</b>	<b>279,784</b>	<b>284,050</b>
<b>Total liabilities and equity</b>	<b>\$418,717</b>	<b>\$423,838</b>

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

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

	For the Three Months Ended, June 30,		For the Six Months Ended, June 30,	
	2016	2015	2016	2015
Revenues				
Advisory revenues	\$90,265	\$ 72,962	\$ 156,818	\$ 134,854
Investment revenues	220	380	532	371
Total revenues	90,485	73,342	157,350	135,225
Expenses				
Employee compensation and benefits	44,110	39,604	88,616	73,021
Occupancy and equipment rental	4,879	5,482	9,550	10,342
Depreciation and amortization	791	921	1,639	1,642
Information services	2,140	2,192	4,510	4,382
Professional fees	1,749	1,767	3,258	4,159
Travel related expenses	2,958	3,405	5,774	5,659
Interest expense	802	789	1,548	1,067
Other operating expenses	3,191	3,412	6,132	7,013
Total expenses	60,620	57,572	121,027	107,285
Income before taxes	29,865	15,770	36,323	27,940
Provision for taxes	10,237	6,351	12,338	10,918
Net income allocated to common stockholders	\$ 19,628	\$ 9,419	\$ 23,985	\$ 17,022
Average shares outstanding:				
Basic	31,712,953	30,934,832	31,898,939	30,707,895
Diluted	31,712,953	31,026,098	31,898,939	30,786,714
Earnings per share:				
Basic	\$0.62	\$ 0.30	\$0.75	\$ 0.55
Diluted	\$0.62	\$ 0.30	\$0.75	\$ 0.55
Dividends declared and paid per share	\$0.45	\$ 0.45	\$0.90	\$ 0.90

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 June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net income allocated to common stockholders	\$19,628	\$9,419	\$23,985	\$17,022
Currency translation adjustment, net of tax	(3,070 )	1,793	960	(5,246 )
Comprehensive income allocated to common stockholders	\$16,558	\$11,212	\$24,945	\$11,776

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

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

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015
Common stock, par value \$0.01 per share		
Common stock, beginning of the period	\$ 405	\$ 389
Common stock issued	8	16
Common stock, end of the period	413	405
Contingent convertible preferred stock, par value \$0.01 per share		
Contingent convertible preferred stock, beginning of the period	—	14,446
Contingent convertible preferred stock canceled or converted	—	(14,446 )
Contingent convertible preferred stock, end of the period	—	—
Restricted stock units		
Restricted stock units, beginning of the period	84,969	90,107
Restricted stock units recognized, net of forfeitures	20,217	47,071
Restricted stock units delivered	(42,602 )	(52,209 )
Restricted stock units, end of the period	62,584	84,969
Additional paid-in capital		
Additional paid-in capital, beginning of the period	697,607	596,463
Common stock issued and contingently issued common stock	42,647	94,554
Contingent convertible preferred stock canceled	—	14,446
Tax (expense) from the delivery of restricted stock units	(7,380 )	(7,856 )
Additional paid-in capital, end of the period	732,874	697,607
Exchangeable shares of subsidiary		
Exchangeable shares of subsidiary, beginning of the period	1,958	1,958
Exchangeable shares of subsidiary delivered	—	—
Exchangeable shares of subsidiary, end of the period	1,958	1,958
Retained earnings		
Retained earnings, beginning of the period	109,860	141,290
Dividends	(31,002 )	(58,940 )
Tax benefit from payment of restricted stock unit dividends	1,654	1,912
Net income allocated to common stockholders	23,985	25,598
Retained earnings, end of the period	104,497	109,860
Accumulated other comprehensive income (loss)		
Accumulated other comprehensive income (loss), beginning of the period	(28,405 )	(17,969 )
Currency translation adjustment, net of tax	960	(10,436 )
Accumulated other comprehensive income (loss), end of the period	(27,445 )	(28,405 )
Treasury stock, at cost, par value \$0.01 per share		
Treasury stock, beginning of the period	(583,038 )	(571,136 )
Repurchased	(12,753 )	(11,902 )
Treasury stock, end of the period	(595,791 )	(583,038 )
Total stockholders' equity	279,090	283,356
Noncontrolling interests		

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Noncontrolling interests, beginning of the period	694	694
Distributions to noncontrolling interests	—	—
Noncontrolling interests, end of the period	694	694
Total equity	\$ 279,784	\$ 284,050

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

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

	For the Six Months Ended June 30,	
	2016	2015
Operating activities:		
Net income allocated to common stockholders	\$23,985	\$17,022
Adjustments to reconcile net income allocated to common stockholders to net cash provided by operating activities:		
Non-cash items included in net income allocated to common stockholders:		
Depreciation and amortization	1,639	1,642
Net investment (gains) losses	35	122
Restricted stock units recognized	20,217	24,667
Deferred taxes	(882)	(1,038)
Deferred gain on sale of certain merchant banking assets	—	(49)
Loss on fair value of contingent obligation	1,457	—
Changes in operating assets and liabilities:		
Advisory fees receivable	(2,504)	12,886
Other receivables and assets	665	(1,322)
Deferred tax asset, net	7,345	7,496
Compensation payable	(3,612)	(9,651)
Accounts payable and accrued expenses	1,960	(2,710)
Current income taxes payable	(5,283)	2,865
Net cash provided by operating activities	45,022	51,930
Investing activities:		
Purchases of investments	—	(21)
Distributions from investments	—	768
Purchases of property and equipment	(1,013)	(681)
Cogent acquisition	—	(45,260)
Net cash used in investing activities	(1,013)	(45,194)
Financing activities:		
Proceeds from revolving bank loan	57,329	46,450
Repayment of revolving bank loan	(42,229)	(43,300)
Proceeds from bank term loans	—	45,000
Repayment of bank term loans	(11,250)	(11,250)
Dividends paid	(31,002)	(29,393)
Purchase of treasury stock	(12,753)	(10,804)
Net tax (cost) from the delivery of restricted stock units and payment of dividend equivalents	(5,726)	(6,470)
Net cash used in financing activities	(45,631)	(9,767)
Effect of exchange rate changes on cash and cash equivalents	(4,555)	(632)
Net decrease in cash and cash equivalents	(6,177)	(3,663)
Cash and cash equivalents, beginning of period	69,962	50,940
Cash and cash equivalents, end of period	\$63,785	\$47,277
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$1,529	\$1,043
Cash paid for taxes, net of refunds	\$14,364	\$10,142

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

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Greenhill & Co., Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 — Organization

Greenhill & Co., Inc., a Delaware corporation, together with its subsidiaries (collectively, the “Company”), is a leading independent investment bank focused on providing financial and strategic advice on significant domestic and cross-border mergers and acquisitions, divestitures, restructurings, financings and capital raising and other transactions to a diverse client base, including corporations, partnerships, institutions and governments. The Company acts for clients located throughout the world from its offices located in the United States, United Kingdom, Germany, Sweden, Australia, Japan, Hong Kong, Singapore, Canada and Brazil.

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. Australia Pty Limited (“Greenhill Australia”) and Greenhill Cogent, LP (“Greenhill Cogent”).

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 is subject to regulation by the U.K. Financial Conduct Authority (“FCA”). 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”). Greenhill Cogent is engaged in capital advisory services to institutional investors principally in the United States and is registered as a broker-dealer with the SEC and FINRA. See "Note 3 — Acquisition".

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

Note 2 — Summary of Significant Accounting Policies

Basis of Financial Information

These condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP), which require management to make estimates and assumptions regarding future events that affect the amounts reported in our financial statements and these footnotes, including investment valuations, compensation accruals and other matters. Management believes that the estimates used in preparing its 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. In accordance with the accounting pronouncements related to consolidation of variable interest entities, the Company consolidates the general partners of certain merchant banking funds in which it has control. The general partners account for their investments in these merchant banking funds under the equity method of accounting. As such, the general partners record their proportionate shares of income (loss) from the underlying merchant banking funds. As the merchant banking funds follow investment company accounting, and generally record all their assets and liabilities at fair value, the general partners' investment in these merchant banking funds represents estimations of fair value. The Company does not consolidate the merchant banking funds since the Company, through its general partner and limited partner interests, does not have control as the limited partners have certain rights to remove the general partner by a simple majority vote of unaffiliated third-party investors.

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, 2015 included in the Company's Annual Report on Form 10-K filed with the SEC. The condensed consolidated financial information as of December 31, 2015 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

Advisory Revenues

It is the Company's accounting policy to recognize revenue when (i) there is persuasive evidence of an arrangement with a client, (ii) the agreed-upon services have been completed and delivered to the client or the transaction or events noted in the

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engagement letter are determined to be substantially complete, (iii) fees are fixed and determinable, and (iv) collection is reasonably assured.

The Company recognizes advisory fee revenues for mergers and acquisitions or financing advisory and restructuring engagements when the services related to the underlying transactions are completed in accordance with the terms of the engagement letter and all other requirements for revenue recognition are satisfied.

The Company recognizes capital advisory fees from primary capital raising transactions at the time of the client's acceptance of capital or capital commitments to a fund in accordance with the terms of the engagement letter. Generally, fee revenue is determined based upon a fixed percentage of capital committed to the fund. For multiple closings, revenue is recognized at each interim closing based on the amount of capital committed at each closing at the fixed fee percentage. At the final closing, revenue is recognized at the fixed percentage for the amount of capital committed since the last interim closing.

The Company recognizes capital advisory fees from secondary market transactions at the time the sale or transfer of the capital interest is completed in accordance with the terms of the engagement letter. Generally, fee revenue is determined based upon a fixed percentage of the transaction value.

While the majority of the Company's fee revenue is earned at the conclusion of a transaction or closing of a fund, on-going retainer fees, substantially all of which relate to non-success based strategic advisory and financing advisory and restructuring assignments, are also earned and recognized as advisory fee revenue over the period in which the related service is rendered.

The Company's clients reimburse certain expenses incurred by the Company in the conduct of advisory engagements. Expenses are reported net of such client reimbursements. Client reimbursements totaled \$1.3 million and \$1.2 million for the three months ended June 30, 2016 and 2015, respectively, and \$3.2 million for each of the six months ended June 30, 2016 and 2015, respectively.

#### Investment Revenues

Investment revenues consist of gains (or losses) on the Company's investments in certain merchant banking funds and interest income. The Company recognizes revenue on its investments in merchant banking funds based on its allocable share of realized and unrealized gains (or losses) reported by such funds.

#### 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 a maturity date of three months or less, when purchased, to be cash equivalents. Cash equivalents primarily consist of money market funds and overnight deposits.

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 4 — Cash and Cash Equivalents".

#### Advisory Fees Receivables

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 a bad debt expense of \$0.3 million for the three month period ended June 30, 2016 and \$0.4 million for the six month period ended June 30, 2016. The Company recorded a bad debt expense of \$0.2 million for the three month period ended June 30, 2015 and \$0.3 million for the six month period ended June 30, 2015.

Included in the advisory fees receivable balance at June 30, 2016 and December 31, 2015 were \$29.9 million and \$32.4 million, respectively, of long term receivables related to primary capital advisory engagements which are generally paid in installments over a period of three years.

Included as a component of investment revenues on the condensed consolidated statements of income is interest income related to primary capital advisory engagements of \$0.2 million for each of the three month periods ended June 30, 2016 and 2015, and \$0.4 million for each of the six month periods ended June 30, 2016 and 2015.



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

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### Investments

The Company's investments in merchant banking funds are recorded under the equity method of accounting based upon the Company's proportionate share of the estimated fair value of the underlying merchant banking fund's net assets. The value of merchant banking fund investments in privately held companies is determined by management of the fund after giving consideration to the cost of the security, the pricing of other sales of securities by the portfolio company, the price of securities of other companies comparable to the portfolio company, purchase multiples paid in other comparable third-party transactions, the original purchase price multiple, market conditions, liquidity, operating results and other qualitative and quantitative factors. Discounts may be applied to the funds' privately held investments to reflect the lack of liquidity and other transfer restrictions. Investments in publicly traded securities are valued using quoted market prices discounted for any legal or contractual restrictions on sale. Because of the inherent uncertainty of valuations as well as the discounts applied, the estimated fair values of investments in privately held companies may differ significantly from the values that would have been used had a ready market for the securities existed. The values at which the Company's investments are carried on its condensed consolidated statements of financial condition are adjusted to estimated fair value at the end of each quarter and the volatility in general economic conditions, stock markets and commodity prices may result in significant changes in the estimated fair value of the investments from period to period.

### Goodwill

Goodwill is the cost in excess of the fair value of identifiable net assets at acquisition date. The Company tests its goodwill for impairment at least annually. An impairment loss is triggered if the estimated fair value of an operating unit is less than 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 in the condensed consolidated statements of changes in equity.

### Restricted Stock Units

The Company accounts for its share-based compensation payments by recording the fair value of restricted stock units granted to employees as compensation expense. The restricted stock units are generally amortized over a five year service period following the date of grant. Compensation expense is determined based upon the fair market value of the Company's common stock at the date of grant. As the Company expenses the awards, the restricted stock units recognized are recorded within 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 as a dividend payment and a charge to equity.

### Earnings per Share

The Company calculates basic earnings per share ("EPS") by dividing net income allocated to common stockholders by the sum of (i) the weighted average number of shares outstanding for the period and (ii) the weighted average number of shares deemed issuable due to the vesting of restricted stock units for accounting purposes. See "Note 9 — Equity". The Company calculates diluted EPS by dividing net income allocated to common stockholders by the sum of (i) basic shares per above and (ii) the dilutive effect of the common stock deliverable pursuant to restricted stock units for which future service is required. Under the treasury method, the number of shares issuable upon the vesting of restricted stock units included in the calculation of diluted EPS is the excess, if any, of the number of shares expected to be issued, less the number of shares that could be purchased by the Company with the proceeds to be received upon settlement at the average market closing price during the reporting period. See "Note 10— 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.

#### 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 equity. Foreign currency transaction gains and losses are included in the condensed consolidated statements of income.

#### 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 6 — Fair Value of Financial Instruments".

#### Fair Value of Other Financial Instruments

The Company believes that the carrying values of all other financial instruments presented in the condensed consolidated statements of financial condition approximate their fair value generally due to their short-term nature and generally negligible credit risk. These fair value measurements would be categorized as Level 2 within the fair value hierarchy.

#### Noncontrolling Interests

The Company records the noncontrolling interests of other consolidated entities as equity in the condensed consolidated statements of financial condition.

The portion of the consolidated interests in the general partners of certain of the merchant banking funds not held by the Company is presented as noncontrolling interest in equity. See "Note 5 — Investments in Merchant Banking Funds".

#### 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:

Aircraft – 7 years



Equipment – 5 years

Furniture and fixtures – 7 years

Leasehold improvements – the lesser of 10 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 capital advisory services. The Company generates approximately 0% - 1% of its revenues from its remaining principal investments in merchant banking funds, which it began liquidating several years ago, and interest income.

#### Accounting Developments

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 amends the guidance in former ASC Topic 718, Compensation – Stock Compensation. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016 and the Company will adopt these amendments effective on January 1, 2017. The impact of ASU No. 2016-09 will result in an increase or a decrease to the provision for income taxes for the net tax (cost) from the delivery of restricted stock units, which under the current standard is recorded as an adjustment to retained earnings, and could be material to the results of operations and the classifications of cash flows in future periods depending upon, among other things, the level of earnings and stock price of the Company.

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU 2016-02"). ASU 2016-02 amends the guidance in former ASC 840, Leases. Management is currently evaluating the impact of the future adoption of ASU 2016-02 on the Company's consolidated financial statements. The standard is effective for public entities for annual reporting periods beginning after December 15, 2018 and the Company will adopt these amendments effective on January 1, 2019.

In May 2014, the FASB issued guidance codified in ASC 606, Revenue Recognition - Revenue from Contracts with Customers, which amends the guidance in former ASC 605, Revenue Recognition. Management is currently evaluating the impact of the future adoption of ASC 606 on the Company's consolidated financial statements. The guidance originally was scheduled to be effective for fiscal years beginning after December 15, 2016. In August 2015, the FASB issued guidance which defers the effective date of the new recognition standard by one year. The standard is effective for public entities for annual reporting periods beginning after December 15, 2017 and the Company will adopt these amendments effective on January 1, 2018 (which will be retroactively applied to the period beginning January 1, 2016).

#### Note 3 — Acquisition

On April 1, 2015, the Company acquired 100% ownership of Cogent Partners, LP and affiliates ("Cogent", now known as Greenhill Cogent) (the "Acquisition"). The Acquisition has been accounted for using the purchase method of accounting and the results of operations for Greenhill Cogent have been included in the condensed consolidated statements of income from the date of acquisition.

The total purchase price was allocated to the assets acquired and liabilities assumed based on their fair values as of April 1, 2015. The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill. The fair value of the identifiable intangible assets acquired, which consisted of Cogent's backlog of client assignments that existed at the time of the closing of the Acquisition, customer relationships, and trade name, has been included in other assets, net of amortization, on the condensed consolidated statement of financial condition. The fair value of the identifiable intangible assets is being amortized on a straight-line basis over the estimated remaining useful life of each asset over periods ranging between one to three years. For the three and six months ended June 30, 2016, the Company recorded amortization expense of \$0.1 million and \$0.3 million, respectively, in respect of these assets. For the three and six months ended June 30, 2015, the Company recorded amortization expense of \$0.2 million in respect of these assets.

In connection with the Acquisition, the Company agreed to pay to the sellers in the future \$18.9 million in cash and 334,048 shares of Greenhill common stock if certain agreed revenue targets are achieved (the "Earnout"). The

payment for the Earnout will be made if Greenhill Cogent achieves a revenue target during either the two year period ending on the second anniversary of the closing or the two year period ending on the fourth anniversary of the closing. If the revenue target is achieved, the contingent consideration will be paid on the second or fourth anniversary date of the closing, as applicable. If the revenue target is achieved during both Earnout periods, only one payment will be made at the end of the first Earnout period. If the revenue target is not achieved during either of the two year Earnout periods, a payment will not be made. The fair value of the contingent cash consideration was valued on the date of the Acquisition at \$13.1 million and is remeasured quarterly based on a probability weighted present value discount that the revenue target may be achieved. For the three and six months ended June 30, 2016, the

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fair value of the contingent consideration increased by \$1.1 million and \$1.5 million, respectively, based on changes in the estimated probability of achievement and present value of the remaining term. For the three and six months ended June 30, 2015, no change was recorded in the fair value of the contingent consideration. See "Note 6 — Fair Value of Financial Instruments".

Set forth below are the Company's summary unaudited pro forma results of operations for the six months ended June 30, 2015, which includes the historical results of the Company and Cogent and gives effect to the Acquisition as if it had occurred on January 1, 2015. These pro forma results include the actual results of Cogent from January 1, 2015 through March 31, 2015. For the period April 1, 2015 through June 30, 2015, Cogent's results were included in the consolidated results of the Company.

	For the Six Months Ended June 30,  2015 (in millions, except per share amounts) (unaudited) (pro forma)
Revenues	\$ 145.7
Income before taxes	29.8
Net income allocated to common stockholders	18.2
Diluted earnings per share	\$ 0.59

The unaudited pro forma results of operations do not purport to represent what the Company's results of operations would actually have been had the Acquisition occurred on January 1, 2015, or to project the Company's results of operations for any future period. Actual future results may vary considerably based on a variety of factors beyond the Company's control.

The pro forma results include (i) compensation and benefits expense based upon a ratio of compensation to total revenues of 54%, which was the actual compensation ratio used by the Company in the pro forma period presented, (ii) the amortization of identifiable intangible assets of Cogent, (iii) the estimated interest expense related to the bank term loan borrowings used to fund the Acquisition, (iv) the elimination of non-recurring revenue and expense items of Cogent which were directly attributable to the Acquisition, and (v) the estimated income tax expense related to Cogent's historical earnings, which as a result of the Acquisition, will be subject to income tax at the effective tax rate of the Company.

#### Note 4 — Cash and Cash Equivalents

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

	As of June 30, 2016 (in thousands, unaudited)	As of December 31, 2015
Cash	\$56,661	\$ 59,270



Cash equivalents	2,239	5,946
Restricted cash - deferred compensation plan	—	117
Restricted cash - letters of credit	4,885	4,629
Total cash and cash equivalents	\$63,785	\$ 69,962

The carrying value of the Company's cash equivalents approximates fair value. Cash restricted for the payout of Greenhill Australia's deferred compensation plan was distributed over a 7 year period, which ended in March 2016. A deferred compensation liability relating to the plan of \$0.1 million as of December 31, 2015 has been recorded on the condensed consolidated statements of financial condition as a component of compensation payable.

Letters of credit are secured by cash held on deposit.

#### Note 5 — Investments in Merchant Banking Funds

The Company has invested in certain previously sponsored merchant banking funds: Greenhill Capital Partners ("GCP I") and Greenhill Capital Partners II ("GCP II"), which are families of merchant banking funds. In addition, the Company has invested in Barrow Street III, a real estate investment fund ("Barrow Street").

The carrying value of the Company's investments in merchant banking funds are as follows:

	As of June 30, 2016	As of December 31, 2015
	(in thousands, unaudited)	
Investment in GCP I	\$1,105	\$ 1,105
Investment in GCP II	789	785
Investment in Barrow Street	1,646	1,685
Total investments in merchant banking funds	\$3,540	\$ 3,575

As of June 30, 2016, the Company continues to retain control of GCP I and GCP II and consolidates the results of each such general partner.

The investment in GCP I represents an interest in a previously sponsored merchant banking fund and includes \$0.1 million at each of June 30, 2016 and December 31, 2015, respectively, related to the noncontrolling interests in the managing general partner of GCP I. The investment in GCP II represents an interest in a previously sponsored merchant banking fund and includes \$0.6 million at each of June 30, 2016 and December 31, 2015, respectively, related to the noncontrolling interests in the general partner of GCP II.

At June 30, 2016, the Company had no remaining unfunded commitments.

#### Investment revenues

The Company's investment revenues, by source, are as follows:

	For the Three Months Ended June 30, 2016		For the Six Months Ended June 30, 2015	
	(in thousands, unaudited)			
Net realized and unrealized gains (losses) on investments in merchant banking funds	\$(36)	\$118	\$13	\$(122)
Interest income	256	262	519	493
Total investment revenues	\$220	\$380	\$532	\$371

#### Note 6 — Fair Value of Financial Instruments

There were no Level 1 or Level 2 assets or liabilities measured in the fair value hierarchy during the three and six month periods ended June 30, 2016 and 2015. There were no Level 3 assets measured at fair value during the three and six months ended June 30, 2016 and 2015.

The following table sets forth the measurement at fair value on a recurring basis of the contingent cash consideration due the selling unitholders of Cogent related to the Earnout. The liability arose as a result of the Acquisition on April 1, 2015 and is categorized as a Level 3 liability, which is remeasured each quarterly period based on the probability of achieving the target revenue threshold and weighted average discount rate as discussed below. See "Note 3 — Acquisition".



Liabilities Measured at Fair Value on a Recurring Basis as of June 30, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2016
Liabilities				
Contingent obligation due selling unitholders of Cogent	\$-\$		\$ 15,104	\$ 15,104
Total	\$-\$		\$ 15,104	\$ 15,104

Liabilities

Contingent obligation due selling unitholders of Cogent	\$-\$		\$ 15,104	\$ 15,104
Total	\$-\$		\$ 15,104	\$ 15,104

Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2015
Liabilities				
Contingent obligation due selling unitholders of Cogent	\$-\$		\$ 13,647	\$ 13,647
Total	\$-\$		\$ 13,647	\$ 13,647

Liabilities

Contingent obligation due selling unitholders of Cogent	\$-\$		\$ 13,647	\$ 13,647
Total	\$-\$		\$ 13,647	\$ 13,647

Changes in Level 3 liabilities measured at fair value on a recurring basis for the three and six month periods ended June 30, 2016 are as follows:

	Total realized and unrealized gains (losses) included in Net Income	Unrealized gains (losses) included in Other Comprehensive Income	Purchases	Issues	Sales	Settlements	Closing Balance as of June 30, 2016	Unrealized gains (losses) for Level 3 liabilities outstanding at June 30, 2016
Liabilities								
Contingent obligation due selling unitholders of Cogent	\$ 14,032	\$ (1,072 )	\$ —	\$ —	\$ —	\$ —	\$ 15,104	\$ (1,072 )
Total	\$ 14,032	\$ (1,072 )	\$ —	\$ —	\$ —	\$ —	\$ 15,104	\$ (1,072 )

Liabilities

Contingent obligation due selling unitholders of Cogent	\$ 14,032	\$ (1,072 )	\$ —	\$ —	\$ —	\$ —	\$ 15,104	\$ (1,072 )
Total	\$ 14,032	\$ (1,072 )	\$ —	\$ —	\$ —	\$ —	\$ 15,104	\$ (1,072 )

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Income  
(in thousands, unaudited)

Liabilities

Contingent obligation due selling unitholders of Cogent	\$ 13,647	\$ (1,457 )	\$	—\$	—\$	—\$	—\$	—\$ 15,104	\$ (1,457 )
Total	\$ 13,647	\$ (1,457 )	\$	—\$	—\$	—\$	—\$	—\$ 15,104	\$ (1,457 )

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Changes in Level 3 liabilities measured at fair value on a recurring basis for the three and six month periods ended June 30, 2015 are as follows:

	Total realized and unrealized gains (losses) included in Comprehensive Income	Unrealized gains (losses) included in Other Comprehensive Income	Purchases	Issues	Sales	Settlements	Closing Balance as of June 30, 2015	Unrealized gains (losses) for Level 3 liabilities outstanding at June 30, 2015
Opening Balance								
Changes								
Total								

(in thousands, unaudited)

Liabilities

Contingent obligation due selling unitholders of Cogent	\$-\$	—\$	—\$ 13,144	\$	—\$	—\$	—\$ 13,144	\$	—
Total	\$-\$	—\$	—\$ 13,144	\$	—\$	—\$	—\$ 13,144	\$	—

Realized and unrealized gains (losses) are reported as a component of other operating expenses in the condensed consolidated statements of income.

The following table presents quantitative information about the significant unobservable inputs utilized by the Company in the fair value measure of Level 3 liabilities measured at fair value on a recurring basis, as of June 30, 2016:

	Fair Value as of June 30, 2016	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Liabilities				
Contingent obligation due selling unitholders of Cogent	\$ 15,104	Present value of expected payments	Discount rate Forecast revenue	12 % (a)

(a) The Company's estimate of contingent consideration as of June 30, 2016 was principally based on the acquired business' actual and projected revenue generation for the periods from April 1, 2015 through March 31, 2017 and April 1, 2017 through March 31, 2019.

Valuation Processes - Level 3 Measurements - The Company utilizes a valuation technique based on a present value method applied to the probability of achieving a range of potential revenue outcomes. The valuation was conducted by the Company. The Company updates unobservable inputs each reporting period and has a formal process in place to review changes in fair value.

Sensitivity Analysis - Level 3 Measurements - The significant unobservable inputs used in determining fair value are the discount rate and forecast revenue information. Significant increases (decreases) in the discount rate would have resulted in a lower (higher) fair value measurement. Significant increases (decreases) in the forecast revenue information would result in a higher (lower) fair value measurement. For all significant unobservable inputs used in the fair value measurement of the Level 3 liabilities, a change in one of the inputs would not necessarily result in a directionally similar change in the other.

Note 7 — Related Parties

At June 30, 2016 and December 31, 2015, the Company had no amounts receivable or payable to related parties. The Company subleases airplane and office space to a firm owned by the Chairman of the Company. The Company recognized rent reimbursements of \$0.02 million for each of the three month periods ended June 30, 2016 and 2015, respectively, and \$0.04 million and \$0.03 million for the six month periods ended June 30, 2016 and 2015, respectively, which are included as a reduction of occupancy and equipment rental on the condensed consolidated statements of income.

## Note 8 — Bank Loan Facilities

At June 30, 2016, the Company had a \$70.0 million revolving bank loan facility with a U.S. banking institution to provide for working capital needs and for other general corporate purposes. In March 2016, the borrowing capacity under the revolving loan facility was increased by \$20.0 million, from \$50.0 million to \$70.0 million, and the maturity date was extended to April 30, 2017. Interest on the borrowings is based on the higher of 3.50% or the U.S. Prime Rate and is payable monthly. The weighted average daily borrowings outstanding under the revolving bank loan facility were approximately \$49.3 million and \$34.0 million for the six months ended June 30, 2016 and 2015, respectively. The weighted average interest rate was 3.50% and 3.25% for the six months ended June 30, 2016 and 2015, respectively.

In connection with the acquisition of Cogent in April 2015, the Company borrowed \$45.0 million, which was comprised of two bank term loan facilities (the "Term Loan Facilities"), each in an original principal amount of \$22.5 million. One Term Loan Facility was payable in full on April 30, 2016 (the "One Year Facility") and bore interest at the Prime Rate plus three-quarters of one percent (0.75%) per annum. In April 2016, the One Year Facility was repaid in full. The other Term Loan Facility matures on April 30, 2018 (the "Three Year Facility"), is payable in four equal semi-annual installments beginning on October 31, 2016 and bears interest at the Prime Rate plus one and one-quarter percent (1.25%) per annum, which interest rate will be reduced to the Prime Rate plus three-quarters of one percent (0.75%) per annum when the amount outstanding on the Three Year Facility is \$7.5 million or less. At June 30, 2016, the outstanding principal balance of the Three Year Facility was \$22.5 million. There are no prepayment penalties for the early repayment of either Term Loan Facility. Principal amounts repaid on the Term Loan Facilities cannot be reborrowed. The interest rate applicable to the Term Loan Facilities will never be less than four percent (4.00%) per annum. The weighted average interest rate related to the Term Loan Facilities was 4.75% and 4.25% for the six months ended June 30, 2016 and 2015, respectively.

The revolving and term loan facilities are provided by a U.S. banking institution and are secured by any cash distributed in respect of the Company's investment in the U.S. based merchant banking funds and cash distributions from G&Co and GCI. In addition, the bank loan facilities have a prohibition on the incurrence of additional indebtedness without the prior approval of the lenders and the Company is required to comply with certain financial and liquidity covenants. At June 30, 2016, the Company was compliant with all loan covenants.

## Note 9 — Equity

On June 22, 2016, a dividend of \$0.45 per share was paid to stockholders of record on June 8, 2016. For the six months ended June 30, 2016, dividend payments of \$0.90 per share were paid to stockholders. Dividends include dividend equivalents of \$4.1 million and \$3.4 million, which were paid on outstanding restricted stock units for the six months ended June 30, 2016 and 2015, respectively.

During the six months ended June 30, 2016, 805,521 restricted stock units vested and were issued as common stock of which the Company is deemed to have repurchased 306,095 shares at an average price of \$25.33 per share in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units. In addition, during the six months ended June 30, 2016, the Company repurchased in open market transactions 252,207 shares of its common stock at an average price of \$19.82 per share.

During the six months ended June 30, 2015, 762,568 restricted stock units vested and were issued as common stock of which the Company is deemed to have repurchased 312,748 shares at an average price of \$34.55 per share in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units.



## Note 10 — Earnings per Share

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

	For the Three Months Ended June 30, 2016		For the Six Months Ended June 30, 2015	
	(in thousands, except per share amounts, unaudited)			
Numerator for basic and diluted EPS — net income allocated to common stockholders	\$ 19,628	\$ 9,419	\$ 23,985	\$ 17,022
Denominator for basic EPS — weighted average number of shares	31,713	30,935	31,899	30,708
Add — dilutive effect of:				
Weighted average number of incremental shares issuable from restricted stock units	—	91	—	79
Denominator for diluted EPS — weighted average number of shares and dilutive potential shares	31,713	31,026	31,899	30,787
Earnings per share:				
Basic	\$ 0.62	\$ 0.30	\$ 0.75	\$ 0.55
Diluted	\$ 0.62	\$ 0.30	\$ 0.75	\$ 0.55

The weighted number of shares and dilutive potential shares do not include 334,048 shares of common stock, which will be issued to the selling unitholders of Cogent, on the second or fourth anniversary of the Acquisition, as the case may be, if the revenue target related to the Earnout is achieved. In the event that the revenue target is achieved, such shares will be included in the Company's share count in the period that the target is achieved. If the revenue target is not achieved on either the second or fourth anniversary, such shares of common stock will not be issued. See "Note 3 — Acquisition".

## Note 11 — Income Taxes

The Company's effective tax rate varies depending on the jurisdiction in which the income is earned. Certain foreign sourced income is taxed at a lower effective rate than U.S. income.

Under the requirements of ASC 740, the Company intends to indefinitely reinvest its non-U.S. subsidiaries earnings outside the United States and does not provide for residual U.S. tax on these earnings.

The Company believes it is more likely than not that the 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: (i) the realization of its deferred tax liabilities and (ii) 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, net of tax, in the condensed consolidated statements of changes in equity and the condensed consolidated statements of comprehensive income.

The Company's income tax returns are routinely examined by the U.S. federal, U.S. state, and international tax authorities. The Company regularly assesses its tax positions with respect to applicable income tax issues for open tax years in each respective jurisdiction in which the Company operates. As of June 30, 2016, the Company does not believe the resolution of any current ongoing income tax examinations will have a material adverse impact on the financial position of the Company.

## Note 12 — Regulatory Requirements

Certain subsidiaries of the Company are subject to various regulatory requirements in the United States, United Kingdom, 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 June 30, 2016, G&Co's net capital was \$5.8 million, which exceeded its requirement by \$5.1 million. G&Co's aggregate indebtedness to net capital ratio was 1.8 to 1 at June 30, 2016. Certain distributions and other capital withdrawals of G&Co are subject to certain notifications and restrictive provisions of the Rule.

GCI is subject to capital requirements of the FCA. Greenhill Australia is subject to capital requirements of the ASIC. Greenhill Cogent is subject to capital requirements of the SEC and the FCA. We are also subject to certain regulatory capital requirements in other jurisdictions. As of June 30, 2016, GCI, Greenhill Australia, Greenhill Cogent and our other regulated operations were in compliance with local capital adequacy requirements.

Note 13 — Subsequent Events

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

On July 21, 2016, the Board of Directors of the Company declared a quarterly dividend of \$0.45 per share. The dividend will be payable on September 21, 2016 to the common stockholders of record on September 7, 2016.

On August 4, 2016, the Company repaid the first installment of the Three Year Term Loan Facility due on October 31, 2016 of \$5.6 million.

## 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, 2015.

### 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", "expect", "plan", "anticipate", "believe", "estimate", "intend", "predict", "potential" or "continue", the negative of these words and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks outlined under "Risk Factors" in our 2015 Annual Report on Form 10-K.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot 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 and we do not undertake any obligation 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, restructurings, financings, capital raisings and other strategic transactions to a diverse client base, including corporations, partnerships, institutions and governments globally. We act for clients located throughout the world from our global offices in the United States, Australia, Brazil, Canada, Germany, Hong Kong, Japan, Singapore, Sweden, and the United Kingdom.

Our revenues are principally derived from advisory services on mergers and acquisitions (or M&A), financings and restructurings and are primarily driven by total deal volume and the size of individual transactions. Additionally, our global capital advisory group provides capital raising advisory services in the primary market for real estate funds, where revenues are driven primarily by the amount of capital raised, and in the secondary market for alternative assets, where revenue is determined based upon a fixed percentage of the transaction value.

Greenhill was 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 by recruiting talented managing directors and other senior professionals, by acquiring complementary advisory businesses and by training, developing and promoting professionals internally. We have expanded beyond merger and acquisition advisory services to include financing, restructuring and 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 five continents.

Over our 20 years as an independent investment banking firm, we have sought to opportunistically recruit new managing directors with a range of industry and transaction specialties, as well as high-level corporate and other relationships, from major investment banks, independent financial advisory firms and other institutions. We also have sought to expand our geographic reach both through recruiting managing directors in new locations and through strategic acquisitions, such as our 2006 acquisition of Beaufort Partners Limited (now Greenhill Canada) in Canada

and our 2010 acquisition of Caliburn Partnership Pty Limited (now Greenhill Australia) in Australia. Additionally, we expanded the breadth of our advisory services through the recruitment of a team of managing directors focused on real estate capital advisory services, through the hiring of managing directors to focus on financing and restructuring advisory services, and through our acquisition in 2015 of Cogent (now Greenhill Cogent), which provides advisory services related to the secondary fund placement market. 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, Hong Kong, Sweden, Brazil and Singapore. We intend to continue our efforts to recruit new managing directors

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with industry sector experience and/or geographic reach who can help expand our advisory capabilities. During the first six months of 2016, we announced the hiring of four M&A focused Managing Directors who are joining our teams in New York, Houston and Toronto and expand our coverage in the energy and chemicals sectors and the Canadian and Latin American markets.

#### Business Environment

Global economic and financial market conditions can materially affect our financial performance. See "Risk Factors" in our 2015 Annual Report on Form 10-K filed with Securities and Exchange Commission. Global deal activity was adversely affected in the first six months of 2016 due to volatility in the stock, credit and commodity markets, particularly in the first quarter of the year, and more recently as a result of the United Kingdom's vote on June 23, 2016 to leave the European Union, commonly referred to as "Brexit". For the six months ended June 30, 2016, the number of completed transactions globally decreased 11% versus the same period in the prior year, while the volume of completed transactions (reflecting the sum of all transaction sizes) decreased by 2%. The number of announced transactions globally decreased 5% during the six months ended June 30, 2016 versus the same period in the prior year, while the volume of announced transactions decreased by 20%.<sup>1</sup> Looking forward, volatility in the global economic and financial markets may persist, including repercussions of Brexit, which could impact our business. For the Firm, our revenues were \$90.5 million in the second quarter of 2016 compared to \$73.4 million in the second quarter of 2015, an increase of \$17.1 million, or 23%. For the six months ended June 30, 2016, our revenues were \$157.4 million compared to \$135.3 million in 2015, an increase of \$22.1 million, or 16%. Our revenues year to date included a diverse mix of M&A, financing, restructuring and fund placement transactions across multiple industry sectors, with a significant driver being the closing of major transactions. In terms of geographic diversity, during the first six months of 2016, our most significant transaction activity was in the U.S., the U.K and continental Europe, while we also had multiple transaction closings in Brazil despite a challenging economic and political environment. Our operating costs consist of compensation and benefits expenses, which are generally based on a percentage of revenues, and non-compensation costs, which we measure in absolute dollars due to the volatility of our revenues. For the three months ended June 30, 2016, our ratio of compensation to revenues declined significantly from its level for the first quarter of 2016 as a result of our commitment to bring down the year to date ratio to a more typical level, which resulted in a compensation ratio of 49% for the second quarter of 2016 and 56% for the six months ended June 30, 2016, or slightly higher than the same six month period in 2015. Our non-compensation costs remained relatively constant for each of the first two quarterly periods of 2016, and for the six month period ended June 30, 2016 were \$32.4 million, or \$1.9 million less than the same six month period in the prior year. As a result of our increased revenues in the second quarter of 2016 and for the six months ended June 30, 2016 as compared to the same periods in 2015, our pre-tax earnings for the three and six months ended June 30, 2016 were \$29.9 million and \$36.3 million, respectively, representing pre-tax profit margins of 33% for the second quarter of 2016 and 23% for the six months ended June 30, 2016 as compared to pre-tax profit margins of 22% for the second quarter of 2015 and 21% for the six months ended June 30, 2015.

Our second quarter 2016 net income allocated to common stockholders of \$19.6 million and diluted earnings per share of \$0.62 compare to net income allocable to common stockholders of \$9.4 million and diluted earnings per share of \$0.30 in the second quarter of 2015, which represent increases of \$10.2 million and \$0.32 per share, respectively. For the six months ended June 30, 2016, net income allocated to common stockholders was \$24.0 million, compared to \$17.0 million for the comparable period in 2015, which represents an increase of \$7.0 million, or 41%. Diluted earnings per share for the six months ended June 30, 2016 were \$0.75 compared to \$0.55 for the same period in 2015, an increase of \$0.20, or 36%.

The full impact of Brexit remains uncertain, and it is likely to take a significant period of time before the future terms of the U.K.'s relationship with the European Union are determined. The most significant potential impact on the Firm likely will relate to the impact, if any, of Brexit on transaction activity in the U.K. and continental Europe, which could impact our revenues. Further, there may be legal, regulatory and tax ramifications from Brexit, which may require changes in our organization and/or operations. In light of the focused nature of our advisory business, and the absence of trading or investing businesses, we currently do not expect the impact of Brexit to materially affect

our business.

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 throughout the year upon the successful completion of a transaction or restructuring or closing of a fund, the timing of which is uncertain and is not subject to our control. Accordingly, revenues 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.

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(1) Excludes transactions less than \$100,000 and withdrawn/canceled deals. Source: Thomson Financial as of July 25, 2016.

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## Results of Operations

### Revenues

Substantially all of our revenues are derived from fees earned in connection with advising clients on mergers, acquisitions, financings, restructurings, capital advisory transactions, or similar transactions, and are primarily driven by total deal volume, the number of transactions and the size of individual transactions. A majority of our advisory revenue is contingent upon the closing of a merger, acquisition, financing, restructuring, capital fund transaction or other advisory transaction. While fees payable upon the successful conclusion of a transaction generally represent the largest portion of our fees, we also earn on-going retainer fees, substantially all of which relate to non-success based strategic advisory and 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, in our capital advisory engagements, revenues are generated in primary capital raising transactions largely by the amount of capital raised and in secondary sale transactions primarily by the value of the interests transferred. Fees earned in primary capital raising transactions are based upon a percentage of capital committed to the fund at each interim closing and at the final closing for the amount of capital committed since the last interim closing.

We also generate a small portion of our revenues from gains (or losses) in merchant banking fund investments and interest income. Revenue recognized on investments in merchant banking funds is based on our allocable share of realized and unrealized gains (or losses) reported by such funds on a quarterly basis.

We earned \$90.5 million in revenues in the second quarter of 2016 compared to \$73.4 million in the second quarter of 2015, an increase of \$17.1 million, or 23%. The increase in revenues principally resulted from a significant increase in the number and scale of completed transaction fees, offset in part by a decrease in announcement fees and lower retainer fee revenue.

For the six months ended June 30, 2016, revenues were \$157.4 million compared to \$135.3 million in 2015, an increase of \$22.1 million, or 16%. This increase principally resulted from an increase in completed transaction fees, as well as the larger scale of the transactions that closed, offset in part by a decrease in announcement fees and lower retainer fee revenue.

Completed assignments in the second quarter of 2016 included:

• the acquisition by 3i Infrastructure plc of an interest in Wireless Infrastructure Group;

• the sale by Antin Infrastructure Partners of Antin Solar Investments to a consortium of investors comprised of Swiss Life Asset Management and Quercus Investment Partners;

• the acquisition by Ball Corporation of Rexam plc;

• the sale of Blount International Inc. to American Securities LLC and P2 Capital Partners, LLC;

• the representation of Boehringer Ingelheim GmbH on a global collaboration with AbbVie Inc.;

• the representation of Brasil/CT on a capital injection from Invest Tech;

• the sale by CorMatrix Cardiovascular Inc. of synthetic royalty and milestone rights to Ligand Pharmaceuticals Incorporated;

• the representation of Fairway Group Holdings Corp. on its pre-packaged Chapter 11 bankruptcy plan;

• the representation of Frieze Events Ltd. on a partnership with, and strategic investment by, WME IMG Global;



the sale of Heartland Payment Systems, Inc. to Global Payments Inc.;

the sale by Hortifruti S.A. of a significant minority stake to Partners Group Holding AG;

the acquisition by MANN+HUMMEL GmbH of the global filtration operations of Affinia Group Holding, Inc.;

the representation of Policard Systems e Serviços S.A. on the sale of a controlling stake and subsequent merger with the Brazilian operations of Groupe Up;

the sale by Tesco plc of its Giraffe restaurants to the Boparan Private Office; and,

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the sale by U.S. Bancorp of its majority stake in Elavon do Brasil to Stone Pagamentos, SA.

During the second quarter of 2016, our capital advisory group advised real estate fund general partners on four interim closings and three final closings of primary capital commitments from institutional investors to such funds. In addition, our secondary capital advisory group (Greenhill Cogent) advised institutional investors on 25 closings of sales of limited partnership interests in secondary market transactions.

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 expenses. Operating expenses include non-compensation costs for occupancy and equipment rental, information services, professional fees, recruiting, travel and entertainment, insurance, communications, depreciation and amortization, interest expense and other operating expenses. A portion of certain costs are reimbursed by clients under the terms of client engagements and are netted against non-compensation expenses.

Our total operating expenses for the second quarter of 2016 were \$60.6 million, which compared to \$57.6 million of total operating expenses for the second quarter of 2015. This represents an increase in total operating expenses of \$3.0 million, or 5%, and principally resulted from an increase in our compensation and benefits expenses, partially offset by a decrease in non-compensation expenses, both as described in more detail below. The pre-tax profit margin for the three months ended June 30, 2016 was 33% as compared to 22% for the same period in 2015.

For the six months ended June 30, 2016, total operating expenses were \$121.0 million, compared to \$107.3 million of total operating expenses for the same period in 2015. The increase of \$13.7 million, or 13%, resulted principally from an increase in our compensation and benefits expenses, offset in part by a decrease in non-compensation expenses, both as described in more detail below. The pre-tax profit margin for the six months ended June 30, 2016 was 23% as compared to 21% for the same period in 2015.

The following table sets forth information relating to our operating expenses, which are reported net of reimbursements of certain expenses by our clients:

	For the Three Months Ended June 30, 2016		For the Six Months Ended June 30, 2015	
	2016	2015	2016	2015
	(in millions, unaudited)			
Employee compensation and benefits expenses	\$44.1	\$39.6	\$88.6	\$73.0
% of revenues	49%	54%	56%	54%
Non-compensation expenses	16.5	18.0	32.4	34.3
% of revenues	18%	24%	21%	25%
Total operating expenses	60.6	57.6	121.0	107.3
% of revenues	67%	78%	77%	79%
Total income before tax	29.9	15.8	36.3	27.9
Pre-tax profit margin	33%	22%	23%	21%
Compensation and Benefits Expenses				

Our employee compensation and benefits expenses in the second quarter of 2016 were \$44.1 million, which reflected a 49% ratio of compensation to revenues. This amount compared to \$39.6 million for the second quarter of 2015, which reflected a 54% ratio of compensation to revenues. The increase of \$4.5 million, or 11%, was principally attributable to significantly higher revenues during the period, partially offset by a lower compensation ratio as we focused on an appropriate level of compensation for the full year.

For the six months ended June 30, 2016, our employee compensation and benefits expenses were \$88.6 million, which reflected a 56% ratio of compensation to revenues. This amount compared to \$73.0 million for the same period in the prior year, which reflected a 54% ratio of compensation to revenues. The increase of \$15.6 million, or 21%, was principally attributable to higher year to date revenue and a slightly higher compensation ratio.

Although our compensation expense ratio for the six months ended June 30, 2016 was higher than the same period in the prior year and the full year 2015 rate, it declined significantly from its level of 67% in the first quarter. By year-end 2016, we expect the compensation expense ratio to decline to a level slightly lower than last year's full year rate, while at the same time providing for increased compensation for our key employees, assuming revenue for the year continues to develop as we expect. The reduction, if any, in our compensation expense ratio in future interim periods will be dependent on the timing of revenue generation from the successful completion of certain pending transactions.

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 Expenses

Our non-compensation expenses were \$16.5 million in the second quarter of 2016 compared to \$18.0 million in the second quarter of 2015, reflecting a decrease of \$1.5 million, or 8%. The decrease in non-compensation expenses principally resulted from lower occupancy costs related to reduced cost levels outside of the U.S. and the sublease of redundant Cogent space, lower travel expenses, and foreign currency gains primarily related to our Brazilian operations, offset in part by a charge for an increase in the estimated fair value of the contingent cash consideration for the Earnout. Interest expense for the quarter, included within non-compensation expenses, was \$0.8 million.

For the six months ended June 30, 2016, our non-compensation expenses were \$32.4 million compared to \$34.3 million for the same period in 2015, representing a decrease of \$1.9 million, or 5%. The decrease in non-compensation expenses principally resulted from lower occupancy costs as discussed above, lower professional fees due to the absence of transaction costs which were incurred in the first quarter of 2015 related to the Acquisition, and foreign currency gains, partially offset by incremental operating and borrowing costs related to Greenhill Cogent, which we acquired after the first quarter of 2015, and an increase in the accrued charge for the contingent cash portion of the Earnout. Interest expense for the first half of 2016, included within non-compensation expense, was \$1.5 million.

Non-compensation expenses as a percentage of revenues for the three months ended June 30, 2016 were 18% compared to 24% for the same period in 2015. Non-compensation expenses as a percentage of revenues for the six months ended June 30, 2016 were 21% compared to 25% for the same period in the prior year. The decrease in non-compensation expenses as a percentage of revenues in both the three and six month periods ended June 30, 2016 as compared to the same periods in 2015 resulted from the effect of spreading lower non-compensation costs over significantly higher revenues.

Our non-compensation expenses as a percentage of revenues can vary in any particular period as a result of a variety of factors including fluctuation in revenue amounts, changes in headcount, the amount of recruiting and business development activity, the amount of office space expansion, the amount of reimbursement of engagement-related expenses by clients, the amount of our borrowings, costs associated with acquisitions, interest rate and currency movements and other factors. Accordingly, the non-compensation expenses as a percentage of revenues in any particular period may not be indicative of the non-compensation expenses as a percentage of revenues in future periods.

#### Provision for Income Taxes

For the second quarter of 2016, the provision for income taxes was \$10.2 million, which reflected an effective tax rate of 34%. This compared to a provision for income taxes in the second quarter of 2015 of \$6.4 million, which reflected an effective tax rate of 40%. The increase in the provision for income taxes in the second quarter of 2016 as compared to the same period in the prior year was principally attributable to higher pre-tax income, partially offset by a lower

effective tax rate, which resulted from the generation of a greater proportion of earnings from lower tax rate foreign jurisdictions.

For the six months ended June 30, 2016, the provision for taxes was \$12.3 million, which reflected an effective tax rate of 34%. This compared to a provision for taxes for the six months ended June 30, 2015 of \$10.9 million, which reflected an effective tax rate of 39%. The increase in the provision for income taxes in the six months ended June 30, 2016 as compared to the same period in 2015 resulted from higher pre-tax income, partially offset by a lower effective tax rate resulting from the generation of a greater proportion of foreign source earnings as discussed 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, 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. At June 30, 2016, we had cash and cash equivalents of \$63.8 million, of which \$45.1 million was held outside the U.S. We retain our cash in financial institutions with high credit ratings and/or invest in short-term investments which are expected to provide liquidity.

We generate substantially all of our cash from advisory fees. We use our cash primarily for recurring operating expenses and the payment of dividends and non-recurring disbursements such as the repayment of debt obligations, the repurchase of shares of our common stock and the funding of leasehold improvements for the build out of office space. 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, 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 February 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. In general, we collect our accounts receivable within 60 days, except for fees generated through our primary capital advisory engagements, which are generally paid in installments over a period of three years, and certain restructuring transactions, where collections may take longer due to court-ordered holdbacks. At June 30, 2016, we had advisory fees receivable of \$66.9 million, including long-term receivables related to our primary capital advisory engagements of \$29.9 million. Our current liabilities typically 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. In February 2016, cash bonuses and accrued benefits of \$13.9 million relating to 2015 compensation were paid to our employees. In addition, during the first six months of 2016, we paid \$16.3 million related to income taxes owed principally in the U.S. and the U.K. for the year ended December 31, 2015.

To provide for working capital needs and other general corporate purposes in the U.S, we have a \$70.0 million revolving bank loan facility, which matures April 30, 2017. Historically, we have been able to extend the maturity date of the revolving bank loan facility for a new one-year period shortly before maturity of the exiting loan facility. We expect to renew the revolving bank loan facility in future periods although our ability to do so in the future is not certain. The revolving bank loan facility bears interest at the higher of the Prime Rate or 3.5%. At June 30, 2016, we had \$54.9 million outstanding under the revolving bank loan facility.

In addition, to fund the cash portion of the consideration paid for our acquisition of Cogent in April 2015, we borrowed \$45.0 million from our bank lender through two bank term loan facilities, each in an original principal amount of \$22.5 million. One term loan was paid in full prior to its maturity on April 30, 2016 and the other loan facility is payable in four equal semi-annual installments beginning on October 31, 2016. The bank term loan facilities may be prepaid without penalty but amounts prepaid may not be reborrowed. As of June 30, 2016, we had \$22.5 million outstanding related to the term loan facility with a final maturity in April 2018. On August 4, 2016, we repaid the installment due on October 31, 2016 of \$5.6 million. The interest rate applicable to the facility that matured in April 2016 was equal to the Prime Rate plus three-quarters of one percent (0.75%) per annum. The interest rate generally applicable to the bank term loan facility maturing in April 2018 is equal to the Prime rate plus one and one-quarter percent (1.25%) per annum and will be reduced to the Prime Rate plus three-quarters of one percent (0.75%) per annum when the amount outstanding on such bank term loan facility is \$7.5 million or less. The interest

rate applicable to each of the bank term loan facilities will never be less than four percent (4.00%) per annum. Both the revolving bank loan facility and the bank term loan facilities are secured by any cash distributed in respect of the Company's investment in the U.S. based merchant banking fund, cash distributions from G&Co and GCI, and advisory fees receivable of G&Co. In addition, the incurrence of additional indebtedness requires the prior approval of our lender. Further, the Company is required to comply with certain financial and liquidity covenants on a quarterly basis. At June 30, 2016, we were compliant with all loan covenants and we expect to continue to be compliant with all loan covenants in future periods.

As additional contingent consideration for the purchase of Cogent, we agreed to pay \$18.9 million in cash and issue 334,048 shares of our common stock in the future if the Earnout is achieved. The cash payment and the issuance of common shares will

be made if Greenhill Cogent achieves a revenue target of \$80.0 million during either the two-year period ending on the second anniversary of the closing (April 1, 2017) or the two year period ending on the fourth anniversary of the closing (April 1, 2019). If the revenue target is achieved, the contingent consideration will be paid on the second or fourth anniversary date of the closing, as applicable. If the revenue target is achieved during both Earnout periods, only one payment will be made at the end of the first Earnout period. If the revenue target is not achieved during either of the two year Earnout periods, a payment will not be made. Due to the uncertainty of future market conditions, we are not currently able to determine with certainty whether or not the revenue target for the period ending on the second anniversary of the Acquisition will be achieved.

Historically, we have generated significant earnings outside of the U.S. and we have repatriated a substantial portion of foreign earnings in excess of local working capital requirements and other forecast needs to the U.S. To the extent we repatriate additional foreign earnings we will be subject to incremental U.S. tax on amounts repatriated for the difference between the U.S. tax rate of 35% and the lower rate of tax paid in the foreign jurisdictions. Due to this potential incremental tax burden, it is our intention to retain our foreign earnings offshore indefinitely to reinvest in our non-U.S. operations unless circumstances change. We increased our U.S. revolving loan facility earlier this year to help balance our global cash needs. In the event we are unable to meet our U.S. cash needs with cash generated domestically, or through borrowings, we could incur additional U.S. tax on amounts repatriated. Presently, the majority of our foreign cash is held in the U.K. and Germany, which are currently subject to corporate tax rates of approximately 20% and 32%, respectively.

At June 30, 2016, we had principal investments of \$3.5 million, which consists of many small investments in our previously sponsored and other merchant banking funds. Because merchant banking funds typically invest in privately held companies, the ability of the merchant banking funds to sell or dispose of the securities they own depends on a number of factors beyond the control of the funds, including general economic and sector conditions, stock market conditions, commodity prices, and the availability of financing to potential buyers of such securities, among other issues. As a result, we consider our investments in the merchant banking funds illiquid for the short term. At June 30, 2016, we do not have any remaining commitments to fund capital calls for principal investments, and we do not intend to make any principal investments going forward.

In January 2016, our Board of Directors authorized the repurchase of up to \$75.0 million of our common stock during 2016. For the six months ended June 30, 2016, we repurchased 252,207 shares of our common stock in open market purchases and are deemed to have repurchased 306,095 shares of our common stock in connection with the cash settlement of tax liabilities incurred in respect of stock delivered to our employees in connection with the vesting of restricted stock units. In aggregate for the six months ended June 30, 2016, we repurchased 558,302 shares of common stock at an average price of \$22.84 per share (for a total cost of \$12.8 million). In addition, during the third quarter as of August 5, 2016, we repurchased 255,874 shares of our common stock and are deemed to have repurchased 13,099 shares of our common stock in connection with the cash settlement of tax liabilities incurred on the vesting of restricted stock units, or an aggregate of 268,973 common shares at an average price of \$19.55 per share for a total cost of \$5.3 million. While we expect to fund future repurchases of our common stock (if any) with operating cash flow, we are unable to predict the timing or magnitude of our share repurchases. Any future repurchases of our common stock will be dependent upon our cash flow generation and take into account the payment of dividends, repayment of the remaining bank term loan facility, potential obligations under the Earnout and other relevant factors.

Under the terms of our stock equity 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. Based upon the number of restricted stock unit grants outstanding at August 1, 2016, 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 \$35.8 million (as calculated based upon the closing share price as of August 1, 2016 of \$19.49 per share and assuming a withholding tax rate of 39%) over the next five years, of which \$8.7 million will be payable in 2017, \$8.9 million will be payable in 2018, \$8.1 million will be payable in 2019, \$7.2 million will be payable in 2020 and \$2.9 million will be payable in 2021. These amounts do not include \$0.3 million that was paid in late July 2016, which is referred to above. We will realize a corporate income tax benefit concurrently with the cash settlement



payments.

Since 2004, we have paid quarterly dividends to our shareholders and dividend equivalent payments to our employees who hold restricted stock units. Our quarterly dividend has been \$0.45 per share since 2007. For the year ended December 31, 2015, we made dividend distributions of \$58.9 million, or \$1.80 per common share and outstanding restricted stock unit. During the six months ended June 30, 2016, we made dividend distributions of \$31.0 million, or \$0.90 per common share and outstanding restricted stock unit. We have declared a dividend of \$0.45 per common share payable in September 2016. We intend to continue to pay quarterly dividends, subject to capital availability and periodic determinations that cash dividends are in the best interest of our stockholders. Future declaration and payment of dividends on our common stock is at the discretion of our Board of Directors and depends upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, obligations under our bank loan facility, potential obligations under the Earnout, contractual restrictions and other factors as our Board of Directors may deem relevant.

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While we believe that the cash generated from operations and borrowings from the revolving bank loan facility will be sufficient to meet our expected operating needs, tax obligations, bank term loan repayments, common dividend payments, share repurchases, potential obligation under the Earnout and build-out costs of new office space, we may adjust our variable expenses and other disbursements, if necessary, to meet our liquidity needs. There is no assurance that our current lender will continue to renew our revolving loan facility annually on comparable terms, and at the current borrowing amount or at all, and if it is not renewed that we would be able to obtain a new credit facility from a different lender. In that case, we could be required to promptly repatriate foreign earnings, issue additional securities, reduce operating costs or take a combination of these actions, in each case on terms which may not be favorable to us. In the event that we are not able to meet our liquidity needs, we may consider a range of financing alternatives to meet any such needs.

#### Cash Flows

In the six months ending June 30, 2016, our cash and cash equivalents decreased by \$6.2 million from December 31, 2015, including a decrease of \$4.6 million from the effect of the translation of foreign currency amounts into U.S. dollars at the quarter-end foreign currency conversion rates. We generated \$45.0 million from operating activities, which consisted of \$46.4 million from net income after giving effect to non-cash items and a net increase in working capital of \$1.4 million, principally from an increase in accounts payable and accrued expenses offset by the payment of annual bonuses and the payment of income taxes. We used \$1.0 million in investing activities to fund equipment purchases and leasehold improvements. We used \$45.6 million in financing activities, including \$11.3 million for the repayment of the bank term loan facility to finance Cogent, \$31.0 million for the payment of dividends, \$7.7 million for the repurchase of our common stock from employees in conjunction with the payment of tax liabilities in settlement of restricted stock units, \$5.0 million for open market repurchases of our common stock, and \$5.7 million of tax costs related to delivery of restricted stock units at a vesting price lower than the grant price, offset in part by the net borrowings of \$15.1 million on our revolving bank loan facility.

In the six months ending June 30, 2015, our cash and cash equivalents decreased by \$3.7 million from December 31, 2014, including a decrease of \$0.6 million from the effect of the translation of foreign currency amounts into U.S. dollars at the quarter-end foreign currency conversion rates. We generated \$51.9 million from operating activities, which consisted of \$42.4 million from net income after giving effect to non-cash items offset by a net decrease in working capital of \$9.5 million, principally from a decrease in advisory fees receivable offset by the payment of annual bonuses. We used \$45.2 million for investing activities, principally as a result of the net payment of \$45.3 million for the acquisition of Cogent, including transaction costs, and \$0.7 million for leasehold improvements, offset in part by proceeds of \$0.8 million from merchant banking fund investments. We used \$9.8 million in financing activities, including \$29.4 million for the payment of dividends, \$10.8 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 \$6.5 million of tax costs related to delivery of restricted stock units at a vesting price lower than the grant price, offset in part by the net borrowing of \$33.8 million of bank term loan facilities (\$45.0 million of bank term loans to finance Cogent, net of a repayment of \$11.3 million), and net borrowings of \$3.2 million on our revolving loan facility.

#### Off-Balance Sheet Arrangements

We do not invest in any 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.

#### Market Risk

Our investments are principally limited to short-term cash investments, which we believe do not face any material interest rate risk, equity price risk or other market risk. We maintain our cash and cash equivalents with financial institutions with high credit ratings. Although these deposits are generally not insured, management believes we are not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

We monitor the quality of our investments on a regular basis and may choose to diversify such investments to mitigate perceived market risk. Our cash and cash equivalents are denominated in U.S. dollars, Australian dollars, Canadian dollars, pound sterling, euros, yen, Swedish krona and Brazilian real, and we face foreign currency risk in our cash balances held in accounts outside the United States due to potential currency movements and the associated foreign currency translation accounting requirements. We currently do not hedge our foreign currency exposure, but we may do so if we expect we will need to fund U.S. dollar obligations with foreign currency.

In addition, the reported amounts of our advisory revenues may be affected by movements in the rate of exchange between the Australian dollar, Canadian dollar, pound sterling, euro, yen, krona and real (in which collectively 37% of our revenues for the six months ended June 30, 2016 were denominated) and the dollar, in which our financial statements are denominated. We do not currently hedge against movements in these exchange rates. We analyzed 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 historically generated a significant portion of our foreign earnings, which include the United Kingdom, Europe and Australia. During the six month period ended June 30, 2016, as compared to the same period in 2015, the value of the U.S. dollar strengthened relative to the pound sterling, and Australian dollar and remained constant with the euro. In aggregate, although there was a negative impact on our revenues in the first six months of 2016 as compared to the same period in 2015 as a result of movements in the foreign currency exchange rates, we did not deem the impact significant. 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.

#### Critical Accounting Policies and Estimates

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

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

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

#### Item 4. Controls and Procedures

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

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

## PART II -- Other Information

#### Item 1. Legal Proceedings

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

#### Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our 2015 Annual Report on Form 10-K.

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

##### Issuer Purchases of Equity Securities in the Second Quarter of 2016:

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
(1)			(1)	(2) (3)

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Apr	—	\$	—	\$ 75,000,000
May	—	—	—	75,000,000
Jun	252,207	19.82	252,207	70,000,012
Total	252,207		252,207	\$ 70,000,012

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Excludes 3,060 shares we are deemed to have repurchased in the second quarter of 2016 at an average price of (1) \$21.19 per share, or \$0.1 million, from employees in conjunction with the payment of tax liabilities in respect of stock delivered to employees in settlement of restricted stock units.

(2) Effective January 27, 2016, the Board of Directors authorized the repurchase of up to \$75,000,000 of our common stock during the period January 1, 2016 to December 31, 2016.

The value of the shares repurchased for the six months ended June 30, 2016 excludes 306,095 shares we are (3) deemed to have repurchased at an average price of \$25.33 per share, or \$7.7 million, from employees in conjunction with tax liabilities in respect of stock delivered to employees in settlement of restricted stock units.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

#### Appointment of Chief Financial Officer

On August 7, 2016, Christopher T. Grubb stepped down as Chief Financial Officer, after four years of serving in that role in addition to his client advisory activities, in order to return to a full-time focus on client advisory activities. He will serve as a Managing Director with a primary focus on restructuring advisory work.

Our Board of Directors has appointed Harold J. Rodriguez, Jr. as our new Chief Financial Officer, effective immediately. Mr. Rodriguez, 61, has served as our Chief Operating Officer since January 2012 and will retain that role. Mr. Rodriguez also serves as our Chief Compliance Officer and Treasurer and is a member of our Management Committee. Mr. Rodriguez also serves as the Chief Financial Officer of our operating subsidiaries and from November 2000 through December 2003 served as the Firm's Chief Financial Officer. Mr. Rodriguez will not receive any additional compensation in connection with this appointment.

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Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
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	Interactive data files pursuant to Rule 405 of Regulation S-T.

\* 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: August 8, 2016

GREENHILL & CO., INC.

By: /s/ SCOTT L. BOK

Scott L. Bok

Chief Executive Officer

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

Harold J. Rodriguez, Jr.

Chief Financial Officer